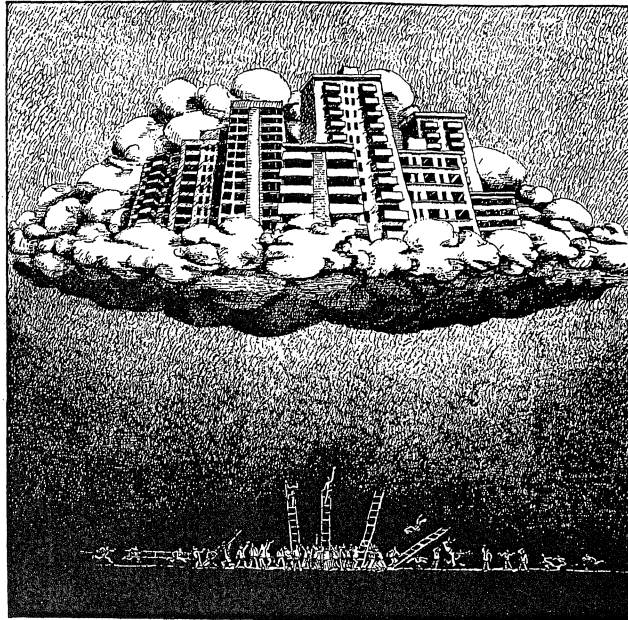


It Has Built Where Nobody Else Would



The Big Goals of the U.D.C.

By ALAN K. CAMPBELL

Amid the controversy over the financial troubles and management of the Urban Development Corporation, little attention has been focused on the relationship between the current problems and the task for which the agency was originally created: to provide housing, particularly for low-income families, increase job opportunities and upgrade blighted and deteriorating areas throughout the state.

This broad mandate, urged upon a reluctant Legislature by former Governor Rockefeller, was deemed necessary because private enterprise and traditional agencies of state and local government were unable or unwilling to undertake such activities. Now, however, the question is: Are the agency's problems evidence that U.D.C. itself is also incapable of doing the job?

Private industry failed in urban development efforts because the kinds of projects assigned to U.D.C. are seldom profitable and require governmental powers that private developers lack. State and local government is inadequate to the task because it is generally unwilling to tackle urban problems in a way that would risk the enmity of a good part of the electorate. And the fragmentation of local government means that no local jurisdiction can encompass a broad enough economic area.

Why It Was Needed

Without such powers, the kind of planning and development needed to ameliorate urban ills is impossible—a situation that is seemingly quite satisfactory to many suburban localities. This was recently illustrated by the resistance the housing agency faced in its efforts to provide low- and moderate-income housing in 10 towns in Westchester County.

These fundamental inadequacies created the need for U.D.C. And in 1968 Mr. Rockefeller created it, despite legislative resistance, strong opposition from suburban legislatures, who urged that it violated home rule, and New York City Democratic reformers and former Mayor John V. Lindsay, who maintained that its power and financing ability would prove inadequate. Mr. Lindsay opposed it on home-rule grounds as well.

Much of the present controversy about the agency has centered on its legal status as a public authority, or, more precisely, as a public-benefit corporation. Such corporations are widely used to marry the power of government with the freedom and flexibility of private enterprise. At the national level, the Tennessee Valley Authority is an example; at the interstate level, the Port Authority of New York and New Jersey, and within New York State, the Metropolitan Transportation Authority.

But even the extraordinary legal powers of U.D.C. to float tax-free bonds with the so-called moral obligation of the state behind them, to override local building and zoning codes, and have short-term exemptions from local taxes have proved insufficient to provide housing within the economic reach of the bottom third of the state's residents. Only 20 per cent of the total housing is for low-income people and 10 per cent for the elderly poor.

From its inception, U.D.C. turned to Federal aid, primarily the mortgage-in-

terest subsidy for home ownership and rent supplements for low-income tenants. Ninety per cent of the agency's housing is Federally subsidized. But the Nixon Administration's moratorium on these programs which went into effect two years ago, abruptly

halted the agency's undertakings except for those already started. The increase of tax-exempt interest rates to 9 per cent and higher on U.D.C. bonds made the high cost of building rise even further, destroying the corporation's ability to provide housing even

in the moderate-income (\$8,000-\$12,000) range.

In the economic-development field, the agency has attempted to build housing near areas where there are existing job opportunities or, in the case of the so-called new towns, to develop housing, employment opportunities, schools and other necessary services all together.

What It Is Doing

About 20 per cent of the building is for industrial and commercial projects. The agency has done this to help make the new towns, such as Radisson, economically self-sufficient or nearly so, and to bolster the economic base of existing communities. Near Jamestown, N. Y., the agency bought and is supervising renovation of a vacant factory for an out-of-state manufacturer that has leased it. It provided Bausch & Lomb, a major optical maker, with funds to encourage it to retain its Rochester, N. Y., plant.

With nearly 34,000 housing units and 69 nonresidential projects finished or under way at an estimated cost of \$1.5-billion, the primary question is whether U.D.C. can help solve New York State's housing and economic-development problems. It is this issue—rather than the much-publicized debate about financial mismanagement, excessive power, "moral obligation" bonds and the free-wheeling style of U.D.C.'s former head, Edward J. Logue—that could well occupy most of the time of the agency's new chairman, Richard Ravitch, and Orville H. Schell's Moroland Act inquiry.

More Federal and state aid and a decline in interest rates on its bonds might help the weakened super-authority. But even if such help were forthcoming, it is an open question whether it would be enough, given the even greater problem of the state's economic decline. This deterioration is exemplified by the fact that the state now has 558,320 fewer jobs than it would have had if it had grown over the last four years at the national rate. This decline relative to the rest of the nation, and the fiscal troubles of the state's major cities, make even the unusual powers granted U.D.C. seem puny. And then the issue becomes not "What is wrong with U.D.C.," but rather, "If not U.D.C., what?"

Alan K. Campbell is dean of the Maxwell School of Public Affairs at Syracuse University.