

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Housing and
Community Development
Act of 1974

SECOND
ANNUAL REPORT

DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING
AND DEVELOPMENT
OFFICE OF EVALUATION





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U.S. Department of Housing
and Urban Development

Community Planning
and Development
Office of Evaluation



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EXECUTIVE SUMMARY

This Second Annual Report focuses on a comparison of experiences in the first and second years of the Community Development Block Grant (CDBG) program. In that period, substantial changes have occurred in the uses that local governments are making of block grant funds.

Fiscal Year 1976 funding has gone to many communities not involved in the first year CDBG program or in previous HUD categorical programs. Over the first two years of Title I, the number of different localities receiving HUD funds has climbed to a total more than triple that of the pre-block grant era. Within entitlement communities funded under CDBG, specific neighborhoods receiving community development assistance also have shown nearly a three-fold increase compared with the number receiving assistance prior to enactment of the block grant legislation. These newly-assisted areas are generally of higher income than those assisted before 1975. Continuation of that trend into 1976 is one reason why funds going to low- and moderate-income areas decreased by approximately 10 percent from 1975 to 1976.

The neighborhood continues its increasing importance as the focus for community development activity. Neighborhood preservation and rehabilitation activities show a substantial increase over the short history of the program. Communities are having some success at attracting private funds into deteriorated areas, drawing \$2.40 in private investment for every CDBG rehabilitation dollar spent.

COMMUNITY DEVELOPMENT BLOCK GRANT FUNDING

The Department of Housing and Urban Development has approved approximately \$5.08 billion dollars in CDBG funds for over 4,500 communities through Title I of the Housing and Community Development Act of 1974 over the two program years. The recipients are 513 metropolitan cities, 740 small hold harmless communities, 76 urban counties, and over 3,500 discretionary communities. (The glossary at the end of this summary defines these terms.)

Since passage of the Act, \$5.3 billion has been allocated for eligible recipients. (See Table S.I for definition of "approved" and "allocated.")

Grant allocations indicate that 78.2 percent of the funds are allocated within metropolitan areas and 18.5 percent to communities outside Standard

Metropolitan Statistical Areas (SMSAs). For the second program year, 84.3 percent of the funds are earmarked for entitlement communities through both formula and hold harmless distribution. The discretionary grant programs have been allocated 12 percent of the total available funds. Small communities received 27.4 percent of second year funds; metropolitan cities and urban counties will receive 69.2 percent.'

Of the 1,320 entitlement applications that were submitted in the second program year, all but eight were approved. Each of these disapprovals was based on inadequacies in the Housing Assistance Plans as submitted, and an unwillingness on the part of the communities to revise them. In addition, 28 entitlement communities chose not to apply for funds in Fiscal Year 1976, compared to 16 in the first year.

Of the 710 metropolitan discretionary full applications invited by HUD, 667 have been submitted to date; 543 of these have been approved. HUD invited 1,419 communities to submit full applications for nonmetropolitan discretionary funding. Of these, 1,361 have been submitted, and 1,235 were approved as of November 30, 1976.

LEGISLATIVE OBJECTIVES

Comparison of Fiscal Year 1975 and 1976 budgets and applications for a sample of CDBG entitlement communities reveals little change in the legislative objectives receiving emphasis. There is a slight increase from Fiscal Year 1975 to 1976 in efforts related to conservation and expansion of housing stock (16.3 to 19.6 percent of CDBG funds) and a decrease almost as large in funds devoted to improvement in the quantity and quality of public services (12.1 to 9.6 percent). Other budget variations between the two years were negligible. Fiscal Year 1976 CDBG programs continued to place major emphasis upon three national goals: elimination and prevention of slums and blight; better arrangement of activity centers², and conservation and expansion of housing stock.

¹These calculations omit 3.7 percent of the funds set aside by the Act for Urgent Needs and the Secretary's fund.

²This goal is referred to in the legislation as "a more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers."

Table S.1
CDBG FUND ALLOCATIONS AND APPROVALS, BY GRANT CATEGORY
FY 1975 AND FY 1976
(AS OF NOVEMBER 30, 1976)

	Grant Allocations (\$000)					Grant Approvals (\$000)		
	Total—FY'75 & '76		FY 1976			Total—FY'75	FY '76	
	Amount	% of Total Allocations	No. of Commu—nities	Amount	% of Total Allocations	Amount	No. of Commu—nities	Amount
I. ENTITLEMENT	\$4,581,797	85.6%		\$2,363,068	84.3%	\$4,447,583	1,312	\$2,352,893
Metropolitan	4,046,601	75.6		2,097,671	74.9	3,921,584	867	2,087,535
Metro Cities	3,375,364	63.1	522	1,718,175	61.3	3,266,787	508	1,709,940
Urban Counties ^{a/}	327,739	6.1	75	208,563	7.4	317,410	75	208,563
Small Hold Harmless	343,498	6.4	302	170,933	6.1	337,387	284	169,032
Nonmetropolitan (Small Hold Harmless)	535,196	10.0	449	265,397	9.5	525,999	445	265,358
II. DISCRETIONARY BALANCES	590,269	11.0		335,932	12.0	568,493	1,778	314,184
SMSA Balances	136,571	2.5	N/A	81,929	2.9	123,103	543	68,483
Nonmetropolitan Balances	453,698	8.5	N/A	254,003	9.1	445,390	1,235	245,701
III. URGENT NEEDS	100,000	1.9	N/A	50,000	1.8	67,011	31 ^{b/}	17,012 ^{b/}
IV. SECRETARY'S FUND	79,934	1.5	N/A	53,000	1.9	29,106	5 ^{b/}	2,171 ^{b/}
TOTAL	\$5,352,000	100.0		\$2,802,000	100.0	\$5,112,193	3,126	\$2,686,260

SOURCE: U.S. Department of Housing and Urban Development. Community Planning and Development, Office of Management
NOTE: Grant allocations in this table represent funds appropriated by the Congress, which have been allocated to the categories of eligible recipients according to Section 103, 106, and 107 of the Housing and Community Development Act of 1974. Grant approvals represent funds requested in Community Development Block Grant applications and the subsequent approval of such requests by HUD.

^{a/} Hold harmless funds allocated for urban counties in accordance with Sec. 106(h) are included in the urban counties category

^{b/} As of July 31, 1976.

Legislative Certifications

The Community Development Block Grant legislation requires recipient certification to the Secretary that its program has been developed so as to give "maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight" or that are designed to meet other community development needs "having a particular urgency."

Entitlement communities, in developing their Fiscal Year 1976 block grant programs, budgeted:

- 57.3 percent of the funds for activities that benefit families in low- or moderate-income areas.
- 38.6 percent of the funds for activities that aid in the prevention or elimination of slums or blight.
- 9.6 percent of the funds for activities certified as, meeting other community development needs of particular urgency.

From the first to the second program year there

has been an estimated decline from 63.6 to 57.3 percent in the proportion of funds benefiting low- or moderate-income areas and families.³

Funded Activities

Entitlement communities gave primary emphasis to redevelopment, public works, and housing rehabilitation. Emphasis changed between Fiscal Year 1975 and 1976 in these three areas: redevelopment (-8.2 percent), other public works (+7.3 percent), and housing rehabilitation (+5.3 percent). The proportion of funds budgeted decreased for all other activities except one; a slight increase was planned for open space and neighborhood facilities projects. (See Table S.3.)

³The second year estimate of benefit is calculated through a revised methodology for computing program benefits. This methodology has also been applied to the first year estimate resulting in a lowering of the estimate of 69-71 percent benefit to low- and moderate-income persons reported in the First Annual Report on Title I to 63.6 percent.

Table S.2

LEGISLATIVE OBJECTIVES OF CDBG METROPOLITAN ENTITLEMENT COMMUNITIES

	FY 1975	FY 1976
	Percent	Percent
Elimination of Slums and Blight	42.6	43.1
Elimination of Detrimental Conditions	5.6	5.6
Housing Stock Conservation and Expansion	16.3	19.6
Improvement of Community Services	12.1	9.6
Better Arrangement of Activity Centers ^a	21.3	21.0
Reduction of Isolation of Income Group	.1	0
Historic Preservation	.9	1.0
Total (%)	98.9	99.9
(\$000)	(371,759)	(394,129)

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of 151 sample metropolitan entitlement applications for Fiscal Year 1975 and 147 for Fiscal Year 1976.

^aThe legislative objective in Section 101(c)(5) is more commonly referred to by its first phrase "a more rational utilization of land. . ."

COMMUNITY DEVELOPMENT APPROACHES

Number and Kinds of Areas Receiving Assistance
 Communities are budgeting assistance for more than half the census tracts within their boundaries. These funds cover more than 80 percent of their low- and moderate-income tracts; 62 percent of the median income census tracts (those with median incomes that are 80-100 percent of the SMSA median), and 30 percent of the above median income tracts. Nearly half of all funded low- and moderate-income census tracts were not previously funded under HUD categorical grant programs.

Allocation of Funds Among Areas

Economic development activities account for 9.7 percent of the Fiscal Year 1976 funds, including 8.3 percent for central business districts and 1.4 percent for other commercial or industrial areas.

The primary thrust of community development activity remains in residential areas. Seventy-eight

Table S.3

FUNDED ACTIVITIES OF CDBG METROPOLITAN ENTITLEMENT COMMUNITIES

	FY 1975	FY 1976
	Percent	Percent
Redevelopment Related	35.8	27.6
Code Enforcement	2.2	1.5
Other Public Works	15.5	22.8
Water and Sewer	6.1	3.6
Open Space and Neighborhood Facility	5.7	8.0
Housing Rehabilitation	14.5	19.8
Service-Related Facilities and Equipment	7.4	5.8
Public Services	12.8	10.8
Total (%)	100.0	100.0
Total (\$000)	(\$379,415)	(\$394,129)

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of 151 sample metropolitan entitlement applications for Fiscal Year 1975 and 147 for Fiscal Year 1976.

percent of second-year funds are being directed toward such neighborhoods, supporting one of three general approaches to community development:

- (1) redevelopment: emphasis on land acquisition, relocation, demolition, and public services in residential neighborhoods with the highest concentration of populations in need of assistance and the most deteriorated or unstable housing stock;
- (2) neighborhood preservation: emphasis on rehabilitation loans and grants and code enforcement in neighborhoods with older housing in relatively good condition and where there are lower concentrations of populations in need of assistance; and
- (3) neighborhood development or growth: emphasis on water and sewer activities, open space and neighborhood facilities, public works, and service-related facilities in the residential areas with the least deteriorated

housing and where the residents are less likely to be in need of assistance.

The single most important factor in determining the mix of activities in an area is its prior categorical program experience. Former Urban Renewal and Neighborhood Development Program areas, Model Neighborhood areas, and new neighborhoods, similar in all demographic characteristics, differ significantly in the kinds of activities planned.

Strategies of Funds Concentration

More census tracts are budgeted small amounts of money in Fiscal Year 1976 than in Fiscal Year 1975. In the first year of the block grant program, 53.5 percent of the funded census tracts received less than \$100,000 per tract, accounting for 11.9 percent of the funds. In the second year, the number of tracts receiving less than \$100,000 increased to 61.6 percent of all funded areas, accounting for 17.4 percent of the second year funds.

The highest concentration of funds per census tract is in Urban Renewal and Neighborhood Development Program areas, while the lowest concentration is in the noncategorical program areas.

Multiple Activity Strategies

Entitlement communities have budgeted 10.1 percent of the Fiscal Year 1976 funds for census tracts in which a single activity is planned. Strategies in categorical program areas that are a combination of Urban Renewal, NDP, and Model Cities projects and in noncategorical program target areas are most likely to emphasize single-activity projects (14.1 and 13.2 percent respectively). Code Enforcement areas are least likely to have expenditures in single activity areas.

The isolated activity approach is most prevalent in the highest income neighborhoods. Overall, the activities which are most likely to occur in isolation are open space projects and single-purpose neighborhood facilities such as recreational facilities, fire stations, and centers for the elderly, and public works.

Strategies to Obtain Other Sources of Funds for every entitlement communities anticipate 45 cents in additional funding for each Community Development Block Grant dollar received in Fiscal Year 1976. Thus, for every dollar spent to implement community development plans, 69 cents is Federal block grant money and 31 cents is from other sources. Of the 31 cents obtained from other sources, Federal agencies have contributed the largest share (12.9 cents). Nearly half of the Federal portion is other HUD monies. Private public service agencies and private businesses and industries have contributed 3.5 cents of the total community development dollar spent to implement block grant plans.

HOUSING AND COMMUNITY DEVELOPMENT CO-LOCATION

Section 101 (d) (4) establishes for the Community Development Block Grant program the goal of fostering coordinated and mutually supportive housing and community development activities. Co-location is measured by determining whether census tracts receiving housing assistance also are scheduled for CDBG fund expenditures. Analysis of these relationships for Fiscal Year 1976 reveals that 76 percent of entitlement cities' block grant funds were scheduled for 74 percent of the census tracts identified as locations for housing assistance.

The proportion of census tracts in which housing assistance and CDBG activities are concurrently scheduled varies by the type of housing assistance planned for the tract.

Co-location of housing and block grant activities occurs most frequently in census tracts that previously received funding under earlier HUD categorical grant programs.

In both categorical program areas and new neighborhoods the incidence of co-locating housing and community development activities decreases as income levels of the area increase.

Two-thirds of all housing assistance for Fiscal Year 1976 is scheduled for census tracts that did not receive funds through previous HUD categorical grant programs.

HOUSING ASSISTANCE PLANS

Housing Goals

The average annual housing assistance goal showed an overall increase of 10 percent from 1975 to 1976. The average⁴ number of units planned to be substantially rehabilitated increased 37 percent; the average units planned for new construction decreased by 6.5 percent; while average community goals for meeting needs through existing units stayed the same for the first and second years. A first year emphasis on new construction shifted to a slightly greater focus on rehabilitation in the second year.

Program mix of housing assistance proposed by all communities for Fiscal Year 1976 (with comparable 1975 percentages in parentheses) was: 35 percent through construction of new units (40%); 38 percent through substantial rehabilitation of deteriorating housing (30%); and 27 percent through existing units by means of rental subsidies to eligible families (30%).

The Fiscal Year 1976 goal would meet eight percent of the housing need identified by the communities, compared to seven percent for Fiscal Year 1975.

⁴ Average goal = Total goal in 147 sample cities ÷ 147

Housing goals designated for each household type and the proportion of total housing need accounted for by each household type correspond. Small family households, which comprise 52 percent of all households needing assistance, are scheduled to receive 45 percent of the total assistance. Elderly/handicapped households account for 33 percent of the need and are to receive 37 percent of the assistance. Large families, 15 percent of the need, are to receive 18 percent of housing assistance planned for Fiscal Year 1976. Similar proportionality is evident in communities' three-year goals.

Community goals for housing assistance were also roughly commensurate with renter/owner needs. Seventy-five percent of the total low-income housing need for 1976 was for rental households; 72 percent of the goals for that year was for rental units.

REHABILITATION AND NEIGHBORHOOD PRESERVATION

Communities plan to rehabilitate, with CDBG funds, 36 percent more residential dwelling units in Fiscal Year 1976 than they planned to rehabilitate in Fiscal Year 1975.

Neighborhood Preservation Tactics

Five general approaches to neighborhood preservation are being used by CDBG recipients:

Heavy Rehabilitation: the approach used in most of the areas places a major emphasis upon rehabilitation loans and grants and code enforcement with remaining expenses equally split among capital improvements (principally streets), public services and service-related facilities, and clearance-related activities. A *Light Rehabilitation* approach with heavy clearance activities is planned for 16 percent of the areas. Used most often in older, more deteriorated neighborhoods containing a mixture of residential and nonresidential structures, this approach directs about 60 percent of CDBG funds to acquisition and demolition of structures, with 10 percent of the funds used for rehabilitation loans and grants.

Of the other three approaches, one stresses *Moderate Rehabilitation with Clearance*; another, *Light Rehabilitation* with a large *Public Works* emphasis; and the third emphasizes *Light Rehabilitation with Public Services-Facilities* focus. Together these three approaches will use one-third of the block grant funds devoted to neighborhood preservation.

Private Funding of Rehabilitation

Over 53 percent of the cities with a rehabilitation program are actively involved in obtaining additional private capital with a portion of their block grant funds. Overall, they have received \$2.40 of the private capital for each \$1 of block grant funds used for rehabilitation. The most cost-effective method

adds \$4.02 for each CDBG dollar spent on rehabilitation. The methods include:

Revolving Funds established by depositing in cooperating lending institutions block grant funds sufficient to cover all or part of amounts to be loaned for rehabilitation interest-free or at reduced interest rates.

Tax Exempt Municipal Loans through which local lending institutions extend credit to the government agencies managing local rehabilitation programs; agencies loan these funds to individuals for residential rehabilitation.

Interest Subsidies involving use of block grant funds to pay a portion of interest costs charged for rehabilitation loans through cooperating private lending institutions making such loans available for lower than conventional interest rates.

Loan Guarantees through which communities negotiate commitments for private lending institutions to make loans to applicants approved by the city, where block grant funds are used to set up escrow accounts guaranteeing loan repayment.

Grants Supporting Additional Funds cover only a portion of the rehabilitation costs through community grants; the difference between costs and the grant amount is paid by the homeowners.

Grant Rebates, also known as "incentive grants" or "cash back grants" confer grants to the homeowner after property rehabilitation financed by the homeowner has been completed. Homeowners then receive a portion of rehabilitation costs (usually 10 to 30 percent) from the city from block grant funds reserved for that purpose.

URBAN COUNTIES

Seventy-five counties qualified for Fiscal Year 1976 block grant funding. Of the 73 counties originally qualifying, all but one remained in the program in 1976. Three new counties qualified the second year.

These urban counties represented an overall population that increased by four percent between 1975 and 1976. Of the 72 that were urban counties both years, 40 showed a population increase in 1976, 11 exhibited a decrease, and 21 remained the same. Urban county funding in Fiscal Year 1976 increased 75 percent over the level of the previous year, primarily because most urban counties are "phase-in" grant recipients.

Urban counties allocated a greater proportion of CDBG funds to better arrangement of activity centers⁵, while metropolitan cities emphasized elimination of slums and blight. County projects emphasized physical improvement activities while city projects tended to concentrate on clearance-related activities. The character of Urban County programs will be the subject of a separate report to be published in January, 1977.

⁵ See Footnote 2 page iii.

DISCRETIONARY FUNDS

Thirty-two percent more discretionary funds were available to competing State and local governments in Fiscal Year 1976 than were available in the first year. A 45 percent increase over Fiscal Year 1975 is estimated for Fiscal Year 1977.

Fiscal Year 1976 Discretionary Balance Funding

As of November 1, 1976, 491 grants for \$63,470,208 had been approved from the Fiscal Year 1976 SMSA discretionary balances. This accounts for 79 percent of the \$80,684,500 available. One thousand five hundred and five preapplications were submitted for SMSA balances from which 690 full applications were invited. Nonmetropolitan discretionary balances have funded 1,212 grants for \$244,497,965 or 96 percent of \$254,426,104 available. Preapplications for nonmetropolitan balances were received from 5,248 cities, counties, townships, Indian tribes and States.

Compared to formula entitlement grant recipients in Fiscal Year 1976, local governments with discretionary grant funding planned to spend (a) substantially less on traditional urban renewal and clearance activities, (b) less for administrative expenses, and (c) appreciably more funds for public works and related projects. In both 1975 and 1976, sixty-five percent of the discretionary balances were approved for public works, facilities and site improvements.

Implementation of Fiscal Year 1975 Programs

As of November 1, 1976, 52 percent of the nonmetropolitan discretionary balances and 28 percent of the SMSA balances for Fiscal Year 1975 had been spent by grant recipients. Several factors contributing to the rate of expenditure of funds by discretionary communities are the HUD decisions to fund discretionary grants late in the fiscal year and the general inexperience of discretionary recipients in administration of Federal programs.

Several program requirements posed difficulties for recipients. Forty-six percent of all discretionary grant recipients responding to the HUD Community Planning and Development, Office of Evaluation's *Community Development Experience Survey (1976)* acknowledged problems in complying with the program requirements governing citizen participation, labor standards, environmental impact and property acquisition. Nonmetropolitan recipients identified the same areas of difficulty as metropolitan grantees, and additionally noted unfamiliarity with the cost accounting principles applicable to their grants.

Secretary's Fund

The Secretary's Fund has been allocated \$53,000,000 for Fiscal Year 1976; and as of November, 1976, approximately \$28 million has been distributed among the six purposes covered by the fund: new Communities, areawide projects, territories, inequities, innovative projects, and federally recognized disasters.

Urgent Needs Fund

The Urgent Needs Fund facilitates an orderly transition to the Community Development Block Grant program and protects previous Federal investment. Approximately \$50 million were distributed in Fiscal Year 1976 to: urban renewal projects (83 percent); water and sewer projects (13 percent); and the remainder divided among Neighborhood Facilities, Open Space, Public Facilities Loans, and one Model City.

PROGRAM MANAGEMENT

The Department's monitoring of the Community Development Block Grant recipients has resulted in the identification of a number of issues relating to the management of the program both by the localities and HUD.

Program Management by CDBG Recipients

In the last two quarters of Fiscal Year 1976, HUD's monitoring of CDBG recipient performance in meeting the statutory requirements of the CDBG legislation resulted in 2,775 findings of technical or substantive deficiencies. Three-fourths of the findings of noncompliance were in five areas: equal opportunity (24 percent of the findings), environmental reviews (14 percent), labor standards (12 percent), citizen participation (12 percent), and financial management (11 percent).

Most of the reported findings were procedural, reflecting start-up problems with activities funded by CDBG. Most HUD actions taken as a result of these procedural deficiencies were warning letters to the grantees. Warning letters specify the deficiency and the corrective action required of the grantee within a prescribed time. Stronger corrective actions were taken by HUD if more serious violations were identified by HUD.

HUD has developed performance standards, published for comment November 15, 1976; these standards will increase HUD's ability to respond to identified deficiencies and take appropriate corrective actions.

As of October 31, 1976, approximately 4,500 communities have spent \$ 1.619 billion from the Federal treasury for first and second year program implementation. This figure represents 33 percent of the cumulative approved grants. The 3,200 communities that were approved in the first program year had spent \$1.524 billion or 63 percent of the \$2.430 billion in Fiscal Year 1975 funds.

The CDBG spending rate is much faster than that for previous HUD categorical programs. For example, 41 percent of approved first year funds had been spent by the recipients by June 30, 1976. Model Cities and Water and Sewer Grant Programs had spending rates of 15 and 7 percent, respectively, through their first 16 months.

Program Management by HUD

HUD review time for Fiscal Year 1976 entitlement applications averaged 61 days, or 12 days longer than the Fiscal Year 1975 average.

In the 28 months since the enactment of the legislation in August 1974, unanticipated issues and new policy directions required updated CDBG regulations; additional proposed regulations are pending publication in the Code of Federal Regulation (CFR). HUD also issued more than 100 guidance memoranda for Central and Field Office use.

One substantial amendment to the CDBG regulations was published January 28, 1976, concerning applicant certification that the program gives "maximum feasible priority" to activities that will benefit families of low or moderate income or aid in the prevention or elimination of slums or blight, or will meet "other community development needs having a particular urgency." The amended regulations require applicants to specify more clearly the rationale for "particular urgency," with a separate form provided for a complete description of those needs.

Substantial changes also were made in the regulatory requirements for Housing Assistance Plans, particularly in the procedure required for applicants to estimate families "expected to reside" in the community, and establishment of three-year housing goals proportional to the needs of elderly, large families, and small families.

CITIZEN PARTICIPATION

Citizen participation is an integral element of the block grant program with the following program requirements: two public hearings, availability of program information, and the involvement of citizens in the application process. Communities have extensive leeway in structuring citizen participation. HUD regional offices estimate that only a small percentage of CDBG recipients have problems meeting this requirement, and most problems are procedural rather than substantive.

Involving Citizens

Reports from city officials and information from a survey of civic leaders in a 39-city sample show that over 80 percent of these cities use a citizen advisory committee to channel public opinion to local officials. Members generally are appointed rather than elected. Citizen survey responses also indicate that representation of low- and moderate-income groups on such committees is considered good in 30 percent of the cities, fair in 42 percent, and poor in 27 percent.

In almost all reporting cities, neighborhood groups were by far the most common active participant, while community action agencies, the League of Women Voters, and business groups were highly or moderately involved in approximately two-thirds of the cities. Slightly more than half of the cities

reported involvement by churches, project area committees, low-income groups, and the Chamber of Commerce. Civil rights groups, labor unions, political parties, and Model City committees did not participate in most cities.

Citizens were most active in early program stages, describing needs and setting priorities, rather than in program implementation.

Citizen Impact

Analysis of citizen recommendations and responses of local officials in 33 sample cities indicate that most citizens' recommendations were accepted by local officials. These and other survey data suggest that lack of citizen participation may, in some cities, relate more to government failure to involve citizens or citizens choosing not to become involved rather than to any negative response to their proposals by local officials.

Citizen satisfaction with the citizen participation process is highest where there are representative citizen advisory structures. Dissatisfaction was found in almost all cities that lacked such a committee. Among the complaints about CDBG lodged with HUD, the most frequent concern inadequacies of the citizen participation process,

TECHNICAL ASSISTANCE

According to grantees responding to the 1976 Community Development Experience Survey, HUD Area Offices, more than any other group or organization, provided "very useful" information in the implementation of their first year program. That view was most evident in responses from discretionary cities (67 percent), and cities of less than 5,000 (64 percent).

Information made available to grantees preparing second year applications was seen as equally useful, and grantees again most often cited HUD Area Offices for their assistance. Only discretionary grant recipients viewed another source—area-wide and regional planning organizations—as providing more useful information.

Over half the responding cities found the level of technical assistance with CDBG equal to that provided under previous grant-in-aid programs.

Red Tape

Although the Community Development Block Grant program replaced seven categorical programs, it does not appear to have consolidated local bookkeeping requirements or relieved paperwork pressures. Of those respondents to the Experience Survey with categorical program experience, 52 percent reported an increase in local bookkeeping and paperwork requirements. The first year experience led 37 percent of all grantees to perceive that red tape had increased, while 35 percent of all communities reported an increase in the perceived amount of

Federal red tape in developing the second year application as compared to the first year.

Communities saw locally developed plans as most useful in preparing second year applications. Area-wide plans were less helpful; State plans were judged to be least useful.

ENVIRONMENTAL ISSUES

During the first two years of the program, HUD has delegated to most grantees the major environmental responsibilities established by the National Environmental Protection Act of 1969 (NERA).

Monitoring and Audits

Two HUD reports issued in the latter half of 1976 provide initial assessments of grantee performance in meeting those environmental review responsibilities.

One report reveals that 12 percent of the cases in which field staff found substantial indications of nonperformance or noncompliance arose from grantees' NEPA activities. Most cases involved procedural deficiencies.

A report prepared by HUD's Office of the Inspector General (OIG) concluded that environmental review deficiencies were due primarily to inexperienced personnel, lack of adequate assistance in environmental areas from State and Federal agencies, and the absence of any HUD-prescribed Environmental Review Record format.

Interviews with 20 grantees, including those whose OIG audit revealed the worst performance, generally showed the problems arose from grantee conception of environmental review. All but one grantee believed they had complied with regulations.

Interviewees identified particular areas of difficulty, such as timing and scope of environmental reviews.

HUD has distributed two environmental review guides clarifying NEPA requirements for block grant applicants. Some recipients may continue to require additional technical assistance from HUD.

POTENTIAL JOB GENERATION

Application to Fiscal Year 1975 Community Development Block Grant (CDBG) budgets of a methodology developed by the Bureau of Labor Statistics (outlined in the BLS "Factbook for Estimating Manpower Needs of Federal Programs") results in the following job-creation estimates for entitlement cities:

- 1) Each million dollars of CDBG expenditures generates 84 potential jobs in the public and private sector;
- 2) The occupational breakdown of generated positions is 30 percent professional, administrative, and technical; 18 percent clerical and sales; 37 percent craft, operatives, and laborers; and 13 percent service.

EQUAL OPPORTUNITY

Section 109 of the Housing and Community

Development Act of 1974, and its implementing regulations (24 CFR 570.601—Nondiscrimination) forbid discrimination against or denial of program benefits to any person on the grounds of race, color, national origin or sex, with respect to any activities funded wholly or partly through Title I.

Monitoring

Monitoring and compliance review procedures for assessing conformance of individual CDBG programs with equal opportunity laws and regulations were established in 1976.

Nationally, the majority of entitlement applications for Fiscal Year 1976 exhibit at least one deficiency in EO-related matters. Deficiencies in past performance (54 percent of the total) were cited most often. HAP deficiencies represented 34 percent, and CP Plan and Program deficiencies 12 percent of the total reported deficiencies.

Within past performance Equal Opportunity field reviewers identified deficiencies related to Executive Order 11246 and Section 3 of the Housing and Urban Development Act of 1968 as being most prevalent problem areas, representing 35 percent of the total number of deficiencies in past performance.

Other problem areas, rated second in incidence to Equal Opportunity 11246 and Section 3, were recipient employment practices (Section 109 of the Housing and Community Development Act of 1974) and fair housing activities (Title VIII of the Civil Rights Act of 1968). Each of these represented 23 percent of all reported deficiencies in past performance of CDBG recipients. Together, EO 11246/Section 3 (entrepreneurship, and employment); Section 109 (recipient employment; and Title VIII (fair housing) accounted for 81 percent of all deficiencies in recipient performance.

These and other data obtained from this report will assist HUD Fair Housing and Equal Opportunity staff in determining the areas of additional support and technical assistance needed by block grant recipients, areas to be designated for additional support and training during the current program year, and clarifications required in existing regulations.

Because of the volume of deficiencies in conforming to regulations pertaining to employment of residents in the community development area a Departmental Task Force also was created to develop means for more effective implementation of Section 3 regulations.

Complaints

The Office of Fair Housing and Equal Opportunity receives complaints concerning equal opportunity and refers them to appropriate field offices for processing. Nationally, 31 complaints were lodged against block grant recipients during this program year. Over half of them have been resolved. It was not necessary to refer any of these complaints to the Justice Department for action.

SUMMARY GLOSSARY

Entitlement community—units of general local government that have a formula-determined grant or have prior experience in HUD's categorical programs, which "entitles" them to a community development grant. (Including Metropolitan Cities, Urban Counties, and hold harmless communities.)

Metropolitan city—central cities of Standard Metropolitan Areas or cities having a population of 50,000 or more that receive funds based either on a needs formula alone or on the needs formula and a hold harmless determination.

Urban county—counties located in metropolitan areas that have essential community development and housing assistance powers and at least 200,000 population, and are funded in the same manner as the metropolitan cities.

Hold harmless communities—units of general local government that have prior experience with HUD's categorical programs and where the five-year average of previous funding exceeds the community's formula entitlement grant or where the community is not eligible for a formula grant.

Discretionary communities—nonmetropolitan cities (less than 50,000 population), States, and counties located both within and outside metropolitan areas that apply and compete under a system or priorities determined by need for community development funds.

Needs formula—a method for distributing community development funds to metropolitan cities and urban counties; based on population, amount of overcrowded housing, and the extent of poverty (weighted twice).

SMSA—abbreviation for standard metropolitan statistical area, as established by the Office of Management and Budget.

Phase-in—metropolitan cities and urban counties that either do not have a hold harmless amount or have one that is less than their full "formula" share of community development funds. These recipients of

funds will be phased in to a full entitlement amount over a three-year period. If a community's full formula share is only slightly more than the hold harmless amount, the community will receive the full formula grant during the first year.

Phase-down—metropolitan cities and urban counties that have a hold harmless amount that is greater than their full "formula" share of community development funds. These localities will receive a formula grant in addition to a hold harmless amount for three years. After Fiscal Year 1977 the hold harmless amount will be phased down, one-third per year, until the communities receive a "formula" grant only.

Phase-out—small units of general local government located both within and outside metropolitan areas. These localities do not have a formula-based entitlement to community development funds, but because of prior program experience are eligible for a hold harmless grant. These grants will continue through Fiscal Year 1977 and then be phased out, one-third per year. These communities may apply for discretionary grant.

HAP—A Housing Assistance Plan, which is a part of each year's application for community development funds; specifies housing conditions, needs of lower-income households, goals for the number of households or units to be assisted, and identifies the general locations of proposed housing for lower income households; a major coordination tool for housing and community development activities.

Categorical programs—grant-in-aid programs that have a specific, detailed purpose, including Urban Renewal, Model Cities, Water and Sewer Facilities, Open Space, Neighborhood Facilities, Rehabilitation Loans, and Public Facilities Loans; these programs were terminated with the creation of the Community Development Block Grant program.

Section 8—Housing Assistance Payments Program of Title II of the 1974 Housing and Community Development Act.

INTRODUCTION

Between February **1975**, when the first Community Development Block Grant application was approved, and November **30, 1976**, when most communities had submitted their applications for second year funding, the Department of Housing and Urban Development has approved approximately **\$5.112** billion in block grant funds for over **4,500** communities through Title I of the **1974** Housing and Community Development Act (PL **93-383**).

Included among the over **4,500** communities are **513** central cities and incorporated communities of 50,000 population and over; **76** urban counties located in metropolitan areas that have certain legal authorities and a population of **200,000** or more; **740** small hold harmless communities and over **3,500** other small communities with populations less than **50,000**.¹ In comparison, approximately **1,400** units of general local government received selected Federal community development funds in Fiscal Years **1968** through **1972**.

BACKGROUND ON THE BLOCK GRANT PROGRAM

In creating the Community Development Block Grant Program, Congress consolidated seven HUD-administered categorical programs into a single package with a yearly application, a set time period for HUD to process these applications, and a shift from detailed application review to applicant certifications and HUD monitoring and post audit review. In addition, the block grant program reflects a shift for some communities from local competition for community development funds, to local "entitlement" for CDBG funds based upon a needs formula. Entitlement communities know from year to year what their approximate funding level will be and can plan accordingly. Such program characteristics transfer decisionmaking responsibilities from Federal officials to local elected officials. Local decisionmaking contributes to the legislative objective of providing assistance "with maximum certainty and minimum delay."

There are several different eligibility groupings within the block grant program and several methods of determining funding levels. Each of these will be

discussed in subsequent sections of this report. The major groupings are:

1. Metropolitan cities: central cities of Standard Metropolitan Statistical Areas or cities having a population of **50,000** or more, that receive funds based either on a needs formula alone or based on the needs formula and a hold harmless determination (the difference between the formula and the five-year average of previous funding in the categorical programs between **1968** and **1972**);
2. Urban counties: counties located in metropolitan areas, that have specific community development powers and at least **200,000** population, and are funded in the same manner as the metropolitan cities;
3. Small hold harmless communities: units of general local government of less than **50,000** population located within and outside metropolitan areas that receive funds based on a hold harmless determination (as with metropolitan cities, however, these communities must have participated specifically in one or more of the following categorical programs, Fiscal Years **1968** through **1972**: urban renewal, neighborhood development (FY **1973** included), code enforcement, and/or Model Cities); and
4. Discretionary communities: units of general local government and counties of generally less than **50,000** population located both within and outside metropolitan areas that apply and compete for "discretionary" funds.

The shift in funding determination from local competition to a formula-based "entitlement" will result, when fully implemented, in a change in funding levels for most communities. The block grant legislation includes several methods of implementing these changes.

Phase-in guidelines apply to metropolitan cities and urban counties that either do not have, a hold harmless amount or have one that is less than their full "formula" share of community development funds. These recipients of funds will be phased in to a full entitlement amount over a three-year period.

Phase-down guidelines apply to metropolitan cities and urban counties that have a hold harmless amount that is greater than their full "formula" share of community development funds. These localities will receive a formula grant in addition to a hold harmless amount for three years. After Fiscal Year **1977** the

¹There is overlap among the various categories listed in this paragraph. Thus, many of the 513 central cities and 3,500 small communities also received Federal community development funds between 1968 and 1972.

hold harmless increment is scheduled to phase down, one-third per year, until the communities receive a "formula" grant only.

Phase-out guidelines apply to the small units of general local government located both within and outside metropolitan areas. These localities do not have a formula-based entitlement to community development funds, but because of prior program experience are eligible for a hold harmless grant. These grants are scheduled to continue through Fiscal Year 1977, and phase out, one-third per year, through 1980. These communities may apply for discretionary grants.

In addition to the formula and hold harmless entitlement funds, Title I of the Act authorizes several discretionary programs. In all of these discretionary programs, HUD officials review local applications for funding and make selections based upon criteria published in the Federal Register. These programs are the Secretary's fund (divided into six categories), the urgent needs fund, and the general purpose fund (metropolitan and nonmetropolitan discretionary balances.).

FUND ALLOCATION AND APPROVALS UNDER CDBG

In the first two years of the Community Development Block Grant Program, \$5.352 billion² has been allocated for distribution to eligible communities. As of November 30, 1976, approximately \$5.112 billion or 95.5 percent has been approved in grants. These funds are distributed in eight categories as indicated in Table S.1 on page 7. This table includes the total fund allocation and approvals to date, and the funds allocated and approved thus far from Fiscal Year 1976 appropriations.

Grant allocations indicate that 78.2 percent of the funds are targeted for metropolitan areas and 18.5 percent for communities outside SMSAs.³ Most of the funds (85.6 percent) are earmarked for entitlement communities through both formula and hold harmless distribution. The discretionary grant programs have been allocated 14.4 percent of the total funds available. Small communities, less than 50,000 population, are eligible for approximately 27.4 percent of the funds, while metropolitan cities and urban counties have an opportunity to receive 69.2 percent.⁴ Table S.1 in the Executive Summary, also indicates that the basic fund allocations for the second program year are similar to the total allocation to date.

² Includes Urgent Needs Funds—Section 103(b) of the Act.

³ Excluding the Urgent Needs and Secretary's Discretionary funds, allocations to metropolitan and nonmetropolitan areas are 80.9 percent and 19.1 percent, respectively; this approximates the allocation of funds stated in Section 106 of the Act.

⁴ This omits 3.4 percent of the funds which are Urgent Needs and Secretary's Discretionary fund.

Of the \$5.112 billion that HUD has approved in block grants since the program's inception, \$2.426 billion was approved for this first program year, and \$2.686 billion had been approved for the second program year, as of November 30, 1976. The final application submission date and subsequent funding decisions for the discretionary programs occur after the entitlement applications have been processed. This is necessary for HUD to meet the 75-day limitation on review of entitlement applications. Table S.1 indicates that 93.5 percent of the discretionary balances have been approved as of November 30.

Thus far in the second program year, a total of 2,015 full discretionary balance applications have been submitted for block grant funding. Of the 1,320 entitlement applications that were submitted, all but eight were approved. Each of these disapprovals was based on inadequacies in the submitted Housing Assistance Plans, and unwillingness on the communities' parts to revise their plans in accordance with the legislation and implementing regulations.

Table 1.1 is a listing of the eight communities whose applications for funding were not approved and the amount of entitlement funds withheld.

In addition to the eight communities whose applications for funding were not approved, 28 entitlement communities have chosen not to apply for funds in Fiscal Year 1976. Table 1.2 is a listing of these communities.

Of the 710 metropolitan discretionary full applications invited by HUD, 667 have been submitted thus far. Five hundred forty-three of these applications had been approved as of November 30.

HUD invited 1,419 communities to submit full applications for nonmetropolitan discretionary funding. Of these, 1,361 have been submitted, and 1,235 were approved by the end of November. This accounts for 96.7 percent of the funds allocated for nonmetropolitan discretionary applicants.

Table 1.1

FY 1976 ENTITLEMENT COMMUNITIES NOT APPROVED FOR FUNDING

Unit of Government	Grant Type	Entitlement (\$000)
East Hartford, Conn.	Metro City	440
Greenwich, Conn.	Metro City	299
Union Twp., N.J.	Metro City	261
Hightstown, N.J.	Hold Harmless Metro	26
Hempstead Town, N.Y.	Hold Harmless Metro	379
Haverford Twp., Pa.	Metro City	128
College Park, Ga.	Hold Harmless Metro	44
Mirianna, Ark.	Hold Harmless Non Metro	6
Total: 8 Units of Government		\$1,583

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

Table 1.2

FY 1976 ENTITLEMENT COMMUNITIES NOT APPLYING FOR FUNDING

Unit of Government	Grant Type	Entitlement (\$000)
East Haven, Conn. ^c	Hold Harmless Metro	124
Suffield, Conn.	Hold Harmless Metro	9
Windsor Locks, Conn.	Hold Harmless Metro	710
Glassboro, N.J.	Hold Harmless Metro	59
Maple Shade Twp., N.J.	Hold Harmless Metro	204
Lewisboro, N.Y.	Hold Harmless Metro	6
Middletown Twp., Pa.	Hold Harmless Metro	27
Perkasie, Pa. ^b	Hold Harmless Metro	6
Camilla, Ga.	Hold Harmless Non Metro	4
Carrollton, Ga.	Hold Harmless Non Metro	1
Lebanon, Tenn.	Hold Harmless Metro	23
Berwyn, Ill. ^a	Metro City	147
Cicero, Ill. ^a	Metro City	223
Des Plaines, Ill. ^a	Metro City	150
Oak Lawn, Ill. ^a	Metro City	182
Hazel Park, Mich.	Hold Harmless Metro	24
Riverview, Mich.	Hold Harmless Metro	-9
Rogers City, Mich. ^a	Hold Harmless Non Metro	28
Warren, Mich. ^a	Metro City	1,586
Wyandotte, Mich. ^a	Hold Harmless Metro	103
Barberton, Ohio ^b	Hold Harmless Metro	14
Parma, Ohio	Metro City	268
Grand Prairie, Tex. ^c	Metro City	3,297
Irving, Tex.	Metro City	326
Webster Grove, Mo. ^b	Hold Harmless Metro	20
Bakersfield, Cal.	Metro City	734
Fontana, Cal.	Hold Harmless Metro	114
Hawthorne, Cal.	Metro City	194
Total 28 Units of Government		\$ 8,592

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

^aThese communities also did not apply for funds in FY 1975.

^bWaived hold harmless grant for the first year.

^cThese communities applied for entitlement funds, but after the due date for application submission.

Table 1.3

FY 1976 ENTITLEMENT COMMUNITIES APPLYING FOR FUNDING FOR FIRST TIME

Unit of Government	Roseville, MI.
Arlington Heights, Ill.	Somerville, N.J.
Bloomfield, N.J.	Essex County, N.J.
Hamtrack, MI.	
Kankakee, Ill.	
Monroe County, N.Y.	
Westchester County, N.Y.	
SOURCE: U.S. Department of Housing and Urban Development Office of Community Planning and Development Office of Management	

LEGISLATIVE OBJECTIVES AND FUNDED ACTIVITIES

LEGISLATIVE OBJECTIVES, SECTION 101(c)

The primary objective of the block grant program is:

the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.¹

In addition, the legislation lists seven specific national objectives to direct communities toward the development of "viable urban communities."

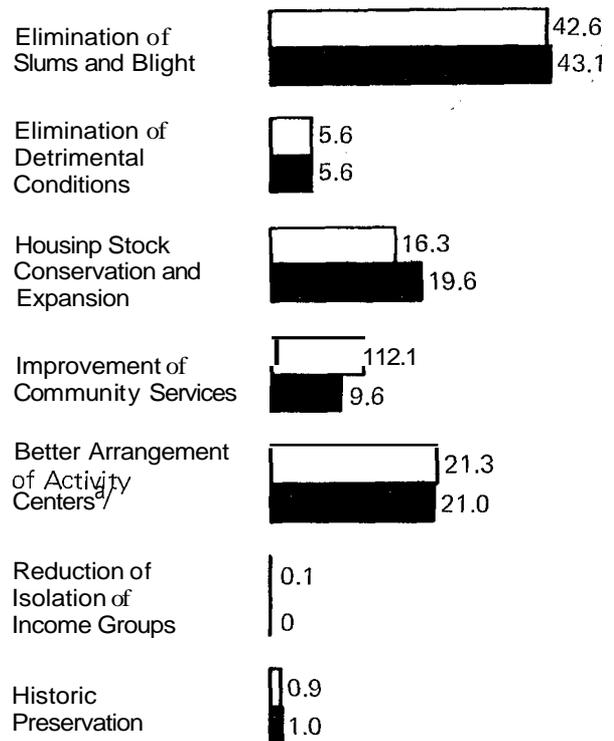
This chapter reports on the methods Community Development Block Grant recipients are using to achieve the specific objectives listed in Section 101(c). The degree to which each objective has been emphasized in the second program year (Fiscal Year 1976) is compared to that of the first program year (Fiscal Year 1975). All data in this chapter are based upon analysis of applications for funds for a representative sample of metropolitan cities and metropolitan, small hold harmless communities?

This analysis is based upon a thorough review of selected Community Development Block Grant recipients' applications for funding, including the community development plan summary, stating local needs and long- and short-range objectives; the community development program; and the community development budget. Table 2.1 summarizes the results of the analysis and compares Fiscal Year 1975 and Fiscal Year 1976.³

The analysis is complicated somewhat because a single activity may contribute to several objectives. Activities have been grouped according to the primary objective being supported.

Table 2.1

LEGISLATIVE OBJECTIVES OF CDBG METROPOLITAN ENTITLEMENT COMMUNITIES



 FY 1975 Expenditures (Total = \$371,759)
 FY 1976 Expenditures (Total = \$394,129)

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of 151 sample CDBG metropolitan entitlement applications for Fiscal Year 1975 and 147 for Fiscal Year 1976.

¹Housing and Community Development Act of 1974, Title I, Sec. 101(c), Public Law 93-383.

²The sample is representative of approximately \$3.72 billion of the \$4.57 allocated to entitlement communities in Fiscal Years 1975 and 1976. Not included in this sample are urban counties and nonmetropolitan-small hold harmless/communities.

³Data on Fiscal Year 1975 community development programs differ slightly from the figures in the *First Annual Report*. This is a result of extensive editing and review of the original data.

^{a/}The legislative objective in Section 101(c)(5) is more commonly referred to by its first phrase: "a more rational utilization of land. . ."

The changes communities have made in their Community Development Block Grant programs between Fiscal Year 1975 and Fiscal Year 1976 are an increase in activities that conserve and expand the housing stock and a decrease in activities that contribute to the improvement of the quantity and quality of community services. The major emphasis continues to be elimination and prevention of slums and blight, the better arrangement of activity centers, and conservation and expansion of the housing stock.

Elimination of Slums and Blight

The elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income.⁴

In both years, the largest percentage of funds was budgeted for activities which primarily further the elimination of slums and blight and the prevention of blighting influences (Fiscal Year 1975—42.6 percent; Fiscal Year 1976—43.1 percent.) As noted in the *First Annual Report*, community development activities which are directed primarily to the support of other legislative objectives also contribute, to one degree or another, to the accomplishment of this objective. (See Table 2.2.)

Three-quarters of blight-related activities planned in the second program year, to aid in elimination of slums and blight and prevention of blighting influences, are in residential areas; the remainder of these activities are planned for central business districts and other commercial or industrial areas. Over two-thirds of the funds to be spent toward this objective will go into former categorical program areas, including Urban Renewal, Neighborhood Development Program, Model Cities, and Federally Assisted Code Enforcement.

The major activities grouped under this objective are:

Land acquisition, relocation	
demolition	57.9%
Street improvements	22.8%
Other public works	16.2%
Water & Sewer Improvements	2.6%
Rehabilitation of commercial areas	0.5%
Total	100.0%

Housing Stock Conservation and Expansion

The conservation and expansion of the Nation's housing stock in order to provide a decent

home and a suitable living environment for all persons, but principally those of low and moderate income.⁶

This objective has been addressed by activities which account for 16.3 percent of the first year funds and 19.6 percent of the second year funds. Other activities in residential areas, that have been identified as primarily serving other objectives, may also support the conservation and expansion of the housing stock.

The major activities included under this objective are:

rehabilitation loans for residential property owners	53.3%
rehabilitation grants for residential property owners	25.8%
rehabilitation of community owned property	10.5%
expenses related to new construction of low- or moderate-income housing	3.6%
modernization/rehabilitation of public housing	3.1%
Other rehabilitation activities	3.6%
	99.9%

Better Arrangement of Activity Centers

A more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational and other needed activity centers.⁷

Entitlement communities have budgeted twenty-one percent of their program funds for activities involved in the achievement of a more rational land utilization in both Fiscal Year 1975 and Fiscal Year 1976. These activities fall into three general clusters:

1. Parks and recreational facilities	34.9%
Recreational facilities	(10.2%)
Open spaces	(24.7%)
2. Community facilities	31.9%
Multipurpose centers	(13.6%)
Elderly Centers	(6.0%)
Fire stations	(4.8%)
Removal of architectural barriers in facilities	(0.8%)
Other	(6.7%)
3. More rational land use and public improvements in non-blighted residential areas	33.3%
Water and sewer improvements	(11.7%)
Street improvements	(11.5%)
Other public works	(4.8%)
Land acquisition and relocation	(5.3%)
	100.1%

⁴ *Housing and Community Development Act of 1974*, Title I, Sec. 101(c) (1), Public Law 93-383.

⁵ U.S. Department of Housing & Urban Development Community Planning & Development Office of Evaluation, *Community Development Block Grant Program: First Annual Report* (Washington, D.C.: U.S. GPO, December 1975) Chapter 3.

⁶ *Housing and Community Development Act of 1974*, Title I, Sec. 101(c) (3), Public Law 93-383.

⁷ *Ibid.*, Sec. 101(c) (5).

Table 2.2

**PERCENTAGE OF NATIONAL OBJECTIVES EXPENDITURES
FOR SPECIFIC ACTIVITIES**

Activity	NATIONAL OBJECTIVES					
	Elimination of Slums & Blight	Elimination of Detrimental Conditions	Conservation & Expansion of Housing Stock	Expand Quality of Community Services	Land Resource Use	Historic Preser- vation
Acquisition for Redevelopment/						
Demolition	23.3	—	—	—	2.5	—
Relocation	12.8	—	—	—	2.8	—
Demolition	4.7	10.2	—	—	—	—
General Urban Renewal/NDP	17.1	—	—	—	—	—
Historic Preservation	—	—	—	—	—	100.0
Code Enforcement	—	26.2	—	—	—	—
Street Improvement	22.8	—	—	—	11.5	—
Public Works	16.1	—	—	—	4.8	—
Flood Protection	—	42.7	—	—	—	—
Removal of Architectural Barriers	0.1	—	—	—	0.8	—
Water and Sewer	2.6	—	—	—	11.7	—
Open Space	—	—	—	—	24.7	—
Neighborhood Facilities	—	—	—	—	13.6	—
Housing: New Construction	—	—	3.6	—	—	—
Rehabilitation Grants	0.1	—	25.8	—	—	—
Rehabilitation Loans	0.3	—	53.3	—	—	—
Rehabilitation by Community	0.1	—	17.3	—	—	—
Facilities/Equipment: Fire	—	—	—	—	4.8	—
Facilities/Equipment: Police	—	—	—	—	0.7	—
Facilities/Equipment: Recreation	—	—	—	—	10.2	—
Housing Counseling:						
Facilities/Equipment	—	—	—	—	1.9	—
Interim Assistance	—	—	—	—	0.3	—
Children's Facilities/Equipment	—	—	—	—	1.8	—
Transportation Facilities/Equipment	—	—	—	—	0.1	—

Table 2.2 - Continued

PERCENTAGE OF NATIONAL OBJECTIVES EXPENDITURES
FOR SPECIFIC ACTIVITIES

Activity	NATIONAL OBJECTIVES					
	Elimination of Slums & Blight	Elimination of Detrimental Conditions	Conservation & Expansion of Housing Stock	Expand Quality of Community Services	Land Resource Use	Historic Preser- vation
Elderly Facilities/Equipment	—	—	—	—	6.0	—
Youth Facilities/Equipment	—	—	—	—	0.9	—
Jobs Facilities/Equipment	—	—	—	—	1.0	—
Public Services: General	—	—	—	26.2	—	—
Fire Services	—	—	—	1.4	—	—
Police Services	—	—	—	5.5	—	—
Recreation	—	—	—	3.9	—	—
Jobs	—	—	—	2.7	—	—
Economic Development: Services	—	—	—	5.1	—	—
Housing Counseling Services	—	—	—	6.2	—	—
Interim Assistance Public Health	—	20.9	—	—	—	—
Medical Services	—	—	—	9.4	—	—
Child Services	—	—	—	12.7	—	—
Transportation Services	—	—	—	3.0	—	—
Elderly Services	—	—	—	7.4	—	—
Youth Services	—	—	—	6.6	—	—
Education	—	—	—	3.6	—	—
Legal Services	—	—	—	6.2	—	—
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

SOURCE: U.S., Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation.
Based upon an analysis of 147 sample CDBG metropolitan entitlement applications for Fiscal Year 1976.

Table 2.3

**PERCENTAGE OF FUNDS ALLOCATED TO INCOME
AREAS BY NATIONAL OBJECTIVES**

NATIONAL OBJECTIVES	INCOME AREAS				
	Low	Moderate	Median	High	Total
	50% of SMSA Median	51-80% of SMSA Median	81-100% of SMSA Median	100% of SMSA Median	
Elimination of Slums and Blight	12.5%	55.4% ¹	21.6%	8.9%	100.0%
Elimination of Detrimental Conditions	8.9%	37.9%	26.1%	11.0%	100.0%
Conservation & Expansion of Housing Stock	8.4%	45.0%	30.1%	9.0%	100.0%
Expand Quality of Community Services	11.9%	46.9%	20.2%	7.5%	100.0%
Land Resource Use	7.6%	32.1%	24.8%	15.7%	100.0%
Historic Preservation	9.5%	65.7%	9.4%	5.1%	100.0%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of 147 sample CDBG metropolitan entitlement applications for Fiscal Year 1976.

Improvement of Community Services

The expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities.⁸

Activities related to the improvement of community services were budgeted for 12.1 percent of first year funds and 9.6 percent of second year funds. All block grant-funded public services are included under this legislative objective except environmental health-related services which have been included under the objective of the elimination of detrimental conditions.

A large proportion of community service funds are spent in neighborhoods with previous categorical program experience: former model neighborhood areas are scheduled to receive 41.9 percent of these funds and other categorical program areas are budgeted 17.0 percent. New target areas are budgeted

25.4 percent. An additional 15.7 percent of the funds for improvement of community services are for scattered site programs.

The most frequently funded services are day care centers (12.7%), medical services (9.4%), and services for the elderly (7.4%). A wide variety of other programs are also being funded, including public safety programs, job and housing counseling, youth services, and legal aid services.

Elimination of Detrimental Conditions

The elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities.⁹

Activities of this type often are the same as those designed to eliminate slums and blight. In both the first and second program years, entitlement communities have budgeted 5.6 percent of the funds for activities primarily furthering this objective.

⁸ Ibid., See 101(c) (4).

⁹ Ibid., Sec. 101(c) (2).

Over two-thirds of these funds will be spent in residential neighborhoods; 16.1 percent are for citywide programs; 2.6 percent are for commercial or industrial areas; and 4.2 percent are for areas for which residential/non-residential character could not be determined.

The major activities grouped under this objective are:

Spot demolition	10.2%
Code Enforcement	26.2%
Flood protection programs	42.7%
Environmental health services	20.9%
	100.0%

Historic Preservation

The restoration and preservation of properties of special value for historic, architectural, or esthetic reasons.⁰

Approximately one percent of both the first and second program year entitlement funds are planned for historic preservation. Four-fifths of these funds are for restoration and revitalization of specific structures.

The remaining one-fifth of the historic preservation funds are to aid individuals and organizations, through rehabilitation loans and grants, to restore specific structures.

Reduction of Isolation of Income Groups

The reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income.¹

Block grant recipients have programmed a very small amount of funds in Fiscal Year 1975 and no funds in Fiscal Year 1976 for activities whose primary focus is to reduce the isolation of income groups within communities. There are indications, however, that through locational strategies for community development and housing activities, communities are developing programs that will further this legislative objective. (See Chapter 5 and 6 on Co-Location and Housing Assistance Plans.)

LEGISLATIVE CERTIFICATIONS

The Community Development Block Grant legislation states that a recipient must:

certify to the satisfaction of the Secretary, that its community development program has been developed so as to give maximum feasible priority to

activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight.**

A community development program may also be approved if the recipient certifies, to the Secretary's satisfaction, that activities are designed to meet other community development needs "having a particular urgency as specifically described in the application."³

Entitlement communities responded to these certification requirements by developing Fiscal Year 1976 community development programs so that:⁴

- 57.3 percent of the funds are for activities which benefit families in low- or moderate-income areas.
- 38.6 percent of the funds are for activities, outside of low- and moderate-income areas, which aid in the prevention or elimination of slums or blight; and
- 9.6 percent of the funds are for activities certified as meeting other community development needs of particular urgency.

Benefit to Low- or Moderate-Income Families

In the second program year entitlement communities are planning to use 57.3 percent of their Community Development Block Grant funds to benefit low- or moderate-income areas and families.⁵ This is a decrease from the first program year despite a reevaluation of first year program funds which reveals that the percentage of funds benefiting low- or moderate-income families is not as high as originally estimated. Approximately 63.6 percent of the first year funds benefited low- or moderate-income families though 69-71 percent was reported in the *First Annual Report*. Comparing this new first year estimate to the second year estimate shows that the amount of funds planned for low- and moderate-income areas in the second year has decreased by 6.3 percentage points or 9.9 percent. In Fiscal Year 1975 entitlement communities planned to spend 63.6 percent of the funds in low- or moderate-income areas as compared to 57.3 percent in Fiscal Year 1976.

¹² *Housing and Community Development Act of 1974*, Title I, Sec. 104(b) (2), Public Law 93-383.

¹³ *Ibid.*

¹⁴ These percentages do not add to 100 percent because of an overlap between funds that both benefit low and moderate income persons and meet urgent community development needs.

** This percentage is based on total CDBG funds excluding funds for citywide and administrative activities. The income method used to calculate this percentage was the SMSA Median Income Method with a correction factor applied. The methodology is described in the text.

¹⁰ *Ibid.*, Sec. 101(a) (7).

¹¹ *Ibid.*, Sec. 101(c) (6).

Six methods¹⁶ of computing the percentage of funds benefiting low- or moderate-income families were developed for this report. (See Table 2.4.)

Table 2.4

RESULTS OF SIX METHODS USED TO CALCULATE LOW- AND MODERATE-INCOME BENEFIT IN FISCAL YEAR 1976

Percent Funds Benefiting Low- and Moderate-Income Areas and Families ^a	Method
47.8%	City Median Income
53.5%	Distribution by Family Income
58.0%	National Median Income
62.1%	SMSA Median Income
65.4%	Quartile Income Area
66.8%	Decile Income Area

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of 147 sample CDBG metropolitan entitlement applications for Fiscal Year 1976.

^aThese percentages do not reflect the "correction factor" discussed in the succeeding pages.

However, only one of these six methods was selected to estimate the percentage of budgeted funds benefiting low- or moderate-income families. This decision was made after considering the following two questions:

1. What "bench mark" should be used to define low- and moderate-income areas and families? Three methods of calculating benefit to low- or moderate-income areas were developed in response to this question. The three methods, the SMSA Median Income, the City Median Income, and the National Median Income Methods differ only in what median income "bench mark" is used to define low- and moderate-income areas. Each method categorizes the census tracts receiving CDBG funds into income groups according to the relationship of each tract's median income to the "bench mark." Low-income areas for each of the three methods are defined as tracts which have median incomes of 0-50 percent of the "bench mark", while moderate-income areas are those having median incomes of 51-80 percent of the "bench mark."

¹⁶See Appendix A for detailed description of these methods and their results.

Of the three "bench marks"—the SMSA median income, the city median income, and the national median income—the SMSA median was chosen to be used to define low- and moderate-income areas and families. It most closely resembles the definition used in Section 570.3(o)¹⁷ of the regulations for the Community Development Block Grant program.*

2. What should be the basis for determining which funds benefit low- or moderate-income areas and families? There are two approaches for determining the percentage of funds from which low- and moderate-income families will benefit: (1) if the median income of the tract is less than 80 percent of the median income of the area, *all* of the funds benefit the low- or moderate-income families of the census tract, and (2) the amount of funds from which low- and moderate-income families will benefit is *proportional* to the number of low- and moderate-income families in the tract.

The three methods of computing benefit, previously discussed, all use the first approach for determining the percentage of funds from which low- and moderate-income families will benefit. For example, the National Median Income Method assumes that low-income families are the only beneficiaries when block grant funds are planned for areas where the median income of the census tract is 50 percent or less than the national median income. Conversely, this method assumes that low- and moderate-income families do not benefit when funds are budgeted for areas where the census tract median exceeds 80 percent of the national median income.

A fourth method, Distribution by Family Income, using the national median to define low- and moderate-income, determines the amount of funds which benefit low- and moderate-income families by allocating the funds on a proportional basis to each income group within the census tract. Thus, if 20 percent of the residents of a census tract are moderate income, then 20 percent of the funds for that tract are said to benefit them. The assumptions in using this method are that low- or moderate-income families benefit from activities taking place in their neighborhood, despite the median income of the census tract; and that the amount of funds from which they benefit is proportional to the number of low- and moderate-income families in the tract.

¹⁷Code of Federal Regulations, Title 24, Sec. 570.3(o).

¹⁸The Department is using one consistent definition of low- and moderate-income families. The definition used in the regulations for the CDBG program (24 CFR Part 570.3(o)) is the same as that used in the regulations for the Section 8 Assisted Housing program (24 CFR 880.102, 881.102, 882.102). While Section 8 uses market area in their definition, CDBG uses the SMSA which most closely replicates market area.

HUD has chosen to use this "proportion" method rather than the "all or nothing" methods for determining the amount of funds which benefit low- or moderate-income families. The proportion method provides a more accurate estimate of benefit and is supported by information on benefit collected through the Benefit Survey. (See Box 2.C.)

To adjust the methods that use the area basis to determine benefit, a correction factor was developed by comparing two approaches, National Median Income and Distribution by Family Income. Both methods define low- and moderate-income families using the national median as the "bench mark." However, the estimate of benefit provided by the Family Method is more accurate because it defines benefit on a proportional basis. The National Median Income Method has overestimated the percentage of funds benefiting low- and moderate-income families by the difference between the results of the two methods. The correction equation described in Box 2.A can be applied to the other methods to determine how much they have overestimated the percentage of funds benefiting low- or moderate-income families.

Estimate of Benefit

In order to calculate the percentage of funds benefiting low- and moderate-income families; a correction factor (to correct for the proportional distribution of benefit) is applied to the SMSA Median Income Method. The result is that the corrected SMSA Median Income Method indicates 57.3 percent of the funds benefiting low- and moderate-income families. See Box 2.B for a description of these calculations.

Fiscal Year 1975 Estimate of Benefit Corrected

A recalculation of the first year program funds using the correction factor described in this text reveals that the percentage of funds benefiting low- or moderate-income families is not as high as originally estimated.

The First Annual Report used two methods to calculate the percentage of funds benefiting low- or moderate-income families: Income Quartile Area and SMSA Median Income Area Method. Neither of these approaches had the proportional funds correction factor applied to them. Applying the correction factor results in the percentages being 63.7 percent for the SMSA method (as opposed to 69.0 percent that was originally presented), and 65.5 percent for the Quartile method (as opposed to 71.0 percent that was originally presented). Box 2C describes a survey which corroborates decreasing the percentage of first year funds benefiting low- or moderate-income families.

Box 2.A Correction Equation

The National Median Income Method as compared to the Distribution by Family Income Method overestimates the percentage of funds benefiting low- or moderate-income families by 4.5 percent. This is because the National Median Income Method does not use the proportional benefit approach.

Results of National Median Income Method	58.0%
Results of Distribution by Family Income Method	53.5%
National Median Income Method Overage	4.5%

To calculate how much the other methods which determine benefit have overestimated the percentage of funds benefiting low- and moderate-income families, the following formula can be used:

$$\frac{\text{National Median Income Method overage}}{\text{National Median Income Method Estimate}} = \frac{\text{Method overage (x)}}{\text{Method Estimate (y)}}$$

$$\frac{4.5}{58.0} = \frac{x}{y}$$

$$x = \frac{(4.5)(y)}{58.0}$$

$$X = (0.0775)(y)$$

Box 2.B Application of Correction Formula

$$x = (0.0775)(y)$$

where x = the overage
y = method to be corrected

SMSA MEDIAN INCOME METHOD (y) = 62.1%

$$x = (0.0775)(62.1)$$

$$x = 4.8$$

SMSA Median Income Method, Corrected = 57.3%

Aid in the Prevention or Elimination of **Slums** or Blight. The legislative certification requires CDBG funded activities to meet one of three criteria: benefit low- or moderate-income persons; prevent or eliminate slums or blight; or meet a community development need of particular urgency. By signing an assurance, local officials certify that their activities meet either the first or second criteria; no distinction is made as to which of the two criteria an activity meets. Only when the activity has a particular urgency must the community identify the activities and certify to HUD the nature of the urgent need.

Box 2.C

Benefit Survey

Note: The following survey corroborates decreasing the First Annual Report estimate of the percentage of funds benefiting low- or moderate-income families.

According to a survey of activities in a representative sample of census tracts which received CDBG funds in FY 1975, activities which had a direct or service area benefit to lower-income* families and persons represents 61 percent of the funds spent. Activities of general benefit to the entire city population represent 11 percent of the funds spent. The remaining 28 percent, which benefits other income groups is divided as follows: 7 percent for activities of direct benefit and 21 percent for activities with a service area benefit.

This method is based on information furnished in the 1975 Grantee Performance Report and updated through a phone survey of a representative number of census tracts which received CDBG funds in FY 1975. First, communities were asked what percentage of the funds budgeted for a particular activity was actually being spent in the sample tract. Then, communities were asked to indicate what type of benefit resulted from the particular activities taking place in the tract. Three types of benefit were defined: general benefit; benefit to a service area; and direct benefit to households or individuals. If an activity was either of the latter two, communities were asked to indicate what percentage of the households benefiting were of lower income. The survey expanded on the Grantee Performance Report requirements by asking each community whether the percentage of the lower-income population benefiting could be applied to the budgeted amount for that activity to obtain the amount of funds which benefits lower-income persons and families. For the majority of activities, cities responded that such an application would be a fair estimate of the funds benefiting lower-income persons.

General benefit activities are predominately those located in downtown commercial areas. Renewal projects, in CBD's and downtown parking development projects, are examples of general benefit activities.

Service Area Benefit—Activities which benefit service areas are for the most part physical and capital improvements. One of the best examples of an activity with a service area benefit is the construction of a neighborhood facility. Such facility has a particular area that it serves—its service area. Other types of activities having this type of benefit are street improvements, parks, and demolition of structures.

Of the funds spent for activities which have a service area, two-thirds (64 percent) are benefiting lower-income families or persons. Since these activities are aimed at a particular service area which is more than likely heterogeneous in terms of income, it is understandable that the remaining 36 percent of the funds benefits families or persons which are not lower income.

Direct Benefit—Finally, activities that have direct beneficiaries account for 29 percent of the funds spent in the sample tracts. An activity with direct beneficiaries serves specific households or persons. For example, the majority of the public service activities funded through CDBG have a direct benefit, i.e., child care, medical services, and education programs. Some capital improvements have a direct benefit, most notably, water or sewer hookups and the rehabilitation loan and grant programs which have particular eligibility requirements.

As with activities with a service area benefit, lower-income households are benefiting from three quarters (78 percent) of the funds spent for activities with direct benefit. The remaining households receive 22 percent of the funds.

In the second year of the block grant program, 90.4 percent of the program funds were certified as being activities that benefit either low- or moderate-income persons or prevent or eliminate slums or blight. The percentage of funds budgeted for activities outside low- and moderate-income areas that aid in the prevention or elimination of slums or blight is approximately 38.6 percent.⁹

The majority of the funds meeting this certification are for public works activities especially street improvements (26.2 percent of these funds), and rehabilitation activities (23.2 percent of these funds) in areas where the median income is between 81 and 100 percent of the SMSA median income. (See Table 2.5.) Most of these tracts have median incomes of \$8,000-\$10,000. Forty-two percent of these funds are for neighborhoods in which categorical projects

⁹ The preceding section reported that 57.3 percent of the program funds (SMSA method) will benefit low- and moderate-income families. Before the percentage of funds which eliminate slums or blight can be calculated, the percentage for low- or moderate-income benefit must be reduced by 5.5 percent. This reduction is due to an overlap of program funds which benefit low- or moderate-income and meet urgent needs. The percentage of funds eliminating slums and blight is calculated by subtracting 51.8 percent from 90.4 percent with the result being 38.6 percent.

formerly were located. However, 58 percent of the funds for blight prevention are for new neighborhoods outside of the categorical program target areas.

Table 2.6

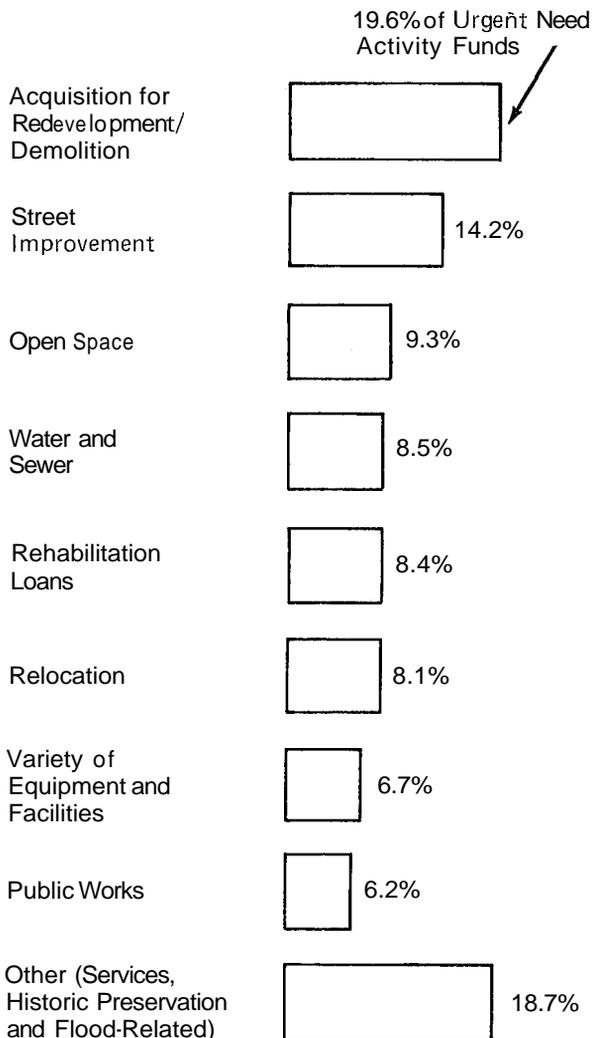
URGENT NEEDS ACTIVITIES

Table 2.5

ACTIVITIES TO PREVENT OR ELIMINATE SLUMS OR BLIGHT IN INCOME AREAS OTHER THAN LOW AND MODERATE

ACTIVITIES	INCOME AREAS		
	Median	High	Total
Redevelopment	18.0%	21.7%	19.1%
Code Enforcement	2.3	1.5	2.1
Other Public Works	26.1	26.5	26.2
Water and Sewer	4.7	5.9	5.0
Open Space and Neighborhood Facilities	7.5	9.7	8.1
Housing	25.5	17.5	23.2
Service Related Facilities	6.7	11.3	8.0
Public Services	9.2	6.0	8.3
TOTAL	100.0%	100.0%	100.0%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of 147 sample CDBG metropolitan entitlement applications in Fiscal Year 1976.



SOURCE: Ibid.

Other Community Development Needs of Particular Urgency

In the second year of the Community Development Block Grant Program, 9.6 percent of the entitlement funds are for activities which have been certified as necessary to meet community development needs having a particular urgency. Almost half of these funds also meet the legislative certification of providing benefit to low- or moderate-income families.

The major activities being funded under this certification are acquisition, relocation and demolition (31.6 percent); public works including street improvements and flood protection (25.7 percent); open space activities (9.3 percent) and water and sewer activities (8.5 percent). (See Table 2.6.)

An example of a project certified to meet a particular urgency for street improvements is in New London, Connecticut:

This project is needed to provide walkways primarily to insure safety of school children who would normally walk to school . . . Sidewalks and curbs will be constructed in areas where the New London Board of Education is being directed by

the State to provide busing for students in lieu of sidewalks. When the sidewalks are completed in each project area, the city is then relieved from its obligation to provide school safety busing . . . although the sidewalks are primarily for school safety, much of the work to be accomplished is concentrated in areas of low- and moderate-income housing projects . . . The program will contribute a measure of safety for those who will utilize the walkways for shopping, going to work, physical fitness, and related purposes.²⁰

In another instance, Chattanooga, Tennessee certified to the Secretary's satisfaction that the Kings Point and Lakehills Collector Sewer Systems meet a particular local urgency. The projects were described in the Fiscal Year 1976 entitlement application as follows:

Both of these areas consist of primarily residential properties experiencing moderate to rapid growth. The area currently has septic tanks and two small package plants. Concentration on septic tank use has had a detrimental effect on the ground water in the area and highly polluted surface drainage flows freely into ditches which flow into the city's water intake system. Completion of the collector sewer system in these two areas will significantly improve the water quality of raw water now being received at the City's intake point.²¹

FUNDED ACTIVITIES

The Community Development Block Grant (CDBG) program does not require that communities may fund a wide-range of activities, including those previously eligible under the categorical programs. The specific selection of eligible activities is a local choice. Table 2.7 summarizes the activities selected by entitlement communities in Fiscal Year 1975 and Fiscal Year 1976.

Program Activity

The major change between the first and second program years is a decrease in acquisition-demolition-relocation activities and an increase in other public works. Other changes are increases in housing rehabilitation activities, and open space and neighborhood facilities in Fiscal Year 1976. For a complete comparison of expenditures by activities for both years, see Tables 2.7 and 2.8.

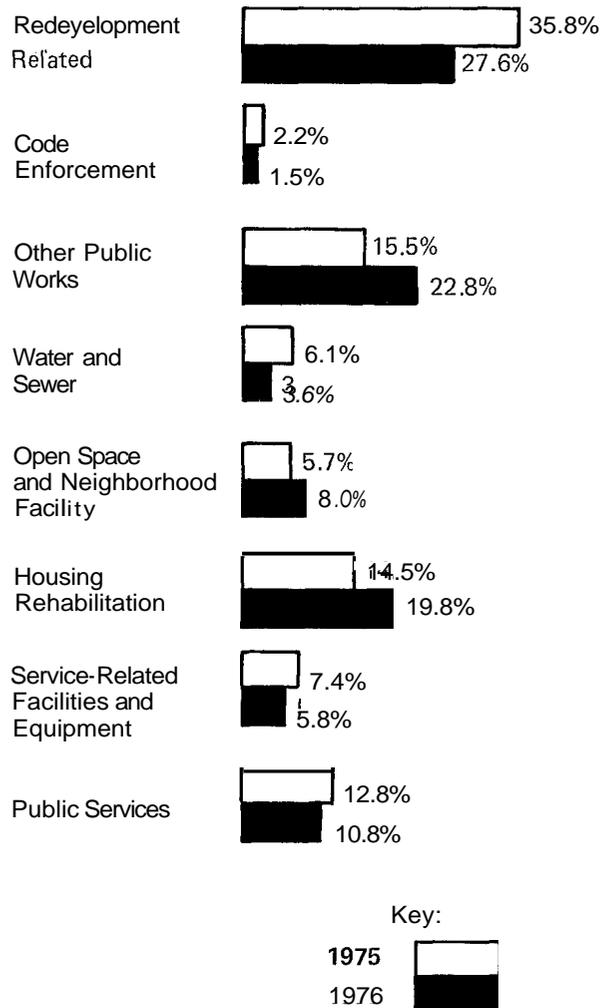
Redevelopment Related

In the first and second program years, the largest proportion of funds were spent on acquisition-

²⁰ City of New London, Connecticut, Community Development Plan Summary, Fiscal Year 1976.

²¹ City of Chattanooga, Tennessee, Community Development Plan Summary, Fiscal Year 1976.

Table 2.7
FUNDED ACTIVITIES



SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of 147 sample CDBG metropolitan entitlement applications in Fiscal Year 1976.

demolition-relocation activities, even though the percentage decreased from 35.8 percent in Fiscal Year 1975 to 27.6 percent in Fiscal Year 1976. These activities indicate some continuation of Urban Renewal techniques and completion of Urban Renewal projects.

Table 2.8

CDBG EXPENDITURES PLANNED FOR SPECIFIC ACTIVITIES, FY 1975 AND FY 1976

Activity	1975 CDBG Funds	1976 CDBG Funds	Activity	1975 CDBG Funds	1976 CDBG Funds
Acquisition for Redevelopment/ Demolition	17.8%	10.6%	Transportation Facilities/Equipment	0.0%	0.0%
Relocation	8.1%	6.1%	Elderly Facilities/Equipment	1.3%	1.3%
Demolition	3.3%	2.6%	Youth Facilities/Equipment	0.1%	0.2%
General Urban Renewal/NDP	5.8%	7.3%	Jobs Facilities/Equipment	0.1%	0.2%
Historic Preservation	0.8%	1.0%	Public Services:		
Code Enforcement	2.2%	1.5%	General	3.5%	2.5%
Street Improvements	10.7%	12.2%	Fire Services	1.0%	0.1%
Public Works	3.5%	8.0%	Police Services	0.5%	0.5%
Flood Protection	0.8%	2.4%	Recreation	0.3%	0.4%
Removal of Architectural Barriers	0.4%	0.2%	Jobs	0.4%	0.3%
Water and Sewer	6.1%	3.6%	Economic Development:		
Open Space	3.5%	5.2%	Services	1.0%	0.5%
Neighborhood Facilities	2.2%	2.9%	Housing Counseling Services	1.0%	0.6%
Housing: New Construction	0.0%	0.7%	Interim Assistance:		
Rehabilitation Grants	5.1%	5.1%	Public Health	0.8%	1.2%
Rehabilitation Loans	7.2%	10.6%	Medical Services	1.2%	0.9%
Rehabilitation by Community	2.0%	3.4%	Child Services	1.0%	1.2%
Facilities/Equipment:			Transportation Services	0.3%	0.3%
Fire	0.9%	1.0%	Elderly Services	0.9%	0.7%
Equipment: Police	0.0%	0.2%	Youth Services	0.3%	0.6%
Facilities/Equipment: Recreation	3.9%	2.2%	Education	0.8%	0.3%
Other Single-Purpose: Facilities/Equipment	0.0%	0.4%	Legal Services	0.7%	0.6%
Public Health Facilities/Equipment	0.3%	0.1%		100.0%	100.1%
Children's Facilities/Equipment	0.3%	0.4%			

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of 151 sample CDBG metropolitan entitlement applications for Fiscal Year 1975 and 147 applications for Fiscal Year 1976.

Communities are planning a combination of physical development activities to improve some of their more blighted neighborhoods. In the second program year, four-tenths of these funds were for acquisition for redevelopment and demolition, three-tenths for a continuation of general Urban Renewal/NDP activities, two-tenths for relocation costs, and one-tenth for demolition. This approach utilizes code enforcement and rehabilitation, along with acquisition and demolition. Little Rock, Arkansas, has employed demolition along with rehabilitation in its program. The city states that "poverty, overcrowding, and lack of decent environmental conditions which lead to social and health problems demonstrate a need to upgrade the environmental conditions of the city."²² Re-

habilitation will be used whenever possible, but substandard structures will be removed.

Historic preservation represents a small amount of the funds for redevelopment-related activities. Approaches such as surveys, loan funds, and city-financed restoration are being funded.

Meriden, Connecticut, plans to do extensive structural restoration of the 1711 Inn. The building "was built 265 years ago by Solomon Goffe [and] has been nominated by the State Historical

²²City of Little Rock, Arkansas, *Community Development Plan Summary*, Fiscal Year 1976.

Commission for the National Register of Historic Places."²³ Once the work is completed, the building will be opened to the public, although there are no plans to use it as a museum or cultural center.

Trenton, New Jersey, has identified structures in need of assistance that are on the Trenton Landmarks Commission's special register. Most of these structures have not been renovated, opened to the general public, or even marked. By renovating these buildings, the city hopes to create "local pride in the city's heritage and national recognition of Trenton."²⁴ To meet these ends, CDBG funds will be used to restore the William Trent House, the Old Eagle Tavern, and the Ellarslie Mansion, the latter two buildings to be used as museums housing exhibits, films, and lecture facilities.

Other Public Works

Public works other than those listed specifically in Table 2.8 were budgeted **15.5** percent of the first year funds, and **22.8** percent of the Fiscal Year **1976** block grant funds. The major activities listed are street improvements (over half of the "other public works" funds). For example, Galveston, Texas, budgeted funds for street resurfacing, sidewalks, street name signs, and traffic signs. "In the newly annexed area of the city, streets need paving, street signs, and traffic control facilities."⁵

Another type of public works activity is drainage and other flood-related projects. Fargo, North Dakota, for example, is attempting to improve storm-water runoff so that "the need for flood insurance on all property, primarily residential,"²⁶ can be eliminated.

The removal of architectural barriers for the elderly and handicapped is another activity within the category of other public works. It is specifically mentioned in the legislation as an eligible activity and appears as a separate budget line item on the CDBG application budget. The approach cities take to this activity varies from cutting wheel chair ramps on curbs to planning for the removal of barriers from public buildings. Birmingham, Alabama, is planning to "conduct a survey of available housing for the handicapped and review the sources of financial assistance for improving the quality of housing for the handicapped."²⁷ The city hopes to encourage public and private housing developers to provide suitable housing for handicapped persons. In addition, provisions are being made for the removal of architectural barriers in public places.

²³ City of Meriden, Connecticut, *Community Development Plan Summary*, Fiscal Year 1976.

²⁴ City of Trenton, New Jersey, *Community Development Plan Summary*, Fiscal Year 1976.

²⁵ City of Galveston, Texas, *Community Development Plan Summary*, Fiscal Year 1976.

²⁶ City of Fargo, North Dakota, *Community Development Plan Summary*, Fiscal Year 1976.

²⁷ City of Birmingham, Alabama, *Community Development Plan Summary*, Fiscal Year 1976.

Housing Rehabilitation

Housing-related activities increased from **14.5** percent of the first year funds to **19.8** percent of second year funds. Of those funds for housing in Fiscal Year **1976**, **50** percent are for rehabilitation loan programs, over **20** percent for rehabilitation grants, **20** percent for rehabilitation activities conducted directly by the local community, and a small amount (**3.5** percent) for acquiring land on which to build new housing for low- and moderate-income households.

Rehabilitation loan and grant programs funded with CDBG funds will be described in more detail in Chapter 4. An example of CDBG-funded rehabilitation activities is Inglewood, California's low-interest rehabilitation loan pool. This project is designed to "halt the spread of owner negligence and subsequent deterioration"²⁸ by providing small, affordable loans, especially to aging or transient neighborhoods. The block grant fund will be the basis for a below-market rate revolving loan pool and will stimulate private market funds for home improvement loans through loan guarantees or underwriting. Assistance will be given for exterior repairs in order to assure code compliance and to senior citizen homeowners who otherwise would be unable to afford rehabilitation.

Syracuse, New York, has a rehabilitation program for elderly-owned and vacant tax-delinquent units. Two types of general areas are the focus of this program. Neighborhood Improvement Areas "exhibit moderate degrees of physical deterioration [and] generally less than **15%** of the structures in these areas are in substandard conditions."²⁹ Those areas which are basically sound are the Extended Areas. A nonprofit housing corporation will be in charge of this program, which hopes to encourage homeownership.

Acquisition and provision of land "to assist in the implementation of the Housing Assistance Plan at a reduced per unit costs"³⁰ is a project being carried out in Bloomington, Minnesota. Private developers will be provided with land subsidy incentives to build low-income family and elderly housing. A need for low-income elderly and family housing exists since there is presently inadequate low-income housing.

Public Services

The planned expenditures for public services have decreased from **12.8** percent in Fiscal Year **1975** to **10.8** percent in Fiscal Year **1976**. This decrease may be due to the new regulations requiring that public services funded through the CDBG program serve only areas in which physical development activities are concentrated, and that the services must either be

²⁸ City of Inglewood, California, *Community Development Plan Summary*, Fiscal Year 1976.

²⁹ City of Syracuse, New York, *Community Development Plan Summary*, Fiscal Year 1976.

³⁰ City of Bloomington, Minnesota, *Community Development Plan Summary*, Fiscal Year 1976.

a new public service or a new level of service above that currently being provided from local sources. It is also possible that the decrease is due to Model Cities programs being completed, and public services that once were eligible as a "continuation of Model Cities activities" no longer being eligible for funds.

Communities are undertaking a range of public services in support of physical development activities. Among the services being emphasized are those for the elderly. Jersey City, New Jersey, and Chattanooga, Tennessee, are providing services that permit the elderly on fixed incomes to remain independent in the community. Chattanooga's program encompasses social services such as health care, transportation, personal hygiene, home management, and nutrition so that the elderly will be able to live on their own. Home repair services for those unable to make repairs or financial assistance for home rehabilitation will also be provided by the city. Jersey City's project will provide the elderly with **900** homemaker hours per month. The block grant funds will be matched with HEW Title XX funds for social services.

Since the beginning of the CDBG program there has been interest in the level of expenditures for services. The program regulations indicate that public services are an eligible activity where other block grant-funded activities are taking place, when the services are not otherwise available, and if other sources of funds have been sought and denied (Sec. **570.200(a) (8)**). In addition, public services that are part of an ongoing Model Cities program, prior to the program's completion of its fifth year, are eligible for funding.

Based upon the sample of **147** metropolitan entitlement communities, **43.2** percent (**64** communities) have not planned any block grant expenditures for public services in Fiscal Year **1976**. An additional **46.9** percent (**69** communities) have budgeted less than 20 percent for public services, and **9.5** percent (**14** communities) have planned to spend 20 percent or more of the second year funds for public services. However, **47.1** percent of all public service funds will be spent by the relatively few communities (**9.5** percent) that have budgeted over 20 percent of their grants for this activity.

Expenditures for public services are closely related to a community's experience in the Model Cities program. In the second year of the block program, former Model Cities are receiving **65.9** percent of all entitlement funds in the sample of **147** applications; these cities are spending **86.5** percent of the funds in the sample which were budgeted for public services. Former Model Cities as a group have budgeted **14.5** percent of their total entitlement grants for public services, while communities without Model Cities experience have planned to spend only **4.1** percent of their grants for services.

Model Neighborhoods have been scheduled to receive **40.8** percent of the public service expenditures in former Model Cities. Because this

percentage is less than half of the service expenditure for Model Cities as a whole (**86.5** percent), there is some indication that former Model Cities are directing a considerable amount of public service funds to other neighborhoods in need of assistance.

Water and Sewer

Water and sewer projects accounted for **6.1** percent in the first program year and **3.6** percent in the second year. Both storm and sanitary sewers are included.

Service-Related Facilities and Equipment

Expenditures for service-related facilities and equipment have decreased from **7.4** percent in Fiscal Year **1975** to **5.8** percent in Fiscal Year **1976**. Four-tenths of these funds are for facilities and equipment for recreational programs, two-tenths for public safety facilities, two-tenths for facilities and equipment for the elderly, and two-tenths for miscellaneous facilities and equipment.

Gary, Indiana, has a summer recreation program which operates on a citywide basis for children between the ages of six and eighteen. CDBG funds for this program are targeted for the support and improvement of a minimum of **13** sites. Rehabilitation of the Bleason Park pool is also scheduled for Fiscal Year **1976**.

"Social service agencies presently found in Muncie are not located where the need is the greatest. Persons and families needing a range of services have difficulty in reaching particular human services due to time and distance."³¹ Site improvements to a community building will be funded so that it may be used as a multipurpose center. Odessa, Texas, has indicated in their application for funds that there is a need for a neighborhood center for the provision of social services to the elderly. Block grant funds will be used to make improvements to the Ector County Senior Citizen Center building.

Code Enforcement

Expenditures for code enforcement programs decreased from **2.2** percent in Fiscal Year **1975** to **1.5** percent in Fiscal Year **1976**. Communities are utilizing a combination of physical development activities and code enforcement in their blighted areas. Florence, Alabama, is one such city which is planning a concentrated code enforcement program in areas which "contain concentrations of low- and moderate-income people, minorities, as well as a high percentage of the city's female-heads-of-household."³²

³¹ City of Muncie, Indiana, *Community Development Plan Summary*, Fiscal Year 1976.

³² City of Florence, Alabama, *Community Development Plan Summary*, Fiscal Year 1976.

Open Space and Multipurpose Neighborhood Facilities

Open space and multipurpose neighborhood facilities³³ have increased from 5.7 percent of Fiscal Year 1975 funds to 8.0 percent of the second year funds. Two-thirds of these Fiscal Year 1976 funds are for open space projects and one-third are for multipurpose neighborhood facilities.

The cities funding open space activities, such as Harrisburg, Pennsylvania, state the purpose of many of these projects, is "to conserve and promote functional and viable city neighborhoods." Harrisburg's program calls for planting additional shade trees and improving neighborhood parks, including improvements to a boat launch area, shore-line rehabilitation, rehabilitation of a park pavillion and play areas.

Evansville, Indiana, is planning major improvements to parks in its center city and residential areas. They are planning to complete improvements at parks and swimming pools, expand a mini-park, purchase park equipment, and help residents in two neighborhood preservation areas upgrade parks.

Administrative and Planning Activities

Included in the listing of eligible activities published in the Federal Register by HUD are "reasonable administrative costs."³⁴ and "activities necessary (i) to develop a comprehensive community development plan...and (ii) to develop a policy-planning-management capacity."³⁵ Communities may designate a portion of funds each year for contingencies or local option activities. The analyses of community development funds throughout this report are based on program funds only as budgeted by entitlement communities.

The assumption behind this decision is that all program activities require some administrative and planning activities and that these costs are proportioned evenly across all program activities. This report also assumes that contingencies can be described only from the perspective of post-program analysis, as opposed to the analysis of plans presented in initial applications.

Administration, studies, planning, and contingencies account for 18.8 percent of Fiscal Year 1975 entitlement grants and 17.8 percent of Fiscal Year 1976 grants. For the second year this included 10.4 percent for administration, 2.3 percent for planning, 0.9 percent for policy-planning-management activities, and 4.2 percent for contingencies (local option to reprogram). The remaining funds (81.2 percent of first year grants and 82.2

percent of second year grants) are for community development activities which are described throughout this report.

METHODS OF CALCULATING BENEFIT

Method I: SMSA Median Income Method

Sixty-two percent of the funds are budgeted in the second year of Community Development Block Grants to benefit low- and moderate-income areas according to this method.³⁶ The remaining funds are divided between median- and high-income areas.

Income Areas	Percent of CDBG Funds
Low	11.3%
Moderate	50.8%
Median	26.0%
High	11.9%
	100.0%

This method, used in the *First Annual Report*, categorizes the census tracts receiving block grant funds into four categories according to the relationship of the tracts' median income to the SMSA median income: 0-50 percent of the SMSA median, 51-80 percent, 81-100 percent, and above 100 percent. Low-income areas are defined as being those tracts with median income of 0-50 percent of the SMSA median-income and moderate-income areas are defined as being those with median incomes of 51 to 80 percent of the SMSA median income. The last two groups are median-income tracts 81-100 percent of the SMSA median, and high-income tracts over 100 percent of the SMSA median.

Examination of the median-income ranges of the four categories of tracts: low, moderate, median, and high provides a better picture of what each means.

Low—The majority of the funds budgeted for areas with less than 50 percent of the SMSA median income is for census tracts that have median family incomes of less than \$5,000. Some of these tracts have median incomes as low as \$1,000. Of the remaining tracts receiving CDBG funds in this low category, none has a median income of higher than \$7,999.

Moderate—Census tracts that are between 51 and 80 percent of the SMSA median have median incomes that range from less than \$5,000 to up to \$9,999. However, three-quarters of the funds budgeted for moderate-income areas are for tracts which are all within the median incomes of \$5,000 to \$7,999.

³³ Single-purpose facilities are discussed earlier.

³⁴ Code of Federal Regulations, Title 24, Sec. 570.200(a) (13).

³⁵ Ibid., Sec. 570.200(a) (12).

³⁶ This percentage does not have the correction factor applied to it as described above in the section on Legislative Certifications.

Median—The median-income range for those census tracts which are between 81 and 100 percent of the SMSA median is income from as low as \$5,000 to as high as \$14,999. More than half of the funds budgeted are for tracts that have a median income which ranges from \$8,000 to \$9,999.

High—Two-thirds of the funds budgeted for areas which have medians greater than 100 percent of the SMSA median income are in census tracts that range in median income from \$10,000 to \$14,999. The remaining funds are split: twenty percent of the funds in census tracts with median incomes of \$8,000 to \$9,999 and eight percent in census tracts with median incomes of \$15,000 and greater.

CT Income Range	Income Groups			
	LOW	MOD	MED	HIGH
\$5,000	86.6%	7.6%	0%	0%
5,000-7,999	13.4	75.7	23.0	1.4
8,000-9,999	0	16.8	58.0	20.8
10,000-14,999	0	0	18.9	69.8
15,000 +	0	0	0	8.0
Total	100.0%	100.1%	99.9%	100.0%

Method 2: City Median-Income Method

Almost forty-eight percent of the funds are allocated in the second year of CDBG to benefit low- and moderate-income areas according to this method. The remaining funds are divided between median- and high-income areas.

Income Areas	Percent of CDBG Funds
Low	6.8%
Moderate	41.0%
Median	34.5%
High	17.7%
	100.0%

The City Median Income Method is based on the same relationship as the SMSA Median-Income Method except that the city median income is used. Low-income areas are defined as being tracts with median incomes less than 50 percent of the city median income and moderate tracts are those with median incomes of 5 to 80 percent of the city median. Median- and high-income areas are those tracts which have median incomes of 81 to 100 percent and more than 100 percent of the city median respectively.

Method 3: National Median-Income Method.

According to this method, fifty-eight percent of the second year funds are benefiting low- and moderate-income areas. Median, above median and high income areas are receiving the remainder of the funds.

Income Areas	Percent of CDBG Funds
Low	11.3%
Moderate	46.7%
Median	26.5%
Above Median	14.4%
High	1.1%
	100.0%

The National Median Income Method is similar to the SMSA Median and City Median-Income Methods in the way that the low- and moderate-income groups are calculated with one variation. The first two methods compared each census tract's median income to either the SMSA or the city median and calculated the percentage relationship—less than 50 percent, 51-80 percent, etc. With this method, the percentage relationship is calculated but not for each census tract. Since the base for this method is the national median income and not the SMSA or city medians which varied for each community, it is necessary only to calculate 50 percent of the national median and 80 percent of the national median, which are the low- and moderate-income groups respectively. With the 1970 national median income being \$10,000, 80 percent is \$8,000 and 50 percent is \$5,000. Knowing the median income of each census tract, the tract is considered low income if its median is \$5,000 or less, and moderate if its median is between the \$5,000 and \$8,000.

The other income groups in the National Median Income Method—median, above median and high—were also delineated by calculating a percentage of the national median. The median-income group represents 80 to 100 percent of the national median or tracts with median incomes of \$8,000 to \$10,000. The above median has as an upper limit 150 percent of the national median or \$15,000. Therefore, tracts that have median family incomes of \$10,000 to \$15,000 are considered to be above median-income areas. Finally, the high-income group represents greater than 150 percent of the national median and tracts that have median incomes of \$15,000 and up fall into this high income category.

Method 4: Distribution by Family Income Method

Distribution by Family Income Method shows that 53.5 percent of the CDBG funds benefit low- and moderate-income families, with the remaining 46.6% budgeted for median-, above median-, and high-income families.

Family Income Areas Percent of CDBG Funds

Low	30.6
Moderate	22.9
Median	13.8
Above Median	20.9
High	11.8
	100.0%

The Distribution by Family Income Method has elements which are similar in some respect to the other methods yet overall it is a method unlike any of the others. Instead of grouping census tracts by their median incomes, this method groups families within census tracts by their family income level. Families are defined as being low- or moderate-income in terms of the 1970 national median income as census tracts were so defined by the National Median Income Method. That is, if a family has an income of less than \$5,000 which is less than 50 percent of the national median income, then that family is defined as being low-income. Moderate-income families are those with incomes between \$5,000 and \$8,000.

To determine what percentage of the CDBG funds are benefiting which income families, the Distribution Method apportions the funds budgeted for each census tract among five family income groups based on the percentage of the total families in the census tract that the family income group represents. For example:

Method 5: Decile Income Area Method

Sixty-seven percent of the CDBG funds benefit low- and moderate-income areas. The remaining 33 percent of the funds is divided among four other income areas: below median-, above median-, moderately high-, and upper-income areas.

Income Areas	Percent of CDBG Funds
Low	41.0
Moderate	25.8
Below Median	9.5
Above Median	6.6
High	10.3
Upper	6.8
	100.0%

The Decile Income Area Method is one of the more complex ways of figuring which areas receiving CDBG funds are low- or moderate-income. The Decile Method arranges all the census tracts within each city into ten evenly sized units—deciles—based on the "Z" score of the standard deviation of each tract's median income in comparison to the median income of all the tracts' median incomes in each city. Since the median in all cases occurs between decile five and decile six, low-income tracts are defined as being those that fall into deciles one and two. Moderate-income tracts are those appearing in deciles three and four. The four deciles at the higher end of the scale are divided in the same fashion: deciles nine and ten represent tracts which are upper-income; and deciles seven and eight represent moderately high-income

Census Tract: 1.00 Budgeted Amt: \$500,000

Family Income Groups	# of Families Ct 1.00	% of Total Families in Ct 1.00	Portion of Budgeted Amt for Income Group
\$5,000	50	50	50% of 500,000 = 250,000
5,000-7,999	25	25	25% of 500,000 = 125,000
8,000-9,999	15	15	15% of 500,000 = 75,000
10,000-14,999	10	10	10% of 500,000 = 50,000
15,000 +	0	0	0% of 500,000 = 0
	100	100	\$500,000

Funds for each family income group are totaled once the calculation in each census tract is complete. The percentage of total funds which benefits low- and moderate-income families is then figured.

tracts. The two remaining deciles each represent an income area. Decile five falling directly below the median represents below median-income tracts and decile six, directly above the median, represents above median-income tracts.

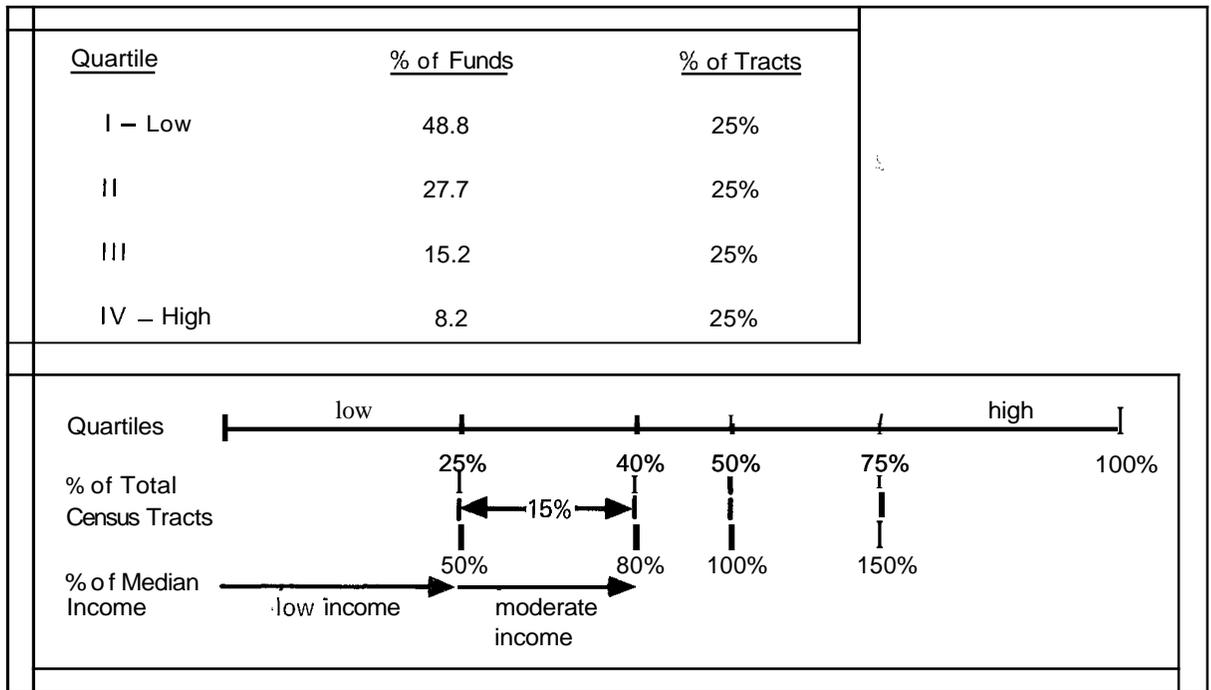
Method 6: Quartile Income Area Method

Low- and moderate-income areas are receiving sixty-five percent of the funds, according to this method. The remaining thirty-five percent of the CDBG funds will be spent in median-, above median-, and high-income areas.

Income Areas	Percent of CDBG Funds
Low	48.8
Moderate	16.6
Median	11.1
Above Median	15.2
High	8.2
	100.0%

The Quartile Income Area Method is the second of two methods used in *The First Annual Report*. This method of calculating benefit uses the median income of each census tract to rank all the tracts within each city—both those receiving funds and those not—from highest to lowest. These ranked tracts are divided into four equal groupings or quartiles. The tracts which fall into the lowest ranked quartile in each city are defined as being low-income areas whereas those falling into the highest ranked quartile are defined as high-income areas. Of the two remaining quartiles, the second highest represents tracts that are defined as being above median-income areas. The second lowest quartile contains tracts that are defined as being moderate-income areas and tracts that are defined as being median-income areas. To distinguish between the CDBG funds budgeted for the two types of income areas in this second quartile, it is assumed that the following ratio exists:

$$\frac{\% \text{ of total tracts moderate income}}{\% \text{ of total tracts in 2nd quartile}} = \frac{\% \text{ of funds budgeted for moderate area}}{\% \text{ of total funds in 2nd quartile}}$$



Using this ratio the percentage of funds budgeted for moderate income areas can be calculated.

$$\frac{15}{25} = \frac{x}{27.7}$$

$$25x = 415.5$$

$$x = 16.6$$

Examples of Differences in Census Tract Classification by Five Methods

A census tract can be characterized as belonging to different income areas by five methods. This can be seen below. Table 2.9 shows the definitions of each income area for the five methods. Table 2.10 shows the SMSA median income, city median income, and census tract median income for four selected tracts and what income area they fall into using the five methods.

Different classifications occur for census tracts by the five methods because of the varying definitions of the income area. Bellevue, Washington's census tract

238 is defined as being a high-income area by the SMSA Median Income Method. This is because the tract's median is greater than 100 percent of the SMSA median. However, in ranking all the census tracts in Bellevue, tract 238 has one of the lowest median incomes and is classified by both the Decile and Quartile methods as a low-income area. Paterson, N.J., is the only city in the sample with tracts in a reverse situation. Census tract 1819 is considered moderate-income by the SMSA and National Median Income Methods, but because the tract has one of the highest incomes of all the city's tracts the Quartile and Decile Methods classify it as high-income.

Table 2.9

METHODS

SMSA MEDIAN INCOME	CITY MEDIAN INCOME	NATIONAL MEDIAN INCOME	DECILE	QUARTILE
<u>Low</u> 0–50% of SMSA Med. Inc.	<u>Low</u> 0–50% of City Med. Inc.	<u>Low</u> below \$5,000	<u>Low</u> Deciles 1 & 2	<u>Low</u> Quartile 1
<u>Mod.</u> 51–80% of SMSA Med. Inc.	<u>Mod.</u> 51–80% of City Med. Inc.	<u>Mod.</u> \$5,000– \$7,999	<u>Mod.</u> Deciles 3 & 4	<u>Mod.</u> Quartile 2 (portion)
<u>Median</u> 81–100% of SMSA Med. Inc.	<u>Median</u> 81–100% of City Med. Inc.	<u>Median</u> \$8,000– \$9,999	<u>Below Med.</u> Decile 5	<u>Median</u> Quartile 2 (portion)
<u>High</u> over 100% of SMSA Med. Inc.	<u>High</u> over 100% of SMSA Med. Inc.	<u>Above Med.</u> \$10,000– \$14,999	<u>Above Med.</u> Decile 6 <u>High</u> Deciles 7 & 8	<u>Above Med.</u> Quartile 3 <u>High</u> Quartile 4
		<u>High</u> \$15,000+	Upper Deciles 9 & 10	

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

APPROACHES TO COMMUNITY DEVELOPMENT

This chapter describes the variety of approaches to community development being developed by CDBG recipients for the second year of the block grant program. It looks at: the number and kinds of neighborhoods being selected for community development activity; the proportion of funds budgeted for each; the mix of activities selected to meet community development needs in each type of neighborhood; the degree to which funds are being concentrated in activity areas; multiple activity approaches; and other sources of funds for community development.¹

NUMBER AND KINDS OF AREAS RECEIVING ASSISTANCE

In the first two program years, recipients have nearly tripled the number of census tracts receiving community development assistance compared to the number that received assistance prior to enactment of the CDBG legislation. They are assisting more than half the census tracts within their boundaries. The newly added census tracts are generally of higher income than those assisted under categorical programs. Only 38 percent of the new census tracts are low- to moderate-income while 80 percent of the census tracts receiving assistance prior to 1974 were low- and moderate-income.

Most of the areas that received categorical program assistance under the Urban Renewal, Neighborhood Development program, Model Cities, and Code Enforcement programs prior to 1975 have been retained in the CDBG program in either the first or second program year. These areas contain almost half of all low- and moderate-income census tracts in entitlement communities. Second year plans indicate not only continuous funding for former categorical areas, but plans to fund almost all low- and moderate-income census tracts within these neighborhoods. (See Table 3.1)

Table 3.1

DISTRIBUTION OF ALL LOW AND MODERATE INCOME CENSUS TRACTS AND CDBG FUNDED CENSUS TRACTS IN 147 ENTITLEMENT COMMUNITIES, BY CATEGORICAL PROGRAM HISTORY

Categorical Program History	All Low/Moderate Income Census Tracts in. City (percent)	Percent Funded By CDBG (percent)
Urban Renewal/ Neighborhood Development Program	18.2	89.9
Model Cities	10.2	95.2
Hybrid UR/NDP/ MC	8.2	96.3
Federally Assisted Code Enforcement	9.0	89.1
No Prior Experience	54.4	68.5
Total (percent)	100.0	79.3
(Number of tracts)	(1,635)	

SOURCE: U.S. Department of Housing and Urban Development Community Planning and Development, Office of Evaluation. Based upon an analysis of CDBG applications from 147 sample metropolitan entitlement communities for Fiscal Year 1976.

"A Suitable Living Environment" or "Expanding Economic Opportunities"

The block grant legislation in Section 101(c) states the primary objective as "the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities. . . ." Local officials may choose

¹The data for this chapter are based upon analysis of applications for funds for a representative sample of metropolitan cities and metropolitan small hold harmless communities.

to emphasize one of these objectives over the other, or may choose a balance between all.

The major emphasis of block grant entitlement recipients is to improve the quality of residential areas. (See Table 3.2.) Approximately seventy-eight percent of second year funds are being directed to residential neighborhoods. Economic development activities account for 9.7 percent of the Fiscal Year 1976 funds.

In addition to the funds directed to residential and commercial activities, 8.0 percent of the second year block grant funds will be spent on citywide activities, and 4.1 percent on activities for which the residential, non-residential character was undetermined.

Table 3.2

CDBG EXPENDITURES IN NEIGHBORHOODS WITH RESIDENTIAL OR COMMERCIAL CHARACTERISTICS (FY 76 FUNDS)

NEIGHBORHOOD	PERCENT
Residential	78.3
With Categorical Program Experience	(46.5)
Without Categorical Program Experience	(31.8)
Central Business District	8.3
With Categorical Program Experience	(6.0)
Without Categorical Program Experience	(2.3)
Other Commercial/Industrial	1.4
With Categorical Program Experience	(0.8)
Without Categorical Program Experience	(0.6)
Unspecific Residential/Nonresidential	4.1
Citywide	8.0
Total	100.1% (\$394,129,402)

Funding Levels for Prior Categorical Program Areas and New Neighborhoods

Entitlement communities have budgeted slightly more than half of the second year funds for neighborhoods with a history in the categorical programs. (See Table 3.3.) They are receiving 54.7 percent of Fiscal Year 1976 funds, a four percentage point decrease from the first year of the program.

Thirty-seven percent of the Fiscal Year 1976 funds

are planned for new target areas, an increase of 9.7 percent over the first year. This includes 24.2 percent that is planned for neighborhoods that were funded in the block grant program in FY 1975 and 13.1 percent that will be spent in target areas first funded in FY 1976.

Table 3.3

CDBG EXPENDITURES IN NEIGHBORHOODS WITH VARIOUS CATEGORICAL PROGRAM HISTORIES, FY 1975 AND FY 1976

Categorical Program History	FY 1975 Percent Funded	FY 1976 Percent Funded
Urban Renewal/Neighborhood Development Program	31.8%	27.5%
Model Cities	6.0	7.1
Hybrid UR/DP/MC/NDP	13.1	12.8
Federally Assisted Code Enforcement	7.8	7.3
New Areas	27.7	37.3
New 1976	(-)	(13.1)
New 1975	(27.7)	(24.2)
Citywide	13.6	8.0
Total (%) (\$000)	100.1% (368,545)	100.1% (394,129)

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of CDBG applications from 151 sample metropolitan entitlement communities for Fiscal Year 1975 and from 147 communities for Fiscal Year 1976.

Finally, 8.0 percent of the second year funds are planned for citywide activities as compared to 13.6 percent in Fiscal Year 1975. The movement from the first to the second program year appears to be away from citywide activities and Urban Renewal/NDP areas, and to a new group of community development target neighborhoods.

APPROACHES TO COMMUNITY DEVELOPMENT IN RESIDENTIAL AREAS

In carrying out activities in residential areas, entitlement communities are emphasizing one of three general approaches to community development:

- (1) **Redevelopment** emphasizing acquisition; relocation, and demolition and public services in residential neighborhoods with the highest concentration of populations in need of assistance and the most deteriorated or unstable housing stock;
- (2) **Neighborhood preservations** with an emphasis on rehabilitation loans and grants and code enforcement in neighborhoods with older housing, but also where the housing stock is otherwise in relatively good condition and where there are lower concentrations of populations in need of assistance;
- (3) **Neighborhood development or growth** with emphasis on water and sewer activities, open space and neighborhood facilities, public works, and service-related facilities in the residential areas with the least deteriorated housing and where the residents are less likely to be in need of assistance. (See Tables 3.4. through 3.7.)

These approaches vary considerably among the areas, depending on whether they are new neighborhoods or former categorical program areas.

Urban Renewal Neighborhood Development Program Areas

In Fiscal Year 1976, over one-fourth of the funds planned for residential neighborhoods under the CDBG program will be spent in Urban Renewal and Neighborhood Development Program areas. The overall strategy for these neighborhoods places a heavy emphasis upon land acquisition, relocation, and demolition (45.1 percent); and, in relation to other target areas of the block grant program, a lighter emphasis upon rehabilitation loans and grants (16.7 percent), service-related facilities and equipment (2.6 percent), and public services (5.2 percent). See Table 3.8 for these data.

There are four approaches occurring in UR/NDP areas that have different neighborhood characteristics. (Within all of these, the Urban Renewal/NDP approach of high clearance and low public services appears to remain a basic part of the community development plan):

- redevelopment in the most deteriorated neighborhoods;
- neighborhood improvement or conservation in older neighborhoods;
- neighborhood conservation and development in "better" areas;
- open space and neighborhood facilities in newer areas, but where persons in need of assistance are concentrated.

The first approach emphasizes land acquisition, relocation, and demolition in the poorest neighborhoods, those with high concentration of minorities, and areas with a deteriorating housing stock (i.e., overcrowded, no plumbing, and rental areas). These

appear to be the residential areas of major redevelopment.

The second approach in Urban Renewal/NDP residential areas is a greater emphasis on "improvement" and "conservation" activities in the neighborhoods with high concentration of older housing. The activities being more heavily funded in these neighborhoods include public works, rehabilitation loans and grants, service-related facilities and equipment, and public services.

A third approach appears to be based on a combination of conservation and development techniques within Urban Renewal/NDP residential areas. These are the neighborhoods with the fewest housing problems and the lowest concentration of populations in need of assistance. Activities being emphasized in these UR/NDP areas include code enforcement, public works, and water and sewer projects.

The final approach that appears from an analysis of the second year entitlement applications is an emphasis on open space and neighborhood facilities in the areas with the newest housing stock, but also the highest concentration of persons in need—the poorest, minorities, female-headed households, and large numbers of youth.

Model Neighborhoods (with no Urban Renewal/NDP)

Entitlement communities have budgeted about nine percent of their residential CDBG activities for former Model Neighborhoods in which no Urban Renewal/NDP activities occurred in the past. The approaches in these areas place high emphasis on services and less emphasis, than other residential neighborhoods, upon clearance-related activities (8.1 percent in MNAs), public works (14.8 percent), and water and sewer projects (0.8 percent). Another major expenditure is for rehabilitation loans and grants, which are receiving 23.6 percent of the funds in the Model Neighborhoods, a level similar to other residential areas.

These Model Neighborhoods tend to be less blighted or deteriorated than those linked with urban renewal activities. The approaches in these areas vary somewhat depending on the particular characteristics of the area:

- The first approach appears to be directed to residents of public housing projects or other relatively new low-income housing. It calls for a high concentration on public services, which in some neighborhoods accounts for as much as four-fifths of the funds. The areas have new housing but overcrowding and very low homeownership. In addition, these areas have high concentration of populations in need, including poverty-level families, minorities, and children under 18 years of age.
- The second approach places heavier-than-average emphasis upon land acquisition, relocation, and demolition. This occurs in the newer

TABLE 3.4
FUNDED ACTIVITIES IN HIGH POPULATION NEED AREAS (RESIDENTIAL, FY 1976)

	HIGH CONCENTRATION OF POPULATION IN NEED						Average Residential Area %
	Income ^a %	Poverty Families ^b %	Minorities ^c %	Female-Headed Households ^d %	Elderly Persons ^e %	Youth ^f %	
Land Acquisition— relocation—demolition	32.1	27.3	31.8	31.8	26.8	27.6	25.8
Code Enforcement	1.3	1.3	1.0	1.5	1.5	1.3	1.7
Other Public Works	19.7	24.5	20.2	19.6	24.5	19.1	21.4
Water and Sewer	1.4	2.0	1.1	0.8	1.4	2.5	3.4
Open Spaces and Neighborhood Facilities	7.8	8.4	7.4	7.1	5.6	10.3	7.8
40 Rehabilitation Loans and grants	21.2	18.8	20.7	21.0	20.7	19.9	23.2
Service-related facilities and equipment	3.9	3.5	3.2	3.9	7.9	4.0	5.4
Public Service	12.5	14.3	14.5	14.3	11.6	15.3	11.3
Total (%)	99.9	100.1	99.9	100.0	100.0	100.0	100.0
(\$000)	(195,281)	(93,548)	(110,238)	(141,025)	(22,104)	(69,507)	(308,161)

SOURCE: Ibid. Based upon an analysis of CDBG applications from 147 sample metropolitan entitlement communities in Fiscal Year 1976.

^aIncome designates census tracts with a median income less than 80 percent of SMSA median

^bPoverty families: more than 20 percent of population below 1970 poverty level

^cMinorities: more than 50 percent black or Spanish surnamed

^dFemale-headed households: more than 20 percent of the households

^eElderly persons: more than 20 percent population over 65 years of age

^fYouth: more than 40 percent population less than 18 years of age

Table 3.5

FUNDED ACTIVITIES IN HIGH HOUSING NEED AREAS (RESIDENTIAL, FY 1976)

	HIGH CONCENTRATION OF HOUSING UNITS IN NEED				Average Residential Area %
	Housing built before 1940 ^a %	Overcrowded housing units ^b %	Housing units lacking some or all plumbing ^c %	Rental Units ^d %	
Land acquisition—relocation—demolition	29.5	29.3	47.7	42.4	25.8
Code Enforcement	2.0	0.8	0.8	1.3	1.7
Other public works	19.3	19.7	21.2	17.7	21.4
Water and sewer	2.0	1.4	0.8	0.6	3.4
41 Open spaces and neighborhood facilities	6.6	8.1	4.9	3.6	7.8
Rehabilitation loans and grants	23.5	18.3	12.0	17.9	23.2
Service-related facilities and equipment	4.2	3.0	2.6	3.2	5.4
Public services	12.9	19.4	10.0	13.4	11.3
Total (%)	100.0	100.0	100.0	100.1	100.0
(\$000)	(130,224)	(38,939)	(44,682)	(61,453)	(308161)

SOURCE: Ibid.

^aHousing built before 1940: more than 67 percent of the units built prior to 1940

^bOvercrowded housing units: more than 20 percent of the units have 1.01 or more persons per room

^cHousing units lacking some or all plumbing: more than 10 percent of the units

^dRental units: more than 80 percent of the units are renter-occupied

TABLE 3.6

FUNDED ACTIVITIES IN LOWPOPULATION NEED AREAS (RESIDENTIAL, FY 1976)

	LOW CONCENTRATION OF POPULATION IN NEED						Average Residential Area %
	Income ^a %	Poverty Families ^b %	Minorities ^c %	Female-Headed Households ^d %	Elderly Persons ^e %	Youth ^f %	
Land Acquisition—relocation—demolition	15.2	19.7	20.7	22.3	27.6	25.9	25.8
Code Enforcement	1.6	2.3	2.2	1.3	1.8	1.9	1.7
Other Public Works	25.5	21.3	25.6	23.7	18.7	20.1	21.4
Water and Sewer	8.9	5.1	5.1	10.4	3.6	2.5	3.4
Open Spaces and Neighborhood Facilities	10.6	8.4	7.6	8.7	9.9	7.7	7.8
Rehabilitation Loans and grants	21.4	26.2	23.9	20.8	20.9	24.2	23.2
Service-related facilities and equipment	10.2	7.9	6.5	6.7	4.6	6.3	5.4
Public Services	6.5	7.1	8.5	6.0	13.0	11.5	11.3
Totals (%)	99.9	100.0	100.1	99.9	100.1	100.1	100.0
(\$000)	(32,427)	(106,217)	(129,134)	(31,166)	(91,982)	(83,738)	(308,161)

SOURCE: Ibid.

^aIncome designates census tracts with a median income more than 100 percent of SMSA median^bPoverty families: less than 10 percent of population below 1970 poverty level^cMinorities: less than 20 percent black or Spanish surnamed^dFemale-headed households: less than 10 percent of the households^eElderly persons: less than 10 percent population over 65 years of age^fYouth: less than 30 percent population less than 18 years of age

Table 3.7

FUNDED ACTIVITIES IN LOW HOUSING NEED AREAS (RESIDENTIAL, FY 1976)

	LOW CONCENTRATION OF HOUSING UNITS IN NEED				Average Residential Area %
	Housing built before 1940 ^a %	Overcrowded housing units ^b %	Housing units lacking some or all plumbing ^c %	Rental Units ^d %	
Land acquisition—relocation—demolition	19.5	16.3	19.0	13.8	25.8
Code Enforcement	1.0	2.6	1.8	2.0	1.7
Other public works	28.1	21.8	22.0	27.4	21.4
Water and sewer	5.6	3.4	3.4	8.5	3.4
43 Open spaces and neighborhood facilities	12.0	10.4	9.2	10.0	7.8
Rehabilitation loans and grants	18.9	27.2	26.0	25.1	23.2
Service-related facilities and equipment	5.7	9.2	6.3	6.8	5.4
Public services	9.2	9.1	12.3	6.4	11.3
Total (%)	100.0	100.0	100.0	100.0	100.0
(\$000)	(60,759)	(53,523)	(193,281)	(68,449)	(308,161)

SOURCE: Ibid.

^aHousing built before 1940: less than 34 percent of the units built prior to 1940

^bOvercrowded housing units: less than 5 percent of the units have 1.01 or more persons per room

^cHousing units lacking some or all plumbing: less than 5 percent of the units

^dRental units: less than 40 percent of the units are renter-occupied

neighborhoods that are overcrowded and have low homeownership; but these areas have low concentration of populations in need of assistance. This strategy may be directed to spot demolition in the "better" residential areas that have pockets of overcrowding.

- The third approach is residential development in the older but stable neighborhoods. Open space, neighborhood facilities, and water and sewer projects are being emphasized in the areas with older housing, low overcrowding, few units lacking plumbing facilities, and high homeownership. These activities are also being emphasized in the Model Neighborhood Areas with lower concentration of populations in need, including low-income, minorities and youth. One exception is the priority on neighborhood facilities for the elderly in neighborhoods with a high concentration of persons over 65 years of age.

Hybrid Neighborhoods

(Model Neighborhoods with Urban Renewal/NDP)
When the Model Cities program began in 1968, a number of Model Neighborhood areas shared or had overlapping boundaries with Urban Renewal projects. When the Neighborhood Development program (NDP) began in 1969, still more Model Neighborhoods became a part of the NDP target areas. For the purpose of analysis in this report, the overlapping areas have been labeled "hybrid neighborhoods." Community development in these neighborhoods appears to be a blend of the Urban Renewal/NDP approach which emphasizes physical development activities such as land acquisition, relocation, and demolition; and the Model Cities approach which emphasizes public services, and improving the existing infrastructure.

Thus, the hybrid areas have above average land acquisition, relocation, and demolition activities (38.4 percent) and public services (15.5 percent); but not at the level of the Urban Renewal, NDP or model neighborhoods respectively. These areas also have below average code enforcement (0.6 percent), water and sewer projects (0.2 percent), and open space neighborhood facilities (2.8 percent). Public works account for 17.4 percent, rehabilitation loans and grants constitute 19.6 percent, and service-related facilities and equipment 5.5 percent of the funds being spent in these neighborhoods.

Within the group of hybrid neighborhoods, some specific variations on the Urban Renewal/NDP/Model Cities approach to community development are apparent. These are:

- redevelopment in the most deteriorated areas; and
- neighborhood conservation and development in the "better" neighborhoods.

In the first variation of the hybrid neighborhood approach, the older neighborhoods with declining housing stock (i.e., overcrowded and high concentration of units without plumbing facilities) and high

concentration of persons in need are scheduled for a heavy emphasis on land acquisition, relocation, and demolition. This redevelopment approach is augmented with above average public services in the neighborhoods with high concentration of poverty level families, female-headed households, and elderly population.

A second approach within the hybrid categorical program areas emphasizes both neighborhood development and conservation activities. In the areas with low concentration of persons in need and sometimes in the newer or less overcrowded neighborhoods, block grant communities are emphasizing public works, service-related facilities and equipment, open space, neighborhood facilities, and rehabilitation loans and grants.

Federally Assisted Code Enforcement (FACE)

Since 1965, local governments have used a combination of concentrated code enforcement and rehabilitation loans (Section 312) in Federally Assisted Code Enforcement (FACE) Areas. The former FACE areas will receive 7.3 percent of the Fiscal Year 1976 block grant funds in entitlement communities. This includes a heavy emphasis upon rehabilitation loans and grants (34.3 percent) and code enforcement (5.4 percent), and a lighter than average emphasis upon clearance-related activities (12.3 percent).

Other activities being funded at about the same level in FACE areas as other residential neighborhoods include public works (26.1 percent), public services (11.8 percent), water and sewer projects (2.2 percent), open space and neighborhood facilities (4.7 percent), and service-related facilities and equipment (3.3 percent).

Code enforcement programs which rely heavily upon rehabilitation loans and grants for implementation usually take place in stable neighborhoods where resident-owners can afford the rehabilitation work. Code enforcement programs also occur in older neighborhoods and those that are less overcrowded.

Code enforcement programs which do not rely on loans and grants tend to occur in the neighborhoods with the lowest concentration of populations in need of assistance. This may indicate a strategy of code enforcement funded by block grant money in the "better" neighborhoods, with supportive loans and grants coming from private investments. These programs include more-than-average amounts of money for water and sewer projects and clearance-related activities. The clearance in these neighborhoods may reflect spot clearance in otherwise sound areas.

New Target Areas

Entitlement communities have budgeted over one-third of the Fiscal Year 1976 funds for neighborhoods that were not target areas of the categorical programs. One-fourth of the funds are being spent for rehabilitation loans and grants, and the same amount for public works projects. Combined FY 1975 and FY 1976 data indicate that activities more heavily

Table 3.8

FUNDED ACTIVITIES BY NEIGHBORHOOD TYPE (RESIDENTIAL, FY 1976)

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	NEIGHBORHOOD TYPE						Total %
	Urban Renewal /NDP %	Model Neighborhood %	Hybrid Categorical %	Code Enforcement %	New Areas in 1975 %	New Areas in 1976 %	
Land acquisition— relocation—demolition	45.1	8.1	38.4	12.3	16.6	11.3	25.8
Code enforcement	1.3	2.1	0.6	5.4	1.6	1.0	1.7
Other public works	20.0	14.8	17.4	26.1	26.7	19.4	21.4
Water and Sewer	2.2	0.8	0.2	2.2	7.3	4.0	3.4
Open space and Neighborhood Facilities	6.9	9.1	2.8	4.7	9.7	12.8	7.8
Rehabilitation loans and grants	16.7	23.6	19.6	34.3	24.7	29.8	23.2
Service-related facilities and equipment	2.6	5.4	5.5	3.3	6.5	10.2	5.4
Public Services	5.2	36.1	15.5	11.8	6.8	11.4	11.3
Total (%) (\$000)	100.0 (83,579)	100.0 (26,777)	100.0 (46,142)	100.1 (26,524)	99.9 (84,015)	99.9 (41,113)	100.0 (308,161)

SOURCE: Ibid.

emphasized in these neighborhoods than the average block grant target area include water and sewer projects (6.2 percent), open space and neighborhood facilities (10.7 percent), and service-related facilities and equipment (7.7 percent). Activities that are receiving less emphasis in these areas are land acquisition, relocation, and demolition (14.8 percent) and public services (8.3 percent).

These new target areas are receiving 37.3 percent of all second year block grant funds for residential neighborhoods; they will receive, however, 62.7 percent of all water and sewer projects, 56.8 percent of all funds for service-related facilities and equipment, and 55.5 percent of all funds for open spaces and neighborhood facilities.

The specific activities being pursued in these new neighborhoods vary according to the characteristics of the population and housing stock. Three basic approaches to community development in these new neighborhoods are apparent:

- redevelopment in the most deteriorated neighborhoods;
- neighborhood growth in the areas with less deteriorated housing and a lower concentration of persons in need of assistance; and
- neighborhood rehabilitation in the older areas.

First, in the older neighborhoods where there is little homeownership and large concentrations of persons in need of assistance, entitlement communities are planning a redevelopment approach similar to the UR/NDP/Model Cities plans. Both clearance-related activities and public services are budgeted at higher-than-average levels.

A second approach in the new neighborhoods where homeownership is high, where the housing stock is generally in good condition, and where the concentration of population in need of assistance is low, is an emphasis on water and sewer projects and service-related facilities and equipment. This neighborhood development emphasis in the "better" neighborhoods is a major part of the community development approach in new residential target areas. Open space and neighborhood facilities also are being targeted most heavily for the areas which are newer, those which have high homeownership, and those where there is a high overcrowding and a high concentration of youth and a small number of elderly.

The plans for the new target areas also indicate that rehabilitation loans and grants are being more heavily concentrated in the older neighborhoods. Within most of the categorical program areas, rehabilitation loans and grants did not vary significantly according to the housing characteristics; but in the new areas, local officials have selected activities that appear to be based partially upon the age of the housing stock, but not upon the population characteristics.

APPROACHES TO ECONOMIC DEVELOPMENT IN NONRESIDENTIAL AREAS

One approach to the development of "viable urban communities" in the economic expansion of commercial and industrial areas.

Analysis of activities proposed by metropolitan communities in the second year entitlement applications indicates that 8.3 percent of the funds will be spent in central business districts (CBD) and 1.4 percent in other commercial or industrial areas.

Community development in CBDs reflects a concentration of activities, particularly land acquisition, relocation, and demolition (50.3 percent) and public works (35.8 percent). (See Table 3.9.) These activities account for over 86 percent of the expenditures planned for these commercial areas. The remaining funds are primarily for service-related facilities and equipment for the elderly and equipment for police (4.4 percent), open space (2.8 percent), water and sewer projects (2.2 percent), rehabilitation loans and grants (2.4 percent), and public services (1.9 percent).

Most of the activities in the central business district appear to be a continuation of categorical projects.

Almost three-quarters of the funds budgeted for CBDs will be spent in census tracts that were a part of an Urban Renewal/NDP, Model Cities, or Federally Assisted Code Enforcement area. New target areas will receive 27.5 percent of the funds budgeted within central business districts.

For CBDs that are within Urban Renewal/NDP target areas, the block grant emphasis is overwhelmingly upon land acquisition (30.0 percent of the CBD funds within UR/NDP areas) and general unspecified activities to complete Urban Renewal/NDP projects. In the central business districts that were not included under the categorical programs, block grant recipients are emphasizing public works (52.3 percent of the funds within new areas) including street-related activities. Land acquisition accounts for 19.8 percent of the block grant funds in new target areas within CBDs, and 7.6 percent covers activities for starting new Urban Renewal-type projects.

In commercial or industrial areas other than CBDs, entitlement communities have allocated 1.4 percent of the Fiscal Year 1976 funds. Almost half of these funds are for target areas that were not a part of the categorical programs. Activities being funded in these other commercial areas are public works (42.2 percent), land acquisition and relocation (34.1 percent), and service-related facilities and equipment (16.9 percent). See Table 3.9 for these data.

In the Urban Renewal/NDP areas of "other commercial," emphasis is given to land acquisition, relocation, and public works. In the hybrid areas, block grant communities are emphasizing street improvements, job and employment facilities, and general public works activities. Finally, in the new target areas the emphasis is upon public works, fire protection, relocation, and land acquisition.

Table 3.9

**FUNDED ACTIVITIES IN CENTRAL
BUSINESS DISTRICTS, OTHER COM-
MERCIAL/ INDUSTRIAL AREAS, AND CITYWIDE**

	CBD	Other Commercial	Citywide
	%	%	%
Land acquisition/ relocation/demo- lition	50.3	34.1	26.5
Code enforce- ment	0.1	1.9	1.5
Other public works	35.8	42.2	15.7
Water and sewer	2.2	1.7	5.7
Open space and neighborhood facilities	2.8	2.9	6.9
Rehabilitation loans and grants	2.4	0.0	18.4
Service-related facilities and equipment	4.4	16.9	3.5
Public Service	P.9	0.3	21.7
Total (%)	99.9	100.0	99.0
(\$000)	(32,764)	(5,558)	(31,371)

SOURCE: Ibid.

**APPROACHES TO COMMUNITY DEVELOPMENT
IN HIGH NEED AREAS**

The "non-discrimination" guidelines² of the Community Development Block Grant program detail affirmative action procedures that may be pursued in selecting neighborhoods for funding. In particular, these regulations state that a community may select activities to "ameliorate an imbalance in services or facilities provided to any geographic area or specific group of persons within its jurisdiction, where the purpose of such action is to overcome prior discriminatory practice or usage".³ Nationally, 17.5 percent of the metropolitan population in 1970 was black or Spanish-surnamed.

Of the Fiscal Year 1976 funds planned for residential areas, entitlement communities will spend 37.7 percent in neighborhoods of high concentration of minority groups (50 percent or over). An additional 18.0 percent of the funds are planned for areas of moderate concentration of minority groups (20 to 49 percent), and 44.2 percent of the funds designated for residential areas will be spent in neighborhoods that are predominantly nonminority.

Three other groups whose presence may be indicative of higher needs are female-headed households, youth, and elderly. The second year block grant applications indicate that 48.3 percent of the funds to be spent in residential areas are directed to neighborhoods with over 20 percent female-headed households. (Nationally, 11.5 percent of the metropolitan households are headed by females.)

The youth population (18 years or younger) of all metropolitan areas in 1970 represented 37.6 percent of the total metropolitan population. Block grant approaches are directing 23.8 percent of funds for residential neighborhoods to areas of high youth concentration (40 percent or above) and 47.5 percent of the funds to areas of moderate concentration (30-39 percent).

Finally, 9.2 percent of the metropolitan population in 1970 was sixty-five years of age or older. In residential neighborhoods, entitlement communities are spending 7.6 percent of the funds in areas of high concentration of elderly population (20 percent or above), and 60.0 percent of the funds in areas of medium concentration (10-19 percent).

CONCENTRATING CDBG FUNDS

More target areas are budgeted small amounts of money in Fiscal Year 1976 than in Fiscal Year 1975. Census tracts allocated less than \$100,000 each account for a larger proportion of second year money than first year funds. (See Table 3.10.) In the first year of the block grant program, 53.5 percent of the funded census tracts received less than \$100,000 per tract, accounting for 11.9 percent of the funds. In the second year, the number of tracts receiving less than \$100,000 increased to 61.6 percent of all target areas accounting for 17.4 percent of the second year funds. In the first year, 9.7 percent of the funds census tracts received over \$500,000 per tract for 46.7 percent of the funds; while in Fiscal Year 1976, 5.4 percent of the funded tracts were areas of high concentration of funds (\$500,000 and over) accounting for 34.8 percent of the funds.

The highest concentration of funds per census tract is in the Urban Renewal/NDP target areas, while the lowest concentration is in the Code Enforcement areas and Model Neighborhood areas. (See Table 3.11.) Over half of the money for Urban Renewal/NDP areas is planned for census tracts receiving over \$500,000 each. This compares to 10.5 percent in the Code Enforcement census tracts, and 15.7 percent in the Model Neighborhood census tracts.

²Code of Federal Regulations, Table 24, Sec. 570.601.

³Ibid., Sec. 570.601 (b) (4) (iii).

Table 3.10

FUNDING LEVEL PER CENSUS TRACT IN FISCAL YEAR
1975 and 1976

Funding Level per Tract (\$)	1975			1976		
	Number	Tracts %	Funds %	Number	Tracts %	Funds %
LT 50,000	569	34.3	4.1	928	37.8	5.5
50 - 99,999	318	19.2	7.8	584	23.8	11.9
100 - 199,999	361	21.8	16.6	461	18.8	18.4
200 - 499,999	249	15.0	24.7	348	14.2	29.4
500,000 +	161	9.7	46.7	133	5.4	34.8
	1,658	100.0	99.9	2,454	100.0	100.0
			(\$311,350,000)			(\$362,759,000)

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of CDBG applications from 151 sample metropolitan entitlement communities for Fiscal Year 1976.

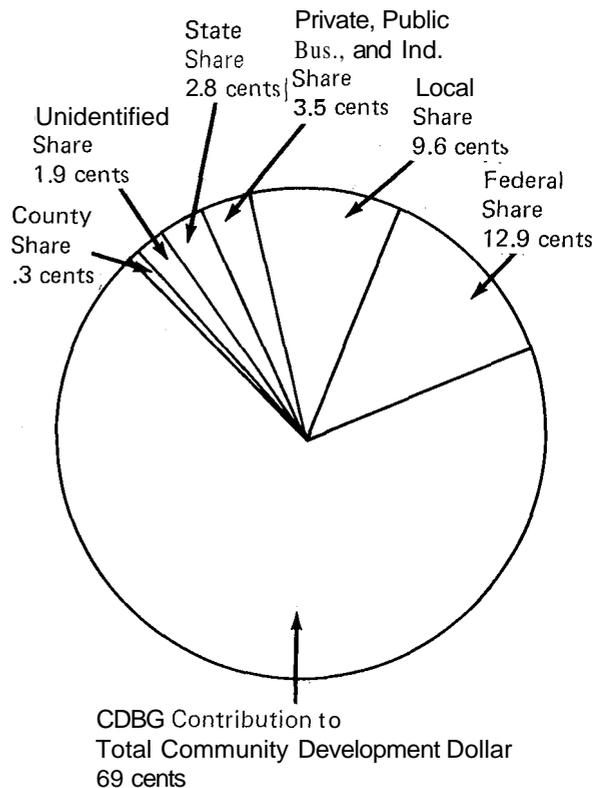
The noncategorical program areas have the largest proportion of funds directed to areas receiving a small amount of money. Areas receiving less than \$50,000 are allocated 6.6 percent of the funds directed to neighborhoods brought into the block grant program in FY 1975 and 19.4 percent of the funds directed to neighborhoods which are new to the program this year. High concentration, census tracts (receiving \$500,000 and over) are scheduled to receive 24.6 percent of the funds going to neighborhoods added in 1975, and 12.1 percent of the areas added in 1976. More money is being spent in high concentration census tracts in the 1975-added neighborhoods than any other group except the Urban Renewal/NDP areas.

STRATEGIES TO OBTAIN OTHER SOURCES OF FUNDS

For every dollar spent to implement community development plans, 69 cents is Federal block grant money and 31 cents is from other sources. (See Table 3.12.) Of the 31 cents obtained from other sources, Federal agencies have contributed the largest share (12.9 cents). Nearly half of the Federal portion is other HUD monies (including recaptured urban renewal funds, Urgent Needs funds through CDBG, Secretary's Discretionary funds, and Public Housing Modernization funds). Local governments have complemented their community development plans with a share of 9.6 cents. State programs are contributing 2.8 cents per dollar of community development funds spent. Private public service agencies and private business and industries have contributed 3.5 cents of the total community development dollar spent to implement block grant plans. Table 3.13 shows the use of these funds and their source.

Table 3.12

THE 'COMMUNITY DEVELOPMENT DOLLAR'



SOURCE: Ibid.

Table 3.11

**FUNDING LEVEL PER CENSUS TRACT IN FISCAL YEAR 1976
BY NEIGHBORHOOD TYPE**

	<u>Funding Level per Tract</u>	<u>Urban Renewal /NDP %</u>	<u>Model Neighborhood %</u>	<u>Hybrid Categorical %</u>	<u>Code Enforcement %</u>	<u>New Areas in 75 %</u>	<u>New Areas in 76 %</u>
	LT \$50,000	1.7	1.8	.6	3.9	6.6	19.4
	\$50 – 99,999	3.5	16.4	4.6	27.0	14.8	20.0
4M	\$100 – 199,999	8.3	35.7	12.4	29.2	22.3	23.0
	\$200 – 499,999	29.9	30.3	27.3	29.4	31.7	25.4
	\$500,000 and over	56.7	15.7	55.2	10.5	24.6	12.1
	TOTAL (%)	100.1	99.9	100.1	100.0	100.0	99.9
	(\$000)	(108,333)	(28,148)	(50,379)	(28,717)	(95,304)	(51,878)

SOURCE: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation.
Based upon an analysis of CDBG applications from 147 sample metropolitan entitlement communities for Fiscal Year 1976.

Table 3.13

ACTIVITY BY SOURCE OF FUNDS^{a/}

Activity	Private Sources		Federal Sources		Local Sources	State Agencies	County Agencies	Other/ Unidentified
	Non-Profit	Business & Individuals	HUD	Other				
	%	%	%	%	%	%	%	%
Redevelopment/Neighborhood Improvements	--	19.3	60.6	24.8	24.5	4.0	12.7	13.4
Code Enforcement	---	---	---	---	3.2	.8	---	7.6
Public Works	2.9	3.0	3.0	7.0	30.1	6.6		51.8
Water & Sewer	N/A	.4	---	7.2	18.6	2.0	---	5.3
Rehabilitation	---	54.4	36.2	4.5	7.8	6.0	15.5	.8
Historic Preservation	2.2	10.8	---	7.9	.1	.4	.1	---
Open Space	1.9	6.0	---	4.0	6.5	28.6	---	3.8
Multi-purpose facilities	26.1	---	.2	.6	1.3	---	---	1.1
Other Public Facilities	47.0	1.8	---	4.6	2.5	14.3	5.1	.2
Public Services	19.9	4.4	---	39.5	5.4	37.3	66.6	15.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Ibid.

^{a/} Numbers may not add due to rounding

REHABILITATION AND NEIGHBORHOOD PRESERVATION

Rehabilitation and Neighborhood Preservation have been goals of communities for many years. This chapter will discuss six aspects of these efforts. (1) the extent to which rehabilitation activities are occurring in local Community Development Block Grant programs; (2) the ways communities are distributing rehabilitation loan and grant funds; (3) rehabilitation financing techniques; (4) the extent to which coordinated neighborhood preservation programs are undertaken in concert with rehabilitation efforts; (5) various approaches to neighborhood preservation; and (6) progress towards meeting the first year rehabilitation goals.

Three sources of data were analyzed in developing this chapter:

- a telephone survey of 54 cities, randomly selected from the metropolitan city sample, described in Appendix A, that are using block grant funds for rehabilitation programs;
- census tract data for all tracts in the 54 selected cities;
- the Fiscal Year 1975 CDBG applications from the 54 cities; and
- historical data from HUD forms on the level and kind of categorical program activity that had occurred in cities prior to 1975.

EXTENT OF REHABILITATION EFFORTS

Community Development Block Grant recipient communities are placing an increasing emphasis on the objective, "conservation... of the Nation's housing stock..."¹ They are planning to rehabilitate 36.4 percent more residential dwelling units in the second program year 1976 than they planned to rehabilitate in the first year. For Fiscal Year 1975 they budgeted funds to rehabilitate an estimated 66,000 units, about the same number of units rehabilitated in the urban renewal and code enforcement programs in 1970. For Fiscal Year 1976 they are budgeting funds to rehabilitate 90,000 units.

This increased emphasis on rehabilitation continues a trend that began with the passage of the Housing Act of 1954. That Act permitted local renewal agencies, for the first time, to undertake federally-assisted urban renewal projects involving the

rehabilitation of residential structures. The average number of units rehabilitated between 1954 and 1964, however, was relatively small: 1,500 per year. Enactment of the Section 312 Rehabilitation Loan Program in the Housing Act of 1964, followed by code enforcement legislation in 1965, stimulated a major increase in the level of rehabilitation. In 1966, almost as many units were rehabilitated as had been rehabilitated in the previous decade. Table 4.1 illustrates the national trend.

The emphasis on rehabilitation in the CDBG program in 1976 can be attributed to three factors: (1) the increased availability of funds for rehabilitation loans and grants provided by the flexibility of the CDBG legislation; (2) the yearly increase in popularity of the rehabilitation concept, as the gap between the number of new housing starts and the number of new households being formed continues; and (3) the increased number of cities participating in the block grant program.

METHODS OF REHABILITATION LOANS AND GRANTS

Local officials must make rehabilitation loans and grants distribution decisions on two levels:

- Degree of unit deterioration: They must decide the type of residential structures to assist: those that are only moderately deteriorated (a lower cost per unit blight prevention strategy) or those that are substantially deteriorated (a more expensive per unit blight elimination strategy).
- Degree of rehabilitation effort: Local officials must decide whether to provide large amounts of funds in an area in an effort to cause a rapid turnaround in conditions, or engage in a longer term process, providing lesser assistance to an area in the hope that private capital will be attracted to assist remaining structures.

The dominant choice of local decisionmakers has been to undertake approaches which attempt to rehabilitate moderately- to substantially- deteriorated structures in a relatively short time.

Table 4.2 shows that:

- 1) Over 30 percent of the cities interviewed plan to rehabilitate more than 10 percent of the moderately- to substantially-deteriorated units.

¹ *Housing and Community Development Act of 1974*, Title I, Section 101(c) (3), Public Law 93-383.

Table 4.1

NUMBER OF REHABILITATION UNITS **PLANNED/UNDERTAKEN** ANNUALLY
(By Program Type)

Year	UR/NDP ^a (By Fiscal Year)	Code Enforcement ^a (By Calendar Year)	CDBG ^c (By Fiscal Year)	Total
1965	14,338			14,338
1966	12,185			12,185
1967	17,204	38,888 ^b		—
1968	16,773	46,736		63,509 ^d
1969	13,087	43,710		56,797 ^d
1970	14,538	49,174		63,712 ^d
1971	28,483	not available		not available
1972	27,701	not available		not available
1973	22,508	not available		not available
1974	20,363	not available		not available
1975	13,567		66,000	66,000 + ^c
1976			90,000	

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development.

^aNumber of units actually rehabilitated in year.

^bCumulative data as of December 31, 1967.

^cNumber of units expected to be rehabilitated based on Fiscal Year funds set aside for rehabilitation. Projection based on a per unit cost of rehabilitation determined by comparing the number of units to be rehabilitated with CDBG funds indicated on 1975 HAPs for sample communities and the funds to be used for rehabilitation as indicated on the 1975 budgets. Using a per unit cost of rehabilitation determined from the 54-city phone survey, the projected number of units are 82,652 and 135,149.

^dTotal number of units is a mixture of fiscal year and calendar year data.

- 2) Over 40 percent of the rehabilitation neighborhoods are involved in a rehabilitation effort in which more than 10 percent of the moderately-to substantially-deteriorated units will be rehabilitated.
- 3) Almost 20 percent of the neighborhoods can be characterized as needing substantial rehabilitation (rehabilitation costs of over \$4,500 per unit) and a large scale of effort i.e., over 10 percent of the units will be rehabilitated within the year.

Rehabilitation Financing Techniques:

Communities use CDBG funds to aid rehabilitation efforts through direct loans and grants to homeowners, and by stimulating private investment through leveraging techniques.

Direct loans and grants are made to homeowners to cover the cost of rehabilitation. Of the 54 cities sampled, 26 are using block grant funds for direct loans and 33 are using the funds to provide direct grants. Occasionally, a tandem loan and grant are given. The maximum per unit loan ranges from \$2,600 to \$15,000, while the grant ranges from \$2,000 to \$10,000. Interest rates for the loans can be

up to ten percent, and frequently the rates are the same as the Section 312 program (3.0 percent).

More than half of the cities surveyed are using leveraging techniques to stimulate private investment and extend the impact of the CDBG dollar. Overall, communities have been able to stimulate \$2.40 of private funds for each dollar of CDBG funds. The average loan for communities using a leveraging technique ranged from \$5,000 to \$17,000, an increase over a "direct loan" only technique. Grants averaged less than the direct grant technique; i.e., the range varied from \$1,000 to 6,300. Six distinct leveraging techniques have been identified:

... Interest Subsidy—Communities obtain a commitment from private lending institutions to make rehabilitation loans available at conventional or slightly below conventional interest rates regardless of the credit risk of the applicants for the loans. Block grant funds pay a portion of the interest cost for the conventional loans, lowering the effective interest rate incurred by the homeowner. Generally, the city approves the applicants and then refers them to participating lending institutions.

The subsidized interest rate ranged from 3 to 11 percent, but often interest rates were sub-

Table 4.2

**EXTENT OF REHABILITATION EFFORT BY CITIES AND
NEIGHBORHOODS**

Extent of Unit Deterioration^a
Scale of Effort^b

	Cities		Neighborhoods	
	#	%	#	%
Light Rehabilitation				
a) Small Goal	2	3.7	3	2.4
b) Moderate Goal	3	5.6	5	3.9
c) Large Goal	3	5.6	4	3.2
Sub Total	8	14.8	12	9.5
Moderate Rehabilitation				
a) Small Goal	3	5.6	9	7.2
b) Moderate Goal	8	14.8	15	11.9
c) Large Goal	9	16.7	28	22.2
Sub Total	20	37.1	52	41.3
Substantial Rehabilitation				
a) Small Goal	10	18.5	23	18.3
b) Moderate Goal	8	14.8	15	11.9
c) Large Goal	8	14.8	24	19.0
Sub Total	26	48.1	62	49.2
Total	54	100.0	126	100.0

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon analysis of 54-city telephone survey conducted August-November, 1976.

^a*Extent of Unit Deterioration:*

Light rehabilitation: Per unit cost of rehabilitation is less than \$2,000;

Moderate rehabilitation: Per unit cost of rehabilitation is \$2,000 – \$4,500; and

Substantial rehabilitation: Per unit cost of rehabilitation is greater than \$4,500.

^b*Scale of effort:*

Small Goal: Rehabilitation of less than two percent of the dwelling units suitable for rehabilitation in a single year;

Moderate Goal: Rehabilitation of between 2 and 10 percent of such units in a single year;

Large Goal: Rehabilitation of more than 10 percent of such units in a single year.

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, 54-city phone Survey.

sized to 5 percent or less. Occasionally, the interest rate was dependent upon the income of the applicant.

On the average, communities have been spending \$1 of block grant funds for interest subsidies for every \$2.02 loaned.

... Loan Guarantees—Communities negotiated com-

mitments from private lending institutions to make rehabilitation loans available to whomever the city approves, regardless of the credit rating of those applicants.

The communities use CDBG funds to set up escrow accounts in participating institutions, guaranteeing the repayment of all loans. Since

only a portion of all loans are expected to default, funds deposited in escrow average about 25 percent of funds loaned.

On the average, \$1 of block grant funds is guaranteeing \$4.05 of rehabilitation loans.

- ... **Revolving Loan Funds**—The cities secure the cooperation of local lending institutions by agreeing to deposit into a bank account a portion of the amount loaned for rehabilitation. If the account is non-interest-bearing, the interest rates of the loans are frequently reduced. If interest-bearing, the interest may be reinvested into the revolving loan fund.² Frequently, the banks agree to administer the fund at no cost or for a minor charge. Interest rates have ranged from 3 to 10 percent. For every \$1 of CDBG money \$2.36 of private funds have been contributed to revolving loan funds.
- ... **Tax Exempt Municipal Loans**—A local lending institution comes to an agreement with the agency managing the local block grant rehabilitation program to make a municipal loan or extend a "line of credit" to the agency. The municipal loan money is used by the agency to make rehabilitation loans. The municipal loan is paid off as the rehabilitation loans are repaid by homeowners. The incentive to the lending institutions is that all interest income derived from this money is exempt from Federal income taxes. The lending institutions are thus able to loan the money below prime interest rates. The agency agrees to deposit an amount of block grant money into an account for securing any loans made from the municipal loan money.

This technique has allowed cities to leverage an additional \$2.97 for each \$1 of block grant money securing rehabilitation loans.

- ... **Financing a Portion of Cost of Rehabilitation**—The community covers only a percentage of the cost of rehabilitation, i.e., between 50 to 80 percent of the cost of rehabilitation or up to the maximum allowable grant established. The homeowner is expected to make up the difference between the grant and the cost of rehabilitation. In most instances, applicants appear to be using personal savings to make up the difference. Approximately \$.42 is being leveraged for each block grant dollar spent on this technique.
- ... **Grant Rebates**—Also known as "incentive grants" or "cashback grants," this technique rewards the homeowners for rehabilitating his or her property. Homeowners are expected to finance the total cost of rehabilitation. After completion of the work, the homeowner is reimbursed, usually 10 to 30 percent of the cost. This technique has

² A proposed regulation published for comment in the *Federal Register* on November 30, 1976, will not permit lump-sum draw-downs for interest bearing accounts in the future.

been leveraging \$3.76 for each dollar of block grant money.

The most popular leveraging techniques employed by communities are: grants financing a portion of the cost of rehabilitation, and revolving loan funds and interest subsidies. However, these techniques do not always stimulate the most private investment. Communities frequently combine techniques to increase the desirability of the overall program. For instance, a single community may use block grant funds to establish a revolving fund, to subsidize the interest rates to applicants, and to guarantee the lending institutions' investments in the loan fund.

Another leveraging technique does not utilize private funds but coordinates block grant funds with Section 312 loan program funds. For example, if the cost of rehabilitation exceeds the maximum grant a homeowner may receive, the balance may be financed with a Section 312 loan under criteria established by the city.

COORDINATION BETWEEN NEIGHBORHOOD PRESERVATION AND REHABILITATION EFFORTS

In many communities, the use of Community Development Block Grant funds for the rehabilitation of individual dwelling units is part of a coordinated effort to upgrade and preserve entire neighborhoods. CDBG activities undertaken to support the rehabilitation include activities such as street paving, spot clearance of deteriorated structures, the installation of water and sewer systems, recreation areas, community centers, etc. In 1975, about 44.5 percent of the CDBG funds (excluding funds set aside for administration, planning and unspecified contingencies) was budgeted for activities in neighborhood preservation areas.³ In Fiscal Year 1976, the amount of funds budgeted for such areas increased to 62.7 percent.

Under the categorical programs of urban renewal, neighborhood development and code enforcement, grant recipients were required to carry out their neighborhood preservation activities in legally declared urban "project areas." In CDBG, communities may finance the rehabilitation of privately-owned properties when this rehabilitation is carried out "in connection with other physical development activities,"⁴ but they need not define a specific "project area" in which activities are to occur for a number of years (as in past categorical programs); annual identification of census tracts in the CDBG application is

³For purposes of analysis in this chapter, neighborhood preservation areas are defined as those with some funds budgeted for rehabilitation loans and grants and other activities. In some of these areas, preservation activities are mixed with substantial amounts of clearance and redevelopment activities.

⁴*Code of Federal Regulations*, Title 24, Sec. 570.200(a) (4).

required. In the first year of the program, communities chose not to utilize the latitude provided by the regulation to a significant extent. Fifty-eight percent of their preservation funds were budgeted for preservation areas that were former urban renewal, NDP, Model Cities or code enforcement areas (or extensions of such areas); 27.4 percent were for new preservation areas; 14.6 percent were for so-called "scattered site" programs in which the dwelling units to be rehabilitated are dispersed throughout the community. Early indications of incomplete data suggest that the percentage of funds going to new target areas has increased for Fiscal Year 1976.

APPROACHES TO NEIGHBORHOOD PRESERVATION

CDBG recipients are using five general approaches to neighborhood preservation. The approach chosen depends upon the condition of the structures and the type of neighborhood involved. Some neighborhoods are former urban renewal, neighborhood development, Model Cities or code enforcement areas, or expansions of such neighborhoods (areas). Others had not previously received categorical program assistance and are "new" to the CDBG program in 1975 and 1976. The five approaches vary, based on the kind of

project activity taking place and the proportion of funds assigned to each activity. They range from heavy rehabilitation to light rehabilitation/facilities and services.

1) Heavy Rehabilitation—This approach is used in more than 40 percent of all neighborhoods in which preservation is occurring and calls for an overwhelming emphasis on the use of rehabilitation loans and grants in coordination with a number of other activities. About 50 percent of the CDBG monies in these areas is for rehabilitation loans or grants and for code enforcement. The remaining funds are split almost equally among capital improvement activities (especially streets), services and service-related facilities, and acquisition/demolition-relocation activities. (See Table 4.3 for further information.)

This approach is used with the same frequency in both the new neighborhoods and the neighborhoods in which categorical programs had been used prior to 1975, with the exception that there is twice the emphasis on acquisition-demolition-relocation activities in the categorical program neighborhoods. About 20 percent of the funds in these areas are for acquisition-relocation-demolition compared to 10 percent in the new ones.

2) Moderate Rehabilitation Mixed with Clearance-Related Activities

Table 4.3

HEAVY REHABILITATION PERCENTAGE OF FUNDS FOR EACH TYPE OF ACTIVITY BY TYPE OF NEIGHBORHOOD

Type of Activity	Type of Neighborhood			Total
	Former Categorical Program Areas	Former Categorical Program Areas Extended to New Census Tracts	New Neighborhoods	
	%	%	%	
Rehabilitation-Code Enforcement	46	46	58	50
Acquisition-Relocation-Demolition	20	11	10	16
Streets & Water & Sewer	18	11	18	17
Facilities & Services	12	30	11	13
Open Space	4	2	3	4
	100	100	100	100

SOURCE: Department of Housing and Urban Development. Community Planning and Development, Office of Evaluation. Based upon analysis of a 54-city telephone survey conducted August-November, 1976.

The second approach, used in 12 percent of the preservation neighborhoods, shifts the emphasis away from rehabilitation to include a substantial amount of acquisition-relocation-demolition activity. Forty-two percent of the funds in these areas are for acquisition, relocation and demolition, compared to 24 percent for rehabilitation loans and grants. While the amount spent for clearance-related activities is greater than the amount allocated to rehabilitation, the impact of the rehabilitation activities remains substantial. More structures can be rehabilitated than are demolished per dollar; rehabilitation activities are less costly than the activities of acquiring structures and land, relocating families, and demolishing buildings.

Former categorical program neighborhoods more frequently use this approach than do new CDBG areas.

3) *Light Rehabilitation with Heavy Clearance Activities*

About 16 percent of the neighborhoods utilize light rehabilitation with heavy clearance. These tend to be the oldest and most deteriorated neighborhoods. Often these areas contain a mixture of residential and nonresidential structures. A large number of the structures are acquired and demolished, requiring the

expenditure of about 60 percent of the funds for this purpose. About 10 percent of the funds are used for rehabilitation loans and grants, an amount sufficient to rehabilitate an estimated 20 to 40 percent of the structures in the area. Expenditures on streets, water and sewer lines, services, facilities and open space account for about one-third of the funds.

This approach is more frequently used in former categorical program neighborhoods than in new neighborhoods.

4) *Light Rehabilitation and Public Works*

The second most popular approach in terms of numbers (third most popular in terms of funds) is one involving a relatively large proportion of funds for public works, coupled with a moderate amount of funds for rehabilitation and small amount for clearance. In these areas, public works are budgeted to receive 54 percent of the funds, while rehabilitation loans and grants draw 17 percent of the funds, as do acquisition, relocation and demolition activities.

This approach is used with just about the same frequency in the former categorical program areas as in the new neighborhoods, though there is a greater emphasis on acquisition-relocation-demolition in the categorical program areas.

Table 4.4

MODERATE REHABILITATION MIXED WITH CLEARANCE-RELATED ACTIVITIES:
PERCENTAGE OF FUNDS FOR EACH TYPE OF
ACTIVITY BY TYPE OF NEIGHBORHOOD

Type of Activity	Type of Neighborhood			
	Former Categorical Program Areas	Former Categorical Program Area Extended to New Census Tracts	New Neighborhoods	Total
	%	%	%	%
Rehabilitation-Code Enforcement	21	20	33	24
Acquisition-Relocation-Demolition	44	41	38	42
Streets & Water Sewer	20	0	22	15
Facilities & Services	11	39	7	17
Open Space	4	0	0	2
	100	100	100	100

SOURCE: Ibid.

5) **Light Rehabilitation and Public Services and Facilities**

This approach is the least popular, being used in about 10 percent of the neighborhoods and drawing 6 percent of the funds. The dominant feature is the use of almost 60 percent of the funds for services, multi- or single-purpose neighborhood facilities, and open space activities, with rehabilitation loans and grants getting about 20 percent. Funds are somewhat less concentrated under this approach than under the others.

The approach is used exclusively in new neighborhoods and extended former categorical program neighborhoods.

PROGRESS TOWARD MEETING THE FIRST YEAR REHABILITATION GOALS

Despite delays experienced in developing rehabilitation programs in the first year, most communities made some progress towards meeting their first year block grant funded rehabilitation goals. Overall, by

Table 4.5

**LIGHT REHABILITATION WITH HEAVY CLEARANCES:
PERCENTAGE OF FUNDS FOR EACH TYPE OF
ACTIVITY BY TYPE OF NEIGHBORHOOD**

Type of Activity	Type of Neighborhood			Total %
	Former Categorical Program Areas	Former Categorical Program Area Ex- tended to New Cen- sus Tracts	New Neighbor- hoods	
	%	%	%	
Rehabilitation- Code Enforcement	10	11	10	10
Acquisition- Retention- Demolition	60	44	58	56
Streets &Water & Sewer	25	12	7	19
Facilities & Services	5	25	25	13
Open Space	^a	8	^a	2
	100	100	100	100

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development Office of Evaluation. Based upon analysis of a 54-city telephone survey and Fiscal Year 1975 CDBG applications from the 54 cities.

^aLess than 1 percent.

June 30, 1976, the sample cities had made financial commitments to owners of 48.5 percent of the properties scheduled to be rehabilitated during the first year. In more than one-third of the cities, financial commitments had been made for over 70 percent of the properties included in the first year goal.

The rate of progress has varied by the type of rehabilitation financing technique used. For example, rehabilitation grants, (used by more than three-fourths of the communities) met over 63 percent of

the rehabilitation grant goal by June 30, 1976. Direct loan and loan leveraging programs met only 27.6 percent and 31.5 percent of their respective unit goals.

The reasons cited most frequently by cities to explain any slow rate of progress were:

- 1) reorganization;
- 2) lack of qualified staff; and
- 3) lack of availability of local contractors who are willing to perform rehabilitation work.

Other reasons were the need to modify the initial

Table 4.6

**LIGHT REHABILITATION AND PUBLIC WORKS:
PERCENTAGE OF FUNDS FOR EACH TYPE OF ACTIVITY
BY TYPE OF NEIGHBORHOOD**

Type of Activity	Type of Neighborhood			Total
	Former Categorical Program Areas	Former Categorical Program Areas Extended to New Census Tracts	New Neighborhoods	
	%	%	%	%
Rehabilitation-Code Enforcement	16	15	19	17
Acquisition-Relocation-Demolition	25	a	12	17
Streets & Water & Sewer	48	81	56	54
Facilities & Services	3	0	6	5
Open Space	8	4	7	7
	100	100	100	100

SOURCE: Ibid.

^aLess than 1 percent

local programs, a local political problem, or the downtime created by soliciting cooperation from local lending institutions. In the few localities where State statutes caused an initial delay the problem has been overcome.

The progress of those techniques that leverage additional private funds for rehabilitation is sometimes linked to the level of block grant subsidy. The interest subsidy and grant rebate programs are two techniques particularly sensitive to the level of

subsidy applied. The less the subsidy, the more private funds that are leveraged; but the greater the chance that the program will develop slowly. There is some evidence that communities' using an interest subsidy program may have difficulty starting their program if they attempt to leverage more than \$4.00 for each \$1.00 of block grant funds. For the grant rebate program the same may be true if they attempt to leverage more than \$5.00 for each \$1.00 of block grant funds.

Table 4.7

**LIGHT REHABILITATION AND PUBLIC SERVICES AND FACILITIES:
PERCENTAGE OF FUNDS FOR EACH TYPE OF ACTIVITY BY TYPE
OF NEIGHBORHOOD**

Type of Activity	Type of Neighborhood			Total %
	Former Categorical Program Areas %	Former Categorical Program Area Extended to New Census Tracts %	New Neighborhoods %	
Rehabilitation-Code Enforcement	—	35	19	21
Acquisition-Relocation-Demolition	—	9	8	9
Streets & Water & Sewer	—	9	13	12
Facilities & Services	—	25	41	39
Open Space	—	22	19	19
		100	100	100

SOURCE: *ibid.*

HOUSING AND COMMUNITY DEVELOPMENT CO-LOCATION

Section 101(d) (4) of the 1974 Housing and Community Development Act states a legislative objective that localities "foster the undertaking of housing and community development activities in a coordinated and mutually supportive manner."

In this analysis, *co-location* refers to housing and community development activities planned in the same census tract. In census tracts that were designated areas for prior categorical grant-in-aid projects,¹ co-location infers a coordinated and mutually supportive interaction between housing and communities development. In other census tracts, co-location may or may not reflect coordination.

Data are analyzed from the perspective of the types of neighborhoods and income of the neighborhood in which co-location is planned. This analysis illustrates the different emphasis localities have placed on co-location of community development and housing in older and newer areas, and any other significant differences which appear in the co-planning of housing and community development activities.

Local effort to co-locate housing and community development activities indicates:

1. Seventy-four percent of all areas receiving housing assistance are co-located with 76 percent of all community development assistance.
2. The highest level of co-location occurs between rehabilitated housing and community development activities.
3. Co-location is most often planned in areas predominantly occupied by low- and moderate-income persons.
4. A shift has occurred in the planning of more housing assistance from lower- to increasingly higher-income areas. The new emphasis is accompanied by an increasing amount of housing and community development activities in new, higher-income neighborhoods.

TOOLS OF COORDINATION

Federally assisted housing and community development prior to the CDBG program required that local government officials prepare a Certified Workable

Program² to qualify for Federal community development assistance. The Workable Program became one planning tool local governments used for guidance in the conduct of their community development programs. Under the Housing and Community Development Act of 1974, the formulation of a planning framework for carrying out community development is a local responsibility. To assist localities in this responsibility, a new requirement was created, the Housing Assistance Plan (HAP). One function of the HAP is to facilitate the locational planning and implementation of housing and community development activities in a coordinated, mutually supportive manner.

CO-LOCATION

Seventy-four percent of all the housing census tracts are co-located with 76 percent of all current Community Development Block Grant funds. The highest level of co-location of community development and housing is to occur between community development activities and rehabilitation housing. A total of 83 percent of the rehabilitation housing census tracts are located with over 30 percent of community development funds.

Co-location is least between community development activities and new housing construction. Fifty-four percent of all new construction housing tracts are located with slightly more than 10 percent of all the Community Development Block Grant funds. Table 5.1 illustrates the level of co-location for each type of housing and community development assistance.

One-fourth of all Community Development Block Grant funds are programmed for neighborhoods in which no housing is planned. The remaining 76 percent of all the funds is budgeted for areas where housing is planned, in the manner illustrated in Table 5.2.

The emphasis placed on specific types of community development activities in neighborhood areas is often influenced by whether or not housing is also planned in these areas or housing supportive activities are needed. The emphasis placed on community

¹ Urban Renewal, NDP, Model Cities, Concentrated Code Enforcement

² *Housing Act of 1974*, as amended, Title 1, See 101(c), Public Law 81-171.

Table 5.1

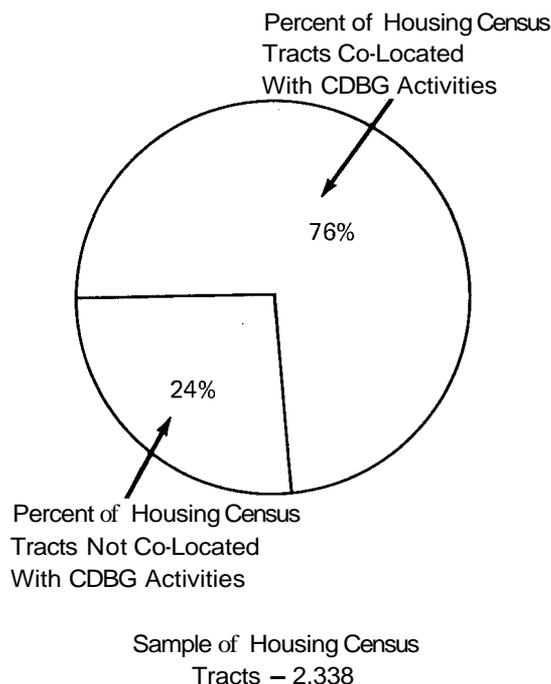
HOUSING AND COMMUNITY DEVELOPMENT
CENSUS TRACT CO-LOCATION

Housing Type	% of Housing Census Tracts Planned for Co-location	% of CDBG Funds Planned for Co-location
New Construction	53.7% of the new construction tracts are co-located with	11.3% of the CDBG Funds
Rehabilitation	82.4% of the rehabilitation tracts are co-located with	31.4% of the CDBG Funds
Both New Construction and Rehabilitation	73.6% of the combined tracts are co-located with	32.9% of the CDBG Funds

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans from 147 sample metropolitan entitlement communities for Fiscal Year 1976.

Table 5.2

PERCENT OF CO-LOCATION FOR ALL HOUSING ASSISTED AREAS



SOURCE: Ibid

development activities may be further affected by the specific types of housing planned and the area income.

Tables 5.3 and 5.4 display categorical program and new neighborhoods with and without housing. For each neighborhood, the charts show the three top priority community development activities.

Three major points surface in the comparison of Tables 5.3 and 5.4 in the preferences for community development activities scheduled for areas where housing is planned and where it is not planned. Housing-supportive activities are more likely to be planned in code enforcement categorical program neighborhoods and second most likely in new neighborhoods. The first community development priority in these areas is rehabilitation loans and grants. In new areas, an equally high proportion of other public works is likely to support housing programs. Data indicate most of the code enforcement in categorical program neighborhoods is scheduled for low- and moderate-income areas, while code enforcement in new neighborhoods is scheduled more frequently for higher-income areas.

The second major point is that the choice of community development priority activities in urban renewal and Model Cities neighborhoods is not likely to be influenced at all by housing being planned or not being planned in these areas. In each case, 'the priorities are similar regardless of the presence or absence of planned housing. Public services' are priority expenditures in model neighborhood areas. No other neighborhood types are programmed for more public services than Model Cities.

Except for a few community development activities in new neighborhoods, the three most actively funded community development activities, regardless of whether housing is planned or not, are clearance, other public works,³ and rehabilitation loans and grants.

AREA INCOME

The emphasis on community development activities for areas with or without housing may be influenced by another factor: income of the area. With the area income a consideration, certain distinctions are discernible for community development in lower- and higher-income areas of housing and of no housing. In areas of housing assistance the major difference between CD activities in lower- and higher-income areas is the tendency to decrease the provision of public services and increase the amount of clearance for lower-income areas. When housing is not planned, lower-income areas are scheduled for increases in a variety of public works projects, while the same situation in higher-income areas results in larger increases in service-related fire protection, recreation, and elderly facilities and equipment.

³ See definition in the Glossary.

HOUSING TYPE

The emphasis on community development activities may be influenced by the specific type of housing planned. Of the areas to receive new housing construction, clearance-related community development is most often co-located with housing. Second priority in new housing areas is service-related activities. The emphasis on activities is different in areas where rehabilitation and both housing types are planned.

When rehabilitation housing is planned, co-

location is most often with rehabilitation loans and grants and more code enforcement. The introduction of rehabilitation housing also effects significant increases in public services activities, most often public health and medical services, youth and child services, and educational assistance.

Areas scheduled for both new construction and rehabilitation housing have a higher level of community development-supportive public works projects.

Table 5.3

**COMMUNITY DEVELOPMENT PRIORITIES IN NEIGHBORHOODS
WITH HOUSING PLANNED**

Neighborhood Type	First Priority	Second Priority	Third Priority
Urban Renewal/ NDP	Clearance	Other Public Works	Rehab Loans
Model Cities	Public Services	Rehab Loans	Other Public Works
Hybrid*	Clearance	Other Public Works & Rehab Loans (equal share)	Public Services
Code Enforcement	Rehab Loans	Other Public Works	Clearance
New Neighborhoods	Rehab Loans & Other Public Works (equal share)	Clearance	Open Space-Neighborhood Facilities

SOURCE: **Ibid.**

Table 5.4

**COMMUNITY DEVELOPMENT PRIORITIES IN NEIGHBORHOODS
WITHOUT HOUSING PLANNED**

Neighborhood Type	First Priority	Second Priority	Third Priority
Urban Renewal/ NDP	Clearance	Other Public Works	Rehab Loans
Model Cities	Public Services	Rehab Loans	Other Public Works
Hybrid*	Clearance	Other Public Works	Rehab Loans
Code Enforcement	Other Public Works	Rehab Loans	Public Services
New Neighborhoods	Other Public Works	Open Space-Neighborhood Facilities	Services Related

SOURCE: **Ibid.**

**Neighborhoods with community development characteristics of both Urban Renewal/NDP and Model Cities areas.*

LOCATION

Under previous community development programs, housing assistance was programmed for areas of concentrated community development problems, for lower income persons.

Two-thirds of all housing assistance in the current year is planned for new neighborhoods. (See Table 5.5.) This represents a greater share of all housing support for local community areas recently added to community development programs and an apparent shift in the direction of community development. But while the amount of housing planned for new neighborhoods is high, the level of co-location of housing and community development activities is greater in areas formerly part of categorical community development programs. The nature of community development in categorical program neighborhoods results in housing planned for these areas being located with either current community development activities or with a number of prior planned and completed categorical community development activities. Ninety-one percent of the housing tracts in

categorical program neighborhoods are located with current CDBG projects.

In neighborhoods newly added to the program, as shown in Table 5.6, 65 percent of the housing tracts are located with CDBG activity. Twenty-five percent greater co-location is planned in older program neighborhoods.

In both categorical program and new neighborhoods, co-location occurs more often in areas predominated by low- and moderate-income persons. (See Table 5.7 at the end of this chapter.) The higher the income of the area, the less likely is co-location. In the high-income areas of new neighborhoods, 56 percent of the housing planned will not be located with community development activities.

Table 5.8 shows the distribution of housing assistance by the income of the area. For categorical program areas, almost 70 percent of all housing tracts are in low- and moderate-income neighborhoods. For new neighborhoods, more assisted housing is located in higher-income areas, with median- and above-median income areas sharing almost equally in the housing assistance planned.

More detailed information on the location of housing assistance is depicted in Tables 5.9 through 5.11, showing the location of new construction, rehabilitation, and both housing types.

With the exception of Model Cities neighborhood areas, new construction housing in each of the categorical program neighborhoods is most often located in low- and moderate-income areas.

In new neighborhoods, the converse is true; low- and moderate-income areas are scheduled for the least amount of new housing construction. High-income, new areas are scheduled for the most new assisted housing.

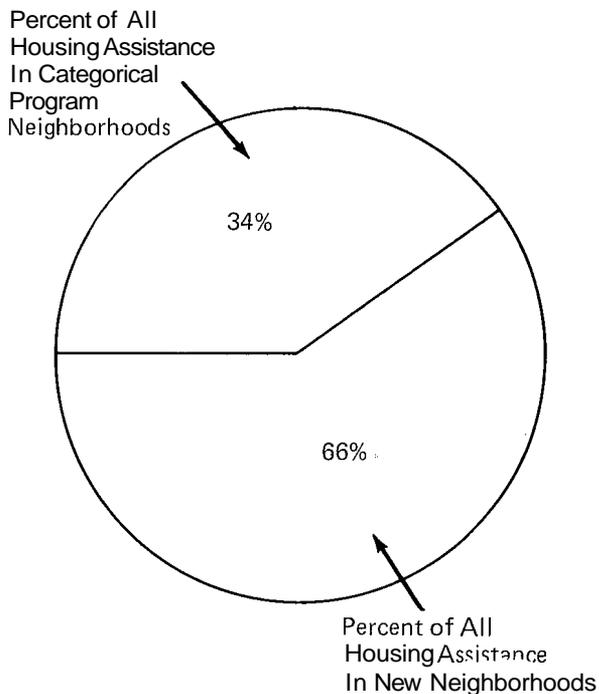
Rehabilitation housing is increasingly programmed for new, higher-income areas, although the largest amount of this housing type is scheduled for lower-income areas.

As for the provision of both housing types, the general trend parallels new construction housing locations. In categorical program neighborhoods, more combined housing is planned for low- and moderate-income areas, while in new neighborhoods, more combined housing is planned in higher-income areas.

Although an increasing amount of assisted housing is planned in higher-income areas of new neighborhoods, generally fewer housing and community development activities are occurring in these areas than in the higher-income categorical program areas. Tables 5.12 through 5.14 compare co-location within income areas for each type of neighborhood and indicate the percentage of census tracts having both housing and community development activities. Most often the areas of high-income tracts in categorical program neighborhoods show greater proportions of co-location than do the same areas in new neighborhoods. A very high level of co-location occurs in urban renewal/NDP higher-income areas.

Table 5.5

TOTAL AMOUNT OF HOUSING ASSISTANCE PLANNED IN CATEGORICAL PROGRAM AND NEW NEIGHBORHOODS



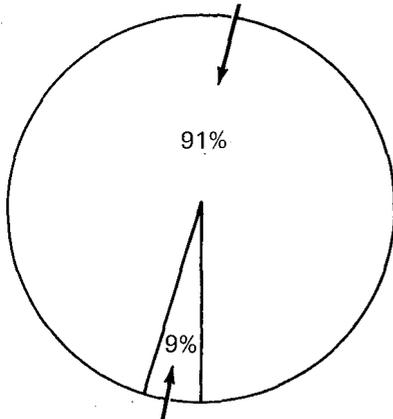
SOURCE: Ibid.

Table 5.6

**PERCENT OF HOUSING CENSUS TRACTS
CO-LOCATED AND NOT CO-LOCATED WITH
CDBG ACTIVITIES BY GENERAL
NEIGHBORHOOD TYPES**

Categorical Neighborhoods

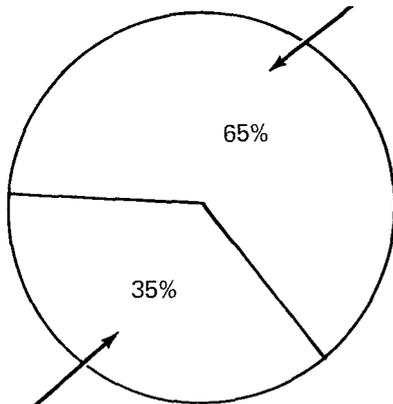
Percent of Categorical Housing
Tracts Co-Located
with CDBG Activity



Percent of Categorical Housing
Tracts Not Co-Located
with CDBG Activity

New Neighborhoods

Percent of New Housing
Tracts Co-Located
with CDBG Activity



Percent of New Housing
Tracts Not Co-Located
with CDBG Activity

SOURCE: Ibid.

The shift in housing assistance is shown in Tables 5.15 and 5.16. The shift of assisted housing—from lower-income areas funded through categorical grant programs to increasingly higher-income areas not funded by categorical grant programs—indicates a degree of local progress toward the objective stated in Section 101(b) (6) of the Act:

... The reduction of the isolation of income groups within communities and geographical areas and an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income . . .

Table 5.7

DISTRIBUTION OF ALL CO-LOCATED AND NOT CO-LOCATED
HOUSING CENSUS TRACTS WITHIN INCOME AREAS
AND NEIGHBORHOOD TYPES

Neighborhood Type	Low-Moderate:	Median:	Above Median:
	0-80% of SMSA Median	81-100% of SMSA Median	Greater than 100% of SMSA Median
	%	%	%
Categorical Program Neighborhoods With CDBG Activity	95	87	68
Without CDBG Activity	5	13	32
New Neighborhoods With CDBG Activity	85	69	44
Without CDBG Activity	15	31	56

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon analysis of Housing Assistance Plans from 147 sample metropolitan entitlement communities for Fiscal Year 1976.

Table 5.8

DISTRIBUTION OF ALL HOUSING TRACTS BY GENERAL
NEIGHBORHOOD TYPE AND AREA INCOME

Neighborhood Type	Area Income			Total All Housing Tracts
	Low-Moderate: 0-80% of SMSA Median	Median: 81-100% of SMSA Median	Above Median: Greater than 100% of SMSA median	
	%	%	%	%
Categorical Program Neighborhoods	68	23	9	100
New Neighbor- hoods	31	35	34	100

SOURCE: Ibid.

Table 5.9

DISTRIBUTION OF ALL NEW CONSTRUCTION HOUSING TRACTS
BY NEIGHBORHOOD TYPE AND AREA INCOME

Neighborhood Type	Area Income			Total Percent of New Construction Tracts
	Low- Moderate	Median	Above Median	
	%	%	%	%
Urban Renewal/NDP	72	14	14	100
Model Cities	33	8	59	100
Hybrid	66	21	13	100
Code Enforcement	52	48	0	100
New Areas	14	30	56	100

SOURCE: Ibid.

Table 5.10

**DISTRIBUTION OF ALL REHABILITATION HOUSING TRACTS BY
NEIGHBORHOOD TYPE AND AREA INCOME**

Neighborhood Type	Area Income			Total Percent of Rehabilitation Tracts
	Low- Moderate	Median	Above Median	
	%	%	%	
Urban Renewal/NDP	78	21	1	100
Model Cities	77	20	3	100
Hybrid	95	5	0	100
Code Enforcement	57	33	10	100
New Areas	46	36	18	100

SOURCE: *Ibid.*

Table 5.11

**DISTRIBUTION OF ALL COMBINED HOUSING (NEW CONSTRUCTION
AND REHABILITATION) TRACTS BY NEIGHBORHOOD TYPE
AND AREA INCOME**

Neighborhood Type	Area Income			Total Percent of Combined Tracts
	Low- Moderate	Median	Above Median	
	%	%	%	
Urban Renewal/NDP	67	23	10	100
Model Cities	55	20	25	100
Hybrid	88	10	2	100
Code Enforcement	47	43	10	100
New Areas	26	35	39	100

SOURCE: *Ibid.*

Table 5.12

**CO-LOCATION OF ALL NEW CONSTRUCTION AND CDBG ACTIVITY
WITHIN INCOME AREAS BY NEIGHBORHOOD TYPE**

Neighborhood Type	Area Income			Total Percent of New Housing Tracts
	Low- Moderate	Median	Above Median	
	%	%	%	
Urban Renewal/NDP	97	57	43	100
Model Cities	100	100	40	100
Hybrid	100	100	50 ^a	100
Code Enforcement	100	80	^a	100
New Areas	76	58	30	100

SOURCE: *Ibid.*^aNo housing planned in these income areas

Table 5.13

CO-LOCATION OF ALL REHABILITATION HOUSING AND CDBG
ACTIVITY WITHIN INCOME AREAS BY NEIGHBORHOOD TYPE

Neighborhood Type	Area Income			Total Percent of Rehabilitation Housing Tracts
	Low- Moderate	Median	Above Median	
	%	%	%	
Urban Renewal/NDP	94	85	100	100
Model Cities	98	83	50	100
Hybrid	97	100	^a	100
Code Enforcement	95	82	85	100
New Areas	84	76	72	100

SOURCE: *Ibid.*

^aNo housing planned in these income areas.

Table 5.14

CO-LOCATION OF ALL COMBINED HOUSING (NEW AND REHAB)
AND CDBG ACTIVITY WITHIN INCOME AREAS BY NEIGHBORHOOD TYPE

Neighborhood Type	Area Income			Total percent of Combined Housing Tracts
	Low- Moderate	Median	Above Median	
	%	%	%	
Urban Renewal/NDP	93	86	100	100
Model Cities	100	100	20	100
Hybrid	96	100	100	100
Code Enforcement	92	100	40	100
New Areas	90	67	45	100

SOURCE: *Ibid.*

Table 5.15

DISTRIBUTION OF ALL HOUSING TRACTS
RECEIVING HOUSING ONLY

Neighborhood Type	Percent of Tracts to Receive Only Housing			Total percent of Housing Only Tracts
	Low- Moderate	Median	Above Median	
	%	%	%	%
Urban Renewal/NDP	48	38	14	100
Model Cities	13	20	67	100
Hybrid	60	0	40	100
Code Enforcement	29	48	23	100
New Areas	13	31	56	100

SOURCE: *Ibid.*

Table 5.16

ALL CENSUS TRACTS RECEIVING CDBG FUNDS ONLY

Neighborhood Type	Area Income			Total percent of CDBG Funds Only Tracts
	Low- Moderate	Median	Above Median	
	%	%	%	%
Urban Renewal/NDP	74	14	12	100
Model Cities	90	10	0	100
Hybrid	94	6	0	100
Code Enforcement	38	81	11	100
New Areas	37	34	29	100

SOURCE: *Ibid.*

HOUSING ASSISTANCE PLANS

Section 104(a) (4) of the Housing and Community Development Act of 1974 requires local officials to assume the responsibility of assessing the housing conditions and housing assistance needs of lower-income households within their community, and establishing realistic goals to meet these needs in a Housing Assistance Plan (HAP). This innovation in Federal housing policy introduces new flexibility into the provision of Federal housing assistance by allowing local governments to determine the type of assistance to be made available in the community as well as the general locations of assistance. Through local determination of proposed assisted housing locations, the HAP permits greater coordination of local community development and housing activities. Communities are better able to plan assisted housing in areas with existing or planned public services and facilities through mutually supportive programs.¹

This chapter reports on the similarity between HAPs submitted in the first and second years of the Community Development Block Grant (CDBG) program, as well as the changes communities have made in setting their second year goals for assisted housing. The chapter is based upon analysis of HAPs from 147 sample entitlement cities.² An analysis of 75 urban counties is included if results differ from those of the city analysis.

HOUSING CONDITIONS

Analysis of housing conditions is a basic step in establishing goals for assisted housing. It is essential in determining whether additional low-cost housing is required to meet the needs of lower-income families in the community. In addition, analysis of housing conditions indicates whether additional assisted housing should be provided through rehabilitation or new construction, as well as the most suitable locations for this housing.

The Housing Assistance Plans submitted for the second year of CDBG indicate that housing conditions and housing needs of lower-income households

¹ The concept of co-location of housing and community development is discussed in detail in Chapter 5.

² The HAP analysis included in the 1975 Annual Report was based upon a sample of 407 communities. Any variation in 1975 HAP statistics reported in the first and second year Annual Reports is due to this change in the sample. For additional information on the 1976 sample, a discussion of methodology is provided in the Appendix of this Report.

have not changed substantially from those reported in the 1975 HAPs.

As in the first year, all communities reported some degree of substandard housing. Overall, 13 percent of the total housing stock in sample communities was described as substandard³ with 71 percent salvageable through rehabilitation, and 29 percent requiring demolition. (Distribution Tables 6.14 through 6.17, at the end of this chapter, show the range of cities reporting varying percentages of substandard housing, standard and substandard housing suitable for rehabilitation, and housing requiring demolition.) Many communities identified units that are deteriorating but not "substandard", as defined by the individual communities. Of the total standard units, 12 percent require some degree of rehabilitation. Combining standard and substandard housing, communities indicated 21 percent of the total housing stock is suitable for rehabilitation.

A factor that affects the nature of rehabilitation undertaken by the communities is the high percentage of substandard units that are occupied, (88 percent), the majority of which are rental units (61 percent). Relocation may be required in the rehabilitation of these units. These data show an overall need for rehabilitation of much of the total housing stock. Eighteen percent of the communities indicated that over one-fourth of their housing stock is suitable for rehabilitation. (See Table 6.18.) The need for new construction to increase the supply of housing is demonstrated by the low rate (three percent) of standard vacant housing in the communities. Table 6.19 shows the majority of the communities (85 percent) have reported a standard vacancy rate of five percent or less.

The housing stock in urban counties is in better condition than that of the entitlement cities. Urban counties report a lower percentage of substandard

³ Rather than establishing a standard definition for "substandard units," HUD allows communities to make their own estimates based upon local judgments of housing quality acceptable for occupancy. Some general criteria included in the HAP instructions may be considered in identifying substandard housing.

⁴ Estimates for housing suitable for rehabilitation are also based on local definitions, with consideration of criteria provided in the HAP instructions. Identification of units suitable for rehabilitation was required if communities planned rehabilitation of units in their HAP goals. The percentages dealing with units suitable for rehabilitation are derived from data reported by 141 of the sample entitlement cities.

housing than the cities (six percent compared to 13 percent), although a higher percentage of this substandard housing must be demolished (38 percent compared to 29 percent). This results in a much lower percentage of housing that is suitable for rehabilitation (six percent compared to 21 percent). There is a higher percentage of owner units in counties (69 percent compared to 51 percent), while the vacancy rates for cities and counties are approximately the same.

HOUSING ASSISTANCE NEEDS OF LOWER-INCOME HOUSEHOLDS

Communities have estimated that approximately 23 percent of their total households are lower-income households in need of, but not currently receiving, housing assistance. This is a slight decrease from last year's estimate of 25 percent. In developing estimates, communities consider families whose income does not exceed 80 percent of the median income for an area determined by HUD, who are occupying substandard and/or crowded housing within the community, or paying an excessive proportion of their income for housing. These families constitute 89 percent of the total households in need of assistance. The eleven percent balance represents families expected to be displaced by public or private action within the program year, and lower-income families expected to reside (ETR) in the community over the next three years as a result of existing employment or planned employment opportunities.⁵

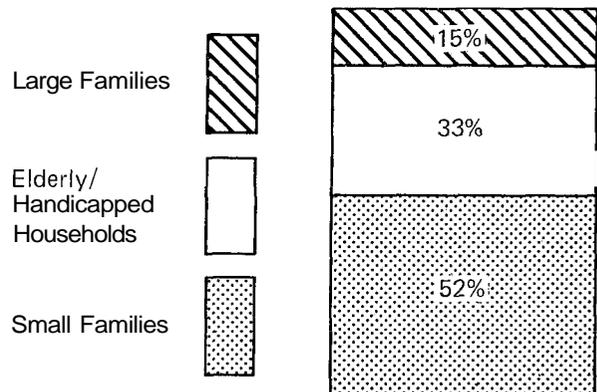
Estimates for displaced households account for one percent of the total need, and ETR makes up about ten percent of the total number of households requiring assistance.

The need for housing assistance is concentrated among small, nonelderly families (52 percent), while elderly/handicapped households comprise one-third, and large families (five or more persons) account for 15 percent of the total need. (See Table 6.1.) The need is also concentrated in renter households. Three-fourths of those families reported as needing housing assistance are living in rental units. About one-third of the total households in need are minority, although this percentage varies considerably for each household type. Of the large families in need of assistance, over half (56 percent) are minority, while small families are 33 percent, and elderly/handicapped households are 22 percent minority. (See Table 6.2.) Female-headed households account for about one-fourth of the total households in need of assistance and approximately one-fourth of each household type. (See Table 6.3.)

⁵ Following the *Hartford* case involving certain communities that submitted a zero "expected to reside" (ETR) figure in 1975, the regulations were changed to include a prescribed methodology to estimate ETR needs. This change produced an increase of 15 percent over the first-year ETR estimate. Further discussion of ETR is provided in Chapter 9.

Table 6.1

LOWER INCOME HOUSEHOLDS IN NEED OF HOUSING ASSISTANCE BY HOUSEHOLD GROUP



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

Corresponding to the better housing conditions existing in the urban counties, a smaller percentage of lower-income families need housing assistance (16 percent compared to 23 percent). The general make-up of the need in cities and counties is approximately the same in terms of the percentage of elderly/handicapped, large, and small families. Counties reported a lower percentage of minority households (20 percent compared to 33 percent), and a higher percentage of homeowner households (36 percent compared to 25 percent). In addition, a greater percentage of lower-income households is expected to reside in the urban counties than in the entitlement cities (16 percent compared to ten percent).

HOUSING GOALS

To meet these needs relating to housing conditions and housing assistance for lower-income families, each community is required to develop realistic annual and three-year goals as a part of its Housing Assistance Plan. The goal specifies: 1) program mix (new construction, substantial rehabilitation, or existing units); 2) household types to receive assistance (elderly/handicapped, small or large families); 3) general locations of assisted housing; and 4) the source of housing assistance (CDBG, Section 8, local or State programs, etc.). After one year of experience in planning and implementing their 1975 HAP, entitlement communities have made several changes in their second year goals.

Perhaps as a result of a slow start in the first year, cities are planning more housing assistance in the second year. In comparing the annual goals for the first two years of CDBG, the average (total goal ÷ number of sample cities) second year goal has increased by 9.5 percent over the average first year goal (792 units compared to 723 units). This overall increase is attributed to increased rehabilitation goals. The average number of units planned for new construction has decreased by 5.5 percent (276 units compared to 292); average goals for assistance in existing housing have remained the same (216 units for both years); and average units planned for substantial rehabilitation increased by 37.5 percent (from 216 units to 297 units). Of the housing assistance communities have planned for Fiscal Year 1976, 35 percent will be provided through construction of new units, 38 percent through substantial rehabilitation of deteriorating housing, and 27 percent in existing units through rental subsidies to eligible families. (See Table 6.4.) The program mix

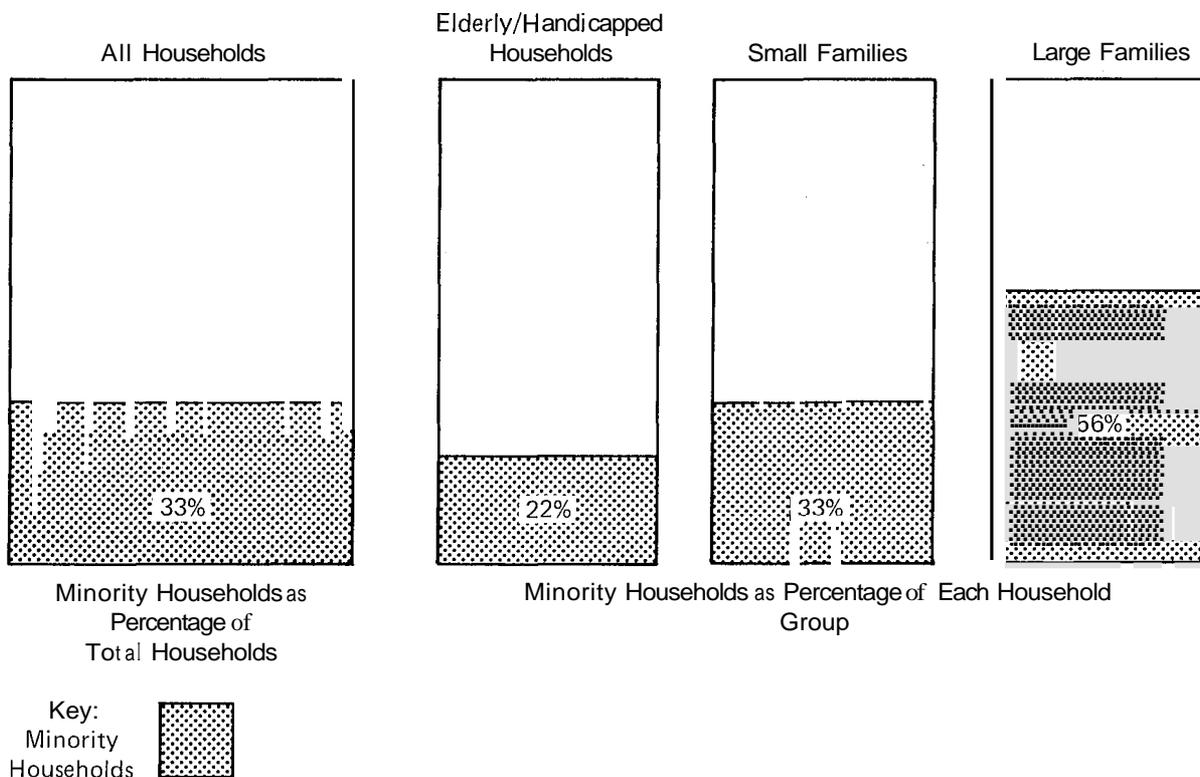
for Fiscal Year 1975 was 40 percent new, 30 percent rehabilitation, and 30 percent existing housing. The overall increase in rehabilitation corresponds to an increase in CDBG entitlement funds budgeted for rehabilitation activities. CDBG funds account for over half of the units planned for rehabilitation in Fiscal Year 1976.

Housing Strategies

The determination of program mix by each community relies on a variety of factors. An analysis of both housing conditions and households needs is required to determine if there is sufficient vacant low-cost housing to meet the housing needs of each lower-income household type in the community. If additional housing is needed, local officials must make some basic decisions in setting assisted housing goals. Conservation or neighborhood preservation strategies apply when there is a substantial percentage of housing that is suitable for rehabilitation. Expansion or replacement strategies, through the construction of

Table 6.2

MINORITY HOUSEHOLDS IN NEED OF HOUSING ASSISTANCE



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

new units, are used in response to a high percentage of housing to be demolished, or where there is a general shortage or absence of low-cost housing. A combination of rehabilitation and new construction can be used as a mutually supportive effort to stabilize a deteriorating area.

In the second year of **CDBG**, few communities have elected to rely upon one strategy in addressing their housing problems: six percent are planning new units exclusively, one percent are planning existing units exclusively, and one percent of the communities are relying totally on rehabilitation. Several communities are combining two unit types: 13 percent are using a conservation approach, utilizing vacant standard existing units and rehabilitating deteriorating housing; nine percent are constructing new units and rehabilitating units; and two percent are using existing units as well as constructing new units. The majority of the communities (67 percent) are planning for all three unit types, combining conservation and expansion strategies to deal with their housing

problems in a more comprehensive manner. (See Table 6.5.) Distribution Tables 6.20 through 6.22, at the end of this chapter, show the range of cities planning varying percentages of each unit type.

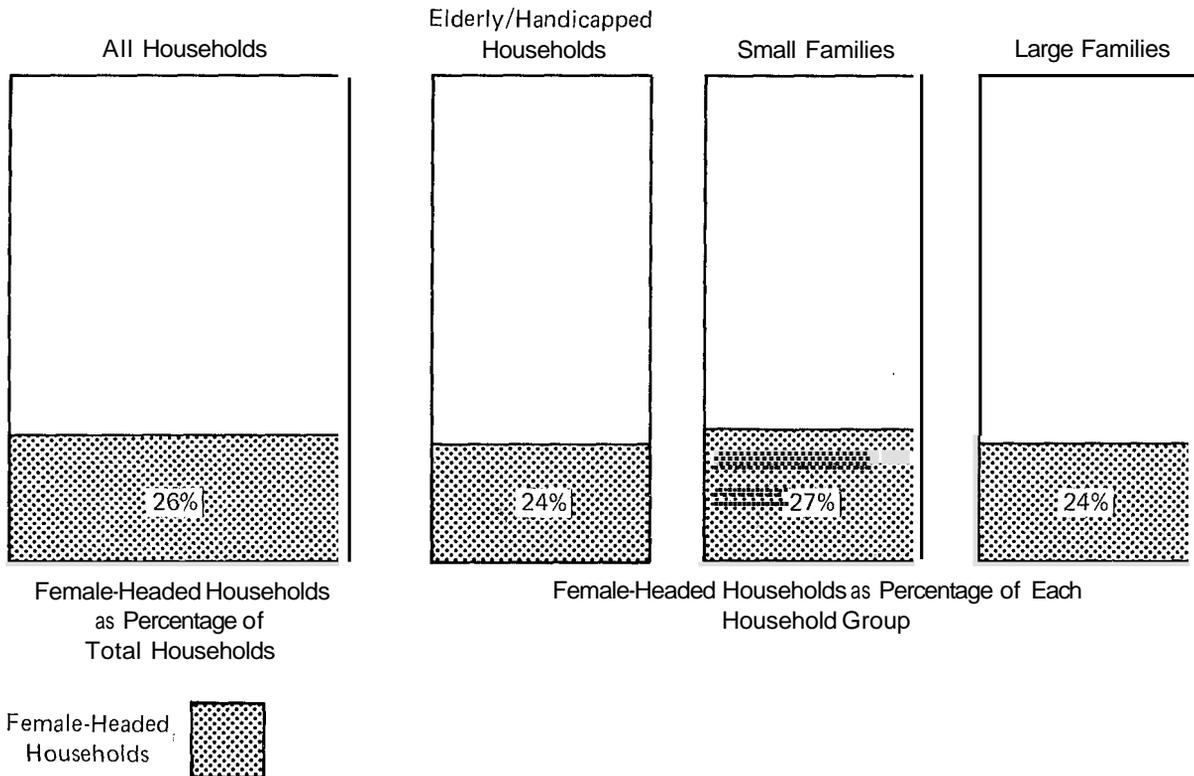
Households Assisted by Housing Goals

HAP goals planned for Fiscal Year 1976 will assist approximately the same percentage of households as the first year. Total goals for Fiscal Year 1976 would provide assistance for eight percent of the total housing need, increasing one percent over seven percent in Fiscal Year 1975. (See Table 6.23.) Although the average HAP goal increased by ten percent in Fiscal Year 1976, the need for housing assistance overshadows the goals; a substantial increase in resources would be required to have a greater impact on housing needs.

Communities continue to recognize the needs of each of the low-income households groups. As in the 1975 goals, the proportion of housing assistance planned for each of the three household groups

Table 6.3

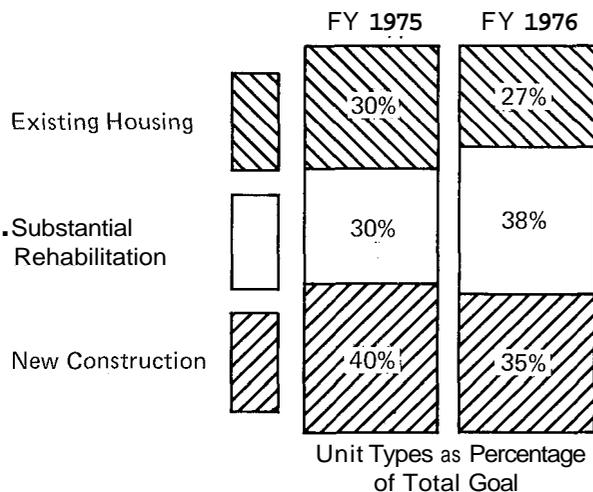
FEMALE HEADED HOUSEHOLDS IN NEED OF HOUSING ASSISTANCE



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

Table 6.4

HAP GOALS:
PROGRAM MIX FOR FISCAL YEARS
1975 AND 1976



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 151 sample metropolitan entitlement communities for Fiscal Year 1975 and 147 communities for Fiscal Year 1976.

corresponds closely to their proportional need. Small households, the largest group in need of assistance (52 percent), are scheduled to receive 45 percent of total assistance; elderly/handicapped households (33 percent of need) to receive 37 percent; and large families (15 percent of need) are to receive 18 percent of the total planned housing assistance for the Fiscal Year 1976 current year goal. (See Table 6.6.) This is further illustrated on an individual basis by the very high proportion of communities planning assistance for all three household types (93 percent). Tables 6.24 through 6.26, at the end of this chapter, show the distribution of individual communities planning each household type as a percentage of their total goal. Basically, the tables show that most of the communities are planning from 30 to 60 percent of their assistance for small family units, 30 to 50 percent for elderly/handicapped households, and .1 to 30 percent for large families.

The type of housing planned for elderly/handicapped, small, and large families responds to the needs of the individual household groups. Table 6.7 shows the program mix for each group.

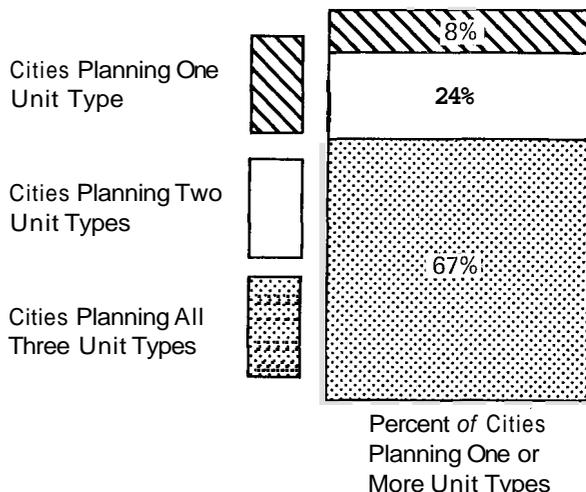
New construction is used most often to provide assisted housing to elderly/handicapped households.

This is due to the special services and facilities which may not be available in the existing housing stock. Rehabilitation may be appropriate for units which can be altered to add conveniences, or to remove barriers that restrict the mobility of the elderly or handicapped. In the second year, the percentage of elderly/handicapped goals to be met by new construction has decreased by 14 percentage points, while goals for rehabilitation and existing housing have increased by six percentage points, and eight percentage points respectively, resulting in a program mix of 46 percent new, 29 percent rehabilitation, and 25 percent existing housing.

Large families (five or more persons) have special needs. Almost half of the assisted housing planned for large families will be provided through rehabilitation, about one-third through new construction, and 22 percent through existing housing. Because there is often a shortage of large existing low-cost units, either new construction or rehabilitation may be required to provide assisted housing for large families, depending on the nature of the housing stock. Many communities have chosen to rehabilitate units, adding on additional rooms where necessary; or converting large subdivided homes into single-family units. This approach to the needs of large families has not changed substantially over the first two years of CDBG. The percentage of housing assistance provided

Table 6.5

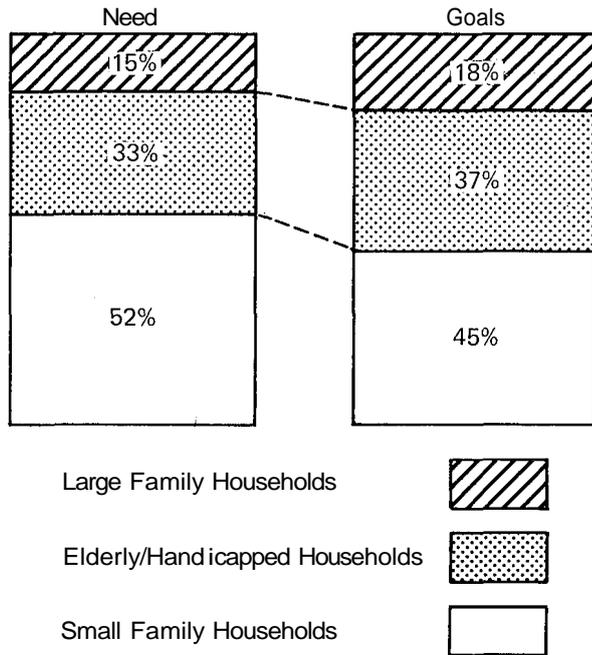
FISCAL YEAR 1976 ANNUAL GOALS:
COMBINATION OF UNIT TYPES



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

Table 6.6

HOUSEHOLDS IN NEED OF HOUSING ASSISTANCE VS. PROPOSED ASSISTED HOUSING GOALS



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

through rehabilitation has increased by five percent, while assistance through existing units has decreased by five percent.

Small families receive the most evenly divided mix: 28 percent new, 41 percent rehabilitation, and 32 percent existing housing. Compared to the first year, there is an increase of ten percentage points in assistance planned for rehabilitation, and a decrease of nine percentage points in existing, and one percentage point decrease in new units planned for small families.

Communities are also planning housing assistance in proportion to owner/renter needs. Of the total need for housing assistance, 75 percent was reported as rental households; 72 percent of the second year goals is for rental units. This is due to the large role Section 8 plays in the HAP goals, accounting for 84 percent of the goals for rental units. CDBG accounts for the bulk of assistance to homeowners (55 percent) in the form of rehabilitation loans and grants.

Source of Assistance

As in the first year, communities are relying heavily upon HUD for housing assistance funds. They have cited HUD as the source for 89 percent of all assisted housing units planned for the second year. This includes programs such as Section 8, Housing Assistance Payments Program; Section 235, Homeownership for Lower-Income Families; Section 312, Rehabilitation Loan Program; and funds from CDBG entitlement grants. (See Table 6.8.)

Section 8 alone has been cited as the source for over half of the total assistance planned in both years of CDBG (56 percent in Fiscal Year 1975 and 61 percent in Fiscal Year 1976). Communities have shifted their concentration in the Section 8 program from newly-constructed units in the first year to standard existing units in the second year, with assistance through rehabilitated units increasing slightly. The mix of unit types in the second year is 39 percent new, 16 percent rehabilitation, and 45 percent existing, compared to Fiscal Year 1975 Section 8 goals of 48 percent new, 14 percent rehabilitation and 38 percent existing. The increased emphasis on existing units under the Section 8 program is probably due to the new requirement in the second year that communities emphasize preservation and rehabilitation of their existing housing stock if they have a rental vacancy rate of six percent or greater.

Community Development Block Grant funds account for 19 percent of the total housing assistance planned for Fiscal Year 1976, and usually fund rehabilitation. The percentage of CDBG funds budgeted for rehabilitation loans and grants has increased by 5.3 percentage points in the second year. While CDBG was cited as a source for 41 percent of all rehabilitation goals in the first year, CDBG funds support 50 percent of the rehabilitation goals planned for the second year. The average goal for rehabilitation under CDBG has increased by 70 percent.

Few units of general local government have had experience in running their own housing programs; most have not been involved in the housing production process. This is reflected in the low percentage of HAP goals supported by non-Federal funds (about ten percent). Most of the local programs reported in the 1976 HAP deal with rehabilitation. Local resources account for eight percent of the total rehabilitation goals, compared to about three percent of the total goals for all three unit types. Many communities are using their CDBG funds to leverage additional private resources through various financing mechanisms. This approach, as well as other aspects of local rehabilitation programs, is reported in Chapter 4.

One of the anticipated benefits of including a plan for housing assistance in the application for CDBG funds was that communities would view the HAP as an opportunity to contribute to overall community development, and not simply as a hurdle to overcome to obtain CDBG funds. The HAP goals are based

largely upon HUD resources which are far overshadowed by the total need for housing assistance. These needs cannot be met without a strong commitment from the communities themselves. To assist local officials in developing the capacity to generate local programs and private resources which they can merge with Federal and State resources, HUD has contracted with the U.S. Conference of Mayors to produce four guidebooks. The guidebooks are designed to assist local officials and staff by providing a working knowledge of the private housing development process; how to influence that process; and a method through which officials can develop their own workable housing strategies consistent with other municipal goals and policies.

Three Year Goal

In Fiscal Year 1976, local officials were required to look beyond the annual goal and prepare a three year goal for assisted housing. Although optional in the first year of CDBG, the three year goal was mandatory in the second year.

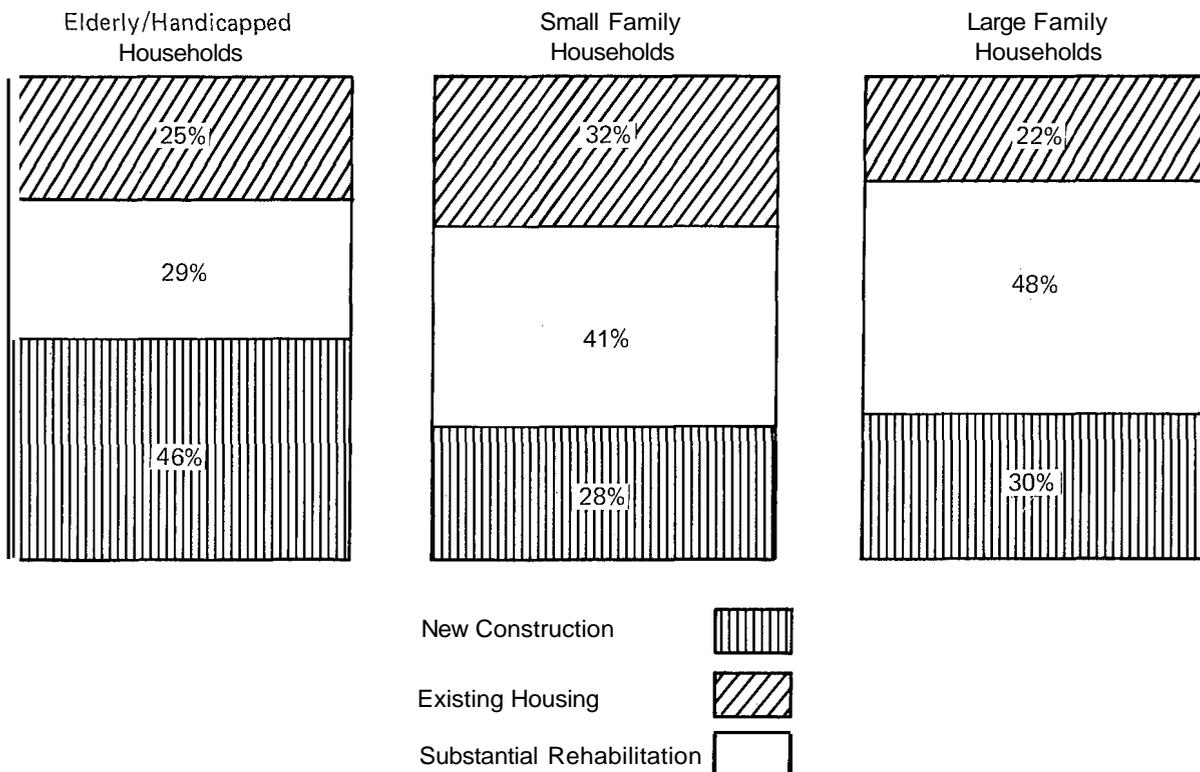
The projected three year goals are very similar to the annual goals, and indicate that local officials are extending strategies for Fiscal Year 1976 over a three year period. Program mix for the three year goal is virtually the same as the annual program mix, with a one percentage point decrease in new construction and a one percentage point increase in existing housing (34 percent new, 38 percent rehabilitation, 28 percent existing).

Slight changes in the percentage of assisted housing planned for each household group in the three year goal produces an even closer proportional relationship between needs and goals than in the annual goal. This is in response to an additional requirement in Fiscal Year 1976 that three year goals must address the needs of all three household groups in proportion to their need, with a ten percent maximum adjustment downward allowed for any one household group.

Program mix within each household group follows the same strategies established in the annual goal, with slight variations of one or two percent.

Table 6.7

FISCAL YEAR 1976 ANNUAL GOALS: PROGRAM MIX FOR EACH HOUSEHOLD GROUP



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

Implementation of three year goals of all entitlement communities would meet 22 percent of the total need for assisted housing. (This does not take into consideration the increase or decrease in need that may occur over the three year period.) Table 6.27, at the end of this chapter, shows the range of cities meeting varying percentages of the need expressed in their three-year goals.

Local officials continue to look to HUD for funds to support their three year goals. As in the annual goals, 89 percent of all proposed units are cited under HUD programs, and Section 8 alone is again reported as a source for 61 percent of the units planned for the three year period.

Urban County Goals

The program mix of the urban counties in both annual and three-year goals emphasizes the use of existing housing in contrast to the higher percentage of rehabilitation emphasized by the cities:

	Goal	Rehabili- New	Exist- tation	ing
Urban Counties	Annual	36%	23%	41%
	Three year	35%	23%	42%
Entitlement Cities	Annual	35%	38%	27%
	Three year	34%	38%	28%

This reflects the better housing conditions and lower percentage of housing suitable for rehabilitation in the counties.

In terms of the percentage of elderly/handicapped, small, and large families, there is no substantial difference in the housing needs of lower-income households in cities and counties. Both cities and counties plan assisted housing goals generally in proportion to the individual needs of the household groups. In the annual goal, 37 percent of county goals are planned for elderly/handicapped (32 percent of need), 46 percent for small families (51 percent of need), and 17 percent for large families (17 percent of need). The three year goals have a closer proportional relationship. Thirty-three percent of the three year goals are planned for elderly/handicapped households, 49 percent for small families, and 18 percent for large families.

Although HUD is cited by both cities and counties as the major source for their annual and three year goals, different HUD programs are emphasized to support their contrasting program mixes. Cities rely more on CDBG than the counties to support much of the assistance through rehabilitation. CDBG accounts for 10 percent of all city annual goals and eight percent of county annual goals. Counties cite a higher percentage of goals under Section 8 (75 percentage compared to 61 percent) to provide assistance through rental subsidies, primarily for existing units. Over half (54 percent) of the county Section 8 goals are planned for existing units, with 12 percent planned for rehabilitated units and 34 percent for

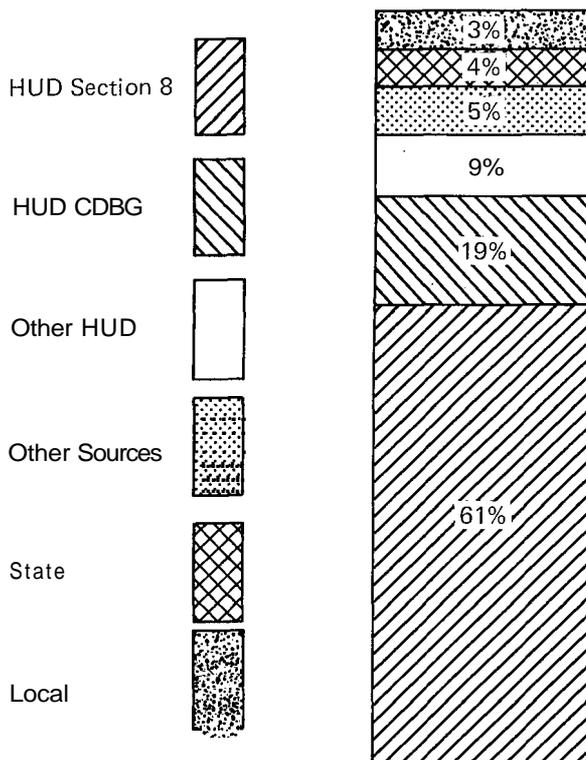
newly constructed units. Similar percentages of HUD programs are cited in the three year goals as well.

LOCATION OF ASSISTED HOUSING

In Table IV of the HAP, local officials are required to indicate general locations of proposed new and rehabilitated assisted housing.⁶ These locations should reflect the objectives of revitalizing the community, promoting greater choice of housing opportunities, avoiding undue concentration of assisted housing in lower-income areas, and assuring the

Table 6.8

FISCAL YEAR 1976 ANNUAL GOALS: SOURCES OF PROPOSED ASSISTED HOUSING



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

⁶ HUD regulations do not require location of existing units because assisted families are free to choose from available standard units throughout the community.

availability and adequacy of public services and facilities to serve the proposed assisted housing.¹

Census tracts are generally used to identify the location of assisted housing. Analysis of the census tracts by income level (low and moderate, median, high) and by history in the categorical programs indicates the nature of the housing target areas.⁸

percentage are to receive exclusively rehabilitated housing (41.5 percent); new construction only is planned for 20.2 percent; and 38.2 percent of the designated census tracts will receive both new and rehabilitated assisted housing. (See Table 6.10)

Table 6.9 shows the percentage of tracts within each income level that are to receive assisted housing.

Table 6.9

PERCENT OF CENSUS TRACTS DESIGNATED FOR ASSISTED HOUSING

	% All Census Tracts	% Low/Moderate Income Census Tracts	% Median Income Census Tracts	% High Income Census Tracts
Total Census Tracts	4,627	1635	1326	1666
Designated for Assisted Housing	50%	62%	54%	36%
Not Designated for Assisted Housing	50%	38%	46%	64%
	100%	100%	100%	100%

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

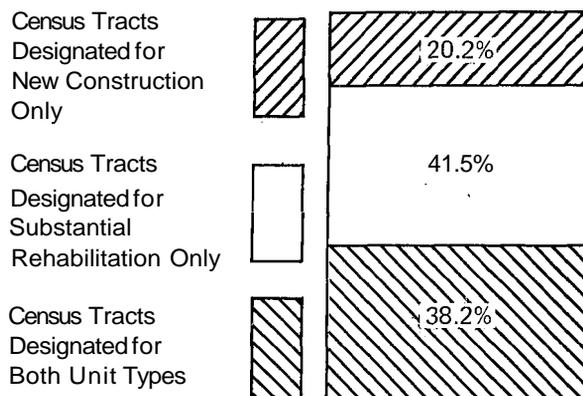
Locational analyses for the first and second year HAPs show a slight shift of housing from lower-income census tracts (a decrease of four percentage points) to higher-income tracts (an increase of four percent).

This is particularly evident for new construction for which the percentage of low- and moderate-income census tracts designated for new construction decreased by 14 percent, and the percentage of median- and high-income tracts increased by 14 percent.⁹

Table 6.9 illustrates the distribution of census tracts designated for housing assistance in 1976. Of the 4,627 census tracts in the sample entitlement cities, one-half have been cited as general locations to receive assisted housing. Of these tracts, the greatest

Table 6.10

PERCENTAGE OF CENSUS TRACTS DESIGNATED FOR ASSISTED HOUSING BY UNIT TYPE



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

¹Housing and Community Development Act of 1974, Section 104(4) (c).

⁸Methodology for the census tract analyses used throughout the Report is discussed in the Appendix of this Report.

⁹Because the 1975 locational analysis was based upon a quartile analysis, this same method was used to compare 1975 and 1976 locations. The rest of this section describing the 1976 locations is based upon the relationship of census tract median income to SMSA median income. This methodology is described in Chapter 2.

A higher percentage of low- and moderate-income tracts will receive housing assistance (62.0 percent) than median-income tracts (54.1 percent) or high-income tracts (36.4 percent).

Analysis of census tract distribution of each unit type reveals an overall pattern established by the communities in the second year of CDBG. (See Table 6.1 1.) This pattern indicates that communities are more likely to locate new construction of assisted housing in high-income areas, rehabilitation in low- and moderate-income areas, and a combination of both new and rehabilitated housing in all income level census tracts.

Locating proposed new construction in upper-income tracts supports the legislative objective of promoting a greater choice of housing opportunities and deconcentration of assisted housing. Of the census tracts communities have designated to receive exclusively new construction in 1976, 46.7 percent are high-income, and 28.1 percent are median-income census tracts.

Rehabilitation is also planned in upper-income tracts. Thirteen percent of the census tracts for which rehabilitation is planned are high-income. Rehabilitation of units in census tracts of all income levels supports the legislative objective of revitalizing communities. Of the census tracts designated exclusively for rehabilitation, 55.7 percent are low- to moderate-, and 31.2 percent are median-income tracts. New construction in blighted areas is also part of the strategy of stabilizing a deteriorating area, and 25.1 percent of the census tracts to receive exclusively new construction are low- to moderate-income tracts.

Communities have combined proposed new and rehabilitated assisted housing within each income level: 40 percent are low- and moderate-census tracts, 31 percent are median-income census tracts, and 29 percent of the census tracts designated for both new housing and rehabilitation are high-income tracts.

Entitlement communities are not required to indicate the number of assisted housing units to be located within the designated census tracts. For purposes of this report, however, it is assumed that the distribution of housing will follow the pattern shown in Table 6.1 1. That is a high percentage of new construction will occur in high-income census tracts and a high percentage of rehabilitation in low- and moderate-income tracts, with a combination of both spread evenly at all income levels. A housing location strategy of this nature responds to general housing conditions in the various income areas: expansion of the stock of low-cost housing in high-income areas; conservation and preservation of existing housing stock through rehabilitation in low- and moderate-income tracts; and using both unit types in neighborhoods in low- and moderate-, median-, and high-income areas.

A comparison of the locations of proposed assisted housing with the location of community development activities under prior HUD categorical programs shows that local officials are going beyond old program areas (census tracts) in providing housing assistance. Two-thirds of the census tracts to receive assisted housing are outside the categorical program areas. (See Table 6.12.) Selection of census tracts in new neighborhoods is a major factor in the deconcentration

Table 6.11

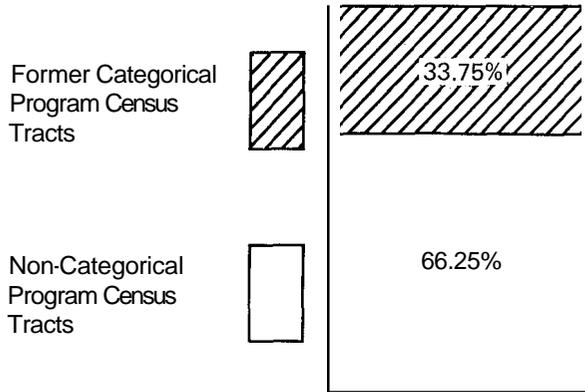
DISTRIBUTION OF CENSUS TRACTS DESIGNATED FOR ASSISTED HOUSING BY INCOME LEVEL OF TRACTS

	All Census Tracts Designated for Assisted Housing	Census Tracts Designated for New Housing Only	Census Tracts Designated for Rehabilitation Only	Census Tracts Designated for Both Unit Types
	%	%	%	%
Low/Moderate Income Tracts	43.3	25.1	55.7	39.5
Median Income Tracts	30.7	28.1	31.2	31.5
High Income Tracts	30.0	46.7	13.1	29.0
	100.0%	100.0%	100.0%	100.0%

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

Table 6.12

PERCENT OF CATEGORICAL PROGRAM VS.
NON-CATEGORICAL PROGRAM CENSUS
TRACTS DESIGNATED FOR ASSISTED HOUSING



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

tration of lower-income housing. Because 45 percent of all noncategorical program tracts have a median income above the SMSA median income, compared to nine percent of the categorical program census tracts, noncategorical program tracts designated for assisted housing are more likely to be high-income census tracts. Over one-half (56 percent) of the noncategorical program census tracts designated for new construction are high-income tracts; rehabilitation is planned for more median- and high-income tracts than low- and moderate-income tracts (46 percent low and moderate, 36 percent median, and 18 percent high). A combination of both new construction and rehabilitation is also concentrated in median- and high-income census tracts (26 percent low and moderate, 35 percent median, and 39 percent high). (See Table 6.13.) This may indicate a trend in the location of assisted housing in higher-income census tracts after activities initiated under categorical programs are completed. As the entitlement communities gain more experience in preparing and implementing their Housing Assistance Plans, more definite strategies will evolve. Analysis of assisted housing that is provided by the communities (as reported in their Grantee Performance Reports), will confirm or correct these initial views of an overall housing location strategy.

Table 6.13

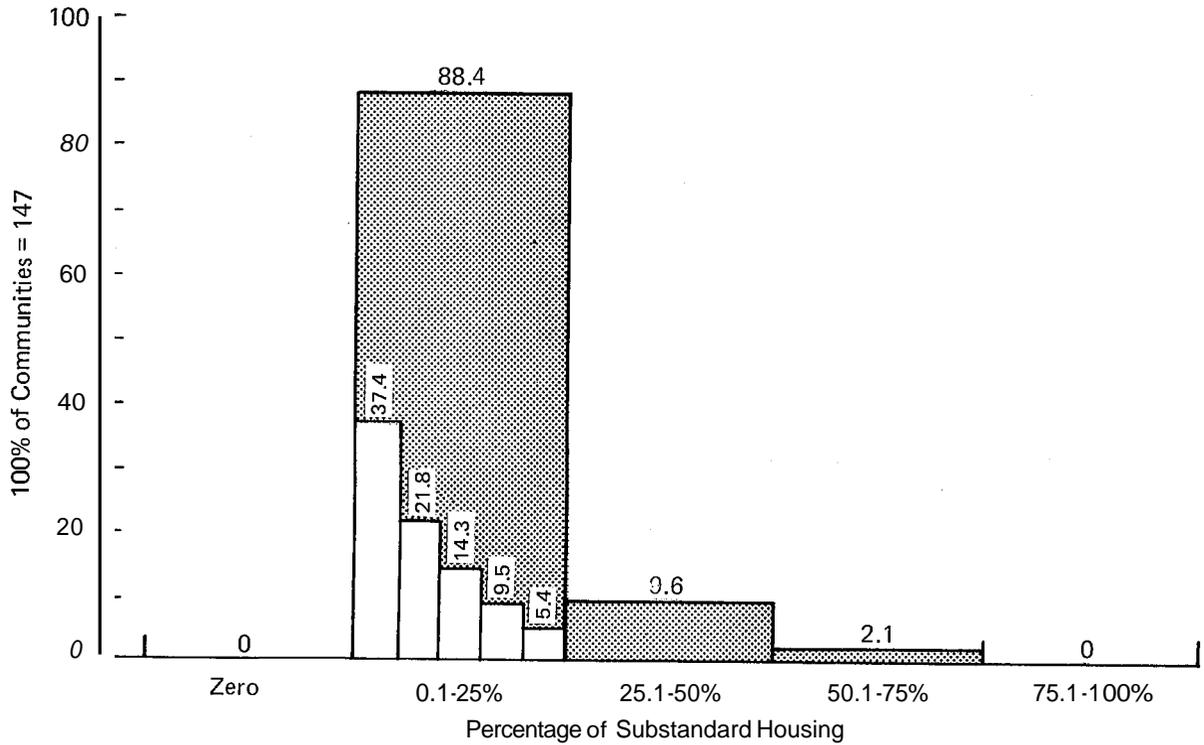
DISTRIBUTION OF NONCATEGORICAL PROGRAM CENSUS TRACTS
DESIGNATED FOR ASSISTED HOUSING BY INCOME LEVEL OF TRACTS

	All Census Tracts Designated for Assisted Housing	Census Tracts Designated for New Housing Only	Census Tracts Designated for Rehabilitation Only	Census Tracts Designated for Both Unit Types
	%	%	%	%
Low/Moderate Income Tracts	30.7	13.8	45.8	25.9
Median Income Tracts	34.4	30.1	36.1	35.3
High Income Tracts	34.9	56.1	18.1	38.8
	100.0%	100.0%	100.0%	100.0%

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample metropolitan entitlement communities for Fiscal Year 1976.

Table 6.14

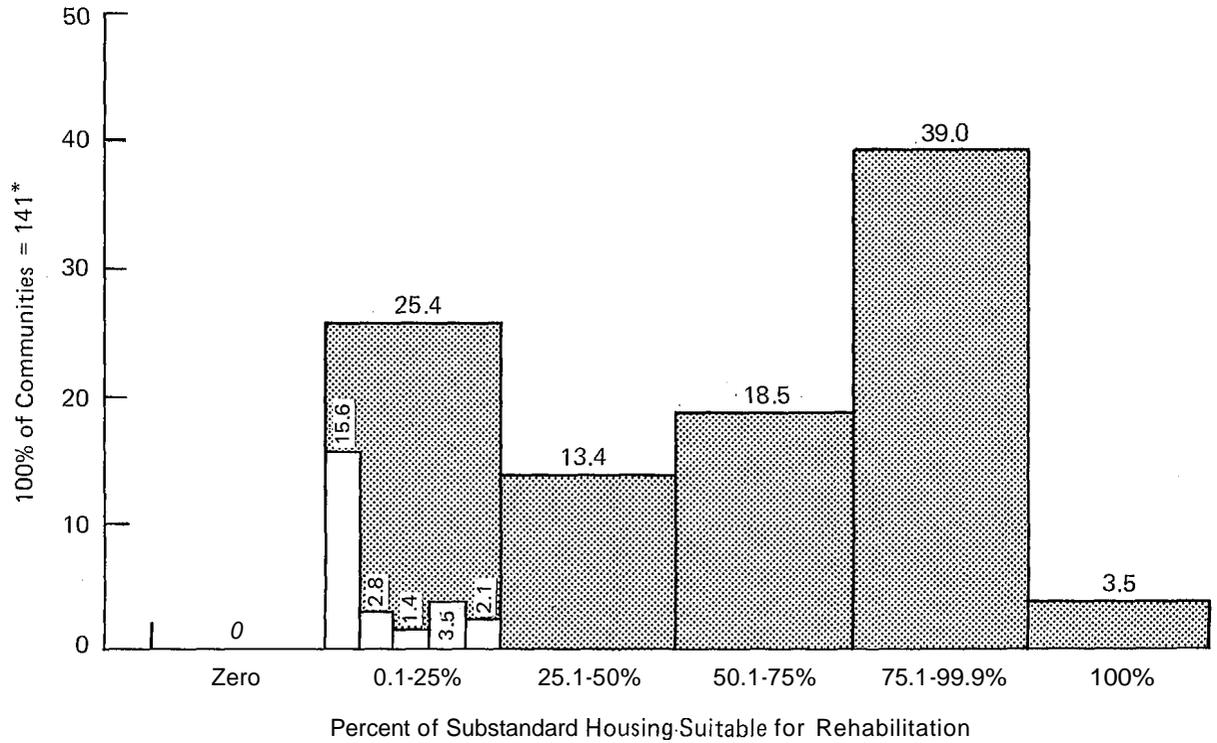
DISTRIBUTION OF CITIES REPORTING PERCENT OF SUBSTANDARD HOUSING



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

Table 6.15

DISTRIBUTION OF CITIES REPORTING PERCENT OF SUBSTANDARD HOUSING SUITABLE FOR REHABILITATION

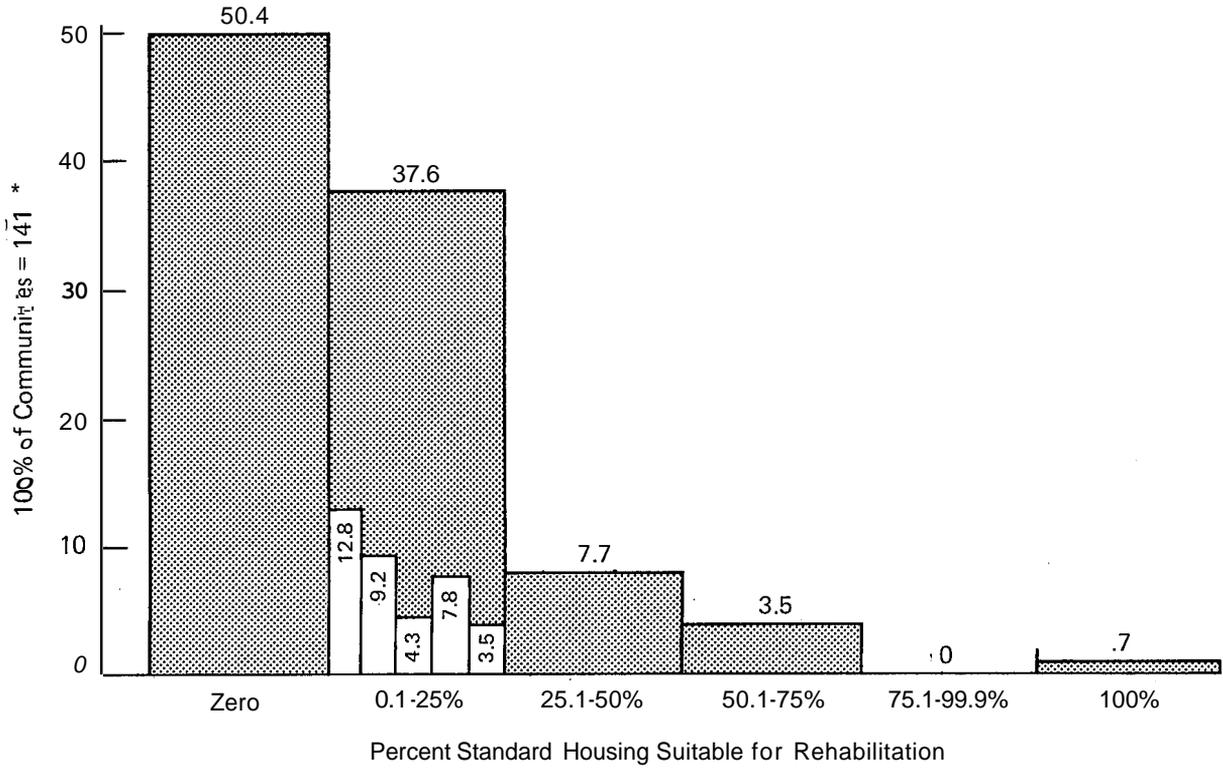


SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

*All cities did not report units suitable for rehabilitation.

Table 6.16

DISTRIBUTION OF CITIES REPORTING PERCENT OF STANDARD HOUSING SUITABLE FOR REHABILITATION

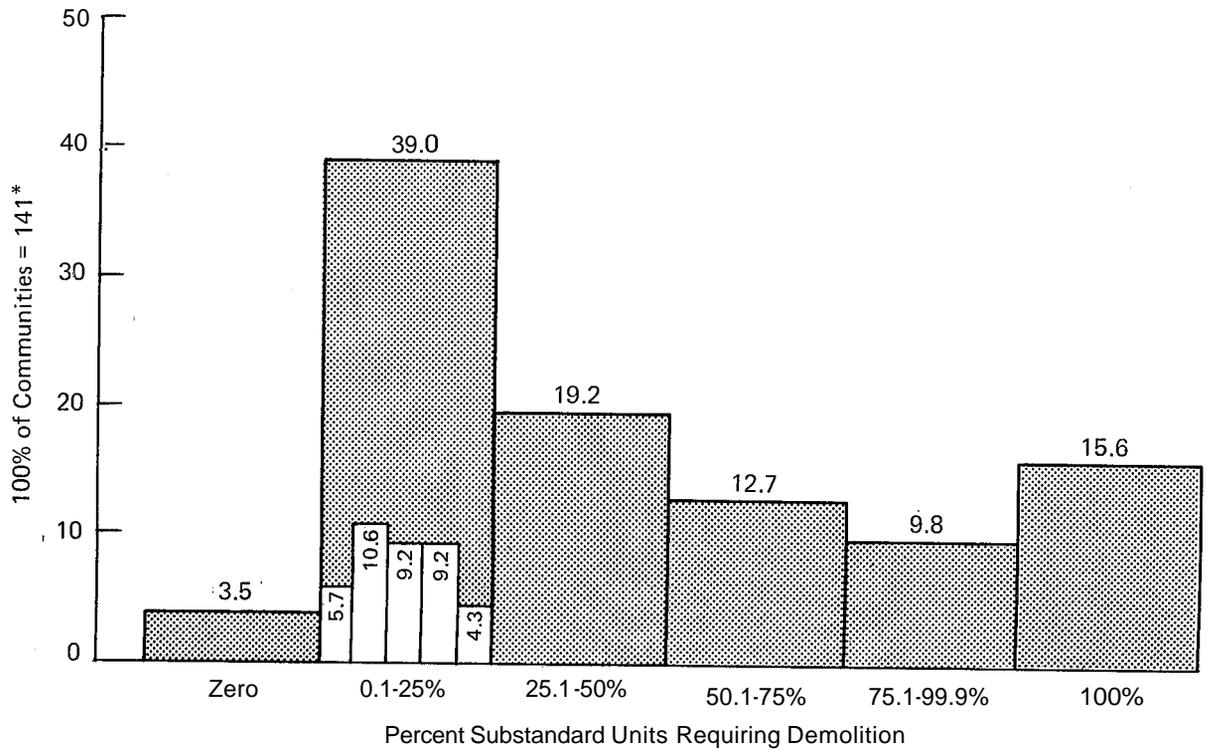


SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

*All cities *did* not report units suitable for rehabilitation.

Table 6.17

DISTRIBUTION OF CITIES REPORTING PERCENT OF SUBSTANDARD
UNITS REQUIRING DEMOLITION

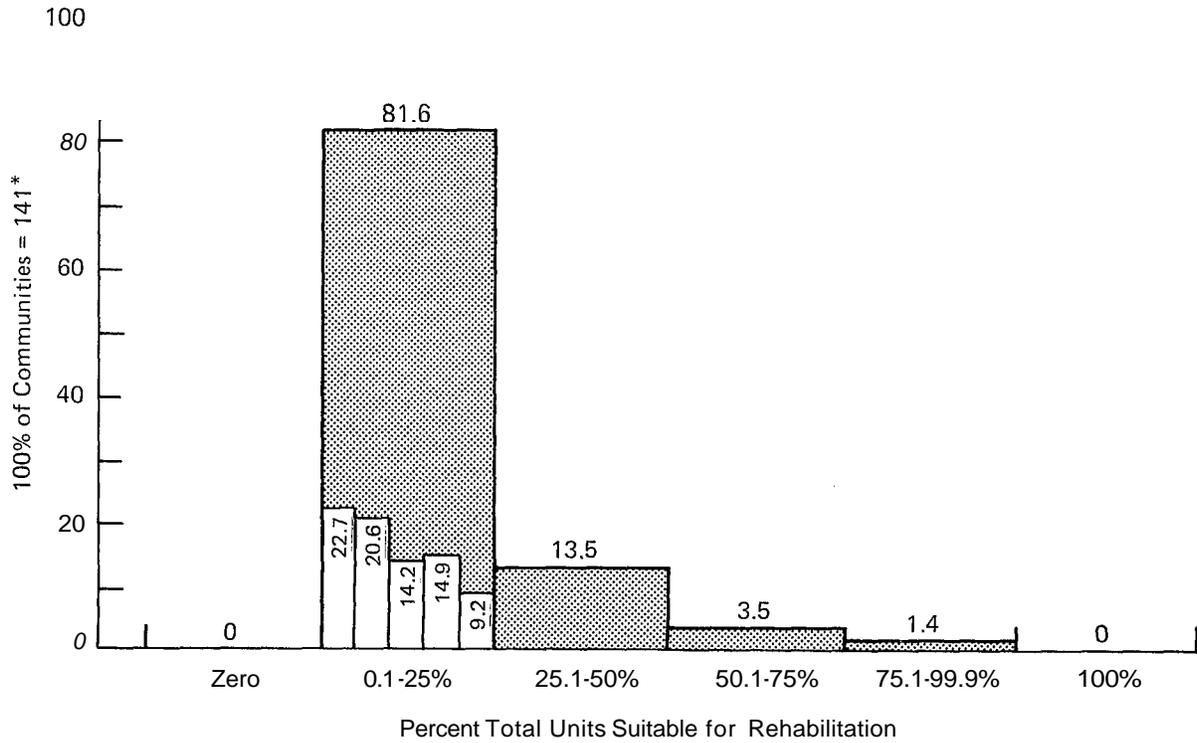


SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation.
Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

*All cities did not report units suitable for rehabilitation.

Table 6.18

DISTRIBUTION OF CITIES REPORTING PERCENT OF TOTAL UNITS SUITABLE FOR REHABILITATION

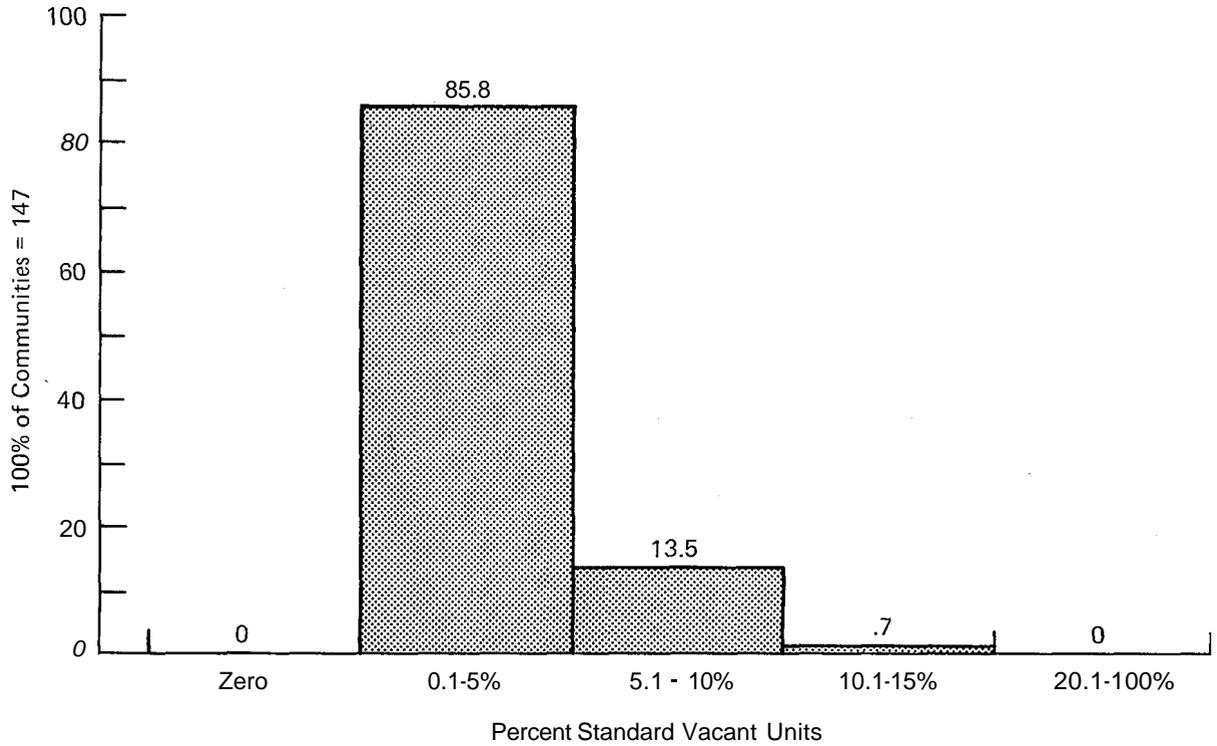


SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

All cities did not report units suitable for rehabilitation.

Table 6.19

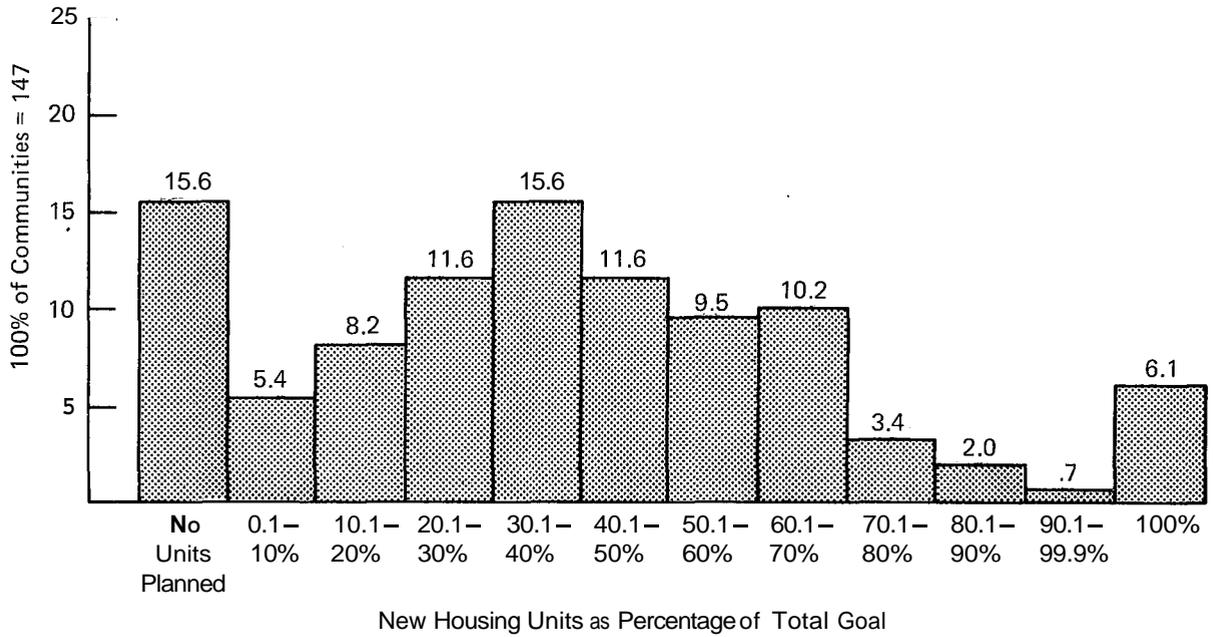
DISTRIBUTION OF CITIES REPORTING PERCENT OF STANDARD VACANT UNITS



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

Table 6.20

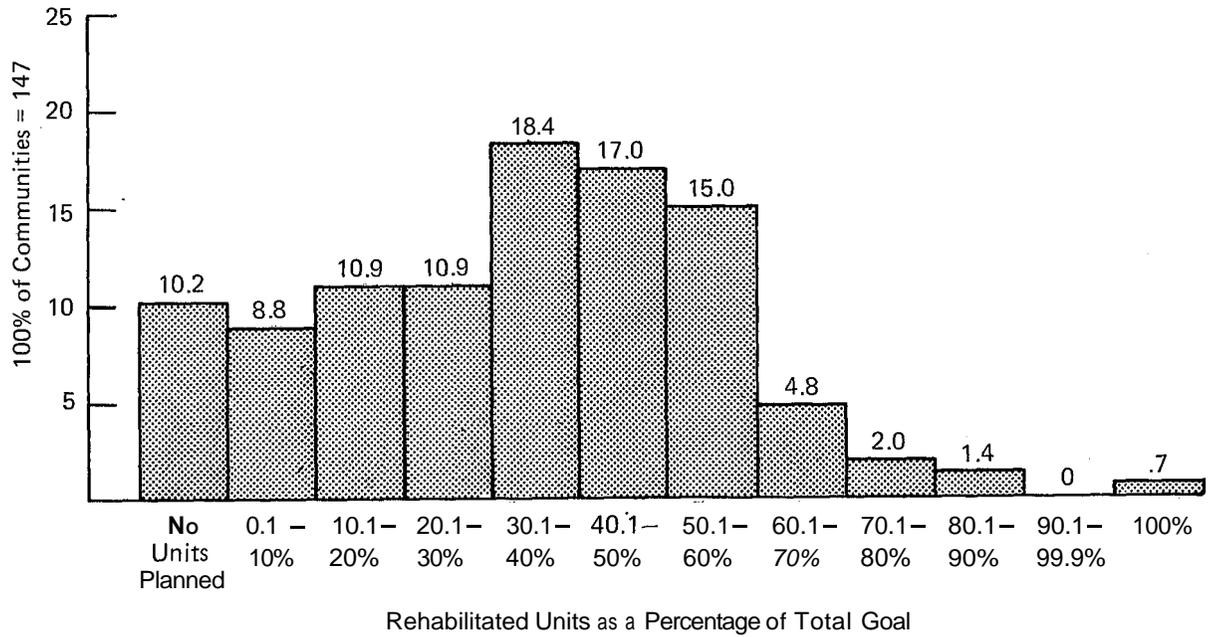
DISTRIBUTION OF CITIES PLANNING NEW CONSTRUCTION AS A PERCENT OF TOTAL ASSISTED HOUSING UNITS IN ANNUAL GOAL



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

Table 6.21

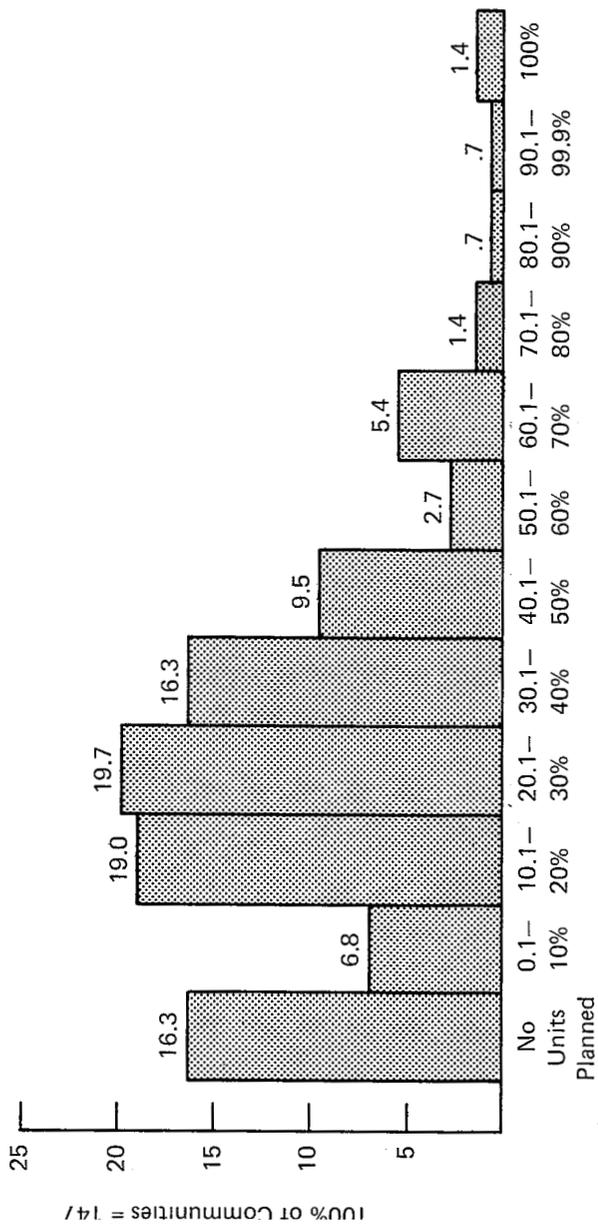
DISTRIBUTION OF CITIES PLANNING REHABILITATION AS A PERCENT OF TOTAL ASSISTED HOUSING IN ANNUAL GOAL



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

Table 6.22

DISTRIBUTION OF CITIES PLANNING EXISTING HOUSING AS A PERCENT
OF TOTAL ASSISTED HOUSING IN ANNUAL GOAL

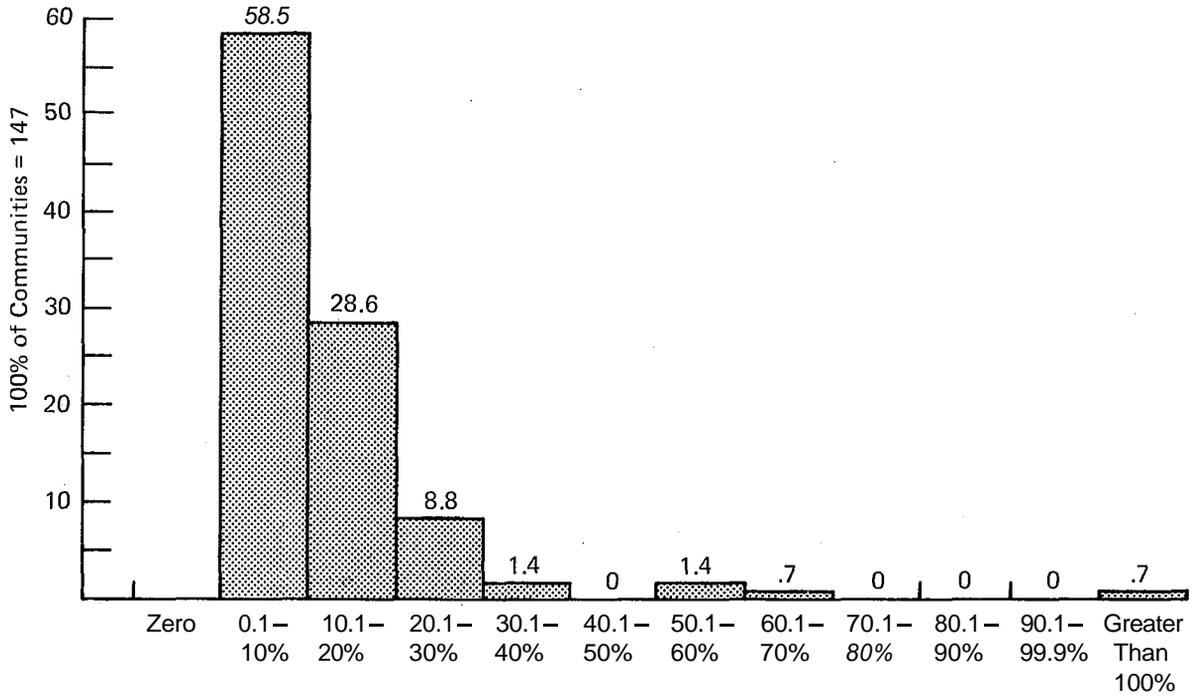


Existing Units as Percentage of Total Goal

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities

Table 6.23

**DISTRIBUTION OF CITIES ADDRESSING PERCENT OF HOUSEHOLDS
IN NEED IN THE FISCAL YEAR 1976 ANNUAL GOAL**

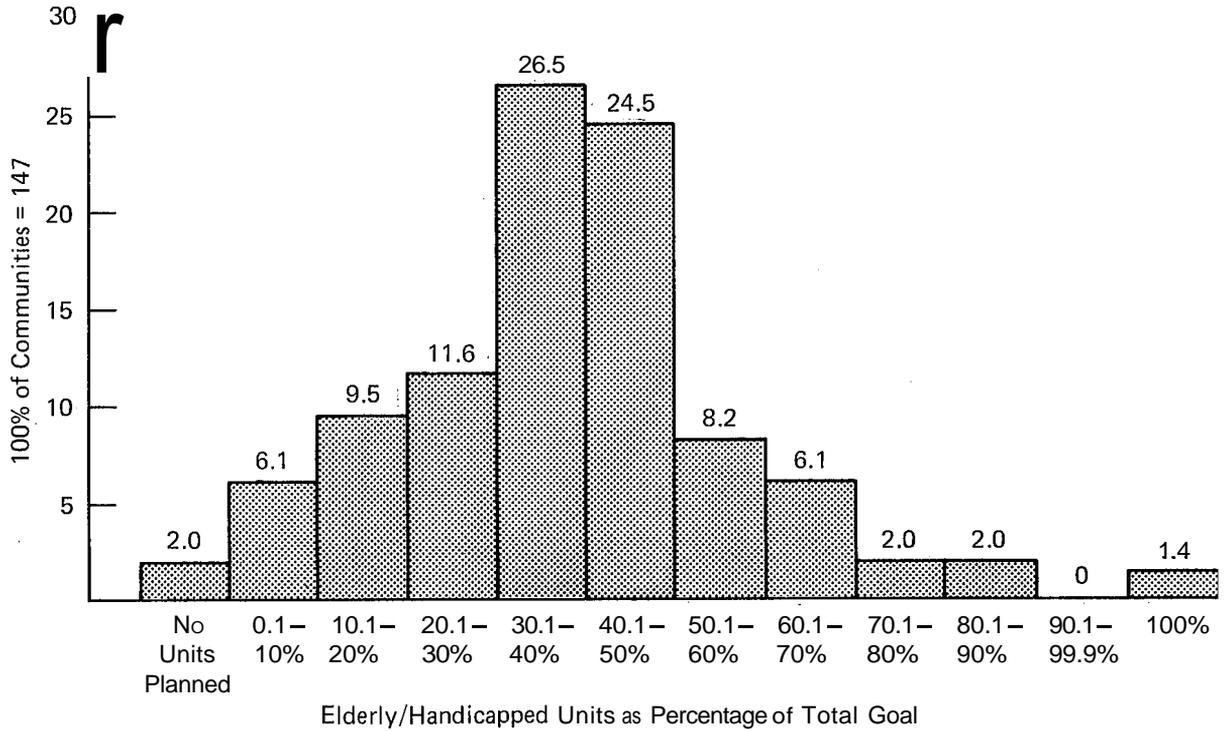


FY'76 Annual Goal as a Percent of Total Household in Need

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

Table 6.24

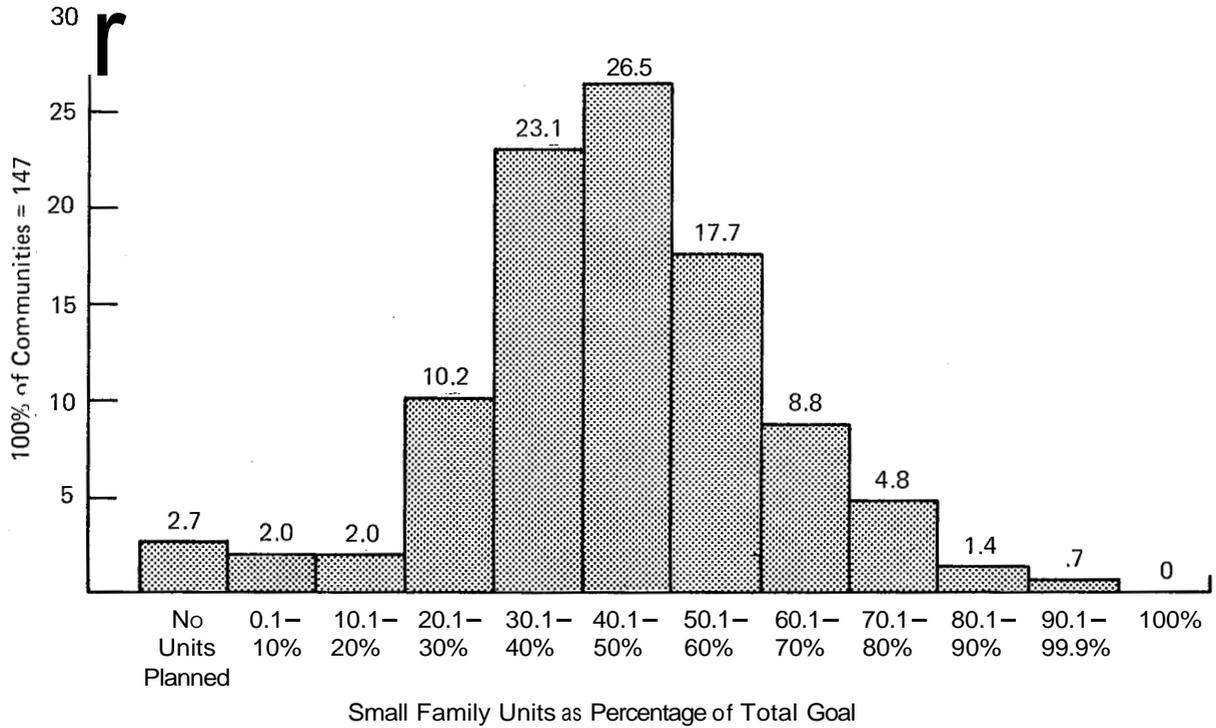
DISTRIBUTION OF CITIES PLANNING ASSISTANCE FOR ELDERLY/HANDICAPPED HOUSEHOLDS AS A PERCENT OF TOTAL ANNUAL GOAL



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

Table 6.25

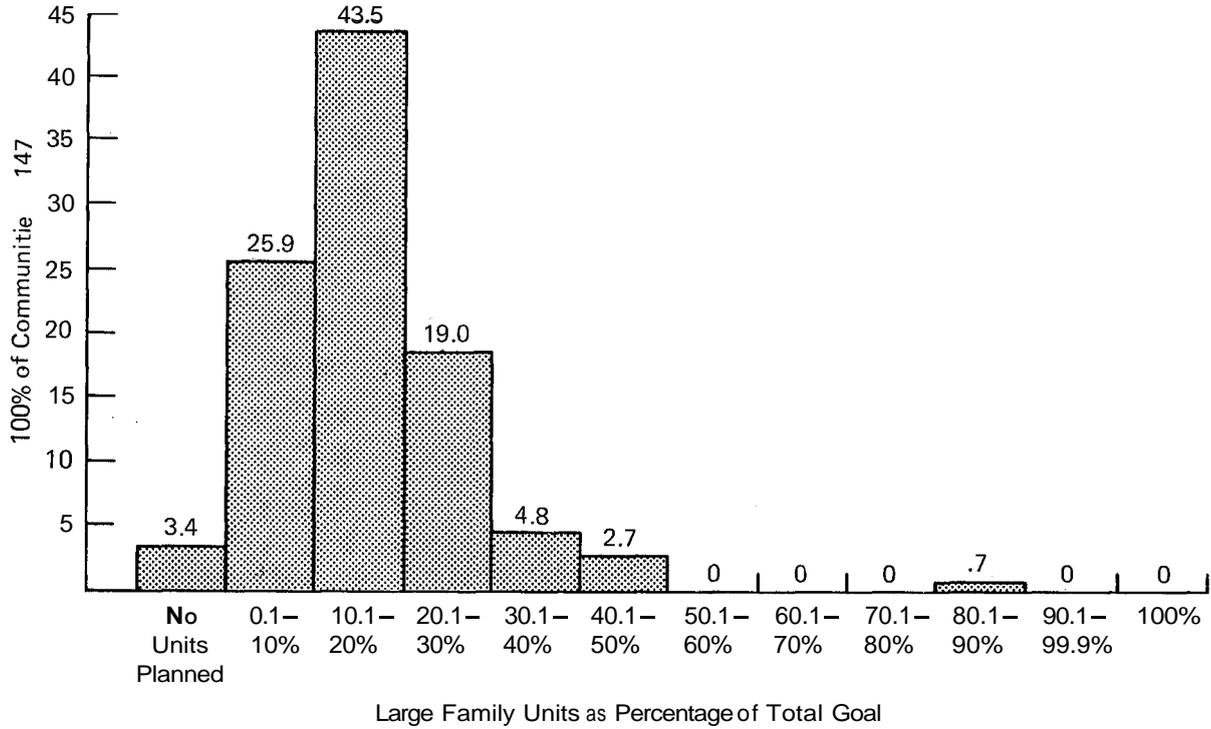
DISTRIBUTION OF CITIES PLANNING ASSISTANCE FOR FAMILY HOUSEHOLDS
AS A PERCENT OF TOTAL ANNUAL GOAL



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

Table 6.26

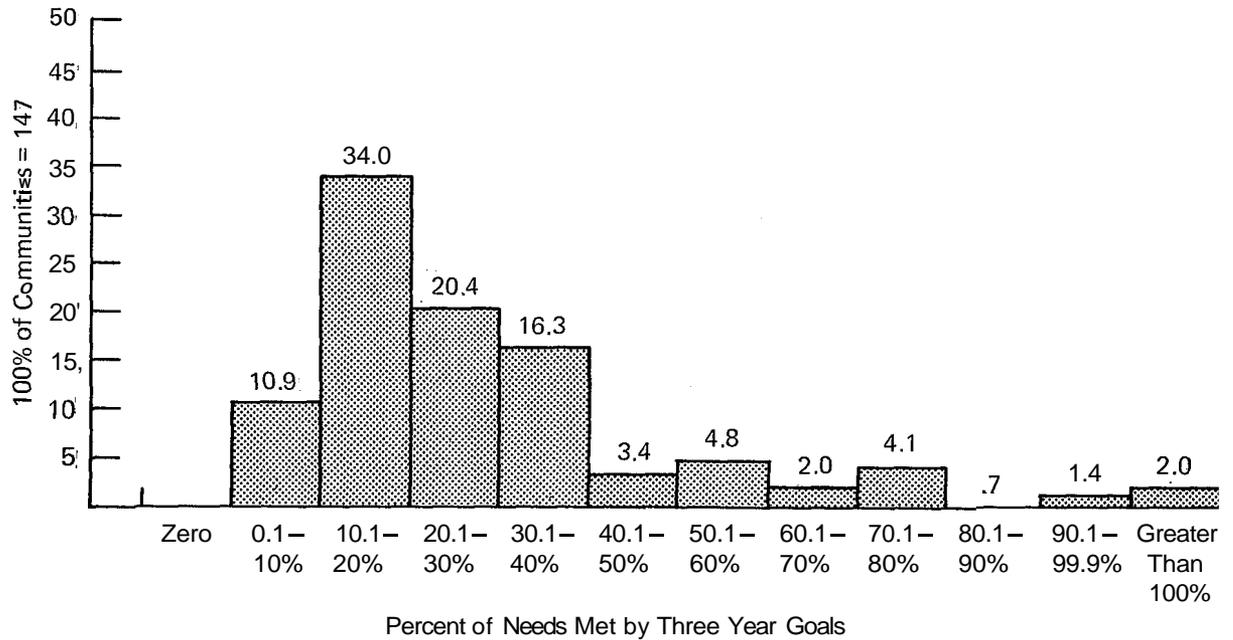
DISTRIBUTION OF CITIES PLANNING ASSISTANCE FOR LARGE FAMILY HOUSEHOLDS AS A PERCENT OF TOTAL ANNUAL GOAL



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

Table 6.27

**DISTRIBUTION OF CITIES ADDRESSING PERCENT OF HOUSEHOLDS
IN NEED IN THE FISCAL YEAR 1976 THREE YEAR GOAL**



SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of Housing Assistance Plans of 147 sample entitlement communities.

URBAN COUNTIES

Seventy-five counties qualified for Fiscal Year 1976 Community Development Block Grant (CDBG) funding as Urban Counties. Of the 73 counties originally qualifying in 1975, all but Rockland County, New York continued in that status for 1976. Three counties qualified as Urban Counties for the first time in 1976: Essex County, New Jersey, and Monroe and Westchester Counties in New York.

Population within the Urban Counties increased by 2,350,000 (4 percent) between 1975 and 1976. For the 72 counties that were Urban Counties in both years, 40 had larger population in 1976 than they had in 1975, 11 had less, and 21 remained the same. The counties with largest "gains" in population were:

County	increase in Qualifying Population
Allegheny, PA	708,499
Suffolk, NY	349,532
Montgomery, PA	249,649
Cook, IL	159,239
Cuyahoga, OH	147,217
Oakland, MI	139,352
Bucks, PA	115,887
Harris, TX	129,660

Population losses were minor except in Nassau County, New York, whose qualifying population declined by 444,000 from 1975 to 1976. This decrease occurred because Hempstead, a unit of local government having a cooperating status with Nassau County in Fiscal Year 1975, withdrew from the Urban County in Fiscal Year 1976.

Fiscal Year 1975 to Fiscal Year 1976 gains and losses in qualifying population, by size of the changes involved, were:

Size of Population Change	Number of Urban Counties	
	Gaining	Losing
Less than 10,000	10	8
10,000 to 49,999	20	2
50,000 to 99,999	2	0
Over 100,000	8	1
	40	11

Table 7.1 indicates the amount of Fiscal Year 1976 CDBG funds allocated to each of the Urban Counties, as well as the full formula entitlement amounts they are scheduled to receive in Fiscal Year 1977. Because most Urban Counties were "phase in" communities, total funds received in Fiscal Year 1976 increased by 75 percent over the \$119,176,000 allocated in Fiscal

Year 1975; full formula funding should result in an estimated 36 percent increase for Fiscal Year 1977.

Approved Fiscal Year 1976 applications for all Urban Counties were not available in time to be analyzed and the results included in this Report. This chapter describes CDBG program trends in Urban Counties identified in Fiscal Year 1975 applications and budgets. A more detailed analysis of Urban Counties is the subject of a HUD Community Planning and Development, Office of Evaluation special report to be published in Spring 1977.

Urban Counties and metropolitan cities emphasize different national objectives in budgeting CDBG projects for the 1975 Fiscal Year.

Table 7.2 indicates:

- (1) Urban Counties allocated a **considerably greater** proportion of CDBG funds than metropolitan cities to two objectives: more rational land utilization . . .¹, and elimination of detrimental conditions.²
- (2) Urban Counties budgeted a **somewhat greater** proportion of funds for administration than metropolitan cities.
- (3) Urban Counties budgeted a **substantially smaller** proportion of CDBG funds than metropolitan cities for elimination of slums and blight.
- (4) Urban Counties budgeted **somewhat less** than metropolitan cities for housing stock conservation-expansion and for improvement of community services.
- (5) Urban Counties and metropolitan cities budgeted approximately the same proportion for reduction of isolation of income groups and for historic preservation. (One percent of total CDBG funds was for these two purposes combined.)

Data presented in Table 7.2 also establish that Urban Counties with the greatest past HUD categorical grant experience emphasize the types of projects stressed by metropolitan cities. Experienced Urban Counties and metropolitan cities placed relatively greater

¹" . . . a more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreation, and other needed activity centers." *Housing and Community Development Act of 1974*, Title I Sec. 101(c) (6), Public Law 93-383.
²*Ibid.*, Sec. 101(c) (2).

emphasis on elimination of slums and blight than did others with less categorical grant program experience; these localities gave less attention than less experienced communities to the elimination of detrimental conditions and to more rational land utilization.

Table 7.3 compares the relative emphasis placed by Urban Counties and metropolitan cities on each of nine functional activities budgeted from Fiscal Year 1975 CDBG grants.

Metropolitan cities budgeted a higher proportion of total block grant funds in three functional areas: clearance related activities, housing, and the provision of public services. Counties, more than cities, emphasized a cluster of physical improvement activities: water and sewer systems, other public works, and public facilities.

Existence of these differences suggests that metropolitan cities were devoting substantial portions of their Fiscal Year 1975 CDBG entitlements to the continuation of urban renewal and similar projects begun under earlier HUD categorical grant programs. Urban Counties, had less past experience with renewal-related categorical programs and had fewer clearance projects needing completion or continuation at the time of CDBG implementation. Urban Counties thus gave less emphasis to the clearance and public service activities typically associated with renewal projects.

Much of this difference between Urban County and metropolitan city program priorities remains when comparison is restricted to Urban Counties and metropolitan cities with similar degrees of previous HUD categorical grant experience.

Expenditure levels for each major Block Grant activity are presented in Table 7.4 for three different

categorical experience levels:

Urban Counties and metropolitan cities with major past categorical grants in the 1968-1972 base period, namely, participants in the Urban Renewal (UR), and Model Cities (MC) program, and the Neighborhood Development Program (NDP).

Those with limited past categorical experience, i.e., recipients of categorical grants under the following programs: water and sewer, open space and neighborhood facilities.

CDBG grantees with no previous categorical grant experience, i.e., those who had received none of the types of HUD categorical grants in the base period.

These data suggest that:

- (1) Extent of previous categorical program experience accounts for many differences in program emphasis. Only for Urban Counties and metropolitan cities with limited experience are there pronounced differences. Those urban counties with limited experience give greater emphasis to physical development, whereas metropolitan cities with equivalent experience place greater stress on renewal-redevelopment.
- (2) The greater the previous categorical program experience, the greater the percentage of CDBG funds designated for clearance-related activities, public services, and housing activities. For physical development activities, the greater the level of previous categorical experience, the smaller the proportion of funds designated.

Table 7.1

COUNTIES QUALIFYING AS URBAN COUNTIES FOR FISCAL YEAR 1976

Name of County/State	Total County Population	Urban County Qualifying Population		Number of Cooperating Units		Amount of FY 1976 CDBG Allocation (\$000)	Amount of Full Formula Entitlement (Based on FY 1976 Data) (\$000)
		Threshold	CDBG Balance	Threshold	CDBG Balance		
Jefferson AL	644,991	306,755	306,755	31	31	3,014	4,519
Alameda CA	1,071,446	251,284	251,284	6	6	1,646	2,468
Contra Costa CA	556,116	370,486	370,486	12	12	2,347	3,519
Fresno CA	413,329	247,633	247,633	14	14	3,456	5,181
Kern CA	330,234	260,719	260,719	10	10	3,190	4,782
Los Angeles CA	7,041,980	1,862,419	1,862,219	37	37	17,533	26,287
Marin CA	206,758	204,016	204,016	10	10	1,233	1,849
Orange CA	1,421,233	499,543	499,543	16	16	2,997	4,493
Riverside CA	459,074	253,075	253,075	12	12	2,957	4,433
Sacramento CA	634,373	377,268	377,268	3	3	2,784	4,174
San Bernardino CA	682,233	470,622	470,622	10	10	4,303	6,452
San Diego CA	1,357,854	476,524	476,524	8	8	3,766	5,646
San Mateo CA	557,361	333,653	306,827	12	11	2,824	2,824
Santa Clara CA	1,065,313	303,416	303,416	8	8	2,238	3,356
New Castle DE	385,856	303,473	303,473	9	9	1,732	2,597
Broward FL	620,100	372,408	372,408	25	25	3,316	4,971
Dade FL	1,267,792	743,409	743,409	24	24	20,998	10,995
Hillsborough FL	490,265	212,551	212,551	2	2	2,041	3,060
Orange FL	344,311	222,480	222,480	8	8	2,046	3,068
Palm Beach FL	348,993	232,077	232,077	19	19	2,478	3,715
Pinellas FL	522,329	241,375	241,375	14	14	1,988	2,981
De Kalb GA	415,387	344,487	344,487	6	6	1,864	2,795
Cook IL	5,493,766	1,454,422	1,454,422	128	128	8,265	12,392
Du Page IL	490,822	391,213	391,213	36	36	1,990	2,983

Table 7.1 - Continued

COUNTIES QUALIFYING AS URBAN COUNTIES FOR FISCAL YEAR 1976

Name of County/State	Total County Population	Urban County Qualifying Population		Number of Cooperating Units		Amount of FY 1976 CDBG Allocation (\$000)	Amount of Full Formula Entitlement (Based on FY 1976 Data) (\$000)	
		Threshold	CDBG Balance	Threshold	CDBG Balance			
Lake	IL	382,638	311,506	264,231	58	57	1,614	2,420
Madison	IL	250,911	250,911	250,911	49	49	2,195	3,291
St. Clair	IL	285,309	215,313	215,313	48	48	1,970	2,954
Jefferson	KY	695,055	242,606	242,606	—	—	2,857	2,643
Jefferson Par.	LA	338,229	338,229	338,229	6	6	3,214	4,818
Anne Arundel	MD	298,042	267,941	267,941	—	—	1,764	2,645
Montgomery	MD	522,809	472,074	472,074	7	7	2,314	3,469
Prince Georges	MD	661,719	551,306	551,306	16	16	5,436	5,394
Genesee	MI	445,589	252,272	218,399	31	29	1,454	2,180
Oakland	MI	907,871	517,094	517,094	50	50	2,819	4,227
Wayne	MI	2,670,368	359,675	315,405	24	22	1,986	2,978
Hennepin	MN	960,080	336,622	336,622	29	29	1,752	2,627
St. Louis	MO	951,671	753,393	753,393	60	60	4,619	6,925
Bergen	NJ	897,148	846,748	785,755	63	61	3,929	5,891
Burlington	NJ	323,132	234,641	205,428	26	23	1,187	1,780
Essex	NJ	932,526	234,007	146,249	9	7	348	1,044
Hudson-	NJ	607,839	217,441	131,434	9	7	923	1,384
Middlesex	NJ	583,813	304,558	247,255	20	18	1,448	2,171
Monmouth	NJ	461,849	324,808	324,808	43	43	2,162	3,242
Morris	NJ	383,454	319,581	286,880	36	34	1,391	2,086
Union	NJ	543,116	354,603	278,627	16	14	1,354	2,030
Erie	NY	1,113,491	614,337	614,337	41	41	3,582	5,371
Monroe	NY	711,917	240,022	240,022	19	19	557	1,670
Nassau	NY	1,428,838	226,560	62,258	5	2	1,531	464
Onondaga	NY	472,835	274,753	274,753	34	34	1,623	2,433

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Table 7.1 - Continued

COUNTIES QUALIFYING AS URBAN COUNTIES FOR FISCAL YEAR 1976

Name of County/State	Total County Population	Urban County Qualifying Population		Number of Cooperating Units		Amount of FY 1976 CDBG Allocation (\$000)	Amount of Full Formula Entitlement (Based on FY 1976 Data) (\$000)
		Threshold	CDBG Balance	Threshold	CDBG Balance		
Suffolk NY	1,127,030	638,247	638,247	26	26	4,038	6,054
Westchester NY	894,406	303,544	234,924	24	19	645	1,935
Cuyahoga OH	1,720,835	368,060	368,060	24	24	1,786	2,677
Franklin OH	833,249	290,067	290,067	40	40	1,639	2,457
Hamilton OH	925,944	381,256	381,256	34	34	2,315	3,471
Montgomery OH	608,413	293,161	293,161	29	29	1,672	2,507
Stark OH	372,210	229,338	202,791	33	32	1,217	1,824
Summit OH	553,371	257,054	207,239	27	26	1,280	1,919
Allegheny PA	605,133	956,072	846,726	122	111	7,583	7,583
Beaver PA	208,418	208,418	162,361	54	50	1,225	1,836
Berks PA	296,382	208,739	204,311	74	73	1,200	1,799
Bucks PA	416,728	349,230	337,145	53	52	1,908	2,861
Chester PA	277,746	243,729	236,292	63	62	1,561	2,341
Delaware PA	603,456	336,415	336,415	42	42	1,891	2,835
Lancaster PA	320,079	258,418	258,418	58	58	1,727	2,589
Luzerne PA	341,956	248,579	176,627	71	63	1,454	2,180
Montgomery PA	624,080	472,569	354,549	56	51	1,712	2,566
Washington PA	210,876	210,876	156,949	66	61	1,366	2,048
Westmoreland PA	376,935	376,935	292,568	64	57	2,134	3,200
Harris TX	1,741,912	372,029	372,029	15	15	3,006	4,506
Tarrant TX	716,317	228,661	215,212	31	30	1,460	2,189
Salt Lake UT	458,607	261,516	261,516	7	7	2,131	3,195
Fairfax VA	454,275	436,951	436,951	1	1	2,180	3,268
King WA	1,159,369	567,335	567,335	26	26	3,340	5,007
Pierce WA	412,344	256,888	256,888	15	15	1,776	2,663
Snohomish WA	265,236	206,648	190,048	14	13	1,281	1,921

SOURCE: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, December, 1976.

Table 7.2

PERCENT OF FISCAL YEAR 1975 CDBG FUNDS BUDGETED FOR SECTION 101(c)
OBJECTIVES, URBAN COUNTIES/METRO CITIES, BY EXTENT OF
PREVIOUS CATEGORICAL GRANTS EXPERIENCE

National Objective	COUNTIES				CITIES			
	Total	UR/MC NDP	Other Category	None	Total	MC/UR/ NDP	Other Category	None
Elimination of Slums and Blight	14%	24%	4%	5%	34%	34%	31%	2%
Elimination of Detrimental Conditions	9	5	12	12	5	4	12	17
Housing Stock Conservation & Expansion	11	10	12	9	14	14	11	7
Improvement of Community Services	9	15	4	2	11	11	6	—
More Rational Land Utilization	34	22	45	48	18	17	21	55
Reduction of Isolation of Income Groups	a/		a/	—	a/	a/	—	2
Historic Preservation	a/	d	a/	2	a/	a/	1	a/
Administration ^{b/} and Other	23	23	23	23	19	19	17	17
Total—All Objectives	100	99	100	101	101	99	99	100

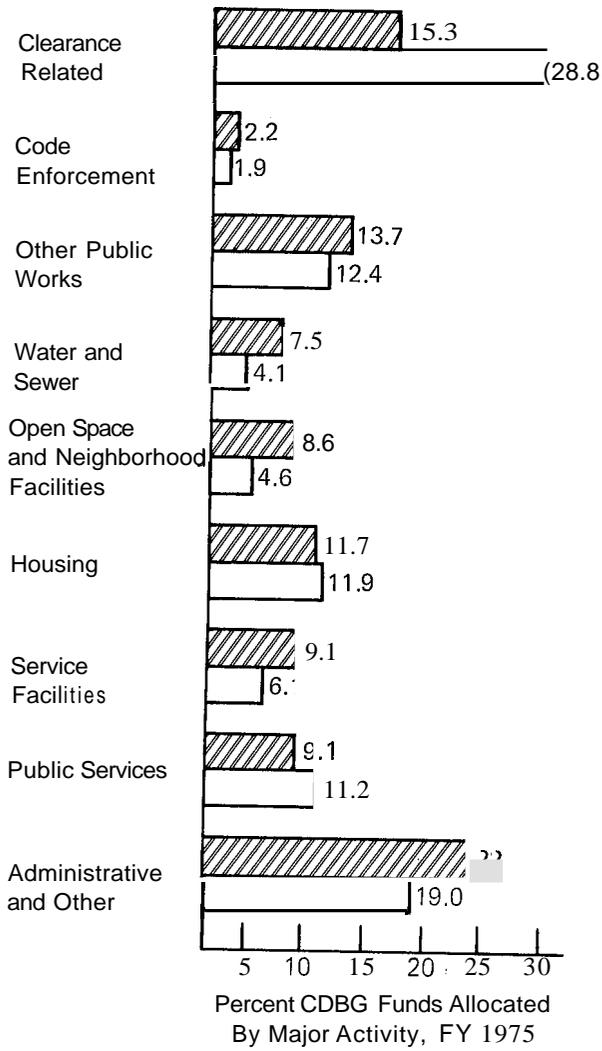
SOURCE: US. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon analysis of Fiscal Year 1975 applications for 75 urban counties and a 151 city sample of metropolitan entitlement communities.

^{a/}Less than one percent.

^{b/}Of the 23 percent designated for these purposes by Urban Counties, planning accounted for 8.8 percent, contingencies for 5.5, studies for 0.6, and administration for the remaining 8.0 percent. Comparable percentages for metropolitan cities were: planning (3.1); contingencies (5.1); studies (0.8); and administration (9.8).

Figure 7.3

PERCENT CDBG FUNDS ALLOCATED



 URBAN COUNTIES

 METRO CITIES

SOURCE: Ibid.

Table 7.4

PERCENTAGES OF FY 1975 CDBG FUNDS BUDGETED FOR MAJOR ACTIVITIES, BY PREVIOUS CATEGORICAL GRANT EXPERIENCE OF RECIPIENT

MAJOR ACTIVITIES	URBAN COUNTIES				METRO CITIES			
	UR/NDP/MC Grant Recipients	Other HUD Categorical Experience	No HUD Categorical Experience	Total	UR/NDP/MC Grant Recipients	Other HUD Categorical Experience	No HUD Categorical Experience	Total
<u>Renewal-Redevelopment</u>								
Clearance Related	20.3	10.7	9.0	15.3	29.0	26.4	20.4	28.8
Public Services	15.1	3.6	1.7	9.1	11.4	9.2	0.0	11.2
Housing	<u>13.3</u>	<u>11.0</u>	<u>7.9</u>	<u>11.7</u>	<u>12.0</u>	<u>11.0</u>	<u>2.0</u>	<u>11.9</u>
	48.7	25.3	18.6	36.1	52.4	46.6	22.4	51.9
<u>Physical Development</u>								
Water and Sewer	2.4	12.2	13.6	7.5	4.2	2.5	0.0	1.1
Other Public Works	13.5	13.6	14.5	13.7	12.0	17.2	36.7	12.4
Public Facilities	5.4	12.3	13.8	9.1	5.9	8.5	7.3	6.1
Open Space and Neighborhood Facilities	<u>5.5</u>	<u>11.6</u>	<u>12.1</u>	<u>8.6</u>	<u>4.6</u>	<u>5.0</u>	<u>13.7</u>	<u>4.6</u>
	26.8	49.7	54.0	38.9	26.7	33.2	57.7	27.2
<u>Code Enforcement</u>	1.1	2.9	4.4	2.2	1.8	2.7	3.5	1.9
<u>Administrative and Other</u>	23.2	22.1	23.2	22.9	19.1	17.5	16.4	19.0
Totals*	99.8	100.0	100.2	100.1	100.0	100.0	100.0	100.0

*Columns may not total 100 percent due to rounding.

SOURCE: Ibid.

DISCRETIONARY PROGRAMS

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

In the second program year, 32 percent more discretionary funds were available to State and local governments than were available in the first year. A 45 percent increase over Fiscal Year 1975 is estimated for Fiscal Year 1977.

The urgent needs fund is also known as the transition fund since its purpose is to facilitate orderly transition from categorical programs to the block grant program. Urgent needs is used in this report because it is the most commonly used term.

purpose funds can be used for the full range of eligible activities:

The application form is the same for both the entitlement and the discretionary programs. However, the general purpose funds application process more closely resembles the HUD categorical grant process than the CDBG entitlement process. Applications for general purpose funds are subject to a thorough scrutiny by the HUD Area Offices due to the competitive nature of the program and the limited amount of funds available. Activities meeting the community development needs of low- or moderate-income areas are given priority over activities of less direct benefit. Consequently, a comprehensive program strategy to coordinate a variety of community development needs encouraged under the entitlement program is less feasible under the discretionary balances program. The average discretionary balances grants in Fiscal Year 1975 were \$88,000 from SMSA balances and \$169,000 from nonmetropolitan balances.

Discretionary general purpose funding approval is based upon the rank order of each application in comparison with all other applications from communities within a particular SMSA for SMSA balances; and in comparison with all other applications from communities within a particular State that are located outside SMSA's for nonmetropolitan balances. In an effort to inform applicants of the specific weights which would be used to rank order applications, the Fiscal Year 1976 HUD Area Office selection procedures were made public prior to the submission date for preapplications. The competitive nature of the program is illustrated by the large number of preapplications which did not rank high enough to receive invitations to submit full applications. Preapplications for nonmetropolitan balances were received from 5,248 cities, counties, townships, Indian tribes and States. From among these, 1,403 applications were invited. Also, 1,505 preapplications were submitted for SMSA balances from which 690 full applications were invited.

Table 8.1

DISCRETIONARY FUND ALLOCATIONS
(IN THOUSANDS)

	FY 1975	FY 1976	FY 1977 (estimates)
Urgent Needs	50,000	50,000	100,000
Secretary's Funds	26,935	53,000	57,000
General Purpose Funds			
SMSA Balances	54,642	82,000	100,000
Nonmetropolitan	254,336	336,000	
Balances	199,694	254,000	323,000
Total	331,271	439,000	580,000

SOURCE: U.S. Department of Housing & Urban Development, Community Planning and Development, Office of Management.

General Purpose Funds

The SMSA and the nonmetropolitan general purpose funds, which account for 76 percent of the discretionary dollars in Fiscal Year 1976 are the principal source of discretionary funding. Available to States and units of general local government excluding metropolitan cities, urban counties and units of general local government participating in urban county agreements for entitlement funds, the general

Secretary's Discretionary Fund

The Secretary's Discretionary Fund, encompassing six diverse subprograms:

- New Communities
- Innovative projects
- Inequities
- Areawide grants
- Territories
- Federally recognized disasters,

1,000 were funded in FY 1975. Counties in the smallest sample county population stratum are 1,000-9,999. These counties assigned 38 percent of their funds for public facilities. They also budgeted 20 percent for sewer activities and 19 percent for housing. Less than 3 percent was assigned for water activities. Counties between 10,000 and 24,999 primarily emphasized water activities, (54 percent), and to a lesser degree, housing (17 percent). They assigned no funds to sewer activities. Counties over 25,000 population emphasized water system activities (24 percent), housing activities (15 percent), and public facilities (15 percent).

upon housing activities, followed closely by water system activities. Like the nonmetropolitan cities with less than 1,000 population, however, the smallest SMSA discretionary cities concentrated their CDBG dollars on water activities (62 percent). Compared to nonmetropolitan cities over 1,000 population, SMSA cities over 1,000 placed very limited emphasis upon sewer system activities. Both SMSA and nonmetropolitan cities over 1,000 population emphasized housing. The greatest emphasis upon housing among SMSA cities occurred in the 10,000-24,999 population stratum where 34 percent of the funds were budgeted for this purpose. SMSA cities greater than 25,000 population invested heavily in public facilities (28 percent), followed closely by water system activities (25 percent) and housing (21 percent).

SMSA Sample Recipients
SMSA sample recipients placed greatest emphasis

Table 8.2

PERCENTAGE OF SAMPLE SMSA AND NONMETROPOLITAN CITIES' DISCRETIONARY BALANCES BUDGETED FOR FOUR ACTIVITY AREAS

		POPULATION STRATA							
		< 1,000		1,000-9,999		10,000-24,999		25,000 +	
		SMSA	Nonmetropolitan	SMSA	Nonmetropolitan	SMSA	Nonmetropolitan	SMSA	Nonmetropolitan
Activity	Water	62%	57%	23%	26%	3%	14%	25%	12%
	Sewer	11	6	5	19	7	32	4	10
	Housing	8	2	26	19	34	17	21	24
	Public Facilities	11	9	19	6	6	7	28	12

SOURCE: U.S. Department of Housing & Urban Development, Community Planning and Development, Office of Evaluation. Based upon analysis of applications from 199 sample communities receiving SMSA balances and 275 sample communities receiving nonmetropolitan balances for Fiscal Year 1975.

Table 8.3

PERCENTAGE OF SAMPLE SMSA AND NON-METROPOLITAN COUNTIES' DISCRETIONARY BALANCES BUDGETED FOR FOUR ACTIVITY AREAS

		STRATA	
		SMSA Discretionary Counties	Nonmetropolitan Discretionary Counties
Activity	Water	18%	33%
	Sewer	12%	7%
	Housing	15%	17%
	Public Facilities	17%	116%

SOURCE: Ibid.

Over 80 percent of the SMSA counties funded for Fiscal Year 1975, were larger than 25,000. SMSA counties sampled budgeted 18 percent of their FY 1975 CDBG funds for water system activities. Public facilities, housing, and sewer system activities accounted for 17 percent, 15 percent and 12 percent of the county funds respectively. A comparison of SMSA counties with nonmetropolitan counties shows the greatest similarity in the expenditure for public facilities and housing.

Problems with Program Regulations

Discretionary balances recipients as a group had little or no experience with HUD categorical programs. Approximately 90 percent of the Fiscal Year nonmetropolitan recipients and 67 percent of the SMSA recipients received no categorical grants prior to participation in the block grant program. Although the discretionary balances program is highly competitive, the program criteria place primary emphasis upon activities designed to address conditions of poverty and substandard housing. Past experience with HUD categorical programs had little direct effect upon an applicant's approval or disapproval.

The inexperience of discretionary recipients with Federal programs became more evident in the problems they encountered implementing their first year programs.

As of November 1, 1976, 52 percent of the nonmetropolitan discretionary balances and 28 percent of the SMSA balances for FY 1975 had been drawn down. Several factors contributing to the slow drawdown of funds by discretionary communities are the HUD decision to approve discretionary grants late in the fiscal year and the general inexperience of discretionary recipients in administration of Federal programs. To exacerbate the administrative problems, discretionary balances grants on the average include a lower proportion of funds budgeted specifically for program administration than is usual with HUD programs. Unfamiliarity with the environmental impact program requirements has posed an additional problem for small communities.

One hundred and seventy sample discretionary recipients responded to the Office of Evaluation Experience Survey of which 33 percent listed normal administrative problems as the factor most frequently slowing down their CD program "somewhat" or "a great deal."

The drawdown rate for Fiscal Year 1976 as of November 1, 1976, is 4 percent of the SMSA balance and 1.7 percent of the nonmetropolitan balances. While all Fiscal Year 1976 funding decisions have not been made by the area offices, the majority of grants were approved in July, August and September.

Forty-six percent of the discretionary survey respondents acknowledged problems in compliance with the program requirements during the first program year. The recipients of SMSA balances noted frequent difficulty with requirements governing citizen participation, labor standards, environmental impact and property acquisition. The nonmetropolitan recipients identified the same areas of difficulty and additionally noted an unfamiliarity with the cost accounting procedures required.

In contrast to the SMSA discretionary respondents, which most frequently had difficulty with the citizen participation requirements, the nonmetropolitan communities found the labor standards requirements the most difficult - the unfamiliarity of small communities with the requirements of the Davis-Bacon Act, the discrepancy between small-community wage scales and the wage requirements of the Davis-Bacon Act, and the difficulty communities face enforcing the requirements of the Act.

Citizen Participation

The responses of discretionary communities to the Experience Survey indicate that local governments frequently tailored their citizen participation strategies to fit the specific CDBG program requirements.

Eighty-one percent of the local governments responding relied heavily upon local newspapers to inform citizens about the CDBG program. Less than 20 percent of the respondents depended heavily upon such other media as radio, television, minority-oriented newspapers and television programming, door to door canvassing, or displays.

Heavy emphasis was placed upon public hearings,

received the greatest proportional increase, Fiscal Year 1975 to 1976, of the three sources of discretionary funding. In Fiscal Year 1975, the Secretary's fund was reduced from an original appropriation of \$47,909,000 by \$20,974,000, primarily to cover the SMSA hold harmless deficit resulting from the qualification of a greater number of urban counties than had been anticipated. For Fiscal Year 1976, \$53,000,000 was reserved for the Secretary's fund. The total allocation of funds for CDBG entitlement recipients for the second program year was sufficient to cover the demand for funds by urban counties without affecting the Secretary's fund.

Urgent Needs Fund

The urgent needs fund allocation remained the same in Fiscal Year 1976 as in the previous year, although a 100 percent increase from \$50,000,000 to \$100,000,000 as authorized in Section 103(b) of the legislation is expected in Fiscal Year 1977.

The urgent needs fund facilitates an orderly transition to the Community Development Block Grant program in communities in which HUD has invested in viable but incomplete projects under specific categorical grant programs: urban renewal projects; Planned Variations cities; and water and sewer projects, neighborhood facilities, and open space projects. Increased emphasis has been placed upon completion of urban renewal projects in the second program year, consuming 83 percent of the total urgent needs fund versus 71 percent in the first year. Funds awarded for existing water and sewer projects, neighborhood facilities and open space projects increased from 8 percent to 17 percent of the total. Emphasis upon Planned Variation cities decreased in the second program year from 21 percent to less than one percent.

GENERAL PURPOSE FUNDS (DISCRETIONARY BALANCES)

Title I of the 1974 CDBG legislation requires that HUD process entitlement applications within 75 days of receipt. HUD processes discretionary applications following the completion of entitlement applications. A factor contributing to the decision to process discretionary applications after, rather than prior to, the processing of entitlement applications is the impossibility of determining the full SMSA discretionary balances until the funding level for urban counties has been established. Urban counties allocations vary from year to year depending upon the population residing in cooperating units of local government.

Because of the processing schedule, a detailed analysis of Fiscal Year 1976 approved discretionary applications cannot be included in the Second Annual Report to the Congress. Summary data for Fiscal Year 1976 discretionary recipients is included and comparisons made to Fiscal Year 1975 summary data. Additionally, a sample of Fiscal Year 1975

applications was drawn for detailed activity analysis. The sample is stratified by discretionary balance type (SMSA, nonmetropolitan) and further stratified by type of recipients (city, county) and by four population categories: under 1,000, 1,000-9,999, 10,000-24,999 and over 25,000.

Discretionary Balances Funding by Population Size in FY 1975

Approximately 38,000 cities, counties, and townships were eligible to compete for discretionary balances in the first program year. Eighty-two percent of these have populations of less than 5,000; 47 percent of the total number of discretionary balance grants and 37 percent of the discretionary balance dollars were awarded to recipients with population less than 5,000. Grant recipients with populations in excess of 50,000 (counties and States) were awarded 6 percent of the total number of grants, but 11 percent of the discretionary balance funds. Twenty-seven percent of the SMSA balance dollars were awarded to recipients with populations over 50,000 compared with 25 percent to communities less than 5,000 in population. Six percent of the nonmetropolitan balances were awarded to recipients with populations greater than 50,000 while communities below 5,000 population received 41 percent of the nonmetropolitan balance funds.

Status of FY 1976 Discretionary Funding

As of November 30, 1976, 543 grants or \$68,483,000 had been approved from the Fiscal Year 1976 SMSA discretionary balances. This accounts for 84 percent of the \$81,929,000 available. Nonmetropolitan recipients have been awarded 1,235 grants for \$245,701,000 or 97 percent of the \$254,003,000 available.

When compared with CDBG entitlement grants, discretionary balances grants differ in three major respects:

- Local governments with discretionary grant funding planned to spend substantially *less* on traditional urban renewal and clearances activities than did all Community Development Block Grant formula recipients except urban counties.
- Discretionary grant recipients designated a *lower* proportion of their Community Development Block Grant budgets for administrative expenses than did those receiving other types of grants.
- Discretionary grant localities programmed appreciably *more* funds than did any other class of recipients for public works and related projects.

The most recent tabulation of budget line item data for the Fiscal Year 1976 discretionary balances available for inclusion in this report is as of November 1976. At that time 50 SMSA and 895

nonmetropolitan discretionary balances grants awarded for Fiscal Year 1976 had been entered into the HUD Management Information System. The distribution of funds among the budget line items in Fiscal Year 1976 varies little from the distribution in Fiscal Year 1975. Both in Fiscal Year 1975 and Fiscal Year 1976, 65 percent of the discretionary balances were approved for public works, facilities and site improvements. Funds budgeted for the administration of the block grant program increased slightly for both SMSA and nonmetropolitan balances recipients from 3 percent to 4 percent. This is less than half the proportion budgeted by metropolitan cities.

A Comparison of Activities Funded for Small Communities in FY 1975 under the Hold Harmless and the Discretionary Balances Programs.

Characteristic differences between discretionary and entitlement communities are size, scope of local services provided and local experience with Federal programs. Nearly 90 percent of nonmetropolitan and 67 percent of SMSA discretionary recipients in Fiscal Year 1975, had no experience with HUD categorical programs.

A comparison of small SMSA hold harmless (experienced) recipients with SMSA discretionary balances (inexperienced) recipients, and a similar comparison between nonmetropolitan hold harmless recipients and nonmetropolitan discretionary recipients, indicate that the degree of local experience with Federal programs has limited impact on the types of activities funded for small communities. Aside from the area of public work facilities, and site improvements the variation among budget line items by program type did not exceed 5 percent.

The greatest variation between the hold harmless recipients and the discretionary recipients is in "public works facilities and site improvements." SMSA discretionary recipients spent 14 percent more of their block grant dollars on these activities than did SMSA hold harmless recipients. Both types of recipients invested heavily in this area with SMSA discretionary recipients investing 52 percent and SMSA hold harmless recipients investing 38 percent of their total block grant funds.

A similar pattern exists in a comparison of nonmetropolitan discretionary communities with nonmetropolitan hold harmless communities. Nonmetropolitan discretionary recipients allocated 21 percent more of their CDBG dollars to public works, facilities and site improvements, but both types of grant recipients budgeted their heaviest investment in this area, 68 percent and 47 percent respectively. While the investment among entitlement cities is sizable (26 percent of their block grant funds), it is considerably less than that of the small hold harmless and discretionary recipients, indicating that larger communities more often have public works and facilities in place than do smaller communities regardless of prior community development experience.

Notable variation between discretionary recipients

and hold harmless recipients also occurs in funds budgeted for administration. SMSA hold harmless recipients budgeted 6 percent of their CDBG funds for administration, as compared with 3 percent for both SMSA and nonmetropolitan discretionary balances recipients.

A slightly higher proportion of SMSA discretionary balances dollars were used for rehabilitation loans and grants (12 percent) than in entitlement cities (11 percent) of SMSA hold harmless localities (8 percent). Nonmetropolitan discretionary investment for rehabilitation (7 percent) exceeded nonmetropolitan hold harmless investment proportionately by one percent.

Summary Analysis of FY 1975 Sample Data

Four individual samples of FY 1975 approved discretionary balances applications were drawn for use in this report. A detailed analysis of data from these samples will be included in a separate study of discretionary balances recipients scheduled for publication in the Spring of 1977. A summary analysis of specific activities approved for discretionary balances recipients by population strata is included below.

Nonmetropolitan Sample Recipients

Nonmetropolitan communities placed greatest emphasis on water and sewer activities. Housing activities were also prominent for cities over 1,000 population and for the three county strata. Public facilities were the highest priority for counties in the 1,000-9,999 population stratum, but were much less significant for all other strata.

The smallest cities sampled, those with less than 1,000 population, chose to use their funds for public works activities (78 percent) to the virtual exclusion of other eligible activities. Less than 2 percent of their total CDBG funds were designated specifically for housing activities. These cities designated 57 percent of their CDBG dollars for water system activities. Six percent of the funds was specifically assigned to sewer systems. An additional 15 percent was approved for public works activities, but generally could not be assigned to a specific public works category e.g., water systems, sewer systems, streets or drainage.

Nonmetropolitan cities between 1,000 and 9,999 population assigned 26 percent of their CDBG funds to water system activities and 19 percent to sewer system activities. Additionally, they assigned 19 percent of their funds to housing activities. Nonmetropolitan cities between 10,000 and 24,000 population focused on sewer system activities (32 percent), housing (17 percent), and water system activities (14 percent). The largest nonmetropolitan cities, those with populations exceeding 25,000, concentrated their funds on housing (25 percent); but also emphasized street activities (13 percent), public facilities (12 percent), and water system activities (12 percent).

Only two counties with populations less than

as required in the legislation, to involve citizens in the planning and preparation of the application. Seventy percent of the respondents said that public hearings held "a great deal" of importance in their efforts to involve citizens.

Sixty-two percent of the respondents said that they used citizen advisory groups to represent citizens' views. Thirty-six percent noted that newly formed advisory groups assumed importance in their efforts to involve citizens, while 22 percent of the respondents attributed the same significance to existing citizens groups.

Another method often used by 36 percent of the respondents was to request proposals for projects from citizens groups or public/civic groups. Business groups, however, did not become heavily involved in the development of discretionary applications. Questioned about the extent of participation by private housing developers, consultants, real estate officials, representatives of local business groups, and representatives of financial institutions, 22 percent of the respondents said they often depended upon consultants. Fourteen percent of the respondents felt that representatives of local businesses contributed substantially in the preparation of the application. Less than 10 percent of the respondents felt that any of the other business groups contributed significantly.

The responses to the question whether citizens participated most at the planning stage, the decision-making stage, or the monitoring and evaluation stage indicate citizens made their most significant contribution during the planning stage. Sixty-one percent of the respondents said citizens participated "a great deal" in describing needs. Forty-two percent indicated citizens participated to a large extent in setting priorities for activities while thirty-six percent noted such participation in the setting of goals.

Thirty-nine percent of the respondents said that citizens frequently participated in selecting activities for inclusion in the application. In 23 percent of the responding communities, citizens significantly affected the selection of the neighborhoods where projects would be located.

There was minimal citizen involvement in the monitoring and evaluation stage. Still, 21 percent of the communities reported that their citizens were keeping track of the progress of the community development program.

Technical Assistance

The discretionary respondents indicated that the HUD area offices and areawide planning agencies offered the most useful information to assist in the implementation of the first year program. Professional associations and their publications were among the least helpful sources of information for the small communities.

In the preparation of their second year application, discretionary respondents found information provided by areawide planning agencies more helpful than the information provided by the HUD Area

Offices. Forty-four percent of the discretionary respondents indicated that areawide agencies provided very helpful information as compared with 37 percent of the respondents who found HUD Area Office information very helpful.

Interviews with areawide clearinghouse staff, undertaken by the Office of Evaluation as a part of the 1976 study of CDBG and the **A-95** Project Notification and Review System revealed the nature of the technical advisory role frequently filled by areawide staff, particularly with regard to applications for discretionary balance funds. The most frequent types of assistance involved data selection, interpretation of the block grant regulations, and selection of activities for inclusion in applications. In some cases the clearinghouses prepared the applications for inexperienced applicants.

Use of Consultants

Thirty-nine percent of the discretionary respondents said consultants provided them with useful information for implementing their first year program. Consultants were often used to prepare project feasibility studies during the implementation of the first year program and environmental reviews for the first year application.

To deal with problems in preparing the second year application, twenty-eight percent of the respondents hired consultants. Consultants were used in twenty-four percent of the communities for the preparation of both the CDBG plan and the CDBG program. Twenty-six percent of the respondents used consultants to develop Housing Assistance Plan data.

Problems with the HAP

The communities responding to the survey had a variety of problems in preparing the housing assistance plan portion of the second year application. Fifty-one percent of the respondents found "Table 1: Survey of Housing Conditions" difficult to complete; the reason most frequently given was insufficient data. Seventy-seven percent of the respondents had difficulty in calculating the assistance needs of lower-income households; sixty-eight percent had difficulty formulating the "expected to reside" data. The reason most frequently given for these difficulties was insufficient data.

National Objectives

The method used to relate Fiscal Year 1975 sample program activities to national objectives, and the proportional assignment of discretionary dollars to the seven national objectives is comparable to the method used in the analysis of the entitlement program activities.¹ While national objectives overlap, each type of discretionary activity is assigned to the single national objective to which it most directly

¹ See discussion in Chapter 2: Legislative Objectives and Funded Activities.

applies. The extent to which activities meet national objectives is limited to the small size of discretionary grants. The relatively low rate of funding of first year recipients in the second program year (approximately one-third) further constrains the impact of the discretionary block grant program on recipient community development needs. The competitive nature of the discretionary program assures that discretionary grants identify areas of both real and specific local need.

Elimination of Slums and Blight

The first national objective is: "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 lack of urban renewal, neighborhood development program, or model cities experience among discretionary grant recipients – and the single project focus of discretionary grants – provides little support for identifying activities attributable to this objective. Objectives 2 through 6 – the elimination of detrimental conditions; housing stock conservation and expansion; improvement of community services; better arrangement of activity centers and the reduction of isolation of income groups – relate more directly to the activities planned by discretionary grant recipients.

Elimination of Detrimental Conditions

Code enforcement, demolition, and public works are activities included under the second national objective: "the elimination of conditions which are detrimental to health, safety and the public welfare."³ The legislation cites code enforcement and demolition among the methods of achieving this objective. Public works account for 58 percent of the Fiscal Year 1975 sample discretionary balances and are directly related to the elimination of detrimental conditions, and frequently are necessary prerequisites for improved housing conditions in small communities. Only public works activities directly related to economic development, such as the extension of a water main to serve an industrial park, were excluded from this objective.

Conservation and Expansion of the Housing Stock

With the exception of code enforcement and demolition activities, all activities directly related to the improvement of the housing stock are included under the third national objective: the conservation and expansion of the national housing stock.

Improvement of Community Services

All community services approved for the Fiscal Year 1975 sample discretionary recipients were assigned to the fourth national objective: improvement of community services. Community services received low priority in HUD area offices selection criteria. The block grant legislation requires that public services be limited to areas in which development activities, "are being carried out in a concentrated manner." Limited funding to individual discretionary grant recipients, and consequently the limited activities undertaken by the recipients, allowed few examples of services in support of a concentration of physical development activities.

More Rational Land Utilization

More rational land utilization includes such projects as public facilities, parks and open space, urban development/redevelopment (except for code enforcement and clearance or demolition), and public works specifically designed for economic development. Development activities affecting land use patterns were assigned to this national objective.

Reduction of Isolation of Income Groups

The sixth national objective, reduction of isolation of income groups, is difficult to analyze for small communities. The spatial separation of income groups in discretionary communities is primarily an issue of available services and amenities. The quality of the housing choices within small communities is interpreted in terms of basic public works, water, sewer, streets and drainage – a clearer indication of income isolation than the degree of spatial isolation. Activities benefiting the elderly and the handicapped were also included under objective six.

Historic Preservation

The last national objective, historic preservation, received the least attention from the discretionary sample recipients.

SECRETARY'S DISCRETIONARY FUND

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

The Secretary's fund for Fiscal Year 1976 is \$53,000,000. As of November 1, 1976, approximately \$28 million has been obligated. Applications for New Communities, Disasters, and Inequities grants were accepted through September 30, 1976; the territories have until 75 days after their first program year, so final data is not available.

² *Housing and Community Development Act of 1974*, Title 1, Sec. 101(c) (1).

³ *Ibid.*, Sec. 101(c) (2).

New Communities

In Fiscal Year 1975, the HUD New Communities Administration received \$13,089,699 and in Fiscal Year 1976, \$20 million. The grant monies were distributed as of August 20, 1976, as follows:

Second program year funds set aside for the first two program efforts are:

1. To assist Areawide Housing Opportunity Plans – \$1.5 million.
2. To implement State resource delivery systems to rural, low-income persons – \$2.5 million.

Table 8.4

RELATIONSHIP OF DISCRETIONARY BALANCES TO CDBG NATIONAL OBJECTIVES, FY 1975

National Objective	Percentage of SMSA Discretionary Balances	Percentage of Nonmetropolitan Discretionary Balances
Elimination of Detri-mental Conditions	54	64
Conservation and Ex-pansion of the Housing Stock	21	16
Improvement of Commu-nity Services	1	1
More Rational Land Utilization	21	18
Reduction of Isolation of Income Groups	2	1
Historic Preservation	1	^a
	100	100

SOURCE: US. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon analysis of applications from 199 sample communities receiving SMSA balances and 275 sample communities receiving nonmetropolitan balances for Fiscal Year 1975.

^aLess than one percent.

Grants in Support of Areawide Housing Opportunity Plans

Only units of general local government which are participating in a funded Areawide Housing Opportunity Plan (24 CFR Part 891) are eligible for grants under the Areawide Housing Opportunity Plans section. Grants will be made for eligible activities which will aid the implementation of Areawide Housing Plans.

The plan, developed by an areawide planning organization, promotes a greater choice of housing for lower-income households outside areas of concentrated lower-income households.

Grants in Nonmetropolitan Rural Areas

Selection criteria for these grants include:

1. States with an established agency which is authorized to implement housing projects without HUD mortgage insurance, and to process Section 8 projects are eligible applicants; and
2. Priority will be given to States which:
 - a. have experience in providing housing assistance to lower income persons and families in nonmetropolitan, rural areas,
 - b. have a general plan and capability for contacting and assisting inadequately assisted lower-income persons in nonmetropolitan rural areas, and
 - c. have an areawide intergovernmental plan for coordinating the delivery of housing and community development assistance for lower-income families living in substandard housing.

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

Discretionary funding was set aside for Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

An allocation of \$3,300,000 was set aside for Fiscal Year 1976, which is an increase of \$50,000 from Fiscal Year 1975. Additionally, the shift in who was funded was considerable. In Fiscal Year 1975, Guam and the Virgin Islands were awarded hold harmless grants of \$978,000 and \$2,700,000, respectively, with the Secretary's discretionary funds awarded to American Samoa and to the Trust Territory of the Pacific Islands. The funding patterns for Fiscal Year 1975 and 1976 are shown in Table 8.7.

In Fiscal Year 1976 Guam was awarded a grant under the Secretary's Fund in addition to its hold harmless grant to close out the Sinajana Urban Renewal project. The Trust Territory of the Pacific Islands were allocated the additional monies to

Areawide Projects

On September 29, 1976, the Department issued regulations in the Federal Register inviting applications from States and units of local government which join in carrying out areawide housing and community development programs. Specifically, there are three types of areawide programs: (1) grants to assist in the implementation of Areawide Housing Opportunity Plans; (2) grants to States for eligible activities that are part of a program for the coordinated delivery of combined resources and programs (Federal, State, and local) to lower-income persons living in nonmetropolitan rural areas; and (3) areawide grants for other purposes consistent with the Act.

Table 8.5

NEW COMMUNITY PROJECT FUNDING FOR FISCAL YEARS 1975 AND 1976

New Community	Amount of CD Grant		CD Activities Funded	
	FY 1975	FY 1976	FY 1975	FY 1976
Harbison, S.C. Harbison Community Assoc. Harbison Development Corp.	1,195,000	1,447,350 (805,950) (641,400)	Water & Sewer, Roads	Neighborhood Facilities & Outdoor Recreation Areas, Dams, Roads, Utilities. Landscaping, Engineering for next development area.
Maumelle, Ark.	1,562,000	---	Neighborhood Facility, Fire Station Street Lighting	
The Woodlands, Tx.	2,840,000	2,164,300	Bridge Construction, Drainage Ditch	Parkway Extension and Road Construction
Riverton, N.Y.	525,690	---	Road Construction	
St. Charles, Md.	410,000	1,215,000	Bike & Pedestrian Pathways, Fire Station	Roads, Water & Sewer
Park Forest South, Ill. Village of Park Forrest So.	250,000	1,455,500	Road Improvements Street Lighting, Pedestrian Pathways	Park Improvements, Construction of Pathways, Land Acquisition, Landscaping
Soul City, N.C. (Warren County)	445,750	800,000	Water & Storm Drainage Lines, Road Construction	Sewage Pumping Station & Sewage Force Main Construction
Roosevelt Is., N.Y.	300,000	--	Develop Recreational Park	
Radisson, N.Y.	289,000	--	Construct Neighborhood Facility	
Shenandoah, Ga.	3,689,622 (2,014,162) to Shenandoah Ltd. & 1,675,000 to Newnan, Ga.)	424,376 (Shenandoah Ltd.)	Shenandoah Ltd: Construct Solar Heated & Cooled Recreation Center & Outdoor Facilities Newnan: Construct Water Supply System for Shenandoah	Roads, Water & Sewer
Newfields, Ohio	1,582,637	336,600	Elevated Pedestrian Pathway; Roads Construction, Water, Sewer & Storm Drainage Construction	Parkways, Play-sites, Picnic Areas, Recreation Area Construction
Chaska, Minn. Jonathan, New Community		1,813,234		Land Acquisition

SOURCE: U.S. Department of Housing & Urban Development, New Communities Administration

Table 8.6

NEW COMMUNITY PROJECT DRAWDOWN RATES

Fiscal Year 1975 Projects^a

Community	Approved Amount	Date of Approval	Amount Drawn Down	Percent Drawn Down
Harbison, S.C.	\$1,195,000	6/26/75	\$1,010,014	84.5%
Maumelle, Ark.	1,562,000	7/18/75	1,142,991	73.2
The Woodlands, Tx	2,840,000	8/1/75	1,934,048	68.1
Riverton N.Y.	525,690	8/21/75	227,684	43.3
St. Charles, Md	410,000	5/11/76 & 9/19/76 2 grants	0	0
Park Forest So., Ill.	250,000	12/11/75	0	0
Soul City, S.C.	445,750	12/18/75	51,814	11.6
Roosevelt Is., N.Y.	300,000	12/18/75	0	0
Radisson, N.Y.	289,000	12/18/75	0	0
Shenandoah Dev., Ltd (Shenandoah, Ga)	2,014,622	3/23/76	698,419	34.7
Newnan Water Sewerage & Lt. Commission (Shenandoah, Ga.)	1,675,000	1/15/76	1,134,187	67.7
Newfields, Ohio				
Newfields Dev. Corp.	1,031,637	5/10/76	418,538	40.6
Newfields New Comm. Auth.	551,000	9/4/75 (Amendment)	35,475	6.4

SOURCE: Ibid.

^aAs of September 1, 1976

Table 8.7

FISCAL YEAR 1975 AND 1976 PROJECTS FUNDED

Territory	FY 1975		FY 1976	
	Hold Harmless	Secretary's Discretionary	Hold Harmless	Secretary's Discretionary
Guam	\$ 978,000	0	\$ 978,000	\$2,200,000
Virgin Islands	2,770,000	0	2,770,000	0
American Samoa	0	\$3,000,000	0	150,000
Trust Territory of the Pacific Islands	0	250,000	0	950,000

SOURCE: U.S. Department of Housing & Urban Development, Community Planning and Development, Office of Management.

expand their community development program to include acquisition of open space land, neighborhood facility development, public works activities, and housing rehabilitation. American Samoa was granted an increase for additional work on a water system.

Inequities

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

As of November 1, 1976, \$3,543,475 had been committed to thirteen communities. Funding decisions are not yet completed.

The inequities selection criteria listed in the Code of Federal Regulations⁴ cover three specific areas of need:

1. To correct a technical error in the computation of a locality's entitlement amount;
2. To supplement the urgent needs fund; and
3. To supplement entitlement grants where the base period used to calculate the entitlement grant does not reflect adequately recent local participation in HUD-funded categorical programs and the applicant is a phase-in metropolitan city or county.

The third criterion was the basis for funding 70 percent of Fiscal Year 1976 projects as compared with 43 percent of Fiscal Year 1975 projects. Thus far, only one Fiscal Year 1976 project has been

funded for criterion 1 (correction of technical error) while 29 percent were funded for that reason in Fiscal Year 1975.

The following table (8.8) illustrates the funding patterns for Fiscal Years 1975 and 1976 with the criteria for project selection numbered accordingly.

Progress of Inequities Fund Grants

Comparison of 1975 and 1976 data is inconclusive because data are available from only five of 13 approved 1976 inequities grants. Thus far, approximately 17 percent more money is being expended towards rehabilitation activities, while six to seven percent less is being spent for acquisition of real property, relocation payments, and continuation of Model Cities activities. Approximately six percent more is being expended for clearance, demolition, and rehabilitation.

Innovative Projects

The HUD Office of Policy Development and Research, in cooperation with Community Planning and Development, is responsible for administering a

⁴ Code of Federal Regulations, Title 24, Sec. 570.408(c).

Table 8.8

FISCAL YEAR 1975 AND 1976 INEQUITIES PROJECTS FUNDED AND CRITERIA USED

City	1975		1976	
	Amount of Grants	Criteria For Selection	Amount of Grant	Criteria For Selection
Dade County, Fla.	\$1,014,000	1		
Smithville-DeKalb, Tenn.	1,000,000	1		
Eugene, Ore.	491,000	3	\$337,000	3
Moorehead, Minn.	144,000	3	128,000	3
Raleigh, N.C.	1,043,000	3	577,000	3
Hazleton, Pa.	213,000	3	118,000	3
Passaic, N.J.	568,000	3	314,000	3
Miami, Fla.	23,000	1		
Topeka, Kan.	239,000	3	441,000	3
Indian Tribes, Region IX	392,300			
SMSA Balance	17,000			
Southborough, Mass.	40,000	1		
Sumter Co., Tenn.	42,720	2		
New Athens, Ohio	100,000			
Chester, Pa.			102,000	3
Rosebud, Texas			150,000	2
Grand Saline, Texas			81,400	2
New Castle, N.H.			50,000	2
Rockland County, N.Y.			817,000	
Galloway, Tenn.			128,075	1
State of North Carolina			300,000	

SOURCE: U.S. Department of Housing & Urban Development, Community Planning & Development, Office of Management.

Table 8.9

**COMPARISON OF FY 1975 AND FY 1976 INEQUITIES
FUND PROJECTS BY PROJECT ACTIVITY DISTRIBUTION**

Activity	FY 1975 Projects		FY 1976 Projects ^a	
	Amount (000)	% of Total	Amount (000)	% of Total
Acquisition of Real Property	\$1,039	19.6	\$240	12.7
Public Works, Facilities, Site Improvements	1,682	31.7	494	26.1
Code Enforcement	55	1.0	40	2.1
Clearance, Demolition, Rehabilitation	147	2.8	165	8.7
Rehabilitation Loans and Grants	685	12.9	565	29.9
Special Projects for the Handicapped	40	.7		
Provision of Public Services	71	1.3	65	3.4
Payment of Non-Federal Share	211	4.0		
Relocation Payments	379	7.1	20	1.0
Planning and Management Development	250	4.7	116	6.1
Administration	197	3.7	129	6.8
Continuation of Model Cities Activities	300	5.6		
Contingencies and/or Local Options	254	4.8	58	3.1

SOURCE: Ibid.

^aFiscal Year 1976 figures are the result of analysis of only five projects totaling \$1,892,000 in expenditures. All of Fiscal Year 1975 projects are included in the 1975 analysis.

program of innovative project awards. Grants are awarded on the basis of a nationwide competition.

Fiscal Year 1975 competition resulted in \$4 million in awards to 13 States and cities for projects in the areas of neighborhood preservation, public service productivity improvement, and energy conservation. Over \$5 million will be expended in Fiscal Year 1976 to 24 States and localities.

An innovative project may be a product, a process, an organizational arrangement, or a technique. Projects are expected to be unique but this criterion may be waived if circumstances warrant.

Recipients of 1976 funds are:

1. Louisville, Kentucky: **\$260,974** – *Set Up a Revolving Fund for Use in Revitalization of Two Historic Districts Which are Composed of Low-Income Residents*

Innovative Project funds match other city money and private gifts to leverage approximately three-to-five times the starting capital in private loans to selected "historic" structures.

Innovative Project funds will also be used in coordination with the City's Bicentennial Block Program. Ten Bicentennial Blocks will be chosen and residents will be given preference in seeking **(\$5-\$10,000)** rehabilitation loans.

2. State of Massachusetts: **\$173,064** – *Removing Obstacles to Community Conservation and Building Reuse at the Local Level*

Grants will be made to communities to eliminate substantial and undesirable obstacles to the renovation of old buildings. The project funds: (1) central core staff resource capability within the Office of Local Assistance to provide direct assistance to communities, and (2) integrated reuse/community development strategies within four prototypical communities.

3. State of Minnesota: **\$360,000** – *Improving Neighborhoods in Rural Areas, Combining Efforts of Different Housing and Finance Agencies*

Grant to create and maintain a delivery system for rural areas of Minnesota that will encourage

resident participation in home repair loan and grant programs of the Minnesota Housing Finance Agency.

4. State of Pennsylvania: \$347,850 – *Implement a Comprehensive "Neighborhood Preservation Support System (NPSS) Including: State Agencies, Local Government, Residents, etc., for Overall Neighborhood Revitalization Which Can Achieve Lower Costs and Higher Benefits*

The NPSS will use a multiagency, multielement approach in dealing with concentrated renewal programs and neighborhoods, and create a participatory task team from throughout the State.

5. Carbon County, Pennsylvania: \$350,000 – *Rehabilitation of Group Homes for the Elderly*
Through Section 8 and long-term bank financing, the program will renovate several vacant commercial structures to be used as group homes for the elderly. Area Agency on Aging has insured that these locations are accessible to elderly nutrition centers, medical services, and other senior citizen services. Homes vacated by elderly residents will then be rehabilitated and offered for resale.

6. Fort Wayne, Indiana: \$15,108 – *Cooperative Parenting Concept*

To develop areas and/or methods of mutual support in parental responsibilities; to redesign a home which lessens time and energy spent in housekeeping and yard chores; to allow parents to pursue self-growth opportunities and to have more time for their children; and provide attractive, decent and affordable housing for women.

The Neighborhood Preservation Department, funded by the CD grant, will purchase the homes, guide the architect, supervise the rehabilitation, develop the marketing technique, and work with the Housing Authority in developing specialized tenant selection and counseling programs.

7. New Haven Connecticut: \$372,300 – *Regional Rehabilitation Institute*

The program creates a regional rehabilitation staff to support and expand neighborhood preservation and development programming in the region by creating a new institutional arrangement and inter-town cooperative.

8. South Bend, Indiana: \$208,855 – *Project Rebate*
Project Rebate provides direct cash incentives for rehabilitation to stem neighborhood deterioration by leveraging the private sector by a ratio of at least 3:1; and to effectively improve the condition, appearance, and quality of life in the targeted neighborhoods.

9. Boston, Massachusetts: \$278,000 – *The Development of Public Information and Promotional Strategies in Support of Neighborhood Preservation*

This project (1) develops measuring instruments for increasing understanding of the market

strengths in the selected neighborhoods; (2) brings together realtors, bankers, existing and potential residents, and city officials whose collective actions will strongly influence the housing market; and (3) develops and evaluates methods of information dissemination.

10. Newark, New Jersey: \$161,750 – *The West Side and James Street Areas Rehabilitation and Neighborhood Preservation Project*

The project will coordinate public funds to encourage private investment in neighborhood preservation.

11. Plainfield, New Jersey: \$300,000 – *Lease-Purchase Program*

Fifteen foreclosed properties will be acquired through the Property Release Option Program and these properties will be rehabilitated by private contractors certified for Section 235 financing.

Upon completion of the rehabilitation, the property will be transferred to the Housing Authority which will manage the property for a period estimated to be from twelve to 24 months. As soon as feasible, the lease purchasers will seek a mortgage and take title to the Property.

The proceeds from the sale of the property will be placed in a revolving fund to enable upwardly mobile moderate-income families to use the same procedures.

12. Frankfort, Kentucky: \$325,000 – *Downtown Innovative Housing Program*

This demonstration helps improve the economic vitality of a small city by housing the elderly or small, childless families above existing commercial stores.

13. Bradford, Vermont: \$91,500 – *Village Renaissance*

The project demonstrates economic reuse of older buildings by rehabilitating two historic buildings. One will house the elderly and provide meal preparation and supportive services; another will serve as offices to house agencies concerned with helping elderly and serve as a senior citizen's and American folklife center.

14. Iowa City, Iowa: \$109,382 – *Impact Evaluation Approach to Neighborhood Preservation and Enhancement*

This project maintains and enhances the quality of existing urban neighborhoods, especially those which contain a mixture of land uses – residential of differing housing types, commercial, transportation, semipublic, and others.

Neighborhood residents and property owners will be induced to maintain and invest in their properties.

15. Jersey City, New Jersey: \$193,000 – *Retail Steading*

"Retail Steading" retailers will be solicited and induced to revitalize the retail shopping district that serves the city's two Urban Homesteading Demonstration/Neighborhood Preservation areas

by demonstrating innovative methods of recycling vacant store fronts and commercial structures.

16. Winston-Salem, North Carolina: \$229,600 – *The Boston Neighborhood Improvement Program*
Investor and resident confidence in a high renter and low-to-moderate-income neighborhood will be secured through: (1) a conglomerate of public and private resources, (2) rehabilitation low-interest loans and grants, (3) homeownership incentives, (4) more efficient processing of home purchase loans, (5) coordination with Section 8 existing housing, (6) concentrated code enforcement, (7) motivation of landlords, (8) program marketing, (9) fund leveraging, and (10) Rehabilitation Task Force to coordinate private and public sector activities.
17. Caguas, Puerto Rico: \$110,000 – *Housing Rehabilitation for Elderly Homeowners*
Provides housing for the lower-income elderly homeowners of the Caguas region and job opportunities to chronically unemployed older workmen between 55-65.
18. State of Rhode Island: \$90,470 – *Coded Pathways to Housing Preservation*
Improvements in administration of housing code enforcement throughout the metropolitan areas: (1) establishes adequate housing department operating procedures and practices, (2) institutes efficient delivery of technical assistance, and (3) improves housing court procedures.
19. Atlanta, Georgia: \$250,000 – *Environmental Identification Program*
Develops and documents an approach toward revitalizing the economic and social stability of financially depressed multiunit housing developments for low- and moderate-income residents.
20. State of Maine: \$239,870 – *Rehabilitation and Revitalization*
Preserves and upgrades the homes and living conditions of low/moderate- and low-income citizens of Maine.
21. Cleveland, Ohio: \$241,800 – *Buckeye Neighborhood Commercial Preservation Project*
Revitalization of the Buckeye commercial area, which is recognized as the key element in stabilizing and preserving Buckeye community.
22. State of Maryland: \$255,000 – *Housing Rehabilitation and Preservation*
Implements State and/or federally funded locally-focused rehabilitation programs; and leverages such funds where possible by developing unique delivery systems of housing rehabilitation loans and grants.
23. Cleveland, Ohio: \$360,000 – *Housing Rehabilitation Through the Famicos Foundation*
Provides opportunities to low-income families, to secure housing that will raise the standards of their living environment, and at the same time preserve communities in the central city of Cleveland.

Using funds from nongovernmental sources,

the Famicos Foundation will acquire properties; through purchase of rehabilitable, sound houses in the Cleveland area from the Federal Housing Administration. Using innovative funds, the foundation in conjunction with the city will provide an educational program to assist the purchaser in completing the aesthetic improvements and in maintaining the property; and advise on budgeting practices.

24. Winooski, Vermont: \$90,000 – *Landlord Investment Incentive Program*

The city proposes a Landlord Investment Incentive Program (LIIP) to stimulate private investment in the city's neighborhoods. In return for low-interest loans and grants for rehabilitation, landlords will be required to enter into a rent increase limitation or rent stabilization agreement.

The LIIP will also offer a rehabilitation grant program, requiring the landlord to pass on to the tenants nearly all the grant assistance amount in the form of either reduced or stabilized rents, less an amount equal to the projected increase in property taxes over a seven-year period resulting directly from renovation.

Status of Fiscal Year 1975 Innovative Projects

1. Anaheim, California: \$30,000 – The Energy Survey Catalog that assembles and assesses recent accomplishments in energy conservation is completed. The model for an energy audit and management plan is near completion.
2. Davis, California: \$86,000 – An energy-conserving building code for southeastern United States' communities has been adopted. Plans have been completed to implement the new codes, and approximately 120 new homes and 300 apartments have been built or are underway according to the new ordinance. Information is available through the League of California Cities.
3. Indio, California: \$27,600 – An energy conservation code for new buildings in small towns (less than 50,000) is complete. Additionally, the demonstration includes solar energy utilization analysis, monitoring energy users of existing buildings, development of goals and guidelines for energy conservation, and demonstration programs. All of these are at least 50 percent complete.
4. Cincinnati, Ohio: \$200,000 – A neighborhood corporation has been formed to encourage cooperation between neighborhood businessmen, the city, and private lenders to establish a revolving loan fund, a building demolition and property acquisition fund, conduct code inspections, and provide design information in order to eliminate blight in the Madisonville business district.
5. State of Connecticut, Department of Environmental Protection: \$75,000 – An Environmental Review Team, consisting of State, Federal, and

regional engineers, planners, and natural resources professions, has been established. They are currently producing a manual describing the operation of an interagency and interdisciplinary review team to assess the impact of projects on the environment and natural resources.

6. Wilmington, Delaware: \$161,115 – An analytical staff formed to improve delivery of city services is operating out of the Mayor's office, and has made recommendations as to operation and organization. The final report should be available after January 1977.
7. Wichita, Kansas: \$180,000 – Plans for improved financial management have been completed for seven cities. A workshop will be held in Wichita to test the draft of the Block Grant Financial Management Guide.
8. Commonwealth of Massachusetts, Office of Community Development: \$150,000 – This project has developed a typical municipal energy budget highlighting the proportion of direct energy expense to total budget. Data is available and will be used to create a manual describing a process for conducting building audits to determine potential energy and dollar savings.
9. Kansas City, Missouri: \$259,000 – Unexpected delays in negotiations with local lending institutions, have postponed the project to establish a Maintenance Reserve Fund for continued maintenance of owner-occupied housing under the city's neighborhood conservation project.
10. Helena, Montana: \$150,000 – The design has been completed for the installation of a solar space and domestic water heating system in two multifamily residential structures for low-income families.
11. Hoboken, New Jersey: \$24,000 – Ninety-six units have been rehabilitated or are underway, using the Hoboken Municipal Fund. The fund was established to provide an insurance program guaranteeing up to \$1,500,000 in private mortgage investments for rehabilitation of tenement housing in the central neighborhood.
12. Paterson, New Jersey: \$355,000 – A Housing Advice Center has been created with the objectives: of altering relationships among those who finance, own, and occupy Paterson's housing stock so that housing preservation can continue

indefinitely without major governmental intervention; and of providing incentives for energy conservation building practices. Substantial work toward developing innovative instruments has been completed.

13. State of Michigan/City of Detroit, Michigan: \$1,990,000 – Over 290 homes have been sold to the Michigan State Housing Development Authority. Of these, 230 have been completely rehabilitated and sold. The rest are being rehabilitated and are awaiting buyers. Community organizations are providing anticrime patrols, housing counseling to buyers and consumer information to the community. The City of Detroit is providing public improvements to revitalize the target area in Northwest Detroit.

Federally Recognized Disasters

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

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

Application review considered, but was not limited to:

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

The disaster fund has been allocated in Fiscal Year

1975 and thus far in Fiscal Year 1976 as follows:
 As of August 20, 1976, the Secretary reserved approximately \$1 1,000,000 to meet additional needs of the approved disaster projects or any applicants for

new disaster occurrences.
 Analysis of the Fiscal Year 1975 projects and approximately 50 percent of the 1976 project grants shows project activities are planned accordingly:

Table 8.10

FISCAL YEAR 1975 AND FISCAL YEAR 1976 FUNDING OF FEDERAL DISASTER PROJECTS

Recipient	Amount		Disaster Description	Project Description
	FY 1975	FY 1976		
Ft. Valley, Ga.		\$300,000	Tornado	Construct sanitary and storm sewers; repair streets, curbs, gutters, and sidewalks.
Pell City, Ala.		809,000	Tornado	Acquire land for modular homes to house victims; repair street lights, curbs, gutters, and sidewalks.
Nacogdoches, Tx.	\$1,360,673	89,327	Severe Storm Jan.-Feb. '75 Flooding	Property acquisition, park development, channel improvements.
Warren, Ark.		138,135	Tornado Mar. '75	Code enforcement, clearance, demolition, rehab, planning, and management.
Westmoreland, Pa		340,000	2 Floods	Urban renewal, storm sewers, street construction, correct slide conditioning, etc.
Moorhead, Minn.		193,000	Flood Spring '76	Relocation and administration
Aberdeen, Wash.		95,000	3 Floods High Tides Nov., Dec. '75 Jan. '76	Construction of culverts, pipes, pumps.
Cabot, Ark.		100,000	Tornado Mar. '76	Acquisition land fill site.

SOURCE: U.S. Department of Housing & Urban Development, Community Planning & Development, Office of Management and Office of Field Support.

Table 8.1 1

DISASTER PROJECTS
FUND DISTRIBUTION BY PROJECT ACTIVITIES

Program Activity-Total	FY 1975		FY 1976 ^a	
	\$(000)	%	\$(000)	%
Acquisition of Real Property	720	52.9	75	6.8
Public Works, Facilities, Site Improvements	99	7.3	822	74.1
Clearance, Demolition, Rehabilitation	71	5.2	13	1.2
Rehabilitation Loans & Grants	0	0.0	100	9.0
Relocation Payments and Assistance	331	24.3	0	0.0
Planning & Management Development	38	2.8	25	2.2
Administration	50	3.7	8	.7
Contingencies and/or Local Option Activities	52	3.8	66	6.0
Program Resources— Total	1,361	100.0	1,109	100.0

SOURCE: U.S. Department of Housing & Urban Development, Community Planning and Developing, Office of Management.

^aReported information as of October 31, 1976, only two approved projects.

URGENT NEEDS FUND

The Urgent Needs Fund facilitates an orderly transition to the Community Development Block Grant program and protects previous Federal investment. Emphasis was placed on the transition

consideration, as well as urgency, when funding decisions were made. Usually Fiscal Year 1975 projects had no other funding sources, could quickly close out, or were small. Often large projects received interim funding (such as interest payments, partial grants, etc.) in anticipation of additional urgent needs

funding in Fiscal Year 1976 or Fiscal Year 1977. Urgent need funding will increase to \$100 million in Fiscal Year 1977.

Based on need, timing of projects activities, and CDBG priority criteria, communities are invited to

apply for urgent need funding.

The urgent needs funds were distributed by project types (allocated in Fiscal Year 1975 and Fiscal Year 1976 at approximately \$50 million each year) as follows:

Table 8.12

**ALLOCATION OF URGENT NEED FUNDS
AS OF 8/17/76**

Project Type	FY 1975		FY 1976	
	Amount	% of Total	Amount	% of Total
Planned Variation/Model				
Cities	\$10,200,000	20.9	\$ 125,000 ^a	0.3
Urban Renewal	34,567,423	71.0	40,331,037	82.5
Water & Sewer	2,877,488	5.9	6,660,097	13.6
Neighborhood				
Facilities	1,054,297	2.2	728,460	1.5
Open Space			1,018,680 ^b	2.1
Total	\$48,699,208		\$48,863,274	

SOURCE: Ibid.

^a*Benton Harbor, Michigan*—The city's hold harmless amount was insufficient to continue high priority Model Cities activities due to the split in hold harmless funds between Benton Harbor and Benton Township. The city did not meet the requirements for funding under the inequities fund.

^b*Brandenburg, Ky.* —Project was funded to prevent previously approved PFL from default. A tornado destroyed the town and water system, causing the probability of a default which has been prevented by this grant.

Table 8.13

URGENT NEED FUND DISTRIBUTION BY
CITY AND PROJECTTYPE
FY 1976

Region	Locality	Program	Amount
I	New London, Conn.	U.R.	\$ 89,100
	Boston, Mass.	U.R.	8,600,000
	Cambridge, Mass.	U.R.	2,000,000
	Newbury, Mass.	U.R.	462,237
	Salem, Mass.	U.R.	629,998
	Cambridge, Mass.	O.S.	71,680
II	Niagara Falls, N.Y.	U.R.	379,000
	Gloversville, N.Y.	U.R.	50,020
	Greensborough, N.Y.	U.R.	648,000
	Oneonta, N.Y.	U.R.	125,000
	W. New York, N.J.	U.R.	300,000
	Morristown, N.J.	U.R.	1,422,475
	Rome, N.Y.	U.R.	2,879,000
	Hoboken, N.J.	W&S	312,512
	Margate, N.J.	O.S.	70,000
	Long Branch, N.J.	O.S.	446,000
III	St. Paul, Va.	U.R.	500,000
	Altoona, Pa.	U.R.	653,000
	Plymouth, Pa.	U.R.	650,000
	Swatara, Pa.	U.R.	182,534
	Charleston, W. Va.	U.R.	2,088,500
	Manassas Park, Va.	O.S.	70,000
	Westminster, Md.	W&S	100,000
IV	Prichard, Ala.	U.R.	738,000
	Portland, Tenn.	U.R.	59,828
	Tuscaloosa, Ala.	U.R.	1,500,000
	Jackson, Miss.	U.R.	650,000
	Laurel, Miss.	U.R.	2,500,000
	Dayton, Ky.	U.R.	607,249
	Lancaster Co., S.C.	W&S	117,010
	Alexandria, Ky.	W&S	50,903
	Carbon Hill, Ala.	W&S	175,000
	Alabaster, Ala.	W&S	250,000
	Berry, Ala.	W&S	497,000
	Henderson, Tenn.	W&S	82,250
	Clinton, Tenn.	O.S.	96,000
	Brandenburg, Ky.	W&S	310,000
	Wesson, Miss.	W&S	124,200
	Helena, Ala.	W&S	283,450
	Atlanta, Ga.	N.F.	300,000
Darlington, S.C.	N.F.	24,782	
V	Monticello, Ind.	U.R.	1,300,000
	Michigan, Ind.	U.R.	775,000
	Peoria, Ill.	U.R.	1,419,618
	Sault Ste. Marie, Mich.	U.R.	272,945
	Xenia, Oh.	U.R.	118,000
	Monmouth, Ill.	W&S	196,900
	Galena, Ill.	W&S	222,348
W. Terra Haute, Ind.	W&S	110,000	

Table 8.13 (Continued)

URGENT NEED FUND DISTRIBUTION BY
CITY AND PROJECT TYPE

Region	Locality	Program	Amount
V	Belmont, Ohio	W&S	\$ 70,700
	Martins Ferry, Ohio	W&S	339,000
	Newton, Ohio	W&S	117,000
	Menominee, Mich.	W&S	122,000
	Mingo Junction, Ohio	W&S	250,000
	Newton, Ohio	W&S	592,000
	Benton Harbor, Mich.	M.C.	125,000
	Cadiz, Ohio	N.F.	187,648
	Redlake Band of Chippewa, Minn.	N.F.	55,000
	Virginia, Minn.	O.S.	215,000
VI	St. James, Minn.	N.F.	60,000
	Robstown, Tex.	W&S	482,600
VII	Fayetteville, Ark.	W&S	623,100
	Mena, Ark.	W&S	107,429
	Boerne, Ark.	W&S	939,695
	Banks, Ark.	N.F.	29,500
	Hughes, Ark.	N.F.	71,530
	Alice, Tex.	O.S.	50,000
	Burlington, Iowa	U.R.	1,250,000
VIII	Joplin, Mo.	W&S	100,000
	Greenswood, Mo.	W&S	85,000
	Denver, Col.	U.R.	1,000,000
IX	Sturgis, S.D.	U.R.	350,000
	Fargo, N.D.	U.R.	205,000
	N. Las Vegas, Cal.	U.R.	158,533
	Santa Maria, Cal.	U.R.	1,200,000
	San Francisco, Cal.	U.R.	3,333,000
	Richmond, Cal.	U.R.	1,235,000

SOURCE: Ibid.

PROGRAM MANAGEMENT

The Department's monitoring and evaluation of the Community Development Block Grant (CDBG) recipients relates to program management both by the localities and by HUD.

ADMINISTRATION BY CDBG RECIPIENTS

Monitoring CDBG

In submitting an application for funds, a Community Development Block Grant recipient must certify that it will comply with a number of legislative requirements. Throughout the program year, HUD has a responsibility to monitor local programs and to seek remedial action when findings of noncompliance

are identified. In the last two quarters of Fiscal Year 1976, HUD's monitoring of CDBG recipient performance in meeting the statutory requirements of the CDBG legislation resulted in 2,775 findings of technical or substantive deficiencies. Three-fourths of the findings of noncompliance were in five areas: equal opportunity (25 percent of the findings), environmental reviews (14 percent), labor standards (12 percent), citizen participation (12 percent), and financial management (11 percent). Table 9.1 shows the number and relative proportion of findings, by ten subject areas, from January through June 1976 (i.e., the third and fourth quarters of FY 1976).

Table 9.1

CDBG MONITORING FINDINGS^a BY SUBJECT AREA
THIRD AND FOURTH QUARTERS OF FY 1976
(JANUARY 1 - JUNE 30, 1976)

Subject	Third Quarter (Jan. 1 - Mar. 31, 1976)	Fourth Quarter (April 1 - June 30, 1976)	Total	Percentage
Equal opportunity	300	377	677	24.4
Environment	159	224	383	13.8
Labor standards	111	232	343	12.4
Citizen participation	159	166	325	11.7
Financial management	105	196	301	10.9
Carrying out program/ capacity of grantee	NA	150	150	5.4
Housing Assistance Plan	73	67	140	5.0
Eligibility of activity	30	82	112	4.0
Maximum feasible priority	NA	2	2	0.1
Other ^b	120	222	342	12.3
Total	1,057	1,718	2,775 ^c	100.0

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Field Support.

^aA "monitoring finding" indicates evidence of technical or substantive deficiencies or noncompliance with statutory or regulatory requirements. Findings mean substantial evidence gained by HUD as a result of any monitoring activity which indicates grantee nonperformance or noncompliance with a specific requirement of the Act, Regulations, or Grant Agreement, or other applicable law or standards cited or referred to in the Act, Regulations, or Grant Agreement. All findings are included in this category, regardless of the degree of seriousness.

^bMany of the "other" findings include deficiencies in the areas of relocation and acquisition which were uncovered by HUD Area Office staff during the course of regular site visits.

^cAs a result of special compliance site visits during the fourth quarter of Fiscal Year 1976, there were 294 negative findings made in the area of relocation and 355 negative findings in the area of acquisition. During the third quarter of FY 1976, 237 findings were made in the area of relocation/acquisition. Since these findings frequently represent multiple deficiencies under a single requirement of the Uniform Act, they are reported separately.

The Department issued its initial guidelines for monitoring on November 13, 1975, in the form of HUD Handbook 6500.1, which set forth the general methods and standards for carrying out the Department's responsibilities for program monitoring under Section 104(d). Each of HUD's ten Regional Offices developed a monitoring system, based on Handbook 6500.1, to be implemented by its Area Offices. All Regional Monitoring Systems mandate in-house and on-site monitoring of grantee performance and compliance with program requirements.

Regional Offices report the "actions" taken by their Area Offices to the Central Office in Washington. Most actions taken as a result of monitoring findings during the first CDBG program year took the form of warning letters to grantees. These letters stated the nature of the deficiency and the specific type of corrective actions required of the grantee within a specific period of time. Grantees were offered technical assistance in solving problems, but were advised that failure to correct the deficiencies would result in more stringent sanctions.

Stronger action was taken for more serious violations, under Section 570.306(e)(4) of the CDBG regulations, which provides authority to make conditional approvals if, "there is substantial evidence of failure to comply with requirements of this Part or other applicable law."

Other actions resulting from monitoring include requiring grantees to reprogram funds to eligible activities, or requiring grantees to replace, with local funds, Federal funds not spent properly.

The types of deficiencies found in each area were:

Equal Opportunity

In Fiscal Year 1976, approximately one-quarter of all 2,775 findings related to equal opportunity or discrimination. Problems were mainly procedural. Specific deficiencies included: inadequate record-keeping; noncompliance with fair housing and equal opportunity regulations regarding Executive Order 11246; and lack of required affirmative action, particularly in the areas of employment and fair housing. In some cases, affirmative action plans were not on file as required.

Environment

Deficiencies related to environmental review requirements resulted in the second highest number of findings for grantees during the first CDBG program year. Three hundred eighty-three findings were reported, representing 13.8 percent of the total findings.

Most of the procedural problems involved the grantee's miscalculation on the time periods allowed for public comment on the various official notices required by HUD's environmental regulations, 24 CFR Part 58. The second most prevalent deficiency in environmental requirements involved the pre-

mature commitment and/or drawdown of CDBG funds by the grantee prior to formal release of funds by HUD. Other problems are reported in Chapter 11.

Labor Standards

Labor standards were the third predominant subject of findings during Fiscal Year 1976, accounting for 12.4 percent of the national total during the third and fourth quarters. Most regions reported that problems are especially acute among nonmetropolitan grantees who often are unfamiliar with labor standards requirements. Sixty-five percent of the labor standards findings were identified in discretionary grant localities.

Examples of general labor standards problems, applicable to a large proportion of grantees, are:

- Contractor and subcontractor notice of eligibility is not obtained prior to the award of the contracts;
- Labor standards provisions are not being adequately covered in preconstruction conferences;
- Officials fail to include a wage decision in bid specifications and contract award documents;
- Officials fail to include labor standards provisions (HUD Form 4010) in bid specifications and contract award documents;
- Localities fail to submit required information to Area Offices (notice of construction start, etc.);
- Localities fail to hold preconstruction conferences.

Citizen Participation

Citizen participation accounted for 11.7 percent of the findings in FY 1976. Some localities lack or have, inadequate records on citizen participation, including lack of minutes of public meetings and recorded listings of citizen participation advisory members. Another frequent finding indicated the lack of citizen participation procedures relating to revisions in the approved CDBG program.

Financial Management

Deficiencies in financial management accounted for 301 findings or 10.9 percent of the total in the third and fourth quarters of Fiscal Year 1976. Examples of deficiencies include: accounting systems which do not meet the standards outlined in Federal Management Circular 74-7;¹ commitment and drawdown of funds prior to release of funds (particularly for environmental clearances); inadequate documentation supporting disbursements; indirect costs charged to CDBG funds without a cost allocation

¹ Federal Management Circular 74-7 is entitled "Uniform Administrative Requirements for Grants-in-Aid To State and Local Governments."

plan required by Federal Management Circular **74-4**;² procurements not meeting requirements of Federal Management Circular **74-7**; investment of funds drawn down from letter of credit in interest-bearing accounts; and inadequate systems for timing draw-downs with disbursements.

LOCAL CAPACITY TO ADMINISTER CDBG

In creating the CDBG program, Congress reduced "second-guessing by Washington" that had been criticized under the prior categorical grant programs.³ Congress shifted HUD's role from individual project to overall program review. The reduction in application requirements and reviews by HUD were achieved by: (a) simplifying the statutory and regulatory application requirements; (b) reducing the number of preapproval determinations made by the Secretary; (c) specifying restrictions on the use of funds; (d) increasing reliance on certifications; and (e) expanding postaudit activities.

CDBG gives grantees more flexibility than prior HUD categorical programs in program management. Congress requires that HUD determine yearly, "whether the applicant has a continuing capacity to carry out in a timely manner the approved Community Development (CD) Program. The Secretary may make appropriate adjustments in the amount of the annual grants in accordance with [his/her] findings pursuant to this subsection."⁴

Monitoring Findings

Negative determinations made by HUD of the continuing capacity of local officials to carry out their approved CD Program in a timely manner constituted **5.4** percent of all findings. The findings and actions were equally distributed between entitlement and discretionary grantees. HUD did not invite second year applications from discretionary grantees who had not made adequate progress in carrying out first year programs. In other cases, HUD issued warning letters. Localities were notified that HUD would monitor closely progress and performance in the coming year.

Rate of Drawdown of Funds

Although a small percentage of block grant recipients

are progressing rather slowly in the rate at which they spend their CDBG funds, they are spending their funds faster than under the HUD categorical programs. For example, the total outlays during Fiscal Year **1976** were **\$983** million, **\$250** million above the HUD budget estimate of **\$750** million. During the last quarter of Fiscal Year **1976**, grantees were spending at the rate of about **\$120** million a month. This monthly rate is expected to continue to climb in the next year, as it did almost continuously during **1976**.

As of October **31, 1976**, approximately **4,500** communities have drawn **\$1.619** billion from the Federal treasury for first and second year program implementation. This figure represents **32.6** percent of the cumulative approved grants (**\$4.972** billion). The **3,200** communities approved in the first program year have drawn down **\$1.524** billion or **62.7** percent of the **\$2.430** billion in Fiscal Year **1975** appropriation.

The CDBG spending rate is faster than those of the HUD categorical programs. For example, **23.9** percent of the cumulative obligations had been drawn down by the recipients by June **30, 1976**. This rate compares with spending rates of only **18.6** percent in the model cities program, and **9.3** percent in the water and sewer grant programs through their first **17** months.

Table **9.2** shows drawdowns as a percentage of FY **1975** appropriation approvals for entitlement versus discretionary recipients at the end of each month from February **1975** through October **31, 1976**. Entitlement recipients have drawn down **\$1.359** billion or **64.8** percent of the **\$2.095** approved in the first program year, whereas discretionary recipients have drawn down **\$166** million or **49.5** percent of the **\$334** million approved.

Program Implementation

Communities cited a number of factors which slowed program implementation in Fiscal Year **1976**. Over one-third of the communities⁵ indicated that "normal administrative problems" (e.g., interagency debate, contracting procedures, and inefficiency) slowed down their community development program more than any other problem for all cities. Other major problems were: "HUD review prior to release of funds," "complicated planning to be done," "implementation is dependent upon other activities" and "HUD review of environmental decision." Table **9.3** lists the frequency with which localities encountered these and other problems.

² Federal Management Circular **74-4** is entitled "Cost Principles Applicable to Grants and Contracts with State and Local Governments."

³ U.S. Congress, Senate Committee on Banking, Housing and Urban Affairs, *Housing and Community Development Act of 1974*, Senate Report No. 93-693 to Accompany S. 3066, February 27, 1974.

⁴ *Housing and Community Development Act of 1974*, Title I, Sec. 104(d), Public Law 93-383.

⁵ Based on 895 responses to the *Housing and Community Development Act of 1974 Community Development Experience Survey*, Office of Evaluation, Community Planning and Development, HUD, July, 1976.

Table 9.2

**DRAWDOWNS AS A PERCENTAGE OF FY 1976 APPROPRIATION APPROVALS
CDBG ENTITLEMENT VS. DISCRETIONARY^a RECIPIENTS
(At End of Nth Month Since First Approvals)**

Month #	Month for Entit.	Month for Discret.	Entitlement	Discretionary
1	2/8/75	6/30/75	0%	0%
2	3/31/75	7/31/75	3.90	.14
3	4/30/75	8/31/75	3.53	.64
4	5/31/75	9/30/75	3.19	1.11
5	6/30/75	10/31/75	2.10	2.38
6	7/31/75	11/30/75	2.99	4.09
7	8/31/75	12/31/75	5.06	6.23
8	9/30/75	1/31/76	7.42	8.95
9	10/31/75	2/29/76	10.51	11.80
10	11/30/75	3/31/76	13.76	15.45
11	12/31/75	4/30/76	17.67	19.75
12	1/31/76	5/31/76	-	23.67
13	2/29/76	6/30/76	24.37	28.84
14	3/31/76	7/31/76	28.84	34.15
15	4/30/76	8/31/76	33.20	42.68
16	5/31/76	9/31/76	37.77	44.71
17	6/30/76	10/31/76	43.35	49.50
18	7/31/76		47.96	
19	8/31/76		53.76	
20	9/31/76		59.68	
21	10/31/76		64.84	

SOURCE: Department of Housing and Urban Development, Administration, Office of Finance and Accounting, "Community Development Program Report on Fund Assignment and Utilization, Fiscal Year 1975."

^aIncludes SMSA discretionary, non-SMSA discretionary, Urgent Needs Fund, and Secretary's Fund.

Table 9.3

PERCENTAGE OF CDBG GRANTEES RESPONDING THAT SPECIFIC FACTORS SLOWED DOWN THEIR COMMUNITY DEVELOPMENT PROGRAM "SOMEWHAT" OR "A GREAT DEAL"

Factor	Percent
a. Normal administrative problem (Interagency debate, contracting procedures, inefficiency, etc.)	36
b. HUD—problem in release of funds	28
c. Complicated planning to be done	28
d. Implementation is dependent upon other activities in the area	27
e. HUD—problem with environmental review	26
f. Hiring staff to operate program	22
g. Local political debate over project, involving mayor/council/commissioners	20
h. Citizen participation	19
i. HUD Change—eligible activities	19
j. Difficult environmental review	17
k. Local legal problem (e.g., city does not have powers)	13
l. Citizen law suit	3

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey* (895 responses).

MANAGEMENT BY HUD

HUD Processing Times

In Fiscal Year 1976, as in Fiscal Year 1975, HUD took action on all entitlement applications within the mandated 75-day review period. Of 1,320 applications submitted by entitlement cities and counties, 1,312 were approved, and eight were disapproved. In Fiscal Year 1975, 1,324 entitlement applications were submitted, and three were disapproved.⁶

HUD review time for Fiscal Year 1976 entitlement applications averaged 61 days, ranging from a low of 42 days on the average for the Puerto Rico HUD Area Office to a high of 74 days on the average for the Camden HUD Area Office. Although this national average is still considerably less than the 75 days Congress allowed before such applications would be approved automatically, the second year average is,

nonetheless, 12 days longer than the Fiscal Year 1975 average.

During HUD review of second year CDBG applications, the HUD application workload was more evenly distributed than during the first year. (See Table 9.4.) The earliest date for submission of first year applications was December 1, 1974; and the closing date was April 15, 1975.⁷ During the second year, the general rule was that each applicant had to submit an application at least 75 days prior to the beginning of the locality's program year. Applications generally had to be submitted no earlier than December 1, 1975, or no later than June 30, 1976.⁸ The average processing time for nonmetropolitan discretionary CDBG applications in Fiscal Year 1976, as of September 30, was 65 days, four days longer than processing time for entitlement applications, although there is no statutory time for processing these applications.

Effect of HUD Review Performance on Subsequent Funding

Title I of the Housing and Community Development Act of 1974 provides that:

The Secretary shall, at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine whether the grantee has carried out a program substantially as described in its application, whether that program conformed to the requirements of this Title and other applicable laws, and whether the applicant has a continuing capacity to carry out in a timely manner the approved Community Development Program.⁹

The provisions of Code of Federal Regulations, Title 24, Sec. 570.909 and HUD Handbook 6500.1 further delineate this responsibility.

In April, 1976, the Under Secretary of HUD sent a memorandum to all HUD field offices stressing the Department's commitment to effective implementation of the Housing Assistance Plan (HAP):

In making second and subsequent year funding determinations, if a grantee has failed to take essential actions that are well within its control in

⁷*Code of Federal Regulations*, Title 24, Section 570.300(a) provides that the Secretary could extend the April 15 deadline for submission of an application in particular cases in which, in her judgment, procedures mandated by State statute or regulation rendered submission of the application by April 15, 1975 impracticable. In no event, however, would submission of an application be accepted after May 30, 1975.

⁸Other exceptions to this general rule included: (a) applicants who had not previously applied, or those whose applications were not approved in the previous Fiscal Years could apply no earlier than December 1, 1975 and no later than February 28, 1976, and (b) a county seeking qualification as an urban county for the first time could apply no earlier than December 1, 1975 and no later than February 28, 1976.

⁹*Housing and Community Development Act of 1974*, Sec. 104(d), Public Law 93-383.

⁶In addition, sixteen of the 1,345 entitled units of government in Fiscal Year 1975, and 30 of the 1,350 entitled units of government in Fiscal Year 1976 chose not to apply.

Table 9.4

HUD APPLICATION PROCESSING DATA FOR ENTITLED
UNITS OF GOVERNMENT: 1ST YEAR VS. 2ND YEAR

Second Year Applications (Cumulative)				First Year Applications (Cumulative)			
Date (As Of)	Received	Approved	Approved as Percent of Received (End of Month)	Date (As Of)	Received	Approved	Approved as Percent of Received (End of Month)
10/30/75	3	0	0%				
11/31/75	7	0	0				
12/31/75	25	1	4	12/31/74	9	0	0%
1/31/76	72	8	11	1/31/75	31	0	0
2/29/76	240	33	14	2/28/75	98	13	13
3/31/76	509	97	19	3/31/75	312	58	
4/30/76	1030	254	25	4/30/75	1267	239	19
5/31/76	1198	533	45	5/31/75	1324	763	58
6/30/76	1317	1017	77	6/30/75	1324	1231	93
7/31/76	1320	1194	91	7/31/75	1324	1312	99
8/31/76	1320	1302	99	8/31/75	1324	1321	100
9/30/76	1320	1312	99	9/30/75	1324	1321	100
Total	1320	1312	99%	Total	1324	1321	100%

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

order to implement its Housing Assistance Plan, particularly where resources are available to assist in meeting its goals, the application should receive careful attention as a possible disapproval for future funding.⁶

Further, the substance of the Under Secretary's March 10, 1976, testimony before the Subcommittee on Civil and Constitutional Rights of the House Committee on the Judiciary was that the HAP requirement in the Community Development Block Grant program must contemplate a "program of action." The Under Secretary said that HAP "must be more than a mere paper promise to meet low-income housing needs, and the pay-off is what in fact happens whether or not there is performance."

Eight applications for second year entitlement grant funds were disapproved in Fiscal Year 1976, compared to three the previous year. The applications were disapproved under the criteria of Section 104(c) of the Act.

In each case, the applicant's HAP revealed an assessment of lower-income housing needs plainly inconsistent with generally available housing data, and/or that the housing assistance goals were plainly inappropriate to meeting identified housing needs.

None of the eight localities chose to revise its HAP; and in each case the application was disapproved.

CDBG Policy Issues

A number of policy issues arose with some frequency during the first year of application review and administration of the Community Development Block Grant program. The Department has:

- Published additions and amendments to the CDBG regulations, and
- Issued Memoranda clarifying policy, processing procedures, and/or the administration of the CDBG program.

In the 28 months since the enactment of the legislation in August 1974, revised CDBG or CDBG-related regulations have been published for effect in the Federal Register and proposed regulations are pending.** (Table 9.5, at the end of this chapter, lists all CDBG regulations proposed and/or published for effect in the Federal Register.) These additions and amendments make editorial corrections; correct technical deficiencies; conform the text to new laws or CDBG regulations; provide interpretations made by the Department to questions arising during the first year; delete material specific to

** April 19, 1976 memorandum from Under Secretary John Rhinelander to all Regional Administrators, all Assistant Regional Administrators, all Area Office Directors, and all CPD Division Directors on the subject of "Community Development Block Grant Performance Reviews."

¹¹ All final CDBG regulations are codified in the *Code of Federal Regulations* (CFR) under Title 24, Part 570, except for the environmental regulations, which are under CFR, Title 24, Part 58, and the regulations for review of applications for housing assistance, which are under CFR, Title 24, Part 891.

Fiscal Year 1975; and add policies and requirements for Fiscal Year 1976.

HUD issued more than 100 guidance memoranda both internally within the Central Office and externally to the HUD field offices. All such memoranda and instructions are included in the HUD Unified Issuance System.

Maximum Feasible Priority

The most substantial amendment to the CDBG regulations was published for effect on January 28, 1976, concerning the applicant's certification of "maximum feasible priority." HUD amended its regulations on January 28, 1976, to define more clearly the statutory requirement, requiring applicants to identify specifically and describe in their Community Development Summary those community development needs having a particular urgency, the reasons for this urgency, and why the need must be addressed at the time of the application for block grant funds. Second, HUD revised the application to provide a separate form for a more complete description of those particularly urgent community development needs; and clarified the language of the certification.

Housing Assistance Plans

One troublesome portion of the HAP was the requirement under Section 104(a)(4)(A) of the Act that applicants assess the housing needs not only of those persons currently residing in the community but also those persons who could be "expected to reside" in the community.

The *Hartford* case, analyzed in Chapter 13, was one of several factors having a significant impact on the revised HAP regulations. Proposed HAP regulations were published for comment in the Federal Register on January 15, 1975, prior to the Court's final decision in *Hartford*. The regulations were published for effect on February 19, 1976. (41 F.R. 7503.)

The regulations incorporated the following major changes:

- a. Established standards which require that applicants measure the number of households expected to reside in the community as a result of planned or existing employment facilities. This assessment must include the number of lower-income households with a worker expected to be employed in the community in the next three years as a result of employment to be generated by new or expanded development or by planned government employment; and the number of lower-income households with a worker already employed in the community but living elsewhere, who could be expected to reside in the applicant community if housing were available which they could afford. On March 16, HUD published additional regulations on the HAP providing a prescribed methodology for communities in metropolitan areas in estimating "expected to

reside" needs. A methodology was also provided for applicants to take into account any undue concentration of low-income families in their jurisdiction when making "expected to reside" estimates.

- b. Established an adequate vacancy rate which applicants must consider in goals for Section 8 new construction, substantial rehabilitation, and existing housing units.
- c. Established a mandatory three-year assisted housing goal for all applicants, in addition to the annual goal.
- d. Required three-year housing assistance goals generally proportional to the housing needs of elderly, family, and large family households. The proportionality requirement may be waived if, among other reasons, the applicant community will be implementing the goals of an areawide fair share plan.
- e. Establishes a HUD standard of review that activities undertaken are plainly inappropriate if substantial housing assistance needs are identified, and applicants propose lower housing goals than the resources made available by HUD.

Reallocated Funds

Each Fiscal Year, HUD publishes policies for reallocation of funds for that year which were not applied for or which were disapproved by the Secretary. For Fiscal Years 1976 and 1977, four basic principles are:

- a. Entitlement funds available for reallocation will be used primarily to award grants for urgent needs as described in Section 570.401(b) of the CDBG regulations.
- b. Reallocated funds available in metropolitan areas will be used for urgent needs, first, in the same metropolitan area; and second, in other metropolitan areas of the same State. Reallocated funds available in nonmetropolitan areas will be used for urgent needs in the same State.
- c. If all urgent needs in areas in the same State are met, the funds will be used in the same State in accordance with the provisions for general purpose funds for metropolitan and nonmetropolitan areas.
- d. If priorities (a, b, and c) are met, the funds may be reallocated to other States for urgent needs.

ELIGIBILITY OF ACTIVITIES

Clarification of activities eligible for CDBG funding continued in 1976 in Section 570.200(a) of HUD's implementing regulations. On January 19, 1976, the regulations on eligible and ineligible activities were reissued to clarify these activities and reflect the interpretations that the Department had made over the preceding year.

Public Services

As Fiscal Year 1976 began, the principal issue involving eligibility of activities concerned the

provision of public services allowed by Section 105(a)(8) of the Act. The statute requires that such services be provided, "in areas where other activities assisted under this title are being carried out in a concentrated manner," and that they be, "determined to be necessary or appropriate to support such other activities." HUD has interpreted these requirements to generally preclude (1) community-wide public services not limited to areas of concentrated block grant activity, and (2) public services in no way related to other activities undertaken with block grant support.

Subsequent to the publication of a proposed rule on public services in March of 1976, the Department received numerous comments, including some from Congressional sources, on the importance of the various statutory limitations on the provision of public services. Accordingly, the Department issued a revised rule for effect on September 1, 1976, clarifying the requirement and stating that public services may only be undertaken in areas where concentrated physical development activities are to be carried out, and must serve principally residents of those areas. In addition, the applicant is required to determine that the public service is necessary and appropriate to support CDBG-funded physical development activities.

Public Works and Facilities

Equipment eligibility under Section 105(a)(2) of the Act was the source of intensive review during 1975. Responding to a series of inquiries from HUD field staff, members of Congress and various concerned groups, the eligible uses of CDBG funds were defined as the purchase of equipment required to provide public services authorized by Section 105(a)(8), and equipment needed to administer the local community development program. Construction equipment necessary to undertake activities in Sections 105(a)(2), (a)(3), (a)(4), and (a)(5) of the Act may not be purchased with CDBG funds, except for certain heavy equipment (e.g., bulldozers) considered an intrinsic, inseparable part of a solid waste disposal facility.

The eligibility of sewage treatment facilities was

reviewed under Section 105(a)(2) of the Act, which includes "water and sewer facilities" among a list of eligible public facilities without further definition. Because of the high level of public interest in this activity, the Department published for comment on March 1, 1976, regulations which would have made sewer treatment works eligible. Comments from members of HUD's substantive Congressional committee indicated that the proposed inclusion of sewage treatment works as an eligible activity was contrary to the 1976 Act and its legislative history. Accordingly, the Department has concluded that the term "water and sewer facilities" in the 1974 Act includes collector sewers; but does not include interceptor sewers, outfall sewers, or other components of sewage treatment works.

Grantee Drawdown of Funds

The "lump-sum" drawdown by a grantee of approved CDBG funds for local rehabilitation financing activities was reviewed. Certain localities proposed to drawdown large sums from their letter of credit, deposit these sums in a local bank account, and use the interest earned on the funds to aid in the financing of property rehabilitation. As a result of Treasury Department letter of credit regulations limiting such advances to the minimum amounts needed to carry out the objectives of the grantee's program, HUD determined that funds may be drawn down and deposited in a lump sum amount only if certain benefits are made available to program participants which would not otherwise be obtained without such a deposit. Thus, the lump sum deposit was allowable if it influences the bank to increase the volume of its rehabilitation loans; extend credit at lower interest rates; or make loans in areas not previously served in the bank; or if it achieved some similar objectives. In addition, the principal amount of the drawdown funds, and not simply the interest earned on the deposit, must be utilized as a financing resource.

On November 30, 1976, HUD proposed further rulemaking that would eliminate "lump-sum" drawdown of funds.

Table 9.5

CDBG REGULATIONS
PROPOSED AND/OR PUBLISHED FOR EFFECT
IN CODE OF FEDERAL REGULATIONS~

Date Proposed	Date Published for Effect	Subject
9/17/74	11/13/74	Community Development Block Grants
10/10/74	1/7/75	Environmental Review Procedures for Community Development Block Grant Program
11/27/74	2/7/75	Community Development Block Grants: Applications and Criteria for Discretionary Grants
NONE	2/5/75	Community Development Block Grants: Deadline for Submission of Applications
NONE	4/4/75	Community Development Block Grants: Extension of Application Deadline
NONE	4/14/75	Community Development Block Grants: Submission of Applications
NONE	6/3/75	Community Development Block Grants: Submission of Applications
NONE	6/9/75	Community Development Block Grants
NONE	7/16/75	Environmental Review Procedures for the Community Development Block Grant Program: Corrections and Amendments (to 1/7/76 regs)
NONE	7/22/75	Community Development Block Grants: Submission of Applications
NONE	9/8/75	Community Development Block Grants: Application Submission Dates
NONE	9/12/75	Community Development Block Grants: Reallocated Funds [Republished 2/27/76 under "Applications and Criteria for Discretionary Rule"]
NONE	10/30/75	Community Development Block Grants: Submission of Applications
NONE	10/30/75	Community Development Block Grants: Applications and Criteria for Discretionary Grants; Interim Rule
NONE	1/19/76	Community Development Block Grants: Eligible Activities
NONE	1/28/76	Community Development Block Grants: Applications for Entitlement Grants
1/15/76	2/19/76	Community Development Block Grants: Housing Assistance Plans
NONE	2/27/76	Community Development Block Grants: Applications and Criteria for Discretionary Grants [update of 10/30/75 regsl
NONE	3/11/76	Community Development Block Grants: Innovative Projects Program for FY 1976/Applications and Criteria for Discretionary Grants, and Interim Rule [adopted without change 8/31/76]
NONE	3/16/76	Community Development Block Grants: Housing Assistance Plans
2/11/76	5/18/76	Community Development Block Grants: Urban Renewal Provisions [originally titled Financial Settlement and Environmental Review Procedures]
NONE	6/23/76	Housing Assistance Applications Review: Supplemental Allocations Closing Date for Submission of Requests [later incorporated into 8/23/76 regsl
2/19/76	6/30/76	Community Development Block Grants: Environmental Review Procedures
5/5/76	8/23/76	Review of Applications for Housing Assistance; Allocation of Housing Assistance Funds
NONE	8/31/76	Community Development Block Grants: Applications and Criteria for Discretionary Grants [adoption of 3/11/76 interim rule]

Table 9.5 continued

3/1/76	9/1/76	Community Development Block Grants: Eligible Activities
NONE	9/29/76	Community Development Block Grants: Areawide Programs; Interim Regulations [follow-up to 2/27/76 discretionary regs]
NONE	10/4/76	Community Development Block Grants: Eligible Activities; Interim Regulations
8/13/76	10/18/76	Community Development Block Grants: Applications and Criteria for Discretionary Grants
NONE	10/20/76	Community Development Block Grants: General Provisions
NONE	11/3/76	Community Development Block Grants: Applications for Entitlement Grants; Interim Rule
11/15/76		Community Development Block Grants: Proposed Program Management Regulations
	11/23/76	Community Development Block Grants: Closing Date for Submission of Letters of Intent for Areawide Programs
11/30/76		Community Development Block Grants: Grant Administration and other Program Requirements.

SOURCE: U.S. Department of Housing and Urban Development, *Community Planning and Development, Office of Community Development Programs*.

^aAll final Community Development Block Grant regulations are codified in the Code of Federal Regulations (CFR) under Title 24, Part 570, except for the environmental regulations, which are under CFR, Title 24, Part 58, and the regulations for review of applications for housing assistance, which are under CFR, Title 24, Part 891.

TECHNICAL ASSISTANCE

The Community Development Block Grant Program alters traditional approaches and relationships between Federal and local governments in fundamental ways. This change is evident in the role of local governments, expanding their discretion in selecting the specific combination of objectives they consider most relevant to local needs. CDBG recipients found they needed technical assistance not only in understanding the new program but also in preparing and implementing their CDBG applications.

The HUD Area Office, more than any other group or organization, provided "very useful" information on CDBG in the implementation of first year programs, according to CDBG recipients responding to the *Community Development Experience Survey*.¹ (See Table 10.1.) That view was most prevalent among discretionary cities (67 percent) and cities of less than 5,000 population (64 percent) as compared with 57 percent of all survey respondents. (See Table 10.2.)

¹ U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey*.

Smaller communities generally are more likely than other survey respondents to consider information from private consultants to be very useful in implementing first year programs. The percent giving this response ranged downward from 37 for cities of less than 5,000 population, to 14 for cities of 100,000 to 249,000 population. Twenty-five percent of discretionary grant cities, 15 percent of formula entitlement communities, and 14 percent of small hold harmless cities judged private consultants very useful in this respect.

About the same number of communities (25 percent of all respondents) found assistance from areawide and regional planning organizations to be very useful during their first program year. Highest marks for this kind of assistance were given by discretionary grantees and cities of less than 20,000 population; 44 percent and slightly more than one-third, respectively, judged such assistance to be "very useful."

Public interest groups were another major source of "very useful" information during the first program year, particularly for formula entitlement and hold harmless cities and cities ranging in size from 20,000

Table 10.1

PERCENTAGE OF CDBG GRANTEES RESPONDING THAT SPECIFIC GROUPS PROVIDED "VERY USEFUL" INFORMATION ON CDBG IN IMPLEMENTING THEIR 1ST YEAR PROGRAM AND PREPARING THEIR 2ND YEAR APPLICATION^a

Group	Implementing 1st Year Program	Preparing 2nd Year Program
a. HUD Area Office	57%	54%
b. HUD Insuring Office	4	3
c. HUD Central Office	4	3
d. Public Interest Groups	23	26
e. Professional Association or Publication	18	16
f. General News Media	21	23
g. Private Consultants	28	24
h. State Government	7	7
i. Areawide or Regional Planning Agency or Council of Governments	25	27

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey (895 responses)*.

^a Respondents were asked to rate 9 different types of agencies, organizations, or groups on the degree to which each provided useful information in implementing the first year CDBG program and preparing the second year application. Implementation and preparation were rated separately for each of the nine groups on a scale ranging from "0" (not used) to "5" (very useful).

Table 10.2

PERCENTAGE OF CDBG GRANTEES, BY GRANT TYPE, RESPONDING
THAT SPECIFIC GROUPS PROVIDED "VERY USEFUL" INFORMATION
ON CDBG IN PREPARING THEIR 2ND YEAR APPLICATION

Implementing Their First Year Program

Group	Grant Type			Total
	Formula Entitlement	Small Hold Harmless	Discretionary	
a. HUD Area Office	52%	58	67%	57%
b. HUD Insuring Office	3	3	5	4
c. HUD Central Office	4	4	6	4
d. Public Interest Groups	21	27	21	23
e. Professional Association or Publication	23	18	9	18

to 499,999. Furthermore, the work of professional associations and publications was cited as "very useful" by about one-fifth of the formula entitlement cities as well as cities over 50,000 population.

The information provided by various groups to

localities for the preparation of their second year applications was basically as useful to them as the information provided for the implementation of their first year programs. (See Table 10.3.)

Table 10.3

PERCENTAGE OF CDBG GRANTEES, BY GRANT TYPE, RESPONDING
THAT SPECIFIC GROUPS PROVIDED "VERY USEFUL" INFORMATION
ON CDBG IN PREPARING THEIR 2ND YEAR APPLICATION

Group	Grant Type			Total
	Formula Entitlement	Small Hold Harmless	Discretionary	
a. HUD Area Office	59%	54%	37%	54%
b. HUD Insuring Office	3	3	2	3
c. HUD Central Office	2	3	4	3
d. Public Interest Groups	27	30	17	26
e. Professional Association for Publication	22	16	5	16
f. General News Media	17	28	22	23
g. Private Consultants	14	33	22	24
h. State Government	1	7	10	5
i. Areawide or Regional Planning Agency or Council of Governments	18	27	44	27

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey* (895 responses).

The HUD Area Office was again the source of "very useful" information to the largest proportion of grantees (57 percent). Of all grant types, only discretionary recipients found another source of information more helpful than the HUD Area Office. Forty-four percent of the responding discretionary grantees reported that information from areawide and regional planning organizations was very helpful in the preparation of their second year applications,² compared to 37 percent who found HUD Area Office information very helpful. The larger the population of the grantee, the greater likelihood that HUD Area Office information would be considered useful for this purpose.

²This percent is the same proportion of discretionary recipients who found information from areawide and regional planning organizations "very useful" in implementing their first year program.

Over half of the cities responding to the **Community Development Experience Survey** indicated that the amount of Federal technical assistance provided during the first full year of their CDBG programs was the same as that provided under previous grant-in-aid programs. (See Table 10.4.) Similarly, about half of the cities reported that Federal technical assistance provided during the development of their first year applications also remained the same as in the categorical programs (55 percent). Discretionary recipients reported the greatest increase in the amount of Federal technical assistance provided. (See Table 10.5.)

Seventy-three percent of the grantees reported that the amount of Federal technical assistance provided to them remained the same in comparing their second year CDBG application experiences to their first year application experiences. The amount did not differ to any extent by grant type.

Table 10.4

FEDERAL TECHNICAL ASSISTANCE:
EXPERIENCE OF COMMUNITIES UNDER CDBG VS.
HUD CATEGORICAL PROGRAMS

Comparison	Decreased (% Responding)	Increased (% Responding)	Remained the Same (% Responding)
a. Experiences in the development of 1st year CDBG application to experiences in the development of applications under categorical programs*	21%	20%	55%
b. First full year of experiences under CDBG to experiences under categorical programs**	24%	20%	56%
c. Experiences in the development of 2nd year CDBG application to experiences in the development of 1st year CDBG application***	11%	16%	73%

*SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **Community Development Funding Survey**. (Numbers do not add to 100 percent due to a four percent no response rate to this question out of 880 responses to the survey.)

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **Community Development Experience Survey (730 responses).

***SOURCE: Ibid. (848 responses).

NOTE: In comparing CDBG experiences to those of the HUD categorical programs, responses are shown only for CDBG grantees who previously participated in HUD categorical programs.

Table 10.5

FEDERAL TECHNICAL ASSISTANCE TO THE CITIES, BY GRANT TYPE:
EXPERIENCE OF COMMUNITIES UNDER CDBG

Comparison	GRANT TYPE			
	Entitlement (% Responding)	Small Hold Harmless (% Responding)	Discretionary (% Responding)	Total (% Responding)
1. First full year of experiences under CDBG to experiences under categorical programs*				
a. Decreased	26%	25%	10%	24%
b. Increased	17	18'	39	20
c. Remained the same	57	57	51	56
2. Experiences in the development of 2nd Year CDBG application to experiences in the development of 1st year CDBG application*				
a. Decreased	12	10	10	11
b. Increased	19	12	20	16
c. Remained the same	69	78	70	73

*SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey* (730 responses).

NOTE: In comparing experiences to those of the HUD categorical programs, responses are shown only for CDBG grantees who previously participated in HUD categorical programs.

ENVIRONMENT

Section 104(h) of Title I provides for the assumption by block grant applicants of all of the responsibilities for environmental review, decisionmaking, and action pursuant to the National Environmental Policy Act of 1969¹ (NEPA) that would apply to the Secretary were she to undertake such projects as Federal Projects.²

NEPA constitutes a comprehensive directive to Federal agencies concerning the scope, rationality, coordination and accountability of their decision-making, in terms of environmental considerations. Environmental review requires a logical process of defining baseline environmental conditions; and considering alternatives and modifications which might optimize overall impacts. Long term as well as short term impacts must be considered, as must secondary impacts, such as community growth, which would result from the project.

The Council on Environmental Quality Guidelines encourage coordination in decisionmaking by providing the public and other appropriate government agencies with timely opportunities for participating in assessing environmental impacts and alternative actions. The reviewing agency is required to document the deliberations of the review process and make public the data concerning the review. In projects involving proposals for major Federal actions significantly affecting the quality of the human environment by more than one Federal agency, CEQ Guidelines require designation of a lead agency.

The authority provided by Section 104(h) is consistent with the legislative objective of providing funds with maximum certainty and minimum delay. Environmental reviews conducted by HUD for the volume of activities anticipated from several thousand potential grant recipients would add considerable delays to the implementation of projects. A final reason supporting Section 104(h) is the modest scale of most projects funded by CDBG, and the consequent rarity of need for full environmental impact statement preparation.

HUD regulations for environmental review responsibilities of CDBG recipients are found in the Code of Federal Regulations (CFR), Title 24, Part 58. These regulations provide for the maximum assumption of environmental review and decisionmaking by recipients, consistent with Section 104(h). As required

by the Act, environmental regulations were developed in consultation with CEQ and reviewed and approved by CEQ before final issuance.

Monitoring, Evaluation, and Audits

Intensive monitoring and evaluation of the performance of recipients in meeting NEPA requirements indicates that many grantees experienced initial difficulty in responding to the procedural requirements of 24 CFR Part 58; a lesser number of grantees may have substantive errors or omissions in their review process.

Data concerning these Fiscal Year 1975 performance levels are available to HUD from a number of sources:

1. Monitoring by HUD Field Staff. (See Chapter 9.)
2. Audit by the HUD Office of the Inspector General, September, 1976.
3. Audit by the General Accounting Office, Summer, 1976 (not yet released).

Limited additional data is available from a small sample survey conducted by the HUD Community Planning and Development (CPD) Office of Evaluation during September, 1976. Further evaluation is anticipated from the Council on Environmental Quality in 1977.

While each of these studies individually is limited in scope and currency, a pattern is established from which HUD has been able to assist grantees in upgrading their performance.

Monitoring

During Fiscal Year 1976, CPD initiated a quarterly national monitoring report on CDBG.³ The latest report⁴ indicates that grantees' NEPA activities provide 13.8 percent of the cases in which field monitoring staffs found evidence of grantee non-performance or noncompliance with specific requirements. Most of the NEPA-related cases involved procedural deficiencies, the most prevalent being miscalculation of time periods for public comment on determinations of no significant effect, and premature commitment and/or expenditure of funds. HUD Regional Offices reported some substantive deficiencies in applying HUD guidelines for identifying historic structures as part of the NEPA process and in assessing impact on historic structures.

¹ P. L. 91-190.

² *Housing and Community Development Act of 1974*, Title I, Sec. 104(h) Public Law 93-383.

³ U.S. Department of Housing and Urban Development, Community Planning and Development, *Central Office Summary Evaluation*.

⁴ *Ibid.*, Third Quarter Activities, July 28, 1976.

Audit

In August, 1976, HUD's Office of Inspector General (OIG) completed an internal audit⁵ of CDBG grantees' efforts in carrying out NEPA responsibilities for Fiscal Year 1975 projects, covering 259 projects of 49 grantees in 24 States.

In reaching its conclusions, OIG acknowledges that grant recipients were expected to rely primarily on the advisory guidelines of 24 CFR Part 58, and did not have the HUD published guide, "Environmental Reviews at the Community Level," of October, 1975. (OIG audits occurred between November, 1975, and February, 1976.) OIG found:

1. About 75 percent of the grantees (37 of those visited) did not perform one or more of the environmental review steps prescribed by HUD.
2. About 8 percent of the assessments (19 projects in 8 cities) were prepared before the grantee decided how or where the funds would be spent.
3. The assessments of some grantees dealt with the immediate impact of the current year's (Fiscal Year 1975) activities, rather than the expected future impact.
4. Although five projects in four cities of the OIG sample exceeded the thresholds established by HUD regulations⁶ for preparation of an EIS, only one EIS was prepared.

OIG found that some grantees were not following the Environmental Review Record (ERR) requirements in the Regulations. The most frequently omitted documentation was evidence to show that the required steps of the environmental process had been performed.

In addition, OIG found that some grantees audited did not effectively implement HUD requirements for public disclosure; failed to publish a Notice of Findings of No Significant Effect; had deficiencies in their Notice of Finding of No Significant Effect; did not distribute the Notice to agencies, individuals, and citizens groups likely to be interested in the project; or had deficiencies in their Notice of Intent to Request a Release of Funds.

OIG concluded that one of the primary reasons for the inadequate assessments was that the grantee personnel who prepared the assessments had only limited experience in both environmental matters and assessment preparation. OIG found that the personnel of 13 grantees had no prior experience in environmental matters.

HUD Evaluation

In September, 1976, CPD interviewed 20 grantees to

determine their views on the deficiencies reported in monitoring and audit findings. Fifteen of these grantees were among those audited by OIG.

CPD's interviews paralleled the specific actions that constitute performance of the review steps outlined in the Regulations. Most interviewees acknowledged difficulty with one or more of the requirements in Fiscal Year 1975. Table 11.1 indicates the percentages of the 20 grantees perceiving difficulties with review requirements in both Fiscal Year 1975 and Fiscal Year 1976.

Table 11.1

PERCENT OF GRANTEES WHO FELT THEY HAD DIFFICULTIES, BY PROBLEM AREA

Review Requirements	FY 1975	Post 1975
Identifying Environmental Conditions and Impacts	60%	20%
Identifying Required Data	15	15
Obtaining Required Data	30	10
Determining Significance of Environmental Impacts	30	5
Deciding Whether or Not to Consider Modification and Alternatives to Projects	35	10
Calculating Public Comment Periods	40	0
Deciding Who Would be Sent Notices of "Finding of No Significant Effect"	25	5

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon analysis of responses to Field Interview Guide on CDBG Environmental Review; OMB No. 63-S76017, September 1976.

All but one grantee considered their performance had complied with HUD Regulations in Fiscal Year 1975.

Grantees were also asked to specify other problems associated with the environmental review process beyond regulatory requirements. Table 11.2 indicates the range of problems experienced for both Fiscal Year 1975 and Fiscal Year 1976.

The data in Table 11.1 and Table 11.2 indicates a substantial reduction in level of difficulties experienced by recipients between Fiscal Year 1975 and Fiscal Year 1976.

Most of the communities reported that they started environmental review after submitting the application to HUD. Fifteen interviewees reported

⁵ U.S. Department of Housing and Urban Development, Office of Inspector General, Internal Audit of the Environmental Review Activities of Grantees Participating in the Community Development Block Grant Programs (DRAFT), September 15, 1976.

⁶ *Environmental Review Procedures for the Community Development Block Grant Program; Code of Federal Regulations*. Title 24, Part 58.

that most of the relevant environmental components listed in HUD's latest review guide had been considered prior to environmental review. Thus, it appears that concern for environmental issues in implementing CDBG projects existed prior to the start of postapplication reviews.

Table 11.2

GRANTEE PROBLEMS ENCOUNTERED IN ENVIRONMENTAL REVIEW

	FY 1975	Post 1975
Received Contradictory or Inadequate Advice from HUD	70%	35%
Environmental Reviews Took More Time Than Anticipated	30	10
Environmental Reviews Delayed Project Starts	45	20
Some Environmental Reviews Were Unnecessary	90	90
Environmental Reviews Raised Obstacles to Implementing Projects	5	5
Environmental Review Significantly Increases Chances of Litigation	25 ^a	25 ^a
The Individuals Who Prepared the Environmental Reviews Were Pressured to Rush Them	50	0
Had Legal Uncertainties	35	15

SOURCE: Ibid

^aOf these grantees who thought Environmental Review increases the chances of litigation, 2 felt that it decreases the chances of someone bringing a successful suit, since the process would support the city's position that its decision was not arbitrary.

HUD Responses to Grantees' First Year Performance Data from monitoring, audits, and evaluation indicate the possibility of deficiencies in grantees' environmental review processes or grantees' perceptions of their responsibilities under NEPA. Evidence is not sufficient to conclude that these deficiencies exceed normal "start-up" problems that occur in new programs. Resources and staff considerations, as well as prompt approval of funds, do not make environmental assessments by HUD a feasible alternative.

HUD has completed or has in progress a series of activities intended to increase local capacity to deal effectively with environmental issues:

Training

CPD recognizes that there is a need for training communities in handling their responsibilities under Section 104(h) and have taken the following steps to meet this need:

- 1) An intensive effort to train HUD field staff during November and December of 1976, in the procedural aspects of Section 104(h) and the implementing Regulations, with an emphasis on environmental monitoring.
- 2) Many of the Regional and Area Offices have conducted training for CDBG recipients within their jurisdiction on environmental responsibilities. Field offices report that the training was successful and the CDBG recipients thought they had benefited from it.
- 3) HUD staff is participating in training sessions given by State agencies for communities within the respective States on compliance with NEPA and State environmental laws. HUD is considering the transferability of this experience to other States.
- 4) HUD has awarded a contract to produce environmental training material. One use of this material will be training CDBG recipients in the substance of environmental assessment.

Technical Assistance

The provision of technical assistance to CDBG recipients to correct deficiencies is an important function of HUD staff.

To the extent possible under present staffing conditions, HUD staff has been offering technical assistance during monitoring visits and in follow-up activities. The Regional Offices have reported that in the third and fourth quarters of Fiscal Year 1976 there were 219 special site visits for review of grantees' compliance with environmental procedures. In addition, the regular monitoring visits to both entitlement and discretionary recipients during the last two quarters of the fiscal year involved environmental issues to a significant extent.

The provision of technical assistance as a result of monitoring is limited by staffing capacity. The Operating Plan for the current fiscal year provides only 80 staff years for all CDBG regular and special site visits. In addition, there is some staff time available for environmental specialists to conduct reviews and provide technical assistance. Since there are approximately 7,992 active CDBG programs, both discretionary and entitlement, and limited staff available, the Department will face difficulties in finding the means to implement all of the recommended levels of technical assistance.

Policy Development and Regulations

CPD is presently reviewing all the policy and procedures for the CDBG program and will be making revisions as necessary. While changes must be in consonance with the legislative intent of the program, HUD is studying possible amendments to policy, regulations and procedures for environmental responsibilities.

Any changes to the environmental regulations proposed by HUD will be the product of consultation with the Council on Environmental Quality (CEQ).

Rather than use rigidly prescribed formats for environmental review records, CPD has issued ***Environmental Reviews at the Community Level*** which contains suggested formats for the review record. Considerable improvement is expected as the result of wider use of the guide. CPD is continuing to study formats for environmental reviews and will make these studies available to communities when the

studies are complete.

In June, 1976, HUD sent mayors of entitlement grantees copies of its latest review guide, ***Interim Guide for Environmental Assessment: Field Office Edition***, which provides methods for environmental assessment. It contains standards for 37 of 80 environmental impacts listed. Major factors without standards include prime agricultural lands and community facilities, employment, health care, social services, cultural facilities, community cohesiveness, nuisances, urban design, and visual quality.

EQUAL OPPORTUNITY

Section 109 of the Housing and Community Development Act of 1974, forbids discrimination against or denial of program benefits to any person on the grounds of race, color, national origin, or sex, with respect to any activities funded wholly or partly through Title I. Section 104 of the Act specifically references Title VI of the Civil Rights Act of 1964 and Title VIII of the Civil Rights Act of 1968 and requires applicants for Community Development Block Grants funds to provide assurances that their programs will be conducted and administered in conformity with these statutes.

Similar in wording to Title VI of the Civil Rights Act of 1964, Section 109 and its implementing regulations, (24 CFR 570.601 – Nondiscrimination), signify the thrust of equal opportunity in the Community Development program. Section 109 requires that local governments must refrain from discrimination in all activities or programs funded under the Title; and must take reasonable action to overcome the effects of prior discriminatory practices or conditions which have otherwise limited participation by persons of a particular race, color, national origin or sex. For example, the regulations specify that the grantee shall not utilize discriminatory methods and criteria for administration, or locate housing facilities or activities in such a way that tends to exclude certain classes of individuals from participation. Coverage of Section 109 extends to facilities, services, employment, and all other benefits provided under the program.

HUD has restated Section 109, and other equal opportunity law and executive order requirements, in grantee applications, recordkeeping, and annual performance reports.

Monitoring and Compliance Actions Initiated During the Program Year

To assist local governments in the satisfaction of equal opportunity requirements and to fulfill the legislated mandate for annual program reviews and audits by HUD of each block grant recipient, in 1976 the HUD Office of Fair Housing and Equal Opportunity established monitoring and compliance review procedures for assessing conformance of individual CDBG programs with equal opportunity laws and regulations. Equal opportunity monitoring, integrated within HUD Regional Office monitoring plans and procedures, includes scheduled and special site visits and in-house reviews of recipient performance. Monitoring is confined to determining whether the recipient has carried out a program

substantially as described in its application; whether the program conforms to all Title I requirements in general and other equal opportunity laws in particular; and whether the grantee has a continuing capacity to carry out the approved Community Development Program. Initial monitoring results for Fiscal Year 1976 are reported in Chapter 9.

In response to the volume of grantee deficiencies in conforming with Section 3 regulations, a Departmental Task Force was created to undertake a review of means for more effective implementation of Section 3. That review has involved the HUD Offices of Housing, Community Planning and Development, New Communities, Policy Development and Research, General Counsel, Deputy Under Secretary for Field Operations, Labor Relations, and the Office of Fair Housing and Equal Opportunity. Task Force efforts are expected to result in further clarification of Section 3 requirements.

Community Development Block Grant Compliance
Title VI of the Civil Rights Act of 1964 expressly prohibits discrimination because of race, color or national origin in programs or activities receiving Federal assistance. The nondiscrimination clause of the Housing and Community Development Act of 1974 (Section 109) applies to all sections of Title I of the Act. It states that:

No person in the United States shall on the ground of race, color, national origin or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds available under this title.

This provision, while similar in working to Title VI of the Civil Rights Act of 1964, is a separate provision requiring its own specific procedures.

In implementing these authorities, the Office of Fair Housing and Equal Opportunity monitors and evaluates block grant activities to assure effective contract compliance. Equal Opportunity also receives and refers complaints of discrimination to appropriate field offices for processing.

Nationally, 31 complaints were lodged against block grant recipients during this program year. Sixteen of these (52 percent) were closed out or resolved. In none of these cases was it necessary to refer the complaint to the Justice Department for action. Although quite varied in nature, many of these complaints related to personnel changes

brought about substantially by mergers of departments or offices into revised administrative units for purposes of implementing programs funded under CDBG.

Compliance reviews, independent investigations undertaken by Regional Equal Opportunity staff persons, numbered 18 in Fiscal Year 1976. Fourteen of these have been closed.

Compliance reviews of Community Development Block Grant recipients encompass all of the activities, facilities, services and employment patterns of the identifiable administrative unit funded in whole or in part with grant funds (e.g., the Public Works Department, the Parks and/or Recreation Department, the Economic and Community Development Department, etc.). The applicant assures, through certification, that each administrative unit that used grant funds will administer all of its activities and programs, as well as its employment practices, in a nondiscriminatory manner.

Notwithstanding this extensive scope of review, Regional Office Equal Opportunity staff in the upcoming program year will continue to assist in the enforcement of Equal Opportunity requirements through compliance reviews and to conduct investigations of discrimination complaints.

Grantee Performance Report

One monitoring tool that will be used extensively in the evaluation process is the annual Grantee Performance Report (GPR).

Indices of performance for facilities and services, employment, housing, and housing locations have been incorporated into the Grantee Performance Report, used by the Field Offices in the evaluation process. The equal opportunity portion of the GPR also provides quantitative data which can be analyzed at the local level and within HUD at the Area Office and Central Office levels.

In the first and third sections of the Grantee Performance Report, dealing with the progress of community development and housing activities, data relates to beneficiaries of the activities undertaken. The fifth section relates directly to the equal opportunity performance standards of the block grant regulations, to the performance standards of Section 3 of the Housing and Urban Development Act of 1968, and to Executive Order 11246 regulations.

The information required in Sections I and III of the Grantee Performance Report serves as a valuable source of information for HUD; and at the same time is an evaluation instrument for the block grant recipient. Recipients must complete an analysis of beneficiaries of: community development activities, occupants of assisted housing by location, and persons relocated by location.

Entitlement Application Reviews

Each HUD Regional Office completes a report on reviews of entitlement applications. The nature and

extent of equal opportunity-related deficiencies of applicants on a nationwide basis was the subject of a separate report in Fiscal Year 1976.' The report divides the block grant entitlement review process for statistical purposes into three parts: Past Performance, the Community Development Plan and Program, and the Housing Assistance Plan (HAP).

Nationally, the majority of entitlement applications for Fiscal Year 1976 exhibit at least one deficiency in EO-related matters. Deficiencies in past performance (54 percent of the total) were cited most often. HAP deficiencies, and CP Plan and Program deficiencies represented 34 percent and 12 percent of the total reported deficiencies.

Within the category of past performance, Equal Opportunity field reviewers identified deficiencies related to Executive Order 11246 and Section 3 of the Housing and Urban Development Act of 1968 as being most prevalent problem areas, representing 35 percent of the total number of deficiencies in past performance.

Other problem areas, rated second in incidence to Executive Order 11246 and Section 3, were recipient employment practices (Section 109 of the Housing and Community Development Act of 1974) and fair housing activities (Title VIII of the Civil Rights Act of 1968). Each of these represented 23 percent of all reported deficiencies in past performance of CDBG recipients. Together, Executive Order 11264/Section 3 (entrepreneurship and employment); Section 109 (recipient employment); and Title VIII (fair housing) accounted for 81 percent of all deficiencies in recipient performance.

These and other data obtained from this report will assist HUD Fair Housing and Equal Opportunity staff in determining the areas of additional support and technical assistance needed by block grant recipients, areas to be designated for additional support and training during the current program year, and clarifications required in existing regulations.

SOURCE: U.S. Department of Housing and Urban Development, Office of Fair Housing and Equal Opportunity

LITIGATION

The second year of the Community Development Block Grant Program brought a continuation of the types of litigation experienced in the initial year. The number of lawsuits continued to be small, focusing on challenges to the Department's limited front-end review of applications; HUD acceptance of local certifications with respect to citizen participation, equal opportunity, and environmental review; and compliance with the statutory requirement that local programs give maximum feasible priority to activities that will tend to benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight. Adequacy of housing assistance plans was also challenged in several suits.

Generally, the courts have upheld the limited role of the Department in reviewing block grant applications, citing the Congressional intent that elected local governments determine their priorities and shape their programs, subject to the Department's postapproval monitoring and audit. See: *Knoxville Progressive Christian Coalition v. Testerman, Mayor*, 404 F. Supp. 783 (E.D. Tenn. 1975); *NAACP (Santa Rosa-Sonoma County Branch) v. Hills*, 412 F. Supp. 102 (N. D. Cal. 1976).

On the other hand, in *City of Hartford v. Hills*, 408 F. Supp. 889, (D. Conn. 1976), *appeal pending*, the District Court ruled, in connection with the "expected to reside" element of the housing assistance plan, that the Secretary cannot automatically accept data in an application, but must investigate available sources to determine whether other significant facts and data would support the applicant's submission. HUD did not join in the appeal from this decision because new regulations were issued requiring applicants to follow procedures for which HUD could provide data believed to be adequate to satisfy the court's concerns.

Current Significant decisions included:

Ulster County Community Action Committee, Inc. v. City of Kingston U.S.D.C., S.D. N.Y., C.A. No. 75 Civ. 3832 (HFW).

The District Court granted the motion of the City of Kingston, New York, for summary judgment in this suit which challenged the City's application for a community development block grant under Title I of the Housing and Community Development Act of 1974. The plaintiffs alleged that the City failed to provide adequate citizen participation; that its only planned activity, conversion of a town arena for use as a community center, is ineligible under the Act; and that HUD regulations which provide that an

environmental impact study is not required with the initial block grant application is contrary to NEPA. In rejecting all of the plaintiffs contentions the Court held that approval of the application by HUD is *prima facie* an indication that the City has complied with the requirements of the Act. Plaintiffs have filed a notice of appeal. The Department is not a named party in this case.

Knoxville Progressive Christian Coalition, et al. v. Hon. Kyle C. Tetterman, Mayor of Knoxville, et al., Civ. No.3-75-213, U.S.D.C., E.D. Tenn.

This suit was brought by an association of community groups and individual residents and taxpayers of Knoxville, who sought to enjoin the allocation and disbursement of community development block grant funds for specific activities proposed by the City in its block grant application, which plaintiffs alleged were ineligible. Plaintiffs asked that the Court order the redistribution of those funds into eligible activities with an emphasis on housing and improved living conditions in low-income blighted areas.

After determining that judicial intervention was not appropriate because the issues presented were not ready for review and granting defendants' motion to dismiss, the Court decided the case on the merits, finding that defendants' affidavits and the record as a whole established that there was a reasonable basis for the Secretary's approval of the challenged projects. Plaintiffs are appealing both of these findings.

BoisD'Arc Patriots, et al. v. City of Dallas, et al., C.A. No. 3-75-0906-D, U.S.D.C., N.D. Texas.

This suit, instituted by an organization of low-income residents of the City of Dallas, seeks to enjoin the disbursement of community development block grant funds to the City pursuant to Title I of the Housing and Community Development Act of 1974. The plaintiffs allege a number of deficiencies in the City's block grant application which violate the Housing and Community Development Act of 1974, the National Environmental Policy Act, and the regulations implementing these statutes. They complain that, in view of these deficiencies, the Secretary's approval of the City's application constitutes an arbitrary and capricious action.

The Court denied plaintiffs' motion for a preliminary injunction and HUD's motion for summary judgment and proceeded to a trial on the merits. The Court's decision resulted in a dismissal of the complaint, ruling in defendants' favor on each issue.

NAACP, Santa Rosa, Sonoma County Branch v. Hills, et al., Civ. No. C-75-2257, U.S.D.C., N.D. Cal.

Plaintiffs challenged HUD's approval of the application of Santa Rosa, California, for community development block grant funds, and are seeking a declaration that the City's application is void, an order requiring HUD to permit the City a reasonable time in which to undertake an amendatory process in which adequate opportunity for citizen participation is provided and as a result of which a lawful community development program is adopted, and an injunction preventing expenditure of grant funds until completion of the amendatory process. Plaintiffs alleged that the application violated the Housing and Community Development Act of 1974 in that it failed to state all alternative sources of funds for an urban renewal project, the expenditure of funds on this project will result in a reduction of local support for that project, that the project is not principally for the benefit of persons of low and moderate income, that no funds are allocated to the production of housing, and that inadequate opportunity for citizen participation was provided.

A temporary restraining order preventing expenditure of funds, which was originally set to expire on January 9, 1976, has been continued in effect pending the court's decision on cross motions for summary judgment.

City of Hartford, v. Hills, 408 F. Supp. 889 (D. Conn. 1976).

In this suit filed in the Federal District Court for the District of Connecticut, plaintiffs alleged that the HAP filed by each community failed to provide a solution for the regional problem of economic and racial segregation and regional housing needs in that they did not accurately account for the low-and moderate-income families who may be expected to reside in each community. The plaintiffs sought to enjoin HUD from disbursing CDBG funds pending submission of adequate documentation by the seven suburban communities.

On HUD's motion, the seven suburban communities were joined as codefendants in the suit. On January 28, 1976, after a series of motions by both sides and a preliminary hearing, the District Court issued its decision.

The District Court ruled that the Secretary abused her discretion in approving CDBG applications for seven suburban communities in the Hartford

metropolitan area. HUD'S approval of applications of six communities having housing assistance plans with zero expected-to-reside entries was held to constitute a partial waiver of statutory requirements for the HAP.

The Court also ruled, with regard to the application from East Hartford, that HUD's failure to affirmatively search out and develop facts and data adequate to evaluate the expected-to-reside figure constituted an abdication of its responsibilities under the Act.

The Court enjoined the expenditure of funds by the seven localities pending the resubmission of their applications and the reprocessing of the applications by HUD. Five of the seven defendant communities chose to submit revised first-year grant applications to HUD. Although three of the suburban towns decided to appeal the Court's decision, HUD filed no appeal in the case.

The *Hartford* case was one of several important factors having a significant impact on the regulatory requirements promulgated by HUD with regard to HAPs. Proposed HAP regulations were published for comment in the Federal Register on January 15, 1975, (41 F.R. 2348), prior to the Court's final decision in *Hartford*. Many public comments were received on the proposed rule, and the regulations as published for effect on February 19 (41 F.R. 7503) were modified in several important respects.

The regulations as finally promulgated required that (1) each applicant assess the housing needs of lower-income families already residing or expected to reside in the community, including families with workers expected to be employed in the community and those with workers already employed in the community but living elsewhere; (2) the HAP specifies a realistic annual housing goal and a three-year goal for the number of dwelling units or persons to be assisted; and (3) that estimates of lower-income housing needs be proportioned by household type, i.e., elderly and/or handicapped families and large families.

On March 16, HUD published additional regulations on the HAP (41 F.R. 11128) providing a prescribed methodology for communities in metropolitan areas in estimating "expected-to-reside" needs. A methodology was also provided for applicants to take into account any undue concentration of lower-income families in their jurisdiction when making "expected-to-reside" estimates.

CITIZEN PARTICIPATION

The Housing and Community Development Act of 1974 requires citizen participation with local governments in developing the Community Development Block Grant (CDBG) programs and applications for funds.

Six aspects of citizen participation in the CDBG program have been analyzed: the legal and regulatory requirements; approaches to involving citizens taken by local governments; types of participants and extent of involvement; impact of citizen participation; complaints; and citizen recommendations for change. Assessment of the citizen participation process, measured by citizen satisfaction, is discussed in relationship to representativeness of advisory committees and citizen impact.

Five sources of data will be used:

- (1) **Community Development Experience Survey**¹ completed by 724 entitlement cities.
- (2) **Citizen Survey**² with leaders of organizations in 39 cities. (The characteristics of the cities are presented in Table 14.1.) Within each city, two persons recommended by local officials and two leaders of public interest groups identified independently were interviewed. (Interviews were completed with 139 leaders, or 89 percent of the intended respondents.) Responses from the interviews in each city have been combined to measure the degree of agreement or disagreement.
- (3) Survey of Citizen Participation Advisers in HUD Regional Offices, who were asked to assess the handling of the citizen participation process by local governments within their respective regions.
- (4) Field visits to selected cities recommended by HUD field staff and local officials as presenting innovative approaches to the citizen participation requirements of the CDBG program.
- (5) HUD documents and other reports on performance, complaints, litigation, monitoring, a Consumer Forum on Citizen Participation sponsored by the HUD Office of Consumer Affairs and Regulatory Functions.

For a review of citizen participation in discretionary cities, see Chapter 8.

One of the objectives of this Act is to rely on the capability at the local level for developing and administering programs. Each community, through whatever political process it chooses, defines its needs and sets its own goals.

Section 104(a) of the Act states that no grant may be made unless the applicant provides satisfactory assurance that before submission of its application it has (1) provided citizens with adequate information on the amount of funds available for proposed community development and housing activities, the range of activities that may be undertaken and other important program requirements, (2) held public hearings to obtain the views of citizens on community development and housing needs, and (3) provided citizens with an adequate opportunity to participate in the development of the application. The Act makes clear, however, that responsibility for developing and executing the community development program lies with the local government and is not restricted by citizen participation.

In general HUD regulations require local governments to disseminate information and provide citizens access to all stages of decisionmaking (planning, developing the application, amendments, and reallocation of funds). Citizens likely to be affected by the program, including low- and moderate-income persons, are to be given adequate opportunity "to articulate needs, express preference about proposed activities, assist in the selection of priorities, and otherwise participate in the development of the application."³

Local governments may also provide technical assistance to assist citizen participants to understand program requirements. Advisers for citizen participation in each HUD Regional Office were asked to assess the performance on entitlement cities in their region. According to their reports, **88%** of these cities have fully complied with the requirements. In addition, 25 percent of the cities have involved citizens beyond the minimum requirements.

No entitlement city had a citizen participation deficiency warranting rejection of its program, and those not in compliance have been issued warning letters by HUD.

¹ U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **Community Development Experience Survey**.

² Ibid., **Citizen Survey**.

³ *Code of Federal Regulations*, Title 24, Sec. 570.904(d) (2).

Table 14.1

**CHARACTERISTICS OF CITIES IN WHICH LEADERS OF
CITIZEN GROUPS WERE INTERVIEWED**

SIZE BY POPULATION		GRANT SIZE	
under 50,000	4	under \$1,000,000	10
50,000 - 100,000	15	\$1,000,000 - \$4,000,000	17
100,000 - 500,000'	16	over \$4,000,000	12
over 500,000	4	TOTAL	39
TOTAL	39		
MEDIAN INCOME		PERCENT BLACK	
under \$9,000	13	below 10 percent	19
\$9,000- \$10,000	13	10 percent - 20 percent	10
over \$10,000	13	over 20 percent	10
TOTAL	39	TOTAL	39

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

APPROACHES TO INVOLVING CITIZENS

There are several ways that cities can carry out program requirements to inform, involve and provide opportunities to participate. Methods to inform range from utilization of newspapers, which is almost universal, to publicity targeted to minority audiences through radio and TV — a method used in 10% of entitlement cities. (See Table 14.2 for full breakdown.) Involving citizens occurs through public hearings — a program requirement inviting proposals, and utilizing various boards and committees. (See Table 14.3.) In fact, most cities — over 80% — make use of a citizen advisory committee of some kind to represent citizen views, even though no structure for citizen participation is mandated in legislative or program requirements.⁴ Methods to inform, involve, gather input and represent citizens might be used separately with one stressed and others provided minimally. Cities tend, however, to make either extensive or little use of all of the techniques together.

Informing Citizens

The typical city makes use of the newspaper and two or three of the other methods to inform which are listed in Table 14.2. In all, 42% of the cities fall into this category, with 31% doing less and 28% doing

more, i.e., utilizing four or more methods. In cities that held only the two required public hearings, the proportion making little use of informational techniques rises to almost half — 47 percent; 15 percent used four or more methods to inform. At the other extreme, 44 percent of the cities that held many public hearings (over seven) also used many different approaches for giving information to citizens. Only 19 percent of these cities used the press and one other technique. Similarly, cities with citizen advisory commissions were more likely to utilize many informational techniques than those with no advisory committee.

Public Hearings

Almost three-quarters of the cities surveyed held more than the two required hearings. (See Table 14.4.) Almost half the cities held three or more additional hearings; a third held five or more; and a fifth had seven or more hearings beyond the required two. Roughly half of these hearings were held in areas for which community development projects were proposed, low-income neighborhoods, and neighborhoods of ethnic or racial minorities.

Additional hearings were somewhat more common in cities that also had advisory committees for citizens, than in those that did not. In the former, 23 percent of the cities held the required hearings in comparison to 35 percent of the latter cities. One advisory committee city in three held five or more hearings compared to one city in five that lacked a committee.

Citizen Advisory Committees

Over 80 percent of the cities covered by the Experience Survey and the Citizen Survey have a citizen advisory board, committee or task force, and most of these appear to be newly created. The

⁴ In consideration the Housing and Community Development Act of 1974, the Senate Committee on Banking, Housing and Urban Affairs "agreed that there is no single, commonly accepted definition [of citizen participation] . . . and "decided that program objectives would be better served by relying on local governments to develop acceptable models taking into account the varied traditions and public institutions that have grown up in U.S. communities." U.S. Congress, Senate, Committee on Banking, Housing and Urban Affairs, Housing and **Community Development Act of 1974**, Senate Report No. 93-693 to Accompany S. 3066, February 2, 1974, p. 57.

organizational structures for achieving citizen participation differ in two substantial ways from those used in the categorical programs: first, their structure and role is not specified in program requirements, and second, their scope tends to be citywide, whereas the urban renewal and model cities programs emphasized the participation of and representation of citizens in the project areas and model neighborhood being affected.

The new structure has apparently not incorporated project area committees or model cities commissions. The surviving organizations from the categorical programs are not widely used as agencies to involve citizens. Although over half of the cities over 500,000 population utilized the project area committee in the CDBG program, 20 to 39 percent of cities of all other sizes did so. Model cities programs were less common, which accounts for the very low proportion of cities

Table 14.2

RANK ORDER USED TO INFORM CITIZENS ABOUT THE COMMUNITY DEVELOPMENT PROGRAM ^a	Extent of Use:				
					Great
	None	Little	Somewhat	Deal	Total
1. Local newspaper	b%	b%	13%	86%	99%
2. Distribution of special literature	23	13	29	35	100
3. Radio	22	15	34	29	100
4. Announcements in local churches and other community meetings	37	20	27	16	100
5. Television	58	15	17	10	100
6. Door-to-door messengers	68	9	15	8	100
7. Predominantly minority newspapers	78	7	30	6	101
8. Display signs	79	9	7	4	99
9. Minority-oriented radio or TV	83	6	7	3	99

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development. Office of Evaluation, *Community Development Experience Survey* (724 responses).

^aRank based on combination of "somewhat" and "great deal."

^bLess than one percent.

Table 14.3

RANK ORDER^a OF METHODS USED TO INVOLVE CITIZENS IN THE CDBG APPLICATION PLANNING AND PREPARATION PROCESS

	Extent of Use:				Total
	None	Little	Somewhat	Great Deal	
1. Invitation to citizens or groups to submit proposals	12%	8%	23%	57%	100%
2. New advisory committee formed Community Development Program	27	4	11	58	100
3. Other existing boards or committees	29	12	31	28	100
4. Survey to determine citizen preferences	38	12	22	28	100
5. Existing Project Area Comm.	59	10	16	15	100
6. Model Cities Commission	94	2	2	2	100

SOURCE: Ibid.

^aRank order based on combination of "somewhat" and "great deal."

using the model cities commission in Table 14.3. Even among the participants in this program, only 32 percent used the commission somewhat or a great deal.

The citizen advisory committee for the CDBG program is typically a citywide appointed body, although various methods and combinations of methods are employed to constitute the committee. (See Table 14.5.) Approximately the same proportion of former model cities and other cities used a citizen advisory committee but the characteristics of committees differ. Over half of the cities that were not included in the model cities program used a citywide board with members appointed by local officials. Most of the balance of these cities combined citywide appointed members with members from neighborhoods either elected, appointed or open to all residents of a specific geographical area. Seven percent used a purely neighborhood based committee and one percent had citywide elected members. In the former model cities program, 13 percent of the participants used a citywide appointed board, and 54

percent combined citywide appointed with neighborhood membership. A larger proportion have a totally neighborhood-based committee (23 percent) and use elections to select citywide members (9 percent). The model cities experience appears to orient cities toward neighborhood involvement in the advisory committees, even though the model cities commission as an organization is not widely utilized to involve citizens.

Table 14.4

NUMBER AND LOCATION OF PUBLIC HEARINGS HELD BEYOND THE REQUIRED NUMBER

Number of hearings	Cities
a. Only two required	26%
b. 1-2 additional hearings	25%
c. 3-4 additional hearings	17%
d. 5-6 additional hearings	11%
e. 7 or more additional hearings	21%
Total	100%

Location of additional hearings ^a	Cities
a. Neighborhood for which C.D. projects proposed	57%
b. Low-income neighborhoods	55%
c. Ethnic/racial minority neighborhoods	47%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey* (724 responses).

^a 100 percent = 724 - 187 (two hearings required) = 537 responses.

An important question about citizen advisory committees (CAC's) under the block grant program is how representative these bodies are both of persons of low- and moderate-income, and of residents of the city generally. Respondents in the Citizen Survey were asked to assess the representativeness of the CAC in their own city. (CAC's were used in 85 percent of the cities in which citizens were interviewed.) The data in Table 14.6 indicate that the citizen advisory committees were judged to provide good representation for low- and moderate-income groups in one-third of the cities. Representation of all residents of the city was found good in 18 percent of the cities. In these cities with "good" representation, at least a majority of the respondents thought that representation was good and the rest thought it was fair. None considered representation to be poor. In 42 percent of the cities, representation for low- and moderate-income groups was rated satisfactory;

Table 14.5

SELECTION METHOD AND SCOPE OF CITIZEN ADVISORY COMMITTEES FOR THE CDBG PROGRAM

	Without (Model Cities) Experience	Model Cities
1. Citywide with members appointed by local officials	37% (186)	9% (5)
2. Citywide appointed members plus volunteer members	19% (94)	4% (2)
3. Citywide appointed members plus neighborhood based with members appointed by local officials and volunteer members	19% (96)	11% (6)
4. Citywide appointed members plus neighborhood based with membership open to all residents in a geographical area or elected members	13% (63)	20% (11)
5. Citywide appointed and various combinations of neighborhood selection	4% (21)	23% (13)
6. Neighborhood-based with various methods of selection	7% (35)	20% (11)
7. Citywide elected membership plus one other method of selection	1% (5)	9% (5)
8. Unclassified	0% (2)	5% (3)
TOTAL	100% (502)	100% (56)

SOURCE: Ibid.

citywide representation was satisfactory in 51 percent. In these cities, assessments were mixed with some respondents considering it to be good, some fair, and a small number, poor. Twenty-seven percent of the cities were rated as unsatisfactory in representation of low-moderate income groups; and of residents citywide, thirty percent. Although none of the cities had a unanimously poor rating, at least half the respondents in the "unsatisfactory" cities considered representation to be poor. In some of these cities, good and poor assessment were equally voiced, indicating that the committee was serving some groups better than others.

Table 14.6

REPRESENTATIVENESS OF CITIZEN ADVISORY COMMITTEES

Cities ^a in which Representation is judged to be	Representation of:	
	Low- and Moderate-Income Groups	Residents of City Generally
Good ^b	30% (10)	18% (6)
Fair ^c	42% (14)	51% (17)
Unsatisfactory ^d	27% (9)	30% (10)
	100% (33)	100% (33)

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Citizen Survey*.

^aCities in which citizen advisory group exists.

^bGood rating indicates that all or most of respondents from city rated representation good, and none rated it poor.

^cFair rating indicates that good and satisfactory ratings by respondents outnumber poor ratings.

^dUnsatisfactory rating indicates that poor ratings equaled or exceeded good ratings.

On the whole, assessments of the CAC's representativeness for low- and moderate-income groups was equal to or higher than the rating of citywide representation. For half the cities, the rating was the same: 15% of the CAC's represented both elements well, 27% satisfactorily, and 9% unsatisfactorily. In 30 percent of the cities, low-moderate group representation was considered better than general representation. Respondents often commented that the committee was oriented toward low- and moderate-income areas and not primarily intended to represent the entire city. In 18 percent of the cities, on the other hand, residents of the city generally are considered to be better represented than low- and moderate-income groups.

The assessment of representativeness of the CAC is related to the level of satisfaction with the citizen participation process in general, as indicated in Table 14.7. Dissatisfaction is common in the cities that have not created a CAC; and dissatisfaction is universal in those cities with a CAC that poorly represents both low- and moderate-income groups and residents citywide. The level of satisfaction is evenly mixed in the cities that represent one segment of the community better than the others. If all are represented well, respondents tend toward satisfaction with the citizen participation process, and if representation is good for all, a high level of satisfaction is common. Clearly, cities must provide a vehicle for citizen participation and create a body with balanced representation to achieve high levels of citizen satisfaction. (Other factors associated with satisfaction will be addressed.)

Approaches to Organizing the Citizen Participation Process

Cities that have made a substantial commitment to involving citizens in the block grant program were identified by the Citizen Participation Advisers in the HUD Regional Offices. Information was collected for eleven of these cities that cover a range of alternative strategies. The approaches used by these cities suggest alternative models for citizen participation structures that range from stress on a citywide body to emphasis on neighborhood groups with combinations in between, and fall into three general types:

- (1) A citywide advisory committee standing alone, or combined with ongoing committees in target areas.
- (2) A tiered structure, with two or three levels, in which members of higher level bodies are drawn from district or neighborhood committees.
- (3) A structure in which city staff work with district committees or other existing organizations, and in which no specially created citywide or target areawide advisory body exists.

The approaches, each divided into two sub-categories and a description of the cities that use them, follow:

(1a) The citywide citizens advisory committee provides a broad base for citizen involvement in the CDBG program, but lacks ongoing organizations at the neighborhood level.

In Hartford, Connecticut, the citizen participation process is handled by the Citizen Assembly, a body with 48 members representing 8 assembly districts elected by annual voting. Participation in elections has increased from 800 in 1974, to 1800 in 1976. The eight assembly districts cover the entire city, but their large size and boundaries that sometimes cut across neighborhood lines make the districts less suited to represent neighborhood interests. The Assembly holds extensive meetings and mini-hearings in all parts of the city. The Assembly has paid city staff assigned to it and interacts frequently with city departments.

Redding, California, uses a citywide citizens advisory committee appointed by the mayor and the Community Development Advisory Board with members from other city boards. The advisory committee has representatives from 13 different neighborhoods as well as persons selected from various organizations and agencies. Formally, the committee makes recommendations to the board, but in actuality the two meet together. In addition, two members of the city council as well as staff members meet with the joint committee, so that communication among advisers and decisionmakers has been maintained at a high level. Redding, because of its small size and commitment to an open process, has not experienced any dissatisfaction from neighborhood groups.

Table 14.7

CITIZEN SATISFACTION WITH THE CP. PROCESS
RELATED TO REPRESENTATIVENESS OF CITIZEN ADVISORY COMMITTEE

Representation of Low- and Moderate-Income Groups,
and Residents of City Generally on **C.A.C.**:^a

Level of Satisfaction ^b	NO C.A.C.	Unsatisfactory for Both	Low-Moderate Better Than Citywide	Citywide Better Than Low-Moderate	Satisfactory for Both	Good for Both
Low	83% (5) ^c	100% (3)	40% (4)	33% (2)	22% (2)	20% (1)
Medium	17% (1)	— (0)	20% (2)	33% (2)	33% (3)	20% (1)
High	— (0)	— (0)	40% (4)	33% (2)	44% (4)	60% (3)
TOTAL	100% (6)	100% (3)	100% (10)	100% (6)	100% (9)	100% (5)

SOURCE: Ibid.

^aFor calculation of index, see Table 14.6.

^bLow indicates that all or most of respondents in the city were dissatisfied, medium indicates that respondents were evenly divided, and high indicates that all or most were satisfied.

^cAll entries are the number of cities.

(1b) A variation on this approach is a citywide board that exists along with neighborhood groups involved in program development and implementation. This approach provides a broad-based advisory committee, with high legitimacy in the eyes of the city council, and a neighborhood base in target areas. The advisory committee makes choices and reconciles conflicts. The potential weakness of this approach is the lack of direct connection between neighborhood committees and the citywide advisory committee. The two cities using this approach, however, have in different ways overcome this potential problem.

Jacksonville, Florida, has an advisory committee with 14 members elected at neighborhood hearings, 10 members appointed by the mayor and council to represent a cross-section of organizations and agencies in the city, and three ex officio members from two Project Area Committees and the Advisory Board for the city department of housing and urban development. A separate but related structure for citizen involvement in nine low- and moderate-income areas is the Neighborhood Improvement Mechanism, under which neighborhood improvement associations (NIA) with staff assistance address any issue that affects the neighborhood. Although the NIA's are not formally represented on the advisory commission, six out of the fourteen members elected at hearings in the second program year came from NIA's. The advisory committee sets broad priorities for expenditure of block grant funds based on an assessment of the priorities established at neighborhood hearings. The advisory committee has recommended setting aside a block of funds for the Neighborhood Improvement Mechanism. Specific projects are developed and implemented through interaction between staff and the NIA's.

In Spokane, Washington, there is a cluster of three overlapping citywide bodies that develops recommendations for the use of block grant funds. These are the appointed Plan Commission, the Quality of Life Council (a 46 member appointed body that advises the Plan Commission) and a Task Force for Community Development composed of 15 members from the other two committees. Citizens define neighborhood boundaries, and Neighborhood Steering Committees are formed which meet frequently during the application planning process. A Town Meeting — attended by 400 persons in October, 1976 — is held at which proposals are made. The Task Force then decides which neighborhoods will be funded based on the level of interest and need and the amount of community development money to be allocated to each. Final recommendations for projects are made by the Task Force after additional meetings with Neighborhood Steering Committees. Proposals for areas not included in the selected neighborhoods are developed by the Task Force. Recommendations go through the Quality of Life Council and Plan Commission to the City Council. After programs have been approved by the City Council, city staff continue to work with Steering Committees in project implementation. An additional element in the Spokane approach is the work of a consultant, which provides assistance under contract with the city. The consultant team works as part of the planning staff to help design and implement the citizen participation process by organizing meetings; facilitating communication among citizens, staff, and city hall; and providing training to participants.

(2a) The second approach is a two-tiered structure in which district committees are formed which send

representatives to the citywide advisory committee. Interaction between the district and citywide level is formally built into this structure.

Cedar Rapids, Iowa, is divided into quadrants for organizing citizen participation in the block grant program. Following media notice, neighborhood meetings are held and citizens volunteer to sit on Quadrant Committees. The committees meet frequently to develop preliminary plans and establish priorities, and the planning department develops cost estimates for the proposed projects. A Priorities Committee composed of two members elected by the Quadrant Committees reviews the proposals, and selects projects in accordance with the cost of the activities and the needs of the sections. The recommendations of the Priorities Committee have been approved completely by the City Council. The resulting program provides balanced (though not equal) distribution of dollars among sections of the city.

In Omaha, Nebraska, the citizen participation process used in the first two years was organized in a two-tier structure. Eight community development councils were formed in low- and moderate-income areas, composed of representatives of neighborhood groups in the district. The chairman and vice-chairman of the councils, together with nine at-large members appointed by the mayor, constituted the Community Development Advisory Commission. Each district council developed a list of priorities, and the advisory commission chose among these. Several problems have led to the replacement of this structure with one that will be described in 3b. First, there was competition among groups within some districts to get a high priority for proposals. Groups that "lost" at this level did not have adequate opportunity to present their recommendation to the citywide body, and sometimes withdrew their participation. As a result, some neighborhoods did not have an effective voice. Second, competition between districts on the advisory commission (composed of neighborhood leaders themselves) led to the simplifying solution of choosing the top two priorities from each district.

(2b) The three-tiered structure is distinctive because it includes committees at the neighborhood level as well as the district and citywide levels. In Birmingham, both the higher levels are composed of persons selected from the preceding rung; and in Little Rock, the citywide board is separately appointed.

In Little Rock, Arkansas, nine low- and moderate-income areas have been identified. Within these areas, a series of public meetings are held at which city staff review the CDBG program, indicate the amount of money recommended for ongoing citywide projects, and also indicate the amount for each target area (based on need). From the neighborhood meetings, a committee of twelve to eighteen are elected to a CDBG target area

planning committee. This planning committee prepares recommendations for projects in their area using their respective allocations. City staff members are assigned to each area to provide technical information. The area committee recommendations are submitted to the Human Resources Council—an appointed city board—which in conjunction with the Planning Board makes final recommendations to the City Council. After program approval, the area and neighborhood committees are involved in executing and evaluating the programs.

Birmingham's three-tiered citizen participation structure, consists of 84 neighborhood citizens' committees (covering the entire city), 19 community citizen committees, and a Citizen Advisory Board. The neighborhood citizens' committees serve as the base of the organization. Each neighborhood citizens' committee is open to all residents; a president, vice president, and secretary are elected by the entire neighborhood to serve as chief administrative officers. The neighborhood citizen committee, guided by its elected officers and advisory group (composed of representatives of all segments of the neighborhood appointed by the president) is expected to analyze its area and to list, in priority order, its problems and development goals. At the community level, consisting of two to seven neighborhoods, community citizens' committees are composed of the three elected officers of each neighborhood citizens' committee. Community citizens' committees consider what actions might be appropriate at the community level and what problems should be referred for citywide attention. The third level is the Citizen Advisory Board, composed of the presidents of the nineteen community citizens' committees. The Citizens Advisory Board receives and evaluates information on problems and goals coming from the neighborhood and community levels and develops recommendations which are submitted to the Mayor and City Council.

(3a) The third approach stresses neighborhood or district committees with strong staff support and frequent interaction with city officials as the base for citizen input and implementation. In all three cities that use this approach, the district committees are concerned with the full range of city policies and services that affect the neighborhood and address the block grant program as one particular source of funds to advance the improvement of the neighborhood. In addition, staff that work in and with neighborhoods play a central role in processing citizen recommendations and developing the proposed application for submission to the city council (along with a preexisting departmental advisory board in one case).

Atlanta utilizes 24 Neighborhood Planning Units (NPU) to collect information about citizen preferences for the use of block grant funds. The

NPU's grew out of a charter revision in 1974 that requires citizen participation on the preparation of all budgets and development plans for the city. Each NPU, containing seven to twenty neighborhoods, has a committee, consisting of twelve to fifteen members, which is assisted by one of four planning teams from the city's Division of Neighborhood Planning. As an extension of the planning function within the neighborhood, the NPU committee develops proposals for community development activities within the neighborhood. Every request is evaluated by the planning teams, and the Division of Neighborhood Planning develops a set of recommendations which is presented to the Department of Community and Human Development and other city departments for consideration in preparing the administration's proposal for use of block grant funds.

Boston is divided into eighteen neighborhoods to handle the Neighborhood Improvement Program, for which the block grant program is one source of funding. Each of the neighborhoods has a "Little City Hall" with a district manager and neighborhood planning team. In the block grant program, this decentralized governmental center with advisory committee was used as the organizing agent for seminars to discuss community needs, hearings, and work sessions to identify priorities and establish recommendations. Citizens also have an opportunity to review administration recommendations developed by city staff, including the Little City Hall managers.

In Oakland, California, the central feature of the citizen participation process is seven community development councils in low- and moderate-income areas of the city, which are assisted by seven district coordinators on the staff of the city's Office of Community Development. The councils, made up of organizational representatives and neighborhood residents within each district, are the primary source of citizen input for shaping the block grant application. Increasingly, the seven chairpersons of the district councils have acted jointly as a collective body representing neighborhood interests in program development and implementation. Recommendations are aggregated by the coordinators and presented to the Community Development Advisory Commission—the appointed board for the Office of Community Development—but any group or individual may make recommendations directly to the Commission. Communication between the Advisory Commission and the district councils is facilitated by the assignment of one Commission member to each community development district.

(3b) The final approach shares characteristics with the neighborhood approach except that the units of citizen involvement are groups of any size that are interested in improving community conditions. City staff work with any group from an informal block association to district or citywide organizations to

develop and implement proposals for use of community development funds.

Omaha, Nebraska, has shifted its citizen participation process for the third program year from the two-tiered structure described to establish direct ties with any target area group interested in participating. Almost all of the groups formed under the two-tier approach continued to participate, and an additional 15 groups made proposals in two evening meetings attended by approximately 400 persons. In preparation for these "presentation" meetings, twelve members of the Housing and Community Development Department and the Planning Department met with an estimated 4,000 persons at 142 meetings ranging in size from two to two hundred participants, with most meetings held at night in all parts of the city, since August 1, 1976. In addition, staff provided planning and survey assistance to groups in their neighborhoods. Twenty-six formal presentations made by groups were assessed by staff, and twenty-one have been recommended for at least partial funding. Contact with the initiating group will continue as projects are implemented.

In general, most of the eleven cities have provision for extensive citizen input in planning stages and involvement in implementation through participation of groups at the neighborhood or district level. The seven cities with a citywide component also encourage citizen participation in assessing all recommendations and developing a proposed allocation of funds. It is largely these same cities that have created a citizen participation structure that specializes on the block grant program itself. In the other cities, citizen groups are concerned with a broad range of community issues, and staff play a central role in developing final recommendations for block grant fund use with provision for citizen review.

TYPES AND RANGE OF PARTICIPANTS

Citizen Survey respondents were asked to what extent various kinds of organizations in their community participated in the Community Development Block Grant program. The citizen perceptions indicated that, in almost all cities, neighborhood groups were involved some or a great deal and were by far the most common active participant. (See Table 14.8.) Community Action Agencies, the League of Women Voters, and business groups were highly or moderately involved in approximately two-thirds of the cities (in which such groups existed). Churches, project area committees, low-income groups, and chambers of commerce were involved in slightly more than half the cities. Civil rights groups, labor unions, political parties, and model cities committees, on the other hand, were not active in most cities.

The data in Table 14.8 can be recalculated to show the proportion of groups within the city that were moderately or highly active in the CDBG Program:

- In 13 percent of the cities, 76-100 percent of the types of groups listed in Table 12.8 were involved some or a great deal;
- In 32 percent of the cities, 51-75 percent of the groups were involved;
- In 45 percent of the cities, 26-50 percent of the groups were involved; and
- In 11 percent of the cities 11-24 percent of the groups were involved.

Participation by groups representing all or most sectors of the community occurred in 42 percent of the cities in which citizens were interviewed. Most of the remainder had some diversity of participants; but in one city out of ten the range of groups involved was quite narrow. Thus in some cities the citizen base for the block grant program was limited to neighborhood associations if any organized groups were involved; in others all segments of the community participated; and in most the range of participants fell between these extremes.

INVOLVEMENT IN DIFFERENT STAGES OF COMMUNITY DEVELOPMENT PROGRAM

HUD regulations require that local governments provide citizens access to all stages of decisionmaking

in the Community Development Program. The actual amount of participation in different stages, however, varies. Participation is highest in the planning stages, lower in decisionmaking, and least in monitoring or evaluating the progress of the program. The levels of citizen participation reported by city officials are contained in Table 14.9. Citizens are highly involved in a majority of cities only in describing needs and setting priorities, the program phase in which citizens are most likely to participate. In 46 percent of the cities, citizens are highly involved in setting goals, but in 17 percent citizens have little or no participation in goal-setting. Among the planning activities, the least citizen participation occurs in drafting proposals for activities.

In decisionmaking, citizens participate a great deal in almost half the cities in selecting activities for which funding will be requested in the application, but in almost one-fourth of the cities citizens participate little in activity selection. Selecting neighborhoods in which funded activities will be located and reviewing the final draft of the application have high citizen participation in one-third of the cities, and low participation in 35 and 41 percent respectively.

Citizens are as likely to be involved in keeping up with the progress of the Community Development Program as they are to take part in decisionmaking; but participation is rare in assessing the impact of activities or reviewing the Grantee Performance

Table 14.8

LEVEL OF INVOLVEMENT BY CITIZEN GROUPS IN THE CDBG PROGRAM

Group	Level of Involvement ^a			Total Number of Cities ^b
	Low	Medium	High	
Neighborhood	8% (3)	47% (18)	45% (17)	100% (38)
Community Action Agency	35% (12)	38% (13)	26% (9)	100% (34)
League of Women Voters	32% (12)	54% (20)	14% (5)	100% (37)
Business Groups (Other)	32% (12)	62% (23)	5% (2)	100% (37)
Low-Income Groups (Other)	45% (17)	50% (19)	5% (2)	100% (38)
Churches	47% (18)	46% (18)	5% (2)	100% (38)
Project Area Committee	49% (14)	41% (12)	10% (3)	100% (29)
Urban League	57% (16)	29% (8)	14% (4)	100% (28)
Civil Rights Groups (Other)	61% (19)	39% (12)	- (0)	100% (31)
NAACP	64% (21)	30% (10)	6% (2)	100% (33)
Political Parties	73% (28)	27% (9)	- (0)	100% (37)
Labor Unions	76% (28)	24% (9)	- (0)	100% (37)
Model Cities Committee	80% (12)	- (0)	20% (3)	100% (15)

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Citizen Survey.

^aLevel calculated by summing the ratings provided by respondents and dividing by the number of respondents for that city. Responses scored as follows: Low rating=1, medium rating=2, and high rating=3. Low level indicates an average rating less than 1.59; medium level= 1.6-2.33; high level=over 2.34.

^bNumber of cities is the number in which that group exists and is, therefore, a potential participant in the CDBG Program.

Table 14.9

AMOUNT OF CITIZEN PARTICIPATION IN STAGES OF THE,
COMMUNITY DEVELOPMENT PROGRAM

A. Planning	Low	Medium	High	Total
1. Describing needs	8% (57)	22% (163)	70% (504)	100% (724)
2. Setting goals	17% (121)	38% (272)	46% (331)	100% (724)
3. Setting priorities for activities	12% (84)	30% (215)	59% (425)	100% (724)
4. Drafting proposals for activities to be considered	38% (277)	28% (201)	34% (246)	100% (724)
B. Decisionmaking				
1. Selecting activities for which funding will be requested	24% (173)	28% (200)	49% (351)	100% (724)
2. Selecting neighborhoods in which projects will be located	35% (257)	31% (227)	33% (240)	100% (724)
3. Reviewing final draft of application	41% (299)	26% (191)	32% (234)	100% (724)
C. Monitoring/Evaluation				
1. Keeping up with progress of CD program	34% (246)	37% (269)	29% (209)	100% (724)
2. Assessing impact of activity	64% (466)	25% (184)	10% (74)	100% (724)
3. Reviewing Grantee Performance Report before submission to HUD	72% (522)	20% (145)	8% (57)	100% (724)

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey*.

Report, a report required in second and succeeding years before application submission to HUD.

Information obtained from citizens can be compared to several of the activities covered in the Experience Survey. (See Table 14.10.) Citizen and official responses indicate substantially the same proportion of cities with low levels of involvement. The local officials' responses, however, place a higher proportion of cities in the high category than do the citizen responses.

CITIZEN IMPACT ON THE CDBG PROGRAM

Citizen impact can be measured as influence on determination of priorities, selection of activities, and choice of locations in which activities will be placed.

The Experience Survey asked local officials to assess the importance of various factors in selecting activities in general, and in determining the level of social service expenditures for the second year application. Most cities report that citizen participation was an important influence on selection of activities (80 percent). Two other factors are as common: community level of need was an important factor in 82 percent of the cities; and professional/staff determination was mentioned as important in 72 percent.

The three most often mentioned factors influencing the level of social service expenditures and the proportion of cities mentioning that factor are: citizen participation (43 percent), professional/staff determination (41 percent), and community

level of need (36 percent). In those cities which spent 5 percent or more of the block grant funds for public services, citizen participation was considered to be an important factor in over 70 percent. These data indicate that citizen participation is an important, but not predominant, factor in influencing program content. Professional consideration, need, and citizen input appear to be mixed in almost equal parts (along with many other influences not mentioned). Since these three factors do not necessarily lead to the same policy decision, it may be difficult to determine the relative impact of any one factor.

Another approach to evaluating citizen participation in the CDBG program is to measure the influence of citizen recommendations on the activities and target areas included in the block grant application. Respondents in the Citizen Survey were asked what recommendations they had made and the response of local government. The disposition of citizen recommendations offers a measure of the success of the citizen participation process in involving citizens. After recommendations are made, positive response to recommendations indicates that citizens have had effective access to the decisionmaking process; have been able to meaningfully express preferences; and influence the selection of activities.

For those cities in which interviews were completed with at least three of the intended respondents (33 of 40 cities had usable information on this question from at least 3 respondents), 197 recommendations were made concerning activities or projects, and 47 recommendations were made concerning target areas for locating activities. Overall, 78 percent of the recommendations were accepted completely; seven percent were accepted in part; and 16 percent were rejected. Among the location recommendations, 55 percent were accepted; 13 percent were partially accepted; and 32 percent were rejected.

The source or recommendations made some difference in response. Of proposals from respondents identified for this survey by local officials, 80 percent were accepted completely, four percent accepted partially, and 16 percent rejected. For the groups identified independently for the survey, 59 percent of their recommendations were accepted fully; 12 percent were accepted partially; and 28 percent were rejected.

Based on an analysis of recommendations made in the 33 sample cities in the Citizen Survey, cities can be categorized according to the degree of citizen involvement and impact. (See Table 14 11.)

Based on the program recommendations made and accepted, the target area proposals, and nature and dollar value of recommendations (when available):

- a) In nine percent of the cities, citizen participation in recommendations was absent. No recommendations were made by citizen leaders interviewed.
- b) In the remaining 91 percent of the cities, the citizen groups achieved at least some degree of success. At a minimum, one recommendation was made by the groups interviewed and accepted for funding by the city council. At a maximum, twelve specific recommendations were accepted. The presence of accepted recommendations does not necessarily indicate that officials accepted whatever proposals citizens made. Some were rejected, and others accepted only after considerable negotiation with officials and staff.

The level of participation and impact in these cities can be categorized into four types:

- 1) **Low participation**, In about nine percent of the cities, the citizen groups recommended no more than one or two proposals for funding. All of these proposals, however, involved substantial activities (rehabilitation, public services, and housing), and were funded by the city. The reasons for low participation are not clear. Analysis of satisfaction

Table 14.10

AMOUNT OF CITIZEN PARTICIPATION IN STAGES OF THE COMMUNITY DEVELOPMENT PROGRAM.

	Low	Medium	High	Total
1. Determining needs goals, and priorities	5% (2)	56% (22)	38% (15)	100% (39)
2. Selecting neighborhoods or target areas	23% (9)	46% (18)	31% (12)	100% (39)
3. Writing proposals for activities	41% (16)	44% (17)	15% (6)	100% (39)
4. Amending or revising the CD Program	28% (11)	56% (22)	15% (6)	100% (39)
5. Monitoring progress of the CD Program	46% (18)	36% (14)	18% (7)	100% (39)

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Citizen Survey*.

with the citizen participation process, however, indicates that there may have been perceived deficiencies in the process itself.

- 2) **Medium participation.** In over one-quarter of the cities, participation was moderate. Citizen groups recommended three to four projects for funding. Almost all were funded. In addition, recommendations for target areas were made and accepted in almost all these cities.
- 3) **Moderate-high participation, mixed response.** In 15 percent of the cities, the citizen groups were quite active, proposing an average of more than five projects per city. About one-half of their proposals, however, were rejected by the city. Three distinct factors for rejection were identified. In one city, there was cleavage by the race of the recommending group. In a second, the recommendations of the citizen advisory group were accepted and those of other groups rejected. In a third city, two-thirds of the program recommendations were accepted; but officials and citizens disagreed over how many of the activities should be placed in the former model city neighborhood. For all cities in this category, the types of proposals accepted were similar to those rejected – neighborhood centers, rehabilitation loans, and recreational programs. The accepted proposals included an urban renewal project and central business district improvements, and the rejected included rehabilitation grants.
- 4) **Moderate-high participation, high impact.** In two-fifths of the cities, the citizen groups were very active, proposing an average of more than eight projects per city. More than 90 percent of the proposals were funded by the cities,

The tendency toward active and effective citizen participation applied **for the groups interviewed**. Other groups may have impact as well but interviewing was not extensive enough to confirm this.

The other tendency apparent in the data is the absence, as opposed to the rejection, of citizen participation, i.e., the failure of citizens to propose activities for inclusion in the block grant program. Except in the 15 percent of cities with mixed response by officials, only rarely are efforts by citizens to influence the community development program thwarted by actual rejection of citizen recommendations. Those cities with no or little citizen involvement – roughly one in five – apparently failed to create a citizen participation process that actively engages citizens in the creation of the community development program.

The level of impact is associated with the representativeness of the citizen advisory structure used to involve citizens. When the citizen advisory committee is absent or poorly representative, cities are evenly divided between no, low, or mixed-impact, or between medium-to high impact. In cities that represent citizens well through the **CAC** (regardless of

Table 14.11

RESPONSE TO CITIZEN
RECOMMENDATIONS FOR THE CDBG
PROGRAM IN 33 CITIES

	Average Number of Recommendations				Average	
	Program		Target Area		Average	
	Accepted	Rejected	Accepted	Rejected	Accepted	Rejected
A. No C.P. 3 cities	0	0	0	0	0	0
B. Low C.P. 3 cities	1.7	0	0	0	83	0
C. Medium C.P. 9 cities	3.1	0.6	2.0	0	268	14
D. Moderate-High C.P. Mixed Response 5 cities	4.4	4.0	0.4	2.4	1,661 ^a	372
E. Moderate-High C.P. High Impact 13 cities	8.5	0.8	0.8	0.4	410	5

SOURCE: US. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Citizen Survey*

^aIncludes \$6,000,000 Urban Renewal Project in one city. Average is \$461,000 without this project.

relative differences in representation of low- and moderate-income groups and residents generally) two-thirds have medium-to-high impact.

Furthermore, citizen satisfaction is higher in cities where citizens have been active in making recommendations and successful in securing acceptance of their proposals. As indicated in Table 14.12, in all the cities with no or low citizen participation, there is dissatisfaction expressed by leaders of citizen groups. When there is a medium level of participation and impact, the number of cities with high and low satisfaction is equal. Dissatisfaction, however, is present in three-fifths of the cities with moderate-to-high participation but limited impact. These are the cities in which rejected recommendations equal or exceed accepted recommendations. In contrast, satisfaction is high in three-fifths of the cities with active participation and high impact; and satisfaction is low in only 15 percent of these cities.

Table 14.12

CITIZEN SATISFACTION WITH THE CP.
PROCESS RELATED TO CITIZEN IMPACT ON THE
CDBG PROGRAM

Level of Satisfaction: ^a	Level of Citizen Impact on Program Content: ^b					Total
	None	Low	Medium	Mixed Response	Moderate-High	
Low	100% (3) ^c	100% (3)	44% (4)	60% (3)	15% (2)	(15)
Medium	- (0)	- (0)	11% (1)	20% (1)	23% (3)	(5)
High	- (0)	- (0)	44% (4)	20% (1)	62% (8)	(13)
TOTAL	100% (3)	100% (3)	100% (9)	100% (5)	100% (13)	(33)

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Citizen Survey*.

^aLow indicates that all or most of respondents in the city were dissatisfied, medium indicates that respondents were evenly divided, and high indicates that all or most were satisfied.

^bFor calculation, see text of Part I V.

^cAll entries are the number of cities.

COMPLAINTS

Since inception of the CDBG program, HUD regions had recorded 997 citizen complaints as of August 1976. Seven hundred and twenty-four entitlement cities that responded to the 1976 CPD Experience Survey reported a total of 1,038 complaints. However, this is not the universe of all cities; and it is possible that not all complaints reached HUD.

Complaints Received by HUD

The citizen complaints recorded by HUD were usually submitted to the Department by letter, and generally resolved by communication between the complainant and local officials. The procedures for handling citizen complaints were stipulated in a December 1, 1975, memorandum from the Assistant Secretary for Community Planning and Development. The memo states that all citizen complaints will be referred to the local chief executive for direct response to the complainant. The HUD Area Office maintains a citizen complaint log and receives a copy of the responses to the complainant in order to determine adequacy. A response is considered adequate when (1) it is consistent with the known data about the city, (2) it is appropriate to the Housing and Community Development Act of 1974 and its regulations, and (3) it addresses all items in the complaint. If a response is considered inadequate, further HUD contact is made with local officials. To date, three percent of the local responses to complaints have been judged inadequate and returned to local officials for revisions.

Source of Complaints

The largest number of complaints are submitted by groups rather than individuals. These groups generally

fall into two categories: (1) Neighborhood groups, representing particular segments of the community concerned with all or several aspects of the program; or (2) advocacy groups, concerned with a particular aspect of the CDBG program.

Complaints from individuals deal with several aspects of the program with the greatest emphasis on (1) the inadequacy of the citizen participation process; and (2) funding decisions relating to the type and location of community development activities.

The number of citizen complaints by HUD Regions are:

HUD REGIONS	Aug. 1974 – Aug. 1976
I	106
II	94
III	121
IV	159
V	154
VI	88
VII	55
VIII	21
IX	122
X	77
TOTAL	997

HUD has categorized citizen complaints into the following areas:

1. **Citizen Participation Process**
 - a. Adequacy of Information
 - b. Number, Adequacy of Public Hearings
 - c. Adequacy of Opportunity to Participate
 - d. Adequacy of Involvement in Amendments
 - e. CP Plan – General/Other

2. *Maximum Feasible Priority/Urgent Needs*
3. *Eligible Activities*
4. *Housing Assistance Plans*
5. *Environment*
6. *Historic Preservation*
7. *3 12 Rehabilitation Loans*
8. *Relocation*
9. *Acquisition*
10. *701/Comprehensive Planning Assistance*
11. *CPD/Equal Opportunity ("Mixed Complaints")*
12. *Other CPD Programs*
 - a. *Model Cities*
 - b. *Urban Renewal/NDP*
 - c. *Resources/Other*

The most frequent complaint received by HUD relates to the citizen participation process in the CDBG program. Complaints refer to inadequate information; lack of notice about public hearings; inadequate opportunity to participate; and that citizens are not kept informed. The second most frequent complaint alleged that programs are not being developed so that maximum feasible priority is given to activities which benefit low- or moderate-income families. The third most frequent complaint related to disputes over eligible activities. The remaining complaints dealt with various issues such as housing assistance plans, environmental issues, 31 2 rehab loans, and "mixed complaints" concerning both equal opportunity and the block grant, such as discrimination in housing and employment. See Table 14.13 for frequency of complaints by HUD regions.

Number of Complaints Received by Cities

Officials in entitlement cities were asked to report on the formal, written complaints they had received from citizens or citizen groups. Among the entitlement cities analyzed to date (total of 724), 64 percent reported no complaints and 36 percent received one or more complaints.

Number of Complaints	Cities
none	64% (464)
1-5	31% (223)
6-10	3% (23)
11-15	1% (4)
more than 15	1% (10)
Total	100% (724)

Within the 260 cities with complaints, a total number of 1,038 complaints were reported.

Issues in Complaints

Formal complaints to cities were most likely to concern the substance of the program. Almost half (48 percent) of the complaints indicated dissatisfaction with priorities, activities, or location of programs. Twelve percent of the complaints concerned the citizen participation process, such as the failure to hold hearings or the lack of sufficient funding for citizen participation activities. Nine

percent were dissatisfied with the administration of the program, and seven percent complained about delays in starting up or in the progress of programs. In addition, seven percent of the complaints concerned failure to give maximum feasible priority to low- and moderate-income neighborhoods; and five percent alleged discrimination in administration of the program, e.g., hiring, and giving contacts (see Table 14.14).

Disposition of Complaints

The ways in which complaints were disposed of by city officials is contained in Table 14.15. Over half the complaints in over half the cities, resulted in no change in the application. Rather, explanations were given to citizens to respond to their complaints. One in five complaints resulted in changes in the application before submission to HUD; eight percent produced change in the application after approval; and nine percent elicited promises for action in the future. Cities in roughly equal proportions (12-13 percent each) changed the application before submission, after approval, or promised future action.

Monitoring

A discussion concerning monitoring of citizen participation activities by HUD is contained in Chapter 9.

CITIZEN ASSESSMENT AND RECOMMENDATIONS

Respondents in the Citizen Survey were asked if they were satisfied with the process for involving citizens in their city. There was variation in response, from unanimous satisfaction to unanimous dissatisfaction. In one-third of the cities, all or most of those interviewed were satisfied with the citizen participation process.

In 23 percent of the cities, respondents were evenly divided in their assessment. In 44 percent of the cities, most or all of the respondents were not satisfied. The tendency appears toward dissatisfaction.

As noted earlier, the level of satisfaction is related to both the representativeness of citizen advisory committees and to the amount and impact of citizen participation. Even in cities where representation was satisfactory to good, or impact was moderate-to-high; however, there was still some expressions of dissatisfaction. This apparent contradiction may be explained by the high expectations citizens have for participation in the community development process.

A tendency to judge citizen participation by high standards is reflected in the suggestions made by respondents in the Citizen Survey and recommendations of public interest groups that participated in the HUD Consumer Forum.

The major problems and recommendations offered by citizens interviewed are contained in Table 14.16. These comments can be grouped into three distinct but overlapping forms of change.

Table 14.14

ISSUES RAISED IN CITIZEN COMPLAINTS TO ENTITLEMENT CITIES

Category	Time Occurring	Per cent
a) maximum feasible priority not given to low and moderate income neighborhoods	15	7
b) complaints with citizen participation procedures, e.g., hearings not held, insufficient funding,	26	12
c) complaints with program, e.g., dissatisfaction with priorities, activities, location, acquisitions, etc.	112	48
d) dissatisfaction with administration of the program in the city	20	9
e) environmental/historical concerns	11	5
f) HAP not adequate	7	3
g) discrimination in administration of program, hiring, giving contracts	10	5
h) inadequate funding	7	3
i) ineligibility disagreements	7	3
j) delays in starting up and in progress of program	16	7
k) uncategorized	2	1
Total	233	100

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey*.

First, citizens recommend change within the existing framework of the CDBG program — alterations in the administration to expand input and involvement. Citizens call for a better exchange of ideas between citizens and government, a more formalized citizen participation process, better representation for minority groups, and more technical assistance to raise the competency of citizen groups.

A second set of recommendations involves changes in the law and regulations for the CDBG program. In general, citizens proposed increasing the weight of citizen participation in decisionmaking. Citizens want

more control over the expenditure of funds for the entire program, and more money being spent or earmarked for citizen participation. Others suggested a greater voice for low- and moderate-income groups in shaping the program. Citizens proposed that HUD make its regulations more explicit on required citizen participation.

The third category of recommendations deals with attitudes toward citizen participation rather than administration or requirements. Many respondents felt that local and Federal governments, as well as citizens, are not committed to citizen participation. Local governments, some respondents charged, view citizen participation as a Federal requirement. The Federal government is criticized for pulling back from the commitment to citizen participation demonstrated in earlier programs.

These recommendations are similar to ones made at a Consumer Forum on Citizen Participation and Complaint Handling held by the HUD Office of Consumer Affairs and Regulatory Functions on December 7, 1976. Selected national and local organizations prepared working papers, including the National Urban League, Center for National Policy Review, New Jersey State Public Advocate, National Association of Counties, Housing Assistance Council, U.S. Conference of Mayors, Chicago Metropolitan Area Housing Alliance, National People's Action, Coalition for Block Grant Compliance, National

Table 14.15

DISPOSITION OF COMPLAINTS RECEIVED BY ENTITLEMENT CITIES

Nature of Disposition	Complaints	Cities
A. Change in application before it was submitted to HUD	22% (230)	13% (35)
B. Change in local program after application was approved by HUD	8% (83)	12% (11)
C. Promise to change in succeeding year's application	9% (90)	13% (34)
D. No change in application; explanation to citizens	57% (587)	54% (146)
E. Other	5% (48)	9% (24)
Total	100% (1038)	100% (270) ^a

SOURCE: Ibid.

^aExceeds number of actual cities with complaints because more than one complaint could be handled differently in the same city.

Association of Housing and Redevelopment Officials, National League of Cities, National Association of Community Action, and Forest Park District Council.

The major recommendations were as follows:

- 1) Legislative changes be sought to provide funding for citizen participation and technical assistance, to formally include citizens in the decisionmaking process, and to insure participation in all stages of the community development process.
- 2) More specific regulations concerning public hearings to insure adequate dissemination of information and citizen input.
- 3) More rigorous monitoring of compliance with requirements, and consistency with the jurisdiction's own citizen participation plan; and HUD

assistance to increase citizen monitoring.

- 4) Develop standards for citizen participation plans, structures, and process.
- 5) Develop a complaint procedure in which HUD officials investigate and resolve citizen complaints in a timely manner and require applicants to specify, prior to submitting applications, how they will review citizen complaints.

In addition, the participants made recommendations in a number of other substantive areas of the Act including maximum feasible priority and urgent needs. A more detailed publication of participants' observations, conclusions, and recommendations will be published by the HUD Office of Consumer Affairs and Regulatory Functions.

TABLE 14.16
PROBLEMS WITH C.P. PROCESS
AND RECOMMENDATIONS MADE BY CITIZENS

Categories	Times Occurring
1. There is currently citizen apathy. The program therefore needs more meaningful citizen involvement.	17
2. An increased exchange of thoughts and ideas is needed between citizens and local governments. To accomplish this citizens need more information on the program, more training in community development and more technical assistance.	15
3. There is a need for both cities and HUD to increase their commitment to citizen participation in administration, regulations, and laws.	17 (HUD 3 Cities 4 Both 10)
4. Make citizen participation a more balanced input source through a greater voice for low-income groups on CAC's and less discrimination.	13
5. Increase the quality and quantity of meetings, workshops, and hearings.	7
6. Restructure the CAC's and the citizen participation process in general to make it more effective, and more consistent and better organized over all phases of the program. It is currently too haphazard a process.	6
7. The CAC's and community development staff must be independent of political interference and ties.	5
8. Uncategorized.	12
Total	92

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Citizen Survey*.

RED TAPE

Time and Resources Necessary

Block grant recipients were divided in their responses on the amount of time and resources required to submit second year applications for funding in comparison to the first year. Thirty-seven percent indicated that second year applications took more time, 39 percent said it took less time, and 24 percent indicated that there was no difference between the two years. While there was a variation in the responses for all groups of respondents, large entitlement cities were most likely to indicate an increase in time and resources, while small communities were most likely to indicate less time and resources or no difference (See Table 15.1).

Bookkeeping and Paperwork Requirements

Although the Community Development Block Grant program replaced seven HUD categorical grant programs, many respondents felt that the new program has not consolidated the local bookkeeping and paperwork requirements. (See Table 15.2.) More than half of the communities responding to the *Community Development Experience Survey* (52 percent) who had participated in the categorical programs reported an increase in local bookkeeping

and paperwork requirements during the first full year of their experience in CDBG compared to their experiences in the categorical programs.

One year ago, when communities were asked to compare their experiences in the development of their first year application to the development of their applications for categorical grants, 52 percent reported an increase in bookkeeping and paperwork requirements.

Sixty-three percent of the recipients reported that there was no change in their experiences with bookkeeping and paperwork requirements in the development of their second year CDBG application compared to their experiences in the development of their first year CDBG application.

Analysis of the responses by CDBG recipients indicates that the larger the population of the respondent, the greater the perceived decrease in their bookkeeping and paperwork requirements. This information corresponds with the responses by grant type; seven percent of the discretionary recipients perceived a decrease in comparing the first full year of CDBG to their categorical grant experiences, compared to 19 percent of the small, hold harmless communities and 21 percent of the formula entitlement communities.

Table 15.1

PERCENTAGE OF CDBG GRANTEES, BY POPULATION SIZE, RESPONDING THAT PREPARATION OF THEIR 2ND YEAR CDBG APPLICATION TOOK LESS, MORE, OR NO CHANGE IN TIME AND RESOURCES IN COMPARISON TO THE 1ST YEAR APPLICATION

Amount of Time and Resources Necessary	Less Than 20,000	Population Size					Total
		20,000 to 49,999	50,000 to 99,999	100,000 to 249,000	250,000 to 499,999	500,000 And Over	
Less Time and Resources	36%	44%	34%	46%	40%	37%	39%
No Difference	30	20	24	20	7	7.	24
More Time and Resources	34	36	42	33	53	56	37

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey* (844 responses.)

Table 15.2

BOOKKEEPING AND PAPERWORK REQUIREMENTS:
EXPERIENCE OF COMMUNITIES UNDER CDBGVS.
HUD CATEGORICAL PROGRAMS

Comparison	Decreased (% Responding)	Increased (% Responding)	Remained The Same (% Responding)
a. Experiences in the development of 1st year CDBG application to experiences in the development of applications under categorical programs*	21%	51%	24%
b. First full year of experiences under CDBG to experiences under categorical programs**	18%	52%	31%
c. Experiences in the development of 2nd year CDBG application to experiences in the development of 1st year CDBG application ***	6%	31%	63%

*SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Funding Survey*. (Numbers do not add to 100 percent due to a four percent no response rate to this question out of 880 responses to the survey).

**SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey* (729 responses).

***SOURCE: Ibid. (856 responses)

NOTE: In comparing CDBG experiences to those of the HUD categorical programs, responses are shown only for CDBG grantees who participated in HUD categorical programs.

Federal Red Tape

Although one of the intents of the CDBG legislation was to reduce the amount of Federal "red tape," the experiences of the first full year in the CDBG program led 37 percent of the grantees to perceive red tape had increased, 28 percent perceived red tape had decreased, while 35 percent perceived no change. (See Table 15.3.) The amount of red tape appeared constant to more than half the communities (58 percent) comparing their experiences in preparing the second year application to their experiences during the first year's application preparation; more than one-third (36 percent) still perceived an increase in red tape. The perceived amount of Federal red tape appears to be related to grantee experience. (See Table 15.4.) Ten percent of the discretionary cities, 28 percent of the small hold harmless cities, and 36 percent of the formula entitlement cities perceived a decrease in red tape, comparing the full CDBG year to experience in categorical grant programs. Almost

two-thirds of the discretionary cities perceived an increase, compared to one-third of the small hold harmless cities and one-third of the formula entitlement communities.

In development of second year CDBG applications, the perceived amount of Federal red tape, in comparison to the development of the first CDBG application, was reported to increase for 35 percent of all communities. This includes 40 percent of the formula entitlement cities that felt an increase, 32 percent of the small, hold harmless cities, and 33 percent of the discretionary cities.

PLANNING TOOLS

Unlike the urban renewal or model cities categorical grant programs, the Community Development Block Grant program does not provide a funded planning period. CDBG program planning takes place without Federal interference or "red tape." However, communities continue to rely on traditional planning programs in developing applications.

Locally developed plans were the most useful to cities in preparing their second year CDBG

¹Federal "red tape" refers to complex procedures and extensive paperwork required to prepare and process an application for Federal funds.

Table 15.3

FEDERAL RED TAPE:
EXPERIENCE OF COMMUNITIES UNDER CDBGVS.
HUD CATEGORICAL PROGRAMS

Comparison	Decreased (% Responding)	Increased (% Responding)	Remained The Same (% Responding)
a. Experiences in the development of 1st year CDBG application to experiences in the development of applications under categorical programs*	41%	24%	31%
b. First full year of experiences under CDBG to experiences under categorical programs**	28%	37%	35%
c. Experiences in the development of 2nd year CDBG application to experiences in the development of 1st year CDBG application***	6%	35%	58%

*SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **Community Development Funding Survey**. (Numbers do not add to 100 percent due to a four percent no response rate to this question out of 880 responses to the survey.)

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **Community Development Experience Survey (733 responses).

***SOURCE: Ibid. (854 responses).

NOTE: In comparing CDBG experiences to those of the HUD categorical programs, responses are shown only for CDBG grantees who previously participated in HUD categorical programs.

Table 15.4

FEDERAL RED TAPE:
EXPERIENCE OF COMMUNITIES UNDER CDBG,
BY GRANT TYPE

Comparison	Entitlement (% Responding)	Small Hold Harmless (% Responding)	Discretionary (% Responding)	Total (% Responding)
1. First full year of experiences under CDBG to experiences under categorical programs*				
a. Decreased	36%	28%	10%	28%
b. Increased	34	33	63	37
c. Remained the same	30	39	27	35
2. Experiences in the development of 2nd year CDBG application to 1st year**				
a. Decreased	5	7	7	6
b. Increased	40	32	33	35
c. Remained the same	55	61	60	59

*SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **Community Development Experience Survey (733 responses)**.

**SOURCE: Ibid. (854 responses).

NOTE: In comparing CDBG experiences to those of the HUD categorical programs, responses are shown only for CDBG grantees who previously participated in HUD categorical programs.

Table 15.5

PERCENTAGE OF CDBG GRANTEES RESPONDING THAT SPECIFIC PLANNING TOOLS WERE "VERY USEFUL" IN PREPARING THEIR SECOND YEAR APPLICATION, INCLUDING THE HAP

Planning Tool	Percentage of Respondents
Local non-701 funded studies	41%
Local capital improvement program	41
Land use plans/policies (excluding 701 land use element)	38
Local 701 housing element	33
Urban Renewal/Neighborhood Development Program plans	31
Local 701 land use element	29
Other local 701 funded studies	27
Areawide A-95 comments	18
Workable Program for Community Improvement	16
Areawide 701 housing element	15
Other areawide comprehensive plans and policies	14
State A-95 comments	12
Model Cities plans	12
Areawide 701 land use plan	7
State 701 housing element	5
Other state comprehensive plans/policies	4
State 701 land use plan	2

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Community Development Experience Survey* (895 responses).

applications. Areawide plans were not quite as helpful, and State plans were of the least use. (See Table 15.5.) About two-fifths of the 895 communities responding to the *Community Development Experience Survey* reported that each of the following planning tools was "very useful": locally funded studies, local capital improvement program, and land use plans/policies other than the local 701-funded land use element. Almost one-fifth of

the grantees found A-95 Project Notification and Review System comments from areawide planning organizations very useful, but a smaller percentage found areawide comprehensive plans and policies to be of much benefit in their CDBG planning.³

²Section 701 of the Housing Act of 1954 authorizes assistance for State, regional, and local comprehensive planning.

³For more detailed information on the usefulness of A-95 comments for entitlement recipients, see *A-95 Project Notification and Review System: An Evaluation Related to Community Development Entitlement Block Grants*, Community Planning and Development Evaluation Series, Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, September 1976.¹

Local Section 701-funded studies have proven to be very useful to CDBG recipients. One-third of those responding to the **Community Development Experience Survey** indicated that their local 701-funded housing element was very useful, and almost as many (29 percent) also indicated benefits from their local 701-funded land use element. Both of these planning tools constitute the minimum requirements of a comprehensive plan that is required of every recipient (i.e., States, areawide planning organizations, large cities, urban counties, and localities) of HUD 701 funds?

Local 701 housing elements were very useful most often to entitlement recipients and larger cities. (See

Tables 15.6 and 15.7.) Fourteen percent of discretionary recipients found this planning tool very useful; 42 percent of entitlement recipients considered local 701 housing elements very useful. The local 701-funded land use plan was generally very useful to the same proportion of cities, regardless of population size. Cities over 500,000 population were the exception, using land use plans less than smaller cities.

The usefulness of the local 701-funded land use plan, by grant type, is not as distinct as the usefulness of the housing element, by grant type. Twenty-three percent of the discretionary recipients indicated that the local 701-funded land use element was very useful, compared to 30 percent of entitlement recipients as well as 30 percent of the small hold harmless recipients.

⁴This requirement is in accordance with the **Code of Federal Regulations**, Title 24, Sec. 600.67.

Table 15.6

PERCENTAGE OF CDBG GRANTEES, BY GRANT TYPE, RESPONDING THAT HUD SECTION 701 FUNDED PLANNING TOOLS WERE "VERY USEFUL" IN PREPARING THEIR 2ND YEAR CDBG APPLICATION, INCLUDING THE HAP

Planning Tool	Entitlement	Small Hold Harmless	Discretionary	Total
a. State 701 housing element	3.9%	5.6%	7.6%	5.4%
b. State 701 land use plan	.9	3.3	3.6	2.4
c. Areawide 701 housing element	16.3	11.9	21.6	15.4
d. Areawide 701 land use plan	6.0	7.9	9.3	7.5
e. Local 701 housing element	42.0	30.3	14.0	33.4
f. Local 701 land use plan	30.2	30.3	23.4	28.9
g. Other local 701 funded activities	39.2	21.1	15.8	26.8

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **Community Development Experience Survey** (895responses).

Table 15.7

PERCENTAGE OF CDBG GRANTEES, BY POPULATION SIZE, RESPONDING THAT HUD SECTION 701 FUNDED PLANNING TOOLS WERE "VERY USEFUL" IN PREPARING THEIR 2ND YEAR CDBG APPLICATION, INCLUDING THE HAP

Planning Tool	Less Than 20,000	20,000 to 49,999	50,000 to 99,999	100,000 to 249,999	250,000 to 499,999	500,000 and Over	Total
a. State 701 housing element	7.6%	3.1%	6.2%	0%	6.2%	3.7%	5.4%
b. State 701 land use plan	4.6	.4	1.8	0	3.1	0	2.4
c. Areawide 701 housing element	14.1	14.9	21.0	9.1	21.9	14.8	15.4
d. Areawide 701 land use plan	9.8	5.3	8.1	2.6	9.4	3.7	7.5
e. Local 701 housing element	27.9	29.8	46.3	32.5	43.8	51.8	33.4
f. Local 701 land use plan	28.2	28.6	32.0	31.2	28.2	18.5	28.9
g. Other local 701 funded activities	18.7	22.4	43.2	41.6	28.2	33.3	26.8

SOURCE: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, **Community Development Experience Survey** (895responses).

URBAN RENEWAL AND NEIGHBORHOOD DEVELOPMENT PROGRAM CLOSEOUTS

Twice as many Urban Renewal and Neighborhood Development Program projects were closed, out in Fiscal Year 1976 as any preceding year in the 1970s. Projects closed each year during the period numbered as follows:

Year	Number of Closeouts
1970	62
1971	68
1972	91
1973	182
1974	126
1975	83
1976	368

This increase in the closeout rate during FY 1976 resulted from steps taken by HUD to hasten completion of projects initiated under HUD categorical grant programs discontinued by the 1974 Housing and Community Development Act.

Among these HUD initiatives was the establishment in January of 1976 of a seven-member HUD Central Office Urban Renewal Closeout Team. The team's general mission is the setting of priorities for urban renewal closeouts and coordinating with HUD field staff as necessary to reach closeout goals.

Efforts of the UR Closeout Team, together with the increased emphasis placed on closeouts by HUD field staff, resulted in the Department closing 95 percent of the projects identified for closure nationally in FY 1976 and the Transition Quarter. (See Table 16.1.)

The rate of project closeouts is also being favorably influenced by other CDBG mechanisms facilitating UR/NDP project completions. Urgent Needs funds may be allocated to local units of government for this objective. Most Urgent Needs funds have been designated for urban renewal project completions in the first two years of the block grant program. In FY 1976, \$40,813,637 of Urgent Needs funds were allotted to 37 localities for UR project completion, compared with \$34,567,423 allocated to 38 recipients in FY 1975. (Additional information about the disposition of FY 1976 Urgent Needs funds is contained in Chapter 8: Discretionary Grant Programs.)

Section 112(a) of the 1974 Housing and Community Development Act and the associated

HUD regulations' permit the use of CDBG entitlement funds for UR project completion, either by mandate of the Secretary or through payments volunteered by the locality. Section 112(a)(1) authorizes HUD to divert up to 20 percent of any CDBG entitlement grant to payment of the principal and accrued interest on UR project loans when HUD determines that the project cannot be completed without additional capital grants and diversion of funds is necessary to protect the Federal financial interest in such projects. During FY 1976 and the Transition Quarter, CDBG deductions of this type were directed by HUD from 18 UR and NDP projects with land disposition deficits. Deductions were additionally made from 65 CDBG entitlement grants under authority of Section 112(a)(2), which permits voluntary diversions at the request of local public agencies responsible for deficit projects, when there is concurrence by the governing body of the affected unit of general local government. Total CDBG funds diverted through both 112(a)(1) and (a)(2) provisions amounted to \$22.0 million for the period July 1, 1975, through September 30, 1976.

Section 105(a)(10) of the Housing and Community Development Act of 1974 also authorizes use of block grant funds for payment of urban renewal project completion costs. In FY 1975, \$191 million were budgeted by 319 grant recipients for this purpose. That amount was 7.9 percent of total CDBG funds allocated for FY 1975. Preliminary budget figures for 2,121 Fiscal Year 1976 CDBG recipients, whose grants represent some 77 percent of the total funds allocated for the year, indicate that 6.4 percent is being budgeted for UR project completion for the second year of the Community Development Block Grant program.

¹Code of Federal Regulations, Title 24, Section 570.802.

Table 16.1

URBAN RENEWAL AND NDP PROJECT CLOSEOUTS, BY HUD REGION
For the PERIOD JULY 1, 1975 through SEPTEMBER 30, 1976

HUD	Beginning Workload— of Projects		Projects Closed						
	NDP	Total	UR		NDP		Total		
			Percent of Beg. No. Wkload	Percent of Beg. No. Wkload	Percent of Beg. No. Wkload	Percent of Beg. No. Wkload			
		23	130	10	9.3	3	13.0	13	10.0
II	191	44	235	23	12.0	7	15.9	30	12.8
III	224	58	282	38	17.0	13	22.4	51	18.1
IV	185	88	273	41	22.2	33	37.5	74	27.1
V	113	68	181	31	27.4	34	50.0	65	35.9
VI	50	52	102	15	30.0	40	76.9	55	53.9
VII	37	35	72	11	29.7	25	71.4	36	50.0
VIII	15	20	35	4	26.7	14	70.0	18	51.4
IX	46	32	78	11	23.9	9	28.1	20	25.6
X	24	7	31	5	20.8	1	14.3	6	19.3
National Totals	992	427	1,419	189	19.0	179	41.9	368	25.9

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Urban Renewal Closeout Team.

JOB POTENTIAL CREATED BY CDBG EXPENDITURES

The entitlement sample¹ was analyzed to determine the number of jobs and occupations effected by CDBG expenditures. The system for analysis was developed by the Bureau of Labor Statistics (BLS) and outlined in the "Factbook for Estimating Manpower Needs of Federal Programs", with updated (September 1976) price and productivity adjustment rates supplied by BLS staff. (See Appendix A for the methodology.)

Analysis shows that approximately 84 potential jobs have been generated per million dollars spent in Fiscal Year 1975 CDBG activities. This is a national average and will vary from region to region and city to city.

There is a direct effect on hiring of State and local government employees, and employment is created through contracts to private firms providing products and supportive services on CDBG activities. An indirect effect of employment is created by CDBG regulations and standards. For example, a strategy of encouraging matching Federal, State, local, or private funds could have a substantial effect upon increased employment. Environmental review procedures could lead to installation of pollution control devices or safety instruments which create additional job requirements.

Over a third of the potential jobs generated by CDBG expenditures involve the construction-related occupations; i.e., crafts, operators, and laborers.

Approximately 37 percent of the jobs generated by CDBG expenditures involved carpenters, electricians, truck drivers, plasterers, laborers, blue collar workers, etc. Twenty-three percent of the jobs are categorized as professional and technical, e.g., engineers, accountants, lawyers. Table 17.1 illustrates the occupation distribution effect of CDBG expenditures.

Service-related activities are more job intensive than construction related activities; i.e., more job requirements are produced per dollar expended. Even though 37 percent of the jobs created are attributable to construction expenditures, construction expenditures account for 48 percent of the CDBG program. Service-related activities involve approximately 11 percent of the money expended, but account for nearly 14 percent of the jobs generated.

Table 17.1

DISTRIBUTION BY OCCUPATIONS OF THE 25,312 POTENTIAL JOBS CDBG EXPENDITURES CREATED BY 151 ENTITLEMENT CITIES

Occupational Category	Percent of Total	Number	Examples of Occupations
Professional & Technical	22.5	5,687	Engineers, doctors, teachers, chemists, social scientists, lawyers, accountants, photographers, etc.
Managers & Administrators	7.8	1,973	General, including railroad conductors, pilots, etc.
Clerical	15.3	3,881	Stenographers, typists, office machine operators, etc.
Sales	2.6	666	Insurance & real-estate agents, brokers, and general salesworkers
Craft & Kindred	16.8	4,224	Carpenters, electricians, painters, metal-working craft workers, Mechanics & repairers, printers, etc.
Operatives	13.8	3,503	Drivers & delivery workers, semi-skilled metal workers, transportation and public utilities, meat cutting, etc.
Service	13.3	3,352	Food service, fire fighters, police, guards, etc.
Laborers	6.8	1,759	All general, except farmers and miners.
Farmers & Farm Workers	1.1	287	—

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

¹Sample of 151 metropolitan entitlement cities receiving Community Development Block Grants for Fiscal Year 1975.

Table 17.2

DIFFERENCE OF JOB REQUIREMENTS
CREATED BETWEEN SERVICE AND
CONSTRUCTION RELATED ACTIVITIES
(151 Entitlement Cities FY 1975)

Activity	% of Money Spent	% of Total Money Spent	Job Require- ments Produced	% of Total Job Require- ments Produced
Service Related: Education, police recreation, job development, housing, coun- selling, child care, elderly care, etc.	44,454	11.4	3,418	14.5
Construction Re- lated: Water & sewer, transportation, neighborhood facilities, child & elderly centers, flood protections, recreation, high- ways, streets, pub- lic works, etc.	192,962	48.3	9,194	37.4

SOURCE: Ibid.

Table 17.3

COMPARISON OF OCCUPATION DISTRIBUTION
BETWEEN SERVICE RELATED ACTIVITIES AND
CONSTRUCTION RELATED ACTIVITIES
(Analysis of FY 1975 151 CDBG Entitlement Cities)

	CDBG Project Activities			
	Service Related		Construction Related	
	Number	% of Total Service Related	% of Total Construction Related	Number
Technical	982	28.7%	8.0%	737
Managers	167	4.9	9.2	843
Clerical	584	17.1	11.9	1,090
Sales	68	2.0	3.4	309
Craft	218	6.4	30.8	2,834
Operatives	325	9.5	21.5	1,972
Services	922	27.0	1.6	151
Laborers	111	3.3	12.8	1,177
Farmers	40	1.2	.9	78

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

The difference between occupations involved in service-related activities and construction-related activities is considerable. Participation in service-related activities results in mostly technical, professional, and other service-related jobs. Occupations involved in the construction-related activities are heavily concentrated in craft and kindred, operatives, and laborers.

HUD, in an interagency agreement with the Bureau of Labor Statistics (BLS), is developing local and regional manuals enabling the local government to estimate job requirements (both number and occupation) created by project expenditures. Construction of a water and sewer project would result in more jobs relating to the construction occupations, although the same amount of money spent on providing welfare services would result in a greater absolute number of jobs. Because local officials know the occupations with the greatest unemployment rate, this knowledge and these tools could assist in the project choices made by local officials.

Table 17.3 illustrates the distribution.

METHODOLOGY: DATA SOURCES AND SAMPLING TECHNIQUES

ENTITLEMENT APPLICATIONS

The first and second year Community Development programs reflected in application forms (HUD FORM 7015.5) and Housing Assistance Plans (HUD FORMS 7015.8 through 7015.11) for 151 randomly sampled formula metropolitan communities were reviewed in detail. Specific community development activities were determined from the following coding scheme. Each project and census tract enumerated by the applicant was assigned an activity, budget line item, location and urgent needs code.

1. A two-part activity code was assigned to each project, a major and minor code. The major code described an overall characterization of the project. Minor codes refined the specification of the major code; e.g., major code – rehabilitation, minor code – rehabilitation loans; major code – water and sewer, minor code – installation of pipelines. Major/minor distinctions were made utilizing the narrative portion of applications, "Statement of Needs" and "Short-and-LongTerm Objectives, "supplemental documentation (A-95 reviews) and application for funds program sheet.
2. Budget line items were indicated in the-Community Development Program.
3. Basic determination of location codes rested with the type of area to receive funds, i.e., residential, commercial, and citywide, etc.
4. The urgent needs codes were assigned to activities which the city certified as meeting a need of particular urgency.

Entitlement city sample sizes were determined by an optimum allocation formula at the 95 percent confidence level with a five percent sampling error.' The universe of 792 first year entitlement communities was stratified according to entitlement amount as shown in Table A.1. The sample represents approximately 84 percent of all first year entitlement funds.

Estimates of sampling parameters (mean and standard deviation) were derived from budget line item expenditures for "Public Works, Facilities, and Site Improvements." The selection of "Public Works. . ." creates substantial oversampling in all other budget line items with the exception of "Completion of Urban Renewal Activities" in strata I.²

Estimates of sampling reliability are presented in Table A.2. Two sample cities from the First Annual Report were disapproved for the second year of CDBG and two did not reapply for funds. These cities were not replaced.

¹ Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, New York: McGraw-Hill, 1963, Vol. 1, p. 196.

² Sixty-five additional cities are needed to represent this activity at the 95 percent confidence level.

Table A.1

METROPOLITAN ENTITLEMENT – STRATIFICATION AND SAMPLE SIZE (Based on First Year Applicants)

Stratum	Entitlement Amount	Universe of Cities	Sample Size	Sampling ^a Error
I	Over \$4 million	108	34	\$119,347.5
II	\$1-4 million	178	59	33,602.8
III	Under \$1 million	506	58	3,769.6
		792	151	

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

^a Five percent of the estimated mean for each stratum.

Table A.2

ESTIMATES OF SAMPLE RELIABILITY:
LINE ITEM EXPENDITURES FOR ENTITLEMENT COMMUNITIES
(Second Year Applicants)

	147 Sampled Communities		Universe of Metropolitan ^a Entitlement Communities	
	Expenditures	Percent	Expenditures	Percent
Acq. of Real Property	\$ 59,223,705	12.3	\$142,860	9.5
Public Works	139,393,204	29.0	484,031	32.2
Code Enforce- ment	6,827,296	1.4	19,951	1.3
Clear & Demo/ Rehab	19,831,222	4.1	82,319	5.5
Rehab Loans	65,307,135	13.6	179,335	11.9
Spec. project for Eld./Hand.	3,233,226	0.7	9,064	0.6
Payments for loss of Rent	22,501	0.0	174	0.0
Disp. of Real Property	538,569	0.1	4,286	0.3
Prov. of Public Services	26,142,537	5.4	111,546	7.4
Pay Non-Fed Share	4,277,155	0.9	27,642	1.8
Comp. UR/NDP	27,898,161	5.8	105,151	7.0
Reloc. Payments	25,334,859	5.3	54,543	3.6
Plng., Mgt. & Develop.	13,080,528	2.7	47,089	3.1
Administration	50,304,452	10.5	134,797	9.0
Model Cities	17,679,566	3.7	37,753	2.5
Contingencies	20,373,709	4.2	62,925	4.2
Repayment UR/NDP	426,400	0.1	NA ^b	
TOTALS	\$479,894,225^c	99.8	\$1,503,466	

SOURCE: Ibid.

^aRecorded as of October 1976, 669 Fiscal Year 1976 applicants.

^bAt this time, the Management Information system does not include any budget line item expenditures for cities reporting expenditures in this category.

^cBased on a sample of 147 entitlement cities, 96.3 percent of this amount is actually the entitlement grant. The remainder includes: unobligated Fiscal Year 1975 funds, loan proceeds, program income, and surplus funds from Urban Renewal and the Neighborhood Development Program.

DISCRETIONARY APPLICATIONS

Detailed analysis of 1975 Community Development programs (HUD FORM 7015.5) for 610 sampled discretionary communities and an analysis of aggregate data for the universe of first year discretionary applicants are included in this study. Sampled communities include the following:

- 1) 78 nonmetro counties;
- 2) 197 nonmetro counties;
- 3) 59 metro counties;
- 4) 140 metro cities;
- 5) 54 nonmetro recipients of both hold harmless and discretionary grants; and
- 6) 22 metro recipients of both hold harmless and discretionary grants.

Samples of nonmetropolitan counties, nonmetropolitan cities, and SMSA cities were selected on the basis of a stratified optimum allocation formula.³ SMSA discretionary counties were sampled on the basis of a simple random sampling technique? Metropolitan and nonmetropolitan recipients of both hold harmless and discretionary grants were not sampled. Selection of 54 of 60 nonmetropolitan and 22 of 27 metropolitan hold harmless discretionary communities was made on the basis of available applications.

Estimates for sampling parameters (mean and standard deviation) were derived from the census population of each group. The first three samples were drawn at the 95 percent confidence level with a five percent sampling error. (See Table A.3.) The

³Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, New York: McGraw-Hill, 1963, Vol. 1, p. 196.

⁴William E. Deming; *Sample Design in Business Research*. New York, Wiley, 1960, p. 127.

fourth sample, at the 90 percent confidence level, 10 percent sampling error.

Weights assigned to each strata were designed to accomplish aggregate measures of the universe of discretionary balances. Due to the varying nature of application deadlines for the discretionary programs, 1976 applications were not available for this study. 1976 data will be analyzed and reported upon in a separate report.

LOW-MOD TELEPHONE INTERVIEWS

Telephone interviews were conducted with local officials concerning expenditures in a random sample of 107 funded census tracts contained in 60 entitlement communities. These interviews were designed to verify the progress, estimate the total cost, and determine the proportion of low- and moderate-income families to be served by planned and executed CDBG activities described in their first year applications and Grantee Performance Reports.

Table A.3

DISCRETIONARY BALANCES SAMPLES

Nonmetropolitan Discretionary Cities

1970 Census Population	Universe	Sample Size	Weights
I Under 1,000	221	44	1.5282
II 1,000 - 9,999	451	82	1.6660
III 10,000 - 24,999	120	31	1.1770
IV Over 25,000	41	40	.3118
Total	833	121	

Nonmetropolitan Discretionary Counties

1970 Census Population	Universe	Sample Size	Weights
I Under 1,000	2		
II 1,000 - 9,999	45	6	2.2818
III 10,000 - 24,999	75	15	1.5212
IV Over 25,000	70	57	.3737
Total	192	78	

Metropolitan Cities

1970 Census Population	Universe	Sample Size	Weights
I Under 1,000	65	16	1.2357
II 1,000 - 9,999	223	68	.9976
III 10,000 - 24,999	101	45	.6827
IV Over 25,000	42	11	1.1614
Total	431	140	

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

Sampled census tracts were drawn on the basis of a stratified, proportional sample at the 95 percent confidence level tolerating a 10 percent error.⁵ One hundred and seven tracts from a universe of 1,675 tracts targeted to receive Fiscal Year 1975 CDBG funds in sample cities were selected.

Table A.4

LOW-MOD SURVEY: SAMPLE OF CENSUS TRACTS

Strata	Census Tract Expenditure	Strata Size	Sample Size
I	\$1,500,000 and up	15	10 ^a
II	\$500,000 - 1,499,999	146	54
III	\$400,000 - 499,999	46	2
IV	\$300,000 - 399,999	87	4
V	\$200,000 - 299,999	120	6
VI	\$100,000 - 199,999	368	18
VII	\$50,000 - 99,999	316	7
VIII	\$20,000 - 49,999	333	3
IX	\$10,000 - 19,999	127	1
X	\$5,000 - 9,999	89	1
XI	LESS THAN \$5,000	28	1
		1,675	107

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

^aThe sample size drawn was 112 census tracts, but 5 tracts in Stratum I were rejected because the Grantee Performance Reports show that these activities which were planned in first year applications were not conducted. Since the stratum for this level of expenditure was exhausted, no tracts could be selected to replace them.

REHABILITATION TELEPHONE SURVEY

A telephone survey was conducted with local officials in communities that planned rehabilitation loan or grant programs in Fiscal Year 1975. The sample of 99 communities represents all local governments within the original 151 metropolitan entitlement community sample that are conducting rehabilitation programs. The survey was designed to obtain specific information about target areas, number, type and size of loans and/or grants, alternative financing schemes (including leverage sources), and progress toward meeting projected need for rehabilitation.

⁵William Cochran, *Sampling Techniques*, New York, Wiley, 1953, pp. 87-90.

COMMUNITY DEVELOPMENT EXPERIENCE SURVEY

This questionnaire was mailed to all 1483 entitlement communities and a sample of 473 discretionary grantees. The discretionary sample is the same one used for the analysis of Fiscal Year 1975 applications for funding.

The survey instrument was mailed to the sample communities in August, 1976, and as of October 1, the response rate was 48.2 percent overall, including 48.8 percent for entitlement and 36.2 percent for discretionary applicants.

The survey was designed to elicit responses in the following general areas: needs and experience in obtaining technical assistance, use of private consultants in administering programs, problems in administering first year programs and preparing second year applications for funds, planning tools utilized in preparing second year applications, administrative organizations of local community development programs, local evaluation of administrative changes in the program, and citizen participation structures and experiences.

JOB POTENTIAL CREATED BY CDBG EXPENDITURES

The figures in Chapter 17 were derived by applying a system, developed by the Bureau of Labor Statistics (BLS) and explained in the manual, "Factbook for Estimating Manpower Needs of Federal Programs", to the expenditures outlined in the analysis of the Fiscal Year 1975 entitlement cities sample. Fiscal Year 1975 was used instead of Fiscal Year 1976 because the information was more complete. All tables and factors in the manual are based on Fiscal Year 1972 prices and productivity rates. Therefore, BLS supplied in September, 1976, updated adjustment factors to change the total figures to reflect Fiscal Year 1975 and productivity rates.

Using the job requirement estimation system:

1. The CDBG project activities expenditures were analyzed and categorized into outlay sectors defined by BLS.
2. All factors were adjusted to reflect Fiscal Year 1975 prices and productivity.
3. Price and productivity adjusted factors were multiplied by those provided in the tables to obtain total number of jobs.
4. Jobs were then translated into affected occupations.

Example: The CDBG activity category "services: education" in which \$2,912 was budgeted in Fiscal Year 1975, was categorized under the BLS outlay factor category "State and local expenditures: education - except structure." (Step 1.)

The money was then adjusted for inflation by dividing 119.65 (the adjustment factor) and changed to \$2,434 (or \$.002434 billion) reflecting Fiscal Year

1975 prices. To reflect Fiscal Year 1975 productivity rates, each industry was adjusted by dividing the figures given by a productivity adjustment factor. Those adjustment factors for each industry are thus:

Agriculture	1.0704
Mining	.8717
Construction	.9284
Manufacturing	1.0056
Transportation	1.0454
Communication	1.0924
Public Utilities	1.0148
Trade	.9869
Finance, Real Estate & Insurance	.9998
Other Services	.9923

This application results in an entire new set of figures. (Step 2.)

The productivity-adjusted figures can then be multiplied by price-adjusted expenditures, resulting in the number of job requirements expected, for example:

114891 (productivity adjusted figure) X .002434 (price adjusted expenditure) = 280 jobs per billion dollars expended in educational service-related activities.

The process was repeated for each project activity, excluding "acquisition" because there is no applicable BLS factor category for this expenditure. The result was the total number of jobs per billion for the 151 entitlement cities which was then converted to the figure of 84 jobs per million for all CDBG expenditures.

Applying ratios provided by BLS to the figures in Step 3, ascertains the occupations. All of the number of jobs reflected in the chapter are only concerned with 25,312 job requirements created by the 151 entitlement cities. However, the percentages can be applied to CDBG expenditures as a whole.

Inherent weaknesses of the BLS system include: It discusses demand factors only, providing no information about the supply of labor; it does not identify employment effects by region or such demographic characteristics such as age, race, or sex; and it does not include the indirect effect of expenditures created by the salaried worker.

However, HUD is currently studying the feasibility of regionalizing the data and system. Additionally, HUD has a contract with the National Urban League to look at the supply of labor (as well as how to increase the supply) both at a regional level and by such characteristics as age, race, sex, and income level.

COMMUNITY LEVEL AND CENSUS TRACT LEVEL DATA

Community and census characteristics were obtained from the following sources:

Census Books

U.S. Bureau of Census. *Census of Population, General Social and Economic Characteristics*, Washington, D.C.: U.S. Government Printing Office, 1972.

U.S. Bureau of Census. *Census of Population and Housing, Census Tracts*, Washington, D.C.: U.S. Government Printing Office, 1972.

U.S. Bureau of Census. *Census of Housing 1970, Block Statistics*, Washington, D.C.: U.S. Government Printing Office, 1971.

¹ *The Municipal Yearbook*, Chicago: International City Managers Association.

U.S. Bureau of Census. *County and City Data Book*, Washington, D.C.: U.S. Government Printing Office.

Internal Sources

United States Department of Housing and Urban Development, Community Planning and Development, Office of Management, Data Systems and Statistics Division, *Urban Renewal Project Directory*.

United States Department of Housing and Urban Development, Community Planning and Development, Office of Management, Data Systems and Statistics Division, *Directory of Recipients*.

United States Department of Housing and Urban Development, Community Planning and Development, Office of Management, Data Systems and Statistics Division, *Management Information System*.

Leon E. Seltzer, *The Columbia-Lippincott Gazetteer of the World—by City*, Morningside Heights, N.Y.: Columbia University Press, 1952.

HOUSING & COMMUNITY DEVELOPMENT ACT OF 1974, TITLE I

EXCERPTS FROM THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974



Public Law 93-383
93rd Congress, S. 3066
August 22, 1974

An Act

To establish a program of community development block grants, to amend and extend laws relating to housing and urban development, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Housing and Community Development Act of 1974".

Housing and
Community De-
velopment Act
of 1974.
42 USC 5301
note.

TITLE I—COMMUNITY DEVELOPMENT

FINDINGS AND PURPOSE

SEC. 101. (a) The Congress finds and declares that the Nation's cities, towns, and smaller urban communities face critical social, economic, and environmental problems arising in significant measure from—

42 USC 5301.

(1) the growth of population in metropolitan and other urban areas, and the concentration of persons of lower income in central cities; and

88 STAT. 633
88 STAT. 634

(2) inadequate public and private investment and reinvestment in housing and other physical facilities, and related public and social services, resulting in the growth and persistence of urban slums and blight and the marked deterioration of the quality of the urban environment.

(b) The Congress further finds and declares that the future welfare of the Nation and the well-being of its citizens depend on the establishment and maintenance of viable urban communities as social, economic, and political entities, and require—

(1) systematic and sustained action by Federal, State, and local governments to eliminate blight, to conserve and renew older urban areas, to improve the living environment of low- and moderate-income families, and to develop new centers of population growth and economic activity;

(2) substantial expansion of and greater continuity in the scope and level of Federal assistance, together with increased private investment in support of community development activities; and

(3) continuing effort at all levels of government to streamline programs and improve the functioning of agencies responsible for planning, implementing, and evaluating community development efforts.

(c) The primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Consistent with this primary objective, the Federal assistance provided in this title is for the support of community development activities which are directed toward the following specific objectives—

(1) the elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income;

(2) the elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;

(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;

88 STAT. 634
88 STAT. 635

(6) the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and

(7) the restoration and preservation of properties of special value for historic, architectural, or esthetic reasons.

It is the intent of Congress that the Federal assistance made available under this title not be utilized to reduce substantially the amount of local financial support for community development activities below the level of such support prior to the availability of such assistance.

(d) It is also the purpose of this title to further the development of a national urban growth policy by consolidating a number of complex and overlapping programs of financial assistance to communities of varying sizes and needs into a consistent system of Federal aid which—

(1) provides assistance on an annual basis, with maximum certainty and minimum delay, upon which communities can rely in their planning;

(2) encourages community development activities which are consistent with comprehensive local and areawide development planning;

(3) furthers achievement of the national housing goal of a decent home and a suitable living environment for every American family; and

(4) fosters the undertaking of housing and community development activities in a coordinated and mutually supportive manner.

DEFINITIONS

42 USC 5302.

Sec. 102. (a) As used in this title—

(1) The term "unit of general local government" means any city, county, town, township, parish, village, or other general purpose political subdivision of a State; Guam, the Virgin Islands, and American Samoa, or a general purpose political subdivision thereof; a combination of such political subdivisions recognized by the Secretary; the District of Columbia; the Trust Territory of the Pacific Islands; and Indian tribes, bands, groups, and nations, including Alaska Indians, Aleuts, and Eskimos, of the United States. Such term also includes a State or a local public body or agency (as defined in section 711 of the Housing and Urban Development Act of 1970), community association, or other entity, which is approved by the Secretary for the purpose of providing public facilities or services to a new community as

42 USC 4512.

42 USC 4513.
42 USC 3901
note.

part of a program meeting the eligibility standards of section 712 of the Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968.

(2) The term "State" means any State of the United States, or any instrumentality thereof approved by the Governor; and the Commonwealth of Puerto Rico.

(3) The term "metropolitan area" means a standard metropolitan statistical area as established by the Office of Management and Budget.

(4) The term "metropolitan city" means (A) a city within a metropolitan area which is the central city of such area, as defined and used by the Office of Management and Budget, or (B) any other city, within a metropolitan area, which has a population of fifty thousand or more. 88 STAT. 635
88 STAT. 636

(5) The term "city" means (A) any unit of general local government which is classified as a municipality by the United States Bureau of the Census or (B) any other unit of general local government which is a town or township and which, in the determination of the Secretary, (i) possesses powers and performs functions comparable to those associated with municipalities, (ii) is closely settled, and (iii) contains within its boundaries no incorporated places as defined by the United States Bureau of the Census.

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

(7) The term "population" means total resident population based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

(8) The term "extent of poverty" means the number of persons whose incomes are below the poverty level. Poverty levels shall be determined by the Secretary pursuant to criteria provided by the Office of Management and Budget, taking into account and making adjustments, if feasible and appropriate and in the sole discretion of the Secretary, for regional or area variations in income and cost of living, and shall be based on data referable to the same point or period in time.

(9) The term "extent of housing overcrowding" means the number of housing units with 1.01 or more persons per room based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

(10) The term "Federal grant-in-aid program" means a program of Federal financial assistance other than loans and other than the assistance provided by this title.

(11) The term "program period" means the period beginning January 1, 1975, and ending June 30, 1975, and the period covering each fiscal year thereafter.

(12) The term "Community Development Program" means a program described in section 104(a)(2).

(13) The term "Secretary" means the Secretary of Housing and Urban Development.

Post, p. 638.

(b) Where appropriate, the definitions in subsection (a) shall be based, with respect to any fiscal year, on the most recent data compiled by the United States Bureau of the Census and the latest published reports of the Office of Management and Budget available ninety days prior to the beginning of such fiscal year. The Secretary may by regulation change or otherwise modify the meaning of the terms defined in subsection (a) in order to reflect any technical change or modification thereof made subsequent to such date by the United States Bureau of the Census or the Office of Management and Budget.

(c) One or more public agencies, including existing local public agencies, may be designated by the chief executive officer of a State or a unit of general local government to undertake a Community Development Program in whole or in part.

AUTHORIZATION TO MAKE GRANTS

Community
Development
Programs.
43 USC 5303.

SEC. 103. (a) (1) The Secretary is authorized to make grants to States and units of general local government to help finance Community Development Programs approved in accordance with the provisions of this title. The Secretary is authorized to incur obligations on behalf of the United States in the form of grant agreements or otherwise in amounts aggregating such sum, not to exceed \$8,400,000,000, as may be approved in an appropriation Act. The amount so approved shall become available for obligation on January 1, 1975, and shall remain available until obligated. There are authorized to be appropriated for liquidation of the obligations incurred under this subsection not to exceed \$2,500,000,000 prior to the close of the fiscal year 1975, which amount may be increased to not to exceed an aggregate of \$5,450,000,000 prior to the close of the fiscal year 1976, and to not to exceed an aggregate of \$8,400,000,000 prior to the close of the fiscal year 1977. Subject to the limitations contained in the preceding sentence, appropriations for—

42 USC 1500.

42 USC 3102,
3103.

42 USC 3301.

(A) grants under title VII of the Housing Act of 1961;

(B) grants under sections 702 and 703 of the Housing and Urban Development Act of 1965; and

(C) supplemental grants under title I of the Demonstration Cities and Metropolitan Development Act of 1966.

may be used, to the extent not otherwise obligated prior to January 1, 1975, for the liquidation of contracts entered into pursuant to this section.

(2) Of the amounts approved in appropriation Acts pursuant to paragraph (1), \$50,000,000 for each of the fiscal years 1975 and 1976 shall be added to the amount available for allocation under section 106(d) and shall not be subject to the provisions of section 107.

Post, pp. 642,
647.

(b) In addition to the amounts made available under subsection (a), and for the purpose of facilitating an orderly transition to the program authorized under this title, there are authorized to be appropriated not to exceed \$50,000,000 for each of the fiscal years 1975 and 1976, and not to exceed \$100,000,000 for the fiscal year 1977, for grants under this title to units of general local government having urgent community development needs which cannot be met through the operation of the allocation provisions of section 106.

(c) Sums appropriated pursuant to this section shall remain available until expended.

(d) To assure program continuity and orderly planning, the Secretary shall submit to the Congress timely requests for additional authorizations for the fiscal years 1978 through 1980.

APPLICATION AND REVIEW REQUIREMENTS

Sec. 104. (a) No grant may be made pursuant to section 106 unless an application shall have been submitted to the Secretary in which the applicant—

(1) sets forth a summary of a three-year community development plan which identifies community development needs, demonstrates a comprehensive strategy for meeting those needs, and specifies both short- and long-term community development objectives which have been developed in accordance with area-wide development planning and national urban growth policies;

(2) formulates a program which (A) includes the activities to be undertaken to meet its community development needs and objectives, together with the estimated costs and general location of such activities, (B) indicates resources other than those provided under this title which are expected to be made available toward meeting its identified needs and objectives, and (C) takes into account appropriate environmental factors;

(3) describes a program designed to—

(A) eliminate or prevent slums, blight and deterioration where such conditions or needs exist; and

(B) provide improved community facilities and public improvements, including the provision of supporting health, social, and similar services where necessary and appropriate;

(4) submits a housing assistance plan which—

(A) accurately surveys the condition of the housing stock in the community and assesses the housing assistance needs of lower-income persons (including elderly and handicapped persons, large families, and persons displaced or to be displaced) residing in or expected to reside in the community,

(B) specifies a realistic annual goal for the number of dwelling units or persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units, and (ii) the sizes and types of housing projects and assistance best suited to the needs of lower-income persons in the community, and

(C) indicates the general locations of proposed housing for lower-income persons, with the objective of (i) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible, (ii) promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons, and (iii) assuring the availability of public facilities and services adequate to serve proposed housing projects;

(5) provides satisfactory assurances that the program will be conducted and administered in conformity with Public Law 88-352 and Public Law 90-284; and

(6) provides satisfactory assurances that, prior to submission of its application, it has (A) provided citizens with adequate information concerning the amount of funds available for proposed community development and housing activities, the range of activities that may be undertaken, and other important program requirements, (B) hold public hearings to obtain the views of citizens on community development and housing needs, and (C) provided citizens an adequate opportunity to participate in the development of the application; but no part of this paragraph shall be construed to restrict the responsibility and authority of the applicant for the development of the application and the execution of its Community Development Program.

42 USC 5304.
78 Stat. 241.
42 USC 2000a
note.
82 Stat. 73.
18 USC 245.

(b) (1) Not more than 10 per centum of the estimated costs referred to in subsection (a) (2) which are to be incurred during any contract period may be designated for unspecified local option activities which are eligible for assistance under section 105(a) or for a contingency account for activities designated by the applicant pursuant to subsection (a) (2).

(2) Any grant under this title shall be made only on condition that the applicant certify to the satisfaction of the Secretary that its Community Development Program has been developed so as to give maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight. The Secretary may also approve an application describing activities which the applicant certifies and the Secretary determines are designed to meet other community development needs having a particular urgency as specifically described in the application.

Waiver.

(3) The Secretary may waive all or part of the requirements contained in paragraphs (1), (2), and (3) of subsection (a) if (A) the application for assistance is in behalf of a locality having a population of less than 25,000 according to the most recent data compiled by the Bureau of the Census which is located either (i) outside a standard metropolitan statistical area, or (ii) inside such an area but outside an "urbanized area" as defined by the Bureau of the Census (or as such definition is modified by the Secretary for purposes of this title), (B) the application relates to the first community development activity to be carried out by such locality with assistance under this title, (C) the assistance requested is for a single development activity under this title of a type eligible for assistance under title VII of the Housing Act of 1961 or title VII of the Housing and Urban Development Act of 1965, and (D) the Secretary determines that, having regard to the nature of the activity to be carried out, such waiver is not inconsistent with the purposes of this title.

42 USC 1500.
42 USC 3101.

(4) The Secretary may accept a certification from the applicant that it has complied with the requirements of paragraphs (5) and (6) of subsection (a).

(c) The Secretary shall approve an application for an amount which does not exceed the amount determined in accordance with section 100(a) unless—

(1) on the basis of significant facts and data, generally available and pertaining to community and housing needs and objectives, the Secretary determines that the applicant's description of such needs and objectives is plainly inconsistent with such facts or data; or

(2) on the basis of the application, the Secretary determines that the activities to be undertaken are plainly inappropriate to meeting the needs and objectives identified by the applicant pursuant to subsection (a); or

(3) the Secretary determines that the application does not comply with the requirements of this title or other applicable law or proposes activities which are ineligible under this title.

Performance
report, sub-
mittal to
Secretary.

(d) Prior to the beginning of fiscal year 1977 and each fiscal year thereafter, each grantee shall submit to the Secretary a performance report concerning the activities carried out pursuant to this title, together with an assessment by the grantee of the relationship of those activities to the objectives of this title and the needs and objectives identified in the grantee's statement, submitted pursuant to subsection (a). The Secretary shall, at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine

Audit and
reviews.

whether the grantee has carried out a program substantially as described in its application, whether that program conformed to the requirements of this title and other applicable laws, and whether the applicant has a continuing capacity to carry out in a timely manner the approved Community Development Program. The Secretary may make appropriate adjustments in the amount of the annual grants in accordance with his findings pursuant to this subsection.

(e) No grant may be made under this title unless the application therefor has been submitted for review and comment to an areawide agency under procedures established by the President pursuant to title II of the Demonstration Cities and Metropolitan Development Act of 1966 and title IV of the Intergovernmental Cooperation Act of 1968.

(f) An application subject to subsection (c), if submitted after any date established by the Secretary for consideration of applications, shall be deemed approved within 75 days after receipt unless the Secretary informs the applicant of specific reasons for disapproval. Subsequent to approval of the application, the amount of the grant may be adjusted in accordance with the provisions of this title.

(g) Insofar as they relate to funds provided under this title, the financial transactions of recipients of such funds may be audited by the General Accounting Office under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, records, reports, files, and other papers, things, or property belonging to or in use by such recipients pertaining to such financial transactions and necessary to facilitate the audit.

(h) (1) In order to assure that the policies of the National Environmental Policy Act of 1969 are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary, in lieu of the environmental protection procedures otherwise applicable, may under regulations provide for the release of funds for particular projects to applicants who assume all of the responsibilities for environmental review, decisionmaking, and action pursuant to such Act that would apply to the Secretary were he to undertake such projects as Federal projects. The Secretary shall issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality.

(2) The Secretary shall approve the release of funds for projects subject to the procedures authorized by this subsection only if, at least fifteen days prior to such approval and prior to any commitment of funds to such projects other than for purposes authorized by section 105(a)(12) or for environmental studies, the applicant has submitted to the Secretary a request for such release accompanied by a certification which meets the requirements of paragraph (3). The Secretary's approval of any such certification shall be deemed to satisfy his responsibilities under the National Environmental Policy Act insofar as those responsibilities relate to the applications and releases of funds for projects to be carried out pursuant thereto which are covered by such certification.

(3) A certification under the procedures authorized by this subsection shall—

(A) be in a form acceptable to the Secretary,

(B) be executed by the chief executive officer or other officer of the applicant qualified under regulations of the Secretary,

(C) specify that the applicant has fully carried out its responsibilities as described under paragraph (1) of this subsection, and

(D) specify that the certifying officer (i) consents to assume

42 USC 3331.

42 USC 4231.

Approval date.

GAO audit.

Environmental

protection.

83 Stat. 852.

42 USC 4321

note ■

Post, p. 642.

83 Stat. 852.
42 USC 4321
note.

the status of a responsible Federal official under the National Environmental Policy Act of 1969 insofar as the provisions of such Act apply pursuant to paragraph (1) of this subsection, and (ii) is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

COMMUNITY DEVELOPMENT PROGRAM ACTIVITIES ELIGIBLE FOR
ASSISTANCE

42 USC 5305, **SEC. 105.** (a) **A** Community Development Program assisted under this title may include only—

(1) the acquisition of real property (including air rights, water rights, and other interests therein) which is (A) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and **growth**; (B) appropriate for rehabilitation or conservation activities; (C) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (D) to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or (E) to be used for other public purposes;

(2) the acquisition, construction, reconstruction, or installation of public works, facilities, and site or other improvements—including neighborhood facilities, senior centers, historic properties, utilities, streets, street lights, water and sewer facilities, foundations and platforms for air rights sites, pedestrian malls and **walkways**, and **parks**, playgrounds, and recreation facilities, flood and drainage facilities in cases where assistance for such facilities under other Federal laws or programs is determined to be unavailable, and parking facilities, solid waste disposal facilities, and fire protection services and facilities which are located in or which serve designated community development areas;

(3) code enforcement in deteriorated or deteriorating areas in which such enforcement, together with public improvements and services to be provided, may be expected to arrest the decline of the area;

(4) clearance, demolition, removal, and rehabilitation of buildings and improvements (including interim assistance and financing rehabilitation of privately owned properties when incidental to other activities);

(5) special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;

(6) payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by program activities under this title;

(7) disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to this title or its retention for public purposes;

(8) provision of public services not otherwise available in areas where other activities assisted under this title are being carried out in a concentrated manner, if such services are determined to be necessary or appropriate to support such other activities and if assistance in providing or securing such services under other applicable Federal laws or programs has been applied for and

denied or not made available within a reasonable period of time, and if such services are directed toward (A) improving the community's public services and facilities, including those concerned with the employment, economic development, crime prevention, child care, health, drug abuse, education, welfare, or recreation needs of persons residing in such areas, and (B) coordinating public and private development programs;

(D) payment of the lion-Federal share required in connection with a Federal grant-in-aid program undertaken as part of the Community Development Program;

(10) payment of the cost of completing a project funded under title I of the Housing Act of 1949;

(11) relocation payments and assistance for individuals, families, businesses, organizations, and farm operations displaced by activities assisted under this title;

(12) activities necessary, (A) to develop a comprehensive community development plan, and (H) to develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning implementation; and

(13) payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities.

(b) Upon the request of the recipient, of a grant under this title, the Secretary may agree to perform administrative services on a reimbursable basis on behalf of such recipient in connection with loans or grants for the rehabilitation of properties as authorized under subsection (a) (4).

42 USC 1441
note.

ALLOCATION AND DISTRIBUTION OF FUNDS

SEC. 106. (a) Of the amount approved in an appropriation Act under section 103 (a) for grants in any year (excluding the amount provided for use in accordance with sections 103 (a) (2) and 107), 80 per centum shall be allocated by the Secretary to metropolitan areas. Except as provided in subsections (c) and (e), each metropolitan city and urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to annual grants from such allocation in an aggregate amount not exceeding the greater of its basic amount computed pursuant to paragraph (2) or (3) of subsection (b) or its hold-harmless amount computed pursuant to subsection (g).

42 USC 5306.
Ante, p. 637.
Post, p. 647.

Ante, p. 638.

(b) (1) The Secretary shall determine the amount to be allocated to all metropolitan cities which shall be an amount that bears the same ratio to the allocation for all metropolitan areas as the average of the ratios between—

(A) the population of all metropolitan cities and the population of all metropolitan areas;

(R) the extent of poverty in all metropolitan cities and the extent of poverty in all metropolitan areas; and

(C) the extent of housing overcrowding in all metropolitan cities and the extent of housing overcrowding in all metropolitan areas.

Basic grant
amount.

(2) From the amount allocated to all metropolitan cities the Secretary shall determine for each metropolitan city a basic grant amount which shall equal an amount that bears the same ratio to the allocation for all metropolitan cities as the average of the ratios between—

(A) the population of that city and the population of all metropolitan cities;

(B) the extent of poverty in that city and the extent of poverty in all metropolitan cities; and

(C) the extent of housing overcrowding in that city and the extent of housing overcrowding in all metropolitan cities.

(3) The Secretary shall determine the basic grant amount of each urban county by—

(A) calculating the total amount that would have been allocated to metropolitan cities and urban counties together under paragraph (1) of this subsection if data pertaining to the population, extent of poverty, and extent of housing overcrowding in all urban counties were included in the numerator of each of the fractions described in such paragraph; and

(B) determining for each county the amount which bears the same ratio to the total amount calculated under subparagraph (A) of this paragraph as the average of the ratios between—

(i) the population of that urban county and the population of all metropolitan cities and urban counties;

(ii) the extent of poverty in that urban county and the extent of poverty in all metropolitan cities and urban counties; and

(iii) the extent of housing overcrowding in that urban county and the extent of housing overcrowding in all metropolitan cities and urban counties.

(4) In determining the average of ratios under paragraphs (1), (2), and (3), the ratio involving the extent of poverty shall be counted twice.

(5) In computing amounts or exclusions under this section with respect to any urban county there shall be excluded units of general local government located in the county (A) which receive hold-harmless grants pursuant to subsection (h), or (B) the populations of which are not counted in determining the eligibility of the urban county to receive a grant under this subsection.

(c) During the first three years for which funds are approved for distribution to a metropolitan city or urban county under this section, the basic grant amount of such city or county as computed under subsection (b) shall be adjusted as provided in this subsection if the amount so computed for the first such year exceeds the city's or county's hold-harmless amount as determined under subsection (g). Such adjustment shall be made so that—

(1) the amount for the first year does not exceed one-third of the full basic grant amount computed under subsection (b), or the hold-harmless amount, whichever is the greater,

(2) the amount for the second year does not exceed two-thirds of the full basic grant amount computed under subsection (b), or the hold-harmless amount, or the amount allowed under paragraph (1) of this subsection, whichever is the greatest, and

(3) the amount for the third year does not exceed the full basic grant amount computed under subsection (b).

(d) Any portion of the amount allocated to metropolitan areas under the first sentence of subsection (a) which remains after the allocation of grants to metropolitan cities and urban counties in accordance with subsections (b) and (c) and any amounts added in

accordance with the provisions of section 103(a) (2) shall be allocated by the Secretary—

(1) first, for grants to metropolitan cities, urban counties, and other units of general local government within metropolitan areas to meet their hold-harmless needs as determined under subsections (g) and (h); and

(2) second, for grants to units of general local government (other than metropolitan cities and urban counties) and States for use in metropolitan areas, allocating for each such metropolitan area an amount which bears the same ratio to the allocation for all metropolitan areas available under this paragraph as the average of the ratios between—

(A) the population of that metropolitan area and the population of all metropolitan areas,

(U) the extent of poverty in that metropolitan area and the extent of poverty in all metropolitan areas, and

(C) the extent of housing overcrowding in that metropolitan area and the extent of housing overcrowding in all metropolitan areas.

In determining the average of ratios under paragraph (2), the ratio involving the extent of poverty shall be counted twice; and in computing amounts under such paragraph there shall be excluded any metropolitan cities, urban counties, and units of general local government which receive hold-harmless grants pursuant to subsection (h).

(e) Any amounts allocated to a metropolitan city or urban county pursuant to the preceding provisions of this section which are not applied for during a program period or which are not approved by the Secretary, and any other amounts allocated to a metropolitan area which the Secretary determines, on the basis of the applications and other evidence available, are not likely to be fully obligated during such program period, shall be reallocated during the same period for use by States, metropolitan cities, urban counties, or units of general local government, first, in any metropolitan area in the same State, and second, in any other metropolitan area. The Secretary shall review determinations under this subsection from time to time as appropriate with a view of assuring maximum use of all available funds in the period for which such funds were appropriated. Reallocation.

(f) (1) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with sections 103(a) (2) and 107), 20 per centum shall be allocated by the Secretary—

(A) first, for grants to units of general local government outside of metropolitan areas to meet their hold-harmless needs as determined under subsection (h); and

(R) second, for grants to units of general local government outside of metropolitan areas and States for use outside of metropolitan areas, allocating for the nonmetropolitan areas of each State an amount which bears the same ratio to the allocation available under this subparagraph for the nonmetropolitan areas of all States as the average of the ratios between—

(i) the population of the nonmetropolitan areas of that State and the population of the nonmetropolitan areas of all the States,

(ii) the extent of poverty in the nonmetropolitan areas of that State and the extent of poverty in the nonmetropolitan areas of all the States, and

(iii) the extent of housing overcrowding in the nonmetropolitan areas of that State and the extent of housing overcrowding in the nonmetropolitan areas of all the States.

In determining the average of ratios under subparagraph (B), the ratio involving the extent of poverty shall be counted twice; and in computing amounts under such subparagraph there shall be excluded units of general local government which receive hold-harmless grants pursuant to subsection (h).

(2) Any amounts allocated to a unit of general local government under paragraph (1) which are not applied for during a program period or which are not approved by the Secretary, and any amounts allocated to the nonmetropolitan areas of a State under paragraph (1) (B) which the Secretary determines, on the basis of applications and other evidence available, are not likely to be fully obligated during such period, shall be reallocated as soon as practicable during the same period to the nonmetropolitan areas of other States. The Secretary shall review determinations under this paragraph from time to time with a view to assuring maximum use of all available funds in the program period for which such funds were appropriated.

Hold-harmless amount.

42 USC 1450.
42 USC 1452b.
42 USC 3102.
3103.
42 USC 1491.
42 USC 1500.
42 USC 1469.

42 USC 3305.

(g) (1) The full hold-harmless amount of each metropolitan city or urban county shall be the sum of (i) the sum of the average during the five fiscal years ending prior to July 1, 1972, of (1) commitments for grants (as determined by the Secretary) pursuant to part A of title I of the Housing Act of 1949; (2) loans pursuant to section 312 of the Housing Act of 1964; (3) grants pursuant to sections 702 and 703 of the Housing and Urban Development Act of 1965; (4) loans pursuant to title II of the Housing Amendments of 1955; and (5) grants pursuant to title VII of the Housing Act of 1961; and (ii) the average annual grant, as determined by the Secretary, made in accordance with part B of title I of the Housing Act of 1949 during the fiscal years ending prior to July 1, 1972, or during the fiscal year 1973 in the case of a metropolitan city or urban county which first received a grant under part B of such title in such fiscal year. In the case of a metropolitan city or urban county which has participated in the program authorized under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 and which has been funded or extended in the fiscal year 1973 for a period ending after June 30, 1973, determinations of the hold-harmless amount of such metropolitan city or urban county for the following specified years shall be made so as to include, in addition to the amounts specified in clauses (i) and (ii) of the preceding sentence, the following percentages of the average annual grant as determined by the Secretary made in accordance with such section during fiscal years ending prior to July 1, 1972—

(A) 100 per centum for each of a number of years which, when added to the number of funding years for which the city or county received grants under such section 105, equals five;

(B) 80 per centum for the year immediately following year five as determined pursuant to clause (A),

(C) 60 per centum for the year immediately following the year provided for in clause (B); and

(D) 40 per centum for the year immediately following the year provided for in clause (C).

For the purposes of this paragraph the average annual grant under part B of title I of the Housing Act of 1949 or under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 shall be established by dividing the total amount of grants made to a participant under the program by the number of months of program activity for which funds were authorized and multiplying the result by twelve.

(2) During the fiscal years **1975, 1976, and 1977**, the hold-harmless amount of any metropolitan city or urban county shall be the full amount computed for the city or county in accordance with paragraph (1). In the fiscal years **1978, 1979, and 1980**, if such amount is greater than the basic grant amount of the metropolitan city or urban county for that year, as computed under subsection (b) (2) or (3), it shall be reduced so that—

(i) in the fiscal year **1978**, the excess of the hold-harmless amount over the basic grant amount shall equal two-thirds of the difference between the amount computed under paragraph (1) and the basic grant amount for such year,

(ii) in the fiscal year **1979**, the excess of the hold-harmless amount over the basic grant amount shall equal one-third of the difference between the amount computed under paragraph (1) and the basic grant amount for such year, and

(iii) in the fiscal year **1980**, there shall be no excess of the hold-harmless amount over the basic grant amount.

(h)(1) Any unit of general local government which is not a metropolitan city or urban county shall, subject to the provisions of section **104** and except as otherwise specifically authorized, be entitled to grants under this title for any year in an aggregate amount at least equal to a hold-harmless amount as computed under the provisions of subsection (g)(1) if, during the five-fiscal-year period specified in the first sentence of subsection (g)(1) (or during the fiscal year **1973** in the case of a locality which first received a grant for a neighborhood development program in that year), one or more urban renewal projects, code enforcement programs, neighborhood development programs, or model cities programs were being carried out by such unit of general local government pursuant to commitments for assistance entered into during such period under title I of the Housing Act of **1949** or title I of the Demonstration Cities and Metropolitan Development Act of **1966**.

42 USC 1450.
42 USC 3301.

(2) In the fiscal years **1978, 1979, and 1980**, in determining the hold-harmless amount of units of general local government qualifying under this subsection, the second sentence of subsection (g)(2) shall be applied as though such units were metropolitan cities or urban counties with basic grant amounts of zero.

(i) In excluding the population, poverty, and housing overcrowding data of units of general local government which receive a hold-harmless grant pursuant to subsection (h) from the computations described in subsections (b)(5), (d), and (f) of this section, the Secretary shall exclude only two-thirds of such data for the fiscal year **1978** and one-third of such data for the fiscal year **1979**.

(j) Any unit of general local government eligible for a hold-harmless grant pursuant to subsection (h) may, not later than thirty days prior to the beginning of any program period, irrevocably waive its eligibility under such subsection. In the case of such a waiver the unit of general local government shall not be excluded from the computations described in subsections (b)(5), (d), and (f) of this section.

Waiver of
eligibility.

(k) The Secretary may fix such qualification or submission dates as he determines are necessary to permit the computations and determinations required by this section to be made in a timely manner, and all such computations and determinations shall be final and conclusive.

(1) Not later than March **31, 1977**, the Secretary shall make a report to the Congress setting forth such recommendations as he deems advisable, in furtherance of the purposes and policy of this title, for modifying or expanding the provisions of this section relating to the method of funding and the allocation of funds and the determination

Report to
Congress.

Study. of the basic grant entitlement, and for the application of such provisions in the further distribution of funds under this title. In making this report, the Secretary shall conduct a study to determine how funds authorized under this title can be distributed in accordance with community development needs, objectives, and capacities, measured to the maximum extent feasible by objective standards.

DISCRETIONARY FUND

.42 USC 5307. **SEC. 107.** (a) Of the total amount of authority to enter into contracts approved in appropriation Acts under section 103(a) (1) for each of the fiscal years 1975, 1976, and 1977, an amount equal to 2 per centum thereof shall be reserved and set aside in a special discretionary fund for use by the Secretary in making grants (in addition to any other grants which may be made under this title to the same entities or for the same purposes)—

42 USC 4501 (1) in behalf of new communities assisted under title VII of the Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968;

42 USC 3901 (2) to States and units of general local government which join in carrying out housing and community development programs that are area-wide in scope;

note. (3) in Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands;

(4) to States and units of general local government for the purpose of demonstrating innovative community development projects;

(5) to States and units of general local government for the purpose of meeting emergency community development needs caused by federally recognized disasters; and

(6) to States and units of general local government where the Secretary deems it necessary to correct inequities resulting from the allocation provisions of section 106.

(b) Not more than one-fourth of the total amount reserved and set aside in the special discretionary fund under subsection (a) for each year may be used for grants to meet emergency disaster needs under subsection (a) (5).

(c) Amounts reserved and set aside in the special discretionary fund under subsection (a) in any fiscal year but not used in such year shall remain available for use in accordance with subsections (a) and (b) in subsequent fiscal years.

GUARANTEE OF LOANS FOR ACQUISITION OF PROPERTY

42 USC 5308. **SEC. 108.** (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to guarantee and make commitments to guarantee the notes or other obligations issued by units of general local government, or by public agencies designated by such units of general local government, for the purpose of financing the acquisition or assembly of real property (including such expenses related thereto as the Secretary may permit by regulation) to serve or be used in carrying out activities which are eligible for assistance under section 105 and are identified in the application under section 104, and with respect to which grants have been or are to be made under section 103, but no such guarantee shall be issued in behalf of any agency designed to benefit, in or by the flotation of any issue, a private individual or corporation.

(b) No guarantee or commitment to guarantee shall be made with

respect to any unit of general local government or public agency designated by any such unit of general local government unless—

(1) the Secretary, from sums approved in appropriation Acts and allocated for obligation to the unit of general local government pursuant to sections 106 and 107, shall have reserved and withheld, for the purpose of paying the guaranteed obligations (including interest), an amount which is at least equal to 110 per centum of the difference between the cost of acquiring the land and related expenses and the estimated proceeds to be derived from the sale or other disposition of the land, as determined or approved by the Secretary, which amount may subsequently be increased by the Secretary to the extent he determines such increase is necessary or appropriate because of any unanticipated, major reduction in such estimated disposition proceeds;

(2) the unit of general local government shall have given to the Secretary, in a form acceptable to him, a pledge of its full faith and credit, or a pledge of revenues approved by the Secretary, for the repayment of so much of any amount required to be paid by the United States pursuant to any guarantee under this section as is equal to the difference between the principal amount of the guaranteed obligations and interest thereon and the amount which is to be reserved and withheld under paragraph (1); and

(3) the unit of general local government has pledged to the repayment of any amounts which are required to be paid by the United States pursuant to its guarantee under this section, and which are not otherwise fully repaid when due pursuant to paragraph (1) and (2), the proceeds of any grants for which such unit of general local government may become eligible under this title.

(c) The full faith and credit of the United States is pledged to the payment of all guarantees made under this section. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligations for such guarantee with respect to principal and interest, and the validity of any such guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligations.

(d) The Secretary may issue obligations to the Secretary of the Treasury in an amount outstanding at any one time sufficient to enable the Secretary to carry out his obligations under guarantees authorized by this section. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Secretary issued under this section, and for such purposes is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or here-

40 Stat. 288,
31 USC 774.

after in force, and the purposes for which such securities may be issued under such Act are extended to include the purchases of the Secretary's obligations hereunder.

(e) Obligations guaranteed under this section may, at the option of the issuing unit of general local government or designated agency, be subject to Federal taxation as provided in subsection (g). In the event that taxable obligations are issued and guaranteed, the Secretary is authorized to make, and to contract to make, grants to or on behalf of the issuing unit of general local government or public agency to cover not to exceed 30 per centum of the net interest cost (including such servicing, underwriting, or other costs as may be specified in regulations of the Secretary) to the borrowing unit or agency of such obligations.

(f) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding at the end thereof a new paragraph as follows:

Arbe, p. 647. “(22) For payments required from time to time under contracts entered into pursuant to section 108 of the Housing and Community Development Act of 1974 for payment of interest costs on obligations guaranteed by the Secretary of Housing and Urban Development under that section.”

42 USC 5308. (g) With respect to any obligation issued by a unit of general local government or designated agency which such unit or agency has elected to issue as a taxable obligation pursuant to subsection (e) of this section, the interest paid on such obligation shall be included in gross income for the purpose of chapter I of the Internal Revenue Code of 1954.

68A Stat. 3.
26 USC 1
et seq.
42 USC 5309.

NONDISCRIMINATION

SEC. 109. (a) No person in the United States shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

(b) Whenever the Secretary determines that a State or unit of general local government which is a recipient of assistance under this title has failed to comply with subsection (a) or an applicable regulation, he shall notify the Governor of such State or the chief executive officer of such unit of local government of the noncompliance and shall request the Governor or the chief executive officer to secure compliance. If within a reasonable period of time, not to exceed sixty days, the Governor or the chief executive officer fails or refuses to secure compliance, the Secretary is authorized to (1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d); (3) exercise the powers and functions provided for in section 111(a) of this Act; or (4) take such other action as may be provided by law.

(c) When a matter is referred to the Attorney General pursuant to subsection (b), or whenever he has reason to believe that a State government or unit of general local government is engaged in a pattern or practice in violation of the provisions of this section, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

LABOR STANDARDS

42 USC 5310. SEC. 110. All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with grants received under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5): *Provided*, That this section shall apply to the rehabilitation of residential property only if such property is designed for residential use for eight or more families. The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 13, 1934, as amended (48 Stat. 948; 40 U.S.C. 276 (c)).

5 USC app.
40 USC 276c.

REMEDIES FOR NONCOMPLIANCE

SEC. 111. (a) If the Secretary finds after reasonable notice and opportunity for hearing that a recipient of assistance under this title has failed to comply substantially with any provision of this title, the Secretary, until he is satisfied that there is no longer any such failure to comply, shall—

42 USC 5311.

(1) terminate payments to the recipient under this title, or

(2) reduce payments to the recipient under this title by an amount equal to the amount of such payments which were not expended in accordance with this title, or

(3) limit the availability of payments under this title to programs, projects, or activities not affected by such failure to comply.

(b) (1) In lieu of, or in addition to, any action authorized by subsection (a), the Secretary may, if he has reason to believe that a recipient has failed to comply substantially with any provision of this title, refer the matter to the Attorney General of the United States with a recommendation that an appropriate civil action be instituted.

(2) Upon such a referral the Attorney General may bring a civil action in any United States district court having venue thereof for such relief as may be appropriate, including an action to recover the amount of the assistance furnished under this title which was not expended in accordance with it, or for mandatory or injunctive relief.

(c) (1) Any recipient which receives notice under subsection (b) of the termination, reduction, or limitation of payments under this title may, within sixty days after receiving such notice, file with the United States Court of Appeals for the circuit in which such State is located, or in the United States Court of Appeals for the District of Columbia, a petition for review of the Secretary's action. The petitioner shall forthwith transmit copies of the petition to the Secretary and the Attorney General of the United States, who shall represent the Secretary in the litigation.

Petition for review.

(2) The Secretary shall file in the court record of the proceeding on which he based his action, as provided in section 9112 of title 28, United States Code. No objection to the action of the Secretary shall be considered by the court unless such objection has been urged before the Secretary.

72 Stat. 941,
80 Stat. 1323.

(3) The court shall have jurisdiction to affirm or modify the action of the Secretary or to set it aside in whole or in part. The findings of fact by the Secretary, if supported by substantial evidence on the record considered as a whole, shall be conclusive. The court may order additional evidence to be taken by the Secretary, and to be made part of the record. The Secretary may modify his findings of fact, or make new findings, by reason of the new evidence so taken and filed with the court, and he shall also file such modified or new findings, which findings with respect to questions of fact shall be conclusive if supported by substantial evidence on the record considered as a whole, and shall also file his recommendation, if any, for the modification or setting aside of his original action.

(4) Upon the filing of the record with the court, the jurisdiction of the court shall be exclusive and its judgment shall be final, except that such judgment shall be subject to review by the Supreme Court of the United States upon writ of certiorari or certification as provided in section 1254 of title 28, United States Code.

62 Stat. 928.

USE OF GRANTS TO SETTLE OUTSTANDING URBAN RENEWAL LOANS

SEC. 112. (a) The Secretary is authorized, notwithstanding any other provision of this title, to apply a portion of the grants, not to

42 USC 5312.

42 USC 1450.

exceed 20 per centum thereof without the request of the recipient, made or to be made under section 103(a) in any fiscal year pursuant to an allocation under section 106 to any unit of general local government toward payment of the principal of, and accrued interest on, any temporary loan made in connection with urban renewal projects under title I of the Housing Act of 1949 being carried out within the jurisdiction of such unit of general local government if—

(1) the Secretary determines, after consultation with the local public agency carrying out the project and the chief executive of such unit of general local government, that the project cannot be completed without additional capital grants, or

(2) the local public agency carrying out the project submits to the Secretary an appropriate request which is concurred in by the governing body of such unit of general local government.

In determining the amounts to be applied to the payment of temporary loans, the Secretary shall make an accounting for each project taking into consideration the costs incurred or to be incurred, the estimated proceeds upon any sale or disposition of property, and the capital grants approved for the project.

(b) Upon application by any local public agency carrying out an urban renewal project under title I of the Housing Act of 1949, which application is approved by the governing body of the unit of general local government in which the project is located, the Secretary may approve a financial settlement of such project if he finds that a surplus of capital grant funds after full repayment of temporary loan indebtedness will result and may authorize the unit of general local government to use such surplus funds, without deduction or offset, in accordance with the provisions of this title.

REPORTING REQUIREMENTS

Report to
Congress ■
42 USC 5313.

SEC. 113. (a) Not later than 180 days after the close of each fiscal year in which assistance under this title is furnished, the Secretary shall submit to the Congress a report which shall contain—

(1) a description of the progress made in accomplishing the objectives of this title; and

(2) a summary of the use of such funds as approved by the Secretary during the preceding fiscal year.

(b) The Secretary is authorized to require recipients of assistance under this title to submit to him such reports and other information as may be necessary in order for the Secretary to make the report required by subsection (a).

CONSULTATION

* 42 USC 5314.

SEC. 114. In carrying out the provisions of this title including the issuance of regulations, the Secretary shall consult with other Federal departments and agencies administering Federal grant-in-aid programs.

INTERSTATE AGREEMENTS

42 USC 5315.

SEC. 115. The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative effort and mutual assistance in support of community development planning and programs carried out under this title as they pertain to interstate areas and to localities within such States, and to establish such agencies, joint or otherwise, as they may deem desirable for making such agreements and compacts effective.

TRANSITION PROVISIONS

SEC. 116. (a) Except with respect to projects and programs for which funds have been previously committed, no new grants or loans shall be made after January 1, 1975, under (1) title I of the Demonstration Cities and Metropolitan Development Act of 1966, (2) title I of the Housing Act of 1949, (3) section 702 or section 703 of the Housing and Urban Development Act of 1965, (4) title II of the Housing Amendments of 1955, or (5) title VII of the Housing Act of 1961.

42 USC 5316.
42 USC 3301.
42 USC 145C
42 USC 3102
3103.
42 USC 1491
1500.

(b) To the extent that, grants under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966 are payable from appropriations made for the fiscal year 1975, and are made with respect to a project or program being carried on in any unit of general local government which is eligible to receive a grant for such fiscal year under section 106 (a) or (h) of this Act, the amount of such grants made under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966 shall be deducted from the amount of grants which such unit of general local government is eligible to receive for the fiscal year 1975 under such section 106 (a) or (h). The deduction required by the preceding sentence shall be disregarded in determining the amount of grants made to any unit of general local government that may be applied pursuant to section 112 of this Act, to payment of temporary loans in connection with urban renewal projects under title I of the Housing Act of 1949. The amount of any appropriations made for the fiscal year 1975 which is used for grants so as to be subject to the provisions of this subsection relating to deductions shall be deemed to have been appropriated for grants pursuant to section 103 (a) of this Act for such fiscal year for purposes of calculations under sections 106 and 107 of this Act.

(c) The first sentence of section 103 (b) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: “, and by such sums as may be necessary thereafter”.

42 USC 1453.

(d) (1) Section 111 (b) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting immediately after the first sentence the following new sentence: “In addition, there are authorized to be appropriated for such purpose such sums as may be necessary for the fiscal year ending June 30, 1975.”

42 USC 3311.

(2) Section 111 (c) of such Act is amended by striking out “July 1, 1974” and inserting in lieu thereof “July 1, 1975”.

87 Stat. 422.

(e) (1) Section 312 (h) of the Housing Act of 1964 is amended (A) by striking out “after October 1, 1974” and inserting in lieu thereof “after the close of the one-year period beginning on the date of the enactment of the Housing and Community Development Act of 1974”, and (B) by striking out “that date” and inserting in lieu thereof “the close of that period”.

42 USC 1452b.

(2) Section 312 (a) (1) of such Act is amended by inserting “or” at the end of subparagraph (C), and by adding after subparagraph (C) the following new subparagraph :

“(D) the rehabilitation is a part of, or is necessary or appropriate to the execution of, an approved community development program under title I of the Housing and Community Development Act of 1974 or an approved urban homestead program under section 809 of such Act;”.

(f) With respect to the program period beginning January 1, 1975, the Secretary may, without regard to the requirements of section 104, advance to any metropolitan city, urban county or other unit of general local government, out of the amount allocated to such entity pursuant to section 106 (a) or (h), an amount not to exceed 10 per centum of the

Post, p. 729.

amount so allocated which shall be available only for use (1) to continue projects or programs referred to in clauses (1) and (2) of subsection (a) of this section, or (2) to plan and prepare for the implementation of activities to be assisted under this title.

(g) In the case of funds available for any fiscal year, the Secretary shall not consider any application from a metropolitan city or urban county for a grant pursuant to section 106(a) or from a unit of general local government for a grant pursuant to section 106(h) unless such application is submitted on or prior to such date (in that fiscal year) as the Secretary shall establish as the final date for submission of applications for such grants in that year.

LIQUIDATION OF SUPERSEDED PRWRAMS

SEC. 117. (a) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding after paragraph (22) (as added by section 108(f) of this Act) the following new paragraph:

42 USC 1453

“(23) For payments required from time to time under contracts entered into pursuant to section 103(b) of the Housing Act of 1949 with respect to projects or programs for which funds have been committed on or before December 31, 1974, and for which funds have not previously been appropriated?”

42 USC 5317.

(b) The Secretary is authorized to transfer the assets and liabilities of any program which is superseded or inactive by reason of this title to the revolving fund for liquidating programs established pursuant to title II of the Independent Offices Appropriation Act of 1965 (Public Law 81-428; 68 Stat. 272,295).

EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS

12 USC 1701u.

SEC. 118. Section 3 of the Housing and Urban Development Act of 1968 is amended by inserting “, including community development block grants under title I of the Housing and Community Development Act of 1974,” immediately after “direct financial assistance”.

TITLE 11 — ASSISTED HOUSING

LOCAL HOUSING ASSISTANCE PLANS; ALLOCATION OF HOUSING FUNDS

42 USC 1439.

Ante, p. 653.
12 USC 1715z,
1715z-1,
12 USC 1701s.
12 USC 1701q.

SEC. 213. (a) (1) The Secretary of Housing and Urban Development, upon receiving an application for housing assistance under the United States Housing Act of 1937, section 235 or 236 of the National Housing Act, section 101 of the Housing and Urban Development Act of 1965, or section 202 of the Housing Act of 1959, if the unit of general local government in which the proposed assistance is to be provided has an approved housing assistance plan, shall—

(A) not later than ten days after receipt of the application, notify the chief executive officer of such unit of general local government that such application is under consideration; and

(B) afford such unit of general local government the opportunity, during the thirty-day period beginning on the date of such notification, to object to the approval of the application on the grounds that the application is inconsistent with its housing assistance plan.

(2) If the unit of general local government objects to the application on the grounds that it is inconsistent with its housing assistance plan, the Secretary may not approve the application unless he determines that the application is consistent with such housing assistance plan. If the Secretary determines, that such application is consistent with the housing assistance plan, he shall notify the chief executive officer of the unit of general local government of his determination and the reasons therefor in writing. If the Secretary concurs with the objection of the unit of local government, he shall notify the applicant stating the reasons therefor in writing.

(3) If the Secretary does not receive an objection by the close of the period referred to in paragraph (1)(B), he may approve the application unless he finds it inconsistent with the housing assistance plan. If the Secretary determines that an application is inconsistent with a housing assistance plan, he shall notify the applicant stating the reasons therefor in writing.

(4) The Secretary shall make the determinations referred to in paragraphs (2) and (3) within thirty days after he receives an objection pursuant to paragraph (1)(B) or within thirty days after the close of the period referred to in paragraph (1)(B), whichever is earlier.

(5) As used in this section, the term "housing assistance plan" means a housing assistance plan submitted and approved under section 104 of this Act or, in the case of a unit of general local government not participating under title I of this Act, a housing plan approved by the Secretary as meeting the requirements of this section.

(b) The provisions of subsection (a) shall not apply to—

(1) applications for assistance involving 12 or fewer units in a single project or development;

(2) applications for assistance with respect to housing in new community developments approved under title IV of the Housing and Urban Development Act of 1968 or title VII of the Housing and Urban Development Act of 1970 which the Secretary determines are necessary to meet the housing requirements under such title; or

(3) applications for assistance with respect to housing financed by loans or loan guarantees from a State or agency thereof, except that the provisions of subsection (a) shall apply where the unit of general local government in which the assistance is to be provided objects in its housing assistance plan to the exemption provided by this paragraph.

(c) For areas in which an approved local housing assistance plan is not applicable, the Secretary shall not approve an application for housing assistance unless he determines that there is a need for such assistance, taking into consideration any applicable State housing plans, and that there is or will be available in the area public facilities and services adequate to serve the housing proposed to be assisted. The Secretary shall afford the unit of general local government in which the assistance is to be provided an opportunity, during a 30-day period following receipt of an application by him, to provide comments or information relevant to the determination required to be made by the Secretary under this subsection.

(d) (1) In allocating financial assistance under the provisions of law specified in subsection (a) of this section, the Secretary, so far as practicable, shall consider the relative needs of different areas and communities as reflected in data as to population, poverty, housing overcrowding, housing vacancies, amount of substandard housing, or other objectively measurable conditions, subject to such adjustments as may be necessary to assist in carrying out activities designed to meet lower income housing needs as described in approved housing assistance plans submitted by units of general local government or combinations of such units assisted under section 107(a)(2) of this Act. The amount of assistance allocated to nonmetropolitan areas pursuant to this section in any fiscal year shall not be less than 20 nor more than 26 per centum of the total amount of such assistance.

(2) In order to facilitate the provision of and long-range planning for, housing for persons of low- and moderate-income in new community developments approved under title IV of the Housing and Urban Development Act of 1968 and title VII of the Housing and Urban

42 USC 3901.
42 USC 4501.

Development Act of 1970, the Secretary shall reserve such housing 42 USC 4501.
assistance funds as he deems necessary for use in connection with such
new community developments.

(3) The Secretary may reserve such housing assistance funds as he
deems appropriate for use by a State or agency thereof.

GLOSSARY

General Activities

Redevelopment Related—A general grouping of the following specific activities: acquisition for redevelopment/demolition; relocation; demolition; general UR/NDP; and historic preservation.

Other Public Works—A general grouping of the several specific public works activities: street improvements; flood protection; removal of architectural barriers; and other public works not falling into a specific activity. This grouping does not include water and sewer activities which is a general group in itself.

Rehabilitation—All specific activities which relate to housing. These are primarily rehabilitation activities but costs related to new housing construction fall into this general category as well.

Service Related Facilities/Equipment—Facilities and equipment related to the provision of particular public services. Facilities are single purpose in nature.

Public Services—Any single service or combination of services funded by CDBG aimed at meeting particular social needs of a community (i.e. services for the elderly, recreation programs, and child care).

Specific Activities

Acquisition for Redevelopment/Demolition—Land acquisition for the purpose of demolition, clearance, or redevelopment. This does not include acquisition costs for historic preservation, flood protection, open space, or facilities.

Relocation—Costs for relocation payments and assistance.

Demolition—Costs for clearance and the removal of deteriorated structures. Also the costs of boarding up buildings to be demolished.

General Urban Renewal/NDP—Urban Renewal/NDP projects continued with CDBG funds. Funds for these projects cannot be broken down into more specific activities (i.e. acquisition, relocation). Interest payments on outstanding Urban Renewal loans and repayment of loan funds are also included.

Historic Preservation—Acquisition, rehabilitation, loans and/or grants for the purpose of preserving historic properties both publicly and privately owned. Historic markers, and site improvements of historic nature in historic areas (e.g. cobblestoning streets) are also included.

Code Enforcement—Salaries of code enforcement inspectors and other costs of inspections which attempt to bring buildings and residences up to meet the code standards.

Street Improvements—Street improvements including street paving and construction, curbs and gutters, street furniture (signs, etc.), traffic signals, benches, trees planted along the street, pedestrian bridges, bike lanes in streets, and engineering costs related to these projects.

Public Works/Site Development—Public works which are not specifically identified as streets, neighborhood facilities, or water and sewer. Includes improvements to industrial parks, landfills, public parking, garages and solid waste disposal plants, and other relatively large city projects.

Flood Protection—Activities which are specifically described as being for the control of flooding such as: dams, levees, related engineering, channel improvements, storm drainage control, ditches, and acquisition for flood plain clearance.

Removal of Architectural Barriers—Ramping of curbs and improving access to public buildings and facilities; also lowering telephones, and altering rest rooms for easier use by the handicapped.

Water and Sewer—Improvements, replacement, expansion, construction, and acquisition costs for water and sewer systems, including some types of storm sewers, engineering costs for laying lines, and liquid sewage projects.

Open Space—Acquisition and development of park land, including such specific items as tree-planting, sprinkling systems, grading, lighting, seeding, landscaping, physical improvements, restroom equipment, drinking fountains, picnic tables and pavilions.

Neighborhood Facilities—Acquisition, construction, leasing, equipment costs for any facility described as a community center, neighborhood facility, or described by the city as having several purposes, none of them primary.

Housing New Construction—Acquisition of land on which new low- and moderate-income or relocation housing will be built using other funds. Economic incentives for private developers are also included.

Rehabilitation Grants*—Direct grants to homeowners and businesses for rehabilitation of their property. This can take the form of direct cash grants, rehabilitation materials grants, or grants which pay or reduce the interest on loans.

Rehabilitation Loans*—Loans to homeowners and businesses for rehabilitation, includes loan guarantees to banks, and revolving loan funds established by a city-sponsored agency.

****Where applications do not differentiate between loans and grants, the money is divided as follows: 2/3 for loans and 1/3 for grants.***

Rehabilitation by Community—Rehabilitation by the community of city-owned or city-acquired structures which will be later sold or rented as low- or moderate-income housing. Acquisition costs of housing which is to be rehabilitated by the city or local housing agency are included, as are all costs for modernization of public housing or housing specifically stated to be used as public housing.

Facilities/Equipment : Fire—Acquisition, construction, rehabilitation, leasing, and equipment costs for fire stations and any other facility whose primary purpose is to house fire protection and related emergency equipment.

Facilities/Equipment: Police and Law Enforcement—Acquisition, construction, rehabilitation, leasing, and equipment costs for facilities to be used to house legal services and other police and law enforcement facilities.

Facilities/Equipment: Recreation—Acquisition, construction, rehabilitation, leasing, and equipment costs for recreational facilities (playgrounds, swimming pools, gyms, etc.)

Facilities/Equipment: Housing Counseling—Acquisition, construction, rehabilitation, leasing, and equipment costs for housing counselors.

Public Health Facilities/Equipment—Acquisition, construction, rehabilitation, leasing, and equipment costs for facilities which house public health and medical services.

Child Care Facilities/Equipment—Acquisition, construction, rehabilitation, leasing and equipment costs for day care centers and other facilities associated with day care for children (0-7 years old).

Transportation Facilities—Acquisition, construction, rehabilitation, leasing, and equipment costs for facilities related to a transportation service program.

Elderly Facilities—Acquisition, construction, rehabilitation, leasing, and equipment costs for senior citizen centers and other facilities primarily used by people 65 and over.

Youth Facilities/Equipment—Acquisition, construction, rehabilitation, leasing, and equipment costs for facilities which are primarily to house youth or teen programs (6-19 years old).

Jobs Facilities/Equipment—Acquisition, construction, rehabilitation, leasing, and equipment costs for facilities whose primary purpose is to house job and employment programs.

Public Services: General—Unidentified services or multiple services for which it is impossible to identify specific services.

Public Services: Fire—Personnel used to fight fires and provide emergency first aid.

Public Services: Police—Crime prevention activities, home security programs, police-community relations personnel and other police personnel. This also includes drug programs basically enforcement in nature.

Public Services: Recreation—Programs and personnel costs.

Public Services: Jobs—Activities such as job counseling, employment training programs, summer job programs for youths and temporary or part-time employment for the elderly and handicapped.

Public Services: Economic Development—Technical and economic assistance to small businesses (information and/or money).

Public Services: Housing Counseling—Renters mediation, homeownership training, and counseling in conjunction with code enforcement.

Public Services: Interim Assistance/Public Health—Rodent and insect control, stray dog assistance, lead paint poison prevention, neighborhood clean up (heavy trash pick-up), fugitive dust control, as well as elimination of any other detrimental health conditions.

Public Services: Medical—Medical clinic staff and dental care, drug addiction treatment, and alcoholism treatment.

Public Services: Children—Day care, child abuse prevention, and other services directed at children age 0-7 years old.

Public Services: Transportation—Staff to operate a mini-bus to take elderly persons to stores and other special transportation services.

Public Services: Elderly/Handicapped—Day care, nutrition, craft programs, and any other elderly handicapped programs.

Public Services: Legal—Juvenile defender programs, legal aid for poor persons, consumer protection, etc., as well as rehabilitation programs for ex-offenders (half-way houses for convicts and drug addicts).

Public Services: Youth—Youth programs, generally aimed at crime/delinquency prevention, and any "Teen Programs."

Public Services: Education—"Drug awareness" programs, educational programs, language courses, and cultural awareness programs.

Administration—Administration, as well as costs of disposition of real property, citizen participation (public forums, etc.), neighborhood workshops, and title searches.

Studies—Environmental analysis and review, monitoring and evaluation.

Planning—Development of comprehensive plans, planning CDBG activities and third year CD plans, and technical assistance to communities.

Contingencies—Money reserved for local options not to exceed 10 percent of entitlement amount.

Census Tract¹ —Small areas into which large cities and adjacent areas have been divided for statistical purposes. Tracts were generally designed to be uniform with respect to population characteristics, economic status, and living conditions. The average tract has about 4,000 residents.

SMSA² —Standard metropolitan statistical area. "Except in the New England States, a standard metropolitan statistical area is a county or group of contiguous counties which contains at least one city of 50,000 inhabitants or more, or "twin cities" with a combined population of at least 50,000. In addition to the county or counties containing such a city or cities, contiguous counties are included in an SMSA if, according to certain criteria, they are socially and economically integrated with the central city. In the New England States, SMSA's consist of towns and cities instead of counties."

¹ U.S. Bureau of Census definition

² Ibid.

