U.D.C. in Crisis
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As the deadline draws near for the financially troubled Urban Development Corporation—a heavy payment on its debts is due today—New York State is faced with some dismal alternatives. This essential social program in which housing, jobs and new communities are at stake could be bailed out by the major banks in a tenuous, life-saving cooperative arrangement with the state, but negotiations to that end have evidently collapsed.

Another option, which Governor Carey indicated last night he would reject, is appropriation by the Legislature of massive funds to meet U.D.C.'s current and future obligations, and thus permit it to carry on its programs. Acceptance of this course would mean a heavily increased tax burden for New Yorkers already faced with the prospect of higher taxes to meet regular budget needs.

The third and final choice, seemingly inescapable if the other two routes are closed out, is bankruptcy. Although the Governor said originally that the failure of U.D.C. was "unthinkable," it now seems all but certain, in fact.

This failure would go beyond the loss of the state's most innovative approach to housing needs to threaten the financial framework on which not only U.D.C. but most of the state's other socially-oriented construction programs rest. The unconventional device of New York's "moral obligation" bonds (as distinct from "full faith and credit" bonds authorized through referendum) is receiving its first real test. If the Legislature proves unwilling to accept the "moral obligation" to back up the bonds and the program in this particular case, then there is a very real danger that "moral obligation" as applied to the billions of dollars of other bonds would lose its public credibility. In fact, without legislative action, or any overt effort by the Governor to force it in the U.D.C. case, "moral obligation" may well appear to have sunk without a trace.

If such a program as U.D.C. fails of state support, there is no reason to believe that any other funded on the same basis, once in trouble, would fare any better. The results could be disastrous for the fiscal reputation and reliability of New York State.

Whatever causes the Moreland inquiry ultimately finds for the fiscal disaster of U.D.C., one major contributing element is bound to be the fact that normal commercial funding processes cannot support the typical non-revenue producing aspects of community construction programs. Bond issues do not make miracles. The characteristically heavy long-term investments in land and infrastructure and the delayed returns for phased development require substantial subsidies.

Perhaps an initial lack of realism in both financing and programing are in large part to blame for the U.D.C. tragedy. But what is on the line right now is the soundness of state fiscal policy and the future of progressive social planning. Distasteful as it would be to have to raise state revenue to meet U.D.C.'s substantial obligations in this period of recession and budget stress, it would be vastly worse to proclaim that this state will not fulfill a moral commitment given in its name by its elected officials. This is a hard choice for a new Governor and a new Legislature, one they can rightly say is no part of their creation. But that does not remove the painful necessity for choice.