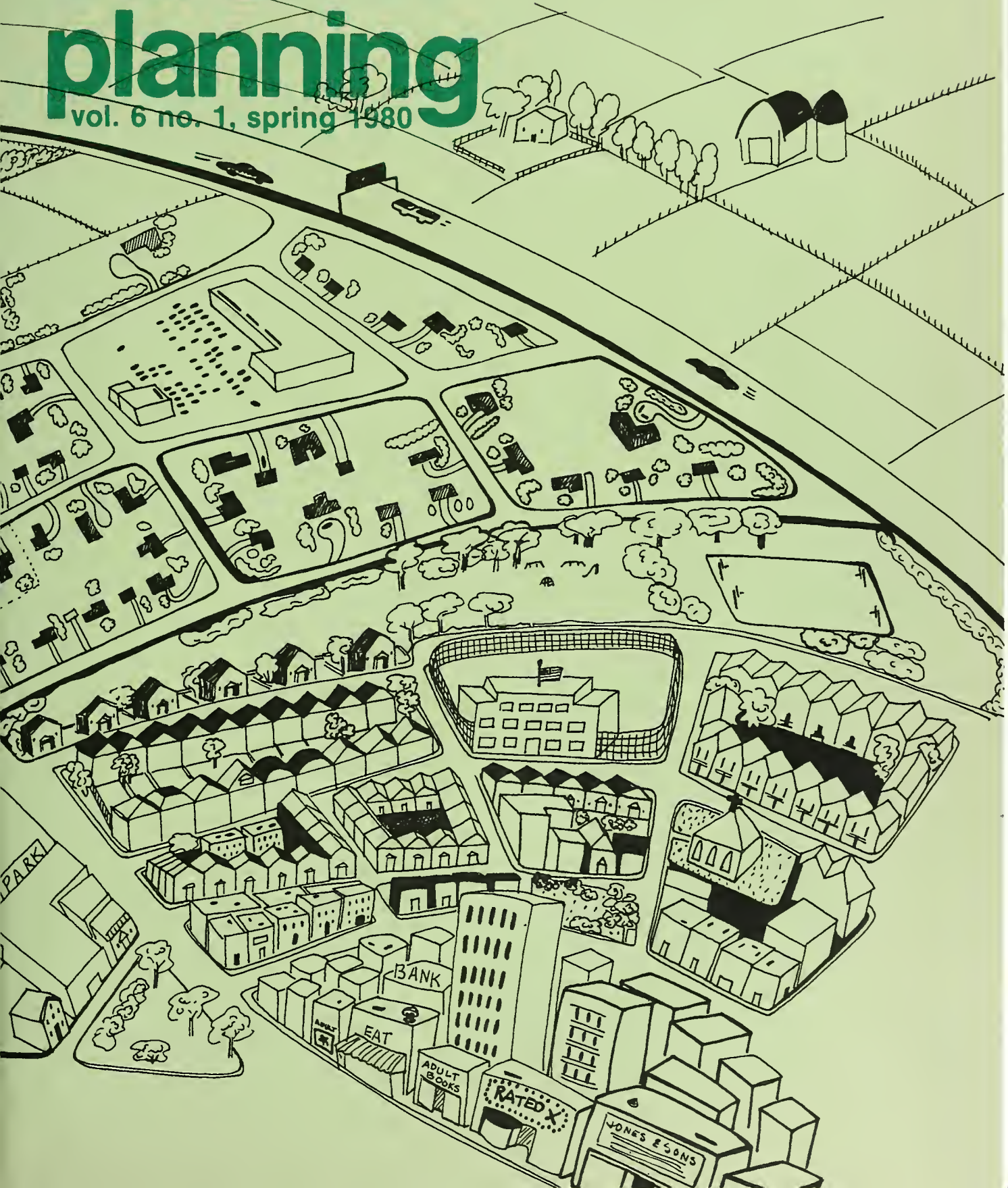


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# carolina planning

vol. 6 no. 1, spring 1980



# Introduction

The majority of Americans live within the Nation's cities and towns, and one of the more exciting opportunities of the planning profession is the part we are able to play in determining the future of this man-made environment. The problem presented to planners is not only what the future of the city should be, but also how that future can be achieved in an efficient and equitable manner. This issue of *carolina planning* features articles of interest to those concerned with the implementation of local plans.

The increasing popularity of neighborhood planning as an adjunct to city-wide comprehensive planning forms the basis for two of our articles in this issue. In "CRA, Planners, and Neighborhood Development," Erica Pascal discusses the effect of the Community Reinvestment Act upon neighborhood conservation and revitalization. William Rohe provides a look at the experience of two current neighborhood planning programs, and provides some suggestions to improving such programs in his article "Contemporary Neighborhood Planning: A Critique of Two Operating Programs."

At the other end of the urban spectrum lies the issue of the management of growth at the urban fringe. Owen J. Furuseth, in his article "If We Are Really Serious About Protecting Agricultural Land in North Carolina," offers some criticisms and suggestions for the design of farmland preservation ordinances. In a related article, David S. McLoed discusses the latest legal status of the issue of agricultural nuisances in newly developing residential areas.

With this issue of *carolina planning* we are offering a new department to our normal subject matter. This new feature, the Book Review, will bring you a summary and critique of a recent publication related to the subject matter contained in other articles in each issue. We, at *carolina planning*, hope that this new service will be of interest to our readers, and we invite you to participate by letting us know of other publications that would be of interest to planners.

As usual, we invite our readers to submit manuscripts for publication in future editions of the magazine, and we welcome your comments on the design and content of *cp*. We appreciate your continued support of our efforts.

John R. Marling

*carolina planning*

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*carolina planning* welcomes submissions from our readers as well as responses to our contents. Article length manuscripts should be typed a maximum twenty double-spaced pages. *carolina forum* pieces report on interesting activities or present opinions on planning issues; they should be typed a maximum seven double-spaced pages. Letters to the Editor will vary accordingly.

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## carolina forum

### "The Neighborhood Movement In Urban America"

*Appears to me that there is something very real going on out there--that people all over the country are active. While our national leaders talk about malaise, you read a survey saying that people are 77% satisfied with their neighborhoods. In my experience we have never had as high a level of neighborhood organization around improving and changing neighborhoods. Yet there are these contradictions...*

*Joe McNeely*

When, in the mid 1970s, groups of Latins, Blacks, blue-collar whites, and other outraged Americans coalesced and began to move their campaign for neighborhood power from the steps of City Hall to the formidable offices and chambers of Capitol Hill, certain contradictions began to surface: contradictions in the purpose, constituency and methods of what has been called the Neighborhood Movement. This transition from local activism to national advocacy culminated in Congress' setting up a National Commission on Neighborhoods. Not surprisingly, the Commission was said by its critics and participants alike to embody the very contradictions lying beneath the emerging grass-roots movement.

In February 1980, four people who had in one way or another been associated with the Commission or its aftermath spoke at a Symposium on the Neighborhood Movement in Urban America at the University of North Carolina at Chapel Hill. Dissonance as well as harmony surfaced in their retrospective remarks about the formative years of the Neighborhood Movement and their sense of what should occur in the months and years ahead. The following article puts on stage the four people who participated in the Symposium, and lets them tell you in their own words about the movement's transition from local groups working on local

issues to a national lobbying force stirring interest in Washington. The four panelists were:

Gale Cincotta--Commission member; Executive Director of the National Training and Information Center, and Chairperson of National People's Action.

Bob Kuttner--Executive Director of the Commission; Fellow at Harvard's Kennedy Institute of Politics.

Joe McNeely--Director of Office of Neighborhood Development at HUD; Has been instrumental in shaping federal neighborhood policy.

John Goering--Senior Research Associate at the Center for Policy Research; Visiting Scholar in the Office of Policy Development and Research at HUD.

#### BEGINNINGS OF A NATIONAL MOVEMENT

According to Gale and Bob, neighborhood associations rose from the embers of older social and political institutions that had united neighborhoods in the earlier years of this century. "I can remember growing up," Gale said, "you had a precinct captain. If somebody had to have a citizenship paper processed or had to be in the county hospital, you went to these people and they did all this magic for you just so you'd vote in the next election. That system was breaking down; the cities were changing and the people in power didn't know how to deal with them. So, in the effort to survive, community organizations started springing up and started to fill a lot of those needs. You had to go and try to get the garbage picked up, you had to go and try to get books for the schools. Looking back, that's where the whole neighborhood movement

and citizen participation thing got much more organized--when there was that complete kind of breakdown of the political system serving the citizens in any kind of capacity."

As neighborhood groups grew more confident in their strength, and as they developed a sophisticated understanding of the interconnectedness of the problems plaguing their areas, they began to think of 'the enemy' in broader terms. Gale continues, "What we found was that if we worked individually we might get a realtor out of our neighborhood, but he'd move next door, into somebody else's neighborhood. They'd work very hard getting somebody kicked out of their neighborhood, and he'd open up an office in ours. And as far as dealing with HUD -- by ourselves we could do nothing. So we put together the West Side Coalition and again made some impact: got city ordinances passed, got state legislation passed, and started to deal with HUD. But we felt that again we had reached the peak of what we could do from that kind of base. So we then very naively said this problem has got to be in other neighborhoods around the U.S. We were tired of being told that we had an isolated incident in the city of Chicago by HUD people. Their answer to us was, 'You gotta go to Washington.' I think that they figured out that we'd never do it--that was their thought." But they were wrong.

According to Gale, in 1972 the West Side Coalition sent out invitations for the first National Conference on Neighborhoods to be

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"... NEIGHBORHOOD ASSOCIATIONS ROSE FROM THE EMBERS OF OLDER SOCIAL AND POLITICAL INSTITUTIONS THAT HAD UNITED NEIGHBORHOODS..."

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held in Washington. Over 2,000 people from thirty-eight states attended. "They were black, they were Latin, and white ethnic...What I didn't know at the time was that in the back of the hall there were other people observing, taking bets on how long this would last. They thought that we were going to blow up before the end of the conference. It was a community conference, and community people are usually very upfront, yelling and screaming what they like or don't like. But we found the enemy and it was not us. And that was the theme," she said.

Realizing that their power base had assumed national dimensions, the association of neighborhood groups that sprung from subsequent neighborhood conferences, National People's Action (NPA), decided to take on a problem besetting many declining neighborhoods in urban areas: redlining. Bob Kuttner, who was at that time chief investigator for Senator Proxmire, the Chairperson of the Senate Banking Committee, was only on the job for two or three

weeks when Gale approached him with the redlining issue. "We did a four-day series of hearings before the Senate Banking Committee on redlining which got the Congress really excited over the issue," Bob recalls. "It was very, very exciting to be in that kind of pivotal position where I was able to broker between a really genuine energy commitment that some of the neighborhood activists felt and some good will on the part of a lot of members of the Congress. What you had was a chaotic, authentic, committed network of neighborhood organizations around the country that really did their homework and started turning the heat on the legislators. And in very short order we did get through Congress the Home Mortgage Disclosure Act." This act requires banks and savings institutions to make available to the public, information about where they put their mortgage money. Instead of creating a regulatory apparatus in Washington, which was distant from the problem, the Act was intended to be an organizing tool for neighborhood groups. "The notion was that if people could find out which banks were trashing their neighborhoods, public opinion and community organization would do the rest," Bob adds.

The momentum in Congress and in neighborhoods created by the passage of this Act carried the other pieces of proposed legislation in support of neighborhoods through the Congressional mill with surprising celerity. The first to pass was the Community Reinvestment Act (CRA) designed to assist neighborhood groups in stemming the disinvestment problem. The second was an act establishing the National Housing Service to help moderate income neighborhoods obtain financing to improve housing conditions, and the third was the Neighborhood Policy Act of 1977, which gave birth to the controversial National Commission on Neighborhoods.

The Commission, composed of sixteen members appointed by the President and four appointed by Congress, was charged with identifying the factors contributing to neighborhood decline and recommending legislative and administrative remedies. Unlike the other laws, which were primarily concerned with providing ammunition for local activism, the Neighborhood Policy Act was intended to bring the neighborhood campaign to another platform: the national stage. The same question which onlookers at the first National Conference on Neighborhoods had placed bets on once again came to the forefront: will it last? Can the diverse actors involved in neighborhood activism agree on certain basic issues affecting the viability of neighborhoods enough to hammer out proposals and new approaches, and to arouse a largely impassive, immobile Administration and Congress? Such a task turned out to be a larger order than the architects and supporters of the bill had con-



ceived. To quote the opening lines of the Final Report, it was like "catching lightning in a bottle."

## THE NATIONAL COMMISSION ON NEIGHBORHOODS

From its inception, the National Commission on Neighborhoods promised to be unlike any other commission that had sent a report to the President. Bob Kuttner, who was hired to be Executive Director of the Commission, comments, "Most commissions are very blue ribbon commissions -- bankers and college presidents. This was different. The Commission was conceived and lobbied for by the same cast of characters who had developed this very potent, very authentic, very grass-roots national lobby on behalf of neighborhoods. Something like a thousand people wanted to be in on it--it totally overwhelmed the Presidential Personnel Office. When these sixteen folks plus four Congress people got on the Commission, they had gotten there the hard way. They weren't going to let any over-paid Washington staff that hadn't earned its stripes the hard way write their report."

"The Commission was really a kind of neighborhood in microcosm; you had all of the conflict, all of the chaos, all of the different viewpoints that you would have in the neighborhoods and the neighborhood movement. You had fundamental disagreements--different premises, different views of the world. You had as a chairman a State Senator from Boston who thought it ought to be run like the Boston City Council. You had three or four community activists who thought it ought to be run like a neighborhood meeting. You had one historic preservationist who thought it should be run like the Junior League."

"I survived until September and was carried out on a stretcher. As chaotic and uneven and weird as the Commission was, you will not find anything that's as neatly tied up in a ribbon as the Douglas Commission Report, which was a staff operation in many respects. There is some good stuff in the final report, and some embarrassing stuff. In many respects, the final report is five different reports (written by the five task forces which developed) and this simply reflected the five

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"... THE NEIGHBORHOOD POLICY ACT WAS INTENDED TO BRING THE NEIGHBORHOOD CAMPAIGN TO ANOTHER PLATFORM: THE NATIONAL STAGE."

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separate agendas. The difficult definitional questions of what is a neighborhood and what is a neighborhood movement, and are we trying to upgrade the physical territory by importing a better class of people or are we trying to save the neighborhood for the people who live

there--those fundamental questions were never resolved."

After one year of work, the Commission sent a book-length report with a set of book-length appendices replete with controversial, conflicting recommendations on economic development, housing, neighborhood self-help, and tax codes to the White House. The staff is presently in the process of digesting that information.

## WHAT DOES IT ALL MEAN

Five separate reports with five different agendas, and disagreement on fundamental issues: To return to an earlier question, is there an identifiable movement working on clearly-defined issues? And what is its future? The panel members had differing opinions.

"Redlining and disinvestment enabled people from very different ideologies and movements to fall out around a fairly narrow issue," Joe Mc Neely said. "The support of the Neighborhood Commission Bill was a narrow issue: to get the word neighborhood in the *Congressional Record*. But because sometimes these narrow constituencies line up together around a narrow set of issues does not make

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"THE CENTRAL ORGANIZING PRINCIPLE OF A NEW PROGRESSIVISM OR POPULISM HAS GOT TO BE DECENTRALIZATION, LOCAL CONTROL ..."

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them a movement for all the analyses and writing we feel compelled to do. There are movements with defined constituencies and clear agendas among certain kinds of neighborhoods, and maybe there is a mini-ideology that gets some clear definition -- but by calling it a movement we raise a lot of inappropriate questions: Who is the leadership? What is its defined agenda? What is its agenda's impact on Israel and foreign policy? I suggest that what's happening is there are a lot of activists and a lot of active vocal expression that happens to fall together on certain issues."

"I probably disagree with Joe," Gale said. "I do think that there is a movement, that something is happening. Maybe it is labeled incorrectly as the neighborhood movement. I do think that there is room for all ranges of people, thoughts, and ideologies in there. Where it's going, we'll see."

Bob Kuttner saw an underlying consistency running through neighborhood activism of most persuasions; a thread that tied it in with "a new progressivism." He said, "People who believe in a more egalitarian society, a more democratic society, who believe in social change to better the society have given up on

Washington. The habit of liberals for the last two generations since the New Deal to accept social programs that were badly flawed was a kind of Faustian bargain, and the tax revolt is the payment of the bill.

"The central organizing principle of a new progressivism or populism has got to be decentralization, local control -- the use of national policy not to create bureaucracy, but to create conditions in which local control can flourish. And if there is a central, unifying theme that can grow out of all this whether of exciting chaotic activity, I think that's got to be it."

"I agree that bureaucracies are pretty rotten things," John Goering comments. "I am simply puzzled; I am not sure of answers; I fear that as our economic system becomes much more centralized in large corporations, and as the economic base of cities becomes more fragile or vulnerable, and as economic markets become more interdependent, I simply wonder

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"... ARE WE TRYING TO SAVE THE NEIGHBORHOOD  
FOR THE PEOPLE WHO LIVE THERE ..."

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about the business of decentralizing power or political influence when, in fact, you don't have control over the major economic forces that are affecting you. I'm not convinced of that as a solution. I think Bob would agree with me that it works for certain things under certain conditions. I think to substitute it for 'the solution' is probably going overboard in one direction."

### CONCLUSION

In the neighborhoods, where the national debate began, the struggle goes on; perhaps a bit differently than it did a few years ago, before people from neighborhoods all over the United States began talking to each other, and realizing they shared a similar set of problems, with only tentative hopes for solution. Once again, the arena for the struggle for neighborhood power may be shifting, partially in response to the economic pressures squeezing almost everyone but most painfully those at the bottom, and perhaps partially due to the fact that they now have allies in government. The struggle now may occur less in the public sector and more in the private sector, where an increasing concentration of power and wealth poses a threat to populist dreams of local control. The movement is fragmented, and to some extent, incorrigible and unfocused, but the conditions giving rise to a need for local activism are still there.

*Andrée Tremoulet is currently working toward a Masters degree of Regional Planning with a socio-economic concentration at the University of North Carolina in Chapel Hill.*

## Harnessing Reinvestment: National Training And Information Center Builds Partnerships With Neighborhoods

Why is there so much excitement on the streets of Chicago's Roseland and Austin neighborhoods? Why are people in the St. Clair Superior community of Cleveland and in Philadelphia's Kensington neighborhood looking at their boarded-up, vacant homes with new hope? Why are tenants in the Northwest Bronx talking about new roofs, wiring, plumbing and furnaces? Why do 45,000 residents and merchants in Brooklyn believe that there will be new life flowing along Fifth Avenue? The National Training and Information Center (NTIC) and Aetna Life and Casualty have formed an unprecedented partnership with these six neighborhoods. Aetna Life and Casualty, the nation's largest diversified financial firm, has earmarked at least \$15 million to begin revitalizing neighborhood housing in Chicago, Cleveland, Philadelphia, and New York, hoping to be the catalyst for a host of inner-city development projects.

The partnership was spearheaded by the efforts of Gale Cincotta and NTIC, a national resource center for neighborhood based organizations. NTIC provides training, technical assistance and on-site consulting to community organizations throughout the country. In-depth research conducted by NTIC staff monitors the impact of public sector policies and private sector practices in neighborhoods. Dedicated to the belief that neighborhood residents must be full and equal partners in the decision-making that affects their lives, NTIC's expertise in negotiating has proved to be a major catalyst for many communities. Established in 1972 by Gale Cincotta and Shel Trapp, NTIC has trained several hundred organizers and countless community leaders to win victories for their neighborhoods.

Aetna's involvement began on June 4, 1978 when Aetna Vice President John Martin attended the Seventh Annual Conference of National People's Action (NPA), the national network of neighborhood organizations. Mr. Martin was asked by the hundreds of community leaders from around the country, who were participating in a workshop on insurance redlining, to sign an agreement that Aetna Company President, William Bailey, would meet with community leaders. The demand at the time was simple: Meet with us in our neighborhoods. Martin signed the agreement and on October 7, 1978 negotiations began in earnest with Aetna over the issue of insurance availability.



Aetna executives spent the month of November, 1978 on the road, touring neighborhoods. They met owners of single-family homes, two-flats, and apartment buildings who were struggling to save their neighborhoods--but couldn't get conventional insurance at reasonable prices and terms. An NPA/Aetna anti-redlining agreement was announced in mid-February. It is a five-city pilot program designed to increase insurance availability for residential properties--the largest such agreement ever negotiated between neighborhood groups and an insurer.

The program guarantees that every person applying to Aetna for residential property insurance in targeted areas in the Bronx, Brooklyn, Cleveland, Chicago, and Philadelphia, will have their property inspected. Participating Aetna agents will decline no business during the program. If agents have no voluntary market for the applicant, they will submit the case to the Aetna branch office. The branch office is then required to either write the policy or explain to the applicant, in writing, why the property is not insurable. If repairs are necessary, the letter will state what is needed to be done for Aetna to insure the property.

As part of the insurance availability agreement, Aetna started recruiting new agents to place in the redlined neighborhoods, and developing local marketing programs to increase the visibility of Aetna's agents. After eight and a half months, Aetna had written 375 new policies in the targeted neighborhoods.

Community leaders used Aetna's November, 1978 site visits to draw attention to investment opportunities in their neighborhoods. In April, 1979, Aetna established a Neighborhood Investment Task Force to explore the investment issue with the same groups that were involved in the insurance availability negotiations. Aetna's Neighborhood Task Force worked closely with the National Training and Information Center to look at these communities and concluded that there were viable investment oppor-

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"WE WON THIS REINVESTMENT FROM AETNA. AND DON'T LET ANYONE MAKE YOU BELIEVE THAT IT DIDN'T TAKE ORGANIZING ON THE ISSUE OF INSURANCE REDLINING TO DO IT."

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tunities in each of the neighborhoods. It was recommended that Aetna's Corporate Responsibility Investment Committee commit the necessary financial support to work with NTIC and the neighborhood organizations.

Aetna decided that if their investment dollars were to be utilized effectively over the short and long term, they needed to contri-

bute "soft dollars" early on to develop within the neighborhood organizations persons skilled in the areas of planning, construction, and management to oversee the development process. The result was an announcement of a \$225,000 fifteen-month grant to NTIC to provide the dollars necessary to hire development specialists for the neighborhood organizations and to coordinate the project nationally in the six neighborhoods.

Msgr. Geno Baroni, HUD Assistant Secretary for the Office of Neighborhoods, followed Aetna's commitment with an announcement of a

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"I'VE LIVED HERE TWENTY YEARS AND THIS IS ONE OF THE FIRST MAJOR PROJECTS IN THE LAST THREE OR FOUR YEARS OUTSIDE OF GETTING VACANT HOUSES TORN DOWN. TO ME IT HAS BEEN MIND BOGGLING HOW MONEY COMES INTO THE CITY BUT NEVER GETS IMPACTED IN THE COMMUNITY. NOW WE HAVE THE OPPORTUNITY TO DIRECTLY WORK ON THIS PROJECT."

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\$100,000 national grant to NTIC from the Neighborhood Self Help Development Program. Under this program the national award will enable NTIC to assist the six neighborhoods in developing their own Self Help proposals as well as in exploring future neighborhood investment opportunities. In addition to the national grant was a pledge that technical assistance would be available from HUD's new Office of Public/Private Partnerships; an office specifi-

*Joint Press Conference announcing the \$15 million plus reinvestment project with members from neighborhood organizations.*

*Photo courtesy of NTIC*





cally designed to serve the private business community in its efforts to become more actively involved in urban revitalization programs.

One of the first places to feel the impact of the Aetna Reinvestment Package will be the 1200 block of Shakespeare Avenue and 54 W. 174th Street in the Bronx; it will receive three hundred thousand dollars to begin work on over one hundred units--work which entails basic system rehabilitation such as heating, plumbing, wiring, and roofing. Residents of the Bronx see these buildings as only the beginning, and the Northwest Bronx Community and Clergy Coalition has wasted no time. Utilizing the Community Reinvestment Act, they have won agreements from Anchor Savings Bank for twenty multi-family investment projects and from Eastern Savings Bank for thirty-five investment projects. And already in 1980, the Northwest Bronx Community and Clergy Coalition, at its annual congress on January 7th, received a commitment from Dollar Savings to rehab one hundred buildings.

Ten years ago the City of New York took a block and a half on Fifth Avenue in Brooklyn, condemned the buildings, and planned to build a school. When New York's budget crisis hit, the lower Park Slope community was left with a six and a half acre eyesore and dumping ground. Today, the City of New York is talking about closing forty more schools because it does not have the money to keep them open, but it still owns that lot on Fifth Avenue.

With the help of Aetna, the Fifth Avenue Committee (FAC) hopes to acquire the lot and provide housing for 255 families. Utilizing Section 8 and Section 235 subsidies, the project would include a mix of income groups especially benefiting low and moderate income people. FAC believes such new vitality will ripple along the avenue bringing new life to a declining commercial strip.

South Austin Realty Association's Lockwood Terrace on Chicago's West Side is another Aetna project which will be underway shortly. Forty-eight units will get system rehabilitation and Section 8 commitments. The South Austin Realty Association (SARA) will provide community-based management for the building.

On Chicago's South Side the Roseland community is looking at the Aetna commitment for desperately-needed rehab of single-family homes. Years of FHA defects and foreclosure scandals have left Roseland one of the most devastated neighborhoods in the nation. The Greater Roseland Organization (GRO) is currently working on a victory it achieved last June, when HUD agreed to rehab one hundred FHA abandonments in Roseland as a pilot project. Thirty-eight homes are being rehabed in Phase I and will be on the market in March.



*Multi-family building to be rehabed by the Aetna/NTIC Reinvestment Project.*

*Photo courtesy of NTIC*

In Philadelphia, the Kensington neighborhood was spared the FHA scandal, but it has five hundred privately-owned abandoned homes. An Aetna agreement will allow the Kensington Action Now organization to acquire and rehab ten of these vacant row houses; Aetna is also working with local lenders to provide short-term construction financing. Aetna has set up a one hundred fifty thousand dollar revolving loan fund for construction financing with a local lender and has also agreed to provide the take-out commitment for the long-term mortgages (with interest rates at lower than conventional financing).

Rather than a problem with abandonments, the St. Clair-Superior neighborhood in Cleveland has a problem with vacant lots. Aetna has plans to work with the St. Clair-Superior Coalition's new community development corporation, COHAB, to rehab ten abandonments while they develop plans for in-fill housing.

It was only fitting that the Aetna announcement concluded NTIC's "Harnessing Reinvestment" Conference on November 30, 1979. Over two



*Lockwood Terrace at 5301 W. Washington Boulevard in Chicago's South Austin community to be rehabed by the Aetna/NTIC Reinvestment Project.*

*Photo courtesy of NTIC*

hundred people had spent three days discussing various strategies and programs to combat the growing problem of displacement. "Ripe" for speculators, many neighborhood residents are having their community sold right out from under them. Priced out of their community, low and moderate income families are becoming nomads, as they are displaced again and again.

Carl Holman, President of the National Urban Coalition, in addressing NTIC's Conference, describes what happens when the "urban pioneers" begin moving in: "The benefits of a strengthened tax base and of some gains in residential and commercial revitalization are clashing with the deprivation, frustration and anger of those who are becoming the new urban nomads." He concludes, "Neighborhood movements just may make the difference."

The Aetna announcement is a landmark as the neighborhood movement advances from the '70s

into the '80s. For the first time, neighborhood leaders and executives of a major financial corporation have jointly planned and negotiated a multi-city, multi-million dollar reinvestment program. Gale Cincotta aptly sums it up at the conclusion of the NTIC Conference, "We have come too far to stop organizing now. No one company, no matter how large, no matter how great their assets, can single-handedly provide the capital necessary to revitalize our neighborhoods. Other corporations in the insurance and lending fields must follow the Aetna example."

*Ted Wysocki is Director of Communications for the National Training and Information Center. He holds a Masters degree in Political Science from the University of Chicago.*



# CRA, Planners, and Neighborhood Development

Three years ago, the Community Reinvestment Act (CRA) was enacted as Title VIII of the Housing and Community Development Act of 1977 (Public Law 95-128). The Act requires financial institutions to define their local service area, and to detail the services they are providing for that area. Neighborhood organizations, fighting for years to end redlining and credit discrimination in their neighborhoods, saw the act as a great victory. Lenders viewed the law as an anathema, and tantamount to "credit allocation"; they claimed the next step would be for the federal government to require them to make imprudent loans. This article examines the potential of CRA as a tool for neighborhood revitalization, and the role for local planners in effectively using that tool to encourage reinvestment in lower-income neighborhoods.

## COMMUNITY REINVESTMENT ACT

The purpose of CRA, as explained by Senator William Proxmire, the Bill's sponsor, is "to require each appropriate federal financial supervisory agency to use its authority when examining financial institutions to encourage such institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions" (CRA, §802(b)). Those federal agencies involved are the Federal Deposit Insurance Corporation, which regulates insured banks not belonging to the Federal Reserve System, the

Comptroller of the Currency, which regulates national banks, the Federal Home Loan Bank Board which regulates savings and loan associations, and the Federal Reserve Board which regulates bank holding companies and banks that belong to the Federal Reserve System.

The Act requires each lender to identify its local community and explain how it is serving the needs of that local community "including low and moderate income neighborhoods." The findings are published by the lender in a CRA statement which must be available for public inspection. The public is free to comment on the Statement, and those comments must be kept on file. The regulators, in their periodic examination of the institution, use the CRA Statement and comments to assess how the lender is meeting the credit needs of its entire community.

The real thrust of CRA only becomes apparent when a lender applies to its regulator for a structural change, such as opening a new branch facility, relocating an office, merging with another institution, acquiring another institution's assets or shares, or chartering

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a new institution. When considering the requested change, the regulator makes a more careful assessment of the lender's CRA obligations, taking into account such factors as the willingness of the lender to ascertain local credit needs, the geographic distribution of the institution's loans (this data is required by the Home Mortgage Disclosure Act of 1975), evidence of discriminatory credit practices, participation in community development programs (such as Neighborhood Housing Services, local development corporations, community development block grant programs, etc.), and participation in government supported loans.

When an application for one of these structural changes is filed, public notice is given, and the federal regulator must accept comments from affected parties. These parties can be other lenders, local government, civil rights groups, public interest groups, or neighborhood organizations, who file a "protest" or "challenge" under CRA to the application. The regulator is given wide discretion in the manner of conducting the CRA assessment, but where there is sufficient activity aroused by the institution's application, hearings or negotiations may be held, or a settlement sought.

The CRA settlement is the primary goal of most organizations which challenge an application; merely asking for denial of the application is a lost opportunity. Many groups are beginning to see the potential for negotiation with their local lenders through the CRA process. A CRA Guidebook, jointly written by HUD's Office of Neighborhoods, Voluntary Association and Consumer Protection, the U.S. Conference of Mayors, the National Community

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**"THE ACT REQUIRES EACH LENDER TO IDENTIFY ITS LOCAL COMMUNITY AND EXPLAIN HOW IT IS SERVING THE NEEDS OF THAT LOCAL COMMUNITY ..."**

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Development Association, and the Center for Community Change includes chapters on "Using CRA Analysis to Negotiate with Lenders" and a "Model Loan Policy Agreement." These chapters were based on a settlement reached by the Adams Morgan Association, Perpetual Federal Savings and Loan Association, and other neighborhood groups in Washington, D.C.

CRA challenges have been pursued across the country with varying degrees of success. Of particular interest to planners should be the challenge to First Federal Savings and Loan Association filed by the City of Cleveland, through its Division of Economic Development. The protest involved First Federal's closing a branch facility on Cleveland's black East Side, and applying to open one in a white suburb of Akron. The City argued, using Home Mortgage Disclosure Act data, that the credit needs of

minority neighborhoods were not being met, and asked the Federal regulator (in this case, the Federal Home Loan Bank Board) to deny the application. A settlement was quickly reached requiring First Federal to lend \$15 million to applicants within the City of Cleveland for mortgages and home improvement loans over the next two years. The City also let it be known to other lenders that their performance was being watched as well.

In New York, a challenge by South Brooklyn Against Investment Discrimination (AID) to Greater New York Savings Bank resulted in the first denial of an application on CRA grounds. Greater New York had applied for a new branch facility in Manhattan, but the FDIC found that the Bank's overall record indicated a lack of commitment to its client neighborhood of Brooklyn. Since that denial in April, 1979, the Bank has launched aggressive lending programs in several New York City neighborhoods,

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**"THE REAL THRUST OF CRA ONLY BECOMES APPARENT WHEN A LENDER APPLIES TO ITS REGULATOR FOR A STRUCTURAL CHANGE..."**

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and parts of Brooklyn have been rediscovered by the "brownstoning" movement. AID has become a major actor in monitoring bank performance, filing challenges, and seeking settlements. Quickly following on their success with Greater New York, they reached settlements with New York Bank for Savings and Franklin Savings Bank, generating millions of dollars of additional investment in Brooklyn neighborhoods.

Other organizations have also successfully challenged the lenders. Legal Aid Foundation of Los Angeles secured a pledge from Home Federal Savings and Loan of San Diego to make \$3.5 million in loans per year in low-income neighborhoods. Wellston Association for Community Organization Reform Now (ACORN) in Missouri negotiated with Landmark Bancshares for withdrawal of their challenge to Landmark's acquisition of a small bank in exchange for \$1 million in investment in Wellston neighborhoods.

However, far more challenges have failed--in Toledo, Ohio; Philadelphia, PA; Buffalo, NY; and Meridian, Mississippi--allowing branches to be closed, assets to be transferred, and the deterioration of neighborhoods to continue. Sympathy by regulators to CRA challenges is not deep, and lenders are committed to preventing neighborhood groups from encroaching on their decision-making. A study of CRA challenges being conducted by the Woodstock Institute, a Chicago-based public interest research group, shows the success of AID, ACORN, Legal Aid, and the City of Cleveland

to be the exception rather than the rule. Clearly, the regulators are not interested in denying a large number of applications based on the challenges of non-bankers, despite the obvious needs of neighborhoods for reinvestment. Neither is there a clear understanding by the regulators of how much can be required of lenders without jeopardizing the "safety and soundness" of the institution.

### SOUTH SHORE BANK: A NEIGHBORHOOD LENDING INSTITUTION

In 1973, the South Shore Bank of Chicago was purchased by a group of investors representing church groups, foundations, corporations and individuals. That group, Illinois Neighborhood Development Corporation, intended to demonstrate that lenders could indeed go a long way in reinvesting in a lower-income neighborhood without jeopardizing the safety and soundness of their institution. It intended to show that

responsibility to neighborhood credit needs could be a way of doing business, and not a grudging concession to neighborhood groups.

The South Shore area of Chicago is a neighborhood that saw the classic scenario of decline. Located eight miles from downtown, on Chicago's lakefront, the neighborhood was developed in the early part of the century as a commuter suburb, white and middle class in character. It enjoyed good transportation, the most exclusive neighborhood shopping area in the city, and such amenities as beaches, golf courses and the elegant South Shore Country Club. In the 1960s, however, in-migration of minorities set off a cycle of disinvestment and decline. Minority population grew from 1% in 1960 to 72% in 1970 and 95% in 1975. The change was accompanied by the self-fulfilling prophecies of racial transition: housing deteriorated and was abandoned, local merchants fled, and the quality of city services declined. The former owners of the South Shore Bank cut back on cus-



*Multifamily mortgages amounted to \$4.8 million in the South Shore area by the end of 1979.*

*Photo courtesy of Erica Pascal*



tomor services and allowed the deposit base of the Bank to decline to over 50%. When Illinois Neighborhood Development Corporation purchased the Bank in 1973, a study conducted by the University of Chicago that year indicated that South Shore residents felt that the neighborhood would continue to deteriorate.

In 1980, this neighborhood of 80,000 people still faces serious problems. Median family income is \$13,000, approximating the median for the City of Chicago, and 20% of the residents receive some form of public assistance. Housing deterioration continues to be a serious problem, and the six commercial strips in the neighborhood contain numerous vacancies and marginal businesses. Yet South Shore Bank has been able to invest over \$25 million in the neighborhood with a delinquency and default rate on its loans that are well within the norms for the banking industry. And, a follow-up study by the University of Chicago in 1979 indicated that many residents feel that the neighborhood has "turned around."

The experience of South Shore Bank should indicate to other lenders that this type of lending need not be viewed as an invitation to bankruptcy. In the area of single family mortgage lending, for example, the Bank has invested

\$11.8 million in South Shore homes and, correspondingly, has seen home values in the neighborhood double since 1973. An additional \$1.5 million has been invested in South Shore housing through rehabilitation loans. Multifamily mortgage lending amounted to \$4.8 million by the end of 1979. Neither the size of the loans nor the criteria used in making lending decisions is different from that applied by other lenders, except that, rather than writing off any area as too risky for invest-

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"... THE REGULATORS ARE NOT INTERESTED IN DENYING A LARGE NUMBER OF APPLICATIONS BASED ON THE CHALLENGES OF NON-BANKERS ..."

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ment, the Bank has chosen to concentrate its resources in the neighborhood, and has been rewarded with a very stable mortgage loan portfolio. Just as neighborhood decline is often a self-fulfilling prophecy based on the expectation of that decline, reinvestment can build value. As an example of the way bank lending can build value, multifamily building purchases through South Shore Bank must always be accompanied by a rehabilitation loan. The major criteria in these rehab loans are improvements to the structural soundness,



*The South Shore Bank has invested over \$25 million in the neighborhood.*

*Photo courtesy of Mary Holmes*



security, and energy efficiency of the building. These improvements better insure the continued viability of the building (and, of course, the Bank's collateral position as lender), and improve the owner's ability to attract and maintain tenants without pricing the apartments out of the rental market for the neighborhood. In 1978 and 1979, this type of lending affected 25 buildings containing 900 units of housing in South Shore (about 2.5% of the neighborhood's housing stock).

At this rate of housing improvement, however, change will indeed come slowly to South Shore. Illinois Neighborhood Development Corporation therefore developed another subsidiary, City Lands Corporation, to increase the pace of housing redevelopment in South Shore. This year, they will begin the largest current multifamily rehabilitation effort in the country in partnership with two other lender-affiliated redevelopment corporations (RESCORP, owned by a consortium of Chicago savings and loan associations, and First Chicago Neighborhood Development Corporation, a subsidiary of the First National Bank of Chicago). The project will involve major rehabilitation of 20 buildings containing 540 units in a concentrated four-block area in the most deteriorated section of South Shore.

Small business lending is another area in which South Shore Bank has concentrated its energies and resources. Over \$4.8 million in commercial development loans have been made in the neighborhood since 1973. The Bank has been able to demonstrate that careful assistance to borrowers, and creative loan structuring can produce successful businesses in any neighborhood. For example, the Bank retains on its staff a small-business consultant, whose role is to attract development opportunities to the neighborhood, and join them with local entrepreneurs. She also assists

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"... RESPONSIBILITY TO NEIGHBORHOOD CREDIT NEEDS COULD BE A WAY OF DOING BUSINESS, AND NOT A GRUDGING CONCESSION TO NEIGHBORHOOD GROUPS."

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local merchants seeking Bank financing with store design, advertising and display, and purchase and inventory systems. The goal of the Bank is to produce new businesses which will improve the appearance and quality of merchandise on the neighborhood's commercial strips.

In loan structuring, the Bank has tried to take advantage of every possible government program to write down the cost of money to borrowers, and to reduce the risk to the Bank. The guaranty programs of the Small Business Administration (SBA) have been extensively used. Also, at Bank initiation, an SBA-licensed local development company was formed by local

merchants. This company, the South Shore Area Development Company, can secure low-cost funds from the SBA for local merchants. In 1979, nine businesses received a combination of Bank and local development company financing of over \$1.2 million.

To provide local merchants with a continuing source of technical assistance, the Bank was instrumental in helping the South Shore Commission secure \$55,000 in Community Development Block Grant funds from the City of Chicago for a Revitalization Center. The Center will assist neighborhood businesses with problems ranging from bookkeeping to merchandising and renovation, taking the same kind of assistance offered by the Bank to a larger audience.

Another area in which the Bank has developed creative financing mechanisms is in lending to community organizations. Community groups, day care centers, clinics, and other organizations which have government contracts often have short-term cash flow problems because of bureaucratic slowness. The Bank

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"JUST AS NEIGHBORHOOD DECLINE IS OFTEN A SELF-FULFILLING PROPHECY BASED ON THE EXPECTATION OF THAT DECLINE, REINVESTMENT CAN BUILD VALUE."

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has made a practice of advancing funds against these contracts, to be repaid directly by an assignment of the contract proceeds. Other organizations have secured Bank loans with the guaranty of local foundations, or the personal guarantees of individuals involved with or sympathetic to the organization. This type of lending relieves many of the cash crises which community groups regularly face, and allows needed services to continue in the neighborhood.

Finally, the South Shore Bank has firmly adopted the attitude that community responsibility involves not only lending to the neighborhood, but listening to the neighborhood. The Bank regularly consults its Resident Advisory Board on matters of Bank hours and services, and neighborhood credit needs. Bank staff have spoken before numerous community organizations and block clubs in the neighborhood, encouraging them to use Bank services and attempting to dispel the image of not caring about the neighborhood. In preparation of its 1980 CRA statement, the Bank went to organizations such as the South Shore Chamber of Commerce, the South Shore Commission, and the South Shore Ministerial Association for their comments on Bank performance in the neighborhood. The Presidents of the Resident Advisory Board and the South Shore Commission sit as voting members on the Board of Directors of Illinois Neighborhood Development Corporation.

Despite significant investment, there are still commercial vacancies and marginally solvent businesses. Photo courtesy of Walter S. Mitchell



#### APPLICABILITY OF THE SOUTH-SHORE EXPERIENCE

The attitude of South Shore Bank toward its local community has made it unique, but the methods used by the Bank are available to any financial institution interested in neighborhood revitalization. Many lenders are beginning to use the tools available, and to devote resources and energy to programs aimed at revitalizing lower-income and minority neighborhoods:

- Since the first program was established in 1968, Neighborhood Housing Services has expanded to over 50 sites in 40 cities. Money to support both the operation of the program, and the special loan fund, comes from local financial institutions.

- Local development corporations, funded by the Small Business Administration, have grown dramatically in recent years. They pro-

vide low-cost money to local merchants as part of a total financial package made in participation with local lenders.

- Neighborhood real estate development or rehabilitation ventures such as City Lands and RESCORP, are growing. In New York City, Community Preservation Corporation has rehabilitated over 2300 units of multifamily housing

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**"PLANNERS ALSO CAN PROVIDE TECHNICAL ASSISTANCE TO ORGANIZATIONS DEVELOPING CRA CHALLENGES."**

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in the past five years. CPC is owned by a consortium of New York's largest lenders. The Comptroller of the Currency has recently granted permission to First National Bank of Chicago and North Carolina National Bank to form community development subsidiaries which will direct their attention to low-income neighborhoods.



• The Philadelphia Mortgage Plan has been operating since 1975, before CRA and the Home Mortgage Disclosure Act, to provide mortgages in lower-income neighborhoods through a special risk-sharing program initiated by a group of local lenders.

There are many more examples of institutions developing a sensitivity to neighborhoods and neighborhood needs. At least some of this recent interest is due to CRA, and lenders' desire to avoid a potentially lengthy battle with neighborhood groups and regulators. Helping these lenders meet their affirmative obligations toward neighborhoods is an opportunity planners should not ignore, and CRA is a wonderful tool to make sure they listen. The experience of South Shore Bank and other examples of lender involvement shows that neighborhood reinvestment is probably less risky than loans to Iran or REITs. What often may be lacking on the part of lenders is the knowledge of the possibilities for involvement, their lack of expertise in using certain programs, or the lack of a mediator between lenders and neighborhood groups.

#### WHAT PLANNERS CAN DO

Today, interest rates are at unprecedented levels. Inflation is pushing homeownership beyond the reach of most of the middle-class, as well as lower-income home seekers. The federal government's push for an austerity budget will be felt in cutbacks to federal programs for housing, and community and economic development. Clearly, we must begin to develop new ways to implement programs and continue the process of neighborhood revitalization, and to translate neighborhood development needs into credit programs.

First, planners can play a useful role to financial institutions because they understand government programs. The Small Business Administration and the Federal Housing Administration have loan guaranty programs; other agencies have resources that can be tapped. Lending the expertise of local government or public interest planners to institutions willing to undertake those programs can prove to be a fruitful partnership.

Second, as the cost of using private funds increases and the availability of public funds diminishes, leveraging must become a way of doing business. Community Development Block Grant funds can be used to subsidize interest rates, allowing lower-income families access to mortgage and rehabilitation monies, or allowing local merchants to expand their businesses. These funds can also be used in a grant/loan program, reducing the amount of the

loan and thereby the amount of debt, even with high interest rates. "Lump sum" deposits of Community Development funds in a financial institution earn income which can be applied to neighborhood development programs. There will no longer be enough public funds available for planners to think solely in terms of grantmaking; increasingly, we will have to think about leveraging, development financing, and capitalization.

A third role for planners is in analysis and technical assistance. Home Mortgage Disclosure Act data is publicly available and can be used to identify lenders who are deficient in their CRA performance. Local governments also have data on home values, neighborhood family income, analyses of neighborhood needs, and other statistics compiled for federal government programs. If the local government is unwilling to confront the financial institutions itself (and a city may not want to bite the hand that buys its bonds), that information is at least available to public interest groups and neighborhood organizations who can use it to file their own CRA challenges. The Northeast Ohio Areawide Coordinating Agency, a regional planning commission, chose that role to assist local groups in defining their lending needs.

Planners also can provide technical assistance to organizations developing CRA challenges. One reason why some CRA challenges have failed is that the regulators did not feel they were substantiated, or that the organization filing the challenge did not have a clearly-defined settlement with which to negotiate. After a settlement is reached, there will often be a continuing need to monitor the performance of the institution to ensure that the credit needs of the neighborhood are truly being met by the lender.

Finally, planners interested in neighborhood revitalization should be planning for the future. The need to be creative in developing programs for neighborhood revitalization will only increase. Certainly, CRA is one tool that has enormous potential. Recently, South Shore Bank calculated that the cost of its development loan program in 1979 was \$3.72 per person in South Shore. At that cost, 25 of the largest banks in the country, with assets of \$673 billion dollars, and earnings of \$4.1 billion, could provide that same development loan service to 16.7 million people.<sup>1</sup> An opportunity like that should not be taken lightly.

#### NOTES

<sup>1</sup> 1979 Annual Report: South Shore Bank. Chicago, Illinois.



# Assessing Community Credit Needs

(Reprinted from: *A CRA Guidebook*, published by HUD, written by HUD, U.S. Conference of Mayors, NCUA, CCC. August, 1979.)

Establishing that a community has "unmet credit needs" means, essentially, showing that lenders have failed to recognize creditworthy borrowers in a neighborhood. While lenders may legitimately deny credit because an individual cannot support a loan, or because the collateral is not valuable enough to cover the lender's risk, a community group may perceive that there are other reasons for lender reluctance to serve its area. It may feel that there are safe, secure and profitable loans which are not being made because the lender lacks information or expertise, discriminates, or just feels comfortable doing what it is doing.

In building the CRA case, an organization will want to demonstrate a lender's lack of performance in making needed loans, the area's unmet need for loans, and the lender's capability for meeting that need. The following narrative outlines some of the major research sources which can be used to answer these questions. The first guidebook in this series, *Assessing Community Credit Needs* provides more detail on these research sources and techniques.

## A. HOME MORTGAGE DISCLOSURE ACT DATA

The best source of information on real estate credit in a locality is data required by the Home Mortgage Disclosure Act (HMDA, or Public Law 94-2000, 1975).

Reporting institutions must annually release a publically available disclosure statement. For each census tract in which an institution made at least one loan during the year, it must report the number of loans and total loan dollars originated in each of the following categories:

- \*Single family (1-4 units) mortgage loans with government (FHA, VA, FmHA) mortgage insurance;
- \*Single family conventional mortgage loans;
- \*Single family home improvement loans;
- \*Single family loans given to non-owner occupants; and

\*Multifamily (5+ unit) loans.

In addition, the institution must report the census tract and type of loan for real estate loans purchased from other institutions during the year. Loans originated outside of the institution's home SMSA are reported by the above types, but without a breakdown by location. HMDA disclosure covers lending back through 1975 with lenders required to keep their disclosure statements for five years.

## WHICH INSTITUTIONS MUST REPORT

All depository institutions (commercial banks, mutual savings banks, savings and loan associations, and credit unions) must report HMDA disclosure unless:

- \*they are neither federally chartered nor insured;
- \*they have assets of \$10 million or less; or
- \*they have no offices within an SMSA.

HMDA disclosure is thus not applicable to institutions in many rural areas, or to smaller institutions. It is also not applicable to nondepository lenders (e.g., mortgage companies).

## HOW TO OBTAIN THE DISCLOSED INFORMATION

Each reporting institution will have a HMDA disclosure statement at its main office. A copy of this statement should be available to the public perhaps for a copying charge.

Community-based groups in several cities have gotten help from city agencies in obtaining and compiling the HMDA disclosure reports. If there are many institutions in a city, this would save leg work and money. As will be shown in the next section, time and some analytical ability is required to compile and interpret disclosure reports. This is an appropriate role for city agencies.

## HOW TO USE THE HMDA DISCLOSURE

Techniques for using the disclosure reports are described in detail in the companion CRA guidebook, *Assessing Community Credit Needs*. These techniques will be briefly overviewed here.

1. Evaluation/monitoring. HMDA disclosure of a year, or series of years, can provide the 'baseline' of data necessary for monitoring and evaluating future efforts by lenders.
2. Geographical comparisons. Many studies have used HMDA disclosure data to compare lending in one part of a city (or SMSA) with lending in another section. The assumption in these comparisons is

that lending in one area (often the suburbs) is at a level necessary to maintain a healthy amount of investment. If lending in the compared area is beneath this level, further reinvestment is needed.

3. Lender comparisons. Other studies have compared the lending records of different institutions within a neighborhood, city, or SMSA. HMDA disclosure data can be used to rank the performance of lenders, or to compare the efforts of a responsive lender to other institutions.
4. Neighborhood impact. HMDA disclosure data details credit activities by census tract. The credit activities can be compared with measures of neighborhood credit needs, to derive the impact upon the neighborhood of one (or all) lenders. These measures of neighborhood credit needs comes from census tabulations or data from city agencies. Examples of this would be to compare mortgage activity with property turnover, or just with the number of 1-4 unit structures.

In summary, HMDA disclosure data by itself will describe 'what is going on' for real estate credit from one or many institutions in a neighborhood, city, or SMSA. The data can be used to describe 'what could be going on' through comparisons of one area with another, one lender with another, or credit activities with more concrete expressions of need.

## B. CITY OR STATE DISCLOSURE

HMDA is not the only law mandating the disclosure of real estate credit practices. California, Connecticut, Illinois, Massachusetts, New Jersey, New York, Michigan, Ohio, and Washington have state disclosure laws or regulations. The cities of Chicago, Cleveland, Minneapolis, Rockford (Illinois), and St. Louis have disclosure ordinances. Colorado, West Virginia, and the District of Columbia place government deposits partially on the basis of lending records. Any institution competing for these deposits must disclose lending patterns.

There are two common advantages to city/state disclosure data, as compared with HMDA disclosure data. First, more information is generally available. The information disclosed varies across jurisdictions, but could include loan terms (interest rates, loan length, downpayment), deposits, foreclosure, small business credit, and agricultural credit, in addition to data comparable to HMDA disclosure. Second, city and state agencies often compile and interpret the disclosed data. The use

of this information is summarized in the preceding section of HMDA, and detailed in the companion CRA Guidebook, *Assessing Community Credit Needs*.

## C. PROPERTY TRANSFER ANALYSIS

All cities keep records of mortgage holdings and property transfers. These records can be used to analyze real estate credit patterns in much the same way as HMDA disclosure. There are advantages to using property transfer data, notably:

- \*data can be obtained on lenders not covered by HMDA (mortgage companies, smaller depositories, etc.);
- \*data can be obtained for non-metropolitan regions where HMDA is not applicable;
- \*data can be obtained for areas smaller than a census tract, as a few blocks within a neighborhood; and
- \*data can be obtained as far in the past as one may want to go.

Property transfer data can be as useful as disclosure data. There is one major disadvantage to property transfer data: it is extremely time consuming to compile. Readers interested in property transfer data should refer to *Assessing Community Credit Needs* for details.

## D. COLLECTING NEW INFORMATION

The preceding methods of analysis use information already disclosed by lenders. It is convenient to have lenders do the work; however, there are areas of credit practices not covered by detailed disclosure. These areas include loans for mobile homes, businesses, energy conservation, and agriculture. Institutions broadly disclose information in these categories, but without much detail. Analysis of lending practices in these areas requires collecting new information through interviews and surveys of individuals or firms which have (or have not) received loans. In addition, disclosed data on real estate credit can be supplemented by surveys or interviews with neighborhood residents and other actors in the real estate market.

The new information collected may be "hard" or "soft." "Hard" information is collected through surveys which have some statistical validity, while "soft" information comes through talks with individuals. For mobile home credit, for example, this would include mobile home dealers, people owning and renting mobile homes, people who might want to live in a mobile home (generally, those renting housing in dilapidated, overcrowded conditions, or





The South Shore area was developed as an exclusive, middle-class section in the early part of the century. Photo courtesy of Erica Pascal

elderly home owners), and mobile home park developers. The objective in collecting "soft" information is to obtain a feel for local credit practices without attempting to make a statistical case.

Following is an overview of the types of information to collect to assess the credit needs of local businesses or agriculture, or for mobile home or energy conservation material purchase. If the types of information appear useful, refer to *Assessing Community Credit Needs* for details on how to obtain the information.

1. BUSINESS LOANS. Businesses need credit to purchase property for acquisition, to expand their facilities or services, and to safely weather emergencies. A few state disclosure laws include information on small business credit. Property transfer data also includes information on commercial and industrial real estate credit. Information on SBA-guaranteed loans -- by lender -- can be obtained from the national SBA office. But research on small business lending may have to rely on interviews or surveys. Whatever the source, researchers may want to ask,

- \*Are there types or sizes of firms excluded from local credit sources?
- \*Are there types of loans necessary for local businesses which are not being made by lenders?
- \*Does a firm's location, ownership or organization (e.g., minority owned; cooperatively organized) exclude it from local credit sources?
- \*Are some lenders more responsive than others?
- \*Are there creditworthy needs from local firms which are not being met?

- \*Do local lenders participate in governmental insurance programs?

2. MOBILE HOME LOANS. Living in a mobile home is fast becoming one of the few significant ownership options for low and moderate income people. New information must be collected to understand mobile home credit. Questions to ask include:

- \*Do lenders participate in FHA and VA mobile home loan insurance programs?
- \*Do lenders provide credit for used as well as new homes?
- \*Do lenders provide credit for homes located outside of mobile home parks (e.g., on individual lots)?
- \*Do lenders provide credit to female heads of household?
- \*Do lenders set loan terms to promote affordability?

3. LOANS FOR ENERGY CONSERVATION. Most persons and firms cannot afford the initial capital costs necessary to save money through energy conservation or purchase of alternative energy systems without credit. The issue here is the method by which a lender appraises the value of energy conservation or alternative energy materials. If the appraisal is low, less money will be loaned than is necessary for purchase. At the worst, a lender will completely discount the value of energy saving materials or systems. Questions to ask include:

- \*Do lenders have specific energy loan programs?
- \*Do lenders set the terms of energy related loans to maximize affordability?



\*Do lenders unduly discount the future value of energy-related systems when they are appraising loan potential?

\*Loans to individuals (including breakdowns of mobile home and home improvement loans).

4. AGRICULTURAL LOANS. Credit is an absolute requirement for agriculture, whether highly mechanized or not. A typical farm requires short-term and intermediate credit as well as long-term credit, to survive, and family farms find it increasingly hard to obtain regular and reasonable financing. Questions to ask include:

- \*Do lenders exclude small farms from credit opportunities?
- \*Do lenders refuse credit for certain types of farms?
- \*Do lenders provide the necessary amounts and reasonable terms for agricultural credit?

Community groups can compare the kinds of loans an institution makes with one another determining, for example, whether its lack of mortgage loans stands out in comparison to commercial and industrial investments. Surveys and interviews can follow to compare a lender's investments with credit needs in a community, for example, for agricultural or mobile home loans.

2. 8K and 10K Reports. These are filed annually with the Securities and Exchange Commission by firms whose stocks or bonds are registered with the SEC, including many commercial banks and stock savings and loan associations.

These reports include:

- \*Details about subsidiaries owned in whole or in part by the parent company. Many large bank holding companies have mortgage and other subsidiaries whose operations may impact -- or fail to serve -- local neighborhoods.
- \*"Material changes," such as significant investments or losses, by the company.

## E. INSTITUTIONAL ANALYSIS

An "institutional analysis" is research into a particular lender's overall investments, drawing primarily on corporate financial statements. It is useful for community groups because it can put into perspective a bank's or S&L's commitment or lack of commitment to a neighborhood. It can also uncover dramatic and convincing arguments for increased CRA responsibility.

There are two main kinds of information available for "institutional analysis":

1. Annual Reports, Reports of Condition, Reports of Income. These periodic financial statements show income and expenditures, and kinds of loans in a bank's or S&L's portfolio. The quarterly "report of condition," or "call report," is especially useful since it details by dollar amount the kinds of loans in the lender's portfolio, by the following types:

- \*1-4 unit, nonfarm family residential properties (further broken down by FHA, VA and other);
- \*Multifamily nonfarm real estate loans;
- \*Business, industrial and commercial real estate loans;
- \*Loans to financial institutions;
- \*Securities loans;
- \*Loans to farmers;
- \*Commercial and industrial loans;

## F. WRITTEN UNDERWRITING CRITERIA

Federally regulated S&Ls, and some state-chartered ones, must make public information on their "underwriting criteria," that is, the criteria they use to decide who is creditworthy, what interest rates and downpayments to adopt, and so forth. Groups should review these criteria for loan policies, terms or standards which may have a discriminatory effect against minorities or neighborhoods.

Community organizations can collect and compare these criteria, coming up with an analysis of the relevance of loan rates and terms to community characteristics. For instance, underwriting criteria may contain definitions of the minimum borrower income or housing stock characteristics necessary for obtaining credit. This information can be compared to local census and housing data. Other underwriting criteria, such as income to debt ratio, job stability, age of applicant and age of property required for creditworthiness can likewise be compared to an organization's knowledge of the individuals and homes in its neighborhood. Any discriminatory criteria uncovered can be made part of a CRA case, submitted to the Public File, or used in a civil rights complaint with the regulatory agency.

# Plant Closings: A Local Economic Planning Dilemma

The dichotomy which exists between long-range economic planning activities and short-term "knee-jerk" reaction planning can be a major disrupter of a local planning agency's economic development program. In an industrial community the rumored or impending shutdown of a major employer is exactly the type of situation which can force the local planning staff to shift its activities on very short notice into a crisis status. Usually there is a lack of useful information about the affected workers and about the current situation in the local job market. This combination of data needs makes the provision of timely programming and relief a difficult, if not impossible, objective. For some time now Durham, N.C. has been experiencing economic uncertainties and planning difficulties associated with the rumored closing of the Liggett and Myers tobacco plant. Still one of Durham's largest employers, with a present workforce of approximately 1600, the company laid off 410 production workers in October 1979. The move served to reinforce speculation about the parent company's (The Liggett Group) future plans for its Durham operations. Because of L & M's declining position in the domestic cigarette market and the well-publicized failure of sale negotiations between The Liggett Group and a potential North Carolina buyer, it is evident that L & M's local position is somewhat tenuous. The Durham experience with L & M is, and will continue to be, a valuable example for other communities, and for policy-makers seeking to formulate effective program planning that is applicable to similar situations.

## THE NATURE OF THE PROBLEM

Durham lies in the Raleigh-Durham SMSA, which includes the cities of Raleigh, Durham, and Chapel Hill, along with Orange, Wake, and Durham Counties. Also known as the Research Triangle, the area has experienced rapid growth in high technology, non-manufacturing, service industry employment during the previous 25 years. Growth-pattern data collected on the SMSA since January, 1979 shows that while manufacturing employment has grown during the period, non-manufacturing employment has increased at an even greater rate and makes up the vast majority of the labor market in the

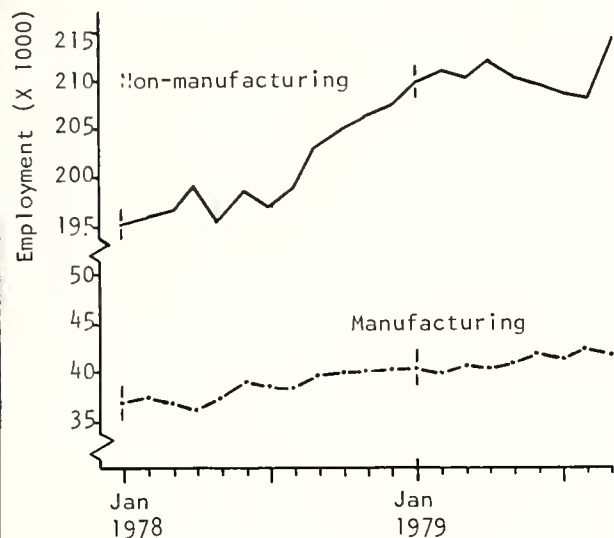
area (Fig. 1). The preponderance of non-manufacturing jobs in the SMSA can be attributed to the state government center in Raleigh, the large university community in the area, and the Research Triangle Park. Within Durham, however, a plurality of the employed labor force is in manufacturing and other blue collar jobs; indeed, the city has always been the industrial component of the Raleigh-Durham-Chapel Hill region. According to recent data collected by R.L. Polk and Company, 7,232 of Durham's 1978-79 labor force of 34,657, or fully one-fifth, were engaged in blue collar work. Figure 2 shows Raleigh-Durham SMSA employment broken down even further. Manufacturing is divided into durable and non-durable goods production, while non-manufacturing is analyzed by trade, services, and governmental uses. These are not all of the non-manufacturing categories, but they are the largest. Tobacco production and processing falls into the non-durable good manufacturing category. Little growth has taken place in this segment over the last 21 months. Most new employment is becoming available in the non-manufacturing sector which requires a higher skill level than the manufacturing sector. In terms of the potential effects of a shutdown at L & M, this data indicates that it is highly unlikely that many of the workers could be placed in new or existing jobs in the Durham area.

Figure 3 shows the unemployment rates for Durham County and City. The city and the county rates both remain below the national rate over a given time period, yet both rates have been increasing over the last year and a half. This may be attributable to the changing nature of the jobs being offered in the Durham labor market. With proportionately fewer jobs available in the manufacturing sector, unskilled laborers may find themselves unable to compete for other jobs. As can be seen from Figures 4 and 5, most of the growth in the labor force has occurred within the city.

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FIGURE 1  
EMPLOYMENT  
(RALEIGH-DURHAM SMSA)



This is not uncommon, but it could be another contribution to a higher level of competition for existing jobs in the Durham labor market.

What the closing of Liggett and Myers could mean in direct financial impacts is nearly impossible to measure or predict accurately. There are certain aspects of the L & M operation, however, which make some rough observations possible. As stated earlier, Liggett and Myers has been paying wages much above the local average for relatively low-skilled positions. It is reasonable to assume that workers in these jobs have made personal financial commitments, such as the purchase of a home or an automobile, based on their current level of income from L & M. If the plant was to close and these workers were to find immediate reemployment, it is likely that their new jobs would pay wages well below what L & M paid. This will mean that many workers will be faced with personal financial crises.

In addition to the direct effect on the plant's workforce, a shutdown would have an impact which would be felt throughout the community. If all 1600 workers at the L & M plant were laid off and were able to find new employment the very next day at jobs which paid half the Liggett wage, the net loss of income in the local economy would be over 13 million dollars per year (assuming the workers are being paid the tobacco industry average of \$8.03 per hour). This thirteen million dollars is being spent throughout the community to support various other businesses, and thus some secondary layoffs resulting from the economic

slowdown could be expected. If the national average employment multiplier of 1.68 is applied, it indicates that as many as 2700 other people could eventually lose their jobs because of the shutdown.

The literature on plant closings points out that there are psychological costs from shutdowns in addition to the more tangible economic costs. These psychological costs are more difficult to assess because of their non-quantifiable nature. Workers who have lost their jobs in a plant closing are generally less happy with their new jobs. This can be attributed to lower wages, skill utilization, and job satisfaction, along with poor employer/worker relations. The burden of these costs seems to fall most heavily on middle-aged and minority workers. Middle-aged workers may feel too old to pick up the pieces and start over again, while minority workers might not be able to find a new job with attractive qualities.

#### PUBLIC SECTOR RESPONSE TO THE PROBLEM

Several interviews were conducted recently with individuals who will have the responsibility of dealing with any plant closings that might occur in Durham. Their responses contain many insights into the difficult nature of the problem.

Phil Skinner is the Placement Supervisor for the Durham Office of Employment and Training. Mr. Skinner explained his office's activities concerning the Liggett and Myers situation. The following is a paraphrased summary of Mr. Skinner's remarks:

Liggett and Myers faced an important test in March when the union contract had to be renegotiated. In the past, L & M has put up little resistance to the union, and this might explain some of their current problems. As for the possibility

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**"WITH PROPORTIONATELY FEWER JOBS AVAILABLE IN THE MANUFACTURING SECTOR, UNSKILLED LABORERS MAY FIND THEMSELVES UNABLE TO COMPETE FOR OTHER JOBS."**

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that someone might come in and buy the plant and maintain production, I don't think this will happen. The other tobacco companies like R.J. Reynolds will probably keep away because of the union. At this time my office isn't really doing anything in preparation for a shutdown; we are not organized to deal with problems before they happen. Some of the workers from the October layoff have come into our office for help in finding new work. The

longest any of these workers had been with L & M was eight years, but the workers still employed by L & M have been with the company ten or twenty years, and probably have few skills that are useful outside of the tobacco industry. It would be useful to know what other skills the workers do have. New industry has been kept out of this area because of a lack of available labor, and if we knew what kind of people were going to be freed by L & M then we could use these numbers to help recruit new industry. This would probably be of more interest to the Chamber of Commerce than anyone else. I think it would also be useful to know the wage demands and the willingness to move of the workers at Liggett.

Ann Colenda is the Labor Market Analyst for the Durham Office of Employment and Training. A summary of Ms. Colenda's remarks follows:

As for programming (in case of the Plant closing) I don't think there is anything we can do now. We know basically what kind of person is still working at L & M, and if we went in collecting information and having people fill out forms we would only start a panic. The company hasn't even said that they will close yet. I can't deal with people until they come into the office. I think the one thing I would like to know is how many will be able to retire in the near future.

Dwight Yarboro is a planner with the Durham Planning Department. When Mr. Yarboro was inter-

viewed, he stated that the Planning Office was doing nothing which involved Liggett and Myers and that any programming would be done through the Community Development section of the City Manager's office. Dawn Hall, Assistant City Manager, said that any programs offered by the city would be through the Employment and Training Office. Upon further checking, it was revealed that the city, through the Employment and Training Office, has submitted an application to the U.S. Department of Labor for funds to retrain some of the 410 workers laid off by L & M in October. Specifics of the proposal were not available.

Jim Camp is the Economic Director for the Durham Chamber of Commerce. Mr. Camp is responsible for the Chamber's industrial recruitment efforts. Mr. Camp was asked about his opinion concerning Liggett and Myers given that unemployment in Durham historically has been below the national average, and that, as Mr. Skinner stated in his interview, new industry has been kept out of Durham because of a lack of available labor.

We are always working with major employers in the area. As for Liggett and Myers, we can't program for what hasn't happened. We don't have the money or the staff time. We have conducted a small business seminar which was aimed at teaching people how to set up their own business, and this was attended by some of the workers from the most recent L & M layoff. I don't really expect Liggett and Myers to close, so I haven't given much thought to what might be done if they did. In the event they did close, the most useful information would concern the skills available and wage and hourly rates being paid.

The common attitude among all of those interviewed was that nothing can be done until a formal announcement is made to the effect that the plant will close. In addition, the apparent level of ability of any of the agencies to deal with such an announcement in an effective manner is woefully low, and the relatively unclear ideas that were expressed concerning useful data that could be collected indicates an overall lack of forethought concerning the potential effects of a plant closing. Finally, all of the agencies that might be called upon to deal with this problem are set up in such a way that they can not use intuition to plan for the future. As stated by Dawn Hall, "... everyone's got a budget, and we can't afford to spend money unless we know we'll get results."

#### DATA MODEL FOR PROGRAM PLANNING

In order to program effectively for any group of clients, the planning agency first must identify and characterize the group. Under current program planning, the planner finds out who

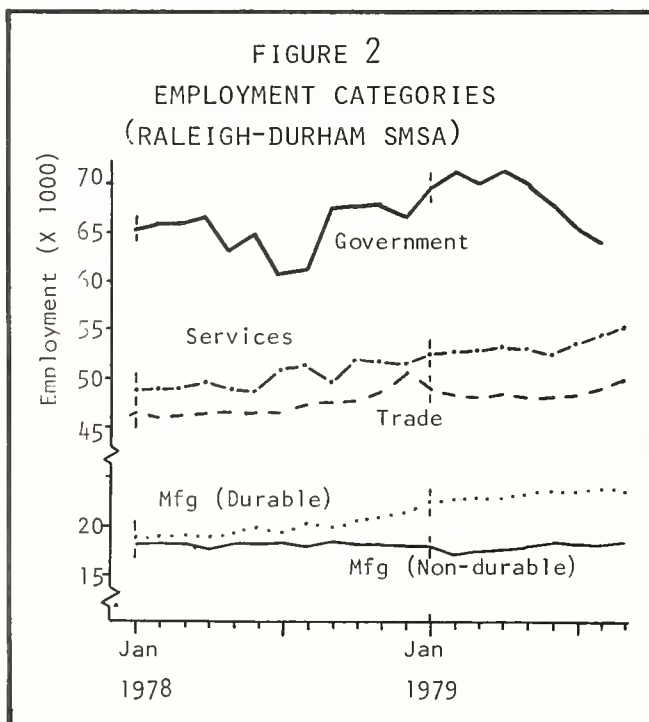
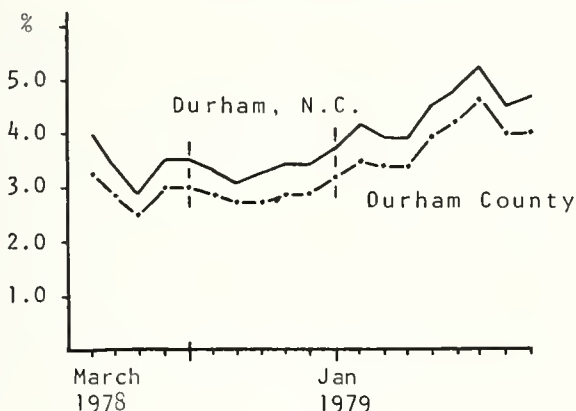




FIGURE 3  
UNEMPLOYMENT RATE



*Wage demands and willingness to relocate.* If workers are willing to move to find new employment, the demands on the local economy to absorb unemployed workers will be reduced and local planners can program to match workers with desirable jobs in other locations. Likewise, knowledge about minimum wage levels desired by unemployed workers will allow the agencies responsible for dealing with plant closing to locate jobs which pay well enough to meet the workers' continuing financial needs.

The information outlined above is straightforward, but not easy to obtain. Unfortunately, under the circumstances which surround the potential closing of a plant like Liggett and Myers, the company seems to be interested most in saving face within the community as long as possible. It is apparently not in the company's best interest to cooperate with efforts to collect worker data which, in the event of a shutdown, would facilitate the preparation of programs to meet the workers' immediate needs. Aside from legislation requiring corporate disclosure of plans to close, local governments are left with no authority by which to gather infor-

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**"WORKERS WHO HAVE LOST THEIR JOBS IN A PLANT CLOSING ARE GENERALLY LESS HAPPY WITH THEIR NEW JOBS."**

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mation before the closing occurs. If it were possible to obtain all of the information suggested in this section, the planner would have a base from which to begin programming to serve the displaced workers. By knowing who the workers are and how they can be expected to respond, programs could be designed with the needs of these people in mind. If the workers are predominately young and eager, then retraining might be quite successful. Older workers might not be willing to invest time in a new career and may choose to work at another job until they can retire.

#### CURRENT PROGRAMMING CAPABILITIES

Just as there exists a general lack of data about workers who might be affected by an L & M shutdown, there is also a very low level of information about what types of programs would be afforded to aid them after a shutdown should occur. The recent layoff of 410 workers, however, was an occurrence significant enough to initiate similar mechanisms to those that would be utilized in the event of a total shutdown. A look at the programs which are currently being used to aid the most recent layoff victims will give a reasonably accurate picture of what to expect if the plant should close.

On October 20, 1979, Cliff Hood, Vice President for Academic Services at Durham Technical Institute, announced an "intensive two day ses-

the clients are after a shutdown occurs, and then it takes weeks or even months to establish programs to meet the needs of these people. The following is a list of information and a brief explanation of its usefulness to someone establishing programs for workers displaced by a plant closing. It is based partially on information from the interviews.

#### INDIVIDUAL WORKERS' CHARACTERISTICS

*Age, Sex, Marital Status, Number of Children under 18.* This information will allow the planner to get a picture of who the worker is and how he/she might be expected to react to a plant closing. Young, single workers are most likely to move to find new employment, while a married worker with several children dependent upon him/her might not be able or willing to take on the added financial burden of moving to find employment.

*Occupancy status and time lived at current address.* Is the worker renting or buying his/her home? Workers who have made commitments to large mortgages or who have lived in the same neighborhood for an extended period of time might find the emotional and financial ties too difficult to break and might settle for local work that is below the level of skill and/or wages to which they are accustomed.

#### JOB CHARACTERISTICS

*Education, Vocational Training, Employment Tenure, Income.* By comparing the current job characteristics with the worker's income, the planner can assess the likelihood that the worker will be able to find work that pays a comparable wage, given the worker's skill level.

sion designed to improve the job-seeking skills of the former Liggett workers." The session was organized to include counseling on finances and job opportunities, and the participants were taught how to write a resume and prepare for job interviews. Liggett and Myers agreed to pay the registration fee for any laid-off worker who attended the course.

This type of program will probably be repeated in the event of a plant closing. The 410 workers affected by the October 1979 lay-off had been with the company for as long as eight years, but employees who are still with L & M have been working, and thus out of the job market, for an even longer period of time. If a shutdown occurs these workers will probably experience more difficulty trying to reenter the job market than those in the first group, especially since the Durham labor market is becoming increasingly non-manufacturing and service-oriented.

On October 25, the AFL-CIO announced plans to make some of their job training programs available to the workers laid-off from L & M in October. There were no specifics available about the nature of these programs, and there

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"... THE PLANNER FINDS OUT WHO THE WORKERS ARE AFTER A SHUTDOWN OCCURS, AND THEN IT TAKES WEEKS OR EVEN MONTHS TO ESTABLISH PROGRAMS TO MEET THE NEEDS OF THE PEOPLE."

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has been no confirmation as to whether any programs have been started. The union noted at the time of the announcement that "it will be extremely difficult to place people, particularly those without good skills, into jobs that pay anywhere near a union contract." (*The Durham Morning Herald*, 1979).

In the event of a total shutdown at Liggett, it is likely that the union will play an important role in the job transition of the workers. The problem with union programs designed to retrain workers is that older workers have been found less willing to invest the time in education for a new job. Younger workers seem more willing to make the transition.

At the time of the October lay-off, Liggett and Myers announced that the workers would receive one week of pay for each year worked, in addition to any vacation pay earned. The workers were also told that they would be subject to recall for two years. In the event of a total shutdown, the severance pay will probably be calculated on the same basis. Obviously there will be no recall. When plant closings have occurred in the past, some companies have tried to relocate some of the workers in their other plants. It is doubtful that The Liggett Group would transfer many workers to production in their other divisions

because of plant locations, local labor supply, and required skills. (The Liggett Group owns J&B Scotch, Wild Turkey Bourbon, Alpo Dog Food, Red Man Chewing Tobacco, and several smaller interests.)

The major problem that will not be met by any of these programs is the financial crisis experienced by the laid-off worker. This isn't the crisis of being merely unemployed, but is instead the continuing problem of trying to meet previous financial commitments when forced to take a lower paying job. As stated previously, since the Liggett and Myers plant is unionized, the wages paid are quite high when compared to those received for comparable non-union work. This means that it is possible that many people who are able to find work after a lay-off will be unable to meet their financial obligations with their new incomes. The result will be a completely different set of problems which will only prolong the effect of the initial lay-off.

## CONCLUSION

The final point of this study involves redirecting the focus away from the effects that an L & M shutdown would have on the Durham community. A more fundamental issue concerns the inability of the current infrastructure to respond to this type of crisis until the closing actually occurs.

From the interviews presented earlier, it is evident that no responsible agencies are presently structured to address plant closings before the fact. This problem is to be found in any bureaucracy and is probably too entrenched to have any reasonable hope for change. It was also seen that, given the ability and authority to gather a minimal amount of information, agencies responsible for setting up programs to help workers displaced by a plant closing could direct their efforts specifically to the needs of their clients.

The key element here seems to be time. If public agencies were to have advance warning that a closing was going to occur, and if they had

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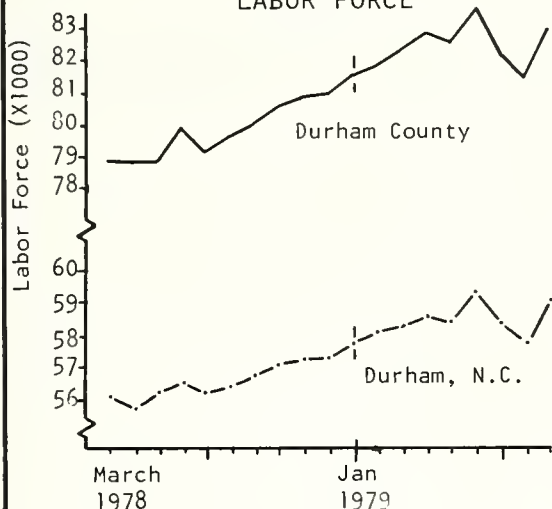
"BY KNOWING WHO THE WORKERS ARE AND HOW THEY CAN BE EXPECTED TO RESPOND, PROGRAMS COULD BE DESIGNED WITH THE NEEDS OF THESE PEOPLE IN MIND."

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available data about the workers to be displaced, then programs could be set up to help workers as soon as they lost their jobs. Currently the agencies can not start designing their programs until the closing has already taken place. The time lost, which may be weeks or months, is costly both to the individual workers and to the community as a whole.



FIGURES 4&5  
LABOR FORCE



Several states have passed disclosure legislation which requires industries employing a certain number of workers to give notice to the workers, to the local government, and, at times, to state agencies in the event of plans to close. The legislation varies from state to state, but the net result is the same; communities faced with plant closings are not caught off guard in the event of a shutdown.

While it is beyond the scope of this article to detail the various legislative efforts being made, the need for such disclosure legislation on a local basis has been well documented. Plant closings are not unique to the snowbelt. They are events which pose a very serious threat to community stability throughout the country. Durham is a town that may well be on the verge of paying the price for having an economy dominated over the long term by a single industry. And while Durham's gradual diversification may make the economy more stable in fifteen years, the closing of a plant the size of Liggett and Myers could set Durham's economy back noticeably.

North Carolina should consider enabling legislation which would make the transition that Durham may soon be experiencing less painful, for Durham is not unlike many other cities in North Carolina which may be facing similar crises. By giving communities advance notice of plant closings, other industries can be recruited to the area to lessen the impact of the shutdown, and, as stated earlier, programs can begin to address the problem before it ever occurs. If this type of legislation were passed, Durham and other communities could plan for crises instead of reacting to them.

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# Contemporary Neighborhood Planning: A Critique Of Two Operating Programs

Contemporary neighborhood planning has developed, in part, as a reaction to the failures of traditional comprehensive planning. Critics of comprehensive planning suggest that it has favored business interests, has accomplished few tangible results, has excluded citizens from meaningful participation, has ignored the needs of local areas, and has failed to achieve a more equal distribution of public goods (Chapin, 1967; Friedman, 1971; Perin, 1967).

In response to these criticisms, as well as to federal pressure for citizen participation, neighborhood based planning programs have been established in a number of cities throughout the country. These neighborhood level programs are meant to supplement comprehensive planning programs, and differ from them in a number of ways. First, these programs are typically problem oriented rather than comprehensive in nature. Second, they focus on geographic subareas rather than the city as a functional whole. Third, they allow considerable input from the citizenry. Last, they typically adopt a short term rather than a long term perspective. (Center for Governmental Studies, 1976; Rafter, 1980; Zuccotti, 1974.)

Although much of the impetus for contemporary neighborhood planning can be traced back to the federal poverty programs of the 1960s, such as the Model Cities and Community Action Programs, most new programs are distinctly different from the earlier ones. Unlike their earlier counterparts, which were confined to low income or poverty areas, contemporary programs are often city-wide. Most have also been initiated and developed at the local level. Thus, they have been tailored to the specific needs and conditions of individual municipal-

ities. Furthermore, many contemporary programs have developed formal channels of communication between citizens, planners, and elected officials, which, although sought, were often lacking in the earlier programs (Frieden and Kaplan, 1975; Gilbert and Specht, 1977).

Proponents of contemporary neighborhood planning suggest that it can accomplish a number of goals including 1) improving physical conditions and service delivery in local areas, 2) improving social equity, 3) developing local leadership, 4) educating the citizenry in the operation of local government, and 5) improving relations between citizens and government (Zuccotti, 1974; Hallman, 1977; Yates, 1973).

As yet, however, the degree to which neighborhood planning programs have achieved

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these goals has not been evaluated. In fact, very little attention has been focused on whether these programs are living up to their expectations. Are they fulfilling their intended goals? Which components are instrumental to program effectiveness? How are mayors, city councils, and other city departments reacting to these programs? How can programs be restructured to better meet their intended purpose? Answers to these and other questions are necessary if contemporary neighborhood planning is to survive and flourish.

A case study method was used to address these questions. The Cities of Raleigh and Wilmington, North Carolina were selected as

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"...VERY LITTLE ATTENTION HAS BEEN FOCUSED ON WHETHER THESE PROGRAMS ARE LIVING UP TO THEIR EXPECTATIONS."

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study sites because of their well established neighborhood planning programs. Data collection involved interviews with the major actors in these programs: planning directors, neighborhood planners, and citizen representatives. There may, indeed, be considerable variation in program evaluation depending on the individual's role in the program. Separate interview schedules were developed for individuals representing each group, yet similarity between schedules was maintained to elicit comparable responses. Most questions on the schedules were open ended, however, on several questions respondents were asked to rate their responses on a five point scale. A total of six interviews were completed in Raleigh, including the Director, two Neighborhood Planners, and three citizen representatives. In Wilmington, the Director, the Neighborhood Planner, and five citizen representatives were interviewed, for a total of seven interviews.

Herein, each program will be discussed separately. We will begin with a brief description of the city involved, its government type, and its planning department. Following, the neighborhood planning program and its goals will be presented with specific emphasis on program structure, channels of communication, and the role of the neighborhood planners. Next, the accomplishments of the program will be reviewed and the influence of various program elements on program effectiveness will be discussed. Finally, factors inhibiting program accomplishments will be presented.

#### NEIGHBORHOOD PLANNING IN RALEIGH, NORTH CAROLINA

Raleigh is a rapidly growing southern city with a current population of approximately 125,000 people. As the state capitol, a rela-

tively large proportion of its working population is employed in white collar occupations. Raleigh has adopted a council-manager form of government in which three councilpersons are elected at-large and five by district. The Planning Department has a full-time staff of thirty employees which includes fifteen professional planners. Their overall operating budget is approximately \$450,000 a year.

Raleigh's neighborhood planning program, or citizens' advisory council as it is called, was developed in 1972 by the Planning Department staff to qualify for federal community development funds. In 1973, the City Council agreed upon creation, and the first officers were elected in 1974. The program, which is supported by both the Planning Department and the Department of Human Resources, was designed to "educate residents about government plans, policies, and regulations so that a dialogue could occur between Raleigh's neighborhoods and the city government." (Third annual report of the citizens' advisory council--July 1976-June 1977.) Its overall operating budget is approximately \$60,000 a year.

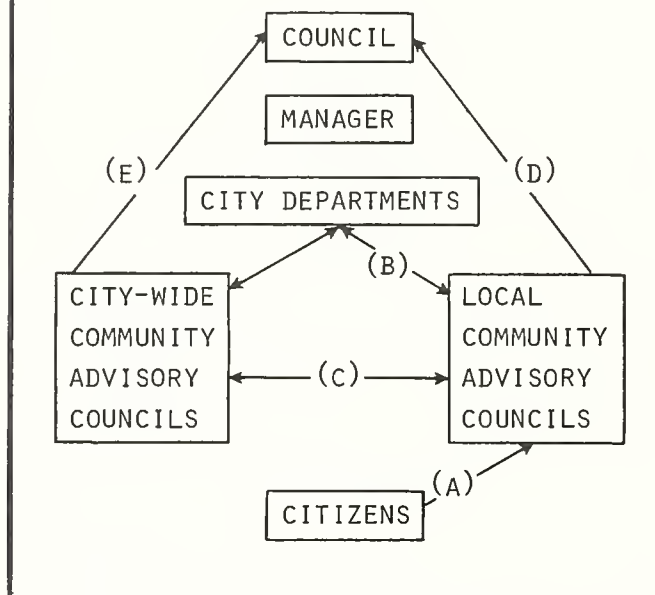
#### ORGANIZATION OF THE PROGRAM

Raleigh's program involves two organizational tiers: local neighborhood organizations and a city-wide advisory council. Eighteen neighborhood areas have been defined throughout Raleigh's planning jurisdiction. The neighborhoods were originally defined on the basis of census tract boundaries, major geographic boundaries, historic communities, and citizen perceptions. Presently, each neighborhood encompasses between 7,000 and 14,000 residents. Neighborhood organizations were organized in each area by publicizing local meetings and inviting members of existing neighborhood organizations such as garden clubs, church groups, and civic associations. The program calls for the election of chairpersons and vice-chairpersons on a yearly basis. These local advisory councils, then, are responsible for assessing local needs and evaluating proposed development. The local chairperson also serves on the city-wide advisory council (RCAC) designed to assess city-wide needs and evaluate city-wide development projects. Both the local groups and the RCAC establish committees on an ad hoc basis to address specific needs and problems.

#### CHANNELS OF COMMUNICATION

A major goal of Raleigh's neighborhood planning program is to establish communications between citizens, city departments, and city officials. Figure 1 depicts the channels of communication between citizens and city government established by the program.

FIGURE 1  
FORMAL CHANNELS OF COMMUNICATION  
(RALEIGH)



The citizens express their concerns and develop recommendations at local advisory group meetings (A). Local advisory groups also receive information from city departments concerning proposed projects and at this point may provide initial reactions to departmental proposals (B). Local concerns are also passed on to the city-wide council (C) or may be taken directly to the council (D). The RCAC also submits their recommendations to the council (E) which may instruct the City Manager to charge city departments with specific activities.

#### THE ROLE OF THE NEIGHBORHOOD PLANNERS

The officially defined role of the planners in the Raleigh program is to facilitate the communication process and to provide technical assistance to local advisory groups. Two planners and one staff person from the Department of Human Resources have been responsible for providing needed information to local advisory groups and handling much of the administrative work (such as mailings and reproductions of task force minutes). Often the staff arranges for city officials to address local advisory groups, and publicizes the upcoming meetings. The staff is explicitly instructed to avoid assuming an advocacy role with community groups. In fact, the number of staff assigned to the program was intentionally limited to avoid deep involvement with local advisory groups.

#### ACCOMPLISHMENTS OF THE PROGRAM

All persons interviewed were asked what they saw as the major accomplishments of the program. The Planning Director stressed the effectiveness of the program in providing a mechanism for "anyone to let their needs be known" and its effectiveness in establishing communications between citizens and local developers. The Neighborhood Planners, however, stressed the program's impact on educating citizens about local government, developing leadership in the community, and increasing citizen self confidence and sense of efficacy. The citizen representatives emphasized the "watchdog" role played by the program, its effectiveness as a means of advocating citizen concerns, and its influence in developing a cooperative relationship between the business community and local neighborhoods. Thus, in the view of the participants the program has accomplished many objectives, although each group focuses on different aspects.

There are also considerable discrepancies in how participants responded to questions concerning specific areas of accomplishment. When asked if the program has led to an improvement in physical conditions and local service delivery, the Planning Director responded that he did not believe the program has had a major influence. The Neighborhood Planners, however, felt that the program had improved transportation services, stopped road widenings and raised funds for parks and street landscaping. The citizen representatives felt that fire and transportation services have been improved as well as parks and street landscaping.

A consensus on program accomplishments centered around the program's influence on the relations between citizens and government; all three groups felt that the program has resulted in considerable improvements. It was suggested that citizens who participated had a greater understanding of the constraints on local government officials and were also comfortable expressing their concerns to local officials.

The last specific question on program accomplishments asked if the program had led to a more equal distribution of public goods. In general, all involved mentioned some improvements in the conditions of inner city areas, however, they felt that no major change in this distribution had occurred.

It is apparent from the above discussion that those involved with the program believe it has produced a number of accomplishments. These favorable responses may, however, be due to psychological commitment to the program which they have worked hard to support. For this reason we asked our respondents to be spe-



cific about the kinds of projects and activities which the local advisory groups have undertaken. One of the major activities mentioned included the review of plans: transportation improvements, land use and recreation plans, and proposals for zoning changes and special use permits. In addition, local groups have been active in undertaking needs assessments with respect to transit needs and special concerns of youth and elderly. Finally, self-help projects such as clean-up, landscaping, and Neighborhood Watch programs have been successfully developed.

#### FACTORS LEADING TO ACCOMPLISHMENTS

For our purposes, it is not enough to enumerate program accomplishments, but also, to understand which aspects of the program have led to these accomplishments and which have inhibited them. In response to an open ended question on effective program elements, members of all three groups interviewed mentioned the flexibility of the program as a major asset. They specifically referred to flexibility with respect to the issues that could be addressed and the structure of the program as evidenced by the lack of specific procedures for forming committees and for voting on issues. Local advisory groups differ on how committee members

#### "...NEIGHBORHOOD LEVEL PROGRAMS ARE MEANT TO SUPPLEMENT COMPREHENSIVE PLANNING PROGRAMS."

are elected or appointed, on whether committees make recommendations that go directly to the RCAC or whether they are voted on at a general meeting, but they are generally free to adopt their own rules and procedures. They may also address any issue, as they are not confined to land use or any other substantive area.

There were other program components that individuals thought particularly effective. The Director felt that neighborhood boundaries not conforming to district lines helped to keep the program apolitical. Neighborhood Planners, however, emphasized the program's openness and its city-wide nature. Everyone, they commented, can participate in the program.

When asked to assess the amount of influence the program has had on the City Council, all thought it had a moderate influence, rating it three on a five point scale. The Director commented that if the RCAC had more influence, the Council would be upset. One citizen representative suggested that the Council viewed the RCAC as a "necessary evil," while another said that the level of influence varied depending on the specific councilmember and where their allegiances lie. One Neighborhood Planner commented that she wished, on certain issues (e.g., the location of low income housing), that citizen influence was less.

Respondents were also asked to rate the level of support given to the program by the Mayor, the City Council, the City Manager, and city departments. The Mayor received the highest overall rating followed by the City Council, the City Manager, and city departments. There was, of course, variation in ratings of individual councilpersons and city agencies. The Police Department and Planning Department were consistently rated highly, while the Public Works Department received low ratings.

Finally, respondents gave similar answers to a question asking what attributes of the city contribute to the effectiveness of the program. The attributes mentioned focused on the homogeneity of socioeconomic characteristics in Raleigh, such as the white collar population, the affluent nature of the community, and the generally high education level. It is not uncommon for leaders of neighborhood advisory groups to hold graduate degrees. The relative absence of racial conflict in Raleigh was also thought to contribute to program effectiveness.

#### FACTORS INHIBITING ACCOMPLISHMENTS

Although the accomplishments of the Raleigh neighborhood planning program have been many, a number of factors appear to have inhibited the program's effectiveness. There was consensus among those interviewed on a number of such factors. First, low participation rates appear to inhibit program effectiveness. The average number of people that attend local advisory group meetings is twenty-five, and given that the average number of people in task force areas is about 7,000, this represents a participation rate of .35 percent. This, according to respondents, hurts the credibility of neighborhood leaders and of the overall program. Participation rates do increase substantially, however, when "hot" issues are being considered. Second, although the flexible structure was mentioned as a program strength, it was also considered a weakness. Certain voting procedures adopted by local advisory groups, for example, were not condoned by the Council and became an issue of contention. Third, the lack of support given to the program by the City Manager and certain city departments has, according to respondents, inhibited its effectiveness. The City Manager, according to one respondent, "does not like to be influenced by outside people" and has criticized participants in the program for not going through proper channels. In addition, it was suggested that many department heads are not accustomed to being confronted, and thus shy away from meetings with citizens. Furthermore, contrary to program goals, city departments do not always inform the citizen groups of their plans. Finally, respondents agreed that the staff split between the Planning Department and Human Resources Department has caused problems.

TABLE 1

## RATINGS OF PROGRAM SUPPORT (RALEIGH)

|                        | <u>Score Given To:</u> |                     |                     |                         |
|------------------------|------------------------|---------------------|---------------------|-------------------------|
|                        | <u>Mayor</u>           | <u>City Council</u> | <u>City Manager</u> | <u>City Departments</u> |
| Director               | 5.0                    | 3.0                 | 3.0                 | 1.0                     |
| Neighborhood Planner   | 5.0                    | 4.0                 | 2.0                 | 3.0                     |
| Neighborhood Planner   | 3.0                    | 3.0                 | 2.0                 | 3.0                     |
| Citizen Representative | 5.0                    | 4.0                 | 3.0                 | 3.5                     |
| Citizen Representative | 5.0                    | 4.0                 | 3.0                 | 3.0                     |
| Citizen Representative | <u>5.0</u>             | <u>4.0</u>          | <u>4.0</u>          | <u>3.0</u>              |
| Total                  | 28                     | 22                  | 17                  | 16.5                    |

Note: A rating of 5 indicates the greatest support; a rating of 1 indicates the least.

From the point of view of the Planning Director, there were other problems. The present staff was said to be inadequate. In particular, more secretarial help was needed to cut down on the paper work of the professional staff, thus freeing their time for more instrumental activities. The Director also mentioned that real estate brokers and builders were able to influence the zoning recommendations of the local advisory groups by promising concessions that were later disregarded.

The Neighborhood Planners had other unique concerns. One planner felt that the citizens were reluctant to participate in activities that would result in conflict and, furthermore, that citizens did not have a clear understanding of what they wanted. A second planner talked of conflicts between her efforts and the efforts of other community organizations in certain poorer neighborhoods. The City's program was criticized and competition for membership went on between the organizations.

A major factor inhibiting the program's achievements according to the community representative, is the limit on the length of time chairpersons of the city-wide RCAC remain in office. One year is not perceived as enough time for a chairperson to learn the job well. Just as the representative is becoming effective, it was suggested, it is time to step down. Also, one representative felt that neighborhood boundaries should follow council district lines. This, in her opinion, would increase the influence of the program. Another point of disagree-

ment concerned a procedure that allowed committee chairmen as well as local advisory group leaders to vote on city-wide advisory council recommendations. This was believed to water down the influence of local advisory group leaders. More emphasis, it was suggested, needed to be placed on the local organizations and their leaders.

#### NEIGHBORHOOD PLANNING IN WILMINGTON, NORTH CAROLINA

The City of Wilmington is North Carolina's major port city and has a population of approximately 52,600 people. Its inhabitants are generally poorer than those of Raleigh (twenty percent of the population is below the poverty line). The nonwhite population comprises thirty-five percent of the total population. Wilmington has adopted a council-manager form of government in which seven council members are elected by district in nonpartisan elections. The mayor is elected directly and is a voting member of the council.

Wilmington's Planning Department has a full time staff of forty-five employees; approximately one-third are professional planners. The operating budget is approximately \$400,000 per year, while the capital budget is approximately two million dollars per year, including community development funding.

Wilmington's neighborhood planning program was initiated in 1974 to qualify for the Com-



munity Development Block Grant program, and to provide a general mechanism for city-wide citizen participation. Initial support for the program came from the City Manager, the City Council, and from local citizens. The goals of the program as originally expressed were to provide a mechanism through which citizens could influence Community Development budgeting, express their views, gain an understanding of city government, initiate programs, and "make a difference." The program's operating budget is approximately \$34,000 per year.

#### ORGANIZATION OF THE PROGRAM

As in Raleigh, Wilmington has a two-tier system composed of seventeen local assemblies and a city-wide Community Development Committee. The seventeen local assemblies were organized in areas defined on the basis of a sample survey of 700 residents. Representatives and alternates who serve for one year are elected at assembly meetings. The alternate's role is to "learn the ropes," and then automatically assume the position of representative upon expiration of the previous representative's term. Assemblies typically meet once a month to discuss neighborhood problems, react to city proposals and develop general short term proposals.

The city-wide Community Development Committee (CDC) is composed of the seventeen assembly representatives plus five prerepresentatives from a coalition of civic groups which includes the League of Women Voters, the Kiwanis Club, the Boys Club, and others. Both the local assemblies and the CDC have ad hoc subcommittees. These committees meet once a month to review neighborhood and city-wide problems and to develop solutions to specific problems. The CDC has the added responsibility of holding public hearings on the Community Development Block Grant budget.

#### CHANNELS OF COMMUNICATION

Formal communication channels established by the participation strategy in Wilmington are virtually the same as those established by the Raleigh program (see Figure 1). Citizens take their concerns to local assembly meetings, and the assembly representatives may request information from city departments. Most often, these requests are handled through the citizen participation planner working with the program. Concerns and proposals are then forwarded to the Community Development Committee for review. They, in turn, present recommendations to the City Council which makes the final decision. The only major difference between this communication network and the one established in Raleigh is that city departments are not required to volunteer information about their activities to local assemblies in areas poten-

tially impacted. They just respond to requests for information.

#### THE ROLE OF THE NEIGHBORHOOD PLANNER

The official function of the neighborhood planner is somewhat ill-defined, according to the Planning Director. He commented that the planner should assist neighborhoods in getting themselves organized but should not be telling people their problems or trying to actually organize them. He admitted that making the distinction between helping to organize and actually organizing is often difficult. Tasks that he did feel were the legitimate role of the Neighborhood Planner included getting minutes typed and circulated, providing information on the activities of city agencies and other issues, and helping them solve local problems.

#### ACCOMPLISHMENTS OF THE PROGRAM

In response to our open-ended question on program accomplishments, the Planning Director

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"THE OFFICIALLY DEFINED ROLE OF THE PLANNERS IN THE RALEIGH PROGRAM IS TO FACILITATE THE COMMUNICATION PROCESS AND PROVIDE TECHNICAL ASSISTANCE..."

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felt that the program has made the city more responsive to citizen needs and viewpoints. He suggested that city programs were now addressing some of the real needs of the citizenry. In addition, he commented that some city department heads were now questioning whether ideas or projects have been reviewed by the neighborhood assembly. He also felt that citizens were now much better informed on local issues and procedures.

The Neighborhood Planner, on the other hand, emphasized the program's influence on the implementation of projects proposed by citizens. A working relationship has developed between citizens and the Planning Department. Citizens present a basic idea to the planning staff, who then develop it into a specific program or project proposal.

The citizen representatives echoed several previously mentioned accomplishments such as improved relations between citizens and government and a more educated citizenry. Furthermore, they stressed its positive impact on community cohesion within neighborhoods and the city as a whole. The program, it was suggested, has done much to improve race relations in Wilmington. Finally, several citizen representatives felt that the program has given those not associated with an interest group a means of being heard; a means of communicating problems.

In response to specific questions about the program's impact on local services and local physical conditions, the consensus of opinion was that it has led to improvements. Only one citizen representative saw no improvements. The most frequently mentioned service improvements were police and sanitation services; police patrolling patterns had been altered and sanitation schedules changed.

Specific physical improvements were also cited in the areas of housing, recreation, and street paving. This is not surprising, however, given that the program involves the budgeting of CDBG monies; yet a number of projects were funded from the regular city budget.

The program's influence on the relations between citizens and government is much less clear. The Director felt that relations had improved some, however, there continues to be some negative feelings among citizens whose expectations concerning the program have not been met. The Director suggested that the program was oversold initially to get people involved. The Neighborhood Planner felt that there was little improvement in relations, while citizen representatives generally saw a minor improvement or felt that relations were highly variable and depended on recent events.

Beyond the subjective evaluations of program effectiveness, a number of projects and programs can be credited to the neighborhood planning program in Wilmington. The major activity of the program, as mentioned, has been developing the CDBG budget. In recent years all but a few of the budget items have been approved as requested. The majority of the budget has been allocated to street paving, drainage, housing rehabilitation, and parks. Other projects, however, are unrelated to the CDBG program. Money for the restoration of a cemetery, for example, was provided from the city budget. In addition, the program can be credited with starting crime watch, rat control, and clean-up efforts in a number of areas. Local assemblies have also been successful in opposing unwanted projects such as a municipal garage expansion project, which was to be funded by EDA for 2 million dollars.

#### FACTORS LEADING TO ACCOMPLISHMENTS

Our open-ended question designed to identify program components which have led to accomplishments elicited a number of responses. The Director felt that the fact that the program covered the entire city was important in that everyone had an opportunity to participate, not just low income neighborhoods. In addition, the Director suggested that the council had been very supportive of the program. The Neighborhood Planner stressed the importance of a procedure where copies of the minutes of the CDC

meetings were given to council members. This procedure helped in keeping council members well informed of the CDC's deliberations and recommendations. Second, the Neighborhood Planner felt that the program has established communication between the department heads and citizen representatives. This, he suggested, facilitated action.

When asked specifically whether the program had given too little or too much power to citizens, the consensus was that their level of influence was about right. The Director felt that the citizens have had a considerable influence on city officials and any more may cause a reactionary response. The Neighborhood Planner felt that the program allowed much more influ-

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#### "...THE TWO-TIER APPROACH SEEMS TO BE AN EFFECTIVE WAY OF STRUCTURING A PROGRAM."

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ence than the citizens were taking advantage of, while citizens representatives felt they had enough influence, and several emphasized that the council, being elected representatives, should make the final decisions. It was the council's responsibility, they felt, to consider the overall needs of the city. There was one dissenting representative, however, who felt that the head of the CDC should sit with council as a non-voting member.

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#### "...LOW PARTICIPATION RATES APPEAR TO INHIBIT PROGRAM EFFECTIVENESS."

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The Mayor received the highest overall ratings for supportiveness, followed by the City Council and city departments (see Table 2). The City Manager received the lowest overall ratings. Of the various city departments in Wilmington, the Planning, Police, and Human Relations Departments were rated highest and the Parks and Public Works Departments rated the lowest.

Finally, the respondents offered a number of characteristics of Wilmington that helped contribute to the program's effectiveness. The Director felt that the city is a "community of neighborhoods." Areas of the City are clearly distinguishable in terms of their physical and social characteristics. In the opinion of the Neighborhood Planner, the in-migration of liberal people interested in politics and civic involvement have provided much support for the program. Furthermore, she felt that Wilmington's size was particularly suitable for such a program. Similarly, some citizen representatives felt that the City's size was an important contributing factor. Race relations was another factor mentioned by several citizen representatives. Both races, it was suggested, felt the need for a mechanism for constructively working out problems.



## FACTORS INHIBITING ACCOMPLISHMENTS

Two factors which have inhibited the program's effectiveness were mentioned by individuals in all three groups interviewed. First, as in Raleigh, participation rates were seen as a major problem. According to the Neighborhood Planner, the typical turnout for monthly assembly meetings is approximately twenty. This represents a participation rate of .66% based on an average assembly population of 3,000 people. When major issues were being considered, however, participation rates were said to increase substantially. The Neighborhood Planner suggested that the low participation rate was partially due to the size of the assemblies. Smaller assemblies would, in her opinion, involve a higher percentage of citizens. One citizen representative felt that citizens were deferring responsibility to the local representative and expected him or her to watch out for the interests of local residents. A related problem is that there is uneven participation in different areas of the city. In particular, many of the higher income areas feel the program is not designed to help them. Two upper income assemblies had no organization at the time of our visit. This uneven representation was seen as detracting from the legitimacy of the program.

The second problem mentioned by all groups is citizen mistrust of government. Many citizens doubt the intentions of the program and believe that government officials will do what they want regardless of the wishes of the CDC.

Some of this mistrust stems from the program's inability to meet initial expectations. Apparently, an inaccurate impression of the program was conveyed in the initial organizing of assemblies. Citizens expected more influence over a wider variety of concerns.

The Director mentioned other problems. First, he felt that more highly qualified staff were needed. Most of the present staff consists of student interns, and although helpful, they can not do work comparable to professional staff. Second, he suggested that the lack of planning data available at the neighborhood level inhibited the program's effectiveness. Third, people in Wilmington were not, in his opinion, accustomed to making decisions by themselves. In the past, decision-making has been dominated by the business community. Last, the Director said that an unclear understanding of the roles of the three main groups involved - the administration, the council, and the citizens - produced unnecessary conflicts. The program was established on the basis of a two-paragraph council resolution which did not sufficiently detail the role of each group.

The Neighborhood Planner had other unique concerns. One major problem, in her view, was that she was not receiving important information from department heads. In certain instances, citizens had found out about department plans before the Neighborhood Planner. This, she felt, severely hurt her credibility with the community. The new City Manager had further hampered this flow of information by not allowing the Neigh-

TABLE 2  
RATINGS OF PROGRAM SUPPORT (WILMINGTON)

|                        | Score Given To: |              |              |                  |
|------------------------|-----------------|--------------|--------------|------------------|
|                        | Mayor           | City Council | City Manager | City Departments |
| Director               | 4.5             | 3.5          | 3.0          | 3.5              |
| Neighborhood Planner   | 5.0             | 3.0          | 2.0          | 3.0              |
| Citizen Representative | 3.5             | 3.0          | 3.0          | 1.0              |
| Citizen Representative | 3.5             | 3.0          | 2.5          | 2.0              |
| Citizen Representative | 4.0             | 3.0          | 2.0          | 3.0              |
| Citizen Representative | 3.0             | 2.0          | 3.0          | 3.0              |
| Citizen Representative | 1.0             | 3.0          | 2.0          | 4.0              |
|                        | 24.5            | 20.5         | 17.5         | 19.5             |

Note: A rating of 5 indicates the greatest support; a rating of 1 indicates the least.

borhood Planner to talk directly to the department heads. She was asked to communicate through the Planning Director. This, however, was changed upon the protests of the Neighborhood Planner. The flow of information was further hampered by the physical isolation of the Neighborhood Planning staff. They are housed in the Community Development offices which are several blocks from the Planning Department and from most other city departments. Another problem mentioned concerned the tenure of the citizen representatives in the program. As in Raleigh, the maximum length of tenure for citizen representatives is one year, too short a time to get things accomplished. Some representatives were also seen as lacking the skills or motivation to be effective in that position.

The citizen representatives voiced a similar concern over their representative's tenure. They felt it was demoralizing to require an effective neighborhood leader to give up that role after a year's time. Citizen representatives also mentioned that communications with the council were one-way. The Council wanted information from the CDC with important information or explanations of their actions. Finally, one representative suggested that the citizens need to have access to legal advice, which is currently unavailable.

## CONCLUSIONS AND RECOMMENDATIONS

It is apparent from the results cited above that the neighborhood based participation programs have lived up to certain expectations and not others. There is a general consensus among program participants that these programs have led to an improvement in local physical conditions and to a lesser extent to improved local service delivery. Relations between citizens and government have also benefited from the program, however, given the low participation rates, this improvement can not be extensive. The same can be said for the program's influence on citizen knowledge of the operation of local government. Those citizens who regularly participate undoubtedly have a better understanding. Relatively few, however, participate on a regular basis. The programs also appear to have an effect on the distribution of public goods. Most participants felt that the programs have benefited the "have nots" more than the "haves." These programs provided a participatory mechanism for those who traditionally have not had access to the political system. Possibly more important is that these programs have provided a spawning ground for community leaders. Many of the local representatives interviewed had no previous experience with community service of any nature. In addition, in both Wilmington and Raleigh there were numerous examples of council members who

were once heads of local neighborhood groups. Thus, although the impact of these programs was dampened by low rates of participation, they do appear to provide the potential for more dramatic achievements if participation rates can be increased.

A number of structural elements appear to have contributed to the accomplishments achieved by these programs. First, the two-tier approach seems to be an effective way of structuring a program. It helps to provide local neighborhood leaders with a city-wide view of problems and to avoid conflicting proposals being submitted to

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"...MEMBERS OF ALL THREE GROUPS INTERVIEWED MENTIONED THE FLEXIBILITY OF THE PROGRAM AS A MAJOR ASSET."

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the City Council. In addition, communication between the council and neighborhood organizations is facilitated by having one organization presenting proposals and recommendations rather than many. Providing local civic organizations representation on the city-wide council as done in Wilmington, also appears to add to the legitimacy and efficacy of a program. Second, the city-wide nature of these programs is important. The programs receive political support because of their all inclusive nature. Third, a two-way communication flow between council, city departments, and the citizens' groups seems vital. The council and city departments must not only ask for information, but also they must be willing to provide information. Furthermore, well-defined channels of communication seem essential to the smooth operation of these programs. Many of the problems faced by program participants stem from poorly defined communication channels. The following recommendations are offered to improve the effectiveness of neighborhood based planning programs.

1. Involve the three major parties-- citizens, council, and department heads-- in the initial formulation of the program.
2. Establish a well documented, detailed organizational structure. If flexibility is desired, specify which aspects of the program will be left flexible (e.g., establishing subcommittees). Important organizational elements include a) two-tier structure, b) subcommittee structure, and c) election and voting procedures.
3. Establish clear expectations concerning the roles, responsibilities, and levels of influence for each major party.
4. Establish formal lines of communication between a) department heads and citizen representatives, b) neighborhood



planners and department heads, and  
c) citizen representatives and city council members.

5. Pay special attention to attaining the cooperation of city departments and the city manager. Short courses in human relations should help them in dealing with citizen contacts. Once the program has been established, willingness to work with the program should be a criterium for selecting new department heads or a new manager.
6. Adequately staff the program. One planner should have no more than five local neighborhood groups. One full time secretary for every four planners is also recommended.

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**"ONE PLANNER SHOULD HAVE NO MORE THAN FIVE LOCAL NEIGHBORHOOD GROUPS."**

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7. Neighborhood planners should provide the following basic services to local community groups: help organize and publicize meetings, inform groups of new city projects and policies, provide guidance in expanding citizen attendance, help disseminate meeting minutes, help keep an up-to-date mailing list, research questions brought up by citizens of opportunities for improving their areas.
8. The offices of the neighborhood planner staff should not be physically isolated from the Planning Department and the planners should be allowed direct access to all city personnel.
9. Neighborhood planners should have training in community organizing and should pay special attention to encouraging citizen participation.
10. Neighborhood planners should make sure that planning data is available at the neighborhood level.
11. Training sessions should be run for new citizen representatives. These sessions should cover topics such as the structure of city government and of the neighborhood planning program, how to run group meetings and elicit group concerns, and community organizing.
12. Legal council should be readily available to citizens' groups.

13. The program should allow local representatives to serve longer than one year.
14. A monitoring and evaluation component should be built into the program. Yearly evaluations should be done to assess accomplishments, detect problems, and suggest alterations in the programs' operations and/or structures.

It is clear that these programs will not lead to fundamental changes in society and thus, will not satisfy the more radical social reformers. They have been shown, however, to result in real and immediate benefits to the quality of life in the two cities studied.

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# Nuisance Suit Protection For Farms: North Carolina Law Takes A New Approach

The 1979 Session of the North Carolina General Assembly enacted legislation to protect farm operations from nuisance suits under certain circumstances. Representative Tom Ellis, Jr. (D-Vance) was the principal introducer of the law, along with thirty-five co-sponsors. The law, enacted by unanimous votes in both the House and Senate, is of interest to local government officials and planners because of its implications for urban-rural conflicts in land use, suburban growth patterns, and annexation of farm land by municipalities.

## NUISANCE COMPLAINTS AGAINST FARM OPERATIONS

Anyone who engages in activity that produces odor, dust, or noise sufficient to interfere with someone else's use and enjoyment of his property is a potential party to a nuisance suit. Mining and heavy industry have often been the subject of nuisance suits. Zoning ordinances have certainly been helpful in reducing the potential for nuisance-type conflicts between industrial and residential land uses. Also, the residential dweller has little incentive to locate near industrial areas.

Different factors define the farm nuisance problem. Farming is a land-based activity. Unlike industry, the farmer lives where he works. Industrial parks can be created by zoning; farm communities can not. Moreover, the residential land user is attracted to the farm community for various aesthetic and economic reasons not present in areas dominated by industrial land use.

Although almost any type of farm operation could be the object of a nuisance suit, an example of the type of problem that prompted the Farm Nuisance Suit Protection Act will aid in its understanding.

Suppose that Farmer Jones lives in a rural farm community on the outskirts of a growing city. Among other things, he keeps a number of hogs-- some for consumption, some to sell for income. He has done this for many years, as have others in the community. There are odors, but there have been no complaints because houses

are a good distance from each other and from the hog confinement houses or "pig parlors." The occasional aroma emanating from the pig parlor on a hot day does not annoy his neighbors because they are accustomed to such ordinary smells.

As the city grows outward, land is needed for housing for people who work in the city. The least expensive and most convenient land is along state roads through this rural farm community, resulting in a classic case of strip development. When Farmer Jones's neighbor died, his heirs sold several highway lots for development. One of these is near Farmer Jones's pig parlor. The new residents are unfamiliar with and intolerant of the hog odors. Due to a reluctance on the part of Farmer Jones to give up his livelihood, the newcomers file a nuisance suit and recover \$2,000 in damages plus a court order enjoining the operation of the pig parlor.

There is little data available on the number and disposition of nuisance suits involving farm operations. Judgements in trial cases in state courts are not published or indexed by subject matter. Few of these cases reach the appellate courts.

A survey was conducted by the Agricultural Extension Service in 1976 to gather data on nuisance suits and complaints against farm operations. This data showed that swine operations received the most complaints, followed by poultry operations, with complaints against both increasing steadily. Most of the complaints reported were resolved without court action, usually through negotiation and improved odor management of the operations.

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Complaints against farm operations are increasing as residential development moves into rural areas.

Photo courtesy of D.S. McLeod

In some cases, however, the only alternative for the farmer is to close down his operation. Perhaps more importantly, the uncertainty caused by potential nuisance suits discourages investment in and improvement of farm operations.

One recent case that caused much concern among pork producers involved a Pamlico County, North Carolina pig parlor, under circumstances similar to the example cited above. The owner of the swine operations was using the best available technology for controlling odors. Yet the jury determined that the operation was a nuisance and awarded the plaintiffs \$2,000 in damages (*Kropaczek v. Slade-Harrold-Larrabee, Part.*, 75-CvS-210 (Pamlico County, N.C. 1978)). The reason for widespread interest in this case (which received broad coverage in local newspapers) was the fact that many swine operations produce even more odors than did that one (*New Bern Sun Journal*, April 13, 1978).

The decision in this case, though consistent with existing North Carolina nuisance law, alerted pork producers and other farm operators to the fact that even a well-maintained operation using "state of the art" technology is not immune from being declared a nuisance due to factors beyond the control of the farm operator. This is the critical factor in most of these cases from the farmer's point of view, and that is the problem which the Farm Nuisance Suit Protection Act seeks to remedy.

### EXISTING NUISANCE LAW IN NORTH CAROLINA

In order to understand the new agricultural nuisance law, a brief outline of existing nuisance law is necessary. In a nuisance suit against a farm operation, the plaintiff would have to show that the defendant's use of his property was unreasonable under the circum-

stances, e.g., that the facility produced an unreasonable amount of odor. The plaintiff would also have to prove that these unreasonable odors were the cause of substantial injury and loss of value to the plaintiff's property. The key words here are "unreasonable" and "substantial." It would not suffice for the plaintiff to show that there was some degree of odor detectable on his property that originated on the defendant's property. The odor must be unreasonable under the existing circumstances. Nor would it suffice for the plaintiff to show that the odor had simply caused him some discomfort, inconvenience, or annoyance. He must show substantial injury to his property rights.

How does the jury determine whether or not the defendant's conduct is unreasonable? To a large degree, this will depend upon the judgment of each member of the jury. However, the North Carolina Supreme Court has listed some of the circumstances which are to be considered by the jury in answering this question. These include the surroundings and conditions under which the defendant's conduct is maintained, the character of the neighborhood, the nature, utility, and social value of the defendant's operation, the nature, utility, and social value of the plaintiff's use of his land, the suitability of the locality for the plaintiff's occupation between the parties (See *Watts v. Pama Manufacturing Company*, 256 N.C. 611 (1962)). In short, then, the jury is supposed to balance all the circumstances and come up with a fair result.

The court will instruct the jury to consider and weigh all these factors, and that none alone is dispositive of the issue. With such broad guidelines, though, the jury is likely to allow other factors to creep into their consideration. They might consider the relative wealth of the parties or the ability of the defendant to pay damages to the plaintiff. Other factors weighing against the defendant would be the jury's natural sympathy for the homeowner versus a business and their lack of familiarity with farm operations.

### ANALYSIS OF THE NEW LAW

The law of nuisance in North Carolina, as in most states, is comprised of case law rather than statutes. It has evolved over the years in response to changing conditions and changing conceptions of property rights. The Farm Nuisance Suit Protection Act does not attempt to codify or repeal existing nuisance law but, instead, it simply modifies the law as it applies to agricultural operations.

As noted earlier, priority of occupation is one of the circumstances to be considered

# Nuisance Liability of Agricultural Operations.

## N.C. Gen. Stat. § 106-107 (Supp. 1979).

§ 106-700. Legislative determination and declaration of policy.--It is the declared policy of the State to conserve and protect and encourage the development and improvement of its agricultural land for the production of food and other agricultural products. When nonagricultural land uses extend into agricultural areas, agricultural operations often become the subject of nuisance suits. As a result, agricultural operations are sometimes forced to cease operations. Many others are discouraged from making investments in farm improvements. It is the purpose of this Article to reduce the loss to the State of its agricultural resources by limiting the circumstances under which agricultural operations may be deemed to be a nuisance. (1979, c. 202, § 1.)

§ 106-701. When agricultural operation, etc., not constituted nuisance by changed conditions in locality.--(a) No agricultural operation or any of its appurtenances shall be or become a nuisance, private or public, by any changed conditions in or about the locality thereof after the same has been in operation for more than one year, when such operation was not a nuisance at the time the operation began; provided, that the provisions of this subsection shall not apply whenever a nuisance results from the negligent or improper operation of any such agricultural operation or its appurtenances.

(b) For the purposes of this Article, "agricultural operation" includes, without limitation,

any facility for the production for commercial purposes of crops, livestock, poultry, livestock products, or poultry products.

(c) The provisions of subsection (a) shall not affect or defeat the right of any person, firm, or corporation to recover damages for any injuries or damages sustained by them on account of any pollution of, or change in condition of, the waters of any stream or on the account of any overflow of lands of any such person, firm, or corporation.

(d) Any and all ordinances of any unit of local government now in effect or hereafter adopted that would make the operation of any such agricultural operation or its appurtenances a nuisance or providing for abatement thereof as a nuisance in the circumstance set forth in this section are and shall be null and void; provided, however, that the provisions of this subsection shall not apply whenever a nuisance results from the negligent or improper operation of any such agricultural operation or any of its appurtenances. Provided further, that the provisions shall not apply whenever a nuisance results from an agricultural operation located within the corporate limits of any city at the time of enactment hereof.

(e) This section shall not be construed to invalidate any contracts heretofore made but insofar as contracts are concerned, it is only applicable to contracts and agreements to be made in the future. (1979, c. 202, § 1.)

by the jury in determining whether or not the defendant's activity is unreasonable and thus a nuisance. If the jury determines that the defendant has operated with no adverse results until the plaintiff moved in and placed himself where he would suffer from the defendant's activity, then the jury may decide that the plaintiff had brought about his own misery, and could refuse to declare the defendant's operation a nuisance. As described earlier, this "moving to the nuisance" is often the cause of nuisance suits involving farm operations. The problem with existing law was that while the jury *could* consider priority of occupation, it was not required to do so. Thus, the Farm Nuisance Suit Protection Act seized upon this aspect of existing law and made it the controlling factor in certain cases involving agricultural operations.

The term "agricultural operation" is broadly defined so as to include any bona fide commercial farming activity. Obviously it is not intended to protect someone who tries to turn a one-acre subdivision lot into a mini-farm.

The law states that no agricultural operation shall be a nuisance due to changed conditions in the locality after it has been in operation for more than one year, when it was not a nuisance at the time it began. This cuts off a nuisance suit by one who "moves in" on an established farm operation that has operated for at least a year without being sued and declared a nuisance. It would also prevent a successful nuisance suit by someone who

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" ... THIS SECTION DOES NOT APPLY WHENEVER A NUISANCE RESULTS FROM THE NEGLIGENT OR IMPROPER OPERATION OF THE FACILITY."

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already lived near the operation if the one-year period has elapsed. The Legislature apparently felt that one year was sufficient time for a potential plaintiff to determine whether or not he wants to file a lawsuit against the farm operation. This law does not apply to situations where the plaintiff can show that the defendant's facility is being operated in a negligent or improper manner.



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Another section of the law deals with local ordinances that provide for the abatement of an agricultural operation by declaring it a nuisance. The law provides that such ordinances shall be null and void insofar as they apply to an agricultural operation located outside

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"THE LEGISLATURE FORESAW THAT THE PRESERVATION OF FARMLAND WOULD BE BENEFICIAL TO THE ENTIRE STATE, AS WELL AS TO THE FARMER."

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the corporate limits of a city at the time the law was enacted (March 26, 1979). As with the other provisions of the law, however, this section does not apply whenever a nuisance results from the negligent or improper operation of the facility.

Prior nuisance law depended, in part, upon the evaluation by the jury of the relative utility and social value of the plaintiff's and defendant's respective uses of their land. It is important to note that this law sets forth the policy of the State "to conserve and protect and encourage the development and

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"THE LEGISLATURE CHOSE INSTEAD TO USE AN APPROACH THAT TAKES ADVANTAGE OF THE NATURAL INCENTIVES OF THE PARTIES INVOLVED."

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improvement of its agricultural land for the production of food and other agricultural products," and "to reduce the loss to the State of its agricultural resources by limiting the circumstances under which agricultural operations may be deemed to a nuisance." This statement of policy and purpose will guide the courts in interpreting this law in light of the prior case law on nuisances, which remains in effect to the extent that it is not inconsistent with this law.

The law purposely leaves unanswered many questions about its application in particular circumstances. To have provided a more comprehensive solution would have required a delegation of rulemaking authority to a regulatory agency. The Legislature chose instead to use an approach that takes advantage of the natural incentives of the parties involved. This approach also utilizes the adversary legal process to obtain results that are suited to the facts of each case. The legislature has simply modified the rules under which these conflicts are resolved.

## EFFECTS ON LAND USE

Although not intended as land use legislation, this law will undoubtedly have an effect on land use in areas where farm communities are under pressure from growing cities. Certainly the law would discourage the prudent developer from locating a subdivision near an established farm community, where ordinary odors from livestock would bring complaints from subdivision residents.

By encouraging the protection and improvement of farm land, the law may indirectly benefit local government by reducing the amount of land available for urban sprawl development. At any rate, the legislature foresaw that the preservation of farmland would be beneficial to the entire State, as well as to the farmer.

North Carolina was apparently the first state to provide this sort of protection for the farmer. Florida adopted a similar statute in May of 1979. Virginia's legislature is presently considering such a law, as are a number of other states that are using the North Carolina law as a model.

# "If We Are Really Serious About Protecting Agricultural Land In North Carolina. . ."

The need to protect agricultural land is one of the most common themes in contemporary land use planning. Throughout the 1970s, planners, agriculturalists, and environmentalists joined together in a chorus warning of an enormous shift of farmland in the United States. The alarming estimates of farmland losses, and their consequences has prompted widespread public concern. In response, government action toward a goal of protecting prime agricultural land has been extensive. By 1978 forty-seven states and numerous local governments had adopted some type of policy aimed at protecting agricultural operations which have been under pressure for development (Conroy, 1978: 10). At the federal level, specific legislation to preserve farmland has not been passed; however, a number of agencies have adopted administrative procedures with language requiring the preservation of valuable agricultural acreage (Skidmore, Owings, and Merrill, 1975; Council on Environmental Quality, 1976; U.S. Department of Agriculture, 1978; U.S. Environmental Protection Agency, 1978).

While the protection of agricultural lands is most often presented as axiomatic (and perhaps this is valid), there are a variety of reasons for protecting this resource. In the American Society of Planning Officials (ASPO) Planning Advisory Service Report, *Saving Farms and Farmlands: A Community Guide*, Toner suggests ten distinctive public purposes served by preservation of farms and farmlands (Toner, 1979: 3-4). These benefits include conserving energy, preventing urban sprawl, maintaining open space, protection of natural systems and processes, controlling public costs, preserving the local economic base, promoting local self-sufficiency, preserving rural lifestyle, maintaining specialty crops, and maintaining agricultural reserves.

To most citizens, however, the issue surrounding the protection of agricultural

land revolve around two concerns: finite agricultural resources and protection of local open space. The viability of local agriculture is perceived as a type of insurance for adequate food supplies in the future, while simultaneously providing greenbelt benefits. The larger questions of economic and energy efficiency remain secondary in the public's mind.

While a number of strategies have been suggested for protecting agricultural resources, a review of the implemented programs shows a surprising lack of variety. Most states have opted for simple indirect measures that reduce farmland losses by first protecting the farmer. The technique with the widest application has been the differential property tax assessment for farmland. Currently, forty-three states have adopted this mechanism to protect agricultural land. The underlying assumption of differential assessment is that farmland should be taxed at use value, rather than market value. The premise being that the higher ad valorem tax rate creates a cash flow problem for farmers and thus forces decisions to either get out of farming or move their operations to areas with lower property taxes. While the differential assessment policy has proven politically acceptable to both farm and non-farm interests, its effectiveness at protecting agricultural acreage is nevertheless questionable. An increasing number of *ex post* studies have shown that differential tax assessment programs, at best, do not prevent agricultural land from shifting into other uses, but may only postpone such shifts

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(Coughlin, et al., 1977; Gamble, et al., 1977; Gustafson and Wallace, 1975; Keene, et al., 1976; Vogeler, 1976). Therefore, farmland losses will continue. Consequently, planners and policy-makers are faced with the dilemma of continuing an ineffective, but acceptable policy or finding a new strategy to protect agricultural land uses.

#### AGRICULTURAL LAND CONVERSION IN NORTH CAROLINA

Over the past three decades North Carolina has undergone rapid change, moving from a rural, agricultural based economy to an increasingly urban, industrial society (Table 1). The effects of this change have had enormous impacts on agricultural land use. As in other parts of this country, population and economic expansion have created new demand for developable land. Whether voluntarily or by coercion, agricultural operators in North Carolina are forced into competition with land development interests. As pressure for buildable land increases, land values increase in excess of farm values. Nearby urban activities, may also generate spillover effects which further impede normal farming operations. In response to the potential financial gain, as well as the uncertainty and nuisances of farming there is an accelerating rate of land conversion. That farmland which is not developed is then subjected to increasing pressure. An "impermanence syndrome" may occur in the sense that farm operators curtail investments, revert to less capital intensive operations, or idle their acreage (Berry, 1978). The end result, which can be observed throughout North Carolina, is increasing amounts of agricultural land transformed to urban, vacant, or less intensive

agricultural use (i.e. shifting from cropping to pasture).

Agricultural census data confirms the popular notion that North Carolina's agricultural resources are rapidly declining. The North Carolina *Conservation Needs Inventory* (N.C. Inventory Committee, 1971) examined land use patterns between 1958 and 1967. The Inventory found that the amount of "urban and built-up" areas increased by 662,000 acres during the study period. This represented an 82.7 percent increase, much of which came at the expense of agricultural land use. More recent data examining agricultural land use, published in the 1974 *Census of Agriculture*, show a continuing downward trend in agricultural land use (See Table 2). Between 1969 and 1974, North Carolina lost almost one quarter of its farm operations and one eighth of the agricultural acreage in the state. While some of these losses are accounted for by agricultural consolidation and the retirement of marginal land, the major portion represents the permanent loss of prime land to urbanization.

A more detailed examination of the *Census of Agriculture* shows that agricultural losses were only slightly higher in Standard Metropolitan Statistical Areas (SMSA) of the state (Table 3). One might hypothesize that farmland losses would be significantly greater in urban areas; however, this was not the case. These data imply that agricultural land losses are a serious problem, not restricted to any particular section or type of county in North Carolina, but rather statewide. While the visual evidence of farmland losses may be more observable in the most heavily urbanized counties, the incremental transfer of agricultural land in rural and exurban areas is only slightly less.

TABLE 1  
NORTH CAROLINA POPULATION CHANGE  
(1950 - 1970)

|  | <u>1950</u>    | <u>1960</u>       | <u>1970</u>       |
|--|----------------|-------------------|-------------------|
| North Carolina<br>Population<br>(percent increase) | 4,061,929<br>- | 4,556,155<br>12.2 | 5,082,059<br>11.5 |
| Urban population<br>(percent)                      | 33.7           | 39.5              | 45.0              |
| Rural, farm<br>(percent)                           | 33.9           | 17.7              | 7.3               |
| Rural, non-farm<br>(percent)                       | 32.4           | 42.8              | 47.7              |

Source: U.S. Bureau of the Census

TABLE 2  
FARMS AND AGRICULTURAL  
LAND USE IN NORTH CAROLINA

|   | <u>1959</u> | <u>1964</u>        | <u>1969</u>         | <u>1974</u>         |
|---|-------------|--------------------|---------------------|---------------------|
| Total Number of Farms<br>(percent change)   | 190,567     | 148,205<br>-22.2   | 119,386<br>-19.4    | 91,280<br>-23.5     |
| Land in Farms<br>(percent change)           | 15,887,724  | 14,381,500<br>-9.4 | 12,733,751<br>-11.4 | 11,243,933<br>-11.6 |
| Average Farm Size<br>(acres)                | 83.         | 97.                | 107.                | 123.                |
| Proportion of N.C.<br>in Farms<br>(percent) | 50.6        | 45.8               | 40.8                | 36.0                |

Source: North Carolina Census of Agriculture, 1974.

#### DIFFERENTIAL TAX ASSESSMENT IN NORTH CAROLINA

At the present time, public action to protect agricultural resources in North Carolina is centered around the Preferential Property Tax Amendments (N.C.G.S. 105-277.1 *et seq.*) enacted by the legislature in 1973. Further clarifying amendments were added in 1975. Under these revisions in the State Taxation Statute, qualifying agricultural, forestry, and horticultural lands may be taxed on the basis of present use value rather than market value. The higher market value assessment is based on the potential highest and best use of land, rather than current value.

Eligibility for enrollment in the program is dependent on meeting qualifying requirements. These requirements involve such matters as land use, acreage, ownership, income, and sound land management. Under the existing regulations, agricultural land includes farm operations which grow crops, plants, or animals, as well as woodlands and "wasteland" which are part of the farm unit. The definition for forest land and horticultural land is, however, more restrictive. Only the acres actively used for commercial production qualify for inclusion in the program.

An additional test for all three categories is that commercial agricultural activities be carried out "under a sound management program." The North Carolina Department of Revenue defines a sound management program as "a program of production designed to obtain the greatest net return from the land consistent with its conservation and long-term improvement" (N.C. Department of Revenue, 1975: 20).

Some additional stipulations aimed at

including only active commercial farms in the program are the acreage size and income requirements. In order to qualify, agricultural and horticultural land must comprise at least ten acres per tract and have average gross earnings of at least \$1,000 for the preceding three years immediately prior to application. Government payments can be included in the income calculations. Forest land has no minimum income requirement, however, the size requirements increase to 20 or more acres per tract in order to qualify for the tax benefits. Both income and size provisions are universal components in differential tax programs designed to filter out "hobby farmers" and non-agricultural speculators from qualifying for large tax savings.

A final qualifier for use value assessment relates to farm ownership. Qualifying agricultural land must be "individually owned." Individual ownership may include natural persons or a corporation whose owners (or spouses or siblings) are actively engaged in agricultural production activities. Additionally, an individual owner's principal residence must be on the agricultural land or the agricultural land must have been owned by the owner or his family for the four years preceding application. Corporate owned agricultural land must have been in the possession of the corporation or a principal shareholder for a similar four year period. The intent of the ownership requirement is to restrict enrollment in the program to traditional farming operators. As in other states, the North Carolina program was not designed to provide property tax relief to corporations or real estate firms, whose interest in agriculture is limited or short term.

For agricultural property owners meeting

TABLE 3  
LAND USE CHANGE: SMSA COUNTIES  
AND NON-SMSA COUNTIES

|  | <u>1964</u> | <u>1974</u> | <u>Percent Change</u> |
|--|-------------|-------------|-----------------------|
| Land in Farms in<br>North Carolina SMSA Counties<br>(Acres)                        | 2,269,378   | 1,710,274   | -24.6%                |
| Land in Farms in<br>North Carolina<br>Non-SMSA Counties<br>(Acres)                 | 12,112,122  | 9,533,659   | -21.2%                |
| Proportion of Land in<br>Farms in North Carolina<br>SMSA Counties<br>(Percent)     | 43.2        | 32.7        |                       |
| Proportion of Land in Farms<br>in North Carolina Non-SMSA<br>Counties<br>(Percent) | 46.9        | 37.0        |                       |

Source: Census of Agriculture, 1974.

the eligibility requirements, admission into the program is voluntary and simple. Following the approval of the application by the local tax office, the agricultural acreage is taxed on the basis of its use value. Concurrently, the regular ad valorem taxes for the property are calculated and maintained by the tax office. The difference between the two figures represents the deferred taxes for the property.

A roll-back provision specifies that if the agricultural property (or any portion of the parcel) changes to a nonqualifying use, or if the property is sold to persons outside the immediate family, the land loses its eligibility. Under the roll-back requirement, the owner is liable for the deferred taxes for the preceding three years, plus an interest penalty on the deferred taxes. The penalty is calculated at two percent for the first month plus .75 percent for each additional month in the program, up to three years. The intent of the roll-back and interest penalty is to reduce the economic advantage of enrolling in the program and subsequently withdrawing when land values become attractive. Studies of differential tax assessment note that without roll-back mechanisms there is no way to police speculators from enjoying short-term tax advantages or capturing lost revenue when land is withdrawn from the program (Keene et al., 1976: 66-79).

Finally, enrolled property owners whose land no longer meets the differential taxation requirement are required to notify the local tax office. Failure to disclose a disqualification results in an additional penalty of ten percent

of the deferred tax and interest.

#### EFFECTIVENESS OF OUR CURRENT POLICY

An evaluation of North Carolina's differential assessment program begins with consideration of the objectives of the program. As in other states, the primary purposes of this effort are to provide property tax relief to agricultural operations as real estate market values rise, and to encourage the retention of agricultural land uses. Consequently, an examination of the success of North Carolina's differential taxation must include measurement of the degree of participation and tax savings by farm operators, as well as the impact of the program at reducing agricultural land conversion.

With the assistance of the Ad Valorem Tax Division of the North Carolina Department of Revenue, Pasour and Neuman have undertaken extensive analysis of participation in the program and the fiscal impacts of the program since its implementation. The findings of their studies show that enrollment rates vary substantially from county to county, however, statewide the total number of farmers in the program is quite small (Neuman and Pasour, 1979). Five years after the inception of the program (1973-1978), 42 counties lacked any qualifying farmland in the program, while one county (Wake County) accounted for 34.5 percent of all the farm tracts receiving lower taxes. Statewide, Neuman and Pasour report that 12,599 tracts were enrolled in 1978. The tax savings to property owners were estimated to be \$2,274,413 in that year. Approximately 47



percent of this total savings was in Wake County.

The early experience with differential taxation reveals that the present policy has not enlisted widespread participation and provides only marginal financial benefits to farm operators. Recognizing this failure, Neuman and Pasour (1979) propose that the number of tracts qualifying for deferred taxation will increase as revaluation of the tax base in each county updates both the market and use value of farmland. However, a review of the 20 counties which underwent revaluations in 1977 and 1978 demonstrates that this has not been the case to date. Some counties have experienced enormous increases in participation (e.g. Davie, Alexander, Alamance, and Randolph), but other counties continued to have minor or no increase in enrollment following revaluation (e.g. Gates, Wilkes, Craven, Granville).

While it is highly probable that the number of participants qualifying for differential taxation will continue to increase, it can be suggested that North Carolina farm operators are not currently enthusiastic program beneficiaries. Whether through misinformation or lack of adequate rewards, the enrollment of land for deferred property tax is low. Accordingly, the program can be viewed as only marginally successful.

*There is public recognition of the need to preserve agricultural resources and protect open space.  
Photo courtesy of USDA-Soil Conservation Service*



As to the effectiveness of the tax program for protecting agricultural acreage, the data are incomplete. Unfortunately, aggregate statewide data of farmland change and dynamics are not available at this time. The 1979 *Census of Agriculture* will remedy this situation. The upcoming census will provide us with an excellent data source for examining the relative impact of the current program since beginning operation in 1974. Until the census data are published in 1980, what is available are scattered reports from planning agencies and county soil and water conservation districts.

Specific discussions with soil conservationists and planners in Wake and Mecklenburg counties suggest that differential taxation has had only a negligible impact at reducing farmland conversion in these areas. In Wake County, where almost one half of the tracts receiving lower taxes are located, a county planner involved in protecting agricultural lands suggested only minimal effectiveness (Gurley, 1979). In Mecklenburg County, the District [Soil] Conservationist, Albert Coffey, and the Supervisors of the Mecklenburg Soil and Water Conservation District have stated that the rate of agricultural land transformation in the county has actually increased during the past five years. Differential taxation is not perceived as having any significant impact in Mecklenburg County.

The inference that differential assessment policies in North Carolina are not protecting agricultural acreage is supported by findings from other areas. The weight of evidence from states adopting differential taxation is that they do not provide protection for agricultural resources. A 1976 report, *Untaxing Open Space*, prepared for the Council on Environmental Quality, studied the effectiveness of use value taxation in 42 states (including North Carolina). The report's conclusion included the following assessment.

With respect to the goal of retarding the conversion of farm and other open land, differential assessment is marginally effective and its cost in terms of tax expenditures is high, in most cases so high as to render it an undesirable tool for achieving this goal ... if the owner is indifferent ... or is actively looking for an opportunity to sell to a developer, the tax saving from differential assessment will not have much effect in deterring him from selling (Keene et al., 1976: 115).

#### SOME ALTERNATIVE RECOMMENDATIONS

The preceding discussion of North Carolina's differential taxation program outlines the failure of the current efforts to involve large numbers of agricultural operators in a program which would reduce the cost of farming and,

at least temporarily, slow farmland conversion. We, therefore, find ourselves without an effective program to protect agricultural resources. The seriousness of this issue demands that remedial actions and long range policies be formulated and implemented now.

In light of these conclusions, and after a review and analysis of agricultural land protection programs in other parts of the United States, some suggestions can be made for developing an effective farmland protection strategy. These recommendations are not designed to be exhaustive, but rather simply to be a starting point for local planners and policy-makers discussing how to protect agricultural resources in their community. Hopefully, the broad issues raised will be of insight to planners and decision-makers throughout the state.

#### IMPROVED DEFINITION OF PRIME OR VALUABLE AGRICULTURAL RESOURCES

At the present time, most policy makers are content to define high value (i.e. prime) agricultural land based solely on physical or income generating criteria. In the vast majority of cases, the U.S. Soil Conservation Service's (SCS) Soil Capability Classification system is adopted as the delineator. This system is an interpretive classification system which uses soil and climatic data to place delineated soil areas into groups based on similar management options. Soils are assigned to categories I through VIII, with Class I having no limitation to cultivation.

Typically, the system is used to define and delineate critical agricultural lands. These areas are then noted on a map and become the object of special protection. For those lands in Capability Classes not included in the prime category, their continued use as agriculture does not warrant planning protection.

The problem with adopting this strategy is twofold. First, the Soil Capability Class system is only a crude measure of potential agricultural productivities. The intent of SCS in developing this measure was to provide a gross indicator of potential agricultural

can exclude important agricultural resources from protection. For example, the steep sloped, rocky hillsides of the North Carolina mountains are categorized as having low agricultural potential and would not be considered as

#### "THE SOIL CAPABILITY CLASSIFICATION IS INHERENTLY INSENSITIVE TO THE NEEDS OF SPECIALIZED OR UNIQUE CROPS."

important agricultural resources using a Soil Capability system, yet they are a valuable resource for growing commercial Christmas trees. The Soil Capability Classification is inherently insensitive to the needs of specialized or unique agricultural crops.

A second problem with relying on Soil Capability Classes to define valued agricultural lands is its narrow focus on physical soil properties. The value of land for agricultural use requires consideration of a number of contextual factors, as well as soil characteristics. The determination of critical agricultural resources must include variables which will effect the efficiency of agricultural land use at any specific location. Among the factors overlooked by soil type identification schemes are critical mass and ownership patterns. Is there a sufficient quantity of agricultural land owned by a limited number of individuals to make farming economically feasible? Is there adequate agricultural infrastructure to meet the service needs of commercial farm operators? An equally important question is the impact of previous public policy and planning actions. For example, have policy precedents, especially capital investment decisions, promoted urbanization in an area now deemed valuable for continued agricultural use?

In defining those areas which should be protected, planners must employ strategies that recognize agricultural land use as one component of a total countywide or regional land use system. The identification of valuable farmland must consider the efficient operation of the total system. A program to protect agricultural resources cannot supercede private and public sector plans already approved or implemented which call for urbanization or the idling of farmland.

#### "... DIFFERENTIAL TAXATION HAS HAD ONLY A NEGLIGIBLE IMPACT AT REDUCING FARMLAND CONVERSION ..."

usage. Unfortunately, the power of this system as a predictor of agricultural productivity, and, therefore, agricultural value, has been seized by planners looking for a tool which is both readily available and technically sound. Rather than being a guide, the Soil Capability Classification has become an inflexible standard, which

It may be suggested that in defining critical agricultural resources, a system incorporating both physical and contextual factors is an admirable model. The use of Soil Capability Classifications as a starting point, tempered by the requirements of specialized and unique agricultural production, may be used to define the resource base. These data may then be corroborated with earlier public policy actions and the characteristics of existing farming operations. The integration of these data sets will permit the





*Soil Capability classifications are used to define prime agricultural land.  
Photo courtesy of USDA-Soil Conservation Service*

delineation of economically and physically viable agricultural resources which may be reasonably protected.

#### EXPANDED MECHANISMS FOR PROTECTING AGRICULTURAL RESOURCES

Our present strategy for reducing the conversion of agricultural land is essentially dependent on limited financial benefits to encourage continued farming. The use of property tax relief for protecting farmland is an effective starting point, however, it must be joined with other more direct measures. The evidence, from North Carolina and other areas, shows that singular and indirect mechanisms for controlling farmland conversion do not work. What is required is a broadly based set of planning controls and policies, which would be supported by indirect financial incentives. Ideally, this package would be locally developed and implemented.

The discussion of potentially promising techniques for protecting farmlands has included a variety of innovative ideas, such as the transfer of development rights; fee simple purchase, with subsequent lease back, and development rights acquisition. While these strategies may have merit for protecting farmland, they remain largely untested. Moreover, our limited experience and experimentation has raised several serious questions. The most serious flaw appears to be high operating costs, compounded by questionable results. For example,

in Suffolk County, New York a program to purchase the development rights of farmland on Long Island was initiated in 1974. In Phase I, the cost of purchasing development rights for only 3,883 acres was \$21 million (Coughlin, et al., 1977: 149). Similarly, a pilot program in Burlington County, New Jersey, calls for the purchase of "development easements" using state monies. As of June 1, 1977, offers on 12,000 acres of farm and woodland had been received, at a price totaling approximately \$35 million (Coughlin, et al., 1977: 162). In both cases, the costs of operating a comparable program, either county or state-wide in North Carolina would be economically and politically prohibitive.

There are, however, a variety of traditional and non-traditional land use controls and policies which are potentially more viable protectors of farmland. Among the mechanisms which have been implemented with promising results by local governments are exclusive farm use (EFU) zoning, restrictive utility extension policies, and urban growth boundaries.

The exclusive farm use zone has been widely employed in California, Oregon, and parts of the Midwest. The two key components of the EFU zone are: (1) a limited number of permitted uses, typically restricted to agricultural or agriculturally related activities, and (2) large minimum parcel sizes for new subdivisions. It should be noted, that EFU zoning is not traditional large lot zoning, under which agriculture is a transitional land use activity. Rather EFU zoning contains stringent standards pertaining to those uses permitted outright and conditionally, and supports these findings with additional restrictions, especially minimum lot size. In Tulare County, California, for example, the minimum parcel sizes range from 20 to 80 acres (Tulare County Planning Department, 1975). While in Lane and Benton Counties, Oregon, the minimum lot size requirement is 40 acres.

Other mechanisms which also have demonstrated utility for protecting agricultural land include selective public utility expansion and urban growth boundaries. Both techniques involve the denial of urban infrastructure to areas which have been designated for protection. The impact

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#### "... PROGRAMS FOR PROTECTING FARMLAND MUST INCLUDE MANDATORY ELEMENTS."

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of withholding services and facilities is to make urban development economically unattractive. These techniques have been shown to be highly effective when combined with EFU zoning and differential tax assessments as a comprehensive program for protecting agricultural resources. Two early adopters of this strategy are New York and Oregon (Bryant and Conklin, 1976; Furuseth, 1980).





*Agricultural, forestry, and horticultural lands may be included under the Preferential Property Tax Amendments, Photo courtesy of N.C. Dept. of Natural & Economic Resources*

Finally, it should be remembered that a basic requirement for the application of any tool or technique to control agricultural land conversion is an accepted public policy to do so. All efforts to protect farmland must be premised on an articulated and adopted statement of community support. Accordingly, policy documents and plans must be initiated or amended to formally recognize and accept the goal of protecting agricultural resources. In this regard, the general land use plan is a requisite starting point for developing an effective program.

#### MANDATORY PROTECTION FOR CRITICAL AGRICULTURAL RESOURCES

There is a popular adage among agricultural extension personnel that if you scratch the dirt off of any farmer you will find a land speculator underneath. Regardless of the validity of this statement, it is obvious that our present differential taxation program is extremely one-sided. Under the present system, agriculturalists voluntarily participating in the program are given a set of financial benefits, with little or no costs. They may remain in the program receiving a reduction of taxes, until they wish to withdraw. The penalty at withdrawal is minimal especially when measured against the

potential capital gains from the sale of developable land. It is not difficult to see why this type of program is viewed as a limited measure, at best, for protecting farmland.

In order to be effective, programs for protecting farmland must include mandatory elements. Those programs which allow voluntary participation or easy withdrawal are flawed. They permit speculators to incrementally destroy programs by participating only so long as it is financially attractive. It is not surprising that public confidence and support of program objectives wanes quickly. A mandatory program would eliminate speculation, while assuring the public of program longevity.

The key to implementing a mandatory program is fairness to agricultural land owners. This may be accomplished by insuring that costs of mandatory farmland protection is balanced by a reasonably attractive set of benefits. In return for maintaining agricultural land use, farmland owners must be compensated with financial and other incentives. This is necessary to insure that agriculturalists are not the "winners or losers" in a farmland protection effort, but rather that all affected parties share the costs of the program.

#### INCREASED COORDINATION BETWEEN GOVERNMENTS TOWARD A GOAL OF PROTECTING FARMLAND

A final recommendation revolves around the requirement for increased communication and coordination between local governments and numerous state and federal agencies. If

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#### "ALL EFFORTS TO PROTECT FARMLAND MUST BE PREMISED ON AN ARTICULATED AND ADOPTED STATEMENT OF COMMUNITY SUPPORT."

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locally based measures to retain farmland are to succeed, then growth stimulating policies and expenditures by other levels of government must accommodate local policies. The independent actions of the Farmers Home Administration, Division of Highways, or city government may have the impact of negating a countywide program to protect agricultural resources.

While the A-95 review process was designed to remedy intergovernmental conflict, it is not a panacea. All too often coordination between governmental units is paid "lip service," but not much else. Nevertheless, increased discussions and coordination between different levels of government are necessary for a more broadly based and effective program for reducing farmland losses. If the actions taken by other governmental units reinforce local programs, then the work of local planners

and policy-makers to implement agricultural land policies would be more successful. State and federal agencies, and neighboring governments must become partners in protecting farmland.

## CAN FARMLAND PROTECTION BE IMPLEMENTED

Of equal importance to the selection of a sound strategy for protecting farmland is the feasibility of implementation. It would make no sense to develop a planning program which is methodologically sound, if it is not politically feasible. Certainly, what has been developed in New York state or San Francisco Bay area to protect agricultural resources may not be readily adaptable in Mecklenburg or Carteret County, North Carolina.

As planners, we all know that effective program implementation requires a widespread awareness and perception of need by the public. Fortunately, available data strongly suggest that among North Carolinians there is an interest and concern in protecting valuable agricultural resources.

Christenson's (1975) statewide survey of public attitudes toward planning and land use decision-making showed strong support throughout North Carolina for local planning and the protection of natural resources. When asked how they wanted land to be utilized in the future, 55 percent expressed a desire for more agricultural land use. The preference for more agriculture was larger than the choice for any other category of land use (Christenson, 1976: 16-17). Not surprisingly, when the respondents were asked if good agricultural land should be preserved from urban development, the overwhelming majority, 64 percent, answered affirmatively while only 22 percent disagreed.

More recent surveys completed in Wilson County and Mecklenburg County show an even stronger measure of local public support for protecting agricultural resources. In an attempt to obtain public attitudes of various land use issues, the North Carolina Agricultural Extension Service conducted a mail survey of Wilson County residents in 1976 (Stone, et al., 1976). A review of the survey findings shows overwhelming public endorsement for the goals of protecting valuable farmland, and strong backing for a variety of measures to implement this objective (See Table 4). One significant exception to this pattern was an obvious lack of support for purchasing the development rights of agricultural acreage.

A detailed analysis of the Wilson County survey data revealed that support for farmland preservation varied with geography and demographics. For example, respondents

living on farms were stronger supporters of protecting farmland (85 percent favored), than were urban respondents (73 percent favored). Among the respondents in age groups over 40 protection of farmland was favored by over 80 percent. However, among those in the 18 to 29 age group, support dropped to 68 percent. A larger number of this latter group were in the undecided category on this issue.

The most recent public survey of attitudes toward agricultural resources was carried out by the Mecklenburg Soil and Water Conservation District in 1978 (Mecklenburg Soil and Water Conservation District, 1978). The results of the mail survey, partially presented in Table 4, showed even stronger support than was evident in Wilson County. As in Wilson County, a majority of the Mecklenburg respondents favored protecting the good agricultural land in the county. When questioned about specific tools to protect farmland, the majority of those surveyed endorsed a variety of approaches. There was, however, extensive sentiment against the purchase of development rights. Unfortunately, no demographic or background information is available from the Mecklenburg Survey.

The survey results from these two dissimilar counties, as well as the statewide findings provide evidence of continuing public support for protecting agricultural resources. We, as planners, must therefore not be timid in developing and presenting comprehensive programs to protect some of our most critical resources.

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TABLE 4  
PUBLIC ATTITUDES TOWARD PROTECTING AGRICULTURAL LAND:  
WILSON COUNTY (1976) AND MECKLENBURG  
COUNTY (1978)

|  | Wilson County* |                 | Mecklenburg County* |                 |
|--|----------------|-----------------|---------------------|-----------------|
|  | <u>Agree</u>   | <u>Disagree</u> | <u>Agree</u>        | <u>Disagree</u> |
| Something needs to be done to help protect good agricultural land from spreading non-farm development ...  | 78%            | 10%             | 83%                 | 8%              |
| Location of residential development needs to be guided in order to keep the best farmland in agriculture ...   | 83             | 9               | 89                  | 6               |
| Only the least productive agricultural land should be developed for non-farm purposes ...  | -              | -               | 74                  | 12              |
| Good farmland needs to be protected from residential development even if such protection reduces the value of the land ...                                 | 61             | 20              | 65                  | 21              |
| Farmers need to be legally protected from complaints concerning odors, noise, and dust arising from normal farm operations ...                             | 53             | 25              | 64                  | 19              |
| Tax money should be used to purchase the legal right to develop land from property owners where it is desirable to maintain open space ...                 | 17             | 57              | 45                  | 40              |
| Water and sewer lines should not be extended into prime agricultural areas ...   | 42             | 29              | 66                  | 19              |
| If farmland is committed to remain in production, then property taxes should be assessed on its agricultural value rather than its value in other uses ... | 71             | 10              | 93                  | 2               |
| If property owners are given lower taxes in agricultural land then the county should have the right to restrict development of the land ...                | -              | -               | 54                  | 31              |

\*A "no response" category was available to respondents. The sum of agree, disagree, and no response total 100 percent.

Sources: Mecklenburg Soil and Water Conservation District. 1978. Stone, 1976.



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## Book Review

### THIRTEEN PERSPECTIVES ON REGULATORY SIMPLIFICATION, ULI RESEARCH REPORT # 29

Annette Kolis (ed.). Urban Land Institute, Washington, D.C., 1979.  
144 pp. \$10.75 (\$8.00 for APA members).

If expanding state and local initiatives in growth management constituted the so-called silent revolution of the early 1970s, the second half of the decade has sprouted a quickening, contrasting revolution of regulatory "simplification." More positive and broader than mere regulatory backlash to the earlier environmental and growth management inventiveness, however, this new movement can even be seen as an extension of that preceding movement, endeavoring now to improve *efficiency* of development guidance systems while at the same time maintaining or even increasing *effectiveness*. In its most responsible definition, the new phase of reform also continues to aim at improving *fairness* in our regulatory system. Thus, while not at odds with the philosophy of "less is more," the current regulatory reform movement, as discussed in this book, clearly is something more than "less regulation."

*Thirteen Perspectives on Regulatory Simplification* is a small softcover book that grew out of a 1978 Urban Land Institute seminar on regulatory reform. Its simple title is not as catchy as some of its predecessors on the topic -- *The Permit Explosion: Coordination of the Proliferation* (Urban Land Institute, 1976); *Groping Through the Maze* (The Conservation Foundation, 1977); *Housing Costs and Government Regulations: Confronting the Regulatory Maze* (The Center for Urban Policy Research, Rutgers University, 1978); and Bernard Frieden's *The Environmental Protection Hustle* (The MIT Press, 1978), all of which are recommended for the planner interested in regulatory reform. Nevertheless, the range of ideas in this monograph is broader and there is more attention to solutions. There is a crisp freshness, too, resulting in part from the authors simultaneously thinking through ideas and expressing them in the heat of seminar dynamics. Of course, this also means that the ideas are far from cut and polished gems. Furthermore, as in many such proceedings-like publications, there is no attempt to eliminate redundancy and less relevant material or to otherwise shape the kaleidoscope of ideas into a holistic presentation. An exegesis of a sort does exist in W. Paul O'Mara's "Regulation: Where Do We Go From Here?" *Urban Land* (ULI, May 1978), although it is a bit too journalistic and is based on the seminar itself rather than on the after-papers that comprise this book.

The conceptual overview section contains three excellent papers by Daniel Mandelker, Robert Einsweiler and Bernard Frieden. This reader found Einsweiler's superlative discussion of the problems, issues and potential solutions to be the best of any of the thirteen papers. He sees seven key targets for regulatory reform: (1) submission criteria, (2) development standards, (3) procedural requirements, particularly the number and sequence of review and permit decision steps and the degree and type of participatory activity allowed, (4) requirements for financial participation in the provision of infrastructure, (5) the uncertainty of permitting decisions and future public capital improvement programs, (6) the need for developers to assemble large land holdings in order to justify large investments in infrastructure and protect their investment, and (7) holding costs, perhaps the most important implied impact of the other six target areas.

Mandelker points to uncertainty and delay as the fundamental sources of increased development costs due to regulations. He also points out, however, that these two problem sources derive in turn from two trends that run deep in our regulatory system, especially at the local level. One is the trend toward increasingly discretionary permit decisions. The other concomitant trend is toward postponing decisions about the suitability of development to the time that a specific proposal is made, rather than the earlier time of ordinance adoption. Mandelker is not very sanguine about the possibilities for significant reform given that the sources of the problem lie so deep in the nature of our regulatory systems.

Bernard Frieden picks up a variation of the equity issue raised almost as an afterthought by Mandelker. Frieden complains, rather eloquently, in a short version of his book, *The Environmental Protection Hustle* (The MIT Press, 1979), that environmental regulation is not so much a system for managing growth to protect the environment as an exclusionary device for stopping growth, and without achieving environmental protection.

The middle section of five papers on "implemented solutions" is the least stimulating. Perhaps this is more a reflection of the state

of practice than a limitation of the authors. Three state level approaches are described: Washington's Environmental Coordination Procedures Act of 1973, Vermont's Act 250, and Florida's variation of the American Law Institute's model land development code. Unfortunately there is an overemphasis on describing the programs and an underemphasis on extracting lessons from them. The three papers on state level approaches are worth skimming at least. And they do serve to show that the movement toward greater state initiative in land management in the early 1970s can also be interpreted as an effort at making the state-local regulatory system more efficient and minimally cumbersome.

Of the two papers on locally implemented solutions in this section, Wickersham's is the best, and it is excellent. The Breckenridge, Colorado Development Code is a truly innovative alternative to zoning, winning AIP's Meritorious Program Award in 1978, and Wickersham is not reluctant to generalize from that experiment.

The third and final section of the report comprises five papers on suggested solutions that have not necessarily been implemented. An ASPO representative, two lawyers, two housing researchers, and two representatives of the National Association of Home Builders provide an appropriately broad range of perspectives. A jolt is offered in the thirteenth and last paper by Richard Babcock. Seeing no likelihood that any scheme to simplify and rationalize the permitting system will work, he proposes "draining the swamp" instead of "redecorating it." Abolish permitting, says he, with tongue only partially in cheek, and substitute the simpler system already operative in most industries, i.e., the developer who violates established rules takes the risk of law suits.

For the book as a whole, given the diversity of authors' perspectives there is no neatly summarizable message. One is struck by

several themes however. First, most of the authors recommend (explicitly or implicitly) procedural simplification rather than true reform of program content and institutions. Thus, the authors express little support for the so-called "one-stop, single permit" solution, for example. They opt instead for "coordination" through a "single entry point-one avenue through several permits-single exit" approach, which does not change the number of permits necessary, does not change who makes the decisions, and does not alter the criteria that are applied. Second, no one is proposing solutions at the federal level, a curious omission given general agreement that uncoordinated federal programs are a major source of inefficiency all the way down the governmental line. Alas, feasibility again seems to be the explanation. Third, several authors urge, and struck a responsive chord with this reviewer, that reform should expand beyond simplification of separate ordinances to encompass rationalization of the regulatory system, and more significantly to the rationalization of the total guidance system of planning activity, investment programs and incentives that coexist with the regulatory system and support or detract from its efficiency, effectiveness, and fairness.

Comprehensive understanding and complete answers are not found in *Thirteen Perspectives* but there are a good many ideas for us to consider and debate. Give it a read. Then keep looking to APA's *Planning* magazine which lately has had an article on regulatory reform in almost every issue. Finally, anticipate a HUD publication late this summer, tentatively titled *Streamlining Land Use Regulation: A Guidebook for Local Government*, written by APA's research staff.

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