

units, according to what the experts believe is a reasonable division, 8,000 are substandard that require either replacement or complete rehabilitation, and 16,000 are in various stages of decay.

The major cost in this typical city, as it would be in all cities, would be the acquisition of blighted buildings. (Under the President's program, acquisition will be carried out by a city agency set up to run the demonstration, using powers of eminent domain in much the same way as they are used in the urban renewal program.) The cost of acquiring 24,000 units in a "typical" large city project would be about \$140 million.

DEMOLITION COSTS NOTED

Based on past experience, an average of about one-fourth of the 8,000 substandard units would require demolition. The cost of demolishing 2,000 units would be \$2 million, the cost of replacing these with new units would be \$24 million.

The rest of the units, the remaining 6,000 substandard units and the 16,000 in various stages of decay, would require various degrees of rehabilitation costing more than \$80 million.

To these basic physical costs—about \$250 million all told, are then added other costs of a social nature: relocation of neighborhood residents, as necessary; administration and planning; and "community participation" and social programs such as day care, employment and family-counseling services.

If other community facilities such as schools, health centers and neighborhood recreational centers are included, as they may well be, the total "social" costs of the program would amount to roughly \$100 million, thus producing a total cost of perhaps \$350 million.

Similar models can be drawn up for cities in the intermediate and low population groups. Average costs of the intermediate programs are about \$170 million, in the small city group about \$30 million.

RESALE FACTOR VITAL

The gross costs of the program can be computed from these models by multiplying these average costs by the number of cities in each population category and then by adding the three categories together. The approximate result is \$5.3 billion. Additional costs, including the renovation of stores and shops in the area, produce a final gross figure of about \$5.6 billion.

In computing net costs—the next step—the experts have devised a resale price low enough to allow those who buy the upgraded units to charge rents within the reach of low-income groups. This represents a conscious effort to avoid the experience of many urban renewal projects, which have often cleared out slum areas only to refill them with housing that no low-income person can afford.

The resale figure generally used by experts to achieve these objectives is \$7,000 for rehabilitated units and \$12,000 for totally new units.

Their assumption is that a \$7,000 unit would produce a rent of \$60 monthly, which they believe is within the capacity of those earning less than \$3,000 annually. A \$12,000 unit, they estimate, would produce a rent of from \$100 to \$110 a month.

These resale figures are then multiplied, in effect, by the number of units involved in the overall program to reach a total "recovery" figure of \$3 billion. This is then subtracted from gross costs of more than \$5 billion to bring the net to a level that Mr. Johnson thinks is manageable by local treasuries and the Federal budget.

COMMENTS ON NEW YORK TIMES STORY ON DEMONSTRATION CITIES PROGRAM, FEBRUARY 20, 1966

The New York Times article of February 20, 1966, about the proposed demonstration cities program by Robert Semple, presents an analysis of a demonstration cities program under certain assumptions that emphasize the costs of physical improvements. Within this framework it is an interesting and arithmetically plausible analysis.

The analysis was obviously geared to the \$2.3 billion demonstration cities program cost mentioned by the President in his message on the proposed demonstration cities program. The \$2.3 billion as used in the Times story represents the net cost of the program. It appears from the article that this net cost is derived