

by an assumption that about 24,000 units would be acquired in a typical large city to be either demolished or rehabilitated. The costs of acquisition and rehabilitation in the typical large city would amount to \$250 million. To this would be added \$100 million of expenditures for community facilities, such as schools, health centers, neighborhood and recreational centers, as well as the social cost of the program. For smaller size cities for the same types of improvements, smaller amounts would be required. For all the cities that would be involved, the costs for these purposes would be about \$5.3 billion and additional costs primarily for renovation of commercial properties, producing a final gross figure of \$5.6 billion in the Times analysis. The proceeds from the sales of units that have been rehabilitated would then be deducted from the gross cost to arrive at an estimated net cost figure of \$2.3 billion.

It is important to note that the Times analysis has been built up on the basis of a model for a typical city under certain assumptions as to the population and number of dwelling units in the demonstration area, and on the assumption that the major part of the cost involved will be for housing improvements and other physical improvements. The social services cost is not identifiable in dollar terms.

In an analysis of this sort, all models necessarily have to be based on certain assumptions as to the arithmetical factors involved. The formula and the purposes for which supplementary grants would become available under H.R. 12341 would cause a different focus upon the factors that may be involved than in the New York Times analysis.

The stated purpose of H.R. 12341 is for "rebuilding slums and blighted areas and for providing public facilities and services necessary to improve the general welfare of the people who live in these areas." The demonstration program effort, thus, would be designed to have a comprehensive and coordinated program of social services to better the lot of the people in the area, as well as to improve the physical conditions in the area. It is intended that all available Federal aid programs for both social betterment and physical improvements should be utilized to the maximum extent feasible for accomplishing these purposes.

To induce the cities to undertake such an effort, they would receive supplementary grants equal to 80 percent of the local share required for all projects or activities which are a part of the demonstration program and financed under existing grant-in-aid programs.

These supplementary grant funds could be used to (1) assist cities to provide their required share of the cost of projects or activities which are part of the demonstration program and are funded under existing Federal grant-in-aid programs, and (2) provide funds to carry out other, nonfederally assisted, projects or activities (including projects or activities of the type eligible for Federal assistance under existing grant-in-aid programs) undertaken as part of the demonstration program.

In drawing typical city models to analyze program cost in accordance with the bill, therefore, three critical factors are involved in the calculations: (1) the program cost as based on the local determination of components of the program and the mix of such components; (2) the proportion of these program costs that would be borne by expenditures under ongoing grant-in-aid programs typically expected for a city of a given size; and (3) the disposition among program components, as determined by the local city demonstration agency, of the supplementary grant funds obtained under the formula provided by the bill.

It is in the nature of the program that each qualifying community will develop an imaginative program predicated upon its particular needs and circumstances. Cost estimates for any individual city cannot be stated definitively in advance because of variations in program components that would occur from locality to locality and because of variations in levels of funding that will be available for regular Federal grant-in-aid programs in different localities. Therefore, given certain assumptions about program components and available present Federal grants-in-aid, we can build up estimates of typical situations. We cannot, however, calculate fund allocations until the proposals from cities are received.

The starting point for an estimate of the program cost would be similar to one of the points used in the New York Times analysis; namely, a model of a typical large city. The Times' model was a city of 700,000 with a demonstration area of 80,000 to 100,000 people, containing 24,000 dwelling units, of which 8,000 need to be demolished and 16,000 require some degree of rehabilitation.