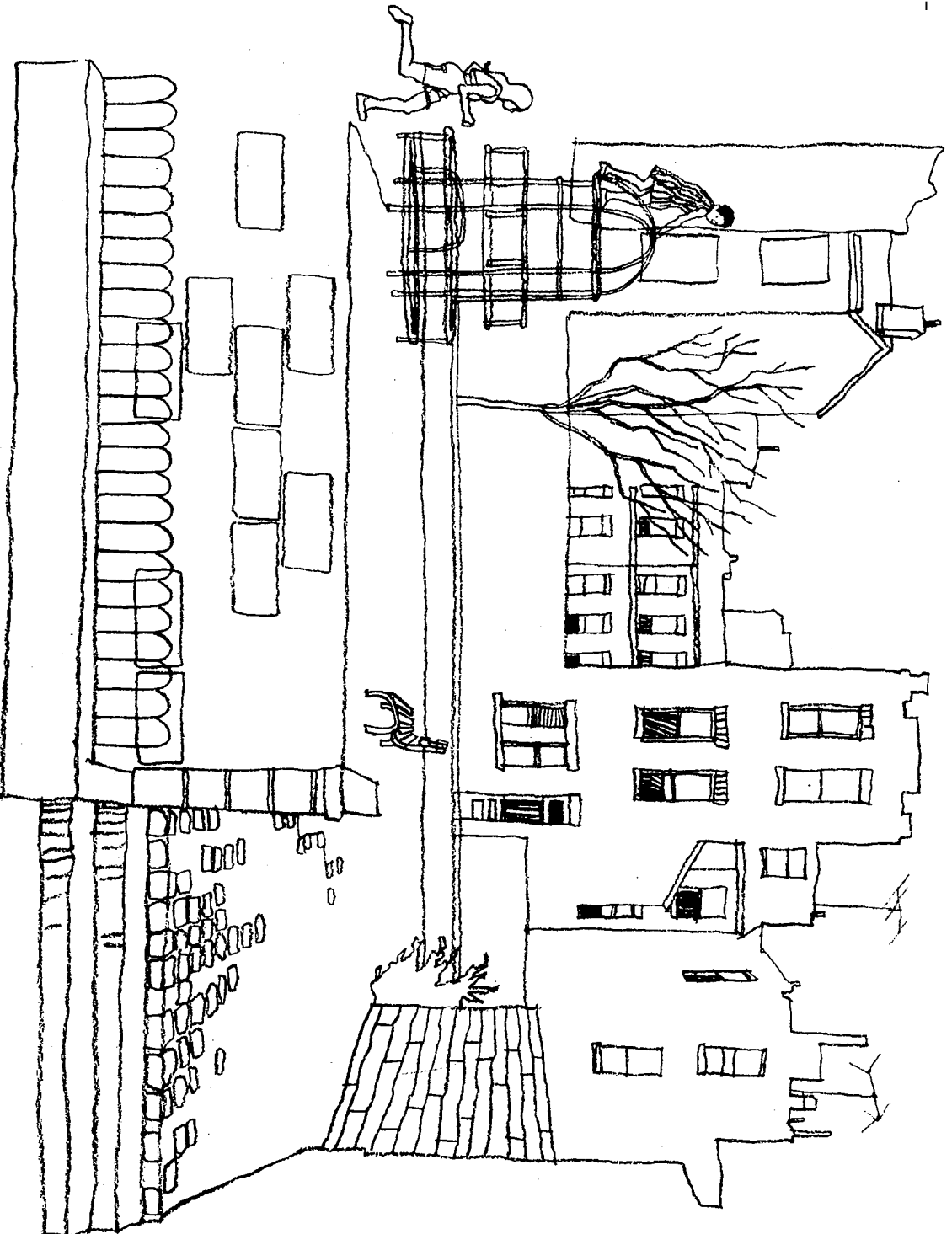
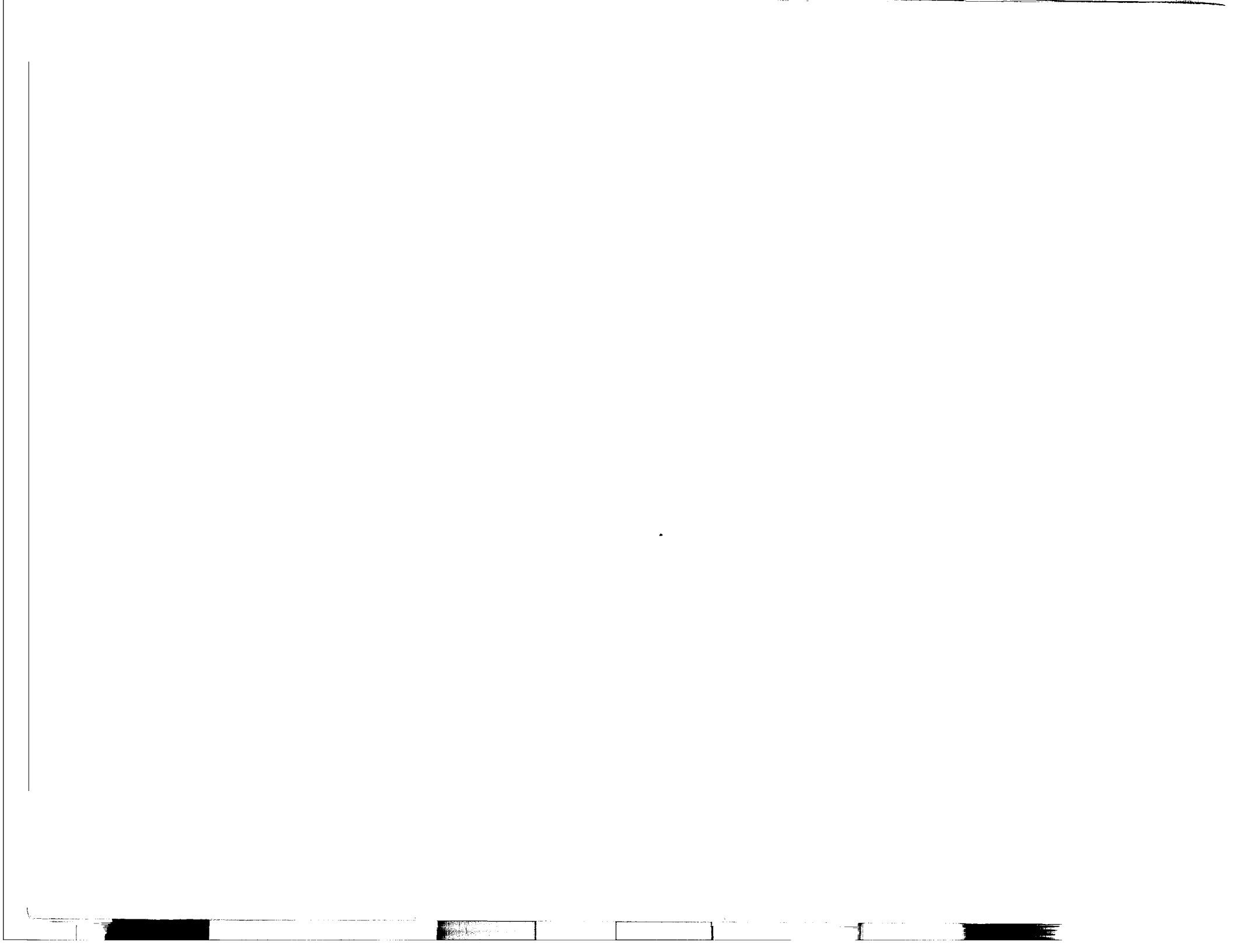


Brown



Fifth Annual Community Development Block Grant Report







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

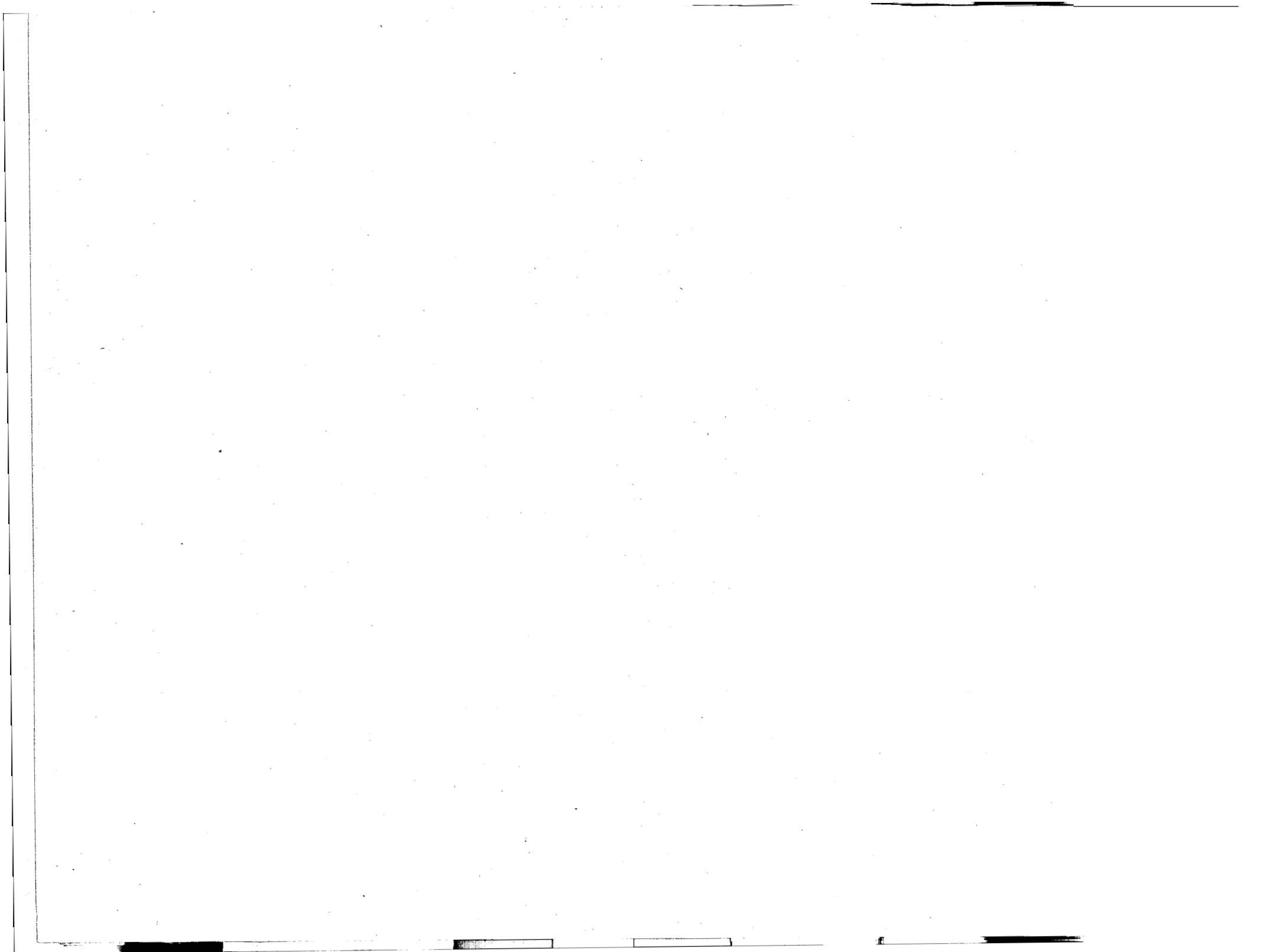
HQD

TO THE CONGRESS OF THE UNITED STATES:

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

Moon Landreth
Moon Landreth

April 1980



Fifth Annual Report

THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Department of Housing and Urban Development
Office of The Assistant Secretary for
Community Planning and Development
Office of Evaluation



FIFTH ANNUAL REPORT
THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

TABLE OF CONTENTS

EXECUTIVE SUMMARY

PART I: INTRODUCTION

PART II: OVERVIEW OF PROGRAM FUNDING AND PLANNED EXPENDITURES

- CHAPTER I: Funding Patterns: Appropriations, Obligations,
Expenditures
- CHAPTER II: Planned Expenditures: National Objectives
- CHAPTER III: Planned Expenditures: Program Priorities

PART III: PROGRESS TOWARD STRATEGY OBJECTIVES

- CHAPTER IV: Planned Community Development Strategies
- CHAPTER V: Progress in Implementing Strategies

PART IV: PROGRESS TOWARD ACTIVITY OBJECTIVES

- CHAPTER VI: Planned Community Development Activities
- CHAPTER VII: Progress in Implementing Activities

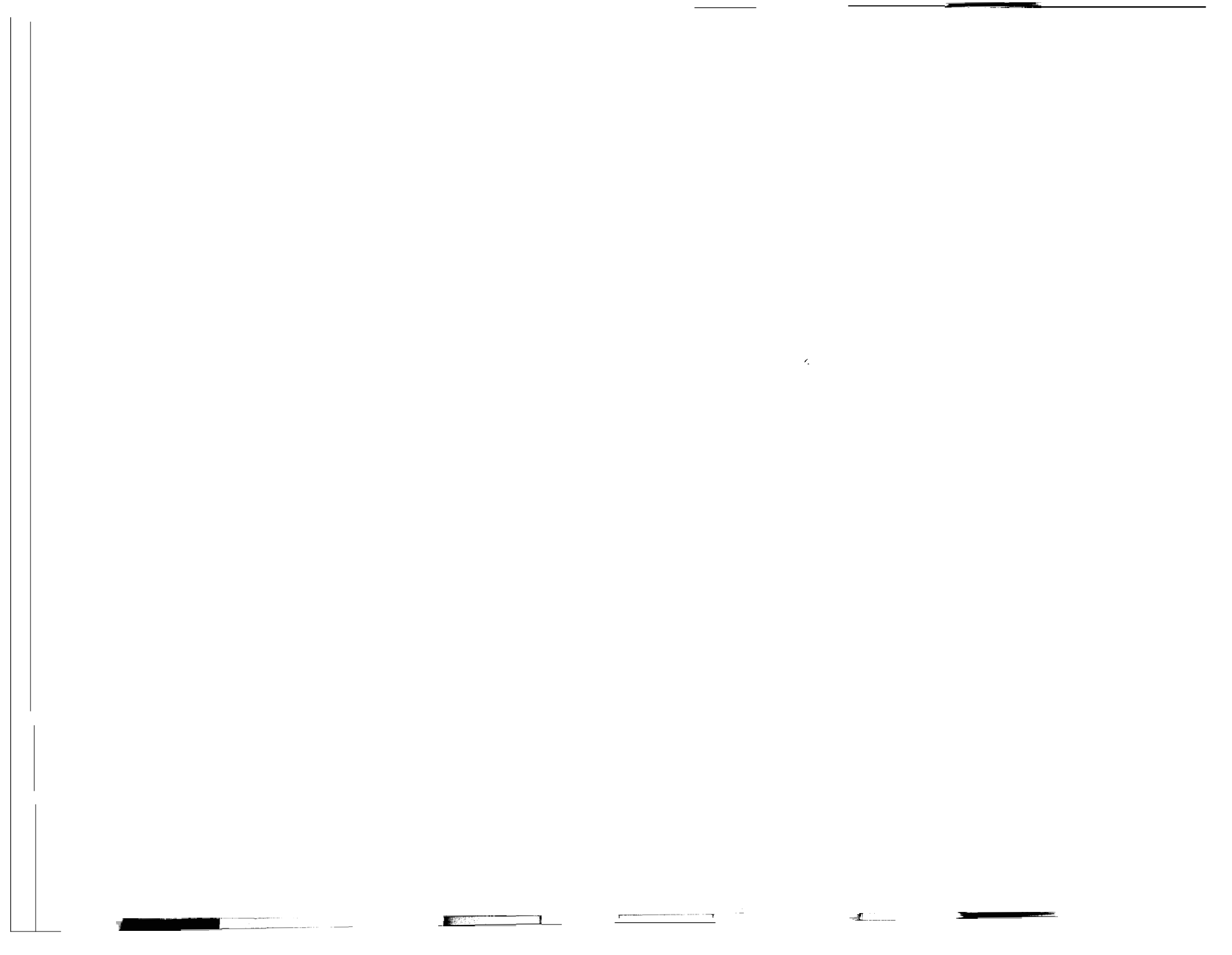
PART V: PROGRESS TOWARD HOUSING ASSISTANCE OBJECTIVES

- CHAPTER VIII: Housing Assistance Plan Goals
- CHAPTER IX: Progress in Implementing HAP Goals

PART VI: PROGRESS TOWARD NEW PROGRAM INITIATIVES

- CHAPTER X: Economic Development: Shaping a New Initiative
- CHAPTER XI: Neighborhood Strategy Areas: Concentrating
Community Development Resources
- CHAPTER XII: Dealing With Displacement: Issues and Strategies
- CHAPTER XIII: Comprehensive Planning: Requirements and Results
- CHAPTER XIV: Housing Assistance Plans: Shaping Housing
Assistance

PART VII: APPENDIX



EXECUTIVE SUMMARY

FIFTH ANNUAL REPORT TO CONGRESS ON THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

This year's Annual Report to Congress provides an analysis of the strategies and activities communities have developed to address their community development needs as well as an analysis of the progress they are making in carrying out strategies and activities. The report also presents an in-depth assessment of program performance relative to selected policy issues.

- Obligations and Disbursements: As of December 31, 1979, 99 percent of the block grant funds made available from 1975 through 1979 had been obligated. Approximately 65 percent of all obligated funds had been drawn down by grantees.
- Targeting to Neediest Cities: In the second year following the introduction of the dual formula authorized in the Housing and Community Development Act of 1977, funding allocations continued to show a high degree of targeting to the neediest cities.
- o National Objectives: Over the five year period from 1975 to 1979, communities have given greatest attention to four legislative objectives. In order of funding importance these are: the elimination of slums and blight, conservation of the housing stock, more rational use of land, and economic development.
- o Targeting to Low and Moderate Income Persons: Continuing the pattern reported a year ago in the Fourth Annual Report, benefits going to low and moderate income persons have increased significantly for the second year in a row. The proportion of program funds directly benefiting low and moderate income persons stands at 69 percent--an all time program high.
- o Expenditure Rates: The overall cumulative expenditure rate for the years 1975 through 1978 rose by almost ten percentage points to 60 percent. Moreover, based on expenditures in the most recent program year, communities are now spending their CDBG funds almost as fast as they receive them.
- o Community Development Strategies: In terms of planned expenditures the dominant strategy continues to be neighborhood preservation with about 40 percent of all 1978 CDBG funds. Other major strategies in order of funding importance are: redevelopment, general development, and economic development.
- o Community Development Activities: In terms of planned expenditures, the two activities allocated the highest proportion of aggregate CDBG dollars are rehabilitation and public works. The

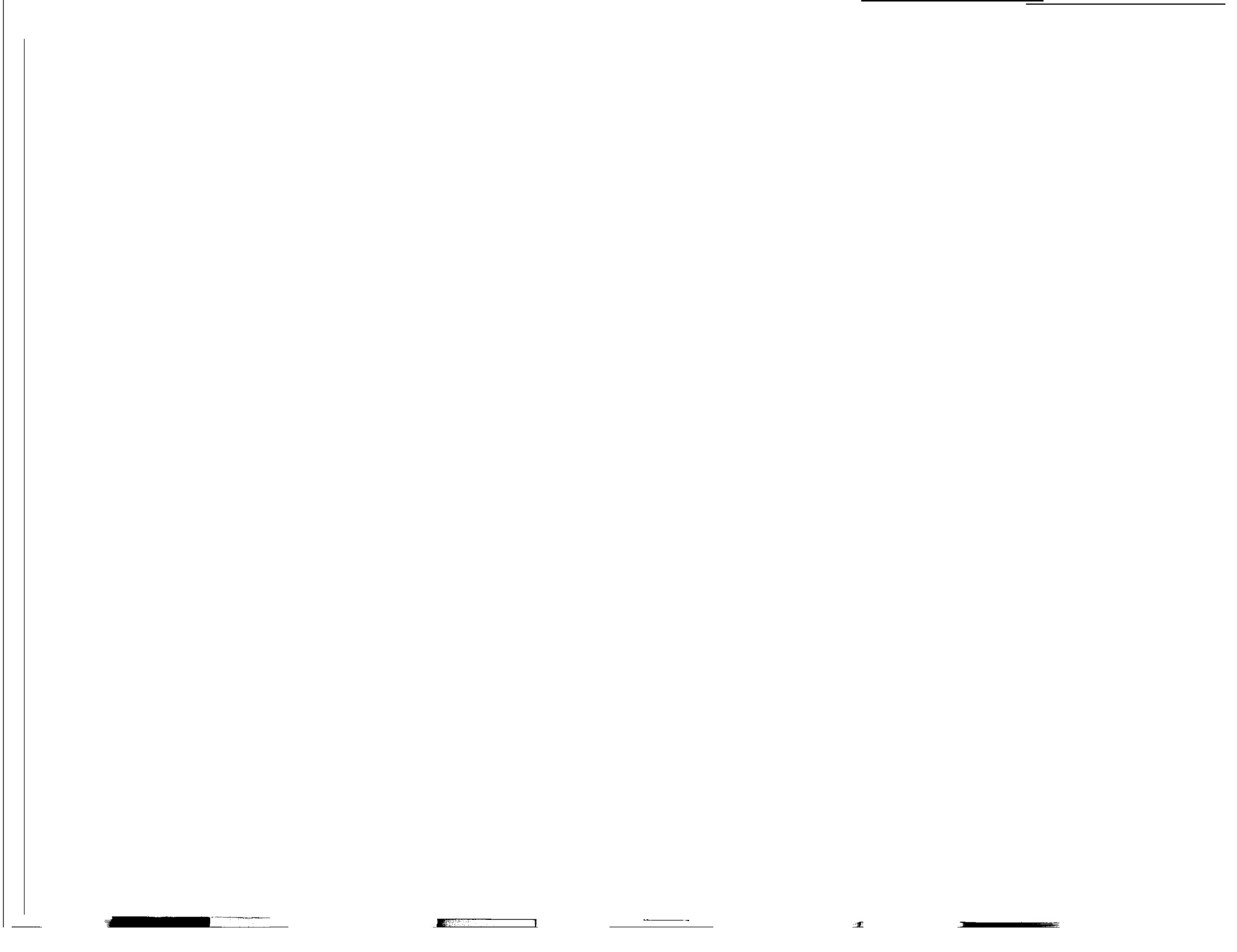
next highest funded activities in order of importance are acquisition, demolition, and public services.

- Housing Assistance Plan Goals: HAPs prepared at the beginning of the second three year planning cycle in 1979 indicate that overall three year goals are more realistic relative to identified needs and resources, that goals for a majority of communities meet or exceed the 15 percent guideline, and that goals for all communities are distributed within a significantly narrower or more realistic range.
- Housing Assistance Plan Performance: Over the initial HAP planning cycle, communities have provided assisted housing units at about the same rate as they have expended community development funds. As communities and HUD gained experience in implementing HAP plans, imbalances evident in the early delivery of units against household need goals narrowed over the course of the planning cycle.

In addition to aggregate statistical data on program implementation, this year's report provides an overall analysis of current policy issues. The issues covered include, economic development, Neighborhood Strategy Areas, displacement, comprehensive planning, and Housing Assistance Plans.

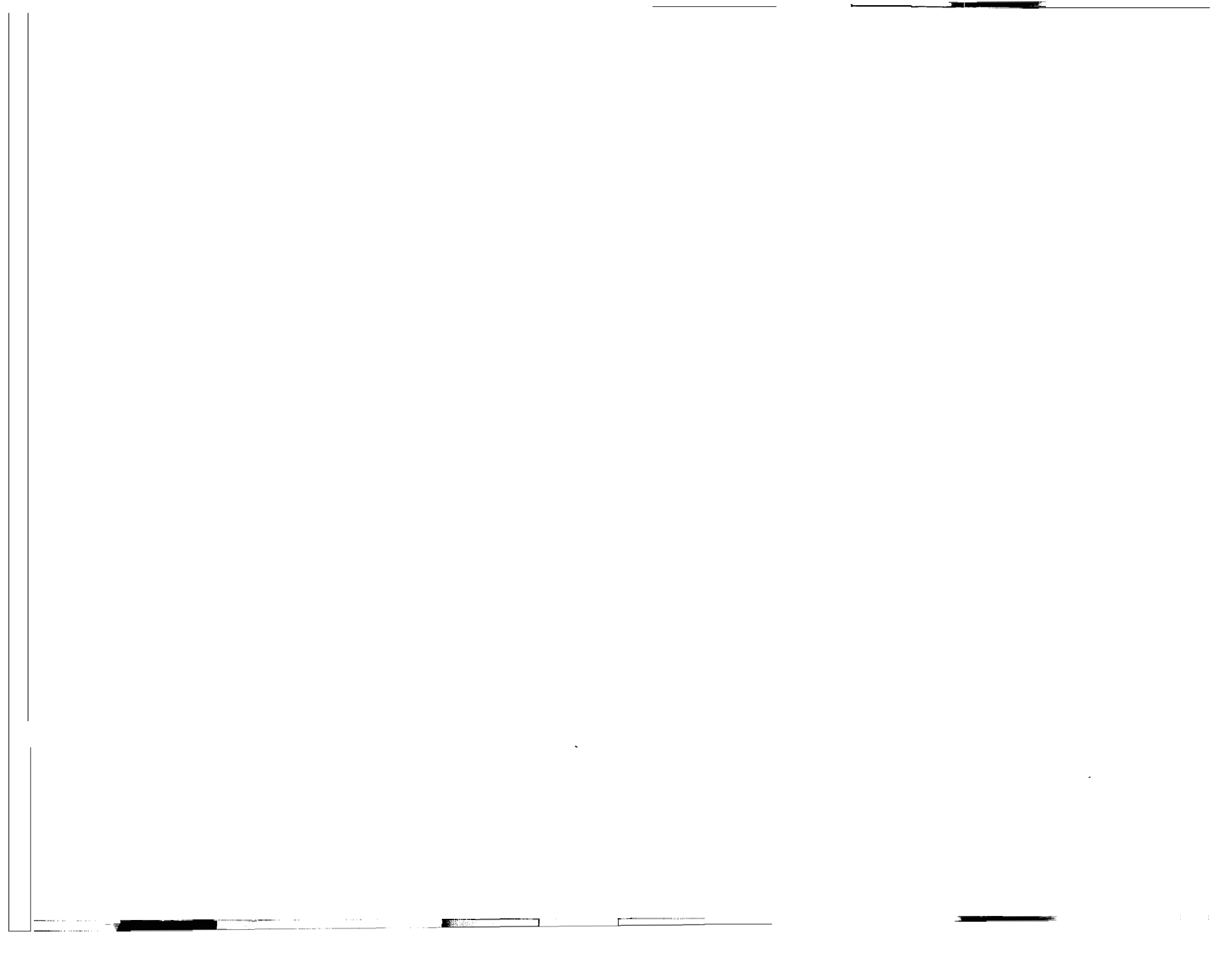
- Economic Development: All communities responded favorably to the increased flexibility provided by new regulations, and 80 percent plan to initiate economic development projects under the new criteria. A majority of cities undertaking economic development projects are leveraging their CDBG funds with other Federal and private funds.
- Neighborhood Strategy Areas: Communities have continued to adapt well to the targeting, concentration, and coordination objectives of the NSA guidelines with minimal problems. Anticipated controversy among citizens groups has not surfaced to the degree expected.
- Displacement: The decline in large scale land clearance and demolition types of activities associated with the Urban Renewal Program together with the greater attention given to the issue of avoiding unnecessary displacement and minimizing its effects have resulted in a significant decline in relocation caseloads resulting from Federal programs. Cities are concerned about and taking steps to minimize the effects of displacement resulting from private investment.
- Comprehensive Planning: All communities were found to be in compliance with requirements for more systematic needs assessments and three year plans. Fifth year plans generally represent a clearer and more detailed articulation of local needs and strategies than previous year's applications.

• Housing Assistance Plans: Officials in sample cities reported few problems in carrying out revised requirements for preparing their fifth year HAPs. Although problems remain in actually implementing HAPs, most cities have become more actively involved in supporting housing development and in trying to overcome local impediments to housing development.



PART I

INTRODUCTION



Fifth Annual Report

Community Development Block Grant Program

INTRODUCTION

This year's report on the Community Development Block Grant Program continues the effort begun in last year's report to respond to increasing requests for greater analytical depth and coverage.

As was the case Past year, the report is divided into two basic sections, with one presenting an analysis of aggregate statistical data regarding planned and actual program progress and the other providing an in depth analysis of selected policy issues relevant to current program operations.

The first section covers funding appropriations, allocations, and drawdowns; national objectives; program priorities; planned and expended money by strategies and activities; and planned and actual performance against HAP goals. The second section encompasses economic development, Neighborhood Strategy Areas, Displacement, Comprehensive Planning, and Housing Assistance Plans.

Improved Coverage

A number of analytical improvements have been introduced in this year's report. While evaluation and research analysis relative to the CDBG program continues to be limited by program constraints -- broad and overlapping goals, minimal reporting requirements, and the limited scale of block grant funding vis-a-vis total city spending -- the additional analytical techniques employed this year provide more analytical depth than previously. The following steps have been taken this year:

- Expenditure rate data have been coded and analyzed for the second year, allowing trend projections relative to drawdowns.
- Planned and actual expenditures are reported by specific budget line activities as a supplement to last year's presentation of planned and actual expenditures by major community development strategies.
- All data on planned and actual expenditures are presented by five major characteristics: city size, regional locations, city distress, metropolitan or non-metropolitan status, and previous level of experience with categorical programs.
- HAP three year planning goals proposed in the initial planning cycle which began in 1978 are compared with HAP goals proposed in the second planning cycle which began in 1979.
- Delivery of assisted units against initial HAP three years goals is assessed on a preliminary basis (all data are not in).

Methodology

The Fifth Annual Report is based on two basic samples of recipient communities. The first part of the report covering aggregate statistical data on planned and actual program accomplishments is based on a representative sample of 151 entitlement communities stratified to represent city sizes and grant amounts. The second part of the report \covering currently relevant policy issues is based on a judgmental sample of twenty five communities chosen to reflect the universe of entitlement grantees. Both samples are discussed in detail in the Appendix.

As noted in subsequent chapters and described in detail in the Appendix, the data and analysis presented in the report are based on the following:

- o A content analysis of Applications and Grantee Performance Reports for 151 entitlement grantees.
- o Call backs to individual grantees in the sample to validate the content analysis.
- o Detailed case studies in 25 cities illustrative of grantee plans and progress, including interviews with HUD and local officials, interest groups, and citizen representatives.

Organization

The fifth Annual Report is divided in six major parts: Part I provides chapters covering funding patterns (including appropriations, obligations, and expenditures), planned expenditures in relation to legislative objectives and planned expenditures in relation to basic program priorities (low and moderate income benefit, elimination of slums and blight, and urgent needs.)

Parts II and III present chapters which discuss planned and actual spending toward basic community development strategies, and planned and actual expenditures against individual community development activities. Part V compares three year HAP goals proposed at the beginning of the initial three year planning cycle with goals proposed at the beginning of the second planning cycle. It also discusses progress in delivering assisted housing units against initial three year goals.

Part VI provides discussions based on detailed case studies in twenty five sample cities of current policy issues. These include economic development, Neighborhood Strategy Areas, displacement, comprehensive planning, new requirements related to Housing Assistance Plans.

The basis for the analysis in Part I through Part V is Block Grant applications and Grantee Performance Reports for a representative sample of 151 entitlement cities. In Part VI, these data are supplemented by information for 25 cities, collected under contract by The Urban Institute for the Office of Evaluation.

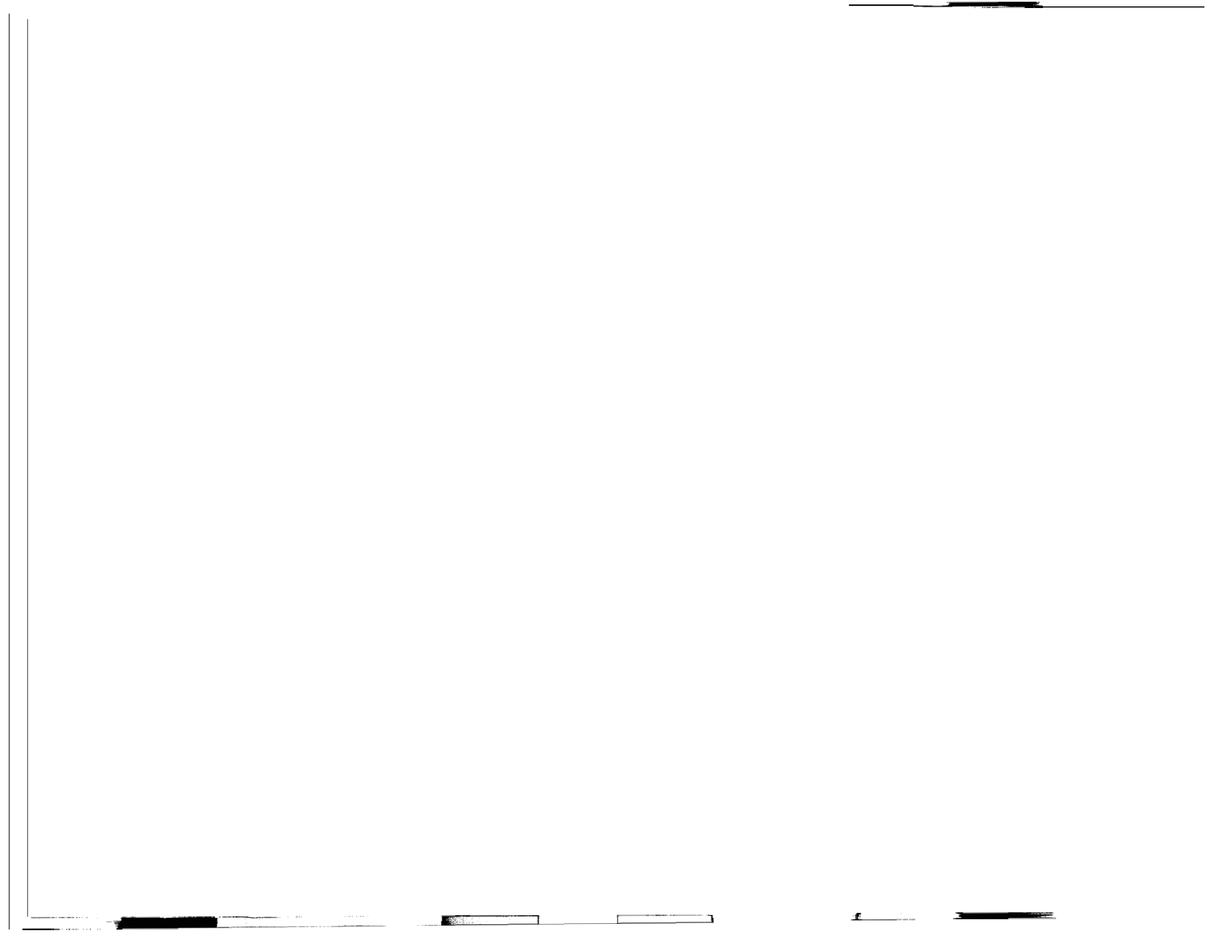
PART II

OVERVIEW OF PROGRAM FUNDING AND PLANNED EXPENDITURES

CHAPTER I: Funding Patterns: Appropriations, Obligations,
Expenditures

CHAPTER II: Planned Expenditures: National Objectives

CHAPTER III: Planned Expenditures: Program Priorities



CHAPTER I

FUNDING PATTERNS AND BUDGET ACTIVITIES

Introduction

This chapter presents an analysis of the funding patterns in the community Development Block Grant (CDBG) Program from FY 1975 through FY 1979. It examines aggregate statistics on the source, distribution, and general uses of block grant funds.

The chapter is divided into three parts. The first part provides an overview of Congressional appropriations,^{1/} the distribution of funds by program category /and regions,^{2/} obligations,^{4/} and disbursements.^{5/} The second part examines characteristics of grants and grantees and discusses identifiable trends. Budget activities and priorities are summarized in the third part.

^{1/} Appropriations are acts of Congress which allow Federal agencies to incur obligations and authorize the Treasury Department to make payments for specified purposes.

^{2/} Funds for the Community Development Block Grant Program are distributed among four program categories: (1) Entitlement, (2) Small Cities (formerly Discretionary Balances), (3) Secretary's Discretionary Fund (hereafter referred to as Secretary's Fund), and (4) Financial Settlement Fund (formerly Urgent Needs).

^{3/} Funds are allocated among individual units of Government. The method of allocation varies by program category and is discussed later in this chapter.

^{4/} Obligations are contracts, purchase orders, or any other binding commitments made by Federal agencies ultimately to pay out money for products, services, or for other purposes.

^{5/} Disbursements are payment made by the Department of Treasury for products, services, or for other purposes.

Summary of Findings

Appropriations

Congressional appropriations under Title I of the Housing and Community Development Act of 1974 as amended^{6/} constitute the major source of funds^{7/} for the Community Development Block Grant Program. To date, Congress has appropriated more than \$19.7 billion for the Block Grant Program (Table I-1).

Annual Appropriations for the program have increased over the past five years. Although the rate of increase slowed somewhat in FY 1978 and again in FY 1979, the FY 1979 appropriations amount of a 54 percent increase over the FY 1975 level. Appropriations for FY 1980 represent a 60 percent increase over those in FY 1975.

^{6/} 42 U.S.C. Section 5301 et seq.

^{7/} Fund transfers from other Federal agencies have netted some additional block grant funds in the past, but only very small amounts. These transfers (both to and from HUD) are made through inter-agency agreements and generally involve technical assistance or other special purpose activities.

There were no fund transfers involving the Block Grant Program prior to FY 1978. Those in FY 1978 were fund transfers from HUD to other Federal agencies. A total of \$645,000 of FY 1978 block grant funds was transferred from HUD to the Small Business Administration (SBA), the Department of Energy (DOE), and to the Economic Development Administration (EDA) for joint technical assistance projects.

In FY 1979, however, a total of \$385,000 was transferred from EDA and SBA to HUD, while a total of \$345,000 of FY 1979 block grant funds was transferred from HUD to EDA, the Department of Transportation (DOT) and the Federal Highway Administration (FHWA), and to the Law Enforcement Assistance Administration (LEAA). All transactions involved technical assistance activities.

Overall, the net of funds transferred was - \$645,000 in FY 1978 and \$40,000 in 1979.

Table I-1
 Appropriated Funds by Fiscal Year
 (Dollars in Thousands)

Fiscal Year	Amount	Percentage Increase	Cumulative
1975	\$2,433,000*	_____	\$ 2,433,000
1976	2,802,000	15.2	5,235,000
1977	3,248,000	15.9	8,483,000
1978	3,600,000	10.8	12,083,000
1979	3,750,000	4.2	15,833,000
1980	3,900,000	4.0	19,733,000

SOURCE: U.S. Department of Housing and Urban Development, Office of Finance and Accounting.

*Includes appropriations of \$123 million for model cities and \$197 million for Urban Renewal which were transferred to the CDBG program, but excludes \$117 million of transition funds that were uncommitted.

Distribution by Program Category

Most block grant funds are allotted to the Entitlement Program.^{8/} About 80 percent of all block grant funds available between FY 1975-79 was earmarked for entitlement grants; 73 percent for formula entitlement and hold harmless grants to metropolitan cities and urban counties, and 6 percent for hold harmless grants to nonmetropolitan areas (Table 1-2).

The Small Cities Program^{9/} has received 16 percent of the block grant funds available during this five-year period. More than two-thirds of this was set aside for nonmetropolitan areas. However, while the proportion of CDBG funds going to the Small Cities Program has **been** 16 percent, the amount of block grant funds going to smaller communities has always been above 20 percent of the total because of the nonmetropolitan entitlement portion going to jurisdictions with populations below 50,000.

8/ As part of the Entitlement Program, metropolitan cities with populations of at least 50,000 and urban counties with population of 200,000 or more (excluding metropolitan cities) are "entitled" to receive block grants. The amount of their grants is determined by an objective needs formula; hence, the name formula entitlement. For the first few years of the program, entitlement amounts have been adjusted for units of government whose formula share under the block grant program was less than the amount they had received under categorical programs. This adjustment stemmed from a "hold harmless" provision of the law and was designed to cushion the impact of the switch to block grants. As a result of the same hold harmless provision, many smaller communities that did not qualify for formula entitlement have been receiving hold harmless grants based on their prior categorical levels. All hold harmless grants are gradually being phased out, with final grants made to these smaller cities in FY 1979.

9/ The Small Cities Program awards competitive grants principally to units of government with populations below 50,000 in both metropolitan and nonmetropolitan areas. Non urban counties may also compete for small cities grants. The program offers two grant types: (1) single purpose and (2) comprehensive one-time or multiyear grants.

Table 1-2
Distribution of CDBG Funds* by Program Category and Fiscal Year
(Dollars in Thousands)

Program Category	FY 1975	N 1976	FY 1977	FY 1978	FY 1979	Total
Entitlement	\$2,096,405	\$2,352,888	\$2,659,020	\$2,777,593	\$2,744,268	\$12,630,174
Metro	1,835,763	2,087,534	2,405,405	2,619,318	2,667,401	11,615,421
Non-Metro	260,642	265,354	253,615	158,275	76,867	1,014,753
Small Cities	259,058	345,274	438,005	627,907	804,182	2,474,426
Metro	59,738	91,596	113,823	189,912	241,561	696,630
Non-Metro	199,320	253,678	324,182	437,995	562,621	1,777,796
Secretary's Fund	26,903	52,978	50,960	94,499	101,994**	327,334
Financial Settlement	49,987	49,980	100,000	100,000	100,000	399,967
Total	2,432,353	2,801,120	3,247,988	3,600,000	3,750,260	15,831,721
Lapsed	646	880	12	0	0	1,538
	**				***	
	\$2,432,999	\$2,802,000	\$3,248,000	\$3,600,000	\$3,750,260	\$15,833,439

SOURCE: U.S. Department of Housing and Urban Development, Office of Finance and Accounting.

*

Does not reflect initial distribution contained in HUD budget submissions. Amounts initially allocated for entitlement grants that are not applied for or disapproved are subsequently allocated to the Small Cities Program as well as statutory pro rata reductions.

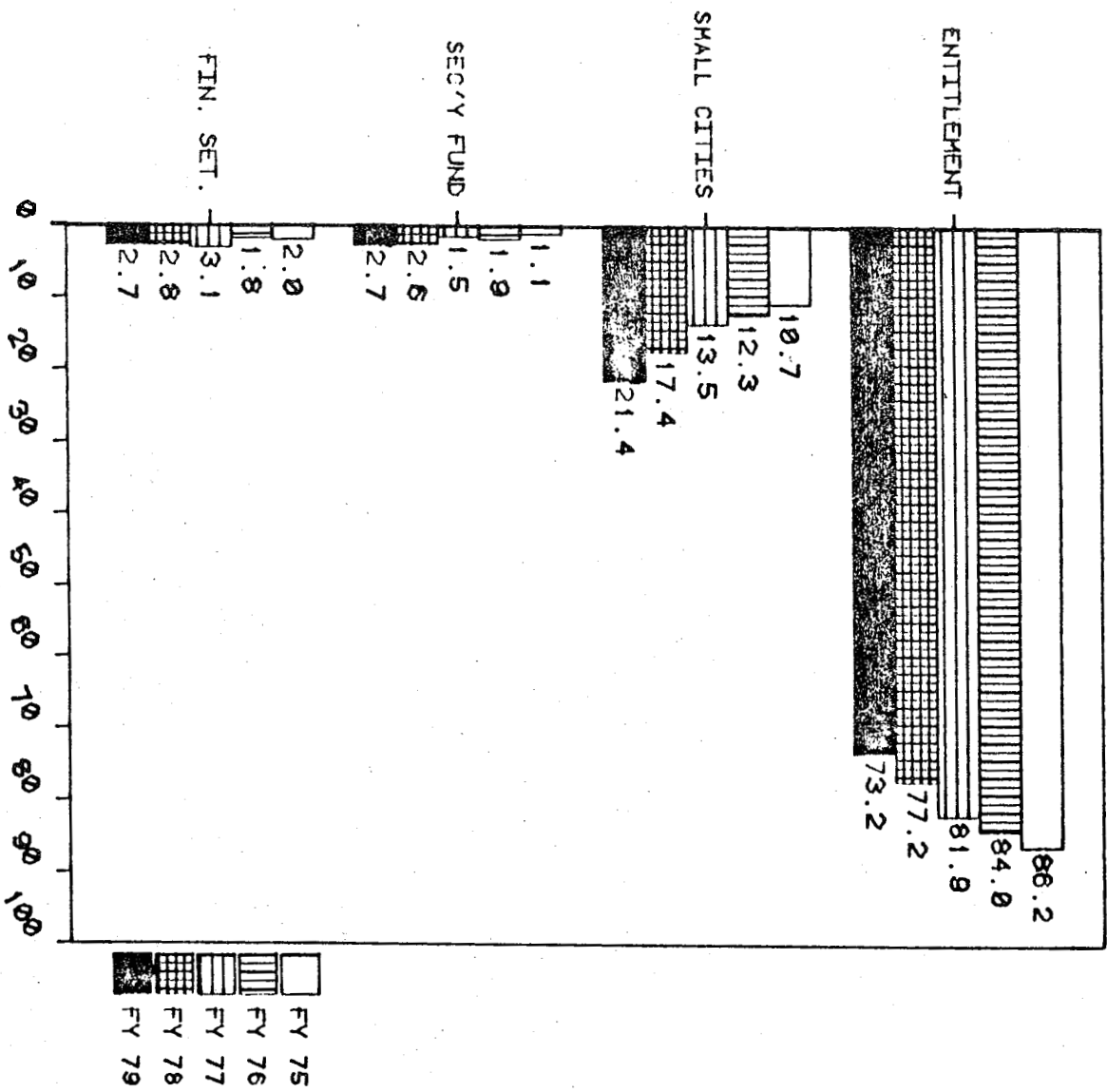
**

Includes appropriations of \$127 million for Model Cities and \$197 for Urban Revneal which were transferred to the CDBG program, but excludes \$117 million of transition funds that were uncommitted.

Includes \$260,000 transferred from other Federal agencies.

Chart I-1

Percentage Distribution of LURJ Funds, by
Program Category and Fiscal Year



SOURCE: U.S. Department of Housing and Urban Development, Office of
Finance and Accounting.

The Secretary's Fund^{10/} and the Financial settlement Fund^{11/} each received slightly more than two percent of the total funds available during this period. Because of the gradual phase-out of hold harmless grants, the proportion of funding for entitlement growth has decreased from 86 percent of total funds in FY 1975 to 77 percent in FY 1978, and to 73 percent in FY 1979 (Chart I-1).

At the same time, the share of block grant funds allocated to the Small Cities Program has been increasing -- from 11 percent of FY 1975 funds to 17 percent of FY 1978 funds and to 21 percent of FY 1979 funds. This increase stems from the phase-out of hold harmless grants, because funds not used for hold harmless become available for the Small Cities Program. The Secretary's Fund and Financial Settlement Fund have increased only slightly since FY 1975.

Formula Effects

Two important changes have been observed over time in the regional distribution of funds for community development activities. First, with the change from categorical programs to the block grant program a significant shift occurred between the Northeastern and North Central regions (HUD Regions I, 11, III, and V) whose share of funds declined and the South and Southwestern areas (HUD Regions IV, VI, and IX) whose share either increased or remained about the same (Chart 1-2 - Table 1-3).

Regions in the Northeast and North Central areas were losing population in the late 1960's and early 1970's and their distressed housing conditions were not addressed in the initial block grant formula. In contrast, regions in the South and Southwest were gaining population and had higher absolute numbers of persons in poverty.

10/

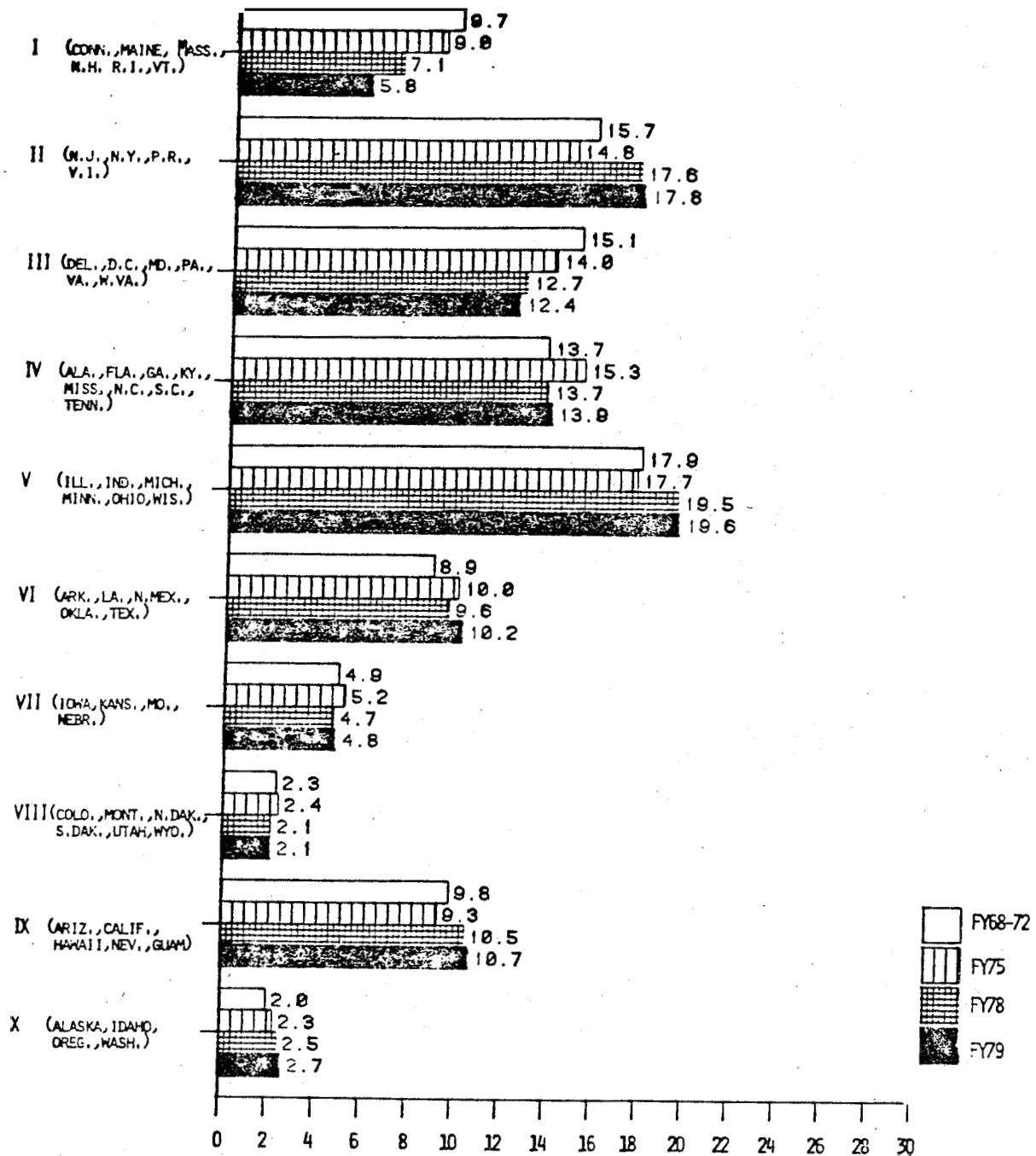
The Secretary's Fund includes grants for: new communities, areawide housing and community development programs, territories, community development activities, innovative community development projects, disaster assistance (last resort community development assistance), CDBG inequities, community development activities for Indian Tribes and Alaskan Natives, and technical assistance.

11/

The Financial Settlement Fund has been used to assist communities in the financial settlement and completion of projects and programs assisted under the categorical programs that were terminated with the advent of the Block Grant Program. Funds appropriated in FY 80 will be used solely for the financial settlement of urban renewal projects.

Chart I-2

Percentage Distribution of CDBG Fund Assignments, by HUD Region and Fiscal Year



SOURCE: U.S. Department of Housing and Urban Development, Office of Finance and Accounting.

Table 1-3
 Summary of FY 1975-79 CDBG Fund Assignments to HUD Regions
 by Program Category
 (Dollars in Thousands)

Region	Entitlement		Small Cities		Secretary's Fund		Financial Settlement		Total	
	\$ Amt	%	\$ Amt	%	\$ Amt	%	\$ Amt	%	\$ Amt	%
I	933,375	7.4	125,651	5.1	16,497	6.2	84,119	21.2	1,159,642	7.4
II	2,244,189	17.8	226,251	9.1	11,995	4.5	86,691	21.9	2,569,126	16.3
III	1,704,712	13.5	234,572	9.5	39,956	15.0	106,046	26.8	2,085,288	13.2
IV	1,598,338	12.7	637,547	25.8	49,413	18.5	24,727	6.2	2,310,025	14.7
V	2,387,008	18.9	448,939	18.1	28,126	10.5	28,329	7.2	2,892,402	18.4
VI	1,173,582	9.3	354,596	14.3	43,161	16.1	28,426	7.2	1,599,765	10.1
VII	560,990	4.4	181,860	7.4	3,131	1.2	7,096	1.8	753,077	4.8
VIII	248,536	2.0	87,188	3.5	15,110	5.6	2,117	0.5	352,951	2.2
IX	1,492,309	11.8	100,603	4.1	48,685	18.2	12,035	3.0	1,653,632	10.5
X	275,810	2.2	77,223	3.1	11,214	4.2	16,603	4.2	380,850	2.4
Total	12,618,849	100.0	2,474,430	100.0	267,288	100.0	396,191	100.0	15,756,758	100.0

SOURCE: U.S. Department of Housing and Urban Development, Office of Finance and Accounting.

Second, with the introduction of the dual formula in 1978, greater balance was achieved relative to needs 12/ Two basic patterns emerged: (1) given aggregate increases in funding, all regions gained in absolute dollars and (2) regions with proportionately more older, troubled, central cities that were losing funding as the result of the phase down of hold harmless communities were provided with compensating funds through the 1977 Amendments.

Obligations

As of December 31, 1979, HUD had obligated to grantees \$15.68 billion or 99 percent of the block grant funds made available from FY 1975-79 (Table 1-4; Table 1-5). This overall figure included more than 99 percent of the FY 1975, FY 1976, FY 1977 and FY 1978 funds and 96.3 percent of the funds made available in FY 1979.13/

12/ Since FY 1978 block grant funds have been distributed on the basis of a dual formula approach. Under this approach communities receive the greater of the amounts computed via two formulas. One formula, Formula A, is based on: (a) city population weighted .25; (b) persons in poverty weighted .50; and (c) housing overcrowding weighted .25. The second formula, Formula B, includes: (a) extent of population growth lag weighted .20; (b) persons in poverty weighted .30; and (c) age of housing weighted .50.

Prior to FY 1978, all entitlements funds were distributed under a single formula, Formula A.

13/ A total of \$1.54 million of the FY 1975-79 block grant funds has lapsed and been returned to the Treasury. This total includes \$646,000 of the FY 1975 appropriation, \$880,000 of the FY 1976, and \$12,000 of the FY 1977 appropriations. Only \$154 million remained unobligated as of December 31, 1979.

Table 1-4
Summary of CDBG Obligated Funds, by Program Category and Fiscal Year
 As of December 31, 1979
 (Dollars in Thousands)

Program Category	FY 1975	FY 1976	FY 1977	FY 1978	PY 1979	Total
Entitlement	\$2,096,405	\$2,352,888	\$2,659,020	\$2,777,400	\$2,700,004	\$12,585,717
Metro	1,835,763	-2,087,534	2,405,405	2,619,125	2,623,886	11,571,713
Nonmetro	260,642	265,354	253,615	158,275	76,118	1,014,004
Small Cities	259,058	344,361	437,914	625,221	791,624	2,458,138
Metro	59,738	91,519	113,786	187,765	231,943	684,751
Nonmetro	199,280	252,842	324,128	437,456	559,681	1,773,381
Secretary's Fund	26,859	52,826	50,963	83,459	56,541	270,648
Financial Settlement	49,987	49,980	100,000	99,423	63,532	362,922
Total	2,432,269	2,800,055	3,247,897	3,585,503	3,611,701	\$15,677,425

Source: U.S. Department of Housing and Urban Development, Office of Finance and Accounting.

Table 1-5
 Obligated Funds as a Percent of Total Funds Available, **By** Program
 Category and Fiscal Year
 As of December 31, 1979

Program Category	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	Overall
Entitlement	100.0	100.0	100.0	99.9	98.4	99.6
Metro	100.0	100.0	100.0	99.9	98.4	99.6
Nonmetro	100.0	100.0	100.0	100.0	99.0	100.0
Small Cities	99.9	99.7	99.9	99.6	98.4	99.9
Metro	100.0	99.9	99.9	98.9	96.0	99.3
Nonmetro	99.9	99.7	99.9	99.9	99.5	99.8
Secretary's Fund	99.8	99.7	100.0	88.3	55.5	82.7
Financial Settlement	100.0	100.0	100.0	99.4	63.5	90.7
Overall	99.9	99.9	99.9	99.6	96.3	99.0

Source: U.S. Department of Housing and Urban Development, Office of Finance and Accounting.

Among the four program categories, the Secretary's Fund and the Financial Settlement Fund have the lowest obligations levels -- 83 percent and 91 percent, respectively. The obligation levels for the Entitlement and Small Cities Programs range between 98 and 100 percent.

The Regional variation in obligation levels is relatively small. In terms of overall obligations, each of the ten HUD Regions had obligated more than 98 percent of their assigned funds by December 31, 1979.

Four of the regions had obligated all of the entitlement funds assigned to them between FY 1975-79, and five of the remaining six regions had obligated more than 99 percent of their entitlement funds.

Nine regions had obligated more than 99 percent of their Small Cities funds as of that date and one had obligated 95 percent of its funds.

However, regional variations were evident in the Secretary's Fund and Financial Settlement obligations. As of December 31, 1979 one region had obligated less than 80 percent of its overall fund assignment. Two other regions had obligated less than 70 percent of their FY 1979 Secretary's Fund assignment.

Similarly, while one region had obligated all of its FY 1979 Financial Settlement Fund's allocation, two others had not obligated any of their funds. Other regions had obligation levels that ranged from 29 percent to 84 percent of assigned funds.

Disbursements

The Treasury has disbursed a total of \$10.2 billion of block grant funds as of December 31, 1979 -- 65 percent of all obligated funds and 64 percent of total funds available (Table 1-6). The **overall** drawdown rate as of December 31, 1979 was 99 percent of FY 1975 funds, ^{14/} 98 percent of FY 1976 funds, 91 percent of FY 1977 funds, 51 percent of FY 1978 funds, and 6 percent of FY 1979 funds (Table I-7).

Cumulative drawdown rates for program categories were: 67 percent for Entitlement cities, 55 percent for Small Cities, **52.15 percent** for the Secretary's Fund, and 65 percent for Financial Settlement. ^{15/}

^{14/} The rate of drawdown is equal to disbursements divided by obligations.

^{15/} As noted in Table 1-5, corresponding obligation rates are as follows: Entitlement, 99.6 percent; Small Cities, 99.6 percent; Secretary's Fund, 82.7; and Financial Settlement Fund, 90.7.

This variation in drawdown rates is due to inherent program differences. The Financial Settlement Fund's overall drawdown rate, for instance, is relatively high because grants of this type are preconditioned on funds being drawn down by a specified date. Since HUD may withdraw grant funds from cities that fail to meet this contractual condition, recipients of Financial Settlement grants have very strong incentives for immediate drawdown.

The drawdown rate for the Secretary's Fund has lagged behind all other block grant programs, but this lag stems from the nature of the program. Disaster funds, for example, are drawn down only when disasters occur and therefore follow seasonal patterns not in concert with the fiscal year. The technical assistance portion of the Fund is subject to lengthy, Federal contracting procedures which are outside program control.

Further, a start-up period is generally required for most innovative and area wide grant activities. Competition for innovative grants is held twice a year and each competition requires time for public announcement, application development and submission, field office review, assessment of proposals, and grant negotiations.

Comparisons between the Small Cities drawdown and those of other programs can be misleading because of differences in approval periods. **Small** cities grants are generally approved later than Entitlement grants because they must go through a two stage process involving both pre-applications and full applications. Some of the FY 1978 Small cities grants were not approved until December 1978 and January 1979 and many of the FY **79** grants have been approved for only three months.

The Entitlement Program uses a FIFO (first in, first out) accounting method which requires entitlement jurisdictions to draw down all funds from a given appropriation prior to drawing down funds from subsequent appropriations. In addition, the program year cycle of Entitlement grantees varies by as much as ten months with some localities beginning their FY 1979 programs on January 1, 1979, and some localities (including New York and Chicago) beginning their FY 1979 program on October 1, 1979. Thus it is difficult to accurately and fairly evaluate the overall rate of obligations for Entitlement grants at any one point in time.

As in the case of obligation levels, drawdown rates also vary by region (Table I-8). Construction season differences do not explain this variation since regions that undergo the severest weather conditions and have the shortest construction seasons have cumulative drawdown rates equal to or greater than other regions.

Table 1-6
 Summary of Disbursed CDBG Funds, By Program Category and Fiscal Year
 As of December 31, 1979
 (Dollars in Thousands)

Program Category	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	Total
Entitlement	\$2,088,937	\$2,331,582	\$2,485,317	\$1,386,294	\$ 133,944	\$ 8,426,074
Metro	1,829,414	2,069,999	2,261,066	1,301,502	124,314	7,586,295
Nonmetro	259,523	261,583	224,251	84,792	9,630	839,779
Small Cities	253,693	329,698	377,396	339,961	42,588	1,343,336
Metro	57,156	87,028	92,992	90,567	10,874	338,617
Nonmetro	196,537	242,670	284,404	249,394	31,714	1,004,719
Secretary's Fund	24,305	41,072	30,238	38,166	7,852	141,633
Financial Settlement	48,493	46,706	69,933	56,577	13,170	234,879
Total	\$2,415,428	\$2,749,058	\$2,962,884	\$1,820,998	\$ 197,554	\$10,145,922

SOURCE: U.S. Department of Housing and Urban Development, Office of Finance and Accounting.

municipalities and counties that applied as joint recipients, 2 to States and territories, and the remaining 2 to multiple municipalities that made joint applications.^{18/}

The FY 1979 recipients of Secretary's Fund grants were primarily Indian reservations, municipalities, and States and territories.^{19/} Most Financial Settlement grants awarded in FY 1979 went to municipalities, though a few were awarded to towns and townships.^{20/}

Average Grant Size

At present the average Entitlement grant to metropolitan jurisdictions is about \$3.0 million and the average hold harmless grant to non-metropolitan recipients is approximately \$180,000. The combined average is \$2.1 million (Table 1-10).

Table 1-10
Average Size of Grants by Program Category and
Fiscal Year
(Dollars in Thousands)

Program Category	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979
Entitlement	\$1,587	\$1,793	\$2,025	\$2,135	\$2,093
Small Cities	141	175	233	400	438
Secretary's Fund	610	568	999	241*	282*
Financial Settlement	793	649	2,326	2,841	1,765

SOURCE: U.S. Department of Housing and Urban Development, Office of Finance and Accounting; and, Community Planning and Development, Office of Management, Data Systems and Statistics Division.

*Excludes technical assistance grants and contracts.

^{18/} Ibid.

^{19/} Ibid.

^{20/} Ibid.

FY 1978, and 1,321 in FY 1975. Similarly, while 1,831 Small Cities grants were awarded in FY 1975 only 1,563 were awarded in FY 1978 and 1,809 in FY 1979.

The number of entitlement grants has decreased despite the fact that the number of entitled jurisdictions has increased. The drop in the number of grants **has** occurred because some entitlement jurisdictions have decided to waive their entitlement grants in order to participate in the program through

Table I-9
Number of Approved Grants by Program Category and
Fiscal Year **As** of December 31, 1979

Program Category	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979
Entitlement	1,321	1,312	1,313	1,301	1,290
Small Cities	1,831	1,965	1,878	1,563	1,809
Secretary's Fund	44	93	51	272	170
Financial Settlement	63	77	43	35	36
Total	3,259	3,447	3,285	3,171	3,305

SOURCE: U.S. Department of Housing and Urban Development, Office of Finance and Accounting; and, Community Planning and Development, Office of Management, Data Systems and Statistics Division.

urban counties or to apply for a Small ~~Cities~~^{16/} grant because hold harmless grants have phased down to scarce amounts.

The FY 1979 Entitlement grants were distributed as follows: 541 went to metropolitan cities, 83 to urban counties, 243 to hold harmless jurisdictions in metropolitan areas, and 423 grants went to hold harmless jurisdictions in non-metropolitan areas.^{17/}

Of the 1,830 Small Cities grants awarded in FY 1979, 1,260 went to municipalities; 308 to non-urban counties, 206 to towns and townships, 31 to

^{16/} The number of jurisdictions that waived their entitlement grant was: 3 in FY 1975; 0 in FY 1976; 4 in FY 1977; 32 in FY 1978; and 45 in FY 1979.

^{17/} U.S. Department of Rousing and Urban Development, Community Planning and Development, Office of Management, Data Systems and Statistics Division.

Characteristics of Grants and Grantees

Number of Grants Awarded

The total number of grants awarded under the Block Grant Program has increased from 3,171 in FY 75 to 3,305 in FY 79 (Table I-9). However, this increase is due solely to the increase in the number of grants made from the Secretary's Fund to Indian tribes and Alaskan natives. These small grants numbered 161 in FY 1978 and 144 in FY 1979.

For two major grant categories, the number of grants awarded has declined. A total of 1,290 Entitlement grants were made in FY 1979, compared to 1,301 in

Table I-8
Cumulative Drawdown Rates by Region and Program Category
As of December 31, 1979

Region	Entitlement	Small Cities	Secretary's Fund	Financial Settlement	Overall
I	74.5	51.5	52.7	56.8	70.3
II	64.7	52.9	60.7	13.9	63.9
III	69.5	40.0	48.5	53.8	65.9
IV	67.7	30.7	05.1	19.6	02.3
V	67.9	50.8	55.7	69.4	63.4
VI	64.5	56.0	52.0	38.0	61.0
VII	74.6	57.4	00.7	77.0	71.0
VIII	70.7	60.2	54.1	55.9	67.4
IX	59.5	52.1	40.2	91.4	58.0
X	67.3	55.6	52.8	66.3	63.9
Overall	67.0	54.7	51.9	04.7	64.7

SOURCE: U. S. Department of Housing and Urban Development, Office of Finance and Accounting.

Table 1-7
 Drawdown Rates by Grant Category and Fiscal Year
 As of December 31, 1979

Program Category	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	Total
Entitlement	99.6	99.1	93.5	49.9	5.0	67.0
Metro	99.6	99.2	94.0	49.7	4.7	65.6
Nonmetro	99.6	98.6	88.4	53.6	12.6	82.8
Small Cities	97.9	95.7	86.2	54.4	5.4	54.6
Metro	95.7	95.1	81.7	48.2	4.7	49.4
Nonmetro	98.6	96.0	87.7	57.0	5.7	56.7
Secretary's Fund	90.5	77.8	59.3	45.7	13.9	52.3
Financial Settlement	97.0	83.4	69.9	56.9	20.7	64.7
Total	99.3	98.2	91.2	50.8	5.5	64.7

SOURCE: U.S. Department of Housing and Urban Development, Office of Finance and Accounting.

Financial Settlement grants awarded in the last three years are about the same size as Entitlement grants. Their average was **\$2.3** million in FY 1977, **\$2.8** million in FY 1978, and **\$1.8** million in FY 1979.

Small Cities grants and grants awarded under the Secretary's Fund are much smaller in comparison yet they are larger than the average hold harmless grant. The average size of FY 1979 Small Cities grants was **\$438,000**. Secretary's Fund grants were only about **\$282,000**.

Since FY 1975 the average grant size has increased for all program categories except the Secretary's Fund. Entitlement grants have grown largely through increases in appropriations. Small Cities grants have more than tripled since FY 1975 as a result of new program guidelines designed to provide grants of sufficient size to permit nonentitlement communities the opportunity to address their needs in a manner that will achieve substantial impact.

Increases in the average size of Financial Settlement grants reflect changes in proposals submitted. Those submitted in recent years have requested far larger amounts than proposals submitted during the first two years of the program. Moreover, inflation and added interest costs have greatly increased the cost of financial settlement and/or close-out of old Urban Renewal projects.

Size of Grantee

Most block grant funds go to jurisdictions with populations of **100,000** or more. More than a quarter of the funds distributed in FY 1975, FY 1976 and FY 1977 went to jurisdictions with populations of **500,000** or more. Recent trends indicate larger proportions of funds going toward larger grantees -- more than a third of the FY 1978 and FY 1979 block grant funds went to the largest jurisdictions.

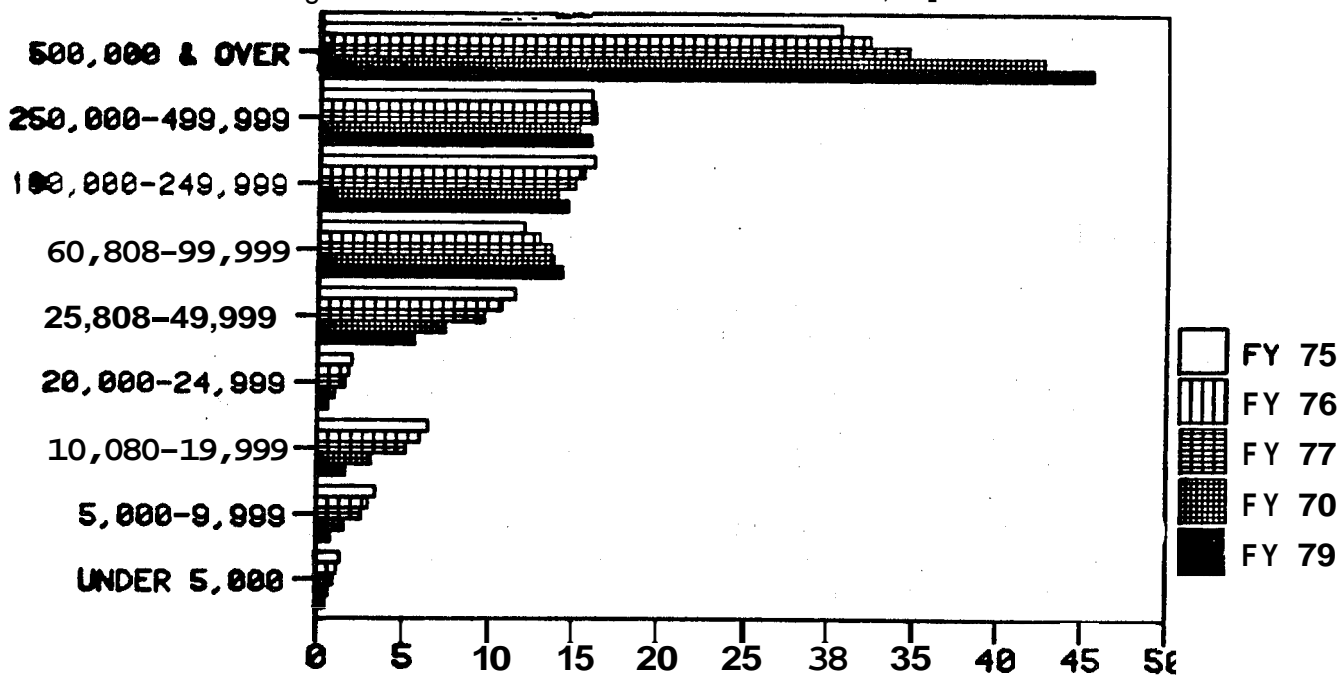
Most entitlement funds also go to the largest jurisdictions. Thirty-one percent of the FY 1975 entitlement funds, **43** percent of FY 1978 funds, and **46** percent of FY 1979 funds went to jurisdictions with populations of **500,000** or more (Chart 1-3). Less than **15** percent of the FY 1979 entitlement funds went to jurisdictions with populations below **50,000**.

The distribution of Small Cities funds by grantee size follows a contrasting pattern. About **70** percent of the Small Cities funds distributed each year have been awarded to jurisdictions with populations below **20,000**.^{21/}

^{21/} Also see Chart 1-4.

Chart 1.3

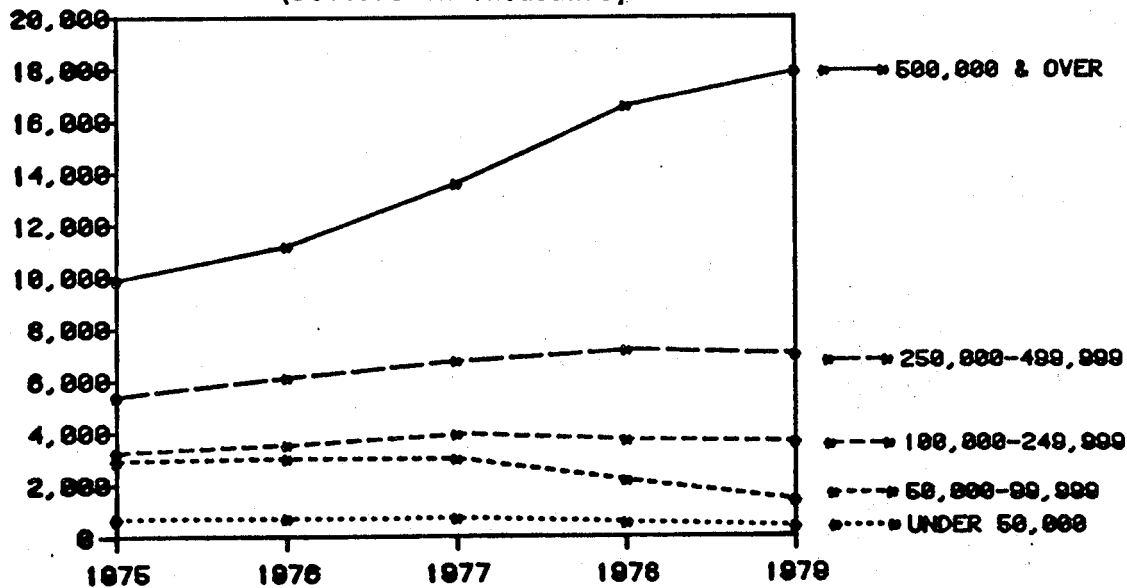
Percentage Distribution of Entitlement Funds, by Grantee Size



SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Data Systems and Statistics Division.

Chart I.4

Average Entitlement Grant Amount, by Grantee Size (Dollars in Thousands)



SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Data Systems and Statistics Division.

Budget Activities

General Priorities

Recipients of block grant funds may choose from a variety of eligible activities. Currently the largest share of funds is budgeted for public works activities (roads, sewers, sidewalks, water lines), yet the most rapidly increasing share is budgeted for rehabilitation.

On average, block grant recipients have budgeted about 42 percent of their funds (excluding funds used for administration and planning) for public works activities (Chart 1.5). Funding for public works activities has increased over time. Recipients of block grant funds budgeted 47 percent of their FY 1979 funds for public works compared to 37 percent of their FY 1975 funds.

Monies earmarked for street improvements and water and sewer projects account for most of the funds budgeted for public works. In fact, 16 percent of FY 1979 block grant funds was budgeted for street improvements; another 11 percent for water and sewer projects. Their combined total was 28 percent of the total funds budgeted.

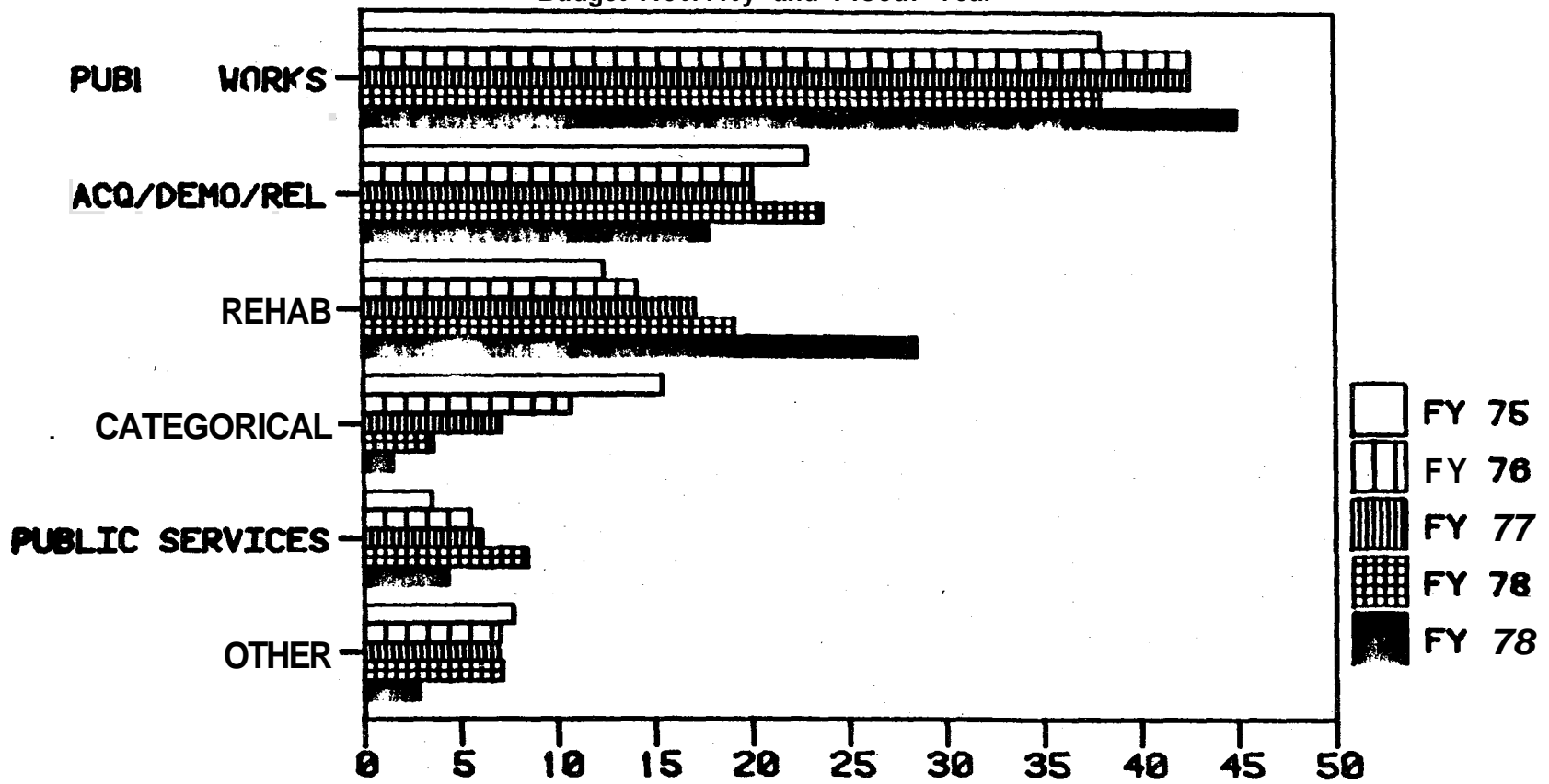
The current share of total funds budgeted for rehabilitation is more than twice its share of the FY 1975 funds. It is the fastest growing budget activity. Thirty cents of every block grant dollar budgeted now goes for rehabilitation activities, primarily for the rehabilitation of private properties through loans, grants, and other subsidies.

Acquisition of real property is also an important budget activity for block grant recipients. It received more than nine percent of the funds budgeted in FY 1979, and together with relocation and demolition, accounted for 18 percent of the FY 1979 budget.

21/ The analyses for this section are based on budget reports of 1,131 Small Cities recipients (514 recipients of comprehensive grants and 617 of single purpose grants); 879 entitlement jurisdictions (46 urban counties, 345 metro cities, 170 hold harmless metro and 318 hold harmless, non-metro); and 36 recipients of Secretary's Fund grants.

22/ Part of the observed increase in rehabilitation activity between FY 1978 and FY 1979 stems from a change in budget line items. Prior to FY 1979, program administrative costs were included with general administrative costs. Consequently, the cost of administering rehabilitation activities was not budgeted with other rehabilitation costs more succinctly and administrative costs associated with rehabilitation activity are included in the rehabilitation budget line.

Percentage Distribution of CDBG Funds, by Budget Activity and Fiscal Year



I-22

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Data Systems and Statistics Division.

About 5 percent of FY 1979 block grant funds is budgeted for public services and the percentage of funds budgeted for the continuation of categorical programs has declined to less than two percent of the overall budget.

Variation Among Program Categories

Public works is slightly more popular among recipients of Small Cities grants than among Entitlement grantees. Forty-five percent of the FY 1979 Entitlement funds was budgeted for public works compared to forty-nine percent of Small Cities funds.

For Small Cities grantees, the percentage budgeted for public works is about the same for both comprehensive grants and single purpose grants. However, recipients of comprehensive grants tend to budget twice as much for street improvements and only half as much for water and sewer projects as recipients of single purpose grants.

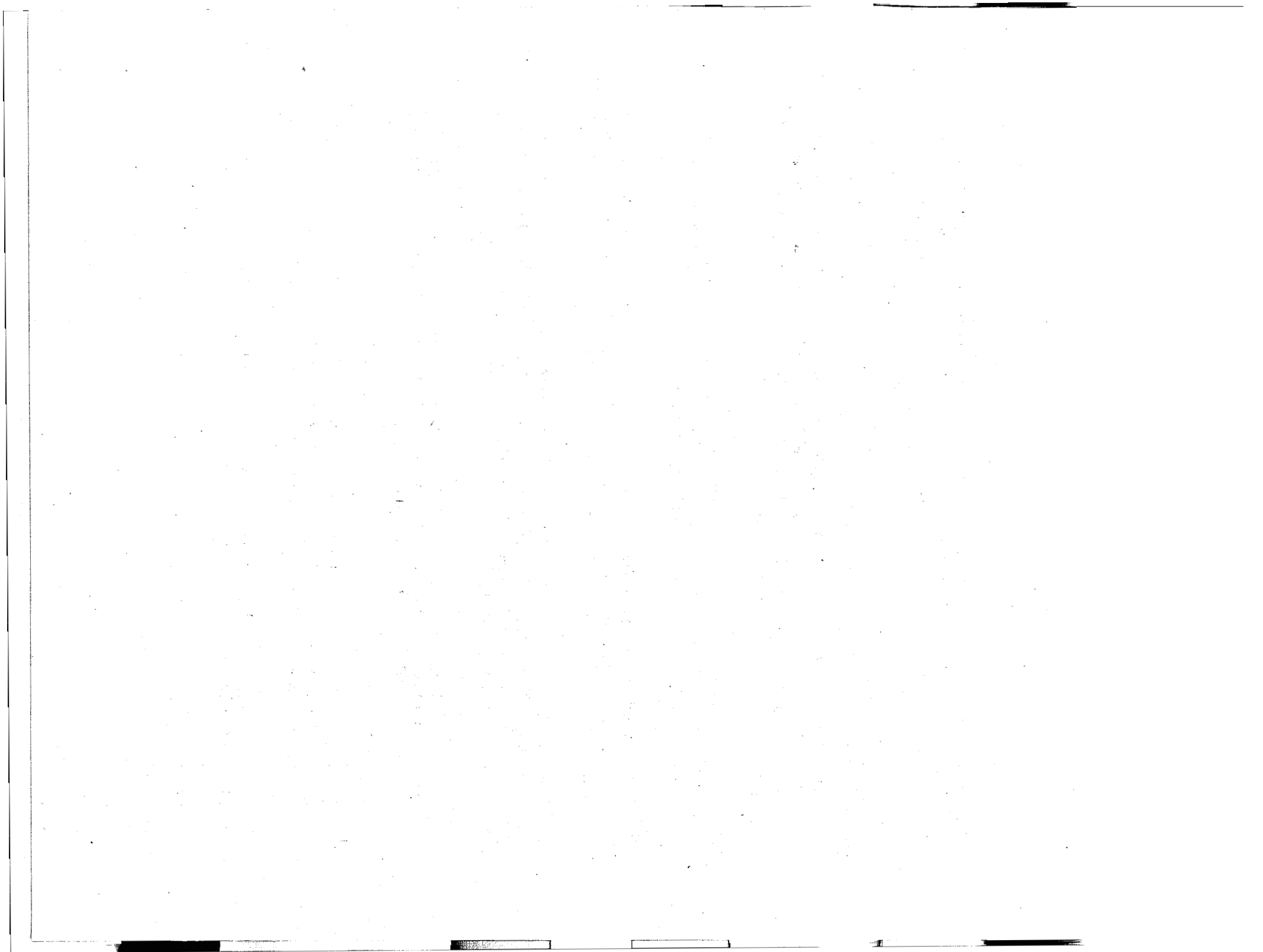
As for entitlement funds, metro cities budgeted the smallest percentage of FY 1979 entitlement funds for public works among all recipient types. Urban counties and hold harmless, non-metropolitan recipients budgeted more than half their entitlement funds for public works. For each type of Entitlement grantee, street improvements and water and sewer projects accounted for the bulk of funds budgeted for public works, but metro cities tended to assign a far lower budget priority to water and sewer projects than did other entitlement recipients.

Entitlement recipients allocate a higher proportion of funds to acquisition, relocation and demolition than Small Cities recipients, although recipients of comprehensive grants budget about the same percentage of funds for these activities as Entitlement grantees.

Among Entitlement grantees, metro cities, and metro, hold harmless recipients budget the most funds for acquisition, relocation and demolition activities.

Small Cities grantees, particularly recipients of single purpose grants, favor rehabilitation activities even more than entitlement jurisdiction. Thirty-three percent of all FY 1979 Small Cities funds were budgeted for rehabilitation compared to 27 percent of entitlement funds.

With the exception of two recipient types--metro cities and metro hold harmless grantees--public services is a relatively insignificant budget item.



CHAPTER II

PLANNED EXPENDITURES: NATIONAL OBJECTIVES

Introduction

This chapter discusses how communities are planning to use their funds to meet the national objectives established by legislation. The discussion extends the analysis presented in the Fourth Annual Report by examining **funding** levels in relation to regional, city, and census tract characteristics. -

The Housing and Community **Development** Act as amended in 1978, lists eight national objectives for the program:-

- (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;
- (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;

1/ The analysis and data presented in this and all subsequent chapters through the end of Part V is based on a stratified random sample of 151 entitlement communities. All percentages given are unweighted figures.

2/ Title 1, Section 101, of the Housing and Community Development Act of 1974, as amended.

- (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;
- (7) the restoration and preservation of properties of special value for historic, architectural, or esthetic reasons; and
- (8) the alleviation of physical and economic distress through the stimulation of private investment and community revitalization in areas with population outmigration or a stagnating or declining tax base.

Summary of Findings

Over the entire-five year period from 1975 to 1979 communities have given greatest attention to four legislative Objectives.?' In order of funding

3/ Many of these objectives overlap in intent, and many of the activities funded by communities further several objectives. For example, rehabilitation assistance provided to low-income residents of an urban renewal area could be classified under three legislative objectives: Elimination of Slums and Blight, Elimination of Detrimental Conditions, and Conservation of the Housing Stock. In addition, the provision of such rehabilitation assistance could be offered in order to further the sixth legislative objective, Reduction of Isolation of Income Groups. This would be the case if the urban renewal project was intended to attract both middle- and lower-income families, with the rehabilitation assistance designed to make it possible for lower-income residents to afford the housing improvements necessary to continue living in the neighborhood.

For the purposes of this analysis, a typology was developed for assigning activities to specific legislative objectives. This typology was then applied to the narrative project descriptions contained on city applications for program funding. To reduce double counting and overlap, the total funding for a given activity was assigned to a specific national objective if at least 51 percent of the funding allocated to the activity was defined by the typology as directed to that objective. The typology is discussed in the Appendix.

As economic development was not a national Objective of the program prior to the last two program years, it is not shown in the list of objectives for any year prior to those years. However, for ease of comparison of all program years, the funding allocated to the original seven national objectives accounts for 100 percent of all cumulative money, with funding allocated to economic development shown as double-counted money already included in the first seven national objectives.

importance, they are: Elimination of Slums and Blight, Conservation of the Housing Stock, More Rational Use of Land, and Economic Development. Although this cumulative funding pattern generally reflects a similar year-by-year pattern, trend data show a gradual decline in the level of funding directed to two objectives -- Elimination of Slums and Blight and More Rational Use of Land -- and an increase in funding planned for Conservation of the Housing Stock.

In general, Elimination of Slums and Blight has been funded at a high level for cities of all types, but funding levels for cities with most distress, Northeastern cities, and cities with experience under prior Federal programs are declining, while levels for least distressed cities, Southern cities, and cities without prior experience are rising. Funding levels for Conservation of the Housing Stock are highest for large cities and central cities, but levels are on the rise for cities of all kinds.

Five year Cumulative Funding

A Clear Central Theme: Elimination of Slums and Blight

Considering all five program years together (1975-1979), entitlement cities have provided the greatest level of support to the national objective Elimination of Slums and Blight. Other objectives funded at relatively high levels include: More Rational Use of Land Resources, Conservation of the Housing Stock, and in the last two years, Economic Development. The remaining objectives -- Expand/Improve Community Services; Elimination of Detrimental Conditions; Historic Preservation; and Reduction of Isolation of Income Groups--have been funded at lower levels.

Approximately 41 percent of all program funds have been planned for Elimination of Slums and Blight, twenty percentage points more than for any other objective. More Rational Use of Land Resources and Conservation of the Housing Stock have each accounted for about 20 percent of planned funding. Planned expenditures for Economic Development have averaged about 17 percent of total program funds (Table II-1).

There are several principal factors related to the high level of expenditures planned for Elimination of Slums and Blight. In the early years of the program, many communities assigned a large portion of their CDBG budgets to the completion of ongoing urban renewal programs. In later program years, as commitments to urban renewal projects have been fulfilled, communities have allocated roughly equivalent portions of their budgets to capital improvements for physically deteriorated and lower-income sections of cities.

TABLE II-1
CDBG Legislative Objectives
Five Year Cumulative Funding

<u>National Objective</u>	<u>Percent</u>
Elimination of Slums and Blight	41
Elimination of Detrimental Conditions	5
Conservation of the Housing Stock	21
Expand/Improve Community Services	10
More Rational Use of Land	21
Reduction of Isolation of Income Groups	*
Historic Preservation	1
Economic Development	17 ^{1/2}

^{1/} Since Economic Development was a national objective only for 1978 and 1979, the figure represents a two year average. In addition, the allocation to Economic Development double counts money from the preceding national objectives.

* Less than 0.1 percent of the CDBG Funds.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications.

Five-Year Trends in Legislative Objectives

Rising Interest in Conservation of Housing Stock, Declining Emphasis on Elimination of Slums and Blight

While the largest single portion of the national CDBG budget continues to be planned for Elimination of Slums and Blight, the size of this portion has consistently declined over all program years. Paralleling the decreasing level of funding to this objective has been a consistent and roughly equivalent increase in the level of funding for Conservation of the Housing Stock. Aside from a small decline in the amount of funding planned for More Rational Use of Land, little change is evident in the amounts allocated to the remaining objectives.

Between **1975** and **1979**, the amount of money budgeted for Elimination of Slums and Blight declined from 42 percent to **37** percent. Money budgeted for Conservation of the Housing Stock grew from **16** percent to **31** percent. The rising level of funding allocated to this objective reflects a consistent two to four percentage point increase in the first four years and a dramatic eight point increase in the fifth year. In the same five-year period, funding planned for More Rational Use of Land dropped from 24 percent to **17** percent (Table 11-2).

The increase in the importance of the national objective Conservation of the Housing Stock is related to the increasing emphasis communities are placing on using CDBG funds for housing rehabilitation. This growing emphasis has become increasingly apparent as communities complete large scale acquisition, clearance, and building projects begun under the urban renewal program, as well as newer programs to improve the quality of housing in older lower-income neighborhoods.

Variations in Legislative Objectives by Regional and City Characteristics

The following discussion describes and assesses variations in degrees of attention given to legislative objectives among different kinds of regions and cities. Variations are examined for five characteristics: census region, prior experience with category^{4/}cal programs, level of distress, population size, and metropolitan status.—

^{4/} All legislative objectives were analyzed by all five variables. However, in the discussion that follows, attention is given only to those variables related to variations and to those legislative objectives which account for significant levels of funding. Thus, the discussions exclude coverage of Elimination of Detrimental Conditions (which accounts for less than 5 percent of total allocations), Reduction in the Isolation of Income Groups, and Historic Preservation (both of which account for less than 1 percent of total allocations).

TABLE II-2
Percent of FY1975-FY1979 Funds Budgeted For National Objectives

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Elimin ^{at} ion of Slums and Blight	42%	43%	44%	38%	37%
Elimination of Detrimental Conditions	5	6	6	4	5
Conservation of the Housing Stock	16	18	18	22	31
Expand/Improve Community Services	12	10	10	12	9
More Rational Use of Land	24	22	22	23	17
Reduction of Isolation of Income Groups	0	0	0	0	0
Historic Preservation	1	1	1	1	1
Economic Development	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>8</u>	<u>16</u>
Total	100	100	101	118 ^{1/}	116 ^{1/}

^{1/} Total equals more than 100 percent since Economic Development funding is also included in the other national objectives.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications.

Elimination of Slums and Blight

Cumulative funding patterns across the five-year life of the block grant program show that this national objective has been funded at high levels by cities of all kinds but that funding levels have been somewhat higher for cities with prior categorical program experience, cities which are moderately distressed, and cities in the South. This cumulative pattern represents a reversal of funding patterns evident in early program years and is the result of a steady year-by-year decline among cities with prior categorical experience, cities which are most distressed, and cities in the Northeast, as well as a steady year-by-year rise among cities with the opposite characteristics.

Cumulative funding data is presented in Table II-3. The data show that for all five years taken together, funding budgeted for Elimination of Slums and Blight accounted for 41 percent of the funds for cities with categorical experience, 4 percentage points more than for cities without this experience; 46 percent of the funds for moderately distressed cities, 5 percentage points higher than for the most distressed cities;^{5/} and 47 percent of the funds for cities in the South, 8 percentage points more than for cities in the Northeast.

Year-by-year trend data show that this cumulative pattern represents the reverse of the pattern established at the beginning of the program. Between 1975 and 1979 funding for Elimination of Slums and Blight has decreased among cities with previous categorical program experience from 43 to 36 percent and increased among cities without such experience from 15 to 41 percent (Chart 11-1); funding among the most distressed cities decreased from 41 to 32 percent and increased among the least distressed cities from 32 to 37 percent (Chart 11-2); and finally funding among Northeastern cities decreased from 41 to 28 percent and stayed at about the same level -- 46 percent -- in Southern cities (Chart 11-3).

Conservation of the Housing Stock

Cities with large populations and central cities of metropolitan areas have directed the largest share of the budget to this objective across all five

^{5/} Census tract distress in this and subsequent chapters is measured by percent population in poverty, structures built before 1939, percent homeownership, and median family income. To arrive at the three categories of distress emphasized -- most distressed, moderately distressed, and least distressed -- all cities were ranked in order according to severity of distress and then divided into deciles. In the bottom (most severely distressed) three deciles (1-3) were defined as most distressed cities, in the middle three deciles (4-6) were defined as moderately distressed, and cities in the top four deciles (7-10) were defined as least distressed.

TABLE 11-3
 Cumulative Percentage Of Funds Budgeted For Elimination Of
 Slums and Blight by Categorical Status, City Distress,
 and Census Region, **1975-1979**

	<u>Pct of Funds</u>
Categorical City	41
Non-Categorical City	37
Least Distressed City	36
Moderately Distressed City	46
Most Distressed City	41
Northeast	39
North Central	44
South	47
West	32

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications.

CHART II-1

ANNUAL PERCENTAGE OF FUNDS BUDGETED FOR
ELIMINATION OF SLUMS AND BLIGHT
BY CATEGORICAL STATUS, 1975-1979

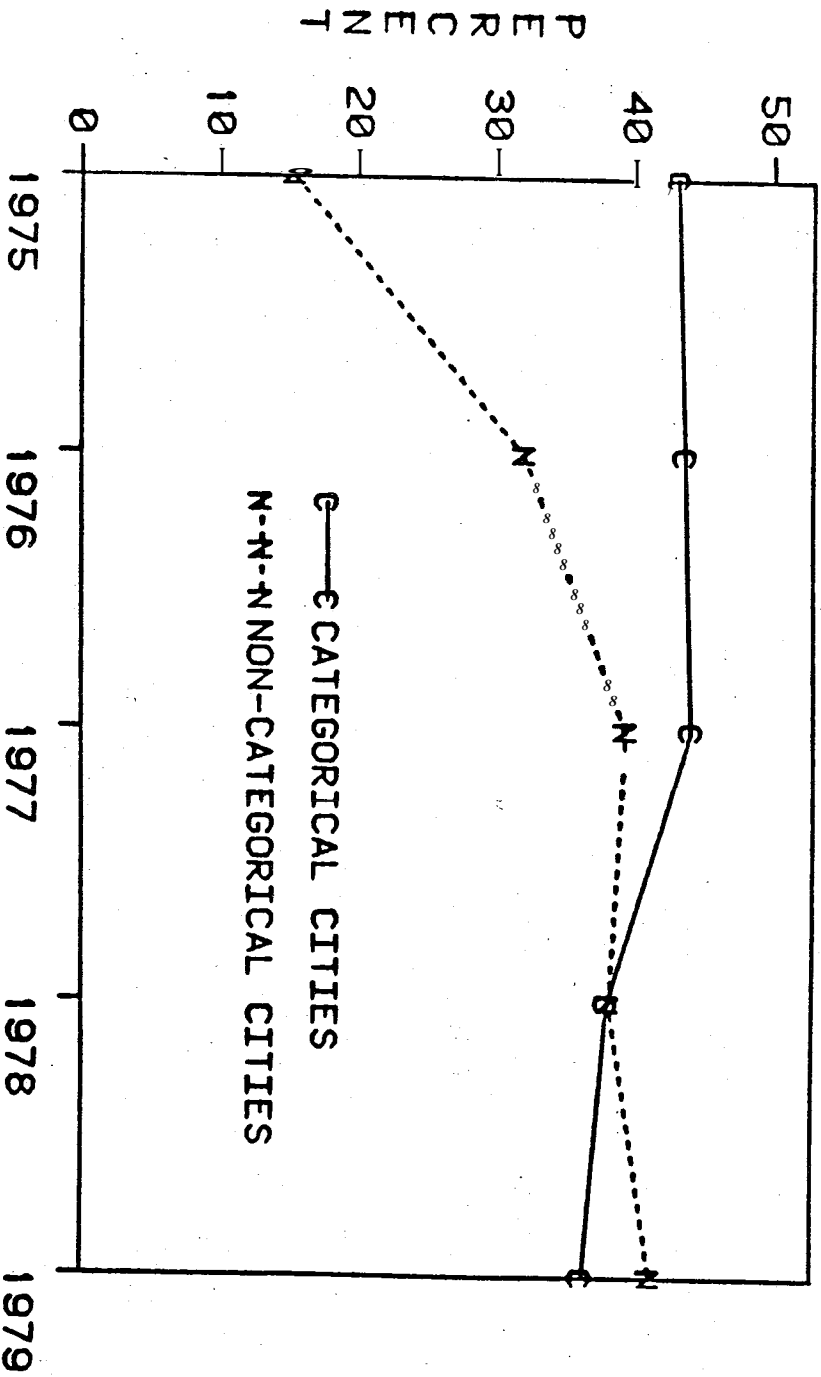


CHART 11-2

ANNUAL PERCENTAGE OF FUNDS BUDGETED FOR
ELIMINATION OF SLUMS AND BLIGHT
BY CITY DISTRESS, 1975-1979

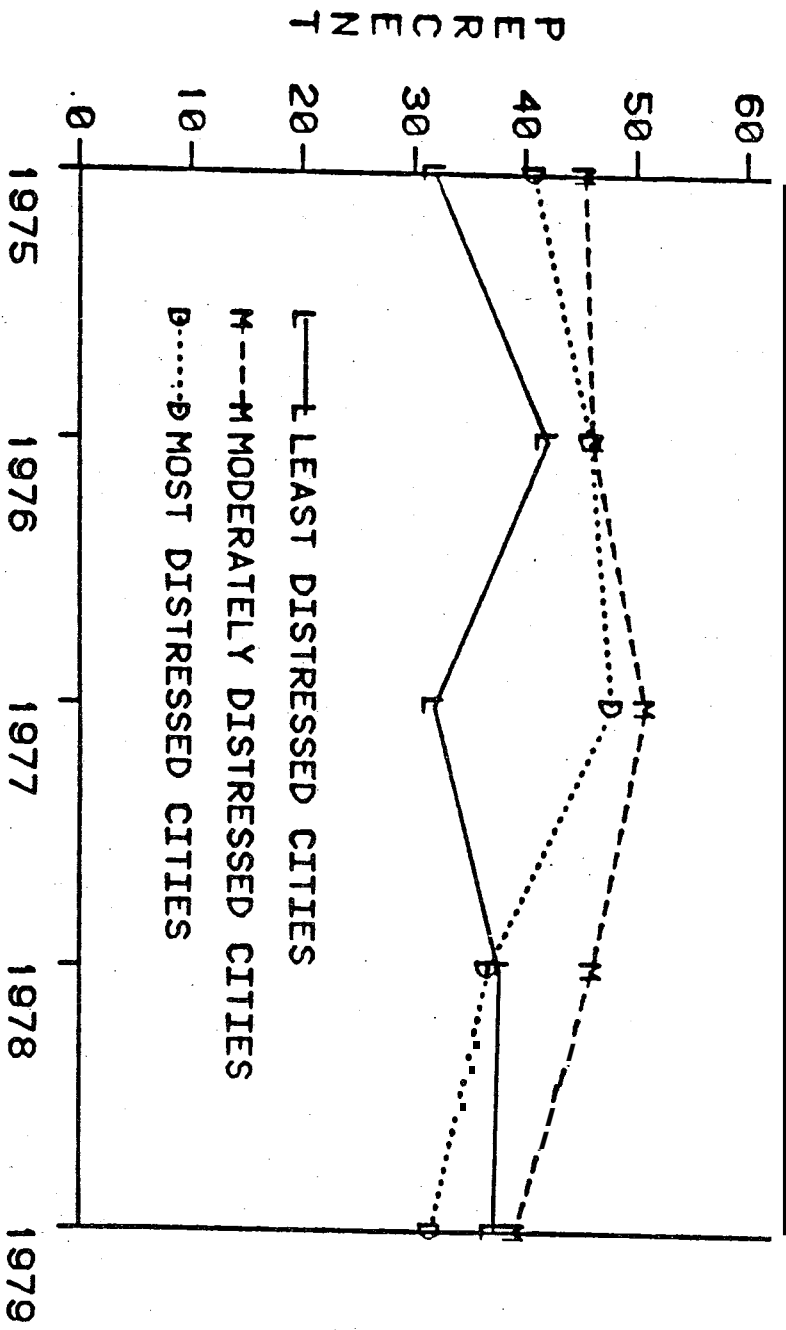
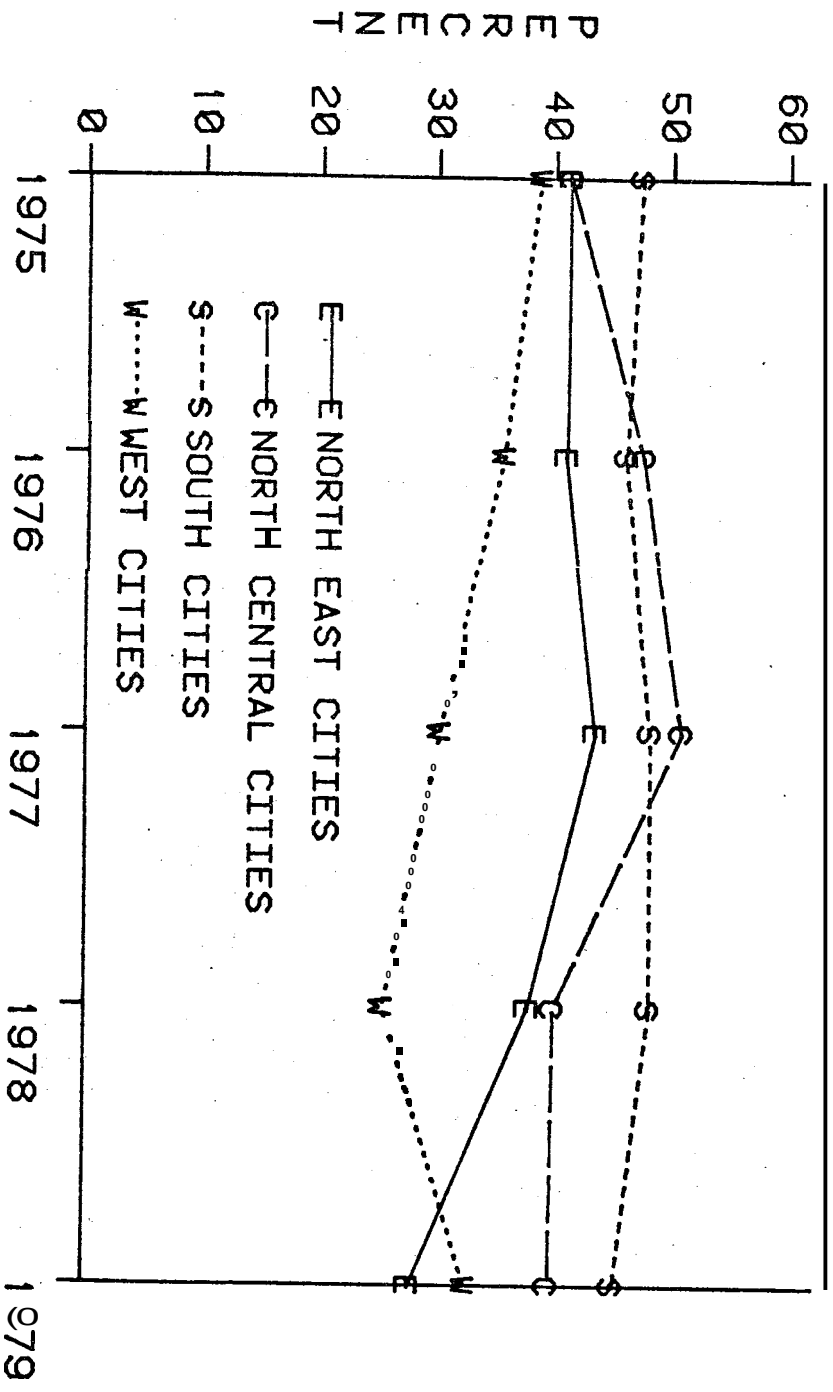


CHART II-3

ANNUAL PERCENTAGE OF FUNDS BUDGETED FOR
ELIMINATION OF SLUMS AND BLIGHT
BY CENSUS REGION, 1975-1979



program years as well as in each program year. At the same time, cities of all kinds -- large and small, least and most distressed, central city and suburban, regardless of region -- have steadily increased the level of funding allocated to the Conservation of the Housing Stock in every program year.

Table 11-4 indicates that large cities have devoted 24 percent of their funds to Conservation of the Housing Stock and central cities have directed 22 percent of their funds to the same objective. In contrast, small and medium sized cities allocated 19 percent and 21 percent of their funds to this national objective,^{6/} and suburban cities directed 18 percent of their funds to support this goal.

Charts 11-4 through 11-6 show the level of funding allocated to Conservation of the Housing Stock for each of the five program years between 1975 and 1979. With almost no exceptions, cities with varying characteristics have increasingly focused on this objective. The trend patterns illustrate this point. Between 1975 and 1979, large cities increased the amount of money targeted to this objective by 13 percentage points, central cities by 14 percent, and Northeastern cities by 15 percent. At the same time, small cities increased the level of funding for this goal by 13 percentage points, suburban cities by 15 percentage points, and Southern cities by 14 percentage points.

The rising level of funding allocated to Conservation of the Housing Stock reflects the increasing interest shown by cities in the use of rehabilitation as a major community development strategy.

Expand and Improve Community Services

Many of the same types of communities that emphasize the national objective Conservation of the Housing Stock also emphasize the objective Expand and Improve Community Services. Cumulative five-year data show higher levels of funding are allocated to this objective by large cities, cities with prior program experience, central cities, and Northeastern cities. Trend data show that funding for community services increased steadily up to and including 1978 but declined between 1978 and 1979. No other consistent trend patterns were evident for different types of cities.

Table 11-5 presents data on the cumulative experience. The data show that large cities have budgeted 13 percent of their funds for this objective, 5

^{6/} Definition in city size categories used in this and subsequent chapters are as follows: small cities, less than 100,000; medium cities, population between 100,000 and 249,999; large cities, population greater than or equal to 250,000.

TABLE II-4
 Cumulative Percentage Of Funds Budgeted For Conservation Of
 The Housing Stock By City Size and Metropolitan Status,
 1975-1979

	<u>Pct of Funds</u>
Small Cities	19
Medium Cities	21
Large Cities	24
Central Cities	22
Suburban Cities	18

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications.

CHART II-4

ANNUAL PERCENTAGE OF FUNDS BUDGETED FOR
CONSERVATION OF THE HOUSING STOCK
BY CITY SIZE, 1975-1979

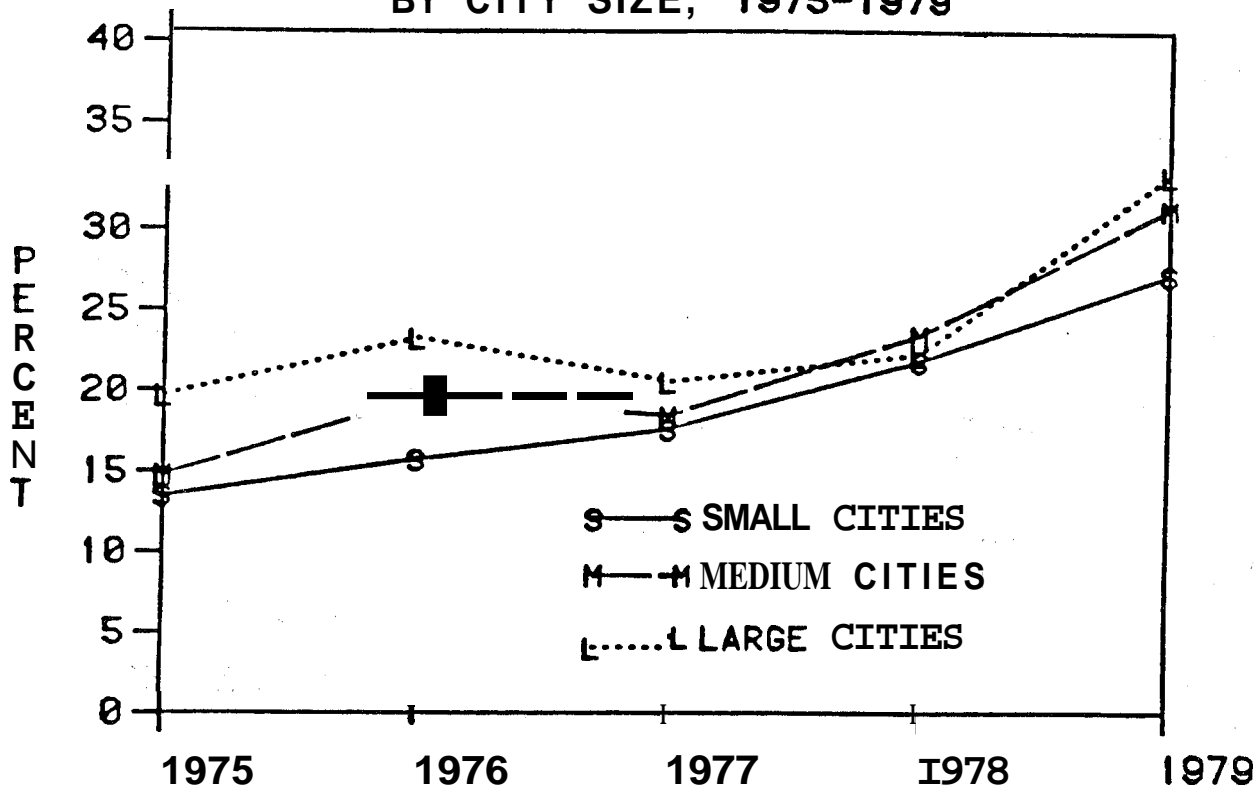


CHART II-5

**ANNUAL PERCENTAGE OF FUNDS BUDGETED FOR
CONSERVATION OF THE HOUSING STOCK
BY METROPOLITAN STATUS, 1975-1979**

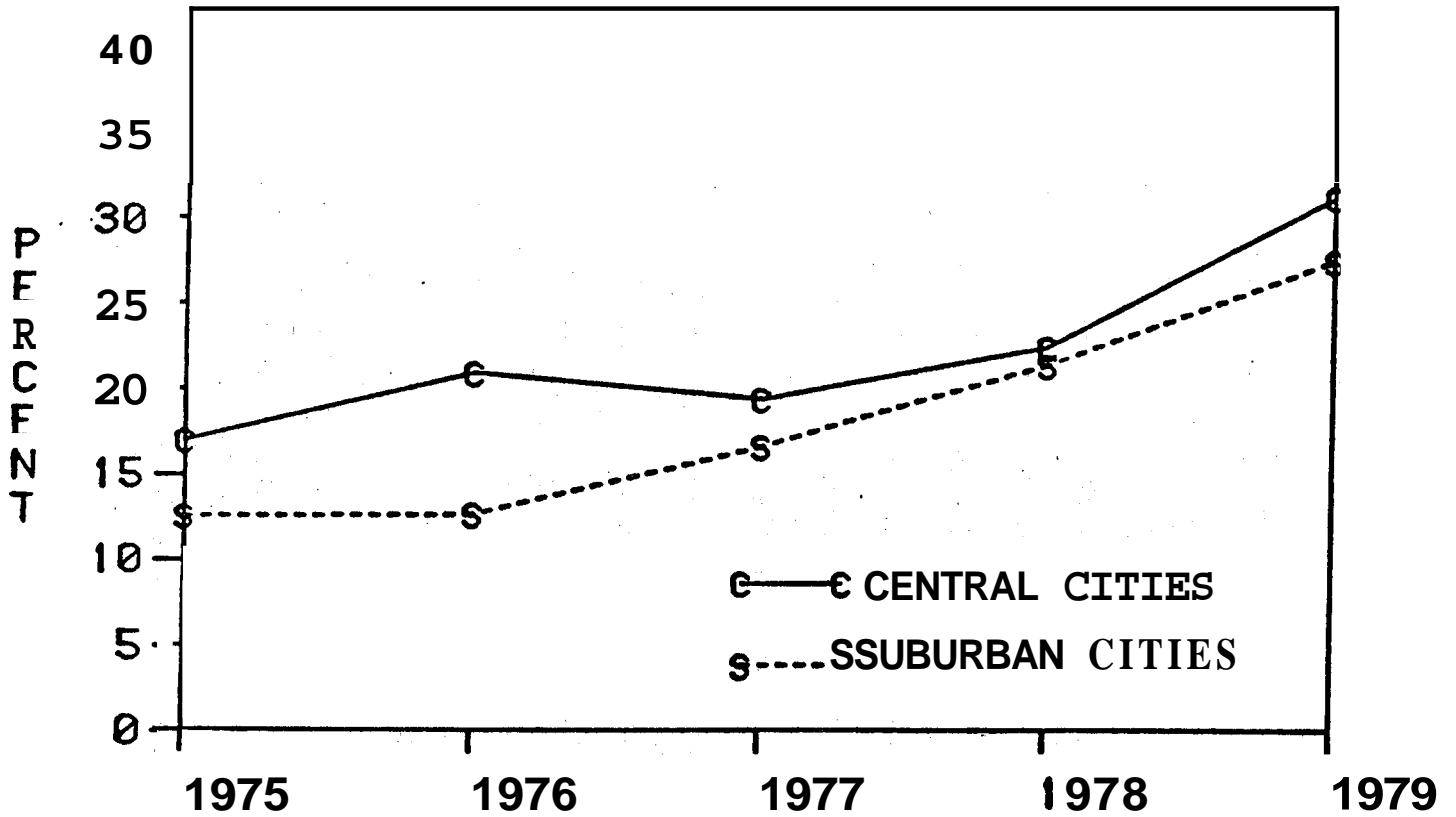
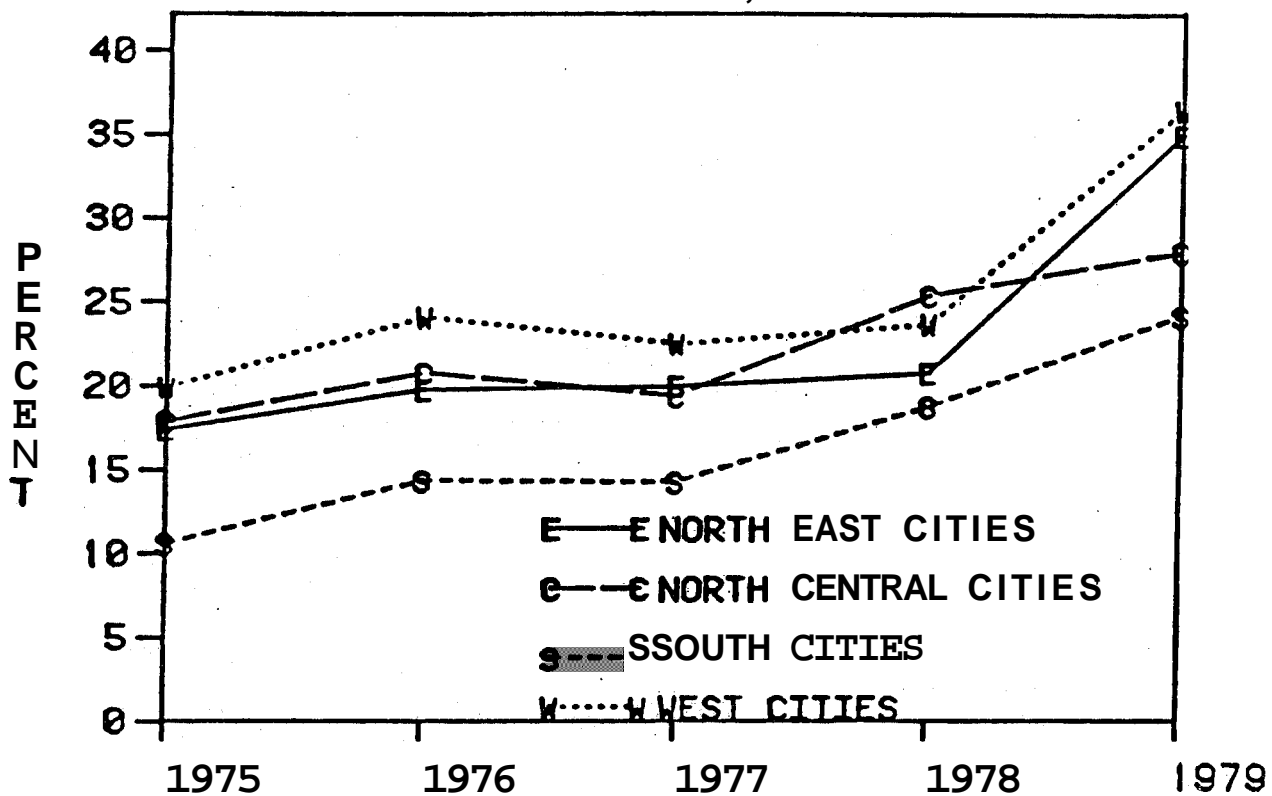


CHART II-6

ANNUAL PERCENTAGE OF FUNDS BUDGETED FOR
CONSERVATION OF THE HOUSING STOCK
BY CENSUS REGION, 1975-1979



percentage points more than small cities; cities with previous categorical experience 11 percent, 7 percentage points more than those without such experience; central cities 11 percent, 4 percentage points more than for suburban cities; and both Northeastern and Western cities 13 percent, 2 percentage points more than North Central Cities and 8 percentage points more than Southern cities.

As an example of annual trends, the data for Northeastern cities indicate that allocations for this objective rose from 10 percent in 1975 to 11 percent in 1976 to 15 percent in 1977 and to a program high of 19 percent in 1978. Thereafter, allocations declined to 16 percent in 1979. The only exception to the downward trend between 1978 and 1979 occurred among North Central Cities which increased their funding from 10 to 13 percent (Chart II-7).

Economic Development

For the combined two-year period 1978 to 1979, the years during which Economic Development has been a legislative objective, the level of funding directed to Economic Development has hovered at about the same level for cities of all types. Two-year trend data show a small decline among cities with prior experience with categorical programs and an increase among those without such experience; they also show small declines in all regions except the South where funding for Economic Development has increased greatly.

Chart 11-8 indicates that cities with former categorical program experience directed 26 percent of their 1979 funds to Economic Development whereas cities without categorical experience allocated 15 percent of their funds to this objective. For non-categorical cities, this funding level represents an increase of 8 percentage points over 1978 allocations; for cities with categorical experience, it represents a one percent decline over 1978 levels.

The same chart shows that cities in the Northeast budgeted 15 percent of their 1979 money to Economic Development, those in the North Central area 16 percent, those in the West 13 percent, and those in the South 21 percent. For cities in the Northeast, North Central, and West, these figures represent declines of from 2 to 7 percentage points over 1978 levels. For cities in the South, funding for Economic Development increased by 14 percentage points over 1978.

More Rational Use of Land Resources

On a cumulative five year basis, cities with no experience under the categorical programs and those with the lowest levels of distress have budgeted the most amount of money for this objective. On a year-by-year basis, trend lines show that funding has declined for both cities with and without previous experience as well as for both cities with the lowest and highest levels of distress, although declines have been greatest for cities with no categorical experience and cities with the lowest distress levels.

TABLE 11-5
 Cumulative Percentage of Funds Budgeted for Expand/Improve
 Community Services by City Size, Categorical Status,
 Metropolitan Status, and Census Region, 1975 - 1979

	<u>Pct of Funds</u>
Small Cities	8
Medium Cities	10
Large Cities	13
Categorical Cities	11
Non-Categorical Cities	4
Central Cities	11
Suburban Cities	7
Northeast	14
North Central	11
South	5
West	13

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications.

CHART II-7

ANNUAL PERCENTAGE OF FUNDS BUDGETED FOR
EXPAND/IMPROVE COMMUNITY SERVICES
BY CENSUS REGION, 1975-1979

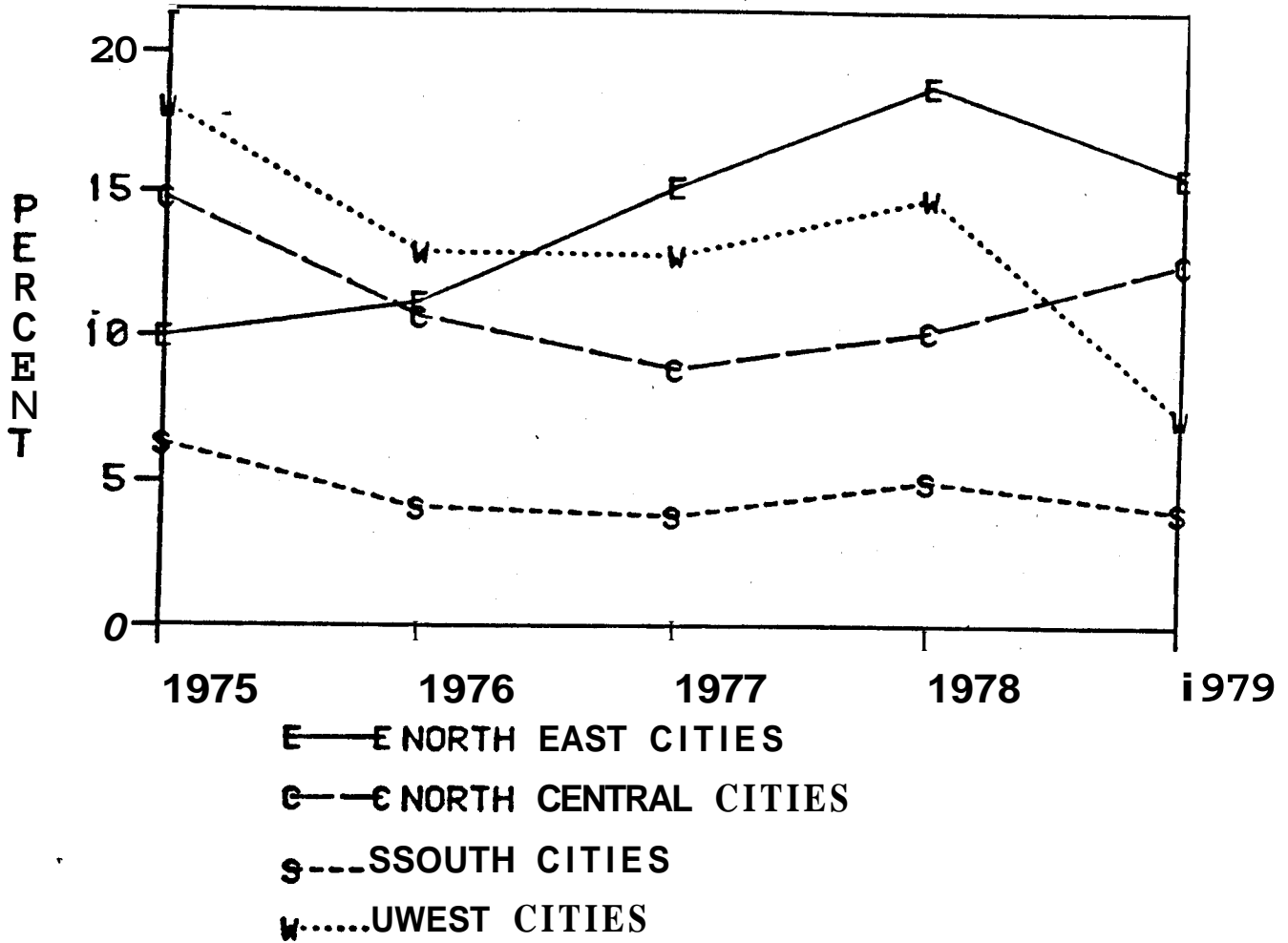
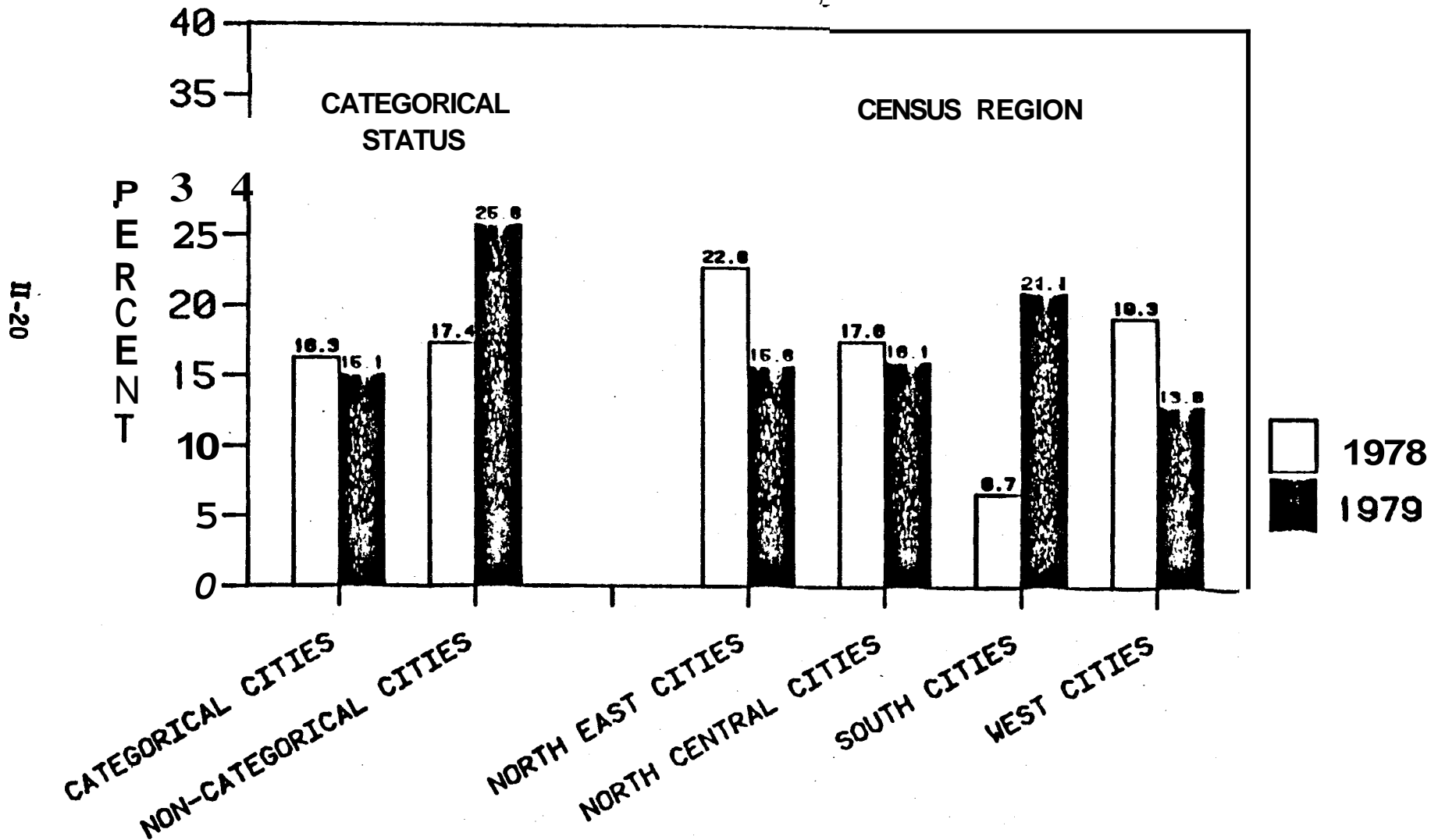


CHART II-8

ANNUAL PERCENTAGE OF FUNDS BUDGETED FOR ECONOMIC DEVELOPMENT BY CATEGORICAL STATUS AND CENSUS REGION, 1978-1979



For all program years taken together, the data show that cities without previous experience allocated 30 percent of their budgets to More Rational Use of Land; those with previous experience allocated 20 percent. The least distressed cities budgeted 28 percent to this objective, the most distressed 16 percent (Table 11-6).

Trend data, however, show that allocations for More Rational Use of Land Resources have declined among categorical cities from 22 percent to 17 percent and among non-categorical cities from 53 percent to 19 percent. Similar declines are evident among cities with varying distress levels. Allocations have declined among the least distressed cities from 37 percent to 12 percent and among the most distressed cities from 22 percent to 12 percent (Charts 11-9 and 11-10).

Table 11-6
Cumulative Percentage of Funds Budgeted for More Rational
Use of Land Resources by Categorical Status
and City Distress, 1975 - 1979

	<u>Pct of Funds</u>
Categorical Cities	20
Non-Categorical Cities	30
Least Distressed Cities	28
Moderately Distressed Cities	21
Most Distressed Cities	16

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications.

CHART II-9

**ANNUAL PERCENTAGE OF FUNDS BUDGETED FOR
MORE RATIONAL USE OF LAND RESOURCES
BY CATEGORICAL STATUS, 1975-1979**

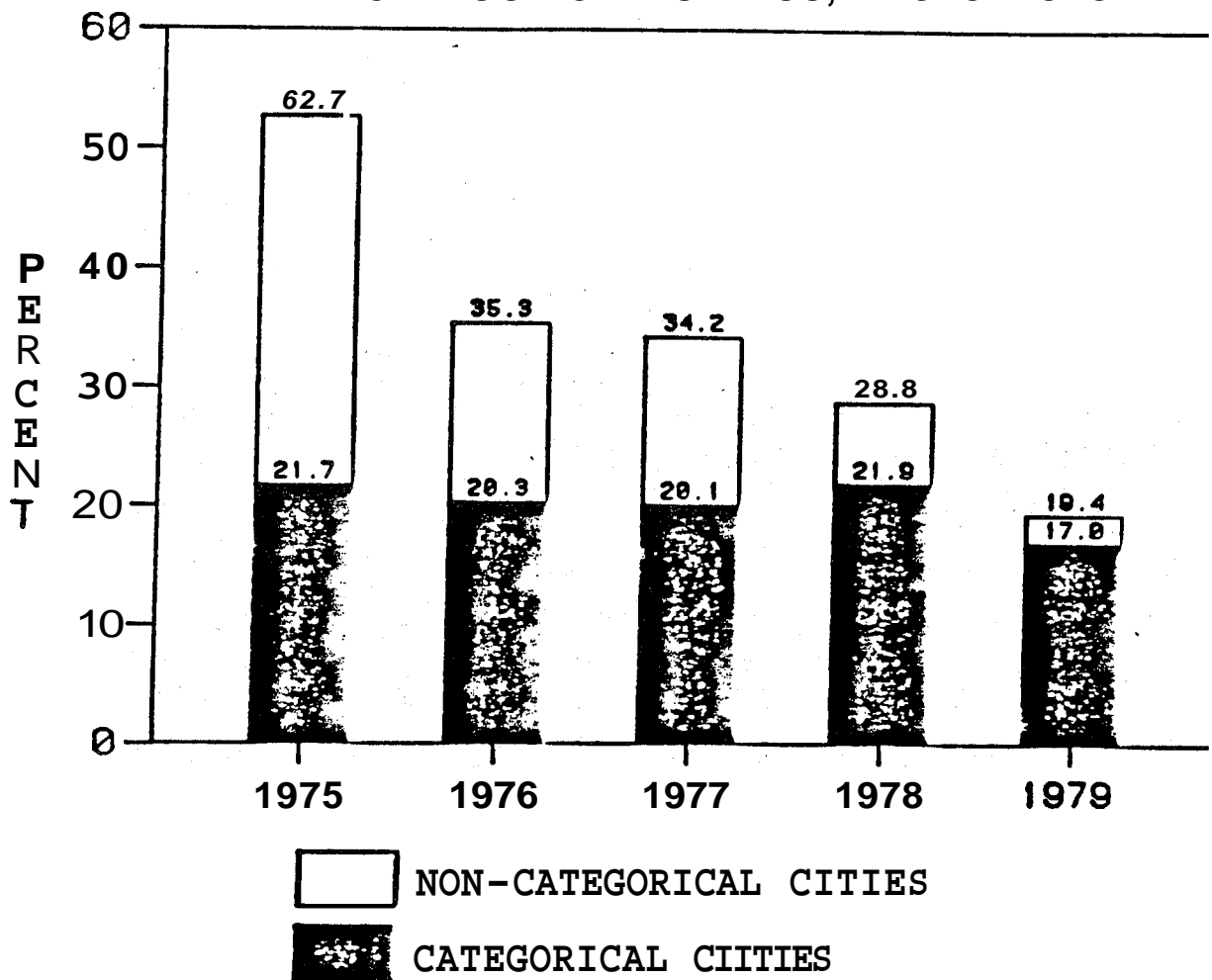
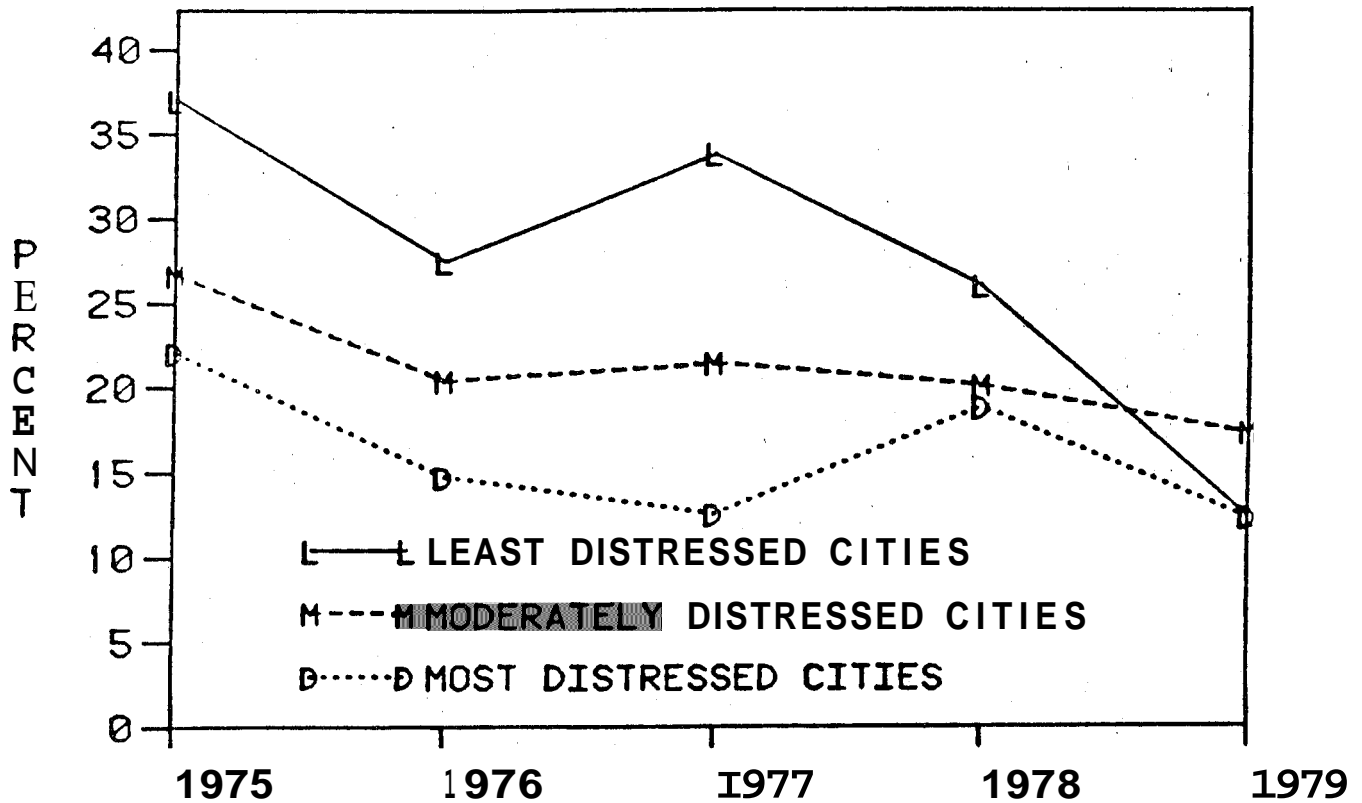


CHART 11-10

ANNUAL PERCENTAGE OF FUNDS BUDGETED FOR
MORE RATIONAL USE OF LAND RESOURCES
BY CITY DISTRESS, 1975-1979



CHAPTER III

PROGRAM PRIORITIES:

BENEFIT FOR LOW AND MODERATE INCOME PEOPLE

Introduction

This chapter discusses the level of funding being allocated by local communities to the three legislatively required program priorities: benefit to low- and moderate-income persons, the prevention or elimination of slums and blight, and urgent community needs. The discussion focuses heavily on the analysis of funding planned for low- and moderate-income persons because increased attention has been given to this priority category in recent years and because communities have allocated the predominant share of their budgets to it. As with the previous chapter, the discussion extends the analysis offered in the Fourth Annual Report by assessing variations in benefit levels by regional, city, and census tract characteristics.

Summary of Findings

Program funding directed to low- and moderate-income persons has always represented a large proportion of total funding, has risen significantly in recent years, and now stands at an all time high. Cumulative five-year funding for low- and moderate-income persons has averaged just under two-thirds of all program dollars.

In the first three program years, low- and moderate-income funding declined, whereas it rose in the last two years -- following the introduction of tighter targeting criteria in 1978. Funding levels for all five program years have consistently been highest for large cities, distressed cities, central cities, and cities with prior program experience. The rise in benefit levels for low- and moderate-income persons evident in the last two years has taken place in cities of all kinds.

Overall, low- and moderate-income funding has evidenced a high degree of targeting within city boundaries, and the level of targeting has increased in recent years. Cumulative data show that most low- and moderate-income funding has been directed to the most distressed neighborhoods, to large and moderately large projects, and to a relatively small number of census tracts. Trend data show a rise in the level of funding planned for the most distressed tracts, a decline in funding allocation to the largest projects which is balanced by an increase in the funding directed to moderately large projects, and an increase in the proportion of all funded tracts which are low- and moderate-income tracts.

Increasing Program Emphasis on Low- and Moderate-Income Benefits

In contrast to previous categorical programs, the CDBG program provides local communities a great deal of freedom to shape their community development programs to meet local needs. But they must give maximum feasible priority to one of three priority areas. They must certify in their applications that all planned activities: benefit low- and moderate-income families, aid in the prevention or elimination of slums and **blight**, or meet other community development needs having a particular urgency.

However, during the first three years of the program, clear program guidelines for defining the relationship of individual community development activities to the three priority areas were not provided. In the absence of these guidelines, communities often were not sure about assigning activities to priority categories or about the relative importance of the priority categories themselves.

Beginning in the third and continuing in the fourth program year (1978), a number of steps were taken to provide clear and uniform guidance to local communities. Regulations were issued defining which activities were considered to benefit low- and moderate-income persons, aid in the prevention or elimination of slums and blight, or meet urgent community needs.

Moreover, a new requirement was issued for a narrative comprehensive strategy statement providing information on the nature of the needs of low- and moderate-income citizens and the intended strategy for dealing with them. This facilitated HUD review and permitted more substantive judgments as to the benefit that proposed projects could yield to low- and moderate-income persons.

In the same year, guidelines were provided to assist HUD Area Offices in reviewing and evaluating incoming applications. While these guidelines did not establish a specific benefit threshold, they did provide an initial standard for determining which applications should be carefully reviewed. Under these guidelines, applications that estimate low- and moderate-income benefits of **75** percent or more are presumed to be acceptable in the absence of substantial **evidence**^{2/} to the contrary; others are reviewed and discussed with local governments.

1/

"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 and blight. The Secretary may also approve an application describing activities which the applicant certified and the Secretary determines are designed **to** meet other community development needs having a particular urgency as specifically described in the application." Title 1, Section 104, of the Housing and Community Development Act, **as** amended.

In the fifth and most recent program year (1979), additional steps were taken to reinforce the importance of assuring emphasis on benefit to low- and moderate-income persons. The program application form required, for the first time, that communities indicate for each proposed activity, which of the three priority categories it was intended to implement and how much of the proposed funding was intended to benefit low- and moderate-income persons.

Methods of Estimating Low- and Moderate-Income Benefits Levels

The level of funding allocated to low- and moderate-income persons is assessed using three estimation techniques:

- o city attested method
- o SMSA median income method
- o adjusted SMSA median income method.

The city attested method relies on the benefit levels reported by cities in their applications. This method will normally give the highest estimates because cities are allowed to allocate all of the funds budgeted for a given activity, regardless of the area in which it is located, to the low- and moderate-income priority category as long as at least 51 percent of the funds for the activity are planned to benefit low- and moderate-income persons.

The SMSA median income method estimates benefit levels by totaling up all program dollars planned for census tracts with median incomes which are 80 percent or less of the SMSA median income. This method will generally result in the lowest estimates because, unlike the city attested method, it excludes funding not specifically directed to low- and moderate-income neighborhoods as well as excludes non-area specific activities which may partially or indirectly benefit low- and moderate-income persons.

The adjusted SMSA median income method is applied in the same way as the SMSA method, with certain adjustments for non-area specific activities. For example, a city-wide rehabilitation program aimed at low- and moderate-income persons would be excluded in the standard SMSA method because it is not assigned to a census tract or set of tracts, but it would be included under the adjusted SMSA method if information presented in the relevant application form indicated the relative proportion of the program benefits

2/

This review guideline is not an automatic standard for determining noncompliance. While compliance is presumed where benefit levels are 75 percent or more, non-compliance is not automatically presumed where benefit levels are less. In effect, the regulations provide only a means for alerting Area Offices to the possible need for review.

intended for low- and moderate-income persons. The adjusted SMSA median method will normally produce benefit levels between the city attested and the SMSA median methods.

For different reasons and where data are available, all three methods are discussed. The city attested method is presented because, as indicated earlier, it is a new program requirement in 1979. Prior to this year, cities did not have to indicate the specific proportion of each activity which was intended to benefit low- and moderate-income persons. The adjusted SMSA median method is discussed because, in the absence of city attested benefit levels for the previous four years, this is the method used in previous annual reports to monitor progress in this area. Thus, its use allows a comparison with statistics presented in previous reports.

The standard SMSA median method is used for the first time because it can be used to provide greater detail than can the adjusted method. In particular, the SMSA method can be used to discuss variations in benefit levels by a variety of census tract characteristic (distress, size, population, etc.); the adjusted SMSA method cannot be used to assess census tract variations because most of the adjustments **reflect** city wide activities which cannot be assigned to specific census tracts.

Five-Year Overview of Low- and Moderate-Income Benefit

Over the entire five year history of the block grant program, both the standard and adjusted SMSA median estimation techniques show a majority of program funds have been directed to low- and moderate-income persons. In the most recent year (1979), the city attested method shows that almost all program funds have been targeted for low- and moderate-income persons.

The cumulative low- and moderate-income benefit level using the adjusted SMSA method is estimated at 64 percent; the cumulative benefit using the standard SMSA method is at 63 percent. The 1979 benefit level attested to by cities is reported at 94 percent (Table III-1),

Based on the 1979 guidelines, local certifications indicate that most cities have targeted at least 75 percent of their funds primarily to benefit low- and moderate-income persons. Moreover, 84 of the 137 sample cities analyzed indicated that all of their funded projects principally benefited low- or moderate-income persons (Table III-2).

3/

As stipulated in 570.302(g) of the Department's March 1, 1978 regulations, these analyses all exclude funding of administration activities, planning activities, contingencies, and repayment of urban renewal temporary loans. Funds for these projects were assumed to benefit low- and moderate-income persons in the same proportion as the rest of the program.

Table III-1
Cumulative Percentage Benefit to
Low or Moderate Income Persons

	<u>Percent of Funds</u>
SMSA Median Income Method (1975-1979)	63
Adjusted SMSA Median Income Method (1975-1979)	64
City Attested Method (1979)	94

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications.

Table 111-2
Number of Cities By Level of Percentage
Benefit to Low or Moderate Income Persons,
Using the City Attested Method, 1979 Funds

<u>City Percentage Benefit to Low- or Moderate- Income Persons</u>	<u>Number of Cities</u>
100	84
90 - 99.9	31
75 - 89.9	18
50 - 74.9	3
Less than 50	<u>1</u>
Total	137

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications.

Only four of the sample cities indicated that less than 75 percent of their CDBG funds were allocated to projects that principally benefit low- and moderate-income persons. Of these four, one city indicated that over the next three years, 79 percent of its CDBG funds would be directed to low- **and** moderate-income persons. A second city indicated that the **only** funds which will not primarily benefit low- or moderate-income persons are those required to repay an outstanding urban renewal loan. A third city had extensive urgent

community development needs which it funded. The fourth city indicated that its only project not primarily benefiting low- or moderate-income persons would be the completion of an urban renewal project.

Five-Year Trends in Low- and Moderate-Income Benefit

Irrespective of which estimation technique is used, five-year trend data reveal the same basic pattern. While a majority of program funds have always been targeted to low- and moderate-income persons, benefit levels declined steadily from the first through the third program years and rose significantly and steadily from the fourth to the fifth program years. The reversal of the downward trend evident in early program years is closely related to the general tightening of low- and moderate-income targeting criteria which began in 1977 and continued in 1978.

Under the SMSA median income method, year-by-year estimations show that benefit levels began at 66 percent in 1975 and declined to 60 percent in 1976. Thereafter, the benefit levels hovered around 60 percent until they rose to 63 percent in 1978 and again to 64 percent in 1979. (Table 111-3)

Table 111-3
Annual Percentage of Funds Budgeted
Benefiting Low or Moderate Income Persons

<u>Year</u>	<u>Adjusted SMSA Median Income Method</u>	<u>SMSA Median Income Method</u>
'75	64	66
'76	62	60
'77	61	61
'78	66	63
'79	69	64

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications

Using the SMSA adjusted median income method, the same pattern is evident, although benefit levels for all program years are slightly higher. Estimations based on this method show that the level of benefit directed to low- and

moderate-income persons started at 64 percent in 1975 and thereafter, declined to 62 percent in 1976, and to 61 percent in 1977. Beginning in 1978, benefit levels rose to 66 percent and in 1979, they again rose to 69 percent,

Thus, trend data clearly show that coincident with the implementation of clear program guidelines relative to the targeting for low- and moderate-income benefit, the level of funding directed to low- and moderate-income persons has significantly increased.

Variations in Low- and Moderate-Income Benefit Levels by City Characteristics

Five-year cumulative benefit levels based on the **SMSA** median income benefit method show that the types of cities that have traditionally directed the highest percentage of program funds to low- and moderate-income persons are those with the largest populations, the greatest levels of distress, central cities of **SMSA's** and cities with experience under former categorical grant programs. Cities that have planned the lowest proportion of funds for low- or moderate-income persons are those with the smallest population, cities with the least distress, suburban cities of **SMSA's** cities, and cities with no experience with categorical grant programs.

Five-year average benefit levels are estimated at 72 percent for large cities, 67 percent for the most distressed cities, 66 percent for central cities, and 63 percent for cities which participated in the categorical programs which preceded the block grant program. Benefit levels are projected at 41 percent for small cities, 15 percent for least dispersed cities, and 36 percent for suburban cities. (Table 111-4).

The consistency of these five-year cumulative patterns reflects a relatively high degree of overlap among the various city characteristics, i.e., the characteristics are measuring the same thing. Thus, the data for large cities, central cities, distressed cities, and cities with prior categorical experience tend to show that cities with high benefit levels tend to have all of these characteristics; they are large and distressed and central cities and cities with previous categorical experience. Similarly, cities with low benefit levels are small and less distressed and suburban and have no previous categorical experience.

With some exceptions, year-by-year trend data show that benefit levels for cities of all types declined or remained roughly the same in the first three program-years and rose significantly in the two most recent years. Trend data

4/

All low- and moderate-income benefit estimations in this and the remaining section of the chapter are based on the **SMSA** median income method. It should be noted that if available data permitted the presentation of the remaining two methods, levels would be slightly higher for the adjusted **SMSA** median income method and significantly higher for the city attested method.

Table 111-4
 Cumulative Percentage of Funds Budgeted
 Benefiting-Low/Mod by City Size, City
 Distress, Metropolitan Status, and Categorical
 Status, 1975 - 1979

<u>City Size</u>	<u>Percent</u>
Small Cities	48
Medium Cities	66
Large Cities	72
 <u>City Distress</u>	
Least Distressed Cities	15
Moderately Distressed Cities	63
Most Distressed Cities	67
 <u>Metropolitan Status</u>	
Central Cities	66
Suburban Cities	36
 <u>Categorical Status</u>	
Categorical Cities	63
Non-Categorical Cities	55

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications

also show that benefit levels rose more significantly for small, suburban cities, and for those with no prior categorical program experience. By 1979, the benefit levels for small, suburban, and non-categorical program cities were significantly higher than in 1975, while those for large, central cities, and cities with categorical program experience were somewhat lower. Overall, however, levels for large, categorical, and distressed cities were still higher than those for small, non-categorical, and suburban cities. The trend for small cities is illustrative. In 1975, the level of benefit for low- and moderate-income persons stood at 47 percent; in 1976, it declined to 46 percent. In 1977 and 1978, levels hovered around 47 percent. In 1979, they rose to **52** percent -- a **5** percentage point increase over the initial program year. The same pattern is evident for suburban cities and cities with no experience with the categorical programs (Table III-5).

Table 111-5
 Annual Percentage of Funds Budgeted
 Benefiting Low/Mod by City Size, City Distress,
 Metropolitan Status, and Categorical Status, 1975 - 1979

<u>City Size</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Small Cities	47	46	48	47	52
Medium Cities	70	62	64	66	66
Large Cities	77	71	68	61	71
<u>City Distress</u>					
Least Distressed Cities	14	19	16	14	13
Moderately Distressed Cities	66	63	61	61	65
Most Distressed Cities	73	64	68	68	62
<u>Metropolitan Status</u>					
Central Cities	71	65	65	66	67
Suburban Cities	35	34	36	38	38
<u>Categorical Status</u>					
Categorical Cities	67	61	61	63	65
Non-Categorical Cities	52	58	56	54	56

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications

Similarly, the funding trend for large cities exemplifies the same pattern across a broader range of city characteristics. Beginning in 1975, at 77 percent, the funding level for large cities declined to 71 percent in 1976 and again, to 68 percent in 1977. In 1978, benefit levels arose to 71 percent and in 1979, they remained at this level, 6 percentage points below the first program year.

Thus, trend data show that since 1978, the level of benefit directed to low- and moderate-income persons has risen for all kinds of cities but at a greater rate for small cities. It also shows that large cities still target a greater portion of their funding to low- and moderate-income persons.

Targeting of Low- and Moderate-Income Benefits Within City Boundaries

The preceding section discussed the amounts and proportions of total program funding intended for low- and moderate-income persons. This section examines the extent to which low- and moderate-income funding is targeted within city boundaries. Sub-city targeting is assessed using three criteria: the extent to which funding for low- and moderate-income persons is directed to the most distressed census tracts; the degree to which such funding is assigned to large projects (as measured by dollar amounts), and the relative number of census tracts funded.

Five-Year Cumulative Low- and Moderate-Income Funding. A High Degree of Targeting

Over the entire five-year history of the block grant program, funds intended for low- and moderate-income persons evidence a high degree of targeting to the most distressed census tracts, to larger projects, and to a consistent proportion of all census tracts for which CDBG funding was planned.

As Table 111-6 shows, 81 percent of the funding intended for low- and moderate-income persons was planned for tracts evidencing the greatest level of distress; and 76 percent of all low- and moderate-income census tracts targeted for funding show the highest levels of distress.

In terms of project size, 69 percent of the funding planned for low- and moderate-income persons was allocated to large projects (\$200,000 and over); and these projects accounted for 20 percent of all census tracts targeted for low- and moderate-income funding.

Finally, in terms of the relative number of census tracts targeted for low- and moderate-income funding, the proportion has been 49 percent of all census tracts funded since the beginning of the program (Table 111-7).

Five-Year Trends in Low- and Moderate-Incoming Funding: An Increasing Level of Targeting

Targeting to Distressed Sub-City Areas

Year-by-year trend data show that a large portion of all funding planned to benefit low- and moderate-income persons has always been directed to the most distressed neighborhoods, and this proportion has steadily increased to a program high in 1979. Simultaneously, the proportion of such funding assigned to moderately distressed and least distressed areas has steadily declined.

Generally, about four-fifths of the funding benefiting low- and moderate-income persons has been directed to the most distressed tracts. Between 1975 and 1977, the percentage of low- and moderate-income funding planned for these tracts increased from 81 percent to 88 percent (Table III-8). In contrast,

Table 111-6
 Cumulative Percentage of Funds Budgeted Benefiting
 Low/Mod Persons and Percentage of Low/Mod Tracts
 Funded by Tract Distress and Project Size
 1975 - 1979

<u>Tract Distress</u>	Percent of Funds Budgeted Benefiting Low/Mod	Percent of Low/Mod Tracts Funded
Least Distressed Cities	1	3
Moderately Distressed Tracts	18	21
Most Distressed Cities	<u>81</u>	<u>76</u>
Total	100	100
<u>Project Size (\$/tract/yr.)</u>	Percent of Funds Budgeted Benefiting Low/Mod	Percent of Low/Mod Tracts Funded
\$500,000 +	40	4
200,000 - 499,999	29	16
100,000 - 199,999	<u>19</u>	<u>26</u>
50,000 - 99,999	9	25
Less than \$50,000	<u>3</u>	<u>29</u>
Total	100	100

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications

the percentage of such funding planned for moderately distressed tracts decreased from 18 percent to 16 percent and the percentage planned for the least distressed tracts declined from just over 1 percent to approximately 1 percent.

Targeting to Large Projects

In every year except 1979, the largest share of low- and moderate-income funding has gone to the largest projects. At the same time, the share of funding assigned to the largest projects (\$500,000 and over) has declined, while the share planned for moderately large projects (\$200,000 to \$499,999) has increased.

Table 111-7
Cumulative Targeting to Low/Mod Tract by Tract Counts
1975 - 1979

Number of Cities	Annual Avg. Number of Low/Mod Tracts Funded	Annual Avg. Number of Non-Low/Mod Tracts Funded	Pct. Avg. Number of Low/Mod Tracts Funded of Avg. Total Tracts Funded
137	1,036	1,069	49

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications

Table 111-8
Annual Percentage of Funds Budgeted
Benefiting Low/Mod by Tract Distress
1975 - 1979

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Least Distressed Tracts	1	1	2	2	1
Moderately Distressed Cities	18	19	17	19	16
Most Distressed Cities	<u>81</u>	<u>80</u>	<u>82</u>	<u>80</u>	<u>83</u>
Total.	100	100	101	101	100

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications.

Between 1975 and 1979, the proportion of all funding planned for low- and moderate-income persons which was directed to the largest projects declined from 52 percent to 34 percent while the proportion allocated to moderately large projects increased from 22 percent to 36 percent (Chart III-1).

Targeting: Number of Census Tracts Funded

The data show an overall stability in the proportion of low- and moderate-income census tracts targeted for low- and moderate-income funding, with a small increase in the most recent program year.

Over the five year period from 1975 to 1979, the number of non-low- and moderate-income tracts funded increased from 755 to 1,144, while the number of low- and moderate-income tracts grew from 842 to 1,095. These trends indicate a gradual spreading of CDBG funds to a large number of census tracts while the relative proportion of funds allocated to low- and moderate-income persons increased relatively constantly (Table III-9).

Table III-9
Annual Targeting to Low/Mod Tracts
by Tract Counts, 1975 - 1979

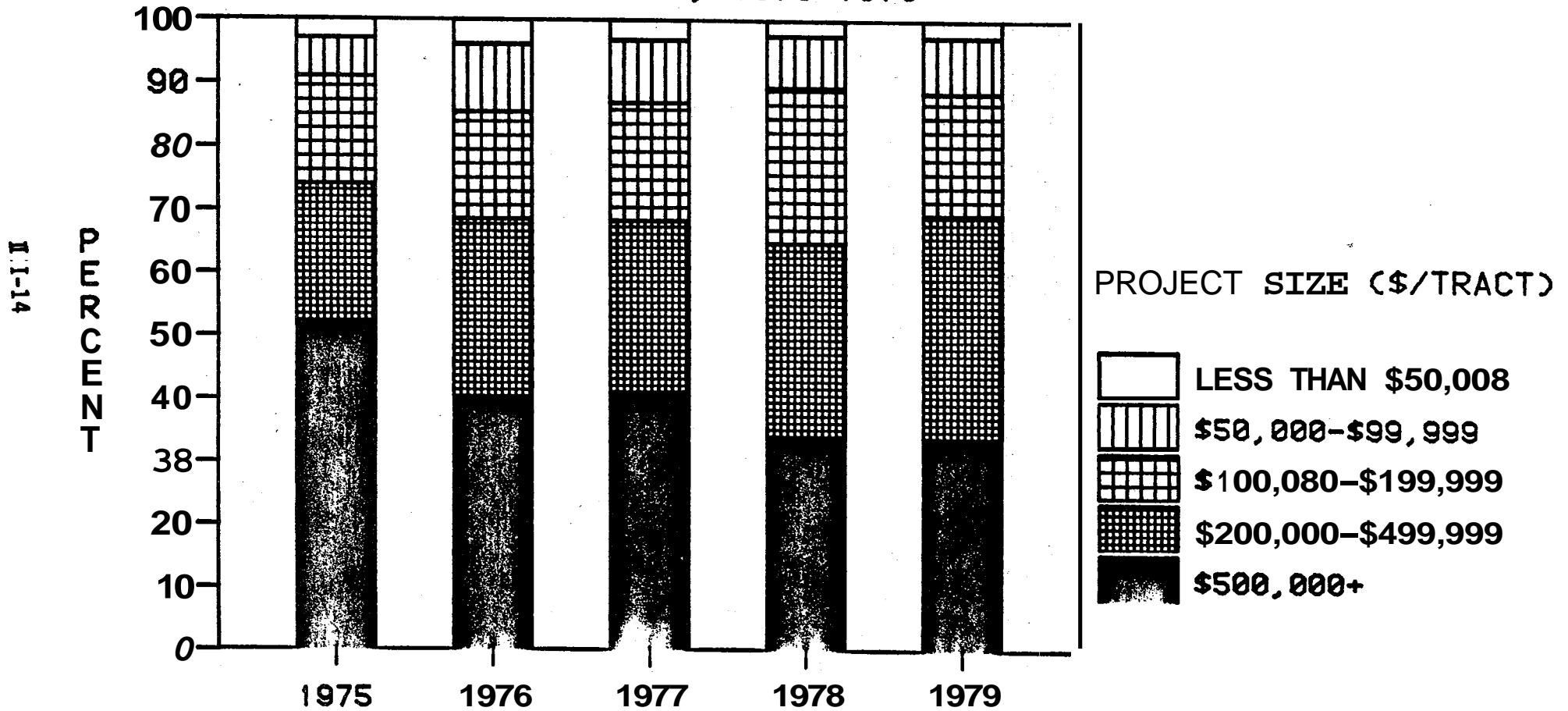
Year	Number of Cities	Number of Low/Mod Tracts Funded	Number of Non-Low/Mod Tracts Funded	Pct. Low/Mod Funded Tracts of Total Funded Tracts
1975	137	842	755	53
1976	137	1,076	1,125	49
1977	137	1,082	1,160	48
1978	137	1,084	1,161	48
1979	137	1,095	1,144	49

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications

In the two most recent program years 1978 and 1979, targeting to low- and moderate-income tracts has increased. The number of non-low- and moderate-income funded tracts declined from 1,161 to 1,144, whereas the number of low- and moderate-income tracts funded grew from 1,084 to 1,095. The proportion of all funded tracts which were low- and moderate-income tracts increased from 48 to 49 percent.

Chart III-1

ANNUAL PERCENTAGE OF FUNDS
BUDGETED BENEFITTING LOW/MOD
BY PROJECT SIZE, 1975-1979

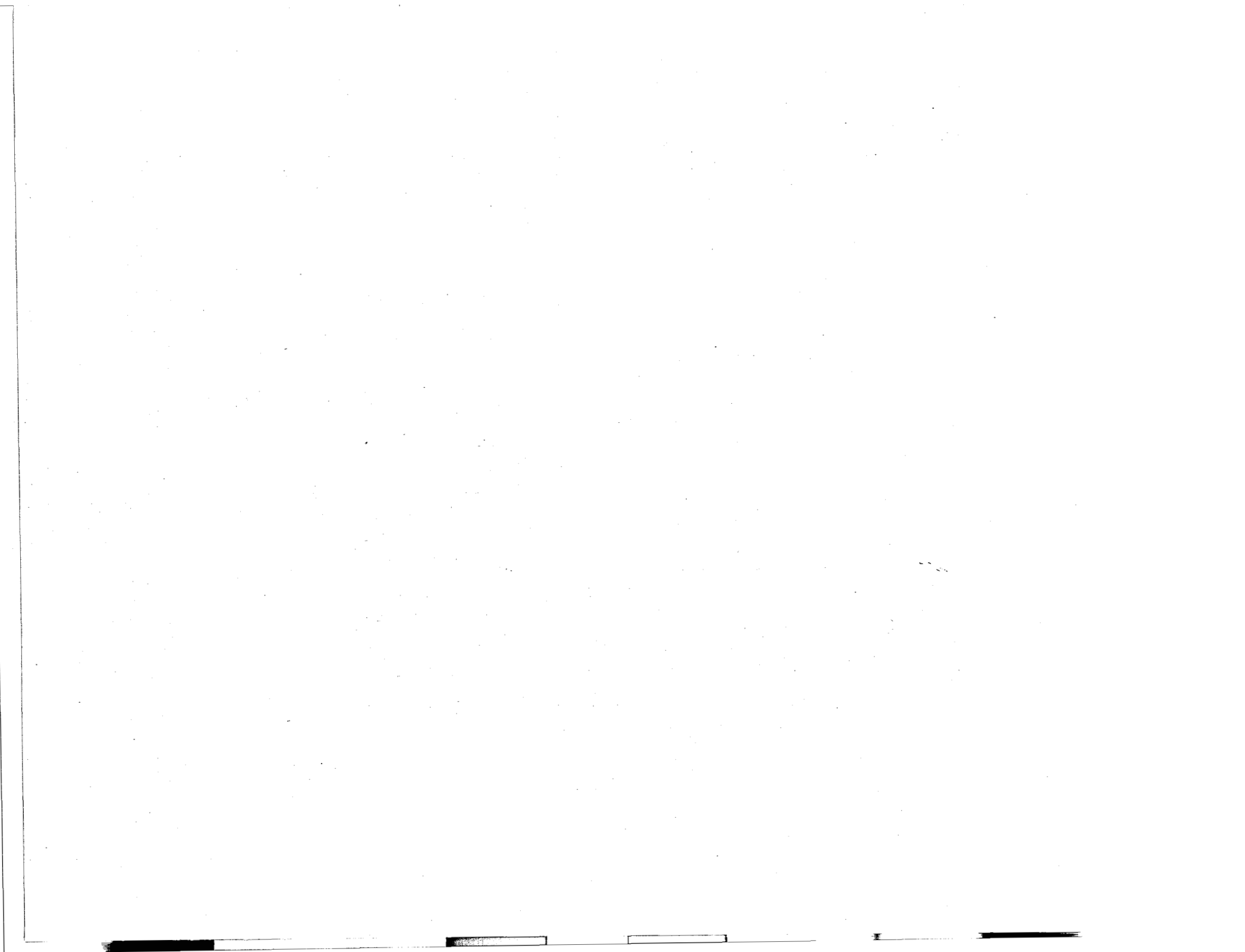


PART III

PROGRESS TOWARD STRATEGY OBJECTIVES

CHAPTER IV: Planned Community Development Strategies

CHAPTER V: Progress in Implementing Strategies



CHAPTER IV

PLANNED COMMUNITY DEVELOPMENT STRATEGIES

Introduction

The Fourth Annual Report on the Community Development Block Grant (CDBG) Program presented an assessment of progress toward planned objectives. That analysis was based on the major strategies communities have developed to carry out their programs. This year the analysis is more detailed, covering not only the **strategies**, but also the individual activities upon which the strategies are based.^{1/} The analysis of both strategies and activities provides a comprehensive assessment of local progress toward planned objectives.

This chapter discusses the five major CDBG strategies. Each strategy consists of a combination of activities and reflects the **broad purpose** or goal of local community development. The specific strategies are:^{2/}

- o neighborhood preservation;
- o neighborhood redevelopment;
- o mixed preservation and redevelopment;
- o general development ; and,
- o economic development.

Strategies are discussed in terms of five-year cumulative patterns, five-year trends, variations in cumulative patterns and trends by city characteristics, and targeting.

^{1/} Strategies are based primarily on funded activities at the census tract level. All project dollars in a tract are assigned to a given strategy.

^{2/} The strategies can also be divided into substrategies. These substrategies plus the definitions of the major strategies are presented in the body of the chapter.

Summary of Findings

Of all major strategies, neighborhood preservation has received the highest cumulative level of funding. Its dominance emerged in the second year of the program and has continued to the present year. Most entitlement cities, regardless of region, population size, or distress, assign their highest priority to neighborhood preservation.

Following the neighborhood preservation strategy in order of funding importance are: redevelopment, general development, economic development, and mixed preservation and redevelopment. The funding of redevelopment is, in large measure, a carry over and close-out of prior categorical programs. However, certain types of cities, particularly small cities, suburban cities and least distressed cities have provided funding for redevelopment at a higher level than other types of cities. This emphasis on CDBG-funded redevelopment often comes about because they did not participate fully in the former redevelopment programs available through previous categorical grants, because they may more substantially address redevelopment needs (given that they are relatively less extensive than those of larger cities), and because smaller projects elicit less intense reactions from citizens.

General development, the strategy which has received the third highest level of funding for all program years combined, declined in importance between the second and fourth years, 1976 to 1978, but rose in 1979. Most of this renewed attention is in the form of **citywide** housing rehabilitation programs rather than spot public works programs. —

Economic development, while receiving about the same level of funding throughout the five years of the program, is now emphasized by different kinds of cities than was the case in the initial year of the program. In the first program year, economic development was emphasized by large cities, distressed cities, and cities which had experience with the categorical programs preceding CDBG. Now the reverse is the case; economic development is emphasized by small cities and those without prior categorical program experience.

The mixed preservation and redevelopment strategy, which is based on a balance between housing rehabilitation and property acquisition/demolition, has consistently received the lowest level of funding. Cities which provided funding for this strategy at a level higher than the national average are large cities, distressed cities, and cities with prior categorical experience.

3/ The general development strategy includes, among other elements, rehabilitation and public works carried out on a citywide or spot basis but not in sufficient concentration to merit classification as neighborhood preservation:

In large measure, these cities are using this strategy to provide a bridge between their prior heavy redevelopment projects and their current CDBG projects.

From these patterns, it is clear that cities attempt to tailor their CDBG strategies to pressing needs, to past programs, to current demands, and to CDBG program guidelines. The difference in malleability and popularity of the various approaches, the accomplishments and problems associated with past categorical programs, and the diverse housing and physical needs of the cities all bear on the strategies pursued.

Notwithstanding the diversity among the communities in choice of strategies, most of the dollars budgeted to these strategies are directed to the most needy areas within the cities. All the strategies, except general development, have more than half of their budgeted dollars in low and moderate income census tracts and in the most distressed census tracts. For the most part, these percents have been increasing since 1976, as have the size of these projects.

Five-Year Cumulative Funding

A Clear Dominance is Evident

To some extent all five strategies are funded in local CDBG programs.^{4/} Even the least funded of the five, mixed preservation and redevelopment,^{5/} is allocated nearly ten percent of the total CDBG program funds. One strategy,

^{4/} All figures on allocations are based on a stratified random sample of 151 entitlement communities. The actual number of cities varies from 137 to 151 because in each year certain communities either did not participate in the CDBG program or submitted their application after data coding was completed. Additionally, in deriving these allocations, planning, administration and contingency dollars are excluded.

^{5/} The Mixed Neighborhood Preservation and Redevelopment Strategy combines the neighborhood preservation approach with the redevelopment approach to aid in the revitalization of urban areas. It has as its base, both housing rehabilitation and property acquisition and demolition, but as equal partners rather than one being dominant over the other. In areas where it is pursued, the less deteriorated structures are improved through rehabilitation while significantly deteriorated structures are cleared and the sites prepared for rebuilding. As with the parent strategies--neighborhood preservation and development--the mixed strategy frequently complements the core activities with improvements to the infrastructure, including streets, curbs, and recreational facilities.

however, is clearly dominant -- neighborhood preservation.^{6/} Designed by localities to maintain and enhance the existing neighborhood base, this strategy accounts for 36 percent^{7/} of all project dollars budgeted over the first five years of the CDBG program. Chart IV-1

The strategy with the next highest level of funding is neighborhood redevelopment.^{8/} This strategy, which is used by cities to acquire properties and clear land for new development, has been allocated 21 percent of total budgeted dollars. General development,^{9/} which is used to address problems on a community-wide basis as well as to provide limited types of assistance, neighborhoods, is third in funding with 18 percent. Economic development,^{10/}

6/ This strategy is an implementation of the first, third, and seventh legislative objectives, which respectively are: elimination of slums and blight; conservation and expansion of the housing stock; and historic preservation. It is aimed at preserving the basic character of a residential area, often in conjunction with activities to develop the streets, curbs and gutters, streets and street furniture, water and sewer lines, open space, neighborhood facilities, and other services. While some clearance and rebuilding of structures may occur, it is limited in scope.

7/ All percentages are rounded.

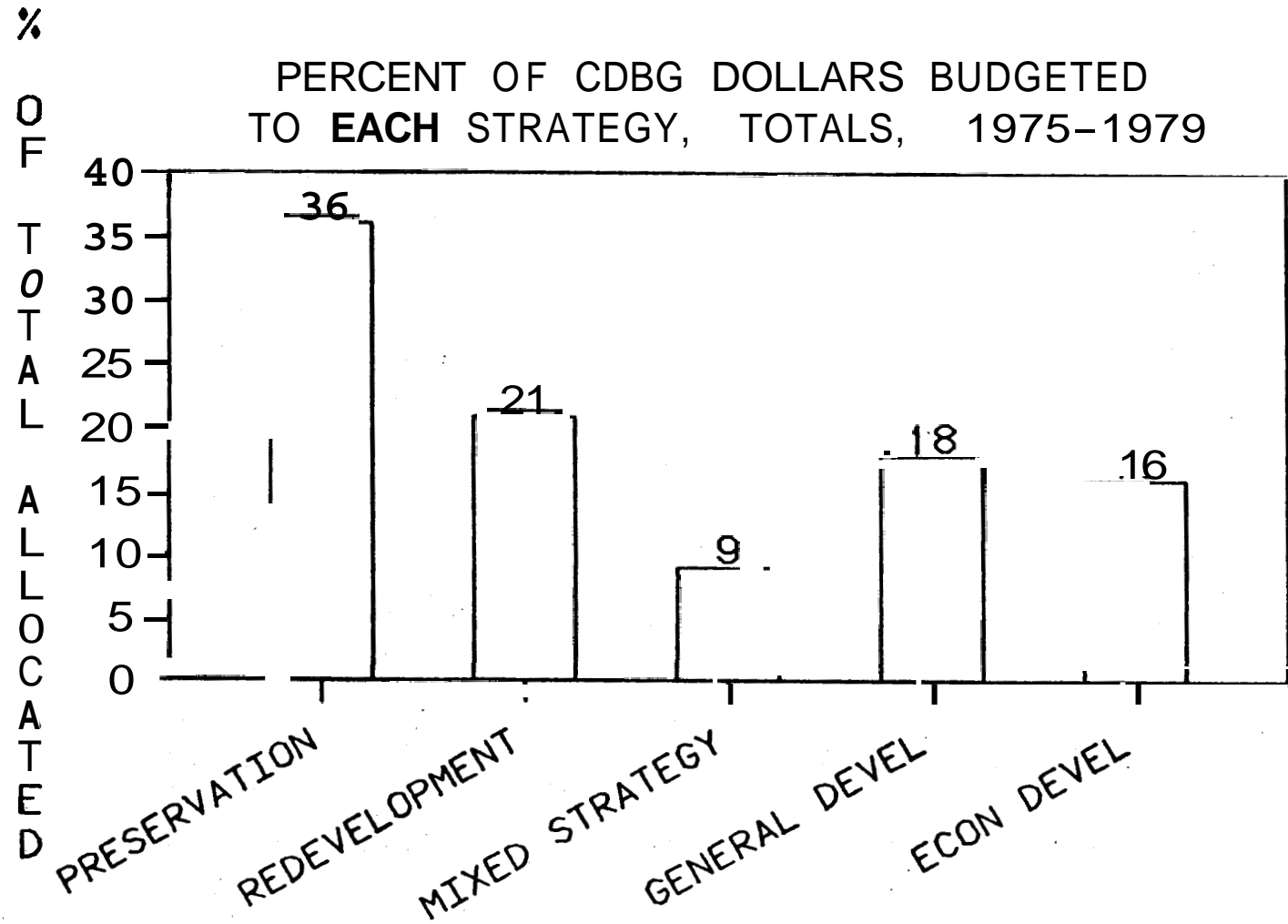
8/ This strategy, an implementation of the first legislative objective, the elimination of slums and blight, is designed to clear and rebuild substantial portions of a slum or blighted residential area. It frequently involves extensive rebuilding of the infrastructure, and may include the development of parks and neighborhood facilities and services. Housing rehabilitation is either non-existent or quite limited.

This strategy, aimed primarily at the fifth and part of the first legislative objective consists of two parts: (1) a strategy of limited activities in residential areas which frequently are either fairly stable or so deteriorated that some kind of emergency interim assistance is required. No housing rehabilitation or clearance and rebuilding activities are involved; (2) a strategy intended to provide services or rehabilitation loans/grants to a particular target group, such as the elderly or low-income families, regardless of where they live or work, or to provide activities which benefit all people in the city, such as a seawall or drainage basin.

10/ A strategy related to the eighth and newest legislative objective, economic development, is aimed at developing the city's economic base, providing retail services in low- and moderate-income neighborhoods, or creating or retaining jobs, particularly for those of low- and moderate-income. It involves activities in the central business district, or other industrial/commercial/wholesale areas or may occur in a residential area as part of a neighborhood commercial enclave.

Chart IV-1

IV-5



whether pursued in central business districts or in commercial and industrial areas outside them, amounts to 16 percent. Finally, mixed preservation and redevelopment--the approach which balances rehabilitation, acquisition and demolition--accounts for 9 percent of all project dollars.

The predominance of neighborhood preservation among all other community development strategies has been apparent for several years. Prior Annual Reports, particularly the Fourth Annual Report, have noted the reasons for the high funding level of the preservation strategy. Neighborhood residents, CD planners, and local policymakers see the preservation strategy as one that can get underway quickly without extensive coordination of large scale property acquisition, can be used with relative ease in either a large or small number of neighborhoods, can be implemented without serious disruption to the neighborhood residents and the community, and can quickly restore structurally sound housing to effective use.

Five-Year Trends in the Strategies

Minor Shifts and Adjustments in the Fifth Year

In the fifth program year, several shifts and adjustments are evident in the funding allocations for strategies. However, these changes are quite small and the overall funding pattern remains essentially unchanged.

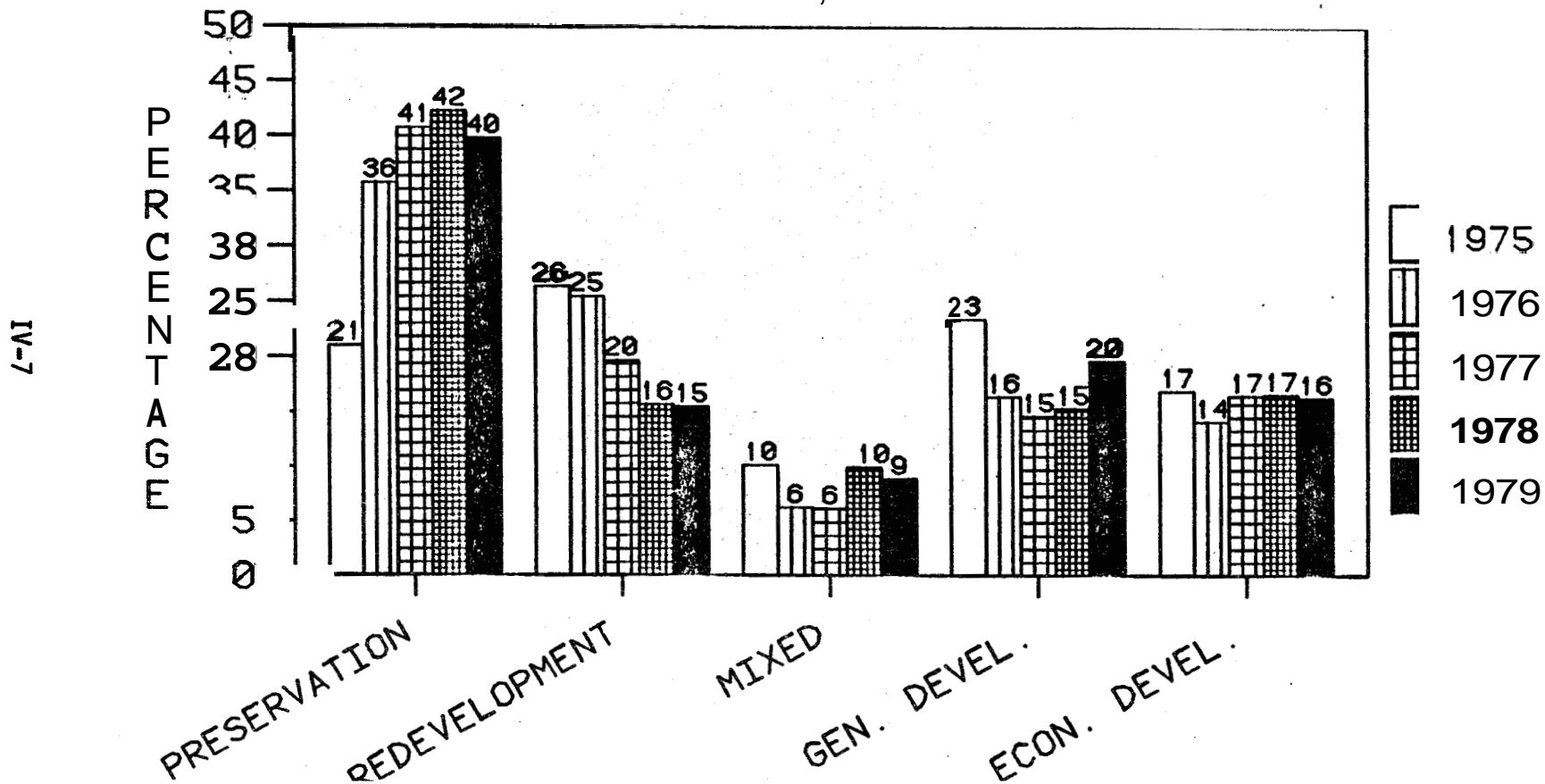
Neighborhood preservation declined slightly for the first time, falling from a high of 42 percent in 1978 to the current level of 40 percent. Redevelopment which declined significantly in the initial three years of the program, has declined only marginally in the last year. General development, after a sharp reduction in the second year and continued stability after that, has increased noticeably in the fifth program year. Economic development has shown no overall shifts in recent years--remaining just above 16 percent (Chart IV-2).

The small decline evident in neighborhood preservation is taking place not because cities are using housing rehabilitation any less; the decline is occurring because cities are reducing non-rehabilitation activities--primarily public works, facilities, and services--within their preservation projects. Table IV-1, which shows the various substrategies within preservation, provides the evidence for this interpretation. Between 1978 and 1979 those projects which have a heavy investment in rehabilitation have actually increased, while those with a moderate to very light emphasis on rehabilitation have decreased.

11/ The preservation strategy includes various combinations of activities--rehabilitation, public works, public facilities, public services--in a concentrated approach to neighborhood preservation.

Chart IV-2

PERCENTAGE^a CDBG FUNDS BUDGETED
BY STRATEGY, 1975-1979



^a Percentage rounded.

Table IV-1
 Percent of CDBG Dollars Budgeted to Each
 of the Subpreservation Strategies, Year-by-Year
 1975-1979

Preservation Substrategies	1975	1976	Year 1977	1978	1979
Heavy ^a Rehabilitation	8%	14%	14%	14%	20%
Moderate ^b Rehabilitation	7	10	11	11	9
Light ^c Rehabilitation	3	7	10	10	6
Very Light ^d Rehabilitation	3	5	6	8	4

IV-8

^aFunding of rehabilitation represents at least **50%** of total area funding.

^b**Funding** of rehabilitation represents at least **25%** but less than **50%** of area funding.

^cFunding of rehabilitation represents at least **10%** but less than **25%** of area funding.

^d**Funding** of rehabilitation represents less than **10%** of area funding.

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Applications.

The increase in general development is also related to changes in the relative attention given to component activities, especially rehabilitation and public works. The recent increase in this strategy results primarily from a rise in the funding of citywide housing rehabilitation rather than from a rise in public works. Table IV-2 shows that between 1978 and 1979 the funding allocated to citywide rehabilitation increased from 4 percent to 8 percent. Funding for public works also increased, but at a much lower level.

This increase in the citywide rehabilitation aspect of general development represents an effort by entitlement communities to supplement the concentrated rehabilitation provided through the neighborhood preservation strategy with a program to reach needy households regardless of neighborhood location. Much of this assistance is directed towards elderly and low income families who reside outside areas targeted for concentrated treatment.

Table IV-2
Percent of General Development from Citywide
Housing Rehabilitation and from Other Activities,^a
1975 to 1979

Year	Citywide Housing Rehabilitation	Other Activities	Total General Development
1975	2	21	23
1976	2	15	16
1977	2	13	15
1978	4	12	15
1979	8	12	20

^a Includes citywide and subarea public works, public facilities and public services.

The other noteworthy trend in the fifth year funding pattern is the virtual halt in the decline of neighborhood redevelopment. After falling from 28 percent in all project dollars in 1975 to 16 percent in 1978, it fell only to 15 percent in 1979. This may signal that communities have reached a nadir in disengaging from the former urban renewal efforts and have now settled on a level and type of redevelopment that is consistent with the strategies they are pursuing with their CDBG programs.

Since the beginning of the CDBG program, when the new and more flexible Housing and Community Development Act took effect, many cities have been eager to turn their community development funds toward strategies other than redevelopment. This has been clearly evident in the sharp decline in the funding allocated to redevelopment efforts which occurred in the first three years. Cities now are carrying out a level of redevelopment that does not cut too deeply into their CDBG strategies and yet maintains their commitments to existing redevelopment projects.

mixed strategy, have not changed appreciably. After five years, economic development still hovers at 16 percent, only a few tenths of a percent lower than in 1975. Similarly, mixed preservation and redevelopment, which relies on a balance of rehabilitation, acquisition and demolition, has remained between 8 and 10 percent.

Strategy Variations by Regional and City Characteristics

The national patterns identified thus far are not always constant across the country. To examine possible differences, this next section discusses variations in strategies among different regions and types of cities.^{12/} Five characteristics^{13/} are examined. They are: ^{14/} U.S. Census Region, ^{15/} prior categorical experience, ^{16/} urban distress, ^{17/} 1976 city population size, and metropolitan status.

^{12/} Although all strategies were analyzed by each of the five characteristics, only those differences that proved important or relevant are included in the text.

^{13/} 1970 U.S. Census Bureau definition.

^{14/} Includes cities which had urban renewal, neighborhood development, or model cities program experience.

^{15/} Based on percent in poverty, population gain between 1970-1976, percent housing built before 1939, percent families with female heads, and percent unemployment, 1975.

^{16/} City population size is divided into three categories: Small, less than 1,000,000; medium, between 100,000 and 249,999; and large, greater than 250,000.

^{17/} Divided into central cities and suburban municipalities.

Neighborhood Preservation: Widely Used Across All Regions

For the five program years taken as a whole, neighborhood preservation is used widely across all regions of the country. In the Northeast and Northcentral regions, around one-third of all project dollars go to neighborhood preservation. Similarly, the West places a strong emphasis on preservation, allotting over 40 percent to this strategy. Even the South, which has the lowest funding effort for preservation (33 percent), is only a few percentage points below the national level of 36 percent (Chart IV-3).

The preservation strategy is also widely used among cities with different levels of distress. Both the most distressed and the moderately distressed communities allocate about 36 percent of their budgets to this strategy, with the least distressed communities allocating 32 percent (Chart IV-3).

The widespread use of neighborhood preservation was not always the case. In the first year of the program, it was used more extensively in the Northeast and West than in the other regions. Similarly, there was also an uneven use between cities with and without categorical experience. In the initial program year cities with little or no outstanding experience with or commitments to former categorical programs emphasized neighborhood preservation, while cities which had commitments or past experience with the prior categorical efforts budgeted did not. Finally, the most distressed cities relied less heavily on preservation than the least distressed cities (Table IV-3).

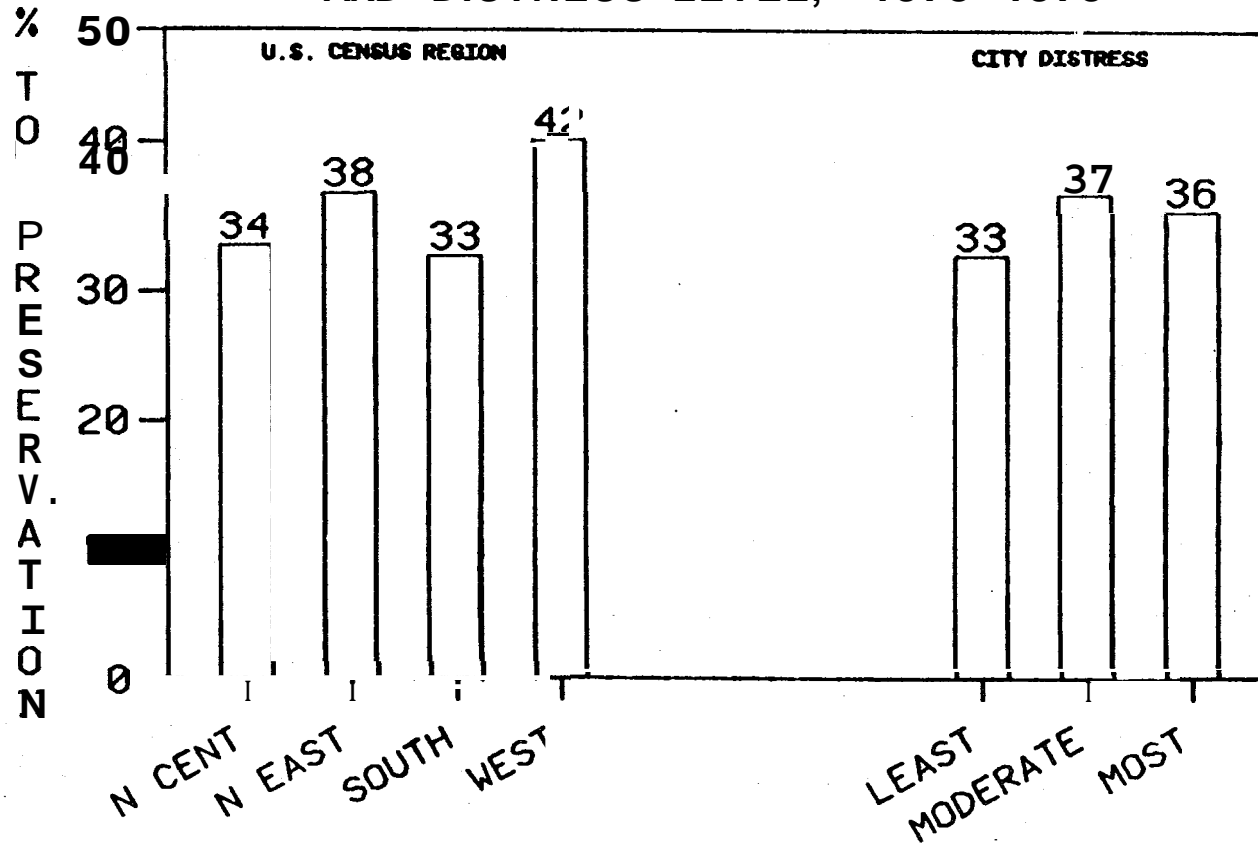
The limited emphasis on neighborhood preservation evident in the early period of the program is related to several factors, among them the outstanding commitments to prior categorical programs and lack of experience most cities had with housing rehabilitation. Only a few rehabilitation programs, such as Section 312 of the 1964 Housing Act and Section 115 of the 1965 Housing Act, were available prior to CDBG. When housing rehabilitation became both an eligible and sought after activity under CDBG, cities had to build the capacity to carry out extensive rehabilitation programs and to combine rehabilitation with other kinds of activities in support of neighborhood preservation.

York, Pennsylvania provides an illustration of a city that has built local capacity to carry out neighborhood preservation. — Early in the CDBG program, the city had limited experience with neighborhood conservation. Only a few people in the local government were involved with it. The lending institutions as well had minimal experience in government sponsored housing rehabilitation efforts. However, after a concerted effort by individuals in the planning department and by a new CD Director, the preservation program took shape.

18/ York, Pennsylvania, CDBG Case Study, U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, 1979.

Chart IV-3

PERCENT OF CDBG FUNDS ALLOCATED TO
NEIGHBORHOOD PRESERVATION BY U.S. CENSUS REGION
AND DISTRESS LEVEL, 1975-1979



IV-12

Table IV-3
 Percent of CDBG Dollars Budgeted
 To Neighborhood Preservation, 1975,
 By Selected City Characteristics

City Characteristics	Percent
U.S. CENSUS REGION:	
Northcentral	15%
Northeast	26
South	19
West	26
PRIOR CATEGORICAL STATUS:	
Prior Status	20
None	40
DISTRESS:	
Least	29
Moderate	27
Most	18

Within the first two years, the city identified several target neighborhoods, decided on the types of actions that would be beneficial to these areas, and developed a multiyear plan for accomplishing its objectives. As the program gathered momentum and visible results became evident--yielding 300 rehabilitated properties, four renovated parks, and the resurfacing and recurfing of a number of streets and sidewalks--it increasingly captured the attention of citizens and elected officials with the result that even greater resources were allocated to it.

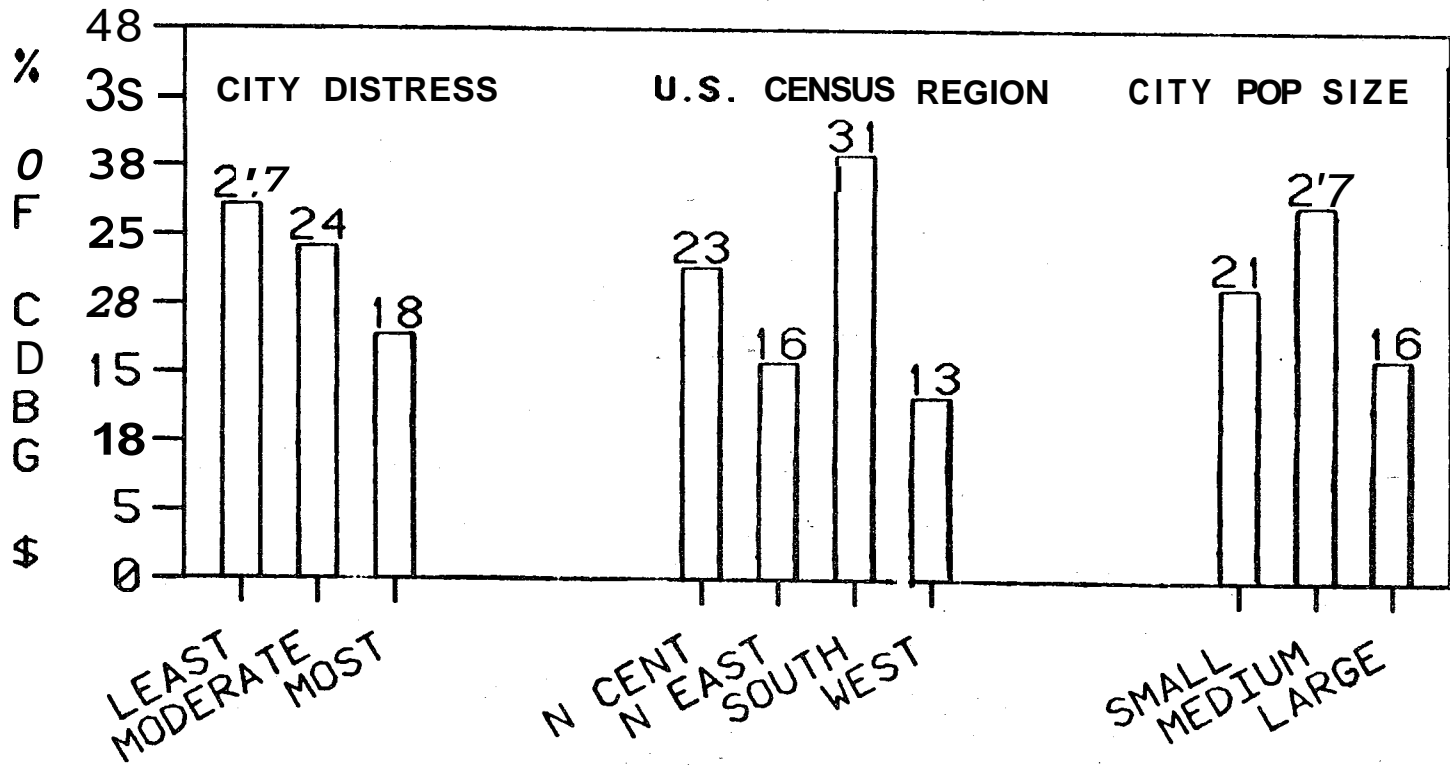
Redevelopment: Used Predominantly by Less Distressed and Smaller Cities

While neighborhood preservation is widely used among regions and cities with varying characteristics, redevelopment is more likely to be emphasized in certain regions and types of cities. Taking all five program years together, redevelopment is pursued mainly by the less distressed cities, cities outside the Northeastern area of the country, and smaller cities (Chart IV-4).

Among all sample cities, it is clearly the least distressed cities that emphasize redevelopment. Over a quarter of the project money going to the least distressed cities is budgeted for redevelopment, compared to 18 percent for the most distressed cities (Chart IV-4).

Chart IV-4

PERCENT OF CDBG DOLLARS BUDGETED TO
NEIGHBORHOOD REDEVELOPMENT BY SELECTED CITY
CHARACTERISTICS, TOTAL, 1975-1979



IV-14

Cities pursuing a redevelopment strategy are more likely to be located in the Southern region than in the Northeast and Northcentral regions. During the five years of the program, sample cities in the South budgeted slightly more than 30 percent of their funds to redevelopment, while cities in the Northcentral region allocated 23 percent and those in the Northeast budgeted 16 percent (Chart IV-4).

Portsmouth, Virginia and New Haven, Connecticut provide illustrations of this regional contrast. Both had vigorous redevelopment efforts under the urban renewal program. Both achieved recognition for their endeavors. Under CDBG, however, only Portsmouth has continued to invest a large portion of its entitlements to redevelopment, budgeting 60 percent compared to 35 percent for New Haven.

Besides this striking difference among the regions, redevelopment also varies by city size. Larger cities tend not to incorporate redevelopment heavily into their plans. Over the entire five years, large cities have budgeted 16 percent of the CDBG funds for redevelopment compared to 27 percent for medium sized cities and 21 percent for small cities (Chart IV-4).

For most cities, but especially large cities, these cumulative funding levels reflect decreasing commitments to redevelopment in each program year. A comparison of the budget allocations of large cities and small cities for the first and fifth year of program illustrates this. From 1975 to 1979, both large and small cities decreased their allocation to redevelopment, but the large cities exhibited a greater decline, reducing their effort by more than half while small cities reduced their commitment by about a third (Table IV-4).

Several factors may explain the limited and declining use of redevelopment in the large and more distressed cities. First, the magnitude of the needs in these distressed communities makes it difficult to embark on redevelopment efforts which often consume a large portion of the CDBG budget and are restricted to a few areas. Second, the CDBG citizen participation requirements which facilitate broad-based neighborhood competition for funding add to the predilection of deemphasizing large, highly concentrated redevelopment efforts. Third, many of the larger and more distressed communities had extensive redevelopment programs under the prior categorical grants, so that at least some of their greatest redevelopment needs have already been addressed.

Mixed Redevelopment and Preservation: Emphasized by Distressed Cities

Those cities placing CDBG resources into the mixed redevelopment and preservation strategy are just the opposite of those emphasizing the pure redevelopment strategy. Cities which provide funding at a level higher than the national average for the mixed strategy are distressed cities, central cities, large cities, and cities without prior categorical experience. Chart IV-5.

Table IV-4
 Percent of CDBG Dollars Budgeted
 to Redevelopment, Year-by-Year,
 1975-1979, by City Population Size

Year	^{a/} City Population Size	
	Small	Large
1975	27	23
1976	23	26
1977	23	10
1978	14	13
1979	20	11

^{a/} Small cities are cities with less than 100,000; large, greater than **250,000**.

The largest variation is between the most and least distressed cities, with the most distressed budgeting 13 percent for mixed strategy and the least distressed allocating 5 percent. Other variations by city characteristics are also evident but they are much less pronounced. Suburban jurisdictions budgeted 6 percent to mixed redevelopment and preservation compared to 10 percent for central cities; large cities budgeted 10 percent against 8 percent for small cities, and categorical municipalities allocated 9 percent compared to 40 percent for non-categorical cities (Chart IV-5).

These variations, while not always large, have been consistent throughout the five years of the program. Year-by-year allocations are presented for central cities and suburban jurisdiction as a representative case (Table IV-5). These allocations show that central cities have consistently budgeted more for the mixed strategy in each of the five years than did suburban cities.

The use of mixed strategy, which combines some acquisition and demolition activity with housing rehabilitation, appears to be the route the larger, more distressed and former categorical cities are taking to deal with redevelopment problems under CDBG. In other words, this modified redevelopment approach is apparently viewed by these cities as the most feasible way to use CDBG funds for redevelopment needs, given competing needs and, importantly, the current availability of other kinds of grants, such as the Urban Action Development Grant,^{19/} for major redevelopment.

^{19/}

The Urban Development Grants, available since FY 1978, can be used for industrial projects, commercial projects or neighborhood projects. Housing and Community Development Act of 1977, Public Law 95-128.

Chart IV-5

PERCENT OF CDBG DOLLARS ALLOCATED TO MIXED PRESERVATION AND REDEVELOPMENT BY SELECTED CITY CHARACTERISTICS, 1975-1979

IV-17

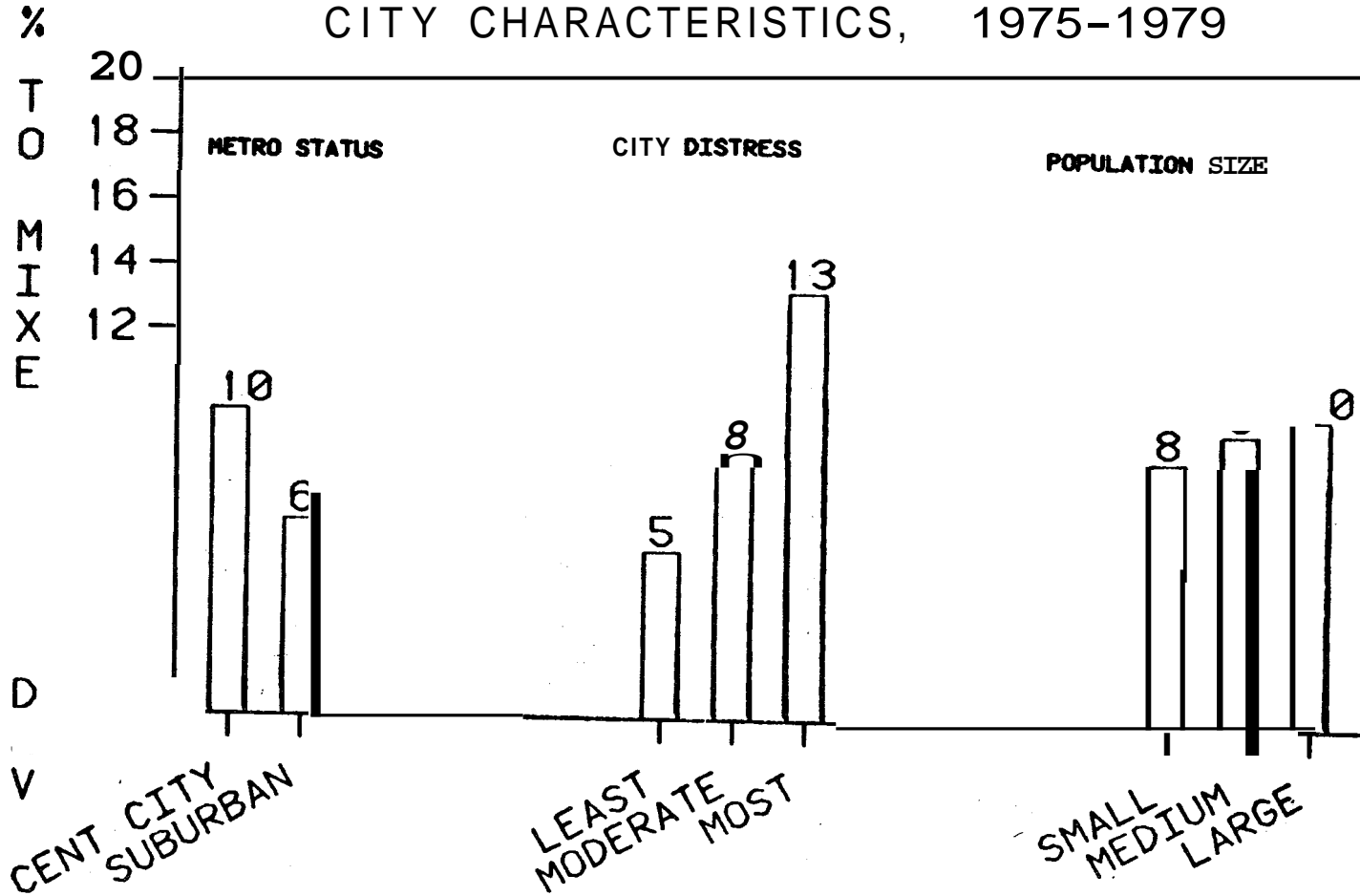


Table IV-5
 Percent of CDBG Dollars Budgeted
 to Mixed Preservation and Redevelopment, Year-by-Year,
 1975-1979, by City Population Size

Year	a/ City Population Size	
	Small	Large
1975	27	23
1976	23	26
1977	23	10
1978	14	13
1979	20	11

a/

Small cities are cities with less than 100,000; large, greater than 250,000.

General Development: Two Distinct Patterns

For the five years of CDBG experience, entitlement cities of all regions and types utilize general development to about the same degree. Western cities allocated 19 percent of their budget for this strategy compared to 18 percent for the Northcentral cities, 18 percent for Southern cities and 16 percent for Northeast cities. Nearly equal levels of funding are also evident when central cities are compared to suburban cities, and large cities are compared to small cities (Chart. IV-6).

In part, general development has experienced relatively uniform use because it can readily be implemented on a citywide basis as well as on a neighborhood or subarea basis.^{20/} At the citywide level, the general development strategy

20/ As in the case of neighborhood preservation, the analysis for 'general development covers both the overall strategy and component substrategies. Substrategies for general development are defined below:

Subarea General Development

Census Tract general development substrategies: (no rehabilitation, acquisition or demolition is planned)

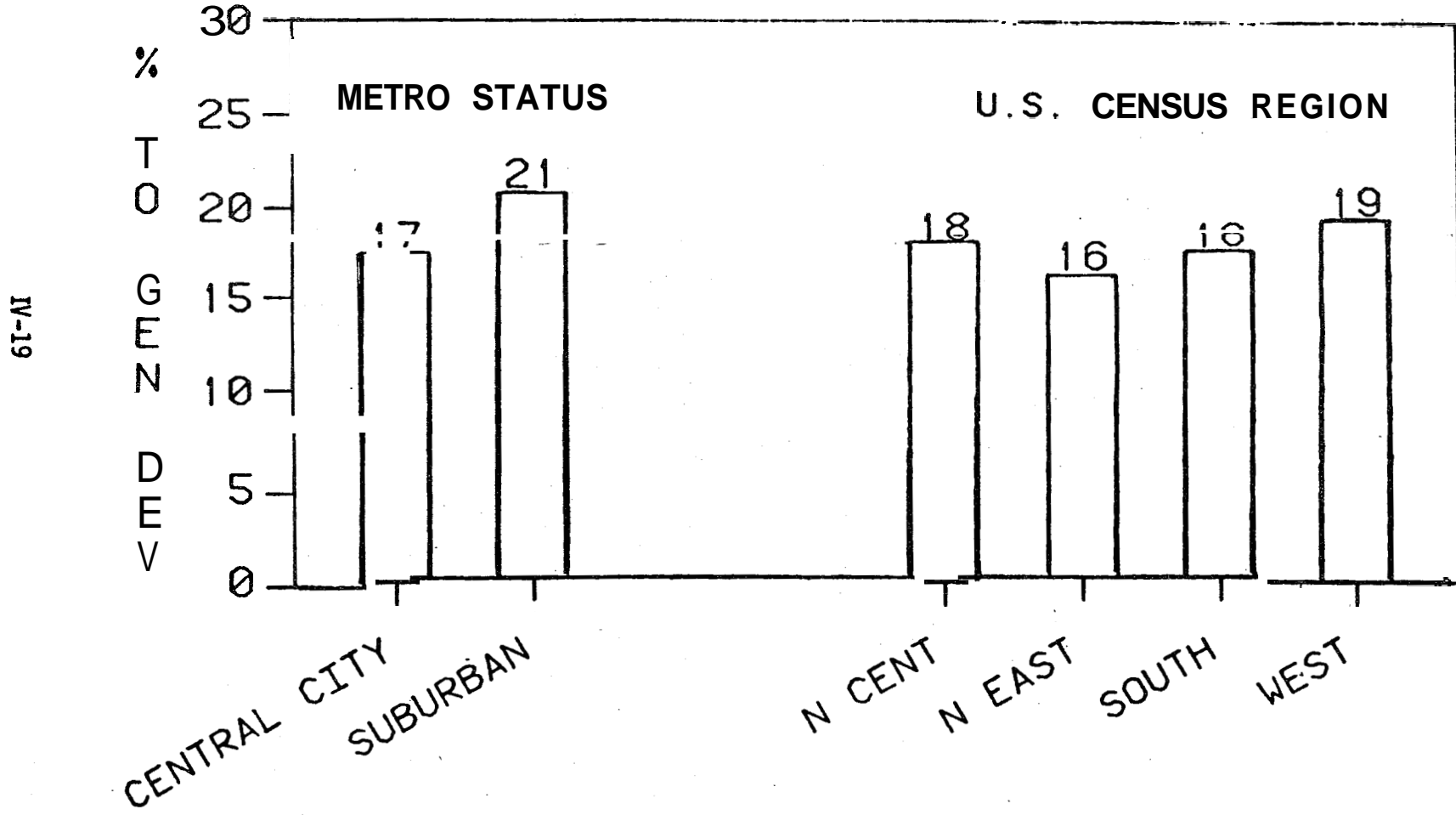
- a. Public works dollars are twice that of public facilities and public service dollars,
- b. Public facilities/service dollars are twice that of public works.
- c. Neither is twice the other.

Citywide General Development

Any activity--rehabilitation, public works, acquisition, etc.--which is planned for use anywhere in the city.

Chart IV-6

PERCENT OF CDBG DOLLARS ALLOCATED TO GENERAL DEVELOPMENT BY METROPOLITAN STATUS AND U.S. CENSUS REGION, 1975-1979



IV-19

affords the communities with an opportunity to focus on problems regardless of where they occur, as in the case of elderly populations or handicapped persons. At the subarea level, it permits concentration on one or several area specific problems by providing public works, facilities or services. The subarea general development strategy is frequently used to alleviate urgent needs such as ruptured sewers, flooding, or street conditions as well as pressing needs expressed by senior citizens, handicapped persons, and other neighborhood residents.

A project in Alexandria, Virginia illustrates one use of general development at the neighborhood level. The area in question had a large elderly population. For years, no special community center facilities were available to this population although in other respects the neighborhood had no substantial CD needs. The city decided to renovate a city owned building to serve as a community center for the elderly of the area. With the exception of some additional funding for transportation, no other CDBG dollars were targeted to the neighborhood.

While use of the general development strategy is fairly common across many different types of cities, several of its component ^{21/}substrategies--especially subarea public works and citywide development--are used more heavily by certain kinds of cities. The subarea public works component of the general development strategy, which consists of public works without the presence of any housing rehabilitation, is emphasized by cities with growth characteristics. Southern cities, for example, use it more than Northeastern cities; suburban cities more than central cities; and small cities more than large cities (Table IV-6).

For the other component of the general development strategy--citywide development--which is used more by some kinds of cities than others, the pattern shifts. It is more distressed cities along with the Northeastern and Northcentral cities that budget at a level higher than the national average (Chart IV-7).

In large part, differences in need and demand explain these variations in general development substrategies. Cities with growth characteristics have greater need for public works because of the pressures of expansion, while distressed cities and cities in the Northcentral and Northeast cities face the problem of competing citizen pressures for rehabilitating old and deteriorated housing and repairing the infrastructure in many sections of the city.

Economic Development: Shift in Types of Cities

Where cumulative funding patterns are examined for all five program years, there is very little difference in the types of cities which are emphasizing

^{21/} Includes a substantial amount of housing rehabilitation.

Table IV-6
 Percent of CDBG Dollars Budgeted To Subarea Public
 Works General Development Strategy, Total, 1975-1979

City Characteristic.	Percent
<u>U.S. CENSUS REGION</u>	
North Central	2
Northeast	2
South	7
West	3
<u>METROPOLITAN STATUS</u>	
Central City	3
Suburb	5
<u>CITY POPULATION SIZE</u>	
Small	4
Medium	3,
Large	3

economic development strategy, but where funding patterns are examined on a year-by-year basis, it is evident that the kinds of cities pursuing economic development in 1979 are different from those emphasizing this strategy in 1975. In 1975, cities pursuing an aggressive economic development strategy were cities with prior categorical experience, the most distressed cities, and the cities in the Northeast and Northcentral part of the country.

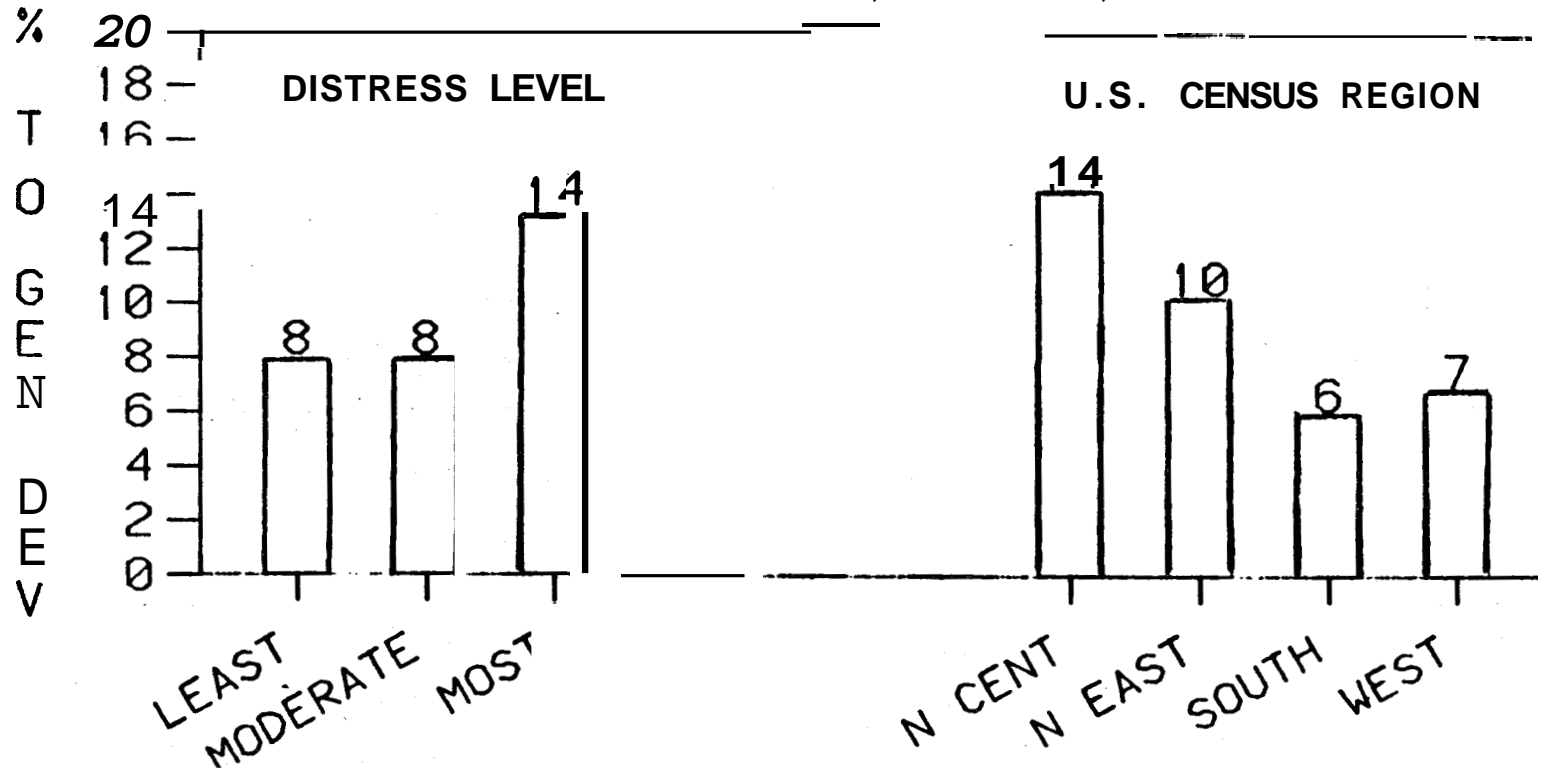
Cities with prior categorical experience budgeted 17 percent of their 1975 dollars for economic development compared to 10 percent for cities without prior categorical experience with Urban Renewal, NDP or Model Cities Programs. The difference between the most and least distressed was equally as large. The most distressed communities allocated almost a quarter of their 1975 budgets to economic development in contrast to the least distressed cities which allocated 13 percent (Table IV-7).

By 1979 a gradual shift in the types of cities emphasizing economic development that had been taking place since the second year of the program became clear. No longer was it the older, Northeastern city, or the distressed city that budgeted heavily for economic development. In its place, was the Southern city, and the city without prior experience with HUD categorical programs (Table IV-7).

The shift that has taken place in types of cities emphasizing economic development is a result of several factors. In most cases, the early emphasis

Chart IV-7

PERCENT OF CDBG DOLLARS BUDGETED TO CITYWIDE
GENERAL DEVELOPMENT BY CITY DISTRESS AND
U.S. CENSUS REGION, TOTAL, 1975-1979



IV-22

Table IV-7
 Percent of CDBG Dollars Budgeted to
 Economic Development by Selected City
 Characteristics, 1975 and 1979

City Characteristics	Year		Five-Year Total
	1975	1979	
<u>Categorical Status:</u>			
Categorical	17	15	16
Non-Categorical	10	26	18
<u>City Distress:</u>			
Least	13	13	13
Moderate	12	16	14
Most	24	14	16
<u>U.S. Census Region</u>			
Northcentral	18	16	17
Northeast	22	16	21
South	14	21	11
West	14	13	16

on economic development by large cities, distressed cities and categorical cities was a result of the fact that these communities had on-going economic development efforts funded under prior categorical grants, primarily through the urban renewal program. Subsequent decline in emphasis on economic development occurred, in part, because of the extensive neighborhood pressure to fund other strategies, such as neighborhood preservation.

Several possible explanations can be offered for the increase in economic development emphasis among the less distressed cities, suburban cities and smaller cities. First, in many cases, these communities did not participate in the prior categorical programs and as a result had unmet needs for economic development. Second, other programs, such as the UDAG program, are not always available to these less distressed localities. Third, for smaller, less distressed cities, even a moderate economic development package would have some visible effect relative to the size and need of the community; whereas, the same would not likely be the case in a large, highly distressed city.

Targeting of CDBG Strategies Within City Boundaries

The last issue examined in this chapter is the targeting effects of the major community development strategies. Of particular interest, given the legislative mandate, is the extent to which CDBG strategies are placed in low and

moderate income tracts and in tracts which exhibit a high degree of distress. ^{22/} Also of interest is the degree to which these strategies are carried out in a concentrated fashion. For this, the size of the projects ^{23/} where these strategies are planned is computed.

Five-Year Total Funding: Most Strategies Targeted to Low Income and Moderate Income and Distressed Neighborhoods

For four of the five strategies, over half of all project dollars are in low and moderate income areas and in most distressed areas (Table IV-8). Exactly 72 percent of redevelopment funds are in low and moderate income areas and 69 percent are in the most distressed areas. Approximately 70 percent of all economic development funds are also in low income and distressed areas, Only for general development does the level of funding targeted to these areas drop below one half. Approximately 40 percent of the funding allocated to general development is directed to low and moderate income areas and slightly over 30 percent to the most distressed areas. Neighborhood preservation falls in the mid-range of benefit levels among strategies. Almost 59 percent of the dollars budgeted for this strategy is targeted to low and moderate income areas and 54 percent to the most distressed tracts.

Five-Year Trends: Strategies More Targeted to Low Income and CD Distress Since 1976

After a decline in targeting between 1975 and 1976, all strategies have shown fairly consistent increases in targeting. All strategies show more targeting to low and moderate income areas in 1979 than in 1976. In only a few cases has there not been an increase in each year since 1976. For example, for both the economic development and general development strategies, targeting

22/ Low and moderate income tracts are those which have more than half of the families below 80 percent of the SMSA median family income. Census tract distress is measured by percent population in poverty, structures built before 1939, percent homeownership, and median family income. Tracts in the bottom 30 percent of the distress scores are considered most distressed.

It should be noted that the discussion of low and moderate income benefit in this chapter is related to strategies not to overall program benefit. Thus, the figures presented are somewhat different from those presented in Chapter II which discusses overall program benefit.

23/ Project size is derived by dividing the total number of dollars allocated to a strategy by the number of census tracts funded in carrying out that strategy.

Table IV-8
 Percent of CDBG Dollars for Each
 Strategy in Low and Moderate Income and Distressed
 Census Tracts, Totals, 1975-1979

Strategy	Percent in Low/Mod Tracts	Percent in Most Distressed Tracts
Neighborhood Preservation	59	54
Neighborhood Redevelopment	72	69
Mixed Preservation and Redevelopment	62	56
General Development	38	30
Economic Development	71	72

Table IV-9
 Percentage of Dollars in
 the Neighborhood Preservation
 Substrategies Targeted to Low
 and Moderate Income Census
 Tracts, Total, 1975-1979

Preservation Substrategies	Percent to Low/ Mod Tracts
Heavy Rehabilitation	57
Moderate Rehabilitation	58
Light Rehabilitation	61
Very Light Rehabilitation	67

increased in every year since 1976, except one year (1977-78) in the case of economic development and one year (1978-79) in the case of general development (Table IV-10).

Table IV-10
Percent of Dollars in Each Strategy
Targeted to Low and Moderate Income Tracts,
Trends, 1975-1979

Strategy	Year				
	1975	1976	1977	1978	1979
Preservation	62.8	55.6	60	60	59
Redevelopment	75	75	63	71	74
Mixed	54	54	64	66	71
General Development	42	32	34	44	37
Economic Development	76	67	72	68	73

Only the preservation strategy has not shown consistent increases. Again, this reflects the difficulty of implementing an approach which emphasizes rehabilitation in areas where income levels are often **not** sufficient to sustain loans and where the occurrence of homeownership is low.

The high percentage of redevelopment and economic development dollars going into low and moderate income areas is, in part, a carry over from the prior categorical programs when these efforts were required to be focused in the most blighted areas. The low percentage of general development dollars budgeted for low and moderate income areas and distressed areas is explained by the purpose and intent of general development. This strategy is frequently intent of general development. This strategy is frequently used to address community wide or neighborhood specific problems regardless of where in the community the problems occur. Additionally, the general development strategy often provides very limited assistance, which makes it best suited to the smaller sized problems in the less distressed areas.

The moderate targeting of preservation is related to the difficulties sometimes encountered in carrying out concentrated, extensive housing rehabilitation in lower income areas. Households in these areas do not always have enough residual income to feel secure in taking on even low interest loans. In addition, these areas are frequently characterized by low homeownership and

absentee ownership of rental units, both of which add complexity to the process of rehabilitation.^{24/}

The limiting effect of rehabilitation on the targeting of the neighborhood preservation strategy can be seen more clearly when the preservation strategy is divided into its substrategies. The preservation substrategies which have the greatest emphasis on housing rehabilitation have the smallest percentage of dollars in low and moderate income areas while the preservation strategies with the least emphasis on rehabilitation have the largest percentage of dollars in these areas. Table IV-9 shows that both heavy rehabilitation and moderate rehabilitation have smaller proportions of dollars (57.2 percent and 55.7 percent respectively) in low and moderate income tracts than is the case for light and very light rehabilitation (61 percent and 67 percent).

Trends in Project Size: Preservation Based Strategies Getting Larger

In general, the average size (as measured by dollar amounts devoted to concentrated activities) of strategies related to activities begun under the previous categorical programs is declining while the size of those associated with the evolution of the CDBG program are growing. The average size of projects carried out through the redevelopment and economic development strategies is clearly declining. In contrast, projects carried out through the more newly initiated strategies, especially rehabilitation oriented neighborhood preservation strategies, have experienced growth,

Excluding 1975, average project size has increased for three of the four preservation strategies. The heavy rehabilitation strategy went from an average project size of \$88,949 in 1976 to \$101,960 in 1979. Gains of slightly larger magnitude were the evident projects implemented under the moderate and light rehabilitation strategy. Only projects funded as part of the very light rehabilitation strategy, which is based mainly on public works, declined in average project size (Table IV-11).

Growth in average project size was also recorded between 1976 and 1979 for the mixed preservation and redevelopment strategy and the general development strategy. Both experienced rather substantial gains. Projects related to the mixed strategy went from \$140,485 in 1976 to \$201,888 in 1979; those related to the general development strategy went from \$119,079 in 1976 to \$214,810 in 1979 (Table IV-11).

^{24/} 68 percent of the funds for rehabilitation go into tracts where homeownership is between 25 and 75 percent; 25 percent go into tracts where homeownership is less than 25 percent.

Table IV-11
 Project Size For Each Strategy, Year-By-Year,
 1975 - 1979

Strategy Groups	1975	1976	1977	1978	1979
Heavy Preservation	\$118,812	\$ 88,949	\$101,401	\$ 87,299	\$101,960
Moderate Preservation	190,833	144,286	136,724	136,724	179,868
Light Preservation	294,916	141,344	177,032	164,444	187,010
Very Light Preservation	274,467	286,494	219,890	264,992	163,745
Redevelopment	292,863	322,106	316,450	268,469	224,009
Mixed Preservation/ Development	289,169	140,485	235,846	233,803	201,880
General Development	155,170	119,079	105,730	161,218	214,801
Economic Development	311,979	194,490	208,268	161,943	152,085

CHAPTER V

PROGRESS IN IMPLEMENTING CDBG STRATEGIES: AN ANALYSIS OF EXPENDITURE RATES

Introduction

The previous chapter in this report focused on the strategies planned by local communities to carry out their CDBG programs. In this chapter, attention is turned to the progress communities have made in carrying out these strategies. This chapter discusses progress in relation to the five major community development strategies.^{1/}

Following the pattern presented in the Fourth Annual Report,^{2/} progress is measured primarily through expenditure rates.^{3/} Expenditure rates are

-
- ^{1/} The five strategies are: Neighborhood Preservation, Redevelopment, Mixed Preservation and Redevelopment, General Development, and Economic Development.
 - ^{2/} U.S. Department of Housing and Urban Development, Fourth Annual Community Development Block Grant Report, Washington, D.C., Chapter IV.
 - ^{3/} Two caveats regarding the use of expenditure rates as progress measures are necessary. First, expenditure rates are a process measure rather than a direct outcome measure. Therefore, a high expenditure rate is a necessary but not sufficient condition to assume that a program is being implemented expeditiously. For example, a city could conceivably have a high expenditure rate but spend the funds so inefficiently that outcomes are negligible. Thus, a high expenditure rate for a particular city or the entire program is not sufficient evidence to conclude that the CDBG program is efficient. On the other hand, a low expenditure rate indicates a potential problem. A second limiting characteristic of the expenditure data in this report is that they do not include reprogramming--shifting funds from one budget category to another. Therefore, if a city changed its plans from public works to public services, the expenditure rate would show a low public works expenditure rate because the budgeted dollars reflect earlier goals. The low drawdown rate would, however, correctly show that progress towards the old set of goals **was** slow. Likewise, if funds were shifted towards public services, the expenditure rate would be high because the level of spending would reflect the shift towards public services. Unfortunately, the extent of reprogramming is unknown.

the ratio of dollars spent to dollars budgeted. In this year's examination of expenditure rates, however, it is possible to provide a more extensive analysis than last year. This year, expenditure rates are available for two cumulative periods, 1975 to 1977 and 1975 to 1978.^{4/}

With expenditure data for both the first three years of the program (1975-1977) and the first four years (1975-1978) it is now possible to determine whether cities are improving the rate at which they are implementing their plans. Last year, it was not possible to present trend data because data were available only for cumulative expenditures through 1977.

Using both the four-year cumulative expenditure rates and the three-year cumulative rates, several types of analysis are completed in this chapter.^{5/} First, the national expenditure picture is examined. Second, rates are examined for individual CDBG strategies. Third, the variations in overall strategy expenditure rates by city characteristics are discussed. Fourth, each strategy is examined by the characteristic of the city in which it was implemented. Variations in strategy rates by census tract characteristics are analyzed in the last section.

Summary of Findings

Several important themes recur in the detailed analysis. One of the most consistent findings is that expenditure rates are generally increasing. They are increasing for the national sample, for all the strategies, and for almost all types of cities. This supports a recent study by the Academy for Contemporary Problems that shows capacity building to be an important achievement during the early program years.^{6/}

-
- ^{4/} Expenditure data submitted by cities are on a cumulative basis. Thus, the 1977 reports include expenditures for the first three years of the program, 1975 to 1977 and the 1978 reports cover expenditure for the first four years.
- ^{5/} As in the case of chapter III and chapter IV, the results in this part are based on a sample of entitlement communities. For the period 1975-1977, 145 cities are used; for the period 1975-78 period 137 are used. Fewer cities were available for the 1975-78 periods because of incongruencies between city reporting schedules and deadlines for preparation of the data.
- ^{6/} Academy for Contemporary Problems, "Performance Summary of CDBG Site Visits," Columbus, Ohio, 1980.

Second, while expenditure rates are lower for some strategies, such as heavy public works, these strategies are inherently the most complex to implement. They require extensive coordination and are complicated to carry out regardless of whether the project is funded by CDBG or by other sources.

Third, smaller and medium size cities generally have the highest expenditure rates, even for the more difficult to implement strategies. The explanation for the higher expenditure rate is the less complex administrative environment of these communities and the smaller scale of the projects they undertake.

Fourth, expenditure rates at both the city and project levels are higher for cities which have had extensive experience with the categorical programs that preceded the CDBG program. This is especially true for individual projects. An explanation for this finding is related to capacity building. Local governments which gained experience in the administration of community development activities under previous programs had a fairly well developed management capacity which could be applied to the new CDBG programs. Governments without such experience often did not.

Finally, most cumulative expenditure rates are in the 40-60 percent range. Although the analysis focuses primarily on the relative differences in rates among areas and strategies, the overall similarity of expenditure rates suggest that no area or strategy has an expenditure rate consistently and unacceptably below the others.

National Expenditure Rates and Trends

This section is divided into four subparts. It is designed to provide an overall picture of the third and fourth year cumulative expenditure rates for the five community development strategies. In the initial subpart, the third and fourth year cumulative rates are examined for all the strategies taken together. This affords an assessment of national rates and trends. The next two subparts focus on the individual CDBG Strategies, examining both the four-year cumulative rates and the trends for each strategy. In the final subsection, the concept of marginal expenditure rate is introduced to provide an estimate of how rapidly the most recently received CDBG dollars (1978 funds) are being spent. The second major section discusses variations in expenditure rates by various program and demographic characteristics at the census tract level.

Cumulative Expenditure Rates and Trends: An Improving National Picture

The overall cumulative expenditure rate for the period 1975-1978 is 58 percent.^{7/} During this four-year period, entitlement cities in the sample

^{7/} All expenditure rates in this chapter exclude administrative expenditure rates.

budgeted about 1.3 billion dollars for various strategies and actually spent about .75 billion. This 1978 cumulative expenditure rate is significantly higher than the 1977 cumulative rate of 52 percent. The increase in expenditure rates indicates increasing progress in implementing community development plans (Chart V-1).

Four-Year Cumulative Expenditure Rates For Individual Strategies

While the expenditure rate for all the strategies taken together is nearly 60 percent, the rate varies substantially for several of strategies. Of all the strategy expenditure rates examined, general development has the highest rate while infrastructure-oriented, neighborhood preservation has the lowest. The remaining strategies, with the exception of economic development, are very similar in their expenditure rates and tend to cluster between the rate for general development and the rate for infrastructure-oriented preservation (Table V-1).

General development is the strategy for which cities are able to spend most rapidly. Over the four year period, 1975-1978, nearly three-fourths of the dollars budgeted for this strategy have been expended. Economic development also shows a relatively high rate.

8/ In this section, the neighborhood preservation strategy is discussed in terms of its substrategies. The substrategies are defined in the following manner:

(A) Housing-Oriented Preservation which has rehabilitation at its base and consists of these substrategies:

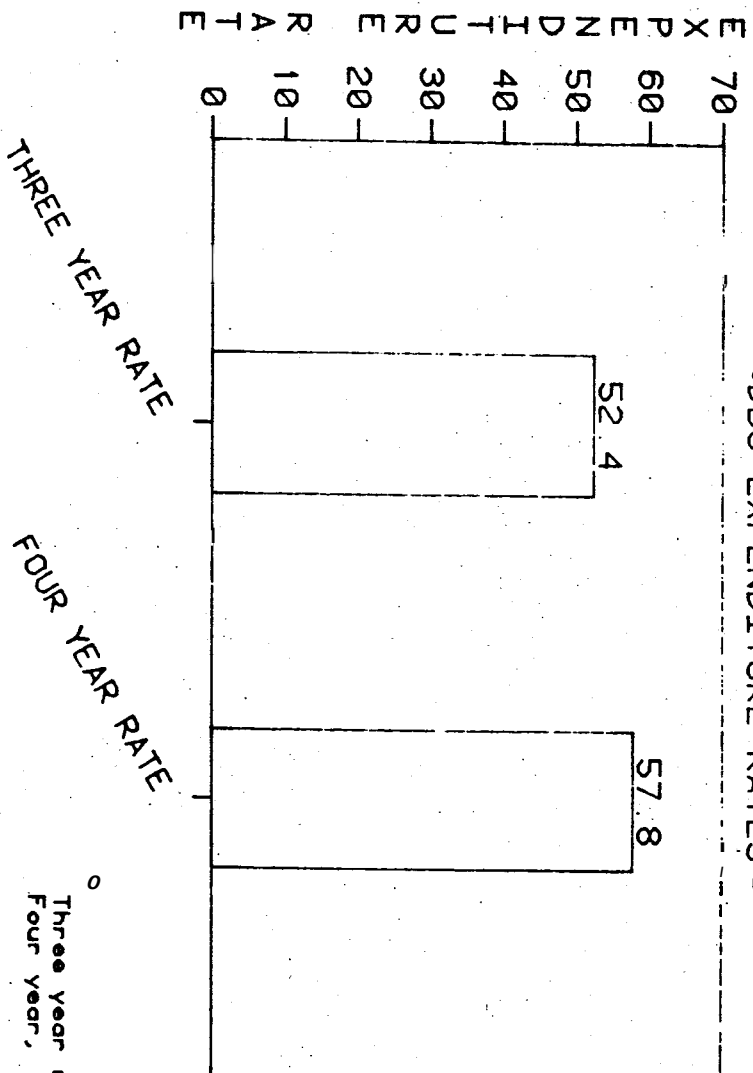
1. Heavy rehabilitation--at least 50 percent of funds go to rehabilitation.
2. Moderate rehabilitation--between 25 and 49 percent of the funds go for rehabilitation.
3. Light rehabilitation--between 10 and 25 percent for rehabilitation; and

(B) Infrastructure-Oriented Preservation which consists primarily of public works and public facilities supplemented by housing rehabilitation and consists of:

4. Very light rehabilitation--less than 10 percent of the funds go for rehabilitation most funds are designed for public works, public facilities or services.

While both these major subdivisions are preservation oriented, they are separately highlighted because of the differences in the implementation process associated with a housing versus a public works orientation.

THIRD AND FOURTH YEAR CUMULATIVE ODBG EXPENDITURE RATES



Three Year rate covers 1975-1977
Four Year, 1975-1978

Table V-1
 Cumulative Expenditure Rates For Local
 CDBG Strategies, 3 and 4 Year Rates

Strategy	Three Year Rate	Four Year Rate	Change
Total Neighborhood Preservation	48	54	6
Housing-Oriented Preservation	49	55	6
Heavy Rehabilitation ^a	48	54	6
Moderate Rehabilitation ^b	50	55	5
Light Rehabilitation ^c	49	56	7
Infrastructure-Oriented Preservation ^d	39	50	11
Redevelopment	50	56	6
Mixed Preservation and Redevelopment	49	53	4
General Development	72	74	2
Economic Development	48	59	11

^a At least 50 percent of dollars in rehabilitation.

^b Between 25-49 percent of dollars in rehabilitation.

^c Between 10-24 percent of dollars in rehabilitation.

Less than 10 percent of dollars in rehabilitation.

Almost **60** percent of all dollars budgeted for economic development has been expended. Well below both of these is infrastructure-oriented preservation, with a rate of less than **50** percent (Table V-1).

The order for the remaining strategies, proceeding from high expenditure rates to low rates is: redevelopment, housing-oriented preservation, neighborhood preservation (all neighborhood preservation substrategies aggregated), and mixed preservation and redevelopment. These range from a rate of **56** percent for redevelopment to **53** percent for mixed preservation and redevelopment (Table V-1).

An examination of these rates shows that the complex strategies that require coordination among a variety of actors have lower expenditure rates than simpler strategies. For instance, infrastructure-oriented preservation has the lowest expenditure rate. This strategy involves a heavy emphasis on public works which require extensive coordination among local agencies, private contractors, and subcontractors.

At the other extreme, general development has by far the highest expenditure rate. Over the first four program years, its rate of expenditure is 74 percent. General development projects are relatively easy to implement because they are frequently single purpose activities which are often tied to continuing programs operated by the cities, such as public works or police, fire and social services.

Trends in Strategy Expenditure Rates: All Strategies Have Increased

Although there is considerable variation in expenditure rates among the strategies, the rate for every strategy has increased. The most dramatic of these increases is for the strategy that had the lowest rate as of 1977--infrastructure-oriented preservation. The expenditure rate for this strategy went from **39** percent at the end of the third year to **50** percent at the end of the fourth year. Even general development, which was already at the high rate of **72** percent, increased to 74 percent. All other increases were four percentage points or greater (Table V-1).

Two factors may explain the large increase in the expenditure rate for infrastructure oriented preservation. First, because these projects are often very large, they require extensive planning and coordination. As a result, they have only recently reached the implementation state where a large share of project costs and expenditures normally occur. Sewage and drainage projects offer one example. Before construction gets underway, these projects require engineering studies, procurement of rights-of-way, biddings, contract negotiations, and intergovernmental coordination. Only after the completion of all these efforts are major expenditures made.

A second factor related to the increase in expenditure rates for infrastructure-oriented preservation is the improved organizational and managerial capacity of agencies responsible for community development projects. With four

years of experience these agencies are better able to handle and deliver large and complicated projects.

Among the other strategies, the expenditure rate for economic development has also increased substantially. At 48 percent in the first three years, it has risen to 59 percent for the four-year cumulative rate. Behind this increase is the fact that cities are moving to smaller projects^{9/} and consequently, projects are more quickly implemented. These smaller projects often employ leveraging techniques designed to attract or supplement more comprehensive endeavors. In addition, some smaller projects are neighborhood commercial efforts which are simple to implement. In both these cases, the smaller project size permits more rapid implementation.

Marginal Expenditure Rates

While cumulative expenditure rates have risen between 1977 and 1978 for all strategies, the extent of the increases generally has been small to moderate. One reason for this is that recent expenditures are compared to a large backlog of unspent funds accumulated during early program years. A better way of measuring spending progress--particularly if progress is defined to mean the relative year to year increase in the capacity to spend--can be employed by assessing marginal expenditure rates. The marginal expenditure rate is the rate that would exist if a "last dollar in first dollar out" accounting concept were used.^{10/} Thus, the marginal expenditure rate ignores the unspent base that has been accumulated and measures the capacity.

The total marginal expenditure rate for all strategies is 81 percent. This means that during the most recent program year, the sample entitlement cities spent about 81 cents of a typical dollar and let 19 cents accumulate. This relatively high marginal expenditure rate shows that cities have greatly increased their capacity to spend program dollars since the early program years,^{11/} and they are now spending their funds almost as fast as they receive them.

^{9/} Between 1975 and 1978 the average dollar size of economic development projects declined from \$311,979 to \$161,943.

^{10/} An example will clarify the concept. After adjusting for size difference, the cities in our sample increased their budgets for Heavy Housing Preservation by \$31,343,835 between 1977 and 1978. They spent \$24,053,748 on the strategy during the same period. Dividing the amount actually spent between 1977-1978 by the increase in the budget results in a marginal expenditure rate of 77 percent.

^{11/} This 80 percent marginal rate understates current progress because it is based on data submitted by cities up to October 1979. More recent projections show that communities are now spending at a rate of almost 100 percent.

Variations in Strategy Expenditure Rates
By City Characteristics

Expenditure rates often vary by city type. In this section, total expenditure rates are examined first by regional and city characteristics to determine where expenditures are moving the fastest and the slowest, regardless of strategy types. In addition, the same analysis is repeated taking each strategy individually in order to determine where each is proceeding, at the fastest and slowest rate.^{13/} Five city characteristics are examined.^{12/} They are ^{15/} U.S. Census Region, ^{13/} prior categorical experience, ^{14/} urban distress, ^{15/} 1976 city population size, ^{16/} and metropolitan status.^{17/}

Four Year Cumulative Rates by City Type: Smaller Cities and Northeastern Cities Spend At the Highest Rate

The rate at which cities are able to spend the funds budgeted through the first four years varies substantially by type of city. The smaller and medium size cities together with Northeastern, Southern, and suburban cities have the highest expenditure rates. In each case, the rate for cities with these characteristics exceeds 60 percent. Showing considerably lower expenditure rates are large cities and Western cities. Cities with these characteristics have expenditure levels below 50 percent. Table V-2 summarizes important variations by city characteristics.

Entitlement cities with prior categorical experience also have relatively high expenditure rates. Their rate is 58 percent compared to a slightly lower rate of 54 percent for cities without such experience. In contrast, almost no difference is found between cities which are the most and least distressed.

^{12/} Although all strategies were analyzed by each of the five characteristics, only those differences that proved important or relevant are included in the text.

^{13/} Map on page V-10 shows the regions.

^{14/} Includes cities which had urban renewal neighborhood development, or model cities, program experience.

^{15/} Based on percent in poverty, population gain between 1970-1976, income gain between 1970-1976, percent housing built before 1939, percent families with female heads, and percent unemployment 1975.

^{16/} City population size is divided into three categories: Small, less than 100,000; medium, between 100,000 and 249,999; and large, greater than 250,000.

^{17/} Divided into central cities and suburban municipalities.

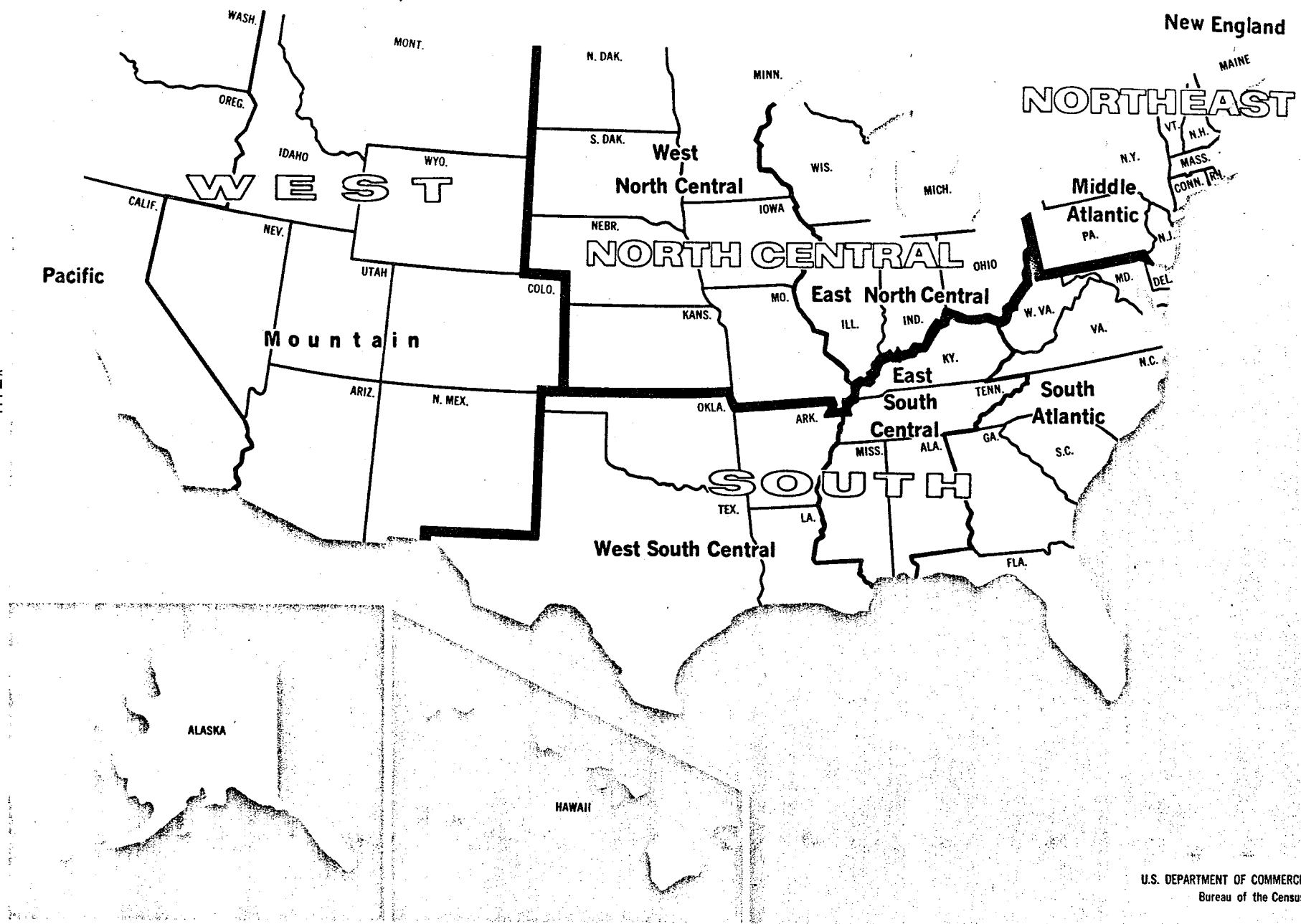


Table V-2
 Three- and Four-Year Cumulative Expenditure Rates
 By Selected City Characteristics

City Characteristics	Three Year Rate	Four Year Rate	Change
<u>Prior Categorical Status</u>			
Prior	52	58	6
None	51	54	3
<u>City Population Size</u>			
Small	58	63	5
Medium	55	63	8
Large	46	49	3
<u>Metro Status</u>			
Central	52	57	5
Suburban	58	65	7
<u>U.S. Census Region</u>			
Northcentral	58	57	-1
Northeast	59	66	7
South	48	62	14
West	43	48	5
<u>City Distress</u>			
Most	47	57	10
Moderate	54	58	4
Least	53	56	3

Among all these factors, city size is clearly related to expenditure rates. For several reasons, smaller cities are able to spend their allocations at fast rates. Often, these cities are not faced with extensive coordination and sign off problems characteristic of major cities. The different departments involved are frequently in the same building or area, thus facilitating execution. In this less structured environment, professional staffs are able to exercise closer day-to-day control over project management. In general, the smaller, more informal environment produces smoother execution.

The two regions which display high expenditure rates, the Northeast and the South, do so for different reasons. At the center of the explanation for the high rates in the Northeast is a long history of involvement in federally funded urban revitalization. This history means that these cities have experienced personnel, ongoing plans, and established organizational networks. In the South, it is the relatively rapid development of this capacity, especially among the generally smaller sized communities, that accounts for high rates.

Trends in Expenditure Rates By City Type: Strongly Performing Cities Continuing To Improve

In almost all the cases where noticeable expenditure improvements were made between the third and fourth program year, it was those cities that were already spending at a high rate that showed the most substantial improvement. Small and medium sized cities, which were among those with high expenditure rates as of 1977, gained 5 and 8 percentage points respectively. Suburban cities and Northeastern cities, which also were among those with high expenditure rates, showed gains of over 5 percentage points. It was only in the South that substantial gains were made among cities which were not among those previously exhibiting high expenditure rates (Table V-2).

Strategy Expenditure Rates By City Type

Neighborhood Preservation Expenditure Rates: Less Distressed Cities Have High Rates

By and large, it is the cities which do not exhibit the characteristics associated with distress that are most able to spend expeditiously for their neighborhood preservation programs. In particular, the least distressed cities are spending nearly 60 percent of the dollars they budget for preservation compared to 47 percent for the most distressed cities (Table V-3). Differences of equal or greater magnitude hold when suburban cities (70 percent) are contrasted with central cities (51 percent) and when small cities (62 percent) are compared against large ones (45 percent). -18/

^{18/} By almost all measures suburban cities are less distressed than central cities and small cities are generally less distressed than large cities. U.S. HUD, The President's Nation Urban Policy Report, Washington, D. C. pp. 37-43.

Table V-3
 Third and Fourth Year Cumulative
 CDBG Preservation Strategy
 Expenditure Rates By Selected
 City Characteristics

City Characteristics .	Three Year Rate	Four Year Rate	Change
<u>City Distress</u>			
Least	40	57	17
Moderate	44	53	9
Most	50	47	-3
<u>Metro Status</u>			
Central City	45	51	6
Suburban	58	70	12
<u>City Population Size</u>			
Small	57	62	5
Medium	44	54	10
Large	42	45	3

Underlying these differences is the prevalence among the less distressed communities of relatively higher incomes and better economic conditions. Both tend to facilitate the distribution of housing rehabilitation loans. It is easier to convince residents and lending institutions to participate in a rehabilitation loan program.

Trends in Neighborhood Preservation Expenditure Rates: Less Distressed Cities Improving the Most

Some of the most noticeable gains in expenditure rates that occurred between the third and fourth program year were recorded for cities that are the least distressed. Expenditure rates among the least distressed cities improved by 17 percentage points. Rates among the most distressed cities remained at about the same level. Similar patterns hold when trend data are examined for city population, with small and medium sized communities showing greater gains than large communities.

As with the four year cumulative rate, the trend data also lend credence to the view that general economic conditions are an important factor related to the speed with which rehabilitation programs, especially those emphasizing loans, can be carried out. Where community economic conditions are better, preservation expenditure rates are increasing.

Redevelopment Expenditure Rates: Affected By a Diverse Set of City Characteristics

Several very different types of cities exhibit high expenditure rates for redevelopment. Among these are small and medium size cities, Northcentral and Southern cities, and cities with prior categorical program experience. No difference in expenditure rate was found between central and suburban cities or between cities reflecting varying levels of distress.

The largest of the differences occurs between medium and large cities, with the medium size cities spending at a 61 percent rate and the large cities spending at a 50 percent rate (Table V-4). Similar differences occur among regions. The South spends at nearly a 60 percent rate for redevelopment compared to 51 percent for the Northeast and West. Smaller but still noticeable differences separate cities with categorical experience (56 percent) from cities without prior categorical experience (51 percent).

Clearly, expenditure rates for the redevelopment strategy are affected by a variety of factors. City size is a general factor in that small and medium size cities exhibit better expenditure rates for most strategies. In other words, the high rate for redevelopment is partly a result of the overall strong effort by these smaller cities. High expenditure rates in the North-central region and among cities with categorical experience are related to the expertise and capacity established in these cities when they were active

participants in the Urban Renewal program. High rates in the South relate to the current emphasis^{19/} and capacity these cities are showing with respect to redevelopment.

Trends In Redevelopment Expenditure Rates: Non-Categorical Cities Show Progress

In many cases, cities which did not participate in the Urban Renewal program did not have the opportunity to build community development capacity in relationship to redevelopment programs. Thus, the lower expenditure rates evident for cities without categorical experience, which are evident in the early years of the block grant programs, are not surprising. As late as 1978 lower redevelopment expenditure rates for cities without prior experience were still evident. Recently, however, these cities have significantly increased their expenditure rates.

Table V-4 shows redevelopment spending patterns in cities with and without categorical experience. The 1978 four year cumulative expenditure rate for categorical cities was 56 percent compared to 51 percent for noncategorical cities. However, the 1978 expenditure rate for noncategorical cities represents an 11 percentage point increase over the 1977 cumulative rate.

The increase in expenditure rates for noncategorical cities, may be attributed to incremental capacity building. The capacity explanation is particularly meaningful with regard to the redevelopment strategy because redevelopment is the kind of activity that requires long range planning and execution.

Other significant increases in redevelopment expenditure rates occurred in the South, where the rate increased by 12 percentage points, and in the West where the increase was about 11 percentage points. Since cities in the South and West gained less experience in redevelopment activities under the Urban Renewal program, this may also be explained by learning and capacity building. These increases are illustrated in Chart V-2.

Mixed Preservation and Redevelopment Expenditure Rate: Many Forces at Work

Many different kinds of cities exhibit high expenditure rates for the mixed strategy (Table V-5). Small and medium size cities have much higher expenditure rates (59 percent and 57 percent respectively) than large cities (38 percent); the Northeastern expenditure rate (68 percent) far exceeds that of all other regions; and cities with categorical experience exhibit a faster spending pace (53 percent) than cities without prior experience (48 percent).

^{19/} The South budgets a greater percentage of its CDBG dollars (31 percent) to redevelopment than any other region.

Table V-4

Third and Fourth Year Cumulative
CDBG Expenditure Rates For
Redevelopment By City Characteristics

City Characteristics	Three Year Rate	Four Year Rate	Change
<u>City, Population Size</u>			
Small	53	56	3
Medium	53	61	8
Large	42	50	8
<u>U. S. Census Region</u>			
Northcentral	60	52	-8
Northeast	49	51	2
South	46	58	12
West	40	51	11
<u>Prior Categorical Status</u>			
Prior	50	56	6
None	40	51	11

Chart V-2

CUMULATIVE REDEVELOPMENT EXPENDITURE RATES BY CATEGORICAL STATUS AND U.S. CENSUS REGION, 1977 & 1978

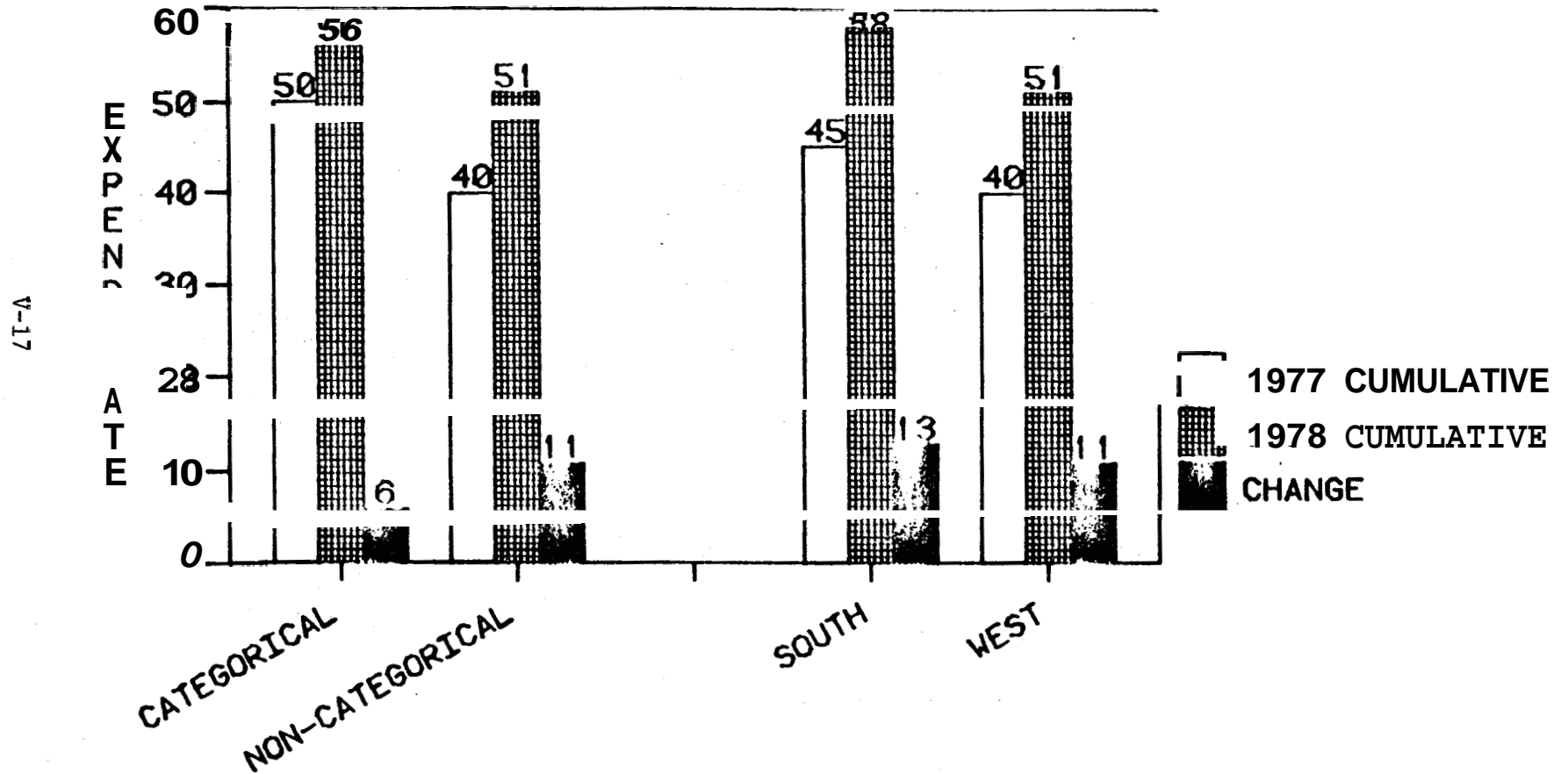


Table V-5

Four-Year Expenditure Rates For Mixed
Preservation and Redevelopment by Selected City Characteristics

<u>City Characteristics</u>	<u>Four Year Rate</u>
<u>City Size</u>	
Small	59
Medium	57
Large	38
<u>U. S. Census Region</u>	
Northcentral	46
Northeast	68
South	52
West	45
<u>Metro Status</u>	
Central	49
Suburban	70
<u>Prior Categorical Experience</u>	
Prior experience	53
None	48

Added to these differences, most of which were evident in the redevelopment strategy, there were also substantial differences between suburban and central cities, with suburban cities spending at a much higher rate (70 percent) than central cities (49 percent).

The diversity in expenditure rates among different kinds of cities which is evident for the mixed preservation and redevelopment strategy reflects the diversity within the strategy itself. Not only does this strategy contain both redevelopment and preservation, but some of the redevelopment projects are carryovers from former' categorical programs while some of the redevelopment projects are new efforts. For this reason, many types of cities have some advantage or experience in executing at least part of the strategy.

Northeastern cities were heavily involved in the categorical programs and now have extensive preservation programs, giving them a clear advantage in this strategy; suburban cities have been allocating more and more of their budgets to redevelopment which has allowed them to build capacity in this facet of CDBG; and small and medium size cities were generally more expeditious in spending of all kinds, a fact which is evident for the mixed strategy as well as for other strategies.

Trends in Mixed Strategy Expenditure Rates: Suburban and Southern Cities Improving

Increases in expenditure rates for the mixed strategy are most apparent for suburban municipalities and southern cities. In both cases, these cities have been taking on more redevelopment activity and have generally been improving their implementation capacity. These cities were not heavily involved in revitalization efforts under the categorical programs and, therefore, have had to build their planning and implementation capacity (Chart V-3).

Four-Year General Development Expenditure Rates: Patterns Differ From Other Strategies

In several important respects, the types of cities that show a high four-year cumulative expenditure rate for general development differ from the types of cities that show high expenditure rates for other strategies. It is not the small cities and suburban cities that have high expenditure rates; rather it is the larger cities, the medium size cities, and the central cities. Large cities are spending over 70 percent of the dollars they budget for general development (Chart V-4).

A partial explanation for the general development expenditure patterns may be that this strategy is most easily integrated into general purpose municipal functions. Therefore, the 'coordination and other start-up problems which are preval'ent for larger places and for the more complex strategies are not as

Chart V-3

THREE YEAR, FOUR YEAR AND CHANGE IN EXPENDITURE RATE FOR MIXED STRATEGY BY METRO STATUS AND U.S. CENSUS REGION"

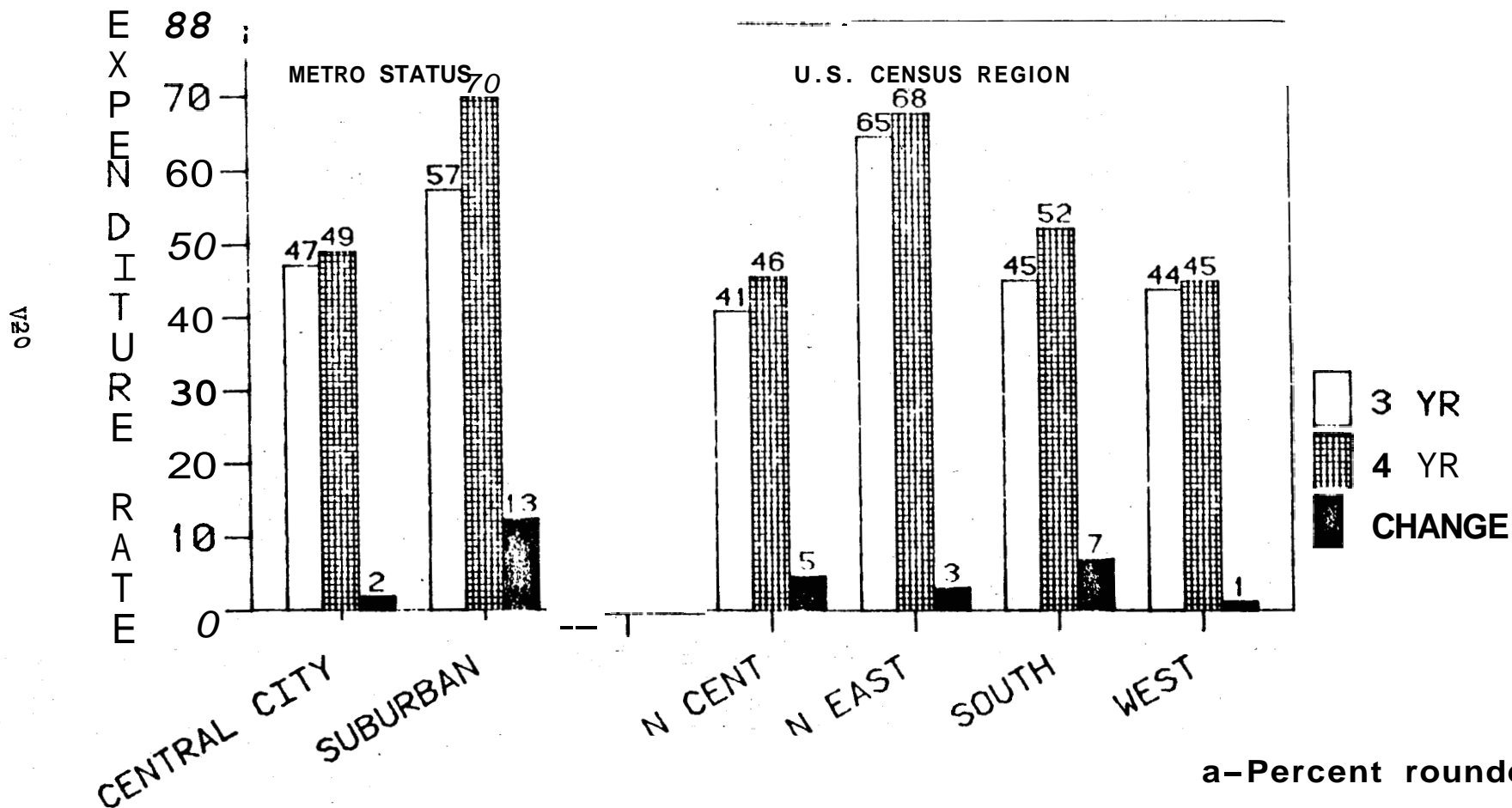
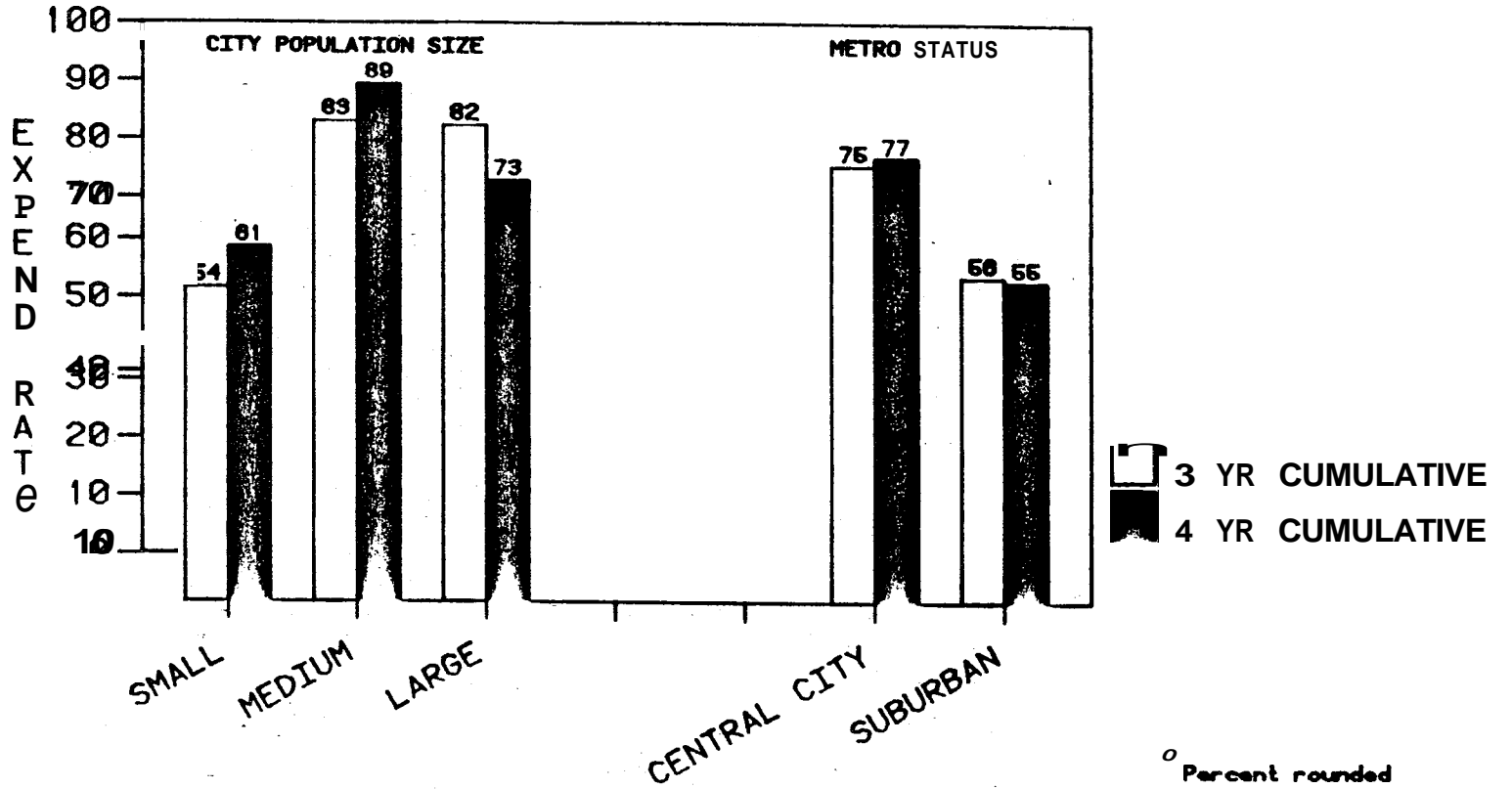


Chart V-4

THIRD AND FOURTH YEAR CUMULATIVE CDBG
GENERAL DEVELOPMENT EXPENDITURE RATE
BY CITY POPULATION SIZE AND METROPOLITAN STATUS"



much as an impediment in the general development strategy (Table V-6). At the same time, the larger, more distressed, and central cities are frequently more in need of general development activities. Indeed, the most distressed cities spend general development dollars much more quickly (76 percent) than do the least distressed cities (49 percent).

Although the high general development expenditure rate for large and central cities represents a variation from the rate evident for other strategies, the pattern of general development spending in the remaining types of cities is similar to other expenditure patterns already discussed. Cities with categorical experience spend their budgeted general development dollars at a higher rate than do cities without prior categorical backgrounds, and cities in the Northeastern section of the country are spending their planned dollars at a faster pace (74 percent) than cities in the West (49 percent).

Trends in General Development Expenditure Rates: An Overall Stability

Third year cumulative expenditure rates for general development exhibited patterns similar to the fourth year cumulative rates. For both periods, large and central cities were able to proceed more quickly with their planned funding than small and suburban cities. At the regional level, the Northeast showed higher rates, although the Northcentral declined and the South increased between the third and fourth cumulative reports (Table V-6).

Four-Year Economic Development Expenditure Rates: A Mirror of National Patterns

The kinds of cities that have been proceeding rapidly with their expenditure of economic development funds are similar to those performing well for the program as a whole. Following the national pattern, it is the small cities, suburban cities, categorical cities, and cities in all regions except the West that have high expenditure rates. For instance, small cities are pursuing their economic development plans at an expenditure rate of 71 percent compared to a 50 percent rate for large cities. Differences of nearly equal magnitude are evident for suburban cities and central cities, with suburban cities approaching the 70 percent rate (Table V-7).

Standing out from this pattern is the exceedingly high expenditure rate for the least distressed cities. These cities are spending all the dollars planned in the first four years, 1975 to 1979. In fact the expenditure rate for these cities slightly exceeds 100 percent.

The expenditure rates of over 100 percent probably are explained in part by reprogramming.^{20/} Some cities have changed their plans between the time

^{20/} Reprogramming occurs when a community changes its CDBG allocation plan after the plan has been approved by the HUD Area Office. Changes greater than 10 percent of the budget or changes in contingency funds that amount to more than 10 percent of the budget must be approved by the HUD Area Office. 24 CFR, Section 570.312.

Table V-6

Third and Fourth Year Cumulative CDBG
General Development Expenditure Rates
By Selected City Characteristics

City Characteristics	Three Year Rate	Four Year Rate
<u>Prior Categorical Status</u>		
Prior	70	75
None	50	53
<u>U. S. Census Region</u>		
Northcentral	91	71
Northeast	68	74
South	64	97
West	54	49
<u>City Distress</u>		
Least	53	48
Moderate	75	96
Most	97	76

Table V-7

Three and Four Year Cumulative CDBG Economic Development
Expenditure Rate By City Type and U.S. Census Region

City Characteristics	Three Year Rate	Four Year Rate
<u>Prior Categorical Status</u>		
Prior	47	59
None	66	53
<u>City Population Size</u>		
Small	69	71
Medium	38	55
Large	38	50
<u>Metropolitan Status</u>		
Central City	48	53
Suburban	58	68
<u>U. S. Census Region</u>		
Northcentral	51	61
Northeast	57	62
South	48	66
West	36	52
<u>City Distress^a</u>		
Least	99	113
Moderate	47	42
Most	46	55

^a Two least distressed and two most distressed categories grouped.

they developed their applications and the time they made actual spending decisions. However, reprogramming does not totally explain these high rates. Many economic development programs are designed to encourage public-private partnerships. Therefore, Federal spending is often linked to private investment. The higher expenditure rates in the least distressed areas are possibly due to the greater willingness on the part of investors to take financial commitment to community economic development projects. Many of the most distressed areas may be experiencing disinvestment, so that necessary matching private funds are not readily available.

Trends in Economic Development Expenditure Rates: Less Distressed and Southern Cities Showing Progress

The types of cities experiencing the greatest expenditure rate gains between the third and fourth cumulative reports lends further, but not unequivocal, evidence to the affect of general economic conditions on CDBG economic development expenditures. It is the least distressed^{21/} and Southern cities, both of which manifest receptive economic climates, that have realized the most substantial increases in expenditure rate for economic development. The expenditure rate in the least distressed cities^{22/} went from 99 percent to 113 percent. Similarly, the expenditure rate for Southern cities went from 48 percent to 66 percent.

Variations By Census Tract Characteristic

This section examines variations in strategy expenditure rates by the characteristics of the census tracts in which the spending is planned. The perspective is similar to that of the previous section, except the variations are examined at a more detailed geographic level. The previous section examined census tract spending variations across cities having different characteristics. This section examines variations in strategy expenditure rates across census tracts that have different characteristics. Several types of census tract characteristics are examined. They include: low and moderate income status, distress level, spending concentration, and prior categorical program experience.

^{21/} Rates for the most distressed cities also increase, but not as much.

^{22/} The two least distressed categories were combined in this instance because of the low dollar amount.

Low and Moderate Income As Well as Non-Low and Moderate Income Tracts Have Similar Total Expenditure Rates But The Rates For Both Vary By Strategy

The total expenditure rates for both low and moderate income and non-low and moderate income census tracts were similar for the 1975-1978 period, The rate for low and moderate income census tracts was 55; the rate for non-low and moderate income tracts was 56 percent.

strategies which show the greatest difference in expenditure rates between tracts which are predominantly low and moderate income and those that are not. For example, neighborhood preservation strategy expenditure rates, average 53 percent in non-low and moderate income tracts and 56 percent in low and moderate income tracts. The difference is even more striking for

The relatively high housing preservation expenditure rates in low and moderate income areas imply that cities are making progress in these areas despite implementation problems, (i.e., lack of private investment, unwillingness of non-resident owners to invest in improvements, lack of interest on the part of lending institutions and the inability of residents to acquire rehabilitation loans). The high expenditure rate in these areas also suggests that city officials are making a successful effort to assure that low and moderate income areas are benefited by housing preservation spending.

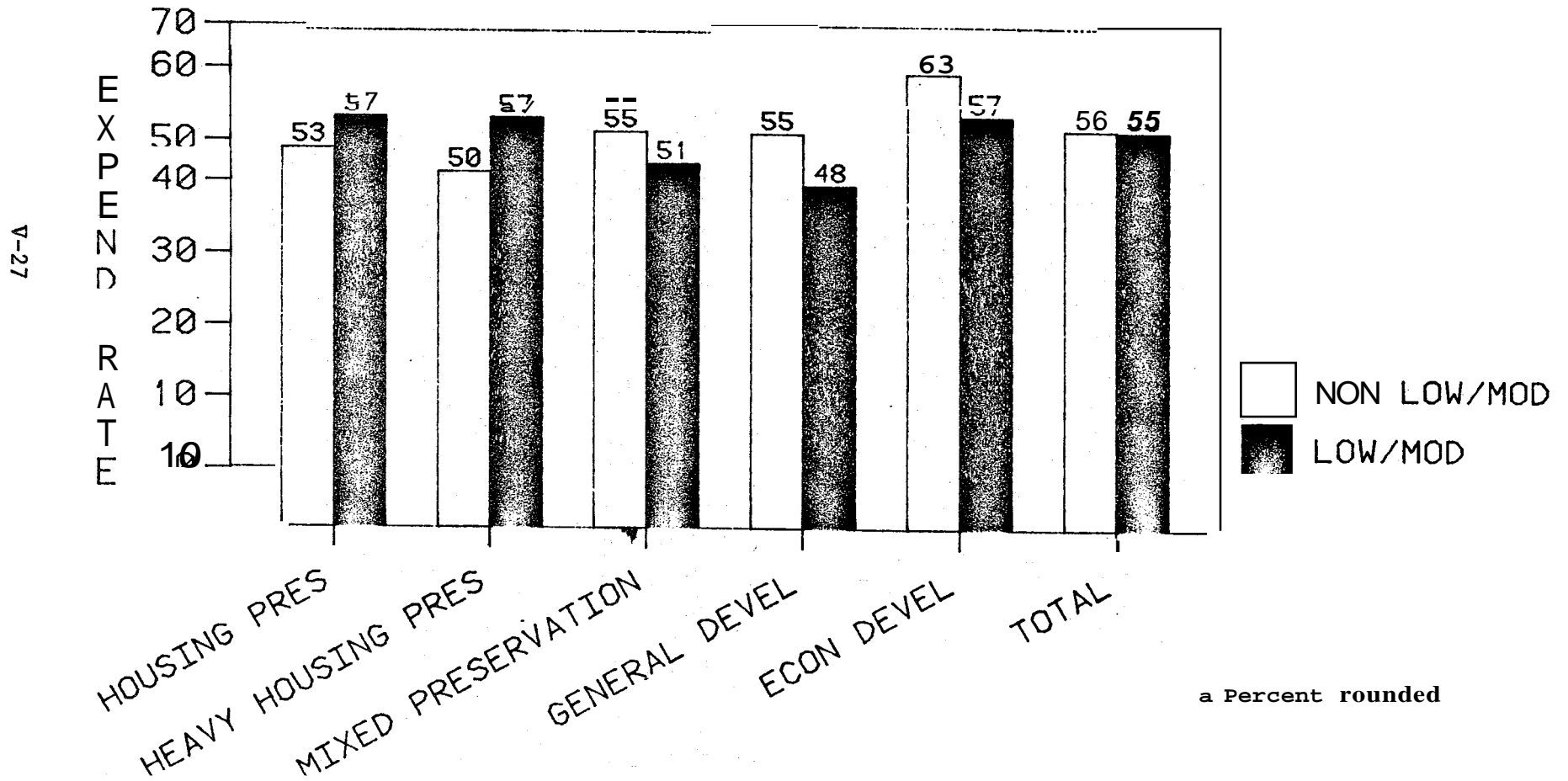
Trends: Total Gains Comparable

Between 1977 and 1978, low and moderate income census tracts increased their total cumulative strategy expenditure rate by about 7 percentage points. This increase is slightly more than the 6 percentage point increase for non-low and moderate income tracts. These relatively similar increases in expenditure rates are not surprising because the 1977 base expenditure rates were also comparable.

Both low and moderate income and non-low and moderate income tracts characterized by either an economic development or an infrastructure oriented preservation strategy evidenced the largest increases. The increase in the rate for infrastructure oriented preservation was 13 and 9 percentage points in non-low and moderate income and low and moderate income tracts, respectively. The comparable increases for economic development were 9 and 11 points. The increase in economic development expenditure rates may be a result of recent changes in the block grant program that have made economic development a national objective. Subsequent regulations broadened the types of eligible activities.

Chart V-5

FOUR-YEAR CUMULATIVE EXPENDITURE RATES" BY LOW/MOD INCOME STATUS



Most Distressed Tracts Have Highest Expenditure Rates

An examination of strategy expenditure rates by census tract distress levels reveals consistent themes. Generally, cumulative expenditure rates for all strategies increased as the level of distress increased. The combined expenditure rate varied from 50 percent for the least distressed tracts, to 56 percent for moderately distressed tracts, to 57 percent for the most distressed tracts. However, the combined expenditure variations mask variations at the strategy level.

The expenditure rates for selected strategies are shown in Table V-8. The Table shows that the neighborhood preservation expenditure rate was 51 percent in the least distressed tracts and 57 percent in the most distressed tracts. The moderately distressed tracts had an expenditure rate of 52 percent. The only exception to this pattern was for the substrategy of light housing preservation. This strategy had an expenditure rate of 64 percent for the least distressed tracts and a rate of 51 percent for the most distressed tracts.

The variations in preservation strategy expenditure rates by the level of distress is consistent with the previously described variations by low and moderate income status. Part of the explanation for this pattern may be that city administrators are making greater efforts to overcome implementation problems in distressed areas than elsewhere. Perhaps another part of the explanation is that the most distressed areas were often the focus of activity under the categorical programs. Therefore, the higher expenditure rates in distressed tracts reflect previously developed capacity.

The mixed preservation strategy evidences variations similar to those found for neighborhood preservation. The expenditure rates for least, moderate, and most distressed tracts were 39, 54, and 56 percent respectively. The reasons for these variations probably are the same as for the preservation strategy: these areas are the focus of greater recent efforts and they are also areas which received treatment under prior programs. The parallel expenditure pattern reflects the fact that the mixed preservation includes housing preservation.

The expenditure rates for redevelopment and general development followed a pattern similar to that of neighborhood preservation. Higher expenditure rates primarily occur in most distressed tracts, although the variations do not always show a consistent increase in expenditure rates as tract level distress increases. The moderately distressed tracts showed slightly higher expenditure rates for both strategies (redevelopment 59 percent, general development 56 percent) than the most distressed tracts (redevelopment 57 percent, general development 55 percent). However, the least distressed tracts still evidenced significantly lower expenditure rates than either moderate or most distressed tracts.

Similarly, the expenditure rate for economic development was higher in moderately distressed tracts. The expenditure rate for economic development was 72

Table V-8
Census Tract Expenditure Rates for Strategies by Census Tract Distress

Strategy	Level of Distress					
	Least		Moderate		Most	
	Three Year Rate	Four Year Rate	Three Year Rate	Four Year Rate	Three Year Rate	Four Year Rate
Total Preservation	42	51	46	52	51	57
Housing Preservation	44	53	48	52	52	57
Heavy Preservation	42	50	47	52	51	56
Moderate Preservation	36	45	53	54	51	58
Light Preservation	59	64	37	51	54	58
Infrastructure Preservation	32	41	37	48	43	55
Redevelopment	55	44	43	59	51	57
Mixed Pres/Redevelopment	34	39	48	54	54	56
Genera I Development	51	51	47	56	55	55
Economic Development	25	55	58	72	48	56
Combined Total	45	50	48	56	51	57

percent in moderately distressed tracts but **56** percent in the most distressed tracts and 55 percent in the least distressed tracts.

High Funding Concentration Associated with Higher Preservation Expenditure Rates

This section examines the relationship between the concentration of CDBG funds in census tracts and the rate of spending. The combined expenditure rates and changes in rates are first described. Next, expenditure rate variations for specific strategies are examined. Table V-9 details the 1977 and 1978 expenditure rates by degree of spending concentration.

Table V-9 shows that in 1978 census tracts that received large amounts of funding (over a half million dollars) had the highest cumulative expenditure rate (62 percent), while tracts which had the smallest concentrations of funds had the second highest expenditure rate (55 percent).

The high rate for large projects may be explained by the fact that many of these are continued efforts from prior categorical programs. Small projects, in contrast, realize their momentum from the fact that they are easy to coordinate.

The neighborhood preservation strategy showed a 1978 expenditure rate of 70 percent in areas that received the most CDBG funds. This was the highest expenditure rate for any major strategy. Areas of less funding concentration had neighborhood preservation strategy expenditure rates of between 52 and 55 percent. At the substrategy level, the most outstanding variation is the high 86 percent expenditure rate in census tracts where funds are most heavily concentrated and where the light housing preservation is the dominant strategy.

Two reasons for the higher neighborhood preservation expenditure rates in areas of high funding concentration may be offered. First, high concentration census tracts overlap with the low and moderate income areas of the city. It was previously shown that those census tracts had higher expenditure rates than non-low and moderate income areas. Consequently, the expenditure rate for neighborhood preservation may reflect the efforts of local officials to improve low and moderate income areas.

Second, the high expenditure rates may result from increased homeowner confidence in areas where spending is most concentrated. They may feel that city efforts in the neighborhood indicate city commitment to neighborhood stability. Housing preservation is one of the strategies that requires significant amounts of private capital in addition to public funds.

For example, most cities have either low-interest loans or matching grant programs. Homeowners are expected to bear part of the rehabilitation costs in both cases. The fact that homeowners in low- and moderate-income areas are willing to take advantage of the programs indicates that they

Table V-9
Strategy Expenditure Rates by Spending Concentration

Strategy	Level of Concentration							
	less than \$100,000		\$100,000 to \$199,999		\$200,000 to \$499,999		more than \$500,000	
	Three Year Rate	Four Year Rate	Three Year Rate	Four Year Rate	Three Year Rate	Four Year Rate	Three Year Rate	Four Year Rate
Neighborhood Preservation	53	52	49	54	40	52	53	70
Housing Preservation	54	53	57	55	43	53	55	70
Heavy	57	54	41	53	39	53	57	53
Moderate	57	51	44	54	49	53	51	66
Light	43	52	48	57	38	52	63	86
Infrastructure Preservation	38	42	59	48	29	54	17	0
Redevelopment	50	48	43	55	53	54	50	49
Mixed Preservation/ Development	43	45	41	52	53	54	50	58
General Development	49	57	60	50	34	45	118 ^a	0
Economic Development	60	67	28	52	51	44	46	66
TOTAL	53	55	47	54	47	53	50	62

^aDue to one project which was completed.

have confidence in the long-term viability of the neighborhood. (If it is true that spending concentration affects the confidence that residents have in the future of their neighborhoods, then this confidence would manifest in numerous other beneficial ways in addition to higher expenditure rates.) The redevelopment, mixed preservation and redevelopment, and general development strategies showed no consistent variation.

Economic development had the highest expenditure rate in the least concentrated areas. In 1978, the economic development expenditure rate was 67 percent in the areas of least concentration. Perhaps the projects in the tracts with the least concentration are less complex and are, therefore, easier to implement. However, the economic development expenditure rate was also high (66 percent) for the census tracts with the most concentration. Perhaps the high rate in the most concentrated tracts is the result of the willingness of commercial establishments to invest in improvements. As was the case with housing preservation in areas of concentrated spending, economic development activity may act to stimulate additional activity.

Trends: Highly Concentrated Tracts Increasing

The census tracts where funds were most concentrated had the largest expenditure rate increases. These high cumulative expenditure rates may be attributed largely to the significant increases that occurred between 1977-1978. But what explains these expenditure rate increases? The tracts with high spending concentration may have had more difficult implementation problems when the large projects were being developed, land was being acquired, and so forth. After several years of setting the groundwork and solving start-up programs, many of these projects may be in the latter stages where implementation presents fewer problems.

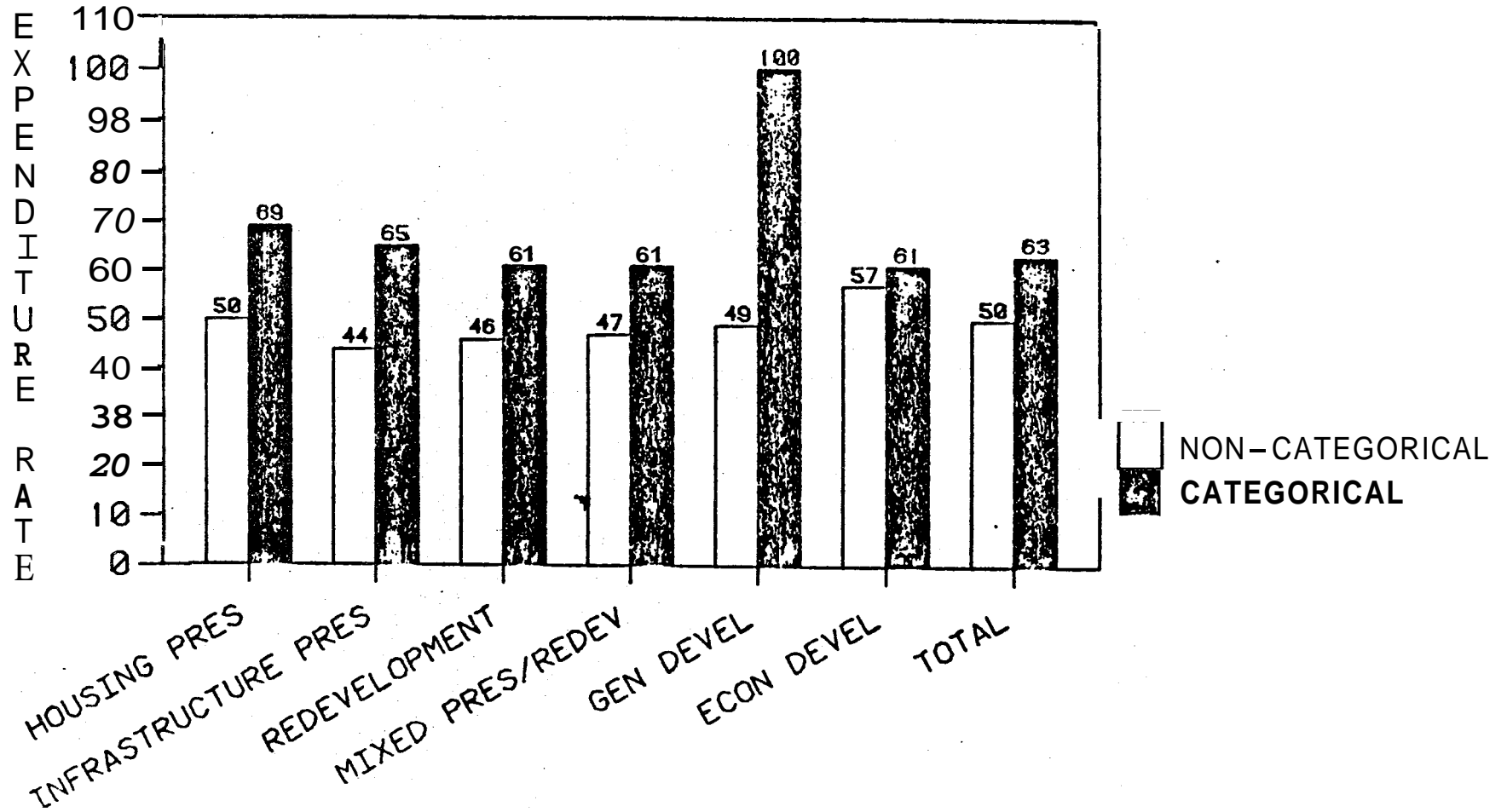
Among all census tracts where funds were highly concentrated, those emphasizing the neighborhood preservation strategy evidenced the greatest increase in expenditure rates. Among census tracts which were targeted for moderate funding concentrations, those emphasizing the redevelopment or mixed preservation and redevelopment strategy showed the largest expenditure rate increases.

Categorical Tracts Show Higher Spending Rates

Census tracts that received treatment under the categorical programs had significantly higher expenditure rates than those without such treatment. Chart V-6 shows that in 1978 the total expenditure rate for census tracts with experience in urban renewal, neighborhood development, and model cities programs was 63 percent; the corresponding rate for tracts without categorical experience was only 50 percent. The influence of categorical experience at the census tract level is much more significant than at the city level. (Table V-2 shows that cities with prior categorical experience had a 58 percent 1978 cumulative expenditure rate compared to a 54 percent rate for noncategorical cities.)

CUMULATIVE EXPENDITURE RATES FOR CENSUS TRACTS BY CATEGORICAL STATUS

V-33



Higher expenditure rates are occurring in all census tracts with prior treatment under the categorical programs, regardless of strategy type. Chart V-6 shows that the difference in expenditure rates between categorical and non-categorical tracts is over 10 percentage points for all strategies except economic development. These higher expenditure rates in categorical tracts are probably related to the experience, plans, and implementation capacity developed in earlier programs.

But why is the influence of categorical experience so much greater at the census tract level than the city level? Perhaps it is because the census tract level data more accurately reflect completions and extensions of specific projects than the city level data. If this view is correct, then an important part of capacity building is starting actual projects as well as city-wide experience in building staff and becoming familiar with HUD operations. The smaller expenditure rate differential for economic development oriented tracts may be due to the emerging interest in economic development that coincides with the recent designation of economic development as the eighth national objective of the block grant program.

Trends: The Categorical - Noncategorical Gap is Widening

The cumulative expenditure rate increased in both categorical and non-categorical tracts. In fact, the expenditure rate was higher for every tract regardless of categorical status or strategy. However, the categorical tracts evidenced larger increases than noncategorical tracts. The 1977 cumulative expenditure rate difference between categorical and noncategorical tracts was about 9 percentage points. By 1978 this differential had risen to almost 13 percentage points.

In part, the reason for the highly increasing expenditure rate among projects in former categorical areas is the fact that these efforts are rapidly being closed out by entitlement cities. Most cities hope to have these closed out by the fifth program year. The pace of close outs is not the only reason, however. Where cities are continuing efforts in these areas, the base built in prior years plus the current addition are providing the impetus for rapid progress.

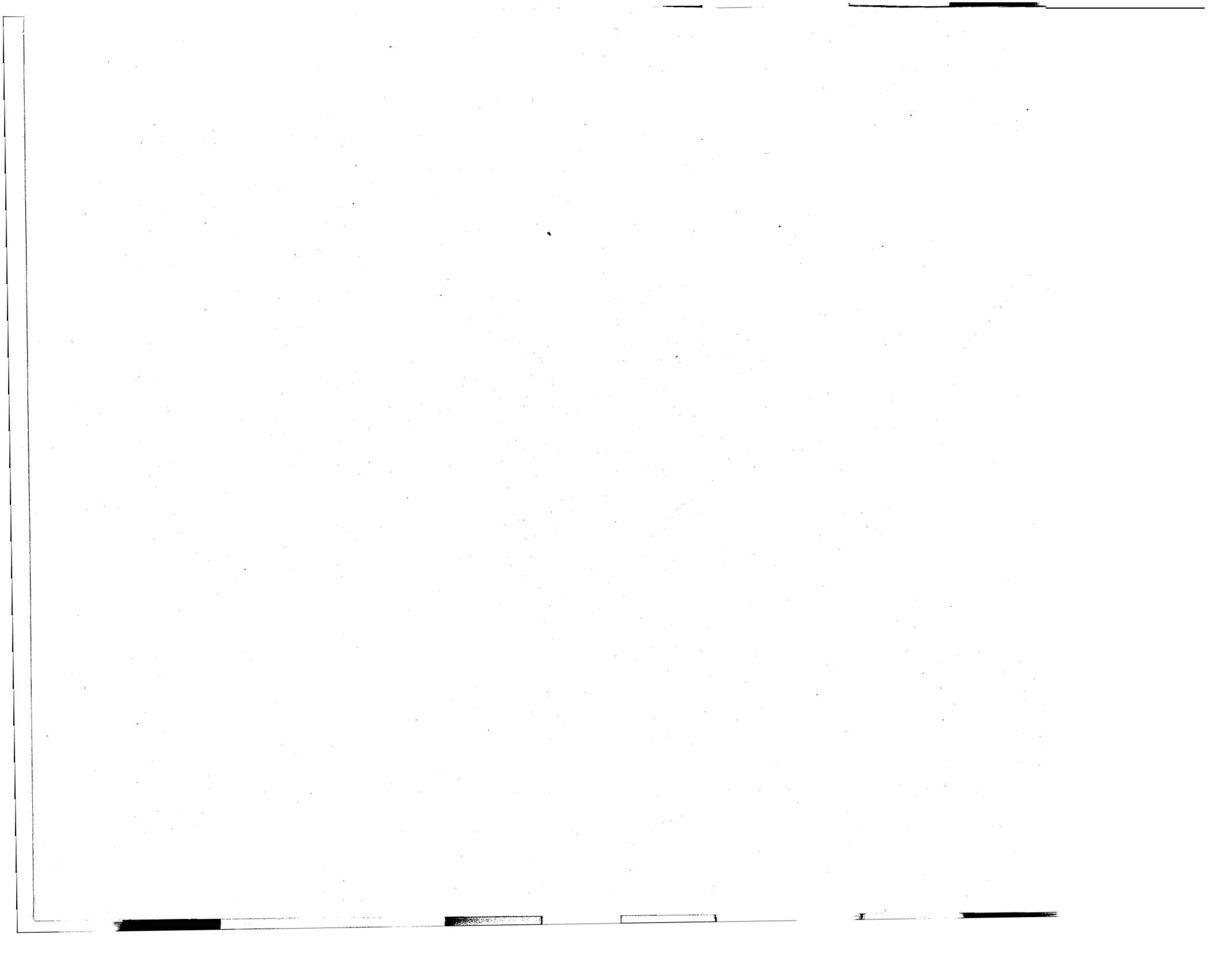
The preservation strategies in categorical census tracts increased by over 15 percentage points. Infrastructure preservation increased by over 30 percent for noncategorical tracts. Categorical tracts using a general development strategy also had a very large expenditure rate increase.

PAR IV

PROGRESS TOWARD ACTIVITY OBJECTIVES

CHAPTER VI: Planned Community Development Activities

CHAPTER OBJECT: Progress in Implementing Activities



CHAPTER VI

PLANNED COMMUNITY DEVELOPMENT ACTIVITIES

Introduction

The preceding chapters discussed the major community development strategies, each of which was defined to include a variety of individual activities. This chapter provides a detailed discussion of planned activities. It is with these activities that entitlement cities build CD strategies and pursue the national legislative goals^{1/} of the Housing and Community Development Act.^{2/}

For the purposes of this analysis, activities^{3/} are placed into six major groupings. These groupings are:^{4/}

- o Acquisition, Demolition and Related Activities;
- o Public Works;
- o Housing Rehabilitation and Related Activities;

^{1/} The national legislative objectives as well as program benefits were discussed in Chapter II.

^{2/} Title I of the Housing and Community Development Act of 1974, as amended.

^{3/} CDBG eligible activities are covered under 24 CFR Part 570, Subpart C.

^{4/} These groupings are slightly different than those reported in the Third Annual Report. This year, all public works are reported as one activity group; code enforcement is placed together with housing rehabilitation; and all public facilities are reported together. Specific definitions of individual activities are provided as each is discussed in the following text.

These groupings are designed to bring together individual projects and activities that are similar in purpose. For example, property acquisition, demolition, clearance and resale are often carried out together by local governments to promote new and more productive land use. Similarly, public works projects, which consist of streets, sidewalks, and sewage facilities, are all brick and mortar projects and are viewed as ways to improve the basic infrastructure of the city. Housing rehabilitation and code enforcement are also commonly carried out in tandem, and for this reason, grouped together. Detailed definitions for each activity grouping are given later in the chapter.

- o Open Spaces and Parks;
- o Public Facilities; and
- o Public Services.

Activities are discussed in term of five-year cumulative pattern , five-year trends, variations in cumulative patterns and trends by city characteristics, and targeting.

Summary of Findings

As would be expected, given the predominance of the neighborhood preservation strategy, two of the activities that are integral to this strategy are among the highest funded of the six activity groupings: housing rehabilitation and public works. Of these, housing rehabilitation has received the highest allocation of funding among all community development activities in the most recent program year.

Housing rehabilitation, like the preservation strategy, is used widely across the country. Entitlement cities in each of the regions, as well as cities of all sizes and distress levels, fund rehabilitation at about the same level. In contrast, the funding of public works is more heavily emphasized in areas with growth characteristics--among which are southern cities, suburban cities, and small cities.

Also funded at a relatively high level is property acquisition and demolition. Funding for this activity, however, has declined considerably since the beginning of the CDBG program. Like the strategy to which it is most closely connected, redevelopment, funding of this activity has fallen off as commitments from prior categorical programs, particularly urban renewal, have been completed or closed out. Also like the redevelopment strategy, funding for acquisition and demolition was emphasized by larger cities, central cities and distressed cities in the early years of the program, and is now emphasized by smaller, suburban, and less distressed cities.

The remaining activities--public services, public facilities, open spaces, and parks--are funded at much lower levels, accounting collectively for only one-fourth of all CDBG project dollars. Among these activities, public services are emphasized mainly by distressed cities while both public facilities and open spaces and parks are emphasized primarily by the less distressed cities.

For the most part, over half of each program dollar allocated to these activities is targeted to low and moderate income and distressed census tracts. This level of targeting represents an increase since the second program year 1976, and particularly since the fourth program year 1978.

The percent of dollars in heavily funded projects^{5/} (more than \$200,000 per funded year) has also increased for most of the activities.

Five-Year Cumulative Funding

Three Activity Groupings Account for Largest Share of CDBG Funds

In the first five years of the CDBG program, cities have placed a heavy emphasis on three of the six activity groupings: acquisition, demolition, and related activities; public works; and housing rehabilitation and related activities. Taken together^{6/} these activities account for over three-fourths of all funding budgeted^{5/} in the initial five years of the program (Chart VI-1).

Receiving the highest percentage of CDBG dollars by a small margin is public works^{7/} with slightly over one-fourth (27 percent) of all activity dollars. Second in order of funding emphasis is the activity^{8/} category which includes acquisition, demolition and related activities. This activity grouping accounts for 25 percent of total budgeted dollars. The third highest level of funding^{9/} has been allocated to housing rehabilitation and related activities, with entitlement cities directing 23 percent of their budgets to this activity group (Chart VI-1).

^{5/} Project funding is scaled into four groups: less than \$100,000; between \$100,000 and \$200,000; between \$200,000 and \$500,000; and over \$500,000. Census tract boundaries are used to define projects.

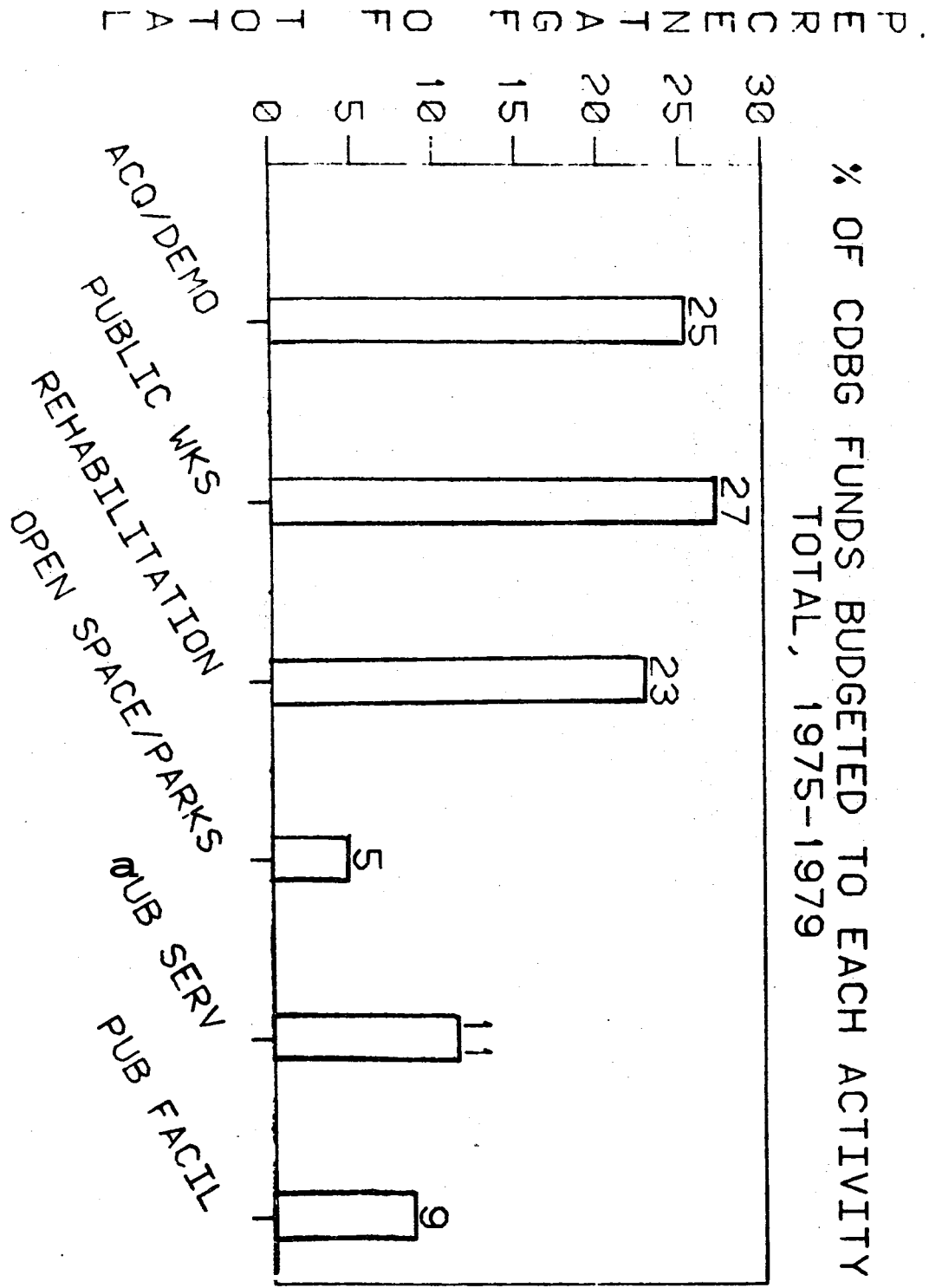
^{6/} Planning, administration and contingencies money are excluded from these tables.

^{7/} This set of activities includes street improvements (including curbs, gutters and street furnishings) flood protection (such as drainage control), seawalls, removal of architectural barriers, and water and sewer projects.

^{8/} Covered in this grouping are land and property acquisition for purposes of demolition, clearance or redevelopment; relocation; demolition; continuation of urban renewal projects and historic preservation. Historic preservation is included because most of the projects cover districts rather than single properties, and demolition plus preservation takes place in these districts.

^{9/} These activities include loans and grants to homeowners and businesses, loan guarantees to lending institutions, rehabilitation of city-owned or city-acquired properties and code enforcement.

Chart VI-1



While the funding levels for all three of these activities are relatively high, each level is related to a different pattern of local contexts and pressures. Public works activities are constantly needed in local communities, and widely supported by both city departments and city residents. Similarly, housing rehabilitation is both needed and popular, but its high funding level is **also** related to the fact that many cities do not have the legal authority to use their own locally-raised revenues to fund it. As a result, CDBG dollars often provide the major source for publicly assisted housing rehabilitation.

Acquisition and demolition activities, while frequently needed in urban communities and while generally permitted under CDBG, present a different case. Much of the reason for its emphasis has to do with commitments many entitlement communities carried over from former federal categorical programs, particularly those started under the urban renewal program.

The remaining three activity groupings, public services,^{10/} open space and parks^{11/} and public facilities,^{12/} account for considerably smaller portions of all budgeted CDBG dollars. All three combined have been allocated less than one quarter (25 percent) of all activity dollars. Data on Chart V-I show that among the three activities, most of the funding has been allocated to public services (11 percent), with less allocated to public facilities (9 percent), and the least to spaces and parks (5 percent).

In general, the lower level of funding allocated to these activities is related to the fact that they are traditionally smaller items in municipal budgets or that CDBG regulations limit their eligibility. Open spaces and parks fall in the first category. Traditionally, this level of activity has rarely accounted for a substantial proportion of city budgets. Public services and public facilities fall in the second category. CDBG program guidelines provide specific criteria for the kinds of projects which funds may support and for the kinds of locations in which they may occur. Certain public facilities, fire stations, for example, must be placed in, or service,

^{10/} Among the specific services are personnel used in fire protection, police surveillance, recreation; job training; technical assistance to small business; housing counseling; health services; day care and related child care services. Youth services; elderly programs; special transportation services; legal aid and various education programs.

^{11/} Restricted to acquisition and development of park land, including land-fill, tree planting, and any other beautification activities.

^{12/} Covers construction of fire stations, swimming pools, facilities for health services facilities child care, plus facilities for any of the groups included under public services.

target areas where other activities are programmed.^{13/} Public services, such as refuse removal, must be in areas of concentrated CDBG activity.^{14/}

Five-Year Trends in Activities

Five-Year Trends: Substantial Shifts

Although the same three activity groupings have been allocated the highest level of funding throughout the five-year history of the CDBG program, their order of funding importance has changed significantly between program years one and five. In the initial year, the acquisition and demolition grouping was by far the most heavily funded. Not only did it account for the highest level of funding (36 percent), but it also received considerably more dollars (10 percent more) than any other activity. Chart VI-2.

The dominance of acquisition and demolition activities is no longer the case. Over the entire five-year period of the CDBG program, the level of funding that cities have allocated to this activity has been cut substantially, falling from 36 percent in 1975 to a low of 19 percent in 1979.

As noted, the initial high level of funding for this activity was largely related to outstanding obligations and commitments many cities had made under prior categorical programs, particularly urban renewal. Many cities had large housing or commercial projects planned, committed, or underway. Completion of these projects often required heavy investment in acquisition, demolition, and clearance. As a result, substantial amounts of CDBG funds were allocated to these activities. Now, with many of the commitments completed or closed out, funding allocations for property acquisition and demolition have been reduced.

The trend and experience for housing rehabilitation stands in sharp contrast to that of acquisition/demolition. Funding for rehabilitation has nearly doubled since the beginning of the CDBG program, increasing from 16 percent in 1975 to 31 percent in 1979. Indeed, in 1979, housing rehabilitation was funded at a higher level than any other activity, making it the central activity in the block grant program.

The increasing level of funding budgeted for housing rehabilitation is in large part related to the growing appeal and success of rehabilitation at the local level. Often, rehabilitation efforts initiated in one or two areas of a city have spread to other areas, as citizens and neighborhood groups were persuaded of its merits and requested it for their areas. At the same time, both city governments and local lending institutions have gradually increased their managerial capacity to administer CDBG-funded rehabilitation programs.

^{13/} See for example, CFR, Section 570.201(c)(6)

^{14/} 24 CFR, 570.201(e)

Unlike the funding patterns for the property acquisition/demolition and housing rehabilitation, the funding level of public works has not changed significantly over the program's five-year history. It has remained consistently at a relatively high level. Comprising 22 percent of all project dollars in 1975, it moved to a high point of 32 percent in 1977 and now stands at 27 percent of all project dollars (Chart VI-2).

Behind the high level of funding budgeted for public works is the high cost and persistent need associated with maintaining the physical infrastructure of cities. Every community has an enormous physical plant to maintain. Many localities, especially older cities, are faced with a continuing need to replace or reconstruct streets, curbs, and sewers. From the first year of the program, cities have used substantial portions of their entitlement funds to meet this need.

For the remaining three activities, several small but notable changes have occurred over the last five years. The most important among these is the reduction cities have made in CDBG-funded public services. Compared to the first four years when public services received an average of 12 percent of all project dollars, it is down to its lowest level of 9 percent in 1979 (Chart VI-2).

At least part of this reduction is a result of the changes that occurred in HUD regulations in 1978. In 1978, funding of public services with CDBG dollars was generally ^{15/}restricted to areas cities designated as Neighborhood Strategy Areas (NSAs). Between 1978 and 1979 funding for public services declined from a program high of 13 percent to 9 percent.

Some change is also evident in the funding level for the last two activities, open spaces and parks and public facilities. Funding for open spaces and parks has increased slightly from a first year level of 4 percent to a current year allocation of 5 percent. Funding for public facilities, including fire service facilities and parking facilities, has decreased from 10 percent in 1975 to 8 percent in 1979 (Chart VI-2).

Activity Variations by Regional and City Characteristics

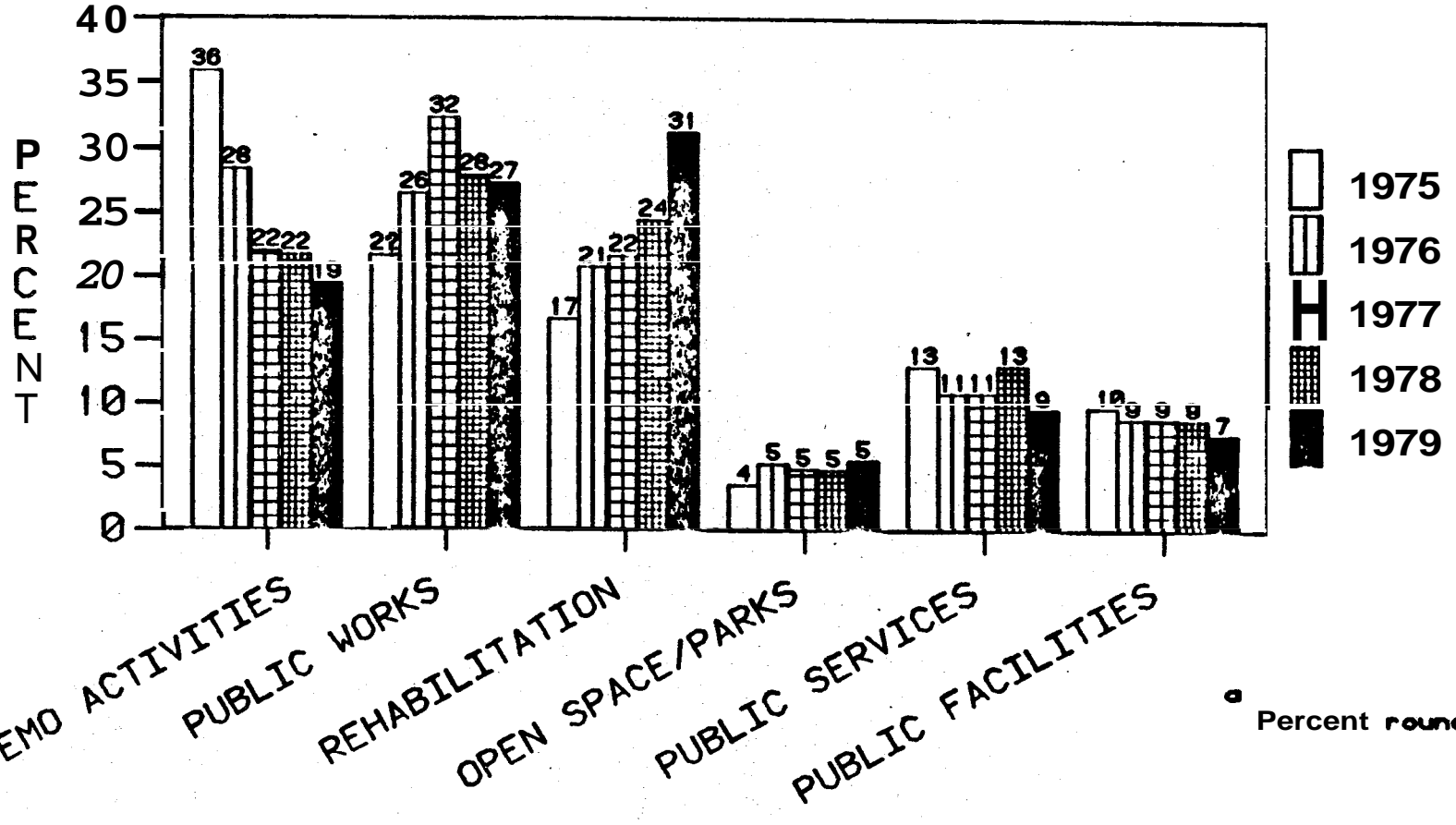
These national patterns and trends are not always the same across the country. They vary somewhat from region to region as well as from one type of city to another. This section examines the different emphases that entitlement

^{15/} 24 CFR Section 570.201(d)1, 3/78. Public Services are to be provided for residents of Neighborhood Strategy Areas in which block grant-assisted physical development activities are being carried out in a concentrated manner.

Chart VI-2

PERCENTAGE OF 'CDBG DOLLARS BY ACTIVITY'^a
FOR ALL CITIES, 1975-1979

8-1A



^a Percent rounded

communities give to each activity. Differences are examined with respect to five community characteristics^{16/}; U.S. Census Region^{17/}; prior categorical experience^{18/}; urban distress^{19/}; 1976 population size, and metropolitan status.^{20/}

Acquisition/Demolition: Declining Influence of Prior Categorical Experience

Taking all five years' of CQBG into account, emphasis on acquisition/demolition activities is related to older cities and cities with prior categorical experience. Cities with experience in Urban Renewal, Neighborhood Development, or Model Cities programs budgeted twice as much of their total entitlement for acquisition and demolition as did cities without such experience. Specifically, among cities with prior categorical experience, over a quarter (26 percent) of all activity dollars was allocated to property acquisition and demolition; whereas, among cities without this experience only 12 percent was budgeted for these activities (Chart VI-3).

However, as noted in earlier discussions, the influence of previous categorical involvement over allocations for these activities has been waning in recent years. In the first year of the program, cities with categorical experience allotted a much larger proportion of their CDBG budget (37 percent) to property acquisition and demolition than did cities without prior categorical grants (10 percent). Currently, the difference between these same cities is much smaller. Entitlement communities with prior categorical experience now budget 20 percent of their CDBG funds to property acquisition and demolition as compared to 13 percent for cities which were not involved in the prior categorical programs (Table VI-1).

The declining influence of prior categorical experience is also evident in regional shifts in funding patterns. The Northcentral region, which was heavily involved in the prior categorical programs, allocated the highest percentage, over 40 percent of its budget, for acquisition/demolition in 1975.

^{16/} Differences by all five characteristics are not always reported for each activity. Reporting is limited to those that appear important or relevant.

^{17/} The 1970 U.S. Census definition is used.

^{18/} Includes cities which had urban renewal, neighborhood program development, or model cities.

^{19/} Based on percent in poverty, population gain between 1970-1976, income gain between 1970-1976, and percent housing built before 1939, percent families with female heads, and percent unemployment 1975.

^{20/} Divided into central cities and suburban municipalities.

Table VI-1
 Percent of CDBG Dollars Allocated to
 Acquisition and Demolition for Each
 Program Year, 1975 to 1979, by
 Categorical Experience

YEAR	<u>Categorical Experience</u>	
	Prior Experience	None
1975	37	10
1976	29	9
1977	23	10
1978	22	15
1979	20	13

Source :

Since then,^{21/} although all regions have decreased their funding of this activity, the South^{21/} now allocates the highest level of funding to acquisition and demolition (24 percent), while the Northcentral region budgets much less (20 percent). See Table VI-2.

The reduction in funding for property acquisition and demolition among cities with prior categorical experience is partly related to the fact that these cities eliminated some of their worst blight prior to and during the first years of the CDBG program. At the same time, the reductions are also related to the controversies associated with large-scale acquisition and clearance projects. The use of eminent domain to acquire private property and the disruption caused by property demolition and clearance often precipitated citizen opposition.

^{21/} Southern cities, in some cases, came into the prior categorical program later and as a result, have longer time horizons to complete their categorical projects. For example, Greenville, South Carolina entered the urban renewal program in the last year of that program and has continued up to the fifth year of the CDBG program finishing these projects.

Chart VI-3

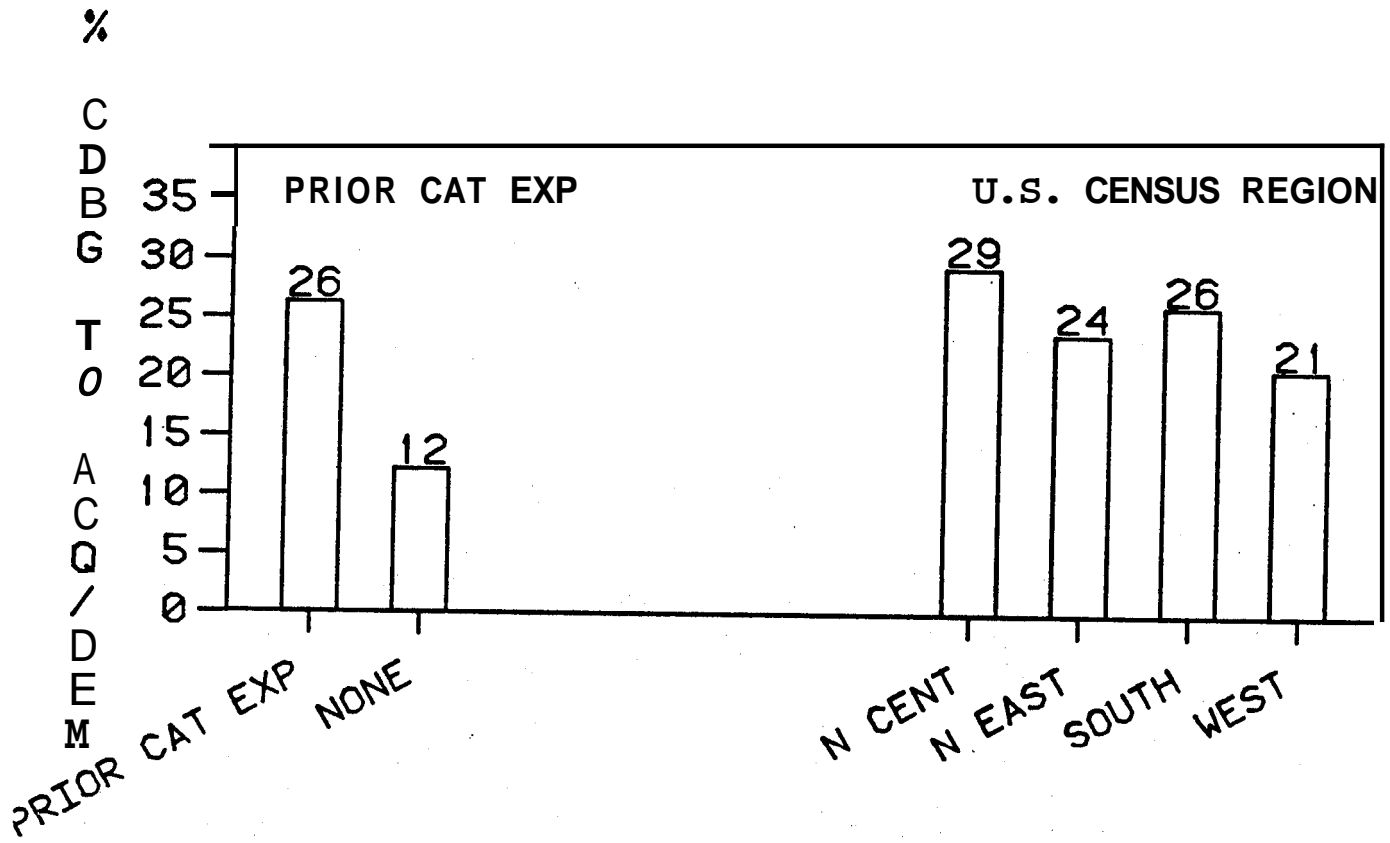


Table VI-2
 Percent of CDBG Dollars Budgeted
 to Acquisition and Demolition
 by U.S. Census Region, 1975 to 1979,
 Year-by-Year

Year	<u>U.S. Census Region</u>			
	Northcentral	Northeast	South	West
1975	43	33	36	30
1976	33	28	27	25
1977	26	22	23	14
1978	25	19	21	20
1979	20	14	24	18

For communities not previously involved in the categorical program, the opposite forces are at work. It is not uncommon for them to have a backlog of acquisition and demolition work that has built up over the years. Significantly, when these communities have found it necessary to initiate acquisition and demolition activities they have tended to confine their efforts to relatively small scale projects likely to cause a minimum of community disruptions.

Public Works: Emphasized in Growth Areas of the Country

For the second of the activity groupings, public works, the five-year cumulative funding emphasis has occurred to a large extent in cities with growth characteristics. Cities in the southern region, suburban cities, and small cities give public works high priority in their CDBG budgets.^{22/} Cities in the southern region allocate 36 percent of their CDBG budget to public works

^{22/} For the period 1970-1975, the South and West grew 8.4 percent and 8.7 percent respectively compared to 0.8 percent and 1.9 percent for the Northeast and Northcentral sections. Similar differences exist between central cities and suburban cities, with central cities losing population (3.4 percent) between 1970 and 1976. See The President's National Urban Policy Report, 1978, Washington, D.C.: p. 22 and p. 33.

compared to **27** percent for all sample cities nationally. Similarly, suburban cities budget a greater portion of their CDBG funds to public works (33 percent) than is the national norm (Chart VI-4).

However, growth is not the sole impetus for public works spending. Cities which have typically not exhibited high growth rates over the past decade have also budgeted substantial portions of their CDBG entitlement funds for public works. Central cities, while budgeting less than their suburban counterparts, still allot-over a quarter of their budgets (**26** percent) to public works. The same holds true for cities in the Northeast--while they do not allocate as much as southern cities, they budget over one-fourth of their CDBG dollars to public works (Chart **VI-4**).

With few exceptions, this pattern has been consistent from the first year of the program. In 1975, southern cities, for example, budgeted 32 percent of their CDBG dollars for public works compared to 25 percent for northeastern cities. Five years later in 1979 the ratio was nearly the same with southern cities allocating 32 percent public works compared to **24** percent for northeastern cities (Table VI-3).

Housing Rehabilitation: Widespread Popularity

Reflective of the growing popularity of housing rehabilitation in the CDBG program, cities of almost all types and sizes as well as all distress levels budget substantial portions of their five year entitlement amounts to this activity. Both the smallest and largest cities budget over 20 percent of their funds to rehabilitation. Similarly, the least distressed cities have put slightly over 20 percent of their CDBG dollars into housing rehabilitation, as have the most distressed cities (Chart VI-5).

The two main exceptions to this widespread use arise with respect to region. Cities in the West place nearly **28** percent of their CDBG dollars in housing rehabilitation, almost six percentage points above the national average. Cities in the South place less of their budgets into housing rehabilitation (18 percent), almost five-percentage points below the national average.

An examination of two illustrative cities in these respective regions provides some insight into the factors related to these differences. Portland, Oregon, which budgets over 50 percent of its funds for housing rehabilitation, has few areas (either old or new) which are in need of large-scale public improvement. Moreover, the city has had an active planning and code enforcement program which encouraged private property rehabilitation prior to the CDBG program. These two factors taken together created an environment conducive to extensive housing rehabilitation.

The opposite is true for Jacksonville, Florida. Jacksonville has areas (both old and new) in need of public works; it did not have significant

Chart VI-4

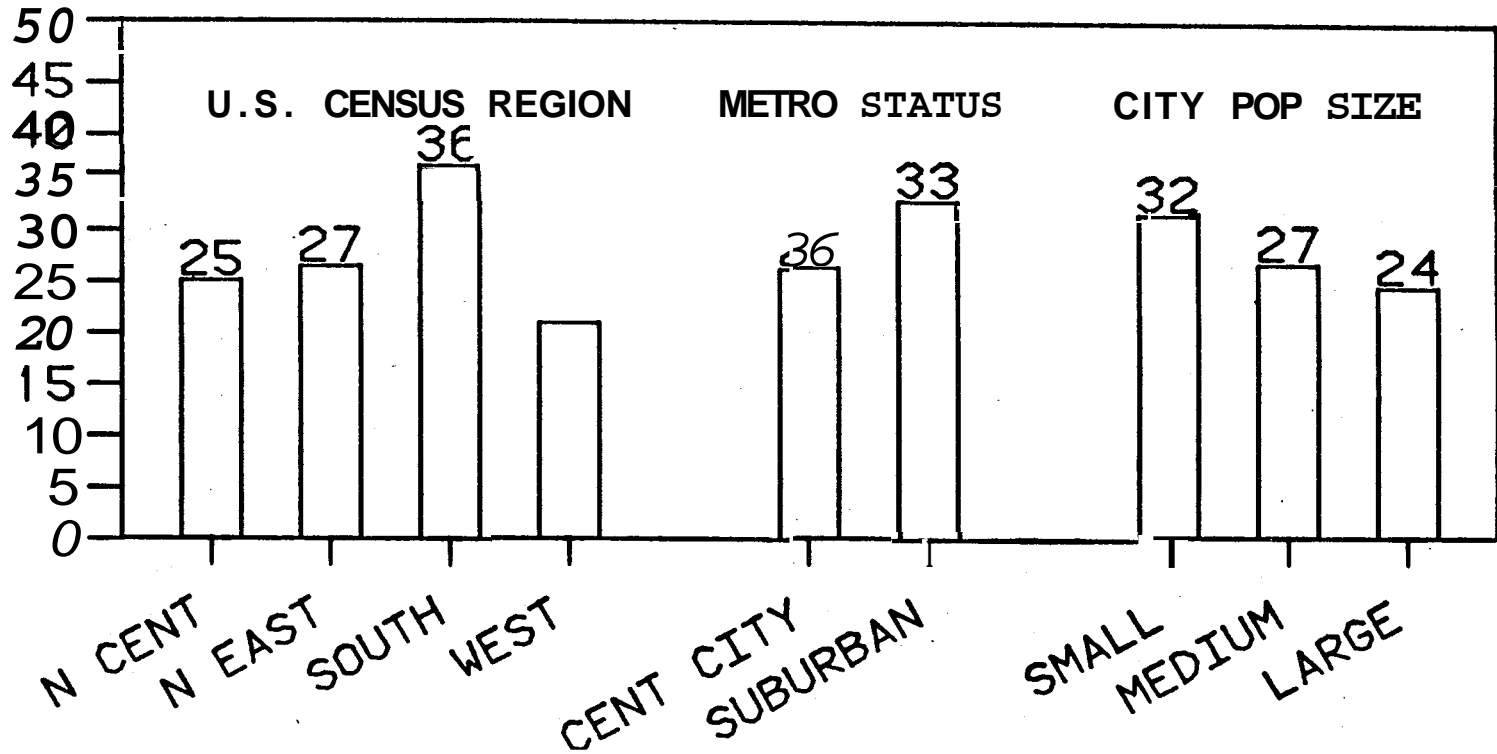
%
C
D
B
G

T
O

P
U
B
L
I
C

W
O
R
K
S

**% OF CDBG DOLLARS BUDGETED TO PUBLIC WORKS
BY U.S. CENSUS REGION, METRO STATUS,
& CITY SIZE, TOTALS, 1975-1979**



VI-14

Table VI-3
 Percent of CDBG Dollars Budgeted to
 Public Works, 1975-1979, Year-by-Year

Year	<u>Region</u>			
	Northcentral	Northeast	South	West
1975	14	25	32	17
1976	24	25	38	17
1977	30	30	43	26
1978	27	28	36	20
1979	29	24	32	23

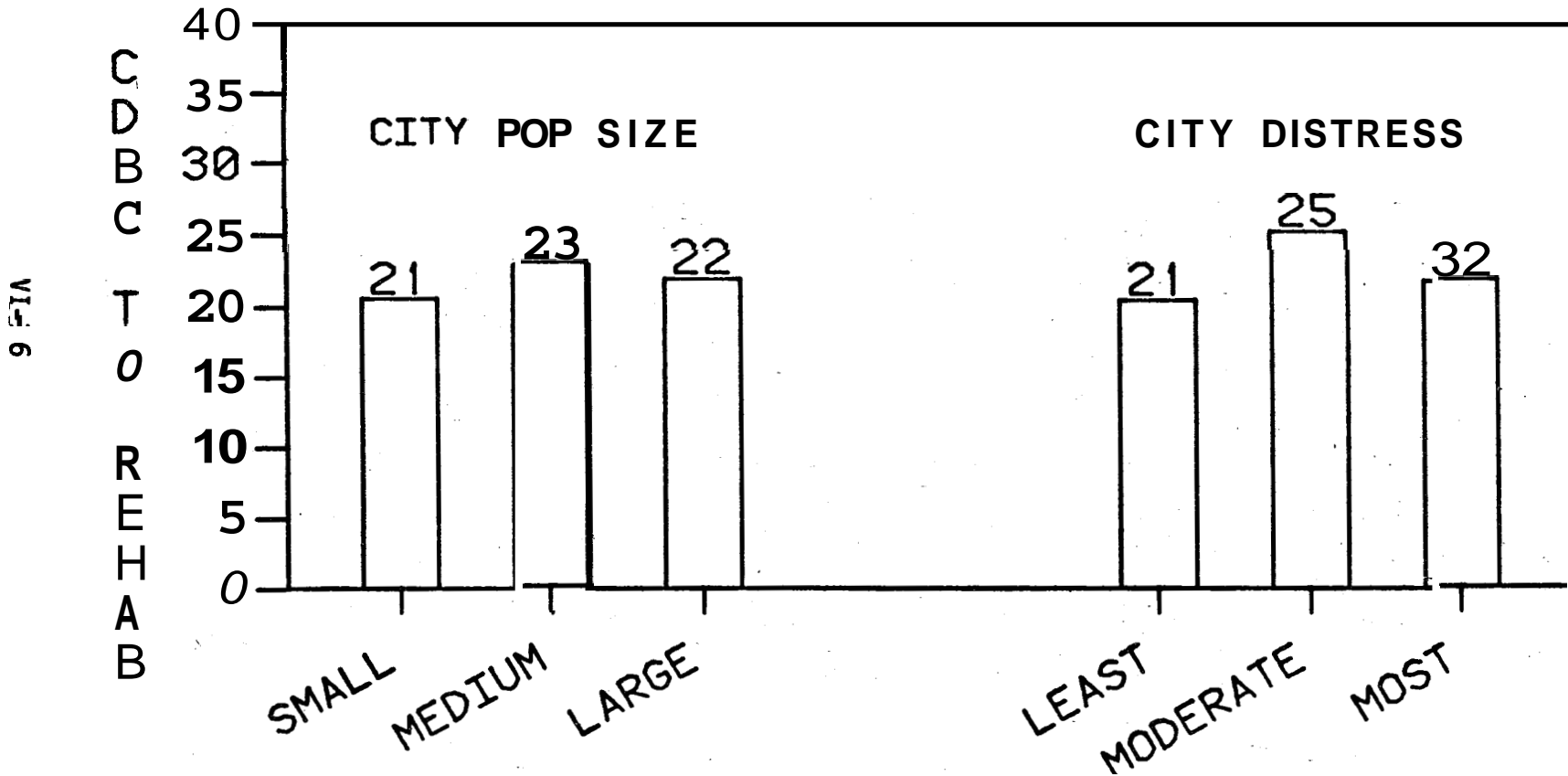
Source :

Table VI-4
 Percent of CDBG Dollars Budgeted to
 Housing Rehabilitation and Related
 Activities by U.S. Census Regions
 Totals, 1975-1979

<u>U.S. Census Region</u>			
Northcentral	Northeast	South	West
23	24	18	27

Chart VI-5

% OF CDBG DOLLARS BUDGETED TO HOUSING REHAB AND RELATED ACTIVITIES BY CITY SIZE AND DISTRESS LEVEL, TOTALS, 1975-1979



rehabilitation experience prior to the block grant program;^{23/} and importantly, some of the structures which might have been the focus of a rehabilitation effort were too poorly constructed originally to merit investment in rehabilitation. As a result, the city's rehabilitation program has evolved relatively slowly and focused on carefully selected areas.

Public Services: Emphasized by Distressed Cities

A considerably different but clear cut pattern emerges with respect to the types of cities emphasizing public services. For the five-year funding period, cities placing greater emphasis on public services have been those that have faced population loss, fiscal pressures and general economic decline. This is evidenced by the fact that higher-than-average public service allocations have been made by distressed cities, central cities (Chart VI-6), large cities and Northeastern cities (Chart VI-7). The most distressed cities, for example, allot more than twice as much of their budgets (16 percent) to public services than do the least distressed cities (6 percent). Differences of similar magnitude prevail between large cities (14 percent) and small cities (8 percent) (Chart VI-7).

In addition to making higher than average allotments for the five-year total funding, these cities have maintained in some cases high levels of CDBG-funded public services in the face of nation-wide declines for CDBG funding of public service. The Northeast region is the only region which is not allocating less money to public services now than in previous years (Table V-5). In 1975, cities in the Northeast allocated 10 percent of their dollars to public services; but in 1979, they allocated 16 percent to this activity. The only drop occurred between 1978 and 1979. In a related funding pattern, the most distressed cities have continued to budget for public services at about the same rate as at the beginning of the program. In the initial program years, they budgeted 16 percent for public services; now they allocate 19 percent.

Open Spaces, Parks and Public Facilities: Higher Funding in Better-Off Cities

For the remaining sets of CDBG activities--open spaces and parks and public facilities--the funding pattern is related mainly to how well-off the city is. Generally, it is the less distressed cities, the smaller cities, the suburban cities, and the Western cities that give greater attention to these activities.

The least distressed cities budgeted 6 percent of their CDBG dollars for open spaces and parks, whereas the most distressed communities allocated slightly under 4 percent. Similarly, the least distressed communities make the highest allocations for public facilities--10 percent compared to 6 percent for the most distressed cities (Table VI-6).

^{23/} For many cities without experience in the Section 312 or Section 115 programs, these cities had to determine whether it was legally permissible to use government dollars for rehabilitation of private property.

% CDBG DOLLARS BUDGETED TO PUBLIC SERVICES
BY CITY DISTRESS AND METRO STATUS,
TOTALS, 1975-1979

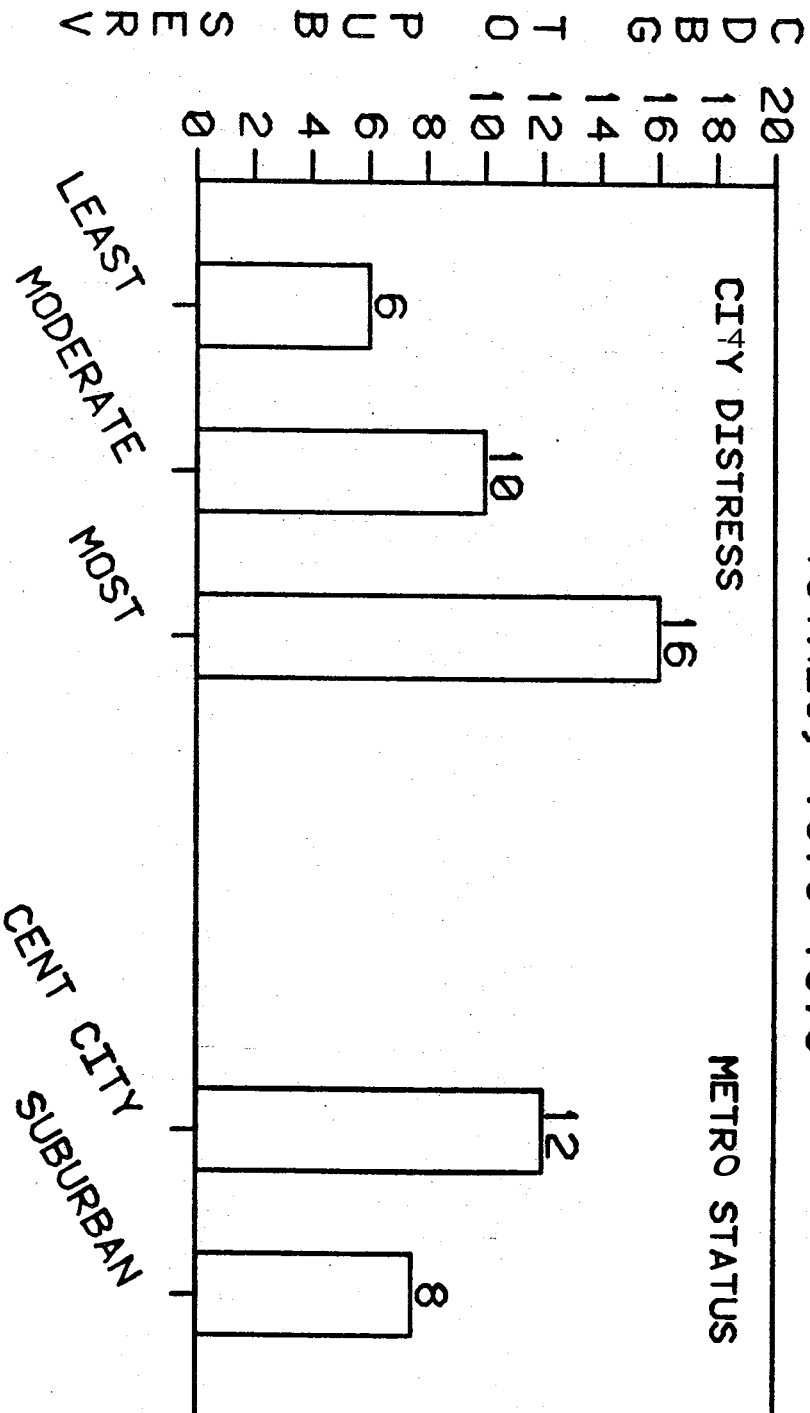


Chart VI-7

PERCENT OF CDBG DOLLARS BUDGETED TO PUBLIC SERVICES BY CITY SIZE & U.S. CENSUS REGION TOTALS, 1975-1979

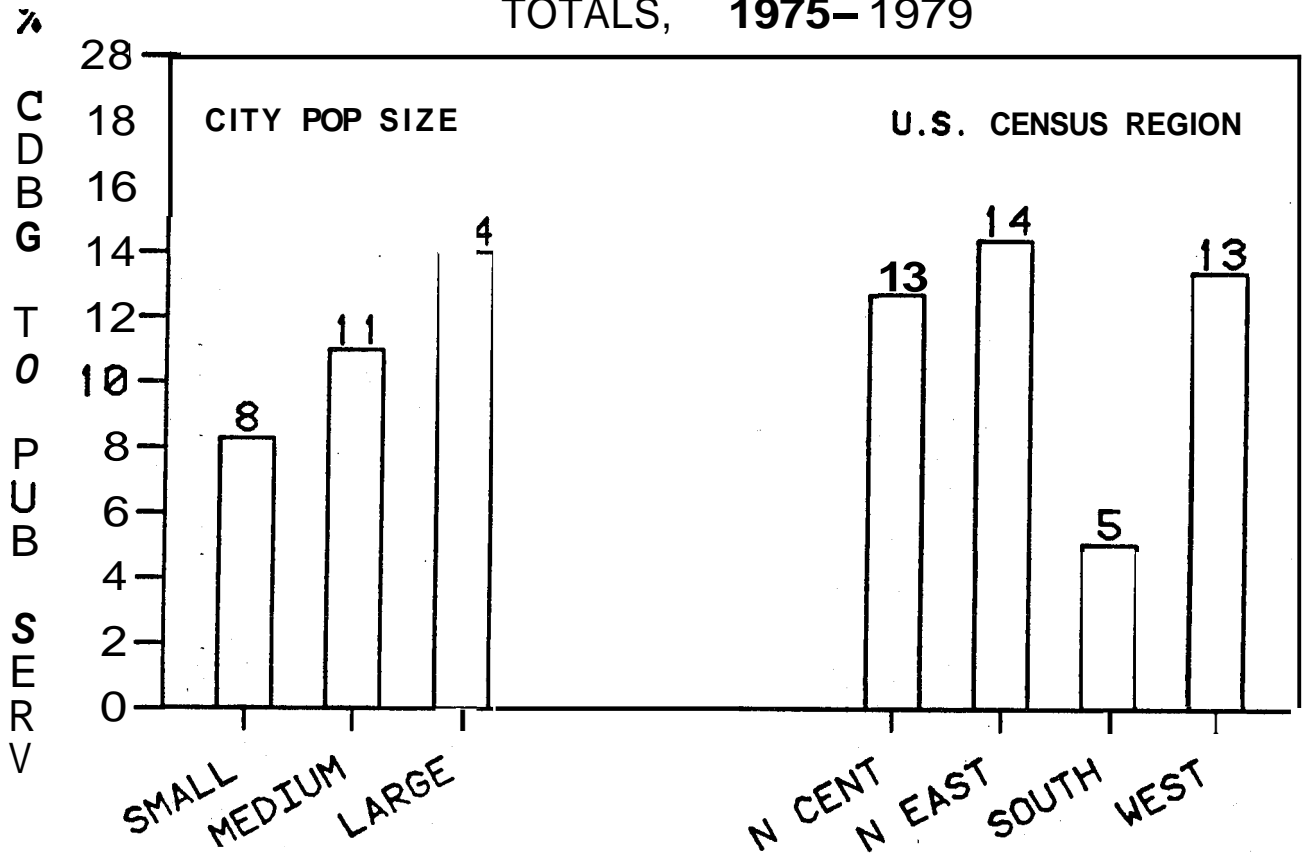


Table VI-5
 Percent of CDBG Dollars Budgeted to
 Public Services by U.S. Census Region
 Year-by-Year, 1975-1979

Year	<u>U.S. Census Region</u>			
	Northcentral	Northeast	South	West
1975	16	10	7	19
1976	12	12	5	14
1977	10	16	4	14
1978	12	20	6	16
1979	13	16	4	7

Regional patterns are similar. Areas with less distressed cities, such as the West and South, budget higher amounts for open spaces, parks, and facilities. Cities in the West, for example, allocate 6 percent for open spaces and parks compared to a national average of 5 percent, and budget 12 percent for public facilities compared to a national average of 9 percent (Table VI-7).

Table VI-6
 Percent of CDBG Dollars Budgeted by
 Distress of City, Totals, 1975-1979

Activity	<u>Distress of City^{a/}</u>	
	Least Distressed	Most Distressed
Open Spaces and Parks	6	4
Public Facilities	10	6

^{a/} Includes only results for the two ends of the distress spectrum--least and most distressed.

The greater prevalence of funding for open spaces, parks, and public facilities in the better-off cities is related to the fact that these cities are not faced with as much deteriorated housing, poor infrastructure and low income households as the more distressed cities. As a result, in better-off cities the demand for public works, public services and housing rehabilitation is not as great as in the more distressed localities. This allows these cities to assign a higher priority to the improvement of recreational and public facilities.

Targeting of CDBG Activities Within City Boundaries

The final issue examined in this chapter is the targeting of funds within city boundaries. Three targeting indicators are used.^{24/} Two of these--the extent to which program dollars are directed to low and moderate income families as well as to distressed neighborhoods--are indicators of community need; the other, total^{25/} CDBG dollars per census tract, is an indicator of project concentration.

Most Activities Are Located In Low and 'Moderate Income and Distressed Area Neighborhoods

Almost without exception, over half of the funds for each activity is channeled to low and moderate income tracts and to the most distressed tracts. Two activities--acquisition and demolition and public services--approach the 75 percent mark for the five--year period. Specifically, 74 percent of all

^{24/} Low and moderate income tracts are those which have more than half of the families below 80 percent of the SMSA median family income. Census tract distress is measured by percent population in poverty, percent structures built before 1939, percent homeownership, and median family income. The most distressed tracts are taken as the 30 percent with the most distressed scores.

Again, it should be noted that the discussion of low and moderate income benefit in this chapter is related to activity categories which, for the purposes of this analysis, in some cases represent different categories than those indicated as budget line activities in the CDBG application forms. Thus, the low and moderate income benefit levels discussed here are specifically for the activities defined in this chapter, and are therefore different from the benefit levels reported for strategies in the preceding chapter as well as from the benefit levels reported for the program as a whole in the second chapter.

^{25/} Census tracts are used to designate projects. Project size is determined by dividing the total dollars budgeted for a census tract by the number of years in which the tract was funded. From this, four size categories are derived: less than \$100,000; between \$100,000 and \$199,000; between \$200,000 and \$499,000; and \$500,000 or more.

Table VI-7
 Percent of CDBG Dollars Budgeted
 for Open Spaces/Parks and Public
 Facilities by U.S. Census Regions,
 Total, 1975-1979

Activity	<u>U.S. Census Region</u>			
	Northcentra1	Northeast	South	West
Open Spaces/ Parks	4	4	5	6
Public Facilities	6	8	9	12

Table VI-8
 Percent of CDBG Dollars Budgeted by
 Activity Group by Low/Mod with all
 Cities by 5 Years Total, 1975-1979

Activity	Non-Low/Mod	Low/Mod
Acquisition/Demolition Relocation	26	74
Public Works	45	55
Housing Rehabilitation and Related Activities	41	59
Open Space & Parks	52	48
Public Services	29	71
Public Facilities	41	59
TOTAL	38	62

funding allocated to property acquisition has been planned for low and moderate income tracts, as has 71 percent of all public service funding (Table VI-8). Nearly the same pattern is evident in regard to targeting to the most distressed tracts (Table VI-9).

Table VI-9
Percent of CDBG Dollars Budgeted
by Activity Group by Census Tract
Distress with all Cities Summed
Across Years Cities by 5 Years
Total, 1975-1979

Activity Group Description	Least Distress	Mod Distress	Most Distress
Acquisition/ Demolition/ Relocation	8	20	72
Public Works	17	29	54
Housing Rehab & Related Activities	13	32	54
Open Space & Parks	23	32	45
Public Services	11	29	60
Public Facilities	16	32	52

In the case of both acquisition and demolition and public services, the high concentration of funding in low and moderate income tracts is partly a result of patterns established under previous categorical programs when most projects were required to be in the poorest and most blighted areas. Nonetheless, CDBG cities continue to place these activities in the poorest and most blighted areas as witnessed by the high percentage of funding going into these areas in 1979, five years after the transition from the categorical programs to CDBG.

The level of targeting achieved for two other major activities--housing rehabilitation and public works--while quite high, is a notch or two below that achieved for acquisition and demolition and public services. For the

five-year period, about 60 percent of all housing rehabilitation dollars were targeted to low and moderate income areas and about 56 percent of all public works dollars have been similarly targeted. Falling in this same range is public facilities. Approximately 59 percent of all dollars budgeted for public facilities is planned for low and moderate income tracts and 52 percent is planned for in the most seriously distressed tracts (Tables VI-8 and VI-9).

The only activities not showing a majority of funds in low and moderate income tracts are open spaces and parks. Over the first five years, about 46 percent of the funding budgeted for these activities has been planned for low income or distressed areas.

Increased Targeting of Activities to Low and Moderate Tracts Since 1976

The trend in targeting to needy areas has been upward since 1976, with the change after 1977 being the most noticeable (Table VI-10). The most substantial increase is evident for public facilities, followed by open spaces and parks, public works, and housing rehabilitation. Targeting for the other two activity sets--acquisition/demolition and public services has also increased, but at more modest increments, largely as a result of their high initial levels of targeting.

Table VI-10
Percent of CDBG Dollars Budgeted
to Low- and Moderate-Income
Census Tracts by Activity by
Year, 1975-1979

Activity Group	<u>Year</u>				
	1975	1976	1977	1978	1979
Acquisition/ Demolition	75	73	70	76	74
Public Works	54	54	55	54	60
Rehabilitation	62	55	60	58	61
Open Spaces & Parks	52	42	49	48	50
Public Services	82	68	69	71	69
Public Facilities	57	56	54	63	65

More Activities Are Located in Larger CDBG Projects in Recent Years

The trend toward greater concentration of activities in low and moderate income and distressed tracts is paralleled by a trend toward increasing concentration of funding in larger projects. In the past two program years, 1978 and 1979, an increasingly larger proportion of almost all activities is directed into the most heavily funded CDBG project areas (Table V-11). For public works, slightly over a quarter of all 1978 public works dollars were planned for the largest project areas--those with more than a half a million CDBG dollars. By 1979, this proportion increased ten percentage points to 36 percent. The gain was even larger for housing rehabilitation in the same two years. Between 1978 and 1979, the proportion of the funding for activity grouping going into the most heavily funded CDBG project areas went from 11 percent to 30 percent, a threefold gain.

Table VI- 11
Percent of CDBG Activity Goinga/
into the Largest CDBG Projects—
Year, 1975-1979

Activity Group	1975	1976	1977	1978	1979
Acquisition/ Demolition	60	57	63	53	45
Public Works	45	34	41	26	36
Rehabilitation	33	20	21	11	30
Open Spaces & Parks	25	18	22	12	18
Public Services	38	15	21	16	16
Public Facilities	38	36	28	31	37

a/ Projects are defined by census tracts. All CDBG dollars except planning, administration and contingency funds are used to calculate the size of the project. Largest projects refer to those funded at a level of \$500,800 or greater for each year.

The movement of activity dollars to larger projects was noticeable before 1978 for the next most heavily-funded project areas--those in the range of \$2 million to \$4.9 million (Table VI-12). In these project areas, the movement started as early as 1976. For example, the percentage of public service funding directed to these relatively larger projects went from 10 percent in 1975 to 39 percent in 1979, whereas, the percentage of public services funding given to smaller projects (those using less than \$100,000) dropped from 25 percent in 1975 to 15 percent in 1979.

Table VI-12
 Percent of Each CDBG Activity
 Going into Project Tract with
 Moderately Large^{a/} Funding
 Levels, 1975-1979

Activity Group	<u>YEAR</u>				
	1975	1976	1977	1978	1979
Acquisition/ Demolition	26	28	23	27	31
Public Works	28	32	29	36	34
Rehabilitation	23	27	30	29	31
Open Spaces & Parks	29	36	35	47	37
Public Services	10	23	18	32	39
Public Facilities	10	33	36	44	32

^{a/} Tract with \$200,000 - 499,000 per funded year.

This trend toward greater concentration is partly a result of the evolution of local community development strategies. Increasingly, cities have turned to larger projects as a way of achieving greater and more visible impacts. Without the necessary concentration and size, projects and activities go unnoticed.

Departmental regulations have also encouraged greater concentration of activities. The regulations issued in March 1978 required that most activities designed to prevent slums^{26/} and blight be part of a comprehensive program to remedy those conditions,^{26/} and that funding for public service areas of concentrated CDBG assisted activities be more clearly limited.^{27/}

^{26/} 24 CFR, Section 570.302(e)(1). Conclusion.

^{27/} 24 CFR, Section 570.201(e)

CHAPTER VII

PROGRESS IN IMPLEMENTING CDBG ACTIVITIES: AN ANALYSIS OF EXPENDITURE RATES

Introduction

Chapter V discussed progress in relation to key community development strategies. This chapter analyzes progress in carrying out the individual components of these strategies--the specific activities eligible for block grant funding. As was the case in Chapter V, progress is assessed in terms of expenditure rates. Data are presented relative to cumulative patterns and year-by-year trends; and variations are observed for various regional and city characteristics.

Summary of Findings

Aggregate expenditure rates for all activities have increased. By the most recent program year, communities had spent more than half of all block grant dollars allocated to them for all program years.

In general, rates have increased more rapidly where cities are smaller, suburban, less distressed and located in the West and South, and where the activities being pursued are smaller and less complex.

Expenditure rates have also increased in cities which are larger, central cities, less distressed cities, and located in the Northeast and North Central regions, and where the activities chosen are larger and more complicated.

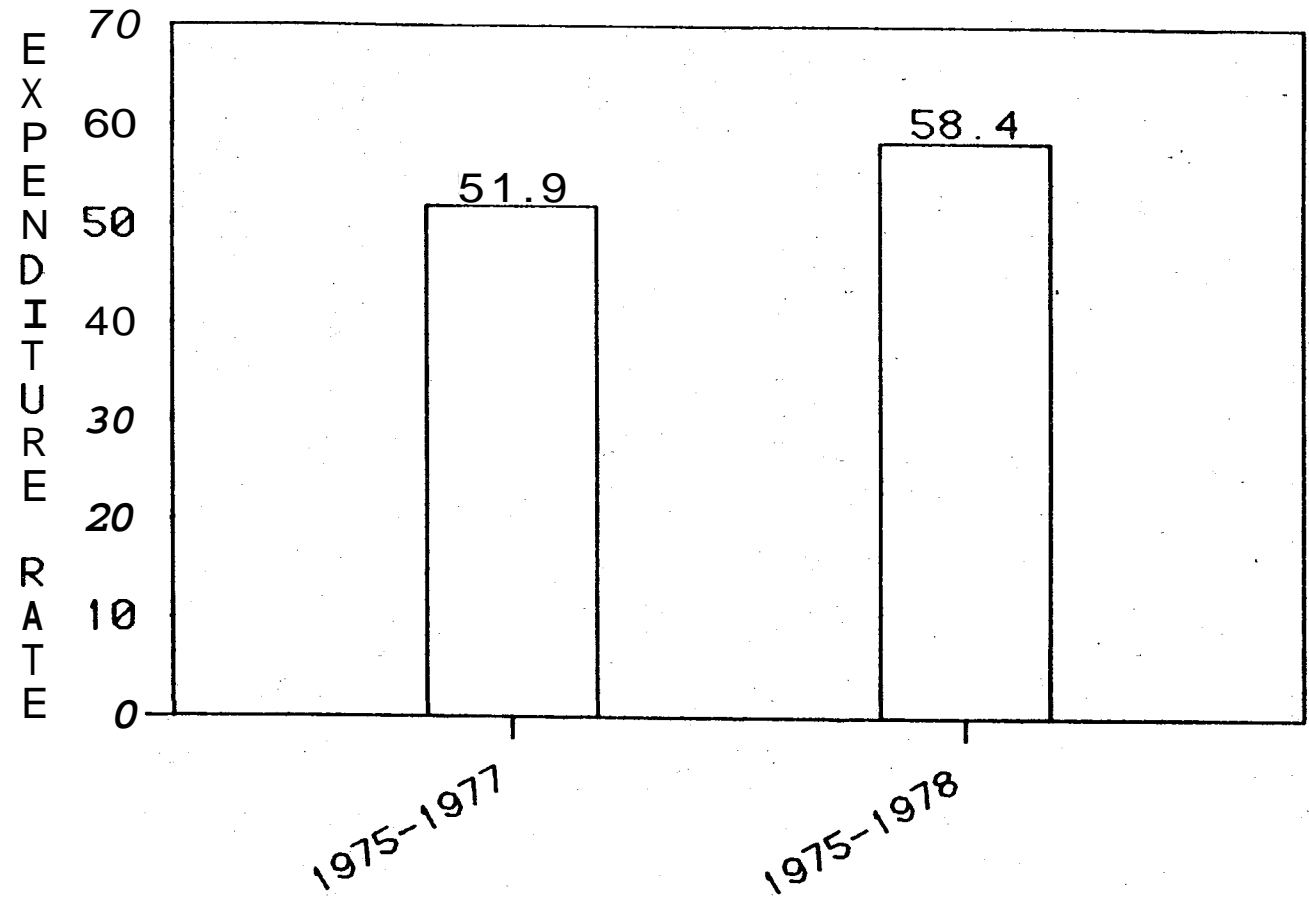
Overall Expenditure Rates and Trends

Cumulative Expenditure Rates and Trends: Rapid Spending in Recent Years

The cumulative expenditure rate for all program years through 1978 was 58 percent (Chart VII-1). This means that more than half of the funds allocated to cities were spent during the first four program years. Moreover, the cumulative expenditure rate through 1978 is 6 percentage points higher than the cumulative rate through 1977. This increase indicates growing administrative capacity at the local level. While the size of the increase appears small, it is quite significant. This is because the cumulative expenditure rate combines low rates of spending in early program years with high rates in later years, thus underestimating rapid current spending.

Chart VII-1

THIRD AND FOURTH YEAR CDBG EXPENDITURE
RATES FOR ALL ACTIVITIES



VII-2

Four-Year Cumulative Expenditure Rates for Individual Activities

Most expenditures rates for individual activities are similar to the national average.^{1/} But a few are slightly lower and some are significantly higher. The expenditure rate for public services is significantly higher than the rate for other activities. The rate for this activity was 73 percent (Table VII-1). Relative to other kinds of activities, money for social services can be obligated rapidly because most of it goes for wages and salaries rather than for multiple contracts requiring extensive development^{2/} and coordination. The slowest expenditure rates were for public works.—

More complex activities have somewhat slower expenditure rates. The expenditure rate for both public works and rehabilitation is about 54 percent, four percentage points below the national average. These activities involve a number of steps between the decision to undertake an activity, initial implementation, and completion. They also may require substantial private sector involvement.^{3/} Consequently, time must be spent coordinating projects or negotiating terms.—

Expenditure rates for acquisition can be delayed because of lawsuits over the terms of condemnation or price. In turn, to the extent that acquisition activities must be completed before other activities are begun they can delay other planned expenditures, such as those for public works and rehabilitation.

-
- 1/ The overall expenditure rates for activities are slightly different from the expenditure rates for strategies because citywide spending was included in the activity expenditure rates but not in the strategy analysis.
 - 2/ The activity classification in this chapter, while fundamentally similar to the classification system in Chapter VI differs in several respects. First, public works, open space/parks, and public facilities are, for the most part, combined into one group, whereas in the Chapter VI they are reported separately. Secondly, a small amount of housing rehabilitation is included in the acquisition/demolition category in this chapter. These differences result from the fact that the reporting system for expenditure rates provides data only for these categories.
 - 3/ Even small public works projects frequently involve land use changes (including appeals to zoning boards) as well as equipment purchases, contract negotiations, and long physical development times. The longer implementation horizon is reflected in the slower expenditure rates.

Table VII- 1
Expenditure rates by Activity: 1975-78

	Cumulative Expenditure Rate
Acquisition Demolition	59
Public Works	54
Public Services	73
Rehabilitation and Related Activity	53
Total	58

Trends in Activity Expenditure Rates

Cumulative expenditure rates increased between 1977 and 1978 for all activities. The increases were more rapid for those activities that had a low 1977 expenditure rates than for those activities with high 1977 expenditure rates, a further indication of increasing capacity at the local level.

Chart VII-2 shows this relationship. On the one hand, the increase for public services, the activity with the highest 1977 cumulative rate, was less than 2 percentage points. On the other hand, the increase for public works, the activity with the lowest 1977 cumulative rate, was 8 percentage points. The relatively greater increases in rates for activities which previously had the lowest rates had the affect of narrowing the variations in expenditure rates among all activities.

Large increases are also evident for rehabilitation as well as for acquisition and demolition.. The increases in expenditure rates for these activities reflects a general movement from the preparation stage to the implementation stage. Significantly larger amounts of money are spent for these activities during actual implementation.

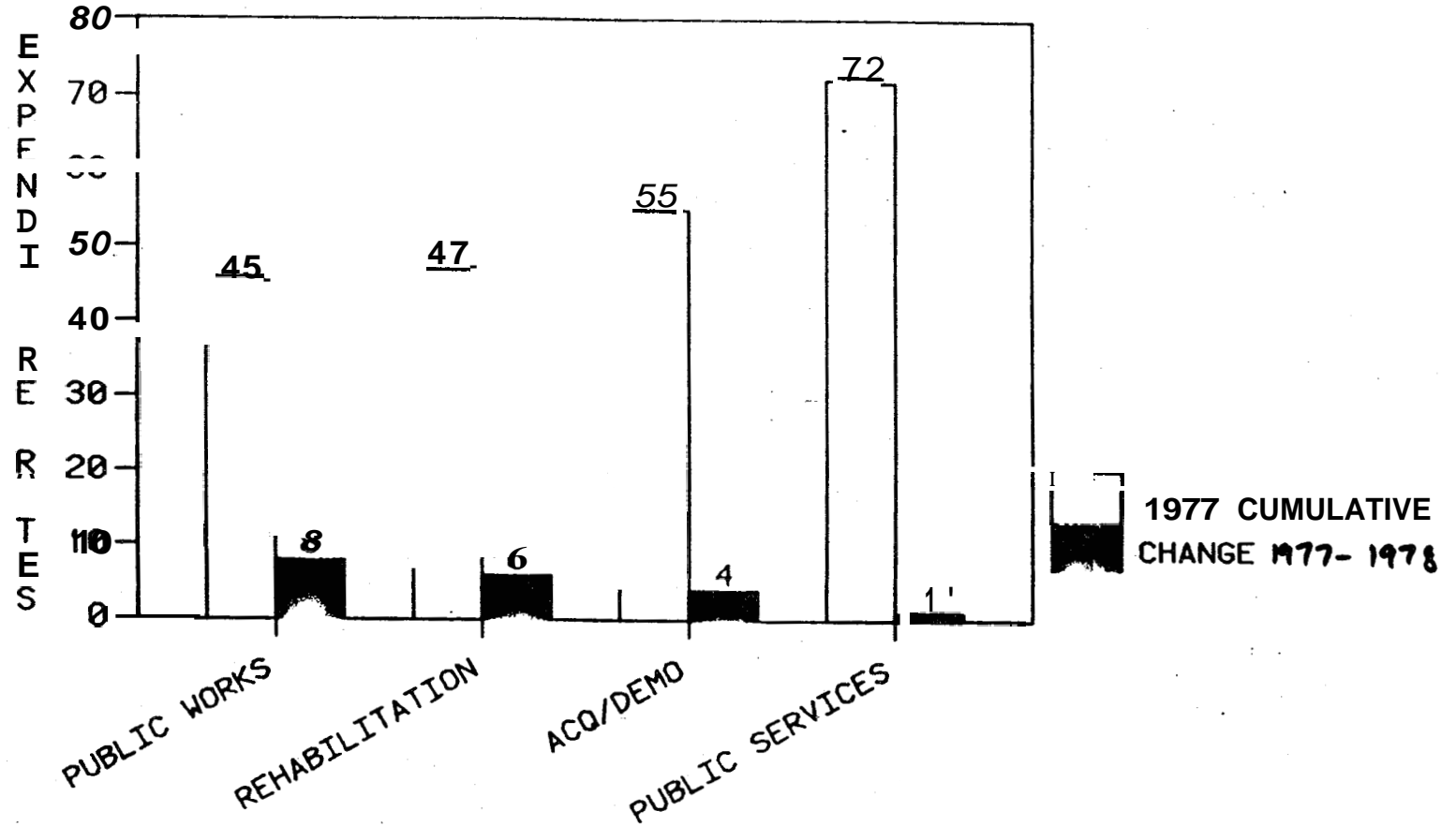
Variations in Activity Expenditures Rates by

Regional and City Characteristics

Expenditure rates vary by city and region. This section discusses aggregate expenditure rates for all activities by regional and city characteristics to determine where expenditure rates are highest and lowest. It then discusses expenditure rates for each activity separately by regional and city characteristics to determine where each is highest and current trends.

Chart VII-2

CHANGES IN EXPENDITURE RATES COMPARED TO
CUMULATIVE 1977 EXPENDITURE RATES



VII-5

Four-Year Cumulative Expenditure Rates by City Type:
Smaller cities, Northeastern Cities, and Western Cities Spend at the Highest Rates

Table VII-2 presents data relative to expenditure rate variations. The data show that expenditure rates are related to city size. The 1978 expenditure rates for small and medium size cities were 62 and 61 whereas the rate for large cities was 52 percent.

A related finding is that suburbs had higher expenditure rates than central cities. The suburban expenditure rate was 7 percentage points higher than the central city rate for the period ending in 1978. The higher rate in smaller and suburban communities reflects both smaller projects and a simpler administrative environment.

Table VII-2
 Three- and Four-Year Cumulative Expenditure
 Rates by Selected City Characteristics
 for All Activities

City Characteristics	Cumulative 1977	Cumulative 1978	Percentage Point Change
Categorical Experience			
Prior Experience	52	58	6
No Prior Experience	51	55	4
City Population Size			
Small	57	62	5
Medium	54	61	6
Large	47	52	5
Metro Status			
Central City	51	57	6
Suburb	57	64	7
U.S. Census Region			
Northcentral	58	57	1
Northeast	59	65	6
South	46	57	11
West	45	65	20

Expenditure rates also vary by region. Cities in the Northeastern and Western regions are spending their block grant funds at a faster rate than cities in the Northcentral and Southern regions. In both the Northeast and West, expenditure rates are 8 percentage points above those in other areas.

Trends in Expenditure Rates by City Type

Trend data lend support to the interpretation presented above to the effect that capacity is improving among some cities because of experience acquired through a long history of dealing with major developmental programs in complex urban settings and among others because of rapid capacity building developed in relation to more recently emerging problems in somewhat less complex settings.

Although expenditure rates increased for all cities, significantly larger increases are evident for cities with prior categorical experience and cities located in the West and South (Table VII-2). The highest rate increases (11 and 20 percentage points) occurred among southern and western cities, both of which have gained recent experience in dealing with emerging problems.

Acquisition and Demolition Expenditure Rates: Lower Rates in More Distressed Places

Acquisition and demolition expenditure patterns resemble the total expenditure rates for the program as a whole. Spending for these activities is occurring at the national rate for all activities (60 percent); but it is noticeably slower in the least distressed cities, cities without previous experience with federal programs, Western cities, and to a limited extent, larger cities.

The most significant variation is the very low expenditure rate in least distressed places. Table VII-3 also shows that spending for acquisition and demolition in the least distressed areas is occurring at full 20 percentage points below the rates evident in other areas. Spending for acquisition and demolition in cities without prior categorical experience and in cities located in the West is proceeding at the rate of about 50 percent. Large cities had an expenditure of 55 percent, 4 percentage points below the small cities rate.

These relatively lower expenditure rates confirm a prevalent pattern. Cities which are only recently dealing with emerging urban problems and acquiring needed experience, are spending their block grant funds at a lower rate than cities which have been dealing with similar problems through major federal programs for some time. This explanation is particularly relevant to activities like acquisition and demolition which require large scale planning, coordination and implementation.

Trends in Acquisition and Demolition Expenditure Rates: Improving Performance Levels

The expenditure rate for acquisition and demolition activities increased between 1977 and 1978 for almost all kinds of cities. Although the data show a number of patterns, several are especially noteworthy. Cities which are experienced in dealing with key urban problems show expenditure rate increases of roughly equal magnitudes. Among cities without this experience, some show slow expenditure rate increases equal to or greater than those of experienced cities while others show declining expenditure rates.

Table VII-3
Third and Fourth Year Expenditure Rates for Acquisition and Demolition By City Characteristics

City Characteristics	Cumulative Expenditure Rate 1977	Cumulative Expenditure Rate 1978	Percentage Point Change
City Population Size			
Large	50	55	5
Medium	58	54	4
Small	58	57	1
Metro Status			
Central City	54	60	6
Suburb	60	56	6
Prior Categorical Experience			
Prior	55	59	4
None	57	51	6
City Distress			
Least distress	46	39	-7
Low distress	57	61	4
Moderate distress	60	58	-2
High distress	54	61	7
Most distress	50	59	9
Region			
Northcentral	62	61	1
Northeast	55	61	6
South	54	64	10
West	43	50	7

Increases in expenditure rates for cities with prior categorical experience, large cities, central cities, and the most distressed cities ranged between -7 and 6 percentage points for an average of 6 percentage points. Changes in rates for cities without prior categorical experience, small cities, and the least distressed cities ranged between -7 percentage points and +1.

The declining expenditure rates for acquisition and demolition activities among cities which did not participate extensively in the Urban Renewal program reflect the fact that these cities are now in the start up phase when initial planning, coordination and contracting problems frequently delay program implementation. If these cities follow the pattern evident for cities which began their acquisition and demolition activities under the Urban Renewal program, they will speed up implementation in the next several years as capacity improves.

Some cities which did not participate as extensively as others in prior programs have already passed through this initial gear up phase. Cities in the South and West show the largest increases in expenditure rates. Between 1977 and 1978 the expenditure rate for acquisition and demolition activities grew by 7 percentage points in the West and by 10 percentage points in the South. The expenditure rate for cities in the South now stands at 64 percent--the highest rate among all sample cities.

Public Works Expenditure Rates: Small, Suburban and Least Distressed Cities Have Highest Expenditure Rates

Spending patterns for public works projects evidence three complementary patterns. Higher spending rates occur in small cities, suburban cities, and the least distressed cities.

The highest rate of spending is taking place in suburban cities: 67 percent, which is 16 percentage points more than the rate for central cities. Relative to city size, expenditure rates increase consistently as city size declines: the rate in small cities is 62 percent; the rate for medium size cities, 58 percent; and the rate for large cities, 40 percent. Relative to distress levels, rates of spending increase steadily with declining levels of distress: the most distressed cities are spending at a rate of 46 percent; moderately distressed cities, at 55 percent; and the least distressed cities, at 59 percent (See Table VII-4).

To a large extent, these three basic patterns reflect overlapping city characteristics. Large cities are also central cities and, frequently, the most distressed cities. Small cities are frequently suburban cities and the least distressed cities. Lower rates in the former reflect the difficulties associated with larger projects and a more complex administrative environment; higher rates in the latter reflect the opposite characteristics.

Trends in Public Works Expenditure Rates: Experience Gap Narrows

Public works expenditure rates increased for all of the city types examined between 1977 and 1978. Chart VII-3 illustrates changes in three important dimensions: categorical experience, metropolitan status, and city size.

Chart VII-3 shows that in 1977 cities without prior categorical experience were spending their public works funds at 45 percent compared to 48 percent for cities with experience under categorical programs. However, during the fourth program year the gap narrowed to less than one percent. This relative change suggests that the importance of prior experience as a reason for variations in public works expenditure rates is diminishing.

Trends in public works expenditure rates by city size and metropolitan status are similar to total program expenditures patterns in that rates rose for cities of all sizes, for both central cities and suburban cities, and at a greater rate for smaller and suburban cities. The central city rate rose 8 percentage points and the large city rate increased by 4 points; the rate for suburban cities increased by 13 percentage points and the small city rate rose 8 percentage points.

Trends in public works expenditure rates diverge from general program expenditure patterns in that the relative rates of increase have enlarged the performance differentials rather than narrowed them. Data for 1977 cumulative expenditure rates show that suburban cities have always expended their public

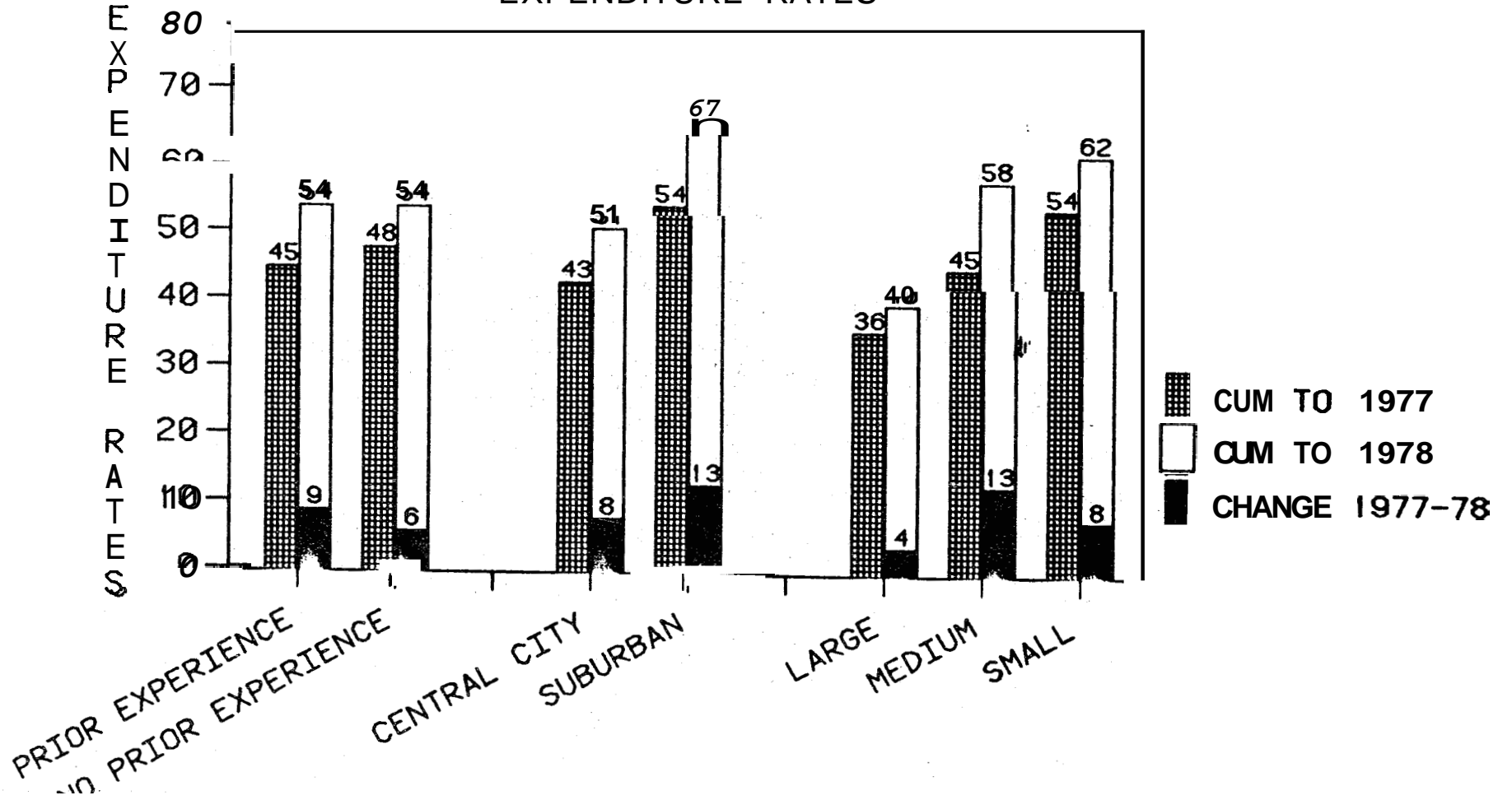
Table VII-4
1977 and 1978 Cumulative Expenditure
Rates for Public Works

City Characteristics	1977 Cumulative Expenditure Rate	1978 Cumulative Expenditure Rate
City Size		
Large	54	40
Medium	45	58
Small	36	62
Metro Status		
Central City	43	51
Suburb	54	67
Distress		
Least distressed	42	59
Low distressed	58	65
Moderate distressed	47	55
High distressed	41	54
Most distressed	44	46

Chart VII-3

SIGNIFICANT CHANGES IN PUBLIC WORKS EXPENDITURE RATES

VII-11



works funds at a greater rate than large cities and central cities. Data for 1978 cumulative rates show that small and suburban communities are continuing to improve their capacity to implement public works programs at a greater rate than others. The central city-suburban performance differential increased from about 10 percentage points to 16 percentage points; the large city-small city performance differential increased from about 17 to 22 percentage points.

Public Services Expenditure Rates: High Level of Performance Among All Cities

The most outstanding feature of public service expenditure rates is that they are high for almost all city types. In fact, the highest cumulative expenditure rate among all city types and all activities was for public services in medium size cities--80 percent. And almost all public service cumulative expenditure rates were in the 70-80 percent range. Table VII-5 presents several important variations.

These consistently high rates reflect the fact that public service delivery is somewhat less complex relative to other kinds of activities. Thus, variations between different kinds of cities are relatively small. The difference between large and small cities is almost insignificant. Large cities are spending at a rate of 70 percent, small cities at 71 percent. The differences between central cities and suburban cities are also small, with central cities spending at a rate of 72 percent and suburban cities at a rate of 79 percent.

To the extent that clearly significant performance differentials are evident, they reflect previous experience in service delivery. The most significant variation occurred between cities with and cities without prior categorical experience. The expenditure rate in cities without such experience was 46 percent compared with 74 percent for cities with such experience. The higher rate for cities with prior experience reflects extensive participation in the Model Cities program which included a large public service component.

Trends in Public Service Expenditure Rates: Low Spending Cities Improving

While expenditure rates for public services increased between 1977 and 1978 for cities of all kinds, they increased most dramatically for those cities which had the lowest initial rate. For each of the five city characteristics used in this analysis, the cities which had the lowest cumulative expenditure rate in 1977 registered the greatest increase in 1978. In some cases, the expenditure rate increases were so large that the city type with the lowest 1977 expenditure rate had the highest 1978 expenditure rate.

Relative to city size, medium sized cities had the lowest expenditure rate in 1977, but they registered the largest increase (10 percentage points) among all size categories. A similar increase was evident for cities without prior categorical experience. Cities without prior experience went from a 1977 expenditure rate of 36 percent to a 1978 rate of 46 percent. Relative to

distress levels, the largest 1978 gain occurred among the least distressed cities which had the lowest 1977 rate; the increase for the least distressed cities was 18 percentage points. Among regions, Southern cities had the lowest 1977 rate, but the highest 1978 rate, 53 percent and 73 percent respectively. Part of the reason for the large changes among some cities may be that the base of unspent funds was small. Consequently, the increase in annual spending had a greater impact on the cumulative expenditure rate than would have been the case if the unspent base had been large. Some credence is given to this interpretation because the cities with the highest expenditure increases for public service are those which generally need them less and budget for them at lower levels.

Table VII-5
1977 and 1978 Cumulative Expenditure
Rates by City Type for Public Services

City Characteristic	Cumulative 1977 Expenditure Rate	Cumulative 1978 Expenditure Rate	Percentage Point Average
Population Size			
Large	72	70	-2
Medium	70	80	10
Small	73	71	-2
Metro Status			
Central City	72	72	0
Suburb	72	79	7
Prior Categorical Experience			
Prior experience	73	74	1
No prior experience	36	46	10
Distress			
Least	62	80	18
Low	65	61	-4
Moderate	65	75	10
High	71	71	0
Most	80	78	-2
Region			
Northcentral	68	67	-1
Northeast	82	80	-2
South	53	73	20
West	74	72	-2

Rehabilitation Expenditure Rates: Less Distressed, Small, and Suburban Cities Spend Fastest

Like the cumulative expenditure patterns for public works, expenditure rates for rehabilitation evidence three consistent and complementary themes: Higher spending rates are associated with less distressed cities, small cities, and suburban cities.

Although the pattern is not without some ambiguity, in general, expenditure rates are inversely related to distress levels. Cities with high levels of distress spend at a rate of 48 percent, those with moderate distress levels spend at 58 percent, and those with low levels of distress at 69 percent.

Table VII-6
1977 and 1978 Cumulative Expenditure Rates by City Type for Rehabilitation

City Characteristic	1977 Cumulative Expenditure Rate	1978 Cumulative Expenditure Rate	Percentage Point Change
City Size			
Large	37	41	4
Medium	52	56	4
Small	59	65	6
Metro Status			
Central City	46	51	5
Suburb	56	66	10
Prior Categorical Experience			
Prior	47	53	6
None	55	57	2
Distress			
Least	50	58	8
Low	58	69	11
Moderate	51	58	7
High	42	48	6
Most	50	52	2
Region			
Northcentral	55	50	-5
Northeast	63	69	6
South	42	66	24
West	29	35	6

A similar inverse rehabilitation/relationship is evident for expenditure rates and city size. Large cities had a cumulative expenditure rate of 41 percent; medium size cities, a rate of 56 percent; and small cities, a rate of 65 percent. At the same time, suburban cities are spending at a rate of 66 percent, 15 percentage points above the rate for central cities.

These variations reflect overlapping city characteristics: large cities are central cities, and often distressed cities; small cities are often suburban cities.

The lower expenditure rate for rehabilitation in larger and more distressed cities results from larger rehabilitation needs, more extensive programs, and complex administration and political environments. The high rate for small and less distressed cities reflects the opposite program characteristics: relatively less severe needs, smaller programs and more manageable administrative contexts.

Trends in Rehabilitation Expenditure Rates: Fast Spenders Show Greatest Increase

Rates of expenditure for rehabilitation activities increased between 1977 and 1978 for cities of all kinds, but they increased at a greater rate for cities that were already spending at the highest levels--smaller cities, suburban cities, and the least distressed cities.

Rehabilitation expenditure rates changed for all cities within the range of -5 to 24 percent, with the average being about 6 percent. The rate for small cities increased by 6 percentage points, 2 points more than for large cities; the rate for the least distressed cities grew by 8 percentage points, 6 points more than for the most distressed cities, and the rate for suburban cities rose by 10 percentage points, 5 points more than for central cities.

The faster pace of the expenditure rate increases for small cities, suburban cities, and less distressed cities reflects the fact that these communities were already spending the funds faster than others. The greater ability of the cities to spend rehabilitation funds reflects smaller, simpler projects in less complex and more easily managed settings.

Variations by Census Tract Characteristics

This section examines variations in activity expenditure rates among types of census tracts with different characteristics. The census tract approximates the geographic unit at which progress in implementing specific activities can be monitored at the project level. The focus differs from the previous section which discussed variations in activity expenditure rates at the program or citywide level. The census tract characteristics discussed include: low and moderate income status, distress level, spending concentration, and prior categorical program experience.

Spending Similar in Low and Moderate Income and Non-Low and Moderate Income Tracts, Except for Public Services and Rehabilitation

The rate of activity implementation in low and moderate income tracts is an important progress measure because one of the purposes of the community development program is to serve low and moderate income families. The 1978 cumulative expenditure rate for all activities was the same in both low and moderate income tracts and non-low and moderate income tracts--56 percent (Chart VII-4). However, the aggregate expenditure rate for all activities combined conceals variations among individual activities.

The expenditure rate for public services was significantly higher in low and moderate income census tracts than elsewhere--70 percent compared to 64 percent. The high rate in low and moderate income tracts may reflect greater needs with greater urgency. It may also reflect the fact that the facilities needed to deliver public services--such as community centers--are frequently located in low and moderate income areas. Since these areas have the requisite facilities, there are few implementation problems.

Expenditure rates for rehabilitation activities showed a contrasting pattern. The rate in non-low and moderate income areas was 50 percent, 8 percentage points higher than in low and moderate income areas. Rehabilitation in these areas often involves major repairs, multiple contractors, extensive citizen participation, coordination with landlords and public housing authorities, and private investor participation, i.e., banks, insurance companies, and reinvestment agencies.

Trends: Spending in Low and Moderate Income Tracts Shows Largest Increases

Between 1977 and 1978, the aggregate expenditure rate for all activities increased in both low and moderate income and non-low and moderate income tracts, but it increased more rapidly in low and moderate income areas (Table VII-7). The spending rate in low and moderate income areas rose by 8 percentage points between 1977 and 1978. The comparable increase in spending in non-low and moderate income tracts was 5 percentage points. The larger rate increases in low and moderate income areas is largely accounted for by significant increases in spending rates for acquisition, demolition, and rehabilitation.

In low and moderate income tracts, spending for acquisition grew by 8 percentage points and spending for rehabilitation rose by 8 percentage points. In non-low and moderate income tracts, the rate for both activities grew only by an average of 2 percentage points.

The expenditure rate increase in low and moderate income tracts shows that local governments are better implementing their community development activities. In earlier years, expenditure rates in these areas lagged behind non-low- and moderate-income tracts.

Table VII-7
Changes in Expenditure Rates by Low/Mod Status
1977-78

Activity	Low and Moderate Income Tracts	Non-Low and Moderate Income Tracts
Acquisition/Demolition	8	2
Public Works	9	8
Public Services	-2	-5
Rehab, Related	8	2

Spending Higher in Most Distressed Tracts, Except for Rehabilitation

Expenditure rate patterns for the most and least distressed tracts are similar to those for low and moderate income and non-low and moderate income tracts. The aggregate expenditure rate for all activities combined as well as the individual expenditure rate for each activity (except rehabilitation) was higher in the most distressed tracts. The aggregate rate was 51 percent in the least distressed tracts and 57 percent in the most distressed areas.

Disaggregated expenditure rates for each activity show that spending for acquisition and demolition is 7 percentage points higher in the most distressed neighborhoods, spending for public works is 3 percentage points higher, and spending for public services is a dramatic 27 percentage point jump. Only the expenditure rate for rehabilitation showed no real variation.

Trends: Moderate and Most Distressed Tracts Show Largest Rate Increases

Between 1977 and 1978, expenditure rates increased in all areas, but they increased more rapidly in areas showing moderate to high level's of distress. Within the most distressed areas, the largest increase involved rehabilitation. Among the individual activities only the spending rate for public services declined in all areas.

Chart VII-5 shows the changes. Aggregate data for all activities show that expenditure rates increased by 4 percent in the least distressed areas, by 9 percent in moderately distressed areas, and by 7 percent in the most

distressed areas. The change reflects significant growth in the spending rate for acquisition and demolition (15 percentage points in moderately distressed areas and 5 percentage points in the most distressed areas) and for public works (13 percentage points in moderately distressed areas and 8 percentage points in most distressed areas).

Table VII-8
1978 Cumulative Expenditure Rates for
Activities by Census Tract Distress

Activity	Least	Distress Moderate	Most
Acquisition/Demolition	51	62	58
Public Works	51	55	54
Public Services	48	61	75
Rehab, Related	45	47	45
Combined Total	51	57	57

Among all expenditure rate increases in the most distressed areas, the largest evident increase was for rehabilitation--almost 10 percent. This rapid rise is particularly important because the spending rate for rehabilitation traditionally has been lower vis-a-vis other activities and also lower in the most distressed areas. The rapidly increasing rate of spending for rehabilitation between 1977 and 1978 indicates that cities are moving from the development to the implementation phase of their programs.

Spending Rates by Size of Project: Smallest and Largest Projects Have Highest Expenditure Rates

Chart VII-6 shows 1978 expenditure rates by the level of block grant funds budgeted for each census tract. The inverse bell shape of the graph indicates that the highest expenditure rates are evident for both the smallest and largest projects. For instance the tracts where the amount budgeted was under \$100,000 showed an expenditure rate of 59 percent. The tracts receiving over \$500,000 evidenced an expenditure rate of 60 percent. These levels are significantly above the roughly 53 percent rate occurring in the two moderate spending tracts (\$100,000 to \$199,000 and \$200,000 to \$499,000).

Chart VII-5

1977-1978 CHANGES IN CUMULATIVE EXPENDITURE RATES
BY CENSUS TRACT DISTRESS

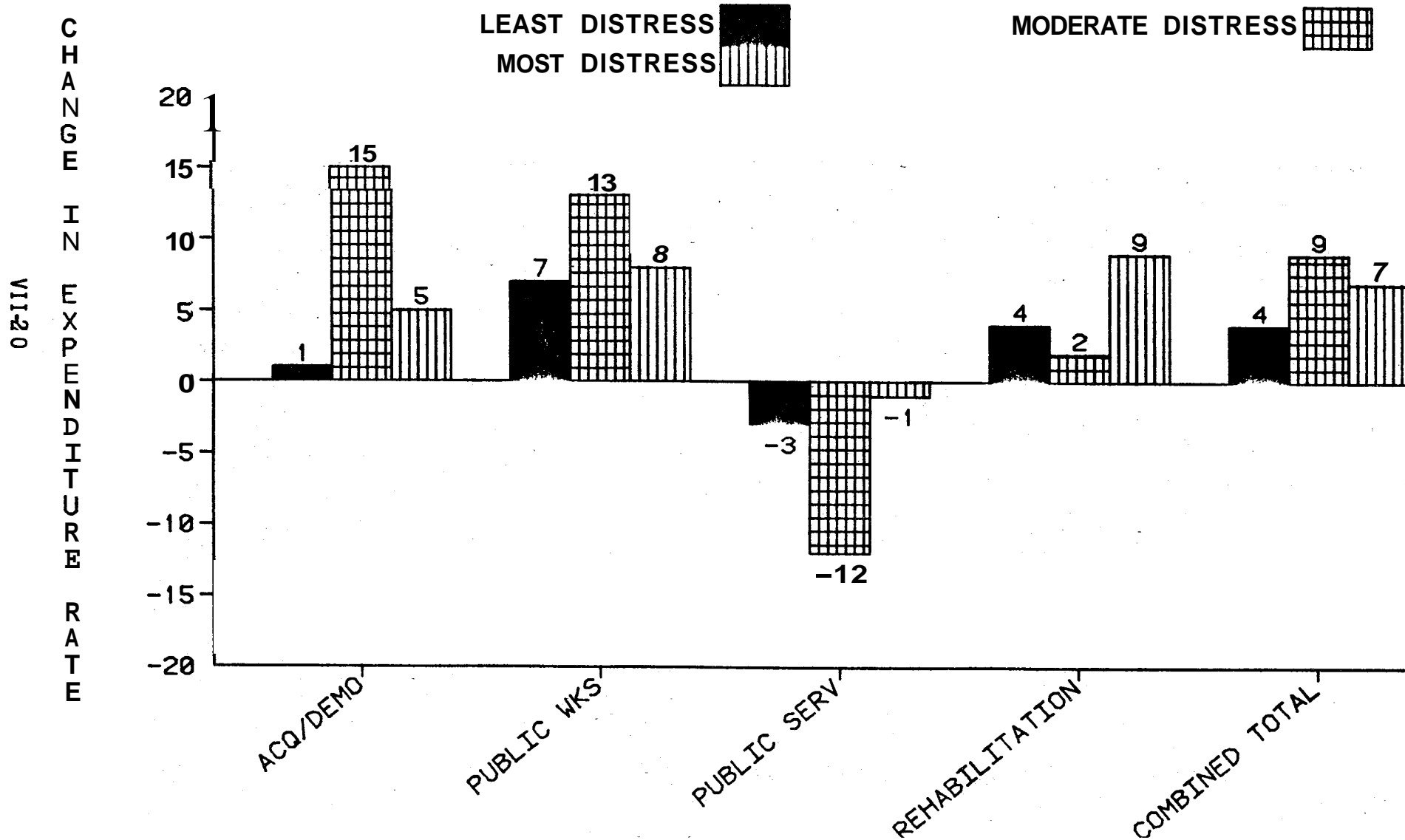
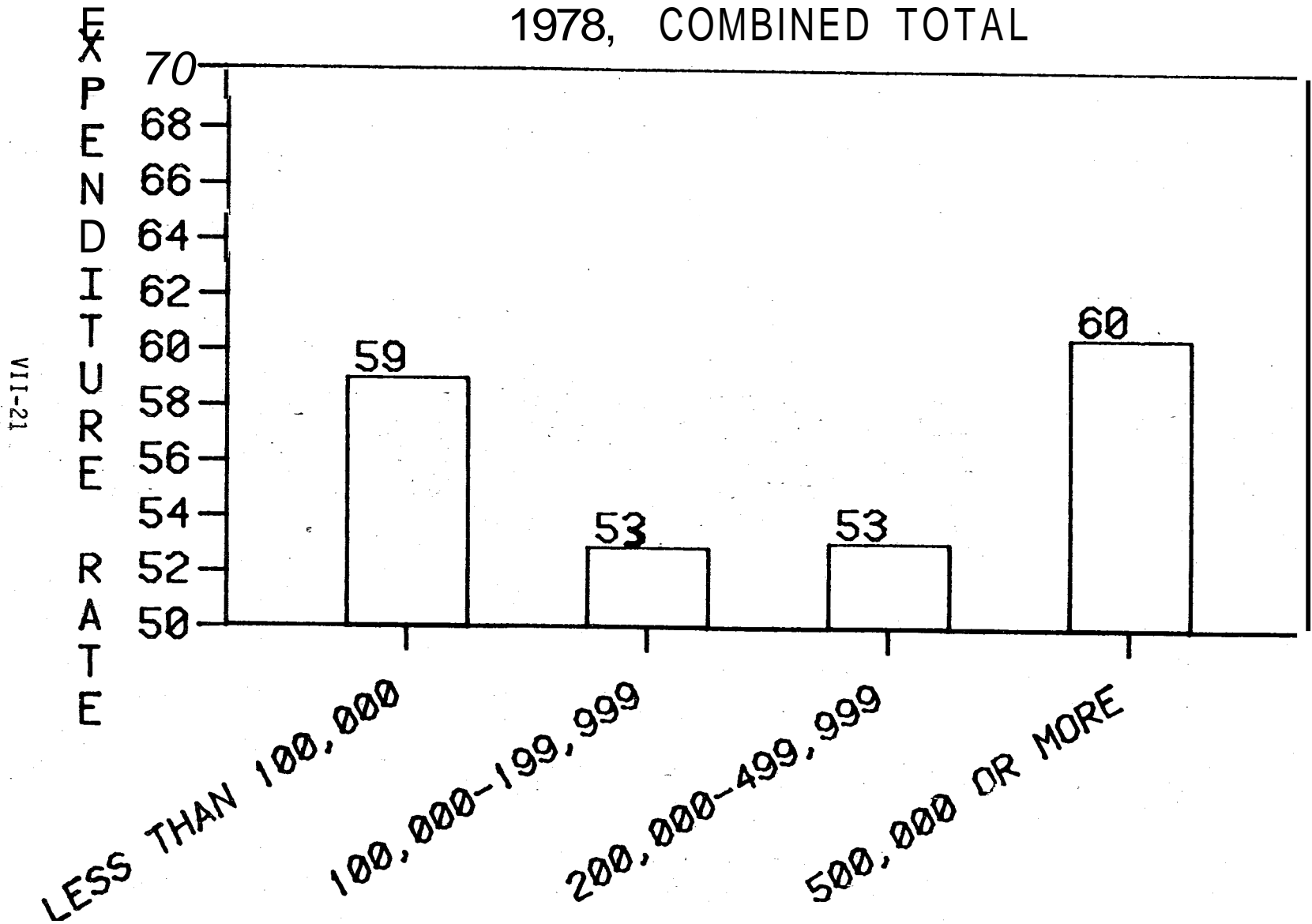


Chart VII-6

EXPENDITURE RATES BY CONCENTRATION, 1978, COMBINED TOTAL



VII-21

TABLE VII-9
EXPENDITURE RATES FOR ACTIVITY BY SPENDING CONCENTRATION

ACTIVITY	LESS THAN \$100,000		\$100,000-\$199,999		\$200,000-\$499,999		\$500,000+	
	1978 RATE	1977-78 CHANGE	1977 RATE	1977-78 CHANGE	1978 RATE	1977-78 CHANGE	1978 RATE	1977-78 CHANGE
Acquisition/ Demolition	65	2	58	17	51	2	61	9
Public Works	58	3	52	8	50	9	57	15
Public Services	64	2	56	-29	80	14	88	11
Rehabilitation	43	5	45	11	44	1	56	14
Combined Total	59	5	53	6	53	6	60	10

VII-22

Two different explanations account for these variations. Smaller projects evidence high expenditure rates because they are often the least complex projects. They require less development and coordination. The large projects show high expenditure rates because they are frequently projects which began under the Urban Renewal program and, hence, have had a longer period of time to complete tedious front end activities. In addition, budgets for these Urban Renewal Areas are stable or decreasing.

Table VII-9 shows that this trough-like pattern is most evident for acquisition, demolition and public works. For acquisition and demolition, the largest projects show expenditure rates of 61 percent, the smallest 65 percent. The comparable expenditure rates for public works are 57 percent and 58 percent. The pattern is less clear for public services and rehabilitation activities. For these activities, the most concentrated tracts had substantially higher expenditure rates than the others.

The higher spending rates for rehabilitation and public services support explanations developed previously. In the case of public services, the areas with the most spending concentration are likely to be the sites of public projects such as community centers. These facilities enhance the ability to expend public service funds. In addition, rehabilitation expenditure patterns may reflect the greater confidence property owners have in areas where the city is making the greatest community development investment. Homeowners are more willing to take loans and make other supplementary investments when they have confidence in the future viability of their neighborhoods.

Trends: Large Increases in Expenditure Rates for Larger Projects

Expenditure rates increased between 1977 and 1978 for projects of all sizes. However, larger expenditure rate increases occurred in the census tracts where spending was most heavily concentrated. The census tracts with the least funding concentration had the lowest spending rate changes. Among the largest projects, those involving public services and rehabilitation had the largest expenditure rate increases.

Table VII-9 shows that aggregate expenditure rate changes for all activities increase consistently with the level of funding concentration. The increase was 5 percentage points for tracts with less than \$100,000 budgeted. The two categories with moderate levels of funding concentration (100,000-199,999 and 200,000-499,999) showed increases of 6 percentage points. The increase in the most concentrated tracts was 10 percentage points.

4/ Project size is determined by the average number of dollars budgeted for each census tract over the last four program years.

An examination of the individual activities reveals that among the most highly funded tracts, the largest increases were evident for public works and rehabilitation. The increase for public works was 15 percentage points and the increase for rehabilitation was 14 percentage points.

Categorical Tracts Have Higher Expenditure Rates

evidence significantly higher overall expenditure rates than those that did not. In fact, tracts that received Urban Renewal, Neighborhood Development, or Model Cities funding had higher expenditure rates for every activity than others. Census tracts that received funding only under the Model Cities program also had a higher overall expenditure rate than non-categorical tracts. However, the difference is primarily due to the high public service

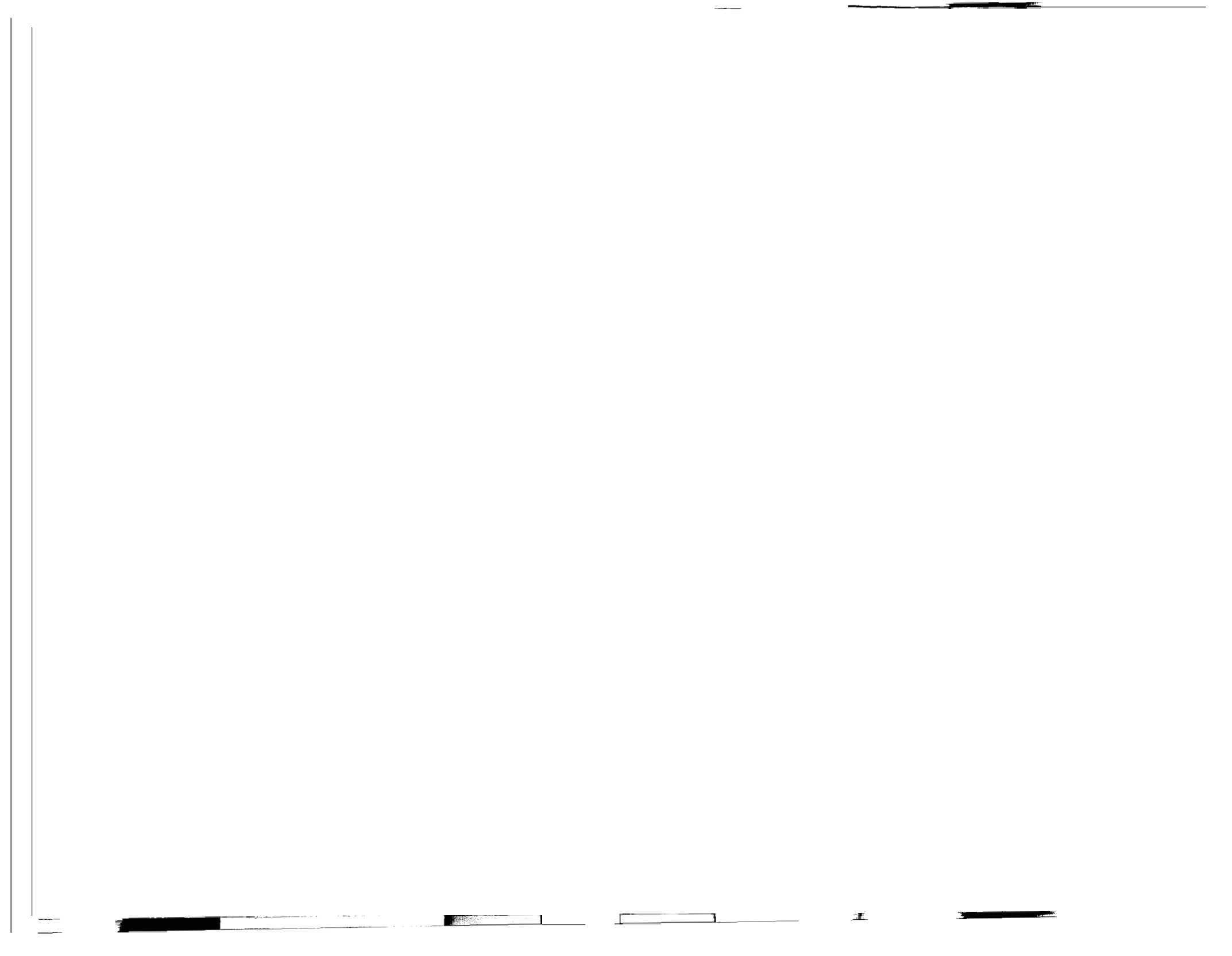
Table VII-10 presents relevant data. The 62 percent overall expenditure rate for tracts that received Urban Renewal, Neighborhood Development and Model Cities funding was significantly higher than the rate for tracts which received only Model Cities (55 percent) and the rate for tracts which received no prior funding (52 percent). The largest variations at the activity level were in public services and acquisition/demolition. For acquisition/demolition tracts which were funded under previous programs the expenditure rate was 63 percent compared compared 47 percent tracts which previously received Model Cities funding and to 50 percent for tracts which received no previous funding. Budgets for acquisition/demolition activity are decreasing in urban renewal areas. Thus, many large projects are at the end of their funding cycle and spending is occurring at a rapid rate. The expenditure rates for public services were over 60 percent in all types of tracts regardless of categorical status.

Trends: Differentials Increase

While spending rates grew between 1977 and 1978 for both tracts with and without previous experience, the gap between tracts that had Urban Renewal, Model Cities or Neighborhood Development experience, and those which had only Model Cities or no categorical experience increased. Considering all activities combined, spending the rate increase among tracts experienced with all previous programs was about 10 percentage points; the increase among tracts which did not receive any previous funding through categorized programs was 6 percentage points.

Table VII-10
Expenditure Rates For Activities By Categorical Status

	Only Model Cities		Non-Categorical		UR-NDP-MC	
	1977	1978	1977	1978	1977	1978
Acquisition/ Demolition	33	47	43	50	56	63
Public Works	38	54	45	51	46	60
Public Services	86	68	62	60	73	82
Rehabilitation	25	37	40	45	42	51
Combined Total	50	55	46	52	53	62

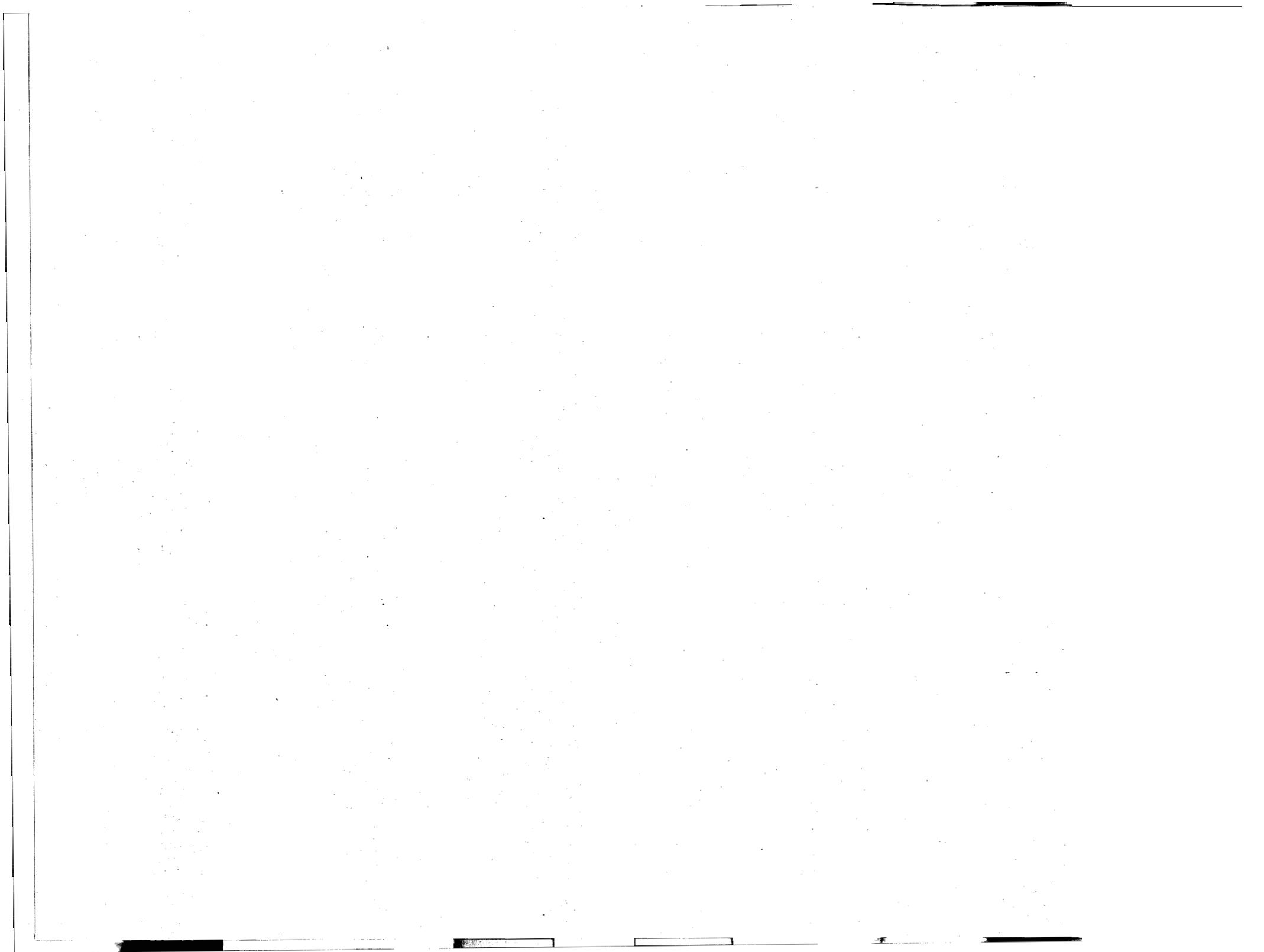


PART V

PROGRESS TOWARD HOUSING ASSISTANCE OBJECTIVES

CHAPTER VIII: Housing Assistance Plan Goals

CHAPTER IX: Progress in Implementing *HAP* Goals



CHAPTER VIII

HOUSING ASSISTANCE PLANS

Introduction

This chapter reviews the evolving process of planning for the provision of assisted housing in the block grant program. This process is described and assessed by comparing Housing Assistance Plans developed pursuant to the 1976 regulations for the first three-year planning cycle with HAPs developed for the second three-year cycle in 1979 pursuant to revised regulations.^{1/}

The specific components of the HAPs described in the following sections include: statements of housing conditions and needs, proposed overall goals, proposed goals relative to different household needs, proposed goals in terms of unit types relative to household needs, proposed general locations (census tracts) for new construction and substantial rehab, and strategies for achieving greater housing opportunities for lower income households and minorities.^{2/}

^{1/} Recent regulatory revisions were published in 1978. HAP submissions in 1979 are examined because the 1978 HAP requirements became effective for CDBG applications submitted after August 1, 1978. The majority of entitlement applications were submitted during the Spring of 1978 prior to August 1. Consequently, the 1978 program requirements are reflected in the 1979 or fifth program year HAP for most cities.

^{2/} The data and analysis in this and the following chapter are based on aggregate figures for all types of housing assistance (i.e., renter, owner). It was not possible to break out figures by tenant type in time for this report.

^{3/} In this and the next chapter the discussions of HAP goals reflect all types of planned assistance. Thus, they do not distinguish between planned assistance to be provided through local programs and planned assistance to be provided through HUD programs. In particular, planned rental goals are not divided into rental goals to be addressed through local programs and rental goals to be addressed through HUD programs. This distinction is important because goals relative to HUD assistance determine HUD housing type mix and released budget requests. Data available for this report did not permit disaggregation at this level.

Summary of Findings

Comprehensive citywide planning for assisted housing and for the coordination of multiple Federal and local programs involving both housing and community development--as embodied in the HAP--is a significant policy innovation of the Community Development Block Grant Program. Although area specific planning was an aspect of some prior programs and citywide planning in some cities, neither was as comprehensive as envisioned in the block grant legislation.

As a consequence, the approaches taken by both the cities and HUD have evolved through an incremental process. Inadequate data, inexperience, inability to influence key factors in the housing development process, local contention over the levels of effort or the locations for assisted housing have impeded the process for providing assisted housing units to low and moderate income persons.

Given this atmosphere of new and complicated issues on the one hand and inexperience and intended local flexibility on the other, initial program regulations were quite general. Subsequently, based on a core of acquired local and Federal experience, program regulations were revised in 1978. These revised regulations provided local communities with clear and more precise guidelines for developing Housing Assistance Plans suited to the needs of their low and moderate income residents.

As evidenced by a comparison of 1976 and 1979 HAPs, the new regulations have resulted in improved housing assistance plans. Overall, three-year goals are more realistic relative to identified needs and available resources.— The goals for a majority of communities meet or exceed the new 15 percent guideline, and the goals for all communities are distributed within a significantly narrower and more realistic range.

As a result of a greater emphasis in the regulations on strict proportionality relative to serving the needs of household type (elderly, small family, large family), and tenure type (owners, renters), 1979 HAPs evidence a movement toward greater parity among household types as well as toward redressing imbalances present in previous plans. In particular, somewhat fewer units are planned for elderly households who were generally overserved relative to need in earlier years and more units are planned for small and large families, both of which were underserved previously.

A similar trend toward parity was evident in regard to unit types (new construction, rehabilitation, and existing), especially in regard to new construction units. Recent HAP plans show that new construction units have been allocated so as to compensate for past deficiencies in serving the needs of small and large families.

Finally, 1979 HAPs evidence improved plans for providing greater housing opportunity and choice. Communities are now submitting proposed strategies specifically aimed at this goal. These strategies show a more balanced distribution of units planned for the most distressed and least distressed census tracts.

Statements of Housing Conditions and Housing Assistance Needs

Since the beginning of the block grant program, communities have been required to prepare a statement of housing conditions and needs as the starting point in developing their Housing Assistance Plans. Statements prepared in early program years reflected a number of start-up problems and especially acute problems of data limitations. This issue was addressed ^{5/}in the revised 1978 program guidelines for preparing 1979 and subsequent HAPs.

During the initial program years cities experienced difficulties in preparing the requisite statement of housing conditions and needs. In part these difficulties were related to capacity building; cities required time to

4/ Several parameters of the analysis presented in this chapter should be mentioned. First, the results presented in this chapter are derived from a representative sample. For 1976, 147 cities are represented in the data base. For 1979 only 128 of the sample HAPs were available in time for this report. In addition, time constraints limited certain computer processes for the 1979 data. However, distortions, if any, which might result do not appear to be extensive.

Second, the 1976 HAPs may or may not represent cities' goals throughout the 1976 through 1978 planning period. Some cities changed three-year goals in their 1977 HAP submission. Moreover, in 1978, each city adopted a transition HAP. A transition HAP was required from cities which applied for CDBG funding after March 1 but before August 1, 1978. The impact of the transitional HAP is reflected in Chapter IX of this report.

The transition HAP required cities to revise their goals so as to make up for performance deficiencies regarding proportional assistance to each household type. Deficiencies were determined by examining local deliveries against the household proportions established in the 1976 three-year plan. As a result of the fact that many cities had over delivered assistance to elderly/handicapped households during the first two years, some cities had to submit revisions to their 1976 HAP. The revisions generally increased total goals, as well as goals for small and large families.

The decision to use 1976 HAP plans as a comparative benchmark was made in order (1) to provide some analytical benchmark and (2) to permit an assessment of HAP planning from the very beginning of the program through to the most recent HAP submissions. Thus the comparison of 1976 and 1979 HAP provides a relative rather than an absolute standard.

5/ According to the 1978 Regulations, 24 CFR 570.306(4)(a)(ii), Housing Assistance Plans must be submitted once every three years to cover a three-year period. Each subsequent annual application during the three years is to include an annual housing action program. The Housing Assistance Plan remains in effect for three program years but during the period it may be revised or updated either on the basis of newly available data or to reflect significant changes in local conditions or needs.

develop staff resources, build relevant expertise, and define process guidelines. In part, however, difficulties were related to well known data constraints inherent in using **1970** census statistics. When cities prepared their first statements of housing conditions and needs in **1976**, this data was already six years old.

The **1978** regulations encouraged local communities to make more extensive use of other data resources, such as surveys and data systems developed by other public and private agencies, as well as to undertake their own surveys of housing conditions. Encouraged by these guidelines, communities seem to have used a broader array of housing data.—/

Given the variety of local market conditions and the array of data resources in use, it is not possible to fully assess the impact of the **1978** guidelines and the response of local communities. But it can be said that between the **1976** and **1979 HAP** submissions, estimates of the number of households in need of assistance have declined by six percentage points from **23** percent to **17** percent,

In the same period, estimates of need by household type (elderly, small family, large family) have remained at about the same level. Among all households in need of assistance, **33** percent are elderly households, **15** percent are large families, and **52** percent are small families (Chart VIII-2).

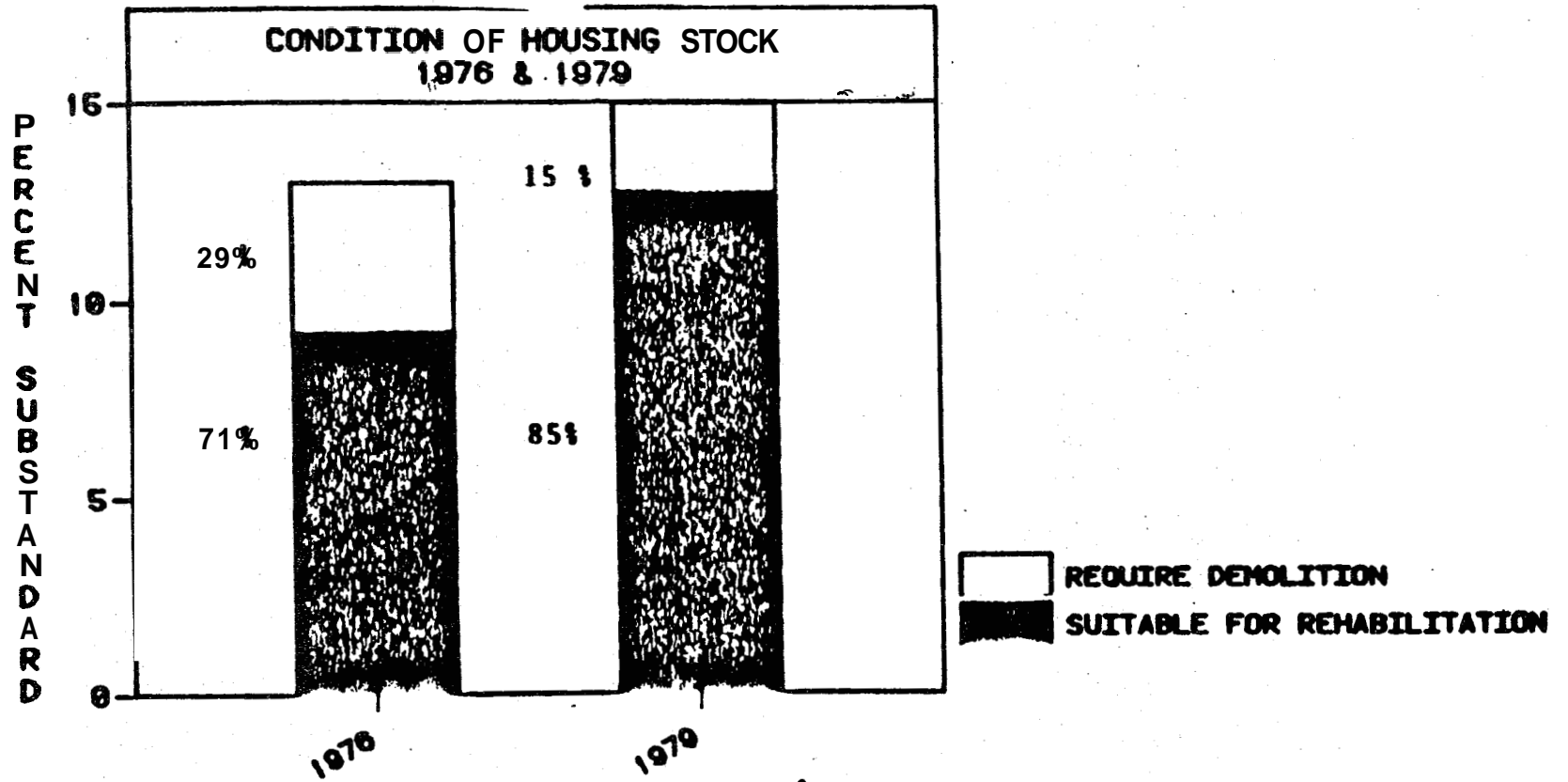
Establishing Realistic Goals

From the inception of the CDBG program, communities were statutorily required to establish realistic annual and three-year goals indicating the total number

6/ Cities were also instructed in **1978** to redefine the stock of units which were suitable for rehabilitation. Prior to this, they were permitted to define units which were suitable for rehabilitation as subsets of both the standard and substandard units. This created inconsistencies in the identification of total substandard units. Now, cities must define units which are suitable for rehabilitation among those which are substandard; As a result of this redefinition, the **1979** proportion of the housing stock which is estimated to be substandard has increased relative to **1976** assessments (See Chart VIII-1).

Communities are instructed to define substandard units as those which lack one or more essential plumbing facilities, that do not provide safe and adequate shelter or that are in deteriorated condition caused by inadequate maintenance. In addition, communities may include units which violate local housing codes, or which fall below quality standards under the Section 8 program, or which are clearly deficient in terms of equipment provided.

Chart VIII-1



VIII-5

Chart VIII-2

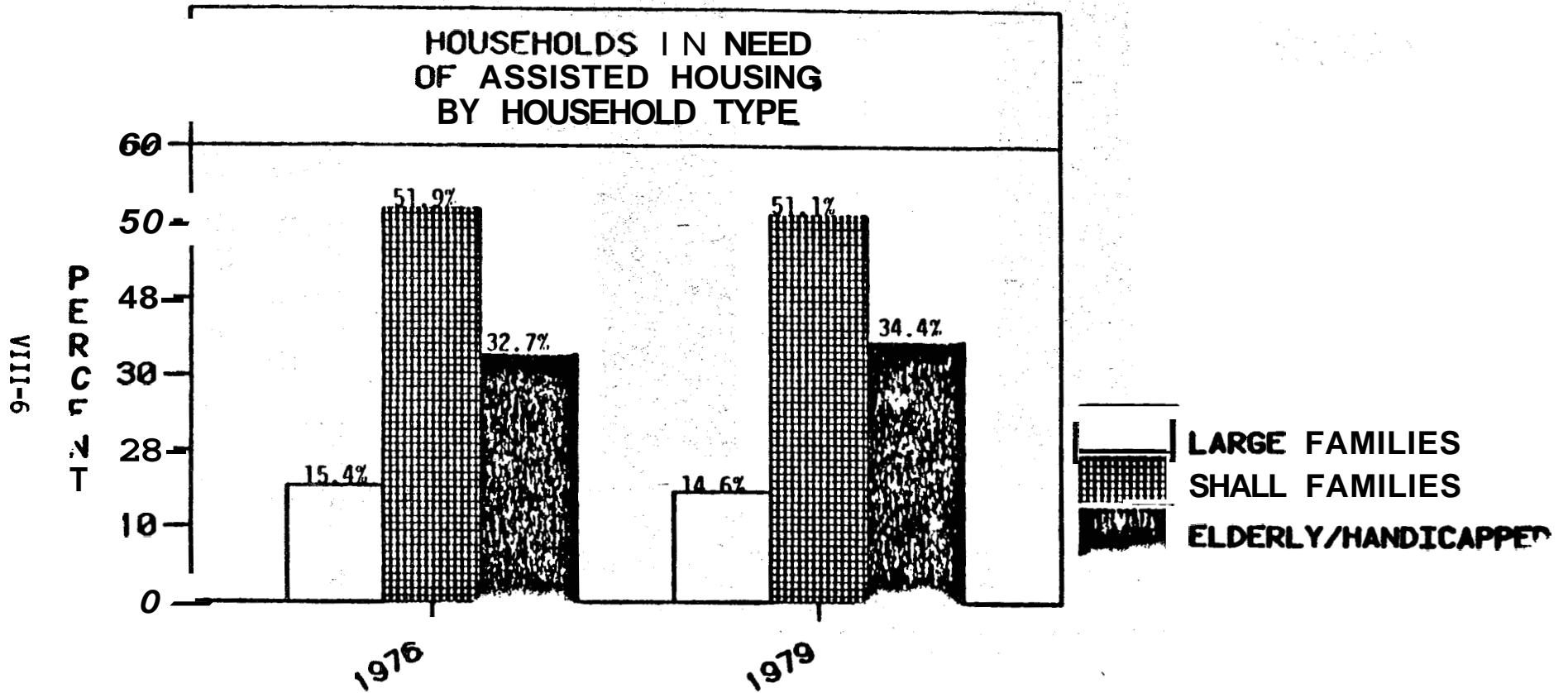
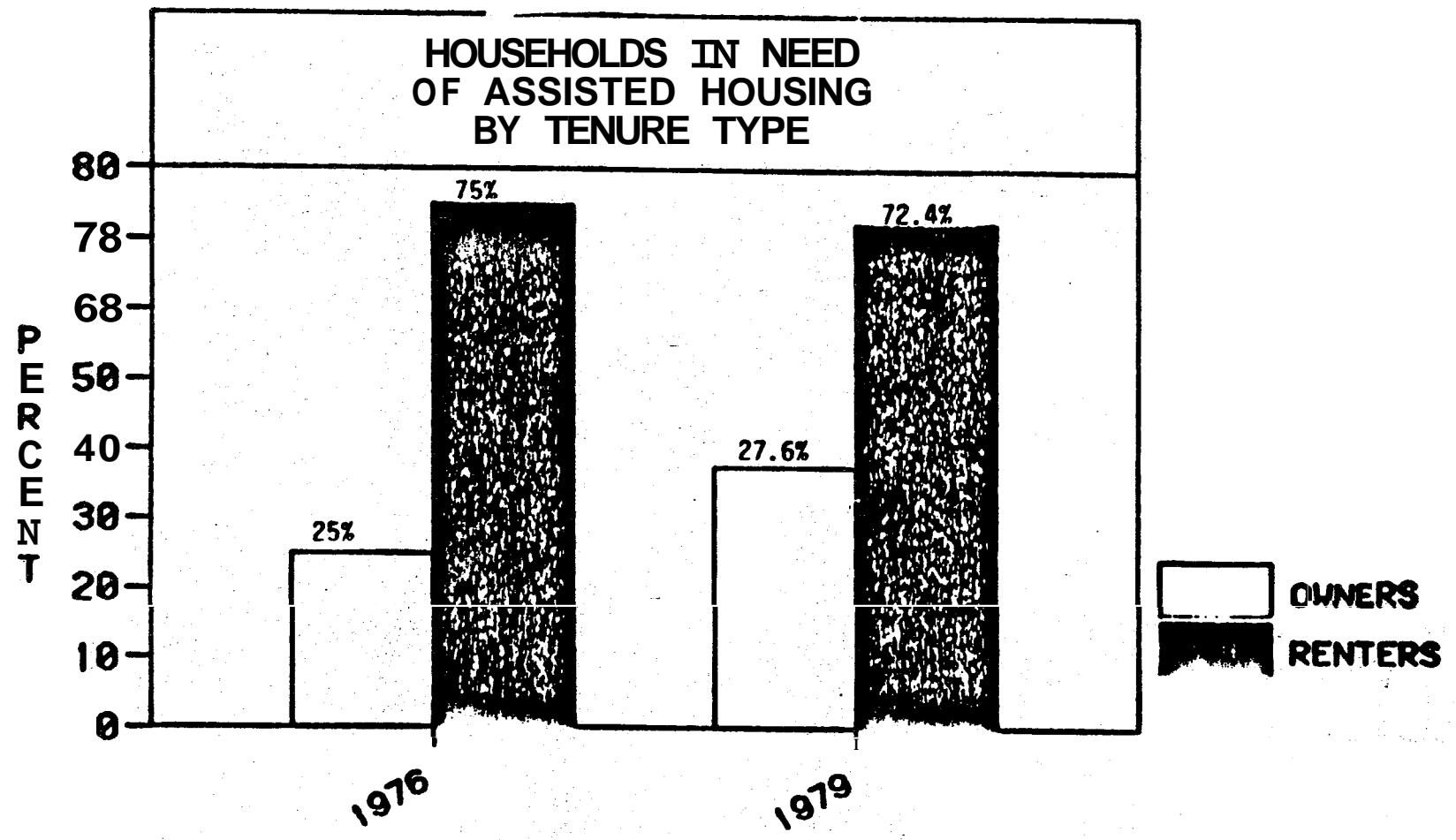


Chart VIII-3

VIII-7



of households for whom housing assistance would be provided.^{7/} However, no real guidelines were provided to define the meaning of the term "realistic", with the result that goals varied widely and reflected internal inconsistencies. For the first time in 1978, program regulations provided a clear goal definition,^{8/} and subsequent 1979 HAP submissions reflect more realistic housing assistance goals.

Given loose program guidelines and the relative lack of experience among grantees, 1976 Housing Assistance Plans did not always define workable goals. Some cities established ambitious three-year programs relative to their administrative capacity, market conditions (including developer response), and available housing resources (both state and Federal). Some cities established overly conservative goals, sometimes based on anticipated resistance to the provision of assisted housing for low income persons. The result was that three-year goals varied from almost nothing to almost 100 percent of estimated need (Table VIII-1).

Also related to these problems was the fact that communities could modify both their overall three-year goal and one-year goal in each of the years covered by the three-year goal. The result was that annual goals were not always consistent with three year goals. For example, 15 percent of all communities set three-year housing assistance goals of between 40 and 90 percent of need. However, when the three annual goals are added together, they average only 28 percent -- well below the 40 to 90 percent range of the three year goals.

The local planning process relative to three-year and annual goals was clarified and standardized by the 1978 program guidelines. These standards provided: the three-year goal must with some exceptions represent at least 15 percent of total identified housing needs; successive annual goals must reflect proportions sufficient to fulfill the three-year goal; and the three-year goal must be a true three-year goal in that constraints have been placed on the circumstances under which it may be changed subsequent to the beginning of the planning cycle.^{9/}

The full effect of these administrative improvements cannot be fully measured against 1979 Housing Assistance Plans because these plans include only the first of the three annual goals for the second three-year planning cycle

7/ Section 104(B) of the Housing and Community Development Act of 1974.

8/ 2YCFR S 570.306(b).

9/ The 15 percent minimum may be reduced if cities demonstrate that this level of assistance is unfeasible or if their communities are within the jurisdiction of an Areawide Housing Opportunity Plan. The three-year goals may be changed in response to a disaster or special need which may arise during the three-year period.

Table VIII-1
Distribution of Cities by Percent of Need To Be Met

<u>Percent of Need To Be Met</u>	<u>1976 Three-Year Goal</u>	<u>Three Annual Goals^{1/}</u>
5 - 13.9	19%	10%
14 - 16.9	11	6
17 - 24.9	27	20
25 - 39.9	25	28
40 - 89.9	15	28
90%+	<u>3</u>	<u>8</u>
	100.0%	100.0%

^{1/} Represents sum of 1976-1978 Annual Goals as percent of needs reported in 1976.

(1979-1982). The remaining two will be included in 1980 and 1981 HAPs. Thus the stability of the overall three-year goal will not be evident until the entire three-year planning cycle is completed.

However, 1979 HAPs do include the initial delineations of three-year goals under the new regulations. Based on these HAP submissions, it is evident that three-year goals established for the second three-year planning cycle (1979-1982) are more realistic than those for the first cycle (1976-1979). The range within which 1979 goals have been set has been cut in half relative to 1976 goals (Table VIII-2). Goals established in 1979 range between zero and 40 percent, representing a significantly narrower range than that evident in 1976. Moreover, at least 60 percent of all communities have set three-year goals which meet or exceed the 15 percent minimum threshold, indicating that communities are now much less likely to set very high or very low goals for housing assistance.

Table VIII-2
Distribution Sites by Percent of Need To Be Met

<u>Percent of Need To Be Met</u>	<u>1979 Three-Year Goal</u>	<u>1979 First Annual Goal</u>
0 - 4.9%	4%	28%
5 - 13.9	16	53
14 - 16.9	24	8
17 - 24.9	33	8
25 - 39.9	23	3
	-----	-----
	100%	100%

Setting Proportional Goals

The 1976 regulations required that cities establish housing assistance goals in proportion to the identified needs of varying household types -- elderly families, large families, small families. However, in the initial program years many cities were faced with the practical constraints of planning for the delivery of housing units and did not achieve proportional goals. As a result there was a general tightening of proportionality guidelines in 1978 which led to 1979 Housing Assistance Plan goals which were more nearly consistent with identified needs.

Prior to 1978, the initial practical constraints facing local communities relative to setting proportional goals were significant. General community-wide preferences for elderly (as opposed to low income and large family housing) together with uncertainty about the magnitude of housing assistance available through state and Federal sources made it difficult to set goals with precision.

Within this general atmosphere of uncertainty, program guidelines facilitated flexibility. Although earlier program regulations required proportional goals, they also provided procedures for making adjustments to these goals.

Specifically, cities were allowed to adjust the proportion of housing goals for particular types of households downward, by 10 percentage points but not more than 25 percent in relation to needs. ^{10/}

The result in 1976 was that few cities established truly proportional goals. Only 20 percent of all sample cities planned to provide housing assistance in roughly the same proportion (within a three percent margin) **as** the needs of elderly households; 22 percent planned to deliver assistance in exact proportion to the needs of small families; and 38 percent established proportional goals for large families (Chart VIII-4).

Among goals which were not defined in proportion to need, most reflected planned delivery of more than proportional needs for elderly households and less than proportional needs for small and large families. Fifty-five percent of the sample cities proposed to deliver units in excess of proportional needs to elderly households, while 68 percent planned to provide less than proportional units to small families and 34 percent planned to under-serve large families. ^{11/}

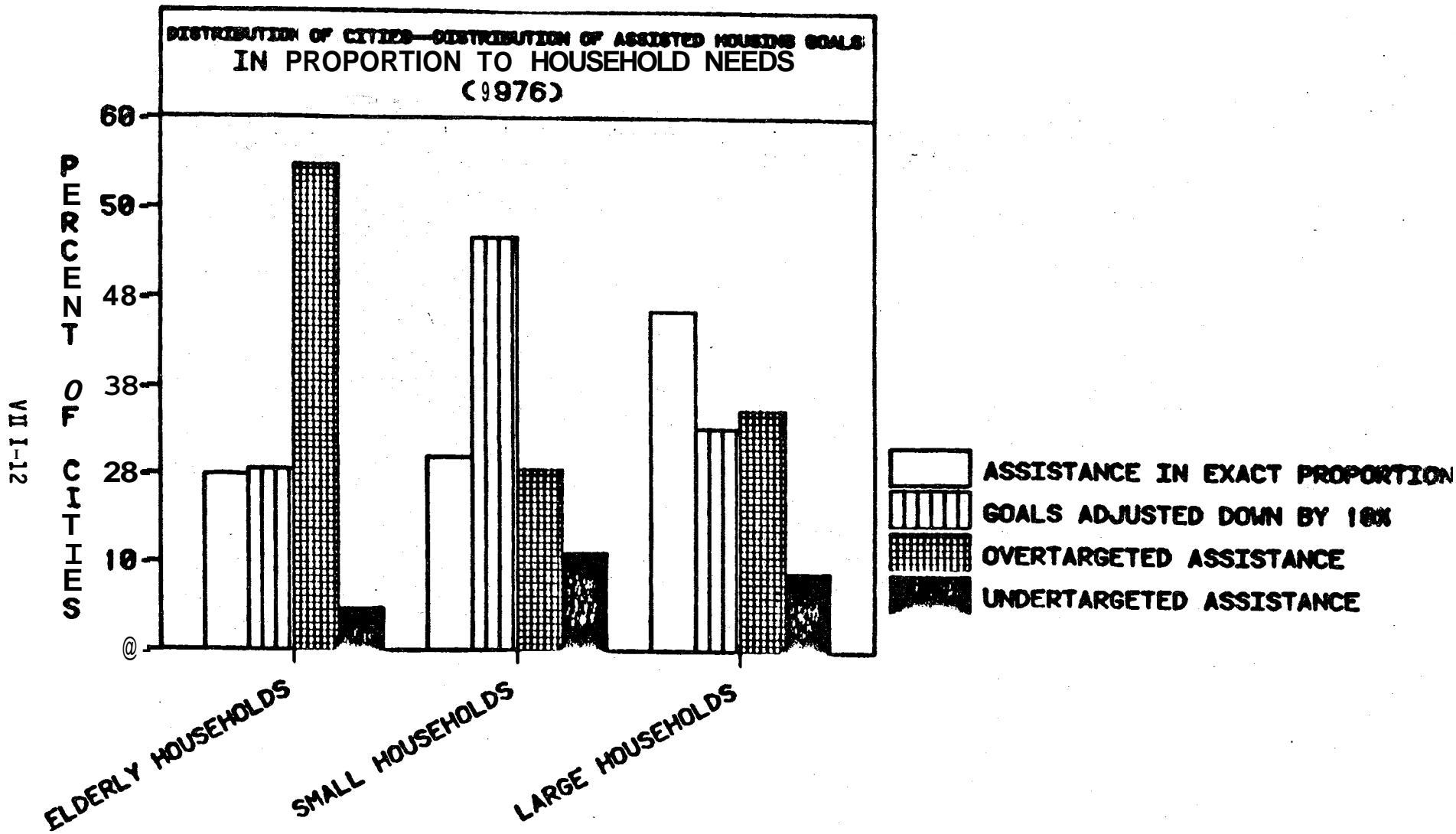
^{10/} EXAMPLE: 1976 Standards for Proportional Goals

	<u>Proportion of Total Need Represented</u>	<u>10 Percentage Point Adjust- ment</u>	<u>25 Percent Adjustment</u>	<u>Minimum Level For Allocating Total Goals</u>
Elderly/ Handicapped	30%	20%	22.5%	22.5%
Small Families	25%	15%	18.8%	18.8%
Large Families	45%	35%	33.8%	35%
				76.3%

The number of surplus units is equal to: $100 - 76.3 = 23.7$ percent. The "excess" of 23.7 percent could be placed in any of the household types. Thus, the goals could be 53.7 for elderly, 18.8 for small families, and 35 percent for large families -- quite different from estimated needs.

^{11/} These figures may understate the degree to which local goals inadequately represent the needs of small and large families because they do not take into account modifications in goals made under the procedures for adjustment. The data show that most downward adjustments were made in regard to small and large family goals. Small family goals were reduced in 57 percent of the cities and large family goals in 25 percent. In turn, **most** of the surplus units derived from downward shifts in family goals were subsequently reallocated to elderly goals, thereby exacerbating the disparity between elderly goals on the one hand and family goals on the other.

Chart VIII-4



VII I-12

The revised regulations promulgated in 1978 significantly tightened guidelines relative to proportionality. Greater emphasis was placed on strict proportionality between needs and three-year goals for each household type (elderly, small family, large family) within each tenure type ^{12/} (homeowner/ renter) As with overall housing assistance goals, three-year proportional goals must meet 15 percent ^{13/} of relative need and all annual goals must add up to the three-year goal.

Cities are still permitted to modify proportional goals but mainly to address household needs which were underserved in the previous three-year

^{12/} Since the Section 8 and Public Housing Programs primarily serve renters, this methodology serves as an additional aid in targeting HUD-assisted rental housing resources to accommodate HAP goals.

^{13/} The 15 percent is divided between owners and renters according to the availability of funds from various sources.

EXAMPLE : 1978 Standards for Proportionality

<u>Renter Households</u>	<u>Proportion of Total Need</u>	<u>Minimum Level For Allocation</u>
Elderly	25%	25%
Small	45	45
Large	<u>35</u>	<u>35</u>
	100%	100%
<u>Homeowner Households</u>		
Elderly	10%	10%
Small	55	55
Large	<u>35</u>	<u>35</u>
	100%	100%

planning cycle. ^{14/} Adjustments may be proposed by local communities or by the Department.

The 1978 regulations have apparently achieved the desired impact on 1979 HAP submissions. Most Housing Assistance Plans show a significant improvement in regard to proportional goals. Among homeowner goals, about 74 percent of the sample cities have established strictly proportional goals for all household types -- elderly, small family, and large family (Chart VIII-5).

Among renter goals, HAP plans reflect adjustments required to offset imbalances evident in earlier years. For elderly housing goals, 65 percent of the cities have proposed proportional goals, while about 20 percent have proposed less than proportional goals in order to compensate for over-delivery in previous years. For large family goals, about 10 percent of the cities have indicated proportional goals and 70 percent have planned for more than proportional goals, again to compensate for earlier deficiencies.

For small family renters, a large number of cities--45 percent--have planned for proportional goals, but a smaller number than was anticipated proposed more than proportional goals (i.e., small families were underserved in previous years and it was expected that they would be overserved to reduce the imbalance).

Establishing Program Mix

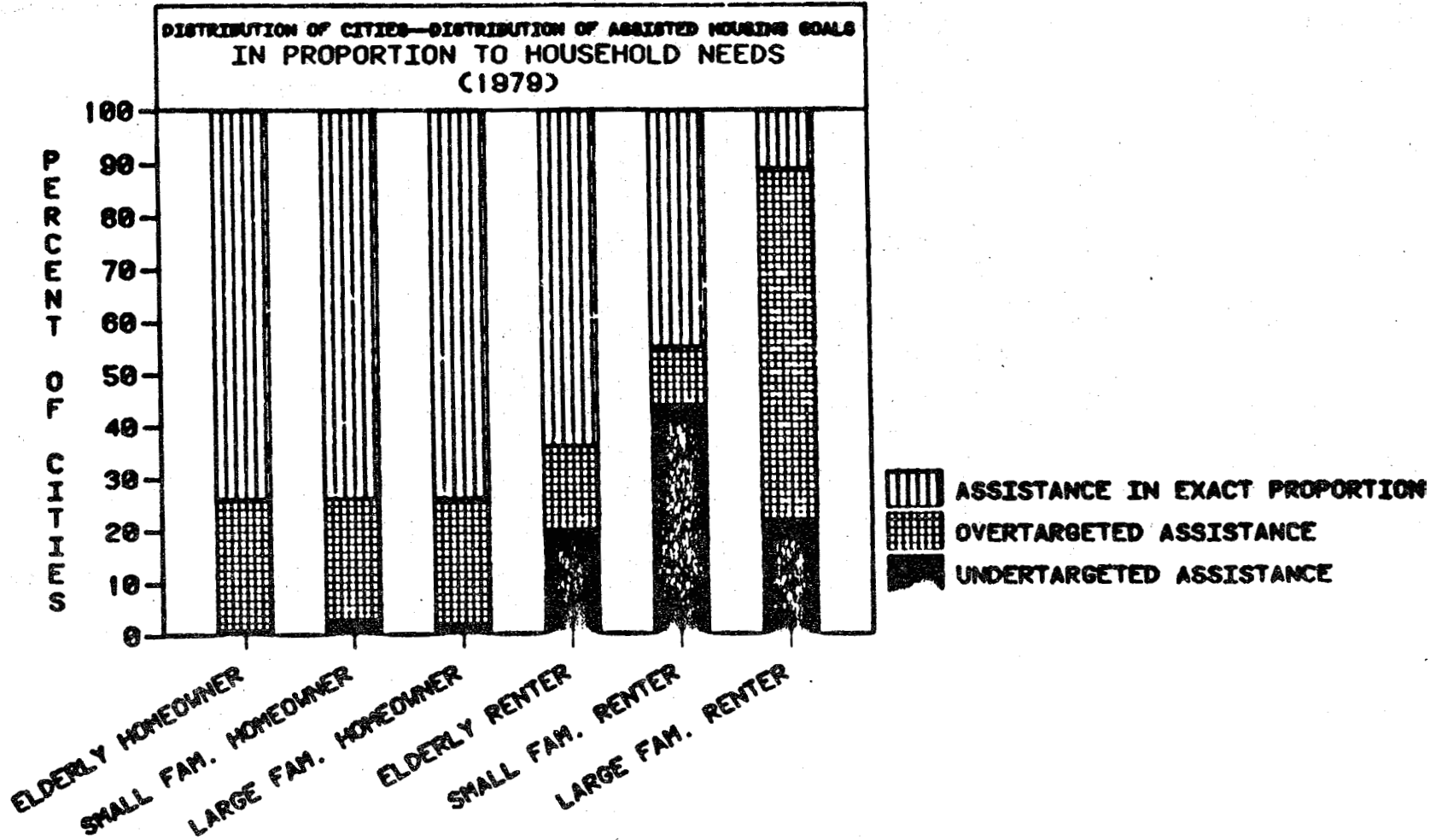
The block grant legislation provides that cities must set housing assistance goals which consider the kind of "assistance which is best suited to the needs of lower income persons in the community." Thus, they must decide what program mix--new construction, existing housing, or rehabilitated units--will best serve the needs of various household types--elderly, small families, large families.

In 1978 revisions were made in the procedures for developing an appropriate program mix. These revisions were implemented to assure that local communities would have more flexibility to tailor their program mix strategies to local market conditions and household needs as well as greater responsibility

^{14/} In fact, the proportion of assistance to be provided to one household type may be reduced to zero depending upon the degree to which that group has been overserved in prior years. Adjustments may originate from the recipient's own initiative or may be required by HUD. Annual goals may be established in accordance with local preferences and available resources; however, upon completion of the planning cycle, localities should have provided assistance in the household type proportions designated in their three-year goals.

Chart VIII-5

VIII-15



for reducing imbalances evident in earlier years, especially the previous tendency to allocate the predominant share of new construction units to elderly households.

In the initial three year planning cycle, aggregate unit type goals (all unit types planned for all household types) showed a roughly proportionate balance among new, rehabilitation, and existing units (Chart VIII-6). Of all planned units, 34 percent were for new construction, 40 percent for rehabilitation, and 27 percent for existing-stock.

However, disaggregated program mix goals (unit type planned for each household type) reveal a different picture. In particular, the proportion of all units planned for elderly households that was to be provided through new construction was significantly higher than the proportion of all units planned for small and large families that was to be offered through new construction. Whereas 42 percent of all elderly units were targeted for new construction, 27 and 34 percent were planned for small and large families (Chart VIII-7).

At the same time, the number of units planned for elderly households through rehabilitation was significantly lower than the number planned for small and large families through rehabilitation. Thirty-two percent of the elderly units was targeted for rehabilitation whereas roughly 44 percent of the units for both small and large families was planned for rehabilitation. The use of existing units was distributed in balance across all household types.

Based on evolving experience and concern at both the local and Federal levels, the procedural guidelines for determining program mix goals were revised in 1978. In general, these guidelines accommodated local interest in having greater flexibility in establishing program mix and Federal concern relative to administration and monitoring. Relatively rigid 1976 program guidelines--which elaborated estimation procedures designed to maximize local use of the existing housing stock through rehabilitation based on the existing program on local vacancy rates--were revised in favor of regulations which encouraged a case by case determination of program mix goals. This new procedure provided for more interaction between local officials and HUD Area Office representatives, and offered a framework for developing unit type goals which were more tailored to individual market conditions.

Following the introduction of these new guidelines, aggregate unit type goals set in 1979 (again, all unit types planned for all household types) evidence a significant decline in the number of units planned for the existing program -- from 27 percent to 18 percent (Chart VIII-6). The plans also show a significant rise -- from 40 percent to 51 percent -- in the number of units to be rehabilitated and a small decline in planned use of new construction. It is not yet known whether these patterns are also reflected in the portion of 1979 HAP goals dealing exclusively with HUD rental assistance programs. The distinction is significant because the HAP housing and household type percentages which are incorporated into HUD's budget submissions are not based on all goals, but rather on the goals for utilization of HUD rental assistance programs.

Chart VIII-6

CI-III

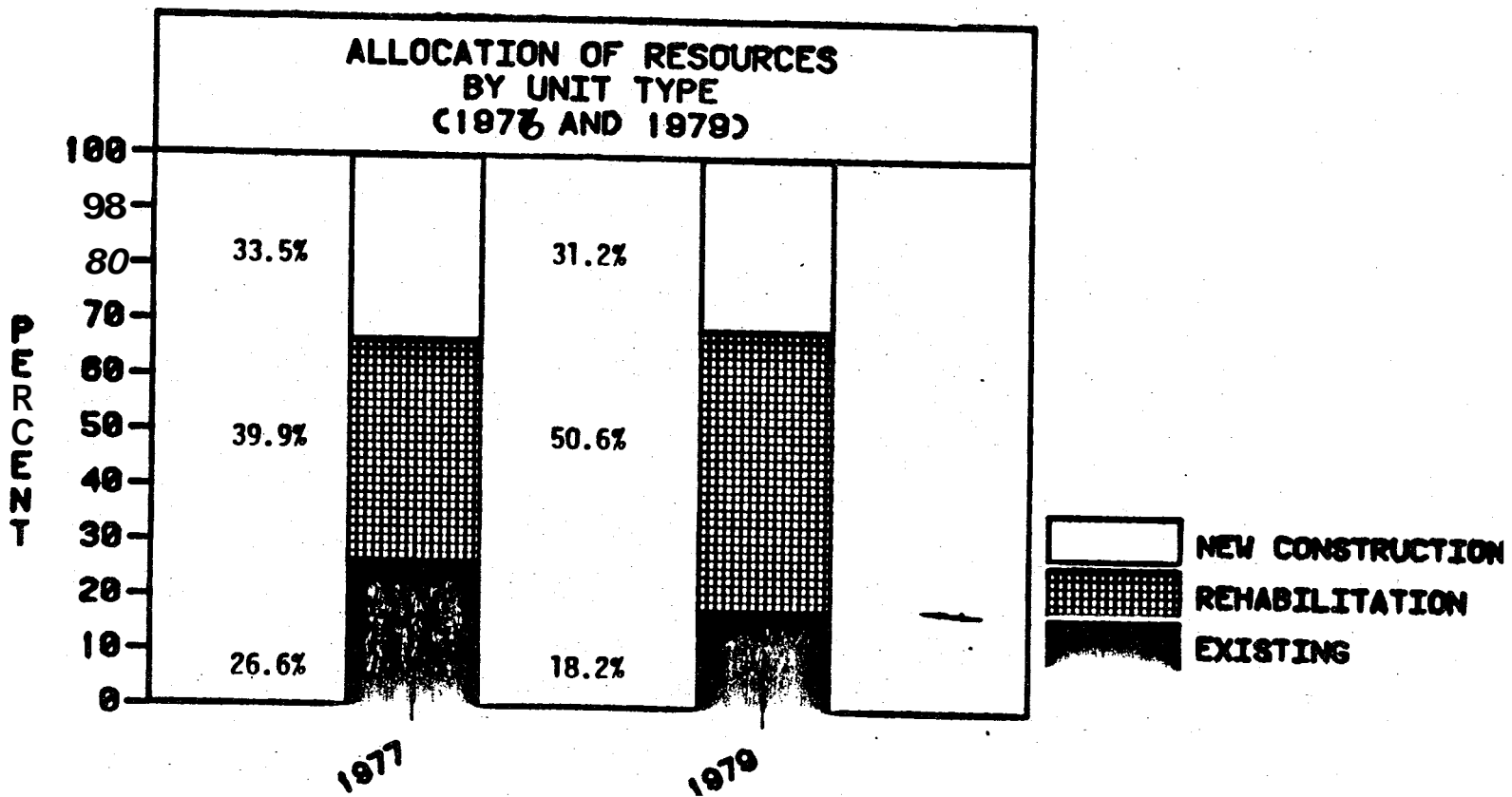
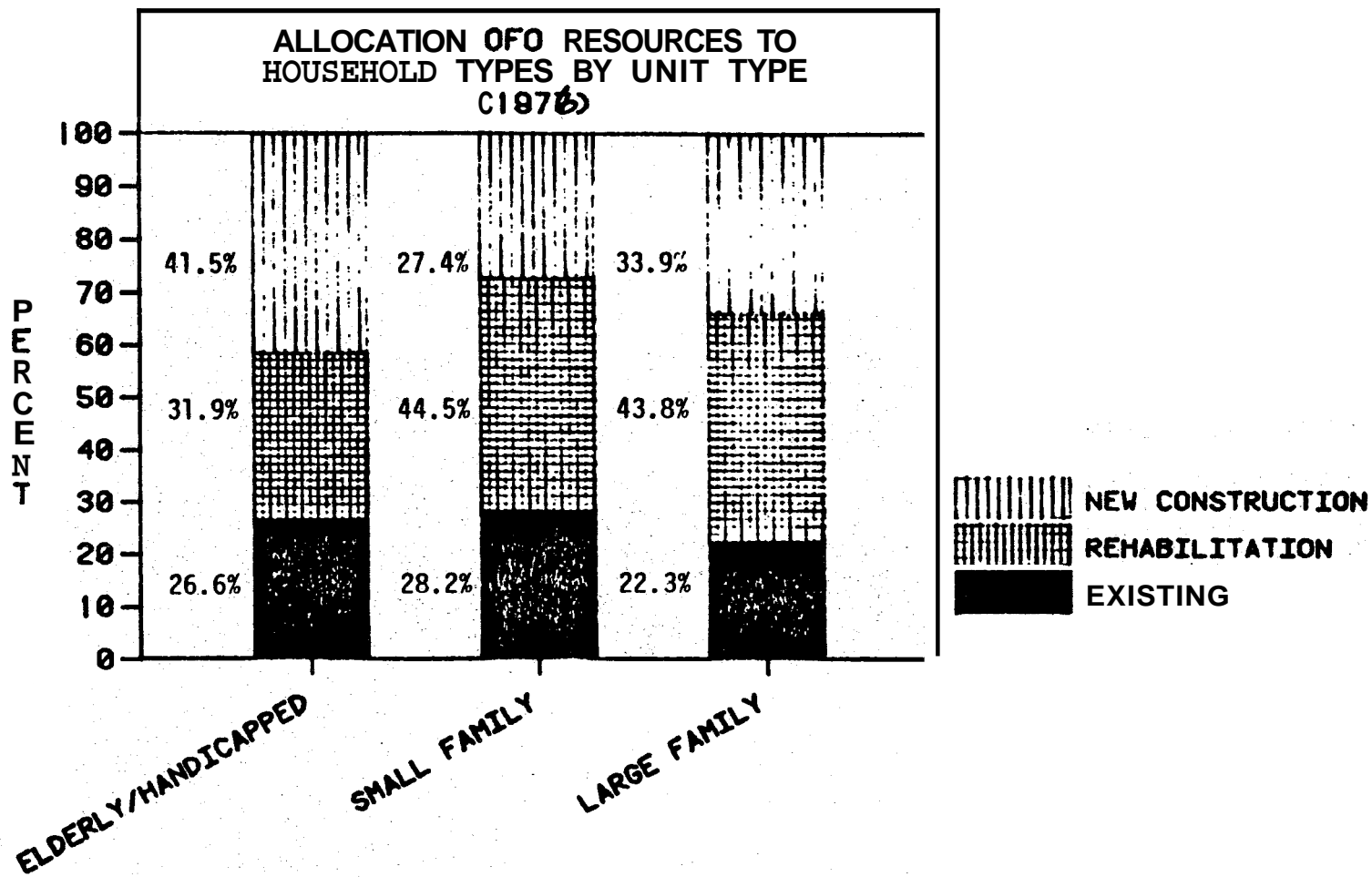


Chart VIII-7

VIII-18



Disaggregated program mix goals (unit types planned for each household type) reflected a definite movement to reduce imbalances evident in the initial three-year planning cycle. This is especially true (given the relatively large share of new construction for the elderly as compared to the shares for small and large families) in regard to the over provision of new construction units for other household types (Chart VIII-8). The 1979 HAP submissions show that new construction goals for families of all kinds reflect approximate parity. That is, new construction goals average 17 percent of planned assistance for the elderly, 20 percent of assistance for families, and 17 percent of assistance for large families. An approximate parity is also evident for rehabilitated and existing units in all three household categories.^{15/}

Increasing Housing

Local decisions concerning assisted housing locations must be related to the established legislative objectives of increasing housing opportunities and avoiding undue concentrations of assisted persons in impacted areas.

Program regulations operative in early program years established relatively general planning requirements to accomplish this goal, and 1976 three-year plans reflect this general approach. Revised regulations issued in 1978 established more specific planning guidelines with the result that 1979 Housing Assistance Plans evidenced more specific approaches to the goal of providing greater housing opportunity.

The initial program regulations required only that communities assume responsibility for identifying in their HAPs the "general locations" or census tracts suitable for assisted housing. These locations must support multiple and sometimes overlapping goals: they must foster neighborhood restoration and revitalization, increase the choice of housing opportunities for low income persons, and avoid undue concentrations of assisted persons in low income areas.

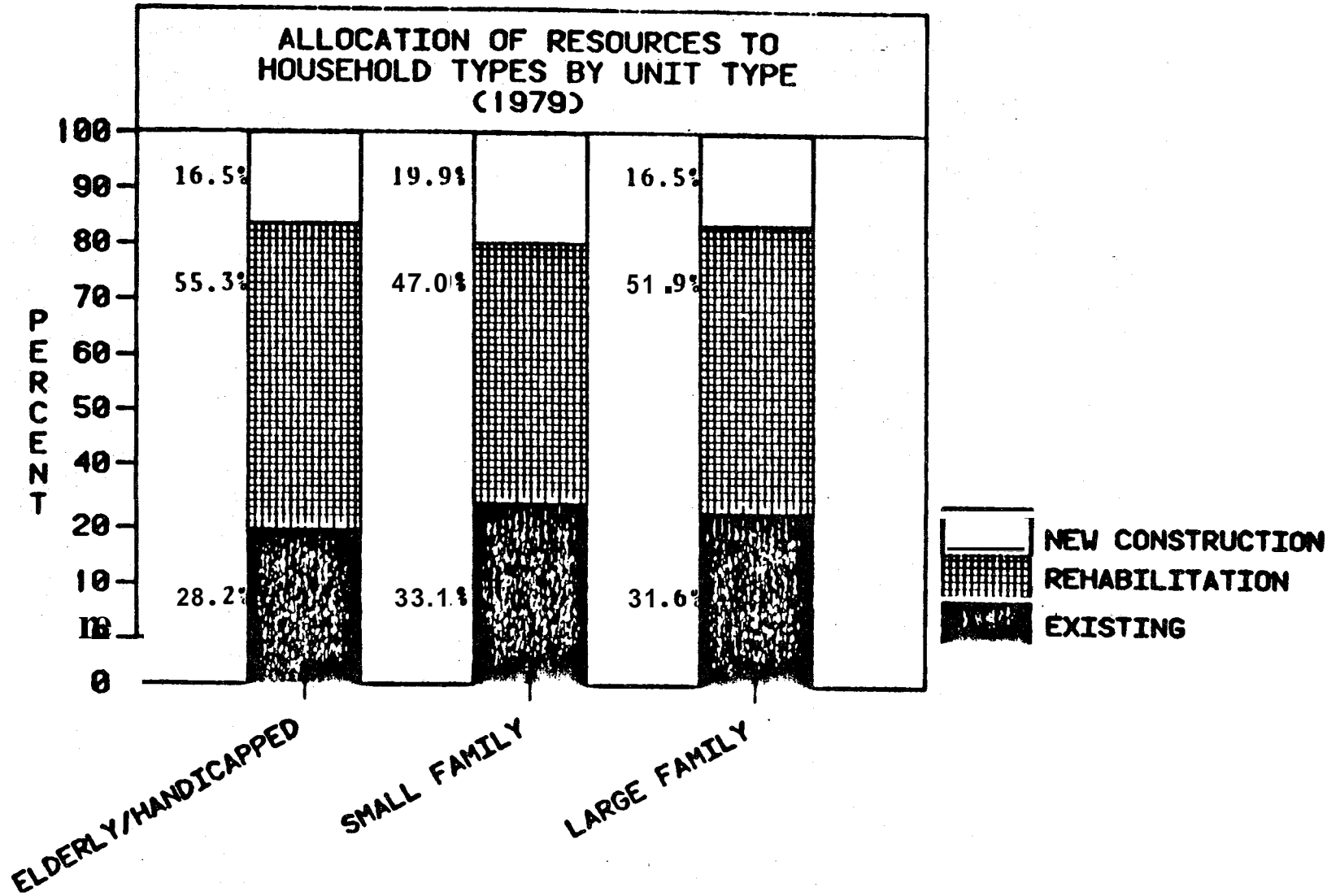
The general nature of these guidelines limited both local planning and Federal monitoring of goals relative to housing choice. Several problems emerged.

First, communities were required only to indicate the locations which contained sites suitable for assisted housing rather than locations in which there was some probability that such housing would in fact be provided. Second, communities were not required to indicate the number of assisted units actually planned or considered appropriate for various sites. And, third, communities were not required to prepare a map showing proposed sites and their relationship to impacted areas.

^{15/} Of course, the changes between the composition of goals in the initial and second HAP planning cycle do not reflect only the changes in procedural guidelines, but also numerous changes in the housing programs themselves.

Chart VIII-8

VIII-20



The effects of these constraints became evident in early program years. Many communities indicated that all areas (census tracts) within their boundaries contained a least one site suitable for assisted housing. Housing Assistance Plans submitted in 1976 show that cities designated 81 percent of their neighborhoods as containing sites suitable for low income housing.

These plans also show a tendency to concentrate potential sites for assisted units of all kinds in the most distressed areas and to use a combined strategy of new and rehabilitated units in higher income neighborhoods.^{16/} Twenty-eight percent of all tracts designated for assisted housing were planned for the most distressed areas (Chart VIII-9); and five percent of the tracts in the least distressed areas were to be provided with new units alone. (Chart VIII-10).

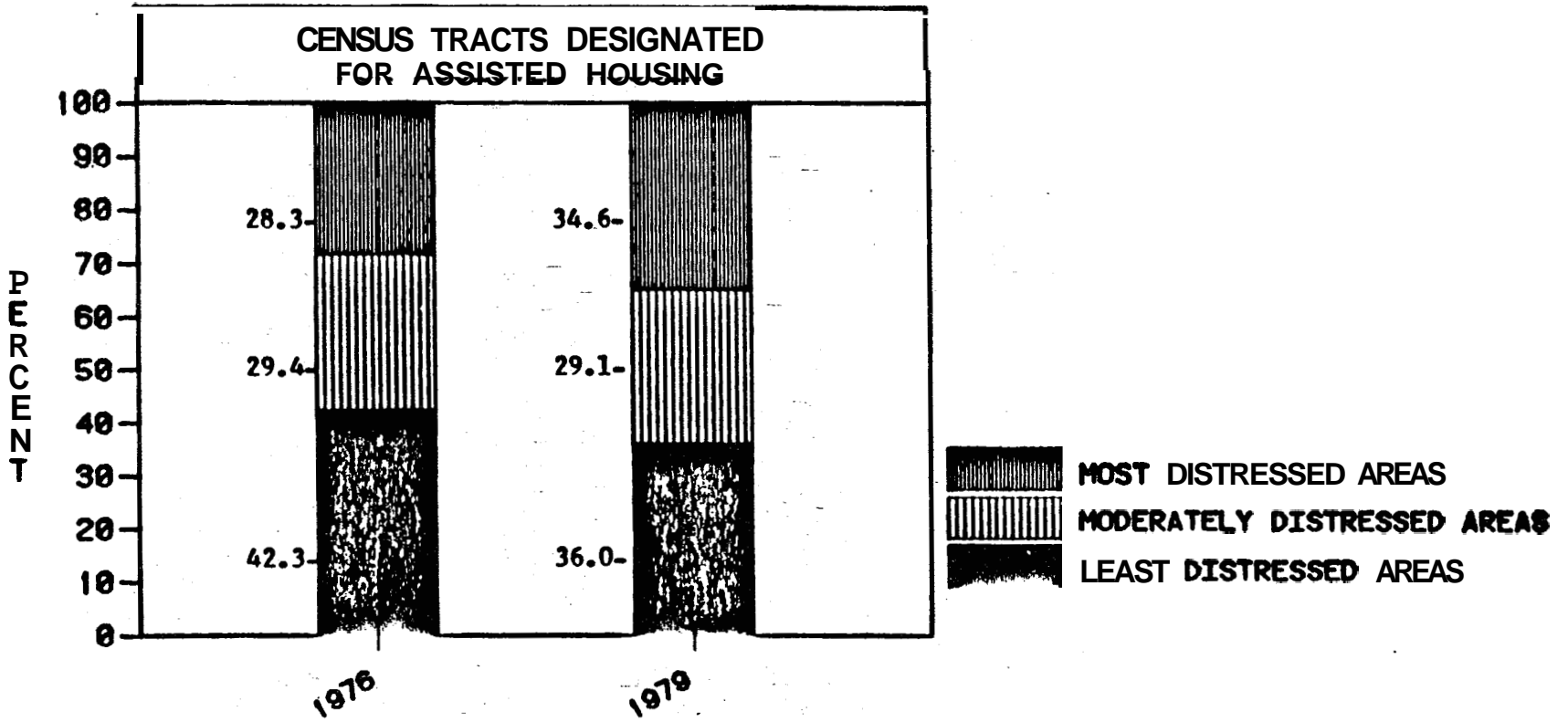
In 1978, the Department required that cities submit a housing strategy statement along with their applications.^{17/} This strategy statement must explain the city's plan to provide increased housing opportunities and expand the degree of choice for low income households. Cities must also submit a map which indicates the neighborhoods targeted for low income housing assistance.

Housing Assistance Plans submitted in 1979 subsequent to these new guidelines reflect improved planning in relation to the goal of providing greater housing opportunities. A comparison of 1976 and 1979 plans shows that the average proportion of all census tracts designated as being suitable for assisted housing has declined by six percentage points to 75 percent. Additionally, it appears that the tracts scheduled to receive assisted housing have been more evenly distributed between the distressed and nondistressed areas (Chart VIII-9). More of the least distressed tracts are scheduled for new assisted units than previously (Chart VIII-11).

^{16/} In this and the next chapter the discussions of housing choice goals and performance toward goals are based on an analysis of planned and provided units in terms of their incidence in distressed and non distressed census tracts. The distress designation is used as a surrogate reference to other program relevant considerations. The distress index is based on poverty, population gain between 1970-1976, housing built before 1939, unemployment, and minority population.

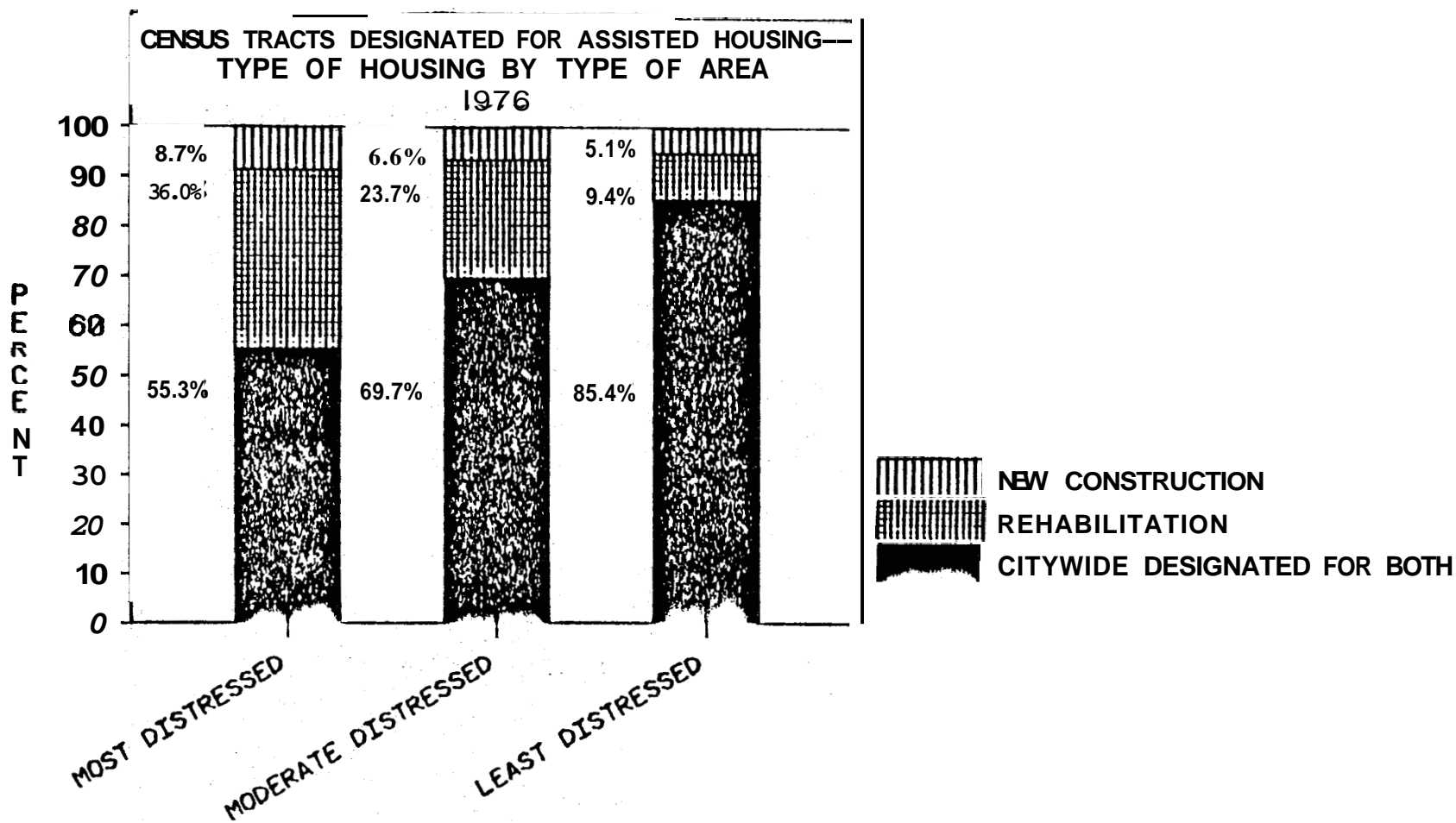
^{17/} The Housing and Community Development Act of 1977 added housing to the three year summary plan requirement of Section 104(a)(1) which had formerly included only community development. 24 CFR § 570.304 specifies that communities applying to the program after August 1, 1978 are required to submit a summary of community development and housing needs.

Chart VIII-9



VIII-22

Chart VI 11-10



VIII-3

Chart VI 11-11

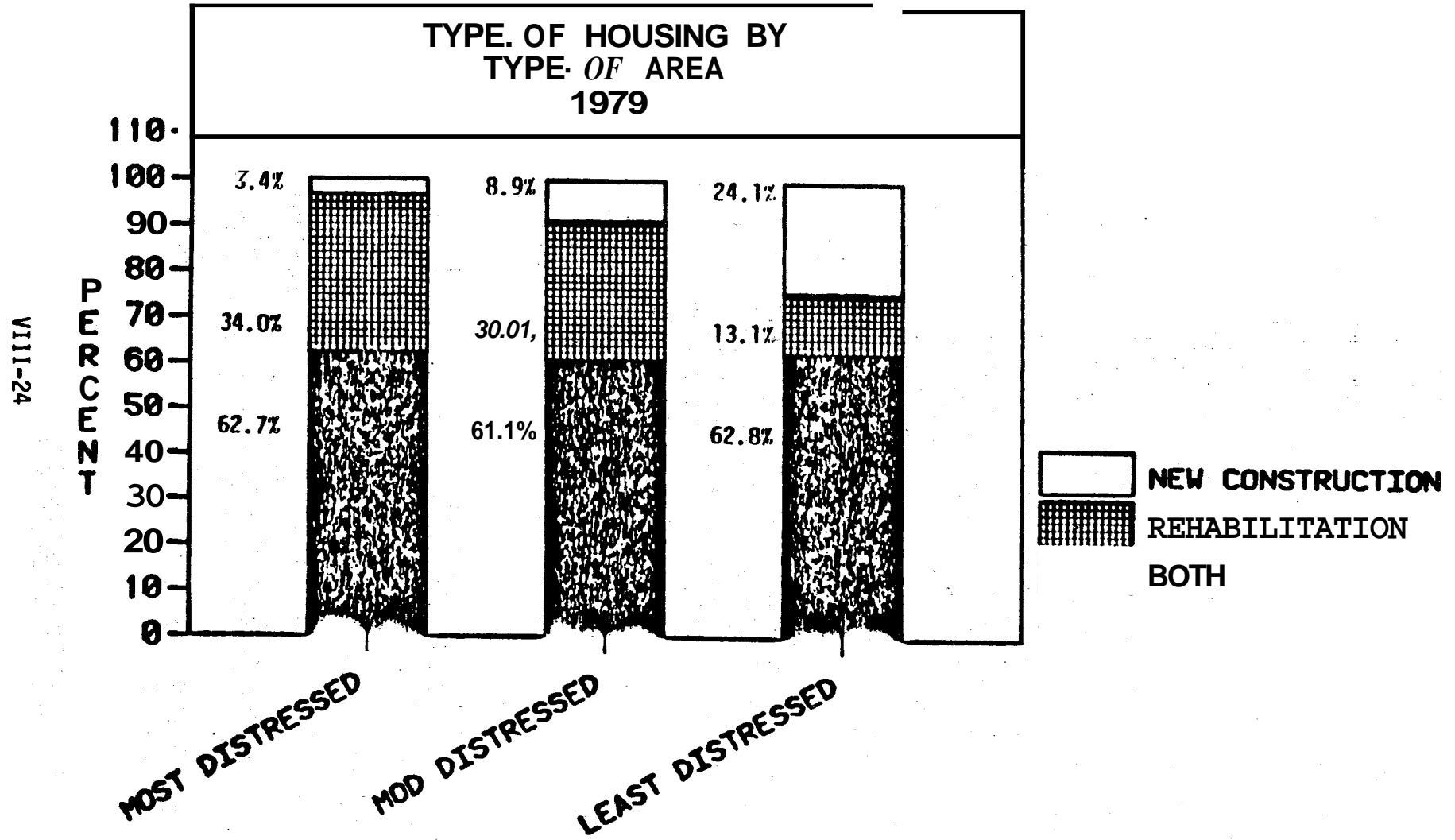


Table VIII-10
Expenditure Rates For Activities By Categorical Status

	Only Model Cities		Non-Categorical		UR-NDP-MC	
	1977	1978	1977	1978	1977	1978
Acquisition/ Demolition	33	47	43	50	56	63
Public Works	38	54	45	51	46	60
Public Services	86	68	62	60	73	82
Rehabilitation	25	37	40	45	42	51
Combined Total	50	55	46	52	53	62

1. The first part of the document is a list of names and addresses of the members of the committee. The names are listed in alphabetical order, and the addresses are listed below each name. The names are: Mr. J. H. Smith, Mr. J. B. Jones, Mr. J. C. Brown, Mr. J. D. White, Mr. J. E. Black, Mr. J. F. Green, Mr. J. G. Gray, Mr. J. H. White, Mr. J. I. Black, Mr. J. K. Green, Mr. J. L. Gray, Mr. J. M. White, Mr. J. N. Black, Mr. J. O. Green, Mr. J. P. Gray, Mr. J. Q. White, Mr. J. R. Black, Mr. J. S. Green, Mr. J. T. Gray, Mr. J. U. White, Mr. J. V. Black, Mr. J. W. Green, Mr. J. X. Gray, Mr. J. Y. White, Mr. J. Z. Black.

2.

3.

4.

CHAPTER IX'

PROGRESS IN IMPLEMENTING HOUSING ASSISTANCE PLANS: UNITS DELIVERED AGAINST THREE YEAR GOALS

Introduction

This chapter assesses local performance in delivering assisted housing units against 1976 three year goals.^{1/} Progress is described and analyzed relative to goals for overall performance, proportional delivery for household types (elderly, small and large families), proportional delivery for unit types (new rehabilitation,^{2/} existing), and dispersion of assisted units to provide greater housing choice.^{2/}

1/. As pointed out in the previous chapter, 1976 goals may or may not reflect goals throughout the planning cycle. Interim adjustments to HAP are not reflected in their data base. Cities are permitted to adjust goals under certain conditions at each annual application submission. The decision to use 1976 HAP plans as a comparative benchmark was made in order (1) to provide some analytical benchmark and (2) permit an assessment of HAP performance from the very beginning of the program through the most current program year.

2/
- Performance from combined data sources is evaluated for 107 cities rather than 147 cities because of delays in receiving 1978 GPRs in time for this report.

Throughout this chapter, the term "family" is used to refer collectively to both small families (non-elderly households with four persons or less) and large families (non-elderly households with five or more persons).

In this chapter performance against HAP goals is measured in terms of "commitments" (as indicated in GPRs) and "reservations" (as indicated in HUD's internal data system). The words are used interchangeably with others, such as delivery, performance, accomplishment.

3/ In this Chapter the discussions of HAP goals reflect all types of planned assistance. Thus they do not distinguish between planned assistance to be provided through local programs and planned assistance to be provided through HUD programs. In particular, planned rental goals are not divided into rental goals to be addressed through local programs and rental goals to be addressed through HUD programs. This distinction is important because goals relative to HUD assistance determine HUD housing type mix and related budget requests. Data available for this report did not permit disaggregation at this level.

The analysis represents a first time and preliminary effort to assess performance achieved during the initial planning cycle.^{4/} It is preliminary because full data relative to performance was^{5/} not due for submission by some communities until submission of the 1979 GPR.^{5/}

^{4/} The analysis is based on three sources of data (1) 1978 Grantee Performance Reports, (2) HUD's Management Information System (MIS) for the Section 8 program, and (3) HUD's Field Office Reporting and Monitoring System (FORMS) for Low Income Public Housing (LIPH). There are indications that a few of the sample GPRs are not cumulative over the reporting period. This was evidenced by the fact that total commitments in the GPR were equal or very nearly equal to the total FY 1979 reservations and by the fact that their overall performance levels were very low. In addition, many Area Offices permit cities to incorporate commitments/reservations made during 1975. Thus, in some cases, the GPR may cover 1975 through three months of 1978.

The MIS and FORMS systems provide some data for the last four months of 1978 as well as the first 9 months of 1979. They provide cumulative fund reservations on a monthly basis for the major Federal programs: Section 8 and LIPH. Moreover, the MIS and FORMS systems do not include units supported by state and local funds and units supported by other HUD programs (FMHA, Section 235, 236, 202, 312, and CDBG). It has been estimated that these programs support approximately 40 percent of the assisted units delivered annually in entitlement communities.

Data for the sample cities was extracted in November 1979. Although all FY 1979 reservations were to be entered by October 15, the system is updated monthly to record cancellations and new projects. In January 1980, another extract of sample cities was taken. The result showed no significant changes in the total number of FY 1979 reservations, although there were significant changes for individual cities.

A full cumulative count of deliveries against 1976 goals will be available in 1979 GPRs.

^{5/} Although the planning cycle is three years, communities are actually given two years to complete each annual goal and, therefore, four years to achieve the three year planning goal. These time allowances are necessary because of the lag between local planning periods and HUD's assisted housing funding. Approximately 73 percent of the local HAPs are submitted during the Winter and Spring of each calendar year. HUD's assisted housing resources (Section 8 and Low Income Public Housing) do not become available until the following fiscal year (October 1). Thus, annual goals for the 1976 program year, for example, would not have been funded until October 1, 1976. Approximately three months later, cities were developing plans for 1977 program year goals. This created a lag of approximately one year between local planning and HAP implementation. Thus, cities are given two years in which to achieve annual goals and four years in which to complete three year goals. The end of FY 1979 was the deadline for completing 1976 three-year goals.

Summary of Findings

At the beginning of the initial planning cycle, inexperience and unanticipated difficulties affected both local and HUD efforts to implement assisted housing goals. Overall performance lagged and imbalances were evident in disproportionate over and underdeliveries against household and unit mix goals.

In 1978 local governments were required to offset previous imbalances in achieving proportionate goals by submitting a transition HAP showing how they proposed to deliver housing assistance in the last year of the planning cycle in order to compensate for earlier imbalances. Simultaneously, HUD made numerous adjustments to its allocation process, program regulations, and guidelines.^{6/}

In general, the 1978 initiative had the effect of improving performance against assisted housing goals and redressing evident household type imbalances. However, the magnitude of the existing imbalances and the limited unit resources available to address them in the last year of the planning cycle constrained overall performance.

Over the entire planning cycle, communities have delivered assisted housing units at about the same rate as they have expended community development funds. They have delivered about 50 percent of planned units (as compared to a national expenditure rate of about 60 percent).

About 30 percent of all communities have met between 80 and 100 percent of their planned goals, and 50 percent have achieved more than 50 percent of planned goals. Performance was better among smaller communities with lower goals and less complex administrative environments than among larger communities with higher goals and more complex management systems.

In regard to proportional goals relative to household types, various imbalances were evident prior to the inauguration of the transition HAP. A relatively small number of communities achieved precise proportionality; many overdelivered elderly units and underdelivered family units; and those that over or underdelivered units tended to do so by large margins.

Following the transition HAP, previous imbalances were reduced, although the data show varying trends. Somewhat fewer communities achieved strict

^{6/} For example, large communities (generally those with populations of 150,000 or more) were given a separate marked allocation area so that a specific number of units could be provided directly to individual communities. This allowed the allocations in such areas to conform more exactly to the local HAP goals.

proportionality but fewer overdelivered elderly units, and those that either over or underdelivered units did so by smaller margins.

A similar pattern was evident in relation to unit mix goals.^{7/} Prior to the transition HAP, disproportional deliveries were evident in several areas. Fewer new construction units and more rehabilitation units were delivered than had been planned, relatively more new units for elderly households and relatively fewer units for families were provided, and on a percentage basis more rehabilitation units for all household types were committed.

Subsequent to the implementation of the transition HAP (that is, reflecting the entire four-year performance against the original HAP goals) communities have delivered assistance in a manner which is much more consistent with the originally established three-year HAP goals.

In regard to housing opportunity goals, 1976 plans show that local governments designated roughly equal proportions of their most distressed, moderately distressed, and least distressed census tracts for assisted housing. Actual deliveries through 1979 show that communities provided significant amounts of units to all three areas.

Performance Toward Overall Program Goals

Cities are delivering housing units against their HAP goals at about the same rate as they are expending community development funds. Some cities are more than meeting their HAP goals; others are not. Smaller cities and Northeastern cities are performing better than others.

Cumulative commitments^{8/} against 1976 HAP goals for all years and all cities stand at 47 percent. This is roughly comparable to the expenditure of block grant funds for the same period (approximately 50 percent). Over three-quarters of these committed units are actually occupied.

^{7/} The transition HAP was intended specifically to improve performance relative to household type proportionality. It is discussed in relation to unit mix because it had the effect of improving performance in this area as well.

^{8/} Rental assistance has been provided at a much higher level according to an in-house system of Section 8 and LIPH reservations for the universe of entitlement cities. Reservations for FY 1977 and 1978 fulfilled 47 percent of all 1976 renter goals. Total FY 1979 reservations were roughly equivalent to those for FY 1978.

Performance levels for individual cities vary greatly. Some cities have reserved far more units than the national average while other have reserved significantly less. Almost 30 percent of all cities have achieved between 80 and 100 percent of their goals; and 50 percent have committed in excess of 50 percent of their planned units (Chart IX-1). By contrast, 27 percent have achieved between 30 and 50 percent of their goals; and 18 percent have reserved less than 20 percent of their planned units.

Performance levels are closely related to city size, with smaller communities consistently achieving greater proportions of their goals than larger ones. On average, communities of less than 50,000 population have reserved about 70 percent of their planned units while cities of more than 500,000 population have reserved about 40 percent of their unit goals (Chart IX-2). The performance trend line shows a steady, incremental decline as city size increases.

Cities in all regions are achieving roughly the same levels of performance, except cities in the Northeast where performance is significantly higher. Cities in the Southern, North Central, and Western regions have reserved between 37 and 44 percent of planned units (Chart IX-3). Cities in the Northeastern section have reserved 71 percent, a full 26 percentage points above the next highest region.

Relatively high performance levels among smaller cities may be related to such factors as less complex needs, more attractive markets for developers, and a relatively simpler administrative environment. Lower performance levels among larger cities probably reflect relatively more diverse and problematic needs, a tendency to set more optimistic goals for meeting needs, less attractive inner city markets, and a significantly more complex organizational process. The high overall performance of cities of all sizes in the Northeast may reflect the general merging of urban and suburban characteristics as well as longer experience and greater capacity to address lower income housing needs, but other factors, including the use of the Secretary's reserve fund to support rehabilitation and other special initiatives which have been heavily utilized in the Northeast, may also have contributed to this result.

In many cases, high performance levels are related to the overdelivery of units to certain kinds of households. The high performance levels of some cities reflect the provision of from two to three times as many units for elderly households as planned. In contrast, some cities achieved high levels of performance against overall goals by meeting or exceeding planned targets for all types of families--elderly, small and large families.

Performance Toward Proportionality Goals

Communities are required to provide individual housing units in proportion to the goals which they set for these units. Over the course of the first three program years, it became apparent that communities were more successful in providing units for certain kinds of families than for others.

Chart IX-1

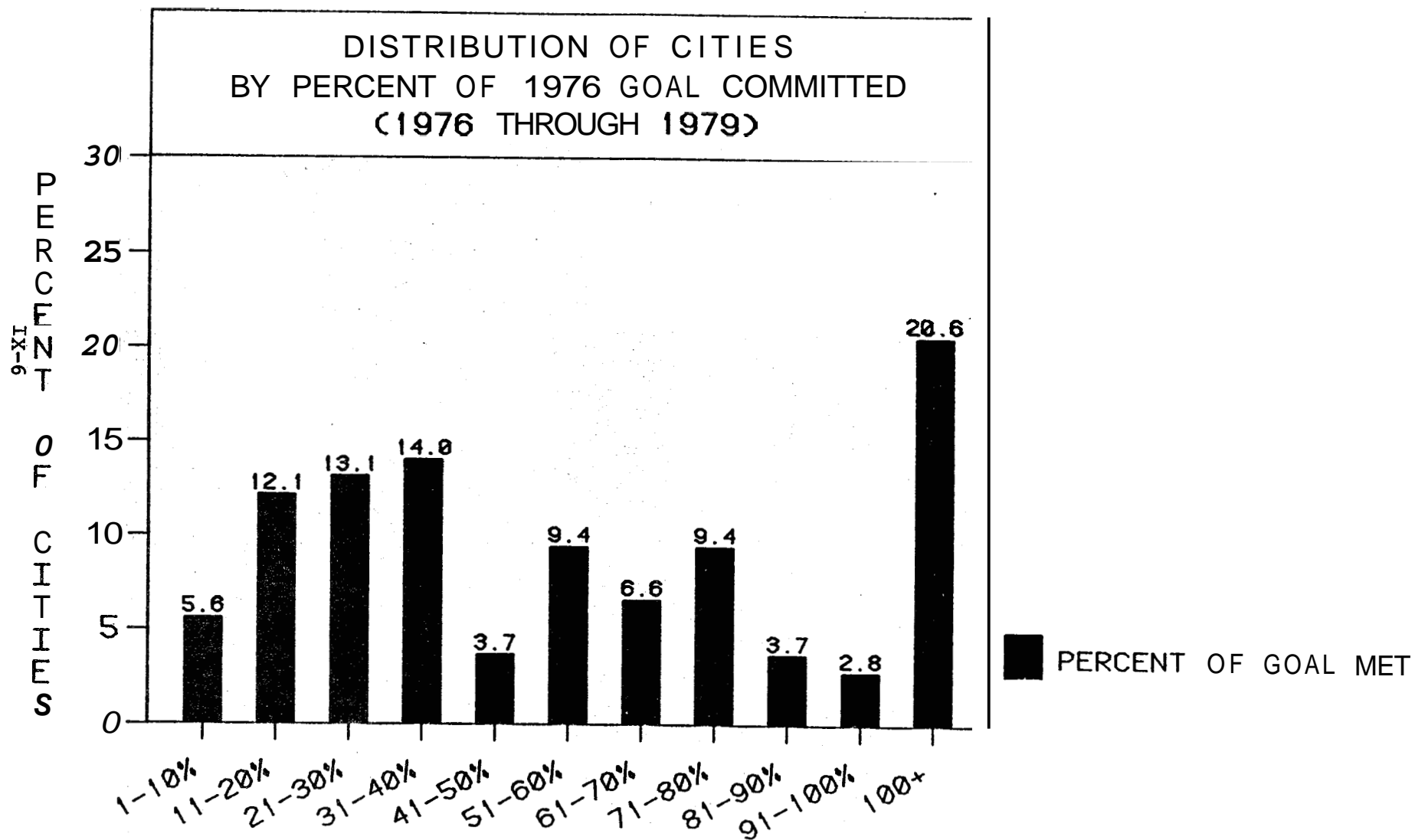
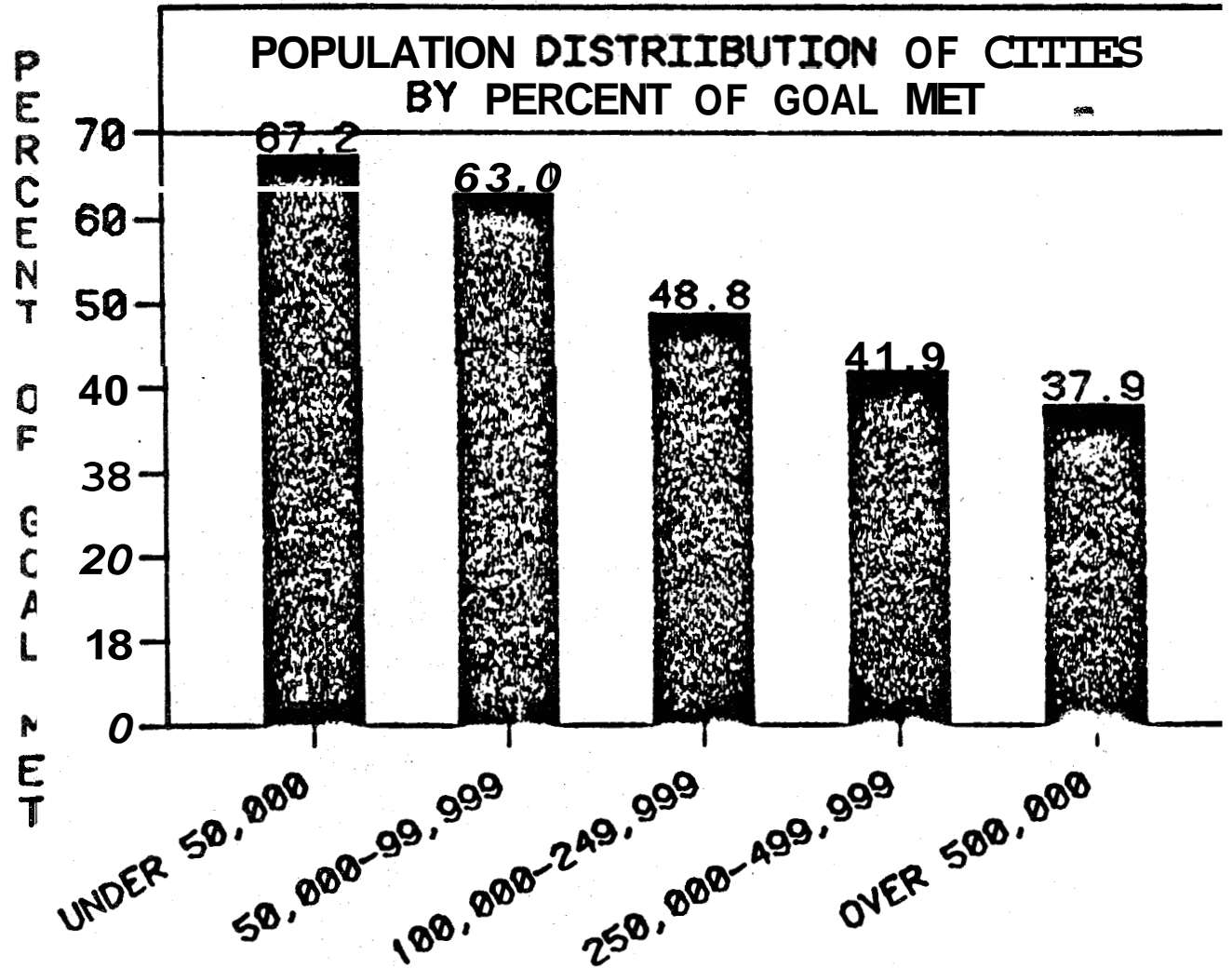
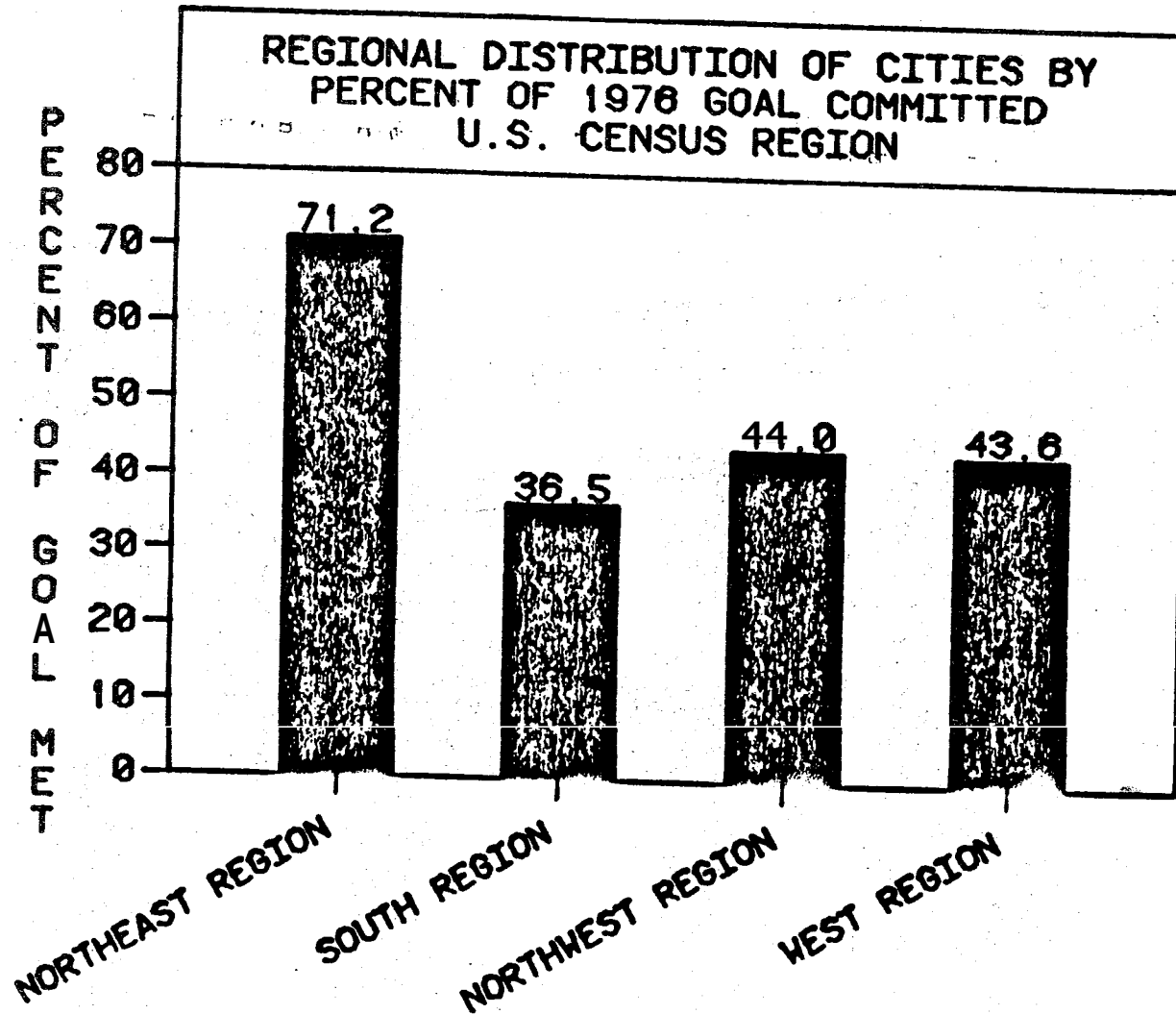


Chart IX-2



IX-7

Chart IX-3



8-XI

In response to this growing imbalance, HUD required communities to submit a transition HAP, so called because its purpose was to adjust goals so as to reduce if not eliminate performance imbalances. Following the implementation of the transition HAP, overall unit deliveries reflected some movement toward greater proportionality, but previous imbalances were so great that they could not be completely eliminated.

In the first three years, before the development of the transition HAP, several trends were evident relative to proportionality.^{9/} Relatively few communities delivered units in proportion to planned goals; many communities overdelivered elderly units and underdelivered family units; and those communities that either over or underdelivered units did so by wide margins.

Fifteen percent of the cities delivered assistance to elderly households in the same proportion as their 1976 three year goals; and 12 percent delivered proportional assistance to families. The 12 percent that delivered proportional assistance to families reflects 7 percent that delivered proportional assistance to small families and 22 percent that delivered proportional assistance to large families (Chart IX-4).

Aside from these instances of proportional delivery, various imbalances were evident. Some cities (20 percent) underdelivered elderly units and some (27 percent) overdelivered family units. But the most prevalent pattern of imbalance was exactly the reverse. Over 65 percent of all communities overdelivered elderly units and 62 percent underdelivered family units. The 62 percent that underdelivered family units reflects 69 percent that underdelivered small family units and 62 percent that underdelivered large family units (Charts IX-4 and IX-5).

Among the communities that overdelivered elderly units or underdelivered family units, most did so by wide margins. While the data are complex, it is clear that 51 percent of all communities that provided more than proportional units to elderly households did so by a margin of between 25 and 60 percent (Chart IX-6). Similarly, 51 percent of all communities that provided less than proportional assistance to families did so by a margin of between 25 and 60 percent (Chart IX-7).

^{9/} In this analysis, exact proportion is defined as a household type's proportion of total deliveries which is within three percentage points of its proportion of total goals (e.g., if small family goals = 30 percent, then small family deliveries must be between 27 and 33 percent).

Chart IX-4

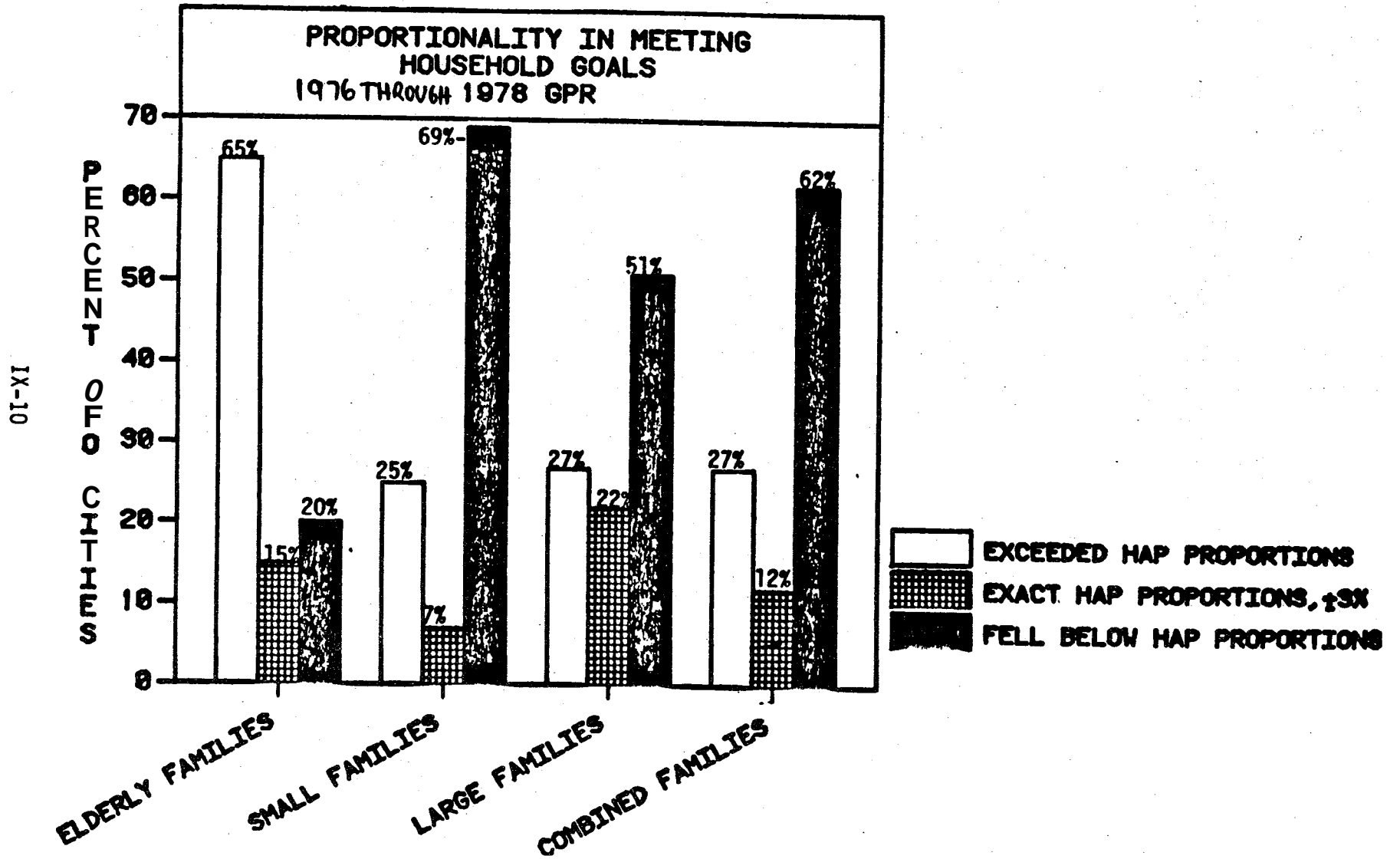
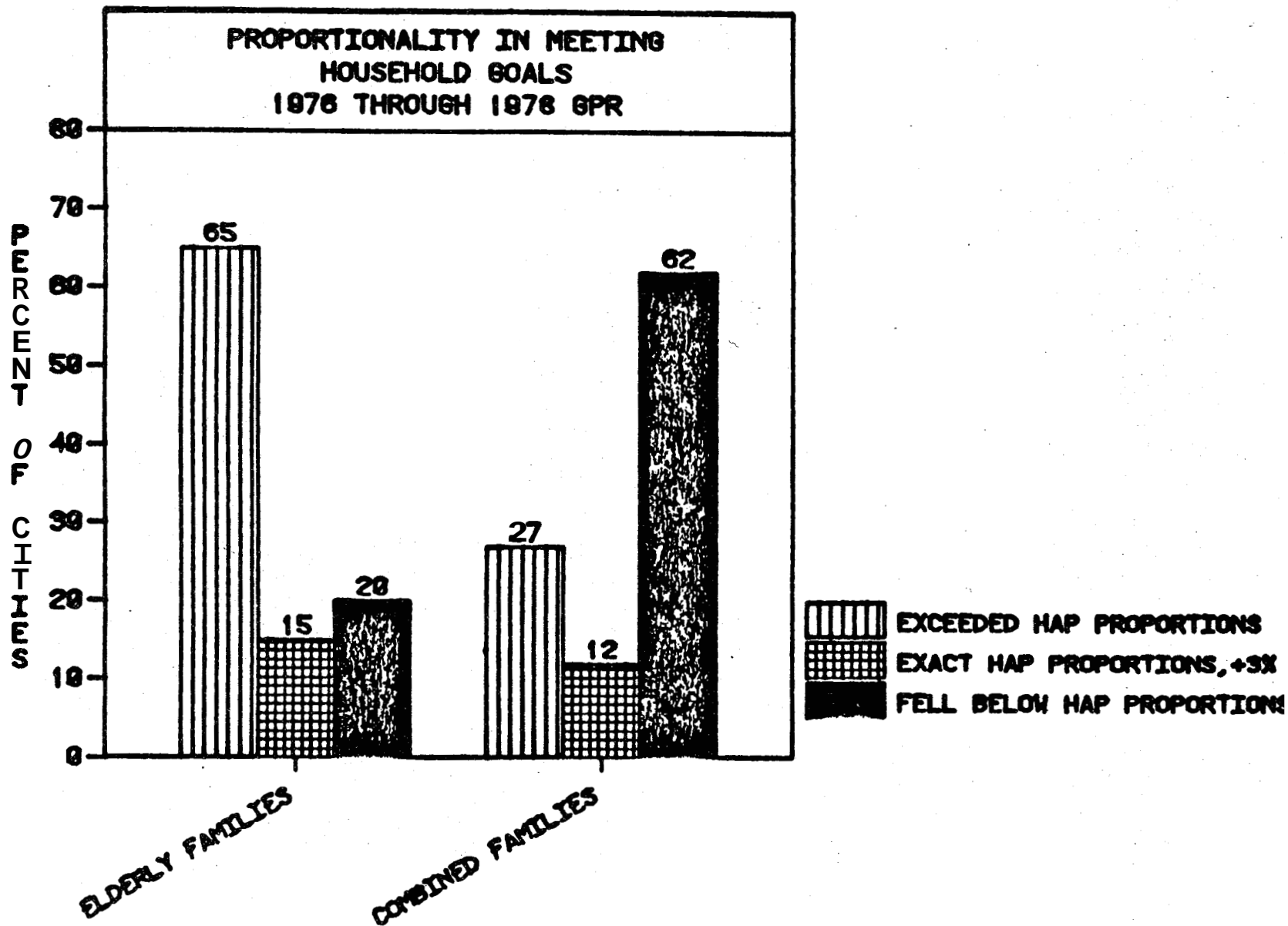


Chart IX-5



IX-11

Chart IX-6

ELDERLY: 1976-1978

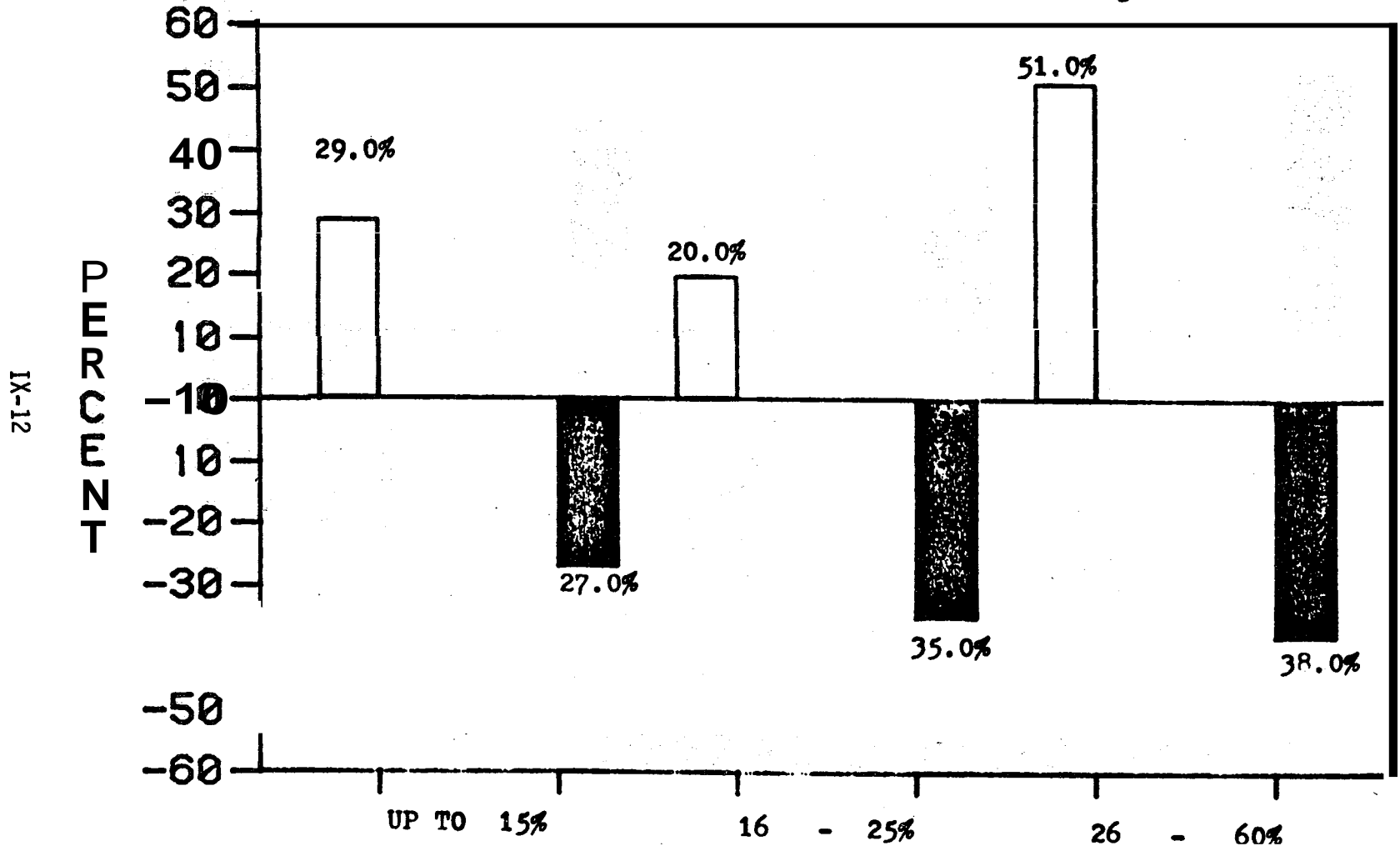
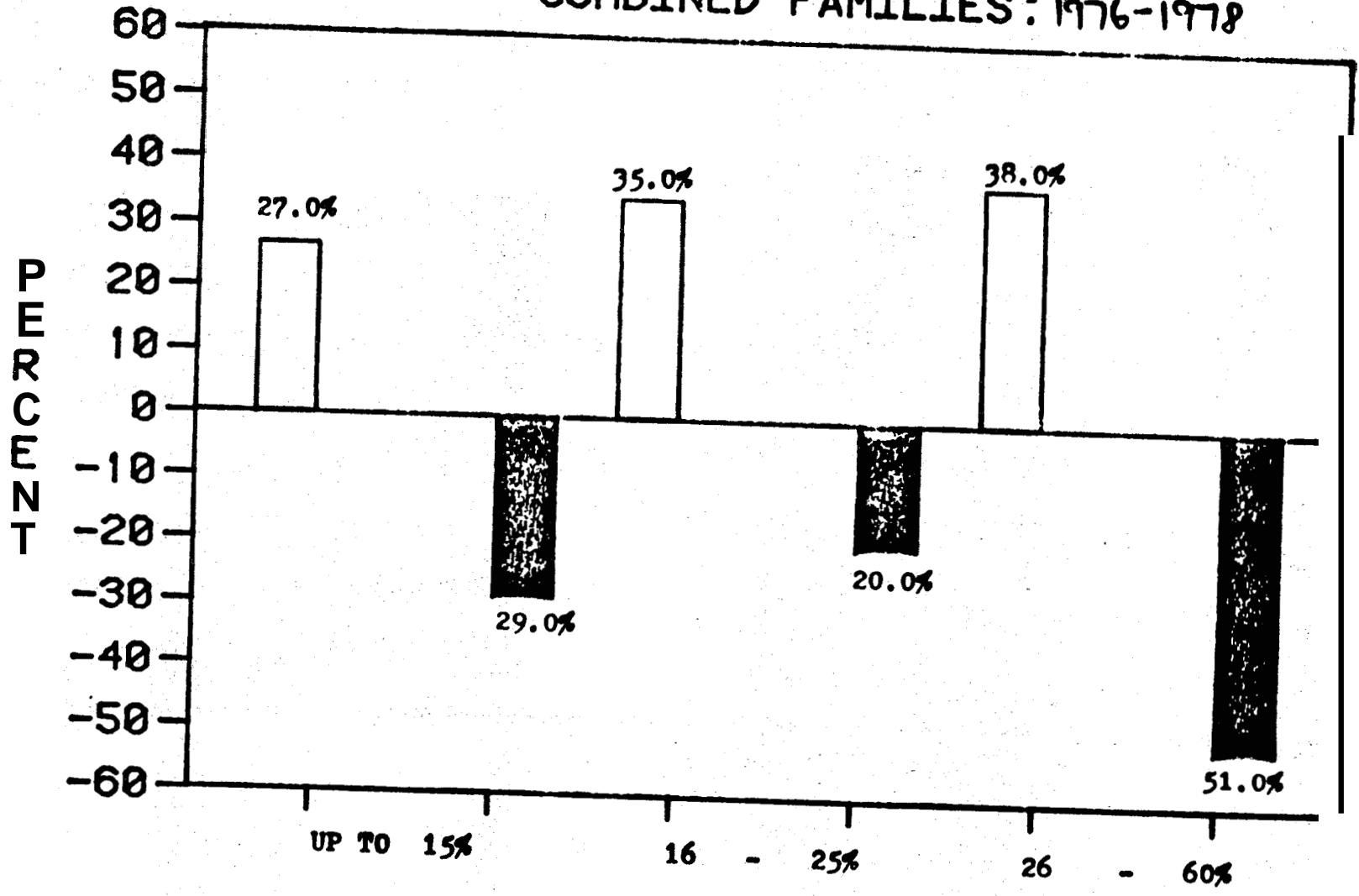


Chart IX-7

COMBINED FAMILIES: 1976-1978

IX-13



In contrast to their initial program experience, the most recent performance indicates that communities have moved closer to proportional delivery of **assisted housing** against 1976 goals, although imbalances and anomalies still persist.^{10/} Smaller numbers of communities than previously achieved proportionality, but fewer communities overdelivered elderly units; and those that either overdelivered elderly units or underdelivered family units did **so** by smaller margins (Chart IX-8).^{11/}

Strict proportionality was achieved relative to the provision of elderly units for 11 percent of all cities, 4 percentage points less than previously (Chart IX-8). Similarly, proportionality relative to family units was accomplished by 11 percent of the cities, 1 percentage point less than previously.

Moreover, the number of communities that delivered more than proportional units of elderly housing declined from 65 percent in 1978 to 63 percent in 1979. The number that delivered less than proportional units of family housing remained at about the same level. And communities that previously evidenced the obverse of the national pattern--they underdelivered elderly units and overdelivered family units--showed no substantial change.

Significantly, among all communities that overdelivered elderly units or underdelivered family units, many did **so** by smaller amounts. Whereas before the transition HAP 51 percent of all communities that provided more than proportional assistance to the elderly did **so** by between 25 and 60 percent, after the transition HAP only 40 percent overprovided units at this level (Chart IX-9). Similarly, whereas by 1978 51 percent of all communities that provided less than proportional assistance to families did **so** by between 25 and 60 percent, by 1979 only 40 percent underdelivered units by this margin (Chart IX-10). Thus, in response to both elderly and family units, the number of communities that missed previously set goals by between 25 and 60 percent declined by 10 percentage points--roughly a 20 percent reduction,

Overall, then, the transition HAP had the effect of moving goals for the delivery of assistance closer to proportionality. The movement was not dramatic; but it could not have been dramatic given the magnitude of previous imbalances, the limitations on available housing subsidies, and the short time (one year) in which imbalances could be addressed. About all that could be hoped for was a reduction in the margins (or amounts) of given disproportionalities, and the most recent year's performance does indicate that this

^{10/} The full impact of the transition HAP is more likely to be reflected in the FY 1979 results because of the lag between planning and implementation. All but four of the sample communities were required to submit a transition HAP in 1978.

^{11/} The MIS and FORMS data basis from which the Section 8 and LIPH reservations were extracted do not distinguish between small and large families. The family types are combined and referred to as "Families" when these sources are combined with the 1978 GPR data.

Chart IX-8

IX-15
PERCENT OF CHHHS

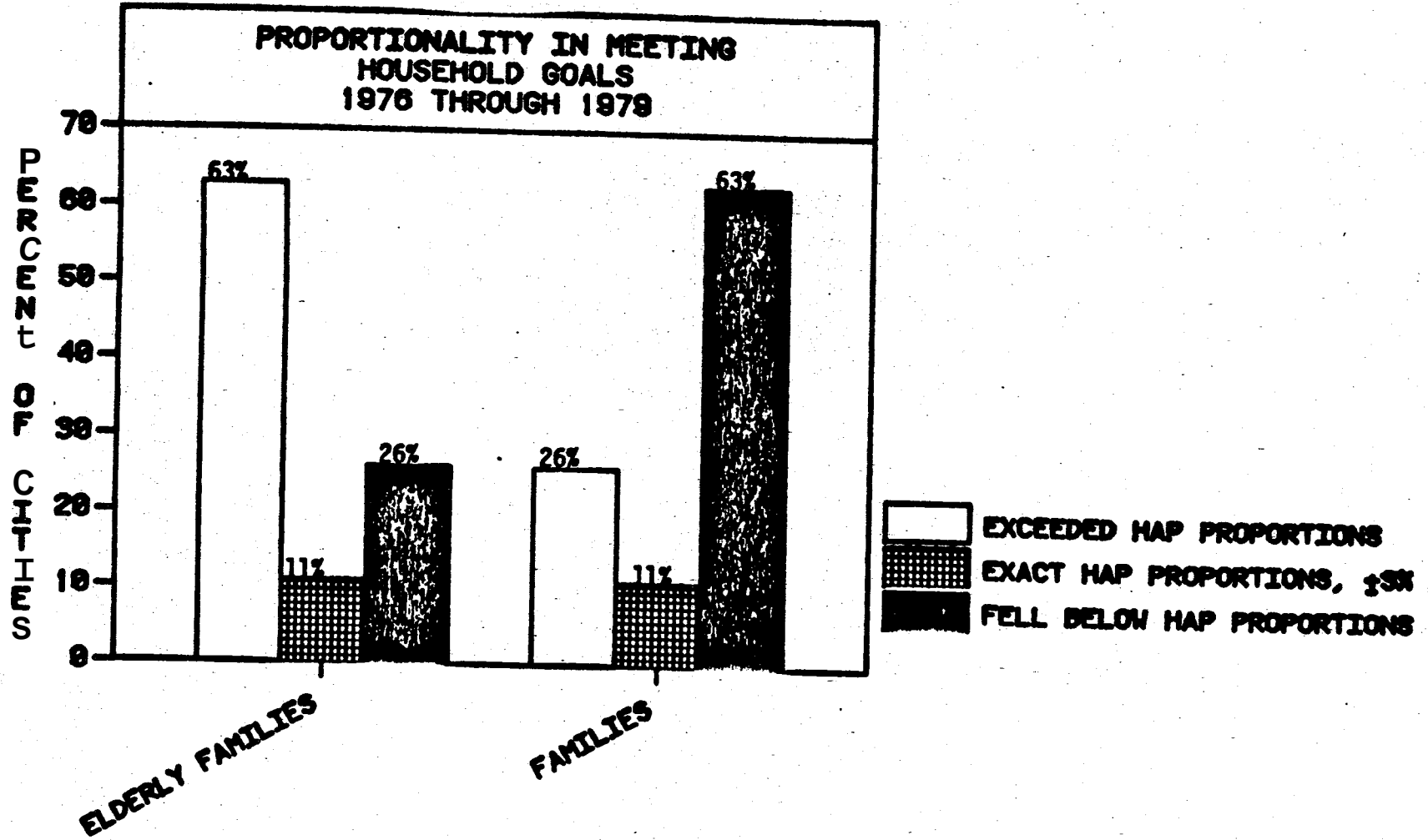


Chart IX-9

ELDERLY : 1976-1979

IX-16

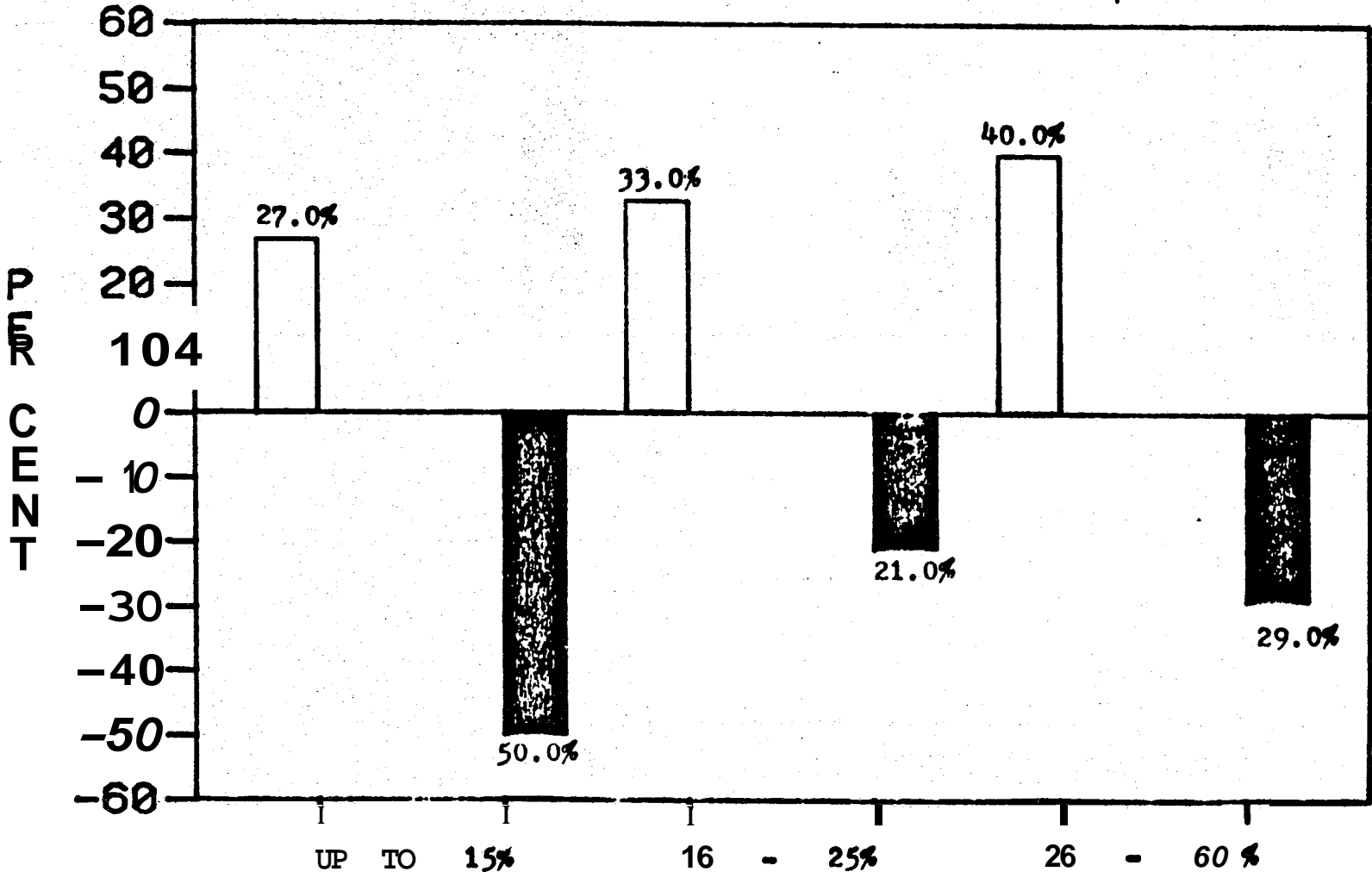
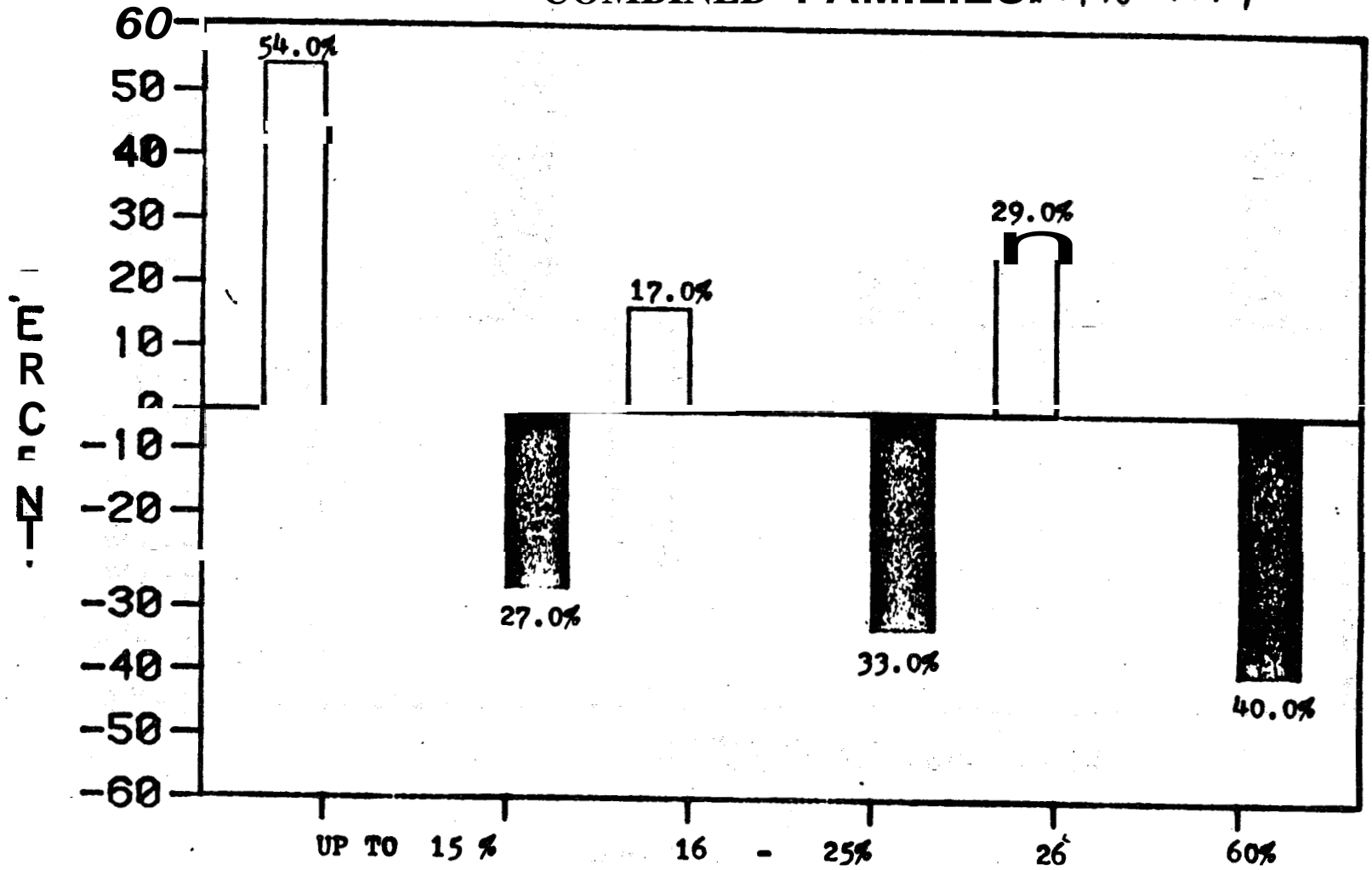


Chart IX-10

COMBINED FAMILIES: 1976-1979

IX-1



has occurred. Thus, it can be said that a basic achievement of the transition HAP was to narrow the margins by which disproportionately more or less units were delivered in the last year of the initial three-year planning cycle.

Performance Toward Program Mix Goals

For each three year planning cycle, communities are expected to provide units of different types (new, rehabilitation, existing) in proportion to the initial goals established for each. Performance data through 1978--before the transition HAP took effect--show various imbalances in the actual commitment of units, especially new construction units. Performance data through 1979--after the transition HAP took effect--reveal a consistent but limited movement toward greater consistency with 1976 HAP goals, although this movement was largely constrained by the magnitude of the initial imbalances relative to available resources,

Prior to the implementation of the transition HAP, three basic patterns were evident. First, relative to overall unit mix goals, communities actually reserved fewer new construction and more rehabilitation units than had been planned. Second, a disproportionately large percentage of new units was provided for elderly households, and a disproportionately small percentage of new units was provided for small and large families. Third, relatively more rehabilitation units than had been planned were delivered (on a percentage basis) for all household types--elderly, small, and large families.

Data for overall unit mix goals (irrespective of household type) show that communities originally planned to provide 35 percent of their assisted units through new construction, but actually committed only 28 percent of such units.

Available statistics for unit mix goals for various household types show that elderly households received both disproportionately more new construction units and disproportionately more rehabilitation units. Small and large families received more rehabilitation units than had been planned--26 percent versus 44 percent, and 20 percent versus 39 percent. But in contrast to elderly families, small and large families received fewer new construction units than had been intended--15 percent compared to 39 percent and 21 percent compared to 40 percent (Chart IX-12).

^{12/} The transition HAP was intended to improve proportional delivery for household types. Its impact on unit mix is discussed here because it had the effect of adjusting unit mix goals as well.

^{13/} The over achievement of goals in some instances reflected HUD approved changes in HAPs and in CDBG programs (for rehabilitation efforts using block grant funds) for the 1977 and 1978 program years.

Following the introduction of the transition HAP, deliveries against overall unit mix goals moved closer to those originally intended (Chart IX-11). Deliveries against overall unit goals for new construction rose by four percentage points, bringing them within three points of the initial target; and at the same time, reservations relative to overall goals for rehabilitation declined by three percentage points bringing them within three percentage points of the originally planned goal.

Similarly, commitments relative to unit mix goals for small and large families reflect an effort to modify previous imbalances. The data show that the number of new units provided for families moved upward to 23 percent, 12 percentage points closer to the small family goal and 6 percentage points closer to the large family goal (Chart IX-13). Concurrently, the number of units approved for families through rehabilitation declined to 36 percent, 8 percentage points nearer to the target established for small families and three points nearer the goal for large families.

Deliveries of unit types against elderly housing goals reveal a mixed pattern. On the one hand, the proportion of units provided through rehabilitation declined by two percentage points to bring actual and planned units into almost exact proportion. On the other hand, the proportion of units offered through new construction continued to increase in comparison to the original goals. This seems to indicate that the elderly needs have been met more frequently through new construction and less frequently through rehabilitation or existing programs than was originally intended.

Performance Toward Housing Opportunity Goals

Communities must follow certain guidelines in choosing the locations for assisted housing units. They must choose locations which support legislative objectives related to increasing the choice of housing opportunities, avoiding undue concentrations of assisted persons in areas of low income concentration, and preserving or restoring neighborhoods. While program guidelines do not mandate a proportional distribution of units across these goals, they do imply a balance which reflects an appropriate application of legislative goals in relation to local needs.^{14/}

At the beginning of the initial three year planning cycle, communities proposed roughly equal shares of potential assisted housing sites in the most distressed areas, moderately distressed areas, and the least distressed areas; although ^{15/} somewhat larger number of sites was planned for the least distressed areas.

14/

Results in this section are based upon units reported in the 1978 GPR. Census tract locations for Section 8 and LIPH reservations were not available in time for this report.

15/

In this chapter the discussion of housing choice goals and performance toward goals are based on an analysis of planned and provided units in terms of their incidence in distressed and non distressed census tracts. The distress designation is used as a surrogate reference to other program relevant considerations. The distress index is based on poverty, population gain between 1970-1976, housing built before 1939, unemployment, and minority population.

Chart IX-11

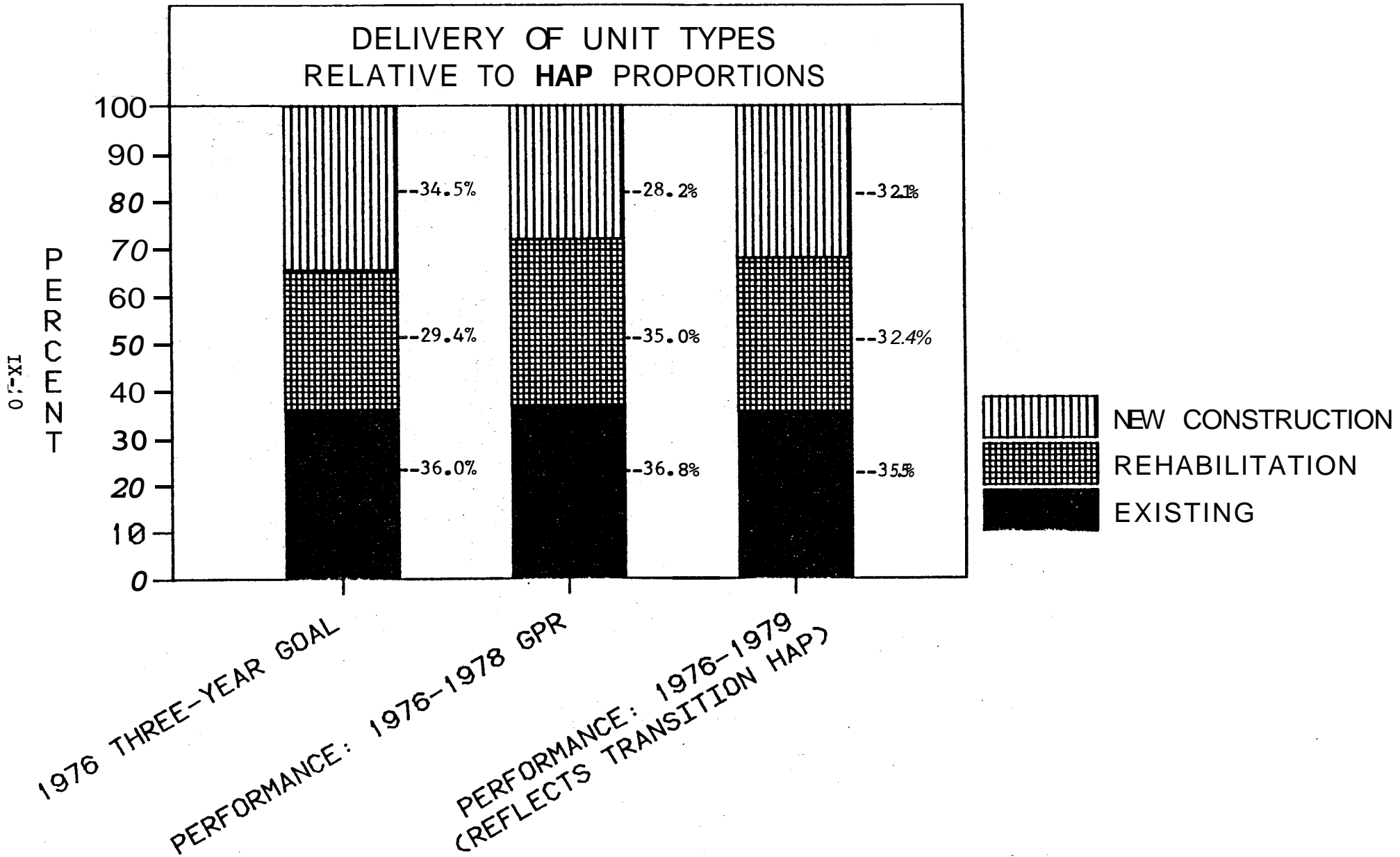
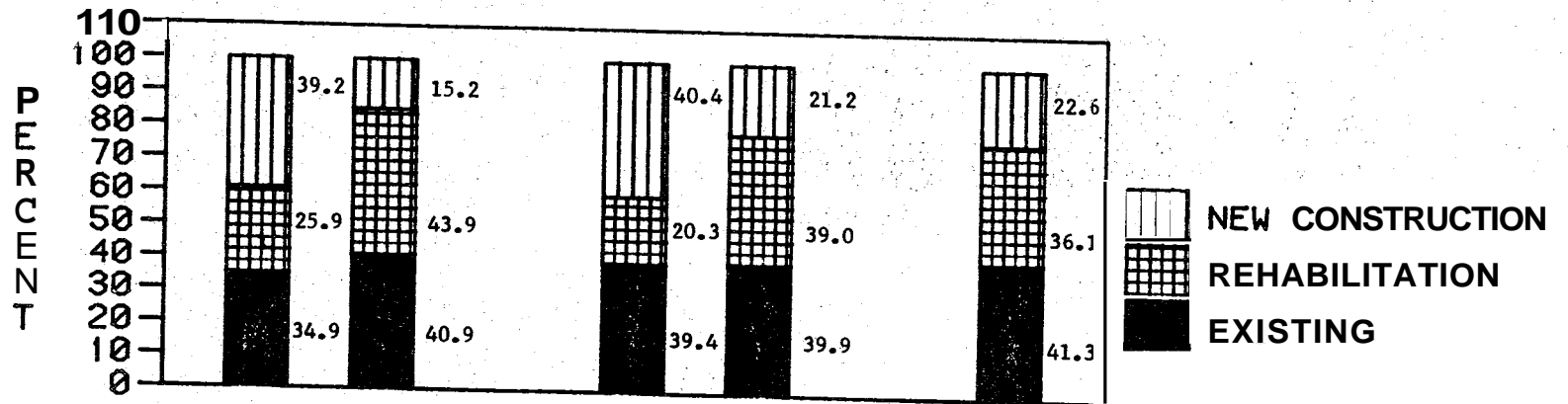


Chart IX-12

PROGRAM MIX

SMALL FAMILIES LARGE FAMILIES COMBINED FAMILIES

IX-12



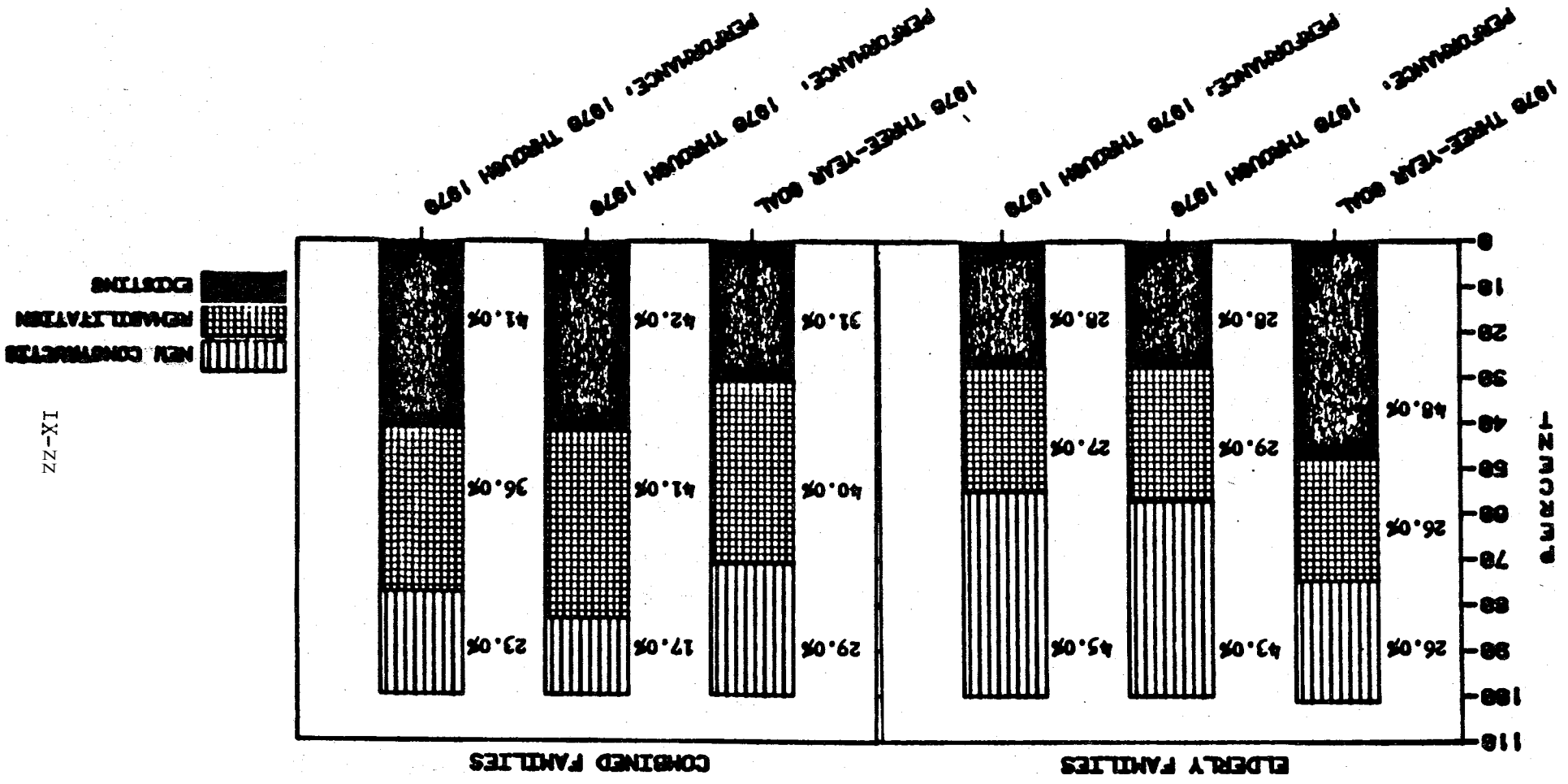
1976 THREE-YEAR GOAL
PERFORMANCE: 1976-1978 GPR

1976 THREE-YEAR GOAL
PERFORMANCE: 1976-1978 GPR

PERFORMANCE: 1976-1979

PROGRAM MIX

Chart IX-13



IX-22

Chart IX-14 shows that 30 percent of all sites were targeted to the most distressed areas, 30 percent to moderately distressed areas, and 40 percent to the least distressed areas.

As they neared the end of the planning cycle, communities had actually provided housing in all three kinds of areas, but in a smaller proportion than intended of the most distressed areas and in a larger proportion than planned of the Least distressed places (Chart IX-14). About 23 percent of all assisted housing sites were in the most distressed places, 7 percentage points less than had been planned; 43 percent in the least distressed areas, 3 percentage points more than had been planned.

Among all sites planned for the least distressed areas, almost all were planned for new construction; but the array of sites actually chosen evidenced greater balance among unit types (Chart IX-15). In the least distressed neighborhoods, 81 percent of all planned sites were new construction and 10 percent rehabilitation. In these same neighborhoods, 40 percent of the sites in which units were delivered were new construction (40 percent less than planned) and 26 percent were rehabilitation units (16 percent more than planned).

A somewhat different but similarly proportional pattern was evidenced in the most distressed areas. Among all sites planned for the most distressed census tracts, roughly equal shares were planned for new and rehabilitation units; but among all delivered sites actually chosen, fewer than had been planned were new construction and more than had been planned were rehabilitation. The proposed goals for planned sites were 37 percent for new construction and 36 percent for rehabilitation. The proportions actually achieved were 23 percent for new construction (14 percentage points less than had been planned) and 44 percent for rehabilitation (8 percentage points more than had been planned).

IX-224

PERCENT

PLANNED AND DELIVERED SITES BY CENSUS TRACT DISTRESS

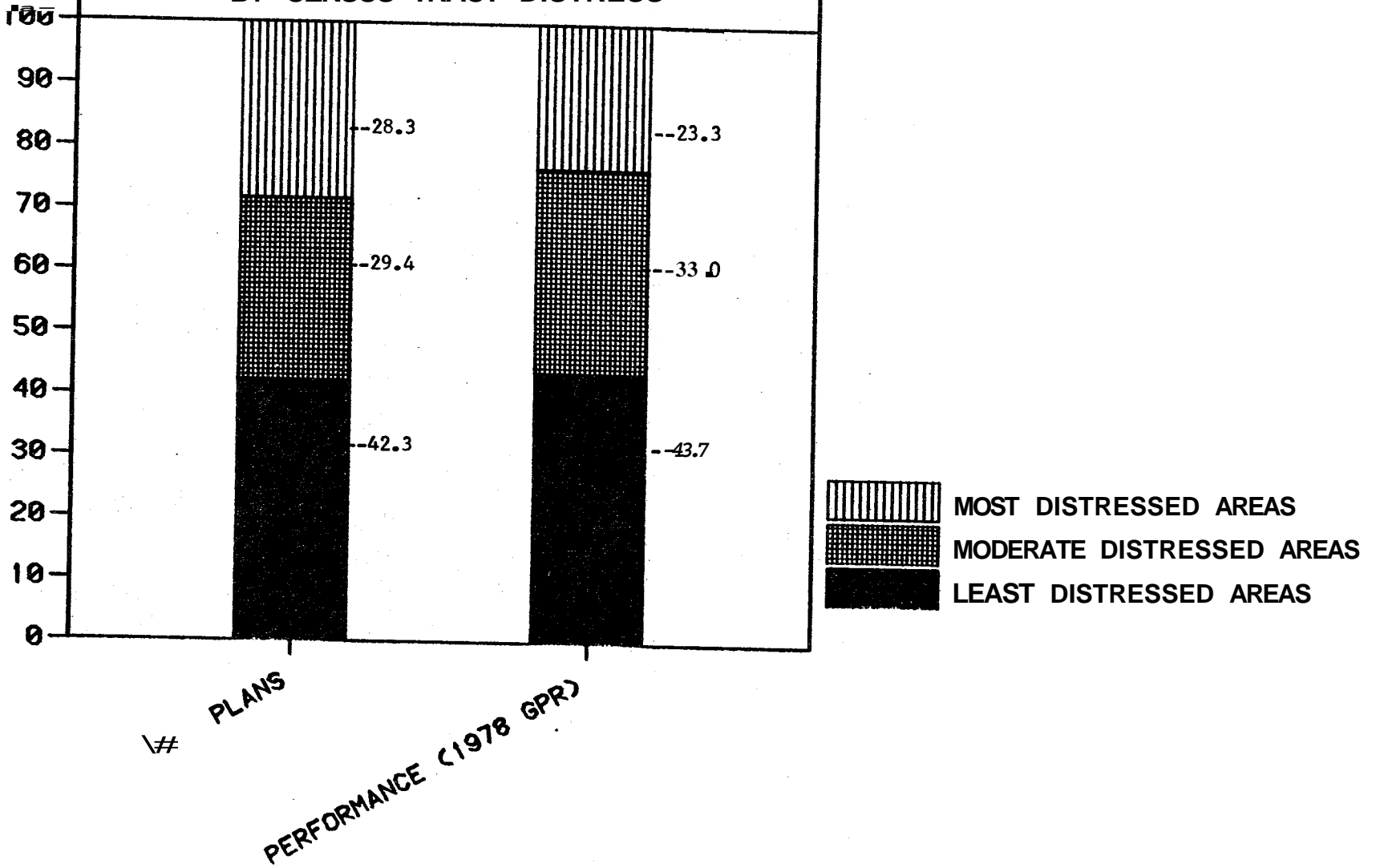
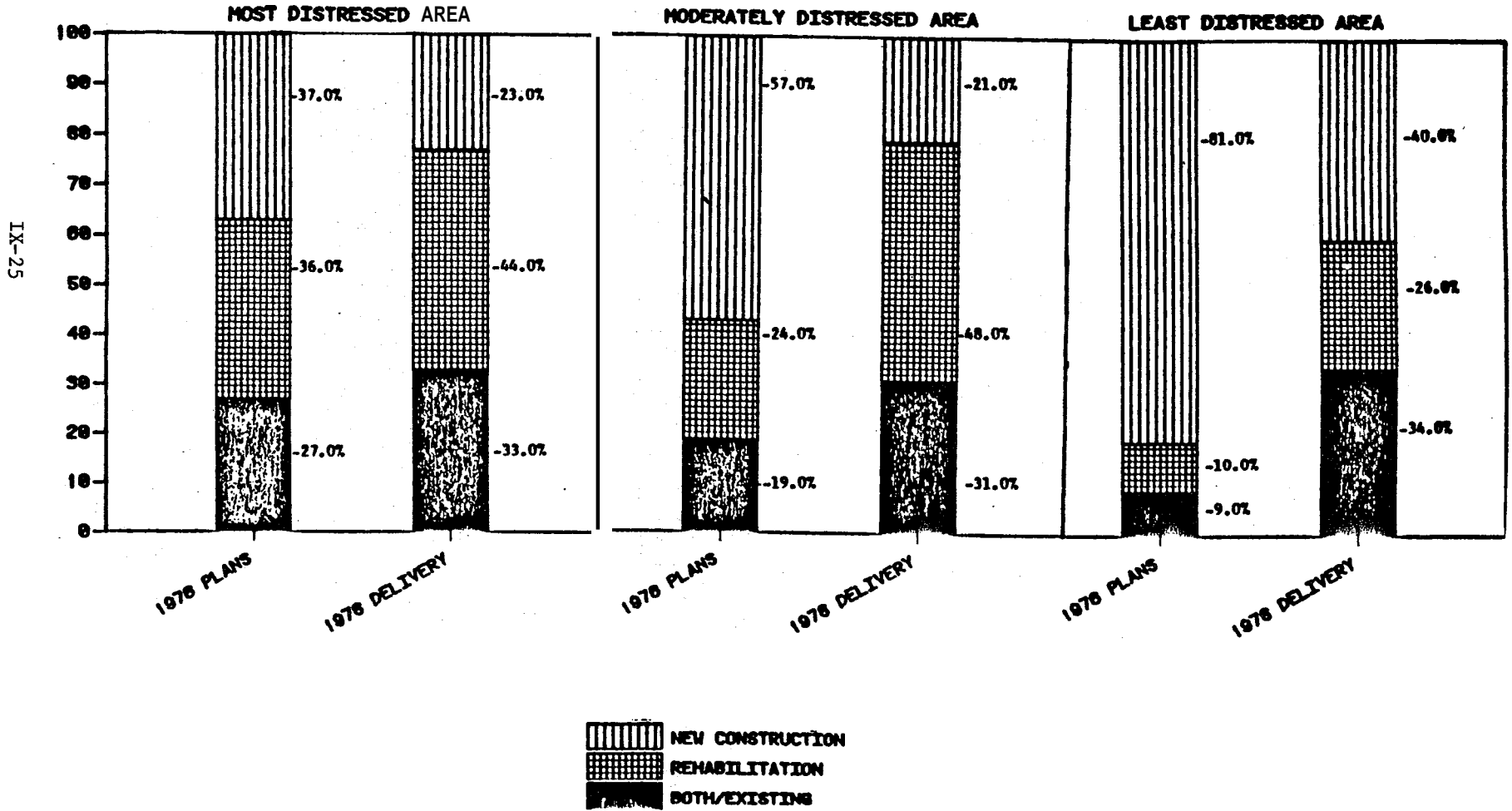
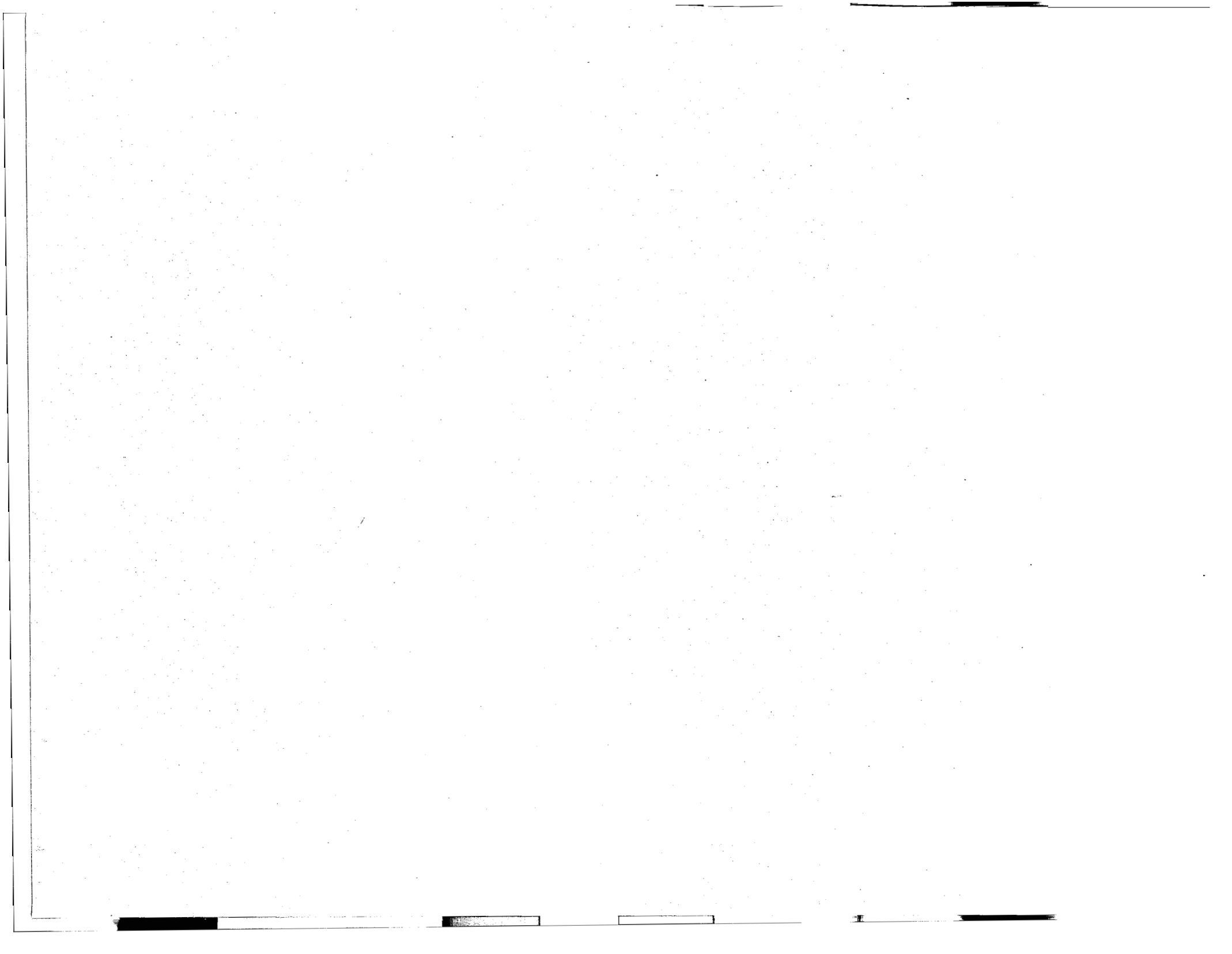


Chart IX-15

MIX OF UNIT TYPE PLANNED BY DISTRESS

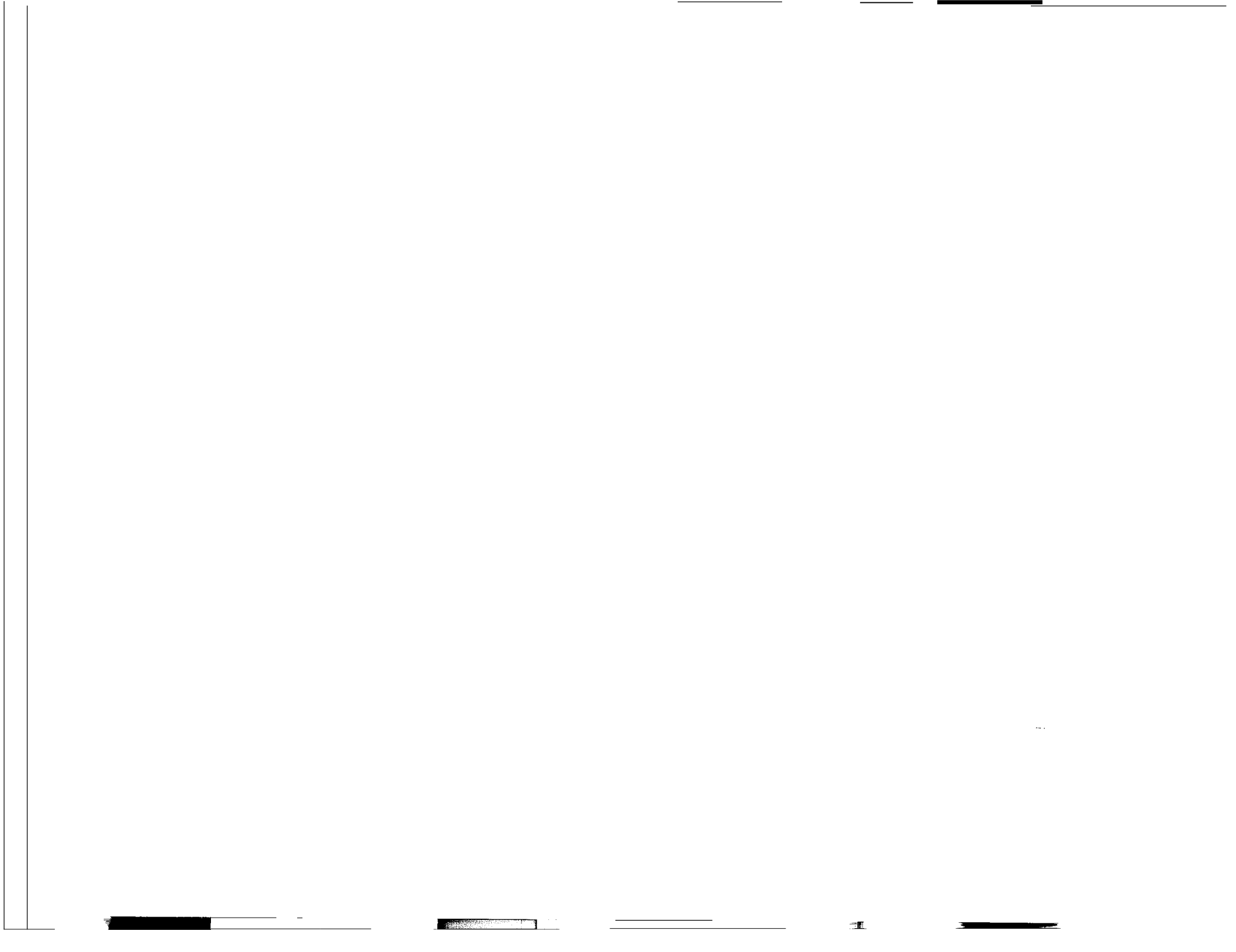




PART VI

PROGRESS TOWARD NEW PROGRAM INITIATIVES .

- CHAPTER X: Economic Development: Shaping a New Initiative
- CHAPTER XI: Neighborhood Strategy Areas: Concentrating
Community Development Resources
- CHAPTER XII: Dealing With Displacement: Issues and Strategies
- CHAPTER XIII: Comprehensive Planning: Requirements and Results
- CHAPTER XIV: Housing Assistance Plans: Shaping Housing Assistance
-



CHAPTER X

ECONOMIC DEVELOPMENT:

SHAPING A NEW INITIATIVE

Introduction

The Housing and Community Development Act of 1977 added economic development as one of the specific objectives of the Community Development Block Grant program. As a result of this addition, a number of options are open to cities in their use of CDBG funds. They can continue to do certain planning and land assembly activities which they have done in the past, and they can also engage in a number of new activities such as the purchase and development of commercial and industrial facilities and the transfer of funds to non-profit entities for the provision of technical assistance and the issuance of loans and loan guarantees.

Summary of Findings

A review of experience in a sample of 25 entitlement cities reveals that 80 percent of the cities feel that the expanded range of economic development activities will be useful and plan to initiate projects under them. Twenty cities are undertaking some type of economic development activities with CDBG funds and eight of them are spending over 15 percent of their CDBG funds on economic development. About one-third of these economic development funds are being used for newly eligible activities. The more distressed cities are spending, on average, larger percentages of their CDBG funds on economic development activities. Those cities that are not using any of their block grant monies for economic development tend to be cities with fewer economic problems.

Cities are spending more on neighborhood activities and industrial parks and less on downtown projects. Four cities are putting substantial amounts into neighborhood commercial activities as part of a comprehensive strategy. Ten cities are using CDBG funds for industrial park development or expansion.

A majority of the cities which are undertaking economic development projects are coordinating and leveraging their CDBG funds with EDA, SBA, and private funds. However, many cities cited conflicting program regulations as a hindrance to coordinated use of funds. A few cities are using CDBG funds in conjunction with UDAG projects, either for advance planning activities or for public improvements in the UDAG project area.

Although job generation is a major goal for most cities, information on job generation is not available for most projects. Many seem to rely on trickle-down or multiplier effects for the creation of jobs. Part of the reason for this approach seems to be the fact that the scarcity of funds makes it difficult to develop large scale projects which would directly create large numbers of new jobs.

private nonprofit entities and are appropriate to meeting the needs and objectives of a grantee's community development plan, including purchase of real property, development of public facilities, and development of commercial and industrial facilities; and (2) activities undertaken by neighborhood-based nonprofit organizations, local development corporations or Small Business Investment companies to carry out a neighborhood revitalization or community economic development project. These two new statutory provisions were implemented by 24 C.F.R. § 570.203 and 24 C.F.R. § 570.204.

In authorizing activities pursuant to 24 C.F.R. § 570.203, HUD takes into account the amount of long-term employment to be generated by the activity accessible to low- and moderate-income persons, the necessity of the activity to stimulate private investment, the degree of impact on the economic conditions of the applicant, and the availability of other Federal funds.

Economic development activities must not only meet the eligibility requirements of Subpart C of the regulations but also the requirements of § 570.302 which provides that each activity must either principally benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight or meet other community development needs having a particular urgency. In addition, § 570.302 requires that the grantee's program as a whole must principally benefit low- and moderate-income persons. As an example of an application of these requirements, a grantee which has activities which first of all meet the eligibility requirements of § 570.203 must also have a

(c)(8) to section 101 of the Housing and Community Development Act of 1974.

community development program which as a whole principally benefits low- and moderate-income persons **and** each eligible activity in its program (economic development activity or not) must either principally benefit low- and moderate-income persons or aid in the prevention or elimination of slums and blight, or meet the other community needs having a particular urgency.

The Role of Economic Development

Some economic development activities have always been permissible in the block grant program. These have included planning and feasibility studies, land assembly and clearance, and public works projects. Funds could also be used to provide the local match for loan pools and other projects with matching requirements. One test of the use of the new economic development tools is the extent to which cities are putting more of their CDBG resources into newly eligible activities which must be specifically approved by HUD. In a survey of 25 cities, officials were asked about their economic development strategies and the role of CDBG in the strategy for FY 1979 funds. This information was used in conjunction with information from their fifth year applications to assess the extent to which economic development activities are being carried out as part of the block grant program.

The importance of economic development in a city can be judged in part by the planning and staff effort devoted to such activities. In the sample of 25 cities, nine had overall economic development plans (OEDPs) or comprehensive economic development strategies (CEDs). Three other cities were developing plans and two of the smaller cities participated in regional economic plans. Ten of the cities have city-wide economic development corporations, many of them set up or partially funded by city or CDBG funds. In two other cities, redevelopment authorities act as development corporations.

Types of Economic Development Activities Funded

In assessing a grantee's community development program, it is difficult to strictly categorize activities in terms of their relationship to economic development. On the one hand, activities related to economic development could be construed narrowly to mean only those related to business development. On the other hand, almost all CDBG activities can be classified as economic development since they are directed toward the development and/or restoration of the city's resources and capital.

This analysis identifies economic development projects by using individual project descriptions contained in the city application forms. Any land acquisition which was for the purpose of improving property for eventual use as industrial or commercial sites was considered economic development whereas acquisition for residential reuse was not. Any public improvements or facility improvements which were done in support of commercial or industrial

development were considered economic development. Any technical assistance, staff support, planning studies, training activities, or loan packaging for economic development whether done directly by the city or through grants to non-profit entities was considered economic development.

Using the definitions of economic development given above it is possible to make comparisons among the 25 cities surveyed. The projects can be categorized by different methods. Consequently the data are displayed several different ways. One classification was done by type of activity. The other major classification was done by location of activity--central business district, neighborhood commercial areas, or industrial park development. Because the classifications are overlapping, the totals shown in Tables X-1 and X-2 will add up to more than the total in some cities. This occurs because a land acquisition expenditure may also appear as an expenditure for an industrial park.

Table X-1 shows economic development activity classified by type--land acquisition, public facilities, and technical assistance, planning and staff support, and loans. A significant share of funding planned for economic development was directed to activities eligible prior to the new economic development regulations.. Thirty-six percent of all funds classified by type of activity are allocated to land acquisition activities,^{3/} If planning activities for economic development are added to this, the percentage spent on activities that were eligible for funding prior to the regulation changes rises to 41 percent. A large percentage also goes to public improvements and facilities some of which was permissible under the old regulations.

A large share of funding planned for economic development was transferred to newly eligible activities. Nearly 32 percent of all economic development funds were spent on technical assistance, training, loans and loan packaging either by the city or through grants to non-profit entities (referred to in the tables as 204 grants because of the regulation number). Nine of the 20 cities engaging in economic development activities (45 percent) made use of the 570.204 regulation to make grants to community development corporations, small business investment corporations, or other non-profit entities for a variety of activities.

In Table X-2, the data are displayed by location of economic activity--central business^{4/} district, neighborhood commercial areas, or industrial park development. Although 54 percent of the funds are shown in central business districts, this total is skewed by the large amount of funds in Detroit going into CBD projects. Four of the cities have CBD projects which are clearly

^{3/} About 60 percent of expenditures could be categorized by type. For example, some projects could not be classified because they were included in a larger project with a lump sum total.

^{4/} Some projects could not be classified this way because they were city-wide or because it was not possible to classify them from the description.

Table X-1
CDBG Funds Allocated For
Economic Development, By Type of Activity, PY5

	<u>Land Acquisition</u> (\$000)	<u>Public Facilities & Infrastructure Improvements</u> (\$000)	<u>Technical Assistance, Planning & Loans</u> <u>City Direct</u> (\$000)	<u>204 Grants</u> (\$000)
<u>Northeast</u>				
Boston	\$.70			
Bristol			\$ 80	
Buffalo	608	\$1380	2763	\$ 705
New Haven	1855			
Paterson		45	230	85
Portland	25	65		
<u>North Central</u>				
Cincinnati	1132	209	1089	298
Detroit	1315	155	300	
Flint				244
Gary	230	3314	104	250
Racine	750			36
<u>West</u>				
Albuquerque			325	
Colorado Springs			124	
Oakland	525	818	198	667
San Diego			360	300
<u>South</u>				
Atlanta	500	700	400	
Louisville	200	160	180	441
Oklahoma City ^{1/}	676			
Portsmouth	1138			
Wichita Falls		28		
<u>Activity Total (% of Total)</u>	\$9024 (36.0%)	\$6874 (27.4%)	\$6153 (24.5%)	\$3026 (12.1%)

^{1/} Oklahoma City spends a large percentage of funds on CBD development. However, the division among types of activities could not be ascertained.

Source: PY5 CDBG Applications

X-5

Table X-2
CDBG Funds Allocated For
Economic Development, By Type of Activity, PY5

	<u>Central Business District</u> (\$000)	<u>Neighborhood Commercial</u> (\$000)	<u>Industrial Park</u> (\$000)
<u>Northeast</u>			
Boston		.\$1,120	\$ 50
Bristol			80
Buffalo			2,630
New Haven ^{1/}			1,855
Paterson ^{1/}			
Portland ^{1/}			
<u>North Central</u>			
Cincinnati	\$ 209	888	836
Detroit ^{1/}	12,270	410	
Flint ^{1/}			
Gary ^{1/}	750		
Racine			
<u>West</u>			
Albuquerque ^{1/}			
Colorado Springs ^{1/}			
Oakland		1,187	167
San Diego ^{1/}			
<u>South</u>			
Atlanta	700		500
Louisville			200
Oklahoma City			676
Portsmouth			1,138
Wichita Falls ^{1/}			
<hr/>			
Activity Total (% of Total)	\$13,929 (54.3%)	\$3,605 (14.1%)	\$8,132 (31.7%)

^{1/} Location of activity not clear.

Source: PY5 CDBG Applications

commercial. In contrast, four cities are putting fairly substantial amounts into neighborhood commercial activities (most in conjunction with a comprehensive strategy) and 10 cities are expending funds on industrial park development.

Activities are quite varied. Detroit has decided to place over one million dollars in CDBG money into a series of downtown redevelopment projects. One such project is the Washington Boulevard Mall. This is a four year project designed to enhance the image of the downtown as a convention and shopping center. In the fifth program year, \$155,000 in CDBG monies will be combined with other funds to advance construction of a mall on Washington Boulevard between Lafayette and Grand Circus. This mall will link hotels, specialty shops, and office space in an area near the **Cobo** Hall Convention Center and the Riverfront.

In Boston, the bulk of economic development funds is going into neighborhood development corporations as a complement to the city's residential strategy. According to officials, this represents a shift from "indirect attempts to create positive climates" to "hard-core economic development." The monies are going to 12 community development corporations to provide staff and operating support. These CDCs are engaged in activities that range from supermarket operation to housing construction. Although officials say the change in emphasis is not related to changes in the regulations, the strategy selected would not have been possible under the old regulations.

Two cities (Cincinnati and Oakland) are using funds to provide technical and management assistance to small business. In Cincinnati, the technical assistance program is designed to aid minority entrepreneurs. In Oakland, non-profit organizations are providing "one-stop business services," assisting firms with license and permit applications, loan packaging, and overcoming other difficult hurdles. Some funded non-profits are also providing venture capital for new enterprises and loans for facade treatment on storefronts. One reason given for Oakland's shift to funding neighborhood activities with CDBG monies is the fact that UDAG is picking up a large part of the downtown development.

One of the more unusual industrial park projects is in Buffalo, where \$650,000 in CDBG funds was allocated for land acquisition for the Incubator Industrial Center. The city purchased a large warehouse building and converted it into a business condominium where new businesses that are good future growth prospects are provided space for their operations. The space filled up quickly. The project has been **so** successful that the city decided to expand the program. Buffalo is also using CDBG funds to leverage other monies for loan packaging. Its local development corporation, one of the most active in the country, combines CDBG funds with SBA, New York State and Erie County funds for industrial mortgage, fixed asset financing.

CDBG As A Percent of Overall Economic Development

In the 20 cities undertaking economic development activities, the percentage of CDBG funds spent on economic development ranges from 1.3 percent to 44.1 percent. (See Table X-3). The median for the group is 9.75 percent. Eight cities (32 percent) are devoting over 15 percent of their CDBG funds to economic development.

When the characteristics of the cities are compared with the amount of economic development activity they engage in, it can be concluded that the most economically distressed cities devote a considerable amount of attention to economic development and those that have stronger local economies do not spend time or money on economic development activity. The cities spending a large amount of money on economic development are all in the first quintile of the HUD distress rankings. They have higher than average unemployment rates. Higher percentages of their populations are members of low-income and/or minority groups. They have all lost population since 1970. The cities spending a very little amount of money on economic development tend to be in better economic condition. They have lower unemployment rates and lower incidences of poverty. They also have a lower percentage of minority households in their populations. The two groups include all of the population gains in the sample and all of the less distressed cities (See Table X-4).

The reasons given by city officials in the five cities with no economic development for the absence of development activities were quite varied. In three cities there was no interest in government intervention in the process of economic development. These cities have relatively high rates of private investment and economic growth. City officials in one city said that economic development was not included in the budget because there were no short-run problems. However, they were interested in promoting diversification of the local economy and would probably commence planning activities in the near future. In the fifth city, officials said that they were interested in economic development but that state law prohibited the use of local funds to promote the economic well-being of private firms. The city attorney has interpreted the law as a prohibition on the use of CDBG funds to promote economic development. If this obstacle can be removed, economic development will probably be included in future CDBG activities in conjunction with their NSA strategy.

Job Generation

A principal goal of economic development is job generation. As a part of the survey, city officials were asked to estimate job generation from their economic development projects. Out of a total of 20 cities engaging in economic development, six cited job generation a specific objective and five quantified the number of jobs that might be generated. Four cities gave estimates ranging from 200 to 5,000 jobs.

Table X-3
Percent of CDBG Funds
Allocated for Economic Development, PY5

	<u>Total Economic Development</u> (\$000)	<u>Total CDBG Income</u> ^{1/} (\$000)	Economic Development as % of CDBG
<u>Northeast</u>			
Boston	\$ 1240	\$25086	4.9%
Bristol	80	992	8.1
Buffalo	5456	22768	24.0
New Haven	1855	9333	19.9
Paterson	360	3797	9.5
Portland	90	3099	2.9
<u>North Central</u>			
Cincinnati	3596	18226	19.7
Detroit	14450	60419	23.9
Flint	244	5688	4.3
Gary	3898	8844	44.1
Racine	786	1869	42.1
<u>West</u>			
Albuquerque	325	5607	5.8
Colorado Springs	124	2383	5.2
Oakland	3395	11981	28.3
San Diego	660	11099	5.9
<u>South</u>			
Atlanta	1600	14015	11.4
Louisville	981	13314	7.4
Oklahoma City	676	6828	10.0
Portsmouth	1138	5582	20.4
Wichita Falls	28	2106	1.3
Totals	\$40982	\$233036	

^{1/} Includes all CDBG income.

Source: PY5 applications.

These estimates probably understate total job generation. In some situations, those economic development activities that involve land acquisition and public improvements may not have developed to the stage where specific firms and jobs can be identified; and in other situations, where funds are being spent on technical assistance and loan packaging for existing firms, records on the number of jobs generated or retained are frequently not kept. In some cases job generation cannot be estimated because cities are relying on the "trickle-down" approach. That is, they expect jobs to be created because the business environment is improved, but they cannot estimate how many jobs will be created with this indirect approach.

Leveraging of Funds

Another important factor in evaluating economic development with CDBG funds is the city's ability to coordinate these funds with private and other public sources of funds for economic development. Given many competing uses for CDBG funds and the flexibility of the funds, they are often most effective when they were used as a catalyst, or as a "filler" in projects. In some cases they are specifically used to leverage or guarantee other monies, for instance, a the local match for SBA loan funds. Some cities use CDBG funds to plan and develop UDAG projects. Still others use their CDBG funds to entice private firms into making economic development commitments either through the provision of public infrastructure (e.g., streets and sidewalks) or through loan packaging to obtain private loans for businesses.

Thirteen of the cities in the sample made reference to matching funds in their project summaries. Twelve actually gave estimates on the amount of other funds committed to the projects (Table X-5). When CDBG commitments are compared with total funds committed, they range from less than 2 per nt of total funds to 73 percent of total funds committed to these projects.— The median percentage for the 12 cities is about 23 percent. Caution must be used in interpreting these percentages. Some CDBG expenditures are being used as start-up funds for planning and any commitments of other funds may not be made until future program years.

Many economic development projects are not reflected in the matching funds cited in the project summaries. CDBG funds may be used in projects which require other funding while cities use other sources of funds to carry out additional economic development projects. Interviews with city officials revealed that at least 12 cities had EDA projects, at least six had SBA loan pools, and ten cities had at least one UDAG project (including one city which undertook no economic development with CDBG funds.)

5/ These figures do not necessarily reflect all economic development activity within a city. Unrelated projects would not be included in the total.

Table X-4
Characteristics of Cities by
Level of Economic Development Activity, PY5

	<u>Group</u> <u>1</u>	<u>Group</u> <u>2</u>	<u>Group</u> <u>3</u>	<u>Group</u> <u>4</u>	<u>Group</u> <u>5</u>	<u>Total</u> <u>Sample</u>
<u>Regions</u>						
NE	1	1	2	2	-	6
NC	3	1	-	1	1	6
W	1	-	-	3	2	6
S	-	1	2	2	2	7
<u>Pop. Size</u>						
Over 1,000,000	1	-	-	-	-	1
500,000 - 1,000,000	-	-	1	1	-	2
250,000 - 500,000	3	-	2	2	1	8
100,000 - 250,000	1	2	1	2	2	8
Under 100,000	-	1	-	3	2	6
<u>UDAG Distress Group</u>						
1	5	2	4	-	-	11
2	-	-	-	1	3	4
3	-	1	-	4	-	5
4	-	-	-	2	-	2
5	-	-	-	1	2	3

Source: PY5 CDBG applications; HUD UDAG distress rankings.

Table X-5
Other Funds For
Economic Development Activities
Supported by CDBG Funds, PY5

	Matching Funds ,			Total (\$000)	CDBG Funds (\$000)	CDBG a Percent of Total Projects
	EDA (\$000)	SBA (\$000)	Other ^{a/} (\$000)			
<u>Northeast</u>						
Boston	--	--	--	\$ 453 ^{b/}	\$1,240	73.24%
Buffalo	--	--	--	-- ^{c/}	5,456	
New Haven	--	--	• \$5,023	5,023	1,855	26.97
Paterson	\$11,187	--	6,449 ^{d/}	17,636	360	2.00
Portland	2,667	--	1,767	4,434	90	1.99
<u>North Central</u>						
Detroit	--	--	3,000	121,000 ^{b/}	14,450	10.67
Flint	--	\$ 200	--	200	244	54.95
Gary	5,800	115	3,388 ^{d/}	9,303	3,898	29.53
Racine	--	--	--	1,500	786	34.38
<u>West</u>						
Colorado Springs	--	--	--	637 ^{b/}	124	16.29
Oak land	--	--	--	11,811 ^{b/}	3,395	22.33
San Diego	--	--	1,500	660	3.56	
<u>South</u>						
Atlanta	755	--	4,367	5,122	1,600	23.80

- a. Includes private funds.
b. Sources not specified.
c. Matching funds, discussed, but figures not cited.
d. Includes UDAG.

Sources: PY5 CDBG applications; interviews with local officials.

UDAG Coordination

Although cities are not required to coordinate their CDBG economic development activities with their UDAG projects, at least three cities provided this information. Boston set aside \$100,000 in its CDBG budget to plan for the construction of an industrial park facility which was awarded a UDAG grant. Not all cities are that far-sighted. At least one city has found itself unable to get its UDAG funds released because they have not developed detailed plans. While they could have funded the planning through CDBG, they did not set aside funds in their CDBG budget for it.

In Paterson, CDBG funds were used to begin land assembly for an approved UDAG project for which UDAG funds had not been released. When the funds are repaid out of the UDAG grant, officials expect to use the money for a revolving acquisition fund for land. Gary is using CDBG funds to provide public facility improvements as part of their UDAG-supported Genesis Center, a complex which will include public buildings, a civic center, and private shops and offices.

Issues, Costs, Problems

Most city officials approved of the added emphasis on economic development. The new options give them greater flexibility in their economic strategies. However, a major problem appears to be confusion over what is permissible under the regulations. For example, the regulations do not state that a city can make direct loans to private firms although they do say that cities can make grants to 204 eligible entities which can, in turn, lend to businesses.

Additional confusion seems to exist over the differences between generally eligible activities and those eligible for funding as special economic development activities. To give an example, one city had a project declared ineligible because it failed to meet program benefit requirements, i.e., it was not directed to low- and moderate-income persons the elimination of slums and blight, or urgent needs. The city officials are under the impression, however, that the project was not approved merely because it would result in more than 25 percent of funds going to non low-and-moderate income projects.

Another difficulty is the competition for CDBG funds. Since economic development must compete with housing, social services, and other eligible activities, there are seldom sufficient funds available to undertake a major economic development activity. This problem is especially acute in the more distressed cities. Eight of the eleven most distressed cities have found their block grant allocations declining over time. Consequently, they now have fewer funds and more eligible activities. This is a serious problem for these cities since they are frequently most in need of substantial funds for economic development.

Scarcity of funds also makes it difficult to follow a systematic approach to economic development. Although most cities in the sample have some overall development plan, they do not always have the ability to follow these plans. One economic development official said he drew up a plan of economic development activity for the coming year and then consulted the community development person to find out what could be funded out of CDBG funds. The more frequent approach is for city officials to find out what projects are eligible for funding in various programs and within the relevant budget constraints and then build their short-run economic development strategy around these factors. This approach is much less desirable from a planning perspective.

City officials are ambiguous over the role for non-profit entities in economic development funding. Although one city indicated that his city had pushed to have SBICs (Small **Business** Investment Corporations) included in the list of eligible organizations^{6/} other city officials are not so favorably disposed toward the non-profit entities.

Some do not understand why the regulations allow non-profits to engage in activities that cities cannot undertake. Others said that they thought the inclusion of non-profits was a problem because it further increased the competition for funds. One official said "if the Federal government thinks they are important, it should give them their own pot of money and not take it out of ours."

Conclusion

Although CDBG funds are not the only source of Federal support for economic development activities, they are viewed by many cities as being crucial in their overall strategy. An official in Louisville pointed out that their flexibility made them important. In Buffalo, one person said "Economic development is block grants."

Cities that are just beginning to take advantage of the new options are designing innovative programs. In a sample of 25 cities, eight were spending more than 15 percent of their block grant money on economic development. Only five of the cities did not spend CDBG funds on economic development and they were less economically and socially distressed than the other cities in the sample. Approximately one-third of all CDBG activities that can be reasonably defined as economic development are newly eligible projects. The majority of cities are moving away from activities that focus on the downtown business district and are shifting to neighborhood commercial activities and industrial parks.

As the regulations become more familiar to city officials the number of specially designated economic development projects will probably increase. However, the competition for CDBG funds will mean that major economic development projects probably will not be funded by CDBG monies unless they can leverage other funds. Many cities will look to UDAG and EDA for major economic development funding.

^{6/} Five city officials were able to give leveraging ratios. They ranged from 2 to 1 to 8 to 1, averaging about 4 to 1.

CHAPTER XI

NEIGHBORHOOD STRATEGY AREAS: CONCENTRATING COMMUNITY DEVELOPMENT RESOURCES

Introduction

One of the key elements of the 1978 revisions to the Community Development Block Grant program was the provision for the designation of Neighborhood Strategy Areas (NSAs). The basic objective of such designation is to concentrate community development assistance in such a manner that the city can produce "substantial long-term improvements within a reasonable period of time."^{1/}

While the designation of NSAs is not mandatory, most of the 25 cities in the sample described in this report did designate NSAs. Only two cities did not, and they are anticipating such designations in the next program year (Table XI-1). Four other cities designated NSAs, but the designations were not approved by HUD. The major incentive to designating NSAs in the prescribed manner is to permit the use of the CDBG funds for public services since the statute limits the funding of public services to those necessary or appropriate to support physical development activities that are being carried out in a concentrated manner. These public services can include activities such as "employment, crime prevention, child care, health, drug abuse, education, welfare and recreation."^{2/} Another method employed to encourage the designation of NSAs involves use of funds for prevention of slums and blight. Under the revised regulations, these purposes are only eligible in HUD approved NSAs.

In addition, NSAs may qualify for special "set asides" of Section 8 substantial rehabilitation funds. This permits localities to target Section 8 substantial rehabilitation efforts in neighborhoods undergoing concentrated improvement. The set asides are allocated through a competitive selection procedure (116 units of local government received allocations for over 18,000 units to be located in 152 neighborhoods) and are limited to neighborhoods that meet the criteria for designation as a CDBG NSAs. The objective is to encourage cities to develop fully coordinated strategies for housing and related community development, with fuller control over the provision of specific housing resources.

^{1/} U.S. Department of Housing and Urban Development "Handbook 6503.1, Review and Processing of Community Development Block Grant Entitlement Applications," March 29, 1979, p. 4-1, 4.2.

^{2/} Op. cit., pp. 4-8.

Table XI- I

Counting The NSAs: City Designation VS. HUD Approvals
(PY 5)

City	City Designated NSAs	Area Office ¹ Approved NSAs	Approved Section 8 NSAs
Albuquerque	13	12	0
Atlanta	11	11	2
Bellevue	1	1	0
Bloomington	1	0	0
Bristol	7	7	0
Boston	14	14	0
Buffalo	13	13	0
Cincinnati	16	16	0
Colorado Springs	2	2	0
Detroit	16	16	1
Flint	6	6	0
Gary	4	4	2
Little Rock	2	2	0
Louisville	9	8	2
New Haven	8	8	1
Oklahoma City	0	0	0
Oakland	7	0	0
Paterson	3	3	1
Portland	9	9	1
Portsmouth	2	2	1
Pueblo	1	0	0
Racine	0	0	0
San Diego	5	0	0
Tampa	3	3	0
Wichita Falls	1	1	0
Total	154	138	11

SOURCE: PY 5 Applications and interviews with city and HUD Area Office staff.

1. As of 11/30/79.

As indicated, cities generally had less difficulty than expected in adhering to the 1978 regulations for the designation of CDBG NSAs, and city officials interviewed were in favor of the objectives embodied in the concept--the concentration and coordination of resources, public and private, throughout an area in accordance with a comprehensive strategy that is designed to produce the required "substantial improvements within a reasonable period of time."

Summary of Findings

The designation of NSAs and concentration of resources therein generally posed few problems for the sample cities. Only two of the **25** cities (8 percent) designated no NSAs at all, and only four other cities designated NSAs which were found, for reasons discussed further in this section, to be unacceptable to HUD reviewers.

Moreover, most cities found little difficulty in concentrating their CDBG resources in their designated NSAs to a significant degree. As Table **XI-2** indicates, larger cities such as Detroit and Boston directed more than 25 percent of their fifth year funds to NSAs, while medium-sized and smaller cities directed anywhere from **40** to 88 percent. Analysis of program activities within designated NSAs shows generally high degrees of coordination of supportive projects for major residential or commercial rehabilitation projects, and coordinated use of public services (Table **XI-3**).

The survey also underscores the diversity of city conditions and how local conditions--socio-economic **as** well as political--shape the character of the NSA designation process as well as the areas themselves. Another key ingredient is the extent to which cities were involved with earlier categorical programs, especially urban renewal (including Neighborhood Development) and Model Cities. In many cases, areas which had been designated for activities under these earlier programs were designated NSAs, thereby permitting CDBG funds to be used in the completion of needed projects, or to continue work that was well underway. There was an even closer correlation between designated NSAs in the fifth program year, and areas which had earlier been designated as target areas in the pre-NSA block grant program.

The Dynamics of NSA Designation

The need for more precise targeting of CDBG funds became obvious in the first three years of the program, as cities appeared to be diffusing their entitlement funds throughout large areas, rather than achieving extensive impact by concentrating these resources. This was more often the case in cities with little or **no** earlier categorical program history, or in those cities which had directed most of their urban renewal funds to large, costly downtown projects.

Table XI-2

CDBG Allocations To NSAs
(PY 5)

City ¹	Total Program Activity Budget ²	NSA Budget ³	Percentage of CDBG Budget Allocated to NSAs
Albuquerque	\$ 4,092,000	\$ 4,092,000	100%
Atlanta	12,304,540	2,210,000	17%
Belleuve	450,511	353,335	78%
Boston	19,435,896	6,258,314	32%
Bristol	789,415	374,000	47%
Buffalo	18,745,000	6,648,250	35%
Cincinnati	13,435,000	7,711,000	57%
Colorado Springs	1,939,681	1,810,031	93%
Detroit	45,382,000	15,812,000	34%
Flint	4,550,400	2,825,100	62%
Gary	7,804,000	2,379,000	30%
Little Rock	3,675,752	2,470,000	67%
Louisville	11,444,476	7,944,581	69%
New Haven	8,154,000	7,449,000	91%
Paterson	3,025,000	1,895,000	62%
Portland	2,880,130	2,043,211	70%
Portsmouth	4,499,163	2,852,459	63%
Tampa	53,913,307	3,284,931	51%
Wichita	1,901,000	889,250	46%

1. Six cities in the sample had no HUD-approved NSAs as of 11/30/79.
2. SOURCE: PY 5 Applications; Total allocation less administrations costs.
3. NSA costs were reported by most cities on Project Summary Report, HUD Form 7066. Not all cities reported activity by NSA, or NSA activity, and some activity costs are estimated from information in the applications.

Table 3
Percentage of CDBG Funded Activities Allocated to NSAs
(PY 5)

CITY ¹	Number of NSAs	CD Fund Allocation to NSAs	Acquisition and Disposition of Real Property	Rehabilitation of Private Properties	Rehabilitation of Public Residential Structures	Public Facilities and Improvements	Public Services	Relocation Payments and Assistance	Code Enforcement	Historic Preservation	Special Activities by Local Development or Non-Profit Corporation	Clearance	Others (Line 6, 7, 8, 10, 13a-c of Application Summary)
Albuquerque	12	100%		100%		100%	100%		100%			100%	
Atlanta	11	17		75		100	100						
Bellevue	1	78		100		48							
Bristol	7	47		17		100	100						
Boston	14	32	100%	34		77	99		85	79%			14%
Buffalo	13	35	64	54		45			42	100		58	
Cincinnati	16	57		38		64	90	100%	100			73	
Colorado Springs	2	93	15	100	100%								
Detroit	16	34	22	44		38		51	100			14	
Flint	6	62		99	100	85	46		100				
Gary	4	30	51	31		97	100	100					2
Little Rock	2	67		100		32	100						
Louisville	8	69	11	100	78	91			89		100%		56
New Haven	8	91	83	67		37	100	96				94	
Paterson	3	62	89	100	100	63	50	100	100			100	
Portland	9	70	81	84		81	65		77	64			
Portsmouth	2	63	18	27		100	100	100				100	
Tampa	3	51	100	92	100	33	100	97			100		
Wichita Falls	1	46		80		40	100		57			25	100

SOURCE: PY 5 CDBG Applications

1. Six cities in the sample had no HUD approved NSAs as of 11/30/79.

The particular issue, perceived by both the Department and the Congress, was the problem of maximizing the effectiveness and impact of CDBG funds. The number of census tracts receiving assistance under CDBG in these cities had nearly tripled. In addition, analysis carried out for the Second Annual CDBG report indicated that only **38** percent of census tracts in a sample **of** 147 CDBG cities were low and moderate income tracts, compared to 80 percent of tracts receiving assistance prior to 1974 which were low and moderate income.

There appear to be four major forces that shape the designation of specific urban neighborhoods as NSAs. These are:

- o Conditions in the city itself and its neighborhoods, especially the degree of dispersal or concentration of low and moderate income households;
- o Prior program experience, particularly in cities which have previously designated neighborhoods or larger areas for projects under urban renewal (including NDP), Model Cities or other categorical programs;
- o HUD guidelines, which encourage cities to designate areas which can show substantial improvement in a reasonable period of time;
- o Political considerations within the cities themselves, and the dynamics of territorial trade-offs that typically characterize the process.

Importance of Local Conditions

Probably no single factor is more important in designating NSAs than conditions within the city itself. For instance, the two cities which through the fifth program year had not designated any NSAs found such a designation unsuitable to their needs. Racine, a small city with relatively low levels of distress and no significant concentrations of low income minority populations, did not see any purpose in designating NSAs. For a different set of reasons, Oklahoma City did not designate NSAs, either--almost all of their prior categorical program experience had been with a major downtown urban renewal project, and the city is still determined to complete that project before moving to other areas.

Most other cities in the sample, and particularly those with prior program experience, had little difficulty in narrowing down boundaries to meet the program guidelines of "substantial improvement in a reasonable period of time". However, at least two cities with previous categorical experience did have some difficulty in dealing with the NSA designation. In Little Rock, for instance, the city designated two very large areas, one the former Model Cities area, and had difficulty getting these areas approved in the fifth

program year. The subject of designation is being reviewed again in this year's application. Oakland did not fare so well. That city had, prior to CDBG, designated seven large sections, comprising nearly 80 percent of the population, as planning districts and had established local citizen groups in each district. With the advent of the NSA, the city wished to designate all seven areas, but after extended negotiations with the area office, none were approved.

General socio-economic conditions, levels of overall distress, concentrations of low income minorities, and housing conditions were key factors in the designation process at the local level. Thus, rapidly growing cities with low distress levels and small concentrations of low-income households (e.g., Colorado Springs) were easily able to delineate NSA areas, and shape coordinated programs to fit both city needs and program guidelines. Large cities, with serious levels of economic distress and substantial numbers of lower income and minority households had more difficulty deciding between neighborhoods, and in keeping boundaries to manageable limits. This was especially the case in Flint, which was able to convert six of seven urban renewal areas to NSAs, but could have designated even more areas.

Bristol, Connecticut designated seven very small NSAs, where there are pockets of low and moderate income households. The size of these areas is dictated principally by the fact that the city has few low and moderate income households, and less than 2 percent minority households. The same problem exists in Bloomington and Bellevue, although the latter city has one approved NSA. Nevertheless, both cities have few low and moderate income households, and feel that the program would be more useful to them if public service funds could be used citywide, rather than targeted.

Prior Program Experience

Cities with substantial experience with categorical programs, such as urban renewal and Model Cities, had less difficulty in designating NSAs, which they usually perceived as continuations of the former efforts. This was particularly true in cities with large renewal (including NDP) efforts, such as New Haven, Boston and Detroit. The principal difficulty for the large cities in this category was choosing among a relatively large number of areas, as they perceived that CDBG resources would not stretch as far as their former urban renewal funds. Cities like Boston, New Haven and Atlanta, which had substantial renewal efforts, have found that, with the phasing out of hold-harmless funds, along with the inroads of inflation, they have substantially less funding than they did under the earlier programs.

Another key factor has been the investment of resources and planning, especially with the participation of community-based organizations, in existing areas of categorical grant program concentration. This not only makes these areas natural sites for NSA designation in many cases, but also makes it extremely difficult for local leadership not to designate them, given the nature of the community commitment. Two cities that most fit this characterization are Boston and New Haven. Each has both a considerable experience with previous categorical programs, and each have

now been dealing directly with community-based groups on development concerns since the mid-1960s.

Impact of HUD Guidelines

The guidelines themselves are critical factors in the designation of NSAs. Cities by and large did not have difficulty with the guidelines, or at least not with the concept of targeting resources. As already mentioned, major difficulties seem to cluster at the extremes of the range of urban situations--cities with low distress levels and dispersed low and moderate income populations and cities with high levels of distress, and with many concentrated areas of low and moderate income, usually minority households.

Cities which evidenced little interest in using CDBG funds for public services experienced little difficulty in designating NSAs. A good example is Colorado Springs, which earmarked only \$24,000 for all its NSA public services, feeling that CDBG was better spent for housing rehabilitation and supportive physical improvements. There is also a feeling that public services funds should be sought from other public or private sources. Bristol, a small city with seven small NSAs, has allocated only about 3 percent of its fifth year funds for public services.

A principal reason for HUD Area Offices to disapprove local designations of NSAs within the 25-city sample was that the areas were generally too large. This was the case in Oakland. In other cities (i.e., Buffalo, Paterson) some areas were disapproved for the same reason, although most other NSAs were eventually approved. Area Offices had varying definitions of "substantial long term improvement in a reasonable period of time," the time factor varying from as low as three years to as long as nine years. Most area offices use definitions of from five to seven years. Among the cities themselves, some of which had no notion of how to define this key guideline, the range varied from five years to 10-12 years. The city's own definitions seemed not to have any bearing on whether or not its designated areas were approved.

Impact of Local Politics

The three aspects of NSA designation cited above are all intertwined with another relevant factor--local politics. Given that CDBG funds were made available to local units of government, political considerations become major factors in shaping local programs. This has proved especially so in the designation of NSAs, where local political leaders have, in some cases, battled for NSA designation in their neighborhoods while in other cases, they have fought against it. In those cities with broad experience with categorical programs, and especially those calling for extensive neighborhood participation in both planning and execution, it is seldom politically possible to refuse the NSA designation. In some very large cities, such as Detroit, this has created problems because it was simply

impossible to designate every area which had formerly had categorical programs of one sort or another.

Throughout the survey, mayors and elected officials generally favored NSAs or some form of targeting. They are able to point to HUD requirements for NSA areas when faced with the criticism that they are concentrating resources. In only a few cases did elected officials feel that the NSA designation created difficulties generating conflicts among competing community organizations.

Character of NSAs

As indicated in Table XI-2, those cities which designated NSAs which³ were then approved by HUD Area Offices directed anywhere from 17 percent³ to 100 percent of their fifth year entitlement funds (less administrative costs) to activities within NSAs.

Three cities--Albuquerque, Colorado Springs and New Haven--all allocated more than 90 percent of their fifth year CDBG funds to their NSAs, and the reasons for this provide some insight to the diversity of city conditions, and how these cities were able to respond to the NSA guidelines with relative ease. In the case of Albuquerque, where all of the fifth year program funds are being directed to a dozen NSAs, the city had from the first year of the program designated areas of concentration. It had also emphasized physical development, although its fifth year allocation directs over \$1 million (about one quarter of its program funds) to public services within the NSAs.

Colorado Springs is allocating 93 percent of its program budget to its two NSAs, one of which comprises most of the city's low and moderate income census tracts. Although most of its prior program experience had been with a downtown renewal project, now largely completed, the city responded quickly to the NSA challenge, and feels that the designations have been most helpful in shaping its program. New Haven, still widely known as the city which generated the highest per capita grant amounts for urban renewal, basically

^{3/} Atlanta is using a large portion of its CDBG allocation to pay off outstanding urban renewal debt, and its flexibility to use CDBG funds in fifth year was thereby severely limited.

converted its outstanding renewal project areas and Model Cities area, to NSAs. In this way, given its determination to complete projects initiated under the categorical programs and particularly renewal, it was not difficult to target over 90 percent of its funds to activities in its eight NSAs.

Program Mix Within NSAs

Table XI-3 indicates the diversity of program activities within designated NSAs, and how cities are concentrating their resources by directing these activities to their NSAs. Among other things, the table shows clearly that cities with approved NSAs are concentrating their public services in those areas.

While the table illustrates the range of actions in broad activity categories, it does not indicate the types of programs that are functioning within those categories, particularly in the area of housing rehabilitation. In a number of cities, a range of rehabilitation assistance has been developed, usually with areawide loans and grants plus counseling.

A typical example of this array of assistance can be seen in one of the smallest cities in the sample, Bristol, Connecticut. The City has designated seven NSAs, none of which is much bigger than 20 or so square blocks, and all of which are rather discretely formed. Taken together, these 7 NSA designated areas comprise a majority of the low- and moderate-income households in this blue collar city. Within the NSAs, any property owner, including landlords owning properties of seven units or less, can receive grants for either 20 percent or 30 percent of rehab costs (depending on household income)--in effect, a down-payment on a home improvement loan, which is available through a consortium of local lending institutions. Low income homeowner occupants can get 30 percent grants regardless of where they live, while any property-owner within the NSAs can get a 20 percent grant. Elderly homeowner occupants throughout the city are also eligible for 30 percent grants.

Similarly, in Colorado Springs, which has two NSAs, no-interest, deferred payment loans are available for low income homeowner occupants within the NSAs, while below-market interest rate loans are available to any owner occupants within the NSAs, regardless of income. Within the NSAs, the city will make below market rate loans to landlords (owners of seven-unit or less properties) within the NSAs regardless of income, while such loans are only available on an income-conditioned basis in other parts of the city.

Community development staff in the cities with active rehabilitation programs feel the program's flexibility, particularly when matched with other HUD assistance such as Section 8 and 312 rehabilitation loans, offers them a chance, for the first time, to improve nearly all of the residential properties throughout designated areas. The capacity to make loans, or even grants, to most owners of multifamily properties is especially important in this

respect, even though most cities limit this assistance to structures with less than eight units.

In all but one of the 19 cities in the sample with approved NSAs, public facilities and improvements are concentrated to support other activities within the NSAs. As Table XI-2 indicates, nine out of the 19 are allocating more than three quarters of all their budgeted funds for these types of improvements in their NSAs. The types of activities covered include: parks and recreational facilities; water and sewer; solid waste disposal; fire protection facilities; neighborhood facilities and parking. Cities which are allocating low ranges of funds (33 percent to 63 percent) generally still have major projects which were started in earlier years outside NSAs, which still need public infrastructure assistance.

Issues, Costs, Problems

The major issues evolving from the designation and development of Neighborhood Strategy Areas comprise some of the most persistent issues in the history of community development in the U.S. At this time, they seem to be less conceptual than administrative, and even definitional in nature. That is, staff and elected officials in the cities surveyed do not have an argument with the basic notion of concentrating assistance in specific neighborhoods--many of the cities have been doing this for 25 or 30 years-- but they find difficulty in designating and developing neighborhoods in accordance with the criterion suggesting "substantial long term improvements within a reasonable period of time."

As one might expect, the concentration of resources issue, and related issues of timing and character of program impact, are shaped differently in each city, depending largely upon socio-economic characteristics, prior program experience and political dynamics. The foregoing discussion has described the interplay of these forces in the 25 cities surveyed for this report. The earlier sections also describe the sorts of activities (summarized in Table XI-3) which constitute the development programs within NSAs. Here again, the issues are not really programmatic, in the sense that cities disagree with either the concentration of activities or the type of eligible activities within designated areas. The only programmatic issue concerns the restriction of public service activities to NSAs-- several cities indicated their flexibility to respond to needs would be enhanced by being able to fund public services throughout their cities.

The main issue: Needs, Resources and Time.

City staff and elected officials perceive the major issue of NSAs to be the difficulty of balancing neighborhood needs with available resources, and completing neighborhood improvements within a reasonable period of time, which is usually 5 to 7 years by HUD guidelines. The outcome of the tradeoff is shaped largely by the needs side of the equation, as cities typically

find themselves with inadequate resources to perform redevelopment and revitalization activities. This has been the persistent complaint with assistance levels since the earliest efforts were launched in the early 1950s.

As the foregoing discussion indicates, the issues and sub-issues are complex and interrelated. Local socio-economic conditions, especially the severity and extent of need, vary widely among the sample cities, as they do among all the nation's cities. In some cities, low and moderate income households are tightly concentrated in relatively small areas, while in others they are scattered throughout the city. And in the largest cities, or even some that are not so large, the concentrations of low income, usually minority, households is so widespread throughout the city that NSA designation almost becomes a coin toss situation.

Two factors prevent the issue of designation from being decided this way, however: (1) past experience with categorical grant-in-aid programs such as urban renewal and model cities and (2) local political realities. The former presents city administrators with a legacy of public and private investment that cannot be ignored in considering NSA designation, particularly where much of the investment consists of the energies of community residents and organizations. As the foregoing discussion indicates, most of the cities in the sample which had previous categorical grant experience converted existing target areas to NSAs with relative ease. Some of them needed to scale down the treatment areas, but generally the boundaries held.

Past program experience is tightly intertwined with local political dynamics, as previously designated treatment areas, particularly model neighborhoods, have usually generated some political clout. And the folding of seven categorical programs into block grants gives the program higher political visibility than any of the predecessor programs had by itself. In many cities, the notion that CDBG is "the only well in town" has focussed political attention upon the program.

The politics of CDBG is especially acute in the use of funds for public services, now restricted mainly to supporting physical development in NSAs. Community based organizations and old-line voluntary, non-profit service organizations are notable competitors for these funds, and political pressures have been extremely heavy in some of the cities sampled, especially those with wide-ranging categorical program experience. One such city reports the funding, usually for admittedly small amounts, of 182 different community-based organizations, most of whom provide some sort of public service to residents of their areas.

The resources side of the equation presents serious problems for some of the ~~sampled~~⁴ cities. For instance, of the 11 cities in HUD's top quintile of distress~~s~~ eight were receiving less CDBG funds in the fifth program year

⁴/ See City Need and Community Development Funding, by Harold L. Bunce and Robert L. Goldberg, HUD Division of Evaluation, January 1979.

than they did during the first program year. This is due principally to the fact that these cities (Gary, Boston, Oakland, Cincinnati, Atlanta, Portsmouth, Paterson, and New Haven) had large amounts of urban renewal and Model Cities funds, which were reflected in the hold harmless provisions of the block grant formula. As the hold harmless provisions of the dual formula phase out, their CDBG amounts have declined anywhere from 6 percent to 46 percent. Coupled with inflation, this diminution of Federal assistance has resulted in real dollar losses of from one quarter to over one half of all Federal community development assistance for these cities. (On the other hand, three of the 11 cities in the first quintile of distress-- Buffalo, Detroit and Louisville-- show increases in CDBG amounts.) Overall, of the cities in the sample, 15 to 25 had lower CDBG amounts in the fifth year than in the first year, while the other ten, most of which are either relatively small or fast-growing cities in the West and Midwest (e.g. Bellevue, Bloomington, Racine, Pueblo, Colorado Springs, Wichita Falls, San Diego) have experienced increases in CDBG funding, ranging from 19 percent to over 400 percent.

The combination of diminishing resources plus the legacy of program history and political tradeoffs are largely shaping the NSA process. The cities that have adopted a "worst-first" strategy, that is, have designated their most obviously needy neighborhoods, generally do so for one of two reasons: (1) the neighborhoods have been previously designated for extensive treatment under Model Cities or urban renewal, or (2) the designated area is the obvious choice, in cities (e.g. Colorado Springs) which do not have extensive areas of need and distress.

Several of the cities with many candidates for NSAs feel that the dynamics of the process (resources, needs, politics, program history) drive them to designate areas for NSAs that are not the worst, but have enough evidence of need (even if there are not all the requisite indicators) to merit attention. These cities say that they cannot afford to tackle the neediest neighborhoods--unless history and politics forces them to-- because they cannot make the requisite impact in the 5-to-7 year period that most Area Offices use as a rule of thumb.

The other issue: Use of Public Services

Although the needs vs. resources issue, as it affects upon designation of NSAs, is the main issue in the cities surveyed, running a close second is the issue of providing public services, and whether or not cities should be using limited CDBG funds for these purposes only in NSAs. There is considerable sentiment for more flexibility on this matter, especially for cities which have widely dispersed low and moderate income populations.

Several cities also expressed feelings that public services are especially important in strengthening relations between city government and existing community based organizations, which frequently are the groups which implement

many public service programs within designated treatment areas. Where these groups are operating outside NSAs, city government cannot use CDBG funds to assist them with their operations. It appears that some of the cities in the sample designated NSAs only in order to use CDBG funds for public services. In one case, two distinct types of treatment areas are designated as NSAs, one in which the major activities are housing rehabilitation and supportive public works, while in the others, there is little other than public service activity. Among other things, cities feel that a significant factor favoring public service activities is that they can be launched relatively readily, as opposed to major housing rehabilitation programs, which in most cities have taken more than a year before initial loan and construction activity could commence.

Another important aspect which makes the problem of NSA designation more difficult is obsolete data. Cities express considerable uneasiness about delineating areas and developing program strategies based upon ten year old data. At the neighborhood level, the main reliance continues to be upon the 1970 Census, except in a few rare instances (e.g. Oakland) where more recent studies have provided more up to date information. Many cities indicated that not only had levels of distress worsened in some areas of the city since the last Census, but also that population shifts had rendered the data unuseable for designating treatment areas.

Conclusions

The most obvious and important conclusion of this most recent survey is that the regulations regarding low and moderate income benefits and the designation of Neighborhood Strategy Areas have had the effect of reversing earlier trends (1) away from low- and moderate-income areas and households and (2) away from concentrated CDBG activities. Judging from the applications, every city indicated a high degree of targeting to areas of heavy concentration of low and moderate income households.

The other significant conclusion emerging from the survey is that most cities have had little difficulty adjusting to the guidelines for the designation of Neighborhood Strategy Areas, and for developing a spectrum of activities in accordance with a comprehensive strategy. More than two-thirds of the sampled cities designated areas that had either been CDBG target areas in previous program years, or had been urban renewal or Model Cities areas, or both. For those cities the NSA designation constitutes a continuation of program activities in those areas.

The study indicated that four basic factors shape the designation of NSAs:

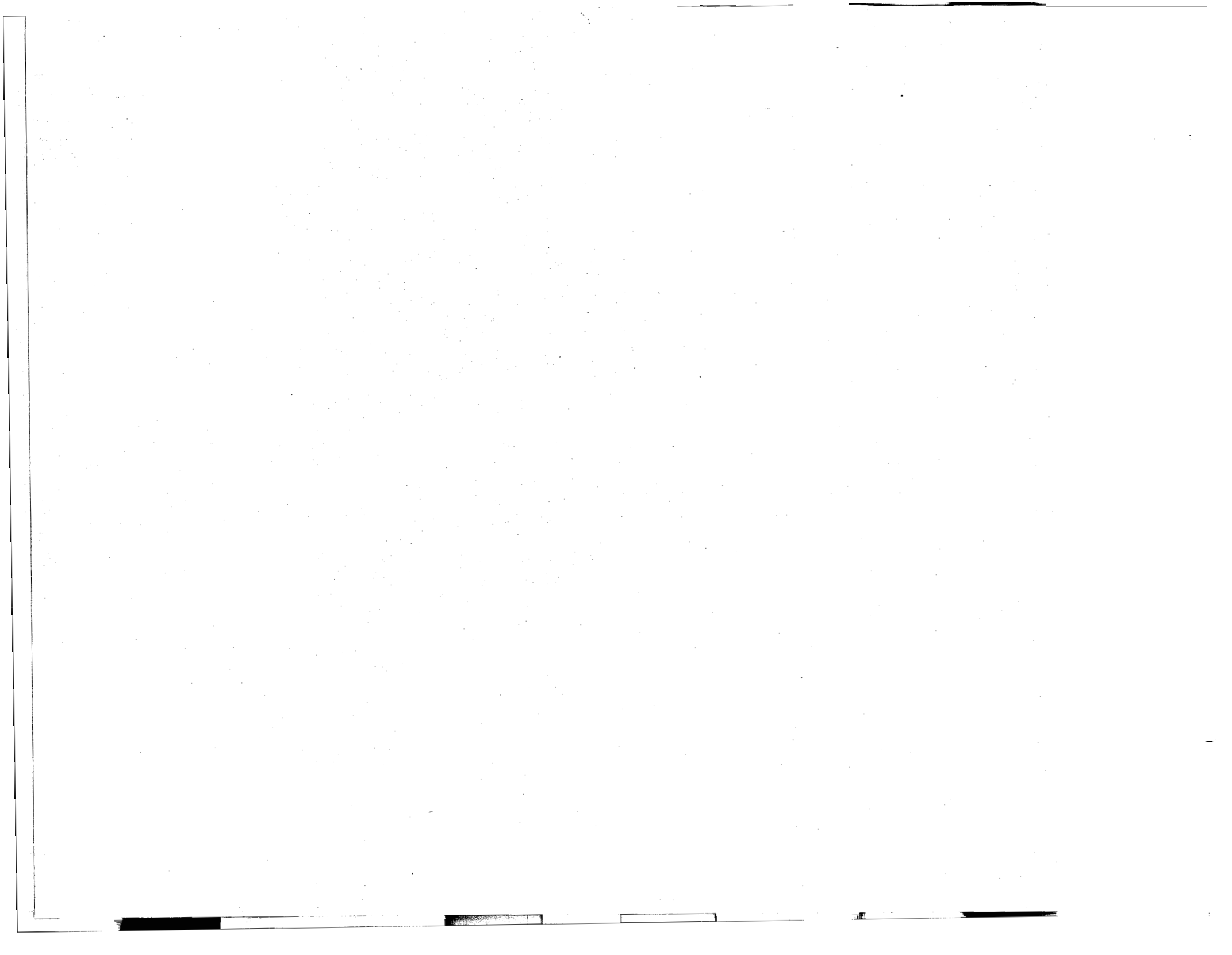
- (1) Socio-economic conditions in the city and its neighborhoods, including the degree of concentration of its low and moderate income population;
- (2) Prior program experience, especially with urban renewal and Model Cities;
- (3) HUD guidelines for the designation of NSAs¹ and (4) political considerations.

The interaction of these elements poses the most serious problem for entitlement cities: how to balance needs in impacted neighborhoods against available resources within the program time frame in order to make substantial improvements. In some cities, the impulse to designate areas which are either less distressed or are smaller than others became tempered by both local politics and previous program experience.

Some cities feel that the guidelines for designating NSAs have made the program less flexible and constitute an intrusion into the concept of local program development, even though NSAs are not mandatory. Cities that had designated NSAs, as well as cities that had not done so, expressed reservations that the time frame most often used, that is, 5-to-7 years, was unrealistic in the worst areas, particularly given shrinking CDBG resources.

Some cities also expressed a desire to use CDBG funds for public services throughout the city, rather than be restricted to NSAs. This was especially the case in those cities which were characterized by widely dispersed patterns of low and moderate income households. They argue that assistance should be targeted on the basis of need and income, rather than geography.

The evidence from both this survey and that carried out for the Fourth Annual Report suggest that NSAs will be a mixed blessing for many entitlement cities. As neighborhoods that were designated for treatment under previous programs, or in the early CDBG program years, are completed, those cities will have to designate new areas in order to use CDBG funds for public services. This will present other sorts of difficulties than the cities experienced to date, but it also provides the opportunity to develop a comprehensive neighborhood strategy, and to bring to bear an array of assistance that is most likely to create long-term improvement in conditions.



CHAPTER XII

DEALING WITH DISPLACEMENT: ISSUES AND STRATEGIES

Introduction

No aspect of urban redevelopment has generated more controversy during the past 25 years than displacement, particularly the involuntary displacement of low income and minority households. In 1970 the Uniform Relocation Act was enacted to require that appropriate relocation payments and assistance be provided to those displaced as a direct result of acquisition for a Federal or Federally-assisted program or activity. With the advent of the Community Development Block Grant Program in 1974, the issue was addressed within the language of the CDBG legislation and has subsequently been more clearly defined with program amendments and regulations in 1978.

HUD's recent report to Congress on displacement^{1/} has pointed out that there are a number of problems involved with any consideration of the issue. Two of the most important are the definition of displacement for program and policy purposes and the development of data that will constitute a reliable basis for understanding the character and magnitude of the problem in various circumstances.

In defining displacement, the key element is the involuntary nature of the action. This is not **so** clear as it might be, however, as some households might move because of neighborhood conditions, rents that are increased for reasons having nothing to do with publicly directed revitalization efforts, or a variety of other reasons. It is particularly important, in these cases, to consider displacement that has occurred not only through direct public actions, but also that which occurs indirectly, particularly within target areas, such as Neighborhood Strategy Areas (NSAs).

The definition of displacement is also partially shaped by the nature of possible responses to the issue. For instance, households displaced by some government activities are automatically covered by the Uniform Relocation Act, which provides assistance in moving and finding a new home. Some displacement caused by public actions is not covered by the Act (e.g., Section 8 housing programs not carried out by public agencies, or rental rehabilitation under

^{1/} Displacement Report: The report is in two parts, the first describing the nature of the displacement, and the role of federal programs and policies, the other recommending a national policy on displacement (HUD, February and November 1979).

CDBG). Various levels of indirect displacement, involving activities underway in target areas, such as NSAs, but not directly occurring because of government actions are also not covered by the Relocation Act. Finally, and hardest of all to clearly define and measure, there are private market forces causing displacement, not necessarily within target areas or due to any public actions. Preliminary studies have indicated that revitalization activities which are privately financed account for a much smaller proportion of this displacement than does abandonment and other actions of private property owners.

Summary of Findings

The survey of 25 entitlement cities largely confirms earlier HUD studies regarding the levels and nature of displacement in the CDBG program. In general, levels of displacement as a result of program activities have fallen significantly since the early 1970s, when urban renewal relocation caseloads when peaking at over 40,000 cases (families and individuals) and HUD's total relocation workload neared 60,000 (in 1972). In 1977, by contrast, and largely due to the decline in urban renewal activity plus the effort to minimize displacement in CDBG activities, the total reported relocation caseload for HUD assisted projects subject to the Uniform Relocation Act was 18,821, the lowest on record.

In the face of decline in publicly generated displacement, and particularly that of a direct nature in target areas, cities are becoming increasingly concerned about displacement occurring as a result of actions by private landlords, particularly in the conversion of rental units to condominiums. This was cited as a problem in varying degrees--from non-existent to a major and growing problem--in the 25 cities. National studies indicate that it is still not a major problem in most cities, but that in some it is of significant proportions.

Despite the general falling off in the relocation workload, several aspects of displacement seem troublesome in the 25 cities. One is the concern in several cities (e.g., San Diego, New Haven) that indirect displacement in or near CDBG target areas is becoming heavier as reinvestment accelerates. These cases are usually not covered by existing relocation assistance plans or benefits, and some local housing groups claim that city officials are underestimating the magnitude of the problem. Overall, however, it appears that HUD and local efforts to minimize displacement and its effects as well as the provision of direct relocation assistance where required is keeping relocation workloads at the lowest levels since the early 1950s, when the urban renewal program was just getting underway. Also, the emphasis within CDBG of relocating households and businesses wherever feasible within their original neighborhoods has the potential to eliminate many of the inequities that plagued the renewal program. Whether this can be maintained in the face of continuing revitalization and reinvestment in once-deteriorating areas remains to be seen, but most city officials surveyed feel that the nature of the program itself, as well as a stronger city structure for handling relocation problems, makes it unlikely that past abuses will be repeated.

Earlier Displacement Experience

Difficulties with displacement and relocation, particularly of low income families, were associated with such major urban redevelopment efforts as urban renewal and the federal highway program. As a result of controversy surrounding inequities arising from the displacement of lower income families during the 1960s and even earlier, the Uniform Relocation Act was passed in 1970. This legislation establishes consistent policies for the treatment of households displaced by federal and federally-assisted programs through the acquisition of real property by a public agency. It provides for payments to cover moving expenses and assistance in finding other housing, or, in the case of businesses, in finding other locations.

Activities involving real property acquisition by a public agency in CDBG are covered by the Uniform Act, but displacement that might occur from rehabilitation of properties is not. As the next section indicates, however, the Community Development Block Grant legislation as well as subsequent amendments and regulations, carefully spell out to entitlement recipients their responsibilities for minimizing displacement where displacement occurs and for assisting actual displacees.

Past HUD Experience

The sensitivity expressed in the CDBG legislation and subsequent amendments is a direct outgrowth of what was widely perceived as an inequitable approach to relocation during the most active years of the urban renewal program. In the ten years from 1952 to 1962, it is estimated that relocation caseloads for families and individuals resulting from HUD programs averaged about 22,000 per year (Table XII-1). By 1963, however, the level had risen to over 42,000 and by 1973, was nearly 60,000 annually. Since then, and particularly with the winding down of the urban renewal program and the inclusion of those activities under CDBG, levels have declined to less than 20,000, and it is estimated that they are still going down.

Most of this activity since 1970 has been covered by the Uniform Act, but the problem is that many households displaced by activities which are not covered by URA simply do not get counted or assisted, for a variety of reasons. There is no way to be certain how many such households there might have been, but it is generally agreed that relocation data, while it is the best source available, is not wholly reliable for estimating the total number of households and businesses displaced.

Table XII-1
Relocation of Displaced Persons-HUD
U.S. Summary
By Program and Year
(Uniform Relocation Act)

PROGRAM	FY 75	FY 76	TQ 77	FY 77	TOTAL
CDBG	109	6,870	2,882	10,960	20,821
Urban Renewal	35,784	18,691	2,777	7,058	64,310
Model Cities	1,900	1,317	133	281	3,631
Low Rent Public Housing	280	240	63	487	1,070
Other	1,155	522	64	35	1,776
TOTAL	39,228	27,640	5,919	18,821	91,608

SOURCE: Relocation and Land Acquisition Management Information Report, FY 77, FY 76, TQ 77 and FY 77.

Displacement in the CDBG Program

As already indicated, levels of households and businesses displaced under the CDBG program are far below those that occurred during urban renewal. This is due particularly to the character of the program itself. CDBG recipients have emphasized revitalization and minimized the use, as in urban renewal, of large scale land acquisition which often resulted in heavy displacement. Where such acquisition and displacement would occur, cities must use their CDBG funds to pay levels of assistance specified under the Uniform Act. Displacement resulting from such activities as housing rehabilitation, code enforcement and demolition are not covered. But CDBG policy is clearly to discourage or ameliorate the effects of displacement. In nearly all the cities surveyed, this policy has been effective.

Cities must, as a part of their overall housing strategy in the development of Housing Assistance Plans, estimate levels of displacement and indicate "the actions the city will take to assist (displaced) persons to remain in their present neighborhoods when they prefer and to mitigate any adverse effects resulting from block grant funded activities.. ." ^{2/} Table XII-2 indicates

2/ 24 C.F.R. Section 570.304.

the estimated levels of displacement (covered by the Uniform Act) with urban renewal, public housing, Model Cities and other HUD programs.

The persistent dilemma in CDBG, despite the continued evidence of a decline in program-related displacement, is the problem of indirect displacement within target areas, and even of displacement resulting from revitalization in areas adjacent to target areas. To date, there is little evidence that either of these presents a serious problem, although in some of the sample cities local groups claim that official estimates of private market displacement are understated. And areas affected by condominium conversions and "gentrification" appear to be far from CDBG target areas. Still, a number of city officials express apprehension about what could happen, particularly to low income, renter households, as revitalization efforts spread with the continuing reinvestment from CDBG and the private market and as funds are leveraged in tandem with city activities.

Experience in 25 Entitlement Cities

As Table XII-2 indicates, few of the 25 cities surveyed anticipate significant displacement workloads as a result of direct program activities. Detroit anticipates the largest numbers of displaced households (1,755 in three years) but its estimate represents only 2 percent of all the city's households. Higher proportions are anticipated in Gary and Oklahoma City, both of which estimate that 5 percent of the city's households will be displaced by CDBG and related activities in the next three years,

Ten of the 25 cities anticipate no CDBG-generated displacement whatever in the next three years. Most of these are smaller cities (six of the seven cities with populations under 100,000 do not anticipate any displacement, and Pueblo estimates only 41 households). Among the larger cities not anticipating any displacement in the next three years are Boston, Atlanta, Louisville and Little Rock.

There are several reasons that the cities do not anticipate displacement. A major reason is the nature of the CDBG program in the cities. Wichita Falls, for example, has no large federal programs. Others, including Atlanta and Pueblo, have completed large urban renewal programs, with significant levels of displacement/relocation, but have no current clearance plans. Many of the cities do not have displacement because their CDBG programs emphasize neighborhood rehabilitation and revitalization. Rehabilitation has not typically caused much displacement because sites are either initially vacant or because making repairs does not necessarily require moving from the property. Wichita Falls' CDBG program emphasizes physical improvements and infrastructure development. Portland, Little Rock, Louisville, Racine, Bloomington and Bellevue have CDBG programs emphasizing public services, rehabilitation and physical improvements. Boston has a similar emphasis but also does sizeable public housing modernizations. Bristol has no concentrated blight, and no clearance is planned in residential areas. The size

Table XII-2
HOUSEHOLDS TO BE DISPLACED DURING 3-YEAR PERIOD COVERED BY HAP

Cities by Population Size	Total Dis- places	Percent of All House- Holds	Percent Displacees Who Are Minorities	Percent of Minority Households in City	Percent of Displacees Who Are Owners	Percent of Households Who Are Owners	Percent of Displacees Who Are Renter	Percent of City House- Holds Who Are Renter
<u><100,000</u>								
Bellevue	0	---	---	(1)	---	---		
Bloomington	0	---	---	(1)	---	---		
Bristol	0	---	---	(0)	---	---		
Portland	0	---	---	(1)	---	---	39	(33)
Pueblo	41	1	0	(30)	61	(67)	---	
Racine	0	---	---	(15)				
Wichita Falls	0	---	---	(17)	---			
<u>100,000-149,000</u>								
Albuquerque	100	<1	92	(37)	16	(54)	84	(46)
Colorado Springs	65	<1	29	(13)	15	(61)	85	(39)
Flint	196	2	51	(40)	58	(66)	42	(34)
Gary	515	5	100	(61)	45	(57)	55	(43)
Little Rock	0	---						
New Haven	156	3	42	(40)	15	(31)	85	(69)
Paterson	160	1	84	(40)	3	(30)	97	(70)
Portsmouth	253	4	90	(40)	36	(53)	64	(47)
<u>250,000-500,000</u>								
Atlanta	0	---	---	(60)	---		---	
Buffalo	533	1	29	(23)	46	(46)	54	(54)
Cincinnati	460	1	77	(28)	9	(31)	91	(69)
Louisville	0	---	---	(24)	---		---	
Oakland	123	<1	46	(53)	1	(41)	99	(59)
Oklahoma City	1265	5	72	(16)	35	(59)	65	(41)
Tampa	843	4	37	(35)	22	(57)	78	(43)
<u>>500,000</u>								
Boston	0	---	---	(16)	---		---	
Detroit	1755	2	90	(57)	17	(62)	83	

9-IIX

of CDBG allocations also prohibits some cities from engaging in actions resulting in displacement. Racine, for example, cannot afford acquisition, clearance and relocation.

Local market conditions also influence the level of displacement. Two cities do not have a problem with displacement because most development takes place on vacant land. Three others have an excess of abandoned units available for development. This abandonment may have once caused some displacement, although most is said to be due to "white flight".

Cities With Projected Displacement

Sixty percent of the cities sampled, fifteen of twenty-five, show some measure of displacement in their HAPs. The largest number of households will be displaced in Detroit which is also the largest city in the sample. Seven of the fifteen cities, nearly one half, anticipated displacement representing one percent or less of all households. Most of this is the result of slum clearance and city officials claim that in every case displacees find better housing. This is especially true in the cities with sizeable displacement such as Gary, Oklahoma City and Detroit. These are former urban renewal cities where projects improved large, blighted areas.

In all but five of the fifteen cities with CDBG displacement, the proportion of displacees that are minority households exceeds the proportion of minority households in the city. The proportions are roughly equal in New Haven, San Diego and Tampa. None of Pueblo's 30 percent minority population (mostly Hispanic households) will be displaced. Gary has the highest proportion of estimated minority displacees (100 percent). It is also a high minority city (61 percent). Albuquerque, Portsmouth, Paterson and Detroit follow in order (all of these have minority proportions of approximately 40 percent),

All of the fifteen cities displacing households anticipate displacing both owners and renters. In four of the fifteen cities, over 90 percent of the displacees are renters. They are Paterson (97 percent), Cincinnati (91 percent), Oakland (99 percent) and San Diego (93 percent), Paterson and Cincinnati have nearly 70 percent renter populations, Oakland has 59 percent and San Diego has 47 percent. Buffalo's displacees are divided in the same proportions as owners and renters are in the total population.

Indirect Displacement

Indirect displacement is more difficult to define and measure than that caused directly by CDBG projects, but it is important because of the change in relative market conditions it can induce. However, in the sample cities CDBG activities do not appear to have induced any significant private activities that cause displacement. CDBG activity, especially when concentrated in target areas, is designed to spur additional reinvestment which can change prices, rents, the quality of amenities and services and hence the relative

attractiveness of neighborhoods. These increased costs can cause displacement of low income residents who can not afford the increases.

None of the areas visited, except Boston which shows no CDBG-generated displacement, are experiencing extensive private market development or gentrification. Some city officials indicated that gentrification would be a welcome phenomenon. Several cities, including Gary, Detroit, Buffalo and Cincinnati expect an increase in private market activity. Both Gary and Detroit feel that federal funds, including CDBG, have helped them "turn the corner". They also expect an increase in displacement due to private activity. Condominium conversions are expected to cause future displacement in Atlanta, Boston, Bellevue and San Diego. Not surprisingly, however, official estimates of publicly-generated displacement are sometimes disputed. A citywide housing group in San Diego has challenged the city's contention that its activities have caused little displacement, particularly of low income renters who, the group maintains, have had to move from units rehabilitated by landlords using CDBG loans.

CDBG Activities Not Covered by URA

Several CDBG activities cause displacement which is not covered by the Uniform Relocation Act (URA) (which only covers CDBG displacement if it is the result of acquisition by a public agency). Administrative program regulations, however, do impose relocation requirements for such displacement. HUD cannot legally require entitlement recipients to provide relocation assistance for CDBG displacees not covered by the URA. There is sufficient authority to impose relocation requirements by regulation for discretionary grant programs^{3/} however. The same is true of the section 312 rehabilitation loan program.

Commerical Displacement

Five of the twenty-five cities sampled have experienced some problems with the displacement of businesses, particularly small businesses located in areas of

^{3/} In a recent report to Congress on Displacement, HUD announced that it had adopted as a general goal a policy that no person shall be displaced as a direct result of a HUD or HUD - assisted program or activity unless an affordable, decent, safe and sanitary replacement dwelling is available. HUD has undertaken an extensive review of its activities to identify programs which inadvertently may cause or permit displacement to ensure that displacement is minimized and that appropriate relocation assistance is available. (Final Displacement Report, HUD, November 1979.)

declining economic activity. These businesses, in many cases, have severe problems with the simple act of moving, despite their expenses being paid, and despite various sorts of technical assistance from cities. In Flint, for instance, over 70 percent of the small businesses--many of them minority businesses--relocated from an urban renewal area were not able to stay in business after they had been moved from their original locations. In New Haven, the relocation service feels that the displacement of small businesses is a major priority, and devotes much more time per case to that problem than to individual household relocation. In Oakland, a special effort is being made to rehabilitate neighborhood commercial centers, and to try to ensure that the costs of leases following revitalization do not foreclose opportunities for existing small businesses.

Issues, Costs, Problems

The CDBG program includes a policy that discourages displacement. Participating cities must develop a strategy for dealing with the issue, whether their activities result in direct or indirect displacement, and must use their own CDBG funds to pay relocation assistance wherever displacement resulting from acquisition by a public agency occurs. Moreover, cities are supposed to make special efforts to see that, if households and businesses are displaced, they can stay in their original neighborhoods. In addition, cities are encouraged to stage residential rehabilitation work in order to minimize displacement while work is underway, and to assist tenants to stay in their units following the completion of rehab.

The major dilemma involving displacement in the context of community development is how neighborhood revitalization can be achieved while minimizing displacement of low income households and small businesses. Legislation and program directives to date are clear about participating cities' responsibilities for displacement that results from direct public action.

Displacement Policy vs. Housing Choice

Another critical policy dilemma in local community development efforts is the trade-off between fostering a widespread policy of increasing choice of housing opportunities for low income households and of minimizing displacement and making it possible for such households to remain in their original locations or neighborhoods. But it is important for cities in the shaping of their programs to understand that a critical element in expanding housing choice involves making it possible for low income households to remain in their present units or, at a minimum, in their present neighborhoods if they prefer.

Data Difficulties

Another major problem in considering the displacement issue is the insufficiency of reliable data regarding ~~the~~ character and magnitude of the problem. The HUD report on displacement⁴ notes that the Annual Housing Survey will provide more data on displacement in the future, as more specific questions about reasons for moving will be asked respondents. The new questions will be particularly useful for understanding the dynamics of private market displacement as specific questions will be asked regarding why a household had to move as the result of landlord/owner action.

There remains a need for localities to generate better data regarding displacement due to indirect activities associated with HUD programs, specifically in and near Neighborhood Strategy Areas and other areas of concentration of effort. The volume of such displacement is generally regarded as much larger than that of the displacement resulting from direct actions, yet this is undocumented in most cities.

Relocation Costs

Another important issue regarding displacement involves use of CDBG funds for relocation assistance, to both households and businesses. Amounts made available under the provisions of the CDBG Act are up to local governments, but many feel they should follow the standards of the Uniform Act. For some cities in the sample, this has dictated some substantial costs. For instance, the Housing Authority of one sample city has been purchasing homes for relocation at market prices (current asking prices for the homes) and then paying up to \$15,000 per unit (the top amount available to a displaced homeowner under the Uniform Act) to the seller.

Overall, as HUD's displacement report indicates, about \$123.5 million was paid to nearly 19,000 households for relocation assistance stemming from HUD activities in 1977. Much of this comes from CDBG funds, which is an obvious source for financially hard-pressed cities, given the flexibility of these monies. In fact, this is one of the dilemmas of the program. For instance, housing that is being developed by other than a state housing agency under either Section 8 new construction or the substantial rehabilitation programs can sometimes result in displacement. Yet, if relocation costs are added to the development cost of housing they could raise resultant rents to levels above the allowable Fair Market Rents. Therefore, cities are drawn to the use of CDBG funds for these relocation costs if they choose to assist displaced.

Although HUD has no authority to require CDBG entitlement cities to pay for displacement resulting from activities not covered under the Uniform Act (e.g., rehabilitation, code enforcement), most cities in the sample are not

⁴/ Displacement: Interim Report (February 1979) and Final Report (November 1979).

only paying these costs, but paying them at the levels prescribed in the Uniform Act. The source of these payments is CDBG, and therefore further pressure is placed upon these budgets, already constrained by rapidly rising costs.

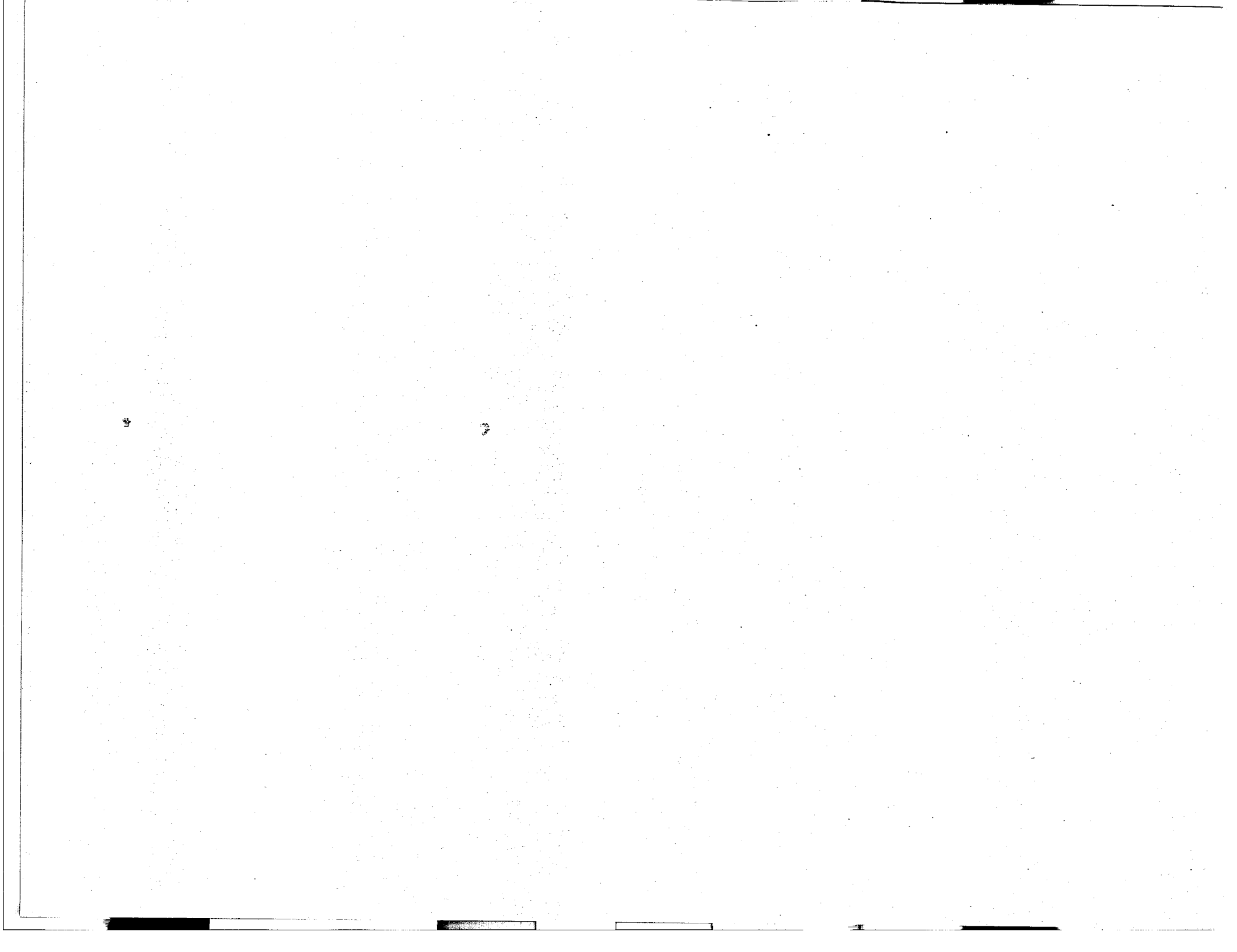
Based upon a sample of 151 entitlement cities, relocation assistance payments as a percentage of total budgets have consistently declined since the first program year (1975). The relocation assistance payments comprised about 8.1 percent of total CDBG budgets for the 151 cities, but in the next five years the percentage has consistently declined until the fifth program year when it was only about four percent.

Conclusions

Even though levels of displacement in the CDBG program are far below those that characterized the urban renewal program, problems still abound. Some of these are of a technical nature, involving improved data collection and analysis, and particularly of getting a clearer fix on indirect and other private actions that generate displacement in and near CDBG target areas. Other problems are more fundamental to the policies and strategies of CDBG, however, such as how to balance housing choice objectives with displacement goals, and how to generate reinvestment from both public and private sources without creating massive displacement of both households and small businesses in inner city neighborhoods.

The survey of 25 entitlement cities indicates that none is near a crisis in terms of displacement levels, and that most have established effective management of relocation workloads. Most of these cities are not even suffering ill effects from such private market phenomena as condominium conversions or "gentrification". In fact, several said they would welcome some more affluent households moving back into inner city neighborhoods. Cities with sizeable relocation workloads generally are just emerging from large-scale urban renewal activities, and are still working to reduce caseloads generated as a result. Smaller cities, usually with very small minority populations, foresee no displacement or very little displacement over the next three years.

Despite the generally encouraging picture that emerges from the survey and aggregate data, there is considerable apprehension being voiced in some of the sample cities. They perceive reinvestment beginning to build in some neighborhoods, sometimes in NSAs, or in adjacent neighborhoods. This is, of course, one of the major objectives of the CDBG program. But potential difficulties with residential and commercial displacement continue to nag, especially when those cities with ambitious programs estimate possible costs to Government of widespread displacement, relative to CD budgets already shrunk by static federal allocations and inflation.



CHAPTER XIII

COMPREHENSIVE PLANNING: REQUIREMENTS AND RESULTS

Introduction

From the beginning of the CDBG program, participating localities have had to devise comprehensive approaches to meeting jurisdictionwide objectives. The 1974 legislation required applications to include "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 objectives which have been developed in accordance with areawide development planning and national urban growth policies."^{1/}

Early applications offered routinized listings whose primary purpose appeared to be to justify the use of CDBG funds for various local projects. Needs were usually stated in gross terms, followed by objectives which were vague in their timing and outputs. In addition to failing to convey an overall strategy for CDBG funds, the early applications did little to aid in evaluating benefits or program progress. As the staff of the House Subcommittee on Housing and Community Development publicly observed, many localities "did not demonstrate a comprehensive strategy in their applications and in fact did not have such... strategies."^{2/}

The revised regulations following the Act of 1977 sought to address these shortcomings by providing more precise guidelines relative to strategy statements. Every third year, beginning August 1, 1978, entitlement communities are to submit a Community Development and Housing Plan. This plan has five components: a profile of the locality as a whole; a summary of community development and housing needs; a comprehensive strategy for the next three years to meet the stated needs; a tabular three-year summary of allocations and their relationship to program priorities (low and moderate income persons, elimination of slums and blight, and urgent needs); and various maps. This study focuses on the second and third elements: these are the narrative statements which form the core of the written CDBG comprehensive plans.

- 1/ Housing and Community Development Act of 1974, Title 1, Section 104(a)(1).
- 2/ Staff of the Subcommittee on Housing and Community Development of the Committee on Banking, Finance and Urban Affairs of the U.S. House of Representatives, CDBG Program: Staff Report, February 1977, pages 31-32.

This chapter is organized around three fundamental questions regarding the new needs statements and strategies. First, what is in them, or absent? Second, through what processes are the narratives developed, and with what difficulties or costs for local program officials? Third, have the plans themselves or the process of preparing them been useful in establishing local CDBG priorities, in integrating program elements and other resources, in measuring progress or in long-range planning? The first issue is discussed primarily on the basis of application review, analysis and comparison by the study staff, while the second and third are more concerned with the experiences and perceptions of persons involved with the CDBG program in the 25 cities, as interpreted by the study staff.

Summary of Findings

All 25 cities included statements of needs and strategies in their fifth-year applications, although the completeness and quality of the narratives varied considerably. The most common deficiencies were missing or incomplete components, including the lack of timetables and quantified outputs where required. Shortcomings notwithstanding, the narratives generally offered a clearer and more detailed articulation of local needs and strategies than previous years' applications.

The CDBG plans typically were developed in-house by city planners or administrators on the CDBG staff. They were derived from existing local documents and available references, with minor updating of information. New data collection and analysis usually was neither necessary nor encouraged; costs and problems associated with preparing the planning requirements were negligible.

While the planning requirements proved useful in some of the ways hoped for by HUD, the written plans were perceived fundamentally as a response to HUD regulations. Their real impact, and whether they are more than paperwork, must wait until programs are implemented and evaluated, in light of planning objectives.

Needs Statements

The draft 1977 regulations proposed that localities provide a comprehensive statement of needs for all neighborhoods with concentrations of low and moderate-income persons, but this proposal was rejected in favor of encouraging such detail while not requiring it. The final regulations call for "a narrative summary of the applicant's community development and housing needs, particularly those of low- and moderate-income households and any special needs of identifiable segments of the total group of lower-income

persons.^{3/} The narrative is required to cover the areas of neighborhood revitalization, housing, and community facilities and public improvements.

To encourage communities to systematically evaluate their needs, the new regulations required needs to be described in narrative form. To the extent possible, such assessments were to present an analysis of substandard, deteriorated or lower-income neighborhoods. The regulations required applicants to describe their basic needs for neighborhood revitalization, for community facilities, for housing, and for economic development. The CDBG applications of the 25 cities were reviewed to determine whether the required needs statements were present, and with what degree of detail and coherence.

The new narratives varied in the attention given to, and success achieved in, articulating needs. In some instances, detail was sufficient to build a clear, convincing, integrated scenario of needs and conditions. In others, components were deficient or missing. While most needs statements were brief and general in nature, they did not appear to be deliberately selective (versus comprehensive).

In most needs statements, neighborhood revitalization was the component receiving the most emphasis. It was absent in only 12 percent (3) of the applications, all of which at least partially covered the topic elsewhere in their narratives. The descriptions of neighborhood revitalization needs ranged in length from a half page to 126 pages, for an average of 11 pages, with most being only a few pages. The length did not consistently reflect city characteristics such as size, distress, or degree of CDBG targeting.

While length was not always indicative of coherent and systematic needs assessments, the longer narratives presented considerably more quantified and detailed descriptions, usually arranged by individual neighborhoods or census tracts. Some cities included neighborhood classification systems to compare their relative needs. In 48 percent (12) of the applications, however, there was no evidence of an area-by-area assessment of conditions and needs.

The section required to describe community-wide housing needs was present in 92 percent (23) of the applications. Both noncomplying cities at least partially covered these needs elsewhere, one in the housing strategy component and the other in an attachment. The level of detail was noticeably minimal in the housing needs narratives, most of which simply provided 1970 Census data for citywide housing conditions and demographics. Only in three cities did the descriptions continue past a second page. Relative to needs statements for community-wide public facilities, 92 percent (23) of the applications provided descriptions and needs; three of them averred that there were no such

^{3/} Federal Register, Volume 43, Number 41, Part III, March 1, 1978, Rules and Regulations, Section 570.304(a)(2), page 8463.

needs. Needs for community-wide public facilities and improvements were even less detailed than those for housing, rarely exceeding a single page.

Economic development was included as a component in the needs narratives of 84 percent (21) of the cities. While specific sections devoted to economic development work were altogether absent for one large city and two small, non-distressed Northwest localities, economic development needs were covered in other sections of the application for one city. The presence of economic development in so many needs sections indicated growing interest since the component is not required by the regulations. (The regulations call for describing these needs in the strategy section, and only where grantees have proposed activities.) Whether such projects were planned or not, applicants devoted up to seven pages to describing the issue. Usually, general economic deterioration and unemployment were the major themes. Most discussions covered less than two pages of text.

In addition to the standard components, three cities elected to provide "other needs" sections, which is in keeping with the legislation and regulations, though optional. These narratives described such needs--for human or public services, in all cases--through a page or two of text. In other cities using larger proportions of their fifth-year entitlements for public services the lack of a description of the relevant needs was noticeable.

The individual needs components, in terms of their presence and length in the CDBG narratives, are summarized in Table I. All four components appeared in the applications of 80 percent (20) of the cities. The separate elements usually were not linked together in any deliberate fashion, nor did they always relate readily to the strategies which followed. Overall, their most striking characteristic was their brevity.

The general nature of many needs statements made it difficult to draw conclusions about "comprehensiveness," with regard to the comprehensive versus selective issue. Such an analysis would presuppose knowing local conditions and dynamics thoroughly, to assess whether the stated needs accurately and adequately reflected reality. In fact, the lack of detail in most needs statements would tend to make the matter of deliberate selectivity as irrelevant or unlikely. Selectivity certainly was involved, but in light of HUD's concern for providing maximum CDBG benefits to the lower-income population and targeting funds to low-income neighborhoods, it seems unfair to conclude that such narratives were inadequate or inappropriate.

Another issue relevant to the needs narratives is whether they represent changes in the types of needs acknowledged and addressed by local CDBG programs. Here, a determination was easier to make: there was little or no change in content from the stated needs of the past, according to application review and discussion with local respondents. In some cities, the amount of emphasis, in terms of relative space, given to neighborhood revitalization and economic development was greater, but usually this did not reflect new directions in CDBG policy or programming.

Generality and status quo notwithstanding, the majority of needs statements followed the letter of the regulatory law, which required only "brief descriptions" of "major needs." Furthermore, a review of the applications for the fourth program year made it clear that the new format and increased information demanded by the new regulations produced at least a better picture of conditions and needs than did the previous approach.

Strategy Statements

The revised regulations and application form called for written descriptions of the three-year community development strategies consisting of three or four parts, depending on local circumstances. A general strategy is followed by plans for neighborhood revitalization, citywide housing, citywide facilities and improvements, and, where such activities were proposed to be funded by CDBG, economic development. The contents of these subparts are specified to some degree by regulations, especially for Neighborhood Strategy Areas, and included objectives of activities, quantification of some outputs, and timetables for implementation. The strategies and their various elements were reviewed in the applications of the 25 cities visited for this study, in order to determine their content, emphasis and quality.

Overall, the plans represented a noticeable improvement over previous listings of long and short term objectives. Most strategies were informative and some were outstanding in terms of coherence and level of detail. Several of the narratives evidenced limitations. The most frequently observed shortcomings were the lack of quantifiable outputs, the lack of timetables, and the absence or incompleteness of individual subcomponents.

The introductory general strategy component was intended to set forth the major local CDBG objectives, priorities for the use of funds and "factors taken into account in selecting areas for treatment and designing programs to meet identified needs." This component was provided by all 25 cities, through texts ranging from one-half to 13 pages in length. With a few exceptions, the general strategies were straightforward and clear descriptions.

As in the statements of needs, the emphasis in the strategy narratives of all 25 applications was on neighborhood revitalization. HUD instructions specify two subcomponents: Neighborhood strategy areas (NSAs) and "other neighborhood improvements," for those activities not being carried out in a concentrated manner. The required level of detail was far more extensive and explicit in the NSA subcomponent, and this was reflected in virtually all the narratives.

The NSA descriptions in particular, and the neighborhood sections in general, comprised the most impressive portions of the CDBG narratives. Even the briefest examples provided more information about local plans than past CDBG applications. Among the most outstanding were Tampa and Cincinnati, where tailored investment strategies were set forth for NSAs for the next three

years. Expectations, often quantified, were clear, and plans appeared to be well thought-out and systematic.

Elsewhere, however, neighborhood components missed the mark. In four cities no actual plan or direction was observable. Two offered only lists of expected neighborhood improvements, while the others were simply vague. In both the shortest and the longest strategy, the articulation of needs was more confusing than clear. In one instance the one-page section did not address the stated needs and often did not relate goals appropriate to the CDBG context. In the other CDBG and capital budget plans were presented together, and NSAs were sandwiched among other neighborhoods slated to receive CDBG allocations. Only by cross-referencing several portions of this mammoth document could the reader discern such basic things as the total number of NSAs.

A frequent shortcoming of the neighborhood revitalization strategies was the absence of quantified objectives and timetables. Scheduling of activities, usually in annual increments, was provided in the narratives of less than two-thirds (16) of the cities. Anticipated accomplishments were quantified to at least some extent in about half (13) of the localities. Many cities were explicit about what their projects would be--but not the anticipated results, in numerical terms. Some CDBG administrators indicated that HUD Area Offices had insisted on more specific neighborhood revitalization plans than originally submitted in fifth-year applications. For example, at the time of one site visit, five-to seven-year strategies were being developed for NSAs, with quantification such as the number of dwelling units to be inspected.

Following their neighborhood revitalization components, applications were to include a citywide housing strategy. This section was required to describe housing programs being carried out on a citywide basis, including goals and timetables; regulatory or other actions to encourage housing maintenance and improvement; efforts to promote fair housing and spatial deconcentration; other facilities and improvements related to the housing strategy; and approaches to alleviate CDBG-induced displacement.

Much of this material overlaps the required content of Housing Assistance Plans (HAPs), and most cities simply let their HAPs stand as the provider of the information. While housing components were included in the strategy narratives of 86 percent (23) of the localities, they tended to offer only a brief description of current programs and equal opportunity policies. Most applications included less than two full pages of text. Timing and specific amounts of CDBG and other funding were often not mentioned. Some applicants followed HUD guidelines for the order and content of their housing strategy narratives but eliminated the required topics; in particular, in some cities spatial deconcentration and displacement were not explicitly addressed or dismissed as not relevant local matters.

The community-wide public facilities and improvements component was included in the applications of 80 percent (20) of the cities, usually through a single

page or less of text. The brevity in this instance is understandable for several reasons. First, the regulations themselves do not require the component, which was deleted from early draft versions because it overlapped other components. Second, the HUD instructions for the item were not particularly explicit about the information to be contained; further, they could be interpreted to require the component only if grantees are using CDBG to fund such projects. Finally, such activities are out of the mainstream of CDBG programs in many cities, which focus on small-scale, neighborhood-specific activities.

The final plan component was economic development. According to both the regulations and HUD application instructions this is required from "all applicants that propose block grant funded economic development activities". The regulations call for a description of needs, followed by activities and their coordination with other federal and state funds; the number and type of jobs anticipated to result, especially for the target population; and "evidence of commitments or interests by developers." The application instructions differ in that they require the needs to be described as part of the CDBG statement of needs, not the strategy. An economic development component appeared in 76 percent (19) of the applications, including one city not proposing such activities through CDBG. Among the six localities not providing an economic development strategy, four had no such activities in their fifth-year programs and only one included a direct economic development project.

In addition to the required strategies, 12 percent (3) of the cities furnished brief narratives for "other" strategies, which in all cases centered on human services. Two of the localities included these subjects in their needs statements, while one did not.

The presence of the various strategy components in fifth-year applications is summarized in Table XIII-1. Only about two-thirds (17) of the cities supplied all five stipulated elements. Excluding the optional economic development portion, narratives contained all the other mandated elements in over three-quarters (19) of the cities. While this amount of noncompliance might be surprising, it must be remembered that some localities did not have CDBG activities or concerns pertinent to all of the categories, and others covered missing components under the neighborhood revitalization element.

The majority were far more detailed than their fourth-year counterparts in explaining how CDBG funding was being used. The improvement in articulation was noteworthy. In three-fourths (19) of the localities, study analysts felt the new strategies were an improvement; CDBG officials were even more convinced, with 88 percent of the local planners or program directors rating their narratives as improved.

Preparation of Plans

Responsibilities and Resources

The new planning regulations created a new format for communicating needs, in which the required level of detail and specific content were made explicit. During the study local actors were asked about roles and responsibilities in developing the needs statements and strategies and about the data sources and processes utilized.

Most CDBG narratives were derived directly from other local plans or studies, supplemented by routinely available, updated statistics. They usually were prepared by program staff, sometimes with the assistance of other city departments. Little new or additional data collection or analysis was attributed to the comprehensive planning regulations, since existing information and planning processes were considered sufficient to produce the narratives.

In 80 percent (20) of the cities, the narratives were prepared by the staff which has administrative (not always implementation) responsibility for the CDBG program. In four cities, they were written by planners from other departments or agencies, and in another, it was prepared by the regional planning commission staff. The author usually was a city planner or public administrator by profession. The work was done by one person in the majority (19) of cities. Elsewhere, it involved a joint effort among CDBG staff members, or the principal author relied on others to research and write "specialty" components, such as housing or economic development. The two narratives which were outstanding in describing needs and strategies were single-handed efforts. The longest comprehensive plan, 554 pages in length, was the product of nearly 20 people.

While preparation of the narratives, as written documents, was essentially an internal process, their content was greatly influenced by the citizen participation process and by the review of elected officials. Outside input affected not only the strategies within individual neighborhoods, but also the shape and direction of local CDBG programs as a whole in some cities. Elsewhere, non-staff influences on the narratives were less direct, since review and comment focused almost exclusively on individual proposals and allocations.

All the cities used earlier published planning documents as their primary source. In 48 percent (12) of the localities, the material was derived from approved or pending comprehensive plans. In the remaining 44 percent (11) of the cities, needs were updated or supplemented by other traditional sources of planning statistics, such as Census and Polk statistics, state, local and regional surveys or plans, building permits, housing code inspection files, school enrollment figures, public works department reports, material from human service entities, resident questionnaires, and the Annual Housing Survey.

When officials were asked to describe any new data collection or analysis they undertook expressly to prepare the new CDBG needs assessments and strategies,

no examples were cited. New data and planning procedures evolved because of other HUD regulations, particularly those regarding citizen participation and proving the low-income benefits of specific activities, but not to produce the narratives. In one city, however, the CDBG director noted that research would have been necessary to discuss needs if it had not been for the fact that the city's comprehensive plan was being completed at the same time the CDBG application was due.

Issues, Costs, and Problems

Staff and Other Costs

HUD and local officials alike have been concerned that the new planning requirements would increase planning costs. Some program observers have been wary of the additional paperwork and research that might be necessitated, and the staff or budget increases for program planning that might occur. However, no significant new costs, in monetary terms, were found to have been caused by the new requirements. More time and effort, however negligible or routine, was nonetheless required to compose the narratives, in comparison to the listings of previous years' applications. This meant "costs" in terms of annoyance in some cities, but most officials felt the requirements were reasonable and appropriate.

For the most part, cities were able to devise plans with minor reallocations of staff time. Since this usually involved just reworking, synthesizing and updating extant material, dollar figures could not be provided by CDBG administrators. There were two explicit examples offered of increased expense: in one, a consultant was engaged to write the narratives, and in the other, some computer time was needed to generate data for a new target area. In several other cities, officials complained that creating the new narratives resulted in diverting staff attention from other responsibilities, and in increasing clerical and photocopy costs. A program administrator in one large city, when asked what difference the new regulations had made, pointed to an application 20 times the size of its predecessor and replied, "About an inch and a half difference."

Elsewhere, the cost issue, or more precisely the potential for increased costs, rested with data collection. Several officials observed that the statistics being used were so outdated as to be meaningless. Particularly where Area Offices "draw fine lines and then insist that the 1970 Census is the definitive source," local staffs objected to the planning narratives and other application elements. Complaints of obsolete data notwithstanding, localities were doing little or nothing to develop better information, even though CDBG funds can be used to pay for research and planning necessities.

That serious difficulties and costs usually were not attributed to the new Comprehensive planning requirements is due to a number of realities. First, expenses have not increased because cities have made do with the data and plans already on hand, with varying concern for their accuracy or merit.

The pressures and priorities of other, non-planning activities have meant that planning has been relegated to a minor status, in the minds of CDBG staff and local constituencies.

Measuring Progress

Another purpose for requiring written needs statements and strategies is to provide a basis for measuring program progress. This has been of interest to HUD, as well as local program officials, political leaders and community activists. One relevant issue is whether needs statements offer sufficient benchmarks to permit evaluation. Another is whether strategies are clear and specific enough for progress and impacts to be assessed.

The new narratives were expected to be at least somewhat useful in most cities, although elsewhere their utility and relevance was questionable. It was the strategies, rather than the needs assessments, which were the source of optimism in the evaluating programs. In some localities, officials objected to the types of measurements HUD has deemed desirable or necessary in CDBG plans, feeling that there were other more meaningful signs of community development progress.

In 64 percent (16) of the cities, the new comprehensive planning documents were considered of some use on measuring program progress, including four localities where they were ranked by study analysts as very useful. In 36 percent (9) of the cities, they were assessed as not useful at all in program evaluation or monitoring.

The utility of needs statements as benchmarks was the most problematic aspect of finding the three-year written plans useful in measuring progress. As noted earlier, most needs statements were general and brief, and many were incomplete, according to HUD regulations. Often needs were not broken down by individual districts or neighborhoods. And obsolete data made them reflect realities of an earlier decade. The measurement of progress by using these "benchmarks" must be viewed as an exercise of limited merit, entailing comparisons of very broad statistics with future conditions which could be affected as much by externalities as by CDBG goals and expenditures.

Strategy statements, on the other hand, were found likelier to be useful in evaluating progress and in discovering "plainly inappropriate" activities, as suggested by HUD review directives. While timetables were not specific in 36 percent (9) of the cities and no outputs were quantified in 48 percent (12), the narratives usually articulated both program direction and particular activities.

Whether the new CDBG narratives are sufficient for program evaluation and monitoring is an **important concern**, but it remains to be seen whether cities will address their stated needs and implement their written strategies with their next three years of CDBG entitlements. It is also uncertain whether local administrative and elected officials, residents and HUD staff will rely

on these parts of the comprehensive planning requirements as an evaluation mechanism. There are early indications, however, that more emphasis may be placed on other CDBG requirements and indicators--such as the HAP, the individual program summary sheets, GPR's and drawdown rates--than on the narratives.

Long-Range Planning

Another major purpose of the comprehensive strategy is to provide more and better information to citizens, developers and city officials on the long-term objectives and activities of local CDBG programs. Related to this are two ancillary concerns: the coordination of CDBG with other public and private resources, and the coordination of housing with other aspects of community development. These matters were discussed with a wide range of local actors by study analysts, who also examined applicants with regard to these issues.

The comprehensive planning requirements were assessed as useful in long-range planning in some cities, but usually they were not of significant importance in this regard. They offered even less utility in coordinating resources and leveraging. They were viewed as more relevant in establishing linkages between housing and other community development activities. While the overall utility of the written plans generally was limited, this is understandable in light of the minor role and visibility they have in the overall planning efforts of most cities.

According to city staff members, the planning requirements were very useful in providing greater coherence and focus to CDBG efforts in 16 percent (4) of the cities and somewhat useful in another 20 percent (5). However, in almost two-thirds (16) of the localities, they were not useful in this capacity.

While most local respondents did not feel the requirements had resulted in serious planning past the one-year time frame, several expressed concern that their narratives might be taken too seriously as longer-term documents. Because of other CDBG regulations, primarily those requiring annual decision-making with citizen participation, they contended that the CDBG planning components could only be considered loose guidelines for the second and third years. "Proposals by citizens simply may be inconsistent with the HUD-approved CDBG strategy," stated one local planner. Others complained that the three-year planning was unreasonable because it did not adequately allow for changing conditions and priorities; another respondent worried that inflation prohibited reliable planning past a single year.

Coordination of Resources

Related to the issue of long-range planning is the coordination of other public funds and private resources for community development. The new requirements were perceived as useful for this in one-third (8) of the cities.

CDBG narratives rarely included discussions of cities' intentions or concerns regarding coordination or leveraging, except where HUD authorization for direct economic development activities was being sought. Where such references found their way into the three-year plans, they usually were extremely vague and appeared to be hypothetical. The coordination of funding was indicated, however, in the project summary forms (HUD 7066) for individual projects in most cities, particularly where human services and EDA or SBA projects were involved.

Another type of Coordination that was hoped to be advanced by the new comprehensive planning requirements was the linkage of housing and other community development activities. The efficacy of the narratives in this respect was promising. In almost two-thirds (16) of the cities, study analysts found the plans for the process of developing them useful in integrating housing and other CDBG components, including four cities where this was assessed as very useful. Especially where CDBG was primarily utilized in a few, selected areas, there was a considerable association of housing and other activities in neighborhood revitalization sections of the narratives.

Conclusions

The required three-year plans have provided local CDBG officials with an opportunity to communicate program directions, and a specific framework within which to express them. The narratives in the 25 cities proved to be as different as the localities about which they were written. Some were impressively thorough and clear, carefully adhering to both the letter and the spirit of the new HUD directives. In the vast majority of cities, there has been an improved "product," offering a far better explanation of local priorities and approaches than past CDBG applications. Others were often brief and general, especially with regard to providing an assessment of needs. The plans were found to have various affects on the planning process, allocation decisions, and ultimate implementation of activities.

In considering the results and merit of the new comprehensive planning requirements, it is important to recognize these plans for what they are, first and foremost. They are a response to a HUD requirement in order for cities to receive their CDBG entitlements. To an extent, this is a requirement superimposed on other requirements, including HUD's for citizen participation and program benefits and states' for developing citywide master plans. These realities affect the content, development and impact or utility of the written CDBG plans.

Most cities met the new requirements to the satisfaction of their Area Offices without difficulty, but also without much reflection. The degree to which the documentation was taken seriously apparently varied, depending on local politics, staff capability, severity of city conditions, personalities, tradition, HUD concern and other factors. Many cities already had their comprehensive plans, their priorities, their processes in place. The fact that a summary of needs and a strategy had to be written for the fifth-year CDBG application did not alter these realities. Needs assessment did not usually lead directly to strategy development.

In summary, the new requirements have upgraded the articulation of needs and objectives. And they may prove much more important in looking backward than in looking ahead. Pending implementation and HUD review over the next few years, the impact of the plans may be greater than now apparent, and the next round of CDBG comprehensive plans may be more serious and significant because of that.

CHAPTER XIV

HOUSING ASSISTANCE PLANS: SHAPING HOUSING ASSISTANCE

Introduction

In order to broaden local planning efforts and assure the coordination of housing and community development activities, cities participating in the CDBG program are required to submit an acceptable Housing Assistance Plan (**HAP**). The **HAP** is intended to enable cities to play a central role in determining the character and extent of housing activity that occurs in their localities. It serves as a guide for cities in meeting their assisted housing objectives, and in understanding the fundamental housing needs, characteristics and opportunities within their communities.

As indicated in Chapter VIII, regulatory changes issued in March 1978 clarified the purpose and requirements relating to the HAP. The responsibility of communities for insuring that HAP goals are achieved was made explicit, and minimum levels of achievement in meeting HAP goals were established. These changes were adopted in order to strengthen the link between housing and community development activities and assure that CDBG grant recipients give adequate attention to the housing needs and problems of lower income households.

This chapter examines the character of fifth year HAPs and how the **HAP** process affects local housing actions and decision-making. First, the principal findings from the 25 city survey are summarized. Second, after reviewing the policy context of the HAP requirement, the housing needs of the sample cities and the resources available to them are discussed. Third, the characteristics of the HAPS are examined, and housing needs compared to goals and accomplishments. Fourth, the potential for achieving HAP goals is examined and potential problems that cities face in trying to achieve their goals are identified. Fifth, the policy issues and problems that are posed by the HAPS are discussed and local officials' perceptions of the usefulness of the HAPS are presented. The chapter concludes with an overall assessment of the role and usefulness of the HAP and its effectiveness as a tool for housing planning.

Summary of Findings

Officials in the sample cities reported few problems in preparing their **HAPs** or in meeting the new requirements embodied in the March 1978 regulatory changes. The survey did indicate that cities employ a variety of different approaches to defining the extent of their housing needs and establishing housing goals. Housing goals proposed by the cities in part reflect different

interpretations of needs, but they are also influenced by many other factors. The most important factor according to city officials was the anticipated level of HUD funding. Officials did not want to create unrealistic expectations, but they wanted to be in a position to qualify for as much federal and state housing assistance as possible. Striking this balance was complicated by the fact that there are a number of different assisted housing programs, each of which is administered differently and serves a different segment of the lower income group, and by the competitive process through which commitments of funds are made.

Local development problems affect the ability of cities to meet their housing goals and to qualify for additional HUD housing commitments. City officials identified such problems as: the high cost of construction, lack of available building sites and lack of developer interest in assisted housing projects. Other factors hampering housing development in some cities include opposition to family housing, especially in large, high density projects.

The survey showed that in recent years, most cities have become more actively involved in supporting housing development and in trying to overcome some local impediments to development, but many of the problems in expanding assisted housing resources are still beyond the control of local governments.

Local officials were divided in their views of the extent to which current HAP objectives have been achieved and the extent to which the preparation of the HAP is a useful exercise. The proponents of the HAP feel it has forced cities to think about and plan housing strategies and to make a commitment to dealing with lower income housing needs. In some cities housing and community development activities were programmatically related. Public housing agencies and developers were involved in the preparation of the HAP. CDBG funds were used to improve public housing projects, to subsidize assisted housing projects and to finance rehabilitation.

City officials with negative attitudes toward the HAP argued that the data and methodology used do not result in accurate estimates of housing conditions, needs or goals. In some cases, officials complained about goals that are not locally developed but are prescribed by HUD. They believed that the HAP doesn't structure housing decision-making, but rather documents decisions made, outside the HAP process, which are largely dependent on the level and character of HUD decisions on how housing assistance funds are distributed.

Policy Context of the HAP

Prior to the 1974 Act, responsibility for the provision of housing assistance had been left largely to the private sector and independent public housing authorities. Few cities planned for their housing needs on a comprehensive basis. The HAP was envisioned as a requirement which would make local governments more aware of housing needs and conditions and foster their involvement in the planning and management of housing assistance for lower income households. CDBG grantees are expected to undertake steps to insure that HAP

goals are achieved expeditiously. The HAP includes a housing program which defines three-year housing goals to address the assisted housing needs of the community. Each year a locality submits an Annual Housing Action Program for the subsequent year specifying assistance goals broken down by tenure, household and housing type. Each locality also identifies general locations for proposed new construction and rehabilitation housing.

HUD uses HAPs to determine the housing type mix (new, rehab, existing) in making "Fair Share" allocations of assisted housing funds.^{1/} Subject to programatic and other types of constraints HUD Area Offices are required to allocate assisted housing funds in a manner that is consistent with the goals established in the HAPs. Section 213 of the Housing and Community Development Act of 1974 requires HUD to seek the comments of the chief executive officer of a locality in which a project will be located on the need for the proposed housing assistance and the adequacy of public facilities and services. Regulatory changes issued March 1978, modified the HAP requirements to make the responsibilities of localities for helping to meet the housing needs of lower income households more explicit. During the visits to the sample of CDRG cities, respondents were queried about how useful the HAP was in (1) focusing local concerns about housing, (2) channeling appropriate assistance for lower income housing to localities, (3) planning and directing housing assistance activities, and (4) meeting related goals such as neighborhood stabilization, increased housing opportunities and the promotion of spatial deconcentration of low income and minority households.

Housing Needs and Types of Assistance Being Used by Sample Cities

Low and Moderate Income Housing Needs

In order to assess the role and impact of the HAP, it is necessary to characterize local housing needs and activities. Local housing needs are a function of many factors including local housing conditions, tenure patterns, household composition, the number of households that could be expected to reside in the locality if housing were available, and household income in relation to housing costs. Cities have wide latitude in defining households which are in need of housing assistance, although as a minimum needy households should include those living in substandard or overcrowded housing or renters paying more than 25 percent of their income for rent. For the 59 SMSAs in the Annual Housing Survey, about one-half of the needy are households who pay more than 25 percent of their income for housing. For four of the

^{1/} The "Fair Share" allocation system distributes housing assistance funds geographically based on a formula using indicators of need. The HAP goals therefore do not effect the level of funding in a given community or allocation area, but they do affect the manner in which funds are committed.

cities which are both in the sample and the Annual Housing Survey--Paterson, Buffalo, San Diego and Colorado Springs--such households constitute from 60-67 percent of all needy households.

Based on the data in the HAPs the housing needs of the cities varied widely. In some cases, housing needs represent a significant portion of the occupied housing stock. Generally, larger cities projected greater housing needs in relation to the total occupied housing stock. As a percent of occupied housing stock, needs ranged from 5.3 percent in Bloomington to 34.4 percent in San Diego. Overall the average estimated need was 23.1 percent of the occupied stock. Total projected need for all 25 cities is 644,130 households and need varies from a high of 115,155 households in Detroit to 1,393 households in Bloomington.

Types of Housing Assistance

All of the cities have received either Section 8 or public housing assistance in recent years. Three of the cities, however, have not had conventional public housing--Bloomington, Racine, and San Diego. All but three of the cities have received Section 312 funds. The exceptions are Bellevue, Bristol and Wichita Falls. Some cities are making efforts to coordinate CDBG and public housing activities. In seven cities the community development program provides funds for modernization or other types of improvements to public housing projects. Nine of the cities have designated Section 8 NSAs. These tend to be the older cities with a large inventory of properties suitable for rehabilitation. Sixteen cities are participating in the Neighborhood Housing Services program (NHS). Very few of the ²cities are part of an approved Areawide Housing Opportunities Plan (AHOP). Only Bloomington, Louisville, Portsmouth and Bellevue are part of an approved AHOP.

As might be expected, most cities' goals rely heavily on HUD funding. Nearly 68 percent of the goals of the cities are expected to be met through HUD funding. HUD programs are projected to assist in the provision of more than 81 percent of the rental units. Nine cities are relying exclusively on HUD to provide the projected rental assistance. CDBG rehab is expected to provide a majority of the units for homeowners (57 percent) and nearly 8 percent of the units for renters. States are expected to provide 8 percent of the homeowners assistance (though in some localities it exceeds one-third) and 5 percent of the rental units. Various city programs are expected to provide 5 percent of both rental and owner-occupied units.

2/ An AHOP is a plan for coordinated areawide strategy for the distribution of housing assistance designed to promote housing opportunities outside areas with concentrations of housing for low income and/or minority households.

What is striking about these data is the large amount of community development resources being directed to meeting ~~the~~^{3/} housing goals. Nearly 22 percent of the goal will be met by CDBG funds.— Overall, 14 of the cities will use block grant funds to provide at least half of the units needed to meet owner-occupied goals.

Characteristics and Assessment of Fifth Year HAPs

Goals versus Needs

Each city is expected to set "realistic" goals for meeting housing needs. The 1978 regulation changes require that the three-year HAP goal be set at a minimum of 15 percent of need unless such a goal is considered unrealistic by HUD. In aggregate, the cities proposed a three-year goal of over 94,000 units or 14.6 percent of need. Table XIV-1 shows, however, that many cities chose to establish goals either in excess of or less than 15 percent of need. Eight cities established goals of less than 15 percent of needs; one city established a 15 percent goal; and 16 cities established goals of greater than 15 percent. Higher than minimum goals were proposed by cities of all sizes but smaller cities tended to do so more frequently. Six of seven cities with populations of less than 100,000 and six of eight cities with a population of between 100,000-249,999 proposed goals of more than 15 percent. Only four of the 10 largest cities proposed goals greater than 15 percent.

Local officials said that many factors influenced the setting of HAP goals, but the most influential one was the anticipated level of HUD funding. The responses of officials are presented in Table XIV-2. Without adequate funding cities will not have the resources to meet the HAP goals, but how goals are set varies by city. On the one hand, cities wanted to make sure that their goals were sufficiently high to allow for any possible size or type of allocation from HUD, and on the other hand, cities did not want to create unrealistic expectations. A local official commented, "You don't want to be in a position that you can't pick up what's available." This finding is consistent with the Fourth Annual Report which found that projected HUD funding was the most important factor in determining HAP goals.— Cities estimated the funding they might receive in several ways. Some based it on past levels of assistance or asked Area Office staff to provide guidance to them. Officials

3/ The reliance on CDBG funds appears to be increasing. The Third Annual Report estimated that 16 percent of the three-year goals would be met by CDBG funded housing programs. Source: HUD: Community Development Block Grant Report: Third Annual Report, March 1978, p. 1973

4/ HUD Fourth Annual Community Development block Grant Report, September 1979, p. X-9.

Table XIV-1 1/
 Comparison of PY 5 Housing Goals and Needs
 (In Units)

City	PY 5 Housing Needs	PY 5 3-Year Goal	PY 5 1-Year Goal	Percent PY 5 3-Year Goals of Needs
Albuquerque, NM	19,686	3,660	1,230	18.6
Atlanta, Ga	39,848	3,984	1,328	10.0
Bellevue, WA	2,088	396	131	19.0
Bloomington, MN	1,393	557	188	40.0
Boston, MA	72,000	12,160	4,030	16.9
Bristol, CT	1,814	480	285	26.5
Buffalo, NY	39,606	4,350	1,620	11.0
Cincinnati, OH	44,425	5,811	2,048	13.1
Colorado Springs, CO	8,634	1,345	432	15.6
Detroit, MI	115,155	11,516	3,838	10.0
Flint, MI	10,532	1,170	470	11.1
Gary, IN	11,003	1,715	1,159	15.6
Little Rock, AR	9,700	1,900	522	19.6
Louisville, KY	32,401	5,404	1,608	16.7
New Haven, CT	5,374	3,060	895	56.9
Oakland, CA	43,623	7,231	3,112	16.6
Oklahoma City, OK	27,638	4,922	1,381	17.8
Paterson, NJ	14,652	2,565	863	17.5
Portland, ME	3,470	2,185	840	63.0
Portsmouth, VA	6,979	735	510	10.5
Pueblo, CO	4,839	1,205	390	24.9
Racine, WI	2,954	445	146	15.1
San Diego, CA	98,074	13,510	4,503	13.8
Tampa, FL	22,896	3,435	1,146	15.0
Wichita Falls, TX	<u>5,346</u>	<u>540</u>	<u>155</u>	<u>10.1</u>
Total/Average	644,730	94,281	32,830	14.6

1/ Source: PY 5 HAPs.

9-0 IX

Table XIV-2
 Factors That Influenced the Character of PY 5 HAPs^{1/}

<u>Factors</u>	<u>Number of Cities Identifying the Factor</u>	<u>Percent of All Cities</u>
Availability of HUD Funding	21	84
Housing Needs	14	56
Minimum Goals Requirement and/or HUD Guidance	14	56
Housing Opportunity Objectives	4	16
Past Assisted Housing Accomplishments	6	24
Citizen Recommendations	4	16
Developer Proposals	2	8
AHOP Requirements	3	12
PHA Recommendations	1	4

^{1/} Source: Interview with City Staff.

in one city reported that HUD required the city to establish its annual and three-year goals at the level of expected HUD assistance,^{5/}

Other important factors which determined how goals were set were the proportionality and minimal goals requirements and housing needs. Respondents in 40 percent of the cities identified the minimum goal requirements as a major influence on their HAPs. In the Fourth Annual Report, officials in 30 percent of the cities mentioned the importance of the minimum goals requirement.^{6/} For cities with approved AHOPs, the AHOP was regarded as influential because goals were dictated by the areawide allocation plan.

Goals and Needs versus Performance

Cities have had varying degrees of success in meeting identified needs since the CDBG program began, but accomplishments generally represent a small proportion of need. Table XIV-3 compares needs with accomplishments--units either occupied or under commitment--as of the period through the submission of the 1978 Grantee Performance Report (GPR). In aggregate, the cities had provided or secured commitments on 92,983 units or 14.4 percent of need. In 11 cities the number of units provided or committed was less than 10 percent of total need.

Pattern of Tenure and Housing Types

The goals that cities have established differ by tenure and housing type. The tenure patterns and proportion of units that are planned for the elderly and handicapped, as well as for small families and large families, reflect several factors including: local conditions and needs; the definitions used to determine households in need of housing assistance; the requirement that goals

^{5/} In recognition of interest that cities had in knowing the extent of funding to expect, CPD Notice 79-5, Fiscal Year 1980 Section 8 and Low Income Public Housing Contract Authority Estimates for Community Development Block Grant Applicants was issued. It required Area Offices to notify cities of the housing assistance to expect in FY 1980 by April 1, 1979.

^{6/} HUD, Fourth Annual Community Block Grant Report, September 1979, p. x-9.

Table XIV-3
 Comparison of PY 5 Goals with Past Accomplishments ^{1/}
 (In Units)

City	PY 5 3-Year Goal	PY 5 1-Year Goal	Accomplishments from 1978 GPRs			Accomplishments As a Percent of PY 5 3-Year
			Committed	Occupied	Total	
Albuquerque, NM	3,660	1,230	615	1,763	2,378	65.0
Atlanta, Ga	3,984	1,328	1,796	4,444	6,240	156.6
Bellevue, WA	396	131	50	155	205	51.8
Bloomington, MN	557	188	95	64	158	28.4
Boston, MA	12,160	4,030	5,685	36,786	42,471	349.3
Bristol, CT	480	285	17	187	204	42.5
Buffalo, NY	4,350	1,620	913	2,915	3,828	88.0
Cincinnati, OH	5,811	2,048	2,029	872	2,901	49.9
Colorado Springs, CO	1,345	432	349	838	1,187	88.3
Detroit, MI	11,516	3,838	605	274	879	7.6
Flint, MI	1,170	470	716	887	1,603	137.0
Gary, IN	1,715	1,159	273	2,189	2,462	143.6
Little Rock, AR	1,900	522	414	1,070	1,484	78.1
Louisville, KY	5,404	1,608	462	1,419	1,881	34.8
New Haven, CT	3,060	895	1,063	2,624	3,687	120.5
Oakland, CA	7,231	3,112	1,430	1,697	3,127	43.2
Oklahoma City, OK	4,922	1,381	1,047	1,520	2,567	52.2
Paterson, NJ	2,565	863	265	635	900	35.1
Portland, ME	2,185	840	224	1,944	2,168	99.2
Portsmouth, VA	735	510	258	318	576	78.4
Pueblo, CO	1,205	390	308	434	742	61.6
Racine, WI	445	146	372	744	1,116	250.8
San Diego, CA	13,510	4,503	4,318	2,609	6,927	51.3
Tampa, FL	3,435	1,146	1,157	1,628	2,785	81.1
Wichita Falls, TX	540	155	155	352	507	93.9
Total/Average	94,281	32,830	24,615	68,368	92,983	98.6

^{1/} Source: PY 5 HAPs and 1978 GPRs.

Table XIV-4
 PY 5 Rental Housing Goals Compared To Commitments of HUD Rental Housing Assistance
 (In Units)

City	PY 5 3-Year Goal	FY 1977-1978 Commitments ^{1/}	FY 1979 ^{2/} Commitments		Total FY 1979 Commitments	Total Commitments 1977-1979
			Public Housing	Section 8		
Albuquerque, NM	2,940	1,220	207	239	446	1,666
Atlanta, Ga	2,796	5,552	---	1,166	1,166	6,718
Bellevue, WA	306	130	54	50	104	234
Bloomington, MN	347	265	---	72	72	337
Boston, MA	5,100	4,875	---	2,425	2,425	8,300
Bristol, CT	270	246	160	69	229	475
Buffalo, NY	2,500	1,809	---	504	504	2,313
Cincinnati, OH	4,713	3,517	---	1,613	1,613	5,130
Colorado Springs, CO	1,091	331	50	97	147	470
Detroit, MI	4,682	2,067	66	2,745	2,811	4,878
Flint, MI	690	461	---	364	364	825
Gary, IN	1,340	982	---	435	435	1,417
Little Rock, AR	1,600	907	---	36	36	943
Louisville, KY	2,970	1,173	---	594	594	1,767
New Haven, CT	1,324	1,631	300	921	1,221	2,852
Oakland, CA	5,311	4,049	181	832	1,013	5,062
Oklahoma City, OK	1,290	971	---	438	438	1,409
Paterson, NJ	80	258	---	223	223	481
Portland, ME	1,360	345	---	248	248	503
Portsmouth, VA	410	136	---	163	163	299
Pueblo, CO	654	309	20	319	239	548
Racine, WI	146	372	---	160	160	532
San Diego, Ca	9,610	4,231	47	1,123	1,170	5,401
Tampa, FL	2,570	1,015	282	229	511	1,526
Wichita Falls, TX	400	215	---	11	11	226
Total/Average	55,215	38,067	1,791	14,976	16,343	54,410

^{1/} Source: PY 5 HAPs.

^{2/} Source: HUD CPD Data System. Data Not Audited by HUD.

must be met in proportion to need; past performance; the availability of housing resources; and the "expected to reside" calculation. For all cities, the three-year goal was 94,281 units. Of this, 28 percent of the housing units were planned for homeowners and 72 percent for renters. More than 38 percent of the units were planned for the elderly and handicapped. Nearly 48 percent were for small families and the remaining 14 percent were for large families. This proportion is generally similar to that reported in the Third Annual Report. Third year goals were 39 percent elderly, 46 percent small family and 15 percent large family.⁻

Potential for Achievement of HAP Goals

Available Housing Resources

One objective of the HAP is to increase the availability of assisted housing and in part its usefulness has to be judged in terms of the housing accomplishments that cities achieve. As noted earlier, in the case of most cities, housing needs and three-year goals proposed for the second full planning cycle are significantly larger than are past accomplishments. Because of the importance of HUD funding in the development of cities, an essential component of a successful housing program will be the resources that are available from HUD.

Table XIV-4 compares HAP rental housing goals and the extent to which cities anticipate HUD funding to previous levels of HUD commitments to the cities in **Fiscal Years 1977-1979.**^{8/}

The data show that the cities will require a commitment of 55,215 units from HUD to meet their three-year goals and that the level of HUD assistance during the previous three fiscal years roughly matched local HAP goals. While the aggregate level of commitments by HUD appears sufficient to allow cities to meet their goals, in many instances, the commitments to individual cities are significantly lower or higher than the three-year goal. A total of seven cities received combined three-year 1977-1979 unit commitments of less than two-thirds of their three-year HAP goals. On the other hand, five cities received combined three-year 1977-1979 unit commitments in excess of 125 percent of their three-year HAP goals.

^{7/} HUD, Community Development Block Grant Program Third Annual Report, March 1978, p. 171.

^{8/} Rental housing data was used because it was more readily available and because cities rely predominantly on HUD for rental housing assistance. The 25 cities only expected to fund 30 percent of homeowner units using HUD housing assistance. Rental assistance figures include Section 8, public housing and Section 202, but not Section 312 rental units.

These differences in the extent of HUD support are due to a number of factors including the relationship between HAP goals and the "Fair Share" allocation for the city; the availability of funds within an Area Office jurisdiction and the Office's allocation policies; the ability of localities to use housing assistance funds; and the level of previous commitments to the cities. This comparison appears to indicate that although the general level of HUD assistance available is adequate to meet HAP goals, if current practices continue some cities are not likely to be able to achieve their rental housing goals because they will have received insufficient federal assistance. In other cities, however, the goals seem feasible and may even be surpassed.

Impediments to Accomplishing HAP Goals

The process of developing assisted housing is complex and takes time. It requires the consensus of the funding source--usually HUD--the city and the sponsoring organization. There are many local factors, circumstances and impediments to the achievement of HAP goals. These include factors relating to (1) project feasibility, (2) program objectives, and (3) environmental conditions.

There are many problems that must be solved to develop feasible projects. Competent and willing project sponsors must be available. In some communities, however, developers or public housing agencies do not have adequate development expertise or do not want to build assisted housing, particularly for families. Securing acceptable locations can be a difficult undertaking. Sites are sometimes not available, or they may be too costly. Developing projects within cost constraints may be impossible because of high construction or site acquisition costs or low fair market rents. The amount or type of housing subsidy assistance that cities or sponsors need may not be available.

Program objectives and strategies can create additional barriers to development. Housing opportunity or site selection criteria sometimes make finding suitable sites very difficult. Local government site selection objectives may be in conflict with the sponsor's proposal. Because elderly housing is more attractive financially and easier to manage, many developers want only to serve the housing needs of the elderly whereas HUD's objective is to provide housing to all groups in proportion to their needs. CDBG or locally funded programs may have trouble gearing up and operating efficiently and this can affect local housing production capability.

Environmental considerations can be a barrier to meeting HAP objectives. Community opposition to assisted housing, particularly family housing, is common. Because of opposition to high-density development, properly zoned land may not be available. Rehabilitation programs may be halted by the inability to handle relocation problems. Local governments have not been successful in coordinating their community development and housing efforts which may be a prerequisite for meeting HAP goals. All of these factors affect the level of performance that a city is able to achieve. In some

cases, cities have the resources to overcome these problems. In other cases, the problems are beyond their control.

As might be anticipated, city officials believe that the key impediment to achieving the HAP goals is inadequate HUD funding. Table XIV-5 provides a breakdown of the factors city officials believe to be important obstacles to achieving their HAP goals. Besides the lack of federal funding, respondents ranked inadequate funding from state housing programs, high construction costs and lack of available sites as other important barriers. Less than half the respondents identified lack of experienced developers, lack of interest in Section 8, acquisition problems or community opposition as impediments to meeting the HAP goals. Officials in larger cities (250,000 or more population) more frequently cited lack of HUD funding as the major impediment to meeting their HAP goals. City size does not appear to explain the incidence of other impediments noted by local officials. Many respondents indicated that building family housing posed many more problems than did building elderly housing. This was due to several factors. Developers were less interested in building family projects. Elderly projects were financially more feasible and attractive. There was significantly more community opposition to family projects than to elderly projects.

Action Cities Are Taking to Implement the HAP

Except for the administration of housing and building codes, most cities did not play an important role in the housing development process before the advent of the CDBG program. Cities did little comprehensive planning and tended to be passive and rely on private developers or independent public housing for lower income families. Housing development occurred independently of city physical improvement activities. The CDBG program enables cities to coordinate housing and community development programs and to take an active role in assuring the development of lower income housing. The HAP is intended to be the city's plan for structuring and channeling the assisted housing development process. Since the March 1978 regulations were issued, recipients have been required to undertake specific actions to promote housing. Cities seem to be increasing their involvement in assisted housing development and responding to this new challenge.

Cities have undertaken a variety of actions to support assisted housing, coordinate housing and community development activities, and help implement the HAP goals. The extent and number of activities vary, however, by city. All 25 of the cities have established a housing loan and grant program financed with CDBG funds. In some cases, a large portion of the entitlement grant is used for housing. For example, in the fifth year, Boston, Louisville, Bristol and Atlanta have budgeted more than 30 percent of their CDBG grant for housing rehabilitation. In addition, many cities have undertaken a variety of other approaches to supporting assisted housing. These actions range from programs to inform developers about Section 8 and help them prepare applications for funding to programs to reduce the

Table XIV- 1/
 Impediments to Accomplishing HAP Goals—

	Number of Cities Identifying Impediment Most			Percent of Cities Identifying Impediment
	Important	Major	Minor	
Inadequate State Funding	5	7	1	52
Lack of Experienced Developers	1	-	3	16
High Construction Costs	9	6	1	64
Lack of Available Building Sites	2	4	3	60
Lack of Developer Interest in Section 8	1	5	4	40
Site Selection Requirements/Housing Opportunities	5	4	4	52
Developers Not Interested in Section 8 Family Housing	7	3	2	48
Site Acquisition Problems	3	3	3	36
Community Opposition	3	4	4	44
HUD Processing Requirements	-	3	5	32
Low Fair Market Rents	-	5	-	20
Total	61	48	31	

1/ Source: Interviews with City Staff.

K-CIX

costs of housing development by providing sites, land writedowns, or below market financing. In **10** cities the public housing agency acts as a Section **8** developer.

Table **XIV-6** provides information on the actions cities have taken. Because the information is based on responses of CDBG program officials and not a formal review of city sponsored activities, the data may understate the extent of activity that is actually occurring. Four cities were making no special efforts beyond funding a CDBG rehabilitation program. Of the remaining **21** cities, the provision of housing-related technical assistance and information was the most common activity and was being offered by **16** cities. Eleven cities helped developers prepare applications. In a similar number, officials indicated that they promoted housing opportunities. Programs for land banking and the provision Section 11b or housing mortgage bond financing were also common. The range of actions undertaken differs by city. Some cities such as Pueblo, Boston, Gary, and Colorado Springs provide many different types of assistance. Many other cities are involved in only two or three types of actions.

Issues, Costs, and Problems

Policy Problems and Issues

The designers of the HAP hoped that the requirement would accomplish several objectives including: improve the character of local planning, increase the commitment of localities to deal with the housing needs of low income households, put the city in a more influential role in the housing development process and encourage cities to improve their capability to coordinate housing and community development programs.

These were ambitious goals and the field study showed that, while the goals had not been achieved in many cities, there were indications that the involvement of cities in housing planning and implementation activities had increased in recent years and their perceptions of housing needs and problems had broadened. Implementation of the HAPs represents a continuing challenge at **the** local level.

Given the local implementation problems, two major issues that HUD faces are the extent to which HUD housing assistance resources are adequate to enable cities to meet their goals and the extent to which HUD will condition CDBG assistance on the success cities have in achieving their HAP goals. Even though many cities can point to high levels of housing accomplishments since **1975**, they have been able to make progress in meeting their goals by building elderly housing and/or relying largely on the Section **8** existing housing assistance program.

Because of the **need** to assist elderly and family households in a manner consistent with **their** needs, and due to the reduced availability of vacancies in the existing **housing** stock, some cities are now increasing their emphasis

Table XIV-6
 Actions Being Taken by Cities to Support Assisted Housing—

1/

<u>Actions Undertaken</u>	<u>Number of Cities</u>	<u>Percent of Cities Taking Action</u>
Provide CD Rehab Loan Financing	25	100
Provide Information and Technical Assistance	16	64
Help Developers Prepare Applications	11	44
Writedown Project Costs	3	12
Provide Land Writedowns	6	24
Provide Building Sites	8	32
Provide Tax Abatement	6	24
Provide Front-end Financing	—	—
Provide 11b or Bond Financing	2	32
Expedite Building Permits	9	36
PHA Acts as Section 8 Developer	10	40
Provide Zoning Changes	6	24
Promote Housing Opportunities	11	44
Undertake Site Review	1	4

1/ Source: Interviews with City Staff.

on new construction and rehabilitation for families. For financial and local political reasons, city officials admit that developing such housing will be very time-consuming and difficult. In addition, because HAP goals are typically set by local planning agencies, they may not fully reflect local development capabilities or be an accurate assessment of the feasibility of developing projects. These problems are further compounded by such developmental impediments as lack of adequate sites and high land and construction costs. For these reasons, some HAP goals can be unrealistic regardless of the availability of HUD resources.

Because of a multitude of factors affecting housing performance and the differing roles that cities have played in housing, the performance of a city has to be examined on a case-by-case basis. Some city governments have actively involved themselves in housing. Some cities have the capability to produce housing and HUD has provided the resources to enable them to meet their goals. In other instances, this is not the case. Some cities prepare a HAP because it is a prerequisite for CDBG assistance but have not been willing to make a serious effort to expand lower income housing in their localities. In such situations, HUD may have to take actions against cities who avoid the housing responsibilities implicit in the HAP. The field study points up the importance of viewing progress in perspective and in the context of local circumstances.

Another reason for exercising care in evaluating city performance is the deficiencies in the data that are used in the HAP. Many respondents complained that the data that is used to prepare the HAP is obsolete and inaccurate. There is probably little that can be done to improve the quality of data until the 1980 Census is available. When cities have undertaken special studies, Area Office staff have questioned the accuracy of the information. Given this situation, the HAP represents an inexact tool for measuring progress or for assessing accomplishment on the basis of needs.

The issue of site selection and its impact on housing opportunities is covered in another chapter of this report, but it is intertwined with the issue of HAP performance. Policies related to the issue of housing opportunities will have ramifications for the HAP and for measuring the progress that cities are achieving. Officials in a number of cities complained that HUD site selection policies were delaying housing progress and do not adequately take into account local needs and preferences. Disagreements between HUD and cities over sites affect the pace of development and the extent to which goals are achieved. In a number of cities, respondents noted that HUD questioned sites for assisted housing that had been developed with HUD assistance. Several city officials mentioned that they opposed participation in an AHOP because the central city would have its housing allocation reduced. Given the housing needs of the central cities and the preference of many lower income families to reside there, they argued that participation in an AHOP could have a significant negative impact on their cities and impede the objective of the CDBG program.

City Perceptions of the Usefulness of the HAP

Officials were divided in their views of the usefulness of the HAP. Respondents in 10 cities believed that the HAP was a useful exercise and had resulted in benefits to the city. Officials in four other cities had a mixed view of the HAP--it had some virtues but it also had some negative characteristics. In eleven cities the HAP was judged not useful. There does not seem to be a correlation between attitude toward the HAP and various city characteristics, such as extent of substandard housing, economic circumstances, previous experience with HUD programs, or percent minority population. On the other hand, in cities with populations under 100,000 and in cities located in the Northcentral region of the country most officials think that the HAP was a useful document. There does not appear to be any obvious explanation for that pattern of response. In those cities, housing planning may not have occurred to any significant degree before the CDBG program or respondent views may reflect attitudes about the role that local governments should play in improving housing conditions.

The proponents of the HAP thought that preparing the HAP was a useful exercise and that it had positive value to their communities. Three principal benefits of the HAP noted were: it forces the city to think about and plan a housing strategy and to deal with its lower income housing needs, it has the effect of documenting housing needs and committing a city to their solution, HUD takes the HAP into consideration in allocating its housing funds.

Among respondents who felt the HAP had limited utility, four basic views were expressed: the HAP is purely a compliance document required by HUD and has no local relevance or use, the data and methodology used do not result in accurate estimates of housing conditions or needs (given the outdatedness of 1970 census data), the HAP does not have a substantial impact on the housing decision-making process at the local level, the HAP goals are not realistic or they do not reflect the availability of HUD assistance.

Conclusions

The usefulness and impact of the HAP requirement varies by city and reflects the seriousness that city officials and Area Office staff attach to its preparation and implementation. In some cities the HAP is used to develop a coordinated local housing strategy whose implementation is actively pursued in making allocation decisions. In other cities, it is a mechanical exercise that sets goals that cannot be achieved given local circumstances and constraints and the levels of HUD housing assistance. Not surprisingly, HAPs are only *as* useful as cities and HUD are willing to make them.

HAPs document both the diversity of cities' housing needs and objectives and the different approaches that are used to estimate needs. The extent of the housing problems, tenure patterns, types of assisted housing that are needed, and extent of previous housing accomplishments vary by city. These factors affect the ability of cities to achieve their HAP goals. The most important

factor, however, according to local officials, is the level of funding that HUD provides, although some cities rely on state agencies or local programs to finance a portion of their housing program. Without adequate funding, HAP goals cannot be reached. If funding is inadequate, the credibility of the HAP is undermined. As one PHA director noted, "The HAPs are not worth a damn unless we can deliver."

For a variety of reasons, some cities have received HUD funding commitments in excess of their goals and for others the level of commitments has been much less than would be required to achieve their goals. While HUD assisted housing funds are the predominant funding source, CDBG funds are a significant and increasing source of financing. Fifth year projections show that 22 percent of the housing units in their three-year goal, and 57 percent of their assistance for homeowners, will be financed by CDBG funds.

It is not surprising that city officials believe that the major impediment to meeting their HAP goals is the lack of adequate funding from HUD, and in some cases state agencies, but there are many other obstacles that have to be overcome including high construction costs, lack of available sites, developer disinterest in building family housing and site selection requirements. Even if funding were increased for cities with low records of success, it is possible that the level of housing production would not equally increase. There are many different problem and factors at work in each city that have an effect on the extent and pace of assisted housing development and which are not related to the level of HUD assistance.

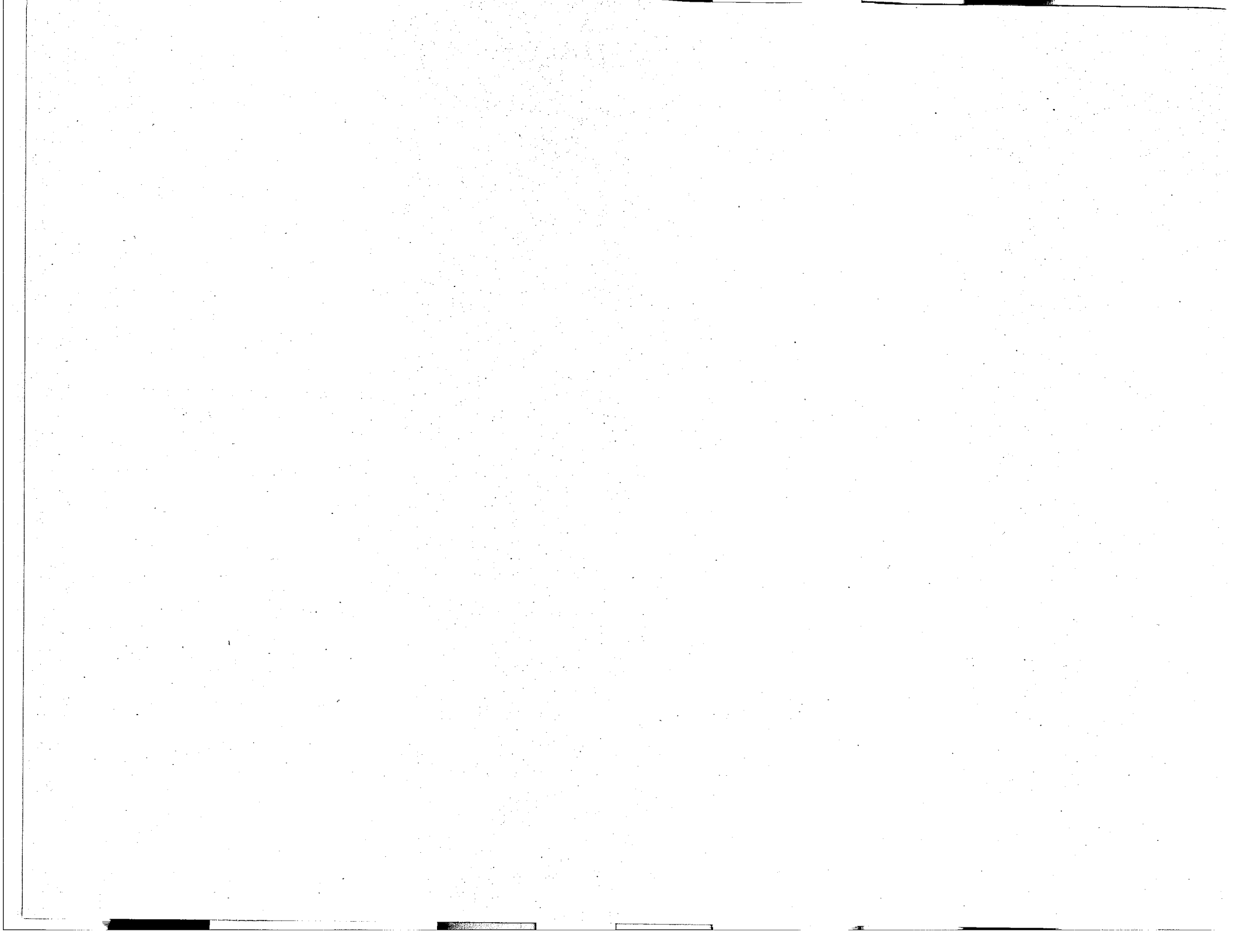
Prompted by the HAP requirements and by HUD field staff, cities are taking actions to foster assisted housing development and are more involved in housing planning and processes than they were previously. The HAP requirement formalizes a planning process in which local officials review housing needs and establish goals and strategies for meeting those needs. All cities have established rehabilitation loan programs and many others provide assistance ranging from land writedowns and other financial assistance to information and technical assistance to developers to help them to develop feasible projects. The character of cities involvement in housing activities, however, seems to be based on local attitudes and political considerations rather than the extent of housing need or other city characteristics.

For HUD to assess the extent to which cities have made a serious attempt to achieve their goals will be a difficult task because performance is affected by many factors and cities have identified their needs and set their goals in different fashions using various criteria. HUD processing and site selection requirements can also affect the degree of performance achieved. City officials are divided about their view of the usefulness of the HAP. Some believe that the HAP requirement has increased local commitment to providing housing for lower income families and has resulted in more consideration being given to housing problems. Others do not believe that preparing the HAP is a useful exercise or affects the level of housing activity. Still other city officials report that the HAP is not the effective housing and planning management

tool that some proponents of the requirement have envisioned, but it is more than just a bureaucratic exercise that has no impact on the attitudes of local government and housing officials.

PART VII

APPENDIX



APPENDIX

Sample and Sampling Methodology for Entitlement Communities

The data in this report were derived primarily from two different samples. The basic information on entitlement cities, which describes the amount of funds budgeted by strategies and activities, benefits to low- and moderate-income census tracts, and progress, was derived from a sample of 151 formula and nonformula entitlement cities within SMSAs. Additionally, to obtain more detailed information on cities for the special issues covered in the latter section of the report, that a smaller, more manageable subsample of 25 cities was drawn. A brief description of both samples is presented below.

The 151-City Sample

The 151-city sample was based on a stratified random sample. The strata sample sizes were determined by an optimum allocation formula at the 95 percent confidence level with a 5 percent sampling error.^{1/} On the basis of the first year entitlement amount, the universe of 792 metropolitan entitlement and hold-harmless cities were divided into three strata: over \$4 million, \$1-4 million, and under \$1 million (Table A-1).

Estimated sampling parameters (mean and standard deviation) were computed from budget line item expenditures for "Public Works, Facilities, and Site Improvements." The selection of "Public Works..." results in undersampling of the line item "Code Enforcement" and oversampling of "Clearance and Demolition/Rehabilitation."

Estimates of current reliability which compare the line item budgeted amounts for the sample with the same in the universe are presented in Table A-2. Note, however, that the sample includes 147, not 151 communities. Several communities have been dropped from the original 151, either because they did not apply for a grant or because this year their application arrived too late for analysis.

The 25 City Sample

The 25 cities were selected to include cities with varying demographic characteristics, regional and size characteristics, program and activity funding levels, and degree of previous experience with Federal programs. The following variables were used in the selection process.

- o Demographic Characteristic

Population Change 1970 - 1976

^{1/} Herbert Arkin, Handbook of Sampling for Auditing and Accounting, New York: McGraw-Hill, 1963, Vol. 1, p. 196.

Table A-1

Metropolitan Entitlement-Stratification and Sample Size
(151-City Sample)

Stratum	Entitlement Amount	Universe of Cities	Sample Size	Sampling ^{*/} Error
I	Over \$4 million	108	34	\$119,347.5
II	\$1-4 million	178	59	33,602.8
III	Under \$1 million	560	58	3,769.6

*/ Five percent of the estimated mean for each stratum.

SOURCE: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation.

o Demographic Characteristic (Continued)

Percent Minority Population
Unemployment Rate
Percent Households Below Poverty
Percent Substandard Dwellings
Extent of Distress

o City Size Characteristics

More than 500,000
250,000 to 500,000
100,000 to 249,000
Less than 100,000

o Regional Characteristics (As Defined by the U.S. Census)

Northeast
North Central
West
South

o Program and Activity Funding Levels

Property Acquisition, Disposition, and Relocation
Public Facilities and Improvements
Clearance Activities
Public Services
Rehabilitation and Preservation

Table A-2

Estimates of Sample Reliability:
Line Item Budgeted Amounts for Entitlement Communities
(Fourth Year Applicants)

Items	147 Sampled communities		Universe of Metropolitan Entitlement Communities	
	Budgeted Amount (\$000's)	Percent	Budgeted Amount (\$000's)	Percent
Acq. of Real Property.....	54,659	10.8	191,090	8.4
Public Works.....	151,817	29.9	674,172	29.8
Code Enforcement.....	8,637	5.2	44,227	1.9
Clear & Demo/Rehab.....	26,181	5.2	231,460	10.2
Rehab Costs.....	76,342	15.1	333,120	14.7
Spec. Project for Eld./Hand.....	4,022	.8	17,801	.8
Payments for loss of Ret.....	52	.01	471	..
Disp. of Real Property.....	1,068	.2	4,646	.2
Prov. of Public Service.....	45,322	8.9	196,584	8.7
Pay Non-Fed Sec.....	5,546	1.1	34,116	1.5
Comp. UR/NDP.....	18,540	3.7	72,568	3.2
Reloc. Expts.....	19,022	3.8	72,092	3.2
Plan., Mgt. & Devel.....	19,265	3.8	78,541	3.5
Administration..	60,519	11.9	232,594	10.3
Model Cities.....	517		1,915	.1
Repayment UR/NDP..	15,317	3.0	79,504	3.5

o Previous Experience With Federal Programs

Urban Renewal

Model Cities

Other Programs (Open Space, Water and Sewer, and Neighborhood Facilities)

The selection process precluded the use of a random sampling procedure. Cities were purposely selected to represent a diversity and broad range of program experience. The following Tables depict how the 25 cities reflect the sampling factors listed above. Table A-3 shows the regional and demographic characteristics. Table A-4 shows program funding levels, previous Federal program experience, and city size characteristic. Table A-5 shows funding levels by specific program activities.

Census Tract Level Community Development Distress Index

The measure of community development distress at the census tract level was devised to capture the degree of physical decay and income blight for each census tract relative to the city as a whole. Four variables were assembled to generate this index. They are: percentage of persons in poverty, 1969; percentage of year-round housing built before 1940; percentage of owner-occupied housing, 1970; and median family income, 1969. Slightly different weightings were given to each variable to show the relative importance it was judged to have in measuring community development distress. Reflecting the importance of percentage of persons in poverty and percentage of year-round housing built prior to 1940 in the CDBG allocation formula, these variables were assigned the highest weights, .3. The other variables, percentage of owner-occupied housing and median family income, were assigned lesser weights, .25 and .15, respectively. Median family income was given the least weight, since some of its variance is reflected in the percentage of persons in poverty. In the actual index, the variables were measured in standard scores based on the differences between census tract percentage and city average. The full equation for the index is:

$$\begin{aligned} \text{Census Tract Distress} = & \quad .3 \text{ (standard score of persons in poverty)+} \\ & \quad .3 \text{ (standard score of age of housing)+} \\ & \quad .25 \text{ (standard score of owner occupied)+} \\ & \quad .15 \text{ (standard score of median family income)} \end{aligned}$$

Finally, all census tracts were ranked from the most distressed decile to the least distressed decile, with the three most distressed deciles considered seriously distressed; the middle three deciles moderately distressed; and the last four least distressed.

Table A-3

Comparative Demographic/Economic Data For 25 Cities Surveyed

Regional/City	Population 1976	Recent Population Change 1970-1976	Minority Population 1970		Unemployment Rate	% Households Below Poverty 1970	Distress Measures		Percent Substandard Dwelling Unit
			% Black	% Hispanic			HUD Need Score and (Quintile) (.000 = median)	Urban Institute Ranking (1 = Most Distress)	
Northeast :									
Boston	618,250	3.6	16.3	2.8	6.3 ('78)	17.3	.556 (1)	5	34.0
Bristol	57,474	3.6	1.0	.9	5.0 ('78)	6.9	-.671 (4)		9.0
Buffalo	400,234	-13.5	20.4	1.6	10.4 ('78)	19.5	.513 (1)	11	9.7
New Haven	124,583	9.5	26.3	3.6	9.5 ('77)	18.3	.602 (1)	6	19.9
Paterson	154,256	6.5	26.9	13.4	14.8 ('77)	18.4	.770 (1)	2	21.5
Portland	62,935	-3.3	.7	.3	7.4 ('77)	17.8	-.160 (3)	87	.9
North Central :									
Bloomington	78,683	4.0	.3	.6	5.3 ('75)	3.3	-.837 (5)	*	15.0
Cincinnati	410,441	9.5	27.6	.6	10.5 ('75)	20.0	.543 (1)	10	20.2
Detroit	1,314,200	-13.2	44.2	1.8	9.9 ('77)	16.4	.626 (1)	28	21.2
Flint	169,583	-12.3	28.1	2.1	19.1 ('75)	13.3	.244 (2)	25	10.0
Gary	163,375	-13.1	52.8	8.1	8.6 ('77)	16.4	.548 (1)	82	20.0
Racine	94,063	1.2	10.1	4.1	6.6 ('75)	10.7	-.178 (3)		7.4
West:									
Albuquerque	284,617	16.8	2.2	33.1	6.3 ('78)	14.5	-.365 (3)	105	5.4
Bellevue	66,569	8.8	.6	2.1	5.7 ('75)	4.1	-1.516 (5)		.8
Colorado Spgs.	180,821	33.9	5.2	7.4	7.5 ('75)	13.3	-.803 (5)	145	15.5
Oakland	332,028	8.2	34.5	7.6	12.7 ('75)	16.6	.524 (1)	44	18.1
Pueblo	103,918	6.6	2.1	28.3	5.3 ('78)	16.7	-.052 (2)		9.4
San Diego	789,059	13.1	1.6	10.7	9.7 ('75)	13.0	-.510 (4)	110	3.4

*Not included in cities surveyed by The Urban Institute.

Table A-3

Comparative Demographic/Economic Data For 25 Cities Surveyed (continued)

Regional/City	Population 1976	Recent Population Change 1970-1976	Minority Population 1970		Unemployment Rate	% Households Below Poverty 1970	Distress Measures		Percent Substandard Dwelling Unit
			% Black	% Hispanic			HUD Need Score and (Quintile) Median	Urban Institute Ranking (Distress)	
South:									
Atlanta	425,666	-14.0	51.3	1.0	12.7 ('75)	19.4	.590 (1)	13	28.7
Little Rock	151,649	14.5	25.0	1.3	7.1 ('75)	18.0	.040 (2)	124	14.0
Louisville	330,011	- 8.8	23.8	3.3	4.1 ('70)	18.4	.485 (1)	40	24.4
Oklahoma City	369,438	.3	13.7	3.0	4.9 ('77)	16.2	-.242 (3)	71	14.5
Portsmouth	109,066	- 1.7	39.9	1.1	7.8 ('77)	1115	.467 (1)	62	12.3
Tampa	271,365	- 2.3	19.7	14.5	8.2 ('77)	20.9	.155 (2)	67	11.4
Wichita Falls	96,897	.3	9.6	5.9	4.9 ('75)	16.9	-.216 (3)	*	7.0

*Not included in cities surveyed by The Urban Institute.

Source: Bureau of Census, Current Population Reports; City CDBG Applications; Housing Characteristics, Bureau of Census; City Need and Community Development Funding (HUD, January 1979); Urban Economic Development Strategies by Harvey A. Garn (Urban Institute, September 1970).

Table A-4

Community Development Block Grant and
Previous Categorical Program Funding

Dollars in Thousands

City by Size	Community Development Block Grant						Previous Categorical Program		
	1979	1978	1977	1976	1975	Total	Urban ¹ Renewal	Model Cities	Other ² HUD
<u>less than 100,000</u>									
Bellevue	478	443	503	270	137	1,831	-	-	1,141
Bloomington	770	720	805	504	193	2,992	-	-	2,546
Bristol	943	1,207	1,533	1,533	1,533	6,749	16,546	-	82
Portland	3,099	3,375	4,502	4,907	5,272	21,155	17,149	8,223	2,052
Pueblo	1,842	1,804	1,756	1,051	1,016	7,469	2,799	-	2,764
Racine	1,861	1,696	1,277	782	352	5,968	-	-	1,509
Wichita Falls	2,106	2,078	1,523	928	418	7,053	-	-	1,647
<u>100,000 - 249,000</u>									
Albuquerque	5,332	6,329	8,464	9,029	9,594	38,748	27,174	13,111	1,888
Colorado Springs	2,330	2,178	2,093	1,793	1,793	10,187	7,846	-	-
Flint	5,668	6,279	7,608	8,144	8,759	36,458	27,449	-	4,005
Gary	4,724	4,743	7,239	6,440	6,974	30,120	21,808	12,511	3,992

¹ Includes Neighborhood Development Program

² Includes Open Space, Water and Sewer, and Neighborhood Facilities

Table A-4

Community Development Block Grant and
Previous Categorical Program Funding (continued)

Dollars in Thousands

City by Size	Community Development Block Grant						Previous Categorical Program		
	1979	1978	1977	1976	1975	Total	Urban Renewal ¹	Model Cities	Other ² HUD
<u>100,000 - 249,000</u>									
Little Rock	3,337	4,182	5,490	5,871	6,061	24,941	43,720	6,780	3,635
New Haven	9,333	13,142	18,977	18,041	17,078	76,571	170,584	4,732	2,770
Paterson	3,797	4,131	3,667	4,036	4,036	19,667	45,060	14,557	156
Portsmouth	3,231	3,802	4,507	4,507	4,507	20,554	34,315	-	1,636
<u>250,000 - 500,000</u>									
Atlanta	14,015	13,927	16,377	17,578	18,780	80,677	87,693	28,945	9,677
Buffalo	22,768	21,269	10,346	11,417	11,685	77,485	60,837	17,484	2,498
Cincinnati	17,447	17,101	18,453	18,828	18,828	90,657	140,575	17,391	5,016
Louisville	12,914	11,933	8,639	8,639	8,639	50,764	90,985	-	5,837
Oakland	11,981	11,361	12,124	12,810	12,738	60,564	67,740	13,627	5,927
Oklahoma City	7,149	7,418	8,183	8,183	8,183	39,116	88,720	-	1,917
Tampa	6,374	5,763	6,943	7,760	8,577	35,417	31,409	33,348	1,315

¹ Includes Neighborhood Development Program

² Includes Open Space, Water and Sewer, and Neighborhood Facilities

Table A-4

Community Development Block Grant and
Previous Categorical Program Funding (continued)

Dollars in Thousands

City by Size	Community Development Block Grant					Total	Previous Categorical Program		
	1979	1978	1977	1976	1975		Urban Renewal ¹	Model Cities	Other ² HUD
<u>Greater than 500,000</u>									
Boston	25,086	24,619	28,993	30,550	32,108	141,356	301,699	36,430	9,978
Detroit	60,419	56,349	28,304	31,606	34,187	210,865	180,499	70,445	14,415
San Diego	10,878	10,654	10,511	9,400	9,148	50,591	6,813	19,293	6,315

¹ Includes Neighborhood Development Program

² Includes Open Space, Water and Sewer, and Neighborhood Facilities

Source: HUD Directory of CDBG Allocation; City CDBG Application for 1979; HUD program data

Table A-5

% Distribution of Fifth-Year CDBG Funds By Major Program Activities¹

	Property Requisition Disposition & Relocaiton	Public Facilities & Improvements	Clearance Activities	Public Services	Rehabilitation & Preservation
Albuquerque	13.0	27.0	0.3	24.5	35.1
Atlanta	3.5	5.7	0.5	7.4	35.8
Bellevue	0	77.0	0	6.7	16.3
Bloomington	10.5	70.3	0	0	16.8
Boston	0.5	7.5	3.1	6.8	66.8
Bristol	0	34.4	0	3.9	52.0
Buffalo	2.5	26.3	3.0	12.0	30.3
Cincinnati	9.9	33.3	2.7	20.0	12.7
Colorado Springs	29.4	28.8	0.9	1.2	28.4
Detroit	27.2	25.4	19.8	8.7	18.1
Flint	20.4	11.2	1.9	19.5	44.7
Gary	27.9	19.1	7.0	17.9	28.1
Little Rock	0	43.3	1.4	33.5	21.1
Louisville	5.9	28.0	1.3	9.8	50.7
New Haven	46.0	13.3	3.1	26.7	10.3
Oakland	0	22.1	0	0	43.1
Okla. City	20.8	1.5	1.6	0	31.4
Paterson	14.5	6.8	5.3	46.3	16.7
Portland, Me	0	37.5	1.8	37.1	20.3
Portsmouth	31.8	2.7	2.5	3.0	8.6
Pueblo	20.9	60.7	0	0	18.4
Racine	44.3	30.5	0	0	21.6
San Diego	38.7	11.0	0	13.4	30.4
Tampa	3.4	52.7	0.2	5.9	37.7
Wichita Falls	23.8	54.3	1.1	3.3	6.6
Average 25 Cities	15.796	29.216	2.3	12.3	28.1

¹ SOURCE: 1979 CDBG Application, Cost Summary: Form 7067. Percentages derived from program activity allocations only; excludes other allocations such as planning, administration. Percentages do not total 100% because not all activities are represented.

Table A-5

% Distribution of Fifth-Year CDBG Funds By Major Program Activities¹(continued)

	Property Requisition Disposition & Relocaition	Public Facilities & Improvements	Clearance Activities	Public Services	Rehabilitation & Preservation
<u>Average²,151 Cities</u>					
1978	13.0	40.7	2.2	12.0	25.3
1977	11.7	45.4	2.4	7.5	22.0
1976	16.7	40.5	2.6	5.8	21.6
1975	25.9	34.1	3.3	10.2	17.3

¹ SOURCE: 1979 CDBG Application, Cost Summary: Form 7067. Percentages derived from program activity allocations only; excludes other allocations such as planning, administration. Percentages do not total 100% because not all activities are represented.

² SOURCE: HUD, Office of Evaluation, CPD, based on analysis of 151 sample of entitlement cities.

