

Wilson Unit Asks Halt in New Financing by U.D.C.

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By PAUL L. MONTGOMERY

A study by a group appointed by Governor Wilson recommended yesterday that the Legislature halt the Urban Development Corporation's financing of \$400-million in projects not yet started, including the second stage of construction on Roosevelt Island.

Reflecting recent warnings by Governor-elect Hugh L. Carey that the state housing agency is in financial difficulties, the study group said that the cash position of the corporation was "critical" and that unless it was able to borrow in the tight bond market next month it would be unable to continue its present construction program.

Mr. Carey has said that when he takes office he will appoint a study group of his own to examine the corporation and "bring it under financial control."

Bond Offering Resisted

The study group whose report was issued yesterday was appointed by Governor Wilson in September after the Urban Development Corporation encountered resistance to its latest bond offering, at 9.3 per cent interest. The group, headed by Richard L. Dunham, the State Budget Director, was asked to recommend ways the state could help the quasi-autonomous agency strengthen its image in the bond market.

The group's principal recommendation concerned projects requiring the investment of \$400-million that are in the U.D.C. pipeline but to which the agency is not yet legally committed. About half that amount, the report said, is planned for Roosevelt Island and the "new towns" of Radisson and Audubon in upstate New York.

The report recommended that

U.D.C. not finance the \$400-million in projects and that the Legislature reduce the corporation's statutory bonding authorization by that amount. It stressed that corporation projects already under legally binding contracts should be completed.

The Roosevelt Island project envisions a self-contained community of 5,000 housing units on the former Welfare Island in the East River. About 2,100 units in the section called Northtown are nearing completion. The study group report referred to the balance of the 5,000 units, on which work has not yet started; most of those are planned for another area called Southtown.

No Alternatives Given

In a telephone interview, Mr. Dunham stressed that the group was not calling for a halt to the \$400-million in projects, only to U.D.C. financing of them. The report did not recommend alternative ways of obtaining the money.

The report also recommended that the Legislature set up a \$50-million "project loss reserve fund" to cover possible U.D.C. operating deficits on projects already completed or required payments for debt service. The report indicated that at least one-third of the U.D.C.'s 61 completed developments are projected to have insufficient working capital to offset initial operating deficits.

The study group also recommended closer state supervision of U.D.C. management, and an attempt to better integrate the agency's projects into a statewide housing strategy. The report called the agency's management "aggressive and competent" and said "no evidence to indicate patterns of mis-

management or inefficiency has been found."

In his annual report on Wednesday, Edward J. Logue, president of the U.D.C., had proposed a five-point program to strengthen his agency, including several recommendations also made by the study group. However, he also requested an increase in the agency's \$2-billion borrowing ceiling, while the study group recommended a decrease.

Asked yesterday for comment on the report, Mr. Logue issued this statement through a spokesman:

"Governor-elect Carey has asked U.D.C. to give him its specific comments and recommendations on the report. That work is under way and will be

transmitted to the Governor as soon as possible."

In a separate comment yesterday, Controller Arthur Levitt said U.D.C.'s financial difficulties were a heritage of the bonding power given to it at the urging of Nelson A. Rockefeller then Governor, when the agency was created in 1968. The bonds do not require approval of the voters, nor is there a binding legal requirement that makes the state responsible for debt service.

2/7/76

DAILY NEWS, SATURDAY, FEBRUARY 7, 1976

UDC \$115M

NEWS

SEWELL VAUGHAN

Corp. received \$115 million yesterday as part of a federal agency complete its building projects.

Unsticks G Stamp

Evanston, Ill. (UPI)—A stamp collector was paid more than \$80,000 today for the "Black Honduras," billed as the world's rarest airmail stamp.

Jered Johnson of Chandler's Inc. of Evanston said that the stamp had been sold "between two private parties" who asked not to be identified.

He said that Honduras had issued only four copies of the stamp in 1925 and the "Black Honduras" is the only known copy of the stamp.

million from the Savings Banks Association of New York State and the remainder of the funds will be turned over later this year.

Purchased Bonds

The banks made the loan by purchasing bonds issued through the Projects Finance Agency, which was created to help the UDC with its financing. The interest rate on the 15 to 20-year securities is 9 1/8%, the second highest rate ever paid by the state or any of its agencies.

According to UDC Chairman Richard Ravitch, the loan will enable the agency to complete those projects that were under way when it was hit by financial

woes. Among those projects is the Roosevelt Island complex, where some of the 2,148 housing

units, landscaping and the East River tramway must still be finished.

The UDC defaulted last Feb. 25. In March, negotiations started to get the loan from the banks, and that money will now be supplemented by an appropriation of about \$80 million. The Legislature agreed last year to turn over the money on the condition that no new projects are started.

Ironically, former UDC President Edward J. Logue had blamed the agency's near collapse on a struggle between the banks and the state. During testimony before the Moreland Act Commission, Logue said the banks failed to give the UDC money because they were dissatisfied by the performance of former Gov. Malcolm Wilson and the Legislature.