

Conclusions and Recommendations from

URBAN AND RURAL AMERICA:
POLICIES FOR FUTURE GROWTH



ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

WASHINGTON, D. C. 20575

JULY 1968

EXCERPT FROM REPORT NO. A-32

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This excerpt, consisting of the Introduction and Chapter VI from a forthcoming Report, was prepared for distribution at the National Association of Counties' Town and Country Congress, July 28-31, 1968

PREFACE

The Advisory Commission on Intergovernmental Relations has recently completed a report on urban and rural growth patterns in the United States, their consequences, and some desirable courses of action for Federal, State, and local governments to take in equipping themselves to deal with and guide them. In order to make its findings and recommendations available for consideration at the Town and Country Congress of the National Association of Counties, the Commission has had this special volume prepared. It presents the Introduction and Chapter VI, Conclusions and Recommendations, from the full report. To indicate the scope of the research and background material provided in the full report, an outline of Chapters I through V, is included in an Appendix.

The Advisory Commission **was** established by Public Law **380**, passed by the first session of the 86th Congress and approved by the President September 24, 1959. The duty of the Commission, under this statute, is to give continuing attention to intergovernmental problems in Federal-State, Federal-local, and State-local, as well as interstate and inter-local relations. Pursuant to its statutory responsibilities, the Commission from time to time singles out for study and recommendation particular problems the amelioration of which, in the Commission's view, would enhance cooperation among the different levels of government and thereby improve the effectiveness of the Federal system of government as established by the Constitution. One subject, so identified by the Commission, concerns recent trends in the geographic location of urbanization and economic development in the United States and the general question of urban-rural balance in future patterns of population and economic growth.

In evaluating the reports and recommendations of the Commission, it is helpful to know the processes of consultation, criticism, and review to which particular reports are subjected. Once a subject is placed on the work program, staff is assigned to it. The staff's job is to assemble and analyze the facts, identify the differing points of view involved, and develop a range of possible, frequently alternative, policy considerations and recommendations which the Commission might wish to consider. This is all developed and set forth in a preliminary draft report containing (a) historical and factual background, (b) analysis of the issues, and (c) alternative solutions.

The preliminary draft is reviewed within the staff of the Commission and after revision is placed before an informal group of "critics" for searching review and criticism. In assembling these reviewers, care is taken to provide expert knowledge and a diversity of substantive and philosophical viewpoints. Additionally, representatives of the National League of Cities, Council of State Governments, National Association of Counties, U. S. Conference of Mayors, U. S. Bureau of the Budget, and any Federal agencies directly concerned with the subject matter—along with the other "critics"—participate in reviewing the draft. It should be emphasized that participation by an individual or organization in the review process does not imply in any way endorsement of the draft report. Criticisms and suggestions are presented; some **may** be adopted, others rejected by the Commission staff. The draft report is then revised by the staff in light of criticisms and comments received and transmitted to the members of the Commission at least two weeks in advance of the meeting at which it is to be considered.

This report represents the combined efforts of the Commission staff. The major responsibility for the staff work was shared by David B. Walker, Assistant Director and Page L. Ingraham, James H. Pickford, L. Richard Gabler, Albert J. Richter, Will S. Myers, Jr., Carl Stenberg, Hope Marindin and Thomas Hanna. Library research and reference services were provided by Sandra Osbourn and statistical assistance by Francis X. Tippet. Assistance was also provided by Cary Hershey, Peter Brown, and Harvey Arfa, summer interns with the Advisory Commission.

A special background study on "New Communities and Land Use Controls" was prepared under contract by the American Society of Planning Officials for the Advisory Commission on Intergovernmental

Relations and the National Commission on Urban Problems. The late Dennis O'Harrow and Richard Counts of the ASPO staff were responsible for the preparation of the special study.

The Advisory Commission and the American Institute of Planners conducted a joint survey to obtain information on the extent to which State, regional, and local plans incorporated consideration of new communities as a pattern of future urban growth. Questionnaires were sent to all State and metropolitan area planning agencies. As a followup, individual letters were sent to county planning agencies which were either identified in the ACIR/AIP survey as having done planning for new communities or which were known to include new community development within their borders. Especially helpful information regarding the procedures followed by counties in connection with new community development was received from Planning Directors of the following counties: Coconino, Maricopa, Mohave, Pima, and Santa Clara in Arizona; Alameda, Kern, Orange, and Ventura in California; Pueblo in Colorado; Brevard and Orange in Florida; Baltimore and Harford in Maryland; and Henrico, Fairfax, and Prince William in Virginia

The Commission and its staff profited from an informal review of an early draft of the Report by a number of individuals including Alan Bird, John Bebout, Jo Bingham, George Deming, William Dircks, Carl Feiss, Harold Forsythe, John Gunther, Peter Harkins, Jerome Kaufman, Mark E. Keane, Frank Keenan, Charles LeCraw, Carl Madden, Allen Manvel, James L. Martin, Fred McLaughlin, Constance Perrin, Jerome P. Pickard, Tom Smith, Milton W. Smithman, Allan R. Talbot, Ralph R. Widner, Oliver Winston, and Warren Zitzmann. The draft was also submitted for review and comments to a number of professional and trade associations, scholars, practitioners, and government officials having an interest in planning and urban development. Special mention should be made of the suggestions elicited from members of the Committee on Urban Design of the American Institute of Architects in response to a detailed project outline and of the valuable comments and suggestions on a preliminary draft of conclusions and recommendations prepared by Lee E. Ham in conjunction with a group of West Coast developers, professional engineers, planners, and architects through the good offices of the Consulting Engineers Council. The assistance of these various individuals and groups in no way implies their endorsement of the Report.

The printing of the full Report was made possible by the U. S. Department of Agriculture; the Appalachian Regional Commission; and the Economic Development Administration, U. S. Department of Commerce.

The Commission records its appreciation for the contribution of all of the individuals and organizations, named and unnamed. The responsibility for content and accuracy rests, of course, with the Commission and its staff.

In this report, the Commission examines the dimensions and consequences of recent and projected urbanization trends, with special reference to the problems of those rural and urban areas that have been adversely affected by these developments. Various types of urban development are explored as possible devices for coping with future urban growth in an orderly manner.

Farris Bryant
Chairman

Wm. G. Colman
Executive Director

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INTRODUCTION

In our free society the pattern of urbanization and economic growth is basically the product of countless decisions by individual citizens on where they want to live and work and by private groups and enterprises on where they want to operate. Increasingly conditioning these decisions, however, are governmental policies and programs at the national, State, and local levels reflecting the desire of the American people, expressed through democratic political processes, for governmental action to promote “the general welfare.”

Concern is voiced in many quarters as to whether present and probable future trends in urbanization support the national interest, particularly in view of the apparent connection between migration from poor rural areas and growing social tensions in central city ghettos. Some are urging that new directions be considered—both governmental and nongovernmental—to guide these trends, and that this guidance should be toward “balanced urbanization.”

Speaking at Dallastown, Pennsylvania; in September 1966, President Johnson **said:**¹

History records a long, hard struggle to establish man’s right to **go** where he pleases and to live where he chooses. It took many bloody revolutions to break the chains that bound him to a particular plot of land, or confined him within the **walls** of a particular community.

We lose that freedom when our children are obliged to live some place else, that is, if they want a job or if they want a decent education. Not just sentiment demands that we do more to help our farms and rural communities. I think the welfare of this Nation demands it. And strange as it may seem, **I** think the future of the cities of America demands it, too. . . .

The cities will never solve their problems unless we solve the problems of the towns and the smaller areas. So consider the problem of urban growth. If the present trend continues, by 1985 as many people will be crowded into our cities as occupy the entire Nation today—in 1960. That means people enough to make five more New Yorks, or that means people to make 25 more Washingtons. Many will migrate to the cities against their will, if we continue to allow this to happen. . . .

. . . I don’t think it has to happen. Modern industry and modern technology and modern transportation can bring jobs to the countryside rather than people to the cities. And modern government could also help.

In January 1967, Secretary of Agriculture Orville L. Freeman pointedly related the problems of rural development to the problems of urbanization:²

The dimensions of the (rural) crisis are well known to **all** of you who are deeply involved in rural development. They consist of too little of everything—jobs, income, education, and services—in rural America, and a continuing one-way **flow** of people from country to city, damaging to country and city alike. . . .

¹The President’s Remarks at Ceremonies Marking the 100th Anniversary of Dallastown, September 3, 1966, *Weekly Compilation of Presidential Documents*, September 12, 1966, p. 1217.

²Address to Southwest Agricultural Forum, Tulsa, Oklahoma, January 20, 1967, reprinted in *Congressional Record*, January 31, 1967, p. H 843.

The result has been a rural America with space to spare, but starved for opportunity—and paradoxically an urban America with opportunity for the many, but starved for space for her residents to move in, to enjoy, to breathe. . . .

An unplanned policy of exporting rural problems to the city has drawn urban America into the rural crisis. For the affluent of the city, the unchecked migration means more crowding, higher taxes, more hours consumed in commuting as urban sprawl continues unabated. For migrants already in the teeming ghettos, further immigration means less opportunity and rising despair.

Members of Congress have emphasized the connection between the problems of the cities and those of the troubled rural areas. Thus, Senator Karl E. Mundt, in testifying on the proposed joint resolution he introduced **with 19** cosponsors calling for a temporary National Commission on Balanced Economic Development, **stated:**³

The sponsors of the resolution suspect that two established trends of today, and the considerable problems resulting from each of the trends, are not separate but are rather parts of one problem—how to achieve a balanced national economic development.

We suspect that the deepening problems of the cities result in part from too sudden and too great a concentration of population. We suspect some cities have passed the point of diminishing returns in the growth and concentration of population, therefore that the cost of public services, transportation, government, and day-to-day living exceed the levels which might prevail under more efficient conditions of population concentration.

The Federal Government. . . is on the one hand striving to prop up faltering economies in rural and sparsely populated areas. These areas, nevertheless, are by relative measure becoming increasingly depopulated. On the other hand the Federal Government feels itself called to attend more and more closely to the problems of the huge metropolitan complexes, the areas which, in addition to their own natural growth, find their problems aggravated by the continuous **influx** of immigrants who are frequently unprepared for living in them.

We appear never to have analyzed the prospect for a balanced economic and demographic development of this continent. Rather, the development that has occurred is accepted as the consequence of the workings of some kind of natural law of economics.

Similar support for **this** thesis has come from other sources. Thus, the Republican Coordinating Committee's Task Force on Job Opportunities **stated:**⁴

Our rural areas are being depleted of people. From **1950** to **1960** the rural population—farm plus nonfarm—declined by 400,000; the urban population increased by **28** million. These trends have continued. The Department of Agriculture anticipates further outmigration to the year **1970.. . .**

³**U.S.** Congress, Senate, Committee on Government Operations, Hearings, *Commission on Balanced Economic Development and a Northwest Regional Services Corporation*, 90th Congress, 1st Session, June **12**; July **20** and **21**, **1967**, p. **37**. For other statements by Members of Congress regarding the urban-rural linkage, see *Congressional Record*, **1967**, pp. S. **5302**, S. **9551**, S. **12346**, S. **12456**, S. **12676**, H. **2001**, H. **8424**, and H. **13648**.

⁴**Republican** Coordinating committee, The Task Force on Job Opportunities and Welfare, *Revitalizing Our Rural Areas* (Washington, **1967**) (unpaged).

What becomes of these people? They move into our great cities. . .

And will these be alabaster cities, gleaming, “undimmed by human tears?” Not likely. The migrants concentrate, unassimilated, in Detroit, in Cleveland, in the South Side of Chicago, in Watts, in Harlem, in Indianapolis, and in a hundred other cities. Smog, congestion, water pollution, law enforcement and other problems of the megalopolis beset them and their uneasy neighbors. By generating a kind of “urban crush,” they create a problem in the cities to which they go. By depopulating the countryside, they create a problem in the rural areas from which they come.

The *Washington Post* has stated editorially:⁷

Before the Nation proceeds blindly to rebuild its urban ghettos in environments essentially unsuited for human habitation, it ought to carefully explore the feasibility of providing jobs and living conditions that will draw some urban population into the country—or at least arrest the tide of immigration into cities.

As a further example, Joseph P. Lyford, a noted urban scholar has pointed up the basic linkage between the problems of congestion and deterioration in urban areas and the migration-causing decline of rural areas:⁶

One of the weaknesses in current discussion of the problems of the city is the assumption that the crisis of the city is somehow unrelated to the crisis of our rural areas. It should be obvious that we cannot begin to deal effectively with the problems of the inner city in education, housing, employment, health and welfare unless we also deal with the rotting and dying areas which are the sources of the apparently inevitable migration to the city. I do not see why this massive, unbalancing migration should be inevitable. I do not see why it is not possible for Federal and State governments, and the private sector, to do things which will encourage a change in the trend of our population movements.

The clear thrust of all these statements is that the wave of migration from rural areas to the city is harming both the rural areas, by the depletion of the young and able population, and the urban areas, by causing overcrowding with all its attendant effects inimical to an efficient, healthy society, and at worst, adding fuel to the tinderbox conditions of the core cities. The policy implication here seems to be that the various levels of government and the private sector should consider the desirability of trying to divert this continuing growth of the big metropolitan complexes and to attract more economic activity to the rural areas and to the small cities and towns.

Clearly, the recent and projected geographic distribution of urban and economic growth has triggered a widespread debate over urbanization’s future course, over the location of the 115 million Americans who will be added to our population by the year 2000. One way or another, the dialogue has focused on questions of “balance” and “imbalance” and from three basic vantage points.

Sometimes, it deals solely with the issue of population—of rural vs. urban growth rates; of migration and nonmigration trends and motives; of the geographic distribution of the urban sector; and of big vs. medium and small urban concentration patterns. At other times, the debate concentrates on economic issues—involving the extent, distribution, and factors of economic growth; the disadvantaged groups and areas

⁷*The Washington Post*, September 26, 1967

⁶Testimony of Joseph P. Lyford, University of California, Berkeley, in U.S. Congress, Senate, Committee on Government Operations, Subcommittee on Executive Reorganization, *Federal Role in Urban Affairs*, Part 6, 89th Congress, 2nd Session, p. 1357.

in both rural and urban America; and the costs and benefits of concentration and sparsity. Finally, the present and future pattern of urban and economic growth **also** raises questions about so-called “urban sprawl,” the potentials for a better kind of large-scale urban development and the future of new communities in the United States.

This report closely examines these and other dimensions of the continuing process of urbanization; highlights the intergovernmental policy implications in its findings; and advances recommendations in the belief that the future strength of American federalism is inextricably linked with that of urbanization.

CONCLUSIONS AND RECOMMENDATIONS

INTRODUCTION

In this Report,* the Commission has examined recent patterns of urbanization and economic development in the United States and the linkage between the two. The influences—both private and public—on the geographic distribution of population and economic activity have been analyzed. The major consequences of the increasing concentration of population in metropolitan areas and the concomitant loss of population and industries in many nonmetropolitan portions of the country have been assessed. Some of the limitations inherent in traditional patterns of urban development have been explored. Special attention has been directed to the potential of some of the newer types of large-scale development—particularly the “new community”—for injecting a greater degree of order into the future growth of the nation’s urban areas.

Now the Commission presents its conclusions and recommendations as to the roles of local, State, and national governments in the processes of future urbanization. The basic recommendations urge the development of national and State policies dealing with urban growth. Certain intergovernmental actions designed to influence the location and character of future urban growth are submitted for consideration as possible components of national and State urban growth policies. To provide a backdrop for what follows, it is desirable to summarize the findings of fact with regard to recent and future trends of population growth and distribution and of economic development in this country.

SUMMARY OF MAJOR FINDINGS

The Location of Recent Population Growth

- Metropolitan areas as a group have experienced the nation’s largest growth.

This has been due to the dramatic population increases in noncentral city jurisdictions, especially in metropolitan areas of over one-half million population. The greatest proportionate increase occurred in “metropolitan remainders”—suburban areas outside incorporated places of 10,000 or more.

- Central cities enjoyed only minor rates of increase or decline in medium and large metropolitan areas.

● Contrary to many recent published statements, urban places outside of metropolitan areas grew at slower rates than metropolitan suburbs and remainders, although not slower than central cities. The remainders of nonmetropolitan areas (towns below 10,000 in population, rural villages, and farms) had the lowest growth rate.

● The giant urban areas (one million plus) accounted for over half the increase in total urban population, and those in the 250,000-1,000,000 bracket for nearly one-fourth.

● Urban areas of up to 1,000,000 experiencing the highest growth rate generally were located in a geographic crescent running from Virginia through the old South and the Southwest to the Pacific Coast. Urban

*An outline of the contents of Chapters I - V of the full report is included as an Appendix on page 71.

areas of this size showing below average growth rates formed another arc, moving from Maine, through southern New England, the Middle Atlantic, Great Lakes, and Plains States to North Dakota.

Migration and Natural Growth—1960-65

● In-migration accounted for 22 percent of the 1960-65 growth in metropolitan area population as a whole. The remainder—78 percent—was due to natural growth. The latter rate is likely to increase, suggesting that metropolitan areas contain within them the seeds of their increasing domination of the nation, population-wise.

● Eighty percent of the net migration into metropolitan areas was attributed to only nine such areas: Los Angeles—Orange County, New York—Northeastern New Jersey, San Francisco—Oakland—San Jose, Washington, D.C., Philadelphia, Houston, Miami—Fort Lauderdale, San Bernardino—Riverside, Dallas.

● Migration provided the least population increase to metropolitan areas in the Northeast and Great Lakes, and most to the areas in the South, Southwest, Mountain and Far West regions.

● Improved economic opportunities prompt migration but mainly among the better educated and skilled. Blue collar workers, less skilled, many Negroes, and the aged for personal and various noneconomic reasons tend to resist the attraction of job opportunities elsewhere. The result: migration from depressed areas tends to deplete the most productive sector of its work force.

Negro Population

● The ratio of Negroes to the total population of central cities rose from 12 percent in 1950 to 20 percent in 1965. Moreover, the larger the central city, the faster was the rate of Negro population growth and the larger the Negro proportion of the total population.

Rural Population

● America's rural population has declined only slightly since 1950 but the farming sector alone dropped 4 million between 1960 and 1966.

● Urban-rural comparisons of population growth, educational and health facilities, housing, and income levels suggest major disparities for every index, with rural America consistently in the disadvantaged position.

Metropolitan Disparities

● Within metropolitan areas another set of disparities emerges with central cities confronting much greater public finance-public service problems than suburbs and metropolitan remainders.

Future Population Projections

● Future estimates indicate a national population increase of about 73 percent by the year 2000, practically all of it urban.

● The lion's share of the increase will come in the largest, fastest growing urban areas, and the South and West will continue to experience the greatest percentage gains.

Economic Growth: Local, State, Regional

● The 1950-66 period of overall national economic growth was marked by considerable diversity in rates of growth among individual States and multi-State regions.

○ Findings in Chapter II demonstrate that economic growth of municipalities was most frequently related directly to rates of increase in total population and inversely to rates of increase in the nonwhite proportion.

○ Governmental policies such as highway and air transportation facilities, housing and community facilities, industrial “climate,” and tax level can influence industrial location decisions.

○ Central cities are in a less favorable position in competing for new business than their suburbs with respect to land availability, ease of access to markets and supply sources, parking, and social and physical environment.

○ Larger cities (over 250,000) in the States studied tend to experience diseconomies of scale, spending more per capita as population size increases.

● Within the private sector, the process of urbanization generally seems to lead to higher consumption expenditures.

CONSEQUENCES OF CONTINUATION OF RECENT GROWTH TRENDS

● Analysis of the above findings leads to the conclusion that a continuation of recent urbanization and economic growth trends would be likely to produce consequences of critical importance for the well-being of the nation, and of individual States and communities.

○ Increasing concentration of people in large urban centers will make public and private consumption more costly as a result of diseconomies of scale.

○ While the evidence is not conclusive, it may well be that increased size and congestion will also take a net social and psychological toll in urban living conditions.

● The advantages of suburban and “metropolitan remainders” in attracting new industry will continue to widen the gap between the economies of central cities and their surrounding neighbors, deepening the problems of many central cities. A most serious aspect of these problems will be the growing inability of the central cities to provide jobs for their residents.

○ Continued migration of the Negro population to central cities will add fuel to already incendiary conditions in central city ghettos.

● At the same time, the nation’s smaller urban places outside of metropolitan areas will be increasingly bypassed by the economic mainstream and will also find it difficult to offer enough jobs for all their residents and those of surrounding rural areas. Many rural areas will suffer from a further siphoning off of the young and able work force with a resultant greater concentration of older and unskilled among those remaining, and a continuing decline in the capacity of rural communities, to support basic public services.

○ Finally, if present practices prevail, the continued concentration of urban growth in the suburban and outlying areas foreshadows a prolongation of development practices creating “urban sprawl”—the disorderly and wasteful use of land at the growing edge of our urban areas.

INTERGOVERNMENTAL INFLUENCES ON THE LOCATION OF URBANIZATION AND THE QUESTION OF A NATIONAL URBAN GROWTH POLICY

The urbanization trends examined in this study are complex and varied. They are the result of the interplay of countless decisions by individual citizens and private enterprises, many of which are conditioned

by governmental policies and programs at the national, State, and local levels. At the Federal level these governmental influences are exerted through many programs, such as the rural development program of the Department of Agriculture; the urban and rural antipoverty activities of the Office of Economic Opportunity; the various programs of the department of Housing and Urban Development; the Economic Development Administration's program for assisting depressed areas; the location and scheduling of highway construction; and the distribution of Federal contracts and purchases throughout the country.

State and local actions are key determinants of communities' physical, economic, and social climate—a factor of increasingly critical importance in business location decisions. The major instrument of State and local policy affecting the direction of urbanization is land use and development controls. Among other critical effects, these serve to influence effect, either directly or **through** economic forces, the opportunities of racial minorities to move to places of their choice. Also, through fiscal and organizational measures, State and local governments affect the balance of financial resources and services as between central cities and their suburban environs.

The interplay of private and governmental policies and decisions has taken place in the context of governmental institutions which grew and developed in a nation primarily agricultural in character. Only recently have some of these institutions been reorganized to reflect the urban character of the nation. The Federal Department of Housing and Urban Development and State departments of community development and local affairs provide an administrative focus for dealing with urban problems. Legislative organization at national and State levels is **only** beginning to reflect this concern. In a few States, legislative committees on urban and metropolitan affairs have been established. The Joint Economic Committee of Congress has recently established a Subcommittee on Urban Affairs.

Governmental policies thus have just recently begun to assume an urban focus. Moreover, the focus has generally been sporadic, and while significant, it has been limited in scope. Regarding the location of urban growth, there has been no overall policy by which to guide public policies and programs affecting the geographic location of such development throughout the nation. Similarly there **has** been no overall policy to guide the character and nature of growth. Lacking a policy framework, specific program decisions concentrating on particular objectives have sometimes produced inadvertent results in terms of urbanization trends, altering or partially cancelling out basic program goals.

Considering the already substantial effect of governmental action on urbanization, and the likely consequences of a continuation of present patterns of urbanization and economic growth, the question arises: *Should government undertake to develop and implement a national policy to deal with urban growth?* Important considerations on both sides of *this* question should be assessed.

Arguments in Favor of a National Policy to Deal with Urban Growth

● *Governmental programs already have a significant effect on the location of population and economic growth and the character of urban development. Establishing an overall policy would give articulated direction to the effects of these programs, make them consistent, and avoid having different programs working at cross-purposes and subsidizing undesirable and costly patterns of urban development.*

At the Federal level, for example, the FHA mortgage insurance program makes it easier for people to buy new houses, thereby inducing them to move to the suburbs and outlying areas frequently resulting in increased "sprawl"; the highway program constructs express highways, which make it simpler for commuters to move back and forth from suburb to central city, and to commute between their homes, shopping centers and other residences in the suburbs; the urban renewal and model cities programs are designed to redevelop and revitalize older central cities; Federal purchases particularly for defense and space exploration, finance the location or relocation of entire industrial complexes; the Economic Development Administration assists areas which have had persistent unemployment and have lost population because of it. So far as the location

of population and economic activity is concerned, the effects of these and other programs are random and uncoordinated.

At the State level, States may pay a large portion of public assistance costs and at the same time make it difficult for welfare recipients to get accessible jobs by permitting or encouraging discriminatory zoning or housing practices; by failing to assist in establishment of effective mass transportation; or by ineffective administration of public employment services.

● *The Federal Government has also made significant deliberate efforts to influence the forces affecting urbanization and economic growth, but each of these is directed at only a segment of the overall problem; the location and character of urbanization is frequently ignored or slighted, and there is no comprehensive linkage of the kind that a national urbanization policy would supply.*

The Employment Act of 1946 was aimed at creating conditions under which there will exist jobs for all those able, willing and seeking work, and at promoting maximum employment, production, and purchasing power. The goal of the National Housing Act of 1949 is to provide a decent home and suitable living environment for every American family. The Public Works and Economic Development Act of 1965 is directed at helping areas and regions of substantial and persistent unemployment and underemployment to plan and finance public works and economic development essentially for the purpose of creating new employment opportunities. The goal of the Economic Opportunity Act of 1964 is "to eliminate the paradox of poverty in the midst of plenty in this nation by opening to everyone the opportunity for education and training, the opportunity to work, and the opportunity to live in decency and dignity." The purpose of the Appalachian Regional Development Act of 1965 is to assist this particular region "in meeting its special problems, to promote its economic development, and to establish a framework for joint Federal and State efforts toward providing the basic facilities essential to its growth and attacking its common needs on a coordinated and concerted regional basis., Finally, Title I of the Demonstration Cities and Metropolitan Development Act of 1966 is aimed at enabling cities to improve living conditions for their residents, including rebuilding slum areas, expanding job, housing, and income opportunities, establishing better access between homes and jobs, and reducing dependence on welfare payments.

A national urbanization policy would provide the framework for harmonizing these separate programs so that they support consistent objectives of population location instead of running at cross-purposes.

● *The serious consequences of allowing urbanization and economic growth trends to continue their present haphazard course is itself a strong argument for a concerted national policy to provide more conscious overall direction.*

Despite, or perhaps in part because of the many separate national efforts to intervene in the social and economic order to overcome unemployment and the effects of untrammelled urbanization, we are drifting toward larger concentrations of population with resultant diseconomies of scale and possible increasingly damaging noneconomic effects on urban residents; the poor nonwhite from the rural and other urban areas are migrating generally to large central cities, adding to the problems of the ghettos; suburban and exurban parts of metropolitan areas are increasingly succumbing to sprawl; the social and political institutions in many impoverished rural areas continue going downhill as the most competent part of their labor force and leadership move out. The policy of drift has direct budgetary consequences, too. Broadly speaking, to the extent it continues to interfere with maximum employment of human and other resources it is depriving us of optimum economic growth. In the immediate year-to-year budgetary sense, it means the out-of-pocket costs of higher-than-necessary public assistance and unemployment compensation rolls and of the increased public service expenses resulting from sprawl.

● *A national urbanization policy would provide a basis and opportunity for avoiding or redirecting present trends that tend to reinforce the problems of racial segregation, and thus in the long run would help to promote achievement of equality of opportunity regardless of race.*

Such a policy would make it easier to develop and use measures to divert the present flow of Negro poor to the central city ghettos; could help to attract more jobs to central cities; and perhaps at the same time work to break down barriers to suburban residence and encourage Negro migrants from rural areas to move to growth centers outside metropolitan areas. The whole effect could be to relieve tensions in ghettos, help Negroes to achieve upward mobility, and in time foster the dispersion of Negro population which is so necessary to attainment of meaningful equality of opportunity. Present undirected trends often are running in the opposite direction.

● *Continuation of the present migration and natural growth trends may lead to a greater disparity among States as to population and economic growth.*

Such a trend would tend to weaken the 50 States as a group, and thus erode their pivotal role in our federal system. In somewhat like manner, urbanization trends, aggravated by racial considerations, may tend to aggravate disparities among central cities and suburbs in metropolitan areas and between metropolitan and rural areas, causing continuing decline of the economic and social health of many of our large cities and rural areas. A deliberate national urbanization policy thus could be a potent instrument for maintaining a more even distribution of strength among States and among local units of government, thereby helping to sustain and strengthen our system of decentralized power and responsibilities.

● *Considering the mounting interest in and out of Congress in the problems of poverty and unemployment associated with urbanization, the chances are that efforts will snowball to launch additional piecemeal efforts to assist particular areas or particular groups in the country.*

Such past efforts are already visible in programs of the Appalachian Regional Commission, the Departments of Commerce, Agriculture, and Housing and Urban Development, and activities funded by the Economic Opportunity Act. A piecemeal approach encourages "pork-barreling," with accompanying waste, and inefficiency.

The surest way to combat that tendency is to elevate the basic situation to a matter of overall concern and to tackle the problems of the geographic direction of urbanization on an informed, well-considered basis, making it subject to review and redirection as an overall program rather than subject to piecemeal hauling and pulling.

● *If policies encouraging large-scale urban and new community development are to be considered, there must be an adequate planning process to assure that alternative policies for improving patterns of urban growth are weighed and that once decisions are made, all available resources are coordinated to reinforce their effectiveness,*

A national policy for urban growth must be concerned not only with the location of urbanization but also with its character and quality. New approaches to urban development must be evaluated and related to one another and to overall national objectives. Increasing attention is being directed to the potential of new land-use planning and development techniques and procedures for improving our towns, cities, and metropolitan areas. Many of the more promising approaches are especially applicable to large-scale urban development: planned unit development of various types; multi-purpose town centers; use of planning areas including developed areas, developing zones, and holding zones; and new communities.

While the application of these approaches is primarily within State and local jurisdictions, many Federal programs have a direct impact on them. Such programs can serve either to encourage and facilitate their use or to neutralize and weaken their impact and effectiveness. National programs aiding new community development should reflect and be part of a total urban development policy for the nation. New communities can then be part of a coordinated effort to encourage the most desirable patterns of urban growth in the central city as well as in the suburbs. They can serve to provide dispersal within metropolitan areas and

decentralization outside of them. They can afford alternative urban centers for location of those displaced from rural agricultural, mining, and forestry areas. They can be placed in their proper perspective along with expanded growth centers, new-towns-in-town, and other patterns of urban growth.

● *Finally, of paramount importance is the absolute necessity of meeting the immediate, pressing needs in our existing, troubled cities and metropolitan areas and our disadvantaged rural areas while still directing attention and efforts to the longer range objective of fostering and encouraging urban growth patterns which will provide a wide range of alternatives and help assure the wise use of national resources for the economic and social health of the whole nation.*

The present urgency of the “crisis of the cities” demands immediate action. However, it is vital that the immediate measures to cope with the problem should not divert all efforts and attention from the longer range objective of developing a viable nationwide pattern of urban growth in a healthy economy—both rural and urban. The only effective basis for redirecting our patterns of urbanization, so as to deal with the underlying causes of our present dissatisfaction, frustration, and unrest, is a comprehensive, long-term policy for urban growth.

Arguments Against a National Policy to Deal with Urban Growth

● *Urbanization is inevitable and inexorable, and to expend public funds in an effort to stem or divert this process is to squander them.*

Since the dawn of civilization man has tended to congregate; as he has developed, he has assembled with his fellows in ever larger towns and cities. From ancient Greece to the present, the migration from the countryside to the city has been a source of concern and periodic handwringing.

● *Even if there were a good theoretical case for a national urbanization policy, we lack adequate data on which to base a policy, and analytical techniques by which to develop it.*

Too little is known about the motivational factors influencing industry and business in locational decisions and about where and how individuals decide upon their place of residence. Moreover, expert testimony indicates great uncertainty as to the social and psychological effects of various sizes and densities of urban population, and the existence of serious problems in balancing those effects against the factors of economies or diseconomies of scale. The required cost-benefit analysis is still in a rudimentary stage of development so far as application to social and other noneconomic factors is concerned. The Economic Development Administration has spent much time and staff resources in trying to identify “growth centers” which might be the focus of its development policies, but has reached no firm definitions. Unless defensible definitions of this kind can be formulated, how is a workable national urbanization policy possible? Moreover, data are scarce as to what kinds of governmental policy tools would be effective in directing or redirecting urbanization and economic growth, even if the proper directions were established.

● *A national urbanization policy would be only as good as its execution.*

Carrying out such a policy effectively would mean action by the Federal Government to induce industry to locate where generally it would not, if left to its own decisions. Similarly, inducements would be required to get under- or unemployed persons to move to places of job opportunities. This course is objectionable on two grounds: interference with freedom of choice for business and individuals, and a further strengthening of the national government at the expense of State and local governments. The latter would follow from the fact that, for purposes of uniform, nationwide application of inducements and direct controls, programs probably would have to be administered directly by the national government, or, if administered through the States, under such a heavy hand of regulations and supervision as to constitute direct central administration in fact, if not in name. It is altogether possible, moreover, that a centrally-directed administration of this kind would collapse of its own weight.

● *A meaningful national urbanization policy, involving governmental selectivity as among regions and types of communities that are to be nourished by assistance, in contrast to others left to die, is not feasible politically.*

If a national urbanization policy is to be effective it must involve a special treatment for particular regions or types of communities. Senators and Congressmen naturally would press for continual broadening of criteria for assistance, to the point that benefits either would have to be scaled back to the point of ineffectiveness or the costs of incentives covering a large proportion of personal and business movement would become prohibitive.

● *The present system has admittedly produced pockets of rural and urban poverty and perhaps an over-concentration of population in certain urban centers. Yet in recent history this system has demonstrated that population movement and economic forces, without overall outside direction, work toward a healthier distribution of both people and economic activity throughout the country.*

In the period of 1950 to 1966, for instance, there was a general tendency toward a reduction of inequalities in economic growth among regions, States, and localities, with the Southwestern States ranking second only to the Far Western States in economic growth for the period. Similarly, urban areas under 1,000,000 showing the highest population growth rates in the period 1960-66 included the States of the Old South. Measured by both economic growth and urbanization, the South had long lagged behind the rest of the country.

● *A good share of the alarm about "unbalanced" urbanization and economic growth stems from concern over the lot of impoverished Negroes, but this is a problem to be attacked frontally rather than tangentially.*

Negroes bear the major brunt of under- and unemployment in central cities and a large portion of it in rural poverty-stricken areas, and they will probably continue to do so under an extension of existing conditions. But so long as racial discrimination continues in housing, employment and other phases of American life, trying to "solve" this problem by more governmental direction of industrial and population movement is a case of prescribing for a kidney ailment when the patient has tuberculosis. Overcoming racial barriers in metropolitan areas would go a long way toward easing the pressures in central cities that are intensified by continued in-migration of disadvantaged Negroes. Since the Negro poor in rural areas often hesitate to move to where jobs are available because of fears of racial discrimination, their economic problems would also be eased by such action.

● *Interference with market forces also raises the risk of shoring up, at great expense, enterprises and units of government that might better be left to wither and die.*

Implementing a national urbanization policy through use of payments, incentives or other forms of subsidy inevitably would have this effect, with a net overall loss to the economy. Specifically, it could lead to subsidizing people and business to move into or remain in rural backwaters or city slums when a more economical policy for all in the long run would be to encourage them to move out, or at least not to encourage them to move in or stay.

● *A national urbanization policy raises the danger of providing the pretext for all kinds of big-spending programs in the name of achieving a desirable geographical redistribution of industry and population.*

One can envision a multitude of *ad hoc* attacks on the economic problems of particular areas or clientele groups, somewhat equivalent to the ineffective experience under the Area Redevelopment Act. This danger seems particularly real in light of the difficulty of developing objective indices of where special incentives should be aimed and the kind of incentives to use, and also the great political problem of getting

Congress to follow these indices and not treat the policy as a convenient cloak for a new exercise in pork-barreling.

FOR A NATIONAL POLICY TO DEAL WITH URBAN GROWTH

Weighing all the foregoing arguments pro and con, the Commission concludes on balance that a national policy to deal with urban growth would be desirable.

While agreeing that urbanization in varying degrees is, of course, inevitable and a natural concomitant of an increasing technological age, the Commission also believes that a combination of public and private actions can mitigate certain adverse effects of present urbanization trends. Specifically, we note the diseconomies of scale involved in continued urban concentration, the locational mismatch of jobs and people, the connection between urban and rural poverty problems, and urban sprawl. In addition to these nationwide effects, such conditions are exacerbating the country's major social and political crisis, i.e., the declining health and vitality of many of our largest cities.

Governmental programs already constitute significant influences on the direction of urbanization and economic growth, whether or not we have a national policy. A national urbanization policy would have the desirable effect of providing a framework for regularizing these influences and some assurance that their effects were understood and desired.

Obviously, a national policy to deal with urban growth and the steps taken to implement it will need to be approached carefully and with considerable flexibility so that the effect of measures can be evaluated promptly and redirected, expanded, or dropped according to the dictates of experience. Up until the **1930's** many facets of domestic affairs in the United States were not legislated upon by the national Congress. Since that time, however, the national government has begun many programs designed to strengthen the economy and to widen and enrich the economic and social development of the American people.

Suburban development has been subsidized, central city rebuilding has been directly and indirectly supported, the farm economy has been under varying degrees of governmental regulation, and so-called "depressed areas" are given various forms of assistance. So that today, in an increasingly interdependent society, few private actions can be taken without regard to their public consequences and few governmental actions are taken without concern for their impact upon the private enterprise system. Indeed, political discussion and debate seldom deals with the question of whether or not government should become involved in domestic problems but rather treats upon the desirable extent and nature of such involvement.

Counsels of inaction always urge more study before anything is done. We are mindful of the inadequacy of data and analytical techniques essential for developing the specifics of an urbanization policy dealing with the extremely complicated processes of population growth, migration, and settlement. We have recognized in earlier reports the general need for more comprehensive social and economic data for private and public decisions in an increasingly dynamic society. We note, moreover, that data and techniques are often not fully adequate for the launching of a new program, and that, indeed, a prime justification of a new program may be that, by focusing enough attention and resources on the task, in time it will generate the required data, procedures and know-how to accomplish the desired public objectives. In discussing one of the following recommendations we propose steps to deal with the problem of data and analytical techniques.

Finally, and most central to the statutory responsibilities of this Commission, we believe that a national policy dealing with urban growth is necessary and desirable in preserving and strengthening the American federal system. The problems arising from and surrounding the drift of urbanization and economic growth are among the most critical and difficult domestic problems of our time. If the federal system does not move to meet them, its very usefulness is brought into question. State and local governments have most

of the direct responsibility for influencing location of industry and people through their control over land use and their effect on community environment, which increasingly concerns business location decisions. Yet, in the final analysis, the policies and programs of all levels are inextricably intertwined as they interact with the process of urbanization. A national policy of deciding the direction in which urbanization should be encouraged or discouraged—developed by cooperation among the three levels of government—can be a major device whereby interrelated intergovernmental activities could be better coordinated to make a more salutary and successful impact on the social, economic, and political life of the Nation.

On balance, therefore, the Commission concludes—taking particular account of its findings as to diseconomies of urban congestion, the locational mismatch of jobs and people, the linkage of urban and rural problems, and urban sprawl—that there is a specific need for immediate establishment of a national policy for guiding the location and character of future urbanization, involving the Federal, State, and local governments in collaboration with the private sector of the national economy. The Commission's findings further suggest that such a policy would call for influencing the movement of population and economic growth among different types of communities in various ways so as to achieve generally a greater degree of population decentralization throughout the country and a greater degree of population dispersion within metropolitan areas. It could also call for policies designed to encourage the wider availability of low and moderate cost housing, the adoption of land-use and development measures which would help to produce the most desirable patterns and types of future growth, and the strengthening of government at all levels to equip them to deal with the challenges of population growth and increasing urbanization.

THE CRITICAL PROBLEMS OF CENTRAL CITIES

Some might question the framework of an urbanization policy which proposes to provide help for the unemployment and shrinking tax base problem of the central cities but only in conjunction with similar aid aimed at other parts of the country, such as small towns and farm communities. Considering the "crisis of the cities," they would say that this is getting priorities out of line. The answer to these objections is twofold:

First, as many have contended and the Commission's findings confirm, there is a definite relationship between migration patterns in the rural areas and the employment and other problems of the central cities. Likewise, there is a relationship between the inability of central cities to attract industry and the surge of industry to the suburbs and beyond.

Second, and more important, the amelioration of the crisis of the cities goes much deeper than readjusting the flow of population or the location of industry. To a significant extent it is a problem caused by long-standing economic and social discrimination by well-to-do suburban communities and the fact that the low income people have been virtually imprisoned within the boundaries of the central city. As the problem deepens, still more middle- and upper-income families move to the suburbs. The problem of the central cities is also one of the obsolescence of physical plant, and consequent deterioration of the city into a haven of the aged, public assistance recipients, and other "high cost" citizens.

Solution of these problems requires a multi-pronged attack along a broad front, by articulated programs of the Federal, State, and local governments involving major fiscal and organizational reforms. The Commission has proposed many steps to carry out such a strategy in its reports, and particularly in its recent volume, *Fiscal Balance in the American Federal System*, and the 1965 report, *Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs*. Generally speaking, these recommendations call for State and Federal governments to provide the fiscal and structural framework for helping out the financial and public service plight of central cities. Of additional assistance to central cities in many cases would be the use of areawide approaches for dealing with areawide problems. The Commission has already made several recommendations geared to these objectives. Those

are summarized later in the introduction to the recommendations on “Other Intergovernmental Measures for More Orderly Urban Development.”*

In short, the difficulties of the central cities are in part a result of the overall trends in population and industrial location and movement. Yet they constitute a broader problem than that covered by an overall policy dealing with urban growth. As such they also require intergovernmental measures of the variety and number which the Commission has already proposed and continues to press for adoption by Federal, State, and local governments.

NEW COMMUNITIES **AND** LARGESCALE URBAN DEVELOPMENT

Regardless of what is done to alter the course of urbanization, massive population growth is going to take place, and practically all of it will be urban. President Johnson has indicated that to accommodate this growth in the final third of this century in a manner befitting our aspirations, we will need to build as much housing, commercial and industrial facilities, highways, and related development as we have since the Pilgrims landed. Chances are that much of this growth, if uncontrolled, will continue to occur in many places under conditions of “sprawl,” with all of its harmful effects with respect to order, natural resource conservation, economy, and aesthetics.

This Report has given extensive attention to one major method of coping with future urban growth in an orderly manner—the use of large-scale urban development and specifically, new communities. Many are of the opinion that large-scale development and new communities offer unique opportunities to combine private enterprise and business objectives with broader social, economic, and political goals of American society. These opportunities include:

- Providing alternatives to continued channeling of urban development into existing, highly concentrated major metropolitan complexes, through establishment of “satellite new communities” on the edge of a metropolitan area or an “independent new community” outside the orbit of existing metropolitan concentrations.
- Supplying an imaginative “new-town-in-town” approach to rebuilding blighted areas and to building up vacant areas in large central cities.
- Planning for orderly growth from the ground up, with the most desirable location, timing, and sequence of development and close relationship to areawide, regional and national urban development plans and objectives.
- Accomplishing a less wasteful and more efficient use of land for urban purposes, avoiding many of the problems associated with sprawl, and facilitating a better use of land for public services.
- Providing a chance to break away from conventional thinking and try new arrangements in such fields as building codes, land use controls, zoning regulations, public programs and governmental structures and intergovernmental relations.
- Making available a wide range of housing types at varying costs including low-income housing.
- Offering investment opportunities on a large-scale.

*See pp. 58.

- Presenting a means of demonstrating varying kinds of urban environments which in turn can serve as models or “yards ticks.”
- Providing a more dramatic means of focusing the attention of public officials and the public-at-large on the problems of urban development.

Yet large-scale development and new communities face some major practical hurdles with significant public policy implications:

- One of these is the exceedingly large initial investments in land, land development, and amenities, such as neighborhood recreation centers, which must be made, entailing exceptionally heavy annual carrying costs in anticipation of future sales and of the accompanying growth in tax base which will produce ultimate profits and public revenues.
- Another hurdle is the need for early governmental decisions regarding planning, land use control, and development of public facilities and services to protect both the public and the developers’ interest in the project in anticipation of a local constituency and political and community leadership not yet present.
- To complicate matters, new community development frequently takes place within a rural county which does not have governmental institutions necessary for an area destined to become urban in nature. Such institutions are necessary to protect the developer’s plan and concept, to realize public objectives such as provision of housing within reach of the pocketbooks of low-income families, and to encourage a diversified economic base.
- As a practical matter, little, if any, success has been registered in new communities thus far in providing housing for people with a wide range of income levels and diverse racial backgrounds.
- Sustained governmental involvement and commitment to the objectives of planned new community development are essential to success, but are difficult to achieve. They require an active, informed, and continuing participation by residents in community institutions and effective spokesmen at the State and Federal levels.

On the basis of the foregoing findings and conclusions on urbanization and new community development, in the following pages the Commission presents recommendations for intergovernmental action designed to establish an institutional framework for evolving national, interstate regional, and State policies to deal with urban growth. It also presents for consideration some specific components for such policies. These components would:

- encourage migration into alternative centers for urbanization;
- establish the organizational and financial framework to encourage the most desirable patterns of urbanization in growth centers, large-scale urban development and new communities; and
- provide other intergovernmental measures for more orderly urban development, including particularly new planning and land use regulations.

POLICIES DEALING WITH URBAN GROWTH

In the three recommendations immediately following, the Commission urges: (1) development of a national policy to deal with urban growth; (2) a reexamination of multi-State regional planning areas and agencies; and (3) a new and expanding role for State governments through the development of State urban development plans.

Recommendation One. A National Policy Dealing with Patterns of Urban Growth

To help assure the full and wise application of all governmental resources consonant with the economic and social health of both rural and urban areas and of the Nation as a whole, the Commission recommends the development of a national policy incorporating social, economic, and other considerations to guide specific decisions at the national level which affect the patterns of urban growth.

The Commission recommends that the President and the Congress assign executive responsibility for this task to an appropriate executive agency. The Commission also recommends that the Congress provide within its standing committee structure a means to assure continuing systematic review and study of the progress toward such a national policy.

The Commission further recommends that the executive and legislative branches, in the formulation of the national policy, consult with and take into account the views of State and local governments.

In setting forth this recommendation the Commission is not suggesting a leap unto the unknown. Actually many elements of a national policy to deal with urban growth already exist but have not been brought into consistent relationship with one another. The first major national actions embodying elements of a national economic and urban growth policy were the adoption of the Employment Act in 1946 and the Housing Act in 1949. The Employment Act's declaration of policy stated that it was the responsibility of the Federal government with the assistance and cooperation of private enterprise and State and local governments "to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing and seeking to work and to promote maximum employment, production, and purchasing power."

Three years later, the declaration of National Housing Policy stated that "the general welfare and security of the nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities and to the advancement of the growth, welfare, and security of the nation."

Yet, the policy and the process are at present fragmented and uncoordinated. As a result, Congress in considering new legislation is not provided with a long-range urbanization strategy to assist it in assessing the impact of specific decisions on broader problems and issues. Moreover, States and local governments do not have an articulated national framework of policy within which their own policies can be developed.

If the nation is to embark on a policy of encouraging a more balanced urbanization and of taking steps toward achieving this goal, a national policy framework with appropriate roles for State and local government is absolutely necessary. Choices must be made among various measures designed to encourage the development of alternative locations of economic activity and urbanization, so that a wider range of geographic choices are available to those seeking jobs and business sites. A more balanced geographic pattern of urban

growth and economic development must be fostered, and selectivity must be exercised. Hence, a context within which to evaluate choices is needed.

To cite a specific example: If it is decided that new community development should be encouraged to provide a new pattern of urbanization, a number of different factors, sometimes complementary sometimes competing, must be considered. Changing technology, transportation and communication; personal geographic preferences; realistic market analysis; cost benefit relationships; and social costs are just some of the factors that would have to be weighed. Final policy choices, of course, must be made by the legislative bodies and selected executive officials of the country.

No single agency in the national government has a clear assignment to develop national economic development and urbanization policy and goals. The current public debate about what is variously called “urban-rural balance,” “balanced economic development,” or “balanced urbanization” highlights the need for the establishment of a national planning process which can provide the framework within which relevant policy issues can be decided. At the present time, many national decisions, including location of Federal installation and projects, the geographic location of recipients of Federal contracts, the granting of tax and other incentives, and the approval of grant-in-aid assistance for a host of projects, affect directly or indirectly the geographic distribution and pattern of economic development and urbanization. In many cases the impact has been inadvertent; in other cases a desired objective of one program has been canceled out by decisions in another program area.

The activities of virtually all of the major Federal departments and agencies directly influence national economic development and urbanization:

- Those of the Department of Housing and Urban Development are almost exclusively concerned with urbanization.
- Transportation facilities are one of the key determinants of economic activity and urban growth, and the Department of Transportation’s programs and policies have a major impact on where growth takes place and on the economic stability of regions.
- The Economic Development Administration in the Department of Commerce, operating under the Public Works and Economic Development Act of 1965, is directly concerned with economically depressed regions.
- The utilization of public lands under the jurisdiction of the Department of Interior can also have significant impact on urbanization patterns both by the release of reclassified surplus land for urban development and by providing recreational and open space facilities for urban concentrations.
- The availability of a host of services assisted under the programs of the Department of Health, Education and Welfare can also fundamentally affect where urban growth takes place.

The list obviously could be extended. Congressional committee structure to a significant extent parallels this distribution of responsibilities among executive agencies and produces a similar concentration on specific program areas.

The Commission believes it obvious that if a coherent and consistent national urban growth policy is to be formulated and carried out, extensive institutional arrangements will have to be made in both the Executive and Legislative Branches of the Federal Government. Whether executive responsibility would need to be centralized within an existing unit of the President’s Executive Office or whether select or special committees should be established by the Congress, the Commission does not presume to say. Naturally, the

alternatives would have to be considered carefully in arriving at final decisions regarding the organization required for an effective discharge of the new and rather awesome responsibilities involved.

In evolving the organization and procedures for formulating and carrying out national urban growth policies, particular attention must be directed to assuring adequate opportunities for consultation with State and local governments. Such consultation should be formalized and occur at all stages of policy development and execution. The urban growth policies of State and local governments should be taken into account in developing national policy. For this to be accomplished meaningful representation of State and local views is essential. Furthermore, there must be assurances that consultation and cooperation will continue as policies are executed. States and local governments whose plans and policies are affected by Federal projects and programs must be kept informed of evolving Federal plans and the development and program decisions made pursuant to them. Only through such close and continuing coordination and consultation can meaningful nationwide planning for urban growth take place.

As mentioned earlier any significant effort to provide for the evolution of urbanization policy will call for substantial improvement in the development, collection, and analyzing of social and economic data to allow the measurement of existing urbanization and economic activity, to test the potential impact of alternative policies and programs, and to evaluate the effectiveness of adopted programs. Considerable progress is being made in the measurement and analysis of economic growth and development, although economic accounts have tended to be nationwide in their scope, neglecting smaller areas and regions. However, only tentative exploratory steps have been taken to develop the statistical systems necessary for critically assessing social changes and developments on a State and regional basis.

In its recent report, *Fiscal Balance in the American Federal System*, the Commission recommended the establishment of a national system for the collection, analysis and dissemination of social statistics with full participation by Federal, State, and local governments, emphasizing the development of such data for sub-State geographic areas as well as State and national aggregates. Much of the information needed for a system of social accounts is now being collected by the Bureau of the Census, the Department of Labor, the Justice Department, the Department of Health, Education and Welfare and other Federal agencies. However, at present there is no centralized responsibility for extracting the significant data and developing systems of social indicators, social accounts, regional accounts, and other appropriate analytical devices.¹

Although much more advanced systems of economic accounts have been developed, series are only now beginning to be available for smaller areas. For example, personal income series are now being developed by the Office of Business Economics on a county and metropolitan area basis. In another earlier recommendation, the Commission urged preparation of timely and geographically detailed data on industrial activity in general and plant location trends in particular to help fill this informational gap?

Detailed social and economic indicators such as those previously recommended by the Commission would constitute basic points of departure for the kind of analysis that would be necessary in the development of national, regional, State and local urbanization policies. For example, a price index to compare prices of a common market basket of goods and services among cities of various sizes—which would obviously facilitate analysis of the economies or diseconomies of scale in the private sector—is presently not available. This is paradoxical for two reasons: first, because comparable information is available for the public sector which is the smaller part of our economy and second, because related indices—such as cost of living and historical price data for selected cities—either exist or are in preparation. A price index for a given point in time

¹*Fiscal Balance in the American Federal System*, Report No. A-31 (Washington, D.C.: October 1967), Volume 2, Recommendation No. 11.

²*State-Local Taxation and Industrial Location*, Report No. A-30 (Washington, D.C.: April 1967), Recommendation No. 1, p. 80.

covering cities of various sizes would be closely related to work already in existence and further elucidate one aspect of the urban growth problem.

Another acute problem facing the country in establishing rational policies concerning population settlement and urbanization is the shortage of adequately trained and qualified professional personnel. A major reassessment of existing educational and training programs is essential.

Educational programs for urban administrators as well as for a host of specialists in the various facets of urban and urban-rural affairs must be developed. Economists, sociologists, political scientists, planners, statisticians, and other professionals need to be trained to provide the capability for assembling, evaluating, analyzing, and applying the information which is essential to the development of urbanization policies at national, State, and local levels and for rural as well as existing urban areas.

Several Federal grant programs are already available to provide assistance in establishing pre-entry professional, in-service, and citizen public service training programs. The Intergovernmental Personnel Act of 1967, which has been passed by the Senate, would assist in establishing expanded in-service training programs by providing additional grant-in-aid funds for this purpose. The Advisory Commission has supported the general objectives of this bill. In addition, the proposed "Education for the Public Services Act" would provide Federal support for pre-entry training for the public service without restrictions to specific functional categories.

Recommendation Two. Redirection of Multi-State Economic Planning and Development Agencies

To facilitate the development and implementation of a national policy dealing with urban growth, the Commission recommends that the President and Congress reassess the policies and structure of the existing and proposed multi-State economic planning and development agencies as they affect the geographic distribution of economic and population growth. The Commission further recommends that such agencies be charged with taking national policies into account in the formulation of their regional programs and with developing regional components for the formulation of national policies and programs dealing with urban growth.

The current interest in regions for economic development and urbanization is but the latest manifestation of a continuing preoccupation in a Federal nation geographically as large as the United States. The regional analysis in Chapters I and II highlight the diversities among regions in population growth and in the growth of income on both total and per capita basis. Any kind of urban growth planning on a national level obviously must be tailored to meet the differing growth patterns of the various regions of the country. To facilitate this process both existing and revised regional institutional arrangements would be needed.

The earliest efforts in this area were frequently natural resource oriented. Beginning with the TVA, they have progressed through river basin interagency commissions and the Federal-interstate Delaware River Basin Commission to the river basin planning commissions established under the Water Resources Planning Act of 1965. Efforts under the Area Redevelopment Act of 1961 and its successor, the Economic Development Act of 1965 have been directed toward establishing multi-State regional districts to help depressed areas with relatively high levels of unemployment and underemployment. Prior to passage of the Economic Development Act Congress had separately authorized the establishment of the Appalachian Regional Commission. Although similar to the regional bodies authorized under the Economic Development Act, the functions and fiscal powers of the Appalachian Regional Commission are broader.

The initiation of a national policy naturally would involve a reassessment of the role of multi-State economic development commissions. Such an evaluation would include such issues as: (1) greater or lesser autonomy for the commissions; (2) whether or not such regional commissions should be limited to "depressed areas"; and (3) the criteria and methods for identifying regions and for establishing regional boundaries.

The recently issued Executive Order (December 29, 1967) “prescribing arrangements for coordination of the activities of regional commissions and activities of the Federal Government relating to regional economic development and establishing the Federal Advisory Council on Regional Economic Development” establishes a framework for closer coordination of Federal participation in regional programs and for evaluation of programs within the framework of the existing statutory authorization. Although reported in the press as markedly changing the relative roles of Federal and State governments in the establishment and operation of regional commissions, the Commission finds no significant intergovernmental implications in the change.

Recommendation Three. State Policy Dealing with Urban Growth

To assure full and wise application of State governmental resources consonant with the economic and social health of both rural and urban areas in the State, the Commission recommends the development of State policy incorporating social, economic, and other considerations to guide specific decisions at the State level which affect the patterns of urban growth.

The implementing legislation should provide for (1) coordination by an appropriate State agency of state, multi-county, metropolitan, and local planning and relating such planning to regional and national considerations; (2) conformity of programs and projects of State agencies to the State urbanization plan; and (3) formal review by an appropriate State agency for conformance with the State plan of metropolitan area and multi-county plans and of those local comprehensive plans, implementing ordinances, and projects having an impact outside the jurisdiction's borders.

The Commission further recommends that multi-county planning agencies be assigned responsibility to review applications for Federal or State physical development project grants in nonmetropolitan as well as metropolitan areas.

The Commission also recommends that the State legislatures provide within their standing committee structure a means to assure continuing, systematic review and study of the progress toward a State policy dealing with urban growth.

Finally, the Commission recommends that the States give consideration both to the national policy and to the views of local governments in the formulation of State plans and policies dealing with urban growth.

Since its inception, this Commission has issued more than a dozen reports dealing with various aspects of urban development and the government of urban and metropolitan areas. On each occasion, we have emphasized the key role of State government in urban affairs—a role often ignored during the past two decades by the States themselves, by Congressional Committees, by Federal agencies and by many segments of the academic community, the housing industry and the public-at-large. This role stems from the facts that (1) urbanization must be accompanied by local government of some kind and (2) the structure powers and other ground rules for local government are provided by State constitutions and statutes.

The State not only has a responsibility for coping with urbanization after it has taken place; but has an equal, though less apparent, responsibility for planning for the urbanization to come. In many States the prevailing attitude toward economic development and urbanization has been “the more the better,” with little if any regard for where and under what conditions these processes should be discouraged. The political attractions of a *laissez faire* and expedient policy are obvious. Yet the economic, social and political consequences of such a policy are beginning to appear and a number of States are beginning to formulate policies and plans designed to assure more balanced and orderly urban development throughout the State.

There is an additional reason for State action. Urban growth is another one of those emerging areas of public policy where inaction by the States may lead to such a degree of national dominance that the position

of State government in the American federal system may be further eroded. The States need to *act*, rather than merely to *react* in this field.

For States to fulfill their key role in the development of urbanization policy, they must have a planning process that will develop the urbanization policies needed to channel their growth. The States, through constitutional and statutory provisions determine the general outline and many of the details for the specific structure, form, and direction of urban growth. They must supply the guidance for specific local government, metropolitan, and multicounty planning and development programs. They must establish the link between urban land-use and development oriented local planning efforts—on the one hand—and broader regional and national objectives—on the other. Where this linkage is missing, participation in regional efforts is limited and the realization of national policies becomes much more difficult.

Every State has some type of State planning capability. Yet, support for State planning varies widely, as does the form of organization and authority given to the agency or agencies involved. Although the evolution of effective State planning can be seen in a few States, it is safe to say that in no State government is planning sufficiently advocated to assume its role in the development carrying out at once the responsibility of State land-use and urbanization policy recommended above. Thus far no State has prepared a true State urban development plan. The Hawaii State zoning plan, however, points the direction.

In its recent report on *Fiscal Balance in the American Federal System*, the Advisory Commission stressed the importance of a strong well-staffed, State planning program directly under the Governor. The report recommends that each State develop a strong planning capability in its Executive Branch. The Commission concluded that the planning function should include formulation for consideration by the Governor and legislature of Comprehensive policies and long-range plans for the effective and orderly development of human and material resources of the State; that it should develop a framework for functional, departmental and regional plans; and that it should provide assistance to the Governor in his budget-making and program evaluation roles.¹

The Commission further recommended that Congress enact legislation to provide an overall revision of section 701 of the Housing Act of 1954. It was urged that Federal planning assistance be employed to strengthen comprehensive planning as an arm of elected chief executives at the State, areawide, and local levels; that a closer relationship between planning, programming, and coordination be required; and that **all** federally aided functional planning be related to comprehensive planning. Finally, it was recommended that provision be made for State planning agencies, especially those with federally aided comprehensive State planning programs, to review and comment upon all local² and areawide applications for urban planning and assistance? In its survey of State planning programs and efforts, the report provides a general picture of the present situation.

A State urban development plan should be sufficiently specific and not merely classify land as “unsuitable” for urban development. Potential new urban growth centers should be identified and designated and possible new community sites could be selected. In time, such a plan could become sufficiently detailed to indicate, for example, substantially developed urban areas that were suitable for filling in, including urban renewal and increases in density. In areas classified as “unsuitable” for urbanization, there could be further differentiation into areas for agriculture, recreation, greenbelt treatment, nature conservancy, water conservation, and flood control.

The statewide program, then, should go beyond land classification and the negative controls of zoning. It should include appropriate positive measures as well, such as land banks, urban development authorities

¹*Fiscal Balance in the American Federal System*, Report No. A-31, (Washington, D.C.: October 1967), Volume 1, Recommendation No. 21.

²*Ibid.*, Recommendation No. 17.

and corporations, land and development rights purchase, new community building programs, urban renewal, and housing. State programs for highway construction, State parks, air and water pollution abatement, water conservation, health facilities, should be coordinated with the State urban development program.

A system of checks and balances including consultation and review would be necessary to prevent arbitrariness in the administration of a State urban development plan. There should be an adequate hearing procedure to provide an opportunity for interested parties to express their views. Local and State agencies should have the right to petition for changes in the State plan. Private property owners should be able to seek changes in the plan through their local governments. The private property owner who convinces his local government of the need for an amendment to the plan would have his petition heard through appeal by the local jurisdiction.

The State urban development plan would now show future land use in the detail necessary for specific land use and development controls and regulation. It would establish standards, but the standards would still be generalized. The final specific regulation of development within State urban development plan classifications would generally remain with the counties and cities having jurisdiction. In effect, this would be leaving with local government most of its present responsibility for zoning, subdivision, and other development regulations—but only in those areas suitable for urban development and with improved approaches.

Most States are large enough and contain enough diverse economic, physical, and social elements within their borders to necessitate some kind of regional organization to facilitate local planning. For some States with limited geographic area or sparse population this may not be necessary. In others, it may prove necessary only in metropolitan areas. Yet, the States increasingly are finding it expedient to establish regional organizations for planning and development purposes.

In at least 36 States, planning areas have been established, sometimes primarily as administrative regions of the State planning agency, other times as locally initiated planning regions, and in still other cases as State designated planning or planning and development regions. To implement a State urban development program such as that recommended, States may wish to consider decentralization to combined planning and administrative regions.

The multiplication of differing regions for varying State and Federal planning and program purposes within States has introduced an element of confusion, complexity, and lack of coordination which can frequently thwart the whole concept of decentralized government. A number of different approaches to correcting this condition are possible, but the basic goal should be maximum conformance to State designated regional borders and a minimum number of differing organizational structures.

In a recent report on the administration of the poverty program in the United States, the Advisory Commission discussed the problem of the proliferation of districts with varying borders and administrative organization. It recommended the establishment of multi-purpose, area-wide public agencies in nonmetropolitan areas to undertake physical, economic and human resource planning and development programs over multi-county areas.¹ Subsequently, in a September 2, 1966 memorandum on "Coordination for Development Planning," the President requested Federal departments and agencies to encourage State and local development planning agencies to work together in using common or consistent planning bases and indicated that boundaries "for planning and development districts assisted by the Federal Government should be the same and should be consistent with established State planning districts and regions."

Intergovernmental Relations in the Poverty Program, Report No. A-29, Recommendation No. 5, pp. 169-170.

The Commission has previously recommended that States authorize and encourage the establishment of metropolitan area planning agencies' and councils of **governments**.² In over two-thirds of the States, metropolitan and other areawide planning agencies have been established and, in over half the States, there are councils of governments operating in metropolitan areas. A number of the councils of governments serve as area-wide planning agencies. Whether or not the planning function is combined with other functions in a service district or functional authority, it is particularly important that district borders for the various Federal and State programs be as congruent as possible. Whatever specific administrative arrangement is used, representation should be afforded for both State and local governments in the planning process.

For the State urbanization plan to become fully effective, a link must be established with multicounty and metropolitan area plans and with those local plans and development measures having an impact outside the borders of the local government. There are a number of approaches possible for implementing State policies. A review and comment approach to local actions could be authorized. State aid could be withheld from local projects which do not conform. The most direct approach is to require conformance with the State urbanization plan. For local governments, this requirement should apply not only to plans but also to land-use development control and regulation-ordinances and to specific projects which have an impact beyond the borders of the local governments. There should be a similar requirement for conformance of programs and projects of State agencies to the State urbanization plan. With these provisions, State policies could provide the guidance and direction necessary for the realization of urban growth objectives.

Conversely, there is equal necessity for adequate and timely consultation by the State government with local officials. The State planning process must provide ample opportunity for continuous and institutionalized representation of local government views. At the points where State and local urban development plans impinge upon one another an exchange of views and information is essential. There is already considerable experience in the States with bringing local governments into the State planning process. Interagency State planning programs in several States include representation of local governments. Many States have developed planning regions through which much closer contact with local governments is possible. It is particularly important that close coordination continue into the actual development stages in order that the planning process may be fully effective.

POSSIBLE COMPONENTS OF URBAN GROWTH POLICIES

In the following two recommendations, the Commission suggests a number of measures that should be studied and considered as possible components of national, State, and local urban growth policies. Some of these measures are particularly suited for consideration at the national level, some may be proper for action at either the national or State level while others are appropriate only for State and local consideration. For instance, the Federal Government has the primary role in tax incentives for industrial location and policies influencing population mobility. Loan programs to influence industrial location may be undertaken by both Federal and State governments. Suggestions are included for Federal and State roles in land acquisition and improvement for large-scale urban and new community development. These approaches include both institutional arrangements and financial support. Finally, the States are urged to consider measures to strengthen local government capability to deal with urban growth.

Possible approaches to implementing a national urban growth policy are included in Recommendation Four and approaches suggested for consideration by State governments are made in Recommendation Five.

¹ *Governmental Structure, Organization and Planning in Metropolitan Areas*, Report No. A-5, July 1961, pp. 32-35. Suggested legislation to implement this recommendation appears in the *1968 State Legislative Program, op. cit.*, "Metropolitan Area Planning Commissions," pp. 412-421.

² *Alternative Approaches to Governmental Reorganization in Metropolitan Areas*, Report No. A-11, June 1962, pp. 3438.

Recommendations of the Commission made in previous reports that are relevant to urban growth policy are summarized at appropriate points in the following discussion.

Recommendation Four. Possible Components of a National Policy Dealing with Urban Growth

The Commission is of the opinion that national governmental policy has a role to play in influencing the location of people and industry and the resulting patterns of urban growth. Some of these ways are of proven capability; others are untried. The following should be considered as **useful** approaches to the implementation of a national policy regarding urban growth:

- Federal financial incentives, such as tax, loan, or direct payment arrangements for business and industrial location in certain areas;
- placement of Federal procurement contracts and construction projects to foster urban growth in certain areas;
- Federal policies and programs to influence the mobility of people, to neutralize factors producing continued excessive population concentrations, and to encourage alternative location choices; such policies and programs might include, among others, resettlement allowances, augmented on-the-job training allowances, interarea job placement and information on a computerized basis, and the elimination or reduction in the “migrational pull” of interstate variations in public assistance eligibility and benefit standards;
- strengthening the existing voluntary Federal-State programs of family planning information for low income persons;
- Federal involvement and assistance under certain conditions (such as assurances of an adequate range of housing) for large-scale urban and new community development.

A. INFLUENCING INDUSTRIAL LOCATION

Earlier in this Report, the mechanisms of community economic growth were examined; it was noted that actual growth depends on a community’s success in attracting additional spending **within** its confines which in turn leads to a multiplier effect. It was pointed out that **this** multiplier effect can be generated by any additions to spending, but that business investment decisions and governmental outlays constitute the two potentially—if not actually—most dynamic sources of new spending. Moreover, we also found that both of these categories of decisions significantly affect population movement and the location of economic **growth**.

Currently, neither business investment decisions nor governmental spending are weighed in terms of mutual consistency or their impact on the national urbanization process. The present pattern and projected future trends of urban development portend, as we have seen, growing urban congestion, intensified urban and rural poverty, and an economic mainstream **with** large backwash areas. To achieve a better geographic distribution of economic and population growth—to implement a national urbanization policy—the Commission in this section suggests several approaches to influencing industrial location that should be considered by the Federal government. In the following section, several measures to influence population movement are presented.

In administering locational incentives, care must be taken to assure that they are used selectively to accomplish urban growth policy objectives. Such objectives would involve encouraging industrial location

in and population movement to certain clearly identified areas. The following is an example of the kinds of communities and areas that might be so identified:

- *Labor surplus rural counties* generally are areas of underemployment, characterized by an older, underskilled, and undereducated population, resistant to moving. Absence of transportation and communication linkages as well as natural resources make economic growth unpromising. *These factors combine to suggest an area policy of job training for residents and assistance in relocating to job surplus areas other than major metropolitan centers.*
- *Labor surplus city neighborhoods* in large urban areas are characterized by considerable under- and unemployment, recent out-migration of “blue collar” industry and difficulty of resident job seekers in traveling to blue collar jobs in suburbs, but ample public investment in facilities vital to industry. *These factors suggest a policy of attracting new business and industry to such areas and of providing assistance in helping firms employ and train unskilled workers; and simultaneously, of launching a program of relocation assistance for residents to specific job surplus areas either in the suburbs or outside the metropolitan area.*
- *Small rural growth centers* generally are “urban places” located in essentially rural counties not part of any metropolitan area. They have experienced a steady population and job growth in recent years; serve as major trade, transportation, service, and social centers for their surrounding areas; and are relatively free of major socio-economic problems. *These traits prompt a policy of attracting more business and industry, assisting industry to train more workers, and inducing both rural and urban people of low-income to move in, through relocation assistance.*
- *Medium size cities with job opportunities* generally have substantial physical plant in place, steadily growing population and economic activity, socioeconomic problems still open to solution, and strong linkages to sizeable surrounding areas through good transportation and communication. *These factors indicate a policy of attracting low-income people from rural and large metropolitan centers through relocation assistance to fill the expanding job opportunities.*
- *Labor shortage suburbs* in large urban areas are major growth points, characterized by high level economic activity, and an expanding demand for many kinds of labor, including blue collar. *This suggests a policy of enabling low-income workers to live near suburban employment and assisting low-income in-migrants from other parts of the metropolitan area to relocate near suburban jobs.*
- *New communities* ideally are characterized by initiation and growth of communities of diversified population and economic activity. Policy indication: relocation assistance for low-income in-migrants from labor surplus areas and, where a pro rata share of low-income housing is ensured, governmental assistance for the developer in acquiring and developing land.

Of the above types of communities, one warrants further comment at this point: “small rural growth centers.”—towns and smaller cities, not in metropolitan areas, with “growth potential.” Growth potential, in our opinion, would be indicated by the presence of certain favorable conditions identified in recent studies of the Economic Development Administration and Appalachian Regional Commission studies. These include:

- steady recent growth in population and economic activities;
- strong linkages to a sizeable surrounding area for which the community acts as a major trade, service, and social center;
- transportation and communication ties to the area; and
- availability of land for development, and other desirable topographic features.

While the presence of such features would be favorable indicators of growth potential, the small size of the communities suggests that such growth cannot be considered a sure thing. In other words, the likelihood of sustained balanced growth in a small community is much more fragile and problematic than in larger communities. For one thing, these communities must contend with the inexorable “pull” of large urban centers upon rural people. Outside (governmental) help then is probably needed to increase the chances of turning potential into actual growth.

Aggregate business investment in new plant and equipment now approximates \$60 billion annually. While much of this replaces outmoded facilities and machinery, a vast amount represents the opportunities private enterprise sees in new products and new markets. The diversion of an incremental fraction of this amount by the use of fiscal incentives to small rural growth centers, and to labor surplus neighborhoods in large metropolitan areas could well change the disturbing trends and future economic prospects for vast areas of the nation.

Through its own direct action and through purchases from the private sector, government has vast potential for influencing the locus of economic activity. An obvious example is the decision respecting the location of public facilities and associated public employment. Accordingly, whether or not government chooses to influence private business location decisions through the exercise of tax incentives or other fiscal devices, it can use its own authority to spend, purchase, and locate public buildings to encourage population shifts and economic growth in selected places.

Encouragement of economic growth is already a studied part of Federal, State, and local governmental policies. For urbanization policy purposes, however, such measures need to be *deliberate* and *selective*. Their purpose—after all—is to channel private investment to those locations where economic growth will have its maximum impact on urbanization policy goals—where a policy will move a community to the “take-off point” from which it can reach new economic heights.

Governments then obviously have in their grasp a number of levers capable of influencing a shift in the location of economic activity. The series of possible actions described below show how use might be made of the vast fiscal resources of the Federal government in furtherance of national and State urban growth policies. Possible State actions are set forth under Recommendation Five.

1. Enactment of legislation by the congress to provide Federal incentives for business or industrial location in furtherance of national urban growth policy

The National Government can use its fiscal resources to influence the location of economic activity in order to achieve a more balanced distribution of population and economic growth. This would involve legislation to encourage business and industry to locate in small rural growth centers and in those neighborhoods of large urban areas chronically classified as sections of concentrated unemployment or underemployment by the Secretary of Labor. An incentive program for firms locating in areas targeted for population and economic growth might well include: (a) preferential tax treatment in the form of a Federal income tax credit—a subtraction from computed tax liability—granted by the Secretary of the Treasury upon certification of the Secretary of the Commerce; (b) preferential financing arrangements in the form of below market rate loans granted by the Secretary of Commerce; or (c) location cost offsets in the form of direct payments by the Secretary of Commerce based on capital outlay or operating cost differentials between the costs that would be incurred by a firm locating at the targeted site and at a more economically advantageous site elsewhere, but in no case should the payment exceed a specified dollar amount.

If measures such as these are adopted, the dollar amount of any tax credits or preferential financing arrangements, estimated by the Secretary of the Treasury, should be included each year for informational purposes in the President's budget. **Also**, the enabling legislation should bear an expiration date of a few (e.g., 5-7) years in the future so that the Congress and the Executive Branch might assess costs and benefits of the subsidy approach.

The facts and trends disclosed in **this** Report indicate that more jobs will be needed in small rural centers with growth potential if they are to attract the jobless from both rural and urban areas, and in large central cities to help reduce underemployment and unemployment. The Federal Government should consider seriously the merits of direct, positive action with regard to the greatest single determinant of future population distribution in the United States—namely, the geographic location of new business and industrial enterprises. Jobs could be created in rural growth centers and central city neighborhoods if business and industry were given an incentive (in the form of a Federal income tax credit) to locate there. This would be of great assistance in (1) setting in motion a braking force on future population concentrations, and (2) coping with existing urban problems.

Rural growth centers outside metropolitan areas provide a near-at-hand destination for poor out-migrant jobseekers from rural poverty areas who would otherwise head for big urban centers, thereby aggravating an existing labor surplus situation. Proximity is also likely to enable these communities to attract those rural jobless who are reluctant to leave their home community—those constituting the “hard-core” rural poor. Finally, such small places may also attract out-migrants from the central cities in search of jobs. The factors which would assist the Federal administrator distinguish **small** communities that have “growth potential” from those that do not have previously been suggested.

The foregoing alternatives, as they relate to rural areas, are parallel to legislation pending in Congress—S. 2134, the proposed “Rural Job Corporation Development Act of 1967.” **This** bill would provide a series of tax incentives to encourage private investment “with the aim of utilizing more fully and effectively the human and natural resources of rural America, slowing the migration from the rural areas, which is principally the result of a lack of economic opportunity, and reducing the population pressures on our metropolitan areas.” Incentives include increased tax credit against investment in plant and machinery, accelerated depreciation schedules for such investment, extra deductions for wages paid to low-income persons, and assistance in worker training.

In addition to upgrading the economy of rural America to reduce the urban pull, steps can be taken to alleviate the immediate problem of unemployment in central cities. The latter, after all, caused in part by the long-sustained in-migration of rural poor, Positive Federal action could attract business and industry to central city neighborhoods of labor surplus.

The unemployed in these neighborhoods consist mostly of semiskilled and unskilled workers. Their joblessness is the product of a number of social and economic forces including:

- the flight of industry to the suburbs, caused by such economic factors as a general shift to production techniques which require extensive land and single-story production lines;
- in-city traffic and parking congestion;
- development of circumferential highways or beltways bringing markets and supply sources closer to suburban locations; and
- the lack of adequate mass transit between central city and suburbs, making home-to-job travel costs prohibitive for the city blue collar worker while at the same time economic or racial barriers bar him from moving his residence near a suburban job.

In time, it is hoped, that some of these barriers will be lowered or removed with improved mass transportation, the provision area-wide of housing for low- and moderate-income families, and the diminution of racial discrimination in the suburbs. Efforts also will have to be made to retrain and relocate some of the city's jobless. Meanwhile, however, attempts might well be made to bring jobs into large central cities. This means bringing into their neighborhoods business and industries which can offer blue collar opportunities needed by the semi- and unskilled workers constituting the labor surplus.

Existing Federal programs in urban communities emphasize individual services and rehabilitation; they are not directed toward influencing private industrial and business location decisions to locate plants near available people in city neighborhoods. The Economic Development Administration is prevented, by a restrictive statutory definition of "redevelopment areas" from entering most urban communities. The Department of Labor has programs to provide training for employees, but does little to stimulate creation of new jobs. The Office of Economic Opportunity *had* a tangential responsibility for helping create urban jobs through its funding of Small Business Administration Development Centers, but this program has been terminated. A Federal incentive program for industry and business locating in central city labor surplus neighborhoods would be an important step toward filling this gap in Federal program for stimulating job creation in central city neighborhoods. It also would serve to increase a city's tax base, thus allowing provision of more and better public services.

Governmental incentive techniques to influence business and industrial location may take the form of preferential tax treatment, preferential loans, or direct payments. Each technique has its advantages and disadvantages relative to the others and each must be considered in the light of how well it effects a net social benefit. For example, should incentives be offered to all firms making a location decision in a designated area? The market-orientation of many retail and personal service businesses suggests that a locational incentive to these firms may not be very useful in providing additional social benefit. Should incentives be designed to increase, up to a limit, depending upon the amount of capital investment or should they vary with the labor force characteristics of the firm? The net social benefit of a business location decision is more likely to be greater if the firm is labor intensive rather than capital equipment-oriented. Finally, should incentives be made available to firms locating with short-term leases in an approved area? Some provision probably should be made for the firm's length of stay in a designated area.

Tax Incentives. A Federal income tax credit might be a percentage of various bases: (1) investment in plant and equipment; (2) amount of payroll; and (3) value added to product. Each method has its virtues. The first would tend to encourage investment in the nonlabor factors of production, thus emphasizing automation and technological improvement. The second would emphasize the use of labor and thus would more immediately further objectives of an urbanization policy seeking to attract people by jobs. But it might tend to discourage technological improvements. The value-added base—relating the amount of the tax credit to the amount of value added by the business or industry's own activities—would steer a course between the other two. Under any of these three approaches, the Secretary of the Treasury would be required to grant the tax credit upon certification of eligibility by the Secretary of Commerce.

The tax credit approach has several virtues when compared to the alternative subsidy arrangements. Business could count on the tax credit more than it could on the availability of low-interest loans or direct subsidy payments. Tax policy changes are less likely to occur than changes in policy respecting the other forms of subsidy, depending as the latter do on the overall Federal financial condition.

Tax credits interfere least with business decisions. Although the tax credit would be conditioned on a specific business location decision that accords with general policies adopted by Congress, it would not subject business to the detailed scrutiny normally associated with Congressional appropriations or Federal lending activity. Tax credits have greater appeal to business simply because they permit greater flexibility in managerial decisions.

Because tax credit incentives would represent a cost to all taxpayers not benefitting directly from them, they should not and need not be of indefinite duration. Within a few years after tax credits are initiated they will either have had an impact on urbanization or have proved ineffectual. By incorporating a termination date in the legislation, review of the program after a trial period would be assured. This would also forestall, without further legislation, any continuing draw down on Federal resources in the absence of a showing to the satisfaction of the Congress that tax credits were achieving their desired objective.

The tax incentive would represent Federal benefits to its recipients, just as a direct grant or subsidy. To make this clear, the Secretary of the Treasury should estimate the amount of the credit used annually and state it as an expenditure in the budget. This would identify the credit properly, and would permit the Bureau of the Budget and Congress to scrutinize it in relation to the tangible benefits obtained in terms of the geographic dispersion of industry and of jobs added in labor surplus areas.

The tax incentive approach is not without its critics. They point out that tax incentives are erratic in operation because the amount of the benefit to any individual depends upon a number of unrelated circumstances connected with his own tax computation, whether he has any tax liability at all, what his effective rate is, and so forth.

Another criticism leveled at the tax incentive approach is that it may involve "tax people" in decisions which they have no special competence to make. If the Federal government wants to reward people for making certain business location decisions, the administration of these incentives ought to be handled by personnel familiar with location problems.

Where two Federal agencies are involved in determining what firms are entitled to tax benefits, a complex administrative process may result with the self-administering feature of the program and the functional specialization of governmental agencies (e.g. tax administration) lost. Subsidy payments might just as easily be made under the supervision of trained personnel and on a more timely basis than that associated with annual tax filing deadlines, according to these critics.

With a tax incentive, it is usually impossible to distinguish between results that relate to the incentive and results that would have occurred without it. This means that some part, frequently a large part, of the government's revenue loss may go as a windfall to those who were prepared to take such action without regard to the incentives.

Critics also note that because the tax writing legislative committees will have difficulty in evaluating data relating to whether or not particular location decisions were made in response to the tax incentive, Congress might find it expedient, even after enacting temporary tax incentive provisions, to extend the incentive more or less automatically. This, the critics contend, is a likely outcome, because the governmental costs covered by tax incentives are less obvious to the public than direct expenditures.

Critics further belabor the tax incentive approach because it must rely exclusively on the profit motive which requires that business concentrate on increasing the productivity of the trained worker rather than on the needs of the unskilled and unemployed. Moreover, they argue, it is of uncertain value to promote new and independent firms which lack the opportunity to write off their losses in a risky location against profits earned at well-established sites.

Below Market Rate Loans. Loanable funds may be in short supply or the risks normally associated with a business venture may result in relatively high interest rates and therefore effectively deter business and industrial firms from locating in areas where economic growth would be desirable. The Federal Government should reduce the financial obstacles for business and industrial location in small rural growth centers and in areas of chronic labor surplus to facilitate job creation in areas specifically identified for future economic growth, pursuant to a national urbanization policy. To accomplish this objective, the Secretary of Commerce could be empowered to offer lower-than-market-rate loans to influence geographic location.

Below-market-rate loans for business ventures have been used in a variety of Federal programs: to assist small businesses unable to obtain needed financing elsewhere on reasonable terms; to help victims of flood or natural disasters; to help veterans buy a business or otherwise enable them to undertake or expand a legitimate business venture; and to assist various kinds of private and public organizations in supplying electrical services to rural areas (rural electrification).

The Public Works and Economic Development Act of 1965 authorizes the Secretary of Commerce to make loans to aid in financing any project within a redevelopment area for the purchase or development of land and facilities (including machinery and equipment) for industrial or commercial usage if financial assistance is not reasonably available from private lenders or from other Federal agencies. EDA made 63 project loans in 1967 in 26 States and Puerto Rico. They amounted to \$50.6 million out of total project costs of \$88.7 million.

Incentives for business and industrial location in the form of below-market interest rate loans have several advantages. While some business firms can obtain a substantial pool of funds from a variety of sources such as bank loans, company equity, or local development companies this accumulation may nevertheless fall short of meeting the minimum needs for developing a new site or enlarging an existing operation. By making additional funds available at favorable interest rates the Federal Government can fill the margin between resources and fund requirements needed to allow an otherwise sound business venture to proceed.

The Federal loan approach has substantial business appeal because it makes additional funds available without threatening the equity or control of the entrepreneur. Yet the soundness and security of the public's investment can be adequately protected by the Federal agency administering the loan.

Opposition to this approach could be expected from those who question the use of Federal credit for private gain regardless of the basic merits of fostering a better population distribution in the country or of alleviating the immediate problem of unemployment in central cities. Others would contend that this approach would result in unfair competition to competing business and industry also seeking to expand but not in areas designated for favorable Federal loans.

The below-market interest rate loans would represent a Federal subsidy to their recipients akin to a direct grant. It would be appropriate therefore that the Secretary of the Treasury estimate and report the dollar cost of such Federal loans for budgetary purposes, in order to give Congress and the Executive Branch an opportunity to evaluate the cost effectiveness of this incentive designed to broaden the locational choice for industry and to create new jobs in chronic labor surplus areas. To give the public iron clad assurance that it will not be asked to bear in perpetuity the cost of an unsuccessful program, authorizing legislation for low-interest Federal loans should contain a termination date beyond which the program would automatically cease in the absence of affirmative Congressional action to continue it.

Direct Payments. The most straightforward method of encouraging the wider geographic dispersal of business and the creation of new jobs in urban centers of chronic labor surplus is to make direct subsidy payments to entrepreneurs who locate in the designated areas. The economic development purposes to be served may be of such transcendent importance that this approach would be warranted.

To establish an effective direct subsidy program that would channel job creating economic activity to specific sites, a payment that would offset either higher capital outlay or operating costs could be made. A direct subsidy based on cost differentials would put areas of desired economic growth on a par with other areas as far as direct business costs are concerned; the payment should not, however, loom large enough to enable subsidy areas to capture all economic development. This could be assured by putting a dollar limit on the amount of the direct subsidy payment.

The direct subsidy approach has much to recommend it from both a business and governmental viewpoint. Without minimizing the difficulties of administration—many of which are encountered whenever

government seeks to promote its objectives by offering incentives—the cost to the public of a direct subsidy payment program can be determined more readily and with greater precision than can tax incentives or below-market-rate loan incentives. Direct subsidy payments require detailed planning by the business applicant, but this prerequisite increases the prospect that the subsidy will fulfil its purpose. For the businessman, the subsidy approach represents a “no strings” financial contribution to the firm to be used as management sees best fit.

The very openness of this approach may constitute its principal weakness. Both the businessman and the administrator of the subsidy could expect criticism from those who are prone to second guess their decisions.

In opposition to the use of any special incentives to influence industrial location, it can be argued that, regardless of the importance of national policies designed to direct economic growth and job creation to areas of urgent need, no program to provide Federal incentives for business and industrial location is warranted. Sound economic development, so the argument runs, rests on the natural selection process that weeds out the marginal undertaking and nurtures the productive enterprise.

Many of the costs entailed in providing public incentives for private effort are intangible. The same may be said of the alleged benefits. **As** a practical matter, the task of evaluating the costs of and benefits from incentive programs exceeds the validity of measurements at hand. It also can be argued that an incentive program might tend to become open-ended with far-reaching consequences. Regardless of the limited objectives an incentive program might be designed to achieve, proponents of the approach would constantly argue that the objectives could be accomplished more quickly and more universally by expanding the size and scope of the incentives. **By** becoming less selective, the incentives would lose their intended effect. As Benjamin Franklin once observed: “A benefit to all becomes a benefit to none.”

By continuing to rely solely on the profit motive to determine where and whether business and industry will locate, critics believe that the public will be assured of protection from bootless adventures in the field of economic planning. The Federal Government’s resources would be husbanded for legitimate public purposes, rather than squandered on a Federal incentive program designed to have business act in a fashion that it would often act anyway from its own self-interest and in the absence of any incentive.

Critics also contend that every program of public incentives for private effort has severe drawbacks. They feel that tax incentives, for example, are by and large Congressionally licensed raids on the Treasury. No one is able to say for sure how much they cost or what return the public is getting on its investment. These critics note that many tax students argue that history **has** demonstrated that once a tax gimmick gets into the Internal Revenue Code it figuratively takes the legislative equivalent of a nuclear blast to get it out. Moreover, tax incentives assign a higher priority, in effect, to economic activity freed of liability than to any other activities or programs, including national defense, that are supported by annual appropriations.

Finally, the critics warn that low-interest loans from the government to private business are a sinister type of incentive. They represent a dual-type of unfair competition—unfair to businesses financed in conventional ways and unfair to banks and the investment community whose major source of income is arranging to finance business ventures. Direct subsidies to private firms, so the argument runs, are completely alien to the American enterprise system except for activities essential to the national defense.

All of these arguments, of course, warrant careful consideration in the formulation of Federal incentives to influence the location of new business and industrial establishments as one of the possible components of a national urban growth policy.

2. Enactment of Federal legislation to provide a percentage preference on the award of public contracts to labor surplus and other areas in furtherance of national urban growth policy

In order to generate new employment in small rural growth centers and in those neighborhoods of large urban areas chronically classified as sections of concentrated unemployment or underemployment by the Secretary of Labor, legislation could be enacted providing that, (1) in evaluating competitive bids for public contracts, a percentage deduction be allowed on the price offered for goods produced or services performed in such areas, and (2) in negotiated procurement, preference be given to bids from such areas.

Federal procurement practices provide a significant stimulus to the growth and development of particular areas. Yet, recent studies have documented the extremely uneven geographic distribution of Federal contracts, which amount to over **\$85** billion a year. The statistics on the location of contract awards indicate a concentration of both defense and research and development contracts in the wealthier and more highly urbanized States. The potential significance of defense contracts is acknowledged in the present policy of encouraging the placement of defense contracts with firms in labor surplus areas designated by the Department of Labor. This policy was recently amended to give first preference to firms operating in sections of cities or States with high concentrations of unemployment and underemployment, providing they agree to employ disadvantaged workers. The policy directs that preference be given to such areas in negotiated contracts. It further stipulates that a portion of contracts let under competitive bidding be set aside for negotiated placement with firms in such areas if they match the price established on the competitively bid portion of the procurement. It is the policy of the General Services Administration to encourage firms in labor surplus and redevelopment areas to submit bids for supplies and equipment. However, strict application of competitive bidding requirements severely restricts the flexibility available in pursuing a policy of encouraging economic development and urbanization in specific areas. Present policies then have been of only limited significance.

The allowance of a credit in evaluating bids or offers for public contracts could provide a more effective method of stimulating an additional flow of government procurement to small rural growth centers and surplus labor city neighborhoods. A percentage deduction might be allowed for that proportion of the goods which would be produced or the services which would be provided in such areas. Thus, if a bid were received from a manufacturer whose plant producing the goods was located in such an area, the deduction would be allowed whether the plant was the main headquarters or a branch. Further, a prime contractor would be allowed a similar deduction on that portion of a price bid which represented goods to be produced or services to be provided by a subcontractor in such an area. To be eligible for the deductions, a contractor would be required to specify in his bid the location of the plant that would be producing the goods or the office that would be performing the services.

Pending Congressional legislation provides a case study of this approach. In the first session of the 90th Congress H. R. 12802 was introduced "to develop business and employment in smaller cities and areas of underemployment and unemployment, to assist in bringing excess farm labor and other unemployed and underemployed labor into a new productive relation to society and yet to enable such people to remain in less densely populated areas, and not be forced to migrate to our already overcrowded cities."* The bill provides that in awarding contracts, the Federal Government would give credit on bids received from cities under 250,000 population, proportionately greater credits for smaller cities, and a separate credit of two percent for any area where unemployment or underemployment exceeds the national average or for areas of serious emigration.

As with other industrial location incentives, it is critically important that any new public contracts policy be implemented selectively. If it is not administered specifically to promote balanced economic development and urbanization, it can become so widely available as to give a publicly subsidized private advantage, without any accompanying public benefits. Nevertheless, heavy concentration of public contracts in

**Congressional Record*, October 9, 1967, p. H 13097.

certain geographic areas can distort patterns of economic development and urbanization and make the achievement of a balance more difficult. The receipt of a contract in a rural growth area, or a labor surplus city neighborhood, on the other hand, could generate employment where it is needed and have a multiplier effect, as supporting activities are developed.

3. Promulgation by the president of criteria for location of Federal buildings and facilities in furtherance of national urban growth policy

Decisions regarding the location of public facilities and projects can have a significant effect on the economic development of an area. Major government installations such as State universities, government office centers, research complexes, military installations, and public works projects can provide a major impetus for growth and can affect the form and character that it takes. Every effort should be made to capitalize on the potential of these major public investments and to realize their multiplier effect. Their proper location and development can constitute a significant element in realizing the aims of national urbanization policies.

Wise location policies, for example, can provide the base for renewed growth and development of a small rural growth center, serve as the basis for a new-town-in-town project, or help to give impetus to the development of a new community. Unless the location decisions conform to overall urbanization policy and sound land-use development programs they can, however, serve merely to generate new problems or aggravate old ones as they have done in connection with the location of some of the large space exploration installations, military bases, and office building complexes. Location decisions then can precipitate new problems of congestion and sprawl, or contribute to a more orderly, meaningful, and satisfying pattern of urban growth and development.

Examples of public buildings and facilities serving as one of a number of components determining the location of urban development are numerous. The consolidation of Federal agency field offices in a number of instances have served to stimulate the economy of regional growth centers. Federal installations have frequently been the focus of urban redevelopment projects and are presently being actively proposed as a major element in the development of new-towns-in-town on undeveloped land. The decision to place the United States Geological Survey Headquarters Office in Reston, Virginia has served to strengthen to latter's economic base. Planned new community development in the Germantown, Maryland area is being influenced by the presence of an increasing number of federal office buildings, including the headquarters of the National Aeronautics and Space Administration and the Atomic Energy Commission. A branch of the University of California will serve as the major focus of one of the communities in the Irvine new community development.

Major public installations can, of course, serve as the major employment base and growth generator for whole communities. For example, the location of the new Atomic Energy Commission accelerator west of Chicago probably will serve to revive Weston, Illinois, an earlier attempt at a new community which failed,

Some have suggested that one method of initiating programs of coordinated, large-scale urban development is to combine the availability of public lands with construction of government installations, centers, and facilities. Such an approach could be taken either to establish new-towns-in-town as recently proposed in the President's directive to Federal departments to identify sites elsewhere similar to the National Training School site in Washington, D. C., or to establish experimental, independent new communities on surplus public lands. The latter approach, while presenting a significant opportunity, has more limited potential, because of the overriding necessity for having economic and urban growth potential and the limited instances of large enough blocks of public lands available at such locations. However, where they are present, important contributions can be made. Significant public resources of land and buildings could be focused on the development of a new community providing an unparalleled opportunity to realize both the social and physical development objectives of this type of urban development.

Civic centers, hospitals, public institutions, office buildings, and universities and colleges can also serve as a type of public aid and assistance for new community development and can influence its location. When sites are developed cooperatively with the private builders they can become an important element in total design. If some of the modified new community or alternative large-scale development approaches are used, the public building component can be of major significance. In a multi-purpose center approach, for example, combining schools with apartments or office buildings, the building of education campuses, and the construction of civic centers can provide a major element, and serve to generate and focus surrounding urban development.

B. INFLUENCING POPULATION MOVEMENT

The analysis of migration in the first chapter revealed the extremes of mobility and immobility—with certain, comparatively few, large, congested metropolitan areas experiencing massive influxes and with numerous poor residents of ghettos and rural areas unable or unwilling to move to job surplus locations. This somewhat “patchwork quilt” of moves, nonmoves, moves to places with no jobs, and moves to densely settled areas with good employment opportunities certainly suggests that economic self-interest is *not* the only motivational thread in the pattern. A program of location incentives to industry can be balanced and complemented by a program geared to influencing the location decisions of people. Unlike the former, the latter would facilitate moves from labor surplus rural counties and large urban neighborhoods to clearly identified employment opportunities in small rural growth centers, in job surplus medium-size municipalities, in labor-shortage suburbs in large metropolitan areas, and in new communities.

While an effective and successful program of industrial location incentives and economic development would provide a natural magnet for many, other factors contribute to the lack of mobility among large segments of the population including inadequate information, the absence of necessary skills, lack of funds, and the risks—along with the fears—involved in a move. Hence, a combined program would include industrial location incentives and measures influencing population movement.

Resettlement allowances including both relocation and resettlement and readjustment payments *can* be provided for low-income families. To assist workers in adjusting to job opportunities and to encourage employers to hire them, on-the-job training programs can be expanded and the Federal-State employment service program modified and redirected with greatly increased emphasis on interarea job placement counseling and information. In order to neutralize any migrational pull of interstate variations in public assistance programs, the national government could assume complete financial responsibility for all public assistance or establish mandatory minimum standards for Federal-State categorical public assistance. Finally, as an element of a national urbanization policy, there could be a strengthening of voluntary programs of family planning for low-income persons.

Some critics of such measures for influencing population movements argue that their basic purpose is inimical to the precepts of an open society and more suitable for an authoritarian system—that, in fact, they would not work without the coercive direction of such a system. Others claim that the essential disruptor of a fairly rational migration pattern is the irrational whiplash of racism and any package of location proposals that skirts this issue is irrelevant.

4. Establishment of Federal-State matching program of resettlement allowances for low-income persons migrating from labor surplus areas

This approach envisages a Federal-State matching program of resettlement allowances. These allowances would be provided to low-income persons migrating from labor surplus rural counties and neighborhoods in large urban areas with chronic unemployment to small and medium-sized communities with definite employment opportunities.

Although moving expenses alone do not appear to be a major deterrent to low-income families seeking to relocate, the combination of moving expenses, initial resettlement costs, and the risks involved in making such a move do constitute a deterrent. A combined moving and resettlement payment support program would help overcome this impediment to mobility.

Regardless of the Federal agency assigned responsibility for administration of a resettlement allowance program, the program should be closely related to job training and placement services so that those seeking to relocate in any of the defined areas anywhere in the country could be informed of job opportunities and could be provided necessary job training either through existing programs or through an expanded on-the-job training program such as that described below.

A limited experimental relocation assistance allowance program is authorized by an amendment to the Manpower and Development and Training Act of 1962. The program provides grants and loans to involuntarily unemployed workers who have elected to participate in an experimental project involving relocation from areas with no job opportunities to areas of labor demand.

To date, there have been approximately a dozen different types of projects for varied kinds of workers ranging from unskilled, rural Southern Negroes to skilled aircraft workers in a major metropolitan area. Some of the projects have been conducted through the State employment services and others by organizations under contract. Funds for financial assistance are administered by the Unemployment Insurance Service. The relocation payments have averaged \$300 to \$400 per family and the cost of supportive services, \$400 to \$500 per family.

The Federal Government also administers a program providing limited travel and moving expense reimbursement to Federal employees who are displaced by defense shifts, including those transferred to new posts. There is also an experimental program administered by the Department of Labor under the Manpower Development and Training Act providing assistance in relocating employees of defense contractors who are displaced as a result of contract cancellation, renegotiation or other changes.

Related, but not central, to the problem of geographic resettlement for new job opportunities is a number of Federal and State relocation programs for persons displaced by public projects. For projects aided under programs administered by the Department of Housing and Urban Development, Federal reimbursement of moving costs is available. Under federally-aided highway projects, States that choose may include relocation payments as part of the project costs. Both TVA and the Corps of Engineers provide resettlement payments to those displaced by water supply and flood control projects.

It is here suggested that the principles embodied in the experimental relocation assistance programs and other related programs can be applied as a positive measure specifically designed to assist low-income workers seeking employment in areas identified for urban growth.

5. Provision of additional Federal funds for on-the-job training allowances for employers in labor surplus areas

To further a goal of balanced urbanization through improved job opportunities for unskilled, poorly educated, and low-income people, consideration should be given to the need of providing alternative locational choices both to those from depressed and disadvantage rural labor surplus areas and to the underskilled and undereducated in the ghettos and other labor surplus neighborhoods in the big cities.

The provision of on-the-job training and the acceptance of trainees by employers in rural growth centers can be encouraged. The most rapidly expanding industries tend to be those making use of advanced technology. Specialized training and retraining is usually essential to employment in these industries. Many job applicants from either rural labor surplus areas or the ghettos no doubt would benefit from basic training. Even the more experienced applicants from urban areas would probably need retraining.

Surveys indicate that the underskilled and undereducated are less likely to migrate. If true alternatives are to be offered, efforts must be made to encourage people in these categories to accept job opportunities elsewhere. By coupling training with a specific job offer an added inducement is given. This, however, does place a burden on the private employer and additional reimbursement would appear justified.

This type of inducement would also be particularly significant to employers in labor surplus city neighborhoods where there is a tendency for the less skilled and less well educated to remain. Total training costs would not doubt be significant in **this** type of situation and employers would need additional assistance.

At present, the Manpower Administration of the Department of Labor through its on-the-job training program contracts with employers to provide on-the-job training. Allowances consist of weekly reimbursements for a portion of the cost of establishing the training program. In order to encourage employers in rural growth centers to provide job opportunities for persons primarily from labor surplus rural areas, and from labor surplus neighborhoods in big cities such employers could be offered additional training program allowances and also wage supplements. A comparable program might be undertaken in labor surplus urban neighborhoods for trainees residing in the area. The training program allowances would encourage employers to expand and improve their training programs and facilities. The wage supplements would help to reimburse them for the difference between wages paid and actual work accomplished during the training period. No new authorization in the basic Manpower Development and Training Act legislation is needed to allow such a program to be established. However, for it to have any appreciable impact, additional funding would be necessary.

6. Expansion of the Federal-State employment service program and establishment of nationwide computerized job information system providing data on job vacancies, skills and availabilities

A significant redirection and expansion of the interarea job placement, counseling, and information services of Federal-State Employment Service programs is needed to assist job-seekers from labor surplus rural counties and city neighborhoods. Full and accurate information about job opportunities in other parts of the country must be a critical feature of this expanded effort. Such a program should provide a focal point for counseling, information, placement, and training. In an earlier report on *Intergovernmental Relations in the Poverty Program*, the Commission recommended the coordination of job creation and job training programs.¹ A number of efforts in this direction are being made, but as the March 1966 report of the President's Committee on Manpower noted:

There is no agreement at the present time regarding appropriate relationships among the . . . (manpower) programs. Clear lines of demarcation between **all** the programs have not been drawn either in terms of the clientele to be served or in terms of the services and training or work experience to be provided. Furthermore the job creation and job training programs must be related to job information, placement and counseling activities of the employment services.

In its earlier report on *Metropolitan Social and Economic Disparities*, the Commission dealt with **this** relationship in metropolitan areas. The Commission recommended that the Governors and the Secretary of Labor take steps to assure that public employment services are provided to all job applicants and employees within metropolitan area labor markets regardless of State lines, and that the steps should include interstate agreements and action by the Secretary to make sure that effective arrangements were being carried out as a

¹*Intergovernmental Relations in the Poverty Program*, Report No. A-29, Recommendation No. 7, April 1966, pp. 174-177.

condition of Federal grants for employment security administration.' This approach should be extended nationwide with particular emphasis on rural growth centers, medium-size cities with job opportunities, and nonlabor surplus suburbs in large SMSA's. Interarea arrangements should be developed to provide a flow of job information to job applicants without regard to State lines.

Potential employers must have information regarding immediate labor supply and possible job applicants and also be provided with long-range analysis and assessments of labor and manpower trends. This type of information is being developed in a variety of different agencies and would certainly be among the types of information to emerge from a national planning process for balanced urbanization.

A nationwide computerized information system providing job information would be a particularly significant element of an expanded program. Such a system would provide specific information regarding job availabilities including skills required, location of openings and other relevant information. This type of information could be instrumental in alleviating situations which frequently arise when the job vacancies available in an area are not matched with the job skills of those in the area looking for work. This gives rise to the claim that jobs go begging in the very areas where there is a labor surplus. Actually, a number of the vacancies may be of a type for which there are not enough qualified applicants. But all this will be of little practical value if the data is not assembled, analyzed, and made readily available to employers in a timely fashion and in a form that will be of maximum use. This should be another important responsibility of the type of expanded employment service program recommended here.

7. Enactment of Federal legislation to eliminate or reduce migrational influence of interstate variations in public assistance standards and benefits

In order to neutralize any "migrational pull" of interstate variations in public assistance benefits and eligibility requirements and for a variety of other reasons, Congress could either enact legislation providing for assumption by the National Government of complete financial responsibility for categorical and general public assistance throughout the United States or enact mandatory minimum standards for eligibility and benefits under Federal-State categorical public assistance programs.

One of the major objectives of a national policy dealing with urban growth should be the provision of as wide a range as possible of alternative locations and types of jobs for all income levels. If such a goal were adopted, strong arguments could be made for Federal assumption of public assistance costs as part of such a policy. Different eligibility requirements and different levels of public assistance support payments after all can be among the factors influencing the direction of migration and urbanization.

Communities which provide a wide range of housing and job opportunities within their borders, thereby furthering a national urbanization policy, should not be penalized by being asked to assume additional welfare burdens. The burden could be particularly acute in an area which has a potential for economic development and growth but is presently underdeveloped or, as in the case of a new community, just starting to develop. The tax base and revenue sources necessary to support public programs are severely restricted during early growth as compared with the resources of established, mature communities.

Futhermore, a national policy which attempts to encourage individuals to accept alternative residential locations should not penalize them by asking that they accept lower public assistance support if for one reason or another they find themselves in need. Nor should welfare payments themselves serve as an attraction

¹*Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs*, Report No. A-25, January 1965, Recommendation No. 7, pp. 109-112. In December 1966, the Secretary of Labor issued a revised regulation requiring State employment security agencies with jurisdiction within inter-state metropolitan areas to establish procedures assuring that workers and employers within such areas would have full access to job openings and labor supply without regard to State lines.

to migrants. The present pattern of support payments tends to concentrate additional persons in the already densely populated major metropolitan complexes.

Existing studies indicate that job opportunities and the presence of friends and relatives are more important factors than welfare levels in influencing where people go. These findings, however, are based on limited samplings and some evidence exists for a contrary conclusion. In any case, the level of welfare payments should be removed as an influence so that a national policy of urban-rural population balance based on other considerations can be pursued. This becomes particularly important in view of the recent court cases supporting the view that residence requirements for welfare are an unconstitutional denial of equal protection of laws. Federal cases so far have been decided in the District of Columbia, Connecticut, Delaware, and Pennsylvania and are all under appeal to the Supreme Court.

However, the case of nationalization of the welfare function is not without its drawbacks. First, it would force the National Government to assume the State and local share of financial responsibility for public assistance—now running approximately \$3.5 billion. Actually, this would be only the first installment because nationalization would result in a greater outlay than that currently made by States so that a realistic annual price tag of at least \$5 billion must be attached to this proposal which would mean an additional annual Federal outlay of **\$1.5 billion**.

Some State leaders are opposed to relinquishing the determination of welfare standards to Congress. Some contend that it is impractical to set national dollar standards for relief of poverty and argue that poverty can only be defined within a statewide context. An income that means bare subsistence in Harlem means relative comfort in a small Iowa town. Others argue that nationalization of welfare would deal a crippling blow to the notion that the States should play a key role in the determination of domestic policy.

A policy that calls for Congressional enactment of minimum standards for public welfare eligibility with each State determining its own standards and the other alternative described above—complete nationalization of the welfare responsibility. It is essentially a compromise proposal; it seeks to leave a large share of policy determination above the minimum floor in the hands of State policymakers, yet at the same time removing the harshest elements of the present system—unconscionably low levels of welfare assistance in certain States.

Any action on the part of the Congress to raise the welfare benefit “floor” automatically reduces the disparities between States and hence the influence of public welfare benefits on locational decisions of families in need of public assistance. Welfare recipients would not be the only beneficiaries of minimum national standards for eligibility and benefit schedules. It would act as a “helpful lever” in upgrading the economic level of the entire population in those States where the standards are now unusually low. Additionally, it would reduce the vulnerability of high standard States to the argument that their generous payments encourage an influx of needy families into their jurisdictions. Moreover, a nationwide minimum standard seems to be extremely timely in view of recent court cases challenging residence requirements for welfare as an unconstitutional denial of equal protection of laws.

The minimum standard approach has been recently endorsed by the Advisory Council on Public Welfare and was embodied in recent Administration proposals calling for strengthening the joint Federal-State public assistance program. At the present time, several States are providing AFDC payments that fall far short of their own determinations of cost standards for basic needs. In fact, in one State AFDC payments fell as low as 20 percent of its needs standard and in 10 States AFDC payments fell below the 50 percent level.

There are substantial obstacles to the achievement of even this limited degree of welfare uniformity. While the price tag would be far less than in the case of complete nationalization, Federal intervention would be stoutly resisted by many State leaders as an unwarranted intrusion into the State policy field. They would contend that the so-called minimum standard approach would constitute a significant beachhead and thereby facilitate the complete nationalization of all welfare programs. As in the case against complete nationalization,

the difficulty in imposing national standards even on a minimum basis is underscored. The difference in needs in the rural South and in Northern urban centers is difficult to accommodate on a nationwide basis.

8. Expansion and adequate funding of voluntary programs of family planning for low-income persons

This report has focused on the geographic distribution of economic and urban growth in the United States and some of the consequences arising from the increasing concentration of such growth in limited areas of the country. The problem arises from a combination of the rate of population growth and its concentration in limited areas. Demographers see no real danger in the foreseeable future of being unable to feed adequately a growing population or even of being unable to increase the level of living as measured by per *capita* income.

Yet while the birth rate for the nation as a whole has been declining, no significant decline has occurred among low-income families. The birth rate remains high among the very families who suffer most from the consequences of the heavy concentration of population in limited areas and who continue to provide through natural increase and migration, one of the major components of such concentration. It also remains high among families who suffer the most from rural poverty and who have a high immobility rate.

As an element of an overall urbanization policy, the present voluntary programs of family planning for low-income persons could be strengthened. Assistance to States and local governments in establishing family planning programs is available through grants from Office of Economic Opportunity and Children's Bureau. Yet more is needed. Family planning services are routinely and easily available as an integral part of adequate medical care to the well-to-do through private physicians. At the same time current public and private family planning programs, it is estimated, are serving no more than 10 to 12 percent of the more than 5 million medically dependent women who are potential patients for subsidized family planning services.

This is the current situation even though Federal agencies have inaugurated new policies, and bills for family planning programs have been introduced in Congress. Progress in implementing the program and in adopting legislation has been slow. A major effort by Federal, State and local governments would be necessary to make sure that these services are easily available to low-income persons in all parts of the country.

C. LARGE-SCALE URBAN AND NEW COMMUNITY DEVELOPMENT*

i. Large-scale Urban Development. While the geographic location and distribution of the country's future urban population is a major feature of any national urbanization policy, the form and quality of urban growth obviously is another vital component. We know there will be massive building and rebuilding during the final third of this century to accommodate the 115 million Americans that will be added to our population. Approaches that would serve to influence the location of much of this building in less congested areas have been presented. At this point, attention is directed to measures designed to facilitate and promote a more desirable future form and pattern of urban growth responsive to national, State and local policies and goals.

In developing small rural growth centers and independent new communities, in improving suburban and metropolitan fringe development, in launching within such areas new communities that are balanced and diversified, and in filling in undeveloped or cleared areas in large central cities—the relationship between the quantitative and qualitative facets of urban growth is underscored and the unusual potentialities for large-scale urban development are highlighted.

*While the following discussion provides a general introduction to measures designed to facilitate large-scale urban and new community development, only those specific components for consideration by the Federal Government are presented here. The specific components for consideration by States are presented on pp. 53 as part of the discussion of Recommendation Number Five.

An essential trait of new large-scale urban development should be its reliance on effective land use planning and development guidance and regulation. In a technical sense, the conventional tract subdivision is a large-scale urban development; but such a project is not usually subject to adequate planning and regulation. It usually lacks attractive design features and relates ineffectively to surrounding developments. Large-scale urban development, then, begins to offer promise when accompanied by strong and effective land-use planning and regulation. Moreover, it encourages the use of more flexible development controls and confers the benefits that flow from large-scale land assembly.

These advantages, however, are contingent upon development of effective land use planning and control mechanisms and procedures. Without them, large-scale urban development can leave much to be desired. In its simplest form, the large-scale urban development may be primarily residential—single family units, townhouses and apartment complexes. It **may** also include a multipurpose town center or a combination of commercial, industrial and cultural facilities as a focus for surrounding urban growth. Finally, it can and **has** entailed the development of entire new communities.

These varying alternatives, in turn, depend on differing combinations of planning, regulatory, and land acquisition resources. The multi-purpose town center, for example, involves land acquisition concentrated on the community center along with planning and regulatory controls geared to encouraging and facilitating development around the center. A new community development, on the other hand, requires public or private acquisition of the entire area projected for development with more flexible planning and land-use regulations which will more fully implement the community's potential. Finally, "new-towns-in-towns", while of a smaller size, would combine some of the planning features of new communities with elements of more conventional urban renewal projects.

Critics of the types of possibilities just described claim that they call for too great an involvement of government in planning and land-use efforts and that too much of the development initiative is left to government—and far too little to the private sector. Some restate the above argument in terms of encroachment on the unfettered operation of free market forces. Still others, on the other hand, doubt the feasibility of these types of urban development on the grounds that few State and local governments would or could develop the land-use planning and control mechanisms required for its effective implementation.

More effective guidance and regulation of urban development is no doubt necessary in any case. The next question is the extent, if any, of governmental subsidy for certain types of large-scale urban development. The answer to this question hangs essentially on whether the new development will further such broad public objectives as accommodating its pro rata share of low-income housing.

The Advisory Commission in the past has devoted continuing attention to the problems of improving the social, economic, and governmental structure of urban areas. **A** number of previous Commission recommendations for strengthening local government and their powers to deal with urban growth are summarized in the discussion of Recommendation Five.¹ Several calling for both Federal and State actions on measures relevant for large-scale urban development are discussed below:

In a study of metropolitan social and economic disparities, the Commission recommended that diversification and geographic dispersal of housing for low-income groups be encouraged by amending Federal, and where necessary State, housing legislation to increase the flexibility of the low-income housing program and otherwise improve the lot of those qualifying for and using public housing. It was suggested that methods of supplementing the traditional public housing construction program should be encouraged to diversify the means of assisting low-income families to attain sound dwellings. Measures to facilitate purchase, rehabilitation, and lease of existing private housing and to authorize subsidizing of rents of low-income families in private housing were suggested, Additional financial assistance to private nonprofit organizations to enable

¹See pp. 53.

them to provide subsidized housing for low-income families was also encouraged.' All of these measures would be particularly helpful in achieving balanced and diversified development in smaller cities and in suburban communities where resistance to public housing projects is strong. Moreover, they are more easily implemented through the various new large-scale urban development techniques. The Commission also urged appropriate Federal and State agencies to accelerate adoption of cooperative agreements for enforcing Federal and State laws and regulations forbidding discrimination in housing. Such steps would also make significant contributions toward the development of the balanced community growth which is essential to the realization of a sound national urbanization policy.²

In another report, dealing with building codes, the Commission recommended measures designed, among other objectives, to reduce housing cost due to excessive and diverse code requirements, to stimulate building research, and to expedite the acceptance of new building products. These objectives are basic to any nationwide urban development program. Building large-scale urban developments and large new communities on undeveloped land provides a major Opportunity for the development and introduction of new materials and building methods. The potential of this opportunity, however, cannot be realized as long as archaic methods, restrictive practices, diverse and rigid building code requirements, and lack of adequate research into new materials and technologies hinder the building construction industry and add to the cost of housing. The Commission's recommendations in the building codes report deal directly with these impediments.

To achieve the uniformity necessary to assure a national market for building products, the Commission recommended that Congress authorize and finance a cooperative program designed to develop national building construction performance criteria, standards, and testing procedures which could be used as elements of model building codes. It was recommended that a national drafting commission be established representing all levels of government to develop a model code with the participation of the model code groups and other interested public and private groups, using the standards developed under the cooperative program,

Since State and local governments occupy a key position in efforts to modernize building codes and to achieve uniformity, it was recommended that each State develop a model building code for permissive adoption by local political subdivisions. The Commission urged the States to establish a building construction review agency at the State level to consider appeals from the decisions of local government on matters concerning interpretation of standards governing building construction. The Commission also recommended a national and State program for research in building construction to accompany the recommended program for the development of the performance concept in building standards.³ The Commission, then, calls particular attention to the relevance of its report on building codes since its recommendations constitute an integral part of national urbanization policy.

The approaches which are presented in the remainder of this section and in the discussion of large-scale urban and new community development following Recommendation Number Five are geared to providing solutions to the problems of governmental organization, land-use and development regulation, and the accomplishment of desirable social objectives in large scale urban developments generally and new communities specifically. They include governmental subsidization of new community development subject to some strict conditions, assistance for assembly and improvement of land for urban development, strengthening local government's capacity to deal with urban growth, and some new approaches to planning and development.

¹*Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs*, Report No. A-25, January 1965, Recommendation No. 4, pp. 99-104.

²*Ibid.*, pp. 104-107.

³*Building Codes: A Program for Intergovernmental Reform*, Report No. A-28, January 1966, Recommendations Nos. 1-7, pp. 83-97.

The large amounts of capital and the massive combined efforts necessary to initiate and give direction to large-scale urban development projects such as new communities, multi-purpose town centers, and “new-towns-in-town,” dramatize the need to marshal all available public and private resources to provide a more desirable, liveable, and economical pattern of urban growth. A number of proposals for new institutional arrangements designed to foster large-scale urban development through the acquisition and improvement of land have been made.

Some have urged that special institutions be established solely to achieve these purposes. Opinions differ, however, regarding the assignment of responsibility between levels of government and between the public and private sector. There have been suggestions for an “urban space agency” analogous to the National Aeronautics and Space Administration; mixed public-private corporations using COMSAT as a precedent; and various types of new and specialized public authorities. Some propose a national urban development effort similar to the earlier Greenbelt projects or a national land development agency. Others suggest State land development authorities. Finally, some recommend that existing governments should take the major initiative. They have proposed strengthening or adding to the powers of existing general purpose governments so that they could participate more actively in planning, fostering, and overseeing urban and new community development. Some of the approaches clearly are mutually exclusive, but others could be used in varying combinations as discussed below and in Recommendation Number Five.

9. Federal assistance for new large-scale urban development—low interest loans and capital grants for land acquisition

To assist State and local governments in land acquisition necessary to accommodate future urban growth, the expansion of two existing Federal assistance programs suggests itself. Section 704 of the Housing and Urban Development Act of 1965 (the Federal program for advance acquisition) could be amended to include capital grants for the acquisition of land for public facilities and largescale urban and new community development. In addition, Title X of the National Housing Act (the land purchase and development loan guarantee program) could be expanded to include low interest loans to State land development agencies for land purchase and site development.

In either case, additional standards and guidelines for the planning and development of eligible large-scale urban and new community projects would be needed to assure conformance to and furtherance of a national urbanization policy and of State urbanization plans. Such standards and guidelines could require eligible projects to provide low-income housing in the same proportion to total projected housing in the development as the proportion that low-income families bear to total State or metropolitan population.

If the loan approach were adopted, the Secretary of Treasury could estimate the net cost of the program to the Federal Government for informational purposes as an exhibit in the President’s Annual Budget. Finally, if the enabling legislation bore an expiration date of a few (e.g., 5-7) years, Congress and the Executive Branch could assess the costs and benefits of the low interest loans.

Only by advance acquisition will it be possible for States and local governments to purchase before development in an area takes place and before the resulting rapid increase in cost. The large initial investment and extended holding period necessary in a successful and ongoing program of advance acquisition has proven to be a major deterrent for States and localities already hard pressed to support current operating and construction programs. Many States have already strained available State financial resources to undertake capital investment programs for immediate needs such as State institutions, universities and colleges, public works and the like. Many localities have comparable fiscal headaches. They thus are unable to finance adequately the buying and holding of land for future needed development, even though such inaction may result in later purchase of less desirable land at higher cost. Further, they certainly would be unable to embark on a program of assembling and acquiring strategically located land for future urban development by private builders.

While loan or loan guarantee programs—particularly with deferred repayment provisions—would provide substantial assistance, it is unlikely that they would suffice to permit inauguration of a significant “land bank” or land reserve program. Yet such a program represents a foundation for implementing urbanization plans. By purchasing strategically located land, States and large local jurisdictions can give direction and form to future urban growth. They can encourage large-scale urban development by assembling smaller parcels of land which might not otherwise be available and without which costly bypassing would be required. Furthermore, substantial savings in the cost of land acquisition for public projects and facilities could be realized through advance acquisition in conformance with development plans. Because of the sizeable investment involved and because of the broad national interest in the wise use of land, a capital grant program for advance acquisition of land by State and local governments—including State land development agencies should be considered.

Section 704 of the Housing and Urban Development Act of **1965** presently authorizes grants equal to the interest payments for up to five years on money borrowed by State and local governments and agencies for advance acquisition of land for public facilities. Amendments to Section 704 included in the bill for the Housing and Urban Development Act of **1968** would broaden these provisions to allow advance acquisition for any public purpose and would replace the requirement that the land be used within five years with a requirement for **use** within a reasonable time. They would also clarify the authority of State to participate and would permit diversion of land acquired to nonpublic purposes if the grant were repaid or land of equivalent value were substituted for it. The authorization under present Section 704 could be further expanded to include capital grants to assist in advance acquisition of land for public facilities, and large-scale urban and new community development. Expansion of the program to include capital grants for land acquisition for the latter objectives could provide substantial additional assistance to State land development agencies and enable them to inaugurate significant programs.

Federal grants to States for advanced acquisition of land for public facilities and large-scale urban and new community development stand out as the means of giving powerful impetus to State urbanization policies. With this financial assistance, State plans for future facilities could be brought into being at the right time and in the right place. A program of financial aid to States for large-scale urban and new community development holds promise of establishing an urban environment most conducive to human resource development which now absorbs a large share of Federal and State resources.

Turning to the second approach, it seems clear that for State land development agencies to accomplish their objective of carefully planned acquisition of land for future urban use, they must be in a position to acquire land considerably in advance of development. The ready availability of Federal loans, at the time when they are needed, and at low interest rates would help provide States with the resources to enter actively into a land acquisition program. In making financial assistance available, the Federal Government would be acknowledging the broad national interest in the wise **use** of land—one of our major national resources. It would also be acknowledging that the States are well suited to provide the leadership necessary for the development of imaginative new urban land-use and development programs working through State institutions, local governments, and private enterprise.

Presently, Title X of the National Housing Act, the land purchase and development loan guarantee program, is limited to loan guarantees for private developers. Amendment of this title might be considered in order to provide direct, low interest loans to State land development agencies which could be either newly established authorities or appropriate existing State agencies. Because the purpose of the loan is to acquire land destined to become more valuable, the rate of interest should be low enough to provide tangible assistance to the States and it should be appreciably below the market rate for other State borrowing. The loan's duration should be long enough to allow a reasonable holding period until development is started. In the special case of large-scale urban and new community development, the need to hold land for an initial period prior to sale and development might be recognized and provision for the postponement of interest and principal for a specified number of years or until a specified proportion of the land was sold might be included.

Such action would acknowledge that a land acquisition program for urban development in the long run could become self-supporting, but to be fully effective it would require large initial investments.

The lack of previous experience with a loan program of the type described indicates that the enabling legislation should bear an expiration date of five to seven years so that Congress and the Executive Branch will have an opportunity to assess its effectiveness. It is further suggested that to assist in such an assessment the Secretary of Treasury annually estimate the net outlay for the program by calculating the difference between the cost of borrowing by the Federal Government and the low interest rate charged State agencies to whom loans are made. Such information should appear as an exhibit in the President's Annual Budget.

The provision of standards adequate to assure that the Federal grants or loans would result in improved land use is of particular significance. Certainly the land acquisition should be consistent with State urbanization plans. Additional standards for the projects to be developed on the land, however, would also be needed. It is suggested that such guidelines should require eligible projects to provide low-income housing in proportion to the number of low-income families in the State or metropolitan area where the project is located. Other standards might include the requirement of adequate open space; effective local planning and associated land-use controls in the areas affected; and adequate land suitable for balanced development.

The earmarking of public funds for investment in land to be developed in conformance with national and State urbanization policies would help to assure the creation of a physical environment in which existing public commitments to human resource development have the greatest chance of success.

10. Direct Federal involvement in large-scale urban development

Direct Federal involvement in large-scale urban development could be achieved in a number of ways. One would be to create a mixed, public-private land development corporation chartered by Congress with capitalization in the form of capital stock carrying voting rights and eligibility for dividends. Substantial private stock participation with accompanying voting rights could be provided, but with majority control remaining with the Federal Government. Such a corporation could acquire land by purchase, transfer, or donation for large-scale urban and new community development. It could be empowered to undertake site preparation and improvement and to sell or lease land to public agencies and private developers.

Another approach would involve creation by Congress of a national urban development agency or authorizing the Department of Housing and Urban Development to acquire, hold, improve, and dispose of land for urban development. Such an agency or HUD could also be authorized to undertake large-scale urban and new community projects in conformance with a national urbanization policy. Land would be acquired for urban development by purchase, transfer of federally owned lands, or by donation. The land, improved or unimproved, or rights to it, would be sold or leased to State land development agencies and to private developers. The agency or HUD might also be empowered to construct or contract for the construction of public facilities; retail, commercial and industrial buildings; and apartments, townhouses, and other multi-family and individual family houses.

Under the first approach, a publicly chartered, private participation land development corporation would provide an institutional arrangement for combining public and private financial resources, initiative, and talents in major urban and new community land development projects. The combined government and private corporate structure has been suggested because of the large initial investments required to assemble and improve land and the overriding public interest in the future course of urban development in America. It is assumed that the continued rate of urbanization and the appreciation in value of land developed for urban growth hold promise of a return on investment sufficiently attractive to interest large investors. This opportunity should be particularly appealing to certain large corporate investors who now are entering the urban development field, but who are not large enough to finance an entire project on their own.

Because of the broad public interest in urban development and land use and because of the public investment, majority control in the proposed mixed corporation would remain with the Federal government. **This** could be accomplished by a number of means. Government share ownership and its concomitant voting strength might be kept at more than **50** percent. The method of choosing the chairman of the board of directors might also be influential. The chairman of the board could be a public official designated ex officio in the chartering legislation, or he could be selected by the Board but with the stipulation that he be a government representative.

While the corporation must be in a position to offer a reasonable prospect of dividends on stock investment, it might be desirable to provide that land for public purposes could be purchased from the corporation by an appropriate public agency at cost or at a stipulated markup. Land for private development could be sold at auction, at a calculated market price, at a negotiated price, or on the basis of a design competition.

It is assumed that the corporation would work closely with appropriate public agencies through the entire site identification, planning, and land acquisition and development stages. For example, it might cooperate with a State urban land development agency or with local governments in providing certain types of water, sewer and other public facilities. It might work closely with the appropriate local jurisdiction both in specific site identification to conform with the latter's planning objectives and also on the community design, master plan, and individual subdivision and site plans. The accomplishment of the corporation's planning and design objectives for an urban development project obviously would depend upon close coordination and a continuing working relationship between the corporation and the local jurisdiction, **since** planning and land use and development controls would be exercised by the latter. Judicious use of covenants by the Corporation could be used to preserve open space densities and architectural design features that are incorporated in the development plans.

A corporation could undertake land assembly and improvement for a new community. It could also undertake land assembly and improvement for a multi-purpose town center or industrial park project. Finally, and in a **like** fashion, it would be able to participate in large-scale urban development within incorporated municipalities ("new-towns-in-town") or on the periphery of cities that are expanding.

The other approach would entail a more direct Federal involvement in urban land development and inauguration of a national effort to extend the urban renewal principle to new urban development. An appropriate new or existing Federal agency would be authorized to purchase and assemble land for urban development. The agency could use Federal financial resources to acquire strategically located land and assure its availability for sound urban development. It would be able to buy land for expansion of existing cities, for development of new communities, and for rebuilding within cities. This approach then would be a Federal counterpart to, but extension of, the existing local urban renewal programs for redeveloping blighted areas—including, however, vacant land for new development. The Federal agency could sell improved or unimproved land directly to private developers. But, to the extent possible, it would make land available to State and development or other appropriate agencies.

Since the urban development agency would be acquiring land which would subsequently be developed and at least part of which would be sold to private developers, a portion of the operating cost of the agency would be self-liquidating through a revolving fund. However, there might well be a net loss involved in the land used for public purposes, so periodic appropriations might be necessary.

Development on land assembled and improved by the Federal agency would be undertaken by private enterprise. The usual sequence of public and private efforts would be reversed, however—public land uses; public facilities, sewers, roads, public buildings; and mass transportation stations and facilities could precede and accompany private development, rather than follow it. Public initiative in planning and directing the course and components of urban growth would thereby be increased and **wasteful** uses of our most valuable land resources could be discouraged. Adequate provision and opportunities for a wide variety of social, occupational, and income groups could also be fostered.

The Federal agency additionally could be empowered to undertake on its own large-scale urban and new community development projects. It might supplement private efforts with a limited number of its own projects. It could acquire land by negotiated purchase or by transfer or purchase of Federal surplus lands. It could initially develop several new community sites on strategically located Federal surplus lands including, for example, some of the Bureau of Land Management holdings now being reclassified for urban use. It also could undertake large-scale urban developments on purchased open land, on land adjoining cities, or on a combination of open and cleared land within the borders of existing cities—establishing “new-towns-in-town.” Finally, the agency might develop surplus Federal lands within cities—lands which are being inventoried pursuant to an executive order of the President. The availability of such lands would reduce substantially the total cost of preparing them for urban uses, making it possible to give more emphasis to recreational, park, and other public open space.

The agency could contract for water, sewers, streets, site development and other land-development measures for public facilities and low-income housing. Initial planning, building and housing codes, zoning, subdivision control, and other land-use controls could either be exercised directly by the agency or existing controls within the local jurisdiction could be certified as meeting adequate standards.

ii. Financial Assistance and Incentives for New Community Development. An opportunity to combine more completely the advantages of large-scale urban development with other objectives of urbanization policy is provided by balanced, diversified new communities. If such new communities consist of relatively large areas (at least 1,000 to 1,500 acres) under a single or unified ownership and management with a projected population of at least 15,000 to 20,000 people of varying social, economic, and ethnic backgrounds and if they are designed to provide employment, social, cultural, and recreational features either within their borders or easily accessible to them, they provide an unparalleled opportunity to influence the patterns of urban development. By combining large enough areas under single management or ownership, they greatly facilitate the realization of many of the planning and design goals of all large-scale developments.

New communities provide a striking opportunity to counteract the illeffects of “sprawl.” They afford a chance to break away from conventional developmental thinking and to try new arrangements. They encourage new and greater flexibility in building construction, and land-use regulations. They hold promise of a market large enough to permit technological innovations which, in turn, encourages investment by industry. They clearly facilitate the introduction of community-wide education, health, transportation and other public service functions. They permit the development of governmental arrangements that can foster a sound growth pattern—a pattern that relates harmoniously to surrounding developments. They give the chance of providing a wide and balanced range of housing for a diversified population. Finally, they can provide varying employment opportunities in service industries, manufacturing, and research and development firms.

New communities then present a dramatic opportunity to demonstrate contrasting kinds of urban environment which can serve as models of what can be done to upgrade the life and living styles of urban residents. In this role, they can be significant, even if they are few in number. Moreover, the enterprise of developing an entire new community focuses public attention in a way that a series of separate and often unrelated development decisions cannot.

Experience in Great Britain and other European countries illustrate what can be achieved with a major commitment to a new towns policy. Employment opportunities along with housing, recreational, cultural, and commercial facilities have been provided within the borders of independent new towns. While our institutions, traditions, and preferences will dictate an approach reflecting our needs, this foreign experience with new towns does illustrate what can be accomplished.

A number of major problems associated with new community development, however, must be overcome if they are to succeed. The large initial investment in land, land improvement, and the necessary amenities are so large and involve such heavy and extended carrying charges that the developer’s freedom to engage in

design and social innovation, in effect, is circumscribed. Another hurdle is the need for early governmental decisions regarding planning, land-use control, and development of public facilities and services to protect the public's and the developer's interest in the project. Furthermore, the effort to realize the advantages of relatively self-contained, large-scale development cannot be allowed to result in a separatism which thwarts areawide government and goals producing a "hothouse" haven from broader areawide program and finance demands. Finally, the end product must be attractive enough to draw varied and diverse residents and industries to it.

The potential of balanced, diversified new communities in the United States can provide the means for demonstrating preferable kinds of urban environment, for demonstrating that such environments can be produced throughout the Nation—not solely in the concentrated metropolitan areas, and for demonstrating that "sprawl" is not an inevitably by-product of our urban society.

A number of objections to a broad policy of preferential governmental assistance for new community developers can be raised, however, including:

- New community developers should be placed on the same footing as any other large-scale developer, given the fuzzy attempts to differentiate between them.
- The aesthetic and innovative design claims made for new communities may or may not be desirable; but the real issue here is that not government should engage directly or indirectly in subsidizing preferentially the personal developmental predilections of private builders.
- New community development, if given vigorous governmental support, could well lead to further fragmentation of local government.
- ◆ The record to date with regard to new community development raises serious doubts concerning the quasi-authoritarian role that the developer and his consultants inevitably must assume during the initial stages of the project; governmental policy should do nothing then to enhance this role.
- What few attitudinal surveys there are on the subject indicate that new community residents—like most conventional subdivision residents—prefer a homogeneous socio-economic community.
- The basic issue before us is more homes for more Americans, and the record to date indicates that the conventional builders and the conventional subdivision development are what most Americans prefer.

On the basis of experience to date and assuming an economic environment not drastically different from that prevailing in the past two decades, the Commission concludes that the establishment of large new planned communities with a balanced composition' is not economically feasible without significant governmental subsidy. This infeasibility stems from the investment costs resulting from the long period required for land assembly and improvement, and construction of utilities before revenue from the sale of sites or structures is sufficient to provide a net profit. A governmental subsidy for new communities is justified only in those instances where proposed projects will accommodate their pro rata share of low income housing.

⁴Providing for industrial, commercial and residential uses including a range of housing prices adequately broad to encompass a *pro rata* share of low income housing in relation to the general metropolitan areas near which the new communities are located.

A number of institutional arrangements which could serve to foster and facilitate new community development by assembling and improving land for urban uses have already been presented. Methods were also advanced for removing some of the land use and development regulation strictures and impediments to large-scale development and for facilitating their use as a positive encouragement not merely a regulatory device. Incentives to encourage individuals and industries to locate in new communities when they meet the criteria of a rural growth center have been discussed.

Chapter IV identified a large number of existing urban development grant, loan, and other assistance programs that have direct application for new communities. If a decision is made by a State or locality to pursue a new community development program vigorously, a combination of programs and procedures already at hand, coupled with those discussed in this report, would allow significant encouragement and assistance to private developers and investors seeking to enter this field.

State urban development plans related to a national urbanization policy, for example, could identify appropriate general sites for new community development through use of planning techniques and application of market analysis approaches. The background analysis and statistics would be available for a developer contemplating a new community. More detailed site identification and additional analysis would be incorporated into local areawide plans. The State land development agency or other appropriate authority could acquire land and make it available either by competitive bid or negotiated purchase at reasonable market rates as it was needed for development, thus relieving the developer of the risk of inflated land prices and of heavy carrying costs. Local jurisdictions or a State urban land development agency or authority would be in a position to install water and sewer lines and roads.

Local public agencies, of course, would be eligible for various urban development grant programs from both the Federal and State governments to aid in financing the facilities. State and local governments can locate public facilities, such as hospitals, airports, educational institutions, and public office buildings in new communities and Federal and State grant and other assistance is available to aid in their construction. Using the planning and land use and development controls described elsewhere in this Report, local jurisdictions could work closely with developers in applying innovative and efficient design approaches allowing mixed housing types and mixed uses while maintaining desirable density, open space, and other features—and all without the rigid constraints of existing zoning and subdivision control procedures. Such aids and assistance represent a substantial range of approaches and techniques to facilitate the implementation of an intergovernmental urbanization policy for expanding existing cities and creating new communities through combined public and private efforts.

For effective implementation of major urban development and new community policy, however, additional financial assistance and incentives would be necessary, particularly in connection with the acquisition and development of large tracts of land. Private new community builders, as we have emphasized, have found that the high initial land acquisition and development costs and the resulting carrying costs constitute one of the major factors constraining their implementation of a total concept for a balanced and diversified new community. Unusually high site selection, market analysis, and long-range planning and design costs are also associated with developing a whole new community. One major effect of such restraints has been to confine new community development almost exclusively to middle income housing and above, increasingly undertaken by large corporations with broad financial resources. However, it can be strongly argued that private developers should be in a position to undertake major responsibility for initiation and development of new communities which incorporate a complete range of housing types with price levels for residents with varying incomes.

11. Federal assistance for new community development—Federal low interest loans and tax incentives—under certain conditions

The present Title X, Land Purchase and Development Program, of the National Housing Act could be expanded to: (a) permit direct low interest loans to private developers of new communities; (b) increase the

total mortgage guarantee for any one project from \$25 million; and (c) provide additional standards and guidelines for the planning and development of eligible new community projects to assure conformance to and furtherance of a national urbanization policy.

A second approach to encouraging private developers to participate in new community projects meeting required standards and guidelines would involve amendment of the Internal Revenue Code to provide the developer with the option of a more generous depreciation allowance, or a longer period (more than the present five years) in which his losses may be carried over, or both.

The standards and guidelines under either approach must include the requirement that eligible projects provide low-income housing in the same proportion to total project housing in the new community development as the proportion that low-income families bear to total State or metropolitan population. Without such requirements, any governmental subsidy to “new community” developments—other than mortgage insurance—is completely unjustified.

The Secretary of Treasury should estimate the net cost to the government of the low-interest loans and tax benefits and this amount should be included for informational purposes in the President’s budget. Finally, the enabling legislation should bear an expiration date of a few (e.g., 5-7) years in the future so that the Congress and the Executive Branch could assess costs and benefits of the subsidized loan and tax benefit approach.

Title X of the National Housing Act is the only Federal legislation dealing directly with new communities as such. It authorizes the insurance of mortgages to finance the purchase of raw land and its development as improved building sites by private developers. The maximum mortgage amount for any one land undertaking is \$25 million. The loan can constitute either 75 percent of the FHA estimated value of the developed land or 50 percent of the estimated land value before development and 90 percent of estimated development costs, whichever is less. The maximum repayment period is seven years or in the case of privately owned water or sewage systems such longer period as FHA deems reasonable. If the development qualifies as a “new community” on the basis of a specific finding by the Secretary of Housing and Urban Development to the effect that it will contribute substantially to the surrounding economic growth of its area, the period of the guaranteed mortgage can run longer than seven years.

In any case, the development must be characterized by sound land use patterns and be consistent with a comprehensive plan or planning for the area in which the land is situated. It must include or be served by such shopping, school, recreational, transportation, and other facilities as FHA deems adequate and necessary. To qualify as a new community, the project also must provide substantial economies made possible through large-scale development and have adequate housing for those who would be employed in the community or the surrounding area. Finally, it must provide maximum accessibility to employment centers; to commercial, recreational, and cultural facilities; and to any major central city in the area.

To realize its full potential in assisting large-scale, urban and new community development, this program might be expanded to provide direct loans to private developers. New communities are risky ventures at best. For this reason it is difficult to obtain conventional financing to get them started. A mortgage guarantee program, while helpful, might well be inadequate to attract sufficient funds at an interest rate the developer could afford to pay. There are, in addition, problems of keeping the administrative mechanism of a loan guarantee program abreast of the developments in a volatile money market. For all these reasons a direct Federal low interest loan program could be more adaptable to the needs of the new community developer. Based on experience in several of the larger new communities, the \$25 million upper limit for a single project is unrealistically low. For example, the total initial land and development cost for Westlake Village, a 12,000 acre new community in California, was \$42,000,000 and the comparable cost for Columbia, Maryland was \$48,500,000 and for Laguna Niguel, California it was \$29,000,000.

The bill for the Housing and Urban Development Act of 1968 in Title IV, referred to as the “New Communities Act of 1968,” introduces a new type of credit guarantee for private developers—the cash flow

debenture. In guaranteeing the bonds, debentures, notes, and other obligations issued by new community developers, the Secretary of Housing and Urban Development could take into account the large initial capital investment required, the extended period before initial returns can be expected, and the irregular pattern of such cash returns, and administer the program to reflect these particular characteristics. The upper limit for outstanding principal obligations guaranteed for a single new community development would be \$50 million. Requirements which must be met by a project to be eligible, include a plan and time schedule for financing the land acquisition and development costs and a comprehensive internal development plan that provides a proper balance of housing for families of low- and moderate-income and provides satisfactory supporting facilities for future residents.

The second approach—a tax incentive that allows the new community developer a longer loss carry-over period—can also be significant inducement to embarking on the enterprise. Currently, the developer can use the five year operating loss carry-over provision of the Internal Revenue Code to wipe out the red ink during the lean early years against black ink of later years. This may not be long enough, however, for this type of slow maturing business.

The period between initial investment and the return of profits from a complete new community development frequently extends over several years. Any unforeseeable lengthening of this unprofitable stage can result in failure of the project or a serious compromising of its original design concepts. Frequently, only the largest corporations with access to large financial reserves can weather this stormy period—a circumstance that restricts participation in new community development projects. An extension of the loss carry-over period in the specific case of new community development would acknowledge that an averaging mechanism applicable to business generally must be adapted to meet the exigencies of a slowly maturing venture imbued with somewhat more than the normal content of public interest.

Large and medium-size corporations could be interested in participation in such development if the Internal Revenue Code were amended to allow them more generous capital recovery allowances (depreciation charges). While corporations engaged in diversified activities have the opportunity to offset unprofitable operations in one line against profits in another, they may be reluctant to jeopardize their market position and the value of their stock by absorbing the initial business losses that can be expected while the investment in new community development matures. More generous capital recovery allowances could tip the balance in favor of the new community investment decision.

Tax incentives for new community development to be effective then must consist of both a lengthened loss carry-over period and more generous depreciation allowances, either of which could be exercised at the option of the new community developer in accordance with his managerial judgment. Yet, care must be taken to assure that public objectives are actually accomplished and that the incentives are used in such a way that they do not cancel one another out. They must be made available selectively and only to promote a national urbanization policy.

Under the loss carry-over option, the Federal Government would forego revenue it would otherwise collect. More generous depreciation allowances, however, mean less revenue in the near term but no loss in revenue over the long run. In order for Congress and the President to evaluate the efficacy of the proposed options a reasonably accurate estimate of their revenue effect must be available. For this reason, the Secretary of the Treasury should estimate annually the dollar amount of tax benefits.

The question of standards adequate to assure that public loan guarantees and tax incentives would be justified is a difficult one. Certainly the projects should be consistent with comprehensive plans for the area in which they are located, be characterized by sound land-use patterns and include adequate retail, school, recreational, transportation and other facilities as presently required by the Act.

Additional standards should include the provision of housing to meet the needs of families with varying income levels on a nondiscriminatory basis. Other standards might include adequate open space; provision

for the government of the community to assure effective planning and land-use and development controls and site selection reflecting availability of land suitable for development for projected population trends and for the economic components required to sustain the community.

The public should have ample assurance that the tax incentives and loan program would not become a continuing drain on the public purse unless they prove effective. Accordingly, under either approach the legislation should provide that after a five to seven year test period, Congress and the administration assess the program's effectiveness and determine whether or not it should be renewed.

12. Enactment by Congress of legislation providing for experimental new community building on Federally-owned lands

As an alternative to a more broad-gauge Federal involvement in large-scale urban development, the Department of Housing and Urban Development could be authorized to undertake an experimental new community building program on federally owned lands. Such authorization could include the power to construct or contract for the construction of public works and facilities; retail, commercial, and industrial buildings; and apartments, townhouses, and other multi-family and individual family houses.

If the broader approaches outlined in item ten above prove unfeasible, a more modest proposal may well merit consideration. The building of experimental new communities by the Department of Housing and Urban Development on available public lands would provide a good opportunity to produce significant standard setting models. They could serve to attract the national attention and support required to sustain the development of a national urbanization policy. By using available Federal lands for such a national purpose, one of the major problems of new community development, that of land assembly, would be overcome. Moreover, maximum innovation would be available in the application of building, housing, land-use and other development controls. The development of new technological and design approaches also could be encouraged. In short, this proposal would provide an excellent opportunity to develop true "new towns," and in some cases new-town-in-town.

Earlier experience with Federal building of new towns could be drawn on and their lessons profited from. The Greenbelt community experience, in particular, should be reassessed and the government's failure to provide an adequate economic base and a carefully planned transfer of governmental jurisdiction to appropriate local authorities should be noted.

Two current programs make this recommendation particularly timely. The studies of the Public Land Law Review Commission and the related Classification and Multiple Use Act provide the instruments for identifying potential Federal lands for this purpose and making them available. The recent Presidential directive to identify Federal surplus land available for urban development within cities will result in the identification of other possible locations.

While possible sites for an experimental new community development would obviously not be limited to public lands administered by the Bureau of Land Management, the provisions of the Classification and Multiple Use Act (P L 88-607) coupled with the studies of the Public Land Law Review Commission no doubt will serve to stimulate interest in lands available for urban development. The Act authorizes the Secretary of the Interior to determine which of the public lands administered by the Bureau of Land Management are required for orderly growth and development of a community or are chiefly valuable for residential, commercial, agricultural, industrial, or public uses or development. At present, priority is being given to the identification of lands that are contiguous to, or near, existing urban areas for possible development or annexation. Nonetheless, tracts not contiguous to existing centers and therefore suitable for independent new community developments are also being identified. The Public Land Law Review Commission has undertaken several studies which include among their objectives the review of laws and policies relating to Federal highway, airport, and demonstration cities programs and public lands, particularly in their implications for fostering new communities.

In a recent memorandum, the President instructed a Cabinet level task force to identify Federal surplus land sites in other cities similar to the National Training School site in the District of Columbia and study their feasibility for “new town in-town” developments.

The components of a national policy dealing with urban growth should be complementary to and guide State policies and programs. The Commission suggests a number of measures for State consideration to encourage and implement urban growth patterns consistent with national and State plans and policies.

Recommendation Five. Implementing State Policies Dealing With Urban Growth

The Commission believes that State governments have a role to play in influencing orderly urban growth. The following should be **considered** as useful approaches to the implementation of State policy regarding urban growth.

- State assistance in making credit more readily available for business and industrial location in certain areas by establishing **State** and regional industrial credit agencies;
- placement of State and local procurement contracts and construction projects to foster urban growth in certain areas;
- assistance and guidance for urban growth through the establishment of State and State-chartered local land development agencies and State property tax deferral for new community development;
- State regulation of development along highways and at interchanges where no effective local control exists;
- giving local governments the powers necessary to deal with urban growth by providing urban counties with appropriate governmental authority and organization, by encouraging county consolidation, and by granting municipalities authority to annex territory for new community development under certain conditions;
- authorizing localities to adopt new and strengthened land use and development ordinances and regulations such as official map, planned unit development, and unmapped or floating zone ordinances and dedication or cash payment-in-lieu requirements for parks and school sites.

A. INFLUENCING INDUSTRIAL LOCATION

A number of Federal incentives to encourage industries and businesses to locate in areas identified for urban development pursuant to national urbanization policy have already been discussed. The focus at this point shifts to the State, and rightfully **so**, since they traditionally have been most active in general industrial development programs. Yet, to be effective in furthering State and local urban development plans and policies, such programs must begin to be more selectively applied. Few if any States are now administering their programs in such **a** fashion.

1. Enactment **of** State legislation authorizing establishment of State and regional industrial credit facilities **as** means of providing additional sources **of** credit for desired urban development

The shortage of available funds for loans combined with an inability to carry the going interest rates in certain areas may effectively deter business and industrial firms from locating there. State industrial

finance authorities, using appropriated and borrowed funds, have been used in a number of States to provide a source of borrowing to businesses and industries locating within the States. By offering loans at lower rates, they could provide an additional and less costly source of credit for businesses locating in areas whose development would further State urbanization plan objectives. The availability of loans from a State agency can serve to complement Federal loan and loan guarantee programs and can focus more directly on State urbanization policies.

State industrial finance authorities are of two types. They may either guarantee industrial loans made by private lenders or make direct loans of State funds to industry. State authorities generally have been established to provide types of credit which private lenders avoid. They make loans directly to borrowers for special purposes or to support industrial development generally. They are generally financed either by full faith and credit borrowing or appropriations. The first program was established in 1955 in New Hampshire. By 1967 there were 15 active State industrial finance authorities and four more authorized. Maine and Rhode Island, however, account for about 90 percent of the dollar volume of loans guaranteed.

The initial New Hampshire legislation also authorized a direct loan program and by the end of 1963 there were nine additional active State programs and 14 authorized. Some of the direct loan programs are limited to joint lending with the Economic Development Administration, while the others are not so restricted. Most of the direct loans go to manufacturing firms.

Public guarantee and direct loan programs utilize the financing authority of State governments to provide credit at lower interest rates than industry ordinarily can obtain from private sources. Since the State's credit stands behind such financing, the risk to investors is minimized.

This type of financing could facilitate the location of industry in surplus labor urban neighborhoods, in rural growth areas, where private capital is hesitant to invest. It is particularly attractive to small enterprises which are the most likely candidates for the surplus labor areas.

Since surplus labor areas often encompass interstate areas, it would be advantageous in some instances to combine State industrial financing capabilities through appropriate pooling arrangements within the structure of an interstate compact or other type of interstate agreement.

2. Enactment of State legislation to authorize preference under specified conditions, in the award of Public contracts

To further their urbanization policies, States can adopt legislation allowing a credit or other appropriate preference in bids received for public contracts from areas to which, according to legislatively specified criteria, it is desirable to attract economic activity.

States can use their public purchasing as an incentive in achieving a pattern of urbanization within their borders conforming to their State urbanization policies. If a State decides to follow such a policy, then legislative criteria for determining eligible areas would need to be consistent with the State urban development plan, since they would have to be based on the kind of data and studies that go into making such a plan. The purchasing policy thus would become a tool for implementing the State plan.

A specific legislative standard also would be needed in order to avoid possible challenge on the grounds of unconstitutional delegation of powers. The legislative criteria, in essence, should indicate in which areas population in-migration and economic growth are to be encouraged. The criteria, for example, might be those embodied in urban growth policy adopted by the legislature.

Successful implementation of a preferential purchasing policy would require aggressive administration, not only by State purchasing officials but also by the State industrial or economic development agency, if

one exists. The purchasing agents would have to pursue a positive policy of soliciting bids from the desirable growth areas. The development agency's role would be to seek out and encourage potential bidders in such areas to take advantage of their preferential position.

3. Establishment of State policies for locating public buildings, activities, and facilities in furtherance of States urbanization plans

This approach is the State counterpart of one already presented for consideration at the Federal level. As part of an overall program of commitment to a State urban development plan, the placement of public projects can be instrumental in fostering development in conformance with the plan.

Urban renewal and "new-town-in-town" projects can be developed around a nucleus of a government center, civic buildings, educational parks, universities, hospitals, public housing, public transit facilities, and other public projects. Such projects can be joint efforts of Federal, State, and local governments—hence large enough to affect significantly the course and nature of urban growth in the State.

B. LARGE-SCALE URBAN AND NEW COMMUNITY DEVELOPMENT

i. Large-Scale Urban Development. The States have a significant role to play in planning for and assisting in new large-scale urban and new community development. Possible actions are presented below for the consideration of Governors and State legislative bodies as policies are formulated for implementing the States urbanization plan.

4. Enactment of State legislation to provide for chartering State and local land development agencies

The establishment of State land development agencies empowered to undertake large-scale urban and new community land purchase, assembly, and improvement would provide a major method of implementing State and local urban growth policies. Specifically, such agencies could: (1) acquire land by negotiation and through the exercise of eminent domain; (2) arrange for site development and construct or contract for the construction of utilities, streets, and other related improvements; (3) hold land for later use; (4) sell, lease, or otherwise dispose of land or rights thereto to private developers or public agencies; and (5) charter local or regional land development agencies. All such powers should be exercised in accordance with, and in furtherance of, the State's urbanization plan.

The establishment of State land development agencies would provide a sound method of acquiring land for future public and urban development uses—thus promoting a more orderly, efficient, and well-planned pattern of growth. It would help preserve for the public good some of the appreciation in value of one of the nation's primary resources. The present pattern of planning and land-use and development controls, widely dispersed as they are among numerous jurisdictions and private developers, has been inadequate to cope with pressures placed on land in rapidly urbanizing areas. Moreover these existing controls are basically designed to deal with problems in already built-up areas or problems created by gradual growth and accretion. They have not produced satisfactory results under the extreme pressures of recent rapid urbanization.

The Commission in this Report has discussed a number of ways to equip governments and private enterprise for the monumental task of accommodating future urban growth. One approach receiving increasing attention is State acquisition, development, "holding", and disposition of land around the fringes of urban growth areas and at more remote key points in anticipation of future growth. Such efforts would be undertaken in accordance with and to implement a State's urbanization plan.

Sufficient administrative discretion—in addition to the powers cited—should be assigned to the proposed State land development agency, so that specific arrangements can reflect the varying needs and objec-

tives of different areas over extended periods of time. By providing adequate sources of financing coupled with authority to acquire land, and hold, improve, and sell it for public or private purposes, the agency could become the basic instrument for marshalling available public resources from all levels of government and relating them to one another and to private development efforts. The ultimate powers of such agencies then should be clearly defined and limited, but they should allow some flexibility in choosing among various alternatives so that the widest possible range of local government and private participation can be encouraged. The land development agencies should be empowered, for example, to assume responsibility for project planning and design; land assembly and improvement; provision of public improvements such as sewer and water lines and roads; preservation of parks, recreation areas, and open spaces; disposition of land to appropriate public agencies; and lease or sale of land or development rights to private developers for residential housing, shopping centers, commercial buildings and industrial parks. They could also negotiate and cooperate in various forms of participation by chartered local land development agencies, regional agencies and other local governments, and private developers. Where desirable, they should be able to negotiate directly with large developers or combinations of developers, at an early stage, for purchase of unimproved as well as improved land and to cooperate with local governments which can assume responsibility for some of the land improvement and development.

Differing arrangements obviously would be appropriate at different times and in different areas. Where, for example, a strong urban county government exists, primary authority for planning and developing a project might well be exercised by the county in an overseeing role. Such a county also could exercise a range of planning, zoning, and land use controls and provide appropriate facilities and services using the financial resources available from Federal grant and loan programs, the State urban land development corporation, and the county itself.

Alternatively, an areawide planning and development agency with sufficient powers could assume primary local responsibility. In still another situation, where a rural area lacked a strong county government or an areawide agency prepared to provide urban services, the State land development agency might assume more direct responsibility for land acquisition and for the other planning, improvement, and land development functions.

In its holding role, the State agency, in effect, could acquire strategically located land and retain it in a "land bank" for future public or private development in accordance with the State's urbanization policy. In still another role, the State agency might work with existing municipalities in developing areas destined for ultimate annexation or in "New-town-in-town" developments within the borders of municipalities. In order to avoid eroding the local property tax base during the holding period, States should provide for appropriate "in-lieu" payments to reimburse localities for lost revenue.

The agencies' operations could be financed, as appropriate, through direct appropriations, charges and rents, grants, sales of land, and borrowing, if authorized. Borrowing authority could be granted on a revenue basis in anticipation of land sales and rents. Revenue from land sales and rent could provide a major source of income and a significant part of the operations of State land development agencies could be on a revolving fund basis after an initial appropriation of working capital, supplemented only as needed by subsequent direct appropriations or borrowing.

The exercise of land purchase and eminent domain powers could face legal barriers in some States. Yet, it is already clearly accepted in virtually all of the States that, where land acquisition through purchase or eminent domain involves clearing of blighted land for subsequent sale to private developers, it is a public use and a permissible exercise of public authority. Moreover, it is also accepted in nearly all of the States and in Federal urban renewal legislation that public acquisition may also include ". . . land which is predominantly open and which because of obsolete planning, diversity of ownership, deterioration of structures, or site improvements, or otherwise, substantially impairs or arrests the sound growth of the community." These legal precedents in urban renewal provide a basis for a policy which asserts that planned urban develop-

ment of vacant land to avoid subsequent blight and deterioration is as justified a public objective as the removal of blight and deterioration after it has occurred.

Historically, there are a number of accepted precedents for the taking of open land for subsequent private uses which appear to be no more compelling than the objective of attaining a desirable pattern of urban growth which incorporates the best possible current design and practices and which seeks to avoid future deterioration. Earlier examples involve a number of instances that were justified by a showing of a compelling economic need. These included condemnation for irrigation canals in the West, the mill acts in the East permitting the erection of a mill dam and the consequent flooding of another's land, the construction of private logging roads, altering watercourses to assist in private development of natural resources, and even the direct delegation of eminent domain powers to some public utilities for the locations of lines and facilities.

Several State courts have already accepted the broader view that the type of "public use" necessary to justify the exercise of eminent domain power extends not only to "use by the public" but also to "use for the public advantage" or "public benefits." According to this dictum, anything that "leads to the growth of towns and the creation of new resources for the employment of capital and labor, manifestly contributes to the general welfare and prosperity of the whole community" and is encompassed by the concept of public use.¹

Particular care should be taken in drafting State legislation authorizing the exercise of eminent domain powers by land development agencies to include a clear and definite finding by the legislature that the acquisition of land for future development to assure the best possible use of a natural resource is a public purpose. Courts increasingly defer to legislative findings of public purpose. Such a finding, of course, would be substantially buttressed by the presence of State urbanization policy identifying certain patterns of development as being in the public interest.

ii. New Community Development. Many State programs of assistance to local governments are or could be made available for new community development. A number of examples of such programs were discussed in a previous chapter. In addition, States should consider removing from their constitutions and statutes those impediments which foreclose or limit the availability of local assistance programs to such new communities.

5. Provision of State property tax deferral for new community development

The adoption of State legislation to temporarily reimburse developers for local taxes they pay on property in a new community would ease the financial strain on private developers during the early stages of new community development without undermining the local tax base.

Such reimbursement should be conditioned on certification by the State agency administering the State urbanization plan to the appropriate State fiscal department that the new community meets the standards of the plan. Among such standards there should be the requirement that eligible developers provide low-income housing in the same proportion of total projected housing in the new community development as the proportion that low-income families bear to total State or metropolitan population. Further, the reimbursement should constitute a deferred liability of the taxpayer to the State recoverable from him without interest when the property is sold, but no later than the expiration of the deferment period prescribed by the legislature.

One of the larger, unavoidable, **out** of pocket costs to new community developers is the local property tax. Yet, outright exemption of such property from local levies could severely strain local budgets at a time when local government is experiencing the greatest pressure to expand services and capital outlays. States

¹Nichols, *The Law of Eminent Domain*, Section 7.2, p. 63.

with their larger fiscal capability can and should assume a role here pursuant to their balanced urbanization policies.

State reimbursement of local property taxes during the initial development would alleviate a significant and often critical financial burden on the new community developer and encourage completion of the project in accordance with originally scheduled **high** standards. As the developer's investment begins to pay off through sales of property and appreciation in values, the State can recoup its reimbursement. This tax deferral benefit obviously should be made available selectively and only to promote the State urbanization plan. With this focus, tax deferral could be made an effective yet inexpensive lever to promote the public interest while aiding private initiative. In an effort both to preserve open space and facilitate assembly of large tracts of land for development, a number of States accord farmland special treatment for assessment purposes. This policy provides developers and those engaged in farming for livelihood equal privileges. Compared to this approach, tax deferral as proposed here is much to be preferred.

It should be emphasized that there is no inconsistency between giving a new community developer an extension of his loss carry-over period as discussed earlier in connection with Recommendation Number Four and deferring his property tax payments as here described. There is no "double-dip" in the accounting sense—the developer accounts for his property tax liabilities on a cash or accrual basis just as he normally would. Tax deferral simply changes the timing of the actual cash outlay to conform better with the developer's cash flow position.

In its previous reports, this Commission has noted repeatedly the lack of State involvement in urban affairs and the tendency of States to **react** rather than **act** on the vital public issues in urban development. The Commission here points to a specific instance where States can channel urban development to specific locations identified for growth in accordance with a State plan. Short of a real investment, States can hardly expect more than grudging compliance with their urbanization program. **This** approach then has a character **akin** to earnest money to carry out a contract between the State, the private developer, local government, and even the Federal government where it offers incentives for new community development.

C. OTHER INTERGOVERNMENTAL MEASURES FOR MORE ORDERLY URBAN DEVELOPMENT

For national and State urban growth policies to succeed, local governmental institutions must be capable of guiding, supervising and directing urban growth and providing adequate services and facilities, both in existing built-up areas and in emerging new urban growth centers. Large metropolitan areas must develop institutional arrangements which can govern and revitalize the densely populated central cities and suburbs, yet control the inevitable new growth in the remaining unoccupied and cleared land as well as in areas around the periphery. The smaller urban centers, small towns, and rural counties must prepare themselves to deal with an intensity and pace of urban growth which many have not faced before.

In terms of their role in guiding urban growth, local governments must be equipped with new and sharper tools to exercise more initiative in urban land-use planning and regulation. Steps must also be taken to develop effective operating relationships among the various elements of the planning and land-use control process as well as among the units and levels of government involved. Too frequently, separate elements are independently administered and enforced.

The Advisory Commission has made numerous recommendations in earlier reports to make local government more capable of providing services, controlling urban growth, achieving effective and better coordinated planning and land-use control as well as regulation.' The new approaches described in this section

¹For a list of Commission recommendations and references to source reports, see the brochure, *The Advisory Commission on Intergovernmental Relations*, May 1, 1967. For draft State legislation implementing many of these recommendations, see *1968 State Legislative Program*, September 1967.

should be considered against the background of these earlier Commission proposals, a description of which follows.

Strengthening Local Government. The most overriding fact for local governments today is that the forces of urbanization do not respect municipal, town or county boundaries. The consequences for local governments in urban and urbanizing areas are plain: municipalities acting alone cannot provide adequate services and guide effectively the economic and social forces of urban growth. The evidence is everywhere: air and water contaminants produced in one community befoul neighboring jurisdictions; traffic generated in the suburbs draws business and industry away from the older, congested central city; housing and employment policies in one part of the area complicate the social problems in others; and so on. In short, urban growth generates a greater interdependence which governmental jurisdictions—acting in isolation—cannot effectively deal with.

The Commission has concluded from its previous studies that States should make available, and public officials and citizens at the local level should use, one or more institutional arrangements that permit dealing with areawide forces on an areawide scale. It has recommended State authorization for:

- areawide planning bodies, to enable establishment of a framework to guide public decisions that inevitably overleap municipal boundaries;
- metropolitan functional authorities, administering such functions of an areawide nature as are approved by the voters (which could include urban development and new community projects);
- transfers of functions between cities and counties when approved by the governing bodies of both;
- @ multi-purpose regional planning and development agencies in nonmetropolitan areas to undertake physical, economic, and human resource programs over multi-county areas;
- cooperation among local units through interlocal contracts and joint agreements;
- liberalization of State annexation legislation to allow cities to initiate annexation proceedings and take away from residents of outside areas the power of absolute veto of those proceedings; and
- exercise of extraterritorial control of planning, zoning, and subdivision regulation by municipalities where such county controls do not exist.

Recognizing the need for a continuing institutional framework within which local officials can come together, discuss common problems, and cooperate in attempting to solve them, the Commission has endorsed the use of voluntary metropolitan councils of governments. In the belief that residents of metropolitan areas may benefit from a formal mechanism and procedure for examination of their intergovernmental problems, it has recommended legislation authorizing creation of metropolitan study commissions with power to propose measures to the legislature or the voters for reorganizing existing institutional arrangements.

The Commission **has** also urged adoption of measures to forestall further proliferation of governments in urban areas. It has proposed stricter State standards for new incorporations within these areas, and has recommended local review agencies to supervise the formation, consolidation and dissolution of special purpose districts. Further, the Commission has proposed that a State agency be authorized, subject to public hearing and court review, to consolidate or dissolve local governmental units within metropolitan areas, to stop the use of interlocal contracts that foster fragmentation, and to reduce State aid to local governments not meeting statutory standards of economic, geographic, and political viability.

The foregoing measures are designed primarily to enable government at the local level to cope with areawide problems and make it generally more capable of meeting growing public needs. Another dimension

of government in metropolitan areas and, indeed, the other side of the coin, is the need to allow meaningful participation of citizens in the large cities and urban counties where the local government and administration often appears remote and impersonal. In its recent report on *Fiscal Balance in the American Federal System*, the Commission has recommended the establishment of subunits of government, representing neighborhood residents, at the discretion of general units of government. Those neighborhood units could perform certain local governmental services, articulate the residents' viewpoints as broader programs, and exercise limited fiscal powers.

The Commission has proposed other steps to increase local governments' general capability, including:

- constitutional provision of "residual powers", authorizing designated local units to exercise all powers not expressly denied by State legislation;
- legislative authorization of optional forms of municipal and county government;
- authorization for counties to establish special subordinate service districts within their borders to provide different levels and kinds of service to areas having varying needs;
- State action to strengthen property tax administration;
- State action to provide greater flexibility in local property taxing and borrowing powers;
- State financial and technical assistance;
- recognition of the State's responsibility for assistance to localities by establishment of State officers of local affairs or community development.

The Commission's previous proposals, in short, are rooted in the assumption that the forces of urbanization can be constructively channeled only by governmental structures and powers that are equal to the task. They recognize that new institutional arrangements are needed for planning and decision-making which involves areawide issues and problems and that the citizens and officials of urban areas should use such arrangements, tailored to their own needs and desires. These Commission proposals offer a range of approaches from which individual communities can forge their own particular solutions, with the aid and encouragement of their State governments. While many are directed primarily to metropolitan areas, they are applicable to smaller and newer centers of urban growth which are also suffering the strain of "spillovers" of costs and benefits between and among individual local governments.

Some of the above alternatives for structural and functional changes have particular significance for the control of large-scale urban and new community development and they warrant further elaboration:

○ State or local agencies that are charged with reviewing the proposed formation of new municipal corporations and special districts; with assessing proposals for changes in local boundaries or jurisdictional status; or with ordering such changes have particular potential for dealing with the governmental problems of new communities. They can develop a body of precedents incorporating criteria for governmental organization. These criteria, developed from specific cases, could be supplemented by special studies and research done on the agencies' own initiative. Together, the criteria and studies could provide a sense of direction for governmental organization in urban areas. A recent report on California Local Agency Formation Commissions encourages them to develop county governmental plans in much the same way that county planning departments now prepare county physical development plans for these jurisdictions.

'Governmental Structure, Organization, and Planning in Metropolitan Areas, Report No. A-5, July 1961, pp. 3940 and *The Problem of Special Districts in American Government*, Report No. A-22, May 1964, Recommendation No. 1, pp. 75-77.

Equally important, these State or local review agencies could assume an interim “trusteeship” or “over-seer” function during the development and transitional stages of new communities. Such agencies could also help to develop and approve the final status at the appropriate time. The interim guidance and control could be initiated by provision for new community development in the agencies’ governmental plans referred to above. Continuing surveillance by the annexation and incorporation or annexation. It would help avoid premature incorporation or annexation undertaken on the initiative of a small number of initial residents. Either of these can thwart the realization of the best of community plans. It has been suggested that in selected cases immunity from incorporation or annexation might be officially acknowledged for the period of development through certification by the review agency—after presentation of the development plan, a public hearing, and an airing of objections.

● The proposal for authorizing counties to form special subordinate service districts within their borders would be particularly useful when a large-scale urban or new community development is slated to occupy a portion of a county. Forming special areas for such a development is one way of meeting their special financial needs, while avoiding the proliferation of limited purpose special districts.’

● New community development **also** stands to reap particular benefits from easing rigid and often unrealistic tax and debt limits prescribed by State constitutions or statutes. Such limits are generally expressed as a percentage of the property tax base or of current revenues or expenditures, neither of which is very large during the early stages of development when capital outlay needs for new community development are high. Relating long-term borrowing to the net interest cost of prospective bond issues: and removing constitutional and statutory property tax limits or restricting them to operating levies would give local governments the greater fiscal flexibility they need to finance unusually large initial public investments in large-scale development.³

● The Commission’s endorsement of interlocal contracts and agreements as a workable method of meeting particular areawide problems also has particular relevance for an emerging new community.⁴ Using this approach, a State land development authority could contract with county governments or existing special district governments for the provision of utilities. In new communities bordering or accessible to established cities, contracts for services such as water and sewerage are also possible. Where available, they might well influence a new community’s decision on whether or not to incorporate.

Mechanisms for Guiding and Regulating Urban Growth. If a national urbanization policy is to be implemented at the State and local levels, efforts must be made to bring planning efforts and development controls into closer harmony. As presently practiced, for example, zoning has balkanized our cities into districts with precise and sometimes arbitrary boundary lines. Zoning often is not related to any community plan, nor to other regulatory devices such as those mentioned above. Neither is it necessarily related to property tax assessment, which in turn, is not linked with any community plan. Moreover, community plans, zoning, and land-use regulations are not necessarily related to regional or areawide plans; yet the implementation of many elements of regional plans depends on local land-use regulation, controls, decisions, and enforcement.

¹ *The Problem of Special Districts in American Government*, Report No. A-20, May 1964, Recommendation No. 8, pp. 82-84.

² *State Constitutional and Statutory Restrictions on Local Government Debt*, Report No. A-10, Recommendations No. 3 and 4, pp. 75-82.

³ *State Constitutional and Statutory Restrictions on Local Taxing Powers*, Report No. A-12, October 1962, pp. 6-8.

⁴ *Governmental Structure, Organization, and Planning in Metropolitan Areas, op. cit.*, Recommendation No. 3, pp. 24-26.

Land-use and development controls then must be viewed not only as negative regulatory instruments for accomplishing public objectives, but as a positive component of public participation in influencing and giving direction to the urban growth of our nation. The major governmental determinants of urban development must also be planned and administered with this positive goal in mind—the location and the timing of public facilities, recreation and open space land, extension of water and sewer lines and facilities, and highway building.

The Advisory Commission has previously made several specific recommendations with these objectives in mind:

● **An** important earlier recommendation dealt with local planning and zoning actions having an areawide influence. The Commission's suggested legislation implementing the proposal provides for county or regional areawide review of the following actions taken by existing communities under a specified population level: local planning, zoning, subdivision control, and official map regulations which have an areawide impact. It also establishes direct exercise by counties or regional agencies of planning and land-use controls within newly created communities until they reach a certain population size.' These provisions would have obvious relevance for large-scale urban development, such as that involved in building new communities or major urban expansions.

● In addition to highways, water and sewer lines involve decisions concerning location and timing of construction that provide a strategic lever to local governments for influencing urban development. Clearly, decisions regarding construction of these improvements should be directly related to overall urban development policy.

In a previous report, the Commission recommended that public officials in urban areas make greater efforts to increase public investment in urban water utilities, particularly for sewage treatment.' It further recommended that comprehensive metropolitanwide, watershed, and drainage basin water utility planning be undertaken in each metropolitan area; that this planning integrate the provision of water and sewer services with other metropolitan functions to insure economies of scale and to promote sound overall patterns of metropolitan development; and that full use be made of water and sewage planning and development as a basic tool for directing overall urban development along desirable and orderly lines.³ Finally, the Commission proposed legislation to endow the appropriate State and local agencies with regulatory authority over individual wells and septic tanks installations with the objective of limiting their use to exceptional situations consistent with comprehensive land-use goals.⁴

To assist in implementing these recommendations, a suggested State act was developed in cooperation with the U.S. Public Health Service. The legislation, although basically designed to deal with public health and pollution control matters and more specifically the control of individual wells and septic tanks, has much broader implications. It provides for development of areawide water supply and sewage disposal plans (which could, and perhaps should, be part of the general comprehensive areawide plans where they exist). It also makes provision for delineating areas where only communitywide systems could be used; areas where individual systems could be installed on an interim basis; and areas where such systems could be installed and used for an indefinite period. The community plans would be required to provide for the orderly expansion and extension of community water supply and sewage systems in a manner consistent with the area's needs. They would also stipulate "with all practical precision" the portions of the area within which community

¹*Metropolitan, Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs*, Report No. A-25, Recommendation No. 2, January 1965, pp. 94-97.

²*Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas*, Report No. A-13, October 1962, Recommendation No. 1, pp. 103-104.

³ *Ibid.*, Recommendation No. 3, pp. 108-111.

⁴ *Ibid.*, Recommendation No. 5, pp. 114-117.

systems might reasonably be expected within five, ten, and more than ten years. With approval of an area-wide plan by the appropriate State agency, water and sewage systems not in conformance with it would be prohibited. Because of its emphasis on timing of urban development and on relating the provision of water and sewage facilities to urban development plans, this proposal provides a major element in the “planning areas” procedure described in the previous chapter.

Against this background of previous recommendations, the Commission now submits further possible steps that States might consider in strengthening local government’s capacity to achieve more orderly urban development, and in upgrading land-use and development planning and regulation.

6. Enactment of State legislation to strengthen county government by broadening powers and facilitating consolidation

In many areas counties constitute an existing unit of government with appropriate geographic jurisdiction to serve urban growth areas. In such places, States can facilitate and encourage counties to fulfill their potential as areawide urban governments. To perform as effective urban governments, however, many county governments need improved structure and added powers. To this end, the Commission has already made a number of recommendations, as noted earlier, including voluntary transfer of functions between municipalities and counties and optional forms of county government.¹ Yet counties also need additional powers that have particular relevance to regulating and assisting large-scale urban and new community development. Such powers are especially critical for county governments, since they usually exercise sole governmental responsibility below the State level for the unincorporated territories where such development generally takes place.

Counties need the personnel and the organizational structure capable of dealing with public development authorities, private developers, and other corporations and agencies which may undertake new community development. They should be in a position to exercise planning, zoning, building code, land-use, subdivision regulation, and other powers associated with control of urban growth, particularly in those areas outside existing metropolitan centers which are experiencing rapid urbanization.

A modified approach to new community development depends upon the planning and development of multi-purpose town centers incorporating retail, commercial, cultural, educational and multi-family facilities as generators of and a focal point for surrounding urban development. Such an approach, which is being considered in several metropolitan areas of the country, requires active and incisive participation by local government—generally the county—which has land-use development regulatory authority. Success depends on the quality and effectiveness of planning, land-use development, and timing controls exercised over the residential areas surrounding a town center. In addition, the acquisition of open space can be used to identify the confines of a logical area of growth surrounding a town center, thus in effect outlining a potential new community.²

As a first step toward coordinating land-use planning, capital improvements programming, and land-use regulations, counties may wish to consider establishing “planning areas” which differentiate among: (1) the built-up areas, (2) the developing areas that are in process of development or appropriate for development in the near future, and (3) the rural areas that are not appropriate for development in the near future. Other

¹For the transfer of function recommendation see, *Governmental Structure, Organization, and Planning in Metropolitan Areas, op. cit.*, pp. 30-31. The Optional Charter Recommendation appears in *State Constitutional and Statutory Restrictions Upon the Structural, Functional, and Personal Powers of Local Government*, Report No. A-12, p. 71.

²See *Governmental Structure, Organization, and Planning in Metropolitan Areas, op. cit.*, pp. 40-41.

new and more flexible zoning and land-use control techniques may also be used. One such device is the designation of “unmapped” or “floating” zones, which provide for varying types of uses within the planning jurisdiction—not tied to specific geographic locations. Another involves planned unit and planned community development ordinances which introduce an element of flexibility for a whole development or community design, so long as overall densities and ratios of residential to commercial and industrial uses are maintained. Finally, counties could acquire open space land for public purposes and urban development and exercise development controls along highway interchanges, access roads, and rights-of-way. These devices are discussed in more detail below.

Where the economic, social, and natural patterns of urban growth extend beyond a single county, consolidating counties may offer a feasible alternative to superimposing an additional areawide level of government. The Commission realizes that in the past there has been little inclination and even less action leading to county consolidations. Lack of progress generally is not due to lack of constitutional and legislative authorization, but to a lack of motivation and resistance to change. Opposition is formidable from political forces, fearing losses in public office and influence, and often from commercial interests afraid of losing long-established place-name identification. Yet, for those areas—particularly rural—that are beginning or about to begin to experience rapid urbanization, county consolidation might well provide the most workable areawide approach to providing urban services, since it builds on an existing governmental structure. States through the use of incentives can take positive steps to encourage counties to merge. Such incentives might include payment to merged counties of a larger State share of the cost of State-county financed services, such as highways, education, or welfare, at least for a certain minimum period of time. This kind of bonus was authorized in Georgia to induce two or more local governments to undertake consolidation or joint administration of particular functional programs. Additional encouragement might come from State offices of local affairs or community development, where they exist, offering to assist counties with the technical and administrative problems involved in achieving consolidation. Such assistance might be helpful, for example, in working out provisions for protecting the rights of employees, which is frequently an important step to avoid the opposition of employee groups to any merger.

7. Enactment of State legislation to authorize municipalities to annex territory for new Community development under certain conditions.

Under this concept, municipalities would be given the authority, subject to the approval of a State or local boundary commission or other appropriate agency, to annex contiguous or noncontiguous unincorporated areas of sufficient size to be developed as new communities. In connection with such authority they could be authorized: (1) to establish subordinate general improvement districts in order to relate the costs and benefits of providing public improvements to the area annexed and (2) to give residents of such areas special representation in proceedings relating to land-use control and development of the area. This approach is not suitable in those States or metropolitan areas where the urban county has become the “chosen instrument” of local government.

As long as undeveloped land still exists on or near the borders of cities and other incorporated units, there is a great potential for orderly growth by natural accretion through the traditional exercise of municipal annexation powers. Yet, the laws of many States have created several major impediments to the smooth functioning of municipal growth by annexation. One impediment is the requirement that residents of the area to be annexed approve the annexation. Another is the reservation to such residents of the sole right to initiate annexations. As a result, cities in many States have been frustrated in their efforts to expand their boundaries and thereby achieve a degree of order in the growing edge of urbanization beyond their borders.

In response to this situation, seven States (Alaska, California, Colorado, Minnesota, New Mexico, Washington and Wisconsin) in recent years have taken a variety of statutory approaches to liberalize the annexing powers of municipalities and provide more effectively for extending boundaries in accordance with fringe growth, while at the same time protecting outlying residents against inequitable or arbitrary action: These

statutes involve modification of the exclusive power of unincorporated areas to initiate annexation actions and then power to veto proposed annexations, but at the Same time prescribe rational standards that must be met to assure that annexation is desirable and that the annexed area will receive the benefits which absorption by a municipality are presumed to bestow.

In its 1961 report, *Governmental Structures, Organization and Planning in Metropolitan Areas*, this Commission urged States to allow municipalities to initiate annexation proceedings, and to follow, where appropriate to individual needs and circumstances, the example of States that have adopted legislation facilitating municipal annexations.¹

In addition States could give their municipalities authority to annex territory of a size large enough to be developed as a new community, subject only to the approval of a State or local agency established pursuant to statute. Residents in the territory to be annexed would have no right to veto the municipally-initiated action, but their interests would be safeguarded by the State or local agency. For this purpose, the statute should prescribe criteria to be followed by the agency to assure that, for example, the area is large enough to constitute a new community, and that the annexing municipality provides within a specific time a reasonable level of municipal services at a fair cost to the property owners resident in the area at the time of annexation.

To minimize the difficulties of all parties concerned, it would be desirable to establish cooperatives procedures whereby logical areas for new community development would be identified by the cities, the review agency, and local and areawide planning agencies. To make further provision for an orderly transition and integration of the new area into the existing municipality, the municipality should be authorized to establish subordinate general improvement districts for fiscal purposes and "local councils" to provide special representation for the annexed area on certain matters regarding its physical development. As a purely fiscal measure, municipalities should be authorized to establish subordinate general improvement districts within their borders to levy property taxes on specific areas in order to service bond issues for public works within such areas. This arrangement would make it possible to insulate the existing developed city from liability for such financing and to assure that the area benefited would bear the burden of repayment for benefits directly attributable to it.

At the Same time, the annexed areas should be authorized to establish local councils representative of the residents within the area, in order to give them a voice in land use and development decisions affecting them. Major land use measures applicable to the area, such as comprehensive plans, zoning ordinances, subdivision ordinances and plats, and planned unit development proposals could be made subject to review and endorsement or rejection by the local council. Rejection could be absolute, subject to overriding by an extraordinary majority of the city council, or merely suspensive prompting reconsideration and time for further review.

Special area provisions such as these would be a way of meeting legislative criteria for assuring the area residents that service and financial arrangements would be equitable. They would serve to facilitate the transition and remove resistance to annexation. Some of the objections of the annexed area to being absorbed into the large jurisdiction could be met by the representative character of the local council. On the other hand, possible objections from the residents of the acquiring city to assuming the burden of new public works for the annexed area also could be met by the improvement district approach.

While annexation is adaptable to any type of expansion of an existing municipality, it has particular relevance for building a new community. Such an approach provides the authority and institutional arrangements through which existing cities can participate in new community development in areas currently out-

¹ Advisory Commission on Intergovernmental Relations, *Governmental Structures, Organization and Planning in Metropolitan Areas*, (Washington: June 1961), pp. 21-24.

side of their borders. It offers an opportunity for cities to develop a coordinate plan for renewal and rehabilitation within their borders coupled with relocation and provision of additional housing in yet unoccupied areas.

This annexation approach to new community development would be well adapted to the recently proposed new concept of "skip annexation," which serves as a method of allowing for planned expansion of a city completely enclosed by incorporated places. Under this method a city could acquire noncontiguous unimproved land.

"This new land area could then be used as a 'bank' and a wide variety of attractive and well-planned residential and recreational facilities could be provided for current and future city residents in **all** economic and social classes as well as for commercial and industrial enterprises which seek more space or new location. Construction and land ownership would be a matter for private enterprise except, of course, for public facilities. The older properties of the innercity which would be vacated by individuals and firms moving into the new land area could be demolished and replaced by open space or by more desirable structures according to **an** orderly plan."¹

8. Enactment of State legislation authorizing an appropriate State agency to exercise development controls over highway interchanges and rights-of-way

Highways, along with water and sewer lines and facilities, are among the major determinants of the location of urban development. Public decisions regarding the provision of these facilities can be a major method of channeling and influencing the timing of urban development. New communities have almost exclusively been located near major interchanges on expressways. Those located elsewhere have experienced slower growth and frequently suffered financial difficulties. By a judicious use of development controls along highways coupled with an access policy related to areawide development plans, public jurisdictions can exert a significant influence upon development patterns.

Highway planning clearly should be an integral part of overall physical planning. The areawide planning requirement in the Highway Act of 1962 and the 701 program have been major stimulators of significant growth in State and local planning. Yet, highway planning should not become the tail that wags the dog. It must be a part of general areawide development planning, as is the case in a number of areas. When integrated with other physical planning and related to local land use and development programs, the total process of urban development can be greatly strengthened.

Special problems are created by the extension of major limited access highways through the rural countryside. In such areas, counties and smaller municipalities normally do not have adequate land-use development, subdivision, and other controls to regulate the increased commercial, industrial and homebuilding activities generated by the highways. Although the rights-of-way of Federal interstate highways are rigidly regulated, the areas immediately beyond and particularly along the access road are becoming dreary, unsightly, honky-tonk strip developments of the worst sort. The very rigidity of the highway controls generates clustering of motel, restaurant, drive-in and other type of activities along the rights-of-way at access points and at interchanges. Furthermore, the highways also generate isolated, small, industrial, warehouse and similar installations and subdivisions. The ten-story high filling station sign looming up above all the natural features of the countryside has become the symbol of such development. The real problem arises from the fact that once established, many of the uses are protected as "nonforming uses" even when controls finally are inaugurated.

A national policy to deal with urban growth might well include policies designed to encourage industries to locate in certain areas. However, any such action might intensify the problems described if adequate

¹Kent Matthewson, "A Challenging New Concept: Skip Annexation," *The Nation's Cities*, Vol. V, No. 10 (October, 1967), pp. 4144.

controls are not provided in potential urban growth areas along interstate and other main highways. As a means to assure such regulation where municipalities or counties do not exercise effective land use and development controls at access points and along major highway rights-of-way, an appropriate State agency be authorized to do so, pursuant to criteria and standards set forth in the authorizing legislation. The agency might be the highway department or department of community affairs, for example.

Decision as to whether local controls are effective probably would have to be left to an administrative agency, perhaps a local agency formation commission or the State planning body, but also pursuant to legislatively-prescribed criteria. Provision should also be made for counties and municipalities to appeal to the courts on decisions declaring their controls not qualified. If the decision were made by a local agency formation commission, appeal might be first made to a State agency, such as the State planning body, then to the courts. Finally, the legislation should provide for establishing or reestablishing local controls at such times as the county or municipality showed readiness to exercise such controls at a level of effectiveness meeting statutory criteria. Whoever exercises control over land-use and development at these highway points should do so consistent with a State's urbanization plan.

9. Enactment of State legislation to authorize new types of development ordinances and regulations

To make a number of new urban development tools available to local governments, States should consider enacting enabling legislation authorizing local governments to adopt the following kinds of ordinances and regulations to guide future urban growth:

- an “official map” reserving designated lands for specified periods of time for a range of public uses, including streets, public facilities, parks, and schools;
- a requirement for dedication of land by developers for park and school sites or, at the local government's option, a cash payment in lieu of such dedication;
- “planned unit development” regulations to replace certain rigid conventional zoning standards with broad general standards, but with detailed administrative review and approval of site plans;
- “unmapped” or “floating” zones, which are defined in the text of a zoning ordinance but not specifically located on the accompanying zoning map.

Several new techniques are available to assist in full realizing the potential of local land-use and development programs emphasizing large-scale development, such as planned neighborhoods and new communities. Several States have laws authorizing an “official map” which identifies and may reserve in advance of actual need (for a specified period of time), land for streets, parks and other public facilities.

Three other techniques have been much less widely adopted. About half a dozen States specifically authorize the adoption of the “planned unit development” (PUD) approach or one of its variants. In a number of other States existing zoning, subdivision control, and other land-use and development regulations appear to permit use of the PUD on the initiative of at least some of the local governments. PUD coordinates zoning and subdivision regulations at the predevelopment stage, eliminating extra steps by considering all aspects of development, from street widths to sideyards, in a single site plan review. The use of “unmapped” or “floating” zones permits identification of certain types of zones and the adoption of applicable standards without specifically locating their metes and bounds on a map. This provides a planning jurisdiction with greater flexibility in meeting specific needs and adapting to current development while still providing predictability and guidance to potential developers. Finally, requiring developers to dedicate land for neighborhood open space-park-recreation-schoolsites as well as to provide facilities for streets, curbs, sidewalks, gutters, sewer and water lines, would help to assure a sound pattern of facilities for urban development. The potentialities of these four are as follows:

Official Maps. The adoption of an official map specifically identifies and maps future locations for streets, public facilities, parks, playgrounds, and other public uses and officially reserves the sites for future public acquisition. It is a major tool to assist governments in directing urban development and providing adequate services at a reasonable cost. Used in coordination with other appropriate measures as part of an overall urban development program it provides for the identification of areas slated for development in the near future. By prohibiting or restricting development within the areas needed for public uses it assures that where negotiated settlements are not possible, condemnation proceedings will avoid costly taking of structures and development. While over **40** States have some type of official map legislation on their books, in only 26 does it include the power to actually reserve land for streets and in only 13 to reserve land for park and playground areas. In the other instances, an official map is merely a specific indication of where the public uses are intended and serves no other legal purpose. Since an official map authorization without reservation provisions does not endow localities with substantially more authority than they have under a general provision authorizing the adoption of physical development plans, States should consider adopting enforceable official map authorization applicable to all major public uses.

The absolute reservation should not extend for an indefinite period. One approach, for example, is to require the institution of purchase proceedings by the public jurisdiction within a stated period of time following the filing of a preliminary plat, site plan, or building permit request. Unless the reserved property is purchased or condemnation proceedings instituted **with** a stated period, the property would then be free of the official map reservation.

Mandatory Dedication of Public Facility Sites. Subdivision control enabling legislation in most States authorizes local governments to adopt reasonable regulations and measures to assure that there will be adequate provision for drainage, flood control, streets, sanitary sewers, and other utilities. In most States, developers can be required to provide streets, curbs, gutters, sidewalks, sewer lines, water lines, and storm drainage facilities to service their own subdivision. This is a procedure which is analogous to the special benefit assessments which are generally accepted as a method of paying for facilities in built-up areas whose benefits can be directly attributed to the immediate area. These provisions have been much less frequently applied to land or open space, park and recreation facilities, and school sites. However, it is now generally recognized that this type of public open space is a vital feature of sound subdivision design and is as necessary for the public welfare as the provision of physical facilities, such as streets and sewers.

A number of States have amended subdivision control and enabling legislation to include authorization for local governments to make reasonable provisions for open space, recreation and school site land and to require dedication by the developers. One of the difficulties in administering such a provision is that small developments frequently will not include either enough total land or enough desirably located land to dedicate to one of these purposes. To make the provisions workable, therefore, it is necessary that there be included a provision for payment-in-lieu of dedication at the local jurisdiction's option.

Not only is this type of mandatory provision desirable on general principle, but putting it on this basis will also eliminate one type of abuse that has crept into subdivision regulation in a number of areas. Local jurisdictions have frequently sought and obtained "voluntary" dedication of open space, parks, and school sites from developers in exchange for approval of a rezoning and subdivision plan request. This leads to a number of inequities and discriminatory practices. On occasion, higher density uses are allowed in exchange for dedication of land by the developer. As part of a cluster development approach this is a widely accepted practice. When done independent of the protections in a cluster development ordinance, however, it is subject to abuse.

Compulsory dedication or payment-in-lieu should generally extend only to the amount of land needed for neighborhood, park, recreation, and school use by the residents of a new urban development or community. Under certain circumstances a portion of the dedication or payment-in-lieu might be incorporated into a regional park or facility as part of the overall administration of a dedication program. In any case, the

standards to be used in determining the amount necessary to meet the general requirements should be based on the number and type of dwellings in a development. The county should have the authority to select a particular tract **or** tracts for park and recreation, open space, **or** school purposes. Where an official map exists and identifies sites for these purposes, the dedication would, of course, consist of the designated sites to the extent of a developer's obligation. The local jurisdiction should also have the option of deciding whether to require dedication or *payment-in-lieu*. since the purpose is to acquire appropriately located land for neighborhood public purposes, a developer should not be able to "buy it" of this obligation. The *payment-in-lieu* approach should be used only when a development is not large enough or when there is no satisfactory site **within** the development.

Planned Unit Development. The Commission's sampling of the land-use and development regulatory provisions under which existing new community developments have been undertaken revealed that the single major technique most used was the planned unit development approach. In only a few cases were the provisions specifically designed for whole communities **or** even specifically adopted with new communities in mind. However, this approach is particularly well adapted for large-scale, planned development and is probably one of the most significant steps dealing with land **use** and development controls that could be taken to encourage new community development. The major distinguishing characteristics of the planned unit development technique are that it combines zoning, subdivision control, and other land-use procedures to allow a developer more design flexibility while replacing the traditional, rigid, limited-use zoning districting standards with broad general standards and with detailed administrative review and approval of specific plans. It is particularly appropriate for application in developing areas. Lot-by-lot regulation under existing zoning procedures may be adequate for controlling development in built-up areas. It is designed primarily to prevent the use **of** one lot from injuring the present or future use of an adjoining lot. Such regulation is probably inappropriate and unduly restrictive, however, for areas where development of all lots occurs at approximately the same time and is done by a single party. The planned unit development approach allows the use of innovative, efficient, and topographically-suited site and building patterns including mixed housing types and mixed uses where these can be accomplished in a healthy, wholesome, and attractive manner.

There are a number of variants to this approach. They range from the broad general uses such as planned apartment development (PAD) and planned housing development (PHD) to the much broader residential planned community (RPC) or planned community development (PCD) approaches. While the specific scope of measures adopted may vary, the principle and elements remain the same. This approach allows, for example, a clustering technique in building town- **or** single-family houses by applying an "average density" a p approach. The most topographically appropriate arrangement of units with maximum accessibility from streets and trunk water and sewer lines is permitted if sufficient open space is provided to produce no more than the average required density. Furthermore, appropriate neighborhood, commercial, retail, and institutional uses can be related to multi- and single-family housing uses without adherence to rigid zoning district lines frequently established well in advance of actual development and not necessarily related to plans for a specific development.

The reserved development unit (RDU) has particular relevance to new communities, especially those designed on a neighborhood, village, and town center approach. The **RDU** is simply a planned unit development which has tentatively been approved (without detailed plans) for a certain use or uses. Generally the designation should be accompanied by a guideline figure specifying what density the reserved area might accommodate in the future. Construction of other parts of the new community would take place before the reserved area was developed. The filling in of a designated reserve would occur when market demand and availability of capital dictated its development. The RDU would usually be for residential development. **As** in existing development control legislation, intended use designation and major arterial routes might be required to be shown in the reserved area plan. It should be thought of as a device to allow development following the building of other planned unit developments and, subsequently, additional construction within a planning area sector. For example, construction in a high-intensity land-use area may provide more jobs than residents of existing planned residential neighborhoods can fill. The RDU would allow for newer, expanded residential neighborhoods to house the additional residents.

The RDU approach is applicable to all types of large-scale urban development. Because it is primarily concerned with the reservation of land for filling-in residential development it is applicable to more conventional large-scale development as well as new communities.

“Unmapped“ or “Floating” Zones. An unmapped zone is a zoning district set forth in the text of a zoning ordinance but not located on the accompanying map. This relatively new technique is well suited to large scale projects that could be located in any one of a number of locations. It is particularly appropriate for neighborhood, community, and regional shopping centers where there will be only one of this type of use within a more or less well defined overall area. It may be known, for example, that a number of suitable locations for large shopping centers can be identified. It would be unwise to zone all of these places for such a use, however, since some may be too close to one another for proper traffic patterns. Also, the result would be a scattering of commercial uses that could leave related commercially zoned land and other surrounding lands undesirable for any use. Undertaking a project at one of the possible locations, in other words, could well eliminate several of the alternative sites.

This approach acknowledges the broad principal underlying case-by-case rezoning: that zoning a specific tract does not occur until a developer or owner takes the initiative to seek rezoning. Yet, it eliminates two major weaknesses of the case-by-case approach. First, the “floating” zone approach applies only to appropriate types of zoning categories, that is, those that contemplate only one such category in a relatively large area. There is no reason to have ordinary residential zones on an unmapped basis. Second, it applies specific locational standards in advance so that possible locations can be clearly identified.

This technique would have particular usefulness in an area taking the multi-purpose center and surrounding community development approach to new community development. The areawide or regional development plan would identify a number of possible multi-purpose centers and surrounding community development. Under the “planning areas” approach these potential sites would be generally identified on a comprehensive plan. The planning jurisdiction, however, would not on its own initiative undertake to rezone comprehensively all of the possible multi-purpose center locations. Rather it would wait until a specific project was proposed at a specific location and then effect an appropriate rezoning of that location.

CONCLUDING OBSERVATIONS

Repeatedly throughout this report the Commission has emphasized the intergovernmental dimensions of urban growth. The foregoing recommendations for developing and using coordinated national, State, and local policies call for development of a national policy and a reexamination of the role of multi-State regional planning agencies. A new and expanding role for State government through development of State urban development plans in consultation with local government is recommended. The Commission also suggests a number of measures that should be considered as possible elements of national, State, and local urban growth policies, including locational incentives, assistance for large-scale urban and new community development, improving land use and development planning and regulation, and strengthening local governments to deal with urban growth. Collaboration with the private sector of the national economy is essential to these governmental efforts.

While the Commission believes that the immediate needs of our troubled cities and metropolitan areas and poverty-stricken rural areas is pressing, attention must also be given to the longer range objective of encouraging urban growth patterns that will, on the other hand conserve our national resources, while providing maximum social and economic opportunity to all the citizens. With the establishment of a national policy for guiding the location and character of future urban growth involving the three levels of government and the private sector, creative opportunities exist to provide alternatives to continued concentration of people in existing densely populated areas and to break away from the conventional thinking and approaches to urban development.

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Administrative Adjustments and Review Boards

Post Development Techniques

Concluding Observations

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¹ Single copies of reports may be obtained, without charge, from the Advisory Commission on Intergovernmental Relations, Washington, D.C. 20543.

* Multiple copies of reports may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20540.

