

Housing and Community  
Development Act of 1974

# Community Development Block Grant Program

FIRST ANNUAL REPORT

U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT



COMMUNITY PLANNING  
AND DEVELOPMENT  
OFFICE OF EVALUATION



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the provision of Section 113(a) of the Housing and Community Development Act of 1974, I herewith forward to you the First Annual Report on the Community Development Block Grant Program.

Carla A. Hills

December 1975

Housing and Community  
Development Act of 1974

Returns to

Bob Brown

HUD-

421-CFD

# Community Development Block Grant Program

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## INTRODUCTION

Enactment of the Housing and Community Development Act of 1974<sup>1</sup> marked a new era in relations between the Federal Government and units of general local government. Title I of the Act, the Community Development Block Grant Program (CDBG), consolidated seven existing categorical grant-in-aid programs<sup>2</sup> administered by the Department of Housing and Urban Development. The oldest of these programs had been in force for 25 years.

The Report of the House Committee on Banking and Currency<sup>3</sup> identified the need for a new program that would consolidate several categorical grant programs, each with its own limiting focus, grant formula, and distinct program requirements. The new program would simplify local application and Federal review requirements to avoid funding delays and uncertainties. Local elected officials, rather than special-purpose agencies, would have responsibility for determining community development needs, establishing priorities, and allocating resources.

Generally, activities eligible under the categorical programs can be carried out with CDBG funds, and some new activities can be undertaken. To further increase the locality's flexibility in carrying out community development activities, these funds may be used anywhere within the local government's jurisdiction to serve principally the needs of low- and moderate-income people, to aid in the prevention or elimination of slums and blight, and/or to meet urgent community development needs.

### Reporting Requirement

The Secretary's Annual Report follows the directive of Section 113 of the Community Development Block Grant legislation to focus upon the progress made in accomplishing the program's objectives and

the use of the \$2.55 billion for the FY 1975 appropriation. At this point, most recipients have had very little time for actual implementation of the Community Development Programs; therefore this Report is, of necessity, based on recipients' planned program objectives and use of funds. Later reports will indicate the extent to which actual implementation differs from plans as well as other aspects of the program. Since CDBG was intended to consolidate a number of categorical Community Development programs, it is inevitable that the new program will be compared with its predecessors, and this Report makes such comparisons wherever possible.

Because of the timing involved in implementation, this report is void of recommendations for modifying the program. Recommendations for change, if any, will be reserved until all classes of recipients have had at least one full year of experience.

### Data Sources<sup>4</sup>

Information for this report was gathered from seven different data sources, including five special analyses of the CDBG recipients' Community Development Programs and Housing Assistance Plans. These analyses and data sources are:

1. An analysis of the kinds of activities (including urban renewal, water and sewer, open space, etc.) to which CDBG recipients are allocating funds, the income levels of principal beneficiaries of the funds, local attention to national objectives, and community development strategies based on a detailed review of the Community Development Program from a sample of 151 formula metropolitan and non-formula entitlement cities within Standard Metropolitan Statistical Areas. Omitted from this sample are hold-harmless communities outside Standard Metropolitan Statistical Areas from which census tract information is not available.

<sup>1</sup> Public Law 93-383

<sup>2</sup> Urban Renewal, Model Cities, Water and Sewer Facilities, Open Space, Neighborhood Facilities, Rehabilitation Loans, and Public Facilities Loans.

<sup>3</sup> U.S. Congress, *Report of the House Committee on Banking and Currency on H.R. 15361*, House Report No. 93-1114, Washington, D.C.: Government Printing Office, 1974.

<sup>4</sup>See Appendix A for a more detailed description of the methodology used in preparing this Report.

2. Responses to self-administered Community Development Funding Survey from 880 entitlement cities.

3. An assessment of the housing conditions (number of substandard units, housing suitable for rehabilitation, etc.) requiring housing assistance and local plans to address housing needs during the first year derived from an analysis of a 31 percent sample of the total 1321 entitlement cities and urban counties housing assistance plans approved.

4. An analysis of the three sources of discretionary funding by applicant, size of grant, and legislative and field office approval criteria based on questionnaire responses to a 100 percent sample of the Department's field offices.

5. An assessment of local uses of other sources of funds committed to community development activities derived from information gathered from

site visits to 12 urban counties and 24 entitlement communities.

6. Supplemental data sources include:

a. Information from field visits to 24 entitlement cities and 12 urban counties to discuss the initial local experience with the block grant process. This information is employed throughout the text in trend analyses;

b. Semi-monthly progress reports submitted by HUD field offices; and,

c. Budgets submitted by all CDBG grant recipients.

7. An analysis of the extent to which community development activities are being coordinated with housing for low- and moderate-income families based on a cross-match of census tract information in the "Community Development Programs" and the "Housing Assistance Plans."

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# EXECUTIVE SUMMARY

## APPLYING FOR FUNDS

### New Characteristics of CDBG

The Community Development Block Grant (CDBG) Program, enacted in 1974, brings four new characteristics to the administration of Federal funds.

1. Simplified Requirements: CDBG regulations printed in the Federal Register total 25 pages as compared to about 2,600 pages of regulations in HUD handbooks for categorical grant programs.

A review of the HUD handbook for any single categorical program finds a large number of required items to be submitted to HUD for review; whereas CDBG applicants must provide seven documents (excluding the grantee's performance report, required after the first year).

2. Single vs. Multiple Applications: One application per locality is required each year under CDBG compared to an average of five per year during FY 1968-1972 for large cities applying for categorical aid.

Entitlement applications have averaged 50 pages and discretionary grant applications, 40 pages. This reflects a considerable reduction in paper work compared with the 1,400 pages average per year for categorical applications replaced by CDBG.

CDBG recipients report that they are spending less time preparing their applications for the new program than they did for the categorical programs. An average of 1,035 person-hours was required to prepare, process, and submit an application for an entitlement grant.

The average cost to prepare, process, and submit CDBG entitlement applications was \$12,305 which represents less than one percent of the average grant amount. Cities with more HUD categorical program experience and those with larger grants spent the smallest proportion of their grants on application preparation.

3. Shorter HUD Processing Times: CDBG legislation requires that entitlement applications be approved automatically if HUD does not act within 75 days. In FY 1975, 1,324 applications were submitted by entitlement cities and urban counties.

All were acted upon within the 75-day period; three were not approved. The average HUD review time was 49 days for entitlement applications.

The time involved from the start of application preparation through HUD review, approval, and execution of the contract averaged eight months for CDBG entitlement cities and urban counties, compared with 31 months for conventional urban renewal projects.

For non-entitlement communities outside metropolitan areas, 5,004 pre-applications and 2,281 full applications were submitted. Because requests exceeded the money available, 1,174 applications were approved for full or partial funding.

4. HUD Post-Audit vs. Review: The standard of review under Section 104(c) restricts HUD's role to determinations relating to the eligibility of activities and compliance with applicable laws, and determinations that the applicant's description of needs and objectives is not plainly inconsistent with significant facts and data, or that activities are not plainly inappropriate to meeting the needs and objectives.

Post-audit and review procedures provide for both the grantee's assessment of performance on activities and the Secretary's review of grantee performance to determine whether the grantee has carried out a program substantially as described in its application, whether that program conforms legally, and whether the applicant has continuing capacity to carry out the approved Community Development Program in a timely fashion. The Secretary is authorized to make adjustments in the amount of annual grants an applicant may otherwise receive based on the findings in the annual review, which includes the use of performance reports and data gathered through field monitoring of local programs. This authority has not yet been used. Its use will be described in later reports.

### Local Response to New Characteristics

Local response to the changes in the administration of Federal community development funds as a result of CDBG appears mixed, according to the 880 cities' responses to the Community Development Funding Survey. Forty-one percent of the

-cities noted a decrease in Federal red tape, 24 percent an increase, and 31 percent perceived no change. An important explanation for this variation is in the amount of recipients' prior program experience.

Those cities with limited or no previous involvement with HUD programs were more likely to perceive an increase in red tape, while the communities with considerable past HUD experience clearly noted a decrease in Federal red tape.

The response pattern for a question about Federal intervention in local decisions corresponds to prior program experience. Seventy-four percent of the localities with considerable categorical program experience noted a decrease in Federal involvement, while only thirty-one percent of the communities with no prior HUD involvement saw a decrease.

Table S.1

Federal Red Tape: Experience of Cities Under CDBG vs. HUD Categorical Programs (FY 1968-1972)

No. of HUD Categorical Programs in Which City Participated	No. of Cities with This Program Experience	% of Cities Perceiving Increase in Red Tape	% of Cities Perceiving Decrease in Red Tape	% of Cities Perceiving No Change in Red Tape	% of Cities Stating No Opinion
0	45	35%	18%	29%	18%
1-2	375	27	38	31	4
3-5	308	24	37	37	2
6 or more	152	16	63	21	0
TOTAL	880	24%	41%	31%	4%

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **Community Development Funding Survey.**

Table S.2

Federal Intervention: Experience of Cities under CDBG vs. HUD Categorical Programs (FY 1968-1972)

No. of HUD Categorical Programs in Which City Participated	No. of Cities with This Program Experience	% of Cities Perceiving Increase in Federal Intervention	% of Cities Perceiving Decrease in Federal Intervention	% of Cities Perceiving No Change in Federal Intervention	% of Cities Stating No Opinion
0	45	15%	31%	36%	18%
1-2	375	11	54	29	6
3-5	308	7	59	30	4
6 or more	152	2	74	23	1
TOTAL	880	8%	58%	29%	5%

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **Community Development Funding Survey.**



## New Local Priorities

The combination of several categorical grants into a more general Community Development Block Grant (CDBG) program gives localities an opportunity to change their funding priorities. According to the detailed analysis of 151 city and 47 county Community Development Programs, 94 percent of the localities with prior HUD categorical program involvement made some change in their highest funding priorities. Sixty-three percent of the communities have shifted their highest funding priority program under categorical programs to different activities under CDBG. The most frequent changes are from conventional Urban Renewal<sup>1</sup> to other locally identified neighborhood improvement programs.<sup>2</sup>

Thirty-one percent of the communities did not alter their highest funding priority, but reduced the percentage of funds to their highest priority by 5 percent.

Six percent of the CDBG recipients made no major changes in expenditure patterns.

Prior to CDBG, 77 percent of the cities were giving highest funding priority to conventional Urban Renewal and Neighborhood Development Program (NDP) areas. Almost half of these cities have maintained this priority, while the rest have shifted activities primarily to locally identified neighborhood areas.

## FUND ALLOCATION

### Methods of Distributing Funds

CDBG funds are distributed as follows:

The CDBG needs formula is based on population, amount of overcrowded housing, and the extent of poverty (weighed twice). The 581 metropolitan cities and urban counties that are formula communities receive \$1.77 billion during the first year, or 71 percent of the funds.

In addition to maintaining the funding levels of formula communities, the hold harmless provision<sup>3</sup>

provides 293 smaller communities within Standard Metropolitan Statistical Areas (SMSAs)<sup>4</sup> with \$1,709,963,000 and 447 nonmetropolitan communities with \$269,770,000, accounting for 18 percent of CDBG funds.

CDBG legislation creates two categories of discretionary balances, SMSA and nonmetropolitan. During FY 1975, \$64,642,000 is available for distribution to small communities in metropolitan areas (2 percent of CDBG funds); \$199,000,000 was distributed to 1,174 nonmetropolitan localities (8 percent of CDBG funds).<sup>5</sup>

Finally, the Secretary's discretionary and urgent needs funds provide \$64,694,000 to 93 localities, accounting for 3 percent of the funds. (An additional \$20.9 million was set aside to meet urban county formula entitlement obligations.)

### Effect of Fund Distribution Among Cities

Comparing CDBG funding patterns with the categorical programs in the base years of 1968-1972:

1. There has been an increase (794 to 1,313) in the number of small cities less than 25,000 population funded. The average grant amount decreased 7 percent from the average categorical grant for cities 10,000 - 24,999 population, and 33 percent for cities less than 10,000 population.

2. The number of medium size cities (25,000 to 100,000 population) receiving assistance increased slightly, 457 to 492; the average grant has shown a slight decrease.

3. The number of large cities (over 100,000 population) remained constant and received a slight increase (1 percent) in average grants.

4. Fifty-eight new entitlement cities received no categorical grant assistance, but received \$10,474,000 in FY 1975. Twenty-two urban counties are now receiving \$17,378,000 in grant funds for the first time.

5. Nonmetropolitan discretionary grants were distributed to 739 localities which had not participated in any of the categorical programs.

<sup>1</sup> In this context, clearance-related activities (acquisition, relocation, demolition) eligible under the Housing Act of 1949, Title I, as amended; carried out in legally defined areas.

<sup>2</sup> Programs directed toward "blighted areas" and not using eminent domain to acquire and clear properties; which do not require large scale commitments; and which require no legally established boundaries.

<sup>3</sup> "Hold Harmless." through a formula averaging past program experience for the FY 1968-1972 period, provides formula entitlement cities funds exceeding the needs formula share up to the amount of their averaged experience. Nonmetropolitan communities are held harmless at the level of averaged FY 1968-1972 experience for continuing programs.

<sup>4</sup> As defined by the U.S. Department of Commerce, Bureau of Census.

<sup>5</sup> Of the 20 percent of the total appropriation required by the Act for nonmetropolitan funding, 57 percent is used to meet hold harmless entitlements to nonmetropolitan cities outside SMSAs.

Table s.3

**CDBG Fund Allocations and Approval, by Grant Category**  
(Dollars in Thousands)

Category	Allocations			Approvals*		
	No.	Amount	% of Total Allocations	No.	Amount	% of Total Approvals
Formula (Metro Cities/Urban Counties)	594	\$1,776,365	69.7	581	\$1,771,769	70.7
Small Hold Harmless						
SMSA	301	172,565	6.8	293	170,963	6.8
Nonmetropolitan	450	269,799	10.6	447	269,770	0.8
Discretionary Balances	***					
SMSA	***	54,642	2.1	357**	29,667	1.2
Nonmetropolitan	***	199,694	7.8	1,174	199,000	7.9
Other Discretionary	***	76,935	3.0	93	64,694	2.6
<b>TOTAL</b>		<b>\$2,550,000</b>	<b>100%</b>		<b>\$2,505,863</b>	<b>100%</b>

\*Based on data available December 5, 1975.

\*\*Some applications are still under review.

\*\*\*The potential number of discretionary applicants was not estimated.

Source: Department of Housing and Urban Development, Office of Community Planning and Development.

**NATIONAL OBJECTIVES**

The Act establishes a series of related objectives for the CDBG program. Many of these national objectives overlap in intent. Similarly, many activities undertaken by recipients could lead to the achievement of several objectives. By analyzing communities' plans, budgets, and statements of intent, estimates of relative funding emphasis can be established for each objective.

The two legislative objectives given greatest emphasis by CDBG recipients are the prevention of slums and blight, and the conservation and expansion of the housing stock.

The methods used to achieve these two objectives differ from methods used in the categorical programs. Communities are:

- Using less frequently the techniques of conventional Urban Renewal, which required eminent domain to acquire and clear land, relocating former occupants;

- Starting few new large-scale, long-term redevelopment programs that would require major commitments;

- Emphasizing improvements to the existing neighborhood infrastructures;
- Concentrating efforts in areas showing early signs of decay;
- Emphasizing substantially the use of rehabilitated housing; and
- Concentrating efforts in residential areas.

To eliminate detrimental conditions, CDBG recipients are:

- Increasing funds for code enforcement; and
- Increasing funds for selective demolition above the levels budgeted under the comparable categorical programs in FY 1968-1972.

To conserve and expand the housing stock, localities are using CDBG funds for:

- Housing rehabilitation loans and grants; and
- Streets, water and sewer lines, community facilities, parks, and recreation centers.

To improve and expand the quantity and quality of community services in areas in which concentrated physical development is being carried out, an average of 13 percent of CDBG funds will

be used for community services. (The figure drops to 4 percent if the computation is based solely on the public services budget line item.)

Model Cities with a service orientation are most likely to continue service programs in their Model Neighborhoods, while expanding services to other areas of their communities. Sixty-eight percent of the Model Cities are continuing service programs, while 32 percent are not.

For more rational land and resource utilization and better arrangement of activity centers, localities will fund:

—Open space, receiving the same attention as in the categorical programs;

—Neighborhood facilities, which are receiving a 30 percent increase in funding; and

—Single-purpose community facilities, such as centers for the elderly, day care, and health centers.

No funds have been identified that support specifically the objective of reducing the isolation of income groups. Fourteen percent of CDBG recipients have indicated that this objective is an area of emphasis in their first-year programs; others have established it as a long-term objective.

The national objective of historic preservation is assigned the lowest priority. One percent of CDBG funds are targeted to such activities. Sixty-nine percent of the cities identified historic preservation as an area of low emphasis, while 7 percent say it is an area of high priority.

CDBG programs must benefit low- and moderate-income persons *or* aid in the prevention or elimination of slums or blight, or where there are other needs having a particular urgency. Seventy-one percent of the CDBG funds are targeted to areas where low- and moderate-income persons predominate. Areas with above median income or with urgent needs will receive 17 percent of CDBG funds. In some of these areas, funds are directed to pockets of low- and moderate-income people within a higher income area.

## LOCAL STRATEGIES FOR COMMUNITY DEVELOPMENT AND HOUSING ACTIVITIES

### Community Development Needs

Entitlement cities list<sup>6</sup> their highest priority needs as:

—**26** percent, improvement or expansion of housing stock;

—**19** percent, community services and facilities;

—**15** percent, water and sewer activities;

—**10** percent, elimination of slums and blight;

—**10** percent, economic development/employment opportunity;

—**5** percent, street construction and repair supporting other CDBG activities; and

—**4** percent, revitalization of central business districts.

Urban counties list<sup>7</sup> their highest priority community development needs as follows:

—**29** percent, construction and improvement of water and sewer and other public facilities;

—**28** percent, improvement or expansion of housing stock;

—**9** percent, provision of parks, recreation, and open space; and

—**8** percent, elimination of slums and blight.

Cities reported that **9** percent of these priority needs will be satisfied completely (over the period of the Act) by CDBG funded activities; **68** percent will be partially satisfied. The 23 percent that will not be satisfied in part or in whole are needs that require activities ineligible for funding under this Act. Overall, **76** percent of the entitlement cities and 50 percent of the urban counties reported that CDBG has increased their ability to respond to their community development needs and priorities.

### Community Development Strategies

In low- and moderate-income areas, receiving 71 percent of the entitlement funds, localities are emphasizing conventional urban renewal-type activities,<sup>8</sup> combined with housing and supportive public works. These activities account for **48** percent of CDBG allocations to low- and moderate-income neighborhoods. The stress on housing rehabilitation in these areas is more than twice the rehabilitation funding for all other areas.

In median income areas, entitlement communities are emphasizing conventional renewal-type activities but are increasing expenditures to prevent housing deterioration, to support public works projects, and to provide service-related facilities and equipment.

In the above median income areas of entitlement communities, cities also stress conventional urban renewal-type activities, but are using more money for public works, water and sewer facilities, open space, neighborhood facilities, and service-related facilities and equipment.

6 880 entitlement city respondents to the Community Development Funding Survey.

7 36 urban county respondents to the Community Development Funding Survey.

8 Clearance-related activities eligible under the Housing Act of 1949, Title I, for conventional Urban Renewal projects: land acquisition, clearance, and relocation.

Minority neighborhoods specifically have been allocated 57 percent of CDBG funds. An undetermined portion of funds spent citywide also benefits minority group residents.

The highest priorities in both minority and non-minority neighborhoods are clearance-related activities, public works, and housing. In minority neighborhoods, emphasis is being placed upon renewal-related activities and public services.

Cities plan to use 50 percent of all CDBG entitlement funds in Model Cities Neighborhoods and Urban Renewal/NDP areas. Cities are extending many of the same type of activities found in the Model Cities and Urban Renewal programs into other neighborhoods.

Cities are also continuing earlier strategies in Urban Renewal/NDP areas. Sixty percent of Urban Renewal/NDP area funds will support clearance, demolition, and relocation. Some funds (4 percent) are being programmed for public service programs in these areas.

In existing Model Neighborhood areas, the emphasis remains on continuation of service programs (44 percent).

In other blighted neighborhoods, cities are using a varied distribution of activities designed to "arrest blight" through housing (26 percent); demolition, clearance, and relocation (22 percent); and supportive public works (21 percent).

In central business districts, over half of the funds are earmarked for public works. Additional expenditures are for clearance-related activities.

### **Using CDBG Funds as Leverage**

A small sample of entitlement communities are using CDBG funds to leverage additional funds through private investment, State and local taxes and bonds, and other Federal grant-in-aid programs. Officials from 15 cities anticipate leveraging amounts equivalent to 87 percent of their CDBG entitlement; nine urban counties expect to leverage 6 percent of their entitlement grants.

Forty percent of these additional funds are anticipated from the Federal Government, predominantly the Department of Health, Education and Welfare. Other sources included local and State

governments and some funds from private investments, particularly for economic development.

These additional funds are to be used for a variety of projects, such as redevelopment, economic development, and public services.

### **Housing Needs**

Each CDBG recipient is required to develop a "Housing Assistance Plan" that identifies the condition of the housing stock and the housing assistance needs of lower-income persons. In Housing Assistance Plans, communities reported an average of 11 percent "substandard" housing, as locally defined, with a range of one to 92 percent. Seventy-five percent of these substandard units are reported as suitable for rehabilitation.

An estimated 22 percent of the households in the CDBG localities need housing assistance. Over half of this housing assistance need is in small, non-elderly households, 29 percent of which are minority. One-third of the need is in small, elderly, and handicapped households (17 percent minority). The remainder of the need (13 percent) is in large families, one-half of which are minority.

### **Housing Strategies**

Addressing the needs of low-income households discussed above, communities developed housing goals to distribute housing assistance among the various household types as follows:

- Small families—46 percent,
- Elderly and handicapped—38 percent, and
- Large families—16 percent.

Almost all of the communities plan assistance for more than one household type, with four-fifths of them planning assistance for all three.

Communities plan to provide this assistance using three unit types. First year goals indicate the following mix:

- Existing units—27 percent,
  - Rehabilitated units—30 percent, and
  - New Construction—43 percent.
- Four-fifths of the communities plan assistance using more than one unit type, with almost half planning assistance for all three.

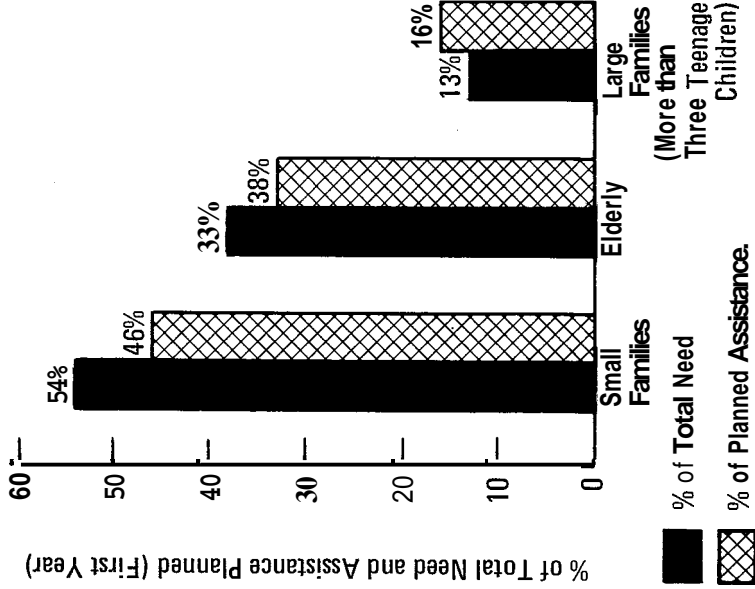
## Coordination of Housing and Community Development Activities

development activities in 61 percent of all census tracts designated for housing assistance. Approximately 66 percent of CDBG funds will be used in these census tracts. Coordination of each housing type shows:

Entitlement cities coordinated the location of new and rehabilitated housing efforts with community

Housing Type	% of Tracts Coordinated	% CDBG Entitlement Funds
New Construction	54.3% of the new construction tracts are coordinated with..	16.9%
Rehabilitation	66.1% of the rehabilitation tracts are coordinated with..	26.5%
Combined New Construction and Rehabilitation	61.2% of the combined tracts are coordinated with..	20.3%

**Chart S.1  
Assistance vs. Need  
in the First Year  
of the CDBG Program**



Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Housing Assistance Plan Analysis*.

A total of 61.4 percent of the housing tracts are receiving 63.7 percent of the Block Grant funds in 131 of the 151 entitlement city sample.

Cities coordinated housing activities with community development activities to achieve:  
 -Best use of existing public services and facilities; land use compatibility; increased capacity of public utilities; availability of public improvements; and access to recreation and public transit.

-Complementary programming if sites required public works prior to housing construction or rehabilitation or if potential residents required housing-related training.

Neighborhoods slated for both housing assistance and community development funds are most likely to be in the low- to moderate-income areas (76.3 percent), while neighborhoods scheduled for only housing assistance tend to be in the moderate- to high-income areas (58.1 percent).

## DISCRETIONARY FUNDING

Three types of discretionary funds are available to States and general local government: urgent needs fund, the Secretary's fund, and SMSA and non-metropolitan discretionary balances. Fiscal year 1975 allocations for these three types of discretionary funds totalled \$352.2 million.

**SMSA** Discretionary Balance. The unexpected qualification of 73 counties as "urban counties" eligible for entitlement funding created a shortage of SMSA balance funds in FY 1975. On March 19, 1975, HUD announced suspension of the SMSA discretionary balances grant program until funding could be established. The program was reinstated following the appropriation of \$54.6 million in mid-June for SMSA balance funding, earmarked for

non-entitlement communities.<sup>9</sup> As of December 5, 357 grants totalling \$29,667,000 had been approved, out of the 959 applications filed. Total funding requests amount to 132.8 million, more than twice the amount available.

Nonmetropolitan Discretionary Balance. FY 1975 funds available for nonmetropolitan discretionary grants totalled \$199,694,000. As of December 5, 1975, cities, counties, and townships had filed 2,281 applications requesting \$478 million. A total of 1,174 applications had been approved for grants totalling \$199 million. Another 998 largely unsolicited applications had been denied funding; these represented requests of more than \$234 million. Ninety-eight applications still were pending as of December 5; the amount requested came to \$22 million, against a fund balance of \$.694 million not yet distributed out of the FY 1975 allocation.

A comparison of purposes for which entitlement funds were budgeted partially reflects both differences in needs between SMSA and nonmetropolitan areas and differences in their past community development-housing experience. Entitlement recipients emphasized urban renewal, rehabilitation, and provision of public services; nonmetropolitan discretionary balance fund recipients favored water and sewer projects and neighborhood facilities.

#### Urgent Needs Fund

Available to States and all units of general local government having incomplete categorical grant programs, these funds in FY 1975 covered needs not adequately met through the formula entitlement or hold harmless provisions of the Act to:

—Complete previous HUD-approved Urban Renewal projects in a timely fashion, where Block Grant funds were insufficient for this program;

—Avoid a significant decrease in activity levels in Planned Variations cities for programs growing out of the Demonstration Cities and Metropolitan Development Act of 1966; and

—Meet increased costs due to circumstances beyond the community's control, where a community otherwise would be unable to complete water and sewer projects, neighborhood facilities, or open space projects.

Grants totalling \$50 million were made in FY 1975: \$35.9 million was granted to 37 applicants for completion of urban renewal projects; \$10.2 million was awarded 13 "Planned Variations" cities; \$1.0 million was allocated to nine applicants for neighborhood facilities projects; and \$2.9 million went to two applicants for water and sewer projects.

<sup>9</sup> Second Supplemental Appropriation Act of 1975, P.L. 94-32.

#### Secretary's Fund

The Secretary's Fund consists of 2 percent of the total CDBG appropriation, excluding urgent needs funds as well as \$50 million authorized by Section 103(a)(2) for hold harmless needs and grants to smaller communities within SMSAs. For FY 1975, the Secretary's Fund amounted to some \$47.9 million. Approximately \$21 million of this total was designated for hold harmless grants to cover the shortfall of funds resulting from the qualification of a greater number of urban counties than had been anticipated.

A total of \$46.6 million in the Secretary's Fund was allocated to four purposes:

New Communities Fund	\$13.1 million
Inequities Fund	\$26.3 million
Trusts, Territories, and Possessions Fund	\$ 3.3 million
Innovative Projects Fund	\$ 3.9 million

A fifth purpose, areawide programs, was not allocated funds for FY 1975. A total of \$1.3 million was budgeted for the sixth authorized program area, federally recognized disasters, but no grants had been made for that purpose as of December 5, 1975. Such grants are available only for emergency community development needs not covered by the Federal Disaster Assistance Administration's programs.

#### URBAN COUNTIES

The Community Development Block Grant legislation entitles urban counties in recognition of their population and their possession of powers to undertake essential community development and housing assistance programs. Seventy-five of the 84 county governments meeting the 200,000 population threshold applied for qualification as urban counties, and 73 were qualified.

The essential powers test for designation as an urban county requires that the county must be authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas which are not units of general local government.

The urban county has authority to perform such functions in incorporated areas either under State law or through agreements with other cooperating local government jurisdictions. These agreements must express the intention of the urban county and its incorporated jurisdictions to cooperate in essential community development and housing assistance activities, specifically urban renewal

and publicly-assisted housing.

Some communities chose to participate in the program because:

- Participation offered a better chance to obtain guaranteed funding, compared to the uncertainty of competing for the limited discretionary funds;

- They lacked their own resources to put together and administer a Community Development Program; or

- Early indications led many communities to assume a shortage of discretionary funds.

In all, 73 urban counties and 1,875 cooperating local incorporated units will receive \$119.2 million in FY 1975 funds.

All the units of local government eligible for and desiring such participation appear to have been accepted by the sponsoring urban county as cooperating units in applications for entitlement funds during FY 1975.

Some cities declined participation with the urban county because:

- Cities did not want to be included in a county master plan, preferring to seek discretionary funding;

- Cities did not like the required provisions of the cooperation agreement;

- Cities were not convinced that there would be guaranteed benefits for them;

- Cities feared loss of autonomy; or

- Cities wanted benefits that the county was not prepared to commit.

## **CONTINUING ACTION TOWARD PROGRAM IMPROVEMENT**

The Community Development Block Grant Program alters traditional approaches and relationships between Federal and local governments in fundamental ways. This change is evident in the role of local governments, expanding their discretion in selecting the specific combination of objectives they consider most relevant to local needs.

In converting this new design for intergovernmental relations into Community Development Programs, HUD and its local partners discovered unintended complications and the need for new interpretations. Continuing attention to programmatic issues allowed prompt problem resolutions. Further adjustments will be necessary as this system matures and as all the parties to Federal-local partnership gain program experience.

Among the areas needing the most creative responses are:

- A comprehensive study of effective, locally-developed means for environmental review and decisionmaking for community development and housing programs;

- Definitions of eligible program activities con-

sistent with national policy goals, yet responsive to varying local needs;

- Better methods for communities to estimate present and future housing assistance needs, particularly for families "expected to reside" in the community, and to set appropriate local goals, assisting coordinated delivery of available Federal, State, and local housing resources;

- Improved means for HUD to facilitate the transition from categorical grant-in-aid programs to the new Block Grant program;

- Administration of discretionary grant programs that will ensure funding allocations closely attuned both to community needs and the capacity to meet such needs;

- A program of evaluation and research that will realistically assess present program performance and generate more effective strategies for the future;

- Encouraging improvement of areawide organizations and their capacity to serve local general government;

- Areawide solutions to common community development and housing problems;

- A more prominent role for State governments in CDBG, and in particular, greater State participation in funding locally identified goals and priorities for community development; and

- A monitoring and review approach that avoids the restrictiveness of the Federal categorical programs, yet assures protection of legitimate Federal interests in national policy objectives.

## **Citizen Participation**

Forty-six percent of 880 respondent cities indicated in the Funding Survey that the citizen participation process was "most influential" in determining the direction and development of their community development block grant application. Seventy-five percent of these cities indicated an increase in citizen participation when compared with the application process for HUD grant-in-aid programs.

Early information indicates that all cities agreed to comply with legal requirements for citizen participation, and all held at least two public hearings. Cities communicated required information to citizens through the news media, both in legal notices and advertisements providing information on programs, funds available, range of activities, and tentative plans.

Existing urban renewal Project Area Committees and Model Cities Citizens Committees did not dominate CDBG citizen participation; they gave way to communitywide organizations or processes. Perhaps as a result, 56 percent of the 880 cities described heightened competition between groups wanting projects funded.





## MAXIMUM CERTAINTY AND MINIMUM DELAY: THE CDBG APPLICATION PROCESS

### A Comparison of HUD Categorical and CDBG Application Processes

HUD's categorical programs<sup>1</sup> developed slowly and incrementally, as fragmented responses to different aspects of "the urban problem." The first program, Urban Renewal, was enacted in 1949; the last program, Neighborhood Development (NDP), in 1968. Each program was unique, having separate regulations, handbooks, and procedures; but they shared five common characteristics:

- Major start-up costs incurred by applicant communities in preparing large and detailed applications;
- Lengthy approval periods, often several years;
- Uncertain funding levels for a given project application;
- Excessive competition for limited dollars leading to grantsmanship;
- Detailed involvement by Federal officials in the plans, priorities, and activities of local officials.

A CDBG legislative objective is to provide "assistance on an annual basis with maximum certainty and minimum delay, upon which communities can rely in their planning."<sup>2</sup> Congress gave force to the objective by changing the HUD application and approval process in four ways: (1) simplifying application requirements, (2) requiring one, rather than multiple, applications, for community development programs, (3) mandating a maximum HUD processing time for entitlement grants, and (4) stressing post-audits instead of detailed application reviews.

### Simplified Application Requirements

Regulations for the new program printed in the Federal Register, 24 CFR Part 570, total 25 pages, whereas handbooks for the categorical programs replaced by the new program totaled in excess of 2,600 pages.

The contrast between the Community Development Block Grant program application and the HUD categorical application can be seen in the requirements of the Loan and Grant application for an urban renewal project. The HUD Urban Renewal Handbook's Checklist for Loan and Grant Application<sup>3</sup> includes 24 required items and covers 25 pages of the Handbook. Many of the 24 items have four or five parts and 12 to 15 subparts. Examples of the 24 items include a Report on Minority Group Consideration, Relocation, Project Improvements Report, Land Disposal Report, Legal Data, Urban Renewal Plan, Community Organization Data, Report on Planning Proposals, various affidavits, executed cooperation agreements and resolutions.

### Single vs. Multiple Applications

The CDBG legislation enables a community to submit a single comprehensive application for community development funds instead of the separate applications required under the HUD categorical programs, as shown in Chart 1.1. Large communities often submitted an average of five applications annually during FY 1968-1972.

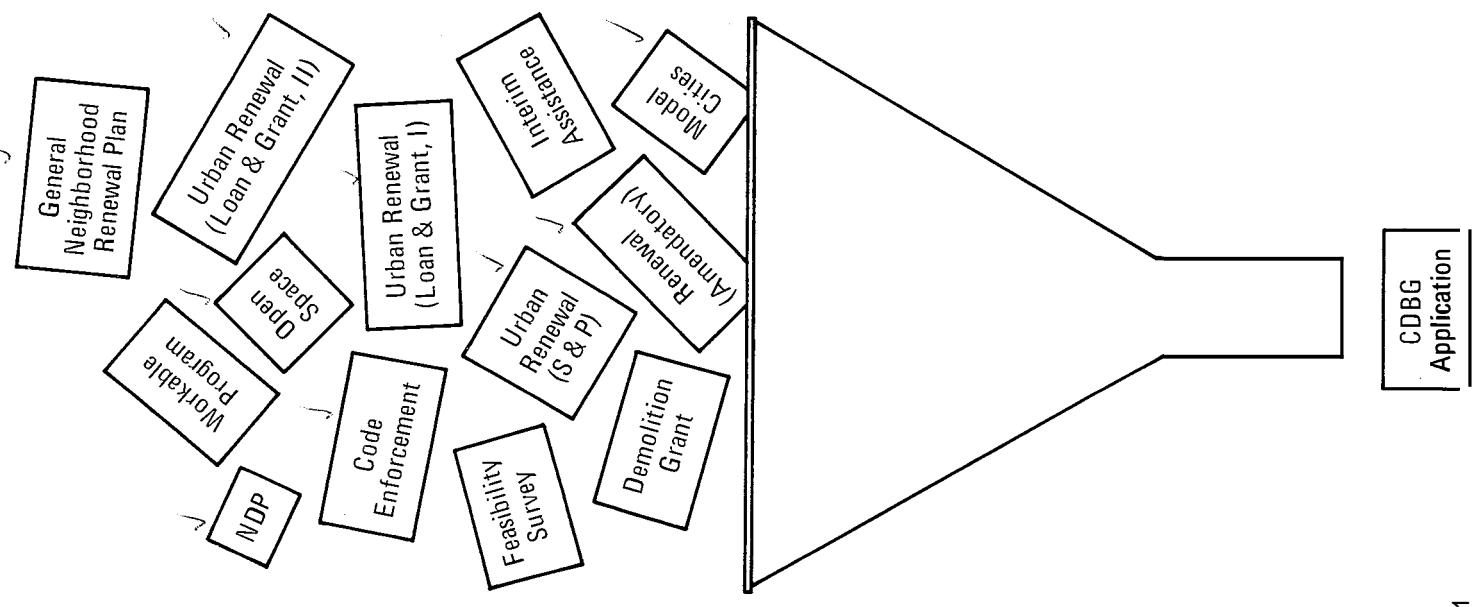
Block Grant applications decreased substantially in length from the categorical grant applications. They average 50 pages, including A-95 comments, assurances, resolutions, and maps. In contrast, cities

<sup>1</sup>Urban Renewal, Model Cities, Water and Sewer Facilities, Open Space, Neighborhood Facilities, Rehabilitation Loans, and Public Facilities Loans.

<sup>2</sup>Housing and Community Development Act of 1974, Section 101 (d) (1).

<sup>3</sup>Urban Renewal Handbook, HUD, 1968, RHM 7206.1, Project Applications, Chapter 2.

**Chart 1.1**  
**Number of Applications**  
**Required: CDBG vs.**  
**HUD Categorical Programs**



Reference: Appendix E, Table 1

submitted an average of 1,400 pages annually in the applications for the categorical programs replaced by CDBG. Those Block Grant applications running more than 50 pages usually include amplifying and explanatory information and supplemental statistical information not required by the rules and regulations (24 CFR Part 570).

Nonmetropolitan communities applying for discretionary grants could meet the requirements of the rules and regulations by submission of 11 pages of HUD forms and two maps. A review of discretionary applications indicates an average submission of approximately 40 pages.

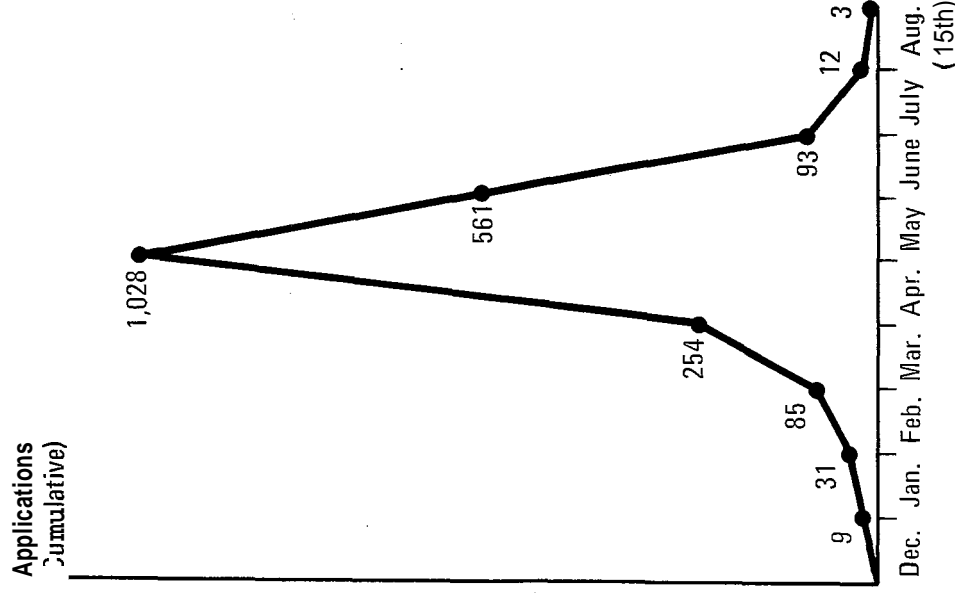
### Shorter HUD Processing Times

In order to simplify and expedite financial assistance to communities, the legislation provides that entitlement applications will be approved automatically if HUD does not act within 75 days. In FY 1975 action was taken on all entitlement applications within the 75-day period.<sup>4</sup> Of the 1,324 applications submitted by entitlement cities and counties, 1,321 were approved.<sup>5</sup> Three applications were disapproved because of deficiencies in the locality's Housing Assistance Plan that local officials elected not to correct.

HUD review time average 49 days for entitlement applications. As a result, the total time elapsed from application preparation to project approval and contract execution is considerably shorter than with categorical program applications. The time involved from application preparation through HUD review, approval, and contract execution averaged 8 months for Block Grant entitlement grants versus 31 months for urban renewal grants. Chart 1.3 shows the average time required for all Community Development Programs.

The other major class of applicants for CDBG funds was those requesting money from the SMSA and nonmetropolitan general purpose discretionary funds. Because approval of applications

**Chart 1.2**  
**Entitlement Applications Under Review Pending Decision (End of Month)**



Reference: Appendix E, Table 2

<sup>4</sup> Conditional approvals were an important factor for most recipients. A total of 86.6 percent of the entitlement city contracts signed by HUD contained conditions which require the recipient to complete some action before a portion of their allocation could be spent. In most cases, fund release was conditioned upon completion of environmental assessments and reviews required by Section 104(h) of the Block Grant legislation. In some cases, fund release was conditioned upon the recipient establishing that other Federal funds were not available for social service activities or flood and drainage facilities. Recipients are gradually removing these conditions, and by December 5, 1975, 75.2 percent of the \$2,095 million in Block Grant entitlement funds approved was free of contract conditions.

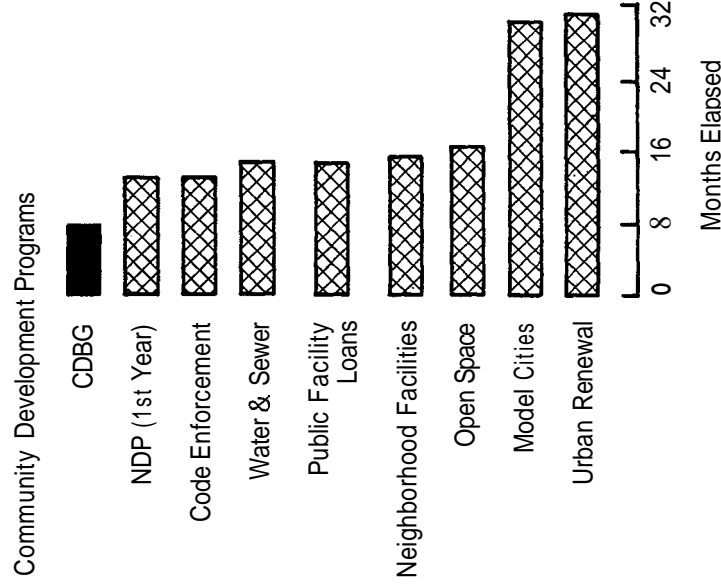
<sup>5</sup> HUD regulations provided for the possibility of partial approvals—approvals of less than the full entitlement amount—in cases of activities found to be ineligible under the law. Field office procedures, however, required that applicants be informed of ineligible activities as soon as possible and given the opportunity to substitute eligible activities. As a result, all but one of the approved entitlement applications were for the full entitlement amount.

for SMSA balances did not begin until October 1975 (see Chapter 5 for the status of approval actions), use of these funds will be included in future reports. Non-entitlement communities outside metropolitan areas submitted 5,004 pre-applications requesting \$1.481 billion, almost 7% times the \$200 million available in CDBG funds. HUD area offices encouraged 1,568 of these communities to submit

full applications. A total of 2,281 communities submitted full applications requesting over \$500 million. As Chart 1.4 indicates, area offices dealt expeditiously with these applications, although there was no statutory time limit for processing as required for entitlement communities' applications.

Most discretionary applications were reviewed after June 30. Nevertheless, by July 31 more than 70 percent of the nonmetropolitan area applicants had been informed of the disposition of their applications.<sup>6</sup>

**Chart 1.3**  
**Average Time:**  
**Application Preparation to**  
**Contract Execution**



Source: Department of Housing and Urban Development, Community Planning and Development, Task Force Report on Simplification and Consolidation.

**HUD Post-Audit vs. Detailed Application Review**

Congress intended that the reduction in application red tape eliminate detailed HUD review prior to funding the applications and that reviews and audits concerning the use of the funds be carried out at the close of each fiscal year. The post-audit and review procedures provide the basic assurance that Block Grant funds are used to achieve the Act's objectives. Section 104(d) of the legislation requires that both Block Grant recipients and the Secretary assess the use of the grant funds. Each grantee must submit to HUD a performance report concerning the activities carried out under its Community Development Program, together with its assessment of the relationship of those activities to the needs and objectives identified by the grantee in its application. In addition, the Secretary is required, at least annually, to make such reviews and audits as she deems necessary or appropriate to determine (1) whether each grant recipient carried out its programs substantially as described in its application; (2) whether its program conformed to the requirements to Title I of the Act and other applicable laws; and (3) whether it has a continuing capacity to carry out its program in a timely manner. The Secretary is authorized to make adjustments in the amount of annual grants an applicant may otherwise receive based on the findings of the annual review.

The Block Grant legislation simplified the HUD review process. The reviews are to be based upon "the applicant's certifications, statements of fact and data and other programmatic decisions." The Block Grant regulations state that, "the Secretary reserves the right, however, to consider substantial evidence which contradicts or challenges the certifications, or significant facts and data, in accordance

<sup>6</sup>The average amount approved in the nonmetropolitan discretionary category was about \$169,000, as of November 15. Four hundred and sixteen of the approved applications were funded for less than the requested amount because the area office deleted funds budgeted for ineligible activities. An average of about \$103,000 was deleted from these applications.

with the review criteria in this section, and to require additional information or assurances from the applicant as warranted by such evidence." HUD must approve applications from entitlement cities and counties based on these reviews unless any of the following occurs:

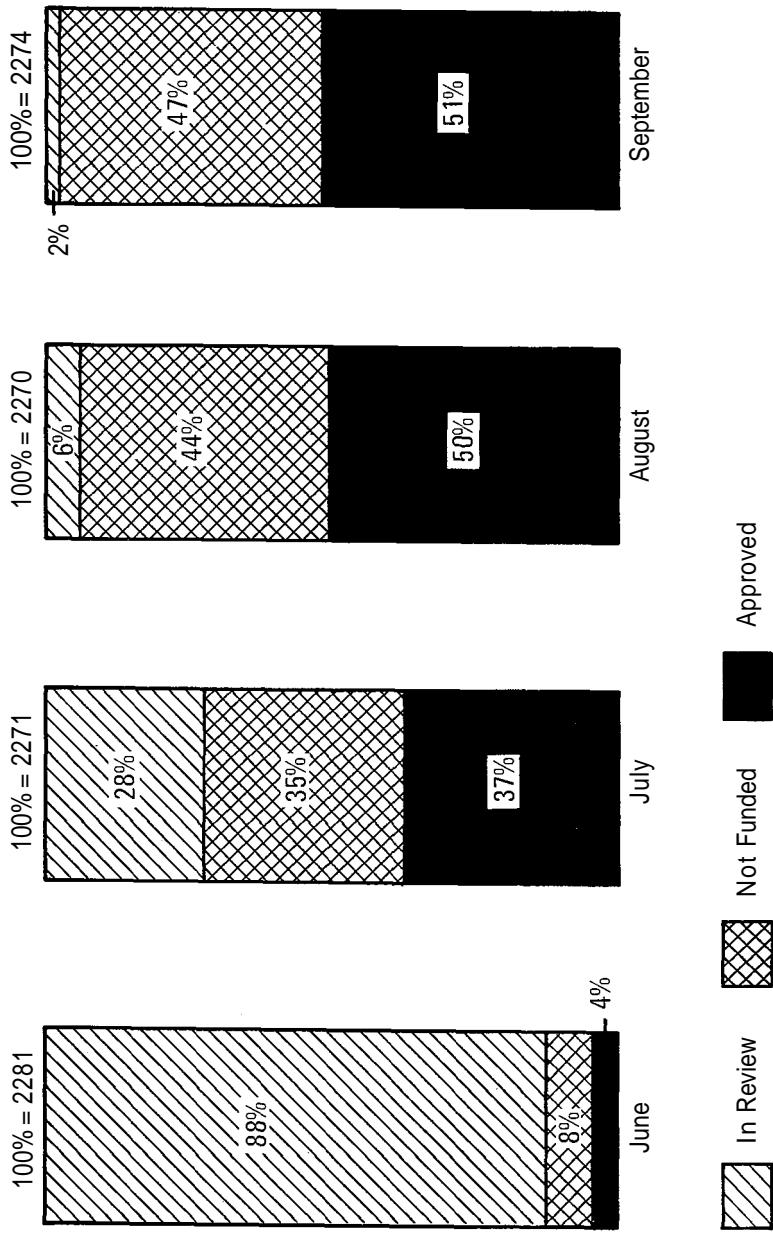
1. On the basis of significant facts and data, generally available... and pertaining to community and housing needs and objectives, HUD determines that the applicant's description of such needs and objectives is plainly inconsistent with such facts or data, or

2. On the basis of the application, HUD determines that the activities to be undertaken are plainly inappropriate to meeting the needs and objectives identified by the applicant, or

3. HUD determines that the application does not comply with the requirement of Title I of the Housing and Community Development Act of 1974 or applicable regulations, or proposes activities which are ineligible under the Act.<sup>7</sup>

The Block Grant Program provides entitlement communities with latitude and flexibility to determine their particular needs and undertake activities addressing those needs, without weakening HUD's responsibility to assure that national objectives are met. Non-entitlement communities are subject to a more detailed review by HUD, due to the competition for funds and to attempt an equitable distribution of funds among the many applicants. For a further discussion of the review process for discretionary grant applications, see Chapter 5.

**Chart 1.4  
Application Status:  
Nonmetropolitan Discretionary Cities (End of Month)**



Reference: Appendix E, Table 3

<sup>7</sup> 24 CFR Part 570.306(b)(2).

## CDBG RECIPIENTS' RESPONSES TO THE CHANGES

### Reduction in Application Preparation Time

CDBG recipients are spending less time preparing their applications for the new program than they did for the categorical grant programs as a result of the reduction in Federal red tape. An average of 1,035 person-hours was required to prepare, process, and submit an entitlement grant application, according to the 880 cities responding to a Community Development Funding Survey. This average ranged from 561 person-hours for the smaller hold-harmless cities to 2,547 person-hours for phase-down, metropolitan cities. Although these figures do not indicate elapsed time, it can be assumed that most cities spent no longer than 4 months preparing their first-year CDBG applications from November 13, 1974, to March 1, 1975.<sup>8</sup> The first two approvals (for Sinton, Texas, and Fort Worth, Texas) were announced by the Secretary on February 5, 36 days after January 1, the effective date of the Act.

In contrast to the 4 months needed for CDBG application preparation, more than 31 months often elapsed during the preparation of urban renewal applications. A 1969 analysis<sup>9</sup> of 412 completed urban renewal projects indicated an average of 27 months in planning. Furthermore, in a survey of 322 projects completing planning in 1967 and 1968, the average number of months in planning was 35. More than 200 steps were involved in the preparation of urban renewal applications.

The average cost to prepare, process, and submit CDBG entitlement applications was \$12,305, representing less than 1 percent of the average grant amount for the 880 entitlement cities responding to the Funding Survey. As the level of past program experience among cities increased, the percent of a city's total grant spent on application preparation tended to decrease. The 138 phase-in cities in the survey, least experienced of all entitlement cities, spent an average of 2.3 percent of the average grant (or \$9,402) on application preparation. The 132 phase-down, metropolitan cities in the survey, most

experienced of entitlement cities, spent an average of only .5 percent of their average grant (or \$28,929). The 524 hold-harmless cities, which have populations of less than 50,000 spent an average of \$7,781 or 1.2 percent of the average grant.

### Reduction in Federal Red Tape

In comparing experience in developing applications for previous HUD grant-in-aid programs with the development of Block Grant applications, 41 percent of the 880 cities responding to the Funding Survey noted an overall decrease in Federal red tape. Thirty-one percent saw no change, while 24 percent indicated an increase, 54 percent had experience with only two or less of HUD's previous grant-in-aid programs. Their perceptions of increased red tape are at least partially explained by their limited involvement with HUD programs. This is borne out by an analysis of survey responses to the question, according to the extent of previous program experience. Those cities with fewer HUD programs are more likely to show an increase in red tape than those cities with several past HUD programs. Those cities more experienced with HUD Community Development Programs generally related the increase in red tape to unfamiliar housing assistance requirements. (See Housing Needs in Chapter 4).

### Decrease in Federal Intervention

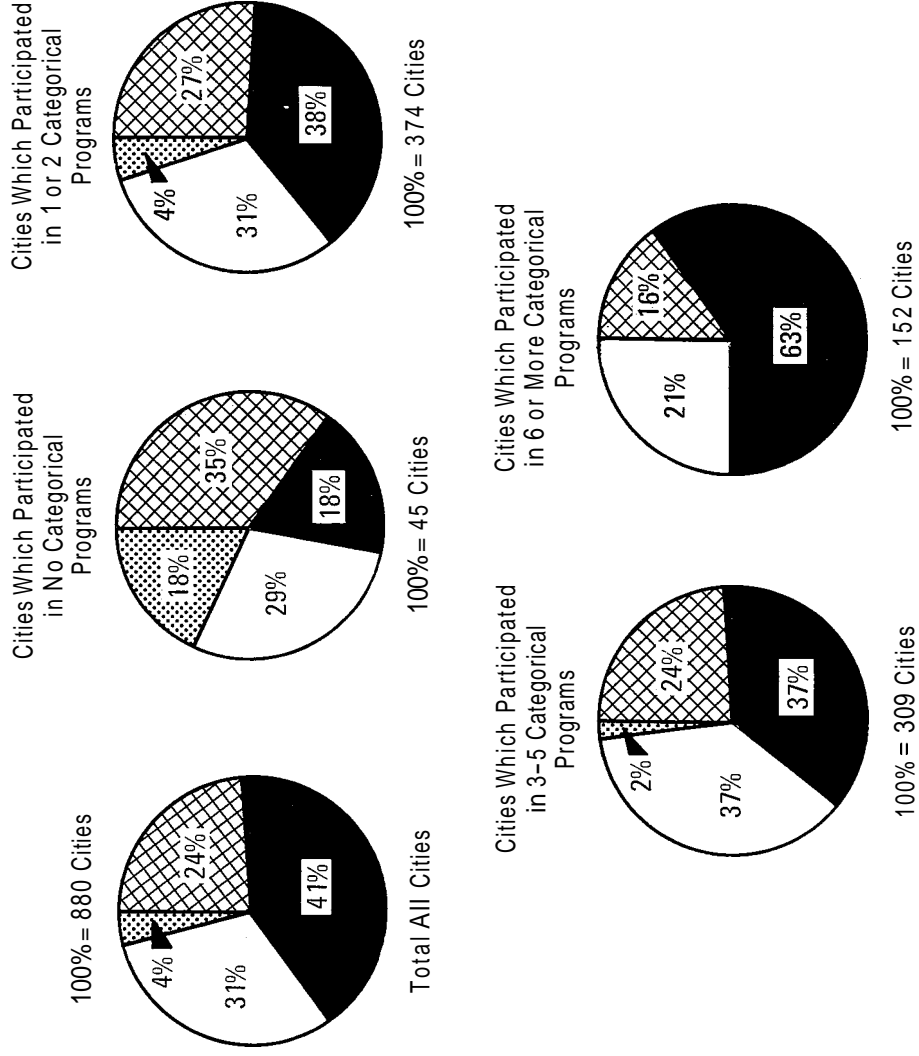
The Housing and Community Development Act of 1974 permits recipients to allocate Block Grant funds according to their own priorities. In the past, many cities requested funds from HUD for a certain program not because the program was their highest priority but because Federal funds were available. In addition, HUD staff sometimes intervened in the local decisionmaking process by suggesting that one HUD program might be "more appropriate" than another HUD program. Cities tended to interpret such suggestions as indications that they would have little chance of receiving HUD funds for the "less appropriate" program.<sup>10</sup>

<sup>8</sup> The President signed the new legislation August 22, 1974; cities began learning the requirements of the Act during September and October, when local officials attended workshops sponsored by various public interest groups. The final regulations were published November 13. Because of the 45-day A-95 review and comment period required for entitlement grant applications, cities had to submit their applications by the end of February to areawide and State clearinghouses. Some cities, however, reached agreements with their clearinghouses to provide A-95 comments in less time than the 45 days, thereby permitting cities more time preparing their applications.

<sup>9</sup> Department of Housing and Urban Development, *Strengthening HUD Program Management, Urban Renewal Program, Phase II—Documentation*.

<sup>10</sup> Furthermore, there were important differences in the funding formulas for the different categorical programs. Urban Renewal, for example, was a highly sought-after program because HUD paid at least two-thirds of project costs. In addition, non-cash grants-in-aid could provide the local share, so that many cities had to provide no cash at all. The Water and Sewer Program, on the other hand, called for at least 50 percent local money, and this could increase in cases where portions of a project were ineligible for Federal funding. There are no such differences in CDBG, which provides 100 percent Federal funding no matter what kind of eligible activity is being undertaken.

# Chart 1.5 Federal Red Tape: Experience of Cities Under CDBG vs. HUD Categorical Programs (FY 1968-1972)

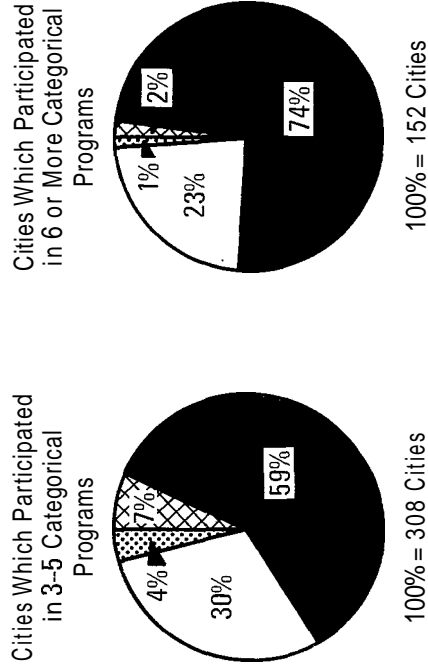
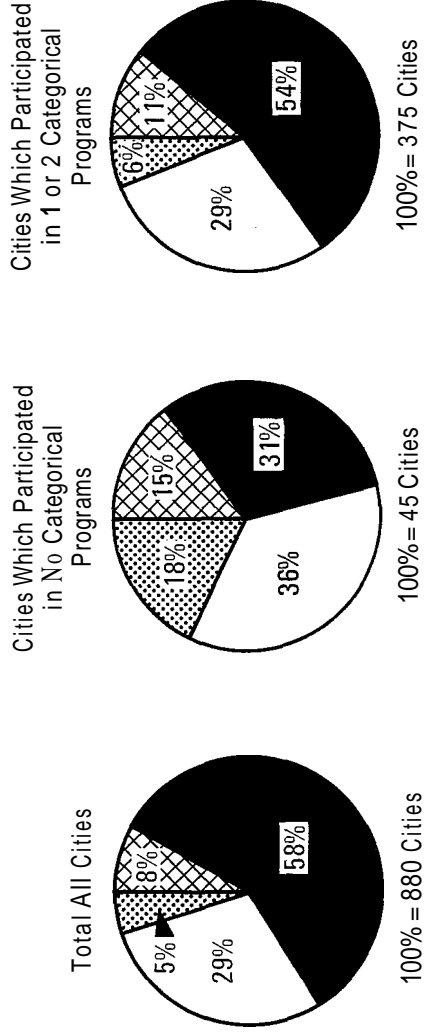


**Legend**

- Perceived Increase in Red Tape Under CDBG.
- Perceived Decrease.
- Perceived No Change.
- Stated No Opinion.

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Community Development Funding Survey.

# Chart 1.6 Federal Intervention: Experience of Cities Under CDBG vs. HUD Categorical Programs (FY 1968-1972)



Legend:

▣ Perceived Increase in Federal Intervention Under CDBG.

▣ Perceived Decrease.

▣ Perceived No Change.

▣ Stated No Opinion.

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Community Development Funding Survey.



More than half of the entitlement communities responding to the Funding Survey (58 percent) reported an overall decrease in Federal intervention in local decisions, 8 percent reported an increase, and 29 percent reported no change. Most of the 75 cities indicating an increase in Federal intervention had zero to two prior HUD programs. Less than 10 percent of those with three to five prior HUD programs reported an increase, and only 2 percent of those cities with six or more HUD programs did so.

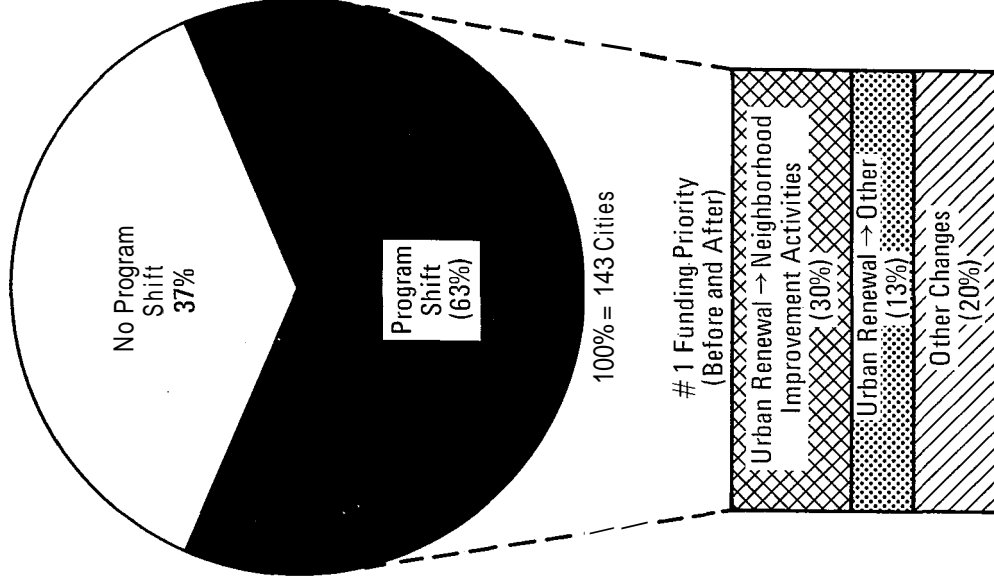
### Shift to Local Priorities

CDBG recipients are making major changes in the way their CDBG funds are allocated compared to the way funds were allocated under the categorical programs. In 63 percent of the 143 sample cities which participated in prior HUD categorical programs,<sup>11</sup> there was a major shift in the highest funding priority<sup>12</sup> from one program under the categorical to another under CDBG, as shown in Chart 1.7, Shifts in Top Priority Funding Programs: CDBG vs. HUD Categorical Programs. For an additional 31 percent, there was no shift in the highest funding priority program, but there was a reduction in the percentage of community development funds to this program by more than 5 percent. Only 1 percent of the sample cities showed an increase of as much as 5 percent. In the remaining 6 percent of the cities, there was no major shift in programs or changes in funding priorities. Thirty percent of the 143 cities shifted from conventional Urban Renewal<sup>13</sup> to Neighborhood Improvement Activities.<sup>14</sup> An additional 13 percent shifted from Urban Renewal to other programs, such as Rehabilitation Loans, Water and Sewer, and Open Space. Twenty percent of the cities had other kinds of program changes, such as from Water and Sewer and Open Space to Neighborhood Improvement Activities.

The Urban Renewal and the Neighborhood Development Programs appear to have the greatest loss in emphasis as a result of CDBG. Prior to CDBG, 77 percent of the cities gave highest funding priority to these programs. Almost half of these cities have maintained this priority, while the rest have shifted, primarily to Neighborhood Improvement Activities. Today, 46 percent of CDBG cities

give highest priority to "new" activities, such as Neighborhood Improvement Activities and Supportive Public Services.

**Chart 1.7**  
**Shifts in Top Priority Funding**  
**Program: CDBG vs. HUD**  
**Categorical Programs**



Reference: Appendix E, Table 4

<sup>11</sup> Eight of the 151 sample cities did not participate in any of the HUD categorical programs during FY 1968-72.

<sup>12</sup> Highest funding priority program is the program receiving the largest percentage of all CDBG or categorical funds.

<sup>13</sup> Programs carried out under Urban Renewal and Neighborhood Development Programs require that they are within areas with legally established boundaries, have an Urban Renewal plan adopted by local governing bodies, and use of eminent domain.

<sup>14</sup> Programs directed toward "blighted areas" and not using eminent domain to acquire and clear properties, which do not require large scale commitments, and which require no legally established boundaries. See Chapter 4 for discussion of the areas served by these activities.

Table 1.1, Shift in Highest Funding Program Priorities: CDBG vs. HUD Categorical Programs, indicates the number and percent of cities shifting priority from one program to another.

An example of the shifts made in the highest funding priority program can be seen in the 112 cities in the sample for which Urban Renewal/NDP was the highest funding priority of the categorical grant programs.

For these cities, this priority under CDBG has:

- Remained the same 50 cities (45%)
- Changed to:
  - Neighborhood Improvement Activities 43 cities (38%)
  - Rehabilitation Loans 7 cities (6%)

- Water and Sewer 3 cities (3%)
- Open Space 3 cities (3%)
- Model Cities 3 cities (3%)
- Code Enforcement 2 cities (2%)
- Planning and Studies 1 city (1%)

112 cities (101%)<sup>15</sup>

Even CDBG cities continuing to give highest priority to Urban Renewal/NDP have shifted priorities to some extent by reducing the percentage of funds for Urban Renewal/NDP activities by an average of 25 percent. Ninety percent of them decreased the percent of CDBG funds for Urban Renewal/NDP compared to the percent of community development categorical funds for this activity.

**Table 1.1**  
**Shift in Highest Funding Program Priorities:**  
**CDBG vs. HUD Categorical Programs**

(Shift From)	(Shift To)	Number of Cities with this Program Shift	% of 143 Sample Cities Which Participated in HUD Categorical Programs (FY 68-72)
Program Receiving Largest Percentage of CD Categorical Funds (FY 68-72)	Neighborhood Improvement Activities	43	30
Urban Renewal	Rehab Loans	7	5
Urban Renewal	Water and Sewer	3	2
Urban Renewal	Open Space	3	2
Urban Renewal	Model Cities	3	2
Urban Renewal	Code Enforcement	2	1
Urban Renewal	Planning and Studies	1	1
Water and Sewer	Neighborhood Improvement Activities	10	7
Water and Sewer	Neighborhood Facilities	1	1
Open Space	Neighborhood Improvement Activities	6	4
Model Cities	Neighborhood Improvement Activities	1	1
Neighborhood Facilities	Neighborhood Improvement Activities	1	1
Neighborhood Facilities	Rehab Loans	1	1
Model Cities	Urban Renewal/NDP	4	3
Model Cities	Supportive Public Services	1	1
Open Space	Rehab Loans	2	1
Open Space	Supportive Public Services	1	1
<b>TOTAL</b>		<b>90 cities</b>	<b>64%</b>

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, CDBG Evaluation System.

<sup>15</sup> Numbers do not total 100 percent due to rounding.

## ALLOCATION OF FUNDS AMONG RECIPIENTS: A COMPARISON OF CDBG TO THE HUD CATEGORICAL FUNDING SYSTEMS

### FUND ALLOCATION UNDER CDBG

One of the points of sharpest contrast with the categorical programs is the way in which the CDBG program allocated funds to recipients. Under the categorical programs, Federal officials decided which applications were funded. This caused problems for the recipients who could never be sure when they might be able to start community development activities and, therefore, found it difficult to plan realistically. The CDBG allocation system has changed this. Federal officials did not determine CDBG funds, the grant recipients, the amount received, nor the date of funding for almost 90 percent of the **FY 1975**.

The CDBG program provides four major categories of funds: formula (metropolitan cities/urban counties), small hold harmless, discretionary balances (SMSA and nonmetropolitan), and other discretionary (Secretary's fund and urgent needs fund).

Table 2.1 indicates the distribution of funds among these categories and the number of recipients receiving FY 1975 funds from each category.

### THE IMPACT ON RECIPIENTS OF THE CHANGE FROM THE HUD CATEGORICAL ALLOCATION SYSTEM TO THE CDBG ALLOCATION SYSTEM

The CDBG fund allocation resulted in few changes in the amounts of funds received by former categorical program recipients in **FY 1975**, due to the "hold harmless" provisions of the legislation.

#### Funds Available

CDBG funds for **FY 1975** are greater than those available in **FY 1973**, the last year of full categorical program funding.

Table 2.1

CDBG Fund Allocations and Approvals by Grant Category\*  
(Dollars in Thousands)

Category	Allocations		Approvals	
	No.	Amount	No.	Amount
Formula (Metro Cities/ Urban Counties)	594	\$1,776,365	581	\$1,771,769
Small Hold Harmless SMSA	301	172,565	293	170,963
Nonmetropolitan	450	269,799	447	269,770
Discretionary Balances SMSA	***	54,642	357**	29,667
Nonmetropolitan	***	199,694	1,174**	199,000
Other Discretionary	***	76,935	93	64,694
TOTAL		\$2,550,000		\$2,505,863
		100%		100%

\* Based on data available December 5, 1975.

\*\* Some applications are still under review.

\*\*\* Number was not calculated prior to receipt of applications.

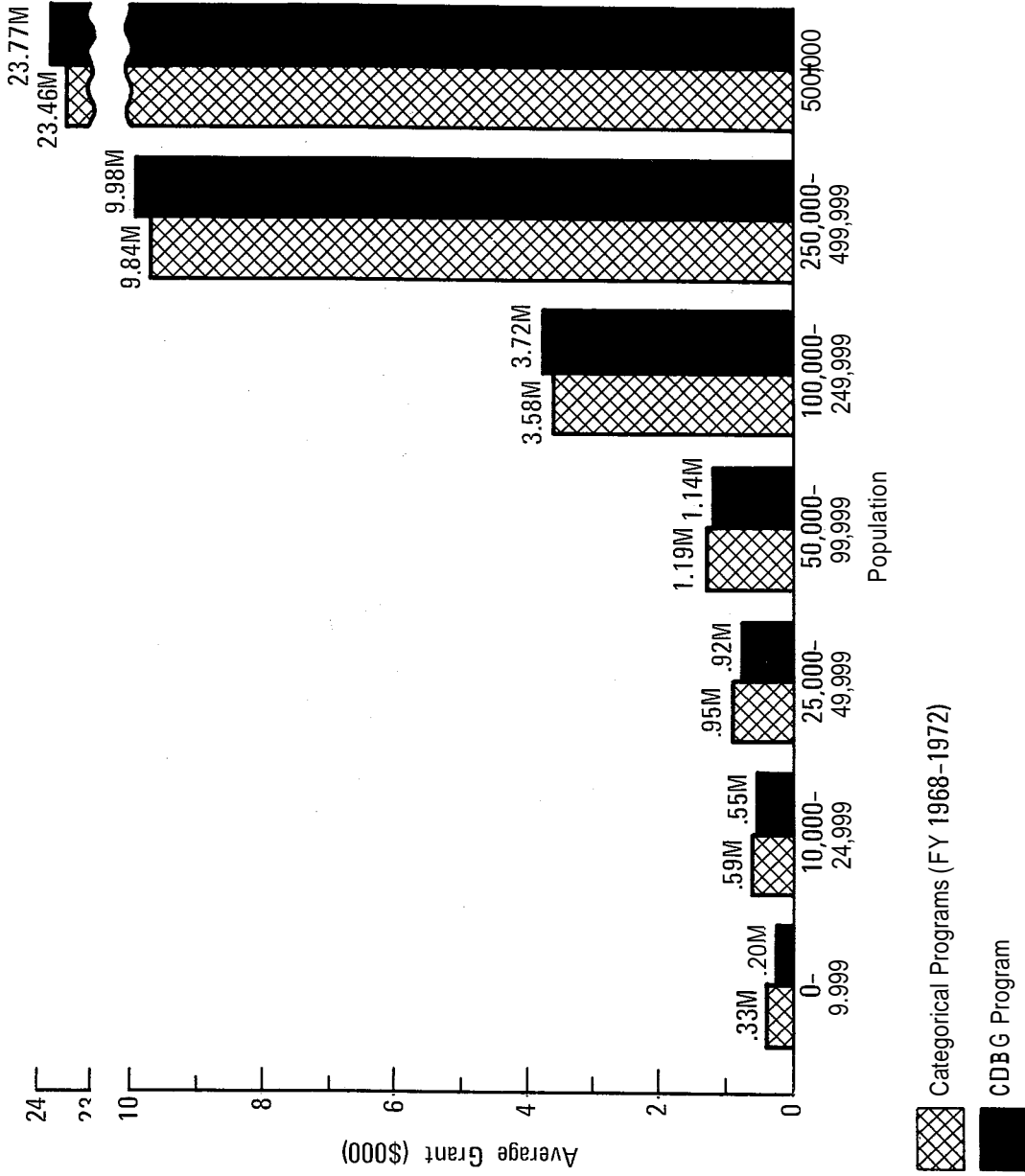
Source: Department of Housing and Urban Development, Office of Community Planning and Development.

**Program Level**  
(Thousands of Dollars)

	FY 1973	FY 1975	Dollar Change	Percent Change
Categorical Programs	\$1,850,0001	\$2,550,000	+\$700,000	+37.82
CDBG				

המספרים הבאים מתייחסים לנתונים הממוצעים של כל הערים שזכו לתמיכה כספית (97 אחוז). התוכניות הקטגוריות הונחו על ידי הממשלה בממוצע של 92.9 אחוז מכל עיר בשנת 1972. הממוצע של כל הערים בשנת 1968 עד 1972. הממוצע של כל הערים שהתקבלו בקטגוריות תחת CDBG, מכיוון שכל הערים קיבלו לפחות את הממוצע של 1968-72 של הממוצע של התמיכה, וישנן גם קבוצות

**Chart 2.1**  
**Average Annual Grants for CDBG vs. Categorical Programs**  
**by Size of Cities**



Reference: Appendix E, Table 5

<sup>1</sup>Excludes \$510 million for Disaster Assistance

<sup>2</sup>When the GNP Deflator Index is applied to adjust current dollars in FY 1975 to FY 1973, the increase is 15.0 percent.

ing increases to full formula funding. Communities in the 50,000-99,999 population category are an exception because a number of them are phase-in cities<sup>3</sup> whose low initial funding lowers the average grant size.

### Recipients of Less Than 50,000 Population

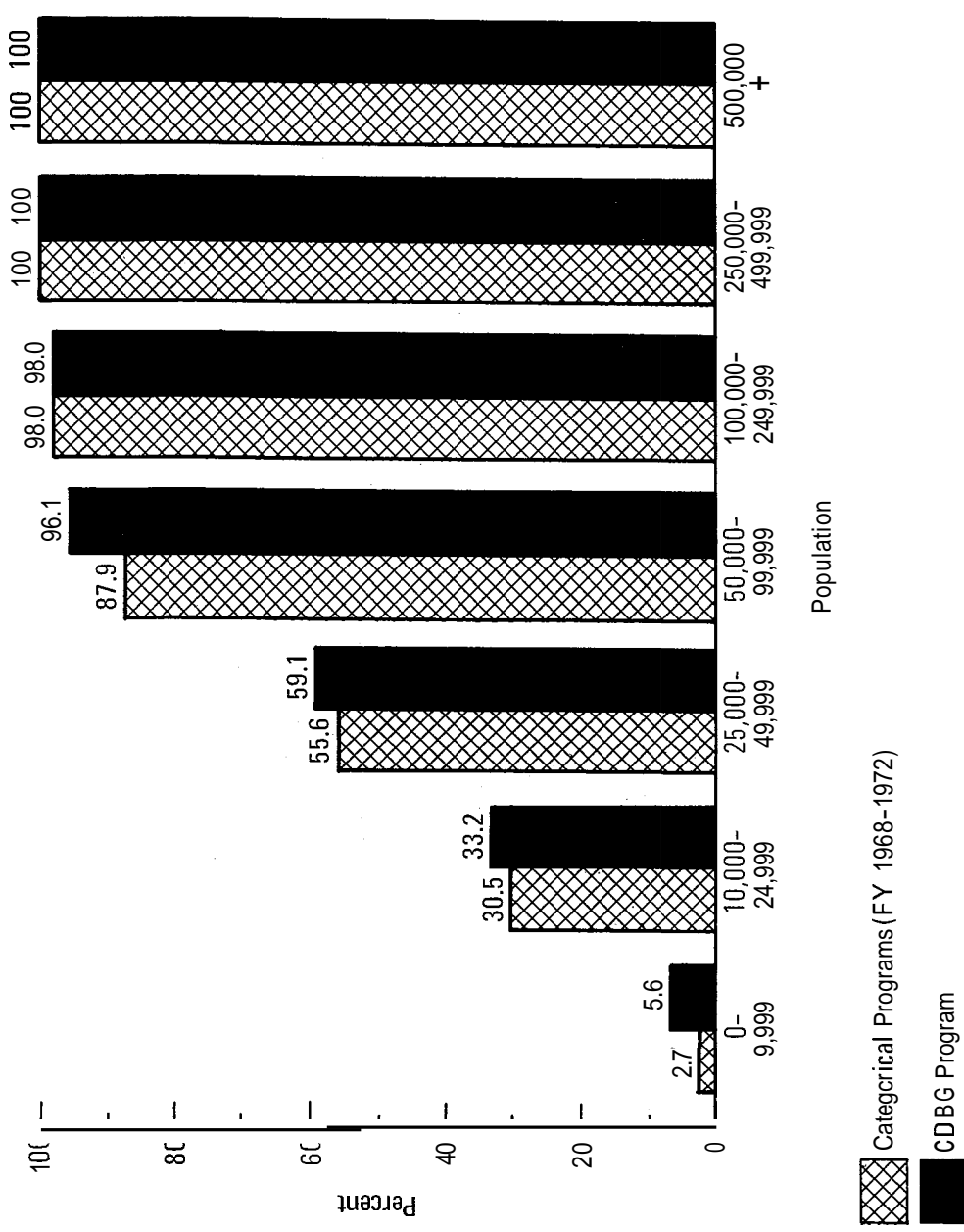
When comparing funding for incorporated localities under 50,000 population from CDBG and the categorical programs, CDBG funds a larger number of cities in each population grouping, but the average grant amount is less. While the average ~~Block~~ Grant amount is less. While the average ~~Block~~ Grant

NMHH

for these categories is the same or higher than the corresponding average categorical grant shown in Chart 2.1, the average nonmetropolitan grant is lower than the corresponding average categorical grant. The lower average grant for recipients of less than 50,000 population can generally be attributed to the large number of discretionary applications approved as well as maximum grant limits upon some applications.

Of special interest is the large increase in the number of very small communities (1-9,999 population) being funded under CDBG. During FY

**Chart 2.2**  
**CDBG vs. Categorical Programs:**  
**Percent of Cities Funded by Population Grouping**



Reference: Appendix E, Table 5

<sup>3</sup>See Appendix B for a definition of "phase-in cities."

1968-72, about 450 such communities were funded each year under the categorical programs. In FY 1975, no less than 938 such communities are being funded, excluding those cooperating with urban counties.

### New Recipients Entitlement

CDBG formula entitlement will fund 80 new recipients:

1. Fifty-eight metropolitan cities which received no categorical program funding during FY 1968-1972 received CDBG entitlement funds in the amount of \$10,474,000 for FY 1975. By phasing-in the needs formula, they will receive three times that amount by FY 1977.
2. Twenty-two urban counties which received no categorical funding during FY 1968-1972 received CDBG entitlement funds in the amount of \$17,378,000. This amount will increase three times to \$52,134,000 by FY 1977.

### New Recipient Nonmetropolitan Discretionary

Of the nonmetropolitan discretionary recipients, 739 (89.2 percent) had not participated in any of the categorical programs during FY 1968-1972. Chart 2.3 divides these new recipients by population categories.

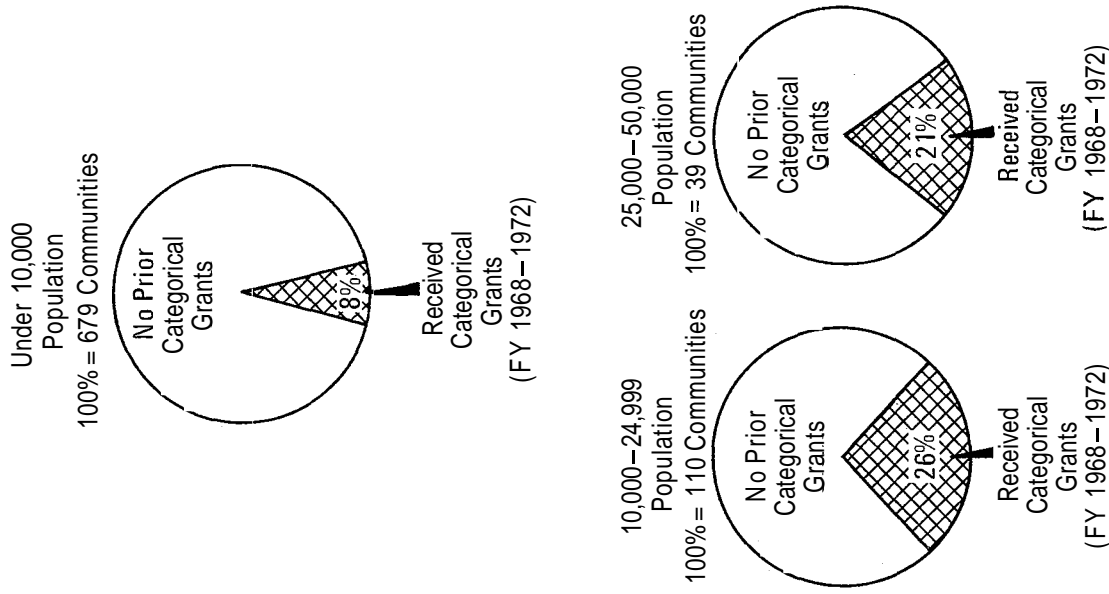
### Eligible Participants That Did Not Apply

Of 1,269 cities entitled to CDBG funds, 18 (1.4 percent) did not apply.<sup>4</sup> Their entitlements (totaling \$4.6 million) were re-allocated to other communities according to the provisions of Section 106(e) and 106(f)(2) of the Housing and Community Development Act of 1974. The majority of these communities appeared unwilling to provide housing assistance for low-income people. In two cases, however, it seems that the amount of the city's entitlement was too small to make applying attractive. One city wanted to apply but was unable to complete its application by the deadline.

<sup>4</sup>Two of these communities requested and received their full entitlement in the form of amendments to existing urban renewal projects. Three applications were disapproved.

Chart 2.3

## Nonmetropolitan Discretionary Recipients, with and without Prior HUD Categorical Grants



Reference: Appendix E, Table 6



**The Section 101(c) Objectives – The specific objectives listed in Section 101(c) are as follows:**

- | Objective                                  | Legislative Language  |
|--|---|
| 1. Elimination of slums and blight         | The elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income.   |
| 2. Elimination of detrimental conditions   | The elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim, rehabilitation assistance and related activities.   |
| 3. Housing stock conservation & expansion  | The conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income.   |
| 4. Improvement of community services       | The expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities.   |
| 5. More rational land utilization          | A more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers.   |
| 6. Reduction of isolation of income groups | The reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income. |
| 7. Historic Preservation                   | The restoration and preservation of properties of special value for historic, architectural, or esthetic reasons.   |



## NATIONAL OBJECTIVES

### SECTION 101(c) OBJECTIVES

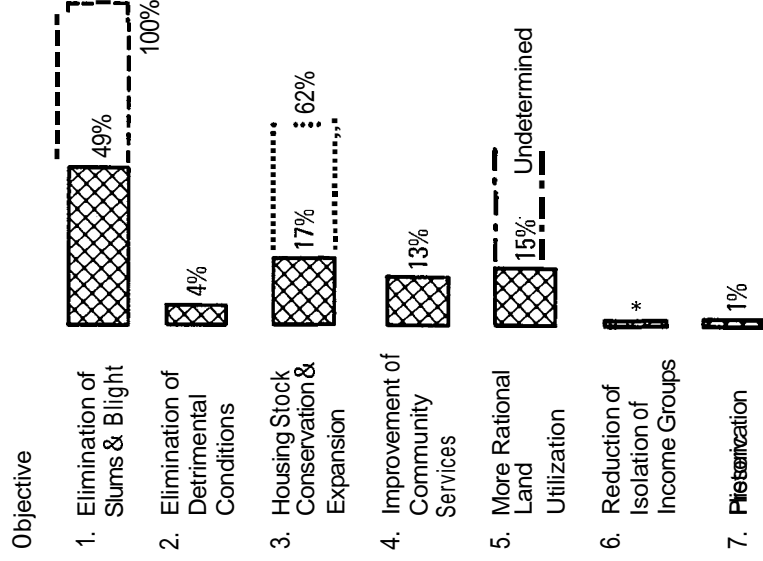
This chapter reports on the extent to which the objectives listed in Section 101(c) are being addressed by the CDBG recipients and compares the methods for achieving these objectives with the methods of the HUD categorical programs. Its conclusions are limited by two factors. First, the objectives overlap with one another in intent, e.g., the objective of eliminating conditions which are detrimental to health, safety, and public welfare overlaps with and is included in the objective of eliminating blight. Second, several activities may address a number of objectives simultaneously, making it difficult to identify the objective that is receiving the greatest emphasis. By analyzing a sample of CDBG recipients' plans, budgets, and statements of intent, however, it has been possible to make some allowance for these problems and to make estimates of the relative weight being given to each objective. Chart 3.1 identifies the key areas of overlap and duplication and summarizes the results of the analysis.

#### Objective One: Elimination of Slums and Blight

Almost all activities eligible for Block Grant funds contribute, in one degree or another, to the "elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood community facilities of importance to the welfare of the community." For purposes of analysis, however, it is possible to exclude certain support activities (such as public services, neighborhood facilities, open space, etc.) and to categorize the remaining activities into four major types of blight elimination and prevention programs that are relatively consistent with traditional definitions. These are: (1) programs to improve and upgrade residential neighborhoods through the use of Urban Renewal/NDP, for which 27 percent of the funds are programmed in the 151 sample cities; (2) programs to upgrade blighted residential neighborhoods through neighborhood improvement activities, for which 18 percent of the funds are programmed; (3) central business district revitalization programs (using urban renewal), 8 percent; (4) neighborhood improvement activities in non-residential areas, 3 percent.

Chart 3.1

### CDBG Funds Programmed for Each National Objective



\*Impossible to calculate due to duplication and overlap with other objectives.

□ Activities from all other Objectives to support Objective 1.

□ Activities from Objectives 1, 5, and 7 designed to support Objective 3.

□ Activities from other Objectives may contribute undetermined support to Objective 5.

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, [CDBG Evaluation System](#).

half the Urban Renewal program funds were spent on residential projects.

### **Objective Two: Eliminating Detrimental Conditions**

This objective overlaps considerably with objective one. When a community eliminates slums and blight, it by definition also is eliminating conditions which are detrimental to health, safety, and the public welfare. It differs, however, in one key aspect: the tools cited in the legislation for meeting objective two (code enforcement, demolition, interim rehabilitation assistance, and related activities), often are aimed at eliminating hazardous spot conditions in an area, while blight elimination programs often try to upgrade an entire slum or deteriorated area (though code enforcement programs can be carried out on either a spot basis or systematic area-by-area basis). The CDBG recipients have identified two principal activities to meet the overall objective of eliminating detrimental conditions: (1) inspection and upgrading of substandard structures through code enforcement, for which two percent of the funds are programmed in the sample cities; and (2) removal of substandard structures through demolition, for which an additional two percent is programmed.

CDBG recipients are placing greater emphasis on the objective of eliminating detrimental conditions than they did under the HUD categorical programs. The funds for code enforcement, for instance, are 52.5 percent as great as the annual average level in FY 1968-1972. Similarly, the funds for demolition programs are 1,300 percent as great under CDBG as under the categorical Demolition Program. The increased emphasis on this objective is consistent with the strategy many CDBG recipients are pursuing of arresting the spread of blight in the less heavily deteriorated areas of their communities. A study of the Section 312 Rehabilitation Loan program indicates that the costs to a community in terms of the funds required for loans and grants for rehabilitation are about 30 percent lower in less deteriorated code enforcement areas than in heavily deteriorated urban renewal areas.<sup>1</sup>

### **Objective Three: Housing Stock Conservation and Expansion**

The CDBG recipients' plans for achieving this objective involve direct activities, such as housing rehabilitation loans and grants, and indirect housing support activities such as installation of streets, water and sewer lines, community facilities, parks, and recreation centers. Direct housing activities ac-

This method of analysis reveals that CDBG recipients' plans for accomplishing this objective are markedly different from those of the past:

1. There is much less use of conventional Urban Renewal/NDP programs to upgrade blighted neighborhoods than in the past. Under the HUD categorical programs of FY 1968-1972, 66 percent of the total HUD funds received by CDBG recipients were used for Urban Renewal and NDP. Under CDBG, cities have reduced this figure to 34 percent. In place of Urban Renewal/NDP, localities are using what might be termed neighborhood improvement programs that are directed toward blighted areas, but which do not involve the use of eminent domain to acquire and clear properties and which do not commit communities to large-scale undertakings; and which require no legally established boundaries. These programs involve the same kinds of activities as Urban Renewal, but the emphasis is placed on improvements to the existing neighborhood infra-structure, particularly in its visible aspects, e.g., street improvements.

2. There is a greater emphasis on preventing and eliminating blight in the early stages of decay. In terms of the typology of neighborhood conditions used in evaluating local urban renewal projects, CDBG recipients are placing greater emphasis on activities in neighborhoods beginning to decline and those with decline clearly in progress. Those neighborhoods accelerating into major decline and non-viable, heavily abandoned neighborhoods receive less emphasis.

3. There is a greater emphasis on the rehabilitation of housing than on acquisition and clearance, compared to the Urban Renewal program of the late '60s. CDBG recipients are budgeting \$1 for rehabilitation loans and grants for every 90 cents they will spend on acquiring property for demolition, accelerating a change toward rehabilitation that developed with the growth of the Neighborhood Development Program during the early 1970's. In the Urban Renewal program during 1966-70, the emphasis was different: for every \$1 spent on rehabilitation loans and grants, \$13 was spent on acquiring properties for demolition.

4. Activities to improve and upgrade residential neighborhoods are being given higher priority than activities in central business districts and non-residential areas. Slightly more than three-fourths of the CDBG blight elimination and prevention funds will be used in residential areas. The proportion increases if the funds targeted for residential area blight prevention/elimination under objectives two and three are included in the computation. In comparison, in the middle and late '60s, less than

<sup>1</sup> Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Survey of Housing Rehabilitation Loan and Grant Programs* (Sections 312/115), August 1973.

count for about 17 percent of the CDBG funds. Indirect activities (which also support other objectives) account for at least an additional 43 percent. A multi-faceted approach to the conservation of the community's housing stock was endorsed by a 1973 HUD study, which found a "very high correlation between successful housing rehabilitation and the extent of public improvements and public services in an area. In ten cities visited, interviews with project area residents and local renewal agency/city code enforcement staff revealed that the areas which they thought had the most successfully rehabilitated buildings were also the areas which, after rehabilitation, rated highest in terms of: (a) interest of the city in the area, as expressed in public improvements, (b) physical conditions of the streets, (c) increased availability of private financing, and (d) increased level of police and garbage collection services,"<sup>2</sup>

To support their interest in housing rehabilitation, CDBG recipients have increased the amount of funds for rehabilitation loans and grants: they are budgeting three times as much as they were under the HUD categorical programs.

#### **Objective Four: Improvement and Expansion of Community Services**

This objective of the CDBG program was shared by only one of the former HUD categorical programs, Model Cities (plus a small portion of the Urban Renewal program of Interim Assistance). The kinds of public service activities that may be carried out in support of the objective are very similar to those of the Model Cities program, "...including those concerned with employment, economic development, crime prevention, child care, health, drug abuse, education, welfare, or recreation. . . .<sup>3</sup> There are several major differences between the provision of public services in the Model cities program and in CDBG, however. The CDBG legislation requires that public services are to be limited to areas in which development activities "are being carried out in a concentrated manner,"<sup>4</sup> thus making clear the supportive role public services play to physical development activities. Further, Section 105(a)(8) indicates that such services must not otherwise be available in the area;<sup>5</sup> must be necessary or appropriate to the physical development activities being carried out; and not be available through other Federal programs.

The legislative history also indicates the Congress' concern that public services not become the dominant part of the CDBG program. The Senate bill on CDBG (S.3066) contained a provision limiting the level of CDBG funding for public services to no more than 20 percent.

Of the total amount of CDBG funds, about 4 percent is budgeted for public services. The majority of the CDBG recipients are not programming funds for this activity in their first year. Of those that are, the former Model Cities are most significant. Their experience with service programs in community development areas is reflected in their activity level: Model Cities account for 80 percent of proposed expenditures for public services. The average amount of funds budgeted for services in the Model Cities is \$645,000.<sup>6</sup> In the non-Model Cities, the comparable amount is \$91,000.

Former Model Cities, in most cases,<sup>7</sup> are shifting a large portion of their service funds away from the former Model Neighborhoods to other areas. The percentage budgeted for these outside locations compares with that of Model Neighborhoods: 5 percent in each case. The types of activities being emphasized, however, differ according to location. Activities within the Model Neighborhoods emphasize neighborhood legal services and education while those outside focus more on economic development and housing counselling. Medical services, child care, and elderly services receive about the same emphasis in both locations.

For the cities that did not participate in the Model Cities program, the situation is somewhat different. A smaller proportion of them are budgeting funds for services (about one-third of all non-Model Cities), but the proportion of funds is about the same, averaging 5 percent of their combined entitlement. The kinds of services emphasized are primarily neighborhood security and crime-prevention programs and such Interim Assistance projects as rodent control and refuse collection, largely related to rehabilitation activities.

In a few sample communities (all non-Model Cities), the amount of funds budgeted for public services exceeds 20 percent of their entitlement.<sup>8</sup> These cities are all less than 100,000 in population and are receiving less than \$350,000 in entitlement funds. Their service programs emphasize child care, activities for the elderly, and neighborhood legal services.

<sup>2</sup>Ibid.

<sup>3</sup>Housing and community Development Act of 1974, Section 105(a)(8)(A).

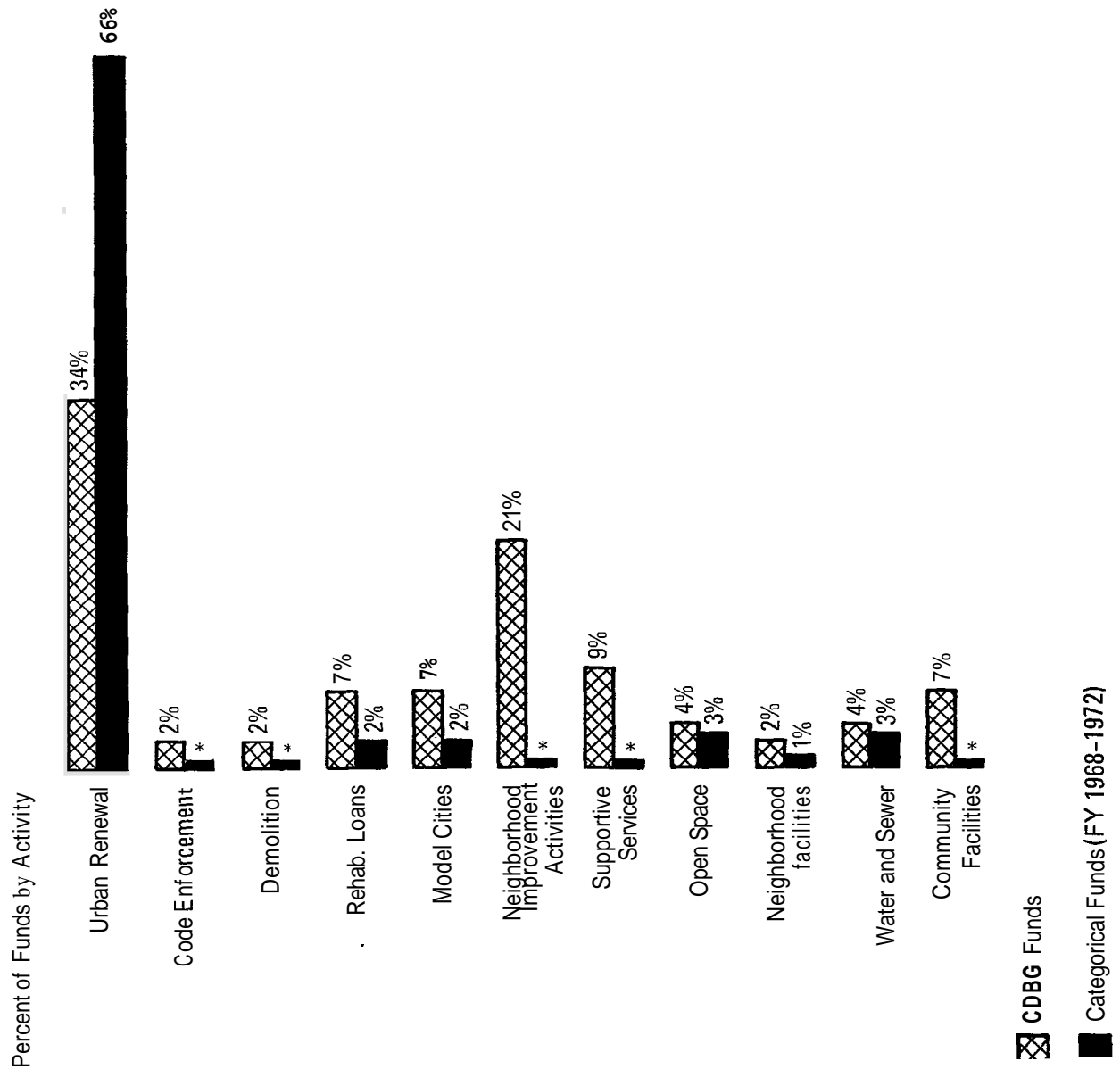
<sup>4</sup>Housing and Community Development Act of 1974, Section 105(a)(8).

<sup>5</sup>This has been interpreted to mean that the service must either be new to the area or constitute an increase in the level of service in the area.

<sup>6</sup>This does not include funds for services inside Model Neighborhood boundaries.

<sup>7</sup>Seventy-four percent of the former Model Cities.

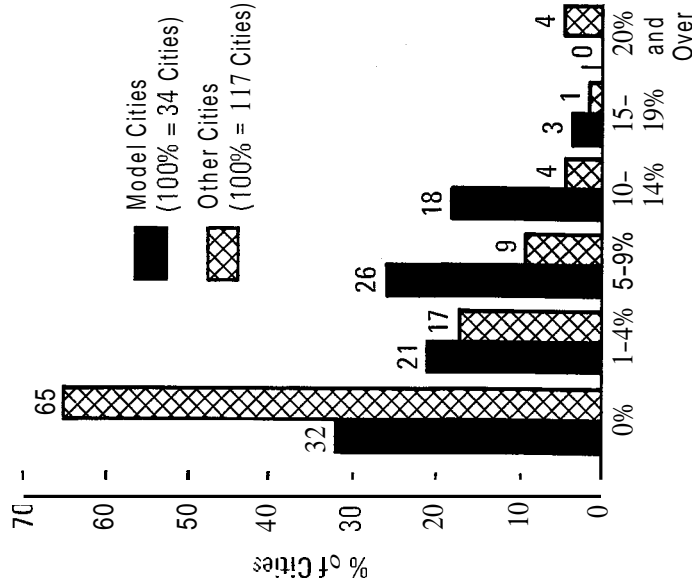
**Chart 3.2**  
**CDBG Funds Versus Categorical Funds by Type of Activity**



\* Less than 1%

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, CDBG Evaluation System.

### Chart 3.3 Model Cities and Other Cities Budgeting CDBG Funds for Public Services, by Percent Budgeted



Percent of CDBG Budget for Public Services

Reference: Appendix E, Table 7

#### Objective Five: More Rational Land Utilization

Many of the activities that support objectives one, two, and three may also be viewed as supporting objective five. For purposes of this analysis, however, six "activity center" focused activities may be viewed as being directly related to the objective of a "more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers." The first activity, developing and improving parks in Urban Renewal/NDP, Model Cities, blighted and other neighborhoods is comparable to the Open Space objective in Title IV

of the Housing Act of 1970, and is receiving about the same emphasis as under that categorical program. The CDBG recipients are budgeting 4 percent of their funds for Open Space activities compared to an average of 3 percent of their funds under the categorical program in FY 1968-72.

The second activity, developing and improving multiple-purpose neighborhood centers, is similar to the Neighborhood Facility grant program objective established by Section 703 of the Housing and Urban Development Act of 1965. The CDBG recipients are not increasing the emphasis placed on this activity. The sample cities received an average of 2 percent of their HUD funds per year of their Neighborhood Facilities programs during FY 1968-72, and under CDBG, are increasing that amount only slightly.

A third activity, developing and improving recreational facilities in blighted and other areas of the city, was not a principal objective of the categorical programs. While the Open Space Land categorical program permitted funds to be used for park development, restrictions limited such development. For instance, the amount of land that could be developed for structures or buildings was quite limited, usually not more than 10 percent. Additionally, certain types of development were ineligible, e.g., swimming pool development was only allowed after July 31, 1971. Additionally, categorical grant funds available for the purpose of developing recreational facilities were subject to fiscal year dollar limitations. Under CDBG, grant recipients are increasing the emphasis on the development of recreational facilities, using about four percent of their funds for this purpose.

A fourth activity, developing and improving certain types of single purpose neighborhood centers and facilities, has a counterpart primarily in the Model Cities program. Funds targeted for these activities account for about four percent of the sample cities' budgets, and are being spent primarily on fire stations (27 percent of the funds targeted for these activities), elderly (37 percent), day care centers (8 percent), and medical facilities (12 percent).

The fifth and sixth activities, making a more rational use of community facilities (through improved access on streets and the removal of architectural barriers) and more rational use of land (through planned growth activities and the development/preservation of land) account for about one percent of the total funds budgeted.

<sup>8</sup> Not all the public service activities are listed on budget line item 9, "Provision of Public Services." There are several other line items that may include services: "Payment of Non-Federal Shares," "Special Projects for Elderly and Handicapped," "Model Cities Continuation," and, in rare cases, some of the other line items. When the public service activities of these line items are considered, a few additional cities have budgeted 20 percent or more of their grant amount for services. The majority of these cities, however, are former Model Cities whose service activities on the "Model Cities Continuation" line item account for their relatively higher use of service activities.

### **Objective Six: Reduction of Isolation of Income Groups**

While most of CDBG recipients have established long-term (3-year) objectives related to this national objective, only 14 percent of a sample of 880 communities indicated that it is an area of high emphasis in their first year programs, and only a handful have targeted CDBG funds for activities designed to achieve it. Methods for accomplishing the objective, however, are not limited to CDBG funded activities. The objective can also be addressed by providing wider locational choices for housing low- and moderate-income families. An analysis of housing assistance plans indicates that the wider locational choice method is, in fact, being planned by a number of communities. Over a third of the planned housing assistance is targeted for upper-income neighborhoods, indicating spatial concentration of housing opportunities for persons of lower income.

### **Objective Seven: Historic Preservation**

The CDBG recipients are giving this objective the lowest funding priority among the seven objectives. Sixty-nine percent of them have identified historic preservation as an area of low emphasis in comparison to seven percent who say it is an area of high priority. Most of the funds (one percent of total funds) planned for this objective will go to public facilities for the acquisition and restoration of historic structures. A small portion of the funds is also designated for rehabilitation loans and grants to private owners of historic properties.

### **SECTION 101(d) OBJECTIVES**

Three of the four objectives listed in Section 101(d) are discussed in other chapters of this report. Chapter 1 provides data on the extent to which CDBG is providing assistance "on an annual basis, with maximum certainty and minimum delay..." Chapter 4 provides early indications of the extent to which CDBG is fostering "the undertaking of housing and immunity development activities in a coordinated and mutually supportive manner" and of plans for

the "achievement of the national housing goal of a decent home and suitable living environment for every American family."

### **ASSISTING PERSONS OF LOW- AND MODERATE-INCOME**

The principal beneficiaries of the CDBG program, according to Title I of the legislation, are to be persons of low- and moderate-income. The primary objective of the program stresses this,<sup>9</sup> as do three of the seven specific objectives: elimination of slums and blight, conservation and expansion of housing stock, and improvement of community services. Additionally, applicants were required to certify that their programs give maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums and blight, although an application can also be approved if the applicant certifies that other activities are required to meet other community development needs having a particular urgency.<sup>10</sup>

CDBG recipients are responding to this primary objective of the legislation by programming approximately 71 percent of their CDBG funds to benefit persons of low- and moderate-income.<sup>11</sup> The conclusion is based on an analysis of the amount of CDBG funds targeted for each census tract, from the highest income tract to the lowest, in each of the 151 sample cities. The results are shown in Chart 3.4.

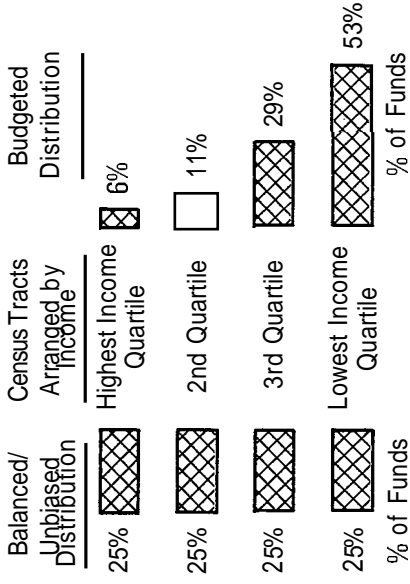
Seventeen percent of the funds, targeted for census tracts of above median income, are intended to meet urgent community development needs, such as flood control, or to prevent or eliminate slums and blight through code enforcement or improvements to the central business districts. In some cases, the funds will be used to acquire land for parks or provide recreation facilities in areas anticipating rapid population growth. Additionally, the analysis shows that some of the funds in the most affluent census tracts are designed to benefit

Section 101(c): "The primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low- and moderate-income."

CDBG regulations, CFR 570.303(e)(7), have been changed to clarify the requirement that all CDBG entitlement and general purpose discretionary applicants certify that their programs have been developed so as to give maximum feasibility to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums and blight. Applicants may also request a determination from the Secretary that certain proposed activities meet other urgent community development needs.

A secondary analysis confirms the amount of funds potentially benefiting low- and moderate-income persons. This analysis aggregated census tracts into four types, according to the relationship of their median income to the SMSA median income: 50 percent of SMSA median, 51-80 percent, 81-100 percent, and above median. It showed the same result: approximately 69 percent of the funds to go to census tracts with median incomes of 80 percent or less of the SMSA median income.

### Chart 3.4 CDBG Funds by Income Characteristics of Census Tracts

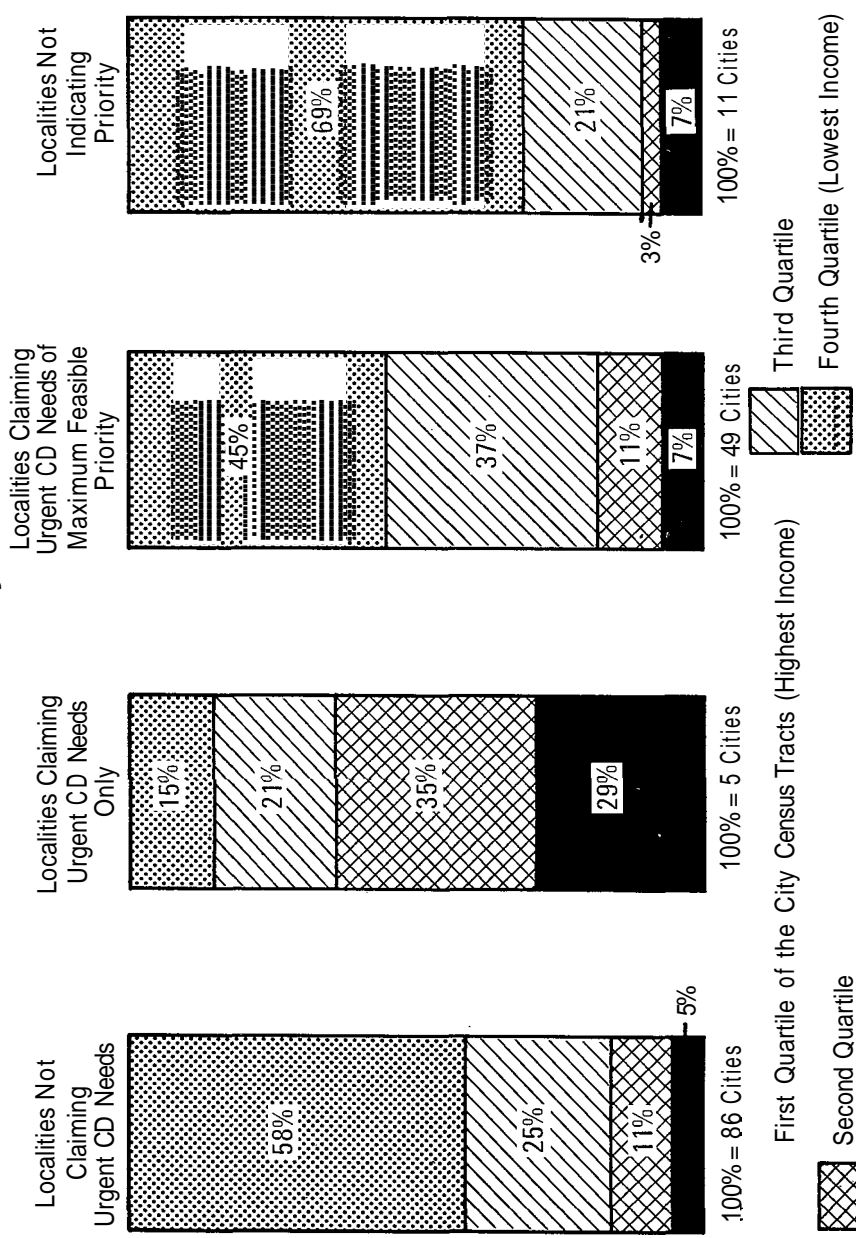


Source: Department of Housing and Urban Development, Office of Community Planning and Development, Office of Evaluation, Analysis of CDBG Fund Distribution by Income Level of Census Tracts.

pockets of low- and moderate-income people within the tract or an adjacent area. In many communities, the "most affluent" census tract may include slum housing adjacent to the central business district.

Chart 3.5 indicates the percentage of funds budgeted for different income levels of census tracts within cities classified by their certification for "maximum feasible priority" and/or "urgent needs." Cities giving priority only to activities meeting urgent community development needs budgeted two-thirds of their funds in census tracts with above median incomes.

### Chart 3.5 CDBG Fund Distribution in Urgent CD Needs-Only Cities, and All Other Cities, by Income of Census Tract



Reference: Appendix E, Table 8





## LOCAL STRATEGIES FOR COMMUNITY DEVELOPMENT AND HOUSING ACTIVITIES

### Community Development Strategies

The Community Development Block Grant program requires that applicants demonstrate a comprehensive strategy for meeting their community development needs [Section 104(a)]. The strategy is to be stated in the three-year community development plan, which identifies local needs and specifies both short and long term community development objectives.

CDBG encourages a total, coordinated approach to community development problems. Localities, with prior knowledge of funding levels and the flexibility to emphasize activities that meet their own needs, can integrate programs with mutually supportive activities. These activities may be planned according to specific target areas, population groups, citywide problems, or any other scheme designed to meet local needs.

### Housing Strategies

In addition to encouraging development of comprehensive community development activities [Section 101 (d) (4)]. Title I provides a mechanism—the Housing Assistance Plan—to encourage this coordination.

A Housing Assistance Plan must be submitted as a part of every entitlement application and most discretionary grant applications for Community Development Block Grant funds. The Plan must:

1. Accurately survey the condition of the housing stock in the community,
2. Assess the housing assistance needs of lower income persons,
3. Specify a realistic annual goal for the number of dwelling units or persons to be assisted, and

4. Indicate the general locations of housing units to be newly constructed or rehabilitated for lower income persons.

This requirement [24 CFR 570.303(c)] makes it possible for communities to plan unified community development and housing programs.

The requirement that Housing Assistance Plans specify the general locations of proposed assisted housing in the community is particularly important. It recognizes that the location of housing is a basic part of a community's overall physical development plan and that local officials must make location decisions if they are to coordinate the location of new housing with existing or planned public facilities and services.

### Community Development Needs

Title I of the Housing and Community Development Act of 1974 requires all applicants to identify their community development needs and specify both short and long-term community development objectives. These objectives must be developed in accordance with areawide development plans and urban growth policies. [Section 104(a)(1)].

Applicants must describe a program designed to eliminate or prevent slums, blight, and provide improved community facilities and public improvements, including those supporting health, social, and similar services where necessary and appropriate. [Section 104(a)(3)].

According to Section 104(b)(2), applicants must certify that their community development programs have been developed to give maximum feasible priority to activities which will benefit low-

or moderate-income families or aid in the prevention or elimination of slums or blight. In addition, applicants can certify to HUD that activities meet other particularly urgent community development needs and specifically describe these needs in their applications.<sup>1</sup>

Eight hundred eighty entitlement communities responding to the Community Development Funding Survey listed their three highest priority community development needs. Answers describe

the local conditions that communities thought deserved the most attention:

"Improvement or expansion of the housing stock (26 percent of the priorities listed),  
\*Community services and facilities (19 percent of the priorities listed),

\*Water and sewer needs (15 percent),

"Elimination of slums and blight, and economic development/employment opportunity (10 percent each), and

Table 4.1

CDBG Planned Expenditures, by Income of Area Residents\*  
(Dollars in Thousands)

	Low- & Moderate- Income (0-80% of Median Income)	%	Middle-Income (81-100% of Median Income)		Above Median Income	%	Totals	%
			\$	%				
Clearance-Related *	\$89,478	48.2	\$21,286	31.4	\$ 8,299	26.7	\$119,063	41.9
Code Enforcement	4,196	2.3	1,937	2.8	418	1.3	6,551	2.3
Other Public Works	26,941	14.5	14,517	21.4	6,524	21.0	47,982	16.9
Water & Sewer	9,024	4.9	4,629	6.8	4,549	14.7	18,202	6.4
Open Space and Neighborhood Facilities	9,800	5.3	4,491	6.6	3,232	10.4	17,523	6.2
Job Training	25,011	13.5	11,818	17.4	4,048	13.0	40,877	14.4
Police-Related Facilities and Equipment	11,395	6.1	7,009	10.3	3,395	10.9	21,799	7.7
Public Services	9,586	5.2	2,173	3.2	568	1.8	12,327	4.3
TOTAL	\$185,420		\$67,860		\$31,033		\$284,324	

Total dollar values apply to 151 entitlement city sample; percentages derived apply to all entitlement cities. Clearance-related activities are top priority among the four income areas. However, the degree of emphasis on these activities increases as the income of the area increases.

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **CDBG Evaluation System**.

Title I guidelines do not dictate a particular selection of activities. Communities may carry on a wide range of activities, including those eligible under the categorical programs and a series of new activities eligible for assistance for the first time. CDBG Grant funds may be used to finance the full cost of carrying out activities previously assisted under the following programs:

1. The Urban Renewal program,
2. The Model Cities program (but only for Model Cities and only until they have received five years of funding under that program),
3. The Section 312 Rehabilitation Loan program,
4. The Open Space, Urban Beautification, and Historic Preservation programs,
5. The Neighborhood facilities program,
6. The Water and Sewer Facilities program, and
7. The Public Facilities Loan program.

How activities eligible for assistance include:

The acquisition of land for public purposes generally,  
The construction of solid waste disposal facilities and flood and drainage facilities,  
Special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of the elderly and handicapped,  
Payments to housing owners for losses of rental income incurred in holding units vacant for displacees,  
Payment of the local share of other federally assisted projects or activities undertaken as part of the community development program,  
Comprehensive planning and policy-planning-management activities, and  
Provision of certain public services if they: (a) are in areas of concentrated community development activity, (b) are not otherwise available in the area, (c) are necessary or appropriate to the physical development activities being carried out, and not otherwise available in the area, (d) are necessary or appropriate to the physical development activities being carried out, and are not available through other Federal programs.

\*Street construction and repair and revitalizing the central business district (5 percent and 4 percent, respectively).

Urban counties listed similar needs as top priority:

\*Construction and improvement of water and sewer and other public facilities (29 percent),

"Improvement or expansion of the housing stock (28 percent),

\*Provision of parks, recreation, and open space (9 percent), and

\*Elimination of slums and blight (8 percent).

Cities reported that nine percent of these priority needs will be completely satisfied by CDBG funded activities and 68 percent will be partially satisfied. Overall, 76 percent of the entitlement cities report that CDBG has increased their ability to respond to their community development needs and priorities. About 50 percent of the counties surveyed saw a similar increase in their capacity to deal with community development problems.

## **COMMUNITY DEVELOPMENT STRATEGIES**

The interrelationship of community development and housing problems is part of the rationale for Block Grant funding and for requiring the coordination of community development and housing plans.

Various local approaches to treating neighborhoods and population groups, the priority communities are giving to various activities, and the way they are managing CDGB funds and other sources of community development funds have appeared in the first year of CDBG planning.

The relative prevalence and effectiveness of community development strategies must be analyzed in future years.

### **Population Strategies**

#### **INCOME OF AREA RESIDENTS**

Block Grant expenditures planned in low- and moderate-income areas represent the greatest local commitment to community development. Sixty-five percent of the entitlement funds in 151 cities is scheduled for activities in low- and moderate-income areas. Table 4.1 shows the emphasis of activities, by income level. The following paragraphs discuss the

strategies being pursued in these areas and the very different strategies planned for areas with higher income groups.

Low- and Moderate-Income Areas—0 to 80 Percent of the SMSA Median (Excluding Model Neighborhoods).

Communities apparently consider clearance-related activities (acquisition, relocation, and clearance) combined with housing and supportive public works to be the most effective remedies for severe blight in low- and moderate-income areas.

Cities have budgeted four times more funds for acquisition, clearance, and relocation activities in these areas than in the next higher income areas (termed middle-income areas in this report). These activities account for 48 percent of CDBG allocations to low- and moderate-income neighborhoods.

The allocation for housing rehabilitation in low- and moderate-income areas is more than twice the funding scheduled for all other areas combined.

Communities are also stressing neighborhood improvements through supportive public works activities, such as street improvements, street lighting, and removal of architectural barriers.

Middle-Income Areas-81-100 Percent of the SMSA Median Income

As the median income of area residents rises, the emphasis on renewal activities diminishes, and the use of funds for water and sewer and supportive public works projects increases.

In middle-income areas, communities are planning substantial allocations to alleviate borderline deterioration of the housing stock and to improve public works and the general physical appearance of neighborhoods.

The large allocations for service-related facilities and equipment<sup>2</sup> suggest that communities are attempting to balance the services provided throughout the cities. Allocations for these activities are 10 percent of funds budgeted to middle-income areas.

### **STRATEGIES FOR MINORITY POPULATION**

Entitlement cities have programmed more than 50 percent of their Block Grant funds to improve minority neighborhoods.<sup>3</sup> Fifty-seven percent of the funds have been targeted for areas which can be clearly identified as minority areas. "Unspecified

<sup>2</sup>This includes purchase, construction, or rehabilitation of facilities or equipment related to the following services: fire, police, recreation, housing counseling, medical and public health, youth and children, transportation, elderly.

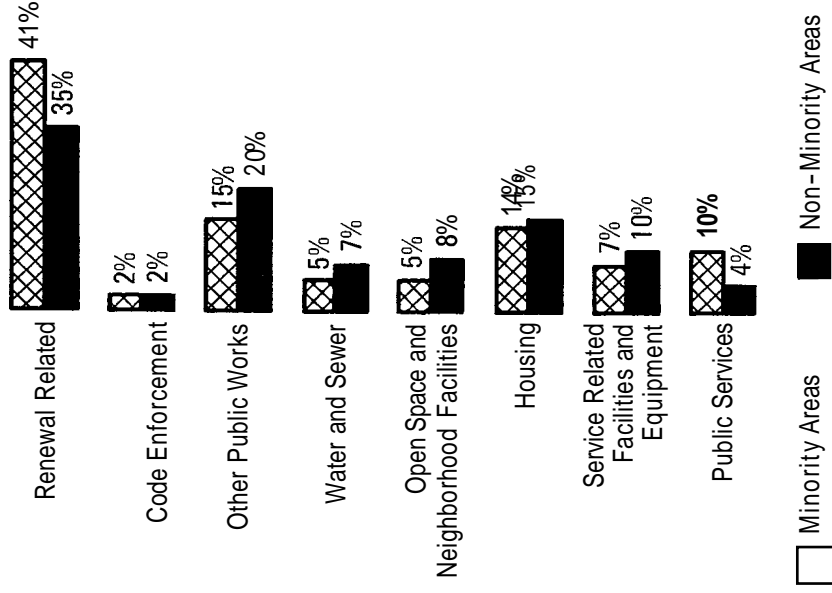
<sup>3</sup>Minority neighborhood is defined by the Bureau of Census as a census tract with more than 10 percent Black population or 400 or more Spanish surname residents.

census tracts" or citywide areas are targeted to receive 14 percent of the funds. Some of these funds will benefit minorities.

There are no major differences in the activities receiving highest priorities in minority and non-minority areas. In both cases, the top three activities are clearance-related other public works, and housing. The fourth priority is public services in minority areas and services in minority areas and service-related facilities and equipment in non-minority areas.

Communities are giving greater emphasis to several activities in non-minority areas. Activities in non-minority areas stress rehabilitation through code enforcement, public works, and water and sewer improvements. There is also a slightly higher emphasis given to service-related facilities and equipment in non-minority census tracts.

**Chart 4.1**  
**Activities Benefiting Minority and Non-Minority Areas**



Reference: Appendix E, Table 9

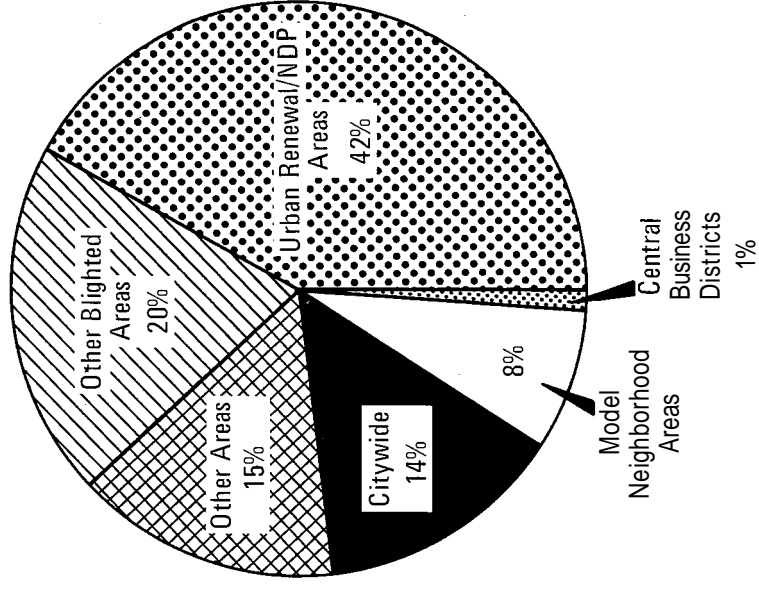
**Neighborhood Strategies**

Title I presents no specific requirements for selection or treatment of target areas. Localities are free to determine their own criteria for selecting service areas and to program whatever combination of eligible activities seems appropriate for the needs of these areas.

"Neighborhood" represents a service area defined by local tradition, in some cases, and a target area previously designated for participation in Federal programs, in other cases.

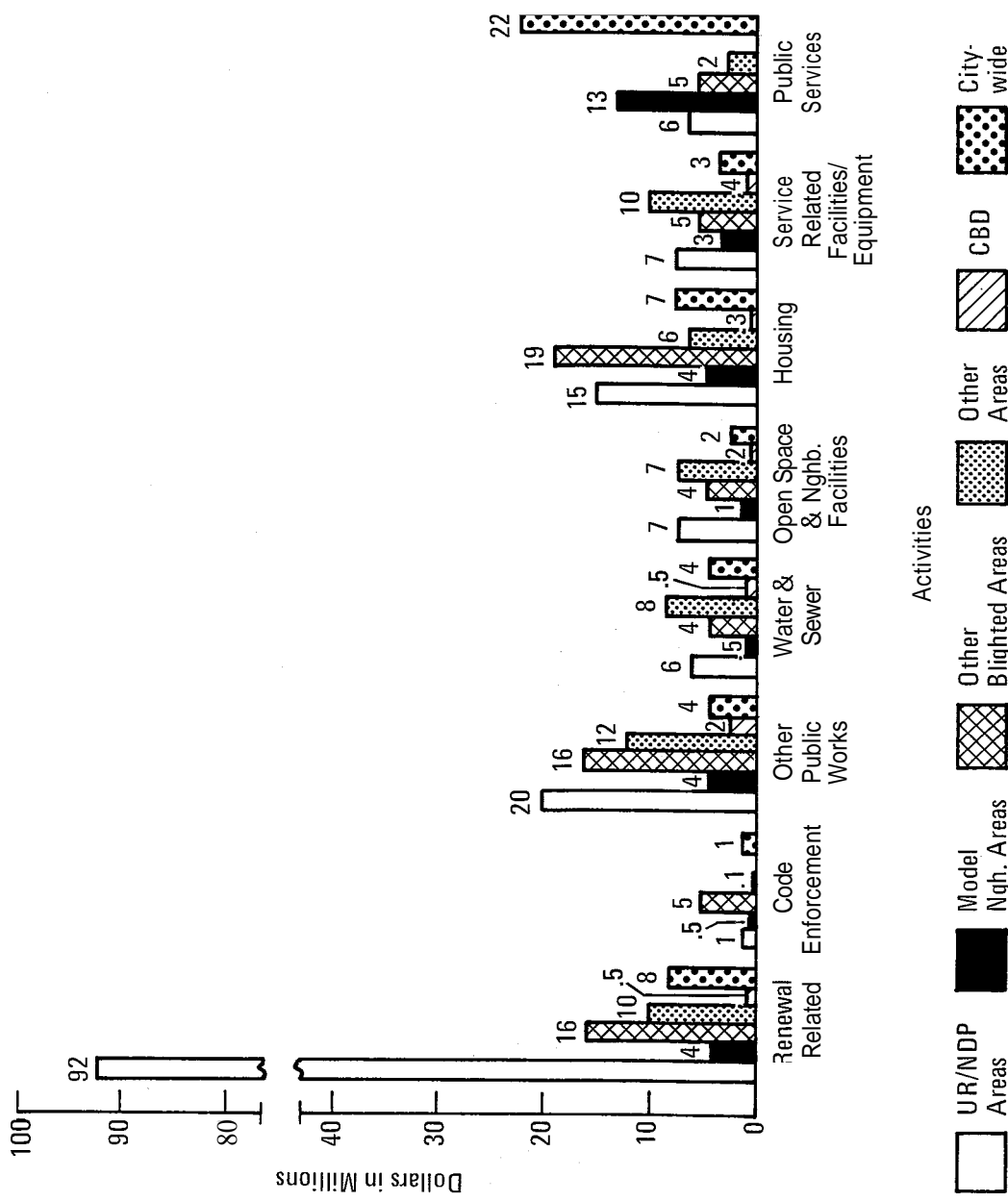
Communities are continuing to support activities begun under former categorical programs. Model Neighborhoods and Urban Renewal/NDP areas are programmed to receive 50 percent of all CDBG funds. However, cities plan to extend efforts to some new areas and appear to be seeking a more varied mix of activities that respond to particular needs (See Charts 4.2 and 4.3).

**Chart 4.2**  
**Sample Distribution of CDBG Funds by Neighborhood Type**



Source: Department of Housing and Urban Development Community Planning and Development, Office of Evaluation, CDBG Evaluation System.

**Chart 4.3**  
**Block Grant Allocations in Target Areas**



Reference: Appendix E, Table 10

**Urban Renewal/NDP Areas**

Local Governments have maintained existing community development strategies in these areas. Clearance, demolition, and relocation activities still account for the largest portion of planned expenditures (60 percent). Other activities commonly undertaken in renewal projects—housing rehabilitation and supportive public works—are also planned activity expenditures (10 and 13 percent, respectively).

The one noticeable difference in strategy is the introduction of public service programs. Four percent of the expenditures in these areas is scheduled for service-type programs.

**Model Neighborhoods**

In existing Model Neighborhoods, the major planned expenditure emphasis supports continuation of Model Cities service programs. Approximately one-fourth of combined funding for service programs for all areas is programmed in Model Neighborhoods.

Some communities are also planning major efforts to improve the physical conditions of these areas through housing, public works, and clearance-related activities, though this data is not reflected in Chart 4.4. Data on many of the physical improvement activities in Model Neighborhoods is listed under the Urban Renewal programs which have

coterminus boundaries with the Model Neighborhoods.

#### Other Blighted Areas

These are areas outside the boundaries of previous NDP or Model Cities areas. However, the areas may have received assistance from other programs such as code enforcement. Communities appear to have extended the experience of former categorical programs into these areas with a more varied distribution of activities. Cities characterized their efforts in these areas as "arresting blight" through housing, demolition, clearance, relocation, and supportive public works activities. Additional expenditures are also programmed for code enforcement, water and sewer, open space/neighborhood facilities, and public service programs.

#### Other Areas

These are areas showing some signs of blight. Communities are extending former categorical grant activities to these neighborhoods. As in "other blighted areas," communities are emphasizing renewal, public works, and housing. Absolute dollar allocations for water and sewer projects and service-related facilities and equipment account for one-third of the total allocations for these activities. Twelve percent of the funds available in these areas is allocated for Open Space projects.

#### Citywide/Variou Unspecified Census Tracts

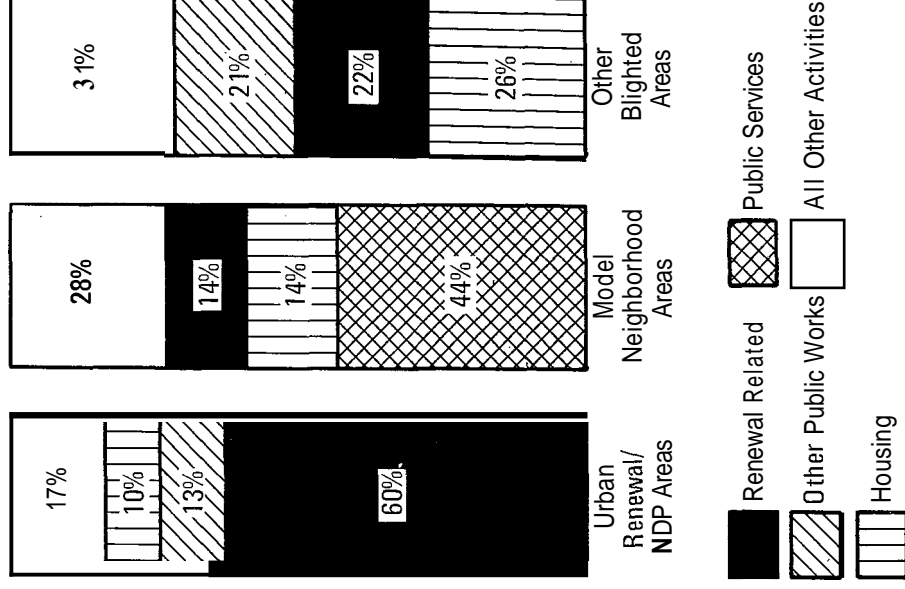
Many communities are approaching physical deterioration problems on a citywide basis. This strategy is particularly prevalent in smaller communities with scattered deterioration problems.<sup>4</sup> The main activities planned are demolition, clearance, and relocation (17 percent of funds allocated to these areas), housing (15 percent), and supportive public works (7 percent). Public services account for 43 percent of the funds scheduled for citywide activity, most of which are budgeted in the 147 Model Cities, indicating that their Model Cities experience has encouraged extension of service programs to other deteriorated areas.

While many of these programs are identified in applications as "citywide," it is not clear from the data whether these actually are citywide activities or are activities extended to additional areas outside the Model Neighborhoods.

#### Central Business Districts (CBD)

Economic losses resulting from migration of middle-income families from urban to suburban areas is a priority concern of cities. Major businesses suffering losses in patronage have abandoned downtown areas

## Chart 4.4 Priority Activities in UR/NDP, Model Neighborhood, and Other Blighted Areas

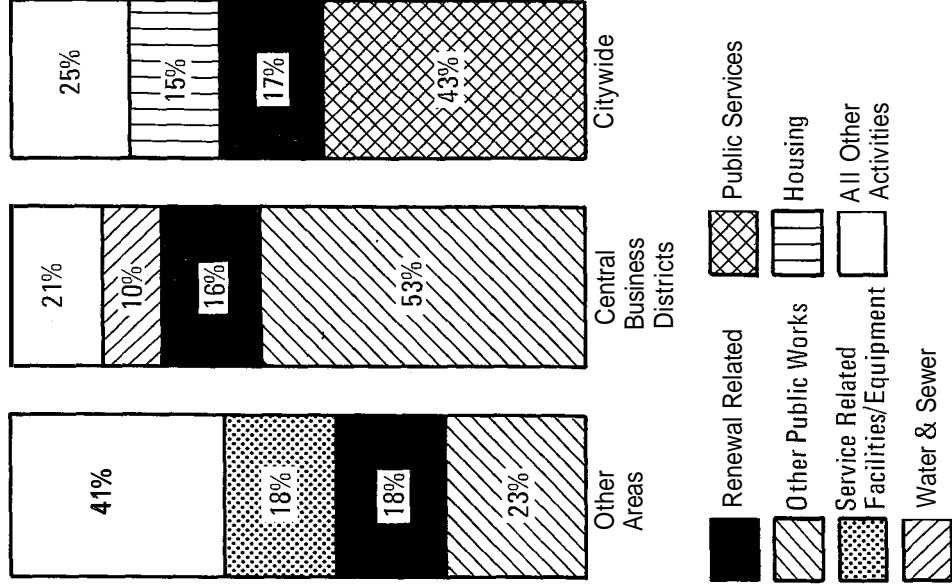


Reference: Appendix E, Table 11

for suburban shopping centers. In efforts to reverse these trends, some communities have targeted CDBG funds to improve the physical condition of downtown areas. The majority of funds targeted to CBDs are for public works and demolition, clearance, and relocation activities. Communities are also funding service-related facilities and equipment to further economic development and to provide employment training facilities,

This is recognized in HUD regulations which allow citywide programming in cities under 10,000 population [Part 2.200(a) (2) (i)].

### Chart 4.5 Priority Activities in Other Areas, Central Business Districts, and Citywide



Reference: Appendix E, Table 11

### Community Development Strategies:

#### Other Sources of Funds

#### LEVERAGING OF FUNDS

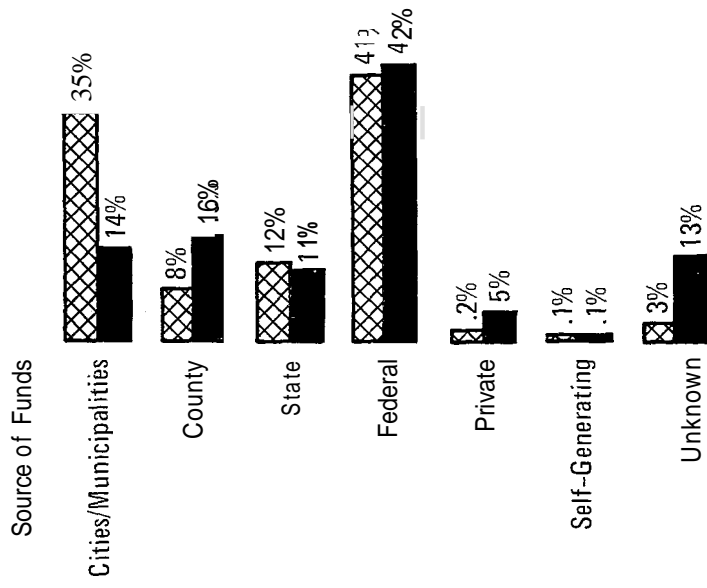
Entitlement communities anticipate leveraging millions of dollars from other sources to augment planned community development activities. Block Grant programs in 15 of 24 cities surveyed have included over \$81 million from a variety of sources; nine of the 10 counties surveyed expect to receive over \$18 million. Block Grant funds (\$93.6 million)

have leveraged an average of .86 cents for each CDBG dollar in the nine counties. Total or partial commitments for these funds are assured for 70 percent of the cities' and counties' projects.

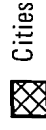
#### Private Investment Sources

A traditional means of gaining leverage has been to encourage private investment. Although many communities indicate their eagerness to do so, relatively few communities have been able to attract private investment for the first year's community development program. Urban counties have attracted more in absolute dollars than cities. Private investments include loans for housing rehabilitation, local drainage systems, and parks.

### Chart 4.6 Sources of Funds to Augment CDBG Projects



Legend:



Cities



Urban Counties

Reference: Appendix E, Table 12

## Local and Municipal Resources

The largest sources of non-Federal funds for entitlement communities are from cities/municipalities, counties, and States. Among entitlement cities, resource commitments are largely for completion of local redevelopment projects. Urban counties' and cooperating cities' resources, on the other hand, will be directed towards a variety of activities.

## Federal Sources

The largest source of funds communities have used to augment projects are other Federal agencies. The Department of Health, Education and Welfare is the most frequently mentioned Federal source of non-CDBG funds for entitlement cities. No Federal agency particularly dominates the balance of sources among urban counties.

## TYPES OF PROJECTS

Community development projects related to redevelopment activities account for the largest portions of non-CDBG funds. Fourteen of the communities are undertaking Urban Renewal/NDP, landscaping, general redevelopment, water and sewer, streets, lights, code enforcement, demolition, capital improvement, relocation payments, and rehabilitation loans and grants projects employing \$36.5 million and \$7.1 million from non-CDBG sources for cities and counties, respectively.

Non-CDBG funding sources also provide a viable means of increasing social service expenditures. Both cities and counties have planned drug, health, and recreation activities to which non-CDBG sources are making partial contributions in excess of 20 percent of the total entitlement amount for counties and a little less than 17.1 percent for cities.

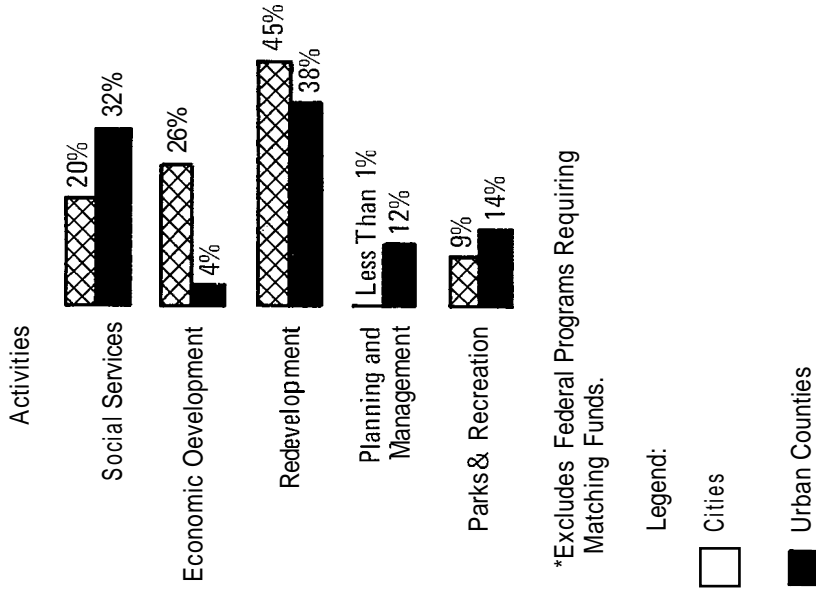
Several cities have planned a number of activities related to commercial and industrial advancement employing \$20.7 million in non-CDBG funds.

The balance of non-CDBG funds is targeted for planning and management of CDBG projects and development of parks and recreation facilities.

## HOUSING NEEDS

Section 104 of the legislation requires CDBG recipients to assess their housing needs from two separate perspectives: (1) the condition of their

## Chart 4.7 Types of Activities Augmented by Other Sources of Funds\*



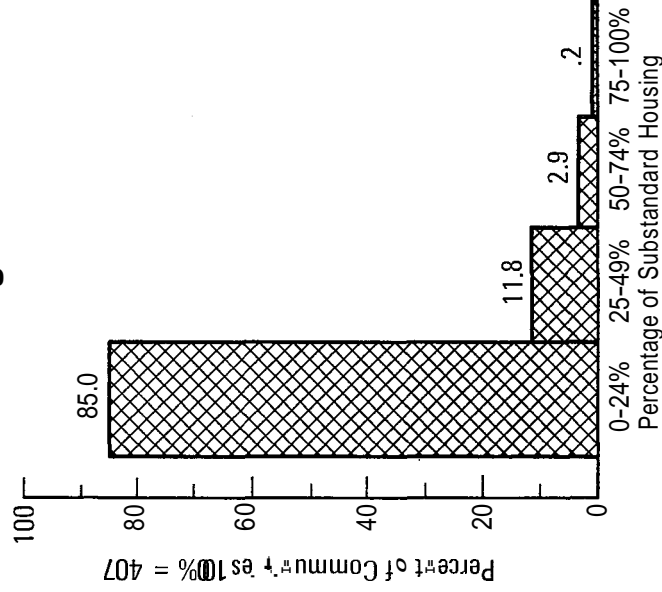
\*Excludes Federal Programs Requiring Matching Funds.

Reference: Appendix E, Table 13

housing stock, and (2) the housing assistance needs of low-income persons. Although this requirement is not new to some CDBG recipients (the Housing Act of 1954, as amended, required all Section 701 Comprehensive Planning Assistance program participants to include a housing element as part of comprehensive land use plans), many have engaged in a full-scale review of housing needs and objectives for the first time. The data they have reported on their needs are generally consistent with estimates made by other sources.



## Chart 4.8 Distribution of Communities with Percent Substandard Housing Units



Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

### Housing Conditions

All communities<sup>5</sup> reported some degree of substandard housing, ranging from 92 percent in one city to less than one percent in seven cities.<sup>6</sup> The overall distribution grouping the communities, by percent of substandard housing is shown in Chart 4.8. For communities combined, the percentage of substandard housing is 11 percent, which is slightly higher than a nationwide estimate of 10 percent made by the U.S. Census Bureau.<sup>7</sup> Most of the communities reported that a good deal of this housing can be salvaged through rehabilitation efforts—75 percent of this substandard housing is reported as suitable for rehabilitation.<sup>8 & 9</sup> The remaining substandard units (2.6 percent of their entire housing stock) are considered suitable for demolition.<sup>10</sup>

<sup>5</sup>The housing data are based on analysis of 407 Housing Assistance Plans submitted by 359 cities and 48 counties. These Housing Assistance Plans are representative of all entitlement cities and counties. Although over 1,100 Housing Assistance Plans contained information adequate for program review 75 percent contained sufficient data for detailed analysis. (See footnote 6)

<sup>6</sup>The problem of defining "substandard" has plagued localities, the Census Bureau, and HUD for years. Rather than attempt to develop a uniform standard for housing conditions, HUD instructed CDBG applicants to "adopt a definition which conforms to the broad understanding of the term locally." The census definition was indicated as suitable but not mandatory. Differing local definitions of substandard may account for some of the variations in the data.

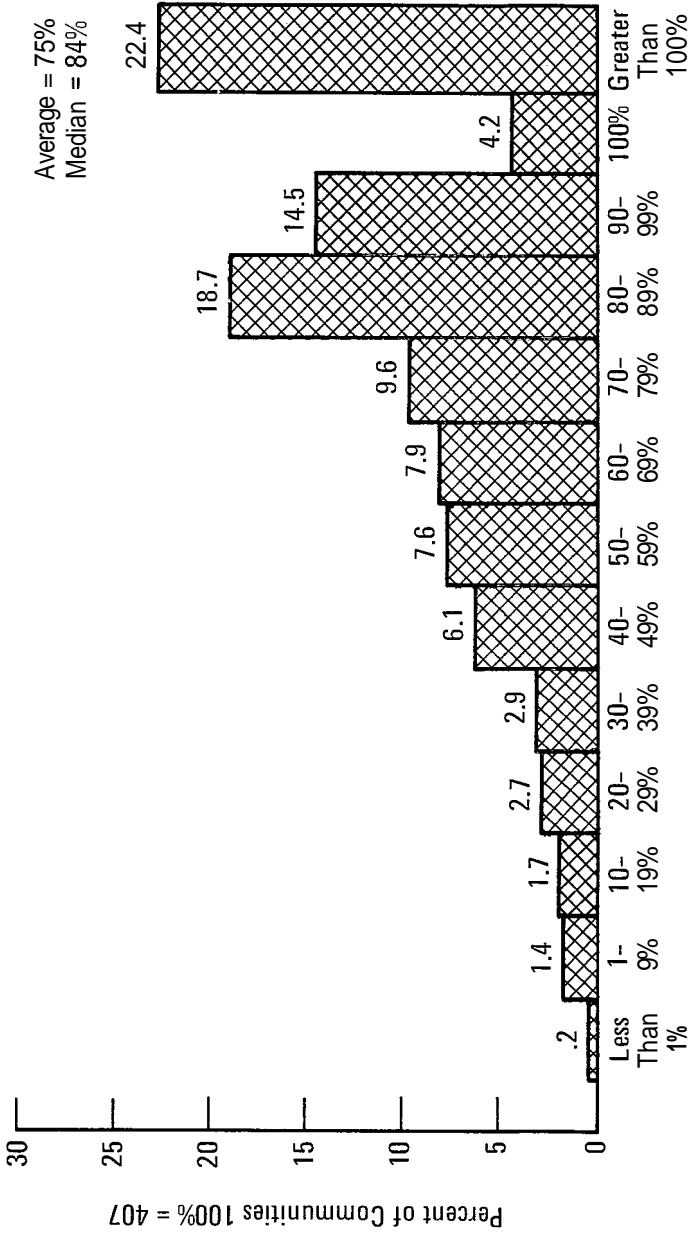
<sup>7</sup>In a special report HC(6) published in November 1973, the Census Bureau estimated the number of substandard housing units in the United States. The estimates were obtained by applying results of a sample survey on structural conditions to 1970 Census data on housing characteristics nationwide. Census estimated that 4,672,345 housing units lacked some or all plumbing facilities, and another 1,764,851 units with plumbing were judged substandard because of dilapidation. The proportion of the total of 6,437,196 housing units in the U.S. in 1970 is therefore approximately 10 percent.

<sup>8</sup>In first year Housing Assistance Plans, cities were not asked to distinguish between substandard housing and other deteriorating housing (but not substandard) that was suitable for rehabilitation. Chart 4.9 is based upon the assumption that most units suitable for rehabilitation are substandard units. It is assumed that all units reported as suitable for rehabilitation are substandard, unless the number of units suitable for rehabilitation exceeds the substandard units, in which case the excess units are called "less than acceptable." The communities with "less than acceptable" units are shown in this chart as "greater than 100 percent." Chart 4.10 shows the 91 communities by the percentage amount that their units suitable for rehabilitation exceed their substandard units. The second year application has been changed to reflect the type of unit that is suitable for rehabilitation; there will be separate estimates for both substandard units and all other units that are suitable for rehabilitation.

<sup>9</sup>"Less than acceptable" units are recorded when a community reports more units as suitable for rehabilitation than substandard units. This category identifies those units that are not substandard but are a part of the nation's housing stock that is deteriorating.

<sup>10</sup>"Suitable for Demolition" was not a requirement on any of the HAP forms, but is a derived figure calculated by subtracting the number of units suitable for rehabilitation from the substandard units reported. This calculation is based upon the assumption that most units suitable for rehabilitation are substandard, and where the number of substandard units exceeds the number of units suitable for rehabilitation, the difference represents substandard units that are not suitable for rehabilitation and are therefore suitable for demolition.

**Chart 4.9**  
**Distribution of Communities with Percent**  
**of Substandard Units Suitable for Rehabilitation**

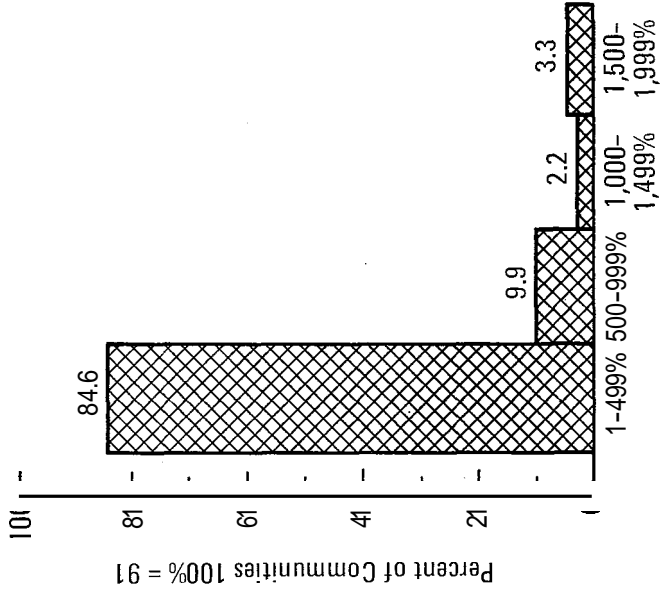


Percent of Substandard Housing Suitable for Rehabilitation

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

**Chart 4.10**

**"Less than Acceptable" Units\***



Percent by Which Units Suitable for Rehabilitation Exceed Substandard Units

\*"Less than Acceptable" Units are Recorded when a Community Reports More Units as Suitable for Rehabilitation than Substandard Units.

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

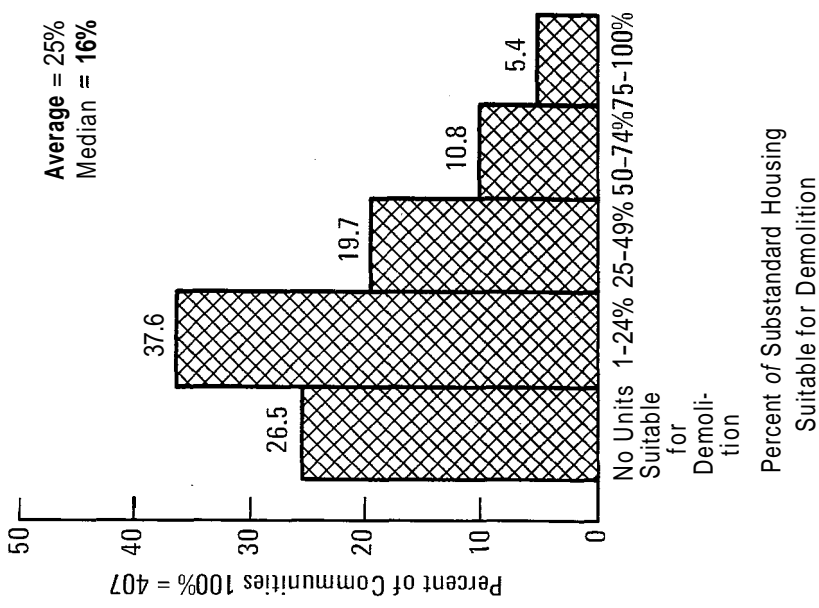
**Housing Assistance Needs**

The housing assistance needs estimated by 407 communities were based primarily on the estimated number of lower-income households that spend an excessive proportion of their income in order to afford adequate, non-luxury, standard housing, excluding households requiring, but already receiving, an adequate level of housing assistance.

<sup>11</sup>A recent report by the Joint Center for Urban Studies estimated that 21 percent of the U.S. households are in need of housing assistance. The Joint Center considered families with incomes less than \$10,000 as in need of housing assistance if they live in overcrowded conditions, pay an excessive amount of rent, or live in housing with physical structural defects. HUD's instructions for preparation of Housing Assistance Plans include similar criteria, except that applicants are allowed to use 80 percent of the median income for the area to determine the number of lower-income families. (Joint Center for Urban Studies of the MIT and Harvard University, *America's Housing Needs: 1970 to 1980*, December 1973, pp. 4-7.)

**Chart 4.11**

**Distribution of Communities with Percent of Substandard Housing Units Suitable for Demolition**



Average = 25%  
Median = 16%

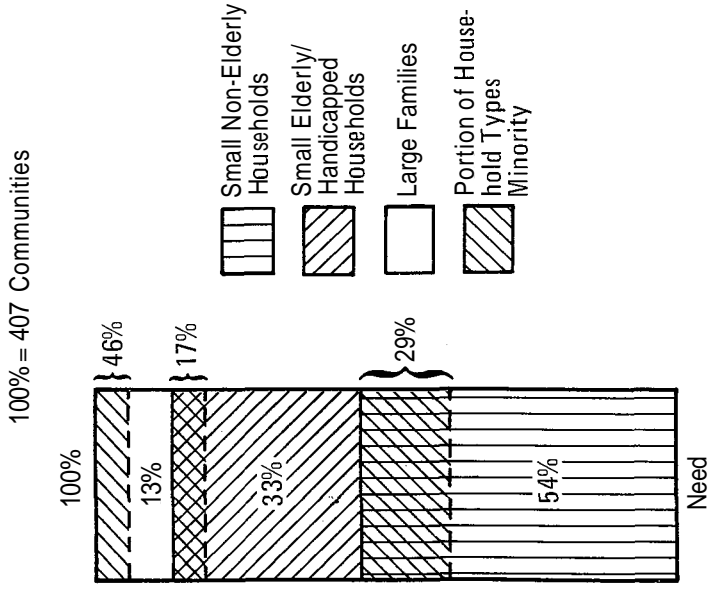
Percent of Substandard Housing Suitable for Demolition

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

Total of 21.6 percent of the households need assistance in these 407 communities. This figure is similar to an estimate of percentage of all households in the United States in need of housing assistance made by the Joint Center for Urban Studies of MIT-Harvard University.<sup>1</sup>

Chart 4.12 shows that the need for housing assistance is concentrated among smaller, non-elderly households.

**Chart 4.12**  
**Housing Needs of**  
**Various Household Types**



Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

Smaller, elderly, and handicapped households are the second largest group requiring housing assistance. Households which have four or more minors are designated as large families and comprise 13 percent of the total need.

There is also considerable variation in the distribution of housing needs of minority households. Among the large families in need of assistance,

minorities account for 46 percent. Minorities account for 17 percent of the elderly and 29 percent of other small family needs for housing assistance.

This estimate of needs combines separate estimates for lower-income households currently residing in the community and projections of additional low-income households that might require housing assistance during the year. These projections cover displaced or expected to be displaced households (due to clearance, demolition, major rehabilitation, etc.), and also additional households expected to be residing<sup>12</sup> in the community over the year (due to employment and/or housing opportunities, shifts in population, etc.). These latter categories account for 11 percent of the total housing assistance need.

### Housing Strategies

The legislation requires that CDBG recipients specify a realistic annual goal for the number of dwelling units or persons to be assisted. In developing their goals, the recipients must determine: (1) what program mix to use (whether to emphasize new construction units, rehabilitation, or existing units); (2) what target groups (elderly, large family, etc.) to assist, in what proportion, and in what order of priority; and (3) where to locate their low- and moderate-income housing.

The 407 cities' data suggests early trends that may be developing, but may be modified as performance data becomes available.

### LEVEL OF HOUSING EFFORT

The 397 communities<sup>13</sup> are planning to mount an ambitious program in the first year of CDBG to improve the condition of their housing stock. These cities plan to rehabilitate or replace nine percent of their total substandard units in the first year. If cities continued at this rate, identified existing substandard housing could be eliminated within 11 years.

### PROGRAM MIX STRATEGIES

The 397 communities are planning housing assistance for 209,000 units. The program approach is divided as follows:

- 27% Existing standard units
- 30% Rehabilitated
- 43% New construction

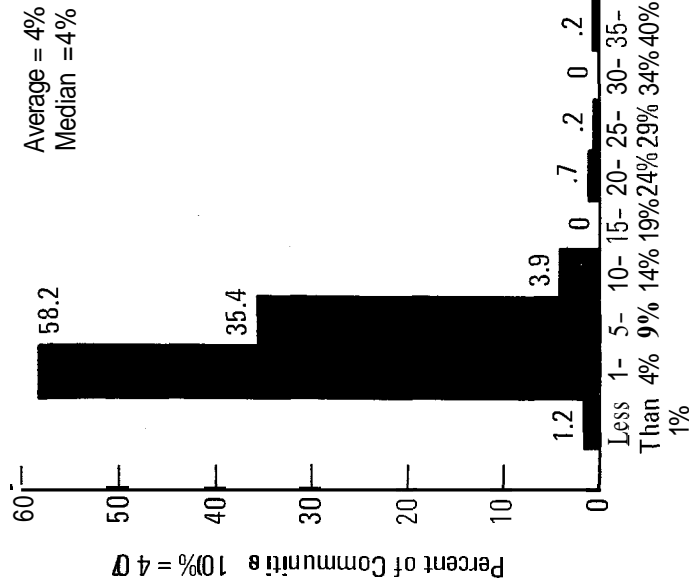
<sup>12</sup>The "expected to reside" data was considered to be one of the most difficult pieces of data to provide. The Census provides "Journey to Work" data for SMSAs with a population of 250,000 or more and for cities within these SMSAs with a population of 50,000 or more. Unless local surveys were available, most smaller cities had to rely on their own estimates of lower-income households already employed but not residing in the community, that might move there given the availability of lower-income housing.

<sup>13</sup>The analysis in this report deals only with the first year goals. Out of a sample of 407 communities, 10 did not specify a first-year goal, but instead provided a three-year goal or an assurance that their housing assistance needs will be addressed in their second program year. In the future, both an annual goal and a three-year goal will be a strict requirement. This analysis will include the remaining 397 communities, all of which developed a first-year goal.

In setting their strategies for assisted housing, communities were dealing with a number of givens, including the condition of housing and the vacancy rate.

The average vacancy rate is four percent, although the range varies from a high of 38 percent to less than one percent. Because of these differences, communities are using various mixes of housing assistance.

### Chart 4.13 Distribution of Communities with Vacant Housing Units as a Percent of Total Housing Stock



Percent of Vacant Housing

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

**New Construction Only**  
Seven percent of the communities are planning only new construction their first year. These cities and counties are using an expansion strategy, perhaps possibly in response to a low vacancy rate, a large percentage of housing to demolished, or the needs of the elderly, handicapped, and large families. (See discussion of Target Group Strategies).

**Rehabilitation Only**  
About four percent of the communities are planning only rehabilitated housing. These localities are applying a conservation strategy, reducing their sub-standard housing, and improving the overall condition of their present housing stock.

**Existing Only**  
Nine percent of the communities are concentrating on assisting only existing units for their first annual goal. This strategy promotes neighborhood stabilization by utilizing the standard existing units that are appropriate for low-income households. The communities may have selected this strategy in response to a high percent of standard vacant units.

**Combined Strategies**  
The majority of communities (approximately 80 percent) combined these strategies to produce an approach dealing with more than one problem area. Almost half the communities planned for all three types of housing, while about one-third combined two types of housing assistance. Charts 4.14, 4.15, and 4.16 show the distribution of housing assistance planned by the communities.

Counties have a greater percentage of housing suitable for demolition and a lower percentage of housing suitable for rehabilitation than the cities.

The housing goals aggregated for the counties reflect consideration of these conditions. Counties plan to assist:

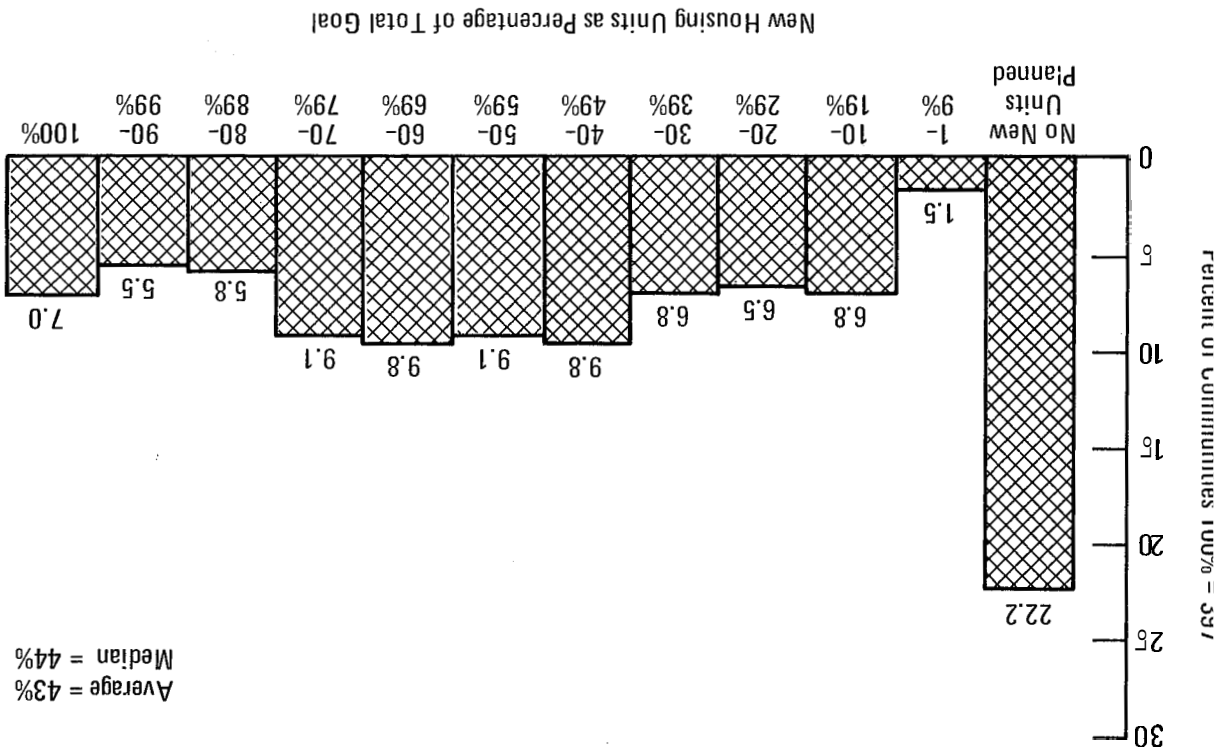
—A lower percentage of rehabilitated units (24 percent compared to 34 percent for metropolitan cities), and

—A higher percentage of new construction to replace unsalvageable units (45 percent compared to 40 percent for metropolitan cities).

Counties also plan to assist a higher percentage of existing units than metropolitan cities (32 percent compared to 26 percent). This may be due to a greater reliance by the counties on the HUD Section 8 program that emphasizes maximum possible use of existing housing.<sup>14</sup>

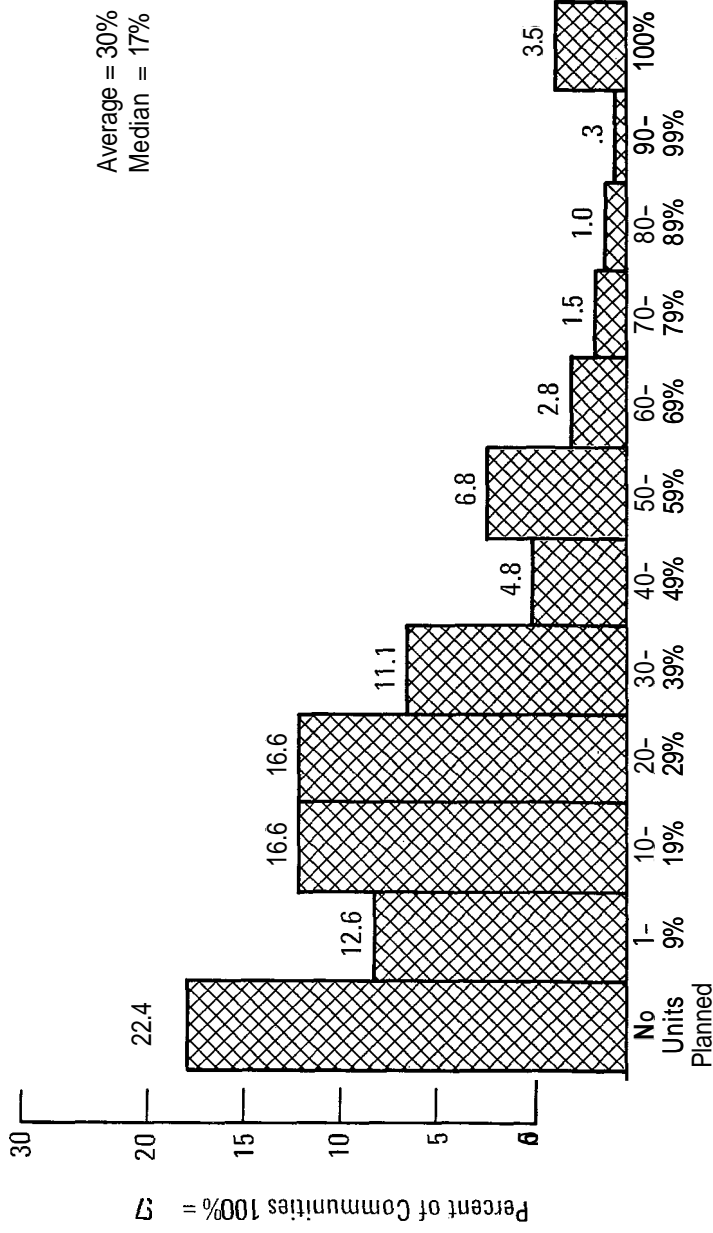
<sup>14</sup>Counties cite Section 8 as the source of assistance for 62 percent of planned units, while cities expect Section 8 assistance for only 40 percent of planned units.

**Chart 4.14**  
**Distribution of Communities with Planned New Housing Units as a Percent of Total Assisted Housing Units in Annual Goal**



Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

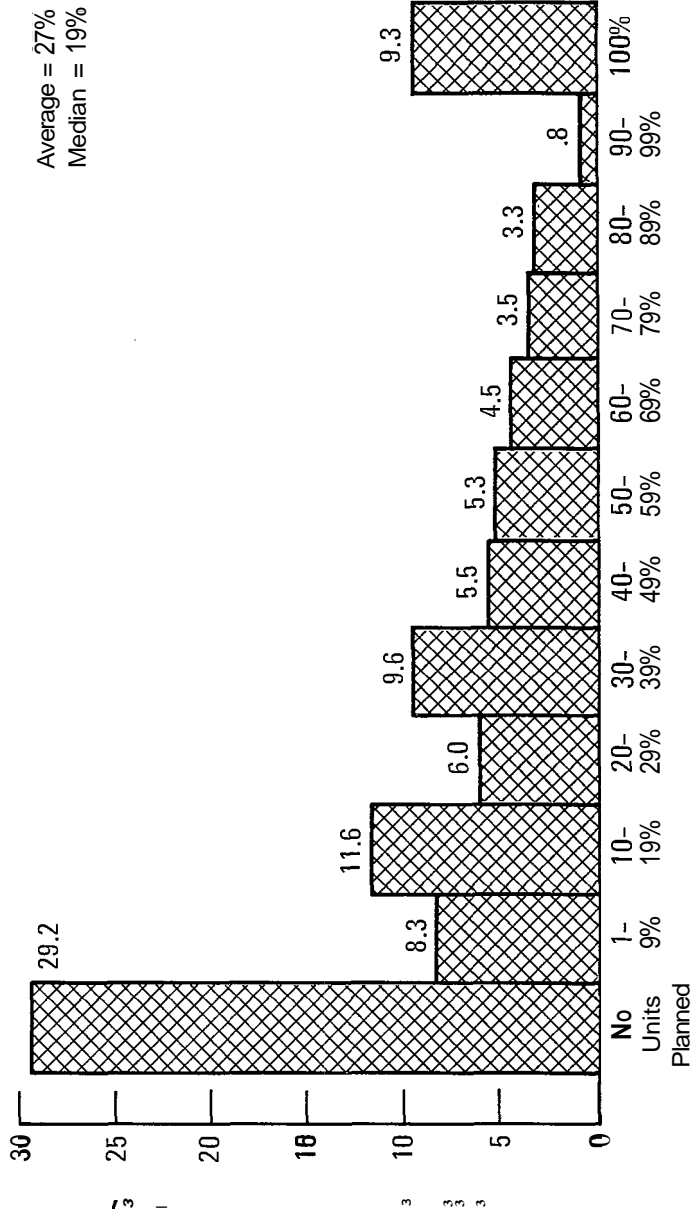
**Chart 4.15**  
**Distribution of Communities with**  
**Planned Rehabilitated Housing Units as a Percent**  
**of Total Assisted Housing Units in Annual Goal**



Rehabilitated Units as a Percentage of Total Goal

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

**Chart 4.16**  
**Distribution of Communities with Planned Existing Units**  
**as a Percent of Total Assisted Housing Units in Annual Goal**



Existing Units as Percentage of Total Goal

Source: Department of Housing and Urban Development Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

**TARGET GROUP STRATEGIES**

In addition to the condition of units available for assisted housing, localities must also consider the needs of lower-income families in their community to determine if units are available for small families, the elderly/handicapped, and large families.

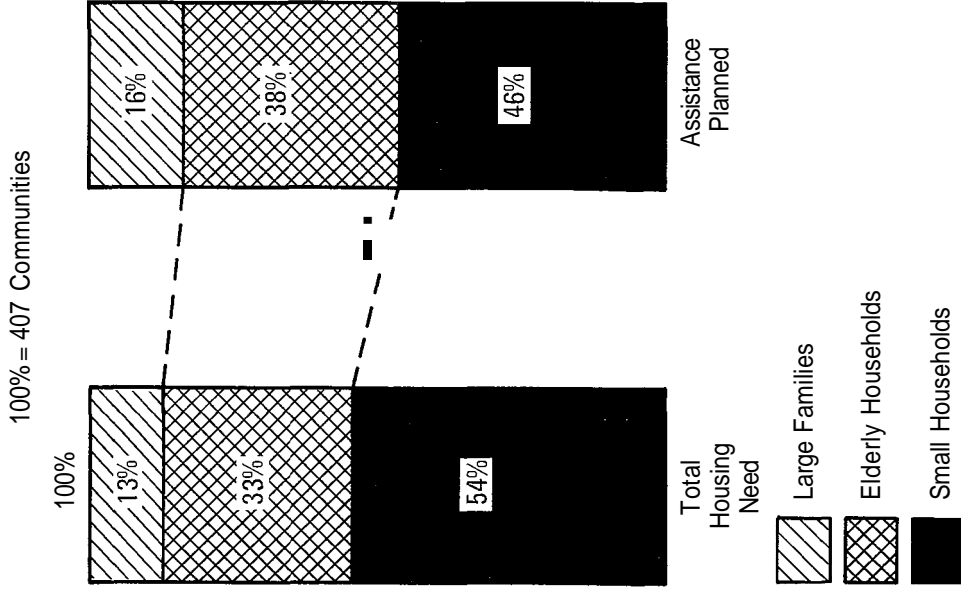
First year plans indicate that 46 percent of the assistance planned is for small families, 38 percent

for the elderly/handicapped, and 16 percent is for large families. The proportion of total assistance being planned for these three groups corresponds closely to proportional need.<sup>15</sup> (See Chart 4.17, Total Housing Need vs. Assistance Planned.)

<sup>15</sup>These needs are based on the entire number of households requiring assistance, which include the projections of displaced and expected-to-reside households.



## Chart 4.17 Total Housing Need vs. Assistance Planned



of CDBG. Seventy-nine percent of the communities are planning to assist all three types of households to some extent, while 16 percent are concentrating on two groups. Three percent of the communities plan to provide housing assistance for the elderly, and two percent plan to provide units only for the smaller, non-elderly families. There are no communities planning housing assistance exclusively for large families. (Charts 4.18, 4.19, and 4.10 show the range of housing units planned for the three household types by 397 cities). The type of housing being planned for the various target populations reflects wide variation among the three groups:

### Elderly/Handicapped

More than half of the new construction planned by communities is targeted for elderly and handicapped households (See Chart 4.21, Distribution of Housing Assistance Among Households). This would meet nearly 60 percent of the housing assistance goals for the elderly and handicapped in the first year. Twenty-five percent of their housing goals would be met by existing housing and 17 percent by rehabilitated units. (See Chart 4.22, Household Goals by Type of Unit).

The heavy reliance on new construction as a type of assistance for the elderly and handicapped may be related to the need for special services or facilities. Existing housing may have architectural barriers restricting mobility of these household types. Rehabilitation of housing for this target group may be restricted to those units which can be altered to add conveniences or remove barriers.

### Smaller Families

Housing assistance being planned for smaller families with fewer than four minors will be almost evenly divided into thirds for new units, rehabilitated units, and existing units.

### Large Families

The type of units being planned for large families also reflects a mix. Forty percent will be rehabilitated units, 32 percent new units, and 28 percent existing units. The program mix planned for large families may be due to the lack of existing, large units suitable for families with four or more minors. New units may be needed to provide appropriate housing for this group. If a city has a large number of units suitable for rehabilitation, additional rooms may be added to regular sized units to accommodate large families; or subdivided larger homes may be renovated as single-family units.

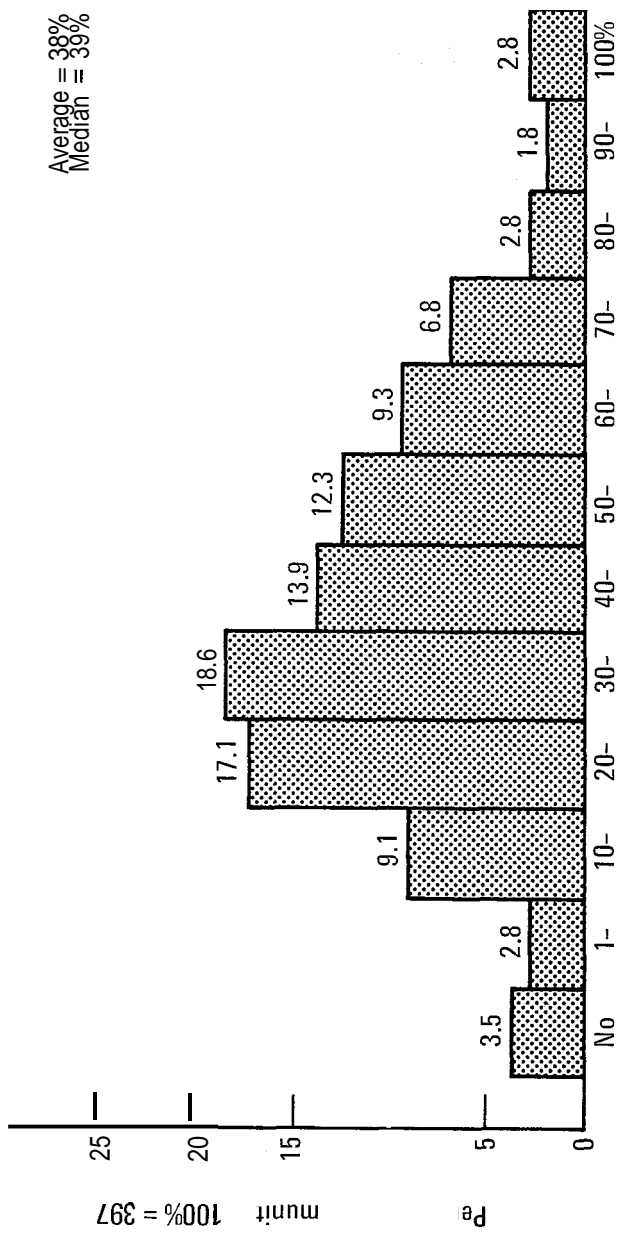
Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

Smaller, non-elderly families have the greatest need, and are scheduled to receive the greatest amount of housing assistance. Elderly and handicapped households, representing approximately one-third of the need, are to receive slightly more than one-third of the total assistance. Large families represent 13 percent of the total need and will receive the smallest percentage of the housing assistance planned.

Most communities have chosen to provide housing assistance for a mix of groups, rather than concentrate on a single group during the first year

**Chart 4.18**

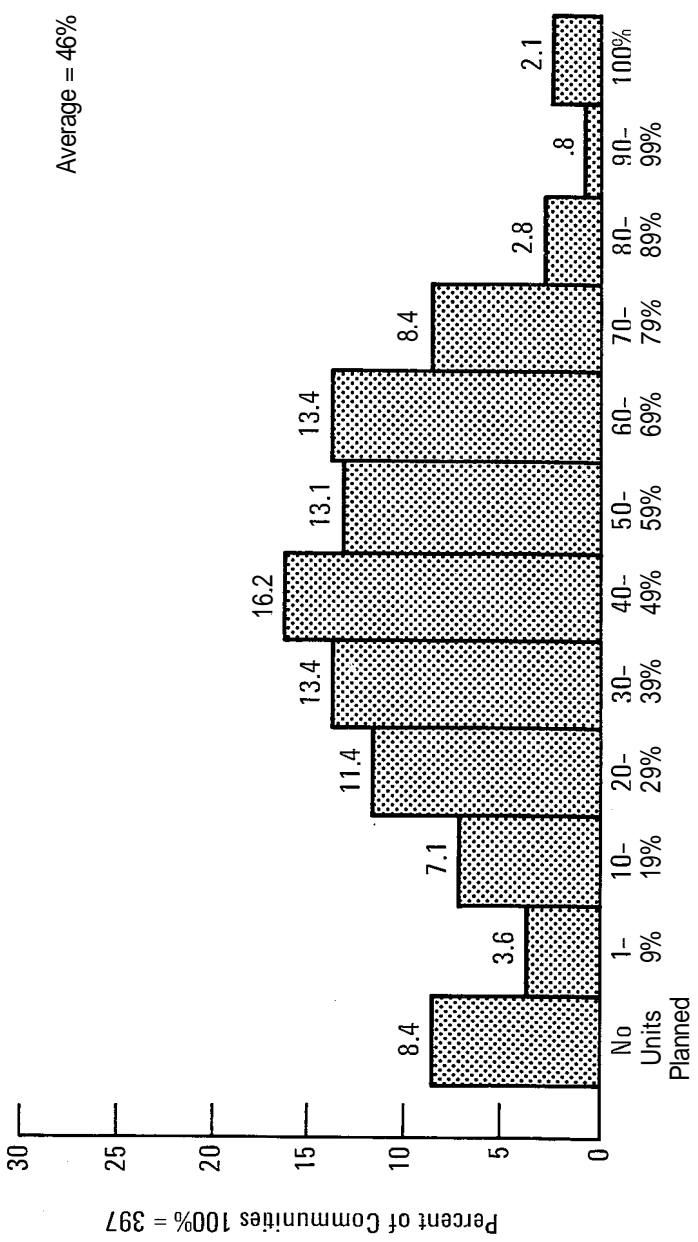
**Distribution of Communities with Planned Elderly/ Handicapped Units as a Percent of Total Assisted Housing Units in Annual Goal**



Elderly Handicapped Units as Percentage of Total Goal

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

**Chart 4.19**  
**Distribution of Communities with Planned Smaller**  
**Family Units (Non-Elderly) as a Percent of**  
**Total Assisted Housing Units in Annual Goal**

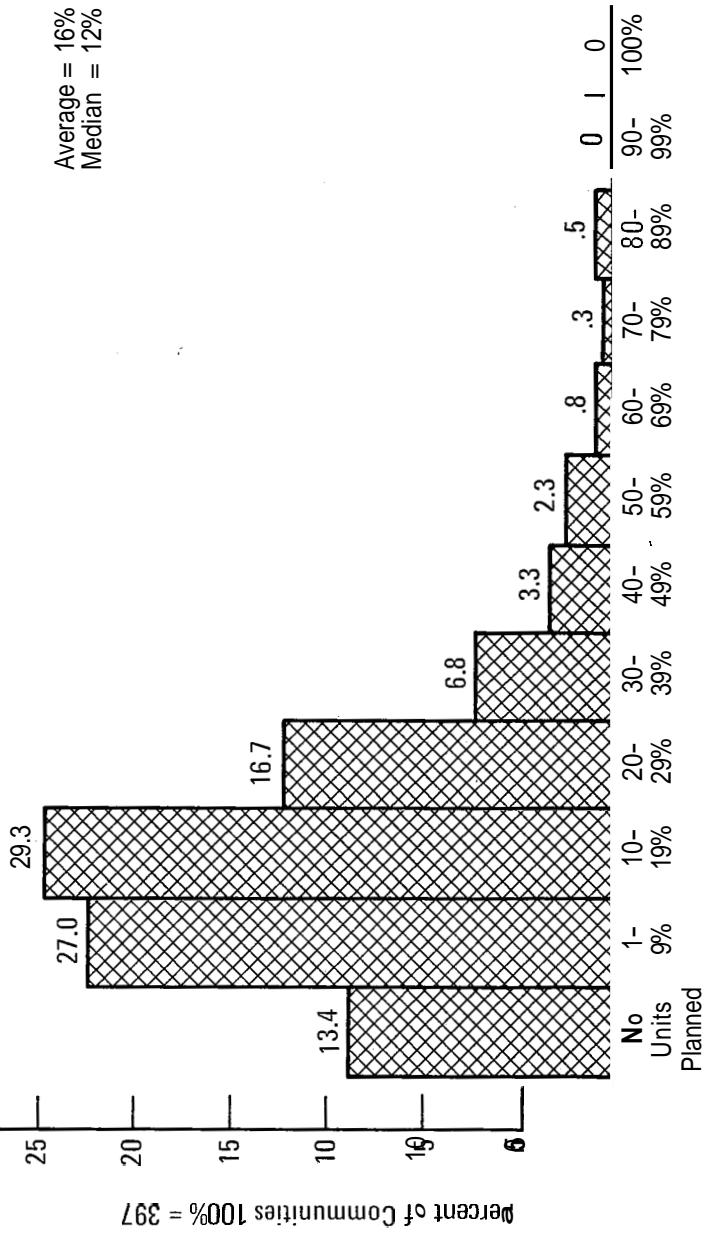


Smaller Family Units as Percentage of Total Goal

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

**Chart 4.20**

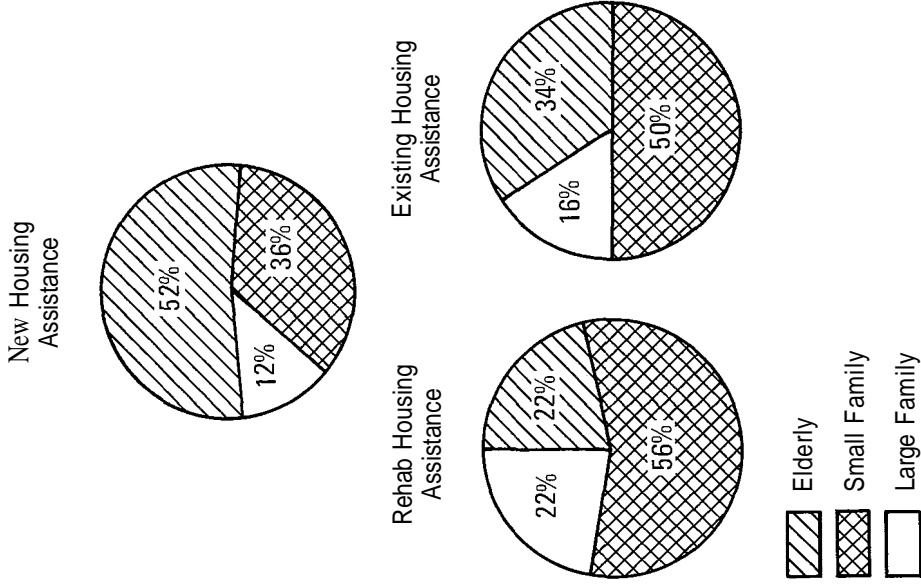
**Distribution of Communities with Planned Large Family Units as a Percent of Total Assisted Housing Units in Annual Goal**



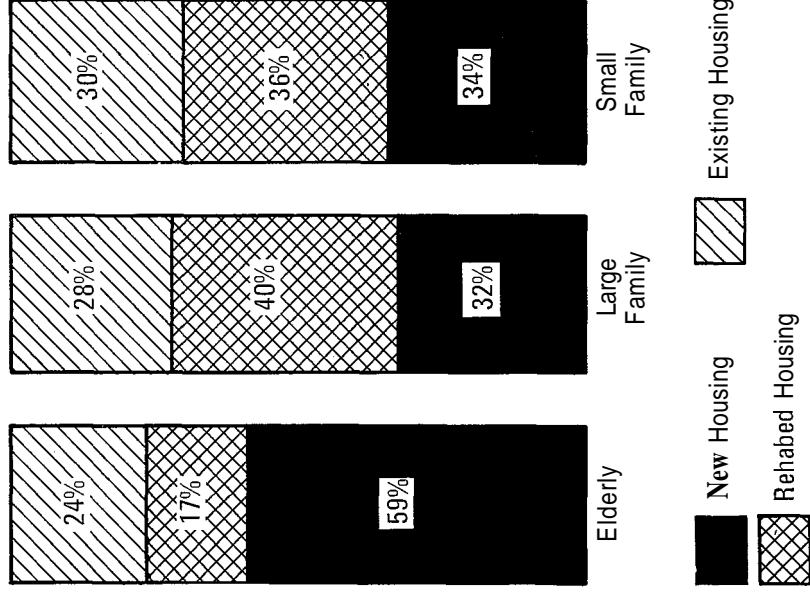
Large Family Units as Percentage of Total Goals

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

**Chart 4.21**  
**Distribution of Housing Assistance Among Households**



**Chart 4.22**  
**Household Goals, by Type of Unit**



Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

**LOCATION STRATEGIES**

Location of housing assistance is one of the key factors in achieving many community development objectives. Decisions about housing location will determine the extent of coordination of housing and community activities, affect the dispersion of income groups, and contribute to the arrest of slums and blight.

Analysis of the census tract location of all planned housing assistance indicates that the legislative objective of dispersal of income groups may be furthered in one-third of the areas targeted for housing assistance which are in upper-income neighborhoods. The fact that almost half of the new

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Housing Assistance Plan Analysis.

construction areas are in upper-income areas suggests that dispersed housing is being planned for the non-elderly as well as the elderly since only 22 percent of the rehabilitation units is designated for the elderly.

Approximately two-thirds of the areas for which housing assistance is planned are in the low- to moderate-income neighborhoods, indicating a neighborhood stabilization strategy. One-third of the census tracts scheduled to receive housing assistance is in the very poorest neighborhoods (See Table 4.2, Distribution of Census Tracts Designated for Housing, by Type of Housing and Income Quartiles).

Table 4.2

Distribution of Census Tracts Designated for Housing Assistance, By Type of Housing and Income Quartiles

Income Quartile	Type of Housing			Total
	New	Rehab.	Combined	
I (High)	25.9%	11.7%	14.5%	16.3%
II	20.8	21.1	20.2	20.7
III	22.0	28.8	27.0	26.5
IV (Low)	31.3	38.5	38.3	36.6
	100.0%	100.1%	100.0%	100.1%
Total	25.7	40.2	34.1	100%

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, CDBG Evaluation System.

**COORDINATION OF HOUSING AND COMMUNITY DEVELOPMENT ACTIVITIES**

Entitlement communities are coordinating the location of housing and community development activities in 61 percent of their census tracts scheduled to receive housing assistance.<sup>6</sup> Approximately two-thirds of the Block Grant funds will be used in these census tracts.<sup>7</sup> Rehabilitation areas are re-

ceiving the largest portion of the community development funds, while areas scheduled for new construction are receiving the smallest amount. The degree of coordination for each housing type follows:

	% of Tracts Coordinated	%CDBG Funds
New Construction	54.3% of the new construction tracts are coordinated with	16.9%
Rehabilitation	66.1% of the rehabilitation tracts are coordinated with	26.5%
Combined New Construction and Rehabilitation	61.2% of the combined tracts are coordinated with	20.3%

total of 61.4 percent of the housing tracts are receiving 63.7 percent of the Block Grant funds for these cities.

Most of the housing that is coordinated with CDBG funds is targeted for lower-income needs. This is indicated by the fact that more than three-fourths of the coordinated census tracts are located in the low- to moderate-income neighborhoods, and close to half of these tracts are located in the poorest areas.

<sup>6</sup>Figures are based on a location analysis of housing and community development activities in the census tracts of 133 communities. Eighteen communities in the original sample of 151 did not provide adequate data for this analysis.

<sup>7</sup>The analysis was limited to community development coordination with new construction and rehabilitation. Cities did not specify census tract locations for existing housing assistance. If existing housing is included, the actual Block Grant funds coordinated with housing assistance may be even more than two-thirds.

Table 4.3

Distribution of Coordinated Census  
Tracts Among Income Quartiles

Type of Housing	Quartiles				Total
	I and II	III and IV	(IV)	(IV)	
New Construction	29.4%	70.6%	(45.3)%	22.8%	
Rehabilitation	24.2	75.9	(43.3)	43.2	
Combination of New and Rehabilitation	19.3	80.7	(50.8)	34.0	
Total	23.7%	76.3%	(46.3)%	100.0%	

Table 4.4

Distribution of Uncoordinated Census  
Tracts Among Income Quartiles

Type of Housing	Quartiles				Total
	I and II	III and IV	(IV)	(IV)	
New Construction	67.1%	32.9%	(14.7)%	30.4%	
Rehabilitation	49.4	50.6	(28.9)	35.3	
Combination of New and Rehabilitation	59.0	41.0	(18.6)	34.3	
Total	58.1%	41.9%	(21.1)%	100.0%	

New construction and rehabilitation are equally likely to occur in low- and moderate-income areas in coordinated census tracts.

Most of the tracts which do not coordinate housing and community development activities are located in the moderate-to high-income areas (See Table 4.4, Distribution of Uncoordinated Census Tracts Among Income Quartiles). Nearly 60 percent of these uncoordinated tracts is located in the higher-income areas.

In uncoordinated census tracts, new construction is more likely to occur in higher-income areas, but rehabilitation is evenly distributed.

Locating housing and community development activities in the same census tracts does not assure coordination.

Communities gave some examples of possible coordination strategies.

**Coordination with Existing Services**

Some communities used community development criteria in evaluating sites for new construction or rehabilitation. The criteria included: availability of and access to health services, present and future school capacity, land use compatibility, availability and capacity of public utilities, availability of public improvements (sidewalks, street

lighting, etc.), access to recreation, and availability of public transit.

Communities consistently considered proximity to public transit in the selection of new construction sites for the elderly. Sites which could not meet this criterion and which did not provide other services and amenities for the elderly were eliminated from consideration.

This strategy promotes coordination of housing efforts with existing community development services and facilities.

#### Complementary Programming

Some communities stated that they selected sites for rehabilitation and assistance for existing units, if the sites overlapped or complemented community development activities or had a large number of vacancies.

An example of complementary programming is the use of capital improvements to develop new infrastructure for proposed housing. This includes construction and improvement of water and sewer facilities. These improvements often support rehabilitation activities in older and low-income areas of the city.

A few communities are planning to fund other activities which support housing efforts and contribute to a unified program of neighborhood improvement. These communities have budgeted community development funds for adult training programs in home maintenance. They also plan to instruct residents in participation in local code enforcement programs. Other cities are planning to improve transportation to and from schools by using Block Grant funds to construct sidewalks and bus shelters near restored housing areas.



## DISCRETIONARY FUNDING SYSTEM

Three sources of discretionary funding are authorized in the Community Development Block Grant legislation: the urgent needs fund, the Secretary's fund, and the nonmetropolitan and SMSA general purpose funds. Designed to meet the special community development needs not met through the formula entitlement portion of the legislation, these funds are awarded at the discretion of the Secretary, upon consideration of the competing claims of eligible applicants.

The third source, the general purpose funds, contains the largest appropriation and is available to all States and units of general local government, excluding metropolitan cities, urban counties, and units of general local government participating in urban county applications for entitlement funds.

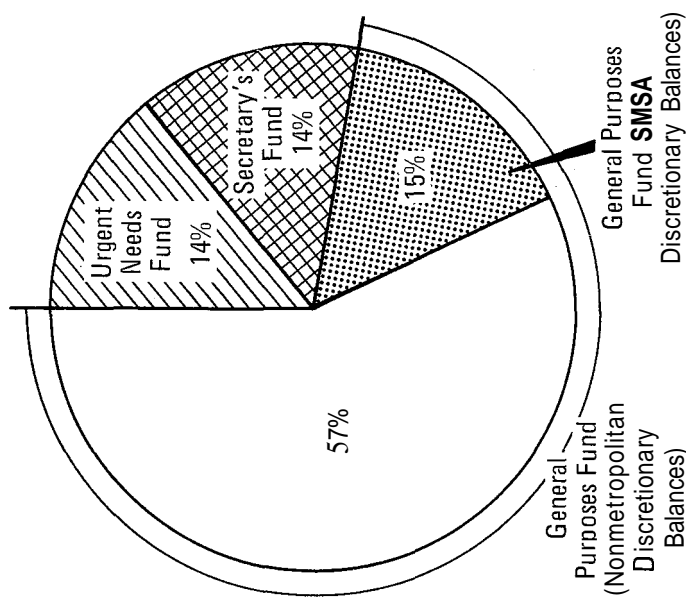
Although the application form is the same as that for entitlement funds and the range of eligible activities identical, the general purpose fund application process is not a major departure from the HUD categorical grant application process. Applications are subject to a careful scrutiny by the HUD Area Offices due to the competitive nature of the program and the limited amount of funds available.

The discretionary portion of the CDBG program does share with the entitlement portion a more comprehensive approach towards meeting community development needs (evident in the broad range of eligible activities), a shorter processing time, greater latitude for local governments to tailor their applications toward local priorities, and a means for coordinating community development and housing activities.

The general purpose fund is akin to the categorical programs in the application rating procedures applied by HUD.

Funding is based upon the rank order of each application among all other applications from the particular SMSA for the SMSA general purpose funds, and from the particular State for nonmetropolitan general purpose funds.

**Chart 5.1**  
**Sources of**  
**Discretionary Funding**



Reference: Appendix E, Table 14

### SMSA AND NONMETROPOLITAN GENERAL PURPOSE (DISCRETIONARY BALANCES) FUND

The two general purpose funds are comprised of the balances of the CDBG funds allocated to SMSAs under 24 CFR Part 570.106 (d)(2) and to nonmetropolitan areas under 24 CFR Part 570.106

(f)(1)(B) of the Block Grant regulations, after entitlement grant allocations are made to metropolitan cities, urban counties and hold harmless units of general local governments.

Administered by the HUD Area Offices, the discretionary balances are available to States and units of general local government as defined in the CDBG rules and regulations, 24 CFR Part 570.3(v), excluding metropolitan cities, urban counties, and units of general local government which joined urban counties in application for Block Grant entitlement funds. Small hold harmless communities both in SMSAs and nonmetropolitan areas may compete for the separate discretionary balances.

At the writing of the *COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM: PROVISIONAL REPORT*, April 1975, it appeared that no money would be available for the funding of SMSA discretionary balances applicants. The qualification of 73 urban counties for funding had resulted in an SMSA discretionary account deficit of approximately \$23 million.

After the President's signing, in June, of the \$54.6 million supplemental appropriation bill for discretionary grants to metropolitan areas, the deadline for submission of full applications was deferred until September 1975. A total of 959 applications requesting \$132,768,000 or 243 percent of the \$54,642,000 available was received by the September deadline. As of December 5, 1975, \$29,667,000, representing 54 percent of the funds available, had been approved for 357 applicants. The average grant was \$83,101. Because applications for the remaining 46 percent of the funds are under review, the SMSA discretionary balance funds are given limited coverage in this report.

### **A Comparison of Activities Funded for Entitlement and Nonmetropolitan General Purpose Fund Applicants**

A comparison of activities funded for entitlement and general purpose fund applicants reflects the characteristic differences between discretionary and

entitlement applicants—size, scope of local services provided, and local experience with Federal community development programs. Almost 36 percent of the entitlement funds was scheduled to be spent for conventional urban renewal type activities and historic preservation.<sup>7</sup> However, few nonmetropolitan applicants receiving general purpose discretionary funds participate in HUD's Urban Renewal program. Nonmetropolitan general purpose funds approved for acquisition of property, relocation, demolition, and historic preservation account for only 9 percent of the total program funds. Thirteen percent of the entitlement funds was budgeted for public services. Less than one percent of the nonmetropolitan general purpose discretionary funds was approved for public services.

Forty-three percent of nonmetropolitan general purpose funds supports water and sewer activities compared to 6 percent of entitlement funds. Entitlement applicants appear more often to have public facilities in place than do the smaller nonmetropolitan applicants. Eleven percent of the general purpose funds was approved for neighborhood facilities, as compared with 2 percent of the entitlement funds.

There is very little difference in the proportion of funds budgeted for other activities by entitlement and nonmetropolitan discretionary applicants. The proportion of entitlement funds budgeted for other public works, open space, and code enforcement varied by only one percent from the proportion of general purpose discretionary funds approved for similar activities.

The proportion of funds approved for street improvements and rehabilitation activities did not vary greatly. Eleven percent of the entitlement funds and 8 percent of the nonmetropolitan general purpose funds were budgeted for street improvements. Fourteen percent of the entitlement funds and 9 percent of the general purpose funds were approved for rehabilitation. Nonmetropolitan general purpose funds approved in 18 activity categories are presented in Table 5.1.

Conventional urban renewal activities include: acquisition for redevelopment, relocation, and demolition

Table 5.1  
Planned Uses for Nonmetropolitan  
General Purpose Fund

Activity	\$ Amount	% of Total	No. of Applicants	Average Grant
1. Acquisition for Housing Purposes <sup>(7)</sup>	\$7,651,705	- 3.8%	120	\$63,764
2. Acquisition for Economic Development <sup>(11)</sup>	2,628,630	- 1.3	42	\$62,586
3. Relocation <sup>(12)</sup>	3,842,504	- 1.9	94	\$40,877
4. Demolition and Clearance <sup>(13)</sup>	3,488,797	- 1.8	156	\$22,364
5. Historic Preservation <sup>(17)</sup>	558,300	- .3	14	\$39,871
6. Code Enforcement <sup>(15)</sup>	2,161,499	- 1.1	30	\$72,049
7. Rehabilitation <sup>(14)</sup>	17,720,827	- 8.9	239	\$74,145
8. Renewal of Architectural Barriers <sup>(18)</sup>	229,700	.1	13	\$17,669
9. Water Projects <sup>(1)</sup>	48,462,550	- 24.3	379	\$127,869
10. Sewer Projects <sup>(2)</sup>	36,746,253	18.4	311	\$118,155
11. Open Space <sup>(9)</sup>	6,177,210	- 3.1	121	\$51,051
12. Street Improvements <sup>(5)</sup>	16,421,012	8.2	214	\$76,733
13. Other Public Works <sup>(10)</sup>	5,616,584	- 2.8	96	\$58,506
14. Flood Protection <sup>(11)</sup>	4,769,612	- 2.4	55	\$86,720
15. Neighborhood Facilities <sup>(3)</sup>	22,940,780	11.5	219	\$104,752
16. Services/Programs <sup>(16)</sup>	1,197,770	.6	30	\$39,925
17. Other (Specify) <sup>(8)</sup>	6,777,117	3.4	110	\$61,610
18. Administration/ Studies/ Planning/ Contingencies <sup>(6)</sup>	12,130,150	- 6.1	649	\$18,690
<b>TOTAL</b>	\$199,521,000 +174,000 \$199,695,000			

— Minneapolis Area Office; not yet committed. \$169,227  
1180

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation.

**A Comparison of Water and Sewer Activities Funded Under the HUD Water and Sewer Categorical Program and the Nonmetropolitan General Purpose Fund**

The CDBG nonmetropolitan discretionary balance program funded 379 water activities and 311 sewer activities, averaging \$127,869 and \$118,155 respectively. If generalizations can be drawn from field visits to nine applicants funded for water and sewer activities, CDBG water and sewer activities characteristically involve line extensions or replacements in low- and moderate-income target areas. The inadequacy of a small town's water supply could, however, represent so basic a human problem as to overshadow all other community development priorities until corrected.

One such town located in Minnesota was funded on the basis of the imminent threat to public health and safety criterion (24 CFR Part

570.402 (b)(4)). Between the submission of the pre-application requesting funds for water system improvements in March 1975 and the submission of the application in May, the town's primary well dried up. The town requested and was approved for the maximum grant allowable by the Area Office, \$300,000. The town pledged to contribute an estimated \$218,000 to the total project cost.

Seventy-six percent of the communities funded through the HUD Water and Sewer categorical program were communities of less than 50,000 persons. This is generally the same population group eligible for general purpose discretionary funds. Thirty-seven percent of the categorical recipients was outside of SMSAs. The majority of projects funded were water and sewer line replacements or extensions to areas inadequately served by one or both of these utilities.

A primary difference between the two programs appears to be one of scale, as illustrated in the table below.

**Table 5.2**  
**Water and Sewer Expenditures Under Categorical Programs vs. Under the CDBG Nonmetropolitan General Purpose Fund**

	<b>Water and Sewer Categorical Program 1968-72</b>	<b>Nonmetropolitan General Purpose Fund FY 1975</b>
Average HUD Water and Sewer Grant Amount	\$ 439,332	\$ 123,491
Average Project Size	\$1,424,508	Not available, no local share required
Recipients Under 50,000 Population	76%	100% of municipalities; most counties
Total Dollars Approved for Recipients Outside SMSAs	\$291,866,000	\$85,208,803

Source: Ibid.

The limited general purpose funds available and the program criteria emphasizing projects addressing needs in low- and moderate-income areas undoubtedly influenced the location and type of water and sewer activities proposed and funded under the CDBG Program.

Unlike the HUD Water and Sewer Categorical program, lateral lines and individual household

connections are eligible activities under the CDBG program. This is of particular importance because of the close relationship between the accessibility of water and sewer lines and successful rehabilitation activities in nonmetropolitan areas. The program index used to measure an applicant's degree of substandard housing is the availability of plumbing facilities.

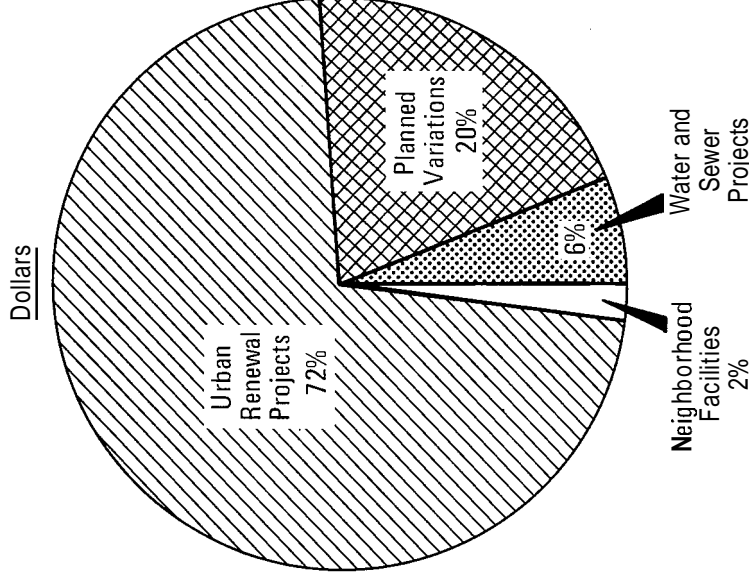
## URGENT NEEDS FUND

The urgent needs fund, designed to facilitate an orderly transition to the CDBG program where HUD had invested in viable but uncompleted projects under specific categorical grant programs, addresses needs arising from three types of HUD categorical programs:

- Urban Renewal projects;
- Planned Variations cities; and
- Water and Sewer projects, Neighborhood Facilities, and Open Space projects.

In FY 1975, the \$50,000,000 fund was allocated as follows:

**Chart 5.2**  
**Urgent Needs Discretionary Fund, by Activity**



100% = \$50 Million  
(61 applicants)

Cities and counties interested in the fund made initial requests to the area offices. Requests were then forwarded by the area offices, with comments, through the regional offices to the HUD central office, which administered this fund.

The major factors considered in funding decisions were:

-Factors Considered in Selecting Applicants Applying on the Basis of the Urban Renewal Completion Criteria:

1. Program deficit
2. Size of an applicant's entitlement grant and the proportion of the grant being assigned to urban renewal completion.
3. Presence of other urgent needs for which the use of CDBG entitlement might be required.
4. Past program performance.
5. Viability of the proposed activities.
6. Immediacy of the need for funds.
7. Size of the project and the prospect for completion of the project if urgent needs funds were forthcoming.

-Factors Considered in Distributing the \$10,200,000 Set Aside for Planned Variations Cities:

Of the 20 Planned Variations cities, the 16 with citywide Planned Variations projects were considered for urgent needs funding.

Prior to the funding of urgent needs applications, HUD developed a formula to determine the needs of Planned Variations cities. The formula took into consideration the amount of money obligated to but unexpended by each Planned Variations city as of January 1, 1975 and the proportion of Planned Variations activities which were of a recurring nature.

The \$10,200,000 set aside for the funding of Planned Variations cities represents 80 percent of the need calculated according to the formula. Thirteen of the 16 Planned Variations cities were funded.

-Factors Considered in Approving Applications for Additional Funding for Other Categorical Programs:

1. Program deficit.
2. Size of an applicant's entitlement grant and the proportion of the grant being assigned to the completion of the categorical program.
3. Past program performance.
4. Immediacy of the need for funds.
5. Size of the project and the prospect for completion of the project if urgent needs funds were forthcoming.

Reference: Appendix E, Table 15

Urgent needs funds approved for the completion of Urban Renewal projects accounted for 72 percent of total funds. Geographically, the Northeastern regions (Boston, New York, and Philadelphia) received over \$17 million, or 49.7 percent of the total dollars approved for Urban Renewal. The Southeast region received almost \$6 million or 16.6 percent. The Chicago region received \$7 million or 19.5 percent. The five million dollar balance was divided among the remaining five HUD regions.

The Chicago region received \$3,551,000 for Planned Variations cities. This was over one-third of the \$10,200,000 approved for this purpose, which is

proportional to four of the 13 funded Planned Variations cities which are located in the Chicago region.

Almost 38 percent, or \$400,000 of the \$1,054,297 approved for Neighborhood Facilities also went to the Chicago region. The next highest amounts went to Atlanta and Boston, with \$168,000 and \$155,817 approved respectively.

The Philadelphia region received \$2,300,000 or 80 percent of the \$2,877,488 approved for Water and Sewer projects. The New York region received the balance, \$577,488. (See Table 5.3)

Table 5.3  
Urgent Needs Fund, by Region Recipient and Activity

Region City	Urban Renewal	Planned Variations	Neighborhood Facilities	Water & Sewer
Cambridge, Mass.	\$600,000		\$155,817	
Brookline, Mass.	800,000			
Malden, Mass. (2)	2,000,000			
Newburyport, Mass.	900,000			
Salem, Mass.	1,470,000			
Sanford, Maine	284,000			
Morristown, N.J.	3,000,000			
Niagara Falls, N.Y.	1,700,000			
Rome, N.Y.	2,900,000			
Auburn, N.Y.	236,000			
Hoboken, N.J.		\$662,000		\$577,488
Patterson, N.J.				
Schuylkill Haven, Pa.	456,000			
Plymouth Twp, Pa.	250,000			
East Pittsburg, Pa.	75,000			
Turtle Creek, Pa.	363,223			
New Kensington, Pa.	1,498,825			
McKeesport, Pa.	780,000			
St. Paul, Va.	500,000		100,000	
Norton, Va.		544,000		
Erie, Pa.				2,300,000
Buffalo Creek, Va.				
Prichard, Ala.	262,000			
Tuscaloosa, Ala.	2,200,000			
Laurel, Miss.	2,500,000			
Corinth, Miss.	258,105			
Dare Co., N.C.			168,000	
Memphis, Tenn.	629,000			
Winston Salem, N.C.		848,000		
Sylacanga, Ala.	122,000			
E. Chicago Hts, Ill.	100,000			
Vionticello, Ind.	1,200,000			

Muskegon, Mich.	1,279,500	
Inkster, Mich.	271,562	
Romulus, Mich.	100,000	
Michigan City, Mich.	450,000	50,000
Staples, Minn.		
Xenia, Ohio	1,100,000	350,000
Bad River Tribe, Wisc.		
E. St. Louis, Ill.		847,000
Indianapolis, Ind.		938,000
Lansing, Mich.		559,000
Dayton, Ohio		1,207,000
Minneapolis, Minn.	2,500,000	
Baton Rouge, La.		140,000
Texarkana, Tex.	454,000	
Waco, Tex.		579,000
Waterloo, Iowa	2,400,000	
Oronogo, Mo.		40,000
Pickering, Mo.		15,480
Des Moines, Iowa		
Sturgis, S.D.	250,000	361,000
Butte, Mont.		162,000
Tempe, Ariz.	202,000	
Hopi Res., Ariz.		35,000
Santa Maria, Cal.	1,375,000	
Santa Monica, Cal.	400,000	
Tucson, Ariz.		1,108,000
Fresno, Cal.		722,000
Seattle, Wash.		1,663,000

Source: Department of Housing and Urban Development, Community Planning and Development

## SECRETARY'S FUND

Sections 103(a)(2) and (b) and 107(a) of the Housing and Community Development Act of 1974 provide that 2 percent of the CDBG appropriation less the amount appropriated for urgent needs and the \$50,000,000 excluded in Section 103(a)(2) for SMSA hold harmless entitlements and discretionary balance grants will comprise the Secretary's discretionary fund. Grants are authorized for six purposes:

- New Communities
- Inequities
- Territories
- Innovative Projects
- Federally recognized disasters
- Areawide programs.

The Secretary's Fund was allocated \$47,907,500 for FY 1975. Of this amount, \$20,965,500 was transferred to fund hold harmless entitlements, covering a shortfall of funds resulting from the qualification of a greater number of urban counties than had been anticipated.<sup>2</sup> The balance, \$26,951,000, was divided among the first five categories. "Areawide programs" were not funded for FY 1975.

## New Communities

The HUD New Communities Administration was delegated \$13.1 million of the Secretary's discretionary funds. The administration approved grants for new communities with concurrence from the HUD Office of Community Planning and Development.

<sup>2</sup> See Chapter 6 for a discussion of Urban County entitlement funds.

The single selection criterion outlined in the rules and regulations initially caused confusion due to its seemingly all inclusiveness [24 CFR 570.403 (d)(2)]: "The criterion to be used in selecting among applications and activities is whether the grants are necessary to achieve new community objectives." The New Communities Administration received requests for approximately \$115 million from 13 new communities or over 850 percent of the \$13.1 million allocated to new communities in FY 1975.

To narrow the range of eligible activities, highest priority was assigned to hard infrastructure investments (generally construed as essential public works and facilities).

The second consideration was the immediacy of the need for a proposed activity to sustain a project's current development program. The careful timing of the grant to attract new investment was a third factor. The final consideration was the long range prospects for the project's success.

As of December 1, 1975, six applications had been approved for a total of \$6,252,690. The remaining funds have been tentatively reserved for seven additional applications. The funding of one of these latter seven in FY 1975 is being deferred as a result of an environmental impact suit.

### Inequities

The inequities portion of the Secretary's Fund provides for necessary funding adjustments to more equitably reflect local needs for Community Development Block Grant funds.

Allocated \$26,283,520 for FY 1975, the inequities fund provided \$20,956,500 to fund hold harmless entitlements.<sup>3</sup>

Supplementary inequities grants were made to 11 entitlement cities and counties and one non-entitlement city totaling \$4,917,720. \$17,000 was shifted to the SMSA general purpose (discretionary balances) fund to cover an excess in the computed SMSA balances resulting from the computerized rounding of formula figures. The balance, \$392,300, was allocated to five Indian tribes as under the nonmetropolitan discretionary balances program.

The inequities selection criteria listed in the Rules and Regulations cover three specific areas of need:

- To correct a technical error in the computation of a locality's entitlement amount;
- To supplement the urgent needs fund; and
- To supplement entitlement grants where the base period used to calculate the entitlement grant

Table 5.4

### New Communities Funding Under The CDBG Program\*

APPLICANT	STATE	DOLLARS
Harbison	South Carolina	\$ 1,195,000
Maumelle	Arkansas	1,322,000
Woodlands	Texas	2,840,000
Riverton	New York	525,690
St. Charles	Maryland	110,000
Newfields	Ohio	260,000
		\$ 6,252,690
Soul City	North Carolina	\$445,750
Park Forest South	Illinois	250,000
Roosevelt Island	New York	300,000
Radisson	New York	289,000
		\$ 1,284,750
Cedar-Riverside	Minnesota	Funds Not
Jonathan	Minnesota	Yet Assigned
Shenandoah	Georgia	
	Total	\$ 5,562,560
		\$13,100,000

\*Based on data available December 1, 1975.

Source: Department of Housing and Urban Development, New Communities Administration.

does not reflect adequately recent local participation in HUD-funded categorical programs and the applicant is a phase-in metropolitan city or county.

The third criterion was the basis for six of the twelve inequities grants awarded. Two grants were approved as supplements to the urgent needs fund. The first criterion, correction of technical error, was the basis for funding Miami and Dade County, Florida.

Southborough, Massachusetts was funded after being inaccurately listed by HUD and by the State of Massachusetts as a metropolitan rather than a nonmetropolitan city. The City was unable to correct the error in time to apply for appropriate funding.

The remaining grant to Smithville—DeKalb County, Tennessee addressed a unique situation involving congressional intent and a specific requirement of the Block Grant legislation. The FY 1975 Model Cities appropriation legislation specified that \$1,000,000 be set aside for the Smithville—DeKalb County, Tennessee Model Cities program. Although HUD recognized Congress' intent that this sum be in addition to the entitlement amount for which

<sup>3</sup>See Chapter 6 for discussion of entitlement funds for Urban Counties.



Smithville—DeKalb County was eligible, the Community Development Block Grant legislation specifies in Section 116(b) that a Model Cities grant for FY 1975 be deducted from a unit of local government's entitlement amount. Smithville—DeKalb County was awarded a \$1,000,000 inequities grant to offset the reduction in its entitlement amount where an additional \$1,000,000 had been intended by Congress.

Table 5.5

Inequities Pool

REGION	LOCALITY	AMOUNT	CRITERION
1	Southborough, Mass.	\$ 40,000	
2	Passaic, N.J.	568,000	3
3	Hazelton, Pa.	213,000	3
4	Raleigh, N.C.	1,043,000	3
	Miami, Fla.	23,000	1
	Dade Co., Fla.	1,014,000	1
	Smithville-DeKalb Co., Tenn.	1,000,000	
	Hendersonville, Tennessee	42,720	2
5	Moorhead, Minn.	144,000	3
	New Athens, Ohio	100,000	2
6	Topeka, Kansas	239,000	3
10	Eugene, Oregon	491,000	3

Source: Department of Housing and Urban Development, Community Planning and Development.

### Guam, The Virgin Islands, American Samoa and the Trust Territory of The Pacific Islands

A separate source of discretionary funding was set aside under the Secretary's Fund for Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands. This is the result of the unavailability of Census standard housing and poverty data for these four governmental jurisdictions. The allocation formula for nonmetropolitan discretionary balance funds, which requires this data, consequently is unworkable for the Islands.

An allocation of \$3,250,000 was set aside for FY 1975. As Guam and the Virgin Islands were awarded hold harmless grants of \$978,000 and \$2,770,000, respectively, the available Secretary's discretionary funds were awarded to American Samoa and to the Trust Territory of the Pacific Islands.

American Samoa  
Upland Water Supply System  
Pacific Territories  
Babelthuap, Village of Ngarem  
Water Supply  
Road Repair  
Community Dock  
Bridge Construction

\$3,000,000

250,000  
88,300

Saipan  
Sewer line to open up area for development; relocation

100,000

Yap, Yap District  
Development of park to replace park being converted to a port.

45,000

Contingency Fund  
Administrative Costs

5,000  
11,700

### Innovative Projects

Section 107(a)(4) of the Act authorizes the Secretary to make grants to States and units of local government for the purpose of conducting innovative community development demonstration projects. In January 1975, HUD's Office of Policy Development and Research, in cooperation with the Office of Community Planning and Development, established the Innovative Projects program and initiated a national competition to identify and select jurisdictions which planned such projects.

The regulations prescribed criteria for selection and established three priority areas: public service productivity, community development energy conservation, and neighborhood preservation. The review process consisted of: (1) an initial screening for eligibility and completeness by the Area Offices; (2) a review of the applications by a panel of expert consultants to score in rank order the applications to identify truly innovative projects; (3) the evaluation and recommendation for funding by a Source Evaluation Board, which consisted of representatives of various HUD offices. On July 2, 12 grants, totalling \$1.9 million, were awarded to two States and 10 cities. Three grants were given in the priority area of productivity, five in energy conservation and four in neighborhood conservation.

In addition, apart from the competitive selection process, a long-standing departmental commitment to undertake an innovative neighborhood preservation demonstration was implemented with a \$2 million grant for a joint State/city effort in that area.

Demonstration project grants were made to the following jurisdictions:

Anaheim, **California—\$30,000**: to assemble the information and develop a model for municipal management of energy conservation activities.

Davis, **California—\$86,000**: to demonstrate implementation of a new energy-conserving building code.

Indio, **California—\$27,600**: To demonstrate how energy-saving methods can be developed and implemented at the small-city (population 20,000 or less) level of government.

Cincinnati, **Ohio—\$200,000**: to join city inspection services and community development funds with a private revolving loan fund to meet the objectives of eliminating blight, preventing building and property value deterioration while enabling businesses to enhance their profit-making and employment capacity.

State of Connecticut, Department of Environmental Protection—**\$75,000**: to further test the concept of an Environmental Review Team (ERT) in eastern and western Connecticut. The ERT's innovative feature is its capacity to utilize expertise of existing Federal, State and regional agencies on a cooperative basis to meet needs of local decisionmakers for better information and analysis in evaluating both public and private proposals for future land use.

Wilmington, **Delaware—\$161,115**: To improve the delivery of city services within present and future budgetary constraints by establishing a full-time analytical staff which will develop and implement productivity improvement methods in selected areas.

Wichita, **Kansas—\$180,000**: To identify, test, and document methods for integrating the grant management process for the Community Development Block Grant program with that used for general local government.

Commonwealth of Massachusetts, Office of Community Development, **\$150,000**: To enhance local capabilities for integrating energy conservation principles into ongoing planning and designing processes by developing a concise body of information for local authorities to understand what measures they can take to further energy conservation. Will also provide technical help for local officials.

Kansas City, **Missouri— \$259,000**: To fund a pooled maintenance reserve program. Fund would be used for repair or replacement of major elements of homes which have been rehabilitated under the city's neighborhood conservation fund. Participants would pay into the maintenance reserve fund an amount based on projected cost

of replacement or repair of major elements of their homes.

Helena, **Montana—\$150,000**: to demonstrate a way for local government and private enterprise to jointly engage in solar energy projects toward securing mutually beneficial objectives.

Hoboken, **N.J.—\$240,000**: to establish the Hoboken Mortgage Insurance Program. Administered by the municipality of Hoboken through its Office of Community Development, the fund would be used to guarantee \$1,500,000 in private rehabilitation mortgage investment for up to 200 units in multifamily housing in the central neighborhood of Hoboken.

Paterson, **N.J.—\$355,000**: To develop, implement and evaluate a series of incentive mechanisms to improve the structure and performance of the private market for housing and neighborhood preservation.

State of Michigan, State Housing Development Authority,—**\$2,000,000**: to initiate a 1,000-unit rehabilitation program combined with improved city services and public improvements in the City of Detroit.

### Federally Recognized Disasters

Section 107(b) of the CDBG legislation specifies that not more than one-fourth of the total amount reserved and set aside for the Secretary's 2 percent discretionary fund may be used for grants to meet emergency disaster needs.

The Federally-recognized disaster fund was tentatively allocated \$1,360,673 for FY 1975. As of December 15, 1975, no applications had been approved, nor had any of these funds been spent.

HUD defined eligible applicants as those communities proposing activities to meet emergency community needs which were caused by a Federally recognized disaster.

Application review considered but was not limited to:

- Availability of other resources to meet the emergency community needs;
- Capacity of the applicant to expeditiously carry out the proposed activities;
- Acceptability of the Housing Assistance Plan;
- Disaster-relatedness of needs, objectives and activities proposed (as opposed to meeting pre-disaster conditions in the jurisdiction of the applicant); and
- Potential duplication of other State or Federal program inputs to area affected (to be obtained from the Federal Coordinating Officers appointed by the Administrator of FDAA).

## THE URBAN COUNTY

When Congress enacted the Community Development Block Grant legislation, metropolitan cities and urban counties were included as eligible recipients for annual entitlement funds.

This chapter deals with urban counties using information obtained from in-depth reconnaissance visits in 12 urban counties across the nation and a survey of 36 of the 73 funded urban counties.

Metropolitan cities have been traditional recipients of Federal community development assistance. However, in considering the 1974 legislation, Congress reasoned that some counties had housing and community development problems similar to metropolitan cities, had authority to deal with these problems, and should receive annual entitlements. An urban county was defined by Congress to include those counties similar to metropolitan cities, while eliminating counties which lack the willingness or powers to undertake essential community development and housing assistance activities.

An urban county must be within a standard metropolitan statistical area and be a county which:

"(A) is authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas, if any, which are not units of general government, and (B) has a combined population of 200,000 or more (excluding the population of metropolitan cities therein) in such unincorporated areas and its included units of general government (i) in which it has authority to undertake essential community development and housing assistance activities, and which do not elect to have their population excluded or (ii) with which it has entered into cooperation agreements to undertake or to assist in the undertaking of essential community development and housing assistance activities."

### BACKGROUND

The Congress deliberated at length over whether counties should be recipients of Block Grant annual entitlement funding or merely eligible for discretionary grants.

The Community Development Special Revenue Sharing Bill, proposed by the Administration in

1971, did not contain any provision for urban counties. Criteria for county eligibility strongly advocated by several of the minority members were added to legislation by the House Subcommittee on Housing in 1972.

Although the Senate passed community development legislation in 1972, and the House Banking and Currency Committee voted out its bill, the full House took no action. The Administration developed a new position in the Spring of 1973, the **Better Communities Act**, which included a provision for funding urban counties on the basis of population alone. The House Subcommittee on Housing finally adopted the provision including counties based on population and community development and housing powers, and this provision was retained in the present Act.

### Past Program Experience

Early in 1974, HUD funded the National Association of Counties (NACo) to research past program experience, legal authority to carry out community development activities, financial capacity, inter-governmental relationships, planning and management capabilities, and citizen participation procedures of the 84 potential urban counties with a view toward assessing the ability of the potential urban counties to undertake the full range of community development activities eligible for assistance in the Housing and Community Development Act of 1974.

Information was collected by means of a self-administered questionnaire, verified by State associations of counties. Ninety-two percent of the counties responded to the questionnaire.

One section of the NACo study reported on the extent of prior program participation by the potential urban counties in HUD funded categorical programs. It also sought to identify appropriate local and State initiatives in the same program areas.

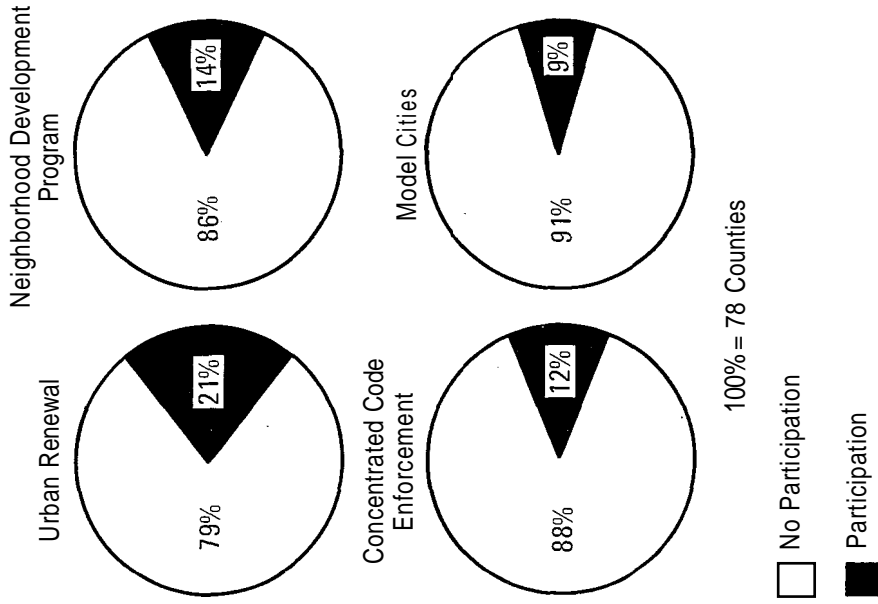
Chart 6.1 illustrates the overall participation of urban counties in the four major community development programs surveyed.

The major community development programs most frequently used by urban counties, either with

<sup>1</sup>Housing and Community Development Act of 1974, Section 102(a)(6).

**Chart 6.1**

**Urban County Participation in Major HUD Community Development Programs (FY 1968-1972)**



Source: National Association of Counties, Community Development in America's Urban Counties, Summary Report, August 1975.

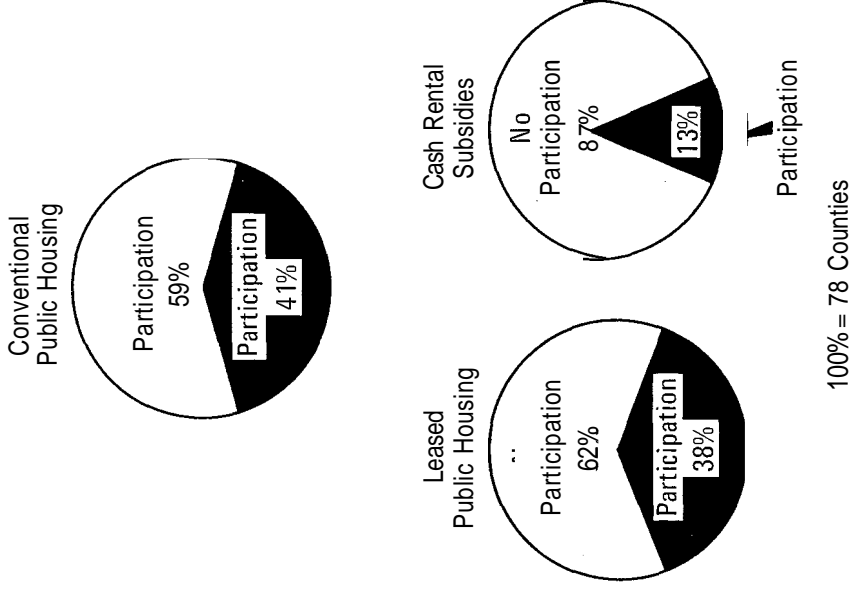
HUD funds or State/local funds, are the conventional Urban Renewal program (23 percent) and the Concentrated Code Enforcement program (23 percent).

Generally, urban counties have participated more frequently in Housing Assistance Programs than in other community development programs. Chart 6.2 indicates the extent of urban county participation in the conventional and leased public housing and cash rental subsidy programs.

Forty-one percent of all urban counties responding to the survey have had a HUD-funded

**Chart 6.2**

**Urban County Participation in HUD Housing Programs (FY1968-1972)**



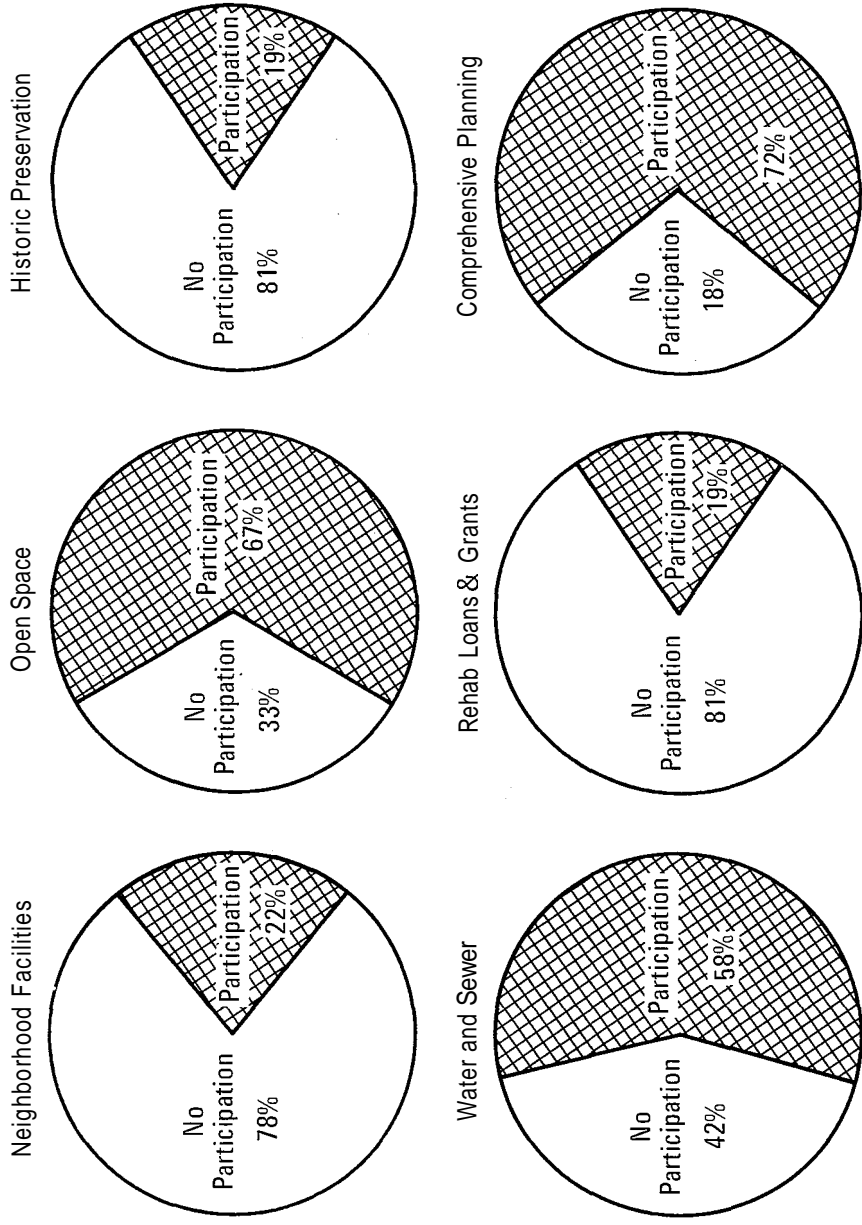
Source: National Association of Counties, Community Development in America's Urban Counties, Summary Report, August 1975.

conventional housing program. Participation in the leased housing program is slightly less, with 38 percent of the counties reporting affirmatively. Ten counties reported participation in the HUD-funded cash rental subsidy program.

Urban county participation in other community development programs has been more substantial, as indicated in Chart 6.3.

Seventy-two percent of the counties received 701 Comprehensive Planning assistance, 67 percent received Open Space grants, and 58 percent received money for Water and Sewer facilities.

**Chart 6.3**  
**Urban County Participation**  
**in Other HUD Community Development Programs**  
**(FY 1968-1972)**



100% = 78 Counties

Source: National Association of Counties, Community Development in America's Urban Counties, Summary Report, August 1975.

Counties, in general, have more undeveloped and underdeveloped land available for development than cities have. The high involvement of the counties in both the Water and Sewer program and the Open Space program reflects this fact. Many counties financed activities with State/local funds rather than HUD funds.

**Community Development Powers**

In including counties as entitlement recipients for Block Grant funding, Congress focused more on whether or not a county had the authority or

would obtain the authority to perform housing and community development activities than on past county program experience. HUD assumed past performance would be a factor in assessing county qualifications, as reflected in the proposed regulations published in September 1974. The House Subcommittee on Banking and Currency took issue with this concept in the proposed regulations and indicated that past program activity should not be considered in the qualification assessment process. The regulations were amended accordingly and expanded significantly the number of counties which could potentially qualify for entitlement funding.

## URBAN COUNTY QUALIFICATION

Metropolitan cities with a population in excess of 50,000 automatically qualify for entitlement funding. On the other hand, counties must meet the definition of an urban county which provides for a population threshold and an "essential powers" test.

In order to determine the extent of urban county interest in applying for Title I, Community Development Block Grants in FY 1975, the Department sent a letter to each of the 84 potentially eligible urban counties requesting information on intentions to apply.

The 81 urban counties were notified that they would be required to submit a formal statement as to their legal authority to perform "essential community development and housing activities," certified by the appropriate county legal officer.

The law and the legislative history concerning the urban county amendment provided no definition for "essential activities." HUD determined that counties which have the authority to undertake urban renewal and publicly assisted housing met this requirement.

As each county summary of legal authorities was reviewed by HUD, seven potential urban counties in four states were notified that they lacked all or some of the necessary authorities in their incorporated areas to meet the essential powers test. These seven counties were advised to take appropriate measures to remedy their legal deficiencies. Only one of the seven counties failed to obtain necessary State enabling legislation.

The remaining 80 potentially eligible urban counties were then notified that they would be required either (1) to provide opportunity for certain units of general local government to "opt out" of urban county status or (2) to submit cooperation agreements with certain of their included units of government if such agreements were necessary to meet the population requirements or if the county wished to maximize its entitlement amount.

HUD's original intent, in keeping with the Block Grant philosophy, was to allow much flexibility and local determination in the format of cooperation agreements. After full and extensive review of the first round of cooperation agreements, HUD determined that a number of agreements were inadequate. In some instances, they failed to include required authorizations, and in others, they lacked legally binding commitments by the counties and their included units of government. As a result, a second communication was then sent to each of the 80 counties detailing specific language and certain requirements applying to each cooperation agreement.

Five urban counties failed to obtain sufficient cooperation agreements to meet the population threshold of 200,000 for funding in the first year. The remaining 75 urban counties were given clearance to proceed with their final applications for CDBG funding. Two of the 75 urban counties failed to submit a completed application to the HUD Area Office by the application deadline. Ultimately, 73 urban counties were approved for entitlement funding during FY 1975.

### Chart 6.4

#### Potential Urban Counties Not Qualified For Funding in FY 1975

Blount, New York	Failed to submit letter of intent
Calhoun, Michigan	
Carroll, Indiana	
Chesapeake, Maryland	Failed "essential powers" test
Chester, New York	
Columbia, Pennsylvania	
Dallas, Texas	Did not meet 200,000 population minimum
Delafield, Wisconsin	
Dodge, Wisconsin	
Durham, New Jersey	Did not submit final application
Essex, New Jersey	Incomplete application submitted

## IMPACT ON STANDARD METROPOLITAN STATISTICAL AREA BALANCES

Prior to passage of the legislation, little was known of the prospective level of county participation since HUD funded few counties for community development program activities, and few counties appeared likely to have either the authority to carry out essential community development and housing powers legally or to obtain agreements with their incorporated municipalities.

Originally, many officials estimated urban county participation to be in the 10-15 range the first year. A House Committee report indicated that

no more than 50 counties would reach qualification over a six-year period. Many questions have been raised concerning why the extent of participation by urban counties was so substantially underestimated. A number of factors accounted for this. First, too little was known of what authority counties actually had. Early reports indicating that most counties lacked urban renewal powers failed to consider the fact that quasi-independent public agencies, formed at the county level, did have such powers. Ultimately, HUD concluded that such powers must be ascribed to the county in assessing its authority pursuant to the statutory requirements for urban county qualification.

Table 6.1

Counties Qualifying as Urban Counties for Fiscal Year 1975\*

County/State	Total County Population	Qualifying Urban County Population	Number of Included Units	FY 1975	
				Entitlement Amount	(dollars in thousands)
Jefferson County, Al.	644,991	306,755	31	\$	1,361
Alameda County, Ca.	1,070,446	251,284	6		745
Contra Costa County, Ca.	555,805	369,923	10		1,060
Fresno County, Ca.	413,329	247,674	14		1,560
Kern County, Ca.	330,234	260,719	10		1,440
Los Angeles County, Ca.	7,041,980	1,826,460	35		14,461
Marin County, Ca.	206,758	204,016	10		558
Orange County, Ca.	1,421,233	502,266	16		1,361
Riverside County, Ca.	459,074	253,825	11		1,342
Sacramento County, Ca.	634,373	377,268	3		1,258
San Bernardino County, Ca.	682,233	450,146	9		1,863
San Diego County, Ca.	1,357,854	452,537	7		1,611
San Mateo County, Ca.	557,361	302,367	11		2,772
Santa Clara County, Ca.	1,065,313	303,416	8		1,012
New Castle County, De.	385,856	298,411	4		759
Broward County, Fl.	620,100	346,730	18		1,435
Dade County, Fl.	1,267,792	743,409	24		21,610
Hillsborough County, Fl.	490,265	212,551	2		922
Orange County, Fl.	344,311	215,323	7		905
Palm Beach County, Fl.	348,993	226,414	18		1,068
Pinellas County, Fl.	522,329	224,266	10		816
DeKalb County, Ga.	415,387	343,621	4		840
Cook County, Il.	5,493,766	1,295,183	118		3,246
DuPage County, Il.	490,822	359,392	30		826
Lake County, Il.	382,638	299,731	51		696
Madison County, Il.	250,911	250,911	50		922
St. Clair County, Il.	285,309	215,313	49		890
Jefferson County, Ky.	695,055	244,875	5		2,857
Jefferson Parish, La.	338,229	338,229	5		1,452
Anne Arundel County, Md.	298,042	267,941	0		798

\*Population figures from 1970 Census adjusted for Boundary and Annexation changes through December 31, 1972.

Table 6.1 (continued)

Community Development Block Grant Program  
Counties Qualifying as Urban Counties for Fiscal Year 1975

County/State	Total County Population	Qualifying Urban County Population	Number of Included Units	FY 1975 Entitlement Amount (dollars in thousands)
Montgomery County, Md.	522,809	472,346	5	\$ 1,423
Prince Georges County, Md.	661,719	509,071	10	5,436
Genesee County, Mi.	445,589	228,260	24	721
Oakland County, Mi.	907,871	380,742	35	954
Wayne County, Mi.	2,670,368	291,912	18	637
Hennepin County, Mn.	960,080	314,359	19	738
St. Louis County, Mo.	951,671	735,903	47	2,034
Bergen County, N.J.	897,148	824,553	58	1,730
Burlington County, N.J.	323,132	243,184	21	509
Hudson County, N.J.	607,839	204,213	6	385
Middlesex County, N.J.	583,813	304,558	18	655
Monmouth County, N.J.	461,849	324,808	43	978
Morris County, N.J.	383,454	307,716	32	608
Union County, N.J.	543,116	354,603	14	613
Erie County, N.Y.	1,113,491	614,337	38	1,621
Nassau County, N.Y.	1,428,838	671,284	1	1,531
Onondaga County, N.Y.	472,835	274,753	33	734
Rockland County, N.Y.	229,903	216,110	13	465
Suffolk County, N.Y.	1,127,030	388,715	21	1,079
Cuyahoga County, Oh.	1,720,835	220,843	17	476
Franklin County, Oh.	833,249	274,937	40	720
Hamilton County, Oh.	923,840	311,171	24	849
Montgomery County, Oh.	608,413	293,161	27	757
Stark County, Oh.	372,210	234,952	31	549
Summit County, Oh.	553,371	256,703	26	579
Allegheny County, Pa.	1,605,133	247,573	15	6,456
Beaver County, Pa.	208,418	205,596	43	542
Berks County, Pa.	296,382	207,756	71	540
Bucks County, Pa.	416,728	233,343	35	629
Chester County, Pa.	277,746	203,198	43	575
Delaware County, Pa.	603,456	358,364	40	810
Lancaster County, Pa.	320,079	226,616	50	680
Luzerne County, Pa.	341,956	226,799	54	584
Montgomery County, Pa.	624,080	222,920	23	362
Nashington County, Pa.	210,876	210,876	61	617
Nesimoreland County, Pa.	376,935	370,876	55	939
Harris County, Tx.	1,741,912	242,369	3	963
Farrant County, Tx.	716,317	228,661	26	660
Salt Lake County, Ut.	458,607	282,722	8	1,172
Fairfax County, Va.	455,032	454,854	2	1,548
King County, Wa.	1,159,369	567,335	25	1,511
ierce County, Wa.	412,344	230,840	7	718
Snohomish County, Wa.	265,236	205,529	12	573
Totals			1,875	\$119,176

source: Department of Housing and Urban Development, Community Planning and Development, Data Systems and Statistics Division, July 1975.



A second, highly significant factor was that counties in many States were assumed to be ineligible because they lacked the power to carry out Urban Renewal and because it appeared they had unincorporated areas. However, in a large number of such States, it was found that what was assumed to be "unincorporated areas" were actually covered by viable governments (mostly townships), and thus the exclusionary provisions did not apply to them. Also, in totally incorporated counties, cooperation agreements constituted the only requirement since the powers test applied only to unincorporated areas.

A final factor was that HUD assumed it would be dealing with counties which had prior program experience in community development activities and housing programs. This assumption was reflected in the proposed regulations published in September of **1974** as part of the criteria in assessing county qualification. The House Subcommittee on Housing, through Chairman William A. Barrett, took issue with this concept under the exact language of the assessment factor in urban county qualification.

After a lengthy qualification process, **73** counties were granted urban county status for Fiscal Year **1975**.

Although the total entitlement amount for the **73** urban counties exceeded **\$120** million, the actual additional cost for funding urban counties only amounted to **\$61** million. Eleven of the urban counties qualified for hold harmless grants, independent of their urban county status, as a result of their prior program experience. These counties would have received hold harmless grants even if not qualified as urban counties.

After completing the allocations to metropolitan cities, urban counties, and small hold harmless communities inside SMSAs, there were no remaining funds for allocation to SMSA balances. Consequently, a supplemental appropriation of **\$54,625,000** was passed by Congress to be used exclusively for SMSA balances.

## **FY 1976**

Based on the appropriation level for Fiscal Year **1976**, HUD has estimated that there will be approximately **\$36** million for SMSA discretionary fund balances. This figure is based on the participation of the same **73** urban counties with the same cooperating jurisdictions.

Congress judged that this was not sufficient funding for smaller communities within SMSAs. Congress therefore earmarked **\$52** million for use exclusively in making SMSA discretionary balances.

The House and Senate are both considering measures to deal with the SMSA balance for FY **1977** and later years. HUD, at this time, has deferred consideration of a more permanent solution to the funding of small communities within SMSA until the larger aspects of fund distribution are considered in the Secretary's March **1977** Report to Congress.

## **ORGANIZING THE URBAN COUNTY**

The legislation specifies a degree of intergovernmental cooperation between constituent participating jurisdictions and the urban county. The county, as grantee, was responsible for constructing the eligible urban county. In the Community Development Funding Survey of all **73** urban counties<sup>2</sup> with **36** responses, fourteen of the survey counties reported that a county planning commission, or a program planning office, assumed lead responsibility for qualifying the county. The county Administrator/Executive was reported by **12** survey counties as having lead responsibility for qualifying the county. County Commissioners had lead responsibility in three instances, while the Department of Community Development had responsibility in four others.

After lead responsibility was assigned, contact was made with the constituent cities. In all but one instance, contact was initiated by the county. This was true although HUD advised both the counties and all constituent governmental units concerning participation in the Block Grant program. The point of contact within cities varied. Sometimes it was the mayor; other times, the city manager; and least often, the city council.

## **COORDINATING THE COMMUNITY DEVELOPMENT PROGRAM**

Coordinating the Block Grant program was a more difficult task for urban counties than metropolitan cities. The Block Grant process requires counties to coordinate the inputs of separate constituent units of government to obtain an accurate reading of total local needs and requests.

After receipt of HUD approval as an urban county, a number of counties created a formal structure to coordinate the preparation of the application by the county and the cities. Thirteen of the **36** survey counties set up Task Forces for this purpose. The composition of the Task Forces varied. Two of these Task Forces had representation from the elected bodies of all contained units of

<sup>2</sup>To cross-validate survey funding, reconnaissance visits were undertaken in 12 urban counties.

local government and the county. One county created a Task Force in which all the community development departments of the contained units of government and the county government were represented. Two others formed a Task Force composed of representatives of the county and some units of contained governments.

Another approach to coordinating the contained units of government and the county was to establish an ad hoc committee; six urban counties used this approach. Usually the committee represented elected officials, citizens, and city and county staff employees. All the Task Forces and ad hoc committees were planning vehicles. All were of an advisory nature; none had final authority.

Most of the urban counties surveyed did not create a formalized entity to facilitate coordination between the county and its contained units of government. Each of these urban counties had its unique method for coordinating with its contained units of government. One county relied on a countywide survey of each of their participating jurisdictions to determine needs and objectives. Another county relied on a consultant to act as liaison between the county and its constituent units of government. An urban county in Pennsylvania indicated that no formal structure was needed because of the working relationship that had been developed between the county and its 66 constituent units of government in connection with other Federal programs.

## COOPERATION AGREEMENTS

Most contained cities must enter into cooperation agreements to become part of an urban county. HUD allows flexibility in the form and content of the agreements, but imposed certain requirements:

1. The agreements must state expressly the agreement of the county and the cooperating unit of government "to cooperate in undertaking, or assist in undertaking, essential community development and housing assistance activities, specifically urban renewal and publicly-assisted housing." The counties may substitute appropriate language from applicable State redevelopment statutes for the words "Urban Renewal," provided the substituted language does not change the meaning or intent of the statement above.

2. The agreement must not contain a provision for veto or other restriction which in any way would limit the support given by the county or cooperating unit of local government to the community development and housing assistance activities referred to in the community development program, including the Housing Assistance Plan, presented for the program year covered by the agreement.

3. All agreements must be dated and signed by the appropriate county and local officials.

4. All agreements must be received by the HUD area office or postmarked within 15 days of receipt of the county's application.

5. If the cooperation agreement is to contain a pro rata provision, such provision must contain a condition expressly authorizing a different distribution when necessary to comply with Title I of the Act.

6. The agreement must extend through the program year covered by the county's application. It may be longer, if so desired.

7. The agreement must be authorized by the governing body of the county and by the governing body of the unit of local government.

8. The agreement must contain, or be accompanied by, a statement of counsel for the county that the agreement is in accordance with State and local law.

Though the content of the cooperation agreement is not defined, Congress intended that counties lacking authority to perform "essential activities" in incorporated areas obtain this authority through cooperation agreements with the incorporated areas. Thus, in the Department's instructions to counties it is required that cooperation agreements state expressly the agreement of the county and the cooperating unit of government "to cooperate in undertaking, or assist in undertaking, essential community development and housing assistance activities, specifically urban renewal and publicly assisted housing."

The cooperation procedure produced differing reactions among counties and cooperating cities. In the Funding Survey, county respondents were asked how the agreements affected the community development program. Of the 35 counties which answered this question, 17 counties believed that it has an effect on their community development programs; 18 did not. One of the two groups which answered in the affirmative stated that the agreements had a favorable effect. These counties claimed that it promoted a good working relationship between the county and municipality. It created a forum in which each signatory to the agreement had an input into the development of the community development program specific to the needs of its government. This in turn led to a more equal distribution of program funds and activities. Additionally, these counties indicated that the agreements would permit provision for low-income housing (Section 8) in incorporated areas.

Another group of counties perceived a contrary effect. They believed that the county role was diminished. Also, cooperation agreements implied a commitment to allocate funds to each city regard-

less of proportionate need. This in turn created a fragmented program in which the separate needs of the constituent cities were met at the expense of the needs of the entire county.

Some counties had difficulties in securing acceptable cooperation agreements. There was considerable suspicion on the part of the local governments. Cities feared relinquishing authority to the county on matters of local issue, especially exclusionary authority. Cities were especially fearful of the required agreements concerning urban renewal and low-income housing.

### **PARTICIPATION OF LOCAL GOVERNMENTAL GROUPS WITH THE URBAN COUNTY**

Twenty-five of the 73 counties that qualified in Fiscal Year 1975 met the population threshold requirement on the basis of unincorporated area population. Nevertheless, 23 of these 25 counties solicited additional local government participation to increase its entitlement. Thirty-two of the 36 urban counties surveyed attempted to convince all contained units of government to join with the county. One county tried to obtain participation of only the minimum number of contained units of government needed to establish the 200,000 population threshold. Three counties with a 200,000 unincorporated population did not seek participation from any incorporated areas in the county.

Some communities chose to participate in the program because: (1) these communities lacked their own resources to put together and administer a community development program; or (2) participation offered a better chance to obtain guaranteed funding, compared to the uncertainty of competing successfully for the limited discretionary funds.

Some reasons for not participating with the urban county were: (1) cities did not want to be included in a county master plan, preferring to seek discretionary funding; (2) cities did not like the required provisions of the cooperation agreement;

(3) cities were not convinced that there would be guaranteed benefits for them; (4) cities feared loss of autonomy; and (5) cities wanted benefits that the county was not prepared to commit.

No interested communities were denied participation.

### **ALLOCATION OF FUNDS AMONG COOPERATING JURISDICTIONS**

The Survey asked whether counties would merely pass funds through to cooperating cities or would attempt to obtain agreement for redistribution of funds among participating government groups on the basis of objective need criteria. Counties were asked if funds were allocated on the basis of (1) needs, (2) population, (3) formula, and (4) project cost.

Of the 36 urban counties surveyed, three indicated that funds were being distributed on the basis of their population and seven, on the basis of a formula. Four of these ten urban counties funded all cooperating jurisdictions. Six urban counties, which included as many as 60 cooperating jurisdictions, did not fund many of their included units of government. Fourteen of the 36 urban counties indicated that they allocated funds to included units of government solely on the basis of a needs assessment. In two instances, the counties indicated that they were funding all included units of government during the program year. One county indicated that it would fund all cooperating jurisdictions at some point in the three-year program.

Eleven urban counties employed a funding allocation process which included a needs assessment coupled with one or more of the three remaining factors. Two of these counties were funding all included units of government while the remaining nine counties funded less than the total number of jurisdictions which entered into cooperation agreements with the county.



## CONTINUING ACTION TOWARD PROGRAM IMPROVEMENT

This chapter discusses several of the more consequential areas in which new programmatic considerations have been recognized by HUD and grant recipients and actions taken to assure effective administration of the program. These key issues are:

- Environmental Assessments
- Eligibility of Activities
- Housing Assistance Plans
- Urban Renewal Completion
- Changes in Discretionary Regulations
- Citizen Participation
- Program Administration and Monitoring

Finally, the chapter digests the Department's program for evaluation and research concerning the Community Development Block Grant program.

HUD has attempted to assure that operation of local programs was not impeded by unresolved issues; interim decisions have been made throughout the first year and are confirmed by revised regulations, application forms, instructions, and guidelines. Because HUD and recipient efforts have focused on planning and application preparation, contracts and funding, additional problem areas may be discovered later, as communities implement programs and HUD audits and reviews the results. Data related to such issues will be included in future reports.

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**ENVIRONMENTAL REVIEW  
UNDER TITLE I**

Since the enactment of the National Environmental Policy Act of 1969 (NEPA), Federal agencies and the courts have worked to identify the quantifiable parameters of environmental responsibility and to develop and use adequate techniques for environmental assessment. In response to assuring environmental protection and enhancement under NEPA, HUD has undertaken research and field testing in producing a technical manual<sup>1</sup> for environmental review.

Delegation of NEPA responsibilities to CDBG applicants adds a new dimension to the job of implementing NEPA in that the technical and administrative capacities which it requires must be recognized and applied by local jurisdictions using CDBG funds.

**Environmental Review Strategy for  
Maximizing Applicants' Discretion and  
Certainty of Federal Funding**

NEPA applies to the expenditure of Title I funds as it does to funds spent directly by Federal agencies. In keeping with a major objective of Title I to provide as much discretion as possible to CDBG applicants, Congress authorized the Secretary<sup>2</sup> to provide for the assumption of NEPA responsibilities by CDBG applicants.

These responsibilities include coordinating joint development of an Environmental Impact Statement (EIS) with Federal agencies other than HUD, when necessary, and acting as lead agency with the concurrence of participating Federal agencies. The Secretary cannot require applicants with demonstrable legal incapacity to assume or carry out environmental review responsibilities.

For applicants with legal capacity, HUD approves CDBG applications prior to completion of

environmental reviews required by NEPA. Therefore, HUD can maximize applicants' certainty of Federal funding levels specified in applications at an early stage of program development. Approval of most other Federal grant applications for similar purposes is contingent upon completion of environmental reviews required by NEPA. Section 104(h) assures compliance with NEPA, however, by restricting the Secretary from releasing approved funds for a project until the applicant has certified that it has discharged its NEPA responsibilities for the project. In order to reinforce the transfer of Federal responsibilities to CDBG applicants, HUD is not required to examine the substance of an applicant's environmental review. In the absence of substantial evidence that an applicant has not fulfilled its NEPA responsibilities for a project, HUD accepts the applicant's certification, if properly executed, and releases project funds.<sup>3</sup>

**Applicants' Environmental Review  
Process – Comparison with Federal Process**

HUD has issued regulations in 24 CFR Part 58 to implement Section 104(h). Part 58 specifies the procedures for applicants to carry out their delegated responsibilities and to certify to HUD their having done so. These regulations direct applicants to carry out a project review process generally similar to that of Federal agencies. This process consists of an initial environmental assessment of a proposed project, followed by a very thorough review – Environmental Impact Statement (EIS) – whenever the initial assessment indicates that anticipated environmental impacts are significant. Part 58 requires also that applicants comply as necessary with particular Federal authorities concerning specific environmental issues, such as water quality.<sup>4</sup>

<sup>1</sup>*Interim Guidance Manual for Environmental Assessment—HUD Field Office Personnel*, Office of Policy Development and Research, December 1974.

<sup>2</sup>*Housing and Community Development Act of 1974*, Title I, Section 104(h).

<sup>3</sup>For further discussion of HUD review of certifications, see subsequent section, "HUD and Third Party Oversight of Environmental Review."

<sup>4</sup>For more detailed discussion of the process prescribed by Part 58, see subsequent section, "Applicants' Level of Effort Required by 24 CFR Part 58."

Underlying the similarity between the processes prescribed for CDBG applicants in Part 58 and those of Federal agencies<sup>5</sup> is a difference in requirements to develop what might be termed an "environmental review capacity." Council on Environmental Quality (CEQ) Guidelines direct Federal agencies to specify, in consultation with CEQ, how and when environmental reviews will be integrated with other program development activities.<sup>6</sup> The Guidelines suggest that agencies facilitate their review processes by developing categories of projects according to their likelihood of significant environmental impact and by identifying information, methods of analysis, and measures of significance to be used within an agency for initial environmental assessments and EISs.<sup>7</sup> Because of the project-by-project approach to environmental protection in Section 104(h), Part 58 does not require similar capacity-building actions by CDBG applicants.

Applicants have indicated concern about their initial capacities for environmental review. Applicants responding to the Community Development Funding Survey designated environmental review and comprehensive planning most often as the areas in which they felt that they needed technical assistance.<sup>8</sup> Another indicator of applicants' concern is a report from the National Model Cities Community Development Directors Association that CDBG applicants have purchased 2000 copies of the Association's environmental assessment guide.<sup>9</sup> In November, 1975, HUD published and distributed a program guide for achieving compliance with Part 58.<sup>10</sup>

It is not yet clear whether environmental responsibilities have delayed CDBG projects and programs. It remains to be seen to what extent a lack of "environmental review capacity" contributed to any delay, rather than unfamiliarity with the scope of environmental review. Many HUD area

offices indicated that applicants had decided not to begin any environmental reviews prior to submission of their applications, although the first version of Part 58 was available three months prior to the application deadline. By December 5, 1975, five months after most entitlement communities' funds were approved,<sup>11</sup> approximately 75 percent of the funds for which release was conditioned upon completion of environmental review, was free on condition through the certification process.<sup>12</sup>

Environmental review processes under CDBG in comparison to categorical programs will depend upon insight into a number of issues. HUD's Office of Evaluation, Community Planning and Development is designing an evaluation study to use this review process. Results of this study will be available for inclusion in the second Annual Report.

### **Applicant's Level of Effort Required by 24 CFR Part 58**

The environmental review specified in Part 58 requires compliance with authorities in addition to NEPA and its implementing regulations. The additional authorities concern specific environmental issues, such as water quality and coastal zones. Compliance with these authorities must be conducted concurrently with the initial assessment and impact statement processes but does not necessarily produce information affecting the determinations from those processes.

A diagram and narrative summary of the current processes are provided to illustrate the total effort which they can entail. Step A in the diagram begins the basic review process required by Section 102(2)(C) of NEPA. Step B begins review processes required for compliance with authorities concerning specific environmental issues.

<sup>5</sup>Council on Environmental Quality Guidelines in 40 CFR Part 1500.

<sup>6</sup>Council on Environmental Quality, Preparation of Environmental Impact Statements: Guidelines [40 CFR Part 1500.3(a)], August 1, 1973.

<sup>7</sup>Ibid., Section 1500.6(c).

<sup>8</sup>Twenty-two percent of 694 respondents specifying technical assistance needs designated environmental review.

<sup>9</sup>National Model Cities Community Development Directors Association, A Guide to Preparing Environmental Assessments for Community Development, February, 1975.

<sup>10</sup>Department of Housing and Urban Development, Community Planning and Development, Office of Environmental Quality, Environmental Reviews at the Community Level: A Program Guide, October 1975.

<sup>11</sup>Ninety-five percent of entitlement communities' funds was approved as of 6/30/75. Thirty-six percent was approved during April and 40 percent during May. Data is based on semi-monthly "Progress Report of Funding for Entitled Units of Government." Data Systems and Statistics Division, Community Planning and Development, Department of Housing and Urban Development.

<sup>12</sup>A 90 percent sample of approved applications indicates that release of approximately 87 percent of approved funds was conditioned upon completion of project environmental reviews. Release of 22 percent of approved funds was conditioned almost solely upon completion of environmental reviews, as of December 5, according to semi-monthly report from Data Systems and Statistics Division, op. cit. (87 - 22) percent divided by 87 percent = 75 percent, as noted in text.



Step A determines whether an Environmental Impact Statement is required prior to the release of project funds; whether significant environmental impacts would result from release of funds and subsequent implementation of the project.

Step A consists of the following substeps:

1. Determine baseline environmental conditions;
2. Identify environmental impacts;
  - (a) Identify project modifications to eliminate or minimize adverse impacts; and,
  - (b) Identify alternatives to the project which would eliminate or minimize adverse impacts; and,

3. Determine whether the acceptable options identified in substeps 1 and 2 pose significant levels of impact. HUD's recently published environmental review guide suggests that substeps 1 and 2 consider 26 factors defining physical and social aspects of environment. Part II of the guide elaborates on the terms in which these factors should be analyzed, including direction of impact (effect of environment on project, as well as effect of project on environment), magnitude (intensity, extent, and duration), modifications (design, use, location, cost, and timing), and alternatives (size, design, siting, land use and "no project").

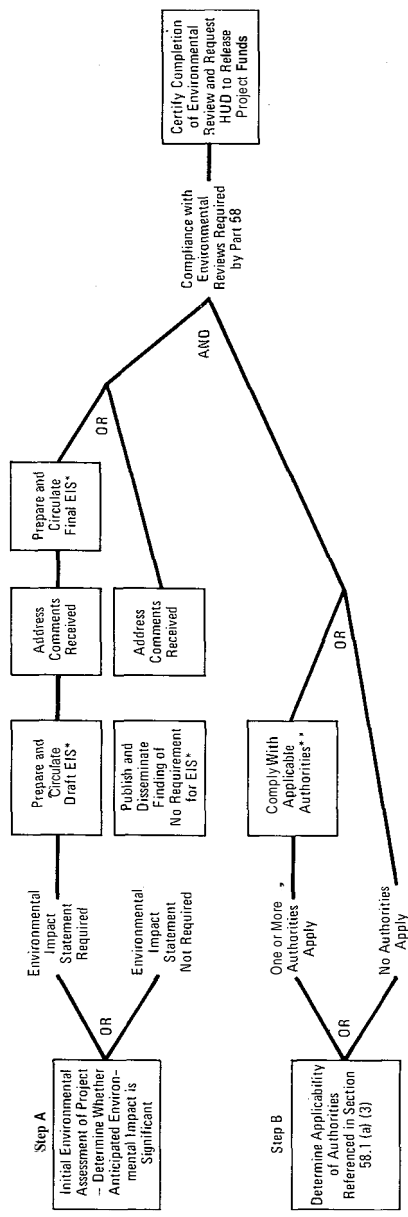
If the general finding in substep 3 is that the proposed project, and therefore release of funds for the project, constitute "a major (Federal) action significantly affecting the quality of the human environment," as stated in Section 102(2)(C) of NEPA, the applicant must prepare an EIS. An EIS requires more detailed data and analysis than the initial assessment and consideration of a wider range of technical and policy opinions on the project's anticipated effects on the human environment.

Step B describes the determination of whether the project requires compliance actions in regard to the following Federal authorities:

1. Historic Properties – The National Historic Preservation Act of **1966**; Preservation of Historic and Archeological Data Act of **1974**; Executive Order 11593, Protection and Enhancement of the Cultural Environment, May 13, 1971; Procedures for Protection of Historic and Cultural Properties (36 CFR Part 800);
2. Noise Abatement and Control, Department Policy, Responsibilities and Standards, 1971;
3. Flood Plain – Flood Disaster Protection Act of **1973** and implementing regulations; Title 24, Chapter X, Subchapter B, National Flood Insurance Program; Executive Order 11296;
4. Coastal Zones and Wetlands – Coastal Zone

Chart 7A.1

## General Diagram of Environmental Review Under Title I



**NOTE:** Either series of actions proceeding horizontally from Steps A and B may affect; the other. For example, comments received in response to a Finding of No Requirement for an EIS could reveal previously unrecognized applicability of one of the authorities referenced in Section 55.1 (a) (3).

\*EIS – Environmental Impact Statement.

\*\*Compliance may sometimes require project termination.

Source: Department of Housing and Urban Development, Office of Community Planning and Development.

and Management Act of 1972 and applicable State legislation or regulations;

5. Air Quality – Clean Air Act and Clean Air Act Amendment of 1970 and applicable U.S. Environmental Protection Agency implementing regulations;

6. Water Quality – Federal Water Pollution Control Act and applicable U.S. Environmental Protection Agency implementing regulations; and,  
7. Wildlife – Fish and Wildlife Coordination Act.

The relative frequencies with which these authorities apply are uncertain. Nevertheless, an applicant must become familiar with these authorities in order to avoid any noncompliance which could result in valid objections to release of project funds.<sup>13</sup>

### **HUD and Third Party Oversight of Environmental Review**

HUD has established two in-process checkpoints for gauging an applicant's compliance with Part 58. The first occurs during HUD's review of an application, when HUD checks that the applicant has assumed NEPA responsibilities for each affected project. The second checkpoint occurs when HUD receives an applicant's request for release of a project's funds. The request must be accompanied by the applicant's certification that it has discharged its environmental review responsibilities for the project. HUD determines the adequacy of the certification and enters only those objections to release of funds that question the status of the certifying officer, or objections that point up defects in the review process upon which the required environmental review certification is based.

Opportunities for involvement in the environmental review process are also available to other public agencies and to the general public. An applicant is required:

1. To hold public hearings on the development of the application which are meant to include environmental considerations on their agendas;

2. To send notices of its environmental findings and of proposed environmental review hearings to local news media, interested groups and individuals, local, State and Federal agencies, A-95 clearing-

houses, and other appropriate recipients;

3. In a newspaper of general circulation in the community affected, to publish a notice of its intent to request release of funds;

4. To wait at least 45 days for comments after filing a Draft EIS with CEQ prior to preparation of the Final EIS, and at least 90 days after filing before submitting the related request for release of funds;

5. To wait at least 30 days for comments after filing a Final Draft EIS with CEQ before submitting the related request for release of funds to HUD; and  
6. To distribute copies of Draft and Final EIS's to appropriate Federal, areawide, and local agencies and to interested groups and individuals.

In conjunction with these actions, CEQ is required to publish in the Federal Register a notice of receipt of a draft EIS; and HUD is required to withhold any release of project funds for at least fifteen days after the applicant requests the release and for at least five days after the applicant publishes locally its intent to request the release, so that the public and interested agencies may, if they desire, register objections to the release of funds.

Post-process monitoring and evaluation of performance under Part 58 are required by Section 104(d) and 113(a) of Title I. Section 104(d) directs the Secretary to conduct at least annually "reviews and audits" to determine conformance of applicants' programs to the requirements of Title I. On the authority of this section, HUD's Office of the Inspector General is conducting a national audit of the implementation of Section 104(h). Also, HUD's Office of Community Planning and Development has established a monitoring program to provide the Secretary with ongoing performance information which includes environmental review. Under this program, HUD area offices review annually applicants' required documentation of their environmental reviews.

### **Litigation**

In two instances,<sup>14</sup> local groups have filed suit against HUD and other entities, challenging release of project funds on the basis of NEPA. Both cases are in their preliminary stages.

<sup>13</sup>For a brief discussion of when objections are registered and bases for their validity, see next section (Chapter 7B).

<sup>14</sup>*Bois d'Arc Patriots, et al. v. City of Dallas, Hills, et al.*, U.S.D.C., N.D. Cal., Civil Action No. G-75-2257 WHO; *Carrie Campbell, et al. v. Carla Hills, et al.*, U.S.D.C., W.D. Pa., C.A. No. 75-1331.

**DETERMINING ELIGIBILITY OF ACTIVITIES**

Determining whether specific proposed activities were eligible under Section 105(a) of the Act and under HUD regulations pursuant to Section 105(a) frequently posed a problem to cities and to HUD reviewers in the first year. Proposals for public services raised especially difficult issues, particularly with respect to determining whether such services were necessary or appropriate to support other community development activities being carried out in a concentrated manner. Purchase of equipment was another problem area.

A different type of concern arose from the proposal of activities which were themselves eligible under Section 105, but which brought into question the city's certification [required under Section 104(b)(2)] that the program had been developed to give maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight.

In an attempt to resolve individual cases in a nationally consistent manner, HUD created a Special Issues Committee in the Central Office. It met frequently during the latter part of calendar year 1974 and early 1975, when most cities were making program determinations.

Some 125 eligibility questions reaching HUD field offices were referred to this Committee for determination. The greatest percentage (18 percent) of issues ruled upon by the Special Issues Committee related to Part 570.200(a)(2) of the regulations, authorizing acquisition, construction or installation of public works, facilities and site or other improvements. Another 13 percent of such issues concerned Part 570.200(a)(8) regarding provision of public services.

The Committee's rulings covered a wide range of matters pertaining to the public facilities issue. With respect to the ownership and major characteristics of proposed facilities, representative decisions by the Committee were that newly constructed facilities must be **publicly** owned or leased (ruling out ownership by non-profit organizations), and that they must be of a type listed in the Act and Regulations; but that reconstruction of privately owned historic property would be eligible, provided that a reasonable degree of public access was assured. Other determinations regarding neighborhood

facilities were made, including decisions that they must be designed to serve a particular neighborhood (except that such a facility might serve an entire community of under 10,000 population); that they may provide health, recreational, social or similar community services; and that they may be either single or multi-purpose in nature. Examples such as child care centers, branch libraries, and neighborhood health centers were specified as eligible activities, as opposed to museums, central libraries, and hospitals which are ineligible. Clarifications also were made regarding the eligibility of activities associated with street construction: traffic signals, signs, street furniture, and trees were all determined to be eligible activities.

Regarding public services, Special Issues Committee determinations most often dealt with questions of applicant compliance with regulations setting forth prerequisites for public service funding eligibility, including the requirement that proposed activities be in support of other Block Grant assisted activities targeted for the area, and that assistance for funding such public services under other Federal laws or programs must have been sought and denied or not made available to the applicant [Part 570.200 (a)(8)]. The kinds of problems most frequently brought to the Special Issues Committee appear to have been accurately reflective of the difficulties applicants throughout the Nation were having with the application process.

While a third or so of the cities appear to have had no problems with the Block Grant rules and regulations, a majority have indicated that they encountered difficulties with one or more parts of the regulations. Regulations that were most difficult for them to interpret or which required the greatest amount of clarification before their applications could be completed involved eligible activities provisions detailed in Subpart C. Two specific categories of activities identified more often than others as being unclear or incomplete were the provision of public services and the provision for acquisition, construction, reconstruction or installation of public works facilities, and site or other improvements. Some one-fifth of the cities viewed regulation areas as being unclear and cited them as the sources of problems and uncertainties.<sup>1</sup>

<sup>1</sup>Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Community Development Funding Survey.

Despite the uncertainty existing in the first year of the CDBG program, no entitlement city lost any appreciable amount of funds because of HUD eligibility determinations.

In every instance in which an activity was found to be ineligible (except one involving less than \$1,000), the city was notified sufficiently early in the 75-day review period so that an eligible activity could be substituted and the city's full entitlement used.

The problems of eligibility determination will receive continued study to determine what statutory or administrative correctives, if any, are necessary.

### HOUSING ASSISTANCE PLANS

The establishment of a Housing Assistance Plan (HAP) requirement as a major condition for qualifying for a CD Block Grant has proved to be one of the most time-consuming and difficult aspects of the CDBG program. For most general local government applicants, preparation of a Housing Assistance Plan (HAP) involved a new responsibility for planning and providing housing assistance to meet needs. In earlier federally subsidized housing programs, such responsibility devolved to local housing authorities; or, in many instances, depended upon the workings of the local private housing market.

The preparation of a local HAP and its approval by HUD does not necessarily imply a commitment by HUD to deliver Federal housing assistance resources for which the applicant has established goals. However, the statutory linkage between HUD programs was forged more closely than in previous housing and community development legislation. Many local governments were not fully familiar with the implications of the Housing Assistance Plan requirements. However, only three entitlement applications were rejected on the basis of an insufficient HAP. Review and approval of local Housing Assistance Plans by HUD presented an unprecedented experience. Since the HAP is both an essential part of the CD program and a guide to allocation of HUD assisted housing resources, staff specialists in Housing Management, Equal Opportunity, Economic and Market Analysis, as well as Community Planning and Development took part in reviewing HAPs. Although HUD staff was trained thoroughly to perform its review tasks within the 75-day period established by the Act, a number of problems were encountered which led to several major policy clarifications and revisions in the second year of the program.

Many CDBG applicants reported that completing the HAP requirements was the most difficult part of the entire Block Grant application. To identify major problems encountered by local governments and HUD staff, evaluation visits were made to an area office in each of the 10 HUD regions. Other regional and area office comments and recommendations on HAPs were received at a HUD national conference in August of 1975. Inadequacy of significant, locally available data was

a major problem affecting both the ease of application and the quality of the finished HAPs. Most applicants, with HUD consent, relied on 1970 census data although conditions had changed appreciably between the time these data were collected and the time of HAP completion. To help alleviate this situation, HUD contracted with a national firm for delivery of survey data to 318 entitlement cities for which data was available. Applicants are also being encouraged to undertake local surveys to update their housing information. Updated census and social security data are also being sought by HUD.

Other applicants complained of lack of clarity in the instructions regarding completion of the HAP, particularly the purpose and interrelationships of the various HAP components. Redesign of the forms and clarification and expansion of the instructions were made to enable second year applicants and HUD to utilize the HAP tables and narrative as a more effective planning tool.

HUD review of Housing Assistance Plans highlighted major issues which required changes. After an initial assessment during August-September, 1975, the Secretary convened an interdepartmental Task Force representing components of HUD concerned with HAP to develop alternative recommendations for major revisions. The following summarizes the issues considered and their resolution. Each of these is being implemented, as appropriate, through changes in regulations, HAP forms, HAP instructions, and training of HUD field staff.

#### **Description of the Condition of Existing Public Housing as a Separate Section of the Survey of Housing Conditions**

The deteriorating conditions of substantial public housing stock throughout the country and the statutory mandate to conserve existing housing led to the policy decision to require local governments to provide a separate public housing analysis in the HAP. Although the Block Grant applicant is not required to utilize Community Development funds to correct poor conditions that may be identified, the separate analysis should serve as a "consciousness raising" device, alerting communities to the

existence of local public housing problems, for which Local Housing Authorities have traditionally deferred action until Federal solutions were established.

**Needs of Lower Income Worker Households Which May Be Expected to Reside in a Community as a Result of Existing or Planned Employment Opportunities**

In the first year, many CDBG applicants neglected to complete the required information on lower-income population "expected to reside." This information was required in order to address the issue of providing housing for low-income workers employed but not able to reside within a community, who would be "expected to reside" if housing were provided. Since there is no precise statistical formula which can adequately quantify the needs of workers "expected to reside," HUD policy encourages areawide planning organizations to develop such estimates within metropolitan or nonmetropolitan jurisdictions, and encourage local governments to accept their share of the assessment of "expected to reside" housing needs.

**Proportional Relationship of Housing Assistance Goals to Housing Needs by the Major Categories of Households Identified as Requiring Assistance**

Several communities (ten were identified in the HAP analysis for this report) failed to establish first year goals to meet the housing assistance needs of elderly, large or small low-income families reported in their Housing Assistance Plans; but instead provided a three-year goal or an assurance that their housing assistance needs would be addressed in their second program year. The annual goal will be a strict requirement for all communities in the second program year. A number of applicants chose to establish annual and three-year goals to provide most housing assistance for elderly/handicapped persons only, although they reported significant

needs among small and large non-elderly/handicapped families. In order to encourage such communities to address the housing needs of all household types, policy has been established to require that HAP goals be generally proportional to housing assistance needs. To provide flexibility and adequate lead time for applicants to implement this policy, the proportionality requirement may be met over a three-year period rather than annually, thus establishing a corollary requirement for a mandatory three-year HAP goal.

**Determine Goals for the Local Mix of Section 8 Housing Assistance Resources among New Construction, Substantial Rehabilitation, and Utilization of Existing Housing**

Initial instructions for using Section 8 housing units in applicants' HAP goals encouraged maximum feasible use of the existing housing program. The national distribution among first year HAP goals resulted in 45% new units, 14% substantially rehabilitated units, and 41% existing housing units.

Clear standards for program mix are not present in the law or legislative history. Administrative guidelines were established, based on local vacancy rates. If the rates are higher than normal as calculated by HUD, utilization of existing stock would be indicated. If vacancies are low in standard available units available for lower-income persons, new construction would be indicated. Proposed goals for rehabilitation are not as directly affected by local vacancy rates, but are affected by community strategies for redevelopment or preservation.

In most instances, CDBG applicants followed the letter and the spirit of the law with respect to Housing Assistance Plan requirements. However, legitimate misunderstandings and varying legal interpretations necessitated clarified regulations, forms and instructions. HUD is evolving an administrative process to improve coordination and the delivery of planning, housing and community development assistance at the local level.

### URBAN RENEWAL COMPLETION

Although the last conventional Urban Renewal projects were approved in 1973, there remain 993 such projects in execution in 566 localities, representing a remaining Federal grant commitment of over \$3 billion. In addition, there are 395 Neighborhood Development Programs which have not yet been completed. The Federal government is committed to guarantee up to \$4.7 billion in temporary loans to carry out activities in these Urban Renewal/NDP projects.

Carrying out an Urban Renewal project normally extends over a period of eight to fifteen years. Completion of this categorical program thus presents a substantial management responsibility for HUD.

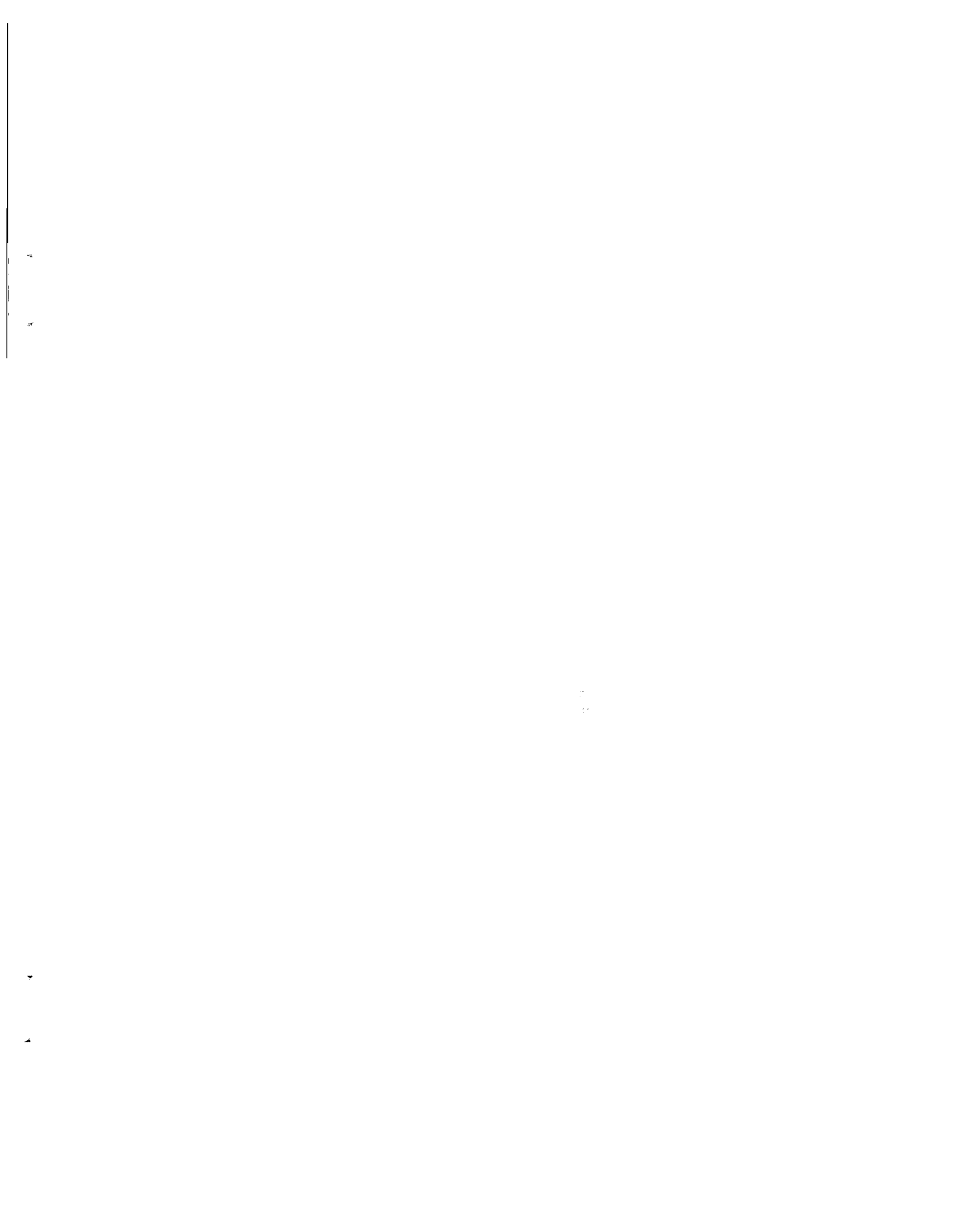
Some of the ongoing functions HUD performs are: monitoring of projects to see that they are completed in a timely and efficient manner, assuring that there will be sufficient resources to repay outstanding temporary loans, and assisting localities in making financial settlement of each project. These tasks will be complicated by the existence in many localities of a substantial amount of unsold land, the disposition of which may be affected by high interest costs and general economic conditions which serve to retard development, as well as by specifically local economic and other factors which bear on the marketability of renewal sites.

The Housing and Community Development Act of 1974 provides general means to facilitate completion of the Urban Renewal program. First, localities may use CDBG entitlement grant funds to complete Urban Renewal projects. Second, the Secretary, after consultation with the chief executive of the unit of general local government and the Local

Public Agency, can deduct up to 20 percent of an entitlement grant to be applied toward repayment of temporary loans. Third, the Act authorizes "urgent needs" funding of \$50 million per year in FY 1975 and FY1976 and \$100 million for FY1977, to aid in completion of categorical programs. Finally, the Act provides for early financial settlement of Urban Renewal projects, provided that the temporary loan can be fully repaid, and for release of any surplus Urban Renewal grant resulting from such settlement to the locality for use as Block Grant funds.

To implement these provisions, as well as to carry out ongoing management responsibility in this area, the Department has planned or is taking the following steps. First, it is preparing regulations implementing the Urban Renewal provisions of Section 112 of the Act, including early financial settlement, and an amendment to the regulations concerning environmental review procedures for actions taken under these provisions. The issues covered in these regulations involve a variety of interests and legal and administrative considerations. The proposed regulations will be published for public comment prior to being promulgated for effect.

In addition, the Department is initiating a comprehensive survey of ongoing projects to determine the resources required to complete them and to formulate a program to assist in accomplishing completion. Finally, the Department plans to establish a headquarters Task Force on Urban Renewal to aid field office in closing projects, to provide training and technical support, and to monitor and expedite completion of this task.





## FY 1976 CHANGES IN THE DISCRETIONARY REGULATIONS

The first year experiences of both applicants and area offices administering the programs pointed to the need for some changes in the rules and regulations concerning discretionary grants. A number of these changes are discussed below.

### Preapplications Required

In FY 1976, preapplications will be required of all applicants for general purpose SMSA and nonmetropolitan discretionary balance funds. As a consequence, applicants will be required to meet the citizen participation requirements of the legislation prior to the submission of the preapplications. Full applications will be accepted only upon the invitation of the area office. Changes in a full application which would alter the ranking assigned by the area office to a preapplication will not be accepted.

In FY 1975, the submission of preapplications was encouraged but not mandatory. This arrangement often proved unsatisfactory for both applicants and area office staff. Those area offices which received numerous full applications not preceded by preapplications had to repeat the entire rating procedure for all applicants despite the shortage of time and the intent of the regulations that applicants be realistically informed of their chances for funding upon review of their preapplication.

Preapplications will also be required of applicants for areawide projects under the Secretary's discretionary fund. In FY 1975, no funds were allocated for this category. Area offices could, however, give priority for general purpose funds to applicants who proposed activities to be carried out separately by the various participating units of local government.

In FY 1976, funds will be allocated for areawide projects under the Secretary's discretionary fund. Additional priority will no longer be given for intergovernmental cooperative agreements under the general purpose funds.

### Selection Procedure To Be Made Available To Applicants

In FY 1975, frequently the only indication of the weights which were incorporated into the area

office selection process for general purpose discretionary balances funds appeared in the form of letters of encouragement or discouragement following the review of the preapplications. Some of the applicants inquiring among themselves were able to determine patterns and to adjust their full applications accordingly. For many applicants receiving letters of discouragement, however, the applications ended at this point. In FY 1976, each area office's selection procedure will be made available for review by interested applicants prior to the submission of the preapplication. Area offices choosing to set grant limits will also make those limits known prior to the submission of preapplications.

### Selection Criteria

The inclusion of absolute data as a measure of substandard housing and poverty in the "criteria for selection" should help assure the funding of a cross-section of applicants by size. It became apparent during the first funding year that the use of percentage figures alone biased the selection criteria towards smaller cities and counties where small numbers can convert into large percentages.

The revised regulations published October 30, 1975 list three specific rating factors to be used in ranking preapplications:

1. The degree to which the proposed activities directly address the criteria for selection described in Part 507.402(b);
2. The degree to which the proposed activities primarily benefit persons of low-and moderate-income; and
3. Consistency of the proposed activities with local and areawide plans.

While all three factors were implied in the FY 1975 regulations, the FY 1976 regulations clarify the selection procedure through greater specificity.

### A-95 Review

Because of the limited time available to implement the general purpose fund programs during the first year, the Office of Management and Budget (OMB) modified the A-95 compliance requirements for FY 1975. In FY 1976, the Office of Management and

Budget required HUD to revise the program regulations to comply with OMB Circular No. A-95.

A copy of each preapplication must be submitted to the appropriate State and areawide clearinghouses at least 30 days prior to the submission of the preapplication to HUD. The preapplication will serve as the notification of intent to apply for a Federal grant.

A copy of each full application must also be submitted to the appropriate clearinghouses at least 30 days prior to its submission to HUD unless the clearinghouse relinquishes this requirement.

CITIZEN PARTICIPATION

Applicants must provide satisfactory assurance prior to submission of their application that:

-Citizens received adequate information concerning the amount of funds available for proposed community development and housing activities, the range of activities that may be undertaken, and other important program requirements; and

-Two public hearings were held to obtain the views of citizens on community development and housing needs, to develop the application, and to develop any revisions, changes, or amendments.

Additionally, the applicant must make reasonable efforts to inform citizens involved in the local citizen participation process that the application has been submitted to HUD and is available to interested parties upon request.

An annual performance report requires that recipients indicate progress on planned activities, including compliance with the citizen participation requirements. Recipients must, at the time of submission of the annual performance report, make public notice of the availability of the report for examination and make copies available to the public free of charge.

In the Community Development Funding Survey, **880** cities were asked to identify in order of importance, the relative influence of various factors on the direction and development of their community development application. These factors were citizen participation, areawide comprehensive plans, State comprehensive plans, consultant recommendations, prior HUD grants, and city plans and policies. Citizens' participation was rated "most influential," as indicated in Table **7F.1**.

Less than 2 percent of the **880** cities indicated that citizen participation was "least influential"; two cities indicated that citizens participation had "no influence." Of the other alternative factors, city plans and policies was the only frequently mentioned "most influential" factor.

The Funding Survey asked cities to compare their experience in developing the Community Development Block Grant applications to their experience in developing applications for the HUD categorical programs. Cities were asked to indicate the change in several factors, including citizen participation. The answers are shown in Table 7F.2.

Several cities used innovative approaches in citizen participation for the block grant program:

-A northeastern city ran a multi-page special supplement to the local newspaper several times well in advance of the public hearings, describing requirements and objectives of the CDBG program, activities and funding planned. Also, a check off form of public opinion on needs and priorities for community development and housing was provided with postage free response.

-A northwestern city ran a full page newspaper ad explaining the CDBG objectives, eligible activities, how the application would be developed, and asked for input on the citizen participation plan. This city also held various community meetings, distributed printed material, used slide films, radio, and a videotaped TV program to encourage and obtain citizen involvement.

-A northeastern city developed a citizen participation process that went into neighborhoods based on census tracts, to identify needs and appropriate programs. A citizen guide was developed and distributed to all citizens. The guide was published in English and Portuguese to meet minority language needs. The guide included a nomination form for membership to the citizen participation group. As a result, **14** citizens were appointed to the citywide board by the mayor.

-A metropolitan "Council of State Planning Agencies and Elected Officials" covering a tri-State area in the Northeast is using two-way closed circuit TV programming to beam programs of interest to citizens groups and elected officials. These programs explain community development and housing objectives and plans, to create interest and involvement by citizens.

-A northeastern city, using **18** neighborhood centers referred to as "Little City Halls," developed an informative brochure for citizens. The brochure describes the Act, eligibility criteria, amount of funds, plans, and other improvement activities in the neighborhoods. A questionnaire was included to elicit comments from citizens on needs, projects, and priorities in their respective neighborhoods.

-A midwestern city, in the middle of a major newspaper strike, used local neighborhood papers, radio, and sound tracks to keep citizens informed

about the Block Grant program and to stimulate interest and participation in public hearings.

—A southern city elected 10 citizens as "commissioners" for four-year terms at the time the mayor and members of the Council were elected. The citizen participation structure deals with city-wide problems, neighborhoods, and individual members and complaints. Neighborhood representatives, who are part-time employees of the citizen participation office, try to solve problems that do not require government actions. The citizen participation organization uses a van with a two-way radio hook-up and a loudspeaker for making announcements. The citizen participation office checks complaints and contacts the appropriate city department by phone or two-way radio, thus bringing government closer to citizens.

The influence of citizen participation in the Block Grant program was clear in interviews with local elected officials and citizen participants: A number of entitlement cities and urban counties

indicated that funds were budgeted for citizen participation. Cities budgeted from \$500 to \$100,000; and urban counties from \$2,500 to \$50,000; those cities that budgeted \$100,000 indicated that funds would be used for CDBG citizen participation activities, as well as to sustain citizen participation activities for existing Project Area Committees created under the Urban Renewal Program. A number of recipients had citizen participation included in general administrative expenditures as a budget item.

There have been criticisms and complaints about the process of citizen participation in the Block Grant program in some cities. In some instances, local groups and individuals have filed suit against HUD seeking to defer release of project funds and requesting HUD to look behind the local certifications of compliance with citizen participation provisions in Title I.<sup>1</sup> None of the cases has progressed to a point where a judicial opinion has been rendered.

Table 7F.1

Ranking of Citizen Participation Influence

Type of City	Number Responding	Most Influential	Second Most Influential
Small Hold Harmless Metropolitan City Phase-In	524	58.2%	21.9%
Metropolitan City Phase-Down	138	61.6%	23.2%
Metropolitan City	132	46.2%	23.5%
Metropolitan City Other	86	48.8%	37.2%
Total	880		

Table 7F.2

Degree of Citizen Participation in Developing Applications

Type of City	No. Responding	Increase	Decrease	No. Change	No Response
Small Hold Harmless Metropolitan City Phase-In	524	75.8%	2.3%	19.8%	2.1%
Metropolitan City Phase-Down	138	81.1	0	12.3	6.6
Metropolitan City	132	81.1	3.0	15.9	—
Metropolitan City Other	86	84.9	0	12.8	2.3
Total	880				

<sup>1</sup>Edison Branch of the NAACP, et al. v. Hills, et al., U.S.D.C., D. N.J., C.A. No. 75-1461; NAACP - Santa Rosa - Sonoma County Branch v. Hills, et al. U.S.D.C., N.D. Cal., Civil Action No. C-75-2257 WHO; Bois D'Arc Patriots, et al. v. City of Dallas, Hills, et al., U.S.D.C., N.D. Texas, Dallas Division, C.A. No. 3-75-0906-D.

**PROGRAM ADMINISTRATION  
AND MONITORING**

When it became apparent that the Housing and Community Development Act of 1974 would become law, HUD initiated a series of activities to facilitate timely implementation. Among these activities were the development and publication of regulations, publication of application procedures and forms, computation of formula entitlements and hold harmless grants, and orientation of HUD field staff and local officials.

President Ford signed the legislation on August 22, 1974. Draft regulations for entitlement grants were published for comment within one month and published for effect on November 13. Discretionary grant regulations were published for comment on November 27 and made effective on February 7, 1975.

Throughout August, September and October of 1974, city officials received orientation concerning the legislation's requirements in workshops conducted by the National League of Cities, National Model Cities Community Development Directors' Association, National Association of Counties, and National Association of Housing and Redevelopment Officials.

HUD field staff also received extensive training on the new legislation during this period. Thousands of HUD personnel received training in grant regulations, environmental regulations, and Section 8, Lower Income Housing Assistance regulations.

To assist timely review of applications, HUD delegated key administrative decisions to its 10 regional offices. Regional offices developed processing handbooks, developed review procedures or approved review procedures developed by their area offices, and oversaw approval of entitlement grants, SMSA discretionary balances, and nonmetropolitan discretionary balances.

Area offices continued the process of detailed education for State, county, and city officials as well as public interest groups and concerned persons in the private sector. Area offices also received, reviewed, and approved entitlement and discretionary balance applications, and prepared recommendations for HUD central office consideration in approving Urgent Needs applications and Secretary's Discretionary Fund applications.

The HUD Office of Community Planning and Development was given responsibility for development of program policy and retained final authority for disapproval of any entitlement grant application.

The concerted efforts made for timely implementation allowed the first entitlement grant applications to be approved in February, 1975.

Further refinements to the Block Grant regulations have been incorporated as the program has developed, and questions of interpretation have been raised by grant recipients. Revised regulations for discretionary grants were published for effect October 30, 1975. Clarifying modifications of entitlement grant regulations, the housing assistance plan, and application forms are in the final stages of review, for publication in early 1976.

As this report is prepared, the Department is beginning the monitoring of first year Community Development Block Grant applicants, required by Section 104(d). Monitoring of the entitled city takes three forms:

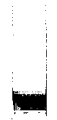
- Review of the grantees annual performance report;
- Review of other relevant documentation coming to the Department, such as environmental clearance documents, applications for housing assistance, and drawdown of funds; and
- Site visiting of a substantial number of applicants.

The Department's monitoring procedures require that a final review of these elements be completed for each recipient and the results of that review be considered before funding of the recipient's next entitlement grant. Discretionary grant recipients will be subject to such a review before being considered for a second grant.

The Department recognizes that the monitoring of grantee performance is a major factor, required by law, in the consideration of a second year grant that was not present when first year grants were made from the FY 1975 appropriation.

It recognizes the importance of assuring that recipients comply with statutory requirements, as provided in Section 104(d). It also recognizes the danger that monitoring might lead to over-directiveness and unwanted infusion of Federal judgment which the 1974 Act seeks to prevent.

Accordingly, the Department has prepared its monitoring instructions with considerable care and will be watching their actual implementation closely as the peak activity for monitoring and FY 1976 entitlement grant activity is reached in the Spring and early Summer of 1976.



## CHAPTER 7H

### EVALUATION EFFORTS

There are a sizable number of planned or in-progress studies of the Community Development Block Grant program. Most studies are to be done by HUD staff, sponsored by HUD, or are being undertaken independently. The following are highlights of studies known to HUD.

The HUD Office of Evaluation, Community Planning and Development (CPD), has developed and will implement a series of national process and performance evaluations as a basis for future community development policy. These evaluations will be augmented by ones conducted by HUD regional offices. The CPD evaluation program will extend over the first three years of the Housing and Community Development Act of 1974; reports will be time-phased throughout this period.

The HUD Office of Policy Development and Research (PDR) will also be conducting evaluative research on the Block Grant program. In addition to research undertaken by Policy Development and Research, fifteen studies are currently projected by Community Planning and Development for completion before Fiscal Year 1978. These studies are:

#### Urban Counties

A study of the special problems faced by urban counties in qualifying for CDBG funding and the process used for planning and implementation of county community development programs. This study will assess the relative advantages to small incorporated communities that join with county government for community development purposes and the activities given priority in counties compared to metropolitan cities.

#### Compliance

All applicants for CDBG funding provide legally binding assurances to HUD in lieu of detailed application submissions. This study will assess the extent to which assurance procedures are ensuring adequate local compliance with statutory requirements.

#### CDBG/Housing Coordination

A study of the internal performance of HUD in coordinating the delivery systems for community development funding and housing resources from all subsidized housing programs. This study will be

conducted in concert with the Office of Housing Production and Mortgage Credit.

#### Environmental Reviews

A study of HUD and CDBG recipient performance in implementing the environmental review and decisionmaking provisions of the Act. This study will review the adequacy of processes established by HUD and grant recipients, assess the quality of environmental reviews, and establish a base line for evaluation of the impact of these reviews on the environment.

#### Housing Assistance Plans

A study in cooperation with the Office of Policy Development and Research intended to provide guidance to local general government. The study will assess the effectiveness of the Housing Assistance Plan (HAP) in influencing the delivery of housing assistance from State, Federal, local and private sources in response to locally identified needs; and provide guidance for communities in establishing and meeting housing objectives, and coordinating housing and community development objectives.

#### Statutory Objectives

This study will review the progress toward the national objectives stated in Section 101(c). The study will measure absolute outputs of local programs as well as progress by communities against local objectives.

#### Discretionary Funds

A report on the allocation and use of CDBG discretionary funds. This study will assess the planning and implementation processes of smaller, nonmetropolitan counties and cities and review the responsiveness of this funding system compared to categorical grant programs.

#### Employment Potential of CDBG

In conjunction with the Bureau of Labor Statistics (BLS) and the Office of Policy Development and Research, CPD will analyze employment characteristics as a potential impact of the Block Grant program and refine an existing BLS system to project employment potentials probable in alternative local Community Development Programs. Results will be in the form of guidance for local

officials desiring to enhance the employment opportunities of their programs.

#### Nonmetropolitan Communities

This study will analyze the relative magnitude of community development and housing needs of communities under 50,000 population, relate these needs to growth patterns, and determine the responsiveness of the Block Grant program to these needs. The study will also assess the effectiveness of housing and community development programs undertaken by small communities, comparing the experience of discretionary grant recipients and nonmetropolitan hold harmless communities.

#### Entitlement Cities

This study will develop criteria for metropolitan city performance in organization, planning, budgeting, implementation, and evaluation of community development programs; and evaluate city performance against these criteria.

#### Citizen Participation

This study will identify the roles and models of citizen participation in recipient communities, and the effectiveness of various citizens involvement structures in impacting the community development planning, priority setting and decisionmaking processes. The study will track the involvement and evolution of earlier citizen participation organizations (Project Area Committees, Model Cities).

#### 701 Housing Element

A study of the Section 701 housing element and its usefulness in the development of housing assistance plans on a local and areawide basis. This study will attempt to identify the progress made by 701 recipients toward completion of the housing element, the impact of the housing element on communities' CDBG housing objectives, and the reliability of housing elements in determining relative need for low- and moderate-income housing within an area.

#### Longitudinal Study

Over three to five years this study will provide an in-depth assessment of the experience of recipients in carrying out a continuing program of community development. The study will be conducted in conjunction with contract researchers who can track each of the study cities on a continuing basis.

#### A-95 Procedure

A study of the effect of A-95 clearinghouse comments and reviews upon local community development programs; the identification of inconsistencies with areawide plans and how these issues are resolved; the identification of adverse environmental

impacts and how these issues are resolved; and the measures taken by communities to involve clearinghouses early in the planning process.

#### Expenditures

A detailed analysis and description of the character of each CDBG budget line item. This analysis will dissect the activity areas to identify project characteristics, and develop model descriptions of major activities in a catalog format.

### Evaluation by Policy Development and Research (PDR)

Evaluative research efforts concentrate on four areas: the new fiscal effects of the CDBG funds, the political and structural effects of the CDBG program, the CDBG allocation formula, and the effects of CDBG on the quality of the urban housing stock. This work is divided between the Office of Policy Development and Research staff and contract work being performed by the Brookings Institution.

#### PDR Staff Research

Net Fiscal Effects. An econometric model has been developed by PDR to estimate the amount of additional community development spending relative to local community development spending in the absence of CDBG. The model allows one to determine the extent of substitution of CDBG financing of community development activities for local financing of community development activities. Without knowledge of the amount of additional community development spending attributable to CDBG, little can be said about the real impact of CDBG upon communities.

At present, the model is being used in a similar analysis of the fiscal effects of the HUD categorical programs that were replaced by CDBG. This analysis will provide an opportunity to test and refine the model; and, in addition, it will provide information on the fiscal effects of the categorical programs.

CDBG allocation formula. HUD is developing a methodology to evaluate both the current and alternate CDBG formulas. The goal is to identify an operational formula which provides greater assistance to those jurisdictions with the greatest community development need. To accomplish this goal, an evaluation index will be constructed that provides a relative measure of a given city's need for community development funds. This needs index will be based on a factor analysis of several socioeconomic variables that seem to be correlated with conditions of urban blight, neighborhood instability, and other elements of community development need. After constructing this index, correlation and regression techniques will be used to evaluate both

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the present and alternate formulas in terms of their responsiveness to community development need.

Effects of **CDBG** on Urban Housing. The Community Development Block Grant legislation promotes urban communities which are viable economic, political and social entities. One aspect of viability is the regular rehabilitation and maintenance of structures if feasible, and their prompt replacement as necessary. By shifting from categorical grants to Block Grants, greater flexibility was given to local governments to choose among alternative programs which contribute to these goals. Preliminary findings from CPD are that the choice is increasingly away from subsidies for slum clearance and assembly of land designated for large-scale new construction, and toward programs designed to enhance the livability of existing urban neighborhoods, including spot redevelopment of individual dwellings, provision of community center facilities and programs, urban beautification, and a variety of similar facilities and services.

In one component of its research, PDR is examining the effects of this shift in program emphasis on the quality of the urban housing stock, taking account of induced effects on private decisions to maintain, rehabilitate or replace structures. The net impact of the program is to be estimated in terms of lower rates of replacement because of reduced urban renewal activity, counterbalanced by the beneficial impacts of expanded neighborhood service programs. How these impacts may depend on other local conditions, including rate of population growth or decline in the city, age of housing stock, and other public programs, is considered. The results should help estimate and compare the impacts of alternative distributional formulas.

**Political & Structural Effects.** PDR staff are studying the effect of CDBG allocations on community development activities in small and medium-sized entitlement and hold-harmless cities. The study will provide short-term indications of the trends in community development that are taking shape during the first year of Block Grant funding. This research concentrates on the extent to which CDBG funds are associated with a redistribution of Federal program beneficiaries as compared with previous community development programs, and on the process by which local governments arrived at their Block Grant priorities. An extensive series of interviews is being conducted with government and non-government representatives in six varied communities. These focus on two general issues: (1) the kind and amount of involvement that numerous groups (such as the city council, the chief executive, interest groups, independent boards, private citizens, other local governments, etc.) had in the Block Grant decisionmaking process; and (2) the commu-

nity development priorities and viewpoints expressed by representative members of these groups.

### **Brookings Institute Research**

Political and structural effects. This aspect of the Brookings work will examine the effect of the CDBG program on the internal structure of local governments and the relationship among governments and functional bureaucracies. A sample of recipient governments is being analyzed to gauge the impact of the CDBG program on the overall competitiveness of the budgetary process and the structure of, and relationships among, local decision-making units. This analysis will include an investigation of the extent and form of involvement of major interest groups in the budgetary process for Block Grant funds, including local citizen groups which are organized around various geographical or program interests, national interest groups, and local public agencies such as housing authorities and redevelopment agencies. The examination of the budgetary process for CDBG funds will also indicate any changes in the role of elected officials relative to the role of functional-area specialists and administrators of individual programs.

The effect of the Block Grant funding process on the organization of local government activities is also being analyzed. Brookings is investigating the effect on separate public agencies such as redevelopment agencies and special districts like water and sewer districts; the relationships between county and local governments, in particular between an urban county and the localities within its province; and the relationships among local governments. In addition, the changes in the relationship between HUD area offices and local governments resulting from Block Grant funding are being examined.

This work is being carried out by a network of "field research associates" in a representative sample of cities spanning the U.S. Although some of the issues differ and hence the associates' report form is different, in other respects this methodology is identical to the one which has been employed in Brookings's study of general revenue sharing.

Net fiscal effects. The methodology employed to measure net fiscal effects is again identical to that used in the Brookings study of general revenue sharing with the exception of some changes in the net fiscal effect categories.

**CDBG** allocation formula. Brookings is examining the distributional pattern among particular sets of cities (the sets being defined by certain characteristics) in order to discern any advantages or disadvantages relative to funding under the categorical programs. This analysis is performed for both the first and sixth year allocations. Alternative formula criteria will also be analyzed.

### Other HUD Sponsored and Independent Assessments<sup>1</sup>

NAHRO: The National Association of Housing and Redevelopment Officials is monitoring the Act by sending a comprehensive questionnaire to 150 localities in different geographical areas and of different population data on the early experiences of cities with Title I of the Act. The questionnaire is divided into three sections: planning and application preparation process, program activities and funding, and organization and management of housing and community development activities. A preliminary report of the first-year survey based on the response of 94 localities has been assembled.

NACo: The National Association of Counties surveyed 85 counties with the support of a HUD contract. The 20-month study published in August 1975, reports on the administrative structure, legal authority, intergovernmental relationships, financial capacity, planning and management capabilities and citizen participation procedures for urban counties in the community development area.

Cities: The National League of Cities/U.S. Conference of Mayors undertook a study with the

financial support of HUD, of the local legal powers, planning process, local housing assistance plans and the first year program activities under Community Development Block Grants. The report of their findings is based on the results of a survey of 175 cities.

National Committee Against Discrimination in Housing: The Committee has undertaken an evaluation of the Act in Montgomery County, Maryland, with the major emphasis on reviewing housing assistance plans.

Southern California Association of Governments: The Association reviewed grant recipients in their region to determine the types of programs intended to be financed in the first year with community development funds. The study, financed in part through a comprehensive planning grant from HUD also reviewed budgets and housing assistance plans of grant recipients.

LBJ School of Public Affairs, University of Texas. A graduate Seminar will conduct in-depth studies, by the case method, of CDBG activities and programs in Baltimore, Birmingham, Hartford, Houston, San Francisco, and Kansas City, Missouri.

<sup>1</sup>Jean C. Szabo, "Urban Report/Community Development program shows signs of progress," *National Journal*, Washington, D.C.: Government Research Cooperation, Vol. 7, No. 48 (November 29, 1975), page 1638.

METHODOLOGY

APPROACH FOR PREPARING THE FIRST ANNUAL REPORT

The first Annual Report to Congress on the Community Development Block Grant Program was designed for several purposes:

1. To provide a report to Congress as required by Section 113 of the enabling legislation;
2. To inform the general public on the progress of the program in response to widespread interest;
3. To provide a data base in the early stages of program implementation for future comparative analysis for second and succeeding reports to Congress;
4. To provide a data base for program evaluations; and
5. To provide information allowing for early attention to problems for recipients of HUD in the early stages of program implementation.

Because the Block Grant program introduces findings and other mechanisms different from those of the categorical programs, this report reflects comparisons between the categorical and Block Grant programs. This comparison theme underlies the discussion of the general topics of 1) basis of funding, 2) approval mechanism and 3) use of funds.

These three general topics and the comparative focus provide a framework for discussing the Block Grant funding distribution progress toward achievement of statutory objectives, community development and housing strategies, and the mechanics, issues, and problems associated with the first year of implementation.

Because this is the first year of implementation, findings related to use of funds are based on communities' allocation plans rather than actual expenditures. Local expenditures reports on the first year will be submitted with the second year applications.

Information for this report was gathered from seven data sources. The confidence level of three of the data sources is very high: (1) the planned project expenditures patterns of entitlement communities have a high probability of being representative of 84 percent of all entitlement funding, (2)

the analysis of nonmetropolitan discretionary funds presents data on the entire universe of funded discretionary applications, and (3) the 31 percent sample of Housing Assistance Plans compares favorably with national estimates of housing conditions and needs.

The seven data sources are as follows:

1. Application Analysis

The analysis of the kinds of activities (urban renewal, public works, etc.) to which CDBG recipients are allocating funds, the income levels of principal beneficiaries of the funds, local adherence to national objectives, and community development strategies are based on a detailed review of the Community Development Programs for 151 formula metropolitan and non-formula entitlement cities within SMSA's.<sup>1</sup>

The sample for this study was selected from a universe of 795 cities, representing 83 percent of the total Block Grant funding level for all entitlement communities.\* In order to offset the effect of varying entitlement amounts, the 795 cities were grouped into three strata: entitlement amounts over \$4 million, \$1 million, and under \$1 million. A random selection of cities from each stratum was drawn at the 95 percent confidence level (151 cities sampled in all), allowing a respective 5 percent sampling error for each strata, as shown in Table A. 13.

Community development budget line item figures were used to estimate the mean and standard deviation needed to determine the sample sizes. The estimates were based on a random selection of 15, 20, and 25 cities from the respective strata (see Table A.2). The line item expenditure used for the estimates is "Public Works, Facilities, and Site Improvements." As reflected in Table A.2, the selection of "Public Works..." creates substantial oversampling in all other budget line items with the exception of "Completion of Urban Renewal Activities" in strata I. The number of additional cities needed to produce a 95 percent confidence level for this activity was not a cost effective measure.<sup>4</sup>

<sup>1</sup>Due to the unavailability of Census tract information, hold harmless cities outside SMSA's are omitted from this report.

<sup>2</sup>Eighteen cities were omitted from the universe of entitlement communities. Five cities having recently acquired SMSA status are not yet tracked by the Census Bureau; thirteen cities were not expected to apply for Block Grant funding this year. (Although 18 cities actually did not apply for Block Grant funding this year, three are included in the sampling universe.)

<sup>3</sup>The sample size for each stratum was determined by this formula:

<sup>4</sup>Sixty-five cities were needed to represent this activity at the 95 percent confidence level.

Table A.1

Stratified Random Sample Size

Stratum	Entitlement Amount	No. of Cities	Sample Size	Sampling Error*	% of Block Grant Funding Represented Stratum
I	Over \$4 million	110	34	\$119,347,500	59.6%
II	\$1-4 million	179	59	33,602,820	16.4
III	Under \$1 million	506	58	3,769,600	7.7
		795	151		83.7%

\*5 percent of the estimated mean for each stratum.

Table A.2

Estimated Standard Deviation

Stratum 1 - Entitlement Amount Over Four Million Dollars (15 Cities)

	Mean	Sample Sum	Standard Deviation
1. Completion of Urban Renewal Activities	1,646,780	24,701,700	2,422,320
2. Public Works, Facilities, and Site Improvements	2,386,950	35,804,200	2,144,570
3. Continuation of Model Cities	1,307,480	19,612,200	1,696,880
4. Planning, Management, and Development and Administration	993,931	14,909,000	1,378,700
5. Clearance, Demolition, and Rehabilitation	517,885	7,768,280	806,193
6. Payments to Non-Federal Share	307,235	4,608,530	803,260
7. Acquisition of Property	875,978	13,139,700	739,413
8. All other Categories & Contingencies	525,090	7,876,340	648,217
9. Rehabilitation Loans and Grants	800,693	12,010,400	644,901
10. Code Enforcement	400,509	5,607,130	566,121
11. Provision of Public Services	302,072	4,531,080	358,906
12. Relocation Payments and Assistance	409,471	6,142,060	335,520

Table A.2

## Estimated Standard Deviation (Continued)

Stratum II – Entitlement Amounts from One to Four  
Million Dollars (25 Cities)

Budget Category	Mean	Sample Sum	Standard Deviation
1. Public Works, Facilities, and Site Improvements	672,056	16,801,410	595,119
2. Acquisition of Property	362,210	9,055,254	303,999
3. Rehabilitation Loans and Grants	213,284	5,332,100	219,394
4. Relocation Payments and Assistance	168,309	4,207,740	187,937
5. Provision of Public Services	56,242	1,406,055	144,052
6. Planning, Management, and Development & Administration	220,133	5,503,334	137,790
7. Completion of Urban Renewal Activities	45,303	1,132,582	125,510
8. Code Enforcement	81,489	2,037,240	119,579
9. Clearance, Demolition, and Rehabilitation	91,341	2,283,540	111,199
10. Model Cities	30,300	757,500	107,156
11. Other Budget Categories & Contingencies	143,855	3,596,390	99,253
12. Payments to Non-Federal Share	15,786	394,665	39,845

Table A.2

## Estimated Standard Deviation (Continued)

Stratum III – Entitlement Amounts Under One  
Million Dollars (20 Cities)

Budget Category	Mean	Sample Sum	Standard Deviation
1. Public Works, Facilities, and Site Improvements	147,392	2,947,840	158,317
2. Completion of Urban Renewal Activities	42,475	849,500	146,472
3. Acquisition of Property	71,456	1,429,130	92,301
4. Rehabilitation Loans and Grants	51,925	1,038,500	57,750
5. Payments to Non-Federal Share	19,995	399,900	42,566
6. Planning, Management, and Development & Administration	52,619	1,052,390	38,108
7. Relocation Payments and Assistance	15,480	309,600	33,565
8. Provision of Public Services	8,765	175,310	24,327
9. Other Budget Activities & Contingencies	21,485	429,703	22,923
10. Code Enforcement	5,500	110,000	14,110
11. Clearance, Demolition, and Rehabilitation	8,319	166,390	12,583
12. Model Cities"			

\*None of the cities in this sample showed expenditures on Model Cities.

## 2. Community Development Funding Survey

The Community Development Funding Survey documents the experience of cities in completing their first year applications for entitlement of hold harmless Block Grant funds, and includes five subjects dealing with:

- Technical Assistance
- Application Process
- Code of Federal Regulations (24 CFR 570)
- Local Needs and Priorities
- Organization of Local Government.

	Total
Included in Sample	880
Included in Total	1251

Smaller cities with a population of less than 50,000 dominate this sample (68 percent) and the universe (66 percent).

### 3. Housing Assistance Plans

The housing information in the report is based on an analysis of 359 entitlement city and 48 county Housing Assistance Plans.

Of the approximately 1200 Housing Assistance Plans that were reviewed for data content, about 25 percent did not include all of the data elements necessary to perform a complete analysis for this report. Although these HAP's were adequate for the general application review process, the computer analysis used for this report required more detail. It was therefore necessary to eliminate those HAP's with incomplete data, reducing the largest possible sample to 75 percent of all entitlement communities. A random sample of 359 cities and 48 counties was selected from this universe. Averages from this sample regarding housing conditions and households needs compare favorably with national averages from studies conducted by the Bureau of the Census and the Joint Center of Urban Studies of MIT and Harvard University as footnoted in the text, in Chapter 4.

### 4. Nonmetropolitan Discretionary Balance Analysis

Discussions of the three sources of discretionary funding, by applicant, size of grant, and legislative and field office criteria are based on questionnaire responses to a 100 percent sample of HUD field offices. Further data gathered from field visits to 12

The survey consists of a self-administered questionnaire mailed to each eligible city after its application was submitted and accepted for processing by HUD. Of a total possible response of 1251 cities, 800 completed and returned the questionnaire (approximately 70 percent response).

The sample of 880 resembles, in type of city, the universe of 1251 cities:

<b>Metropolitan<sup>1</sup></b> Cities	<b>Small<sup>2</sup></b> Hold Harmless Cities
356 (40.4%)	524 (59.6%)
510 (40.8%)	740 (59.2%)

discretionary grant recipients and 16 HUD field offices will be analyzed in a separate report to determine the effects of Area Office selection procedures upon the types of activities funded.

### 5. Urban Counties Analysis

A detailed analysis of expenditures among the 73 participating urban counties is to be published in a future report. The first Annual Report, however, has made partial use of data gathered on field visits to 10 urban counties in "Other Sources of Funds," Chapter 4.

Forty-eight of the 73 participating urban counties were also included in the Housing Assistance Plan Analysis.

### 6. Field Visits

Office of Evaluation Staff visited 24 entitlement cities and 12 urban counties to discuss the initial local experience with the Block Grant process. Data from these visits supplements the analysis throughout the report and is used in some cases to illustrate trends revealed in the analysis of the larger samples.

### 7. Supplemental Data Sources

Supplemental data sources also included in this report are semi-monthly progress reports submitted by HUD field offices and summaries of budgets submitted by all CDBG grant recipients.

<sup>1</sup> These cities are the larger metropolitan cities, and/or central cities within their SMSA's which are entitled to an allocation based upon an objective needs formula.

<sup>2</sup> These cities are the smaller cities that do not qualify for a formula entitlement, but will receive a hold harmless grant based upon their participation in specified HUD categorical programs.

**8. Other Uses of These Data Sources**

An analysis of the local coordination of community development and housing activities for low- and moderate-income families was based on a cross-

match of funding and Census tract information given in the Community Development Programs and the Housing Assistance Plans for 133 cities included in the entitlement city sample.





## DATA BASE PREPARATION FOR ALLOCATION OF FUNDS IN FISCAL YEAR 1975

### STATUS OF DATA BASE AT ENACTMENT

Numerous computer runs (over 500) were made prior to the enactment of the Housing and Community Development Act. Known problems, related to data accuracy and completeness, needed to be resolved prior to making the first "formal allocation" of funds. The computerized data files used for these pre-enactment calculations were as accurate as possible under existing conditions, and adequate for the modeling and testing of various combinations of formula factors, past program experience values, and eligible recipients of funds, as well as funds available—identifying the effect of a concept or decision before the actual decision was made. However, the following areas and concerns dictated that attention and action be directed toward improved data and improved capability.

#### Demographic Data Availability

The nature of the allocation process makes it necessary to deal with applicable demographic values (population, overcrowded housing, and poverty) for all "units of general local government" (county, parish, city, town, township, village, or other general purpose political subdivision), because allocations to SMSAs, urban counties, and State non-metropolitan areas are based upon remaining new demographic values after excluding or including certain units of local government as a result of their receiving "direct entitlement" funds, or exercising available options. Thus, HUD must have ready access to applicable demographic data for all units of general local government and unincorporated areas to construct the formula factors (demographic values) once eligibility has been determined, all options determined, and resulting identification of included and excluded units established. This dictates a computerized capability rather than continued use of published Bureau of Census data in the Series PC(91)A, PC(1)C, and Series HC(1)A documents.

#### Lack of Demographic Data

In the development of pre-enactment data bases, HUD found that certain Census data were not published for places with populations less than

2,500, requiring that values be estimated. For example, to derive an estimated poverty value for such places, a ratio was developed between the locality's population and the county population, and then the derived ratio factor was applied to the published county poverty value to arrive at the locality's estimated poverty value. While this estimating technique provided acceptable accuracy for testing and planning purposes, it was not considered acceptable for determining actual entitlement amounts. Since these data were available on Census magnetic tape files, the need for expanded computerized capability was further evidenced and supported.

#### Changes to Published Demographic Data

Demographic values in the pre-entitlement data bases contained only published data resulting from the 1970 Population Census and Housing Census. With enactment of the legislation, it was necessary that the demographic values in the data bases represent the most current and correct data available from the Bureau of the Census—recognizing and including all qualifying changes resulting from: Boundary and Annexation Survey changes, Consolidations of Governments, New Incorporations, and all count corrections made by the Bureau of the Census.

#### Past Program Experience Values

Hold harmless values in the data bases, which represent an eligible community's past program experience, had been based primarily upon Computerized Data Systems, Manual Data Systems, and other records maintained in HUD Central Office. Only in a few cases of local government or field office initiative had these values received review and validation. With enactment, and prior to the actual allocation of funds, there was a need to verify all values for each program consolidated into the Community Development Block Grant Program. These programs are:

Urban Renewal, including Neighborhood Development Program and Code Enforcement;  
Model Cities;

Rehabilitation Loans;  
 Public Facility Loans;  
 Water and Sewer;  
 Open Space Land; and  
 Neighborhood Facilities.

## PREPARATION OF DATA BASE FOR FORMAL FUND ALLOCATIONS

### Hold Harmless Calculations and Data Validation

To insure accuracy and completeness of the "hold harmless" calculation, each Regional Administrator selected a program or finance officer to receive training in: the calculation of hold harmless values based upon qualifying past program experience, the determination of eligibility based upon past program experience, and an understanding of formula calculations. These officers served as the Regional focal points and advisors in validating the hold harmless. A series of validation forms was developed to permit the logical display of "base period" past program experience data and also the calculations used to arrive at a five-year average or an annualized average hold harmless value, by program. The base period, as established by the Act, is July 1, 1968 through June 30, 1972, except as extended to June 30, 1973 to include communities participating in the Neighborhood Development Programs (NDP) for the first time. Four forms were used to display the program and project data used and the calculations accomplished:

Form Type	Type Average
Urban Renewal, including subprograms and Rehabilitation Loans	5-Yr. Avg.
Categorical Programs, including Water & Sewer, Neighborhood Facilities, Open Space Land, and Public Facility Loans	5-Yr. Avg.
Neighborhood Development Program	Annualized Avg.
Model Cities Program	Annualized Avg.

Applicable forms were prepared in the Central Office for each entitlement City and County and forwarded to each Regional Office for validation of all entries. All differences in including data and/or

calculations identified during the validation effort were individually researched and agreement reached between the Central Office and the Regional Office before the data were acceptable for inclusion in the data base.

Data validation was accomplished during the period from September through December, 1974.

### Small Area Data

A requirement existed to obtain Bureau of the Census unpublished demographic data for small areas (incorporated places under 2,500 population) before HUD could accurately compute the allocations for: State nonmetropolitan discretionary balances; urban counties; and **SMSA** discretionary balances. HUD initiated negotiations in July, 1974 to obtain these data. Preliminary requirements were submitted on July 1, and were formalized on July 26 after discussions with representatives of the Bureau.

On October 15, 1974, the Bureau provided details describing the special tape file they planned to prepare in response to HUD's requirement—the format was to be the same as the published Table 10 in the PC(1)A Census series, except for the addition of State, SMSA, and the unincorporated balance of county demographic data. The balance of October was devoted to modifying and refining the Bureau's specifications to insure the inclusion of all essential data and to insure usability of the special magnetic tape files on the HUD computers.

A sample tape was furnished in early November to permit testing and further refinement.

A preliminary tape file was furnished on January 22, 1975. Additional updated tapes were furnished in January and February, with the final revised and corrected tape data file being furnished on March 17, 1975.

### Boundary and Annexation Changes and New Incorporations

All data furnished by the Bureau of the Census for the FY 1975 allocation cycle included qualifying Boundary and Annexation Survey changes for 1971 and 1972. Qualifying boundary and annexation changes would conform to the criteria established for General Revenue Sharing purposes—for which the net change (separate or cumulative) equaled or exceeded 5 percent of the population for communities having 5,000 or more population, using the 1970 census count data for the community and for the area annexed. An exception to the 5 percent requirement was made if such change had made the population of a community exceed 50,000, thus qualifying for entitlement eligibility.

Two cities, Arvada, Colorado and North Charleston, South Carolina, achieved metropolitan city status as a result of annexations.

All new incorporations occurring in 1971 and 1972 and reporting to the Bureau of the Census were also in the data files furnished. The inclusion of these new units of government is important in view of their effect upon net balances that must be derived before calculating the allocations for non-metropolitan areas, urban counties, and SMSA balances.

### **Consolidated Governments**

During the preparation of the data base for allocation of Fiscal Year 1975 funds, a question arose concerning how consolidated governments should be handled. These are cases where contiguous or subsumed units of local government (usually a county and its contained units of government) have elected to become a single consolidated unit of government. Such instances which had been reported to the Bureau of Census at that time were:

- Jacksonville, Florida
- Columbus, Georgia
- Honolulu, Hawaii
- Indianapolis, Indiana
- Lexington-Fayette, Kentucky
- Baton Rouge, Louisiana
- Nashville-Davidson, Tennessee

In reviewing these cases, it was found that for a number of them, certain sub-units had petitioned for status as governments separate from their consolidated units for purposes of receiving funds under General Revenue Sharing. In many such cases, the courts had ruled that the sub-unit still retained sufficient independence from its consolidated unit of government, so they qualified for separate treatment under that legislation. It was necessary to determine whether this distinction would also obtain for purposes of administering the Block Grant program.

In reviewing this matter, two distinctions were noted between the Block Grant program and General Revenue Sharing:

1. Eligibility for formula entitlement under General Revenue Sharing is much broader than under the Block Grant program. Under General Revenue Sharing, local government extends to a "county, municipality, township or other unit of government below the State which is a unit of general government..". Thus, a unit of local government does not have to be a municipality to qualify for General Revenue Sharing formula funds; whereas municipality is a prime requisite for qualifying as a metropolitan city, and for formula entitlement, under the Community Development Block Grant Program.

2. The intent of the legislation governing the two programs is notably different. The Housing and Community Development Act is primarily directed toward the development of viable urban communities, whereas the General Revenue Sharing law is designed to redistribute part of the Federal revenue to virtually all units of general purpose government below the Federal level, regardless of subordinate status, provided such units of local government retain the corporate powers to administer such funds.

In the end, HUD's Office of General Counsel ruled that, except in the case of Baton Rouge, Louisiana, the sub-units of government recognized separately under General Revenue Sharing do not possess powers sufficiently broad to carry out comprehensive Community Development Programs; and thus could not be considered separately from the consolidated government for purposes of fund allocation under the Block Grant program.

### **Hold Harmless Waivers**

Of the 798 communities eligible for hold harmless grants, only three elected to waive their entitlement to such grants. These communities were: Webster Grove, Missouri; Barberton, Ohio; and Perkasi, Pennsylvania. The timing of the latter two waivers raised a legal issue in that the action was taken subsequent to the date established in the Act. Section 106(j) provides that any unit of general local government eligible for a hold harmless grant under Section 106(h) of the Act may, not later than thirty days prior to the beginning of any program period, irrevocably waive its eligibility.

Since the beginning of the program period for the Fiscal Year 1975 allocation of funds was January 1, 1975, the latest date for submission of a waiver would have been December 2, 1974. However, the urban county qualification period ran well past that date, and two units of government which had a hold harmless entitlement desired to waive that entitlement in favor of becoming a part of their urban county program.

Legal review concerning such units of general local government resulted in the finding that waivers could be accepted by HUD after the thirty-day limitation for Fiscal Year 1975 in light of existing conditions. This finding was based upon the following: (1) the primary purpose of the waiver is to permit a community to be included in the calculations for fund allocation to urban counties, or in discretionary fund balances for metropolitan or non-metropolitan areas; (2) the thirty-day period is intended to allow sufficient time for HUD to make such calculations; and (3) since the calculations for urban counties and metropolitan discretionary balances had not been made, it was considered to

be consistent with the purpose of the statute to accept these waivers beyond the normal cut-off period.

## **DETERMINING FORMULA ENTITLEMENT STATUS**

### **Qualifying Towns and Townships**

The definition for "cities" in the Act which is to be used for determining those qualifying for formula entitlement includes, besides all municipalities, any other unit of government which:

1. Has powers and performs functions similar to a municipality;
2. Contains no incorporated units of government within its boundaries; and,
3. Is closely settled.

Before metropolitan city entitlement determinations could be made for Fiscal Year 1975, it was necessary to identify those units of government over 50,000 population which, while not designated as municipalities, met the requirements stated above.

Working with representatives of the Census Bureau, HUD first identified all such units having a population of 50,000 or greater. Census then reviewed each of these to isolate those not containing other incorporated units of government. In order to determine whether they were "closely settled," HUD elected to use the percentage of their population which the Census had designated as residing in an urban area. Specifically, it was felt that any unit of government having at least two-thirds of its total population which was designated as "urban" could be considered as "closely settled" for purposes of metropolitan city qualification.

For all those towns and townships found to meet these two tests, HUD then contacted the applicable state attorneys to review how, under their laws, the powers of towns and townships compared with those of municipalities in that State. Only in the case of a township in Ohio was it determined that members of this group did not meet the required powers and functions test.

Thus, 10 towns and 15 townships were granted status as metropolitan cities and were allocated funds by formula in Fiscal Year 1975.

## **Municipios in Puerto Rico**

The Governor of Puerto Rico raised the issue in respect to the determination of formula entitlements that the manner in which the Bureau of the Census publications treated Puerto Rico had led to a general misunderstanding as to the correct "unit of local government" within the Commonwealth for purposes of the Block Grant program. This contention cited the portrayal of "central cities" and "barrios" which had led to the appearance as separate units of government, whereas there are only two forms of government in Puerto Rico: the Central Commonwealth government and the municipalities.

Research revealed that the Bureau of the Census had treated municipios as areas comparable to counties for the presentation of population data. The concentrated urban areas (cities, towns, or villages—ciudades, pueblos, or aldeas) are distinguished from the rural areas (barrios) in each municipio. Thus, in its government census, the Bureau of the Census states that the "municipios resemble counties or New England towns in that they are composed of, and perform services for both urban and rural areas."

It was ultimately confirmed that: the municipio is the primary political subdivision of Puerto Rico; that there are no other legal jurisdictional or functional subdivisions below the level of municipios; and that the municipio, not the ciudad, is the only legal unit of general local government, one of the essential requirements of the term "city" under Section 102(a)(5) of the Act.

In recognizing the municipio as the appropriate unit of local government in Puerto Rico for the purpose of formula entitlement, it was further determined that, in order to qualify as an eligible non-municipality, therefore, the municipios had to satisfy the criteria established for towns or townships under Section 102(a)(5)(B).

All of the seven municipios that were within metropolitan areas (SMSAs) and whose population exceeded 50,000 satisfied these criteria. This change from the recognition of the ciudad to the municipio for metropolitan city entitlement status resulted in increased funds allocated to the metropolitan cities in Puerto Rico and a decrease in the funds allocated to their SMSA discretionary balances, as compared with allocations made prior to enactment.

Table B.1

Summary of Demographic Values,  
by Geographical Area and Type of Governmental Unit  
Applicable to Fiscal Year 1975 Allocations

Geographical Area	Population <sup>1</sup>	Overcrowded Housing	Persons in Poverty	Approximation of the Number of Governmental Units**	
				Counties	Municipalities and Townships
Total U.S. and Puerto Rico	206,011,966	5,397,820	28,798,658	3,044	35,584
Total in SMSAs*	149,596,334	3,708,082	17,148,120	583	10,2771
Metro Cities	79,281,528	2,187,824	10,940,822		521
Urban Counties	24,936,840	495,898	1,709,566	73	1,754
Hold Harmless	5,965,170	131,816	625,733	2	299
SMSA Balance	39,412,796	892,544	3,871,999	508	7,703
Non-Metro Area	56,415,632	1,689,738	11,650,538	2,461	25,3072
Hold Harmless	7,254,404	194,613	1,392,200	2	448
Non-Metro Balance	49,161,228	1,495,125	10,258,338	2,459	24,859

\*Based on configurations as of April 1974.

\*\*Based on 1972 Census of Government with adjustments for SMSA changes.

<sup>1</sup>1970 Census with changes through December 21, 1972.

<sup>2</sup>Includes 18 Municipios in SMSAs and 58 Municipios in areas for Puerto Rico.

Table B.2

Summary of Fund Allocations - FY 1975  
(dollars in thousands)

Allocation Category	No. of Units to Which Allocation Was Made	Dollars Allocated
U.S. Total Appropriation*	—	\$2,500,000
Metropolitan Areas (SMSAs)	312	2,003,572
Metro Cities	521	1,657,189
Urban Counties	73	119,176
Small Hold Harmless Units of Government	3011	172,565
Discretionary Balance Funds**	303 (SMSAs) <sup>2</sup>	54,642
Non-Metropolitan Areas	51	469,493
Small Hold Harmless Units of Government	4501	269,799
Discretionary Balance Funds	51 (States)	199,694
Secretary's Discretionary Fund***	—	26,935

<sup>1</sup>Includes two hold harmless counties in each.

<sup>2</sup>Nine SMSAs had no remaining demography for the computation of discretionary funds.

\*Not including \$50,000 for Urgent Needs - Section 103(b) of Title I.

\*\*\$54,625 provided in Supplemental Appropriation in June 1975, and designated exclusively for use as discretionary balance funds in SMSAs.

\*\*\*Initially, Secretary's Fund was \$47,908; funds were diverted to cover SMSA entitlements under Inequities Provisions of Section 107 of the Act (\$20,956 for urban counties and \$17 for rounding SMSA discretionary balance fund allocations to nearest thousand).

Table B.3

Units of Government Having Entitlement  
to Block Grants in Fiscal Year 1975  
Which Were Not Approved  
(dollars in thousands)

Name of Governmental Unit	Amount	Type	Reason for Lack of Approval
Hawthorne, Ca.	\$175	Metro City	Did not apply
Suffield, Ct.	9	Hold Harmless	" " "
Berwyn, Il.	132	Metro City	" " "
Des Plaines, Il.	135	Metro City	" " "
Arlington, Heights, Il.	121	" "	" " "
Cicero, Il.	201	" "	" " "
Oak Lawn, Il.	164	" "	" " "
Hamtramck, Mi.	758	Hold Harmless	" " "
Roseville, Mi.	212	Metro City	" " "
Warren, Mi.	1,586	Metro City	" " "
Wyandotte, Mi.	103	Hold Harmless	" " "
Rogers City, Mi.	28	Hold Harmless (Non-Metro)	" " "
Bloomfield, N.J.	134	Metro City	Disapproved
Somerville, N.J.	148	Hold Harmless	Did not apply
Maple Shade Twp., N.J.	204	Hold Harmless	Disapproved
Hempstead Town, N.Y.	379	Hold Harmless	Did not apply
Parma, Oh.	242	Metro City	Disapproved
Haverford Twp., Pa.	115	Metro City	Did not apply
Irving, Tx.	294	Metro City	Did not apply
Total	\$5,140	19	
		Metro Cities - 12	Did not apply - 16
		Hold Harmless - 7	Disapproved - 3

## CHRONOLOGY: IMPLEMENTATION OF TITLE I OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

The following Chronology presents noteworthy events in the first CDBG program year:

August 1974	Housing and Community Development Act of 1974 (P.L. 93-383) signed.	January 1975	Initial fund assignment of CDBG funds to field offices.
September 1974	Directory of Recipients published.	January 1975	Environmental Review regulations (24 CFR Part 58) published for effect.
September 1974	Entitlement regulations (24 CFR Part 570) published for comment.	January 1975	Interested counties advised of specific requirements for qualification as urban counties.
September – November 1974	By contract, 2½ days of orientation provided for 4,000 local officials.	February 1975	Discretionary fund regulations (24CFR Part 570, Subpart E) published for effect.
October 1974	Environmental Review (24CFR Part 58) regulations published for comment.	February 1975	Grant Agreement forms published.
October 1974	Application forms designed.	February 1975	Instructions to field offices for review of discretionary fund applications published.
November 1974	Discretionary Fund (24 CFR Part 570, Subpart E) regulations published for comment.	February 1975	Issued post-approval financial procedures to field offices.
November 1974	Published instructions to field offices for review of CDBG applications.	February 1975	Delegation of Authority issued.
November 1974	Entitlement (24CFR Part 570) regulations published for effect.	February 1975	First CDBG Entitlement application approved.
November 1974	Invited potential urban counties to indicate their intent to apply for CDBG entitlement.	March 1975	Advised 75 counties of their designation as urban counties.
December 1974	First CDBG entitlement application received.	March 1975	Closing date for receipt of pre-applications for discretionary balance funds.
January 1975	Official legislative effective date of CDBG Program.	April 1975	Closing date for receipt of entitlement applications (except urban counties).
January 1975	Identified CDBG issues to be evaluated.	May 1975	Closing date for receipt of urban county and non-SMSA balance discretionary fund applications.

June 1975	Technical changes to CDUG regulations (24 CFR Part 570) published	Closing date for receipt of SMSA balance discretionary fund applications.
July 1975	Published corrections and amendments to Environmental Review regulations (24 CFR Part 58) for effect.	Changes to discretionary fund (24 CFR Part 570, Subpart E) regulations published for effect.
August 1975	Review and approval of entitlement applications for first pro-gram year completed.	



## EXCERPTS FROM THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974



Public Law 93-383  
93rd Congress, S. 3066  
August 22, 1974

## An Act

To establish a program of community development block grants, to amend and extend laws relating to housing and urban development, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Housing and Community Development Act of 1974".

Housing and  
Community De-  
velopment Act  
of 1974.  
42 USC 5301  
note.

## TITLE I—COMMUNITY DEVELOPMENT

## FINDINGS AND PURPOSE

42 USC 5301.

Sec. 101. (a) The Congress finds and declares that the Nation's cities, towns, and smaller urban communities face critical social, economic, and environmental problems arising in significant measure from—

(1) the growth of population in metropolitan, and other urban areas, and the concentration of persons of lower income in central cities; and

(2) inadequate public and private investment and reinvestment in housing and other physical facilities, and related public and social services, resulting in the growth and persistence of urban slums and blight and the marked deterioration of the quality of the urban environment.

(b) The Congress further finds and declares that the future welfare of the Nation and the well-being of its citizens depend on the establishment and maintenance of viable urban communities as social, economic, and political entities, and require—

(1) systematic and sustained action by Federal, State, and local governments to eliminate blight, to conserve and renew older urban areas, to improve the living environment of low- and moderate-income families, and to develop new centers of population growth and economic activity;

(2) substantial expansion of and greater continuity in the scope and level of Federal assistance, together with increased private investment in support of community development activities; and

(3) continuing effort at all levels of government to streamline programs and improve the functioning of agencies responsible for planning, implementing, and evaluating community development efforts.

(c) The primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Consistent with this primary objective, the Federal assistance provided in this title is for the support of community development activities which are directed toward the following specific objectives—

(1) the elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income;

(2) the elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;

88 STAT. 633  
88 STAT. 634

(3) the conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;

(4) the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;

(5) a more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;

(6) the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and

(7) the restoration and preservation of properties of special value for historic, architectural, or esthetic reasons.

It is the intent of Congress that the Federal assistance made available under this title not be utilized to reduce substantially the amount of local financial support for community development activities below the level of such support prior to the availability of such assistance.

(d) It is also the purpose of this title to further the development of a national urban growth policy by consolidating a number of complex and overlapping programs of financial assistance to communities of varying sizes and needs into a consistent system of Federal aid which—

(1) provides assistance on an annual basis, with maximum certainty and minimum delay, upon which communities can rely in their planning;

(2) encourages community development activities which are consistent with comprehensive local and areawide development planning;

(3) furthers achievement of the national housing goal of a decent home and a suitable living environment for every American family; and

(4) fosters the undertaking of housing and community development activities in a coordinated and mutually supportive manner.

#### DEFINITIONS

**Sec. 102. (a)** As used in this title—

(1) The term "unit of general local government" means any city, county, town, township, parish, village, or other general purpose political subdivision of a State; Guam, the Virgin Islands, and American Samoa, or a general purpose political subdivision thereof; a combination of such political subdivisions recognized by the Secretary; the District of Columbia; the Trust Territory of the Pacific Islands; and Indian tribes, bands, groups, and nations, including Alaska Indians, Aleuts, and Eskimos. **of** the United States. Such term also includes a State or a local public body or agency (as defined in section 711 of the Housing and Urban Development Act of 1970), community association, or other entity, **which** is approved by the Secretary for the purpose of providing public facilities or services to a new community as **part** of a program meeting the eligibility standards **of** section 712 of the Housing and Urban Development Act of 1970 or title IV **of** the Housing and Urban Development Act of 1968.

88 STAT. 634  
88 STAT. 635

42 USC 5302.

42 USC 4512.

42 USC 4513.  
42 USC 3901  
note.

(2) The term "State" means any State of the United States, or any instrumentality thereof approved by the Governor; and the Commonwealth of Puerto Rico.

(3) The term "metropolitan area" means a standard metropolitan statistical area as established by the Office of Management and Budget.

(4) The term "metropolitan city" means (A) a city within a metropolitan area which is the central city of such area, as defined and used by the Office of Management and Budget, or (B) any other city, within a metropolitan area, which has a population of fifty thousand or more.

(5) The term "city" means (A) any unit of general local government which is classified as a municipality by the United States Bureau of the Census or (B) any other unit of general local government which is a town or township and which, in the determination of the Secretary, (i) possesses powers and performs functions comparable to those associated with municipalities, (ii) is closely settled, and (iii) contains within its boundaries no incorporated places as defined by the United States Bureau of the Census.

(6) The term "urban county" means any county within a metropolitan area which (A) is authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas, if any, which are not units of general local government, and (B) has a combined population of two hundred thousand or more (excluding the population of metropolitan cities therein) in such unincorporated areas and in its included units of general local government (i) in which it has authority to undertake essential community development and housing assistance activities and which do not elect to have their population excluded or (ii) with which it has entered into cooperation agreements to undertake or to assist in the undertaking of essential community development and housing assistance activities.

(7) The term "population" means total resident population based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

(8) The term "extent of poverty" means the number of persons whose incomes are below the poverty level. Poverty levels shall be determined by the Secretary pursuant to criteria provided by the Office of Management and Budget, taking into account and making adjustments, if feasible and appropriate and in the sole discretion of the Secretary, for regional or area variations in income and cost of living, and shall be based on data referable to the same point or period in time.

(9) The term "extent of housing overcrowding" means the number of housing units with 1.01 or more persons per room based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

(10) The term "Federal grant-in-aid program" means a program of Federal financial assistance other than loans and other than the assistance provided by this title.

(11) The term "program period" means the period beginning January 1, 1975, and ending June 30, 1975, and the period covering each fiscal year thereafter.

(12) The term "Community Development Program" means a program described in section 104(a) (2).

(13) The term "Secretary" means the Secretary of Housing and Urban Development.

(b) Where appropriate, the definitions in subsection (a) shall be based, with respect to any fiscal year, on the most recent data compiled by the United States Bureau of the Census and the latest published reports of the Office of Management and Budget available ninety days prior to the beginning of such fiscal year. The Secretary may by regulation change or otherwise modify the meaning of the terms defined in subsection (a) in order to reflect any technical change or modification thereof made subsequent to such date by the United States Bureau of the Census or the Office of Management and Budget.

(c) One or more public agencies, including existing local public agencies, may be designated by the chief executive officer of a State or a unit of general local government to undertake a Community Development Program in whole or in part.

#### AUTHORIZATION TO MAKE GRANTS

Community  
Development  
Programs •  
41 USC 5303.

SEC. 103. (a) (1) The Secretary is authorized to make grants to States and units of general local government to help finance Community Development Programs approved in accordance with the provisions of this title. The Secretary is authorized to incur obligations on behalf of the United States in the form of grant agreements or otherwise in amounts aggregating such sum, not to exceed \$8,400,000,000, as may be approved in an appropriation Act. The amount so approved shall become available for obligation on January 1, 1975, and shall remain available until obligated. There are authorized to be appropriated for liquidation of the obligations incurred under this subsection not to exceed \$2,500,000,000 prior to the close of the fiscal year 1975, which amount may be increased to not to exceed an aggregate of \$5,450,000,000 prior to the close of the fiscal year 1976, and to not to exceed an aggregate of \$8,400,000,000 prior to the close of the fiscal year 1977. Subject to the limitations contained in the preceding sentence, appropriations for—

42 USC 1500.  
42 USC 3102,  
3103.

(A) grants under title VII of the Housing Act of 1961;

(B) grants under sections 702 and 703 of the Housing and Urban Development Act of 1965; and

(C) supplemental grants under title I of the Demonstration Cities and Metropolitan Development Act of 1966, may be used, to the extent not otherwise obligated prior to January 1, 1975, for the liquidation of contracts entered into pursuant to this section.

(2) Of the amounts approved in appropriation Acts pursuant to paragraph (1), \$50,000,000 for each of the fiscal years 1975 and 1976 shall be added to the amount available, for allocation under section 106(d) and shall not be subject to the provisions of section 107.

(b) In addition to the amounts made available under subsection (a), and for the purpose of facilitating an orderly transition to the program authorized under this title, there are authorized to be appropriated not to exceed \$50,000,000 for each of the fiscal years 1975 and 1976, and not to exceed \$100,000,000 for the fiscal year 1977, for grants under this title to units of general local government having urgent community development needs which cannot be met through the operation of the allocation provisions of section 106.

(c) Sums appropriated pursuant to this section shall remain available until expended.

(d) To assure program continuity and orderly planning, the Secretary shall submit to the Congress timely requests for additional authorizations for the fiscal years 1978 through 1980.

Post, pp. 642,  
647.

42 USC 3301.

**Sec. 104.** (a) No grant may be made pursuant to section 106 unless an application shall have been submitted to the Secretary in which the applicant—

(1) sets forth a summary of a three-year community development plan which identifies community development needs, demonstrates a comprehensive strategy for meeting those needs, and **specifies** both short- and long-term community development **objectives** which have been developed in accordance with area-wide development planning and national urban growth policies;

(2) **formulates** a program which (A) includes the activities to be undertaken to meet its community development needs and objectives, together with the estimated costs and **general** location of such activities, (B) indicates resources other than those provided under this title which are expected to be made available toward meeting its identified needs and objectives, and (C) takes into account appropriate environmental factors;

(3) describes a program designed to—

(A) eliminate or prevent slums, blight, and deterioration where such conditions or needs exist; and

(B) provide improved community facilities and public improvements, including the provision of supporting health, social, and similar services where necessary and appropriate;

(4) submits a housing assistance plan which—

(A) accurately surveys the condition of the housing stock in the community and assesses the housing assistance needs of lower-income persons (including elderly and handicapped persons, large families, and persons displaced or to be **placed**) residing **in or** expected **to reside in** the community,

(B) specifies a realistic annual **goal** for the number of dwelling units or persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units, and (ii) the **sizes** and types **of** housing projects and assistance best suited to the needs of lower-income persons in the community, and

(C) indicates the general locations of proposed housing for lower-income persons, with the objective of (i) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible, (ii) promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons, and (iii) assuring the availability of public facilities and services adequate to serve proposed housing projects;

(5) provides satisfactory assurances that the program will be conducted and administered in conformity with Public Law 88-352 and Public Law 90-284; and

(6) provides satisfactory assurances that, prior to submission of its application, it has (A) provided citizens with adequate information concerning **the** amount of funds available for proposed community development and housing activities, the range of activities that may be undertaken, and other important program requirements, (B) held public hearings to obtain the views of citizens on community development and housing needs, and (C) provided citizens an adequate opportunity to participate in the development of the application; but no part of this paragraph shall be construed to restrict the responsibility and authority of the applicant for **the** development of the application and the execution of its Community Development Program.

78 Stat. 241.

42 USC 2000a.

note.

82 Stat. 73.

18 USC 245.

(b) (1) Not more than 10 per centum of the estimated costs referred to in subsection (a) (2) which are to be incurred during any contract period may be designated for unspecified local option activities which are eligible for assistance under section 105(a) or for a contingency account for activities designated by the applicant pursuant to subsection (a) (2).

(2) Any grant under this title shall be made only on condition that the applicant certify to the satisfaction of the Secretary that its Community Development Program has been developed so as to give maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight. The Secretary may also approve an application describing activities which the applicant certifies and the Secretary determines are designed to meet other community development needs having a particular urgency as specifically described in the application.

(3) The Secretary may waive all or part of the requirements contained in paragraphs (1), (2), and (3) of subsection (a) if (A) the application for assistance is in behalf of a locality having a population of less than 25,000 according to the most recent data compiled by the Bureau of the Census which is located either (i) outside a standard metropolitan statistical area, or (ii) inside such an area but outside an "urbanized area" as defined by the Bureau of the Census (or as such definition is modified by the Secretary for purposes of this title), (B) the application relates to the first community development activity to be carried out by such locality with assistance under this title, (C) the assistance requested is for a single development activity under this title of a type eligible for assistance under title VII of the Housing Act of 1961 or title VII of the Housing and Urban Development Act of 1965, and (D) the Secretary determines that, having regard to the nature of the activity to be carried out, such waiver is not inconsistent with the purposes of this title.

(4) The Secretary may accept a certification from the applicant that it has complied with the requirements of paragraphs (5) and (6) of subsection (a).

(c) The Secretary shall approve an application for an amount which does not exceed the amount determined in accordance with section 105(a) unless—

(1) on the basis of significant facts and data, generally available and pertaining to community and housing needs and objectives, the Secretary determines that the applicant's description of such needs and objectives is plainly inconsistent with such facts or data; or

(2) on the basis of the application, the Secretary determines that the activities to be undertaken are plainly inappropriate to meeting the needs and objectives identified by the applicant pursuant to subsection (a); or

(3) the Secretary determines that the application does not comply with the requirements of this title or other applicable law or proposes activities which are ineligible under this title.

(d) Prior to the beginning of fiscal year 1977 and each fiscal year thereafter, each grantee shall submit to the Secretary a performance report concerning the activities carried out pursuant to this title, together with an assessment by the grantee of the relationship of those activities to the objectives of this title and the needs and objectives identified in the grantee's statement, submitted pursuant to subsection (a). The Secretary shall, at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine

42 USC 1500.  
42 USC 3107.

Waiver.

Performance  
report, sub-  
mitted to  
Secretary.

Audit and  
reviews.

whether the grantee has carried out a program substantially as described in its application, whether that program conformed to the requirements of this title and other applicable laws, and whether the applicant has a continuing capacity to carry out in a timely manner the approved Community Development Program. The Secretary may make appropriate adjustments in the amount of the annual grants in accordance with his findings pursuant to this subsection.

(e) No grant may be made under this title unless the application therefor has been submitted for review and comment to an areawide agency under procedures established by the President pursuant to title II of the Demonstration Cities and Metropolitan Development Act of 1966 and title IV of the Intergovernmental Cooperation Act of 1968.

(f) An application subject to subsection (c), if submitted after any date established by the Secretary for consideration of applications, shall be deemed approved within 75 days after receipt unless the Secretary informs the applicant of specific reasons for disapproval. Subsequent to approval of the application, the amount of the grant may be adjusted in accordance with the provisions of this title.

(g) Insofar as they relate to funds provided under this title, the financial transactions of recipients of such funds may be audited by the General Accounting Office under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, records, reports, files, and other papers, things, or property belonging to or in use by such recipients pertaining to such financial transactions and necessary to facilitate the audit.

(h) (1) In order to assure that the policies of the National Environmental Policy Act of 1969 are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary, in lieu of the environmental protection procedures otherwise applicable, may under regulations provide for the release of funds for particular projects to applicants who assume all of their responsibilities for environmental review, decisionmaking, and action pursuant to such Act that would apply to the Secretary were he to undertake such projects as Federal projects. The Secretary shall issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality.

(2) The Secretary shall approve the release of funds for projects subject to the procedures authorized by this subsection only if, at least fifteen days prior to such approval and prior to any commitment of funds to such projects other than for purposes authorized by section 105(a)(12) or for environmental studies, the applicant has submitted to the Secretary a request for such release accompanied by a certification which meets the requirements of paragraph (3). The Secretary's approval of any such certification shall be deemed to satisfy his responsibilities under the National Environmental Policy Act insofar as those responsibilities relate to the applications and releases of funds for projects to be carried out pursuant thereto which are covered by such certification.

(3) A certification under the procedures authorized by this subsection shall—

- (A) be in a form acceptable to the Secretary,
- (B) be executed by the chief executive officer or other officer of the applicant qualified under regulations of the Secretary,
- (C) specify that the applicant has fully carried out its responsibilities as described under paragraph (1) of this subsection, and
- (D) specify that the certifying officer (i) consents to assume

42 USC 3331.  
42 USC 4231.

Approval date.

GAO audit.

Environmental  
protection.  
83 Stat. 852..  
42 USC 4321  
note.

Post, p. 642.

83 Stat. 852.  
42 USC 4321  
note.

the status of a responsible Federal official under the National Environmental Policy Act of 1969 insofar as the provisions of such Act apply pursuant to paragraph (1) of this subsection, and (ii) is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

**COMMUNITY DEVELOPMENT PROGRAM ACTIVITIES ELIGIBLE FOR ASSISTANCE**

**Sec. 105.** (a) **A.** Community Development Program assisted under this title may include only—

(1) the acquisition of real property (including air rights, water rights, and other interests therein) which is (A) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (B) appropriate for rehabilitation or conservation activities; (C) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (D) to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or (E) to be used for other public purposes;

(2) the acquisition, construction, reconstruction, or installation of public works, facilities, and site or other improvements—including neighborhood facilities, senior centers, historic properties, utilities, streets, street lights, water and sewer facilities, foundations and platforms for air rights sites, pedestrian malls and walkways, and parks, playgrounds, and recreation facilities, flood and drainage facilities in cases where assistance for such facilities under other Federal laws or programs is determined to be unavailable, and parking facilities, solid waste disposal facilities, and fire protection services and facilities which are located in or which serve designated community development areas;

(3) code enforcement in deteriorated or deteriorating areas in which such enforcement, together with public improvements and services to be provided, may be expected to arrest the decline of the area;

(4) clearance, demolition, removal, and rehabilitation of buildings and improvements (including interim assistance and financing rehabilitation of privately owned properties when incidental to other activities);

(5) special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;

(6) payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by program activities under this title;

(7) disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to this title or its retention for public purposes;

(6) provision of public services not otherwise available in areas where other activities assisted under this title are being carried out in a concentrated manner, if such services are determined to be necessary or appropriate to support such other activities and if assistance in providing or securing such services under other applicable Federal laws or programs has been applied for and



denied or not made available within a reasonable period of time, and if such services are directed toward (A) improving the community's public services and facilities, including those concerned with the employment, economic development, crime prevention, child care, health, drug abuse, education, welfare, or recreation needs of persons residing in such areas, and (B) coordinating public and private development programs;

(9) payment of the lion-Federal share required in connection with a Federal grant-in-aid program undertaken as part of the Community Development Program;

(10) payment of the cost of completing a project funded under title I of the Housing Act of 1949;

(11) relocation payments and assistance for individuals, families, businesses, organizations, and farm operations displaced by activities assisted under this title;

(12) activities necessary (A) to develop a comprehensive community development plan, and (13) to develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning implementation; and

(15) payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities.

(b) Upon the request of the recipient of a grant under this title, the Secretary may agree to perform administrative services on a reimbursable basis on behalf of such recipient in connection with loans or grants for the rehabilitation of properties as authorized under subsection (a) (4).

42 USC 1441  
note.

#### ALLOCATION AND DISTRIBUTION OF FUNDS

Sec. 106. (a) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with sections 103(a) (2) and 107), 80 per centum shall be allocated by the Secretary to metropolitan areas. Except as provided in subsections (c) and (e), each metropolitan city and urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to annual grants from such allocation in an aggregate amount not exceeding the greater of its basic amount computed pursuant to paragraph (2) or (3) of subsection (b) or its hold-harmless amount computed pursuant to subsection (g).

(b) (1) The Secretary shall determine the amount to be allocated to all metropolitan cities which shall be an amount that bears the same ratio to the allocation for all metropolitan areas as the average of the ratios between—

(A) the population of all metropolitan cities and the population of all metropolitan areas;

(R) the extent of poverty in all metropolitan cities and the extent of poverty in all metropolitan areas; and

(C) the extent of housing overcrowding in all metropolitan cities and the extent of housing overcrowding in all metropolitan areas.

42 USC 5306.  
Ante, p. 637.  
Post, p. 647.

Ante, p. 638.

Basic grant amount.

(2) From the amount allocated to all metropolitan cities the Secretary shall determine for each metropolitan city a basic grant amount which shall equal an amount that bears the same ratio to the allocation for all metropolitan cities as the average of the ratios between—

(A) the population of that city and the population of all metropolitan cities;

(B) the extent of poverty in that city and the extent of poverty in all metropolitan cities; and

(C) the extent of housing overcrowding in that city and the extent of housing overcrowding in all metropolitan cities.

(3) The Secretary shall determine the basic grant amount of each urban county by—

(A) calculating the total amount that would have been allocated to metropolitan cities and urban counties together under paragraph (1) of this subsection if data pertaining to the population, extent of poverty, and extent of housing overcrowding in all urban counties were included in the numerator of each of the fractions described in such paragraph; and

(U) determining for each county the amount which bears the same ratio to the total amount calculated under subparagraph (A) of this paragraph as the average of the ratios between—

(i) the population of that urban county and the population of all metropolitan cities and urban counties;

(ii) the extent of poverty in that urban county and the extent of poverty in all metropolitan cities and urban counties; and

(iii) the extent of housing overcrowding in that urban county and the extent of housing overcrowding in all metropolitan cities and urban counties.

(4) In determining the average of ratios under paragraphs (1), (2), and (3), the ratio involving the extent of poverty shall be counted twice.

(5) In computing amounts or exclusions under this section with respect to any urban county there shall be excluded units of general local government located in the county (A) which receive hold-harmless grants pursuant to subsection (h), or (B) the populations of which are not counted in determining the eligibility of the urban county to receive a grant under this subsection.

(c) During the first three years for which funds are approved for distribution to a metropolitan city or urban county under this section, the basic grant amount of such city or county as computed under subsection (b) shall be adjusted as provided in this subsection if the amount so computed for the first such year exceeds the city's or county's hold-harmless amount as determined under subsection (g). Such adjustment shall be made so that—

(1) the amount for the first year does not exceed one-third of the full basic grant amount computed under subsection (b), or the hold-harmless amount, whichever is the greater.

(2) the amount for the second year does not exceed two-thirds of the full basic grant amount computed under subsection (b), or the hold-harmless amount, or the amount allowed under paragraph (1) of this subsection, whichever is the greatest, and

(3) the amount for the third year does not exceed the full basic grant amount computed under subsection (b).

(d) Any portion of the amount allocated to metropolitan areas under the first sentence of subsection (a) which remains after the allocation of grants to metropolitan cities and urban counties in accordance with subsections (b) and (c) and any amounts added in

accordance with the provisions of section 103(a) (2) shall be allocated by the Secretary—

(1) first, for grants to metropolitan cities, urban counties, and other units of general local government within metropolitan areas to meet their hold-harmless needs as determined under subsections (g) and (h); and

(2) second, for grants to units of general local government (other than metropolitan cities and urban counties) and States for use in metropolitan areas, allocating for each such metropolitan area an amount which bears the same ratio to the allocation for all metropolitan areas available under this paragraph as the average of the ratios between—

(A) the population of that metropolitan area and the population of all metropolitan areas,

(B) the extent of poverty in that metropolitan area and the extent of poverty in all metropolitan areas, and

(C) the extent of housing overcrowding in that metropolitan area and the extent of housing overcrowding in all metropolitan areas.

In determining the average of ratios under paragraph (2), the ratio involving the extent of poverty shall be counted twice; and in computing amounts under such paragraph there shall be excluded any metropolitan cities, urban counties, and units of general local government which receive hold-harmless grants pursuant to subsection (h).

(e) Any amounts allocated to a metropolitan city or urban county pursuant to the preceding provisions of this section which are not applied for during a program period or which are not approved by the Secretary, and any other amounts allocated to a metropolitan area which the Secretary determines, on the basis of the applications and other evidence available, are not likely to be fully obligated during such program period, shall be reallocated during the same period for use by States, metropolitan cities, urban counties, or units of general local government, first, in any metropolitan area in the same State, and second, in any other metropolitan area. The Secretary shall review determinations under this subsection from time to time as appropriate with a view of assuring maximum use of all available funds in the period for which such funds were appropriated.

(f) (1) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with sections 103(a) (2) and 107), 20 per centum shall be allocated by the Secretary —

(A) first, for grants to units of general local government outside of metropolitan areas to meet their hold-harmless needs as determined under subsection (h); and

(B) second, for grants to units of general local government outside of metropolitan areas and States for use outside of metropolitan areas, allocating for the nonmetropolitan areas of each State an amount which bears the same ratio to the allocation available under this subparagraph for the nonmetropolitan areas of all States as the average of the ratios between—

(i) the population of the nonmetropolitan areas of that State and the population of the nonmetropolitan areas of all the States,

(ii) the extent of poverty in the nonmetropolitan areas of that State and the extent of poverty in the nonmetropolitan areas of all the States, and

(iii) the extent of housing overcrowding in the nonmetropolitan areas of that State and the extent of housing overcrowding in the nonmetropolitan areas of all the States.

Reallocation.

In determining the average of ratios under subparagraph (B), the ratio involving the extent of poverty shall be counted twice; and in computing amounts under such subparagraph there shall be excluded units of general local government which receive hold-harmless grants pursuant to subsection (h).

(2) Any amounts allocated to a unit of general local government under paragraph (1) which are not applied for during a program period or which are not approved by the Secretary, and any amounts allocated to the nonmetropolitan areas of a State under paragraph (1)(B) which the Secretary determines, on the basis of applications and other evidence available, are not likely to be fully obligated during such period, shall be reallocated as soon as practicable during the same period to the nonmetropolitan areas of other States. The Secretary shall review determinations under this paragraph from time to time with a view to assuring maximum use of all available funds in the program period for which such funds were appropriated.

(g)(1) The full hold-harmless amount of each metropolitan city or urban county shall be the sum of (i) the sum of the average during the five fiscal years ending prior to July 1, 1972, of (1) commitments for grants (as determined by the Secretary) pursuant to part A of title I of the Housing Act of 1949; (2) loans pursuant to section 312 of the Housing Act of 1964; (3) grants pursuant to sections 702 and 703 of the Housing and Urban Development Act of 1965; (4) loans pursuant to title II of the Housing Amendments of 1955; and (5) grants pursuant to title VII of the Housing Act of 1961; and (ii) the average annual grant, as determined by the Secretary, made in accordance with part B of title I of the Housing Act of 1949 during the fiscal years ending prior to July 1, 1972, or during the fiscal year 1973 in the case of a metropolitan city or urban county which first received a grant under part B of such title in such fiscal year. In the case of a metropolitan city or urban county which has participated in the program authorized under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 and which has born funded or extended in the fiscal year 1973 for a period ending after June 30, 1973, determinations of the hold-harmless amount of such metropolitan city or urban county for the following specified years shall be made so as to include, in addition to the amounts specified in clauses (i) and (ii) of the preceding sentence, the following percentages of the average annual grant, as determined by the Secretary made in accordance with such section during fiscal years ending prior to July 1, 1972—

(A) 100 per centum for each of a number of years which, when added to the number of funding years for which the city or county received grants under such section 105, equals five;

(B) 80 per centum for the year immediately following year five as determined pursuant to clause (A),

(C) 60 per centum for the year immediately following the year provided for in clause (B); and

(D) 40 per centum for the year immediately following the year provided for in clause (C).

For the purposes of this paragraph the average annual grant under part B of title I of the Housing Act of 1949 or under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 shall be established by dividing the total amount of grants made to a participant under the program by the number of months of program activity for which funds were authorized and multiplying the result by twelve.

Hold-harmless  
amount.

42 USC 1450.

42 USC 1452b.

42 USC 3102.

3103.

42 USC 1491.

42 USC 1500.

42 USC 1469.

42 USC 3305.

(2) During the fiscal years 1975, 1976, and 1977, the hold-harmless amount of any metropolitan city or urban county shall be the full amount computed for the city or county in accordance with paragraph (1). In the fiscal years 1978, 1979, and 1980, if such amount is greater than the basic grant amount of the metropolitan city or urban county for that year, as computed under subsection (b) (2) or (3), it shall be reduced so that—

(i) in the fiscal year 1978, the excess of the hold-harmless amount over the basic grant amount shall equal two-thirds of the difference between the amount computed under paragraph (1) and the basic grant amount for such year.

(ii) in the fiscal year 1979, the excess of the hold-harmless amount over the basic grant amount shall equal one-third of the difference between the amount computed under paragraph (1) and the basic grant amount for such year, and

(iii) in the fiscal year 1980, there shall be no excess of the hold-harmless amount over the basic grant amount.

(h) (1) Any unit of general local government which is not a metropolitan city or urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to grants under this title for any year in an aggregate amount at least equal to a hold-harmless amount as computed under the provisions of subsection (g) (1) if, during the five-fiscal-year period specified in the first sentence of subsection (g) (1) (or during the fiscal year 1973 in the case of a locality which first received a grant for a neighborhood development program in that year), one or more urban renewal projects, code enforcement programs, neighborhood development programs, or model cities programs were being carried out by such unit of general local government pursuant to commitments for assistance entered into during such period under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966.

(2) In the fiscal years 1978, 1979, and 1980, in determining the hold-harmless amount of units of general local government qualifying under this subsection, the second sentence of subsection (g) (2) shall be applied as though such units were metropolitan cities or urban counties with basic grant amounts of zero.

(i) In excluding the population, poverty, and housing overcrowding data of units of general local government which receive a hold-harmless grant pursuant to subsection (h) from the computations described in subsections (b) (5), (d), and (f) of this section, the Secretary shall exclude only two-thirds of such data for the fiscal year 1978 and one-third of such data for the fiscal year 1979.

(j) Any unit of general local government eligible for a hold-harmless grant pursuant to subsection (h) may, not later than thirty days prior to the beginning of any program period, irrevocably waive its eligibility under such subsection. In the case of such a waiver the unit of general local government shall not be excluded from the computations described in subsections (b) (5), (d), and (f) of this section.

(k) The Secretary may fix such qualification or submission dates as he determines are necessary to permit the computations and determinations required by this section to be made in a timely manner, and all such computations and determinations shall be final and conclusive.

(l) Not later than March 31, 1977, the Secretary shall make a report to the Congress setting forth such recommendations as he deems advisable, in furtherance of the purposes and policy of this title, for modifying or expanding the provisions of this section relating to the method of funding and the allocation of funds and the determination

42 USC 1450,  
42 USC 3301.

Waiver of  
eligibility.

Report to  
Congress.

Study.

of the basic grant entitlement, and for the application of such provisions in the further distribution of funds under this title. In making this report, the Secretary shall conduct a study to determine how funds authorized under this title can be distributed in accordance with community development needs, objectives, and capacities, measured to the maximum extent feasible by objective standards.

DISCRETIONARY FUND

42 USC 5307.

**Sec. 107. (a)** Of the total amount of authority to enter into contracts approved in appropriation Acts under section 103(a)(1) for each of the fiscal years 1975, 1976, and 1977, an amount equal to 2 percent thereof shall be reserved and set aside in a special discretionary fund for use by the Secretary in making grants (in addition to any other grants which may be made under this title to the same entities or for the same purposes) —

42 USC 4501  
note.  
42 USC 3901  
note.

(1) in behalf of new communities assisted under title VII of the Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968;

(2) to States and units of general local government which join in carrying out housing and community development programs that are areawide in scope;

(3) in Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands;

(4) to States and units of general local government for the purpose of demonstrating innovative community development projects;

(5) to States and units of general local government for the purpose of meeting emergency community development needs caused by federally recognized disasters; and

(6) to States and units of general local government where the Secretary deems it necessary to correct inequities resulting from the allocation provisions of section 106.

(b) Not more than one-fourth of the total amount reserved and set aside in the special discretionary fund under subsection (a) for each year may be used for grants to meet emergency disaster needs under subsection (a)(5).

(c) Amounts reserved and set aside in the special discretionary fund under subsection (a) in any fiscal year but not used in such year shall remain available for use in accordance with subsections (a) and (b) in subsequent fiscal years.

GUARANTEE OF LOANS FOR ACQUISITION OF PROPERTY

42 USC 5308.

**Sec. 108. (a)** The Secretary is authorized, upon such terms and conditions as he may prescribe, to guarantee and make commitments to guarantee the notes or other obligations issued by units of general local government, or by public agencies designated by such units of general local government, for the purpose of financing the acquisition or assembly of real property (including such expenses related thereto as the Secretary may permit by regulation) to serve or be used in carrying out activities which are eligible for assistance under section 105 and are identified in the application under section 104, and with respect to which grants have been or are to be made under section 103, but no such guarantee shall be issued in behalf of any agency designed to benefit, in or by the flotation of any issue, a private individual or corporation.

(b) So guarantee or commitment to guarantee shall be made with

respect to any unit of general local government or public agency designated by any such unit of general local government unless—

(1) the Secretary, from sums approved in appropriation Acts and allocated for obligation to the unit of general local government pursuant to sections 106 and 107, shall have reserved and withheld, for the purpose of paying the guaranteed obligations (including interest), an amount which is at least equal to 110 per centum of the difference between the cost of acquiring the land and related expenses and the estimated proceeds to be derived from the sale or other disposition of the land, as determined or approved by the Secretary, which amount may subsequently be increased by the Secretary to the extent he determines such increase is necessary or appropriate because of any unanticipated, major reduction in such estimated disposition proceeds;

(2) the unit of general local government shall have given to the Secretary, in a form acceptable to him, a pledge of its full faith and credit, or a pledge of revenues approved by the Secretary, for the repayment of so much of any amount required to be paid by the United States pursuant to any guarantee under this section as is equal to the difference between the principal amount of the guaranteed obligations and interest thereon and the amount which is to be reserved and withheld under paragraph (1); and

(3) the unit of general local government has pledged to the repayment of any amounts which are required to be paid by the United States pursuant to its guarantee under this section, and which are not otherwise fully repaid when due pursuant to paragraph (1) and (2), the proceeds of any grants for which such unit of general local government may become eligible under this title.

(c) The full faith and credit of the United States is pledged to the payment of all guarantees made under this section. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligations for such guarantee with respect to principal and interest, and the validity of any such guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligations.

(d) The Secretary may issue obligations to the Secretary of the Treasury in an amount outstanding at any one time sufficient to enable the Secretary to carry out his obligations under guarantees authorized by this section. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Secretary issued under this section, and for such purposes is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which such securities may be issued under such Act are extended to include the purchases of the Secretary's obligations hereunder.

(e) Obligations guaranteed under this section may, at the option of the issuing unit of general local government or designated agency, be subject to federal taxation as provided in subsection (g). In the event that taxable obligations are issued and guaranteed, the Secretary is authorized to make, and to contract to make, grants to or on behalf of the issuing unit of general local government or public agency to cover not to exceed 30 per centum of the net interest cost (including such servicing, underwriting, or other costs as may be specified in regulations of the Secretary) to the borrowing unit or agency of such obligations.

(f) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding at the end thereof a new paragraph as follows:

"(22) For payments required from time to time under contracts entered into pursuant to section 108 of the Housing and Community Development Act of 1974 for payment of interest costs on obligations guaranteed by the Secretary of Housing and Urban Development under that section."

(g) With respect to any obligation issued by a unit of general local government or designated agency which such unit or agency has elected to issue as a taxable obligation pursuant to subsection (e) of this section, the interest paid on such obligation shall be included in gross income for the purpose of chapter 1 of the Internal Revenue Code of 1954.

Ames, P. 647.  
42 USC 5308.  
58A Stat. 3  
26 USC 1  
et seq.  
42 USC 5309.

#### NOSDISCRIMINATION

**SEC. 109.** (a) No person in the United States shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

(b) Whenever the Secretary determines that a State or unit of general local government which is a recipient of assistance under this title has failed to comply with subsection (a) or an applicable regulation, he shall notify the Governor of such State or the chief executive officer of such unit of local government of the noncompliance and shall request the Governor or the chief executive officer to secure compliance. If within a reasonable period of time, not to exceed sixty days, the Governor or the chief executive officer fails or refuses to secure compliance, the Secretary is authorized to (1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d); (3) exercise the powers and functions provided for in section 111(a) of this Act; or (4) take such other action as may be provided by law.

(c) When a matter is referred to the Attorney General pursuant to subsection (b), or whenever he has reason to believe that a State government or unit of general local government is engaged in a pattern or practice in violation of the provisions of this section, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

#### LABOR STANDARDS

**SEC. 110.** All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with grants received under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a--276a-5): *Provided*, That this section shall apply to the rehabilitation of residential property only if such property is designed for residential use for eight or more families. The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 13, 1934, as amended (48 Stat. 948; 40 U.S.C. 276 (c)).

42 USC 5310.  
5 USC app.  
40 USC 2760.



REMEDIES FOR NONCOMPLIANCE

42 USC 5311.

SEC. 111. (a) If the Secretary finds after reasonable notice and opportunity for hearing that a recipient of assistance under this title has failed to comply substantially with any provision of this title, the Secretary, until he is satisfied that there is no longer any such failure to comply, shall —

(1) terminate payments to the recipient under this title, or  
(2) reduce payments to the recipient under this title by an amount equal to the amount of such payments which were not expended in accordance with this title, or

(3) limit the availability of payments under this title to programs, projects, or activities not affected by such failure to comply.  
(b) (1) In lieu of, or in addition to, any action authorized by subsection (a), the Secretary may, if he has reason to believe that a recipient has failed to comply substantially with any provision of this title, refer the matter to the Attorney General of the United States with a recommendation that an appropriate civil action be instituted.

(2) Upon such a referral the Attorney General may bring a civil action in any United States district court having venue thereof for such relief as may be appropriate, including an action to recover the amount of the assistance furnished under this title which was not expended in accordance with it, or for mandatory or injunctive relief.

(c) (1) Any recipient which receives notice under subsection (a) of the termination, retraction, or limitation of payments under this title may, within sixty days after receiving such notice, file with the United States Court of Appeals for the circuit in which such State is located, or in the United States Court of Appeals for the District of Columbia, a petition for review of the Secretary's action. The petitioner shall forthwith transmit copies of the petition to the Secretary and the Attorney General of the United States, who shall represent the Secretary in the litigation.

Petition for review.

(2) The Secretary shall file in the court record of the proceeding on which he based his action, as provided in section 2112 of title 28, United States Code. No objection to the action of the Secretary shall be considered by the court unless such objection has been urged before the Secretary.

72 Stat. 941.  
80 Stat. 1323.

(3) The court shall have jurisdiction to affirm or modify the action of the Secretary or to set it aside in whole or in part. The findings of fact by the Secretary, if supported by substantial evidence on the record considered as a whole, shall be conclusive. The court may order additional evidence to be taken by the Secretary, and to be made part of the record. The Secretary may modify his findings of fact, or make new findings, by reason of the new evidence so taken and filed with the court, and he shall also file such modified or new findings, which findings with respect to questions of fact shall be conclusive if supported by substantial evidence on the record considered as a whole, and shall also file his recommendation, if any, for the modification or setting aside of his original action.

(4) Upon the filing of the record with the court, the jurisdiction of the court shall be exclusive and its judgment shall be final, except that such judgment shall be subject to review by the Supreme Court of the United States upon writ of certiorari or certification as provided in section 1254 of title 28, United States Code.

62 Stat. 928.

USE OF GRANTS TO SETTLE OUTSTANDING URBAN RENEWAL LOANS

SEC. 112. (a) The Secretary is authorized, notwithstanding any other provision of this title, to apply a portion of the grants, not to

exceed 20 per centum thereof without the request of the recipient, made or to be made under section 103 (a) in any fiscal year pursuant to an allocation under section 106 to any unit of general local government toward payment of the principal of, and accrued interest on, any temporary loan made in connection with urban renewal projects under title I of the Housing Act of 1949 being carried out within the jurisdiction of such unit of general local government if—

42 USC 1450.

(1) the Secretary determines, after consultation with the local public agency carrying out the project and the chief executive of such unit of general local government, that the project cannot be completed without additional capital grants, or

(2) the local public agency carrying out the project submits to the Secretary an appropriate request which is concurred in by the governing body of such unit of general local government.

In determining the amounts to be applied to the payment of temporary loans, the Secretary shall make an accounting for each project taking into consideration the costs incurred or to be incurred, the estimated proceeds upon any sale or disposition of property, and the capital grants approved for the project.

(%) Upon application by any local public agency carrying out an urban renewal project under title I of the Housing Act of 1949, which application is approved by the governing body of the unit of general local government in which the project is located, the Secretary may approve a financial settlement of such project if he finds that a surplus of capital grant funds after full repayment of temporary loan indebtedness will result and may authorize the unit of general local government to use such surplus funds, without deduction or offset, in accordance with the provisions of this title.

#### REPORTING REQUIREMENTS

Report to  
Congress:  
42 USC 5313.

SEC. 113. (a) Not later than 180 days after the close of each fiscal year in which assistance under this title is furnished, the Secretary shall submit to the Congress a report which shall contain—

(1) a description of the progress made in accomplishing the objectives of this title; and

(2) a summary of the use of such funds as approved by the Secretary during the preceding fiscal year.

(b) The Secretary is authorized to require recipients of assistance under this title to submit to him such reports and other information as may be necessary in order for the Secretary to make the report required by subsection (a).

#### CONSULTATION

42 USC 5314.

SEC. 114. In carrying out the provisions of this title including the issuance of regulations, the Secretary shall consult with other Federal departments and agencies administering Federal grant-in-aid programs.

#### INTERSTATE AGREEMENTS

42 USC 5315.

SEC. 115. The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative effort and mutual assistance in support of community development planning and programs carried out under this title as they pertain to interstate areas and to localities within such States, and to establish such agencies, joint or otherwise, as they may deem desirable for making such agreements and compacts effective.

TRANSITION PROVISIONS

**Sec. 116.** (a) Except with respect to projects and programs for which funds have been previously committed, no new grants or loans shall be made after January 1, 1975, under (1) title I of the Demonstration Cities and Metropolitan Development Act of 1966, (2) title I of the Housing Act of 1949, (3) section 702 or section 703 of the Housing and Urban Development Act of 1965, (4) title II of the Housing Amendments of 1955, or (5) title VII of the Housing Act of 1961.

42 USC 5316.

(b) To the extent that grants under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966 are payable from appropriations made for the fiscal year 1975, and are made with respect to a project or program being carried on in any unit of general local government which is eligible to receive a grant for such fiscal year under section 106 (a) or (h) of this Act, the amount of such grants made under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966 shall be deducted from the amount of grants which such unit of general local government is eligible to receive for the fiscal year 1975 under such section 106 (a) or (h). The deduction required by the preceding sentence shall be disregarded in determining the amount of grants made to any unit of general local government that may be applied, pursuant to section 112 of this Act, to payment of temporary loans in connection with urban renewal projects under title I of the Housing Act of 1949. The amount of any appropriations made for the fiscal year 1975 which is used for grants so as to be subject to the provisions of this subsection relating to deductions shall be deemed to have been appropriated for grants pursuant to section 103 (a) of this Act for such fiscal year for purposes of calculations under sections 106 and 107 of this Act.

(c) The first sentence of section 103 (b) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: “, and by such sums as may be necessary thereafter”.

42 USC 1453.

(d) (1) Section 111 (b) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting immediately after the first sentence the following new sentence: “In addition, there are authorized to be appropriated for such purpose such sums as may be necessary for the fiscal year ending June 30, 1975.”

42 USC 3311.

(2) Section 111 (c) of such Act is amended by striking out “July 1, 1974” and inserting in lieu thereof “July 1, 1975.”

87 Stat. 422.

(e) (1) Section 312 (h) of the Housing Act of 1964 is amended (A) by striking out “after October 1, 1974” and inserting in lieu thereof “after the close of the one-year period beginning on the date of the enactment of the Housing and Community Development Act of 1974”; and (B) by striking out “that date” and inserting in lieu thereof “the close of that period”.

42 USC 1452b.

(2) Section 312 (a) (1) of such Act is amended by inserting “or” at the end of subparagraph (C), and by adding after subparagraph (C) the following new subparagraph:

“(D) the rehabilitation is a part of, or is necessary or appropriate to the execution of, an approved community development program under title I of the Housing and Community Development Act of 1974 or an approved urban homestead program under section 809 of such Act.”

(f) With respect to the program period beginning January 1, 1975, the Secretary may, without regard to the requirements of section 104, advance to any metropolitan city, urban county or other unit of general local government, out of the amount allocated to such entity pursuant to section 106 (a) or (1), an amount not to exceed 10 per centum of the

Post, p. 728.

amount so allocated which shall be available only for use (1) to continue projects or programs referred to in clauses (1) and (2) of subsection (a) of this section, or (2) to plan and prepare for the implementation of activities to be assisted under this title.

(g) In the case of funds available for any fiscal year, the Secretary shall not consider any application from a metropolitan city or urban county for a grant pursuant to section 106(a) or from a unit of general local government for a grant pursuant to section 106(h) unless such application is submitted on or prior to such date (in that fiscal year) as the Secretary shall establish as the final date for submission of applications for such grants in that year.

#### LIQUIDATION OF SUPERSEDED PROGRAMS

**SEC. 117.** (a) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding after paragraph (22) (as added by section 108(f) of this Act) the following new paragraph:

“(23) For payments required from time to time under contracts entered into pursuant to section 103(b) of the Housing Act of 1949 with respect to projects or programs for which funds have been committed on or before December 31, 1974, and for which funds have not previously been appropriated.”

(b) The Secretary is authorized to transfer the assets and liabilities of any program which is superseded or inactive by reason of this title to the revolving fund for liquidating programs established pursuant to title II of the Independent Offices Appropriation Act of 1965 (Public Law 81428; 68 Stat. 272,295).

42 USC 1453.

42 USC 5317.

12 USC 1701u.

#### EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS

**SEC. 118.** Section 3 of the Housing and Urban Development Act of 1968 is amended by inserting “, including community development block grants under title I of the Housing and Community Development Act of 1974,” immediately after “direct financial assistance”.

#### TITLE 11 — ASSISTED HOUSING

##### LOCAL HOUSING ASSISTANCE PLANS; ALLOCATION OF HOUSING FUNDS

**SEC. 213.** (a)(1) The Secretary of Housing and Urban Development, upon receiving an application for housing assistance under the United States Housing Act of 1937, section 235 or 236 of the National Housing Act, section 101 of the Housing and Urban Development Act of 1965, or section 202 of the Housing Act of 1959, if the unit of general local government in which the proposed assistance is to be provided has an approved housing assistance plan, shall—

(A) not later than ten days after receipt of the application, notify the chief executive officer of such unit of general local government that such application is under consideration; and

(B) afford such unit of general local government the opportunity, during the thirty-day period beginning on the date of such notification, to object to the approval of the application on the grounds that the application is inconsistent with its housing assistance plan.

(2) If the unit of general local government objects to the application on the grounds that it is inconsistent with its housing assistance plan, the Secretary may not approve the application unless he determines that the application is consistent with such housing assistance plan. If the Secretary determines, that such application is consistent with the housing assistance plan, he shall notify the chief executive officer of the unit of general local government of his determination and the reasons therefor in writing. If the Secretary concurs with the objection of the unit of local government, he shall notify the applicant stating the reasons therefor in writing.

42 USC 1439.

Article, Pt. 653,  
12 USC 1715z,  
1715z-1.

12 USC 1701b.

12 USC 1701q.

(3) If the Secretary does not receive an objection by the close of the period referred to in paragraph (1)(B), he may approve the application unless he finds it inconsistent with the housing assistance plan. If the Secretary determines that an application is inconsistent with a housing assistance plan, he shall notify the applicant stating the reasons therefor in writing.

(4) The Secretary shall make the determinations referred to in paragraphs (2) and (3) within thirty days after he receives an objection pursuant to paragraph (1)(B) or within thirty days after the close of the period referred to in paragraph (1)(B), whichever is earlier.

(5) As used in this section, the term "housing assistance plan" means a housing assistance plan submitted and approved under section 104 of this Act or, in the case of a unit of general local government not participating under title I of this Act, a housing plan approved by the Secretary as meeting the requirements of this section.

(b) The provisions of subsection (a) shall not apply to -

(1) applications for assistance involving 12 or fewer units in a single project or development;

(2) applications for assistance with respect to housing in new community developments approved under title IV of the Housing and Urban Development Act of 1968 or title VII of the Housing and Urban Development Act of 1970 which the Secretary determines are necessary to meet the housing requirements under such title; or

(3) applications for assistance with respect to housing financed by loans or loan guarantees from a State or agency thereof, except that the provisions of subsection (a) shall apply where the unit of general local government in which the assistance is to be provided objects in its housing assistance plan to the exemption provided by this paragraph.

(c) For areas in which an approved local housing assistance plan is not applicable, the Secretary shall not approve an application for housing assistance unless he determines that there is a need for such assistance, taking into consideration any applicable State housing plans, and that there is or will be available in the area public facilities and services adequate to serve the housing proposed to be assisted. The Secretary shall afford the unit of general local government in which the assistance is to be provided an opportunity, during a 30-day period following receipt of an application by him, to provide comments or information relevant to the determination required to be made by the Secretary under this subsection.

(d) (1) In allocating financial assistance under the provisions of law specified in subsection (a) of this section, the Secretary, so far as practicable, shall consider the relative needs of different areas and communities as reflected in data as to population, poverty, housing overcrowding, housing vacancies, amount of substandard housing, or other objectively measurable conditions, subject to such adjustments as may be necessary to assist in carrying out activities designed to meet lower income housing needs, as described in approved housing assistance plans submitted by units of general local government or combinations of such units-assisted under section 107(a) (2) of this Act. The amount of assistance allocated to nonmetropolitan areas pursuant to this section in any fiscal year shall not be less than 20 nor more than 25 per centum of the total amount of such assistance.

(2) In order to facilitate the provision of, and long-range planning for, housing for persons of low- and moderate-income in new community developments approved under title I of the Housing and Urban Development Act of 1968 and title VII of the Housing and Urban

Development Act of 1970, the Secretary shall reserve such housing assistance funds as he deems necessary for use in connection with such new community developments.

(3) The Secretary may reserve such housing assistance funds as he deems appropriate for use by a State or agency thereof.

Table E.2

HUD Application Processing Data for Entitlement Communities\*  
(Dollars in Thousands)

Date (as of)	Received Number	Number	Approved Amount	Free From Condition Amount	Percent
12/21/74	9	--	--	--	--
01/31/75	31	--	--	--	--
02/28/75	98	13	\$ 22,549	--	--
03/31/75	312	58	140,735	\$ 48,828	34.7
04/30/75	1,267	239	393,626	110,622	28.1
05/31/75	1,324	763	1,148,990	206,636	18.0
06/30/75	1,324	1,231	1,982,586	361,815	18.2
07/31/75	1,324	1,312	2,087,465	676,707	32.4
08/31/75	1,324	1,321	2,094,719	1,086,261	51.9
09/30/75	1,324	1,321	2,094,719	1,305,444	62.3
10/31/75	1,324	1,321	2,094,719	1,444,537	69.0

\* Data does not include urban counties.

\*\* The predominant reason some funds are not free from condition is noncompletion of environmental reviews and assessments required under Section 104(h) of the Act.

Source: Department of Housing and Urban Development, Community Planning and Development, Data Systems and Statistics Division, **Progress Report of Funding for Entitled Units of Government.**

Table E.3

HUD Application Processing Data for Nonmetropolitan Discretionary Cities  
(Dollars in Thousands)

Date (as of)	Not Funded Number	Not Funded Amount	Approved		In Review		Free From Condition	
			Number	Amount	Number	Amount	Amount	Percent
06/31/75	182	\$ 53,108	101	\$ 25,239	1,998	\$421,834		
07/31/75	783	184,870	851 (306)*	144,114 (27,125)**	643	143,080	5,031	3.5
08/31/75	998	234,788	1,144 (403)*	193,521 (41,308)*	128	28,781	11,329	5.9
09/30/75	1,070	250,970	1,163 (412)*	198,254 (42,465)*	41	6,275	33,145	16.7
10/31/75	1,074	252,880	1,174 (415)*	199,000 (42,713)	26	3,369	66,863	33.6
11/15/75	1,074	252,880	1,174 (416)*	398,922 (42,791)*	26	3,369	84,394	42.4

\* Number of applications/dollar amount approved for less than the amount requested.

Source: Department of Housing and Urban Development, Community Planning and Development, Data Systems and Statistics Division, "Progress Report from Nonmetropolitan Areas Discretionary Funds."

Table E.1  
 Number of Separate Applications  
 Required Under the HUD Categorical Programs

Program	No. Applications Required
Urban Renewal Program	<p>a) For each project area, one Survey and Planning Application, one Part I Loan and Grant Application, one Part II Loan and Grant Application, and as many amendatory applications as necessary.</p> <p>b) A city might also submit an application for a Feasibility Survey to determine whether it would be possible to carry out an urban renewal project in the area.</p> <p>c) A city might also submit an application for funds for a General Neighborhood Renewal Plan for an area to be divided into several urban renewal projects.</p>
Neighborhood Development Program	One every year per city.
Workable Program for Community Improvement	One every 2 years, requiring HUD certification.
Concentrated Code Enforcement Program	One for each project area.
Demolition Grant Program	One per city.
Interim Assistance for Slum and Blighted Areas	One for each certified area.
Certified Area Program	One per city.
Community Renewal Program	One for each certified area.
Model Cities Program	One per city.
Neighborhood Facilities Program	One planning year application, and for each Model Cities Action Year.
Public Facilities Loan Program	One for each facility.
Rehabilitation Loan Program	One for each structure to be rehabilitated.
Water and Sewer Facilities Program	One for each facility.
Historic Preservation Program	One for each structure to be preserved.
Urban Beautification Program	One per city.
Open Space Land Program	One for each open space project. (A project may include several sites.)

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation.



Table E.4  
Types of Shifts in Highest Funding Priorities

Type of Shift	Total	Subtotal	Total	Subtotal	No. of Cities
1. Program shift from highest funding priority program under CDBG:	63%		90		
–Urban Renewal to neighborhood improvement activity		30%			43
–Urban Renewal to other programs		13			19
–Other shifts		20			28
2. Reduction in percent of CDBG funds, but no shift in highest funding priority program:	31		44		
–Urban Renewal losses		27			39
–Other losses		2			3
–Urban Renewal gains		1			2
3. No shift in program or percentage of funds for highest funding priority program:	6		9		
–No shifts for Urban Renewal		6			9
TOTAL	100%				143

\*Five percent of the original sample of 151 cities (eight cities) had no prior HUD categorical participation during FY 68-72.

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *CDBG Evaluation System*.

Table E.5

Comparison of CDBG and HUD Categorical Programs:  
Average Grant and Percent of  
Universe Funded, by Population  
Category\*

Population	Categorical Programs		CDBG Program**		Average Grant
	Incorporated Recipients	Average Number of Cities Each Year %	Total Funded in First Year Grant No.	%	
0,000	26	100.0	26	100.0	\$23,765,615
0,000-499,999	30	100.0	30	100.0	9,981,500
100,000-249,999	97	98.0	95	98.0	3,721,505
50,000-99,999	232	87.9	223	96.1	1,149,427
25,000-49,999	455	55.6	269	59.1	921,640
10,000-24,999	1,127	30.5	375	33.2	554,272
0-9,999	16,699	450	938	5.6	207,379
<b>Total</b>	<b>18,666</b>	<b>1,403</b>	<b>1,956</b>	<b>10.5</b>	

\* Data excludes all places not considered incorporated by the Bureau of the Census, e.g., townships, counties, Indian reservations, and States, as well as Puerto Rico, Guam, and the Virgin Islands.

\*\* SMSA discretionary balance recipients' data is not included since review is in process.

Source: Department of Housing and Urban Development, Office of Community Planning and Development.

Table E.6

CDBG Nonmetropolitan Discretionary Recipients: Comparison of HUD Categorical  
Grant Program Participation, by Population Groupings Under 50,000

Population	Total incorporated CDBG Nonmetropolitan Discretionary Recipients	CDBG Nonmetropolitan Discretionary Recipients That Did Not Receive Categorical Grants FY 1968-1972		% of Total
		31	739	
0,000-50,000	39	31	79.5	
10,000-24,999	110	82	74.5	
0-9,999	679	626	92.2	
<b>TOTAL</b>	<b>828</b>	<b>739</b>	<b>89.2</b>	

Source: Department of Housing and Urban Development, Office of Community Planning and Development.

Table E.7

Percentage of  
Funds Budgeted for Public  
Services in Two Types of Cities:  
Former Model Cities and All Other Cities

% of Budget for Public Services	No. of Former Model Cities	No. of Other Cities
0%	11	76
1-4%	7	20
5-9%	9	10
10-14%	6	5
15-19%	1	1
20 and over	0	5
	34	117

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation.

Table E.8

Comparison of Fund Distribution  
in Urgent Needs Only Cities  
and All Other Cities

Localities Without Urgent Needs	Cities Total	1st Quartile*		2nd Quartile		3rd Quartile		4th Quartile**	
		Amount	%	Amount	%	Amount	%	Amount	%
Localities Without Urgent Needs	(86)	\$183,496,079	5.2%	\$9,451,604	11.2%	\$46,318,932	25.2%	\$107,155,817	58.4%
Localities Claiming Only Urgent Needs	(15)	3,945,844	29.1	1,396,594	35.4	826,412	20.9	574,715	14.6
Localities Claiming Urgent Needs and Maximum Feasible Priority	(49)	111,880,077	6.7	12,718,848	11.4	41,027,340	36.7	50,681,281	45.3
Localities Not Indicating Priority	(11)	16,259,483	7.0	501,600	3.1	3,427,083	21.1	11,197,233	68.8
Total	151	\$315,581,483	6.1%	\$35,186,768	11.1%	\$91,600,161	29.0%	\$169,609,036	53.7%

\*\* Highest-income census tracts  
Lowest-income census tracts

Source: Department of Housing and Urban Development, Community and Planning and Development, Office of Evaluation, CDBG Evaluation System.

Table E.9  
Benefit to Minorities

	Minority	% Total	Non-Minority	% Total
Clearance-Related	\$ 85,900	41.0	\$ 38,221	34.8
Code Enforcement	4,562	2.2	2,604	2.4
Other Public Works	31,661	15.1	22,041	20.1
Water and Sewer	11,178	5.3	7,764	7.1
Open Space and Neighborhood Facilities	10,915	5.2	8,185	7.5
Housing	29,555	14.1	16,050	14.6
Service-Related Facilities and Equipment	14,281	6.8	10,460	9.5
Public Services	21,343	10.2	4,445	4.0
Total	\$209,395	100.0	\$109,770	100.0

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, CDBG *Evaluation System*.

Table E.10

Block Grant Allocations in Target Areas  
(Dollars in Thousands)

Activity	Neighborhood Type and Percent													
	UR/NDP %	MNA %	Other Blighted %	Other %	CBD %	CW %	Total %							
Clearance-Related	\$ 92,556	60	\$ 4,415	14	\$16,418	22	\$10,089	18	\$ 642	16	\$ 8,305	17	\$132,425	36
Code Enforcement	1,800	1	616	2	4,631	6	121	0	0	0	1,009	2	8,176	2
Other Public Works	19,866	13	3,650	12	15,627	21	12,490	23	2,070	53	3,528	7	57,230	15
Water & Sewer	6,278	4	363	1	4,227	6	7,697	14	377	10	3,590	7	22,531	6
Open Space & Neighborhood Facilities	6,763	4	1,392	5	3,957	5	6,802	12	186	5	1,893	4	20,994	6
Housing Rehabilitation	15,342	10	4,437	14	19,244	26	6,281	11	300	8	7,406	15	53,010	14
Service-Related Facilities & Equipment	6,853	4	2,576	8	5,245	7	9,701	18	366	9	2,715	5	27,456	7
Public Services	5,817	4	13,463	44	4,791	6	1,718	3	0	0	21,726	43	47,515	13
<b>TOTAL</b>	<b>\$155,276</b>	<b>100%</b>	<b>\$30,910</b>	<b>100%</b>	<b>\$74,139</b>	<b>100%</b>	<b>\$54,899</b>	<b>100%</b>	<b>\$3,940</b>	<b>100%</b>	<b>\$50,171</b>	<b>100%</b>	<b>\$369,336</b>	<b>100%</b>

\*Excludes funds budgeted for Administration, Studies, Planning, Contingencies and Deferred Funds.

UR/NDP—Urban Renewal/Neighborhood Development Program

MNA—Model Neighborhood Area

CBD—Central Business District

CW—Citywide

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **CDBG Evaluation System.**

Table E.11  
Priority Activities in Target Areas

Target Areas	First Priority	Second Priority	Third Priority
Urban Renewal/ NDP	Renewal Related	Other Public Works	Housing Rehabilitation
	60%	13%	10%
Model Neighborhoods	Public Services	Housing Rehabilitation	Renewal- Related
	44%	14%	14%
Other Blighted Areas	Housing Rehabilitation	Renewal- related	Other Public Works
	26%	22%	21%
Other Areas	Other Public Works	Renewal- related	Service Facilities & Equipment
	23%	18%	19%
Central Business Districts	Other Public Works	Renewal- related	Water and Sewer
	53%	16%	10%
Citywide	Public Services	Renewal- related	Housing Rehabilitation
	43%	17%	15%

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation.

Table E.12  
Sources of Funds to Augment CDBG Projects\*

Sources	Cities	%Total	No. Cities	Counties	% Total	No. Counties
Total	\$81,009,921	100	15	\$18,721,987	100	9
City/ Municipality	26,675,780	34.4	9	2,625,913	14.0	6
County	6,473,531	8.0	3	2,941,274	15.7	6
State	9,775,978	12.1	7	1,996,100	10.7	3
Federal	33,417,888	41.3	9	7,889,700	42.1	6
Private	132,028	2	4	842,000	4.5	3
Self-Generating	66,000	.1	1	20,000	.1	1
Unknown	2,468,716	3.0	1	2,407,000	12.9	1
Total Entitlement for 15 Cities/ 9 Counties	\$93,610,400			\$17,789,000		

\*Excludes Federal programs requiring matching funds.

Note: Information was gathered from a total of 24 cities and 12 urban counties. These columns report the number of cities and counties relying on each source of funds.

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, field visits to 24 cities and 12 urban counties.

Table E.13

Types of Activities Augmented by Other Sources\*

Activities	Cities	% Total	No. Cities	Counties	% Total	No. Counties
Public Service Economic	\$16,016,301	19.8	6	\$ 6,038,248	32.3	6
Development Redevelopment Planning and Management Parks and Recreation	20,682,004 36,481,768	25.5 45.0	3 9	666,000 7,063,156	3.6 37.7	1 7
	620,148	.8	4	2,306,500	12.3	5
	7,209,700	8.9	7	2,648,083	14.1	5
<b>Total</b>	<b>\$81,009,921</b>	<b>100.0</b>	<b>15</b>	<b>\$18,721,987</b>	<b>100.0</b>	<b>9</b>

\*Excludes Federal Programs requiring matching funds

- Note:** (1) Public services includes: Construction of health, social service facilities and equipment, health or social service programs.  
 (2) Economic Development includes: Rehabilitation and redevelopment of industrial areas, and training programs.  
 (3) Redevelopment includes: Urban Renewal/NDP, landscaping, housing, rehab loans, and grants, redevelopment, water and sewer, street, lights, code enforcement, demolition, capital improvements, relocation payments, etc.  
 (4) Planning and management includes: all expenditures for planning and administering community development projects.  
 (5) Parks and recreation include: redevelopment for parks, construction of recreation facilities and parks, historic preservation.

Source: Ibid.

Table E.14

Sources of Discretionary Funding

Source	FY 1975 Allocation
Urgent Needs Fund	\$50,000,000
Secretary's Fund	47,907,500
New Communities	13,100,000
Area-wide Projects	No Funds FY 1975
Territories	3,250,000
Innovative Projects	3,913,307
Disaster Fund	1,360,673
Inequities Fund	26,283,500*
<b>General Purpose Funds</b>	
SMSA Discretionary Balances	\$54,625,000 plus \$17,000 drawn from the \$26,283,500 Inequities fund
Nonmetropolitan Discretionary Balances	\$199,694,000

\*Includes \$20,956,500 converted to fund hold harmless entitlement communities and \$17,000 converted to the SMSA discretionary balance fund.

Source: Department of Housing and Urban Development, Office of Community Planning and Development.

Table E.15

Urgent Needs Discretionary Fund, By Activity

Program	Amount	Number of Applicants Funded
Urban Renewal Projects	\$35,868,215	37
Planned Variations Cities	10,200,000	13
Neighborhood Facilities	1,054,297	9
Water and Sewer	2,877,488	2
Open Space	0	0
<b>Total</b>	<b>\$50,000,000</b>	<b>61</b>

Source: Department of Housing and Urban Development, Office of Community Planning and Development.

Table E.16

Urban County Participation in  
Major HUD Community  
Development Programs (FY 1968-1972)

Program Category	No. Counties Reporting	Yes:		No	
		Participated No.	%	Participation No.	%
Urban Renewal Neighborhood Development Program (NDP) Concentrated	78	16	21%	62	79%
Code Enforcement	78	11	14	67	86
Model Cities	78	9	12	69	88
	78	7	9	71	91

Source: National Association of Counties, *Community Development in America's Urban Counties: Summary Report*, Table 6, p.13, (August 1975).

Table E.17

Urban County Participation in HUD  
Housing Programs (FY 1968-1972)

Program Category	No. Counties Reporting	Yes		No	
		Participated No.	%	Participation No.	%
Conventional Public Housing	78	32	41%	46	59%
Leased Housing Program	78	30	38	48	62
Cash Rental Subsidies	78	10	13	68	87

Source: Ibid., Table 2 p. 15.

Table E.18

Urban County Participation in  
Other HUD Community  
Development Programs (FY 1968-1972)

Program Category	No. Counties Reporting	Yes		No	
		Participated No.	%	Participation No.	%
Neighborhood Facilities	78	17	22%	61	78%
Open Space Historic	78	52	67	26	33
Preservation Water and Sewer Facilities	78	15	19	63	81
Rehabilitation	78	45	58	33	42
Loans and Grants Comprehensive Planning	78	15	20	63	80
	78	56	72	22	28

Source: Ibid, Table 10, p. 17.