



HUD NEWS

U.S. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT
WASHINGTON D.C. 20410

January 18, 1978

HISTORY OF NEW COMMUNITIES PROGRAM

The history of Federal support of new towns in this country has been characterized more by fits and starts than by coherent and steady growth. Following the green belt experiments of the Thirties and the construction of communities such as Los Alamos to support Federal facilities in isolated places, the first ambitious Congressional effort to develop a Federal new communities program came in the New Communities Act of 1968, which called for the "enlistment of private capital in new community development ..."

The Housing and Urban Development Act of 1970 developed and refined this concept and established for the first time a mechanism by which a national urban growth policy could be established. Title VII of that Act is now our basic legislative tool - "The Urban Growth and New Community Development Act of 1970."

Under this law, the Secretary of HUD is authorized to guarantee bonds, debentures and other obligations issued by private developers and State land development agencies to finance real property acquisition and development for the purpose of building new communities.

The Act called for a national growth policy which should "favor patterns of urbanization and economic development and stabilization which offer a range of alternative locations and encourage the wise and balanced use of physical and human resources in metropolitan and urban regions as well as in smaller urban places which have a potential for accelerated growth."

Following is a summarization of HUD actions in connection with the existing fifteen new communities, thirteen of which have received Federal guarantee assistance:

-more-

PROJECT ACTIVITY

For potentially successful projects, HUD is using a variety of management and financial practices, including deferral of debenture interest payments, acceleration of principal repayment on debentures, improved financial controls and practices, and reorganized project management.

Projects which are not considered to be potentially successful have been or will be acquired by HUD and disposed of as soon as possible. Debentures are redeemed when necessary and operating expenses of the projects are assumed by HUD. Also, payments are made to certain local interests for investments made in the projects based on the strength of the Federal guarantee.

The thirteen federally guaranteed new community projects fall into three general categories. These are (1) projects capable of continued development with additional financial help to existing ownership, (2) projects to be acquired and continued as new communities under new ownership and (3) projects to be acquired for disposition of remaining assets. The two new community projects not requiring a Federal guarantee received Certificates of Eligibility, as they met the other programs requirements.

PROJECTS CAPABLE OF CONTINUED DEVELOPMENT

The following six projects are currently judged to be capable of continued development with financial assistance from HUD in the form of interest deferral loans and Community Development discretionary grants. A brief description of the current status of these new communities follows:

St. Charles, Maryland. A strong market for residential, industrial and commercial land continues in this new community developing southeast of Washington, D. C. Because of this market and the construction of a substantial portion of new housing for low and moderate income families and persons (208 units occupied and another 307 mortgage commitments), HUD will continue to assist in the provision of grants for necessary public facilities and to supply housing subsidies to further the development of this new community. Population exceeds 9,500 and there are almost 700 jobs on site.

Maumelle, Arkansas. Because this new community near Little Rock has shown a surge in residential lot sales and market analysis indicates that land sales are expected to continue at a rapid pace in the future, HUD intends to continue to assist in its development. A portion of the Title I grants earmarked for new communities from the Secretary's Discretionary Fund will be used to provide essential public facilities for Maumelle in 1979. Also set-asides for housing assistance will be made available to home builders in Maumelle.

The Woodlands, Texas. Rapid sales of new homes at prices below the median for the Houston metropolitan area, contracts for land sales for more than 400 units of housing for low and moderate income families, substantial industrial, office and commercial building construction and land sales and pledges by the developer of substantial amounts of new cash equity have caused HUD to continue its support of this new community. Title I grant funds have and will be used to provide public facilities for low and moderate income housing and construction of such housing is expected to begin in 1978.

Soul City, North Carolina. HUD has committed up to \$1 million to augment other Federal agency grants to develop additional sewage treatment facilities should the developers of this new community be successful in attracting industrial firms of sufficient size to require such facilities. Industry and jobs are the keys to the future development of this free-standing new community. A modest amount of residential construction has begun.

Harbison, South Carolina. In furtherance of Title VII goals, a multi-family housing development for low and moderate income families has begun in Harbison, a new community under development near Columbia, while Title I grants are assisting in the provision of community facilities. Housing starts in Harbison in 1977 exceeded HUD's projections for that year. For these reasons HUD expects to continue its support of this project and considers it has potential for development as a full-scale new community.

Shenandoah, Georgia. A revised development plan based on new market studies indicates that this new community south of Atlanta has the potential under favorable conditions to reach maximum potential development of 7,000 homes by 1995. While only about one-half of projections for development previously approved by HUD have been achieved, the development predicted for Shenandoah under the new plan is of a pace and scale sufficient for a Title VII-assisted new community. For that reason, HUD intends to continue its support of Shenandoah.

PROJECTS TO BE ACQUIRED AND CONTINUED AS NEW COMMUNITIES

The following three projects have had their guaranteed debentures accelerated and are now under management for continued development as new communities:

-more-

Jonathan, Minnesota. At its December 10, 1976, meeting, the Board of Directors, New Community Development Corporation, directed HUD to foreclose on Jonathan, a new community developing outside Minneapolis. Negotiations by HUD with the developer and two major creditors to secure an agreement by which the project might proceed without foreclosure were unsuccessful. HUD therefore is proceeding to acquire Jonathan. The \$21 million in Title VII debentures have been accelerated and paid. Because analysis indicates a good market for future development as a full-scale new community, HUD intends that its development continue as a new town under a new developer.

Park Forest South, Illinois. This new community south of Chicago has been acquired by HUD through a deed in lieu of foreclosure. The \$30 million in Title VII guaranteed debentures have been accelerated and paid. HUD has hired an on-site manager to supervise the project until a permanent agreement has been reached with a new builder/developer, possibly a local governmental entity.

PROJECTS TO BE ACQUIRED FOR DISPOSITION OF ASSETS

Cedar-Riverside, Minnesota. Foreclosure against the developer of this new-town-in-town near the central business district of Minneapolis is continuing after efforts to reach an agreement with local governmental interests and HUD failed. The \$24 million in Title VII debentures have been accelerated and paid. HUD has concluded that Cedar-Riverside cannot be developed as a high density new-town-in-town under current circumstances, but no decision has yet been reached on ultimate disposition of the property.

The following four projects have had their guaranteed debentures accelerated and are now under management for disposition:

Riverton, New York. The Board of Directors, New Community Development Corporation, has resolved that this project near Rochester be discontinued from further Title VII assistance. The decision was based on market studies which indicated that there was not a reasonable probability that Riverton would ultimately develop as a full-scale new community meeting Title VII requirements. Therefore, HUD will acquire the project either through negotiations or foreclosure and will sell off the undeveloped land, meanwhile taking steps to protect the interests of existing residents and appropriate local units of government. The \$16 million in Title VII debenture have been accelerated and paid.

Flower Mound, Texas. This new community was acquired by HUD in September, 1976, and in November, 1976, HUD signed an agreement with the owners obtaining all remaining assets of the developer. Since then, the Trustee bank, which owns 3,600 acres of project property for the benefit of the HUD Secretary, has managed the property through an on-site development company. Residential development has continued, and options have been obtained from two national home building firms for residential land.

Gananda, New York. The reorganization plan for this new community near Rochester was successfully implemented in May, 1977. The plan approved by the NCDC Board of Directors, resulted in the acquisition and disposition of 9,000 acres of project land, settlement of all claims against the project, completion of a school building, sale of 1,500 acres to a new developer and provision for funding future deficits incurred by the local school district, community association and sewer district.

Newfields, Ohio. The Board of Directors, New Community Development Corporation, found this project near Dayton to be financially and economically infeasible as a full-scale Title VII new community and authorized acquisition of the project. The \$18 million in guaranteed debentures have been accelerated and paid. Negotiations are underway with local parties and units of government on ultimate disposition of the project site.

PROJECTS WITH CERTIFICATES OF ELIGIBILITY

HUD has assisted with grants two new community development projects which did not require Federal Title VII guarantee assistance, but whose financing was guaranteed by the New York State Urban Development Corporation (UDC). Both meet Title VII requirements.

Radisson, New York. Development and land sales at this new community near Rochester have been strong, with more than 900 residents and 650 jobs. HUD grant assistance to this development therefore will continue.

Project
Roosevelt Island, New York. More than 2,100 dwelling units have been constructed on this island new-town-in-town development in the middle of the East River. More than half have been subsidized housing for low and moderate income families and persons. HUD will continue its support of this project.

#