The Future of U.D.C.
New York Times (1923-Current file); Feb 10, 1975; ProQuest Historical Newspapers: The New York Times
pg. 26

The Future of U.D.C.

Only two things are certain in the current crisis and confusion about the New York State Urban Development Corporation. First, under the creative leadership of Edward J. Logue, the agency has made impressive progress in doing a necessary and difficult job. Second, this billion-dollar program of vital public construction, now near bankruptcy, must not go down the drain. It has fulfilled its mandate of producing affordable housing in places where conventional builders will not go, and at a time when that is almost impossible to do.

U.D.C. must be saved not only for the sake of its ongoing projects and contractual commitments, but because its future is a critical factor in both the fiscal and governmental stability of New York State. What is at issue, is the propriety and viability of its funding, which consists of "moral obligation" bonds—a method short of state-guaranteed backing that is being seriously questioned even beyond U.D.C.'s troubles. It is a device Nelson Rockefeller used as Governor to circumvent state constitutional requirements for public bond referendums, in the interest of getting such important programs as the State University funded and moving.

Complex factors, aggravated by inflation, recession and the decreasing appeal of this type of security in a weak bond market, have brought U.D.C. to the brink of insolvency. Its fate will affect confidence in the state's other extensive "moral obligation" bond programs—from housing, dormitory, hospital and university construction to the Metropolitan Transportation Authority.

* * *

The problem, then, is not whether U.D.C. is to be bailed out of its difficulties, but how. The immediate disaster that could result from loans and debt service due this month must be met by the banks and the Legislature. But, with much work only half-finished, this action is understandably contingent on the development of a plan to carry millions in future U.D.C. obligations, and finding a way to keep the agency operating. To do this, not only must the immediate economic emergency be met, but long-term financing must be put on a sound basis—a task which the skilled investment builder, Richard Ravitch, has agreed to take on for the state.

Survival depends on backing U.D.C.'s vital social objectives with prudent fiscal procedures. The question of whether past procedures have been wise or not is one to be settled by an inquiry under the chairmanship of Orville H. Schell. Future financing for existing programs can be made possible by using the new 1974 Community Development Act. Furthermore, there is a "moral obligation" on the banks as well as the state to cooperate on a reasonable rescue strategy.

The subject for investigation is therefore totally apolitical—not whether there have been mismanagement and errors of judgment at a time when much construction was impossible to "manage" into the black, but whether the fiscal device used for all of these "moral obligation" state agencies is proper and practical. No objective is noble enough to overcome fiscal imprudence, but it would be ignoble to retreat to the kind of political and investment attitude that has no planning ideals, no human or social vision, and takes no calculated risks on the future.

That is why, in Governor Carey's words, allowing U.D.C. to fail is unthinkable. It would be a failure of governance and concern that society cannot afford.