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URBAN POLICY INITIATIVES

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HEARINGS

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BEFORE THE

COMMITTEE ON

BANKING, HOUSING, AND URBAN AFFAIRS

UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

S. 3209

TO PROMOTE THE VITALITY OF COMMUNITIES BY ENCOURAGING COMPREHENSIVE STATE STRATEGIES OF INCREASED AND BETTER COORDINATED STATE ASSISTANCE AND STATE-INITIATED GOVERNMENTAL REFORMS, WHICH FOCUS PRIMARILY UPON THOSE COMMUNITIES EXPERIENCING DISTRESS OR DECLINE, AND BY FACILITATING THE COORDINATION OF FEDERAL ACTIONS AND ACTIVITIES TO COMPLEMENT AND ENHANCE SUCH STRATEGIES, AND FOR OTHER PURPOSES

S. 3210

TO PROVIDE FEDERAL ASSISTANCE TO ENCOURAGE COMMUNITY AND NEIGHBORHOOD ARTISTIC AND CULTURAL ACTIVITIES, TO PROMOTE SOUND URBAN DESIGN, AND TO CONTRIBUTE TO NEIGHBORHOOD CONSERVATION AND REVITALIZATION, AND FOR OTHER PURPOSES

S. 3211

TO PROVIDE ASSISTANCE FOR SPECIFIC NEIGHBORHOOD CONSERVATION AND REVITALIZATION PROJECTS, TO IMPROVE THE CAPABILITIES OF NEIGHBORHOOD ORGANIZATIONS IN PLANNING AND CARRYING OUT SUCH PROJECTS, AND FOR OTHER PURPOSES

JULY 11 AND 12, 1978

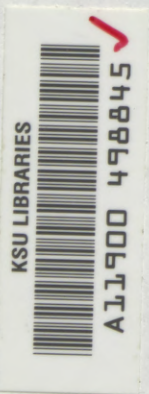
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URBAN POLICY INITIATIVES

TUESDAY, JULY 11, 1978

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 10:05 a.m. in room 5302, Dirksen Senate Office Building, Senator William Proxmire, (chairman of the committee) presiding.

Present: Senators Proxmire, Williams, Riegle, Sarbanes, and Lugar.

Also present: Senator Ernest F. Hollings.

OPENING STATEMENT OF CHAIRMAN PROXMIRE

The CHAIRMAN. The committee will come to order.

We begin hearings today on three bills proposed by the administration as part of its national urban policy.

This morning's hearing will focus primarily on S. 3209, the proposed State Community Conservation and Development Act of 1978.

Tomorrow morning, the committee will hear testimony on the other two proposals, S. 3210, the Livable Cities Act of 1978; and S. 3211, the Neighborhood Self-Help Act. These hearings have been called in order to give prompt consideration to the President's recently announced urban program.

The bill we focus on this morning, the State Community Conservation and Development Act of 1978, would authorize HUD to make grants to States to encourage the States to aid distressed or declining communities by first improving coordination and spending programs and, second, initiating fiscal and governmental reforms. The bill authorizes Federal expenditure of \$200 million in fiscal year 1979 and an additional \$200 million in fiscal year 1980.

There is no question that State governments have an important role in our Federal system, or that they are in an excellent position to guide future development within their borders, or that they can play a crucial role in aiding distressed or declining communities. There is little question that Federal programs have in the past tended to ignore the link between local and State governments, and to neglect the need for improving coordination of public investment and development activities.

Nor is there any question that we need a new partnership—with the States as active partners—to carry out a national urban policy.

But there is a question, I submit, as to whether we need a new Federal program to help State governments to help local communi-

ties. It is not clear that a limited program of financial incentives can induce the significant changes in the coordination of public investment or in the reform of fiscal and other institutional arrangements that are essential to the revitalization of declining communities. It is not evident, also, how a new incentive program would help, or how we will know whether the Federal incentive dollar is well spent. The proposed statute is general rather than specific in its provisions and there may be need for improvement.

I raise these concerns, not as a rhetorical device for registering opposition to the bill. I raise them in the context of a Federal budget that is deep in red ink, in contrast to State budgets which are still recorded in black.

Before I can support a new program of Federal grants to States to get more attention and assistance for communities that need it most, I want to be assured that the proposed new spending of \$200 million each year will purchase something of value and then I'd like to find the money from some other program which we could either reduce or kill so we won't have any additional expenditure.

OPENING STATEMENT OF SENATOR WILLIAMS

Senator WILLIAMS. Mr. Chairman, I am very pleased to participate in today's hearings on the State and Community Conservation and Development Act of 1978—a most important element of the administration's proposed urban program.

State governments have always played a dynamic role in the lives of urban communities. Cities and towns are creatures of States, and State governments set the ground rules by which communities must live.

Through their control over geographical limits, taxing authority, social services, and other local interests, State governments have a direct and lasting influence on their urban areas that probably surpasses that of the Federal Government.

Whether a State looks upon its municipalities with a beneficent gaze, an indifferent stare, or a jaundiced eye, has a profound impact on the fate of those communities and ultimately on the fortunes of the State itself.

The sad fact of State-local relations today is that far too often urban communities are the stepchildren of the States.

Sometimes they are the victims of archaic State governmental structures which have become totally inadequate to deal with 20th century urban problems.

In other cases, State policies have the effect of pitting rural, suburban, and urban interests against one another, rather than recognizing the legitimate concerns of each.

In this intergovernmental tug-of-war, the urban areas usually come out the losers.

State policies and urban needs are often incompatible.

Let me cite a few examples.

Restrictive State fiscal systems can deny municipalities the flexibility they need to seek out new revenue sources to meet pressing service demands.

States may lack adequate programs aimed at encouraging urban reinvestment, such as loan guarantee and tax abatement programs.

State mechanisms for distributing the State portion of Federal revenue sharing funds often fail to distinguish between prosperous and needy communities, thus channeling scarce resources away from those in the most distress.

These examples are just part of a much more pervasive problem.

It is clear that the question we must resolve is not whether the States should have a role in urban policy.

Rather the question is the quality of the role they already have, and the relationship of that role to a broad national program designed to combat the accelerating decay of many urban communities.

Part of the answer involves the concepts underlying the legislation we consider today.

This measure, in my judgment is a welcome and overdue effort to make States full-fledged partners with municipalities and the Federal Government in the development of a national community revitalization strategy.

Significantly, the legislation takes a positive approach by offering incentives in the form of direct Federal grants to States which undertake comprehensive strategies to aid their distressed communities, both large and small.

In offering this legislation, the administration has taken the lead in focusing public attention on a crucial, yet neglected, area of urban affairs, and in doing so has performed a valuable service.

Still, the legislation raises several questions in my own mind, and I am sure that other members of the committee share my concerns.

For one thing, I am concerned that the proposed funding level may be unequal to the task.

Substantial shifts in fund distributions within States, and the generation of new revenues will probably be required to enable States to undertake effective urban strategies.

In addition, a more progressive urban outlook among States will entail significant political costs for them.

Unless State incentive grants are sufficient to overcome the political and financial barriers to the reform of State-local relations, the program will achieve only meager results.

Besides the funding level, other questions that come to mind involve: The means of determining grant recipients; the specific uses of the grants; and the criteria States will use in determining which communities to include in their urban strategies.

To explore these and other questions, we have a most distinguished and knowledgeable group of witnesses joining us today.

I am sure that their suggestions and comments will serve the committee well in its consideration of the legislation.

I want to extend a special welcome to HUD Secretary Harris, who has approached one of the toughest Cabinet assignments with skill, energy, and dedication, and who has demonstrated such a sincere interest in revitalizing distressed communities.

I also want to call the committee's attention to the appearance of Gov. Brendan T. Byrne, of New Jersey.

Under his leadership, the State government of New Jersey has initiated a vigorous, multifaceted program to rejuvenate the State's communities, which are, unfortunately, among the most troubled in the Nation.

New Jersey's urban assistance efforts, I believe, have set a pace for other States to follow, and the Governor's insights borne of experience, will be most helpful to the committee.

The CHAIRMAN. Madam Secretary, the floor is yours, to assure me and the other members of this committee that we need this new program.

**STATEMENT OF PATRICIA ROBERTS HARRIS, SECRETARY,
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Secretary HARRIS. Mr. Chairman, members of the committee, I am very pleased to be here today to seek your support and to speak on behalf of three very important portions of the President's urban policy, the proposed State Community Conservation and Development Act, the Neighborhood Self-Help Development Act, and the Livable Cities Act.

For more years than we probably care to remember, America has been faced with what is commonly referred to as "the urban crisis." Over the years you have heard speaker after speaker describe the crisis in both fiscal and social terms—loss of industry, declining tax base, strained municipal budgets, decaying buildings, unemployment, poverty, crime, vandalism, drugs, and illiteracy, to name just a few.

Mark Twain might have said: "Everyone talks about the urban crisis, but no one does anything about it."

We now have an opportunity to do something about it.

The Carter administration has developed a national urban policy which is coherent, consistent, comprehensive, and compassionate. But it is a policy which requires more than just a commitment from the Federal Government alone. It is a commitment we all must make if we are to succeed in turning all our urban areas into the vital centers they must be, if our society is to remain healthy.

Of course, Federal assistance in the form of grants, subsidies, and loans is a major part of that commitment. Money alone is not going to end this crisis.

A cooperative effort, involving all levels of government, the private sector, and the American people, is required.

This new partnership is the heart of the administration's urban policy.

Today, I will help focus on three proposed bills which are designed to achieve this partnership.

Two of the bills seek to incorporate the help and support of the people themselves—the people who are the neighborhood and voluntary organizations. Although relatively modest in terms of the amounts of money involved, each of these bills provides an element that can make the difference between an unsuccessful urban policy and one that captures the imagination and spirit of the people who live and do business in the communities and neighborhoods we are seeking to preserve and revitalize.

One of these is the Neighborhood Self-Help Development bill. It is designed to support successful self-help organizations that have mobilized the energies of local residents and businessmen in neighborhood revitalization and housing projects. You'll notice that I stressed the word "successful." The reason is that all three of these bills are aimed at helping those organizations who are already helping themselves. We intend to fund performance, not promises.

The \$15 million provided by the Neighborhood Self-Help Development bill will assist neighborhood organizations in carrying out specific housing, economic and community development, conservation and revitalization projects—projects that supplement the activities of the local government and which are done cooperatively with local community development agencies.

The second of these endeavors to involve local people is the Livable Cities bill. It is designed to encourage the use of the arts in neighborhood revitalization activity. We see it as a stimulus for community identity, reinvestment, and preservation.

The bill provides \$20 million for grants to neighborhood organizations, nonprofit art groups and to State and local governments that incorporate art, design, and cultural elements in neighborhood revitalization and preservation projects. As set forth in the legislation, we will work closely with the National Endowment for the Arts in implementing this program.

Both bills underscore the importance of involving residents in these neighborhood projects. Any policy which attempts to rebuild neighborhood without mobilizing the energies and commitment of the people who live there is a policy doomed to repeat the mistakes of the past. The Assistant Secretary for Neighborhoods, Voluntary Associations and Consumer Protection, Geno Baroni, will be here tomorrow to discuss these bills in greater detail.

While it is essential to involve the people in the efforts to revitalize our urban areas, it is equally important to involve the State governments. States can and must play a major role to conserve and develop their communities. Without total commitment by the States, the new national urban policy will not work effectively.

To encourage State participation, the administration has introduced the State Community Conservation and Development Act of 1978. We consider this legislation to be critical to the overall success of the administration's new urban policy.

This act indicates the commitment of the Carter administration toward making this urban policy a truly national one by including the States as full partners. The Carter administration wants the States involved because they can bring so many resources to the national urban partnership: The skills and leadership of Governors and State legislators; technical assistance; their broad and deep constitutional powers; and a wide variety of financial resources.

Simply put, States play a major role in making this Nation work and the national urban policy will not work effectively without them.

An effective national urban policy includes improvements in the condition of both people and places. It requires coordination of public and private investment to provide jobs for the unemployed, opportunities for business, revenues for Government, especially for hard-pressed cities, and increased opportunity for minorities and other disadvantaged persons.

States are in an excellent position to play a leading role in the revitalization of urban America. They have a greater capacity to tax than localities, they encompass a geographic scope that empowers them to treat areawide problems and over the years they have shown a growing trend toward increased assumption of responsibility.

The State Community Conservation and Development Act recognizes the critical position that States occupy with their communities. And it offers Federal incentives which will encourage States to assist distressed communities.

Under the act, the Department of Housing and Urban Development will be able to make grants to the States to assist them in implementing State community conservation and development strategies. These strategies would include:

- An analysis of the problems and needs of the State and its communities.

- A description of actions it plans to take to institute programs of coordinated State investment and development.

- An outline of proposed governmental, structural, and fiscal reforms. The purpose of the strategies will be:

- To promote the vitality of communities by addressing existing and incipient conditions of distress or decline and inefficient or disorderly development patterns.

- To provide greater housing and employment opportunities.

- To concentrate Federal and State resources upon communities in need.

- To reduce fiscal disparities among communities.

- To increase the fiscal capacity of communities, particularly those experiencing distress.

These efforts are focused primarily on distressed communities, regardless of the reason for their distress.

I cannot tell you what the ideal strategy will look like. There is no one ideal. Every State has different problems and different kinds of communities. Every State has a different political institutional environment. What may be useful and feasible in one, may be irrelevant and politically impossible in another. However, there are some specific features of this act which I should bring to your attention.

In formulating the strategies, States would rely, to the maximum extent feasible, on information from existing State and regional planning efforts. For example, plans funded under section 701 of the Housing Act of 1954 and other planning authorities such as the Department of Commerce's Economic Development Administration's section 302 should be consulted in specifying the conditions and needs of the communities.

As I mentioned earlier, the focus of this act is on distressed or declining communities. In identifying such priority communities, the State would use factors of need such as income levels, unemployment rates, tax effort, fiscal distress, population change, economic base change, declining revenue base, poverty and dependent population, and the percentage of the population requiring public assistance. Of course, other similar relevant factors which assess the problems and needs of the State or its communities also may be used.

In addition to setting forth the proposed strategy, States would be required to meet a number of other application requirements. For example, each participating State would be required to describe the process used in the development and implementation of the strategy. That process should be a joint effort, with the involvement of the legislature, the State's communities—particularly distressed com-

munities—and State organizations of local elected officials. The State would also have to describe how the public, the private sector, and other affected entities have been, and will continue to be, involved in the development and implementation of the strategy.

The application also will include a proposed evaluation plan for judging the State's actual accomplishments each year. This plan would be used by the affected communities and the Secretary of HUD to ascertain:

One: That the State has maintained its spending level for its distressed communities.

Two: That the State is using grants made under the act only for the purpose of implementing and executing the proposed strategy.

Three: That the State has increased benefits to distressed or declining communities by an amount significantly greater than the level of the grant provided.

Four: That the State has implemented policies which serve to conserve and develop existing communities.

These and a number of other elements of the application would be evaluated in determining the overall quality of each State's proposal.

While the administration believes that this program can best be administered by the Department of Housing and Urban Development, the legislation recognizes the need for interagency coordination. Thus the Secretary would be required to consult with those Federal agencies directly concerned with the purposes of the act in establishing the criteria for the evaluation of applications and in approving strategies to receive grants.

One of the recurring concerns in this regard is the ability of a single department like HUD to work with other agencies so that their related programs are consistent with approved strategies. The Carter administration has made a real commitment in this area, and we believe that we have already demonstrated that we can so operate.

The urban policy development effort required coordination and was very constructive on the whole. The President has decided to replicate on a more formal basis, the ad hoc mechanisms established under the urban and regional policy group for the urban policy development. An Inter-Agency Coordinating Council [IACC] has been established with responsibility for assuring that urban policy programs are well-coordinated. HUD expects to receive policy guidance from the Coordinating Council and to have it reinforce and augment HUD's efforts to improve coordination of Federal programs and activities through State implementation of approved strategies.

The Inter-Agency Coordinating Council [IACC] will participate in establishing the criteria for the State selection process and will offer guidance on the government-wide implications of proposed State strategies. The IACC also will insure that the selection process is consistent with the objectives of other Federal agencies and fair to the participating States, counties, and cities.

This administration has taken the initiative from the beginning in establishing coordination and procedure-simplification as top priority goals. The proposed mechanism through which the State community incentive grant program will work is one example of our commitment to making coordination effective.

This cooperative effort on the Federal level is essential to the success of this program. We are well aware that just as Federal policies to conserve and improve communities can be thwarted by countervailing State actions and policies, so can even the most comprehensive State strategy be undermined by conflicting Federal policies and actions.

This act requires that the Secretary work with other agencies to assure that Federally assisted programs and activities directly concerned with the purposes of this act are to the maximum extent feasible, consistent with the approved State strategies.

The act would also contain a provision to allow objections to State strategies. Prior to approval of a strategy or any major modifications of it, the Secretary would give communities a reasonable opportunity to object to the approval.

It should be made clear that grants made under this act are to be used only to help States initiate and carry out their strategies. They could not be used to reduce existing levels of State assistance to distressed or declining communities.

Since specific elements of an approved strategy may require a period of time to accomplish, the funds would be released periodically to coincide with the progress being made.

This is basically the nuts and bolts of the act. And you can see the importance the Carter administration places on involving the States in the national urban policy.

Too often Federal programs have not sufficiently recognized the dependence of local government on States. Most fundamental governmental, structural, and fiscal changes in local responsibilities and capacities are State generated. Further, Federal programs have not always brought about the much needed coordination of major public investment and development activities. Indeed, Federal and State programs and actions have sometimes contributed to conditions of distress.

Certainly the time is ripe for a revitalized Federal-State partnership to meet the needs of our Nation's cities. This program reiterates the Federal commitment to cities and underscores this administration's commitment to a Federal system in which each level of government shares responsibility for meeting those needs. We believe that you share our growing recognition of the major role States can and must play to conserve and develop their communities. This act provides an important vehicle for encouraging and strengthening that role. But more fundamentally, this act will begin to assure distressed communities that the Federal Government is helping the States to help them.

This concludes my prepared statement. I would be pleased to respond to any questions you may have.

The CHAIRMAN. Thank you very much, Madam Secretary. I congratulate you on a strong, clear, emphatic expression, of why you think this program is the way to get the States involved to an extent they have not been in assisting the cities to use their expertise, their competence, their really fundamental power. They are sovereign with respect to cities, as you know.

I am concerned in the first place, of course, even though this amount may be small compared to some other programs, it still is \$200 million

and another new program that could explode into billions of dollars in the future, as I said in my opening statement, at a time when we are deeply in the red and the States are in the black. Surpluses are common among the States and, of course, the Federal Government has an overwhelming deficit.

Let me ask you, is this program, in your view, sufficiently meritorious if this was the only way you could do it, to warrant taking \$200 million from community development to push it, if you get no new money?

Secretary HARRIS. No, not to take money from a program that serves the poor and the distressed cities in order to provide another program to serve the poor and distressed cities. We have a way of looking to the poor and the distressed to finance every augmentation of service to them. I do not think that this is the way we go in meeting clear needs, to take away from already limited funding. This program stands on its own. It is—and I hesitate to use the analogy again, because more and more I'm repeating myself, but I hope not in the same situation—this is a pump-priming process. We are taking just as we—I don't know whether you ever had to use any pump. I have.

The CHAIRMAN. I'm old and you're not old enough. I'm old enough to remember the pump-priming of Franklin Roosevelt which was successful in the 1930's.

Secretary HARRIS. I'm old enough to remember the priming of a real pump whence came that notion, and I remember as a little girl seeing my grandmother pour a cup of water down the pump and as a result of pouring down that cup of water getting back gallons. That is the purpose of this program, by the use of incentive funds to prime the pump of State activity in order to secure some of those funds that have States in the black.

The CHAIRMAN. Let me ask you this. I presume you would give the same answer for any other part of your program—housing or whatever. Is there any way you could run this program either on less money or no money?

Secretary HARRIS. I do not believe so. I think this is the bare minimum that the President has requested.

The CHAIRMAN. You see, the reason I'm so concerned is I have seen what the city and State lobbies can do. They are very, very effective. They are hard to resist. This is a foot in the door. It's a new program. You know about the taxpayer revolt and about the fact that it has been visited upon the Congress and the President as well as upon the people in California and it's a real fact of life. It's something we have to be very much concerned about.

Let me say this. I can't think of anybody, frankly, in whose hands I would rather place a discretionary program like this than yours. I have great faith in you, in spite of the fact that I voted against your confirmation. I think you have demonstrated that you know how to try at least to target funds even though you have run into terrific opposition. I want to do all I can to help you achieve that target. I think you have done a superb job in that respect.

This is a very vague bill. It's hard to know who, when, how, where the assistance is going to go. I'm not sure I understand exactly how you would conduct the program if it were enacted.

Can you clarify for me the who, the what, the when, the how, of State incentives? Who will be benefited by the program in the first place? Give me an example.

Secretary HARRIS. States that devise clear operational strategies for caring for distressed areas or declining areas, will be the beneficiaries. I see that following me on this program is the Governor of Massachusetts. States which are as creative as was the State of Massachusetts in finding additional ways to meet the requirements of their land-locked distressed cities.

The CHAIRMAN. Isn't it true that a very large number of States, Governors and their legislators, would say, "We have been creative; we have tried hard to help our distressed cities." Could you really tell a majority of the States that they have not been creative enough to take part in this program? Do you envision this as a program that would help 40 States, 45 States, or one that would help 10 States in the first year?

Secretary HARRIS. I can say—and I have said under great distress and duress to a number of States—that they have not been creative. One of the most reassuring things to me, as chairperson of the Urban and Regional Policy Group, was a new concern on the part of the chief executives of a number of States that in the past had really not been interested in using their treasury and their time to deal with distressed cities of being part of a new direction of concern and funds to the States.

The CHAIRMAN. You are not unused to running into all kinds of trouble with both the States and the cities and the Congress, and you're going to run into a whale of a lot here I can see. You are sitting there with a relatively modest amount of money, but nevertheless it's important to the States and cities to get some of this and to get recognition for what they are doing. You're going to have to pick and choose among the 50 States and say which is not enough—Michigan, great; New Jersey, no way; and so forth.

Secretary HARRIS. May I say, Mr. Chairman, that on the day that I will announce the second round of the urban development action grants, I'm getting excellent training for that and I should have a good deal of insulating scar tissue. You're absolutely right, that every day I ask myself why discretionary programs are supported by this Secretary of HUD with all of the problems involved in explaining why the discretion has not been exercised in favor of somebody who has not met the standards that have been set for the program.

The CHAIRMAN. Let me ask you, what are the distressed cities? It appears that almost half of the cities of the country could be classified as distressed under the language of the bill. How would you be able to limit that?

Secretary HARRIS. We have in the bill some nine indicia that could be used in determining distress: Income levels, unemployment rates, tax effort made despite limited tax base, fiscal distress, negative population change, economic base change, negative declining revenue base—

The CHAIRMAN. That's exactly what I mean. There are so many terms there, there's no weight that's indicated for any one of them. This could be applied to just about every city I know of. Maybe there are two or three that are well enough off so they wouldn't be considered, but that would be the exception rather than the rule.

Secretary HARRIS. Well, having just come from a city just 2 weeks ago that is not defined as being a distressed city and is complaining—I told one of your colleagues yesterday it's the first time in my life that I've found Members of Congress clamoring to have their districts declared to be sick—that there are many places that do not have these indicia of distress in sufficient degree to be able to compete with places that do have indicia of distress. There is no doubt that a growing tax base city, even though it may have a pocket of poverty, does not have the need for help that a city that is, as I said earlier, landlocked, cannot annex land, that does not have people—have industry coming back to provide a revenue base. We don't have any problem determining what is distressed. We sometimes have a great deal of difficulty convincing people who want to be declared sick that we are right, but we are clear.

It's rather like a Supreme Court Justice's statement about what is obscenity. He said, "I can't define it, but I know it when I see it." We can both define it, and we know it when we see it.

The CHAIRMAN. It seems to me there are very few actions that a State could take that would not be considered eligible. There are all kinds of things that would seem to be eligible for being considered favorably in terms of the bill. When would these actions be taken? We have been told that reform takes time and that coordination does not occur overnight. What time span will you use, and how would you evaluate State performance?

Secretary HARRIS. Well, may I move back to an earlier statement? Ad hoc activity will not be sufficient. A comprehensive State strategy will be required, and again—I don't know whether Governor Dukakis is back there and I'm not his campaign manager today—but here's the "Massachusetts Growth Policy Report," which is an indication of the kind of—

The CHAIRMAN. Governor Byrne is back there and he would probably like to have you as his campaign manager.

Secretary HARRIS. Governor Byrne and I have been associated in his campaign.

Senator WILLIAMS. Governor Dukakis is here too.

The CHAIRMAN. I didn't see him. He is here.

Secretary HARRIS. Here's an example of the kind of comprehensive strategy that is now in existence. There are others, Michigan. There would have to be a comprehensive strategy for us to fund it.

The CHAIRMAN. Is the targeting of Federal assistance to cities that will need help in the bill?

Secretary HARRIS. The targeting must be done by the State comprehensive strategy. We are trying to extend the concept of targeting to the States' strategy development and as I'm sure that Governor Byrne and Governor Dukakis will tell you, this kind of targeting is currently working across the country, and we will examine the strategies in terms of their targeting to eliminate and prevent distress.

The CHAIRMAN. My time is just about up. Let me just ask one more question.

Take the other view just for a minute. Richard Nathan, for whom I'm sure you have respect as a competent economist at Brookings and an expert to the cities, has called this bill "a sop to the States. It

doesn't really bring the States into the Federal-local picture." He calls the proposed funding "a pimple on an elephant," citing a proposed \$200 million in grants as a small incentive to Governors and legislators to provide some \$60 billion of State aid to localities. He said you're seeking an unrealistic leveraging of Federal funds when you're starting with this—while that may seem to be inconsistent with my initial argument that it was too much money, or we couldn't find the money—it seems to me it's consistent with my notion that this could explode into a program of many billions of dollars.

Secretary HARRIS. Obviously, as I said at the beginning, this is the bare minimum that we should have for this program. The President has been very careful and very judicious in the funding. I will go back to my earlier analogy that the cup of water can bring up gallons out of a pump, an old country pump, and we believe that Mr. Nathan is unduly pessimistic about the encouragement and the incentive provided for what is basically Federal leadership to the States, Federal action that says:

We consider your activity in this field important enough to make a small contribution that will make your activity in this area less onerous than it would be were we not to give you these specific incentive funds.

At the same time, there is the coordination of other Federal funding consistent with the State's strategy that has a multiplier effect that Mr. Nathan did not take into consideration. If we target all of the Government funds to projects which are part of the strategy implementation we will find that this program has been augmented way beyond the provisions of the statute without any additional funding.

Yesterday with the announcement of our urban initiative program the President made in the Rose Garden, we demonstrated what can be done with the coordination of various agencies and various funding activities through the use of various Secretary discretionary funds, and that's what will take place, if indeed you enact this bill as the President has requested.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. Thank you, Mr. Chairman.

Included in my opening statement is my observation that you, Madam Secretary, came to one of the toughest cabinet positions that could be imagined in my judgment. You have approached it with great skill, energy, and dedication, and you have certainly demonstrated the most sincere interest in revitalizing the distressed communities, and having applauded you publicly for a long time, I wanted to do that one more time.

Let me ask you this. There are certain questions—many of them have been raised already—more will—about this particular discretionary approach to the Federal Government's stimulation of the States to greater activity in urban vitalization and revitalization. It's a discretionary program.

I just wonder whether a lot of the questions of who gets, and how, and how much, aren't these questions to what we raised with UDAG last year?

Secretary HARRIS. Yes, they are similar questions and I would say, Senator, that the discretion has been almost essential to the UDAG activity which—I don't know whether you will be pleased with the

announcements we have this afternoon, but I think you will—we have been able to require creativity at the local level in a way that could not have been provided with a formula.

Senator WILLIAMS. Well, I had a lot of these questions back then at the beginning of UDAG in my mind, and as I observed how you worked things through, you have stimulated the right kind of response at the local level. I would think that the same kind of stimulant applied at the State level could have a very constructive result and I support this program. I have the same questions—\$200 million—however you possibly arrived at that—how far will it go? How many States do you anticipate will be participants in that first authorization? I know that under UDAG you had certain early ideas of how far it would go and to how many cities. How do you approach the State program with the same questions of how far will it go?

Secretary HARRIS. Again, it depends on the speed and creativity of the States in coming forward with comprehensive policies. On the basis of where States are now in their planning process, in the analysis of what they could and should do for their cities, we would anticipate that we would have no more than 10 or 15 States a year.

Senator WILLIAMS. You referred to and you provided a description of what has happened in Massachusetts. I'm particularly pleased that the Governor from New Jersey is here this morning and remarkable things have been done through State initiative within that State during the last few years to bring near miraculous, vital, new, and productive activity to areas that were dormant and worse in our State. One such area is the great Meadowland with all of its commerce and industry, even recreation. This has been drawn from the resource that was there but never realized, because it was all tangled up in 15 communities. State initiatives have brought it all together in a remarkable development, and even right now Governor Byrne has indicated even more in terms of State contributions and initiatives to our metropolitan areas. So I think what is being promoted in New Jersey is a handmaiden of what is suggested here with this legislation for the new Federal partner and a new kind of effort. I applaud it.

I have no further questions at this time.

The CHAIRMAN. Senator Riegle?

Senator RIEGLE. Madam Secretary, I was interested when you observed that you thought the Senator from New Jersey would be pleased later today when your announcements are made; perhaps you said Michigan as well, and I just didn't hear it.

Secretary HARRIS. Assuming, Senator, that it is the quality and not necessarily the location that leads to a good feeling, I'm certain you, too, will feel good.

Senator RIEGLE. We have talked about the UDAG program before, and as you know, some States have had a problem, for whatever reason, in participating in the program. I have a very special concern about one city, Pontiac; we have not yet had a chance to talk about this directly but we will, because their application is one that, based on your quality standard, I know you're not going to want to miss and I don't want to miss. So hopefully you will find a way to make sure that you don't.

Leaving aside the UDAG matter, let me ask you about the three urban policy proposals you're defending here today. As I look at these

proposals, it seems to me that they say several things at once. Let's talk for a minute about the funding level on the major program here, the State incentives program.

What's your best judgment on the number of States that would be involved in splitting up the \$200 million?

Secretary HARRIS. As I indicated to Senator Williams a minute ago, on the basis of the present progress that States have made in what is basically a very complicated process—this isn't an overnight strategy development process—we would anticipate 10 to 15 States a year.

Senator RIEGLE. So if we have 10 States, we're talking about \$20 million a State. If it's 15 States, of course it gets reduced to a lower amount. This relates to the question that the chairman was raising: When the amounts for this program get scaled down so much, are they really enough to make a real difference?

Now what I'm afraid has happened is this—we have been whittled down so low on this program that I really question whether or not there's enough money there to get the job done. If you take a big State like Michigan or California or Illinois, and just provide \$15 million for the enormous urban problems in these States, I wonder if that small amount would make any difference. Will \$15 million for a large State set off the innovative State policies we need?

Secretary HARRIS. We believe it does. Certainly in States such as Michigan, which are States that have basically overall good economic base, this is an add-on, an opportunity to do something that the State would not be able to do, would not be likely to do except for this incentive program. We have found that small amounts of money can indeed leverage—small amounts of Federal money can indeed leverage—a great deal of money from other sources, not only the State money but also the better programming of Federal moneys. There's a lot that goes with this, not only this incentive to do a special part of the job which is that critical piece that the State might not be prepared to do, but also the redirection of Federal funds.

Senator RIEGLE. Well, let me say this: I am concerned that it's not enough money. In particular if you end up only reinforcing those States that have done well with urban policy, I doubt that this program will encourage substantial changes in State policies. That's not to say the States involved won't be grateful to get the additional money—I'm sure they will—but I don't think we ought to kid ourselves about setting off some kind of renaissance with that kind of funding. The President ought not to kid himself about it and you're much too much of a realist to think that yourself.

Let me ask you about another matter. The State program is basically a "top-down" program. The other program here, the neighborhood program, is what I see essentially as sort of a "bottom-up" program.

As I look through the description of the State program, I don't really see any requirement for the citizen participation or the neighborhood participation that the neighborhood self-help program is essentially based upon. I'm just wondering how I reconcile these two seemingly contradictory policies.

It seems to me that there's a great deal to be said for the "bottom-up" approach even if it doesn't fit the notions of people in the bureaucracy, whether at the State or Federal level. Given the importance

of grassroots involvement, which you recognize in the neighborhood program, shouldn't we be having some kind of citizen participation in the State program?

Secretary HARRIS. There is a provision in the statute for objection to what the State has done if, indeed, the State has come in with a plan that did not include the local community. We provide even at the national level for local community input and objections to the approval of that strategy. It is inconceivable to me that any State strategy could get as far as the Secretary without the participation of local communities and the citizens of those local communities. This has been my experience with almost every program that comes up now from the local level. We have established a habit of citizen participation.

Senator RIEGLE. So when you say here on page 13 of the bill that: "The Secretary shall afford communities a reasonable opportunity," do you use that terminology to mean the local governments? Does it mean community groups? Does it mean individual citizens? I know it could probably mean all of those things, but in practice doesn't it normally mean local governments?

Secretary HARRIS. Let me say that local governments would be one of the effective mechanisms for rendering an objection, but I cannot conceive of our sending out any kind of regulations under this program that would not provide the device by which the local government itself secures citizen participation in this program. We would probably suggest in the regulation that the States have a way of getting community input.

Senator RIEGLE. Well, this concerns me. The guidelines in this bill are vague, and they give you a lot of discretion. I, like the other Senators who have spoken, have a lot of confidence in your ability to sort that out. The problem is, you're not going to always be the Secretary. Somebody else is going to come along. Just as we have two progressive Governors here today, there are other Governors who are not progressive. As these Governors move along and somebody else takes their place, there's no guarantee that these things we have talked about are necessarily going to be done. I would feel more confident if we had some requirement that community-based people be involved with these State policies at the beginning and not at the other end, only being able to file objections.

And let me tell you what I'm basically concerned about when I ask questions about a "bottom-up" approach versus a "top-down" approach. I think it's easy for all of us here to lose sight of it. You've got a million things to attend to, as we do here in the Senate and so forth. Part of what's causing citizen discontent with government—the tax revolt and other things—is the fact that there's a sense of being removed from what's happening, from decisions that are being made, that somebody way off is deciding things for people that may or may not make sense.

It seems to me what we ought to be doing in the urban policy and social action programs is to directly involve the people who are affected by these programs, even if they have some ideas which may not be square with what you think is best. I frankly don't see that type of approach in this bill. If we're going to give the States some money, we ought to require that there be some direct role for local citizens

who are not just elected officials to be involved in this process from the beginning and not just after the fact in being able to file an objection. This gets to the philosophy of what we want to try to do in urban policy. I'm frankly more enthused about the neighborhood program because I think that if we can develop policies from the grassroots they're more apt to fit the situation. I think people's stake in the policies are then apt to be higher. And I think people will be more willing to finance these urban policies and defend them and so forth.

I would hope that you would find a way to get more local citizen involvement in this program. We are going to have to make some modifications in this bill anyway, and maybe that's one area where we can beef this legislation up.

The CHAIRMAN. Senator Lugar came in just a few minutes ago and I will give him a little time to look at the statement and I will call on Senator Sarbanes and then Senator Lugar.

Senator SARBANES. Thank you, Mr. Chairman.

Madam Secretary, is the purpose of the State program to reward and encourage further those States who have taken steps in this area or to prompt States which have taken no steps to begin to do so?

Secretary HARRIS. Let me say clearly the latter is a major goal of this legislation, to encourage States that have done nothing or have done very little to expand their concerns for the development and implementation of strategy. At the same time, however, we would wish to encourage States that have already done a great deal to move beyond where they have gone and to provide an incentive for them to do even more.

Again, with these programs that are designed to deal with problems, I do not like the concept of rewards. It's like the ice cream that people get for a tonsillectomy. It may sound good, but I would rather not have the tonsillectomy in order to get the ice cream.

I like to think of it as a means of encouraging people to encourage States and localities to do that which is essential, work with distressed areas. So we will not penalize those States that have been forward looking and have already done a good job. I hope we will provide some small incentive for them to move forward and at the same time we hope to use both their example and the incentive grants to encourage States that have been slow to move, to move with more speed.

Senator SARBANES. Well, in terms of the allocation of what is going to be a limited amount of money, would we, therefore, see most of it going to those States who have done nothing or very little in order to induce them to do something, rather than going to those States which have responded to the problems?

Secretary HARRIS. It is not either/or; it is not a matter of either more or less. One of the objective facets that exists here is that it takes States that have not moved in this area in the past some time to move to a point where they are prepared to perform.

We have said in this testimony—the President has said in his presentation of this program—that the incentive grants will be used for performance, not for promises.

So, the State strategies must not only be devised, but the States must be in an implementing posture at the time that we give the incentive grants.

The grant is there to tell them if you're prepared to implement, we have some money to help you with it, but we are not going to be funding a mere promise. So, there has to be a strategy in place that is the articulation of goals and there has to be the machinery for the achievement of those goals ready to move, only needing the small kick that we are giving it.

Senator SARBANES. What standard, if any, is used to measure the State contribution, the extent to which it is using whatever resources it has to meet these problems?

Secretary HARRIS. Well, the standard is not a formula, but certainly the standard will be the resources available to the State, that is, the tax funds of the State, with a \$10 billion surplus can do more to implement the State strategy than a State with \$500 million surplus. That certainly would be one of the standards, one of the resources. What is the level of distress that the State intends to deal with? What are the housing needs of the State?

One of the reasons we have not made any attempt to present a formula is that the needs and the problems differ from State to State. A State that has old communities which are cheek by jowl cannot provide annexation powers in its strategy to its cities because of the historic relationship of these cities to each other. They would not permit annexation.

But States that have wide-open spaces contiguous to their cities can provide annexation power, so we have to be able to tailor the requirements of the strategy to the objective conditions of the State.

This is a matter of objective analysis and of critical judgment. I don't think that it is possible to speak in any hard terms except again, as I said earlier, we know what the needs are and we know a variety of ways to meet them and we will require each strategy to deal with each of those components.

Senator SARBANES. How important is the tax burden that the citizens of the State are carrying going to be, in your judgment, with regard to the incentive grants?

Secretary HARRIS. I think this is one of the areas that bothers me most on the discretionary side. Of course, my answer to you is that it will be very important that a State which does not have the kind of tax requirement of itself, that other States have would certainly not be as competitive as a State that has taxed its citizens to the degree required to meet its needs.

That's going to be a very difficult discretionary issue for the Secretary, and I recognize it. But certainly, where there's a major tax burden already existent, which is not an unreasonable tax burden, that factor would be in my judgment a positive one in the approval of the State strategy asking for Federal help and incentives.

Senator SARBANES. One final question. Let me come back to the ice cream cone example you gave. Why should the Federal Government provide grants to State and local governments which are not pushing themselves pretty hard to meet their own problems?

Secretary HARRIS. The Federal Government under this—

Senator SARBANES. In other words, why shouldn't it be an ice cream cone? Why shouldn't the grants be an ice cream cone, rather than not be? Why should a State come in that has done an abysmal job in

terms of using its own resources to face up to its problems and say, but you know, we want to get this grant money and that will encourage us to do a lot of things. Let us have one of those grants even though there are other States that have really tried to face up to the problem and put a burden on their people to meet the difficulties of distressed communities and so forth and so on.

Secretary HARRIS. This legislation would not permit such a State under the conditions of your hypothesis to secure a grant. As I said earlier, this legislation requires the strategy which is the statement of the policy and the process by which the strategy will be implemented and requires that implementation be in place.

So what we will be doing is saying to States such as the one you hypothesized, you may have been doing nothing in the past. We will give you this grant when you begin performance, when you correct your past failures, so there will be no grants simply on the basis of a promise. There must be the implementation begun.

And the drawdowns under the grants will take place in stages in terms of performance. It will not be possible for a State to say, we're going to do X with this money and get all of the money.

It will be drawn down in stages of performance to assure that a State that has done nothing in the past now has changed its ways.

The question is, given a limited ability to fund activities, it seems to me that it is acceptable for the Federal Government to have a policy that say: We will fund those socially desirable activities that ultimately will reduce the burden of the Federal Government.

And I think that is the genius of this program, that the States put their ability to tax and to fund and to help local governments into play. It will reduce the cost to the Federal Government ultimately.

Senator SARBANES. I see my time is up. Thank you; Mr. Chairman.

The CHAIRMAN. Senator LUGAR?

Senator LUGAR. Secretary Harris, I was excited by your testimony because it seems to me that the possibilities for the States taking part in the problem that you're outlining are enormous. And I appreciate that much of the consideration of the public and of this committee over the grants—will be concerned with what sort of incentives should be offered. Or whether the States should be pushed harder through disincentives. I'm inclined to think that the program would probably be beneficial with no funding whatsoever.

In other words, maybe by eliminating the grants we can finally get to the relationships which are critical; the Federal Government is already involved in substantial funding of the State government and the local government and often on terms that State governments find obnoxious or difficult.

The exciting aspect of this, I believe, is the thought that, in some way, the Federal Government is going to give opportunities in responsible ways to Governors and legislators. Hopefully we can reallocate the division of responsibilities between governments in a more rational way. The current division has been the result of unrelated legislation designed to accomplish one thing but at the same time reorders the Federal system.

I'm not certain whether that's what is going to happen, but this is what I would hope would happen, and I assume that this is the President's intent as well as yours. There are a number of Governors

who have outlined substantial programs, who want to assume enormous responsibilities and who need to have much greater discretion in the use of Federal funds, not only those that HUD can provide, but in the use of other Federal funding as well.

As the quid pro quo of doing this, quite apart from the carrot and stick method, being the specific branch, albeit a very small one is attached to this act.

I just wanted your general reaction to whether you see any potential as this act evolves, such as some avenues of reallocation of authority, shift of authority, and likewise greater discretion generally for the States in the use of Federal moneys, which now come to them under much tighter categorical strings.

At least I would hope that that is the forerunner of a very substantial change in urban policy that contributes to strengthening the federal system.

Secretary HARRIS. Well, Senator, you've said several things with which I'm in agreement, but you've also suggested some things that cause me some problems. So, let me see if I can state what is my sense of where we ought to be going.

We believe in the Department of Housing and Urban Development and in this administration that we should have maximum discretion, at the State and local government level, under clear guidelines, to achieve the policies of this body and the administration. We have seen what can happen when Federal funds collected from everybody and designed for specific uses are given with inadequate guidelines and inadequate monitoring. Therefore, I think there will never come a time, if we care about the implementation of the policies enunciated by this body, where we can have funds allocated to anybody without the guidelines clearly stated.

Now, I would always hope to have the maximum of local discretion, because I simply don't have any sense that any central authority at anyplace in this world can plan as effectively for the local government as the local government can.

But those guidelines, those monitored guidelines, I think, must remain. What I have discovered is that everybody can agree to the need for those guidelines until some of the guidelines such as making certain we take care of the poor are made explicit.

So, I would say that I agree with you with respect to maximum local initiative and decisionmaking and not moving back one iota with respect to the enforcement of the Federal policy out of which the funding decision was made.

Senator LUGAR. I appreciate that. I think that's a good statement of your position and likewise of some grounds for disagreement as to how much give there would be in guidelines. I would have a disposition to give a great deal, and allow Governors who I think are compassionate and knowledgeable about the problems of the poor, and about the difficult housing situation, to have quite a bit more latitude.

What I'm hoping, to be truthful, is in the evolution of this urban policy as it pertains to States that this may occur.

I'm not asking for you to suggest today that all of the dikes are going to fall and rigid guidelines will disappear. But some greater degree of trust must be established with competent State planning people, with the Governors and legislators.

Conceivably, the arteries can get a little larger in terms of the flow of money, discretion, and power. At least, I see that sort of promise.

However, I don't see a good deal of promise for a program which consists of fairly small grants. Neither will work, given the burden of existing Federal regulations unless the incentives are very great.

The excitement of the President's policy, is of this potential evolution toward what is really a devolution of authority that would require, as you've aptly characterized it, some change of thought in Congress.

After all, most guidelines are formulated at some point or other in deliberations here, and many are held too rigidly.

These ideas are not creations of HUD. I want to take this moment to indicate that I see real possibilities, which I support, and at the same time indicate what I hope will be the change in the current situation.

Let me make this comment and ask for your thoughts on it: I think there are going to be real problems if you do get into trying to determine the worthy as opposed to the unworthy here, largely because allowing for the particular mood of the country, tax effort leads to all sorts of intriguing questions.

In other words, if a State is to be rewarded on the basis of raising taxes or increasing tax effort, this may run totally counter to what the people in that particular State might want at this particular time.

And it would seem to me that it would not be a good idea for the Federal Government to encourage State tax increases. On the face of it, it seems to me that this is a politically bad idea and probably not a very good idea economically either.

In other words, I would hope that your initial answer to the situation, is that you are rather indifferent. I think that you talked about ice cream, tonsillectomies, and essentially tried to keep away from rewards and penalties.

We should look for those situations that have something good in them in terms of planning and creativity, and not be terribly concerned about indices of tax effort and whether the local body politic is going up or down in that effort presently.

We should simply look for targets of opportunity, whether there can be genuine Federal cooperation with the States. We should work with those who are willing, as opposed to coercing those who do not have a specific interest. I think in highly urbanized areas, the State governments are very interested in housing and the poor, and those are probably the best partners to test this program with.

Would you have any comment about that?

Secretary HARRIS. Senator, I will tell you that any strategy that manages to do an excellent job of getting to the needs of distressed cities without increasing taxes—and indeed might do it by decreasing taxes—is not one that would have any problem, it seems to me.

But what I was referring to, in response to an earlier question, was those places which had not utilized to the fullest extent the resources located within the State to deal with State problems, seeking to shift the burden to the country at large through the Federal tax system.

I don't think that's fair. I don't think the people who are reducing their taxes in other States would consider that fair. And that's what I am referring to.

Senator LUGAR. Thank you very much.

The CHAIRMAN. Thank you, Senator Lugar, and thank you very much Madam Secretary. You did a fine job.

All right, our next two witnesses—who have been asked to come together—are the distinguished Governors of Massachusetts and New Jersey, Governor Dukakis, representing the National Governors Conference; and Gov. Brendan Byrne of New Jersey.

STATEMENTS OF GOV. MICHAEL DUKAKIS, STATE OF MASSACHUSETTS, ON BEHALF OF THE NATIONAL GOVERNORS CONFERENCE; AND BRENDAN BYRNE, GOVERNOR, STATE OF NEW JERSEY

The CHAIRMAN. Gentlemen, there are several aspects to the mechanics of this.

No. 1, because you are followed by a couple of witnesses, and as you can see the hour is late, and as your statements are rather abbreviated anyway, I am going to ask you if you can to abbreviate your statements to 10 minutes. We will run a little light for you: Green for 9 minutes, yellow for 1 minute, and red means that the advocates are off the air.

As moderator of the advocates, you know, Governor Dukakis has won a national reputation. Both Governors have won the admiration of people all over the country, and we are happy to have both you gentlemen here.

Governor DUKAKIS. Thank you, Mr. Chairman.

I will see if I can preserve that, and if I don't, turn me off. I will do the best I can to respond to any of your questions.

I think you all know, in congressional testimony over the past several months, I have tried to describe our efforts in Massachusetts to help bring stability and vitality back to our neighborhoods, downtowns, and to the economies of our older urban centers.

I have argued that, if the States are not made full partners in a national urban policy, if they're not encouraged to abandon the practice of using their public investments regulatory powers, and tax policies to subsidize the exodus of people and jobs out of our cities, then any new national urban policy is doomed to failure.

I have emphasized the tremendous potential of this essential role for the States because of the substantial powers and resources that State governments alone control.

The States, after all, administer the preponderance of public funds for such basic facilities as roads, parks, and sewers, and the States are in the best position within our Federal system to respond to disproportionate tax burdens between city and suburb, redlining in urban neighborhoods, and discriminatory zoning practices in the suburbs.

I have observed that it was the absence of a clear, straight role in the past that made our earlier efforts to help our Nation's cities less than fully successful.

We are all too familiar with the sight of vacant, urban renewal tracts, while a maze of State and—I should add—Federal policies and programs furthered the decline of adjacent neighborhoods and commercial areas, and facilitated the development of more subdivisions and shopping centers in outlying areas.

In short, if the State governments were part of the cause of our urban problems in the past—and they were—then surely they must be made part of the solution in the future.

Finally, I have outlined a series of incentives that would, to use Congressman Reuss' expression, "animate the States" to assume their fair share of responsibilities for solving cities' problems.

There was nothing new in all of this. As long ago as 1968, the National Commission on Urban Problems—better known as the Douglas commission—concluded that: "The States have tended to become forgotten members of the governmental family."

The Commission went on to suggest that, by using powers they already possessed, by assuming new authority where necessary, and in providing funds, they occupy a unique position to help bring urban areas out of confusion and to restore a genuine sense of community to our cities and their surrounding areas.

But nothing has ever been done to follow those recommendations—at least, until recently. With the notable exception of recent actions by several Governors to develop comprehensive programs of urban assistance, the role of the State has been ignored and underestimated, especially by the Federal Government.

It seems to me, Mr. Chairman, that the absence of a major State role in national urban policy cannot be tolerated any longer. If our cities are to survive, the resources of our entire Federal system must be marshaled in this effort.

The commonsense of this has been recognized by almost everyone concerned.

To bring about workable remedies for the Nation's urban ills, the U.S. Conference of Mayors has done so, the National League of Cities has also endorsed this proposal, and last winter all 50 Governors endorsed a resolution in urging a strong State role in the implementation of a national effort to help distressed areas.

This counsel has clearly prevailed. President Carter, as a former Governor, has always known that a new partnership to save urban America would be incomplete without the active participation of State government.

He is the first President to acknowledge the decisive role of the State, if an urban policy is to be successful in its implementation.

As one who worked closely with the administration and development of this proposal, I am delighted to see so many of the recommendations of the urban task force of the National Governor Association included in the proposed legislation.

The President's bill, as you know, provides flexibility; it provides the marshaling of State and Federal resources to stimulate private sector investment; the recognition that State governments can perform a valuable function in coordinating the allocation of Federal funds that pass through us; the promotion of the rehabilitation and better use of existing buildings; and the involvement of State legislatures, and local officials, and local citizens in the preparation of State strategies; and the incentive created by this program for Governors to take comprehensive planning seriously and to tie it directly to the day-to-day decisions of State agencies.

Finally, and most important. Both bills are designed to encourage two key States strategies: Public investment coordination; and fiscal and institutional reform.

In Massachusetts, we have seen the difference that the active support of State governments can make on local revitalization programs. We've established a development cabinet that provides one-stop, coordinated service for our mayors, and that has already transformed the full array of State programs from school and community college building programs to expenditures for parks, highways, and mass transit, and sewers, and housing, into integral parts of an urban revitalization program.

For the most part, we have been able to do this administratively without new laws, and without much new money. But we are spending new money, as well, for new tax incentives favoring urban locations for new jobs, for elderly housing in existing downtown and older buildings, and for a new program of State aid to Massachusetts cities and towns which my legislature, I am happy to say, just passed within the last few days, to reform distribution formulas and assume costs that in the past have plagued our older, distressed communities.

And together with a special legislative commission and almost every local government, we have developed an overall growth policy which promises the continuation of our efforts to revitalize urban communities for years to come.

Other States are doing the same—one of which is New Jersey—and I am very pleased that Governor Byrne is with us today, because his State, too, has pioneered in this effort.

However, these initiatives, and hundreds more that I have not mentioned, as good as they are, will not be sufficient to save our Nation's cities.

We know in Massachusetts, in spite of our progress, that much more needs to be done before the long-term success of our efforts is assured.

The act before you is designed to do precisely that, and not simply to reward a handful of States for the things that they have already done.

Instead, its aim should be to help those States to do more, and to encourage States that have done little or nothing to become more responsive to the problems of distressed areas.

The needs of our cities, both large and small, are great, but this effort cannot rely on the sympathies of a particular Governor. It must be systematic. And it must be made a part of the institutional working of our Federal system.

In three basic respects, however, the State Community Conservation and Development Act falls short of its promise to make State governments vital and active members of the new partnership.

First, the administration bill is designed as an administration program, really, for only a handful of States. If the President's new partnership is to make a difference to all of the Nation's cities, then it must attempt to include all of the 50 States. At least it should aspire to this goal in the short, as well as the long term.

Although the problems of our cities, large and small, deserve the highest place on our national agenda, any major program of urban assistance must also be tied to our efforts to respond to the problems of rural poverty and unemployment.

There are States that don't have many cities, but they do have distressed areas. And it seems to me they must be a part of this overall approach to the problems of the Nation.

Incentives encouraging as many States as possible to prepare comprehensive development strategies directed toward the diverse problems within each State would be far more likely to gain national support.

I might also note that this kind of State-level initiative was recommended by many of the discussion groups at the White House Conference on Balanced Growth in January.

Second, it is doubtful whether the level of funding requested in the administration's bill will be sufficient not only to entice enough States to participate, but to get these States to take on the tough job of fundamental and especially fiscal reforms.

In the aftermath of California's Proposition 13, two messages should be clear. People no longer think they're getting their money's worth from Government; they want more efficiency and more responsiveness in the delivery of public goods and services. And people will no longer tolerate the burdens—particularly of the property tax. They want property tax relief; they want property tax reform; and they want it now.

In our Federal system, the responsibility for confronting these issues will largely fall to State government. We at the State level must improve our planning, our coordination of State and Federal investments, to get the maximum return out of each of our dollars. And State governments must do more to reduce the overall burden of the property tax, and especially to reduce the fiscal disparities between affluent and distressed communities.

The CHAIRMAN. Governor, could I just interrupt for a minute?

Unfortunately, I have to leave, temporarily. I'll be back in about 15 minutes.

Senator Williams will Chair.

Governor DUKAKIS. Thank you, Mr. Chairman.

Third: If the objectives of this bill are to be achieved, it is clear to me that HUD cannot do the job alone. As the urban task force warns in its report, the responsibility for a national urban policy cannot be assigned to a single department or cabinet secretary.

HUD failed, in the past, to deliver on its mandate to save America's cities because other Federal agencies, together with their corresponding State agencies, were busy neutralizing and negating its efforts.

Though I am a strong believer in cabinet government, I in my own State have an Office of State Planning outside of any cabinet department, that reports directly to me on the day-to-day implementation of our urban strategy through every agency of State government, and in every community of the State.

I believe that something like this will be necessary to guarantee consistent, complementary decisions by all Federal agencies to help cities and to enhance better coordination of State strategies with every department of the Federal Government.

The reforms that we seek simply will not happen unless someone pushes them. And, quite frankly, whoever does the pushing has to have the political clout to cut through the interagency rivalry and bureaucratic inertia to make the new policies work.

I think the members of the committee know, Mr. Chairman, that Senator Muskie has proposed alternative legislation which builds on the foundation of this bill, and I think there are a number of proposals in that legislation that would go far toward enhancing and strengthening the purposes and goals of this legislation.

In any event, I would strongly recommend that you consider this legislation seriously; that you take seriously the importance of the State role in urban policy; and that together we put together a bill which is comprehensive, which is farreaching, and which makes a real effort to involve all of the States, not just some of them, in what is a very important set of national goals.

Thank you, Mr. Chairman.

Senator WILLIAMS [presiding]. I wonder, could we go to Governor Byrne, and then have questions later?

Welcome to you, Governor Byrne. You are certainly qualified to help us in this.

Governor BYRNE. Thank you.

If I may mark my testimony in evidence so that I will forego the privilege of reading it.

Senator WILLIAMS. We haven't heard that description of putting a full statement in the record.

Without any objection, we will put it in the record.

[The full statements of Governors Dukakis and Byrne follow:]

STATEMENT OF MICHAEL S. DUKAKIS, GOVERNOR, STATE OF MASSACHUSETTS

In Congressional testimony over the past several months, I have described our efforts in Massachusetts to help bring stability and vitality back to the neighborhoods, downtowns, and economies of our older urban centers.

I have argued that if the states are not made full partners in a national urban policy—if they are not encouraged to abandon the practices of using their public investments, regulatory powers, and tax policies to subsidize the exodus of people and jobs out of our cities—then any new national urban policy would be doomed to failure.

I have emphasized the tremendous potential of a central role for the states because of the substantial powers and resources that state governments alone control. The states administer the preponderance of public funds for such basic facilities as roads, parks, and sewers. And the states are in the best position within our federal system to respond to disproportionate tax burdens between city and suburb, redlining in urban neighborhoods, and discriminatory zoning practices in the suburbs.

I have observed that it was the absence of a clear state role in the past that made our earlier efforts to help our nation's cities less than fully successful. We are all too familiar with the sight of vacant urban renewal tracts, while a maze of state—and, I should add, federal—policies and programs furthered the decline of adjacent neighborhoods and commercial areas and facilitated the development of more sub-divisions and shopping centers in outlying areas.

In short, if state governments were part of the cause of our urban problems in the past, then surely they must be made part of the solution in the future.

And, finally, I have outlined a series of incentives that would, to use Congressman Reuss' expression, animate the states to assume their fair share of responsibilities for solving city problems.

There was nothing new in all this. As long ago as 1968, the National Commission on Urban Problems—better known as the Douglas Commission—concluded that "the states have tended to become forgotten members of the governmental family." The Commission went on to suggest that, "by using powers they already possess, by assuming new authority when necessary, and in providing funds, they occupy a unique position to help bring urban areas out of confusion and to restore a genuine sense of community to our cities and their surrounding areas."

But nothing has ever been done to follow through on these recommendations. With the notable exception of recent actions by several governors to develop comprehensive programs of urban assistance, the role of the states has been ignored and underestimated, especially by the federal government.

The absence of a major state role in national urban policy cannot be tolerated any longer. If our cities are to survive, the resources of our entire federal system must be marshaled in the effort.

But there remain a few critics who consider a role for the state a bitter pill to swallow. And not without good reason. They have witnessed first-hand the neglect and indifference with which most states viewed their urban problems until recently. For them, state government is the enemy. One observer has gone so far as to call state government a Trojan horse that must be kept out of our cities.

But this reaction is shortsighted. Rather than being a good argument for excluding the states from any role in a national urban policy, the poor performance of states as city helpers is instead the best argument for doing everything possible to encourage the states to change their ways.

The common sense of this has been recognized by almost everyone concerned with more workable remedies for the nation's urban ills. The U.S. Conference of Mayors has written that any urban policy "should suggest ways that states can be encouraged to actively support and legitimize an effective national urban policy." The National League of Cities passed a resolution supporting the "creation of federal incentives to encourage state governments to improve their capacity to deal effectively with the problems of their cities." And last winter all fifty governors endorsed a resolution urging a strong state role in the implementation of a national effort to help distressed areas.

This counsel has clearly prevailed. President Carter, as a former governor, has always known that a new partnership to save urban America would be incomplete without the active participation of state governments. He is the first President to acknowledge the decisive role of the states if an urban policy is to be successful in its implementation.

As one who worked closely with the Administration in the initiation and development of this proposal, I am delighted to see so many of the recommendations of the Urban Task Force of the National Governors' Association included in the proposed legislation. The President's bill provides:

"The flexibility to respond to a broad cross-section of growth and development problems in both large and small communities, urban and rural areas, and rapidly growing as well as stagnant and declining communities.

"The marshaling of state and federal resources to stimulate private sector investment in distressed and declining communities.

"The recognition that state governments can perform a valuable function in coordinating the allocation of federal funds passed through state agencies in accordance with a coherent development strategy.

"The promotion of the rehabilitation and better use of existing buildings.

"The involvement of state legislatures and local officials in the preparation of state strategies.

"And the incentive created by this program for governors to take comprehensive planning seriously and to tie it directly to the day-to-day decisions of state agencies.

Finally, and most important, both bills are designed to encourage two key state strategies—public investment coordination and fiscal and institutional reform.

New incentives to encourage the states to combine and direct the millions of dollars in public facility investments under their control in accordance with a well-planned development strategy will mean that the states will get out of the business of subsidizing sprawl across the nation's cornfields and into the business of stimulating private investment in distressed areas.

And new incentives would do much to encourage the states to become leaders in the reform of state-local fiscal relations at a time when the unfair burdens and penalties of the property tax are universally recognized.

In Massachusetts, we have seen the difference that the active support of state government can make on local revitalization programs, from Boston to Pittsfield, and from Lowell to Fall River.

We have established a Development Cabinet that provides one-stop, coordinated service for our mayors and that has already transformed the full array of state programs—from school and community college building programs to expenditures for parks, highways, and housing—into integral parts of an urban revitalization program. For the most part, this was accomplished administratively—without new laws and without new money.

But we are spending new money as well, for new tax incentives favoring urban locations for new jobs, for elderly housing in existing downtown buildings, and for a new program of state aid to Massachusetts cities and towns designed to reform distribution formulas and assume costs that in the past have plagued older, distressed communities.

And together with a special legislative commission and almost every local government, we have developed an overall growth policy which promises the continuation of our efforts to revitalize urban communities for years to come.

Other states have been creative and aggressive in finding ways to help their distressed communities.

New Jersey has developed model housing programs.

Minnesota has established a tax base sharing program for the Twin Cities area.

Michigan has a special local aid program for communities that accommodate regional cultural, educational, and medical facilities.

And California has the toughest anti-redlining law in the country and is now moving towards a comprehensive urban policy.

However, these initiatives and hundreds more that I have not mentioned—as good as they are—will not be sufficient to save the nation's cities. We know in Massachusetts, in spite of our progress, that much more needs to be done before the long-term success of our efforts is assured.

The State Community Conservation and Development Act, therefore, should not reward a handful of states for the things they have already done. Instead, its aim should be to help those states to do more and to encourage states that have done little or nothing to become more responsive to the problems of distressed areas.

The needs of our cities—both large and small—are great. The future of urban America depends in large part on greater assistance from state governments. This assistance cannot be isolated or sporadic. It must be comprehensive and systematic. And it cannot rely on the sympathies of a particular governor, but must be made a part of the institutional workings of our federal system.

Creating incentives for states to provide a helping hand to communities in need will move us rapidly toward the goal of a comprehensive development strategy for those communities in every state in the nation. And that is something we simply do not have today.

In three basic respects, however, the State Community Conservation and Development Act falls short of its promise to make state governments vital and active members of the New Partnership.

First, the administration bill is designed as a demonstration program for only a handful of states. If the President's New Partnership is to make a difference to all of the nation's cities, then it must include all fifty states. At least it should aspire to this goal—in the short—as well as the long-term.

As the Urban Task Force of the National Governors' Association recommended, the incentive grant program should be broadened to encourage all the states to prepare and execute comprehensive development strategies suited to the specific needs of each state.

Although the problems of our cities, large and small, deserve the highest place on our national agenda, any major program of urban assistance must also be tied to our efforts to respond to the problems of rural poverty and unemployment. We must ensure that the healthy communities of today do not become the distressed communities of tomorrow. And we must recognize that our national interests in conserving energy, protecting natural resources, and avoiding the costs of sprawl lie in reinforcing all city and town centers—whether urban, suburban, or rural.

Incentives encouraging as many states as possible to prepare comprehensive development strategies directed toward the diverse problems within each state would be far more likely to gain national support. I might also note that this kind of state level initiative was recommended by many of the discussion groups at the White House Conference on Balanced Growth in January.

Second, it is doubtful whether the level of funding requested in the administration's bill will be sufficient, not only to entice enough states to participate, but to get these states to take on the tough job of fundamental, especially fiscal, reforms.

In the aftermath of California's Proposition 13, two messages should be clear. People no longer think they are getting their money's worth from government. They want more efficiency and responsiveness in the delivery of public goods and services. And people will no longer tolerate the burdens of the property tax. They want property tax relief and reform.

In our federal system, the responsibility for confronting these issues will largely fall to state government.

But state governments must improve their planning and coordination of state and federal investments to get the maximum return out of each dollar. And state governments must do more to reduce the overall burden of the

property tax and, especially, to reduce the fiscal disparities between affluent and distressed communities. Though many states are already moving toward these objectives, all states need to plan and prepare for short- and long-term reforms now, not in the middle of a crisis.

Increased funding for this kind of essential reform will encourage many more states to come to grips with these issues.

And third, if the objectives of this bill are to be achieved, it is clear to me that HUD cannot do the job alone.

As the Urban Task Force warns in its report, the responsibility for a national urban policy cannot be assigned to a single department or cabinet secretary. HUD failed in the past to deliver on its mandate to save America's cities because other federal agencies, together with their corresponding state agencies, were busy neutralizing and negating its efforts.

Though I am a strong believer in cabinet government, I have an Office of State Planning outside any cabinet department that reports directly to me on the day-to-day implementation of our urban strategy through every agency of state government and in every community of the state.

I believe something like this will be necessary to guarantee consistent, complementary decisions by all federal agencies to help cities and to enhance better coordination of state strategies with every department of the federal government.

The reforms we all seek simply will not happen unless someone pushes them and, quite frankly, whoever does the pushing has to have the political clout to cut through interagency rivalry and bureaucratic inertia to make the new policies work.

Senator Muskie has proposed alternative legislation which builds on the solid foundation of the President's bill. And I think the Muskie legislation corrects some of the very real problems of the HUD bill.

The Secretary of Housing and Urban Development, for example, does not have the statutory authority to get the Environmental Protection Agency to redirect its efforts toward urban environmental problems. Nor can another cabinet official require the Department of Transportation to reconsider its highway construction priorities in light of urban needs.

Only the power of an office directly responsible to the President can provide that kind of muscle. The Muskie legislation would create such an office.

Such an Office of Intergovernmental Affairs will ensure that all of our national efforts to assist people and areas in need are working towards the same end, rather than at cross-purposes.

An Office of Intergovernmental Affairs will be charged with more than oversight of urban policy. It will have to be responsible for guaranteeing that one federal government program doesn't duplicate or conflict with another. The day of this kind of waste and inefficiency is over. Taxpayers and responsible government officials will no longer put up with it.

The office will also have to have the power to resolve disputes swiftly and decisively. To do so will require the regular participation of all cabinet secretaries involved with domestic policy.

And, finally, that office will be responsible for enforcement of policy directives—a difficult job but an essential one. It will handle complaints from cities and states when federal offices ignore executive orders or legislative mandates.

In short, Senate Bills 3266 and 3267 represent our best chance yet to make our full federal system work to solve many of our most pressing domestic problems.

If we are to live up to that challenge we must ensure that these new initiatives are truly national in scope, that there is enough money to cause all the states to participate, and that the policy is coordinated from the White House.

And if this legislation establishing a state role in national urban policy attains that goal, then I think we will see dramatic positive changes in communities in need all across the nation.

STATEMENT OF BRENDAN BYRNE, GOVERNOR, STATE OF NEW JERSEY

Mr. Chairman and members of the committee, I must begin by emphasizing how pleased I am that the Carter administration has included the Livable Cities Act within its urban package and that your committee is considering the potential of this small yet essential program in working to recapture and nurture the character, the ambiance and the strength of our cities and neighborhoods.

I am told that when the First Lady formally unveiled this legislation to neighborhood leaders in the Indian Treaty Room at the White House on May 23, a great deal of emphasis was placed on the melding of partnerships—partnerships which encompass the Federal Government, the States and the local communities, partnerships which call for cooperation between these Government entities and business and economic leaders, partnerships which are built upon the foundation of neighborhood and community support.

As the first chairman of the Subcommittee on the Arts, a newly created arm of the National Governors' Association's Committee on Community and Economic Development, I am particularly sensitive to the importance of State involvement in the chain of linkages and cooperative relationships necessary for the successful revitalization of our urban areas. The measure before this committee today is constructed with a certain sense of delicacy and sensitivity to these relationships, yet with the insight that without the combination of strong business support, community commitment and government endorsement, the risks inherent in the success of this venture increase.

Examples have been cited throughout the country of model projects already developed and proven in their approaches toward neighborhood revitalization. These projects have been carried out with multi-agency involvement through the cooperative efforts of State and local governments. My own State, for example, holds a number of these successful programs, one of which was described in the administration's briefing documents to this legislation—the Jersey City, New Jersey Housing Authority's tenant interior redesign and open spaces project.

On behalf of my colleagues on the National Governors' Association's Subcommittee on the Arts, we feel strongly that the success of the livable cities program is dependent on the continuation of this involvement from all sectors. I believe that in order to reawaken in our cities the diversity of ethnic and economic groups which must be involved in their own neighborhood rebirth, the success of past approaches, as well as perhaps their failures, must be shared. States are in the position to play a critical role in maximizing available resources, developing networks, offering guidance, and in serving as catalysts in a multitude of partnership arrangements to better assure the long-term value and integration of these projects into the heartbeat of our communities. It is my hope that States will be involved as fully as possible in the creation, development, interpretation and implementation of the Livable Cities Act.

ADDITIONAL STATEMENT OF BRENDAN BYRNE, GOVERNOR, STATE OF NEW JERSEY

Mr. Chairman, Senator Williams, members of the committee, it is a pleasure for me to appear before you today to comment on President Carter's urban package in general and the State incentive grant program in particular.

This national urban policy represents a long-term and long overdue commitment to the revitalization of America's urban communities. It recognizes that the Federal Government cannot accomplish the task alone. Only through a cooperative effort by Federal, State and local governments can we begin the rehabilitation of communities facing overwhelming economic and structural problems.

I wish to commend President Carter and the members of his administration, especially Secretary Harris, for the effort and commitment put into this program.

New Jersey is one of the most urbanized and complex States in this country. Approximately 89 percent of our people live in urban areas. Our density is the highest in the Nation, averaging 1,000 people per square mile.

And like other urban areas in the Northeast and North Central States, New Jersey's cities are in trouble. Unemployment is disproportionately high; housing stock is in dire need of rehabilitation; urban education systems, while showing some improvement, are still in crises; and the lack of a healthy and safe environment is driving people and industry to the suburbs. The lack of a rational, progressive, broad-based tax system has forced many larger municipalities to cut back services, contributing to further urban decay.

The President's urban program legislation recognizes the fundamental role that State governments must play in the development and maintenance of any program geared toward improving the economic health and well-being of local communities. The lack of a clear State role in previous Federal programs has hampered other urban revitalization efforts.

States are the best arm of government to respond to such issues as disproportionate tax burdens, discriminatory zoning policies and redlining, all of which contribute to the decline of urban areas. The States already possess the tools to

address many of the conditions of distress and decline which local governments are unable to resolve. They can utilize their greater technical capacity, their variety of financial resources, their greater taxing capacity, and existing State and local planning efforts.

The State incentive portion of the urban package can be an important component of a Federal response to the kinds of issues raised by Proposition 13. For example, one of the major elements of the State incentive program is the rethinking and rationalization of which levels of government should pay for which kind of services and how the revenues should be raised to pay for those services. Under the State incentive program, States could compete for funding by assuming a greater role in financing certain services which place inordinate burdens on the financing capability of local governments, like welfare, education or transportation.

In New Jersey, we have already begun to address one of the most fundamental of fiscal inequities: the property tax burden.

In 1973, the New Jersey Supreme Court ruled that the State's existing system of public school financing—a system based on local property taxes—was unconstitutional. The court said this system “failed to provide for the maintenance and support of a thorough and efficient system of free public schools for all children in the State.” The court said that disparities in school expenditures are linked ultimately to disparities in local property taxes, and they indicated that a financing system would have to be developed to move away from the State's heavy reliance on the local property tax for school support. In 1976, the New Jersey State Legislature passed an income tax to provide an equitable funding program.

The income tax reform program of 1976 was intended to pay not only for the additional costs associated with funding the new education programs mandated by the court but also to reorient the State's tax structure away from its dependence on the local property tax and provide some form of property tax relief. The additional revenues from the income tax were distributed to homeowners in the form of annual rebates (averaging \$190 per homeowner) and to municipalities in the form of revenue sharing aid. To ensure that the new program was actually a tax replacement program and not merely a new tax, the legislature imposed caps on State, county and municipal budgets, making New Jersey the first State to legally limit its own spending at all levels of government. The citizens of New Jersey ratified a constitutional amendment to dedicate the funds generated by the income tax either to local government or to schools, with the specific purpose of offsetting or reducing property taxes.

In 1978, New Jersey will pay 40 percent of all local education costs, compared to only 28 percent in 1974. Along with equalizing the taxing ability of local communities for education, the program has reduced the fiscal disparities among governments and increased the State's ability to assist local governments based on need. The enactment of the income tax and the fiscally sound image it brought to government improved the economic climate of New Jersey and enabled the State to repeal some of its more onerous business taxation laws.

In the past few years, we have begun other programs in New Jersey aimed at aiding our urban communities. These include:

1. Enactment of the qualified bond concept, which strengthened the marketability of municipal and school district bonds by pledging State aid on their repayment;
2. Passage of legislation authorizing State payment to municipalities in lieu of taxes for services to State property;
3. Enactment of legislation requiring that at least 20 percent of mortgage finance agency lower-interest mortgage loans be channeled to urban communities;
4. Enactment of one of the toughest anti-redlining laws in the country which enables neighborhoods to sue banks which consistently refuse legitimate mortgage applications;
5. Provision of grants to municipalities under the neighborhood preservation program to stabilize and revitalize urban neighborhoods;
6. Construction of more than 9,000 new housing units for senior citizens and moderate income families through the New Jersey Housing Finance Agency.

The participation of citizens groups, business leaders, the legislature and local government officials was vitally important in the formulation of New Jersey's tax plan and in many of the other urban and economic improvement programs we have undertaken in New Jersey.

The tax program was the final product of a planning process that began in 1970, when former Governor Cahill appointed a tax policy committee composed of government leaders and prominent individuals from education, industry and

business. The committee's charge was to study the future fiscal needs of the State and its potential sources of revenue. In the past 4 years, I have appointed similar commissions to study and evaluate the State's capital needs and tax plans and devise programs for New Jersey's economic recovery. We have acted on many of their recommendations.

Any comprehensive long-term strategy, such as that envisioned in the State incentive grant program, must be developed with in-depth and continuous consultation with the State legislature, and the cities and with substantial input from all the communities of interest which will be affected. It cannot be a "Governor's plan" alone, but must reflect the recommendations and concerns of those individuals and groups, not just in the formulation of that strategy but also in its implementation.

I realize that there has been considerable concern about the State incentive program among large and small local governments. I do not advocate the preemption of the flow of Federal funds which now go directly to the cities. No comprehensive State strategy should attempt to control or redirect every Federal dollar which comes into the State. I would not propose a plan to increase State authority in allocating all Federal money.

However, there are Federal funds over which the State already has direct control and allocation authority. These include water-sewer, transportation and highway money, which need to be targeted to the most needy communities facing distress and decline in conformance with a rational State plan for development and growth. States that want to participate in the incentive program should be asked to commit themselves to better targeting of these funds to those communities. This would not only benefit the cities, but also encourage States to develop and implement a more rational system of growth and physical development.

I would also like to see the general principle used in the Coastal Zone Management Act built in over time to apply to the State incentive program. Once a State's CZMA plan has been approved, the Federal Government cannot do anything within that zone which is inconsistent with the approved plan. This precedent has worked well, and while State plans, at this point in time, may not be developed sufficiently to justify such an absolute rule, the principle is an important one. If a State, its legislature and its communities have agreed upon a strategy for growth, then the Federal Government should not take action which would undermine or be inconsistent with that strategy.

New Jersey is certainly not the only State which has taken steps to begin to address its urban ills in a systematic fashion. Massachusetts, Michigan and California, to mention only a few, have developed impressive records.

In Michigan, through unrestricted State revenue sharing, the greatest increase in the State aid has gone to the most hard-pressed communities and, through the State's property tax circuit-breaker, the overall regressiveness of the property tax has been greatly reduced.

In Massachusetts, State government has taken a number of steps toward urban revitalization, including local growth policy development, the establishment of a special development cabinet, the redirection of existing funds to neighborhood housing rehabilitation, the commitment of new funds to stimulate private housing development, and the State assumption of the costs of a number of local public services.

In California, the development of tax incentives has encouraged businesses to locate in or adjacent to areas of high unemployment, and the State has provided special mortgage loans in urban areas through the California Housing Finance Agency.

Legislation recently introduced by the senate government operations committee chairman suggests that the first year of the State incentive grant program be devoted to the preparation of State strategies and that actual implementation take place in the second year. But not all States will require a year to put together a strategy. California, Massachusetts, New Jersey and several other States are now at the point where they could quickly develop comprehensive strategies, but they need implementation assistance now. Although other States need 1 year's time to begin their work, I would urge you, on behalf of the States now ready, not to limit the first year's activities to planning alone.

Another issue is past performance. Although the State incentive program is primarily a mechanism to encourage States which have not already developed plans, there are many States which have already undertaken extensive efforts on their own but still need to participate in the program. I feel very strongly that past performance must be taken into account when the State strategies are competitively evaluated.

This is not a matter of rewarding or reimbursing some States for what they have already done, but rather to assist States with these incentive funds because they are absolutely critical to us in continuing to help our cities. We are still far from taking all possible action. We need the Federal Government to help us go further, not only to provide States and their cities with the political ability to make certain changes and to more effectively target existing State programs and resources, but also to provide financial assistance. We have no surplus in New Jersey. In fact, next year, despite the income tax and one of the tightest and most prudent budgets our State has ever had, we will have a mere \$23 million left.

A fourth issue I would like to mention is the number of States which will ultimately qualify to participate in the program. The administration's proposal envisions a highly competitive selection process and the general perception, accurate or not, is that only a handful of States will qualify.

The State's role in the urban policy is too important a concept to limit its testing to only five or six States. I do not believe that this was the administration's intent, but I do believe that the limited amount of funding proposed for this program has contributed to this fear.

However, I do not believe that all States should necessarily be awarded funds immediately. The program ought to be competitive so that the States which are ready and willing to undertake strong, comprehensive strategies that will actually make a difference can receive a grant large enough to do the job. A balance must be struck between funding only the commonly mentioned five or six States and the natural wish to fund all 50. The objective should be to encourage as many States as possible to design meaningful strategies. If these other States do make the effort and meet minimum criteria, then they, too should be able to compete for Federal assistance. Reality and the amount of money available precludes you from funding all States immediately.

I also recommend that the annual level for implementation grants be at least doubled. The \$200 million authorization proposed by the administration is simply inadequate. If this idea of a State role is fostering long-term basic changes in their cities and local governments is as important as many of us believe it to be, then the funding must be considerably greater. Given the tremendous political and financial task being asked of the States, it is unrealistic to believe that all States will be willing to undergo an inevitably arduous application process.

Finally, I would like to address the question of who determines which communities within each State are to be included in a State's strategy and which are not. The administration's proposal says that these are intra-State judgments and gives the State the primary role in identifying those areas and communities considered most in need. The needs of a city like Boise, Idaho should not be compared relative to those of a city like Newark, N.J.

There is, however, considerable concern over the need for minimum Federal criteria to define distress and decline. The administration's bill is quite general on this point. The newly introduced Muskie bill defines these factors more narrowly, while still giving the Governor of a State some discretion for aiding local governments which do not meet Federal statistical criteria.

It is my firm belief that the States should be given as much flexibility as possible in defining their own areas of need. Minimum Federal criteria of distress and decline can be used as a basis for selection, but not as rigid or definitive standards for eligibility.

We strongly and unconditionally support the administration's efforts to target countercyclical aid, water-sewer funds, tax incentives and national development bank proposals to those communities most in need, whether they be urban or rural, in the North, East, South or West. But a recent experience shows that the Federal Government's efforts in this area may not always result in the most efficient or effective targeting.

In putting forth their urban policy proposals for the bank and for the tax pieces, the Government proposed using eligibility criteria which would measure a community's unemployment in excess of the national average and its lag of growth in population, employment and per capita income as compared to a national average.

When these factors were applied to New Jersey they produced a rather surprising list. Some local governments included as eligible "distressed and declining" areas turned out to be some of the wealthiest and healthiest communities in New Jersey. Many of them are not included by State government in even the

least targeted local revenue sharing or economic development programs. At the same time, communities which by all standards should be, and are, included in our own urban aid programs did not appear on the list.

In an effort to counteract this problem (which was also shared by other States) a 125 percent per capita income cap was placed on all of the eligible communities. This cap, in turn, led to the exclusion of still other communities in New Jersey that should be eligible. In addition, the use of such a cap as a national average could wreck potential hardships or regions of the country where the per capita income levels are high simply because of increased costs of labor, energy, transportation and building materials.

I can accept minimum Federal standards, but I do strongly urge you to give the Governor of a State, his or her legislature and the involved communities the flexibility they need to determine their eligible needy areas.

In summary, this legislation represents an important step towards the development of a Federal-State-local attack on the problems of urban decay and distress. I strongly support the concept of a State incentive program as part of an overall urban strategy, and believe that the State Community Conservation and Development Act, with certain modifications, deserves our commendations and support. I urge the committee to act on this legislation as soon as possible.

It is my understanding that tomorrow this committee will be considering another component of the Carter urban package, the liveable cities portion. As chairman of the Subcommittee on the Arts for the National Governors' Association, I will be submitting written testimony to you for the hearing record.

Thank you.

Governor BYRNE. I have been looking forward to coming down here and meeting Senator Lugar because, when I became Governor, Senator, my predecessor, Governor Cahill, left two things for me. He left a bottle of champagne, and the key to the city of Indianapolis. [Laughter.]

I don't have the champagne any more, but I still have the key to the city of Indianapolis. So I wanted to let you know that that's really appreciated.

I also want to correct, I think, an impression that maybe Senator Proxmire left. And that is: That we're hoping to get our foot in the door, and that there is going to be a competition to raise the funding level of this bill until we break somebody's back.

I don't think that will happen. I do not think that States are looking for money from the Federal Government for projects that they do not think will pay off in their own State.

I was just as happy that the Tocks Island Dam was taken out of the appropriations bill—or I guess, more accurately, into the Scenic Rivers bill yesterday—even though Tocks Island Dam is a big construction problem in my State. I flew over Governor's Island in New York with my son recently. He said, "Now, tell them I want it in New Jersey." I don't think that provincialism really prevails.

We're not interested in coming here if our program is not going to genuinely benefit people in the United States.

I would like to just make one or two observations.

First, we have great faith in Secretary Harris. I have no hesitancy that Secretary Harris and HUD is the lead agency administering this bill.

I think we have been able to work in a model way with Secretary Harris.

I think, even more important, she has the confidence of not only the Governors but the majors of this country, and she has got a great familiarity with the problems.

Second, although I think it's correct and appropriate that there be some Federal standards in how we use these grants, that there also be some flexibility left to the judgment of the States. If we put every city in New Jersey in a computer to respond to some Federal standards, we might get different results from the results you really want to work. The computer would not reflect what we're doing, what problems we have, and how we're solving them in Atlantic City, which is going through a series of changes. It might not reflect some State programs which have inequitable funding mechanisms now, which we're hoping we can straighten out independent of this program.

And finally, a point that Governor Dukakis made, and that is, a State role and a funding level which is realistic—I don't know. I think, Senator Williams, you pointed out that maybe \$200 million won't get this off the ground. We're not looking for an open-ended commitment from the Congress. We're looking for a commitment that I think will make the program meaningful.

I also believe that maybe our use in New Jersey of the auxiliary fund from the unemployment compensation fund is a good analogy to what we're asking here at the Federal level. We've got a very limited resource in the auxiliary fund. Yet we've been able to tap that for \$1 million on one or two occasions, to get going on our economic development program in New Jersey. That is done with limited funding and has been effective in getting our economic development authority moving in certain areas where we couldn't get moving otherwise. So I think that is a valid analogy for a program that is under consideration by this committee.

Senator WILLIAMS. Thank you very much, Governors. Both of your statements will be very useful to the members and will be included in the record.

There is a rollcall vote on right now. Are there questions?

Senator SARBANES. Mr. Chairman, I won't be able to come back. I simply want to put on the record my commendation of both Governor Dukakis and Governor Byrne for their progressive and active roles implemented in their two statements. I think both of them have set examples to be followed by the rest of the country, and I think we ought to recognize that while they're here.

I'm sorry that I won't be able to come back.

Senator RIEGLE. Let me join Senator Sarbanes in those comments.

I'm also wondering, on your assessment, as you work with the other States, obviously your two States have moved out front of many of the others. I'm just wondering where we stand when you go down the list of the remaining States. In other words, how would you assess for us what is the situation that exists at that level? I'm not being overly kind or harsh to anybody, but what's the general condition of the degree with which other States are beginning to pick up in this area and move as your States have?

Governor BYRNE. I think more and more we have a little table at every Governors conference where the Governor is privileged to leave material that he thinks other Governors may be interested in. And every year, the material in this area, I think, grows more encouraging from other States.

Governor DUKAKIS. I would say also, Senator, that there's a growing recognition among all of us—and obviously, that includes the Governors, that we are not talking simply about the biggest cities in the country, the Newark and Bostons and Detroit and Clevelands and Indianapolis and so on; that there is a small city as well as a large city problem, even in New Jersey and Massachusetts. With the exception of Boston, I have largely small cities, and we're working very intensively with cities of 30,000, 50,000, 70,000, and 100,000 population. That's something that I think is just beginning to emerge in the consciousness of all of us, and as a result of that, however, many more Governors that don't have one of these very large cities, but clearly have an urban problem through their small cities are beginning to get interested.

This last meeting of the Governors association, it involved a very extensive and intensive discussion of this problem for large and small cities, and for distressed rural areas as well. I think it's really the first time that we've had that kind of discussion.

And Brendan's correct. I think there's much greater awareness and commitment to doing something among the Governors if we can provide the kind of incentives and encouragement that would be helpful.

Senator RIEGLE. With community development and redevelopment, and the whole urban problem of large and small cities combined. This deserves the attention that our people think it does and I think it does.

It seems to me maybe what President Carter ought to do is what you've done in Massachusetts, in terms of setting up outside the Cabinet a monitoring agency that is making sure that not a single Cabinet agency has to carry all the weight of struggling to try to make sure that there is a coherent wholeness to Federal policies.

I'm wondering if what you have seen in using that organizational technique in Massachusetts would lead you to believe that that kind of thing would make sense at the Federal level.

Governor DUKAKIS. I think it would. Governor Byrne and I may differ a little bit on this, and in saying what I said in my statement and what I'm going to say right now, I don't want to in any way suggest that HUD and the Secretary have not been pulling a very strong oar. But my own experience in Massachusetts, for whatever it's worth, is that it takes somebody without a lot of line authority and agency responsibility very close to the Chief Executive to pull all of these pieces together.

Senator WILLIAMS. Would the Senator yield a moment? Senator Lugar—before he goes, I think we might have an announcement. They've changed the locks in Indianapolis. [Laughter.]

Senator LUGAR. I have no questions. I just appreciate both of you for taking your time to come here this morning. It's a great demonstration of the Federal system at its best.

Governor BYRNE. Thank you. Can I let you leave with livable cities ringing in your ears, because I'd like to come back next on that?

Senator WILLIAMS. I wonder if you could remain. Senator Proxmire will be back in 10 minutes or so. I appreciate it.

[Brief recess.]

The CHAIRMAN. The committee will come to order.

I apologize, Governor Dukakis, for having to leave. Where were you when the committee had to vote?

Governor DUKAKIS. We had both completed our statements.

The CHAIRMAN. Now, Governor Dukakis, Senator Lugar suggested that maybe this would be a better program with no money in it. I can think of several ways, not being facetious, because I realize you do have very, very tough problems. But why not either reduce, modify, or completely change the revenue-sharing program, for example, and use part of that or all of that for this purpose?

Governor DUKAKIS. I think probably, Senator, because all of us are doing our best to use our existing revenue-sharing funds for purposes which in many cases are consistent with this kind of a program. I doubt very much, for example, in my own State if I would have been able to put through, in the past few days, a major new program of State agencies and sound school aid reform and educational utilization, had it not been for the fact that we are receiving from your general revenue-sharing funds which help us and have helped us to make that program possible.

What I've sensed from talking with other Governors is that in many, many cases those revenue-sharing funds are already being used in some way to further the goals we've been talking about.

The CHAIRMAN. How do you answer the argument that the Federal Government is running an enormous deficit that has a very adverse effect on interest rates and so forth, and concerns people around the country very much. The States, by and large, are running surpluses. The cities are running surpluses. Yet, we're providing a substantial revenue sharing for whatever purpose you want to use it, with no guidelines, no performance requirements. A study by the League of Women Voters, completed a couple of years ago, indicated that a substantial number of Governors, legislators, and newspapermen didn't even know where the money went. They just put the money on the stump and run. They got it, they liked it, they loved it, but they couldn't tell you even where it went, let alone provide for any kind of national purpose with that enormous amount of Federal money.

Governor BYRNE. Could I just comment on the impression that seems to exist down here that all of the States have these surpluses. I saw a table in, I think, U.S. News & World Report, about all of the surpluses that the States have, and I looked at mine, and I wish I had it. What happens in a couple of atypical States, I think, is being used in a general sense.

I just signed my appropriations act. I have a proposed yearend budget for the current fiscal year of some \$26 million out of a \$4.5 billion budget. Now, as far as municipalities, talking about my State again, the city of Newark taxes you about 10 percent of the value of your property every year, and this is despite the fact that we're picking up some 80 percent of the school costs in the city of Newark.

So that I would like to just disabuse the Senator of the idea.

The CHAIRMAN. I realize that New Jersey and Massachusetts and other States have some tough problems. However, we do see a \$7 billion surplus in California. That's going to run out in a hurry, with Proposition 13. [Laughter.]

There are big surpluses elsewhere.

Governor BYRNE. California, Texas, and maybe Louisiana. If we discovered our oil in a little closer—[Laughter.]

The CHAIRMAN. One of the major purposes of this bill is fiscal reform, tax reform. We haven't discussed that at all with Mrs. Harris.

A motion that we reduce, perhaps, the regressiveness of State taxes, particularly the property tax—how will this bill accomplish that? After all, if you want to modify your tax structure. You've done a remarkable job in New Jersey, Governor Byrne, against great odds, in providing for a progressive income tax and getting away with it, at great expense, too. I think we all recognize that. But how would this bill help that kind of thing? If the Governor and the legislature have the courage to improve the situation, they'll do it.

But why would \$200 million a year in these incentives, to be used for all sorts of things, help you get a healthier and more progressive tax system?

Governor BYRNE. One of the arguments I used in getting the income tax passed in New Jersey was that an income tax in New Jersey would advantage our formula position in revenue sharing from Washington. Now, which argument finally prevailed I have no idea.

The CHAIRMAN. Did you do that before we had this legislation? It wasn't passed at all.

Governor BYRNE. That's right, and the point I'm making—you asked the question of what good some incentive from Washington is going to do in reforming tax. If I say to people in my legislature that maybe if we reform the property tax, for example, into a statewide property tax, we would get some funding out of this bill to help in project A, B, or C. I don't know how much weight it would have, but it would be an argument.

The CHAIRMAN. But you see, here we have the Secretary of HUD, for whom I have great admiration, even though, as I say, I voted against her. We are handing her the discretion of HUD to determine what would be a healthy or better tax system for Massachusetts, New Jersey, and other States, without any standards in the bill. There's nothing in the bill that says that it should be progressive. Or maybe that's implied. Or that says, as Senator Lugar suggested, they should have less taxes instead of more.

The implication here is that we ought to have a greater tax effort on their part so they can do more. Maybe we should, maybe we shouldn't. But is that something that the Secretary of HUD should be able to decide?

Governor DUKAKIS. Well, Mr. Chairman, I would say this. I don't view this provision as being so much a directive to get more progressive rather than less, although I think that's a desirable goal. But rather, to try to encourage the States to rearrange certain fiscal relationships so that there is less of a burden and less dependency on local taxes, the property tax in particular, which typically is worse and the most burdensome precisely in those communities that we're trying to rebuild and revitalize, Newark being one, Boston being another, and so on.

And I don't think that the Secretary would want to—or we would expect her to go in and draft up a tax program to make my tax system overall in Massachusetts more progressive. But I do think that she has a right to expect that a State like mine, which at least until the past few days had one of the most cockeyed systems of school aid in the Nation, a system which did very little to help our older and poorer urban communities, that that system ought to be reformed, and that

unless we made a good-faith effort to do so in a way that would directly help and stimulate and support our older urban communities, we would not qualify for the incentive grants.

And I think if we're going to put Federal money up for this or any other program, then we have a right to expect States seeking to qualify for those funds to do something about those kinds of fiscal relationships in a way which will stimulate the kind of revitalization of those cities that is the reason for this bill.

And here, I would not object to the Secretary expressing herself forcefully.

The CHAIRMAN. We've had Jim Lynn, we've had Carla Hills, now we have Mrs. Harris, all very intelligent, able, honest people, with entirely different values. We can't tell what they're going to do. We've given them pretty much carte blanche here to provide for a revitalized State and city situation through using the tax structure. Isn't that a pretty broad sort of—

Governor DUKAKIS. Mandate?

The CHAIRMAN [continuing]. Mandate for them?

Governor DUKAKIS. Not if you're trying to rebuild and revitalize your cities. That's what we're here for. I've expressed in my statement a preference for a coordinating office close to the President which can sit beside these Cabinet Secretaries and these agencies, as you know. But however you arrange to administer them, if the whole purpose of this legislation is to do something about the problems of our cities, then, so long as it's administered sensitively and responsively, and with a certain degree of flexibility, I don't have any problem with it.

The CHAIRMAN. That brings us to the second part of the problem, which is whether this is enough. As I say, I'd like to do it without any money at all. But \$200 million a year, when you're providing \$60 billion now, as I understand it, is such a relatively modest amount that it would seem to me that it would be ineffective.

Governor DUKAKIS. I would agree with you.

The CHAIRMAN. And as was said by the person I quoted before, a pimple on an elephant.

Governor DUKAKIS. I don't agree with that. I think the amount is not much. I would prefer something in the range of \$400 million rather than \$200 million. We're still talking about a fairly limited sum of money.

But let me tell you how it would work in my State. Apart from the fact that I think it would encourage a great many States to get their acts together and develop these kinds of development strategies to key in on and focus in on the very special problems of the distressed communities, and to much better spend the funds which you are already providing us, because, as you know, one of the things we've done in Massachusetts is to do a much better job of utilizing Federal funds that pass through the State government for this purpose. We would propose to use our grant as a kind of State UDAG program, which would be designed to stimulate billions of additional dollars in private investments by the injection of a relatively modest sum of money in a particular community for a specialized kind of purpose.

I can assure you that if we knew and had some assurance that that modest incentive grant would be something that we could count on over a period of time, that the effect in real terms of that grant is

stimulating the effect on private investment and stimulating the States to pull so many of these different pots of money together in some kind of coherent strategy, would far exceed the actual dollar value of these grants.

The CHAIRMAN. For that part, it would seem to me, if it's for that purpose, we should try to work it out somehow so that UDAG money, voted in part at least to working through the States to provide this kind of stimulation.

Governor DUKAKIS. I wouldn't object to that, Mr. Chairman.

The CHAIRMAN. Now, Governor Byrne, you say the objective of the program should be to encourage as many States as possible to adopt what you call meaningful strategies. If these States do make the effort and meet the minimum criteria, then they too should be able to compete for Federal assistance.

I want to be clear on what you mean. How would you encourage as many States as possible? Would you give them grants?

Governor BYRNE. Yes. I'd like to make the point—yes, I would give them planning grants, if they're interested, and I think most will be. I would also like to see the bill in its final form recognize that some States may be in the planning process as you're considering the bill, so that we could have not only planning grants, but we could have implementation grants right away.

In other words, I wouldn't restrict the bill so that all you could get for the first year is planning grants.

The CHAIRMAN. Let me just interrupt this. I see Senator Hollings is here and I know he is very busy. He wants to introduce Mayor Riley, who will be the next witness. Senator, would you like to introduce the mayor, and I'll proceed with my questioning of the Governors? Then you can leave if you'd like to. We know that you're a busy man. We don't want to detain you.

Senator HOLLINGS. You're very kind. I'll wait my turn. Thank you very much.

The CHAIRMAN. I noticed you looking at the clock, and I can understand your concern.

Governor Byrne, you also say that past performances should be given a weight in selecting among applicants. How much weight?

Governor BYRNE. I'm not sure, but I think there should be a recognition. In other words, I think that a State which has done a couple of things ought to get some credit in relation to a State which has looked at what we've done in New Jersey and said, we're going to do that, too, but we're going to do it with Federal money.

The CHAIRMAN. Mrs. Harris was very emphatic in saying that the States that had not done much should be encouraged by this. That was the prime purpose of the legislation. So if you were sitting in her position, how would you determine that? You have New Jersey, that's done a lot, and you have some other State that comes in and hasn't done very much. You have a limited amount and you have to make a choice between the two.

What basis is there for our knowing what she should do, if you just leave it up to her?

Governor BYRNE. That's a tough question for me to answer off the top of my head.

The CHAIRMAN. Do you have any idea, Governor?

Governor DUKAKIS. Mr. Chairman, at least our experience in Massachusetts, where we have exactly that same relationship with our mayor, is pretty well muddled. And where we found a city with community leadership, political and otherwise, which had come in, was ready to go, knew what it wanted to do, we moved in just as quickly as we could with both State and Federal funds to assist them in hard specific projects.

We had a great many other cities 2 or 3 years ago which were still wondering what to do and didn't have much of a sense of how to do it, and there we moved in with technical assistance, planning grants, seed money, and these kinds of things, to help them to get moving. Many of those communities are now, 2 or 3 years later, are ready to go with good, hard projects that are important and real and deserve support.

And while you have to make some hard judgments, obviously, as to which community is at what point, I don't think we've had any great difficulty in making those judgments. People expect us to make them. And what we've seen now is that the example of the communities that were ahead has stimulated other communities, and we now have virtually every one of our cities in the State moving ahead, not just with plans, but with real projects. And the early ones not only got our support, but helped to encourage the others. And I would think the same kind of relationship and the same kind of phenomenon would emerge from this process.

The CHAIRMAN. Governor, it's my understanding you support the Muskie bill rather than this bill.

Governor DUKAKIS. Yes.

The CHAIRMAN. Do you support having this in the White House, rather than HUD?

Governor DUKAKIS. Yes.

The CHAIRMAN. There's a lot of merit to that. It is such a broad bill, it's not just a housing or a community development bill, it's a bill that covers taxes and covers an enormous variety of objectives. President Carter was elected on the notion that he was going to reduce the number of agencies reporting to the President. Here we go again, providing another agency that he has to supervise. It's under his direction and not under a Cabinet officer or some other.

How do you reconcile that problem?

Governor DUKAKIS. The same way I did in my own State, where I came into office with very much the same feeling and cut my staff in half and a variety of other things. But I clearly had an urban problem and I had to deal with it. And so I established a very small, but a very effective, State office of planning. We'd never had a State planning office in Massachusetts, if you can believe it. And gave the director of that office overall responsibility for pulling this thing together, coordinating it, and making it move. It's worked very well. I don't know of anyone who's criticized me for adding to bureaucracy. In fact, what we've been able to do is to move the bureaucracy a lot more effectively, and I think you simply have to look at these problems and try to develop the kind of administrative organizational structure that makes sense.

But I'm convinced that in this particular case it does need a small, but hardy and effective kind of office and direction from the top.

Right now, Mr. Chairman, I've got a problem in my State because the GSA is trying to move some Federal offices out of some city and town centers to suburban shopping centers, in a way that's directly contrary to our policy of trying to rebuild those in-town centers, and happens to be contrary to the President's policy.

I've had the same problem with some of my State agencies, and there has to be somebody up top who can make the GSA and EPA and Commerce and all these other agencies coordinate their policies in a consistent way. It's no reflection on HUD. I think the Secretary's been doing a superb job. But at least on the basis of our experience in Massachusetts, it needs somebody close to the Chief Executive without a lot of line and departmental responsibility to coordinate that. It can be a very small office. It doesn't have to be elaborate and heavily staffed and all the rest.

Governor BYRNE. I think maybe Governor Dukakis misunderstands your bill. I do not think your bill excludes White House participation, the kind of judgments that his planning office exercises in Massachusetts.

The CHAIRMAN. Let's say that what impresses me about this is that you can't have a small office. Although Secretary Harris described hers, we did not have a chance to ask her how much additional staff she would need. It would seem to me she would require a substantial number with the performance criteria that she says she is going to develop.

The bill just gives her generalizations, and she has to develop a criterion. She has to pick and choose and say "South Carolina, forget it, go away, you're no good. Wisconsin, you can't make it, either. New Jersey is fine; Massachusetts is great."

You have to have some really tough well-documented positions there to stand up to Members of Congress when you are doing that kind of thing.

Governor DUKAKIS. Mr. Chairman, again, I do not want to suggest that the State levels and some of the less complicated and less complex Federal situations—but I have 39 cities in my State. We are working with all 39 cities. I have a State planning office which has to make all those judgments, review plans, coordinate, and all the rest of it. And we are doing it with 25 people, approximately.

The CHAIRMAN. You would have to have probably 40 to 50 times that much to do it for the whole country.

Governor DUKAKIS. Not if you are working with 50 units of governments called "States." I do not see that problem as being significantly different. Working with the same number of units. You have to make the same judgments. You have some very good staff people who work very hard. But I do not see this as being a 200-, 300-, or 400-employee office or agency. If it is, then there is something wrong with the way it has been put together.

The CHAIRMAN. Well, in part, the Muskie bill says the director may not make any payment over this act to any State unless an application therefor has been submitted to and approved by the director. Each application should be submitted to the director at such times and manner as contains this information with the assurance that the director may regulate, prescribe, and so forth.

Governor DUKAKIS. I do not agree, Mr. Chairman. I think a relatively small staff of first-rate people can do that. And I do not see this as a program—

The CHAIRMAN. Let me ask you this, Governor Byrne. What specific action do you think will result in New Jersey from the Senate program?

Governor BYRNE. I understand your question. You want me to——

The CHAIRMAN. Give me a couple of examples of what you think would be accomplished.

Governor BYRNE. We have the concept of a program to give a life-line rate for utilities. We cannot fund that concept, but we will be able to, when we get some revenues in from Atlantic City.

In the meantime, I am faced right now with the problem of either junking that lifeline rate program or somehow getting it to work on an interim basis.

I think that kind of exploration of this bill would be productive. I do not want to sit here and say we are going to give you program A, B, or C, because I think that the planning input has not been completed in New Jersey. I do not want to give you a program which you can shoot holes in because we have not completely thought it out.

I think there are programs that would coordinate. For instance, the city of Newark is developing different areas because we have got a grant or a program working with the Port Authority to develop plots. We have huge acreage that has been identified in Newark. This kind of a grant could coordinate what our problems are in the center city with what we are doing in the way of economic development in some of the outlying parts of the city.

The CHAIRMAN. Governor Dukakis, what about you? What would you do with this that you could not do with revenue sharing or other moneys?

Governor DUKAKIS. We would use this, Senator, to create, as I said a few minutes ago, in effect, a State UDAG program. We have right now——

The CHAIRMAN. Why can you not do that now?

Governor DUKAKIS. Why can I not do it now? Why can I not do it now?

The CHAIRMAN. Why can you not take your revenue-sharing money and do it?

Governor DUKAKIS. Because I need my revenue-sharing money for something else.

The CHAIRMAN. If this has high enough priority, if it is a good enough program, why can you not give this enough money?

Governor DUKAKIS. Because they just enacted, in my legislature, a \$300 million program of local aid which was specifically designed to help my older urban communities. And I'm using my revenue-sharing money, in part, to finance that program.

What we would do would be to take these funds and proceed to support UDAG-type projects which are ready to go in almost every city in our State, some of which may qualify for Federal assistance under the Federal UDAG program, others of which will not.

Those projects have now rather clearly been identified. We have reviewed them. We are very familiar with them. And we do not have any difficulty in proceeding to support them and finance them with these funds, and we would want to do that on a continuing basis.

The CHAIRMAN. Let me ask you just one more question, and then we will proceed to the next witness.

What effect would Proposition 13 have on the proposed incentives? Would it increase or decrease the direction of the State funds for distressed cities?

Governor DUKAKIS. It will, by substantially reducing property taxes, if we were to be approved in the form it was approved in California, cause an enormous new burden, I believe, on the State governments.

If, for example, Proposition 13 were approved in New Jersey or Massachusetts, given the amount of the municipal budget which comes from property taxes in Newark or Boston, I think both of us would be required, then, to go out and find additional resources to make up for the drastic reduction.

The CHAIRMAN. You have the highest property taxes in the country; do you not?

Governor DUKAKIS. Second or third, yes.

The CHAIRMAN. I thought you were the highest.

Senator Brooke indicates that it is close to that.

Governor DUKAKIS. I will not argue with Senator Brooke. We are close. And New Jersey, at least until last year, I guess, was right behind us.

But if, in fact, there would be that kind of drastic reduction in property taxes, then the State government would obviously have to step in and make up at least a portion of that reduction, and that would obviously reduce the resources that we have been able to put into local and property tax relief this year.

The CHAIRMAN. Gentlemen, thank you very much. You have made a good presentation. We appreciate it very much.

I understand that we not only will have Mayor Joseph Riley, the mayor of Charleston, S.C., who represents the U.S. Conference of Mayors, but the Honorable Julian Dixon. We would ask Mr. Dixon to come forward, too, the California State Assemblyman representing the National Conference of State Legislators.

STATEMENTS OF JOSEPH P. RILEY, JR., MAYOR OF THE CITY OF CHARLESTON, S.C.; AND JULIAN DIXON, STATE ASSEMBLY OF THE STATE OF CALIFORNIA

The CHAIRMAN. Mr. Dixon has to go to the White House at 1, so we will let him proceed, along with the mayor of Charleston.

And we are very honored to have the distinguished Senator from South Carolina, Fritz Hollings.

Were you not a member of this committee for about a year or so?

Senator HOLLINGS. I would be right behind Tommy McIntyre.

The CHAIRMAN. We miss you.

STATEMENT OF SENATOR HOLLINGS

Senator HOLLINGS. I ran over to Appropriations so I can handle the moneys. But I am glad to be back home.

I am particularly glad to present the mayor of my hometown. One would question, at first, to represent the National League of Cities, the mayors of this country, they would probably get one of the national powers from Los Angeles, Chicago, or even Milwaukee.

The CHAIRMAN. That is shooting pretty high.

Senator HOLLINGS. They picked the mayor of my hometown, I think, for two reasons: One, Charleston, the town itself, has all the problems that this particular measure addresses itself to. We have had urban blight, white flight; we have had the drugs and the crime; and we have developed problems downtown—urban decay and what-have-you.

We have also had a lot of opportunities or burdens that have come along with our cultural heritage, whereby I cannot paint my front steps unless I go before the board of architectural review to obtain their clearance.

So, we have got plenty of government down there, but we need just a little bit more assistance. Now, what we really have—we are probably hard at work in the most difficult of all areas in this country. I say that because I have watched this gentleman and I have worked with all the mayors from time to time, both on this committee—and continue to do so—in our revenue sharing and other particular urban programs.

Joe Riley has really brought a dynamism to a city that is 50-50 black. In fact, the city council of 12, it is 50 percent black, 50 percent white membership. He has got a militant or two—on both sides—that votes “no” any time they convene, I will tell you that right now. So, he has got problems. But then, he handles them, and everybody has worked extremely well together.

We have just completed the Spoleto Art Festival. Gian Carlo Menotti, of Spoleto, Italy, chose for his international art scene the city of Charleston and it has been hailed by all comers.

We still have economic development headaches. Bob Hall, of the EDA, came down. We had a grant down there, and he acknowledged the fact that where we tried in getting jobs in the inner city that they be at least 10 percent minority employed. In the city of Charleston, our distinguished mayor has so administered the program that we have the highest percentage of minorities employed in the EDA programs anywhere in the country, which is slightly over 40 percent.

It has recently been selected as an All-American City for the first time in its history, and I am not a bit surprised. I know the League of Cities really were very wise in their judgment in selecting Joe Riley to come up here and tell the story, and I wanted to emphasize that. If he just does not come, because it is an All-American City, he comes because he has worked intimately with every one of these particular problems, and has been in the State legislature, and he knows what the State government and its aspect and view with respect to assisting the urban areas with their particular problems.

And so, it is a distinct privilege, Mr. Chairman and members of your committee to present the mayor of my hometown, Charleston, S.C., Mayor Joseph P. Riley, Jr., who will be speaking on behalf of the National League of Cities and the U.S. Conference of Mayors.

Mr. Chairman, I would be glad to answer any questions. [Laughter.]

The CHAIRMAN. I was afraid of that, Senator Hollings.

Senator HOLLINGS. It is a privilege, and I appreciate your courtesy very much.

The CHAIRMAN. We are glad to have you, and it was a very gracious introduction of Mayor Riley.

Mayor Riley, I am going to ask both of you gentlemen to go ahead, because, as I say, Mr. Dixon does have another appointment he has to make as soon as possible. So, we would appreciate it if you could testify in 10 minutes. Can you do that?

Mr. RILEY. Yes, I can, Mr. Chairman.

The CHAIRMAN. All right. We will run the light for your guidance.

Mr. RILEY. Thank you very much.

First of all, I want to thank Senator Hollings. If I was truly wise, I would stop while I was ahead. I am indeed very appreciative of his generosity in coming over here with his warm introduction.

I am representing 15,000 cities that are part of the National League of Cities and the U.S. Conference of Mayors, to enthusiastically endorse the Community Conservation and Development Act of 1978.

The lack of a solid State urban program in most of our States is a natural result of the rural control of our State legislatures over the years and perhaps the fact that, until recently, cities have been deemed the wealthy cousins of the poorer rural areas. Of course, that may have been true during the Depression days, but the social and economic changes that have occurred in our country have made the cities the economic No. 1 economic problem in the United States.

The States such as Massachusetts, New Jersey, California, which we have heard so much about, have, indeed, begun innovative programs to solve the problems of our cities. But even the State of South Carolina, that may be considered to have a rural-dominated legislature, this year, in working with our State municipal league, the involvement of mayors in the State of South Carolina have begun to turn its attention to the needs.

Particular programs this year: The granting of homestead tax exemptions funded by the State and municipalities, with increasing State-shared revenues for cities in South Carolina. If we multiply it 50 times, when one talks about the leverage of this proposal, there would probably be several billions of dollars shifted into the cities by States throughout the country.

I think that leveraging and potential leveraging involving the 50 States in urban programs is something that should be very interesting to Congress. This act would propose the concept that one cannot have a truly national urban policy unless we have 50 urban policies in our States.

The National League of Cities and the U.S. Conference of Mayors warmly endorses this concept. You see a lot of mayors testifying before the congressional committees. You may think that activity occupies most of our time, Mr. Chairman, but in essence we have far more involvement with our State governments and the impact of their decisions affect us even more than the Federal impact.

What kinds of decisions? Basically four kinds: Local aid programs, institutions, governmental and fiscal regulation, as well as direct spending on State-administered programs.

On the face of it, the first category, aid to local governments, might seem feasible to support. The present State governments provide over \$50 billion in aid to local governments annually. Traditionally, the patterns of aid distribution within a State have not necessarily benefited the communities or the people with the most serious problems. Either through intent or inadvertence, State aid is often spread thinly or heavily through rural areas.

If just the aid on highway programs were redistributed within the 50 States to take into account the use of roads in urban areas, say,

rather than the registration of motor vehicles, which is weighted heavily in suburban areas, there would be a massive shift in highway funds.

The State of South Carolina, through our system, is beginning to look at alternate sources of revenue for local governments and recognizing that the State-shared revenue had been weighted heavily in favor of rural areas.

While those types of changes would be important, there are other areas which hold even greater promise for long-term benefits. Any discussion among city officials concerning the obstacles they must surmount to deal with their city's problems will eventually gravitate to the implementation of rigid State constitutions and statutes. The real city may become dismantled because annexation is so difficult as to be impossible.

One often cites the fact that if San Antonio, Tex., had the same corporate boundaries now as they had in the 1940's, their indices of poverty and distress would exceed Newark, N.J.

In other words, the Western States that have had more liberal annexation laws with their cities, relatively speaking, are in a much firmer position. My city has been hamstrung by annexation laws. We must provide the cultural leadership, the business leadership, the parks and playgrounds, the inner-city revitalization, and yet our annexation laws prohibit us from easily getting the suburban residents who depend so greatly, and rely so heavily, and use so heavily the city.

If all the States were proceeding toward the development of effective urban policies, this program would not be necessary, Mr. Chairman. If none were, this program would not be successful. In fact, enough States seem to be moving toward optimism about the potential of this proposal, but I can assure you, not enough to make this a simple giveaway. A push in the right direction will be very useful in many States.

The administration proposal is intended to do this job, and I would now like to speak to a couple of specific provisions of the bill, and indicate the analysis of NLC and the U.S. Conference of Mayors.

First: The bill proposes that State governments develop two strategies, one for investment involvement, another for governmental structure and fiscal reform. Both are important, and the importance is greater than simple shifts in aid programs. We think, however, that the reform dimensions warrant special emphasis. It is in this area that the greatest long-term gains can be made. The actions may not be glamorous or easy but they cannot be discounted because of the long-term effect that they may have in the constitutional legislative as well as State share of revenue charges.

Second: The administration proposes that the program focus primarily on those communities experiencing distress or decline.

We're delighted that the administration realizes that the States must be concerned about communities other than those in most obvious and serious distress. If cities were not in serious trouble, there would, of course, be no need or strong justification for this program. At the same time, if the program only focuses on cities that are in deep, dire distress without looking at the overall benefit of changes in State policies to cities that may in the future experience distress, it would not have an impact it should.

My suggestion is that distressed communities be the primary focus of State development and investment strategy, or strategies evolved from governmental structure and fiscal reform could be directed to all cities, including the distressed.

Third: The administration wants performance and not planning. It was not proposed in this program any front-end funding.

Here we have a slight disagreement, Mr. Chairman, not on principle but concerning implementation.

We think a two-round process makes sense, a first round to stimulate assessment of conditions and current policies in as many States as possible, and a second round to provide incentive money for the accomplishment of particular actions.

The first round should contain a little money and should not simply be another variety of traditional planning exercise. But I am afraid, without it, that is, without the first round of assessments, only the States with policies already developed can expect funding, and the extended potential for the program will be greatly reduced.

Fourth: The administration of the program will be largely the problem of handling urban development.

The U.S. Conference of Mayors and the National League of Cities heartily endorses the placement of this program in HUD, with the vigorous advocacy of Secretary Harris, the Secretary of this Department on behalf of the cities. We feel that there exists now in this Department both the expertise, the staff, the commitment to make the necessary interdepartmental stands that will be required.

The National League of Cities and the U.S. Conference of Mayors have throughout all of the years advocated a White House council of urban advisers. Should this change be made, we would then recommend its approval by the White House. But without something as strong and as well staffed as the council of urban advisers, we think the expertise, leadership, and commitments that exist at HUD make far better sense.

The CHAIRMAN. Let me interrupt at this point.

Unfortunately, there's a rollcall that started 5 minutes ago, and I have to run to the floor. I realize that this puts Mr. Dixon in a most difficult position, since he flew all the way from California.

We're honored to have you with us, Mr. Dixon. We understand you're chairman of the majority caucus. Let me ask you one question before you go, and I leave. Then I'll come back and finish my questioning of Mayor Riley.

You come right from Jarvis-Gann.

Mr. DIXON. Proposition 13.

The CHAIRMAN. What effect, if any, do you think Proposition 13 would have on legislation of this kind, and its effect on the States?

Mr. DIXON. Senator Proxmire, I would answer that by saying two things.

No. 1, I have a statement I think will spell out some effects.

No. 2, directly answering your question, it appears to me that Proposition 13 obviously puts a heavier burden on State government to make up funds that are lost by cities. You're probably well aware that we saved up to \$5 billion in surplus in direct aid to cities, school districts, and special districts in California. We have also developed in Cali-

fornia an urban strategy plan for California. This plan was obviously curtailed by the fact that we have to take money from our ongoing programs at the local level, so any assistance that could come from the Federal Government to implement programs like the one that we have started to implement in California certainly would have a tremendous impact on the development of an urban strategy.

I'd like to indicate also, I'm a member of the National Conference of State Legislatures.

The CHAIRMAN. I meant to say that.

Mr. DIXON. And in that capacity, I have a statement on their behalf here, and I have Susanne Hiegel, the main consultant with the conference, who can answer any questions.

And I have a prepared statement on my own behalf which will spell out to some degree what we have done in California. Aside from the statement, we are drafting two issues in August in the State Legislature. One is on placing a limitation on State spending by placing language in our constitution putting a cap on State spending. Second, we are looking at the possibility of placing the split role concept before the people. That will allow California the ability to tax commercial property and single-family residents at a different rate.

Obviously, this is a very sensitive political issue, because Proposition 13—the polls at this time indicate that the people are satisfied with 13 and that those that voted no are moving toward a yes position. But we are looking at once again trying to place on the ballot a split role concept, and we are facing the issue of whether we should place an initiative on the ballot to have a spending tax limitation at the State level.

Thank you very much.

The CHAIRMAN. Thank you very much. And again, I apologize.

Mayor Riley, I'll be back just as fast as I can from the vote.

[Brief recess.]

The CHAIRMAN. The committee will come to order.

Mayor, why don't you wind up, and then I have a few questions.

Mayor RILEY. In closing, Mr. Chairman, I would like to respond to a question that's been asked. Is it too little money, too little authority, too little scope, too little commitment, and eventually too little impact? The answer, we think, is a practical and realistic no.

It would be yes if anybody expected to transform State governments overnight. \$200 million would be a pittance, and institutional leverage would be insignificant. If, however, the point is to get a foothold to take a step in the right direction to accomplish modest but important changes, it should be adequate.

Mr. Chairman, this is an important proposal to the States, localities, and Federal Government. An effective national urban policy must be more than a Federal Government policy. It must be, in essence, the type of partnership that President Carter spoke about in March of this year.

This program, without heavy-handed coercion, offers the promise of making all of us more useful by seeing that each of us does his job better. This is a good government proposal that might actually produce better government. I know it's late in this year, but now we urge you on this committee to give this matter serious consideration and to report favorably on it this session.

The CHAIRMAN. Thank you very much, Mayor Riley.

You say, and I quote: "This program is needed because of poor performance in the past."

You also say, and I quote: "A State strategy is a promise of a promise."

And my question is this: Do you really think a limited incentive would turn a promise into a reality and turn poor performance into success?

This limit, as you say, is a very small amount compared to the amount the States put out.

Mayor RILEY. First of all, Mr. Chairman, I think potential rewards could be very great if a majority—even not a fifth, but 30 or 35 States—would begin the initiative outlined so very well by Governor Dukakis and Governor Byrne and the ideas of California and Michigan. I think the rewards would be tremendous, again, because of the leverage you have for a relatively small amount of money, perhaps getting as many as 35 or more States working.

One thing I mentioned in the statement that we think is very important is that this be a two-tiered program. It is not currently outlined in the bill. That is that the first use of the moneys, small amounts of money, be used to encourage States to do the types of assessments that Massachusetts, Michigan, and New Jersey, California, and perhaps some others have done. I think the merits of having the States of this Nation do that important assessment of urban needs—

The CHAIRMAN. Mayor, we've provided an enormous amount of money for planning in one way or another in the past. The Douglas commission report 10 years ago indicated that here is one area where money is being wasted. We've put in a lot more money for planning.

I realize that some planning is essential, whether it's corporate planning, State planning, Federal planning, or whatever it is. But I just wonder if it is that essential, that important. Why the States and the cities couldn't be expected to come up at least with that amount of money themselves to provide planning.

Mayor RILEY. Again, because we see it as a two-tiered position, the incentive is necessary, the incentive to have the funds available for the grants for the action programs in the States, I think, Mr. Chairman, is necessary. The States of their own, by themselves, without incentives generally have not moved in this direction.

The CHAIRMAN. Could you give me an example of what Charleston, S.C., might be able to do potentially under this program? How do you envision it helping you?

Mayor RILEY. If the incentive for programs were available, and the State government, first of all, had funds available for an urban assessment program, which has never been done before, a look at the problems of annexation, a look at the disparity in sharing States-shared revenue, the fact that State legislatures—and the State legislature in South Carolina used to run county governments—through a State kickbacks formula aided rural governments, looking at problems coming up, solutions to double taxation, the fact that many of our city residents now pay taxes, as they do in many States, for both city and county services.

The CHAIRMAN. Let me ask you, specifically, in Charleston, do you see this being used to provide for an annexation study that might

provide for some kind of change in policy on the part of Charleston. Perhaps State sharing, or some kind of double taxation?

Mayor RILEY. Very definitely, Mr. Chairman.

The CHAIRMAN. You're doing all three of those?

Mayor RILEY. Absolutely.

The CHAIRMAN. If that's such a high priority, and only a modest amount is needed to do it, why can't the State or the city do it with their present resources?

Mayor RILEY. Well, I guess it's like anything—the current resources are allocated for existing programs. The Proposition 13 on one end, certainly even without a referendum, that should cap State spending, and inflation on the other hand makes it difficult for State governments to come up with additional funds, especially for this. And I think that that's why funding is questioned, and I think so well at this meeting this morning. But I respectfully submit that a modest amount of funding is essential to really get this program off the ground.

The CHAIRMAN. You had an interesting phrasing in there. You say enough States are moving toward urban strategies to make this bill's incentive effective. But that there are not so many States doing so that the program would become a giveaway of what they're already doing.

How do you know that?

How can we go about assuring that these grants will not just go to States which are already going to make the reforms that we want anyway?

So many programs tend to do that. It would seem to me that we might very well spend \$400 million and end up with nothing we wouldn't have had without spending it.

Mayor RILEY. Well, I think that the point sought to be made there was, if there was no apparent genuine interest among the States in helping solve our urban problems, an incentive for programs alone might then just create some planning studies that would lay on the shelves.

There's probably enough interest, and I think as Governor Byrne said, just the subjective feeling at the Governor's Conference, more governors are coming up to Governor Dukakis and Governor Byrne—"Can you spare a few minutes with me to discuss—we're beginning to look at this problem."

I think that the yeast is there. What we need with this program are the other ingredients. I think HUD can well analyze the apparent, as well as real, interest in the States in making progress. States that have no interest at all will not certainly get any grants, but on the other hand, I think States like South Carolina, where the germ, where the yeast is becoming visible, but with money both for the assessment programs and then for some type, as Governor Dukakis said, statewide UDAG program, that you could see, in terms of Federal funds spent, a tremendous degree of accomplishment.

The CHAIRMAN. You commend the administration for not limiting this program to States with distressed cities.

I must say, my blood curdled a little bit when I read this last night in your statement.

You argued that grants should also go to States with cities which have some distressed areas within them.

Now, if this bill provided for billions of dollars, I might agree, but with \$200 million there just isn't enough to go around. You simply have to set some kind of priority. I'm afraid I don't follow your argument on why States without severely distressed cities should get grants when States which do contain severely distressed cities don't.

It would mean to me that you might give some to Houston and not to Newark, or you might make other decisions, if you are going to go give it to cities that are not in distress because they may have a problem.

Mayor RILEY. I'm chairman of the National League of Cities Urban Conservation Task Force, made up of mayors and council members around the country. We've worked on this definition of distress at a number of meetings. I think it's important to understand that distress is not static.

A community may have factors that maybe 5 years from now will be as distressed as Newark is now. We shouldn't ignore—

The CHAIRMAN. Well, you're talking about the definition. I think you can define it where you have a situation where you're beginning to lose population; you're beginning to lose income. That conceivably could be considered a distressed city. On the other hand, if you say you're going to be helping cities that are not distressed, if they have distress problems within them, as I say, there's no place to stop. With a \$200 million program, you're not going to get anywhere.

Mayor RILEY. Yes, sir. I think that the last sentence on page 5 addresses itself to that. What we're saying—and I'll repeat it—one suggestion is that distressed communities could be the primary focus of attention in the State's development and investment strategy. A UDAG-type proposal certainly should only be directed at the most seriously distressed cities in the State, while strategy that is developed for governmental structure and fiscal reform would be directed toward all cities. In other words, the reform potential of this: State-shared revenues, highway fund kickbacks, and annexation would be directed to all cities, but certainly the bricks and mortar or the heavy direct grants should only go to the cities with serious distress.

The CHAIRMAN. That's a very helpful answer.

Thank you very much, Mayor Riley. We appreciate your testimony.

Mayor RILEY. Thank you.

The CHAIRMAN. The committee will stand adjourned.

[Whereupon, at 1 p.m., the committee recessed, to reconvene at 9:30 a.m., Wednesday, July 12, 1978.]

[Complete statements of Mayor Riley and Mr. Dixon follow:]

STATEMENT BY HON. JOSEPH P. RILEY, JR., MAYOR, CHARLESTON, S.C.

Mr. Chairman, I am Mayor Joseph Riley of Charleston, South Carolina. I am pleased to be testifying today in support of the Community Conservation and Development Act of 1978 on behalf of the National League of Cities and the U.S. Conference of Mayors. As you know, these two organizations represent over 15,000 in the nation's municipal governments.

We consider the proposal under consideration today to be one of the most interesting, important and promising pieces of the President's national urban policy.

The State Community Conservation and Development Act is based on a sound premise and directed toward an important goal: the well-being of the nation's cities is heavily dependent on state government actions; and consequently, if we are to deal effectively with the problems of our urban communities, states must be heavily involved in the effort.

These thoughts are, of course, self-evident. The fact it, however, that they have not been sufficiently so as to inspire much action in the past. The President should be commended for advancing this proposal, one of the important innovations in his urban policy package.

If I may speculate, I think that the Administration policymakers, after surveying the available alternatives for federal government action, said to themselves, the reach of the federal government is limited; federal programs are often obstructed—or at least offset—by action or inaction within states; federal spending will be under greater and greater pressure; and those closest to a problem can address it most effectively; therefore, we should try to do something that encourages state governments to improve their policies with respect to their communities.

The National League of Cities and the U.S. Conference of Mayors are in basic agreement with this analysis. You see Mayors in Washington testifying on federal legislation; and some members of Congress may think that activity occupies most of our time. The fact is that, day to day, we are much more involved with our state governments; and the decisions made there are often as important or more important for our cities than the decisions made in Washington.

What kinds of decisions? Basically, four kinds: local aid programs, institutions, governmental and fiscal regulation, and direct spending on state administered programs.

On the face of it, the first category, aid to local governments, might seem to be the most important. At present, state governments provide more than \$50 billion in aid to local governments annually. Traditionally, the patterns of aid distribution within states have not necessarily benefited the communities or the people with the most serious problems. Through intent or inadvertence state aid has often been spread thinly or directed heavily to rural areas. Many states could use a review and reorientation of their local government aid programs.

While that sort of change would be important, there are other areas which hold even greater promise for long-term benefits. Any discussion among city officials concerning the obstacles they must surmount to deal with their city's problems will eventually gravitate to the issue of rigid state constitutions and statutes. The "real" city may be dismembered because annexation is so difficult as to be impossible. The tax base may be largely inaccessible or the taxes available may be overly regressive or discourage investment because of state limitations. Economic development may be difficult to undertake because of restraints on municipal powers. Changes in this area offer not just short-term improvements, but possibilities for long-term improvements in independent and effective, local decision-making.

In addition, many of a state government's direct actions have indirect effects upon the state's communities. Most obviously, public works projects, facility siting, highway placement, natural resource, environmental and recreational programs, all have consequences for a state's communities but often these consequences are not anticipated or guided by a general policy. State governments should be encouraged to reduce the damaging consequences of their inadvertent policies.

Finally, if effective decisions are to be made and carried out in this area, state governments must have the proper institutions. The kind of actions I mention above can be contemplated or carried out only if the proper institutions are in place. Both state legislatures and state executive branches should develop better means for assessing the condition of their communities, for creating policy responses to those conditions and for making those policies work.

If all states were proceeding toward the development of effective urban policies, this program would not be necessary. If none were, this program could not be successful. In fact, enough states seem to be moving to warrant optimism about the potential of this proposal; but, I can assure you, not enough to make this simply a giveaway. A push in the right direction would be very useful in many states.

The Administration's proposal is intended to do this job. Will it be effective? We hope so. I would like now to speak to several of the specific provisions of the bill and indicate the emphases that the National League of Cities and the U.S. Conference of Mayors think are most important.

First, the bill proposes that state governments develop two strategies, one for investment and development and another for government, structural and fiscal reform. Both are important and their importance is greater than simple shifts in aid programs. We think, however, that the reform dimension warrants special emphasis. It is in this area, as I said above, that the greatest long-term gains can be made, but the actions are not glamorous or easy and can easily be set aside or discounted.

Second, the Administration proposes that the program focus "primarily upon those communities experiencing distress or decline." We are delighted that the Administration realizes that states must be concerned about communities other than those in the most obvious and serious distress. If there were not cities in serious trouble there would, of course, be no need or strong justification for this program. But for this program to be effective and feasible its intent should be the encouragement of improved state policies towards communities, in general, within which distressed places should receive priority attention. Approached too narrowly this program could encourage short-sighted attempts to remedy today's problems without adjusting the governmental and political system so that tomorrow's problems can be addressed with greater effectiveness. What may aid a currently distressed place the most is a change in grants of governmental power or taxing authority, which produces benefits for all cities over time. And what might help a city now-distressed may harm other places where there is a potential for serious problems not yet realized. Distress should be given special attention, but it should be in a context of broader policy aimed at causes, calculated to produce lasting results and alert to developing problems. What is needed, therefore, are state policies for all communities, with the greatest attention devoted to those with the most severe problems. As one suggestion, distressed communities could be the primary focus of attention of a state's development and investment strategy while strategies developed for governmental, structural and fiscal reform would be directed toward all cities, including the distressed.

Thirdly, since the Administration wants performance and not planning, it does not propose in this program any "front-end" funding. Here we may have a slight disagreement, not on principle but concerning implementation. I think that a two-round process makes sense—a first round to stimulate assessments of conditions and current policies in as many states as possible and a second round to provide incentive money for the accomplishment of particular actions. The first round should contain little money and should not be simply another variety of traditional planning exercises, but I am afraid that without it only the states with policies already developed can expect funding and the incentive potential for the program will be greatly reduced.

Fourthly, administration of the program will be lodged with the Department of Housing and Urban Development. Given the performance of HUD under Secretary Harris and its success as an advocate for cities within the Administration this is certainly a sound decision, given existing institutions. It is not without its problems, however, as HUD officials probably appreciate better than I. To a certain extent the effective management of this program will require that HUD step into the domains of other agencies—dangerous business, and rarely productive. For several years, the National League of Cities and U.S. Conference of Mayors have advocated the creation of an urban White House level office such as a Council of Urban Advisers, that would provide the coordination necessary among the various departments and agencies that carry out programs that affect cities. We continue to advocate such an action and if this institution were created we think that it would properly administer the State Community Conservation and Development Program.

Finally, there is the issue of city government involvement. The President proposed partnership as the theme for his urban policy. It is not reasonable to expect that state proposals can be developed or carried out without the help and agreement of the Mayors of our cities. We were pleased that the Administration agreed with us in discussions that took place during the development of this program and strongly support the requirement that state submissions demonstrate the active involvement of local elected officials and their associations in the development and implementation of proposed strategies. We also support the provision that allows for objections to a submitted strategy to be lodged by individual communities. I might add by the way, that the cooperation of the state legislatures will also be needed to make this program work.

In closing, I would like to respond to a question that has been asked concerning this program. Is it too little? Too little money. Too little authority. Too little scope. Too little commitment. And eventually, too little impact.

The answer, I think, is a practical and realistic no. It would be yes if anybody expected to transform state governments overnight. Two hundred million dollars would be a pittance and the institutional leverage would be insignificant. If however, the point is to get a foothold, to take a step in the right direction and accomplish modest but important changes, it should be adequate.

The provision in the bill concerning the coordination through the state strategy or other federal programs is sensible and we strongly oppose strengthening it. At present, a state strategy is a promise of a promise. This program is needed because of poor performance in this past. It would be imprudent to overburden it at an early stage. Eventually, if state governments are to be better integrated into national urban policy, adjustments may well be made in functional programs to provide a different mix of roles for the participating governments. It would be premature to attempt this wholesale, through this program, at this time. One of the most important results of this program might well be the creation of the knowledge necessary to do a better job of combining the efforts of the federal government, state governments and local governments. Right now the federal government knows very little about state and local policies and institutions. Through this program, if it is properly used, a much greater body of knowledge can be injected into federal policy-making across the board. But, a comprehensive and consistent intergovernmental policy will be a long time in the making.

Mr. Chairman, this is an important proposal, important for states, for localities and for the federal government. An effective national urban policy must be more than a federal government policy. This program, without heavy-handed coercion, offers the promise of making all of us more successful by seeing that each of us does his job better. This is a "good" government proposal that might actually produce better government. I know it is late in the year, but I urge you to give this matter serious consideration and to act favorably on it before the end of this session.

STATEMENT BY JULIAN C. DIXON, ASSEMBLYMAN, LOS ANGELES, CALIF.

Mr. Chairman and members, thank you for allowing me the opportunity to present this information to you. I have been asked to discuss California's urban strategy and what the state has done to aid local governments after passage of the Jarvis-Gann Initiative, Proposition 13.

Governor Gerry Brown's "Urban Strategy for California" was developed over a two-year period by the State Office of Planning and Research. It recognizes the fact that cities and suburbs are where the people live—94 of every 100 Californians today live in urban areas.

The Urban Strategy is designed to be carried out by a partnership of the state, local government, regional agencies, citizens and the private sector. It includes 45 separate actions to revitalize the urban core of California while planning for orderly growth to meet the needs of the 8 million new people anticipated to come into the state in the next twenty-two years.

The actions included in this strategy are based on a set of board goals:

1. Increasing employment through environmentally sound industrial and commercial growth.
2. Improving the quality of public schools.
3. Providing an adequate supply of affordable housing in both cities and suburbs.
4. Curbing wasteful urban sprawl and directing new development to existing cities and suburbs.
5. Protecting the state's natural environment, particularly the land and air and water quality.
6. Revitalizing central cities and neighborhoods and eliminating urban blight.
7. Protecting the most productive agricultural lands.
8. Encouraging land-use patterns in a manner to stimulate necessary development while protecting environmental quality.
9. Improving the efficiency of government and limiting taxes to the lowest practical level.
10. Encouraging effective local law enforcement.
11. Providing an adequate transportation system, including both public transit and well-maintained streets and highways.
12. Providing recreational and cultural services.
13. Guaranteeing needed social service such as health care, job training and adequate unemployment and other financial assistance to those in need.
14. Insuring full participation of citizens in decisions affecting the future of their cities and neighborhoods.

As first steps toward meeting California's urban goals and priorities, 45 specific actions will be taken.

In order to improve existing housing and encourage new urban development, rehabilitation of housing will be encouraged, emphasis will be placed on new and existing low- and moderate-income housing, compatible commercial and industrial development and rehabilitation will be encouraged, cities and counties will be required to develop five-year capital improvement plans, a Housing Task Force will be created, air and water quality will be protected, priorities will be established for highway funding. In addition, state projects will be made consistent with local plans, a pilot industrial siting procedure will be established in the San Francisco Bay Area, public retirement systems will be urged to invest assets in California mortgages which are consistent with the Urban Strategy, and an urban forestry program will be created.

Apprenticeship opportunities, job development, development of a model mental health service delivery system and continuing school reforms will be means of improving urban social and economic conditions, as well as community-based crime prevention, urban parks and recreational and cultural programs.

Interjurisdictional conflicts will be resolved by assessing regional urban development needs, state funding to support local governments in the above actions and encouraging coordination among regional agencies.

Some parts of the Urban Strategy may need alteration now with the passage of Proposition 13, but it remains a strong statement for control of urban sprawl and revitalization of the inner city.

I would like to talk a little bit now about Proposition 13. When this initiative passed, it meant local and state officials had to move quickly to meet the biggest single challenge ever faced by government in California.

Major provisions of Proposition 13 are as follows:

1. Limits ad valorem property taxes to 1 percent of the full cash value of the property;
2. Requires counties to levy the 1 percent tax and apportion it according to law to the districts within the counties;
3. Establishes as a basis for "full cash value" the county assessor's appraised value as of March 1, 1975 (property subsequently sold or improved would be reappraised);
4. Limits increases in fair market value to 2 percent per annum;
5. Requires an affirmative vote of two-thirds of the "qualified electors" of any respective taxing entity to increase special taxes (other than property taxes); and
6. Prohibits the Legislature from raising or increasing any other taxes to make up for any loss unless two-thirds of each house approves.

Various estimates indicate that local government will lose about \$7 billion in property tax revenues during the 1978-79 fiscal year.

In order to head off the impending economic chaos, a joint conference committee began working to divide the \$5 billion state surplus among local governments, and the results were as follows:

(a) \$900 million to Emergency Loan Funds which will be made available to local agencies. Loans must be repaid prior to June 30, 1979.

(b) \$250 million distributed directly to cities on the basis of each city's property tax loss in relation to the property tax loss of all cities statewide. A stipulation was made that priority must be given to police and fire protection. The allocation leaves cities 10.5 percent short of projected revenues.

(c) \$1.48 billion assistance to counties, including \$1.04 billion to "buy out" welfare and Medi-Cal costs. The remaining money will be distributed in a block grant with a similar stipulation on police and fire protection. County revenues will be 9.8 percent less than anticipated.

(d) \$125 million to special districts to be allocated by county boards of supervisors according to specified guidelines. Priority must be given to police and fire districts, community service and county service areas, and districts relying most heavily on property tax revenue. Special districts will be 9.5 percent short in expected revenues.

(e) \$2.2 billion to schools, including \$2 billion to K-12 and \$260 million to community colleges. The allocation will maintain elementary and secondary schools at an average 90 percent of 1978-79 estimated budgets and community colleges at 85 percent.

The Legislature also reallocated \$4.3 billion in property tax collections to each local government jurisdiction according to the amount of revenue lost as a result of Proposition 13. \$1.1 billion in additional property tax revenues will be targeted to repay bonds.

In order to further aid local government, the Legislature this year adopted a \$15.1 billion budget, reflecting an increase of only 2.6 percent over the 1977-78 fiscal year, and a \$1.3 billion reduction in the budget submitted by the Governor in January. The budget cuts allow an ongoing General Fund surplus to finance Proposition 13 assistance to local governments.

California must now exercise strong leadership in answering the angry taxpayers cry that is being heard nationwide. Most of my colleagues interpret the vote on Proposition 13 as a clear message from the people to cut government spending, yet Proposition 13 contains no mechanism for limiting state spending in future years. Therefore it is now incumbent upon state political leaders to place an effective limit on state spending.

Local governments and school districts must now take command and work toward future years, when there will be no \$5 billion state surplus to pay for essential services.

It has been a pleasure to appear before you today. Thank you.

PREPARED STATEMENT OF ASSEMBLYMAN JULIAN DIXON, CHAIRMAN,
MAJORITY CAUCUS, CALIFORNIA

Mr. Chairman, members of the Committee, I want to thank you for the opportunity to present the views of the National Conference of State Legislatures on the measure you have before you today.

It is gratifying to testify on such a measure that recognizes the role states are playing and must continue to play in facilitating and actively participating in the revitalization of our distressed and declining areas. Over the past year, NCSL has worked extensively with agency and White House personnel to develop legislation which would bring states into full partnership with the federal government in the implementation of the National Urban Policy. I cannot overstress the importance of state actions, particularly those of the state legislature, in instituting the reforms and developing the policies and programs necessary to meet the demands of distressed areas.

State legislatures assert a wide range of powers over the affairs of local governments. They have been blamed frequently in the past, and with some justification, for actions or inactions that have contributed to the decline of these same local governments. But it remains the state legislature that exercises the authority over state taxation policies, appropriates state funds for public investments, approves and develops methods to relieve fiscal disparities or unfair burdens for the provision of public services, and deals with problems that are areawide or regional in scope. Any federal initiative which ignores this authority and the state legislative-executive partnership for implementing these policies cannot fully meet the needs of distressed and declining areas.

It is true that this partnership has not in some cases been able to meet the challenge of eliminating distress. Some would have you believe that this remains the case. It is not rhetoric, however, that will counter this claim. It is actions, not promises, but taken by many states that will illustrate the commitment of state governments to their distressed areas. Loan programs for new and rehabilitated housing, tax credits and other incentives for economic development and job creation, direct state aid to local governments for education and transportation, state revenue-sharing programs, and anti-redlining measures for both mortgage and insurance are just some of the efforts several states have made to assist local government.

Comprehensive strategies such as those called for in the "State Community Conservation and Development Act" are already being implemented. California, Massachusetts, and Michigan have well documented strategies; however, other states have undertaken the task as well. Minnesota is continuing its effort to look at the ways the state is already aiding local governments in order to more effectively package the available resources. Florida is trying a joint legislative-executive approach to developing a comprehensive state strategy. The Washington State Legislature will complete a state community development package August 1 for consideration during hearings this fall and legislative action next year. This package of urban measures was developed by a joint legislative-community committee with representatives from both large and small communities to study the problems of local governments. Connecticut is revising its State Conservation and Development Plan with emphasis on community and economic

revitalization. The New York Assembly has created the Task Force on the Cities to coordinate all of the work done by various community related committees and will, upon request, package state and federal programs for localities. The list is far from limited to a few states. It illustrates the crucial role states can and do play.

The legislation pending here today recognizes this state role and further recognizes the limitations of the federal government in trying to do the job alone. We applaud this action and support the concept of providing further incentives to states to continue, and in some cases, initiate actions to eliminate distress and decline. The "State Community Conservation and Development Act" demonstrates the awareness of the capacity of states to develop and implement comprehensive programs of state aid, involves the participation of affected communities throughout the process, encourages the participation of the private sector, and allows states to develop the most effective package of actions to meet their particular needs.

We feel a key element in this measure is the openness of the program to all states, not just those meeting a certain criteria. Distress knows no exclusive territory and must be dealt with as a nationwide problem. This measure reflects the concern of our national leadership that federal programs and policies must be coordinated internally and with those at the other levels of government if the challenge is to be met.

There are several areas, however, where the "Community Conservation and Development Act" does not effectively facilitate implementation of this concept. A strong advantage would be added by inclusion of a needs assessment phase open to all states. This provision would most directly serve as an incentive to those states who have not undertaken a comprehensive look at the problems facing their distressed communities. Even those states who do not share in the implementation grants in the incentive program would have taken positive action to identify current policies that could create distress in now healthy communities or those suffering incipient decline and eliminate distress in those communities where it is severe.

Another long-standing recommendation not embodied in the Act is a strong Executive Office coordinating role that can overcome interdepartmental inconsistencies and facilitate a truly comprehensive effort. Relief to distressed communities will be the result of systematic use of all of the resources available. HUD has made significant contributions to the effort on the part of the federal government to aid declining communities; however, one department cannot provide the authoritative control necessary to resolve interagency conflicts in policies and programs. An Executive Office coordinating body would be one method by which these barriers to a comprehensive state program could be removed.

NCSL has three other concerns with provisions in the "State Community Conservation and Development Act."

The measure seems to stress past performance as a major criteria for receipt of grant funds. We support rewards to those states who have taken the responsibility for addressing the needs of distressed communities without benefit of such an incentive program; however, past performance should not be the major factor in the award process. To take this approach would negate any incentive to states who need assistance in beginning or going further in their efforts to look at community problems. While we support the concept of rewarding performance, not promises, this emphasis implies that actions be completed before grant awards are made. The staggered reimbursement system provided for in the measure should be a sufficient means to control the progress of state actions.

Secondly, the participation of a majority of states will not be possible if the current funding levels are maintained. Although this level is sufficient as a demonstration program, we would hope that implementation grants could be funded at a level of \$400 million annually. The structural and fiscal reforms called for in the measure are complex and difficult. We are uncertain whether the proposed level of funding will provide sufficient incentive for the majority of states to attempt such comprehensive revision.

The third concern is the area of coordination of federal programs with the approved state strategy. This concern is addressed in the objectives stated in the proposal. However, it is not expressed as strongly within the language of the proposal. An Executive Office role would respond to the coordination needs between federal agencies, but it does not address the need for consistency of federal programs with approved state strategies. Without such consistency, the impact of state strategies can be altered or negated. Precedent for this type of conformance

can be found in the Coastal Zone Management Act. If such conformance language were added, states would have an added incentive to prepare a truly comprehensive plan knowing that the hard political decisions which must be made to do so would not be overturned at any time by inadvertent impacts of federal efforts.

In conclusion, I want to reiterate our support for this incentive program. With renewal of the partnership too long neglected between the federal government and the states, the challenge of eliminating distress can be met.

Thank you for your time. We will be happy to answer any questions you may have.

URBAN POLICY INITIATIVES

WEDNESDAY, JULY 12, 1978

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 9:30 a.m., in room 5302, Dirksen Senate Office Building, Senator William Proxmire (chairman of the committee) presiding.

Present: Senators Proxmire, Sparkman, Williams, Morgan, Riegle, and Heinz.

Also present: Senator Javits.

OPENING STATEMENT OF SENATOR SPARKMAN

Senator SPARKMAN. Let the committee come to order.

We are going to have to work pretty fast because the Senate is already in session and we have a limitation because of the rules.

This morning the committee is holding its second day of hearings on portions of President Carter's urban policy proposals. We focus today on bills S. 3210, the Livable Cities Act of 1978, which would provide \$20 million in grants in each of the fiscal years 1979 and 1980 to carry out neighborhood or community based projects; and S. 3211, the Neighborhood Self-Help Development Act of 1978, which would provide \$15 million in each of the next 2 fiscal years for direct grants to neighborhood groups to deal with community problems. Both of these bills are aimed at very desirable ends. However, a number of issues must be addressed if we are to arrive at a clear understanding of the worthiness of this part of the urban policy package.

With respect to the livable cities bill, questions about funding level, the relationship between HUD programs and those of the National Endowment for the Arts, the type of arts projects to be funded, the method of allocating the funds, and the administrative mechanism to be devised must all be addressed if this committee is to be able to understand what is intended to be accomplished by this particular legislation.

With respect to the neighborhood self-help development bill, issues involving the extent of the Secretary's discretionary power with respect to the types of projects and the criteria for selecting recipients, the definition of eligible neighborhood organizations, and the precise relationship to be encouraged are required between such organizations and the unit of local general government are critical to understanding and acting on these proposals.

We have invited a number of witnesses to address either, or both, bills. The witnesses reflect the Federal, State, and local government

roles in implementing the two bills. They also represent individuals who have been personally and professionally involved in the kind of activities to be encouraged.

I would like to state, however, that we have a very long witness schedule. Thus, the committee would admonish all of the witnesses to be as brief and as specific as possible. Of course your full statements will be made a part of the printed record.

Our first panel will consist of Monsignor Geno Baroni, Assistant Secretary of Housing and Urban Development; and the Honorable Livingston L. Biddle, Jr., Chairman of the National Endowment for the Arts.

Gentlemen, we welcome you here and we shall be very glad to hear from you. According to the list we should have very good attendance; nine members have indicated that they will be present. But because of the time limitation—and I have to be at another meeting at 10 o'clock myself and someone is supposed to relieve me, so I suppose we will have a kind of a staggered hearing. But we are glad to welcome you gentlemen and we should be very glad to hear from you at this time.

STATEMENT OF GENO BARONI, ASSISTANT SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. BARONI. Thank you very much. I am happy to be here this morning and to address the chairman and members of this committee. I am particularly pleased to be here to discuss HUD's neighborhood initiative—the Livable Cities bill and the Neighborhood Self-Help Development bill, and I think we are very excited about proposing these bills which recognize and tap neighborhood initiative and vitality.

While I would submit my statement for the record—

Senator SPARKMAN. You have a rather lengthy statement but you may proceed and the entire statement will be printed in the record.

Mr. BARONI. Thank you very much.

[Complete statement follows:]

STATEMENT OF GENO BARONI, ASSISTANT SECRETARY FOR NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND CONSUMER PROTECTION

Neighborhood Initiatives

INTRODUCTION

Mr. Chairman and Members of the Subcommittee, I am pleased to be here to discuss HUD's neighborhood initiative—the Livable Cities Bill and the Neighborhood Self-Help Development Bill. We are very excited to be proposing Bills which recognize and tap neighborhood initiative and vitality.

These Bills are an important part of the urban policy proposed by President Carter to encourage and nourish the efforts of neighborhood and voluntary groups and citizens in revitalizing their communities. Both Bills reflect our commitment to a new partnership for neighborhood revitalization. Grants provided under both programs will stimulate and call for the investment of local resources many times that of the relatively modest Federal investment authorized by the Bills. But further, these bills seek to enhance two components of any healthy city. First, they seek to mobilize the commitment of people who live in our nation's neighborhoods to help them revitalize their own communities; and they seek to create a livable environment through arts, sensitive Design and cultural activities. These two bills are catalysts of local action and a recognition that our cities will only be as healthy as their neighborhoods.

The Neighborhood Self-Help Development Bill assists neighborhood organizations which already have a proven track record or have a demonstrated capacity to undertake specific housing, economic or community development and neighborhood revitalization and conservation projects, while the Livable Cities Bill focuses on arts projects as a catalyst for neighborhood revitalization. Both require close coordination with local government. The Neighborhood Self-Help Development Bill provides \$15 million for grants to neighborhood organizations; the Livable Cities Bill authorizes \$20 million for grants to neighborhood and voluntary organizations, to nonprofit arts groups and similar institutions, like museums, and to cities, State governments and quasi-governmental arts councils.

I believe that these bills illustrate the Administration's commitment to help neighborhoods and neighborhood initiatives: A commitment to utilize a valuable resource. I believe it is essential to the success of any urban policy that we capture the imagination and commitment of people to revitalize their own neighborhoods. These two bills build on our experience that small projects with modest resources can often mobilize the energies of neighborhood residents and the reinvestment of private business.

I will address each of the bills and ask my colleague, Mr. Livingston Biddle, Chairman of the National Endowment for the Arts, to comment on the role the Endowment will play in implementing the Livable Cities legislation.

NEIGHBORHOOD SELF-HELP

(1) Purpose

This bill recognizes and provides for self-help organizations that have successfully mobilized indigenous resources for neighborhood revitalization. By assisting in the development and implementation of neighborhood level projects we will leverage both public and private investments and provide more effective coordination and delivery of existing federal programs.

The fundamental purpose of the neighborhood self-help development program is to assist established neighborhood organizations in developing and implementing neighborhood revitalization and housing projects.

Throughout the country, in small and large cities in both high growth cities and older urban areas, in inner cities and suburbs, there are sections which are especially impacted by unemployment, disinvestment, economic decline and physical deterioration. A number of existing federal programs focus on the revitalization of these neighborhoods.

The neighborhood self-help development program will augment these existing programs. Often there are insufficient resources for those critical project development and implementation activities which would enable competent neighborhood organizations to use this assistance most effectively. Furthermore, Federal resources have been fragmented among several agencies and the integration of different Federal programs often fails for lack of a relatively small amount of resources for a local integrating mechanism. Neighborhood strategies for using resources designed solely by government have not been able to capture the unique environment and opportunities at the neighborhood level. This bill provides resources for specific projects that combine a variety of governmental resources, local self-help expertise and private reinvestment.

(2) Program description

The proposed self-help legislation would authorize appropriations of up to \$15 million for each of two years for grants and other forms of assistance to neighborhood organizations. We estimate that this will allow us to award 100 grants or contracts to neighborhood development organizations.

Assistance will be provided to those organizations with experience in project organization and implementation in the areas of housing and neighborhood revitalization. The focus of program activity will be on assistance benefiting low and moderate income neighborhoods or neighborhoods showing signs of present or impending distress. The organizations must be non-profit entities, have an active board of community representatives, and demonstrate ability to work in a local partnership with local officials, as well as representatives from the lending and business communities.

At the local, neighborhood level a small amount of flexible money is often the critical ingredient in overcoming fragmentation in public programs and in reconciling public and private funding. The funds provided by this bill will fill the gaps in existing resources that often prevent implementation of creative

neighborhood initiated projects. Since these funds will be combined with other resources in planning and implementing specific projects, we anticipate this \$15 million fund can be leveraged to stimulate the investment of many millions of dollars of projects in neighborhood revitalization.

With respect to any particular neighborhood, assistance would be provided under the Act only if the unit of general local government within which the neighborhood is located has certified that such assistance is consistent with, and supportive of objectives of that jurisdiction, especially other community development, economic development, and neighborhood revitalization activities being carried out by such unit.

Also, in carrying out this program, the Secretary of HUD must ensure close coordination of activities assisted with other related Federal, State and local programs and ensure a maximum commitment by the neighborhood organizations of their own financial and other resources toward the project.

(3) *Examples*

There are many examples of the success of revitalization projects undertaken by these neighborhood self-help corporations. They have rehabilitated single- and multi-family abandoned property; managed the transfer of ownership from neglectful investor owners to low and moderate income homeowners and cooperatives; built and maintained new multi-family housing. They have organized commercial revitalization of existing neighborhood retail strips and redeveloped abandoned industrial sites for housing or commercial use.

Many projects have brought mortgage lending back to previously "red lined areas." Other projects have financed shopping center development in neighborhoods that have seen little retail construction in a generation. A number of projects attracted national companies and new jobs to sites in their community. Tenant management corporations in several places have not only successfully maintained projects but they have directed community improvements and even rehabilitation in their projects. Many projects have resulted in viable, labor intensive manufacturing and service enterprises that create new jobs and revitalize the neighborhood economy.

I would like to give a few concrete examples of the types of successful neighborhood initiated activities this Bill is designed to stimulate and assist. (Though I necessarily name particular programs and organizations, please do not take this as an implication of favoritism or as an implication, concerning prospects for funding if this proposal is enacted.)

You will find, I think, a common element runs throughout these varied examples. In each case the neighborhood organization served as a vital catalyst for the successful integration of a wide range of public and private resources. These are the kind of mature, stable organizations that we seek under the program. They are groups that have successfully integrated a variety of government programs and demonstrate program management expertise and a development focus.

TELACU

In Los Angeles there is a group called the East Los Angeles Community Union (TELACU), headed by David Lizarraga, now on the Neighborhood Commission. Started in 1968 to assist Mexican Americans, TELACU was originally organized to help the residents meet immediate needs of survival in the Barrio. From that short range objective, TELACU has expanded to a \$40 million operation employing 100 persons involved in a wide variety of activities including:

(1) Establishing a business development office which has been responsible for community reinvestment of \$10 million through business loans and contracts.

(2) Investing in a local bank, community credit unions and other corporations.

(3) Developing low-income rental units.

(4) Developing plans for a cultural center.

TELACU has built an essential foundation in East Los Angeles and its example illustrates the potential of such a movement once a neighborhood's economic resources are tapped and stabilized.

WLCAC

Another successful neighborhood development organization is the Watts Labor Community Action Council (WLCAC). WLCAC began as part of a successful attempt to get a hospital in the Watts community and initially emphasized youth and employment programs. I understand that WLCAC will later be testifying

before this Committee on this program in detail. However, I would just emphasize that one of the more creative housing programs in the nation is being operated by WLCAC. This is called the "move on housing" program where WLCAC bids on housing scheduled by various city and state agencies for demolition for expressway or airport construction. These structures are then moved to Watts where, using its community beautification capabilities, WLCAC provides attractive sites for the relocated moderate income housing. WLCAC has completed over 100 units of "move on" housing and recently was successful in negotiating a bank loan to perpetuate the program.

NWECC

Another example in a low-income neighborhood in New Jersey is the North Ward Educational and Cultural Center (NWECC), founded by local residents eight years ago, the center started with a Volunteer career and college counseling program. Initial funding was provided by a private source which was able to leverage enough private and government resources to purchase and renovate a school building for community use and to operate other self-help programs.

Today, North Ward is an indigenous organization linking the North Ward community to government and private institutions. It runs a neighborhood youth corps out-of-school program, a Lily Endowment youth project and a \$200,000 HUD neighborhood stabilization project.

NWECC has changed the community and the lives of North Ward residents. A sense of apathy and powerlessness has changed to one of community spirit.

SECO

In Baltimore City, the Southeast Community Organization's (SECO) roots are in a multi-racial, largely ethnic section of the city. SECO began as a protest movement against expressway construction that would have been the final blow in neighborhood disinvestment. Building on a three-year campaign of successful advocacy activity, SECO decided to take the organization beyond protest and confrontation into the creation of economic and physical development ventures that combine public and private resources for new levels of impact. They created one of the first and most successful Neighborhood Housing Services (NHS) in the country and have borrowed investment capital to create a community land bank to prevent further neighborhood deterioration and disinvestment, both of which are joint ventures with the savings and loan industry that at one time had been picketed by SECO in Baltimore. SECO has sponsored a health center which is a joint venture with a large medical group and created a cottage craft sewing industry whose goods are marketed in five East Coast department stores. A major commercial revitalization project in the local shopping district and job development efforts round out SECO's comprehensive strategy for the area. Not only does SECO work cooperatively with the city government, but part of the funding for SECO development corporation flows through the city's economic development corporation.

New York

In New York fourteen neighborhood organizations rehabilitated 1,600 units of housing during the worst housing slump in recent times. Rent collection in community managed buildings in New York City stands at 92 percent compared to 54 percent, in city managed buildings.

LIVABLE CITIES

(1) Background: NEA

As you know, the National Endowment for the Arts primary focus has been the development of professionalism in the arts. Through a number of its programs this professionalism has been nurtured on the community level. In the course of these efforts, the NEA discovered that certain grants generated more than art. In fact, the grants acted as catalysts for neighborhood revitalization efforts. Obviously this was a welcome finding; and one which is supported by HUD's own experience in those relatively few instances where community development block grant funds were used to support cultural facilities. We believe that the approach reflected in these findings and developed so successfully under the Endowment's experimental projects, should be adopted by HUD as a new and promising tool in carrying out its function as the federal department with primary responsibility for community development.

The Livable Cities bill represents an example of how cooperation between two federal agencies can generate a program under which the pioneering efforts of one agency can be utilized by another agency in carrying out its own mission.

Both HUD and NEA believe that under the auspices of HUD, with the cooperation of NEA, arts, cultural and preservation activities can be coordinated with other community development and housing resources to support a number of deserving projects which otherwise could not be adequately funded. For example, we know of enterprising neighborhood groups who want to acquire abandoned or underutilized buildings and rehabilitate them for use as neighborhood cultural centers. For instance, we are aware of a group that has taken over an abandoned telephone building, rehabilitated it, and created a cultural center in a decaying neighborhood. The major problem faced by this group once it acquired and rehabilitated the building was the lack of resources to develop the necessary programming for cultural activities.

In contrast, where local groups have had modest resources to undertake experimental projects, they have shown impressive results. I will be mentioning several examples in my testimony for illustrative purposes only. These examples should not be taken as individual projects we intend to fund. For instance, in Boston's North End, a neighborhood group, the North End Union, set up an art's council to help revitalize their neighborhood. The program has grown dramatically in the past two years involving a cross section of the North End's residents, from youth to seniors. Activities included arts and the environment, grating drawings, mosaics under the expressway, sculpture in concrete, neighborhood art shows at new galleries, ethnic street festivals, opera in churches on Sunday afternoon, five plays this year by the North End Community Players (a theatre group of local youth), and an exhibit at the Boston Museum of Fine Arts. The involvement of the museum in this project is an especially good example of the kind of partnerships we hope to develop under this program. The Museum of Fine Arts provided special evening viewing of the museum's pompeii exhibit and a free shuttle bus service for the North End senior and youth, many of whom had never been to a museum. This extension into the community provided new cultural enrichment for the neighborhood and new audiences for the museum.

An added and significant result of these activities is that they serve as a catalyst to unite the new, younger, middle class residents of the renewed waterfront area with established residents and merchants in an old neighborhood. The new residents come to enjoy the color, vitality and heritage of the old. This integration was critical to the success of Boston's new waterfront revitalization effort, and has provided economic stimulation for the old neighborhood. We also know of many examples where neighborhood groups, art councils or interested organizations have proposed to develop a plan to revitalize and preserve their neighborhoods. Such projects are premised on the belief that a carefully designed plan to preserve, reconstruct or rehabilitate a district is an important first step for creating a livable and thriving community. The plans that have been envisioned deal with more than the physical structures. They consider open space, color, design, shape and other factors which influence the quality of life. Savannah, Georgia and Manchester, Pennsylvania are good examples of preservation revitalization movements that have succeeded. Preservationists in Savannah, well known for rehabilitation activities in affluent neighborhoods, have started a similar campaign in low income neighborhoods. The program will assure that the current residents can afford to remain in restored homes, if they so desire. In Manchester, a once affluent but now low-income and decaying area which contains 1,200 houses. They have faced obstacles most of us would have found insurmountable. But today they are a vital force in Pittsburgh's revitalization. Arthur Ziegler will describe this project in greater detail later this morning.

The projects I have mentioned are examples of projects that have been able to attract some public and private resources, only with tremendous effort. There are other groups and institutions with projects just as creative, just as ambitious, and with similar expectations for improving the environment and generating revitalization efforts that are struggling to find the funding necessary to help in the implementation and support of activities for which adequate funding is otherwise not available. HUD's proposed Livable Cities Program aims to facilitate these revitalization efforts that begin to integrate artistic and cultural pursuits within a comprehensive neighborhood and community strategy. We recognize the opportunity presented by the National Endowment of the Arts' pioneering efforts in this area. At the same time, we are sorely aware that a suitable environment requires more than bricks and mortar. That a sense of neighborhood identity, spirit and pride are the underpinnings of creating and

sustaining a suitable environment. The Department has been actively seeking ways to generate the pride and concern for a neighborhood that shows signs of physical deterioration. We see in the Livable Cities approach, a successful method of stimulating pride and reinvestment. NEA's small program has just touched the surface by demonstrating that expanding artistic and cultural opportunities stimulates neighborhood revitalization. We believe it is important to continue this work.

(2) Program description

The bill provides for a program operated by HUD with the close involvement of the Endowment. It provides a framework, for example, within which the procedures or criteria for submission and evaluation of applications, including the selection of outside advisors, will be established jointly by the secretary and the chairman of the endowment. Also consultation with the chairman would be required in other significant program matters, such as in the actual determination of the merits of any proposed project. In this way, the program will be assured the benefit of the endowment's invaluable expertise in the arts and its experience over the years in NEA's own program areas. The proposed legislation would authorize the Secretary to make grants to, or enter into contracts with, primarily nonprofit organizations. The bill also permits contracts with profitmaking organizations where the Secretary deems appropriate. Nonprofit organizations would, under Section 102(b) of the proposal, include States and units of local governments, special authorities, regional organizations of local governments, and nonprofit societies, institutions, organizations, associations, museums, and neighborhood groups.

The proposal would authorize an appropriation of not more than \$20 million for each of the fiscal years 1979 and 1980. We anticipate that grants or contracts will vary in size depending on a project's need, capacity to manage and level of development, with few grants over \$100,000.

Projects eligible for funding would be those which the secretary, in consultation with the chairman of the National Endowment for the Arts, determines will:

- Have substantial artistic, cultural, or opportunity for urban design merit;
- Represent community or neighborhood initiatives which have a significant potential for revitalizing or neighborhood identity and pride, and for contributing to a more suitable living environment and expanded cultural opportunity for the residents, particularly low and moderate income residents, of the Nation's urban areas; and

- Meet the criteria established by the secretary and chairman.

In this connection, the term "project" would be defined to include programs for neighborhood and community based arts programs, urban design, user needs design, and the encouragement of the preservation of historic or other structures which have neighborhood or community significance. The terms "art" and "arts" would be defined to include a broad range of activities in the fields of "environmental" arts, such as architecture and design, the visual arts, the performing arts, media arts, literature and crafts, as well as other similar activities which reflect the cultural heritage of the Nation's communities and their citizens.

The proposal would direct the Secretary, in cooperation with the Chairman of NEA, to establish regulations requiring that a specific portion of the cost of any project will be provided from sources other than funds made available under the "Livable Cities" Act. "Funds or services" could include in-kind contributions.

The proposal requires the Secretary and the chairman to establish procedures for eliciting the cooperation of local officials to assure that applications will not be inconsistent with objectives of local government. These "objectives" would include the cultural activities, and community development and neighborhood preservation and revitalization plans and activities.

The Secretary, in consultation with the Chairman of the Endowment, will be advised by specialists outside both agencies in making decisions regarding applications. One of the unique features of the selection process contemplated under the proposed program, and one that we believe is critical to success, is an Advisory Panel. The National Endowment has successfully utilized this method for selecting the projects it funds. Mr. Livingston Biddle will discuss the panel procedure in greater detail.

Although the panel format is not required by the bill, we intend to use that method to organize the outside advisors that the bill requires and who will be jointly selected by the Secretary and the Chairman. These advisors will be

selected, as the bill requires, in accordance with criteria which will insure a balanced representation of views from community development fields and the major arts fields, which have a particular potential for contributing to community revitalization. It also is contemplated that the actual mechanism for obtaining the review and recommendations of these advisors will be similar to the advisory panel procedures utilized by the Endowment.

Mr. BARONI. I think the most important kind of question that we have here this morning is the question I would like to ask so much, Senator and members of the committee: the question of why; and we are here to try to explain why these two urban initiatives, very small, very modest in the large scale of things, why these two urban issues are very important.

As a part of the urban policy that President Carter has put together, he has put together a framework called urban partnerships and in that urban partnership he talks about the different roles of the Federal, State, and local government and their different pieces of legislation addressing Federal, State, and local initiative of government. At the same time, in the partnership of an urban policy the President also talks about the role of the private sector—business, industry, and so on. But that partnership is not just between government—Federal, State, or local—and/or the private sector. There's a third dimension that these two bills address that's part of that partnership, and that is the role of local neighborhood groups, local community groups, and the role of the nongovernmental sector. It's what De Toqueville talked about America, is how America had so many initiatives that came from people themselves.

So I think what's important in the urban framework of an urban policy that talks about an urban policy is not just what Government can do top down by Federal, State, and local government, not just what the big business, big corporations, our fantastic private sector can do, but what people can do and what people can do for themselves. So I think this third dimension is the most neglected, yet one of the most important, and so often most ignored, least understood of our urban policy urban strategy questions, and I know that this presents for us a very, very important kind of dilemma.

If, as came up yesterday over and over again, we deal with the No. 1 political reality of our time, it is the massive disillusionment with government and we see that in proposition 13, but there's another part to proposition 13 that's never talked about and that is that the people themselves who are supposed to be beneficiaries of programs are also disillusioned. People who are supposed to be principally benefited by programs are also disillusioned.

So somewhere between the notion that more of the same is not enough, that something more is needed, that there's an issue here in terms of self-help, in terms of volunteer groups putting together programs to work in partnership with local government, in partnership with business or industry, banks, in terms of creating a livable city, a livable environment, in terms of bringing about arts and culture and neighborhood revitalization programs, rehabilitation programs, where people themselves can put together the capacity to make the programs work at the local level, because if Government does everything for people or even sometimes as they say Government does things to people, it creates a dependency. It destroys self-respect. It destroys self-reliance.

So the question is in a modern society: How do we do neighborhood barn raising? How do we have the capacity for groups to make programs work at the local level? It's not everything top down, but somehow it's also bottom up and it's the delicate balance of this third dimension that's important.

Now I always get asked this question: Why should the Federal Government recognize the role in the policy framework—and I think this is one of the first time—recognize in the policy framework the work of the voluntary, nongovernmental neighborhood groups? I think we are so big as Government, we are so overwhelming, if we ignore what people can do for themselves and the kind of things people can put together at the local level and feel they are a part of Government, then I think we can deal with the dilemma.

Because, you know, we were caught back in 1964–65. We have massive programs—massive Government programs—and there's a progressive impulse to try to help people in need, but the issue is: How do we free ourselves from the crippling influence of dependence and helplessness to create a more livable city and to deal with the problems in our society? Because I have seen huge Federal programs which I think makes poverty, joblessness, and bureaucracy permanent fixtures on the scene.

So the issue and challenge is: How do we use Federal programs in a limited way to develop policies and programs which ends the kind of reliance on the Government itself to do everything for people? I think here's where the missing link is.

Those of us who are interested in human development, in domestic policy, in social justice, somehow we have missed the link in terms of some vision of Government as a tool for social justice and that vision of Government's being just the only tool for social justice is in a continuing decline, not only on the part of taxpayers who have to pay the bill, but also on the part of people who are beneficiaries—that somewhere in between we also need some effort—and we are not here to say that we have any new Ten Commandments and so on—but we are here to say that philosophically in the 1970's we have to develop this theme that neighborhood self-help, that volunteer groups dealing with large and powerful Government means that somehow and in some way local efforts, neighborhood efforts, arts efforts, cultural efforts, programs to kind of humanize society are too big.

So these are the issues: The bigness, the loss of community, the huge structures in a society that's gotten past the human scale because we are talking about economics as if people mattered, and I think that economics is that if people mattered means we have got to deal with twin sins of the 20th century. One is this bigness of Government that threatens to paralyze the capacity to act and to make our good programs work at the local level—that bigness, that complicated Federal, State and local government, plus our big institutions. Second, the bigness of our society threatens the traditions and values of people in constant change and the issue for me is how do we liberate ourselves from the idea that just more Government programs is the answer that would make poor people, low-income people, or neighborhoods, or cities, more constantly reliant on Government.

It's like how can you have a program for somebody without those people somehow being involved and having the capacity to make

those programs. You can do something for me, but I think people want a capacity to do some things for themselves, to work.

So this is why we need groups of people to move more increasingly toward self-sufficiency and I think that's what—the Government will work better, cost less if neighborhood groups, volunteer groups, are involved in creating a more human and livable environment. So we are talking about the link between individuals and neighborhoods that become so fragmented that individualism is a consequence of disillusionment with what Government might help people accomplish for themselves.

David Broder talked recently about how few people are voting in our elections, that disillusionment, this age of kind of indifference. If people feel they can't make a difference, sooner or later people stop trying, and all over this country there are neighborhood groups, art groups, cultural groups, who are trying to make their community more livable, trying to make their community more human, trying to make our housing programs better places to live, not just bricks and mortar, but buildings and bricks alone don't make houses, don't make a human environment, don't make a neighborhood.

So we are trying to learn, how do we use the political process to reach a little bit of a different way of doing things and here we are talking about two little bitty programs, and this is what bothers me, that unless we understand we do need Government—sewers, streets, police, firemen, teachers—you've got to have them, and you've got to have business, labor, industry, jobs, and so on, but in between what makes life human for people to come together and rehabilitate their block, turn the firehouse into a cultural center, find those kind of little bits of support, that kind of capacity which helps them to leverage the private sector which helps them to leverage and make the Government programs work, and which takes in thousands of hours of effort that Government can't buy, volunteer time, volunteer energy, human energy of involvement as partners with Government, and I think, Senator and members of this committee, that's the kind of thing I can give you examples of—city after city, group after group, where people have put these kind of things together, but I will save my examples for later, because we will have some people here who have good examples.

But here's the final dilemma. We are telling people that Government can do it all, in one sense, and then we're telling people that they can't do it, and then when Government fails to solve every problem then we wonder why we have the taxpayers revolt on one side and people's disillusionment on the other side who are to be beneficiaries.

Somehow we've got to find out where is this balance. How do you give nongovernmental groups some support, some capacity to do specific programs in specific neighborhoods, whether it be in rehabilitation, revitalization, making the programs work, working with the city, bringing in arts and cultural programs in cities and neighborhoods to create a more livable environment; and I think it's a testimony to the genius of thousands of groups that are struggling that the Government is ignoring at the Federal, State, and local level and they could be real partners, not silent partners, not disillusioned partners in Government, but they can be active partners in Govern-

ment and I think we have fought so hard to get this third dimension in the urban policy, not just the partnership between the public and private sector but the partner of the third dimension—neighborhood groups, community groups, self-help groups—and we talk here about two small programs that are key ingredients to that philosophy and that attitude. So I would like to stop, Mr. Chairman.

Senator SPARKMAN. Thank you very much. As a matter of fact, this is not entirely a new idea, is it?

Mr. BARONI. No.

Senator SPARKMAN. We have in the past had some such program as you described here, and in fact I have before me a number of instances in which it has been done, and you may include those in your paper that you turned in and it will be quite helpful. I have known a few instances. I can think of some places in which business buildings downtown have become vacant for one reason or another in which the local people exercised an interest and—well, the ones I'm thinking of particularly are several in which they were turned into homes for elderly citizens and for citizens that were not able to afford adequate housing for themselves, and it's that kind of a cooperative program to which you refer; is that not true?

Mr. BARONI. Yes, Senator. I saw a church group take a jail with only that church group to help people to convert a jail and create it into a very livable residence for senior citizens with money that went directly to the nonprofit group that the church put together to make that so-called abandoned jail into decent living for elderly and I have seen the 202 which is one of the best programs we have because it is nonprofit, nongovernmental groups. They sometimes buy the land. They put in the services. They care about the people. They have to put the package together. They have to get all the paperwork done and I think that's why it works, because they've got all that energy and all that concern.

Senator SPARKMAN. Of course, over the years the 202 program has been a very fine and very helpful program. You made reference to that. Perhaps we should hear from Mr. Biddle now. I'm going to have to leave at 10 o'clock. I would be very glad to put your statement in. I believe you have a prepared statement, do you not?

Mr. BIDDLE. Yes, I do, Senator.

Senator SPARKMAN. It will be printed in full in the record.

STATEMENT OF LIVINGSTON L. BIDDLE, JR., CHAIRMAN NATIONAL ENDOWMENT FOR THE ARTS

Mr. BIDDLE. Like Monsignor Baroni, I would like to have permission to extrapolate from my statement and summarize some of the points that are made so that we can abbreviate as much as possible the time presentation.

Senator, it's always a pleasure for me to come to the Senate again which I consider in many ways my home. I worked in this great body for a number of years for Senator Pell, and I'm always delighted to come back to this wonderful building and to meet with members of the Senate whom I so greatly respect.

Senator SPARKMAN. Before you go further, I'd like to say—I said that I did have some examples of activities. I've got one that I particu-

larly would like to call attention to now and this is—naturally, I lean toward the South—this is in Knoxville, Tenn. Annually they have a 2-week tour project which reaches southern communities that are virtually landlocked and otherwise cut off from outside arts activities with emphasis on folk music. I guess we see some of that on TV, and crafts indigenous to those communities. I just mention that as one example of the activity of the local people themselves.

Mr. BIDDLE. And there are examples of that in your own State, Senator, and we work very closely with our State's arts council there to bring the arts out to the people. I think that's a very important part of our whole endeavor.

Senator SPARKMAN. There is a great deal of activity in my State along those lines and it's been most helpful in developing, shall I say, *esprit de corps* that arts establish.

Mr. BIDDLE. I think it's the humanizing force and inspirational force that is so fundamental to people's lives.

I'd like to take up a little bit where Monsignor Baroni left off by saying that the National Endowment for the Arts, which resulted from legislation which I helped prepare in the Senate for Senator Pell some 15 years ago at the beginning of my stint here, very definitely states in its declaration of purpose that while support of the arts is an appropriate concern of the Federal Government, the main support for the arts should come from local and private initiative, and over the years the arts endowment has served as a catalyst, as a partner with the private and local communities and with the State arts agencies, not as a dominant force, but as a catalytic force to bring about greater attention to these matters and greater private support. I think we have been successful in these areas and partly the reason why I'm here today is the experience that the Endowment has achieved over these years which we feel could be of great value to the HUD program.

I'd like to say that President Carter's urban program focuses new attention on one of the most important building blocks of the city—the neighborhood—which has too often been overlooked in strategies to improve urban life. It is a main purpose of the President's urban proposals to harness the energy and imagination of those neighborhoods and those representing neighborhood interests. The Livable Cities Act of 1978, is an attempt to deeply involve these very human resources.

When President Carter requested each agency in the Federal Government to have an input into his urban proposals the Arts Endowment felt that the arts themselves could make a valuable contribution to urban revitalization, but we did not particularly consider that as a responsibility for the Arts Endowment. The Arts Endowment mandate is to develop professional excellence and standards of professional excellence in the arts and HUD's mission here is urban revitalization. So the arts are a component of that. They are not the primary thrust of this new legislation but they are, we believe, an essential component in developing a program that is humanizing, that has these human resources very much involved in it, as the Assistant Secretary has suggested.

That is why we are so very pleased to have this partnership with HUD proposed.

Over the years, Mr. Chairman, the Arts Endowment has served, as I suggested a minute ago, as a catalyst to engender private, non-Federal support for the arts, and we feel that every dollar that is invested in our program returns about \$3 in non-Federal support for the arts on average. Sometimes the return is higher than that, but on average that has been our experience over the years, that one Federal dollar engenders up to three non-Federal dollars in this important area. So we are a catalyst, and as our appropriation has grown that has had a ripple effect that is quite remarkable.

For example, in the 12 years of the Endowment's life, orchestras have doubled in number; operas have doubled; theater companies have increased four times, dance companies have increased seven times, and there has been a dramatic growth in State arts appropriations with States taking a deeper and deeper involvement in the arts.

In the early days State legislatures were appropriating about \$4 million in the arts. Today that number is close to \$70 million, and community arts agencies which relate to the arts at the grass roots level have increased from about 150 about 12 years ago to more than 1,800 today. So there has been a dramatic increase in the arts and a dramatic increase in the number of people who are involved, and I think that is very germane to this discussion today, because more and more people in all walks of life are finding that the arts still have a central value to them, and we not only have been a catalyst with the private community and with the State leaderships and municipalities and with the mayors and the Governors—and you will have testimony later today endorsing this bill I believe from both those sources—but we have been a catalyst with other Federal programs and I think this is important to point out because the question is: Why should the Endowment not undertake this program when it has some resources to offer; why should HUD be the focal point of it; and I think it is our feeling that HUD has the experience in the neighborhood revitalization area to do this in a most meaningful way, but as I suggested earlier, we can supply very meaningful resources to that program as we have in the past with GSA in the program at GSA to bring works of art into public buildings. We work with the Labor Department on their Comprehensive Employment and Training Act so that we have an input into that program which provides unemployment compensation for artists who are either unemployed or underemployed, and we work with the Department of Transportation in bringing art into public transportation facilities. We are working with the new International Communication Agency which you know about very well, Senator, to expand our horizons to make the arts more meaningful internationally and we work with the Office of Education. So this partnership is not a new idea.

[Complete statement follows:]

STATEMENT OF CHAIRMAN LIVINGSTON L. BIDDLE, JR.

Mr. Chairman: It is a pleasure for me to be here this morning, and particularly here in the Senate, which was my working "home" before I assumed the Chairmanship of the National Endowment for the Arts.

President Carter's Urban Program focuses new attention on one of the most important building blocks of the city, the neighborhood, which has been too often overlooked in strategies to improve urban life. It is a main purpose of the President's urban proposals to harness the energy and imagination of those neighborhood interests: The "Livable Cities Act of 1978" is an attempt to deeply involve these very human resources.

Overall the thrust of the President's urban initiative is to halt the deterioration in our cities and to help revitalize them. This is a complex task requiring physical repair, capital investment in construction, and the retention, attraction and development of business creating jobs.

What is distinctive about the proposed "Livable Cities" legislation now before this committee is its new emphasis on arts and cultural resources as a catalyst for neighborhood vitalization. It is the experience of the Endowment that the arts in all their great variety can have a profound impact on the development of civic pride and on the development of the individual, regardless of economic level or personal background. The arts have a central value to the human spirit. Neighborhood arts programs which the Endowment has initiated have consistently proved their validity and worth. They serve to underscore the great potential effectiveness of the legislation under consideration.

The legislation assumes that the utilization of artistic, cultural and historic resources in neighborhoods can play a highly significant role in promoting community pride and strengthening the individual commitment to neighborhood revitalization. This bill is aimed at the very real issues of pride and uplift and whether a particular place involves not merely a physical attraction but also the human spirit.

And it is the belief of the Administration that these intrinsic human needs must be addressed in any overall plan of community revitalization. The government has too often fixed its attention on the buildings in cities, and not on the people who will live in them.

The "Livable Cities" bill was inspired by work done over the past decade by the National Endowment for the Arts through a variety of its program areas. The Endowment, through its legislative mandate, is committed to the development of the highest quality artistic endeavor, and to making the products of that endeavor as widely available as is possible.

Throughout its granting programs, there are efforts underway at the Endowment that touch the life of cities on the community and neighborhood level. But the main purpose of these efforts is the development of standards of excellence and professionalism in the arts. Nonetheless, it is clear that the arts can serve very fundamentally to achieve the kinds of social gains that HUD seeks to obtain as a purpose of its grants.

WHY THE PARTNERSHIP WITH HUD

By Federal standards the budget of the Arts Endowment of \$123 million for fiscal 1978 is a modest one, though the growth in appropriations to the Endowment during the past decade has been gratifying. At the same time, the number of professional arts institutions and artists and their needs have risen at a more dramatic rate, continually placing far greater demands on the Endowment than its resources can satisfy.

The Endowment, its Chairman, and the National Council on the Arts, are interested in using the arts in widening contexts. The Endowment has always felt that the arts can play a basic role in teaching the young, enhancing the life of older and handicapped citizens, and in providing a common connection and language for those of differing racial and ethnic backgrounds.

It has been the desire of the Endowment to see others, particularly agencies of the Federal government, place an emphasis on the arts to better achieve their own ends, and it has always been the position of the Endowment that the arts and artists can be useful in context that are new and approaches that are not traditional.

The "Livable Cities Act of 1978" would, for the first time, link the arts in a context of social utility and meaning which the Endowment has been advocating for more than a decade.

It is clear that HUD possesses the expertise to enable it to best administer a program seeking neighborhood revitalization as its end. The Endowment can play a vital role together with HUD, in drawing up guidelines and in helping to determine the merits of the artistic components of projects aimed at such revitalization.

WHAT KINDS OF PROJECTS

The kinds of projects funded by the Arts Endowment, particularly in its Expansion Arts, CITY SPIRIT, and Architecture Programs, give some indication of the efforts which would relate, from an endowment standpoint, to a "Livable Cities" program at HUD.

But it is important to keep in mind that the "Livable Cities" program would be breaking new ground, soliciting projects that are different in degree and in kind from those previously funded by either the NEA or by HUD. There would not be duplication of effort in funding. The efforts would involve making the best use of the two agencies and their experience.

The following paragraphs deal more specifically with the kinds of proposals, the kinds of problems and their resolutions, which the "Livable Cities" legislation could address:

1. Perhaps one of the more urgent needs among neighborhoods, among the disadvantaged and deprived, where the arts have proved to be a major humanizing and uplifting force, is for facilities: a place to perform albeit modest, a place for meetings and community involvement. Sometimes even an empty building will suffice for a beginning. We do not envision building facilities but rather making use of vacant spaces or spaces which might readily be renovated, available in urban neighborhoods. Frequently a city will own a building or have a space in a larger facility that, with small modification, can be turned into a community cultural center.

2. The Endowment has been forced to turn down many requests from YMCA's, old age homes, or housing authorities (non-arts organizations, for this presentation) which sought to improve the quality of life for their clients through performance or participation in theatrical or musical activities or the teaching of artistic skills, such as painting or hand crafts. Social service agencies might well seek support under the "Livable Cities" bill to draw on the resources of community arts agencies or neighborhood arts groups.

3. The traditional cultures and languages of virtually every nation in the world are represented in the mosaic of America's urban neighborhoods. There are neighborhood museums and festivals and community schools which all seek to keep alive these cultural identities. It is foreseen that a "Livable Cities" program could provide support to these efforts that enrich community pride while sustaining the fabric of the nation's cultural experience and heritage.

4. Since the establishment of the Arts Endowment in 1965 more than a decade ago, the number of community arts groups has mushroomed from approximately 150 to more than 1,800. Too often, however, these groups have been isolated from the ordinary planning processes of government. Clearly, one purpose of the "Livable Cities" bill is to encourage new linkages between municipal government and neighborhood and community arts groups so that both may benefit from the resources of the other.

5. There has been an increasing concern on the part of major professional arts institutions that they should do more to make their resources more accessible and germane to a broader spectrum of groups and communities. The bill states that the artistic or cultural component of the program should be of a high quality and a professional arts institution might well seek to develop a project to reach out more widely into low and moderate income neighborhoods. As one example, special training projects could be established so that the neighborhood group could benefit and develop in the neighborhood itself.

6. The bill is also expected to accommodate projects seeking to apply innovative design techniques to older urban communities of low and moderate income people. Frequently in these communities there is drabness and a bleak monotony of architectural style. The application of color, the use of creative designs in rehabilitating ordinary structures, the use of plantings, can all add to enlivening their attractiveness and their "livability". In this same vein, it is likely there would be attention given to projects seeking the revitalization of neighborhood commercial strips. Experience at the Arts Endowment shows how frequently the physical and economic decline of older urban neighborhoods go hand-in-hand, hastening the displacement of people who are living there.

CATEGORIES FOR APPLICATIONS

It is expected that applicants would apply to the program within certain broad functional categories.

Emphasis would be placed on the project. This would provide for flexibility in terms of grant applications. On the other hand, applicants and the panelists who would judge them, would focus more intently on the design of the project and how it will be accomplished. This is consistent with overall concern that application be solicited from a wide range of groups, and that awards be given out to those likely to accomplish their stated goal.

Of major importance to the Endowment's application review is its panel structure, whereby panels of private citizen experts carefully assess each application. This process would be followed with the new legislation. The Endowment and HUD would work together in establishing the best panel structure.

SELECTION OF GRANTEES

The "Livable Cities" legislation envisions soliciting creative and incentive projects from small groups that are using the arts as catalysts for community action and neighborhood revitalization.

HUD shares the opinion of the Endowment that a panel system, with experts from the arts and in community development, offers the best mechanism for making informed decisions among a broad group of applicants. Thus the peer-panel review procedure has proved itself tremendously successful at the Endowment and would be an important factor in the NEA partnership with HUD.

CRITERIA

Panelists would be looking particularly at projects that have legitimately involved community groups and interests in their development. Panelists would want to verify evidence that the applicant organization has the capacity to carry out the project, and to continue the effort beyond the term of funding. That capacity would be measured by the administrative quality of the applicant organization, its linkages to other groups and organizations, within and without the structure of government, and its ability to raise a portion of the project cost itself. The viability of the organization is crucial to the continuation of the project.

Projects funded under "Livable Cities" are intended to be ongoing ones, not one-shot efforts. This has essential importance.

ALLOCATION AND FUNDING LEVEL OF GRANTS

Most grants would be made to neighborhood organizations, those non-arts groups wishing to utilize the benefits of the arts, and arts groups wishing to bring their resources to bear in a wide social context of neighborhood revitalization. Some grants could go to agencies of state and city governments that would be forming new linkages with neighborhood groups.

Most of these local grass-roots organizations operate on relatively small budgets, and it is, therefore, expected that the size of most grants under the "Livable Cities" program of HUD will be modest ones.

Guidelines would not arbitrarily exclude more expensive projects, but looking at the prospective recipients of these grants, it is realistic to think in terms of modest grant awards.

One of the guiding principles at NEA is that grant money should not blunt local initiative, or create a false dependency on Federal funding. In almost all cases, grant awards must be matched on a dollar-for-dollar basis, and panels are mindful of inflating and disturbing operating budgets with windfall project funds. False inflation of budget has a quick destabilizing effect, and it is expected that panelists serving the "Livable Cities" program would be sensitive to this issue.

Mr. Chairman, the "Livable Cities" bill reaches out to touch and ignite the pride and enthusiasm of those in urban neighborhoods. I believe very deeply that a place where people live should not be just a composite of bricks and woods, stone and piping, but should be a living environment that lifts up peoples' spirits about where they are living. And I believe that the arts can play a vital role in bringing this about.

Senator SPARKMAN. That's right. Let me break in right there because our new chairman has arrived. We are working in rounds today, but I do want to say this—you speak a great deal about the arts. As a matter of fact, you really are relating it to community development generally. You were down at the White House recently I believe when we had this big housing conference and you heard the presentation there, particularly by Mrs. Carter, and the discussion that followed that. I thought that was a very fine meeting and I thought it gave a view into the general situation for better community life throughout the country.

By the way, my attention has just been called to this publication, "Grass Roots and Pavements," and below that, "Art in America's Neighborhoods," and my attention was called to one in my own State at Greenville, Ala. I will read just a few lines. "The Xpress your"—by the way, that's spelled "Xpress," saving letters—five letters instead of six—"Xpress yourself zone provided 100 economically disadvantaged children aged 8 to 16 the opportunity to express freely"—actually they had it printed to freely express, but I don't like split infinitives, so I will read it "to express freely their ideas and talents under the supervision of professional instructors in the visual and performing arts. The program developed a greater feeling of self-worth and helped to bridge the gap between the participants and the economically advantaged counterparts." I just wanted to call attention to that. That has just been called to my attention and at this point I will go to my next appointment and Senator Morgan becomes the new chairman.

Mr. BIDDLE. Thank you very much, Mr. Chairman.

Senator MORGAN. Senator Riegle, do you have some questions?

Senator RIEGLE. Thank you, Senator Morgan.

Let me say that I listened carefully to both your testimonies today and I appreciate it very much.

I think what you are here talking about today is essential, and I must say that it is a source of some pain to me that the programs proposed are as small as they are. I certainly appreciate the fact that the President has included within his national urban policy a statement that the Federal Government must encourage and support the efforts of neighborhoods and volunteer groups and citizens in revitalizing their communities. Stating that explicitly is a plus, and is a move in the direction of this "third dimension" that Father Baroni mentioned, but I think it's important to point out that what's been proposed to implement this policy is extremely modest, to say the least. There's only \$15 million for this neighborhood bill out of a total of \$8.3 billion for the whole urban package.

Even if you add in all the other urban policy programs related to neighborhoods, many of which do not go to neighborhood groups, we only have a total of about \$100 million or less than 1½ percent of the \$8.3 billion total for the urban policy. This compares, for example, to Federal aid for State and local governments of \$82 billion in fiscal year 1978. So we are pretty heavily emphasizing Government. We move an awful lot of money around within government structures and agencies and among Government personnel. And I think all these programs have really made the top-down problem obvious. Without ever intending any harm, if you treat people as wards they become wards, and we have seen that not just in our own country, but in Vietnam, and in other places as well.

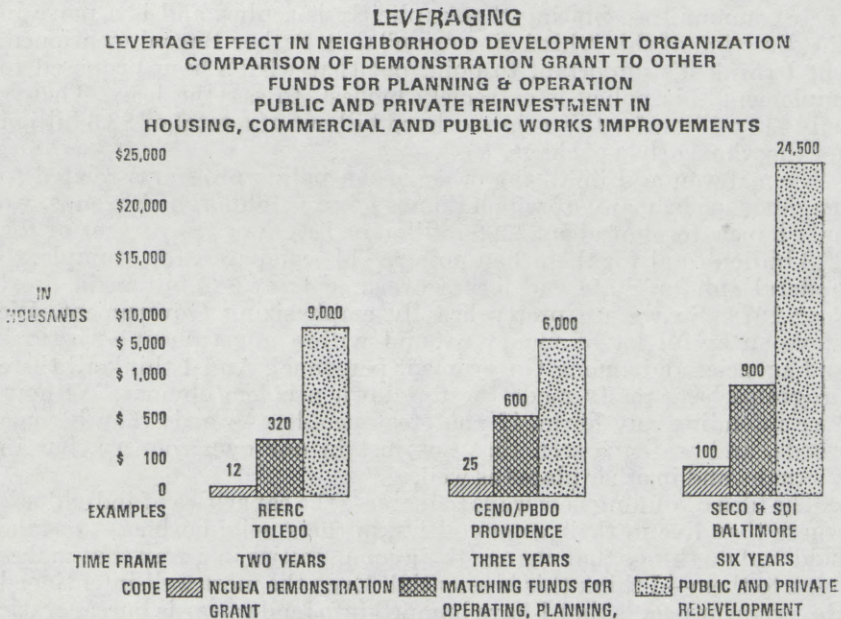
The idea of finding new ways to increase the capacities of individuals where they live in their communities, in their neighborhoods, to take hold and do things that change their communities in a way that makes sense to them—I think this is essential. Even the most well-intentioned Government people that I have bumped into tend towards bureaucratic impulses, simply because of the very scale of the governmental systems we have devised. Whenever the chain of command goes from

somebody in Washington to somebody in a regional office to State officials and down to local officials and so forth, by the time the people on the receiving end of this governmental response are finally reached, as often as not the response is not very relevant. It's off the mark.

I think the arts also relate to community revitalization and some people might have a hard time grasping that relationship. If you're talking about dire circumstances one might say, well, shouldn't we be concentrating on straight bread and butter items and not be talking about arts-related projects; but I think what we are talking about here is an effort to reach the spirit, to reach people's best feelings, to try to spark some areas of creativity and ideas about possibilities for these communities and neighborhoods. If we're not going to appeal to the better side of human nature and the finer instincts, I'm not sure we're going to get livable neighborhoods when all things are said and done. So all these things have to happen together and I think it's appropriate that you're here together.

One of the things I would like to introduce into the record today is a graph which illustrates quite graphically the leverage effect when we invest small amounts of money in community-based groups, and how those community-based groups in turn leverage that money to produce additional public money, and then in turn use that to leverage much larger amounts of private money. And there are three instances here—one in Toledo, one in Providence, one in Baltimore—that hit across three different States that show this.

[The graph referred to follows:]



Senator RIEGLE. For example, one community group in Baltimore, starting out with \$100,000 of money that was used at the grass roots level, at the next level of governmental support was able to produce

a public investment of \$900,000, and ultimately private investment of \$24.5 million. So there are a number of very graphic examples in dollars and cents terms that show this is sound economics and that even the most conservative free enterprise oriented people in the Congress would see the value of getting more mileage out of limited dollars in this fashion.

The other point I'd like to make—and Father Baroni makes this point quite well—and that is that there's no way to calculate the actual economic value of the thousands upon thousands of hours and effort and creativity that people put in, apart from what it means in terms of its value to them and to their community. There is no way the Government could ever afford to buy that time and effort if we were smart enough to know how to do it, which we aren't.

So I think the best thing we can do is to facilitate these natural responses and to allow them to take place. I think it would be important, Father Baroni, for you to outline some examples—you have been on this task now for some time and have had a chance to work in a number of urban centers and see a number of neighborhood projects—and I would like to have on the record two or three graphic illustrations of what happens when you get this bottom-up initiative and effort and when it has a chance to work. I would also not only like to have the examples but also how those are things that would never have occurred through sort of a top-down process. In other words, why these neighborhood-based groups might have answers to a problem that would escape the mind of somebody that's sitting 2,000 miles away in Washington or in some other place who's trying to make a bureaucratic decision for a neighborhood, a neighborhood they basically can't know much about because they are not part of it. So if you want to give us two or three examples of that sort I'd like to have them in the record here.

MR. BARONI. First, Senator, I'd like to thank you very much for your remarks.

In the urban policy the fact that there's recognition to this I think we have to be grateful for that kind of recognition. Somehow in Washington I get the mentality, especially in dealing with budget experience, unless you have a big program with big dollars it's not important, and I have seen the industry of small businessmen and small groups and somehow we have to have a balance. So I believe very strongly in the principle of what people should do for themselves they should do. They should get help only when they need help and do things for themselves.

This is not a big program but I think it's important to the kind of things you say and I think that people can help solve some of their own problems, even when you get into housing and you talk about bread and butter and big issues and big dollars. That's why I'm glad Mr. Biddle is here. Sometimes I think we could protect our investment in dollars and cents if we had this humanizing and cultural and arts kind of things to make some of our big dollars bricks and mortar more humanizing and more livable.

I could talk to you about a number of examples. There are two people here today, Ted Watkins from Los Angeles, who's worked in this vineyard for years and years and years and how he's leveraged money

and created a sense of community. Peter Ujvagi and some of the other people can give you examples. I think an example is in a second chart here I'd like to introduce for the record, Senator Riegle, these 10 neighborhood organizations, and because of an amendment by Senator Harrison Williams in the youth employment program—I said to myself and to the Department of Labor, there's a group in Roxbury, an independent nonprofit group that works right with the people and with the kids there—now HUD has some abandoned houses there and I said to myself, wouldn't it be good if this group had some youth employment slots and we in HUD took some of these buildings and they rehabilitated those buildings with craftsmen training them and put those buildings back on the market for themselves, for their community, rather than just a city or HUD hiring some outside contractor with outside people coming in and doing it for them and then hoping that the community will pick it up. So we have 10 examples there.

You will hear from another one from the Bronx. When President Carter and Mrs. Harris went to the Bronx they saw empty lots. They saw empty buildings. They were not destroyed by bombs from without. It wasn't Europe or Vietnam. Our city was destroyed from within. That's why the arts are such an important thing. We destroyed the human spirit. They weren't destroyed by bombers from without.

Besides the empty yards and buildings President and Mrs. Carter saw a building where some people were actually revitalizing that building. They probably never heard of 312 rehabilitation. They never heard about loan grant community development. In New York City about 25 groups have done more rehabs, Senator, than the whole city put together, groups that had some capacity to put the program together and take it to the city so the city was able to deliver.

It's like me reading my income tax. I read it 14 times, my tax form, and I finally had to get a lawyer to fill it out, not because I couldn't read, but I didn't have the capacity to figure out that complicated thing.

Go down the list here. In Newark, for example, there's a group—and this goes to what Senator Riegle said—after the rebellion or revolt of 1967–68 in Newark, Mayor Gibson got elected and we have some testimony and letters from Mayor Gibson. A community group went to the mayor and said, "What have you got?" He said, "What do you want?" And you had some kind of ensuing confrontation. So I took a small amount of money from a private foundation and found some people in Newark—in this case it was one person—and this group founded the Newark Foundation Education Center. That name is a misnomer. That one person became a catalyst for 10 different programs. It took over an abandoned school, this group, with 5 acres of land, and took that abandoned school and started working with the elderly, starting working with dropouts, started putting together something, and this was a black and white kind of situation in Newark because we had a terrible kind of race problem there—black and white—terrible kind of race problem. This group got so involved in that community they said we're staying and we're going to work with the mayor. But the group became a catalyst and the group brought in cultural programs, art programs, job programs, elderly programs, health programs, and the group leveraged millions of dollars of private money.

Then the group took an empty lot which the Federal Government or the local government could have never done with that empty lot—6 acres—they put together a discussion with the senior citizens who many of them wanted to leave this community—afraid, fearful—and they put together—and it's almost finished now—a \$5 million senior citizens housing program, social services built in. That's going to be a livable residence for those people who never wanted to leave their community, who wanted to stay and work with people of different backgrounds.

So what's happened with this community? Mayor Gibson could tell you on both sides of the street the mayor now has somebody to work with who's constructive. The community has someone who's mediating to work downtown. This group has hardly any money directly from Washington. What they have is some support, capacity building support, technical assistance support, to make those programs work. And I will submit that kind of group for the record.

I could go through there. There in Mississippi, in the rural area, I cried—when we were talking about 153 kids to show up for jobs in Mississippi, 2,400 kids showed up and wanted to work in the rural areas—small town areas. These 2,400 people wanted to work, wanted to be trained. We had to go to HEW to find out how to get them a reading program and a craftsman to repair some of the public housing—but to become a capacity, not just hiring a couple kids, but this group in Mississippi is going to rehabilitate housing and more housing. They are going to become a nonprofit corporation. This group in Mississippi is going to take an old hotel in Greenville, a small town—the city was going to tear it down—fixed it up, and the businessmen don't know if they should fix up their stores because this hotel is a do or die for Greenville and they are taking that small hotel and converting it into a first-class senior citizens residence. Those are examples.

Senator RIEGLE. Let me just interrupt you at that point because I know we have other witnesses and there are two or three other things I would like to hit on quickly. I want to make sure we incorporate in the record the full list of prime examples that you brought today and any others that you want to add to it.

Mr. BIDDLE. Could I make one comment, Senator, with the chairman's permission, because I know we're pressed for time; but you mentioned the human spirit and Father Baroni mentioned the human spirit and I wanted to give an example of how the arts affect this area. I could find I'm sure an illustration in Michigan or in North Carolina, but I happened to be in Houston the other day and I wanted to see what we were doing for a rather underprivileged Hispanic-American section of the city and I drove out through a very low-income area for quite a distance, very monotonous, bleak kind of atmosphere, impoverished; and suddenly it was like coming to a small oasis and here was a group that the Arts Endowment was funding with approximately \$10,000 and I went in and talked to the director there and he said, "You know, we started this program not with your help but with other help as a health clinic and we were very concerned about the physical health of this community, but as we got a little bit deeper into our program we realized that physical health was not enough." And he said, very memorably to me, "What was needed was something for the human spirit of the community."

So we started a small program for the arts, and I saw people involved in theater, involved in the visual arts, involved in music, and a short distance away there was a school and I talked to the principal there, and as I came into the school I noticed that the students were very much engaged in artwork. They were using their wonderfully vivid traditional Mexican-American colors to decorate walls, to do painting, to do some drawings, and so forth, and the principal said, "We started this strong component in the arts in the school because of what is happening just a few blocks away down the street," and he said the remarkable thing is that the truancy rate in this neighborhood school has decreased over the past 6 months since we started the arts program, from 85 percent—in other words, most children were simply not going to school—to 15 percent, and he said, even more remarkably, the children in this school now are learning and are becoming interested in reading and writing and arithmetic.

So the arts in this community, in this low-income community, were serving as a bridge into education and as a bridge to urban revitalization, and what they most would need in a community of that kind is a facility, something they could renovate, something they could use for their arts purposes, and this is where I think a partnership with HUD is of such enormous consequence because we can work together to make a better life for people in these kinds of communities all over the country.

Senator RIEGLE. If I may, Mr. Chairman, I'm going to pose four questions to these gentleman now. I'd like to do it verbally so they can really understand what I'm driving at, and then I would have them respond for the record so I don't use more time now.

Senator MORGAN. We're going to have to let these witnesses go at 10:30 and call our other witnesses, so if you propose them, then they could submit their answers later.

Senator RIEGLE. Fine. First of all, I think it's important we get an estimate of what the average sizes of the grants would be under this program and how many groups would be assisted. What I'm driving at, I'm interested in the total number of neighborhood groups that we're going to reach.

In addition to that, I'm wondering how many groups we can identify that are out there that are available to be reached. In other words, I suspect that a many, many times greater number of groups are there who are ready to go that we'll not be able to respond to because of the small modest size of the money available, but I think it's important we have that.

Next, Father Baroni, the bill refers to neighborhood organizations, "accountable to residents of a particular neighborhood," and I think it's important that we have a discussion of how specifically through regulations we would assure this accountability. And the concern I have is that I want some administrative flexibility, but I really want to understand how we do this so it doesn't become a creature of the bureaucracy, which is the very thing we are trying to overcome.

Next, I'm concerned about vetos by mayors. I know most of the neighborhood groups feel that the mayor should not have a say of whether or not they get self-help grants.

Oftentimes there's a necessary tension between a group in a neighborhood and city hall. On the other hand, I know many, many mayors feel that HUD should not fund neighborhood groups at all but should instead pass the funds through the mayor's office. HUD's bill takes

a middle ground, that the mayor can veto the project but only if it's inconsistent with the local activity. As a practical matter, the mayor however, wouldn't use this power to screen out any neighborhood group that didn't support him?

What I want to do here is find a middle ground, so we don't run roughshod over local government that's elected and, on the other hand, so past we get into authentic neighborhood groups that may not be appreciated by local government, let alone central government.

The last question is this: I noticed on page 7 of your testimony this group called TELACU that would be eligible for these self-help development funds. Now, this organization, as I understand it, is considered a community development corporation under title VII of the Economic Development Act and therefore receives community economic development funds from CSA, and I'm just wondering—and I would like you to discuss this for the record if you would—how the neighborhood self-help development fund would differ from or complement the community economic development funds that are available from CSA. Oftentimes we have to package these things, but I think it's important that we spell out how these things dovetail and are we creating frictions here or is there overlap and is it taken account of and, if so, how. If we could have response to those items, that would be helpful.

I would conclude by saying I really appreciate the efforts you are making in these areas to give leadership, and to try to focus in on the neighborhoods where actually people live, and fit the circumstances of life where it exists in all the various communities across the country. I think you're on the front end of a change in how we think and do things in this country. We need to find a way to reach and unlock and untap the energies and talents that exist within people who are caught in distressed circumstances; I think if we could find a way to facilitate that, the largest part of the answer would come from the people in the communities themselves, and I think that's what you're out to do and I applaud that goal.

Thank you, Mr. Chairman.

Senator MORGAN. Mr. Biddle and Father Baroni, thank you very much. I believe the time allotted for your appearance has expired. The staff has a number of questions for both of you. I'd like to ask the staff to submit these questions to you if you would comment on them for the record. I think we do need to build a record.

[The questions and answers follow:]

QUESTIONS FOR THE HONORABLE GENO BARONI FROM SENATOR PROXMIRE

Monsignor Baroni, I support the Neighborhood Self-Help bill very strongly. At the same time, however, I am concerned about the extreme vagueness of its language. I would like to try to tighten it up by possibly adding some more specifics on what the money would be used for.

Let me ask first about whether the bill will focus on projects to benefit low and moderate income people. The bill does not mention income level or distress in its operating provisions. It mentions them only in its purposes, where it refers to "projects in low and moderate income or otherwise distressed neighborhoods." The phrase "otherwise distressed" could mean anything.

1. Do you expect to use the bill exclusively in low and moderate income areas? If so, shouldn't the bill say so? If not, what other kinds of areas would merit grants?

The bill is completely wide open on the types of projects which could be funded. Again, I know you want to accommodate a healthy diversity, but I think we need to refine and clarify the program's purposes. Let me ask you several questions.

First, HUD's programs traditionally distinguish between "hard-ware" and "soft-ware"—that is, between brick-and-mortar programs, and social service programs. The distinction is blurred in some cases, such as in soft programs like housing counseling or development planning. It is also increasingly blurred as we emphasize programs to create jobs. It may be that the failure to coordinate more between the construction programs and the human services has been a failure in our programs.

2. Tell me, would Self-Help grants be limited to relatively concrete programs like housing rehabilitation or commercial strip revitalization? Or would it include soft-ware programs like crime prevention watches or day care centers or meals for the elderly or health clinics or youth employment projects which are not designed to build something? All of these projects could fall under your general term "neighborhood revitalization."

Secondly, the bill says that grants could go for both planning and execution of projects.

3. Would you expect some grants to produce nothing but a plan?

4. If so, would you require that the group line up the funds to implement the plan when it is finished? Would you coordinate your Self-Help planning grant with other HUD programs to execute the project, such as for housing rehabilitation?

5. To the extent that grants go for actual project implementation, would you expect to fund only one-shot, discrete projects that could be finished in a year, or would you simply fund the first year and leave the group on its own to continue the program? Or would you expect to keep funding some projects year after year?

Another vague area of the bill is in the eligibility standards for community groups to get grants. The bill merely says that applicants must satisfy the Secretary either that they have a proven record or have the capacity to use the funds well. I'd like to ask you a series of questions about the selection standards.

First, there seems to be a basic conflict in the bill. On the one hand, it aims at capacity-building for neighborhood groups which need to develop skills and organizational sophistication. On the other hand, it restricts funds to groups with a track record or clear-cut capacity. Hitting the right balance between these two will be difficult.

6. Tell me, what will you look for in applicant groups, and, perhaps more important, what characteristics would make a group ineligible for a grant?

The National Association of Neighborhoods will testify later on standards which they think should be put into the bill. One is that the groups should be democratically selected by the neighborhood, and should be democratic in their internal structure.

7. Do you agree with this standard? If not, how would you prevent grants going to groups which are not representative of their areas?

The National Association of Neighborhoods also suggests that recipients be selected in part by a panel which includes neighborhood representatives and others experienced in neighborhood revitalization, along with agency representatives.

8. How do you feel about this idea?

9. The National Association of Neighborhoods also suggests that a specific portion of the Self-Help money be set aside for organizations without track records, in order to help new groups get started. What do you think of that proposal?

The grants made under the Self Help program would be small, and would go to small, relatively unsophisticated organizations. Hopefully, they would not be loaded with red-tape. At the same time, HUD will have to assure accountability for the proper use of the funds.

10. Can you give me an idea of what you will require in the line of reporting requirements or HUD office oversight?

Most of the neighborhood groups feel that the mayor should not have any say in whether they get Self-Help grants, since there is often a necessary tension between these groups and city hall. On the other hand, many mayors feel that HUD should not fund neighborhood groups directly at all, but should instead pass the funds through the mayor's office. HUD's bill takes a middle ground—the mayor can veto the application, but only if it is inconsistent with the local government's activity.

11. Still, as a practical matter, couldn't a mayor use this power to screen out any neighborhood group which doesn't support him?

The first paragraph of your testimony on the Self-Help bill says that the program will leverage federal investments. However, I see nothing in the bill which requires or even explicitly encourages leveraging.

12. Do you expect to use leveraging as a selection criterion, and if so, do you think it would make sense to say so in the bill?

ANSWERS TO QUESTIONS OF SENATOR PROXMIRE

1. We expect that the focus of the legislation will be on projects that benefit low and moderate income people. The phrase, "otherwise distressed", refers to non-income related factors which contribute to decline of neighborhoods, such as age of stock, racial transition, commercial disinvestment, or high percent of elderly households. Such sections include city areas outside the central city, older suburbs and small cities.

2. Yes, Self-Help Development grants (or other) will fund relatively concrete projects. We never intended to exclude software activities, nor do we intend to emphasize them. We want to allow full freedom for creativity. But funding software activities will be restricted to places where there is a hardware component.

3. We do not expect any grants to produce only a plan.

4. We intend a criteria for project selection to include "requiring an applicant to provide evidence from identified sources of funds for project implementation that those sources support the project and can make funds available contingent on successful project development."

5. Our grants will be project specific and one time. They may, however, be multi-year grants, depending on the demands of the pre-implementation stage for a given project, e.g., construction projects can easily take two years from initial commitment to opening day. We will require that applicants have other sources of ongoing funding for its general administration and planning. On the other hand, we would not bar a successful applicant from subsequently proposing other projects.

6. There are a number of neighborhood organizations that have been successful at property management, property transfer, rehabilitation, demolition and other housing related activities in their neighborhoods and of immediate concern to their well-being. These groups have operated on shoestring budgets and yet their energy, creativity and endurance kept them alive and active. These groups do have a history of demonstrated success and yet they desperately need resources to bolster them for continued operation and to help them undertake their next project. The Neighborhood Self-Help Act aims to provide the resources necessary to strengthen the groups by allowing them more opportunities to get better at what they are doing.

7. The details of the selection process are not completely worked out but we have set forth the following criteria for selection of NDOs:

The proposed method of selecting NDOs is a field process rather than a competitive application process. The field process would include several site visits, pre-application workshops, extensive self-analysis and HUD involvement in negotiation and development of a specific proposal with definite objectives, a time phase plan and a line item budget. However, definite criteria for selection will be included in the field process. The proposed criteria are:

CRITERIA UNDER FOUR AREAS OF CONCERN

Four major concerns in the selection of suitable community groups to carry out major programs under the Neighborhood Development Organization Support Program:

A. Structure of organization

Definition: "Local development organization" means any community based entity, organization, or association which is organized to promote and undertake community development activities.

It should primarily serve low and moderate income people;

It should be controlled by local residents and accountable to them;

It should have a representative structure in which the local residents are involved continuously in an open decision-making process; and

It should be a "non-profit entity". This means any entity organized for a lawful purpose other than to distribute any part of its income or profits to its

members, directors or offices. For purposes of these regulations, such entities shall include, but are not limited to, Community Development Corporations assisted under Title VII and Community Action Programs assisted under Title II of the Headstart, Economic Opportunity, and Community Partnership Act of 1974, and other local development corporations, cooperatives, and housing development corporations, as designated by the Secretary.

B. Ability of the organization to perform

The local development organization should have been functioning for several years and should have a record of operational program accomplishments;

It should have a staff or active members who have a proven record as managers and the technical ability to develop and carry out community development programs;

It should be a viable organization with the ability to function with or without funds obtained through this program; and

It should have an established record of identifying issues confronting local residents, and of organizing community support to address those issues.

C. Relationship of the organization with: The mayor and unit of local government; private resources; other community organizations

The organization should have established itself as one working for the general welfare of the community. It should be an organization which has as its goal the alleviation of prejudice and the improvement of the quality of life for all members of the community;

It should have established that it has the ability to work with the public and private sectors in leveraging resources to benefit the community;

It should have an understanding of the structure and functioning of the local unit of government and a willingness to develop a working relationship with it;

It should have demonstrated an understanding of the cultural and political structures of the community; and

It should have a demonstrated willingness to work with other community groups, to share with them their experience and to train members of other organizations, when practical.

D. Viable program

The organization should demonstrate that the activities for which it is seeking funding are innovative, viable and responsive to community needs;

It should demonstrate that it has carefully evaluated the proposed activities and has explored alternative activities and sources of funding; and

It should demonstrate how funds obtained from HUD will be leveraged with other sources of funding and available resources to achieve the implementation of the proposed activity.

Concerning a requirement that the group be democratically structured, we do expect the group have a definite process for incorporating those directly benefiting from the project and for those in whose immediate neighborhood the project is located to participate in project selection, project planning and project implementation.

8. We believe the panel process may be too cumbersome for this program. Rather, we'd like to see much more local contact by skilled staff.

9. Officially, we are neutral on this.

10. As part of the grant package, every applicant will prepare a time phased, management by objective plan. Financial reporting and the quarterly draw down of funds will be tied to accomplishment of these objectives. Monthly narrative reports will be required. A pre-award and post-grant audit will be performed for all grantees.

11. Yes.

12. As the criteria for selection point out, the group should demonstrate how funds obtained from HUD will be leveraged with other sources of funding and available resources to achieve the implementation of proposed activity.

Mr. BIDDLE. We would be delighted to do that, Senator, and it's such a pleasure to be here with you today.

Mr. BARONI. Thank you very much.

Senator MORGAN. Thank you very much.

Our next witnesses this morning are Mrs. Sara Hodgkins, the Secretary of the Department of Cultural Resources from my home State of

North Carolina—we are glad to have you—and the Honorable Maynard Jackson, the mayor of Atlanta.

I am particularly happy to welcome a fellow North Carolinian to the committee this morning.

Sara Hodgkins is secretary of the North Carolina Department of Cultural Resources and also serves as chairman of the National Governors' Association Task Force on Livable Cities Legislation.

Our Department of Cultural Resources is the first and, I believe, the only such cabinet-level department of State government in the country. We're very proud of it, and we are very proud of Sara.

Sara came into State government after a distinguished career in music education and in local government, and brings to the North Carolina government a wealth of knowledge and sensitivity to the role the arts can play in promoting a healthy and vibrant quality of life in communities of all sizes.

She is uniquely qualified to speak on behalf of the States on livable cities legislation since, under her leadership and that of Gov. Jim Hunt, North Carolina has pioneered in bringing arts experiences to people wherever they might live and utilizing the arts as a key component in community development and revitalization.

We are delighted to have you here this morning. Good morning, Mr. Mayor. We are delighted to have the mayor of Atlanta, Mayor Maynard Jackson, who's well known to all of you, who will be representing the U.S. Conference of Mayors and the National League of Cities. We are glad to have you, and I believe we will recognize Ms. Hodgkins now for her statement, and then we'll have your statement, Mr. Mayor.

STATEMENT OF SARA W. HODGKINS, SECRETARY, DEPARTMENT OF CULTURAL RESOURCES, RALEIGH, N.C.

Mrs. HODGKINS. Good morning, Senator Morgan. Thank you very much for your very kind introduction. I bring you greetings from Governor Hunt and 5½ million North Carolinians, and I'm delighted to have this opportunity to testify before this committee.

I am Sara Hodgkins, secretary of the North Carolina Department of Cultural Resources and chairman of the National Governors' Association Task Force on the Livable Cities Legislation.

Almost alone among the industrial areas of the Nation, North Carolina is still a State in which most of its population is either rural or living in cities of less than 100,000. Industry and agriculture are still in balance here; whether we will maintain this balance does not depend upon uncontrollable forces of nature—it depends upon whether people understand the advantages of such a population pattern and whether the State uses its powers to maintain it.

These words might have appeared in an editorial in any leading newspaper in North Carolina today. They were written, however, 30 years ago by Lewis Mumford, one of America's outstanding social philosophers, after a visit to our State. What makes his words worth quoting today is that North Carolina has managed to retain that unique mix of urban and rural life. Although we will be the 10th largest State in population by 1980, our growth is being spread across many small cities rather than in large urban concentrations. We have maintained our rural/urban balance in part because our State government and its leaders are working closely with local communities and their elected officials to achieve balanced growth.

With Mumford's words in mind and our own recent experience in North Carolina as a guide, I come to endorse the "livable cities" program. Our support for the "livable cities" concept is born of a conviction that such things as the arts and the creatively planned and built environment are not luxuries but are necessities in making our urban areas livable, productive places.

We have made great progress in North Carolina in the arts because of the affirmative efforts by State government. We have established a State museum of art, a State symphony, and the first State cabinet-level department for cultural resources. But our responsibility does not end with the establishment and programming of quality arts institutions. We feel with our Gov. Jim Hunt a special responsibility to make these arts experiences available to our citizens where they live. To work toward this goal, we have established, for example, a network of 12 museums and galleries affiliated with our State are museum to make it possible for people all across North Carolina to share in the programs and rich collection that they as citizens own. Our State symphony orchestra plays over 200 free concerts each year in the public schools. The orchestra travels over 22,000 miles annually bringing great music to people in communities large and small alike. I feel that such state-wide efforts and our cooperative, supportive relationships with local arts groups have contributed to the improvement of the quality of life in many of our cities and towns, thereby contributing to the stability of our communities and generally even growth across the State.

This bill contemplates the arts as an important force in the economic and esthetic redevelopment of our cities. This perception of urban development is supported by a study done in October 1977 for the National Endowment for the Arts by the Center for Metropolitan Planning and Research of the Johns Hopkins University. This study assessed the economic impact of eight major cultural institutions in the city of Baltimore. I commend it to your examination if you have any doubts as to the feasibility of the "livable cities" concept.

The Baltimore study found that while the primary functions of the arts are not to create jobs or generate business growth, the arts do in fact have a significant impact on the social, educational, economic, and esthetic dimensions of city life. Art institutions and programs affect the volume of business transactions in goods and services. The eight Baltimore institutions studied generated \$29.6 million during 1976 in direct and indirect business volume.

The arts provide salaries to artists, performers, and supporting personnel and contribute income to local businesses and service industries. The arts generate revenues from local and out-of-town sources, and contribute to an increase in local sales taxes. In bringing people into a city from outside areas, the arts contribute to an increase in commercial transactions within the local community.

For example, in Wausau, Wis., the locally based Performing Arts Foundation has raised money from the Wausau community to respond to challenge grants and matching funds from the Wisconsin Arts Board in order to support a broad program of arts activities in the area. The downtown summer festival known as Summerthing has attracted so much response that local businesses are providing an increasingly larger share of the funding, and this we see happening all over the country.

In Durham, N.C., our department's office of folklife programs this summer sponsored the North Carolina Folklife Festival in response to a tremendously successful bicentennial festival in 1976. The National Endowment for the Arts provided a grant of \$25,000 and our department raised \$75,000 from local government and business statewide. The office of folklife programs organized and coordinated the festival while the city and county governments provided financial support as well as facilities and support services. The results of these cooperative efforts was a festival held over the recent 4th of July weekend attended by over 75,000 people from across the State and region.

More important to the purposes of this bill, the arts create an environment enticing to the urban citizen at work and at leisure. In North Carolina, we find that industry now examines the culture life of a city or town in making an assessment of a potential location site. The quality of life is important to industries that typically employ highly-trained well-paid workers. The Baltimore study found that strong cultural life is regarded as a hallmark of strong economic life. The presence of active artistic programs and institutions is an indication of general vitality and energy in a local community. The arts create an environment in which redevelopment efforts are more likely to take root and flourish.

In North Carolina, we have seen the effectiveness of cultural programs which have brought with them renewed growth for urban communities. In Durham, for example, a small city of 110,000 and North Carolina's fifth largest, an organization called the St. Joseph's historical Foundation has taken a former church (which is a National Register property), and through adaptive use, has converted the structure and an adjacent educational building with the assistance of community development funds into an exciting and energetic arts center in one of Durham's rapidly declining neighborhoods. The center provides office and studio space for many of Durham's visual and performing arts groups at a scaled-down rent structure and from the rental income and State arts council grants provides a variety of arts programming to the people of the inner-city community. This facility and its programs have actually become a major stabilizing factor of the community.

Similarly, in Charlotte, North Carolina's most populous city, a complex of four formerly abandoned buildings has been undergoing transformation for the past several years. Called "Spirit Square," this cultural complex began as a result of a cultural action plan which demonstrated the need for such a facility. Renovation was begun on the existing structures, located in the core city, to aid revitalization of a disintegrating urban neighborhood, and to make arts facilities and programs more accessible to a wider audience composed largely of low-income groups. Our State arts council, recognizing this move as significant, gave several grants, one of which enabled additional programs for needy children. Because of the growth of both facilities and widely successful programs, local citizens have begun to renovate and restore abandoned housing, and stores and shops have begun to relocate in the area.

A model for partnerships, the county purchased the property for Spirit Square, the financing for initial renovation came largely from

local fund drives and this past year the citizens of Charlotte voted \$9.1 million in city bonds for additional renovation and new adjacent structures.

Spirit Square, through its preservation of existing structures and its innovative programing, has become the heart of an urban revitalization affecting thousands of Charlotte residents.

In both these urban communities, the idea was not to supplant the existing population but to give rise to a sense of community spirit and pride that would be self-perpetuating.

But such an important arts activity is not restricted to our larger, urban areas, and this point cannot be overemphasized. Smaller communities must have the same cultural growth if populations are to remain stable and our cities are to be relieved of the burden of the rural unemployed. In Asheboro, a town of 25,000 people an artist employed through our State arts council with CETA funds spent 18 months working on a mural painted on the side wall of a deteriorating downtown building. Somewhat skeptical at first, the townsfolk soon rallied behind third century artist cynvia Arthur and her mural. That mural and the months of cooperative effort become a symbol to the people of Asheboro—a source of community pride in civil cooperation and accomplishment. When the project was complete, enthusiasm was so great the local residents sent the artist on a summer study trip to Europe.

Ms. Arthur is now working on a similar project in adjacent Rowan County. This time her salary is being paid by the county. A small program, begun on the State level, is now receiving total local support.

We see "Livable Cities" filling an important role in bringing these types of programs to a larger segment of the American People. With an emphasis upon urban design in low-income neighborhoods and upon the arts as in integral part of community pride, "Livable Cities" should have widespread influence in the cities and towns across North Carolina and across every other State in the country.

However, I share with many of my fellow State arts administrators the concern that the legislation as currently proposed does not reflect a clear commitment to use the experience and understanding of the State agencies in going forth with the development of this program. Based on our experience in North Carolina, I believe that the concept behind "Livable Cities" is feasible only when Federal, State and local governments work in partnership.

At this point, I request permission to submit for the record a statement prepared by Governor Brendan Byrne of New Jersey. As chairman of the National Governors' Association Subcommittee on the Arts and as chief executive of one of our Nation's most urban States, Governor Byrne joins with me in emphasizing the need for intergovernmental partnerships in realizing the benefits which the "Livable Cities" program can provide.

Only a bill which mandates similar State participation in the review, coordination and implementation of grants made to urban communities under the "Livable Cities" program will assure that the knowledge gained by our continuing experience with these programs will be reflected in the kind of results envisioned when the program was originally proposed.

As the regulations are established to guide this proposal, we would strongly urge consideration of several key elements.

First, remember the small cities—good community design and strong arts programs are needed in smaller towns as much as they are in large cities. We hope that “livable cities” means “livable towns and communities” as well.

Second, the “livable cities” program as set forth in the proposed legislation is one of limited scale with large purposes. The limited funding prescribed in the bill means that the money should go to programs which have some realistic chance of succeeding. The funds should not melt away in experimental efforts which are not based in real experience.

Third, “livable cities” should stake out a new territory of achievement. We would favor a continuation of support for community arts programs within the National Endowment of the Arts. We would also hope that some of the innovative programs within HUD would retain the flexibility to support certain community arts programs and related historic preservation activities. In other words, “livable cities” should not replace existing successful programs.

The Folklife Festival in Durham, the Summerthing Festival in Wausau, Spirit Square in Charlotte, St. Joseph’s Historical Foundation in Durham and Cynvia Arthur’s mural in Asheboro are but a very few examples of how the arts and preservation can favorably affect the lives of people—not just urban places or sagging economic bases—but Americans living in both our large and not-so-large urban areas.

There are so many areas in North Carolina and every other State where past experience tells us, similar arts facilities and programs could be reaching the life of the people and helping them where they are to regain a sense of culture and community. It is our hope that “livable cities” will be a people-oriented action program and we stand ready to cooperate in every way to make it a success.

Thank you for inviting me to speak to you today.

Senator MORGAN. Thank you, Madam Secretary.

Before we proceed to questions, I suggest maybe we hear from Mayor Jackson and then we’ll talk together. Mayor Jackson, we are delighted to have you. We thank you for taking the time to come up and give us the benefit of your thoughts on this very important bill.

**STATEMENT OF MAYNARD JACKSON, MAYOR OF ATLANTA, GA.,
REPRESENTING U.S. CONFERENCE OF MAYORS—NATIONAL
LEAGUE OF CITIES**

Mr. JACKSON. Thank you very much, Senator Morgan and Senator Riegle.

I bring you greetings from the greatest city in this country with the exception of your hometowns. I’m delighted to appear this morning as mayor of Atlanta, the city which is very much involved in democratizing the arts and encouraging the arts and encouraging cities, and that necessarily means encouraging the arts as well.

I appear also as chairman of the Arts Committee of the U.S. Conference of Mayors, as a member of the Arts Task Force for the National League of Cities, as a member of the National Commission on Neighborhoods.

I submit for the record my testimony that's been prepared. At the same time I ask that you take recognition of the outstanding work, as I'm sure you have done in the past, of the National Endowment for the Arts whose distinguished chairman is here and with thanks to the public service campaign of the Advertising Council of the United States I had the pleasure of doing a public service television 60-second color announcement promoting the arts and showing why the arts are important and I present a graphic description of that for the record as well.

Senator MORGAN. Thank you. We will make it a part of the record.

Mr. JACKSON. Thank you.

Mr. Chairman, I'm pleased to come before this distinguished committee to speak in behalf of these two programs. First of all, the Livable Cities Act, and the Neighborhood Self-Help Development Act, with major emphasis on the Livable Cities Act.

As part of President Carter's urban policy initiative, I believe these two programs in particular constitute bold and significant steps in a needed, new direction for the Nation. As the mayor of Atlanta, I am concerned deeply not only with the amount of Federal assistance to the cities, but also with the method in which that assistance is given. The Livable Cities Act and the Neighborhood Self-Help Development Act represent a strong effort on behalf of the Federal Government to seek new solutions to old problems. They reflect a growing responsiveness to the changes evident in our cities and I am heartened by it. I commend the Carter administration for initiating these two very important pieces of legislation.

The stated objectives of both programs is revitalization—to bring interest, vitality, and life back into the city. I suggest that these programs herald a new movement beyond revitalization: In Atlanta, we feel we are experiencing a renaissance—a renaissance that is shared in a growing number of American cities. This new urban renaissance is marked by a surge of initiative coming from groups of citizens with common interests; it is marked by a willingness to change, a willingness to try different solutions. It is marked by a new depth of involvement by individuals, and by a new sensitivity in city halls across the Nation. I emphasize the latter as well. Without the cooperation with the neighborhood organizations of city halls these movements would not be successful.

Three directives shared by the Livable Cities Act and the Neighborhood Self-Help Development Act distinguish their recognition of this new wave of energy. First, both acts support voluntary local efforts of communities, neighborhoods, and organizations.

Second, these programs encourage development of a partnership among the local, State, and Federal Governments as well as the private sector.

Third, these programs seek to discover new and successful models on which to base broader and bolder programs in the future.

By implementing these types of programs, the Federal Government rewards local initiative, but does not throw the full burden on the cities. It cultivates a partnership of balanced responsibility.

When we think of a renaissance in the historic sense, we think first of the arts. Over the past year, since taking the chair of the USCM task force on the arts (now a standing committee by USCM approval

last month), I have watched with fascination the visionary thrust of the cultural activity in the city. Whether the artists realize it or intend it, they are helping to teach us and helping to prove to us that our cities can come alive again.

As a way of background, Mr. Chairman, Senator Morgan and Senator Riegle, Atlanta is a city which is considered to be the most successful among American cities and yet it is by definition an American city and therefore has to some degree every problem which plagues American cities. We are very fortunate that our problems are on a scale to a much smaller degree, but clearly one of the keys to our success now with reviving neighborhoods is the Bureau of Cultural Affairs founded in 1974 as a part of this city's administration with a major thrust by government which I think has won plaudits across the country. We still find ourselves in a situation that we must have local based organizations which themselves can initiate activity to make energy and creativity of the revitalization of our cities and the use of the arts in that connection as well.

In Los Angeles, for example, last April, a national conference of 250 artists and arts administrators met to share their experiences with what they called The New Art Spaces. Almost invariably, whether in Seattle, New Orleans, Buffalo, or Atlanta, these projects take place in or near the central business district in abandoned and sometimes deteriorating buildings, these independent, highly energetic and committed groups are filling these empty structures with galleries, exhibitions, theaters, performances, workshops, classes, and studios.

Artists are part of our urban "pioneers" in many ways and the Livable Cities Act is designed to help them find new uses for old spaces and to supplement what they call their sweat equity. Although these artists have very little money, they seem to have a boundless commitment to living and working in the heart of the city.

In Atlanta, three examples come to mind immediately of projects that could benefit tremendously from the Livable Cities Act. Three former school buildings near the central business district now being used by various cultural organizations with the encouragement and support of the city of Atlanta's Bureau of Cultural Affairs: The Atlanta Neighborhood Arts Center, Inc., which serves as a strong arts and cultural outreach facility for the Atlanta community; the Spring Street School, now the home of the Atlanta Ballet, the Vagabond Marionettes and the Georgia Lyric Opera Co.; and the Forrest Avenue Consortium, named after Nathan Forrest, Mr. Chairman, the founder of the Ku Klux Klan—we try to be a forgiving city.

When viewed together, these three projects show a dramatic initiative that cuts across economic and racial lines, an initiative that uses the arts to reach out to all the citizens of Atlanta. When viewed separately, each project represents clearly that "renaissance," that "new life" in parts of the city that lacked cultural opportunities.

The Forest Avenue Consortium, a profile of which is included in your support material for this hearing, was formed in July of last year by several nonprofit alternative arts organizations in response to a need in Atlanta for a support system with facilities for working artists. We don't exploit our artists. We pay them. Arts are urban-based, labor-intensive industries. These working artists moved in—these arts organizations moved in and took responsibility for renovating the

abandoned 55,000-square-foot Forrest Avenue School building, near the downtown center in a priority 1 neighborhood. In 1 year, these artists have managed to make considerable progress. Besides restoring the majority of the basic utility systems of the building, the consortium has a photography gallery, an offset press facility, a sculpture foundry, and the beginnings of a theater and exhibition space—each of which has revenue-generating capacities. Throughout this year, they have managed to continue their programing, and they estimate the combined audiences for their performances, exhibitions, and concerts over the past 7 months at 12,000 people. When you take into consideration the fact that this building stood vacant and lifeless for the 2 previous years, this influx of positive energy to this downtown neighborhood paves the way for an economic "renaissance" in this area.

In Atlanta, in the spring of 1974, a group of artists, arts administrators, and interested citizens came together to lend direction to their shared interest: Stimulating the development of the arts in the city. This group, known as the Mayor's Forum on the Arts, continues to function and lend support to the arts community in Atlanta. These people believe, and I believe, that the arts play an important role in the total revitalization of the urban community.

One of the first actions of this group was to establish, at the request of the community, the Neighborhood Arts Center. This is an arts institution located in a low-income, Afro-American community on the south side of Atlanta, what is called Mechanicsville. This neighborhood was afflicted with all the problems present in a modern American city. It has high unemployment, the sad and familiar process of business disinvestment was advanced. The physical integrity of the neighborhood had been disrupted before my administration by highway construction that could have been avoided I think. The essence of community integrity had dissipated and Mechanicsville had very nearly lost its will to survive as a community.

Today, these facts no longer apply to Mechanicsville, and the neighborhood arts center has been a major factor in this. By operating cultural outreach programs in public housing projects and prisons, by offering free workshops and seminars in every form of creative discipline, the neighborhood arts center has helped Mechanicsville recapture its soul. It is important for us to recognize that neighborhoods are not saved by Federal agencies or by city hall. Neighborhoods are saved by neighbors. In the absence of a sense of community identity and community pride, no amount of dollars spent on steel or concrete will effect a positive change. This is the basic reason why cultural programs are vital to the redevelopment of our cities. This money is needed, however, and we emphasize it, and also in city halls and all levels of government institutions, organizations, to cooperate with and work with the neighborhoods in revitalizing their neighborhoods. One alone can't do it. It's the confluence of organizations, powers, individuals, and governments that can achieve the desired end.

The arts have proven their importance as an economic development tool for the city.

The arts attract people. When cultural activity takes place, people come to participate. That is a fact. We've now put the symphony out on the golf course in Atlanta in Piedmont Park. Golfing is great and

we encourage free golf courses, but on Sundays we put 30,000 people under the stars on their blankets and with their picnic baskets to listen to the symphony. We draw more people to the concerts than the symphony used to draw in 5 years.

I'm sure this committee is quite familiar with the statistics on the "multiplier effect" of cultural activity. Many estimates show a 4 to 1 return on the cultural dollar when related expenditures are considered. The Livable Cities Act recognizes this "natural" urban resource by investing, if you will, in the arts. We can expect our return to come to us in the form of new life in our cities.

The new urban renaissance has affected much more than the arts. I might tell you that I cannot think of a more democratic manifestation of urban life than the cultural affairs in Atlanta now. In our downtown streets people of all colors, all ages, all sizes, all backgrounds come together with mutual concern for enjoyment of and interest and excitement about the arts. The neighborhood movement is indicative of a new mood in our cities, a mood of cohesive action, of cooperation and direction.

In Atlanta, we have over 180 identifiable neighborhood groups. When my administration came into office, we began a massive reorganization of city government that recognized the neighborhood as the primary unit of urban planning. The city of Atlanta has become a national leader in neighborhood revitalization, community involvement, and citizen participation in planning on a city-wide basis. We have developed 24 geographical sections of Atlanta, each of which is called a neighborhood planning unit, each of which has a neighborhood planning committee. The system now is more than 2 years old and we are reinforcing and strengthening that process now.

We no longer therefore have the complaints citizens used to give of government coming to citizens and wanting them to ratify a decision we've already made. We no longer therefore have a trickle-down process. We have a bubble-up planning process, and the neighborhood movement therefore by no means is dead. It's very much alive and revitalized, and it's by no means unique to Atlanta, for we have found that more and more cities are discovering this fundamental unit to be one of the keys to responsible urban planning. The Neighborhood Self-Help Development Act addresses the basic issue at hand—the cultivation of effective, enduring citizen participation. Without the cooperative, informed involvement of a city's residents, city planning becomes an administrative exercise that is, at its very best, a well-intended second guess. Several Atlanta organizations have taken action to indicate what their needs are and how they might best be met. The Neighborhood Self-Help Development Act could benefit all of them.

The Inner-City Development Corp. of Atlanta is an organization composed of Afro-American business people committed to the revitalization of older commercial and residential areas throughout the city. The ICDC, with consistent support by this city administration, has developed a good track record ranging from a successful tree planting program to commercial building renovation in two viable and historically significant Afro-American business districts in the city of Atlanta: "Sweet Auburn" Avenue—this was the capitol of Afro-

American interests in America at one time—and the other is Martin Luther King, Jr., Drive, formerly Hunter Street. The ICDC has identified the problem areas, but it needs implementation money for its programs. The Neighborhood Self-Help Development Act could help.

The center of Atlanta holds another development corporation known as the Patch. Initially serving as a focus for assistance to former Appalachian whites, the Patch has grown since 1971 from a community center for children into a pottery and furniture refinishing industry that provides jobs and services to this broad, low-income Atlanta neighborhood known as Cabbagetown. We have very colorful names for Atlanta neighborhoods. We have not mentioned Buttermilk Bottom so far.

Over the years, the Patch has drawn a mix of private and public financing, and holds the potential of developing a tourist industry in that area in the city-assisted conversion of the now defunct cotton mill around which this “company town” developed generations ago.

A burgeoning community in northeast Atlanta combines a wide range of ethnic groups, including Hispanic Americans, Indo-Chinese, and Russians. This reflection of Atlanta’s emergence as an international city has a special set of needs, and this special community has been working closely with the city to develop plans for a multicultural community center. The center will serve as a focal point for services such as day care, educational programs, and health care, as well as for social and cultural activities, taking into consideration the necessary transition into a new culture and easing such obvious difficulties as language barriers. The Neighborhood Self-Help Development Act could provide the needed seed money for this important facility.

In closing, I respectfully emphasize that the spirit of the renaissance is one of unity; the individual is celebrated as part of a harmonious communion with the whole. These new proposals for legislation recognize that the survival of America’s cities depends on the cooperation and partnership among all levels of government, combined with strong citizen participation and significant involvement of business and industry.

As a mayor, I recognize my responsibility to develop and sustain a judicious, sensitive, and flexible perspective of the future, and to guide our city with a comprehensive responsive plan. Both the Livable Cities Act and the Neighborhood Self-Help Development Act encourage all participants—from Federal Government to grassroots organizations—to consider the future of the cities while they act on meeting their immediate needs today. It is this spirit of partnership that marks a new day for American cities.

I appreciate this opportunity to speak in behalf of this legislation, and I will be happy to answer questions at this time.

[Complete statement follows:]

STATEMENT OF MAYOR MAYNARD JACKSON, ATLANTA, GA.

Mr. Chairman, my name is Maynard Jackson, mayor of Atlanta, Georgia, chair of the U.S. Conference of Mayors’ Committee on the Arts, a member of the arts task force of the National League of Cities, and a member of the National Commission on Neighborhoods.

I am pleased to come before this distinguished committee today to speak in behalf of these two programs, the Livable Cities Act, S. 3210, and the Neighborhood Self-Help Development Act, S. 3211.

As part of President Carter's urban policy initiative, I believe these two programs in particular constitute bold and significant steps in a needed, new direction for the Nation. As the mayor of Atlanta, I am concerned deeply not only with the amount of Federal assistance to the cities, but also with the method in which that assistance is given. The Livable Cities Act and the Neighborhood Self-Help Development Act represent a strong effort on behalf of the Federal Government to seek new solutions to old problems. They reflect a growing responsiveness to the changes evident in our cities, and I am heartened by it. I commend the Carter administration for initiating these two very important pieces of legislation.

The stated objective of both programs is "revitalization—to bring interest, vitality, and life back into the city." I suggest that these programs herald a new movement beyond revitalization: In Atlanta, we feel we are experiencing a renaissance—a renaissance that is shared in a growing number of American cities. This new urban renaissance is marked by a surge of initiative coming from groups of citizens with common interests; it is marked by a willingness to change, a willingness to try different solutions. It is marked by a new depth of involvement by individuals, and by a new sensitivity in city halls across the Nation.

Three directives shared by the Livable Cities Act and the Neighborhood Self-Help Development Act distinguish their recognition of this new wave of energy. First, both acts support voluntary local efforts of communities, neighborhoods, and organizations.

Second, these programs encourage development of a partnership among the local, State, and Federal governments as well as the private sector.

Third, these programs seek to discover new and successful models on which to base broader and bolder programs in the future.

By implementing these types of programs, the Federal Government rewards local initiative, but does not throw the full burden on the cities. It cultivates a partnership of balanced responsibility.

When we think of a renaissance in the historic sense, we think first of the arts. Over the past year, since taking the chair of the USCM task force on the arts (now a standing committee by USCM approval last month), I have watched with fascination the visionary thrust of the cultural activity in the city. Whether the artists realize it or intend it, they are helping to teach us and helping to prove to us that our cities can come alive again.

One of the most exciting developments I have noticed is the initiative taken by arts organizations and individual artists to re-use existing urban structures for cultural activities. In Los Angeles last April, a national conference of 250 artists and arts administrators met to share their experiences with what they called "the new art spaces." Almost invariably, whether in Seattle, New Orleans, Buffalo, or Atlanta, these projects take place in or near the central business district in abandoned and sometimes deteriorating buildings, these independent, highly energetic, and committed groups are filling these empty structures with galleries, exhibitions, theaters, performances, workshops, classes, and studios.

Artists are part of our urban "pioneers" in many ways, and the Livable Cities Act is designed to help them find new uses for old spaces and to supplement what they call their "sweat equity." Although these artists have very little money, they seem to have a boundless commitment to living and working in the heart of the city.

In Atlanta, three examples come to mind immediately of projects that could benefit tremendously from the Livable Cities Act. Three former school buildings near the central business district now being used by various cultural organizations with the encouragement and support of the city of Atlanta's Bureau of Cultural Affairs: The Atlanta Neighborhood Arts Center, Inc., which serves as a strong arts and cultural outreach facility for the Atlanta community; the Spring Street School, now the home of the Atlanta Ballet, the Vagabond Marionettes and the Georgia Lyric Opera Company; and the Forrest Avenue Consortium, a multi-disciplinary association of alternative arts organizations.

When viewed together, these three projects show a dramatic initiative that cuts across economic and racial lines, an initiative that uses the arts to reach out to all the citizens of Atlanta. When viewed separately, each project represents clearly that "renaissance," that "new life" in parts of the city that lacked cultural opportunities.

The Forrest Avenue Consortium, a profile of which is included in your support material for this hearing, was formed in July of last year by several non-profit alternative arts organizations in response to a need in Atlanta for a support system with facilities for working artists. They moved in and took responsibility for renovating the abandoned 55,000 square foot Forrest Avenue School building, near the downtown center in a priority one neighborhood. In one year, these artists have managed to make considerable progress: Besides restoring the majority of the basic utility systems of the building, the consortium has a photography gallery, an off-set press facility, a sculpture foundry and the beginnings of a theatre and exhibition space—each of which have revenue-generating capacities. Throughout this year, they have managed to continued their programming, and they estimate the combined audiences for their performances, exhibitions, and concerts over the past seven months at 12,000 people. When you take into consideration the fact that this building stood vacant and lifeless for the two previous years, this influx of positive energy to this downtown neighborhood paves the way for an economic "renaissance" in this area.

In Atlanta, in the spring of 1974, a group of artists, arts administrators, and interested citizens came together to lend direction to their shared interest: Stimulating the development of the arts in the city. This group, known as the Mayor's Forum on the Arts, continues to function and lend support to the arts community in Atlanta. These people believe, and I believe, that the arts play an important role in the total revitalization of the urban community.

One of the first actions of this group was to establish, at the request of the community, the Neighborhood Arts Center. This is an arts institution located in Mechanicsville, an Atlanta neighborhood that is afflicted with all the problems present in a modern American city. It has high unemployment, the sad and familiar process of business disinvestment was advanced. The physical integrity of the neighborhood had been disrupted by highway construction. The sense of community integrity had dissipated, and Mechanicsville had very nearly lost its will to live.

Today, these facts no longer apply to Mechanicsville, and the Neighborhood Arts Center has been a major factor in this. By operating cultural outreach programs in public housing projects and prisons, by offering free workshops and seminars in every form of creative discipline, the Neighborhood Arts Center has helped Mechanicsville recapture its soul. It is important for us to recognize that neighborhoods are not saved by Federal agencies or by city hall. Neighborhoods are saved by neighbors. In the absence of a sense of community identity and community pride, no amount of dollars spent on steel or concrete will effect a positive change. This is the basic reason why cultural programs are vital to the redevelopment of our cities.

The arts have proven their importance as an economic development tool for the city:

The arts attract people, when cultural activity takes place, people come to participate; that is a fact. I am sure this committee is quite familiar with the statistics on the "multiplier effect" of cultural activity: Many estimates show a four to one return on the cultural dollar when related expenditures are considered. The Liveable Cities Act recognizes this "natural" urban resource by investing, if you will, in the arts. We can expect our return to come to us in the form of new life in our cities.

The new urban renaissance has affected much more than the arts. The neighborhood movement is indicative of a new mood in our cities, a mood of cohesive action, of cooperation and direction. In Atlanta, we have over 180 identifiable neighborhood groups. When my administration came into office, we began a massive/reorganization of city government that recognized the neighborhood as the primary unit of urban planning. The city of Atlanta has become a national leader in neighborhood revitalization, community involvement, and citizen participation in planning on a city-wide basis.

The neighborhood movement is by no means unique to Atlanta, for we have found that more and more cities are discovering this fundamental unit to be one of the keys to responsible urban planning. The Neighborhood Self-Help Development Act addresses the basic issue at hand—the cultivation of effective, enduring citizen participation. Without the cooperative, informed involvement of a city's residents, city planning becomes an administrative exercise that is, at its very best, a well-intended second guess. Several Atlanta organizations have taken action, to indicate what their needs are and how they might best be met. The Neighborhood Self-Help Development Act could benefit all of them.

The Inner-City Development Corporation of Atlanta is an organization composed of Afro-American business people committed to the revitalization of older commercial and residential areas throughout the city. The ICDC, with consistent support by this city administration, has developed a good track record ranging from a successful tree planting program to commercial building renovation in two viable and historically significant Afro-American business districts in the city of Atlanta: "Sweet Auburn" Avenue and Martin Luther King, Jr. Drive (formerly Hunter Street). The ICDC has identified the problem areas, but it needs implementation money for its programs. The Neighborhood Self-Help Development Act could help.

The center of Atlanta holds another development corporation known as the Patch. Initially serving as a focus for assistance to former Appalachian whites, the Patch has grown since 1971 from a community center for children into a pottery and furniture refinishing industry that provides jobs and services to this broad, low-income Atlanta neighborhood known as Cabbagetown. Over the years, the Patch has drawn a mix of private and public financing and holds the potential of developing a tourist industry in that area in the city-assisted conversion of the now defunct cotton mill around which this "company town" developed generations ago.

A burgeoning community in northeast Atlanta combines a wide range of ethnic groups, including Hispanic Americans, Indo-Chinese and Russians. This reflection of Atlanta's emergence as an international city has a special set of needs, and this special community has been working closely with the city to develop plans for a multi-cultural community center. The center will serve as a focal point for services such as day care, educational programs, and health care as well as for social and cultural activities, taking into consideration the necessary transition into a new culture and easing such obvious difficulties as language barriers. The Neighborhood Self-Help Development Act could provide the needed seed money for this important facility.

In closing, I respectfully emphasize that the spirit of the renaissance is one of unity; the individual is celebrated as part of a harmonious communion with the whole. These new proposals for legislation recognize that the survival of America's cities depends on the cooperation and partnership among all levels of government, combined with strong citizen participation and significant involvement of business and industry.

As a mayor, I recognize my responsibility to develop and sustain a judicious, sensitive, and flexible perspective of the future, and to guide our city with a comprehensive responsive plan. Both the Livable Cities Act and the Neighborhood Self-Help Development Act encourage all participants—from Federal Government to grass roots organizations—to consider the future of the cities while they act on meeting their immediate needs today. It is this spirit of partnership that marks a new day for american cities.

I appreciate this opportunity to speak in behalf of this legislation, I will be happy to answer questions at this time.

Senator MORGAN. Thank you, Mayor. It seems from your presentation and from Sara's presentation about North Carolina that you really don't need this legislation. You're doing very well without it.

Mr. JACKSON. Was that a question, Senator?

Senator MORGAN. Mayor, it's been suggested by some that the Livable Cities grants should be made exclusively to the neighborhood groups. The rationale seems to be that the States and localities should be willing to come up with their own funds to carry out community arts programs which stimulate community and economic development.

I wonder what your feeling on this would be and is there some compelling justification for making the governmental unit a part of the system?

Mr. JACKSON. Mr. Chairman, I don't think it will work otherwise. I think something is better than nothing, first of all, and obviously to help groups without touching base with local units of government, States, is better than not doing it at all; but I would submit to you

very, very aggressively that there's clearly a need, if we are to achieve the ultimate aims of the legislation as I have read the legislation, to, No. 1, encourage local government to be involved and, No. 2, to have neighborhood organizations feel that there is that involvement, and also to encourage the community-based organizations.

I know there are some cities where elected officials don't feel the same level of excitement that other cities may feel about this movement. I must tell you that I believe that's only because their eyes have not yet been opened. I must tell you that I know of a couple of mayors who publicly have testified they don't give a damn about the arts, but they care an awful lot about what the arts can do for their cities and therefore they support the arts.

I believe that the legislation as drafted deserves support and I believe that when it directs the Secretary of the Department of Housing and Urban Development to develop means of cooperation with local governments, all levels of government, State as well, I think that is a good directive. I think it's for the Livable Cities Act that there be a concurrence with local government on the projects, the proposals, the movements that are made, not in any attempt to pour cold water on the initiatives, excitement of local community-based organizations, but to involve governments more so to get more of a government leverage in fact involved and more of a government interest and commitment.

I speak not as one who just talks about the need for this without being able to bring to the table some bread. Mr. Chairman, Atlanta went to the State legislature and fought for a hotel-motel tax over which we did not have local jurisdiction. We got that tax and we targeted that tax—and this was our discretion to do so—to the arts and culture of Atlanta. It's a dynamic tax.

It's a tax, however, which had to result in 25 percent of its revenues going to assist a certain State's interest, but that was OK. The center is inside the city of Atlanta. What it means, when times get hard, the tax does not fall first on the arts and should not fall first there either. If ever there was a time for the arts to be encouraged, it is when times are hard. If ever there was a means through the community-based organizations, with the concurrence of and with the cooperation of the governments—

Senator MORGAN. I couldn't agree with you more and, after all, you're the elected representative of the neighborhoods and you're the one who has spoken for them. That's my own personal view.

Sara, in your view, should we try to improve the Livable Cities Act by some way clarifying and strengthening the role of the State arts agencies such as yours and, if you think so, how could it be done?

Mrs. HODGKINS. Well, Senator, I think that Mayor Jackson has stated it well. It's a partnership that we are all involved in. The State of North Carolina works very closely with local governments in our arts activities and I believe very strongly in helping people where they are because they know better what their needs are than the State does, but they need support from the State in other ways too. So I think it should be an equal partnership—local, State, and Federal.

Mr. JACKSON. Mr. Chairman, could I just pinpoint one little thing?

Senator MORGAN. Yes.

Mr. JACKSON. It was interesting for me to observe—we all have our problems—in the number of surveys taken recently following proposition 13, the response nationwide to levels of government differed. There was dissatisfaction with the cities, with the States, and with the Federal Government; but the least dissatisfaction rested with city governments by the people. The explanation most often given is that there is a greater feeling of closeness or affinity with and being able to reach them when they need to reach them, to fuss at, to compliment, to work with, to be involved in the local government than any other level of government.

This is not to say that the other levels are not trying hard. It's simply the perception and the fact I think that neighborhoods geographically and economically and structurally are closer to cities than the States or the Federal Government. But I think that all systems should be included.

Senator MORGAN. And you feel then that there is a role for all systems?

Mr. JACKSON. I feel there's a special role for the legislation to succeed. I think the level of government that can best deliver, Senator, is the one that is on the local level; but I seek not to exclude necessarily any other levels. I do believe, however, if we are talking about trying to get the money where the action is and get the greatest amount of reaction to the dollar, we're talking about trying to target these funds. The legislation also speaks, by the way, I think rather correctly, in fact emphatically I feel that way, to this being designed to encourage all economic groups but especially low and moderate income groups and I think without question city halls have been most responsive to those and all groups.

Senator MORGAN. Both of you have presented very interesting and informative discussions and also very interesting discussions about what you're doing. I would have to say on behalf of Sara, if there's any question about what she's doing, I suggest you read this week's U.S. News & World Report about what the arts can do for people.

Mrs. HODGKINS. Thank you very much.

Mr. JACKSON. The State of North Carolina was one of the early leaders in the arts and is doing an outstanding job.

Senator MORGAN. I have some other questions but with your permission I'd like to have staff look them over in light of your testimony and then submit to you those questions that they think are still relevant. So I yield to Senator Riegle for his questions.

Senator RIEGLE. Thank you. I will be very brief, although I have been very interested and I have appreciated the testimony you both have given.

It's obvious as well that the early leadership that North Carolina has given to the arts manifests itself several ways, not the least of which is that it's sent a very artful Senator who is chairing this hearing at the present time and who's a delight to serve with.

I have appreciated your testimony, Ms. Hodgkins, and I think it will help us.

Mavor Jackson, let me say that this is the first time I think we have had an opportunity to work directly on a project together, but I'm a great admirer of yours, and I appreciate very much the leadership you have given on the urban scene, not just in your own city but nationally.

Mr. JACKSON. Thank you.

Senator RIEGLE. And I appreciate the fact that you come today as a witness not only in behalf of your own experience in your own city, but on behalf of the mayors of the country, to lend your support to this Neighborhood Self-Help Development Act. I can see why you, as a mayor, would not be threatened by strong neighborhood groups, because it's clear from the philosophy that you express that your interest is in developing as much strength as possible in the neighborhood groups. That doesn't mean everybody in the city sees things the same way. It probably means everybody does not see things the same way, and that's one of the strengths and virtues of having lots of people involved.

I'm concerned, however, that that's not true in all cities. I can think of mayors in other places who would want to have an iron say as to what community groups were or were not able to do, at least ones that received Federal assistance. So I still think we need to work that out, but I appreciate the spirit of your response, and your emphasis on partnership. Those citizens energies that you're nurturing so well in Atlanta are really at the heart of this legislation.

So I think the testimony you both have given today is very important to us. Despite the fact that the amounts that are being requested are tiny—I mean, absolutely minuscule in terms of what is needed—we are still going to have difficulty in getting these programs through at this particular time because of the tax cut fever and so forth that's loose in the country. But what you have said today will give us a very strong case to make. I believe Senator Morgan and I and others will be able to approach our other colleagues to and persuade them to support these modest expenditures, which can give us the great leverage, grassroots involvement, and change in spirit that you describe. So the fact that you both have come, today and have taken the time to give us arguments to work with, is something that we both appreciate and I know all the members of the committee will appreciate. So thank you very much.

Senator MORGAN. Thank you, both of you.

Mr. JACKSON. Senator, may I just add, before leaving, the tiny amounts like \$1,000, for example, to a neighborhood group literally can have a leveraging effect that is almost incomprehensible, and we think it's an important act. We know that you share our hope for that. The Livable Cities Act is critically important to cities as well as the Self-Help Development Act. We urge your aggressive, rapid support of this, and I thank you very much for your attention and your cooperation.

Senator MORGAN. Thank you, Mr. Mayor, and thank you, Madam Secretary.

[Short recess.]

Senator RIEGLE. As some of those appear to leave and others come in and find seats, let me hope that within the next 2 or 3 minutes we can reestablish order. We have other important witnesses that are here today that we need to hear from. Let me ask you, if I may, to find a seat and for those who want to engage in conversation to excuse yourselves for that purpose.

Let me now invite to the witness table Mr. Edward Villella, Mrs. Elma Lewis, and Mr. Arthur Ziegler, and as they come forward to the

table I must step out of the room for just a moment, but let them get settled and then we will proceed with the hearing in about a minute or two.

[Short recess.]

Senator HEINZ. Our next panel, which I believe Senator Riegle did partly announce, includes Mr. Edward Villella, chairman of the New York City Commission for Cultural Affairs and principal dancer for the City Ballet. He's accompanied by Janet Langsam. Also, Mrs. Elma Lewis of Dorchester, Mass.; and Arthur P. Ziegler, Jr., of Pittsburgh, Pa., who, I might add, has served as the moving force behind the Pittsburgh History and Landmarks Foundation for many years and has been a tremendous resource and source of energy in our community.

Let me start with Mr. Ziegler, if I may; and if anybody wants to abbreviate his remarks, we will put the entire statement in the record.

STATEMENT OF ARTHUR P. ZIEGLER, JR., PITTSBURGH, PA.

Mr. ZIEGLER. Thank you very much, Senator Heinz.

It's a great privilege for persons like ourselves at this table to be able to come and testify about the work that so directly affects us and bills that in turn affect that work. I have already submitted written testimony and I would prefer that that be submitted to the record directly, and I would just like to talk for a minute or two about the possible effect of the bills on groups like ours.

I represent a locally based preservation group that's 14 years old and has been very deeply concerned with inner-city neighborhoods. It has worked with great success and enthusiasm with NEA funds, and we have worked, I think, with good success but great labor with HUD funds, and we feel that the bills respond directly to needs that we have.

We started out about 1964 to do something about the housing in Pittsburgh neighborhoods, and we felt that art played a key role in that architecture is an art, and that you can do more in a neighborhood than simply rehabilitate houses. If you go in and talk to people, if you point out the great architectural value, the cultural resource of a neighborhood, you create in turn considerable civic pride, a commitment on the part of people and you get a real sense of neighborhood vitality going.

We have tried that in some 14 neighborhoods. We have, with less than one-half million dollars, gotten full-fledged restoration of three neighborhoods, all mixed to low income, without serious displacement problems.

The Manchester area in Pittsburgh, which was and remains a ghetto but is now coming back strongly, was begun with little more than \$50,000 and a commitment of neighbors. It grew into a HUD-financed \$28 million program, and as we look back over 10 years of effort on the part of the people and the Landmarks and government, we find that the work of the people has been very effective but that which has flowed through government is slow, inefficient, and, for example, local government could not even process 312 loans for \$250,000 last year. If the money were to come directly to neighborhood groups like ours, neighborhood service organizations, we could work with a great deal more effectiveness and considerably less frustration.

I wanted to suggest, rather than reviewing as others will do what their programs have been, however, what we might do if these two bills were adopted, and I thought of just one application that we could submit and I'd like to suggest how we could leverage money and what we could produce with it.

If we could take our jointly held neighborhood and landmarks organization, called the Manchester Restoration Corp., and apply let's say for \$150,000 under the neighborhood self-help bill, we could match that with private money in Pittsburgh from foundations. If we could go into Manchester and buy up all the absentee-owned houses in a given block and maybe a vacant lot or two, we could then go to the bank and borrow sufficient funds to restore the houses, and then we could go to the city and we could use CD funds, community development funds, to subsidize the resale of those houses, and we could put perhaps as many as 15 or 20 houses acquired or restored at a cost of \$40,000 or \$50,000 into the hands of low- or moderate-income people for about \$25,000. We could then use some HUD funds to subsidize the interest rate that the buyers would pay so that low-income people in the neighborhood could buy their houses and stay in the neighborhood. We could also use title I funds in our city that still remain in our program to help finance the restoration of the exterior of these houses on a grant basis.

This all enables us to bring the price way down and enables us to put neighborhood people in a position of homeownership and relieve the Federal Government of continuing rental subsidies. It would seem to me that everybody would be better off and happier.

Then we could take the livable cities funds, and we could use that, matched with local money, to improve the vacant lots. We could develop an arts park within the lots, which could be a community center for theater, for music, and for community festivals and picnics.

I know that we can do it because we have done many programs similar to it. With little more than \$5,000 10 years ago, we developed a garden block program in Pittsburgh, and when people signed on to plant the flowers, that led them to want to clean up the streets, and then they wanted to clean up the houses, and the private sector responded with funds, and pretty soon a little organization called Neighborhood Housing Services was born, and it is now working in almost every city in the United States—highly efficient, highly effective, uncriticized.

Someone mentioned earlier the effect of Proposition 13, and the people don't want government to spend money. I don't think that's true of the people I know in inner-city neighborhoods. What they want is the money to be spent efficiently. What everybody is angry about is the frustration over no product emanating from the huge sums of money that are spent, and if these grants could be made directly available to neighborhood groups and neighborhood service organizations, we could get the job done. It would be the responsibility of the voting public itself to do it, and the record of preservation groups and neighborhood groups is such as to demonstrate the probable success that they would enjoy.

I quarrel with only that one provision in the bill, and that is that local government has to say "yea," because we have developed a mixed income restoration program in the Mexican streets which government

locally wanted to demolish. We helped to develop the Manchester restoration program in the black ghetto which local government wanted to demolish. We saved a post office which is now a community museum where neighborhood groups can come and put on exhibits and put on performing arts, and it was scheduled for demolition by local government. And we are now developing a large commercial project, 40 acres, and we hope it will be a huge success in our downtown area, and from it all the net revenue, rather than going to private developers, will go back into neighborhood preservation, and we did it originally over the opposition of local government.

If we had to go to local government and get them to say yes if we wanted to submit a proposal to NEA, I don't believe we would have gotten the NEA grants we got, and I don't believe that we would get these bills' grants either.

[Complete statement of Mr. Ziegler follows:]

PREPARED STATEMENT OF ARTHUR P. ZIEGLER, JR., PRESIDENT, PITTSBURGH HISTORY & LANDMARKS FOUNDATION

Gentlemen, I represent an historic preservation organization that owns or assists nine mini-museums in neighborhoods throughout Pittsburgh, has developed 14 inner-city and smalltown neighborhood preservation efforts, sponsors a variety of programs for the arts, and is developing Station Square, the largest downtown renewal project in the history of the city of Pittsburgh.

Our group is going on fifteen years old and was the first preservation group to explore the possibility of preserving inner city neighborhoods for low to moderate income people and we are best known in that regard for the Mexican War Streets mixed-income restoration program, the Birmingham blue collar restoration program and the Manchester restoration program for a black ghetto area. All three programs are progressing very well.

I would like to encourage the adoption of S. 3210, a bill that encourages community and neighborhood artistic and cultural activities, promotes sound urban design, and contributes to urban conservation.

Although it might be said that certain programs of the National Endowment for the Arts or possible programs eligible for funding by the Community Development Block Grant Program might be available for these activities, they rarely are. NEA lacks sufficient funding in this area to provide for any more than planning studies, and city and communities have generally chosen to utilize their CD funds for other purposes.

One of the great techniques that Americans have so successfully developed is for the government to encourage its citizens to develop solutions to problems and programs for their own situations as they see fit. It has encouraged volunteerism and free spirit and from these efforts of private people who gather into nonprofit corporations, a tremendous amount of work has been accomplished and excellent programs have developed from them.

S. 3210 responds directly to the great neighborhood movement sweeping across the nation today, the demand for good urban design, the insistence upon conservation of our buildings, and formulation of community based programs.

I find only one fault with this bill, and that is that while it encourages these smaller groups to undertake a great work which I feel confident they can successfully do, it requires a matching fund. We cannot hope to ask that such groups both respond to the high standards of the bill, that they developed the programs, that they also direct them to low to moderate income people, and then that they face the additional burden of local fund raising. If such a match must be required, it should not be more than 30 percent in local funds if we really want these groups to succeed.

S. 3211, providing assistance for specific neighborhood conservation projects and improving the capabilities of neighborhood organizations is also excellent in its intentions. Neighborhood groups need direct federal assistance and again, I know from my own experience, that they can accomplish a tremendous amount of work and provide for a much greater happiness at the grass roots level.

But I must take issue with several matters which I feel will negate optimum results.

First the bill limits assistance to fewer neighborhood organizations. A group like ours, which is experienced and which is capable of taking that experience into a variety of neighborhoods desiring to have it, which is capable of offering its leadership, of kindling the flame of activity, of providing a unique resource is ruled out. Action Housing in Pittsburgh which has worked in a variety of neighborhoods and Neighborhood Housing Services would also be ruled out by the definition. I would suggest that Section 5 make clear that an organization that is not purely restricted to a single neighborhoods boundaries is eligible to participate.

My other concern is with Section 3(b) in which the federal assistance is restricted to those groups that can obtain the consent of their local government to their program. That is an unnecessary restraint, and although it may on the surface appear to help compliment and build the local planning process, I think it could contribute to frustration and even disaster.

For example, our Mexican War Streets mixed income restoration program which has become a national model, took place over local government opposition. Local government had wanted to demolish the area. Manchester, our program of restoration in a black ghetto that has moved along so well, also took place in an area in which local government deemed total demolition the better course of action. We could never have gotten local government's consent to initiate these programs.

I feel that if you are going to offer these funds and these incentives, you must respond directly to the submission of the program by the local group and evaluate it on its own merits together with reviewing all the letters of recommendation that the group is able to secure on its behalf. But you must not insist that the recommendations must come from local government.

Recently because of the enormous frustrations that preservation organizations concerned with neighborhoods have encountered at local levels, the National Advisory Council on Historic Preservation commissioned our group to study such problems in Cincinnati, Savannah, and Pittsburgh, and that report will be filed with the Council and with HUD this fall.

If those changes could be made in these bills, they would open up a flow of positive work on the part of neighborhoods, housing, arts, and preservation organizations that can contribute mightily to the revitalization of the neighborhoods of the United States.

Thank you very much.

Senator HEINZ. Thank you, Mr. Ziegler.

Let me call on Mr. Villella, who is accompanied by Janet Langsam. Excuse me. I think I'd like to defer to my colleague, Senator Javits.

Senator JAVITS. I just came in to say hello. I'll hear him for a minute because I have to go elsewhere.

Senator HEINZ. I have seen Mr. Villella dance in Pittsburgh when he was there some years ago, and if hearing is anything like seeing, we are indeed going to be in for a treat.

Senator JAVITS. He's good at both.

Mr. VILLELLA. Now, what do I do to follow that?

Senator HEINZ. Dance for the committee.

Mr. VILLELLA. We could clear the table and—

[Applause.]

Mr. VILLELLA. I brought an audience.

STATEMENT OF EDWARD VILLELLA, CHAIRMAN, NEW YORK CITY COMMISSION FOR CULTURAL AFFAIRS, ACCOMPANIED BY JANET LANGSAM

Mr. VILLELLA. At any rate, on behalf of Mayor Edward I. Koch and the city of New York, I would like to thank the distinguished Senate chairman and the committee members for inviting us to testify today on the proposed Livable Cities Act of 1978.

I am here today as chairman of the New York City Commission for Cultural Affairs to voice our enthusiastic support for this legislation which can have a strong impact on our city, our neighborhoods, and our artistic community.

It is legislation that provides new, important funding for services and programs only recently recognized as intrinsic and essential to the vitality and viability of our neighborhoods.

It is legislation that recognizes that the arts are no longer a frill, a luxury—something that comes after housing construction, sewers, highways, and parks are planned for a community—but a response to the needs of the spirit, if you will, and the way in which these needs can enrich the lives of people.

It is legislation that encourages the economic development value of the arts on the neighborhood level. This bill recognizes that local communities have cultural lives and historic value, and that assisting them not only conserves our neighborhoods, but gives them strength and pride.

In speaking about this legislation, I am compelled to share with you something about my own personal life, which makes me feel so positive about this bill.

As a youngster growing up in Bayside, Queens, a neighborhood much the size of small American cities, I had a promising, if somewhat limited, career prospect. Our circumstances were modest, not only personally, but the city and the town itself. Fortunately, my parents viewed the arts as a way to both keep me off the streets and also to give me an exposure to advantages they never had. As such, my mother supplemented my father's income from his trucking business—garment center trucking business—in which I also participated in to help to support our family and to kind of get us basically above where my parents had arrived—to get us beyond, to show us more. My ballet lessons, which took place in a small private neighborhood studio on Bell Boulevard, were not an unusual beginning, yet one typical of the kind of aspiration families have for their children, the desire to provide a better life, and that's really what it's all about finally—a better life.

What was interesting about the ballet school was the activity that supported it and surrounded it. The two recitals that were given annually in the local parish hall were supported by the local business community and became a source of pride, bringing people together. What was exciting was the community participation on many levels, the costume making, ticket selling, musical arrangements, set designs, all a part of the artistic experience.

However, as all of that was going on, it reached a point where there was no longer any money. These little groups, these little organizations, could no longer support themselves and, unfortunately, a lot of them just folded. I'm now talking about 30 years ago and, fortunately, there's a difference today. Essentially in those days, and essentially even to a degree now, one of the most difficult things in terms of an emerging artist or artist groups is that basically we start subsidizing ourselves. The artists have been traditionally subsidizing themselves. Subsidy is not something new to us. What was available to me in my own hometown is obviously not available, certainly at that time, in all neighbor-

hoods. Sometimes it's inaccessible. Frequently it's unaffordable. But I believe strongly in its value both for people and for neighborhoods.

In a city like New York, which in some ways is a wonderful collection of incredibly diverse neighborhoods, what is on the block or around the corner may count for more in someone's daily life than wonderful collections of world art. That row of handsome old brownstones, still in pretty good shape—that community center with its summer theater and dancing classes—that mural that's brightened up an old brick wall—these are the things that make people feel proud of their neighborhood, that give them a sense of belonging to a community, and that may make them decide to stay.

What artistic activity can do for people, it can also do for neighborhoods. Witness the impact of the Brooklyn Academy of Music on the revitalization of downtown Brooklyn. Or the plans for the redevelopment of Jamaica, Queens, which utilizes as an anchor point the redaptive use of an old Registry Building for the Jamaica Arts Center. Or the newly established Museo del Barrio in East Harlem, the improvements of the 42d Street area with Off Broadway Theaters, or the ethnic pride and identity that Harlem residents feel about the Studio Museum in Harlem or, for that matter, a group which we have not been able to help, the Dance Theater of Harlem, Arthur Mitchell's company, which is based in Harlem which started as a storefront. He simply opened the doors. How many kids in Harlem would be interested in taking ballet lessons? But by simply opening the doors, having had a storefront, and just letting the music drift out and letting curious kids peek in, he got those kids off the street, got them involved in music, got them involved in dance, in costume design, and scenic design. He had a guy come in to fix a bell. That guy is now a member of the electricians' union, the stagehands. That turned around that guy's life. He's now not only making a living, but he's a union member in New York City. That's a terrific step in the right direction.

One thing maybe I shouldn't bring up right now but I feel compelled to and I will—there's a project called the Manhattan Plaza, a federally assisted housing project that simply couldn't be rented. It was on 42d Street. Now there's a waiting list to get into that building because it's for performing artists—a waiting list when before it was difficult to get people to come in. Now we have Off Off Broadway on 42d Street. We have Theatre Row just across the street from the Manhattan Plaza. That's beginning to turn that whole area around. Art, of course, covers all boundaries—racial as well as economic. Arts can, I would sincerely hope, help turn Times Square around.

This legislation recognizes that artists and arts organizations have become effective as recyclers of real estate and neighborhood stabilizers.

New York, too, has begun to establish programs which support the efforts of emerging arts groups in our neighborhoods. Our 2-year-old Department of Cultural Affairs has been administering a tiny budget to make small grants to community arts organizations. Volunteer panels of knowledgeable experts have advised the department, which has targeted this money to responsible groups who have shown their effectiveness in their own neighborhoods.

The review procedure for the small grants programs begins with the submission of applications by arts organizations. Each organization is visited by a staff member who reviews the application, attends any performances or exhibits, and in general becomes familiar with the organization's structure and programs. The department has established advisory panels which meet twice a year in June and September, to recommend specific levels of funding for specific organizations. They act on advice and information supplied by DCA staff in conjunction with their own knowledge and expertise. There are five panels, one each for music, theater, dance, visual arts, and multi-discipline. Each panel is composed of leading artists and administrators in their respective areas. The local borough arts councils are also encouraged to attend each panel meeting. The Commissioner receives the funding recommendations from the chairperson of each panel. It is the Commissioner who makes the final decision on the grants. A list of grant applicants is attached for your information. [Complete statement and attachments follow:]

STATEMENT OF EDWARD VILLELLA, CHAIRMAN, NEW YORK CITY COMMISSION
FOR CULTURAL AFFAIRS

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It is legislation that encourages the economic development value of the arts on the neighborhood level. This bill recognizes that local communities have cultural lives and historic value and that assisting them not only conserves our neighborhoods but gives them strength and pride.

In speaking about this legislation I am compelled to share with you something about my own personal life, which makes me feel so positive about this bill.

As a youngster growing up in Bayside, Queens, a neighborhood much the size of small American cities, I had a promising, if somewhat limited, career prospect. Our circumstances were modest. Fortunately, my parents viewed the arts as a way to both keep me off the streets and give me an exposure to advantages they never had. As such, my mother supplemented my father's income from his trucking business to provide ballet lessons in a small, private neighborhood studio on Bell Boulevard. Not an unusual beginning, yet one typical of the kind of aspiration families have for their children, the desire to provide a better life.

What was interesting about the ballet school was the activity that supported it and surrounded it. The two recitals that were given annually in the local parish hall were supported by the local business community and became a source of pride, bringing people together. What was exciting was the community participation on many levels, the costume making, ticket selling, musical arrangements, set designs, all a part of the artistic experience.

What was available to me in my own hometown is not available in many neighborhoods. Sometimes it's inaccessible. Frequently it's unaffordable. But I believe strongly in its value both for people and for neighborhoods.

In a city like New York, which in some ways is a wonderful collection of incredibly diverse neighborhoods, what is on the block or around the corner may count for more in someone's daily life than wonderful collections of world art. That row of handsome old brownstones, still in pretty good shape—that com-

munity center with its summer theatre and dancing classes—that mural that's brightened up an old brick wall—these are the things that make people feel proud of their neighborhood, that give them a sense of belonging to a community, and that may make them decide to stay.

What artistic activity can do for people, it can also do for neighborhoods. Witness the impact of the Brooklyn Academy of Music on the revitalization of downtown Brooklyn. Or the plans for the redevelopment of Jamaica, Queens, which utilizes as an anchor point the readaptive use of an old Registry Building for the Jamaica Arts Center. Or the newly established Museo del Barrio in East Harlem, the improvements of the 42nd Street area with Off Off Broadway Theatres, or the ethnic pride and identity that Harlem residents feel about the Studio Museum in Harlem. This legislation recognizes that artists and arts organizations have become effective as recyclers of real estate and neighborhood stabilizers.

New York, too, has begun to establish programs which support the efforts of emerging arts groups in our neighborhoods. Our two year-old Department of Cultural Affairs has been administering a tiny budget to make small grants to community arts organizations. Volunteer panels of knowledgeable experts have advised the Department, which has targeted this money to responsible groups who have shown their effectiveness in their own neighborhoods.

The review procedure for the small grants programs begins with the submission of applications by arts organizations. Each organization is visited by a staff member, who reviews the application, attends any performances or exhibits, and in general becomes familiar with the organization's structure and programs. The Department has established advisory panels which meet twice a year in June and September, to recommend specific levels of funding for specific organizations. They act on advice and information supplied by DCA staff in conjunction with their own knowledge and expertise. There are five panels, one each for music, theatre, dance, visual arts, and multi-discipline. Each panel is composed of leading artists and administrators in their respective areas. The local borough arts councils are also encouraged to attend each panel meeting. The Commissioner receives the funding recommendations from the Chairperson of each panel. It is the Commissioner who makes the final decision on the grants. A list of grant applicants is attached for your information.

This program has been so successful that New York City has included a \$400,000 allocation for arts groups in its application for its Fourth Community Development Block Grant. In anticipation of HUD's approval, the Cultural Affairs Department has begun to plan for the coordination of these local grants with the City's neighborhood-by-neighborhood community development strategy, so that grants will be targeted to support housing, preservation and commercial revitalization efforts. This is an approach we believe in, and it would be given a great boost by the adoption of the "Liveable Cities Act."

We are fortunate in New York City to have a Municipal Arts department. Many cities have municipal departments. Others have Arts Councils funded and designated by the municipality. These agencies can be a significant asset to the Federal Government in administering the "Liveable Cities" program. Agencies such as the New York City Department of Cultural Affairs consolidate in one entity the cultural dollars and programs under a single administration. Functions in support of cultural institutions such as administration of funds, accountability, capital programs, technical assistance, research, interchange of information, and coordination of federal, state and city funding are often merged within the one agency. They have experience in the arts. They have a visibility among and contact with the arts organizations in their own cities. They are knowledgeable about and sensitive to the assets and contributions these groups make to their communities and their cities. They stimulate responses to the needs of a public constituency, acting as a catalyst for program needs unmet elsewhere and coordinating information, services and resources. They act as the internal voice in a city for the consideration of the arts in every aspect of city life and articulation of city-wide needs. They have the potential for close coordination with other agencies so that the arts can be included in the planning process as it affects service delivery on a city-wide and neighborhood basis.

Municipalities, their local arts departments and funded arts councils offer an opportunity and a structure to provide a planned approach to stabilization efforts utilizing the arts.

They offer an opportunity to insure that planning for the arts takes place in concert with other municipal initiatives such as housing construction, social and recreational services and commercial revitalization.

They offer an opportunity to maximize local arts funding in conjunction with new federal funding. By strengthening the ties of this program to local municipalities it also would encourage municipalities to increase their commitment to the "Liveable Cities" concept and to the arts. It would capitalize on an inventive approach pioneered by the National Endowment for the Arts, which allocated funding to municipalities based on a one to one match of new local monies. The Federal Government has already had a major impact on the arts.

Our City initiatives are reinforced and strengthened on the national level by the planned White House Conference on the Arts; a Vice-Presidential arts Ambassador; the new Museum Services Institute, new programs to meet greater needs, such as the National Endowment for the Humanities Challenge Grants; and federal agencies such as General Services, Environmental Protection, Health Education and Welfare, Housing and Urban Development playing a stronger role in working closely with municipal arts agencies on space, energy, education, stabilization, preservation and economic development.

This new program can become the springboard for enriching and enhancing the strength of purpose, heritage and cultural identity of our communities and at the same time assist the arts in a meaningful way.

It will give cities and neighborhoods the basic resources to build and rebuild with an essential ingredient: Pride.

ATTACHMENT B: EXAMPLES OF PROJECTS FUNDED, FISCAL YEAR 1977-78

1. Creative Time, an organization devoted to making alternative spaces available for professional artists, both visual and performing, to test new ideas and create new works.

Along with the New York Landmarks Conservancy and the U.S. Custom House, Creative Time Collaborated on a project entitled "The Custom House on Bowling Green: A continuing Program of Cultural Events." Using several spaces in the Customs House, exhibitions and events—often simultaneous—in dance, music, and visual arts, at no cost to the public.

2. Big Apple Circus, a new cultural organization whose purpose is to revive the grand tradition of circus as a major cultural form, combines a circus school with a performing arm.

Last summer, the Big Apple toured its circus through Bronx, Brooklyn, and Queens for 6 weeks. Among the artists who performed with the Big Apple Circus were Paul Binder and Michael Christensen, comic jugglers of Sesame Street and Nouveau Cirque de Paris; Phillippe Petit, famous high wire performer, and Nina Krasavina and Gregory Fedin, perch pole acrobats and clowns formerly with the Moscow State Circus.

3. Snug Harbor Cultural Center was organized to save and restore the buildings at Snug Harbor and make the site a regional cultural center.

Snug Harbor, along with the Staten Island Institute of Arts and Sciences, the Richmond town Restoration, and the Jacques Marchais Center of Tibetan Art, have joined together to develop the Staten Island Culture Ferry-Bus Loop. They asked for support to design, write, and produce 50,000 copies of a two-color guide/brochure of the route and destinations for broad distribution throughout the city.

Puerto Rican Dance Theatre Inc. received a grant to assist in meeting the expenses for a series of eight bilingual lecture-demonstration-performances at sites throughout the five boroughs, to introduce dance to new audiences.

5. Bronx Arts Ensemble is a professional chamber music group whose development has been geared towards providing the structure that will one day allow the Bronx to have its own professional orchestra.

During the Summer, the Bronx Arts Ensemble presented a program of 10 outdoor summer concerts at various locations in the Bronx.

6. Don Quijote Experimental Children's Theatre is devoted to the development of original bilingual children's theatre.

During the summer they presented a musical fantasy based on "Peter and the Wolf" to several communities in Queens.

7. Everyman Company of Brooklyn is a community based regional theatre with a year round operation as well as a summer street theatre component.

Last Summer, they toured with an original musical, presenting it 25 times in Brooklyn and the other boroughs.

8. Eugene O'Neill Theatre Center serves as the umbrella for numerous arts and education projects, of which the National Theatre of the Deaf is the largest.

Last summer they presented the Central Park Story Hour, a series of free story telling sessions for children.

9. Theatre for the New City Foundation Inc. is a multifaceted theatrical enterprise.

Last summer marked their seventh annual free summer street theatre tour. Two plays were performed during a six week period on weekends in the West Village and lower East Side.

10. Joan Miller and the Chamber Arts/Dance Players is the resident dance company of Lehman College in the Bronx.

During Summer 1977 and continuing through the year, they conduct an apprentice program to serve Bronx and upper Manhattan talented young dancers who would not otherwise be able to study with a professional company.

11. Walter Nicks Dance Theatre Workshop is a company that fused ethnic forms with modern dance. They presented a "carnival of dance", entitled "Moving Spirit—The Total Dance Experience" at sites in neighborhoods in each borough.

12. Caribbean American Repertory Theatre is a theatre company based in Brooklyn that specializes in West Indian material.

During Summer 1977, they presented a street theatre production entitled *The Long Vacation* at various Brooklyn locations.

13. Mass Transit Street Theatre, located in the Bronx, presents improvised scenes and short plays that focus on moments of change in everyday life situations.

Last summer, they presented a 15 performance children's theatre season at sites in the Bronx and Brooklyn.

14. The New York Street Theatre Caravan is a Queens based group dedicated to bringing theatre of the highest quality to communities and neighborhoods not included in the cultural mainstream.

During the Summer season 1977, they presented (at sites throughout Queens) a repertory that included their acclaimed *Sacco and Vanzetti*.

Applicants for 1977-78

Department of Cultural Affairs program support

BOROUGH OF BROOKLYN

	<i>Amount requested</i>
Akuaba Productions, 420 Clinton Ave., No. 6B, Brooklyn, N.Y. 11238	\$9,500
Ashanti Dancers and Drummers, 1363 Saint John's Pl., Brooklyn, N.Y. 10013 (Alice Keyes)	5,000
Brooklyn Bicentennial Commission, room 310 Boro Hall, Brooklyn Civic Center, Brooklyn, N.Y. 11201 (Joseph Palisi)	4,347
Caribbean American Repertory Theater, Inc., 667 Lefferts Ave., Brooklyn, N.Y. 11203	9,500
Calabash Dance Co., 163 Covert St., Brooklyn, N.Y. 11207 (Maxine McCrey)	8,200
Dances and Drums of Africa, 154 Crown St., Brooklyn, N.Y. 11225 (Priscilla Taylor)	2,750
Everyman Co., of Brooklyn, 725 Union St., Brooklyn, N.Y. 11215 (De-lores Cregan)	4,500
Festival Ensemble Society, 183-05 Dunlop Ave., Hollis, N.Y. 11412 (Frederick Bell)	2,000
Fifty Second Gallery Workshop, 52 Fort Greene Pl., Brooklyn, N.Y. 11217	9,500
Fools Co., 4819 11th Ave., Brooklyn, N.Y. 11219 (Martin Russell)	2,500
Katy Litz Dance Foundation, Inc., 62 Montague St., Brooklyn, N.Y. 11201 (Katy Litz)	5,000
Media Age, 621 Ovington Ave., Brooklyn, N.Y. 11209 (Stanley Vlattas)	2,000
The Melodic-Art-Tet, Inc., 43 Broadway, Brooklyn, N.Y. 11211 (Roger Blank)	7,500
New Muse, 1530 Bedford Ave., Brooklyn, N.Y. (Andrew Gill)	9,500
Monster in the Closet, Inc., 1701 Albermare Rd., Brooklyn, N.Y. 11226 (David Zimmer)	1,500
Opera Renaissance Guild of Brooklyn Inc., 190 Bay 47th St., Brooklyn, N.Y. 11214 (J. Guerriero)	1,352
Our Children Center, 55 Johnson St., Brooklyn, N.Y. 11201	1,320

BOROUGH OF BROOKLYN—continued

	<i>Amount requested</i>
Paul Robeson Cultural Center, 175 Moore St., Brooklyn, N.Y. 11206 (Karl Ferguson)-----	\$9,500
Penny Bridge Players, 81 Columbia Heights, Brooklyn, N.Y. 11201 (Sally Forbes)-----	3,500
Roosa School of Music, South Brooklyn Arts Project, 26 Willow Place, Brooklyn, N.Y. 11201 (James Abruzzo)-----	8,500
The Church of Saint John the Evangelist, 195 Maujer St., Brooklyn, N.Y. 11206 (Harvey Von Harten)-----	9,500
New Sculpture Workshop, 2 Jefferson St., Brooklyn, N.Y. 11206-----	9,500
"Where We At" Black Women Artists, Inc., 154 Crown St., Brooklyn, N.Y. 11225-----	270

BOROUGH OF BRONX

Bronx Arts Ensemble, 4450 Fieldston Rd., Bronx, N.Y. 10471 (William Scribner)-----	9,500
Bronx Dance Theater, 2432 Grand Concourse, Bronx, N.Y. 10024 (Nancy Gerber)-----	2,320
Hall of Fame for Great Americans, West 181st St. and University Ave., Bronx, N.Y. 10453-----	5,995
Mass Transit Street Theatre Inc., P.O. Box 347, Jerome Avenue Station, Bronx, N.Y. 10468-----	1,500
Joan Miller Chamber Arts Dance Players, Herbert Lehman College, Bed- ford Park Blvd., West Bronx, N.Y. 10468-----	8,200
OTRA Cosa Dance Co., 1100 Gerard Ave., Bronx, N.Y. 10452 (Omar Rodriguez)-----	5,225
Spanish American Painters & Sculptors, Inc., 2155 Grand Ave., Apt. No. A2, Bronx, N.Y. 10453 (Felix Disla)-----	5,000
Third World Culture Center, 400 East 167th St., Bronx, N.Y. 10456 (Ben Caldwell)-----	9,500

BOROUGH OF MANHATTAN

Academy of American Poets, 1078 Madison Ave., New York, N.Y. 10028 (Elizabeth Kray)-----	1,000
Academy Arts Theater Co., Hotel Sutton East, 330 East 56th St., New York, N.Y. 10022 (Robert Cusack)-----	9,500
Acting by Children, 47-49 King St., New York, N.Y. 10014-----	9,500
African American Institute, 833 United Nations Plaza, New York, N.Y. 10017 (William Cotter)-----	2,500
Afro American Total Theater, 44 West 63d St., New York, N.Y. 10023 (Shirley Radcliff)-----	9,500
Afro-Arts Cultural Center, 2191 Adam C. Powell Dr., New York, N.Y. 10027 (Simon Bly)-----	9,500
Frances Alenikoff Dance Theatre, 537 Broadway, New York, N.Y. 10012 (Frances Alenikoff)-----	4,000
The Alonso Castro Dance Theatre, 5 West 20th St., New York, N.Y. 10011 (Ina Kahn)-----	2,000
Alternative Center for International Arts, 28 East Fourth St., New York, N.Y. 10003-----	9,500
Alternative Resources & Media Services, Inc., 1141 Park Ave., N.Y. 10028 (Luis Cancel)-----	9,500
Amas Repertory Theatre, Church of Saint Paul-Saint Andrew, 263 West 36th St., New York, N.Y. 10024-----	11,000
Amda Studio One, 2100 Broadway, New York, N.Y. 10023 (Jan Rugger)-----	2,500
American Authentic Jazz Dance Theatre Inc., 156 Fifth Ave., No. 817, New York, N.Y. 10010-----	5,000
American Center for Stanislavski Theatre Art, Inc., 485 Park Ave., New York, N.Y. 10022 (Michael Bertin)-----	3,000
American Circumference Art, 10 Bennett St., 5F, New York, N.Y. 10033, (David Nunemaker)-----	1,968
American Crafts Council, 44 West 53d St., New York, N.Y. 10019-----	9,500
American Dance Machine, Inc., 95 Fifth Ave., New York, N.Y. 10003 (Lee Becher Theodore)-----	2,200

BOROUGH OF MANHATTAN—continued

	<i>Amount requested</i>
American Jewish Theatre Inc., 663 Fifth Ave., New York, N.Y. 10021 (Stanley Brechner)-----	\$1, 150
American National Theatre, 245 West 52d St., New York, N.Y. 10019 (Richmond Crinkley)-----	9, 500
American Opera Repertory Co., Inc., Hotel Ansonia, suite 5-104, 2101 Broadway, N.Y. 10023 (David Montefiore)-----	9, 500
American Place Theatre, 111 West 46th St., New York, N.Y. 10036 (Julia Miles)-----	9, 500
American Puppet Arts Council (Aka Bill Baird Theatre), 59 Barrow St., New York, N.Y. 10014-----	7, 500
American Symphony Orchestra, 119 West 57th St., New York, N.Y. 10019 (Arthur Aaron, manager)-----	9, 500
An Die Musik, Suite 6A, 1060 Fifth Ave., New York, N.Y. 10028-----	5, 920
Areyto Theatre Laboratory, New Rican Village, 101 Ave. A, New York, N.Y. 10009 (Eduardo Figueroa)-----	5, 000
Artist Collective Entrance, 200 West 72d St., New York, N.Y. 10023 (Niamani Nutima)-----	2, 000
Arts Interaction, 178 Bennett Ave., New York, N.Y. 10040-----	9, 500
Arts Projects at Saint Marks, Church In-The-Bowery, Second Ave. and 10th St., New York, N.Y. 10003-----	9, 500
Asian American Performing Artists, 410 East 64th St., New York, N.Y. 10021-----	500
Association of American Dance Companies, 162 West 56th St., room 203, New York, N.Y. 10019-----	3, 000
Association for Development of Dramatic Arts, Inc., 330 Bowery, New York, N.Y. 10012-----	5, 000
Association of Hispanic Art Inc., 1141 Park Ave., New York, N.Y. 10028-----	7, 510
Atlas Theatre Co. (Manhattan project), 105 Hudson St., New York, N.Y. 10013-----	3, 400
Basement Workshop, Inc., 199 Lafayette St., seventh floor, New York, N.Y. 10012 (Fay Chiang)-----	9, 500
Beethoven Society, 299 Park Ave., New York, N.Y. 10017 (Ann Badell)---	9, 500
Benin Enterprises, Inc., 240 West 139th St., New York, N.Y. 10030 (Ed- ward Sherman)-----	3, 544
The Big Apple Dance Theatre, 71 Eighth Ave., New York, N.Y. 10014 (Kay Wylie)-----	1, 200
Black Theater Alliance, 162 West 56th St., New York, N.Y. (Duane Jones)-----	9, 500
Bloomingdale House of Music, 323 West 108th St., New York, N.Y. 10025 (Tom Coates)-----	3, 000
The Boehm Quintette, Box 163, New York, N.Y. 10023-----	2, 000
Boys Athletic League, 51 East 42d St., New York, N.Y. 10017-----	5, 000
Bread & Roses Co., 107 First Ave., New York, N.Y. 10003 (Michael Homes)-----	4, 292
Marie Brooks Children's Dance Research Theater, 790 Riverside Dr., New York, N.Y. 10032-----	8, 150
Bugle Boy, Inc., 54 Stone St., Sixth floor, New York, N.Y. 10004-----	3, 420
A Bunch of Experimental Theatres of New York, Inc., 105 Hudson St., room 300, New York, N.Y. 10013-----	4, 270
Carol Conway Dance Co., Inc., 35 Bond St., New York, N.Y. 10012----	2, 688
Center for Arts Information, 80 Center St., New York, N.Y. 10013 (Ellen Thurston)-----	7, 421
Central Park Task Force, room 104, The Arsenal, 830 Fifth Ave., New York, N.Y. 10021 (Betsy Barlowe)-----	1, 550
Bond Street Theatre Coalition, 2 Bond St., New York, N.Y. 10012-----	9, 500
Foundation for Classic Theater & Academy, Inc. (Classic Theatre), 100 Park Ave., New York, N.Y. 10017 (Maurice Edwards)-----	2, 500
Clark Center, 939 Eighth Ave., New York, N.Y. (Louise Roberts)-----	7, 000
Collective Black Artists, 156 Fifth Ave., New York, N.Y. (Larry Miller)-----	9, 500
Collective Graphics Workshop, 236 West 27th St., 12th floor, New York, N.Y. 10001 (aka-Creative Womens Collect)-----	9, 500

BOROUGH OF MANHATTAN—continued

	Amount requested
Colonnades Theatre Lab. Inc., 428 Lafayette St., New York, N.Y. 10013--	\$9,500
Congress of Russian Americans Inc., 322 West 108th St., New York, N.Y. 10025 (P. Budzilovich)-----	3,522
Construction Company Theatre Dance Associates, Inc., 542 Laguardia Pl., New York, N.Y. 10012-----	6,655
Consortium of Jazz Artists, 159 West 127th St., New York, N.Y. 10027 (Mary Jo Johnson)-----	3,500
Cooper-Hewitt Museum, 2 East 91st St., New York, N.Y. 10028 (Lisa Taylor)-----	9,500
Cooperative Arts (Arts Projects Foundation), 361 West Broadway, New York, N.Y. 10013 (Beth Ann Kehoe)-----	8,000
Counterpoint Theater Co., Inc., 170 West 74th St., New York, N.Y. 10023-----	2,000
Committee for Visual Arts, 105 Hudson St., New York, N.Y. 10013 (Helene Winer)-----	5,500
Creative Time, 33 Pine St., New York, N.Y. (Anita O'Neill)-----	5,000
Cuban Center of New York, 601 West 51st St., New York, N.Y. 10019 (Ileana Fuentes)-----	9,500
Dance Consort Foundation (Alvin Ailey), 263 West End Ave., New York, N.Y. 10023 (Pauline Koner)-----	9,500
Dance Theatre Foundation, Inc., 229 East 59th St., New York, N.Y. 10022 (R. K. Ingram, Jr.)-----	5,000
Linda Diamond Dance Co. (Judith Janus Dancers), 148 West 94th St., New York, N.Y. 10025-----	2,500
Diller-Quaile School of Music, 24 East 95th St., New York, N.Y. 10028 (Shirley Brown)-----	4,000
Direct Theatre, Inc., 455 West 43d St., New York, N.Y. 10036 (Allen Belknap)-----	2,500
The Drawing Center, 137 Greene St., New York, N.Y. (Martha Beck) --	9,075
Double Entendre, Inc., 204 West 81st St., New York, N.Y. 10024 (Wendy Osserman)-----	5,000
Frederick Douglas Creative Arts Center, Inc., 211 West 129th St., New York, N.Y. 10027 (Fred Hudson)-----	9,500
Downtown Community Television Center, Inc., 153 Centre St., New York, N.Y. 10013-----	7,500
Downtown Ballet (Mercedes Lois Spanish Dance Co.), 189 Lexington Ave., New York, N.Y. 10016 (Robert Shuster)-----	4,000
Early Childhood Puppet Theatre, 228 West 11th St., New York, N.Y. 10014 (Penny Jones Barbera)-----	5,000
El-Muhaqqiyeen Co., 950 East 45th Walk, apartment 8F, New York, N.Y. 10009-----	9,500
El Teatro Ambulante El Coco, Que Habla, Inc., 516 East Sixth St., New York, N.Y. 10009 (Margie Ortiz)-----	4,000
El Teatro Pobre de America, 161 West 87th St., New York, N.Y. 10024 (Shirley Chesney)-----	6,000
Elimu Center for African Arts, Dept. 6AA, 505 West End Ave., New York, N.Y. 10024 (Ms. Lois Crane)-----	5,000
En Foco Inc., 223 West 10th St., New York, N.Y. 10014 (C. Biasiny- Rivera)-----	7,500
Encompass Theatre Co. Inc., 168 West 48th St., New York, N.Y. 10036--	4,750
Ensemble Studio Theatre, 549 West 52d St., New York, N.Y. 10019 (Curt Dempster)-----	3,950
Environmental Community Arts Corp., 476 Broadway, New York, N.Y. 10013-----	7,855
Expressions of Faith Productions, 510 East 86th St., suite 7D, New York, N.Y. 10028 (Arthur Yolkoff)-----	3,960
Viola Farber Dance Co., 644 Broadway, New York, N.Y. 10012 (Cheryl A. Wall)-----	7,500
Fifty Fifth Street Dance Theatre Foundation, 130 West 56th St., New York, N.Y. 10019 (Joyce A. Moffatt)-----	9,500
First All Children's Theatre Co., 37 West 65th St., New York, N.Y. 10023, (Meridee Stein)-----	2,600

BOROUGH OF MANHATTAN—continued

	<i>Amount requested</i>
Ara Fitzgerald and Kathy Kramer, 302 Bowery, New York, N.Y. 10012...	\$1,132
The Forty Second Street Gang, 416 West 42d St., New York, N.Y. 10036 (Robert Moss)-----	9,500
Free Media, Free Movies, Inc., 200 West 58th St., New York, N.Y. 10019...	9,500
Foundation for the Advance of Dance, Inc. (Edith Stephen Dance Co.), 55 Bethune St. (630A), New York, N.Y. 10014-----	5,000
Foundation for the Extension and Development of the American Pro- fessional Theatre (FEDAPT), 1500 Broadway, N.Y. 10036 (Frederic Vogel) Third floor-----	9,500
The Fourth Wall, 133 Macdougall St., New York, N.Y. 10012 (Luba Elman)-----	5,000
Gene Frankel Theatre Workshop, 342 East 63d St., New York, N.Y. 10021 (Gene Frankel)-----	9
Freedom Funds United Foundation, 501 West 145th St., New York, N.Y. 10031 (Naomi Alston)-----	6,000
Midi Garth Dance, Theatre Inc., 178 Fifth Ave., New York, N.Y. 10010 (Midi Garth)-----	2,250
Golden Fleece Limited, 204 West 20th St., New York, N.Y. 10011 (Stuart Michaels)-----	1,500
Annabella Gonzalez Dance, Theatre, Inc., 333 East 49th St., No. 1H, New York, N.Y. 10017 (A. Gonzalez)-----	3,000
Grooving in the Ghetto, 2090 Seventh Ave., New York, N.Y. 10027 (Vivan Rogers)-----	10,000
Group 1 Acting Co., 1650 Broadway, suite 408, New York, N.Y. 10019 (Porter Van Zandt)-----	9,500
Group Troupe, 68 West 39th St., New York, N.Y. 10018 (Jean Harte)---	616
Harlem Murals, 501 West 176th St., New York, N.Y. 10033 (Norman Messiah)-----	4,500
Harry's Foundation, Inc., 62 Leroy St., New York, N.Y. 10014-----	500
Harvest Dance Foundation Limited, 124 Chambers St., New York, N.Y. 10017 (Thomas Borek)-----	9,500
Harvestworks, 135 West Broadway, New York, N.Y. 10003 (Gregg Kramer)-----	2,400
Horizon Concerts, Inc., 313 East Sixth St., New York, N.Y. 10003 (Terrill Jory)-----	4,000
The Hudson Guild, 441 West 26th St., New York, N.Y. 10001-----	9,320
Saeko Ichinohe & Co. Inc. 77 Seventh Ave., New York, N.Y. 10014 (Steven Roth)-----	9,481
IRT Theatre, 120 West 28th St., New York, N.Y. 10001 (Ginnie Bean)---	3,303
Inner Transite Theatre Co., 110 West 14th St., New York, N.Y. 10011 (Barbara Press)-----	5,400
Incredible Journey, Inc., 344 East Ninth St., New York, N.Y. 10003 (Laura Sims)-----	2,860
Institute for Architecture and Urban Studies, 8 West 40th St., New York, N.Y. 10018-----	2,000
Isidoro Santana, Instituto Dominicano de Difusion Cultural, 765 Amster- dam, New York, N.Y. 10025-----	15,000
International Arts Relations, 508 West 53d St., New York, N.Y. 10019	3,972
James W. Johnson Community Centers, Inc., 2205 First Ave., New York, N.Y. 10029 (James Oliver)-----	7,500
J. Janus Dancers, 165 West 82d St., New York, N.Y. 10024 (Linda Dia- mond Dance Co.)-----	2,500
The Jewish Museum, 1109 Fifth Ave., New York, N.Y. 10028 (Joy Unger- leider)-----	9,500
Joseph Jefferson Theatre, 1 East 29th St., New York, N.Y. 10016-----	2,500
Judson Poets Theatre, Judson Memorial Church, 55 Washington Square South, New York, N.Y. 10012-----	9,500
Just Above Midtown Gallery, 50 West 57th St. fifth floor, New York, N.Y. 10019-----	8,629
Michael Kasper Dance Co., 228 West Fourth St., New York, N.Y. 10014---	8,000
Kenkeleba House, Inc., 185 Bowery, New York, N.Y. 10002 (Joe Over- street)-----	9,500

BOROUGH OF MANHATTAN—continued

	<i>Amount requested</i>
Claude Kipnis Mime Theatre, 13 East 16th St., New York, N.Y. 10003----	\$6,965
Kopa Kids Production, Limited, 8 East 64th St., New York, N.Y. 10021 (Judith Abrams)-----	9,500
Koto Music Club of New York Inc., 231 West 25th St., 4G, New York, N.Y. 10001-----	1,000
Kuku Ryku Theatre Laboratory, 45 East 20th St., suite 12, New York, N.Y. 10003 (Sally Jones)-----	2,285
La Mama Experimental Theatre Club, Inc., 74A East Fourth St., New York, N.Y. 10003-----	9,000
La Roque Bey School of Dance Theatre, 169 West 133d St., New York, N.Y. 10030-----	7,980
La Semilla Workshop, Inc., 523 East Sixth St., New York, N.Y. 10009----	7,000
Aunt Len's Doll and Toy House, Inc., 6 Hamilton Terrace, New York, N.Y. 10031 (Mrs. Leon Hoyte)-----	4,300
Linea Dance Co., Inc., 150 West 21st St., suite 6A, New York, N.Y. 10011 (Yvonne D. Hicks)-----	3,000
Liquid Music Society, Inc., P.O. Box 399, Planetarium, Station, New York, N.Y. 10024 (Jacob Glick)-----	4,625
Lower East Side Printshop, Inc., 59-61 East Fourth St., New York, N.Y. N.Y. 10002-----	2,500
Seven Loaves, Inc., 177 East Third St., New York, N.Y. 10009 (Helaine Seletsky)-----	9,500
Lower East Side Printshop, Inc., 59-61 East Fourth St., New York, N.Y. 10003 (Murad Jones)-----	5,000
Saint Luke's Chamber Ensemble, 11 Broadway, New York, N.Y. 10004 (Marianne Hunter)-----	9,500
(Ms. Georgia Cushman) (Lunari), 215 West 98th St., 7B, New York, N.Y. 10025-----	3,000
The Lyric Quartet, 585 West End Ave., New York, N.Y.-----	2,500
MWC Dance Co., 444 West 48th St., New York, N.Y. 10036 (Sheila Sobel)---	2,500
Manhattan Theatre Club, 321 East 73d St., New York, N.Y. 10021-----	9,500
Manna House Workshops Inc., 338 East 106th St., New York, N.Y. 10029 (Rita Harris)-----	9,500
Many Races Cultural Foundation, 772 West End Ave., New York, N.Y. 10028 (Rev. Kirkpatrick)-----	2,065
Martha Graham School of Dance, 316 East 63d St., New York, N.Y. 10021 (Mrs. R. B. Haynes)-----	9,500
Sophie Maslow Dance Co., 51 West 86th St., New York, N.Y. 10024-----	7,500
Medicine Show Theatre Ensemble, Inc., 45 East 20th St., New York, N.Y. 10003 (Barbara Vann)-----	2,000
Merry Enterprises Theatre, 17 West 24th St., New York, N.Y. 10010 (Norman T. Marshall)-----	9,270
Midmarch Associates, 300 Riverside Dr., New York, N.Y. 10025 (Women Artists Newsletter)-----	6,350
Mimi Garrad Dance Co. Inc., 155 Wooster St., New York, N.Y. 10012-----	3,000
Marsha Michaels Gypsy Theatre, 2020 Broadway, New York, N.Y. 10023 (Marsha Michaels)-----	9,500
Minority Photographers, 67 East Fourth St., New York, N.Y. 10003 (Alex Harsley)-----	8,407
The Mobius Band/A Theatre, 258 Riverside Dr., No. 12C, New York, N.Y. 10025 (Anne Wolf)-----	8,672
Multigravitational Aerodance Group, Inc., 260 West Broadway, room 1103, New York, N.Y. 10013 (S. Evanitsky)-----	400
Municipal Art Society of New York, 30 Rockefeller Plaza, New York, N.Y. 10020 (Laurie Beckelman)-----	2,500
Municipal Concerts, Inc., 50 East 42d St., suite 514, New York, N.Y. 10017 (Julius Grossman)-----	7,978
The Museum of Broadcasting, 1 East 53d St., New York, N.Y. 10022 (James Rieser)-----	4,123
Museums Collaborative, 830 Fifth Ave., New York, N.Y. 10021-----	9,500
The Music Project, 825 West End Ave., No. 2C, New York, N.Y. 10025 (Dan Berlinghoff)-----	6,054
Music Theatre Performing Group, Lenox Arts Center, % Austin, 18 East	

BOROUGH OF MANHATTAN—continued

	<i>Amount requested</i>
68th St., New York, N.Y. 10021-----	\$7,500
The National Black Theatre, Inc., 9 East 125th St., Harlem, N.Y. 10036 (Fredrica Teer)-----	9,500
The Negro Ensemble Co. Inc., 133 Second Ave., New York, N.Y. 10003 (Fred Garrett)-----	9,500
Neiww Nederlande Consort, 640 West End Ave., No. 1B, New York, N.Y. 10024 (Judith Otten)-----	5,760
Richard Morse Mime Studio, Inc., 224 Waverly Pl., New York, N.Y. 10014 (Richard Morse)-----	9,500
New Amsterdam Symphony Orchestra, 170 East 77th St., New York, N.Y. 10021-----	4,290
New Conservatory Theatre, Inc., 334 Bowery, New York, N.Y. 10012 (Joan Langue)-----	5,000
New Federal Theatre, Inc., 466 Grand St., New York, N.Y. 10002 (Woodie King)-----	9,500
New Muse, 1530 Bedford Ave., Brooklyn, N.Y. (Andrew Gill)-----	9,500
The New Museum, 105 Hudson St., room 803, New York, N.Y. 10013 (Marcia Tucker)-----	9,500
New Repertory Dance Foundation, Carnegie Hall, 154 West 57th St., New York, N.Y. 10019, studio 814 (Joel Benjamin)-----	3,500
New York Chapter, National Conference of Artists, 230 West 105th St., New York, N.Y. 10025, P.O. Box 924, New York, N.Y. 10027-----	9,500
New York Committee for Young Audiences, Inc., 400 West End Ave., New York, N.Y. 10024 (Miriam B. Rose)-----	5,205
The New York Dance Ensemble, 320 East 57th St., New York, N.Y. 10022 (Betteanne Slackman)-----	4,000
New York Grand Opera (City Grand Opera Society), 2188 Broadway, New York, N.Y. 10024-----	9,500
New York Kammermusiker, 736 West End Ave., No. 9B, New York, N.Y. 10025 (Ilonna Pederson)-----	9,000
New York Lyric Opera, 124 West 72d St., New York, N.Y. 10023 (Donald Johnston)-----	2,000
New York School for Circus Arts, 36 Lispenard St., New York, N.Y. 10013 (Richard Levy) (Cultural Council Foundation)-----	9,500
Walter Nicks Dance Theatre, 550 West 155th St., New York, N.Y. 10032-----	9,500
North American Musician's Artists Society & Foundation, Inc., 49 Prince St., New York, N.Y. 10012 (NAMASF)-----	4,000
Nuestro Teatro, 277 Park Ave. South, New York, N.Y. 10010 (Miriam Cruz)-----	3,500
Off-Center Theatre, 436 West 18th St., New York, N.Y. 10011 (Abigail McGrath)-----	9,115
Off Off Broadway Alliance, Inc., 162 West 56th St., New York, N.Y. 10019-----	2,500
Oncoming Horizons, 334 East 108th St., New York, N.Y. 10028 (Kenwood Dennard)-----	3,900
O'Neill Theatre Center, 1860 Broadway, suite 1012, New York, N.Y. 10023-----	1,230
One Twelve Workshop, Inc., 112 Green St., New York, N.Y. 10012 (Eric Appel)-----	4,000
Opportunity Resources for the Arts, 165 West 46th St., New York, N.Y. 10036-----	5,000
Orchestra of City of New York, 299 Park Ave., New York, N.Y. 10017 (Ingo von Doenigk)-----	7,000
Organization of Independent Artists, 118 Prince St., New York, N.Y. 10012 (Arnold Wechsler)-----	9,500
Bruce Pacot and Dance Co., 71 East Second St., No. 5B, New York, N.Y. 10003 (Ron Lovinggood)-----	4,200
Parnassus Contemporary Music Foundation, Inc., 258 Riverside Dr., No. 7C, New York, N.Y. 10025-----	5,000
People's Park Foundation, Inc., 343 East 30th St., New York, N.Y. 10016-----	9,500
Performance and Video Workshop, 178 Duane St., New York, N.Y. 10013 (Elaine Hartnett)-----	7,500
Performing Arts Services, Inc., 463 West St., New York, N.Y. 10014-----	9,485

BOROUGH OF MANHATTAN—continued

	<i>Amount requested</i>
Performing Gallery, Inc., 42 West 15th St., New York, N.Y. 10011 (Mitchell Nestor)-----	\$9,500
Peoples Communication Network, 790 Riverside Dr., suite 9D, New York, N.Y. 10032 (William Stephen)-----	9,500
Phoenix Theatre, 149 West 45th St., New York, N.Y. 10036 (Peter Coy)---	6,694
Printmaking Workshop, 114 West 17th St., New York, N.Y. (Bob Blackburn)-----	9,500
Public Art Research Collaboration, 33 West 42d St., New York, N.Y. 10036 (Suzanne Randolph)-----	4,330
Puerto Rican Center for the Arts, 250 West 108th St., New York, N.Y. 10025 (Ana Marta Morales)-----	8,200
Puerto Rican Dance Theatre, 215 West 76th St., New York, N.Y. 10023 (Julio Torres)-----	8,540
Puerto Rican Workshop, Inc., 1538 Madison Ave., New York, N.Y. 10029 (Marcos Dimas)-----	5,000
Quaigh Theatre, Inc., 108 West 43d St., New York, N.Y. 10036 (Douglas Popper)-----	500
Quena Company, Inc., % Jean Reynolds, 61 Morton St., New York, N.Y. 10014-----	4,900
Richard Morse Mime Studio, Inc., 224 Waverly Pl., New York, N.Y. 10014 (Richard Morse)-----	9,500
Rod Rodgers Dance Co., Inc., 8 East 12th St., New York, N.Y. 10003 (Leon Denmark)-----	9,500
The Rough and Holy Theatre, 230 Central Park West, New York, N.Y. 10024 (M. Oglesby, No. 15M)-----	5,000
The Shelter West Co., Inc., The Vandam Theatre, 15 Vandam St., New York, N.Y. 10013 (Judith Joseph)-----	1,200
Sidewalks of New York Production, 76 East 79th St., New York, N.Y. 10021 (Gary Beck)-----	9,500
Frank Silvera Writers Workshop, 317 West 125th St., third floor, New York, N.Y. 10027 (Garland Thompson)-----	9,500
William Sledge, 419 East 93d St., New York, N.Y. 10028-----	340
Soho Repertory Theatre, 19 Mercer St., New York, N.Y. 10013 (SOHO REP)-----	9,500
Solaris Dance-Theatre, Inc., 264 West 19th St., New York, N.Y. 10011 (Henry Smith)-----	9,500
Songwriters Hall of Fame (National Academy of Popular Music), 1 Times Square, New York, N.Y. 10036-----	1,500
Elaine Summers Experimental Intermedia Foundation, Inc., 537 Broadway, New York, N.Y. 10012-----	3,700
Sunday Drama Dance Workshop, 1721 Broadway, c/o Dance Factory, New York, N.Y. 10019 (June Segal)-----	9,500
TAG Foundation Limited, 463 West St., New York, N.Y. 10014 (Regina Hoover)-----	9,500
Treatre for Asian American Performing Artists, Inc., 410 East 64th St., New York, N.Y. 10021 (Alvin Ing)-----	500
Theatre for the New City, 113 Jane St., New York, N.Y. 10014 (Crystal Field)-----	3,000
Theater in a Trunk, 1 West 88th St., New York, N.Y. 10024 (Sonia Gluckman)-----	7,000
Theatre Off Park, 28 East 35th St., New York, N.Y. 10016 (James Howe)-----	7,000
Theatre Research Inc. (South Street Theatre), 853 Seventh Ave., New York, N.Y. 10019-----	3,000
Joyce Trisler Dance Co., (Mid Manhattan Dance Foundation), 12B 1 West 85th St., New York, N.Y. 10024-----	5,000
Turnabouts, 305 East Sixth St., New York, N.Y. 1003 (Alma Bowden)---	775
Ukranian Museum, 203 Second Ave., New York, N.Y. 10023 (Natalia Rybak)-----	4,687
Universal Jazz Coalition, Inc., 156 Fifth Ave., No. 817, New York, N.Y. 10010 (Nobuko Cobi Narita)-----	4,000

BOROUGH OF MANHATTAN—continued

	<i>Amount requested</i>
Urban Philharmonic Society, 237 West 15th St., New York, N.Y. 10011 (Steve Shapiro) Apartment 2B-----	\$9, 500
VARCRC, c/o Phelps Stokes Fund, 10 East 87th St., New York, N.Y. 10028 (Marta Vega)-----	9,200
Vislocky Dance Theatre/People, 1540 York Ave., New York, N.Y. 10028 (Dorothy Vislocky)-----	1, 000
Vespers at Immanuel Lutheran, 640 West End Ave., suite 1B, New York, N.Y. 10024-----	1, 500
Young Filmmakers, 4 Rivington St., New York, N.Y. 10002 (Paula Jarowski)-----	9, 500
Jack Walsh Dance Theatre Associates, 893 Third Ave., New York, N.Y. 10022-----	3, 206
Washington Square Association Music Festival (Bicentennial Music Festival), 26 East 10th St., New York, N.Y. 10003 (Peggy Friedman)-----	6, 000
Westbeth Theatre Center, 151 Bank St., New York, N.Y. 10014-----	4, 500
West Side Madrigalists, 640 West End Ave., No. 1B, New York, N.Y. 10024 (Judith Otten)-----	5, 100
White Mask Theatre Co., Inc., 22 West 30th St., New York, N.Y. 10001 (Ms. Dolores Holmes, director)-----	3, 500

BOROUGH OF QUEENS

Aims of Modzawe, 33-29 Crescent St., Long Island City, N.Y. 11106----	9, 500
Alpha-Omega 1-7 Theatrical Dance Co., Inc., 114-15 209th St., Cambria Heights, N.Y. 11411 (Ron Pratt)-----	9, 500
Anthropology Museum of the People of New York, 38-01 23d Ave., Astoria, N.Y. 11105-----	9, 500
Black Spectrum Theater Co., 120-60 200th St., Saint Albans, N.Y. 11412--	9, 371
Caoutchouc, 22 Kew Gardens Rd., Queens, N.Y. 11415 (Brussel, Cabell)-----	10, 000
Dance Vectors, Inc., 102-00 Shore Front Pkwy., Rockaway Park, Queens 11694-----	5, 000
Don Quijote Experimental (Children's Theater), 39-20 Greenpoint Ave., Sunnyside, N.Y. 11104-----	3, 500
Eglevsky Ballet Co., P.O. Box 43, Massapequa Park, N.Y. (Harry Baern- stein)-----	4, 500
Inter. African-American Ballet, 187-03 Baisley Blvd., Saint Albans, N.Y. 11412 (Rosa Connors)-----	4, 988
International Council on the Arts and Repertory Theater Corp., 37-32 80th St., Jackson Heights, N.Y. 11372-----	1, 000
Jamaica Arts Center, 161-04 Jamaica Ave., Jamaica, N.Y. 11432 (F. C. Touery)-----	9, 500
Jamaica Art Mobilization, 161-04 Jamaica Ave., Jamaica, N.Y. 11432 (Hank Beck)-----	8, 200
Jamaica Bay Council, 321 Beach 57th St., Arverne, N.Y. 11692-----	200
Jazz Heritage Society, P.O. Box 302, Hollis Station, Queens, N.Y. 11432, 161-20 89th Ave., Jamaica (James Daniels)-----	9, 500
New York Street Theatre Caravan, Inc., 87-05 Chelsea St., Jamaica, N.Y. 11432 (Marketa Kimbrell)-----	9, 500
Ollantay Theatre Ensemble, 508 West 53d St., New York, N.Y. 10036-----	9, 500
People's Production Inc., P.O. Box 19, Lawrence, Long Island 11559 (Roosevelt Stallings)-----	9, 500
Pied Pipers Foundation, 194-24 111th Rd., Queens 11412 (Frank Tenny- son)-----	9, 500
Playwrights Horizons, 16 West 42d St., New York, N.Y. 10036 (Ira Weitz- man) (Queens Festival Theatre)-----	9, 500
Adam Clayton Powell Repertory Theatre, Inc., 94-06 Astoria Blvd., East Elmhurst, N.Y. 11369-----	9, 500
Queens Inner City Arts Council, 162-02 Liberty Ave., Jamaica, N.Y. 11433-----	9, 500
The Queens Historical Society, 143-35 37th Ave., Flushing, N.Y. 11354--	1, 000
Don Quijote Experimental Children's Theatre (see p. 8)-----	3, 500
The Stage Company Theatre, Inc., 137-35 Northern Blvd., Flushing, N.Y. 11354 (T.S.C. Theatre Inc.)-----	9, 500

BOROUGH OF QUEENS—continued

	<i>Amount requested</i>
The Store Front Museum, 162-02 Liberty Ave., Jamaica, N.Y. 11433 (Tom Lloyd)-----	\$6,500
Theater for the Forgotten, 32 West 82d St., New York, N.Y. 10024 (Bev- erly Rich)-----	8,663
Yueh Lung Shadow Theatre, Inc., 34-41 74th St., Jackson Heights, N.Y. 11372-----	840

BOROUGH OF STATEN ISLAND

Cervantes Cultural Association, c/o Fandino, 1000 Clove Rd., Staten Island, N.Y. 10301-----	600
Federation of Staten Island Artists and Craftsmen, P.O. Box 202, Staten Island, N.Y. 10314-----	1,400
Glassworks, P.O. Box 163, Rosebank Station, Staten Island, N.Y. 10305 (Betty Bressi)-----	1,000
Golden Attic Chamber Ensemble of Staten Island, 669 Bay St., Staten Island, N.Y. 10304 (R. Trefousse)-----	1,400
Italian American Alliance for Progress, 1716 Hylan Blvd., Staten Island, N.Y. 10306-----	3,200
Jacques Marchais Center of Tibetan Art, 338 Lighthouse Ave., Staten Island, N.Y. 10306-----	9,500
Museum of Archaeology, Staten Island Archaeology Society of Staten Island, 631 Howard Ave., Staten Island, N.Y. 10301-----	6,800
The Richmond Playhouse Creative Workshops for Children and Teens, 75 Fort Place, Staten Island, N.Y. 10301-----	3,755
Snug Harbor Cultural Center, Richmond Terrace, Staten Island, N.Y. 10301 (Mari Hayes)-----	9,500
The Stapleton Village Cultural Arts Center, 648 Bay St., Staten Island, N.Y. 10304-----	3,140
Staten Island Chamber Music Players, Inc., 27 Storer Ave., Staten Island, N.Y. 10309-----	1,979
Staten Island Children Museum, 15 Beach St., Staten Island, N.Y. 10304 (Mindy Duitz)-----	9,500
Staten Island Mental Health Society, 657 Castleton Ave., Staten Island, N.Y. 10301-----	400
Staten Island Opera Ensemble, 44 Escanaba Ave., Staten Island, N.Y. 10308 (Nancy Tzemis)-----	2,999
Staten Island Zoological Society, 614 Broadway, Staten Island, N.Y. 10310 (Staten Island Zoo)-----	6,255
Writers Guild of Staten Island, 344 Saint Pauls Ave., Staten Island, N.Y. 10304-----	2,800

Senator HEINZ. Mr. Villella, thank you very much for your testimony.

Our next witness is Elma Lewis.

STATEMENT OF ELMA LEWIS, DORCHESTER, MASS.

Mrs. LEWIS. Thank you, Senator. I am grateful for this opportunity to testify on behalf of the Livable Cities Act, partly because that's been the thrust of my entire life, to try to make my city more livable.

I think that I'm going to share with Mr. Villella the personalization of my experiences and he speaks of being a child who was enhanced by his artistic experience over 30 years ago, so I'm going to go a little further than that and say 45 or 50 years ago, and it's very interesting to me to hear constantly that poor people need bread and do not need song because it has been my experience that people of limited means seem to think that they need song even more than bread.

I never knew that I was poor until the 1960's. I knew that we didn't have everything we needed, but I really didn't understand we were poor because in my family it was thought that a normal part of any person's education would be to play the piano, go to dance class, have elocution lessons, what-have-you, to enhance your education with an experience in the arts. It was not peculiar to my family. As I looked around me I saw that to be the gist of the neighborhood which was at the time multiracial, multiethnic.

Now that I exist in a black community, I still see that's the thrust—that when people can't have a trip to Europe, what they do is think in terms of the dancing class down at the end of the street. I can remember in the early days of the school taking 250 youngsters by myself on the public bus to the top of the Boston Opera House to look at Edward Villella dance and somewhat later I can remember showing some youngsters a picture in the middle of Dance magazine which was Arthur Mitchell, a youngster I had met some years before, and a young man looking at that picture and saying if he can do that I can too, and that young man is this evening at the Kennedy Center, and this is in fact making cities more livable by making people more purposeful, more self-motivated and more directed.

Now in 1950 I started the Elma Lewis School of Fine Arts in Roxbury which was then a changing community. It was changing from a middle-class Jewish community to a black community as is common with most northeastern urban cities.

We have had some 7,000 students over the last almost 29 years who have studied in dance, drama, music, art, costuming. We have kept a pretty accurate record of these people and I think that maybe something like 20 or less—less than a half of 1 percent of them, have become a burden to themselves or to the society. Not all of them are professionals in the arts or in any other profession, but they are all self-supporting and supportive of the society.

Now some of them came from magnificent homes and some of them came from very devastating homes. Their common denominator was their artistic experience with us. So we then have to conclude that the arts are in fact a civilizing influence.

In 1968, in company with 30 other black organizations from around the country, I initiated the National Center for Afro-American Artists to then introduce some support for such professionals as Arthur Mitchell and his concept, such as the Dance Theatre of Harlem. Now I exist in the middle of a terrible, terrible blight. We have nice buildings which need attention. Those nice buildings came as a result of a transfer of property from the Jewish community to the black community as they moved out. There were many such facilities which remain to blight the community because there was nobody to whom to transfer them to. Many groups could have used those, with—how shall I say—enhancement of the entire society, but there wasn't a support which might come from such acts as the Livable Cities Act, such small amounts of money which would then initiate larger activity.

For instance, at the Elma Lewis School of Fine Arts we looked at Franklin Park, which is a very beautiful park—the pendant on the emerald which girds Boston—and it now lies in the middle of our community and it simply does not have the budget to keep it whole. One area of that park became so devastated that it was being used as a dumping ground by everybody, including the city of Boston.

Our parents galvanized around the fact that they wanted a good place for their youngsters to have to play—an attractive, physical beauty to look at—took part of the park, solicited the services of contractors, local residents, churches and who-not, cleaned and filled up an area that had been blighted for 50 years, and erected the play-house in the park, which if you will look at the history of such things was among the first in the country, and was in fact a model for Boston's Summerthing, acknowledged so by the city.

That particular year it cost the city of Boston \$100. When we were coming out of the park, having spent \$100,000, we received the congratulations of the city. We have been there now 14 years in the park as a support to the city, but think of what might be accomplished with small pieces of money.

Geno Baroni spoke about a community development group in Roxbury that is doing magnificent things. They have recently chosen a historic building, which is owned by the National Center of Afro-American Artists and which served inappropriately in the last 10 or 15 years as a disciplinary public school. During the public school crisis the city of Boston closed this school and gave it to us. This mansion is being restored with some money from HUD that came despite the opposition of the mayor. I would estimate that the construction costs being saved are a one-quarter of a million dollars. It's probably costing about \$50,000 to employ the group of youngsters that are working on the building. We have been able to leverage almost \$50,000 around Boston to restore this and another facility is established within that community.

Now is this peculiar to us? Perhaps we have done a larger job than other people have been able to do. We have been at it a little longer. But this could be repeated over and over and over again around the country with just such money as is indicated here.

I'm sorry to see that it's thought of in such limited numbers. When we consider how much money is spent to devastate us, \$20 million is not much to support us.

I then also would like to add that I hope at some point I stop hearing about hard-nosed businessmen in the Congress or out. If you want to be hard-nosed businessmen, the arts are your very best investment. Every time somebody stands on a stage some seamstresses are employed, some electricians are employed, some carpenters are employed, some janitors are employed, some printers are employed, some policemen have to direct traffic, extra cab drivers get rides, extra bus drivers drive, even babysitters are employed. We are the largest nonpolluting industry in America, and I do hope at some point people stop seeing us as consumers. We are great contributors and employers and if anything is wrong with most artists, not including me, it's that they are too modest or they would have long ago convinced people that to employ the artist is to employ 15 or 20 other people right away in a joyous way.

I said I was going to stop, but I must add this last thing. We went into the prisons of Massachusetts at the request of the prisoners, and having been there and taught just as strenuously in the prison as we did outside, we found we could do more with the prisoners than all the money that was put out by the Federal Government through all kinds of LEAA's and so forth. In fact, when Governor Sargent signed

the prisoner reform bill, he gave the pen to me. It was the first time that the prisoners saw that by writing an article perhaps you could not only vent your frustration but earn some money. We didn't bother to teach them to go to work 9 to 5 because if they could have done that they wouldn't be in prison in the first place, but we did teach them that many kinds of expression can in fact help you to eat, cause society to give you those congratulations and that glamor and excitement which they sought, and also keep you from offending society.

The cities became more livable because we were able then to even reduce crime. Thank you.

[Complete statement follows:]

STATEMENT OF MISS ELMA LEWIS, FOUNDER AND ARTISTIC DIRECTOR, THE NATIONAL CENTER OF AFRO-AMERICAN ARTS, INC., BOSTON, MASS.

Thank you for affording me this opportunity to express my pleasure at the possibility that the Department of Housing and Urban Development and the National Endowment for the Arts might combine their efforts to make the cities more livable. It seems too natural that one wonders why it hasn't been tried before.

My name is Elma Lewis. I am a lifelong resident of the Roxbury section of Boston. In January of 1950 I founded the Elma Lewis School of Fine Arts, Inc. in what was then a middle class Jewish community including also a significant number of middle class black families. In 1968 responding to a demand created by professionals emerging from the Elma Lewis School of Fine Arts and responding to the urging of artistic directors of many art organizations across the country, I founded and became the artistic director of the National Center of Afro-American Artists. I am currently serving both of these institutions as artistic director. While the school trains people, young and old in the arts and in the art of living, the Center encompasses the school and directs its energies to the professional artist. Over the years the school has trained approximately 7000 children and adults in dance, drama, music, art and costuming. The Elma Lewis School is justly proud of its enviable record which shows that far less than 1/2 of 1% of those who have been our students have not become burdens to themselves nor to the society. This is a record that major education institutions and even churches cannot match. Some of these students came from magnificent homes in terms of concepts, morals, loving understanding and support; others came from the most deplorable situations. The common denominator in all cases was the humanizing salutary effect of our use of the arts. Those professional artists of the National Center of Afro-American Artists subscribe to the principle that art should be functionally used to improve the quality of life for all people. This has historically been the province of the artist. The change comes about when art is divorced from its creators and made the toy of the wealthy.

It has been my sad task to watch incredible blight spread over my community and over so many other cities while incredible sums of money are expended at a multitude of schemes designed to solve the problem. Since social planners, urban designers and the like have met with limited success, it is of the essence that a new direction be tried. In Roxbury there were a great number of large elegant synagogues with accompanying schools which became blight in community transition. Low income housing developments have added to the blight. Now a third sad dimension has entered the picture for complexes for able-bodied senior citizens are being built in many cases with no appropriate resources to preserve their mental health through the use of recreation and beautification.

Perhaps some examples of how our own arts institutions have worked to improve our city, and how much more effectively it could work were another type of financial resource available would be helpful at this point.

Franklin Park is the largest park in the city of Boston. It is the pendant on the emerald necklace created by Frederick Law Olmstead. Over fifty-five years ago one of the major attractions in the park was a fire station made from traditional New England Puddin' stone. When it burned down it was never replaced. In fact, that site became a dumping ground for local residents, suburbanites, and even the

City of Boston itself. Such fouling existed in Franklin Park that large sized rats ran across Seaver Street causing great consternation to residents. After much pleading with authorities and much argument among community residents, the concept of an outdoor theater which would bring music and plays to everyone free of charge was launched. During the last nine years nearly 700,000 have attended performances in the park. In the truest sense the Playhouse in the Park has been a people-project.

Joseph Papp of the New York Publick Theater gave advice on shortcircuiting governmental red tape. He advised the erection of temporary staging on sawfay scaffolding and a presentation, no matter how rudimentary, that first year. The Contractors Association of Boston, a newly founded black community organization, worked hand-in-hand with executives from Grossman's who contributed lumber and labor. The late Florence Castleman of Brookline, the late Eli Goldston, President of Eastern Gas and Fuel Associates, and the late Robert Montjoy, of the N.A.A.C.P. staff—soon to be on the Elma Lewis School staff—were among those who joined countless community actors, teachers, professionals, friends and others to bring the first two seasons into being. Eli Goldston caused Boston businesses to contribute the entire funding for the second season's presentation.

After the first season, the Playhouse in the Park was an established fact in Roxbury. Huge nightly crowds arrived in Franklin Park anticipating the announced performances. The audiences of the late 1960's often found themselves so provoked by the drama of the times, that angers and hostilities were vented on performers, whether or not their performances were accepted. Gradually local performers learned to perform and audiences learned to be audiences. Over the years many local groups were provided a platform on which to grow and many other thousands were given the opportunity to see remarkable artists and organizations as the Billy Taylor Trio, Odetta, the Utterback Concert Ensemble, Olaturji, Boston Ballet, Boston Pops, Oscar Brown, Jr., Fred O'Neill, Roscoe Lee Brown, Val Gray Ward, Fred Benjamin Dance Company, Boston Philharmonic, Ronnie Ingraham, Mongo Santamaria, Rod Rogers Dance Company, the Arthur Hall Afro-American Dance Ensemble, and the annual presentation of the Duke Ellington Orchestra. During the past three seasons audiences have so mellowed that not only are they captivated by soul music, but they also respond favorably to plays and poetry readings, and civic or political presentations.

Indeed, now two local sculptors have been commissioned to add their work to the park and I believe one has been completed. Much remains to be accomplished, but the energy of artists has started the process of restoration.

Another response to the needs of a changing community has been the involvement of the Elma Lewis School of Fine Arts with the black men in the Massachusetts Correctional Institutions. Responding to a letter received from an inmate at Norfolk Prison, Elma Lewis visited the institution during the summer of 1969. The mental development and the political awareness of these men was overwhelming. The need for more than a series of lectures on the black experience was immediately apparent. The teaching faculty at the school eagerly responded, planning a course of study that emphasized the acquisition of skills in the technical aspects of theater. In 1969, citizen involvement with correctional institutions was not yet encouraged in Massachusetts. Negotiations with Norfolk administrations and the Department of Corrections had been in progress for more than one year when Governor Francis Sargent's support of the school's prison program gained access for the teachers. After an entire year of teaching art, dance, black history and black economics to 104 men, the Elma Lewis School of Fine Arts was included in the regular planning of the department: two years had been consumed. By the steady good work of the teachers and the remarkable progress of the men, it was possible to cause many rules to be changed. Rules preventing inmates from communicating with the press and others, rules preventing relatives and friends from attending inside performances during the evening, and many others were relaxed or abandoned as confidence was built. This confidence extended so that other community agencies gained entry and subsequent funding. Under the Elma Lewis Technical Theater Training Program there is a film record of the remarkable scenery created behind the walls. A book entitled "Who Took the Weight", the work of eleven men, was published by Little, Brown Co. Each man received his own contract and 9% of the book. This was the first time a major publisher had ever signed a contract with more than one author on a particular book. The pioneer spirit of the Elma Lewis School of Fine Arts has moved prison reform ahead considerably a fact acknowledged by the men of the program, the Governor and two Corrections commissioners.

To attend to the plight of the elderly of limited means, artists at the NCAAA are considering which art works would be most supportive of the public spaces where the senior citizen spends so many hours. Another project under consideration is landscaping and gardening around the complexes that combines professionals at work with some of the residents who enjoyed gardening before giving up their homes. Of course it's needless to say that these residents are not only spectators at our cultural events but they are of ten participants in concerts, even dance concerts.

The latest and most natural of the crises to which the Elma Lewis School has responded was to the racial conflicts in the Boston Public Schools; (about sixty percent of Elma Lewis School of Fine Arts' students attend public schools). Recognizing the need to prepare students for the difficulties which they would face, the Elma Lewis School of Fine Arts began workshops concerned with building emotional strength and projecting attitudinal change before the opening of school in September. When violence erupted in Hyde Park, Hyde Park High School was temporarily closed. Immediately, the Elma Lewis School staff volunteered to supply both counseling and facilities for the students. From those students who arrived at the Elma Lewis School of Fine Arts to seek direction of the morning of September 25, seventeen were chosen to go with their parents to Hyde Park High School to join with white students and their parents in forming a negotiating team. This was the beginning of the bi-racial committee now in effect. That morning, angry young people arrived at 122 Elm Hill Avenue, and negotiators walked out. This meant that the nature of negotiation had been learned; the process had been started.

Responding to the need, the Elma Lewis School of Fine Arts has welcomed students daily as they return from public school. Sometimes the student need has been simple—a chance to be in an atmosphere free of tension. Sometimes the need has been greater—an intervening presence between student and school administration, or student and parental authority. Counseling students has been a priority. Friday night workshops followed by parties (because the students are, after all, young) were regularly convened during the first three months of school. These have been temporarily interrupted so that the plan may be perfected and stable funding may be sought. Workshops (such as the Community Task Force on Education which was then working out of the Roxbury Multi-Service Center) were held at the Elma Lewis School of Fine Arts. Often the two groups sponsored workshops together. At times, other agencies added their strength creating a marvelous opportunity for cooperation and unity.

It is not unusual for as many as two to four thousand people to be in the Elma Lewis School on a given evening—taking class, conducting seminars, "discussing" the problems of desegregation in one room, "protesting" the problems of desegregation in another room, and meeting foreign dignitaries in still another room.

The United Black Students Committee has grown out of the problems peculiar to blacks which were brought out at the school protest mass meetings previously described. Since September, a body of forty students have met twice weekly to develop a plan whereby a city-wide student communication committee could be formed. Realizing their role in the desegregation plan, these students from several Boston schools began conducting workshops for other students, talking to members of the press, writing articles for a community newsletter, and scripting a radio show. Their main focus is quality education and the role of Black students in realizing it. They are firm in the belief that high quality education is a means toward quelling violence in their schools, that a rigorous and informative academic and cultural curriculum will leave no time for violence. They are working diligently in their schools and communities for a brighter tomorrow.

While most people consider all of this very interesting, artists are still seen as consumer rather than contributors. Nothing could be further from the truth. In Massachusetts along Route 128 such major business corporations as Raytheon, etc. are constantly advertising to attract new talent. While attractive salaries are offered, the most vigorous shout is "Come to Massachusetts! Enjoy the summer music festival at Tanglewood. Enjoy our museums, our ethnic communities and their street festivals, enjoy the Elma Lewis Playhouse in the Park, Summerthing, and on and on." Yes, the artist does improve the quality of life; he does make the city a better place in which to live.

He also, creates jobs. When the performing artist is on stage, electricians, and carpenters must constantly revise the environment. Seamstresses create costumes. Cab drivers and buses transport people. Custodial help is pressed into

service. Restaurants become more active. Facilities to house the performance must be developed and kept in some repair. Babysitters are employed. The artist creates the largest single non-polluting industry in the country, while preserving mental health and stimulating joy.

I fervently hope that you Senators will decide favorably on this important opportunity for cooperative problem solving. If the National Endowment for the Arts will support the artist, the artist will in turn be able to use his resources through HUD to improve life in the cities. The natural arbiter in deciding which artists and which projects will have the most profound effect should be the State Arts Councils or similar bodies.

"Art should teach men humility, wisdom, tolerance and magnanimity. The value of art is not beauty, but right action."

W. SOMERSET MAUGHAM.

Senator HEINZ. Thank you, Mrs. Lewis, and without objection, your entire statement will be made a part of the record.

Ms. LANGSAM, do you have any testimony? If you do, we will be happy to make it a part of the record.

Ms. LANGSAM. I'm here accompanying Mr. Villella. I'm the deputy commissioner of the Department of Cultural Affairs, which is the municipal agency in New York City. I'm here to answer questions if any are addressed to us regarding our department's activities and how it fits into the city structure.

My only comment would be to reinforce what Mr. Villella said about the need to make cities part of this process. I recognize, and the administration has recognized in New York City, the advantages of arts organizations and neighborhood organizations, and the way their vision can show the city how to do things. But I also want to point out to you something that I'm sure is evident, that the help of government and particularly municipal government, is needed to make certain things happen to insure the rehabilitation of a building and planning it in conjunction with other municipal services, which are key to neighborhood stabilization efforts that are ongoing.

Senator HEINZ. Very well.

First of all, your testimony has all been very excellent. I do have a number of questions. I think we all recognize the tremendous amount of wonderful leverage that the organizations of which you are a part and from time to time the help, the little bit of it that you have received from either local or State or Federal sources or charitable sources has meant to the communities that you live in or represent.

In that connection, I'd like to address this question particularly to either Art Ziegler or Mrs. Lewis. When there was a witness appearing before Congressman Reuss' subcommittee on the city, he stated that moving NEA's livable cities program to HUD—I say this in all deference to my good friend, Geno Baroni—would be tantamount to killing it. He said this because, as he explained, as an executive director of a public housing agency, he knew the extraordinary redtape that often confronts people who deal with that department, and he contrasted that problem with the very simple, extremely supportive procedures of the National Endowment for the Arts, and I'd like to know, Mrs. Lewis or Mr. Ziegler, whether you share that witness' view of HUD's procedures and the effect of giving HUD responsibility for funding the livable cities program, that their involvement would pose redtape problems that might seriously undermine this program.

Mrs. LEWIS. That has not been my experience because as I related, the restoration of the old mansion is money that's coming through

HUD, and we were able to work cooperatively with that Community Development Corporation and our institution which does in fact get support from NEA to put together a gorgeous museum.

Now, the fact that we were in fact able to come past the city and use two simple mechanisms has encouraged even larger support from the Museum of Fine Arts in Boston and other such agencies. So I think from my experience that it would be very appropriate to let HUD administer this particular program.

Senator HEINZ. Mr. Ziegler, would you agree?

Mr. ZIEGLER. My experience wouldn't be the same, but I would like to see HUD administer the program for a different reason.

First of all, we have been assured that the program would be administered in a way similar to the NEA livable cities program, that it would go through the same kind of grants process with peer group decisions and a simplified form. Given that reassurance, I think that it would accomplish several things. We have Father Baroni in HUD, first or all, as the reassuring element that it will be done in this way; and, second, if we can incorporate a program of this magnitude into HUD and if it is successful, it seems to me that it might be a demonstration project for HUD itself as to how it could accomplish a much more effective action. We would be integrating citizen response, citizen initiative, good urban design, a sense of art, with neighborhood programs and housing programs, and that's never been done in HUD before and here's a chance to get a foot in the door and show that it can work.

Senator HEINZ. Very well.

Mr. BIDDLE. Senator, I don't like to go out of rotation here, but I did testify earlier today, and I think there's a slight confusion with two titles of two programs, both of which are the same, livable cities. The livable cities that the Arts Endowment now carries on is quite a different program from the livable cities program that is envisioned in this new legislation. They have the same name. When we were asked by President Carter to suggest a name, we took our own name from the existing small pilot program in the Endowment and gave it to the larger framework.

If the Congress should adopt the new livable cities legislation, we would change our livable cities name in the Endowment, but we would still hope to carry out a limited pilot program in that area which pertains mostly to better design for urban environments. The livable cities program as envisioned in the new legislation is a much broader, much wider program, and really does not relate to the program that we carry out at the Endowment, which is a million-dollar program at most and on a very much of a pilot kind of basis.

Senator HEINZ. Very well. Thank you, Mr. Biddle. I appreciate that comment.

Let me ask this question of Mr. Villella. The livable cities program as described by Mr. Biddle quite correctly contemplates the use nonetheless of panels of individuals with expertise in the arts and/or knowledge of community development. The Commission you head gives out many grants each year to local art groups and you are, as evidenced by your testimony, familiar with the problems of New York City's neighborhoods. Do you believe that commissions such as your own ought to have some role in selecting livable cities grants to groups within its city or State and, if so, why? If not, why not?

Mr. VILLELLA. First of all, what is happening in New York is that there is a structure, there is an existing municipal agency, and I find that's advantageous. It certainly would be advantageous for us to simply move with those existing agencies. Let's say the moneys are applied for, and the mayors who represent their constituents—accept those moneys, and then having their municipal structures work with the Federal agencies with regard to applications. They needn't get involved politically. They already have arts structures set up. They don't get into those political situations hopefully if they have a professional arts organization. I think that—well, would you want to help me out?

Ms. LANGSAM. The situation in New York City is probably somewhat unique in that we deal with some 1,500 arts organizations. One of the Senators asked what the number of organizations might be that might apply. In New York City there's a potential of 1,500 organizations applying.

In our own program I can tell you that we have had in our first year of operations some 500 organizations applying and we have given you a list of those organizations. I think what Chairman Villella is saying is that we do have a structure already in place evaluating these applications. There are some possible roles that the city can play in assisting HUD and the National Endowment in this program. I can think of one, for instance, where if groups applying had to come to the city to get some approval or some recognition of their application, it would create an enormous burden on our department. Perhaps the city, applying for nonprofit organizations in a city-sponsored application might be one way of doing this. The recipients of the actual grants would be the nonprofit organizations.

I think the involvement of the city and the municipal government offers two opportunities. There are planning initiatives that are ongoing in the city. I can give you as an example Washington Heights-Inwood Task Force which has been initiated by the mayor. It coordinates agencies on the municipal level—water resources, parks, housing preservation and so on, and cultural affairs, to deal with the planning of a stabilization effort in the Washington Heights-Inwood area. It seems to me that the role of the city in this kind of a program, this livable cities program, would maximize the ability of the cities to deal with stabilization in communities, as well as maximizing the resources.

We might, for example, utilize our own grants program, as a vehicle for the match that's required under the Livable Cities Act. There are ways that programs already existing in the city can be used in tandem with this livable cities program. I think to that extent, some thought might be given as to how the cities could best be worked into the whole process.

Senator HEINZ. When Mr. Ziegler was testifying, he mentioned that he thought the 50-percent match on the Neighborhood Self-Help Development Act would not pose a problem, but he indicated that he felt that if there was a 50-percent match required on livable cities, as I understand his prepared testimony, that could pose a problem to neighborhood arts groups, and I'd like to ask both you, Mr. Villella and you, Mrs. Lewis, if you would share that view. I see Geno Baroni asking for equal time with Mr. Biddle. Father Baroni, did you have a comment you would like to make?

Mr. BARONI. Yes, Senator, I think it's important that in the Neighborhood Self-Help there's no match requirement. There is a thought about leveraging and groups that have a capacity to leverage. Mr. Ziegler was talking about "or any of these people" and sometimes people may read that as match, but it's not match in the traditional sense.

In the livable cities we encourage in-kind, and that kind of thing and I think the word match can be applicable to NEA criteria. So sometimes there can be a confusion between these two bills. They use match. We want to be more generous in the term of match in terms of in-kind, space, schools, and so on.

One other thing for the record, to support Mr. Biddle, Senator Heinz, Secretary Harris has agreed to a very, very important point in using the criteria, the panels, the experience, the involvement of the endowment carrying over to HUD that kind of expertise which HUD doesn't have and HUD needs, and putting that right into the framework and I think that's a credit to her and to HUD in the sense of insuring that kind of expertise from one agency's experience to another in response to one of your earlier questions. But the match question, we hope there would be some kind of match in the livable cities.

Senator HEINZ. Well, the term that is used in the legislation of the Livable Cities Act is in fact matching contributions, which implies a 1-for-1 relationship and it says that the Secretary, in cooperation with the chairman, shall prescribe by regulations to require that a specific portion of the cost of any project under this act shall be provided from sources other than funds made available under this act.

I'm glad you point out that the term "matching contributions" is not exactly what is required here. A match in fact is a 1-for-1 relationship. You're saying you want to leave it more flexible than that and I gather that that does meet the counsel and wishes of the members of the panel.

Mrs. LEWIS. Since the amounts of the grant are not huge, I don't see that as a particular problem, raising matching funds. I do see involvement of the cities at the level of the mayor as somewhat tricky and I think that we, in defining the regulations, have to be very specific about how neighborhood groups will in fact get the clearance to get the money.

I am particularly encouraged by the kinds of regulations that NEA has used and discouraged by the regulations that most other governmental agencies have used in trying to get to the neighborhoods. If the cities were doing so well, why would we be in any trouble?

Senator HEINZ. Well, the Livable Cities Act doesn't require a mayoral checkoff as I understand it. The HUD bill, 3211, the Neighborhood Self-Help Development Act, does require a mayoral checkoff. I know that Art Ziegler testified against that and let me ask—is the Neighborhood Self-Help Development Act going to impact on you, Mrs. Lewis, or you, Mr. Villella?

Mrs. LEWIS. Well, it would impact on my organizations because we use everything—HEW, Labor, Commerce. So that would impact on us, but I don't think on the average arts groups.

Ms. LANGSAM. I think in specific instances the Self-Help Act would be extremely helpful to arts organizations. More important, New York City has a decentralized structure in place with 59 planning districts with the district managers and cabinets made up of local supervisory personnel from city agencies, and I think this program would be enormously helpful to those kinds of efforts on a grassroots level.

Senator HEINZ. I yield to Senator Williams.

Senator WILLIAMS. I appreciate the opportunity to say hello to this panel. The livable cities bill is jointly referred to the Human Resources Committee. Now when this committee takes it up, the testimony here will be applicable there. We won't have to invite you back unless you really want to come. We'd like to have you, but I would think that—obviously, you have had a good discussion here, plus you've submitted excellent statements, and I welcome all that has been said. I know that your activities, if they prosper, will make our cities more livable.

I know Mr. Villella reaches with his contributions well beyond the city of New York and makes the whole State of New Jersey better for his contribution. And I will say, if you don't mind a personal reference, Mr. Chairman, Saturday night was another example of Mr. Villella's contribution when the New Jersey Ballet performed in Chatham Borough to a packed house and to thunderous applause, frequently extended. Every great move was applauded.

All of you are thanked by all of us. It's good to see you. I'm in the middle of a hearing at that other committee so you will have to excuse me.

Senator HEINZ. Senator Williams has many places to be at the same time.

Senator WILLIAMS. We all do.

Senator HEINZ. I'd like to ask either Mrs. Lewis or Mr. Ziegler the following question: It would appear that most community arts programs which have resulted in catalyzing other community development activities have required that the residents of the particular community already be fairly well organized. In your experience, have you seen instances where an arts program has managed in and of itself to bring about the organization of an otherwise disunified neighborhood or community?

Mrs. LEWIS. Yes. I think in the case of our own organization that was so, that we started as an arts organization and then we spun off other activities. We started parents organizations which then took on school causes and prison causes, etc., and I think any good organization has to interact with other community agencies.

If there isn't some opportunity for very small organizations however to get small amounts of money, they can't even do that. I remember getting Arthur's grant from NEA I think in 1966 from Livingston Biddle and it was \$3,500. That started a whole thing ballooning to the place where we are now around a \$1 million operation a year, but it came from \$3,500.

Recently, being a member of the Massachusetts State Council on the Arts, I see others starting down that road with small grants and then moving into a larger framework.

Mr. ZIEGLER. I would agree with that and say that I don't know of an arts organization that has come into being and successfully mobilized the whole community to deal with all the issues that face the community, but certainly the arts organizations do come into existence in inner-city areas and reach out in the way Mrs. Lewis has been discussing and affect the life of the community and give it spirit and give it focus. Also, I do know in my own case, as well as in others, of

very small NEA grants that have gone into neighborhoods that have resulted in the organization of neighborhoods. I can name three in Pittsburgh alone where a grant of about \$6,000 per neighborhood has resulted in the development of a neighborhood organization attacking neighborhood problems and development of cultural activities. I don't know of any Government program that so simply and efficiently unleashes a positive flow of energy in a neighborhood as the NEA grants.

Senator HEINZ. Let me ask you one last question, Art. I know you have been concerned about the problems of displacement in Manchester on the north side, and there has been some concern expressed that Livable Cities funds could be used to promote revitalization activities that could result in low and moderate income resident displacement. Is that a concern that you share and, if so, are there any safeguards that ought to be incorporated or adopted to prevent such a result?

Mr. ZIEGLER. If a neighborhood tends in the direction of displacement it means that the neighborhood is becoming viable and if we could achieve just that viability through Livable Cities we would be well on the way toward restoring the neighborhood. Then you've got to bring to bear the other programs that are available through HUD and through the city to protect those people or use the kind of program that I just described with Livable Cities where you could write down costs of housing so that people can remain in their neighborhoods. Neighborhood vitality can end up being an intense neighborhood change, but many programs through HUD could be brought to bear on that issue and I would hope any group that would start a Livable Cities program would be aware of those. The trick, however, is to get the neighborhood going again and that's what this program could get started. None of those other HUD programs I feel can, in themselves, get the neighborhood spirit going.

Senator HEINZ. Very well. I'm going to turn my very delightful duty of chairing this over to our chairman.

The CHAIRMAN. See what you're missing by not being a Democrat, John?

Senator HEINZ. Think what you're missing by not being a Republican.

The CHAIRMAN. You win.

Senator HEINZ. I'm turning this back over to the chairman of our full committee, Senator Proxmire.

The CHAIRMAN. Thank you very much. We appreciate your testimony. I came in late, as you know, and we are going to call the next panel. We have a marvelous staff on this committee, but they are much too ambitious. They had too many witnesses scheduled today and the hour is late. I'm going to ask the next panel to come forward and I thank you very, very much for your testimony.

Our next panel will consist of Peter Ujvagi, chairman, Task Force on Governance, National Commission on Neighborhoods; Milton Kotler, executive director, National Association of Neighborhoods; Ted Watkins, Labor Action Council, Watts, Calif.; and Ramon Rueda, Peoples Development Corp., Bronx, N.Y.

Gentlemen, because the hour is late, we are going to confine this to your statements and not ask questions. We hope that you will be able to make your statements in 5 minutes or so or less if you can and, of course, the full statement will be filed in the record and be available to members of the committee.

Mr. Ujvagi, you go right ahead.

STATEMENT OF PETER UJVAGI, CHAIRMAN, TASK FORCE ON GOVERNANCE, NATIONAL COMMISSION ON NEIGHBORHOODS

Mr. UJVAGI. Thank you, Mr. Chairman.

My name is Peter Ujvagi of Toledo, Ohio, and I am a delegate to the Birmingham Neighborhood Coalition and board member of the River East Economic Revitalization Corp., both in Toledo. Today, I am here on behalf of the National Commission on Neighborhoods to convey our strong support for S. 3211, the Neighborhood Self-Help Development Act of 1978; for S. 3210, the Livable Cities Act of 1978; and for S. 3209, the State incentive grant program.

Mr. Chairman, after more than 20 years of many Federal programs which have made cities unlivable for their residents, it is a great change to see the Congress recognize the importance of neighborhoods and the administration initiate policies for the people in these neighborhoods to take stock of the inherent strengths of their communities and use them to restore their beauty and pride, and to support positive restoration activities.

At one point, it seemed as if this type of community pride was destined to be paved under an avalanche of highway and urban renewal projects. The people of Southeast Baltimore are typical of many neighborhoods around the country where the rebirth of community originated from the protests against building a highway through their neighborhoods. From this original antihighway coalition, the Southeast Community Organization (Seco), along with many other community organizations throughout Baltimore, realized that there was something worth preserving in their neighborhood. Not just the housing, but their particular type of housing. Not just the culture of the city of Baltimore but the culture of their particular neighborhood. Today, Baltimore is a city with a strong identity due to the pride of its neighborhoods, and to the thousands of neighborhood residents who struggled and persevered.

Our 20 Commission members are, as you know, a very diverse group embracing neighborhood leaders, city elected officials, bankers, scholars, and Members of Congress. The commissioners represent diverse communities, political perspectives, and ethnic backgrounds. Even so, we are unified and motivated by a common understanding: That the neighborhoods of our cities and suburbs and small towns are a great national resource; that neighborhood decline can be reversed; and that successful neighborhood revitalization, benefiting existing residents, is happening right now—in many of the cities the Commission has visited, in many of the cities and towns from which we draw our members, in fact, in hundreds of neighborhoods in every region of this Nation and in every kind of community.

The issue is not whether distressed neighborhoods can be revitalized, but why some neighborhoods experience successful revitalization

while many other continue the familiar patterns of decline. Why can some neighborhoods survive, even where there are public and private disinvestment patterns, plodding bureaucracies and mis-conceived government programs, weakened voluntary networks, social tensions, poverty and unemployment, and legal or administrative obstacles to local innovation? Why do some neighborhoods overcome all the factors and forces who exploit the troubles of decaying neighborhoods? And for every neighborhood which has overcome such problems, why are there so many others which have failed—even though significant Government money has been channeled into some of these communities?

We feel that the Neighborhood Self-Help Development Act of 1978 meets the challenge of this issue because it recognizes the critical need for capacity building in neighborhood organizations as an essential component of successful neighborhood revitalization. In our June 1978 interim report to Congress, we emphasized that "capacity building is necessary to fully unleash the potential for self-sufficiency and for successful action which exists in almost every neighborhood." We believe, together with the President, that success most often occurs where there is a full working partnership between Government, the private economic sector, and neighborhood residents. But the realization of such a partnership will depend upon capacity building at the neighborhood level. If we do not encourage authentic capacity building, then we are setting up the neighborhood movement for failure and predestining the partnership concept to the already crowded graveyard of great urban expectations.

Why is capacity building so important? Because to revive existing neighborhoods, the confidence of existing residents must also be revived. When this happens, local self-help resources are energized and organized. The old urban bulldozer approach required no commitment from neighborhood residents. Slum clearance simply removed existing communities and shifted poverty to other neighborhoods. If the goal is revitalization for existing residents, then bureaucratic solutions which suppress local initiative, isolate residents from each other and create dependency upon centralized institutions simply cannot work. Such attempts do not comprehend either the dynamics or the strengths which underlie healthy, vibrant neighborhood life. So often in the past, such Government-defined programs have only accelerated patterns of neighborhood decline by weakening self-sufficient local networks and voluntary associations, thus further undermining the confidence of neighborhood residents.

The partnership concept acknowledges that the commitment of local resources and hence a restored confidence on the part of existing residents are preconditions to the preservation and revival of our neighborhoods. We are really talking about convincing local residents to invest their own time and dollars in the rebuilding and maintenance of the neighborhoods where they now live. Accordingly, to generate real dollars and sustained commitments, we must seek to build authentic partnerships. If the partnership is only rhetoric, then revitalization programs will not work and we will waste more tax dollars in a continuing failure to break the patterns of urban decline. Capacity building is important because it is a prerequisite to the full partnership alliance which can bring our cities back to life.

What is capacity building? It is the key to activating citizens to lend their strengths and resources for the revitalization effort necessary to reverse patterns of decay. Clearly, the potential within neighborhoods for positive, effective action is staggering.

In the early seventies, a remarkable flowering of local neighborhood-based initiatives began. Among the most significant were the growing grassroots movement to preserve and revive neighborhoods which the planners had written off as hopeless. Out of this soil, unbroken by the Federal bulldozer, grew a great diversity of block improvement associations, community organizations, neighborhood federations, revitalization projects and neighborhood housing services. Hundreds of neighborhoods with high unemployment, aggravated physical deteriorations and high minority, low-income populations nonetheless showed remarkable resilience.

As our commission has confirmed in its visits to many cities, in every case where neighborhood revitalization was a success, residents had assumed decisive roles in the process of revitalization. In every successful case, there was a growing community organization and strong local leadership. In every successful case, the residents had responded to internal and external forces of decline by organizing themselves to cope with the problems threatening their communities.

Accordingly, S. 3211—the Neighborhood Self-Help Development Act of 1978—would operate to encourage and expand the number of neighborhoods where President Carter's full partnership, benefiting existing residents, is truly possible. In neighborhoods where revival has started, we need the capacity to get the job done. In neighborhoods which are underorganized and floundering, we need to build a strong foundation and capitalize upon existing local resources. In neighborhoods where revitalization has advanced successfully, we cannot afford stagnation and we must not accept displacement of existing residents as the price for revival.

The full partnership proposed by President Carter represents a grand opportunity for neighborhood residents and their community organizations to advance the necessary forward steps and take increasingly substantive, positive approaches to resolving the problems in their own communities. But this opportunity can be fulfilled only through a serious capacity-building alliance between government and community organizations.

Finally, where a city government has made neighborhood revitalization a priority and accepted the role neighborhood groups must play in the process, we have observed that the ability of the city itself to stimulate positive activity and solve neighborhood problems has greatly increased. In other words, the capacity of a city to successfully accomplish neighborhood revitalization goals increases with the capacity of a neighborhood organization to initiate, execute, and sustain revitalization efforts.

This legislation, the Neighborhood Self-Help Development Act of 1978, represents a much needed threshold effort to expand the capacity-building process in mature community organizations which have advanced into self-help neighborhood revitalization activities.

Mr. Chairman, S. 3210, the Livable Cities Act, has been described as a "catalyst for improving urban communities and expanding economic opportunities." In my own neighborhood of East Toledo, we

were faced with a steady process of deterioration, especially in our commercial strip. Part of our effort to revitalize this district involved giving this area an identity. For example, a landmark railroad bridge had become rusted and neglected, a symbol of deterioration. We repainted the bridge, using a design that symbolized the River East revitalization project.

Moreover, this physical upgrading gives people the feeling they are entering a vital, viable, commercial area. We also upgraded the sidewalks and developed a plan for a Bicentennial minipark for the area. Now that we had caught people's attention, it was our responsibility to provide them with a shopping district that was both attractive and economically viable. To date, we have renovated two blocks of the district, held various special events to attract shoppers, and have recruited a major chain foodstore to serve as the focal point for the new River East Plaza. None of this would have been possible if there were not a commitment by the people of East Toledo to their neighborhood. Our program of small, well-designed, well-targeted physical improvements brought us the notice both within our community and throughout the city that has enabled us to carry out our revitalization program.

Every city we have visited has experienced the same type of process, transcending any particular ethnic group or race, reinforcing the sense of community. In East Los Angeles, the Maravilla district exists as a movement to Chicano culture. It combines housing and job development with recreational, horticultural, and cultural activities that reinforce the natural networks crucial to the well-being of all neighborhoods. For example, by using murals to involve the community in the design process and in the execution, a sense of self-pride and community was stimulated and a cultural tradition was revived. This also had a powerful impact on the success of the physical project.

In Seattle, the International District is a community comprised of many different Asian peoples that has been carefully attuned toward serving the needs of all, neglecting the cultures of none. Later this year, we will visit the city of Boston, where in addition to the accomplishments of Elma Lewis in the black community, another community organization, the Roxbury Action Project, has emphasized the heritage of the black culture in Boston as part of their strategy for the revitalization of the Highland Park neighborhood.

This brings me to my next point. Much attention has been directed over the past few years to the concept of leveraging. Through this concept, small public investments are made with the idea of attracting larger public and private investments. In Savannah, Ga., a National Endowment for the Arts grant to a preservation group for the planning of a revitalization design for the historic district of the city helped convince local bankers that it was worth reinvesting in that neighborhood. The work of a "community design studio" in Detroit has encouraged the city to increase street lighting, repair sidewalks and parks, and plant trees in those neighborhoods planned by the residents with the help of this studio. Our own efforts in East Toledo convinced the merchants to work with us in upgrading their properties. Probably the one sentence that has caused more redlining and disin-

vestment of our Nation's neighborhoods has been: "It looks like a slum." A grant from this livable cities program for redesign and upgrading could do wonders for reversing these attitudes in numerous older neighborhoods and can prevent this process from occurring in many others. One of the beauties of this program is that this small short-term investment can lay the foundation for the success of our other public programs. How many times has the Federal Government poured money down the endless drain due to a brick-and-mortar strategy without the proper community involvement? The livable cities program assures that involvement at a minimal cost and sets the stage for prudent public investment and increased private commitments.

In many cities, we have a process known as the back-to-the-city movement, which is changing many inner-city neighborhoods. This movement has been praised by some for causing the rehabilitation of many deteriorated properties and increasing the tax base of the city. Others have condemned its displacement of the longtime, low-income residents of the neighborhood. The National Commission on Neighborhoods has taken a strong position in favor of preservation of neighborhoods with minimal displacement of current residents. One of the strategies needed to implement such a policy is a people-oriented strategy. This strategy must be based on increasing the awareness of neighborhood residents that the area in which they reside is a living community with a history to tell and more importantly, a future based on that history.

Finally, Mr. Chairman, some brief comments on S. 3209, the proposed program of incentive grants to encourage State governments to design plans to conserve and revitalize distressed communities, and to remove obstacles that retard community revitalization.

We applaud this concept. In numerous localities we have seen how regressive State laws and taxation formulas can set back older neighborhoods. Yet as advocates of strong local communities, we are reluctant to have the Federal Government dictate solutions. Incentive grants to States are one means of reconciling that seeming contradiction. By setting general criteria to encourage States to remove obstacles to revitalization but leaving the details to the States and localities, the Federal Government can have a beneficial influence.

My only regret is that the legislation influences a relatively small number of States, which will be rewarded for having sensitive revitalization strategies. Unfortunately, it will not affect the obstacles posed by some of the less enlightened States.

The commission is seriously considering recommending that general revenue sharing formulas be weighted according to standards similar to those in S. 3209, so that States with exemplary revitalization efforts would receive perhaps 125 percent of their formula entitlement, while States with destructive policies would receive, say, only 75 percent. I am aware that this committee does not have jurisdiction over revenue sharing, and our recommendations in that area will be tendered at the appropriate time and place. S. 3209 clearly is a step in the right direction.

I'd just like to make a few very short comments based upon experiences of our own community organizations involving the corporation

in Toledo and a number of other cities that we have seen with the Neighborhood Commission. I think they are relevant to the discussion here today.

Since the President's announcement of his new initiative, the discussion of partnerships has been going on and increasing, but I'd like to restress and really talk about partnerships. We must talk about a partnership that has equal partners, and to have equal partners you need to build the capacity of neighborhood organizations to be able to respond and act substantially in a partnership. Otherwise, you're setting up the neighborhood for failure and you're setting up the concept of the partnership for failure, just as many other urban programs have been in the past.

An example of the potential failure is the organization in Detroit called MACO. Over the last 3 or 4 years, they have been able to address a number of substantial problems in their communities but they found without the cooperation of the city and without their ability to be able to get community development block grant moneys, they have been increasingly frustrated in being able to deal with the substantial physical problems in their city. The city is not providing the capacity that's needed in their particular situation, and increasingly they are lashing out in confrontation ways with the city because they are unable to get the kind of support and the kind of technical assistance that could come from such an attempt as the Neighborhood Self-Help Development Act.

In terms of Toledo, it's a project called the River East Revitalization Corp. started with a \$3,000 set of contributions from businessmen on the strip and out of that \$3,000 contribution 3 weeks ago we had a groundbreaking for a \$4.7 million commercial revitalization base on the main street of Toledo. The reason that happened was the capacity of the businessmen of the community and the people of the community which was built in a step-by-step kind of way to be able to address the problems of deterioration on that street in a very substantive way. The city could not have done the things that the River East Revitalization Corp. did. The city itself said that and at the same time the city is a strong partner in the River East project. We took \$3,000 raised by businessmen and were able to match that with a \$12,000 grant and were able to match that with a \$15,000 grant from the Greater Toledo Corp., which is a downtown corporation, and we matched that with \$25,000 from the Community Development Department of the city and the Urban Development Task Force matched all of that with \$65,000. Out of a \$3,000 small kitty started by the businessmen on the street we ended up with over \$120,000 as the kind of operating money with which we were able to develop the kind of plans we needed. That was the kind of partnership that began in terms of the operating cost of the project and out of that we're at a point where \$2.5 million of public moneys is being augmented by \$2.7 million of private moneys in the community.

The role of the city has been a supportive one throughout the building of the River East project, but without the time, the effort, the thousands of hours of volunteer energy that was put into the River East project by the people of the community, the city would never have been able to play the role that it has been able to play.

So it became very clear from our efforts on the River East project that the need for capacity building on the community level is important so that the partnership with the city and with the Federal Government is a real partnership and has to be reinforced, and we feel that the Neighborhood Self-Help Development bill takes the first step in that attempt.

One caution I'd like to make, and that is that this is not going to solve—this bill or the Livable Cities bill is not going to solve all the problems of the neighborhoods or all the problems of the cities. It is a critical piece of the pie. It is a very important part of helping to build the capacity for the neighborhood level. I'm awfully concerned about the fact that the neighborhoods have seemed to become an "in" thing in the last 2 or 3 years. Everybody uses the word "neighborhood" and the idea "neighborhoods." I really wonder how much substance there is behind it. Therefore, I think a hard look has to be taken at whatever new programs are proposed as neighborhood assistance programs to see if it is really going to be effective on the neighborhood level or if it's just going to be another new set of activities with a lot of money invested in it. Because just putting money into the program is not enough. Too many times with the Neighborhood Commission or in other work that I have done in the past, we see successes and you have heard of the successes here today, but there are a lot of failures, and just money doesn't make the difference.

I think it is for that reason that the idea of building the capacity and the competence at the neighborhood level where the people have an ownership for what happens in that community is critical. Therefore, the Neighborhood Commission strongly endorses the Neighborhood Self-Help Development Bill.

The CHAIRMAN. Thank you very much.

Our next witness is Mr. Kotler.

STATEMENT OF MILTON KOTLER, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF NEIGHBORHOODS

MR. KOTLER. Mr. Chairman and members of the Senate Subcommittee on Housing, it is with deep respect for your committee and with personal reflection that I return to the Senate Subcommittee on Housing today to speak briefly in support of Senate bill No. 3211.

Over the past 5 years your committee has supported neighborhood organizations which have attempted to rebuild the economy and civic morale of their communities. Considering the force of habit and power politics which leads political institutions to turn exclusively to city government and the private business sector for answers to urban problems, your support of neighborhood organizations and neighborhood strategies is original and courageous. It was this committee which legislated full mortgage disclosure by financial institutions in neighborhood communities, in order that depositors may see the credit responsibilities of local financial institutions. This committee later fortified mortgage disclosure with the Community Reinvestment Act which mandates a pattern of local credit responsibility by financial institutions in order to gain new and renewed Federal licenses and privileges. This committee also carried the Neighborhood Policy Act through the

Senate, establishing the National Commission on Neighborhoods, which is to report to the President and the Congress on the state of our neighborhoods and the legislation which they require for their development and prosperity. You have the respect of neighborhood organizations for your record of responsiveness to their interests and their desire to assume public responsibility for the communities.

You know the aspirations of neighborhood organizations across the land, let me just recapitulate these reasonable desires. Our neighborhood organizations are in many respects the closest institutions to ordinary people, through which they can directly express their needs and just demands. In the present circumstance of perilous inflation people need an immediate voice to maintain a fair balance between their own interests and the interests of the enormously powerful sectors of the society. Neighborhood organizations serve as a vehicle for this advocacy. In addition, Congress has become increasingly concerned that programs legislated to benefit people at the neighborhood level, do in fact accomplish their purposes. Toward this end neighborhood organizations have been made eligible by Congress to serve as vehicles for required citizen participation. But finally, and most critical to Senate bill S. 3211, neighborhood organizations have expressed their full intention to assume certain responsibilities for the physical, economic, social, and human development of their communities. Their will to assume the responsibilities of self-development, or more broadly speaking, of self-government, is the highest expression of the dignity of the neighborhood movement.

Over the past decade, neighborhood organizations around the country have moved ever more firmly into planning and operating their own physical, economical, social, and human development programs. They have done this with limited private and public funds, and have produced some impressive results. I have just returned from Hartford, Conn., where the Upper Albany Community Corp. will host our 1978 national meeting. It is a great source of hope to the young people of that poor community to see the abandoned 2- and 3-flat buildings of their neighborhood rehabilitated by the Upper Albany Community Corp. and resold to persons who will reside in their owned property while renting a second- or third-story unit. This year Upper Albany will begin construction of a new shopping mall to revitalize the commerce of the neighborhood. At the same time, this neighborhood organization operates a whole range of social programs. The story of the Upper Albany Community Corp. and its capacity to develop its community is being repeated in many cities across the land.

In S. 3211, you turn your attention squarely to the need of neighborhood organizations for technical assistance in planning and development strategies. This support is essential to advance and refine the capability of neighborhood organizations to develop their responsibility to their communities. The National Association of Neighborhoods fully supports this legislation and wishes to make a constructive contribution to the act by recommending certain criteria for selection and allocation under this program. We hope these criteria will be considered by the committee for appropriate embodiment in the legislation or regulations governing this act.

These criteria I am recommending have two sources. Most recently they were the recommendations of the National Association of Neigh-

neighborhoods national meeting on "Neighborhoods and the Urban Policy" which met in Washington, D.C., on May 21 and 22, with representatives of 80 neighborhood organizations from around the country. These recommendations were also made to Mr. Stuart Eisenstat, of the Domestic Council, during the formation of the President's Urban Policy by the National Coalition of Neighborhood and Community Organizations on January 18, 1978:

The selection of a recipient organization should be assisted by an advisory panel—each panel should include neighborhood representatives and others experienced in the development, operation, and evaluation of neighborhood based conservation and revitalization activities. Appropriate agency representatives will also sit on the panel.

Neighborhood organizations should be selected which are serving low and moderate income areas.

The neighborhood organizations which receive funding should be democratically structured and support the broad principles of diversity and equality within their neighborhood.

The leadership of these neighborhood organizations should be either democratically selected or elected by the neighborhood residents themselves.

The process of selection should be based on the merits of the neighborhood organization and its proposed program rather than on the convenience of mayoral concurrence.

A specific percentage of all available moneys should be set aside for neighborhood organizations without track records in order to aid new groups seeking to address neighborhood problems. It is sufficient that these groups have a 501 C-3 tax exempt status and met other basic accountability standards.

Funding of groups should be proportionate with needs, programs, and experience. Funding levels should be adequate and not excessive and this funding should be sustained over a period of years. Two of the most difficult problems facing community groups are receiving too much money too soon and always being subjected to discontinuous and irregular funding cycles.

Senate bill S. 3211 marks a new stage in the legislative history of community development by neighborhood organizations. We appreciate your confidence in our progress and we intend over the years to augment your confidence, as we exercise our steady conviction that American citizens can directly, through their neighborhood organizations, assume effective and just responsibility for the development and affairs of their communities.

ANSWERS FROM THE NATIONAL ASSOCIATION OF NEIGHBORHOODS TO SUBSEQUENT QUESTIONS OF SENATOR PROXMIRE

(1) You suggest that groups receiving Self-Help grants must be either "democratically selected" or elected by the neighborhood residents. I sympathize with this, but have some questions.

First, how can a group be democratically "selected" without being actually elected?

Secondly, unless the local government has created a formal neighborhood council type of arrangement, how feasible is it to expect neighborhood elections. Who is to determine what the boundaries are of the affected neighborhood, or whether the election was properly conducted?

Mr. Senator, in response to your first question, democratic "election" generally refers to a universal election in a community open to all qualified residents or registered voters, and held on a given day with polling places in different locations throughout the community. This is the normal election procedure with neighborhood councils established or legally recognized by municipal governments. The democratic "selection" of officers by neighborhood organizations, on the other hand, generally refers to nomination and selection at a meeting of the membership of a neighborhood organization. While that membership can be far short of the total population of residents or registered voters of the community, it is sufficient to support a democratic procedure, provided that membership is open to the entire community, the nomination process is fair, and the selection meeting publicly announced.

Second, we have many cases of community wide elections of officers in neighborhood organizations that have not been created or legally recognized by the city council. The Adams Morgan organization in Washington, D.C. is a good example of this. They hold open annual elections throughout the community. I want to add that neighborhood organizations which are not officially recognized by the city government do generally determine their boundaries in non-overlapping fashion. But even minor overlapping should not impair democratic selection. Of course an official recognition process can resolve overlap problems.

Finally, HUD should develop regulations to resolve any challenges which citizens may make to election or selection procedures.

(2) You believe that Self-Help grants should be awarded on the merit of the group and its project, rather than on mayoral concurrence. HUD's bill allows the mayor to object to the project only if it is inconsistent with locally determined community development plans and activities. Is this a workable compromise?

Obviously, the merit of a proposal should be the primary element in a grant award. We do not want mayoral concurrence to become a standard for the quality of a neighborhood organization or revitalization project. If concurrence is politically necessary to get this bill through Congress then we feel it is only fair to require mayors to back up nonconcurrence with hard arguments and evidence of inconsistency with local development plans. Mere certification of inconsistency is not enough of a compromise. Finally, we do not feel that neighborhood organizations should be prejudiced in those cities which have recalcitrant mayors who will not work with neighborhood organizations.

(3) You urge that recipient organizations be selected in part by a panel of agency representatives, neighborhood representatives, and others experienced in the field. How would this work? Would there be a national panel, or local panels? Would HUD select the panel members? Would the panel sign off on the application itself, or only on the eligibility of the group?

The panel would be advisory and the selection of participants on the panel would be done by the Department of Housing and Urban Department. Procedures under which the panel would function should provide for the broadest possible involvement of all interested parties (agency officials, neighborhood representatives, city officials and other individuals experienced in the areas of neighborhood development), but such involvement should not be so intense as to encumber the efficient workings of the Department.

The CHAIRMAN. Thank you very much, Mr. Kotler.
Now Mr. Watkins.

STATEMENT OF TED WATKINS, LABOR ACTION COUNCIL, WATTS, CALIF.

Mr. WATKINS. I was pleased and honored when I was first invited to testify regarding the Neighborhood Self-Help Development Act of 1978. I was even more pleased, upon reading the contents of the act, to find that this piece of legislation represents something that neighborhood organizations, such as the Watts Labor Community Action Committee have been requesting for many years.

The act, as it presently stands, does not go into any details, and, as the regulations are prepared, it is possible that requirements might be

included which would give us some concern. But, at the moment, there is nothing in it that we could object to at this general level.

I welcome the emphasis on neighborhood organizations and the recognition that organizations like WLCAC have played a major role in revitalizing distressed neighborhoods and will continue to play a major role in the future. My belief is that in many distressed neighborhoods the private nonprofit community-based organization is the primary vehicle through which revitalization can occur. In saying this, I do not wish to imply that we can go it alone. On the contrary, some form of cooperation and coordination with the local unit of government is essential if a project is to succeed.

Most of WLCAC's development projects have in fact been executed with the assistance of the city and county of Los Angeles. What I want to emphasize is that in areas such as Watts, virtually nobody, outside the community organizations, is doing anything. There is almost no private investment. The shops and businesses that were destroyed in 1965, or which subsequently moved out, have not been replaced. The private housing market is stagnant; loans for developers and individuals are hard to obtain. Sometimes I feel, when I drive around the neighborhood, that WLCAC and other organizations like us are the only ones doing anything as far as the private market is concerned.

One of the advantages of the neighborhood organizations' involvement in community revitalization is the many spinoffs that occur. For over 8 years WLCAC has been building housing in the Watts-Willowbrook area of Los Angeles. But, unlike a private for-profit developer, we don't just build, sell, and then move out. We build and then stay to manage the development and provide a whole range of additional services. On a typical housing project developed by WLCAC, the following things occur:

One. We employ local area residents.

Two. Using CETA and YCCIP funds, we combine construction activities with training programs for unskilled, unemployed individuals.

Three. We have a special program for women, training them in non-traditional roles on construction jobs.

Four. After the training period, our participants are placed in jobs, many of them in private industry.

Five. Once the project is completed, we rent the unit to low- and moderate-income families and individuals.

Six. We provide tenant counseling.

Seven. We provide extensive project landscaping and maintenance.

Eight. We provide continuous security.

Nine. For our elderly tenants we offer services such as transportation, information, and referral, social and recreational activities, and the opportunity to participate in a hot meals program.

These are only some of WLCAC's activities and services. But they represent what we ourselves do. There are, however, other spinoffs. The jobs we are able to create generate income which is spent within the community, stimulating business and economic development. The neighborhoods we upgrade through our development activities stabilize and improve. Others, individuals and business, are in turn encouraged to reinvest and improve their properties. A chain reaction begins to occur.

The cornerstone of this development process is the neighborhood organization with its ability to relate both to community residents and to the local units of government. The diversity of activities is also important. I don't believe that the problems of a distressed neighborhood can be solved by implementing one program or by focusing on one particular problem. There must be many programs with many focal points. In a typical distressed area I envision housing rehabilitation occurring together with infill construction—new or move-on—on vacant lots, urban beautification and street tree plantings, yard maintenance, house painting through handyman projects, house weatherization, HUD subsidy programs such as sections 8 and 202, section 312 loan programs, encouragement of private investment, self-help activities, economic development, and a wide range of social service programs. All of these activities can be coordinated through a neighborhood organization working closely with the community and with city, county, and State government.

We at WLCAC have demonstrated that this can be done and examples exist in the projects which are already being implemented. One project is the Willowbrook NDP. This was declared a redevelopment area by the Los Angeles County Board of Supervisors in 1977. The plan, which WLCAC developed together with the county and the local project area committee, calls for the construction of a new shopping center, offices, a medical school, and housing adjacent to the county's Martin Luther King General Hospital in Willowbrook. Implementation has already commenced and some funding has already been committed. But, additional funds are needed, and it would appear to me that the legislation we are discussing would be an ideal mechanism for this.

Returning to the Neighborhood Self-Help Development Act itself, I feel it is important that neighborhood organizations receive funds directly from Washington. I am not trying to bypass local government units, for, as I said earlier, cooperation between all parties is essential. Further, it would not be ours or any other neighborhood organization's intent to be in conflict with the objectives of local government. But, our experience at WLCAC is that programs funded and coordinated directly from Washington are much easier and simpler to operate. I believe they are also more cost effective since the administration costs, taken off the top by local government units, does not occur.

In conclusion, then I welcome this act and see it as essential if neighborhood organizations are to continue to play a vital role in the rebuilding of our distressed areas.

The CHAIRMAN. Thank you, Mr. Watkins.

Mr. Rueda, you have quite a detailed statement here. It will probably take you until about 3 o'clock to finish it all.

Mr. RUEDA. I will just read the first few pages, Mr. Chairman.

The CHAIRMAN. If you could summarize it, we would appreciate it very much.

**STATEMENT OF RAMON RUEDA, PEOPLES DEVELOPMENT CORP.,
BRONX, N.Y.**

Mr. RUEDA. The Neighborhood Self-Help Development Act of 1978 is a very good framework in bringing together what we consider the public and private and community initiatives that were first announced by the President several months ago.

We at PDC since December 1974 have contributed over 600,000 volunteer labor-hours into what we consider was truly the first people's creative partnership where we in fact leveraged a small portion of our talents and creative abilities to put together what we see as a multimillion-dollar program which is now providing income and jobs for 250 people, an impact on well over 1,000 men, women, and children in our neighborhood, as a grassroots, bottom-up approach rather than the topheavy approach that government and big business so often use to deal with the problems of the decay of the 1970's and the remaining balance of the century.

However, I must caution that the Neighborhood Self-Help Development Act also carries the image of a paper tiger that has no claws and no teeth; and more important, it does not carry the spiritual revitalization of feeling that neighborhood people are coming across for the first time, that brings people like myself before this committee to meet our distinguished Senators like yourself, Mr. Proxmire. We need a bill and we need an act that not just only talks about moneys but talks about a commonality, a spiritualness, that brings across both the private and the public and community groups all together to deal with a common interest.

What I feel is that people in this committee and in Washington look at things from a tunnel vision, look at the neighborhood groups as being threatening, that they look at the question of \$15 million as new money, but in fact, if you look at the energy component that PDC stands for in the instance where we're dealing with energy, we feel that in energy issues PDC has where we're installing solar collectors, that a Btu is saved in the South Bronx is a fraction of a petrodollar that is saved for this country. We look at it as a national defense priority. We look at the Neighborhood Self-Help Development Act as a catalyst and the folks in Washington look at it as being new money and a lot of money, but we look at the \$15 million as being but a drop in the bucket. I implore this committee and I implore the officials of Washington, D.C., to look at not a \$15 million but a \$50 million program so that not only the cities are helped but also the rural areas throughout the country—the Appalachians and so forth.

In addition, I look at it as a bill that will increase incentives. As Government generates incentives for business, why doesn't Government generate incentives for neighborhood groups that are working on a volunteer basis?

I conclude that 600,000 volunteer sweat-hours over the last 3½ years have been a tremendous contribution by people in South Bronx. Thank you very much.

[Complete statement of Mr. Rueda follows:]

STATEMENT OF RAMON RUEDA, EXECUTIVE DIRECTOR, PEOPLE'S DEVELOPMENT CORP.

Good morning, ladies and gentlemen on the committee, panelists, and audience at large. I'm grateful and privileged to be here and be allowed to speak on President Carter's urban policy bills and in particular S. 3211, the Neighborhood Self-Help Development Act of 1978.

A Position Paper: a Prescription for Curing Our Urban Ills

STATEMENT OF THE PROBLEM

National and international shifts of private capital have eliminated the ability of private financial institutions and landlords to organize either the housing market or the labor market. This has resulted in a process of abandonment and arson on a scale unprecedented in the history of any American city. In addition, government agencies, traditionally structured to support private development activities and to provide limited social welfare programs, have been unable to respond to this process. Private abandonment and government cutbacks have forced neighborhood residents to take control of their own destinies and chart the course of their future themselves. The homesteaders of People's Development Corp. have taken this stand: They will not be moved. They will not permit the conditions which caused the problems of the South Bronx in the first place to be recreated. Like dozens of other neighborhood groups around the city, and hundreds more across the country, PDC is dedicated to the overall revitalization of our community.

People's Development Corporation is a not-for-profit neighborhood group based in a nine-block area of the South Bronx. We are committed to the revitalization of our neighborhood through sweat equity housing rehabilitation, locally-based economic development, and the wise use of our local resources; we are also committed to the social and educational development of ourselves and our neighbors through job training, a stress on meaningful education, and a firm intention to foster significant involvement and participation of all our members.

People's Development Corp. is a catalyst, initiating responses to the basic needs and the basic aspirations of the neighborhood.

Our objectives are fundamental: organize, develop, change. Neighbors and homesteaders must form themselves into block associations, tenant cooperatives or work crews to insure the greatest participation and education in neighborhood development, and neighborhood development must be a response to clear needs in housing, economic development and environmental improvement. In order to achieve these objectives, policy must be changed to guarantee resources for the neighborhood. Attitudes must be changed to prove that community-based action is an alternative to time-consuming, often misdirected bureaucratic procedures. Attitudes must be changed to permit people to come together, working for a common goal.

This means that revitalization of a community must be initiated from within, as a self-help program with initial public and private assistance. It must become a process of self-sustaining improvement, and the process must be based on non-profit development, in which every apartment, job, park or economic enterprise is to be considered a neighborhood resource. Each must be cared for, and seen not as a commodity to be bought and sold. Neighborhood revitalization must be grounded in coherent social and physical planning. This planning, however, comes out of the experiences of local residents, not from a distant planning authority. The result of this "resident-based planning" is an integrated strategy for improvement involving housing, job training and career development, economic development, energy conservation and production, environmental improvement and organization, and education.

PEOPLE'S DEVELOPMENT CORPORATION

PDC concentrates its activities in a nine-block area which we visualize as a "village of 10,000 people." We attempt to implement our projects on what amounts to a five-year plan. On the long term, PDC is concerned with a 40-block "urban conservancy." This conservancy was defined as a result of surveys done by PDC. It contains all the basic functions and spaces which go into an overall revitalization plan, and can be considered as a unified planning area.

INTEGRATION OF PROGRAM COMPONENTS

Since neighborhood needs are multiple, People's Development Corp. must do what no government agency—including the Model Cities Program—was equipped to do. Projects, financing alternatives, and employment and training programs are coordinated so that the ultimate impact goes far beyond what any single program could produce. For instance, during the National Urban Homesteading Demonstration Program, the sweat equity housing renovation activity will be used as a vehicle for providing skills for the participants, space and markets for

local retail and industrial development, and decent low-cost housing. Homesteader-trainees are divided into work teams, and while each team is trained in a particular construction trade, it is also prepared to be spun off into an independent economic development unit. Each resulting enterprise is to be structured so that its workers are responsible for production, management, and long-range decisions. In addition, it is envisioned that these projects will contribute a given proportion of their profits to a community fund for reinvestment into other activities in the neighborhood. By training homesteaders in special business management, accounting, and trade skills, a local pool of skilled workers and managers will develop. It is PDC's commitment to accompany the development of such a pool with start-up capital and the definition and development of markets before the various projects are actually spun off. Housing rehabilitation of abandoned stock repopulates the neighborhood and is the setting in which homesteaders will be able to discover their own special talents. Career training is the bridge to permanent economic development which provides, in turn, steady meaningful employment and reestablishes a stable economic base for the community.

Neither the city's Department of Employment nor the Department of Housing Preservation and Development, nor the Mayor's Office of Economic Development currently have the capacity to coordinate their different programs. The same holds true for the federal level with HUD, DOL and EDA. An absolutely necessary policy change, then, is the development of much better coordination and joint sponsoring of activities on an interagency and intergovernmental basis. As it exists now, we at PDC find ourselves doing the liaison work which really should be done at City Hall and in Washington.

POLICY CHANGES: HOUSING

Given the scale of the problem, there is no question that overall funding of housing programs must be increased. However, the most powerful incentive for new homesteaders at PDC is the chance to own one's own home, and being freed from the uncertainty inherent in a privately-owned building which has great chance of being abandoned. Cooperative ownership is the clearest way in which people can and in fact do take control over the decisions which affect their lives.

In addition to the human factor, sweat equity housing rehabilitation has proven its cost effectiveness. The latest estimates for an average dwelling unit renovated under the Section 8 Substantial Rehabilitation Programs are \$48,000 per unit; PDC's cost, including CETA-funded labor, average \$32,000 per unit. Beyond the mere cost, the quality of design in sweat equity buildings is much higher than those mass-produced by a private Section 8 developer.

PDC calls, therefore, for these changes in housing policy:

Expand current Section 312 multiple-unit homesteading funding levels beyond that included in the current demonstration program.

Extend the term of the Section 312 loans to 30 years, while reducing the interest rate to 1 percent.

Establish grant programs for financing renovation.

Process loans or grants directly between HUD and the neighborhood self-help group, eliminating the need for public or private intermediaries.

Place strict limits on the effective interest rate of private financial participation in interim financing. Since the interest rate is normally an indication of risk, high rates are unnecessary when loans are fully government-guaranteed.

Funds from the annual Community Development Block Grant Program are intended, according to the legislation, for use in low and moderate income communities. Despite this clear mandate, CD funds have been seriously abused, used to cover traditional expense budget items such as municipal employee salaries. To prevent this happening in the future we suggest:

Implementation of HUD regulations governing the use of CD funds, was strict enforcement, for the benefit of low and moderate income communities.

PDC stands with other neighborhood organizations across the country in supporting:

A 75-percent allocation of CD funds for low and moderate income housing needs, with the remaining 25 percent allocated for locally-based economic development.

In order to qualify for receipt of CD funds, a municipality must draw up a Housing Action Plan describing goals, objectives and target areas for which CD funds would be used. Following the approval of the HAP, certain CD-funded

agencies within the municipality can receive CD funds directly, without review by the city. For instance, Section 8 private developers can receive their grants directly from HUD, provided their development activities conform to the city's HAP. In order to maximize revitalization efforts, PDC calls for:

Direct CD funding to neighborhood development organizations without city processing and review, provided the organizations' plans are in conformance with the city's Housing Action Plan.

It took eighteen months to obtain a Municipal Loan from the City of New York for the rehabilitation of 1186 Washington Avenue. It is taking almost as long to process the buildings to be renovated in the demonstration program. Procedures, forms, and schedules should be simplified and reduced to the minimum necessary in the transferral of funds to neighborhood development organizations.

POLICY CHANGES: JOB TRAINING AND CAREER DEVELOPMENT

A tremendous amount of time and energy has been wasted attempting to reconcile DOE and DOL job training programs with HUD and HPD programs. The job placement concerns of the former agencies do not necessarily match with the physical development goals of the latter, and in all this, the Mayor's Office of Economic Development, the Federal Economic Development Administration, and the Small Business Administration have yet to become involved. Here again, real policy coordination between these agencies is called for. In particular:

Both the White House and the Mayor's Office must establish full neighborhood revitalization as the essential goal for programs undertaken by these agencies, recognizing the necessity for integration of housing, job training, and economic development strategies.

HUD and HPD must guarantee job placement as part of any self-help housing program (such as Community Management, demolition and seal-up, etc.)

Municipal and federal policies must be established which guarantee that 10 percent of all contracts available through public funding be offered to neighborhood-based self-help economic enterprises for the right of first refusal.

The potential for conflict between construction trade unions and neighborhood development organizations is clear, with respect to job training programs funded under the Comprehensive Employment Training Act. Recognizing this, PDC calls for the expansion of both union and locally-based employment training programs. PDC will have union participation in its urban homesteading demonstration program, both in skills training and technical assistance capacities. However, in order to carry out a full skills development program, it has been necessary to obtain a waiver of Davis-Bacon requirements governing the ratio of trainees to skilled journey-people. Prevailing wage requirements still apply to all but trainees. A crucial policy change for continued and expanded neighborhood self-help programs is an extension of the waiver. Therefore, we are calling for:

A permanent waiver of Davis-Bacon requirements governing journey-person/trainee ratios for neighborhood-based self-help training programs under the Section 312 and Community Development Block Grant programs.

In order to operate a coherent skills training program, it must be possible for neighborhood development organizations to conduct post first-year skills upgrading programs. However, current DOL regulations for the CETA Title 1 Adult Work Experience Program prohibit the use of funds for such a purpose. Therefore, PDC calls for:

A review of Current CETA Title 1 regulations governing skills upgrading programs, and the application of a waiver of these regulations is necessary. Furthermore, PDC requests support for:

Establishment of certified apprenticeship training programs by qualified neighborhood development organizations.

Besides direct skills training, People's Development Corp. sees the need for a variety of educational programs to serve specific needs or groups within the community. Included in these programs should be:

A joint neighborhood development organization/public school program exchanging housing maintenance and similar courses for basic educational skills programs based in the community;

Courses in management, accounting, and specific technical training;

A scholarship program for homesteaders who desire obtaining additional professional or higher educational training, and who have shown potential for such training through their work in the community;

A youth education program, based in the community and concerned with environmental issues, basic construction skills, and similar fitting subjects;

The establishment of a people's resource exchange—a neighborhood directory of individuals and groups who are willing to offer special skills, information, or services to local residents.

POLICY CHANGES: ECONOMIC DEVELOPMENT

The necessity for locally-based economic development is basic and clear. Decades of decay, dramatized by the most severe kind of abandonment within the past five years calls for a revitalization of the local economic base; for the development of a skilled work force, and, as a corollary, the expansion of meaningful local employment opportunities; and for forms of control over capital assets which will ensure that newly created capital remains inside the community for reinvestment purposes. In the redevelopment of a local capital base and of career opportunities, it is crucial that the condition which was the fundamental cause of the decline of the neighborhood—private disinvestment and relocation—not be permitted to occur again.

In order to carry out this extensive development program, a number of policy modifications are required. These include:

The expansion of all direct no-interest programs for minority and small business undertakings, as part of a neighborhood revitalization policy for local and federal agencies. This especially applies to the Economic Development Administration and the Mayor's Office of Economic Development:

The expansion of grants programs for brick and mortar costs, working capital, equipment and machinery purchase, and technical, research, planning and feasibility studies;

Development of a direct grants program for establishment of a technical staff for neighborhood development organizations undertaking economic development projects;

Long term tax abatements or permanent tax exemptions, and personal income tax credits;

Where private interest-bearing loans are used by neighborhood development organizations, the development of an interest-relief funding program, and a matching grant program to lower the effective interest rate;

The relaxation of SBA criteria for loans to new businesses in cases where they are sponsored by neighborhood development organizations, and development of an outreach technical assistance program;

The elimination of all former regulations and informal practices which prevent loans and grants to non-traditionally structured enterprises, such as cooperatives and worker-controlled enterprises;

The relaxation of requirements in existing government programs for private participation in economic development projects, and of such private participation to ensure that community-oriented reinvestment objectives are carried out.

Control of property in a neighborhood is an especially important priority. This is especially so in the South Bronx where forecasts indicate that the area offers an excellent location for industrial development. While attempting to attract new industrial capital into the South Bronx, the city has failed to offer any guarantee to the residents of the area that they will have any meaningful participation in this redevelopment, let alone any direct benefits in the form of job training, employment, and reinvestment.

Moreover, PDC and other neighborhood organizations firmly believe that land in a neighborhood must not be considered a commodity to be bought and sold. Rather, property is a neighborhood resource to be used wisely under community stewardship.

Therefore, both the city and federal government should establish programs to encourage non-profit land acquisition and control on a neighborhood basis. In particular, vacant, residential and commercial-industrial properties more than a year in property tax arrears should be foreclosed upon by the city, with immediate transfer of title to an appropriate neighborhood land trust. Ownership of property must be carried out on a decentralized, non-profit basis.

Finally, with respect to commercial revitalization, until such time that a strong, dynamic market for local retail activity has been generated, the exploration of combining educational and economic activities should be made. A preventive health program based in the neighborhood would have a health aids/drug store as a natural component. In this way services and goods could be provided to the community, could provide additional training for workers, and act as the basis for the full scale development of a freestanding store.

POLICY CHANGES: ENERGY

The poverty and misery in Morrisania, in the South Bronx, and in neighborhoods throughout New York City manifest themselves most clearly in terms of energy. Last winter the inhabitants of many buildings went long periods without heat or hot water. Today, still, building after building is unweatherized—lacking decent windows, uninsulated, boilers in poor repair, plagued by drafts—and without certain fuel supply. At the line's end for financial resources, our people live not only in unhealthy conditions but have little chance to control the forces which will provide or deprive them of fuel or to make improvements which would allow us to make efficient use of whatever energy is available.

As with housing, energy is a natural resource, control over which should be vested in human communities, rather than in profit-oriented markets which clearly victimize the poorest. Government policy should go beyond providing improved conditions. It must change the relationships which have allowed conditions to reach such a state. It should place directly into the hands of local residents the means to care for themselves.

The lack of capital resources has prevented homeowners and tenant associations from making necessary weatherization improvements and provisions for fuel delivery. Without capital for the home improvement loans people cannot take advantage of new technologies that would make them less dependent upon increasingly undependable energy sources, such as oil. From whatever sources are available, immediate funding for weatherization materials must be forthcoming, with materials made available through grants or loans directly to homeowners and tenant associations. Secondly, CD funds should be stipulated for an energy bank to make available low-interest loans to homeowners and tenant-cooperative associations for major energy improvements such as insulation and alternative technology. Work could then be done by residents themselves, perhaps with technical assistance, by local tradesmen, or by crews from local community groups.

The lack of support for skills training has prevented community groups, who see the severe problems close-up, from taking a more active role in their solution. Without appropriate skills low-income neighborhoods cannot participate in what is becoming a major industry: the conversion of American living spaces from energy-wasting to energy-efficient facilities. Immediate funding, especially through CETA, should be made available to community groups to carry out on-the-job training in energy conservation skills. The conversion of the American economy to energy-efficiency is quickly opening up an alternative technology field, creating a demand for skilled technicians. Any solid urban policy would make sure that this demand reached into just those areas of highest unemployment. To create career opportunities in job-poor areas and to make available the expertise needed to develop energy conserving businesses, ERDA resources should be committed to neighborhoods for technical education programs in solar energy (design, manufacture, installation, and maintenance), in insulation technology, and in research methods for planning locally appropriate technology applications.

Lacking finances and skills, our neighborhood and others like it have lacked the basic ability to gain control over our energy problems, instead remaining dependent on government emergency services. A policy is required which will allow people to end this dependency. Programs aimed at energy up-grading must be clearly tied to efforts at sustained economic development within impoverished neighborhoods. With skills and capital made available through energy up-grading programs, the potential exists for initiating community businesses. In essence a local market would be created for a sorely needed service along with a local ability to meet demand. Enterprises so begun would not need to remain restricted to a particular area nor to government funding. However, to initiate such enterprises so that they will be managed soundly will take a considerable commitment of resources for organizational, educational, and technical assistance to local residents. Government supports for weatherization and alternative energy demonstrations should be tied to plans for community businesses. The SBA, OMBE, and other relevant agencies must provide business assistance and work with community groups to devise means for comprehensive support on such things as work plans, management systems, and market studies. Mechanisms for making available venture capital must be established.

To turn the energy problems of poor neighborhoods around into positive economic initiatives, it will be necessary to provide capital and market support to groups which have completed first projects. Both PDC and Adopt-a-Building, the two participants in the National Urban Homesteading Demonstration through HUD, have completed solar domestic hot water systems. Rather than leave these as merely single demonstrations of retrofits, over the next year HUD should expand its demonstration goals to a pilot aimed at building a technical solar capacity in an underdeveloped urban area. This should include HUD solar demonstration Cycle IV grants for solar retrofits on Urban Homesteading National Demonstration buildings. With this experience and both business and technical training, the capacity will exist for previously semi-skilled and unskilled "homesteaders" to enter the construction contracting market competitively. Local public utility demonstrations must be required to contract work to such neighborhood groups. To maintain an adequate market for this economic initiative, all federally subsidized Section 8 rehabilitation projects should stipulate energy conservation and solar packages with a minimum of 20% of the work being contracted to minority/neighborhood-based energy development enterprises. To aid entry into the highly competitive construction market, the CSA should provide start-up capital through its Energy/Economic Development Program.

Contracting businesses, no matter how profitable, provide a relatively small and unstable economic base for an entire community. With an increasing volume of insulation retrofits and solar installations in the Northeast, there is a fleeting opportunity for New York City communities to re-attract some of the manufacturing capital that has fled. As a means to rebuild New York's neighborhoods, an energy conservation industry has great potential for many small, labor-intensive plants, the products of which should be required by federal legislation to be included in any demonstration programs conducted by public utilities and in any installations on civic buildings such as schools or hospitals. If alternative and energy-conserving technology is to provide a solid, long-lasting economic opportunity for underdeveloped neighborhoods, possibilities of manufacturing solar components, insulation, and storm windows must be considered quickly—before the market is totally dominated by utilities and energy giants who show little concern for the social impacts of their business. Because capital investments in manufacturing are high, some form of private participation will probably be necessary if there is to be true redevelopment. Though there is a ready labor market in New York's poorest neighborhoods, private investment will have to be encouraged by strong federal incentives. To ensure that private investment will support local economic development to the fullest, private participation should be geared to local re-investment, management training, profit-sharing, and local majority control of subsidiary enterprises. Currently the PDC Energy Committee is exploring the possibility of obtaining private participation in local assembly of solar collectors for the National Urban Homesteading Demonstration. HUD, ERDA, and EDA must strongly support such efforts now through whatever means possible, including jaw-boning with industry leaders. Further, to leverage private participation, federal policy must commit substantial funds to prepare an infrastructure: CD-UDAG funds for plant rehabilitation and CSA dollars for the machinery required. Finally, if such a neighborhood industry is to grow, research and development resources must be plugged into this expanding industrial capacity to develop technology appropriate to neighborhood use and production. Funds for this might well be appropriated through ERDA and through the National Center for Appropriate Technology, a CSA funded agency.

POLICY CHANGES: ORGANIZATIONAL

An underlying issue in this position paper has been that of how decisionmaking is structured, how participation and involvement is generated, and, generally speaking, how political power is distributed within a community. As has been noted throughout, each activity calls for its own form of organization. PDC's objectives are to both decentralize and integrate the number of projects to be undertaken in the next few years, and to begin to develop a broad range of structured organizations in the community. For example:

Construction training is based upon work crews.

Economic enterprise ownership and management is based on work crews.

Sweat equity and tenant managed buildings are organized as self-managing cooperatives.

Land ownership and maintenance is based on block associations.

Building associations are organized into a neighborhood tenants' cooperative.

Finally, all these organized groupings are brought together into a neighborhood assembly, a central forum for the community.

These are the kinds of structures and cohesive work and residence units which PDC intends to develop and encourage during the coming years.

PDC itself is a catalyst, a membership organization which initiates activity and then spins it off. Uppermost in these organizational considerations are our intentions to develop a meaningful structure for participation, and to avoid the errors of other, earlier community development corporations. This form of organization is also an attempt to prevent technicians or professionals from effectively determining the policies of the corporation. In this regard, strong emphasis must be placed on the training of local residents, developing effective communication channels and the process of decision-making. This kind of work can only be carried out if supportive education and organizing staff is available.

[New York Times Editorial, Mar. 28, 1978]

THE KIDS IN HARD HATS

Can idle teen-agers be put to work fixing up the inner-city neighborhoods they are so often accused of tearing apart? The People's Development Corporation, a housing rehabilitation group in the South Bronx, thinks so. The corporation has just received a half-million-dollar grant from two Federal departments—Labor, and Housing and Urban Development—to hire and train some 60 jobless youngsters for community improvement projects.

The South Bronx program, one of ten demonstration projects in the country, is part of the Carter Administration's billion-dollar Youth Employment and Demonstration Projects Act of 1977. The legislation envisions a broad array of approaches to help unemployed youths, including incentives for dropouts to return to school and expansion of the Job Corps. The goal of the community improvement program is to train teen-agers and employ them in activities which produce tangible neighborhood benefits, such as remodeled buildings and new vest-pocket parks. H.U.D. also hopes these efforts will stimulate additional public and private spending for housing and community development, creating more jobs for the young. Other groups chosen for this experiment include Watts Labor Community Action Committee in Los Angeles, Carr Square Tenant Management Corporation in St. Louis, and Mexican-American Unity Council in San Antonio.

The Bronx teen-agers will participate in planning and renovating five tenements, transforming an abandoned firehouse into a community center, and converting several houses into residential facilities for youths referred by state welfare and corrections agencies. In designing the demonstration project, Federal and local agencies have responded to pressures to "put these kids to work" and produce results as quickly as possible. But as the program progresses, care must be taken to assure that these pressures do not supersede the long-range interests of the young people; the goal should be to enhance their ability to compete for ordinary jobs in the public and private sectors. For now, it is heartening to see the Bronx teen-agers already on the job, sporting their new hardhats as they go to work on the first of the buildings to be homesteaded. It's a promising start.

THE CITY OF NEW YORK,
OFFICE OF THE MAYOR,
New York, N.Y., August 26, 1977.

MR. RAMON RUEDA,
Executive Director, People's Development Corp.,
Bronx, N.Y.

DEAR MR. RUEDA: I am pleased to take this opportunity to reaffirm the City of New York's commitment to participate in the first multi-family urban homesteading demonstration program in the country, as originally stated in my letter to HUD dated 9 February 1977. Your success in obtaining a three million dollar set-aside in Section 312 rehabilitation loans from HUD is to be encouraged, as is the agreement by Chemical Bank, Morgan Guaranty Trust and Banker's Trust to provide interim construction financing. We hope this worthwhile approach

will succeed, and look forward to further expansion of the utilization of this concept. These funds will be used in an especially innovative program, which will provide good quality housing at affordable rents, offer meaningful job training and personal development opportunities to the program participants, and directly lead to a firm foundation for neighborhood economic development.

I intend to designate the neighborhood in the Morrisania area of the Bronx generally bounded by 169th Street, Fulton Avenue, 166th Street, and Park Avenue as an Urban Homesteading Demonstration Area under Section 810 of the Housing and Community Development Act of 1974. This designation qualifies the area for Section 312 rehabilitation loans. I also intend to designate an area on the Lower East Side of Manhattan as an Urban Homesteading Demonstration Area, which will likewise qualify it for Section 312 funds. The specific boundaries of this area will be decided in the near future.

In order to successfully implement the demonstration program, I have instructed the City's Department of Employment, consistent with CETA guidelines, to provide sufficient job training funds from the Comprehensive Employment and Training Act Title I and/or other CETA titles to complete training for placement in unsubsidized employment and to permit the completion of the rehabilitation of the properties involved in the demonstration program. This reaffirms my commitment as stated in my letter of 9 February 1977 to HUD.

The Department of Housing Preservation and Development will provide additional support funds out of the Community Development Block Grant Program. Specifically, this support will be used for the Community Management Program, which is an important neighborhood revitalization tool, as well as for interim site improvement, site acquisition, demolition and seal-up, and Participation Loan Program housing rehabilitation.

I am encouraged by your efforts at locally-based economic development, and will instruct the Mayor's Office of Economic Development to assist your organization in furthering these projects.

These commitments by the City of New York will be made available in time for the expected project start-up date of January 1, 1978.

Congratulations on your progress to date. We are encouraged by the work your organization is doing.

Sincerely,

ABRAHAM D. BEAME, *Mayor.*



The consumer-farmer cooperator

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A Good Beginning

Slowly, hesitatingly and reluctantly our public officials are realizing that the housing problem and unemployment are both horns of the same dilemma. As long as millions of poor people are forced to live in the decaying slums of the central cities, with no chance of escape because of lack of employment, neither condition will be improved.

The answer is simple: make it possible for those who want an end to the slums to rebuild them. Now that wholesale devastation in the form of urban renewal has been ended because it is uneconomic, socially undesirable and self-defeating, the ill-housed little people can do something to help themselves—if given a chance.

Those who advance grandiose ideas about vast construction projects aren't concerned with housing at all. They are concerned with the money to be made out of housing. Only the consumer, the lowly, suffering poor tenant is really concerned with housing.

It is not surprising that the housing industry is not enthusiastic about encouraging the slum dwellers to rebuild. When consumers do things for themselves, there is no money in it for the conventional machine. But there is no escape. Decent housing can be provided by renovation and restoration at a fraction of the cost of the ill-fated slum clearance programs.

A substantial redevelopment program in the inner-cities strikes at the root of the unemployment problem. That is where the unemployed live. All around them there is work to be done. Willing hands and skills are available right in the neighborhood. Remove the roadblocks and let the people do something for themselves.

In the following pages you will find examples of what has already been done in the face of numerous obstacles. These people aren't waiting for someone to do things for them. What they need is the means to do something for themselves in every community.

(Continued on page 3)

"We are proud of what you are doing"—

PRESIDENT CARTER

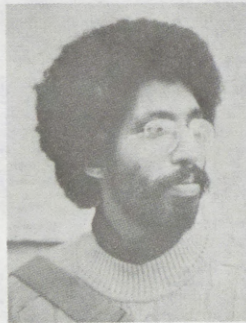


Photo by Uffo

**Ramon Rueda, Executive Director,
People's Development Corporation.**

The People's Development Corporation received a boost recently from an unexpected source. President Jimmy Carter and an entourage including Patricia Harris (Secretary of the Department of Housing and Urban Development) and then-Mayor Abraham Beame, paid a surprise visit to the Peoples Development Corp. (PDC) during an inspection tour of the "devastation" in the South Bronx. Greeting President Carter on the steps of 1186 Washington Avenue (PDC's recently-completed sweat equity project), director Ramon Rueda accepted his words of praise with the rejoinder: "Send us more money Jimmy, so we can continue what we're doing here."

'Ours Is Only A Beginning

What President Carter viewed in our neighborhood on October 5th was only

the first year of an ambitious five-year plan for the redevelopment of the nine-block area in the South Bronx known as Melrose-Morrisania. The basis for this plan is the development of a new urban policy which combines a community's natural resources of vacant land, existing housing stock, industry and commercial development, services, the residents and their innumerable talents into a self-sufficient system which we at People's Development Corp. like to call a "village of 10,000." An important technique used in the creation of this village is greenlining, and this is the very kind of assistance which Ramon requested from the federal government. The Consumer-Farmer Foundation has been a leader in the greenlining efforts in many New York City neighborhoods, providing seed money well before many other private and public institutions were willing to make a commitment.*

A Home and A Job

The National Urban Homesteading Demonstration Program, funded by the Department of Housing and Urban Development's Section 312 program, will be commencing January 1978, and is a major step in that greenlining process, combining our housing and human resources in the gut renovation of five multiple family tenements and a CETA Title I job training program which will train the urban homesteaders in the construction trades. As with our first cooperative rehab at 1186 Washington Avenue, the five buildings will be rebuilt with a very substantial input of sweat equity.

*The Consumer-Farmer Foundation has to date advanced interest-free seed money to the People's Development Corporation for its Washington Avenue and other projects, \$55,336.00, of which \$13,336.00 has been repaid.

(Continued on page 3)

The Oceanhill-Brownsville Tenants Association — A Year Later —

Having completed the rehabilitation of 2149, 2151 and 2153 Pacific Street, we are now in the middle of the rehabilitation of 2185 Pacific Street with 23 family units in the process of gut rehabilitation. We are also planning the gut rehabilitation of 2181 Pacific Street which is another four-story tenement building. When 2185 and 2181 Pacific Street are completed, we will have completed our block plan on Pacific Street and all the buildings on the block will be in good to excellent condition. Part of the rehabilitation of all these buildings include a CETA job training program for young men of the community, sweat equity labor by the proposed tenants and the establishment of a tenant-owned cooperative in each building. None of these rehabilitations could have taken place without substantial loans given to us as seed money from the Consumer-Farmer Foundation.*

Now We Can Do More

We are the sponsors of four new construction sites here in Oceanhill-Brownsville. These sites include 417 new units of housing. Three of the sites will begin this coming spring. We are developing these sites with the New York City Housing

Authority. We have fought for three features for the new housing which HUD has finally accepted. The buildings will be low-rise, without elevators; the bedrooms will be on a different level from the living quarters; there are a number of 3, 4 and 5, bedroom apartments for the many large families living in this community. We hope that a young black general contractor from this community will get the job as general contractor. He has agreed to hire a number of our men trained in housing skills in our programs.

Our Community Management Program by which we manage buildings for the city, is moving along very well. We manage three buildings now, and will take on another three in November. We have 10 workers in this program, all earning between \$175.00 and \$250.00 a week. Most of these men are people we trained in our other programs.

To Preserve and Improve What We Have

We also manage another nine buildings for tenant groups. These are mostly buildings which the landlord has abandoned, and the tenants are now successfully managing. Landlords walk into our office frequently and tell us that they are leaving and ask us to manage the property with the tenants. In each case, a strong tenant association is organized; the tenants elect officers, collect and bank their own rent money. Ron Parker, our lawyer and Director, then does

the paperwork to make each building a tenant-owned cooperative. To assist with these buildings, we have another CETA training program whereby young men are trained in housing maintenance and repair, while they and the supervisors make the necessary repairs to the buildings. We have twenty-two trainees and five supervisors in this program. The program is essential in saving the buildings. They are in very poor condition when we get them. The tenants pay for the materials from the rent money, and CETA pays the salaries of the workers.

We are presently awaiting funding from CETA VI, public service jobs and from CETA III, jobs for youth out of school. We have submitted housing proposals for both of these programs.

We Are Ready, Mr. President

In early October, President Carter visited the South Bronx and then later that day promised to get housing programs started that would rebuild the South Bronx and Oceanhill-Brownsville. The Oceanhill-Brownsville Tenants Association has the experience and the mechanism in place to help in this effort. We are prepared to combine a housing program with work experience which would give hope to the people of Oceanhill-Brownsville.

Mr. President, we are able, willing and ready.

FATHER JOHN POWIS

*The Consumer-Farmer Foundation has to date advanced interest-free seed money to projects and job training programs under the sponsorship of the Oceanhill-Brownsville Tenants Association, \$87,168.02, of which \$72,167.13 has been repaid.

The Renigades Housing Movement, Inc.

Once again, the Renigades Housing Movement is at the point of completion of two of three projects in East Harlem, started with the aid of Consumer-Farmer Foundation, providing employment and job training to 77 minority young people under the supervision of nine master craftsmen. The Renigades Housing Movement has for a long time been involved not only in housing in their community, but also in areas as health, education and training, where twenty-nine other people are likewise employed.

Today, with the assistance of Pratt Institute, the Renigades Housing Movement is in the planning stages of the entire rehabilitation of the 300 block between First and Second Avenues. This plan involves not only additional low-income housing, but also a senior citizens center, several mini parks, vegetable gardens, and renovated brownstones,

trees, bushes and flowers on the side-walks as part of the beautification of the block.

The two projects we are now finishing are only the beginning of an ongoing redevelopment of our community. These, too, are examples of what poor people, with a little help, can do in their own neighborhood.

Regarding our third project, 316 East 119th Street HDEF, we want to express our thoughts on the Consumer-Farmer Foundation's seed money loans for this building. First, we are still in the process of acquiring the property to renovate and turn it into a cooperative. Because of the seed money lent to us, we were able to work on the building. Seed money was utilized to build a completely new roof. This roof has protected all the work that has been done to date. It is taking us more than a

year to settle the matter. Thanks to the help from Consumer-Farmer, our work was not in vain. It is this type of concern from foundations like the Consumer-Farmer Foundation that serves as encouragement to groups like ours. So, we are still pushing strong and succeeding. Keep on Consumer-Farmer Foundation—You're on the right track!

JOSE J. COLON
EULOGIO CEDENO

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101 East 15 St., New York, N.Y. 10003
Telephone: 673-5600

Meyer Parodneck	President
Mildred A. Gutwillig	Treasurer
William Kirk	Secretary
Martin Young	Asst. Secretary

Rebuilding Harlem

During the years 1976-1977 United Harlem Growth, Inc. (UHG) made its first effort in the field of development and housing rehabilitation. With its first construction 90% complete, an aggregate assessment can be drawn.

Our effort has made it clear that the cost of building and maintaining adequate housing through the traditional systems of construction cannot be supported by low-income families.

Real estate development and construction is a technical and demanding field of work. It required knowledge, organization and a lot of working capital, if a venture is to progress efficiently. However, as UHG began with an inexperienced crew and management team, a lack of specific construction organization, and an extreme shortage of working capital. The fact that 90% completion has been reached with only a 10% lag in the projected construction schedule is evidence that community people aided by such institutions as the Consumer-Farmer Foundation can take hold of and produce on behalf of their own lives.

To date, 10 men have received training and successfully completed the process of interior demolition. Six men now have skills, knowledge and can produce in the areas of carpentry, sheetrock and internal framing. Two men have worked through, revised and refined the roles of foremen. Two men have worked in and gained skills in the complete electrical wiring of a residential building, thus far completing five buildings of eleven apartments.

Now, United Harlem Growth Inc., is preparing to begin its present job. With the years behind us, we have knowledge, organization and a track record. In essence, we have reached in a very complex field a simple objective, to create a future which is viable, productive and directly related to the survival and growth of our own community.

DAVID ROBINSON

Good Beginning

(Continued from page 1)

The sweat equity program, with minimal support, has shown that such a program is practical and efficient. We salute and commend President Carter and Secretary Harris for their recognition of this effort by committing funds to further demonstrate what this movement has already demonstrated; namely, that the combination of training the unemployed in the skills of construction together with the creation of excellent housing as a fringe benefit "can't be beat".

MEYER PARODNECK, President
Consumer-Farmer Foundation

"We Are Proud..." (Continued from page 1)



Photo by Uffo

Work Crew at 1186 Washington Avenue. Front to back: Arsenio Pacheco, Danny Soto, Mario Guevara, Medgal Merced, Victor Merced, Carlos Rosas, Robert Rijos, Richie Jimenez, Eddie Acevedo.

Related PDC activities combine other community resources, always with, as our name implies, that crucial ingredient: people. The economic development program is an essential accompaniment to any housing program, and particularly in our neighborhood, where there are few essential services available, such as drugstores, stationery stores, laundromats, and so on. In order to attract new homesteaders to settle here, these services must be provided, and the numerous and currently-vacant storefronts are excellent sites for small businesses such as these, as well as for boosting the rental income of the host buildings.

Plans for economic development are on a larger scale too. A seven story vacant factory will be the site of a solar collector manufacturing enterprise and a former slaughter house will now turn out kitchen cabinets and woodcraft items instead of t-bone steaks. This sort of development is important not only for the physical revitalization of the community and the recirculation of capital within the village, but also for the meaningful and steady employment it will provide the local population.

The Community Management Program, which assists tenants living in landlord-abandoned buildings to take control of their homes, will be a pilot program with the City of New York, with funds provided through the Community Development Act and the Dept. of Housing Preservation and Development. This enables the tenants to set up a functioning management system for their building, make cosmetic repairs and systems upgrading, and eventually, convert it into a cooperative. To date, we have seven buildings ready for such management, with several more in the pipeline.

Bread and Flowers Too

The gardening and alternative energy projects make use of local resources not generally considered in the city. With patches of soil in vacant lots in abundance and the sun and wind in even greater quantity, we have seen fit to start an experimental vegetable garden and install a fully-operating solar hot water heating system at 1186 Washington Avenue. In addition, there are plans being drawn up for a solar greenhouse which will combine several ecosystems under one roof, including that of fish, earthworms, plants, and poultry.

In an encouraging act of coordination among city agencies, Community Development funds have been committed to another use of vacant lots: the city's Interim Site Improvement Program will assist in creating mini parks and basketball courts and will also be used for street upgrading and beautification. Local talent will be an input in these activities too, for PDC has recently organized a Planning and Design Unit, with a licensed architect on staff and several drafting and design trainees.

There are innumerable other projects I could describe which have either been already implemented, are being actively planned for the near future, or are now just long-term goals, but the lack of yet another natural resource—space—prevents me. Our accomplishments to date and our future plans have excited people all the way up to the White House, but far more important to us, is the excitement created right here in our own neighborhood, where changes are being wrought by our own hands.

JOAN ALLEN
Construction Project Manager

The "Miracles" On East Eleventh Street —An Open Letter To Mayor Koch

What will be the housing program of the newly elected Koch city administration? In the first instance, how will it respond to critical situations such as emergency repairs, heat and other human hardships imposed by a harsh winter? What will be done to preserve and rebuild our rapidly dwindling housing stock without excessive bureaucratic delay, and within reach of low and middle-income people? The crisis in housing is obvious. For New Yorkers, adequate and reasonable shelter ranks in importance with food, health and safety.

We don't have to start from scratch in contemplating solutions. The right and the wrong way are, in the main, well known. There is enough experience and know-how of how to do it best in the most economic and efficient manner. We wish to call attention to our own efforts and accomplishments of the Interfaith Adopt-A-Building on the East Side of Manhattan, modest as they are in the extreme.

We are willing to share this experience—the good and the bad—with Mayor Koch. We are not asking for anything personal in return for anybody. We are not hankering for a "slice of the pie." All we want is an honest, realistic housing program, to be efficiently and honestly promulgated and sympathetically administered by the City of New York for the people in the greatest need thereof. All we ask is that the people in the neighborhoods who are directly concerned should be given the opportunity to have their say, and that they be allowed to make a contribution with their own brain and brawn.

Mr. Mayor! We do not have to wait for grandiose plans, schemes and wind-fall millions. Let us begin with the human, economic and administrative resources now at hand. Let's start with sweat and shovel and the initial funds available to make this possible. Mr. Mayor: as we rebuild other blocks, as we are in the process of doing on East 11th Street in Manhattan, between Avenues A and B we will learn more and do much better, and others following our example, will do even more and still better.

ADOPT-A-BUILDING PROJECTS COMPLETED AND ON-GOING

HOUSING REHABILITATION—Three buildings of 30 family units at 507-509 East 11th Street and 519 East 11th Street-gut rehabed. 519 is already occupied. The other two buildings are being completed and are now partially occu-



D. Gorton/NTT PICTURES

Residents at 519 East 11th Street celebrating the ruling of the Public Service Commission that Consolidated Edison must buy any excess electricity generated by the windmill that is part of the solar installation at this rehabed building.

ried. The three buildings are being converted into low-income tenant cooperatives.

Two buildings at 517 and 518 East 11th Street of 20 family units are now in the process of site clearance, with seed money from the Consumer-Farmer Foundation* as part of a larger HUD demonstration project under section 312 employing about 16 minority youth, with a CETA job training appropriation.

*The Consumer-Farmer Foundation has to date advanced interest-free seed money to the Interfaith Adopt-A-Building, for its rehabilitation and job training programs on East 11th Street, \$67,024.75, of which \$48,890.00 has been repaid.

OCCUPIED BUILDINGS MANAGED BY TENANTS—Under Adopt-A-Building sponsorship and supervision—12 buildings with 287 family units serviced by workers and trained by us on other projects.

SEAL-UP OF ABANDONED BUILDINGS—Sixteen buildings treated with funds raised by tenants and block associations, with crews of neighborhood residents trained by Adopt-A-Building under a CETA program.

TENANT ACQUISITION OF CITY-OWNED BUILDINGS—Organizing and training tenants in management skills in about 15 such buildings for future ownership and co-op conversion.
(Continued on page 5)

Incredible!... But True

Our block was bad long before the rest of the neighborhood went bad. Addicts from all over Manhattan purchased drugs here. The street was strewn with burned, stripped, stolen cars and garbage.

Drug addicts congregated at the entry of our building, 517 East 11th Street, in a tight knot. Climbing the stairs, we had to pick our way across the drug paraphernalia of addicts preparing to "shoot up" there. Other addicts entered by the roof door, smashing the hall light so they could sit in the dark by our apartment. We were robbed many times.

Once a month, the building's hallway was swept. Heat and hot water were maintained, but little else was. In 1971, our building had over 80 violations listed; this owner had never paid the real estate taxes; the rental income was \$16,000 per year, and the fuel oil bill was about \$3,500.

Help From Adopt-A-Building

In late '71, we began to speak of somehow turning the building into a tenant-owned co-op. The whole building liked the idea, and we searched for a method. Some months later, we asked Adopt-A-Building for help, and they have been indispensable to all of Eleventh Street ever since.

They organized a rent strike, both in our building and adjoining 519 East

11th Street which shared our boiler. Although we wanted a co-op, we were all afraid of the landlord. So only a few of us went to court. For six months the landlord was losing, and tenants of his other buildings were watching our success. Then suddenly we were plunged into ice, then into flames.

With the weather at 7° F., the landlord stopped supplying heat. The pipes in the cellar froze and burst. A few days later, 519 went up in flames. It was a firebomb thrown into an apartment, narrowly missing a woman rent-striker. The people escaped, but the building was killed.

Two Families Refused To Run

Our own building's security was tight. We began firewatches. Though repeatedly sealed with tin, huge fires in 519 continued periodically, for five months. 519's apartments were flooded, smashed with axes, singed, and even burned. Slowly, our people left. But two families, Shari and Gadson, kept the building going with our own labor and rent money. We legalized this, aided by Mobilization for Youth (MFY) through a receivership arrangement. 519's last fire was on the last day the landlord owned the building.

The city wouldn't sell us the building without a rehabilitation loan. We recruited more people. We were incorporated and enrolled as a pilot project of the

"Miracles"

(Continued from page 4)

COMMUNITY MANAGEMENT—Under a contract with the City of New York it will provide trained manpower for repairs, apartment renovation, roof repairs, plastering and painting, etc.

ENERGY CONSERVATION—The now-famous installed solar energy system and windmill at 519 East 11th Street is serving as a demonstration project for more of the same at future rehabed projects.

ON-THE-JOB TRAINING—Earlier, with CETA funds, 43 minority youth trained in building renovation and management. Twenty-six such new trainees are employed now.

These are our major accomplishments, but we have initiated and completed other community projects and services such as vocational education, learning mathematics, reading, park and open-space development, bookkeeping services and others.

ROBERT NAZARIO, Director

city's Sweat-Equity Loan Program. Some of our people were so eager that they were remodeling their apartments already, without architects or inspectors or money.

Housing We Could Afford

But when the final package was drawn up and the actual facts of the loan were shown to us, our people went into a state of shock. The loan was for \$170,000. We had expected a minimum rehabilitation; HDA offered us a gut rehabilitation. Our once-eager people now refused to participate, and slowly, they also left.

It was just during this crisis that we first met the people who were to rebuild 519. They were quickly enrolled into the Sweat Equity pilot project with a loan almost identical to ours. The two buildings worked together for a year; but, failed to attract more workers. 519 adopted a highly successful plan of including a stipend wage for the tenant-workers into their loan, and 517 launched a futile 3 year struggle to get HDA to approve a minimum rehab for us and thereby justify all the torment we had been through to save our building. They wouldn't.

So, finally, at Adopt-A-Building's urging, and with a new group of tenant-workers, we reapplied for the \$170,000 loan, and are now part of the HUD Demonstration Project, commencing construction with seed money from the Consumer-Farmer Foundation. Wish us well!

DOROTHY SHARI



The Shari family holding the fort on the top floor, and the Gadsons on the ground floor, who refused to abandon their homes despite inhuman living conditions. Their hopes and sacrifice will be rewarded when HUD and the city administration will expedite the rehabilitation of their building. L to R—Michael, Megan, Mrs. Dorothy Shari and Krystyn, Mr. and Mrs. Rose and Lawrence Gadson.

Tenant Ownership-Direct Sales



Ribbon cutting ceremony at the official dedication of 1104 Clay Avenue. Left to right: Mr. Alfred Baldwin, III, Treasurer; Mrs. Mollie Fairley, President and Bess Stevenson, Vice Chairperson, Metropolitan Council on Housing.



THE MOSQUE OF ISLAMIC BROTHERHOOD INC.

P. O. BOX 664 GENERAL POST OFFICE
BROOKLYN, N. Y. 11201

August 2, 1977

Mr. Meyer Parodneck
Consumer Farmer Foundation
101 E. 15th Street
New York, New York 10003

Dear Mr. Parodneck:

This is just a note to let you know that we have not forgotten the help you gave us in the formation stages of our building project, and to extend sincere thanks to you for your assistance. We are moving ahead now with all deliberate speed and should be completed in about three months. We are pleased with the progress we have made, and realize that it was because of help such as yours that we were able to reach the point where we are now.

Our gratitude is lasting. We cannot forget your ready assistance at a time when feelings of discouragement could have easily set in. We are happy that you saw fit to become involved in a project that will help to revive a potentially vibrant community.

Cordially yours,

K. Ahmad Fairley
Al-Hajj K. Ahmad Taqfiq
Imam
M.I.B., Inc.

In 1969, the building in which I, Mollie Fairley, live, was abandoned by the landlady who had no interest or compassion for the welfare of the tenants. The building was sadly in need of repair. First, the tenants were being overcharged. In addition to other problems, the sewage system was in such bad shape, the tenants had to carry water from other sources for five weeks. The ceiling in the bathroom leaked so badly, a person literally needed an umbrella to enter the room. The tenants complained to the city about the lack of services. Nothing was done.

A Long Uphill Fight

At this time, I contacted Jewel Charleston, a young lawyer, who then became interested and advised the tenants to organize. The tenants heard about Bess Stevenson and Metropolitan Council on Housing's Bronx Branch and attended a Wednesday night meeting. The tenants explained the full details about their building. At that time, Mrs. Stevenson advised them to join Met Council which would be willing to fight together with them to get the building if that was what they wanted. I stated on behalf of all the tenants that we wanted to buy the building outright. Mrs. Stevenson further advised that we would need an attorney. We retained Mr. Richard Levenson, who has worked with many Met Council groups. He set up appointments with the various city representatives. Many obstacles were put in our way to block us, but the determination of the tenants and Mrs. Stevenson was not to give up. We finally had a meeting with the city officials who said the only way to help the tenants would be for them to borrow \$100,000 at 8½% interest from the Municipal Loan Program. We declined that deal, because we felt we would never finish paying. In 1976, the city started a program called "Direct Sales," in which city-owned buildings could be sold "as is" directly to tenant groups.

With hard work from the attorney, Richard Levenson, all the tenants, Mr. Rugg, Project Coordinator of The Housing and Development Administration, and Bess Stevenson of Met Council and a \$3,257.00 loan from The Consumer-Farmer Foundation, Inc., the tenants were able, on August 3, 1977 after ten years of rough sledding, to get control of their building.

On August 20, 1977, in honor of this great event, 1104 Clay Avenue Housing Development Fund Corporation invited friends and the people who were helpful to their cause, to join them in a ribbon cutting ceremony.

MOLLIE FAIRLEY, President

In A Valley In Manhattan

About four years ago, Manhattan Valley was finally "placed on the map" of the Upper West Side of Manhattan. After years of questions, such as "Where is Manhattan Valley, in Staten Island, in Brooklyn?" from city officials and local legislators, our community has emerged from obscurity and the queries have changed to "What's doing in Manhattan Valley" and "What new programs are you presently involved in?"

Manhattan Valley is now known to many as a poor, but vital neighborhood of predominantly Spanish-speaking families (most with limited marketable skills), with an increasingly high rate of abandoned, vacant and burned buildings. Surrounded by the relative affluence south of West 100th Street, Morningside Heights on the north, Central Park West on the east, and the area west of Broadway, Manhattan Valley has maintained its identity and is home to approximately 30,000 residents.

The people have become so accustomed to their community being forgotten and neglected that, when the Manhattan Valley Development Corp. (MVDC) started and actually completed rehabilitation of a number of the run-down deteriorated buildings, they gazed in disbelief and almost in awe, similar to facing a miracle.

One of the most gratifying moments in MVDC's continued struggle for better housing is the glow on people's faces when they move into newly rehabilitated apartments after leaving behind the degrading conditions in buildings not fit

for human beings.

Not Just Brick and Mortar

No less heartwarming is the sight of young people who have never held decent jobs before proudly displaying their hard hats while eating lunch on the stoops of the buildings under construction where they are being trained on-the-job. The initiation of these sweat-equity projects were made possible by interest-free loans from Consumer-Farmer Foundation.

This is what MVDC is all about—providing decent housing, jobs and assistance to the families in Manhattan Valley; making people aware of their rights and the resources to remedy the wretched, inhuman conditions in the abandoned, rat-infested buildings; assisting tenants to organize themselves and stand up for their rights.

MVDC's current activities to this end are the implementation of various housing rehabilitation projects, FHA and HPD programs, CJCC, (Criminal Justice Coordinating Council) Section 8 Housing Assistance, and youth programs.

Aside from the frustrations, set-backs and disappointments, the people working for the Manhattan Valley Development Corp. and the families in Manhattan Valley, are determined to continue their combined efforts to rebuild our neighborhood, to improve the living conditions and to return to our neighbors dignity and pride in their community.

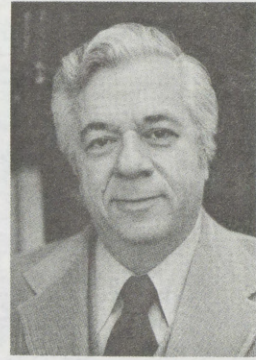
LEAH SCHNEIDER, Secretary
Manhattan Valley Development Corp.



Youth Corp of Manhattan Valley Development Corporation, with Director Jose Acuna, cleaning up the backyard of their rehabed buildings.

Arson For Profit

In January of 1976, the president of the Consumer-Farmer Foundation, Mr. Meyer Parodneck, urged the enactment of state legislation to "take the profits out of burning." Soon thereafter, State Senator Carol Bellamy of Brooklyn, and Assemblyman Seymour Posner of the



Assemblyman Seymour Posner, Chairman, Labor Committee, New York State Assembly.

Bronx, at his request gladly introduced enabling legislation which, in the words of Mr. Posner, "would have discouraged landlords who burn property in order to pocket the insurance. Not only would arson for profit be made less profitable, but the daily depleted housing stock in our inner cities would be partially restored."

Unfortunately, under pressure of the real estate lobby and other special interests, the proposed legislation was bottled up in committees, and it died there. However, the 1977 Legislature did pass legislation sponsored by State Senator John Flynn, which Assemblyman Posner says, "will take the profit out of arson." The law enacted enables municipalities to pass local ordinances, giving themselves the right to take back-taxes out of fire insurance proceeds going to tax delinquent landlords "except for the claim of mortgages of record named in the policy."

The New York City Council had taken steps to implement the new law. Obviously, this and stronger laws are needed, but it is gratifying to note that despite its limitations, it is reported that the number of fires has declined recently. Thus, we have a welcome beginning to "take the profits out of burning."

SWEAT EQUITY: URBAN HOMESTEADING

An Idea Whose Time Has Come

Five years ago this fall, a small group of people working out of the Cathedral Church of St. John the Divine and calling themselves the Urban Homesteading Assistance Board (UHAB) proposed an innovative concept: that the dual problems of housing abandonment and unemployment be solved by involving the unemployed people in the rehabilitation of their own homes. That poor people take over those abandoned structures and build themselves decent housing.

This notion shocked the experts. Professional housing developers, builders and government officials alike scoffed at the idea. They labeled it dangerous and unprofessional. Professional social workers and poverty-crats warned of the dangers of rip-off, fraud, embezzlement. Poor people could not be trusted with hammers or dollars.

Five years later consider the results:

- 235 units of cooperatively owned decent low income housing have been created. These units are cooperatively managed by the very people who built them.

- 160 formerly unemployed and unemployable people received training in housing rehabilitation skills, blueprint reading, drafting, accounting, construction management, housing finance and cooperative management.

- Most of these individuals now own their own apartments and hold down full time jobs in the private sector. They are off the public welfare dole.

- Regular debt service payments are being made on every single mortgage loan to a homesteading project.

- Over \$7,000,000 of mortgage and job training funds have been put in the

hands of low-income New Yorkers and community organizations—including a youth gang—with not a single accusation of rip-off or fraud.

- An additional 500 units of homesteading projects are now in planning for 1978 start-up. Nearly \$20,000,000 of mortgage and job training funds will be involved.

- President Carter during his October 5th tour of the South Bronx found the Urban homesteading, project on Washington Avenue the only star of hope in an otherwise dismal, decayed area.

Five years ago the Urban Homesteading Assistance Board was formed to assist and train capable and interested groups of urban homesteaders and to help those groups get projects off the ground. No one ever really thought it would go quite this far, this fast.

But above all else, UHAB's greatest accomplishment has been to help to create the opportunity for countless numbers of New Yorkers to get their first chance to really be something. People on the streets now know there is an alternative to dope, alcohol, unemployment, crime, despair and death. Take over a building, get a job, put up a windmill, start a business. It all is possible, it can be done. Look, it's here to be seen, on the street.

The true success story is in the people who have done it. These are people who five years ago were wondering about where the next job would be, how to find a decent place to live, whether to move, where the next buck would come from. Today they are the saviors of communities which the bankers, planners, professionals, and government had written off. UHAB is glad to have helped to get them started. And UHAB is looking forward to the spirit, energy, hope and determination which the next groups of sweat equity homesteaders will bring to their communities and to this City.



Philip St. Georges, Director, The Urban Homesteading Assistance Board.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

15 NOV 1977

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT

IN REPLY REFER TO:
CCR

Mr. Philip St. Georges
Director
The Urban Homesteading
Assistance Board
1047 Amsterdam Avenue
New York, New York 10025

Dear Mr. St. Georges:

The letters of October 6 and October 17, 1977, from you and Mr. Howard B. Burchman to the President, the Secretary and myself on behalf of the sweat equity homesteading in New York City neighborhoods are full of the same excitement and hope that the Department has for these projects.

The pioneering work of the Urban Homesteading Assistance Board in cooperation with Adopt A Building in the Lower East Side and the Peoples Development Corporation in the South Bronx hold tremendous promise. Through your combined efforts we are learning part of the answer to breaking the cycle of unemployment, substandard housing and neighborhood decay.

The lessons the Department learns from these projects have strong implications for the future treatment of local abandoned multifamily properties and troubled Federal multifamily projects.

We look forward to a continuing partnership between HUD, UHAB and the neighborhood groups. This Department is committed to helping make that partnership productive.

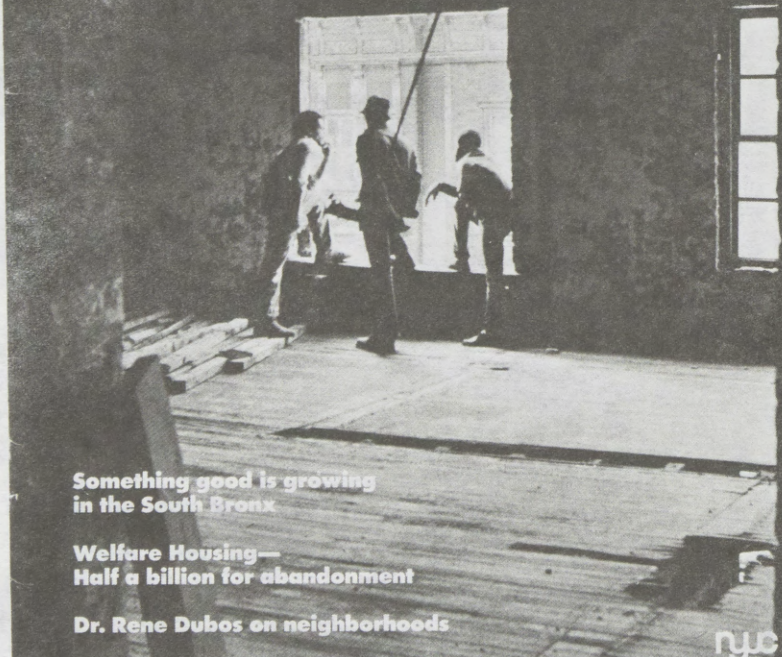
Do not hesitate to call me if I can be of further assistance.

Sincerely,

Robert C. Embry, Jr.
Robert C. Embry, Jr.
Assistant Secretary

Neighborhood

THE JOURNAL FOR CITY PRESERVATION



**Something good is growing
in the South Bronx**

**Welfare Housing—
Half a billion for abandonment**

Dr. Rene Dubos on neighborhoods

nyc



NEW YORK URBAN COALITION INC. 1270 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10020 (212) 399-0200

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New York Urban Coalition was established in 1967 to help government and institutions respond better to the needs of communities. To achieve this, the Coalition sees its role as one of facilitator rather than one of operating programs.

In our Housing Rehabilitation Task Force Report we urged a program for greater preservation of the city's neighborhoods. We believe that instead of destroying the infra-structure of a neighborhood and replacing it, the city should build upon it. To do that, to make intelligent decisions about how to support neighborhoods, there is a real need for hard information about what is there and what the issues are. To that end, we present this journal.

It will try to deal seriously, but in a readable manner, around specific neighborhood undertakings and the issues that they represent.

We hope you find this issue informative. We would be pleased to have your comments.

Arthur H. Barnes
ARTHUR H. BARNES
President

Dorothy H. Elliott
DONALD H. ELLIOTT
Chairman

Neighborhood

THE JOURNAL FOR CITY PRESERVATION

New York Urban Coalition Inc.
1270 Avenue of the Americas
New York, New York 10020
(212) 399-0200

Richard Cherry—*Editor*
Thomas Glynn—*Managing Editor*
Linda Gelman—*Publication Coordinator*
Arthur Celedonia—*Art Director*
Anne Etheridge—*Editorial Assistant*

Contributing Editors
Donald Elliott
Amy Goldberg
Eugenia Flatow
Valerie Malcolm
J. Wandres

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A Publication of The New York Urban Coalition

December 1977

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Neighborhood: A Journal For City Preservation is a publication of the New York Urban Coalition Inc., 1270 Avenue of the Americas, New York, New York 10020, a New York State not-for-profit corporation. Opinions expressed do not represent those of the New York Urban Coalition Inc. or its board of directors. The corporation's officers are: Donald H. Elliott, Chairman; Arthur H. Barnes, President; Richard M. Cherry, Secretary; George W. Dennis, Treasurer; Carlos H. Lugo, Assistant Treasurer.

This journal is made possible, in part, by a grant from International Paper Corporation.

Why Neighborhood

Someone recently said that today neighborhood preservation is less controversial than motherhood and apple pie. That may be so, but at least we know what it takes to make an apple pie.

The New York Urban Coalition is committed to the concept that the preservation of our city depends upon the strength of its neighborhoods. For most New Yorkers, how they feel about their city depends on how they feel about the neighborhood where they live. Neighborhood people know best what neighborhood needs are; programs work best when the people they affect have a stake in their planning and execution.

We should support neighborhood-based efforts at planning and program implementation. We should deliver services and resources in a coordinated manner that meshes with neighborhood needs. We should provide technical support so that the job can be well done.

But how do we do this? How do we support neighborhood preservation? What is a neighborhood? What in a neighborhood do we support? Support to do what?

What public policy and program changes are needed? What, if any, is the role for the private sector?

We do not yet know the answers to these basic questions. We haven't even articulated many of the issues.

Neighborhood is an effort to deal in a serious manner with these questions. It will attempt to do this by presenting descriptions and commentary around actual efforts at neighborhood preservation.

The first issue will focus on a "sweat-equity" neighborhood development effort; People's Development Corp. After we started writing this issue, PDC was made famous by a surprise visit from President Carter and HUD Secretary Harris. Now, dozens of officials from dozens of government agencies are visiting PDC to figure out what they can do to help.

What, though, did it take for PDC to get organized and get started? And what does PDC think government should do to help efforts like their own? What government programs are they using? And

who is Momma Green?

How well is the public jobs program, which is so critical to PDC's effort, working? What does PDC's "banker" have to say, and the former Housing Administrator that gave them their first loan?

In addition to PDC, this issue looks at one of government's most disastrous programs; welfare housing. It is rapidly destroying the buildings, the neighborhood and the people it touches. Yet with it may rest the greatest potential for neighborhood preservation.

We are also most proud to have an interview with Dr. Rene DuBos, the Pulitzer Prize winning biologist. It will do us all good to dwell on his concepts of neighborhood.

Lastly, we have tried to bring you information about some other government and private resources available to support neighborhood efforts.

We hope you find this issue of the journal both interesting and stimulating and that it gives a better understanding of what it will take to support our neighborhoods and thus our city.

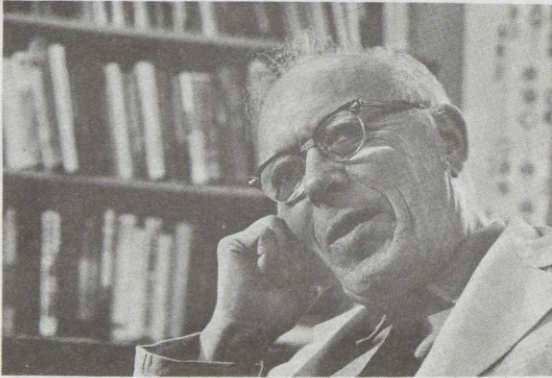
Should you want any additional copies, we will be glad to supply them free of charge. We would also like very much to have your comments.

Richard Cherry

Dr. Rene Dubos on neighborhoods

"I BECAME CONVINCED THAT THE SOCIAL SUPPORT OF A PERSON IS THE MOST IMPORTANT ASPECT OF HUMAN LIFE." *Dr. Rene Dubos*

Rene Dubos, professor emeritus at The Rockefeller University, is a microbiologist and experimental pathologist who, more than 25 years ago, was the first to demonstrate the feasibility of obtaining germ-fighting drugs from microbes. Dr. Dubos has received many awards for his scientific contributions, and his books (of which one, *So Human An Animal*, won the 1969 Pulitzer Prize) reflect his growing interest in and concern for the social support systems that impact upon mankind.



An interview with Dr. Rene Dubos, conducted by Thomas Glynn, managing editor of *Neighborhood*.

Glynn: I read your book, *So Human An Animal*^{*} and I was fascinated by your childhood. Maybe we can start from there, when you were growing up; and your feeling of what "neighborhood" meant to you.

Dubos: Mine wouldn't be a very good example because I was brought up in a very small village of 450 people. I didn't move out of that village until the age of 30. So perhaps being brought up in a highly integrated village in France

made me, at this present stage of my life, aware of a kind of biological aspect of human nature which is essential for the definition of neighborhood.

Most people cannot relate to a very large number of people. Now, what is the optimum number is naturally very difficult to decide. But there have been experiments on that. The experiment asks, how many persons can you remember? How many can you identify sufficiently well, so that if you see them you will not only recognize them (know that you know them) but know what to expect of them? It's not that you like them or dislike them, but to some extent you know what to expect of them. The numbers are never over a thousand. Beyond that, it becomes difficult to remember.

There have been experiments at schools which indicate that if a school gets more than 1,500 or 2,000 students, you have to change the organization. You have to set up all sorts of disciplinary structures. Whereas under a thousand students, the school can be managed in a very personal sort of way. Universities which have grown so large lose their spirit, in large part. Attempts have been made to break up universities into colleges. The sizes of these colleges are about 500 to 1,000 students, so there seems to be a limited number to whom we can relate.

In cities, naturally, it's very difficult to formulate that principle of limited numbers in a precise manner. Nevertheless, I have seen it in New York City. I have seen neighborhoods become re-established. There are streets where people know each other well enough so that when they walk, they recognize the people who belong there. I have seen block parties being organized. I see a spontaneous attempt at recapturing this kind of human relationship. This does not imply that one likes everybody, but means that one knows what to expect.

Now, when I moved to Paris, I was from a poor family. My father was a small butcher. In fact, I lost my father at the beginning of World War I, so I ran the butcher shop with my mother. That's important because you see what an intense sense of "neighborhood" it gave me, in a big city like Paris. After all, Paris, even then, had two million people.

My mother and I ran the butcher shop. My mother was extremely perceptive to human contacts and the butcher shop became a kind of social center, if you understand what I mean. People didn't come only to buy a lamb chop; they engaged in a conversation. This meant that within about three or four blocks of that butcher shop, I knew everybody... and I knew them in such a way that I could talk to them. Now that has had tremendous practical importance in my life. A gentleman, about 50 or 55, used to come in all the time to buy his lamb chop, or whatever it was. I engaged in conversation with him and soon enough the conversation became so

^{*}published by Charles Scribner's Sons, 1968

personal that I knew he was a painter. I didn't know what being a painter was, but my mother, being a sensitive person, engaged him in a conversation on painting. So this gentleman invited me to go and see his paintings, and soon I became interested in painting and so involved in painting that it allowed me to move into another level of society: from the butcher shop into the home of a person who was not wealthy, but of a different social class. All of a sudden this opened new vistas for me. That can happen only within a limited human situation, where the occasion presents itself for the human interplay—this very special "thing" which occurs among human beings only if they see each other often.

Glynn: Is there any parallel between the principles of biology—i.e., the way cells organize themselves—and small-scale groupings of people?

Dubos: Of course in animals, all animals form very limited social groups. I'm going to give you one very precise example that has been studied here at Rockefeller University. You would think that each species of bird has a song which is the same for all birds of that species. But that's not true at all. They use different "dialects." Suppose we take the finch family. They are very good singers. To you, the finch in one woods sounds the same as the finch in another woods 10 miles away. But that's not true at all. It's the same song but a different "dialect"...to such an extent that those finches from different woods will not mate. It's very extraordinary. You can teach a baby bird to sing using a record of a song from another woods. When the bird learns that song, it cannot mate with birds of its own group. They've done very precise experiments on that. That's the most picturesque example I know. In animals it's very extraordinary. An experiment my last graduate student carried out involved a mouse colony in a huge enclosed space. The colony breaks itself into small sub units. When you introduce a foreigner—same mouse, same species but foreign to them—a fight begins. In fact, they usually kill the foreigner. So practically all animal colonies break up into small sub units. This is true, of course, with apes. Jane Goodall, who has been studying apes in Africa, has shown that apes exist in small tribes. The size is determined by how much food the animal can conveniently obtain.

There are many other examples of this. So I think that we are tribal creatures. Now, let me restate that in another form.

I'm going to start from the beginning of human life. Hunters in the Stone

Age were very well organized. By going to the South of France, where the Stone Age people functioned around those famous caves, you can see that each one of the caves was occupied by about 200 persons. Each cave formed a very good unit which had a style of its own. This has been well demonstrated here where they've discovered sandals that were slightly different in style from one place to the other. And stone tools vary with nine or 10 differences from one area to another. So, unquestionably, from the beginning, human beings lived in small limited clusters.

The New Stone Age, about 10,000 years ago—villages that we know of—had about 500 persons. The village was a 500 person unit.

So, it seems, in some way, there must be something in that human brain that limits the number of identifications we can make. The human brain doesn't change, biologically, so somewhere we still have that limitation. And, I suspect, it is reflected in practically all social organizations.

Now, the industrial revolution in Europe brought an enormous migration of people from the villages into the cities, concentrating them around large factories. That brought about the most awful human destruction one can imagine. I have no doubt that the immense tragedies of the late 19th Century—human tragedies—were in large part a consequence of the total disintegration of the prior social structure caused by bringing people together who had not learned to function with each other. And we have been suffering from that ever since.

New York, or any other large city, still suffers from an immense influx of people with this problem. It's only if we become sufficiently stable that we can rediscover some principle of integration that will solve the problems of our cities. This will be through the neighborhoods.

Glynn: I was impressed by your description of new technologies that require small-scale development, that do not lend themselves to centralization. You gave several specific examples. I wonder if you could talk about them.

Dubos: I'm going to take the energy problem because it's on everybody's mind. The problem, in my opinion, is not difficult to solve. There are many ways of producing energy, and I have no doubt that we will produce all we want, but I don't think that's where the problem is. We can produce enormous amounts of energy, through nuclear energy or the immense solar reflectors like those in California. In San Diego, certain kinds of algae—sea kelp—can

be harvested by a machine and the kelp converted into products like petroleum and natural gas. All those techniques exist. But the problem is that they are all capital intensive. To make them economical, they must be centralized. The great objection to breeder reactors, nuclear reactors, is that to be effective they will have to be larger than at present. Industry and even farming will have to be concentrated close to where the energy is being produced.

Perhaps because I'm prejudiced, I sense that people will protest against this centralization; and will reject it. Whereas, if you suggest production of energy by techniques that would be localized, you immediately see people intrigued, enchanted almost, by the thought that we might go back to a small decentralized society.

There are many examples. Reactivating the small water-powered hydroelectric plants that existed until the beginning of this century in this country, especially in New England, is one. David Lilienthal, formerly with the Tennessee Valley Authority, and also former chairman of the Atomic Energy Commission, is not only supporting this, he has even formed a company to do it. He believes our future is in reactivating all those small power plants. Another way to produce energy is to use vegetation from trees or other plants to generate gas—natural gas or other petroleum-like products. This has limitations—or advantages—depending on your social philosophy.

If you produce energy from trees, for example, transportation of trees over long distances would be very costly, practically impossible. This means you have to establish a small factory using the vegetation from about a 20 mile radius, which is about as far as you can go. Now, this implies a decentralization of society. Everywhere in this country, people want to know more about decentralization. "Can it really be done," they ask? All this accounts for the success of [the late British economist, E.F.] Shumacher's book, *Small is Beautiful*. It has immense political value, don't you think so?

Glynn: Definitely.

Dubos: The book is successful because most people want to know how we can return to smaller social units. And now we are back in the idea of "neighborhood." I think the resentment against big hospitals is a desire to recreate smaller medical units where we can re-establish personal contact with physicians. In every aspect of life, we want to re-establish direct human contact. I

think the social consequences of this are phenomenal.

Albert Schweitzer was criticized for allowing the family of the patient to move into the hospital. But the fact is that now we recognize the enormous psychological benefit—psychological support—maintaining the atmosphere of the village in the hospital does for the patient.

In the 1940's, I was involved with a group from Cornell Medical School in the medical problems on a Navajo Indian Reservation. The purpose was to introduce the new anti-tuberculosis drugs to the Navajo because there was a great deal of tuberculosis. There was one doctor who immersed himself in Navajo culture. Among the Navajo, he practiced a kind of medicine which utilized the most modern techniques, but on many occasions depended upon the Navajo chants and tribal supports. He was so successful at it that he was appointed Professor of Community Medicine in one of the southern states. There he again introduced the kind of community medicine which was based on the hospital, in part, and also on the equivalent folk medicine that prevailed in the area. Now he's Professor of Community Medicine at Mt. Sinai Medical School. And in his practice with the Puerto Rican communities he never functions except through the local priests. The priests in the community introduce the equivalent of tribal folk medicine.

Glynn: In the last 10 years, we've been immersed in the idea of Marshall McLuhan's "global village" and how we're all becoming more in touch with each other. To a certain extent, I guess this might be true. But you say just the opposite is happening. Everyone is extremely interested in establishing their own local territory.

Dubos: In my last book, *Beast or Angel*⁸, I have a whole section about the problems of the city, as I see them. I'll tell you how I became sensitive to that.

One day, I was with someone from New Jersey. He had told me that, and said he was now living in Vermont. I discovered he was in the government there. So he told me, "Well you know in Vermont, we are interested in maintaining our identity." I was amused because I knew he was from New Jersey. So he told me, "I've talked to the governor and to people in Congress and the House in Vermont and they would like you to come and talk about the spirit of the place."

So, I went and talked to the



Assembly in Vermont about how, in my opinion, it was important that each part of the country retains its identity; that without this identity, nobody makes any effort to improve the environment. But before I spoke, there was a social gathering of about 20 or 30 persons, including the governor, some public officials, some big business people. Even though I am not very good at recognizing accents in the United States, nevertheless, I could see that many of the people came from somewhere else. And in particular, I could recognize something in the speech of the governor, because my wife comes from Cincinnati, Ohio and he spoke a bit like her. And so I asked them where they were from. Practically all of them came from the New York area, New Jersey, and Ohio—from very large cities, and they all had elected to live in a more integrated community. So there, I began to gain the impression that in our society, along with that tremendous movement of which we are all aware which seems to create that global village of McLuhan's, there is another movement: people electing to fix themselves somewhere else. People choosing the kind of environment—if they can afford it, if they have enough economic and social mobility—they are fond of. All those people liked to be in Vermont. They like that way of life and they were the people who were strongest in maintaining Vermont as it is. In Vermont they've established the strictest laws about 'unreturnable

containers, and all sorts of things like that.

Shortly after that, I was in Oregon. There I found exactly the same situation. Oregon was largely settled, so to speak, by people coming from California, or from that part of Washington State, around Seattle, which is highly industrialized. And people in Oregon coming from somewhere else invented the phrase "Do not Californiate Oregon." Most of those people do come from California and they have elected Oregon as the place which fits their way of life.

Other people, of course, elect other ways. Other people elect to be in the heart of New York City, and I am one of them. So, to come back to that—I'm very sensitive to that—most of us elect, if we can afford it, where we want to settle.

I mention two persons of almost the same age... Lewis Mumford and myself. Now, we are very good friends, very good friends. He is a bit older than I am, but not much. We have the same kinds of interests. He has written one of those wonderful books about the history of the city. Marvelous book! Now, I have not written that kind of thing, although recently I have written a fair amount about urban life and talked a great deal about urban life. But I can do it living in Manhattan. Lewis Mumford elects to live in Amenia, New York, which is a little town about 100 miles away from New York City. He can function only—I won't say function *only*, he can function *any*

⁸published by Charles Scribner's Sons, 1974

where because he is so able—but he feels that large cities aren't manageable; therefore he does not want to be part of them.

Personally, I have for almost 50 years lived in New York City... more than 50 years. I have lived at 72nd Street, 66th Street, 65th Street, 69th Street—east of Second Avenue. I've always lived in that neighborhood. I live on 65th Street now, which is one of the most despicable streets in New York City, yet whenever my wife and I enter this area, all of a sudden I relax. We cannot walk on those streets without seeing people we recognize.

So, I personally think the global village of McLuhan is not a biological reality. McLuhan writes about all of that, but he never moved from Toronto. He teaches Old English literature there. His life is completely different from what he talks about.

Last week I was in Washington, D.C. and I happened to meet Livingston Biddle, Jr., who was recently appointed Director of the National Endowment for the Humanities. I asked him what is the National Endowment for the Humanities; how does it differ from the National Endowment for the Arts? I touched a very sensitive subject. It happens that there is a great conflict between those two government units. You can very well see how they could overlap. So there has been a sort of gentlemen's agreement that the National Endowment for the Arts concern itself with the creative arts and the performing arts, whereas the National Endowment for Humanities concern itself with the quality of life for the man in the street, the social problems, if you will. In the course of that conversation, I talked about decentralization. And I found Mr. Biddle was immensely interested in it. I asked him why he was intensely interested in it. He said, "Well, you probably know that I've been accused of being a political appointee because I was one of the advisors to President Carter's campaign. But, the fact is that I am deeply interested in anything that can revive communities in this country. And true enough, President Carter is very much interested in it." Now, I don't know what you can make of that. But what I do know is that he said what we are going to look at is where to put support for reviving communities in this country. This is a large part of what the National Endowment will be about. That's how we understand the word "humanities."

Glynn: Are there any practical ways to break New York City down and revive its communities? Or do you think that our institutions have grown so huge

that it will be difficult chopping them up? You mentioned before that universities have broken themselves up into colleges. Do you see similar efforts taking place along those lines, maybe in other areas?

Dubos: I'm going to cite two other cities, Paris and London. During the past three or four years when I have gone back—now that I can afford to go back to Paris where all my family and all my friends' families are—what I discover is within Paris there is a multiplicity of small community theaters being created, mainly for the performing arts and music, which function locally within each one of the sections of Paris.

In London—all over England—this is happening again. I say again, because it had disappeared. What is happening in England is that people have become a little poorer and so they are creating small choral groups, acting groups, groups that do all sorts of things together. Now, I ask myself what kind of social structure exists that permits this to happen? I look around and I find only one. And I'm disturbed that I find only that one. It's the churches and synagogues. In our society, as far as I can see, the religious organizations, even though they've been weakened, have nevertheless survived as a structure, and are beginning to do all sorts of things.

Let me give you an example in New York City that I've been involved in. Around 70th Street, there is an organization of three different churches, which has formed a unit to create a center for the aged people of the neighborhood. And since I agree with them about the importance of finding a solution to the age problem, they have asked me to speak there. I have spoken several times and do little things for them. Oddly enough, I'm sure this group is not religious, unless you use the word religious in its ethnological sense. Religion comes from the Latin "to re-attach," or reunite, that's the ethnological origin of the word. So there is that sense of something spiritual and the desire to become reunited which persists. I suspect much could be done through the churches. But I wish there were other social structures.

Glynn: It's backtracking a bit, but I was wondering how in your background as a biologist, you got interested in broader issues?

Dubos: Oh, for me it's very clear. I was a medical scientist working in the field of infectious diseases, where I was very well known. I still am, but I am no longer active. And at the beginning of World War II, my first wife, who was

French—it is important to know that she was French—developed tuberculosis and eventually died of it. And I asked myself, "Why did she develop tuberculosis?" We were not wealthy people but we were comfortable. We lived at that time in Dobbs Ferry, New York, which is a very lovely town. My wife taught in a girls' school. And I asked myself, why did she develop tuberculosis? I discovered why in a very precise manner. She was a Frenchwoman, her father was a china-ware painter in Limoges. Now, I knew enough, as a student of infectious diseases, that china painters often developed silicotic tuberculosis and often died of it. I also knew that her father had died of tuberculosis, and that she, as a young girl, had contracted tuberculosis but had recovered and apparently lived a normal life.

The war came and our whole social life, hers and mine, suffered terribly. Not between the two of us, but our families were disorganized socially. Her old disease was reactivated and caused her death.

So that made me change my interest from being purely a medical bacteriologist to concerning myself with the broader question: How do people live? What is important for health? After that, for me, one step followed the other. I became convinced that the social support of a person is the most important aspect of human life.

By social support I mean the whole set of forces that relate the person to the environment. And when I say environment, I mean physical and social, in which that person lives. I think our society is horrible in completely ignoring that. Increasingly, I am writing about it and talking about it and preaching about it. I say preaching, because there is not much scientific knowledge. There is very little social study about the effect of this "environment." But I introduce it into all aspects of my life. If I become interested in energy, as I am at the present time, then I say the most important aspect of the energy problem is that we must not create a more centralized society where human contacts are completely broken up. So I say, let's think energy in terms of social units where people can once more become identified with the place where they live; where human relationships are not lost. For me, it's very clear. It's a biological problem, but there is very little biological knowledge. So, the only thing I can do is to preach.

Glynn: Thank you very much, Dr. Dubos, for your willingness to take time out from a very busy schedule and talk to me. ■

Something good is growing in the South Bronx

PEOPLE'S DEVELOPMENT CORPORATION



Thomas Glynn

On October 5, 1977, accompanied by over a dozen police cars, six motorcycles and three helicopters, Jimmy Carter made an unannounced visit to the South Bronx, and amid the desolation of burned out buildings and rubble-strewn lots, personally congratulated Ramon Rueda.

"What a surprise," Carter told Rueda. "I'm proud of what you are doing. I wanted to come down here and see what you all are doing."

Ramon may have been flabbergasted, but the reporters were not. They stood in line for the few available phones before they talked to frantic city editors who wanted to know what was happen-

ing "out there." The following day the media once again descended on 1186 Washington Avenue and the newspapers and late evening news shows were filled with the story of how "...40 people have converted a six-story tenement into a building boasting freshly painted hallways, 28 oak-floored apartments and solar heat collectors on the roof."

It all sounded very neat, and the media neglected to go into the struggle behind 1186, but as news stories go it was fairly accurate. First, 1186 was never really a tenement, certainly not in the Lower East Side sense. Ironically, it was built in the 20th century to house Jewish, Irish, and Italian immigrants who fled the

tenements of the Lower East Side. But it certainly was abandoned when Ramon first saw it. 1186 was past in-rep. It was city owned. But to the people living in the building, it didn't make any difference who they *weren't* getting their services from. A once proud building now had no heat, frozen pipes, ice-filled hallways, and several blanket-wrapped tenant-squatters still in their apartments huddled over gas stoves trying to keep warm. Second, to describe painstakingly hand done murals, such as the stunning rainbow on the first floor, or the Picasso replica on the floor above, as "...freshly painted walls..." was like saying that Sam Lefrak put up an apartment building in New York City. Finally, to leave its readers with the impression that the ren-

ovation of one apartment building was all that happened, was the most misleading item of all.

President Carter announced that he wanted a plan for revitalizing the South Bronx, and the New York City Planning Commission, somewhat petulantly, declared they already had a plan, indeed had given it to Washington months before.

Certain Bronx politicians complained that the trip was just a publicity stunt and wondered whether it really meant anything. Which prompted one Bronx voter to observe that some day Bronx voters may ask these politicians the same thing.

But just who was this Ramon Rueda? And what was this People's Development Corporation that was getting all this publicity? And how were they able to do something that politicians and planning boards and private businessmen couldn't?

To understand that, you have to go back to November of 1973, when Ramon Rueda got a slightly different kind of welcome from the federal government. He was working in a shoe store when three F.B.I. agents came in with guns drawn and put him up against the wall, frisked him, and took him to court. The government's charge: resisting the draft. Ramon's charge: The U.S. wanted me to help them destroy Vietnam.

"A very, very, unusual person. I hope he lives to a ripe old age and has many, many children that are just like him. He is able to pull off things that no one else has been able to do, things that people said couldn't be done."

Bob Esnard on Ramon Rueda

Someone's priorities were twisted. He had grown up in a neighborhood of abandoned buildings, where violence, crime, welfare and dope were a way of life. His best friend succumbed to drugs and then was pushed off a roof and lay for hours in a rubble-strewn back yard before he was discovered and taken to the hospital to die. Instead of taking care of these problems, the government wanted him to go to Asia and create more problems.

After his trial, when he was out on probation, he began to reflect on what had happened, and wondered what he could do to solve the real problems of his own country—the South Bronx. He soon came to the conclusion that he could do nothing. Alone. But with help, with friends, a lot could get done.

He began talking to the people he

grew up with: Eladio Velez, Ruben Rivera, Victor Merced, Robert Rijos, and Mario Guevara. They held meetings, trying to decide what they could do. A couple of things were obvious. One, the South Bronx desperately needed decent housing. And two, buildings for that housing were available. True they were either abandoned by landlords, or about to be, or owned by the city (which amounted to the same thing), but structurally, the buildings were sound. Moreover, not only was it cheaper to fix them up than to knock them down and build new housing, but people would end up with better living units than those plaster cast in the projects. Then came the next problem: money. They couldn't afford to buy a building. They couldn't afford to gut it. They couldn't afford to renovate it. At this point, most people would have given up. But Ramon reasoned, let's just take over the building we want.

"From the beginning I didn't believe we could do this," Eladio said. "I told him he was crazy. It was weird because there were no resources, there was no guarantee. But I trusted Ramon, and a few others."

They began to make contact with other groups in the Lower East Side and Harlem, and saw that while such projects demanded a tremendous amount of dedication, they were not impossible. 1186 Washington Avenue was picked because at the other end of the block was a housing project that was 95% completed. "1186 would take care of the opposite end of the block," Ramon said, "and then we could do the buildings in between and thus stabilize the entire block."

So they moved in on 1186. The squatters left. Winter was here. The hallways were full of crumbling plaster, urine, broken glass. They had to wade through piles of rags and refuse, garbage, dead dogs and cats, syringes left by junkies. There was no money. There was no promise of money. There was nothing. Only the building.

"On December 29 we started demolition," Eladio said. "We started on the first floor, threw everything in one spot and then learned that wasn't the right procedure. We did three times the work we should have."

Holding the group together when no money was coming in, asking them to give up their evenings and weekends to bury their noses in plaster and scar their hands on old beams and wade through mortar and rusty nails wasn't easy. A few in the group had jobs. Others were going to school. Still others were out hustling

odd jobs, doing whatever it took to stay alive in the South Bronx. Ramon infused them with a common spirit. A lifetime of growing up in the South Bronx had given them a built-in bullshit detector... they knew when someone was dishing it out. And conversely, they knew when to trust someone. Ramon, they trusted. Here was someone who made sense. He wasn't asking anything he wouldn't do himself. He wasn't promising they would get rich. He told them that here they could control their own lives... they could shape their own environment. The group became infused with a collective spirit, and worked towards a common goal. It wasn't just housing that was at stake. It was jobs. It was learning a profession. It was controlling your own destiny.

"Our big problem is Planning Board Number Three. They haven't done anything. We tell them, 'Look, you've been around for 12 years and haven't done anything yet.' We went to three meetings and they are fighting all the time and not getting anything done. We're going full gear, but they're going nowhere."

Danny Soto

Jane Benitez, a friend of Eladio's, was there from the beginning. "After seeing the building and all the holes, I started cracking up," she said, "but then I got serious. They had me doing security for two weeks. I was guarding the building at night, me, can you believe that?"

They spent seven months on demolition, working weekends and in the evening, before the first money came in. It wasn't spent on wages. It went for crowbars, hammers, goggles, gloves. By now the group had a name, the People's Development Corporation.

Robert Schur, executive director of the Association of Neighborhood Housing Developers, knew that the Criminal Justice Co-ordinating Council was looking for a program that covered job development, job training, and community improvement. Bob approached CJCC and convinced them the way to fulfill these objectives was a contract to the Association which would then subcontract the program through local sweat equity projects. He left CJCC with the impression that he already had the materials package for this program—"the brick and mortar" part. Ramon had applied for a Municipal Loan. Bob told HDA that PDC should get a Municipal Loan, partly based on the "fact" that the labor part of this package was already being footed by CJCC. The CJCC grant would

pay for their wages. They would be paid for 40 hours a week, and put in another 10 hours a week of their own sweat, unpaid (of course this didn't cover the months of back-breaking work they had already put in cleaning up 1186). For all this, they would each get their own apartment, and collectively be liable for the debt service on the Municipal Loan. They got help from U-HAB, the Urban Homesteading Assistance Board, a project of St. John the Divine. Pratt Institute kicked in with architectural help.

Meanwhile, the project at the other end of the block was stalled. The building was 95% completed, but because of a builder's lien, the project was locked, unoccupied and surrounded by desperate people who needed good housing. People's Development Corporation, and the Morrisania Community Corporation decided to "liberate" the keys. Ramon opened the building, and invited in prospective tenants. A "crisis" ensued. The bank and the builder panicked. By opening the doors, Ramon had taken away their leverage. Now they had no choice but to settle. So the bank paid off the builder. The project was completed and everybody was reasonably happy.

Ramon's credibility (and PDC's) in the community was enhanced. People who thought they were just a bunch of crazies began to look at them in a different light. Other people began to join them.

At this point, even though the Municipal Loan Program was rocked by scandal, PDC needed a loan to complete 1186. Of all the government's engines, the gears that turn the city seem to grind the slowest. PDC had no idea where they were in the Municipal Loan pipeline, or even if they were in the pipeline.

They came to a seminar at St. John the Divine on coop housing. Fresh from their demolition site at 1186, they wore protective helmets and goggles, carried crowbars, dripped dust and proceeded to blast the deputy commissioner of the Office of Neighborhood Development for not goosing their loan along. With the support of people in the seminar, the Bronx Borough President's office, and people in the neighborhood, a meeting with the Housing and Development Administration (the agency responsible for the Municipal Loan Program) was arranged.

HDA braced themselves. Who were these madmen (and women) who charged into meetings expecting things to get done?

Expecting the worst, HDA was shocked when PDC showed up in suits and ties, with lawyers, architects and

Continued on page 13

The Government Programs

The housing effort by PDC relies heavily on existing government programs. What follows is a brief description of the three major government programs that are providing PDC with mortgage and property management funds.

A Three-Twelve Can Get You Seventeen-Four

The Federal 312 Housing Program, created under the Federal Code Enforcement Act of 1964, is the only federal program which provides direct loans to low income property owners who seek to improve their properties but are unable to afford private financing.

The program provides low interest (3% interest rate), long-term (up to 20 years) rehab loans for a maximum of \$17,400 per residential housing unit and up to \$50,000 for commercial space in mixed-use properties. Refinancing of existing debt as part of the improvement loan is also allowed by the program.

Although according to federal regulations there is no limit on building size, other factors have restricted the program to buildings with four or fewer units. The 312 Program was intended primarily for properties requiring only moderate rehab, but HPD has decided to process only properties requiring substantial to gut rehab—using outside packagers such as Bedford-Stuyvesant Restoration Corp., Adopt-A-Building, Harlem UDC and other major housing groups to package projects in bulk form.

The City Department of Housing Preservation and Development (HPD), formerly HDA, is responsible for administering the 312 program in New York City. Under federal guidelines, the program can only be used on properties located in areas where there are other government and/or private neighborhood development activities going on—areas such as designated Urban Renewal areas, Neighborhood Development and Preservation areas and Community Development areas. Presently, these areas include the St. Nicholas Urban Renewal area in Harlem, the Central Brooklyn Model Cities area in Brooklyn, the Urban Homesteading areas of the city which include Baisley Park and South Ozone Park in Queens and the New Brighton area in Staten Island.

Other areas under consideration by the city for use of the 312 Program are Bushwick in Brooklyn and Mt. Morris

Park in Harlem.

As an attempt to determine whether the 312 Program could be used as a major rehab tool, the feds recently agreed to use the program to finance a demonstration sweat equity project. The project plan involves several abandoned city-owned multi-family buildings which will be rehabed and converted to low income cooperatives.

The project involves about \$3 million, and two experienced sweat equity housing groups were approved as sponsors: People's Development Corporation, Bronx, and Adopt-A-Building, Lower East Side, Manhattan.

To facilitate the project, numerous exceptions and special waivers were required. Fees that were normally paid by the applicants were allowed to be mortgaged in the loan. The contingency allowance was increased. Probably the most important exception is that the sponsors will not have to start paying debt service until after the completion of the project.

The construction financing will be provided by a group of city banks led by Chemical Bank. Usually, 312 funds the construction as well as the permanent financing. But as part of the demonstration the private banks will handle the construction lending and supervision. Upon completion of the job to everyone's approval, HUD will pay back the banks using the 312 Program as the take-out vehicle.

Valerie Malcolm

Participation Loan Program

As the old Municipal Loan Program ground to a halt, a new program began to gather steam.

The Participation Loan Program.

Formerly the Neighborhood Preservation Program, it was created in 1975-76. Its purpose is to fulfill the void left when the MLP went under. But this time, instead of the city putting out all the money, the idea is to use government money at low interest rates to attract private investment money at prevailing interest rates.

The program uses federal Community Development funds in a joint

venture with private lenders so mortgage loans will be available to owners of multi-family dwellings—which are occupied or will be occupied by low and moderate income families.

The program, operated by the city's Housing Preservation and Development Administration (HPD), (Assistant Commissioner Alexander Garvin, 100 Gold Street, N.Y. 10007), involves what HPD hopes will be a stable triangle: the applicant, the construction lender and the long-term lender. The applicant must find a construction lender who is willing to provide the construction loan. And HPD must be able to interest a long-term lender to act as a co-lender with HPD to provide a permanent mortgage loan.

The loan process starts with the construction lender who provides the money to do the rehabilitation work. This money is provided at 2% above prime rate. During construction the city is required by the banks to put its share of each loan in an escrow account as security for the loan. Upon completion of the rehabilitation work, the city through the HPD office joins with the permanent (long-term) lender to pay off the construction lender.

The city's share of each loan is provided at 1% interest rate and the permanent lender's share of the loan is provided at market rates, currently 9%. By mixing the city's cheap money at 1% with the private market money at 9% in a single mortgage, the program achieves an interest rate at a cost which can be afforded by the tenants of the building.

Loans are available for terms of up to 25 years and will be made to qualified profit as well as non-profit owners, including tenant cooperatives.

The program is not restricted to any specific geographic areas within the city, but presently appears to be generally popular in the city's five preservation areas where REMIC mortgage insurance is available to cover up to 50% of the private institution portion of the loan.

Properties financed under the Participation Loan Program are generally eligible for Section 8 subsidies as well as J 51 tax abatement, an exemption which, according to the latest revision of the tax law, allows for tax credit starting the first quarter after the commencement of construction.

Although there is no set overall loan limit, inflation and the tenants' ability to pay coupled with prevailing wage requirements on buildings of eight or more units (singular or collective), have served to bracket costs between \$3,000 and \$12,000 per residential unit. Mortgageable costs allowed for under the

program include acquisition, refinancing for rehabilitation, construction costs, interim financing costs and all reasonable development costs. The project's value (appraised value of unimproved property plus cost of improvements) is financed up to 90% for private owners and up to 95% for non-profit owners.

Since the inception of the program in 1976, 208 projects containing 10,305 dwelling units have been approved as eligible projects for the program. A total of 36 projects containing 1,047 units were either withdrawn or denied.

The approved 208 projects are in various stages of the application process ranging from preliminary intake to construction. Of these 208 projects, 23 containing 1,274 units have received formal approval...which means that a commitment to finance the project has been issued by the city and negotiations are underway with the private lenders to issue a similar commitment. Six of the 208 projects containing 277 units are under construction and final closing (first loans to go into debt service) will take place provided the city and the banks finish negotiating a set of processing procedures they both can live with. This is expected by the end of the year. But which year is anybody's guess.

Valerie Malcolm

Community Management Program

It has often been said that the biggest slum landlord in New York City is New York City.

For years the city found itself owning more real estate as disgruntled landlords walked away, leaving behind investment hopes, tax arrears and enraged tenants who often vented their anger on the very buildings they lived in.

And for years, the city solved the problem quite neatly. It did nothing. Then, after several haphazard programs, the Community Management Program was born.

Administered by the Housing Preservation and Development Administration (HPD) in the Office of Evaluation and Compliance (OEC) of the Office of Rent and Housing Maintenance (how these city agencies love to play musical chairs), the purpose of the program is to provide management to occupied multi-family residential buildings which are owned by the city or for which HPD has been appointed receiver.

Begun in 1973-74, it uses federal Community Development funds to con-

tract with incorporated not-for-profit community housing groups to manage defaulted buildings in their neighborhoods.

The contracts provide for budget funds—a combination of CD monies and funds generated by each of the buildings' rent roll—to cover the groups' overhead expenses: maintenance of the buildings and a monthly management fee of \$10-\$20 per unit based on the number of units, occupied and unoccupied, for which each group is responsible. In addition, funds are allocated for repairs of up to \$8,500 per apartment (this amount has been lowered to \$5,500 per apartment for buildings just entering the program).

At the present time there are 10 groups under contract, managing approximately 800 units. Under HPD supervision, they are responsible for the day-to-day operation of the building, including repairs, rent collection, tenant selection and training as well as maintaining essential housing services.

The philosophy behind the program is this. Community based management (instead of central management) not only provides local sensitivity, it encourages neighborhood people to care for their building, their block, and their neighborhood. This is the backbone of neighborhood stability. Not only is the maintenance of existing housing stock improved, but quality of life in the city is improved as well.

Hopes are high that successful management experience gained by the group will lead to successful local ownership. At which point the city starts receiving tax monies currently not being paid.

But at the moment these hopes are being held up while the city Comptroller's Office audits the books of all 10 groups. This is expected to last until this December.

What has the audit found?

According to one agency official, only poor bookkeeping practices. All expenditures so far have been accounted for.

There were reports, which caused great concern, that the audit may delay the approval of the program's new \$11 million budget by the Board of Estimate. And that it would delay each group's fourth quarter budget checks until the audit was finished. However, groups whose contract/budget checks were due got extended contracts to carry them through December. An approval for the program's new \$11 million budget is imminent.

In the meantime, the Community

Management Program is about to enter its fourth year of operation. Eight new groups will be added to the 10 existing groups, and the number of management units will be increased from 800 to approximately 3,000 units. One thousand of these will be scheduled for maintenance and rehab. According to top program officials, the 1978 budget for each of the 10 old groups will increase from \$275,000 up to \$1 million, while the new groups will each get from \$266,000-\$400,000, based on the number of management units assigned to each group.

Under the old contract for 800 units, groups were given an average of \$3,163 per unit per year for maintenance and management, and in selected cases were allowed up to \$8,500 for both rehabilitation and maintenance and management.

Under the new contract for 3,000 units, the amounts available per unit have been tightened. Now they are allowed \$2,660 per unit per year for maintenance and management and, in addition, \$5,500 per unit for rehabilitation of up to 1,000 units. *Valerie Malcolm*

Momma Green

CASE HISTORY OF A BUILDING.

Nailed to the door on the fourth floor at 3531 Third Avenue in the Bronx is the seal of the President of the United States. But the official wording has been defaced, and in its place are two rather simple messages. Love and Peace.

A knock at the door brings the sound of chains and bolts and locks being undone. Then the lady of the house lets you in.

It is October 24; Momma Green is celebrating her 73rd birthday. A store-bought cake sits carefully in the icebox. On the table rests a bottle of sherry and a birthday plant.

Momma Green is in fine form. As she speaks, her arms sweep the air, as if to remove the heads of an invading army. She turns her head to talk over her shoulder, her eyes following you to see if you are following her. She is speaking about a time when things were not so fine in her building.

Last February the boiler room was filled with ice and water. There was no heat, no hot water, in fact no water of any kind.

"We was shut down," she said, her eyes flashing anger. "Mark it down."

Water had to be hauled in buckets up from the street. One of the people she thought owned the building, Eddie or



RON DIAMOND

"When you tell the truth, that cuts through everything else."

Nick, told her she should get a younger person to haul the water.

There seemed to be a parade of owners for the building. First it was Nick, then Eddie, or maybe it was the other way around. She went to various city agencies to try to find the mortgage man. She found him. (He is now retired and resting comfortably on the beaches of Florida.)

Momma got in touch with Megan Charlop of PDC who told her she would help them but only if all the tenants were united in their desire to make a go of the building.

Momma got the tenants together and Megan, utilizing the resources of PDC, got someone to go down in the boiler room, thaw the pipes, repair the leaks, and pump out the water.

The mortgage man came around to find out who was doing all the work on his building. He climbed the four flights of stairs to Momma's apartment. "Who,

he asked her, "were those people in the basement?"

She pointed to a sign hanging on her kitchen wall.

"What's that?" he said.

"Can't you read?" Momma said.

"That's the tenant's organization."

"Who are they?" he said.

"They own the building."

He got mad and wanted to know who was behind all this and Momma told him to go down and see Megan at PDC and he promised he would.

"Can you buy the building?" he asked.

"I can't buy a loaf of bread," Momma said.

That was the last anybody has seen of him.

"When you tell the truth, that cuts through everything else," Momma said.

He left a thousand dollar Con Ed bill which Con Ed insisted the tenants pay even though the bill (for common

lights in the halls and the boiler), was the landlord's debt.

The building had been in tax arrearage for several years; the city had been in no hurry to take it over.

But with the help of Megan Charlop and PDC, and the tenants themselves, 3531 is making a cautious comeback. Nine hundred dollars was spent to repipe all the lines in the building. A new roof was put on. Still, much needs to be done, and the question is, can the cash flow from rents pay for it. There are 11 units in the building, and three commercial sites. Six of the units are occupied, all rent controlled. The plan is to fix the building so that all 11 units can be rented. Tenants currently pay about \$30 per month per room. Out of this, the Con Ed back debt has to be paid, along with the current Con Ed bill. Weatherized windows have to be put in. The building has to be made tight, the boiler fixed, a new thermostat put in. And rising fuel costs loom for the winter ahead.

Right now the building is approved for Community Management under a contract PDC has with the city. PDC plans to bring it into 19-A action so that the city will own it. Then a moderate rehab will be done under PDC's Community Management contract, following which the tenants will probably opt to form a cooperative and take over the building from the city, thereby bringing the building back to the tax rolls after an absence of many years.

The scenario is precarious, but the odds are good that it will work. The tenants are behind the building. They see it as theirs. PDC is behind them.

And as Megan says, "If you make conditions just adequate, people's dreams will be somewhere else. But if you fix it up right, people will be here."

Thomas Glynn



engineers. Very politely, PDC argued that HDA couldn't turn them down without at least examining the merits of their case. HDA listened. Alex Garvin explains his reaction when they showed up. "When PDC came to this agency, they had no experience in housing. They had selected an abandoned building in an area studded with other vacant structures. They knew nothing about construction and according to every standard, no bureaucrat would have approved a loan in such a location to an inexperienced bunch of kids. But I was impressed by their skill in putting together a proposal, their willingness to go to the building and spend thousands of hours cleaning it out, their concern for the vacant lots and buildings on the block—a concern which made them clean these properties up and even create a park—and I became convinced they would be successful both in renovating the building and even revitalizing the area. Once I had a feasible proposal, I had to convince Roger Starr that this wasn't an irresponsible risk."

But convincing HDA took some time.

"Politicians just play games. All they want to do is get their names attached to the project."

Eladio Velez

So once again PDC came down to the Municipal Building fresh from the construction site. They staged a sit-in, lounge-in, lay-in at HDA headquarters ("...hey, you're getting dust all over our typewriters..."). Thirty-one PDC people got arrested and were carried limply into waiting police cars. The Association of Neighborhood Housing Developers got them out of jail, and later, PDC saw the effects of their demonstration.

In June of 1975, they got the first approval of the preliminary committee. That meant that at least they were in the pipeline. Whether they'd be flushed out remained to be seen.

In July of that year, 16 neighborhood youth lines came their way. They were used to clean out a vacant lot (now called Unity Park), but left in seven weeks when the program ended. The Consumer-Farmer Foundation took a gamble and lent them \$19,000. They were able to pay for the architectural plans done by Bruck and Franzese. These plans, designed for comfortable and intelligent living (such as making duplexes out of some apartments) gave HDA fits. They were used to approving little boxes, and anything that smacked of originality made them squirm. But somehow, they were approved.

More cliff-hangers were to come. During October 1975, PDC passed the Municipal Loan Committee review. The following day the city shut down the program. But PDC kept pressing. Finally, the loan was secured, the last one the city let out.

Still, they only had the commitment for the money.

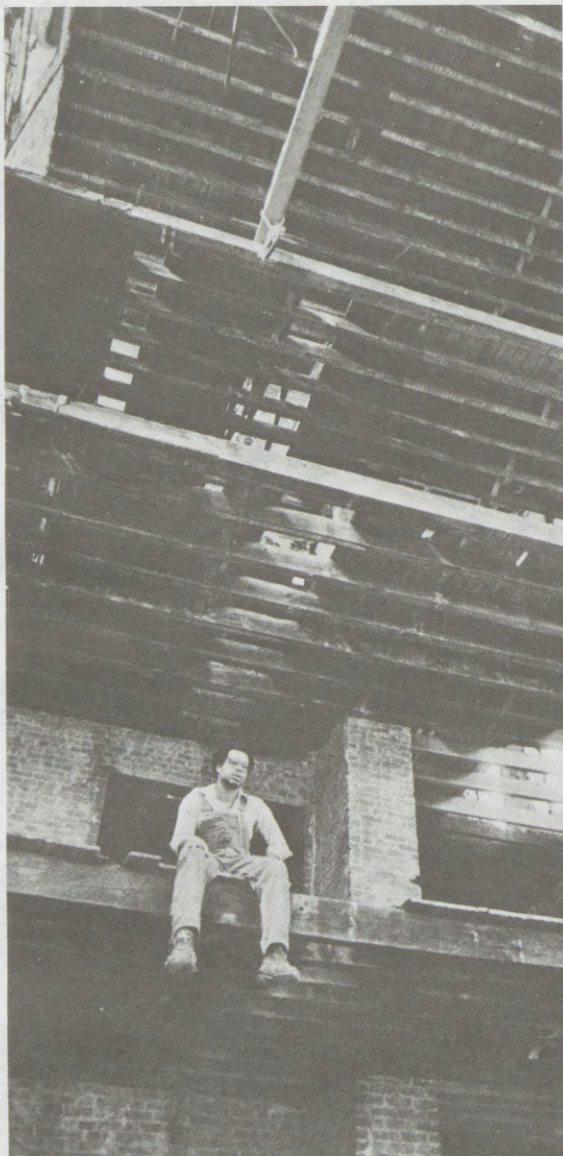
Now they needed to put together the labor component of their housing rehab package. Negotiations were finalized with the Criminal Justice Coordinating Council to get a job training contract and then the entire package had to go before the Board of Estimate.

CJCC had required that a percentage of the labor slots had to be filled by convicted criminals, those who had done time, got in trouble as juveniles, been put on probation, or had their case dismissed. "We convinced them we were all criminals," Ramon said smiling, "or soon would be if we couldn't finish 1186." The CJCC contract came through and gave them the money for the labor component of their package.

A further requirement was added by the Board of Estimate. The controller made the contractor responsible for placing people in actual jobs after the CJCC grant was completed. After 1186 was finished, Ramon ran around and actually found jobs for his people. But they didn't want to take them. Why should they? They had a commitment to PDC—they were PDC—and if they left, PDC would fold. PDC wouldn't have any trained cadre for future projects. To this day, the Criminal Justice Coordinating Council is somewhat ambivalent about them. On the one hand, PDC was the only group that finished the job on time and completed 99% of the work they said they would. On the other hand, PDC didn't "place" their people in other jobs and thus fulfill the obligations of the contract. And undoubtedly CJCC realizes the quandary this requirement has created, and prefers to forget it. Yet because of this quandary, future grant-making decisions have been forestalled.

Finally, a year after the Municipal Loan had been approved, PDC got the money for it. On June 21, 1976, they signed a contract with HDA for the first sweat equity Municipal Loan in the Bronx for \$311,663. With the loan closing in June, construction began in July. Alex Garvin, reflecting on the struggle to convince his colleagues at HDA, says, "Today, everybody sees the project as an obviously intelligent success."

Struggling to put the whole package together hadn't been easy. But in an almost perverse way, the city's delays



had sharpened PDC's skills in dealing with the bureaucracy, and had infused in them a greater sense of will and motivation. Only the committed were left.

It had taken one and a half years to clean 1186. It had also taken one and a half years to get the Municipal Loan. Money had been short, materials almost non-existent, and a lot of people had left because of the city's financial crisis. But those who stuck it through were determined not to fail.

"I was just hanging out, drinking, on welfare, doing nothing. Then I started rapping with Ruben. He turned me on to this, said it might lead to a job. He got me interested in the program. So I started putting in my sweat. Man, I stopped counting, I put in so many hours. In five years this neighborhood is coming up. Now its joyful when I'm working here. I brought more people in."

Edward "Moose" Holmes

"We all learned how apartments were set up, about plumbing, how beams are supported," Victor said. "We got 15 training slots and five staff slots through CJCC for one year. We got a construction supervisor, a carpentry foreman, plumbing foreman, electrical foreman, and a bookkeeper. I learned carpentry and built partition walls, did sheet rock, flooring, windows, dug sewer lines."

There was a master plumber, carpenter, and electrician who supervised crew chiefs. They in turn supervised trainees and apprentices.

"Here we can learn anything," Danny added, "you can come in off the streets and get into plumbing, carpentry, solar, whatever."

PDC was rehabing more than just apartments. It was reshaping lives.

"I'm 24 now," Danny continued, "I was growing up and my days were spent just hanging out. You know, wake up in the morning, play basketball, do odd jobs. I didn't like regular jobs. I had tried lots of different things and I figured that now was the time to learn something. I had a little drafting experience before and some blueprint reading, but I figured I would never become an architect. It cost too much to go to school and all that. But when this thing came up I said, 'hey, let's get into this!'"

Ruben Rivera elaborates on what Danny said.

"I lived in the Bronx and everywhere you looked was abandonment. Here was a level of consciousness, something positive, people hooked up to get good housing and have an investment in the community. I was willing to

take a chance. They took me on as a trainee. I learned the practical application of solar energy. I am learning the processes of how to set up a preliminary design, how to acquire buildings, how to get the banks to participate. I learned some carpentry. For a while we weren't getting paid and we had to get together and rap and keep the energy level up, keep the motivation high, and then go back and motivate the crews."

As 1186 grew, so did PDC.

Megan Charlop came on as a tenant organizer. A graduate of Kirkland College, Megan was organizing tenants for a community organization in Manhattan. But she found the organization too timid in its approach to what tenants' real problems were—the need for tenant control and ownership of their own living space. She attended a conference on housing, and found that the people from PDC were the only ones who made any sense. So she joined up. Carmen Grafals came on to get involved in health care. Steve Katz, after kicking around in the New School for several years, learned about PDC from Megan Charlop and Joan Allen. A talk with Ramon convinced him that here was where he should be. He began working on economic development. Steve's job was to work on grant proposals, which he attacked with a vengeance. A number of foundations soon received proposals from PDC. Uffe Surland, a Dane, came to work on design. Laverne Mitchell got involved in the solar project. Joan Allen found her way via MIT's program in urban studies, which hooked her up with the Renegades, a street gang doing a sweat equity project in East Harlem. When Ramon visited the Renegade's project, he brought Joan back with him. She came on as an electrical trainee, but when the project manager of 1186 left while the building was only 50% completed, she jumped in. It didn't take her long to learn about such things as Gant Charts and Critical Flow Path Methods, and 1186 was completed under her management.

Whether she had a natural talent for it, or was just a quick learner, Joan brought a sense of order and coordination to the work at 1186. Now, PDC was accomplishing what few other groups in the city had done. By blending street kids with college kids, blacks with whites, Hispanics with non-Hispanics, it turned out that the skills of one group were not only complementing the other groups, but were rubbing off. Those with college education began their education in the streets; those who grew up in the streets began developing organizational and educational skills.

"We had to go through several plumbers and electricians," Joan said, "who would be willing to work under the conditions we imposed—that is, having the plumber and the electrician supervise the job, work with PDC trainees who will then learn a trade, and have the responsibility of signing off on a job. They must be willing to work in a situation where sweat equity trainees do most of the work under their supervision."

She cites one of the major problems PDC has. "Cash flow. HDA must have materials installed before they will pay for it. PDC can get credit with some companies, but not all of them."

Solar energy came into the picture when PDC got a grant from HUD to pay for and install solar collectors on the roof to heat their hot water. And it didn't hurt when they won a \$25,000 energy competition grant given by Community Services Administration.

As 1186 took shape, as the solar collectors were hauled up on the roof and the heat exchange system installed in the basement, Ramon and PDC began crystallizing an idea that had been brewing for awhile.

"This is our baby, this bond keeps us together."

Ruben Rivera

Why not develop a total plan for a nine square block area surrounding 1186? The problem was not really 1186, but the environment around 1186. Do something for the surrounding area on a comprehensive basis—housing, jobs, health, education, parks, recreation—and then you start solidifying the work done on 1186, and all the other 1186's to come. It was an exciting idea. And one, it seemed, whose time had come.

Later, that nine block plan would expand to a 40 block plan. A plan was drawn up to turn vacant lots into vegetable gardens, solar greenhouses, and to develop a system of aquaculture. They picked five more buildings to rehabilitate: 494 East 167 Street, 1217 Washington, 1178 Washington, 1246 and 1248 Washington. The buildings were not picked on the basis of whether they were city-owned, or privately owned. They were abandoned hulks, orphans. Structurally sound, if rehabilitated they could solidify and anchor the surrounding area. That was the deciding factor in choosing them. It really didn't make any difference to PDC who owned them. The point was that these buildings needed rehab. Legal niceties such as title transfers could occur later. It didn't make any sense to hold up a program just because you didn't own, or know who

owned, the building. Ramon, with confidence built upon experience, could get control of the building later. It was a principle that was to guide him, and PDC. First you did what had to be done. You took control of a building, you did the work. Ownership could come later. The same principle applied to vacant lots, abandoned stores, or any real property. In fact, if the buildings which PDC wanted were not already owned by the city, they could easily be.

A community management program (see page #10) was drawn up to include five buildings, and tenant organizing began at six other buildings. A plan was drawn up for economic development projects that included a construction materials recycling and warehouse venture, a cabinet woodcraft shop, an energy venture that involved cellulose insulation manufacturing and solar system installation and solar collector manufacturing, a construction contracting cooperative, a credit union, neighborhood resource surveys, manpower development, an alternative solid waste treatment system, setting up a system of community land banks, plus other commercial revitalization and industrial space renovation. Social development projects planned included a food cooperative, turning a trash-filled lot into a park (called Unity Park, with a mural of PDC members painted by Uffe Surland and Laverne Mitchell), youth centers and youth employment programs, a day care center and a senior citizens program.

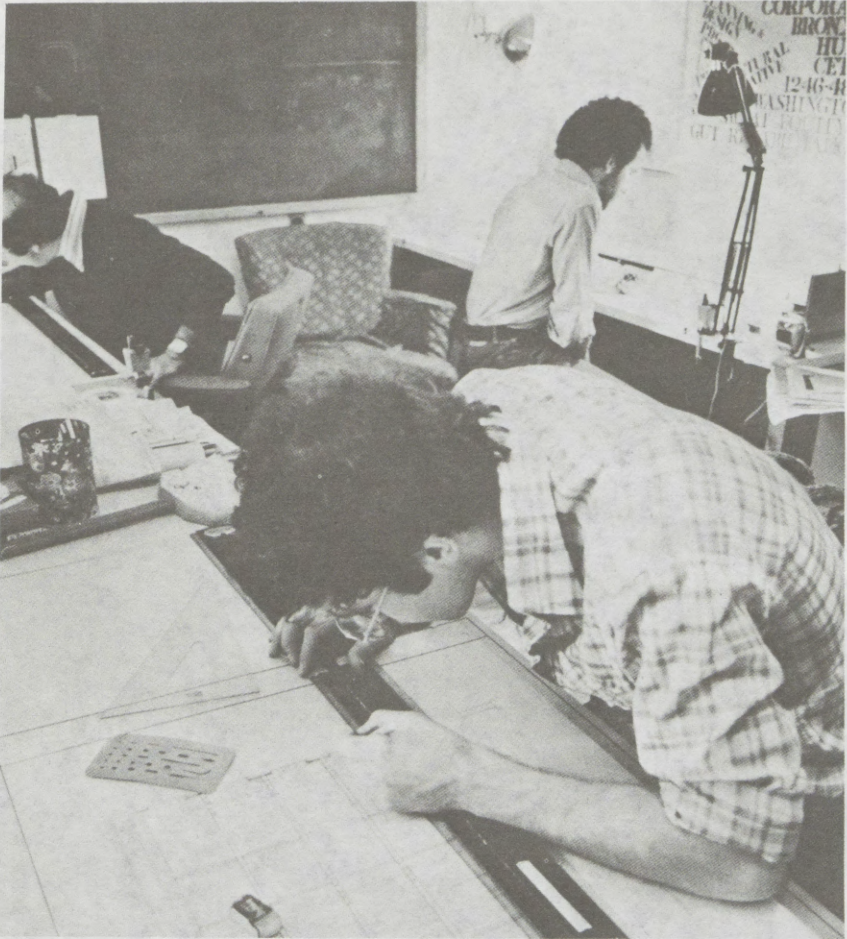
All these programs would generate jobs... jobs filled by people who lived in the neighborhood. Commercial ventures owned by locals would keep dollars in the neighborhood. A buck would bounce around six or seven times before it had to leave, and do a lot of good in the process of bouncing.

These primary economic projects—housing, food, jobs, would be designed so the neighborhood could become self-sufficient. The model for this would be the Tachai—a Chinese commune that was rebuilt after the war and became self-sufficient.

Very impressive. But is it realistic? Well, parts of the plan are already being implemented.

One. When PDC was still waiting for their Municipal Loan to come through, they began demolition on the five other buildings. "After demolition on 1186 had been done and approval on our loan still hadn't come through," Victor said, "we started demolition on 1178. We cleaned two buildings in a year and a half. There were about 20 or 25 of us in the group. It seemed crazy to start an-





other building, but we went ahead."

They got help from 140 neighborhood Youth Corps workers who they turned loose on the buildings. A lot of them came from the neighborhood—so

"I like the idea of working with solar energy, learning a new skill, becoming part of the universe, helping man. It all helps me be more aware of what's around me."

David Straughn

they were easily motivated to work. It was a good bunch. Only a few had to be sent back. Ramon organized them into an "Army." He had sergeants and lieutenants, squads and platoons. Daily orders were issued, duty rosters checked off. The kids loved it, and their work showed it. Rotten wood, charred timbers, plaster, bricks, and entire basements filled with decaying garbage were removed from the buildings. It was July 1976. While the rest of the city was basking in the glow of

the Bicentennial and Op Sail, these kids worked—throwing out tons of old dreams and old hopes to make way for new.

Two. A program of community management (see page #10) had been started by PDC before they even heard of the city's program.

Three. An aquaculture project is underway. On the top floor of 1186 is a huge tank connected to pipes and pumps. Great grey, slow moving fish

"I want the people—the poor—to benefit."

Tito Cintron

glide through the water. Opposite the tanks is something that looks like a cattle trough... but it's filled with dirt. Sink your hand in and you come up with worms. "We're raising earthworms," says Jane Benitez. "We feed the worms to the fish, and use the castings for humus. But you know, earthworms have a very high protein content. Maybe we could learn to eat them." She laughs. "We're going out to Staten Island to see a big landfill. You see, we're going to separate our garbage into compost and glass and metal and sell the glass and metal. The Environmental Action Coalition is helping us out."

Four. They put in a garden before they got city help for the topsoil. Now, in the lot next to a burned out liquor store, corn stalks whisper and crackle in the breeze.

Five. PDC has a Citibank intern helping them do an economic analysis of stores in the area. He will build on PDC's own analysis of the area which has shown that while there are many firms in the South Bronx, they tend to be warehouses, manufacturing plants, or service industries (there seem to be more auto body shops per square foot in the South Bronx than anywhere else in the city) who have as little as possible to do with the surrounding neighborhood. Many of their employees are not even from the area. This ties in with another survey done by PDC which shows that 33 percent of the existing housing stock in their 40 block area is completely abandoned. Another 27 percent is substantially under-occupied. And that doesn't even count the vacant lots.

"I came from Puerto Rico when I was seven months old. I lived around Fort Apache and I saw everything go down. Junkies, addicts, cops, burnings, everything, but I stayed away from that and holed up in the library."

Victor Merced

Ramon feels that one of the biggest problems society faces is that it cannot cope with the growing number of poor people. The way to solve this is to look upon the South Bronx as a village—where the inhabitants will shape the economic, social, and political aspects of their village.

In September, PDC, with the help of U-HAB, submitted a proposal to HUD. They suggested that HUD channel 312 (see page 9) monies through them as

a national demonstration program to show what could be done to turn around abandoned multi-unit buildings. It was a risky proposal because previously 312 monies had only been used for middle-class one and two-family homes. PDC asked for \$3 million from HUD, and then waited. After some lobbying, HUD agreed. But there were strings.

As the first homesteading program in New York City, the city had to approve and supply CETA line workers for the labor (the HUD loan is only for materials). A further requirement was that the city set aside certain areas for urban homesteading. Ramon approached the city, and they verbally agreed to this.

"This program could be called many things—democracy at its best, socialism, communism—but it works, whatever it is."

Raul Reyes

But... another catch. Written into the 312 program is a provision called the Davis-Bacon law. It specifies that the contractor has to pay prevailing wage scales. PDC would have to hire four journeymen for each trainee they use under this provision. After several hasty consultations and much jaw-boning, HUD agrees that this requirement is excessive and temporarily waives it. PDC now goes back to the city only to find the city hemming and hawing and in general refusing to be specific about committing CETA workers.

It is election time. The mayor wants another term (even though the voters, as it turns out, have other plans). PDC threatens a massive march on City Hall unless the city lives up to its promise. The mayor relents, and signs a letter of intent.

All these difficulties, each overcome, illustrate PDC's efficiency. Lines of communication are clear. Responsibilities are well laid out. Objectives followed up. And as the executive director of PDC, Ramon rules not by executive fiat, but by the assent of the members. Decisions are based not on votes taken, but on issues being talked through until a general consensus is reached.

One of the most important roles PDC now fills is that of a model. All eyes are on them, especially with the intensive media coverage after the Carter visit. Other community groups feel that their fate is tied in with PDC. "If they go down, we all go down." So PDC has a lot of people in their corner.

But what now?

Winter is fast approaching. They are still waiting for their 312 money. And the city, once again, is dragging its lead-

en feet on CETA lines. Maybe they'll get them.

PDC is hustling to bridge the economic gap between the finish of 1186 and the start of their new projects. While waiting for the government to push all the papers around, the people of PDC still have to eat, pay bills, pay rent. Some are on unemployment, or trying to get on; some have just gotten off and are hustling until the CETA lines come through.

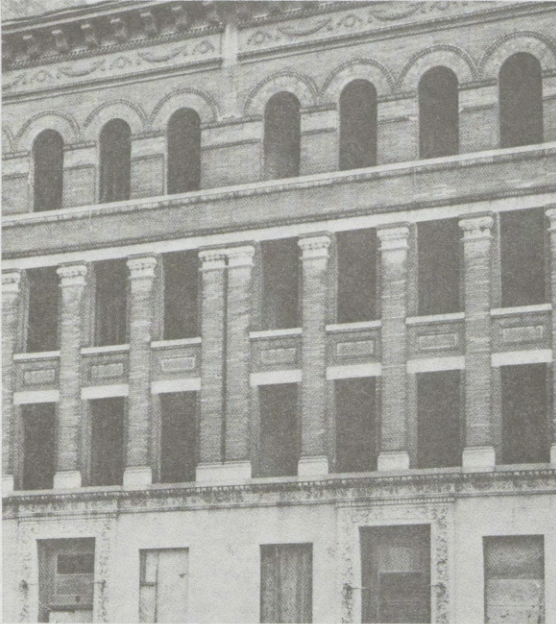
But the structure of PDC is such that they can probably weather this crisis.

The reason PDC works so well is that they don't fight the system any more than they obey it. They use it. They extract what they can from it—and change what they must through it.

Ramon is not just a street-wise leader. He has an uncanny ability to keep his long range goals in mind and to achieve them through a kind of Yin Yang—being soft where that accomplishes the most, being hard where that works. He combines street demonstrations and hard-nosed actions with persuasion and an unusual sense of how "the system" works and which buttons you need to push to make it work for you. More than just intelligent, reasonable and open, he has been able to weld the talents of an unlikely assemblage of people—politicians, college people, street people, legislators, non-profit corporations, even Presidents. Moreover, each and every member of PDC feels that he or she is involved in the decision-making process—because the process at PDC is not one of coercion but one of education and mutual assent. 1186 was the only sweat equity project that was not only completed on time, but actually came in on budget. The quality of the work was admired by professional contractors. Even a hard-nosed look at construction costs leaves one impressed. The Coalition project just down the block from 1186, done a few years earlier when construction costs were cheaper, was brought in for a little more than \$24,000 a unit. PDC's was brought in for a little less than \$21,000 a unit (that included the ML, CJCC grant, CETA lines and private grants). And from the government's point of view, PDC's operation becomes an even better deal because the grant is a one-time shot. The government is completely out of it now... they're not bogged down with rent subsidies year after year.

Maybe that's why President Carter, after his visit, set up one of his Presidential aides—Jack Watson—to check in with Ramon on a daily basis. ■

Welfare Housing—Half a Billion for Abandonment



program.

Welfare clients are supposed to be treated as adults, capable of managing their own affairs. They cannot be assigned to housing, but are supposed to have enough money to compete for it successfully in the open market. No bureaucrat is allowed to tell them where to live, only the maximum they can spend on rent. The client is responsible for finding an apartment and paying the rent.

The Tenant: Making Ends Meet

A client's welfare allowance is determined by such factors as family size, age, health, income, etc. In fact, many families cannot live on their allowances. Not just because they are bad managers, but because the allowance is too small. Total subsistence allowance for a family of four is \$335 a month or \$145 per month less than that needed by a working family of four on a stringent budget, according to the Bureau of Labor Statistics (see chart). This may help explain why many families use their rent money for things other than rent.

There are always at least 15% of all welfare families more than two months behind on their rent. Woe unto the owner who tries to get an eviction. It usually takes five months, even more. Not infrequently, New York City Human Resources Administration (HRA) simply tells the tenants to move, and then pays them a relocation allowance, because it is cheaper than paying the back rent. So, the landlords are out the rent, and have to pay the cost of prosecuting the eviction, while the tenants may even get free legal aid.

As many as 20% of all welfare families move every year, leaving unpaid bills behind.

If tenants don't pay their rent, a landlord may be able to get a restricted check which he must sign. But these are limited to 10% of the caseload.

Years ago, HRA social workers would visit tenants and landlords and try to get both to work together. But in a wave of welfare "reform" a few years ago, checks were issued automatically by HRA's computer so that "social work-

The present system is absurd. It's worse than absurd, it's destructive. We spend \$500 million a year in New York City alone: half a billion of taxpayers' money. And what does it buy.

- **Rundown housing**—over 80% of the housing it pays the rent for is federally declared substandard and unfit to live in.

- **Abandonment**—Whole neighborhoods have been wiped out by a rapid influx of tenants with welfare rent allot-

ments that are insufficient and often uncollectible.

- **Rundown lives**—It encourages a system where only cheaters make out.

Obviously no one designed the welfare system to achieve these results. So why has it happened?

The answers are complicated. Unfortunately, they are understandable, but still inexcusable. Shelter allowances are part of welfare payments but they are not considered to be part of any housing

A position paper of the New York Urban Coalition, prepared under the supervision of Donald Elliott, Chairman, with assistance from Richard Cherry, Eugenia Flatow, Valerie Malcolm, Dick Duhan and J. Wandres

RON DIAMOND

ing" could be separated from "income maintenance," and caseloads were eliminated. Clients had to complain or ask for service to get any assistance from social workers.

But even when they pay their rent, the problem isn't solved.

The Landlord: Making Ends Meet

A 1972 Rand study, *Welfare Housing in New York City*, disclosed that the Department of Social Services (DSS) paid out \$363 million in housing allowances to 384,000 families in 1971. The Maximum Base Rent (the city's formula for what it takes to adequately maintain a building) that year for those apartments was \$532 million. In other words, DSS rents were \$169 million less than the city itself said was necessary to maintain the buildings.

In 1975, in order to end the wide variances in administratively set rent allowances, the state, by legislation, established State Administrative Rent Ceilings (SARC). These ceilings, lower than other federal and city levels, were not concerned with the size of the apartment or its condition, but were based on the number of persons in the family. These rents, already lower than 16% of welfare families were paying, were not only insufficient for maintaining or operating the buildings, but were absolute ceilings. The Maximum Base Rent program, which attempts to be a reflection of the current cost of maintaining housing stock, has been adjusted upwards twice since 1972. But, although the welfare caseload has been trimmed by 60,000 families since 1972, DSS housing allowances for 1976, \$498 million, are still \$100 million less than is necessary to maintain the same apartments according to the city's formula.

To top it all off, resentful, transient welfare tenants can be destructive in buildings which already require substantially higher expenditures for maintenance and repairs.

Many owners rent to welfare clients only if no one else is available. And when they do rent to welfare recipients, it is usually in a building where they no longer expect to spend what is needed on maintenance.

Furthermore, landlords with large numbers of welfare tenants, trying to hold the bottom line, often take illegal actions such as allowing dangerous code violations to go unrepaired and overcrowding apartments in order to collect higher rents. When this happens in 24, 48, or more units—and in several buildings—the practice can even become profitable for landlords who don't

give a damn about the *human* welfare of their tenants—and the system continues to look the other way!

Abandonment: The End is Met

The pattern of decline is familiar. First, services and maintenance are reduced or cut off. The tenants, already living in substandard conditions, take out their frustration and anger on the building itself, hastening its eventual destruction.

In the end, landlords often "walk away." By this time, they have no choice but to let the vandals, the junkies, the arsonists, and the prostitutes have it. Who cares, anymore?

This, many experts say, is why the present system of welfare payments is the greatest single contributor to housing abandonment in the city.

And for this we pay \$500 million a year.

Some Recommendations

Welfare spends 10 times more on housing in New York than HUD does. If we can turn welfare shelter allowances into a positive program, we might be able to have a significant impact on urban decay.

First there must be a recognition that welfare housing allowances constitute the largest housing subsidy program in the city and must be administered to assure housing quality. A number of steps are feasible.

Landlords who agree to maintain their properties should be guaranteed a stream of income equal to the welfare allowance for a fully tenanted building. The welfare department should pay the rent directly or guarantee its payment by the client. In return, the owner should agree that failure to maintain the building would result in it being taken over by a local corporation such as the Consumer Housing Corporation, recommended by the New York Urban Coalition, or an existing non-profit corporation such as Settlement Houses Fund or People's Development Corp.

On a somewhat more ambitious scale, the Section 8 program should be modified and expanded.

The Section 8 Program

The federal government already operates a program of rent subsidies under Section 8 of Title II of the Housing and Community Development Act of 1974. Under the Section 8 program, these subsidies cover the difference between what low-income tenants can pay (usually 15 to 25% of their income, depending on family size) and what the

apartment would normally rent for under the Section 8 "existing fair market rent" levels. The subsidies are based on a reasonable number of persons living in an apartment. In order for landlords to be eligible, their buildings must be, among other things, maintained at federal and local standards of habitability.

Section 8 sets two levels of maximum rents. The higher is set at the fair market rent for newly constructed buildings or ones which have undergone a substantial Section 8 rehabilitation. The lower level is the fair market rent for existing housing which has not undergone a major "rehab."

In both instances, subsidies are paid directly to the landlords. In addition, the Section 8 rehab program will continue to pay the debt service on a vacant apartment for 14 months after the vacancy occurs to provide additional assurance for the mortgage lender. Another important difference between SARC and the Section 8 program is that the Section 8 level—even for existing fair market rents—is 30 to 50% higher than SARC. Eligible Section 8 owners can thus afford to maintain and even improve their buildings.

Slumlords need not apply

Section 8 funds are available in New York City, but presently they are not designed to help owners of run-down buildings, particularly those with a large percentage of welfare tenants.

Even if such owners wanted to upgrade their buildings it would be impossible to qualify for Section 8. They would have to comply with all codes for dwelling habitability. In order to afford this, they would have to get private financing.

The "Catch-22" is that private lenders will not even consider a mortgage on buildings in poor condition which have large welfare tenancies. This is especially true in light of the difficulties landlords have in collecting rents. Thus, the landlords are back to square one.

Why not mix and match?

The program suggested by the New York Urban Coalition recognizes that landlords need a mix of low and moderate income tenants as well as welfare tenants. The subsidies under this special program would cover both non-welfare and welfare tenants.

A special Section 8 "light rehab" program should be made available for all the tenants, both welfare and non-welfare, in those "welfare" buildings where owners sign the appropriate agreement to maintain the building. The fair market



rent for this program would be the existing fair market rents, but the rent and debt assurances of the rehab Section 8 program would also apply. (See Pro Forma Statement).

Part of the funds for this special Section 8 program could come from the \$500 million now being spent by HRA for housing allowances. The rest of the special Section 8 program cost would have to come from Section 8 appropriations.

Mortgage insurance, when necessary, could be available through existing programs, such as the city's Rehabilitation Mortgage Insurance Corporation (REMICO) and existing Federal Housing Authority programs. If these are inadequate a special federal welfare mortgage insurance fund could be set up. Or there could be a specially targeted purchase of mortgages by the Government National Mortgage Agency (GNMA, or "Ginnie Mae"). The insurance of these mortgages should be at less than 100% to allow enough risk so that private lenders can be depended on to do adequate underwriting and servicing of the mortgages. There should also be an affirmative marketing of the program, and technical assistance by the local administrator to owners and lenders to encourage participation.

Going beyond square one

One does not like to think that a program like this will have casualties. But some owners will be unable—or unwilling—to hold up their end of the bargain.

Legislation exists to require compliance. The Speigel Act permits tenants on welfare to withhold their rents if essential services are not maintained or provided. Mortgage holders always retain the right to foreclose. And violation of the various codes, or abandonment, can lead to takeover of buildings by the city.

A mechanism must be established to permit tenants in buildings participating in this program to file a complaint if services aren't being provided. They must be able to get a prompt inspection and a decision by the city on what course of action is best. But all of these could lead back to square one, with no one benefiting, if there is no alternative owner/management.

Train local residents to take charge

The program would meet this need by training and developing local organizations to serve as a legal entity for the management takeover of buildings where the owners don't comply with the agreement to properly maintain the building. The right of these community

organizations to intervene if certain objective standards aren't met would be part of the agreement signed by the landlord.

These organizations would act as an interim management until a permanent owner—private or non-profit—could be found. Or, the organization could train tenants to take over and operate their buildings as non-profit cooperatives.

These grass roots organizations could serve other functions. They could be the "eyes and ears" for the government's program administrators.

The community groups could also train tenants in housing preservation and consumer affairs. In a general way this would work to improve tenant attitudes toward the homes they live in, their landlords, and their own neighborhoods.

Welfare Housing Pro Forma Statement

The New York Urban Coalition has examined several properties with primarily welfare tenancy in New York City to determine the impact of a light rehab program on rent structure. The following prototypical cost analysis has been developed, indicating quite clearly that SARC is slightly low but that existing Section 8 FMR is more than adequate.

I. Development Cost—Unit

A Acquisition (as is value)	= \$2,000
B Cost of improvement inclusive of 5% contingency	= 5,775
C Professional fees; construction interest; insurance, etc.	= 1,225
Total Improved Unit Cost	= \$9,000

II. Financing Plan—Unit

Loan to value ratio @ 75%	= \$6,750
Owner's Equity @ 25%	= 2,250

III. Annual Operating Cost—Unit

M & O @ \$350/rm (4.5 rooms)	= \$1,575
Taxes—J 51	= 0
Debt Service (9½%; 25 years)	= 768
Reserve for replacement @ 3%	= 70
Expense Total	= 2,413
Return on equity @ 10%	= 225
Total Operating Cost	= \$2,638

Annual Operating Income—Unit

A Required Rent @ \$51.48/rm/mo (2-bdrm, 4.5 rooms)	= \$2,780
Less 5% vacancy loss	= 134
B Net Operating Income	= 2,641

Note:

- A Two-bdrm apt. as projected above (\$51.48; 4.5 rm) = \$231/mo
- B Present SARC rent @ \$48/rm/mo (2 bdrm, 4-member family) Which is \$15/mo less than the projected rent for an improved apartment = \$216/mo
- C Section 8 FMR @ \$75/rm/mo (2 bdrm, 4-member family) Is approximately 60% higher than the projected rent on the improved apartment outlined in the program = \$337/mo
- D If existing real estate taxes of \$7/rm/mo were included [\$231 + (4.5 x \$7 = \$31.50)] = \$262.50/4rm This rent would still be far below the FMR.

Chart: Annual Budget Allowances For Family of Four, 1976

We have compiled a comparison of budget analyses from three sources: (1) Community Council of Greater New York's Research and Program Planning Information Department's estimate of need; (2) Bureau of Labor Statistics' Budget for a Family of Four's lowest stringent level; (3) Actual Public Assistance Grant.

	CGNY	BLS	DSS
Food (including food stamps)	\$209	\$250	\$214
House furnishings and operations	36	38	26
Transportation	16	64	10
Clothing	60	67	50
Personal Care	19	22	14
Other family consumption (includes utilities, telephone etc.)	42	39	21
TOTAL	\$382	\$480	\$335



"First of all, let me make clear what I meant by planned shrinkage." *Roger Starr*



Roger Starr on the South Bronx

The following is the transcription of a taped telephone interview conducted by Amy Goldberg of WCBS/FM radio with Roger Starr, former Commissioner of the Housing and Development Administration.

Amy Goldberg: I would like to talk to you concerning your ideas about the housing problems specifically, and certainly in relation to possible plans coming out of Washington. From what I understand, in a new book, *America's Housing Challenge*, you're certainly trying to deal with that problem. When you first proposed your planned shrinkage idea, how did you follow that through from your years in the city government? And how do you see it now?

Roger Starr: First of all, let me make clear what I meant by planned shrinkage. What I meant by planned shrinkage is that shrinkage of the older cities is taking place, there isn't any question about that. The shrinkage of economic potential, the shrinkage of employment opportunities, and the consequent shrinkage of population is taking place. Now, what I meant was that you have to plan for this shrinkage just the way you had to plan for growth in the days when everyone expected that these older cities were going to keep on getting bigger and bigger and bigger. Now, I believe that the Bronx is clearly a place from which people are fleeing. Its population is going down... upwards of 20% of its population is supported by public assistance and I think that's a very unhealthy situation. It's certainly also true that there are sections of the Bronx which have all but been stripped of their population—people have moved away. What I'm saying is that a city with a smaller economic potential than New York has, compared with what it had 15 or 20 years ago, cannot provide services to the same number of people if they are stretched thin over the same miles of street. And they have to be encouraged to move closer, this smaller number of people, so that they can continue to be provided with services.

Goldberg: Should there, within that plan, be a reason not to suppose that others will move in, and shouldn't

they be included in the future plans?

Starr: There will not be people moving in; this is simply a fact. People are not moving into the Bronx. When people leave the Bronx the housing generally falls in after them or falls in simultaneously with their leaving. Fires are set in empty buildings, empty buildings deteriorate and all you have to do is go up into large sections of the South Bronx or maybe some sections of Brownsville and some sections of Bushwick and see what happens to the buildings when the people leave.

Goldberg: Is there any way to prepare for that in order to prevent it from happening?

Starr: Well, I don't think there's any way to prevent it except by providing more jobs and economic potential for people, so that they will continue to work here and the buildings will continue to be full of people who are paying a rent that can sustain the buildings. And I think the hardest thing in the world is to figure out how you are going to create new jobs in the setting of the older cities at the present time.

Goldberg: Can we, though, discard those that are already abandoned or those areas that are already not in use?

Starr: They are being discarded. I think even the President's visit to the Bronx mentioned something about turning them into recreational areas. I don't know what he means by that. Do you?

Goldberg: Not really. Some people objected to those comments; he only saw a few streets.

Starr: Why do we think that people who came to New York City in the search for economic opportunity really want to stay here when the economic opportunity no longer exists here? Most people who came here in expectation of improving their circumstances, both political and economic, and who find that they can't get jobs because the jobs

no longer exist—we've lost almost 700,000 of them in the last 10 years—would want to go to where the jobs are. And what's keeping them from going there are two things. One is their fear of giving up a relatively high welfare standard as compared with the standards in other parts of the country, and two is the fear that they will be treated as unwelcome in the places to which they might go where the unemployment figure is half of one percent, instead of the 11 to 20 percent—or even higher—that we have in the Bronx.

Goldberg: So it's up to both city and federal governments, then, to try to solve the problem by bringing jobs into the area?

Starr: By bringing those jobs which it's practical to bring into the area, and by aiding people living in New York City and other older cities to adjust so that they can qualify for those jobs which do exist in other parts of the country.

Goldberg: Rather than a recreation area, what about the proposal for turning those portions of the South Bronx into an industrial park?

Starr: Industrial park for what industry? Where are the industries lined up that say they want to come into New York City and pay the going rate here per kilowatt of electricity, and pay the tax rate, and absorb the cost of the accumulated social problems that go back for years, or endure the kind of traffic snarls that we have here in this city or go through any of the other social problems—like crime and delinquency—that are so characteristic of so many of our cities. New York, incidentally, has by no means the highest crime incidence of any of the cities.

Goldberg: It almost sounds like we should all be giving up?

Starr: No, I'm not saying that we should give up at all. I'm saying that we've got to forecast how large a population New York City can sustain here and make plans for sustaining that population. We should be working to develop those service industries primarily, and some of the manufacturing industries which have a possibility of relocating here. We should be collaborating with the federal government in attempting to

encourage people to move to those parts of the country where they have a better chance finding jobs than they have here in the City of New York.

Goldberg: But with President Carter and Secretary Harris' visit, it seems to me—it seems to a lot of people—that there will be a new infusion of money.

Starr: Well I don't know why people think that.

Goldberg: ... well, they've set it as a priority, or at least as a target.

Starr: Well, suppose the President has a target; he is going to the Congress of the United States. Has his record in getting an energy bill passed, or the Panama Canal Treaty endorsed, or any of the other things that he says he wants to do as a matter of urgent necessity... has his record been so good that you think that that's what's going to happen? I think that the President came to the Bronx and, like any humane and decent person, saw what's been going on there in full view for the last 15 or 20 years, and he reacted very strongly and very humanely to it. But I don't think that so far he's thought up a plan for dealing with the issues. Just building some industrial buildings in the Bronx, even if he built them instead of residential parks, doesn't mean you can get birds to settle in them as though they were birdhouses. You've got to deal with the kinds of industries that are anxious to come here and, incidentally, we've got all kinds of obstacles that we've thrown in the way of industries coming here. Some of the reasons that we have obstacles may be reasons that most good people would support. This is a city, we don't want smelly industries. We don't want industries that produce smoke, we don't want industries that create other kinds of nuisances, we don't want noisy industries, we don't want airplanes to land here that make an unusual amount of noise. I'm saying I fully understand these objections, but you don't find the same objections perhaps so much in other parts of the country where industry is still growing.

Goldberg: Some of the areas that we are talking about are abandoned, or basically abandoned. What about those

that are still inhabited... buildings that are half in use or where communities are left?

Starr: A building that's half in use is no good and if you haven't got at least 85 to 90 percent occupancy, a building will not survive. Now, one of my notions is that you do everything you can to encourage people that are left—the few people that are left—in the nearly abandoned sections, to move into the vacancies in the buildings that are in sections where there still is an important throb of life. And that any federal subsidies that we can get—or any mortgage money that could be guaranteed by the federal government—that would help to rehabilitate those buildings would be fine, would be very useful. But you've got to understand a few things about rehabilitation, and I'm speaking now as someone who had some experience in administering it. There is no more difficult program to administer than a rehabilitation program. You are dealing with buildings that decayed already. There's a reason why they decayed. The problem is that you can't afford, on those small buildings, to provide the quality of management that perhaps you can in a big building. There are problems of tenant selection and the fact that some of the people who live in these buildings are, for one reason or another, rather destructive. Maybe they haven't got jobs, maybe they've never learned how to live in the city, and you've got to deal with that problem. It's a very, very real problem. You've got the problem of who's going to own and manage these buildings. And how are you, as a government official, going to decide which contractors to make loans to who will actually do the work. You're not dealing with great big bondable, reputable contractors who have bonding companies standing behind them and who will see that the building will get finished. You're dealing with smaller contractors who sometimes, in fact, very often can't finish the building or go broke on the job, or the work is inferior and the amount of government supervision is tremendous. This doesn't mean we shouldn't try it, but I just want to explain to you why it's a very, very difficult program. And one of the most difficult parts of it is that you get

people of extraordinary talent in some of these local sections of the Bronx. And a young man named Ramon Rueda to whom I made his first loans, and I happen to think very highly of him...

Goldberg: That's the People's Development Corporation that President Carter met with...

Starr: Well, Ramon I know very well indeed and Ramon is marvelously equipped. He has a real quality of leadership to run the kind of project that he's running now. But if you say 'Ramon I want you to do 10 times this amount; I'll give you the money, set up an organization 10 times as big and hire a dozen people to supervise it on your behalf,' then you're asking him to do something for which he may or may not have talent. But the probabilities may be that you will get him out of doing what he does well and put him in a job which is something for which he has not been trained. These are some of the problems.

Goldberg: But the ideas of PDC should be encouraged, though, you're saying?

Starr: Oh, absolutely.

Goldberg: But when you have so many possible formulas for subsidies and so many possibilities you're saying someone's got to make all these decisions on who gets what money?

Starr: Right.

Goldberg: There are a number of different formulas that they're working on to bring more money into the area. Is there anything that you would suggest? Should it all be public housing?

Starr: No. For example... one thing I'd love to see on vacant land is three-family housing, with one family owning the house, renting out two apartments to other families, which would help with a tremendous mortgage. We haven't tried that in sections like, for example, Bathgate, but it's been a highly successful private housing form in Brooklyn, Queens and now, increasingly, in Staten Island. I'd like to try that. I do believe in public housing. I'd like to try more low-rise public housing. We have some projects that are extraordinarily successful, and I do feel that when you find a group like Ramon's group you should encourage it by making more loans, but

not push this organization into doing things on a larger scale than it's capable of doing. We're talking about people running businesses and big businesses. They have to understand management techniques and bookkeeping and accounting and so on. For every Ramon to whom I loaned money as city administrator, I had three or four other housing groups whose results were far less successful.

Goldberg: Is there a necessity that the Carter people set up a whole office here to supervise any of this housing?

Starr: Federal government shouldn't get involved in that. It certainly should provide the money for the City of New York to provide these services to these kinds of people. But don't underestimate the overhead costs, they are cataclysmic. The HDA spends on its own administration well over \$10 million a year and, believe me, it doesn't have enough people to provide all the services that would be needed by a vastly expanded program. You're talking about a very, very tough and expensive thing to do. That is to pour money into the rehabilitation of small, older buildings—and we can show you plenty of failures in the city to set alongside the few successes. It's a tough program. This isn't to say it shouldn't be tried, but I just don't want people to get the idea. 'Oh, we've found a solution. We're going to give money to local people and let them do it for themselves.' Lots of times you find some money disappears and sometimes the local people do.

Goldberg: Final question, what do you think might come in the long run out of the Carter visit?

Starr: My impression is that the Carter people are becoming quite sophisticated about the need for creating jobs. They are looking at this as the really basic issue. The older cities like New York, and perhaps Buffalo, perhaps Boston, perhaps St. Louis—some of these older northern cities—have lost a great deal of their economic power. And they're thinking of ways: one, to help the city carry its present load, or something like its present load, with reduced indigenous economic power; and secondly, they're trying to think of ways to encourage jobs to come here. All of these are very tough problems and I'm not at all sure that government on a voluntary basis, without using mandatory powers, which I'm sure we don't want to use and can't use, can solve these problems as easily in reality as they can in the course of a few press releases.

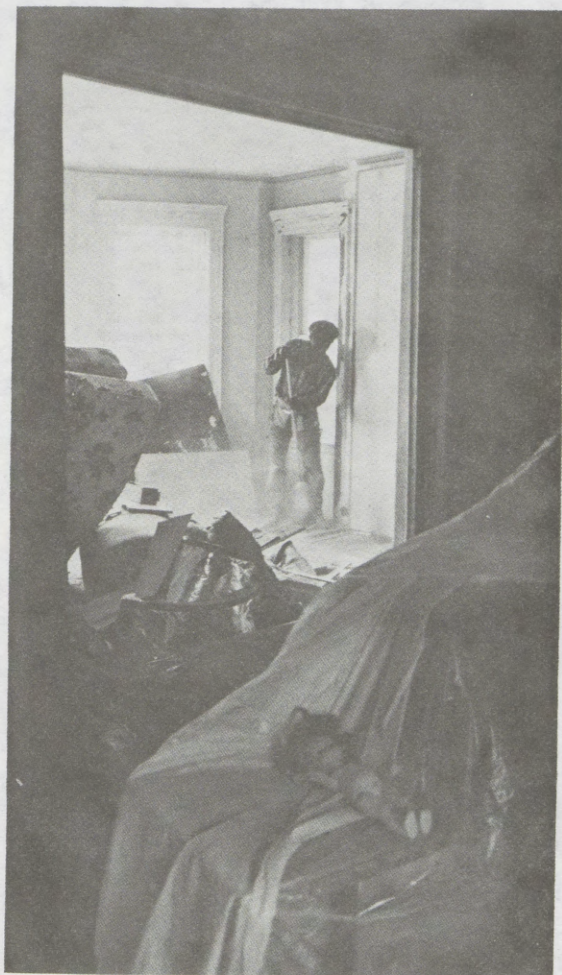
Goldberg: Within that framework then, would you suggest your proposal

of shrinkage and planning for future shrinkage?

Starr: I would not go into an area like the Bronx and say, 'Look, on all this vacant land there used to be housing, ergo we should put housing back there again.' I don't think we should figure that way at all. I think we should say to ourselves, 'how many people are likely to want to live in the Bronx given the eco-

nomical conditions of the City of New York, and how can we best house these people in such a living pattern that the city will be able to supply them with services.' Those are the important questions to ask yourself with respect to the housing pattern in the Bronx.

Goldberg: Okay Mr. Starr, thank you for your time. ■



Banking on Self-Help

by Juan Villanueva
Vice President, Director of Urban
Housing, Chemical Bank

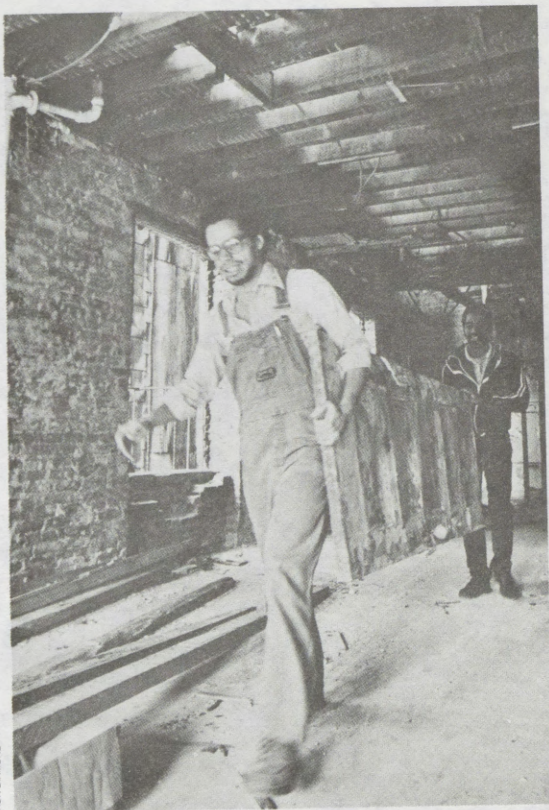
The Role of Self-Help

When we talk about self-help projects, we are actually talking about the only housing-producing mechanism which had any viability before Section 8 and Community Development funded housing got started. Self-help housing, as the name suggests, arose largely as a result of the lack of housing delivery mechanisms before and during Richard Nixon's moratorium. It was this moratorium and the response efforts of local residents, in addressing their own housing needs, that gave rise to the self-help housing movement.

In all these projects or developments, the biggest obstacle was time—the time it took to organize a building, learn and apply technical knowledge and, finally, the time spent selling the project to local, state and federal agencies. However, because of these agonizing months, sometimes years, of preparation, a new group of people emerged. They burst forth with plans, buildings, tenant groups, hope and an abundance of energy. Most importantly, they showed a willingness to learn and to channel that learning into the production of apartments.

Although there were some pockets of acceptance, the movement was considered unlearned and unsophisticated. This belief was strengthened by the fact that none of the housing decision-makers—that select group of builders, developers, planners and sundry professionals—had endorsed the program.

Besides rehabilitation, self-help housers were also addressing other related problems in local communities; such as the need to be more selective in demolition, the need for additional sanitation services and the need for more recreational facilities in local neighborhoods. For example, before arson



RON DAMOND

Juan Villanueva is the lead banker behind the Federal 312 Demonstration Program, which in New York City involves People's Development Corporation and Adopt-A-Building on the Lower East Side, and is providing construction funds and related loans for many community and privately sponsored projects throughout the city. The other banks participating in the 312 Demonstration are the Bowery, New York Bank for Savings, Bankers Trust and Morgan Guaranty.

became popular with social scientists and law enforcement officials, local community groups were trying to get responsible city officials and other people and groups to focus on this problem.

Self-help housing cannot by itself be the medicine that will cure all the housing sicknesses with which communities are bedridden, but they are an

important ingredient in setting up the standards and guidelines to be used in rebuilding our inner cities. One important area being demonstrated by self-help groups is the use of non-housing funds and programs to assist housing production. Samples of this include the use of CETA funds to provide for labor, thereby reducing the cost of rehabilita-

tion in local community projects; the use of energy grants to set up heating plants; as well as private industry contributions to the local housing movement.

Of course we can always ask: Why self-help? Well, I think that the answer is rather simple: The manpower and, now, the know-how are there. Not only can they do their own projects, but they can be of assistance to other housing efforts that are not self-help in nature. The self-help spirit is infectious. As it turns others on to do their thing, it will help sell the inner city as an area for reasonable investment.

It's almost ironic that it took the President of the United States, a man from Georgia, to put the Bronx back on the map. In fact, some New York City officials were suggesting some rather uninviting things for the Bronx. What President Carter did with his visit was to legitimize the efforts of self-help housing.

The incorporation of self-help organizations with other developers, government officials and government agencies can become the strongest force we have ever had in the redevelopment of total communities. Such a joining together can begin to seriously address the total problems of inner city development—housing, drug addiction, government services, the need for recreational facilities, etc.—it is all directly related to housing deterioration, and self-help groups are critical elements to any successful team.

The Federal 312 Program

The mere use of federal 312 housing funds by community groups is by no means innovative. However, the use of these funds to demonstrate new procedures—that will not only make the program more viable to HUD, but will also create more housing in New York City—within the existing 312 Program can and will be innovative. This, more than anything, typifies the efforts of self-help housing groups—adapting standardized rules and programs so that they, in fact, work for themselves and for their neighbors.

And this is also important from the investors' point of view. The more the agencies—the city, state and federal—demonstrate willingness to change a few rules in order to make programs more workable, the more confidence will be generated in local investments.

A clear demonstration of this can be the Participation Loan Program, which is obviously already increasing the number of banks and insurance companies that have been willing to make

mortgage commitments, through the program, in some more needy areas, such as: the Lower East Side, South Bronx, Harlem, East Harlem, etc.

The demonstration U-HAB 312 Program obtained by U-HAB with the assistance of PDC and Adopt-A-Building, may prove to be the catalyst which will give us a streamlined, efficient federal program which will make it possible to bring together private lending institutions, government agencies and community housing groups. This demonstration will eliminate all the administrative work that HUD now has to perform on 312 projects. HUD's direct involvement will be limited to an initial review, approval of scope plans and financial package. The onus of producing the units and delivering mortgageable property falls on the banks and community groups participating in the program.

I think that such activity has caused other banks, besides our own, to want to get more active in these programs.

Again, the reason is clear: We have an opportunity to work with local groups that are putting together projects that make sense for them; projects where they can clearly demonstrate that the rents produced are affordable by a large section of their community. By being involved in the redevelopment of these buildings, the local groups have gotten a very strong sense of what it takes to manage a building, how much it costs to buy light bulbs, what repainting public hallways every three years means in terms of rent roll, how much fuel a building needs over a long cold winter.

These problems are issues that they have been able to address from a first-hand knowledge standpoint. They have not been receiving the information from landlords—or attorneys representing landlords—but directly from their own work, from their own involvement. They have been able to gauge and feel exactly what it takes to produce one unit of housing and keep it occupied over a reasonable period of time.

However, as I mentioned before, this is only a small portion of the work that has to go on in New York in order to bring our housing up to standard.

We Need A Development Co-ordinator

We still have a long way to go. Administratively, CETA can be improved. The time it takes to process payrolls through the CETA budget process is way too long and, oftentimes, many of the agencies and groups using CETA funds do run out of funds and cannot meet their payroll in

a timely manner.

I also don't think that our agencies are administratively geared to spend federal funds in a manner which is both swift and efficient. I think that one of the items that the city ought to look at is the development of an overall plan which takes into account all the state, federal and city spending which will occur within New York City.

I think that perhaps one of the things that ought to be considered is the appointment of an overall development co-ordinator, responsible to the mayor, whose function will largely be that of expediting projects through the various city agencies as well as bringing in outside resources where needed. This would include banks, investment houses, insurance companies, management companies, etc. so that as each project is developed it maximizes every resource available to it in New York.

With the likelihood that New York will be receiving a larger portion of federal funds, administrative development must keep firm pace with the additional funds. These additional federal funds should be used in a manner that not only will provide for efficient housing and community facilities, but will also be used as a leverage to, in fact, increase private investment—whether it's used to get private homeowners to improve their properties in the less densely populated areas of the city or, as the Participation Loan Program is now being used, to match mortgage funds in the rehabilitation of existing housing units.

Still, the two biggest problems that we face in New York, in terms of housing, are: the stabilization of our present occupied, or nearly occupied, housing stock and, secondly, the rehabilitation of our empty units. We talk about preservation and stabilization. We have got to be able to develop a plan and strategy that will ensure that the present ownership is able to receive a fair and adequate return on their investment. In return for receiving this "return on investment," they should provide the necessary services to prolong the life of the building and provide for the comfort of its tenants.

I think that the federal programs that can help the city get back into housing production are there. I think these programs have to be worked on, studied and applied to our housing stock. To do this, we need the cooperation of the community groups, the builders/developers, and the private investors—the complete team—for it is with the people, not government, that the responsibility lies for maintaining New York City's housing stock. ■

A Position Paper

A PRESCRIPTION FOR CURING OUR URBAN ILLS

by People's Development Corporation

I. Statement of the Problem

National and international shifts of private capital have eliminated the ability of private financial institutions and landlords to organize either the housing market or the labor market. This has resulted in a process of abandonment and arson on a scale unprecedented in the history of any American city. In addition, government agencies, traditionally structured to support private development activities and to provide limited social welfare programs, have been unable to respond to this process. Private abandonment and government cut-backs have forced neighborhood residents to take control of their own destinies and chart the course of their future themselves. The homesteaders of People's Development Corp. have taken this stand: They will not be moved. They will not permit the conditions which caused the problems of the South Bronx in the first place to be recreated. Like dozens of other neighborhood groups around the city, and hundreds more across the country, PDC is dedicated to the overall revitalization of our community.

People's Development Corporation is a not-for-profit neighborhood group based in a nine-block area of the South Bronx. We are committed to the revitalization of our neighborhood through sweat equity housing rehabilitation, locally-based economic development, and the wise use of our local resources; we are also committed to the social and educational development of ourselves and our neighbors through job training, a stress on meaningful education, and a firm intention to foster significant involvement and participation of all our members.

People's Development Corp. is a catalyst, initiating responses to the basic needs and the basic aspirations of the neighborhood.

Our objectives are fundamental: organize, develop, change. Neighbors and homesteaders must form themselves into block associations, tenant cooperatives or work crews to insure the greatest participation and education in neighborhood development, and neighborhood

development must be a response to clear needs in housing, economic development and environmental improvement. In order to achieve these objectives, policy must be changed to guarantee resources for the neighborhood. Attitudes must be changed to prove that community-based action is an alternative to time-consuming, often misdirected bureaucratic procedures. Attitudes must be changed to permit people to come together, working for a common goal.

This means that revitalization of a community must be initiated from within, as a self-help program with initial public and private assistance. It must become a process of self-sustaining improvement, and the process must be based on non-profit development, in which every apartment, job, park or economic enterprise is to be considered a neighborhood resource. Each must be cared for, and seen not as a commodity to be bought and sold. Neighborhood revitalization must be grounded in coherent social and physical planning. This planning, however, comes out of the experiences of local residents, not from a distant planning authority. The result of this "resident-based planning" is an integrated strategy for improvement involving housing, job training and career development, economic development, energy conservation and production, environmental improvement and organization, and education.

II. People's Development Corporation

PDC concentrates its activities in a nine block area which we visualize as a "village of 10,000 people." We attempt to implement our projects on what amounts to a five-year plan. On the long term, PDC is concerned with a 40 block "urban conservancy." This conservancy was defined as a result of surveys done by PDC. It contains all the basic functions and spaces which go into an overall revitalization plan, and can be considered as a unified planning area.

III. Integration of Program Components

Since neighborhood needs are multiple, People's Development Corp. must do what no government agency—including

the Model Cities Program—is equipped to do. Projects, financing alternatives, and employment and training programs are coordinated so that the ultimate impact goes far beyond what any single program could produce. For instance, during the National Urban Homesteading Demonstration Program, the sweat equity housing renovation activity will be used as a vehicle for providing skills for the participants, space and markets for local retail and industrial development, and decent low-cost housing. Homesteader-trainees are divided into work teams, and while each team is trained in a particular construction trade, it is also prepared to be spun off into an independent economic development unit. Each resulting enterprise is to be structured so that its workers are responsible for production, management, and long-range decisions. In addition, it is envisioned that these projects will contribute a given proportion of their profits to a community fund for reinvestment into other activities in the neighborhood. By training homesteaders in special business management, accounting, and trade skills, a local pool of skilled workers and managers will develop. It is PDC's commitment to accompany the development of such a pool with start-up capital and the definition and development of markets before the various projects are actually spun off. Housing rehabilitation of abandoned stock repopulates the neighborhood and is the setting in which homesteaders will be able to discover their own special talents. Career training is the bridge to permanent economic development which provides, in turn, steady meaningful employment and re-establishes a stable economic base for the community.

Neither the city's Department of Employment nor the Department of Housing Preservation and Development, nor the Mayor's Office of Economic Development currently have the capacity to coordinate their different programs. The same holds true for the federal level with HUD, DOL and EDA. *An absolutely necessary policy change, then, is the development of much better coordination and joint sponsoring of activities on an inter-*

agency and inter-governmental basis. As it exists now, we at PDC find ourselves doing the liaison work which really should be done at City Hall and in Washington.

IV. Policy Changes: Housing

Given the scale of the problem, there is no question that overall funding of housing programs must be increased. However, the most powerful incentive for new homesteaders at PDC is the chance to own one's own home, and being freed from the uncertainty inherent in a privately-owned building which has great chance of being abandoned. Cooperative ownership is the clearest way in which people can and in fact do take control over the decisions which affect their lives.

In addition to the human factor, sweat equity housing rehabilitation has proven its cost effectiveness. The latest estimates for an average dwelling unit renovated under the Section 8 Substantial Rehabilitation Programs are \$48,000 per unit; PDC's cost, including CETA-funded labor, average \$32,000 per unit. Beyond the mere cost, the quality of design in sweat equity buildings is much higher than those mass-produced by a private Section 8 developer.

PDC calls, therefore, for these changes in housing policy:

- *Expand current Section 312 multiple-unit homesteading funding levels beyond that included in the current demonstration program.*
- *Extend the term of the Section 312 loans to 30 years, while reducing the interest rate to 1%.*
- *Establish grant programs for financing renovation.*
- *Process loans or grants directly between HUD and the neighborhood self-help group, eliminating the need for public or private intermediaries.*
- *Place strict limits on the effective interest rate of private financial participation in interim financing.* Since the interest rate is normally an indication of risk, high rates are unnecessary when loans are fully government-guaranteed.

Funds from the annual Community Development Block Grant Program are intended, according to the legislation, for use in low and moderate income communities. Despite this clear mandate, CD funds have been seriously abused, used to cover traditional expense budget items such as municipal employee salaries. To prevent this hap-

pening in the future we suggest:

- *Implementation of HUD regulations governing the use of CD funds, with strict enforcement, for the benefit of low and moderate income communities.*

PDC stands with other neighborhood organizations across the country in supporting:

- *A 75% allocation of CD funds for low and moderate income housing needs, with the remaining 25% allocated for locally-based economic development.*

In order to qualify for receipt of CD funds, a municipality must draw up a Housing Action Plan describing goals, objectives and target areas for which CD funds would be used. Following the approval of the HAP certain CD-funded agencies within the municipality can receive CD funds directly, without review by the city. For instance, Section 8 private developers can receive their grants directly from HUD, provided their development activities conform to the city's HAP. In order to maximize revitalization efforts, PDC calls for:

- *Direct CD funding to neighborhood development organizations without city processing and review, provided the organizations' plans are in conformance with the city's Housing Action Plan.*

With respect to the Dept. of Housing Preservation and Development programs funded by CD, People's Development Corp. calls for the following policy changes:

- *The City of New York should include all properties in sufficient tax arrears in its annual in-rem sweeps, with no exceptions or amnesties.*
 - *After a maximum of three months' successful tenant management, title should be transferred to the building's tenant cooperative association.*
 - *To support this transfer, CD funds should be allocated for tenant organizers and related technical assistance.*
 - *The city should modify, expand, and simplify its Community Management program to provide funds for upgrading and repair in tenant cooperatives.*
- In addition:
- *The city should establish a CD-funded fuel subsidy to buildings in need.*

With respect to the current Emer-

gency Repair Program:

- *ERP services should be expanded to municipally-owned buildings and cooperatives as well as serving privately-owned properties.*
 - *The ERP staff and budget should be expanded.*
 - *The automatic fuel delivery certification system should be simplified and based on clear and obvious need.*
 - *ERP should establish a neighborhood training program to educate residents in how to carry out the fuel certification process, thus freeing ERP staff for more essential services.*
- And finally:
- *The city's current Participation Loan Program should be scrapped in favor of a direct loan and/or grant program for sweat equity rehabilitation.*

It took eighteen months to obtain a Municipal Loan from the City of New York for the rehabilitation of 1186 Washington Avenue. It is taking almost as long to process the buildings to be renovated in the demonstration program. Procedures, forms, and schedules should be simplified and reduced to the minimum necessary in the transferral of funds to neighborhood development organizations.

V. Policy Changes: Job Training and Career Development

A tremendous amount of time and energy has been wasted attempting to reconcile DOE and DOL job training programs with HUD and HPD programs. The job placement concerns of the former agencies do not necessarily match with the physical development goals of the latter, and in all this, the Mayor's Office of Economic Development, the Federal Economic Development Administration, and the Small Business Administration have yet to become involved. Here again, real policy coordination between these agencies is called for. In particular:

- *Both the White House and the Mayor's Office must establish full neighborhood revitalization as the essential goal for programs undertaken by these agencies, recognizing the necessity for integration of housing, job training, and economic development strategies.*
- *HUD and HPD must guarantee job placement as part of any self-help housing program (such as*



Community Management, demolition and seal-up, etc.).

- *Municipal and federal policies must be established which guarantee that 10% of all contracts available through public funding be offered to neighborhood-based self-help economic enterprises for the right of first refusal.*

The potential for conflict between construction trade unions and neighborhood development organizations is clear, with respect to job training programs funded under the Comprehensive Employment Training Act. Recognizing this, PDC calls for the expansion of both union and locally-based employment training programs. PDC will have union participation in its urban homesteading demonstration program, both in skills training and technical assistance capacities. However, in order to carry out a full skills development program, it has been necessary to obtain a waiver of Davis-Bacon requirements governing the ratio of trainees to skilled journey-people. Prevailing wage requirements still apply to all but trainees. A crucial policy change for continued and expanded neighborhood self-help programs is an extension of the waiver. Therefore, we are calling for:

- *A permanent waiver of Davis-Bacon requirements governing journey-person/trainee ratios for neighborhood-based self-help training programs under the Section 312 and Community Development Block Grant programs.*

In order to operate a coherent skills training program, it must be possible for neighborhood development organizations to conduct post first-year skills upgrading programs. However, current DOL regulations for the CETA Title I Adult Work Experience Program prohibit the use of funds for such a purpose. Therefore, PDC calls for:

- *A review of current CETA Title I regulations governing skills upgrading programs, and the application of a waiver of these regulations is necessary. Furthermore, PDC requests support for:*
- *Establishment of certified apprenticeship training programs by qualified neighborhood development organizations.*

Besides direct skills training, People's Development Corp. sees the need for a variety of educational programs to serve specific needs or groups within the community. Included in these programs should be:

- *A joint neighborhood development organization/public school program exchanging housing maintenance and similar courses for basic educational skills programs based in the community;*
- *Courses in management, accounting, and specific technical training;*
- *A scholarship program for homesteaders who desire obtaining additional professional or higher educational training, and who have shown potential for such training through their work in the community;*
- *A youth education program, based in the community and concerned with environmental issues, basic construction skills, and similar fitting subjects;*
- *The establishment of a people's resource exchange—a neighborhood directory of individuals and groups who are willing to offer special skills, information, or services to local residents.*

VI. Policy Changes: Economic Development

The necessity for locally-based economic development is basic and clear. Decades of decay, dramatized by the most severe kind of abandonment within the past five years calls for a revitalization of the local economic base; for the development of a skilled work force, and, as a corollary, the expansion of meaningful local employment opportunities; and for forms of control over capital assets which will ensure that newly created capital remains inside the community for reinvestment purposes. In the redevelopment of a local capital base and of career opportunities, it is crucial that the condition which was the fundamental cause of the decline of the neighborhood—private disinvestment and relocation—not be permitted to occur again.

In order to carry out this extensive development program, a number of policy modifications are required. These include:

- *The expansion of all direct no-interest programs for minority and small business undertakings, as part of a neighborhood revitalization policy for local and federal agencies. This especially applies to the Economic Development Administration and the Mayor's Office of Economic Development;*
- *The expansion of grants pro-*

grams for brick and mortar costs, working capital, equipment and machinery purchase, and technical, research, planning and feasibility studies;

- *Development of a direct grants program for establishment of a technical staff for neighborhood development organizations undertaking economic development projects;*
- *Long term tax abatements or permanent tax exemptions, and personal income tax credits;*
- *Where private interest-bearing loans are used by neighborhood development organizations, the development of an interest-relief funding program, and a matching grant program to lower the effective interest rate;*
- *The relaxation of SBA criteria for loans to new businesses in cases where they are sponsored by neighborhood development organizations, and development of an outreach technical assistance program;*
- *The elimination of all formal regulations and informal practices which prevent loans and grants to non-traditionally structured enterprises, such as cooperatives and worker-controlled enterprises;*
- *The relaxation of requirements in existing government programs for private participation in economic development projects, and the establishment of regulations of such private participation to ensure that community-oriented reinvestment objectives are carried out.*

Control of property in a neighborhood is an especially important priority. This is especially so in the South Bronx where forecasts indicate that the area offers an excellent location for industrial redevelopment. While attempting to attract new industrial capital into the South Bronx, the city has failed to offer any guarantee to the residents of the area that they will have any meaningful participation in this redevelopment, let alone any direct benefits in the form of job training, employment, and reinvestment.

Moreover, PDC and other neighborhood organizations firmly believe that land in a neighborhood must not be considered a commodity to be bought and sold. Rather, property is a neighborhood resource to be used wisely under community stewardship.

Therefore, both the city and federal government should establish programs to encourage non-profit land acquisition and control on a neighborhood basis. In particular, vacant, residential and commercial-industrial properties more than a year in property tax arrears should be foreclosed upon by the city, with immediate transfer of title to an appropriate neighborhood land trust. Ownership of property must be carried out on a decentralized, non-profit basis.

Finally, with respect to commercial revitalization, until such time that a strong, dynamic market for local retail activity has been generated, the exploration of combining educational and economic activities should be made. A preventive health program based in the neighborhood would have a health aids/drug store as a natural component. In this way services and goods could be provided to the community, could provide additional training for workers, and act as the basis for the full scale development of a free-standing store.

VII. Policy Changes: Energy

The poverty and misery in Morrisania, in the South Bronx, and in neighborhoods throughout New York City manifest themselves most clearly in terms of energy. Last winter the inhabitants of many buildings went long periods without heat or hot water. Today, still, building after building is unweatherized—lacking decent windows, uninsulated, boilers in poor repair, plagued by drafts—and without certain fuel supply. At the line's end for financial resources, our people live not only in unhealthy conditions but have little chance to control the forces which will provide or deprive them of fuel or to make improvements which would allow us to make efficient use of whatever energy is available.

As with housing, energy is a natural resource, control over which should be vested in human communities, rather than in profit-oriented markets which clearly victimize the poorest. Government policy should go beyond providing improved conditions. It must change the relationships which have allowed conditions to reach such a state. It should place directly into the hands of local residents the means to care for their residents.

The lack of capital resources has prevented homeowners and tenant associations from making necessary weatherization improvements and provisions for fuel delivery. Without capital for home-improvement loans people cannot take advantage of new technologies that

would make them less dependent upon increasingly undependable energy sources, such as oil. From whatever sources are available, immediate funding for weatherization materials must be forthcoming, with materials made available through grants or loans directly to homeowners and tenant associations. Secondly, CD funds should be stipulated for an energy bank to make available low-interest loans to homeowners and tenant-cooperative associations for major energy improvements such as insulation and alternative technology. Work could then be done by residents themselves, perhaps with technical assistance, by local tradesmen, or by crews from local community groups.

The lack of support for skills training has prevented community groups, who see the severe problems close-up, from taking a more active role in their solution. Without appropriate skills low-income neighborhoods cannot participate in what is becoming a major industry: the conversion of American living spaces from energy-wasting to energy-efficient facilities. Immediate funding, especially through CETA, should be made available to community groups to carry out on-the-job training in energy conservation skills. The conversion of the American economy to energy-efficiency is quickly opening up an alternative technology field, creating a demand for skilled technicians. Any sound urban policy would make sure that this demand reached into just those areas of highest unemployment. To create career opportunities in job-poor areas and to make available the expertise needed to develop energy conserving businesses, ERDA resources should be committed to neighborhoods for technical education programs in solar energy (design, manufacture, installation, and maintenance), in insulation technology, and in research methods for planning locally appropriate technology applications.

Lacking finances and skills, our neighborhood and others like it have lacked the basic ability to gain control over our energy problems, instead remaining dependent on government emergency services. A policy is required which will allow people to end this dependency. Programs aimed at energy up-grading must be clearly tied to efforts at sustained economic development within impoverished neighborhoods. With skills and capital made available through energy up-grading programs, the potential exists for initiating community businesses. In essence a local market would be created for a sorely needed service

along with a local ability to meet demand. Enterprises so begun would not need to remain restricted to a particular area nor to government funding. However, to initiate such enterprises so that they will be managed soundly will take a considerable commitment of resources for organizational, educational, and technical assistance to local residents. Government supports for weatherization and alternative energy demonstrations should be tied to plans for community businesses. The SBA, OMBE, and other relevant agencies must provide business assistance and work with community groups to devise means for comprehensive support on such things as work plans, management systems, and market studies. Mechanisms for making available venture capital must be established.

To turn the energy problems of poor neighborhoods around into positive economic initiatives, it will be necessary to provide capital and market support to groups which have completed first projects. Both PDC and Adopt-a-Building, the two participants in the National Urban Homesteading Demonstration through HUD, have completed solar domestic hot water systems. Rather than leave these as merely single demonstrations of retrofits, over the next year HUD should expand its demonstration goals to a pilot aimed at building a technical solar capacity in an underdeveloped urban area. This should include HUD solar demonstration Cycle IV grants for solar retrofits on Urban Homesteading National Demonstration buildings. With this experience and both business and technical training, the capacity will exist for previously semi-skilled and unskilled "homesteaders" to enter the construction contracting market competitively. Local public utility demonstrations must be required to contract work to such neighborhood groups. To maintain an adequate market for this economic initiative, all federally subsidized Section 8 rehabilitation projects should stipulate energy conservation and solar packages with a minimum of 20% of the work being contracted to minority/neighborhood-based energy development enterprises. To aid entry into the highly competitive construction market, the CSA should provide start-up capital through its Energy/Economic Development Program.

Contracting businesses, no matter how profitable, provide a relatively small and unstable economic base for an entire community. With an increasing volume of insulation retrofits and solar installa-

tions in the Northeast, there is a fleeting opportunity for New York City communities to re-attract some of the manufacturing capital that has fled. As a means to rebuild New York's neighborhoods, an energy conservation industry has great potential for many small, labor-intensive plants, *the products of which should be required by federal legislation to be included in any demonstration programs conducted by public utilities and in any installations on civic buildings such as schools or hospitals.* If alternative and energy-conserving technology is to provide a solid, long-lasting economic opportunity for under-developed neighborhoods, possibilities of manufacturing solar components, insulation, and storm windows must be considered quickly—before the market is totally dominated by utilities and energy giants who show little concern for the social impacts of their business. Because capital investments in manufacturing are high, some form of private participation will probably be necessary if there is to be true redevelopment. Though there is a ready labor market in New York's poorest neighborhoods, *private investment will have to be encouraged by strong federal incentives.* To ensure that private investment will support local economic development to the fullest, *private participation should be geared to local re-investment, management training, profit-sharing, and local majority control of subsidiary enterprises.* Currently the PDC Energy Committee is exploring the possibility of obtaining private participation in local assembly of solar collectors for the National Urban Homesteading Demonstration. HUD, ERDA, and EDA must strongly support such efforts now through whatever means possible, including jaw-boning with industry leaders. Further, to leverage private participation, federal policy must commit substantial funds to prepare an infrastructure: CD-UDAG funds for plant rehabilitation and CSA dollars for the machinery required. Finally, if such a neighborhood industry is to grow, research and development resources must be plugged into this expanding industrial capacity to develop technology appropriate to neighborhood use and production. Funds for this might well be appropriated through ERDA and through the National Center for Appropriate Technology, a CSA funded agency.

VIII. Policy Changes: Organizational

An underlying issue in this position paper has been that of how decision-making is structured, how participation and involvement is generated, and, gen-

erally speaking, how political power is distributed within a community. As has been noted throughout, each activity calls for its own form of organization. PDC's objectives are to both decentralize and integrate the number of projects to be undertaken in the next few years, and to begin to develop a broad range of structured organizations in the community. For example:

- Construction training is based upon work crews.
- Economic enterprise ownership and management is based on work crews.
- Sweat equity and tenant managed buildings are organized as self-managing cooperatives.
- Land ownership and maintenance is based on block associations.
- Building associations are organized into a neighborhood tenants' cooperative.
- Finally, all these organized

groupings are brought together into a neighborhood assembly, a central forum for the community.

These are the kinds of structures and cohesive work and residence units which PDC intends to develop and encourage during the coming years.

PDC itself is a catalyst, a membership organization which initiates activity and then spins it off. Uppermost in these organizational considerations are our intentions to develop a meaningful structure for participation, and to avoid the errors of other, earlier community development corporations. This form of organization is also an attempt to prevent technicians or professionals from effectively determining the policies of the corporation. In this regard, strong emphasis must be placed on the training of local residents, developing effective communication channels and the process of decision-making. *This kind of work can only be carried out if supportive education and organizing staff is available.* ■



RON DIAMOND

CETA ARE THE NEIGHBORHOODS BEING SHORTCHANGED?

Local communities say, let's use CETA to revive our neighborhoods, but the city is too busy hiring lintpickers.

In response to the public outcry about unemployment and the related crisis of welfare, the federal government pulled out the old Manpower Development and Training Act of 1962, dusted it off, and the Comprehensive Employment and Training Act—CETA—emerged in 1973.

CETA consolidated many targeted employment and training programs and decentralized program administration to the local level. Employment and training programs under CETA are designed and operated by 445 local government entities called "prime sponsors."

The essential mission of CETA is corrective—to help a broadly defined group of disadvantaged individuals effectively compete in the labor market, and "to assure that training and other services lead to maximum employment opportunities and enhance self-sufficiency."

We are now up to the "VIth" statutory title of different CETA programs, all of which are presently operational: Title I of CETA anticipates the need for new skills development by providing comprehensive manpower, services, including classroom training, on-the-job training, work experience and other related services such as affirmative action programs and child care services. Title I reflects efforts to unify under one prime sponsor most of the manpower services formerly sponsored by diverse groups in the community.

CETA Title II is designed as an ongoing, permanent public service employment program to serve residents in areas of substantial unemployment. The focus is on transitional employment to answer unmet public needs and implement new public service projects.

Title III relates to special target groups, such as Native Americans, migrant and seasonal farmworkers, economically disadvantaged youth, etc. Its aim is the provision of work and training programs and necessary supportive ser-

vices to these defined populations. The Summer Jobs Program for Youth is funded under this title.

Under Title IV responsibility for the Job Corps, authorized by the Economic Opportunity Act of 1964, was delegated to CETA. The program provides intensive training and supportive services for disadvantaged youths, aged 16-21.

Title V is purely administrative.

CETA Title VI was enacted in late 1974 and has been extended through September, 1978. Title VI is an Emergency Jobs Program "to make financial assistance available for the purpose of providing transitional employment for unemployed and under-employed persons in jobs providing public services..." Title VI differs from Title II in



that it funds a far larger number of jobs, is a short-term effort, encourages employment of persons hardest hit by the recession, and emphasizes the funding of labor intensive employment programs.

Last year Congress extended the CETA Title VI Program through the Emergency Jobs Extension Act of 1976 and appropriated funds to double the capacity of public employment programs by adding 290,000 new jobs nationwide.

Enacted under the Ford Administration, the CETA programs are undergoing significant expansion under Carter. In a recent *New York Times* article, Ernest G. Green, Assistant Secretary of Labor for Employment and Training, announced that public service jobs funded under CETA Title II and VI would

go from 310,000 last year to 725,000 by January, 1978. "Underlying our tremendous expansion of public service employment," Green said, "is the recognition that while the private sector is still the primary source of new jobs, we have to step up our assistance to those for whom jobs are not available there." Under its Welfare Reform package presently before Congress, the Carter Administration proposes to create an additional 1.1 million public service jobs for employable welfare recipients.

Let us examine the way in which the New York City Department of Employment has handled the administration of CETA Title VI in order to focus on some of the inadequacies of CETA when it gets to the local level.

Last May, the federal government made available \$244 million in CETA Title VI funds to New York City. These dollars would create an additional 14,000 jobs.

CETA VI is a Congressional reaction to the widespread use of CETA funds by municipalities to rehire laid-off government employees and have them do essentially the same job they were doing before. At first, Congress tried to rule out this practice for all CETA programs, but the cities successfully argued that they could not be asked to spend money on "new programs" at the same time they were laying off cops and firemen.

In extending the CETA VI program, Congress has tried to target this additional money to the truly poor, long-term unemployed. Applicants for Title VI must be out of work for 15 weeks, not just 30 days. An applicant must either be a veteran, on welfare, or from a family of four that makes less than \$7,000 gross income in New York City. And the funded projects must be designed to produce a definable public service product within the 12 months and not just be on-going service delivery programs. It is implicit in the legislation that efforts be made to place CETA workers in unsubsidized employment at the project's conclusion.

And in an effort to cut down on the use of CETA VI for city jobs, (we already have more than 20,000 CETA workers in 100 city agencies in New York City), Congress required that a substantial

A position paper written for the New York Urban Coalition by Erica Spitz

portion of a municipality's allocation go for not-for-profit organizations; in New York, this was interpreted to mean 9,400 jobs for city agencies, 4,600 for not-for-profits. Now, let's look at the record to date. First (of course) the city workers. New York City's Department of Employment has been hiring at the rate of 1,400 workers per month, according to its commitment to the U.S. Department of Labor. The reason that the city has been able to expedite the funding of these projects is that city agencies were permitted to submit their entire CETA requests as part of the overall city expense budget. Therefore, minimal paperwork was required and virtually all of the city agency projects are presently operational.

But what about the spirit of the Title VI legislation? Are the areas of high employment in the city really being served? Are the targeted populations, those most in need of viable employment, being hired? Is the systemic problem of unemployment being addressed?

A substantial number of jobs slots requested by city agencies are in the high salary bracket. These require either training or advanced educational levels and thus diminish the possibility that the targeted populations would qualify. Clearly, an attorney, a nurse, a statistician or an engineer could have received unemployment compensation for at least 15 weeks. But these skilled individuals can hardly be considered among the hard-core unemployed or occupationally disadvantaged, and they are certainly capable of competing for jobs in the private sector.

Even more significant is the fact that many city agency projects are not really projects per se, but merely a means to add agency lines lost during the fiscal crisis. Projects to remove harmful lint from linens in hospitals, or to insure that illuminated signs meet safety standards or to remove debris from roadways to make them safer, sound more than vaguely like things the city is (or should be) doing anyway. Not to



mention the fact that if unsubsidized employment is the ultimate goal of CETA Title VI, efforts should be made by city agencies to create projects which have some relevance to private sector jobs.

Where are the priorities? The South Bronx is a devastated wasteland, Bushwick is being destroyed by fire, children are leaving schools illiterate, the city's housing base is crumbling. Should not the taxpayers who are contributing to CETA funding have some say in the determination of public service needs for their neighborhoods?

The picture for the 4,600 slots allocated to non-profit organizations is even more uncertain. The Department of Employment has used a double standard in its application process for city agencies versus non-profit organizations. While the application for city agencies consists of a one page statement of goals, job titles and annual wages, there is a two-step process for non-profits: First, an initial multi-page application or letter of intent is submitted; if the organization meets preliminary criteria, it is invited to submit a lengthy formal proposal. Once projects have been accepted by the DOE, they are calendared individually for the Board of Estimate, a lengthy and arduous process. Approval of all non-profit organization projects is not scheduled to be completed until February. This means that, although the CETA Title VI funding year runs from September to September, most of the projects will not be operational until January or February. The delay will not only hinder an individual project in

meeting its stated goals, but it may cause the city to lose a substantial amount of federal funds.

When the Department of Employment issued guidelines stating that projects requiring less than 50 slots would not be accepted, many non-profits formed consortia and submitted six or seven projects under one umbrella. However, in most cases, slots were allocated by DOE at one-third of the number requested. For example, a consortium which submitted seven projects with a total of 60 slots was funded for only 20. To divide up 20 slots among seven projects is absurd and builds failure into each of the projects. Wouldn't it be better to fund fully a smaller number of projects so they will be successful rather than partially fund all projects?

Another hindrance to the viability of non-profit agency projects is the arbitrary manner in which the city has established administrative procedures. DOE has proposed a two-week payroll advance to cover personnel costs, even though the federal government advances funds via a letter of credit; in actuality, a blank check up to the amount of the program. Coupled with this procedure, administrative costs will be paid on a cost reimbursement basis. This means that monthly advances will have to be made by the non-profit agency to finance the costs related to overall administration of Title VI projects. Both these procedures will unnecessarily create severe cash flow problems for non-profit agencies and may seriously impair program effectiveness.

Finally, DOE has made absolutely no effort to coordinate CETA activities with other funding sources. For example, the People's Development Corporation (PDC), a "sweat equity" program in the Bronx, has received a commitment for





funding from the Department of Housing and Urban Development for the rehabilitation of their five gutted buildings. They will receive this money as soon as the feds are satisfied with their architectural plans and cost estimates. But their request for CETA workers to do the construction has been pending since May and will not be considered by the Board of Estimate until December. By chance, it may develop that their grant from HUD for rehab and their funding for CETA workers to do the rehab may coincide. Then again it may not. They may get their HUD funds and not have workers available to do the work. It would certainly make more sense to see that CETA jobs that are part of a total package be coordinated with the timetable of that package. This would insure that the city's footdragging on CETA won't sabotage the whole project.

The CETA Title VI Public Service Employment Program is a natural in a city where the integrity of neighborhoods is key to overall survival. To create programs which seek to restore or maintain the vitality of neighborhoods while hiring unemployed residents with a stake in those neighborhoods guarantees continued commitment and success.

But as CETA has travelled down through bureaucratic channels the letter

of the law may have been preserved, but the spirit has been betrayed. Some substantive changes within the system could vastly improve the CETA program:

CETA regulations should be tightened allowing less leeway to prime sponsors, e.g., municipality agencies, so that targeted populations and areas of real need are served.

Taxpayers should be given greater voice in determining the priorities for their neighborhoods and for the city as a whole. Perhaps the local community boards can be asked to submit a shopping list of public service needs for each community and projects can be funded on the basis of these priorities. Better yet, CETA funds should be coordinated



the same mistakes.

The responsibility for prime sponsorship should be transferred to the state rather than local governments. Rational budgeting, i.e., programming-planning-budgeting techniques are virtually absent in local governments which rely instead on incremental budgeting. This is due to a lack of administrative, professional and technical personnel and to the complexities of the budget. The state is far better equipped to handle the administration of CETA in a rational, well-planned manner.

Finally, CETA has tremendous potential to respond to the rapidly changing needs of our society. All of the CETA programs should be re-examined to include more participation on the part of the client in the areas of assessment, training, counseling and employment. By making the client an active partner, the employment development experience will become a self-sustaining and positive process. ■



wherever possible with other government funds. Perhaps even the process of determining projects should parallel the process for federal Community Development funds.

The Department of Labor should establish a research and evaluation component which will encourage the development of new approaches and allow for nationwide resource sharing. In this way programs will profit from the errors of their predecessors and will not waste valuable time and money making



NEIGHBORHOOD AID

The City Farmer:

CORNELL'S PROGRAM TO GREEN NEW YORK



Johnnie Rogers still carries a knife, but these days it's used to cut carrots or squash. An ex-gang-fighter and ex-petty thief, he was shot twice, and once leaped off a rooftop to escape pistol-fire from a pursuer. Today, his excitement comes from his success at growing a dozen kinds of vegetables—along with some flowers and flowering trees—in a local lot that looked like a war zone last year. And he uses new gardening skills to encourage local kids to emulate his present, not his past.

Johnnie Rogers (an alias) is part of the New York City Gardening Program, which reclaims vacant lots like the one near his house. But the program, run by Cornell University with federal money, is much more than another beautification program. It also seeks, year-round, to tie gardening to better nutrition for the urban poor, and, in the process, to help build community hope and cohesion. In its first summer, the program involved more than 10,000 low-income New Yorkers in almost 1,500 gardens.

Johnnie's local lot had been slated to hold a new school. But money ran out, the school plan was cancelled, and the neighborhood was left with a city block of nothing but the rubble of old buildings.

Before long it attracted garbage, animal carcasses... and whatever anyone wanted to throw away. Not only did Johnnie and his young helpers clear the entire lot, but before the summer was ended, they extended their 60-by-40 foot garden to more than double its original size.

Across town, the problem was not preventing an eyesore but preventing the encroachment of outside blight. "We wanted to keep our corner of the South Bronx from looking like the other side of Bruckner Boulevard," recalls Joan Pipolo.

Ms. Pipolo is the head of the Barretto Street Block Association, which had strong organization before the Cornell program came to town last spring. It had already prevailed on a business to give up plans for a parking lot on Barretto Street. Once the Cornell connection was made, the vacant lot was developed into a large, lush, productive vegetable garden that all summer got regular attention from small children to old people living around the lot. The Association also made extensive use of Cornell's nutrition component, which supplied regular workshops—some right in the garden—on better use of vegetables in the diet, and on shopping tips.

The Cornell program is educational. It does not give away soil or equip-

ment (it lends tools, though) and does not provide labor brigades. What it does is fairly simple: finds local groups interested in gardening, offers preliminary training for leaders of the groups, then goes to the garden site to help plan and plant the garden. And finally, Cornell returns as needed to assist with every other gardening step, like building a fence or killing insects and stopping diseases. The nutritional-education

that usable knowledge promotes happier, more successful family and community life.

That such a goal has been achieved is obvious when one visits gardens like Joan Pipolo's. Only a block away, streets and gutters are littered, stores are boarded up, and apartment buildings with jagged fragments for windows lie abandoned. Where people do appear, they often sit—especially in the

This continuing series will examine the financial and logistical support available to New York City communities by government, corporate institutions, and foundations.

component is worked in according to the convenience and desire of the groups.

Cornell got into New York City gardening through the efforts of Rep. Fred Richmond of Brooklyn. On the House Agriculture Committee, Mr. Richmond helped get \$1.5 million of existing Agriculture Department nutrition-education monies allotted for urban gardening in six cities. New York, the largest, got the largest allocation—\$500,000.

Nutrition education falls under the Cooperative Extension services of the Agriculture Department. Extension programs in turn are administered at the state level by the land-grant university, which in New York State is Cornell. So the Extension people in Ithaca established the New York City gardening program with a headquarters office in Manhattan and offices in each borough. Each office is staffed by an urban-gardening specialist—someone with both an agriculture background and experience in community development—and by two professional assistants—one with a gardening background, the other trained in nutrition.

Actually, the gardening program is not the first city program of the Cooperative Extension. Since 1914 they have been serving rural people all over the country. In recent years, as population moved from the farms, the land-grant colleges have continued their Extension mission—bringing useful knowledge to the citizens—in cities. The New York City area, in fact, got a consumer-information program three decades ago. Other extension work in the city now includes 4H, Sea Grant marine education, housing-education programs and a non-gardening nutrition-education program for low-income residents in the South Bronx, South Brooklyn and East Harlem. The gardening program, with its professional staff of 20, is the largest of these programs. They all share the premise

that usable knowledge promotes happier, more successful family and community life. hot gardening days of summer—on boxes, stoops and car-tops. Over on Barretto Street, though, and at other Cornell sites in every corner of the city, people tend to get involved. In some cases, this leads to action that reclaims and rebuilds abandoned buildings. Sometimes, of course, this group development precedes the existence of the garden. But often it grows with the garden and sometimes even from the garden.

In some cases, gardens help in ways unforeseen by Mr. Richmond's original guidelines to improve nutrition for the poor. In the heart of the South Bronx, for instance, a former addict named Alvin Alston helped his drug-clinic patients plan and build a small and successful garden on the clinic roof. In Queens and Brooklyn, more than a dozen gardens were developed by psychiatric patients, alcoholics trying to make a comeback, and drug patients. Such gardening projects promote needed ties between these groups and their neighborhoods and often provide needed activity, purpose and success to the lives of individuals.

Recently, studies of some vegetables grown in the city have shown above average concentrations of certain heavy metals such as cadmium and lead. Both the U.S. Department of Agriculture and Cornell are conducting tests to determine just how much, if any, of a health hazard exists. The problem comes from the soil used as a garbage dump for pipe, old paint, rubber tires, etc. and from air pollution. Dr. Rufus Chaney of the USDA concluded that no immediate danger existed, but suggested that all vegetables be washed thoroughly.

But whether city gardens are eventually used for vegetables or flowers, or some combination of both, a greener New York definitely chases away the blues. ■

Citi in the Community

Banks in suburban towns have a habit of being situated in quaint-looking early American-style buildings on "Elm Avenue" and "Main Street," and are intimately involved with the affairs of their community.

Banks in cities are usually found in monolithic towers on "Wall Street" or "Park Avenue," but many are no less involved in the affairs of their community—the neighborhoods which comprise the city. Their involvement ranges from the highest corporate levels to the branch offices in the communities.

And so it is with Citicorp, the parent company of Citibank, New York's largest banking institution. Citibank made outright grants totalling \$2,343,000 to community organizations, in addition to \$3,360,000 in other corporate citizenship programs, in 1976.

Why?

As Citibank/Citicorp president William I. Spencer put it in the bank's *Report to Our neighbors 1976*, "No one person, company or governmental agency, of course, can do all that needs to be done. What we can do is join with others in an attempt to serve the most pressing and legitimate needs of the majority in our community. We at Citicorp have tried to serve these needs on three levels: as an employer, as a financial institution and as a responsible member of the community."

Citibank meets the challenge of the communities through a smörgåsbord of programs. Here are some which are relevant to urban revitalization:

Economic Development Center

Established in 1971, the EDC makes loans to three kinds of establishments. One is to minority entrepreneurs to help them start, buy, or expand their business. Another category is to non-minority businesses which create or increase jobs for New York City residents. The third category is loans to non-profit groups and companies whose activities will result in a measurable improvement in city life.

Citicorp Community Development

Affiliated with the bank in 1971, CCD offers financing for low- and moderate-income housing. It makes funding avail-

able for community related activities such as day care and senior centers. Seed money loans are also available to sponsors of new construction during its early stages. In 1977 CCD was involved (and expects to continue so in 1978) in financing of buildings which qualify for subsidies under Section 8 of the Housing and Community Development Act of 1974. These are payments made directly to a building owner and reflect the amount of rent above which tenants are not able to pay, and the fair market value of their apartments.

Community Summer Intern Program

This unit feathers two nests at once. It pays salaries of high school and college students who seek summer jobs with community and non-profit organizations. The program thus provides assistance to such groups with summer programs, but which cannot afford the people needed to run them. In 1976 CSIP funded 119 interns in 49 agencies.

Minority Development Program

Through this service, now in its third year, Citibank purchases goods and services from minority-owned businesses. These included printers, designers, carting firms, cleaning services, temporary office help and messenger service.

Financial Management for Non-Profit Groups

Under this program, when an organization with which Citibank is already working has a need for top management skills, the director of such a group may qualify to attend a two-day seminar in financial management. The course is taught by two professors from New York University, and is offered several times a year at the bank's corporate offices. A recent extension of this program is a three-day seminar focusing on the needs of financial management in the area of housing.

Loaned Executive and Professionals Program

When Citibank "lends" a key person, generally it is to the larger agencies which in turn are working with community groups. Examples are executives who have served, for up to a year, with the Economic Development Council, Human Resources Administration, and the Economic Business Education

Advisory Commission.

Part-Time Technical Assistance

This is a program which may be more helpful to "grass-roots" organizations. Here, Citibank may make available the services of a specialized technician who can advise on a specific need. Or, the bank may share time on its computers to help an organization analyze data. Or, the program may find a volunteer, from within the bank or outside, to help a neighborhood group. The program also makes grants to other organizations whose purposes are to give technical assistance to community organizations.

What does it take to qualify?

Under Citibank grant programs, a group must first already be constituted as a not-for-profit organization under Section 501 (C) (3) of the Internal Revenue Service Code, and must be agreeable to having its records audited by the bank or independent auditor.

Citibank's policy generally is to make grants to organizations whose aims are consistent with the goals of the bank's Urban Affairs Department. Three kinds of grants are made. The first is an annual grant. The second is a special purpose grant, made for a specific project and for a duration of one to three years. The third category of grant is made to certain organizations in their start-up phase which the bank realizes have a "high-risk" of failing, but if successful will have a major impact on improvement of life in the city.

Citibank gives its highest priority to programs in and serving the New York City area. The second most important criterion is to make grants to organizations which provide services and programs, rather than groups engaged primarily in research and studies.

The foregoing programs sound great, you say. And where does the line form? The man with the answer to that, is Anthony T. Nicholas, Vice President, Corporate Citizenship Department, Citibank, 399 Park Avenue, New York, N.Y. 10022.

J. Wandres

Here Comes the Milkman

Heroes are out of fashion these days. They may be in short supply, or there may be no call for their talents, but as a category they are edging towards extinction.

With that caveat in mind, consider a man who were he to be classified as a hero, hardly fits the popular image. Meyer Parodneck is a small, distinguished man, somewhere on the other side of sixty, with a mild voice and a lack of theatrics that belies a passionate intensity, practical intelligence of the highest order, and a desire to leave life in the city a little better than when he found it.

As president of the Consumer-Farmer Foundation, he has been a crucial factor in helping almost a thousand households rehabilitate and cooperatively own their apartments. The Consumer-Farmer Foundation was set up as a revolving fund to assist low-income tenants to do just that. Question just about any sweat equity project in the city and chances are they'll tell you they've been helped by the Consumer-Farmer (C-F) Foundation.

The help provided is very specific, and very crucial. Recognizing that acquisition and renovation funds are available under various loan programs, C-F also recognized that there was no source for groups to finance their development of applications. Money was needed for architectural plans, incorporation, insurance premiums, filing fees, appraisals, and other expenditures. But where does that money come from? While these costs are eventually refundable at the mortgage closing, a group can't even file for a loan if it doesn't have this money up front. To solve this bureaucratic Catch-22, C-F provides seed money loans, interest free, which it gets back at the time the mortgage loan is approved.

Since C-F opened its doors for business in 1972, they have paid out \$355,023.80 in interest-free loans which have helped in the cooperative conversion and rehabilitation of 988 dwelling units in 53 buildings. Of this amount, \$152,308.13 has already been paid back.

Of course implicit in all this is a

high degree of risk. C-F may loan the money for development application, and then a group can have its application turned down by the government.

How do Meyer (and C-F) judge the many groups that apply for a loan? Not quite the way a banker would. That's what makes him a hero to many people.

"With us," he says, "their credit is their ability to stick with their projects. We loan money to people who could not get it from a bank... or from anyone else. We take tremendous risks."

"But," he adds, "we don't give anything to anyone." Only if a group really wants to do something, and is prepared to make that commitment will C-F talk to them.

To understand how a foundation with the name "Consumer-Farmer" got involved in housing, one must trace Meyer's personal history. He came to this country from England, and brought with him an abiding faith in the cooperative movement. Soon after graduation from law school in 1925, circumstances brought him into contact with farmers. He became a "farmer's lawyer," and in the process talked up his idea with farmers about setting up a dairy cooperative. Finally, with \$7,000 of borrowed money in 1937, he put together the Consumer-Farmer Milk Cooperative. By bringing milk directly to the consumer from the farmer, and eliminating the middleman, both farmer and consumer benefited. The farmer got a higher price; the consumer paid a lower price.

The idea worked beautifully. The new Coop sold milk at five cents a quart cheaper than retail, and opened outlets in city housing projects. In time, they had processing plants in the city and the country, a cheese plant in the country, a pasteurization plant in New Jersey, and offices in the city.

But by the 60's it became obvious that the pattern of milk distribution had changed. Now it was monopolized by huge food chains. Moreover, the original cooperative, composed of 90 family farmers who were never too well off, was now being supplied by 15 dairy farms, all owned by farmers who were quite well-off through the increased value of their

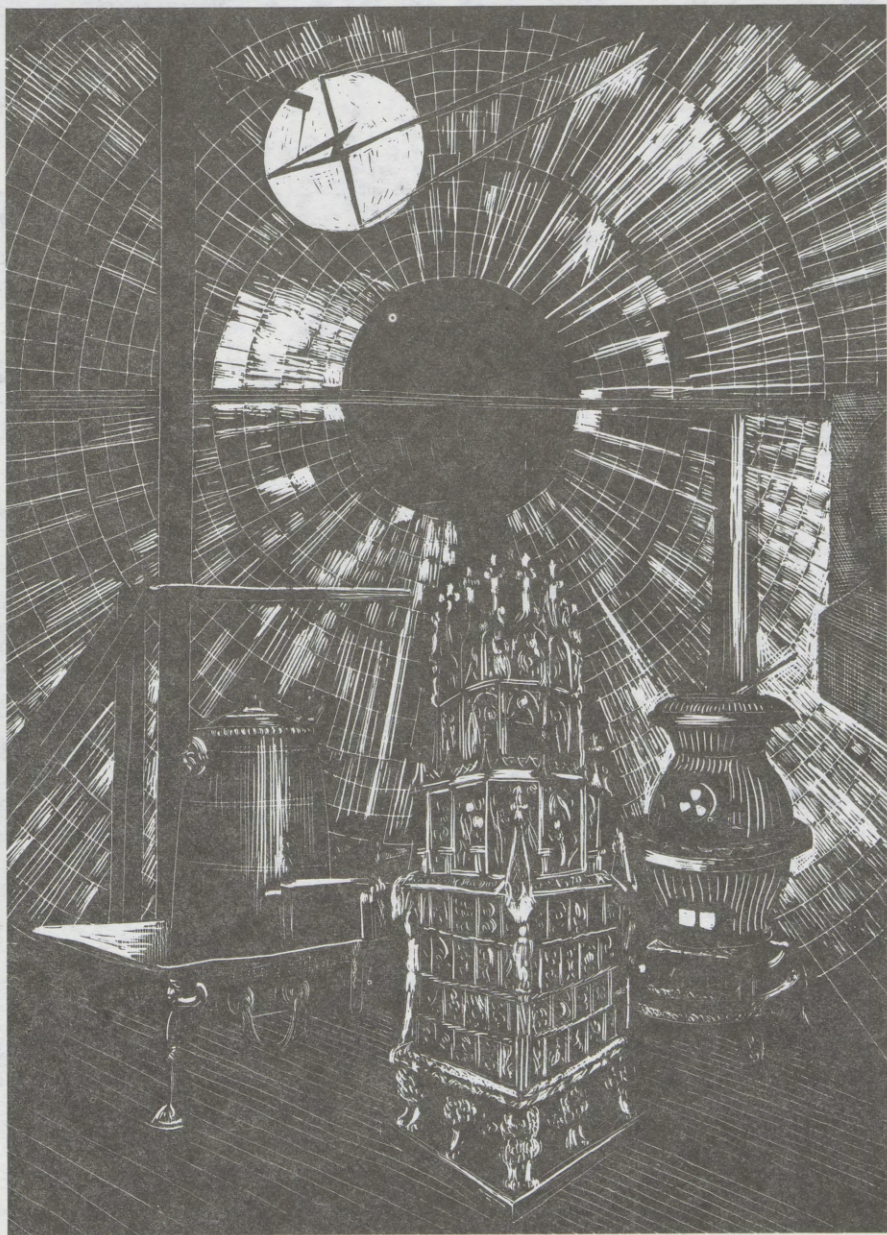
real estate. So the Dairy Coop was liquidated in 1972. After debt assets were in the neighborhood of one and a half million dollars.

At Meyer's suggestion, the assets of the Consumer-Farmer Milk Coop were transferred to the Consumer-Farmer Foundation. The new foundation dedicated its resources to helping low income persons solve their housing problems through low cost cooperative apartment ownership.

Recently, as government funds for housing have been reduced, the Foundation's job has become more difficult. Some critics say that the Foundation's projects, while amply publicized, are only a drop in the bucket towards solving New York City's housing problems. But as board member Harold Wattel points out, "... we are setting examples others can and will follow. The results of our efforts are visible; they are not pie in the sky."

Certainly to the several thousand people living in better housing as a result of Meyer's and the Foundation's efforts, they are not.

Thomas Glynn



Energy-Jobs Competition:

FOR ONCE AN INTELLIGENT FEDERAL PROGRAM

Bad news has a sort of sex life, Steward Brand once observed. That is, if you take two items of antagonistic bad news and let them at each other, you may get some surprising good news. Utilizing this paradigm, the Community Services Administration has come up with a novel way to approach the jobs and energy problem. Solve one by solving the other.

Last April, a memo went out to regional directors of the CSA that said in effect, tell community organizations we're going to set up a competition with grant awards for projects that create jobs based on reducing energy costs through conservation, technological improvements, and alternate energy applications.

The awards would finance feasibility studies of the projects. Criteria for determining awards was both rigorous and sophisticated. Each project had to go through a three step evaluation. The first was an individual rating of the project that judged energy-efficient factors, enterprise-related factors, and anti-poverty related factors. Then a demographic factor was cranked in to insure that all the winners didn't come from the same area. Finally, all the projects were rated for venture diversity, which meant that insulation ventures were ranked against each other, solar energy concepts ranked against each other, and so on. Obviously, this meant that in the last category there was a premium placed on new and innovative ventures. The final score for all the projects was based on the sum of points earned for individual, regional, and venture diversity ratings.

Over 50 applications were received, and 22 grants were awarded (CSA stacked the deck by only soliciting proposals from groups they knew would come up with sound proposals).

Among the winners: a group in Poughkeepsie that suggested a feasibility study to determine if a low-cost high-efficiency woodstove for home heating might be produced. A Washington, D.C. based organization won a grant with the suggestion that infrared thermography techniques be employed to make heat loss surveys of buildings to determine specific areas where additional insulation was needed. Reaching back several centuries, a Florida group came up with

the most unique suggestion of all. Look into the feasibility of producing a ceramic space heater of the type used hundreds of years earlier by the Ottoman Empire.

Other award winners proposed storm window production, installing solar units, manufacturing and marketing cellulose insulation (taking paper and recycling it by shredding it up and mixing it with fire retardant chemicals), converting wood wastes into a densified energy fuel, and developing a business plan for low-cost energy-efficient housing production (suggested by the Ute Indians in Colorado). All of the proposals involved creating jobs in low income areas.

The 22 grants were given under Section 222(a)(12) of the Economic Opportunity Act as amended.

But this was just Phase I. Winners of these \$25,000 grants would then compete for Phase II grants. When the feasibility studies produced by Phase I grants were completed, they would be rated against each other and 10 winners selected. Phase II grants, each not to exceed \$200,000, would be used for implementation of the winning feasibility studies.

Anyway, that was CSA's original plan.

Plans for Phase II grants are still in process. However, Phase I winners have been encouraged to look outside government sources for funding, with either private or foundation money, to see their projects through.

Will it work? No one knows for sure, certainly not CSA. But at least the federal government is putting its (and our) money where the real problems are. Moreover, they're getting a bigger bang for their bucks by leveraging that money through competition...and what's more American than that? *Thomas Glynn*

The Foundation Center Library

Think of it as a "bank" where you can walk in and help yourself.

In its well-organized space on the 26th floor of Asian House, at 888 Seventh Avenue, New York, N.Y. 10019, the Foundation Center Library has information on how and where to apply for more than two billion dollars worth of grants.

The Foundation Center is the only independent, non-profit organization in the United States which gathers, analyzes and disseminates information on more than 26,000 philanthropic organizations. The Center operates libraries in New York City and Washington, D.C., and maintains 61 reference collections in libraries in 43 states, Mexico and Puerto Rico.

The Foundation Center also publishes numerous reference works to assist a grant seeker. These include *The Foundation Director* (6th ed.), *Founda-*

tion Grants to Individuals, and the annual *Foundation Grants Index*. A most useful publication for anyone seeking an introduction to grant-seeking is the 48-page booklet, *About Foundations: How to Find the Facts You Need to Get a Grant* (\$3).

The Center Library has the published annual reports of more than 400 large foundations. From the Internal Revenue Service, the library receives microfiche copies of the annual financial statement which all foundations must submit to the IRS.

More than 15,000 persons visited the two libraries in 1976. Some were old hands at raising grant funds. Others were new at the "game."

"For new groups and individuals," said Carol Curzig, director of library services, "we have an orientation which includes a 20-minute audio-visual slide

presentation that explains our facilities." These are held every Tuesday morning at 9:30.

Ms. Curzig said that the library welcomes representatives from community organizations and can set up an individual orientation tailored to their needs.

The Foundation Center also offers an Associate's Program. This is open to individuals, local organizations, corporations and foundations. For an annual basic fee of \$200, an Associate has access to toll-free telephone reference. The program also includes computer-assisted data searches and free duplicating services on paper or microform. Also available via a toll-free number is "Centerline," a weekly taped summary of news about foundations. J. Wandres

New State Funds for Neighborhood Housing

In August, Governor Hugh Carey signed a bill designed to help community housing organizations run their offices. The new law is called the Neighborhood Preservation Companies Program, and adds Article XVI to the Private Housing Finance Law.

A total of \$500,000 has been made available in fiscal year 1977 to help grass-roots organizations in their efforts to "rehabilitate and preserve existing housing stock." Approximately two-thirds of this amount has been earmarked for organizations in New York City, according to an official of the Division of Housing and Community Renewal. Applicants are eligible for one-year renewable grants of up to \$100,000. The funds may be used solely for staff and planning costs, not for developmental projects themselves.

Eligible organizations may include those involved with such activities as rehabilitating and restoring abandoned houses, sealing and maintaining structurally sound vacant buildings, or demolishing those which are unsound.

Funding for administrative purposes is also available to groups which are helping tenants to obtain better living conditions, to physically maintain a residential structure, or to act as managing agent for a building.

To be eligible, an organization

must either be set up as a not-for-profit corporation, or as an unincorporated group, which has been in existence for at least one year and has demonstrated a capability to carry out its programs.

A majority of the group's directors or officers must live in the neighborhood in which the organization intends to function. Also, the applicant's directors, officers and members must be "fairly representative of the residents and other legitimate interests" of the target area. What constitutes being fairly representative is not spelled out in the application guidelines.

The organization must be located in a "recognized or established neighborhood" within the municipality. Demographic information must indicate that the area has "sustained physical deterioration, decay, neglect or disinvestment." The neighborhood must need "active intervention to effect its preservation, stabilization or improvement."

Further, a "substantial proportion" (not specified) of the residential population to be helped by the preservation company must be of low income. The rule here, according to instructions for filing an application, is that "annual income [of the people to be helped] does not exceed 90 percent of the median annual income of all the residents of the

municipality [not neighborhood] within which they reside."

And when these criteria are met, the organization must demonstrate that the funds it now receives from other sources are at least a third of the amount it is applying for under the Neighborhood Preservation Companies Act.

The deadline for filing an application for funds in fiscal 1977 is December 1. Applications were mailed or delivered in September to several hundred organizations throughout New York City and the state. As of the end of October, few applications had been received by the Division of Housing and Community Renewal, according to Nathaniel Barr, a deputy commissioner. He said that the funds requested for fiscal 1978 will depend, in part, on the amount requested by the community organizations up to the deadline of December 1.

For information, write Peter J. Hopkins, Special Assistant to the Commissioner, Division of Housing and Community Renewal, 2 World Trade Center, New York, N.Y. 10047; or call 488-3168 or 488-7153.

For copies of the law, write Senate Superintendent of Documents, State Capitol, Albany, N.Y. 12247; or call (518) 472-5190.

J. Wandres

“If you are looking for a job it will be hard to find this year.”

We go to the experts, the kids of public school 132 in the South Bronx, to find out how to improve the city.

Street of Destruction

There is a famous street in the Bronx. Not only because up the street stands Yankee Stadium but because land changes hands and things are always being built. The street is 161st street.

For example, on Melrose Avenue there used to be a bar there.

Now there is a tabernacle there. On Park Avenue there were only bars there. The bars changed hands so much people just call it a bar.

On Cortland Street there is a restaurant named Alex & Henry's. It looks like where the restaurant is built they don't get any business. But they get so much business the buildings across the street will be knocked down for parking lots. The last look will show you the railroad. They're knocking down safety gates to build houses over the railroad. I think it is very foolish for this. Both for the residents of the houses and for the passengers of the trains. If you think about it, you would find out why. There you have it. Four examples of the famous street of the Bronx named 161st. A street of destruction.

Raymond Wilson,
C.E.S. 132

President Carter was here for an important meeting. He came from where he lived in Washington D.C. in the white house. He had a lot of guards to protect him. What can the President do to help our community?

I hope the President clears all of the crime and no more shouting, killing, stabbing, dying and I hope he can stop people littering. My suggestion to the President for helping our community? I hope that we have the best buildings and the best playground in the neighborhood.

Sincerely yours,
Rodney Mactrel Linkney,
C.E.S. 132



FREDRICK RICHARDSON

If you are looking for a job it will be hard to find this year. Mr. Jimmy Carter should do something about the abandoned buildings in this city. Little kids are playing in them and get hurt very badly. Big kids are setting them on fire because they have nothing else to do. Close them down or take them down. Carter should do something about welfare. Carter should take the people off welfare and offer them a job. They can't find one because it is boring on the street and in the house. They want to get into real action by working. Working is fun and when I get my working papers I am going to work. If I was the President, I would get the junkies off the street and get him a home to live in. Carter should put a cop on every bus or train and on the street and building and train station. I would send millions of dollars to fix up New York City. And take the teenagers off the street and out of jail.

Angela Barnes,
C.E.S. 132

If I were President I would lower the cost of food. I would put bad people in jail so they wouldn't bother or kill anyone. I would make more jobs so that everybody would have a job. I will build new houses for everybody to live in. I would clean the streets. I would put people in jail for burning down buildings and I would make decent neighborhoods all over.

Antione Hamm,
C.E.S. 132

First of all President Jimmy Carter sees how the South Bronx has become a slum. He sees how the buildings has burned down, and totally a disaster. President Jimmy Carter is planning on giving the city millions of dollars to build more tenants buildings and more better schools.

Love, Melvina Phoenix,
C.E.S. 132, Thank You.

If I were President I would keep New York City clean because I love a clean New York. I would like to help the poor. There would be no crime, fighting and killing. If there was, the persons would go to jail for lifetime. I wouldn't be unfair with people. If I were President I would do my best, and I really want to be President. I think it would really be a pleasant job.

Edwin Blount,
C.E.S. 132

If I were President I would make houses of material that could take any weather and my laws would be not to litter. I would have a fine, you would have to pay a fine for the cost of what you littered. People would have to pay for stealing. You would have to keep the streets just as you would your house. Everyone would be rich enough to pay bills and we would have no welfare. Crime would be no problem.

Christina Norman,
C.E.S. 132

[From the New York Times, Oct. 6, 1977]

PRESIDENT CARTER SUPPORTS SWEAT EQUITY; TOURS AREA IN SURPRISE

(By Beth Fallon)

As startled winos waved their bagged bottles happily at him and black youths cheered, calling, "Give me a job, Jimmy," President Carter made an unannounced tour of the blighted South Bronx yesterday with Mayor Beame.

"How ya doin' Jimmy? What a surprise," said tenant leader Ramon Rueda as Carter made the first of two stops, at 1186 Washington Ave., near 168th St., in the Claremont section.

After a morning meeting at the United Nations Plaza Hotel, Carter and Beame left to join Housing and Urban Development Secretary Patricia Harris on a tour that she had planned, which included a second stop, at virtually bombed-out Boston Road and Charlotte St. Police had only 20 minutes' notice that the President was coming.

Gazing at the burned buildings, gaping windows and rubble at Boston Road, Carter turned to Mrs. Harris. "I'd like to see what can be salvaged and what can't be salvaged, and take those buildings down and turn it around," he said. He directed her to work with the secretaries of labor and the interior in planning a combination of housing, jobs and parks assistance with city and state agencies to begin reclaiming the area.

NO FUNDS PROMISED

"Give me a map of the whole area and show me what should be done," Carter told her.

Following a late afternoon meeting with the President, Gov. Carey told reporters that the South Bronx effort would be a pilot project for neighborhood salvation that would "be replicated in other parts of the city and other parts of the country."

* * * * *

[From the New York Times, Oct. 6, 1977]

A LOAN AND SOME "SWEAT EQUITY" CREATE AN OASIS AMID DESOLATION

(By Michael Sterne)

Three years ago, the tan brick apartment house at 1186 Washington Avenue in the Morrisania section of the Bronx looked so much a part of the square miles of desolation around it that city officials were loath to lend \$310,000 to the young people who wanted to restore it.

But today, after getting the loan and investing many of thousands of hours of their own labor, called sweat equity, in the six-story building, the young people have shown what some urban homesteaders can do in neighborhoods so decayed many people are ready to write them off as hopeless.

Twenty-eight attractive new apartments with carrying charges ranging from \$96 to \$240 a month have been created, and that achievement won the interest and praise of President Carter during his surprise tour of the Bronx on Wednesday.

But to the young members of the Peoples Development Corporation, the group that organized and did the work, those new apartments are more than apartments. They are the base for a much larger goal—to fill the empty lives of thousands of slum youths with a sense of collective purpose, to give them jobs, training, hope and confidence in their ability to change the world for the better.

"By strengthening neighborhoods, by taking offenders off the streets and by serving as an example for others, we think we are building the solutions to the problems of the '70's," said Ramon Rueda, executive director of the corporation.

"Obviously, we can't do all on our own," Mr. Rueda said. "But we are providing the most important thing, showing people how they can transform their own lives."

While working toward that objective, the group has completely transformed 1186 Washington Avenue. Only the outer walls and about half the beams were left after the group cleared away rotted partitions, rusted pipes, frayed wiring and tons of congealed garbage from the cellars and rear yards of the abandoned building.

Then, working with plans the future tenant-workers themselves drew up with the help of a professional architect, the group began the slow job of reconstruction. Skilled craftsmen were hired to train and work along with the unskilled neighborhood youths who were doing the bulk of the labor.

The craftsmen were paid their regular wages. The trainees began at \$2.40 an hour and worked up to \$3.25. They worked 40 hours a week for pay and then worked at least 10 hours more a week without pay as their investment in the project. The extra hours were the sweat equity that enabled them to become owners of their apartments without making the down payments that ordinarily would be required in a cooperative.

The building is now 98 percent complete, the tenant owners have moved in, and the new heating system is getting its shakedown on these chill October mornings. The halls are bright with fresh paint and murals, one of them an accomplished copy of Picasso's well-known cubist work "Three Musicians."

Most of the apartments still lack their final coat of paint and it will be a long time before the tenants can afford to furnish them completely. But even in their still-raw state, they are comfortable living spaces. They range in size from small studios to two-bedroom duplexes with dining rooms.

HUMAN DEVELOPMENT, TOO

For Victor Merced, a 20-year-old who emerged from Theodore Roosevelt High School two years ago with a diploma but no skills he could turn into wages, 1186 had provided much more than ownership of his one-bedroom apartment. The two years of labor he has invested in the project, the first nine months of them at no wages, have given him a purpose for his life.

"First I did demolition work here," said Mr. Merced as he sat in his apartment and scratched the ear of a stray gray cat he is sheltering. "Then I learned carpentry, plumbing, how to read blueprints. Now I am a construction supervisor, and that's the work I want to do in rehabilitating buildings around here and in other parts of the Bronx."

WORK SET ON SEVEN BUILDINGS

At the moment, Mr. Merced and most of the other tenants in the building are unemployed and are living on unemployment insurance. They are however getting seven other buildings in the neighborhood ready for rehabilitation that the corporation expects to begin on Jan. 1.

Because of the success of the 1186 project, the group has won a Federal mortgage commitment of \$3 million to restore five of the seven buildings. Temporary financing will be provided by four banks, Morgan Guaranty, Chemical, Bankers Trust and Bowery Savings.

Other financing for these and the other two buildings will come from the Community Development and Comprehensive Employment and Training programs.

"We're especially pleased to have the banks involved in these projects because we think it's a way of leading them into further investments in decaying neighborhoods," said Meagan Charlop, another of the corporation's leaders.

The CHAIRMAN. Thank you very much, Mr. Rueda.

As I say, because the hour is late and because we have had so many witnesses today, it won't be possible to ask questions, but I would like to just make a final statement.

I am delighted that I had an opportunity to be present during your testimony on this bill, especially this particular panel. In talking about neighborhoods, you're talking about where people live. You're talking about what, in my view, is the heart of any effective urban revitalization program. You have to deal with the housing. You have to deal with where people live and not as we have done in the past deal with other segments of the city. It's the most neglected by far of our urban programs.

We had urban renewal which destroyed the neighborhoods. It didn't help them. It hurt them. And we had the urban development action program which is almost as bad in some respects. It's worse in some areas.

After all the enormous amount of money we've spent—Mr. Rueda, you ended up by saying how we needed more money, and I agree with you on neighborhoods, but I disagree with you overall. We are now spending literally 45 times as much money in our cities as we were 20 years ago, and as you walk in many parts of our cities, including where you are—and you know this much better than I do—and they are worse than they were 20 years ago. We haven't made any real progress there.

So I'm very, very happy that you have made this appearance and that I have had an opportunity to hear you. We have to recognize that the UDAG program, according to the neighborhood people, spent only 3 percent on neighborhoods—3 percent—pitiful, disgraceful. I think the one area where we have had success is in the neighborhood programs where they have had an opportunity to move ahead. It's been inspiring in Baltimore and parts of the city that you represent. You know it's succeeded and it can succeed. So I'm very, very happy to have had a chance to hear you. You can be sure that this bill you support is going to get my enthusiastic support, and I would hope that we can find a way of getting more of the funds in some of these other programs into the neighborhoods so they can do the job, more than we have in the past, and that perhaps will help answer part of the fine statement that you made, Mr. Reuda.

Incidentally, Mr. Kotler, I want to thank you also for the very welcome praise that you gave this committee. We haven't done enough or we wouldn't have the disgraceful situation we have in this country. We have tried to do something and I'm very grateful to you for highlighting it. I appreciate it.

Thank you, gentlemen, very much.

[Whereupon, at 1:10 p.m., the hearing was adjourned.]

[Copies of bills being considered at this hearing and additional material received for the record follow in the appendix:]

APPENDIX

95TH CONGRESS
2D SESSION

S. 3209

IN THE SENATE OF THE UNITED STATES

JUNE 19 (legislative day, MAY 17), 1978

Mr. PROXMIRE introduced the following bill; which was read twice and referred jointly to the Committees on Governmental Affairs and Banking, Housing, and Urban Affairs

A BILL

To promote the vitality of communities by encouraging comprehensive State strategies of increased and better coordinated State assistance and State-initiated governmental reforms, which focus primarily upon those communities experiencing distress or decline, and by facilitating the coordination of Federal actions and activities to complement and enhance such strategies, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That this Act may be cited as the "State Community Con-
- 4 servation and Development Act of 1978".

5 FINDINGS AND PURPOSE

6 SEC. 2. (a) The Congress finds that:

- 7 (1) The general welfare requires that action be

1 taken to improve permanently the condition of commu-
2 nities throughout the Nation, particularly those experi-
3 encing or threatened with distress or decline, and to
4 increase the social and economic opportunities of their
5 residents.

6 (2) Such action can only be effective where each
7 level of government in the federal system acts in con-
8 cert to conserve and develop such communities, pursu-
9 ant to a common strategy agreed upon as necessary for
10 the general welfare of communities and their residents.

11 (3) The States possess unique constitutional pow-
12 ers which, through fiscal and developmental policies and
13 structural reforms, can influence the condition of com-
14 munities and their relationship to each other and to the
15 State.

16 (4) Essential to the achievement of the purpose of
17 this Act are State strategies of increased and better co-
18 ordinated State assistance and State-initiated govern-
19 mental and structural reforms which are designed to
20 improve the revenue-raising capacities and alleviate the
21 fiscal burdens of communities, particularly distressed or
22 declining communities.

23 (5) Also essential to the achievement of the pur-
24 pose of this Act is the development of ways to facilitate

1 the coordination of Federal actions and activities in or-
2 der to complement and enhance such strategies.

3 (b) It is the purpose of this Act to—

4 (1) promote the vitality of communities by ad-
5 dressing existing and incipient conditions of distress or
6 decline and inefficient or disorderly development pat-
7 terns;

8 (2) provide greater housing and employment op-
9 portunities and to improve the access to such opportu-
10 nities for minorities and for the poor;

11 (3) concentrate Federal and State resources and
12 assistance upon communities and residents of communi-
13 ties most in need; and

14 (4) reduce fiscal disparities among communities
15 within each State and improve and increase the fiscal
16 capacity of communities, particularly distressed or de-
17 clining communities;

18 by encouraging States to implement and execute compre-
19 hensive and coordinated strategies of State investment and
20 development and governmental, structural, and fiscal reform
21 and by facilitating the coordination of Federal actions and
22 activities within the States to complement and enhance such
23 strategies.

4

DEFINITIONS

SEC. 3. As used in this Act—

(1) The term "Secretary" means the Secretary of Housing and Urban Development.

(2) The term "State" means any State of the United States, and the Commonwealth of Puerto Rico.

(3) The term "community" means any city, county, town, township, parish, village, or other general purpose political subdivision of a State.

(4) The term "distressed or declining communities" means communities within a State which the State determines require greater attention and assistance in the State community conservation and development strategy described in section 5 than other communities within the State. Factors of need used in identifying such communities may include, but need not be limited to, income levels, unemployment rates, tax effort, fiscal distress, population change, economic base change, declining revenue base, poverty and dependent population, and percentage of population requiring public assistance.

AUTHORIZATION TO MAKE GRANTS

SEC. 4. (a) The Secretary is authorized to contract to make, and to make, grants to States to assist in the implementation and execution of State community conservation

1 and development strategies approved in accordance with
2 the provisions of this Act.

3 (b) Grants made pursuant to this Act shall serve as an
4 incentive to States to implement and execute such strategies
5 and shall not be used by States to reduce, directly or indi-
6 rectly, existing levels of State assistance and support on be-
7 half of distressed or declining communities.

8 (c) Contracts to make grants pursuant to this Act shall
9 contain such terms and conditions as the Secretary may
10 prescribe, and shall include provision for periodic release of
11 grant funds on the basis of the State's progress in ac-
12 complishing specific elements of the approved strategy.

13 (d) There are authorized to be appropriated for grants
14 under this section an amount not to exceed \$200,000,000 for
15 the fiscal year ending September 30, 1979, and an amount
16 not to exceed \$200,000,000 for the fiscal year ending Sep-
17 tember 30, 1980. Any amounts appropriated shall remain
18 available until expended.

19 APPLICATIONS

20 SEC. 5. (a) To be eligible for grants under this Act,
21 States shall submit applications to the Secretary which meet
22 the requirements of this section.

23 (b) (1) An application shall set forth a comprehensive
24 State community conservation and development strategy, re-
25 lying on information from existing State and regional plan-

1 ning efforts to the maximum extent feasible, which includes
 2 (A) an analysis of the problems and needs of the State and
 3 its communities, (B) State actions to bring about a coordi-
 4 nated program of public investment and development, and
 5 (C) State actions to bring about a program of governmental,
 6 structural, and fiscal reform.

7 (2) The analysis referred to in clause (A) of paragraph
 8 (1) of this subsection shall include identification and speci-
 9 fication of the critical problems and needs of the State and its
 10 communities, including those related to distress or decline,
 11 incipient decline, and inefficient or disorderly development
 12 patterns, and an assessment of their relative priority.

13 (3) The program of State investment and development
 14 referred to in clause (B) paragraph (1) of this subsection
 15 should be designed to promote the vitality of the State's com-
 16 munities through a public investment and development strat-
 17 egy which focuses primarily on distressed or declining com-
 18 munities and which links related critical functional activities
 19 of the State such as housing, transportation, water and sewer,
 20 environmental protection, and energy conservation, in a way
 21 which promotes and conserves existing communities and inte-
 22 grates fragmented functional planning activities of State
 23 agencies, and should include initiatives such as those designed
 24 to—

25 (i) allocate increased amounts of tSate and State-

1 administered Federal funds to support identified strat-
2 egies for the revitalization of the State's communities and
3 for balanced State development;

4 (ii) encourage private sector investment, including
5 small and minority business investment in distressed or
6 declining communities, in order to strengthen their eco-
7 nomic and tax bases and to provide job and business
8 opportunities for their residents;

9 (iii) target the location of State facilities, including
10 human service facilities such as schools and hospitals, for
11 the revitalization of the State's communities and for bal-
12 anced State development;

13 (iv) increase the opportunities for lower-income
14 persons to find productive work, especially in the private
15 economic sector, through improved coordination between
16 strategies approved under this Act and programs funded
17 by CETA, the Wagner-Peyser Act and other federally
18 funded employment programs and through other appro-
19 priate means, including programs aimed at assuring
20 equal opportunity and freedom from discrimination;

21 (v) promote public and private actions which would
22 revitalize or strengthen existing communities, and which
23 encourage the restoration, rehabilitation and more effi-
24 cient utilization of existing public, commercial, industrial
25 and residential structures and facilities; and promote pat-

1 terns of new growth and development which result in
2 balanced and efficient use of resources;

3 (vi) work to eliminate or reduce State and local
4 government barriers which restrict investment in dis-
5 tressed or declining communities, such as building and
6 sanitary codes, insurance regulations or utility rates, and
7 work to eliminate or reduce those governmental barriers
8 which inhibit the employment and residential mobility
9 of their residents;

10 (vii) take actions to eliminate private discrimina-
11 tory practices within the State, such as insurance or
12 mortgage redlining, which inhibit investment in dis-
13 tressed or declining communities, or which inhibit the
14 employment and residential mobility of their residents;

15 (viii) assist distressed or declining communities in
16 securing essential land needed for job-generating invest-
17 ments; and

18 (ix) increase housing opportunities for minority and
19 low-income citizens.

20 (4) The program of governmental, structural, and fiscal
21 reform referred to in clause (C) of paragraph (1) of this
22 subsection should be designed to promote the vitality of com-
23 munities within the State, by setting forth a comprehensive
24 strategy, focusing primarily upon distressed or declining com-
25 munities, to reduce the fiscal disparities among communities

1 within the State and improve the fiscal position of distressed
2 or declining communities, and should include initiatives such
3 as those designed to—

4 (i) raise revenues on a more progressive basis;

5 (ii) reduce the fiscal burden on communities by
6 increasing the State responsibility for financing and/or
7 delivering public services when it can be demonstrated
8 that communities are assuming an inequitable burden
9 with respect to such services, and reassigning service
10 functions to levels of government with greater fiscal
11 capacity to absorb these service costs;

12 (iii) use need as the basis for distributing State aid,
13 and State-controlled Federal aid, and increase State aid
14 to distressed or declining communities through need-
15 based revenue sharing programs that reduce fiscal dis-
16 parities among jurisdictions;

17 (iv) encourage and facilitate efforts by local gov-
18 ernments to improve structures and intergovernmental
19 relations which would increase areawide efficiency in the
20 delivery of services and promote increased local capacity
21 to achieve management and governmental reform;

22 (v) enhance communities' borrowing capacity and
23 participation in bond markets;

24 (vi) allow communities to modify their tax structure
25 and extend their boundaries to improve their tax base;

1 (vii) provide tax incentives, and take actions which
2 enhance the competitive advantage of distressed or de-
3 clining communities in attracting and retaining private
4 sector investment (including minority and/or small busi-
5 ness), through financial assistance, subsidies, and other
6 financing mechanisms;

7 (viii) eliminate or modify State tax policies which
8 may inhibit private sector investment in distressed or
9 declining communities; and

10 (ix) make appropriate legislative changes to elimi-
11 nate disincentives to freedom of choice for minorities in
12 housing and employment.

13 (c) An application for grants under this Act shall
14 also—

15 (1) describe the process used for involving the
16 legislature, the State's communities, particularly dis-
17 tressed or declining communities, and organizations of
18 elected officials, in the development and implementa-
19 tion of the strategy through joint deliberation and con-
20 sultation, and describe how the public, the private sec-
21 tor, and other affected entities have been, and will con-
22 tinue to be, involved in the development and implemen-
23 tation of the strategy;

24 (2) indicate how, and to what extent, implementa-

tion and execution of the strategy will further attainment of the purposes of this Act;

(3) describe each element in the strategy referred to in subsection (b) of this section, including, with respect to clauses (B) and (C) of subsection (b) (1), both short- and long-term goals and objectives; the specific activities and initiatives to be undertaken and an analysis of how they are expected to contribute to the attainment of such goals and objectives; the methods to be used; the time required to achieve specific results; and the amount of additional private resources and additional State assistance and resources expected to be committed as a result of the implementation and execution of the State strategy;

(4) include an analysis of the objective factors of need used to identify relative levels of existing or incipient distress or decline which were used in the formulation of the strategy;

(5) present a proposed evaluation plan for judging the State's actual accomplishments each year, including measurement criteria and methods to be used by affected communities and the Secretary to ascertain that the State (A) has maintained its spending level for its distressed or declining communities; (B) is using grants made pursuant to this Act only to implement and exe-

1 cute the proposed strategy; (C) has increased benefits
2 to distressed or declining communities by an amount
3 significantly greater than the level of the grant pro-
4 vided; (D) has implemented policies which demonstra-
5 bly serve to conserve and develop existing communi-
6 ties, especially distressed or declining communities; and
7 (E) has met the goals and objectives described in para-
8 graph (3) of this subsection;

9 (6) indicate what proportion of State-controlled
10 general Federal aid programs, such as the State share
11 of general revenue sharing, is being used for purposes
12 which primarily aid distressed or declining communi-
13 ties;

14 (7) document actions taken by the State and the
15 State's performance during the five years immediately
16 preceding submission of an application by the State
17 for assistance under this Act directed toward achieving
18 the purposes of this Act; and

19 (8) meet such other requirements as the Secretary
20 by regulation may prescribe.

21 COORDINATION OF FEDERAL PROGRAMS

22 SEC. 6. The Secretary shall consult with those Federal
23 agencies and appropriate interagency entities directly con-
24 cerned with the purposes of this Act in establishing criteria
25 pursuant to section 7 of this Act to be used in determining

1 the State community conservation and development strate-
2 gies to be assisted and in the approval of strategies to receive
3 grants under this Act. The Secretary shall also work with
4 such agencies and interagency entities to assure that Federal
5 and federally assisted programs and activities directly con-
6 cerned with the purposes of this Act are, to the maximum
7 extent feasible, consistent with approved State strategies.

8 APPROVAL OF STATE COMMUNITY CONSERVATION AND
9 DEVELOPMENT STRATEGIES

10 SEC. 7. (a) The Secretary shall, by regulation, establish
11 the criteria to be used in the evaluation of, and awarding of
12 grants for, State community conservation and development
13 strategies. Such criteria shall, at a minimum, take into ac-
14 count (1) the quality of the program, including its likeli-
15 hood of success, and the number and importance of the ele-
16 ments which the State proposes to implement through its
17 strategy; (2) the extent to which the proposed strategy is
18 likely to achieve the purposes of this Act contained in sec-
19 tion 2 (b) ; (3) the extent to which the strategy has in-
20 volved consultation with, and secured the cooperation and
21 support of, the legislature, the State's communities, espe-
22 cially distressed or declining communities, and organizations
23 of elected officials; (4) the extent to which the activities
24 and initiatives proposed by the strategy are intended to have
25 permanent or long-term effect; (5) the extent to which the

1 amount of additional private resources and additional State
2 and State-controlled assistance and resources expected to be
3 committed are anticipated to exceed the amount of the grant
4 likely to be provided under this Act; and (6) the State's
5 past performance in meeting the purposes of this Act as
6 documented in its application. Such criteria shall also in-
7 clude provisions to assure that the State (1) maintains its
8 assistance level for its distressed or declining communities;
9 (2) is using grant funds made available under this Act only
10 to implement the proposed strategy; and (3) accomplishes
11 the goal and objectives established in its application.

12 (b) The Secretary is authorized to require States and
13 communities receiving or administering assistance under this
14 Act to submit to the Secretary such periodic reports and
15 other information as may be necessary from time to time in
16 order to determine that the purposes of this Act are being
17 carried out.

18 OBJECTION TO STATE STRATEGIES

19 SEC. 8. Prior to approval of a State community con-
20 servation and development strategy or any major modifica-
21 tion thereof, the Secretary shall afford communities a rea-
22 sonable opportunity to object to such approval. Objections
23 shall be made in writing pursuant to regulations prescribed
24 by the Secretary, and shall set forth in detail the reasons
25 upon which the community's objection to the strategy is

1 based. The State shall be provided an opportunity to re-
2 spond to the community's objections. The Secretary shall
3 determine the need for, and appropriateness of, modification
4 of the State's strategy in light of the community's objections,
5 and shall provide the State with an opportunity to modify
6 the strategy in accordance with the Secretary's determination.

7 NONDISCRIMINATION

8 SEC. 9. (a) No person in the United States shall on
9 the ground of race, color, national origin, or sex be ex-
10 cluded from participation in, be denied the benefit of, or be
11 subjected to discrimination under any program or activity
12 funded in whole or in part with funds made available under
13 this Act.

14 (b) Whenever the Secretary determines that a State
15 or community which receives or administers assistance un-
16 der this Act has failed to comply with subsection (a) or an
17 applicable regulation, the Secretary shall notify the Gov-
18 ernor or the chief executive officer of such community of the
19 noncompliance and shall request the Governor or the chief
20 executive officer to secure compliance. If within a reason-
21 able period of time, not to exceed sixty days, the Governor
22 or the chief executive officer fails or refuses to secure com-
23 pliance, the Secretary is authorized to (1) refer the matter
24 to the Attorney General with a recommendation that an ap-
25 propriate civil action be instituted; (2) exercise the powers

1 and functions provided by title VI of the Civil Rights Act
2 of 1964 (42 U.S.C. 2000d) ; (3) after reasonable notice
3 and opportunity for hearing, terminate, reduce or otherwise
4 limit the availability of grants provided under this Act; or
5 (4) take such other action as may be provided by law.

6 (c) When a matter is referred to the Attorney General
7 pursuant to subsection (b), or whenever the Attorney
8 General has reason to believe that a State government or
9 community is engaged in a pattern or practice in violation
10 of the provisions of this section, the Attorney General may
11 bring a civil action in any appropriate United States dis-
12 trict court for such relief as may be appropriate, including
13 injunctive relief.

IN THE SENATE OF THE UNITED STATES

Mr. PROXMIER introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs, and if and when reported, to the Committee on Human Resources for not to exceed 45 days

To provide Federal assistance to encourage community and neighborhood artistic and cultural activities, to promote sound urban design, and to contribute to neighborhood conservation and revitalization, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Livable Cities Act of
4 1978".

6 SEC. 101. The Congress hereby finds and declares:

(a) That artistic, cultural and historic resources, including urban design, constitute an integral part of a suitable living environment for the residents of the Nation's

II-20

★(Star Print)

1 urban areas, and should be available to all residents of such
2 areas, regardless of income.

3 (b) That the development or preservation of such re-
4 sources is a significant and necessary factor in restoring and
5 maintaining the vitality of the urban environment, and can
6 serve as a catalyst for improving decaying or deteriorated
7 urban communities and expanding economic opportunities,
8 and for creating a sense of community identity, spirit and
9 pride.

10 (c) That the encouragement and support of local initia-
11 tives to develop or preserve such resources, particularly in
12 connection with federally assisted housing or community
13 development activities or in communities with a high propor-
14 tion of low-income residents, is an appropriate function of
15 the Federal Government.

16 SEC. 102. The primary purpose of this Act is to further
17 the efforts of urban communities, neighborhoods and organi-
18 zations to initiate undertakings to revitalize such communi-
19 ties and neighborhoods, and to provide a more suitable living
20 environment, expand cultural opportunities, and indirectly
21 stimulate economic opportunities, for the residents, and par-
22 ticularly residents of low and moderate income, of such
23 communities and neighborhoods, through the utilization, de-
24 sign or development of artistic, cultural, or historic resources.

DEFINITIONS

1

2 SEC. 103. For purposes of this Act:

3 (a) The terms "art" and "arts" include, but are not
4 limited to, architecture (including preservation, restoration
5 or adaptive use of existing structures), landscape architec-
6 ture, urban design, interior design, graphic arts, fine arts
7 (including painting and sculpture), performing arts (in-
8 cluding music, drama and dance), literature, crafts, photog-
9 raphy, communications media and film, as well as other simi-
10 lar activities which reflect the cultural heritage of the Na-
11 tion's communities and their citizens.

12 (b) The term "non-profit organization" includes States
13 and units of local governments (including public agencies
14 or special authorities thereof), regional organizations of local
15 governments, and nonprofit societies, neighborhood groups,
16 institutions, organizations, associations or museums.

17 (c) The term "project" means programs or activities
18 organized to carry out the purposes of this Act, including
19 programs for neighborhood and community-based arts pro-
20 grams, urban design, user needs design, and the encourage-
21 ment of the preservation of historic or other structures which
22 have neighborhood or community significance.

23 (d) The term "Secretary" means the Secretary of
24 Housing and Urban Development.

1 (e) The term "Chairman" means the Chairman of the
2 National Endowment for the Arts.

3 (f) The term "Department" means the Department of
4 Housing and Urban Development.

5 (g) The term "Endowment" means the National En-
6 dowment for the Arts.

7 GRANTS TO OR CONTRACT WITH ORGANIZATIONS

8 SEC. 104. (a) The Secretary is authorized to make
9 grants to, or contract or make other arrangements with,
10 nonprofit organizations (or, in appropriate cases, as deter-
11 mined by the Secretary, to enter into contracts with profit-
12 making organizations) for the purpose of enabling such
13 organizations to undertake or support in cities, urban com-
14 munities or neighborhoods, projects which the Secretary, in
15 consultation with the Chairman, determines will carry out the
16 purposes of this Act and which—

17 (1) have substantial artistic, cultural, or urban
18 design merit,

19 (2) represent community or neighborhood initia-
20 tives which have a significant potential for revitalizing
21 communities or neighborhoods, for enhancing community
22 or neighborhood identity and pride, and for contributing
23 to a more suitable living environment and expanded cul-
24 tural opportunity for the residents, and particularly low

5

1 and moderate income residents, of the Nation's urban
2 areas, and

3 (3) meet the criteria established jointly by the
4 Secretary and the Chairman pursuant to this section.

5 (b) The Secretary and the Chairman shall establish
6 jointly criteria and procedures for evaluating and selecting
7 projects to be assisted under subsection (a) of this section.
8 Such criteria shall address, but need not be limited to, the
9 following factors:

10 (1) artistic, cultural, historical, or urban design
11 quality;

12 (2) the degree of utilization or stimulation of assist-
13 ance or cooperation from other Federal, State, and local
14 sources, including private sources and other public or
15 private arts organizations, or the potential for generat-
16 ing such assistance or cooperation;

17 (3) involvement of citizens and local officials of the
18 community in which a project will be carried out, includ-
19 ing such citizens and officials with expertise in the arts;

20 (4) the feasibility of project implementation, in-
21 cluding the capability of the sponsor organization;

22 (5) the potential contribution to neighborhood re-
23 vitalization and the creation of a sense of community

1 identity and pride through fostering such activities as
2 preservation of neighborhoods and existing structures;

3 (6) the potential for stimulating neighborhood eco-
4 nomic and community development, particularly for the
5 benefit of persons of low and moderate income;

6 (7) the encouragement of utilization of artistic, cul-
7 tural and historic resources by neighborhood residents,
8 particularly residents of low and moderate income, senior
9 citizens and handicapped persons.

10 Applications, Regulations, and Procedures

11 (c) No financial assistance shall be made to any orga-
12 nization under this section except upon application therefor
13 which is submitted to the Secretary in accordance with regu-
14 lations and procedures established jointly by the Secretary
15 and the Chairman.

16 Review of Applications

17 (d) Prior to the approval of any application for financial
18 assistance under this Act, the Secretary shall consult with the
19 Chairman and, in accordance with regulations and procedures
20 issued jointly by the Secretary and the Chairman, shall seek
21 the recommendations of local officials and private citizens
22 who have broad knowledge of, or experience or expertise in,
23 community and economic development and revitalization,
24 and of such officials and citizens who have broad knowledge
25 of, or expertise in, the arts.

Matching Contributions

1

2 (e) The Secretary, in cooperation with the Chairman,
3 shall prescribe regulations to require that a specific portion of
4 the cost of any project assisted under this Act shall be pro-
5 vided from sources other than funds made available under
6 this Act.

7

Eligibility for Financial Assistance; Limitations

8 (f) (1) An organization shall be eligible for a grant
9 under this section only if (1) no part of its net earnings
10 inures to the benefit of any private stockholder or stock-
11 holders, or individual or individuals, and (2) such organi-
12 zation is not disqualified for tax exemption under section
13 501 (c) (3) of title 26 of the United States Code by reason
14 of attempting to influence legislation, and does not participate
15 in, or intervene in (including the publishing or distributing
16 of statements), any political campaign on behalf of any can-
17 didate for public office.

18 (2) The Secretary, in cooperation with the Chairman,
19 shall establish, pursuant to regulations, procedures for elic-
20 iting the cooperation of local officials in assuring that no appli-
21 cation will be approved under this Act with respect to a
22 project which would be inconsistent with the objectives of
23 the unit of local government within which such project will
24 be carried out, including the cultural or community develop-

1 ment and neighborhood preservation and revitalization plans
2 and activities of such unit.

3 (3) Funds made available under this Act shall not be
4 used to supplant non-Federal funds.

5 (4) No more than 10 per centum of the funds appro-
6 priated for any fiscal year under section 106 of this Act shall
7 be available for administrative expenses.

8 COORDINATION AND DEVELOPMENT OF PROGRAM WITH
9 OTHER FEDERAL AND NON-FEDERAL PROGRAMS

10 SEC. 105. The Secretary shall insofar as practicable, co-
11 ordinate the administration of the provisions of this Act, and
12 encourage the coordination of activities assisted under this
13 Act, with existing Federal, State, and local programs and
14 with those undertaken by other public agencies or private
15 groups, including other public or private arts organizations,
16 and with due regard to the contribution to the objectives of
17 this Act which can be made by Federal agencies under other
18 existing programs.

19 AUTHORIZATION OF APPROPRIATIONS

20 SEC. 106. There are authorized to be appropriated for
21 carrying out the purposes of this Act not to exceed
22 \$20,000,000 for each of the fiscal years 1979 and 1980. Any
23 amounts appropriated under this section shall remain avail-
24 able until expended.

95TH CONGRESS
2D SESSION

S. 3211

IN THE SENATE OF THE UNITED STATES

JUNE 19 (legislative day, MAY 17), 1978

Mr. PROXMIRE introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To provide assistance for specific neighborhood conservation and revitalization projects, to improve the capabilities of neighborhood organizations in planning and carrying out such projects and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That this Act may be cited as the "Neighborhood Self-Help
- 4 Development Act of 1978."

5 FINDINGS AND PURPOSE

6 SEC. 2. (a) The Congress finds and declares that—

- 7 (1) Existing urban neighborhoods are a national
- 8 resource to be conserved and revitalized wherever possi-
- 9 ble, and that public policy should promote governmental

1 and private programs and activities that further that
2 objective.

3 (2) To be effective, neighborhood conservation and
4 revitalization efforts must involve the fullest possible sup-
5 port and participation of those most directly affected at
6 the neighborhood level.

7 (3) An effective way to obtain such support and
8 participation at the neighborhood level is through neigh-
9 borhood organizations accountable to residents of a par-
10 ticular neighborhood with a demonstrable capacity for
11 developing, assessing, and carrying out projects for
12 neighborhood conservation and revitalization.

13 (b) It is, therefore, the purpose of this Act to provide
14 grants and other forms of assistance to qualified neighborhood
15 organizations to undertake specific housing, economic and
16 community development, and other appropriate neighborhood
17 conservation and revitalization projects in low and moderate
18 income or otherwise distressed neighborhoods which will fur-
19 ther the preservation and revitalization of those neighbor-
20 hoods.

21 AUTHORITY TO PROVIDE ASSISTANCE

22 SEC. 3. (a) The Secretary of Housing and Urban De-
23 velopment is authorized to make grants and to provide other
24 forms of assistance to neighborhood organizations for effec-
25 tively planning and carrying out specific housing, economic

1 and community development, and other appropriate neigh-
2 borhood conservation and revitalization projects within a par-
3 ticular neighborhood, and to assist such organizations to
4 conduct such projects in partnership with local government
5 and the public and private sector.

6 (b) With respect to any particular application, grants
7 and other forms of assistance may be made available under
8 this section only after the unit of general local government
9 within which the neighborhood to be assisted is located certi-
10 fies that such assistance is consistent with, and supportive of,
11 objectives of that unit of government including housing and
12 community development, economic development, and neigh-
13 borhood conservation or revitalization activities being carried
14 out by such unit.

15 (c) The Secretary shall consult with the heads of other
16 Federal departments and agencies having responsibilities re-
17 lated to the purposes of this Act, with respect to (1) general
18 standards, policies, and procedures to be followed in the ad-
19 ministration of this Act, and (2) particular assistance actions
20 or approvals which the Secretary believes to be of special
21 interest or concern to one or more of such departments and
22 agencies. The Secretary shall ensure the close coordination of
23 activities assisted under this Act with other related Federal,
24 State and local assistance programs and, with respect to, par-
25 ticular assistance actions or approvals, ensure a maximum

1 commitment by the neighborhood organization of its own
2 financial and other resources toward the assisted project.

3 APPROPRIATIONS

4 SEC. 4. There are authorized to be appropriated for the
5 purpose of carrying out this Act not to exceed \$15,000,000
6 for each of the fiscal years 1979 and 1980. Any amount
7 appropriated pursuant to this section shall remain available
8 until expended.

9 DEFINITIONS

10 SEC. 5. As used in this Act—

11 (1) the term “neighborhood organization” means
12 (A) a voluntary, nonprofit organization which, while
13 accountable to residents of a particular neighborhood,
14 may also consist of representatives of local business and
15 financial institutions and other local non-governmental
16 organizations and institutions, (B) has as an objective
17 the preservation and revitalization of such neighborhood,
18 and (C) is found by the Secretary to have a proven
19 record or demonstrable capacity for developing resources
20 for, and effectively implementing neighborhood conser-
21 vation and revitalization programs and projects.

22 (2) the term “neighborhood conservation and re-
23 vitalization projects” includes but is not limited to (A)
24 locally conceived programs for housing rehabilitation and
25 the creative reuse and improvement of existing housing,

5

- 1 (B) revitalization of neighborhood retail business areas
- 2 and the recycling of vacant industrial sites and public
- 3 and privately owned buildings, and (C) energy con-
- 4 servation and weatherization projects.

STATEMENT OF CARTER BURDEN IN SUPPORT OF NEIGHBORHOOD SELF-
HELP DEVELOPMENT AND LIVABLE CITIES LEGISLATION

I am pleased to speak in favor of the Neighborhood Self-Help Development and Livable Cities proposals.

New York has witnessed a remarkable neighborhood self-help initiative. This Committee has heard the testimony of one prominent self-help group, the People's Development Corporation, but this represents only the tip of the iceberg of neighborhood activity in New York City.

In the housing field, various groups in addition to People's Development have created hundreds of units of decent low-income housing through sweat equity programs. Groups such as Interfaith Adopt-a-Building and the Urban Homesteading Assistance Board (UHAB) have helped to break the cycle of unemployment and decaying housing for several hundred New Yorkers. Five years ago, UHAB proposed a plan which shocked the experts: involve poor people in the rehabilitation and ownership of abandoned or dilapidated housing. Their remarkable results include:

- over 200 units of cooperatively owned decent low-income housing have been created, managed by the very people who built them;
- 160 formerly unemployed and unemployable people received training in housing rehabilitation skills, blueprint reading, drafting, accounting, construction management, housing finance and cooperative management;
- most of these individuals now own their own apartments and hold down full-time jobs in the private sector;

-- over \$7,000,000 in mortgage and job training funds have been put in the hands of low-income New Yorkers without a single allegation of fraud, and regular debt service payments are being made on every single mortgage loan to a homesteading project.

UHAB justifiably earned praise from President Carter during his October 5 tour of the South Bronx.

On a broader scale, the Citizen's Committee for New York, a non-profit group formed as a catalyst for self-help efforts in response to the City's fiscal crisis, currently deals with some 10,000 neighborhood and community organizations. The work of these groups ranges from crime prevention, fire prevention and health care projects to street beautification, housing rehabilitation and recreation.

Although only a handful of such groups might ultimately prove eligible for Livable Cities or Self-Help Development funding, they all share a common essential purpose: committed people joining together to confront the problems of their neighborhoods. In addition, they all inevitably have an impact which exceeds their own scope. Neighborhood leaders have remarked to me that the sense of pride and accomplishment generated by a community helping itself leads to improved relations with city government and greater government sensitivity to the needs of the community.

Moreover, I believe that self-help groups such as these would enable New York City to more effectively target its available resources. To date, the City has had minimal success at such grass roots community efforts. As of January 31, 1978 the City had obligated only \$181 million of its \$343 million 1974 Community Development three-year entitlement, and actually spent only \$145 million of that amount. Although a relatively modest combined outlay of \$35 million per year nationwide, the Self-Help Development and Livable Cities proposals could provide at least a partial alternative to this problem. The legislation represents a commendable effort to put federal dollars in the hands of groups with a demonstrated commitment to community revitalization. I believe that other cities as well as my own could benefit greatly from the channeling of resources by HUD through such groups in contrast to local bureaucracy, where political considerations rather than genuine commitment often guide policy-making.

Critics of the present proposals have cited the potential fragmentation or undermining of local development planning which could result from diversifying the recipients of funding. Indeed, the basic philosophy of the prevailing Block Grant concept in community development is to concentrate decision-making authority in local government. Such concerns are, of

course, legitimate, but the Self-Help and Livable Cities legislation by their terms address them satisfactorily. By conditioning grants on mayoral approval and consistency with local government development plans, the proposals provide for City Hall input in a way which will provide a partnership rather than fragmented approach.

The Livable Cities legislation has been criticized as an inappropriate endeavor for HUD, because of its arts-oriented purpose. However, certain housing or urban programs in the past--particularly Urban Renewal--have demonstrated that genuine community revitalization means more than physical clearing of blighted areas. Livable Cities is the kind of program which reflects a comprehensive rehabilitative, rather than bulldozer, approach to community development. In addition, stimulating the artistic and cultural aspects of the urban environment often leads to increased economic investment and opportunity.

Finally, both pieces of legislation emphasize that to be eligible for funding, a group must be well-established and demonstrate a successful history of housing or neighborhood revitalization efforts. This provision as well as my own dealings as City Council member with neighborhood leadership in New York makes me confident that the proposed legislation will successfully restrict funding to groups having the necessary technical and administrative expertise to make outstanding contributions to the rehabilitation of our cities.



EDMUND G. BROWN, JR.
GOVERNOR

State of California

WASHINGTON OFFICE
600 PENNSYLVANIA AVE., S.E., SUITE 201
WASHINGTON, D.C. 20003
(202) 543-6100

July 10, 1978

Honorable William Proxmire
Chairman
Banking, Housing and Urban Affairs Committee
5300 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Proxmire:

Please accept and enter into the formal hearing record the attached statement on S. 3209, the State Community Conservation and Development Act of 1978. Closely related to this bill are S. 3266 (Muskie) and S. 3267 (Roth). Additional comments on these two bills will be forthcoming shortly for entry into the hearing record, as well.

Thank you for your consideration.

Sincerely,

Robert Remen
Office of Planning & Research
State of California

RR:cbt

cc: Senator John J. Sparkman
Senator Harrison A. Williams
Senator Thomas J. McIntyre
Senator Alan Cranston
Senator Adlai E. Stevenson
Senator Robert Morgan
Senator Donald W. Riegle, Jr.
Senator Paul S. Sarbanes
Senator Edward W. Brooke
Senator John G. Tower
Senator Jake Garn
Senator H. John Heinz, III
Senator Richard G. Lugar
Senator Harrison H. Schmitt

STATEMENT ON S. 3209
STATE COMMUNITY CONSERVATION AND DEVELOPMENT ACT OF 1978
PRESENTED BY ROBERT I. REMEN
CHIEF, STATE PLAN AND PROGRAM REVIEW
GOVERNOR'S OFFICE OF PLANNING AND RESEARCH
STATE OF CALIFORNIA

My name is Robert I. Remen. I am Chief of State Plan and Program Review for the State of California's Office of Planning and Research. During the past two years, the Office of Planning and Research has been engaged in preparing An Urban Strategy for California, which Governor Brown adopted this past February. This Strategy is designed to guide the activities of state, regional, and local agencies in California toward conserving California's urban resources. This Strategy marks the first time that such a statement of policy has been expressed in California, let alone committed to implementation.

California's urban resources are central to its future social, economic, and environmental vitality. Ours is the most urban state in the union; ninety-four percent of our people live in cities or suburbs, on two and one-half percent of the land. The greatest numbers of Americans are, and will continue to be, urban dwellers. As in California, the nation's cities must be protected, enhanced, and efficiently developed.

The manner in which government responds to urban problems, now and in years to come, becomes even more critical as we advance further into the era of limited public resources. . . the most

recent signpost of this era being California's Proposition 13. Past and future public investments in our cities must be carefully conserved. And to maximize their benefit, actions by all levels of government must be harmonized and prevented from undoing each other's accomplishments. Not only must State actions support this urban conservation and revitalization; federal programs and action, including the proliferating grants-in-aide programs must similarly be brought into line. A national program, designed to identify the needs of our cities, the institutional and economic failings that surround them, as well as actions necessary for their fortification, is essential.

The White House has intended such a program in S. 3209, the State Community Conservation and Development Act of 1978. It has been billed as an incentive grant program designed to induce states, working with their local governments, to develop and implement their state community strategies. While the notion behind this bill is to be commended, the program that it presents is too limited to result in the needed national urban effort. Rather than serving as the driving force of the White House' National Urban Policy, the Incentive Grant Program appears as yet another fragmented, business-as-usual, federally funded planning exercise, destined to a limited application and effectiveness.

The very incentive advertised in this program is at best illusive. A very limited amount of money is to be divided among all states for implementing their strategies. There is no funding for the

development of these strategies; and there is a vague provision that states must compete among themselves based upon how much their individual matching shares exceed the federal contribution. In short, states would be put in the position of spending their own money to develop community strategies to obtain limited federal funds that must be matched and exceeded by even more state funds; a very expensive undertaking, one that would be pursued by any one state only if it had already been willing to do so, with or without federal contribution. And the true "carrot" of this program - federal coordination and consistency with State community strategies - is only vaguely provided and not at all assured. Let's look at some of the bill's limitations in greater detail.

ELIGIBILITY

For a state to be eligible for the Incentive Grant program, it must have already prepared a community conservation and development strategy in consultation with the public and local government. This strategy must be reviewed and approved by the Secretary for Housing and Urban Development before any federal funding is made available. At present, only a dozen states have developed state community strategies. It is unlikely that many more would be moved in this direction solely on the vague promise of a share of 400 million federal dollars. While this program would reward those that have already acted, it would not provide an incentive for those who have not. While California's Urban

Strategy would undoubtedly qualify our state for this program, we are nevertheless concerned that this bill would not establish the nationwide program that is needed.

Funding should be made available for development, as well as implementation of state community strategies. And eligibility for these development funds should be available to any state willing to act. At least 10% of this program's appropriation should be reserved for strategy development.

FUNDING

In addition to securing a portion of this bill's appropriations for strategy development, the overall funding level of this program should be reconsidered. It is unclear how the \$400 million is to be allocated among the states applying for assistance. Optimally, every state would be pursuing a community strategy and would compete for these funds. Yet the bill is silent on whether a minimum amount is to be reserved for each state. Divided among the states, the \$400 million would not go very far. Accordingly, the bill's appropriation should be increased to \$800 million, with \$80 million reserved for strategy development as already suggested. Further, a minimum share of 1% should be reserved for each state.

STATE MATCH

The bill specifies criteria against which strategies will be judged and grants will be awarded. One such criterion is the extent to

which additional state and state-controlled assistance and resources are anticipated to exceed the grant. This provision is vague, but could be interpreted as requiring a state match in excess of 50%. Those states that have already provided extensive resources to their communities are in effect penalized because, competitively speaking, they may not be able to increase their assistance as much as a state that has been less supportive. Also, those states that cannot afford to significantly increase their community assistance are at a disadvantage in competing for incentive grants, even though it is precisely these states and their communities that need Federal assistance in implementing their state community strategies.

STRATEGY CONTENTS

A state's strategy must be submitted to the Secretary in the form of a dual-program application including a nine-point program for state community investment and development and a nine-point program for governmental, structural and fiscal reform. Approval of grant applications is in part based upon a state's success in addressing all of these points. Not all of the eighteen objectives specified for both of these programs are equally germane to the community distress found in all fifty states. For example, states that currently provide adequate amounts of state and state-administered Federal funds for community revitalization and development may not need to increase these allocations. In some states, the extension of local government boundaries to improve tax base could conceivably contribute to sprawling, unbalanced, and costly development.

The specified list of objectives of the two mandated programs should not be mandates, but rather suggested areas of emphasis for each state to consider in defining its community needs and solutions. It is each state, working in consultation with its local jurisdictions, that can best determine the nature of its problems as well as appropriate, workable solutions. State strategies should not be judged against an arbitrary set of supposedly "common denominator" criteria; but rather upon the quality of each strategy's analysis of problems and the responsiveness of actions proposed to meet them. In short, each state should be allowed to define both the detail and the range of its programs to overcome urban decline and distress.

IMPLEMENTATION SPECIFICATION

The community strategy application must include a detailed explanation of how the 18 program objectives will be achieved. This specification must include, for each point, both short and long-term goals and objectives; the specific activities and initiatives to be undertaken and an analysis of how they are expected to contribute to the attainment of such goals and objectives; the methods to be used; the time required to achieve specific results; and the amount of additional private resources and additional states resources and additional state assistance and resources expected to be committed as a result of the implementation and execution of such strategy.

I have bothered to repeat this particular requirement verbatim to allow its bureaucratic excessiveness to speak for itself. As intimidating as this abstraction and minutia appear to be, one need only try to think about the regulations to implement this criteria to be rendered immobile. States must be given some flexibility in confronting urban decline and distress -- flexibility that is afforded only by being less explicit at the outset of a program than the above requirement would allow. While some provision for monitoring and evaluating the progress of strategy implementation is desirable, it should be considerably less bureaucratic and rigid than that proposed.

LOCAL OBJECTION PROCEDURE

The bill allows any community within a state to object before the HUD Secretary to that state's strategy, prior to approval. There is no limitation upon which communities may object and no obligation for the objecting community to substantiate its complaint. Further, the HUD Secretary is not required to resolve objections in a timely fashion. In effect, this procedure removes any incentive for a community to participate in the development of a strategy. A dissident community can simply sit back throughout the strategy's development, knowing full well that it will have equal standing before HUD. And HUD is afforded the opportunity of sitting in judgment between a state and any of its communities. State authority would be undermined and an administrative nightmare would ensue.

The objection procedure should stipulate that an objecting community document and substantiate its complaints, that it attest to attempts to mitigate its objections by first working with the state, that the HUD Secretary resolve all such objections within 90 days of receipt. Further, some thought should be given to possibly limiting which communities may object to those that are extremely distressed. Most important, the Secretary should be limited to judging whether or not the State's actions which effect the objecting community are consistent with the State plan.

STRATEGY'S ROLE IN OTHER NATIONAL URBAN POLICY PROGRAMS

A state's strategy is intended to be comprehensive, according to S. 3209. Yet the role that a state's strategy would play in other National Urban Policy Programs is unclear. There is no reference to tailoring these programs, such as urban parks, industrial development bonds, or urban to a state's strategy. In fact, these other programs use two different definitions of "distress" (either UDAG or "economic distress"); while the strategy program itself would allow each state to define distress based upon wide-ranging factors of its own choosing. California may identify its communities of distress, and yet not be able to employ the urban parks program in the communities that do not qualify under UDAG's distress criteria.

The strategy should provide the mortar that holds together all of the other National Urban Policy programs. These programs should be cross-referenced in the state strategy legislation

and vice-versa. "Distress" should be defined by each state; however, this determination should be based upon criteria that are not so open-ended as to be subjective, yet not so selected as to favor one region of the nation over another. In any event, the determination of distress should not put a community in one state in competition with a community in another state. Each state's incidence of distress should be determined independently. And once determined, it should be used in targeting all other National Urban Policy programs within that state.

FEDERAL CONSISTENCY AND COORDINATION

The greatest need in the State Community Strategy program is gaining consistency of Federal actions with a state's approved strategy. A state's community strategy is, by design, very far reaching. Consequently, the actions of many Federal agencies can have a significant impact upon the strategy's implementation. The impact can either be supportive of the strategy and help to advance it; or it can conflict with the strategy, and become an obstacle to its implementation.

The importance of Federal consistency is recognized in the policy and intent language of S. 3209. Unfortunately, the bill's specific provisions to achieve this consistency are both weak and vague. The responsibility for ensuring Federal consistency and coordination with a state's strategy is given to the HUD Secretary. The Secretary must consult with Federal agencies in developing criteria for approving strategies. Also, the Secretary must "work with Federal agencies to ensure

that Federal assisted programs and activities directly concerned with the purposes of this Act are, to the maximum extent feasible, consistent with approved state community conservation and development strategies."

Federal programs should be consistent with approved state strategies. Precedent of this is found in Coastal Zone Management, and Clean Air and Water legislation. I've attached language that we believe would better ensure consistency of federal actions with approved state strategies. In addition, we believe that this program should be administered, not by HUD, but by a White House appointee, assisted by an advisory interagency coordinating council of federal agencies most directly impacting upon community conservation and development. They should include, at a minimum, HUD, Commerce, EPA, and DOT. This council should be chaired and staffed by the White House. The chair should be responsible for approving state strategies, resolving local objections to submitted strategies, and vigorously pursuing federal consistency with approved strategies. The chair should also raise to the President's attention, federal conflicts with strategies that cannot be resolved without Presidential intervention.

SUGGESTED AMENDMENT TO S. 3209
FOR ENSURING FEDERAL CONSISTENCY WITH
APPROVED STATE STRATEGIES

"Each department, agency, or instrumentality of the federal government, undertaking any development project or conducting, supporting or permitting activities which will directly affect distressed or declining communities or will significantly influence the location timing or intensity of urban or community development shall undertake, conduct or support those activities in a manner which is, to the maximum extent practicable, consistent with approved State Community Conservation and Development Strategies. The Governor of any state with an approved State Community Conservation and Development Strategy may object to the President or his designee regarding the actions of any department, agency, or instrumentality of the Federal government found to be in conflict with that State's approved strategy. Such objections shall be examined and resolved in a timely fashion."



National Trust for Historic Preservation

740-748 JACKSON PLACE, N.W. WASHINGTON, D.C. 20006 (202) 638-5200

July 27, 1978

The Honorable John Sparkman, Chairman
 Subcommittee on Housing and Urban Affairs
 Committee on Banking, Housing and
 Urban Affairs
 United States Senate
 Washington, D.C. 20510

Re: S. 3211; Neighborhood Self-Help
 Development Act of 1978

Dear Mr. Chairman:

The National Trust for Historic Preservation in the United States is pleased to submit these comments concerning S. 3211, the Neighborhood Self-Help Development Act of 1978. The National Trust enthusiastically supports this legislation because we believe that the existence of and support for active neighborhood organizations is essential to the success of urban revitalization.

As you may be aware, the National Trust is a charitable, educational and nonprofit corporation chartered by Act of Congress (16 U.S.C. Section 468 a-e) to further the historic preservation policy of the United States and to facilitate public participation in the preservation of sites, buildings and objects significant in American history or culture. Accordingly, the National Trust is committed to the conservation of our urban neighborhoods where so many of these architectural, cultural and historic resources are located.

Among the members of the National Trust are some 1,600 organizations, many of them active in neighborhood conservation. With the assistance of a grant from the National Endowment for the Arts, the National Trust is expanding its preservation services to serve as a clearinghouse for information on neighborhood conservation. To this end, the National Trust has recently begun publication of Conserve Neighborhoods, a bimonthly newsletter designed to provide practical information on this subject to nonprofit citizen organizations. We are pleased to enclose a copy of this publication for your information. Additionally, the National Trust's modest grant and loan programs have aided a variety of neighborhood

conservation efforts, and the National Trust's regional and field offices advise local organizations directly on neighborhood conservation and preservation matters.

The National Trust and the preservation community recognize that neighborhood conservation must be a principal component in the effort to revitalize our cities, and we believe that organized citizen action must be the cornerstone of a national neighborhood conservation movement. Local citizen organizations represent a tremendous resource in the struggle to combat urban problems.

Neighborhood Housing Services corporations (NHS) offer a valuable illustration of how local organizations effectively have administered neighborhood housing programs to foster neighborhood conservation. Created under and assisted by the Urban Reinvestment Task Force, NHS programs are developed by private nonprofit corporations under local community leadership and provide to neighborhood homeowners such services as rehabilitation counseling, financial counseling, and the provision of revolving loans to residents who cannot meet normal credit requirements. The National Trust has worked closely with several NHS programs and we recognize that the intensive involvement of neighborhood residents has been a key to their success.

Other neighborhood groups, often operating on shoestring budgets, are undertaking innovative and exciting projects. The Savannah Landmark Rehabilitation Project, Inc., a nonprofit housing rehabilitation corporation, focuses its activity in the area known as the Victorian District of Savannah. Its Neighborhood Action Program proposes a financial mechanism for the purchase, rehabilitation and leasing of 600 of the 1,200 housing units located in the district which combines private initiative and government programs to enable low income tenants to remain in the area in decent housing. The SWAP group (Stop Wasting Abandoned Property) in Providence, Rhode Island, in conjunction with the City of Providence, has pioneered an innovative nonprofit private "homesteading" program enabling chiefly low and moderate income people to purchase, and thereby preserve, 98 homes to date.

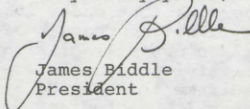
Organizations like those described above are conventionally limited in funds for management, planning and implementation and, consequently, we are pleased that the Neighborhood Self-Help Development Act will play an important part in meeting that need. Such support is crucial to the continued existence and effectiveness of these groups.

The potential benefits warrant the enactment of the Neighborhood Self-Help Development Act. However, we suggest a modification of the requirement contained in Section 3.b. that the unit of general local government within which the neighborhood to

be assisted is located certifies that such assistance is consistent with activities being carried out by such unit. The National Trust believes that, while the appropriate unit of general local government should review and comment on all applications for assistance, the Secretary should retain the ability to support directly all worthy programs.

The National Trust, as representative of preservationists in the private sector, shares with the Congress a commitment to the goal of neighborhood revitalization and we strongly recommend the enactment of this legislation which will significantly foster neighborhood conservation. We appreciate this opportunity to express our views on the Neighborhood Self-Help Development Act of 1978. If the National Trust can be of any further assistance, please call on us.

Very truly yours,



James Biddle
President

Enclosure



National Trust for Historic Preservation

740-748 JACKSON PLACE, N.W. WASHINGTON, D.C. 20006 (202) 638-5200

July 27, 1978

The Honorable John Sparkman
Chairman, Subcommittee on Housing
and Urban Affairs
Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, D.C. 20510

Re: S. 3210; Livable Cities Act of 1978

Dear Mr. Chairman:

The National Trust for Historic Preservation appreciates the opportunity to express its views on S. 3210, the "Livable Cities Act of 1978". The National Trust supports the concept of the Livable Cities Act as a means for increasing Federal assistance to enhance the urban environment.

As the only national organization chartered by Congress to encourage public participation in the preservation of sites, buildings and objects significant in American history and culture, the National Trust is committed to the conservation and revitalization of neighborhoods and communities through utilization of artistic, cultural or historic resources. We believe that the concept of "livable cities", particularly as pioneered by the National Endowment for the Arts (NEA) in its Livable Cities program, has fostered creative and practical approaches to the utilization of such resources to improve the quality of life for residents of communities throughout the country. We hope that the program proposed under this Act also will significantly assist efforts to improve the urban environment.

A look at one example with which we are familiar will illustrate the benefits of the NEA Livable Cities program. Historic Albany Foundation in Albany, New York, received a grant to plan for the protection of Hudson Park, an inner city neighborhood with an interesting mixture of varied socioeconomic groups and architectural styles. Adjacent to the huge State Mall, the neighborhood was under intense development pressure at its border because of the multimillion dollar project. Professional help was sought to study, evaluate and offer alternatives to intensive development of the area. Professional advice provided through the grant enabled the Foundation to

develop a proposal to the city which resulted in community development block grant funding of rehabilitation programs in Hudson Park and two other neighborhoods. Further, as a result of the consultant's visit, the consultant and the Foundation were able to work with a major developer previously committed to demolishing one entire block of neighborhood townhouses for new development. He is now rehabilitating the block instead, providing 125 housing units and 12 commercial units. Finally, the grant enabled a survey of the existing commercial space in the neighborhood. As a result of the working relationship thus developed with owners of two of the three major commercial properties, one, a brewery, has been donated to the Foundation for development.

Many other NEA-assisted urban revitalization projects are described in the enclosed booklet titled Neighborhoods: Revitalization by Design.

With support from the NEA the National Trust has established a clearinghouse to provide assistance to neighborhood groups and to demonstrate the relationship between neighborhood conservation and utilization of cultural and historic resources as tools to improve community environments. We enclose for your consideration materials published by the National Trust to date as part of this effort.

We would like to offer the following suggestions--for legislative amendments and for Congressional direction to the Department of Housing and Urban Development (HUD)--to assure that the program is most effective.

1. We are particularly pleased that cultural and historic resources are specifically referenced in the Act. We suggest that, in the interest of consistency, Section 104(a)(1) should be revised to read "have substantial artistic, cultural, historical, or urban design merit."

2. We agree with the initial statement in Section 101(a) that artistic, cultural and historic resources, including urban design, should be available to all residents of urban areas, regardless of income, and we believe it critical that the Act benefit and involve low and moderate-income persons. We are concerned, however, that specification in Section 102 that the primary purpose of the Act is to further cited activities for residents, "and particularly residents of low and moderate income" of communities and neighborhoods, and, similarly, in Section 104(a)(1) that one of three requirements to be met by assisted projects is that they contribute to a more suitable living environment and expanded opportunity for the residents, "and particularly low and moderate-income residents," may be interpreted by regulations to require that all grants, or a fixed percentage of grants, satisfy this objective. In order that there be no such severe restriction

of the range of worthwhile projects otherwise eligible for assistance, we suggest that the Committee, in its Report on the legislation, include a directive that applications are to be judged primarily on their merits.

3. We hope that smaller communities will not be excluded from assistance under this Act, and we suggest that the Committee make clear in its Report on the legislation that the benefits of the program are not to be limited to large urban areas. Many smaller cities and towns equally need assistance to improve the quality of their communities. Again, by comparison, one of the strengths of the NEA program has been its flexibility and receptivity to applications from communities of all sizes.

4. Another quality of the NEA program meriting emulation is use of a simple and straightforward application form and process. Such simplicity is often not the rule among larger agencies like HUD. Yet, in the view of the National Trust and others, it is an important factor in the success of the NEA program. By specifying in the Committee Report that the application forms and process shall be as simple and direct as possible, the Congress may assure that this quality is retained in this jointly sponsored program.

5. With regard to review of applications, Section 104(d) as written does not specify the type of review and provides only for procedures to assure appropriate local review. We believe this could unwisely exclude other expert reviewers with pertinent experience and perspective. Because the review process utilized by NEA to administer its own Livable Cities and other programs has worked exceptionally well to insure impartial review by experts in relevant fields, we recommend that the legislation, in addition to requiring the Secretary and Chairman to seek the recommendations of local officials and local private citizens, specifically provide for review by a panel of private citizens who have broad knowledge of, or expertise or experience in, community development, urban planning, urban design and the arts. We suggest the following substitute language to accomplish both goals.

"

Establishment of Advisory Panel
and Review of Applications

Section 104(d)(1) The Secretary shall establish an Advisory Panel, to be appointed jointly by the Secretary and the Chairman, consisting of private citizens who have a broad knowledge of, or experience or expertise in, community development, urban planning, urban design and the arts.

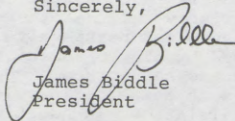
(2) Prior to the approval of any application for financial assistance under this Act, the Secretary

shall consult the Chairman, and, in accordance with regulations and procedures issued jointly by the Secretary and the Chairman, shall seek the recommendations of local officials and local private citizens who have a broad knowledge of, or experience or expertise in, community development, urban planning, urban design and the arts, and of the Advisory Panel."

The National Trust believes that it is appropriate and desirable for HUD to take an active role in encouraging the use of good design in the areas to which it directs its assistance. The proposed legislation would be a significant step in this direction. Further, the proposed legislation offers a valuable opportunity for cooperation between two agencies whose activities are particularly important to the future of urban communities.

We support S. 3210 because it demonstrates Federal recognition of the value of artistic, cultural, and historic considerations to neighborhood and urban revitalization and because it encourages the integration of a consciousness of good design in urban revitalization activities. We believe that, with the suggested revisions and with the incorporation of the noted successful qualities of the program developed by NEA, the Act will have a positive influence on the quality of life in our nation's cities and towns.

Sincerely,



James Biddle
President

Enclosures



Public Employee Department AFL-CIO

815 SIXTEENTH STREET, N.W., WASHINGTON, D.C. 20006 • (202) 393-2820-21

WILLIAM H. McCLENNAN
President

JOHN A. McCART
Executive Director

KENNETH T. BLAYLOCK
Treasurer

STATEMENT OF THE PUBLIC EMPLOYEE DEPARTMENT, AFL-CIO
BEFORE THE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
OF THE UNITED STATES SENATE ON S. 3209 - STATE COMMUNITY CONSERVATION
AND DEVELOPMENT ACT OF 1978

JULY 21, 1978

The Public Employee Department, AFL-CIO, representing 2 million members in 30 international unions, appreciates this opportunity to express our concern over the urban crisis.

During the 1960's, the problems of older cities violently erupted into massive urban riots. In the 1970's they have manifested themselves in major financial dilemmas leading to losses in critical public services and a further erosion in the meager poverty-level existence of many of America's poor housed in these central cities.

We have viewed federal programs that were only partially successful. Our unions have seen a number of cities attempt to deal individually with these concerns and reach, at best, marginal success. Some states have acted in a positive, constructive partnership in attempting to solve the urban dilemma, while others have been less cooperative.

The central thrust of S. 3209, "The State Community and Conservation Development Act of 1978," to promote a coordinated partnership between federal government and state government and localities to deal with the long neglected urban decay is an overdue concept ignored all too frequently in the past, and an effort which deserves considerable attention and financial support.

The national urban problem manifests itself in many diverse, highly individualized community situations. Obviously, a problem which is national in scope, but requires differently oriented solutions, must require the triad of government levels to cooperate and to share in the formulation of strategies and the implementation of these strategies to yield worthwhile long-lasting resolutions of the poverty program underlying urban decay.

The PED supports the targeting of federal incentives and funding toward areas of greatest need. Clearly, these distressed communities on their own do not have the taxing capacity of sufficient geographic scope to deal with all elements necessary to produce a comprehensive program. Therefore, the goals of concentrating federal and state resources in the communities in need while in general reducing the fiscal disparities among them, and the development of strategies to increase the fiscal capacity of these communities, are laudable.

The Public Employee Department is pleased to see the realization that a conglomerate of federal agencies is necessary to administer these proposals. Creation of an Interagency Coordinating Council complies with the thrust of the Act to avoid conflicting roles for federal agencies evolving from segmented programs.

The economic instability of the 1970's, combining double-digit inflation with high unemployment rolls, has resulted in extremely stressful times upon the public sector. This is manifest, both in the increased demands for services and declining revenues, and a magnification of the regressive impact of taxes due to declining real earnings of urban workers. These events have brought in focus both the need for increasing public services and for a realignment of the tax burden based on the ability to pay. Extreme deficits found in some major cities, in contrast to state surpluses which are becoming more prevalent, require adjustment of the fiscal relationship between the state and local government.

The process of reviewing fiscal linkage between states and localities should include a broader base than revenue and taxation alone. Take-over of the cost of

public welfare and education expenses by the federal and state levels would alleviate the diminished tax base of localities vis-a-vis states or the federal government.

The AFL-CIO addressed the vital issue of financing state and local governments through a resolution adopted at its last convention, excerpts of which are given below.

FINANCING STATE AND LOCAL GOVERNMENTS

The AFL-CIO continues to advocate and support programs and policies at all levels of government which will result in adequately funded public services, and we will continue to challenge short-sighted budgetary measures which impede economic growth and diminish the quality of life in America.

States and localities can do much to help build America. At the same time, the federal government must plan an expanded role in aiding states and localities to provide essential services and in taking the responsibility for problems that are clearly national in scope, impact and responsibility.

Federal take-over of the costs of public welfare, a national health security program and a federalized and improved unemployment and workers' compensation systems would relieve the states and localities of a huge financial burden and, at the same time, provide more efficient public services.

State governments should use their broader revenue-raising ability to help local jurisdictions meet needs for public improvements and fairer tax structures, especially in those localities responsible for financing high levels of public services from eroding tax bases.

Tax reform is essential. State and local tax systems must be made equitable and productive. States should continue to increase their reliance on income taxes, while closing loopholes and bringing their income tax system in line with the principle of ability to pay.

Effective modernization of state and local governments is essential, including elimination of obsolete or restrictive constitutional constraints, consolidation of inefficient local units of government and a greater commitment by states to local government needs and problems. In all efforts to modernize state and local governments, the job rights, employment conditions and other benefits of affected workers must be protected.

Section V, part b(3) subheading (b) states "work to eliminate or reduce state and local government barriers which restrict investment in distressed or declining communities, such as building and sanitary codes, insurance regulations or utility rates and work to eliminate or reduce those governmental barriers which inhibit the

employment and residential mobility of their residents." This language carries the potential to displace employees or result in an undercutting of the working conditions of these employees. It could result also in a decline in the quality of services through erosion in building and sanitary code regulations designed to protect the public interest. Therefore, PED suggests the addition of language which will ensure continuation of needed public services and opportunities for individuals to proceed in government careers. Other areas within the bill also concern the Public Employee Department.

The funding level in this bill, envisioned at \$200 million during the first fiscal year, is extremely meager. The criterion of awarding grants to those areas which have already demonstrated performance in such programs could be extremely limiting. Such actions currently taken by states total no more than a half dozen by our count. The need to consider fiscal reform from both the taxation and expenditure points of view between the localities and the states would seem to be a problem of such magnitude that a successful piece of federal legislation should be aimed at stimulating initial activities, as well as creating incentives for the completion and development of ongoing efforts of a few states.

The bill designed to create federal incentives for states and localities to develop strategies to deal both with the revenue and tax collection aspect of targeted assistance to distressed communities certainly contains a worthwhile goal. At the same time, this effort should not be interpreted to lessen the need for direct federal aid to distressed cities; direct state actions; or for actions by localities themselves to deal with this growing problem. Further, it should carefully safeguard the quality of public services, while protecting public employees' working conditions.

Attached for your record are copies of the Urban Policy statement issued by the AFL-CIO Executive Council in its last two meetings in February and May, 1978. We urge your careful consideration of these statements during the Committee's work on S. 3209.

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STATEMENT ADOPTED BY THE AFL-CIO EXECUTIVE COUNCIL
February 20-27, 1978

Excerpted from "Background National Economy"

Urban Decay

A national urban policy is needed to end the decline of the nation's cities. Urban decay is a national waste.

First and foremost, inner-city deterioration results in a waste of our most valuable national asset—human resources. Unemployment rates in the poverty-ridden sections of metropolitan areas during the fourth quarter of 1977 reached a high of 12.8 percent overall, and 17.6 percent for minorities. And for teenagers, the problem continues in crisis proportions. During that same period, teenagers residing in the poverty-ridden sections of metropolitan areas experienced unemployment rates of 31.4 percent overall, and for minority teenagers the rate was 45.0 percent. High and persistent unemployment leads to high crime rates—increased incidence of burglary, drug addiction and rape. In fact, across the country, inner-city youths are between 10 and 20 times more likely than other young people to be arrested for violent offenses. Moreover, these problems have a vicious cycle effect. They serve to further spur the flight of residents and businesses, which in turn contributes to the deterioration of cities, thereby worsening the plight of the inner-city.

Urban decay also results in a loss of product, tax revenue, personal income, savings and investment capital. There is also a waste of public and private physical facilities that are underused and abandoned.

A generation-to-generation cycle of unemployment and poverty is a legacy that this country cannot afford. An economic program that paves the way for increased economic growth, speedy attainment of full employment and specific programs to deal with the special unemployment problems of older urban areas, could go a long way toward eliminating the social and economic ills associated with urban decay.

Some of the problems are longstanding, with many long-run obstacles to overcome. Yet a strong federal commitment to full employment, backed by substantial increases in specific targeted grant-in-aid programs—such as aid for new public facilities and the rehabilitation of older buildings, bridges and roads, increased public service employment and training, special youth training programs, new housing and rehabilitation of deteriorating housing, and improved metropolitan transportation—could do away with some of the obstacles and increase central city employment. In addition, a federal urban bank should be created to provide special loans, grants and interest subsidies to private firms that would expand or locate in critically high areas of unemployment. Job training programs should be coupled with the new private investment programs to restore the efficiency and liveability of the urban environment.

STATEMENT ADOPTED BY THE AFL-CIO EXECUTIVE COUNCIL
May 9-10, 1978

Urban Policy

President Carter has proposed a sound and solid program which can be a good first step in meeting America's urban problems. In several instances it matches recommendations made by this Executive Council last February.

The presidential proposals cover a broad spectrum of urban concerns—coordination and streamlining of governmental activities, reorienting some federal programs, fiscal assistance, employment and economic development, and community and urban development.

Obviously, enacting and implementing all of President Carter's proposals will not reverse urban decay overnight. But we are especially pleased that this Administration has spurned the example of the Nixon-Ford Administration and has, instead, developed a positive policy to halt the erosion and deterioration of this nation's cities.

We have two reservations about the President's urban package:

1—The level of initial new outlays for the cities in 1979—\$742 million—is too low.

2—The proposed tax credit for employers who hire disadvantaged youth could undercut the wages of other employees and unfairly damage competing employers. We support effective on-the-job training at prevailing rates and government assistance for such training as a more effective means of finding employment for inner-city youth.

To meet the needs of the cities, the AFL-CIO supports the following:

—An effective, coordinated program of economic development under the proposed National Development Bank, HUD Urban Development Action Grant Program, the Commerce Department EDA program. In each instance, federal assistance should be made available where there are long-term commitments for a specified number of jobs requiring specific skills, for which the unemployed can be recruited and trained while the facility is being constructed.

—Establishment of a National Development Bank to provide grants for up to 15 percent of a firm's capital facilities and loan guarantees, in some cases, with subsidized interest rates as low as 2½ percent.

—The program of "soft" public works proposed by the President to maintain and improve public facilities in low-income areas to help conserve energy and rehabilitate older public facilities.

—Continuation of counter cyclical fiscal assistance confined to localities with high unemployment.

We also support:

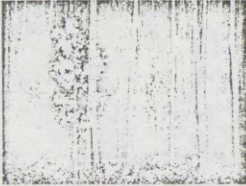
- Increased aid to meet specific problems facing urban areas, such as education, health services and facilities, mass transit, railroad revitalization and rehabilitation and other transportation programs that will create jobs and improve service.

- Improved housing, including rehabilitation of run-down properties.

- Expansion of the youth employment program to increase the number of job-training slots under the Youth Employment and Demonstration Projects Act of 1977 and the Summer Youth Program.

- Expansion of recreational opportunities for urban residents, especially lower-income citizens, through upgrading and expansion of urban parks.

We believe that President Carter's proposals, with some modifications, can and will lead to increased economic growth in urban areas, along with the improvement in urban services and facilities that is needed to arrest the decline of the cities.



by Ansel Adams in *This is the American Earth*

SIERRA CLUB

330 Pennsylvania Avenue, S.E.
Washington, D.C. 20003
(202) 547-1144

STATEMENT OF J. WILLIAM FUTRELL
PROFESSOR OF LAW, THE UNIVERSITY OF GEORGIA
AND PAST PRESIDENT OF THE SIERRA CLUB
NEIL GOLDSTEIN, NATIONAL REPRESENTATIVE
AND RHEA L. COHEN, WASHINGTON REPRESENTATIVE

ON S. 3209
THE STATE-COMMUNITY CONSERVATION AND DEVELOPMENT ACT OF 1978
FOR THE RECORD OF THE HEARING
HELD JULY 11 AND 12, 1978
BY THE SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

The State-Community Conservation and Development Act of 1978 is a bold step in the direction of comprehensive environmental and economic planning to meet the conservation and development needs of America's urban areas. A program for state strategies can be an integral component of a national urban policy, as it addresses the problems of physical infrastructure development in a spirit of cooperation with local communities and in a manner consistent with existing health and environmental safeguards.

Unfortunately, we have observed an apparent change of the laudable objectives of this bill from those in the original draft form. We believe the language in the original draft expressed the position that major infra-

structure programs have a critical impact on national and state growth and development.

The "State investment and development" portion of the State Conservation and Development Strategy should take this fact into account by requiring special attention to physical infrastructure development programs and their consequences for patterns of new growth and development, in order to "result in balanced and efficient use of natural resources, including land, energy and water" (language contained in the original draft of the bill).

This proposed investment and development component of the state strategy, by focusing on the physical developmental issues of urban areas, was originally intended to supplement the governmental, structural and fiscal reform portion of the state strategy. In its current form, the bill does not contain any requirement for states to focus on matters of physical infrastructure development and land use patterns.

Deterioration of physical infrastructures is a critical problem in our urban areas. To quote Congressman Michael Harrington, Chairman of the Northeast-Midwest Congressional Coalition:

The deterioration of urban infrastructure systems is widespread. Signs of decay are evident in all parts of the country: bridges and roads are deteriorated from age and weather, and sewer and water systems are outmoded from overuse and increasing environmental regulation. Our collective disinclination to squarely address these 'hidden problems' has, in effect, created a series of urban 'time bombs' whose inevitable detonation will impose replacement costs two to three times as great as current repair costs.

Water and sewer facilities, bridges and highways, schools, parks, transit systems and public facilities of all kinds require repair and rehabilitation

which are beyond the fiscal capability of all but the wealthiest state and local governments. Yet monies which could be applied to infrastructure reconstruction have continually been diverted to new construction projects through lack of careful and comprehensive development planning. The results of this have been twofold: unnecessary and environmentally detrimental projects have been funded, while vital infrastructures continue to decay.

It is imperative that state plans for revitalizing distressed areas be required to contain provisions for targeting major infrastructure programs. To allow otherwise would permit funding of the programs contrary to the long-term interests of a state's urban areas. Our experience with programs such as the interstate highway system convinces us that fiscal assistance without attention to its effects upon development patterns can, in fact, injure the very areas receiving aid.

Moreover, John Shannon, Assistant Director of the Advisory Council on Intergovernmental Relations, has raised serious questions concerning the efficacy of the proposed fiscal reform strategies. It is by no means clear that "central city urban economic disparity" can provide a viable basis for fiscal reform targeting, that state strategies would raise revenue more progressively, or that the proposed program would be successful in reducing disparity between the states. In view of these questions, we believe it is advisable and necessary to return to the bill's original intention of promoting strategies for infrastructure development as a primary objective.

A second matter which concerns us is the lack of provisions in the bill to assure that approved state strategies would be consistent with plans promulgated by the states to implement the environmental protection processes and requirements under the National Environmental Policy Act (NEPA), the Clean Air Act, Section 208 of the Federal Water Pollution Control Act, the Coastal Zone Management Act, and other legislation which protects the environment.

While we fully support the idea of integrated planning, it must be emphasized that the integrated planning approach should reinforce, rather than circumvent, environmental safeguards. A good planning strategy can greatly reduce the burden of compliance with these safeguards, but the protection of the human environment must remain paramount. A provision for environmental review by the Environmental Protection Agency with public participation could mitigate this problem.

We are concerned that state strategies which may be funded within 90 days of application might thus avoid the environmental impact statement (EIS) and review mandated by NEPA. Projects which would normally require an EIS should be excluded from funding under this act unless either an EIS has been prepared prior to application, or the review period for the grant decision will include the time necessary to satisfy NEPA.

Finally, we must censure the bill's lack of procedures for public participation in the state strategies planning process. "Community" is defined in the bill as a political subdivision, thereby excluding citizens' organizations and individuals from the planning process to a great extent. Citizens and citizens' groups are often as knowledgeable about the problems of their communities as are

local, state or federal officials, and it is the citizens who must live with the consequences of the state strategies. To cut them off from the planning process is ultimately self-defeating, for only with the advice and consent of the taxpayers can state strategies be successful.

The Sierra Club believes that the original concept of state strategies is a viable one, and that an urban policy which provides for public participation in the improvement of all aspects of the urban environment can ultimately be successful.



