U.S. Department of Housing and Urban Development
Community Planning and Development

Brewer

Community Development Block Grant Program

Third Annual Report

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

TO THE CONGRESS OF THE UNITED STATES:

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

Patricia Roberts Harris

March 1978

U.S. Department of Housing and Urban Development
Community Planning and Development

Office of Evaluation

HUD

Community Development Block Grant Program

Third Annual Report

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REPORT HIGHLIGHTS

The Community Development Block Grant program, authorized by Congress in Title I of the Housing and Community Development Act of 1974 and reauthorized in 1977, consolidates activities of HUD's previous categorical community development programs,[1] some of which date back to 1949; these programs represent a history of grants and loans for community development activities totaling in excess of $60 billion.

The Third Annual Report to Congress provides a comprehensive compilation of data pertaining to CDBG. Admittedly voluminous, the Report contains information which is beyond the ordinary needs of Members of Congress, but it constitutes a valuable source book of data which should prove useful to Congressional staff as well as governmental agencies at all levels, academicians, and others who wish to be informed of the myriad of data and issues involved in this very large program.

In addition to its function as an information source, the Third Annual Report makes some judgments about program progress, presented in the form of findings. This marks a departure from the previous Annual Reports, made possible by the fact that, for the first time, Congress and the Administration have promulgated performance standards. In some instances, Office of Evaluation staff have established provisional criteria of progress, drawn from a close study of legislative objectives and regulatory requirements. Thus, this Report not only views the program from the perspective of 3 years of operation, but it also provides a basis for accountability.

The third year of CDBG saw the program move forward significantly in new directions. On January 27, 1977, HUD published

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1/ Urban Renewal and Neighborhood Development programs; Historic Preservation, Urban Beautification and Open Space Land programs; Model Cities program; Water and Sewer Facilities and Neighborhood Facilities programs..

regulations[2/] setting forth standards for determining the adequacy of grantee's performance. This provided a basis for monitoring by HUD staff and procedures for reviewing each grantee's performance to determine whether a continuing capacity exists to carry out the approved program in a timely manner.

In a major management directive, HUD field offices were notified on April 15, 1977 to review all proposed activities to ascertain that they meet the maximum feasible priority requirement of Section 104(b)(2) of the Act.[3/] The notice focused field review on clarification of criteria for determining whether a proposed activity benefits low- and moderate-income persons. As a result of this directive, many activities were revised.

The Housing and Community Development Act of 1977 enuciated the new direction of the CDBG program by:

(1) clarifying that principle beneficiaries of the program are intended to be low- and moderate-income persons;

(2) adding an eighth specific objective, "the alleviation of physical and economic distress...[4/] and creating Urban Development Action Grants[5/] to pursue this objective;

(3) revising application and review requirements to improve community development and housing assistance coordination, further address the need of low- and moderate-income persons and the handicapped and improve citizen participation;

2/ Code of Federal Regulations, Title 24, Part 570.908-913.

3/ Housing and Community Development Act of 1974, Section 104(b)(2), Public Law 93-383, as amended.

4/ Housing and Community Development Act of 1977, Section 101(a)(3), Public Law 93-383.

5/ Ibid., Title I, Sec. 119.

(4) providing for multi-year discretionary funding of small communities; and

(5) authorizing use of a portion of the Discretionary Fund to provide technical assistance to grantees.

Listed below for quick reference are highlights of the major findings of the Third Annual Report. The parenthetical references are to the Chapter(s) in which each finding is discussed. In most instances the findings are based on data from a statistically representative sample of entitlement cities. Other findings resulted from in depth research in small sub-samples and cannot be generalized to represent the entire universe of grantees. The reader is cautioned to refer to the relevant chapters and appendices for methodologies.

Highlights

- Most local officials and citizens interviewed perceive the Community Development Block Grant program as positive and successful. (Chapters 3 and 2)

- The predominant focus of the CDBG program in sampled cities appears to be upon low- and moderate-income homeowner families, especially those living in areas that are in the early-to-moderate stages of decline. (Chapter 2)

- Although the CDBG program does not require target areas, the majority of sample cities visited have delineated target areas in which CDBG funds are to be used. Over 65 percent of the urban counties have designated target areas. (Chapter 6)

- In Fiscal Year 1977, over 75 percent of CDBG funds were allocated for activities in residential areas; however, an increasing trend of funding in nonresidential areas is noted. Also, communities allocated fewer funds for activities of a citywide nature than in previous years. (Chapter 17)

- Many grantees are applying the principle of "partial revitalization" of target areas in contrast to the theory of "full revitalization" which was employed in prior categorical programs. (Chapter 2)

- Cities are concentrating CDBG activities oriented toward housing rehabilitation in areas of early-to-moderate decline. (Chapter 8)

- CDBG rehabilitation programs are not emphasizing seriously blighted neighborhoods due, in large part, to dollar restrictions placed by city officials on the loans and grants. (Chapter 8)

- More than a half billion dollars in private sector funds have been leveraged with CDBG funds spent on rehabilitation, since the beginning of the program. (Chapter 8)

- The trend of increasing allocations of funds for public works and housing rehabilitation activities continued in 1977, as did the trend of decreasing fund allocations for redevelopment-related activities (land acquisition, relocation, and demolition). (Chapter 14)

- More than half of the entitlement communities sampled are budgeting CDBG funds for some type of economic development activity. (Chapter 7)

- Entitlement communities, in 3 years, budgeted more than $650 million for economic development activities. (Chapters 7 and 2)

- CDBG funds for social services declined slightly from 1975 to 1977. (Chapter 9)

- Over half of the Housing Assistance Plan (HAP) goals of 1975 were met during 1975 and 1976. (Chapter 10)

- The program mix of housing assistance as proposed in the 1977 HAPs is:

  35 percent new construction
  38 percent substantial rehabilitation
  27 percent rental subsidies, existing units

- The total assistance provided to entitlement communities during 1975 and 1976 would aid only 4 percent of all households in need of housing assistance. (Chapter 10)

- There is little evidence that urban counties allocated funds on the basis of a countywide perception of needs. Funded projects were far more likely to reflect the prioritized needs of the cooperating jurisdictions. (Chapter 12)

- In Discretionary grants, changes in project selection criteria resulted in a noticeable shift in Fiscal Year 1977 in funds for housing rehabilitation activities. Public works activities, however, continued to receive the greatest proportion of funds. (Chapter 20)

- Community Development Block Grants potentially generated over 130,000 jobs (61.0 per $1 million expended by entitlement cities in metropolitan areas) in Fiscal Year 1976. This represents an increase of 4.9 percent over Fiscal Year 1975. (Chapter 7)

- Citizens report satisfaction with the citizen participation process in over 60 percent of sample cities. (Chapter 23)

- Most cities in the sample have appointed Citizen Advisory Committees (CACs). In 70 percent of these cities, the CAC was judged by citizens to be representative of low- and moderate-income groups. While most CACs are effective in influencing program planning, few are considered to have substantial impact on program implementation and monitoring. (Chapter 23)

- Over 50 jurisdictions have funded fair housing organizations and/or used CDBG funds to initiate their own fair housing activities for a total allocation of $3.5 million in CDBG funds. (Chapter 22)

CHAPTER 1

NEW DIRECTIONS IN THE CDBG PROGRAM

The Housing and Community Development Act of 1977 made changes in the Community Development Grant program which reflect the intent of Congress and new directions of the Department of Housing and Urban Development in administering the program.

In reauthorizing the CDBG program through Fiscal Year 1980, the 1977 Act refined the program significantly as reflected in new regulations affecting application requirements, eligible activities, allocation and distribution of funds, and loan guarantees.1/ The program, however, retains its emphasis on local decision-making. A new section of Title I (Community Development) of the Act required HUD to undertake a study of small cities;2/ another provided for technical assistance from the Secretary's Discretionary Fund; and another created Urban Development Action Grants to help alleviate physical and economic deterioration in severely distressed cities and urban counties.3/

The revised application requirements primarily involve the 3-year Community Development Plan, Housing Assistance Plan, and the Citizen Participation Plan. A Community Development Plan must now include "activities designed to revitalize neighborhoods for the benefit of low- and moderate-income persons,"4/ and the local program must consider

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1/ "Community Development Block Grants - Eligible Activities Entitlement Grants, Small Cities Program," Federal Register, Parts 11, IV, V, Vol. 43, No. 41, March 1, 1978.

"Community Development Block Grants-Urban Development Action Grants," Federal Register, Part IV, Vol. 43, No. 6, January 10, 1978.

2/ Housing and Community Development Act of 1977, Title I, See. 113, Public Law 95-128.

3/ Ibid., Title I, Sec. 119.

4/ Ibid., Title I, Sec. 104(a) (2).

participation of handicapped persons when local governments provide for improved community facilities and public improvments.[5] The CDBG application must describe a program which is directed to improving conditions of low- and moderate-income persons and include neighborhood development activities which may influence retention or return of higher income persons in the community.[6]

Refinements to the Housing Assistance Plan require more specificity. Communities must identify deteriorated housing stock, pay particular attention to assisting low- and moderate-income persons when developing a realistic annual goal, and address community revitalization needs through restoration, rehabilitation, or reclamation of housing units.[7]

The 1977 Act further formalizes citizen participation in the CDBG program by requiring in the application process, assurances that a written citizen participation plan is being followed. Moreover, citizens must have an opportunity to submit comments concerning the community's performance in carrying out the local community development program.

Refinements to the eligible activities include clarification of the intent that CDBG-funded activities "assist in carrying out a comprehensive strategy for meeting the community development and housing needs and priorities identified" in the application process./ Also, the new legislation clarifies the meaning and scope of rehabilitation and community economic development activities, and it specifically makes neighborhood-based nonprofit organizations, local development corporations, and Small Business Investment Corporations eligible to assist local governments in their community development programs.

The question of the formula to be used to distribute funds to entitlement communities received scrupulous attention in formulation of amendments to the 1974 Act. Under the new

5/ Ibid., Title I, Sec. 104(a)(3)(B).

6/ Ibid., Title I, Sec. 104(a)(3)(C).

7/ Ibid., Title I, Sec. 104(a)(4).

8/ Ibid., Title I, Sec. 105(a).

legislation, fund allocation levels are determined by the greater of either the original formula (extent of poverty, counted twice: population; and extent of housing overcrowding) or by a new formula which includes a ratio involving the age of housing (counted 2½ times), a ratio involving the extent of poverty (counted 1½ times), and a ratio involving population (counted once).[9] The second formula more closely reflects the needs of—some communities by giving greater attention to the lag in population growth and the relatively more deteriorated housing stock in those communities. (Table 1.1 presents the allocation of CDBG funds for the first three programs years.)

As a further improvement in the distribution of funds, the 1977 Act authorizes HUD to make multi-year discretionary grant commitments, up to 3 years, based on availability of appropriations, to small communities in SMSA and nonmetropolitan areas. Such a community must have "a comprehensive community development program with provision for lower income housing."[10]

A study of Small Cities, authorized by Section 113 of the Act, will help to determine their developmental needs and provide a basis for additional improvements in assistance provided to them.

Another major refinement in the new Act is in Section 108, which authorizes HUD to guarantee loans for acquisition of real property--now also rehabilitation of real property owned by local government--and payment of related expenses: interest, demolition, relocation, and site improvement. Most important, to make this section of the Act workable for the first time, the loan escrow requirement was removed. Loan guarantees are limited to an amount equal to three times the CDBG amount which, in turn, is pledged as security to insure repayment. Obligations to be guaranteed must be taxable. Though an interest subsidy of 30 percent is authorized,[11] no appropriations are available.

In addition to these important refinements in the loan guarantee provisions, the 1977 Act presents a major new initiative in community economic development.

9/ Ibid., Title I, Sec. 106.

10/ Ibid., Title I, Sec. 106(e).

11/ Housing and Community Development Act of 1974, Title I, Sec. 108(e), Public Law 93-383.

TABLE 1.1

COMMUNITY DEVELOPMENT BLOCK GRANT ALLOCATION OF FUNDS
FISCAL YEARS 1975-1977

	FY 1975 Funds	FY 1976 Funds	FY 1977 Funds
	(Dollars in Thousands)		
Metro Areas			
Entitlement	$1,835,764	$2,087,548	$2,407,742
Metro Balance	59,935	92,052	111,487
Nonmetro Areas			
Entitlement	260,643	265,358	253,676
Nonmetro Balance	199,723	254,042	324,132
Secretary's Fund	26,928 a/	53,000	50,963 b/
Urgent Needs	50,000	50,000	100,000
Subtotal	$2,432,993	$2,802,000	$3,248,000
Lapsed	7	---	---
Urban Renewal	47,637	---	---
Model Cities	69,363	---	---
TOTAL APPROPRIATION	$2,550,000	$2,802,000	$3,248,000

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Budget División.

a/ Excludes $20,956 thousand which was required to fund all eligible formula/hold harmless recipients within metropolitan areas in 1975 and $17 thousand which was made available for SMSA balance grants.

b/ Excludes $7,997 thousand which was required to fund all eligible formula/hold harmless recipients within metropolitan areas.

Urban Development Action Grants (UDAG), with an authorization of $400 million annually for Fiscal Years 1978, 1979, and 1980, are to assist distressed cities and urban counties characterized by declining population, older housing stock, high unemployment, poverty, and job decline. Action Grants are to be used to address the commercial, industrial, and residential development needs of the applicant.12/ The bulk of the funds will be targeted to metropolitan cities and urban counties, but at least 25 percent of the funds will go to cities under 50 thousand population that are not central cities of a metropolitan area.13/

Action Grants add a new dimension to HUD's efforts to rejuvenate distressed cities by making specially targeted assistance available for revitalization of their economies and reclamation of neighborhoods having excessive housing abandonment or deterioration. Although CDBG provides for certain eligible economic development activities, Action Grants broaden the economic development component of HUD's urban redevelopment strategies by supporting activities not eligible under CDBG if applicants can demonstrate that the activities are consistent with the broad purposes of the program.

The distinctive aspect of the Action Grant program is that there must be firm private commitments of resources in advance of any funding by HUD. UDAG provides the "catalyst" to attract private investment to a project that lacks only the public commitment of resources in order to become a reality.

Applicants must submit a separate application for each proposed Action Grant project, and be able to execute it in a timely manner (generally not to exceed 4 years). Recipients remain eligible for Action Grants for other projects in the future, but no additional UDAG funding maybe made available in subsequent years to complete a project approved in a prior year.

12/ Housing and Community Development Act of 1977, Title I, Sec. 119(a), Public Law 95-128.

13/ Ibid., Title I, Sec. 119(k).

Another new initiative, less major than the new Urban Development Action Grant program, but also important, is the authorization of monies from the Secretary's Discretionary Fund to provide technical assistance to CDBG grantees.[14] About $18 million is available for provision of technical assistance in Fiscal Year 1978. Interim regulations will be published in April, 1978.

Monies in Fiscal Year 1978 will be used to demonstrate that adequate technical assistance can enhance the effectiveness with which communities can use CDBG and related housing assistance to meet national and local CDBG program objectives. Technical assistance will focus on: (1) national priorities and support activities; (2) developing pilot technical assistance delivery capacity within State governments and through partnerships between State governments and public and/or private organizations; and (3) supporting HUD Regional Office plans to meet immediate needs of CDBG grantees.

The areas of national priority include:

- Develop grantee capacities to undertake CDBG urban economic development and commercial revitalization.
- Develop grantee capacity to implement CDBG neighborhood rehabilitation and homesteading programs.
- Promote effective citizen participation in the CDBG program and improve the capacity of neighborhood and nonprofit organizations to carry out community development and housing programs.
- Assist fair housing groups, housing agencies, and local governments to provide housing in a manner which promotes deconcentration and implements CDBG housing opportunity plans and housing assistance plans.
- Improve the administrative capacity of smaller CDBG grantees to effectively carry out community development programs.

14/ Housing and Community Development Act of 1977, Title I, See. 107, Public Law 95-128.

- Improve the technical capability of CDBG grantees to meet environmental review requirements.

- Upgrade CDBG grantee urban environmental design capacity.

To emphasize HUD's commitment to adhere to the statutory objectives, principally benefiting low- and moderate-income persons, on April 15, 1977, HUD issued Notice 77-10 to its field offices and a letter from the Secretary to all grant recipients concerning criteria for application review.15/ Field offices were directed to subject applications "to a thorough and meaningful review which goes beyond conformity with eligibility and technical requirements to consider the substance of what is proposed and how it serves statutory objectives."16/

The Notice specifically discussed seven areas of concern: (1) maximum feasible priority, (2) Housing Assistance Plans, (3) comprehensive strategy, (4) A-95 requirements, (5) review of grantee performance, (6) urban counties, and (7) urban renewal project completion. It stated that only local CDBG programs developed so as to give maximum feasible priority to activities which would: (1) benefit low- or moderate-income persons,17/ (2) aid in the prevention or elimination of slums or blight, or (3) meet other community development needs having particular urgency,18/ were to be approved. Housing Assistance Plan reviewers were to be alert to identifying inconsistencies between housing needs and goals, and to designations of assisted housing locations which might stifle achievement of the legislative objective of reducing the isolation of income groups and promoting an increase in diversity and vitality of neighborhoods through

15/ U.S. Department of Housing and Urban Development. Management of the Community Development Block Grant Program, Notice 77-10, April 15, 1977.

16/ U.S. Department of Housing and Urban Development. Management of the Community Development Block Grant Program, Notice 77-10, April 15, 1977, p. 1.

17/ The Housing and Community Development Act of 1977 amends Section 104(b)(2) of the 1974 Act to read "benefit low- and moderate-income persons." (Emphasis added.)

18/ Housing and Community Development Act of 1974, Sec. 104(6)(2), Public Law 93-383.

spatial deconcentration.[19] Particular scrutiny was to be given to review of grantee performance reports in accordance with performance standards published January 27, 1977. Grantees and the field offices were advised to adhere to A-95 review requirements, particularly concerning consistency of local community development programs with comprehensive areawide development planning. They were also advised that descriptions of a comprehensive strategy would be required on the application. Urban counties serving only to pass through funds to local governments still were to include in their community development program activities which fit into the framework of a county-wide program approach. The last area of concern was that repayment of urban renewal loans be included in local CDBG program budgets as appropriate.

Initial analysis of actions taken by HUD field offices and CDBG applicants prior to and since issuance of the April 1977 Notice indicates some measurable changes to ensure that applications complied with requirements of the Notice. In Fiscal Year 1977, prior to April 15, 175 entitlement applications were approved, 9 percent on a conditional basis. From April 15 through June 30, 1977,791 CDBG entitlement applications were approved, 21 percent conditionally. During the review period, problems or issues were identified in 73 percent (576) of the applications. Of the 627 applications approved without condition, 219 were revised during the normal 75-day application review period and of these, 72 applications required more than one revision. From July through September 30, 1977, 308 additional entitlement applications were approved, 33 percent conditionally. Among these applications, problems or issues were identified in 77 percent. Of those applications approved without condition, 118 (57 percent) were revised during the review period; 40 applications required more than one review.

Most problems concerned the maximum feasible priority requirement, housing assistance, program performance, or ability or capacity of applicant to undertake a community development program in accordance with regulations and applicable statutes.[20]

19/ Ibid., Title I, Sec. 101(c) (6).

20/ U.S. Department of Housing and Urban Development, Community Planninq and Development, Office of Field Operations and Monitoring, Management of the Community Development Block Grant Program - Fiscal Year 1977, unpublished.

Results of a separate CDBG survey of Community Planning and Development staff (CPD Representatives in 14 HUD field offices processing applications from 17 cities) illustrate changes in the CDBG application review process resulting from the April 15 Notice. The majority of CPD Representatives surveyed indicated that the Notice resulted in more intensive review of CDBG applications.

Specific changes in the application review process noted since issuance of the Notice include: (1) an increase in the number of site visits by HUD field staff, (2) greater inclination by field staff to probe grantees concerning activities and projects in the local CDBG applications, (3) grantees' increased use of surveys to document need and potential benefit, (4) analysis by HUD field staff of program benefit by census tracts, and as a result (5) a longer, more indepth review process.

The survey also indicated that in those HUD field offices, review was particularly rigorous concerning maximum feasible priority criteria. Activities designed to "meet other community development needs having particular urgency,"[21] were found by applicants difficult to justify, and, therefore, these activities were not frequently proposed. Urgent needs now must be of recent origin, not represent historical failure to remedy a condition and thus raise a question of "urgency."

HUD field staff monitor Local CDBG-funded programs throughout the program year, and seek remedial action when findings of noncompliance with statutory and regulatory requirements are identified.

HUD field staff made a total of 6,328 regular and special site visits[22] to entitlement and discretionary communities (total workload includes 5,446 communities) to monitor local programs. The visits resulted in 6,574 monitoring findings with 69 percent being in the following five areas: labor standards (16 percent), financial management

21/ Housing and Community Development Act of 1974, Title I, See. 104(b)(2), Public Law 93-383.

22/ Special site visits were made by HUD specialists in a given technical area either as a part of a regular scheduled monitoring visit or as a result of identified problems indicated by the generalist when making a regular visit. During the visits, it was commonplace that technical assistance was rendered to the grantee.

(14 percent), equal opportunity (14 percent), other (13 percent), and environment (11 percent). The majority of the findings in all areas could be classified as procedural, such as inadequate record keeping and lack of required statements in third-party contracts. Table 1.2 shows the number and percentage of total CDBG fundings affected for entitlement and discretionary communities, by 11 subject areas during Fiscal Year 1977.

HUD Regional Offices report the "actions" taken by their Area Offices on monitoring funding to the central office in Washington. During Fiscal Year 1977, 5,728 actions were taken as a result of monitoring findings. The actions included disapproval, reduction, substitution, reprogramming of funds, suspension, conditional approval, and letters. The vast majority of actions (90 percent) continued to take the form of warning letters, [23] although the number of conditional approvals increased significantly.

23/ Warning Letters state the nature of the deficiency and the specific type of corrective actions required of the grantee within a specific period of time.

TABLE 1.2

CDBG MONITORING FINDINGS[a] BY SUBJECT AREA DURING FISCAL YEAR 1977

SUBJECT AREA	ENTITLEMENT		DISCRETIONARY		TOTAL ENTITLEMENT AND DISCRETIONARY	
	No. of Findings	Percentage of Funds Affected	No. of Findings	Percentage of Funds Affected	No. of Findings	Percentage of Funds Affected
Environment	405	11.2%	340	11.5%	745	11.3%
Labor Standards	628	17.3	406	13.8	1,034	15.7
Citizen Participation	269	7.4	376	12.8	645	9.8
Financial Management	566	15.6	374	12.7	940	14.3
Eligibility of Activities	140	3.9	64	2.2	204	3.1
Housing Assistance Plans	264	7.3	180	6.1	444	6.7
Equal Opportunity	531	14.6	412	14.0	943	14.3
Carrying Out Program/ Capacity	295	8.1	313	10.6	608	9.2
Maximum Feasible Priority	90	2.5	6	.2	96	1.5
Urgent CD Needs	24	.7	18	.6	42	.6
Other[b]	418	11.5	455	15.5	873	13.3
TOTAL	3,630		3,944		6,574	

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

TABLE 1.2 (Continued)

a/ A "monitoring finding" indicates evidence of technical or substantive deficiencies or noncompliance with statutory or regulatory requirements. Findings means substantial evidence gained by HUD as a result of any monitoring activity which indicates grantee performance 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.

b/ Many 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 or special site visits.

CHAPTER 2

COMPARATIVE ANALYSIS OF STRATEGIES, TECHNIQUES AND PLANNING FOR COMMUNITY DEVELOPMENT

The primary objective of the Community Development 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." This chapter describes and compares a variety of strategies and techniques used in accomplishing the primary objective.

Because of the broad nature of the objective and the range of program impacts, the chapter does not attempt to draw "bottom-line" conclusions about program effectiveness. The Office of Policy Development and Research is planning a long-term study for that purpose to be commenced this year. This report assesses short-term and mid-term progress toward achieving the primary objective.

The chapter contains few data not reported elsewhere in this report. Its purpose is to bring together and summarize data that have a strong relationship to the overall program objective. These data generally are of two types. The first type consists of information gathered from in-depth field interviews with local officials and citizen groups in 18 cities[1/] backed up by detailed analyses of types and locations of projects, maps, funding levels, and other data. The second is a computer analysis of three years of data from the CDBG applications of a sample of 147-151 entitlement communities.[2/]

Measures for Assessing Progress in Achieving Objectives

A key issue in assessing progress toward the achievement of the primary objective of the CDBG program is the selection of indicators that measure whether a community is making progress toward becoming or maintaining itself as a "viable urban community." The indicators must measure

1/ See Methodology in Appendix A.

2/ Ibid.

more than whether a community is progressing in the expenditure of its funds and development of the activities in its Community Development Program. (See Chapter 5 for an assessment of this aspect of CDBG.) Assessment of progress toward the achievement of a broad-gauge objective requires the use of broad criteria and data. There is as yet, however, no consensds among community development administrators, citizen groups, and academicians on the data that best measure this kind of progress. This chapter applies criteria which relate to trends in overall city "strategies", e.g., the extent to which cities and other recipients are working to achieve viability by "expanding economic opportunities, principally for persons of low and moderate income" compared to the extent to which they are "providing decent housing and a suitable living environment." 3/

Other criteria relate to the techniques the CDBG communities are using to implement their Community Development Programs, with particular emphasis upon the extent to which they are entering into partnership relationships with private enterprise and organized neighborhood groups, and are able to leverage private investment funds. Still other criteria relate to the extent to which the cities are meeting the unmet needs of low and moderate income families and persons and the types of planning systems they are using to develop and manage the programs, Insofar as possible, thechapter compares data on the CDBG program effects on these factors to what is known about the effects of prior community development programs.

The criteria are applied to three key types of decisions each CDBG community has made about its program during the last two and one-half years. These three types of decisions relate to strategies, techniques, and planning systems,

Strategies for Achieving the Objective of Viability

The primary objective of the CDBG program (Section 101(c)) states that viable urban communities are to be developed through three kinds of activities "principally for persons of low and moderate income": (1) providing decent housing, (2) providing a suitable living environment, and

3/ Title I, Section 101(c), Housing and Community Development Act of 1974.

(3) expanding economic opportunities. In addition to benefiting low and moderate income families and persons, one of the specific objectives of Section 101(c) indicates that deteriorated or deteriorating neighborhoods are to be revitalized "to attract persons of higher income." The prior HUD categorical programs, especially urban renewal, had similar objectives, although there was less emphasis on benefitting low and moderate income families. Communities now participating in CDBG used their earlier urban renewal programs predominantly for economic development. About half of the $13.7 billion appropriated for urban renewal from 1949-1974 was used for economic development activities such as downtown business district projects, industrial parks, and support for neighborhood business;

--More than 2 million jobs were attracted or retained in communities.

--Private enterprise invested more than $12.6 billion in the construction of more than 10,467 nonresidential buildings, including 1,359 office buildings, and 4,588 retail and commercial establishments.

The renewal program resulted in development of 302,340 housing units, with 66 percent estimated to be for middle and upper income families and 34 percent for public housing and Section 221(d) (3) low and moderate income housing.

Under CDBG, recipient communities have had considerable latitude in choosing the type of overall community development approach or strategy they felt would best fit their local situations and enable them to address the objective of viability. They could focus all of their CDBG funds on economic development activities in accordance with Section 101(c) dealing, of course, with the need to principally benefit low and moderate income families and persons, or focus primarily on residential activities or, in addition to other activities, aim at "attracting persons of higher income." They also could carry out a balanced strategy or program that attempts to address a number of needs simultaneously.

Data analyzed by the CPD Office of Evaluation in its samples of entitlement communities indicate that CDBG communities undertook programs resulting in the following:

FINDING #1: The ~~CDBG~~ communities are undertaking more balanced community development programs than they did under the HUD categorical programs, principally benefiting low- and moderate-income families and persons.

The predominant amount of CDBG program funds (excluding administration and contingencies) is budgeted for low- and moderate-income residential neighborhoods. Economic development activities, however, remain a significant component in local community development strategies (see Chapter 7) as do activities intended to maintain and stabilize middle and upper income residential neighborhoods.

More than 55 percent of the Fiscal Year 1977 program funds (43 percent of the total entitlement funds) in the 147 sample cities are budgeted €or low and moderate income residential neighborhoods or are for activities directly benefiting low- and moderate income families and persons through rehabilitation loans and grants, social services, and similar activities. (This does not include all funds benefiting low- and moderate-income families and persons; See Chapter 4.) In the smaller sample of 18 cities, most of these funds are budgeted for "target areas" which are predominately low and moderate income. Such areas comprise 74 percent of all the residential target areas.

Within the low- and moderate-income target areas, more funds are budgeted for areas that are in the early-to-moderate stages of decline than for areas in the worst condition. (See page 84, footnote 4 for definitions and discussion of how target areas were categorized.) About 47 percent of the CDBG target areas money is budgeted for early-to-moderate decline areas, 33 percent is budgeted for worst areas and 20 percent is for stable areas. The trend in the "new" target areas (ones designated subsequent to enactment of the CDBG legislation in 1975 and that never received funds from the prior urban renewal or Model Cities programs) is to place greater emphasis on activities in the early-to-moderate decline areas and less emphasis on the worst areas.

Direct benefit programs, such as rehabilitation loans and direct public services, primarily benefit low-income households. Fifty-nine percent of the families and persons receiving rehabilitation loans and grants in Fiscal Year 1975 and Fiscal Year 1976 were of low income.[4/] These low-income families and persons, though, are not the very lowest income households, for 80 percent of them are homeowners. A significant number appear to be elderly homeowners with one or two occupants per dwelling. The low-income families and persons receiving the smallest degree of benefit from the CDBG rehabilitation loan and grant programs are those living in rental units. They are receiving less than 20 percent of the loans and grants, although Housing Assistance Plan data show that they constitute 75 percent of the low-income families and persons needing housing assistance.

The predominant focus of the CDBG program in the 18 cities, then, is upon low and moderate income households in areas that are in the early-to-moderate stages of decline. The rationale behind this focus, according to some local officials, is to attempt to check the spread of blight in areas that are not too deteriorated in the hope of preventing the development of more costly blight, involving acquisition, relocation, and clearance costs.

4/ Survey of CDBG Property Rehabilitation Financing Activities, Relocation and Development Services Division, Office of Community Planning and Development, HUD, 1978. The study showed 59 percent of the rehabilitation loan and grant recipients in 854 localities as having incomes of less than 50 percent of the national median, 21 percent as being between 51-80 percent of the national median, and 20 percent as being above 80 percent of the national median. Those data are as of December 13, 1976.

They expressed concern over the need to trade-off progress in the worst areas with progress in the moderate income and other low-income areas that are in decline but in relatively better condition. Some officials, especially those in small communities, said that their choices were limited by the small size of their grants -- the worst areas require so many more resources than moderately declining areas that the trade-off is made in favor of the latter. Some officials also indicated that activities in worst areas require extensive support from local residents and that without that essential ingredient. efforts to revitalize these areas will have limited success. One city official said that his city intends to do only spot clearance and voluntary rehabilitation until a sound community organization develops.

FINDING #2: The use of CDBG funds for activities that are designed to stabilize or halt the onset of deterioration in middle-income areas is fairly widespread in 18 sample cities.

According to city officials, fourteen of these cities have established target areas that contain a majority of middle and upper income families and individuals. Such areas represent about one-quarter of all the residential target areas in the sample cities. In addition, 10 of the cities reported they are budgeting monies for CDBG activities in non-target area neighborhoods which, in many cases, are stable middle-income areas.

As reported in Chapter 6, the CDBG activities in these neighborhoods (both target and non-target areas) are generally of the one-shot, non-comprehensive variety. Park and recreation facilities, street improvement projects, and water and sewer projects are the most frequently funded activities. Housing rehabilitation activities are funded also, but to a lesser extent. Less than 20 percent of the rehabilitation loans and grants are for middle and upper income families and persons.

The amount of funds budgeted for middle and upper income target areas is less than 15 percent of the cities' program funds (12 percent of the total entitlement amount) in most cases, though in a few cities it is in the 20-30 percent range. The amount of benefit to middle- and upper-income families from funds budgeted for non-target area neighborhoods and citywide programs is difficult

to compute and is discussed in more detail in Chapter 4. At a maximum, it is an additional 15 percent of the cities' program funds.

FINDING #3: Entitlement communities budqeted more than $650 million for economic development activities in Fiscal Years 1975 through 1977 -- about 12 percent of their CDBG funds.

Economic development activity increased slightly in Fiscal Year 1977 with more communities participating and a larqer percentage and amount of funds budgeted. More than half of the entitlement communities are using CDBG funds for some type of economic development activity. While much of the activity is a continuation of efforts begun under the urban renewal program, revitalization efforts in "new" (post-1975) economic development target areas and in expanded "old" areas are increasing.

The cities reported a moderately high level of impact or probable impact from their CDBG funded economic development activities. This appears to be due to the fact that a number of CDBG activities were extensions of prior urban renewal projects and to a linkage of CDBG funds to other local, State, and Federal economic development programs. Sixteen of nineteen cities reported that activities involving CDBG funds were retaining 273 businesses and 4,069 jobs in the community; that they planned to attract 53 additional businesses and accomodate 31 new business developments, creating 1,790 new jobs; and that 65 existing businesses were expanding, affecting 2,674 existing jobs. These same 16 cities undertook urban renewal economic development programs during the 1950's and 1960's that resulted in the employment of 81,285 people in permanent jobs in 380 new private and public commercial, industrial, and institutional structures constructed at a cost of $614.5 million (1971 dollars). The output levels from the renewal and CDBG programs are hard to compare since the renewal outputs were developed over a roughly 10-year period, and the length of time that will be involved in generating the CDBG program outputs is uncertain. The CDBG program outputs appear to be of a lower, but still significant level.

Conclusions

The dominant strategy carried out in CDBG communities from 1975-1977 was a more balanced approach than the ones pursued in the 50's and 60's. Those earlier efforts gave

a first priority to developing the communities' economic bases, a second priority to developing middle and upper income housing, and a third priority to meeting the unmet needs of low- and moderate-income families and persons. There are indications that they had some success in stabilizing a portion of the communities' economic bases but were not able to reverse overall trends. Seven of the 18 cities studied for this report had declined in population and number of jobs in the 10 years between 1960 and 1970, and all but one of them continued to decline in population from 1970 to 1975 despite a combined Federal-private investment in urban renewal projects of more than $400 million (1971 dollars) during the 1960's. The effect of the urban renewal program in attracting/retaining an estimated 28,340 jobs and constructing 194 new commercial, industrial, and institutional buildings in these cities was not enough to reverse the forces of decline, though the program may have slowed the process.

The CDBG communities are using their block grant funds to address the objective of developing "viable urban communities" by attempting to meet the unmet needs of low- and moderate-income families, and pursuing a more balanced approach to economic development and the objective of "attracting persons of higher income." The extent to which this strategy will be successful is not clear at the present time, and depends in part on the effectiveness of the techniques being used to implement the strategy (discussed in the section below). It is clear, however, that the strategy has to contend with the difficulties imposed by its focus on homeowners (though communities may be addressing the needs of their lowest-income families, which Housing Assistance Plans show are located in multifamily housing, through Section 8 or other housing assistance programs) and the dispersion of funds among a large number of activities, neighborhoods, and target areas.

Techniques for Implementing Strategies Aimed at Increasing Viability.

The way communities implement their CDBG programs will have a greater impact on the effectiveness of the program than the broad strategy approaches outlined above. A program that pursues a strategy of benefiting low- and moderate-income families but that rehabilitates structures that deteriorate again within 2-3 years, for instance, will not be as effective as a program in which the effects of rehabilitation last longer; one that leverages private

investment funds is likely to be more effective than one that does not, etc. The methods CDBG communities are using to implement their programs often are quite different from past methods, making it difficult to evaluate their effectiveness. The following evaluation, therefore, assesses only the probability of the effectiveness of the CDBG communities' implementation techniques, using three provisional rating factors: (1) the durability of the effects of the CDBG activities undertaken; (2) their ability to attract private investment funds; (3) the extent to which individual citizens and citizen group representatives are satisfied with the effect of the program activities.

FINDING #4: Many of the CDBG programs in 18 sample entitlement cities are applying the principle of "partial revitalization" of target areas, in contrast to the theory of "full revitalization" which was employed in prior categorical programs.

CDBG cities frequently renew areas on a piecemeal or scattered basis, as opposed to fully and completely revitalizing the target areas selected for the CDBG program. Prior HUD programs and the Department's new "Neighborhood Strategy Areas" programs[5] were based on the "full revitalization" theory that renewal of an area cannot be conducted on a piecemeal basis; that all structures in an area have to be brought up to a given standard, or the substandard structures will cause the standard ones to deteriorate and discourage homeowners and private developers from investing funds. They provided contractual guarantees to private developers who purchased land or structures for redevelopment or rehabilitation, so that the entire area in which investment or rehabilitation occurred would be upgraded.

The alternative theory of community development many CDBG communities are using holds that private homeowners and entrepreneurs will invest in an area even though there is no overall plan or guarantee of full revitalization. Its premise is that private investment in an area is increased when it shows sufficient signs of revitalization.

5/ See Neighborhood Strategy Areas: Guidebook for Local Governments, HUD, Conference of Mayors, and National Community Development Association, 1978.

Public funds can induce these signs of revitalization by undertaking infrastructure improvements in the area, particularly when well-organized and motivated neighborhood groups are involved. The effectiveness of this theory has not been fully tested and will be one of the subjects of the long-term evaluation the Department is undertaking. An earlier investigation of the theory by the Community Planning and Development Office of Evaluation (1973)6/ developed findings that indicated some uncertainty about its effectiveness. However, the nature of local rehabilitation programs has changed considerably in the last few years with the adoption of a more active focus on neighborhood vitality by local, State and Federal governments. The efforts of local governments to achieve a partnership with local lending institutions hold a particular promise of success.

About 11 percent of the target areas in the 18 cities have programs that attempt to fully and completely revitalize the area. In the remaining target areas, the cities generally have no plans for revitalizing the areas and frequently are unable to provide a comprehensive estimate of the additional activities needed to bring the area up to standard. Three aspects of these local programs prevent full area upgrading:

(a) The local rehabilitation programs are generally voluntary (i.e., property owners participate in bringing their structures up to standard only if they choose to do so). Housing codes are not enforced against properties that are substandard (and capable of keeping down property values) without an owner's permission.

(b) Not all of the properties that are rehabilitated are required to meet the minimum housing code standards or additional "cosmetic appearance" standards. While the variations in housing code compliance are small, the lack of appearance standards means that the image of a deteriorated area may change less quickly than the condition of the structure and possibly reduce its attractiveness for homeowner and investor improvement.

6/ Survey of Housing Rehabilitation Loan and Grant Programs (Sections 312/115), Community Planning and Development, Office of Evaluation, HUD, August, 1973.

(c) About half of the target areas have structures that need to be demolished. Plans to acquire and demolish such structures appear to be limited, however, due, many local officials say, to the high costs and administrative difficulties involved in relocation. In only 20 percent of the target areas were plans to acquire and demolish substandard structures for the purpose of eliminating blight identified.

FINDING #5: Private investment in the "partial revitalization" target areas of the CDBG program appears to be considerably less than in the "full revitalization" target areas of the prior categorical programs.

In Fiscal Year 1977, 25 cents in private funds were planned to be invested for every **CDBG** grant dollar. In the prior cat-egorical urban renewal program $3.09 in private funds were invested for every Federal-srant dollar. These figures do not indicate the "bottom line" on the relative leveraging capabilities of the renewal and **CDBG** programs, however. If the partial revitalization approach proves to be effective, it will generate additional private investment which will improve the ratio of private to public dollars during the next 3-5 years.

The effectiveness of the "partial revitalization" theory in generating or attracting private investment is likely to vary by the type of area in which it is used. The cities appear to be using it -- investing limited funds for limited purposes -- in about half of the target areas that are in the worst condition. There is a strong possibility that the rates of rehabilitation, demolition, and improvement of the infrastructure in such deteriorated areas will be too low to generate spontaneous self-regeneration or induce much private investment. In the **CDBG** target areas that are in the early-to-moderate stages of decline, on the other hand, there is a greater chance that the partial revitalization approach will be successful. The level and rate of public investment needed to generate spontaneous self-revitalization or to attract an increasing level of unsubsidized or publicly guaranteed private investment will be evaluated over the next few years.

FINDING #6: Citizen satisfaction with the progress and plans for the CDBG program is quite high.

Eighty-six percent of all the citizens and citizen group representatives interviewed for this report felt that the block grant program had made a positive impact on their community as a whole or in their respective neighborhoods. (See Chapter 3.) Satisfaction was higher, however, among citizens residing in the new CDBG target areas than among those residing in areas that had been started under the "full revitalization" approach of the prior BUD categorical programs. The latter residents, who more frequently live in more badly deteriorated areas, judged the CDBG program as having a very limited impact on hard-core poverty areas, as being too slow and limited, and as not having enough "in-depth success.'' They tended to want more concentrated treatment of their neighborhoods than did those residing in the newer noncategorical areas. A number of local administrators and residents in **all** areas were concerned about the substandard properties that were not being rehabilitated, perceiving them as having an adverse effect on the neighborhood and housing property values. The citizens also expressed concern about other unaddressed blighting factors, such as boarded-up structures, substandard properties needing to be demolished, and unused vacant land that had been cleared but not yet improved.

Conclusions

Just as CDBG recipients have made changes in the types of overall strategies they are pursuing, they also have changed the types of techniques they are using to implement those strategies. The techniques are well regarded by citizens in the new CDBG target areas, but are less well thought of and are of uncertain effectiveness in some of the worst-off CDBG target areas. The amount of CDBG funds being invested in many of the latter areas simply does not appear to be great enough to attract private investment or to impact on the long-term trend of decline in the areas. Properties rehabilitated under scattered-site conditions in badly deteriorated areas can be expected to deteriorate quite rapidly to their previous condition. More scattered rehabilitation in some of the early-to-moderate declining areas, however, may well pay-off given the vigorous efforts some communities and neighborhood groups are making to guarantee and generate private investment. Whether or not the amount of private investment being "leveraged" in this way is

great enough to push these areas over the "tipping point" to self-revitalization and attractiveness to investors and homeowners should become clear within the next few years.

Planning Systems for Coordinating CDBG Physical Development, Social Development, and Housing Activities.

A basic premise of community development programs for the last 30 years has been that fragmentation or lack of coordination among a community's physical development, housing and social service programs is a major cause of community development program ineffectiveness. The President's Commission on Housing Policies and Programs in 1953 developed a number of program recommendations to improve local planning capabilities to respond to its conclusion that inadequate local planning and coordination of activities was a factor contributing to the development of slums and blight. In 1974 the House Report on the proposed Community Development Block Grant legislation said:

> "For the first time, after nearly three decades of Federal aid for housing and community development, communities will be able to coordinate the location of new housing units with existing or planned facilities and services, such as schools, transportation, police and fire protection, recreational facilities, and job opportunities. The committee bill will put an end to a system of support of community development and housing activities which recognizes their close relationship but fails to provide the mechanisms necessary to permit them to be undertaken on a unified basis."7/

During the 1950's and 1960's the Congress attempted to achieve the goal of coordination through a number of mechanisms, including several dozen programs of planning assistance to regional, state, areawide, and local units of government, the Workable Program for Community Improvement, the Community Renewal Program, the Model Cities Comprehensive Planning requirement, and the Intergovernmental Cooperation Act of 1968 (resulting in the

7/ Report No. 93-1114, Report from the Committee on Banking and Currency to accompany H.R. 1536, on the Housing and Community Development Act of 1974, June 17, 1974.

A-95 regulations). When it enacted the CDBG legislation in 1974, Congress required that no grant be made unless "the applicant 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 areawide development planning and national urban growth policies." Both the legislation and the administrative regulations that implemented it left considerable latitude to recipient communities to devise methods for complying with the legislative mandate. The following findings address the extent to which efforts to develop comprehensive strategies coordinating a variety of physical, social, and housing activities were attempted and achieved.

FINDING #7: Interviews with local officials in the 19 cities visited for this report indicated that cities, by and large, have not developed community development strategy statements for the community as a whole that are as sweeping as those envisioned by the House Report.

Only one of the 19 cities has an articulated community development strategy statement and few of the others have statements that are extensive enough to conclude that the "locations of new housing units" are being coordinated with "existing or planned public facilities and services, such as schools, transportation, police and fire protection, recreational facilities, and job opportunities."

A number of the cities have taken steps that involve more comprehensive planning, however. Officials in about half of them indicated that they had attempted to set priorities among their target areas and activities. Some of them indicated they had used the number of negative conditions in each of the target areas as a factor for establishing priorities among areas, while others said they gave a priority to funding for former categorical areas. (See Chapter 6.) Representatives of about half of the cities indicated they had not attempted to establish priorities but had attempted to spread CDBG funds widely through their community in the first few years of the program, citing political pressures or realities, and citizen discontent with the more concentrated categorical programs as reasons for the geographic dispersal.

FINDING #8: Community Development planning within the, individual target areas is not as extensive as under the prior HUD categorical programs.

Most of the target areas that had been funded under the prior categorical programs of urban renewal, Neighborhood Development, and Model Cities have comprehensive plans for their redevelopment that were developed prior to the CDBG program. However, in only an estimated 10 percent of the new CDBG target areas (those designated after enactment of the CDBG legislation) do the cities appear to be using a comprehensive planned approach to development. Several cities are in the process of developing more comprehensive area plans. Officials indicated they had treated the obvious needs of the areas by the end of the first three years and now need a more rational approach to allocating their future CDBG funds.

Summary and Conclusions

The CDBG program clearly is quite different in its strategies, tactics and planning systems from the prior HUD categorical programs. It is much more focused on achieving the objective of urban "viability" through the upgrading of low- and moderate-income neighborhoods, and has a higher level of citizen satisfaction with its results than did those programs. At the same time, planning appears to be less detailed and comprehensive, and the cities are using an approach to community development ("partial revitalization") that is untested and already the cause of some citizen and local administrator concerns. The effect of unaddressed blighting factors, such as boarded-up structures, substandard properties needing to be demolished, absentee owners or owner-occupants who choose not to rehabilitate, and unused vacant land, is uncertain. If follow-through in deteriorated areas in which some CDBG activities have been undertaken is inadequate, there is a possibility that the structures that have been upgraded will deteriorate to their previous condition, and the benefits of the program will be lost. Effective neighborhood organization and cooperative partnerships between local governments and local lending institutions can offset these factors of decline in many cases, however, and the outcome of the program in even the most questionable areas cannot be predicted with certainty at this time. The HUD Annual Reports on the program's

progress toward the achievement of program objectives, and the long-term study of the program being commenced by the Office of Policy Development and Research, should provide more information on these issues within the next few years.

CHAPTER 3

LOCAL PERCEPTIONS OF THE EFFECTIVENESS OF THE CDBG PROGRAM

This analysis of effectiveness of the Community Development Block Grant program in meeting its objectives reflects the views of the citizens most affected by, and the people administering, the program. Perceptions of the CDBG program were obtained from 104 local program administrators (19), citizens (55), and citizen representatives.(30)1/ of citizen advisory committees and neighborhood organizations. The purpose of this chapter is to present the attitudes of local officials and citizens toward the block grant program.

The Community Development Block Grant program is perceived as a positive, successful program by most local officials and citizens. All program administrators stated that the program in total, or in part, had made a positive impact on the local community. Eighty-six percent of all the citizens and citizen representatives interviewed felt that the program had made a positive impact on their community as a whole or in their respective neighborhoods.

Positive Perceptions--Local Administrators and Citizen Representatives

Fifty percent of all citizen representatives believed housing rehabilitation activities were the most successful element of the program and had the most positive impact. While one-fourth of the local CDBG administrators shared this feeling, most of them (53 percent) felt that the major success of the program was in the wide variety of long needed improvements that could be undertaken in low- and moderate-income areas. The remaining officials cited activities that were unique to their own cities: improvements to long standing sewer problems, a bridge critically affecting traffic flow, or some other capital improvement effort. Local officials also felt that the opportunities

1/The term "citizen representative" is defined as the elected or appointed head of the city's citywide CDBG citizen participation organization. The term "citizen" is defined as the elected or appointed head of a neighborhood CDBG organization, or if no such organization exists, a person living in the neighborhood who is knowledgeable about the local CDBG program.

to leverage funds and to halt outmigration from certain parts of their community were very positive program impacts,

Park and recreation projects and street-related activities (e.g., traffic signals and street resurfacing) were perceived as the second most positive CDBG program elements, according to citizen representatives. Other less tangible aspects of the program also were judged as successful, especially increased respect and confidence in local government and increased citizen participation and satisfaction.

Citizens' Positive Perceptions

While the perceptions of positive program impacts differed between local administrators and citizen representatives, there was not as much difference between the views of individual citizens and those citizens who were their representatives on citywide advisory councils. Citizens believed rehabilitation housing assistance was the most successful program element, followed by recreation and park development. While citizens perceived themselves as having increased access to program staff and impact on the decision-making process, their highest priority concern in the future is for more impact and acceptance of citizen views by City Hall.

Negative Perceptions--Local Officials, Citizens, Citizen Representatives

The lack of sufficient CDBG funds for all the areas of the community which were judged in need was the most prevalent concern of local CDBG administrators. Intracity competition for block grant funds is often keen, Failure to have been selected as an area for CDBG assistance results, according to city administrators, in a considerable amount of discontent in residents and the expression of this discontent to local elected officials and program administrators. Thirty-seven percent of the CDBG administrators felt that this aspect of the program had the most negative impact on the community. The next most voiced concern was for the perceived constraints caused by HUD offices and regulations.

Citizens and their representatives, having expressed support for the benefits of rehabilitation activity, also saw more flaws in the rehabilitation program than any other activity funded through CDBG. Forty percent of all citizens and their representatives expressed the need for

improvements in rehabilitation efforts. Many people believed the rehabilitation program suffered from underexposure and limited publicity. They stated that more rental properties as well as homeowners should benefit from the program. Unrehabilitated properties were perceived as having an adverse effect on both the neighborhood and housing property values. The same concern was expressed about boarded-up structures, demolished ones, and unused vacant land cleared but not yet improved.

For some, the lack of visibility of the benefits of social services was a concern. For still others, criticism was directed toward proposed programs which received a great deal of study and planning, but were never implemented.

Program Beneficiaries

Not only do CDBG administrators and citizens often differ in the perceptions of the positive and negative aspects of the CDBG program, but they also differ in their perceptions of the percentage of block grant funds targeted for low- and moderate-income households. Citizens collectively judged that 74.0 percent of the funds benefited such families and persons. Local administrators believed 83.3 percent of the community development funds benefited them. Perceptions of benefits to low- and moderate-income households were based primarily on the respondents' knowledge of areas receiving CDBG projects. Both officials and citizens saw the remaining funds as benefiting higher income residents, usually through public works and/or economic development projects.

Residents in Categorical (16) vs. Noncategorical (39) Program Target Areas

Our analysis of residents' responses divides the responses of those still residing in previously designated categorical program areas (i.e., Urban Renewal and Model Cities) from those in neighborhoods with no prior program history. Over one-quarter of the residents surveyed still reside in categorical neighborhoods. Residents of noncategorical neighborhoods receiving CDBG funding perceived the block grant program as a positive, successful program more often than the residents of former categorical neighborhoods receiving CDBG assistance. Sixty-two percent of the residents in categorical program neighborhoods

perceived the program as having a positive impact. Eighty percent of those living in non-categorical areas perceived a successful outcome.

Categorical program area residents more often judged the program as having a very limited impact in still hard core poverty areas. They were inclined to see the process as too slow, too limited in scope, or having little "in-depth success". While more rehabilitation and general housing assistance is a top priority of all residents, it is a higher priority among residents of former Categorical neighborhoods.

Other differences also surfaced. Of the residents proposing changes in the block grant program, those in categorical neighborhoods opted for the concentrated treatment of neighborhoods more often than non-categorical area residents. Categorical area residents less often advocated neighborhood commercial development, preferring instead housing and public works projects. Furthermore, a higher proportion of non-categorical area residents expressed the need for greater citizen participation and greater acceptance of citizen views in the program than residents residing in former categorical neighborhoods.

Future Concerns

For residents, the key to the future is to avoid massive program changes. Of the nearly 60 residents of target neighborhoods interviewed, 79 percent stated that no program changes were desired. The perceived need is to have more and better assistance of the kinds already provided.

The most often expressed need by citizens and citizen representatives is more housing, especially rehabilitation housing assistance. This is the concern of 40 percent of the citizens and 50 percent of the citizen representatives. A number of neighborhood improvements need to be addressed, according to CDBG administrators; housing is a chief concern also, but with a sharper focus. Local administrators of the block grant program believe two things must happen if the local housing situation is to improve. One is that the rental housing and absentee landlords must be brought into the housing picture. The second is that more Section 8 housing must be delivered. The two concerns are shared by the program administrators of cities of less than 50,000, medium-sized cities, and large cities (over 500,000).[2/]

2/ Population figures are based on 1975 data.

CHAPTER 4

PROGRAM BENEFICIARIES

Few aspects of the CDBG program have caused more discussion than the issue of how much CDBG money is benefiting low- and moderate-income persons and families.1/ Reports on the subject have been issued by the Department of Housing and Urban Development, the Brookings Institution, the National Association of Housing and Redevelopment Officials, the U.S. General Accounting Office, the National Urban League, the Southern Regional Council, and the Michigan Advisory Committee to the U.S. Commission on Civil Rights. The extent of benefit reported by these institutions and agencies of government varies. Analysis of the reports shows that the variations are due, in large part, to differences on two points: whether the study used city median income or Standard Metropolitan Statisitcal Area (SMSA) median income in determining which families and persons were of low and moderate income; whether the study attributed any benefit to low- and moderate-income families from administrative costs. The latter point is particularly significant. The Department's First Annual Report concluded that **69-71** percent of the first year CDBG funds were planned to benefit low- and moderate-income persons. These percentages, however, assumed that low- and moderate-income families would receive the same proportion of benefit from funds spent on administration, contingencies, and citywide activities as funds spent in the residential neighborhoods and economic development areas. If

1/Regulations issued on February 1, **1978**, define "low and moderate income persons" to mean members of families whose incomes do not exceed 80 percent of the median family income of the metropolitan area or, in the case of families residing in nonmetropolitan areas, of all nonmetropolitan areas of the State. This term may, where appropriate, also include unrelated individuals, as defined by the U.S. Census Bureau, whose incomes do not exceed **80** percent of the median income of all unrelated individuals residing in the metropolitan area. "Community Development Block Grants-General Provisions, Allocation and Distribution of Funds," Federal Register, Part VI, Vol. **43**, No. 22, Section 570.3(o) and (p), February 1, **1978**.

the opposite assumption is made (as in some other reports)--- that these activities don't benefit low and moderate income families at all---the percentage of benefit in the first year drops from 69 percent to 46.5 percent. When all of the above reports are standardized on this issue (by assuming that administrative costs do not benefit low- and moderate-income households at all), the benefits reported in the seven studies range from a low of 46.5 percent to a high of 55.9 percent in the first year and from 46.0 percent to 46.1 percent in the second year (See Table 4.1).

In response to the reports on this issue, the Department "decided that it was necessary to require in the regulations for the first time that the block grant program should principally benefit low- and moderate-income persons, and to provide clearer and more specific review standards to assure that this occurred."2/ On April 15, 1977, HUD issued Notice 77-10 to its field offices and a letter from the Secretary to all grant recipients concerning criteria for application review. Field offices were directed to subject applications "to a thorough and meaningful review which goes beyond conformity with eligibility and technical requirements to consider the substance of what is proposed and how it serves statutorv objectives."3/ On October 25, 1977, a proposal to clarify the standards for determining the extent to which low- and moderate income persons are benefiting from the program was published in the Federal Register. The Department published final regulations on March 1, 1978.4/

The new regulations provide a standardized method of computing the extent to which low and moderate income families are benefiting from the CDBG program. Prior to the publication of a standardized method, the Department had reported on the subject of benefit using a variety of computational methods. The First Annual Report used two different computational methods, and the Second Annual Report used seven. All of the methods had one common element: they imputed a benefit from CDBG funds to low- and moderate-income families in each census tract in which CDBG activities were planned to occur if 50 percent or more of the families in that tract were of low- and moderate-income (1970 census data). They assigned no benefit from activities outside of such census tracts on

2/"Community Development Block Grant Program-Entitlement Grants," Federal Register, Part IV, Vol. 43, No. 41, Supplementary Information, March 1, 1978.

3/U.S. Department of Housing and Urban Development. Management of the Community Development Block Grant Program, Notice 77-10, April 15, 1977, page 1.

4/"Community Development Block Grant Program-Entitlement Grants," Federal Register, Part IV, Vol. 43, No. 41, March 1, 1978.

Table 4.1

A' COMPARISON OF THE FINDINGS FROM SEVEN MAJOR STUDIES ON THE EXTENT TO WHICH CDBG FUNDS ARE BENEFITING LOW- AND MODERATE-INCOME PERSONS WHEN THE PREVIOUSLY PUBLISHED FIGURES ARE MODIFIED AND STANDARDIZED TO ASSUME THAT ADMINISTRATIVE COSTS PROVIDE NO BENEFIT TO SUCH PERSONS.a/

	FISCAL YEAR 1975	FISCAL YEAR 1976
HUD, Community Planning and Development, Office of Evaluation	46.5%	46.0%
National Association of Housing & Redevelopment Officials	49.02%	46.1%
The Brookings Institution	55.9%b/	
General Accounting Office	55.5%	
National Urban League	50.0%	
Southern Regional Council	No data, but statement that "very few cities surveyed expended the bulk of the CD allocations on projects that were of greatest possible benefit to the largest numbers of low- and moderate-income citizens."	
Michigan Advisory Committee to the U.S. Commission on Civil Rights	No data, but statement that "enactment of the HCD Act of 1974 has resulted in less funding for programs in areas of concentrated slums and blight--minorities and low-income individuals are receiving fewer benefits under CDBG than they received prier to its enactment."	

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

a/ Also excluded are planning and contingencies/local option funds as well as citywide funds.

b/ Includes some citywide funds.

the assumption that any over or underreporting errors in one part of the sample would be cancelled by off-setting errors in other parts. They utilized data compiled by the Department on the census tract characteristics and types and locations of CDBG-funded activities occurring within 4,600 census tracts in a sample of 147-151 entitlement communities over a three year period.

Applying one of the principal methods that appeared in both reports (the SMSA median income method 5/) to the data results in the following estimate of the percentage of funds benefiting low- and moderate-income families and persons in Fiscal Years1975 and 1976 (previously reported) and Fiscal Year 1977:

Fiscal Year 1975:	69.0 percent
Fiscal Year 1976:	62.1 percent
Fiscal Year 1977:	61.7 percent

Because the methods of computing benefit to low and moderate income families used in prior Annual Reports had no official standing--communities were not required to use them in calculating the extent of benefit from their programs--- this chapter also computes the degree of benefit using, to the extent technically feasible, the new method outlined in the March 1, 1978 regulations. The purpose of this computation is to provide a baseline or benchmark for future reports, not to hold communities accountable for standards not previously published. The difference in the results of the copputations is small.

It should be noted that the technical constraints on the data and method of computation make it impossible to state absolute conclusions about the extent to whicn low and moderate income families and persons are benefiting from the program. There are three major constraints preventing this. They involve: the cost of collecting data, the lack of generally available data on income in sub-areas of a community (apart from the 1970 census), and the difficulty of determining which people in a community are benefitting from a given CDBG activity. These constraints, and the applicable portions of the March 1, 1978 regulations, are outlined in Appendix E.

5/See Community Development Block Grant Program: Second Annual Report, Department of Housing and Urban Development, December, 1976, pages 32-36 for discussion of the methods.

Taking all of the constraints into account, the Department has chosen a method of analysis that seems to provide a reasonable estimate of the probable extent of benefit. Applying this method to the rules for defining low- and moderate-income projects outlined in the March 1, 1978 regulation and to the HUD data on 147-151 sample entitlement communities results in the following findings about program benefit (see Table 4.3 for the exact steps and assumptions used in the computations):6/

FINDING #1: There is a decrease from Fiscal Year 1975 to 1976 in the percentage of funds benefiting low- and moderate-income families and persons and a very much smaller decrease from Fiscal Year 1976 to 1977:

Fiscal Year 1975:	64.23 percent
Fiscal Year 1976:	62.02 percent
Fiscal Year 1977:	61.65 percent

The actual percentages of benefit are higher than shown because: (1) the number of CDBG dollars meeting criterion 570.302(d)(2)(iii) (economic development projects providing jobs for low- and moderate-income persons) is conservatively estimated at 30 percent, and (2) the percentage of benefit for sections 570.302(d)(4) and (5) (projects which serve an area with less than a majority of low- and moderate-income persons but whose funds count toward a low and moderate benefit and "integral part" projects) could not be estimated at this time.

6/ Using its data on the 147-151 sample entitlement communities, HUD assigns a benefit to low and moderate income persons from all funds for projects that have income eligibility requirements that limit the benefits of the project to low- and moderate-income persons. Most of these funds are for rehabilitation loans and grants, social services, modernization of public housing, and the removal of architectural barriers. For projects that don't have such requirements and are of an areawide benefit (such as parks, streets, and storm sewers) it assigns a benefit if the project is occurring in census tracts that have a majority of low and moderate income families. While it is known that this creates "errors" in the computation (e.g., benefit may be assigned to a whole census tract when only a block is involved or to a census tract when half the city is benefiting), the sample is so large the errors should be self-cancelling and accurately reflect the extent of benefit from the national program as a whole.

FINDING #2: The funds benefiting middle-income residential area5 increased significantly in **both** Fiscal Year 1976 and Fiscal Year 1977:

Fiscal Year 1975:	14.3 percent7/
Fiscal Year 1976:	16.57 percent
Fiscal Year 1977:	19.03 percent

The funds for a higher level of activities in these areas in Fiscal Year 1977 were diverted from activities that had been urgent need and citywide activities in Fiscal Year 1976.

FINDING #3: The funds not associated with benefits to low- and moderate-income families and persons or to middle-income residential areas decreased slightly in Fiscal Year 1976 and more significantly in Fiscal Year 1977.

The only sub-area of increase in Fiscal Year 1977 was in Central Business Districts and other nonresidential areas that are estimated to be of little benefit to low- or moderate-income households and are not in Urban Renewal and Neighborhood Development areas. (See Table 4.2.)

NOTE: See Appendix C for discussion of a subject related to the issue of low- and moderate-income benefit. It outlines three previously used methods for determining low- and moderate-income benefit and indicates the types of activities being conducted in different income areas in the entitlement communities.

7/ See footnote a/in Table 4.2.

TABLE 4.2

PERCENTAGE OF CDBG PROGRAM FUNDS OF GENERAL BENEFIT

AREAS	FY 1975	FY 1976	FY 1977
Urgent Needs	3.40% a/	5.44%	3.93%
Slum and Blighted Areas (in Urban Renewal/NDP/Model Cities Areas)	11.88% a/	10.48%	10.29%
Citywide	4.78% a/	4.09%	2.60%
Central Business District and Other Nonresidential Areas (not included above)	1.48%	1.41%	2.50%
	21.54%	21.42%	19.32%

Source: U. S. Department of Housing and Urban Devolpment, Community Planning and Development, Office of Evaluation. Based on a sample of 151 entitlement cities in Fiscal Year 1975 and 147 entitlement cities in Fiscal Years 1976 and 1977.

a/ Urgent needs were not separately coded in Fiscal Year 1975. Therefore, the urgent needs figure of 3.4 percent for Fiscal Year 1975, shown in Table 4.3, was conservatively estimated based on the Fiscal Year 1976 experience. The uncorrected figures for Fiscal Year 1975 (those with urgent needs money included) are: 16.8 percent in funds for middle and upper income residential areas; 12.41 percent for slum and blighted areas; 5.08 percent for citywide activities.

In Fiscal Year 1976, 3.7 percent of the program funds were for both urgent needs and "other residential areas", "services (middle-income)" and "residential rehabilitation (middle-income)". In Fiscal Year 1977, 2.9 percent of the funds were for both. For Fiscal Year 1975, a conservative estimate of 2.5 percent was used.

Table 4.3

EXTENT TO WHICH CDBG FUNDS ARE BENEFITING LOW- AND MODERATE-INCOME PERSONS IN THE NATIONAL SAMPLE OF 147–151 ENTITLEMENT COMMUNITIES IN FISCAL YEARS 1975, 1976, 1977

Projects and Activities of Benefit to Low-Mod Families & Persons	Fiscal Year 1975		Fiscal Year 1976		Fiscal Year 1977	
	Entitlement Amount	Percentage of Program Funds	Entitlement Amount	Percentage of Program Funds	Entitlement Amount	Percentage of Program Funds
A. Section 570.302(d)(1): projects that have income eligibility requirements that limit the benefits of the project to low- and moderate-income persons:						
80% of the residential rehab loans & grants[a/]	$27,143,566	7.40%	$52,587,610	13.41%	$51,578,084	12.69%
100% of identified rehab grants[b/]	$18,951,211	5.17%	$ 7,206,163	1.84%	$ 8,668,345	2.13
All costs for modernization of public housing[b/]	$ 65,000	.02	$ 2,429,128	.62	$ 3,300.504	.81
All costs for the development of new low-mod hsg. (acquisition of land for such housing)[b/]	$ 128,997	.04	$ 2,791,958	.71	$ 2,589,906	.64
80% of public services[c/]	$35,951,913	9.80	$34,004,444	8.67	$35,855,174	8.82

Table 4.3 (continued)

EXTENT TO WHICH CDBG FUNDS ARE BENEFITING LOW- AND MODERATE-INCOME PERSONS IN THE NATIONAL SAMPLE OF 147-151 ENTITLEMENT COMMUNITIES IN FISCAL YEARS 1975, 1976, 1977

Projects and Activities of Benefit to Low-Mod Families & Persons	Fiscal Year 1975		Fiscal Year 1976		Fiscal Year 1977	
	Entitlement Amount	Percentage of Program Funds	Entitlement Amount	Percentage of Program Funds	Entitlement Amount	Percentage of Program Funds
B. Section 570.302(d)(2)(i): CDBG activities that serve areas where the majority of the residents are of low and moderate income [d]	$125,294,455	34.15%	$112,717,104	28.75	$114,737,424	28.24
C. Section 570.302(d)(2)(ii): projects designed to attract or retain neighborhood commercial facilities which provide essential services to residential areas which have a majority of low and moderate-income residents	Data not separable from and are included in Section 570.302(d)(2)(i)		Data not separable from and are included in Section 570.302(d)(2)(i) data above		Data not separable from and are included in Section 570.302(d)(i) data above	
D. Section 570.302(d)(2)(iii): ecbnomic development projects which are designed to provide direct employment opportunities for permanent jobs, the majority of which will be for persons who are defined as low and moderate income prior to or during employment:						
30% of the funds budgeted for [e] Central Business Districts and other nonresidential areas (including nonres. loans/grants)	$10,372,368	2.83%	$ 10,911,865	2.78%	$ 13,200,461	3.25

Table 4.3 **(continued)**

EXTENT TO WHICH CDBG FUNDS ARE BENEFITING LOW- AND MODERATE-INCOME PERSONS IN THE NATIONAL SAMPLE OF 147-151 ENTITLEMENT COMMUNITIES IN FISCAL YEARS 1975, 1976, 1977

Projects and Activities of Benefit to Low-Mod Families & Persons	Fiscal Year 1975		Fiscal Year 1976		Fiscal Year 1977	
	Entitlement Amount	Percentage of Program Funds	Entitlement Amount	Percentage of Program Funds	Entitlement Amount	Percentage of Program Funds
E. Section 570.302(d(2)(iv): senior citizen and other centers used principally by persons of low and moderate income: 100% of all centers for the elderly, child care, youth, job centers, medical/health facilities and neighborhood facilities.	$16,271,254	4.44%	$19,579,467	4.99%	$19,439,819	4.78%
F. Section 570.302(d)(3): projects to remove architectural barriers:	$ 1,470,609	.40%	953,024	.24%	1,169,298	.29%
G. Section 570.302(d)(4): projects which must be carried out prior to or as integral parts of projects which will principally benefit low and moderate income persons	Not Determinable		Not Determinable		Not Determinable	
H. Section 570.302(d)(5): projects which serve an area with less than a majority of low and moderate income persons	Not Determinable		Not Determinable		Not Determinable	

Table 4.3 (continued)

EXTENT TO WHICH CDBG FUNDS ARE BENEFITING LOW- AND MODERATE-INCOME PERSONS IN THE NATIONAL SAMPLE OF 147-151 ENTITLEMENT COMMUNITIES IN FISCAL YEARS 1975, 1976, 1977

Projects and Activities of Benefit to Low-Mod Families & Persons	Fiscal Year 1975		Fiscal Year 1976		Fiscal Year 1977	
	Entitlement Amount	Percentage of Program Funds	Entitlement Amount	Percentage of Program Funds	Entitlement Amount	Percentage of Program Funds
Sub-total (percentage of funds benefiting low-mod families and persons)	($ 235,649,373	(64.23%)	($243,180,763	(62.02%)	$250,539,015	(61.66%)
I. Remaining funds:						
Urgent Needs (Not included above)	Not Determinable		$21,329,306	5.39%	$15,941,717	3.93%
Slums & Blight (in identified Urban Renewal/NDP/Model Cities areas):						
-Central Business District	$18,776,751	5.12%	$14,924,012	3.81%	$17,314,945	4.26%
-Residential Areas	$26,727,064	7.29%	$26,148,227	6.67%	$24,513,937	6.03%
Central Business Districts & Other nonresidential areas not included above	$ 5,425,441	1.48%	$. 5,538,069	1.417	$10,176,474	2.50%
Citywide Activities	$18,648,597	5.08%	$16,019,945	4.09%	$10,546,703	2.60%
Services (Middle Income)	$ 8,987,978	2.45%	$ 7,139,058	1.82%	$ 8,066,550	1.99%
Residential Rehabilitation (Middle Income)	$ 6,785,891	1.85%	$ 9,088,801	2.32%	$ 9,684,477	2.38%
Other Residential Areas	$45,857,479	12.50%	$48,715,209	12.42%	$59,569,330	14.66%
Sub-Total	($131,209,201)	(35.77%)	($148,902,617)	(37.98%)	($155,814,133	(38.34%)

Table 4.3 **(continued)**

EXTENT TO WHICH CDBG FUNDS ARE BENEFITING LOW- AND MODERATE-INCOME PERSONS IN THE NATIONAL SAMPLE OF 147-151 ENTITLEMENT COMMUNITIES IN FISCAL **YEARS** 1975, 1976, 1977

Projects and Activities of Benefit to Low-Mod Families 6 Persons	Fiscal Year 1975		Fiscal Year 1976		Fiscal Year 1977	
	Entitlement Amount	Percentage of Program Funds	Entitlement Amount	Percentage of Program Funds	Entitlement Amount	Percentage of Program Funds
Program Funds	$366,858,574	100.0%	$392,083,380	100.0%	$406,353,148	100.0%
Administration & Planning	$ 61,939,411		$ 62,312,048		$ 73,821,693	
Contingencies	$ 23,312,878		$ 20,373,709		$ 18,553,326	
Urban Renewal Loan Repayment	$ 2,766,735		$ 5,125,088		$ 13,255,711	
Deferred	$ 1,077,909		---		$ 1,617,013	
GRAND TOTAL	$455,955,507		$479,894,225		$513,600,891	

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

a/ A survey of rehabilitation loan and grant recipients in 854 localities concluded that more than 80 percent of the beneficiaries are of low and moderate income. Survey of CDBG Property Rehabilitation Financing Activities, Relocation and Development Services Division, Office of Community Planning and Development, HUD, 1978.

b/ Attributes to low-mod benefit to all funds budgeted for rehabilitation grants (not included above), modernization of public housing housing and acquisition of land for Section 8 housing.

c/ The estimate that 80 percent of social service funds and activities benefit low and moderate income persons is based on an analysis of the number of types of service activities being undertaken in the sample cities, including the number of projects formerly funded through the mode1 cities program-and the number co-funded with other Federal agencies.

d/ Attributes low-mod benefit to all funds in census tracts that have a majority of families of low and moderate income.

e/ Chapter 7 indicates that more than 80 percent of the economic development projects are oriented toward the revitalization of Central Business Districts, particularly those in a deteriorating condition. A significant number of such retail jobs are of low- and moderate income. A conservative estimate of a 30 percent benefit has been assigned until more precise data on the issue are collected.

CHAPTER 5

PROGRESS IN IMPLEMENTING THE PROGRAM

It is important to describe and analyze the progress CDBG grantees have been making in implementing their block grant programs. Different variables and indicators are used in other chapters in this report to measure progress. This chapter deals with an assessment of the progress of CDBG grantees by examining the rate of expenditure of funds, efforts to coordinate public funds, and efforts to leverage private funds.

This chapter contains two types of data: (1) Fiscal Year 1977 application analysis of 147 sample cities; (2) a survey of 24 cities asking detailed questions of Community Development directors and financial officers regarding expenditure rates and coordination and leveraging of funds.

Expenditure (Drawdown) Rates 1/

There is general agreement among professionals involved in community development that the rate of expenditure of funds is an important measure of progress. The importance of this measure is illustrated by a letter report from the U. S. General Accounting Office (GAO) to the Department in which they call into question the capacity of grantees with low expenditure rates to carry out approved community development programs in a timely manner. 2/

This chapter looks at expenditure rates rather than obligations as the measure of progress. Obligations are contracts and other commitment of funds made by grantees that will result in expenditures immediately or in the

1/ The term drawdown is frequently used synonmously with dollar expenditures. The procedure for a grant recipient to spend dollars in the Community Development Block Grant Program is governed by letter of credit, Treasury Circular 1075, and Attachment G, OMB Circular A-102.

2/ Letter B-171630, from General Accounting Office to the Secretary, Department of Housing and Urban Development, January 24, 1978.

future. Obligation figures are ordinarily higher than expenditures because in many programs such as those involving construction or procurement,, the funds are obligated at the beginning of the fiscal year but the payments are made over a period of time. Therefore, expenditure or disbursement rates more closely approximate an accurate assessment of which programs actually are being implemented in a block grant program as compared to what is planned.

Past program experience indicates obligation and grant recipient disbursement or' drawdown of funds require a reasonable period of time. Through January 31, 1978, recipients of CDBG funds disbursed $4.3 billion which represents 50 percent of all grant funds obligated against the appropriations for the first three years of the program (1975-1977). The annual amount of funds disbursed from the Treasury is steadily increasing.

Almost all (97 percent) of the obligations made against Fiscal Year 1975 appropriations had been spent by the end of January 1978. Communities had drawndown 62 percent of their Fiscal Year 1976 obligations and 8 percent of their Fiscal Year 1977 obligations also by the end of January 1978.

The following information was obtained from a survey of 24 cities. The respondents were asked how much money was being expended on projects classified into eight major categories. The eight categories of rehabilitation, water and sewer, streets, redevelopment, open space, public services, service facilities and other public works are the areas in which the largest sums of money are budgeted.

FINDING #1: Expenditure rates vary among sample cities. Mixed results occur using city size as a variable.

Expenditure rates vary among sample cities from a low rate of 16 percent to a high rate of 83 percent cumulatively. Grouped by population size, cities under 50,000 expended an average of 38 percent of their funds, with a range from 16 to 67 percent; cities from 50,000-200,000 expended an average of 43 percent of their funds with a range from 22 to 83 percent, and cities with a population over 200,000 had the lowest average rate of expenditure of 29 percent with a range of 19 to 51 percent.

FINDING #2: Overall program expenditure rates correlate with types of activities emphasized.

Table 5.1

Expenditure Rates for CDBG Entitlement Cities
Fiscal Years 1975-1976-1977 (all years combined) a/

Percent Drawdoen by Month

FY 1976	Percent	FY 1977	Percent
January	22	January	38
February	28	February	42
March	32	March	43
April	34	April	46
May	24	May	46
June	23	June	40
July	23	July	42
August	25	August	43
September	27	September	44
October	31	October	45
November	33	November	47
December	34	December	49

FY 1978	Percent
January	50

Source: U.S. Department of Housing and Urban Development, Office of Management, Management Information System.

Note: The monthly figures are based on drawdowns against total obligations. Therefore, as 2nd and 3rd year obligations are added on in various months the drawdown rate changes. However, the trend is clearly increasing over time. Thirty-eight percent in January 1977 to 50 percent in January 1978.

a/ Percentages will differ slightly when considering entitlement and discretionary grants together.

Table 5.2 reveals that sample cities have the greatest expenditure rates for money allocated to streets and public services, both having 46 percent of the funds expended. Cities cited several reasons for being able to spend for street programs:

(1) Activities related to street improvements are ongoing city functions. Consequently, experienced staff were already "on board" and were able to do the job that needed to be done;

(2) Street activity is easy to contract, and;

(3) City council/citizens give high priority to this activity; and

(4) Cities have gained experience over three years in CDBG.

Public service activities were more easily implemented for the following reasons:

(1) Public services are ongoing programs with experienced staff;

(2) Most costs are related to salaries and not capital expenditures;

(3) Planning for public services takes place early in the application process; and

(4) Public services are a top priority of citizens and neighborhood groups which prompts the city council to move faster.

Sample cities encountered the greatest problem in expenditures for rehabilitation. Cities cited the following reasons for delays:

(1) Inadequate staff capacity,

(2) Contract/bidding procedure was complicated and time-consuming; and

(3) Local process of designating rehabilitation area and then selling program to home-owners.

Table 5.2

Comparison of Budgeted Amounts and Expenditures for Eight Major Activities

Activitv	Amount Budgeted	Percent Expended
Rehabilitation	$56 million	25%
Water and Sewer	24	28
Streets	23	46
Redevelopment	66	41
Open Space	17	36
Public Services	33	46
Service Facilities	15	32
Other Public Work	9	39

Source: U. S. Department and Urban Development, Community Planning and Development, Office of Evaluation. Based on a survey of 24 CDBG entitlement cities.

Cities that budgeted large portions of their grants for activities such as rehabilitation and water and sewer typically experienced more difficulty in spending their money than those who budgeted large portions of their grants for public service activities or street activities.

FINDING #3: There is no single, specific factor, or even set of factors, that represents major drawdown delays common to all Community Development programs or types of projects. Rather, there are a series of interrelated causes -- unique to each -- that contribute to delay at various points in the process.

There were some general observations unrelated to specific activities cited by community and HUD personnel as possible reasons for low drawdown rates. They include:

(1) Lack of staff continuity and/or inadequate staff;

(2) Structure and organization of local government;

(3) Internal political struggles;

(4) Project size;

(5) Degree of support of local establishment; and

(6) Degree of community support.

Coordination and Leveraging

Congress stated in the Housing and Community Development Act of 1974 that the establishment and maintenance of viable urban communities depends on increased private investment in support of community development activities.[3/] Since CDBG funds alone are not sufficient to solve the complex and deeply rooted problems facing urban areas today, local government must seek other sources of money to use in conjunction with CDBG money to meet the needs of their communities. By leveraging private funds and coordinating other sources of public assistance with block grant funds, local governments can expand the size and comprehensiveness of their strategies to promote community development. Presumably, the relative flexibility of the CDBG program facilitates coordination with other more rigid grant programs.

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

Coordination is defined as the integration of public money from other sources with CDBG funds and the concentration of funds from various sources in community development target areas.

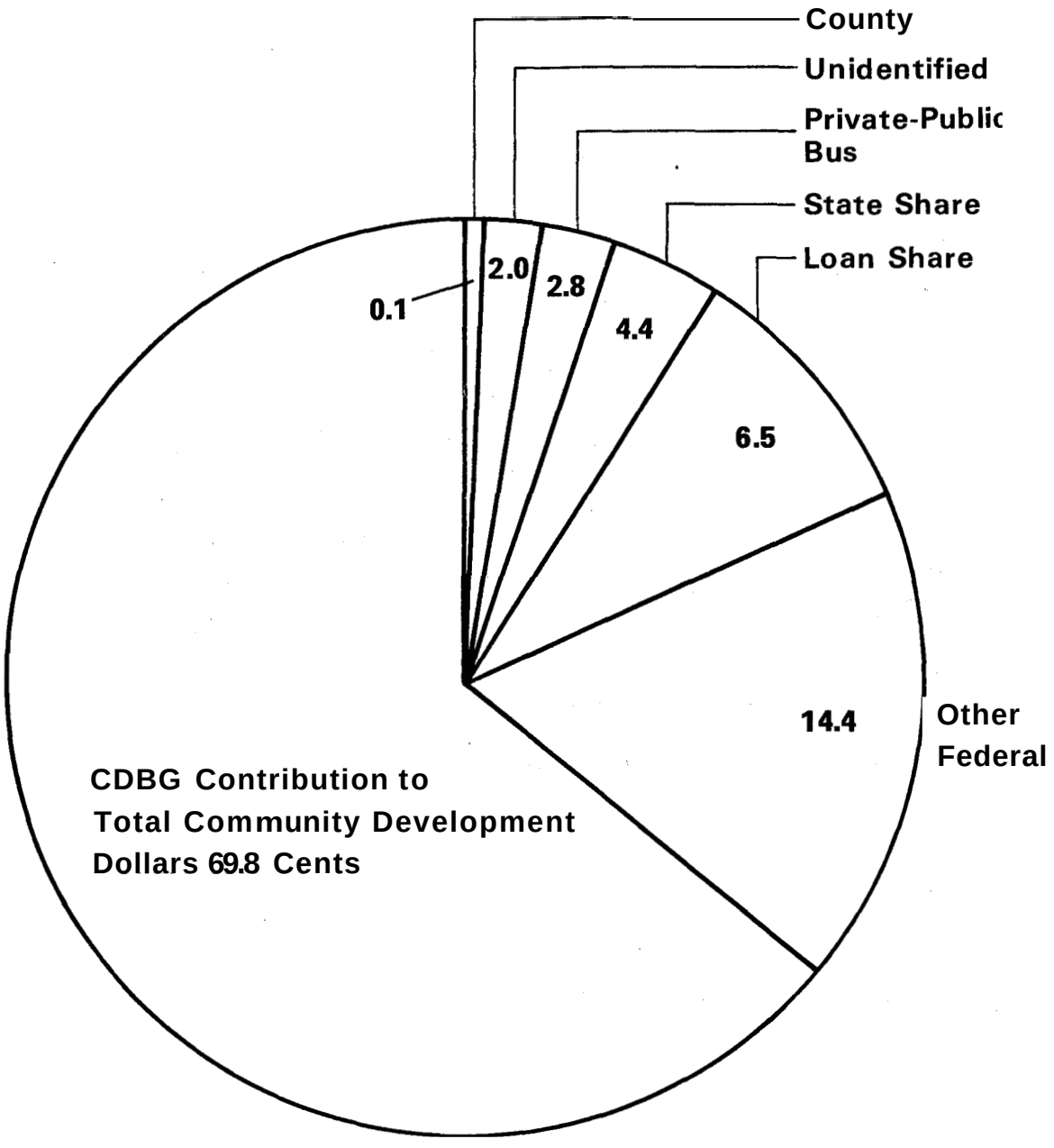
Examples of coordination and types of activities include: (1) using other sources to pay a portion of community development project costs; (2) paying for activities provided through the community development project, e.g., services funded by an outside source in a CDBG funded neighborhood center; (3) providing activities that support the community development project, e.g., increased law enforcement or public facility improvement in a community development rehabilitation area; or (4) using CDBG funds as the required local matching share in another program.

Leveraging is defined as a local government activity using community development funds which induces private investment or contributions that would not have been secured in that activity or locality otherwise.

FINDING #4: CDBG represents nearly 70 cents of each Community Development dollar. The total local community development program as represented in CDBG applications was analyzed to determine the extent of funding sources for community development activities. The major portion of local community development funding is the Federal CDBG program, The CDBG entitlement represents 69.8 cents of every dollar budgeted for local community development activities. (See Table 5.3.)

TABLE 5.3

COORDINATION AND LEVERAGING OF OTHER SOURCES OF FUNDS WITH CDBG DOLLARS [a/]



The Community Development Dollar

Source: U.S. Department of Housing and Urban Development, Office of Evaluation.
[a/] Based on analysis of sample of 147 cities' approved applications for Fiscal Year 1977.

FINDING #5: Cities are more successful at obtaining public funds than private investments.

Of the 30.2 cents of other sources, other Federal sources represent 14.4 cents (or 47.6 percent of the total) with nearly half of that from other HUD funds such as Rehabilitation Loans, Urban Renewal land disposition proceeds, Public Housing Modernization Loans, and the Financial Settlement and Secretary's Discretionary Funds of the CDBG program. Local governments have complemented their community development activities with a share of 6.5 cents or 21.5 percent of the total as shown in Table 5.4. State programs are contributing 4.4 cents or 14.7 percent, and counties are contributing one cent or 2 percent of the total community development funds to implement programs. In contrast, private-public service agencies and private business and industries have contributed 2.8 cents (9.3 percent).

Table 5.4

Other Sources of Funds for CD Program
for Fiscal Year 1977
(30.2 Cents)

Other Federal Dollars	32.5%
Local (City)	21.5
Other HUD Programs	15.1
State	14.7
Private Business & Industry	8.5
Other (Unidentified)	6.7
Private Public Service Agencies	.8
County	.2
Total	100.0%

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

FINDING #6: Local government and private investment dollars for CD decreased in Fiscal Year 1977, while other Federal and State dollars increased.

The proportion of CDBG funds to other funds for community development has increased slightly over the last two years, as the CDBG share of the total program has increased also over last year from 69 cents to 69.8 cents. The largest change is in the drop in local share from 9.6 cents to 6.5 cents. The biggest increase is the State share up from 2.8 cents to 4.4 cents, while other Federal sources have increased from 12.9 cents to 14.4 cents. The share provided by private and public agencies, and private businesses and industries decreased by .7 cents. (See Table 5.5 below.)

Table 5.5

DOLLAR SOURCES FOR LOCAL COMMUNITY DEVELOPMENT PROGRAM

	1976	1977	Change
CDBG	69.0	69.8	+ .8
Other Sources	31.0	30.2	- .8
Other Federal	12.9	14.4	+1.5
Local	9.6	6.5	-3.1
Private	3.5	2.8	- .7
State	2.8	4.4	+1.6
Unidentified	1.9	2.0	- .1
County	.3	.1	
	100.0	100.0	

FINDING #7: The major uses of other sources of funds were for rehabilitation (23.8 percent), redevelopment and neighborhood improvement (23.1 percent) and the funds were primarily used in residential areas.

Other uses included public services (14.5 percent), other public works (11.1 percent) and sanitary sewers (8.4 percent). (See Table 5.7 for detailed activity breakdown.) A breakdown by source of funds and major use shows private business/industry almost exclusively using funds for rehabilitation (91.9 percent). (See Table 5.6.)

Table 5.6

Sources and Use of Funds For
Local Community Development Programs

Source of Funds	Major Use
Other HUD	Redevelopment/Neighborhood Improvement 52.2% Rehabilitation 46.8%
Other Federal	Redevelopment/Neighborhood Improvement 26.3% Public Services 24.7% Sanitary Sewers 24.6%
State	Rehabilitation 30.1% Public Services 20.5% Other Public Works 14.8%
County	Public Services 41.3% Street-Related Activities 23.7% Child Care Facilities 18.3% Rehabilitation 16.6%
City	Other Public Works 21.7% Redevelopment/Neighborhood Improvement 20.2% Rehabilitation 16.4% Public Services 9.9%
Private Public Service Agencies	Public Services 67.8% Elderly Facilities 18.5%
Private Business/Industry	Rehabilitation 91.9%

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

Note: For further detail, see Table 5.7,

Table 5.7

Activity By Source of Other Funds

Activity	Other HUD	Other Fed.	State Agency	County	city	Private Pub. Service.	Private Bus. and Ind.	Other	Total Activity
Sanitary Sewers	---	24.6	---	---	---	---	---	6.9	8.4
Storm Sewers	---	---	---	---	.1	---	---	---	0.0
Water and Sewer System	---	---	---	---	---	---	.3	.3	0.0
Street-Related	---	5.7	9.7	23.7	7.6	---	---	8.4	5.5
Drainage and Flood	---	2.1	1.2	---	6.5	---	---	12.2	3.1
Other Public Works	---	6.4	14.8	---	21.7	---	6.6	24.0	11.1
Redev. 6 NBHD Improvement	52.2	26.3	11.7	---	20.2	---	---	9.0	23.1
Rehabilitation	46.8	.7	30.1	16.6	16.4	.9	91.9	11.3	23.8
Code Enforcement	---	---	---	---	4.0	---	---	2.1	1.0
Multipurpose NBHD Fac.	---	.2	1.5	---	1.6	3.6	.1	---	F.7
Police & Law Enforcement	---	---	---	---	---	---	---	---	0.0
Recreation Facil.	---	4.1	3.2	---	1.1	---	---	2.9	2.2
Medical/Public Health Facil.	---	.1	---	---	.3	2.1	---	---	0.1
Transportation Farilities	---	.1	---	---	---	---	---	---	0.0
Child Care Facil.	---	.2	---	18.3	.1	5.9	---	---	0.2
Youth Facil.	---	---	---	---	---	---	.3	---	0.0
Elderly Facil.	---	.4	---	---	.4	18.5	---	---	0.4
Joh and Employment	---	---	---	---	.3	---	---	---	0.1
Other Single Purpose Facil.	---	---	.3	---	.1	---	---	3.0	-.3
Open Space	.2	2.0	6.4	---	4.0	---	---	1.2	2.6
Historic Preservation	---	.4	.3	---	---	1.2	.1	.4	0.2
Public Services	.1	24.7	20.5	41.3	9.0	67.8	.4	13.4	16.5
Planning & Management	.6	1.5	.2	---	2.8	---	.1	4.3	1.5
Administration	.1	.6	.1	---	3.0	---	.2	.8	0.9
Contingencies	---	---	---	---	1.0	---	---	---	0.2
TOTAL	100	100	100	100a/	100a/	100	100	100	100.0a/

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

a/ Totals do not equal 100 because of rounding.

FINDING #8: Size of community and amount of grant are determinants in obtaining other funds.

Population size is a factor in securing other funding sources overall. Cities with population between 250,000-500,000 captured the most (21.4 percent) of all other funding sources, while cities between 500,000-1,000,000 received the least (9.3 percent). (See Table 5.8.)

TABLE 5.8

PERCENT OF OTHER SOURCES OF FUNDS BY CITY SIZE

Population Size	Percent
Under 50,000	18.3%
50,000-100,000	17.7%
100,000-250,000	17.6%
250,000-500,000	21.4%
500,000-1,000,000	9.3%
Over 1,000,000	15.8%
	100.0%

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

Cities with CDBG entitlement grants between $1 million and $10 million were best able to capture other sources of funds for the program. They captured 50.9 percent of all other funding sources, while the cities with the largest grants (over $25 million) and the largest populations (over 1 million) received the highest share of private business and industry funds (32.8 percent). (See Table 5.9.)

City Sample

A total of 21 of 24 of the sample communities provided further information about their actual experience during Fiscal Year 1977 in coordinating and leveraging other funds for their community development program. The data from this survey validated the findings from analysis of the 147 cities' applications. All cities reported attempts to coordinate and leverage additional funds. The Federal Government (57 percent) was the best resource for other public dollars.

Table 5.9

OTHER SOURCES OF FUNDS BY TOTAL GRANT SIZE

Grant Size

Source	Under $500,000	500,000-$1 Million	$1-4 Million	$4-10 Million	$10-$25 Million	Over $25 Million
Other HUD	-	17.5	42.0	6.6	29.7	4.2
Other Federal	2.7	11.6	27.3	28.8	22.2	7.3
State	6.3	.8	21.2	46.3	11.4	13.9
County	-	58.9	-	41.1	-	-
City	.5	2.5	18.3	14.6	28.3	35.9
Private Public Services	-	7.1	29.8	25.3	11.0	26.7
Private Business Industry	8.5	-	21.7	22.2	14.8	32.8
Other	5.5	18.0	16.9	42.5	16.3	.5
TOTAL	3.0	8.3	25.6	25.3	22.0	15.8

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

Coordination of Public Funds

The sample cities surveyed combined $76 million from all other public sources and used it with $21.2 million of block grant funds. In a large portion of the cases CDBG dollars were used as match for other programs. This $76 million represents an increase in additional funds of 83.2 percent in total resources above the CDBG entitlement grant amount for these cities.

The sample communities use of other public funds was more oriented to public works activities than the national data indicated. ,However, this may be due to one city reporting a large grant of $28 million to separate sanitary from storm sewers in the CD target area. This grant skews the percentages to a large degree.

The major Federal agencies reported as coordinated and their programs are:

Federal Agencies	Percent of Coordinated Funds	Programs
EDA	65.0%	Emergency Public Works
EPA	14.7%	Sewers
HUD	10.6%	312, Urban Homesteading, Public Housing Modernization
HEW	3.4%	HEW, Title XX
DOI	3.4%	Bureau of Outdoor Recreation
DOL	1.3%	Comprehensive Employment and Training Act

State funds, primarily from Departments of Community Affairs, were used for public works, recreation facilities, rehabilitation, and historic preservation.

Local funds, primarily from revenue sharing and city bonds, were used for streets and public works and public services.

Leveraging of Private Funds

Sixteen cities surveyed reported one source of private funds, three cities noted two sources and two cities reported no private funds associated with the CDBG program. Banks, savings and loans, and other financial institutions were the most frequent source noted by the cities (over 50 percent). Private foundations were noted 33 percent of the time and private citizens/businesses, 24 percent.

FINDING #9: In terms of private dollars leveraged, banks, savings and loans and other financial institutions provided $13.4 million or 54.5 percent of all private dollars.

Private citizen/businesses accounted for $10.6 million or 43.1 percent of private funds while private foundations represented $589,000 or 2.4 percent of the total. The nearly $25 million leveraged was used in conjunction with CDBG funds of $7 million, which was sometimes used for matching purposes or for assuring rehabilitation loans. These leveraged dollars represents an increase of 25 percent in total resources above the CDBG entitlement grant for the sample cities.

FINDING #10: Rehabilitation was the major use of private funds.

Banks, savings and loans, and other financial institutions exclusively provided funds for rehabilitation loans. The major mechanism used included low interest loans for rehabilitation and rebate programs for incentives for rehabilitation. Private citizen/business funds were used for economic development, downtown revitalization and social services. Private foundation funds were used primarily for historic preservation and day care.

The major successes reported by cities in coordinating and leveraging other fund sources were:

1. For rehabilitation - low interest loans, rebates to homeowners, high risk loans secured by CDBG funds, were used successfully. Private rehabilitation was encouraged in neighborhoods where public rehabilitation was occurring.

2. Coordination and leveraging created better communication between Federal, State, local governments and the private sector. Citizens were active in mobilizing additional resources for local community development efforts.

3. CDBG was reported to be a flexible program that would be used to match other programs.

Problems

Despite successes at coordination and leveraging, respondents indicated the following problems with Federal CDBG regulations affecting coordination and leveraging. The regulations were considered too restrictive and inhibited flexibility, and there was too much red tape. The regulations did not coincide with other agencies' requirements thereby reducing coordination. The turndown requirements for social service funds create bookkeeping problems and are generally unnecessary. Environmental impact requirements were noted as discouraging joint programs because of time delays.

Local Process

Most cities (90 percent of the 24 sampled) reported local institutions or processes to encourage coordination of public funds and private sector involvement. Citizen advisory groups are heavily involved in these activities. Most cities have task forces of local agency staff, citizens and private organizations to work on coordination and leveraging aspects of the CDBG program.

CHAPTER 6

"TARGET AREA" CONCEPT

Most of the 18 CDBG communities visited [1/] have delineated target areas in which CEBG funds are to be used, despite the absence of such a requirement; prior HUD categorical programs, in contrast, required the designation of specific target areas for program funds. Cities are establishing target areas using a variety of selection criteria, predominantly housing conditions and income of area residents. In applying their criteria, the cities have selected target areas with conditions ranging from the "worst" in the city to relatively "stable". [2/] The majority of the areas, however, can be classified as being in "early-to-moderate stages of decline."

Few of the target areas in the cities visited are being addressed by a comprehensive approach which attempts to meet the complete revitalization needs of the area. Instead, the cities are using two other community development approaches which are less extensive than the comprehensive one. The first, the limited development approach, which is favored in worst areas, addresses a limited number of the area's needs in some cases with the expectation that private initiative will address the rest. The second approach, neighborhood repair, which is favored in stable areas, addresses only one or two community development problems identified by citizens or officials. Early-to-moderate decline areas are being addressed by both of these approaches with the same frequency.

Funding levels for target areas vary by the former categorical program status of the target area. In both worst and early-to-moderate declining target areas, the average

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1/ Findings in this chapter are based upon on-site visits to 18 cities. No information is provided here for the 19th city visited because HUD evaluators interviewed city officials there at an earlier point, and the data required for this chapter was not gathered from the city at that time.

2/ See Finding #5 for definition of the three terms used in this chapter to describe the condition of the target areas: "stable", "early-to-moderate decline", and "worst."

budgeted amount for Fiscal Year 1977 was higher for categorical areas. Stable areas have had little categorical experience, but their average funding level is higher than the other target areas with similar experience and similar community development approaches.

FINDING #1: Although the CDBG program does not require the establishment of target areas, the majority of CDBG communities visited have delineated target areas in which CDBG funds are to be used. The 18 cities visited had a total of 174 target areas, for which 68 percent of the CDBG funds are budgeted.

A target area is defined as an area which can be geographically described by neighborhood, service area, or other boundaries, with identified needs for community development activities. A target area is regarded as "official" for purposes of this study if the city acknowledged it as an area in need of attention and focused activity within it. Four-fifths of the cities visited have official target areas. The remaining cities have "unofficial" target areas -- ones in which activities appear to be focused but which are not identified as target areas on official city documents.

FINDING #2: Most of the cities used some form of "objective" selection criteria to select their target areas. The most commonly used criteria were housing conditions and income of the area's residents. These factors were mentioned by 16 and 15 cities, respectively. The next most frequently used criteria were social indicators of community need, mentioned by seven of the 18 cities. Some of the cities also relied upon the results of public hearings to determine the needs of their citizens and selected target areas on the basis of that information. Other selection criteria mentioned less frequently were locations of existing categorical programs, population size, geographic zoning, physical review of streets and political pressures.

FINDING #3: Cities, for the most part, have established target areas of manageable size -- 5 percent or less of city population and land area. A few of the cities have target areas which are considerably larger, but this appears to be because of boundaries drawn for HUD categorical program prior to CDBG (e.g., Model Cities and Planned Variations[3/]).

3/ The Planned Variations demonstration initiated in July 1971, was an important forerunner of the Community Development Block Grant Program in 20 Model Cities.

The number of target areas a city establishes bears a relationship to its CDBG entitlement amount. Cities with entitlements greater than $3 million have established from 10 to 50 target areas. The number of target areas increases as the entitlement amount increases, with some exceptions. One city with a CDBG entitlement of close to $9 million has only three target areas, but the sizes of its target areas are much larger than average. Another city with a $7 million entitlement has only four official target areas, but this city has countless neighborhoods outside of official target areas which are receiving CDBG funds as well. Cities receiving less than $3 million in CDBG funds generally have fewer target areas. They range in number from one to six.

FINDING #4: While the majority of the 18 cities used criteria to select their target areas, less than half have established criteria to prioritize in the budgetary process which ones are to receive more CDBG funds. Of the cities that do prioritize target areas, the most common criterion used is the number of negative factors in the target areas. The target area with the highest number of negative factors receives the highest priority, which in some cities means the most CDBG funds. Another criterion used is the categorical program activity status of an area. Target areas with active urban renewal or NDP projects received high priority because the previous commitments needed to be maintained in order for the projects to be completed.

The difference between cities which prioritize target areas and those that do not is the local budgetary process. Prioritized target areas are budgeted an amount of CDBG funds for specific activities which are planned for that area during the fiscal year. Non-prioritized target areas receive funds only because particular projects are funded in the target area. The source of funds for these latter projects is the amount that has been budgeted for particular types of activities (e.g., streets, rehabilitation, and sewers). At the time of budgeting, the locations of the particular projects to be funded are still undetermined.

FINDING #5: Cities have chosen to budget their CDBG funds to target areas which range in condition from the "worst" to "early-to-moderate stages of decline" to relatively "stable".[4] However, major emphasis appears to be placed on those target areas in early-to-moderate stages of decline: there are 45 of 163 target areas in worst condition, 85 in early-to-moderate decline, and 33 in stable condition.[5]

4/ Target areas were rated by HUD evaluators as being worst, early-to-moderate decline, or stable by: (a) adding together the percentage of substandard housing and the percentage of low- and moderate-income families in a target area for a rating; and (b) comparing that rating to the ratings of the other target areas in the city. Target areas with the highest ratings in the city were considered to be in the worst condition; those with ratings in the mid-range were in early-to-moderate stages of decline, and those with the lowest ratings were considered stable. Since conditions vary among cities, a rating of worst, for example, means that of the CDBG target areas in a particular city, the target area is among the worst. Sources for the percentages of sub-standard housing and low/mod families were the city officials interviewed.

Condition ratings were substantiated by a conditions analysis of census tracts using 1970 housing conditions and income data. The combined ratings of the census tracts in a target area were fairly consistent with the target area rating. The few differences that did occur could be due to the sources: 1970 census compared to 1977 city information. For further discussion of this analysis, see Appendix F.

5/ Eleven of the 174 target areas did not have sufficient data on housing and population to evaluate their condition.

a. Worst Target Areas - Roughly one-quarter of the target areas in the 18 cities fall into this category. These worst target areas are areas of a city where a high percentage of the housing stock is substandard, and a high percentage of the area's population is of low- and moderate-income. In terms of income, however, the split between low and moderate shows more of these areas have a higher percentage of low-income: families. Twenty-seven of the 45 worst target areas are predominantly low-income. Another population characteristic of these areas is that the percentage of minorities residing in the area is frequently greater than 50 percent. Twenty-five of the worst target areas have minority populations which represent 50 percent or more of the area's population, and another 12 of the areas have minority populations of 25-49 percent.

The predominant land use pattern among worst areas tends to be a mixture of uses (e.g., residential, commercial, and institutional). Only eight of these areas have a land use pattern which is predominantly single-family dwelling units.

Just over one-third of the worst target areas have participated in the categorical programs of Urban Renewal, Neighborhood Development Program (NDP), and Model Cities. The areas that participated in these programs still have active Urban Renewal and NDP projects. State or locally declared urban renewal projects exist less frequently. Only two of the worst target areas have such projects, because few cities have used this power to declare areas to be blighted in order to undertake urban renewal-type activities. Of the few cities that have done so, the majority of their state or locally declared urban renewal projects are in the worst target areas.

b. Early-to-Moderate Decline Target Areas. There are more target areas in early-to-moderate-stages of decline than in any other condition: fifty-two percent of the target areas (85 areas) in the 18 cities. Conditions in early-to-moderate decline target areas are one or two steps above the worst target areas. Although these areas are

predominately low- and moderate-income, as are the worst areas, they are distinguished from the worst areas by their housing stock. The percentage of substandard housing units in these target areas is generally lower than the worst areas. In addition, a higher percentage (57 percent) of these areas have a single-family or multi-family land use pattern, a factor which contributes to the analysis that the areas are somewhat better than the worst areas.

Only 16 of the early-to-moderate decline target areas were originally categorical program areas. The target areas that were in those programs participated primarily in Urban Renewal.

c. Stable Target Areas. Twelve of the 18 cities visited have established CDBG target areas which appear to be relatively stable when compared to the other CDBG target areas in the city. Target areas in this condition represent the smallest percentage of all the target areas: twenty percent, or 33 target areas.

Among all target areas, stable areas are in the best condition. The population of these areas is primarily middle income; 23 of the stable areas have middle- and upper-income populations of fifty percent or more. The percentage of the housing units which are substandard is the lowest of all target areas. The principalfactor in more than a third of the stable target areas is the predominant land use pattern: a mixture of residential uses 6/ or mixture of all uses. Another third of the areas are predominantly single-family dwelling units, a finding which suggests that the areas are in fairly good condition.

Of all target areas, stable ones have the fewest target areas which participated in the categorical programs of Urban Renewal, NDP, and Model Cities. Conditions in these areas did not warrant inclusion in those programs.

6/ Examples of residential uses include: single-family owner-occupied, single-family renter, multi-family with two to four units per structure, and multi-family with five or more units per structure.

FINDING #6: Three community development approaches were identified in the 163 target areas. The distinction between the approaches is the number and kinds of needs being addressed by CDBG funded activities. 7/

A "comprehensive approach" is one which funds activities to address at least four needs (including all types of redevelopment activities as one of the four) or all five possible needs. A "limited development approach" funds activities to address no more than four needs (excluding redevelopment) and no less than three. Finally, the "neighborhood repair approach" funds activities addressing no more than two needs. 8/

Few cities visited are undertaking a comprehensive community development approach in new areas to completely revitalize these areas. Such an approach exists, for the most part, in target areas with Urban Renewal or NDP experience or in state/locally declared urban renewal areas. Of the two approaches cities are favoring, the more extensive of the two -- the limited development approach -- is the primary approach being used in the worst target areas. The simpler of the two -- the neighborhood repair approach -- is the primary one for stable target areas. Early-to-moderate decline target areas have both of these approaches occurring with the same frequency.

7/ The needs and examples of activities to address them are as follows: redevelopment (e.g., acquisition, demolition, and relocation); public works (e.g., streets, water and sewer, etc.); housing (e.g., re-rehabilitation and code enforcement); recreation (e.g., open space, recreation facilities, etc.); and public services (e.g., medical, elderly child care, etc.).

8/ The analysis of what type of community development approach a city was using in a particular target area was substantiated by the data the city had obtained on the needs of the areas. Cities choosing comprehensive approaches knew extensively the needs of the area, while cities choosing neighborhood repair approaches knew little, if anything, about the needs of the area.

a. Worst Target Areas. Generally, cities indicated that they are attempting to deal with their worst areas. Nevertheless, they are hampered in their efforts to revitalize them completely by the size of their grants and/or the needs and requests of other areas in the city, Examination of the specific types of activities occurring in the worst target areas reveals that efforts to revitalize an area using a comprehensive approach are not widespread. (See Table 6.1.) Less than one-fifth of the worst target areas (8 of 45 areas) have received a mix of CDBG-funded activities which indicates an attempt to deal. comprehensively with the problems of the area. Six of these areas are former categorical program areas. Few cities have undertaken comprehensive revitalization efforts in new areas.

The principal approach toward the worst target areas is the limited development approach. Twenty-one of the 45 worst target areas are being treated with this approach. The majority of these areas are non-categorical areas. As the name suggests, this approach involves the funding of activities to address a limited number of problems. By doing so, some of the cities hope to improve the areas to such an extent that private investment and initiative will be increased.

b. Early-to-Moderate Declining Target Areas. Limited development and neighborhood repair approaches are being applied in early-to-moderate declining areas at roughly the same frequency. (See Table 6.2.) Thirty-five of these areas are being treated with the limited development approach, and 39 are receiving funds for CDBG activities as part of a neighborhood repair approach. Areas receiving a comprehensive approach are in the minority (only eight of the areas) and are evenly split between categorical and noncategorical areas. Those few cities which have undertaken a comprehensive approach for an early-to-moderate declining target area appear to have been selective among their areas: other areas in this condition in the city are being

Table 6.1

LOCAL COMMUNITY DEVELOPMENT APPROACHES
TO WORST CDBG TARGET AREAS
(CATEGORICAL VERSUS NONCATEGORICAL)

Local Approach	Categorical Areas	Noncategorical Areas	Total
Comprehensive	6	2	8
Limited Development	4	17	21
Neighborhood Repair	8	5	13
None	1	2	3
TOTAL	19	26	45

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on a sample of 18 cities visited.

Table 6.2

LOCAL COMMUNITY DEVELOPMENT APPROACHES
TO EARLY-TO-MODERATE DECLINE CDBG TARGET AREAS
(CATEGORICAL VERSUS NONCATEGORICAL)

Local Approach	Categorical Areas	Noncategorical Areas	Total
Comprehensive	4	4	8
Limited Development	7	28	35
Neighborhood Repair	4	35	39
None			
TOTAL	16	69	85

Source:. U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on a sample of 18 cities visited.

treated with other approaches. Furthermore, only cities which have comprehensive approaches in their worst target areas attempt a comprehensive approach in their early-to-moderate declining areas.

c. Stable Target Areas. Stable areas are being treated consistently from city to city. Almost two-thirds of the 33 stable areas are receiving the neighborhood repair approach. (See Table 6.3.) This approach to these areas is understandable considering that they are in relatively good shape. The neighborhood repair approach addresses one or two problems in an area -- problems identified by local residents or city officials. The projects usually funded as part of the neighborhood repair approach in these areas are housing rehabilitation, public works (usually street repairs), and recreation-related activities (parks, recreation facilities and neighborhood facilities).

FINDING #7: The former categorical status of a target area is the determining factor in the funding level of the worst and early-to-moderate declining CDBG target areas. Stable areas with no categorical experience have the highest average funding level of all non-categorical target areas.

a. Worst Target Areas

Funding levels in the worst target areas are highly correlated with the categorical or State-declared urban renewal experience rather than the community development approach. Target areas with that experience are receiving an average amount which is two-and-a-half times the average amount for non-categorical worst area. In Fiscal Year 1977 the former were budgeted an average of $1 million, while the latter were to receive an average of $395,000. Despite the approach used, categorical areas fare better than noncategorical worst areas. (See Table 6.4.)

Table 6.3

Local Community Development Approaches to Stable CDBG Target Areas (Categorical vs. Noncategorical)

Local Approach	Categorical Areas	Noncategorical Areas	Total
Comprehensive	1	2	3
Limited Development	0	8	8
Neighborhood Repair	2	18	20
None	0	2	2
TOTAL	3	30	33

Source: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on a sample of 18 cities visited.

Table 6.4

Average Amount of CDBG Funds Budgeted for Worst CDBG Target Areas, by Type of Local Approach: Fiscal Year 1977

Local Approach	Categorical Areas	Noncategorical Areas
Comprehensive	$1,396,000	$ 170,000
Limited Development	853,000	495,000
Neighborhood Repair	790,000	145,000

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on a sample of 18 cities visited.

b. Early-to-Moderate Decline Target Areas

As is the case with worst areas, early-to-moderate decline target areas with categorical experience were budgeted more funds on an average in Fiscal Year 1977 than areas with no such prior experience. By type of approach, the categorical status is the determining factor of average funding level for only the comprehensive and limited development approaches. Categorical and noncategorical early-to-moderate decline areas receiving a neighborhood repair approach have been budgeted average amounts which are very similar. (See Table 6.5.)

c. Stable Areas

Since the number of stable areas with categorical experience is miniscule, that experience does not play a role in determining the funding level of these target areas. Stable areas receiving limited development and neighborhood repair approaches have been budgeted an average amount which exceeds that budgeted for worst and early-to-moderate decline target areas with no categorical experience. (See Table 6.6.) The average amount is higher partly because of the cost of some of the major public works projects being funded in these areas.

FINDING #8: Ten of the 18 cities are funding activities which occur in neighborhoods outside of CDBG target areas. For the most part these areas are middle-income and in relatively stable condition. The activities being funded in these areas suggest a neighborhood repair approach: street improvements and water and sewer projects. Housing rehabilitation is also occurring here, primarily as a result of eligible residents participating in those programs, rather than because of an overall condition of substandard housing.

Table 6.5

Average Amount of CDBG Funds Budgeted for Early-to-Moderate Decline CDBG Target Areas, by Type of Local Approach: Fiscal Year 1977

Local Approach	Categorical Areas	Noncategorical Areas
Comprehensive	$1,179,000	$369,000
Limited Development	1,294,000	683,000
Neighborhood Repair	176,000	148,000

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on a sample of 18 cities visited.

Table 6.6

Average Amount Budgeted for All
Types of CDBG Noncategorical Target Areas
By Types of Local Approach: Fiscal Year 1977

Local Approach	Worst Areas	Early-to-Moderate Decline Areas	Stable Areas
Limited	$49,000	$68[illegible],000	$698,000
Repair	145,000	148,000	[illegible]48,000

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on a sample of 18 cities visited

The majority of cities with CDBG activities in these neighborhoods have budgeted only one-fifth or less of their Fiscal Year 1977 entitlement funds for these areas. Only two of the cities have budgeted more of Fiscal Year 1977 entitlement funds for their neighborhoods than for their target areas. In one of the two cities, the neighborhoods being funded are premdominately low- and moderate-income and in early-to-moderate stages of decline. The other city planned a storm sewer project in an upper-income neighborhood, with the CDBG share representing almost half of the city's Fiscal Year 1977 entitlement amount. The project was accepted by HUD as meeting "a community development need of particular urgency."

CHAPTER 7

ECONOMIC DEVELOPMENT

The decisions made by business and industrial firms on plant location affect the tax base, population level, and overall well-being of every urban Community. Jobs and tax bases have followed businesses that have left the older, built-up communities, bringing on a self-feeding cycle of decline. Growth communities have suffered from the haphazard development patterns created by new businesses and from pressures on inadequate existing infrastructures.

Local governments affect the locational decisions made by the private sector through zoning and infrastructure improvements and through local tax policies, public amenities, and other factors. Some communities with deteriorating areas influence locational decisions by assembling slums and blighted land on a scale sufficient to make the areas attractive to private enterprise, while others undertake risk ventures--e.g., water and sewer lines, open space, and land assembly packages in outlying, poorly platted or undeveloped areas--to influence the shape and direction of economic growth. Local governments also influence location indirectly through activities in the fields of housing development, transportation, schools, recreation areas and public services.

The Housing and Community Development Act of 1974 stated that one of the objectives of the CDBG program is to "expand economic opportunities" for communities, principally for persons of low and moderate income, and authorized the expenditure of funds on many activities directly related to economic development. In 1977, the Congress expanded the list of eligible activities. During 1975-1977, the CDBG communities were permitted to use their funds for three main categories of economic/development-related activities: planning, site preparation and revitalization, and business development and manpower services.

PLANNING. A community could use its CDBG funds to develop a comprehensive strategy which evaluates economic conditions in both the residential and nonresidential portions of the community; to fund market studies; to undertake feasibility studies of the cost and required scope of a property; to assess the incentives for business development in local

legislation and ordinances, and other similar activities. Fresno, California, for instance, used CDBG funds for a feasibility study of the retail potential of its Central Business District (CBD). This study consisted of four reports dealing with site selection, design concepts, financial analysis, and the selection of developers. As of December, 1977, four businesses (two developers) have been attracted to the area, and a total of 660 new jobs have been created thus far. An office complex, shopping mall, and hotel are part of the redevelopers' future plans for the area.

SITE PREPARATION AND REVITALIZATION. Block grant: funds may also be used for acquisition, demolition, clearance costs and relocation payments necessary to facilitate business expansion or development, or involving the elimination of slums and blight and some direct assistance grants for facade treatment. Public improvements to basic infrastructures, such as streets, drainage, and parking facilities are also eligible activities.

A number of the communities visited for this report have active economic development projects underway. Colorado Springs, Colorado, has three economic development projects; one is a neighborhood commercial project; the other two are industrial projects. The industrial projects are part of an Overall Economic Development Plan. This plan was developed in September, 1976, when the area was declared economically distressed and thus eligible for the Department of Commerce's Economic Development Administration (EDA) grants. Since then, CDBG funds have been budgeted for acquisition, relocation, and disposition activities. The city plans to attract labor intensive industry, (e.g., electronics, manufacturing, and garment making) and hopes to induce local companies, as well, as to expand into this area. An estimated 600 additional jobs will be created for this area.

BUSINESS DEVELOPMENT AND MANPOWER SERVICES. A limited spectrum of services related to economic development were eligible under section 570.200(b) of the program regulations. Eligibility was limited to former Model Cities funding "ongoing" service activities being carried out in a local Model Cities program, including business development assistance and manpower program. Business development assistance involves grants to local agencies which make

equity and venture capital available to business entrepreneurs and provides technical and managerial assistance to promote small business development. Manpower programs encompass job training, creation, and placement, including the construction of facilities for such purposes, to enhance job opportunities for low skilled and unskilled persons. (The Housing and Community Development Act of 1977 extends the eligibility of these activities to all CDBG communities provided they are necessary and appropriate to support the physical development activities to be carried out within Neighborhood Strategy Areas.)

METHODOLOGY

The analysis in this Chapter is based primarily on information collected in field visits to 19 entitlement communities. (See Appendix A for detailed information on the methodology.) Interviews were conducted with community development officials, planners, administrators of local economic development programs, city and county officials involved in economic development planning, and local business persons. In addition, detailed information on 37 local CDBG-funded economic development projects was collected, including information on the number of businesses and employees likely to be affected or already affected by CDBG activities. The field work was supplemented by information from the Office of Evaluation computer analysis of application data from 147-151 entitlement communities.

FINDING #1: CDBG entitlement communities budgeted more than $650 million for economic development activities in Fiscal Year 1975-1977. While amount and percentage of funds for economic development remained about the same within the first three years of the program (12 percent the first year, 10 percent in the second and 13 percent in the third), the allocation of funds among different types of activities shifted. Recipients are moving away from the acquisition and clearance programs of earlier years and more toward programs in their neighborhood commercial areas and Central Business Districts that emphasize rehabilitation of existing nonresidential structures and street improvements:

1. Total funds budgeted for acquisition and relocation for economic development dropped markedly from 49.2 percent of the funds for economic development activities in Fiscal Year 1975 to 12.5 percent in Fiscal Year 1977. This decline is equally strong in the old Urban Renewal/NDP and in new areas (See Table 7.1.)

2. Non-residential rehabilitation allocations increased slightly between Fiscal Years 1975 and 1976, from 0.9 percent of total funds budgeted for economic development to 1.7 percent, but jumped five-fold to 10.5 percent in Fiscal Year 1977. This latter increase is largely in new areas.

3. The increase in public works activities is as dramatic as the decrease in acquisition/relocation. It went from 15.1 percent in Fiscal Year 1975 to 22.7 percent in Fiscal Year 1977. The increases are evenly distributed between Urban Renewal/NDP areas and new areas for Fiscal Year 1976, but were greater in Urban Renewal/NDP areas in Fiscal Year 1977.

FINDING #2: More than half of the entitlement communities are budgeting CDBG funds for some type of economic development Activity.

The number of communities allocating funds to economic development activities increased from 45 percent in Fiscal Year 1975 to 47.7 percent in Fiscal Year 1976, and to 55.6 percent in Fiscal Year 1977.

TABLE 7.1

PERCENTAGE OF FISCAL YEAR 1975-FISCAL YEAR 1977 CDBG FUNDS BUDGETED FOR ECONOMIC DEVELOPMENT BY ACTIVITY AND CATEGORICAL STATUS OF THE AREA[a]

ACTIVITY	FISCAL YEAR 1975[b]	Fiscal Year 1976 UR/NDP AREAS	Fiscal Year 1976 NEW AREAS	Fiscal Year 1976 TOTAL	Fiscal Year 1977 UR/NDP AREAS	Fiscal Year 1977 NEW AREAS	Fiscal Year 1977 TOTAL
Acquisition/Relocation	49.2%	21.7%	8.2%	29.9%	10.6%	1.9%	12.5%
Demolition	3.0	1.1	0.3	1.4	0.9	1.4	2.3
Continuation of UR/NDP	5.9	13.5	---	13.5	7.1	---	7.1
Rehabilitation	0.9	1.0	0.7	1.7	3.6	6.9	10.5
Code Enforcement	c/	0.3	0.1	0.4	---	---	---
Public Works	15.1	10.9	11.8	22.7	29.8	18.9	48.7
Streets	11.2	6.7	4.7	11.4	11.4	4.8	7.0
Water & Sewer	2.7	0.5	1.5	2.0	2.0	a/	a/
Economic Development Services	11.8	N/A	9.4	9.4	9.4	8.3	8.3
Historic Preservation	c/	0.4	0.4	0.8	0.8	0.3	0.3
Transportation	c/	0.1	---	0.1	0.1	---	---
Plans/Studies/Administration	c/	N/A	6.7	6.7	6.7	3.4	3.4
TOTAL	100.0%	56.2%	43.8%	100.0%	54.4%	45.1%	100.0%

Source: U.S. Department of Housing & Urban Development, Community Planning & Development, Office of Evaluation

a/ Based on information from U.S. Department of Housing & Urban Development, Community Planning & Development, Office of Evaluation's 147 cities sample.

b/ Comparable data on categorical status of area and activity expenditures are not available for Fiscal Year 1975.

c/ Less than .1 percent.

Twenty-nine percent of the block grant communities conducted economic development activities in each of the three years. Communities which conducted economic development in only one or two of the respective years were responsible for 6.2 percent of the total CDBG-funded economic development effort in Fiscal Year 1975, 28.3 percent in Fiscal Year 1976, and 32.1 percent in Fiscal Year 1977.

Most of the cities involved in economic development are attempting to revitalize a particular economic area of the city, such as the Central Business District, or are preparing sites for industrial parks or a particular business. In Fiscal Year 1977, 55 percent of the cities engaged in this type of activity. About 16 percent spent CDBG funds for planning and studies in economic areas and 17 percent were funding business development and/or manpower service programs.

FINDING #3: The CDBG communities are starting to undertake increasing amounts of economic development activity in "new" (post-1975) target areas, although the old categorical program areas still account for slightly more than half of the funds. In the 19 cities visited for this report there are about twice as many new economic development target areas as "old" categorical areas still being funded (25 compared to 12). (See Table 7.2.) In addition, a number of the cities were found to be expanding their "old" projects by extending the boundaries to include adjacent areas. This expansion of boundaries and activities was found to occur most frequently in neighborhood commercial areas which were adjacent to Urban Renewal/NDP funded Central Business Districts.

Additionally, more money is being budgeted for economic development in new target areas. Revitalization in new economic areas represented 43.8 percent of the total CDBG funds used for economic development in Fiscal Year 1976 and 45.1 percent in Fiscal Year 1977. (See Table 7.1)

The types of areas in which economic development activity is occurring are reflective of the increasing emphasis on neighborhood revitalization. Nineteen of the 37 economic development target areas funded between Fiscal Years 1975 and 1977 are neighborhood commerical areas. Industrial areas are the next most frequent type of area (8 of 37 areas--most of this money is in "new" areas). Central Business Districts account for 6 of the 37 areas. (See Table 7.2.)

TABLE 7.2

Types of Economic Development Areas
Funded in 16 Communities between
Fiscal Years 1975 and 1977

TYPE OF AREA	UR/NDP	New Areas	Total
Central B ines Districts	3	3	6
Neighborhood Commercial	7	12	19
Industrial	1	7	8
Mixed use Sites	1	3	4
Total	12	25	37

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

FINDING #4: Most of the economic development funds are targeted to improvements in central business districts (CBD), although a growing amount of activity is targeted for small commercial districts serving residential areas. Central business districts are the primary focus of economic development funds for both UR/NDP and new areas. (See Table 7.3.) The emphasis on CBD's was roughly the same in UR/NDP project areas in both Fiscal Year 1976 and Fiscal Year 1977--88.8 percent and 89.8 percent, respectively, of economic development funds. CBD projects in new areas accounted for 84.1 percent in Fiscal Year 1975; however, in Fiscal Year 1977, the relative emphasis declined to 72.8 percent, and greater emphasis was placed' on neighborhood commercial and industrial areas. A small decline is occurring in budgeted amounts of other commercial and industrial projects in UR/NDP areas (See Table 7.3.)

Asheville, North Carolina, used CDBG funds to continue a previous Urban Renewal plan involving 300 square blocks in a neighborhood commercial area. Water and sewer, rehabilitation, elderly facilities, and public services were among the projects being undertaken in an effort to encourage medical professionals and medical services to locate in the area.

TABLE 7.3

DISTRIBUTION OF CDBG FUNDS FOR ECONOMIC DEVELOPMENT IN UR/NDP AND NEW AREAS, BY TYPE OF PROJECT AREA: FISCAL YEAR 1976-FISCAL YEAR 1977

TYPE OF PROJECT AREA	UR/NDP		NEW AREAS	
	FY 1976	FY 1977	FY 1976	FY 1977
CENTRAL BUSINESS DISTRICTS	88.8%	89.8%	84.1%	72.8%
Other Neighborhood Commercial and Industrial Areas	11.2%	9.2%	15.9%	27.2%
TCTAL	100.0%	99.. 0%a/	100.0%	100.0%

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on a sample of 147 entitlement cities. Comparable data not available for Fiscal Year 1975,

a/ Numbers do not add to 100 percent due to rounding.

FINDING #5: CDBG's most successful economic impact in 19 cities visited is on the retention, expansion, and internal relocation of businesses already located in the community. Relatively fewer businesses have moved into communities because of CDBG-funded activities.

A total of 37 projects were underway in 16 of 19 communities visited. Thirty-two of the 37 projects had formal site-specific strategies designed to make the target area more attractive to businesses. These strategies were developed to address various needs, primarily those related to high vacancy rate, declining tax base, and increasing unemployment or underemployment. In several cases projects were initiated in response to requests from local merchants and citizen groups to concentrate efforts in specific areas.

The 37 projects have resulted in the retention of 273 businesses and the expansion of 65 businesses. These businesses employed 6,743 persons. Local officials were unable to provide precise numbers of jobs resulting from expanding businesses but did estimate that 1,790 new jobs had resulted from relocation of 66 firms from outside of the city and newly established businesses. Three principal types of economic development strategies or approaches are being used to generate these results: 14 of the projects were designed to retain existing businesses in their current locations; 6 projects were oriented toward attracting new businesses; 17 were intended both to attract new businesses and retain existing ones. Each of these strategies is discussed below. (See Tables 7.5 and7.6.)

a. Attracting and Retaining Businesses (17 of 37 projects)

The economic impact of a project appears to be most successful if it is planned and executed with the input of local business representatives. Speculative ventures to attract employers from outside of the community appear to be less fruitful in the short-run. In most cases, the economic incentives provided by the cities were intended both to bring in new firms as well as to retain existing ones. According to city officials interviewed, the current impact of these 17 projects has been to affect: 1) the inter-city location decisions of 16 firms 2) the intra-city location decisions of 34 firms, 3) decisions of 23 newly-established businesses to locate in the target area, 4) the retention of 65 firms which had considered leaving the target area and 5) the decisions of 44 firms to expand their operations (See Table 7.4 and 7.5.)

Table 7.4

Business Firms Affected by CDBG Economic Development Projects in 16 Cities

Local Objective	Firms New to Target Areas	Firms Retained	Firms Expanding
Retain and Attract (17 Projects)	73	65	44
Retain (14 Projects)	5	208	16
Attract (6 Projects)	6	-	5
Total	84	273	65

Table 7.5

Migration Patterns of Firms New to Target Areas in 16 Cities

Local Objective	New Business Developments	Inter-City Migrations	Intra-City Migrations	Total
Retain and Attract (17 Projects)	23	34	16	73
Retain (14 Projects	5			5
Attract (6 Projects)	3	1	2	6
Total	31	35	18	84

TABLE 7.6

EMPLOYMENT IMPACT OF 37 ECONOMIC DEVELOPMENT PROJECTS [a/]

Local Objective	New Jobs to the Community	Existing Jobs Relocated to Target Areas	Jobs Affected [b/] by Expanding & Retained Businesses
Retain and Attract (17 Projects)	1,493	276	3,738
Retain (14 Projects)	73	---	2,367
Attract (6 Projects)	223	25	638
TOTAL	1,790	301	6,743

a/ Local officials were more confident in their estimates of numbers of businesses than their estimates of numbers of employees. In several cases no estimate of numbers of employees was given.

b/ These figures do not include new jobs generated as a result of business expansion.

Based on local estimates, the total employment impact of these economic development projects was 1,493 new jobs for the communities, 276 existing jobs were relocated to the target areas and 3,738 jobs were affected by the expansion and retention of existing target area businesses (See Table 7.6).

b. Retaining Existing Businesses (14 of 37 projects)

Among the 14 projects which were designed to retain existing businesses, 10 were initiated in response to information that businesses planned to move out of the area. As a result of the communities' economic incentives, 208 businesses and an estimated 2,172 jobs have been retained, 16 businesses are expanding from 195 employees, and new business development (5 firms with 73 employees) has occurred in two projects. (See Tables 7.4, 7.5, and 7.6.) The success of projects for which there was no information about plans for businesses to move is more speculative. Four such projects are underway. Local officials reported that, at best, existing businesses will be retained and new jobs are expected to be generated in one project.

c. Attracting New Businesses (6 of 37 projects)

Six of the 37 projects were initiated primarily to attract businesses. Although local officials are generally most interested in drawing businesses from outside of city limits, they appear to be more successful in affecting the location decisions of existing businesses. Local officials reported that they had been able to attract 6 businesses in two cases. Only one of these, however, has attracted a business from outside the city (See Tables 7.4 and 7.5). A considerable amount of business expansion will result from the economic incentives provided in two of the six projects (5 expanded businesses, employing an additional 638 persons) but no outside businesses have been attracted. The sixth community installed a $304,000 parking lot in a three-block neighborhood commercial strip. As of December, 1977, the incentive had had no impact on the decisions of either existing businesses or potential newcomers.

The type of economic incentives provided by the communities varied extensively with the conditions of the target area and the needs specified by local merchants. Jersey City, New Jersey, for example, wants to preserve a waning neighborhood commercial area which has high vacancy rates and deteriorating structures. A revitalization program

to aid local merchants in obtaining financing, CDBG grants for rehabilitation, and land write-downs to encourage new business development has been designed by the merchants and local officials. Lynn, Massachusetts, granted funds to a local development corporation to assist two target area businesses with capital investments needed to expand their sites. Public improvements and additional parking were sufficient incentives to influence the location of three new businesses in the CBD of Fresno, California.

FINDING #6: Community Development Block Grants potentially generated over 61.0 job per $1 million expended by entitlement cities in metropolitan areas for Fiscal Year 1976.

The U.S. Department of Labor's Bureau of Labor Statistics (BLS) developed a system of analysis through which such estimates are calculated. 1/ The system takes into account charges in inflation and productivity (worker output per hour) factors and reflects primary and secondary effects of Federal expenditures on employment needs or requirements. Primary effects are the direct hiring of local government personnel with Federal funds, whereas secondary effects would be the hiring of personnel through contracts with the local government.

Analysis indicates that in Fiscal Year 1976 the CDBG program generated, potentially, 102,985 jobs with grants to entitlement cities within metropolitan areas and 11,438 jobs with grants to urban counties. Block grants from SMSA discretionary balances created 3,771 job requirements. Those from nonmetropolitan discretionary balances created 11,807 job requirements.

For purposes of year-to-year comparison, potential jobs created per $1 million in Federal expenditures are calculated with constant dollars (dollars reduced to their value in a base year - in this case, 1972). The reason for this is that rather than compare jobs created year-to-year per $1 million of expenditures worth a different value each year due to inflation, it is more valid to reduce the figures to the same year, a base year. For comparisons within the same year, current dollars (dollars for that year) are used.

1/ U.S. Department of Labor, Bureau of Labor Statistics, Factbook for Estimating Manpower Needs for Federal Programs, Bulletin 1832, Washington, D.C.: U.S. Government Printing Office, 1975.

Comparison of potential jobs created per $1 million (constant dollars) of CDBG entitlement grants expended shows a slight increasing trend. The job rate increased 4.9 percent from 80.1[2] in Fiscal Year 1975 to 84.0 in Fiscal Year 1976. This slight trend is due to three factors: 1) increases in the Gross National Product Deflator Index (an index of the current dollar value adjusted for changes in inflation and real growth rates); 2) increases in labor productivity; and 3) changes in the mix of community development activities budgeted by program participants each year.

Some activities are more labor intensive, that is, they require more persons to carrying them out. In general, service activities are more labor intensive than construction activities and, therefore, potentially generate more jobs. Though in Fiscal Year 1976 50.7 percent of the CDBG entitlement cities' expenditures were construction-related activities, only 45.0 percent of jobs can be attributed to these activities. Service-related activities for that year generated approximately 12.1 percent of the potential jobs with only 9.2 percent of the funds. This produces a service to construction efficiency ratio of 1.31 to .89.

Specifically, in Fiscal Year 1976 the greatest job generating community development activities were education-related services, code enforcement and street furniture projects. The activities generating the least number of jobs with construction-related, e.g., public works. Table 7.7 illustrates the relative jobs creating potential of CDBG funded activities per $1 million (current dollars). Since physical, rather than service, activities are more evenly funded in the CDBG program, 61 jobs per $1 million (current dollars) were potentially created in Fiscal Year 1976. The largest portion of potential jobs created in that year were for professional and technical occupations - 21.9 percent, followed by clerical workers - 16.3 percent, and craft and kindred workers - 15.9 percent (e.g. construction and the metal working craft workers and mechanics and repairers). The estimated proportions of jobs for the nine major occupational categories commonly used is presented in Table 7.8.

2/ This estimate has been revised downward for the 84 jobs figure printed in the Community Development Block Grant Program: Second Annual Report, due to the availability of more detailed information on the character of some CDBG-funded activities.

Table 7.7

COMPARATIVE JOB GENERATING POTENTIAL OF GROUPED CDBG ACTIVITIES IN FISCAL YEAR 1976

GROUPED ACTIVITIES	JOBS/$1 MILLION (CURRENT DOLLARS)
General Redevelopment Improvement	77.3
Planning, Management, Administration Citizen Participation	85.6
Education-Related Services	89.6
Public Services, Except Educational and Medical	71.7
Public Works and Public Facilities	41.7
Parks and Open Space, Historic Preservation	68.0
Code Enforcement and Street Furniture and Other Equipment	89.2
Demolition and Site Improvements	43.4
Relocation	65.9
Medical Services	66.4
Residential Rehabilitation - Single Family	60.9
Residential Rehabilitation - Multi-Family	59.9
Highway and Street Construction/ Repair	44.0

SOURCE: Based on Community Planning and Development, Office of Evaluation application of the Bureau of Labor Statistics' system for estimating manpower needs of Federal programs.

Table 7.8

DISTRIBUTION OF THE PERCENTAGE OF POTENTIAL JOBS GENERATED BY THE CDBG PROGRAM, BY OCCUPATIONAL CATEGORY IN FISCAL YEAR 1976

OCCUPATIONAL CATEGORY [a]	PERCENTAGE OF JOBS
Professional and Technical	21.9%
Managers and Administrators	8.1
Clerical Workers	16.3
Salesworkers	2.9
Craft and Kindred Workers	15.9
Operatives (e.g., Semi-skilled workers, drivers, asbestos and insulation workers)	12.6
Service Workers (e.g., Fire and Police, Food Service Workers, Building Interior Cleaners)	14.5
Laborers, except Farm and Mine	6.6
Farmers and Farm Workers	1.2

SOURCE: Based on Community Planning and Development, Office of Evaluation application of the Bureau of Labor Statistics' system for estimating manpower needs of Federal programs.

a/ Includes primary and second level jobs in these occupational categories.

CHAPTER 8

REHABILITATION

Of the specific objectives in the program, the one receiving the greatest emphasis by CDBG communities is "the conservation...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."1/ A total of 54.5 percent of the Fiscal Year 1977 funds in the sample cities visited is budgeted for target areas in which most of the CDBG activities are intended to encourage property owners to rehabilitate their properties, according to city officials. The activities range from code enforcement to street improvements and new public services. This high level of activities oriented toward housing rehabilitation reflects a growing local interest in neighborhood preservation. In the first year of the Community Development Block Grant program 31 percent of all entitlement and discretionary grant recipients in the country budgeted funds specifically for rehabilitation loans and grants; in the second year, the number had grown to 40 percent, and in the third year, it increased to 59 percent. The total CDBG dollars budgeted for rehabilitation loans and grants jumped from $232 million in Fiscal Year 1975 to $310 million in Fiscal Year 1976 to $431 million for Fiscal Year 1977.2/

This chapter addresses general concerns about local CDBG-funded rehabilitation programs. Findings are reported in the following general areas:

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

2/ Beyond this figure, an additional estimated $29 million in CDBG Fiscal Year 1977 funds has been budgeted by all grant recipients for rehabilitation programs wherein structures are bought and rehabilitated by the community and then either resold to private individuals or retained as a public housing resource.

1. The problems caused by dollar restrictions on CDBG rehabilitation loans and grants;

2. Code enforcement standards for local CDBG rehabilitation programs;

3. The types of neighborhoods selected, in terms of their stages of decline;

4. Several problems of program design (e.g., the degree to which the local rehabilitation program is concentrated, the number of units per structure eligible for rehabilitation, whether the person receiving rehabilitation assistance must be an owner-occupant, and the degree to which local programs are voluntary in an area);

5. Income criteria used for persons receiving CDBG rehabilitation assistance; and

6. The amount of private funds leveraged with CDBG rehabilitation funds.

The data in this chapter are based on two primary sources: (1) field visits by HUD staff in November and December 1977 to 19 entitlement cities, and (2) a HUD telephone survey in January and February 1978 to CDBG rehabilitation officials in these same cities, plus one additional city not visited due to time constraints. Other studies on rehabilitation are used for other supporting data.

The CDBG program has substantially improved the options available to cities for dealing with the problems of urban blight. In the past, cities had to conform their local programs to federally designed categorical programs. Now, cities may follow virtually any program approach they want in order to meet local housing goals, restricted only by general national policy guidelines as implemented by Departmental program regulations.

Prior to Community Development Block Grants, cities had few choices in the types of Federal programs they could use to preserve and upgrade their neighborhoods. For example, under the Urban Renewal program cities could undertake three basic kinds of renewal treatment, depending on the specific stage of decline in the neighborhood selected. Local urban renewal plans would distinguish among the following:

-- Major clearance, involving complete demolition and removal of all structures in large areas within the project and eventual redevelopment of those areas with new construction or open space;

-- Rehabilitation treatment, involving some spot clearance of the worst structures, but placing major emphasis upon significantly upgrading the existing inventory through various forms of rehabilitation, repair, and improvement of public facilities; and

-- Conservation, involving minor improvement in an area that was already in quite good condition, and therefore emphasized preserving the existing inventory.

In residential neighborhoods, identifying the specific stage of neighborhood decline was a key step in determining the appropriate type of renewal treatment. Such identification would assist local governments in determining whether the tactics included in their Urban Renewal Plan were appropriate for the project area. Some tactics, such as vigorous code enforcement, would be very successful when a neighborhood was in one stage but a failure when the same area was in another stage. In their Urban Renewal Plans, cities could distinguish salvable sections of a community from those requiring total clearance. Using the power of eminent domain, local urban renewal agencies could then acquire structures, rehabilitate them, and sell them to new owners. For neighborhoods in somewhat better condition, cities could apply for funds under the Federally Assisted Code Enforcement program, which required that all structures in the designated code enforcement area be brought up to standard condition with the help of below-market interest rate Section 312 rehabilitation loans funded by HUD.

HUD's Model Cities program also enabled cities to address the problem of physical decline of neighborhoods. As part of a city's "comprehensive community development plan," which HUD required cities to develop in order to receive funds under the "Demonstration Cities and Metropolitan Development Act of 1966,"3/ cities could propose that their Model Neighborhood Areas set up nonprofit housing development corporations that would try through a variety of techniques "to rebuild or revitalize large slum and blighted areas, to expand housing, job, and income opportunities... and generally to improve living conditions for people who live in such areas."

In addition to the categorical program approaches to neighborhood preservation and improvement, some subsidized housing rehabilitation programs were also available for developers who wanted to compete for them. Nonetheless, local experience with the various HUD programs prior to CDBG varied greatly in their success rates. Although this chapter is not intended to be a final evaluation of the success of CDBG rehabilitation efforts, the CDBG activity having the most positive impact in the 19 cities visited for this report is rehabilitation, according to the 104 citizen representatives and local officials interviewed.?/

3/ Title I, Public Law 89-754.

4/ See Chapter 3 for a more detailed analysis of local perceptions of the CDBG program.

FINDING #1: CDBG rehabilitation programs are not addressing seriously blighted neighborhoods due in large part to the dollar restrictions placed by city officials on the loans and grants. The Housing and Community Development Act of 1974 requires that CDBG funds be directed, in part, toward:

> "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."5/

The Act, however, does not specify a definition of "blight," nor does it provide the meaning of the term "prevention."/ This latitude has resulted in a variety of local definitions. In most instances, city officials consider moderate evidence of substandard structures (for example, those with citable code deficiencies in excess of $1,000 per unit) as blighting influences on target areas. They suggest that these influences will soon spread if the deficiencies are not corrected, tipping even basically sound neighborhoods into stages of decline.

Thus, most CDBG communities have planned below-market interest rate programs in areas where serious blight is minimal. The definition of blight is normally calculated according to the dollar reinvestment necessary to bring the structure up to standard condition.

Most of the rehabilitation grants in the cities surveyed ranged between $3,000 and $5,000. The amount of the rehabilitation loans, on the other hand, was generally two to three times higher than the grants, and in some cases had no maximum, restricted only by an appraisal of the structure

5/ Title I, Section 101(c) (1).

6/ It may be noted that 8570.302(e) of the CDBG regulations published March 1, 1978, now defines blighted areas in which activities, including rehabilitation, can be undertaken. Pursuant to §570.302(e)(2), outside of such areas rehabilitation does not qualify as an eligible activity under the "blight" category, although it may qualify under the "principal benefit to low- and moderate-income" category of §570.302(d). §570.202(c)(2) also refers to eligibility requirements for rehabilitation of private properties.

and the ability of the homeowner to repay the loan.[7] The type of blight which can be corrected by rehabilitation work falling within these costs is modest to moderate.

FINDING #2: The definition of "rehabilitation" is tied almost exclusively to the abatement of code violations in the CDBG cities surveyed. At least ~~243,000~~ 293,000 dwelling units will have been rehabilitated after the Fiscal Year 1975-1977 funds for CDBG loans and grants have been expended.[8] The use of the term "rehabilitated" reflects a change from past HUD community development programs. HUD has developed no regulations that authorize a certain minimum acceptable level for rehabilitation under the Block Grant program, and Congress has not mandated one.[9] This flexibility differs from action taken for the

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7/ A HUD Survey of CDBG Rehabilitation Financing Techniques, published by the Office of Urban Rehabilitation, Community Planning and Development, and based on responses from 1,102 entitlement and discretionary localities, reported that the average rehabilitation cost per unit under CDBG was $2,692 compared to $5,517 under the Section 312 Rehabilitation Grant program. This information is as of December 31, 1976, and represents a larger universe than does our sample of 20 cities, which is by no means expected to be representative of the universe of CDBG cities.

8/ The number of residential units that will be rehabilitated by all entitlement and discretionary communities with third year CDBG funds is estimated to be at least 137,000. This compares with a figure of 90,000 units for Fiscal Year 1976 and 66,000 units for Fiscal Year 1975.

9/ Certain general eligibility criteria for rehabilitation are now prescribed by 6570.202 of the CDBG regulations published March 1, 1978.

Section 312 rehabilitation loan program. Title III of the Housing Act of 1964, Section 312 (a) (1)(A)[10] states that rehabilitation to be carried out under that program "is required to make the property conform to applicable code requirements." In the absence of such guidance on the part of the Department and Congress under CDBG, each community has set its own requirements on an acceptable level for rehabilitation.

To say a unit has been "rehabilitated" may not necessarily imply that all code violations have been eliminated by the work. Nonetheless, the recent telephone survey of rehabilitation programs in 20 cities, corroborated by the HUD Survey on CDBG Rehabilitation Financing Techniques,[11] indicates that all local CDBG rehabilitation programs require that the loan or grant funds be used primarily--and in most cases exclusively--to correct many, and sometimes all, code deficiencies. Nineteen of the 20 cities in the phone survey have CDBG rehabilitation programs, and 15 of the 19 do allow some units to receive funds which would still not bring the unit up to minimum code conditions. In almost all of these cities, however, the owners of these structures have received "hardship grants," generally amounting to no more than five to ten percent of all the city's CDBG rehabilitation budget, to correct those deficiencies which seriously affect the health or safety of the occupants. Six of the 19 cities require that the funds for their 100 percent rehabilitation grant programs be used to

10/ Public Law 88-560.

11/ The following information from the "Survey on CDBG Rehabilitation Financing Techniques is based on a sample of responses from 854 localities, as of December 31, 1976. (Some localities had more than one program and used more than one standard.)

- -- 17 percent of the localities administered emergency repair programs;
- -- 4 percent administered cosmetic repair programs;
- -- 6 percent administered weatherization repair programs;
- -- 53 percent administered programs which improved properties to local code; and
- -- 25 percent administered programs which improved properties beyond local code. (Some of these localities are also counted as administering local code programs.)

bring the unit up to code and no higher. Two of these six cities, plus an additional three, require that their rehabilitation loans be used to bring the unit beyond minimum code. The remaining ten cities require that all code violations be corrected with both CDBG loans and — grants (See Table 8.1.)

Local CDBG rehabilitation programs rarely fund "cosmetic rehab." Many cities surveyed specified this was an explicit limitation of their program. Other rehabilitation administrators pointed out that what some people might consider to be "cosmetic rehab" may, in fact, be a correction of a code deficiency (e.g., painting of an interior wall). Use of CDBG funds for cosmetic rehabilitation (such as wood paneling of a den) is infrequent, according to city officials, and tends to occur--and be approved by the city as an eligible expense--only when all other code violations have been corrected.

Previous experience with other code enforcement or systematic rehabilitation programs appears to have only a minor relationship with the degree to which cities require CDBG funds be used to correct code deficiencies. Five of the **19** cities with rehabilitation programs now had none previously, and three of the five require rehabilitation beyond minimal codes. Not enough data were collected about this issue, however, to speak definitively about the correlation. Another HUD study, based on 16 cities and counties in the San Francisco Region, 12/ found that cities having previous experience with code enforcement programs tend to interpret rehabilitation more strictly in terms of code enforcement. They also tend to consider the term as it applies to an entire neighborhood rather than simply to individual residential structures. That study also reported that cities without a history of code enforcement are likely to adopt more relaxed definitions that accommodate remodeling or other so-called **"cosmetic"** treatments. They also place less emphasis on public improvements.

Where the definition of rehabilitation is not tied exclusively to the abatement of code violations, city officials have usually permitted remodeling, modernizing, or

12/ A Guide to Local Housing Strategies, Office of Program Planning and Evaluation, HUD, San Francisco Regional Office, June **1977.**

Table 8.1

CDBG Rehabilitation Standards of 20 Cities
Survey, Related to Previous Rehabilitation Program Experience

(1) city	(2) Previous Rehab Experience	(3) Below Code, Basic Health and Safety Standards (Emergency Repair Programs)	(4) Percent of CDBG Rehab Funds Budgeted for Col. (3)	(5) Weatherization Standards	(6) Percent of CDBG Rehab Funds Budgeted for Col. (5)	(7) Below Code, Homeowner's Decision	(8) Percent of CDBG Rehab Funds Budgeted for Col. (7)	(9) Only Up to Local Code	(10) Above Local Code	(11) Code violations Which Must be Corrected Under Col. (10)
A	Yes	Yes	(Not available)	Yes	(Not avail.)	---	---	---	Yes	Health & Safety
B	---	---	---	---	---	Yes	Less than 10%	Yes[a]	---	Structural (No cosmetic)
C	---	---	---	---	---	---	---	---	Yes	All violatiom
D	Yes	Yes	5%	---	---	---	---	---	Yes	All violatiom
E	Yes	---	---	---	---	Yes	10%	---	Yes (Loans only)	All violations
F	Yes	---	---	---	---	---	---	Yes[a]	---	---
G	Yes	Yes	Leks shan 1%	---		---	---	---	Yes	All Violations
H	Yes	---	---	---	---	Yes	20%	---	Yes	Major violations
I	Yes	Yes	10%	---	---	---	---	Yes (Grants only)	Yes (Loans only)	All violations

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

a/City has a rehabilitation grant program only and not a rehabilitation loan program.

Table 8.1 (cont.)

CDBG Rehabilitation Standards of 20 Cities Surveyed, Related to Previous Rehabilitation Program Experience

(1) City	(2) Previous Rehab Experience	(3) Below Code, Basic Health and Safety Standards (Emergency Repair Programs)	(4) Percent of CDBG Rehab Funds Budgeted for Col. (3)	(5) Weatherization Standards	(6) Percent of CDBC Rehab Funds Budgeted for Col. (5)	(7) Below Code. Eomeowner's Decision	(8) Percent of CDBG Rehab Funds Budgeted for Col. (7)	(9) Only Up to Local Code	(10) Above Local Code	(11) Code Violations Which Must be Corrected Under Col. (10)
J	Yes	Yes	1%	---	---	---	---	---	Yes	All violatiom
K	No	Yes	0%	---	---	---	---	---	Yes	All violatiom (No cosmetic)
L b/	No	---	---	---	---	---	---	---	---	---
M	Yes	Yes	1%	---	---	Yes	50% of Grants; 10% of Loans	---	Yes (Loans only)	All violations
N	Yes	Yes	50% (Incl. Col. (7))	---	---	Yes	50% (Incl. Col. (3))	---	Yes (Loans Only)	All violations
O	Yes	---	---	---	---	Yes	25%	---	Yes	All violations
P	Yes	---	---	---	---	---	---	Yes (Grants only)	Yes (Loans only)	All violations

b/ City has no CDBG funds for rehabilitation activities.

Table 8.1 (cont'd)

CDBG Rehabilitation Standards of 20 Cities Surveyed, Related to Previous Rehabilitation Program Experience

(1) City	(2) Previous Rehab Experience	(3) Below Code, Basic Health and Safety Standards (Emergency Repair Programs)	(4) Percent of CDBG Rehab Funds Budgeted for Col. (3)	(5) Weatherization Standards	(6) Percent of CDBG Rehab Funds Budgeted for Col. (5)	(7) Below Code, Homeowner's Decision	(8) Percent of CDBG Rehab Funds Budgeted for Col. (7)	(9) Only Up to Local Code	(10) Above Local Code	(11) Code Violations Which Must be Corrected Under Col. (10)
Q	Yes	---	---	---	---	Yes	10–20%	---	Yes	(Not Available)
R	NO	---	---	---	---	---	---	Yes (Grants Only)	---	All violations
S	No	Yes	10%	---	---	---	---	---	Yes	All violations

additions as an inducement for the program as a whole to succeed. Such work is typically permissible in loan programs rather than grant programs, as long as "life and safety" violations are eliminated in the process. Project officials stated that they believe it is essential to foster the cooperation of the homeowners. Coercive elements of prior rehabilitation programs would probably only antagonize owners, especially owner-occupants, and delay the program. As a result, cities allow this "homeowner decision" aspect to become part of the program in seven of the 19 surveyed cities with CDBG rehabilitation programs. While some code deficiencies were left uncorrected in a few cities, project officials were generally convinced that all deficiencies serious to the health or safety of the occupants had been corrected.

FINDING #3: Cities are concentrating CDBG activities oriented toward housing rehabilitation in areas of "early-to-moderate decline."[13/] Based on data provided by local officials, it is apparent that they are not

13/ The tnree stages of neighborhood decline discussed above (i.e., "early-to-moderate decline," "stable," and "worst" areas) were defined by HUD evaluators after analyzing various data provided by city officials. See Chapter 6 for further explanation about these three kinds of target areas.

selecting their "worst" areas or their "stable" areas on a systematic basis for neighborhood preservation. This finding is not surprising, given the assumption that "stable" areas do not need to be preserved because they are already in good condition and are expected to remain so, and the "worst" areas are presumed to be beyond any help. (See Table 8.2.)

In more than half of the 174 CDBG target areas in 18 cities[14] visited for this study (94 target areas or 54 percent), most of the CDBG activities are intended to encourage property owners to rehabilitate their properties, according to city officials interviewed. The majority of these areas (50 of 94, or 53 percent) are "early-to-moderate decline" areas, although about one third (32 of 94, or 34 percent) are the "worst" areas, with the remaining 13 percent (12 of 94) classified as "stable" areas.

Seventeen cities have a total of 87 target areas classified by HUD evaluators as in the stage of "early-to-moderate decline." Fourteen of the 17 cities (82 percent) reported that in one or more of these areas, most of the CDBG activities are intended to encourage housing rehabilitation. The median number of "early-to-moderate decline" CDBG target areas in the 17 cities is three, with five cities having only one such area and three cities having 13, 14, and 18 such areas, respectively. Seven of the 17 cities reported that in 100 percent of these target areas, most of the activities are meant to encourage rehabilitation. On the other hand, three of the 17 cities reported that in zero percent of these target areas are most of the CDBG activities meant to encourage rehabilitation.[15] (See Table 8.3.)

14/ No information is available from the 19th city visited because that city was used as a "pre-test" of the CDBG Interview Guide, and at that earlier time we did not require the data necessary for this detailed analysis.

15/ The percentages discussed here and shown in Tables 8.3, 8.4 and 8.5 may be somewhat misleading. If in two cities each has only one target area classified by HUD evaluators as in the "early-to-moderate stage of decline," and one city reported that most of the CDBG activities there are intended to encourage property owners to rehabilitate their properties whereas the other city reports the opposite, then the first city is rated 100 percent and the second city is rated zero percent. Therefore, the total number of "early-to-moderate decline" target areas is also shown in Tables 8.3, 8.4, and 8.5.

Table 8.2

Number of CDBG Target Areas (TA) Where Most CDBG Activities are Intended to Encourage Property Owners to Rehabilitate Their Properties:/, By City and by Stage of Decline of Target Area[b]/

City c/	lumber of TAs with Activities to Encourane Rehab	Total Number of TAs in City	Number of "Stable" TAs with Activities to Encourage Rehab	Total Number of "Stable" TAs in City	Number of "Early-to-Moderate Decline" TAs with Activities to Encourane Rehab.	Total Number of "Early-to-Moderate Decline" TAs in City	Number of "Worst" TAs with Activities to Encourage Rehab	Total Number of "Worst" TAs in City
A	10 d/	15	not applicable	0	5	6	5	5
B	1	1	n/a	0	1	1	n/a	0
C	0	1	0	1	n/a	0	n/a	0
D	5	10	2	3	2	6	1	1
E	6	6	1	1	4	4	1	1
F	b e/	6	1	1	3	3	0	1
G	19 f/	51	4	12	5	18	10	17
H	1	4	1	1	0	2	0	1
I	5	6	n/a	0	4	5	1	1
J	5	13	0	1	2	7	3	5
K	0	1	n/a	0	0	1	n/a	a
L	1	3	0	1	0	1	1	1
M	4	4	1	1	2	2	1	1
N	17	19	1	2	12	13	4	4
O	3	3	1	1	1	1	1	1
P	3	3	n/a	0	2	2	1	1
Q	7	25	0	8	6	14	1	3
R	3	3	n/a	0	1	1	2	2
Total	94	174	12	33	50	87	32	45

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

a/ Based on information provided by city officials in the 19 cities visited for this study. No Information is provided for Syracuse because HUD evaluators interviewed city officials there at an earlier point as a pra-test of the Interview Guide, and the data required for thin table vere not requested of the city at that tine.

b/ The three stages of neighborhood decline were defined by HUD evaluators after analyzing various data provided by city official.. See Chapter 6 for further explanation about these three kinds of target areas.

c/ City names remain anonymous because some cities may disagree with our analysis of the stapes of daclino of their CDBG target areas; since we have not informed any city of our interpretations of these specific data, they have not had the opportunity to confirm or deny our findings in this sensitive area.

d/ Information is not available for an additional four target areas of the 15 in the city.

e/ Information is not available for one additional target area of the 6 in the city.

f/ Information is not available for four additional target areas of the 51 in the city.

TABLE 8.3

Percent of "Early-to-Moderate Decline" CDBG Target Areas Where Most CDBG Activities are Tntended to Encourage Property Owners to Rehabilitate their Properties[a]

Percent	Number of Cities in this Percent Category	Total Number of "Early-to- Moderate Decline" CDBG Target Areas in Col. (2) Cities, Respectively
0	3 cities	1, 1, 2
1-9%	-	-
10-19%	-	-
20-29%	2 cities	18, 7
30-39%	1 city	6
40-49%	1 city	14
50-59%	-	-
60-69%	-	-
70-79%	-	-
80-89%	2 cities	6, 5
90-99%	1 city	13
100%	7 cities	4, 1, 3, 2, 1,1,2
Total:	17 cities	87 target areas

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

a/Based on information obtained from city officials during CDBG field visits by HUD evaluators.

The number of CDBG target areas which have been categorized by HUD evaluators as "worst" in the cities visited is about half the number of "early-to-moderate decline" CDBG target areas. Fifteen cities have 45 "worst" CDBG target areas, and 13 of the 15 cities reported that in one or more of these areas, most of the CDBG activities are intended to encourage housing rehabilitation. In most of the 15 cities, however, there is only one CDBG target area which can be termed the "worst." Because their number in each city tends to be so small, it is not surprising that 10 of the 15 cities reported that in 100 percent of their "worst" CDBG target areas, most of the CDBG activities are intended to encourage residential rehabilitation. (See Table 8.4.) A total of 32 of the 45 "worst" areas (71 percent) in the 15 cities are being treated in this manner. Although this percentage appears high in comparison to 53 percent for the "early-to-moderate decline" CDBG target areas (50 of 87) and 36 percent for the "stable" CDBG target areas (12 of 33), 16/ the raw numbersreflect the truer picture: cities have twice as many "early-to-moderate decline" target areas as "worst" target areas, and three times as many "early-to-moderate decline" target areas as "stable" target areas.

Two-thirds of the 18 cities have CDBG target areas which can be classified as "stable." Officials in 8 of these 12 cities responded that in one or more of these target areas, most of the CDBG activities are intended to induce housing rehabilitation. One-third of the "stable" target areas are reported to have this kind of approach. Again, each city typically has only one "stable" CDBG target area. In this case, though, almost as many cities chose to select activities oriented to something other than rehabilitation as those that chose to do the opposite in these areas. (See Table 8.5.)

16/ The total number of CDBG target areas here adds up to 165, rather than the 174 referred to earlier. The reason is that information is not available for nine target areas (in a total of three cities) that would enable HUD evaluators to classify them according to our three stages of neighborhood decline.

TABLE 8.4

Percent of "Worst" CDBG Target Areas Where Most CDBG Activities are Intended To Encourage Property Owners to Rehabilitate Their Properties[a]/

Percent	Number of Cities in this Percent Category	Total Number of "Worst" CDBG Target Areas in Col. (2) Cities, Respectively
0	2	1,1
1-9	-	-
10-19	-	-
20-29	-	-
30-39	1	3
40-49	-	-
50-59	1	17
60-69	1	5
70-79	-	-
80-89	-	-
90-99	-	-
100%	10	5,1,2,1,1,1,1,1,1,4
Total:	15 cities	45 target areas

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

a/Based on information obtained from city officials during CDBG field visits by HUD evaluators.

TABLE 8.5

'Percent of "Stable" CDBG Target Areas Where Most CDBG Activities are Intended To Encourage Property Owners To Rehabilitate Their Properties[a]

Percent	Number of Cities in this Percent Category	Total Number of "Stable" CDBG Target Areas in Col. (2) Cities, Respectively
0	4	1, 1, 1, 8
i=9	-	-
10-19	-	-
20-29	-	-
30-39	1	12
40-49	-	-
50-59	1	2
60-69	1	3
70-79	-	-
80-89	-	-
90-99	-	-
100%	5	1,1,1,1,1
Total:	12 cities	33 target areas

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

a/Based on information obtained from city officials during CDBG field visits by HUD evaluators.

Cities have complete latitude under the Community Development Block Grant program to select the target areas or neighborhood areas for rehabilitation.[17] As a result, communities are able to promote local strategies which most benefit the city. Also, if blight should spread, the rehabilitation program can move to address it. A major question, however, is whether cities are generally avoiding the most needy neighborhoods, or whether this approach of blight prevention is a more reasonable one for the city. The above analysis indicates that, although cities are indeed focusing most of their blight prevention activities in the "early-to-moderate decline" CDBG target areas, they are not neglecting their "worst" CDBG target areas either. However, some cities have excluded from their CDBG target areas the worst areas in the city. (See Chapter 6 for an analysis of target area selection.)

17/ Pursuant to Section 570.302(b)(5) of the CDBG regulations published March 1, 1978, low-income needs cannot be neglected. Section 570.301(c) of these regulations describe the criteria for Neighborhood Strategy Area. Both of these regulations will influence future selections of neighborhoods for rehabilitation.

FINDING #4: The potential impact of CDBG rehabilitation activities in target areas is mitigated by several elements of local program design: the degree to which the program is concentrated, the number of units per structure eligible for rehabilitation, the tenure of the person receiving the rehabilitation financing, and the degree to which the program is voluntary in an area.

Almost all CDBG rehabilitation programs in the 19 city phone survey are on scattered sites within selected target areas, rather than concentrated in a block-by-block approach. To a large extent, the programs are directed solely at owner-occupied structures and at one- or two-unit structures. Moreover, citizen representatives as well as local administrators frequently expressed their concerns that their communities' CDBG rehabilitation programs did not --and could not feasibly-- address all of the housing needs of the target areas.

Local CDBG officials generally recognize that the smaller the neighborhood, the greater the likelihood for impact. They tend to be pressured, however, by community political leaders and residents of adjacent neighborhoods to enlarge the target area so that the program benefits are available to more people. Seven of the 19 phone-survey cities allow exceptions to their local restrictions that CDBG rehabilitation loan and grant funds be tied to selected target areas. In these seven cities, persons outside the target area are eligible for CDBG financial assistance for such reasons as emergency repair (for health and safety), energy conservation and weatherization, and "spot rehab." Typically, these persons are low- and moderate-income and live in pockets of poverty in more affluent neighborhoods. (See Chapter 4 for a discussion of CDBG benefit to low- and moderate-income persons.)

Seventeen of the 19 cities require that certain portions of their CDBG-funded rehabilitation program (e.g., either the loans or the grants) be restricted to owner-occupied structures. Indeed, eight cities require that all Block Grant-funded rehabilitation occur in owner-occupied structures. Only two of the 19 cities had no restriction on the tenure of the structures to be rehabilitated. Even those communities surveyed which have CDBG rehabilitation programs for absentee-owners generally reported that 80 to 90 percent of all the structures rehabilitated are, nevertheless, owner-occupied.

Approximately 85 percent of all structures rehabilitated with CDBG funds to date in the 19 cities have been owner-occupied, according to persons interviewed.18/ The most common explanation given by project officials for the owner-occupancy criterion was that they believed other programs are available which are designed to rehabilitate absentee-owned structures. Other frequently cited reasons were that a large, unmet demand for rehabilitation assistance exists on the part of owner-occupants; thus, the more proper source of rehabilitation assistance for absentee-owners is the private lending market. Some city officials also defend their requirement that structures be owner-occupied as a way of ensuring a long-term impact of the program. An additional concern was the local resentment against the blight caused by absentee-owners, leading some citizen representatives to request that CDBG rehabilitation funds be directed to owner-occupants because they have more of an incentive to care for their own neighborhoods.

Other Federal rehabilitation programs do not appear to compensate for the owner-occupancy bias of the CDBG-funded programs. For example, for the 19 cities surveyed by visit, the HUD Section 8 Substantial Rehabilitation program 19/ financed the rehabilitation of 4.8 percent of all units rehabilitated with Federal assistance in the cities' CDBG target areas. The Section 8 program is additionally restricted by Section 881.112(c) of the

18/ The HUD Survey on CDBG Rehabilitation Financing Techniques supports this finding. With information from 1102 responding localities, 57 percent of the $14.3 million disbursed by December 31, 1976 for rehabilitation assistance was for direct grants, compared to 31 percent for direct loans and 12 percent as subsidies, guarantees, or deposits for leveraging programs. All the direct grants were to owner-occupants, as were most of the direct loans.

19/ United States Housing Act of 1937, Section 8, Public Law 75-412, as amended.

Section 8 Substantial Rehabilitation regulations 20/ from concentrating too much assistance in areas containing a high proportion of lower- income persons. Furthermore, the areas proposed on the Housing Assistance Plans for these cities tend to be neighborhoods with relatively low rates of code deficiencies. The Section 312 Rehabilitation Loan program financed only an additional five percent of the structures rehabilitated, many of which are owner-occupied. 21/

The number of units per structure rehabilitated is low. Although only two of the 19 phone-survey cities restrict their Block Grant-funded rehabilitation programs to single-family structures, most of the localities have criteria limiting such rehabilitation to structures with four units or less. Local experience has also shown that most rehabilitation has been directed to one or two unit structures.

Eleven of the 19 surveyed cities use a portion of their CDBG funds for absentee- owner/investor rehabilitation programs. Regardless, seven of the eleven restrict CDBG assistance to structures with no more than ten units, and sometimes no more than four units. Only one of the 19 cities acknowledged that it has a true multi-family, CDBG-funded rehabilitation program.

20/ Code of Federal Regulations, Title 24, Part 881.112(c).

21/ A comparison of Section 312 activity to CDBG activity may be found in the previously mentioned HUD Survey on CDBG Rehabilitation Financing Activities, with information from 1102 localities as of December 31, 1976

Program	Localities w/Operating Programs	Number of Applications Approved	Number of Units Approved	Dollars Approved (Millions)	Average Cost Per Application	Average cost Per Unit
CDBG	700	39,295	53,112	$ 81-grants 45-loans 17-leverage $143	$3,639	$2,692
Sec. 312	248	7,137	11,419	63	8,827	$5,517
Total	*	46,432	64,531	$206	$4,437	$3,192

*No total is provided because of overlap. Of the 700 localities, 248 also administered operating Section 312 rehabilitation loan programs.

Many of the CDBG target areas for rehabilitation are predominantly multi-family residential or mixed residential in land use (e.g., single-family and multi-family residential structures). Seventeen percent of the 163[22] CDBG target areas in 19 cities visited for this study are predominantly mutli-family in land use, with the structures typically having five or more units. An additional 16 percent of the target areas are predominantly mixed residential in land use, and another 36 percent have mixed uses (e.g., commercial and residential). Only one-third of the target areas are predominantly single-family residential structures.

Few cities surveyed by telephone employ a systematic, house-to-house CDBG rehabilitation approach involving code inspections of all properties. Officials in all but one of the 19 cities expressed the belief that such a coercive rehabilitaiton program is too expensive, too time consuming, and not as well received as voluntary rehabilitation programs. Although several cities indicated that they conduct mandatory inspections, they generally qualified this remark by noting that the inspections are conducted only on vacant structures, multi-family structures, and structures obviously severely deteriorated to the naked eye. Inspections of all other properties in these cities are conducted after the owners call to request an inspection.

Fifteen of the 19 cities accept applications for CDBG-funded rehabilitation assistance on a strictly "first come, first served" basis from any homeowner within the designated target area. The remaining four cities attempt to upgrade certain sections of target areas in a somewhat systematic manner; but even there, the rehabilitation is voluntary.

Code enforcement provides the standards up to which structures must be brought to stabilize and improve declining neighborhoods. By invoking housing ordinances, localities can force property owners to make improvements, with housing rehabilitation programs usually providing the means to finance these improvements.

22/ No information is available for an additional 11 CDBG target areas of the total 174 in the 19 cities. Twenty percent of the 163 target areas also have "other" predominant land uses which were not specified (e.g., commercial/central business district).

Problems of regulation, however, tend to make strict or mandatory code enforcement impractical and financially infeasible. As a result, most cities have decided to avoid the mandatory approaches requiring full code compliance. Full compliance can price the rehabilitation loan out of the financial capacity of most target neighborhood homeowners. Investor-owners could pass the rehabilitation costs on to their renters, and increased rents could create hardships that are not outweighed by the improved housing conditions.

As a replacement for the strict, mandatory approach, some cities are experimenting with indirect techniques to force compliance. The June **1977** study by the HUD San Francisco Regional Office 23/ found examples of this experimentation in such **ways** as: occupancy permits that require inspection and code compliance at the time of unit turnover; nuisance abatement that fines property-owners for permitting trash and debris to accumulate: and "original condition" ordinances which require fixtures and other equipment to be restored to original working order as a substitute for replacement with modern code-authorized items.

FINDING# 5: Almost 85 percent 24/ of the approved applicants for CDBG rehabilitation assistance in the cities surveyed

23/ See footnote 12 for reference.

24/ This finding is supported by data from the HUD Survey on CDBG Rehabilitation Financing Activities. The information is based on a sample of 854 localities and refers only to recipients of CDBG assistance for single-family (1-4 units), owner-occupied structures. National median income for **1976** was $14,000. Some families with high income qualified for assistance and were considered low- and moderate-income because of their larger number of children or other dependents.

a. 93 percent of recipients had incomes below the national median income.
b. 80 percent of recipients had incomes below the national moderate income level (80 percent of median: $11,000).
c. 59 percent of recipients had incomesbelow the national low income level (50 percent of median: **$7,000).**

are low and moderate income.[25] This finding is based on data from 13 of the 19 cities on the income of each approved applicant. Section 104(b)(2) of the Housing and Community Development Act of 1974, as amended, states that cities must develop their Community Development Programs "so as to give maximum feasible priority to activities which will benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight." While rehabilitation aids in the prevention of slums or blight, 17 of the 19 surveyed cities also have developed income criteria for their CDBG rehabilitation programs. Project officials said these limitations were imposed to ensure that rehabilitation assistance is directed to the more needy persons of a city.

25/ This analysis is based on Section 8 subsidized housing income criteria:

- Low-income for a family of four is considered to be less than or equal to 50 percent of the Standard Metropolitan Statistical Area (SMSA) median family income.
- Moderate income is considered to be greater than 50 percent and less than or equal to 80 percent of the SMSA median family income.
- Middle and upper income are considered to be above 80 percent of the SMSA median family income.

The Section 8 adjustment factor for family size was used, with the breakpoint for a family of one considered to be 70 percent of that for a family of four; 80 percent for a family of two; 90 percent for a family of three; 106.25 percent for a family of five; 112.5 percent for a family of six; 118 percent for a family of seven; and 125 percent for a family of eight to ten.

(N.B. The labels "Low-income" and Moderate-income" are those used by the Office of Community Planning and Development, but they conform to the Section 8 labels "Very low-income: and "Lower-income." The category "Middle and Upper-income" is not used by the Section 8 program but is included here to describe that range above 80 percent of the SMSA median family income.)

The most popular local approach to setting income criteria is the adoption or modification of the Section 8 subsidized housing income criteria. Other approaches are: using the Section 221(d) (3) 26/ Below Market Interest Rate Rental Housing program income guidelines; the Bureau of Labor Statistics' "Low and Middle Income Budgets for a Family of Four"; 125 percent of the level of poverty as determined by the Community Services Administration; or an adaptation of a Federal Housing Administration criterion that housing expenses exceed 35 percent of income.

Two of the 19 cities have no income criteria for CDBG rehabilitation assistance and rely on the selection of the neighborhood to ensure that the program benefits low- and moderate-income persons. One of these two cities with no income criteria was able to provide income data on recipients, nevertheless; there they found that over 78 percent of the approved applicants were low- or moderate-income, despite the lack of an income ceiling.

Ten of the 17 cities with income criteria allow some of their CDBG-funded rehabilitation programs to be available to everyone, regardless of income. Typically, these programs are some kind of loan program (e.g., direct loan, loan subsidies, or loan guarantees). In most cities, these homeowners are expected to finance the greater portion of the cost of rehabilitation from market sources with CDBG funding acting as the incentive to encourage the owner's participation.

A problem in program design faced by every community participating in CDBG rehabilitation programs is deciding whether all residents in a target area should be eligible for participation, or whether the community should distinguish between those whose incomes and circumstances can qualify for a bank loan and those who cannot. These questions involve a decision about neighborhood strategy versus an assistance program for those whocannot afford market rate loans. The HUD San Francisco Regional Office's A Guide to Local Housing Rehabilitation Strategies in HUD Region IX found that cities which are geographically inclined ("we want to upgrade the physical environment regardless of who owns

26/ National Housing Act, Title II, Public Law, 73-479.

the structures") tend toward fixed interest rates and no eligibility criteria for loans. In contrast, cities which are concerned more with assisting disadvantaged individuals ("we want to help those who cannot afford to make the improvements") tend toward sliding interest rates depending on income. A few have also elected to extend the benefits of low interest loans to absentee-owners in return for guarantees of rent stability.

FINDING #B: More than half a billion dollars in private funds have been leveraged with CDBG funds spent on rehabilitation since the beginning of the program. Leveraging occurs when an amount of CDBG funds is used to create a larger commitment of loan funds from a private financial institution. To achieve the objectives of local rehabilitation programs, these private loan funds must be made available at below-market costs to property-owners in target neighborhoods.

For each dollar of CDBG funds spent on rehabilitation, whether specifically intended to stimulate private investment or not, 57.7 cents was leveraged. 27/ On this basis, with $431 million budgeted for CDBG rehabilitation in Fiscal Year 1977, an additional $249 million of private funds is being leveraged. In comparison, $179 million was leveraged by the $310 million in CDBG rehabilitation funds in Fiscal Year 1976, and $134 million was leveraged by the $232 million in CDBG rehabilitation funds in Fiscal Year 1975.

27/ This finding is based on 54 cities surveyed for HUD's Community Development Block Grant Program: Second Annual Report. More than half of those cities were using leveraging techniques to stimulate private investment and extend the impact of the CDBG dollar. Overall, those communities were able to stimulate $2.40 of private funds for each dollar of CDBG funds. For this report, however, data were not available on the amount of rehabilitation dollars specifically designed for leveraging. We have no reason to assume, however, that the $2.40 figure has changed. Nonetheless, when we combine the amount of rehabilitation dollars used for leveraging with those not used in this way, the impact is reduced considerably.

CHAPTER 9

SOCIAL SERVICES

In order to meet the primary objective of the CDBG program, a community must usually provide for more than its physical development needs. It also must pay attention to the social, economic, political, and psychological factors which combine to influence the life course of the community.

Section 105 of the Housing and Community Development Act of 1974 allows HUD to fund "the provision of public services not otherwise available in areas where other activities assisted under this title are being carried out in a concentrated manner...." In many cases, these services are smaller or identical in content to those funded by HEW, the Department of Labor, and other Federal agencies. These services can be funded by HUD only if "assistance in providing or securing such services under other applicable Federal law or programs has been applied for and denied or not been made available within a reasonable period of time...." 1/ The projects should be directed to improving communities' public services and facilities and to help facilitate the coordination of public and private development activities.

HUD's commitment to dealing with the non-physical factors which influence community development has varied over the years. It has been estimated that less than 1 percent of urban renewal funds were devoted to social services. The type of services that could be provided were generally restricted to social surveys, homemaker services, and a limited amount of manpower training. The precedent for large-scale HUD funded social services was provided by the demonstration Model Cities program, enacted in 1966. A report which was prepared for HUD in 1971 by the National League of Cities, United States Conference of Mayors, stated that 58 percent of Model Cities monies were allocated for social services. As with the CDBG program, many of these services were similar or identical to those funded by other Federal agencies. The CDBG program has taken a middle ground between Urban Renewal and Model Cities. Although it is primarily a "bricks and mortar" program, it does allow for the funding of social services.

1/ Housing and Community Development Act of 1974, Title I, Sec. 105(a)(8), Public Law 93-383.

over the 3 years of the program, approximately 12 percent of the funds have been budgeted for social services.

The purpose of this Chapter is to describe the extent and types of social services that are being funded by CDBG and to assess the extent to which the legislative objective of expanding and improving the "quantity and quality of community services, principally for persons of low and moderate income..."2/ and the legislative requirements in Section 105 are being achieved. The major legislative requirements are:

1. Services should be in support of other block grant activities (the support relationship is not defined by law or regulation);

2. Services should be restricted to areas that have a concentration of other CDBG activities; and

3. HUD can fund social services only if funds are denied or not made available within a reasonable period of time from other Federal agencies.

FINDING #1: The level of funding for social services has declined slightly in the 147 sample cities from Fiscal Year 1975 to Fiscal Year 1977.

It was found that 12.8 percent of all CDBG funds for Fiscal Year 1975 were allocated to social services. In Fiscal Year 1976, this figure dropped to 10.8 percent, and in Fiscal Year 1977 there was a slight increase in funding to 10.7 percent.

Although there has been a steady decline in the percentage of funds going to social services, the actual number of cities that have been using CDBG funds for social services has not shown the same pattern. In Fiscal Year 1975, 47 percent of the sample cities were providing social services; in Fiscal Year 1976, this figure rose to 58 percent, and in Fiscal Year 1977, the figures decreased to 53 percent.

There is no legislative ceiling or regulation on the percentage of funds that a city can use for funding social service projects. When the legislation for the CDBG program was being drafted, however, it was stated in Conference Committee that there was an "expectation" that no more than 20 percent of the funds should be used for social services.

During the first two years of the program, 10 percent of the 147 sample cities werebudgetarymore than 20 percent of their

2/ Ibid. Title I, Sec. 101(c) (4)

grant amount for social services. In Fiscal Year 1977, this figure was reduced to five percent. This decline is probably attributable to the fact that former Model Cities are phasing out some of their public services projects.

FINDING #2: The legislative requirement that social services be necessary or appropriate to support the physical development activities funded under CDBG is difficult to interpret. An analysis of activities in the 19-city sample indicates the strong possibility that less than 25 percent of the projects meet this resuirement.

The Housing and Community Development Act, Section 105(a)(8), provides for a wide range of public services that may be carried out with block grant funds, including those concerned with employment, crime prevention, child care, health, drug abuse, education, welfare, or recreation. At the same time, it requires that such services be necessary or appropriate to support physical development activities which are being carried out in a concentrated manner with block grant funds. The nature of the support relationships is not defined.

In developing regulations to implement the public services provisions it was impossible to define "support" in a manner that would be applicable to the wide range of circumstances that existed nationally. Therefore, the determination of support was left to the applicant. The regulations require that applicants include a statement of the support relationship in their statements of objectives in the three-year plan summary. However, there is no uniform standard to determine whether the requirement that public services are supporting physical development activities is being met. Further information is needed in order to determine whether these services actually supported physical development.

In order to determine to what extent the social services projects funded by CDBG actually support communities' physical development efforts, all of the social service projects which were funded by the sample cities were divided into five categories: (1) housing services which are directly related to physical development activities; (2) housing services which are indirectly related to CDBG funded physical development activities, such as various housing counseling services; (3) non-housing services which are directly related to CDBG funded physical development activities, for example, services in CDBG funded multi-purpose of single purpose facilities; (4) services in support of economic development activities; and (5) other services which are co-located with, but not directly related to, physical development activities.

A breakdown of amounts budgeted for social services over the first 3 years of the CDBG program shows that each year projects from category 5 have been receiving an overwhelming share of all funds going to social services. During the third year, only 23 percent of social services funds were going to activities that directly supported physical development.

Taking a closer look at those activities supporting physical development, it was found that 12 percent of the funds were directed to housing services which were directly related to development activities. This category included such activities as neighborhood cleanup projects, homeownership training, counseling residents in loan and grant application procedures, and providing legal information dealing with housing rehabilitation, code enforcement, property acquisition, and relocation.

Indirect housing services accounted for 2.5 percent of the funds for social services. Many of the projects were concerned with providing counseling services which deal with all areas of community development - housing, economic development, legal matters, and interpersonal relations. This type of counseling, however, in most cases, takes on the task of relieving "psychological pressures." Communities label these activities as being a coordination mechanism because they are described as helping to "increase the quality of life for a city and its people." These services are considered a nonquantifiable source of aid to enhance the quality of community life. They are not merely located in an area of concentrated CDBG physical development activities; they work within the housing unit, with the residents of the community for the purpose of shaping and improving the community.

The third category encompasses other types of services directly related to physical development, but the difference is that the services are not housing related. A total of 5.2 percent of social service funds were allocated for such projects. Typical services are recreation projects in CDBG funded parks and recreation areas, and services in multipurpose and single purpose neighborhood facilities. These services are coordinated with physical development because they tie in the service activities with a CDBG funded facility or development.

Social services related to economic development accounted for 2.6 percent of social service funds. These services

provide assistance to businesses in the form of counseling on legal, technical, and financial matters. Job training services which would help provide a labor pool geared to attracting new businesses into the community were also included in this category.

The fifth category of activities is one which includes activities where the support relationship is not obvious because the services are not a direct part of a physical development activity. Although there is no direct link to physical development, the purpose of these services is described as improving the general quality of life in areas slated for physical development and coordinating public and private programs. Seventy-three percent of social service projects fit into this category. In many cases, the projects appear simply to be co-located with CDBG funded physical development activities. The support connection is often difficult to determine.

Cities that were funding social service activities were asked to explain how the services were supporting the physical development activities in the CDBG target areas. Many of the responses indicated that the relationship was uncertain, except in some long-term sense. For some of the projects, it was difficult to see even the long-term relationship. For example, one city was funding a Meals-on-Wheels project which was not confined to an area of concentrated physical development activity. The justification for funding the project was that a pamphlet explaining the CDBG program was handed out along with the meals.

Although most communities can relate their social service activities to physical development in some way, this relationship is often vague. It has been argued that by improving the quality of health, education, day care, and other software-type services available to the residents: of a community, there will be a positive impact on the physical environment. While this might be true in the long run, the short-term causal relationship appears to be too tenuous to support a finding that the activity is truely "necessary or appropriate" to support physical development activities.

<u>FINDING #3: Although the percentage of CDBG funds allocated to social services has been decreasing each year, the actual number of social service activities has been increasing</u>.

After taking into account all of the social services project additions and deletions for the second and third CDBG program years, it was found that the actual number of social

service projects increased each year. There was an 8 percent increase in the number of projects during the second year, and a 6 percent increase during the third year. The reason which was most often given by communities for adding additional social service projects in the second or third program year was that the project was funded due to citizens' requests. Other reasons for adding new activities include: providing necessary services to support physical development efforts; meeting a community's service needs; and providing services that were not being funded by other agencies.

It was found that some of the services that were added in the second and third years of the CDBG program were those that had been funded as demonstration projects by other Federal agencies and then discontinued. Although the reasons for discontinuation are not known, it can by hypothesized that since the demonstration project was not continued by the original funding agency, the project may have been of low priority.

There was a wide range of reasons given by communities for discontinuing some activities during the second and third years. Projects were most often discontinued because they were of a low priority. The City of Fresno, California, discontinued several projects due to the fact that the city council questioned their eligibility because they did not directly support physical development. As of the third program year, all of Fresno's public service activities directly support physical development activities. Other reasons given for discontinuation were that the projects were taken over by another agency or that they were discontinued because their effectiveness was questionable.

FINDING # 4: Although virtually all of the cities that funded social services in the 19 sample cities did use other sources of funds to supplement CDBG funds, only one-half of all actual projects were receiving funds from other sources.

Projects which were most likely to receive outside funding were those services which were co-located with, but not directly related to, physical development activities. Seventy-one percent of these projects were receiving supplemental funding from either other Federal agencies, State and local governments, or private funding sources. Most of these projects were identical to projects which could be funded by other Federal agencies.

Projects which were directly or indirectly related to physical development and services in support of economic development were more likely to use CDBG funds as the sole source of funding. Only 21 percent of these projects were receiving supplemental funds.

Section 105(a)(8) of the Housing and Community Development Act of 1974 states that funding social service activities through CDBG is possible only when "...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..." In general, this provision has been adhered to by the cities included in our sample. Only two of the cities indicated that they did not seek outside funding for some of their projects.

The success rate for actually obtaining outside funding varied, however. Cities that had formerly been funded by the Model Cities Program were more likely to obtain not only a greater percentage of outside funds, but also funds from a wider range of agencies. For example, all of the public service projects funded by the City of Minneapolis received some funds from sources other than CDBG, and many of the projects were receiving supplemental funds from more than one agency.

The social services component of CDBG is one in which there is considerable coordination and leveraging of funds with other agencies. The $18 million budgeted for service activities in the sample has attracted an additional $10.5 million from other agencies. What this means is that, approximately $0.58 of outside funds for each dollar of CDBG funds are being used for the non-Federal matching share required by other agencies.

FINDING #5: Seventy-six percent of the Community Development Agency directors and social service coordinators who were interviewed in our survey stated the opinion that the CDBG program should not fund any social service projects or that the regulations governing service activities should be substantially tightened. None of the respondents wanted to see an increase in HUD's funding of social services.

One of the reasons given related to the costs of program administration. Cities generally contract out all of their social service projects. Very rarely will the agency administering the CDBG program be responsible for operating the projects. Many CDBG program administrators indicated that

their own staff did not have enough people or expertise to monitor and evaluate the effectiveness of the social service projects. Because of their marginal involvement with the actual operation of the service projects, they felt that they could not effectively measure the impact that the projects were having on improving the physical environment of the community and were uncertain about how to improve the coordination of the physical and social activities and to increase overall program effectiveness.

CHAPTER 10

HOUSING ASSISTANCE PLANS

Local officials are required to submit a Housing Assistance Plan (HAP) as part of their application for CDBG funds.[1] The HAP includes a survey of local housing conditions and housing assistance needs of lower income households, establishes goals and identifies suitable locations for assisted housing to meet these needs.[2] The HAP was intended to give local officials more influence over the types and locations of federally assisted housing to be provided in their communities. In addition, the inclusion of a housing plan in an application for community development funds was designed to encourage local officials to integrate housing and community development activities into a plan for the overall development of the community.?./ This chapter assesses the extent to which the major objectives of the HAP have been achieved.

The chapter is divided into three major sections. The first section reports on the provision of housing assistance in CDBG entitlement cities during Fiscal Years 1975 and 1976, including local actions taken to promote assisted housing during this period. The second section covers the 1977 HAPs, including a description of the four HAP tables and a discussion of goals planned for 1977. The last section presents an overview of the HAP, describing its use during the first three years

1/ Housing and Community Development Act of 1974, Title I, Section 104(a)(4), Public Law 93-3831.

2/ For background information on the HAP, see Chapter Four of the CDBG First Annual Report and Chapter Six of the CDBG Second Annual Report.

3/ Coordination of community development and housing activities is discussed in Chapter 11.

of CDBG, problems encountered during this period, and changes made in revised regulations to address these problems.

The data upon which the chapter is based were derived from four major sources: Fiscal Year 1977 Grantee Performance Reports (GPRs) from a sample of 147 entitlement cities; Fiscal Year 1977 HAPs for the 147 sample cities; a field study of 25 entitlement cities and 10 HUD Area Offices;4/ and a HUD-contracted study with Berkeley Planning Associates (BPA).5/

HOUSING PERFORMANCE

FINDING #1: In field interviews conducted in ten different HUD Area Offices, HUD staff indicated that although there have been a few problem cities, due to slow start-up procedures or outright opposition to assisted housing, most entitlement cities participating in CDBG are making an effort to address the housing needs of lower income households.

HUD Area Office staff examines performance against HAP goals within the context of overall performance under CDBG. Taking into consideration individual housing conditions, needs, and available housing resources, HUD staff reviews for three basic indicators of housing performance: 1) achievement of HAP goals; 2) provision of assistance according to unit types and to all types of needy households; and 3) problems encountered and local actions taken to promote assisted housing.

4/ The Office of Evaluation conducted field visits to ten HUD Area Offices and 25 CDBG entitlement cities in September and October of 1977. The purpose of the visits was to gather background information on the development and implementation of the HAP.

5/ HUD Contract H-2530, "Evaluation of Housing Assistance Plans in Meeting the Statutory Objectives of Linking Housing and Community Development."

HUD contracted with Berkeley Planning Associates in June of 1976 to evaluate the HAP process, and the effectiveness of the HAP in achieving the legislative objectives of the Housing and Community Development Act of 1974. The final report should be published in the latter part of 1978.

Achievement of HAP Goals

It is difficult to measure the achievement of HAP goals on a technical or quantified level, due to the complex process of housing production and the variety of factors involved. Failure to achieve HAP goals may be due to factors not within the control of local officials; therefore, full achievement of goals is not used as a standard in measuring housing performance. In order to clarify the responsibility of CDBG recipients to meet their HAP goals, the Department issued performance regulations establishing guidelines regarding the term "achievement of HAP goals."6/ Because of the many steps and substantial lead time involved in developing housing, particularly new construction, performance against HAP goals is measured over a two-year period. A community is considered to have met its one-year goal if a firm financial commitment on the units has been reached within two years. A firm financial commitment is defined in the GPR instructions as a firm commitment hacked by an official document identifying specific projects or units. Examples of such documents are the Annual Contributions Contract for Section 8 existing units and the Notice of Application Approval for Section 8 new or rehabilitated units. Where CDBG recipients have not been able to achieve their goals, HUD considers the extent to which actions within the control of local officials have been taken to promote assisted housing.

The following analysis compares 1975 goals with units receiving financial commitment during the first two years of CDBG. It does not represent a complete analysis of housing performance, but is intended as an illustration of the level of' assistance provided against HAP goals. Subsequent parts of this section discuss on a more detailed level, the provision of assistance among unit and household types, common problems, and local actions taken to promote assisted housing, which are equally important in the determination of housing Performance.

FINDING #2: Of the total assisted housing units included in HAP goals for 1975, over half reached firm financial commitment during the Fiscal Years 1975 and 1976.7/

6/ Code of Federal Regulations, Title 24, Part 570.909(e)(2), 1977, p. 89.

7/ The quantitative data of assisted units provided is taken from GPRs from 147 sample entitlement cities submitted with CDBG applications for 1977. Because each locality establishes its own program year, the data reported do not cover the strict time period included in the Federal fiscal year. In addition, grantees prepare their reports before the end of the program year, generally reporting on about 8 months of activity. Therefore, the data represent an estimate of assistance provided during a period corresponding roughly to Fiscal Years 1975 and 1976.

Breaking these data down by city indicates that over one-third (36%) of the entitlement communities have been able to achieve 100% or more of their total HAP goals set in the first year. An additional 22% of the cities were able to meet over half of their total 1975 goals, 31% met less than half of their goals, and ten percent of the cities were not able to provide any housing assistance during the first two years of CDBG. (See Table 10.1)

FINDING #3: Population size in itself does not explain success or failure in meeting HAP goals.

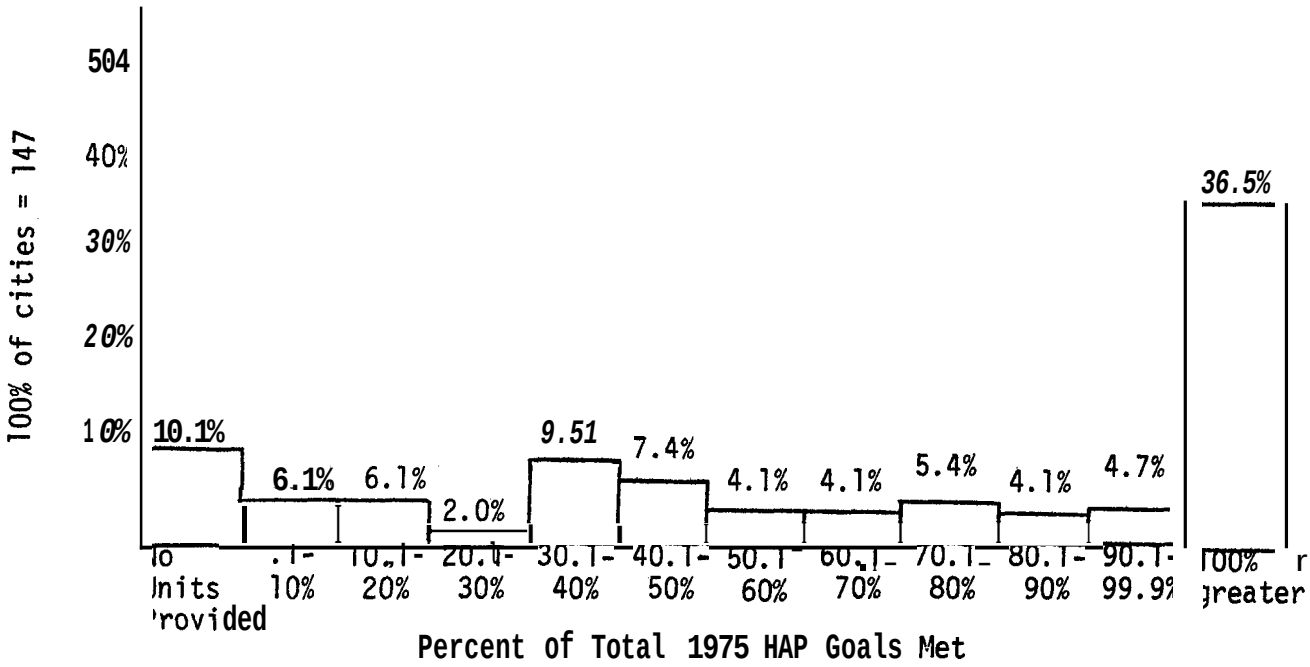
The group failing to meet any of their 1975 goals contains a variety of different types of cities from all parts of the country, ranging in population size from just over 2,000 to almost 200,000, although about half of these cities are under 50,000 population. However, population size alone is not necessarily a determining factor in housing performance. Many smaller cities were able to exceed their goals. Forty-one percent of the cities meeting one hundred percent or more of their 1975 HAP goals had populations below 50,000. There are many factors that affect the ability of a locality to provide assisted housing which will be discussed later in this chapter.

The percent of goals met varies among the different unit types. Entitlement communities were able to meet a higher percent of goals for existing housing compared to rehabilitation or new construction (See Table 10.2). In terms of goals set for the various household types, the percent of elderly/handicapped goals met was higher than for small family or large family goals (See Table 10.3). These trends will be discussed under the following analysis of program mix.

There is also a variation in the percent of goals met for CDBG and Section 8, the two major programs cited on the HAP. Together, they account for eighty percent of HAP goals set in both 1975 and 1976. Entitlement cities were able to meet a higher percentage of CDBG goals (sixty-eight percent) than of Section 8 goals (fifty-nine percent). This is probably due to greater local control over CDBG funds. While localities can set their own budget for CDBG rehabilitation activities, they must compete for Section 8 existing funds and rely upon the private market to submit proposals for new construction and rehabilitation.

TABLE 10.1

Distribution of Cities Providing Assisted Housing Units
as a Percent of Total 1975 HAP Goals



Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of FY 1977 Grantee Performance Reports of 147 sample entitlement cities.

TABLE 10.2

Percent of Fiscal Year 1975 HAP Goals Met, By Unit Type

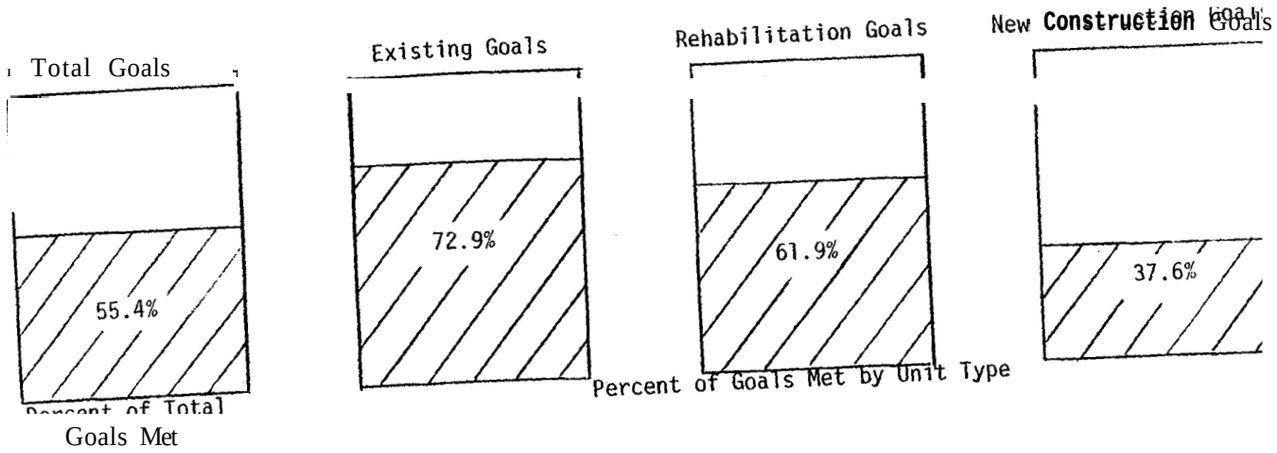
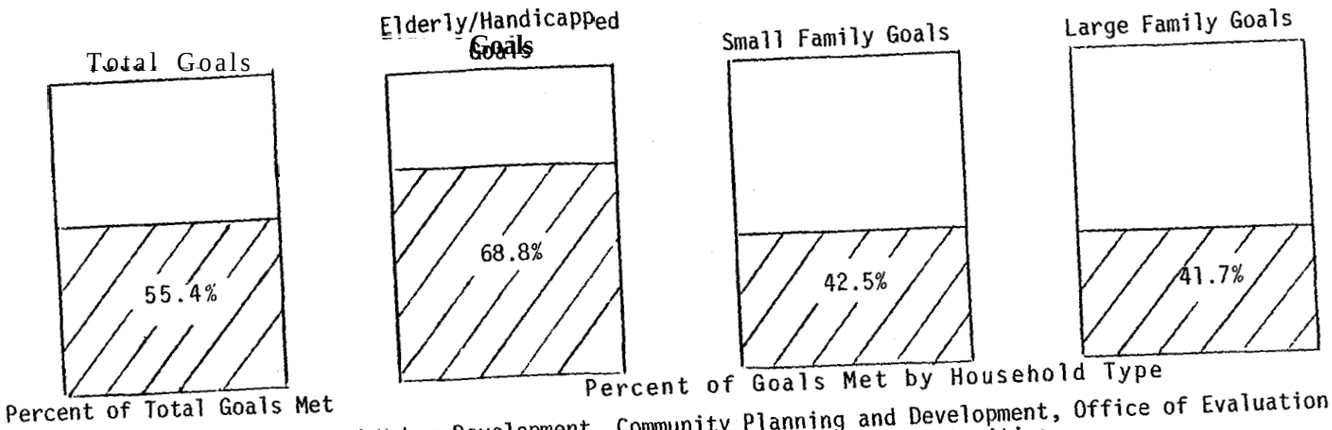


TABLE 10.3

Percent of Fiscal Year 1975 HAP Goals Met, By Household Type



Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of FY 1977 Grantee Performance Reports of 147 sample entitlement cities.

Program Mix

Another indicator of housing performance concerns the relative proportions, or program mix, of the various types of assistance provided, in terms of unit types (new construction, rehabilitation, and existing) and household types (elderly/handicapped, family, and large family). HUD's major housing resources, Section 8 and Public Housing, are to be allocated by HUD on the basis of a fair share formula, taking into consideration the program mix set by HAP goals.

FINDING #4: Data from the 1977 GPRs indicate that assistance provided during the first two years of CDBG did not follow the general program mix set by 1975 goals. The major variations occurred in the overdelivery of existing units with an underdelivery of new units, and the overdelivery of housing assistance to the elderly/ handicapped, with an underdelivery of assistance to families.[8]

The Section 8 existing program alone provided the greatest number of units to reach financial commitment. Thirty-nine percent of all financially committed units were under the existing program. Rehabilitation assistance for both owners and renters, primarily under: CDBG, but also through funds from the Section 312 Rehabilitation Loan Program, local funds, and Section 8, accounted for thirty-three percent of all units with financial commitment. New construction, under Sections 8 202, 236, 235,[9] and Public Housing, provided assistance for twenty-seven percent of the committed units. This mix of assisted units provided is in contrast to the mix

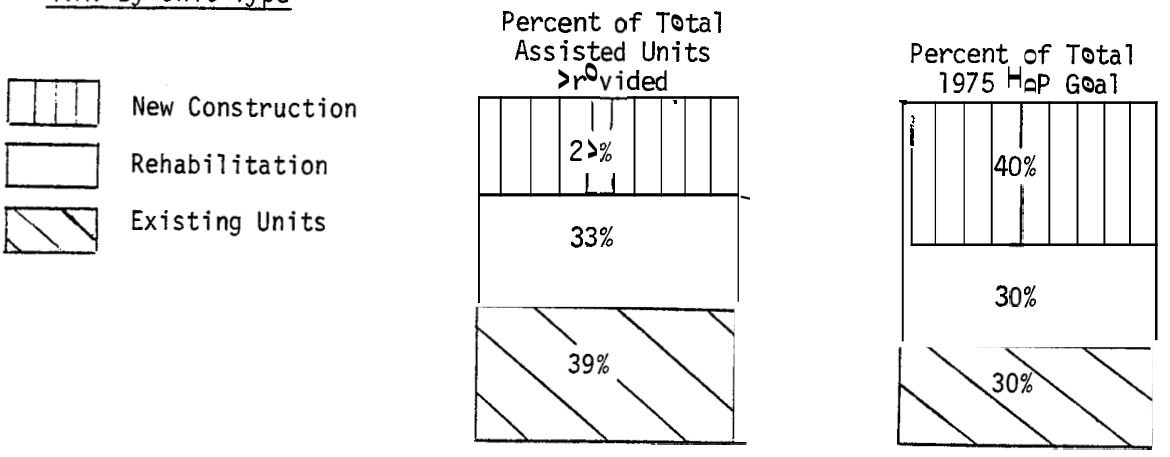
8/ The terms "overdelivery" and "underdelivery" refer to the provision of assisted housing that does not follow the proportions of unit and household types established in HAP goals. Tables 10.4A and 10.4B illustrate this concept.

9/ These housing programs are generally referred to by the section number of the appropriate enabling legislation. The Section 202 program is a direct loan program for elderly/handicapped rental housing. The Section 235 program provides periodic assistance payments to reduce interest costs on homeownership for low income families. The Section 236 program provides interest reductisnpayments for rental and cooperative housing for low income families.

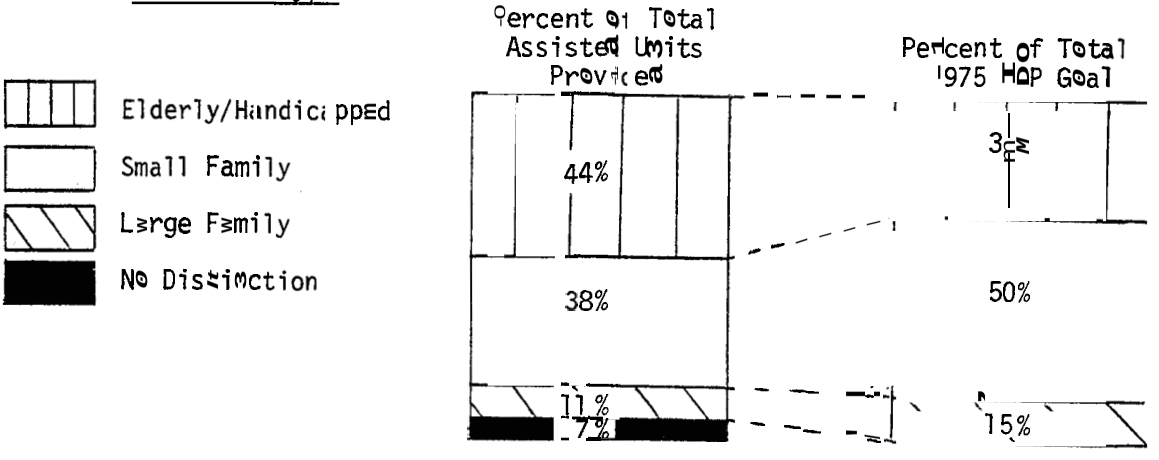
TABLE 10.4

Program Mix of Assisted Housing Units Provided vs.
Program Mix of Units Planned in Fiscal Year 1975
HAP Goals

4.A. By Unit Type



B. Household Type



Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of FY 1977 Grantee Performance Reports of 147 sample entitlement cities.

set in the 1975 HAP goals. The contrast shows an over-delivery of units for the existing program and an under-delivery for new construction, while assistance for rehabilitation is very close to the percentage indicated on 1975 goals. (See Table 10.4A.)

Explanations for the emphasis on existing vs. new units during 1975 and 1976 apply primarily to the Section 8 program. The HUD-contracted study cites that a substantial portion (over one-third) of Section 8 assistance provided during this time period was through a loan management set-aside of existing units.[10/] In addition to the use of these units for loan management purposes, the provision of existing units could be implemented more quickly, and at a lower cost per unit, than the provision of units for new construction. Emphasis on existing units enabled HUD to get the Section 8 program off the ground, while assisting more households than could have been assisted under new construction. The underdelivery of new units is also due to the strong reliance upon private developers to make proposals for the construction of assisted housing. If proposals were not submitted, or there were other problems with financing, land availability, etc., this further reduced the production of assisted new units. Reliance on CDBG for rehabilitation assistance contributes to the close relationship between the percent of rehabilitation units planned and provided, since local officials have more control over CDBG funds.

Almost one-half of assisted housing provided through Fiscal Year 1976 has benefitted the elderly or handicapped. Forty-four percent of the units with financial commitment have been designated for the elderly/handicapped, while small families received thirty-eight percent and large families received eleven percent of

10/ The loan management set-aside was for the purpose of assisting FHA-insured projects owned by HUD or threatened by foreclosure. In most cases, HUD field staff determined which projects should receive assistance. In May of 1977, a HUD Notice was issued to terminate the authorization of a specific set-aside for loan management, and to give the localities in which such projects were located the responsibility to decide whether or not the projects should receive assistance.

this assistance, (seven percent of the units reported were not broken down by household type). This breakdown of assistance provided contrasts with the program mix established in the 1975 HAP goals, which closely reflects the distribution of need for these three household types. (See Table 10.4B.)

FINDING #5: As planned in their HAP goals, localities are relying upon new construction as the major program to assist elderly/handicapped households, and the existing and rehabilitation programs to assist family households. (See Table 10.5.)

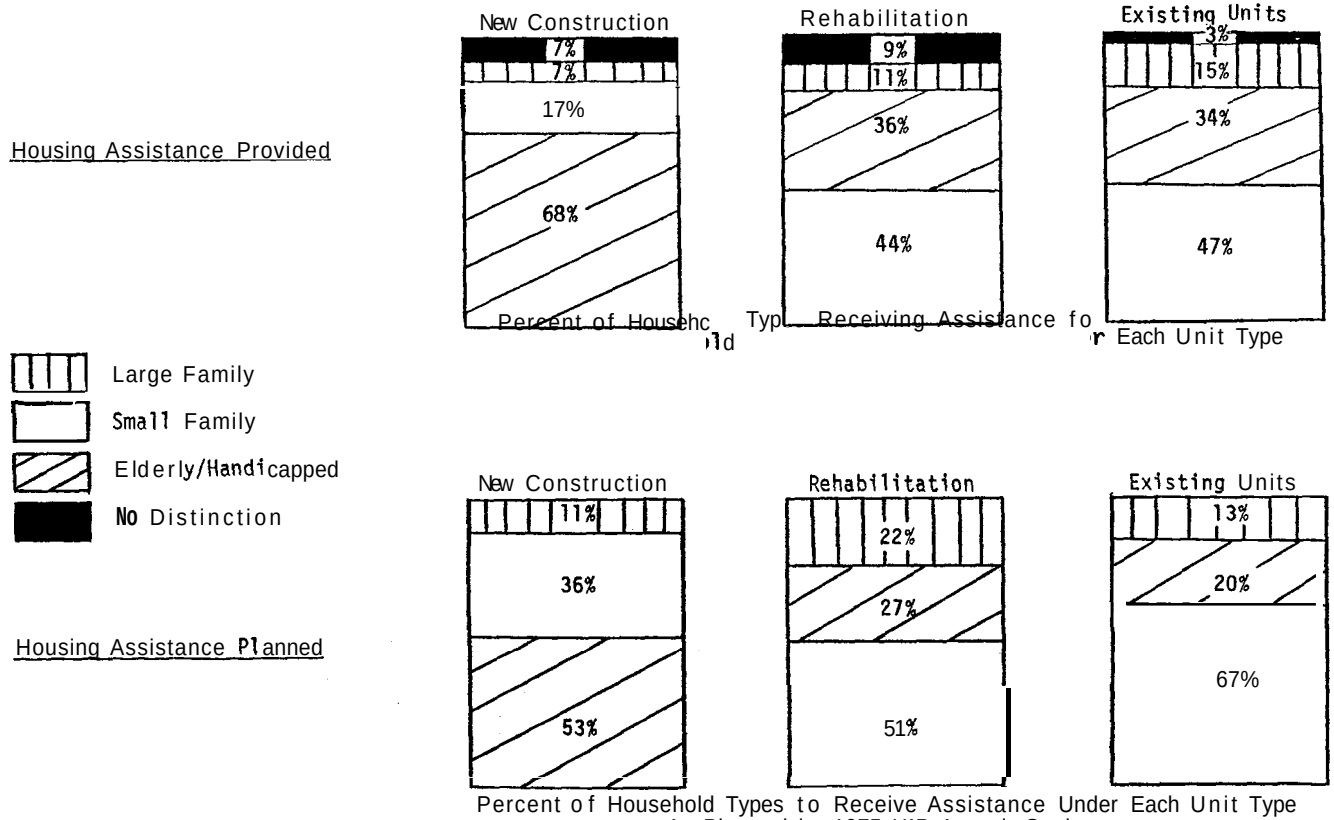
A few basic factors contribute to these trends. Community opposition in certain middle and upper income areas to housing for lower income persons and minorities, and higher management and maintenance costs associated with assisted family housing, discourage the production of new family units. In contrast, general local support and developer interest in assistance for the elderly/handicapped account for much of the new construction of assisted housing in the first two years of CDBG. In order to balance HUD's proportionality requirements to address the needs of all household types, local officials have attempted to meet family needs by applying for Section 8 existing units and implementing CDBG rehabilitation programs. However, overdelivery of units to the elderly/handicapped occurs in each unit type. (See Table 10.5.)

Assistance provided in terms of tenure type was in proportion to the need reported on the Fiscal Year 1975 HAPs. About three-fourths of the committed units were reserved for rental units, while the remaining units were designated for owner households. One-half of the total rental assistance was for elderly/handicapped households, and seventy-five percent of the assistance to homeowners was for large and small families. This again reflects the overdelivery of assistance to the elderly/handicapped, since the clear majority of housing assistance aids renters. 11/

11/ The revised regulations for Fiscal Year 1979 will require localities to set goals in proportion to the needs of elderly/handicapped, small and large families within each tenure type (owner and renter).

TABLE 10.5

Percent of Household Types Receiving Housing Assistance Under Each Unit Type
Compared to Fiscal Year 1975 HAP Goals



Percent of Household Types Receiving Assistance for Each Unit Type

Percent of Household Types to Receive Assistance Under Each Unit Type
As Planned in 1975 HAP Annual Goals

Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of FY 1975 Housing Assistance Plans and FY 1977 Grantee Performance Reports of 147 sample entitlement cities.

FINDING #6: The total number of commited units provided in entitlement communities in Fiscal Years 1975 and 1976 would aid approximately four percent of households reported in those localities as needing assistance during that period.

At the time the GPRs were submitted, about one-half of the committed units were actually occupied with households receiving assistance. The remainder of the units, although financially committed, were in various stages of construction, rehabilitation, or in case of existing reservations, not yet assigned to eligible households.

Problems Encountered and Local Actions Taken to Promote Assisted Housing.

During interviews in 25 sample entitlement cities, local officials described several problems they encountered while trying to carry out assisted housing goals for Fiscal Years 1975 and 1976. The two most common problems mentioned were related to the Section 8 program, in which all but two of the 25 cities participated.

FINDING #7: In over half of the sample cities, local officials cited inadequate fair market rents as a hold-up in achieving goals for Section 8. In most cases, this was an initial problem that was corrected with increases in the fair market rents. The other major problem was inadequate allocations under the Section 8 program, described in varying degrees by one-half of the 25 cities.

Some cities received a reasonable number of units under Section 8, but indicated a need for more: other cities received assistance for one unit type, but had an additional and sometimes more pressing need for another unit type (usually new construction or rehabilitation); and two cities had not yet received any assistance under Section 8. Other factors mentioned in about one-third of the cities were: lack of developer interest in Section 8 new construction or rehabilitation, usually for family housing: low vacancy rates which hamper a program for existing units, particularly for large families; lack of landlord interest in the existing program (eased by increases in fair market rents); and lack of suitable sites for new construction.

FINDING # 8: The major difficulties involved in implementing housing assistance programs under CDBG were caused by restraints on rehabilitation activities. All 25 cities interviewed set goals for CDBG rehabilitation, and some had minor start-up problems, but by the end of the second year, 20 cities had their programs underway.

Legal restraints on the use of public money for loans or grants to private individuals presented problems in five cities, and two other cities cited obstacles involving tax abatement programs. In all cases, these restraints on CDBG rehabilitation programs were resolved, or are in the process of being worked out.

Factors that caused little or no difficulty in most cities, but were cited in four of the 25 cities, were: the availability of financing for new construction of assisted housing; restrictive zoning laws; and the availability of contractors for rehabilitation activities.

Although local officials are assured of CDBG or local. funds for housing assistance, seventy percent of their HAP goals are supported by housing programs over which they have little or no control. In addition, the shortage or high cost of land, disinterest of private developers, low vacancy rates, insufficient fair market rents, and other problems discussed above may contribute to the inability of communities to meet HAP goals. However, there are many actions that local officials can take to address these problems and to encourage, if not actually provide, assisted housing. HUD considers these actions in determining housing performance. The following paragraphs describe common local actions taken by local officials in the 25 entitlement cities included in the field study.

During the first two years of CDBG, entitlement communities initiated a broad spectrum of activities in support of assisted housing. In gearing up for planned housing assistance as well as CDBG activities, many cities went through a variety of preparatory functions. Communities initiated administrative changes including: the establishment of new offices, primarily to run newly created CDBG rehabilitation programs; hiring or increasing staff, generally for rehabilitation, planning, or housing inspection purposes; and training new staff.

Planning for assisted housing sparked studies on several levels. The studies ranged from windshield surveys of general housing conditions, to more in-depth inventories of units suitable for rehabilitation or vacant land, to computerized information systems, or analysis of housing problems in specific neighborhoods. During the planning stage, most communities identified target areas, as well as specific units, suitable for rehabilitation. These target areas were sometimes subdivided by their rate of decline. Efforts to include the private sector in the planning of assisted housing consisted of briefing before, during, or after development of HAP goals; and notifying developers of available land, vacant units requiring rehabilitation, or specific sites or projects of high local priority.

All but one of the 25 cities visited planned a CDBG rehabilitation program for the first and/or second year of the program. During these two years, 20 of these cities were able to get their programs off the ground. Some cities began rehabilitation programs consisting solely of grants, until a negotiation could be reached with financial institutions to participate in a low-interest loan program. Others delayed their programs until the loans were available. Because of various legal restrictions on local officials regarding loans or grants of public funds to private individuals, this sometimes involved changing state legislation or city charters. A few cities also worked out tax deferment programs to be applied to increased property values resulting from rehabilitation efforts. (Chapter 8 discusses rehabilitation under CDBG in more detail.)

Other programs were developed to work in conjunction with the rehabilitation loan and grant programs, such as housing inspection and code compliance. Public assistance programs, including various housing counselling services, mortgage financing assistance, aid in obtaining a rehabilitation contractor and inspection of finished rehabilitation work, were also provided. To encourage more wide-spread use of loan and grant programs, some cities streamlined the application procedure by reducing red tape and processing time, or conducted advertising campaigns regarding the availability of assistance.

Local officials used CDBG, local, and other resources for physical community development activities to complement rehabilitation efforts on the part of loan and grant recipients, or to encourage private development in certain areas. This included activities such as: acquisition of

sites or substandard units, some to be made available on a write-down basis; demolition and clearance; development of sites; or provision of public improvements (e.g., streets, sidewalks, lighting, or tree planting).

All of these types of local actions, while not directly resulting in assisted units to be counted against HAP goals, constitute a necessary effort on the part of local officials to provide decent, standard housing in a suitable environment for low- and moderate-income households.

Sources of Assistance

FINDING #9: The largest source of assistance was HUD's Housing Assistance Payments Program (Section 8) which comprised 60 percent of the units reaching financial commitment in Fiscal Years 1975 and 1976. The major beneficiary group of Section 8 assistance was the elderly/handicapped, receiving about half of the total committed units.

New construction under Section 8 (accounting for 29 percent of the total Section 8 units) was particularly geared to the elderly/handicapped. Rehabilitation, the smallest portion of Section 8 units (7 percent) also provided more units to the elderly/handicapped. Existing units, comprising the largest part of the Section 8 program (64 percent), were reserved primarily for small families and large families. (See Tables 10.6 and 10.7.)

FINDING #10: The CDBG program the second largest source, accountins for 18 percent of all committed units. While some of the units assisted under CDBG were rental units, assistance under CDBG was generally in the form of rehabilitation or loans or grants to homeowners. The primary beneficiary groups of CDBG owner and renter were small families. (See Table 10.8.)

HUD's other housing programs under Sections 202, 235, and 236, Public Housing, and the Section 312 Rehabilitation Loan Program provided about 14 percent of the units committed. State programs (not including Section 8 state set-asides) contributed to about 4 percent, and local programs to about 5 percent, of all units with financial commitment.

TABLE 10.6

Percent of Total Section 8 Assistance Provided by Unit Type:
Fiscal Years 1975-1976

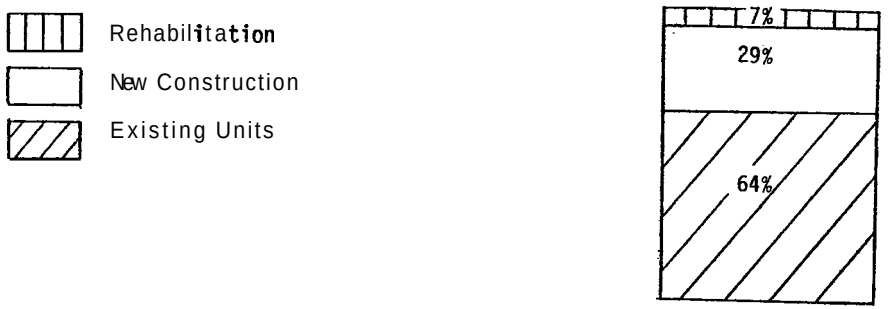
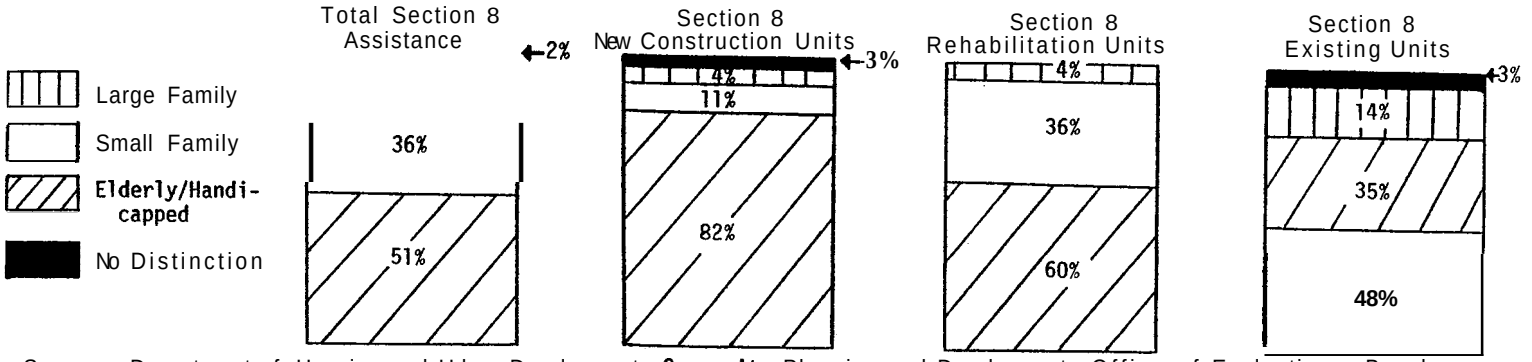


TABLE 10.7

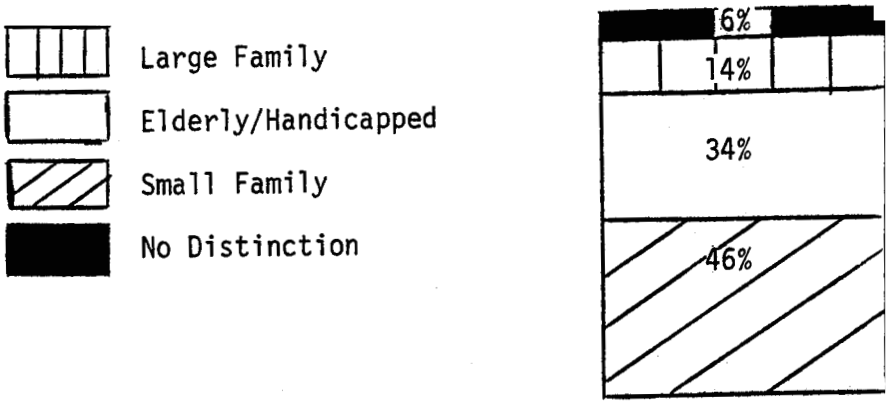
Percent of Household Types Receiving Section 8 Assistance Under Each Unit Type:
Fiscal Years 1975-1976



Source: Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of FY 1977 Grantee Performance Reports of 147 sample entitlement cities.

TABLE 10.8

>ercent of Household Types Receiving CDBG Rehabilitation Asssistance:
Fiscal Years 1975-1976



Source: Department of Housing and Urban Development, Commun :y Planr...
and Development, Office of Evaluation. Based upon an analys . of FY 19
Grantee Performance Reports of 147 sample entitlement cities

Deconcentration of Assisted Housing

An additional function of the HAP concerns the issue of spatial deconcentration of assisted housing, supporting the legislative objective of reducing the isolation of income groups within communities and geographic areas. The HAP was to promote a greater choice of housing opportunities and avoid undue concentrations of assisted units in impacted areas.12/

Interviews with local officials conducted during the field study indicated that deconcentration was given conscious consideration, but was not generally a strong factor in the selection of proposed locations for assisted housing on the HAP. HUD officials, although concerned with location of assisted units within communities, and approval of sites that would meet Federal neighborhood and site standards, did not consider deconcentration within geographic areas- be a high priority in the allocation of housing resources.

FINDING #11: Despite the limited importance of deconcentration as conveyed by local and HUD officials, data from sample communities in the HUD-contracted study show considerable progress regarding the dispersion of low-income housing units under the Section 8 program, both within communities and between central cities and suburban areas.

The HUD-contracted study found that the majority of units assisted through Section 8 new construction and rehabilitation were located in census tracts with a median family income between sixty-five percent and one-hundred percent of SMSA median, or in census tracts with a median family income above the SMSA median. (See Table 10.9.) A higher percentage of units were dispersed in terms of minority deconcentration. The majority of Section 8 new and rehabilitation units were located in census tracts where less than twenty percent of the population is non-white. (See Table 10.10.) The study also found that the majority of Section 8 new and rehabilitation units were approved in census tracts which had no previous low-income housing projects with more than 20 units. (See Table 10.11.)

12/ An impacted area refers to the concentration of low income or minority persons, or low income housing.

13/ Data cited are from the HUD-contracted study with Berkeley Planning Associates (BPA). The data are based upon case studies in 17 sample cities.

TABLE 10.9

DECONCENTRATION OF APPROVED SECTION 8 NEW AND REHABILITATION UNITS ACCORDING TO MEDIAN INCOME OF CENSUS TRACTS: FISCAL YEARS **1975-1976**

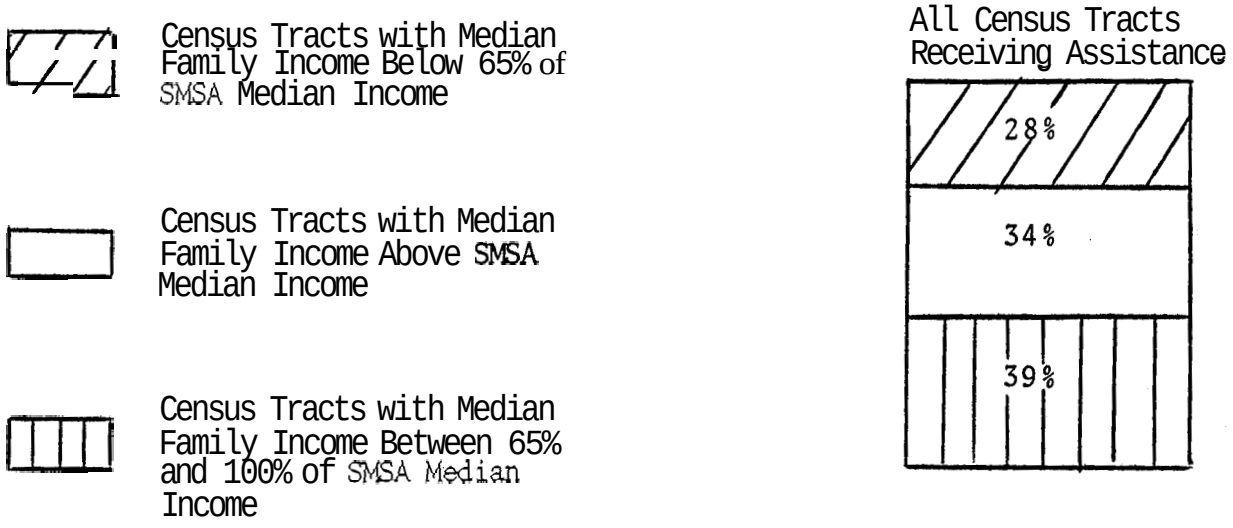
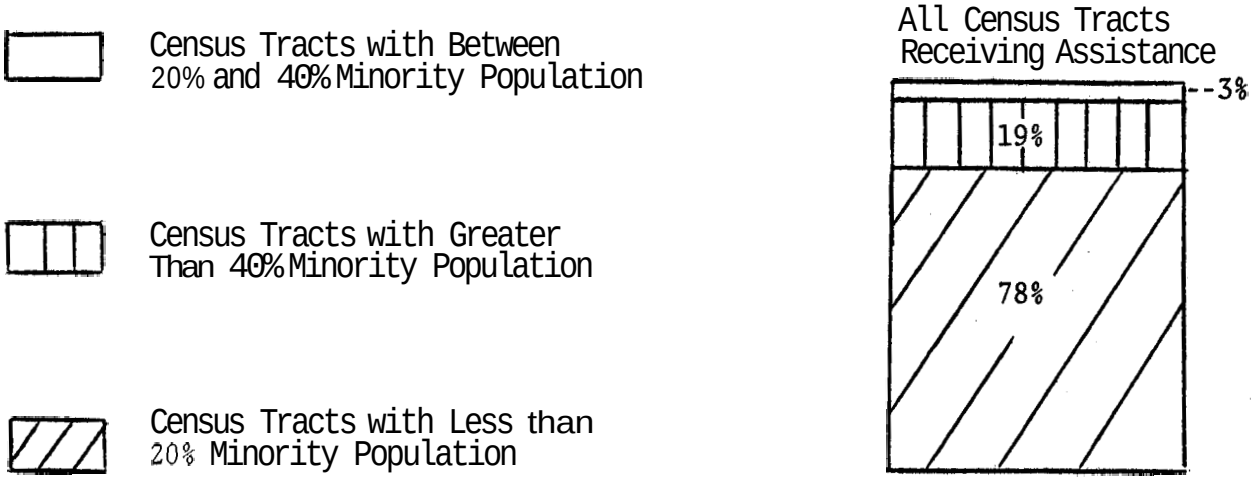


TABLE 10.10

DECONCENTRATION OF APPROVED SECTION 8 NEW AND REHABILITATION UNITS ACCORDING TO PERCENT OF MINORITY POPULATION OF CENSUS TRACTS FISCAL YEARS **1975-1976**



Source: H-2530, "Evaluation of Housing Assistance Plans in Meeting the Statutory Objectives of Linking Housing and Community Development." (Not yet published.) HUD-contracted study with Berkeley Planning Associates. Data based upon case studies of 17 sample cities.

TABLE 10.11

DECONCENTRATION OF APPROVED SECTION 8 NEW AND REHABILITATION UNITS ACCORDING TO NUMBER OF PRIOR ASSISTED HOUSING UNITS LOCATED IN CENSUS TRACTS: FISCAL YEARS 1975-1976

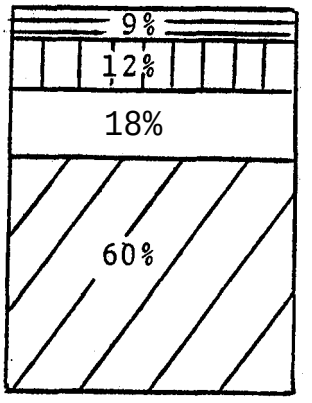
Census Tracts with More Than 400 Units of Subsidized Housing

Census Tracts with Between 150 and 400 Units of Subsidized Housing

Census Tracts with Between 1 and 150 Units of Subsidized Housing

Census Tracts with No Prior Housing Projects of 20 or More Units

All Census Tracts Receiving Assistance



Source: H-2530, "Evaluation of Housing Assistance Plans in Meeting the Statutory Objectives of Linking Housing and Community Development." (Not yet published.) HUD-contracted study with Berkeley Planning Associates. Data based upon case studies of 17 sample cities.

Dispersion of assisted housing is also occurring with regard to the provision of assistance to suburban areas. About one-half of all Section 8 units provided in the HUD-contracted study sample SMSA's were delivered to suburban communities.[14] Although the dispersion of units is occurring through the delivery of assisted housing to suburban areas, beneficiaries of Section 8 new and rehabilitation units are primarily the elderly/ handicapped. This reduces the impact of deconcentration, since this legislative objective was intended to promote equal housing opportunities for low-income and minority families.

FINDING #12: Although the study did not focus on mobility of low-income households, case study research indicated there was little evidence of increased mobility of low-income central city residents to the suburbs.

Local officials in suburban communities commented that assisted units would draw most of their tenants from current suburban residents, and as a result, would serve a somewhat higher income group than the central cities.

FISCAL YEAR 1977 HOUSING ASSISTANCE PLANS

This section reports on the similarity among HAPs submitted in the first three years of the CDBG program, as well as changes communities have made in setting their housing assistance goals during this period.

Housing Conditions

Table I of the **HAP** requires local officials to present data regarding the condition of their housing stock. 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.

14/ Data are based upon a BPA sample of 170 cities in eight case study SMSAs.

The Housing Assistance Plans submitted for the third year of CDBG indicate that housing conditions and housing needs of lower-income households have not changed substantially from those reported in the 1975 and **1976** HAPs. Data describing housing conditions are presented in Table 10.12.

Housing Assistance Needs

Table II of the HAP [illegible] CDBG [illegible] nts to r[illegible] d data [illegible] i g the number and [illegible] pes of [illegible] n need of housing [illegible] stance Communities have [illegible] that [illegible] te **22** rcent of their total households are [illegible] in [illegible] households i [illegible] n ed of but not [illegible] l[illegible] receivi [illegible] housing assi [illegible] This [illegible] s a slight decr fr [illegible] the p [illegible] t[illegible] y [illegible] of **23** and **25** percent. In [illegible] estimates, communities [illegible] whose [illegible] ncome do not excee 80 percent of t [illegible] median [illegible] for [illegible] by HUD, who are [illegible] tandard [illegible] or crowded [illegible] g within the [illegible] ty [illegible] paying an [illegible] These [illegible] lds cons tute 90 [illegible] n [illegible] t total [illegible] n need of assistance. The 10 [illegible] ance [illegible] to be [illegible] public or priv [illegible] ion within t [illegible] program year, [illegible] [illegible] expected to reside (ETR) in t community over the next three years as [illegible] result [illegible] f existing [illegible] or [illegible] anned employment [illegible] Estimates for displaced households account f [illegible] 1 [illegible] t of the [illegible] al [illegible] d ETR makes up [illegible] t 9 percent of the total number of [illegible] eho [illegible] ri [illegible] c

The need for housing assistance is concentrated among small, non-elderly families (**53** percent), while elderly/ handicapped households comprise about one-third, and large families (five or more persons) account for **15** percent of the total need. (See Table 10.13.) 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

TABLE 10.12

HOUSING CONDITIONS
SELECTED DATA REPORTED IN FISCAL YEARS 1975, 1976, AND 1977 HAPS

	FY 1975	FY 1976	FY 1977
1. Percent of Total Housing Stock Reported as Substandard	11%	13%	12%
2. Percent of Total Housing Stock Reported as Suitable for Rehabilitation	13%	21%	21%
3. Percent of Total Substandard Housing Reported as Suitable for Rehabilitation	75%	71%	75%
4. Percent of Total Substandard Units Reported as Occupied	93%	88%	90%
5. Percent of Total Standard Housing Reported as Vacant	4%	3%	3%
6. Percent of Total Housing Stock Reported as Rental Units	Not Computed	48%	49%

Source: Department of Housing and Urban Development, Office of Evaluation, Community Planning and Development. Based upon an analysis of HAPs for 151 sample entitlement cities in 1975, and 147 of the same sample cities in 1976 and 1977. (Four cities were either disapproved or did not apply in FY 1976 and FY 1977.)

TABLE 1C.13

HOUSEHOLDS REQUIRING HOUSING ASSISTANCE
SELECTED DATA REPORTED IN FISCAL YEARS 1975, 1976 and 1977

	FY 1975	FY 1976	FY 1977
1. Percent of Needy Households Reported as Elderly/Handicapped	35%*	33%	32%
2. Percent of Needy Households Reported as Small Families	47%*	52%	53%
3. Percent of Needy Households Reported as Large Families	13%*	15%	15%
4. Percent of Needy Households Reported as Renter Households	Not Required	75%	75%
5. Percent of Needy Households Reported as Minority Households	30%	33%	33%
6. Percent of Needy Households Reported as Female-Headed	Not Required	26%	25%
7. Percent of Needy Households Reported as Expected to Reside	8%	10%	9%
8. Percent of Needy Households Reported as Expected to be Displaced	1.5%	1%	1%

*Five percent of total households reported in 1975 were not distributed by household type.

Source: Department of Housing and Urban Development, Office of Evaluation, Community Planning and Development. Based upon an analysis of HAPs for 151 sample entitlement cities in 1975, and 147 of the same sample cities in 1976 and 1977. (Four cities were either disapproved or did not apply in Fiscal Years 1976 and 1977.)

minority, while small families are thirty-three percent, and elderly/handicapped households are twenty-two percent minority. Female-headed households account for about one-fourth of the total households in need of assistance and approximately one-fourth of each household type.

Housing Goals

FINDING #13: The number of total units planned in HAP goals increased in both the second and third years of CDBG.

The average annual goal set in 1975 was 723 units, 792 units in 1976, and 970 units in 1977. This represents an increase in the average annual goal of 9.5 percent from 1975 to 1976 and twenty-two percent from 1976 to 1977.

While the program mix of HAP goals changed somewhat between the first and second years of CDBG, the program mix for the third year varies only slightly from that established in 1976. Rehabilitation continues to be the major unit type planned for housing assistance, and communities continue to set goals rouqhly in proportion to the needs of the various low income household types.

Of the housing assistance entitlement communities have planned for Fiscal Year 1977; thirty-nine percent will be provided through rehabilitation, thirty-five through new construction, and twenty-six percent through existing units. Table 10.14 compares the annual HAP goals set during the first three years of CDBG.

Households to Be Assisted by HAP Goals

In 1977, small families are scheduled to receive forty-six percent of total planned assistance, elderly/handicapped are to receive thirty-nine percent, and large families are to receive fifteen percent of the total housing assistance planned for 1977. Annual goals for each of the first three years of CDBG have slightly emphasized meeting the needs of the elderly/handicapped. Over the three-year period, this emphasis has gradually increased. Table 10.15 shows the proportionality of goals planned during 1975-1977.

TABLE 10.14

PERCENT OF UNIT TYPES PLANNED IN FISCAL YEARS 1975, 1976 AND 1977 ANNUAL HAP GOALS

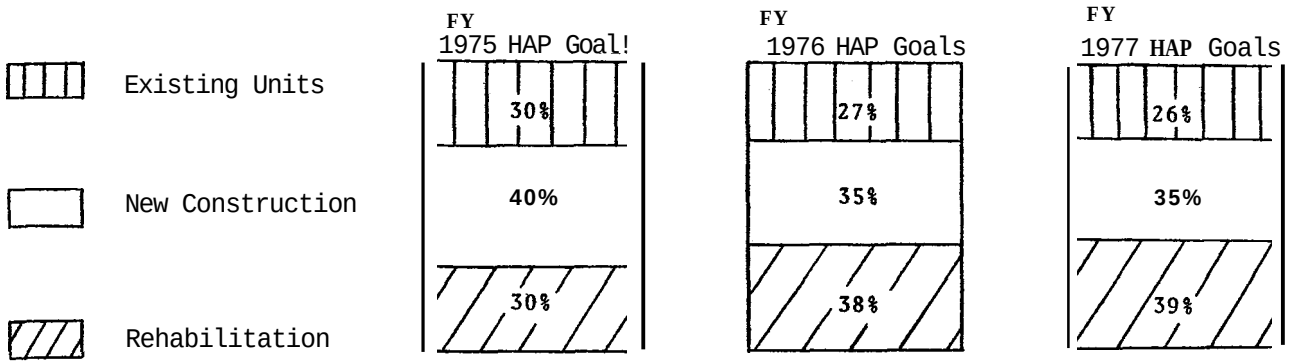
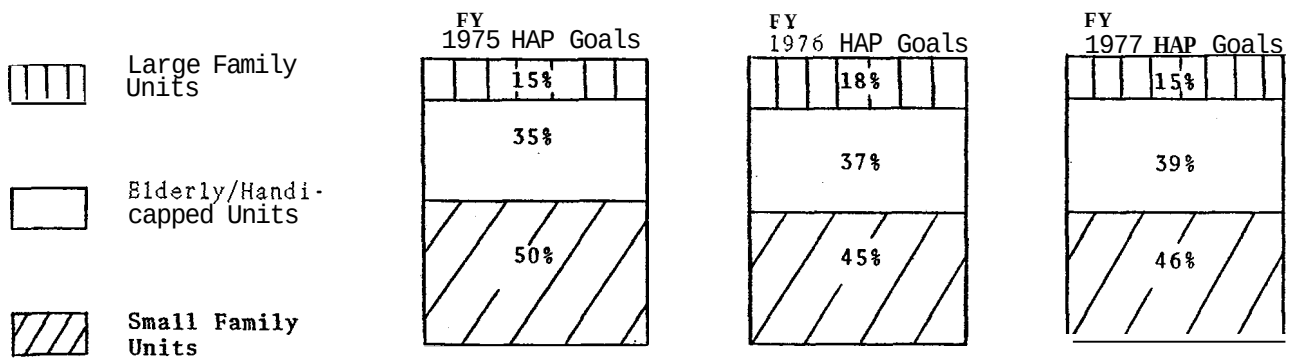


TABLE 10.15

PERCENT OF HOUSEHOLD TYPES PLANNED IN FISCAL YEARS 1975, 1976 AND 1977 ANNUAL HAP GOALS



Source: Department of Housing and Urban Development, Office of Evaluation, Community Planning and Development. Based upon an analysis of HAPs for 151 sample entitlement cities in 1975, and 147 of the same sample cities in 1976 and 1977. (Four cities were either disapproved or did not apply in 1976 and 1977.)

HAP goals planned for FY 1977 would meet approximately nine percent of all households in need of assisted housinq. Corresponding to each increase in total goals, the percent of households to be assisted has increased for each year of CDBG (7 percent in 1975 and 8 percent in 1976).

FINDING #14: CDBG communities continue to plan new construction primarily for the elderly/handicapped while rehabilitation is the major form of assistance to large and small families. (See Table 10.16.)

Sources of Assistance

The major source of assisted housing cited in HAP goals for all three years of CDBG has been the Section 8 program, followed by rehabilitation activities under CDBG. Both programs combined have accounted for between 70 to 80 percent of the total annual goals set for each year.

Section 8 is cited as the source for 59 percent of total goals planned for 1977. As in 1976, existing units continue to be the major unit type planned under Section 8, followed by new construction and rehabilitation. (See Table 10.17.) Although rehabilitation comprises the smallest percentage of assistance planned under Section 8, tnere has been a substantial increase from year two to year three (six percentage points) offset by smaller decreases in the percent of existing and new units planned.15/

CDBG is again cited as the major source for rehabilitation, accounting for about one-half of total rehabilitation units planned for 1977 and 16 percent of total goals for all three unit types. Most of the housing assistance planned under CDBG is in the form of loans and grants for homeowners.

15/ The data used in this analysis are from the sample of 147 entitlement cities. Preliminary data on 1,246 entitlement communities indicate a lower percent of Section 8 rehabilitation goals and a higher percent of goals for new construction. This is most likely due to the absence of small non-metropolitan cities in the 147 city sample. All of the 147 sample cities are in metropolitan areas and may tend to emphasize rehabilitation in meeting their housing needs.

TABLE 10.16
FISCAL YEAR 1977 ANNUAL HAP GOALS: PROGRAM MIX FOR EACH HOUSEHOLD TYPE

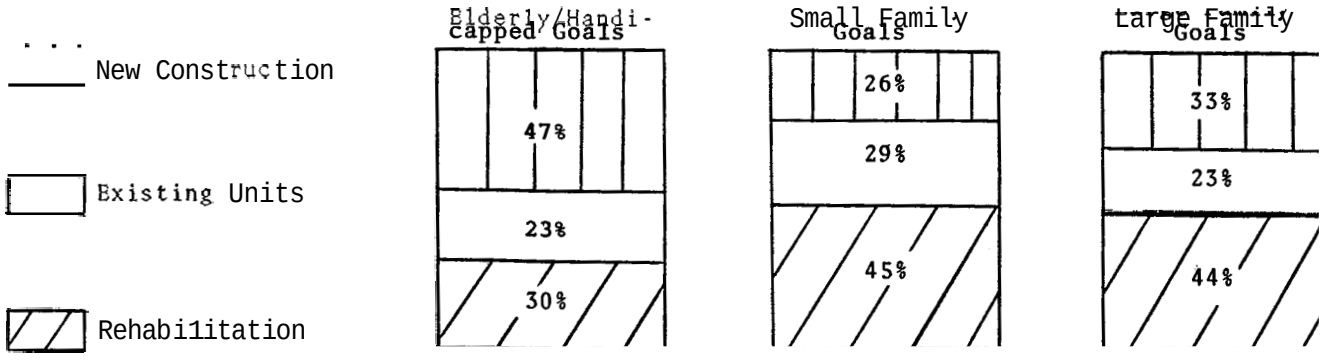
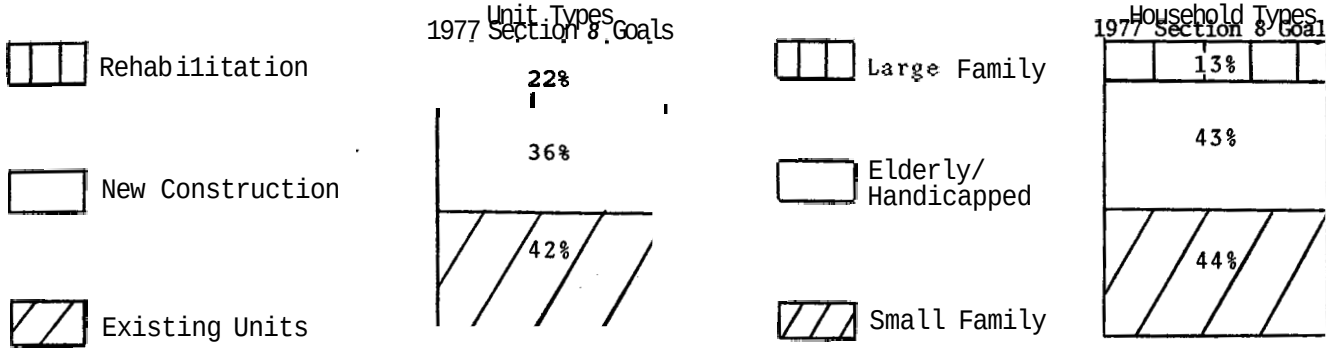


TABLE 10.17
FISCAL YEAR 1977 ANNUAL HAP GOALS: PROGRAM MIX FOR TOTAL SECTION 8 GOALS



Source: Department of Housing and Urban Development, Office of Evaluation, Community Planning and Development. Based upon an analysis of Fiscal Year 1977 HAPs for 147 sample entitlement cities.

Other HUD programs, primarily Public Housing, the Section 235 interest reduction homeownership program, the Section 202 direct loan program for elderly/handicapped rental housing, and the Section 312 rehabilitation loan program, were cited for 18 percent of the 1977 goals, an increase of nine percentage points over the 1976 percentage. (See Table 10.18.)

Local and state funds make up about 5 percent of the total goals. Most of the housing assistance programs supported with local funds are for rehabilitation. In addition, private money was leveraged through local and CDBG funds for the purposes of rehabilitation. Chapter 8 discusses this effort in further detail.

Three-Year Goals

1977 HAP goals projected over a three-year period are very similar to the annual goals. Program mix is virtually the same as the annual mix, with a two percentage point decrease in new construction, and one percentage point increases in rehabilitation and existing goals. Following the proportionality requirements for three-year goals, communities have set three year goals that are closer in proportion to household needs than annual goals (36 percent elderly/handicapped, 49 percent small family, and 15 percent large family).

Location of Assisted Housing

On Table IV of the HAP, local officials are required to indicate general locations of proposed new and rehabilitated assisted housing.

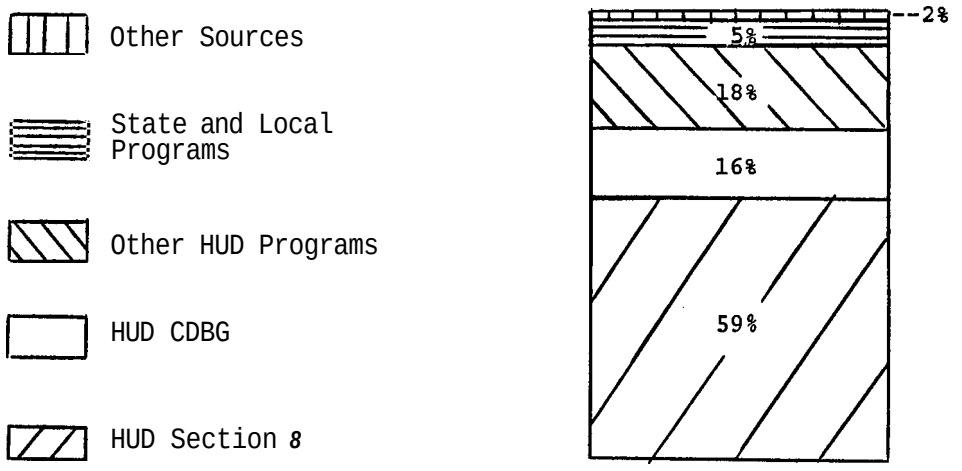
These locations should reflect the objectives of revitalizing the community, promoting greater choice of housing opportunities, avoiding undue concentration of assisted housing in lower income areas, and assuring the availability and adequacy of public services and facilities to serve the proposed assisted housing.

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) indicates the nature of the housing target areas.[16]

16/ Methodology for the census tract analyses used throughout the Report is discussed in the appendix.

TABLE 10.18

FISCAL YEAR 1977 ANNUAL GOALS: SOURCES OF PROPOSED ASSISTED HOUSING



Source: Department of Housing and Urban Development, Office of Evaluation, Community Planning and Development. Based upon an analysis of Fiscal Year 1977 HAPs for 147 sample entitlement cities.

FINDING #15: The number of census tracts planned for assisted housing during the first three years of CDBG has increased, and also shows a gradual shift from lower to higher income tracts. This trend is particularly evident in the increase of high income tracts cited for new construction. (See Tables 10.19 and 10.20.)

The percent of high income census tracts, (with a median income above the SMSA median) that were designated as general locations for proposed assisted housing in 1977 increased by five percentage points over 1976. The percentage increase of high income census tracts planned for new construction was seven percentage points, and for rehabilitation was five percentage points. (See Table 10.20.)

FINDING #16: Entitlement communities continue to plan new construction predominantly in upper income areas, rehabilitation in low and moderate income areas, and combine both unit types in all three areas.

The increase of high income tracts to receive new construction continues the trend established in 1975-76 of locating new construction in high income areas, This strategy supports the legislative objective of promoting a greater choice of housing opportunities for low income persons, and deconcentration of assisted housing. Of the census tracts to receive exclusively new construction in 1977, over one-half are high income, and 28 percent are median income. (See Table 10.20.)

Rehabilitation is planned primarily in low and moderate income census tracts, supporting the legislative objective of revitalizing communities. Of the census tracts to receive exclusively rehabilitation assistance, about half are low to moderate, and 31 percent are median income tracts. New construction in blighted areas is also part of the strategy of stabilizing a deteriorated area, and 18 percent of the census tracts to receive exclusively new construction are low to moderate income tracts. (See Table 10.20.)

Communities have combined proposed new and rehabilitated assisted housing within each income level: 43 percent are low and moderate census tracts; 30 percent are median income tracts; and 27 percent are high income tracts. (Table 10.20.)

USE OF THE HAP

The Housing Assistance Plan is a significant innovation for both housing and community development, because it provides a structural link between the two. Cities applying for Federal assistance under CDBG have been faced with the task of meshing community development and assisted housing activities, both physically and

TABLE 10.19
PERCENT OF CENSUS TRACTS CITED AS GENERAL LOCATIONS FOR
ASSISTED HOUSING: FISCAL YEARS 1976 **AND** 1977

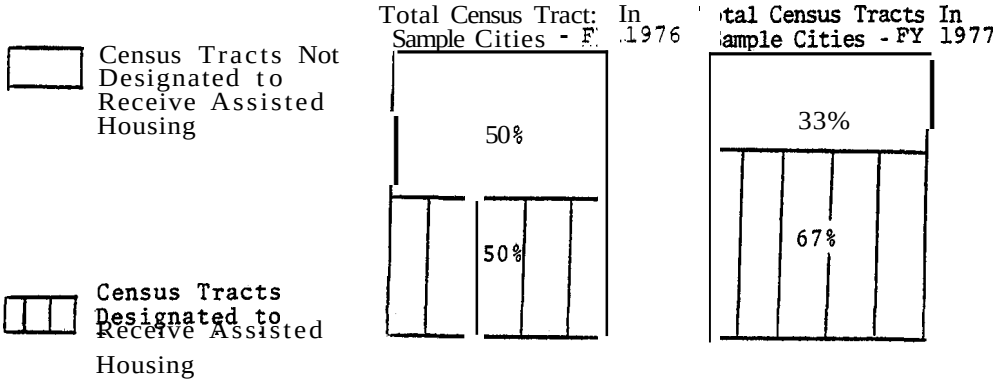


TABLE 10.20
DISTRIBUTION OF CENSUS TRACTS DESIGNATED FOR ASSISTED HOUSING BY
INCOME LEVEL OF TRACTS: FISCAL YEARS 1975-1976

1977 Locations	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	39%	18%	51%	43%
Median Income Tracts	30	28	31	30
High Income Tracts	31	54	18	27

i976 Locations	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%	25%	56%	39.5%
Median Income Tracts	31	28	31	31.5
High Income Tracts	26	47	13	29

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 Years 1976 and 1977.

conceptually, through the HAP. Except in cities with prior experience in both the community development categorical programs and Federal housing programs, few local officials have been able to coordinate the two program areas. The block grant program includes many communities which had limited or no Federal assistance prior to CDBG. The result has been considerable inexperience among CDBG applicants in dealing with assisted housing, the private housing market, and community development simultaneously.

FINDING # 17: Over the first three years of the block grant program, the HAP has played an important role as an educational tool.

Communities have found the HAP useful in increasing their awareness of local housing needs and conditions. Localities reported in both the HUD-contracted study and the field survey that the HAP brought focus to Federal housing assistance and forced local officials to learn about Federal housing programs so that increased use could be made of available resources. Another principal factor in the CDBG-HAP-Section 8 system is the local private developer. The HAP has also provided an educational experience for many developers. It has proven to be a catalyst for contact between private developers and local officials when assisted housing projects are being planned.

Because of the innovative nature of the HAP, it has been slow to develop as an effective planning tool and has encountered and continues to encounter considerable difficulties and problems. After each of the first two years of the block grant program, a broad survey of applicants was conducted to aid in the management of the program.17/ The program requirement that applicants

17/ The Office of Evaluation, Community Development Funding Survey, a self-administered survey questionnaire, was sent to all entitlement cities after the submission of their first CDBG application (a period extending from December 1, 1974 to April 15, 1975). 880 cities out of 1251 responded, providing information regarding their first year CDBG planning and application process.

The Office of Evaluation Community Development Experience Survey questionnaire was sent to all communities plus a sample of 473 discretionary grantees during August 1976. A total of 895 communities respdnded, providing information regarding implementatfon of the first-year program and the planning and application process for the second year.

identified as giving them the greatest difficulty in both surveys was the HAP.

At this stage in the evolution of the CDBG/HAP process, HAP problems were primarily data oriented. Many communities found the decennial census to be outdated or inaccurate. They also found that many of the data requested for the HAP were difficult to find and that data collection and maintenance caused considerable drain on staff time and resources.

HUD responded as these problems arose. The Department sought to update census data where possible by contracting with the Census Bureau for data adjusted and updated with information collected in 1973. Expected to reside figures, especially difficult for many smaller communities to provide, were calculated and made available for most cities by HUD. In addition, the Department directed cities to other sources where they might find useful HAP data. These sources included other Federal agencies, State agencies, and public interest groups, such as the U.S. Conference of Mayors and the National League of Cities.

As the block grant program moved through year two, the HAP as a technically valid documentation of a locality's housing needs and conditions was greatly improved. However, it was this initial difficulty and the resultant emphasis on a technically valid HAP that left other aspects of the HAP, and the accompanying problems, less scrutinized. Presently, these problems are much more significant to the utility of the HAP than data problems.

In addition, and more important than its role as a report on housing conditions and needs, is the pivotal position of HAP in the legislation. 'This position assigns to the HAP the role of a planning and management tool, to plan the provision of assisted housing in communities and to coordinate the planning, placement, and implementation of community development and housing activities.

FINDING #18: Both the HUD-contracted study and the field study indicate that in most cases, the HAP is not yet fulfilling its intended role as a planning and management tool.

There are two basic reasons:

First, local officials contend that it is difficult to prepare a plan for assisted housing based primarily upon housing programs over which they have little or no control. It was intended legislatively that HAP goals would be employed in the allocation of HUD housing resources so that the HAP could impact on the types of housing assistance made available to CDBG participants. However, many local officials were concerned about inadequate housing performance and setting goals for which there were limited resources; consequently they have tended to rely upon HUD estimates of anticipated housing allocations in establishing their HAP goals, particularly for Section 8. This practice results in a reversal of the role of the HAP from a local housing planning tool to a reflection of anticipated allocations of Federal housing resources.

Local officials feel more assured in setting goals for local or CDBG funded assisted housing programs. Although the Section 8 existing program provides more assistance in terms of households assisted, local officials identified the CDBG rehabilitation program, over which they have greater control of funds and administration, as the most successful program from planning to completion.

Contributing to the problem of the uncertainty of HAP goals is the dependence upon and general unfamiliarity of localities with the private development process. Few communities have established a relationship with private developers that is necessary to accurately determine the intentions of the private sector.

Second, most Area Office staff interviewed in the field study stated that although the use of the HAP in the housing process has increased, it is generally restricted to a technical role. Data from the HAP are used on an aggregate basis to determine program mix and proportionality which are percentage calculations applied to the allocation of Section 8 funds. The effect of individual local housing priorities is limited. Although local officials can express local strategies and priorities in a narrative accompanying the HAP, this was not a strict requirement in the first two years of CDBG. Neither private developers nor HUD field staff seriously considered the HAP narrative in determinations of proposal consistency with HAPs.

FINDING #19: Rather than operating in its intended position as a front-end instrument, influencing local housing policies and plans for assisted housing, the HAP has been positioned at the end of the housing process in a review function.

When proposals for assisted housing are submitted to HUD for review and approval, local officials are then given an opportunity under the Section 213 review and comment process [18] to object to an application on the grounds that it is inconsistent with the applicable HAP. However, because of the large need for assisted housing, local officials hesitate to object to any housing assistance made available in their community. Therefore, they may express approval under Section 213 procedures [19] or amend their original HAP goals. The resulting assistance may aid in meeting housing needs, but not necessarily according to the plans and priorities as expressed in the original HAP goals.

The quality of the HAP has improved as a result of improved data and clarification of the HAP as a document through revised forms and instructions. However, concentration on the HAP as a technical document, with minimal success in representing a housing strategy, has limited the ability of the HAP to influence the very complex process of housing production or the coordination of housing and community development activities. Completion of the four HAP tables alone is not sufficient to place the HAP in an active housing planning role. It is necessary for local officials to develop, and summarize in the HAP, a housing strategy that has been incorporated into a larger community development effort. HUD promotes such a local commitment in the new regulations for Fiscal Year 1979.

.Revised Regulations for the Fiscal Year 1979 HAP

The revised regulations spell out a more specific explanation of the HAP. Included for the first time are sections on the purpose and use of the HAP; the responsibility of the applicant in achieving goals for all household types,

18/ Section 213 of the Housing and Community Development Act of 1974, Title 11, P.L. 93-383.

19/ Under Section 891.204(a) of the Federal regulations for the review of applications for housing assistance, local officials may submit a statement of no objection for applications that are inconsistent with the applicable HAP.

by tenure type; standards and criteria for the approval of the HAP; and the relationship of new HAP goals to goals contained in previously approved HAPs. To encourage the coordination of community development and housing activities, HUD will require that CDBG applicants include a narrative of their housing strategy in their Community Development Plan. To address the underdelivery of assisted housing to small and large families, applicants will be required to meet the needs of specific household types not fulfilled under prior housing performance.

By clarifying what is expected of CDBG recipients with regard to the HAP, the Department has emphasized that the evolution of the HAP process must continue. The emphasis is underscored by the following statement of Secretary Harris:

> "We have made it plain that HAPs are not to be regarded as meaningless bureaucratic exercises, but must represent a serious effort on the part of the community to meet identified housing needs. The types of housing assistance proposed must be adequate to meet the range of housing needs by family size and tenure category. Siting of assisted housing units must expand housing opportunities and avoid undue concentrations of assisted persons. The performance of a community under its HAP, and its application of HUD assisted housing benefits under the HAP, are of critical importance to the attainment of the goals of the Community Development Block Grant program. By reinvigorating the HAPs, we have married OUT housing and community development programs so that they work in concert to achieve their legislative objectives." 20/

20/ Secretary's testimony before the Senate Committee on Banking, Housing and Urban Affairs on January 27, 1978.

Chapter 11

COORDINATION OF HOUSING AND COMMUNITY DEVELOPMENT ACTIVITIES

One purpose of the Housing and Community Development Act of 1974 that is of special interest to the Department of Housing and Urban Development is "the undertaking of housing and community development activities in a coordinated and mutually supportive manner."1/ A related purpose is to further the "achievement of the national housing goal of a decent home and a suitable living environment for every American family."2/

The legislative history of the Act emphasizes congressional interest in this area. The House Report notes that provisions of Title I of the bill and Title II which allocate housing assistance funds partially on the basis of needs specified in local Housing Assistance Plans:3/

> "...will make it possible for communities to plan unified community development and housing programs. For the first time, after nearly three decades of Federal aid for housing and community development, communities will be able to coordinate the location of new housing units with existing or planned public facilities and services..."4/

1/ Housing and Community Development Act of 1974, Title I, Section 101(d)(4), Public Law 93-383.

2/ Ibid., Section 101(d)(3).

3/ Ibid., Title 11, Section 213, which affords to the unit of general local government in which proposed housing assistance is to be provided, an opportunity to object to the approval of an application for HUD-funded housing assistance, on the grounds that the application is inconsistent with the locality's housing assistance plan.

4/ Report No. 93-1114, Report from the Committee on Banking and Currency to accompany H.R. 15361 on the Housing and Community Development Act of 1974; June 17, 1974. Also, see Section I, Chapter 2 of this Third Annual Report for a discussion of the planning systems for coordinating CDBG physical development, social development, and housing activities.

The specific national objectives of the Community Development Block grant legislation (Section, 101(c)) also stress the need for linkage between housing and community development activities. One of the objectives of particular interest is Section 101(c) (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 revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income.''

This charter examines the extent to which the coordination of housing (i.e., Public Housing and Section 8) and community development activities appears to have been achieved. The discussion also includes an analysis of the impact of spatial deconcentration efforts on this coordination. Other Chapters in this Annual Report deal with such CDBG housing-related issues as housing rehabilitation programs (Section 11, Chapter 8), Housing Assistance Plans (Section II, Chapter 10), and funds budgeted towards the achievement of the national objectives (Section 111, Chapter 13).

Three sources of data were used for this chapter:

a. Interviews with local housing and community development officials in 19 cities. These persons included the Director of the city's Public Housing Authority, the Director of the CDBG program, and the city's housing planner. The 19 cities visited had a total of 261 subsidized housing projects of which 86 were Section 8 housing; the remaining 175 were Low-Rent Public Housing projects.

b. An analysis of CDBG applications from a sample of 147 entitlement communities.

c. An analysis of large city street maps for each of the 19 cities visited, with the specific locations of all Section 8 and Public Housing projects and Fiscal Year 1975 through Fiscal Year 1977 CDBG funded activities plotted by HUD evaluators, with the assistance of city officials.

FINDING #1: Over half of the Section 8 and Low-Rent Public Housing projects in the 19 cities visited were "coordinated" to some extent with other community development activities:

37.5 percent were "directly coordinated", while an additional 16.8 percent were "generally coordinated." The extent to which this coordination is the result of comprehensive planning activities or unplanned co-location is discussed below.

Coordination is considered direct when one of the following situations exists: (a) Public Housing projects receive Community Development Block Grant funds for modernization of units, (b) housing projects are located in former HUD categorical program neighborhoods[5/], or (c) housing projects are located within a one-block radius of CDBG-funded activities, which may be either within or outside of CDBG target areas.

Coordination is considered general when one of the two following situations exists: (a) housing projects are located within a radius of two blocks or less, but more than one block from CDBG-funded activities, either within or outside of CDBG target areas, or (b) housing projects are located within a CDBG target area, but more than two blocks from CDBG-funded activities.

As shown in Table 11.1, 54.3 percent of the 261 Section 8 and Public Housing projects in the 19 cities were coordinated, either directly or generally with community development activities. The most frequent type of coordination was the one which shows the clearest attempt by localities to "undertake housing and community development activities in a coordinated and mutually-supportive manner"; 38 of the 261 housing projects, or 14.6 percent, are located within a one-block radius of CDBG-funded activities. The second most frequent type of coordination was the general one in which housing projects are located within a CDBG target area but more than two blocks from CDBG-funded activities: 35 of the projects, or 13.4 percent, can be categorized in this manner.

Forty-three percent of the 261 Section 8 and Public Housing units (i.e., 112 units) in the cities visited are located in CDBG target areas. Of this number, half are located within a one or two-block radius of CDBG-funded

5/ Excludes Section 8 and Public Housing projects which are located in former HUD categorical neighborhoods and which are also either (a) receiving CDBG funds for modernization of Public Housing units or (b) located within a one-block radius of CDBG-funded activities.

Table 11.1

EXTENT TO WHICH SECTION 8 AND LOW-RENT PUBLIC HOUSING PROJECTS ARE COORDINATED WITH COMMUNITY DEVELOPMENT ACTIVITIES

Type of Coordination	Number of Housing Projects	Percentage of All 261 Housing Projects in 19 Cities
A. Direct Coordination		
1. Housing projects receive CDBG funds for modernization of units	27	10.3%
2. Housing projects are located within a one-block radius of CDBG-funded activities, either within or outside of CDBG target areas	38	14.6%
3. Housing projects are located in former HUD categorical program neighborhoods.[a]	33	12.6%
Subtotal	98	37.5%
B. General Coordination		
1. Housing projects are located within a one two block radius of CDBG-funded activities, either within in or outside of CDBG target areas.	9	3.4%

Table 11.1

EXTENT TO WHICH SECTION 8 AND LOW-RENT PUBLIC HOUSING PROJECTS ARE COORDINATED WITH COMMUNITY DEVELOPMENT ACTIVITIES

Type of Coordination	Number of Housing Projects	Percentage of All 261 Housing Projects in 19 Cities
2. Housing projects are located within a CDBG target area, but more than two blocks from CDBG-funded activities.	35	13.4%
Subtotal	44	16.8%
TOTAL:	142	54.3%

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on interviews with local officials in 19 cities. The cities had a total of 261 Section 8 and Public Housing projects, of which 86 (or 33 percent) were Section 8 and 175 (or 67 percent) were Public Housing projects.

a/ Excludes Section 8 and Public Housing projects which are located in former HUD categorical neighborhoods and which are also either: (a) receiving CDBG funds for modernization of Public Housing units, or (b) located within a one-block radius of CDBG-funded activities. These housing projects are included in this table under A-1 and A-3, respectively.

activities, such as housing rehabilitation, street-related improvements, parks, open space, and neighborhood facilities. Many of these projects are also located in CDBG target areas which are former HUD categorical program neighborhoods (e.g., Urban Renewal, NDP, and Model Cities). Seventy-four housing projects -- 25 Section 8 projects and 49 Public Housing projects -- are located in former categorical program areas; they constitute 28.4 percent of the 261 projects in the cities visited.

Public Housing projects are being supported by different types of community development activities than are Section 8 housing projects. Thirty-nine percent of the Public Housing projects are directly supported by CDBG-funded street-related improvements and the rehabilitation of residential structures, while Section 8 projects are being supported by clearance-related activities (e.g., acquisition, clearance, and demolition) and street-related improvements. CDBG-funded park improvements are also frequently being used to support both types of housing projects.

One-third of the 19 cities visited budgeted CDBG funds for modernization of Public Housing projects. The funds were used for such items as storm windows, door replacements, security locks, security patrols, exterior lighting, window caulking, rehabilitation, and insulation for "winterization." Of the 27 Public Housing projects in these cities being modernized with CDBG funds, all but four are within a CDBG target area or in a former HUD categorical program neighborhood. It is important to note, however, that the fact that a Public Housing project received CDBG funds for modernization does not necessarily imply that this is "mutually supportive" of other community development activities. Nonetheless, only four of the 27 Public Housing projects being modernized with CDBG funds are located outside of either CDBG target areas or former categorical program areas.

The larger Office of Evaluation sample of 147 entitlement communities budgeted $3.3 million [6] in CDBG funds in

6/ This figure represents program dollars: it excludes funds for administration, studies, planning, contingencies, and deferred funds.

Fiscal Year 1977 for Public Housing modernization; this amount representes 0.81 percent of all entitlement funds, and is an increase from Fiscal Year 1976, when $2.4 million (i.e., 0.62 percent) was budgeted. 7/

Co-location

Some Section 8 and Public Housing projects are co-located, rather than coordinated, with community development activities. 8/ Co-location is defined as the presence of subsidized housing and CDBG-funded activities within the same census tract but located more than two blocks apart. Sixteen percent of all Section 8 and Public Housing units in the 19 cities visited were co-located with other community development activities. Co-location was higher for Section 8 projects (33 percent were co-located) than for Public Housing.

7/ In addition to CDBG-funded Public Housing modernization, the Department provided approximately $95 million in annual contract authority from Fiscal Year 1975 to Fiscal Year 1977 to over 800 Local Housing Authorities for modernization purposes. It was estimated that this amount would finance $1 billion worth of capital improvements. Eighty percent of the cities visited for this study received such HUD funds.

8/ Thirty percent of all the Section 8 and Public Housing projects in the cities visited were neither coordinated nor co-located with community development activities.

FINDING #2: Thirty-five percent of the Section 8 and Public Housing projects in the cities visited are located in higher income areas, which appear to have a lesser need for CDBG-fundeu activities.

Part of the effort to locate subsidized housing outside of low- and moderate-income areas is to achieve the legislative objective of deconcentrating housing opportunities. To this end, a high percentage of Section 8 and Public Housing projects in the 19 cities are located in middle- and upper-income census tracts. As shown in Table 11.2, 35.2 percent of the projects are in these higher income areas, compared to 42.9 percent located in CDBG target areas (which may or may not be low-and moderate-income) and 21.8 percent in low-and moderate-income census tracts which are outside of CDBG target areas. By type of housing, 42 percent of the Section 8 housing (i.e., 36 projects) are located outside of low-and moderate-income census tracts, as are 32 percent of the Public Housing (i.e., 56 projects). The Section 8 projects, however, typically have a smaller number of units per project than the Public Housing.

Entitlement cities are continuing to plan more housing for new neighborhoods than for former categorical ones. A major finding of the Second Annual Report was that in Fiscal Year 1976, localities had scheduled two-thirds of all Section 8 housing for new neighborhoods which had not previously received community development funding. The 19 cities visited for this study have located 71 percent of their Section 8 housing in new, non-categorical neighborhoods.

Furthermore, locations of Section 8 new construction and rehabilitation housing are increasingly outside of areas of minority concentration. Twenty-three percent of all Section 8 housing in the communities visited are located in census tracts where the majority of persons are minority, compared to 30 percent for all Public Housing projects.

FINDING #3: The level of coordination and co-location between HUD-assisted housing projects and community development activities is the result of at least two factors, in addition to the extent of the city's concern for deconcentrating housing opportunities: (a) whether the housing is elderly or non-elderly, and (b) communication between local housing and community development officials and staff.

Elderly housing projects were coordinated. or co-located with community development activities to a lesser degree than

non-elderly assisted housing projects in the 19 cities. One element contributing to this situation may be the lower need for CDBG funds for modernization and general maintenance for elderly housing projects. In addition, elderly housing is often located in more stable, middle-income neighborhoods than non-elderly subsidized housing: 49 percent of the elderly housing projects in the cities visited were located outside of low- and moderate-income areas, compared to only 36 percent for non-elderly. The 19-city field survey data suggest that the more stable middle-income neighborhoods contain sufficient public services and facilities to support the elderly housing. Thus, CDBG funding may not be required here.

Communication, according to local housing and community development administrators surveyed, is an important factor for insuring the Coordination of housing and community development activities. Ninety-five percent of the Community Development Block Grant program administrators stated that frequent, or at least periodic, communication among CDBG officials and staff, city planners, housing developers, and Local Housing Authority representatives is central to any real coordination effort. When Public Housing Authority (PHA) Directors were asked about efforts they had made to coordinate housing and community development activities (by requesting CDBG-funded improvements to upgrade the area in which PHA projects are located), 14 of the 19 PHA Directors indicated they had not made this effort. The reasons given were, for the most part, that the PHA project neighborhoods have no need for CDBG-funded activities (e.g., because former HUD categorical programs had already improved the area). Of the five PHA Directors who had made requests for CDBG-funded activities, three were approved (modernization of PHA units, a water and sewer project, and street improvements). The two cases in which the requests were denied were: a request for upgrading the NDP area where the PHA projects are located (the city targeted its CDBG funds elsewhere) and a request for off-street parking (the CDBG citizens committee believed that public housing tenants should not own cars).

In terms of future coordination, 13 of the 19 Public Housing Authority Directors interviewed reported that they would like to see the city undertake certain CDBG activities to support the PHA's existing and/or proposed projects. The

types of activities needed in the future varied as follows:[9] modernization of the housing projects (four cities), water and sewer projects (three cities), social services (two cities), land acquisition (two cities), public parks and recreation facilities (one city), maintenance services for Public Housing units (one city), and security services and equipment (one city). Only five of the 13 public Housing Authority Directors, however, stated that they had discussed these CDBG activity preferences with the CDBG administrator.

Conclusion

The above data show that housing and community development activities are undertaken in a "mutually supportive manner" in many cases. About 28 percent of the Section 8 and Public Housing projects are in relatively close proximity to CDBG-funded activities.[10] Another 26 percent of the housing and community development activities are being carried out in a "coordinated manner" Because the housing is located in the former categorical program neighborhoods [11] or in new CDBG target areas. For the remaining 46 percent of the housing projects, the degree of coordination is somewhat uncertain--particularly the extent to which locations of new HUD-assisted housing projects are being coordinated with CDBG-funded activities. The fact that: (a) many new target areas apparently do not have comprehensive plans for development, and (b) the interviewed local housing and community development officials frequently indicated the need for coordination but appeared to have neither the mechanisms nor the time to achieve it, leads to questions about the need for more extensive efforts in this area.

9/ One Public Housing Authority Director named more than one activity in response to this interview question.

10/ Includes: (a) Section 8 and Public Housing projects which receive CDBG funds for Public Housing modernization (10.3 percent); (b) Section 8 and Public Housing projects located within a one-block radius of CDBG-funded activities, either inside or outside of CDBG target areas (14.6 percent); and (c) Section 8 and Public Housing projects located within a 1+ to 2 block radius of CDBG-funded activities, either within or outside of CDBG target area (3.4 percent).

11/ Excludes Section 8 and Public Housing projects which are located in former HUD categorical neighborhoods and which are also either: (a) receiving CDBG funds for modernization of Public Housing units, or (b) located within a one-block radius of CDBG-funded activities.

The March 1, 1978 regulations[12] issued on the Community Development Block Grant program should be helpful in fostering an increased amount of mutually supportive and coordinated housing and community development activities. Section 570.301(a) of the regulations reads as follows:

> "(a) Comprehensive strategies. The act requires that applicants have a three-year plan for the use of block grant funds which demonstrates a comprehensive strategy for meeting identified community development and housing needs. The Act provides discretion to local governments to develop strategies appropriate to local conditions and permits a wide choice of projects and activities to carry out those strategies. However, a comprehensive strategy shall include: (1) a systematic assessment of the locality's community development and housing needs and the resources available to meet those needs; (2) determination of the applicant's long- and short-term objectives and priorities for the use of funds; (3) development of a three-year plan of activities designed to meet the needs and objectives identified. This plan shall provide for undertaking housing and community development activities in a coordinated and mutually supportive manner consistent with local and areawide development planning and national urban growth policies."

12/ Federal Register, Volume 43, No. 41-Wednesday, March 1, 1978, Community Development Block Grant Program, Entitlement Grants.

TABLE 11.2

LOCATION OF SECTION 8 AND LOW-RENT PUBLIC HOUSING PROJECTS IN 19 CITIES VISITED, BY INCOME OF AREA

LOCATION	NUMBER OF HOUSING PROJECTS	PERCENT OE TOTAL
1. CDBG target areas	112	42.9%
2. Low- and moderate-income census tracts outside of CDBG target areas	57	21.8%
3. Middle- and upper-income census tracts outside of CDBG target areas	92	35.2%
TOTAL:	261	99.9%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, based on 261 Section 8 and Public Housing projects in 19 cities visited by HUD evaluators.

NOTE: Numbers do not add to 100 percent due to rounding.

CHAPTER 12

URBAN COUNTIES

This Chapter of the Third Annual Report presents an analysis of Urban Counties' experience with the Community Development Block Grant Program parallel to the discussion of Metropolitan Cities in prior Annual Reports. The Urban County data base has been greatly expanded by the results of a research contract managed by the HUD Office of Evaluation for Community Planning and Development.[1] This contract authorized a one year evaluation of Urban County participation in the Community Development Block Grant Program.

The project was designed to: (1) study the experience and performance of Urban Counties with respect to the planning and execution of their Community Development Block Grant programs: and (2) examine relationships existing among the county governments and cooperating local units of government at various stages of the Urban County CDBG program. The study involved three- to five- days site visits to each of the 76 participating counties. During the site visit, face-to-face interviews were conducted with County CDBG program staff, the chief elected official, representatives of the citizen participation organizations, cooperating and non-cooperating jurisdictions, and staff of the cognizant Regional Agency. In addition, the Urban County's first, second and third year applications and Housing Assistance Plans were analyzed prior to the site visits, and questions arising from this analysis were answered by Urban County CDBG staff during the visits.

Because this section of the report uses an expanded data base, the results are not directly comparable to other Chapters within this report.

Community Development Block Grant Fundina

Seventy-six counties qualified for Fiscal Year 1977 Community Development Block Grant funding as Urban Counties. The seventy-five counties qualifying in 1976 continued in that status in 1977. Rockland County, New York, an Urban

1/ Contract H-2606 funded by the HUD Office of Policy Development and Research and managed by the Office of Evaluation, Community Planning and Development.

County in 1975, regained Urban County status in 1977, after being a discretionary grant recipient in 1976.

Table 12.1 indicates CDBG funds allocated to each of the Urban Counties for Fiscal Years 1975, 1976 and 1977. Since the majority of the Urban Counties were "phase-in" grant recipients, Fiscal Year 1977 was the first year of the full formula funding for the Urban Counties. Fiscal Year 1977 funding represented a 275 percent increase over Fiscal Year 1975 funding and a 157 percent increase over Fiscal Year 1976 funding.

Legislative Objectives and Funded Activities

This section reports on the methods Urban Counties are using to achieve the legislative objectives of the CDBG program: the data presented below are based on a review of each Urban County's first, second, and third year CDBG applications and face-to-face interviews. Each county was asked to indicate the relative priority of the Section 101(c) objectives in terms of their programs. 2/ Table 12.2 below summarizes Urban Counties' perceptions of the relative importance of these eight legislative objectives.

2/ For study purposes, the first objective (the elimination of slums and blight and the prevention of blight and blighting influences) was treated as two separate objectives.

TABLE 12.1

CDBG FUND ALLOCATION TO URBAN COUNTIES
FISCAL YEARS 1975, 1976, AND 1977

(Dollars in Thousands)

Name of County/State		FY 1977 Qualifying Population	Number of Cooperating Jurisdictions FY 1977	FY 1975 CDBG Allocation	FY 1976 CDBG Allocation	FY 1977 CDBG Allocation
Jefferson	AL	$ 315,644	31	$ 1,361	$ 3,014	$ 4,999
Alameda	CA	242,489	7	745	1,646	2,599
Contra Costa	CA	383,570	12	1,060	2,347	3,913
Fresno	CA	260,868	14	1,560	3,456	5,751
Kern	CA	262,981	10	1,440	3,190	5,267
Los Angeles	CA	1,926,532	42	14,461	17,533	29,431
Marin	CA	215,134	10	558	1,233	2,067
Orange	CA	534,224	15	1,361	2,997	4,612
Riverside	CA	261,937	13	1,342	2,957	4,844
Sacramento	CA	408,181	3	1,258	2,784	4,698
San Bernardino	CA	479,645	12	1,863	4,303	7,126
San Diego	CA	499,587	16	1,611	3,766	5,756
San Mateo	CA	303,301	11	2,772	2,824	3,055
Santa Clara	CA	286,435	7	1,012	2,238	3,497
New Castle	DE	321,853	9	759	1,732	2,913
Broward	FL	482,166	26	1,435	3,316	5,883
Dade	FL	801,188	23	21,610	20,998	19,775
Hillsborough	FL	273,763	2	922	2,041	3,597
Orange	FL	260,977	9	905	2,046	3,522
Palm Beach	FL	283,842	19	1,068	2,478	4,283
Pinellas	FL	299,276	14	816	1,998	3,496
De Kalb	GA	387,018	5	840	1,864	3,213
Cook	IL	1,575,082	103	3,246	8,265	14,107
Du Page	IL	436,509	16	826	1,990	3,495
Lake	IL	287,204	43	696	1,614	2,751
Madison	IL	251,468	50	992	2,195	3,614
St. Clair	IL	223,199	25	890	1,970	3,274
Jefferson	KY	342,132	38	2,857	2,857	3,624
Jefferson Par.	LA	381,387	7	1,452	3,214	5,458
Anne Arundel	MD	295,295	0	798	1,764	3,004
Montgomery	MD	498,536	8	1,423	2,314	3,888
Prince Georges	MD	553,849	14	5,436	5,436	5,795
Genesee	MI	269,052	31	721	1,454	2,450
Oakland	MI	502,369	45	954	2,819	4,347
Wayne	MI	376,848	25	637	1,986	3,627

TABLE 12.1 (Continued)

CDBG FUND ALLOCATION TO URBAN COUNTIES
FISCAL YEARS 1975, 1976, AND 1977

(Dollars in Thousands)

Name of County/State		FY 1977 Qualifying Population	Number of Cooperating Jurisdictions FY 1977	FY 1975 CDBG Allocation	FY 1976 CDBG Allocation	FY 1977 CDBG Allocation
Hennepin	MN	$ 364,396	36	$ 738	$ 1,752	$ 3,015
St. Louis	MO	772,447	62	2,034	4,619	7,690
Bergen	NJ	839,752	65	1,730	3,929	6,434
Burlington	NJ	285,728	26	509	1,187	2,330
Essex	NJ	231,711	9	--	348	759
Hudson	NJ	212,211	9	385	923	1,512
Middlesex,	NJ	313,373	20	655	1,448	2,400
Monmouth	NJ	352,599	45	978	2,162	3,705
Morris	NJ	332,345	37	608	1,391	2,340
Union	NJ	348,516	16	613	1,354	2,201
Erie	NY	593,418	40	1,621	3,502	5,531
Monroe	NY	263,573	22	--	557	1,296
Nassau	NY	223,179	5	1,531	1,531	1,531
Onondaga	NY	287,253	34	734	1,623	2,712
Rockland	NY	203,540	17	465	--	1,051
Suffolk	NY	913,556	25	1,079	4,038	8,530
Westchester	NY	278,341	23	--	645	1,183
Cuyahoga	OH	414,973	126	476	1,786	3,210
Franklin	OH	315,451	41	720	1,639	2,799
Hamilton	OH	412,602	36	849	2,315	4,031
Montgomery	OH	308,760	28	757	1,672'	2,799
Stark	OH	238,205	13	549	1,217	2,017
Summit	OH	266,280	28	579	1,280	2,583
Allegheny	PA	999,287	125	6,456	7,583	8,449
Beaver	PA	210,196	54	542	1,225	2,026
Berks	PA	219,861	74	540	1,200	2,011
Bucks	PA	379,118	52	629	1,908	3,245
Chester	PA	277,872	69	575	1,561	2.816
Delaware	PA	388,517	44	810	1,891	3,454
Lancaster	PA	278,874	59	680	1,727	2,940
Luzerne	PA	255,298	64	584	1,454	2,486
Montgomery	PA	441,566	50	362	1,712	2,816
Washington	PA	214,507	61	617	1,366	2,266
Westmoreland	PA	380,123	64	670	2,134	3,656

TABLE 12.1 (Continued)

CDBG FUND ALLOCATION TO URBAN COUNTIES
FISCAL YEARS 1975, 1976, AND 1977

(Dollars in Thousands)

Name of County/State		FY 1977 Qualifying Population	Number of Cooperating Jurisdictions FY 1977	FY 1975 CDBG Allocation	FY 1976 CDBG Allocation	FY 1977 CDBG Allocation
Harris	TX	$ 389,691	13	$ 963	$ 3,006	$ 4,999
Tarrant	TX	243,537	30	660	1,460	2,461
Salt Lake	UT	318,366	8	1,172	2,131	3,950
Fairfax	VA	480,124	2	1,548	2,180	3,740
King	WA	557,493	28	1,511	3,340	5,443
Pierce	WA	232,401	16	718	1,776	2,828
Snohomish	WA	209,522	17	573	1,281	2,142

Table 12.2

URBAN COUNTY PERCEPTIONS OF THE RELATIVE IMPORTANCE OF CDBG LEGISLATIVE OBJECTIVES

Legislative Objective	% Ranking as Most Important Objective	% Ranking as Among the 3 Most Important Objectives
Elimination of Slums and Blight	11.8	53.9
Prevention of Blight and Blighting Influences	26.3	72.3
Elimination of Detrimental Conditions	10.5	52.6
Expand and Conserve Housing Stock	34.2	77.6
Expand and Improve Community Services	6.6	19.8
More Rational Utilization of Land	3.9	10.5
Reduction in Isolation of Income Groups	6.6	13.2
Historic Preservation	0.0	0.0

Table 12.3 summarizes the resources Urban Counties have allocated to meeting each objectives, based on results of the Urban County interview which asked respondents' identification of the legislative objective served by each CDBG activity funded in Fiscal Year 1975, 1976, and 1977.

Table 12.3

URBAN COUNTY EXPENDITURES BY LEGISLATIVE OBJECTIVE
(Percent of Total Funds for all Urban Counties)

Legislative Objective	FY 1977	FY 1975 & FY 1976	All Program Years
Elimination of Slums and Blight	7.3	9.3	8.4
Prevention of Blight and Blighting Influences	20.4	16.2	18.1
Elimination of Detrimental Conditions	18.9	19.3	19.1
Expand and Conserve Housing Stock	15.1	16.5	15.9
Expand and Improve Community Services	30.1	31.4	30.8
More Rational Utilization of Land	5.7	5.5	5.6
Reduction in Isolation of Income	1.8	0.8	1.3
Historic Preservation	0.7	0.9	0.8

FINDING #1: The allocation of funds by legislative objective compared with the prioritized objectives suggest that the project selection process has little relationship to a rational planning process.

A comparison of Tables 12.2 and 12.3 indicates that although the three most important objectives were expansion and conservation of the housing stock, prevention of blight and blighting influences and elimination of slums and blight, the three objectives for which the largest amounts of money were programmed were expansion and improvement of community services (30.9 percent), elimination of detrimental conditions (19.0 percent), and prevention of blight and blighting influences (18.1 percent).

The lack of correspondence between the allocation of funds to national objectives and the prioritization of those objectives by Urban County CDBG staff is due in large part to the important role played by cooperating jurisdictions in the project formulation and selection process in the majority of counties. The cooperating jurisdictionsformulated and/or selected the projects to be undertaken within their boundaries. The projects so selected were far more likely to reflect the prioritized objectives of the cooperating jurisdiction rather than of the Urban County.

The three most important community development objectives received slightly more than 43 percent of the funds. This is only 6 percent more than three objectives would have received if funds had been allocated equally among objectives. As can be seen in Table 12.3, there has been no substantial change in the percentage of CDBG funds allocated to the various objectives between Fiscal Year 1977 and the two earlier program years. The majority of funds were allocated to activities directed to the expansion and improvement of community services, the prevention of blight and blighting influences, and the elimination of detrimental conditions. Minor variations between Fiscal Year 1977 and the earlier program years are evident: the percentage of funds allocated to the elimination of slums and blight dropped from 9.3 percent to 7.3 percent; prevention of blight and blighting influences increased from 16.4 percent to 20.4 percent. Although this overall similarity between expenditure by legislative objective in Fiscal Year 1977 and prior program years masks significant changes that occurred in individual Urban Counties, it suggests that the program policy initiative that occurred at the begining of the third program year required little change in the overall direction of the Urban Counties' CDBG programs. Table 12.4 presents expenditures by legislative

objective for each Urban County cumulatively for Fiscal Years 1975, 1976 and 1977.

FINDING #2: As with legislative objectives, there is little evidence urban counties allocated funds on the basis of preceived needs.

When Urban County expenditure by need is compared with their prioritization of ten commonly identified needs, little relationship is evident. (See explanation for Finding 1) Table 12.5 presents the Urban Counties' prioritization of need and the percent of funds allocated to each need. The three highest priority needs (a shortage of housing for low-moderate income persons, deteriorating residential areas, and inadequate infrastructure) received 39.9 percent of the activity funds (7.0 percent, 17.5 percent and 15.4 percent respectively), whereas the bottom three needs (community facilities, parks, and public services) received 33.5 percent of the funds (14.4 percent, 12.9 percent and 6.2 percent respectively). The first priority need was seventh in fund allocation, and the sixth priority need was second in funding. While the allocation of funds does not correspond to either perceived needs or overall program objectives, there is also some disparity between preceived need and overall objectives. For example, while the shortage of housing for low-moderate income persons was preceived to be the Urban Counties' greatest need, the objective of expansion and conservation of the housing stock was fourth in importance.

TABLE 12.4 URBAN COUNTY EXPENDITURE BY LEGISLATIVE OBJECTIVE BY URBAN COUNTY (% OF TOTAL)

Name of County and State		LEGISLATIVE OBJECTIVE							
		Eliminate Slums and Blight	Prevent Blight	Eliminate Detrimental Conditions	Expand/ Conserve Housing	Expand/ Improve Community Services	More Rational Utilization Of Land	Reduce Isolation of Income Groups	Historic Preservation
Jefferson	AL	5.8	6.9	50.1	5.0"	29.0"	0.6*	0.5	2.0
Alameda	CA	1.1*	67.6*	6.6	0.8"	23.6	0.2	0.0	0.0
Contra Costa	CA	1.1	5.5"	5.8	30.3*	56.6"	0.0	0.0	0.6
Fresno	CA	5.2	44.2*	29.2*	9.9*	11.2	0.4	0.0	0.0
Kern	CA	0.9"	0.0*	63.5	8.5*	25.4	1.6	0.1	0.0
Los Angeles	CA	0.2"	15.4*	25.1	10.3*	44.9	2.9	1.0	0.1
Marin	CA	0.0	10.2"	19.1"	25.6*	34.3	5.0	2.6	3.1
Orange	CA	6.4	16.3	22.1	18.2;:	16.8*	6.0*	14.3	0.0
Riverside	CA	0.2	21.4*	48.1	1.55:	17.8	2.7*	8.2	0.0
Sacramento	CA	0.6	14.1*	13.6*	15.2*	55.0	0.0	0.1	1.5
San Bernardino	CA	0.0	2.0"	9.2	23.8*	60.5*	4.2	0.0	0.4
San Diego	CA	0.0	5.2*	32.2	21.09:	24.0	17.4	0.0*	0.3
San Mateo	CA	13.2*	1.9"	3.3	48.3*	15.7	13.4	4.2	0.0
Santa Clara	CA	0.0	6.1"	17.4"	30.8;:	29.6	13.9	7.4	0.4
New Castle	DE	4.3"	3.4"	24.1	26.9"	15.3	26.0	0.0	0.0
Broward	FL	20.0"	7.1"	0.0"	14.6	58.3	0.1	0.0	0.0
Dade	FL	15.4"	34.1"	1.6	17.6*	29.7	0.0	1.3	0.1
Hillsborough	FL	6.5"	3.8	35.6	36.5"	17.0	0.0	0.3	0.3
Orange	FL	28.3*	1.0"	35.1*	16.6	16.1	2.8	0.0	0.0
Palm Beach	FL	14.9*	5.2*	5.6	29.6*	42.9	1.8	0.0	0.0
Pinellas	FL	3.6*	4.0"	42.4*	27.1	22.3	0.6	0.0	0.0
De Kalb	GA	0.4	0.6"	0.0"	4.4	90.1*	0.0	4.5	0.0
Cook	IL	32.4*	23.7*	10.2	12.5	14.7	4.6	1.0*	0.9
Du Page	IL	17.8*	28.9"	0.0	5.3	4.7	42.2*	1.2	0.0
Lake	IL	26.9"	10.0"	23.9"	10.7	27.3	0.0	0.0	1.3
Madison	IL	18.0	7.9	37.0"	9.2*	5.6*	12.2	10.1	0.0
St. Clair	IL	5.6"	11.6"	34.0	16.8"	24.7	3.1	3.1	1.2

TABLE 12.4 URBAN COUNTY EXPENDITURE BY LEGISLATIVE OBJECTIVE
URBAN COUNTY (% OF TOTAL) (CONTINUED)

Name of County and State		LEGISLATIVE OBJECTIVE							
		Eliminate Slums and Blight	Prevent Blight	Eliminate Detrimental Conditions	Expand/ Conserve Housing	Expand/ Improve Community Services	More Rational Utilization Of Land	Reduce Isolation Of Income Groups	Historic Preservation
Jefferson	KY	9.9 *	26.0*	18.3*	18.4	14.2	13.1	0.0	0.2
Jefferson Par.	LA	5.7	50.8*	4.7 *	14.1*	6.0	18.6	0.0	0.2
Anne Arundel	MD	0.0*	13.8*	3.4	21.6	50.7	9.2*	0.0	1.2
Montgomery	MD	21.5	10.4*	32.6*	17.3*	12.0	0.7	3.5	2.0
Prince Georges	MD	20.0*	7.0*	0.0	14.6*	58.3	0.1	0.0	0.0
Genesee	MI	6.0*	0.2	38.9*	16.8	23.4	11.6	2.2*	0.9
Oakland	MI	0.1*	33.5*	27.1	2.3*	25.3	11.5	0.0	0.2
Wayne	MI	0.0	0.0	11.0	25.3	54.3*	8.0*	0.8*	0.6
Hennepin	MN	2.6	19.7*	12.5*	6.5*	41.9	15.5	0.0	1.2
St. Louis	MO	3.5*	52.1*	4.6	26.9*	5.3	7.4	0.2	0.0
Bergen	NJ	2.1*	4.9*	42.7	22.6	26.2*	0.1	0.4	0.9
Burlington	NJ	4.2	0.0*	21.8	29.4*	31.3*	7.2	0.0	6.1
Essex	NJ	21.4*	13.5*	33.9"	21.3	9.9	0.0	0.0	0.0
Hudson	NJ	0.0*	8.9*	18.1	42.0*	18.0	0.0	0.0	13.0
Middlesex	NJ	1.9	4.7*	56.6*	2.3*	29.6	2.3	0.0	2.7
Monmouth	NJ	1.2*	10.6*	44.0	3.8*	27.6	10.9	0.0	2.0
Morris	NJ	7.3	0.6*	17.9	25.4*	15.4	31.2	0.6*	1.6
Union	NJ	27.6*	15.1*	22.4*	5.1	19.7	8.4	0.0	1.7
Erie	NY	1.2*	10.6	44.0*	3.8	27.6	10.9*	0.0	2.0
Monroe	NY	6.8	0.0*	11.0	37.9	9.6*	27.8	6.6*	0.3
Nassau	NY	1.2	18.3*	18.9*	25.9*	23.5	2.3	9.8	0.0
Onondaga	NY	0.2*	2.9	46.1*	14.0*	26.0	10.7	0.0	0.0
Rockland	NY	0.0	14.7	43.4*	16.0	17.6*	1.4	6.8*	0.0
Suffolk	NY	5.3*	29.0*	5.7	25.3*	24.3	6.2	0.0	4.1
Westchester	NY	0.0	34.1*	13.4*	47.8*	4.7	0.0	0.0	0.0

CDBG EXPENDITURES PLANNED FOR SPECIFIC ACTIVITIES, FISCAL YEAR 1978

MINOR ACTIVITY FOR 1975	DESCRIPTION OF SPECIFIC ACTIVITY FOR 1975	1978 FU	CDBG $S
1	ACQUISITION FOR REDEVELOPMENT		8.4
2	RELOCATION		4.6
3	DEMOLITION		2.2
4	GENERAL UR/NDP		4.2
5	HISTORIC PRESERVATION		0.9
6	CODE ENFORCEMENT		2.0
7	STREET IMPROVEMENTS		10.3
8	PUBLIC WORKS		12.7
9	FLOOD PROTECTION		0.4
10	REMOVAL OF ARCHITECT. BARRIERS		3.4
11	WATER AND SEWER		4.1
12	OPEN SPACE		4.7
13	NEIGHBORHOOD FACILITIES		3.5
14	HOUSING: NEW CONSTRUCTION		1.[illegible]
15	REHAB: GRANTS		3.7
16	REHAB: LOANS		11.7
17	REHAB: BY COMMUNITY		[illegible]
18	FACILITIES/EQUIPMENT: FIRE		[illegible]
19	POLICE		3.0
20	RECREATION		2.2
21	HOUSING COUNSELLING		0.6
22	INT. ASSISTANCE/PUBLIC HEALTH		3.2
24	CHILDREN		0.4
25	TRANSPORTATION		0.5
26	ELDERLY		0.6
27	YOUTH		0.1
30	JOBS		0.[illegible]
33	PUBLIC SERVICES: GENERAL		2.0
34	FIRE		0.[illegible]
35	POLICE		0.6
36	RECREATION		0.4
37	JOBS		0.3
38	ECONOMIC DEVELOPMENT		.1
39	HOUSING COUNSELLING		1.3
40	INT. ASST/PUBLIC HEALTH		1.1
41	MEDICAL		1.0
42	CHILDREN		1.3
43	TRANSPORTATION		0.3
44	ELDERLY		1.4
45	LEGAL		1.1
46	YOUTH		0.7
47	EDUCATION		0.4
			106.2

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TABLE 12.4 URBAN COUNTY EXPENDITURE BY LEGISLATIVE OBJECTIVE BY URBAN COUNTY (% OF TOTAL) (CONTINUED)

Name of County and State		LEGISLATIVE OBJECTIVE							
		Eliminate Slums and Blight	Prevent Blight	Eliminate Detrimental Conditions	Expand/ Conserve Housing	Expand/ Improve Community Services	More Rational Utilization Of Land	Reduce Isolation Of Income Groups	Historic Preservation
Cuyahoga	OH	23.1*	6.7*	5.9	14.0*	36.5	5.3	6.3	2.2
Franklin	OH	0.0	24.0*	23.0	25.8*	17.2*	23.4	0.0	2.1
Hamilton	OH	11.2*	72.6*	27.1"	8.6	43.4	2.0	0.0	0.4
Montgomery	OH	7.2	18.1*	0.9*	44.7	20.8	2.3	4.8*	1.2
Stark	OH	19.5*	2.8*	47.5*	2.1	25.8	2.3	0.0	0.0
Summit	OH	34.1*	4.9	2.1*	6.7*	40.8	9.1	0.0	2.4
Allegheny	PA	0.4"	61.9	15.2*	4.0*	14.8	3.8	0.0	0.0
Beaver	PA	25.0"	27.0*	26.3	0.0*	20.9	0.6	0.0	0.1
Berks	PA	11.5*	3.6*	17.8	7.0*	60.2	0.0	0.0	0.0
Bucks	PA	5.8	33.6	15.2*	15.47:	24.1"	1.6	3.2	0.5
Chester	PA	2.9*	10.8*	26.5	28.3	31.4	0.2*	0.0	0.0
Delaware	PA	4.4*	2.0*	13.6*	10.6	66.4	2.6	0.1	0.3
Lancaster	PA	0.0*	3.7	20.2*	34.4*	24.7	11.2	0.0	5.7
Luzerne	PA	11.2	4.0*	0.0*	16.5*	30.5	7.5	0.0	30.4
Montgomery	PA	10.5	27.55:	10.0*	18.7*	23.4	9.9	0.0	0.0
Westmoreland	PA	0.0	0.9	29.2*	5.4*	49.9"	13.4	1.3	0.0
Harris	TX	10.5"	27.5*	10.0*	18.7	23.4	9.8	0.0	0.0
Tarrant	TX	0.0	0.8	68.3"	0.0*	23.3"	7.6	0.0	0.0
Salt Lake	UT	4.0*	19.0"	13.5	0.6*	44.2	16.4	0.8	1.6
Fairfax	VA	6.7	2.6	12.7*	20.7*	57.3"	0.0	0.0	0.0
King	WA	0.4	0.0	38.9	20.5;:	31.7	8.4*	0.2*	0.0
Pierce	WA	0.0	1.4*	50.6*	4.9*	39.3	3.2	0.0	0.6
Snohomish	WA	0.7	2.2	29.7*	12.4	27.7*	26.3	0.5*	0.5
ALL COUNTIES		8.4	18.1	19.1	15.9	30.8	5.6	1.3	0.8

Source: HUD contract H-2606 with Marshall Kaplan, Gans and Kahn. Based on data collected by contractor in 76 urban counties.

Note : Washington, PA is missing from the County listing due to lack of comparable data, but is included in the column totals.

*Indicates County specification of the objective as being among the three most important ones.

Table 12.5

URBAN COUNTY PERCEPTIONS OF THE RELATIVE IMPORTANCE OF COMMUNITY DEVELOPMENT NEEDS AND FUND ALLOCATION BY NEED

PRIORITY RANKING	NEED	PERCENT FUNDS ALLOCATED	FUND RANKING
1	Shortage of Housing For Low and Moderate Income Persons	7.0	7
2	Deteriorating Residential Areas	17.5	1
3	Inadequate Infrastructure (water, sewer, drainage)	15.4	3
4	Blighted Areas	9.6	6
5	Inadequate Employment Opportunities	1.1	9
6	Inadequate Streets	15.9	2
7	Inadequate Community Facilities	14.4	4
8	Inadequate Parks	12.9	5
9	Inadequate Public Services	6.2	8

Table 12.6 presents the Urban Counties' expenditures by legislative objectives served by types of activities. This table indicates that there is general agreement about the objectives served by most types of activities. Recreation and park activities were perceived to contribute primarily to the expansion and improvement of community services, more rational utilization of land, and prevention of blight and blighting influences. Housing rehabilitation and new housing assistance contributed primarily to the elimination and prevention of slums and blight and the expansion and conservation of housing stock. Street improvements and infrastructure contributed significantly to the prevention of blight, the elimination of detrimental conditions and the expansion and improvement of community services. Code enforcement and renewal activities contributed primarily to the elimination and prevention of slums and blight, the elimination of detrimental conditions and the expansion and conservation of housing stock. Community facilities contributed to the expansion and improvement of community services, and social services to the elimination of slums and blight and the improvement of community services. Economic development activities contributed to the elimination and prevention of slums and blight and the expansion and improvement of community services. Historic preservation activities contributed almost solely to the objective of historic preservation.

TABLE 12.6

URBAN COUNTY EXPENDITURE BY LEGISLATIVE OBJECTIVE SERVED BY TYPE OF ACTIVITY

SECTION 101(C) OBJECTIVES	Recreation Parks	Housing Rehabilitation	New Housing	Street Improvements	Infrastructure Improvements	Renewal Clearance	Code Enforcement Spot Demolition	Community Facilities	Social Services	Economic Development	Historic Preservation	All Activities
Elimination of Slums and Blight	1.0%	4.5%	20.4%	5.0%	7.1%	48.1%	42.7%	0.3%	13.3%	22.8%	0.0%	8.4%
Prevention of Blight	11.5	22.3	1.6	39.3	16.5	19.4	28.1	2.6	0.4	40.7	2.5	18.1
Elimination of Detrimental Conditions	1.1	3.9	6.1	36.7	62.9	6.7	11.8	6.5	0.4	1.9	3.1	19.1
Expand/Conserve Housing Stock	0.6	65.4	60.6	0.3	0.9	12.5	15.2	0.1	0.5	0.6	1.9	15.9
Expand/Improve Community Services	68.4	1.2	3.8	15.6	8.3	3.7	1.0	87.6	84.1	14.8	2.9	30.8
More Rational Utilization of Land	14.0	1.1	1.7	2.3	3.5	7.8	0.9	2.1	0.2	16.8	0.0	5.6
Reduction In Isolation of Income Groups	1.5	1.6	5.7	0.7	0.6	1.7	0.3	0.7	1.0	2.4	0.0	1.3
Historic Preservation	1.8	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	89.5	0.8
ALL OBJECTIVES	14.1	19.1	3.9	17.0	17.0	3.9	3.5	13.8	4.4	2.6	0.8	100.0

Source: HUD contract H-2606 with Marshall Kaplan, Gans and Kahn. Based on data collected by contractor in 76 urban counties.

APPROACHES TO COMMUNITY DEVELOPMENT

This section describes the variety of approaches to community development implemented by Urban Counties in the first 2 years of the program and planned for the third. It describes four major approaches being taken by the Urban Counties, the areas served, populations benefiting. It presents information on the relationship that exists between prior HUD program experience, community development approach utilized, and benefit to low-moderate income persons.

A Typology of Community Development Approaches

An analysis of the types of activities and their CDBG funding level led to the development of a typology of community development approaches. The four program approaches identified by this typology are housing, public works, recreation/community facilities, and mixed. A housing program is one which allocated more than 45 percent of its 3-year activity funding to housing rehabilitation, code enforcement/ spot demolition, and new housing activities.3/ A public works program is one which allocated more than 45 percent of its overall activity funding to street improvements, infrastructure improvements and economic development activities. A recreation/community facilities program is one which allocated more than 35 percent of its cumulative activity funding to parks and recreation, social services, community facilities and historic preservation. The fourth category mixed is a program which does not emphasize any of the above activities. The mixed category's funding allocation tended to reflect the composite allocations of all Urban Counties (housing 35 percent, public works 40 percent, recreation/community services 25 percent). Table 12.7

3/ For study purposes, renewal/clearance activities were allocated 50 percent to housing and 50 percent works on the assumption that renewal activities have tended to be a combination of housing and public works. This assumption probably overestimates the percentage of renewal/activity funds which are housing-related.

below shows the distribution of Urban Counties by type of program approach.

TABLE 12.7

Community Development Program Approaches

	Number	Percent
Housing	10	13.2
Public Works	27	35.5
Recreation Community Facilities	29	38.2
Mixed	10	13.2
	76	100.1

Program Approach Related to Benefit to Low-Moderate Income

FINDING #3: Housing programs were most likely to result in "high" benefit to low-moderate income persons.

The extent to which program approach is related to benefit to low-moderate income persons is presented in Table 12.8. Benefit to low-moderate income persons was based on the percentage of CDBG funds allocated to activities located in low- and moderate-income census tracts and to housing rehabilitation. Less than 25 percent of funds so allocated constituted "low" performance, 25 to 44 percent "average," and 45 percent and above "high" performance.

TABLE 12.8

BENEFIT TO LOW/MODERATE INCOME PERSONS BY PROGRAM PROACH

Benefit to Low-Moderate Income Persons	PROGRAM APPROACH				All Counties
	Housing (n=10)	Public Works (n=27)	Recreation/ Community Facilities (n=29)	Mixed (n=10)	(n=76)
	Percent	Percent	Percent	Percent	Percent
Low	10.0	40.7	13.7	0.0	30.3
Average	30.0	33.3	44.8	50.0	39.5
High	60.0	25.9	41.4	50.0	30.3

Housing programs were most likely to result in "high" benefit to low-moderate income persons (60.0 percent), followed by mixed programs (50 percent), recreation and community facility programs (41.4 percent) and public works programs (25.9 percent). Public works programs were most likely to result in low benefit to low-moderate income persons (40.7 percent). All public works programs which resulted in "high" benefit to low and moderate income persons were located in Counties in which more than 15 percent of the County population had incomes below the poverty level in 1970.

FINDING #4: Program approach does not appear to be related to prior program experience.

Table 12.9 shows those Counties with "no" or "limited" prior program experience were almost as likely to develop a housing or public works program as were Counties with "moderate" or "substantial" prior program experience. They were less likely to develop a mixed program.

TABLE 12.9

PROGRAM APPROACH BY LEVEL OF PRIOR HUD PROGRAM EXPERIENCE

Program Approach	LEVEL OF PRIOR HUD PROGRAM EXPERIENCE				All Counties (n=76)
	None (n=22)	Limited (n=29)	Moderate (n=13)	Substantial (n=12)	
	Percent	Percent	Percent	Percent	Percent
Housing	0.0	20.7	30.8	0.0	13.2
Public Works	54.6	24.1	23.1	41.7	35.5
Recreation Community Facilities	27.3	41.4	38.5	50.0	38.2
Mixed	18.2	13.8	7.7	8.3	13.2

Concentration of Funds

FINDING #5: Over 65 percent of the Urban Counties have target areas designated for the CDBG program.

The Table 12.10 below indicates that 43.4 percent have target areas in both incorporated and unincorporated areas, 15.8 percent in incorporated areas only, and 6.6 percent in unincorporated areas only.

TABLE 12.10

TARGET AREA DESIGNATION: COUNTY FREQUENCIES
(PERCENT OF TOTAL)

Target areas for both incorporated and unincorporated areas	43.4%
Target areas for incorporated areas only	15.8
Target areas for unincorporated areas only	6.6
Target areas not designated	32.9
Don't know/no response	1.3

Of those Urban Counties with target areas, 62.7 percent designated them in the first program year, 78.4 percent in the second, and 94.1 percent in the third program year. Three Counties that had target areas in prior program years did not have target areas in the third program year. County Community Development staff (86.3 percent) and cooperating jurisdictions (49.0 percent) were the most frequently identified major participants in identifying target areas.

Since not all Urban Counties had designated target areas, percentage of funds utilized within target areas could not be used to indicate the degree of concentration of activities. The measure used was the percentage of total census tracts with second or third year activities located within them. The smaller the percentage of total census tracts within them, the greater the Urban County's concentration of activities. Table 12.11 presents the results of this analysis.

Table 12.11

CONCENTRATION OF ACTIVITIES: PERCENTAGE OF TOTAL CENSUS TRACTS WITH SECOND OR THIRD YEAR ACTIVITIES a/

Concentration of Activities		Urban County Frequencies (n=76)	
		Number	Percent
Very high	(0-19%)	2	2.6
High	(20-39%)	26	34.2
Average	(40-59%)	22	29.0
Low	(60-79%)	15	19.7
Very low	(80-100%)	11	14.5

a/ In Counties with less than three years CDBG partici- participation, first or second year activity locations were used.

Thirty-seven percent of the Counties had activities in less than 40 percent of their census tracts, 29 percent in between 40 and 59 percent of their census tracts, and 34.2 percent in 60 percent or more of their tracts.

FINDING #6: When concentration of activities is related to benefit to low-moderate-income persons, a positive relationship is demonstrated.

As shown in Table 12.12, 45.5 percent of those Counties with high concentration of activities ranked high on benefit to low-moderate-income persons, and 17.9 percent ranked low, while 23.1 percent of those with low concentration

of activities ranked high and 42.3 percent ranked low on the benefit issue.

Table 12.12

BENEFIT TO LOW-MODERATE INCOME PERSONS BY LEVEL OF ACTIVITY CONCENTRATION

Benefit to Low-Moderate Income Persons	Level of Activity Concentration			All Counties (n=76)
	Low (n=26)	Average (n=22)	High (n=28)	
Low	42.3	31.0	17.9	30.3
Average	34.6	50.0	35.7	39.5
High	23.1	18.2	46.5	30.3

FINDING #7: Prior HUD program experience is not significantly related to program benefit to low-moderate-income persons.

Table 12.13 relates benefit to low-moderate income persons to level of program experience. Counties with no or limited experience were slightly more likely to have ranked high on benefit to low-moderate income persons as were those with moderate or substantial prior program experience.

Table 12.13

BENEFIT TO LOW-MODERATE INCOME PERSONS BY LEVEL OF PRIOR HUD EXPERIENCE

Benefit to Low-Moderate Income Persons	LEVEL OF PRIOR HUD EXPERIENCE				All Counties
	None (n=22)	Limited (n=29)	Moderate (n=13	Substan-tial (n=12)	
	Percent	Percent	Pe[illegible]t	Percent	Percent
Low	27.2	24.1	23.1	50.0	30.3
Average	45.4	31.0	46.1	41.6	39.5
High	27.2	44.8	8.3	8.3	30.3

Table 12.14

PERFORMANCE LEVEL FREQUENCY: PROGRAM BENEFIT TO LOW AND MODERATE INCOME AREAS

Performance Level	Scale Range	Number	Percent of Total
Very Low	0-9%	4	5.3%
Low	10-24%	19	25.0
Average	25-44%	30	39.5%
High	45-59%	14	18.4%
Very High	60-78%	9	11.8%

Table 12.14 presents the performance levels frequencies associated with program benefit to low- and moderate-income areas. Over 30 percent of the counties score: "Low" or "Very Low," 40 percent "Average," and 30 percent "High" or "Very High."

FINDING #8: The key factor affecting an Urban County's ability to benefit low- and moderate-income persons is the incidence of such persons in the counties.

Many Urban Counties have no census tracts with median incomes 80 percent or less of the county-wide or SMSA median income. The low- and moderate-income population tends to be geographically dispersed rather than concentrated. This pattern makes it possible for a county to have devoted substantial resources to projects within small pockets of poverty yet to have scored poorly on the benefit of low- and moderate-income area scale simply because the census tracts in which these pockets were located are not low- and moderate-income census tracts., The measurement of performance at the census tract level was a disadvantage to many counties due to the dispersion of their low- and moderate-income population. Actual performance was undoubtedly higher than intended by the census tract analysis method. During the second program year there was a marked decrease in performance but it generally recovered by the third year to a level slightly higher than in year one.

The average percent of funds allocated to low- and moderate-income census tracts was 32 percent in year 1 and 37 percent in year 3.

HOUSING ASSISTANCE PLANS

The Urban County context requires substantial interlocal cooperation in all phases of CDBG program implementation. Nowhere is this more evident than in the area of housing. Although 67 percent of the Counties have County or Metropolitan housing authorities, they generally can construct, manage and develop housing only in the unincorporated areas of the county; rarely do they have the ability to provide housing within incorporated areas without the consent of the city or town involved. In addition, many of the cooperating jurisdictions have their own housing authorities. Therefore, the development and implementation of a Housing Assistance Plan (HAP) is more

complex for Urban Counties than for Metropolitan Cities.

The HAP requirement that goals for assisted housing be established were a source of concern to a substantial number of the cooperating jurisdictions visited. The localities tended to believe that the County was using CDBG project funds to coerce them into accepting assisted housing they would not otherwise want. At least one County formally had made acceptance of assisted housing a condition of Urban County participation through their interlocal cooperation agreements; other had similar, if less formal, conditions. This section describes the ways in which Urban Counties prepare their HAP. It delineates the major problems they have encountered in implementation and provides an assessment of their housing assistance programs overall.

Preparation of the Housing Assistance Plan

Preparation of the HAP was the responsibility primarily of County CDBG staff. Approximately 25 percent of the Counties reported substantial involvement of a housing authority, citizen groups, private developers, regional agencies, and/or cooperating jurisdictions. The County staff was generally responsible for setting HAP goals, which were established on the basis of perceived needs, census data, and HUD Area Office directives. Few differences arose between cooperating jurisdictions and the County over goals, usually because goals were not site-specific. At the same time, a substantial number of cooperating jurisdictions evidenced a total lack of knowledge about the Urban County's HAP.

Eighty-three percent of the Urban Counties reported that the proposed locations of assisted housing contained in their third year HAP included census tracts within the incorporated area of one or more cooperating jurisdictions. Of these counties, 68 percent indicated the cooperating jurisdictions had been involved in determining the proposed locations for assisted housing within their community. Twenty-three percent of all counties indicated that substantial differences arose between the County and the cooperating jurisdiction over the location. These differences tended to focus on the number and type (elderly versus family) of units proposed. The Counties reported these differences were generally resolved by mutually acceptable compromise. The limited number of Counties indicating substantial differences between County and cooperating jurisdictions is also a function

of the fact that many Counties consciously avoided locations they believed would result in local controversy. This was generally feasible only when at least one or two cooperating jurisdictions requested or wanted assisted housing, or when the Urban County included unincorporated areas. In a very small number of cases, resolution involved the County deleting the disputed locations when the jurisdiction threatened to withdraw from the Urban County.

Table 12.15 below shows the nature of HAP preparation assistance provided by HUD Area Offices. The most common form of assistance was the provision of base data for Expected to Reside Calculations (59.2 percent), followed by general technical assistance (55.3 percent), and recommedation of changes in annual goals (55.3 percent), and 3-year goals (46.1 percent). Only 18.4 percent of the counties indicated the Area Office had recommended changes in proposed locations. A number of Counties indicated that HUD Area Office involvement in the preparation of their HAP was less than helpful. Recommended changes in goals and needs were sometimes perceived as trivial and capricious, especially when they involved changes of between 10 or 20 units from one category or another. Counties expressing concern about the nature of HUD Area Office involvement in the preparation of the HAP were not more likely to be those Counties with poor performance.

Table 12.15

HAP PREPARATION ASSISTANCE PROVIDED BY HUD AREA OFFICES

Assistance Provided	Counties (Percent) (n=76)
Provided Base Data for ETR Calculations	59.2%
Provided Updated Median Income Data	47.4
Recommended Changes in ETR Calculation	38.2
Recommended Other Needs-Related Changes	55.3
Recommended Changes in Three-Year Goals	46.1
Recommended Changes in Proposed Locations	18.4
Provided General Technical Assistance	55.3

Note: Column totals to more than 100 percent due to multiple responses.

Problems Encountered in Implementing the Housing Assistance Plan

Table 12.16 shows the relative frequency of various Urban County implementation problems. Twenty-two percent indicated they had encountered no major problems, but these Counties tended to have the most limited HAP goals and less than average performance. The most commonly identified problems involved the Section 8 program: Inadequate Section 8 allocations; inadequate fair market rents for Section 8 existing and for Section 8 substantial rehabilitation: and lack of a financing mechanism for Section 8 new construction. Lack of developer interest and low vacancy rates tended to be perceived as major problems in areas experiencing population growth and substantial development of new market-rate housing. Legal constraints on the provision of new assisted housing included zoning which precluded multifamily construction within cooperating jurisdictions, the need to hold a public referendum prior to construction of new assisted housing, the lack of renewal powers which would permit the County to acquire clear and write-down land costs for new assisted housing, and the like. In some cases the constraint was state law; in others, local ordinances. The lack of a public housing agency and limited capacity to administer rehabilitation programs were generally local problems. Several Counties had developed creative solution strategies for this type of problem, such as contracts with the housing authorities of a metropolitan city or interlocal cooperation agreements to provide services either in areas of other cooperating jurisdictions or in unincorporated areas. Similarly, some Counties contracted with the renewal agency of a metropolitan city or cooperating jurisdiction to provide rehabilitation services.

Table 12.16

MAJOR PROBLEMS ENCOUNTERED
IN IMPLEMENTATION OF THE HAP

Problems Encountered	Urban County Frequencies (N = 76)
Inadequate Section 8 Allocation	51.3 Percent
Inadequate Fair Market Rents - Section 8 Existing	46.1
Inadequate Fair Market Rents - Section 8 Substantial Rehabilitation	19.7
Lack of Developer Interest	17.1
Low Vacancy Rate	15.8
Lack of Section 8 Financing Mechanism	15.8
Legal Constraints on the provision of new Assisted Housing	10.5
Lack of Public Housing Authority	9.2
Limited Rehabilitation Administrative Capacity	5.3
None	22.3

Housing Assistance Program Performance

Urban Counties' housing assistance programs were evaluated in terms of three criteria: their achievement of their housing assistance goals, extent of deconcentration, and the extent to which CDBG activities supported implementation of the Housing Assistance Plan. Table 12.17 below presents the results of this analysis.

TABLE 12.17

ADEQUACY OF THE URBAN COUNTIES HOUSING ASSISTANCE PROGRAM

Performance Level	County Frequencies	
	Number	Percent of Total
Very Low	6	7.9
Low	20	26.3
Average	27	35.5
High	19	25.0
Very High	4	5.3

Counties scoring "very low" had provided no new construction, had met less than 25 percent of their rehabilitation goals, and had devoted less than 15 percent of their project budget to activities they defined as supporting implementation of their Housing Assistance Plan. Counties scoring "average" generally had commitments for between 26 and 50 percent of their overall housing goals, had located between 25 and 49 percent of the new construction in census tracts with median incomes in excess of the SMSA average, had achieved between 25 and 50 percent of their housing rehabilitation goals, and had allocated between 30 and 59 percent of their project budget to activities which they defined as supporting implementation of their housing assistance plan. A "very high" ranking indicates the Urban County had achieved 75 percent or more of its overall housing goals, had located more than 25 percent of its new construction in census tracts with median incomes in excess of the SMSA average, had achieved more than 75 percent of their housing rehabilitation goals, and had allocated over

60 percent of their project budget to activities which they defined as supporting implementation of their Housing Assistance Plan. Approximately one-third of the Counties ranked above average and one-third below average.

FINDING #9: Housing assistance program performance was strongly related to prior HUD program experience.

As shown in Table 12.18, over 40 percent or more of the Counties with no prior program experience ranked below average, and 23.7 percent above average. Of those Urban Counties with substantial prior program experience, 16.6 percent ranked below average and 49.9 percent ranked above average. Eighty percent of the Counties ranking below average had "no" or "limited" prior HUD program experience, whereas 50 percent of those ranking above average had "moderate" or "substantial" experience.

.Table 12.18

HOUSING ASSISTANCE PROGRAM PERFORMANCE
BY LEVEL OF PRIOR HUD PROGRAM EXPERIENCE (PERCENT OF TOTAL)

musing Assistance Program Performance	Level of Prior HUD Program Experience				
	None (n=22)	Limited (n=29)	Moderate (n=13)	Sub-stantial (n=12)	All Counties (n=76)
Very Low	9.1	10.3	0.0	8.3	7.9
Low	36.4	27.6	23.1	8.3	26.3
Average	31.8	37.9	38.5	33.3	35.5
High	18.2	20.7	30.8	41.6	25.0
Very High	4.5	3.4	7.7	8.3	5.3

Given the fact that performance of the Urban Counties on their housing assistance program relates positively to prior HUD program experience, it is reasonable to conclude that Urban County performance may increase over time as they develop experience with this program.

TRENDS: FISCAL YEARS 1975-1977

After three years experience with the CDBG programs, trends in activity funding levels and location are evident. This section of the report explores these trends in detail, including national objectives (Chapter 13); funded activities (Chapter 14); and residential, nonresidential and citywide planned expenditures (Chapter 17). Also, particular attention is focused on issues of national concern, specifically, Chapter 18 describes the level of new program activities in the CDBG program and Chapter 19 addresses administrative costs.

The major source of information for this section is the application analysis system developed by the Office of Evaluation in 1975 and refined in 1976. The system examines the applications of a representative sample of 147 entitlement cities. The activities were coded along with their census tract location and budgeted amount, resulting in a data set which when computer manipulated, provides considerable information on the CDBG program. (For a more detailed discussion of this system, see Appendix A: Methodology).

CHAPTER 13

NATIONAL OBJECTIVES

The Community Development Block Grant legislation lists seven [1] specific national objectives, each of which is consistent with the following primary objective of the block grant program:

> "The development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities principally for low and moderate income." [2]

Many of these national objectives overlap in intent, just as many activities undertaken by entitlement cities could lead to the simultaneous achievement of several objectives. To establish a relationship between the national objectives and funded activities, a thorough review was undertaken of 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.

As evidenced in Table 13.1, the results of this review show the funding relative to each of the seven specific national objectives. A comparison of the first three fiscal years of the program reflects little change in the national objectives receiving emphasis.

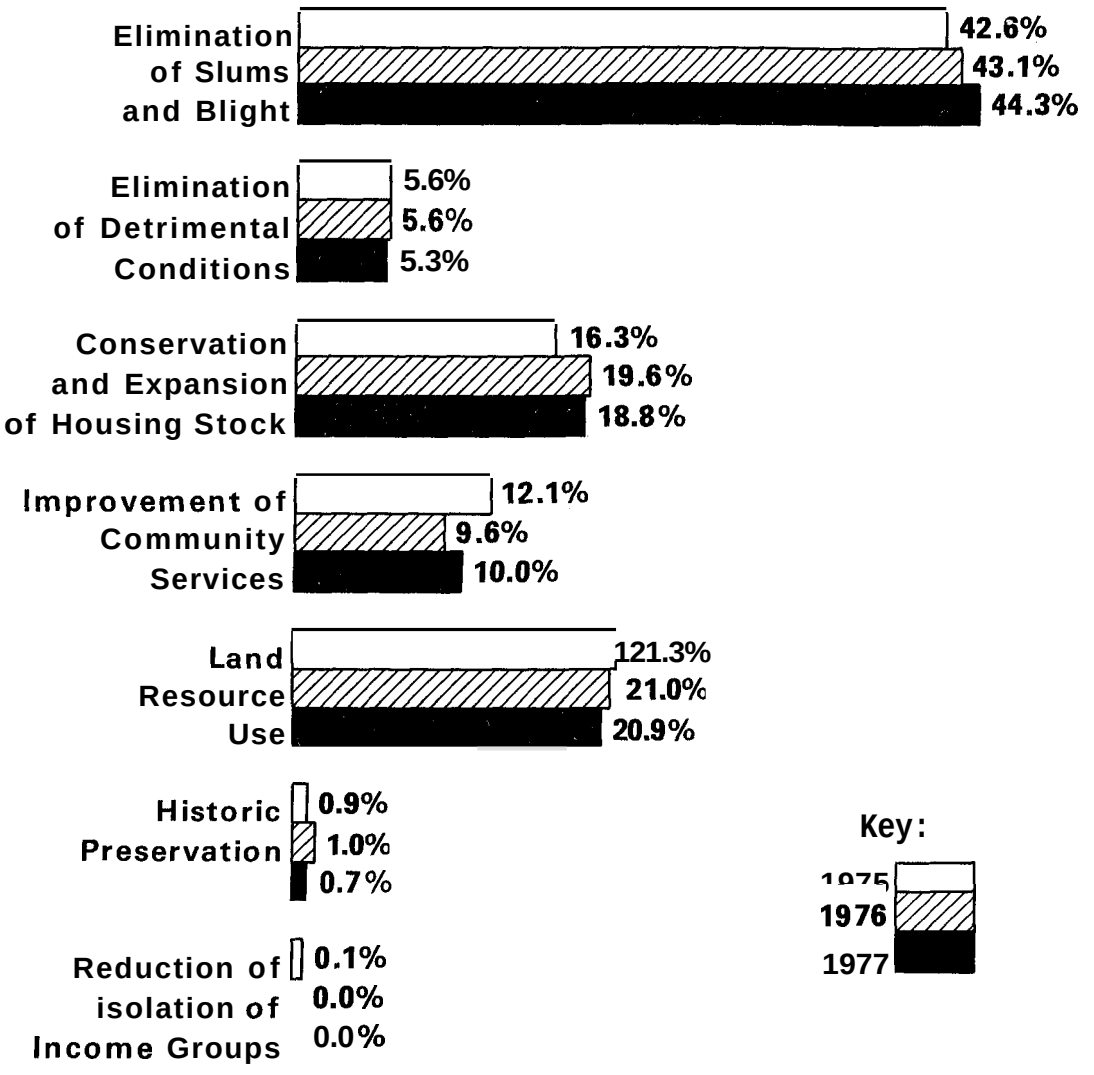
1/An eighth objective, "the alleviation of physical and economic distress through the stimulation of private investment and community revitalization in areas with population outmigration or a stagnating or declining tax base," was added to Title I, Sec. 101(c) (8) of the 1974 Act in the new Housing and Community Development Act of 1977.

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

TABLE 13.1

PERCENTAGE OF FISCAL YEAR 1975-FISCAL YEAR 1977 CDBG FUNDS BUDGETED FOR LEGISLATIVE OBJECTIVES

ENTITLEMENT COMMUNITIES



*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, 147 applications for Fiscal Year 1976, and 147 for Fiscal Year 1977.*

ELIMINATION OF SLUMS AND BLIGHT

Three years after the inception of the Community Development Block Grant program, the largest percentage of entitlement funds is still being budgeted for activities which essentially meet the first legislative specific objective, the elimination of slums and blight. Specifically, the legislative language states:

> "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." [3/]

Funds budgeted for this objective in Fiscal Year 1975 were 42.6 percent of the total entitlement funds, 43.1 percent in Fiscal Year 1976, and 44.3 percent in Fiscal Year 1977. These funds were used in support of five major activities. Table 13.2 reflects the percentage of Fiscal Year 1975-Fiscal Year 1977 CDBG funds budgeted for this objective for five separate activities.

Table 13.2

PERCENTAGE OF FISCAL YEAR 1975-
FISCAL YEAR 1977 CDBG FUNDS BUDGETED
FOR ELIMINATION OF SLUMS AND BLIGHT,
BY CDBG ACTIVITY.,

CDBG Activity	FY 1975	FY 1976	FY 1977
Land Acquisition, Relocation, Demolition	68.3%	57.9%	43.4%
Street Improvements	17.5	22.8	21.6
Water & Sewer Improvements	6.7	2.6	3.2
Other Public Works	7.2	16.2	28.4
Rehabilitation of Commercial Areas	.1	.5	3.4
	100.0%	100.0%	100.0%

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

3/ Ibid., Title I, Sec. 101(c) (1).

Within the five major activity groups are ten specific activities, two of which -- acquisition for redevelopment/demolition and public works -- have had dramatic changes in their funding level since the beginning of the program. In Fiscal Year 1975, 50.6 percent of all funds committed to the elimination of slums and blight was budgeted for acquisition for redevelopment/demolition alone. In Fiscal Year 1976 this activity received 23.3 percent of the funds and in Fiscal Year 1977, decreased to 14.2 percent. Conversely, public works increased from the initial 7.2 percent in Fiscal Year 1975 to 16.1 percent in Fiscal Year 1976 and again in Fiscal Year 1977 to 27.9 percent.

In the third year, this objective continues two trends established in the second year:

1. The largest percentage of the funds for this objective has again been budgeted for the previous categorical program areas of Urban Renewal, NDP, Model Cities, and Federally Assisted Code Enforcement -- close to two-thirds of the funds, as was the case in Fiscal Year 1976.

2. Moderate income areas are receiving a little over 50 percent of the funds allocated for the elimination of slums and blight objective, with 25 percent of the funds going to median income areas and slightly under 25 percent divided almost equally between the high- and low-income areas. (See Table 13.3 for an indication of the percentage of funds allocated to the various income areas, by each of the seven specific national objectives, for Fiscal Year 1977.)

Elimination of Detrimental Conditions

The legislative language for the second specific objective, elimination of detrimental conditions, cites:

> "The elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities."[4/]

4/Ibid., Title I, Sec. 101(c)(2).

Table 13.3

PERCENTAGE OF FUNDS ALLOCATED TO VARIOUS INCOME AREAS, BY NATIONAL OBJECTIVE FOR FISCAL YEAR 1977

National Objective	INCOME OF AREA Low	Moderate	Median	High	Total[a/]
1. Elimination of Slums & Blight	13.2%	51.3%	25.5%	10.1%	100.1%
2. Elimination of Detrimental Conditions	9.7	44.0	28.8	17.5	100.0
3. Conservation & Expansion of Housing Stock	8.1	52.8	29.6	9.6	100.1
4. Expand Quality of Community Services	10.0	61.5	22.3	6.3	100.1
5. Land Resource Use	7.8	45.7	29.0	17.4	99.9
6. Reduction of Isolation of Income Groups	0.0	0.0	0.0	0.0	0.0
7. Historic Preservation	6.7	56.8	18.1	18.3	99.9

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of a sample of 147 Fiscal Year 1977 entitlement city applications.

Note: "Low" represents 50 percent or less of the SMSA Median; "Moderate": 51–80 percent of SMSA Median; "Median"; 81-100 percent of SMSA Median; "High"; 100 percent or more of SMSA Median.

a/Figures do not always add to 100 percent due to rounding.

Funds budgeted to achieve this second objective represent 5.6 percent of the total entitlement funds for both Fiscal Years 1975 and 1976, changing in Fiscal Year 1977 to 5.3 percent.

Objectives one and two are overlapping. The difference between the two is that the second objective is concerned with the elimination of hazardous spot conditions as opposed to upgrading an entire slum or deteriorated area. Two principal activities are used by CDBG recipients to meet this second objective: (1) inspection and upgrading of substandard structures through code enforcement, and (2) removal of substandard structures through demolition.

The percentage of funds in Fiscal Years 1975, 1976 and 1977 for each of four major activities are shown in Table 13.4.

Table 13.4

PERCENTAGE OF FISCAL YEAR 1975-
FISCAL YEAR 1977 CDBG FUNDS BUDGETED
TO ELIMINATE DETRIMENTAL CONDITIONS
BY TYPE OF ACTIVITY

CDBG Activity	FY 1975	FY 1976	FY 1977
Demolition	37.5%	10.2	9.0%
Code Enforcement	37.1	26.2	30.8
Flood Protection	9.6	42.7	46.4
Interim Assistance	15.8	20.9	13.8
	100.0%	**100.0%**	**100.0%**

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

Housing Stock Conservation and Expansion

The third specific objective of the Act is:

> "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." 5/

Budgeted activities which support this third specific objective were 16.3 percent of the first year's entitlement funds: 19.6 percent of the second year funds, and 18.8 percent of the third year funds.

The specific activities included under this objective are: rehabilitation grants, rehabilitation loans, rehabilitation by community, and costs related to new housing construction. The two most highly funded activities are rehabilitation loans and rehabilitation grants. Funds committed for the first of these two activities -- rehabilitation loans -- rose substantially from 39.6 percent in Fiscal Year 1975 to 53.3 percent in Fiscal Year 1976 and to 56.8 percent in Fiscal Year 1977. The reverse, however, occurs with the funds committed for rehabilitation grants. In Fiscal Year 1975, 30.0 percent was budgeted for this activity, but the following two fiscal years reflect decreases to 25.8 percent in Fiscal Year 1976 and to 25.1 percent in Fiscal Year 1977.

Improvement of Community Services

The fourth specific objective, the improvement of community services, states:

> "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." 6/

Entitlement communities are meeting this fourth national objective by funding activities which will improve and increase services in their communities. Such activities were budgeted 12.1 percent of first year funds, 9.6 percent of second year funds, and 10.0 percent of third year funds.

5/Ibid., Title I, Sec. 101(c)(3).

6/Ibid., Title I, Sec. 104(c)(4).

Services receiving the highest funding are: day care centers, medical services, youth services, services for the elderly, and housing counselling. A variety of other service programs are also being funded; among them are transportation, police, fire and legal services, and educational programs.

Currently, low- and moderate-income areas are receivinq 71.5 percent of the funds budgeted for this objective, followed by median income areas with 22.3 percent and high income areas with 6.3 percent.

Land Resource Use

The goal of this fifth'specificobjective is to achieve:

> "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/

For all three program years, entitlement communities have budgeted approximately 21 percent of their program funds for activities involved in the achievement of this specific national objective. The specific activities funded by fiscal year are shown in Table 13.5.

The most substantial funding change occurred for multi-purpose centers. Initially, in Fiscal Year 1975, this activity had received 26.0 percent of the funds budgeted this specific national objective. In Fiscal Year 1976, however, the funds budgeted for this activity decreased to 13.6 percent, and to 13.9 percent in Fiscal Year 1977.

The data on the percent of funds allocated to income areas by national objective show low/moderate income areas presently receiving 53.5 percent of the funds allocated to this fifth national objective. The remaining fund distribution is between median income areas receiving 29.0 percent of the funds and high income areas with 17.4 percent.

7/ Ibid., Title I, Section 101(c) (5)

Table 13.5

PERCENTAGE OF FISCAL YEAR 1975-
FISCAL YEAR 1977 CDBG FUNDS
BUDGETED FOR RATIONAL LAND
UTILIZATION AND BETTER ARRANGEMENT
OF ACTIVITY CENTERS BY TYPE OF ACTIVITY

Activity	FY 1975	FY 1976	FY 1977
Parks & Recreation Facilities			
Recreational Facilities	17.0%	10.2%	11.7%
Open Space	17.0	24.7	22.5
Community Facilities			
Multipurpose Centers	26.0	13.6	13.9
Elderly Centers	-0-	6.0	4.2
Fire Stations	-0-	4.8	3.4
Removal of Architectural Barriers in Facilities	2.0	0.8	.4
Other	-0-	6.7	7.9
More Rational Land Use and Public Improvement in Non-Blighted Residential Areas			
Water and Sewer Improvement	12.0	11.7	6.9
Street Improvement	15.0	11.5	13.9
Other Public Works	3.0	4.8	6.9
Land Acquisition and Relocation	8.0	5.3	8.1
	100.0%	100.0%	100.0%

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

Reduction of Isolation of Income Groups

The goal of the sixth specific objective is:

> "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." 8/

In Fiscal Year 1975, entitlement communities budgeted 0.1 percent of their funds for activities which reduced the isolation of income groups with their communities. In contrast, in Fiscal Year 1976 and Fiscal Year 1977, no entitlement funds were identified as being specifically oriented toward this sixth national objective. Field visits by HUD evaluators to the smaller sample of 19 cities, however, revealed a significant percentage of funds designed to aid in the achievement of this objective. (See Chapter 11.)

Historic Preservation

The goal of the seventh specific objective is:

> "The restoration and preservation of properties of special value for historic architectural, or esthetic reason." 9/

Historic preservation has the lowest funding level of all the national objectives, receiving barely one percent of the entitlement funds budgeted for each of the three program years.

The majority of the funds for this national objective will go into the restoration of publicly owned historic structures with only a small amount being used by private owners of historic properties.

8/ Ibid, Title i, Sec. 101(c) (6)

9/ Ibid, Title I, Sec. 101(c) (7)

CHAPTER 14

FUNDED ACTIVITIES

The specific selection of eligible activities is a local choice. Table 14.1 summarizes the activities selected for funding by entitlement communities in Fiscal Year 1975, Fiscal Year 1976 and Fiscal Year 1977.

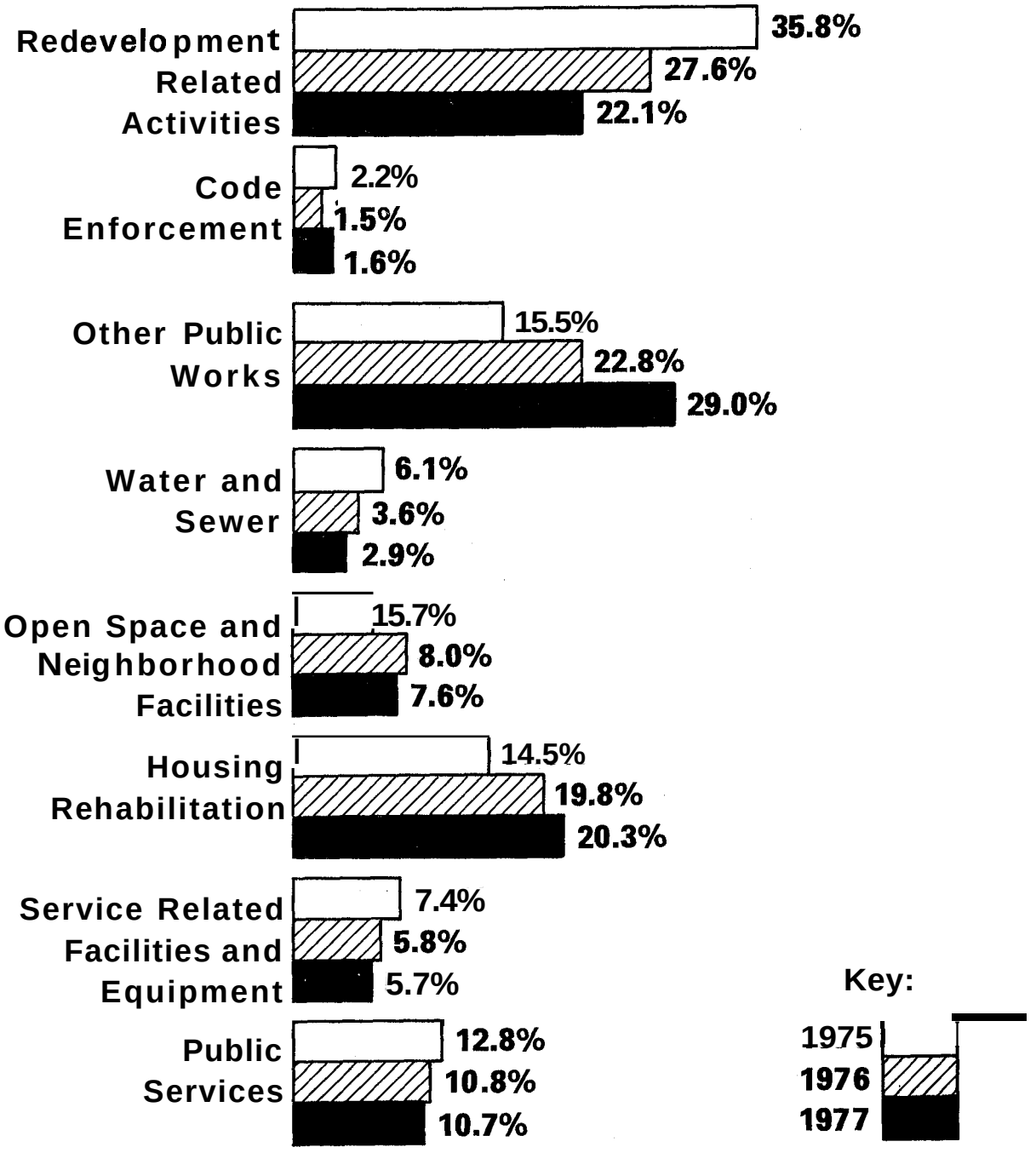
The major change between the first and second program years was a decrease in acquisition, demolition, and relocation activities and an increase in public works activities (excluding water and sewer projects). Other changes in Fiscal Year 1976 were increases in housing rehabilitation activities, open space, and neighborhood facilities. In Fiscal Year 1977, housing rehabilitation and public works activities continued to increase while acquisition, demolition, and relocation have been decreasing at the same time.

Housing Rehabilitation

Housing-related activities continued to increase in the third program year, but not as much as in Fiscal Year 1976. In Fiscal Year 1975, 14.5 percent of the funds was budgeted for these activities. In the second year, the percentage jumped to 19.8 percent, but in the third program year, funds increased to only 20.3 percent. The proportion of funds for each housing activity changed somewhat between Fiscal Year 1976 and Fiscal Year 1977. In Fiscal Year 1977, close to 60 percent of the housing funds are budgeted for rehabilitation loan programs as compared to 50 percent in Fiscal Year 1976; 25 percent for rehabilitation grants vs. 20 percent in Fiscal Year 1976; 14 percent for rehabilitation activities conducted directly by the local community vs. 20 percent in Fiscal Year 1976; and the remainder (3.0 percent) is for costs related to the construction of new homes for low- and moderate-income households (e.g., acquisition of land).

TABLE 14.1

FUNDED ACTIVITIES



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

An example of a CDBG-funded rehabilitation activity is Richmond, California's Home Improvement Loan Program. This program "provides three-percent loans to lower-income owner occupants to make necessary home repairs." 1/ These loans can amount to as much as $10,000 and borrowers have up to 15 years to repay.

Sacramento, California "is providing grants to rehabilitate housing units in the central city areas." 2/ Participating residents can receive grants up to $1,000 for painting and building materials with which they can undertake minor cosmetic repairs. In addition, the program provides technical assistance.

The Township of Bristol, Pennsylvania, is conducting a housing rehabilitation program under which the township acquires vacant buildings for rehabilitation. 3/ As owners of the property, the Township bears the cost of rehabilitation. Once rehabilitated, the housing will be made available to low and moderate income households.

Public Works

Public works activities were budgeted 15.5 percent of the first year funds, and 22.8 percent of the Fiscal Year 1976 block grant funds. In Fiscal Year 1977, 29 percent of the block grant funds was for public works activities. The major activities funded in the third year were street improvements (43 percent of the public works funds) and public works combinations, such as industrial park development (47.5 percent of the public works funds budgeted). One example of funded street improvements is in Pueblo, Colorado, where funds were budgeted for reconstruction and reconditioning of the City's concrete streets, "In four areas, the city is constructing standard paving as well as curb and gutter improvements." 4/

1/ City of Richmond, California, Community Development Plan Summary, Fiscal Year 1977.

2/ City of 'Sacramento,California, Community Development Plan Summary, Fiscal Year 1977.

3/ Township of Bristol, Pennsylvania, Community Development Plan Summary, Fiscal Year 1977.

4/ City of Pueblo, Colorado, Community Development Plan Summary, Fiscal Year 1977.

Another type of public works activity is drainage and flood-related projects: 8.5 percent of the public works funds budgeted. Waco, Texas, for example, is replacing improper storm drains in certain areas of the community so that "the possibility of flooding caused by inadequate storm drainage can be lessened." 5/

Redevelopment Related Activities

The percentage of funds budgeted for redevelopment related activities has steadily declined. Redevelopment related activities received the largest proportion of funds in the first program year (35.8 percent). In the second program year, the funding decreased to 27.6 percent. In Fiscal Year 1977, the redevelopment related funds have decreased again to 22.1 percent. The major activities being funded in Fiscal Year 1977 are acquisition (7.5 percent of the total funds), relocation (4.2 percent), and the continuation and completion of existing urban renewal projects (4.1 percent).

An example of an urban renewal project being completed is in Glen Cove, New York. With major portions already completed because of previous CDBG funding, final completion of the Project is scheduled in two or three years. The expected result is that downtown Glen Cove's central business district will be the "hub for shoppers on Long Island's North Shore." 6/

Water and Sewer

While other public works are increasing, water and sewer projects are decreasing in the percentage of CDBG funds budgeted. Water and sewer projects accounted for 6.1 percent in the first program year, 3.6 percent in the second year, and 2.9 percent in the third program year. Storm and sanitary sewers are one type of project included in the water and sewer category, receiving 1.7 percent of the total funds. An example of a storm and sanitary sewer project is in Bristol, Connecticut, where the city "is expanding and improving storm and sanitary facilities to

5/ City of Waco, Texas, Community Development Plan Summary, Fiscal Year 1977.

6/ City of Glen Cove, New York, Community Development Plan Summary, Fiscal Year 1977.

service areas of concentrated low and moderate/disadvantaged population." 7/

Open Space and Multipurpose Neighborhood Facilities

Open space and multipurpose neighborhood facilities, while increasing from 5.7 percent of Fiscal Year 1975 funds to 8.0 percent of the second year funds, decreased to 7.6 percent in the third year. Two-thirds of Fiscal Year 1977 funds for this activity category are for open space projects, and one-third are for multipurpose neighborhood facilities.

The purpose of many open space projects is to conserve and promote functional and viable city neighborhoods. For example, Salem, Oregon, is redeveloping its Central Salem riverfront to upgrade and maintain the recreational qualities along the Williamette River. The greenbelt development will "serve to protect the natural resources associated with the river and its environs." 8/

CDBG funds have been provided by Warner Robbins, Georgia for the "construction of a multi-purpose neighborhood facility in a predominately low-income area."/ Also planned is the repair and rehabilitation of two city-owned swimming pools -- one in this area and the other in the Pearl Stephens Park Neighborhood.

Code Enforcement

Although budgeted funds for code enforcement programs decreased from 2.2 percent in Fiscal Year 1975 to 1.5 percent in Fiscal Year 1976, in Fiscal Year 1977 the percentage remained the same (at 1.6 percent).

7/ City of Bristol, Connecticut, Community Development Plan Summary, Fiscal Year 1977.

8/ City of Salem, Oregon, Community Development Plan Summary, Fiscal Year 1977.

9/ City of Warner Robbins, Georgia, Community Development Plan Summary, Fiscal Year 1977.

Little Rock, Arkansas, is implementing a code enforcement program in order to establish "a citywide inventory existing housing and their structural conditions." — This information will be placed on a city map system to locate and classify housing conditions in Little Rock.

Service-Related Facilities and Equipment

Funds budgeted for service-related facilities and equipment remained relatively constant for Fiscal Year 1976 and Fiscal Year 1977, 5.8 percent and 5.7 percent respectively. This is less than the percentage of funds budgeted in Fiscal Year 1975, 7.4 percent. Almost half of the funds budgeted for service-related facilities were for recreation facilities. Other facilities to receive a relatively heavy emphasis were for the elderly and for housing counseling.

Public Services

Public service activities received 10.7 percent of the budgeted funds in Fiscal Year 1977, which is similar to Fiscal Year 1976, when public services received 10.8 percent of the total funds. This stops the trend begun between Fiscal Year 1975 and Fiscal Year 1976 when public services decreased from 12.8 percent to 10.8 percent.

Communities are undertaking a wide range of public services which they state are in support of physical development activities. Among the services being funded are those for the handicapped. Lincoln, Nebraska, for example, has a program in which "outreach workers from the League of Human Dignity provide various housing services to handicapped." 11/ Lincoln is also providing expanded community services (such as counseling, budget advice, legal advice, day care, and health care) for all citizens, but particularly for those of low- and moderate- income and the elderly and handicapped.

10/City of Little Rock, Arkansas, Community Development Plan Summary, Fiscal Year 1977.

11/City of Lincoln, Nebraska, Community Development Plan Summary, Fiscal Year 1977.

Other public services receiving CDBG emphasis are youth programs. Youth services (e.g., teenage programs and summer jobs) are receiving 1.3 percent of the budgeted Fiscal Year 1977 funds, and children's services (e.g., day care and child abuse prevention) are receiving 1.2 percent of the budgeted Fiscal Year 1977 funds.

Special Interest Activities

Activities of special interest, such as projects for the elderly, historic preservation, crime prevention, and urban beautification each continue to receive a very small proportion of the total CDBG funds. Historic preservation activities received only 0.7 percent of the total entitlement funds budgeted in Fiscal Year 1977. Some types of preservation activities which have been funded in the third year are loans to owners of historical property and historic preservation undertaken by the city of particular structures or areas. Salem, Massachusetts, for example, has recognized the value of its heritage as an early American city and its historical buildings as a community resource. As a result of this recognition, the city has undertaken the restoration of its old Town Hall with CDBG funds. Salem is now in the final stages of this restoration. 12/ When finished, the old townhall will be used as a public meeting hall and center for arts and crafts.

Projects to benefit the elderly also received a very small proportion of entitlement funds. Among the projects which benefit the elderly are senior centers, elderly services, and the removal of architectural barriers.

Senior centers were budgeted only 0.9 percent of the Fiscal Year 1977 funds and elderly services 1.1 percent. Despite the low level of overall funding, the centers being built will have considerable impact on local elderly populations. One city, San Bernadino, California, has shown concern for elderly in their community by providing a multipurpose social-service center for their inner-city senior citizens. Service programs, such as counseling and referral, nutrition, health, and housing assistance will be provided at the center. 13/

12/City of Salem, Massachusetts, Community Development Plan Summary, Fiscal Year 1977.

13/City of San Bernadino, California, Community Development Plan Summary, Fiscal Year 1977.

In a similar effort, Jacksonville, Florida is building a senior citizen center that will be used as a model for additional facilities throughout the city. "Upon completion, the center will provide two major functions: (1) referral services covering all facets of senior citizens needs, and (2) the providing of indoor and outdoor recreation in crafts and sports."14/

The removal of architectural barriers is another activity which specifically benefits the elderly and handicapped, while receiving only a small percentage of the overall funds 0.2 percent. 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. Bloomington, Minnesota, has funded special projects to eliminate material barriers that restrict the mobility of the elderly and handicapped. "Initial projects will focus on removing barriers from business establishments that should generally be accessible to the elderly and handicapped." 15/ Grants will be provided to the businesses that choose to participate in the program, providing that the city specifications are followed and the city objectives are met.

Another special interest activity is crime prevention. CDBG has funded police services (0.6 Percent in Fiscal Year 1977), youth-services (1.3 percent), recreation services (0.4 percent), and job and employment services (0.2 percent), all of which contribute to preventing crime. An example of one of these activities is the "police community relation/juvenile bureau program'' 16/ in Cohoes, New York. This activity will provide for better communications between the community and police department, as well as creating jobs for under-priviledged youths in Cohoes.

14/ City of Jacksonville, Florida, Community Development Plan Summary, Fiscal Year 1977.

15/ City of Bloomington, Minnesota, Community Development Plan Summary, Fiscal Year 1977.

16/ City of Cohoes, New York, Community Development Plan Summary, Fiscal Year 1977.

Urban beautification is the last activity that may be considered to be of special interest. Again, this is an activity which, when strictly defined as cleanup and tree-planting, receives a small percentage of funds: 1.4 percent in Fiscal Year 1977. In broad terms, however, many of the activities funded with CDBG funds can be considered to beautify the urban environment. Bridgeport, Connecticut, provides an example of the type of urban beautification activity CDBG funds are supporting. Bridgeport "is developing programs and facilities to improve the physical and visual image of the Central Business District." 17/ By improving existing public spaces through general clean-up, landscaping and street furniture, the city hopes to stimulate both private and public renovation and rebuilding activities.

17/ City of Bridgeport, Connecticut, Community Development Plan Summary, Fiscal Year 1977.

CHAPTER 15

ACTIVITIES CERTIFIED AS URGENT NEEDS

The Community Development Block Grant legislation requires that a recipient must certify to the satisfaction of the Secretary that its Community Development Block Grant 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 Block Grant 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."2/

In the third year of the Community Development Block Grant program, 5.6 percent of the entitlement funds were budgeted for activities which have been certified as community development needs of particular urgency. Between Fiscal Year 1976 and Fiscal Year 1977, 3/ a four percent decrease in the entitlement funds budgeted for urgent needs activities occurred as a result of a stricter definition by HUD of what constitutes a community development need of particular urgency.

The major activities funded under the urgent need certification are oriented toward public works (39.3 percent of the funds budgeted for urgent needs). Public works projects as part of industrial and commercial area development account for 11.0 percent of the urgent needs funds. Parking facilities were budgeted 7.2 percent. Other specific public works activities being funded are flood protection, representing 8.1 percent of the funds for urgent need activities, and street improvements, representing 6.5 percent of the total

1/ Housing and Community Development Act of 1974, Title I, Section 104(b) (2), Public Law 93-383.

2/ Ibid. See Chapter 1 for a discussion of the stricter enforcement of the maximum feasible prior certification directed in HUD Notice 77-10.

3/ Data for Fiscal Year 1975 are not available.

entitlement funds for urgent need activities. Two examples of these types of activities are in Jeffersonville, Indiana, and Maryville, Tennessee. Jeffersonville had described as an "urgent need" the improvement of a portion of their sewage system, which consists of combined sanitary and storm sewers. This combination reportedly creates a problem in periods of heavy rainfall since storm water drainage is too great to be processed through the sewage treatment plant. Therefore, it must be diverted from the treatment plant allowing certain raw sewage to empty in Cane Run Creek. With the CDBG funds, the city plans to construct either a separate storm-sanitary sewer system or holding pond to permit treatment of all combined sewer effluents.4/

Maryville, Tennessee has claimed as an urgent need, the improvement of the Morgantown Road. The stated reason for improvement is that the Tennessee Department of Transportation is planning to finish State Route (SR) 95 within two or three years, terminating at Morgantown Road. Upon completion of SR95, the traffic volume will be increased, and the existing narrow 2-lane street must be upgraded to facilitate the large influx of traffic from SR95. This improvement of Morgantown Road will provide better access to the Home Avenue Renewal project area in which CDBG funds are being used to remove blight and redevelop the area.5/

Redevelopment-related activities claimed as urgent have been budgeted 19.1 percent of the total Fiscal Year 1977 entitlement funds with 12.6 percent of the funds budgeted for the completion of existing Urban Renewal/Neighborhood Development Program projects. An example of such an urgent need is in Dunbar, West Virginia. According to the city, every day that passes without Dunbar's Urban Renewal project being completed results in the irretrievable loss of tax revenue. Also lost are the improved public services that these tax revenues could have provided to low- and moderate-income citizens. With the approval of CDBG funds for Dunbar's final project, Pedestrian Plaza, the goal to have all Urban Renewal construction projects under contract before 1978 was met.6/

4/City of Jeffersonville, Indiana, Community Development Summary Plan, Fiscal Year 1977.

5/City of Maryville, Tennessee, Community Development Summary Plan, Fiscal Year 1977.

6/Dunbar, West Virginia, Community Development Summary Plan, Fiscal Year 1977.

Housing activities constitute 16.4 percent of the urgent needs entitlement funds. Under this category, rehabilitation loans to homeowners account for 13.5 percent of the total entitlement funds. Waco, Texas, for example, claims as an urgent need, financial assistance for housing rehabilitation. Of Waco's total 36,448 housing units, there are about 26,285 units classified as substandard requiring rehabilitation. This number indicates a substantial need for repair and upgrading of existing deteriorated housing units to restore them to standard conditions. The financial burdens involved in rehabilitation prevent many residents from being able to upgrade their housing, and financial assistance will be required to assist them according to their needs.[7]

TABLE 15.1

PERCENTAGE OF FY1976-FY1977 CDBG FUNDS BUDGETED FOR URGENT NEEDS, BY TYPE OF ACTIVITY

ACTIVITY	FY1976	FY1977
Redevelopment-Related Activities	37.1%	19.1%
Other Public Works	25.6	39.3
Water and Sewer	8.5	8.3
Open Space and Neighborhood Facilities	9.3	6.2
Housing	10.8	16.4
Service-Related Facilities	5.1	6.9
Public Services	3.6	3.8
	100.0%	100.0%
Percentage of Total Funds	9.6%	5.6%

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

7/ Waco, Texas, Community Development Summary Plan, Fiscal Year 1977.

CHAPTER 16

ACTIVITY TRENDS IN CATEGORICAL VERSUS NON-CATEGORICAL NEIGHBORHOODS

Neighborhoods which are former categorical program areas are still receiving a large, although steadily decreasing, portion of CDBG funds. In Fiscal Year 1975, 58.4 percent of CDBG funds budgeted for specific neighborhoods went to these areas; 51.6 percent in Fiscal Year 1976, and 48.5 percent in Fiscal Year 1977. Conversely, non-categorical neighborhoods have been receiving a steadily increasing share of funding, rising from 41.7 percent in Fiscal Year 1975 to 48.5 percent in Fiscal Year 1976, and 51.6 percent in Fiscal Year 1977.1/ (See Table 16.1.)

Urban Renewal/Neigbhorhood Development Program Neighborhoods

The greatest decrease in funding over the 3 years of the CDBG program has occurred in former Urban Renewal/Neighborhood Development Program areas, where CDBG budgeted funds dropped from 48.7 percent in Fiscal Year 1975 to 40.5 percent in Fiscal Year 1977.

A trend in the former Urban Renewal/Neighborhood Development Program areas is the expansion of such activities as public works (excluding water and sewer activities). Of all the activities taking place in these areas, public works has received the greatest increase in its share of funding over the 3 years. Funding has risen from 13 percent in Fiscal Year 1975 to 30 percent in Fiscal Year 1977. (See Table 16.2.) Within this general category, the increase can largely be accounted for by the rise in funding of multiple public works projects in industrial, downtown commercial, and residential areas. The allocations have increased from 3.6 percent in Fiscal Year 1975 to 15 percent in Fiscal Year 1977. The remaining activities have had little increase in funding.

1/ These percentages do not include administration, planning and management, contingencies, deferred, or city-wide funds.

TABLE 16.1

PERCENTAGE OF FY1975-FY1977 CDBG FUNDS
BUDGETED FOR SPECIFIC NEIGHBORHOODS

TYPE OF NEIGHBORHOOD	FY1975	FY1976	FY1977
UR/NDP	48.7	43.8%	40.5%
Model Neighborhood	9.7	7.8	8.0
Non-Categorical	41.7	43.5	51.6
TOTAL	100.1%	100.1%	100.1%

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

NOTE: Numbers do not always add to 100 percent due to rounding.

TABLE 16.2

PERCENTAGE OF FY1975-FY1977 CDBG FUNDS BUDGETED IN UR/NDP NEIGHBORHOODS, BY ACTIVITY

ACTIVITY	FY1975	FY1976	FY1977
Renewal-Related Activities	60.0%	45.1%	35.3%
Code Enforcement	1.0	0.9	1.0
Public Works	13.0	21.0	30.0
Water and Sewer	4.0	1.5	1.1
Open Space	4.0	5.0	4.7
Housing	10.0	14.8	16.4
Service-Related Facilities	4.0	4.1	2.8
Public Services	4.0	7.6	8.6
TOTAL	100.0%	101.0%	99.0%

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

NOTE: Numbers do not always add to 100 percent due to rounding.

Renewal-related activities (e.g., acquisition of land for clearance/redevelopment, relocation, and demolition} still account for the greatest share of funds budgeted for former UR/NDP areas. This activity will receive 35.3 percent of Fiscal Year 1977 funds. Its predominance, however, has declined significantly in the past three years from it5 high share of funding (60 percent] in Fiscal Year **1975.** Land acquisition and relocation have had the largest decreases. Funding for acquisition has dropped from 27.1 percent of Fiscal Year 1975 funds allocated to these neighborhoods to 13.7 percent in Fiscal Year 1977, and relocation from 11.1 percent in Fiscal Year 1975 to 6.4 percent in Fiscal Year 1977.

The spending patterns in these Urban Renewal/Neighborhood Development program areas may be explained by the fact that most of these categorical projects are at the stage where land slated for redevelopment has already been acquired and any relocation necessary has also occurred. However, in order to redevelop these areas, public works projects which generally are too large for private developers must be undertaken by the public sector. Such projects could entail preparing an area for an industrial park or performing a variety of public work activities in one area (such as improving drainage in an area and then upgrading the adjacent streets).

Code enforcement and open space activities in these areas have had little or no change in funding levels over the past three years. Code enforcement activities have continually accounted for about one percent of all funds budgeted for these neighborhoods, and funds for open space account for between four and five percent.

Model Neighborhoods

Funding for former Model Neighborhoods has not dropped significantly during the three years of the CDBG program's existence.[2/] In Fiscal Year **1975, 9.7** percent of all CDBG funds was allocated to these areas and in Fiscal Year **1977,** 8.0 percent was budgeted.

2/ Any drop that has taken place may be explained by the phase-out of Model Cities programs, occurring independentlv of the hold-harmless provision detailed in the Housing and Community Development Act of 1974. Section 106(g) of the block grant statute provides that the hold-harmless amount attributable to Model Cities is based on the average annual grant made for the Model Cities Program during the Fiscal Years ending prior to July 1, 1972. Metropolitan cities receive this Model Cities hold-harmless amount (to the extent hold-harmless exceeds formula entitlement) until the metropolitan city has received the equivalent of five full years of Model Cities funding. Thereafter, it receives a declining percentage (80,60,40) of the calculated Model Cities hold-harmless amount over the next three years.

Emphasis in former Model Neighborhoods is still being placed primarily upon public services, even though this activity showed the largest decrease in funding for all activities in these areas (44 percent of Fiscal Year 1975 funds and 36.3 percent in Fiscal Year 1977). Job, legal, and general public services (i.e., unidentifiable or multiple services) accounted for the majority of this decrease. Job service funding declined from 2.9 percent in Fiscal Year 1975 to 0.6 percent in Fiscal Year 1977; legal services from 7 percent in Fiscal Year 1975 to 2.9 percent in Fiscal Year 1977; and general public services from 7.4 percent in Fiscal Year 1975 to 3.8 percent in Fiscal Year 1977.

Public services by themselves are not eligible for CDBG funds. If, however, they are in support of CDBG-funded activities in an area, or are part of ongoing Model Cities programs, they are allowable.3/ Funding for these activities is possibly being gradually phased out in anticipation of a time when they no longer will be allowed.

The percentage of funds in Model Neighborhoods for housing activities has shown the greatest increase during the first three years of the CDBG program (14 percent of Model Neighborhood funds in Fiscal Year 1975 and 23.8 percent in Fiscal Year 1977). This activity has now become the second most heavily funded in this type of neighborhood. Loans to be used for housing rehabilitation account for a large part of this increase. In Fiscal Year 1975, Model Neighborhoods allocated 6 percent of their funds for this activity, and in Fiscal Year 1977, this figure jumped to 13.8 percent.

Non-Categorical Neighborhoods

Allocations for neighborhoods with no prior categorical experience have steadily increased since the beginning of the CDBG program. In Fiscal Year 1975, they accounted for 41.7 percent of all funds budgeted in neighborhoods, 48.5 percent in Fiscal Year 1976, and 51.6 percent in Fiscal Year 1977.

Public works other than water and sewer activities accounted for the largest percentage of Fiscal Year 1977 budgeted funds in these neighborhoods, 32.3 percent. (See Table 16.4). This figure reflects a sharp increase from Fiscal Year 1975, when only 22.7 percent of the funds was allocated for this activity. It has now surpassed renewal-related activities (receiving 10.3 percent of Fiscal Year 1977 funds) as most heavily funded activity in these areas. The largest increase occurred in the specific area of

3/ "Community Development Block Grants - Eligible Activities," Federal Register, Vol. 43, No. 41, Table 24, Par 570.201(e), March 1, 1978.

TABLE 16.3

PERCENTAGE OF FY1975-FY1977 CDBG FUNDS BUDGETED IN MODEL NEIGHBORHOODS, BY ACTIVITY

ACTIVITY	FY1975	FY1976	FY1977
Renewal-Related Activities	14.0%	8.9%	8.2%
Code Enforcement	2.0	2.0	2.9
Public Works	12.0	16.6	18.7
Water and Sewer	1.0	1.4	1.6
Open Space	5.0	9.0	2.4
Housing	14.0	22.5	23.8
Service-Related Facilities	8.0	5.2	c.2
Public Services	44.0	34.4	36.3
TOTAL	100.0%	100.0%	100.1%

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

NOTE: Numbers do not always add to 100 percent due to rounding.

TABLE 16.4

PERCENTAGE OF FISCAL YEAR 1975-FISCAL YEAR 1977 CDBG FUNDS BUDGETED IN NON-CATEGORICAL NEIGHBORHOODS, BY ACTIVITY

ACTIVITY	FY1975	FY1976	FY1977
Renewal-Related Activities	20.4%	15.1%	10.3%
Code Enforcement	3.6	1.9	2.0
Public Works	22.7	26.6	32.3
Water and Sewer	9.3	5.5	4.2
Open Space	8.2	10.8	11.5
Housing	19.4	24.2	22.6
Service-Related Facilities	11.5	8.0	8.4
Public Services	4.9	8.0	8.7
TOTAL	100.0%	100.0%	100.0%

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

multiple public works (e.g., projects which combine several public works activities, such as streets, water, sewer, and drainage) with funds rising to 12.5 percent in Fiscal Year 1977 from a 4.4 percent share in Fiscal Year 1975. Flood-related activities also received an increase in allocations (0.2 percent in Fiscal Year 1975 and 3 percent in Fiscal Year 1977).

Renewal-related activities have dropped to a lower priority in these neighborhoods, surpassed not only by the public works activities mentioned above, but also by housing assistance, which accounted for 22.6 percent of Fiscal Year 1977 funds. Acquisition for clearance/redevelopment activities reflected the biggest drop in funding, going from 10.1 percent of the Fiscal Year 1975 funds budgeted for these areas to 3.4 percent in Fiscal Year 1977. At the same time, loans for housing rehabilitation climbed from 9.9 percent of Fiscal Year 1975 funds to 13.4 percent in Fiscal Year 1977.

No patterns are apparent in the way former categorical neighborhoods allocated their Fiscal Year 1977 CDBG funds when compared to non-categorical neighborhoods. All types of areas favored loans for rehabilitation above all other types of housing activities. For renewal-related activities, former UR/NDP program areas favored acquisition for clearance/redevelopment, and Model Neighborhoods stressed general UR/NDP program activities. Street-related activities were emphasized by former Model Neighborhood and non-categorical areas under the general category of public works, while former UR/NDP program areas stressed combinations of public works activities.

CHAPTER 17

RESIDENTIAL, NONRESIDENTIAL, AND CITYWIDE TRENDS

In Fiscal Year 1977 cities continued to budget over three-quarters of their annual Community Development Block Grant resources for activities in residential areas. An increase is evident, however, towards funding activities in non-residential areas. The percentage of CDBG funds budgeted for the Central Business District has increased from 8.3 percent in Fiscal Year 1976 to 10.7 percent in Fiscal Year 1977.[1] Communities are also allocating fewer funds for citywide activities. The percentage budgeted for city-wide activities has decreased by one-half from Fiscal Year 1975 to Fiscal Year 1977, showing that communities are attempting to target their funds to more specific areas.

Residential Areas

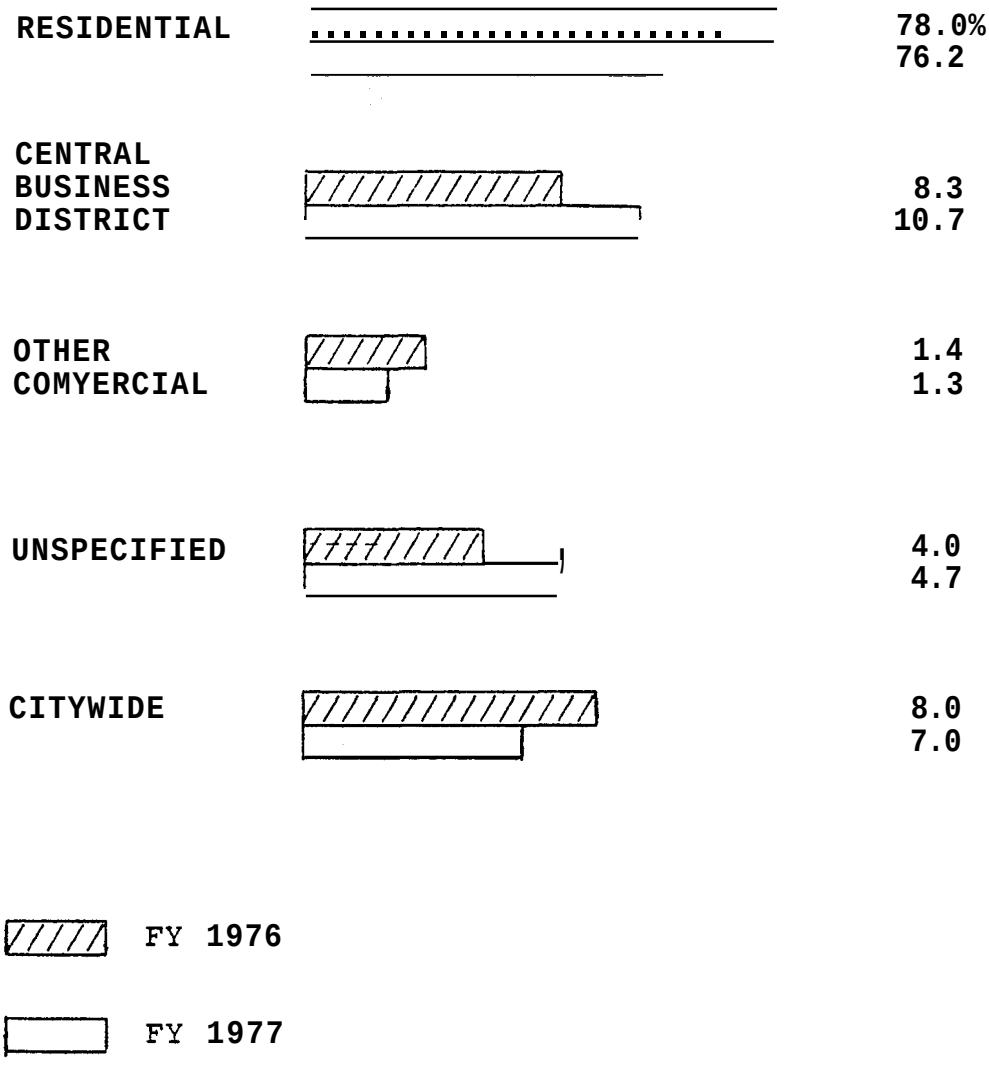
Activities in residential areas accounted for 78 percent of the CDBG funds budgeted in Fiscal Year 1976. This percentage decreased slightly in Fiscal Year 1977 to 76 percent. (See Table 17.1.) Public works, which accounted for 21.4 percent of the funds in Fiscal Year 1976, increased to 25.8 percent in Fiscal Year 1977. Street improvements and combined public works were responsible for this increase. Rehabilitation activities continued to account for almost one-quarter of the total residential area budget for Fiscal Year 1976 and Fiscal Year 1977.

A total of 25.8 percent of the funds allocated to residential areas were for renewal-related activities in Fiscal Year 1976, decreasing to 18.7 percent in Fiscal Year 1977. (See Tables 17.2 and 17.3.) This finding follows the trend that most communities are placing less emphasis on traditional urban renewal activities. Furthermore, the amount budgeted for service-related facilities, public services, open space, neighborhood facilities, and code enforcement increased slightly in Fiscal Year 1977 while the amount budgeted for water and sewer projects decreased slightly.

1/ No data are available on activities in residential and nonresidential areas for the first year of the CDBG Program.

TABLE 17.1

PERCENTAGE OF FISCAL YEAR 1976-FISCAL YEAR 1977 CDBG FUNDS BUDGETED BY TYPE OF LOCATION WITHIN EACH CITY



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

TABLE 17.2

PERCENTAGE OF FISCAL YEAR 1976 CDBG FUNDS BUDGETED FOR MAJOR ACTIVITIES, BY TYPE OF LOCATION WITHIN EACH CITY

Major Activity	Residential	Central Business District	Other Commercial	Unspecified	City-wide
Renewal-Related Activities	25.8%	50.3%	34.1%	17.4%	26.5%
Code Enforcement	1.7	.1	1.9	--	1.5
Other Public Works	21.4	35.8	42.2	29.4	15.7
Water and Sewer	3.4	2.2	1.7	6.3	5.7
Open Space and Neighborhood Facilities	7.8	2.8	2.9	26.6	6.9
Rehabilitation	23.2	2.4	0a/	.7	18.5
Service-Related Facilities	5.4	4.4	16.9	17.5	3.5
Public Services	11.3	1.9	.3	2.1	21.7

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

a/ Less than 1 percent.

TABLE 17.3

PERCENTAGE OF FISCAL YEAR 1977 CDBG FUNDS BUDGETED FOR MAJOR ACTIVITIES, BY TYPE OF LOCATION WITHIN EACH CITY

Major Activity	Residential	Central Business District	Other Commercial	Unspecified	City-wide
Renewal-Related Activities	18.7%	22.8%	40.7%	34.6%	46.9%
Code Enforcement	2.0	--	--	--	1.2
Other Public Works	25.8	61.7	52.1	24.1	12.8
Water and Sewer	3.3	0a/	--	1.5	4.3
Open Space and Neighborhood Facilities	8.7	.7	.2	17.2	1.9
Rehabilitation	22.6	11.9	7.0	3.6	21.9
Service-Related Facilities	6.0	2.3	--	14.7	2.6
Public Services	12.9	.5	--	4.4	8.3

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

a/ Less than 1 percent.

Commerical Areas

CDBG recipients have increased the funding level of non-residential areas while focusing on fewer activities at the same time. In Fiscal Year 1977, 10.7 percent of the funds were allocated for activities in the Central Business District and neighborhood commerical areas compared to 8.3 percent in Fiscal Year 1976. Two types of activities which are responsible for much of the increase are other public works (e.g., street improvements and parking lots) and rehabilitation. A total of 61.7 percent of the funds allocated to the Central Business District were budgeted for other public works in Fiscal Year 1977. This amount was an increase from 35.8 percent in Fiscal Year 1976. The percentage of funds for rehabilitation also escalated from 2.4 percent in Fiscal Year 1976 to 11.9 percent in Fiscal Year 1977. Rehabilitation activities occurring in commercial areas were grants and loans to business.

Code enforcement, water and sewer, neighborhood and single purpose facilities, open space, and public services are no longer receiving the same emphasis in Fiscal Year 1977 as compared to Fiscal Year 1976. This changing trend has resulted in fewer types of community development activities being funded in the Central Business District. Cities are no longer emphasizing major renewal-related activities in the Central Business District. The amount allocated for these types of activities decreased by over one-half from Fiscal Year 1976 to Fiscal Year 1977.

Other Commercial Areas

Other commerical areas (e.g., industrial and other non-residential) were allocated almost the same amount of block grant funds in Fiscal Year 1976 as in Fiscal Year 1977.

Cities budgeted more funds for renewal-related activities, other public works, and rehabilitation in Fiscal Year 1977 than in Fiscal Year 1976 in other commercial areas. The percentage budgeted for renewal-related activities increased from 34.1 percent in Fiscal Year 1976 to 40.7 percent in Fiscal Year 1977. Acquisition for redevelopment/demolition accounted for most of this increase, which may be due to cities acquiring land for industrial purposes to achieve better arrangement of

residential and commercial areas. The amount allocated for other public works was 42.2 percent in Fiscal Year 1976 compared to 52.1 percent in Fiscal Year 1977. Less than 1 percent was allocated for rehabilitation in other commercial areas in Fiscal Year 1976, although 11.9 percent was allocated in Fiscal Year 1977 primarily for grants and loans. Cities gave low priority to code enforcement, water and sewer, open space, neighborhood facilities, service-related facilities, and public services in other commercial areas in both fiscal years.

Unspecified

The most frequently budgeted activities in unspecified areas were open space and neighborhood facilities, other public works, and renewal-related activities. A total of 17.4 percent was budgeted for clearance-related activities in Fiscal Year 1976, escalating to 34.6 percent in Fiscal Year 1977.

Citywide

Over the three years of the CDBG program, the amounts communities budgeted for activities occurring citywide have steadily decreased. In Fiscal Year 1975, about 14 percent of the funds were geared to citywide activities. In Fiscal Year 1976, the percentage decreased to 8 percent and declined in Fiscal Year 1977 to a low of 7 percent.

In terms of citywide activities, the most substantial change has involved funds to public services. In the first year of the program 43 percent of the funds targeted for citywide activities was budgeted for public services. In the second year, public services received only 21.7 percent. This trend continued in the third year, witn public services funds falling to 8.4 percent of citywide funds.

The allocation for citywide public works increased from 7 percent in Fiscal Year 1975 to 15.7 percent in Fiscal Year 1976, down to 12.8 percent in Fiscal Year 1977. All other types of citywide activities showed a decrease in funding level except for renewal-related activities and rehabilitation. These activities showed a trend of budget increases over the three years of the CDBG program. The percentage budgeted for renewal-related activities jumped from 17 percent in Fiscal Year 1975 to 26.5 percent in

Fiscal Year 1976 escalating to 46.9 percent in Fiscal Year 1977. The increase was primarily caused by general Urban Renewal Neighborhood Development Program activities, such as interest on Urban Renewal loans.[2/] Rehabilitation increased at a slower pace. Fifteen percent of citywide funds was allocated for this activity in Fiscal Year 1975, increasing to 18.5 percent in Fiscal Year 1976 and 21.9 percent in Fiscal Year 1977.

2/ Cities are repaying the interest and/or loans on their UR/NDP projects. In their applications, no location was given for this activity, so it was considered to be citywide in scope.

CHAPTER 18

COMPARISON OF CDBG ACTIVITIES TO CATEGORICAL PROGRAMS

The use of conventional Urban Renewal/Neighborhood Development Programs to upgrade blighted neighborhoods continues to decline. Community Development Block Grant activities similar to those in the categorical programs have shown a substantial budget decrease from the amounts allocated between Fiscal Year 1968 and Fiscal Year 1972 as compared to their percentage of the allocations between Fiscal Year 1975 and Fiscal Year: 1977. Cities are budgeting funds instead into new programs initiated by the Community Development Block Grant program.

Categorical Programs Compared to Similar Types Being Funded Under CDBG

Cities are placing less emphasis on activities that were eligible for funding under the categorical programs and that are being continued with CDBG funds. Urban Renewal/Neighborhood Development Programs received 60 percent of the categorical funds between Fiscal Year 1968 and Fiscal Year 1972, but CDBG activities equivalent to these former categorical programs [1] received only 30 percent of the CDBG funds between Fiscal Year 1975-Fiscal Year 1977. This decrease results frcm the fact that activities such as acquisition for redevelopment, demolition, and relocation which occurred in Urban Renewal/Neighborhood Development Program areas were costly.

The funds allocated for Model Cities activities declined from 21 percent of the categorical funds for Fiscal Year 1968 to Fiscal Year 1972 to only 6 percent over the first three years of the block grant program. (See Table 18.1). Over the three-year period, the percentage of funds allocated for acquisition for development/demolition, public services, jobs, recreation facilities/equipment, youth and education services declined. Street improvements and Public works have received an increase in funds during the same period.

1/ For purposes of this analysis, CDBG activities considered to be equivalent to UR/NDP are activities eligible under those programs, such as acquisition and demolition occurring in former UR/NDP program areas. See Appendix G for complete definitions.

Table 18.1

FY1975-FY1977 CDBG FUNDS VERSUS CATEGORICAL FUNDS (FY1968-FY1972), BY TYPE OF ACTIVITY

ACTIVITY[a]	Categorical Funds FY 1968-1972	CDBG Funds FY 1975-1977
UR/NDP	62%	30%
Code Enforcement[b]	---	2
Neighborhood Improvement[c]	---	33
Water/Sewer	10	2
Neighborhood Facilities	2	3
Open Space	5	5
Rehabilitation Loans	2	10
Model Cities	21	6
Supportive Public Services[b]	---	9
TOTAL	100%	100%

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

NOTE: All activities exclude deferred amounts. Also excluded are: administrative, planning, studies, and contingency amounts.

a/ For a complete definition of the CDBG equivalent activities to these categorical programs see Appendix G.

b/ Less than one percent budgeted for this activity in the categorical program (FY1968-FY1972).

c/ Neighborhood Improvements and Supportive Public Services were not funded under the categorical programs.

The amount of funds in the CDBG program budgeted for water and sewer activities represents a decrease from the former Water and Sewer Facilities grant program. A major reason for this decrease is that the Water and Sewer Facilities program was basically a small city program. Many of these communities are participating in the Community Development Block Grant program as discretionary cities and the funds budgeted by those cities for water and sewer is not reflected in this analysis of entitlement funds.

One of the few categorical program activities to receive increased emphasis is housing rehabilitation. Cities are budgeting five times as much rehabilitation loans in all areas as was appropriated under the Section 312 Rehabilitation Loan program between Fiscal Years 1968-1972. Ten percent was allocated for this activity in the 3 years of the CDBG program, compared to only 2 percent of all categorical funds from Fiscal Year 1968 to Fiscal Year 1972.

Activities previously financed under the Open Space Land grant program continue to receive about the same emphasis under CDBG as they did before. In contrast, CDBG recipients have placed more emphasis on funding neighborhood facilities than under the Neighborhood Facilities Grant program, which provided funds to develop and improve multipurpose neighborhood centers. Code Enforcement recieved 2 percent of the CDBG funds budgeted for Fiscal Year 1975 to Fiscal Year 1977: a relatively small increase from the categorical Federally Assisted Code Enforcement program, which received less than 1 percent of the total categorical program budget.

New Programs

New programs established under the Community Development Block Grant program such, as neigbhorhood improvements, shift emphasis away from the traditional UR/NDP programs. Neighborhood improvements has been allocated increasing amounts of CDBG funds over the 3 yeras of the program. Thirty-three percent of CDBG funds for Fiscal Year 1975 to Fiscal Year 1977 was budgeted for this activity and accounts for the decline in the percent of funds budgeted for UR/NDP activities during this period. Activities funded are similar to UR/NDP but take place in areas outside of UR/NDP areas and Model Neighborhood areas. Other activities considered to be new initiatives include activities to support new housing construction, facilities, equipment,

and flood protection. Street improvements and public works activities are emphasized in the neighborhood improvement programs and also continue to be stressed in UR/NDP and Model Cities programs.

Supportive public services are very similar to Model Cities activities and probably reflects the funding of Model Cities services outside the original Model Neighborhood Area. Funding for these activities have decreased slightly from Fiscal Year 1975 to Fiscal Year 1977. Some of the services funded under CDBG are jobs and economic development programs which promote community growth; also, interim assistance/ public health, medical transportation, education, and legal services which aid neighborhood residents in coping with crisis situations, whereas services for children, youth, and the elderly address the problems of specific age groups.

CHAPTER 19

ADMINISTRATIVE COSTS

Cities have not made substantial changes in the amount of CDBG funds they have budgeted for planning and administration from Fiscal Year 1975 to Fiscal Year 1977. Based on an analysis of a sample of applications from entitlement cities -- including the data on two specific budget line items for planning, management, and administration as well as data which were included under other line items for the specific project activities -- planning, management and administration costs accounted for 13.7 percent of Fiscal Year 1975 funds, 13.7 percent of Fiscal Year 1976 funds and 14.4 percent 1/ of Fiscal Year 1977 funds. (See Table 19.1.)

A city-by-city analysis of the administrative costs of a sample of 147 entitlement communities indicates that about 11 percent of entitlement cities are allocating between 15 and 20 percent of their entitlement grants to administration; 12 percent are allocating more than 20 percent. An analysis of costs, however, indicates that these figures are probably inflated by the misallocation of rehabilitation staff costs.

By city, the percentage for administration and planning costs in Fiscal Year 1977 ranges from as low as 1 percent to as high as 38 percent. The majority of the cities, however, fall into the category of less than 15 percent of their total CDBG budget for administration and planning. Cities with entitlements of more than $4 million tend to have more funds budgeted for administration and planning. (See Table 19.2.)

1/ National data for all 1,313 entitlement cities for Fiscal Year 1977 show an average administrative cost of 9.2 percent and an average planning and management cost of 3.3 percent, totalling 12.5 percent. The difference between this figure and the 14.4 percent referred to in the first paragraph of this chapter is due to the fact that the latter figure also includes data on planning, management, and administration which some cities had included under other line items for the specific project activities.

Table 19.1

PERCENTAGE OF FISCAL YEAR 1975-FISCAL YEAR 1977 CDBG FUNDS BUDGETED FOR ADMINISTRATION AND PLANNING

Activity	FY 1975	FY 1976	FY 1977
Planning & Management	3.9%	3.2%	3.2%
Administration	9.8%	10.5%	11.2%
TOTAL	13.7%	13.7%	14.4%

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on analysis of applications from a sample of 151 entitlement cities. Four of these cities were not funded in Fiscal Years 1976 and 1977.

Note: These figures include data on planning, management and administration which some cities had included under other budget line items for the specific project activities.

Table 19.2

PERCENTAGE OF FISCAL YEAR 1977 CDBG FUNDS BUDGETED FOR ADMINISTRATION, PLANNING, AND MANAGEMENT, BY PERCENTAGE OF CITIES IN THREE GRANT SIZE CATEGORIES

PERCENT OF CDBG FUNDS BUDGETED	PERCENT OF CITIES BY GRANT SIZE: LESS THAN $1 MILLION	$1-4 MILLION	$4 MILLION AND OVER
0-14.99%	80.0%	77.6%	58.8%
15-19.99	9.0	12.1	20.6
20-24.99	5.5	5.1	14.7
25-29.99	5.5	3.5	0
30-34.99	0	1.7	3.0
35 and up	0	0	3.0
TOTAL	100.0%	100.0%	100.1%

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on an analysis of applications from a sample of 147 entitlement cities.

Note: These figures include data on planning, management, and administration which some cities had included under other budget line items for the specific project activities.

A recent HUD study on local administrative costs in the Community Development Block Grant program 2/ in ten cities found that the ten cities' administrative costs for Fiscal Year 1977 vary from a low of 2 percent to a high of 33 percent (with an average of 13.1 percent) as reported on their CDBG budget line item #14. However, the actual range is considerably less because the cities that reported high administrative costs are budgeting project activity costs (for rehabilitation, relocation and redevelopment) on their administrative line item (#14), while the cities that reported low administrative costs are allocating identical project activity costs to their project activity line items. Standardizing the definition of "administrative costs" to exclude the costs of rehabilitation staffs, code enforcement staffs and the personnel on the staffs of the local Housing and Redevelopment agencies, the administrative costs of the two highest cost cities are cut in half: the city with administrative costs of 33 percent drops to 17 percent; the city with costs of 22 percent drops to 11 percent.

When the definition of administrative costs is modified to exclude rehabilitation, relocation, and redevelopment staff costs, the average administrative cost in the ten-city sample drops from 13.1 percent to 7.4 percent. National data for all 1,313 entitlement cities show an average administrative cost (on budget line item #14) of 9.2 percent and an average planning and management cost of 3.3 percent. Based on the results of the ten-city analysis, it is likely that the averages are a reasonable representation of actual administrative costs, for the underrreporting "errors" of one city are likely to be cancelled by the overreporting "errors" of another city.

Personnel costs for city staff (salaries and fringe benefits) represent the greatest amount of administrative costs, accounting for over 60 percent of such costs in all but two of the ten cities. Salaries costs ranged from 24 percent to 100 percent of administration. Analysis of personnel costs for administration of the CDBG program indicates that the main charges are for CDBG program

2/ U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Community Planning and Development Evaluation Working Paper--Survey of Local Administrative Costs: Community Development Block Grant Program, March, 1978.

administrative staff, 45 percent: followed by rehab staff, 35 percent; planners, 10 percent: budget analysts, 8 percent: and code enforcement staff, 2 percent. These staff charges include full and part-time professional and clerical employees.

The second largest costs in administration were personnel costs in Third Party contracts. Third Party Contracts with independent agency staff represent considerable amounts of administrative costs in five cities. In two cities, Housing and Redevelopment Authorities represent 65-75 percent of all administrative costs. For the other cities, contracts represented 16-45 percent of administrative costs with Community Action Agencies, Public Works Departments, and Departments of Community Affairs.

There was no evidence in the HUD ten-city survey that citizen participation costs are excessive or driving up administrative costs. Most cities (six of ten) were not able to assign citizen participation costs separately, but they indicated no excessive costs in this area. The four cities that could separate citizen participation costs showed reasonable charges. The national sample of 147 cities shows that citizen participation costs were 0.3 percent of CDBG entitlement funds or 2.1 percent of all administrative costs for Fiscal Year 1977.

CHAPTER 20

DISCRETIONARY BALANCE FUNDS: THE FIRST THREE YEARS

The Community Development Block Grant legislation authorizes three sources of discretionary or competitive funding: the urgent needs fund, the Secretary's discretionary fund, and the **SMSA** 1/ and nonmetropolitan discretionary balances funds. Designed to meet the special community development needs not met through the formula entitlement portion of the legislation, these funds are awarded at the discretion of the Secretary upon consideration of the competing claims of eligible applicants.

The SMSA and the nonmetropolitan discretionary balance funds, which accounted for 77 percent of the discretionary dollars in Fiscal Years 1975 and 1976 and 73 percent in Fiscal Year 1977, are the principal sources of discretionary funding. Available to States and units of general local government (excluding metropolitan cities), urban counties, and units of general local government participating with urban counties through cooperation agreements for entitlement funds, the discretionary balances funds can be used for the full range of activities eligible for entitlement communities. The application form is the same for both the entitlement and the discretionary balances funds. However, the discretionary balances application process more closely resembles the HUD categorical grant process than the CDBG entitlement process.

By Fiscal Year 1980, when the phasing out of entitlement funding of small "hold harmless" communities will be completed, the discretionary balances will reach an estimated $1 billion, almost a 300 percent increase over the $256 million available in Fiscal Year 1975. A

1/ **SMSA** stands for Standard Metropolitan Statistical Area as officially defined by the Office of Management and Budget.

dramatic increase in the participation by small hold harmless communities is anticipated.

This chapter focuses on the SMSA and nonmetropolitan discretionary balances portion of the CDBG program during the first through third program years. Examining the implementation of this portion of the program offers insights into: the degree to which a block grant funding strategy based upon applicant competition differs from the previous categorical funding strategy; the effect of the changing selection criteria upon both eligible applicants and eligible activities; the needs of small communities which are being addressed by the program; and the focus of the program as measured against national objectives. Unless otherwise noted the data analysis is based upon sample data stratified by program year, discretionary balances type (SMSA, nonmetropolitan), types of recipient (city, county) and by four population categories: under 1,000, 1,000-9,999, 10,000-25,000 and over 25,000. The methodology for sample selection is found in Appendix A.

A BROADER HUD CONSTITUENCY

FINDING #1: The discretionary balances portion of the CDBG program is in transition. After introducing a new broad constituency of smaller communities to HUD funding, the discretionary balance funds are shifting their focus towards small hold harmless communities. This is a result of the phasing out of entitlement funding for small hold harmless communities. The nonmetropolitan and metropolitan discretionary balances portion of the Community Development Block Grant program has created for the Department of Housing and Urban Development a large constituency of small communities with populations less than 50,000.

Small communities have traditionally participated in HUD categorical programs. As of December 31, 1972, $15,093,658,000 had been awarded through five grant programs now consolidated into the Community Development Block Grant program: Model Cities; Neighborhood Facilities; Open Space; Urban Renewal and Water and Sewer Facilities grant programs. Of this amount 27 percent was awarded to grant recipients with populations less than 50,000.

Table 20.1

Participation by Small Communities in HUD Categorical Grant Programs (as of December 31, 1972)

Program	Total Program Dollars	Dollars Awarded to Communities Less Than 50,000 Population	Percent of Program Dollars
Water and Sewer Facilities Grant Program	$ 986,741,000	$ 666,332,000	68%
Urban Renewal	11,363,847,000	2,941,975,000	26
Neighborhood Facilities	229,207,000	90,789,000	40
Model Cities	1,937,857,000	177,600,000	9
Open Space Land Grant Program	576,006,000	183,051,000	32
TOTAL	$15,093,658,000	$4,059,747,000	27%

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

Under the entitlement portion of the CDBG legislation 748 small communities qualified for hold harmless entitlement funding as a result of their participation in selected HUD categorical programs during the base period Fiscal Years 1968-1972. While these communities are technically eligible to apply for discretionary balances funding as well, their participation during the first three program years was small. Numerous other small communities participated in the Water and Sewer Facilities Grant Program, the Neighborhood Facilities Program and the Open Space

Land Grant Program. The recipients of discretionary balances grants, however, include a large new constituency. 2/

Table 20.2

Percentage Distribution of the Dollars Awarded to Small Communities by Grant Type and Population Categories

Population	Categorical Grants	Discretionary Balances Grants a/
5,000	12%	40%
5,000 - 9,999	14%	19%
10,000 -49,000	74	41

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, "Management Information System."

a/ Fiscal Years 1975, 1976, and 1977

Comparing the distribution of funds awarded to small communities through the categorical programs with the distribution of funds awarded to small communities from the discretionary balance.funds by population categories, illustrates a shift in emphasis towards the needs of smaller communities.

FINDING #2: While the number of HUD grant recipients less than 5,000 population has igcreased substantially with the CDBG discretionary balances funds, the percentage of communities with less than 5,000 population .participating in the program is substantially less than the percentage they represent of the eligible communities under 50,000 population.

FINDING #3: A conflict inherent in the discretionary balance funds exists between the large number of very small local governmental units technically eligible under the CDBG legislation to compete for funding and the adminis-

2/ Seventy-four percent of the SMSA and nonmetropolitan discretionary balances grants for Fiscal Years 1975 and 1976 went to recipients who had no experience with HUD categorical programs.

trative problems of select'ing and administering a large number of small grant's. Approximately 38,000 State and local governmental units are technically eligible to apply for the discretionary balance funds (although 6,800 is the largest number to apply in any one year). Of these, 88 percent have populations less than 10,000, 81 percent have populations less than 5,000 and 71 percent have populations less than 1,000.

SELECTION CRITERIA AND ELIGIBLE APPLICANTS

Selection of Measures

The 1974 Housing and Community Development Act 3/ states that activities funded through the CDBG program should be "principally for persons of low and moderate income." The necessity of developing quantifiable measures of applicant need and potential program benefit as a basis for awarding discretionary balances grants has posed a problem in developing a HUD small communities strategy: should indices of need more heavily weight the characteristics of target area beneficiaries or the city or county-wide characteristics of the local government applying for the grant.

Measurement of Recipient-Wide Need

In Fiscal Years 1975, 1976 and 1977 the national program selection criteria included measures of applicant city or county-wide need. Annual changes in the selection criteria have altered the relative value of these measures.

In the first program year, the regulations stated that city or county-wide poverty and substandard housing would be measured as a percentage of an applicant's total population and total housing units. These measures were supplemented in Fiscal Year 1976 and Fiscal Year 1977 with separate rankings of applicants according to their actual numbers of poor persons and substandard housing.

In Fiscal Year 1975, the percentage of an applicant's housing units with inadequate plumbing was used as the measure of substandard housing in nonmetropolitan areas. The percentage of housing units which were overcrowded was the measure of substandard housing in SMSAs.

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

In Fiscal Year 1976 and Fiscal Year 1977 an applicant's number of housing units with inadequate plumbing was added to its number of overcrowded units to obtain its number of substandard housing units. The degree of substandardness was then measured both as the number of substandard units and as a percentage of the total units.

The decision to add "absolute amount" as a measure of recipient-wide need reflects the conclusion that the use of percentage as a measure biases applicant selection towards smaller applicants whose smaller numbers of poor persons and substandard housing translate into large percentages. This would mean that as population increases, the number of poor persons and substandard housing increases at a significantly lower rate, such that the larger the applicant's population, the lower the applicant's percentage of poverty and substandard housing.

An examination of the effectiveness of recipient-wide measures of need for the grant recipients raises two questions. Do these measures of need consistently affect the outcome of selection decisions? What is the effect of a measure which combines an applicant's ranking based upon a percentage figure with its ranking based upon an actual count?

If the measures are consistently effective, one would expect to find recipients primarily with high percentages of poverty and substandard housing in Fiscal Year 1975; and either high percentages, high absolute amounts, or both moderately high percentages and absolute amounts in Fiscal Year 1976 and Fiscal Year 1977. Although the interrelationship of these measures of recipient-wide need with other selection criteria would alter the patterns somewhat, one would not expect to find many grant recipients with low percentages and low actual numbers of poverty or substandard housing.

FINDING #4: The data suggest that the recipient-wide measures of need do not consistently affect selection decisions when measures are expressed as percentages, or as a combination of percentages and actual amounts.

High measures of recipient-wide poverty or substandard housing undoubtedly enable some applicants with otherwise marginal chances for funding to attain sufficient points

for funding. Other applicants achieve sufficient scores on the basis of target area characteristics and proposed program benefit while having low recipient-wide measures of need scores.

The concentration of grants among small sized recipients in Fiscal Year 1976, with widely varying percentage scores brings into question the strength of the selection criteria, recipient-wide poverty, and substandard housing as determining factors in the selection of grant recipients. This is despite the introduction of measures of actual numbers intentionally biased towards larger sized applicants. Scattergram displays of Fiscal Year 1975, Fiscal Year 1976, and Fiscal Year 1977 sample recipient needs data illustrating score variations will be included in a separate study of the discretionary balance funds to be published in early Summer, 1978.

The introduction of the absolute amount of recipient-wide poverty and substandard housing may have caused a slight shift in funds towards larger grant recipients in Fiscal Year 1976. However, other alterations to the Fiscal Year 1976 criteria offset this effect in Fiscal Year 1977. The proportion of nonmetropolitan discretionary balances funded to communities with populations less than 5,000 dropped 6 percent in Fiscal Year 1976 but rose 5 percent in Fiscal Year 1977. The proportion of the balances funded to recipients in the 10,000-49,999 population category increased slightly (3 percent) in Fiscal Year 1976 but dropped 6 percent in Fiscal Year 1977. Changes in the proportional distribution of nonmetropolitan discretionary balances among recipients larger than 50,000 population or SMSA discretionary balances by any population grouping did not exceed 3 percent in Fiscal Years 1976 or 1977.

Table 20.3

Distribution of Discretionary Balances
By Population Grouping (Percent)

Population Grouping	5,000		5,000 9,999		10,000-49,999		50,000	
Fiscal Year	Non metro-politan	SMSA	Non-metro-po1itan	SMSA	Non-metro-politan	SMSA	Non-metro-politan	SMSA
1975	41%	26%	15%	13%	38%	35%	6%	26%
1976	35	24	18	14	41	33	6	29
1977	40	23	20	16	35	32	5	29

Source: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, "Management Information System."

Target Areas

FINDING #5: The small size of the discretionary balances grants restricts the size of the target areas which can benefit, without regard to city or county population size. This makes target area need a more comparable unit for measurement than city or county-wide need or size.

The average grant size in the first three program years ranged from a low of $87,500 for the SMSA balances program in Fiscal Year 1975 to a high of $244,900 for the non-metropolitan balances program in Fiscal Year 1977.

Table 20.4

Average Discretionary Balance Grant

Fiscal Year	SMSA Balances	Nonmetropolitan Balances
1975	$ 87,500	$168,800
1976	129,500	199,900
1977	168,000	244,900

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, "Management Information System."

Measurement of Target Area Need

FINDING #6: The selection criteria as they have evolved over the first three years of the program have shifted emphasis away from recipient-wide need characteristics toward emphasis upon the characteristics of the target area and the types of activities proposed.

The program emphasis upon activities which benefit persons of low and moderate income, implied in the Fiscal Year 1975 regulations, was specified in Fiscal Year 1976. The Fiscal Year 1976 regulations included a provision that the degree to which proposed activities would benefit low- and moderate-income persons be measured. The HUD regional offices were delegated the responsibility for developing the measures to be used in quantifying proposed program benefit.

In Fiscal Year 1977 the national selection criteria added emphasis and greater uniformity of interpretation to this criterion by assigning it a specific proportional value of 35 percent of the total points possible and outlining three degrees of program benefit. This was the largest value assigned to any of the criteria. A new selection factor, the extent to which a proposed activity or program of activities was necessary to support the expansion or conservation of the low- and moderate-income housing stock, was assigned a maximum value of 25 percent of the total possible score. By contrast, the applicant needs criteria (applicant-wide poverty and applicant-wide substandard housing) were each assigned a value of 10 percent.

An application addressing the "benefit to low- and moderate-income persons" criterion in combination with the "expansion or conservation of the housing stock" criterion could obtain up to 60 percent of the total possible score. This significantly reduced its dependence upon the applicant "needs" criteria points.

An examination of the application budget line item data for the Fiscal Year 1977 program year reveals a marked shift of funds away from budget line item 2, "public works, facilities and site improvements" to budget line item 5, "rehabilitation loans and grants."

Table 20.5

Activity Shifts by Budget Line Item

	SMSA BALANCES (PERCENT)		NONMETROPOLITAN BALANCES (PERCENT)	
Fiscal Year	Budget Line Item 2	Budget Line Item 5	Budget Line Item 2	Budget Line Item 5
1975	54%	13%	68%	7%
1976	58	15	64	11
1977	41	28	50	21

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, "Management Information System."

SELECTION CRITERIA AND ELIGIBLE ACTIVITIES

For the entitlement cities and urban counties, the block grant program marks a significant turn away from the old categorical programs with their narrowly defined eligible activities. The CDBG entitlement program is characterized by increased flexibility in program design to meet unique local needs.

FINDING #7: Discretionary balances grant recipients are technically eligible for the full range of activities eligible under the entitlement portion of the CDBG program. The competitive nature of this portion of the program, however, in effect restricts the range of eligible activities to those receiving highest priority according to the area office ranking strategies developed to measure applications against the national selection criteria.

Between Fiscal Year 1975 and Fiscal Year 1977 the national selection criteria have become increasingly specific although the HUD regional and area offices retain some latitude in their interpretation of the criteria as reflected in their assignment of rating points.

A comparison of the program regulations for Fiscal Years 1975, 1976 and 1977 illustrates the increasing standardization of the discretionary balance funds. The Office of Evaluation for Community Planning and Development interviewed staff in six area offices initially selected to represent a continuum of area office rating system strategies developed for Fiscal Year 1975. The Fiscal Year 1975 ranged from virtually exclusive emphasis upon recipient-wide poverty and substandard housing statistics to heavy emphasis upon program benefit and target area characteristics.

Fiscal Year 1975 Selection Criteria

The six area offices visited developed their Fiscal Year 1975 rating systems to rank applications against the national selection criteria relatively independently of the HUD regional and central offices although occasional modifications were initiated at the regional or central office level. The rating systems measured extent of recipient-wide poverty and substandard housing, severe growth or decline, and problems posing an imminent threat to public health or safety. The national selection criteria required that the degree to which the proposed community development activities directly or indirectly addressed these four conditions also be measured. Participation in joint and voluntary intergovernmental agreements and capacity to perform were factors which the regional or area office could choose to consider. Responsibility for the development of measures was delegated to the regional offices, which usually delegated the task to the area offices.

A comparison of grantee budget line item expenditures by the six area offices indicates significant variation in the activities for which funds were approved. 4/ The proportion of Fiscal Year 1975 discretionary funds approved

4/ U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, "Management Information System."

by these area offices for budget line item 2, "public works, public facilities and site improvements" ranged from 36 percent to 84 percent. Expenditures for rehabilitation loans and grants ranged from 2 percent to 18 percent. Funds approved for the acquisition of real property ranged from 5 percent to 26 percent.

Changes Reflected in the Fiscal Year 1976 Selection Criteria

To establish greater uniformity among the area office ranking measures, the regional offices played a larger role in developing the measures in Fiscal Year 1976. Federal program regulations that year specified three rating factors against which the four conditions of: (1) poverty, (2) substandard housing, (3) extraordinary growth or decline, and (4) problems posing an imminent threat to health and safety, were to be measured. These rating factors include: (1) the degree to which activities directly addressed the four conditions; (2) the degree to which the activities would benefit low- and moderate-income persons; and (3) the consistency of activities with areawide plans. Applicant capacity to successfully undertake the proposed activities was retained as a threshold factor.

A comparison of Fiscal Year 1976 budget line item data for the six area offices reveals very small shifts in the patterns identified for Fiscal Year 1975. Expenditures for the budget line item "public works, facilities and site improvements" ranged from 36 percent to 86 percent of the area offices' total discretionary balances. Funds budgeted for rehabilitation loans and grants ranged from 4 percent to 21 percent. Funds budgeted for acquisition of real property ranged from 4 percent to 26 percent.

Analysis of budget line item data for the program nationwide indicates that very small shifts occurred in the types of activities funded in Fiscal Years 1975 and 1976. Funds budgeted for public works, facilities and site improvements decreased slightly from 65 percent in Fiscal Year 1975 to 63 percent in Fiscal Year 1976. Funds approved

for rehabilitation loans and grants increased slightly from 8 percent to 12 percent. Funds budgeted for acquisition of real property decreased from 9 percent to 8 percent.

Changes in Fiscal Year 1977 Selection Criteria

FINDING #8: Changes in the program selection criteria in Fiscal Year 1977 resulted in a noticeable shift in funds towards housing rehabilitation. Public works activities, however, continued to receive the greatest proportion of funds.

Subtle differences in area office rating factors continued in Fiscal Year 1977. However, for the first time the Federal regulations specified the proportional weight for each selection criterion.

A new selection factor introduced in Fiscal Year 1977, the "expansion or conservation of the low- and moderate-income housing stock" was assigned a value of 25 percent of the total possible score. While not specifically requiring rehabilitation, the selection criterion as applied by the six area offices usually favored rehabilitation activities and such supporting activities as water and sewer line extensions or replacements when they directly benefited low- and moderate-income housing. An activity scoring well against this criterion was virtually assured of scoring well against the selection criterion, "program benefit to low- and moderate-income persons."

A comparison of Fiscal Year 1977 budget line item data for the six area offices reflects the advantage given to public works activities in support of housing and to rehabilitation activities in Fiscal Year 1977. Expenditures for the budget line item "public works, facilities and site improvments," ranged from 23 percent to 84 percent. Funds budgeted for rehabilitation loans and grants ranged from 6 percent to 41 percent. Funds budgeted for acquisition of real property ranged from 5 percent to 18 percent.

Nationwide, the "public works, facilities and site improvements" budget line item dropped to 49 percent while the budget line item rehabilitation loans and grants increased to 23 percent. Funds budgeted for property acquisition remained the same, 8 percent.

ACTIVITY SELECTION BY POPULATION STRATUM

It is virtually impossible to measure the true nature of the demand for discretionary funds through analysis of the activities proposed in the pre-applications. It is assumed that successful pre-applications frequently reflect knowledge of the selection criteria which are published prior to the submission date for pre-applications.

FINDING #9: While the selection criteria eliminate certain eligible activities from serious consideration, the types of activities proposed and consequently the types of activities funded reflect recipient population size and recipient type (city, county).

The following tables illustrate considerable variation in the degree to which the different categories of grant recipients invested in five types of activities. Differences in the proportions of funds budgeted for the five activity areas (public works; development/redevelopment; rehabilitation; public facilities; and planning, administration, contingencies) tend to diminish as the population size of the grant recipients increases. The percentage of funds budgeted for public works activities generally decreased as population size increased, whereas the percentage of funds budgeted for rehabilitation and development/redevelopment activities increased with population size in Fiscal Years 1975 and 1976.

TABLE 20.6

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** NONMETROPOLITAN CITIES **
POPULATION STRATUM (0 - 999)

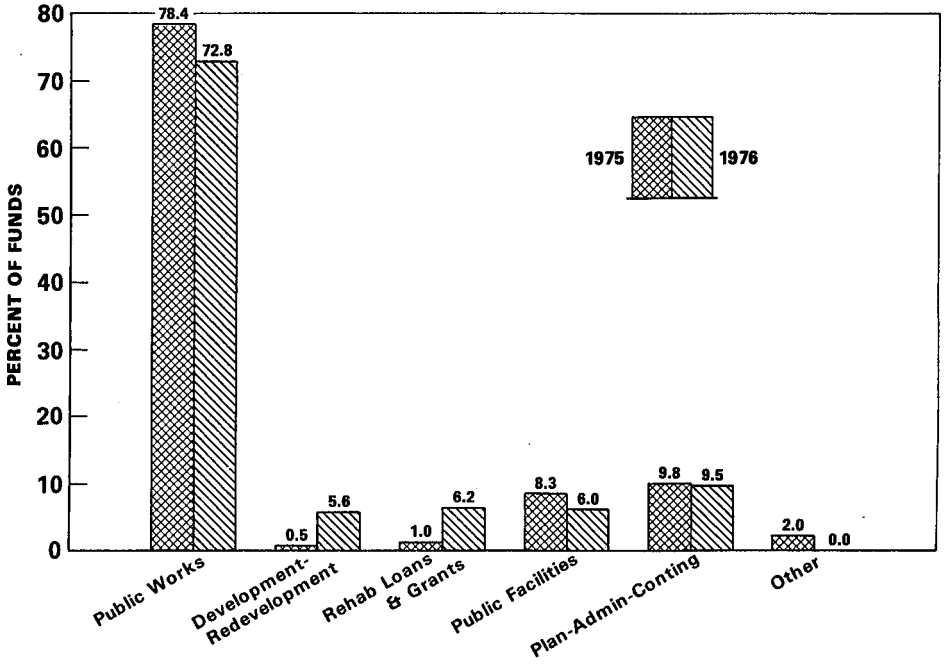


TABLE 20.7

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** NONMETROPOLITAN CITIES **
POPULATION STRATUM (1000 - 9999)

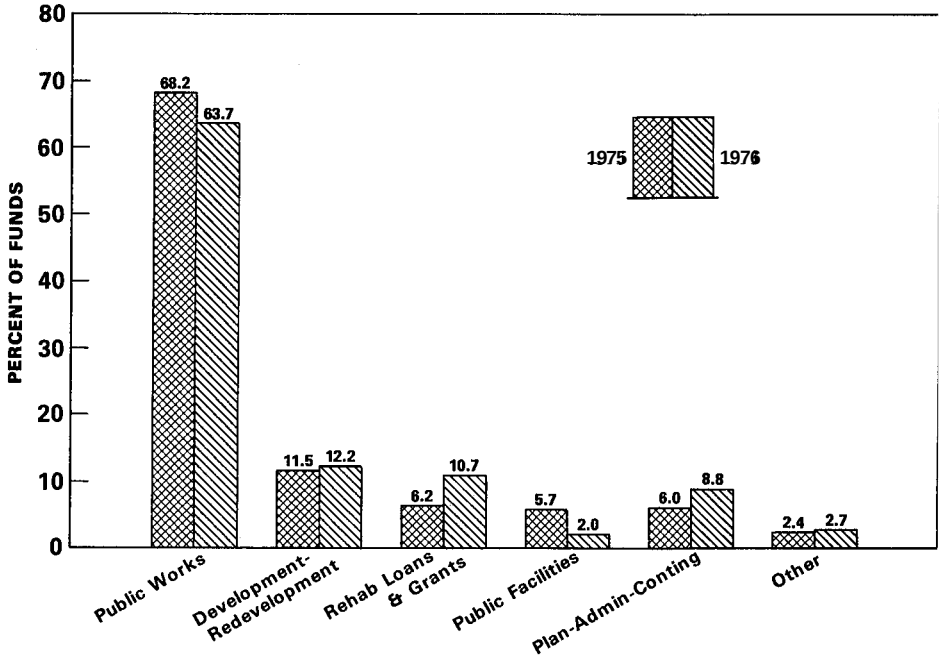


TABLE 20.8

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** NONMETROPOLITAN CITIES **
POPULATION STRATUM (10000 - 24999)

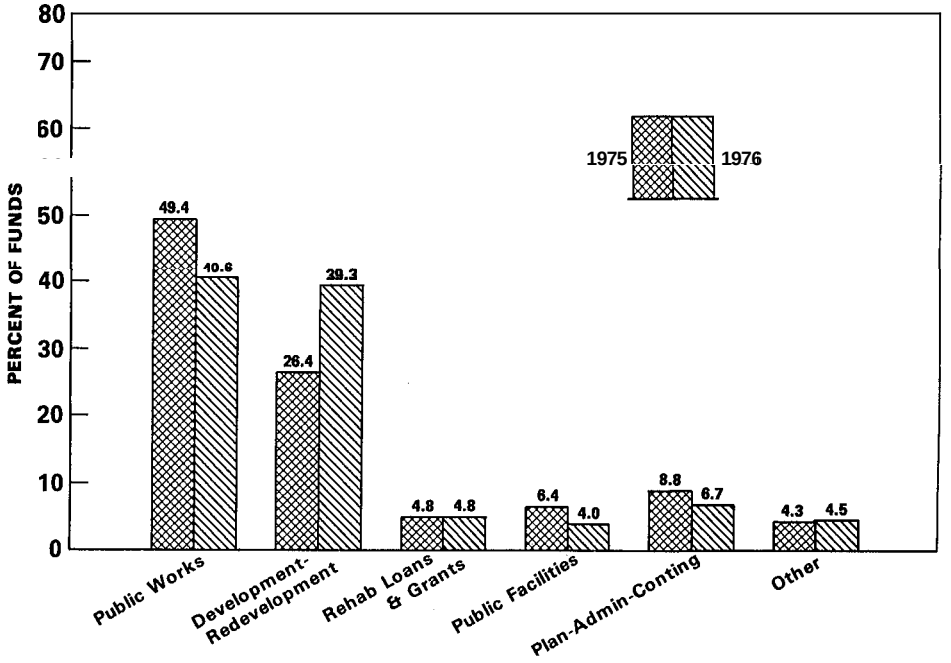


TABLE 20.9

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** NONMETROPOLITAN CITIES **
POPULATION STRATUM (25000 +)

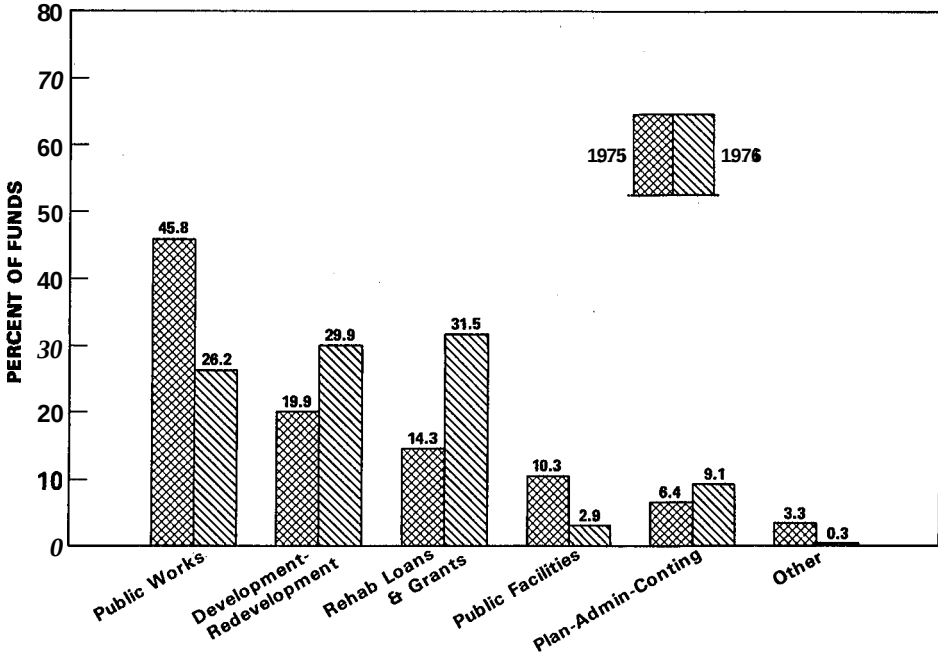


TABLE 20.10

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** SMSA CITIES **
POPULATION STRATUM (0 - 999)

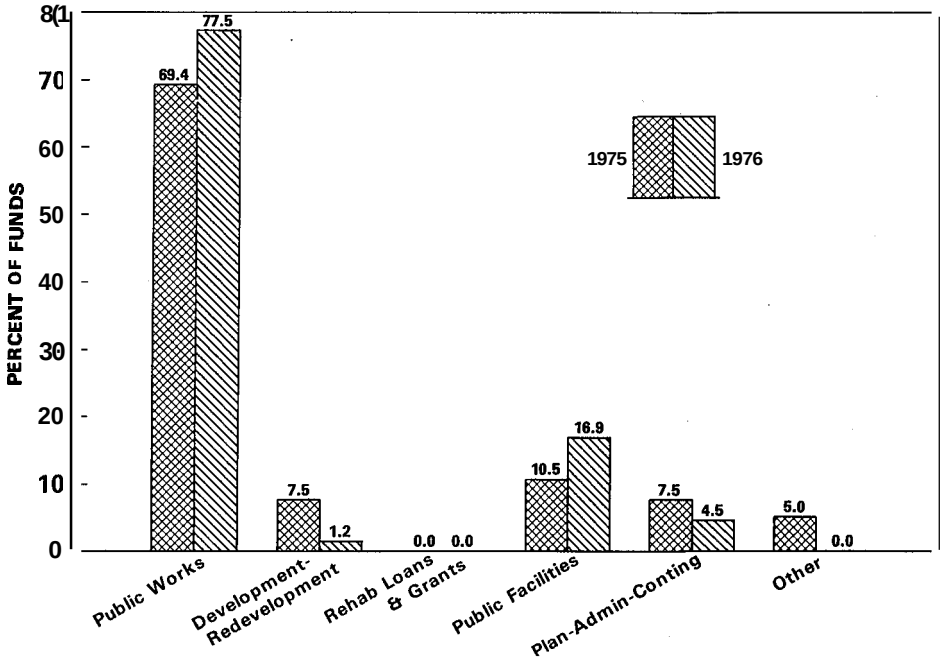


TABLE 20.11

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** SMSA CITIES **
POPULATION STRATUM (1000 - 9999)

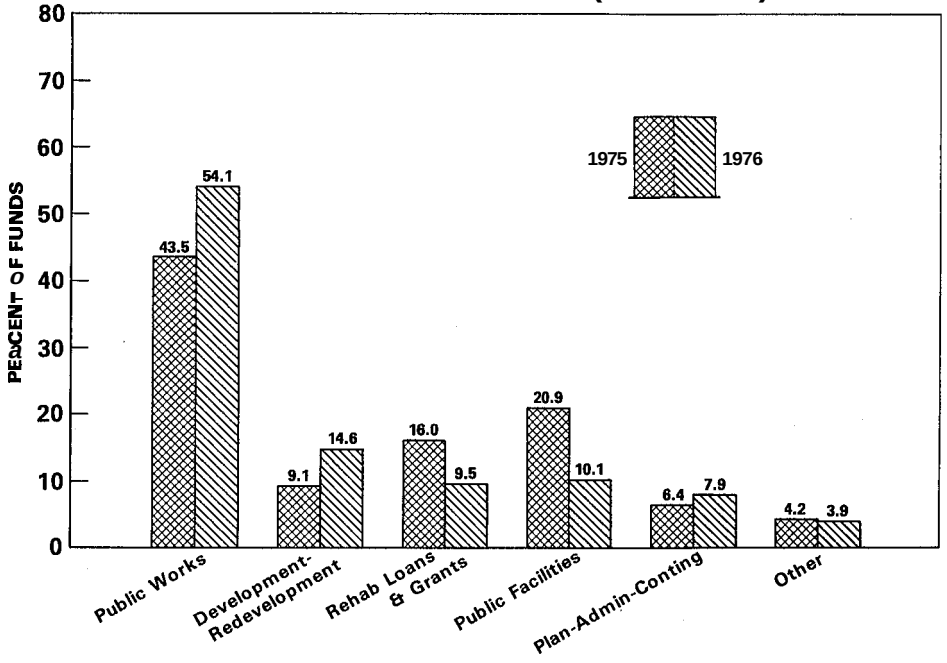


TABLE 20.12

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** SMSA CITIES **
POPULATION STRATUM (10000 - 24999)

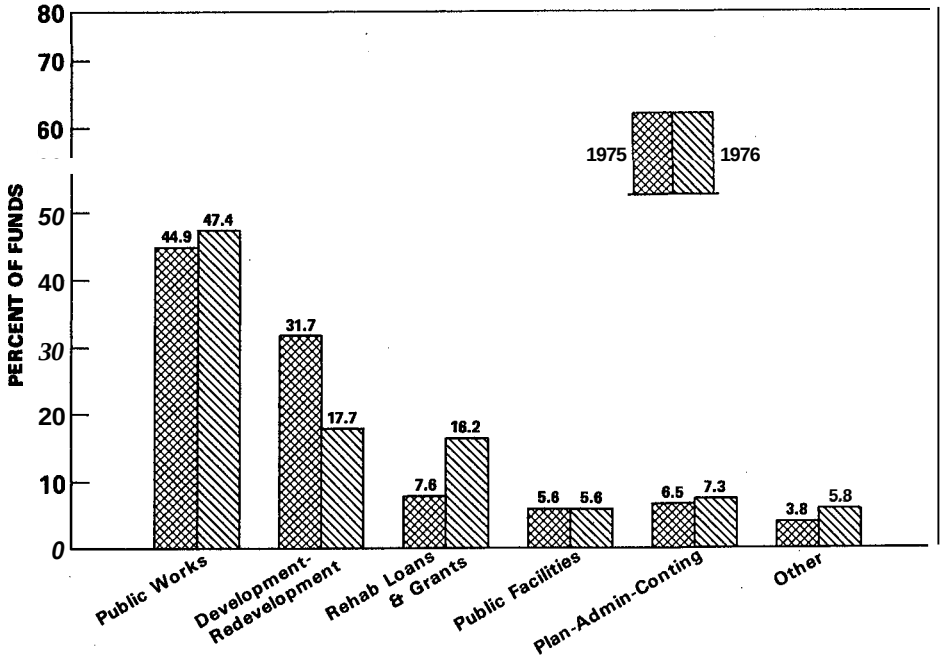


TABLE 20.13

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** SMSA CITIES **
POPULATION STRATUM (25000 +)

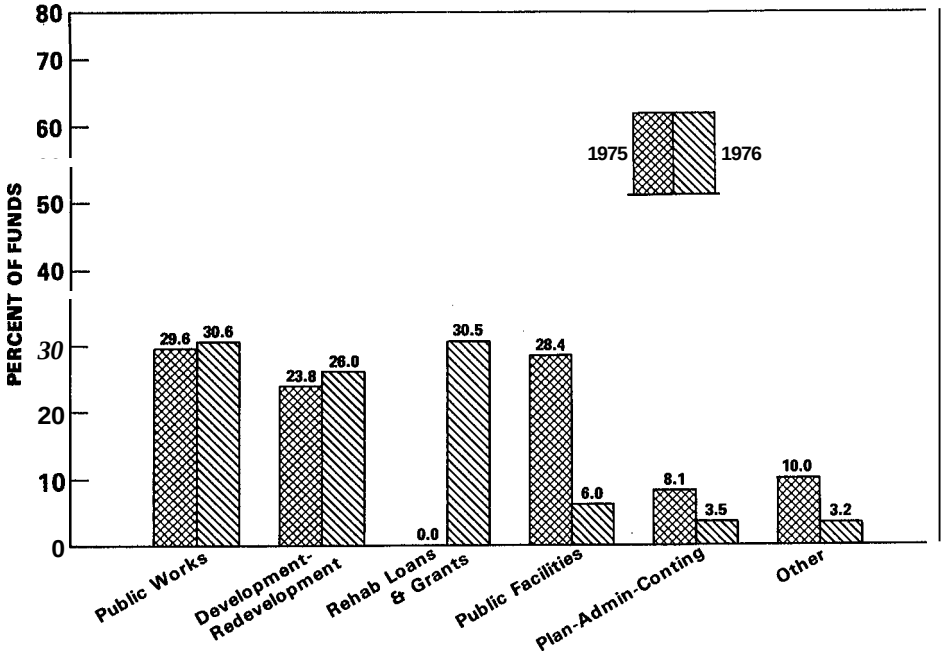


TABLE 20.14

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** SMSA COUNTIES **
ALL STRATA

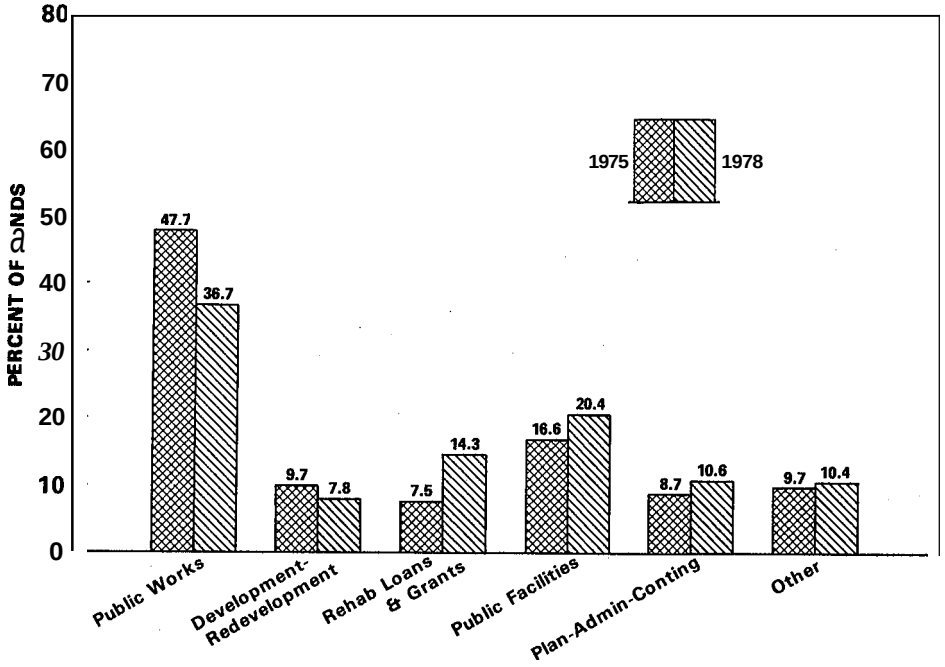


TABLE 20.15

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** NONMETROPOLITAN COUNTIES **
POPULATION STRATUM (1000 - 9999)

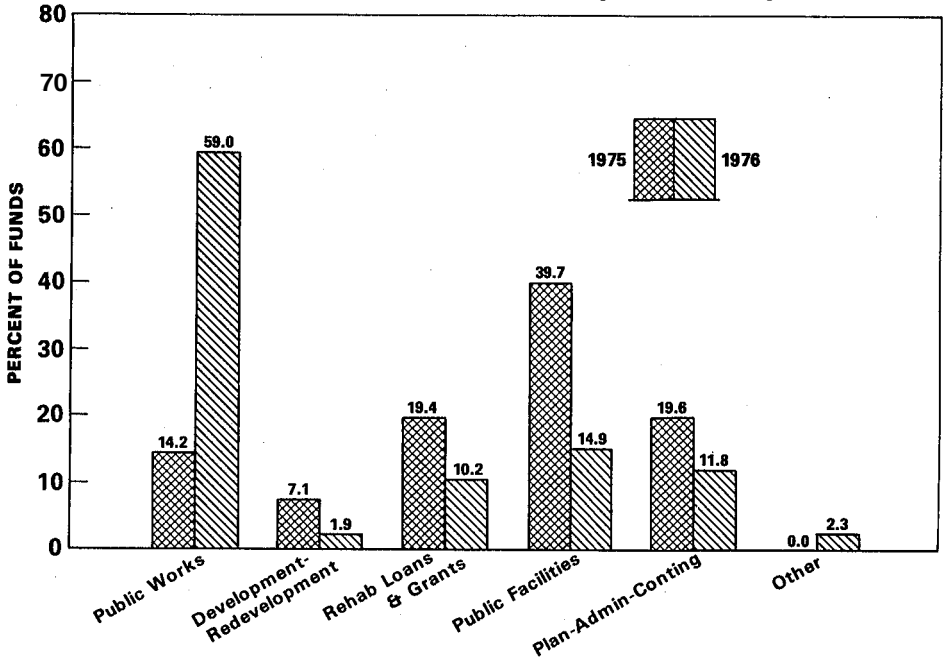


TABLE 20.16

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** NONMETROPOLITAN COUNTIES **
POPULATION STRATUM (10000 - 24999)

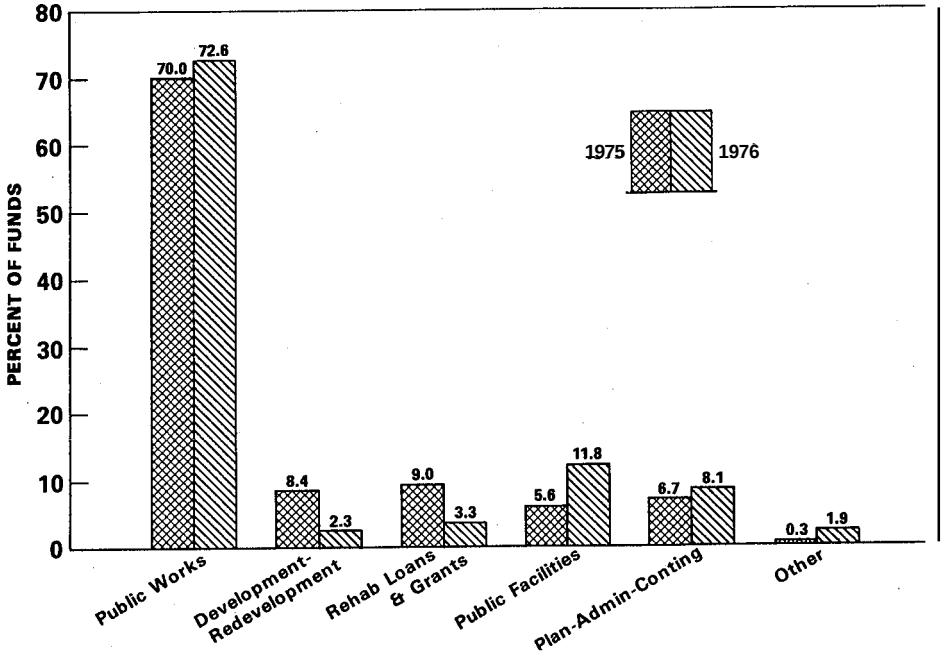
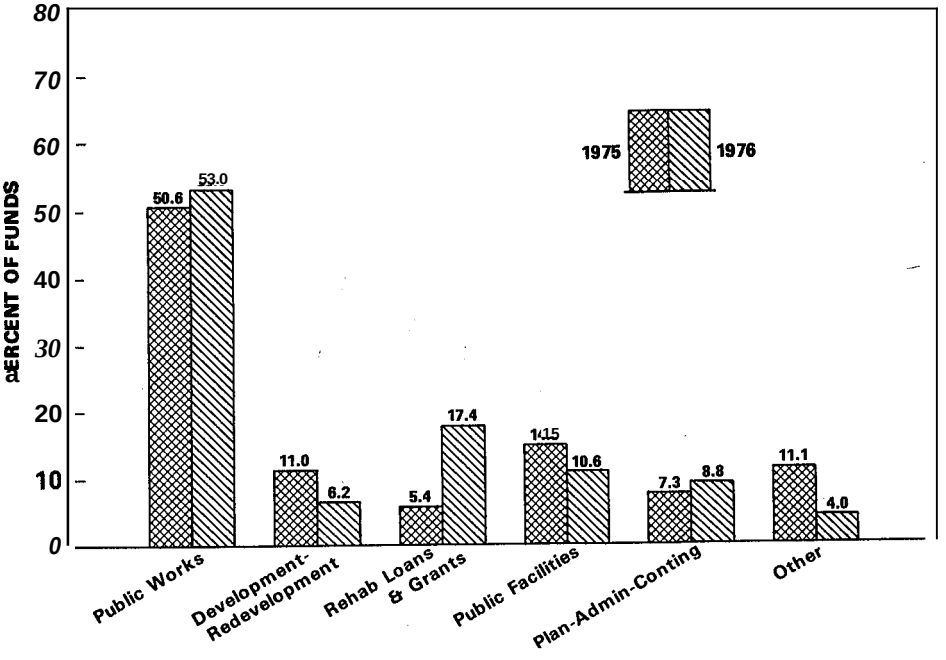


TABLE 20.17

CDBG DISCRETIONARY BALANCES
GRANT FUNDS
** NONMETROPOLITAN COUNTIES **
POPULATION STRATUM (25000 +)



Funds budgeted for housing activities are included in two categories: rehabilitation loans and grants; and development/redevelopment. The second category includes land acquisition, demolition, relocation and "other expenditures for housing." This category is not restricted exclusively to redevelopment for residential use.

Nonmetropolitan Cities

The nonmetropolitan cities budgeted proportionately more of their funds for rehabilitation loans and grants in Fiscal Year 1976 than in 1975 except for stratum three (10,000-24,999 population). The proportion for this stratum did not change. All four nonmetropolitan city strata budgeted proportionately more funds for development/redevelopment activities and less funds for public works activities in Fiscal Year 1976.

The proportion of funds budgeted for rehabilitation increased with population size both years except for stratum three cities. The strata three cities budgeted a substantially greater proportion of their funds for development/redevelopment offsetting the low proportion of funds budgeted for rehabilitation.

SMSA Cities

Cities within SMSAs did not consistently increase the proportion of funds budgeted for housing activities in Fiscal Year 1976 over Fiscal Year 1975. Trends upward and downward vary by population strata. In Fiscal Year 1976 the proportion of funds budgeted for both rehabilitation and development/redevelopment increased as the population size of the strata increased. In Fiscal Year 1975, however, SMSA cities between 10,000 and 24,999 population budgeted proportionately less funds for rehabilitation than SMSA cities between 1,000 and 9,999 population but substantially more of their funds for development/redevelopment.

The smallest SMSA cities (less than 1,000 population) in the sample budgeted no funds for rehabilitation in Fiscal Years 1975 or 1976 and less than eight percent of their funds for development/redevelopment. In both Fiscal Years more than 65 percent of the funds budgeted by SMSA and nonmetropolitan cities of less than 1,000 population went for public works.

Nonmetropolitan Counties

Nonmetropolitan counties offer striking contrast to the general trends. With the exception of the stratum for counties greater than 25,000 population,. the nonmetropolitan counties budgeted proportionately less money for both rehabilitation and development/redevelopment in Fiscal Year 1976 than in Fiscal Year 1975. The nonmetropolitan counties decreased the proportion of funds budgeted for rehabilitation as their population increased except for the Fiscal Year 1976 stratum four counties. The proportion of funds budgeted for development/redevelopment, however, consistently increased with county population size both years. Each nonmetropolitan county strata increased the proportion of funds budgeted for public works in Fiscal Year 1976 over Fiscal Year 1975. The nonmetropolitan counties between 10,000 and 24,999 population budgeted the greatest proportion of their funds for this purpose each year (70 percent and 73 percent, respectively).

SMSA Counties

The SMSA counties which are not stratified by population almost doubled the proportion of funds budgeted for rehabilitation in Fiscal Year 1976 (14 percent). This figure, however, is less than half of the proportion budgeted by SMSA and nonmetropolitan cities over 25,000 population in Fiscal Year 1976. The proportion of funds budgeted by SMSA counties for development/redevelopment decreased slightly that year, from 10 percent to 8 percent. The greatest shift in the use of funds awarded to SMSA counties occurred among public works activities. The proportion of funds budgeted for public works decreased from 48 percent to 37 percent.

TABLE **20.18**

PERCENTAGE OF SAMPLE SMSA AND NONMETROPOLITAN
DISCRETIONARY BALANCES BUDGETED FOR FIVE ACTIVITY GROUPINGS,
FY 1975 and FY 1976

	Water/Sewer Combined		Rehab. Loans & Grants		Public Facilities		Development/Redevelopment		Other	
	1975	1976	1975	1976	1975	1976	1975	1976	1975	1976
SMSA Cities										
<1000	66.6	43.3	0	0	10.5	16.9	7.5	1.2	15.4	38.6
1000-9999	28.9	36.5	16.0	9.5	20.9	10.1	9.1	14.6	25.10	29.3
10,000-24,999	11.1	20.4	7.6	16.2	5.6	5.6	31.7	17.7	44.0	40.1
>25,000	28.2	21.1	0	30.5	28.4	6.0	23.6	26.0	19.6	16.4
Nonmetropolitan Cities										
<1000	73.6	50.2	1.0	6.2	8.3	6.0	.5	5.6	16.6	32.0
1000-999	49.4	41.2	6.2	10.7	5.7	2.0	11.5	12.2	27.2	33.9
10,000-24999	44.5	8.0	4.8	4.0	6.4	4.0	26.4	39.3	17.9	43.9
> 25,000	20.6	7.7	14.3	31.5	10.3	2.9	19.9	29.9	34.9	28.0
SMSA Counties	28.3	14.0	7.5	14.3	16.6	20.4	9.1	7.8	37.9	43.5
Nonmetropolitan Counties										
1000-9999	14.2	42.6	19.4	10.2	39.7	14.9	7.1	1.9	19.6	30.4
10,000-24999	54.1	48.10	9.0	3.3	5.6	11.8	8.1	2.3	22.9	34.5
> 25,000	33.7	31.8	5.4	17.4	14.5	10.6	11.0	6.2	35.4	34.

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

TABLE 20.19

1975 CDBG DISCRETIONARY BALANCES
GRANT FUNDS
ACTIVITY SUMMARY TABLE
** SMSA CITIES **

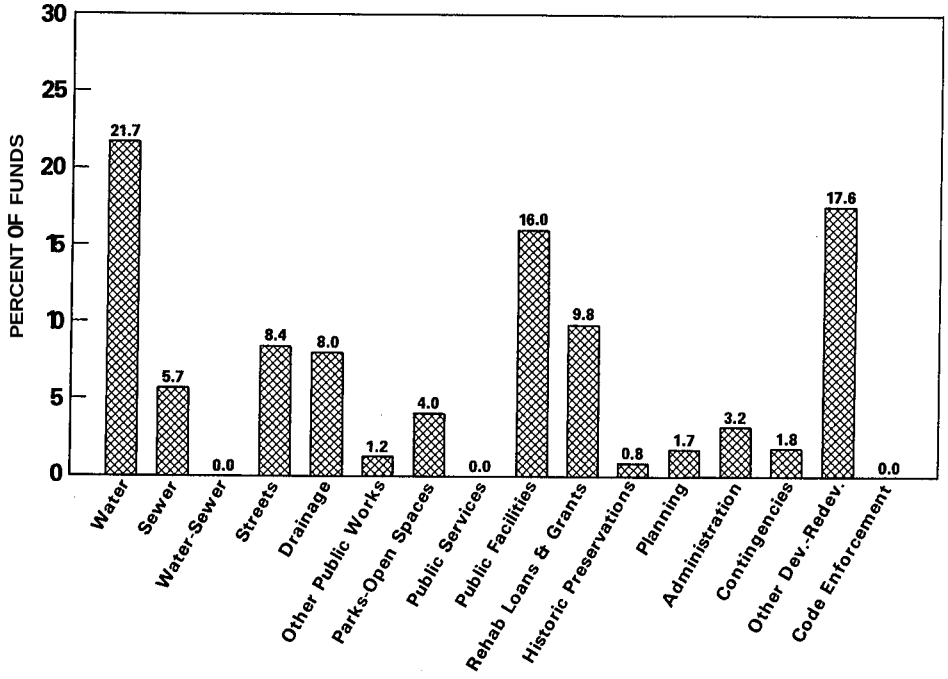


TABLE 20.20

1976 CDBG DISCRETIONARY BALANCES
GRANT FUNDS
ACTIVITY SUMMARY TABLE
** SMSA CITIES **

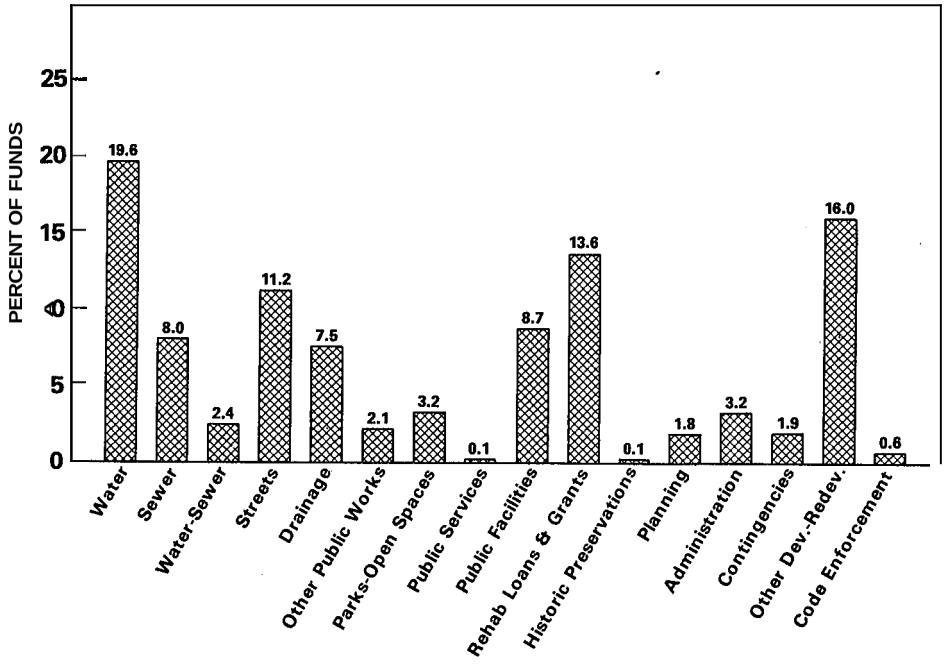


TABLE 20.21

1975 CDBG DISCRETIONARY BALANCES
GRANT FUNDS
ACTIVITY SUMMARY TABLE
** NONMETROPOLITAN CITIES **

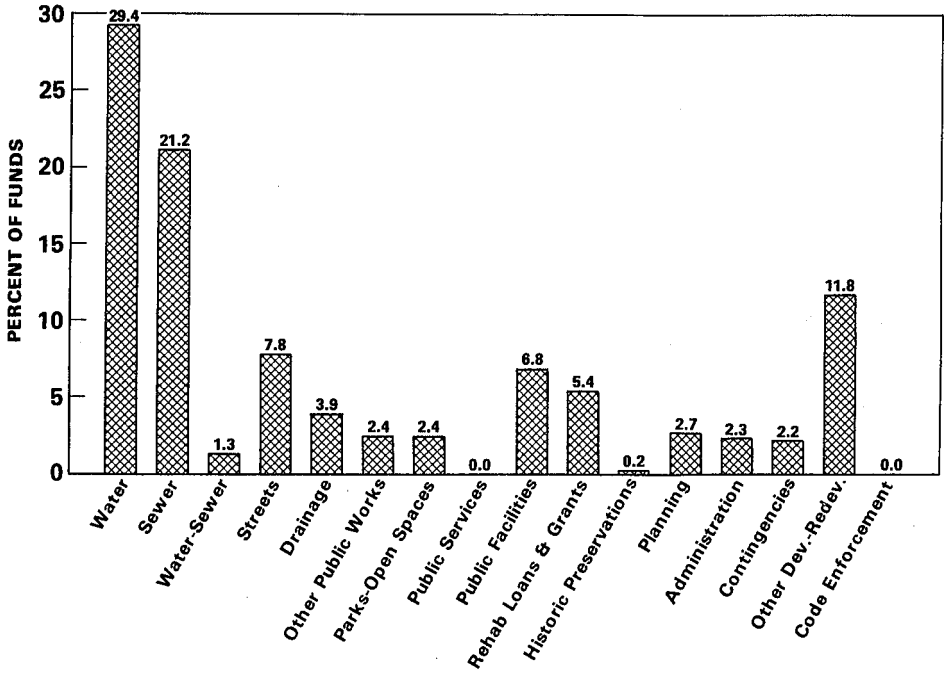


TABLE 20.22

1976 CDBG DISCRETIONARY BALANCES
GRANT FUNDS
ACTIVITY SUMMARY TABLE
~~** NONMETROPOLITAN CITIES **~~ SMSA Counties

Table 20.14 and 20.18 and discussion on P.297 shows this is really SMSA Counties Table for 1976.

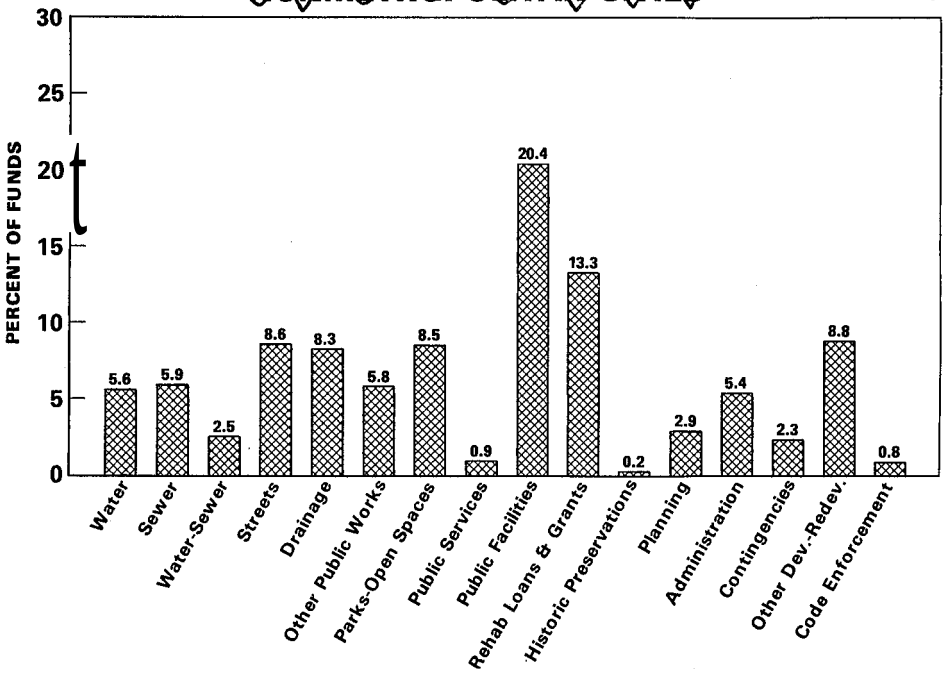


TABLE 20.23

1975 CDBG DISCRETIONARY BALANCES
GRANT FUNDS
ACTIVITY SUMMARY TABLE
** SMSA COUNTIES **

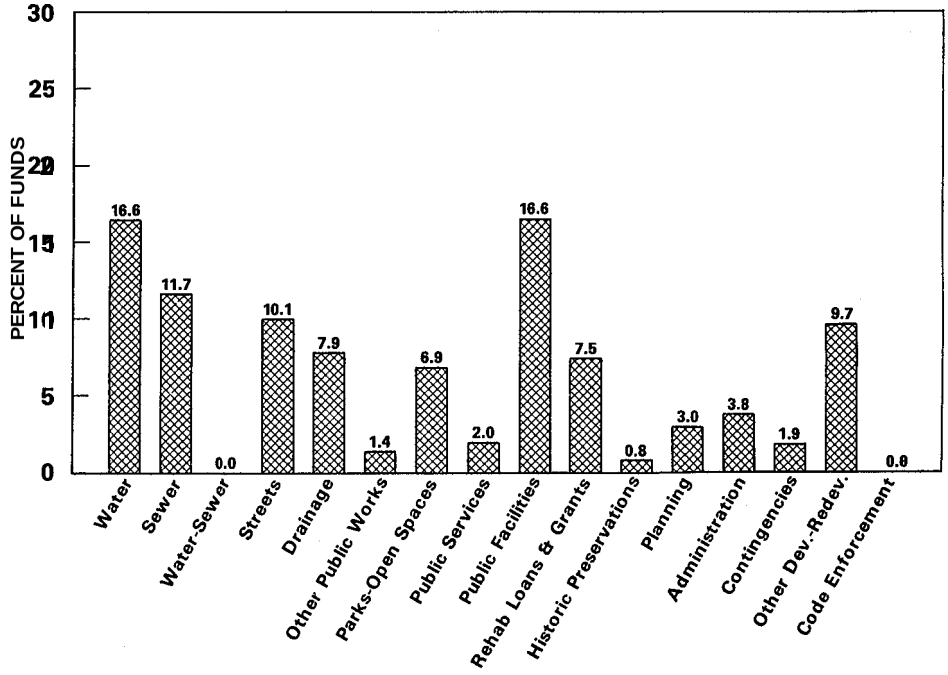


TABLE 20.24

1976 CDBG DISCRETIONARY BALANCES
GRANT FUNDS
ACTIVITY SUMMARY TABLE
~~** SMSA COUNTIES **~~ Non-Metro

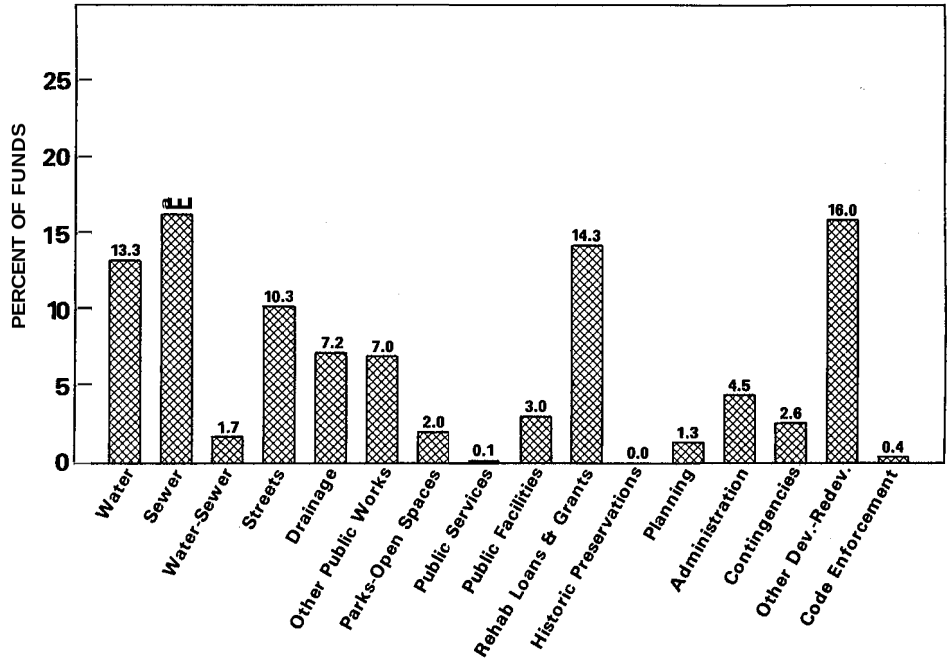


TABLE 20.25

1975 CDBG DISCRETIONARY BALANCES
GRANT FUNDS
ACTIVITY SUMMARY TABLE
** NONMETROPOLITAN ~~CITIES~~ COUNTIES **

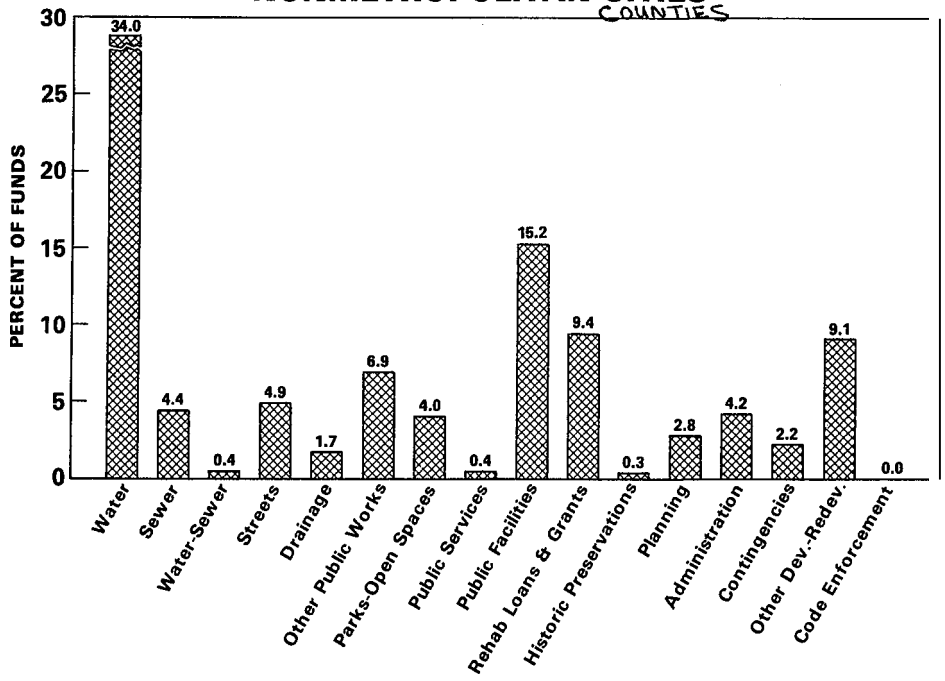
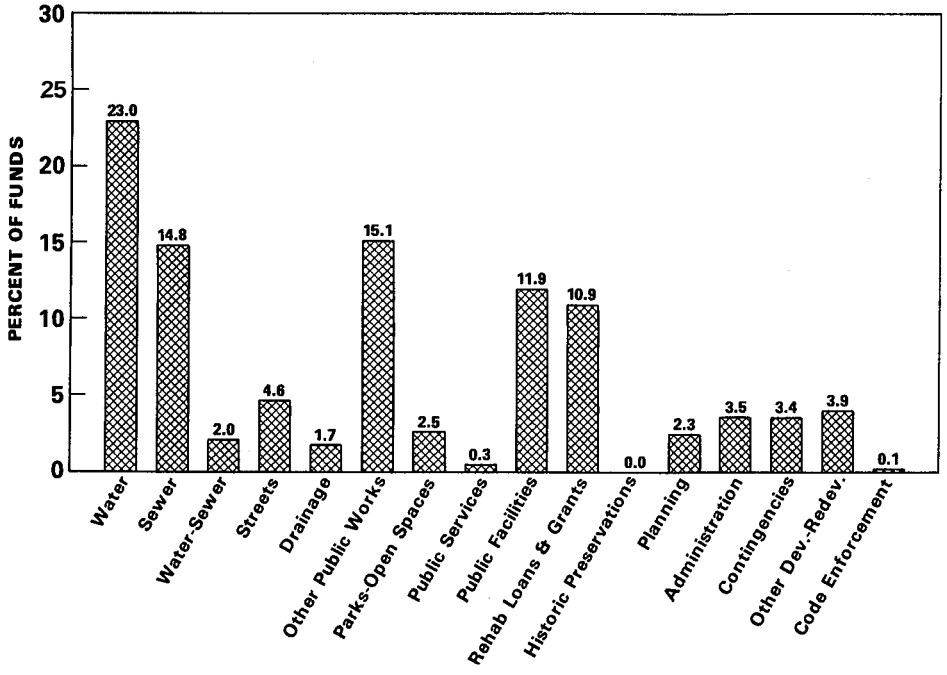


TABLE 20.28

1976 CDBG DISCRETIONARY BALANCES
GRANT FUNDS
ACTIVITY SUMMARY TABLE
** NONMETROPOLITAN COUNTIES **



THE EXPERIENCES OF GRANT RECIPIENTS

The Office of Evaluation staff visited thirteen Fiscal Year **1975** discretionary balances grant recipients and twenty-nine Fiscal Year **1976** recipients. Emphasis was placed upon identifying the problems encountered by the grant recipients in the preparation of their block grant applications, in compliance with the program assurances and in program implementation. To most of these discretionary grant recipients, the discretionary balance funds represents acknowledgement by HUD of the pressing urban problems facing small and frequently rural communities.

The Single Purpose Activities

During the first three program years the design of the discretionary balance funds accommodated best the funding of one or several small single purpose activities, which could be completed in a single program year and which were not contingent upon future HUD funding. The smallest grant recipients most frequently requested and generally are capable of implementing small public works projects. These projects typically involve water and sewer line extensions and/or replacements in low and moderate income residential areas. Requests for funding of coordinated programs were also received from very small communities, hence their interest in the CDBG program's broader focus on comprehensiveness can not be overlooked.

Small Comprehensive Proarams

The problems inherent with the discretionary balance funds come into clearest focus when one considers the problems encountered by the discretionary grant recipient undertaking a small comprehensive program with assured funding for a single year. The process of identifying one or more target areas and developing a coordinated program extending over three years raises expectations that long range goals can be met, goals which the discretionary balances program was not designed to meet during the first three program years exceptthrough successful annual competition for refunding. It was apparent that the design of the CDBG application and the design of the discretionary program needed to be brought into closer focus through the Housing and Community Development Act of **1977.**

The Housing Assistance Plan

The appropriateness to small communities of the Housing Assistance Plan form used by metropolitan cities was questioned by the grant recipients. Differences in the nature of the housing problems of small communities in general and the inadequacies of the data sources available to complete the requested information in particular were concerns frequently raised.

Legislative and Programmatic Changes

The administrative problems inherent in a program offering limited dollar resources for wide competition by applicants frequently having little experience in the implementation of Federal programs, have become manifest over the past three years.

The initial efforts by many HUD area offices to equitably distribute the funds embodied a "something is better than nothing" approach frequently resulting in numerous small grants for single purpose activities. The area office staff work overload resulting from: (1) the lengthy development and application of selection criteria to the numerous preapplicants (and full applicants the first year); (2) the dearth of technical assistance available; and (3) the three-year focus of the application inconsistent with the one-year focus of the discretionary balance funds, raised questions concerning the feasibility of HUD continuing the program in its original form.

The Housing and Community Development Act of 1977 reflects recognition of these problems. The establishment of separate competitions for applicants proposing single project strategies and for those proposing comprehensive program strategies, and corresponding changes in the application format should bring the program design into closer focus with the community development needs identified by grant applicants. The provision for multi-year funding for qualifying comprehensive programs will provide the certainty of funding and the expanded time frame essential to complete successive project stages exceeding a single program year.

NATIONAL OBJECTIVES

The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, 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". 5/ The legislation further requires that the community development activities funded with CDBG funds be directed towards seven specific objectives consistent with this primary objective. These specific objectives are:

- -- Elimination of slums and blight
- -- Elimination of detrimental conditions
- -- Conservation and expansion of the housing stock
- -- Improvement of Community Services
- -- More Rational Land Utilization
- -- Reduction of Isolation of Income Groups
- -- Historic Preservation

In order to measure the degree to which the discretionary balances funds are being focused on specific national objectives, each type of eligible activitiy was assigned to the single national objective to which it most directly applies.

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." 6/ The lack of Urban Renewal, Neighborhood Development, or Model Cities program experience among discretionary grant recipients - and the single project focus of discretionary grants - provides little support for identifying activities attributable to this objective.

Other specific objectives (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.

5/

Elimination of Detrimental Conditions

Code enforcement, demolition, and public works are activities being undertaken to achieve the second national objective: "the elimination of conditions which are detrimental to health, safety and the public welfare". 7/ The legislation cites code enforcement and demolition among the methods of achieving this objective. The provision of public works is directly related to the elimination of detrimental conditions, and frequently is a necessary prerequisite 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 Nation's housing stock". 8/

Improvement of Community Services

All community services were assigned to the fourth national objective. 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". 9/ Limited funding to individual discretionary grant recipients, and consequently the limited activities undertaken by the recipients, allowed few examples of services in support of concentration of physical development activities.

7/ Ibid., Title I, Sec. 101(c)(2).
8/ Ibid., Title I, Sec. 101(c)(3).
9/ Ibid., Title I, Sec. 105(c)(8).

More Rational Land Utilization

Development activities affecting land use patterns were assigned to this national objective. 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.

Reduction of Isolation of Income Groups

The sixth nationa objective, "reduction of isolation of income groups,[10] is difficult to analyze for small communities. The spatialdeconcentration 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 frequently interpreted in terms of availability 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 included under objective six.

Historic Preservation

The last national objective analyzed,[11] "the restoration and preservation of properties of special value for historic, architectural or esthetic reasons," received the least attention from the discretionary sample recipients.[12] The program selection criteria did not assign high priority to activities proposed to meet this objective unless other objectives were also being met.

FINDING #10: The greatest proportions of funds awarded to SMSA and nonmetropolitan cities and counties were attributed to the national objective. "elimination of detrimental conditions." This reflects the'emphasis of the discretionary balances program upon public works activities.

10/ Ibid., Title I, Sec. 101(c) (6).

11/ An eighth specific objective was added in the Housing and Community Development Act of 1977,. Title I, Sec. 101(8), Public Law 95-128.

The proportion of funds attributed to the national objective@ in Fiscal Year 1976 varied little from those identified for Fiscal Year 1975. No single shift exceeded 10 percent. A noticeable shift can be anticipated for the Fiscal Year 1977 data away from the "elimination of detrimental conditions" objective towards "conservation and expansion of the housing stock" because of changes in the selection criteria.

Table 20.27

RELATIONSHIP OF DISCRETIONARY BALANCES TO CDBG NATIONAL OBJECTIVES (PERCENT)

Nonmetropolitan Balances	City		County	
NATIONAL OBJECTIVES	FY 1975	FY 1976	FY 1975	FY 1976
Elimination of Detrimental Conditions	68.4%	58.6%	55.4%	61.7%
Conservation and Expansion of the Housing Stock	11.8	16.1	15.8	11.0
Improvement of Community Services	.0	.0	.5	.2
More Rational Land Utilization	12.0	15.8	16.7	15.8
Reduction of Isolation of Income Groups	.0	.9	2.1	1.8
Historic Preservation	.3	.0	.3	.0
(Planning/Administration Contingencies)	7.4	8.5	9.2	9.4
	99.9%	99.9%	100.0%	99.9%

SMSA Balances	City		County	
NATIONAL OBJECTIVES	FY 1975	FY 1976	FY 1975	FY 1976
Elimination of Detrimental Conditions	49.5%	52.7%	49.0%	39.2%
Conservation and Expansion of the Housing Stock	20.7	16.0	15.2	15.5
Improvement of Community Services	.0	.7	2.7	1.0
More Rational Land Utilization	20.6	18.2	21.0	30.2
Reduction of Isolation of Income Groups	1.5	5.4	2.6	3.4
Historic Preservation	.8	.1	.8	.2
(Planning/Administration Contingencies	6.9	6.9	8.7	10.6
	100.0%	100.0%	100.0%	100.0%

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

CHAPTER 21

SECRETARY'S DISCRETIONARY AND FINANCIAL SETTLEMENT FUNDS

A total of $57,000,000 was available for the Secretary's Discretionary Fund[a] for Fiscal Year 1976. Table 1 shows that money was distributed among the eligible program types of new communities, areawide programs, territories, innovative grants, disaster assistance, and inequities. New directions in program administration and changes resulting from the 1977 legislation as well as current status of each of the above mentioned program types will be discussed separately. The newest program categories, "technical assistance" and "Indian Tribes," will be discussed in Chapter 1 and at the end of this chapter, respectively. There are no "findings" expressed in the chapter.

Table 21.1

FUND DISTRIBUTION OF SECRETARY'S DISCRETIONARY FUND: FY 1976

Program Type	Funds Available	Funds Allocated as of 2/28/78
New Communities	$25,000,000	$21,634,414
Innovative/Demonstration Projects	8,795,763	8,795,763
Disaster Funding	7,346,451	7,346,451
Inequities	4,557,786	4,557,706
U. S. Territories	3,300,000	3,300,000
Areawide Projects	4,000,000	3,717,269
Nonmetro-Rural	2,500,000	2,500,000
HOPS	1,500,000	1,217,269
TOTAL	$57,000,000	$53,066,952

Source: U.S. Department of Housing and Urban Development Community Planning and Development, Office of Management, Budget Division.

a/ Housing and Community Development Act of 1974, Title I, Section 107, Public Law 93-383.

Table 21.2

FUND DISTRIBUTION OF SECRETARY'S DISCRETIONARY FUND: FY 1977

Program Type	Funds Available	Funds Allocated As of 2/28/78
New Communities	$20,000,000	$11,170,549
Innovative/Demonstration Projects	5,015,200	0
Disaster Funding	14,740,000	14,679,011
Inequities	11,904,800	11,904,800
U. S. Territories	3,300,000	3,300,000
Areawide Projects	4,000,000	0
	$58,960,000	$41,054,360

Source: U. S. Department of Housing and Urban Development, Community Planning and Development, Budget Division.

New Communities

New Communities grants were increased in Fiscal Year 1976 to $25,000,000, having been allocated $13,089,699 in Fiscal Year 1975. Funds available to New Communities has decreased to $20,000,000 for Fiscal Year 1977. Table 21.3 reflects the 1975, 1976, and 1977 fund distribution, project status, and description of activities for each project. Table 21.3 reflects the 1975, 1976, and 1977 fund distribution, project status, and description of activities for each project.

Table 21.3

NEW COMMUNITIES: PROJECT FUND DISTRIBUTION, PROJECT STATUS, AND ACTIVITY DESCRIPTIOX, FISCAL YEARS 1975, 1976 AND 1977

New Community Name	Amount(s) of Approved CD Grant '75	'76	'77"	Percentage of Grant a/ Draw Down '75	'76	'77	Description of CD Activities Funded '75	'76	'77
Riverton, N.Y.b/	$ 525.690	-	-	81%	-	-	Road construction.	-	-
Roosevelt, Is., N.Y.	300,000	$ 660,000	-	61	0%	0%	Develop recreational park.	Parks, neighborhood facility.	-
Radisson, N.Y.	289,000	1,153,000	-	90	0	-	Construct neighborhood facility.	Roads, walkways, & water & sewer.	-
St. Charles, MD.	410,000	3,071,000	$2,175,000	28	39	0	Bike & pedestrian pathway, fire station.	Roads, water & sewer.	Roads, water & sewer, park improvements, landscaping, community center.
Harbinson, S.C.	1,199,515	3,514,996	1,729,332	100	33	0	Water & sewer, roads.	Neighborhood facilities & outdoor recreation areas, dams, roads, utilities, landscaping, engineering for next development area.	Fire station, pathways, play-lots, roads.

Table 21.3

NEW COMMUNITIES: PROJECT FUND DISTRIBUTION, PROJECT STATUS, AND ACTIVITY DESCRIPTION, FISCAL YEARS 1975, 1976 AND 1977 (CONTINUED)

New Community Name	Amount(s) Of Approved CD Grant			Percentage of Grant a/ Draw Down			Description of CD Activities Funded		
	'75	'76	'77	'75	'76	'77	'75	'76	'77
Jonathan, MN.	-	$1,813,234	-	-	98	-		Land acquisition.	-
Maumelle, AR.	$1,562,000	4,135,131	662,655	92	27	0	Neighborhood facility, fire station, street lighting.	Pedestrian mall streets, water & sewer, storm drainage, underground wiring, landscaping.	Roads, water main, drainage system.
The Woodlands, TX.	2,840,000	2,596,300	$4,336,000	93%	63%	19%	Bridge construction, drainage ditch.	Pathway extensions, road construction.	Roads, pathways, community facilities.

Source: U.S. Department of Housing and Urban Development, New Communities Administration, Office of Project Support and Development, as of March 31, 1978.

a/ The percentage may represent a combined drawdown rate for two or more approved projects.

b/ Cancelled 3/16/78

Table 21.3

NEW COMMUNITIES: PROJECT FUND DISTRIBUTION, PROJECT STATUS, AND ACTIVITY DESCRIPTION, FISCAL YEARS 1975, 1976 AND 1977 (CONTINUED)

New Community Name	Amount(s) of Approved CD Grant			Percentage of Grant a/ Draw Down			Description of CD Activities Funded		
	'75	'76	'77	'75	'76	'77	'75	'76	'77
Shenandoah, GA.	$3,699,000	$ 424,376	$1,142,856	89%	0%	0%	Construct solar recreation center, outdoor facilities.	Roads, water & sewer.	Roads, water & sewer, underground wiring.
Soul City, N.C.	445,750	1,778,000	2,072,000	86:	57	1	Water & storm drainage line road construction.	Sewage pumping station & sewage force main, fire station.	Water & sewer, fire hydrant, pumping station, neighborhoods facility, roads, underground wiring.
Newfields, OH.	1,582,637	336,600	-	65	1	-	Elevated pedestrian pathway, road construction, water, sewer & storm drain construction.	Parkways, playsites, picnic areas, recreation area construction.	-
Park Forrest, so., ILL.	250,000	1,455,500	-	68	60	-	Road improvements, street lighting, pedestrian pathways	Park improvements, construction of pathways, landscaping.	-

The project descriptions indicate that most of the money is being used to provide infrastructure for the new communities. In many instances, funds from the Secretary's Discretionary Fund are the only Federal monies involved.

Innovative/Demonstration Projects

The Innovative Projects program provides grants to local jurisdictions to conduct demonstration projects of an innovative nature, to have each grantee develop a comprehensive final report, and to disseminate the most useful reports to other local governments interested in replicating the projects.

The Innovative Projects grants, in Fiscal Years 1975 and 1976, totaled approximately $12 million dollars to 42 cities, counties, and states in those priority areas as determined by HUD: Housing and Neighborhood Preservation; Government Productivity Improvement; and Energy Conservation. Eligible applicants were limited to State and local units of government. The criteria used for selection of the grant applications to be funded included: (1) the overall technical merit of the project; (2) the unique capabilities of the project; (3) the extent to which the projects identified problems in common to a substantial number of communities; and (4) the availability of funding in light of competing needs.

Although $5,015,200 was available to fund Innovative Projects for Fiscal Year 1977, no projects were approved due to the timing of the change in intra-office administration of the program within HUD. The administration change also altered some of the program objectives and directions; therefore, the 1977 money will be added to 1978 to further the new program effort.

New regulations, published on November 14, 1977, announced the priority areas for consideration of innovative grant proposals for Fiscal Year 1978. HUD will consider proposals that "(a) advance the state of the art in urban reinvestment activities and programs, and/or (b) reduce the isolation of income groups within communities and geographic areas and promote the diversity and vitality of neighborhoods through spatial deconcentration of housing for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income." 1/ A major selection criterion

1/ "Innovative Grants-Fiscal Year 1978," Federal Register, Vol. 42, No. 219, November 14, 1977.

will be whether the planned project effort prevents or minimizes the impact of dislocation of low- and moderate-income persons as a result of urban reinvestment.

Project descriptions for Fiscal Years 1975 and 1976 may be found in the Community Development Block Grant Program, Second Annual Report (112-116), but the following Tables 21.4 and 21.5 illustrate additional information as well as progress status as available.

TABLE 21.4

INNOVATIVE PROJECTS - FISCAL YEAR 1975: GENERAL INFORMATION AND STATUS

NAME OF RECIPIENT	NAME/DESCRIPTION OF PROJECT	INNOVATIVE FUNDS APPROVED	OTHER FUNDING SOURCE:	AMOUNT	GRANTEE POPULATION	PERCENT OF POP. SERVED BY PROJECT THAT IS LOW-MOD INCOME[a/]	PERCENT OF PROJECT THAT IS COMPLETE[b/]
State of Connecticut	Creation of an environmental review team describing interagency and interdisciplinary methods of assessing environmental impact projects.	$ 75,000		none	2,000,927	N.A.[c/]	100%
Commonwealth of Massachusetts	Develop municipal energy budget highlighting proportion of direct energy expense to total budget.	149,592		none	5,812,489	29%[c/]	75%
Hoboken, N. J.	Fund established to provide an insurance program for rehabilitation of tenement housing in the central neighborhood.	240,000	CDBG: STATE: PRIVATE:	$250,000 400,000 50,000	47,000	27%	15%

TABLE 21. 4 (continued)

INNOVATIVE PROJECTS - FISCAL YEAR 1975: GENERAL INFORMATION AND STATUS

NAME OF RECIPIENT	NAME/DESCRIPTION OF PROJECT	INNOVATIVE FUNDS APPROVED	OTHER FUNDING SOURCE:	AMOUNT	GRANTEE POPULATION	PERCENT OF POP. SERVED BY PROJECT THAT IS LOW-MOD INCOME	PERCENT OF PROJECT THAT IS COMPLETED
Paterson, N.J	Alter relationship among those who finance, own, and occupy housing so that preservation can continue and provide incentives for energy conservation building practices.	$ 355,000	CDBG:	$250,000	144,835	2%	70%
Wilmington, Del.	Improve delivery of city services.	161,115	none		76,152	54%	90%
Cincinnati, Ohio	A neighborhood corporation found to encourage private businessmen to eliminate blight in business district.	200,000	LOCAL:	$ 47,000	452,524	44%	50%
State of Michigan	Revitalize Northwest Detroit: State Housing Authority rehabilitating and selling 290 homes and community groups are providing anticrime patrols.	2,000,000	STATE, LOCAL:	$1,000,000	8,875,083	31%	25%

TABLE,21. 4 (continued)

INNOVATIVE PROJECTS - FISCAL YEAR 1975: GEWERAL INFORMATION AND STATUS

NAME OF RECIPIENT	NAME/DESCRIPTION OF PROJECT	INNOVATIVE FUNDS APPROVED	OTHER FUNDING SOURCE: AMOUNT	GRANTEE POPULATION	PERCENT OF POP. SERVED BY PROJECT THAT IS LOW-MOD INCOME	PERCENT OF PROJECT THAT IS COMPLETED
Kansas City, Mo.	Establish maintenance reserve funds for owner-occupied housing under city's neighborhood conservation project.	$ 259,000	CDBG: $5,000,000	50,733	60%	15%
Wichita, Kansas	Create and test a financial management guide for seven cities.	180,000	none	276,000	76%	95%
Helena, Montana	Design a solar domestic water heating system in two low-income multi-family structures.	150,000	CDBG: $2,543,000d/ BOR: 4,000,000 Local: 3,000,000 Private: 1,082,000	26,100	33%	95%
Anaheim: Calif.	Develop energy survey catalog and model for energy audit and management plan.	30,000	Title IX: 42,968	193,616	37%	100%
Davis, Calif.	Develop energy conserving building code.	86,000	none	23,488	12%c/	100%

TABLE 21.4 (continued)

INNOVATIVE PROJECTS - FISCAL YEAR 1975: GENERAL INFORMATION AND STATUS

NAME OF RECIPIENT	NAME/DESCRIPTION OF PROJECT	INNOVATIVE FUNDS APPROVED	OTEER FUNDING SOURCE:	AMOUNT	GRANTEE POPULATION	PERCENT OF POP. SERVED BY PROJECT THAT IS LOW-MOD INCOME	PERCENT OF PROJECT THAT IS COMPLETED
Indio, Calif.	Develop energy conservation code, guidelines for energy conservation, solar utilization, etc., for small towns.	$ 27,600	Local:	$ 25,000	19,100	51%	75%
	GRAND TOTAL	$3,448,715			10,138,631		

SOURCE: Responses to questionnaires sent to HUD field offices and telephone follow-ups. Information (current where available) is as of April 1977.

a/ Definition of low- and moderate-income persons Persons for whom the income of the family does not exceed 80 percent of the median family income of the area as determined by the Secretary.
b/ This is not the rate of funds drawn down, but an estimate by HUD field staff as to project completion.
c/ The entire population, including low- and moderate-income residents, is served by the project and the activity is not necessarily germane to specific problems of low-moderate income residents.

TABLE 21.5

INNOVATIVE PROJECTS - FISCAL YEAR 1976: GENERAL INFORMATION AND STATUS

NAME OF RECIPIENT	NAME/DESCRIPTION OF PROJECT	INNOVATIVE FUNDS APPROVED	OTHER FUNDING SOURCE:	AMOUNT	GRANTEE POPULATION	PERCENT OF POP. SERVED BY PROJECT THAT IS LOW-MOD INCOME[a]	PERCENT OF PROJECT THAT IS COMPLETED[b]
State of Massachusetts	Removing obstacles to community conservation and building reuse at local level.	$ 173,064	STATE:	$139,000	5,812,489	34%[c]	75%
New Haven, Conn.	Regional Rehabilitation Institute: Intertown cooperative to expand and support neighborhood preservation.	473,063	CDBG:	$5,900,000[d]	126,845	38%	66%
			Sec. 312	500,000			
Boston, Mass.	The development of public information and promotional strategies in support of Neighborhood Preservation.	278,000	CITY: (in-kind)	$ 198,000	636,725	41%	75%
Bradford, Vt.	Village of Rennaissance: Rehabilitation of two historic buildings to house and help elderly.	110,000	LOCAL:	73,000	1,781	51%	25%

TABLE 21. 5 (Continued)

INNOVATIVE PROJECTS - FISCAL YEAR 1976: GENERAL INFORMATION AND STATUS

NAME OF RECIPIENT	NAME/DESCRIPTION OF PROJECT	INXOVATIVE FUNDS APPROVED	OTHER FUNDING SOURCE: AMOUNT	GRANTEE POPULATION	PERCENT OF POP. SERVED BY PROJECT THAT IS LOW-MOD INCOME	PERCENT OF PROJECT THAT IS COMPLETED
Rhode Island	Coded pathways to Housing Preservation: Improve administration of housing code enforcement	$ 90,470	State: (in-kind): $ 88,400	931,208	35%	25%
Newark, N.J.	The West Side and James Street Areas Rehabilitation and Neighborhood Preservation Project.	161,750	PRIVATE: $ 175,000	389,895	80%	10%
Plainfield, N.J.	Lease-Purchase Program: Repossessed private rehabed dwellings leased to Housing Authority to be rented, then sold to lease purchasers.	300,000	None	48,255	86%	70%
Jersey City, N.J.	Retain Steading: Innovative methods to recycle vacant store fronts and commercial streets in homesteading areas.	193,000	CDBG: $100,000 CITY (in-kind) 200,000	247,000	18%	50%
Caguas, Puerto Rico	Housing Rehabilitation for elderly homeowners: provide job opportunities for unemployed in age groups 55-65.	110,000	CDBG: $ 13,836 CETA: 148,737 Local: 10,015	95,661	23%	30%

T BLE 21. 5 continued)

INNOVATIVE PROJECTS - FISCAL YEAR 1976: GENERAL INFORMATION AND STATUS

NAME OF RECIPIENT	NAME/DESCRIPTION OF PROJECT	INNOVATIVE FUNDS APPROVED	OTHER FUNDING SOURCE: AMOUNT	GRANTEE POPULATIOX	PERCENT OF POP. SERVED EY PROJECT THAT IS LOW-NOD INCOME	PERCENT OF PROJECT THAT IS COMPLETED
State of Pennsylvania	Implement a compre hensive "Neighbor-hood Preservation Support System" including: State, local government residents for overall neighborhood revitalization.	$347,850	STATE: $2,790,000	7,000	87%	25%
Carbon County, Pa.	Rehabilitation of Group Homes for the Elderly.	350,000	Section 8: 50-70 units	50,573	100%	100%
Louisville, Ky.	Set up a revolving fund for use in revitalization of two historic dis-tricts which are composed of low-income residents.	260,974	Local: $100,000 Private: 1,045,000 CETA: 42,000	335,954	21%	15%
Winston-Salem, NC	The Boston Neighbor-hood Improvement Program.	229,600	none	140,000	63%	50%
State of Minnesota	Improving neighbor-hoods in rural areas. Combining efforts of different housing and finance agencies.	360,000	State: $80,000	3,890,066	20%	20%

TABLE 21. 5 (continued)

INNOVATIVE PROJECTS - FISCAL YEAR 1976: GENERAL INFORMATION AND STATUS

NAME OF RECIPIENT	NAME/DESCRIPTION OF PROJECT	INNOVATIVE FUNDS APPROVED	OTHER FUNDING SOURCE: AMOUNT	GRANTEE POPULATION	PERCENT OF POP. SERVED BY PROJECT THAT IS LOW-MOD INCOME	PERCERT OF PROJECT THAT IS COMPLETED
Fort Wayne, Ind.	Cooperative Parenting concept.	$ 15,108	CDBG: $ 87,000	178,021	3%	0%
South Bend, Ind.	Project Rebate: Provide direct cash incentives for rehabilitation.	208,855	none	125,000	58%	86%
Iowa City, Iowa	Impact evaluation approach to Neighborhood Preservation & Enhancement	109,332	none	47,744	10%	50%
Atlanta, Ga.	Environmental Identification Program: Develop approach to revitalize multi-housing developments €or low-mod income residents.	250,000	none	451, 123	51%	30%
State of Maine	Rehabilitation and revitalization for low-income residences.	239,870	Farmers Home Administration: $1,000,000	1,057,955	34%	50%
Cleveland, Ohio	Buckeye Neighborhood Commercial Preservation Project.	241,800	CDBG: $852,000 STATE: 60,000 CITY: 80,000 PRIVATE: 90,000	750,903	20%	75%

TABLE, 21. 5 (continued)

INNOVATIVE PROJECTS - FISCAL YEAR 1976: GENERAL INFORMATION AND STATUS

NAME OF RECIPIENT	NAME/DESCRIPTION OF PROJECT	INNOVATIVE FUNDS APPROVED	OTHER FUNDING SOURCE: AMOUNT	GRANTEE POPULATION	PERCENT OF POP. SERVED BY PROJECT THAT IS LOW-MOD INCOME	PERCENT OF PROJZCT THAT IS COMPLETED
State of Maryland	Housing Rehabilitation & Preservation: leveraging and developing unique delivery system.	$ 255,000	STATE: $2,000,000 LOCAL: $ 150,000	4,144,000	40%[c]	83%
Winooski, Vt.	Landlord Investment Incentive Program.	90,000	LOCAL: (in-kind) $ 17,700	6,954	37%	25%
Baldwin County, Ala.	To establish an organization and process to arrive at decisions that reflect the interests of area residents and county government ("Baldwin County Commission").	183,870	STATE: $ 55,739 LOCAL: $ 16,500 PRIVATE: $ 3,000 (+ 400 acres)	59,382	40%	65%
Huron, N.Y.	To extend water & sewer services.	297,380	FHA: $ 420,000 HAC: $ 108,000	1,675	100%	47%
Frankfort, Ky.	Downtown Innovative Housing Program.	325,000	PRIVATE: $600,000 to 800,000	21,902	27%	20%

TABLE 21. 5 (continued)

INNOVATIVE PROJECTS - FISCAL PEAR 1976: GENERAL INFORMATION AND STATUS

NAME OF RECIPIENT	NAME/DESCRIPTION OF PROJECT	IBNOVATIVE FUNDS APPROVED	OTHER FUNDING SOURCE: AMOUNT	GRANTEE POPULATION	PERCENT OF POP. SERVED BY PROJECT THAT IS LOW-MOD INCOME	PERCERT OF PROJECT THAT IS COMPLETED
State of Michigan	Additional funding to '75 project.	$3,000,000	none	8,875,083	31%	25%
Kansas City, Mo.	Additional funding to '75 project.	123,000	none	50,733	60%	15%
Wichita, Kan.	Additonal funding to '75 project.	19,340	none	276,000	76%	95%
		$8,796,326		28,486,927		

SOURCE: Responses to questionnaires sent to HUD field offices and telephone follow-ups. Information (current where available) is as of April 1978.

a/ Definition of low- and moderate income persons: Persons for whom the income of the family does not exceed 80 percent of the median family income of the area as determined by the Secretary.
b/ This is not the drawdown rate of money, but an estimate by field personnel as to project completion.
c/ The entire population, including low-moderate income residents, is served by the project and the activity is not necessarily germane to specific problems of low-moderate income residents.
d/ These are only other Federal funds received by the grantee that might be applied to the project. However, the exact amounts allocated to the project are not always known.

Disasters

Disaster assistance in federally recognized disaster areas is eligible for Secretary's Discretionary funds in addition to any CDBG funding the community receives as hold harmless or entitlement.

Section 107(b) of the 1974 Act specifies that not more than one-fourth of the total amount reserved and set aside for the Secretary's 2 percent discretionary fund may be used for grants to meet emergency disaster needs. The 1977 Housing and Community Development Act reduced that amount to not more than 15 percent; at the same time it increased the set aside amount to 3 percent.

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;
- Relationship of needs, objectives, and activities proposed (as opposed to pre-disaster conditions on the jurisdiction of the applicant) to disasters; 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 the Federal Disaster Assistance Administration (FDAA).

Projects are categorized as: (1) general rehabilitation of disaster struck areas, and (2) projects whose main purpose is to prevent, by taking precautionary measures, any future disasters from occurring.

Table 21.6 shows a breakdown of the funded projects over the three years of the program.

Table 21.6

CDBG-ASSISTED DISASTERS IN FISCAL YEARS 1975, 1976, 1977

Name of Community	Approval Yr. And Amount N	Amount	Disaster Description	Project Description	Percent of Draw-down as of Status Date
Ft. Valley, Ga.	'76	$ 300,000	Tornado	Construct sanitary and storm sewers; repair streets, curbs, gutters and sidewalks.	Information unavailable.
Pell City, Ala.	'76	809,000	Tornado	Acquire land for modular homes to house victims; repair street lights, curbs, gutters and sidewalks.	Information unavailable.
Nacogdoches, Tx.	'75 '76	1,360,673 89,327	Severe storm flooding	Property acquisition park development, channel improvements.	Information unavailable
Warren, Ark.	'76	138,135	Tornado	Code enforcement clearance, demolition rehab, planning and management.	100 (10/6/77)
Westmoreland, Pa.	'76	340,000	Floods	Urban renewal, storm sewers, street construction, correct slide conditioning, etc.	Information unavailable.
Moorhead, Minn.	'76	193,000	Flood	Relocation and administration.	76 (10/11/77)
Aberdeen, Wash.	'76	95,000	3 Floods, high tides	Construction of culverts, pipes, pumps.	100 (4/1/77)
Cabot, Ark.	'76	100,000	Tornado	Acquisition of land fill site.	0 (10/6/77)
Minot, No. Dakota	'76	1,250,000	Flood	Acquisition of land for flood protection, including easements and relocation.	100 (9/77)
Larimer County, Colorado	'76	811,000	Flood	Administration, rehabilitation, and relocation.	6 (10/11/77)

Table 21.6

CDBG-ASSISTED DISASTERS IN FISCAL YEARS 1975, 1976, 1977

Name of Community	Approval Yr. And Amount FY	Amount	Disaster Description	Project Description	Percent of Draw-down As of Status Date
Kentucky	'76 '77	$3,220,989 779,011	Flood	Grants to eight Eastern Kentucky communities for rehabilitation, land acquisition, and related infrastructure improvements.	3%(1/13/78)
West Virginia	'77	4,400,000	Flood	Water plant, land acquisition, site improvements, rehabilitation, administration.	0
Western Pennsylvania	'77	9,900,000	Flood	Johnstown: $5.9 million Cambria County: $1.5 million Somerset County: $1.345 million Indiana County: $0.755 million Removal of health hazards and rehabilitation.	0

Source: Responses to questionnaires sent to CPD Field Staff and information available from the Office of Operations and Monitoring, CPD.

Territories

Dollars from the Secretary's Discretionary Fund were set aside for the Trust Territory of the Pacific Islands, Guam, American Samoa, and the Virgin Islands. Table 21.7 shows the distribution of those funds in Fiscal Years 1975, 1976 and 1977. In addition to the Secretary's Discretionary Fund, other CDBG sources are identified for each territory.

TABLE 21.7

TRUST TERRITORY FUND DISTRIBUTION
FISCAL YEARS 1975, 1976, 1977

NAME	Secretary's Discretionary Fund			CDBG Fund			Other Sources of Funding	
	FY 1975	FY 1976	FY 1977	FY 1975	FY 1976	FY 1977	Hold Harmless	Urban Renewal
American Virgin Is.	0	0	0	$2,770,000	$2,770,000	$2,770,000	0	0
Guam	0	$2,200,000	$2,000.000	978,000	978,000	978,000	$978,000	$14,024,000
American Samoa	$3,000,000	150,00	300,000[a/]	0	0	0	0	0
Trust Territory of the Pacific Islands	250,000	950,000		1,000,000[a/]	0	0	Local: $8,000 EPA :$690,000	

Source: Project: Community Development Block Grant Applications

a/ Funds are earmarked but not yet approved (1/24/78).

Table 21.8 reflects some characteristics of the population served and progress of the Secretary's Discretionary Fund for Fiscal Years 1975 and 1976.

TABLE 21.8

CHARACTERISTICS OF POPULATION SERVED AND PROGRESS

NAME	PERCENT OF POPULATION SERVED, LOW & MOD INCOME	PROGRESS: APPROXIMATE PERCENT COMPLETION
Guam	45%	13%
American Samoa	87	6
Trust Territory of the Pacific	80	N 1975: Project 99% Completed FY ,1976: Project Completed

Areawide Projects

Since September 29, 1976, the Department has invited grant applications from States and units of local government which join in carrying out areawide housing and community development programs. Specifically, areawide grants may be for three purposes: (1) grants to States for 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; (2) grants to assist in the implementation of Areawide Housing Opportunity Plans: and (3) areawide grants for other purposes consistent with the Act. Areawide money is being distributed for the first two purposes.

Selection criteria for grants in nonmetropolitan rural areas include:

1. Whether 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 non-metropolitan 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.

In August 1976, four nonmetropolitan areawide projects were funded. The funding activity and other basic data concerning these projects are presented in Table 21.9.

Table 21.9

AREAWIDE PROJECTS IN NONMETROPOLITAN RURAL AREAS

Name	Project Description	Funding: Title I[a]	Funding: Title V[b]	Population Served/Percent Population Served Low-Mod	Other Funding		Approximate Completion Date
State of California	Provide circuit riding of CD/management and housing experts to assist rural residents.	$625,000	$125,000	200,000/12%	HUD 701: EDA: FmHA: CETA: State:	$ 70,000 1,000,000 800,000 200,000 530,000	Aug. '79
State of Colorado	Develop housing and CD delivery system to sustain long term development, coordinate resources, etc., for rural residents.	625,000	125,000	35,000/62%	FmHA: State: Local: Private:	6,700,000 1,200,000 165,000 1,647,000	Aug. '79
State of West Virginia	Provide outreach program to rural poor to develop local capabilities to handle housing and CD problems.	625,000	125,000	267,000/49%	FmHA: State: Local:	10,000,000 256,160 23,400	Aug. '79
State of Illinois	Provide outreach and to develop leveraging resources to help rural poor with housing and CD programs.	625,000	125,000	198,242/40%	Sec. 8: FmHA: State: Local:	2,640,000 6,177,500 1,388,304 114,750	Aug. '79

Source: Project applications.

a/ Housing and Community Development Act of 1974, Title I, Sec. 107, Public Law 93-383, as amended (Secretary's Discretionary Fund).

b/ Housing Act of 1949, Title V, as amended (Research and Study Programs).

Only units of general local government which are participating in an Areawide Housing Opportunity Plan[3] that had been selected to receive supplemental Section 8[4] allocations were eligible for Secretary Discretionary Fund grants under the Areawide Housing Opportunity Plans section.[5] Grants were made for eligible activities which will aid the implementation of Areawide Housing Plans.

In Fiscal Year 1976, the Department made grants totaling $1,217,269 to seven localities to promote housing related activities for lower income families outside lower income neighborhoods, as part of HUD's attempt to expand areawide housing opportunity planning.

HUD regulations define a Housing Opportunity Plan (HOP) as a program developed by an areawide agency and supported by its member jurisdictions, which has the effect of increasing the geographic choice of housing for low- and moderate-income persons throughout the area served by the agency, by providing housing opportunities outside areas of low-income and minority concentration. A HOP includes a plan for allocating housing assistance, numerical goals for housing assistance for each participating jurisdiction, and agreement on strategies for implementation to see that the plan becomes reality. At least half of the jurisdictions in the area served by the agency, representing at least 75 percent of the population, must participate in the plan for it to qualify for HUD approval and bonus housing assistance.

A current objective is to establish "outreach goals," i.e., have plans to attract non-resident low-income or minority people to areas which are not low-income or of minority concentration.

These "bonus" discretionary community development grnts support cooperative efforts between areawide planning organizations and participating jurisdictions. The seven areawide planning organizations also received over $23 million in bonus Section 8 rental subsidy funds and $540,000 supplemental comprehensive planning assistance grants (Section 701)[6] part of which will be allocated to the seven CDBG communities.

3/ Code of Federal Regulations, Title 24, Part 8991,1977.

4/ United States Housing Act of 1973, Sec. 8, P.L. 75-412, as amended (Lower-Income Housing Assistance).

5/ Code of Federal Regulations, Part 570.404(a), 1977.

6/ Housing Act of 1954, Title VII, Sec. 701, P.L. 83-560, as amended.

Selection of grantees in Fiscal Year 1976 was based on the degree to which applications met the objectives of the Housing Opportunites Program to provide a broader geographical choice of housing outside of areas with heavy concentration of low income or minority households.

The Housing Opportunity Program gives special preference to areawides whose Plans take extra steps to ensure that deconcentration and interjurisdictional mobility become reality. All of the winning Plans have gone beyond simply building assisted housing in the suburbs; each has had a program that helped inner city low income and minority families find out about and use these opportunities.

Table 21.10 presents the distribution of Fiscal Year 1976 CD Block Grant and supplemental Section 8 and Section 701 funds to participating communities and areawide planning organizations (APO).

Regulations were published January 16, 1978,[7] indicating a new thrust in the administration of this program effort. Once a community has met the basic requirements of the program, priority will be given to communities which meet one or more of the following criteria:[8]

1. An APO has established or is participating in a funded program which provides housing information, referrals, counseling to lower income and minority households desiring housing assistance outside areas of undue concentrations of low income or minority households.

2. Eligible families are assisted in using Section 8 certificates which facilitate interjurisdictional moves according to several administrative mechanisms outlined in the Code of Federal Regulations, Title 24, Part 891.606(a)(2)

7/ Areawide Housing Opportunity Plans, Federal Register, Part VI, Volume 43, No. 10, Part 891, January 16, 1978.

8/ Ibid., Part 891.606. (An areawide planning organization whose plan has previously been selected for special allocations must demonstrate progress in at least three of the criteria.)

TABLE 21.10

SECRETARY'S AREAWIDE HOUSING OPPORTUNITY PLANS SUPPLEMENTAL FUND DISTRIBUTION

FISCAL YEAR 1976

Name of Community	Amount CDBG HOP Grant	Amount Sec. 8 Supplement to the APO	Amount 701 Supplement to the APO	CDBG Project Description
Decatur, Iowa	$134,144	$ 130,000	$ 30,000	Rehab vacant farms and homes in small cities and provide services and counseling to renters, and-lords, and lending institutions.
Golden Valley, Minn.	90,000	3,670,000	100,000	Funds will be used to reduce high site acqui ition costs associated with scattered-site subsidized housing construction for low-income households.
Victorville, Calif.	158,280	8,800,000	100,000	Reduce off-site improvements including street pavement, and water and sewer lines for 100 units of Section 8 housing.
Rubinsdale, Minn.	152,105	3,670,000	100,000	Land acquisition, water & sewer extensions, and relocation costs for 40 three-bedroom, low-income family units and 80 one-bedroom, low-income elderly units.
Seattle/King County, Wash.	350,000 ($150,000 to Seattle $200,000 to King.County)	1,200,000	55,000	Money will support land banking to subsidize construction of 80 units in five jurisdictions. Promotes low concentration by guaranteeing no more than 10 to 20 units for low-income persons per Site.
Arlington County, Va.	175,000	4,550,000	100,000	Provide money for land acquisition, etc., to develop 15-25 new cooperative Sec. 8 units and to provide rehab loans/grants for Sec. 8 housing units.
Kettering, Ohio	157,140	1,100,000	55,000	Support water & sewer improvements in the construction of an elderly low-income residential complex.

Source: Project applications.

3. Residency preferences or requirements for admission to low-income housing have been eliminated by all participating jurisdictions and by all public housing authorities administering low-income housing programs.

4. The APO has taken an active role in combating discrimination in the private housing market within the plan area.

5. Participating jurisdictions comprise 75 to 100 percent of the jurisdictions in the plan area.

6. Other activities furthering the objectives of the program at the discretion of the Secretary.

Due to these program refinements, Fiscal Year 1977 and 1978 funds have been combined and will be allocated during Fiscal Year 1978.

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.

During the first year of operation, project selection criteria included:

1. To correct a technical error in the computation of a locality's entitlement amount;

2. To supplement the urgent needs funds; and

3. To supplement entitlement grants where the base period used to calculate the entitlement grant did not reflect adequately recent local participation in HUD-funded categorical programs and the applicant was a phase-in metropolitan city or county.

The first criterion, "correcting technical error," became unnecessary because of adjustments in subsequent Fiscal Years. Therefore, cities received funds according to either 2 or 3 above.

Tables 21.11 and 21.12 show the fund distribution according to type of inequity funding. There was no "urgent need supplemental" funding approved for Fiscal Year 1977 from the Secretary's Discretionary fund because the "urgent need" fund was increased to $100,000,000 in Fiscal Year 1977.

Tables 21.13, 21.14, and 21.15 list the project approvals for each program year by HUD Region.

Indian Tribes

This part of the Secretary's Discretionary Fund provides, beginning in Fiscal Year 1978, a separate source of funding for Indian tribes that does not require them to compete with other units of general local government. Grants to Indian tribes are either "Basic" or "Comprehensive." Basic grants are to fund one or more single purpose activities that are essentially unrelated but meet a variety of basic community development needs of Indian tribes. Comprehensive grants are available on a demonstration basis to eligible applicants for comprehensive community development programs designed to address multiple problems or purposes.

Project selection criteria take into account several factors including: (1) the impact of the proposed activity on the provision of basic community facilities and services; (2) the relative need of the applicant as measured by the extent of poverty and substandard housing conditions; (3) the importance of the project to the provision of more or better housing for low- or moderate-income families and individuals: (4) the degree of benefit of the proposed activity as measured by the number and percentage of low- and moderate-income families or persons to be served; (5) the degree to which the proposed activity meets a community need; and (6) the direct impact of the proposed activity on the economic development of the community.

It is expected that grants will be used for a variety of activities, such as, neighborhood centers, housing rehabilitation, recreation projects, and facilitities for water and sewer, fire protection, and flood and drainage purposes. The program funding level for Fiscal Year 1978 is $25 million.

Financial Settlement Fund

Section 103(b) of the Housing and Community Development Act of 1974 provided that there be funds to facilitate communities to make an orderly transition to the Community Development Block Grant program by protecting

previous Federal investment in outstanding but viable categorical programs. 9/ The amount allocated was $50,000,000 each for Fiscal Years 1975 and 1976 and $100,000,000 for Fiscal Year 1977. The distribution of funds was based on transition consideration as well as urgency. Most Fiscal Year 1975 projects were small or could be closed out quickly. Data indicates that a drawdown rate of 80 percent has been achieved for these projects. Also, a drawdown rate of nearly 50 percent exists for Fiscal Year 1976 projects.

The new Housing and Community Development act of 1977 has recognized that projects funded under this program are not necessarily "urgent" but that the funds should be used "for the financial settlement and, to the extent feasible, the completion of projects and programs assisted under the categorical programs terminated in Section 116(a), primarily urban renewal projects assisted under the Housing Act of 1949, to units of general local government which require supplemental assistance which cannot be provided." 10/ A total of $100 million per year is authorized for Fiscal Years 1978, 1979 and 1980. Tables 21.13, 21.14, and 21.15 list the project approvals for each program year by HUD Region.

9/ Housing and Community Development Act of 1974, Title I, Section 103(b), Public Law 93-383.

10/ Housing and Community Development of 1977, Title I, Section 103(d), Public Law, 95-128.

TABLE 21.11
SECRETARY'S FUND
INEQUITIES
FISCAL YEARS 1975-1976

	N 1975	PHASE-IN N 1976	URGENT NEEDS FY 1976
Dade County, Florida	$1,014,000		
Smithville DeKalb, Tenn	1,000,000		
Eugene, Oregon	491,000		
Moorhead, Minnesota	144,000		
Raleigh, North Carolina	1,043,000		
Hazelton, Pennsylvania	213,000		
Passaic, New Jersey	568,000		
Miami, Florida	23,000		
Topeka, Kansas	239,000		
Indian Tribes - Region IX	392,300		
SMSA Balance	17,000		
Southborough, Massachusetts	40,000		
Sumter County, Tennessee	42,720		
New Athens, Ohio	100,000		
	$5,327,020		
Passaic, New Jersey		$ 314,000	
Hazelton, Pennsylvania		118,000	
Chester, Pennsylvania		102,000	
Raleigh, NorthCarolina		577,000	
Moorhead, Minnesota		128,000	
Topeka, Kansas		441,000	
Eugene, Oregon		337,000	
		$2,017,000	
Rosebud, Texas,			$ 150,000
Grand Saline, Texas			63,000
New Castle, New Hampshire			50,000
Rockland County, New York			817,000
Galloway, Tennessee			128,075
State of North Carolina			300,000
Jackson County, Missouri			84,000
			$1,592,075
Canton, Illinois			498,711
Maysville, Kentucky			450,000
			$2,540,786

Source: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Budget Division

TABLE 21.12

SECRETARY'S FUND

INEQUITIES

FISCAL YEAR 1977

	PHASE-IN FY 1977
West Seneca, New York	$ 326,000
Moss Point, Mississippi	152,000
Pascagoula, Mississippi	21,000
Farmington Hills, Michigan	292,000
Eau Claire, Wisconsin	398,000
Longview, Texas	541,000
Midwest City, Oklahoma	230,000
Lafayette, Louisiana	60,800
Fort Collins, Colorado	468,000
Greeley, Colorado	367,000
Glendale, Arizona	259,000
Newport Beach, California	348,000
Oceanside, California	445,000
TOTAL	$3,907,800

Source: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Budget Division.

TABLE 21.13
URGENT NEEDS FUNDS
FISCAL YEAR 1975

	LOCALITY	PURPOSE	AMOUNT	REGION TOTALS
REGION I	Brookline, Mass.	Urban Renewal	$ 800,000	
	Cambridge, Mass.	Urban Renewal	600,000	
	Malden, Mass.	Urban Renewal	1,500,000	
	Newburyport, Mass.	Urban Renewal	900,000	
	Salem, Mass.	Urban Renewal	1,470,000	
	Sanford, Maine	Urban Renewal	284,000	
	Malden, Mass.	Urban Renewal	500,000	
	Cambridge, Mass.	Neighborhood Facilities	155,817	
	Dover, N.H.	Urban Renewal	1,200,000	
	Penobscot Tribe, Maine	Water & Sewer	792	$7,410,609
REGION II	Morristown, N.J.	Urban Renewal	$3,000,000	
	Niagara Falls, N.Y.	Urban Renewal	1,700,000	
	Rome, N.Y.	Urban Renewal	2,900,000	
	Auburn, N.Y.	Urban Renewal	236,000	
	Hoboken, N.J.	Water & Sewer	577,488	
	Paterson, N.J.	Planned Variations	662,000	9,075,488
REGION III	Schuykill Haven, Pa.	Urban Renewal	$ 456,000	
	Plymouth Twp., Pa.	Urban Renewal	250,000	
	E. Pittsburg, Pa.	Urban Renewal	75,000	
	Turtle Creek, Pa.	Urban Renewal	365,223	
	New Kensington, Pa.	Urban Renewal	1,498,825	
	McKeesport, Pa.	Urban Renewal	780,000	
	St. Paul, Va.	Urban Renewal	500,000	
	Norton, Va.	Neighborhood Facilities	100,000	
	Buffalo Creek, W. Va.	Water & Sewer	2,300,000	
	Erie, Pa.	Planned Variations	544.000	6,869,048
REGION IV	Prichard, Ala.	Urban Renewal	$ 262,000	
	Tuscaloosa, Ala.	Urban Renewal	2,200,000	
	Laurel, Miss.	Urban Renewal	2,500,000	
	Corinth, Miss.	Urban Renewal	258,105	
	Memphis, Tenn.	Urban Renewal	629,000	
	Sylacauga, Ala.	Urban Renewal	121,208	
	Dare County, N.C.	Neighborhood Facilities	168,000	
	Winston-Salem, N.C.	Planned Variations	848,000	6,986,313

TABLE 21.13
URGENT NEEDS FUNDS
FISCAL YEAR 1975 (continued)

	LOCALITY	PURPOSE	AMOUNT	REGION TOTALS
REGION V	E. Chicago Hgts,, Ill.	Urban Renewal	$ 100,000	
	Monticello, Ind.	Urban Renewal	1,200,000	
	Muskegon, Mich.	Urban Renewal	1,279,500	
	Inkster, Mich.	Urban Renewal	271,562	
	Romulus, Mich.	Urban Renewal	100,000	
	Michigan City, Ind.	Urban Renewal	450,000	
	Xenia, Ohio	Urban Renewal	1,100,000	
	Minneapolis, Minn.	Neighborhood Facilities	50,000	
	Bad River Tribe, Wis.	Neighborhood Facilities	350,000	
	E. St. Louis, Ill.	Planned Variations	847,000	
	Indianapolis, Ind.	Planned Variations	938,000	
	Lansing, Mich.	Planned Variations	559,000	
	Dayton, Ohio	Planned Variations	1,207,000	
	Peoria, Ill.	Urban Renewal	1,300,000	$9,752,062
REGION VI	Texarkana, Texas	Urban Renewal	$ 454,000	
	Baton Rouge, La.	Neighborhood Facilities	140,000	
	Waco, Texas	Planned Variations	579,000	1,173,000
REGION VII	Waterloo, Iowa	Urban Renewal	$2,400,000	
	Orongo, Mo.	Neighborhood Facilities	40,000	
	Pickering, Mo.	Neighborhood Facilities	15,480	
	Des Moines, Iowa	Planned Variations	361,000	2,816,480
REGION VIII	Sturgis, S.D.	Urban Renewal	$ 250,000	
	Butte, Mont.	Planned Variations	162,000	412,000
REGION IX	Tempe, Arizona	Urban Renewal	$ 202,000	
	Santa Maria, Ca.	Urban Renewal	1,375,000	
	Santa Monica, Ca.	Urban Renewal	400,000	
	Hopi Reservation	Neighborhood Facilities	35,000	
	Tuscon, Arizona	Planned Variations	1,108,000	
	Fresno, Ca.	Planned Variations	722,000	3,842,000
REGION X	Seattle, Wash.	Planned Variations	1,663,000	1,663,000
		GRAND TOTALS		$50,000,000

TABLE 21.14
URGENT NEEDS FUNDS
FISCAL YEAR 1976

	LOCALITY	PURPOSE	AMOUNT	REGION TOTALS
REGION I	New London, Conn.	Urban Renewal	$ 89,100	
	Boston, Mass.	Urban Renewal	8,600,000	
	Cambridge, Mass.	Urban Renewal	2,000,000	
	Newburyport, Mass	Urban Renewal	462,237	
	Salem, Mass.	Urban Renewal	629,998	
	Cambridge, Mass.	Open Space	71,680	$11,853,015
REGION II	Niagara Falls, N.Y.	Urban Renewal	$ 379,000	
	Cloversville, N.Y.	Urban Renewal	50,020	
	Greenburgh, N.Y.	Urban Renewal	648,000	
	Oneonta, N.Y.	Urban Renewal	125,000	
	W. New York, N.J.	Urban Renewal	300,000	
	Morristown, N. J.	Urban Renewal	1,422,475	
	Rome, N.Y.	Urban Renewal	2,879,000	
	Hoboken, N.J.	Water and Sewer	312,512	
	Margate, N.J.	Open Space	70,000	
	Long Branch, N.J.	Open Space	446,000	6,632,007
REGION III	St. Paul, Va.	Urban Renewal	$ 500,000	
	Altoona, Pa.	Urban Renewal	653,000	
	Plymouth Twp., Pa.	Urban Renewal	650,000	
	Swatara, Pa.	Urban Renewal	182,534	
	Charleston, W. Va.	Urban Renewal	2,088,500	
	Manassas Park, Va.	Open Space	70,000	
	Westminister, Md.	Water & Sewer	100,000	4,244,034
REGION IV	Prichard, Ala.	Urban Renewal	$ 738,000	
	Portland, Tenn.	Urban Renewal	59,828	
	Tuscaloosa, Ala.	Urban Renewal	1,500,000	
	Jackson, Miss.	Urban Renewal	650,000	
	Laurel, Miss.	Urban Renewal	2,500,000	
	Dayton, Ky.	Urban Renewal	607,249	
	Lancaster County, S.C.	Water & Sewer	117,010	
	Alexandria, Ky.	Water & Sewer	50,000	
	Carbon Hill, Ala.	Water & Sewer	175,000	
	Alabaster, Ala.	Water & Sewer	250,000	
	Berry, Ala.	Water & Sewer	497,000	
	Henderson, Tenn.	Water & Sewer	82,250	
	Clinton, Tenn.	Open Space	96,000	
	Brandenburg, Ky.	Public Facilities Loan	310,000	
	Wesson, Miss.	Water & Sewer	124,200	
	Helena, Ala.	Water & Sewer	283,450	
	Atlanta, Ga.	Neighborhood Facilities	300,000	
	Darlington, S.C.	Neighborhood Facilities	24,782	8,365,672

TABLE 21.14
URGENT NEEDS FUNDS
FISCAL YEAR 1976 (continued)

	LOCALITY	PURPOSE	AMOUNT	REGION TOTALS
REGION V	Monticello, Ind.	Urban Renewal	$1,300,000	
	Michigan City, Ind.	Urban Renewal	775,000	
	Peoria, Ill.	Urban Renewal	1,984,000	
	Sault St. Marie, Mich.	Urban Renewal	272,945	
	Xenia, Ohio	Urban Renewal	118,000	
	Monmouth, Ill.	Water & Sewer	196,900	
	Galena, Ill.	Water & Sewer	222,348	
	W. Terre Haute, Ind.	Water & Sewer	110,000	
	Belmont, Ohio	Water & Sewer	70,700	
	Martins Ferry, Ohio	Water & Sewer	339,000	
	Menominee, Mich.	Water & Sewer	122,000	
	Mingo Junction, Ohio	Water & Sewer	250,000	
	Newton, Ohio	Water & Sewer	709,000	
	Benton Harbor, Mich.	Model Cities	125,000	
	Cadiz, Ohio	Neighborhood Facilities	187,648	
	Redlake Band of Chippewa, Minn.	Neighborhood Facilities	40,000	
	Virginia, Minn.	Open Space	215,000	
	St. James, Minn.	Neighborhood Facilities	60,000	
	Zanesville, Ohio	Urban Renewal	15,213	
	E. Chicago Hgts., Ill.	Urban Renewal	572,000	$ 7,684,885
REGION VI	Robstown, Texas	Urban Renewal	$ 482,600	
	Fayetteville, Ark.	Water & Sewer	623,100	
	Mena, Ark.	Water & Sewer	107,429	
	Boerne, Ark.	Water & Sewer	939,695	
	Banks, Ark.	Neighborhood Facilities	29,500	
	Hughes, Ark.	Neighborhood Facilities	71,530	
	Alice, Texas	Open Space	50,000	$ 2,303,854
REGION VII	Burlington, Iowa	Urban Renewal	$1,250,000	
	Joplin, Mo.	Water & Sewer	100,000	
	Greenswood, Mo.	Water & Sewer	85,000	$ 1,435,000

TABLE 21.14
URGENT NEEDS FUNDS
FISCAL YEAR 1976 (continued)

	LOCALITY	PURPOSE	AMOUNT	REGION TOTALS
REGION VIII	Denver, Colo.	Urban Renewal	$1,000,000	
	Sturgis, S.D.	Urban Renewal	350,000	
	Fargo, N.D.	Urban Renewal	205,000	$ 1,555,000
REGION IX	N. Las Vegas, Ca.	Urban Renewal	158,533	
	Santa Maria, Ca.	Urban Renewal	1,200,000	
	San Francisco, Ca.	Urban Renewal	3,333,000	
	Richmond, Ca.	Urban Renewal	1,233,000	$ 5,926,533
			GRAND TOTAL	$50,000,000

TABLE 21.15
URGENT NEEDS GRANTS APPROVED
FISCAL YEAR 1977

	LOCALITY	PURPOSE	AMOUNT	REGION TOTALS
REGION I	Malden, Mass.	Urban Renewal	$4,000,000	
	Dover, N.H.	Urban Renewal	430,000	
	Hull, Mass.	Urban Renewal	914,312	
	Boston, Mass.	Urban Renewal	18,800,000	
	Penobscot Indians, Me.	Water ti Sewer	106,903	$24,251,215
REGION II	Greenburgh, N.Y.	Open Space	$ 263,358	
	Ossining, N.Y.	Urban Renewal	904,132	
	Utica, N.Y.	Urban Renewal	2,711,966	
	Paterson, N.J.	Urban Renewal	3,455,044	
	Morristown, N.J.	Urban Renewal	172,988	
	Newark, N.J.	Urban Renewal	7,353,384	14,860,872
REGION III	McKeesport, Pa.	Urban Renewal	$1,500,000	
	St. Paul, Va.	Urban Renewal	3,181,604	
	Charleston, W. Va.	Urban Renewal	6,300,000	
	Huntington, W. Va.	Urban Renewal	440,686	
	Oil City, Pa.	Urban Renewal	217,000	
	Philadelphia, Pa.	Urban Renewal	8,437,042	
	Portsmouth, Va.	Urban Renewal	10,044,061	
	College Park, Md.	Urban Renewal	844,000	30,964,393
REGION IV	Tuscaloosa, Ala.	Urban Renewal	$ 1,206,000	
	Dayton, Ky.	Urban Renewal	903,819	
	Atlanta, Ga.	Urban Renewal	3,500,000	
	Rome, Ga.	Urban Renewal	90,000	
	Anderson, Co., S.C.	Water & Sewer	94,791	
	Edgefield City, S.C.	Water & Sewer	58,155	5,852,765
REGION V	E. Chicago Hgts., Ill.	Urban Renewal	$1,300,000	
	Monticello, Ind.	Urban Renewal	1,100,000	
	South Bend, Ind.	Urban Renewal	2,126,000	
	Peoria, Ill.	Urban Renewal	233,274	
	Hamtramck, Mich.	Urban Renewal	305,000	
	Gary, Ind.	Urban Renewal	1,767,951	
	Zanesville, Ohio	Urban Renewal	1,828,650	
	Warren, Ohio	Urban Renewal	454,200	9,115,075
REGION VI	Mena, Ark.	Water & Sewer	$ 1,085,566	
	Benton City, Ark.	Water & Sewer	1,385,170	2,470,736
REGION VII	Waterloo, Iowa	Urban Renewal	$ 546,856	
	Burlington, Iowa	Urban Renewal	736,000	1,282,856

TABLE 21.15
URGENT NEEDS GRANT APPROVED
FISCAL YEAR 1977 (continued)

	LOCALITY	PURPOSE	AMOUNT	REGION TOTALS
REGION VIII	Sturgis, S D	Urban Renewal	$ 150 000	$ 150,000
REGION IX	San Francisco, Ca.	Urban Renewal	1 814,758	
	Tulare, Ca.	Urban Renewal	136,054	
	Monterey, Ca.	Urban Renewal	315,663	2 286,475
REGION X	Seattle, Wash.	Urban Renewal	$ 7,249,971	
	Longview, Wash.	Urban Renewal	1,535,642	8 785 613
		GRAND TOTAL		$100,000,000

CHAPTER 22

FAIR HOUSING AND EQUAL OPPORTUNITY

April 1978 marks the tenth anniversary of the Fair Housing Law (Title VIII of the Civil Rights Act of 1968). Prominent in the administration of the law is the requirement in Section 808 that the Secretary of HUD shall administer all programs relating to housing and urban development in a manner to affirmatively further fair housing. This chapter examines the execution of this requirement in the CDBG program at the close of the second year.

In implementing the Block Grant program, an important decision was made to carry out HUD's Title VIII requirement in a new and innovative manner. Because of the broad scope of block grant activities, and the requirement in the law for a comprehensive statement of housing needs and goals which addressed the law's objectives, including increased housing opportunities, HUD determined that it was appropriate to require the same of CDBG recipients as Title VIII requires of HUD, i.e., that each recipient will take action to affirmatively further fair housing within its jurisdiction.

By executing the Certification of Assurance for Title VIII, the CDBG applicant:

a. Commits itself to a Housing Assistance Plan and a Community Development Plan and Program which will promote maximum choice within the community's total housing supply, lessen racial and ethnic concentrations, and facilitate desegregation and racially inclusive patterns of occupancy and use of public facilities.

b. Agrees to administer its programs relating to housing and urban development in a manner to affirmatively further fair housing. (Activities under this category need not be limited to those funded under Community Development Block Grants.) Areas of particular concern in which specific actions can be taken to provide for greater housing opportunities throughout the locality for minorities and women include: zoning; building and housing codes; land use planning; policy and implementation; and site selection policies for housing and public facilities.

c. Agrees to take action to affirmatively further fair housing by taking specific actions to prevent discrimination on the grounds of race, color, sex or national origin in the sale or rental of housing, the financing of housing and the provision of brokerage services within the recipient's jurisdiction. (Activities need not be limited to those funded under Community Development Block Grants.)

Examples of activities which may be appropriate are:

1. Develop or strengthen local laws to reflect national and/or substantially equivalent State fair housing laws, including effective investigating and enforcement powers and sanctions.

2. Provide funds to adequately administer a local fair housing law.

3. Require use of HUD affirmative marketing and advertising by private developers and real estate agents as a condition for obtaining local licenses, building permits or other regulatory devices.

4. Provide, assist, or contract with fair housing groups to provide assistance to minorities in locating housing in non-minority areas (e.g., counseling, referrals and escort service).

5. Fund or provide services to integrated neighborhoods interested in preserving their character.

6. Develop and implement a local loan or financial counseling program to assist minorities in participating in the total housing market.

Using information gathered from the Grantee Performance Report, and from site evaluations as well, the FH & EO staff of twenty-five Area Offices responded to a Central Office questionnaire on Fair Housing activities undertaken during Fiscal Year 1976 for 724 Hold Harmless and Entitlement CDBG Recipients. In total, 347 communities or 49% of the CDBG recipients in the respondent offices took action as shown in Tables 22.1 and 22.2

In May 1976, CPD and FH & EO sent a memo and an FH & EO Review Guide and Checklist to the field which directed the field that Certificates of Assurance for Title VIII should not be accepted from CDBG recipients if they could not demonstrate meaningful action to further fair housing in the administration of their

programs and in the private market. This was reinforced with a new subsection on Sanctions (570.910) published in the fall of 1976. As a result, it is expected that the fair housing activities of recipients, both in quantity and quality, will increase markedly in FY 1977. During FY 1977, several Area Offices required and achieved a 100% response rate. Notable among these are Hartford, Connecticut and Columbus, Ohio. Many others are coming close to that goal.

In the event that a recipient does not meet the obligations pursuant to the Certificate of Assurance for Title VIII, HUD "advises the recipient that a certification may no longer be acceptable and that additional information or assurances may be required" (570.910). A "specific assurance" is an exact statement of what actions will be taken by the recipient, and when, to maintain its Title VIII certification. HUD will specify the conditions which must be addressed in the "specific assurance." If these conditions are not addressed, HUD can either consider the recipient's application incomplete, or approve it conditionally.

An example of a conditionally approved application would be that of Middletown, Connecticut. In order to be approved for their second year application, HUD required that Middletown implement the following actions within sixty days of approval:

1. contract with Fair Housing Groups to assist minorities;

2. take actions which would assist minorities in search of housing;

3. undertake a survey of housing conditions; and

4. commence a Fair Housing campaign.

Middletown not only satisfied the above conditions, but also implemented a Voluntary Lenders Agreement with local realtors.

If a recipient should not satisfy the conditions attached to its contract, HUD can apply financial pressure on the recipient in order to assure that the recipient satisfies the contract conditions [(570.910(b)(10)]. An example of how financial leverage can be used to bring a community into compliance with regulations can be found in Euclid, Ohio. Euclid was given a conditional approval for its third year application for funds amounting to $670,000. After failing to address the specific assurances on their contract within sixty days of approval, Euclid's right to draw down on funds was revoked. After eight months of negotiation with HUD, Euclid was finally able to draw down on its third year funds, but only after the city passed anti-blockbusting and anti-discrimination ordinances, implemented an Affirmative Marketing Plan and contracted with a metropolitan Cleveland area fair housing group to handle discrimination complaints.

Use of Block Grant Funds for Fair Housing

Increasingly, CDBG communities are funding new or expanded fair housing activities with Block Grant money, most for the first time. In FY 1976, the Office of FH & EO identified 14 CDBG recipients who had awarded $1,110,000 to Fair Housing Organizations for fair housing enforcement and counseling. By 1977, over 50 jurisdictions funded Fair Housing Organizations and/or used their CDBG funds to initiate their own fair housing activities for a total CDBG expenditure in excess of $3 1/2 million. Table 22.3 illustrates those CDBG recipients who funded their housing groups in FY 1976 and those who funded fair housing groups and/or used CDBG funds to undertake their own fair housing activities in FY 1977. In addition to CDBG funds, many communities undertake fair housing activities with their general revenue funds.

TABLE 22.1

Number of Specific Actions Taken To Further Fair Housing By Type of Activity

Activity	Number of Jurisdictions	Percentage
Zoning	65	7%
Building Codes	17	2%
Housing Codes	23	3%
Land Use Plans	90	12%
Development Program Planning	94	13%
other	1	-

Source: Grantee Performance Reports for 724 Entitlement/Hold Harmless Jurisdictions, FY 1976, Table V-A.

TABLE 22.2

Actions Taken To Prevent Discrimination In The Sale, Rental and Financing Of Housing

Activity	Number of Jurisdictions	Percentage
Develop Fair Housing Laws	80	11%
Fund Fair Housing Enforcement	103	14%
Require affirmative marketing to obtain local licenses, permits, etc.	2	-
Provide or contract for counseling, referrals, escort service, etc.	73	10%
Assist Integrated Neighborhoods	6	-
Implement Loan or Financial Counseling to expand minority choices	95	13%
Undertake Studies	49	7%
other	10	1%

Source: Grantee Performance Reports for 724 Entitlement/Hold Harmless Jurisdictions, FY 1976, Table V-B.

TABLE 22.3

Use Of CDBG Funds For Fair Housing Activities

CDBG Recipient	CDBG Money To Fair Housing Organizations In FY 1976	CDBG Money For Fair Housing Activities In FY 1977
Region I		
Bloomfield, CT	-	7,500
Bridgeport, CT	-	60,000
Danbury, CT	-	10,000
Hartford, CT	-	18,708
Lynn, MA	-	85,000
New Haven, CT	-	38,000
New London, CT	-	4,000
Norwich, CT	-	4,000
Region II		
Bergen County, NJ	-	11,000
Buffalo, NY	80,000	85,000
Erie County, NY	19,505	19,505
New York, NY	82,000	-
Rochester, NY	12,000	139,000
Region III		
Baltimore, MD	-	10,000
Pittsburgh, PA	134,584	290,000
Richmond, VA	46,000	46,000
Region IV		
Kingsport, TN	-	4,000
Memphis, TN	-	50,001
Paducah, KY	-	9,000
Region V		
Akron, OH	55,000	88,000
Alliance, OH	-	14,750
Berea, OH	-	15,000
Canton, OH	-	10,000
Cincinnati, OH	45,000	98,211
Cleveland, OH	-	38,500
Columbus, OH	136,000	165,000
Cuyahoga County, OH	-	42,500
Dayton, OH	29,590	29,590
East Cleveland, OH	-	25,000
Franklin County, OH	-	25,000
Hamilton, OH	-	1,970
Hamilton County, OH	-	28,000

TABLE III (continued)

CDBG Recipient	CDBG Money To Fair Housing Organizations In FY 1976	CDBG Money For Fair Housing Activities In FY 1977
Region V (Continued)		
Kettering, OH	-	8,000
Massilon, OH	-	17,500
Middletown, OH	-	19,700
Montgomery County, OH	-	94,000
Oak Park, Ill	-	20,000
Painseville, OH	-	5,000
Stark County, OH	-	50,000
Summit County, OH	14,500	40,000
Toledo, OH	100,000	132,000
Wooster, OH	-	2,600
Region VII		
Kansas City, MO	-	45,500
St. Louis, MO	-	8,760
Region IX		
Anaheim, CA	-	9,000
Costa Mesa, CA	-	5,000
Fullerton, CA	-	7,500
Hayward, CA	44,000	92,000
Los Angeles, CA	193,515	184,610
Orange County, CA	-	40,000
Palo Alto, CA	-	5,500
Santa Anna, CA	-	10,000

NOTE: Table III may not reflect all CDBG jurisdictions using Block Grant Funds for Fair Housing activities during FY 1977, because data were collected by area offices from FY 1977 applications, and Fair Housing activities are not always specified in the application. All dollar amounts were verified by Headquarters FH&EO and the National Committee Against Discrimination in Housing.

SOURCE: Survey by Office of Fair Housing and Equal Opportunity.

CITIZEN PARTICIPATION

CHAPTER 23

The Housing and Community Development Act of 1974 requires citizen participation in the local government decision-making process for the CDBG program and application for funds.

In the Second Annual Report, there was a review of 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. Since there were no changes in regulations concerning citizen participation for the third year of the program, this general review has not been repeated. Rather, certain aspects of citizen participation have been examined in more depth based on a special study of **40** cities. The aspects to be covered in this report are **(1)** approaches to involving citizens, **(2)** characteristics of cities with differing levels of involvement, **(3)** qualitative measures of citizen participation performance, and **(4)** analysis of the impact of citizen participation.

The primary source of data for the report is on-site research conducted by the National Citizen Participation Council (NCPC) under contact to HUD. The study included interviews with officials and citizens and collection of documentary material. Forty cities were chosen for the study in such a way as to represent each region, to achieve balance in population size, and to include roughly equal proportions of former Model Cities and cities that had no experience with this program. 1/ The characteristics of the cities covered by the study are presented in Table **23.1.** In addition, the types of persons interviewed and the numbered surveyed in each category are contained in Table **23.2.** In all, **139** city officials and **494** citizens were interviewed.

1/ Because of this characteristic, caution should be used in generalizing from this sample to CDBG cities, since only 9% of the entitlement cities had experience with the Model Cities program. Certain areas of performance in which former Model Cities differ from other cities are noted in the discussion.

Table 23.1

Characteristics of Cities Covered by Field Research

Size by Population	
over 500,000	8
100,000-500,000	14
50,000-100,000	12
under 50,000	6
Total	40

Former Model Cities 21

Table 23.2

Type and Number of Interviews in Field Research

1.	Summary of Citizen Participation Activities for the CDBG Program completed by city officials	38
2.	Personal Interviews:	
a.	Mayor	39
b.	Manager	34
c.	CD Program Director	39
d.	CP Staff Director	27
	Total Officials	139
e.	Citizen Advisory Committee members	164
f.	Other Citizens	330
	Total Citizens	494

CITIZEN PARTICIPATION REQUIREMENTS

One of the objectives of this Act is to rely on the capacity 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 decision-making (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." 2/ Local governments may also provide technical assistance to assist citizen participants to understand program requirements.

Finding #1: All cities are meeting program requirements for citizen participation, but there is wide variation in performance beyond minimum requirements.

Involvement Activities

Program regulations require recipients to engage in certain activities to involve citizens, i.e., to facilitate and encourage their participation. Four methods have been examined closely: use of media, mailings, meetingsin which citizens can receive information and

2/ Code of Federal Regulations, Title 24, Sec. 570.904(d)(2), 1977.

make suggestions, and public hearings, The amount of use of these methods separately and in combination will be examined. (giving citizens a role in the policy-making process through advisory committees is covered in a later section.)

Finding #2: 85% of the cities were judged to provide complete or adequate information to both low and moderate income citizens and other citizens.

Informing Citizens

In the Second Annual Report, it was reported that almost all cities made some or extensive use of newspapers: 54% used radio, 27% used television, and 16% used minority newspapers, along with other ways to inform citizens about the CDBG program, The third year activities in sample cities are similar, although the extent of radio use is lower (42%) but television use is higher (46%). It is possible to break down the amount of newspaper advertising to reveal variations in extent of usage, In Table 23.3, the number of ads of different types--legal notices, quarter page, and ads in minority newspapers--is presented. Almost all cities use legal notices, but most do not rely on this method to inform the public. Almost two thirds use larger ads, although less than 20% use any ads that cover more than a quarter page. Likewise the minority press is used by a little over 20% of the cities (excluding those who reported that no minority newspaper existed.)

Table 23.3

Number of Newspaper Ads of Various Types Used on Cities to Publicize CDBG Program

Number of Ads	Legal Notice	Under ¼ Page	Over ¼ Page	Minority-oriented Newspaper
0	11% (4)	34% (13)	82% (31)	68% (26)
1 - 4 a/	45 (17)	24 (9)	11 (4)	11 (4)
5 - 9	26 (10)	24 (9)	3 (1)	5 (4)
lo - 19	11 (4)	11 (4)	3 (1)	-- (0)
20 - 49	5 (2)	5 (2)	3 (1)	3 (1)
over 50	3 (1)	3 (1)	-- (0)	-- (0)
not applicable	-- (--)	-- (--)	-- (--)	13 (5j
total	101% (38)	101 % (38)	102% (38)	100% (38)

no information: 2 cities

a/Includes cities reporting ad of this type but not specifying number.

Mailing provides a useful method of delivering information directly to the intended recipient, and 65% of the sample cities mailed material to persons or groups within target areas. 30% of the cities sent out over 500 pieces of mail and two cities exceeded 19,000 pieces. More important than the number, however, is the degree of coverage. The extent of mailing to four kinds of groups in target areas--churches, neighborhood groups, businesses and civil rights organizations--was probed. As indicated in Table 23.4, 38% of the cities attempted to cover neighborhood groups completely with mailed material. Roughly the same proportion provided some coverage to churches and businesses. In approximately half the cities, no mailing was directed to each category of recipients. Combining the separate measures, 35% of the cities used no mail at all, 19% did not cover all types of groups or did so only partially, and 47% covered all types of groups, at least one type completely.

Table 23.4

Distribution of Mailing to Groups of Different Types in CD Target Areas
Type of Group

Extent of Mailing	Churches	Neighbor-Hood Group	Businesses	Civil Rights
None	49% (18)	43% (16)	51% (19)	54% (20)
Some	38 (14)	19 (7)	35 (13)	24 (9)
Tried to cover completely	14 (5)	38 (14)	14 (5)	22 (8)
Total	101% (37)	100% (37)	100% (37)	100% (37)

Note: No information was available in 3 of the 40 cities

FINDING #3: All cities held at least 2 public hearings with 60 percent being held in low- and moderate-income areas, and 89 percent of the cities held special meetings.

Meetings and Hearings

Regardless of the amount of information disseminated through the media or mail, face-to-face encounters between citizens and officials enhance the exchange of ideas. Regulations have required at least two public hearings, and two-thirds of the sample cities have held more than that number. In addition many cities participate in other kinds of public meetings in which information is provided, questions answered, and suggestions from citizens

recorded. Most cities used this kind of meeting, not counting other occasions when announcements were made about the CDBG program or staff members made a presentation only. The extent to which "full" meetings were held varied as follows: 11% had none, 14% had one or two, 26% had three to five, 20% had six to nine, and 29% had over 10 meetings. (One city, whose staff must deserve awards for endurance, held over 400 meetings.)

With respect to hearings, the Housing and Community Development Act of 1977 requires in subsequent program years that applicants "schedule hearings at times and locations that permit broad participation." Many cities are already arranging their hearings in this way. Among the sample cities (excluding four with missing information on this matter), 194 hearings were held for the third year program or an average of over five per city. Only 9% of these hearings were scheduled during week-day business hours, and only 3 cities held hearings exclusively during this time period. Almost 60% of the hearings were located in low and moderate income areas, minority neighborhoods and other areas in which community development activities were planned, whereas 34% were held in central or other locations. Table 23.5 gives a breakdown of the total number of hearings held and the number in CDBG target areas in the evening or on week-end days. Most cities have been using more hearings and dispersing them more widely than required under earlier regulations. It appears, however, that at least one-half should alter and expand their scheduling of hearings in future years.

Table 23.5

Total Number of Public Hearings and Number of Hearings in CDBG Program Target Areas

Number of Hearings:	Total	In Target Areas
0	-- (0)	37% (13)
1	-- (0)	14 (5)
2	33% (12)	6 (2)
3-4	22 (8)	17 (6)
5-6	17 (6)	9 (3)
7-9	14 (5)	6 (2)
10-19	14 (5)	11 (4)
Total	100% (36)	100% (35)
No information:	(4)	(5)

Finding #4: Larger cities are more active in informing citizens and encouraging participation.

Variations in Involvement Activities

When extent of media usage, mailing, meetings and hearings in CD target areas are combined into a single index of involvement activities, the sample cities vary considerably in their performance. (See Table 23.6 for explanation of the involvement index.) Five of the sample cities or 13% ranked very high on this measure; they have made extensive use of all four kinds of involvement activity; ten cities or 26% used three; twelve cities or 32% used two; six cities or 16% used only one extensively; and at the low end of the scale-five cities or 13% did not employ any of these methods intensively if at all. Table 23.6 indicates that city size and experience with the Model Cities program, which had detailed citizen participation requirements, are both related to the extent of involvement activities carried out by city government. The larger the city, the more likely it is that government will do more to inform citizens and encourage participation. In addition, the former Model Cities are found

Table 23.6

Characteristics of Cities with Differing Levels of Involvement Activities

	Level of Activities: Involvement Index a/				
City Size:	4+	3+	2+	1+	0
Over 500,000	80% (3)	30% (3)	8% (1)	-- (0)	-- (0)
100,000- 50,000	20% (1)	30 (3)	33 (4)	50% (3)	20% (1)
50,000-100,000	-- (0)	30 (3)	42 (5)	33 (2)	20 (1)
Under-50,000	-- (0)	10 (1)	17 (2)	17 (1)	60 (3)
Total	100% (5)	100% (10)	100% (12)	100% (6)	100% (5)
Former Model Cities	80% (4)	60% (6)	50% (6)	33% (2)	40% (2)
Other city	20 (1)	40 (4)	50 (6)	67 (4)	60 (3)
Total	100% (5)	100% (10)	100% (12)	100% (6)	100% (5)

a/ Involvement Index is derived from combined score on four measures: (1) Ten or more separate usages of mass media=+1; (2) Holding three or more public meetings=+1 (3) Mailing to all types of groups listed in Table 23.4 above and complete coverage of at least one type=+1; (4) Two or more hearings in CD target areas=+1.

disproportionately in the medium to high level of involvement activities. Calculated in a different way, 50% of the Model Cities rank high on the involvement index versus 28% of the other cities. The fact that most CDBG entitlement recipients do not have prior experience with this program suggests that the general level of involvement activities will be lower than those found in the sample cities.

Adequacy of Information

The first qualitative performance measure to be considered relates to the impact of involvement activities on informing the public. Field staff of NCPC assessed the adequacy of information provided by local government separately for persons of low and moderate income and also for residents of the city generally. Information was rated complete if it was readily available and provided understandable information about the program and how to participate. Adequacy was defined as information of good quality which was generally available. Information was insufficient if not provided in large enough quantity to reach persons unless they sought it out or if the information did not fully explain the program or how to participate. Poor coverage and incomplete information were considered deficient. Overall, assessment was positive. Almost half of the cities were judged to have provided complete information to both low and moderate income persons and residents of the city generally. In addition, 38% were rated adequate for both population groups. Five and six cities (13 and 15%) provided insufficient information to the target population and other persons, respectively. Only one city was judged deficient in its information for persons of low and moderate income. All but one of the cities assessed as insufficient or deficient also ranked medium or low on the involvement index discussed above. On the other hand, 80% of the cities that ranked very high in involving citizens also provided complete information in the judgement of observers. An obvious payoff, therefore, of extensive commitment to involvement activities is the high quality of citizen information. Conversely, less effort to involve citizens generally may result in failure to fully satisfy the requirement to provide adequate information to citizens.

Finding #5: Technical assistance was provided to citizens in the form of workshops or training sessions in 34% of the cities, and staff time is allocated to assistance in over 60% of the cities. The amount and kind of technical assistance was considered to be adequate by members of citizen advisory committees in 77% of the cities and by other citizens in 58% of the cities.

Technical Assistance

Program regulations leave to local government discretion the amount and form of technical assistance to be provided. Almost two-thirds of the sample cities did not provide technical assistance in the form of workshops or training sessions; 34% did offer training ranging from four hours to 150 hours devoted to workshops. On the other hand, over 60% of the cities indicated that staff members spent time providing technical assistance regularly, whether or not in a formal setting; 37% did not indicate any staff time devoted to technical assistance on a recurring basis. Both forms of technical assistance tended to be found together: half of the cities without training session did not have staff working on technical assistance either, whereas 85% of the cities which offered such sessions also had staff working regularly on technical assistance. The total staff hours per week devoted to technical assistance varied as follows:

0 hours:	37%	(14 cities)
1-3 hours:	21%	(8 ")
4-9 hours:	18%	(7 ")
10-99 hours:	13%	(5 ")
100 or more hours	11%	(4 ")

Distribution of technical assistance differed along with the amount of time assigned for this purpose in work schedules. The provision of assistance to citizen advisory committee (if any,) low and moderate income groups, other citizen groups, and individuals was examined. As indicated in Table 23.7, cities which assigned staff to technical assistance also distributed such assistance to more and a broader range of groups; only 8% of these cities did not provide assistance to any identifiable groups and 69% provided it to two or more types of recipients. In the other cities, assistance [most often for the citizen advisory committee) is squeezed into staff schedules in some but not provided at all in the majority of these cities.

Table 23.7

Distribution of Technical Assistance in Cities that Do and Do Not Devote Staff Time to Technical Assistance on a Regular Basis

Recipient Types given Assistance:	No Staff for T.A.	Staff for T.A.
No Assistance Given	58%(7)	8%(2)
Citizen Advisory Committee	25 (3)	23 (6)
Low/Moderate Income Groups	-- (0)	38 (10)
Other Citizen Groups	17 (2)	19 (5)
Individuals	-- (0)	12 (3)
Total	100%(12)	100%(26)

No information: 2 cities

The commitment of staff time to technical assistance is related to the extent of involvement activities generally. Among the 15 cities that ranked high or very high on the involvement index., only two (13%) do not also assign staff time for technical assistance. Among the medium and low-ranking cities, on the other hand, the proportion with no staff time for assistance is 50% and 55%, respectively.

The second qualitative performance measure is adequacy of technical assistance as judged by citizen advisory committee (CAC) members and other citizens interviewed in the sample cities. As indicated in Table 23.8, the technical assistance provided by the city was more likely to be judged adequate by CAC members than by other citizens --77% versus 58%. In addition, citizens in 28% of the cities offered the response that no technical assistance was provided at all, where CAC members held this view in only 6% of the cities.

Table 23.8

Assessment of Adequacy of Technical Assistance
by CAC Members and other Citizens

Is Technical Assistance Adequate?	Respondents: CAC Members		Other Citizens	
All or most "yes"	77%	(24)	58%	(23)
Even split	3	(1)	--	(0)
All or most "no"	13	(4)	15	(6)
None provided	6	(2)	28	(11)
Total	99%	(31)	101%	(40)
Inapplicable: No CAC		(9)		

Clearly, CAC members are more likely to know about and be in a position to receive technical assistance than other citizens. Indeed, in over a quarter of the sample cities, the CAC was the only group specified as a recipient of technical assistance. Other citizens may be critical of city officials for failure to provide technical assistance simply because they are not aware of its availability. This interpretation is reinforced by another finding that is seemingly contradictory: citizen ratings of technical assistance were not related to the amount of staff time devoted to technical assistance. Tn almost 30% of both the cities that reported no staff assistance and those that reported four or more hours of staff time per week for technical assistance, citizens offered the opinion.that none was provided. Assuming that the staff time reported is accurate, cities in the latter category are failing not in their responsibility to provide assistance but rather in disseminating information about the availability of this service. As shall be noted in other contexts, citizen satisfaction is not necessarily related to objective measures of activity or outcome. This lack of congruence may be interpreted as an indication of the unreliability of citizen opinion. It may also, however, be used as a guide to aspects of the program in which transmission of information or delivery of services is faulty.

Finding #6: Three - fourths of the cities have created citizen advisory committees, usually appointed (61%) and city-wide in coverage (70%). In 70% of the cities with advisory committees, citizens felt that the members satisifactorily represented low and moderate income persons. The major role of these committees in three-fourths of the cases was to provide program recommendations, and the impact of the committees was great in 63% of the cities. Participation in and impact over implementation and monitoring, however, was slight in most cities.

Citizen Advisory Committees

Three fourths of the sample cities have created an advisory committee composed of citizens to contribute to the community development program. In addition, three more cities make use of other kinds of ongoing citizen groups organized either by geographical area or program tasks. As indicated in Table" 23.9, former Model Cities-are less likely to use advisory committees than non-Model Cities; 95% of the latter have a citizen advisory committee (CAC) versus 57% of the Model Cities. Thus, some form of citizen structure in the community development process is common, but these committees differ in composition, representativeness, roles and weight.

Composition and Selection

Most cities --61%-- appoint members to the CAC. A majority of former Model Cities, however, use elections to select members, whereas only 24% of the other cities have elected members. (In all these cases, additional members are appointed but elected members constitute the majority.) Method of selection is the only characteristic covered in Table 23.9 on which the two types of cities in the sample differ substantially. Further discussion of CAC's will refer to general characteristic for all cities.

Seventy percent of the cities have set up committees which are city-wide in coverage. All parts of the city are evenly represented, i.e., there is no proportionate share for any area, and all members are selected through the same process. Only one city -a former Model City- drew members from community development target areas only (although two other former Model Cities use other kinds of structures based on target areas.) A quarter of the cities used a combination approach, Selecting some members from target areas either by appointment

TABLE 23.9

Characteristics of Citizen Advisory Committees
in Former Model Cities and Other Cities

	Former Model Model Cities	Other Cities	All Cities
Eave CAC:			
Yes	57%(12)	95%(18)	75%(30)
No	29 (6)	5 (1)	18 (7)
Other structure	14 (3)	-- (0)	8 (3)
Total	100%(21)	100%(19)	101%(40)

(In subsequent parts of this Table, one CAC city from both Model and non-Model Cities is excluded because of missing , data.)

For Cities with CAC:			
Selection: (a)			
Elected	55%(6)	24%(4)	36%(10)
Appointed	45 (5)	71 (12)	61 (17)
Volunteer	-- (0)	6 (1)	4 (1)
Coverage: (b)			
CD area only	9%(1)	-- (0)	4 (1)
Citywide	73 (8)	69%(11)	70 (19)
Combination	18 (2)	31 (5)	26 (7)
		(no info=1)	
Number of CAC: 1-2	-- (0)	-- (0)	-- (0)
Activities: (c) 3-4	18%(2)	29%(5)	25%(7)
5-6	55 (6)	53 (9)	54 (15)
7-8	27 (3)	27 (3)	21 (6)
Responsibilities: (d)			
Provides input only	-- (0)	-- (0)	-- (0)
Review & Comment	27%(3)	12%(2)	18%(5)
Makes recommendations	64 (7)	82 (14)	75%(21)
Makes policy	9 (1)	6 (1)	7 (2)
Weight given to CAC:			
None	-- (0)	-- (0)	-- (0)
Advice only	18%(2)	12%(2)	14%(4)
Usually accepted	82 (9)	65 (11)	71 (20)
Always accepted	-- (0)	24 (0)	14 (4)

a/ Method of selecting majority of members determined classification.

b/ Coverage: Citywide means that all parts of the city are evenly represented with members selected through the same process, e.g., appointing one person from each councilmanic district. Combination means that some persons were selected to represent target areas and other members represented citywide organizations, boards, etc.

c/ Activities included are listed in Table 23.10 below.

d/ Combined responses of CD Director and CAC respondents.

e/ Combined responses of mayor, CD Director, and CP staff director (if any).

or election and selecting others to represent city-wide organizations or boards. In most of the cities that use this approach, a majority of members on the **CAC** came from low and moderate income areas. The most common **CAC,** however, is appointed and city-wide in coverage.

Representativeness

Citizens interviewed in each city were asked to assess the representativeness of the **CAC.** These persons, who were not **CAC** members, were largely positive in their responses. In 70 percent of the cities with a **CAC,** all or most citizens interviewed felt that the **CAC** provided satisfactory representation for persons of low and moderate income. Opinion was evenly divided in 13 percent of these cities, and, in 10 percent of the cities, all or most respondents felt that the **CAC** was not representative. Similar opinion was expressed on the adequacy of representation for the respondent's own group and for persons in the city generally. On this qualitative performance measure, then, most cities do well.

Roles and Responsibilities

Table 23.9 also provides information based on official and **CAC** member responses about the responsibilities and activities of **CACs.** None of the **CAC's** was limited to providing input only, and less than 20 percent simply provided review and comment on aspects of the community development program. Most--75 percent--make recommendations concerning programs, activities and budgets. Only two of the **CACs** were given policy-making authority. The kinds of activities that **CACs** engage in are detailed in Table 23.10. **All** of the **CACs** are involved in the development of the application and most review the final draft as well. **A** majority take part in certain post-application activities as well, and 43 percent review or make changes in the Grantee Performance Report.

Impact of **CAC**

Table 23.9 indicated that most **CACs** are influential advisory boards. There were four cities which treated **CAC** recommendations as simply one source of advice and another four in which recommendations were reported always accepted. In the typical city, however, the **CAC** position was usually followed but policy was not controlled by **CAC.** In a separate measure, provided in Table' 23.11, 68 percent of the planning

Table 23.10

CAC Participation in Stages of the Decision-Making Process

Activities	Yes	No
1. Provides input on needs and priorities	100%(28)	___(0)
2. Recommends activities	100%(28)	___(0)
3. Helps select activities	100%(28)	___(0)
4. Reviews final draft of application	75%(21)	25%(7)
5. Participates in making amendments to application	61%(17)	39%(11)
6. Reviews progress and evaluates impact	61%(17)	39%(11)
7. Review Grantee Performance Report before submission	32%(9)	68%(19)
8. Made changes in GPR (28 cities covered: 2 cities with CAC's, no information)	11%(3)	89%(25)

directors and 63% of the CAC members indicated that the CAC had a great deal of impact on program development and planning; and another 25% of officials and 28% of citizens felt that the CAC had some impact on this stage of the program. In other stages of the program, however, the impact of the CAC is more limited. Even though CAC's are involved in program change (as discussed above,) only approximately 30% have substantial impact on amendments to the application and other program revisions. CACs are even less influential in program implementation and monitoring. In these two areas, the opinions of staff and citizens diverge more widely than in others. Whereas CD directors in about 30% of the cities reported that CAC's have no impact on implementation and monitoring, 44% of the CACs felt they had no impact in these areas.

Table 23.11

Impact of CAC on Stages of CDBG Program:
CAC Member and CD Director Assessment

		CD Director				CAC Members			
		None	Little	Some	Great Deal	None	Little	Some	Great Deal
Stage:	Program planning	0	2	8	22	0	3	9	20
	Amendments	14	2	7	9	15	2	5	10
	Program revisions	11	4	8	9	12	2	10	8
	Implementation	10	4	13	5	14	4	10	4
	Monitoring	9	3	11	9	14	4	8	6

(Rows add across to sum 32; includes all CAC cities and two other cities with alternate citizen structure.)

In summary, citizen advisory committees, though usually appointed and city-wide in coverage, appear in the sample cities to be typically representative of all segments of the community, including low and moderate income persons. They have an influential role in the community development process, although this impact is still largely limited to program development stages of the process.

Finding #7: Field observers estimated that in 80% of the sample cities, most of the activity budget was proposed or approved by citizens. Those cities in which citizens had little impact were less likely to have an advisory committee or extensive involvement activities.

Impact of Citizen Participation

The most important aspect of citizen impact is the intent to which the community development program reflects citizen preferences. The CDBG Program has not included provisions for formal citizen review of the application. In fact, the HUD Act states that nothing in the citizen participation requirements "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." Nevertheless, local officials can be expected to make decisions which reflect citizen views on needs and priorities for action.

Field staff of NCPC who conducted site visits in their study were asked to examine (1) citizen recommendations and response by local officials and (2) the role of citizen advisory committees as both an initiator and reviewer of the community development program. On the basis of this review and other information obtained, the interviewers developed an estimate of the proportion of CDBG grant dollars in that city which was budgetted for activities recommended or approved by citizens. The estimate of the proportion of the budget (excluding administration, planning and contingencies) proposed or concurred with by citizens ranged as follows:

85-100%	25 cities	40-54	1 city
70-84	7 "	25-39	0
55-69	3 "	under 25	4 cities

Overall, 81% of the activity budgets in the sample cities reflected input from citizens who submitted proposals, made recommendations at hearings or other meetings, or served on advisory committees. Input may have been limited to concurrence but the 81% does not include any budgeted activities that were opposed by advisory committees.

Thus, citizen impact is reported to be both high and widespread. The degree of impact may vary, however, with other elements in the citizen participation process. Table 23.12 shows the proportion of the activity budget influenced by citizens in cities with differing levels of involvement activities and cities with and without citizen advisory committee. It appears that responsiveness to citizen input

Table 23.12

Relationship of Citizen Influence on Activity Budget to Level of Involvement Activities and Use of Citizen Advisory a/ Committee

Involvement Index: b/	% of Budget Supported by Citizens
High	83% (15 cities)
Medium	70% (11 cities)
Low	87% (12 cities)
Use CAC:	
Yes	92% (28 cities)
No	48% (10 cities)

a/ Proportion of activity budget (excluding administration, planning and contingencies) proposed or supported by citizens.

b/ See Table 6 for definition of index. High=3,4; medium=2,3 low=0,1

is independent of the level of commitment by local government to activities that encourage or facilitate participation. The use of advisory committees, however, is related to citizen impact. If any advisory committee is included in the community development policy-making process, citizen influence is substantially higher, with over 90% of the budget in these cities reflecting citizen views, at least those of advisory committee members. Certainly the activities "approved" included staff as well as citizen initiated proposals, but the reaction of the citizen advisory committee to these proposals was sought and usually followed in the sample cities. In cities without advisory committees, on the other hand, less than half of the activity budget incorporated citizens proposals. The absence of a standing body of citizen representatives makes it more difficult for officials to receive the advice of citizens after the initial program stages of meetings and hearings. Still, the ten cities without a CAC clustered into two groups with respect to responsiveness and citizen impact. Five of the cities - all over 500,000 in population with extensive involvement activities averaged 81% of their budgets consistent with citizen preference. In the remaining five cities without a CAC, involvement activities were limited (either low or medium,) and city officials dominated the decision-making process.

Finding #8: Members of advisory committees were satisfied with the citizen participation process in 69% of the sample cities, and other citizens were satisfied in 62% of the cities. All or most citizens were dissatisfied in 31% of the cities that used a citizen advisory committee and in half of the cities with no advisory committee.

CITIZEN SATISFACTION WITH THE CITIZEN PARTICIPATION PROCESS

The final measure to be analyzed is the level of citizen satisfaction with the citizen participation process. Both citizen advisory committee members and other citizens were asked to whether they were satisfied with the process for citizen participation used in the CDBG program in their city. Overall, CAC members expressed approval of the process in which they played a formal role. In 69% of the cities with a CAC, all or a majority of the CAC members interviewed were satisfied with the process. In 7% of the cities CAC members were evenly divided, and in 24% all or a majority were dissatisfied. Other citizens, however, were more critical, though approval was expressed in a majority of cities. All or most citizens interviewed were satisfied in 62% of the sample cities; opinion was evenly divided in one city (3%) and 11 or more were dissatisfied in 36% of the cities.

It might be expected that the level of citizen satisfaction would be affected by other elements of the citizen participation process already considered--the amount of involvement activities and the use of a CAC. As indicated in Table 23.13, this expectation is only warranted with respect to the presence or absence of a CAC. Citizens and CAC members evidence similar assessments in both high and low involvement cities. Citizens are, however, satisfied in more of the cities with a CAC (69%) than in cities without a CAC (50%.)

It is possible to examine certain conditions in the cities in which citizens are dissatisfied to seek explanations for this reaction. In four of the five cities with no CAC and high dissatisfaction, citizens have had little impact on program content. Also, citizens were critical of the quality of technical assistance in all of these cities. In the cities that do have a CAC, the dissatisfaction expressed by citizens at-large are shared by CAC members in 5 cities. In these five cities, both the CAC members and other citizens are critical of the technical assistance provided, and in two others citizens (but not CAC members) are dissatisfied with technical assistance. In three of these cities, citizens feel that the CAC does not adequately represent low and moderate income persons and in two others citizens are evenly divided on the quality of representation. In conclusion, the absence of a CAC can produce dissatisfaction if citizens do not have sufficient opportunity to influence the program. The presence of a CAC, however, does not assure satisfaction if other aspects of the process are perceived to be deficient.

Table 23.13

Citizen Satisfaction and the Level of Involvement Activities and Use of CAC

	Involvement Index: High	Medium	Low
CAC Members:			
All or most satisfied	80% (8)	50% (4)	78% (7)
Even Split	-- (0)	-- (0)	11 (1)
All or most dissatisfied	20 (2)	50 (4)	11 (1)
(no CAC: 10 cities, No info: 3)	100% (10)	100% (8)	100% (9)
Other Citizens:			
Satisfied	69% (11)	40% (4)	73% (8)
Split	-- (0)	10 (1)	-- (0)
Dissatisfied	31 (5)	50 (5)	27 (3)
(No info: 3 cities)	100% (16)	100% (10)	100% (11)

	Use CAC: Yes	No
CAC Members:		
Satisfied	69% (20)	n.a.
Split	7 (2)	n.a.
Dissatisfied	24 (7)	n.a.
(No info: 1 city)	100% (29)	-- (10)
Other Citizens:		
Satisfied	66% (19)	50% (5)
Split	- (1)	-- (0)
Dissatisfied	31 (9)	50 (5)
(no info; 1 city)	100% (29)	100% (10)

APPENDIX A

METHODOLOGY

The data incorporated into this report are derived from several different sources. The basic information on entitlement cities regarding amount of funds budgeted by activity, on benefit's to low- and moderate-income census tracts, percent of tracts receiving block grant funds, etc., is derived from a sample of 151 formula and nonformula entitlement cities within SMSAs. In order to obtain more detailed information on cities for the special issues covered in the report, a smaller, more manageable subsample of 25 cities was drawn. These cities provided the basis for more detailed analysis of program issues, housing, and progress in carrying out the block grant program. A separate sample, or set of samples, was drawn for the analysis of the discretionary grant program. The urban county study, which was conducted separately by a private contractor, consisted of the universe of urban counties and its methodology is described separately in Chapter 12.

1. ENTITLEMENT APPLICATIONS

The first, second, and third year Community Development programs reflected in application forms (HUD FORM 7015.5) and Housing Assistance Plans (HUD FORMS 7015.8 through 7015.11) €or 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.

a. 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-Long Term Objectives, supplemental documentation, and A-95 reviews.

b. Budget line items were indicated in the Community Development Program.

c. Basic determination of location codes rested with the type of area to receive funds (i.e., residential, commercial, citywide, etc.).

d. 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.[1] 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 ehtitlement 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 1.[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. In the third year of the program, the actual number of applications analyzed was again only 147 because two sample cities had their applications disapproved, one did not apply, and one was not accepted by HUD because the applicant had not gone through the A-95 process.[3]

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.

3/ The data from application analysis were used as the primary source of information in Chapters 4, 13, 14, 15, 16, 17, 18, and 19.

2. 25 CITY SAMPLE

In order to obtain more detailed qualitative and quantitative data on the CDBG program and the Housing Assistance Plan, a subsample of 25 of the 147 entitlement cities was selected for field visits and telephone surveys.

In selecting the subsample, certain salient factors were employed as criteria in order to make it reflect, as accurately as possible, the characteristics of the overall program.

The first factor used to order the 147 cities for the selection of the subsample was the percentage of second year CDBG funds budgeted for low and moderate income census tracts. As shown in Table A.3, the 147 city sample was divided into quartiles showing the number and percent of cities with 0-25 percent of their second year funds budgeted to low- and moderate-income census tracts (12 cities, or 8 percent of the 147 cities), 26 to 50 percent of their second year funds budgeted to low- and moderate-income census tracts (17 cities, or 12 percent of the 147 cities), 51 to 75 percent of their second year funds budgeted to low- and moderate-income census tracts (49 cities, or 33 percent of the 147 cities), and 76 to 100 percent of their second year funds budgeted to low- and moderate-income census tracts (61 cities, or 42 percent of the 147 cities). In addition, 5 cities (or 3 percent of the 147 cities) had the majority of their funds budgeted to "questionable" census tracts, that is, tracts which: (a) did not have a median family income of 80 percent or less of the SMSA median family income, (b) were not in the lowest income quartile of all the census tracts in the city, or (c) had no prior HUD categorical program experience. Furthermore, three cities (or 2 percent of the 147 cities) had the majority of their funds designated as occurring citywide. To obtain the 25-city sample, the same percentages in each of these six categories were used to derive the number of cities to be selected for each category (e.g., because 8 percent of the 147 city sample had 0-25 percent of their second year funds budgeted to low- and moderate-income census tracts, then 8 percent of the 25 cities selected for field visits and phone surveys should have 0-25 percent of the second year funds budgeted in this way; 8 percent of 25 equals two cities).

Next, the 147 cities were further stratified by size of entitlement into those cities under $1 million, those between $1 million and $4 million, and those over $4 million. (See Table A.4.) Thus, the number of cities to be selected

in the 25 city sample was determined to be: nine cities in the category of under $1 million grant (37 percent of both 147 city sample and 25 city sample, 10 cities between $1 million and $4 million grant (40 percent of both **147** city sample and 25 city sample), and 6 cities over $4 million grant (23 percent of both 147 city sample and 25 city sample. These figures were further stratified by percentage of second year funds budgeted to low- and moderate-income census tracts. (See Table A.5.)

The third factor considered in selecting the 25 city sample was HUD Regional distribution. As shown in Table A.6, each Region's total amount of Fiscal Year **1976** CDBG funds allocated was calculated as a percentage of the national total. This percentage figure was used to determine the number of cities to select for each Region.

3. CDBG ENTITLEMENT CITY FIELD VISITS

After the subsample of 25 entitlement cities was selected, only 19 were actually visited by HUD evaluators due to time constraints. One of the **19** cities was visited in mid-October as a pre-test of the CDBG Interview Guide. As a result of that visit, certain parts of the Interview Guide were considerably revised, but the new data were not requested from the pre-test city, again due to time constraints. Thus, some information in this report is based on 18 cities, rather than the full **19** cities. The amount of time spent in each city was equivalent to an average of two person-weeks.

Interviews were conducted in late-November and December, **1977**, and early January, **1978** with the following types of local government officials and staff: CDBG Administrator/ Director, Community Development Planning Director, person familiar with city population and housing data, person familiar with city economic data, CDBG Economic Development Director, CDBG Social Services Coordinator, Controller/Budget Director of CDBG Office, Director of City Department of Public Works, Director of City Department of Recreation, Director of Local Housing Authority, CDBG housing planner, Chairperson of CDBG Citizen's Advisory Commission, another member of CDBG Citizens' Advisory Commission, one representative from each of three selected CDBG target areas, and one representative from all neighborhoods (not CDBG target areas) receiving CDBG funds. The HUD Area Office Community Development Representative (and/or his/her Community Development Division Director) for each selected city was interviewed by telephone prior to each city visit. In many cases, additional persons were interviewed in the cities to obtain a clearer perspective

on the CDBG program. Such persons include: local business persons, county. economic development program planners, city economic development program planners, city managers, mayors, city budget directors, and city newspaper reporters.

The objective of the field interviews was to obtain quantitative and qualitative data on such topics as: local decision-making, analysis of CDBG target areas and other neighborhoods, demographic data on city, economic development, city CDBG strategies, Urban Renewal/NDP/Model Cities program close-outs, analysis of beneficiaries in selected census tracts, social services, administrative costs, CDBG-funded streets, CDBG-funded public works, CDBG-funded open space and recreation facilities, coordination of CDBG with Section 8 housing assistance, relations between city and HUD Area Office, and perceptions of program effectiveness.

The data from these field visits are incorporated into Chapters 2, 3, 6, 7, 8, 9, 11, and 22.

4. HAP FIELD VISITS

The HAP field visits were conducted in September and October 1977 in the 25 city subsample as well as in 10 HUD Area Offices. The purpose of the visits was to collect detailed information of a qualitative nature for Chapter 10 on the development and implementation of the Housing Assistance Plan. The interviews covered many aspects of the HAP, including goal setting, site-selection, and descriptions of housing provided. The discussions also focused on problems the cities encountered in providing assisted housing and local actions that have been taken to resolve these problems and to promote assisted housing.

5. REHABILITATION TELEPHONE SURVEY

A telephone survey of 20 of the 25 cities in the subsample was conducted in December, 1977 and January, 1978. The purpose of this survey was to obtain qualitative and quantitative information for Chapter 8 on: the nature of the CDBG rehabilitation program in these cities, the criteria the cities use In determining eligibility for rehab assistance, and progress that has been made in the cities' rehabilitation program. Data were also obtained on: the allocation of rehabilitation funds by year, the city's goals in terms of the number of units to be rehabilitated, benefits of the program to low- and moderate-income persons, and the progress of the program as of September 30, 1977.

6. PROGRESS/COORDINATION TELEPHONE INTERVIEWS

In February and early March 1978, 24 of the 25 cities in the subsample were surveyed by telephone regarding progress made in the expenditure of block grant funds and program outputs through December, 1977. The telephone interviews also provided information on cities' actual experience in coordinating other public funds, in leveraging private and public funds, the reasons for success, and problems. These data were used for Chapter 5.

7. SMSA AND NONMETROPOLITAN DISCRETIONARY BALANCES: APPLICATION ANALYSIS

The data analysis in Chapter 20 is based upon sample data stratified by program year, discretionary balances type (SMSA or nonmetropolitan), type of recipient (city or county), and by four population categories (under 1,000; 1,000 - 9,999; 10,000 - 25,000; and over 25,000).

To select a sample of Fiscal Year 1975 applications for analysis, a stratified optimal allocation formula was used. The number to be included in each substratum was determined to be either:

(1.0) $$n = K^2 * N * V^2 / (ND^2) + (K^2 V^2)$$

where: k = Confidence level (1.96)
D = Precision (10%)
V^2 = Coefficient of Variance
N = Number in Universe Substratum
n = Substratum sample size

or ten percent of the universe substratum, whichever was larger. The recipients were alphabetically listed within substratum, and a sampling interval calculated by dividing the universe (N) by the sample (n) number. A random number was chosen for a starting point and every nth case selected using the interval to increment. Once substratum samples were drawn, weights were designed to account for disproportionate sampling of the substrata within the strata.

For Fiscal Year 1975 metropolitan counties, no substrata were created due to the homogenous nature of the strata, dismissing the need for calculating weights.

SUBSTRATA

1975 Non-metro Cities Strata

		Universe (N)	Sample (n)	Weight	Weighted Sample (n_w)
Population	<1,000	221	44	1.1845	52.12
Population	≥1,000 ≤9,999	449	81	1.3074	105.899
Population	≥10,000 ≤24,999	120	30	.9434	28.300
Population	≥25,000	41	41	.2357	9.6637
	TOTALS	831	196		195.9737

SUBSTRATA

1975 Non-Metro Cities Strata

		Universe (N)	Sample (n)	Weight	Weighted Sample (n_w)
Population	<1,000	-0-	-0-	-0-	-0-
Population	≥1,000 ≤9,999	45	6	(3.0) 2.9995	(18) 17.997
Population	≥10,000 ≤24.999	75	15	(2.0) 1.9998	(30) 29.997
Population	125,000	70	55	.5091	28
	TOTALS	190	76		76

SUBSTRATA

1975 Metro Cities Strata

		Universe (N)	Sample (n)	Weight	Weighted Sample(n_w)
Population	< 1,000	65	16	1.3195	21.112
Population	≥ 1,000 ≤ 9,999	223	68	1.0652	72.433
Population	≥ 10,000 ≤ 24,999	101	45	.7289	32.80
Population	≥ 25,000	42	11	1.2396	13.635
	TOTALS	431	140		139.98

For *1975* Metropolitan counties no substrata were created due to the homogenous nature of the strata, dismissing the need for calculating weights. The most important consideration when weighting samples is to make sure that the weighted and unweighted n are equal. If this condition is not met, questions arise concerning the validity of meaures of statistical significance calculated on the weighted sample. An examination of the above tables reveals almost perfect equality between the weighted and unweighted strata sample n.

1975 Metro Countries; all receive a weight of ONE

N = *104* in Universe, n = *59* in sample

The drawing of the Fiscal Year 1976 sample was done differently than in Fiscal Year 1975. First, in the listing of grant recipients, all were grouped into substrata, and within each substrata further grouped into HUD regions. Within each of the regions the recipients were arranged by grant amount, order dependent upon the region. Size of the substratum sample was calculated using the above formula. The probability of a recipient being included in the sample was directly related to the size of the recipient's grant amount.

A weighting scheme was selected to provide accurate estimates of the total strata grant amounts. Recipients selected because their grant amounts exceeded the interval amounts were assigned a weight of one. Remaining grant recipients were assigned an individual weight equal to the interval amount divided by the grant amount.

1976 Metro Cities Strata

SUBSTRATA		Universe	Sample	Interval Amount
Population	<1,000	55	8	$ 454,256
Population	≥1,000 ≤ 9,999	181	62	332,269
Population	≥10,000 ≤ 24,999	87	19	721,754
Population	225,000	37	11	539,076
	TOTALS	360	100	

1976 Non-Metro Cities Strata

SUBSTRATA		Universe	Sample	Interval Amount
Population	41,000	148	16	$ 1,092,752
Population	≥ 1,000 ≤ 9,999	404	152	517,242
Population	> 10,000 ≤ 24,999	110	15	2,325,324
Population	≥ 25,000	37	13	1,065,269
	TOTALS	699	196	

1976 Non-Metro Countries

SUB STRATA		Universe	Sample	Interval Amount
Population	< 1,000	-0-	-0-	-0-
Population	≥1,000 ≤9,999	42	11	$ 763,618
Population	≥10,000 ≤ 24,999	54	12	1,200,175
Population	≥ 25,000	62	39	420,883
	TOTALS	158	62	

In Fiscal Year 1976, all metro counties in the universe (83) were included in the strata sample, making it unnecessary to calculate weights and measures of statistical significance.

8. SMSA AND NONMETROPOLITAN DISCRETIONARY BALANCES: FIELD VISITS

Data for Chapter 20 were also based on field visits by HUD evaluators. HUD Office of Evaluation staff visited 13 Fiscal Year 1975 discretionary balances grant recipients in the Spring of 1976 and 29 Fiscal Year 1976 recipients in the Summer of 1977. Emphasis was placed upon identifying the problems encountered by grant recipients in: (a) the preparation of their block grant applications, (b) compliance with CDBG program assurances, and (c) program implementation. Six Area Offices were also visited both in the Spring of 1976 and in the Summer of 1977; they were selected to represent a range of geography and types of discretionary programs within their jurisdictions. An average of two person-days was spent in each city.

9. CITIZEN PARTICIPATION FIELD VISITS

The primary source of data for Chapter 23 on citizen participation was on-site research conducted by the National Citizen Participation Council (NCPC) under contract to HUD. The study included interviews with officials and citizens and collection of documentary material. Forty cities were chosen for the study in such a way as to represent each region, to achieve balance in population size, and to include

roughly equal proportions of former Model Cities and cities that had no experience with this program. The characteristics of the cities covered by the study are presented in Table 1 of Chapter 23. In addition, the types of persons interviewed and the numbered surveyed in each category are contained in Table 2 of Chapter 23. In all, 139 city officials and 494 citizens were interviewed.

10. URBAN COUNTY FIELD VISITS

Chapter 12 provides an explanation of the study of urban counties undertaken by the consulting firm of Marshall Kaplan, Gans, and Kahn under contract to HUD.

TABLE A.l

METROPOLITAN ENTITLEMENT - STRATIFICATION AND SAMPLE SIZE
(Based on First Year Applicants)

STRATUM	ENTITLEMENT AMOUNT	UNIVERSE OF CITIES	SAMPLE SIZE	SAMPLING ERROR[a/]
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
(Third Year Applicants)

	147 Sampled Communities		Universe of Metropolitan[a] Entitlement Communities	
	Expenditures (thousands)	Percent	Expenditures (thousands)	Percent
Acquisition of Real Property	$ 53,822	10.5%	$245,964	9.3%
Public Works	157,314	30.6	964,376	36.6
Code Enforcement	8,168	1.6	37,393	1.4
Clearance and Demolition/ Rehabilitation	18,570	3.6	128,546	4.9
Rehabilitation Loans	74,707	14.5	331,797	12.6
Special project for Elderly/ Handicapped	2,195	0.4	15,233	0.6
Payments for Loss of Rent	6	----	60	----
Disposal of Real Property	592	0.1	2,633	0.1
Prov. of Public Services	33,155	6.5	166,952	6.3
Pay Non-Federal Share	4,233	0.8	37,754	1.4
Comp. UR/NDP	34,902	6.8	141,064	5.4
Relocation Payments	17,982	3.5	88,024	3.3
Planning, Management and Development	15,926	3.1	87,311	3.3
Administration	56,925	11.1	242,628	9.2
Model Cities	11,806	2.3		0.7
Contingencies	18,569	3.6	124,545	4.7
Repayment UR/NDP	4,729	0.9	N/A	---
TOTAL	$513,601	99.9 [b]	$2,631,458	99.8[b]

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

a/ Recorded as of October, 1977.

b/ Numbers do not add to 100 percent due to rounding.

TABLE A.3

FACTOR #1 USED FOR SELECTING 25-CITY SAMPLE:
PERCENTAGE OF SECOND YEAR CDBG FUNDS BUDGETED
TO LOW- AND MODERATE-INCOME CENSUS TRACTS

	0 - 25 PERCENT LOW/MOD CTs		26 - 50 PERCENT LOW/MOD CTs		51 - 75 PERCENT LOW/MOD CTs		76 - 100 PERCENT LOW/MOD CTs		QUESTIONABLE CTs		CITYWIDE	
	#Cities	(%)	#Cities	(%)	#Cities	(%)	#Cities	(%)	#Cities	(%)	#Cities	(%)
147 City sample	12	(8%)	17	(12%)	49	(33%)	61	(42%)	5	(3%)	3	(2%)
25 City sample	2	(8%)	3	(12%)	a	(33%)	11	(42%)	1	(3%)	0	(2%)

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

TABLE A.4

FACTOR #2 USED IN SELECTING 25 CITY SAMPLE:
STRATIFICATION BY ENTITLEMENT GRANT SIZE

	UNDER $1 MILLION		$1-4 MILLION		OVER $4 MILLION	
	# Cities	(%)	# Cities	(%)	# Cities	(%)
147 city sample	54	(37%)	59	(40%)	34	(23%)
25 dity sample	9	(37%)	10	(40%)	6	(23%)

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

TABLE A.5

FACTOR #2A USED IN SELECTING 25 CITY SAMPLE:
STRATIFICATION BY ENTITLEMENT GRANT SIZE AND PERCENTAGE OF SECOND YEAR FUNDS BUDGETED TO LOW- AND MODERATE-INCOME CENSUS TRACTS

	0 - 25 PERCENT LOW/MOD CTS		26 - 50 PERCENT LOW/MOD CTS		51 - 75 PERCENT LOW/MOD CTS		76 - 100 PERCENT LOW/MOD CTS		QUESTIONABLE CTS		CITYWIDE CTS		TOTAL
	#Cities	(%)	#Cities	(%)	#Cities	(%)	#Cities	(%)	#Cities	(%)	#Cities	(%)	#Cities
a. Under $1 Million													
147 city sample	6	(11%)	9	(17%)	14	(26%)	18	(33%)	5	(9%)	2	(4%)	54
9 city sample	1	(11%)	2	(17%)	2	(26%)	3	(33%)	1	(9%)	0	(4%)	9
b. $1 - 4 Million													
147 city sample	6	(10%)	4	(7%)	22	(37%)	26	(44%)	0	(0%)	1	(2%)	59
10 city sample	1	(10%)	1	(7%)	3	(37%)	5	(44%)	0	(0%)	0	(2%)	10
c. Over $4 million													
147 city sample	0	(0%)	4	(12%)	13	(38%)	17	(50%)	0	(0%)	0	(0%)	34
6 city sample	0	(0%)	1	(12%)	2	(38%)	3	(50%)	0	(0%)	0	(0%)	6
d. TOTAl													
147 city sample	12	(8%)	17	(12%)	49	(33%)	61	(42%)	5	(3%)	3	(2%)	147
25 city sample	2	(8%)	3	(12%)	8	(33%)	11	(42%)	1	(3%)	0	(2%)	25

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

TABLE A.6

FACTOR #3 USED FOR SELECTING 25 CITY SAMPLE:
REGIONAL DISTRIBUTION

	REGION	REGIONAL TOTAL OF 2nd YEAR CDBG FUNDS ($000)	PERCENT OF NATIONAL TOTAL	CORRESPONDING NUMBER AS PERCENT OF 25 CITIES	FINAL NUMBER OF CITIES TO SELECT FOR 25 CITY SAMPLE
I.	(Boston Regional Office)	$207,047	9%	2,2 cities	2 cities
II.	(New York Regional Office)	347,360	15	3.7	4
III.	(Philadelphia Regional Office)	324,596	14	3.5	3
IV.	(Atlanta Regional Office)	382,808	16	4.0	4
V.	(Chicago Regional Office)	474,270	20	5.0	5
VI.	(Dallas Regional Office)	214,622	9	2.2	2
VII.	(Kansas City Regional Office)	107,477	4	1.0	1
VIII.	(Denver Regional Office)	40,879	2	.5	1
IX.	(San Francisco Regional Office)	226,398	9	2.2	2
X.	(Seattle Regional Office)	39,825	2	.5	1
	TOTAL	$2,365,282	100%	24.8 cities	25 cities

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

APPENDIX B

PROGRAM PARTICIPANTS

During Fiscal Year 1977, 1,359 entitlement communities were eligible to receive CDBG funds in the amount of $2.674 billion. Both the number of eligible communities and the amount of funds represent an increase from each of the first two years of the program. In the third year, 1,313 communities were approved for funding (96.6 percent of those eligible). The recipients are: 519 metropolitan cities, 78 urban counties, 281 small hold-harmless metropolitan cities, and 435 small hold-harmless and non-metropolitan cities. Only two of the 1,313 communities were approved for less than their full entitlement.

Table B.l.) 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 most cases, the communities' HAP goals were judged to be plainly inappropriate to meet identified needs, since the communities made no provisions for housing their lower income large families. Therefore, the applications were rejected based upon Section 104(c)(2) of the Act. In comparison, eight applications were disapproved in the second program year, and three in the first program year (all based, again, on inadequacies in the Housing Assistance Plans).

In addition, 37 communities chose not to apply for funds in Fiscal Year 1977 (See Table B.2.), compared to 28 in the second year and 16 in the first year. Major reasons for not applying in the third year are:

(a) City officials believed the entitlement amount was too small to be of assistance;

(b) City officials did not want to comply with Housing Assistance Plan requirements;

(c) City joined its urban county in applying for entitlement funds;

(d) City missed HUD application submission deadline; and

(e) City's entitlement application had been disapproved in previous years and city expected the same to happen again.

Fourteen entitlement communities applied for the first time in Fiscal Year 1977. (See Table B.3.) Twelve of the fourteen had not previously met the eligibility requirements. As a result of the designation by the Office of Management and Budget of a new Standard Metropolitan Statistical Area (SMSA) or the designation of new central cities within an existing SMSA, some metropolitan cities not eligible for entitlement funding in Fiscal Years 1975 or 1976 became eligible in Fiscal Year 1977.

Of the 640 metropolitan discretionary full applications invited by HUD, 606 of these have been approved for a total of $102,472 thousands. HUD also invited 1,322 communities to submit full applications for nonmetropolitan discretionary funding. Of these, 1,310 were approved for a total of $320, 739 thousands. 1/ (See Table B.5 for listing of number of discretionary applicants and the total amounts of the grants approved.)

Table B.6 shows the CDBG allocation of funds for Fiscal Years 1975 - 1977 for all types of program participants. Table B.7 shows the allocation of the Secretary's Discretionary Fund by appropriation for Fiscal Years 1975 - 1977.

1/ These figures are as of March 3, 1978.

TABLE B.1

ENTITLEMENT COMMUNITIES NOT APPROVED FOR FUNDING:
FISCAL YEAR 1977

UNIT OF GOVERNMENT	GRANT TYPE	ENTITLEMENT AMOUNT (in Thousands)
Pomona, CA.	MC	$ 1,431
Hightstown, NJ.	HS	26
East Hartford, CN.	MC	440
Hempstead, NY.	HS	379
Staunton, VA.	HN	321
Millville, NJ.	MC	294
Livonia, MI.	MC	995
St. Joseph, MI.	HN	71
Midland, TX.	MC	946

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

NOTE: MC = Metropolitan city
HS = Hold harmless metropolitan city
HN = Hold harmless non-metropolitan city

TABLE 8.2

ENTITLEMENT COMMUNITIES NOT APPLYING FOR FUNDING:
FISCAL YEAR 1977

UNIT OF GOVERNMENT	GRANT TYPE	ENTITLEMENT AMOUNT (in thousands)
Dedham, MS.	HS	$ 6
Greenwish, CN.	MC	327
Suffield, CN.	HS	9
Windsor Locks, CN.	HS	710
Maple Shade Twp., NJ.	HS	204
Wayne Twp., NJ.	HS	263
Huntington, NY.	HS	342
Islip, NY.	HS	436
Lewisboro, NY.	HS	6
Darby Twp., PA.	HS	69
Haverford Twp., PA.	MC	137
Laurel Run, PA.	HS	6
Middletown Twp., PA.	HS	27
Vandergrift, PA.	HS	41
Camilla, GA.	HN	4
Carrollton, GA.	HN	1
College Park, GA.	HS	44
Berwyn, IL.	MC	159
Cicero, IL.	MC	242
Des Plaines, IL.	MC	162
Oak Lawn, IL.	MC	202
Barberton, OH.	HS	14
Cuyahoga Falls, OH.	HS	114
Parma, OH.	MC	296
Hazel Park, MI.	HS	24
Riverview, MI.	HS	9
Roger City, MI.	HN	28
Warren, MI.	MC	1,586
Wyandotte, MI.	HS	103
Ft. Wayne, IN.	MC	2,379
Monroe, WI.	HN	44
Irving, TX.	MC	370
Richardson, TX.	MC	124
Marianna, AR.	HN	6
Crystal City, TX.	HN	674
Hawthorne, CA.	MC	216
Colonial Heights, VA.	MC	151

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

NOTE:
MC = Metropolitan city
HS = Hold harmless metropolitan city
HN = Hold harmless non-metropolftan city

TABLE B.3

ENTITLEMENT COMMUNITIES APPLYING FOR FUNDING FOR FIRST TIME: FISCAL YEAR 1977

UNIT OF GOVERNMENT	GRANT TYPE	ENTITLEMENT AMOUNT (in thousands)
West Seneca, NY.	MC	$ 163
Moss Point, MS.	MC	152
Farmington Hills, MI.	MC	146
Norton Shoes, MI.	MC	153
Eau Clair, WI.	MC	199
Richardson, TX.	MC	124
Longview, TX.	MC	271
Midwest City, OK.	MC	230
Ft. Collins, CO.	MC	234
Glendale, AR.	MC	259
Newport Beach, CA.	MC	174
Oceanside, CA.	MC	294
Rockland County, NY.[a]	UC	1,249
York County, PA.	UC	744

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

a/ Applied in Fiscal Year 1975, but did not apply in Fiscal Year 1976.

TABLE B.4

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM: FISCAL YEARS 1975–1977
SUMMARY OF APPLICATION STATUS FOR ENTITLED UNITS OF GOVERNMENT
(Dollars in Thousands)

	Total		Metro City		Urban County		Small Hold-Harmless Metro		Small Hold-Harmless Nonmetro	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
FY1975										
Entitled Units	1,342	$2,218,729	521	$1,657,189	73	$119,176	299	$172,565	449	$269,799
Approved	1,321	2,095,774	508	1,557,931	73	108,847	293	168,355	447	260,641
Disapproved	3	580	2	376	--	--	1	204	--	--
Did Not Apply	18a/	4,560	1a/	3,135	--	--	5	1,397	2a/	28
Amount of Offset	--	117,815	--	95,747	--	10,329	--	2,609	--	9,130
FY1976										
Entitled Units	1,348	2,363,068	522	1,718,175	75	208,563	301	170,933	450	265,397
Approved	1,312	2,352,893	508	1,709,940	75	208,563	283	169,032	446	265,358
Disapproved	8	1,583	4	1,128	--	--	3	449	1	6
Did Not Apply	28	8,592	10	7,107	--	--	15	1,452	3	33
FY1977										
Entitled Units	1,359	2,674,119.	537	1,916,795	78	328,674	301	173,760	443	254,890
Approved	1,313	2,659,598	519	1,906,338	78	328,674	281	170,928	435	253,658b/
Disapproved	9	4,903	5	4,106	--	--	2	405	2	392
Did Not Apply	37	9,535	13	6,351	--	--	18	2,427	6	757

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

a/ Rome, New York and Monroe, Wisconsin are included as "did not apply" since offset equalled entitlement.

b/ Mainstique, Michigan and Charlottesville, Virginia were approved for less that full entitlement.

TABLE B.5

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM: FISCAL YEARS 1975-1977
SUMMARY OF APPLICATION STATUS FOR DISCRETIONARY UNITS OF GOVERNMENT

GRANT TYPE	NUMBER OF APPLICATIONS			GRANT APPROVALS ($000)		
	N 1975	N 1976	FY 1977[a]	FY 1975	N 1976	FY 1977[a]
A. Discretionary Balances						
SMSA Balances	636	665	606	59,730	91,294	102,472
Nonmetropolitan Balances	1,179	1,263	1,310	198,723	253,621	320,730
TOTAL	1,815	1,928	1,916	258,453	344,915	423,202
B. Urgent Needs	63	80	32	50,000	51,506	59,721
C. Secretary's Fund						
New Communities	12	12	8	13,094	19,244	11,121
Innovative Projects	13	28	---	3,914	8,797	---
Federally Recognized Disasters	1	21	1	1,361	8,125	779
Inequities	17	14	12	5,310	4,058	3,521
Areawide Projects	---	9	---	---	2,760	---
U.S. Territories	2	3	1	3,250	3,300	2,000
TOTAL	45	87	22	26,929	46,284	17,421

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

a/ Data for discretionary balances approvals are as of March 3, 1978. Data for Urgent Needs and Secretary's Fund approvals are as of November 1977.

TABLE B.6

COMMUNITY DEVELOPMENT BLOCK GRANT ALLOCATION OF FUNDS
FISCAL YEARS 1975-1977

	FY 1975 Funds	FY 1976 Funds	FY 1977 Funds
	(Dollars in Thousands)		
Metro Areas			
Entitlement	$1,835,764	$2,087,548	$2,407,742
Metro Balance	59,935	92,052	111,487
Nonmetro Areas			
Entitlement	260,643	265,358	253,676
Nonmetro Balance	199,723	254,042	324,132
Secretary's Fund	26,928 a/	53,000	50,963 b/
Urgent Needs	50,000	50,000	100,000
Subtotal	$2,432,993	$2,802,000	$3,248,000
Lapsed	7	---	---
Urban Renewal	47,637	---	---
Model Cities	69,363	---	---
TOTAL FUNDING	$2,550,000	$2,802,000	$3,248,000

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Budget Division.

a/ Excludes $20,956 thousand which was required to fund all eligible formula/hold harmless recipients within metropolitan areas in 1975 and $17 thousand which was made available for SMSA balance grants.

b/ Excludes $7,997 thousand which was required to fund all eligible formula/hold harmless recipients within metropolitan areas.

TABLE B.7

ALLOCATION OF THE SECRETARY'S DISCRETIONARY FUND
BY APPROPRIATION, FY 1975-1977

(Dollars in Thousands)

	FY 1975	FY 1976	FY 1977
New Communities	$13,100	$25,000	$20,000
Demonstration/Innovative Projects	3,913	0,796	4,923
Disaster Funding	1,361	7,346	14,740
Inequities Created by Allocation Formula:			
Hold Harmless Deficit	20,957	---	7,997
Transfer to SMSA balance	17	---	---
Other Inequities	5,310	4,550	4,000
Phase-in	2,698	2,017	4,000
Urgent Needs	143	2,541	---
other	2,469	---	---
U. S. Territories	3,250	3,300	3,300
Areawide Projects	---	4,000	4,000
Total	$47,908	$53,000	$58,960

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

APPENDIX C

COMPARISON OF ACTIVITY TRENDS BY INCOME ANALYSIS

Three methods of determining income areas in cities have been used for this appendix: the Standard Metropolitan Statistical Area (SMSA) median income method, the national median income method, and the decile income method. The former method was originally developed for the First Annual Report on the CDBG Program.1/ The latter two were developed for the Second Annual Report.2/ Each method divides cities into slightly smaller income areas, with the SMSA median income method utilizing the broadest definitions of income areas and the decile method the narrowest.

When all three methods of determining income areas in the city are compared, some similarities appear. Funding for renewal-related activities has been declining in all three types of low-income areas, but least rapidly in low-income areas as defined by the national median income method. Public works activities (with the exception of water and sewer activities) have been funded at an increasing rate in low-income areas during the life of the CDBG program. This increase is most noticeable when using the SMSA median income method.

All three types of high-income areas have been steadily raising their allocations for public works activities. At the same time, water and sewer funding has been greatly reduced. In the case of high-income tracts as defined by the national median income method, no CDBG water and sewer funds have been budgeted in Fiscal Year 1977.

1/ U. S. Department of Housing & Urban Development, Community Planning and Development, Office of Evaluation, Community Development Block Grant Program: First Annual Report, (Washington, D.C.: U. S. Government Printing Office, December 1975). CHAPTER 3.

2/ U. S. Department of Housing & Urban Development, Community Planning and Development. Office of Evaluation, Community Development Block Grant Program: Second Annual Report, (Washington, D.C.: U.S. Government Printing Office, December 1976). CHAPTER 2.

SMSA MEDIAN INCOME METHOD

Four categories are used in this method to divide cities into income areas. The 1970 median income of a census tract is compared to the median income of the SMSA in which the city is located and then classified in one of four ways. 3/ (The 1970 median income is used because that is the latest data for census tracts.)

Low-Income Areas: Median Incomes of 0-50 Percent of the SMSA Median (See Table C.1)

An almost equal share of Fiscal Year 1977 funding for low-income areas is allocated to both public works (29.3 percent) and renewal-related activiits (20.8 percent). Despite a smaller emphasis than in other areas, funding for public works has more than doubled in low-income areas, starting at 12.5 percent in Fiscal Year 1975 and increasing to 29.3 percent in Fiscal Year 1977. There were large increases in public works allocations in the remaining areas of the city, but none as large as this. A shift away from urban renewal types of activities is apparent, while existing infrastructures are being upgraded with increasing funds for public works. Combined allocations for both renewal-related activities and public work projects account, however, for over 50 percent of the Fiscal Year 1977 funds, just as they did in Fiscal Year 1975.

Moderate-Income Areas: Median Incomes of 51-80 Percent of the SMSA. (See Table C.2)

Fifty percent of the CDBG funds targeted for moderate-income areas continue to be allocated for renewal-related activities and public works projects. Emphasis within this category has shifted, however. Allocations for renewal-related activities have dropped by more than 50 percent over the three years while public works projects have gradually become the most heavily funded activity.

In the past three years, a trend has emerged toward improving the immediate living environment of moderate-income persons. An increasing share of the funds have been allocated to housing activities (up to 20.8 percent in Fiscal Year 1977 from 14 percent in Fiscal Year 1975 and public services (budgeted 5 percent in Fiscal Year 1975 and 13 percent in Fiscal Year 1977).

3/ For a further discussion of this method, see Chapter 3 of the U.S. Department of Housing & Urban Development Community Planning and Development. Office of Evaluation, Community Development Block Grant Program: First Annual Report.

Table C.1

SMSA MEDIAN-INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1975-
FISCAL YEAR 1977 CDBG FUNDS
ALLOCATED FOR ACTIVITIES IN
LOW-INCOME AREAS

Activity	FY 1975	FY 1976	FY 1977
Renewal-Related Activities	49.0%	35.9%	30.8%
Code Enforcement	2.0	1.1	0.8
Public Works	12.0	20.7	29.3
Water and Sewer	3.0	0	1.1
Open Space	6.0	8.4	6.3
Housing	13.0	16.0	15.5
Service-Related Facilities	8.0	5.5	5.9
Public Services	8.0	12.3	10.2
TOTAL	100.0%	99.9%	99.9%

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

Note: Numbers do not always add to 100 percent due to rounding.

Table C.2

SMSA MEDIAN-INCOME METHOD.
PERCENTAGE OF FISCAL 1975-FISCAL YEAR 1977 CDBG
FUNDS ALLOCATED FOR ACTIVITIES IN MODERATE-INCOME AREAS

Activity	FY 1975	FY 1976	FY 1977
Renewal-Related Activities	48.0%	32.9%	22.3%
Code Enforcement	2.0	1.3	1.7
Public Works	15.0	22.1	28.6
Water and Sewer	5.0	2.0	1.4
Open Space	5.0	7.2	7.5
Housing	14.0	19.1	20.8
Service-Related Facilities	6.0	4.4	4.7
Public Services	5.0	10.9	13.0
TOTAL	100.0%	99.9%	100.0%

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

Note: Numbers do not always add to 100 percent due to rounding.

Median-Income Areas: Median Income of 81-100 Percent of the SMSA Median (See Table C.3.)

Public works activities have replaced renewal-related activities as the most heavily funded category in Fiscal Year 1977 for this income area. More than twice the share of funds allocated for renewal activities is allocated to public works (15.9 percent for renewal versus 31.3 percent for public works).

Aside from these shifts, planned expenditures for median income areas have made one additional significant change in allocations for various activities. Public services are being stressed more, increasing their share of funding from three percent in Fiscal Year 1976 to about nine percent in Fiscal Year 1977.

High-Income Areas: Median Incomes Over 100 Percent of the SMSA Median (See Table C.4.)

Emphasis on renewal-related activities has declined in high-income areas over the three years of the CDBG program, as it has in the other income areas. It is no longer the most popular activity, having had a 50 percent drop in its allocations. In Fiscal Year 1977, public works projects have become the predominant activity, as they are in low-income areas.

Funding for all water and sewer activities has declined since Fiscal Year 1975, especially in high-income areas. In Fiscal Year 1975, 15 percent of the funds for these areas were allocated for these projects, versus 8.2 percent in Fiscal Year 1977.

High-income areas appear to be concentrating more on existing facilities and structures than on expansion, as shown by the large decreases in renewal (27 percent of Fiscal Year 1976 funds but only 11.6 percent in Fiscal Year 1977) and water and sewer activities (15 percent in Fiscal Year 1976 versus 8.2 percent in Fiscal Year 1977). This is combined with an increasing emphasis on public works (a 21 percent share of Fiscal Year 1976 funds, rising to 36 percent in Fiscal Year 1977) and housing activities (which increased to 17.2 percent of Fiscal Year 1977 funds from 13 percent in Fiscal Year 1976).

Table C.3

SMSA MEDIAN-INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1975-FISCAL YEAR 1977
CDBG FUNDS ALLOCATED FOR ACTIVITIES IN MEDIAN-
INCOME AREAS

Activity	FY 1975	FY 1976	FY 1977
Renewal-Related Activities	31.0%	18.4%	15.9%
Code Enforcement	3.0	2.2	2.1
Public Works	21.0	25.9	31.3
Water and Sewer	7.0	5.4	3.6
Open Space	7.0	7.5	8.7
Housing	17.0	24.8	22.2
Service-Related Facilities	10.0	7.0	7.1
Public Services	3.0	8.8	9.1
TOTAL	100.0%	100.0%	100.0%

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

Table C.4

SMSA MEDIAN-INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1975-FISCAL YEAR 1977 CDBG
FUNDS ALLOCATED FOR ACTIVITIES IN HIGH-INCOME AREAS

Activity	FY 1975	FY 1976	FY 1977
Renewal-Related Activities	27.0%	18.4%	11.6%
Code Enforcement	1.0	1.2	1.3
Public Works	21.0	26.0	36.0
Water and Sewer	15.0	8.0	8.2
Open Space	10.0	13.2	10.7
Housing	13.0	16.6	17.2
Service-Related Facilities	11.0	11.5	8.8
Public Services	2.0	5.1	6.2
TOTAL	100.0%	100.0%	100.0%

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

NATIONAL MEDIAN INCOME METHOD

This method divides each city into five income groups, based on the relationship of the cities census tracts' median incomes to the national median income for 1970.4/ (Although the national median income is considerably higher in 1978, information on census tract median incomes is available only for 1970.)

Low-Income Areas: Median Income Less than $5,000 in 1970 (See Table C.5.)

Renewal-related activities, which received the greatest emphasis in Fiscal Year 1976, are again heavily funded activiites in low-income areas in Fiscal Year 1977.5/ No significant change in funding has occurred in the past two years, with 34.8 percent of Fiscal Year 1976 funds for low-income areas allocated for this activity and 33.2 percent in Fiscal Year 1977.

Public works projects, representing 24.8 percent of Fiscal Year 1976 funds allocated for low-income areas, increased their share in Fiscal Year 1977 to 33.1 percent. They now receive almost the same percentage of funds as renewal-related activities. Combined, these two activities represent two-thirds of all Fiscal Year 1977 funds for low-income areas.

Water and sewer allocations, although still a small part of the total allocations, more then doubled during the past two years, increasing from 0.8 percent of Fiscal year 1976 funds to 1.9 percent in Fiscal Year 1977. This rise could be a result of the implementation of projects which had previously been in the planning stages.

Moderate-Income Areas: Median Income $5,000- 7,999 in 1970 (See Table C.6.)

The emphasis in moderate-income areas has switched from renewal-related activities to public works projects. In Fiscal Year 1976, 31.2 percent of the year's funds for

4/ For a further discussion of this method, see Chapter 2 of the U. S. Department of Housing & Urban development Community Planning and development. Office of Evaluation, Community Development Block Grant Program: Second Annual Report, (Washington, D.C.: U. S. Government Printing Office, 1976).

5/ Data for Fiscal Year 1975 are not available.

moderate-income areas were allocated for renewal-related projects, which decreased in Fiscal Year 1977 to 22.4 percent. Public works, in contrast, have increased their share of funds from 23.6 percent of Fiscal Year 1976 funds to 31.3 percent of Fiscal Year 1977 funds. These two categories still account for over 50 percent of the funds for moderate-income areas. No other significant shifts in funding have occurred.

Table C.5

NATIONAL MEDIAN INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FISCAL YEAR 1977[a/]
CDBG FUNDS ALLOCATED FOR ACTIVITIES IN LOW-INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	34.8%	33.2%
Code Enforcement	1.1	0.8
Public Works	24.8	33.1
Water and Sewer	0.8	1.9
Open Space	4.3	6.4
Housing	16.0	13.0
Service-Related Facilities	6.1	3.7
Public Services	12.2	7.9
TOTAL	100.1%	100.0%

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

Note: Numbers do not always add to 100 percent due to rounding.

a/ Data for FY1975 are not available.

Table C.6

NATIONAL MEDIAN INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FY 1977[a] CDBG
FUNDS ALLOCATED FOR ACTIVITIES IN MODERATE-INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	31.2%	22.4%
Code Enforcement	1.2	1.7
Public Works	23.6	31.3
Water and Sewer	3.0	2.3
Open Space	7.5	6.3
Housing	18.2	19.7
Service-Related Facilities	4.6	4.6
Public Services	10.6	11.6
TOTAL	99.9%	100.1%

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

Note: Numbers do not add to 100 percent due to rounding.

a/ Data for Fiscal Year 1975 are not available,

Median and Above Median-Income Areas: Median Income $8,000-$9,999 and $10,000-$14,999 in 1970, (See Table C.7 and C.8.)

Fiscal Year 1976 allocations for renewal-related activities in both median- and above median-income areas have decreased. This drop has been more pronounced in the median-income areas, where funding has decreased from 23.7 percent of Fiscal Year 1976 funds to 14.1 percent of Fiscal Year 1977 funds. As was the case in low- and moderate-income areas, allocations for public works activities also increased from one year to the next. This increase was more substantial in above median-income areas; funding for these areas increased from a 23.8 percent share of Fiscal Year 1976 funds to 29.7 percent in Fiscal Year 1977. Once again, no significant shifts have occurred for other activities.

High-Income Areas: Median Income above $15,000 in 1970 (See Table C.9.)

Funding patterns for high-income areas differ significantly from those found in the other areas. Allocations for public works activities are the only major changes which remain consistent with patterns found in other areas. Funding has increased for this activity from 11.6 percent in Fiscal Year 1976 to 19.1 percent in Fiscal Year 1977.

Major changes in the share of funds allocated to activities planned for this income area have occurred. Water and sewer activities, which in Fiscal Year 1976 accounted for 8.4 percent of the funds, have been eliminated in Fiscal Year 1977. At the same time, funds for open space activities have decreased from 26.9 percent in Fiscal Year 1976 to a 6.4 percent share of Fiscal Year 1977 funds.

Both housing and service-related facilities have increased over the past year. Funding for housing activities has risen from 18.7 percent in Fiscal Year 1976 to 26.5 percent in Fiscal Year 1977, while service-related facilities rose from 4.6 percent in Fiscal Year 1976 to 11.6 percent in Fiscal Year 1977.

Unlike any other income area defined by this method, the amount of funding allotted for renewal-related activities in high-income areas increased.

Table C.7

NATIONAL MEDIAN INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FISCAL YEAR 1977[a] CDBG FUNDS ALLOCATED FOR ACTIVITIES IN MEDIAN-INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	23.7%	14.1%
Code Enforcement	2.1	1.9
Public Works	22.8	27.7
Water and Sewer	2.7	3.4
Open Space	9.4	10.4
Housing	23.7	24.5
Service-Related Facilities	6.3	5.8
Public Services	9.3	12.2
TOTAL	100.0%	100.0%

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

a/ Data are not available for Fiscal Year 1975.

Table C.8

NATIONAL MEDIAN INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FISCAL YEAR 1977[a/]
CDBG FUNDS ALLOCATED FOR ACTIVITIES IN ABOVE MEDIAN-INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	18.5%	14.2%
Code Enforcement	1.5	1.6
Public Works	23.8	29.7
Water and Sewer	7.5	4.0
Open Space	9.4	10.6
Housing	22.0	19.4
Service-Related Facilities	10.3	12.2
Public Services	7.0	8.2
TOTAL	100.0%	99.9%

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

Note: Number do not always add to 100 percent due to rounding.

a/ Data for Fiscal Year 1975 are not available.

Table C.9

NATIONAL MEDIAN INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FISCAL YEAR 1977 CDBG FUNDS ALLOCATED FOR ACTIVITIES IN HIGH-INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	25.1%	28.1%
Code Enforcement	2.4	4.5
Public Works	11.6	19.1
Water and Sewer	8.4	0.0
Open Space	26.9	6.4
Housing	18.7	26.5
Service-Related Facilities	4.6	11.6
Public Services	2.2	3.8
TOTAL	99.9%	100.0%

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

Note: Numbers do not always add to 100 percent due to rounding.

a/ Data for Fiscal Year 1975 are not available.

INCOME DECILE METHOD

The last method used to measure how funds are allocated in different income areas is the income decile method. All census tracts in each city were divided into evenly sized deciles based on the "z" score of the standard deviation of each tract's median income in each city./

Low-Income Areas: Deciles 1 and 2 (See Table C.10.)

Funding for renewal-related activities has dropped considerably from Fiscal Year 1976 to Fiscal Year 1977.7/ Allocations for public works projects have increased by almost the same amount as the renewal-related activity funding has decreased. The two types of activities are, in Fiscal Year 1977, allotted virtually the same amount of funds (29.3 percent for renewal-related activities and 29.4 percent for public works). The combined funding for these activities, as was the'case in the SMSA method's low-income tracts, accounted for well over 50 percent of the funds designated for low-income tracts (60.1 percent in Fiscal Year 1976 and 58.7 percent in Fiscal Year 1977), although this share has decreased over the two-year period.

Moderate-Income Areas: Deciles 3 and 4 (See Table C.11.)

Moderate-income areas have also shown a sizeable decrease in funding for renewal-related activities. The result has been the largest drop in any income area's renewal funds: from a 24 percent share of funds in Fiscal Year 1976 to 13.7 percent of Fiscal Year 1977 funds for moderate-income areas.

Public works funds have taken the largest increase in allocations of any of the other income area's funds. In Fiscal Year 1976, 22.2 percent of the moderate-income areas' funds were for this activity, and this share rose to 30.6 percent in Fiscal Year 1977.

Below Median-Income Areas: Decile 5 (See Table C.12.)

The same types of funding shifts occurred in below median-income areas, but on a much smaller scale.

6/ For a more detailed explanation, see the Community Development Block Grant Program: Second Annual Report.

7/ Data for Fiscal Year 1975 are not available.

Renewal-related activities decreased from a 17 percent allocation in Fiscal Year 1976 to 11.1 percent the next fiscal year. At the same time, public works allocations rose to 29.1 percent in Fiscal Year 1977 from 24.5 percent in Fiscal Year 1976.

Above ,Median-IncomeAreas: Decile 6 (See Table C.13.)

Funds allocated to above median-income areas have followed a unique pattern. As usual, renewal-related activities decreased from a 25.2 percent share of Fiscal Year 1976 funds to 15.7 percent in Fiscal Year 1977. For public works projects, however, allocations slightly increased (26.1 percent in Fiscal Year 1976 to 28.4 percent in Fiscal Year 1977). Public service activities were given more emphasis (up to a 12.5 percent share of Fiscal Year 1977 funds from 7.6 percent in Fiscal Year 1976). Open space activities also increased their allocations slightly. This increase may mean an attempt is being made to enhance the attractiveness of living in these areas in order to induce people to remain there.

High-Income Areas: Deciles 7 and 8 (See Table C.14.)

Different patterns are also apparent in high-income areas. Water and sewer funding almost doubled from Fiscal Year 1976 (4.1 percent of the funds for this income area) to Fiscal Year 1977 (8.1 percent). At the same time, housing activities underwent a drastic shift in their allocations. In Fiscal Year 1976, they received 26.8 percent of the high-income area funds, but in Fiscal Year 1977, only 19.2 percent were allocated. Again, renewal-related activities declined in terms of amounts allocated (18.4 percent in Fiscal Year 1976 to 13.7 percent in Fiscal Year 1977), while public works funding increased (22.1 percent in Fiscal Year 1976 to 18.4 percent in Fiscal Year 1977).

Highest Income Areas: Deciles 9 and 10 (*See* Table C.15.)

Unlike any other income area discussed under this method, renewal-related funding rose in the highest income areas, from 12.3 percent in Fiscal Year 1976 to 17.2 percent in Fiscal Year 1977. At the same time, funding for water and sewer activities decreased by two-thirds from 12 percent in Fiscal Year 1976 to 4 percent in Fiscal Year 1977, Open space activities suffered an almost one-third decrease in funding, dropping

from 12.1 percent in Fiscal Year 1976 to 9.4 percent in Fiscal Year 1977. Public works funding rose from a 33.2 percent share of Fiscal Year 1976 funds to 39.6 percent in Fiscal Year 1977. This all appears to indicate a move away from the new expansion of these areas to the conservation of existing ones. These data provide a clear indication of a trend to conserve, rather than expand, these areas.

Table C.10

DECILE INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FISCAL YEAR 1977[a/]
CDBG FUNDS ALLOCATED FOR ACTIVITIES IN LOW-INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	37.9%	29.3%
Code Enforcement	1.3	1.1
Public Works	22.2	29.4
Water and Sewer	2.0	1.8
Open Space	4.7	5.7
Housing	16.7	17.8
Service-Related Facilities	5.2	4.7
Public Services	10.1	10.1
TOTAL	100.1%	99.9%

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

Note: Numbers do not always add to 100 percent due to rounding.

a/ Data for Fiscal Year 1975 are not available.

Table C.ll

DECILE INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FISCAL YEAR 1977[a]
CDBG FUNDS ALLOCATED FOR ACTIVITIES IN MODERATE'INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	24.0%	13.7%
Code Enforcement	1.5	2.1
Public Works	22.2	30.6
Water and Sewer	2.9	2.2
Open Space	12.6	11.1
Housing	20.9	22.9
Service-Related Facilities	5.0	5.7
Public Services	10.8	11.8
TOTAL	99.9%	100.1%

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

Note: Numbers do not always add to 100 percent due to rounding.

a/ Data for Fiscal Year 1975 are not available.

Table C.12

DECILE INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FISCAL YEAR 1977[a]
CDBG FUNDS ALLOCATED FOR ACTIVITIES IN BELOW MEDIAN-INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	17.0%	11.1%
Code Enforcement	2.1	2.0
Public Works	24.5	29.1
Water and Sewer	5.1	2.1
Open Space	6.4	7.6
Housing	27.2	26.8
Service-Related Facilities	7.0	7.8
Public Services	10.7	13.3
TOTAL	100.0%	99.8%

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

Note: Numbers do not always add to 100 percent due to rounding.

a/ Data for Fiscal Year 1975 are not available.

Table C.13

DECILE INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FISCAL YEAR 1977[a/]
CDBG FUNDS ALLOCATED FOR ACTIVITIES IN ABOVE MEDIAN-INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	25.2%	15.7%
Code Enforcement	1.4	2.2
Public Works	26.1	28.4
Water and Sewer	1.4	2.8
Open Space	6.9	10.8
Housing	21.5	21.9
Service-Related Facilities	9.9	5.7
Public Services	7.6	12.5
TOTAL	100.0%	100.0%

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

Note: Numbers do not always add to 100 percent due to rounding.

a/ Data for Fiscal Year 1975 are not available.

Table C.14

DECILE INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FISCAL YEAR 1977[a/]
CDBG FUNDS ALLOCATED FOR ACTIVITIES IN HIGH-INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	18.4%	13.7%
Code Enforcement	1.7	2.1
Public Works	22.1	30.3
Water and Sewer	4.1	8.1
Open Space	10.4	7.3
Housing	26.8	19.2
Service-Related Facilities	7.3	9.5
Public Services	9.0	9.8
TOTAL	99.8%	100.0%

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

Note: Numbers do not always add to 100 percent due to rounding.

a/ Data for Fiscal Year 1975 are not available.

Table C.15

DECILE INCOME METHOD:
PERCENTAGE OF FISCAL YEAR 1976 AND FISCAL YEAR 19775'
CDBG FUNDS ALLOCATED FOR ACTIVITIES IN THE HIGHEST-INCOME AREAS

Activity	FY 1976	FY 1977
Renewal-Related Activities	12.3%	17.2%
Code Enforcement	1.1	1.3
Public Works	33.2	39.6
Water and Sewer	12.0	4.0
Open Space	12.1	9.4
Housing	13.8	13.4
Service-Related Facilities	8.4	7.1
Public Services	7.1	8.0
TOTAL	100.0%	100.0%

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

a/ Data are not available for Fiscal Year 1975.

APPENDIX D

"CDBG EXPENDITURES PLANNED FOR SPECIFIC ACTIVITIES,
FISCAL YEAR 1975, FISCAL YEAR 1976 & FISCAL YEAR 1977

	1975 CDBG FUNDS	1976 CDBG FUNDS	1977 CDBG FUNDS
Acquisition for Redevelopment/Demolition	17.8%	10.6%	7.5%
Relocation	8.1	6.1	4.2
Demolition	3.3	2.6	2.4
General Urban Renewal/ NDP	5.8	7.3	7.3
Historical Preservation	0.8	1.0	0.7
Code Enforcement	2.2	1.5	1.6
Street Improvement	10.7	12.2	12.5
Public Works	3.5	8.0	13.8
Flood Protection	0.8	2.4	2.5
Removal of Architectural Barriers	0.4	0.2	0.3
Water and Sewer	6.1	3.6	2.9
Open Space	3.5	5.2	4.7
Neighborhood Facilities	2.2	2.9	2.9
Housing: New Construction	0.0	0.7	0.6
Rehabilitation Grants	5.1	5.1	5.2
Rehabilitation Loans	7.2	10.6	11.7
Rehabilitation by Community	2.0	3.4	2.8

APPENDIX D (continued)

	1975 CDBG FUNDS	1976 CDBG FUNDS	1977 CDBG FUNDS
Facilities/Equipment: Fire	0.9	1.0	0.7
Facilities/Equipment: Police	0.0	0.2	0.0
Facilities/Equipment Recreation	3.9	2.2	2.5
Other Single-Purpose Facilities/Equipment	0.0	0.4	0.8
Public Health Facilities/ Equipment	0.3	0.1	0.4
Children's Facilities/ Equipment	0.3	0.4	0.3
Transportation Facilities/ Equipment	0.0	0.0	0.0
Elderly Facilities/ Equipment	1.3	1.3	0.9
Youth Facilities/Equipment	0.1	0.2	0.1
Job Facilities/Equipment	0.1	0.2	0.1
Public Services: General	3.5	0.1	0.1
Police Services	0.5	0.5	0.6
Recreation	0.3	0.4	0.4
Jobs	0.4	0.3	0.2
Economic Development Services	1.0	0.5	0.3
Housing Counseling Services	1.0	0.6	1.0

APPENDIX D (Continued)

	1975 CDBG FUNDS	1976 CDBG FUNDS	1977 CDBG FUNDS
Interim Assistance: Public Health	0.8	1.2	0.7
Medical Services	1.2	0.9	0.9
Child Services	1.0	1.2	1.2
Transportation Services	0.3	0.3	0.3
Elderly Services	0.9	0.7	1.1
Youth Services	0.3	0.6	1.3
Education	0.8	0.3	0.5
Legal Services	0.7	0.6	0.5
TOTAL	100.1% a/	99.9% a/	100.0%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, based on analysis of 151 sample CDBG metropolitan entitlement applications for Fiscal Year 1975 and 147 applications for Fiscal Years 1976 and 1977.

a/ Columns do not add up to 100.0 percent because of rounding.

APPENDIX E.1

HUD REGULATIONS ON PROJECT WHICH PRINCIPALLY BENEFIT LOW- AND MODERATE-INCOME PERSONS

Sections 570.302 (d) and (g) of the new regulations now set forth a standard for computing benefit to low and moderate income families. While these sections cannot and do not resolve all of the issues involved in computing benefit (see below), they do deal with a number of the issues:

a. Section 570.302(g) indicates that in determining the amount of funds which principally benefit low- and moderate-income persons, the costs of administration and planning may be excluded "as they will generally be assumed to benefit low- and moderate-income persons in the same proportion as the remainder of the grant." Also excluded are funds applied to the repayment of urban renewal temporary loans and funds budgeted for contingencies and/or local option activities.

b. Section 570.302(d) identifies five types of projects or activities that are to be regarded as principally benefiting low- and moderate-income persons:

(1) projects that have income eligibility requirements that limit the benefits of the project to low- and moderate-income persons.

(2) projects that do not have income eligibility requirements but where the majority of the beneficiaries are low- and moderate-income persons, including:

(i) a CDBG activity which serves an area, delineated by the applicant, where the majority of the residents are low- and moderate-income persons;

(ii) a project designed to attract or retain neighborhood commercial facilities which provide essential services to residential areas which have a majority of low- and moderate-income residents;

(iii) economic development projects which are are designed to provide direct employment opportunities for permanent jobs, the majority of which will be for persons who are defined as low- and moderate-income prior to or during employment;

(iv) senior (and other) centers used principally by persons of low- and moderate-income.

(3) Projects to remove architectural barriers.

(4) Projects which must be carried out prior to or are integral parts of projects which will principally benefit low- and moderate-income persons.

(5) Projects which serve an area with less than a majority of low- and moderate-income persons where the applicant has no areas within its jurisdiction where low- and moderate-income persons constitute a majority or where the applicant has so few such areas that it is inappropriate to limit the grant to projects in those areas, subject to certain provisions.

APPENDIX E.2

CONSTRAINTS ON THE COMPUTATION OF BENEFIT

The new regulations provide a firmer basis for calculating low- and moderate-income benefits from the CDBG program when sufficient data are available to make the computations. Three factors prevent adequate data from being fully available at this time, however.

a. The cost of collecting detailed information on the beneficiaries of each CDBG project and activity is quite high. One city, whose proposal to spend CDBG funds on the repair of its fishing pier had been challenged by the HUD Area Office on the grounds that it did not meet the "principally benefiting" test, undertook a survey to prove its point by handing out questionnaires to users on the pier and tabulating the results. Given the fact that in the Department's sample of 147 entitlement communities there are more than 23,500 activities coded and analyzed for Fiscal Year 1977, this type of survey of users on a large scale would be an exhausting undertaking.

b. When actual data are collected on the beneficiaries of a given activity (as in the case of the fishing pier), it often is difficult to determine which universe of people should be regarded as the beneficiaries and who, therefore, should be counted. For example, when a substandard dwelling unit is demolished, CDBG communities may report any one of the following as being the beneficiaries of that activity: (1) the owner or tenants of the demolished structure; (2) the immediately adjacent property owners; (3) the occupants of all dwellings or stores on the facing block; and (4) all people of all income levels in the community. This problem arises with respect to many CDBG activities and, at the present time, the decision on how to allocate these benefits has been left to the judgment of each recipient community when it fills out its Grantee Performance Report. The fact that these judgments vary means that the data are not comparable or reliable. (See Appendix E.3 for the standards used in a HUD-funded study of urban counteis.)

c. There are practically no data on the incomes of families and persons within sub-areas of a community other than those provided by the Census Bureau every 10 years. Proxy data, based on such factors as exterior conditions of housing or visual observations of people in an area, are of highly questionable validity and reliability. Data collected through field observations or expert opinion, therefore, generally are of limited utility, though they have the advantage of being current. 1970 census data have the advantage of being reliable, but suffer from validity problems due to their age and the change in local situations that may have occurred between 1970 and 1978.

APPENDIX E.3

DETERMINING THE SERVICE AREAS OF CDBG-FUNDED ACTIVITIES

This appendix presents the guidelines developed and used by a HUD contractor in attempting to determine the service areas associated with various kinds of CDBG-funded projects. The area serviced by a CDBG activity is of critical importance in determining how many people of low- and moderate- income are benefiting from the program. As noted in Chapter Pour, there are no agreed-upon criteria for determining the service area boundaries of a given activity. As a result, the reports of benefit from the CDBG recipients vary greatly.

The service area definitions defined by the contractor have no official standing and are published for illustrative purposes only. Definitions are provided for activities in the following 8 areas:

1

1. Street Improvements

a. Residential street resurfacing, concrete reconstruction or curb and guttering.

The Service Area of this improvement is defined by the number of housing units along both sides of the street for the length of the improvement.

b. Connector/access street resurfacing, concrete reconstruction or curb and guttering.

The Service Area of improvements to connector or access street is defined by the number of housing units in the area served, i.e., with increased access.

c. Arterials/thoroughfare resurfacing, concrete reconstruction or curb and guttering.

Same as 1b, plus the number of employers/employees located along both sides of the street for the length of the improvement.

d. Sidewalks (.residential)

The Service Area includes the number of housing units located along the length of the improvement on the side of the road in which the sidewalk is located.

e. Sidewalks (around public facilities)

The Service Area includes those served by the facility around which sidewalks are located (e.g., number of children attending school, number of senior citizens served by senior citizens center, etc.).

f. Street Lighting - Residential

The Service Area includes the number of housing units located along both sides of the street for a distance of 100 feet on either side of street light!.

g. Street Lighting - Commercial

The Service Area includes the number of employers and employees located along both sides of the street for a distance of 100 feet on either side of the street light.

h. Signalization/Traffic Signs (Residential)

The Service Area is generally the area within a one block radius of the street signal or stop sign.

i. Signalization/Traffic Signs (Commercial, Thoroughfares)

The Service Area is frequently community wide.

j. Street Signing

The Service Area is the area within a one block radius of the street sign.

k. Right-of-way Beautification

The Service Area includes the number of housing units on both sides of the street for the length of the improvement (e.g., planting).

1. Fire Hydrants

Urban: The Service Area includes the number of housing units located within 500 linear feet (measured along streets) of hydrant.

Rural: Varies greatly - must be determined by local respondents.

m. Fire/Police Alarm/Call Boxes

The Service Area is frequently the community as a whole.

n. Bus Stop Benches/Shelters/Street Furniture

The Service Area is the average number of persons utilizing the facility per day; there are normally standards (i.e., benches provided if average daily traffic is 50+; shelters if average daily traffic is 75-loo+).

2. Park Improvements/Acquisition

a. Neighborhood Parks (1/2 - 10 acres)

Service Area includes all units within a 1/2 mile radius of the park.

b. Play Fields (10-15 acres)

Service Area includes all units within a 1 1/2 mile radius of the park.

c. Community Parks (40-100 acres)

Service Area includes all units within a 2 mile radius of the park.

d. District Parks (100-200 acres]

Service Area includes all units within a 3 mile radius of the park.

e. Regional Parks 200+ acres)

Service Area includes all units within a 10 mile radius of the park.

f. Pathways/Bikeways

Varies substantially, but generally the units within 1/4 mile of the pathway.

3. Community Facilities

a. Branch Libraries

Depends on the number of other libraries in the community; generally serves a neighborhood (i.e., area within a 1-1 1/2 mile radius).

b. Bookmobiles

Varies substantially; depends on routing -- local libraries have standards

c. Fire Station

Usually, the facility serves a 3-4 mile radius in average residential areas; depends on number of other stations; Fire Department will know the area served, or should be En the Environmental Impact Statement.

d. Community Centers (Youth, Senior Citizen, Multi-Service, Health, Pay Care)

Service area varies; If the facility will serve a defineable geographic area, calculate the number of persons in that area eligible to be served (e.g., age, income criteria]. If no defineable area, use the number of persons projected to be served by the services to be provided.

e. Ramping of Public Buildings or Streets for Access by the Handicapped or Elderly

Number of Elderly/Handicapped in the Community.

4. Infrastructure Improvements

a. Storm Drainage

The Service Area consists of the number of households located within the areas served by the improvement- the "catchment area" is delineated in engineering specifications and should be identified in the Environmental Review Record.

b. Sanitary Sewer

Same as 4a.

c. Water Supply

Same as 4a.

d. Solid Waste

Same as 4a.

e. Utilities

Same as 4a.

5. Housing

a. Code Enforcement

The Service Area of this activity is defined as the number of housing units inspected.

b. Spot Demolition

The Service Area of this activity includes the number of housing units located on the side of the block in which the demolition occurred.

c. Housing Rehabilitation

The Service Area of this activity includes the number of housing units rehabilitated

d. Sewer and Water Hook-Up

The Service Area of this activity includes the number of housing units connected to the sanitary sewer and/or water system.

e. Weatherization

The Service Area of this activity includes the number of housing units insulated, weatherstripped, etc.

f. Acquisition of Land/Site Preparation for Low/Moderate Income Housing

The Service Area for this activity includes the number of households to be housed on the site.

g. Clearance for Housing Use/Re-Use

The Service Area includes the number of households to be housed on the site.

h. Public Housing Modernization/Weatherization

The Service Area includes the number of housing units modernized/weatherized.

6. Public Services

a. All public services - day care, senior nutrition programs, substance abuse/detoxification, health services, security programs, environmental health.

The Service Area of public service activities is defined as the number of persons actually served by the program times the average number of persons per household (i.e., 50 children in a day care program x 3.2 persons/household, 160 persons benefiting or 50 families).

7. Economic Development

a. Industrial Park Acquisition/Development/Improvement

The Service Area includes the number of employers and employees located or to be located at the site.

b. CBD/Commercial Revitalization

The Service Area includes the number of employers and employees located or to be located in the area adjacent to the improvements.

c. Downtown/Commercial Parking

The Service Area includes the number of employees and employers located in the area within 1/4 mile of lots.

d. Clearance/Site Preparation for Commercial/Industrial Use/Re-Use

The Service Area includes the number of employers and employees located or to be located within the area cleared/prepared.

8. Historic Preservation

a. Residential Area

The Service Area includes number of housing units on both sides of the block on which the historic property is located.

b. CBD Area

The Service Area is community wide.

APPENDIX F

CONDITIONS ANALYSIS OF CENSUS TRACTS

To determine the validity of the condition ratings of target areas discussed in Chapter 6 "Target Area Concept," a similar analysis was undertaken of census tracts in the 18 cities[1] and the larger sample of 147 cities. Census tracts were divided into three categories using the 1970 census data on income and housing characteristics. Worst area tracts were defined as having:

(a) a census tract median income less than 70 percent of SMSA median income; and

(b) more than 67 percent of the housing units built before 1940; or

(c) more than 20 percent of the housing units with 1.01 or more persons per room;, or

(d) more than 10 percent of the housing units lacking some or all plumbing; or

(e) more than 80 percent of the housing units with renter occupants.

Early-to moderate decline tracts were defined as having:

(a) a census tract median income 100 percent or less of the SMSA median income; and

(b) 34-66 percent of the housing units built before 1940; or

(c) 5 - 19 percent of the housing units with 1.01 or more persons per room; or

(d) 5 - 9 percent of the housing units lacking some or all plumbing; or

(e) 40 - 79 percent of the housing units with renter occupants.

1/ In the 19th city visited by HUD evaluators, data on target areas were not collected.

Stable census tracts are those having:

(a) a census tract median income less than 90 percent of the SMSA median income (low income stable) or a census tract median income 90 percent or more of the SMSA median income (high income stable); and

(b) less than 34 percent of the housing units built before 1940; or

(c) less than 5 percent of the housing units with 1.01 or more persons per room; or

(d) less than 5 percent of the housing units lacking some or all plumbing; or

(e) less than 40 percent of the housing units with renter occupants.

In the target area analysis, the condition of the target area was determined by: (a) adding together the percentage of substandard housing and the percentage of low- and moderate-income families in the target area for a rating; and (b) comparing the ratings of a target area to the ratings of the other target areas in the city. Target areas with the highest rating in the city were considered to be in the worst condition; those with ratings in the midrange were in early-to moderate stages of decline; and those with the lowest ratings were considered stable. Since conditions vary among cities, a rating of worst, for example, means that of the CDBG target areas in a particular city, the target area is among the worst.

On an individual basis, the condition rating of each census tract was compared to the rating of the target area with which the tract was associated. For the most part, the rating of the target area was consistent with the combined ratings of its component census tracts.

Overall, the percentage of the funded census tracts in the 18 cities which fall into the three condition categories is very similar to the distribution of the target areas among the three conditions. (See Table F.1.) The variations that do appear in the individual and the overall comparisons can be attributed to the following:

TABLE F.1

DISTRIBUTION OF TARGET AREA AND
CENSUS TRACTS IN 18 CITIES BY CONDITION CATEGORY

CONDITION CATEGORY	TARGET AREAS NO	%	CENSUS TRACTS NO.	%
Worst	45	27.6	241	32.7
Early-to Moderate Decline	85	52.1	337	45.8
	33	20.3	158	21.5
	163	100.0%	736	100.0%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based upon an analysis of 18 cities.

(1) Target area boundaries do not necessarily conform to census tract boundaries. Some target areas are smaller than census tracts, thus, their condition may vary from that of the total census tract. Other target areas encompass more than one census tract. Although a particular census tract may be in worst condition, the target area as a whole may be an area of early-to moderate decline.

(2) The data used for the census tract condition analysis is based upon the 1970 Census while the target area condition ratings are based upon data provided to the Office of Evaluation by city officials interviewed in November and December of 1977. Many of the target areas have improved or declined since the 1970 census data was collected.

The percentage of funds budgeted for the census tracts in the 18 cities is somewhat similar to the proportion of funds each of the types of target areas is to receive. The biggest difference is between worst target areas and worst census tracts. According to the target area analysis, 27.2 percent of the Fiscal Year 1977 funds was budgeted for the worst target areas. The census tract analysis shows 40.8 percent for tracts in the worst condition. (See Table F.2). The difference of 13.8 percent could be explained by any of the following:

(1) The census tract analysis assigns funds to each tract based on the assumption that activity funds are divided equally among the tracts where the activity is described as being located. In visits to the 18 cities, the Office of Evaluation found that this was not usually the case: that funds were divided unequally between areas.

(2) Another reason for the difference in the percentage is that many of the worst census tracts were found to be combined with census tracts In better condition. The resufting target area is not in worst condition, but in early-to-moderate decline. In the target area analysis, the funds for these census tracts can be found with the early-to-moderate decline area, while the census tract analysis shows the funds in the worst category.

(3) Cities have budgeted funds for areas outside of target areas: CBD's and neighborhoods. Some of these are in worst condition though more of them were found

TABLE F.2

PERCENTAGE OF FISCAL YEAR 1977 FUNDS
BUDGETED FOR TARGET AREAS AND
CENSUS TRACTS BY CONDITXON IN 18 CITIES

CONDITION CATEGORY	TARGET AREAS $	TARGET AREAS %	CENSUS TRACTS $	CENSUS TRACTS %
Worst	27,592,474	27.2	38,789,636	40.8
Early-To-Moderate Decline	40,244,945	39.6	40,034,256	42.1
Stable	16,662,520	16.4	16,249,666	17.1
Neighborhoods	17,052,091	16.8	--	--
TOTAL	$101,552,030	100.0%	$95,073,558	100.0%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation. Based on an analysis of 18 cities.

to be stable or in early-to-moderate decline. The funds for these neighborhoods are a separate percentage in the target area analysis, but are not distinguished in the census tract analysis.

(4) Target area funds include some administrative and planning costs while the census tract analysis has totally excluded all of these funds. The inclusion of only some of these amounts could be skewing the percentage in the target area analysis.

The results of the census tract condition analysis for the larger sample (147 cities) show one-third of the Fiscal Year 1977 funds budgeted for the worst census tracts, and almost one-half for those in early-to-moderate stages of decline. The remainder (less than one-fifth of the funds) was budqeted for stable tracts. For the reasons mentioned above, these percentages probably overestimate the funds budgeted to worst areas and underestimate the funds budgeted to early-to-moderate decline areas. (See Table F.3).

Over one-third of the sample cities (52 cities) budgeted 50 percent or more of their CDBG funds for early-to-moderate decline census tracts. Less than one-fifth of the cities (27 cities) budgeted 40 percent or more of their CDBG funds for their worst census tracts while ten percent (16 cities) budgeted 50 percent or more for stable census tracts. The remaining cities did not emphasize any particular type of census tract.

TABLE F.3

FISCAL YEAR 1977 FUNDS BUDGETED BY CONDITION OF CENSUS TRACT IN 147 SAMPLE ENTITLEMENT COMMUNITTXES

CONDITION CATEGORY	AMOUNT	PERCENT
Worst	$146,369,891	35.6%
Early-To-Moderate Decline	194,607,108	47.4
Stable	69,689,686	17.0
TOTAL	$410,666,685	100.0%

SOURCE: U.S. Department of Housing and Urban pevelopment, Community Planning and Development, Office of Evaluation. Based upon an analysis of 147 metropolitan entitlement cities.

APPENDIX G

DEFINITION OF CDBG ACTIVITIES
EQUIVALENT TO CATEGORICAL PROGRAMS

The following definitions were used to determine what amounts of CDBG funds were budgeted for activities equivalent to the former categorical programs:

1. Urban Renewal/NDP - the CDBG amount equivalent to this was considered to be the total amounts of CDBG funds budgeted for the following activities which are taking place in UR/NDP areas:

   --Acquisition for redevelopment - Demolition
   --Relocation - General UR/NDP - Historic Preservation
   --Street Improvements - Public Works
   --Flood Protection - Water and Sewer
   --Rehabilitation Grants - Rehabilitation by Community

2. Federally Assisted Code Enforcement - the total amount of CDBG funds budgeted for code enforcement activities taking place in all areas.

3. Water and Sewer - the total amount of CDBG funds budgeted for water and sewer activities in all areas except UR/NDP areas.

4. Neighborhood Facilities - the total amount of CDBG funds budgeted for neighborhood facilities in all areas.

5. Open Space - the total amount of CDBG funds budgeted for open space activities in all areas.

6. Rehabilitation Loans - the total amount of CDBG funds budgeted for rehabilitation loans in all areas.

7. Model Cities - the total amount of CDBG funds budgeted for the following activities which are taking place in the Model Neighborhood areas:

   --Acquisition for redevelopment - Relocation
   --Demolition - General UR/NDP
   --Historic Preservation - Street Improvements
   --Public Works - Housing: New Construction
   --Rehab Grants - Rehab by Community
   --Facilities/Equipment: Fire, Police, etc.
   --Public Services: General, Fire Police, Elderly, Youth, etc.

The following activities have no categorical program equivalent. They are considered to be new initiatives under the CDBG program:

1. Neighborhood Improvement Activities - the total amount of CDBG funds budgeted for this activity is derived from the following activities which are taking place in all areas except UR/NDP Areas and Model Neighborhood Areas:

   --Acquisition for redevelopment - Relocation
   --Demolition - General UR/NDP
   --Historic Preservation - Street Improvements
   --Public Works - Rehabilitation Grants

   and the following activities in all areas except the Model Neighborhood Areas:

   --Housing: New Construction
   --Facilities/Equipment: Fire, Recreation, Elderly, etc. and Flood Protection in all areas except UR/NDP Areas.

2. Supportive Public Services - the total amount of CDBG funds budgeted for the following activities which are taking place in all areas except Model Neighborhood Areas:

   --Public Services: General, Fire, Police, Recreation, Jobs, Economic Development, Housing Counselling, Interim Assistance/Public Health, Medical, Children, Transportation, Elderly, Youth, Education, and Legal.

NOTE: All activities exclude deferred amounts. Also excluded are administrative, planning, studies, and contingency amounts.

APPENDIX H

GLOSSARY

GENERAL ACTIVITIES

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.

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).

REDEVELOPMENT RELATED-- A general grouping of the following specific activities: acquisition for redevelopment/demolition; relocation; demolition; general UR/NDP; and historic preservation. This grouping is sometimes referred to as Renewal-related.

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.

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.

ADMINISTRATION-- Administration, as well as costs of disposition of real property, citizen participation (public forums, etc.), neighborhood workshops, and title searches.

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).

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.

CONTINGENCIES-- Money reserved for local options not to exceed 10 percent of entitlement amount.

DEMOLITION-- Costs for clearance and the removal of deteriorated structures. Also the costs of boarding up buildings to be demolished.

ELDERLY FACILITIES-- Acquisition, construction, rehabilitation, leasing, and equipment costs for senior citizen centers and other facilities primarily used by people 65 and over.

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: HOUSING COUNSELING-- Acquisition, construction, rehabilitation, leasing, and equipment costs for a facility whose primary purpose is to accommodate a housing counseling program.

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.).

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.

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.

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.

JOBS FACILITIES/EQUIPMENT-- Acquisition, construction, rehabilitation, leasing, and equipment costs for facilities whose primary purpose is to house job and employment programs.

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.

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.

PLANNING-- Development of comprehensive plans, planning CDBG activities and third year CD plans, and technical assistance to communities.

PUBLIC HEALTH FACILITIES/EQUIPMENT-- Acquisition, construction, rehabilitation, leasing, and equipment costs for facilities which house public health and medical services.

PUBLIC SERVICES: CHILDREN-- Day care, child abuse prevention, and other services directed at children age 0-7 years old.

PUBLIC SERVICES: ECONOMIC DEVELOPMENT-- Technical and economic assistance to small businesses (information and/or money).

PUBLIC SERVICES: EDUCATION-- "Drug awareness" programs, educational programs, language courses, and cultural awareness programs.

PUBLIC SERVICES: ELDERLY/HANDICAPPED-- Day care, nutrition, craft programs, and any other elderly/handicapped programs.

PUBLIC SERVICES: FIRE-- Personnel used to fight fires and provide emergency first aid.

PUBLIC SERVICES: GENERAL-- Unidentified services or multiple services for which it is impossible to identify specific services.

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, a5 well as elimination of any other detrimental health conditions.

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: LEGAL-- Juvenile defender programs, legal aid for poor persons, consumer protection, etc. as well as rehabilitation programs for ex-offenders,

PUBLIC SERVICES: MEDICAL-- Medical clinic staff and dental care, drug addiction treatment, and alcoholism treatment.

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: TRANSPORTATION-- Staff to operate a mini-bus to take elderly persons to stores and other special transportation services.

PUBLIC SERVICES: YOUTH-- Youth programs, generally aimed at crime/delinguency prevention, and any "Teen Programs."

PUBLIC WORKS-- 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 often described only as public works or public improvements. Also combinations of specific public works (e.g., sewer and street improvements) where individual costs could not be dinstinguished.

REHABILITATION BY COMMUNITY-- Rehabilitation by the community of city-owned or city-acquired structures which will be sold or rented later as low- or moderate-income housing. Acquisition costs of housing which is to be rehabilitated by the city or local houisng agency are included, as are all costs for modernization of public housing or housing specifically stated to be used as public housing.

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.

RELOCATION-- Costs for relocation payments and assistance.

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.

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.

STUDIES-- Environmental analysis and review, monitoring, and evaluation.

TRANSPORTATION FACILITIES-- Acquisition, construction, rehabilitation, leasing, and equipment costs for facilities related to a transportation service program.

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.

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.

* Where applications do not differentiate between loans and grants, the money is divided as follows: 2/3 for loans and 1/3 for grants.

PHASE-DO ▾▾ --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 3 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-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 3-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-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 grants.

SMSA*-- Standard metropolitan statistical area. "Except in the New England States, a standard metropolitan statistical area is a county or group of continguous 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, continguous 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."

TARGET AREA-- An area which can be geographically described by neighborhood, service area, or other boundaries, with identified needs for community development activities. A target area is regarded as "official" if the city acknowledged it as an area in need of attention and focused activity within it.

UNSPECIFIED AREAS-- No indication whether census tracts are in residential or nonresidential areas.

* U.S. Bureau of Census definition.

OTHER DEFINITIONS

CENSUS TRACT*-- 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.

Co-LOCATION-- The presence of subsidized housing and CDBG-funded activities within the same census tract but located more than two blocks apart.

DIRECT COORDINATION-- Coordination is considered direct when one of the following situations exists: (a) Public housing projects receive Community Development Block Grant funds for modernization of units; (b) Section 8 or Public Housing projects are located in former HUD categorical program neighborhoods, or (c) Section 8 or Public Housing projects are located within a one-block radius of CDBG funded activities, which may be either within or outside of CDBG target areas.

ECONOMIC DEVELOPMENT-- Those activities designed to bring about an increased level of economic activity through business development, relocation, and expansion with the objective of strengthening the tax base and alleviating unemployment and underemployment in low-income areas. (For the purpose of this report, economic development activities include acquisition, relocation, demolition, general UR/NDP, rehabilitation, public works, streets, water and sewer, historic preservation, and transportation services and equipment occurring in Central Business Districts and other nonresidential areas, and city-wide economic development services.)

GENERAL COORDINATION-- Coordination is considered general when one of the two following situations exists: (a) Section 8 or Public Housing projects are located within a radius of two blocks or less, but more than one block from CDBG-funded activities, either within or ourside of CDBG target areas, or (b) Section 8 or Public Housing projects are located within a CDBG target area, but more than two blocks from CDBG-funded activities.

* U.S. Bureau of Census definition.

ABBREVIATIONS

APO-- Areawide Planning Organization: An organization authorized by law or local agreement to undertake planning under Section 701 of the Housing Act of 1954 or OMB Circular A-95 either for a multi-county area (including county-municipality combinations) or for a single county whose boundaries are coterminous with a designated SMSA.

CETA-- Comprehensive Employment and Training Act of 1973 (Department of Labor): A single program under which Federal funds are made available to State and local governments for the purpose of financing Manpower activities which were previously included under separate categorical programs: the Manpower Development and Training Act of 1962 (MDTA), the Economic Opportunity Act of 1964 (EDA), and the Emergency Employment Act of 1971 (EEA), including the Neighborhood Youth Corps, Public Service Careers, the Concentrated Employment Program, MDTA classroom and on-the-job training, and the Public Employment Program.

CDBG-- Community Development Block Grants: A single flexible program, authorized under Title I of the Housing and Community Development Act of 1974, as amended, and administered by HUD, for the purpose of financing all activities previously eligible under separate categorical grant programs. Spending priorities are determined at the local level, eligible activities include those previously funded by Urban Renewal, Neighborhood Development Grants, Model Cities, Water and Sewer Grants, Neighborhood Facilities Grants, Public Facilities Loans, Open Space/Urban Beautification/Historic Preservation Grants.

EDA-- Economic Development Administration (Department of Commerce): Established in 1965 for the purpose of administering the Public Works and Economic Development Act of 1965, which was authorized to provide grants for public works, planning and technical assistance, loans and loan guarantees for public works and business development.

HAP-- Housing Assistance Plan: A plan which must be submitted as part of the application requirements for CDBG entitlement grants. Specific information is required in the HAP for the purpose of determining the current conditions of the applicant's housing stock, the needs of low- and moderate-income persons for housing assistance, and the goals necessary and appropriate in meeting those needs.

SEC. 312-- Administered by HUD and authorized by Section 312 of the Housing Act of 1964: Direct Federal Loans are used to finance rehabilitation in urban renewal and code enforcement areas certified by the local government. (Loans are not to exceed $17,400 per dwelling unit.)

SEC. 701-- Section 701, Comprehensive Planning Assistance, Title IV, Housing and Community Development Act of 1954 as amended: Grants of up to two-thirds of the cost of a project can be used by State and local governments to finance planning and management activities.

SEC. 8-- Section 8, Housing and Community Development Act of 1974, Lower Income Rental Assistance: HUD pays the difference between what a lower-income household can afford and the fair market rent for an adequate housing units. A lower-income family is required to spend no more than 25 percent of adjusted income for rent.

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