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STATE OF MAINE

ONE HUNDRED AND EIGHTH LEGISLATURE

COMMITTEE ON STATE GOVERNMENT

August 28, 1978

TO: Housing Study (H.P. 2004) Subcommittee of State Govern-
ment Committee

SUBJECT: Background material on housing and community development

Attached is material to provide background information for use in the study to determine the feasibility of establishing a State department of housing and community development. The material is outlined on the following pages.

A handwritten signature in cursive script, appearing to read 'Bill Brown'.

Bill Brown

enclosures
BB/sym

Summary of Attached Material

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(1) <u>A Summary Description of the Maine Muni-</u> <u>cipal Association</u>	
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- c. Material is not included to describe the programs of several other State agencies active in the housing and community development fields, such as:
- (1) State Planning Office -- e.g., housing and community development planning and data, A-95 review.
 - (2) Bureau of Resource Development, Dept. of Human Services -- administers Title XX funds, to assist eligible persons to obtain additional housing funds, and to provide grants for home improvements.
 - (3) Bureau of Maine's Elderly, Dept. of Human Services -- assistance to groups and individuals to obtain funding for housing for the elderly.
 - (4) Division of Community Services -- coordination of home weatherization and housing rehabilitation technician programs, which are implemented by CAP agencies.
5. Three separately bound booklets on housing:
- a. Indicators of Housing in Maine 1977 (1978), Sherman Hasbrouch, Cooperative Extension Services and Environmental Studies Center, UMO -- contains statistics and interpretative material on the Maine housing situation and housing programs.
 - b. Maine Housing Resources Directory (1978), State Planning Office - lists National, State, and sub-State public and private agencies in the housing field.
 - c. Public Policy and Maine Housing; Policies, Goals, Objectives and Actions; Adopted August 1977 (1977), State Planning Office -- this is the Governor's statement of housing policy (see Executive Order in front of book); see pages 1-5 for a summary of policy and goals.

APPENDIX 1

House Paper 2004,
which authorized the
study.

THE TEXT OF HOUSE PAPER 2004 :

(4-4) On Motion of Mr. CAREY of Waterville, the following Joint Order: (H. P. 2004) (Cosponsor: Mr. CURRAN of South Portland)

Whereas, at the present time, many Maine communities are undertaking housing and community development projects involving housing and urban development and other federal agency funding; and

Whereas, there are approximately 80 different state agencies in the area of housing and community development; and

Whereas, the lack of coordination among these agencies presents problems in providing effective and efficient state assistance in this area; now, therefore, be it

Ordered, the Senate concurring, that the Joint Standing Committee on State Government shall study the feasibility of establishing a State Department of Housing and Community Development to include those agencies currently involved in providing services and financial assistance in the areas of housing and community development and to study any other alternative means of reorganizing those agencies; and be it further

Ordered, that those agencies directly affected by the study shall provide to the Joint Standing Committee on State Government staff assistance necessary to complete this study; and be it further

Ordered, that the committee shall complete this study no later than December 1, 1978, and submit to the Legislative Council within the same time period its findings and recommendations, including copies of any recommended legislation in final draft form; and be it further

Ordered, upon passage in concurrence, that a suitable copy of this Order shall be forwarded to the members of the committee.

APPENDIX 2

A list of the major housing and community development program conducted by the U.S. Department of Housing and Urban Development and the Farmers Home Administration.

Note: This list was compiled from the Directory of Domestic Federal Assistance Programs; Bill Brown has more detailed information from that publication for each of those programs.

HUD--FEDERAL HOUSING COMMISSIONER

HOUSING PROGRAMS

<u>Federal catalog number</u>		<u>Short Title</u>
14.103	Interest reduction payments--rental and cooperative housing for lower income families	Sec. 236
14.104	Interest reduction payments--acquisition and rehabilitation of homes for resale to lower income families	Sec. 235 (j) project mortgage
14.105	Interest reduction payments--homes for lower income families	Sec. 235 (i)
14.106	Interest reduction payments--purchase of rehabilitated homes by lower income families	Sec. 235 (j) homes
14.108	Major home improvement loan insurance--housing outside urban renewal areas	Sec. 203 (h)
14.110	Mobile home loan insurance--financing purchase of mobile home as principal residences of borrowers	Title I
14.112	Mortgage insurance--construction or rehabilitation of condominium projects	Sec. 234 (d)
14.115	Mortgage insurance--development of sales type cooperative projects	Sec. 213 development of sales
14.116	Mortgage insurance--group practice facilities	Title XI
14.117	Mortgage insurance--homes	Sec. 203 (b)
14.118	Mortgage insurance--homes for certified veterans	Sec. 203 (b)
14.119	Mortgage insurance--homes for disaster victims	Sec. 203 (h)
14.120	Mortgage insurance--homes for low and moderate income families	Sec. 221 (d) (2)
14.121	Mortgage insurance--homes in outlying areas	Sec. 203 (i)
14.122	Mortgage insurance--homes in urban renewal areas	220 homes

14.123	Mortgage insurance--housing in older, declining areas	Sec. 223 (e)
14.124	Mortgage insurance--investor sponsored cooperative housing	Investor Sponsor Section 213
14.125	Mortgage insurance--land development and new communities	Title X
14.126	Mortgage insurance--management type cooperative projects	Sec. 213 management type
14.127	Mortgage insurance--mobile home parks	Sec. 207 mobile home parks
14.128	Mortgage insurance--hospitals	Sec. 242
14.129	Mortgage insurance--nursing homes and intermediate care facilities	Sec. 232
14.130	Mortgage insurance--purchase by homeowners of fee simple title from lessors	Sec. 240
14.132	Mortgage insurance--purchase of sales-type cooperative housing units	Sec. 213 Sales
14.133	Mortgage insurance--purchase of units in condominiums	Sec. 234 (c)
14.134	Mortgage insurance--rental housing	Sec. 207
14.135	Mortgage insurance--rental housing for moderate income families	Sec. 221 (d) (4)
14.107	Mortgage insurance--rental housing for low and moderate income families, market interest rate	Sec. 221 (d) (3) market rate
14.138	Mortgage insurance--rental housing for the elderly	Sec. 231
14.137	Mortgage insurance--rental housing in urban renewal areas	Sec. 220 multi-family
14.140	Mortgage insurance--special credit risks	Sec. 237
14.141	Nonprofit housing sponsor loans--planning projects for low and moderate income families	Sec. 106 (b) Non-profit sponsor loan fund

HUD

SELECTED COMMUNITY PLANNING AND
DEVELOPMENT PROGRAMS

<u>Federal catalog number</u>		<u>Short Title</u>
14.203	Comprehensive planning assistance	Sec. 701
14.207	New Communities--loan guarantees	Title VII guaran- tees
14.211	Surplus land for community development	Surplus land program
14.218	Community development block grants--entitlement grants (consolidates 7 former categorical grants, including programs of: 1. Urban renewal 2. Model cities 3. Neighborhood facilities 4. Open spaces land 5. Historical preservation 6. Urban beautification 7. The basic water and sewer facilities loan program 8. Public facilities loans 9. Rehabilitation loans)	
14.219	Community development block grants--discretionary grants	

FARMERS HOME ADMINISTRATION

HOUSING PROGRAMS

<u>Federal catalog number</u>		<u>Short Title</u>
10.405	Farm labor housing loans and grants	Sec. 514 & 516
10.407	Farm ownership loans	Sec. 302
10.410	Low to moderate income housing loans	Sec. 502
10.411	Rural housing site loans	Sec. 523 & 524
10.415	Rural rental and cooperative housing loans	Sec. 515 & 521
10.417	Very low-income housing repair loans and grants	Sec. 504
10.420	Rural self-help housing technical assistance	Sec. 523

FARMERS HOME ADMINISTRATION
COMMUNITY DEVELOPMENT PROGRAMS
OTHER THAN HOUSING (ILLUSTRATIVE?)

<u>Federal catalog number</u>		<u>Short Title</u>
14.404	Emergency loans	Sec' 306. 321 - 328
10.409	Irrigation, drainage, and other soil and water conservation loans	Sec. 306.
10.413	Recreation facility loans	Sec. 304
10.414	Resource conservation and development loans	
10.416	Soil and Water loans	Sec. 304
10.418	Water and waste disposal systems for rural communities	Sec. 306
10.419	Watershed protection and flood prevention loans	
10.422	Business and industrial loans	Sec. 310 (B)
10.423	Community facilities loans	Sec. 306
10.424	Industrial development grants	Sec. 310 (B)

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APPENDIX 3

"National Urban Policy,"
Message to the Congress
from President Carter,
dated March 27, 1978

hood rehabilitation and anticrime projects and a new Urban Volunteer Corps.

All of us recognize, again, that the Federal Government does not have the resources by itself to do the job. We are ready to provide the leadership, the commitment, and the incentives which will encourage all sectors of our country to rebuild and to maintain the quality of America's communities.

Only through unprecedented consultation and cooperation has this urban policy been evolved. Thousands of government officials and private citizens have worked for many months to reach this goal, and now this same mutual effort can ensure success in implementing the proposals.

This job will not be done overnight. Problems which have built up over generations cannot be reversed in a year or even in a term of a President or a Senator. But let there be no doubt that today marks the turning point. For today, we commit the Federal Government to the long-term goal of making America's cities more attractive places in which to work and to live, and helping the people who live in them lead happier and more useful lives. With your help we will not fail.

Thank you very much.

NOTE: The President spoke at 4 p.m. to a group of Federal, State, and local officials in the East Room at the White House.

National Urban Policy

Message to the Congress. March 27, 1978

To the Congress of the United States:

I submit today my proposals for a comprehensive national urban policy. These proposals set a policy framework for actions my Administration has already taken, for proposed new initiatives, and for our efforts to assist America's com-

munities and their residents in the years to come. The policy represents a comprehensive, long-term commitment to the Nation's urban areas.

The urban policy I am announcing today will build a *New Partnership* involving all levels of government, the private sector, and neighborhood and voluntary organizations in a major effort to make America's cities better places in which to live and work. It is a comprehensive policy aimed both at making cities more healthy and improving the lives of the people who live in them.

The major proposals will:

- Improve the effectiveness of existing Federal programs by coordinating these programs, simplifying planning requirements, reorienting resources, and reducing paperwork. And the proposals will make Federal actions more supportive of the urban policy effort and develop a process for analyzing the urban and community impact of all major Federal initiatives.

- Provide employment opportunities, primarily in the private sector, to the long-term unemployed and the disadvantaged in cities. This will be done through a labor-intensive public works program and tax and other incentives for business to hire the long-term unemployed.

- Provide fiscal relief to the most hard-pressed communities.

- Provide strong incentives to attract private investment to distressed communities, including the creation of a National Development Bank, expanded grant programs and targeted tax incentives.

- Encourage States to become partners in assisting urban areas through a new incentive grant program.

- Stimulate greater involvement by neighborhood organizations and voluntary associations through funding neigh-

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borhood development projects and by creating an Urban Volunteer Corps. These efforts will be undertaken with the approval of local elected officials.

- Increase access to opportunity for those disadvantaged by economic circumstance or a history of discrimination.

- Provide additional social and health services to disadvantaged people in cities and communities.

- Improve the urban physical environment and the cultural and aesthetic aspects of urban life by providing additional assistance for housing rehabilitation, mass transit, the arts, culture, parks and recreation facilities.

America's communities are an invaluable national asset. They are the center of our culture, the incubators of new ideas and inventions, the centers of commerce and finance, and the homes of our great museums, libraries and theatres. Cities contain trillions of dollars of public and private investments—investments which we must conserve, rehabilitate and fully use.

The New Partnership I am proposing today will focus the full energies of my Administration on a comprehensive, long-term effort. It will encourage States to redirect their own resources to support their urban areas more effectively. It will encourage local governments to streamline and coordinate their own activities. It will offer incentives to the private sector to make new investments in economically depressed communities. And it will involve citizens and neighborhood and voluntary organizations in meeting the economic and social needs of their communities.

The New Partnership will be guided by these principles:

- Simplifying and improving programs and policy at all levels of government.

- Combining the resources of Federal, State and local government, and using them as a lever to involve the even greater strength of our private economy to conserve and strengthen our cities and communities.

- Being flexible enough to give help where it is most needed and to respond to the particular needs of each community.

- Increasing access to opportunity for those disadvantaged by economic circumstances or history of discrimination.

- And above all, drawing on the sense of community and voluntary effort that I believe is alive in America, and on the loyalty that Americans feel for their neighborhoods.

The need for a New Partnership is clear from the record of the last fifteen years. During the 1960's, the Federal government took a strong leadership role in responding to the problems of the cities. The Federal government attempted to identify the problems, develop the solutions and implement the programs. State and local governments and the private sector were not sufficiently involved. While many of these programs were successful, we learned an important lesson: that the Federal government alone has neither the resources nor the knowledge to solve all urban problems.

An equally important lesson emerged from the experience of the early 1970's. During this period, the Federal government retreated from its responsibilities, leaving States and localities with insufficient resources, interest or leadership to accomplish all that needed to be done. We learned that States and localities cannot solve the problems by themselves.

These experiences taught us that a successful urban policy must build a partnership that involves the leadership of the Federal government and the participation of all levels of government, the private

sector, neighborhood and voluntary organizations and individual citizens.

PRIOR ACTIONS

The problems of our Nation's cities are complex and deep-seated. They have developed gradually over a generation as a result of private market and demographic forces and inadvertent government action; and the problems worsened markedly during the early 1970's.

These problems will not be solved immediately. They can be solved only by the long-term commitment which I offer today, and by the efforts of all levels of government, the private sector and neighborhood and voluntary organizations.

For my Administration, this commitment began on the day I took office and it will continue throughout my Presidency. With the cooperation of Congress, my Administration has already provided substantial increases in funding in many of the major urban assistance programs. Total assistance to State and local governments has increased by 25 percent, from \$68 billion in FY 1977 to \$85 billion in FY 1979. These increases are the direct result of actions we have taken during the past 14 months. They are as much a part of my Administration's urban policy as the initiatives which I am announcing today. Some of the most important programs have already been enacted into law or proposed to the Congress. These include:

- A \$2.7 billion increase over three years in the Community Development Block Grant Program, accompanied by a change in the formula to provide more assistance to the older and declining cities.

- A \$400 million a year Urban Development Action Grant Program providing assistance primarily to distressed cities.

- An expansion of youth and training programs and an increase in the number

of public service employment jobs, from 325,000 to 725,000. Expenditures for employment and training doubled from FY '77 to FY '79 to over \$12 billion.

- A \$400 million private sector jobs proposal has been included in my proposal to reauthorize the CETA legislation. This initiative will encourage private businesses to hire the long-term unemployed and the disadvantaged.

- A sixty-five percent increase in grants provided by the Economic Development Administration to urban areas.

- A thirty percent increase in overall Federal assistance to education, including a \$400 million increase in the Elementary and Secondary Education Act, targeted in substantial part to large city school systems with a concentration of children from low-income families.

- An economic stimulus package enacted last year, (Anti-Recession Fiscal Assistance, Local Public Works and CETA) which provided almost \$9 billion in additional aid to States and cities.

- A welfare reform proposal which, upon passage, will provide immediate fiscal relief to State and local governments.

- A doubling of outlays for the Section 312 housing rehabilitation loan program.

- Creation of a consumer cooperative bank which would provide financing assistance to consumer cooperatives which have difficulty obtaining conventional financing.

IMPROVEMENTS IN EXISTING PROGRAMS

The Administration's Urban and Regional Policy Group (URPG) has examined all of the major urban assistance programs and proposed improvements. It also has worked with agencies traditionally not involved in urban policy, such as the Defense Department, the

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General Services Administration, and the Environmental Protection Agency, and has developed proposals to make their actions more supportive of urban areas. As a result of this massive effort, the Federal government has become more sensitive to urban problems and more committed to their solutions.

The review of existing Federal programs has resulted in more than 150 improvements in existing programs. Most of these improvements can be undertaken immediately through administrative action. Some will require legislation. None will increase the Federal budget.

A few examples of the improvements are:

- All agencies will develop goals and timetables for minority participation in their grants and contracts—five major agencies have already begun.

- The Defense Department will set up a new program to increase procurement in urban areas.

- EPA will modify its water and sewer program to discourage wasteful sprawl.

- HUD has retargeted the Tandem Mortgage Assistance Program to provide greater support for urban housing.

- The existing countercyclical fiscal assistance program will be retargeted to help governments with unemployment rates above the national average.

- HUD and EDA are developing common planning and application requirements.

- The General Services Administration will attempt to locate Federal facilities in cities whenever such a location is not inconsistent with the agency's mission.

- The Department of Transportation has proposed legislation to consolidate many categories of urban highway and transit grants, and to standardize the local matching share. These steps will provide local governments with greater

flexibility to develop transportation systems suited to their needs.

- The Environmental Protection Agency will amend its regulations to accommodate new economic development in high pollution areas. Localities will be permitted to "bank" reductions in pollution which result from firms going out of business. These reductions then can be transferred to new firms locating in the community.

The effect of all these changes may be greater than even the substantial new initiatives which I have proposed in this message.

NEW INITIATIVES

The new initiatives which I am announcing today address five major urban needs:

- 1) Improving the operation of Federal, State and local governments
- 2) Employment and Economic Development
- 3) Fiscal Assistance
- 4) Community and Human Development
- 5) Neighborhoods and Voluntary Associations

These initiatives require \$4.4 billion in budget authority, \$1.7 billion in new tax incentives, and \$2.2 billion in guaranteed loan authority in FY 1979. For FY 1980 the budget authority will be \$6.1 billion, the tax incentives \$1.7 billion and the guaranteed loan authority \$3.8 billion.

I. IMPROVING THE OPERATION OF FEDERAL, STATE AND LOCAL GOVERNMENTS

Federal Programs

Over the long run, reorganization of the economic and community development programs may be necessary. Last June, I directed my reorganization project staff in the Office of Management and Budget to begin exploring the reorganiza-

tion options. They have completed the first stages of this work. During the next several months, they will consult with the Congress, State and local officials and the public to develop the best solution.

There are several actions I will take immediately.

• *Urban and Community Impact Analysis*

I am implementing a process through my Domestic Policy Staff (DPS) and Office of Management and Budget (OMB) to ensure that we do not inadvertently take actions which contradict the goals of the urban policy. Each agency submitting a major domestic initiative must include its own urban and community impact analysis. DPS and OMB will review these submissions and will ensure that any anti-urban impacts of proposed Federal policies will be brought to my attention.

• *Interagency Coordinating Council*

To improve program coordination, I will form an Interagency Coordinating Council, composed of the Assistant Secretaries with major program responsibilities in the key urban departments. The Council will have two functions:

It will serve as a catalyst for operational improvements which cut across Departments (for example, instituting uniform grant applications); and it will encourage interagency cooperation on projects which are too large or too complex to be funded by one agency. This Council will, for the first time, provide a coordinated Federal response to communities which develop comprehensive and multi-year projects. It will have direction from the Executive Office of the President.

• *Consolidating Planning Requirements and Other Management Improvements*

We soon will announce the consolidation of intra-agency planning require-

ments. I have asked the Director of the Office of Management and Budget to direct an interagency task force to improve the management of Federal grant-in-aid programs and consolidate the numerous planning requirements in the community and economic development grant programs.

• *Improved Data and Information*

I have asked the Secretary of Commerce, in her capacity as Chair of the Statistical Policy Coordination Committee, to design an improved urban data and information system. At the present time much of this data is inadequate or out of date.

The Role of State Governments

State government policies, even more than Federal policies, are important to the fiscal and economic health of cities. States affect their cities in a number of ways, including setting taxation and annexation powers, determining the placement of major development investments and apportioning the financial responsibility for welfare and education expenditures.

The Federal government has little or no control over these developments, all of which clearly affect the economic and fiscal health of cities and communities.

These State responsibilities underscore the need for an urban policy which includes the States as full and equal partners. The effectiveness of our urban policy will be enhanced if the States can be encouraged to complement the Federal effort.

To encourage States to support their urban areas, I will offer a new program of State incentive grants. These grants will be provided, on a discretionary basis, to States which adopt approved plans to help their cities and communities. The plans must be developed with the par-

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ticipation and approval of communities within the State. The grants will be provided to the States to finance a portion of the plan. The State Incentive Grant Program will be administered by HUD and will provide \$400 million over two years.

Local Government Role

Many communities and cities can improve management and planning improvements by reforming fiscal management practices, streamlining local regulatory procedures, and coordinating local community and economic development activities.

The Federal government provides planning and technical assistance to communities through HUD and Commerce to help cities improve their management and planning practices. These funds will be used increasingly to build the local government's capacity to undertake the necessary fiscal and management reforms.

The Federal government will offer special consideration in discretionary programs to cities which achieve coordinated action at the local level.

II. EMPLOYMENT AND ECONOMIC DEVELOPMENT

There is a serious shortage of jobs for many residents of our urban areas and a lack of investment to build the tax base of our cities.

The urban policy will address this issue in two ways.

In the short run, it will provide additional employment opportunities through a labor-intensive public works program, a targeted employment tax credit, and a private sector training and jobs initiative to encourage businesses to hire the hardcore unemployed, together with the extension I have already proposed in employment and training opportunities under the CETA Act.

In the long run, the policy attempts to rebuild the private sector economic base of these communities through a National Development Bank, a special tax incentive, an increase in economic development grants and other incentives.

Labor-intensive Public Works

I ask Congress for \$1 billion a year for a program of labor-intensive public works, targeted on communities with high unemployment. Half of the estimated 60,000 full-time equivalent jobs created annually by this program will be reserved for the disadvantaged and the long-term unemployed. These workers will be paid at Davis-Bacon trainee wage levels.

This program will enable cities to make needed repairs on buildings, streets, parks, and other public facilities.

In contrast to the Local Public Works program—which involves projects requiring large equipment, material expenditures and a prolonged planning period—more of the funds under this labor-intensive program will go to job creation.

Targeted Employment Tax Credit

I also propose a Targeted Employment Tax Credit to encourage business to hire disadvantaged young workers between the ages of 18 and 24 who suffer the highest unemployment rates in the Nation.

Under my proposal, private employers of young and disadvantaged, or handicapped, workers would be entitled to claim a \$2,000 tax credit for each eligible worker during the first year of employment and a \$1,500 credit for each eligible worker during the second year.

I am proposing this Targeted Employment Tax Credit as a substitute for the expiring Employment Tax Credit. The current program costs \$2.5 billion a year and has had little influence on hiring decisions. The Administration's targeted pro-

gram will cost approximately \$1.5 billion a year, with far greater impact.

Location of Federal Facilities

I will sign a new Executive Order directing the General Services Administration to give first priority to cities in locating new Federal facilities or consolidating or relocating existing facilities. Under my Administration, Federal facilities will be located in cities, unless such a location is inconsistent with the agency's mission.

Federal buildings and facilities can be an important source of jobs and of rental payments and, in many cities, a principal stabilizing force preventing decline.

The Federal government should set an example for the private sector to invest in urban areas.

Federal Government Procurement

To assure that Federal procurement is used to strengthen the economic base of our Nation's cities and communities, I will:

- strengthen the implementation of the existing procurement set-aside program for labor surplus areas, by directing the General Services Administration to work with each agency to develop specific procurement targets and to monitor their implementation. GSA will report to me every six months on the progress of each Agency;

- direct the Defense Department to implement an experimental program to target more of its procurement to high unemployment areas.

National Development Bank

I propose the creation of a National Development Bank, which would encourage businesses to locate or expand in economically distressed urban and rural areas. The Bank would be authorized to guarantee investments totaling \$11 billion through 1981.

To lower operating costs in urban areas, the Bank would provide long-term, low-cost financing which, in conjunction with expanded grant programs administered by HUD and EDA, will reduce a firm's financing costs by up to 60 percent.

The Bank uses four major financing tools:

- Grants of up to 15 percent of a firm's total capital cost, to a maximum \$3 million, for fixed assets of a project. The grants, which would be made under expanded EDA and HUD authorities, would cover expenditures for land assembly, site preparation, rehabilitation, and equipment.

- Loan guarantees, provided by the Bank to cover three-quarters of the remaining capital costs up to a maximum of \$15 million per project. The Bank could, at its discretion, reduce the interest rate down to two and one-half percent for particularly desirable projects. Bank financing would be conditioned on obtaining 21 percent of the project's total costs from private lenders.

- The ceiling for industrial reserve bonds in economically distressed areas would be increased from \$5 to \$20 million with the approval of the Bank. A business which used this financing for a project could also receive a grant.

- The Bank also will provide a secondary loan market for private loans in eligible areas to finance capital expenditures. This will be particularly beneficial to small businesses.

Bank projects will require the approval of State or local government economic development entities, which would be responsible to the elected local leadership. Distressed urban and rural areas would be eligible. Additional employment would be a key test of project eligibility.

The Bank will be an interagency corporation, governed by a Board composed of the Secretaries of HUD, Commerce

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and the Treasury. This will ensure coordination between the major economic, community development and urban finance agencies of the government.

The Office of Management and Budget is currently assessing the organization of the Federal economic and community development activities. The Bank will function on an interagency basis pending recommendations in this area.

Economic Development Grants

I propose substantial increases of \$275 million each in the UDAG grant program and the EDA Title IX program. These increases will be used in conjunction with the financing incentives available from the National Development Bank.

Taken together these major increases will help leverage substantial new private sector investment in urban areas and address the long-term economic deterioration experienced by certain urban and rural areas.

Differential Investment Tax Credit

I propose that firms that locate or expand in economically distressed areas be eligible for a differential 5 percent investment tax credit, to a total of 15 percent for both structures and equipment. The credit would be available only to firms awarded "Certificates of Necessity" by the Commerce Department based on financing need and employment potential.

Commerce will be authorized to issue up to \$200 million in certificates for each of the next two years.

Air Quality Planning Grants

I propose a \$25 million planning grant program to help cities and communities comply with the Clean Air Act without limiting severely new, private sector investment within their areas.

I have also asked EPA, HUD and EDA to provide technical assistance to help

local governments reconcile potential conflicts between air pollution and economic development goals.

Minority Business

Minority businesses are a critical part of the private sector economic base of many cities, communities and neighborhoods, and provide important employment opportunities to city residents.

I propose today two important initiatives which will increase the role of minority businesses in our economy. First, in comparison with FY 1977 levels, we will triple Federal procurement from minority businesses by the end of FY 1979—an increase over our earlier commitment to double minority procurement.

In addition, I intend to ask all Federal agencies to include goals for minority business participation in their contract and grant-in-aid programs. Five agencies—HUD, Commerce, EPA, Interior and DOT—already have proposed improvements in minority business programs. These programs all build on our successful experience with the Local Public Works Program.

Finally, I intend to facilitate greater interaction between the minority business community and the leaders of our Nation's largest corporations.

Community Development Corporations

I propose that an additional \$20 million be appropriated to the Community Services Administration as venture capital for the most effective Community Development Corporations. This assistance will help them have a substantial impact on their designated areas.

The funding will be made available for projects that receive support from local elected officials, involve leveraging private sector funds and are coordinated

with HUD, EDA or the Small Business Administration.

Role of Private Financial Institutions

An effective urban strategy must involve private financial institutions. I am asking the independent financial regulatory agencies to develop appropriate actions, consistent with safe, sound and prudent lending practices, to encourage financial institutions to play a greater role in meeting the credit needs of their communities.

First, I am requesting that financial regulatory agencies determine what further actions are necessary to halt the practice of redlining—the refusal to extend credit without a sound economic justification. I will encourage those agencies to develop strong, consistent and effective regulations to implement the Community Reinvestment Act.

Second, I propose the creation of an Institute for Community Investment, under the Federal Home Loan Bank Board. The Institute will bring together appraisers, realtors, lenders, building and insurance companies to develop a consistent approach toward urban lending and to train urban lending specialists.

Third, I propose a pilot program to create Neighborhood Commercial Reinvestment Centers under the Comptroller of the Currency. This proposal is an adaptation of the highly successful Urban Reinvestment Task Force housing credit concept to the commercial credit area. Neighborhood Commercial Reinvestment Centers will be local organizations, comprised of merchants and neighborhood residents, local government officials, and commercial banks which will provide business credit in urban neighborhoods. SBA, EDA, and HUD will work with the financial regulatory agencies to revitalize specific commercial areas.

Finally, I have asked the Secretary of Housing and Urban Development to chair an interagency task force to evaluate the availability of credit in urban areas and recommend appropriate further action. I have asked the task force to examine and make recommendations with respect to the following areas:

- The availability of mortgage and commercial credit in urban areas, and the impacts of the activities of Federal agencies on such credit;
- Existing mortgage insurance, casualty insurance and business credit insurance programs;
- The full range of urban credit and insurance risk reduction techniques.

III. FISCAL ASSISTANCE

While the fiscal condition of many State and local governments has improved dramatically over the last three years, many cities and communities still are experiencing severe problems. These cities and communities require fiscal assistance from the Federal government, if they are to avoid severe service cutbacks or tax increases.

Supplemental Fiscal Assistance

Cities and communities currently receive fiscal assistance through the Anti-Recession Fiscal Assistance Act (ARFA), which expires on September 30, 1978. This program has been an effective tool for helping States and local governments withstand the fiscal impact of high unemployment.

Current unemployment projections, however, suggest that even if the ARFA program were extended in its current form, it would phase out by mid-FY 1979, when unemployment is expected to drop below six percent. If the program is permitted to phase out, many cities and communities will experience severe fiscal strain.

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I propose today that ARFA be replaced with a Supplemental Fiscal Assistance Program, which will provide \$1 billion of fiscal assistance annually for the next two fiscal years to local governments experiencing significant fiscal strain. Further extension of this program will be considered together with General Revenue Sharing.

Fiscal Relief in Welfare Proposal

In addition, I propose to phase in the fiscal relief component of the Better Jobs and Income Act as soon as Congress passes this legislation, rather than in 1981 as originally planned.

IV. COMMUNITY AND HUMAN DEVELOPMENT

A comprehensive program to revitalize America's cities must provide for community and human needs. This involves both physical facilities, such as parks, recreation facilities, housing and transportation systems, and the provision of health and social services.

Housing Rehabilitation

The conservation and upgrading of our housing stock is important to maintaining the strength of urban areas. Housing rehabilitation improves the quality of community life and provides construction jobs in areas of high unemployment.

I propose an additional \$150 million in FY 1979 for the Section 312 rehabilitation loan program, which will more than double the existing program. This expanded effort will permit the rehabilitation of small multi-family housing projects in distressed neighborhoods.

Urban Transportation

In many cities, public transportation is inadequately financed. The Federal government has begun to make substantial investments to rehabilitate, revitalize and construct urban transportation systems.

I have already submitted to Congress my proposals to extend and strengthen the highway and mass transit programs.

To supplement these efforts I today propose an additional \$200 million for capital investments in intermodal urban transportation projects. These funds will be used to link existing transportation facilities in selected cities.

Resource Recovery Planning

Solid waste disposal is a growing problem in the many urban areas which face a shortage of landfill sites. At the same time, techniques to recover valuable resources and energy from solid waste have emerged.

I will request \$15 million for the EPA to provide grants of \$300,000 to \$400,000 to cities for feasibility studies of solid waste recovery systems.

Arts and Culture

Cities are centers of culture and art, which thrive on the vitality of the urban environment.

To help renew and develop this artistic and cultural spirit, I propose a new Livable Cities program administered by the Department of Housing and Urban Development, with the participation of the National Endowment for the Arts. This program will provide up to \$20 million in grants to States and communities for neighborhood- and community-based arts programs, urban design and planning, and the creation and display of art in public spaces. Historic preservation of buildings should also be encouraged.

Urban Parks and Recreation

The quality of life in urban areas is critically affected by the availability of open spaces and recreation facilities. Yet hard pressed communities often lack the resources to maintain and invest adequately in these amenities.

To address this problem, I propose a major new Federal grant program. Urban communities will compete for funds to revive and rebuild parks and recreation facilities. Challenge grants totalling \$150 million will be provided for construction and major rehabilitation of urban recreation systems, such as parks, tennis and basketball courts, swimming pools, bicycle paths, and other facilities. Cities will be awarded grants based on the quality of their planning, the degree of need and their ability to match the Federal funds with private and local contributions.

Social Services

Urban revitalization efforts must be accompanied by efforts to help those in need to improve their own lives. A variety of income support and social service programs are designed to do this. Since 1974, however, the support given to State social service programs by the Federal government has declined in real terms.

I propose an additional \$150 million of new budget authority for the Title XX program. These funds will be used to improve the delivery of social services in urban areas—ranging from Meals on Wheels for the elderly to day care for children of working mothers—and to develop greater coordination between local, public and private agencies.

Health Services

Nearly 50 million Americans live in areas without adequate health services. These areas, many of which are in inner cities, suffer from higher infant mortality rates, greater poverty and shortages of health care personnel.

In underserved areas, emergency room and outpatient departments of city hospitals are used as the routine source of medical care by the poor, primarily due to the lack of private physicians. As these departments were not designed to provide comprehensive medical care, the hospital

resources are strained and the poor often go without adequate care.

To help meet the primary health care needs of the urban poor and reduce the strain on city hospitals, I propose to expand federally-supported Community Health Centers and to fund city-sponsored programs which provide comprehensive, but less costly, primary care services. The city-sponsored programs will enroll the medically indigent in existing health systems, such as HMOs. They also will help expand locally-supported centers, reform hospital outpatient departments and provide comprehensive health services.

Education

Schools are the focus of community activities in many places. Yet they are seldom fully used or linked to other community and social services.

I intend to provide \$1.5 million to expand the experimental Cities in Schools program which seeks to bridge the gap by uniting a number of social services within schools to better serve both students and their families. We intend to expand this promising new program to 10 pilot schools.

In addition, I urge the Congress to enact the \$600 million increase in the Title I program of the Elementary and Secondary Education Act, which I recently proposed, including my recommendation that \$400 million of these funds be targeted to cities and other areas with high concentrations of low-income families.

V. NEIGHBORHOODS AND VOLUNTEER ORGANIZATIONS

No resource of our urban communities is more valuable than the commitment of our citizens.

Volunteer groups, which gain strength from the selfless efforts of many individ-

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uals, make an indispensable contribution to their cities.

Urban Volunteer Corps

I propose a \$40 million program in ACTION to increase the effectiveness of voluntary activities at the local level. With the agreement of local government, the program will create a corps of volunteers at the local level and match their skills with the needs of local governments and community and neighborhood organizations.

It also will provide small grants averaging \$5,000 for voluntary improvement and beautification projects.

ACTION would select, with the concurrence of local government, a lead agency in each city to administer the Urban Volunteer Corps.

Self-Help Development Program

Neighborhood associations are playing a key role in housing and neighborhood revitalization. We must strengthen that role.

I will request \$15 million in FY 1979 for a self-help development program to be administered by the Office for Neighborhoods in HUD.

This new program will provide funds for specific housing and revitalization projects in poor and low-income areas. Each project would involve the participation of local residents, the private sector and local government and would require the concurrence of the mayor.

Crime Prevention

Street crime is a serious problem in America's cities and communities. Over the last few years a number of promising initiatives have been undertaken by community groups and local law enforcement agencies to combat street crime. Escort services for the elderly, centers to help the

victims of crime, and neighborhood watchers are examples of promising developments.

I propose a program which will add \$10 million in new resources to existing efforts in the Law Enforcement Assistance Administration for a program operated jointly by ACTION and LEAA. Under this program, mayors and local neighborhood groups will develop community crime prevention programs based on successful pilot models. My reorganization proposals for LEAA and the legislation I will submit to extend the Law Enforcement Assistance Act will strengthen our efforts at crime prevention.

Community Development Credit Unions

Some urban communities are not served by any financial institutions. Community Development Credit Unions address this problem by investing their assets in the communities in which they are established. This type of credit union was first established under the poverty programs in the 1960's. About 225 exist today, and many are the only financial institutions in their communities.

I am proposing a \$12 million program to provide \$200,000 seed capital for new Community Development Credit Unions, to provide them with an operating subsidy for staff, training and technical assistance.

The job of revitalizing the urban communities of our country will not be done overnight. Problems which have accumulated gradually over generations cannot be solved in a year or even in the term of a President.

But I believe that a New Partnership—bringing together in a common effort all who have a stake in the future of our communities—can bring us closer to our long-term goals. We can make America's cities more attractive places in which to

live and work; we can help the people of urban America lead happier and more useful lives. But we can only do it together.

JIMMY CARTER

The White House,
March 27, 1978.

Defense Economic Adjustment Programs

Executive Order 12049, March 27, 1978

By virtue of the authority vested in me as President by the Constitution of the United States of America, in order to provide coordinated Federal economic adjustment assistance necessitated by changes in Department of Defense activities, it is hereby ordered as follows:

SECTION 1. *Functions of the Secretary of Defense.*

(a) The Secretary shall, through the Economic Adjustment Committee, design and establish an Economic Adjustment Program to assist in the alleviation of serious economic and social impacts that result from major Defense realignments. The program shall provide for:

1. Identification of Defense-related impact problems of States, metropolitan areas, or communities that require assistance.
2. Preparation of development strategies and action plans to coordinate Federal, State and local economic adjustment efforts.
3. Strengthened and uniform economic impact analysis and analysis of community requirements for Federal economic adjustment resources, prior to base realignment action.
4. Timely and earliest possible consultation and cooperation with local.

State and Federal officials concerning impact problems and coordinated inter-agency and intergovernmental adjustment assistance.

5. A clearinghouse service to exchange information among Federal, State and local officials involved in the resolution of community adjustment problems; e.g., previous studies, technical information, and sources of public and private financing.

6. Application of consistent policies, practices, and procedures in the administration of Federal programs that are utilized to assist Defense impact communities.

7. Encouragement of effective State and regional cooperation and concerted involvement of public interest groups and private sector organizations in Defense adjustment activities.

8. Development, with representatives of appropriate agencies, of uniform criteria for the determination of social economic impact of a particular realignment.

9. Identification and strengthening of existing agency mechanisms to better coordinate employment opportunities for displaced agency personnel.

10. Increased attractiveness to the private sector of interim usage of lands and buildings and ways of streamlining property disposal procedures to enable impacted communities to acquire base property for job-generation purposes as military activities phase down.

(b) The Secretary of Defense shall ensure that sufficient resources and personnel are allocated to carry out these functions.

SEC. 2. *Economic Adjustment Committee.* (a) The Economic Adjustment Committee is hereby continued.

(b) The Committee shall be composed of the following, or a principal deputy,

APPENDIX 4

Excerpts from The Book of the States
1978-1979 (1978), The Council of
State Governments, pages 471-482.

5. Housing and Development

COMMUNITY DEVELOPMENT AND HOUSING

By Anne D. Stubbs*

THE 1976 AND 1977 BIENNIUM was a time of consolidation and refinement of previous initiatives in housing and community development. In an important emerging trend, the distinction between housing and community development programs blurred as many states and the federal government focused on revitalization and redevelopment of urban areas and existing neighborhoods. Program initiatives and new legislation in the states, as well as at the federal level, increasingly addressed problems of developed areas. Concern for conservation and revitalization of center cities, town centers, and urban neighborhoods was augmented by the costs of new housing and support services and the economic health of communities. The closer linkage of traditional housing and community development programs reflected growing recognition of the integral relationship of housing availability and quality to the larger context of viable neighborhoods.

The Carter administration pledged to develop a comprehensive urban strategy to target funds to communities with special needs for revitalization. The community development block grant program was renewed, after changes in the allocation formula to channel proportionately more funds to older urban areas. Older communities may also benefit from the modified categorical grant program of Urban Action Development Grants, which channel funds to larger communities for special development projects. The federal new communities program, after a three-year hiatus, was being reexamined for its potential to package and target development assistance to new town-in-town development.

Community Development Programs

The emphasis on conservation and rehabilitation of existing areas and structures marks an important policy and program distinction from previous urban renewal programs. States have developed a number of policy and program tools to encourage urban conservation. State programs which directly address development and rehabilitation coexist with new legislative initiatives to attract private investment to core urban areas. Enabling legislation to enhance local government's capability to finance redevelopment projects was adopted in many states.

A common element of new state efforts to encourage community development was the targeting of programs and incentives to rehabilitative efforts and to special areas of blight. This targeting of state programs was in contrast to the federal community development block grant program. Communities frequently expended these funds on projects of general communitywide need.

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State Urban Policy

Two states developed explicit policy positions which endorsed an urban strategy for existing state programs. In Massachusetts, a legislatively initiated growth management study was paralleled by executive action to counteract sprawl growth through an aggressive urban strategy. Existing regulatory authorities and state capital investment programs are to be packaged and targeted, where possible, to assist core urban areas in both larger cities and smaller town centers. Massachusetts officials also seek maximum flexibility in implementation of federal programs to target these programmatic and financial resources to urban areas.

In California, a similar urban strategy has been proposed for public debate and executive branch action. The proposed strategy would have all state housing, transportation, air and water quality, and capital investment plans and programs guided by a priority concern for conservation and revitalization of existing city and suburban areas. Development of serviced, vacant land in existing communities would be favored over development of land adjacent to existing communities.

Strengthening Local Government

The problem of development financing continues to plague state and local government efforts toward community revitalization. States alleviate the financial burden of local governments with programs of state-funded revenue sharing or state assistance in the local match requirement for federal grant programs.

The strong efforts of Michigan and New Jersey to strengthen the financial capability of local government suggests the emergence of an urban strategy without benefit of formal policy proclamations. Michigan increased its general financial assistance to cities, particularly Detroit, through an increase in state revenue sharing and through state equity payments to Detroit for public services. Tax benefits for new construction or rehabilitation of housing and factories were also adopted. New Jersey's urban orientation also builds on alleviation of the financial burden of communities. Adoption of a permanent income tax in 1977, and a set aside of 8 percent of these revenues for local use, lessens local government's dependence on property taxes and provides an assured source of state financial assistance. Tax abatement for rehabilitation or new construction of factories was targeted to depressed areas. Finally, the state will attempt to build new industrial parks in each major city.

Special Financing Mechanisms. The effort to improve local government's capability to finance necessary redevelopment through use of special financing tools gained momentum during 1976-77. While no other states have yet followed Minnesota's example of regional tax-base sharing, California and Michigan are examining Minnesota's experience for possible adoption. Equally important, over 20 states have adopted enabling legislation for local governments' use of special financing tools.

Tax increment financing is authorized in 20 states. Several Ohio cities actively use this authority which permits a community to freeze the property tax of a specified area, redevelop it with special revenue bonds, and retire the bonds with property tax revenues generated by the redevelopment. During 1976-77, Arizona, Florida, Illinois, Kansas, Texas (if a special constitutional amendment is adopted), and Wisconsin authorized tax increment financing. Tax increment financing legislation in California was amended to restrict the conditions under which noncontiguous areas could be included in the project area. Utah adopted a rural version of tax increment financing with passage of the Tax Stability and Trust Fund Act in

1977. This law permits a county to establish a trust fund, generated by a special property tax levy when the tax base is increasing, to offset lessened revenues when the tax base decreases.

A related financing mechanism made available to local governments in several states is the special assessment district for development projects. Iowa, Kansas, and Nebraska adopted legislation enabling cities to establish special development districts for downtown commercial districts. The Kansas law authorizes special obligation bonds for property acquisition and necessary public services, among other uses. Nebraska's law permits several methods of special assessment for development projects in the district. Colorado amended its downtown development district law in 1976 to give property owners and tenants a greater voice in planning and implementation within the district.

Hawaii gave extensive authority to the newly created Hawaii Community Development Authority. The corporation may acquire property (through condemnation measures if necessary), designate a community development district, develop a districtwide plan for public facilities, and establish district rules on health, safety, buildings, planning, zoning, and land use. A special feature of the Hawaii law is that, upon final approval, rules of the authority supersede all other inconsistent ordinances and rules on land-related planning, zoning, and development.

General Development Authority. Recent state efforts to improve local governments' capability for development projects are not specifically limited to designated urban areas or to redevelopment. In several states, the power of local redevelopment authorities was expanded. California authorized issuance of local bonds for rehabilitation of historically or architecturally significant structures, sites, and areas. A Louisiana law permitting transfer of development rights in the French Quarter will assist New Orleans officials in preserving areas and structures with historic and aesthetic values. Florida law now permits city and county redevelopment agencies to issue revenue bonds, and requires these agencies to prepare redevelopment plans and neighborhood impact statements for areas where subsidized housing is planned. Municipalities in West Virginia may establish a neighborhood redevelopment fund for loans and loan guarantees for rehabilitation of one- to four-family dwellings. New York authorized municipalities to use federal funds for residential rehabilitation loans in blight areas in joint participation with private lenders. Ohio now permits municipalities to acquire tax delinquent properties for redevelopment or public use under a "land reutilization" program.

Direct State Programs

State efforts to encourage urban conservation and community development extend beyond technical assistance and enabling legislation for local government programs. While California and Massachusetts have evolved urban development policy positions, many states are undertaking direct state-level measures to address community redevelopment in partnership with local government.

In addition to its increased financial assistance to local governments, New Jersey is building on 1975 program initiatives designed to coordinate and assist in local financing activities for viable neighborhoods. Five-year property tax exemptions and abatements are offered to encourage industrial and commercial construction and rehabilitation in state-designated blight areas. Connecticut established a rehabilitation program for abandoned commercial and industrial buildings, as well as created a grant program for businesses expanding in a community with high unemployment. Indiana authorized property tax deductions for certain redevelopment and rehabilitation work in "urban development

areas," and income tax credits (up to 50 percent of the contribution) for companies providing or contributing community services in impoverished areas. Virginia authorized a special 10-year property tax classification for rehabilitated residential and commercial buildings.

Ohio officials, through State Programs Urging Redevelopment, attempt to identify and interpret state laws promoting housing and commercial/industrial redevelopment. The Massachusetts Department of Community Affairs attempts to stabilize transitional neighborhoods through the Neighborhood Improvement Program. The program is designed to coordinate state, federal, local, and private programs geared to housing rehabilitation, neighborhood facilities, and homeownership. In Pennsylvania, a five-community project, Neighborhood Preservation Support System, is a first step in development of a statewide system for neighborhood revitalization. The public-private partnership program, designed to conserve existing housing stock, property values, and neighborhood social structures, provides a diagnosis of neighborhoods, an information clearinghouse, and secures and allocates resources for neighborhood revitalization.

Missouri is initiating a Neighborhood Assistance Program in which state advice and incentives in the form of annual tax credits of 50-70 percent of contribution are offered for business participation in physical improvement, community services, education, crime prevention, and job training programs for rural and urban impoverished areas. Local initiatives and endorsement of the program are mandatory.

Housing Programs

States play a significant role in assisting communities and low- and moderate-income families to plan for and achieve the national goal of decent, affordable housing. The year 1977 marked a period of adjustment and rebuilding in housing programs, as the housing recession weakened and as new federal housing subsidy programs became fully active. State housing finance programs contributed significantly to new single and multifamily housing construction. State technical assistance and coordination programs for planning and grants management continued to support local governments' housing efforts. State and local housing agencies became the major delivery mechanisms for Section 8 federal housing subsidy funds.

State as well as federal housing programs reflected changed conditions in the housing market. The high cost of new construction, pushed up by rises in interest rates, land prices, and building materials, created strong interest and action in programs to rehabilitate existing housing stock.

Continued interest in the urban homesteading program led the Department of Housing and Urban Development (HUD) to shift the program from a demonstration to an operational project in 1977. The adoption of uniform statewide building codes, and regulation of the growing market for mobile and manufactured housing, attracted interest in several states. The rising prices of home heating fuels led to state and federal efforts to provide direct funds and incentives for retrofitting of existing homes.

The evolving state role in housing programs is only slowly being recognized by the federal government. Funds for technical assistance to local governments under Section 811 of federal housing and community development legislation were first authorized in 1977; yet HUD appeared reluctant to allocate these funds to state housing and community affairs agencies. HUD displayed a similar lack of recognition of state involvement in housing in its uncertainty in defining a state role in the small cities regulation for the 1977 Housing and Community Development Act.

Housing Finance Agencies

State housing finance agencies (HFAs) continued to play a significant role in the delivery of financing for housing in 1976-77. Though the private market for single-family housing revived during the biennium, state HFAs were a major catalyst for new multifamily construction. The success of these state agencies in developing and processing finance programs tailored to the needs of local housing markets and special groups (elderly, Indians, handicapped) led Congress to support a set aside of Section 8 funds for state HFAs.

Agencies in several states commenced initial financing programs or obtained expanded program authority. Bonding authority for HFAs in several states was increased, where successful implementation of programs resulted in the agency reaching existing debt ceilings (Colorado, Illinois, Maryland, Minnesota, West Virginia, Wisconsin). Kentucky's Housing Corporation obtained authority for loans-to-lenders financing. The Minnesota Housing Authority received authority to establish a Homeownership Assistance Fund to assist potential homeowners with the noninterest loans made in conjunction with first-mortgage loans. The Hawaii Housing Authority may now issue taxable bonds for new projects and refunding of existing bonds, acquire land for future use, and exempt its projects from local zoning and land development regulations in certain circumstances. The Maryland Community Development Administration, in 1977, considered a new program emphasis on multifamily housing.

Agencies in several Rocky Mountain states began active financing programs, as that area faces new growth associated with energy resource development. Agencies in Montana, Nevada, and Utah began financing activity with single-family programs, with multifamily programs soon to follow. The Idaho agency, as it began its first project with a Section 8 multifamily program, was also authorized to undertake interim financing, mortgage purchase, and mixed income projects. The Iowa and Oklahoma agencies began active financing programs during the biennium.

Improved market conditions for housing finance agency bonds and expanded legislative authority for many agencies during the biennium reflected renewed confidence in the basic soundness and performance of the state housing finance mechanism. Yet market access problems which several agencies experienced following the difficulties of the municipal and state bond market in 1974-75 resulted in a shift in the institutional basis of several state finance agencies.

In several states, an effort is under way to align state HFAs more closely to the organization and programs of state governments. State government in New York exercises close oversight of the several state housing finance agencies since the bond market access problems experienced by those agencies in 1974-75. In Pennsylvania, the legislature tightened financial requirements and specified that the director of the state community affairs agency serve as the chairman of the housing finance agency. In states where state community affairs agencies are active in housing subsidy programs, such as Connecticut and Massachusetts, the relationship of the finance agency and the administrative agency are being examined. In California, the state senate must approve the appointment of the finance agency president.

Closer coordination of the finance and administrative agencies has not always led to constraints on the finance agency. New Jersey is forging a mutually supportive link between the state housing finance agency and the community affairs agency with creation of the Revolving Housing Development and Demonstration Grant Fund. The fund, through

purchases of the obligations of the finance agency, advances initial development costs for development and rehabilitation projects and for demonstration projects to reduce blight. In Montana, the Board of Housing was shifted from the Department of Community Affairs to the Department of Administration in recognition of its central financing role. The West Virginia Housing Development Fund was given a greatly expanded role in the state housing strategy to provide single-family and rural housing.

Only one HFA was created during the biennium. The Arkansas Housing Development Agency, created in 1977 as housing and bond markets improved, has authority for indirect financing and construction loans for new and rehabilitation activities. Minnesota created local housing finance authorities in St. Paul and Minneapolis, with city-backed general obligation bond authority for moderate-income new construction and rehabilitation loan programs. However, in Florida, the governor's veto of enabling legislation for county finance agencies was upheld. In California, Georgia, and Iowa, the constitutionality of the agency bond authority was upheld, enabling these agencies to commence active financing programs. The California agency must obtain local referendum approval for all projects for low-income persons. Ohio voters rejected a constitutional amendment giving bond authority to the Ohio Housing Board.

Rehabilitation Financing. State efforts to encourage rehabilitation programs through tax abatement and incentive programs were reinforced by state housing finance agency programs during 1976-77. Using existing or new authority, agencies in several states assumed a strong role in urban neighborhood and rehabilitation programs. Maine's statewide housing plan ranks rehabilitation as a top priority for housing programs.

Several state HFAs instituted programs to make loans or grants available for rehabilitation or renovation. The Hawaii Housing Authority may make loans and provide planning assistance to qualified residents for rehabilitation or renovation of owner-occupied single-family or duplex units in order to meet minimum code requirements. Maryland initiated a statewide, state-financed rehabilitation loan program and required the targeting of the funds to areas of greatest need. Minnesota's Housing Finance Authority instituted statewide home improvement loan and grant programs in 1976, using partial state appropriations. The programs are coordinated with local government activities and make use of normal underwriting procedures. Minnesota is one of the first states to provide rehabilitation loans for rental property if the owner agrees that the rental units will be occupied by low- and moderate-income persons. The California agency, with new authority to undertake scattered site and concentrated rehabilitation programs, is considering a major focus on low-income, multifamily, rehabilitation and neighborhood improvement programs. In Michigan, bond revenues of the State Housing Development Authority and state and local funds are combined in a program to provide home improvement loans targeted to older homes and moderate-income families. Funds are to be allocated equitably among urban and rural areas and to existing neighborhood conservation programs.

Rehabilitation and Neighborhoods. In several states, housing finance agency rehabilitation programs are closely linked with state policy efforts for urban and neighborhood conservation. Connecticut and New Jersey are among several states which are building housing and community development linkages. Amendments to the Connecticut Housing Finance Authority Act provide for rehabilitation of low- and moderate-income family dwellings, as well as encourage urban mortgage investment. The agency, using bond revenues and state funds, may finance urban area mortgages to suitable homeowners who have been refused credit, and may insure mortgages of participating institutions. The urban

mortgage and rehabilitation loan programs are limited to urban cities of a specified size or population density.

Under a 1977 New Jersey program, state and local home mortgage financing at below market rates will be available in designated areas of 26 cities. The state Mortgage Finance Agency will purchase mortgages of the 36 savings and loan institutions which agreed to participate in the program.

Special Housing Programs

Antiredlining. Efforts to remove barriers to mortgage lending in urban neighborhoods continue as at least 15 states adopted or considered antiredlining measures in 1976-77. California, Colorado, Connecticut, Michigan, Missouri, New Jersey, New York, and Utah followed Illinois' example in adopting mortgage disclosure measures by statute or regulation. California, Michigan, New Jersey, and Utah go beyond disclosure provisions to prohibit lending which considers discriminatory factors such as racial or ethnic characteristics of the neighborhood and to encourage affirmative lending by regulation or by selective deposit of state funds. Michigan's law, which requires disclosure of average down payments and average annual interest rates, also permits the levying of fines if the law is violated and legal action for damages suffered by aggrieved persons. Missouri extended antiredlining prohibitions to insurance programs which write fire and homeowners policies.

Antiredlining measures were also being considered in Indiana, Iowa, Maryland, Massachusetts, Minnesota, New York, Ohio, Pennsylvania, and Washington. State efforts to increase the availability of mortgage funds in urban neighborhoods would be complemented by federal measures if Congress applies mortgage disclosure to federally chartered financial institutions as proposed in the Community Reinvestment Act of 1977.

Energy Conservation in Housing. Residential and commercial buildings became prime targets for state energy conservation efforts in 1976-77. Over one half of the states have adopted policies or programs to encourage efficient energy use in buildings. A common measure is the adoption of tax incentives (property tax exemptions, income tax credits) to encourage greater use of nonfossil fuel, solar heating and cooling in buildings. Fifteen states adopted solar energy tax incentive measures during the biennium, for a total of 20 states with such incentive measures. A growing number of states require or encourage adoption of energy conservation measures in state and local building codes. Rhode Island is one of several states with programs to encourage and assist homeowners to obtain adequate home insulation. The Rhode Island Citizens Energy Conservation Corporation combines public and private sector resources to provide free home insulation counseling to all residents, regardless of income.

States also acted to assist low- and moderate-income persons to finance energy conservation measures in the home. While federal winterization funds are generally administered by state energy or community affairs agencies, state HFAs are providing funds for energy conservation in homes. Agencies in Colorado, Illinois, Michigan, Minnesota, Tennessee, Vermont, and Virginia provide energy conservation loans for low- and moderate-income families. Federal and state insurance programs are used to back the energy conservation loan programs.

Housing Standards: Building Codes and Mobile Homes. The trend toward adoption of statewide building codes continued in 1976-77, resulting in over 25 states having some form

(Continued on page 482.)

STATE HOUSING FINANCE AND DEVELOPMENT AGENCIES
As of November 1977

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State	Name of agency	Date established	Quasi-independent status	Financial and lending activity									Development activity		Administrative capabilities	
				Loans to lenders	Mortgage purchase	Mortgage loans	Construction loans	Seed money	Mortgage insurance program(a)	Rent supplement program(b)	Land acquisition(c)	Nonhousing(d)	Rehabilitation program	Technical assistance	Statewide housing needs evaluation	
Alaska	Housing Finance Corporation	1971	No	•	•	•	•	•	•	•	•	•	•	•	•	•
Arkansas	Housing Development Agency	1977	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
California	Housing Finance Agency	1975	No	•	•	•	•	•	•	•	•	•	•	•	•	•
Colorado	Housing Finance Authority	1973	Yes	•	•	•	•	•	•	•	•	•	•	•	•	(c)
Connecticut	Housing Finance Authority	1969	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
Delaware	State Housing Authority	1968	No	•	•	•	•	•	•	•	•	•	•	•	•	(c)
Georgia	Residential Finance Authority	1974	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
Hawaii	Housing Authority	1935	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
Idaho	State Housing Agency	1972	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
Illinois	Housing Development Authority	1967	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
Iowa	Housing Finance Authority	1975	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
Kentucky	Housing Corporation	1972	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
Louisiana	Office of Housing Finance	1976	No	N.A.	N.A.	•	N.A.	N.A.	•	•	•	•	•	•	(c)	N.A.
Maine	State Housing Authority	1969	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
Maryland	Community Development Administration	1971	No	•	•	•	•	•	(c)	•	•	•	•	•	•	•
Massachusetts	Housing Finance Agency	1966	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
	Home Mortgage Finance Agency(f)	1974	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
Michigan	State Housing Development Authority	1966	Yes	•	•	•	•	•	•	•	•	•	•	•	•	(c)
Minnesota	State Housing Finance Agency	1971	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
Missouri	Housing Development Commission	1969	No	•	•	•	•	•	•	•	•	•	•	•	•	•
Montana	Board of Housing	1975	No	•	•	•	•	•	•	•	•	•	•	•	(c)	•
Nevada	State Housing Division	1975	No	•	•	•	•	•	•	•	•	•	•	•	•	•
New Hampshire	Housing Finance Agency(f)	1975	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
New Jersey	Housing Finance Agency	1968	Yes	•	•	•	•	•	•	•	•	•	•	•	•	(c)
	Mortgage Finance Agency(f)	1970	Yes	•	•	•	•	•	•	•	•	•	•	•	•	•
New Mexico	Mortgage Finance Agency	1975	Yes	N.A.	•	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

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New York	Housing Finance Agency	1960	Yes	*	*	*	...	*	*	*
	Mortgage Agency(f)	1970	Yes	...	*
	State Urban Development Corporation	1968	Yes	...	*	*	*	o	*	*	*	*
North Carolina	Housing Finance Agency	1974	No	...	*	...	...	...	...	...	...	*	*	...
Ohio	Housing Development Board	1970	Yes	o	o	o	o	o	...	...	...	*	*	(e)
Oklahoma	Housing Finance Agency	1975	Yes	o	o	o	o	o	...	...	...	o	o	...
Oregon	State Housing Division	1971	No	*	*	*	*	*	o	(e)	...	o	*	*
Pennsylvania	Housing Finance Agency	1972	Yes	...	o	*	*	o	o	...	...	o	*	o
Rhode Island	Housing and Mortgage Finance Corp.	1973	Yes	*	*	*	*	o	...	...	o	*	*	(c) (e)
South Carolina	State Housing Authority	1971	Yes	o	o	o	o	o	...	...	...	o	*	*
South Dakota	Housing Development Authority	1973	Yes	o	*	*	*	o	o	o	o	o	*	*
Tennessee	Housing Development Agency	1973	Yes	...	*	*	*	o	o	...	o	o	*	*
Utah	Housing Development Division	1971	No	...	*	...	o	o	...	*	...	o	*	*
Vermont	Housing Finance Agency	1974	Yes	*	*	*	o	o	(c)	...	...	o	o	*
Virginia	Housing Development Authority	1972	Yes	o	*	*	*	*	o	o	o	*	*	*
West Virginia	Housing Development Fund	1968	Yes	*	*	*	*	*	o	o	o	*	*	*
Wisconsin	Housing Finance Authority	1972	Yes	o	*	*	*	o	o	o	o	o	*	*
Wyoming	Community Development Authority	1975	Yes	o	o	o	o	o	o	o	o	o	o	(e)

* Agency presently performing function.
 o Statutory authority but not implemented.
 N.A. Not available.
 (a) Refers to insurance programs, distinct from reserve funds for uninsured loans.
 (b) Refers to state-funded rent supplement programs.
 (c) Land acquisition refers to the power to acquire land for housing and housing-related projects rather than land acquired through foreclosure. Housing finance agencies in several states have full or

limited powers of eminent domain or zoning override, but these have seldom been used (Connecticut, South Dakota, West Virginia, Wyoming, and New York State Urban Development Corporation).
 (d) Refers to commercial land/or community facilities which are ancillary to the housing project. The New York Urban Development Corporation and the Hawaii Housing Authority have broader powers for commercial, industrial, and community facilities development.
 (e) Function shared with or performed by related state agency.
 (f) Single-family only.

FUNCTIONS OF STATE OFFICES OF COMMUNITY AFFAIRS*

State or other jurisdiction	Name of agency	Fiscal advice	Inter-local co-operation	Coordination of state activities	Personnel training	Review & recommend legislation	Financial assistance	Functional planning assistance	Local planning assistance	Regional planning coordination	Community development programs	Housing programs	Economic development programs	Human services & anti-poverty
Alabama	Development Office	*	*	*	*	*	*	*	*	*	*	*	*	*
Alaska	Dept. of Community & Regional Affairs	*	*	*	*	*	*	*	*	*	*	*	*	*
Arizona	Office of Economic Planning & Development	*	*	*	*	*	*	*	*	*	*	*	*	*
Arkansas	Dept. of Local Services	*	*	*	*	*	*	*	*	*	*	*	*	*
California	Dept. of Housing & Community Dev.	*	*	*	*	*	*	*	*	*	*	*	*	*
Colorado	Dept. of Local Affairs	*	*	*	*	*	*	*	*	*	*	*	*	*
Connecticut	Dept. of Community Affairs	*	*	*	*	*	*	*	*	*	*	*	*	*
Delaware	Dept. of Community Affairs & Econ. Dev.	*	*	*	*	*	*	*	*	*	*	*	*	*
Florida	Dept. of Community Affairs	*	*	*	*	*	*	*	*	*	*	*	*	*
Georgia	Dept. of Community Affairs	*	*	*	*	*	*	*	*	*	*	*	*	*
Idaho	Bureau of State Planning & Community Affairs	*	*	*	*	*	*	*	*	*	*	*	*	*
Illinois	Dept. of Local Government Affairs	*	*	*	*	*	*	*	*	*	*	*	*	*
Indiana	Gov.'s Exec. Asst. for Urban & Community Affairs	*	*	*	*	*	*	*	*	*	*	*	*	*
Iowa	Office for Planning & Programs	*	*	*	*	*	*	*	*	*	*	*	*	*
Kansas	Dept. of Economic Development	*	*	*	*	*	*	*	*	*	*	*	*	*
Kentucky	Dept. for Local Government	*	*	*	*	*	*	*	*	*	*	*	*	*
Louisiana	Dept. of Urban & Community Affairs	*	*	*	*	*	*	*	*	*	*	*	*	*
Maine	Div. of Community Services	*	*	*	*	*	*	*	*	*	*	*	*	*
Maryland	Dept. of Economic & Community Dev.	*	*	*	*	*	*	*	*	*	*	*	*	*
Massachusetts	Dept. of Community Affairs	*	*	*	*	*	*	*	*	*(a)	*	*	*	*
Michigan	Office of Intergovt. Rels., Dept. of Mgt. & Budget	*	*	*	*	*	*	*	*	*	*	*	*	*
Minnesota	Office of Local & Urban Affairs, State Planning Agency	*	*	*	*	*	*	*	*	*	*	*	*	*
Mississippi	Research & Development Center	*	*	*	*	*	*	*	*	*	*	*	*	*
Missouri	Div. of Community Dev., Dept. of Consumer Affs., Reg. & Licensing	*	*	*	*	*	*	*	*	*	*	*	*	*
Montana	Dept. of Community Affairs	*	*	*	*	*	*	*	*	*	*	*	*	*

(Continued from page 477.)

of statewide building code. While this trend created some local concern about state intrusion into local affairs, statewide, uniform codes can address a problem cited by builders--conflicting codes and standards which contribute to increased housing costs through delays and confusion.

Rhode Island adopted the basic Building Official and Code Administrator building code in 1976 and added energy conservation and flood provisions in 1977. Utah adopted legislation calling for an energy conservation building code with voluntary compliance. Montana's building code now applies consistently to cities and counties, with provision for either local or state administration. In Oregon, the preemptive state building code was upheld by the court, even though a local government might prefer a more stringent code.

States continue to adopt standards for mobile and manufactured homes, as these forms of housing meet a growing demand for moderately priced housing. States in 1976-77 adopted legislation to inspect and regulate mobile home parks (Michigan, Nebraska) and to develop statewide manufactured home codes or adopt uniform national codes (Arkansas, California, Maryland, Michigan, Missouri, Nebraska, New Mexico, Wisconsin). Idaho and Missouri made a major break in current practice by permitting permanent mobile homes to be assessed and taxed as real estate.

Minnesota moved beyond building codes to establish a program of statutory warranties to protect buyers of new residential buildings. The warranty addresses problems of defects due to faulty workmanship and noncompliance with building codes, faulty installation of utility systems, and major construction defects.

APPENDIX 5

Excerpts from State Departments of
Community Affairs: A Resource Manual
on Their Organization and Functions
(1978), Council of State Community
Affairs Agencies, Title page, pages
v, vii-xiii.

STATE DEPARTMENTS OF COMMUNITY AFFAIRS:
A RESOURCE MANUAL ON THEIR ORGANIZATIONS AND FUNCTIONS

Published by:

Council of State Community Affairs Agencies
444 North Capitol Street
Washington, D.C. 20001

COSCAA is a national organization representing the state executive agencies responsible for a variety of local assistance functions in community development, housing, economic development, planning, training, and technical assistance.

June 1978

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\$10.00

FOREWORD

This manual has been prepared to describe the differences as well as similarities which exist in State Departments of Community Affairs (DCAs). For each state agency, the organizational form is described, the range and types of services it provides are illustrated, and its enabling legislation is summarized. The manual should provide the reader with the information necessary to assess the actual and potential roles of the DCAs.

From this information, individual states can draw from the experiences of others, perhaps to construct a model for internal reorganization and/or to assume new responsibilities. While this is not a "how to run a DCA" manual, it is the hope of the publisher that it can stimulate communications and sharing among DCAs. Through this exchange, DCAs can avoid "reinventing the wheel" in their efforts to provide services to their communities and citizens.

Because DCAs are dynamic organizations, the reader must note that the descriptions and data provided herein may be somewhat dated; however, the information is illustrative of the basic nature of the DCAs. An example of one of the forces which will impact the structure and activities of the nation's DCAs is the election of 35 governors in 1978. COSCAA plans to update this manual periodically.

This manual will be considered a successful document if it shortens the process of information exchange, provides or identifies informational sources, or in any way helps make the DCA a more effective instrument for providing assistance to local governments.

This publication was made possible through the efforts of many individuals, as well as the Ford Foundation which provided financial assistance. Survey information was solicited from the States in early 1977 by Jay Gilmer, a former employee of the Wisconsin Department of Local Affairs and Development; Mr. Gilmer had done a similar survey in 1974. During 1977, the information provided by the States was analyzed by Marc A. Kahn, Research Assistant. Marc is to be commended for the clarity and thoroughness of his analysis. Preparation of the document itself was largely the responsibility of Terry Mann, COSCAA's Administrative Secretary. Of course, the document itself would not have been possible without the conscientious assistance of DCA officials.

JOSEPH S. MARINICH
Executive Director
COSCAA

INTRODUCTION*

This introduction will comment on the development of Departments of Community Affairs (DCAs) over the past 15 years. Included in the discussion will be the origins, predominant functions, and perceptions of future development of DCAs. This manual is intended to provide the reader with an insight into the variety of organizational and functional forms of the Nation's DCAs.

State Departments of Community Affairs (DCAs) are relatively new agencies in state government. Some of the first agencies were the New York Office for Local Government created in 1959 and the Colorado Department of Local Affairs created in 1963. The mid-1960's were the beginning of a nationwide interest in DCAs. The DCAs in Connecticut, Minnesota, New Jersey, and Pennsylvania, among others, were created then. Pennsylvania was the first State (in 1966) to use the title of Department of Community Affairs as a description of their broad-based mission. Several States have established DCAs since 1975. These include: Arkansas, Louisiana, Montana, and Oklahoma. At present, DCAs have cabinet-level status in 30 States and are major offices or division in 15 others. Only five States (Hawaii, Maine, Nevada, New Hampshire, and North Dakota) do not have DCA-type agencies with broad responsibilities in local assistance.

While a host of factors unique to each State were involved in the creation of each DCA, three common factors were: (1) the increasing complexity of governmental activity which caused local governments - primarily the smaller jurisdictions - to seek the technical, planning, and program funding aid of states; (2) efforts to "modernize" and streamline state government which led to the grouping of local assistance functions from various independent agencies; and (3) national recognition of social and economic needs in major cities and smaller communities across the nation, together with the creation of a plethora of Federal programs to respond to these needs, which stimulated the states to develop a capacity to provide both direct state assistance to communities and assistance in obtaining Federal aid.

While it is difficult to generalize about DCAs, they can be grouped as follows: (a) a narrow range of functions emphasizing management, training, and technical assistance, and local planning and grantmanship; (b) a medium range of functions in which housing and human resources activities are combined with the functions noted in (a); and, (c) a combination of the functions in (a) and (b) with economic development activities.

*The information presented in this introduction has also been used to prepare an article, co-authored by Joseph S. Marinich and Frank A. Kirk, on "State-Local Relations" for the Council of State Governments 1978 edition of the Book of the States.

Functions of DCAs

The functions of DCAs are quite diverse across the nation and range from few to many program areas. Similarly, the staff sizes vary greatly, from below 50 to as high as 550. The functions of DCAs include:

1. Encouraging intergovernmental cooperation;
2. Coordinating certain State services and assistance programs;
3. Assisting localities in obtaining State and Federal aid;
4. Economic development planning;
5. Economic development programs such as industrial, tourism, and trade development; economic adjustment; and growth impact assistance;
6. Local planning assistance, both technical and financial;
7. Regional planning coordination;
8. Research, policy analysis, and how-to-do-it manuals;
9. Human services programs such as day care, aging, and community action agency programs;
10. Housing, including planning, research, technical assistance, finance, management, and regulation;
11. Disaster preparedness, e.g., emergency housing;
12. Personnel training and development;
13. Financial management and general management technical assistance;
14. Local government regulation, including audits, bond issuance, and uniform relocation;
15. Home rule and charter revision technical assistance;
16. Information clearinghouse; and,
17. Legal advisory services, including model ordinances.

The most common DCA functions are assistance in the improvement of general local government planning and management, encouragement of intergovernmental cooperation, and aid in managing specific programs such as community development and housing. There are many options open to DCAs as to the roles they may play in providing their services. For example, in the provision of management improvement assistance, DCA roles include: convener of resources,

coordinator, leader, gadfly, consultant, technical authority, regulator, collaborator, and teacher. These roles are not mutually exclusive and all may be appropriate at different times.

DCA services are in highest demand among smaller units of government (under 50,000 population) which often have part-time political as well as professional officials, lack the financial resources to employ needed staff, and often have no tradition of using professionals. The need for management assistance in smaller communities is becoming increasingly acute as they undertake development functions that involve them in complex state and federal programs and private sector relations. These jurisdictions have to meet the same kind of application requirements and performance criteria as larger local governments, without adequate staff resources.

Smaller and medium-sized communities are commonly deficient in personnel systems, adequate budget methods and accounting systems, purchasing procedures, capital improvement planning, and comprehensive planning capabilities. DCAs usually provide training, technical assistance, advisory services and, sometimes, financial assistance to improve local capacity in these areas. For example, the Illinois Department of Local Government Affairs prepared a comprehensive handbook on downtown development. In addition to distribution of the handbook, DCA held training sessions to assist communities in tackling downtown development problems. The handbook proved so useful that the American Society of Planning Officials has reprinted it for nationwide distribution.

A second common function of DCAs is their mandated responsibility to encourage intergovernmental cooperation. DCAs often serve as brokers between federal and state agencies and local governments, both as mobilizers of federal-state resources and as advocates for needed federal and state legislative and policy changes. As a part of this responsibility, DCAs usually work closely with substate planning commissions in a variety of program areas, and also participate in the A-95 program application review process. (Note: In many states, DCAs have played a major role in organizing and funding sub-state planning agencies; in fiscal 1976-77, states provided over \$13 million in general support funding to these agencies (this excludes special state funds for regional planning agency projects and programs).) The progress DCAs are making in this area is best exemplified by the Integrated Grant Applications (IGAs) for federal and state assistance that have been developed in Arizona, Kentucky, and Utah. These IGAs have greatly simplified the administrative procedures for federal and state programs and strengthening the roles of local and regional officials in planning and allocation processes. Under new legislation, these IGAs are now termed Joint Funding Simplification Programs.

States' Role in Community Development

The broadest area of DCA activity is that of community development. It is in this area that the unique intergovernmental role of DCAs is most obvious. The comprehensiveness and complexity of community development activities demand linkages and coordination between all governmental levels and among public and private entities.

The states' role in comprehensive community development activity has significantly increased since the mid-1960s. States have broadened their involvement to include state support of various demonstration programs; housing finance; housing rehabilitation; urban renewal financing; technical and advisory services in planning, management, and development; industrial and economic development; and support of intergovernmental cooperation for problem-solving. In addition, the states have become increasingly involved in the array of federal programs impacting on community and economic development.

In assessing these developments within the states, state officials have described the state community development perspective in a comprehensive sense to include planning, financial assistance, and direct action programs encompassing physical development, aspects of human development, and economic development. Each of these functions, in turn, comprises a number of specific activities. Physical development activities include assistance to local governments in community renewal and preservation, housing and community development planning, new construction, rehabilitation, outdoor recreation, and assistance to communities impacted by energy development projects. In the human development area, 27 DCAs include the state economic opportunity office, 14 the CETA office, and five the responsibility for administering some HEW Title XX services, including day care.

An increasing number of states have incorporated their economic development activities into the organizational structure of DCAs. There are now 18 states that have organized community and economic development services into a major executive agency. Although there is significant variation in the design of these agencies, the basic impetus for this type of organization has been the realization that the two sets of activities converge at the local level and can be mutually reinforcing. State efforts to date have revealed that the lack of housing and community development resources experienced at the local level can significantly impede the achievement of economic development goals, and vice versa. However, there has not yet been a concurrent federal awakening to the fact that the two functions are related in terms of state support of local efforts to pursue community and economic development goals. The federal response still reinforces the compartmentalization of physical, human, and economic development assistance to communities among a variety of state agencies and direct federal-local administrative arrangements.

The Future of DCAs

The next biennium will prove challenging for DCAs for a variety of reasons. They will face increasing demands from local governments for services and resources, and new initiatives by the federal government will incorporate the states as partners in federal community development strategies. As the state-federal partnership evolves, it will become imperative that states develop mechanisms and programs through which local governments and citizens can influence decision-making processes at the state level as they relate to the allocation and use of federal funds.

The model legislation prepared for the establishment of DCAs by the U.S. Advisory Commission on Intergovernmental Relations proposes functions and responsibilities which many DCAs have, but which are not a major component of other DCAs. Typical activities of DCAs that are recommended by ACIR include: the provision of informational, advisory, and technical services to local governments; advocacy for local government interests at the state and federal levels; support for interlocal cooperative activities; research and policy analysis; training of local officials; and the administration of a variety of functional programs providing assistance to local governments in the community development area. The areas of suggested ACIR activities which the states have not had equal success in developing include: coordination of various state agency activities and programs, the involvement of the private sector in the solution of urban problems, modernization of local government structure, and the reform of tax and fiscal policies to provide aid to local governments and citizens in greatest need.

At the 1977 annual meeting of COSCAA, Georgia Governor George Busbee noted that the federal-state relationship has been very uneven across different functional lines. For example, while there is a direct federal-state relationship in the allocation of transportation resources, there is none in the federal community development block grant program. The governor urged that for DCAs to be effective, they should have the capability to both provide the link between federal and local governments, and also give localities an effective voice in the statehouse. Governor Busbee emphasized what is a strongly held feeling by governors and state officials across the nation-- state governments can respond to the problems of the greatest need within their states with greater comprehensiveness, speed, and flexibility than a remote federal government.

At that same meeting, a representative of the National League of Cities pointed out that DCAs, in trying to be all things to local governments, may not be able to live up to either state or local government expectations. He also cautioned that the direct, personalized relationship which local governments have established with federal agencies in the past decade is cherished by municipal officials. They would be very reluctant to substitute this direct relationship for one which involves a state agency as a go-between.

A substate district perspective was provided by a representative of the National Association of Regional Councils, who emphasized that DCA authorities and functions complement and supplement the programs which regional councils have offered over the past 15 years. He suggested that a strong state-regional working relationship was a major factor in effective state-local relations.

A big-city view was provided by Atlanta's Mayor Maynard Jackson. He believed that DCAs are natural advocates for cities in state government, if they can meet the challenge of helping to remedy complex urban problems. His emphasis that states develop an organizational capacity and a willingness to improve policy and legislation in order to be relevant to the larger cities, is parallel to the evolving national administration's policy regarding federal-state partnerships for urban development.

Among DCA officials, discussions of the future of their agencies invariably center on the role of the DCA as a change agent as opposed to a role as service provider. Some feel that DCAs should attempt to alter the political or bureaucratic environment in a state or to promote comprehensive solutions to local problems. They argue that in order to have a major impact on community development, states must have policies and objectives which provide a sound basis for resource allocation decisions in the areas of land use, housing, water and waste disposal, transportation, manpower development, etc. They also believe that changes are needed in local government organization and management toward more modern systems.

Those state officials who emphasize the DCA's role as a service provider take the position that local governments will not support strong change agent initiatives by a DCA unless there is confidence in the DCA's knowledge of local problems and a conviction that the DCA has played a critical role in helping to resolve local problems with resources and services. These officials believe that it is essential for DCAs to develop credibility by providing needed resources and services to local governments, and by advocating for their interests to the state and federal levels.

While there is a great diversity in the approaches taken, the record to date indicates that most DCAs have attempted to develop reputations as effective service providers and advocates for local governments. Very few have undertaken major initiatives to change the form of local government or to force a more comprehensive approach to local problems.

The environment within which DCAs will evolve is not entirely supportive of broadened functions and responsibilities. There is strong resistance among local officials to DCAs having a major role in linking federal and local governments and in mediating conflicting local interests in the context of state-established priorities. Local governments are apprehensive about a DCA role which goes beyond service and advocacy for their interests, and the resources which DCAs have been able to command argues for the careful selection of functions, limited to those which DCAs can do well. This is in contrast to suggestions that DCAs attempt to provide comprehensive services, advocacy functions, and change agent activities.

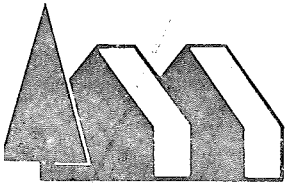
There is a major question as to whether DCAs in the foreseeable future will be able to play a strong role in bringing about changes in policies and programs affecting local government form and functions. A review of the experiences of DCAs indicates that the services which DCAs bring into supportive relationships with local governments are essential to the development of the DCAs' credibility as spokespersons and advocates for local concerns. This credibility is threatened when DCAs become strong advocates for changing local practices and local government structure.

In the future, one can expect a gradual broadening of DCAs' program responsibilities to encompass a fuller complement of economic development and urban growth activities. The abilities of DCAs to provide for local input into the planning and allocation decisions of state agencies will improve over time as credibility with governors and other state agencies

increases. The leadership roles of DCAs in modernizing local government practices will also be exercised more effectively through training and incentives, rather than through structural reform. The broader constituencies which DCAs will acquire through additional program area responsibilities will help to stabilize legislative and gubernatorial support. The latter are essential to acquiring increased appropriation levels and the strengthening of staff resources which will allow DCAs to provide a fuller response to the expectations held for them.

APPENDIX 6

Material provided to the Subcommittee by the Maine State Housing Authority, describing the Authority's organization and programs.



MAINE STATE
HOUSING
AUTHORITY

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August 23, 1978

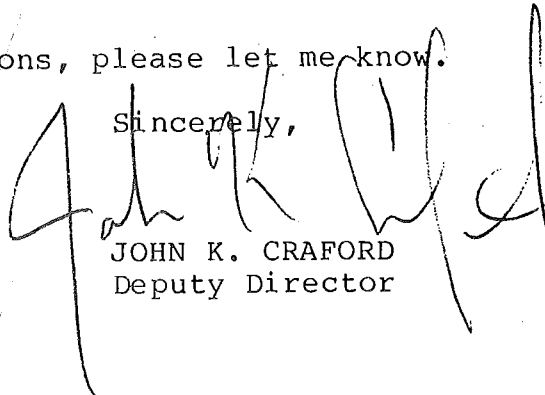
Bill Brown
Legislative Assistant
State House Complex
Augusta, Maine 04333

Dear Bill:

Sorry I didn't get this to you last week when I said I would. We realized there were some numbers we wanted to update.

If you have any questions, please let me know.

Sincerely,



JOHN K. CRAFORD
Deputy Director

JKC/jtm

Enclosures

INTRODUCTION

In preparing for the Study Committee the Maine State Housing Authority organized the explanation of its activities into two sections. The first is an overview of the agency, its divisions and their function. The second section is organized by programs that the Maine State Housing Authority operates to serve Maine citizens.

This we trust will provide necessary beginning information to assist the Study Committee.

MAINE STATE HOUSING AUTHORITY

CREATION AND PURPOSE

The Maine State Housing Authority was created nine years ago in 1969 by the Maine Legislature to assist Maine's elderly, disabled, handicapped, and low-income families in securing decent and safe housing at a cost which they can afford. The Authority maintains a statewide effort to meet the housing needs of Maine's people, and is the only state-level public body in Maine that acts simultaneously as a financial institution, a local housing authority and as a community and economic development agency.

Legally, the Authority is a "public body corporate and politic and an instrumentality of the State." This means that the Authority is a quasi-private corporation set apart from regular State government departments and agencies. The Authority does not receive nor require appropriations from the general tax revenues of the State because its' operations are funded primarily from the proceeds of bond issues sold to private investors.

BOARD OF COMMISSIONERS

The activities of the Maine State Housing Authority are supervised by a Board of Commissioners consisting of six members who are appointed by the Governor for a term of four years. The Commissioners, by law, must include representatives of low-income families, elderly citizens and the banking community. The Director of the Authority, who similarly is appointed by the Governor, is an ex-officio member and also serves as Chairman of the Board.

The Board of Commissioners meets regularly each month and is responsible for establishing the overall policies of the Authority relative to setting standards and procedures associated with bond sales, mortgage purchases and all other financial, fiscal, and operational activities of the Authority.

ADVISORY BOARD

The Maine State Housing Authority is served by a 15-member Advisory Board whose members are appointed by the Governor for a term of four years. The Advisors, by law, must include representation of municipal officials, financiers, builders, administrators of housing corporations, and elderly and low-income tenants of housing projects. From among their numbers and members elect a President and Vice-President.

The Advisory Board meets when called by its President, including at least one meeting each year held jointly with the Board of Commissioners. The role of the Advisory Board is to advise and counsel the Director and Commissioners of the Authority.

OFFICE OF THE DIRECTOR

The administrative activities of the Maine State Housing Authority are managed by a full-time Director who also serves as a Commissioner and as the Chairman of the Board of Commissioners. The Director is appointed by the Governor for a four-year term of office, subject to review by the legislative Committee on State Government and confirmation by the Maine Senate.

Reporting to the Director are five staff officers of the Authority and the Director's Executive Assistant. The five officers are the Deputy Director, who also heads the Office of Planning and Administration, the Chief Legal Counsel, and three Assistant Directors, who are responsible for the operational areas of Development, Management and Finance respectively. These members constitute the Executive Committee, which plans, oversees, and coordinates all activities and programs of the Authority.

PLANNING AND ADMINISTRATION

The Office of Planning and Administration, under the supervision of the Deputy Director, is responsible for coordinating the internal and external affairs of the Authority, for planning new programs, and for helping to shape and implement ongoing policies pursued by the Authority. In carrying out these responsibilities, the Office works closely with all divisions of the Authority, and in doing so is directly responsible to the Director.

Duties carried out by this Office include analyzing the housing needs of the state to determine priorities for placing housing projects, monitoring and assessing federal and state legislation of importance to the Authority, as well as coordinating the Authority's own legislative initiatives, providing information to the public about the Authority, overseeing and maintaining personnel policies, and coordinating the Authority's efforts in connection with the sale of its bonds.

LEGAL

The office of the General Counsel is responsible for all the legal affairs of the Authority. It drafts legal documents employed by the Authority, conducts all legal actions, represents the Authority at loan closings, approves for legality all regulations, by-laws or policies promulgated by the Authority, reviews pertinent legislation, informs the Authority on relevant new federal and state laws, regulations and court decisions, and in general provides legal counsel to the Director, the Commissioners, and Advisory Board, and to the staff of the Authority.

DEVELOPMENT

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The Development Division, under the supervision of the Assistant Director for Development, is responsible for the planning, initiation, design review and construction monitoring of all the Authority's multi-family housing projects. These responsibilities involve the coordination of the entire development process including such activities as community selection, site approval, developer selection, project budget feasibility, construction inspection, and general oversight of the project until it is completed and ready for occupancy. The development process is applicable to both new construction and substantial rehabilitation of existing structures, including buildings of historical significance or of classic architectural style. With respect to this latter approach, the Authority with assistance from the Division's technical personnel, has successfully converted a number of older mills, warehouses, hotels and schools into attractive elderly and family housing facilities.

MANAGEMENT

After the Authority's multi-family housing projects have been completed and are ready for occupancy, it becomes the responsibility of the Management Division to monitor the management of the project for the remaining life of the mortgage. The Division, under the supervision of the Assistant Director for Management, also directly manages property and administers a federal housing assistance program which provides rent subsidies to low-income families and elderly citizens occupying existing privately owned housing. As of July, 1978, the Division was overseeing the management of 1,822 housing units throughout the State of Maine.

In performing its' responsibilities the Division monitors and evaluates the financial, administrative, social and physical aspects of each individual project. With the Existing Housing Program, the Division is responsible for determining tenant eligibility, introducing landlords to the program, inspecting apartments, distributing rental assistance payments and providing administrative and tenant services.

FINANCE

The Finance Division, under the supervision of the Assistant Director for Finance, is responsible for the financial and budgetary functions of the Authority. The Finance Division also oversees the financial operation of the single-family and multi-family mortgage purchase programs and provides financial services and budget accounting for all divisions of the Authority.

The Finance Division, working closely with the Office of Planning and Administration oversees the issue, control, use and retirement of the Authority's tax-exempt, revenue bonds which are sold to provide funding for the Mortgage Purchase Program. The Division also oversees the management of various special accounts and funds which the Authority must maintain to meet its legal and financial commitments.

MULTI-FAMILY MORTGAGE PURCHASE PROGRAM

The Maine State Housing Authority, through its bond financing mechanism, provides permanent mortgages for multi-family housing projects in conjunction with the HUD Section 8 rental assistance program.

The Maine State Housing Authority is charged with the responsibility of administering for the Department of Housing and Urban Development this rental assistance for housing units built or rehabilitated through the Maine State Housing Authority financing program. Section 8 is a program in which the private owner (private or non-profit) builds, owns, manages and selects the tenants for the housing project. The Maine State Housing Authority provides permanent financing for these housing projects while the banks provide the construction financing.

The Section 8 program combines with the Maine State Housing Authority financing in the following manner:

1. The Maine State Housing Authority receives an allocation of Section 8 funds for rental assistance from HUD. The actual subsidy per unit is the difference between 25% of the tenants income and the market rent. The market rent is the maximum rent per unit allowable by HUD. This market rent must pay debt service, property taxes, utilities, reserves, maintenance and a 6% return on the owner's equity.
2. The Maine State Housing Authority then advertises or negotiates with private or non-profit developers, or with public housing authorities for proposals for housing projects which would receive Maine State Housing Authority financing and Section 8 rent subsidies.
3. Since the Maine State Housing Authority provides long term (up to 40 years) financing for 90% of the development costs at favorable interest rates, it has the responsibility to insure that every project meets certain criteria from site suitability to financial feasibility.
4. The Maine State Housing Authority obtains its funds for permanent financing by floating bonds. In order to do this, a number of housing projects are placed together for a bond issue. For a project to be placed in a bond issue, the numerous concept and schematic phase requirements must be met by the developer. This includes architectural schematic drawings, site plan and local ordinance approval, and HUD approval of the project. At that time, the Maine State Housing Authority issues a commitment letter, and the developer provides an earnest money deposit of 4% of the mortgage.

5. Once these prior requirements are met and the bonds are sold, a housing project can begin construction. At this time an agreement to enter into a contract with the Department of Housing and Urban Development is signed which states that once the housing project is completed, a guarantee for 30 or 40 years of Section 8 subsidies will be given.
6. During construction, the Maine State Housing Authority's inspector reviews the project according to our construction policies. This insures the Maine State Housing Authority that the project is built according to the approved working drawings and specifications.
7. When construction is completed, the permanent loan is closed. The housing units can be occupied. A final contract with HUD is signed for the 30 or 40 year guarantee (of rent subsidy) to the project. The Maine State Housing Authority then becomes the mortgagee and monthly payments are made. The HUD rent subsidy is sent monthly to the owner on behalf of the tenant.
8. The Authority's management division monitors the management of completed projects and sees that tenants are selected according to guidelines, operating budgets are in line with income, and that the building is being maintained properly.

FINANCING MECHANISMS OF THE MORTGAGE PURCHASE PROGRAMS

The Authority raises funds for the operation and administration of its single-family and multi-family housing programs through the sale of its tax-exempt, revenue bonds. Through May 31, 1978, the Authority has raised a total of \$185 million for these two programs in seven separate bond issues. The bonds are issued without being backed by the full faith and credit of the State and are entirely dependent on, and are retired solely by, mortgage principle and interest payment revenues of the Authority. In this way, it is a self-supporting program and not a program paid for by the Maine taxpayer.

Under the single-family program, the Authority purchases from Maine banks first mortgages on family residences, passing the low-interest bond sale funds through to the eligible homeowner. The Authority buys only mortgages insured by the VA, FHA, or private mortgage insurance firms. The payments which the individual homeowner makes on his mortgage are used by the Authority to pay the principle and interest on the bonds that support the program.

Under the multi-family program, the Authority uses its bond sales proceeds to purchase permanent mortgages on completed housing projects constructed to Authority standards in economically feasible locations for Maine's elderly citizens and low-income families. Before these multi-family projects are constructed, the Authority receives commitments for guaranteed rent subsidies from the Federal government for each housing unit in the project. The mortgage payments by the project owner, which are backed by the federal rent subsidies, are used by the Authority to retire the bonds that support this program.

Between the time the Authority sells the bonds that provide the capital to finance the purchase of a mortgage, and the time the capital is needed for that purchase, the Authority invests that capital in short term debt obligations allowed by the Authority's enabling legislation and its Bond Resolution. In almost all cases the Authority is able to invest this money in Maine, through a process of competitive bidding by Maine financial institutions. The income that is realized from these investments is estimated at the time of a bond sale and is figured into the repayment schedule of the bonds.

The Authority is also planning to enter into an agreement with Morgan Guaranty Company of New York which will enable the Authority to finance projects in anticipation of a bond sale at a later date. The agreement involves a commitment by Morgan Guaranty to purchase bond anticipation notes from the Authority and will enable the Authority to evaluate and to process multi-family housing proposals on a more uniform and timely schedule throughout the year.

OUTLINE OF DEVELOPMENT PROCESS STAGES

- Stage 1 Advertise for proposals in towns or predetermined areas.
- Stage 2 Receive proposals, evaluate sites and developers
- Stage 3 Executive Committee reviews and accepts proposals. Notice-to-proceed letters are sent to developers.
- Stage 4 Preconstruction meeting
- Stage 5 Concept drawings received and approved.
- Stage 6 Schematic Submission received
- Stage 7 Finance Committee meets to review and approve submissions and send to HUD for approval.
- Stage 8 Earnest money deposit; Commitment letter issued; Inclusion of project in bond issue
- Stage 9 Float bond issue
- Stage 10 Bond issue proceeds received
- Stage 11 Working drawings approved; Sign "Agreement to Enter Into a Housing Assistance Payments Contract"; Close construction loan
- Stage 12 Construction-Inspection
- Stage 13 Final inspection; Punch-list; Escrow; Construction completed.
- Stage 14 Sign "Housing Assistance Payments Contract"; Prepare for permanent loan closing
- Stage 15 Close permanent loan; Buy permanent mortgage from bank; Occupancy permit issued; Occupancy

Table I

SUMMARY OF COMPLETED MULTI-FAMILY HOUSING PROJECTS FINANCED BY THE MAINE STATE HOUSING AUTHORITY

(All Projects as of 08/01/78 by Location)

LOCATION	NAME	PROG	TYPE	NUMBER OF UNITS			LOCATION	NAME	PROG	TYPE	NUMBER OF UNITS		
				ELDERLY	FAMILY	TOTAL					ELDERLY	FAMILY	TOTAL
urn	Auburn GHI	23	NC	0	40	40	Gardiner	West Hill Apts.	23/8	NC	4	6	10
usta	ARCH-Alpha	236	NC	0	30	30	Houlton	Hestia Heights	23/8	NC	6	14	20
usta	Winterberry Homes	8	SR	0	7	7	Howland	Buck Apts.	8	NC	8	4	12
usta	Riverview	23	NC	20	10	30	Kennebunkport	South Church Apts.	CNV	R	6	2	8
usta	Winterhaven	236	NC	30	53	83	Lincoln	Lincoln Family	8	NC	0	14	14
gor	Northwood Apts.	8	NC	50	0	50	Lisbon	Lisbon Sr. Village	8	NC	20	0	20
gor	Autumn Park West	23/8	NC	50	0	50	Livermore Falls	Livermore Terrace	23/8	NC	27	0	27
h	Washington House	8	NC	53	0	53	Madawaska	Madawaska Family	8	SR	0	6	6
wick	Berwick Meadows	8	NC	20	0	20	Madison	Pinewood Apts.	8	NC	8	8	16
deford	Berry Park	23/8	NC	0	36	36	Millinocket	Mountain View Apts.	8	NC	9	8	17
deford	Forest Green	8	NC	0	40	40	Norway	Danforth House	8	SR	8	0	8
deford	Hill Street Terrace	23/8	NC	0	12	12	Norway	Raspberry Knoll	8	NC	0	8	8
deford	Ledgewood	23/8	NC	60	0	60	Old Orchard Beach	Pleasantwood Est I	8	NC	10	0	10
deford	Prospect Street	8	NC	50	0	50	Old Orchard Beach	Pleasantwood Est II	8	NC	10	0	10
wer	Dirigo School	8	SR	8	0	8	Patten	Hathaway Apts.	8	SR	11	0	11
dgton	Wayside Pines	8	NC	12	0	12	Pittsfield	Pittsfield Gardens	23/8	NC	2	13	15
e Elizabeth	Colonial Village I	8	NC	12	0	12	Richmond	Richmond Sr. Citizens	8	NC	12	0	12
e Elizabeth	Colonial Village II	8	NC	10	0	10	Rockland	Broadway North	8	NC	8	0	8
ter	Chaia Apts.	8	NC	20	0	20	Rockland	William Wood Apts.	8	NC	12	14	26
er-Foxcroft	Riverview Apts. I	8	NC	9	9	18	Rumford	Concorde Apartments	8	SR	27	0	27
er-Foxcroft	Riverview Apts. II	8	NC	4	10	14	Saco	Maple Grove	8	NC	8	0	8
le Lake	Bolduc Apts.	23/8	NC	4	6	10	Saco	Golden Village	23/8	NC	12	0	12
rfield	Fairfield Family	8	NC	0	16	16	Saco	Park Village	8	NC	12	0	12
mouth	Blackstone I	8	NC	12	0	12	Saco	Saco Terrace	23/8	NC	0	10	10
mouth	Blackstone II	8	NC	8	0	8	Saco	Storer Street	23	SR	6	11	17
nington	MCSmith/Sherwood	23/8	NC	10	15	25	Sanford	Riverview Manor	23	NC	20	0	20
nington	Farmington Court	8	NC	24	0	24	Skowhegan	Sherwood Forest	8	NC	12	14	26
t Fairfield	Fields Lane II	8	NC	16	0	16	South Paris	Park View	8	NC	10	0	10
t Fairfield	Sunrise Terrace	23/8	NC	0	25	25	South Paris	Strawberry Bluff	8	NC	0	8	8
t Kent	Bolduc Apts.	23/8	NC	4	8	12	Van Buren	Marion Drive Apts.	23/8	NC	26	0	26
t Kent	Pleasant Heights	8	NC	16	0	16	Westbrook	Schoolhouse Commons	8	SR	0	8	8
							Windham	New Marble Head	8	NC	20	0	20
							Yarmouth	N. Yarmouth Sr. Cit.	8	SR	22	0	22
Total for 64 Projects Completed to Date											838	465	1,303

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<u>FINANCIAL SUMMARY</u>		6 mo <u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>
Bond Sales	(year)	\$ 55,150	53,360	10,300	17,000	29,600	0	19,740
Bond Sales	(cumulative)	185,150	130,000	76,640	66,340	49,340	19,740	19,740
Purchase of Mortgage Notes	(year)	13,011	33,807	1,318	17,196	27,358	6,266	5,543
Purchase of Mortgage Notes	(cumulative)	104,499	91,488	57,681	56,363	39,167	11,809	5,543
Assets	(year end)*	183,719	128,170	75,856	66,219	50,055	19,840	25,577
Liabilities	(year end)*	181,271	126,345	74,900	65,538	49,448	19,766	25,637
Fund Balances	(year end)*	2,448	1,825	956	681	607	74	(60)
Revenues	(year)*	6,106	10,383	6,173	5,458	3,895	1,564	1,100
Expenses	(year)*	5,483	9,481	5,856	5,383	3,412	1,508	1,243
Excess of Revenues over Expenses	(year)*	623	902	371	75	483	56	(143)
Federal Rent Subsidy Payments	(year)*	1,765	2,357	757	606	467	154	0
Federal Rent Subsidy Payments	(cumulative)	6,706	4,341	1,984	1,227	621	154	0
<u>OPERATIONAL SUMMARY</u>								
Single-Family Mortgage Notes Purchased	(year) **	362	498	-224	475	1,328	562	0
Multi-Family Apartments Completed	(year)	112	531	125	137	191	177	30
Total Housing Units Financed	(year)	474	1,029	-99	612	1,519	739	30
Existing Housing Units Subsidized	(year)	62	191	78	5	0	0	0
Total Housing Units Sponsored	(year)	536	1,220	-21	617	1,519	739	30
Single-Family Mortgage Notes Purchased	(cumulative)	3,001	2,639	2,141	2,365	1,890	562	0
Multi-Family Apartments Completed	(cumulative)	1,303	1,191	660	535	398	207	30
Total Housing Units Financed	(cumulative)	4,304	3,830	2,801	2,900	2,288	769	30
Existing Housing Units Subsidized	(cumulative)	336	274	83	5	0	0	0
Total Housing Units Sponsored	(cumulative)	4,640	4,104	2,884	2,905	2,288	769	30
Number of Employees	(year end)	38	38	41	42	47	24	5

* Values for 1978 as of May 31. Other 1978 values as of June 30.

** Values shown represent the net change from additions and closeouts to the portfolio during the year.
No single-family mortgages were purchased in 1976.

Section 8, Existing Housing Program

In cooperation with local leaders, the Maine State Housing Authority is administering a housing program designed to assist tenants and owners meet each others' needs. Thirty-seven Maine communities already have joined us in this endeavor, with the major benefit being improved and/or affordable housing for many citizens without taxing community resources.

The Section 8, Existing Housing Program is operated with Federal funds allocated through the Maine State Housing Authority to local communities. Funds are provided for rental assistance to low and moderate income elderly and families in already-existing apartments, houses, and mobile homes. Tenants pay no more than twenty-five percent of their gross income for rent. The difference between the tenant's share and apartment rent is made up with Federal dollars.

In order to make the Existing Housing Program work, four ingredients are necessary; standard housing, willing owners, eligible tenants, and affordable housing (i.e., rent levels must be within the approved fair market rent schedule as determined by the Department of Housing and Urban Development (HUD)). The Authority has experienced different problems in different areas of the State; namely: apartments are seasonal on the Coast and have higher rents; housing stock in some Central Maine communities does not meet the decent, safe and sanitary conditions as required by HUD.

Any person is eligible to apply for assistance. Applicants are determined eligible by the Authority without regard to race, creed, color, sex, or national origin in a priority order by the Authority based on predetermined criteria. Selected applicants are issued a "Certificate of Family Participation" which entitles the bearer to find an apartment of an appropriate size, at an approvable rent with a willing owner.

After a family has found an apartment and the owner has agreed to participate in the program, the Authority inspects the unit to ensure that it is in a habitable condition and that it provides the normal services and amenities. At that point, MSHA enters into a Housing Assistance Payments (HAP) Contract with the owner, and the owner signs a lease agreement with the tenant. Thus, units are leased.

Concurrently, the Authority is operating the Existing Housing Program from South Berwick to Frenchville. In 1977, the program gained momentum Statewide, particularly in Central Maine. Now, for the first time since late 1975 when the Authority's program was implemented, demand outweighs supply. Through the close of 1976, the Authority had issued 98 Certificates. Just one year later, we had issued 296 Certificates, of which 274 are signed Contracts. Thus, in 1977, the Authority issued 198 "Certificates of Family Participation" and entered into 191 HAP Contracts. Through June, 1978, the Authority has authorized 346 Certificates, of which 336 are signed Contracts out of an authorized 350 units. Several weeks ago the Authority received its 1978 allocation of 151 additional units, which increases our number of authorized units to 501.

In 1977, the Authority entered into a contractual agreement with a non-profit organization in Southern Maine to administer our program locally for us. This, in turn, led the Authority to formulate a County-Contract plan statewide. During 1977, we accomplished the groundwork for having non-profit and CAP agencies administer our Existing Housing Program. In June, 1978, upon receipt of additional Existing Housing monies, we entered into two contracts with two CAP Agencies (Aroostook and Somerset) to administer for us 120 of our additional 151 units. The Authority directly administers the remaining 31 units.

INDIAN HOUSING MORTGAGE INSURANCE PROGRAM (IHMIP)

The Indian Housing Mortgage Insurance Program (IHMIP) is operated pursuant to the Housing Mortgage Insurance Law (30 MRSA §4784 et seq.) and regulations established by the Treasurer of the State of Maine and the Maine State Housing Authority and approved as to form by the office of the Attorney General. The Maine Constitution, Article IX, §14-D, authorizes the Legislature to insure the payment of mortgage loans for the purpose of encouraging the acquisition, construction, repair and remodeling of houses owned or to be owned by the members of the two tribes on the several Indian reservations. The amount of such insurance may not exceed in the aggregate \$1 million at any one time. The Legislature is permitted to authorize the issuance of bonds on behalf of the State at such time and in such amounts as it may determine to make payments insured.

The regulations set forth standards for eligibility and procedures for applying for available mortgage insurance. There are also provisions for making payment of insurance proceeds upon the borrower's default in repayment of the loan. Upon default, the lending institution is repaid from the insurance fund and rights of the lending institution are transferred to the Indian Reservation Housing Authority (IRHA). The IRHA must then obtain title to the property by foreclosure or otherwise and sell or lease the property and, with the proceeds or revenues, repay the monies advanced by the insurance fund. No loan funds are available to any resident of a reservation if the IRHA fails to sell or lease such properties.

APPENDIX 7

Material provided to the Subcommittee
by the Maine Municipal Association:

1. "A Summary description of the
Maine Municipal Association "
2. Material describing the Mas-
sachusetts Local Government
Advisory Committee.



July 20, 1978

William Brown
Legislative Assistant
State House
Augusta, Maine 04333

Dear Bill:

I am forwarding several pieces of information as a follow-up to our recent meeting. The summary description of MMA should serve the purpose you intend, but if not please give me a call. The Massachusetts League of Cities and Towns forwarded to me the information on the Local Government Advisory Committee and two pieces of legislation that were proposed but failed passage. Finally, I have enclosed a copy of the State Planning Office's report on "Housing Programs Available in Maine."

If I can be of further assistance, please contact me.

Sincerely yours,

John G. Melrose, Director
State & Federal Relations

JGM:djc

Enclosures

*Note to State Government
Committee: the 2 pieces of
legislation and the State
Planning Office Report
are not included in this material*

(
(A SUMMARY DESCRIPTION)
()
(OF THE)
()
(MAINE MUNICIPAL ASSOCIATION)
()

The Maine Municipal Association was founded in 1937 and is a voluntary organization of cities, towns and plantations. MMA is a non-partisan organization dedicated to the purposes of strengthening the quality of municipal government administration through favorable state and federal policy, providing technical assistance and information analysis to aid municipal officials in decision making, contributing to the understanding of municipal issues through information exchange on developments and problems of municipal government, improving the education and training of appointed and elected municipal officials, taking advantage of the savings that can be achieved through the joint purchase of goods and services, modernizing local government to assure the more effective delivery of public services for Maine citizens, providing support services to affiliated professional associations, and creating a greater public awareness and understanding of municipal responsibilities, governance, and administration.

Services

Information Exchange--a clearinghouse of municipal management information and a source of counsel on specific problems and issues affecting cities, towns, plantations, counties, schools and other local government entities.

Legal Service Program--provides legal advisory services on legal issues affecting communities. Provides specific legal services to communities on a fee basis. Such services include codification, ordinance drafting and legal representation in certain court and administrative proceedings.

Government Relations Program--provides up to date information on state legislation, federal legislation, state and federal agency activities, and court cases affecting communities. The MMA Legislative Policy Committee that is elected by member communities takes action on issues affecting municipal government. The Association is an active member of the National League of Cities which is the spokesman for municipal governments at the federal level. MMA has an active program before the State Legislature, state agencies, federal agencies, and the Maine Congressional Delegation.

Personnel/Labor Relations Service--provides general personnel information to member communities in such areas as OSHA, minimum wage, unemployment compensation, state retirement, municipal salaries and fringe benefits, personnel rules and regulations, collective bargaining and other personnel issues. Labor negotiation service, personnel rules and regulations, pay and classification studies, and arbitration assistance are available on a fee basis.

Insurance Programs--include group programs for health and major medical coverage, food stamp, public officials liability, and income protection.

Annual Convention--an opportunity to develop a better understanding of current issues affecting municipal government.

Townsmen--a monthly publication that provides information and experience exchange on solutions to municipal problems and issues affecting local government.

Individual Membership--Available to citizens, attorneys representing municipalities, members of the academic community and other interested individuals. This category offers limited services and is offered for the benefit of those individuals who have an interest in Maine municipal government and the activities of the Association. Annual dues for Individual Membership are \$40.

Affiliate Members--Several professional Associations and County Associations of Maine municipal officials have an affiliation with MMA. These Associations include the following:

Maine Association of Assessing Officers
 Maine Association of Conservation Commissions
 Maine Association of Planners
 Maine Building Officials' & Inspectors' Association
 Maine CAP Directors' Association
 Maine Chapter of American Public Works' Association
 Maine Chapter NAHRO
 Maine Chiefs of Police Association
 Maine Fire Chiefs' Association
 Maine Library Association
 Maine Municipal Tax Collectors' & Treasurers' Association
 Maine Recreation & Parks Association
 Maine Town & City Clerks' Association
 Maine Town & City Management Association
 Maine Welfare Directors' Association
 Penobscot County Municipal Association
 Oxford County Municipal Officers' Association
 Public Personnel Administration Association of Maine
 Somerset County Municipal Association
 Aroostook Municipal Association
 Kennebec County Municipal Association
 Washington County Municipal Officials' Association

Funding--An operating budget of approximately \$708,000 was adopted by the MMA Executive Committee to implement the 1977 service program for member cities and towns. The major increase of \$100,000 in the total anticipated revenues over the previous year was the result of a like amount of federal funding for a septage management research project. The dues formula for the Association was unchanged except for an increase in the minimum dues level to \$150. Membership dues are anticipated to represent approximately 35% of the total anticipated revenues. This percentage of membership dues support of the total Association operating budget is among the lowest in the country for state municipal associations.

1977 MMA Budget

Income		Expenditures	
Federal & State Grants & Contracts	\$254,816	Capital & Affiliate Groups	\$ 5,710
Membership Dues	241,000	Public Service Training	33,972
Publications & Meetings	72,394	State & Federal Policy	67,062
Contractual Services	75,028	Information Exchange	67,617
Insurance	38,300	Human Services	89,422
Operating Reserve	11,383	Septage Treatment Project	100,000
Building Income	9,032	Administration	151,907
Other	6,900	Technical Assistance	192,878

Decision Making

The MMA Executive Committee is the governing body of the Association. Its membership of ten is nominated annually by a nominating committee with provision for write-ins. The entire MMA membership is provided the opportunity to elect the members of Executive Committee by mail ballot. An Annual Report on the Association is delivered to the membership at the Annual MMA Convention. During the Convention's Business Meeting, the membership has the opportunity to vote on issues concerning the Association and to give guidance to the Executive Committee.

THE LGAC: A RISING FORCE ON BEACON HILL

Shortly after his inauguration in January, 1975, Governor Dukakis kept a campaign promise by establishing the Local Government Advisory Committee. The Committee has been active ever since, coordinating policy on a wide range of issues, overseeing research, and actively lobbying the Governor and legislature for better treatment for cities and towns. The group is the first of its kind in the nation, and the following article traces its growth from an informal idea to a major force in state/local relations.

The Local Government Advisory Committee (LGAC) in Massachusetts is a group of municipal officials who meet regularly with Governor Michael Dukakis. Since January 1975, the LGAC has become a major channel for shaping and expressing the position of the state's leading municipal groups on a half dozen major state policy issues, including the state budget, collective bargaining, education strategies, state assistance to municipalities, and Home Rule implementation. The monthly sessions with the Governor are increasingly regarded by the local officials and by members of the state administration as the decisive arena for addressing major issues of state local relations.

Composition

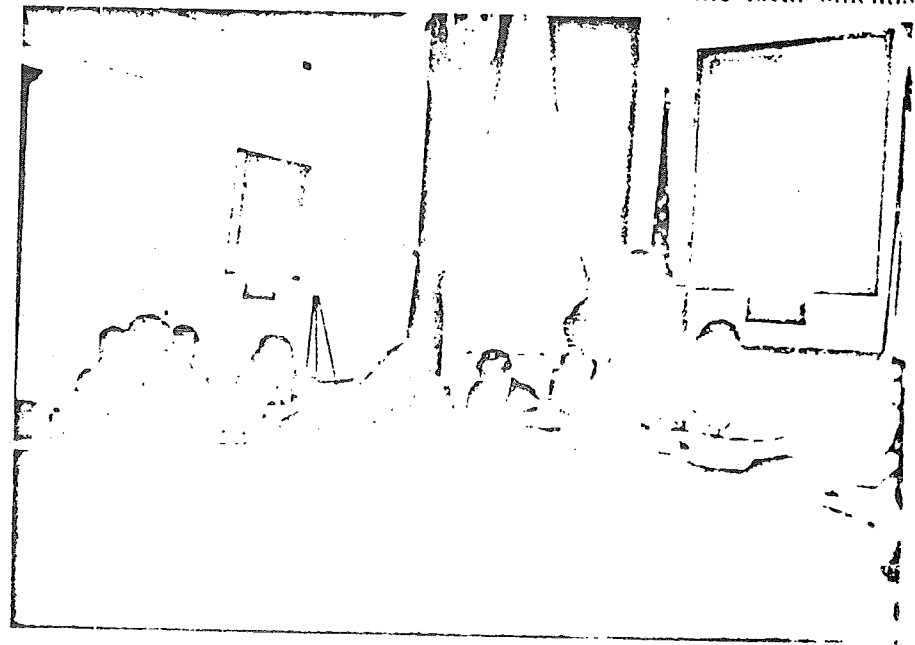
After an initial year in which the Governor himself selected eighteen local officials, the LGAC was reorganized in January 1976. In order to prevent the committee from becoming a competing voice with existing municipal groups, it was agreed that each major municipal organization would name its own members, even though it would take the Governor's power to make their appointment final. The Governor issued a formal Executive Order allocating five positions each to the League of Cities and Towns, the Selectmen's Association, the Mayors' Associations, the Municipal

Management Association, and one position to the Association of Town Finance Committees. (See the box accompanying this article.)

Monthly Meetings

The LGAC has always met on the second Tuesday of the month. This schedule has varied only twice, once at the request of the Governor and once at that of the members. It has always met in the Governor's Cabinet Room, a high ceilinged ornate council chamber that adjoins the

Executive Office. The Governor has attended some part of every meeting, usually for about an hour. He sits to the right of the Chairman, and the agenda and dynamics clearly reflect his presence since they are divided into those items to be raised with the Governor, and those to be considered at other times, usually at a pre-meeting just before the Governor enters. The Governor has been regular in attendance, missing only one monthly meeting when he was abroad. The attendance of the local officials



The five officers of the MSA are among the LGAC members who meet monthly with the Governor. From left are MSA President Haden Greenhalgh, Springfield Mayor William Sullivan, MSA Second Vice-President Paul Barber, Executive Director Richard Howe (behind), Governor Dukakis, and LGAC Chairman William Murphy.

has averaged 75-80% in 1977, indicating the high priority given the LGAC by most members.

Issues

The LGAC has been, above all, a forum for floating major issues on the minds of local officials before the Governor. On occasion, the Governor has asked support from local officials on personal projects such as court reform. Some issues important to local officials such as a tax reform are, nonetheless, temporarily put aside because it is

understood that the Governor will not support major tax reforms which conflict with his personal philosophy. The agenda has tended, therefore, to concentrate on a few issues of overriding concern to local officials and on which they think they have a good chance of winning empathy from the Governor. The intended result is to influence state policy to meet local officials' objections or priorities.

Committee Work

The LGAC began by creating two standing subcommittees.

⁷¹
The first was a home rule subcommittee whose purpose was to attempt to implement the 1966 Home Rule amendment to the State Constitution. This requires the redrafting of portions of the State laws to make them compatible with the Amendment and persuading the State Legislature to vote for these amendments, many of which may be viewed as restricting the freedom of the legislature. Through Secretary Flynn, several thousand dollars have been made available in 1976 and 1977 to retain a legal consultant to the subcommittee.



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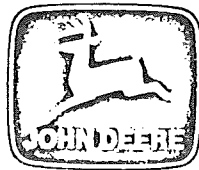
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Massachusetts Advocate

An Independent, Biweekly Newsletter
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The redrafting work is about two-thirds complete. Because of the nature of the work, the subcommittee has been composed of two LGAC members (one of whom serves as Chairman), a half dozen other municipal officials, and Home Rule advocates/experts, and has been staffed primarily by a qualified professional from the Department of Community Affairs.

The second standing committee to be set up in 1975 dealt with inter-governmental assistance. Dave Hayes, the Chairman of the Federal Regional Council in New England and the representatives of the Secretary of Transportation, and Bob Fulton, the Regional Director of HEW, were instrumental in this effort. The Committee was made up of state, federal and local representatives and was designed to coordinate some of the difficult problems in areas affecting all three branches of government. Reflecting the federal mandate and funds then available, the Committee ceased to operate in late 1976 when those funds were exhausted and the interest was, at least for the moment, reduced.

Collective Bargaining

In 1976, the LGAC established a subcommittee to research the results of two years of trial application of binding and compulsory arbitration. The basic research was funded by the U.S. Civil Service Commission through the League of Cities and Towns. As with other LGAC committees, its membership was a mix of LGAC members, other non-LGAC local officials, experts, and state officials (ex-officio). Throughout late 1976 and 1977, the LGAC attempted to defeat the extension of binding arbitration. Several of the monthly meetings in early 1977 focused on the issue, building consensus within the municipal associations and increasing the Governor's awareness of the issue. Hopes were raised when the Governor responded to LGAC pressure by pledging to veto the extension unless the bill was significantly modified. Despite the most intense lobbying effort ever mounted by the municipal groups, the powerful firemen/police lobby overrode

Dukakis' veto of the bill on June 27, 1977.

Other Committees

Another priority concern developed early in 1977 and related to the Commonwealth's progressive and increasingly expensive Special Education program. The LGAC investigated the matter and convinced the Governor that the escalating costs should be restrained and that the State was not doing all it could to secure alternate federal funds. This was a test case in municipal officials discerning a complex administrative problem and convincing the Governor to set up his own Secretarial subcommittee to review and recommend new strategies for education funding. The LGAC continues to be part of the review process.

Staffing

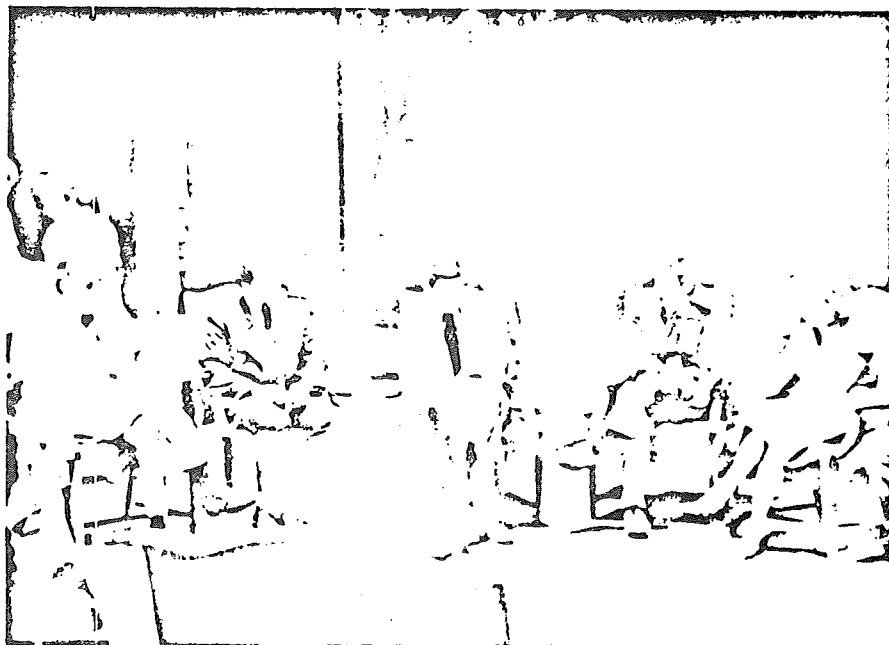
Staffing has been a problem with the LGAC since its inception. Since the group is a shared instrument of both the municipal and state levels of government, its staffing has been an ad hoc arrangement. The Governor did not want to commit staff from his immediate office for reasons both political—he is committed to a small personal staff—and theoretical—the LGAC should not be tied too closely to the Governor or it would lose its independence. The Department of Community Affairs (DCA), also did not want

to do all the staff work for the same philosophical reason and because of budgetary problems.

The municipal groups thus assumed the major staff role, although this meant adding to existing workload rather than adding new staff. The result during the 1975-76 first year was that occasionally LGAC business was given less than fully committed staff work as a half dozen persons shared responsibility with no one regularly in charge. This pattern improved markedly in September 1976 when the League obtained the services of Gene Preston, a Foreign Service Officer on loan for one year from the State Department. Gene was given the title of LGAC Coordinator and made responsible for drafting all agendas and materials of the LGAC and drawing upon the professional resources of both the municipal groups and the DCA as necessary. LGAC meetings developed more order and sequence during this period and an evaluation by the members and Governor in June 1977 found a growing confidence in the manner of operation.

Legislative Contacts

Although the LGAC was formed as an advisory committee to the Governor, several steps have been taken to improve relations with the Legislative leadership as well. Meetings



LGAC members met informally with the Governor at Pine Manor College this summer to discuss ways to improve communication between local officials and the Executive Office.

with the Senate President and the House Speaker were held in the fall of 1976 and the spring of 1977, the local officials received assurances that no new mandated programs would be enacted. From time to time, both legislative leaders have designated staff to sit in on LGAC meetings, a practice which, it is hoped, will increase in the future.

Prospects

As the LGAC approaches its third anniversary, those who have participated in it share a few conclusions. The Governor appears as committed to its success as at the start. The LGAC has helped the several municipal groups evolve a more coordinated strategy on key issues, although the evolution of the LGAC remains tentative so long as its constituent groups are disparate. The LGAC has sought a low public profile, convinced that in modesty lay the better tack for retaining gubernatorial confidence; yet members increasingly feel that the committee needs to establish a firmer public image within both branches of

state government and with the general public.

Yet as the major municipal associations continue to work together more closely, the role

of the LGAC in overall coordination and policy determination will become even more critical. (RTH)

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