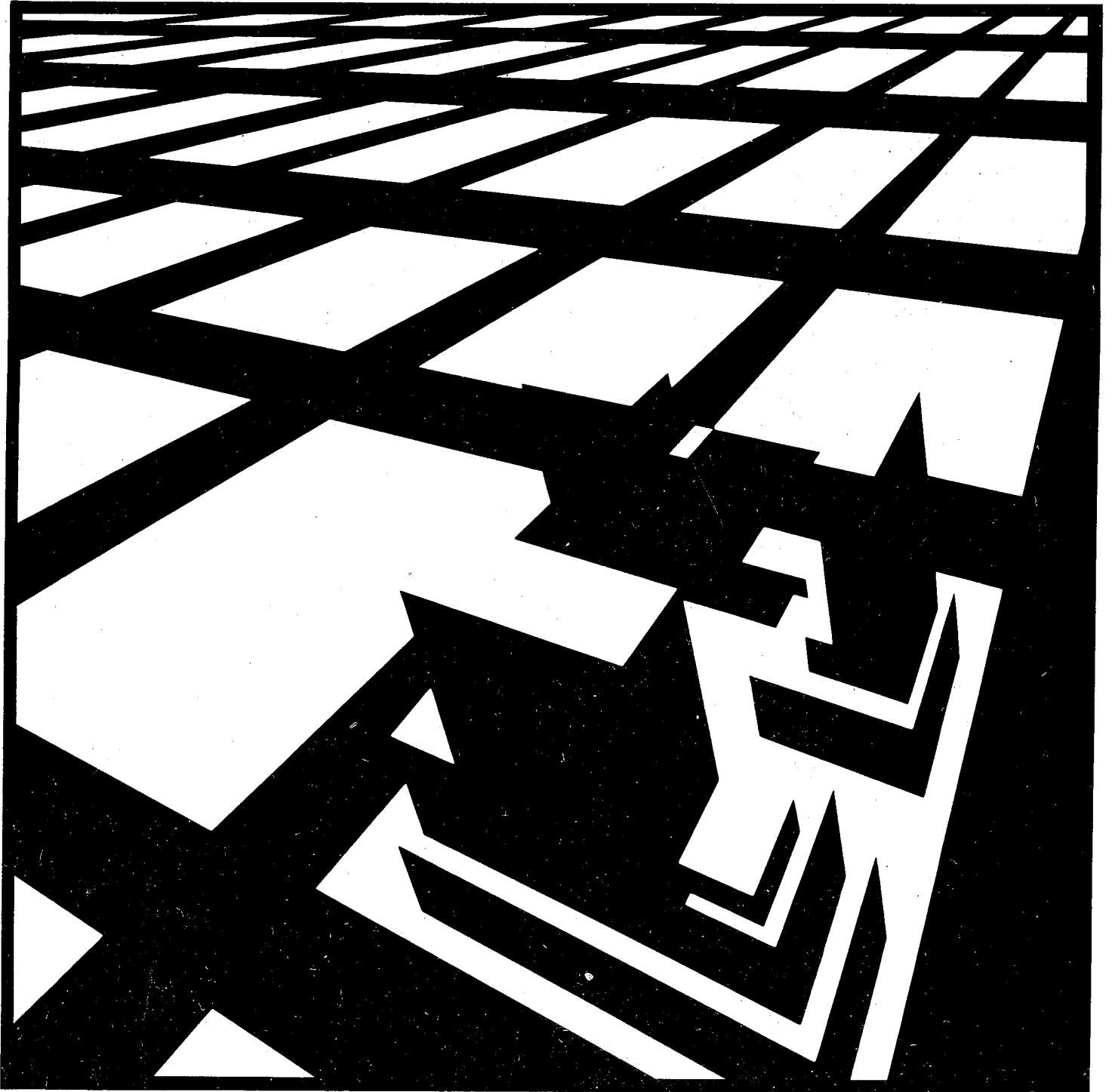




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Fourth Annual Community Development Black Grant Report



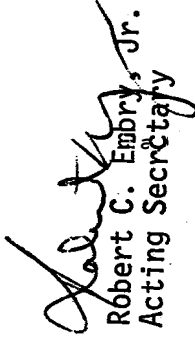


THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

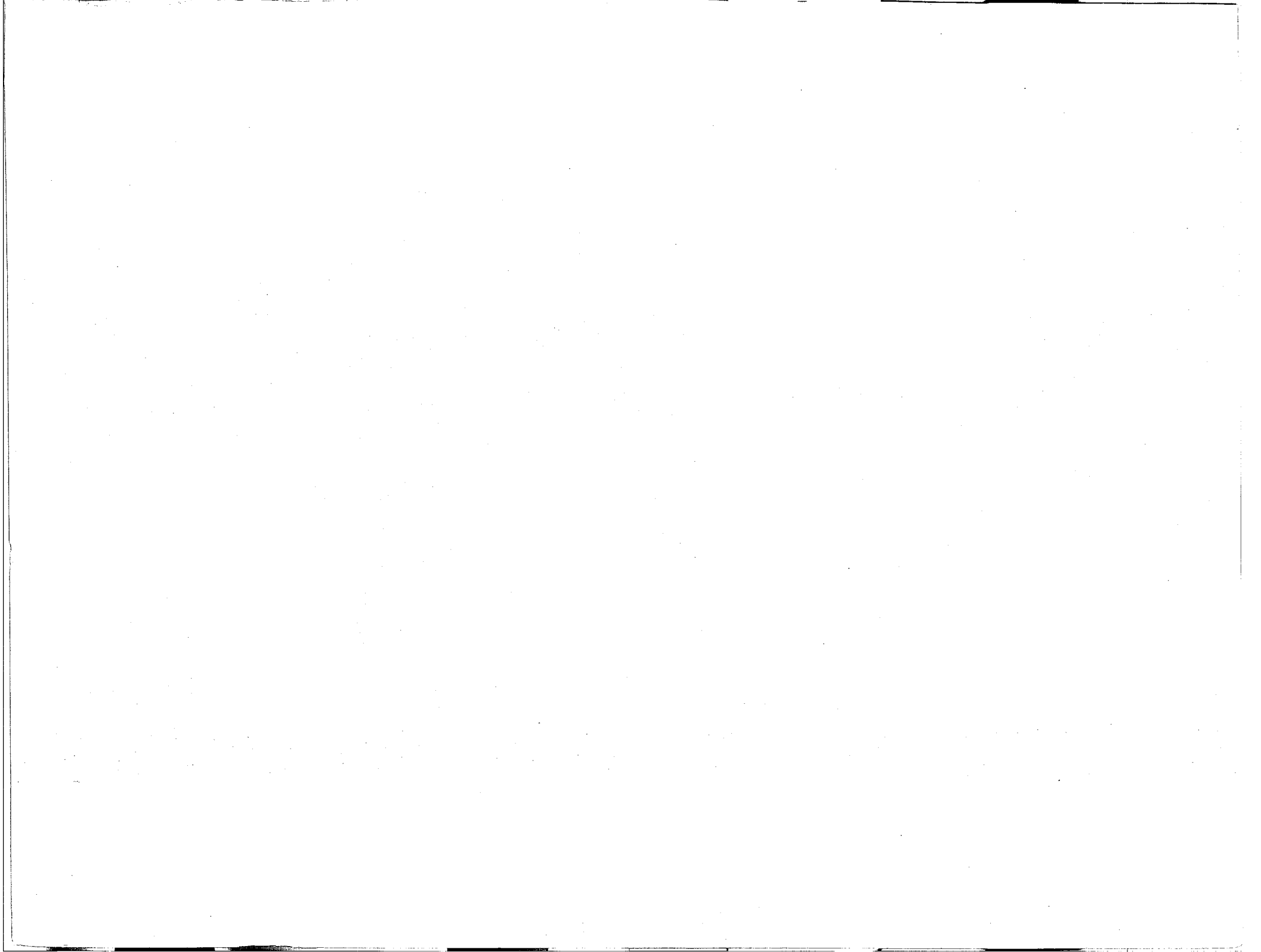
HUD

TO THE CONGRESS OF THE UNITED STATES:

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


Robert C. Embury, Jr.
Acting Secretary

September 1979



Fourth Annual Report

THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

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

FOURTH ANNUAL REPORT
THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

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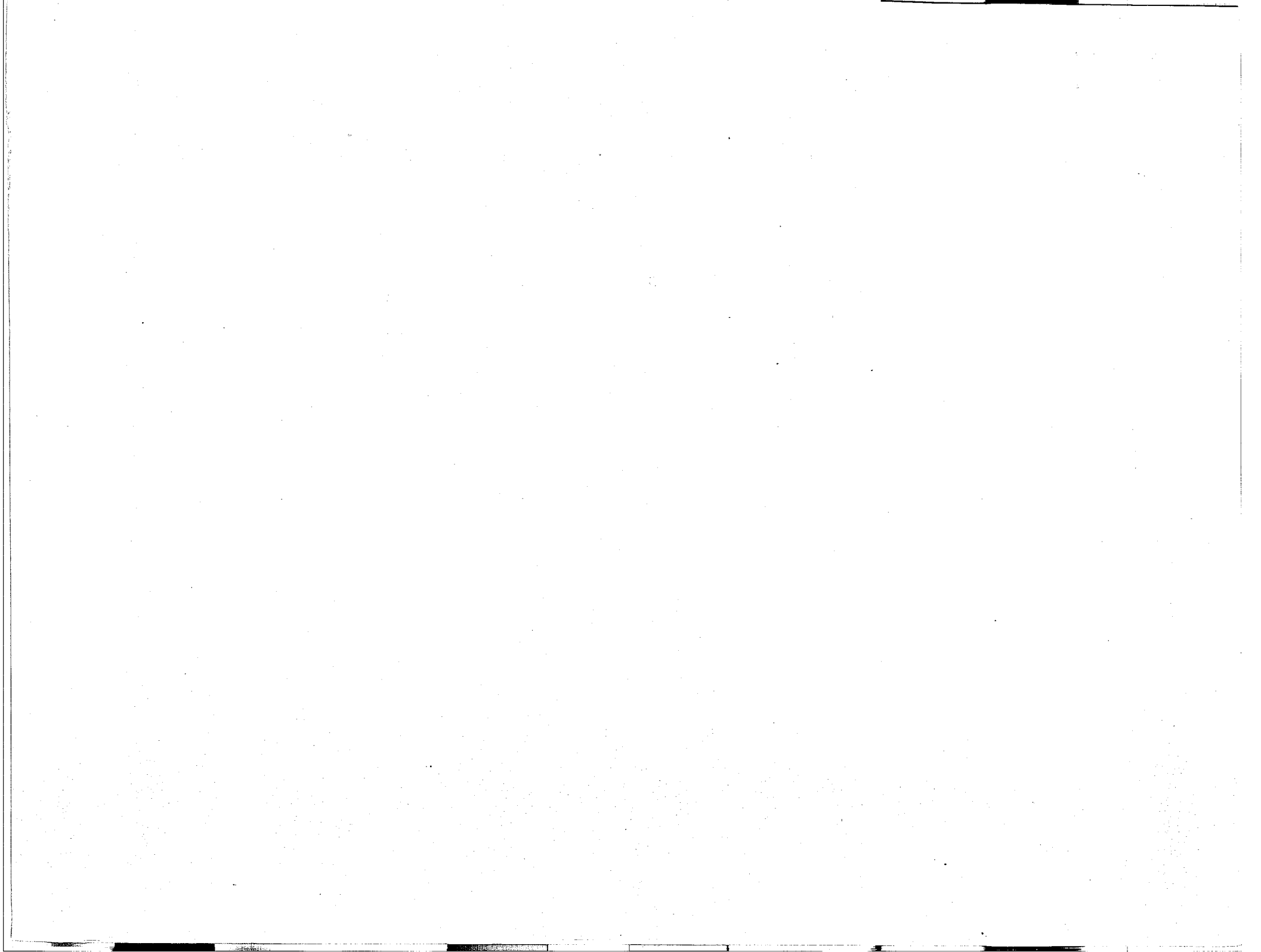
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EXECUTIVE SUMMARY

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

Since the inception of the Community Development Block Grant program in 1974, the Congress has appropriated over \$12 billion to support the "development of viable urban communities." This year, Block Grant funds were distributed to over 3,000 communities and urban counties to help finance community development projects.

This year's Annual Report to Congress provides an in-depth analysis of the progress that recipient communities are making in carrying out their community development plans and in implementing improved program guidelines provided through regulatory revisions in March 1978.

- **Disbursements and Drawdowns.** As of January 31, 1979, 98 percent of FY 78 appropriated funds had been obligated and were available to grantees. Approximately 58 percent of all obligated funds had been drawn down by grantees.
- **Targeting to Neediest Cities.** Funding allocations to the neediest cities have increased as a result of the dual formula authorized in the Housing and Community Development Act of 1977.
- **Targeting to Low- and Moderate-Income Persons.** Benefits going to low- and moderate-income persons have increased significantly, reversing the downward trend evidenced in the early program years. Low- and moderate-income benefits have increased, at a minimum, from 61 percent in FY 77 to 66 percent in FY 78 and, at a maximum, to as much as 73 percent.
- **Community Development Plans and Strategies: Planned Expenditures.** In terms of planned expenditures, the dominant and fastest growing strategy is neighborhood preservation. In FY 78, neighborhood preservation accounted for 42 percent of all CDBG funds. Other major strategies, each accounting for about 15 percent of program funds, include economic development, general development, and redevelopment.
- **Progress Toward Plans and Strategies: Actual Expenditures.** In terms of actual expenditures, communities are spending their CDBG funds at rates which result in the completion of nearly 50 percent of the total national program each year. Roughly the same rate of

expenditure **was** evident for each major community development strategy (neighborhood preservation, economic development, general development, and redevelopment).

- o Progress Toward Plans and Strategies: Local Management. According to local community development administrators, civic groups, and citizens interviewed in sample cities, the majority of local projects are either on or close to schedule and have achieved a satisfactory level of impact.

In March 1978, revised regulations were issued to improve program performance in relation to low- and moderate-income benefits, Neighborhood Strategy Areas, economic development, comprehensive strategies, Housing Assistance Plans, and citizen participation. Early findings on the effects of these guidelines are:

- o Low- and Moderate-Income Benefits. Local respondents report that the regulations providing more precise guidelines and definitions on program benefits have increased the level of effort directed toward the needs of low- and moderate-income persons. Many felt that this shift **began** as early as the beginning of the new Administration with the issuance of policy statements advocating greater concern about program goals.
- o Neighborhood Strategy Areas. According to local managers, the Neighborhood Strategy Area regulations have resulted in an increase in the targeting and concentration of program activities in the sample cities. Although respondents expressed **some** concern about potential controversy among citizen groups over NSA designations, most adapted their programs to the NSA approach without substantial difficulty this year.
- o Economic Development. City executives responded favorably to the increased flexibility provided by the new regulations and a majority said they **were** likely to use the new guidelines to develop new projects in the future. Largely because of the need for careful planning and coordination, however, the regulations did not lead to an immediate increase in the **number** of such projects.
- Comprehensive Strategies. All communities **were** found to be in compliance with requirements for more systematic needs assessments, three year plans, implementation schedules, and quantifiable goals. **Less** marked, but still observable, were improvements with respect to the actual depth of plans and the linkages between housing and other components.

- Housing Assistance Plans. In accordance with the new guidelines, most cities have established minimum three-year housing assistance goals which reflect at least 15 percent of total identified needs and which are in proportion to different kinds of housing needs (**small** family, large family, elderly, handicapped, owner and renter): and most have taken a variety of affirmative steps to implement their plans. Planning for spatial deconcentration of housing opportunities has generated some controversy, and it has also elicited more widespread recognition of the importance of the issue.
- Citizen Participation. In almost **all** sample cities, written citizen participation plans have been developed, and required planning and performance hearings have been held. All cities responded to citizen complaints in writing. Citizens who were interviewed felt that the new guidelines would provide increased leverage for meaningful participation.

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PART I

INTRODUCTION

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Fourth Annual Report
Community Development Block Grant Program

Introduction

Previous Annual Reports submitted to Congress essentially reviewed grantee plans with respect to use of Community Development Block Grant (CDBG) funds. To the extent data were available, the reports also described the linkages between local CDBG plans, statutory provisions and HUD administrative guidelines.

This report reflects a significant departure from earlier documents. Notwithstanding the still-to-be resolved methodological problems noted below, this study is consistent with the Secretary's desires, with the legitimate concerns of many outside analysts with respect to the first three Annual Reports and with Congressional requests. The report provides first-time analyses of actual CDBG progress and, in a similar vein, provides a first-time look at how well recipients are carrying out their plans and strategies.

CDBG Program — Flexibility and Change

Since its inception, the CDBG program has been perceived as a significant response to the criticism of categorical programs. That is, unlike the seven categorical programs which were folded into it, the CDBG program provides predictable sums of Federal community development assistance, on an annual basis, to most participating localities. It is also relevant that the program, again contrary to most of its predecessors, grants considerable discretion to local officials relative to the use of the Federal assistance. In effect, broad statutory purposes and performance criteria were substituted by Congress for often very detailed statutory prescriptions with respect to the local allocation and beneficiaries of Federal community development funds.

While initial HUD and independent analyses indicated that most communities viewed the freedom provided by the CDBG program in a positive manner, these same studies also illustrated visible problems. Sane, communities, for example, were granting limited attention to low- and moderate-income benefit requirements in the statute. Sane were paying only lip service to statutory requirements like those related to citizen participation and the relationship of community development to local housing assistance plans.

Congressional and HUD concerns over the gap between statutory purposes and **local CDBG** performance evolved simultaneously. Similar Congressional and HUD concerns over the reduction in CDBG funds available to distressed cities resulted from the phasing out of the hold harmless provisions 1/ of the original legislation. Both sets of concerns generated a series of related legislative and administrative actions which affected the form and content of the CDBG program.

In the 1977 amendments to the Housing and Community Development Act, Congress approved a two tier formula to distribute CDBG funds. It was designed to provide more funding to older, central cities which were considered by many to have been slighted under the initial 1974 formula. With the dual formula, cities could choose whichever formula provided the higher funding. The 1974 formula was **based** on population size, poverty and overcrowding; the formula added in 1977, on population growth **lag**, age of housing and poverty.

HUD developed and/or amended regulations concerning: the determination of CDBG benefits to low- and moderate-income persons; the initiation and definition of Neighborhood Strategy Areas; the connection between community development and housing assistance plans; and the expansion of opportunities for citizen participation. Collectively, the new regulations were aimed at: encouraging more comprehensive planning and extending local willingness to target **CDBG** funds in a more concentrated fashion and to needier people; strengthening local revitalization efforts by linking community development funds with other HUD resources; and enhancing the relevance of local CDBG plans and programs through increased involvement of residents. Specifically, the new guidelines covered the following areas:

- Low- and Moderate-Income Benefits -- These regulations were designed to assure that local CDBG programs principally benefitted low- as well as moderate-income persons. They clarified what types of projects would be considered as benefitting low- and moderate-income persons and set general review standards for HUD staff to use in reviewing the local CDBG program as a whole.

1/ The hold harmless provisions were designed to protect former categorical recipients from abrupt losses of funds, which were necessary to meet long-time commitments. Their termination would result in a diminution of **CDBG** resources to distressed cities at a time when these cities could ill afford the reduction.

- Neighborhood Strategy Areas — The new guidelines encouraged grantees to undertake concentrated community development in accordance with a comprehensive strategy which will effect substantial long-term improvements within a reasonable period of time.
- Housing Assistance Plans — The new HAP regulations sought to improve the delivery of housing for various categories of low- and moderate-income households. They required: minimum housing goals; stricter criteria for addressing the needs of various types of households; and greater emphasis on spatial deconcentration of housing opportunities.
- Community Development Plan -- The regulations were directed toward obtaining a better correspondence between local needs and local CDBG priorities. They also set the basis for improved monitoring. The regulations required: a more comprehensive statement of needs; more clearly stated strategies connecting needs to plans; and specific schedules and measures of accomplishments.
- Citizen Participation — The citizen participation portion of the regulations was designed to insure that citizens have an adequate opportunity to express their preferences at all stages of the CDBG process. In this respect, the regulations called for: written participation plans; neighborhood as well as citywide meetings in larger communities; and more thorough citizen involvement at the planning, implementation and monitoring phases of the CDBG process.
- Economic Development -- These regulatory elements reflect the changes in the national legislation which were designed clearly to include economic development among the national objectives. They restated the eligibility of many activities which were and continue to be valid for economic development; added certain other activities that were previously ineligible; and provided for participation by a variety of organizations other than the general purpose government.

This report is purposely structured to record, to the extent possible, the effect and effectiveness of recent Congressional and HUD changes.

Major Findings

Several crucial problems have impeded HUD and others from monitoring and evaluating CDBG progress and the early impact of the program. Among them:

1. The statutory objectives associated with the CDBG program and the related statutorily-derived permissible activities are broad based. As a result they cannot easily be converted into bonafide, generally agreed upon progress or impact measures.

The purposes of the CDBG program, as stated in the statute, are relatively general. For example, funds are to be used to help develop "...viable urban communities...principally for persons of low- and-moderate income." In this context, they can be used specifically for the elimination of slums and blight.. .the elimination of conditions which are detrimental to health, safety...the conservation and expansion of the nation's housing stock...the expansion and improvement of the quantity and quality of community services...and the reduction of the isolation of income groups.

Although simply stated, implicit in each statutory purpose is a range of permissible and possible local sub-objectives, strategies, priorities and fundable projects. Together, they reflect a complex collage of generally consistent, but often imprecise, national commitments to the physical, social and economic well-being of CDBG recipients and their residents (particularly low- and moderate-income residents). Attempts to define other than very simple progress and impact indices have generated and continue to generate deep disagreements among independent analysts over specific Congressional intent. These disagreements have often led to the substitution of varied value judgments for strategic analyses. Clearly, the state of the evaluation arts has not yet caught up with the often indeterminate and sweeping nature of the CDBG legislation. Indeed, the definition of meaningful progress and impact indicators remains an unfinished and sometimes elusive task.

2. The relatively limited size and scale of the CDBG program in most grantee jurisdictions makes it difficult to trace complex "cause and effect" relationships with respect to expenditures and Congressionally-defined CDBG objectives.

CDBG funds provide valued resources and needed financial flexibility to recipient communities. But their impact often depends on a variety of annex variables or factors. Clearly, the institutional capacity of a community and its planning and management capabilities will affect the progress and/or effect of the CDBG effort. Just as clearly, the condition of the national economy and the level of local consensus concerning resource allocation priorities will affect CDBG processes and outcomes. Development of analytic techniques capable of separating the impact of outside variables on the direct and indirect, intended

and unintended impacts of CDBG expenditures is a difficult task -- one made even more difficult by the varied types of local environments within which the CDBG program functions, and the wide array of general CDBG objectives listed above.

3. HUD's desire to respond to Congressional intent and to grant recipients flexibility relative to the precise use of CDBG funds has led the Department to limit data collection efforts and to narrowly define data collection and related program monitoring instruments.

As indicated in a recent Brookings Institution report, the CDBG program reflects a "significant decentralization of substantive decision-making, with local officials exercising more control over community development policy than they did under categorical programs." HUD has consciously tried to balance its responsibilities concerning implementation of the CDBG program with awareness of the legislative mandate to provide increased flexibility to local governments concerning use of CDBG funds. HUD's requests for information have been held to a minimum and its monitoring instruments have been narrowly defined in order to avoid impeding local judgment and adding unnecessary red tape. While these steps have been consistent with Congressional intent, the result has been that HUD's CDBG data base is not sufficient, standing alone, to permit rigorous progress and impact analysis.

4. The early state of the program and frequent statutory and administrative changes in it have heightened difficulties associated with designing and carrying out progress and impact studies.

As of this Annual Report, the CDBG program is only four years old. Up to the present time, the program's relative youth combined with the predictable start-up problems faced by many communities in initiating a response to the program, have made it difficult to structure an appropriate or meaningful impact analysis. To put it another way, until recently, only locally-developed CDBG plans and progress associated with carrying out such plans provided an appropriate or meaningful data base for analyses. A work program based on determining program impact would have been difficult to define and even more difficult to justify on a national basis.

While the newness of the CDBG program appropriately placed limits on the type and content of proposed progress and impact analyses, frequent changes or shifts in statutory and administrative purposes and guidelines have made it difficult to determine relevant monitoring and evaluation approaches. These changes are understandable and necessary to respond to legitimate Congressional and

HUD policy and management concerns. However, repetitive shifts in or amendments to program objectives and administrative ground rules have intensified problems with respect to defining indices regarding program performance as well as appropriate methodologies to assess the relationship of program expenditures to statutory purposes.

Methodology -- Fourth Annual Report

As indicated above, this report represents a beginning effort on the part of the Department to analyze the convergence of local CDBG plans, actions and results and to more clearly present relevant national performance indicators. The methodology and work program generating the report reflect:

- o A review of the comments of independent analysts concerning previous HUD Annual Reports;
- A review of the approach, coverage and content of and problems associated with other national reviews of the CDBG program;
- A two-day conference at the Brookings Institution involving field staff associated with the Brookings study of the CDBG program and noted methodologists and program analysts from around the country; and
- o Intensive HUD staff critique of previous study instruments and Annual Reports.

As noted in subsequent chapters and described in detail in the Appendix, data, analyses and/or findings presented in this document are premised specifically on:

- o A review of HUD records concerning CDBG expenditure patterns, the development of administrative procedures, and the promulgation of statutorily required regulations;
- A review of Grantee Performance Reports describing the track record of a sample of 147 entitlement communities; and
- o Development of detailed case studies in 25 cities illustrative of recipient progress and the specific effect of HUD regulations on local performance.

This study is only a beginning. Threshold progress and impact measurements that are used in this report will be refined and strengthened in future reports.

The primary focus of the Fourth Annual Report on the Community Development Block Grant Program is the experience of entitlement cities. 2/

This report is divided into several major parts. 3/ Part I is the Introduction. Part II of the report, Overview of Program Funding and Planned Expenditures, is separated into two chapters. The first of the two chapters reviews appropriations, obligations, and drawdowns and relates this information to characteristics of recipients. The second chapter takes a look at the ways that communities plan to spend Block Grant funds according to established legislative objectives and administrative procedures.

Part III of the report, Progress Toward Program Objectives, reviews communities' accomplishments during the first years of the Block Grant Program. Chapter III defines strategy types for block grant cities, characterizes community programs by these types, and describes planned budget expenditures according to each type. Chapter IV presents actual budget data expenditures for the strategy types, and Chapter V examines progress in terms of schedules, impacts, and satisfaction levels.

Part IV, Progress in Implementing New Program Guidelines, discusses the implementation of regulations affecting six elements of the Block Grant Program. Chapter VI looks at the implementation of rules regarding program beneficiaries; Chapter VII, the establishment of Neighborhood Strategy Areas (NSAs); Chapter VIII, economic development initiatives; Chapter IX, comprehensive community development strategies; Chapter X, Housing Assistance Plans (HAPs); and Chapter XI, citizen participation in the local community development planning process.

-
- 2/ An evaluation report on the Urban Counties Program will be published soon, and an evaluation of the Small Cities Program is currently underway.
- 3/ The basis for the analysis in Chapters I through V is Block Grant applications and Grantee Performance Reports for a representative sample of 147 entitlement cities. In Chapters VI through XI this data is supplemented by information for 25 cities, collected under contract by Westat, Inc., for the Office of Evaluation.

PART II

OVERVIEW OF PROGRAM FUNDING AND PLANNED EXPENDITURES

**CHAPTER I Funding: Appropriations,
 Obligations, Drawdowns**

**CHAPTER II Planned Expenditures: National
 Objectives, Program Priorities,
 Budget Line Items**

CHAPTER I

FUNDING: APPROPRIATIONS, OBLIGATIONS, DRAWDOWNS

Introduction

This chapter provides an overview of funding patterns in the Community Development Block Grant Program. It summarizes appropriations, allocations to grantees, and drawdowns; and it relates these, where appropriate, to the major legislative changes made in 1977 and related program regulations developed in 1978.

The chapter is divided into two parts. The first provides a general overview and the second presents a more detailed discussion of the characteristics of grants and grantees (including the effect of the dual formula).

Overview

Appropriations

Congress appropriated ^{1/} more than \$12 billion for the first four years of the block grant program (Table I-1). Overall, Congressional appropriations have been steadily increasing since the program's inception. Annual appropriations for FY 78 represented a 48 percent increase over FY 75. This increase resulted from a 15.2 percent increase between FY 75 and FY 76 appropriations, a 15.9 percent increase between FY 76 and FY 77, and another 10.8 percent increment between FY 77 and FY 78.

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

Table I-1
Percentage Increase in Appropriated Funds
As of January 31, 1979
(Dollars in Thousands)

Fiscal Year	Total Appropriated	Percent Increase
1975	\$2,433,000	--
1976	2,802,000	15.2
1977	3,248,000	15.9
1978	3,600,000	10.8

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

Of the cumulative total of \$12 billion appropriated to date, nearly \$10 billion (81.9 percent) has been earmarked for Entitlement grants; and \$1.7 billion (13.7 percent) ^{2/} for grants to Small Cities (Table 1-2) .

The remaining \$0.5 billion **was** almost equally divided between the Secretary's Discretionary Fund and Urgent Needs/Financial Settlement Fund. ^{3/}

^{2/} This figure **does** not include the Entitlement portions going to small, hold harmless cities. The total percentage of funds going to small cities is greater.

^{3/} Entitlement cities include metropolitan cities of **50,000** or more and Urban Counties of 200,000 or more; Small Cities include cities with populations of 50,000 or less and may include States and any unit of general local government including counties, but excludes metropolitan or central cities of SMSAs. The Secretary's Discretionary Fund covers special purpose activities including new communities, inequities, innovative projects, disaster, areawide activities, and territories; and Urgent Needs provides assistance in the transition to block grant funding for communities, especially for local governments experiencing some difficulty in completing projects begun under the categorical programs.

Table 1-2
Cumulative Summary of FY 75, FY 76, FY 77 and FY 78
Appropriations as of January 31, 1979
(Dollars in Thousands)

Grant Category	Amount		
	Appropriated	Obligated*	Disbursed**
Entitlement	\$ 9,899,974	\$ 9,879,835	\$5,955,251
Small Cities	1,657,315	1,596,986	821,879
Secretary's Fund	225,369	176,130	73,159
Urgent Needs		247,530	163,423
Financial Settlement Fund	300,000		
Total	\$12,082,658	\$11,900,482	\$7,013,712

Updated figures for obligated funds as of June 30, 1979 were:
Entitlement, \$9,887,453; Small Cities, \$1,651,146; Secretary's
** Fund, \$203,133; Urgent Needs/Financial Settlement Fund \$270,952.
Updated figures for disbursed funds as of June 30, 1979 were:
Entitlement, \$6,981,234; Small Cities, \$992,416; Secretary's Fund,
\$96,165; Urgent Needs Financial Settlement Fund, \$184,458.

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

Obligated Funds

As of January 31, 1979, 98 percent of all fiscal years' appropriated funds had been obligated ^{4/} and were available to grantees. This figure included 99.8 percent of the Entitlement funds, 96.4 percent of the Small Cities funds, 82.5 percent of the Urgent Needs Financial Settlement funds, and 78.2 percent of the Secretary's Funds.

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

Slightly more than eighty percent (\$9.9 billion) of the total amount of funds actually available to all grantee types was allotted to Entitlement grantees (Table I-3; Chart I-1). Entitlement grantees' share of total funds decreased in FY 78 largely because of the phase-out of hold harmless grants and the expansion of the Small Cities program.

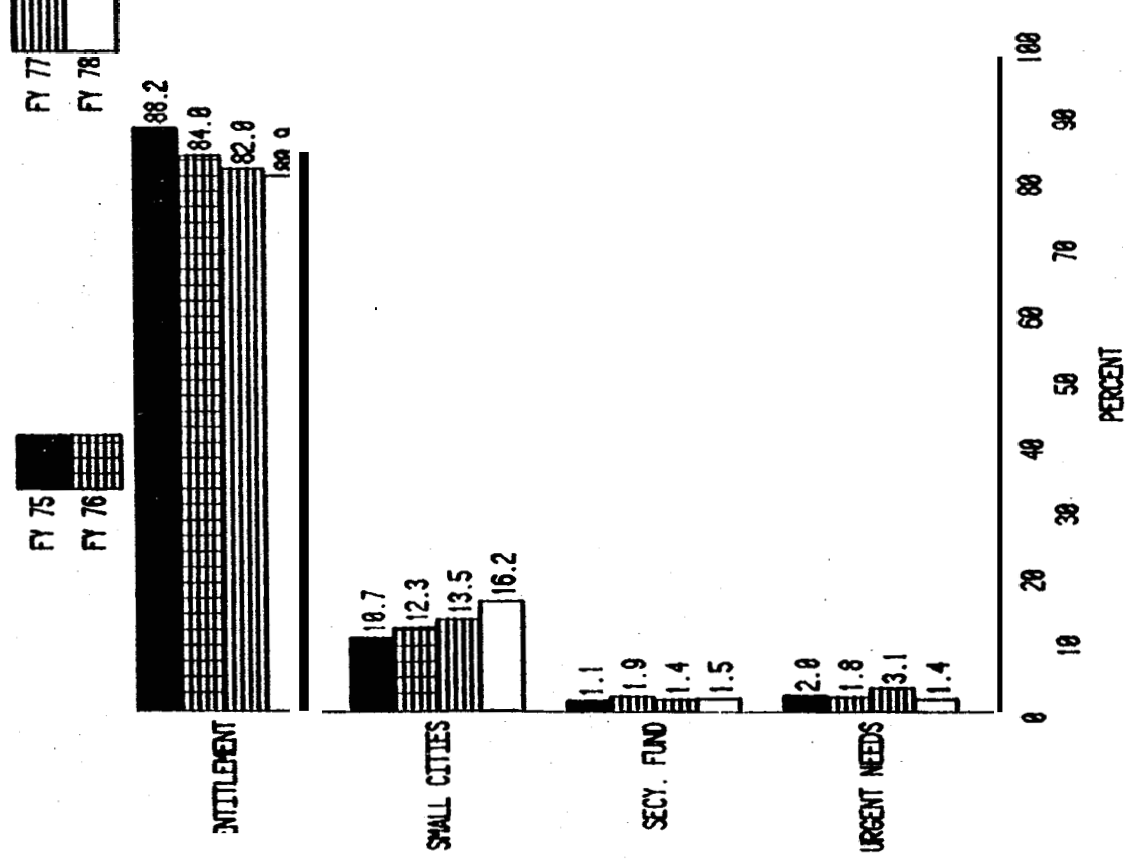
Table I-3
CDBG Obligated Funds by Type of Grant
as of January 31, 1979
(Dollars in Thousands)

Type Of Grant	Fiscal Year			
	1975	1976	1977	1978*
Entitlement	\$2,096,406	\$2,352,888	\$2,659,818	\$2,770,724
Small Cities	259,343	345,810	436,400	555,433
Secretary's Fund	26,903	52,978	45,894	50,355
Urgent Needs Financial Settlement	50,000	49,980	100,000	47,550
Total	\$2,432,652	\$2,801,656	\$3,242,112	\$3,424,062

3 These figures were higher as of June 30, 1979: Entitlement, \$2,778,341; Small Cities, \$610,296; Secretary's Fund, \$72,384; Urgent Needs/Financial Settlement Fund, \$70,986.

Source: US. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Budget Division.

Chart I-1
 Percentage Distribution of CDBG Obligated Funds
 By Type of Grant
 January 31, 1979



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

Entitlement obligations for FY 75 amounted to 86.2 percent of the funds available from that year's appropriation. In FY 76, they equalled 84.0 percent of total funds; in FY 77, 82.0 percent, and in FY 78, 80.9 percent. 5/

Small Cities' share of total funds increased in FY 78. As with the decrease in the Entitlement portion, the change in part relates to the phase-out of hold harmless grants. In effect, as hold harmless grants are reduced, more funds are made available for grants to small cities.

The share for the Secretary's Fund has remained at about the same level for each of the four program years. Appropriations for this fund are based on a constant two percent of all funds for FY 75-77 and three percent in FY 78 (minus appropriations for the Urgent Needs/Financial Settlement Fund).

Drawdowns

One of the most important management issues in the block grant program involves the rate at which available funds are expended — i.e., the drawdown rate.

As of June 30, 1979 more than \$7 billion had been expended in the four program years. These expenditures represent 58 percent of appropriated funds and about 59 percent of all obligated funds.

The cumulative expenditure rate for obligated funds (or funds made available to grantees) represents expenditures of 99.0 percent of funds available to grantees in FY 75, 96.6 percent of funds available in FY 75, 76.6 percent of funds available in FY 77, and 1.8.4 percent of funds available in FY 78 (Table I-4; Chart 1-2). 6/

5/ Variations between grant categories are due almost entirely to differences in relevant approval periods and procedures, particularly for FY 78 funds.

6/ Several explanations can be offered for the low drawdown rate for FY 1978:

(1) Because of the accounting method used for Entitlement, in FY 78 some entitlement recipients were drawing down against funds appropriated and obligated during previous fiscal years. The low drawdown for the Entitlement category, then, was not an indication

that little or no FY 78 activities were being carried out in that year. In fact, the opposite was true for many of the recipients.

(2) The low drawdown rate for Small Cities is a product of the late funding cycle which did not begin until November 1978 and continued until January 1979. This category also has a slower approval rate because of the method in which funds are distributed.

(3) These are the reasons that contribute to the slow drawdown rate for the Secretary's Fund:

(a) Unused "Disaster" funds are held until the end of each fiscal year before they are reassigned and awarded under other sub-categories.

(b) Earlier problems with the "New Communities" program caused the Department to intentionally slow down the approval process to ensure careful and complete analysis of each proposed project.

(c) Innovative Grants generally take a long time to approve because the Department assesses the criteria for award each year in order to award the grants for genuinely innovative purposes.

(d) Regulations had to be issued before the Department could make awards to Indian tribes.

(e) Coordination is required between Areawide funds and housing activities to assure that community development activities carried out with these funds are consistent with housing goals and the process of assuring this coordination requires a longer approval period.

(f) Drawdowns for the Technical Assistance Program occur at a faster pace than others in the Secretary's Fund, and they are not included in the figures used in this discussion.

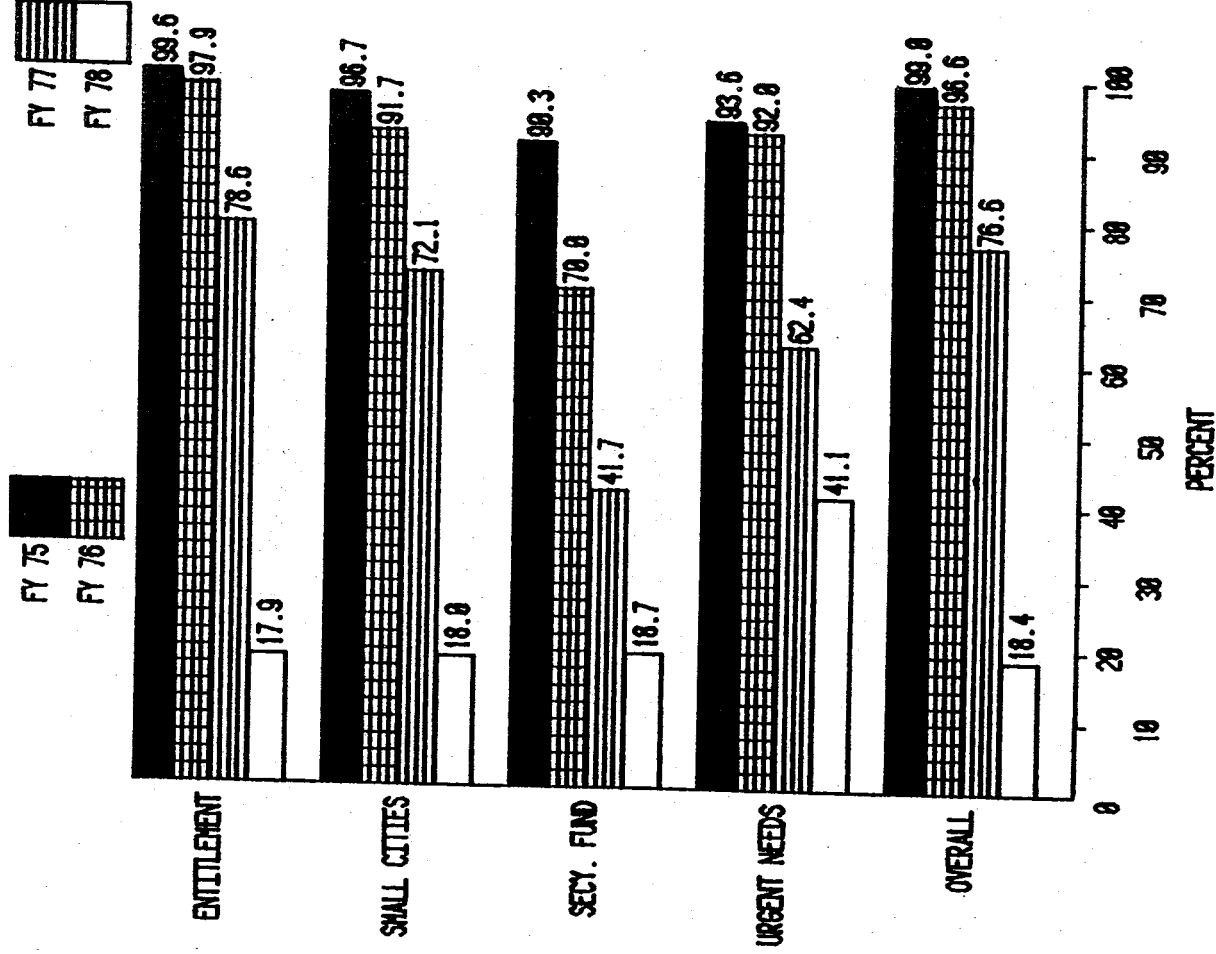
(4) The drawdown level for the Urgent Needs/Financial Settlement Fund is normal. This fund is used primarily to close out troubled Urban Renewal projects. All of these projects involve construction activities which take a long time to complete. Moreover, several of the projects have come under litigation which has temporarily halted many activities.

Table 1-4
Drawdown Rates by Grant Category
as of June 30, 1979
(Dollars in Thousands)

Grant Category	Fiscal Year			
	1975	1976	1977	1978
Entitlement	99.6	97.9	78.6	17.9
Small Cities	96.7	91.7	72.1	18.0
Secretary's Fund	90.3	70.0	41.7	18.7
Urgent Needs/Financial Settlement Fund	93.6	92.0	62.4	41.1
Overall	99.0	96.6	76.6	18.4

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

Chart I-2
Drawdown Rates by Grant Category
June 30, 1979



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

Expenditure rates varied for different types of grantee categories (Table I-4). The cumulative drawdown for Entitlement grantees was 70 percent as of June 30, 1979: this figure included a 99.6 percent drawdown of FY 75 funds, a 97.9 percent drawdown of FY 76 funds, a 78.5 percent drawdown of FY 77 funds, and a 17.9 percent drawdown of FY 78 funds.

The cumulative drawdown rate for Small Cities was 60.1 percent as of June 30, 1979.

The Secretary's Fund had the lowest overall expenditure rate of all grant categories. Its cumulative drawdown rate was 47.3 percent as of June 30, 1979. Urgent Needs/Financial Settlement, in contrast, had the highest cumulative drawdown rate of 68.7 percent.

Characteristics of Grants and Grantees

Number and Size of Grants

HUD records show that as of January 31, 1979 a total of 2,829 grants had been approved for FY 78 (Table 1-5). These include 1,304 Entitlement grants, 1,397 for Small Cities, 19 Urgent Needs/Financial Settlement grants, and 109 Secretary's Fund grants. ^{7/}

The inclusion of grants to Indian tribes accounts for the large jump in the number of Secretary's Fund grants in FY 78. The dip in the number of Urgent Needs/Financial Settlement grants is misleading, since a larger number of grants is expected. ^{8/}

^{7/} These figures were higher in some categories as of June 30, 1979: Entitlement, 1,304; Small Cities, 1,511; Secretary's Fund, 362 (excluding technical assistance); Urgent Needs/Financial Settlement, 31.

^{8/} All Urgent Needs/Financial Settlement grants had been awarded by January 31, 1979, but the funds had not yet been obligated. For instance, 38 grants had been awarded as early as October 1, 1978. For accounting purposes, these grants are not counted until the funds have been obligated. This step is attained long after award announcements are made. First a funding memorandum is prepared and is forwarded to HUD Area Offices. The Area Offices then contact individual grantees who have been awarded grants to begin the process of obligating funds. Each locality must approve the grant, usually by legislative resolution, before the funds can be obligated. Thus, the process from start to finish can be quite lengthy.

Table I-5
Number of Grants by Type
as of January 31, 1979

Type Of Grant	Fiscal Year			
	1975	1976	1977	1978*
Entitlement	1,321	1,312	1,313	1,304
Small Cities	1,885	1,907	1,910	1,397
Secretary's Fund	41	81	35	109
Urgent Needs/Financial Settlement Fund	64	77	43	19
Total	3,311	3,467	3,301	2,329

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Budget and Data Systems and Statistics Divisions.

Grant amounts have **increased** in three of the four categories. As of January 31, 1979, the average grant was \$2.1 million for Entitlement Cities, \$431,000 for **Small** Cities, \$181,000 for the Secretary's Fund, and \$3.7 million for Urgent Needs/Financial Settlement. Between FY 77 and FY 78, the average grant amount ~~for Small Cities~~ and Urgent Needs/Financial Settlement increased significantly, while grant amounts ~~for the Secretary's Fund~~ declined (Table I-6). ^{9/}

Distribution: Region, Size and Type of City Distress

Initially, CDBG funds were distributed ~~on~~ the basis of a single formula which provided different weights to population, poverty, and housing overcrowding **and which** assured metropolitan cities and urban counties three-year funding levels essentially equal to totals from categorical programs.

^{9/} However, many large grants such as "Disasters" and "New Communities" are made much later in the funding cycle and because of this factor the average grant size may be greater when all funds have been obligated.

Table 1-6
Average Size of Grants by Type
as of January 31, 1979
(Dollars in Thousands)

Type of Grant	Fiscal Year			
	1975	1976	1977	1978
Entitlement	\$1,597	\$1,732	\$2,025	\$2,124
Small Cities	138	174	221	431
Secretary's Fund	589	538	868	181
Urgent Needs/Financial Settlement Fund	794	644	1,522	3,691

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

In 1977, Congress, simultaneously acknowledging the negative effect the phasing out of hold harmless provisions would have on older cities and the need to improve the targeting of CDBG funds to older distressed cities, enacted a dual formula.

Essentially, the dual formula approach allocates CDBG funds to Entitlement communities based on the largest total each would receive using one of two equations. The first is a formula based on population, poverty, and housing overcrowding; the second, a formula based on age of housing, poverty, and below average population growth. ^{10/}

^{10/} Under the dual formula, an entitlement city receives the greater of the amounts computed via the two formulas. The factors and weights of the first formula, developed from the 1974 Act, are: (a) city population weighted .25; (b) persons in poverty weighted .50 and (c) housing overcrowding weighted .25. The factors and weights of the second formula, developed from the 1977 Act are: (a) extent of population growth lag weighted .20; (b) persons in poverty weighted .30; and (c) age of housing weighted .50.

Formula and Region

The dual formula has resulted in a perceptible increase in funds available to the North—st a d North Central Regions (Chart I-3; Table I-7). These regions had been disadvantaged by the shift from categorical programs to the block grant program in FY 75. In terms of percentage and per capita amounts, both regions will receive more money in 1978 than 1977 (Table I-7). In a similar vein, both will do far better under the dual formula than under the original one. ^{11/} In this context, it should be acknowledged that as Chart I-3 indicates, the CDBG program, with respect to both the single and dual formulas, increased the allocation of community development funds to many southern and western states.

Formula and City Size ^{12/}

Two trends were apparent in the fourth year: (1.) within the Entitlement category, a shift occurred toward larger grantees, and (2.) among grantee categories a shift occurred toward the Small Cities fund.

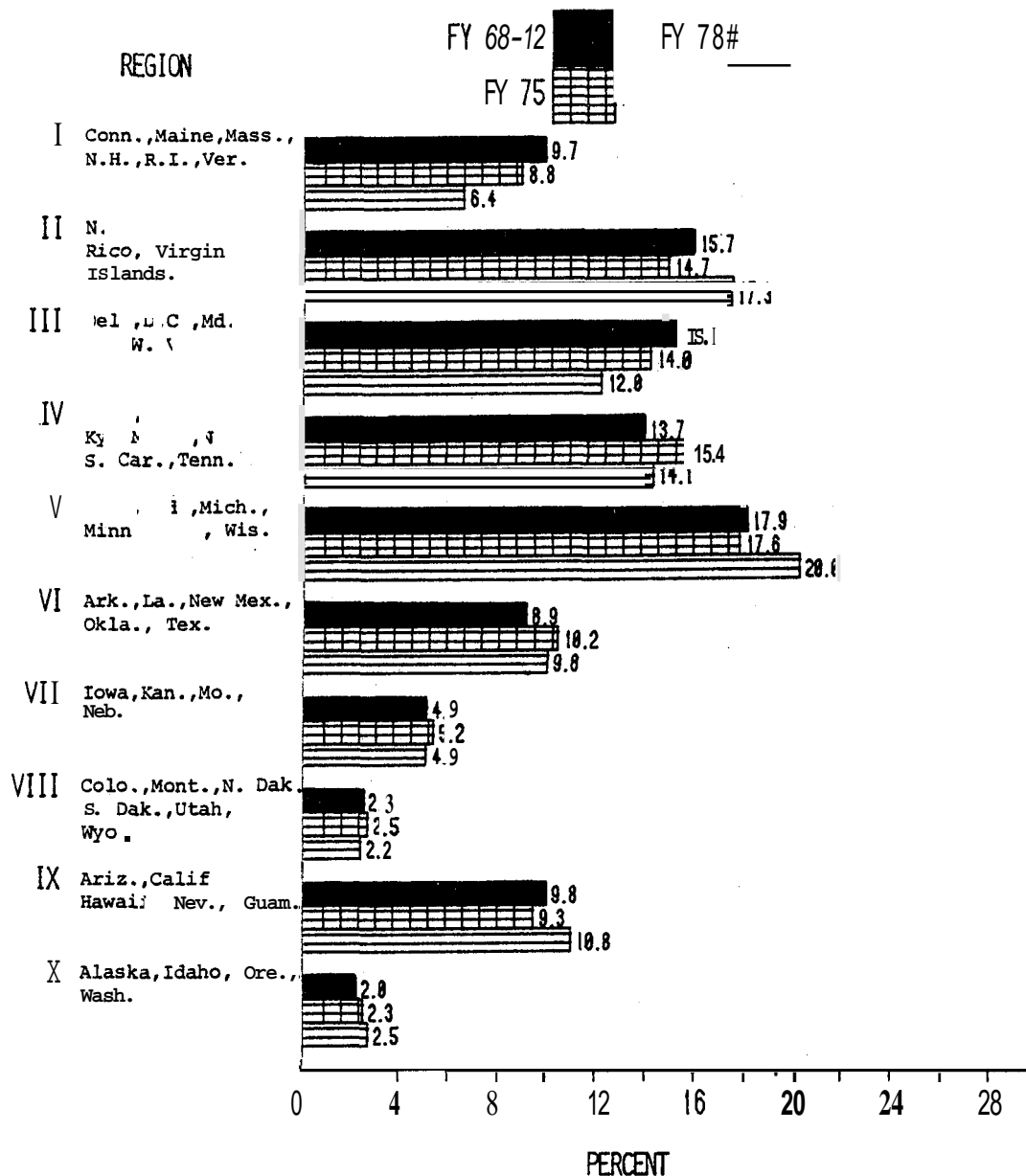
The shift within the Entitlement category toward larger grantees was dramatic. The percentage of Entitlement funds going to grantees with populations of 500,000 or more went from 34.7 percent to 42.7 percent (Chart I-4). All other grantees except those with populations of 50,000 to 99,999 showed a decline in their percentage of total funds. In fact, the FY 78 share for grantees with populations below 20,000 was less than half their FY 75 share.

When the average grant amount is calculated for each grantee size, this shift is even more apparent. The average grant amount for Entitlement grantees with populations of 500,000 or more has almost doubled since FY 75 while the average for Entitlement grantees with populations under 50,000 increased slightly in FY 75 and FY 77, and decreased in FY 78 (Chart I-5).

^{11/} The first year hold harmless provisions will not be a factor in distributing CDBG funds.

^{12/} The only complete data available by grantee population size are for Entitlement grantees.

Chart I-3
Percentage Distribution of CDBG assigned Funds by HUD Region
January 31, 1979



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

Table I-7
Distribution of CDBG Allocations by Census Region
(For 559 Metropolitan Cities)

Region*	Per Capita \$ Amounts			Percentage Shares			
	1977 Allocation (1974 Formula and Hold Harmless)**	1978 Allocation (Dual Formula and Hold Harmless)***	Dual Formula (Projected 1980)****	Displaced Categorical Programs *****	1977 Allocation (1974 Formula and Hold Harmless)**	1978 Allocation (Dual Formula and Hold Harmless)**	Dual Formula (Projected 1980)****
Northeast	\$28.39	\$32.42	\$34.22	24.9	18.8	20.0	19.0
North Central	21.77	28.51	31.17	17.5	13.9	16.8	16.9
South	25.71	24.73	25.57	20.1	17.5	15.5	14.7
West	18.18	18.29	20.06	11.4	10.9	9.5	9.4

Source: U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Office of Economic Affairs, Economic Development and Public Finance Division.

* Because eight cities in Puerto Rico are excluded, the regional percentages will not sum to the total percentage for all metropolitan cities.

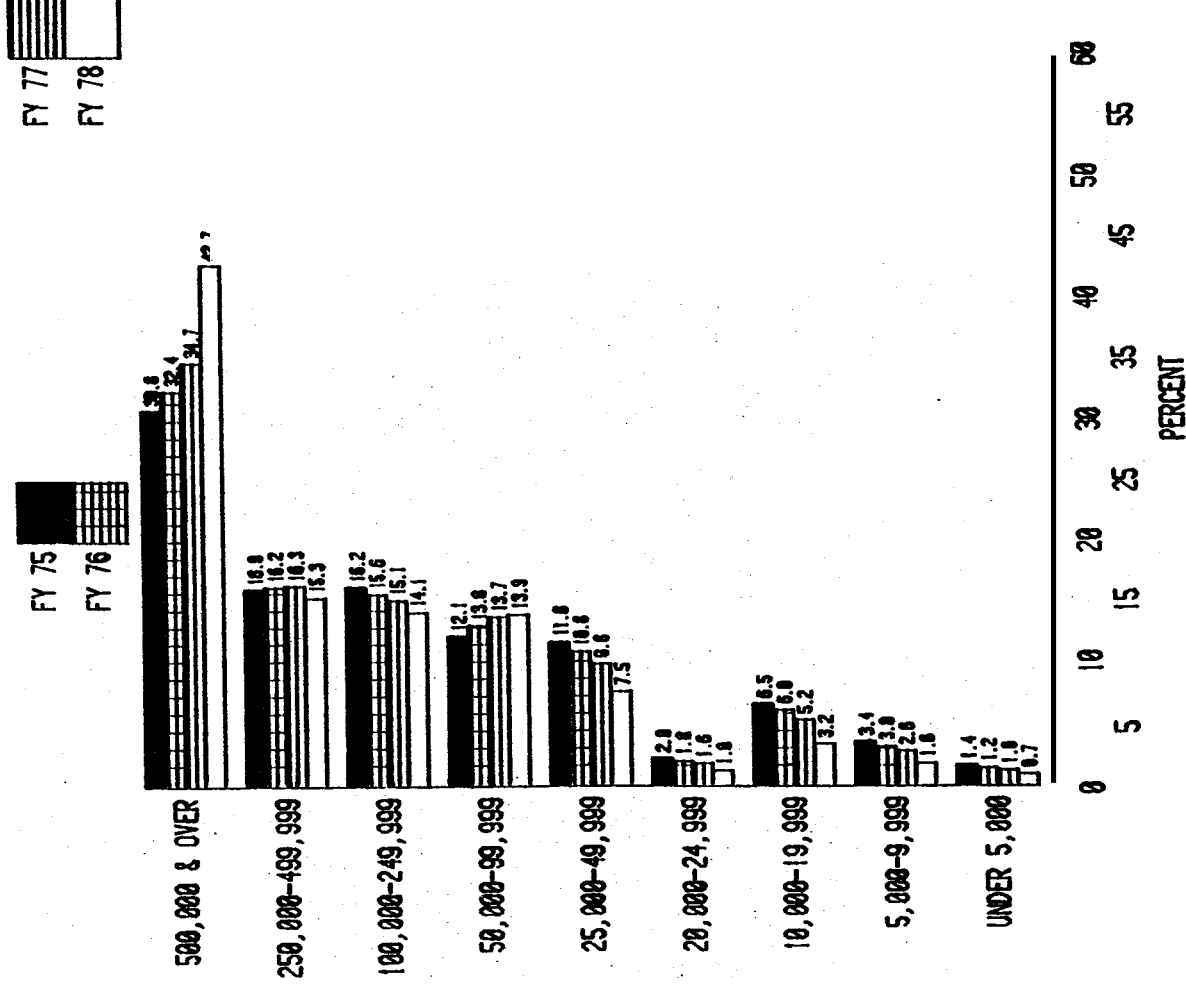
** The \$3.148 billion appropriation in fiscal year 1977 was distributed on the basis of the 1974 single formula and hold harmless averages.

*** The \$3.5 billion appropriation in fiscal year 1978 was distributed on the basis of the dual formula and hold harmless averages. Hold harmless credit in fiscal year 1978 was equal to two-thirds of the excess of the hold harmless amount over the basic dual formula amount.

**** These are full formula (i.e., no hold harmless) amounts based on a projected 1980 appropriation of \$3.8 billion.

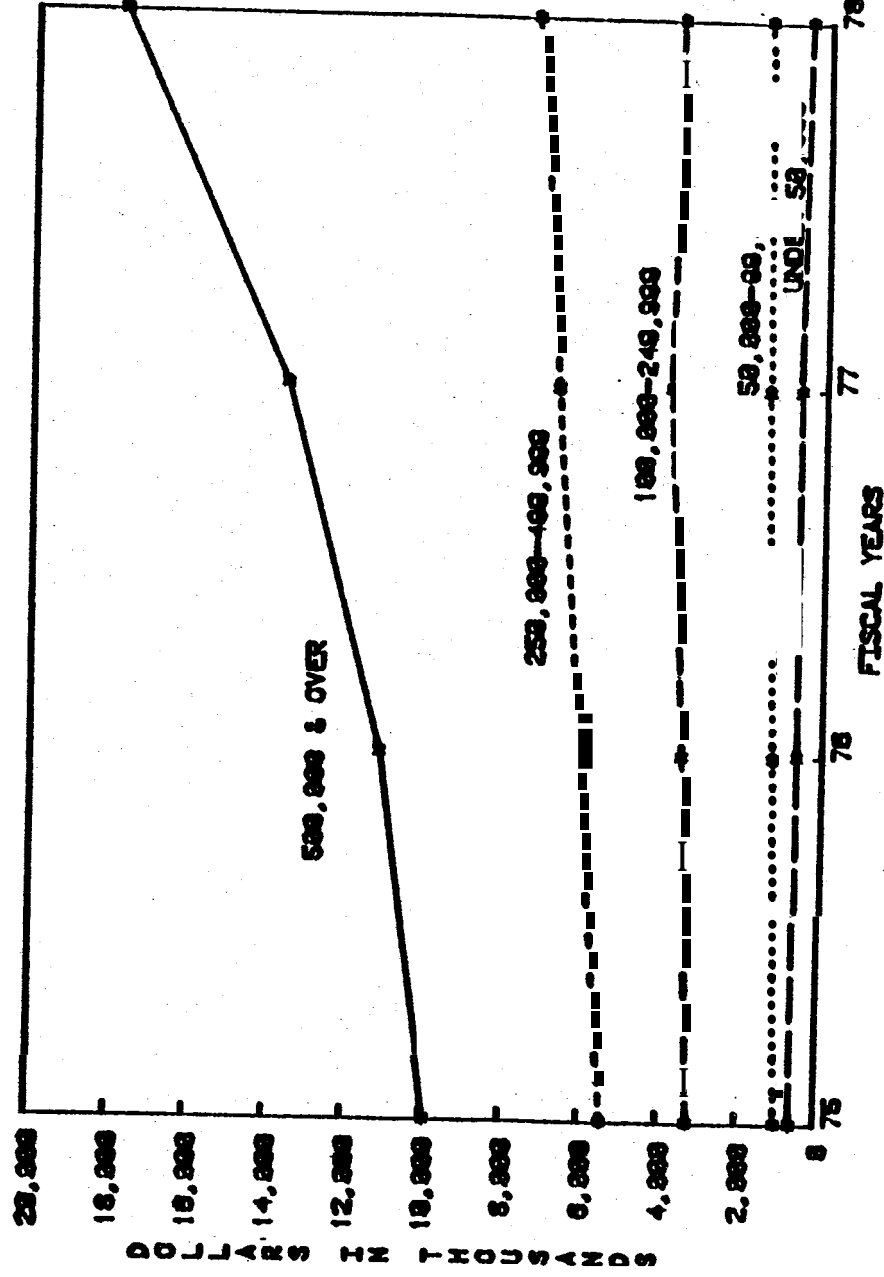
***** Allocations under the displaced categorical programs were estimated using hold harmless averages. Basically, hold harmless averages are the annual average amounts received from 1968-1972 under the displaced categorical programs.

Chart I-4
Percentage Distribution of Funds by Grantee Size
Entitlement Grants



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

Chart I-5
Average Entitlement Grant Amount by Grantee Size
(Dollars in Thousands)



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

On a per capita basis, CDBG allocations, although still skewed by hold harmless provisions, reflected similar trends. That is, in general the larger Entitlement cities have received and will continue to receive more grant funds per person than more modestly populated cities (Table I-8). Differences will increase as the full formula (i.e., no hold harmless) is utilized to distribute funds.

Formula and Central Cities

Compared to the effects of the single formula, the dual formula has resulted and will continue to result (based on the termination of hold harmless provisions) in relatively more CDBG funds flowing to central cities, particularly to distressed central cities. ^{13/}

In fiscal year 1978, central cities received an average per capita grant of \$28.59 compared to \$16.64 for large, over 50,000 population non-central cities, \$11.27 for Urban Counties, \$6.64 for small communities in SMSA balances, and \$10.17 for small communities in non-SMSA areas (Table I-9).

The per capita allocation in FY 77, based on the 1974 formula, was \$25.79 for central cities. In the same year, per capita allocations were \$14.39 for large non-central cities, \$9.94 for urban counties, \$6.39 for small communities in SMSA balances and \$9.70 for other small communities.

As illustrated in Table 1-10, the change from the single to the dual formula will increase the funds available to central cities by nearly 14 percent from 42.4 percent that they would have received in 1980 on the basis of the 1974 formula to 55.5 percent of 1980 funds. The losers will be small communities in the SMSA balance.

Formula and Level of Distress

HUD studies also indicate that the dual formula has generated more effective targeting to needy cities. The dual formula, compared to the single formula, has resulted and will result in proportionately larger per capita increases to the neediest cities (Table I-11).

^{13/} See the discussion on page 1-23, Table 1-11, and the discussion on page 11-13.

Table I-8
Per Capita CDBG Allocations by City Size,
559 Metropolitan Cities

1980 Population (Projected) (thousands)	Number of Cities	Per Capita	
		1978, Hold Harmless and Dual Formula* (Actual)	1980, Dual Formula** (Projected)
Less than 50***	119	30.93	\$27.34
50 - 9999	268	21.06	21.87
100 - 24,999	112	24.42	24.86
250 - 49,999	35	29.66	31.32
500 or more	25	29.15	33.11
All Metropolitan			
* Cities	559	26.50	28.36

The \$3.5 billion appropriation in fiscal year 1978 was distributed on the basis of dual formula and hold harmless averages. Hold harmless credit in fiscal year 1978 was equal to two-thirds of the excess of the hold harmless almost over the basic dual formula amount.

** These are full formula (i.e., no hold harmless) amounts based on a projected 1980 appropriation of \$3.8 billion.

*** The 119 cities below 50,000 population are central cities of SMSAs.

Source: U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Office of Economic Affairs, Economic Development and Public Finance Division.

Table 1-9
Per Capita Distribution of CDBG Allocation by Type of Recipient

Type of Recipient	Fiscal Year and Formula		
	1977 Actual Allocation (1974 Formula and Hold Harmless)	1978 Actual Allocation (Dual Formula and Hold Harmless) **	1980 Projected Allocation (Dual Formula) ***
<u>SMSA</u>	\$16.11	\$17.87	\$19.10
Metropolitan Cities (559)	23.82	26.56	68.36
Central Cities (381)	25.79	28.59	30.48
Non-Central Cities over 50,000 Population (178)	14.39	16.64	18.22
<u>Remainder of SMSA</u>	7.94	8.54	9.12
Urban Counties (Entitled) ****	9.94	11.27	13.37
SMSA Balance (Discretionary)	6.39	6.64	5.81
<u>Non-SMSA</u> (Discretionary)	9.70	10.17	11.74
<u>U.S. Total</u>	14.34	15.75	17.57

*

The \$3.148 billion appropriation in fiscal year 1977 was distributed on the basis of the 1974 single formula and hold harmless averages.

**

The \$3.5 billion appropriation in fiscal year 1978 was distributed on the basis of the dual formula and hold harmless averages. Hold harmless credit in fiscal year 1978 was equal to two-thirds of the excess of the hold harmless amount over the basic dual formula amount.

These are full formula (i.e., no hold harmless) amounts based on a projected 1980 appropriation of \$3.8 billion.

Data not available for breakdown of hold harmless between urban counties and the SMSA balance.

Source: U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Office of Economic Affairs, Economic Development and public Finance Division.

Table 1-10
Percentage Distribution of CDBG Allocation by Type of Recipient

Type of Recipient	Fiscal Year and Formula		
	1977 Actual Allocation (1974 Formula and Hold Harmless) *	1978 Actual Allocation (Dual Formula and Hold Harmless) **	1980 Projected Allocation (Dual Formula) ***
<u>SMSA</u>	81.3%	82.5%	81.3%
Metropolitan Cities (559)	61.9	63.5	62.50
Central Cities (381)	55.9	56.5	55.5
Non-Central Cities over 50,000 Population (178)	6.0	7.0	7.0
<u>Remainder of SMSA</u>	19.4	18.9	18.8
Urban Counties (Entitled)****	10.6	12.5	12.0
SMSA Balance (Discretionary)	8.8	8.0	6.8
<u>Non-SMSA</u> (Discretionary)	18.7	17.5	18.7*****
<u>U.S.</u>	100.0	100.0	100.0

*

The \$3.148 billion appropriation in fiscal year 1977 was distributed on the basis of the 1974 single formula and hold harmless averages.

**

The \$3.5 billion appropriation in fiscal year 1978 was distributed on the basis of the dual formula and hold harmless averages. Hold harmless credit in fiscal year 1978 was equal to two-thirds of the excess of the hold harmless amount over the basic dual formula amount.

These are full formula (i.e., no hold harmless) amounts based on a projected 1980 appropriation of \$3.8 billion.

Data not available for breakdown of hold harmless between urban counties and the SMSA balance.

The non-SMSA account falls below 20 percent because the SMSA balance account includes a minimum set aside which is not divided on a 80-20 basis between the SMSA and non-SMSA account.

Source: U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Office of Economic Affairs, Economic Development and Public Finance Division.

Table 1-11
Average Per Capita Allocations for Quintiles
of Need in 483 Entitlement Cities

	1974 Formula	Dual Formula
<u>Quintiles of Need*</u>		
Most Needy	\$37.59	\$45.15
2	\$34.11	35.05
3	28.92	30.39
4	25.59	22.33
		14.86
Least Needy	20.31	14.86
<u>Ratio</u>		
(most needy/least needy)	1.85	3.03

* -Each quintile contains approximately one-fifth of the population in the 483 cities,

Source: U.S. Department of Housing and Development, Office of Policy Development and Research, City Need and Community Development Funding (1979), p. 99.

CHAPTER II

PLANNED EXPENDITURES: NATIONAL OBJECTIVES, BUDGETED ACTIVITIES, AND PROGRAM PRIORITIES

Introduction

This chapter describes **how** communities are planning to use their funding allocations. It describes **planned** expenditures in relation to the eight legislative objectives, six major budget line items contained on program applications, **and** three major priority categories established by the legislation: low- and moderate-income persons, elimination of slums and blight, and urgent **needs**. ^{1/}

Legislative Objectives

The Community Development Block Grant **legislation** ^{2/} lists eight specific national objectives:

- (1) the elimination of slums and blight **and** the prevention of **blighting** influences and the deterioration of property **and** neighborhood and **community** facilities of importance to the welfare of the community, principally persons of low and moderate income;
- (2) the elimination of conditions which are detrimental to health, safety, and public welfare, through **code** enforcement, demolition, interim rehabilitation assistance, and related activities;
- (3) the conservation and **expansion** of the Nation's housing stock in **order** to provide a decent home and a suitable living environment for all persons, but principally those of low **and** moderate income;

^{1/} These three priority categories are often referred to **as** the "three-pronged test" because **all** CDBG activities **must** be directed to at least one of them.

^{2/} Title I of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. Section 5301 et seq.

(4) the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;

(5) a more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other **needed** activity centers;

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

(7) the restoration and preservation of properties of special value for historic, architectural, or aesthetic value; and

(8) the alleviation of physical and economic distress through the stimulation of private investment and community revitalization in areas with population outmigration or a stagnating or declining tax base.

Many of these objectives overlap in intent, and many of the activities undertaken by entitlement cities to achieve their goals affect several objectives.

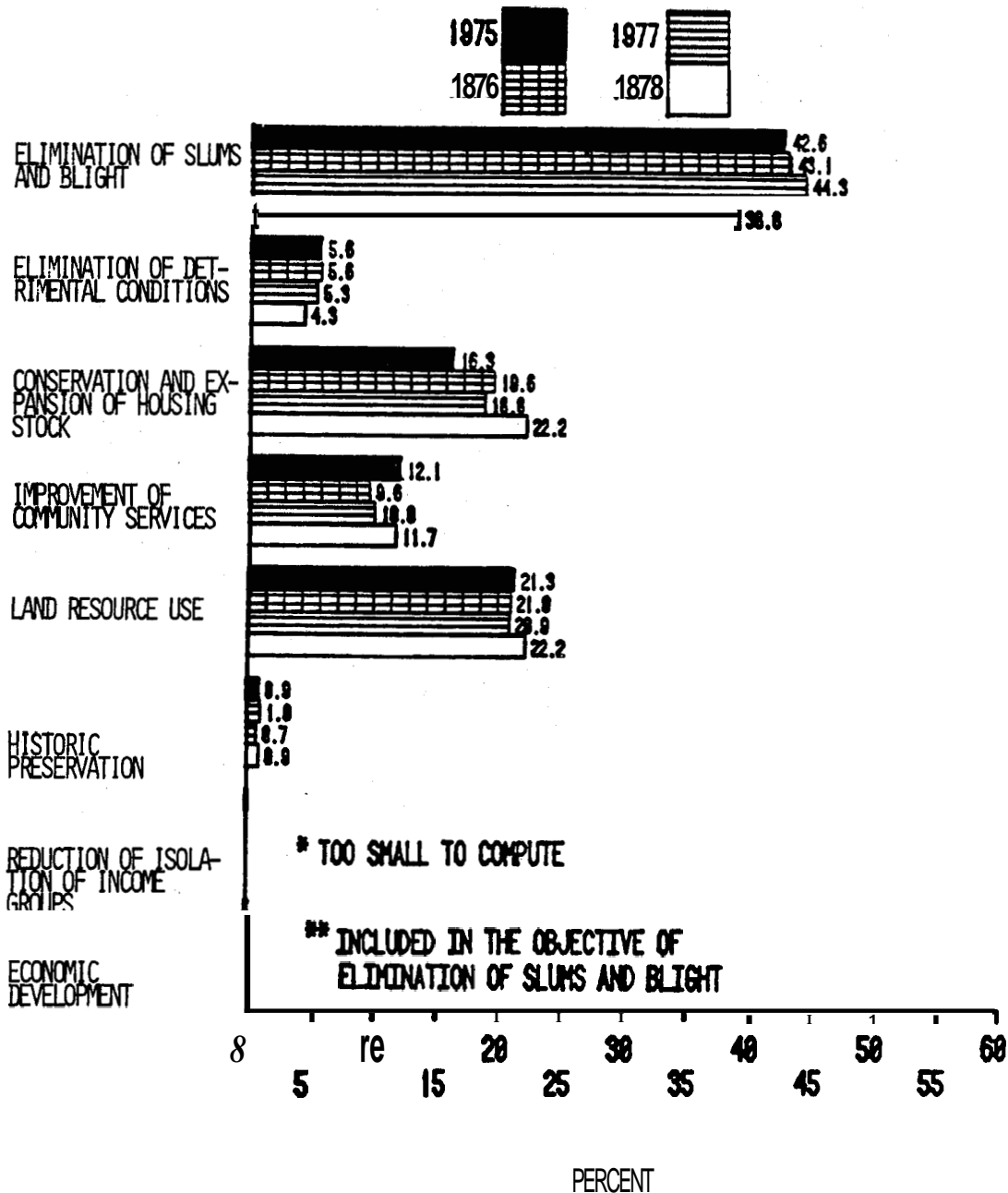
As the following chart illustrates (Chart 11-1), the general pattern for all four program years reveals the greatest concentration of funds in activities related to the elimination of slums and blight, followed by land resource use, conservation and expansion of the housing stock, improvement of community services, elimination of detrimental conditions, and historic preservation.

Most changes in funding levels across program years have been relatively small. The most noticeable changes in recent program years reflect a decrease of about four percent in the proportion of funds allocated for the elimination of slums and blight (44.3 percent to 38.8 percent) and an almost equivalent increase in funds allocated for the conservation and expansion of the housing stock (18.8 percent to 22.2 percent).

Budgeted Activities

Communities may undertake a range of specific CDBG activities to achieve statutory objectives. The overall pattern of budgeted

Chart II-1
CDBG Legislative Objectives
Percent Funds Budgeted by Objective



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

activities has been similar for all program years (Chart II-2), although some changes are evident in the most recent years.

As in earlier years, more than a third of the FY 78 block grant funds was budgeted for public works and facilities. However, in FY 78, a smaller percentage of funds was budgeted for these activities than in any of the three previous years.

Relocation, acquisition, and demolition activities accounted for about one fifth of the FY 78 funds. This represents a sizeable increase over related FY 76 and FY 77 shares. Relocation and land acquisition, in particular, have increased. Some of the FY 78 increases in these activities resulted from changes in relocation regulations which expanded eligibility for relocation payments.

About one sixth of the FY 78 funds were budgeted for rehabilitation. This activity has shown significant -- though incremental -- increases for each of the four program years.

The percentage budgeted for categorical programs has declined significantly and at a rapid pace over the life of the CDBG program. In FY 78, only three percent of the program funds were budgeted for categorical programs.

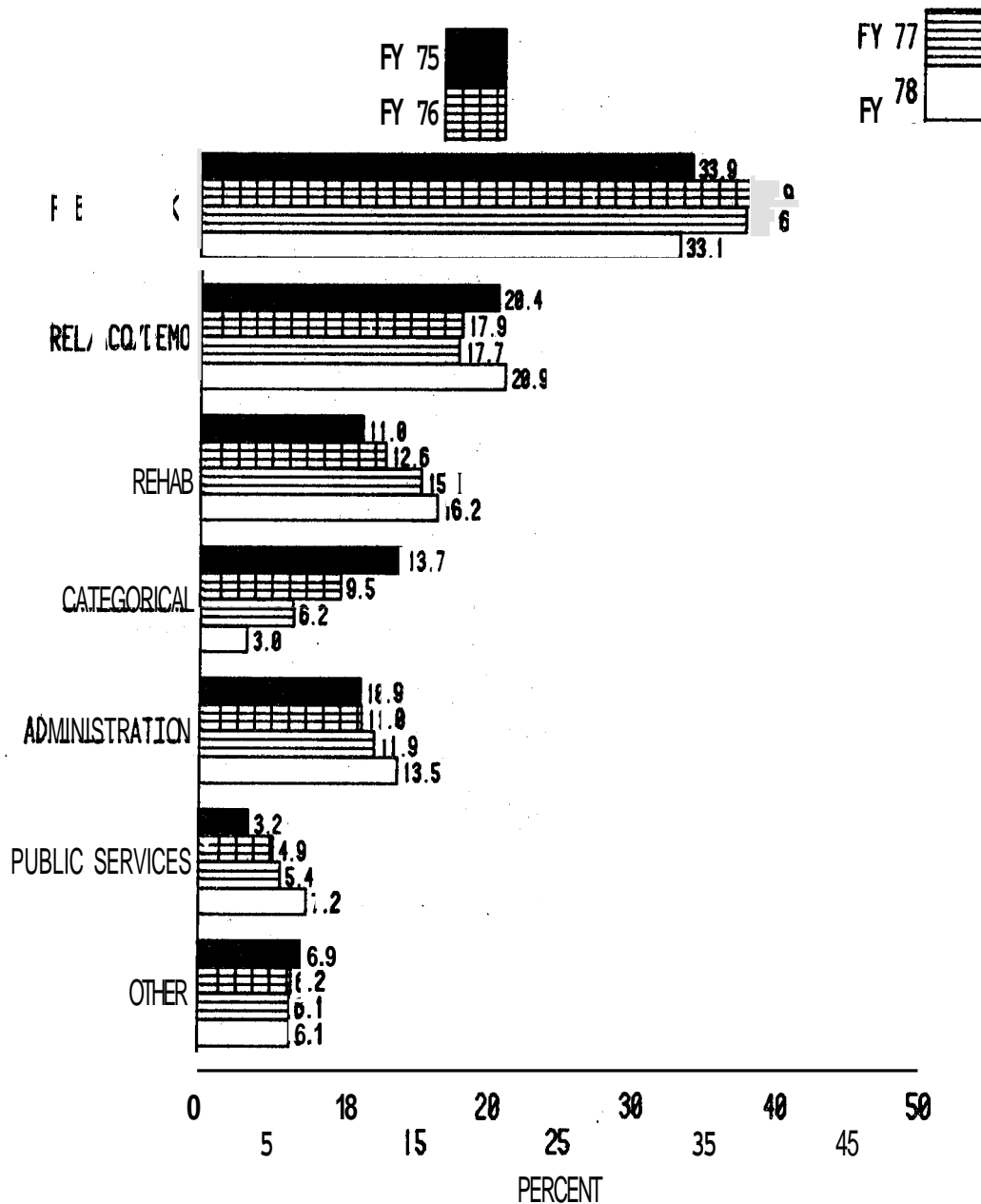
The percentage budgeted for administration increase slightly from approximately 12 percent in FY 77 to 13.5 percent in FY 78. A great deal of variation in administrative costs is evident among grantee categories. Grantees that budget a large share of their funds for administration generally have been larger entitlement communities. Small cities generally have budgeted a smaller share of their funds for administration.

Public service activities rose from 5.4 percent of the total budget in FY 77 to 7.2 percent in FY 78. This increase probably relates to the phase out of Model Cities. Some grantees appear to have transferred Model Cities service activities to the public services budget line. In effect, the budget line share for public services may be increasing while the activity level remains almost the same.

Description of Program Priorities

Although cities have considerable latitude in deciding what activities they may pursue, which areas of their cities to upgrade or treat with CDBG funds, and who is to benefit from the program, local CDBG activities must give maximum feasible priority to one of three program areas. Local communities must certify in their CDBG applications that planned activities: (1) benefit low- and moderate-income families; or

Chart II-2
Percentage Distribution of Funds by Budget Activity
U.S. Summary



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

- (2) aid in the preservation or elimination of slums and blight; or
- (3) meet other community development needs having a particular urgency.

However, precise guidelines or administrative interpretations defining these activities were not provided in the program's early years. As a result, the validity of local priority certifications became of increasing concern during 1976 and 1977. Certifications took on different meaning in different cities and Area Offices.

To insure a more uniform interpretation of the legislation among all Area Offices and cities participating in the program, the Department issued Notice 77-10 on April 15, 1977. This Notice for the first time defined which activities were considered to benefit low- and moderate-income persons, aid in the prevention or elimination of slums and blight, or meet urgent community development needs. In March 1978, the Department followed this Notice with new regulations which made the standard even clearer.

Low- and Moderate-Income Benefit Level

Coincident with the provision of more precise guidelines, the proportion of program benefits directed to low- and moderate-income persons has significantly increased, reversing the downward trend in earlier program years.

In the initial three years of the CDBG program, FY 75 to FY 77, benefit to low- and moderate-income persons declined from 64 percent to 61 percent (Table II-1; Table II-2). Taking the place of and accounting for the decline in benefit to low- and moderate-income persons was a general spreading of the program to many non low- and moderate-income areas in the entitlement cities.

During these years, the number of non low- and moderate-income census tracts with activities funded with CDBG dollars increased from 720 to 1,206, a gain of 68 percent. The number of low- and moderate-income tracts funded also increased in this three-year period, but the magnitude of the gain was not equal to the gain in the number of non low- and moderate-income tracts receiving CDBG dollars. Specifically, the number of low- and moderate-income tracts funded increased from 831 tracts to 1,124 tracts, or a gain of 35 percent.

By 1978, the downward trend was reversed. The benefit to low- and moderate-income persons went from a low of 61 percent in FY 77 to a

Table II-1
Percentage of Benefits to Low-
and Moderate-Income Persons, in Sample Cities,*
FY 75 - FY 78

Fiscal Year	Percentage of Funds Benefiting Low- and Moderate-Income Groups
1975 (147)	64%
1976 (147)	62%
1977 (146)	61%
* 1978 (146)	65%

* The numbers in Parentheses equal the number of cities contained in the HUD sample of entitlement jurisdictions for that year.

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

Table II-2
Number of Low- and Moderate-Income and Non-
Low- and Moderate-Income Census Tracts Funded in Sample
Cities* in The CDBG Program,
FY 75 - FY 78

Fiscal. Year	Number of Tracts Funded	
	Low- and Moderate-Income	Non-Low- and Moderate-Income
1975 (147)	831	720
1976 (147)	1107	1169
1977 (146)	1124	1206
* 1978 (146)	1133	1195

* The numbers in parentheses equal the number of cities contained in the sample of entitlement jurisdictions for that year.

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

high of 66 percent in FY 78. ^{3/} Low- and moderate-income tracts being funded increased from 1,124 tracts in FY 77 to 1,133 tracts in FY 78, while non-low- and moderate-income tracts funded declined from 1,206 to 1,195 (Table II-3).

Concurrent with the shift from more non-low- and moderate-income tracts to more low- and moderate-income tracts, entitlement cities also increased the dollars allocated to low- and moderate-income census tracts and decreased the dollars allocated to non low- and moderate-income tracts. An increase of over \$7,000 per census tract was evident in low- and moderate-income tracts between FY 77 and FY 78 while a decrease of over \$10,000 per tract was recorded in the non-low- and moderate-income tracts.

-
- 3/ The trend toward increasing low- and moderate-income benefit levels was also found in the Brookings study. !U.S. Department of Housing and Urban Development, Targeting Community Development, Interim Report . (Washington, D.C. : The Brookings Institution, July 1979), Chapter 7: "Social Targeting."1 According to the study, the proportion of benefits to low- and moderate-income persons has increased from 60 percent of the allowable dollars to 62 percent, Unlike the HUD analysis, however, the Brookings study reports incremental increases in benefits to low- and moderate-income persons in each program year. The difference between the HUD and Brookings estimates are probably related to differing analyses and methodologies. The Brookings analysis is based on 41 jurisdictions, the HUD analysis on 151 jurisdictions. The Brookings analysis is based primarily on field data; the HUD analysis supplements field data with census tract analysis.

Brookings concludes that the change actually began prior to the issuance of the March 1978 regulations: "The increase in social targeting over the four years appears to be the result of greater emphasis by HUD on this goal. The field reports and data show that in a few communities the increase of lower income benefits started as early as the second program year with HUD pressure to undertake activities yielding more benefits to lower income groups. However, the broader impact of HUD appears to have come during the third and fourth years of the program as the Harris-Embry emphasis on social targeting, discussed in Chapter 2, began to have some effect and the number of communities with lower income benefits below the 50 percent level decreased significantly." (Ibid., p. 7-15)

Table 11-3
Extent to which **CDBG** Funds are Benefiting **JAWMD** Moderate-Income
Persons in the National Sample of Entitlement Communities
in **FY 76, 77, and 78**

Projects and Activities of Benefit to Low-Mod Families and Persons	FY 76		FY 77		FY 78	
	Amount	Percent	Amount	Percent	Amount	Percent
Rehab Loans & Grants (80%)	\$52,587,610	13.52%	\$51,578,087	12.69%	\$54,568,567	13.40%
Rehab Grants (100%)	7,206,163	1.85%	8,668,345	2.13%	16,211,535	3.98%
Modernization of Public Bwsing (100%)	2,429,128	0.62%	3,300,504	0.81%	3,293,500	0.81%
New Housing Development (100%)	2,791,958	0.72%	2,589,906	0.64%	5,310,251	1.30%
Public Services (80%)	34,004,446	8.74%	35,855,174	8.82%	42,670,733	10.48%
Low-Mod Areas (100%)	110,795,926	28.48%	112,774,463	27.75%	112,706,123	27.67%
CBD/Non Residential Areas (30%)	9,752,727	2.51%	12,877,571	3.17%	9,718,342	2.39%
Service Centers & Other Facilities (100%)	19,579,467	5.03%	19,439,819	4.78%	22,676,536	5.57%
Removal of Architectural Barriers	339,003	0.09%	1,169,298	0.29%	1,391,532	0.34%
Subtotal	239,486,428	61.56%	248,253,167	61.08%	268,347,119	65.94%
<u>Urgent Needs</u>	21,375,606	5.49%	15,991,717	3.94%	1,112,845	0.27%
Elimination Of Slums and Blight (Former Categorical Areas)						
In CBD/Non Residential Areas	14,819,989	3.81%	17,735,940	4.36%	12,592,436	3.09%
In Residential Areas	26,911,206	6.92%	26,526,070	6.53%	16,225,136	3.98%
Sub-Total	41,731,195	10.73%	44,262,010	10.89%	28,817,572	7.07%
Prevention and Elimination of Slums and Blight (New Areas)						
CBD/Non Residential Areas	4,989,790	1.28%	8,977,064	2.21%	10,018,083	2.46%
Citywide	15,142,298	3.89%	10,546,703	2.60%	11,592,003	2.85%
Services (20%)	7,139,056	1.84%	8,066,550	1.99%	10,591,402	2.60%
Residential Rehab (20%)	9,088,801	2.34%	9,684,474	2.38%	13,340,180	3.28%
Other Residential Area Activities	50,051,140	12.87%	60,571,463	14.91%	63,226,397	15.53%
subtotal	86,411,085	22.22%	97,846,254	24.09%	108,768,065	26.72%
Total program Funds	389,004,314	100.00%	406,353,148	100.00%	407,245,601	100.00%
Source: U.S. Department of Housing and Urban Development, Community Planning and Development, office of Evaluation, Sample Cities Applications.						

Low- and Moderate-Income Benefits: Estimation Techniques

The Department's method for measuring change in the level of benefits to low- and moderate-income persons from the CDBG program probably is conservative. ^{4/} It underestimates the extent to which benefits are being provided to small pockets of low- and moderate-income families, particularly in less distressed and smaller communities, and may somewhat underestimate the number of low- and moderate-income areas.

When the percentages are adjusted to compensate for underreporting of benefits in some less distressed and smaller communities, ^{5/} the estimate of program benefits to low- and moderate-income families increases by four percentage points in FY 77 and two percentage points in FY 78. In addition, most of the increase in social services and rehabilitation loans in FY 78 probably was directed at benefiting low- and moderate-income families. If true, such expenditures would raise the total estimate of program benefits to low- and moderate-income families by an additional 1.5 Percentage points in FY 78. Finally, if adjustments were made to reflect area changes (the conversion of non low- and moderate-income tracts to low- and moderate-income tracts), the percentage of CDBG funds would increase by four percent in FY 77 and three percent in FY 78.

At a minimum, low- and moderate-income benefits approached 61 percent in FY 77 and 66 percent in FY 78; at maximum, they approached 69 percent in FY 77 and 73 percent in FY 78.

Cities Budgeting More Than 75 Percent Low- and Moderate-Income Benefits

Reflecting HUD and local concerns, the number of cities budgeting more than 75 percent of their CDBG program funds for low- and moderate-income households increased by nearly half between FY 77 and FY 78

^{4/} The method for calculating benefits to low- and moderate-income persons includes only those census tracts where: a majority (more than half of the families living in the tract) have incomes below 80 percent of the SMSA median family income; there are more than \$200 families; and the census tract is not a central business district.

^{5/} These are communities which have populations of less than 100,000 and a considerable number with populations of less than 50,000 and which have few, if any, low- and Moderate-income census tracts,

(Table II-4). At the same time, the number of cities budgeting less than 50 percent of their funds to benefit such families decreased significantly. 6/

Extent to Which Program Benefits are Directed to the Prevention or Elimination of Slums and to Urgent Needs

The law requires that any funds not budgeted for activities which benefit low-and moderate-income families must aid in the prevention or elimination of slums and blight or be designated to meet other community development needs having a particular urgency. From FY 76 through FY 78, the funds were distributed among these latter categories as shown in Table 11-5.

The decrease in urgent needs activities is due to changes in the regulations regarding what constitutes an urgent need; 7/ the decrease in elimination of slums and blight activities in former categorical areas is due to the declining importance of such areas

6/ Of the 23 sample cities (in the sample of 151 cities subject to analysis) budgeting less than 50 percent of their funds to benefit low- and moderate-income families, three had been accepted with reservation by the Area Offices; four were in the process of undertaking special surveys to determine the income levels of the persons and families benefitting from the program, six had submitted documentation to the Area Offices indicating that their programs were focused on smaller pockets of low-and moderate-income families within larger areas of higher income; one was a community with CDBG funds oriented toward meeting community development needs of a particular urgency; and nine had budgeted a majority or a substantial portion of their funds to eliminating slums and blight by continuing CDBG activities in their urban renewal areas.

7/ Section 570.302(f) of the regulations includes a change which specifies that urgent needs "...are projects which the applicant certifies and the Secretary determines are designed to alleviate a serious and immediate threat to the health or welfare of the community which is of recent origin (emphasis added) where the applicant is unable to finance the projects on its own..." 24 CFR Section 570.302 (f)1"

Table II-4
Percent and Number of Sample Cities Budgeting
CDBG Funds to Benefit Low- and Moderate-Income Families

Percent Budgeted for Low- and Mod- erate Income Families	Cities in FY 77		Cities in FY 79	
	Number	Percent	Number	Percent
less than 50%	53	35.3%	46	31.3%
50-59%	24	16.0%	22	15.0%
60-69%	28	18.7%	25	17.0%
70-74%	17	11.3%	30	6.8%
75-79%	7	4.7%	14	9.5%
80-89%	16	10.7%	18	12.2%
90% or more	5	3.3%	12	8.2%
Total	150	100.0%	147	100.0%

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

Table II-5
Percent of Funds Budgeted for Prevention
or Elimination of Slums and Blight or
Urgent Needs

Activity	Fiscal Year		
	FY 75	FY 77	FY 78
Urgent Needs	5.39%	3.94%	0.27%
Elimination of Slums and Blight (former categorical areas)	10.37%	10.89%	7.07%
Preservation/Elimination of Slums and Blight (Other Areas)	22.22%	24.09%	26.72%

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

within the CDBG program in general, and the increase in funds for eliminating slums and blight in other areas is caused primarily by an increase in housing rehabilitation and public services activities in these areas.

Impact of the Block Grant Program—Early Estimates

Because of the complex methodological problems outlined in the introduction to this report, it is not yet possible to define or measure precisely the aggregate impact of the CDBG program. It is possible however, to approximate the probable effect of the program in some key areas of statutory concern.

Housing

Since the inception of the program, approximately \$3.5 billion of CDBG funds have been allocated by recipients to rehabilitation (Table II-6). If the national average of \$6,000 per unit (rehabilitation costs) were applied to the total rehabilitation dollars, the gross number of units rehabilitated by CDBG funds would approach 129,242. ^{8/} Of this total, 73,050 units would be in central cities and 33,563 units in suburban areas.

Employment

The CDBG program creates close to 300,000 jobs yearly (Table II-6). Over one half of these jobs are in central cities and about 52,300 are in suburban areas. Nearly 50,000 person years of employment were created for minority employees.

CDBG jobs paid nearly \$3.7 billion in wages. Of this total, close to \$2 billion went to employees in central cities.

Fiscal

CDBG funds provide an immediate or flexible source of income to recipients. Present HUD studies clearly indicate that the CDBG formula allocates more money to distressed cities than to more affluent cities (Table II-7). As relevant analyses suggest, the CDBG formula correlates well with cities experiencing a slow growth in their tax base. Correlations also exist with respect to per capita levels of income, property values and retail sales (Table II-8).

^{8/} This total does not reflect rehabilitation activity induced by CDBG expenditures.

Table 11-6
Urban Impacts of CDBG FY 1978

	Housing Units Affected*	Direct Expenditures		Output Millions	Employment Thousands	Earnings Millions
		Amount Millions	Percent			
Central Cities	73,050	\$1,924.9	56.5%	\$3,792.0	179.1	\$2,085.6
Suburbs	33,563	884.4	26.0	1,742.3	82.3	958.2
Non-metropolitan	<u>22,629</u>	<u>596.3</u>	<u>17.5</u>	<u>1,174.7</u>	<u>55.5</u>	<u>646.1</u>
* Total	129,242	3,405.6**	100.0	6,709.0	316.9	3,689.9

Figures were calculated by taking the national percentage of FY 78 CDBG funds going to rehabilitation (22.77%) and applying a \$6,000 per unit figure for average rehabilitation costs.

** Excludes Secretary's Fund.

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

Table 11-7
Per Capita Distribution of Federal Aid Relative to
Fiscal Need Program for 38 Large Cities

Fiscal Need	Number of Cities	CDBG (Projected 1980)	General Revenue Sharing to City Govern- ment	Antirecession Fiscal Assistance to City Govern- ment	CETA			
					Title I (Block Grant	Title II (Public Service Employ- ment)	Title VI (Public Service Employ- ment)	Local Public Works
High	10	\$44.11	\$28.29	\$9.65	\$11.70	\$2.05	\$8.75	\$42.03
Medium	18	37.93	21.74	6.54	10.38	2.19	8.43	31.25
Low	10	24.14	14.33	3.13	7.87	1.96	9.00	24.96
All Cities	38	35.93	21.25	6.46	10.07	2.09	8.41	32.43

Source: U.S. Congress, House Committee on Banking, Finance and Urban Affairs, Subcommittee on the City,
City Need and the Responsiveness of Federal Grants Programs, 95th Congress, 2nd Sess. (Washington,
DC: GPO, 1978), pp. 58, 62, 70 and 74.

Table 11-8
Correlations Between Dual Formula Allocations and Indicators
of Fiscal Capacity and Tax Effort

Indicators	Dual Formula Allocations (Projected 1980)
<u>Fiscal Capacity"</u>	
<u>Per Capita Level</u>	
1. Income, 1974	-.40
2. Market Value of Property, 1972	-.30
3. Retail Sales, 1976	-.49
<u>Annual Rate of Change in</u>	
4. Assessed Value, 1970-75	-.68
5. Assessed Value, 1960-70	-.78
6. Total Income, 1970-75	-.60
7. Total Income, 1960-70	-.65
<u>Percent Change in</u>	
8. Retail Sales, 1972-76	-.51
9. Wholesale Sales, 1967-72	-.60
10. Service Receipts, 1967-72	-.49
11. Net Change in Per Capita Income, 1969-74	-.49
<u>Tax Effort</u>	
<u>Level</u>	
12. Per Capita Noneducation Taxes, 1976	.33
13. Noneducation Tax Effort**	.41
<u>Trend</u>	
14. Change in Per Capita Noneducation Taxes, 1972-76	.18
15. Change in Per Capita Total Taxes	.14
16. Change in Total Tax Effort, 1970-76***	.07

* Variables 1, 9, 10, and 11 to 13 are based on 483 metropolitan cities and variables 2 to 8 and 14 to 16, 83 large central cities. Sources of the central city data were Advisory Commission on Intergovernmental Relations (ACIR), Trends in Metropolitan America (Washington, D.C.: February, 1977), M-108; and Seymour Sachs, "Trends in Large City Characteristics," unpublished paper, Syracuse University Economics Department, 1978.

** Noneducation taxes (1976) are expressed as a percentage respectively, of income (1974).

*** 1970 and 1976 total taxes are expressed as percentages of 1969 and 1974 income.

Source: U.S. Department of Housing and Urban Development, Policy Development and Research City Need and Community Development. Funding (Washington, 1979), pp. 223, 225, 243 and 246.

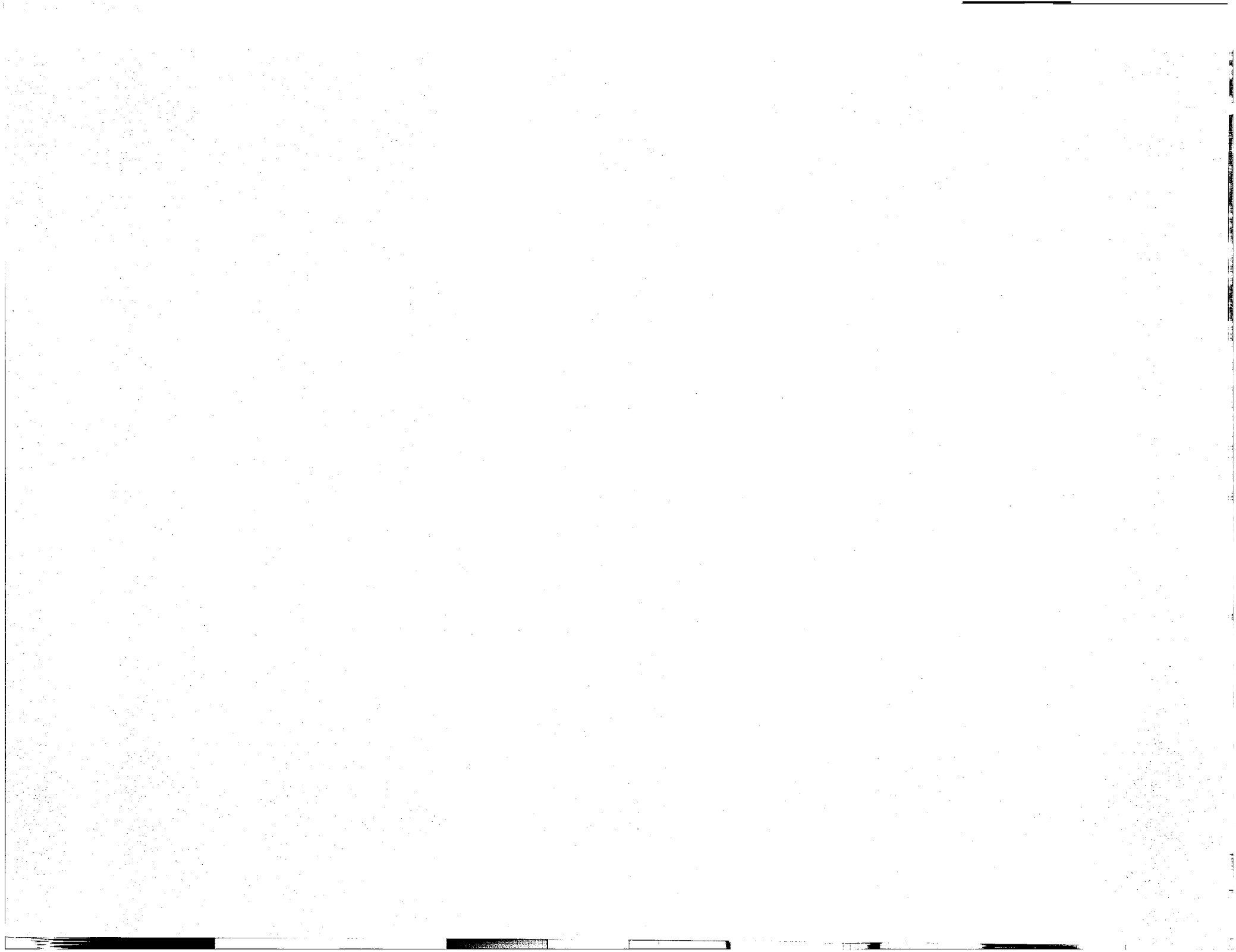
PART III

PROGRESS TOWARD PROGRAM OBJECTIVES

III Defining Community Plans and Strategies

**CHAPTER IV Measuring Progress Toward Plans and
Strategies: An Analysis of Expenditure
Rates**

**CHAPTER V Measuring Progress Toward Plans and
Strategies: An Analysis of Implementation
Schedules, Impact, and Levels of Satisfaction**



CHAPTER IIP

DEFINING COMMUNITY PLANS AND STRATEGIES

Introduction

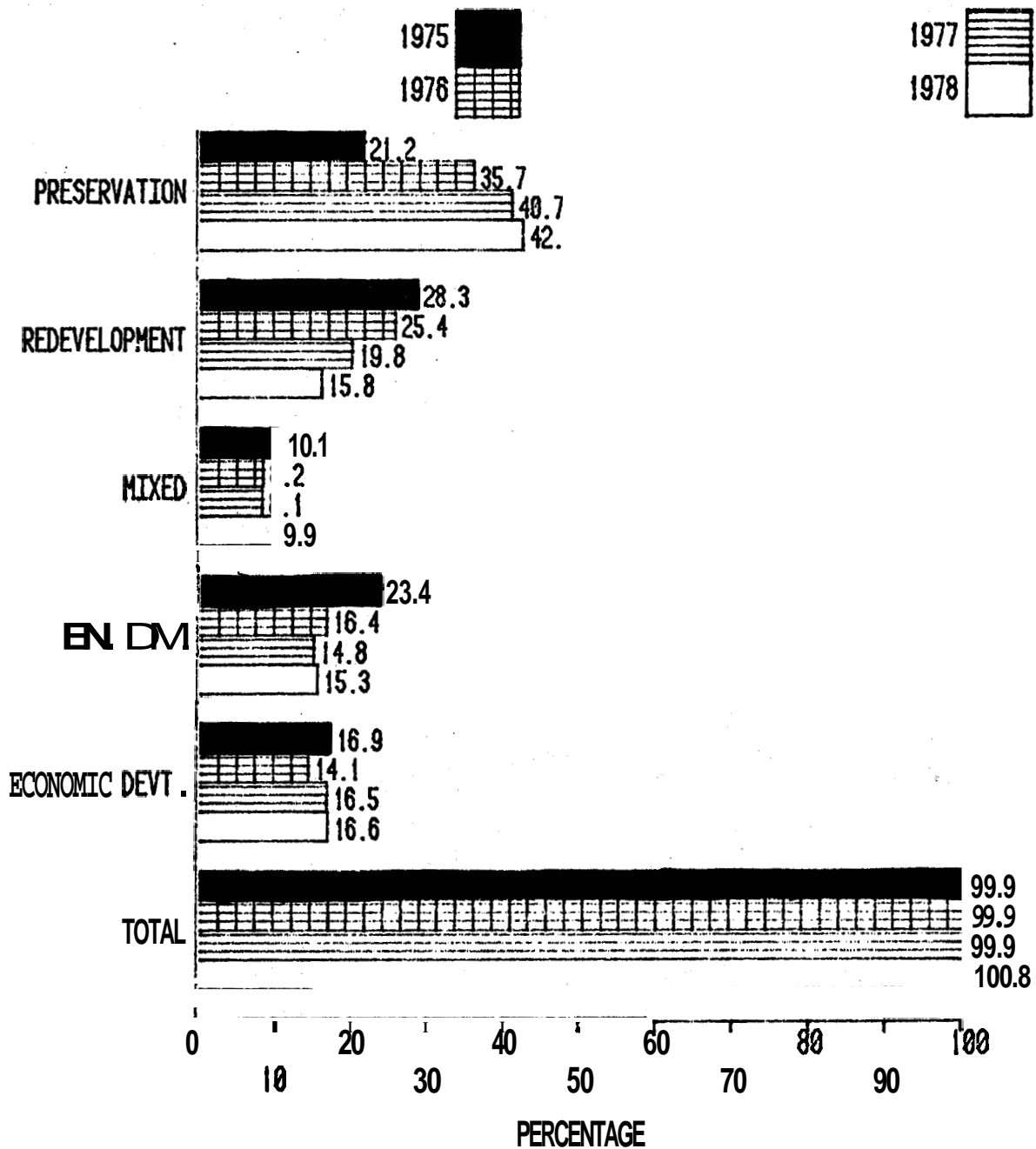
This chapter defines the **plans** and strategies entitlement cities are pursuing to achieve legislative objectives. CDBG strategies were classified into five major categories: neighborhood preservation; neighborhood redevelopment; mixed neighborhood preservation and redevelopment; general development; and economic development. Subsequently, CDBG funds budgeted by grantees were allocated to each category in order to define and analyze planned expenditure patterns initiated by grantees. The Chapter **also** describes assisted housing assistance plans.

General Discussion

The predominant strategy type in terms of planned expenditures in the fourth program year is neighborhood preservation, followed, in order, by economic development, neighborhood redevelopment, general development, and mixed neighborhood preservation and redevelopment. Between the first and current program years, neighborhood preservation has increased its share of planned expenditures from 21.2 percent to 42.2 percent; neighborhood redevelopment has declined from 28.3 percent to 15.8 percent; general development has declined from 23.4 percent to 15.4 percent; mixed neighborhood preservation has remained constant at about 10 percent; and economic development has remained fairly stable at about 16.0 percent (Chart III-1).

In their housing assistance **plans**, most cities established three-year housing goals that met or exceeded 15 percent of need and showed a relatively close proportional relationship to identified needs.

Chart III-1
Percentage CDBG Funds Budgeted
By Dominant Strategies At The Census Tract Level
1975 - 1978



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

Neighborhood Preservation 1/

Neighborhood preservation has grown steadily over the life of the CDBG program to the point that it now represents the dominant strategy. . Between 1975 and 1978, the number of cities placing preservation as their main objective increased by over 50 percent. In 1975, the initial year of the CDBG program, 43 or 28.7 percent of the 150 cities in the study sample had a majority of funds going into neighborhood preservation. By 1978, the fourth year of the program, the number increased to 65 or 44.2 percent of the 147 sample cities. Not only had there been a substantial increase, but by 1978 preservation was the dominant strategy in the program. None of the other strategies rivaled preservation. In fact, only one other strategy captured more than 20 percent of the cities (Table III-1).

Popularity

The popularity and substantial growth of neighborhood preservation results from several factors. First, preservation as an approach to urban revitalization has gained credibility among local officials over the years as a viable and productive strategy. Unlike many other approaches, it does not clear large areas of the city. It works with existing housing and as a result, results in less physical disruption. Rebuilding occurs quickly.

Preservation is also a strategy, accordingly to local CD staff, that can be turned off and on with relative ease. That is, communities can undertake this program incrementally. If, for some reason, they lose their CDBG funds in future years, as many lost their Neighborhood Development Program (NDP) funds in 1975, they will be able to relatively easily restructure local efforts and conclude local projects.

Preservation is also popular with neighborhood residents. It provides tangible benefits, often in the form of rehabilitation loans and grants and visible physical improvements in the neighborhoods. Rarely are there onerous aspects to the program. Code enforcement is voluntary

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

Table III-1
Number And Percent Of Entitlement Communities
Budgeting the Majority of Item Funds for
One Strategy, 1975 - 1978

Strategy	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Heavy Preservation*	14	9.33	15	10.49	13	8.84	13	8.84
Moderate Preservation*	9	6.00	4	2.80	9	6.12	12	8.16
Light Preservation**	2	1.33	4	2.80	7	4.76	4	2.72
Very Light Preservation***	5	3.33	5	3.50	5	3.40	10	6.80
Other Preservation	13	8.67	17	11.89	25	17.00	26	17.69
Total Preservation	43	28.67	45	31.47	59	40.14	65	44.22
Redevelopment	46	30.67	35	24.48	27	18.37	19	12.93
Redevelopment/ Preservation	6	4.00	7	4.90	7	4.76	9	6.12
General Development	21	14.00	12	8.39	17	11.56	11	7.48
Economic Development	13	8.67	20	13.99	14	9.52	11	7.48
Mixed Strategy (Other)	21	14.00	24	16.78	23	15.65	32	21.77
TOTAL	150	100.00	143	100.00	147	100.00	147	180.00

*

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

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

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

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

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

in most localities and hemmers are almost never faced with the choice that confronted them under the urban renewal programs of either rehabilitating their homes or having them acquired through condemnation proceedings.

~~A Wide Range of Neighborhood Preservation Strategies~~

Although preservation is the dominant theme in the CDBG program, it is neither used in a totally uniform manner nor in totally undifferentiated patterns throughout communities. Cities have developed a wide array of neighborhood preservation programs.

Some focus heavily on rehabilitating housing units while providing less assistance for upgrading streets, parks, and playgrounds. Others have the opposite focus, emphasizing improvements to curbs, gutters, and streets and offering less support for housing rehabilitation (Table III-2).

The most Popular neighborhood preservation strategy--in fact, the **second most** widely used strategy in the CDBG program—is to focus almost exclusively on rehabilitating the housing units while paying only marginal attention to the conditions of streets and other needs in the area. This strategy is used in one-fifth of all the subareas (census tracts) in the CDBG program, making it among the single most frequently used community development strategy (Table III-3).

The least frequently used neighborhood preservation strategy is characterized by heavy public works and limited publicly funded housing rehabilitation. This strategy often is pursued in order to leverage private investment by providing improved infrastructure (Table III-3).

Bethlehem, Pennsylvania, offers an illustration of this substrategy. In one of its target areas, the prime effort is aimed at street resurfacing and curbing combined with a campaign to encourage private investment in home improvements. While some loans and grants are available, the amount is small.

TABLE III-2
Type of Preservation Strategy
Dollars Allocated to Each CDBG Activity, 1975 - 1978

Strategy	Rehab \$(000,000)	Redevelop. \$(000,000)	Public Works \$(000,000)	Facilities Services \$(000,000)	Total \$(000,000)	ROW % Of Total \$(000,000)
Moderate Preservation*	140.20	9.90	23.10	22.10	195.30	35.20
row percent	71.79	5.07	11.83	11.32	100.00	
moderate preservation*	57.50	6.80	41.70	48.30	154.30	27.81
row percent	37.27	4.41	27.03	31.30	100.00	
light preservation**	20.30	2.80	46.30	47.50	117.00	21.08
row percent	17.35	2.39	39.57	40.60	100.00	
Very light preservation	4.70	.60	37.40	45.50	88.20	15.90

row percent	5.33	.68	42.40	51.59	100.00	
Total	222.70	20.10	148.50	163.40	554.80	
* Funding of rehabilitation represents at least 50% of total area funding.						
** Funding of rehabilitation represents at least 25% but less than 50% of area funding.						
*** Funding of rehabilitation represents at least 10% but less than 25% of area funding.						
*** Funding of rehabilitation represents less than 10% of area funding.						

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

TABLE 111-3
Percent of Total Dollars Budgeted to Each Strategy,
Percent of Census Tracts Budgeted for Each Strategy,
and Average Dollars Budgeted Per Census Tract
by Census Tract Strategy, 1975 - 1978

STRATEGY	TOTAL	% OF TOTAL	CENSUS TRACTS	% OF TOTAL	AVERAGE \$
Heavy					
Preservation*	195,237,043	13.57	2,324	20.44	84,009.06
Moderate					
Preservation**	154,487,603	10.73	1,195	10.51	129,278.33
Light					
Preservation***	116,930,754	8.12	762	6.70	153,452.44
Very Light					
Preservation****	88,107,591	6.12	359	3.15	245,425.05
Total					
Preservation	554,762,991	38.56	4,640	40.81	119,560.99
Redevelopment	347,980,611	24.18	1,229	10.81	283,141.27
Mixed	143,012,734	9.94	724	6.36	197,531.40
General					
Development	140,041,381	9.73	1,982	17.43	70,656.60
Economic					
Development	252,835,768	17.57	2,794	24.57	90,492.40
Total	1,438,633,485	100.0%	11,369	100.0%	126,540.02

- ** Funding of rehabilitation represents at least 50% of total area funding.
 Funding of rehabilitation represents at least 25% but less than 50% of area funding.
- *** funding.
 Funding of rehabilitation represents at least 10% but less than 25% of area funding.
- **** Funding of rehabilitation represents less than 10% of area funding.

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

Note: Over the four year period (1975-1978) many census tracts received funds in more than one year. To compute the correct "average", each time a tract was funded it was necessary to count it as a distinct census tract. As a result, the census tract count obtained by dividing Total Dollars by the Average Annual Dollars per Census Tract incorporate the double counting of tracts funded more than one year and reflects the number of times a census tract has implemented a particular strategy over the four years, e.g., of the 2,324 tracts funded for Heavy Preservation, 883 tracts were funded 1 year, 393 tracts were funded two years, 185 tracts were funded three years, and 25 tracts were funded four years.

Types of Areas: Distress/Income 2/

Just as cities utilize different varieties of the preservation approach, they also use preservation in certain types of areas. Most, given limited funds, feel that preservation is not appropriate in intensively depressed areas or areas occupied exclusively by low- and moderate-income households (Table 111-4).

As a result, although slightly over half of the preservation dollars go into low- and moderate-income areas, the dollar amount is somewhat lower than the national average of total CDBG dollars going into low- and moderate-income areas. In addition, when housing rehabilitation (as **opposed** to public improvements) is more highly emphasized in preservation, fewer CDBG dollars go to low- and moderate-income areas. According to comments from local officials, in these low- and moderate-income areas, loans are difficult to finance, homeownership tends to be low, and the amount of resources necessary to meet reasonable rehabilitation objectives is often excessive.

Neighborhood Redevelopment and Rebuilding 3/

As indicated earlier, redevelopment or neighborhood clearance and rebuilding, is the objective that **has** experienced the sharpest decline among the cities (Table 111-2). In 1975, **46** cities allocated the

2/ Subareas (census tracts) were characterized along two dimensions-- (1) whether or not they were low- and moderate-income areas, and (2) the degree to which they were distressed. Tracts are defined as low- and moderate-income areas if half the families have median incomes below 80 percent of the SMSA median family income level. Tracts are considered distressed if they fall into the bottom 30 percent of all tracts, using percent families in poverty, percent housing constructed before 1939, percent renter occupied, and median family income as indicators of distress. The exact formula for categorizing census tracts by level of distress is given in the Appendix.

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

Table III-4
Distribution Of CDBG Strategies By
Income Level Of Census Tract, 1975 - 1978

Strategy	Low/Mod	Non-Low/Mod	Total
Heavy Preservatim	113,998,967	81,238,036	195,237,003
Row Percent	58	42	100%
Moderate Preservatim	84,300,750	70,186,853	154,487,603
Row Percent	55	45	100%
Light Preservation	70,838,787	46,091,967	116,930,754
Row Percent	61	39	100%
Very Light Preservatim	58,762,696	29,344,895	88,107,591
Row Percent	68	32	100%
Total Preservatim	327,901,200	226,861,751	554,762,951
Row Percent	59	41	100%
Redevelopment	249,321,719	98,658,892	347,980,611
Row Percent	72	28	100%
Mixed	85,457,133	57,555,601	143,012,734
Row Percent	60	40	100%
General Development	52,944,470	87,096,911	140,041,381
Row Percent	38	62	100%
Economic Development	178,979,089	73,856,679	252,835,768
Row Percent	71	29	100%
Total	894,603,611 62.2%	544,029,834	1,438,633,445

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

majority of their activities to redevelopment and redevelopment was one of the predominant CDBG activities. Since then, it has gone down precipitously. By 1978, only 19 cities devoted the bulk of their CDBG funds to redevelopment.

Decline

The decline in redevelopment is part of a long-term trend. Relocation problems have made it difficult to generate clearance and redevelopment projects. Competing CDBG priorities combined with the absence of long term financing have also caused grantees to limit new renewal starts.

St. Louis exemplifies a city that has moved away from redevelopment and toward preservation. Both prior to and during the initial year of CDBG, St. Louis emphasized redevelopment. Quite a few vacant structures were demolished. Many of these were solid, brick structures which are expensive to duplicate. As a result of this loss, the city took a long hard look at its policies and decided to shift its program. It now saves these structures through preservation.

Portsmouth, on the other hand, has not moved away from redevelopment. Unlike St. Louis, most of the older structures in the city were not solidly built, were rather dilapidated, and carried little historical significance. The city has felt that redevelopment was the route to economic revival and sought cleared land for industrial development. According to a recent case study:

"This redevelopment strategy is a result of limited availability of land suitable for residential and commercial development, the age and deteriorating condition of the city's housing stock and the city's need to increase its tax base." 4/

Types of Strategies

Redevelopment has been used heavily in former categorical areas (Table 111-5). Well over half of all CDBG funds for renewal have flowed into these areas. This reflects, in part, a continuation of the pre-CDBG urban renewal programs.

4/ "Portsmouth, Virginia — Impact of the 1978 HUD Regulations", Westat, Inc. 1979.

Table 111-5
Distribution Of Funds Budgeted For Each Objective
By Categorical Classification of Census Tract
(Total Dollars Budgeted, 1975 - 1978)

Objective	Categorical Classification			Total
	Model Cities	UR/NDP/MC	Non-Categorical	
Heavy Preservation**	20,024,700	49,633,177	125,579,126	195,237,003
Row Pct	10.3	25.4	64.3	100.0
Moderate Preservation***	18,737,798	43,262,241	92,487,564	154,487,603
Row Pct	12.1	28.0	59.9	100.0
Light Preservation****	13,827,677	31,901,826	71,201,251	116,930,754
Row Pct	11.8	27.3	60.9	100.0

Very Light Preservation	15,942,300	23,641,335	49,423,956	83,107,591
Row Pct	17.1	26.8	56.1	100.0
Total Preservation	67,632,475	148,438,579	339,691,897	554,762,951
Row Pct	17.1	26.8	56.1	100.0
Redevelopment	11,980,318	220,735,018	115,265,275	347,980,611
Row Pct	3.4	63.4	33.1	100.0
Mixed	6,348,108	61,493,381	75,171,245	143,012,734
Row Pct	4.4	43.0	52.6	100.0
General Development	15,147,663	17,435,834	107,457,884	140,041,381
Row Pct	10.8	12.5	76.7	100.0
Economic Development	11,051,468	156,226,880	85,557,420	252,835,768
Row Pct	4.4	61.8	33.8	100.0
Total	112,160,032	604,329,692	722,143,721	1,439,633,445
	7.8	42.0	50.2	100.0

* Urban Renewal, Neighborhood Development Program. Model Cities.

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

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

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

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

While most of the redevelopment activity is lodged in former categorical areas, the trend over the past four years is toward a spreading out to areas that were not part of former categorical programs (Table III-6). For example, in 1975, only 28 percent of the redevelopment dollars went into non-categorical areas. By 1978, that percentage increased to 45.5 percent. Thus, although reduced in terms of importance, the redevelopment strategy is being used in a wider variety of areas on a smaller, more limited basis.

At present, cities employ redevelopment in lower-income areas (Table III-4). Almost 75 percent of all redevelopment activity is located in low- and moderate-income tracts. This reflects a strategy of acquisition, clearance, and demolition in the worst areas. Rehabilitation is difficult in these areas because *they* have the most deteriorated structures.

Mixed Preservation and Redevelopment 5/

The mixed strategy is the least used of the five strategies. In 1975, six cities, or four percent of the 150 cities, had a majority of funds assigned to this strategy. This figure increased slightly by 1978 with nine cities or 6.1 percent of cities directing most of their funds to the mixed strategy (Table III-1). Similarly, for all cities, regardless of dominant strategy, only a small proportion of total CDBG dollars are being put into this approach. Nationally, the amount has remained close to 10 percent for the four-year tenure of the program (Chart III-1).

-
- 5/ The Mixed Neighborhood Preservation/Redevelopment Strategy combines the neighborhood preservation approach with the redevelopment approach to aid in the revitalization of urban areas. In areas where it is pursued, the less deteriorated structures are improved through rehabilitation while significantly deteriorated structures are cleared and the sites prepared for rebuilding. As with the parent strategies—neighborhood preservation and development--the mixed strategy frequently complements the core activities with improvements to the infrastructure, including streets, curbs, and recreational facilities.

Table 111-6
 Percentage of Budgeted Redevelopment Dollars
 Going Into Categorical and Non-Categorical Areas
 1975-1978

Area	Year			
	1975	1976	1977	1978
Non-Categorical	28.0	29.5	34.3	45.5
Categorical	72.0	70.5	65.7	54.5
UR/NDP/MC*	68.7	68.2	61.5	50.0
* MC Alone	3.3	2.3	4.2	4.5

Urban Renewal, Neighborhood Development Program, Model Cities.

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

Characteristics of the Mixed Strategy

As expected, the mixed preservation/redevelopment strategy follows a middle course between the experiences of the neighborhood preservation and neighborhood redevelopment strategies. With respect to targeting to low- and moderate-income areas (Table 111-4), the mixed strategy does not direct as high a percentage of its funds to low- and moderate-income areas as does the redevelopment strategy (60 percent compared to 72 percent), but it directs a higher percentage to low- and moderate-income areas than does the preservation strategy (60 percent versus 54 percent). Likewise, it directs a higher percentage of funds to noncategorical areas than does redevelopment (52.6 percent compared to 33.1 percent) but it directs a lower percentage of funds to noncategorical neighborhoods than does preservation (Table 111-5).

The value of the **mixed** strategy lies in permitting a strategic transition from preservation to redevelopment or from redevelopment to preservation. In addition, some areas include equal numbers of structures that require one or the other approach. In these areas the mixed effort is appropriate to the diversity of conditions.

General Development ^{6/}

In all, 21 cities (or 14 percent) devoted the majority of their funds to general development in the first year of the program (Table III-2). While this appears low, it actually translates into almost a quarter of all the dollars budgeted for that year (Chart III-1). Although few cities viewed general development as a major objective, many cities apparently took advantage of it. In 1975, the general development strategy consumed 23.4 percent of CDBG expenditures and accounted for more census tracts than any of the other four objectives except neighborhood preservation (Table III-7).

Table III-7
Number of Census Tracts
Budgeted in Each Strategy, 1975

Strategy	Number Of Census Tracts Budgeted, 1975
Preservation	541
Redevelopment	375
Mixed	147
General Development	493
<u>Economic Development</u>	331

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

- ^{6/} This strategy, aimed primarily at the fifth and part of the first legislative objective consists of two parts: (1) a strategy of limited activities in residential areas which frequently are either fairly stable or so deteriorated that some kind of emergency interim assistance is required, No housing rehabilitation or clearance and rebuilding activities are involved; (2) a strategy intended to provide services or rehabilitation loans/grants to a particular target group, such as the elderly or low-income families, regardless of where they live or work or to provide activities which benefit all people in the city, such as a seawall or drainage basin.

Decline

General development has been and continues to be popular among **some** cities. It has allowed city councils to respond to emergency repairs, one-time requests, and numerous other **demands**. Cities such as Birmingham and Los Angeles, with myriad problems and pressures from many quarters, have readily used the general development approach.

Table 111-8
Number of Census Tracts and City-Wide Programs
With General Development Strategy, 1975-1978

	1975	1976	1977	1978
Census Tracts	493	467	537	334
City-wide Programs	92	78	23	67

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

Since 1975, however, the emphasis on general development has declined (Table III-1). In 1978, only 11 cities (compared to the 21 in 1975) had general development as their dominant strategy. The reason for the reduction lies in large part in the changing emphasis and development of the CDBG legislation.

In contrast to 1975, when city-wide *and* isolated development **were** considered among the themes of the program, the current emphasis is directed more towards concentrating several activities in *needy* areas. According to the Department's Notice to the Field of April 1977, "Activities of general benefit such as streets and park improvements must serve areas a majority of whose residents are lower income." Also reflective of **this** emphasis is the 1977 draft regulations which stated:

"it is HUD policy to encourage the use of block grant funds in a concentrated manner in order to produce substantial long-term improvement in the **community**." ^{7/}

^{7/} "Community Development Block Grant Eligible Activities," Federal Register, Part 111, October 25, 1977.

Table III-9 shows general development benefits to low- moderate-income census tracts from 1975 to 1978.

Table III-9
Percentage of General Development Dollars
Budgeted, Benefiting Low- and Moderate-Income Census Tracts, 1975-1978

	1975	1976	1977	1978
Low- and Moderate-Income Census Tracts	41.5	32.5	34.5	43.7
Non-Low- and Moderate-Income Census Tracts	58.5	67.5	65.5	56.3

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

Economic Development 8/

Until 1977 the legislation did not single out economic development as a separate, specific statutory objective. Rather it was part of the primary objective of this legislation and many of the eligible activities could be used to pursue economic development options.

Although economic development accounted for almost 17 percent of all budgeted CDBG funds in 1975 (Chart III-1), only a handful of recipients, 13 out of 150, allocated top priority to economic development with respect to planned activities in that year (Table III-1).

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

Several reasons contributed to this low priority that was given to economic development in the early years of the program. Among them are: (1) complexities associated with economic development projects; (2) competing CDBG priorities; and (3) perceptions concerning statutory priorities among local officials.

Because of limited funds, and the conflict between the high cost of economic development and the need for economic development, cities are putting their economic development dollars into the less expensive neighborhood commercial and non-CDBG commercial projects (Table III-10). In the first three years of the program, neighborhood commercial projects consumed, for the most part, roughly 50 percent of the economic development dollars. The fourth year, 1978, saw the percentage increase to 64.2 percent.

The move away from larger or more extensive economic development strategies is also registered in the types of areas where economic development activity is now being programmed by recipients. Initially, over 70 percent of the economic development areas were in former categorical program areas, many of which were central business districts. This percentage declined to slightly over 50 percent by 1978, reflecting a shift again to neighborhood commercial projects (Table III-11).

Table III-10
Percentage of Economic Development Dollars Budgeted Going
Into CBD, Industrial Development, and Neighborhood Commercial Projects

Type of Economic Development	Year			
	1975	1976	1977	1978
CBD	25.2	40.1	40.1	27.7
Neighborhood Commercial	57.4	49.1	49.0	64.2
Industrial Development	17.4	10.7	10.9	8.1

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

low- and moderate-income families. ^{9/} Even though a number of them had active housing assistance or planning programs underway, plans generally were not as comprehensive as contemplated by the CDBG legislation. As a consequence, some cities have encountered difficulties, both technical and policy-related, in deciding how much housing assistance to provide and where within the locality assisted units should be located.

Inadequate data, inexperience, inability to influence key actors in the housing development process, and local contention over the level of effort and the location for assisted housing have impeded local progress in meeting housing planning objectives. The first two factors have been easier to overcome than others.

The following sections discuss the cities' plans for assisted housing in terms of their proposed overall goals, proposed unit types in proportion to different kinds of needs, and proposed locations to achieve maximum deconcentration.

Setting Realistic Goals

Under the law, localities are responsible for developing housing assistance plans which specify "realistic annual goals for the number of dwelling units or persons to be assisted." While some have experienced difficulties in defining "realistic goals" due to inexperience and local resistance to the provision of assistance to low income persons, the majority of communities have defined goals which appear related to the funds that are available.

^{9/} Specifically, the legislation charges localities with the responsibility for setting "realistic annual goals for the number of dwelling units or persons to be assisted" each year and for identifying several locations where housing for low- and moderate-income families should be situated in order to promote "greater choice of housing opportunities and (avoid) undue concentration of assisted persons in areas containing a high proportion of low income persons." Additionally, it and the implementing regulation require localities to determine how they would meet the goals they set--whether through CDBG Section 8, State programs, etc. and whether through the construction or rehabilitation of dwelling units or use of existing units, etc.

About 57 percent of the communities have plans which indicate they will meet the housing assistance needs of 15-40 percent of their low- and moderate-income families within three years, and 18 percent indicate they will meet the needs of 41 percent or more within that time. About 25 percent indicate they will meet from one to 14 percent of the needs (Table 111-14).

Setting Proportionate Goals

In the period before 1978, the proportionality requirement extended to type of ~~low- and moderate-income~~ household only. Specifically, the January 15, 1976, regulations stated that "the three-year total housing assistance goal shall address the needs of the three household types (elderly and/or handicapped, families, and large families) generally in proportion to the percentage of the total lower-income housing need". 10/

For the entitlement sample as a whole, proportionality was generally achieved with respect to household type. 11/ The data show that there is relative consistency between the percentage of each type of household in need and percentage of assistance set for that type of household. 12/ Goals and needs are in exact proportion (15 percent versus 15 percent) for large families and off by three percentage points (49 percent versus 52 percent) for ~~small~~ families. The largest, though not a major exception, is between the needs of and assistance for elderly and/or handicapped households. They constitute 33 percent of the need for all ~~low- and moderate-income~~ households in the entitlement sample while the goals for this household type are 37 percent of the total.

10/ CDBG, Housing Assistance Plans, 24 CFR Section 570.303(c) (3)(iv). In 1978 the regulations were expanded to include proportionality for these households by renter and owner. See Chapter XI.

11/ At the Area Office level, each community is evaluated separately. In this analysis, the data for all the cities are aggregated.

12/ Since the January 15, 1976, regulations were released too late for most cities to make adjustments to their 1978 HAPs, FY 77 needs statements and three-year goals were used for this analysis.

Table 111-14
Distribution of Cities by Percent
of Need to be Met

Percent of Need To Be Met	FY 76 Three Year Goals	One Year Goals						
		FY 76		FY 77		FY 78		
		Cities	Percent	Cities	Percent	Cities	Percent	
0%	0	0.0	1	0.7	1	0.7	1	0.7
1-5	1	0.7	38	25.8	26	17.9	26	17.7
6-15	34	23.1	78	53.1	87	60.0	73	49.7
16-20	34	23.1	12	8.2	10	6.9	9	6.1
21-40	52	35.4	14	9.5	17	11.7	28	19.1
41-90	21	14.3	3	2.0	4	2.8	8	5.4
91-100+	5	3.4	1	0.7	1	.7	2	1.4
	147	100.0	147	100.0	145	100.0	147	100.0

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

Spatial Deconcentration

Local decisions concerning assisted housing locations must be related to the legislative mandate of increasing housing opportunities and **avoiding** undue concentrations of assisted persons in impacted areas ^{13/} Cities are required to submit a plan which supports this statutory mandate.

Recipient plans indicate that assisted housing is being proposed for all types of areas, including: underdeveloped areas (tracts containing less than 200 families) which provide vacant land for new units; central business districts, which in many areas contain attractive sites for elderly housing due to accessibility to transportation and social services; low-and moderate-income residential areas, where there is an extensive need for rehabilitation assistance; and, non-low-and moderate-income residential areas, where both new construction and rehabilitation can be used effectively (Table 111-15).

^{13/} 24 CFR Section 570.306(b) (3)(ii). An impacted area refers to the concentration of low income or minority persons, or of low income housing.

Table III-15
Planned Locations For Assisted Housing By
Type of Census Tract
Fiscal Year 1977 and 1978

Type of Tract	Percent. of All Tracts' of the Same Type in:	
	1977	1978
CBD, Designated for Assisted Housing	77.6%	82.8%
Other Non-Resi- dential Tracts Designated for Assisted Housing	46.9%	64.4%
Low- and Moderate- income Residential, Designated for Assisted Housing	79.9%	82.3%
No. of Non-Low/Mod Residential Tracts Designated for Assisted Housing	64.2%	73.2%

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

The general locations which have been identified by cities reflect an increasing willingness on their part to locate assisted housing units in non-low-and moderate-income residential areas. On the other hand, they have identified a higher proportion of their most distressed areas (70.7 percent) as appropriate for housing assistance, compared to a lower proportion (40.6 percent) of their least distressed areas. 14/

The degree of dispersion differs very little when central cities are compared to suburban cities. Central cities designated 71.6 percent of their worst-off areas and 43.3 percent of their better-off areas for assisted housing; suburban cities have selected 67.3 percent and 36 percent of their worst-off and better-off areas, respectively.

Central cities, however, appear somewhat more willing to provide assisted housing in their high-income, best-off areas than suburban cities. This may be due in part, to the greater need for, and lower resistance to assisted housing in central cities, as well as the scarcity of vacant land for new housing. Central cities designated 41.4 percent of their higher income, best-off tracts for assisted housing compared to 36.8 percent of the higher income tracts designated in suburban cities. 15/

14/ This information is based on a special analysis of deconcentration patterns in residential areas in 66 of the 147 entitlement cities considered in this report. To increase the value of the information from this special analysis, the only cities included in it were those which reported fewer than 75 percent of their census tracts as acceptable locations for low- and moderate-income housing. This resulted in a subsample of 36 central cities and 20 suburban cities.

15/ These data do not indicate how cities intend to disperse housing resources among the worst and better areas. It simply indicates the types of areas selected as suitable for housing assistance. The next chapter takes up the outcomes of the planning process and indicates the number of units actually located in the most distressed versus the least distressed areas.

Program Mix

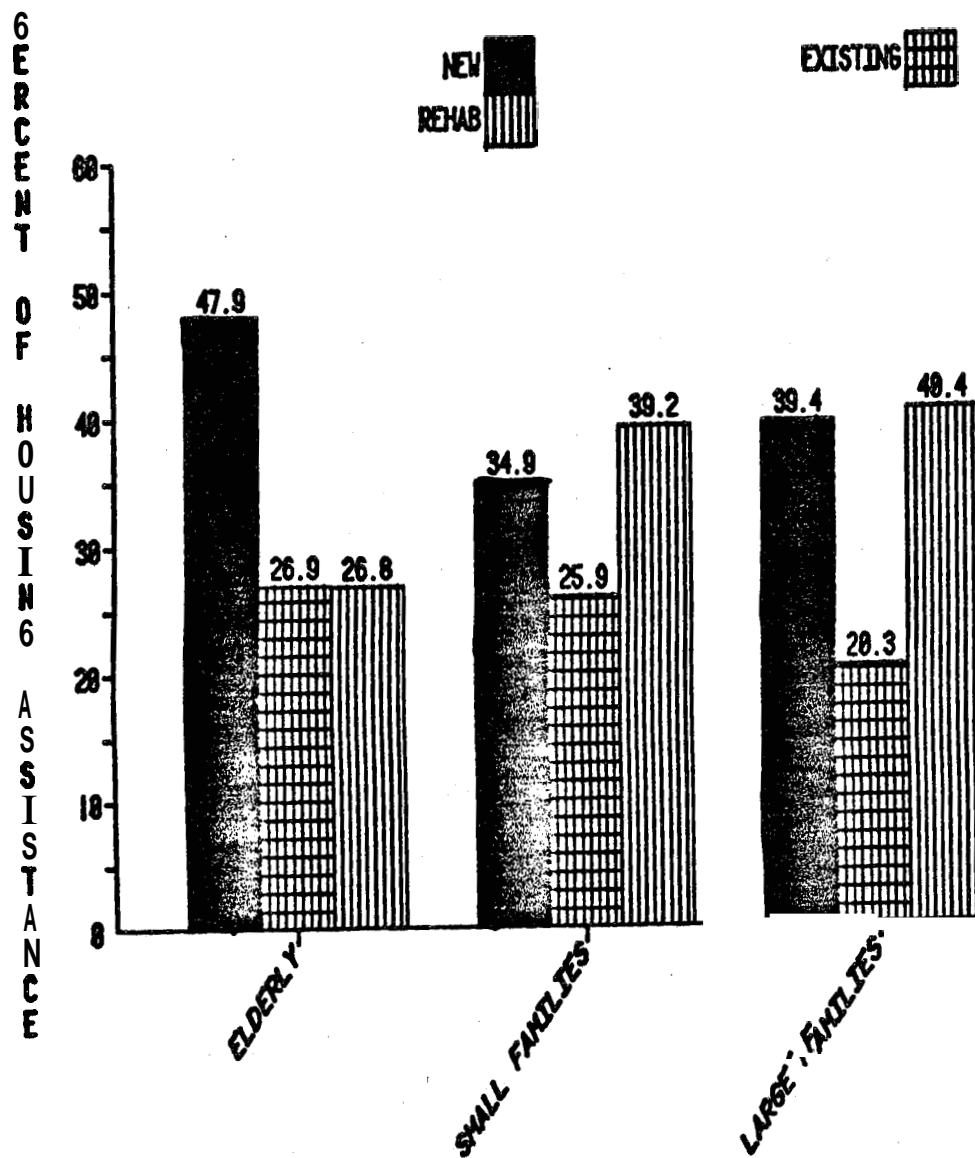
The final choice cities must make relates to the type of assistance to **be** provided, or the program mix. The legislation stipulates that cities must set goals which consider the type of "assistance which is best suited to the needs of lower income persons in the **community.**" ^{16/} Cities may use new construction, existing, or rehabilitated units to assist elderly/handicapped, small family and large family households based on the particular **needs** of household types. Historically, most have **used** new construction as the dominant strategy for the needs of elderly/handicapped households, rehabilitation for small family needs and both new construction and rehabilitation assistance for large family needs.

The **FY 78** annual ~~goals~~ reflect only modest shifts from past trends. New construction ^{17/} continues to be the dominant **means** of providing assistance to elderly/handicapped households: **47.9** percent of the assistance planned for these households is to be provided through new construction. Small family and large family households will be receiving more than three-quarters of their assistance—**75.1** percent and **79.8** percent, respectively--through new construction **and** rehabilitation assistance in almost nearly equal proportions (Chart **III-2**) .

16/ Housing and Community Development **Act** of 1974, Title I, Section **104(a)(4)(B)(ii)** .

17/ **Does** not include subdivision relocation.

Chart III-2
Type of Assistance to be Provided by Household Type



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

CHAPTER IV

MEASURING PROGRESS TOWARDS PLANS AND STRATEGIES: AN ANALYSIS OF EXPENDITURE RATES

Introduction

Previous chapters of this report focused on the plans and strategies communities developed to achieve the national objectives of the CDBG program. In this chapter, attention is turned to the progress realized under these plans. Two basic questions are addressed:

- o What progress are communities making in carrying out their CDBG plans?
- o What progress are communities making in carrying out their housing assistance plans?

Neither of these questions is easily measured. This chapter is a first time effort to respond systematically to them. To measure progress against community development plans, the chapter looks at the rate at which cities are drawing down CDBG funds. ^{1/} To measure progress against housing assistance plans, the chapter looks at the numbers and kinds of units delivered and/or committed. While neither of these measures by itself gives a complete picture of progress in the CDBG program, together they provide more information than has been previously available.

The discussion in this chapter begins with an analysis of expenditure rates. Expenditure rates for entitlement cities are described and analyzed for each of the five major community development strategy types. Within each strategy type, variations in drawdown rates are discussed at the sub-community (census tract) level in relation to the extent of distress evident in the area (as measured by the proportion of low- and moderate-income persons) and the complexity of the treatment program applied to the area (as measured by the size of the project and the number of activities involved).

^{1/} The information in this chapter regarding drawdowns is based on data contained in the 1977 Grantee Performance Reports. These reports include information for approximately three years of CDBG experience.

Progress: An Overview of Expenditure Rates

Overall, the cities are executing their CDBG plans at rates which result in **the** completion of just over 50 percent of the total national program each year. **Some** of them have completed more than three-fourths of their programs each year: only a few have completed less than one-fourth (Chart IV-1).

Neighborhood Preservation 2/

As noted in the previous chapter, the cities are implementing two types of neighborhood preservation strategies: one preserves neighborhoods by emphasizing the upgrading of housing units: the other preserves them by upgrading the neighborhood infrastructure.

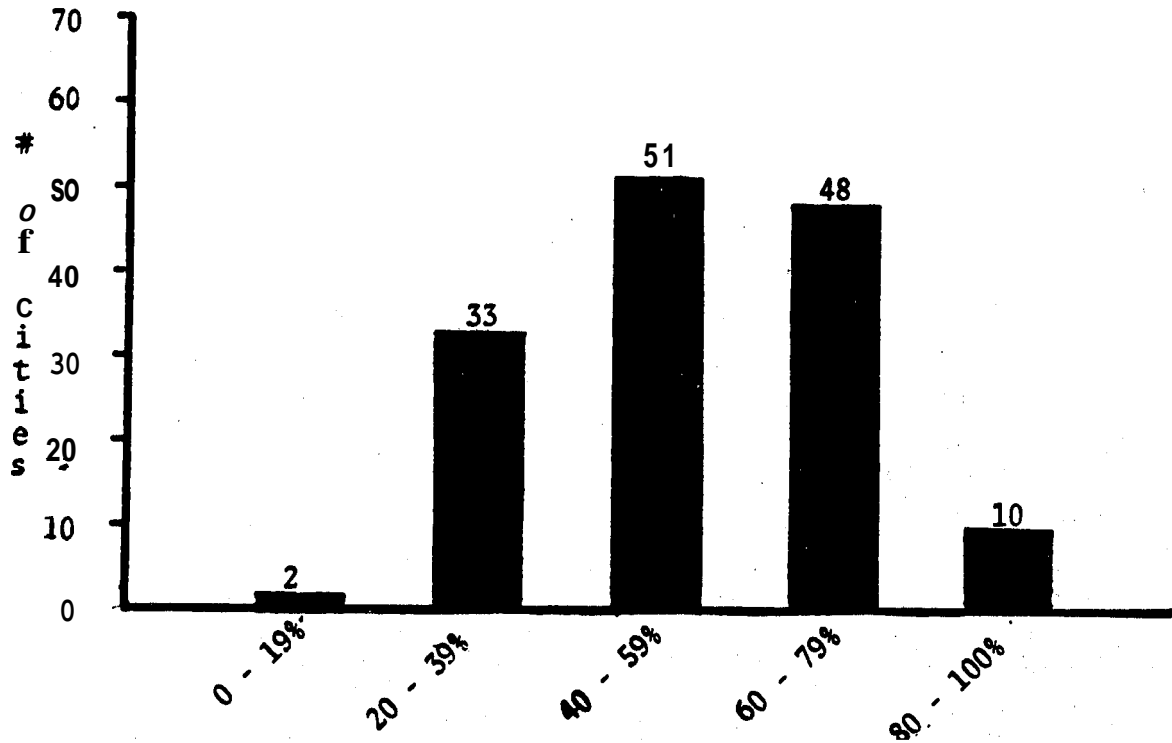
The strategies that emphasize upgrading of housing are being implemented at an average rate (the average rate for all strategy types is approximately **50** percent): the ones that emphasize the upgrading of infrastructure are the slowest to implement **of** all CDBG programs (Table IV-1).

Small programs that emphasize the upgrading of just a few housing units with few supporting activities are among the fastest spending in the CDBG program, expending **60** percent of their funds per year. These programs have moved relatively quickly in the newer CDBG areas (those started after 1975) because they involve fewer administrative procedures and lower administrative cost.

In some cases, they appear to operate on a voluntary "walk-in" basis. The availability of rehabilitation loans and grants is well publicized in neighborhoods. Home and property owners generally initiate contact with city officials -- either at a neighborhood site office or downtown location -- to participate in the program. Limited recruiting procedures, use of strategic housing inspections, and only periodic contractor monitoring, have resulted in fast paced local efforts.

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

chart IV-1
CDBG Sample Cities: Expenditure Rates



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

Table IV-1
Cumulative Expenditure Rates for Housing-Oriented
Neighborhood Preservation Programs

Project Characteristics	Drawdown
All housing-oriented projects	48.2%
Housing-oriented projects	
low & moderate income areas	49.3%
non-low & moderate income areas	44.8%
Large* housing-oriented projects	44.1%
Small** housing-oriented projects	60.2%
Noncategorical	46.3%
* Categorical***	54.1%

** Large refers to expenditures of greater than \$500,000.

*** Small refers to expenditures of **less** than \$50,000~ Drawdowns for medium expenditure levels are not presented.

*** Excludes projects that are solely Model Cities projects

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

Small neighborhood preservation programs, when carried out in the former Urban Renewal and Neighborhood Development Program areas, seem to be carried out expeditiously. Many of these efforts were planned and started before 1975. They have **now** matured to a point where they can accurately budget and rapidly expend their loan and grant monies.

In contrast to the rapidly moving neighborhood preservation programs emphasizing housing, the preservation program emphasizing the upgrading of the neighborhood infrastructure are the slowest moving of all the CDBG programs. Large projects spend at a rate of only 26 percent

per year; small ones at a rate of 32 percent per year (Table IV-2). These programs often involve numerous local agencies, contractors and utility companies. They are more complex than housing oriented efforts. Their relative slowness often results from two related factors: conflict between the agendas of the CDBG program and the city departments, and extensive management and coordination efforts.

Table N-2
Cumulative Expenditure Rates for
Environment and Infrastructure-Oriented
Neighborhood Preservation Programs

Project Characteristics	Drawdown
All environment/infrastructure-oriented projects	38.9%
Environment/infrastructure-oriented projects in:	
low- and moderate-income areas	39.9%
non-low- and moderate-income areas	37.9%
Large * environment/infrastructure-oriented projects	26.2%
Small ** environment/infrastructure-oriented projects	31.5%
Noncategorical	33.5%
Categorical ***	32.2%

** Large refers to expenditures of greater than \$500,000.

*** Small refers to expenditures of less than \$50,000. Drawdowns for

medium expenditure levels are not present.

*** Excludes projects that were solely Model Cities projects.

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

Neighborhood Redevelopment 3/

Large CDBG assisted neighborhood clearance and rebuilding projects are generally continuations of the urban renewal projects of the late Sixties and early Seventies. Their fast spending rates reflect the maturity of the projects (Table IV-3).

A more realistic picture of *the* speed at which these complex projects typically move is seen in the expenditure rate of the new (post-1975) and smaller neighborhood clearance and rebuilding projects. These projects have the second-slowest expenditure rate in the CDBG program (28.8 percent), reflective of their start-up problems and indicative of the complexity of this strategy/objective.

Mixed: Preservation and Redevelopment 4/

The mixed strategy, although a combination of both neighborhood preservation and redevelopment, exhibits an expenditure rate pattern that bears closer resemblance to redevelopment than to preservation (Table IV-4). Underlying the similarity to redevelopment is the fact that this strategy includes older redevelopment projects started before CDBG which, because of their greater maturity, moved faster during the initial years of CDBG, thus predisposing the mixed strategy towards the expenditure rate pattern of clearance and rebuilding efforts.

- 3/ This strategy is an implementation of the first legislative objective, the elimination of slums **and** blight, and is designed to clear and rebuild substantial portions of **a** slum and a blighted residential area. It frequently involves extensive rebuilding of the infrastructure, and may include the development of parks and neighborhood facilities and services. Housing rehabilitation is either non-existent or quite limited.
- 4/ The Mixed Neighborhood Preservation/Redevelopment Strategy **com-** bines the neighborhood preservation approach with the development approach to aid in the revitalization of urban areas. In areas where it is pursued, the less deteriorated structures are improved through rehabilitation while significantly deteriorated structures are cleared and the sites prepared for rebuilding. As with the parent strategies -- neighborhood preservation and redevelopment -- the mixed strategy frequently complements *the* core activities with improvements to the infrastructure, including streets, curbs and recreational facilities.

Table IV-3
Cumulative Expenditure Rates for Neighborhood
Redevelopment Program

Project Characteristics	Drawdown
All Neighborhood Clearance and Rebuilding Projects	50.0%
Neighborhood Clearance and Rebuilding Projects in:	
low- and moderate-income areas	49.6%
non-low- and moderate-income areas	51.9%
Large * Neighborhood Clearance and Rebuilding Projects	85.4%
Small ** Neighborhood Clearance Rebuilding Projects	28.8%
Noncategorical	42.2%
Categorical***	54.0%

Large refers to expenditures of greater than \$500,000.

** Small refers to expenditures of less than \$50,000. Drawdowns for

*** medium expenditure levels are not present.

Excludes projects that are solely Model Cities projects.

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

Table IV-4
Cumulative Expenditure Rates for Mixed Strategy Projects
of Neighborhood Preservation and Redevelopment

Project Characteristics	Drawdown
All Mixed Strategy Projects	49.2%
Large* Mixed Strategy Projects	56.6%
Small** Mixed Strategy Projects	39.3%
Non-Categorical Mixed Strategy	41.3%
* Categorical Mixed Strategy	57.6%

* Large refers to expenditures of greater than \$500,000.

** Small refers to expenditures of less than \$50,000. Drawdowns for medium expenditure levels are not present.

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

Like redevelopment projects, it is the smaller and the newer mixed preservation and redevelopment projects that experience slower expenditure rates. Small mixed strategy projects show a drawdown of 39.3 percent. The slow rate of these newer projects is related to front-end planning, staffing and coordination problems.

General Development - Subareas 5/

General development projects — those primarily oriented toward limited activities in neighborhoods — have expenditure rates below the average rate when the projects are smaller in size and considerably above the average expenditure rate when they are medium size or larger (Table IV-5). The reasons for this variation are not clear.

Table IV-5
Expenditure Rates For General Development Programs*
(Neighborhood-Oriented)

Project Characteristics	Drawdown
All General Development Projects	51.1%
General Development Projects:	
— in low- and moderate-income areas	49.3%
— in non-low- and moderate-income areas	51.7%
Large** General Development Projects	73.1%
Small*** General Development Projects	42.1%
* Excludes projects that are solely Model Cities projects.	
** Large refers to expenditures of greater than \$500,000.	
*** Small refers to expenditures of less than \$50,000. Drawdowns for medium expenditure levels are not present.	

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

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

General development projects are among the least complex that communities carry out. They often consist of just one activity, such as street improvements or park improvements, carried out in neighborhood areas. These projects spend funds at a fairly rapid rate, having the highest overall expenditure rate among the strategies (51.1 percent per year). The yearly rate for small projects approximates 39-42 percent; the rate for medium-sized projects is 60 percent; and the rate for large ones is 73 percent.

The low expenditure rate for small projects is surprising. It probably relates to coordination problems among local agencies, particularly within local public works departments. When CDBG activities are closely related to the on-going agendas, as many of the medium and large projects appear to be, they are more likely to be implemented at a faster rate.

Projects which are not easily linked to a city's on-going capital improvement program, such as the smaller neighborhood-oriented general development projects, are more likely to be implemented at a slower rate. The extent to which this slower rate is a start-up adjustment problem of the first two and a half years or an endemic management problem for general development activities is not yet clear.

General Development--Citywide

General development projects carried out on a citywide basis rather than in smaller areas of the city exhibit a very high expenditure rate -- 78 percent. These projects, as with other general development activities, tend to be single activity efforts. They often are less complex than other CDBG projects.

Economic Development 6/

Economic development projects consist of three basic types. They involve either: (1) renewal of the central business district;

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

(2) development or revitalization of industrial areas; and (3) revitalization of neighborhood commercial areas. All are complex to manage.

Under the urban renewal program, they were the slowest moving of all the projects undertaken. Under CDBG, their performance is somewhat better. The neighborhood commercial and CBD projects move somewhat faster than the average CDBG project; the industrial projects are still very slow (Table IV-6).

Table IV-6
Expenditure Rates for Economic Development Programs

Project Characteristics	Drawdown
All Economic Development Projects	46.9%
CBD Projects	52.2%
Neighborhood Commercial	50.1%
Industrial Projects	32.5%

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

Industrial projects have been slow moving because of their complexities. Their expenditure rates, therefore, are near the bottom-end of the range, running at 33 percent per year. Local officials often have had to make a variety of commitments to attract or induce private firms to remain or to relocate in their communities, ranging from providing adequate street access and sewage treatment capacity to ensuring that private markets are created through residential construction. Such commitments have been carefully negotiated and scheduled to reflect efforts to ensure that mistiming does not result in operating losses or idle capital plant for the private firms involved.

In neighborhood commercial projects, the negotiation process is somewhat easier. Existing retail firms frequently have remained in refurbished quarters and existing neighborhood markets have been maintained without interruption. The average expenditure rate for these projects is slightly above the average for all projects, running at about 50 percent per year.

Central business district projects (CBD), with an expenditure rate of 52 percent per year, have rates which exceed those for both industrial and neighborhood projects. This relatively high rate, however, is due to the fact that so many of these projects were started under the HUD categorical programs and are in a mature stage of development.

Factors Affecting Expenditure Rates

As indicated earlier, many factors affect the speed with which cities are able to implement their community development plans. Some, such as special administrative conditions or local political factors, are unique to each community. Others, however, have common effects on many communities. The following discussion analyzes the general influence of three factors which affect grantee progress: the complexity of the community development program, the experience of the community with previous community development programs, and the level of distress or need evident in target areas.

Program Complexity

The complexity of a community's CDBG effort significantly affects the manageability and pace of the program. Small communities are much better able to keep projects moving than are very large urban places. Most jurisdictions with populations less than 50,000 have spent funds at a pace that is either very close to or above the national average. Only 32 percent of the larger jurisdictions have kept pace with the average (Table IV-7).

Cities of all sizes are able to implement smaller projects more expeditiously than their larger ones (53.1 compared to 48.7). Generally, the larger the project the greater the scheduling, sequencing, and coordination problems. At the present time, smaller projects spend close to or above the national average. Larger projects do not parallel this pace.

Prior Experience

The extent of a city's prior experience with community development revitalization programs appears to affect its ability to carry out CDBG programs rapidly. Communities which were involved in prior categorical programs, such as Urban Renewal, Neighborhood Development and Model Cities, seem to be carrying out CDBG plans at a faster rate than those which were not. Over 60 percent of the experienced jurisdictions recorded an above 50 percent drawdown mark; only 44 percent of the nonexperienced cities spent at a rate above 50 percent (Table IV-8).

Table IV-7
Cumulative City Expenditure Rate
By Population Size

EXPENDITURE RATE	LT 50,000	50,000 - 99,999	100,000 - 249,999	250,000- 499,999	GT 500,000	TOTAL
75-100% Row Pct. Col. Pct.	19,562,110 41.2 17.1	17,256,247 36.9 17.1	2,865,314 6.1 1.6	7,127,074 15.2 5.3	- - -	46,110,115 100.0 7.7
50-74.9% Row Pct. Col. Pct.	72,263,203 21.4 64.3 <u>81.7</u>	57,004,228 16.9 56.7 <u>73.8</u>	124,707,499 36.9 68.5 <u>70.1</u>	58,926,452 17.5 43.7 <u>49.0</u>	24,565,180 7.3 32.4	337,466,562 100.0 55.7
25-49.9% Row Pct. Col. Pct.	19,430,471 8.8 17.3	25,654,254 11.7 25.1	54,559,216 24.8 29.9	68,856,521 31.3 51.0	51,221,706 23.2 67.0	219,722,168 99.9 36.3
0-24.9% (low Pct. Col. Pct.)	1,048,082 60.8 .9	676,316 39.2 .7	- - -	- - -	- - -	1,724,398 100.0 .3
TOTAL Row Pct. Col Pct.	112,303,866 18.5 99.9	100,591,045 16.6 10.0	182,132,099 30.1 100.0	134,910,047 22.3 100.0	75,786,886 12.5 100.0	205,723,943 100.0 100.0

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

Table IV-8
Cumulative Expenditure Rates And Categorical
Status Of Entitlement Cities
1975 - 1977

Percent of Entitlement Expended	Former Categorical Cities		Not Former Categorical Cities	
	Number	Percent	Number	Percent
Less than 25%	2	1.8	2	6.3
25%-49.9%	37	33.0	16	50.0
50%-74.9%	60	53.6	13	40.6
75%-100%	13	11.6	1	3.1
Total	112	100.0	32	100.0

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

The situation is changing rapidly. Cities new to the Federal programs in 1975 are picking up the experience necessary to move their CDBG programs rapidly. And some of the cities experienced in the categorical programs are encountering new management problems associated with the change to CDBG. In effect, in a few cases, when cities have sought to pursue directions different from those of the categorical programs, agency and resident conflict has arisen and slowed down project progress.

Target Area Distress/Need

The cities' progress in implementing CDBG plans is somewhat slower in their low- and moderate-income areas than in their non-low- and moderate-income areas. Grantee communities expend funds at the rate of 48.5 percent in low- and moderate-income areas compared to 50.8 percent in non-low- and moderate-income areas. Slower rates exist for

almost all types of projects being carried out in low- and moderate-income areas, regardless of the strategy, project size, and former categorical status involved (Table IV-9). 7/

Table IV-9
Expenditure Rates in Low- and Moderate-income Areas
Compared to Those in Non-Low- and Moderate-income Areas

Project Characteristics	Drawdowns	
	for low- and moderate-income areas	for non-low- and moderate-income areas
All low- and moderate-income and non-low- and moderate-income projects	48.5%	50.8%
Former categorical areas	52.6%	62.3%
New (post-1975) areas	42.0%	45.9%
Small projects	45.0%	50.4%
Large projects	54.9%	50.8%
Neighborhood Preservation Projects (Housing-Oriented)	49.3%	44.8%
Neighborhood Preservation Projects (Environment-Oriented)	39.9%	37.9%
Neighborhood Clearance/Rebuilding Projects	49.6%	51.9%
Mixed Projects (Clearance and Preservation)	46.4%	52.6%
General Development Projects	49.3%	51.7%

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

7/ Only two types of projects are exceptions to this rule: (1) neighborhood preservation projects (housing-oriented); and (2) large projects. Cities consistently spend faster in low- and moderate-income areas for these two types of projects, though the reasons for this performance are not known.

Progress in Housing Assistance Plans: A Look at Units Delivered/Committed

Progress in assisted housing is discussed in terms of local achievements in meeting three-year goals for providing appropriate types of units in proportion to types of needs (elderly, small/large family, rental/owner), for locating units to achieve maximum deconcentration, and for providing an appropriate mix of new, existing, and rehabilitated units.

Three-Year Goal

The March 1, 1978 regulations required cities to assume responsibility for the "timely achievement of goals for assisted housing." Their progress is determined by the number of firm financial commitments obtained within **two** years of an approved three-year plan. Although the regulations are not strictly applicable to the FY 77 Grantee Performance Reports (GPRs), they are used here as an analytical benchmark to provide an estimate of progress.

Cities are implementing their Housing Assistance Plans (HAPs) at about the same rate as their Community Development Programs. After two years of activity, 47.4 percent of three-year goals set in FY 76 have been achieved or have reached firm financial commitments. Table IV-10 shows the distribution of cities by percentage of HAP goals that they have met.

Proportional Goals

Communities in the entitlement sample were not entirely successful in adhering to proportionality in their delivery/commitment of assistance. Using the 1977 three-year goals as a benchmark, the communities exceeded proportionality with respect to their goals for the elderly/and/or handicapped, but fell below their proportionality for small families and large families. The biggest gap between goals and delivery/commitment was for small families. In this case, the goals called for delivery/commitment of 49 percent of all the need to small families, while in actuality the delivery/commitment reached only 43 percent of all need (Chart IV-2).

Spatial centrati

The amount of impact on the least areas may be an indicator of the Department's goal of providing choice in the location of assisted housing. The impact on using impacted areas is having a direct effect on using impacted areas for low- and moderate-income housing. In the last two years, the

cities' most distressed residential areas received 44.1 percent of the assisted housing delivered while the least distressed areas received 55.9 percent of the assistance (Table IV-11) .

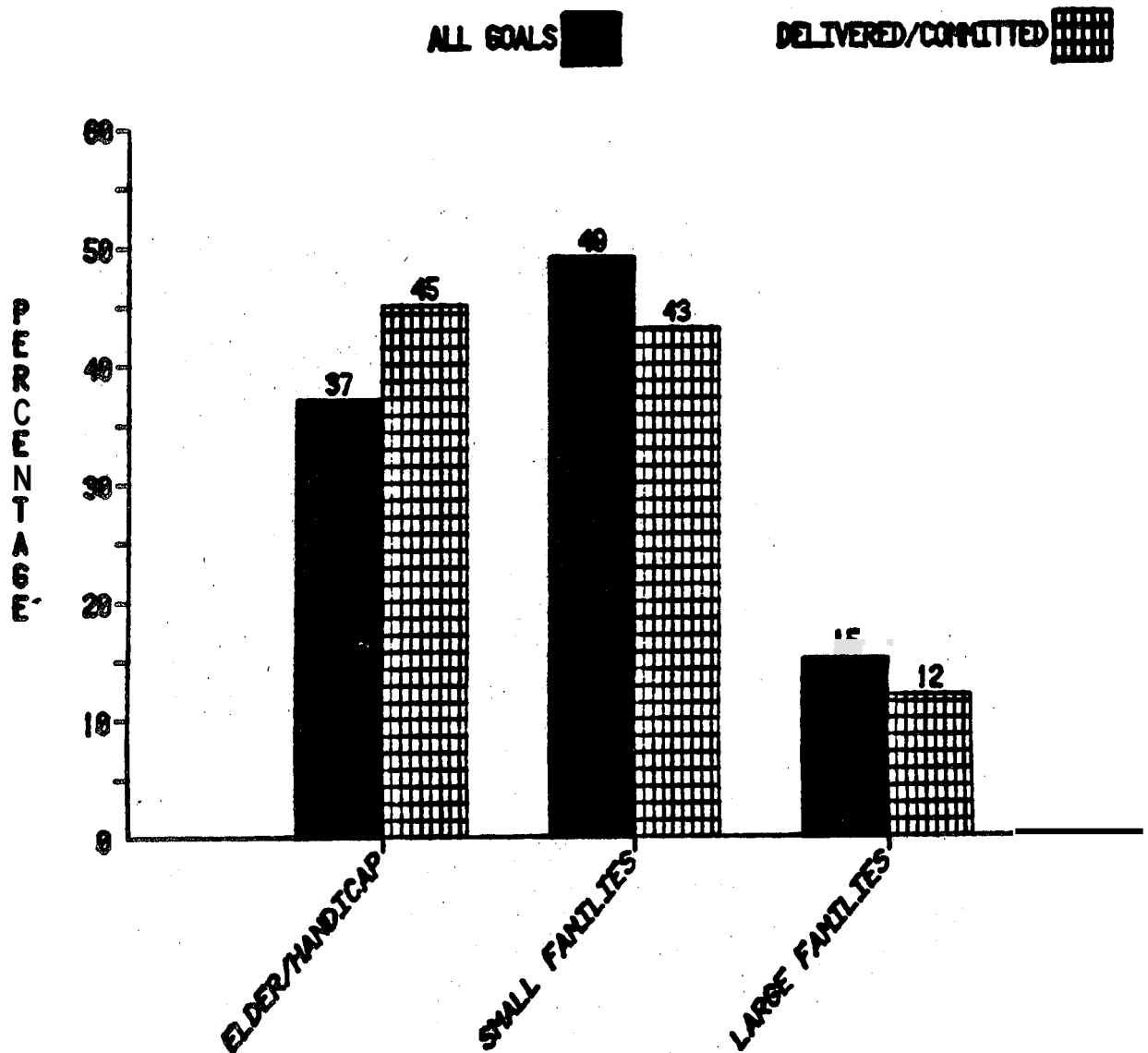
Table IV-10
Distribution of Cities by Percent of Goals Met*

Percent Of Goals Met	Cities	
	Number	Percent
0%	6	4.1
1-5	2	1.4
6-20	22	15.0
21-40	49	33.3
41-50	21	14.3
51-90	33	22.5
91-100	3	2.0
100+	11	7.5
Total	147	100%

* Total delivered units - FY 1976 total goals.

Source: W.S. Department of Housing and urban Development, Community Planning and Development, Office of Evaluation, Sample Cities Grantee Performance Reports.

Chart IV-2
Proportionality in Meeting *HAP* Goals
By Type of Household, 1977



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

Table IV-11
Delivery of Assisted Housing Units
To Residential Areas By
Level of Census Tract Distress*

Type of Area	Units Delivered		Percent New Units Delivered	Percent Rehab Units Delivered	Percent Existing Units Delivered
	Number	Percent			
Most Distressed	46,658	44.1%	24.1%	37.6%	38.4%
Least Distressed	59,208	55.9%	25.3%	31.0%	43.6%

*For definitions of distress see the Appendix.

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

Various approaches were used to achieve these **levels**. Rehabilitation is relied on more heavily in the most distressed areas than in the least distressed tracts. Specifically, 37.6 percent of all assistance to the most distressed areas is taken up by rehabilitation compared to 31 percent for the least distressed areas. Existing housing (i.e., rent supplement) was used more often in the least distressed areas than in the most distressed areas. New construction was used to about the same extent in both the most and least distressed areas.

Program Mix

Local success in meeting goals related to housing mix depends upon the types of resources available. For example, progress with respect to new construction depends upon how well private developers are attracted by the Section 8 new construction program and whether or not the developers choose an economically feasible site which is consistent with HAP planned location. Similarly, achievement with respect to rehabilitation assistance relates to the availability of competent contractors and the willingness of Owners to participate in local programs.

Elderly and handicapped households were to receive 47.9 percent of their assistance through new construction. Small families received much less assistance through new construction, (13 percent) and far more through the existing programs (52 percent) than the amounts reflected in city plans. Large families received most of their assistance through rehabilitation and existing units rather than through new construction and rehabilitation as initially planned by grantees (Table IV-12).

CHAPTER V

MEASURING PROGRESS TOWARDS PLANS: A MONITORING ANALYSIS OF IMPLEMENTATION SCHEDULES, IMPACTS, AND PERCEPTIONS OF PROGRESS

Introduction

The previous chapter presented a national statistical analysis of progress in the block grant program based on expenditure rates. This chapter provides a qualitative description of progress based on field studies in selected entitlement cities and their target areas. Assessments and perspectives on progress **were** obtained through a review of program documents (applications for 1975-1978 and GPRs for 1977-1978); interviews with local community development administrators, citizen and civic groups, **and** program beneficiaries; and on-site reviews of program projects, activities, **and** target areas.

This approach **was** adopted to develop an understanding of the context and varying circumstances within which the CDBG program functions and to capture a sense of the dynamics of program implementation. Progress **was** looked at from three different aspects:

- o the extent to which projects and target area activities were in compliance with the implementation schedules of community development agencies;
- o the nature and extent of program impacts as seen by community development administrators, interest groups, and citizens; and
- o the degree of satisfaction perceived by program managers and clients.

The analysis is based on data obtained in a sample of 25 entitlement cities (Tables V-1 and V-2) and 99 target areas (Table V-3) selected to represent a range of city and program characteristics. These

Table V-1
City and Program Characteristics

City	Census region	Population 1975	Percent population change 1970/1975 (loss)	ODAG distressed cities	Experience with HUD programs							Total number categorical programs
					No previous experience	Urban renewal	MDP	Model Cities	Open space	Water/sewer	Neighborhood facilities	
Akron	North central	275,425	9	Yes		X	X	X	X	X	X	6
Baltimore	Northeast	851,698	(6)	Yes		X	X	X	X	X	X	6
Baton Rouge	South	294,394	(8)	No		X	X		X		X	4
Bethlehem	Northeast	73,827	2	Yes		X					X	2
Bloomington	North central	79,210	(3)	No					X			1
Boulder	West	78,560	17	No					X			1
Des Moines	North central	194,168	(4)	No		X		X	X	X		4
Evansville	North central	133,566	(4)	Yes		X	X		X	X	X	5
Fort Worth	South	359,364	(9)	Yes		X			X	X	X	4
Greenwich	East	59,560	0	No	X							0
Indianapolis	North central	782,139	(1)	No		X	X	X	X	-	X	5
Kingsport	South	33,024	3	No		X	X	X	X		X	3
Newark	Northeast	339,568	(12)	Yes		X		X	X		X	4
Philadelphia	Northeast	1,815,808	(7)	Yes		X	X	X	X	X	X	6
Portsmouth	South	108,674	(2)	Yes		X			X	X	X	4
Pueblo	West	105,312	5	Yes			X		X	X		3
Richmond	West	69,713	(12)	Yes		X	X	X	X	X	X	6
St. Louis	North central	524,964	(16)	Yes		X	X	X		X		6
San Diego	West	773,996	11	No		X	X	X	X	X	X	6
San Francisco	West	664,520	(7)	Yes		X	X	X	X		X	5
Seattle	West	487,091	(8)	Yes		X	X	X	X	X	X	6
Sioux Falls	North central	73,925	2	Yes			X		X	X		3
Somerville	Northeast	80,798	(9)	Yes		X			X			2
Syracuse	Northeast	182,543	(7)	Yes		X	X	X	X		X	5
Tuscaloosa	South	69,425	0	Yes		X			X	X	X	4

Source: "Progress Toward Plans in the Community Development Block Grant Program," July, 1979, by Westat, Inc.

Table V-2
1975 1978 Cumulative Entitlement Grants
and Drawdown Rates
(n=25)

Entitlement Cities	1975-1978 Cumulative Entitlement Grants (Dollars in Thousands)*	Drawdown Rates (in percent) of 1975 - 1978 Cumulative Entitlement Grants as of 1978 Grantee Report Performance
Akron	40,040	41.7
Baltimore	120,926	82.3
Baton Rouge	16,666	57.5
Bethlehem	5,446	40.0
Bloomington	2,128	55.1
Boulder	2,677	79.2
Des Moines	15,140	64.8
Evansville	12,148	67.9
Fort Worth	19,734	53.0
Greenwich	1,493	33.2
Indianapolis	49,319	74.7
Kingsport	2,654	68.1
Newark	77,464	72.8
Philadelphia	241,773	69.6
Portsmouth	17,512	83.7
Pueblo	5,627	59.5
Richmond	13,472	70.6
St. Louis	75,532	54.4
San Diego	39,456	51.1
San Francisco	112,019	52.1
Seattle	47,372	59.3
Sioux Falls	11,510	83.2
Somerville	5,609	68.5
Syracuse	44,807	72.1
Tuscaloosa	6,242	52.1
Median	5,627	59.5

Sources: HUD, Community Development Block Grant Program: Directory of Allocations for Fiscal Year 1978 (Sept. 1978), and HUD, Community Planning and Development, Office of Evaluation, Grantee Performance Reports.

Table V-3
Target Area Characteristics
(N=99)

Target area	Size ¹ of city	Distress ² of city	Project area percent of low/moderate income persons	Type of ³ develop- ment pro- jects	Number of activities	Process ⁴ according to schedule	Rating the degree of impact	Level of satis- faction
1.	2	1	75	NP	--	on	substantial	H
2.	1	1	--	NP	13	behind	moderate	M
3.	3	2	60	NP	8	behind	minor	L
4.	2	1	85	GD	--	on	substantial	H
5.	3	1	60	NR	--	on	too early	L
6.	3	1	15	NP	--	on	minor	M
7.	1	1	--	NP	13	behind	moderate	M
8.	4	1	74	NR	4	behind	substantial	M
9.	4	1	76	ED	10	behind	minor	L
10.	1	1	80	NP	10	ahead	too early	M
11.	2	1	60	ED	3	on	minor	M
12.	3	2	58	NP	4	behind	moderate	M
13.	3	2	80	NP	5	on	moderate	H
14.	3	1	25	NP	--	on	minor	M
15.	1	1	--	NR	15	behind	too early	L
16.	1	2	50	NP	5	on	too early	L
17.	1	1	--	NP	9	behind	minor	L
18.	3	2	74	NP	9	behind	moderate	M
19.	4	2	74	NR	8	no schedule	minor	L
20.	3	2	75	NP	3	on	minor	M
21.	1	1	--	NP	4	behind	minor	L
22.	2	1	75	NR	3	on	minor	M
23.	4	2	60	NP	8	no schedule	minor	L
24.	4	1	--	ED	3	on	moderate	M
25.	4	2	64	NP	10	no schedule	too esrly	L
26.	2	1	70	NR	4	on	minor	M
27.	3	2	79	NP	6	on	substantial	H
28.	3	1	25	NP	--	on	moderate	H
29.	3	1	85	GD	--	on	moderate	H
30.	2	1	57	ED	4	on	too early	L

Table V-3 (continued)

Target area	Size ¹ of city	Distress ² of city	Project area percent of low/moderate income persons	Type of ³ develop- ment Pro- jects	Number of activities	Process ⁴ according to schedule	'Rating the degree of impact	Level of satis- faction
31.	4	2	52	NP	11	no schedule	minor	L
32.	1	1	70	NR	1	on	too early	L
33.	4	2	73	NR	8	no schedule	too early	L
34.	3	2	70	NP	6	on	minor	M
35.	1	2	50	NP	5	on	too early	L
36.	4	2	74	NR	8	no schedule	too early	L
37.	2	1	--	NR	7	on	substantial	H
38.	4	2	58	NP	10	no schedule	too early	L
39.	2	1	60	NP	9	on	substantial	H
40.	2	1	61	NP	8	on	too early	L
41.	3	1	66	NP	9	on	substantial	H
42.	1	1	60	NP	3	on	too early	L
43.	1	2	--	NR	5	completed	substantial	H
44.	2	1	55	NP	8	on	substantial	H
45.	3	1	53	ED	7	completed	substantial	H
46.	3	1	27	NP	2	on	minor	M
47.	1	2	95	NP	7	on	substantial	H
48.	2	1	--	NR	6	on	substantial	H
49.	2	1	--	NP	1	on	substantial	H
50.	4	2	36	NP	21	on	moderate	H
51.	3	1	73	NP	8	on	minor	M
52.	4	2	81	NP	11	on	moderate	H
53.	1	2	75	NP	10	on	moderate	H
54.	1	2	--	ED	14	on	minor	M
55.	2	1	84	NP	12	on	minor	M

Table---3 (continued)

Target area	Size ¹ of city	Distress ² of city	Project area percent of low/moderate income persons	Type of ³ develop ment pro- jects	Number of activities	Process ⁴ according to schedule	Rating the degree of impact	Level of satis- faction
56 .	2	1	68	NP	5	new	moderate	M
57 .	2	2	--	NP	7	on	none	L
58 .	2	2	--	NP	9	on	moderate	H
59 .	2	1	--	NR	4	on	moderate	H
60 .	2	1	40	NP	5	new	moderate	H
61 .	2	2	--	NP	9	on	substantial	H
62 .	3	1	--	NP	7	on	minor	M
63 .	4	2	83	NP	3	on	substantial	H
64 .	2	1	--	NR	7	on	substantial	H
65 .	2	2	--	NP	7	behind	none	L
66 .	2	1	70	NP	9	new	substantial	H
67 .	1	1	39	NP	2	on	moderate	H
68 .	2	2	--	NP	6	on	none	L
69 .	2	1	66	NP	3	on	minor	L
70 .	1	1	44	NP	4	behind	moderate	M
71 .	2	2	--	NP	8	behind	none	L
72 .	2	1	66	NP	5	on	minor	M
73 .	4	1	65	NP	5	ahead	too early	M
74 .	3	1	60	NP	14	on	moderate	M
75 .	3	1	70	NP	7	behind	minor	L
76 .	2	1	--	NR	9	on	substantial	H

1/ Size of city: 1 = less than 100,000; 2 = 100,000 - 249,999; 3 = 250,000 - 499,999; 4 = 500,000 or more.

2/ Distress of city: 1 = UDAG distressed city; 2 = non-distressed city

3/ Type of development project: NP = neighborhood preservation; NR = neighborhood redevelopment; ED = economic development; GD = general development.

4/ Progress according to schedule: on = on schedule; ahead = ahead of schedule; behind = behind schedule.

characteristics included population size and trends, regional location, level of distress, previous experience with categorical programs, **CDBG** funding levels and drawdown rates, and dominant strategy types. ^{1/} An average of four target areas was studied intensively in each city, representing half of all target areas in the sample cities.

Progress: General Discussion

According to most community development staff, local officials, groups, and beneficiaries, target area projects are generally proceeding according to schedule. **Most** respondents are satisfied with the progress of their **CDBG** programs. Further, approximately one-half of the target area **a** projects are judged to have achieved at least moderate impact, ^{2/} even though most are incomplete.

The extent of progress being achieved in the four major types of development projects -- neighborhood preservation, neighborhood redevelopment, economic development, and general development -- was not found to vary significantly from this overall finding.

Although perceptions of progress did not seem to vary significantly by the percent of low- and moderate-income residents in the area, (a criterion used as a surrogate for need), it did appear to vary according to the number of projects involved (a criterion used **as** a surrogate for complexity). In projects and target areas with a relatively **small** number of activities progress **was** seen as more rapid and extensive than in projects with a relatively large **number** of activities.

However, even though less progress **was** evident in projects with a large number of activities, these projects appeared more likely to achieve at least a moderate impact. **CDBG** staff rated housing activities as the most **important** and most successful program activity.

^{1/} A complete description of sampling procedures is presented in the Appendix.

^{2/} Definitions of impact cannot at this time be easily standardized by city. In the context used in this text, impact was related to varied positive local perceptions, such as: visibility of project, actual provision of planned services, securing of additional funds for statutory objectives, and perceived achievement of objectives.

A variety of circumstances **seemed** to have affected local CDBG progress. Most were nonprogrammatic and related in part to the local institutional context of *the* program, such as: the capacity of the local administrative agency to administer program activities; the extent of interagency cooperation; the complexity and influence of the local political environment; and the influence of non-local approvals and reviews at *the* State, regional, and Federal levels.

Progress: A Look at **Specifics**

Predominant Strategy Types: Planned and Actual Expenditures

Table V-4 breaks down planned expenditures in 1978 by four major types of development — neighborhood preservation, neighborhood redevelopment, economic development and general development. It illustrates that most cities focused their resources on neighborhood preservation. Seventeen cities planned to spend at least half their funds on neighborhood preservation. Only one city, Portsmouth, devoted the majority of its funds to another category, allocating 63 percent of its funds to neighborhood redevelopment. The median city anticipated spending 64 percent of its **funds** on neighborhood preservation, **20** percent for neighborhood redevelopment, five percent for economic development, and eight percent for general development.

Cities show a wide range of actual expenditure rates. Grantees which emphasized neighborhood redevelopment and economic development reflect a somewhat higher rate of drawdown than those emphasizing neighborhood preservation and general development.

Table V- 5 presents data comparing the median and range of drawdowns by **type** of development and by the extent to which that type of development **was** emphasized by studied cities. Median values and ranges among different types of development and among cities which gave greater or less emphasis to particular development types generally are similar and do not exhibit any explanatory patterns.

Variations in the drawdown rates in sample cities were not related to such factors as length of program operation, city size, regional location, and level of distress. ^{4/}

^{4/} The rates generally cover a period of 42 months of CDBG experience, although **some** cities vary up to four months from that norm.

Table V-4
Percentage Allocation of PY 4 CDBG Funds
By Type Of Development
(n-23)

City	Type of Development			
	Percent Neighborhood Preservation	Percent Neighborhood Redevelopment	Percent Economic Development	Percent General Development
Akron	65*	0	0	35*
Baltimore	60	27*	12*	1
Batrou Rouge	100*	0	0	0
Bethlehem	64*	32*	4	0
Bloomington	45	20*	0	35*
Boulder	67*	0	0	33*
Des Moines	50	34*	0	16*
Evansville	36	37*	18*	9*
Fort Worth	90*	0*	5*	5
Greenwich	65*	25	0	10*
Indianapolis	80*	20*	0	0
Kingsport	60	33*	7*	0
Newark**	---	---	---	---
Philadelphia**	---	---	---	---
Portsmouth	7	63*	27*	3
Pueblo	74*	0	0	26*
Richmond	50	44*	6*	0
St. Louis	57	22*	13*	8*
San Diego	70*	7	15*	8*
San Francisco	30	44*	12*	14*
Seattle	48	14	18*	20*
Sioux Falls	42	25*	23*	10*
Somerville	77*	0	8*	15*
Syracuse	84*	7	2	7
Tuscaloosa	89*	11	0	
Median percent	64	20	5	8

Above the median percentage of funds allocated to the type of development.

** Because Philadelphia and Newark had complications with their 1979 Applications which had not been resolved at the time of field visits, the information was not provided.

Table V-5
 Median and Range of ~~Drawdown~~ Rates of 1975 - 1978
 Cumulative ~~CDBG~~ Entitlement Grants as of 1978
 Grantee Performance Reports by Allocation of FY 4
 Grant Funds by Type of Development
 (n=24)

Activity	Number of Cities	Median	Range
<u>Neighborhood Preservation</u>			
60 percent or mre of FY 4 funds	14	59.5	33.2-82 .3
Less than 60 percent of FY 4 funds	9	64.8	52 .1-83 .7
<u>Neighborhood Redevelopment</u>			
25 percent or mre of FY 4 funds	10	58.1	33.2-83.7
Less than 25 percent of FY 4 funds	13	57.5	41.7-79.2
<u>General Development</u>			
10 percent or more of FY 4 funds	10	59.5	33 .2-82.3
Less than 10 percent of FY 4 funds	13	67.9	40 .0-83.7

Neighborhood preservation **was** found to be the predominant block grant strategy in **68** of the **99** target areas studied.

At the **core** of most neighborhood preservation strategies is housing rehabilitation. Rehabilitation assistance can be packaged as loans or grants (or both), with ancillary services such as counseling, Code and zoning enforcement, alley clean-ups, rodent control and technical assistance.

The rehabilitation effort often is accompanied by improvements to neighborhood streets, parks and lighting, public services, and/or construction or improvement of public facilities.

In terms of progress against implementation schedules, **two** neighborhood preservation projects were ahead of schedule, **38** were on schedule, and 21 were behind schedule (Table V-6). Schedules had **been** devised but not yet implemented for four projects; they had **not** yet been developed for three projects.

More than half of the neighborhood preservation projects were perceived to have achieved a measurable impact (Table V-7). Eleven projects were seen as having affected a substantial impact, **20** a moderate impact, and **24** a minor impact. Local respondents felt it was too early to assess the impact of 12 projects.

Local program managers reported a varying level of satisfaction with the progress and impact achieved by their neighborhood preservation projects (Table V-8). They expressed a high level of satisfaction in relation to **21** projects and moderate satisfaction with 24. They were less pleased with one or several aspects of progress in 23 areas.

Given the importance of rehabilitation activities within the preservation strategy, it is not surprising to find that where rehabilitation activities were proceeding with few or minor problem, the **overall** preservation project **was seen** as successful; and, conversely where rehabilitation projects were proceeding with more problems, the general neighborhood preservation project was perceived as less **successful** (Table V-9).

Some commonalities appear to contribute to success in preservation projects. For example, the more successful projects seem to be in the marginally distressed areas with solid housing stock and moderate-income population who are primarily homeowners. Rehabilitation staff works out of an on-site office, has been able to achieve high resident

Table V-6
 Characterization by **Community Development** Staff of Stage of Implementation
 of Selected Fourth Year Target Area Projects **By Type of Development**
 as of March 1979
 (N=99)

Project Type	Implementation Stage						Total number of projects	Per- cent of total
	Completed	Ahead of schedule	On schedule	Behind schedule	No schedule	Not yet imple- mented		
Neighborhood preservation	-	2	38	21	4	3	68	69
Neighborhood Redevelopment	1	-	10	4	3	-	18	18
Economic Development	-	1	7	1	1	-	10	10
General Development	-	-	2	1	-	-	3	3
Total number of projects	1	3	57	27	8	3	99	
Percent of total	1	3	58	27	8	3	100	100

Table V-7
 Perceptions of Community Development Staff of Degree of Impact of Selected
 Fourth Year Target Area Projects by Type of Development Project
 (N=97)

Project Type	Degree of Impact				m early to determine	Total number of projects	Per- cent of
	Substantial	Moderate	Minor	None/ negative			
Neighborhood preservation	11	20	24	4	8	67	69
Neighborhood Redevelopment	8	1	2	0	5	18	19
Economic Development	2	3	4	0	1	10	10
General Development	1	1				2	2
Total number of projects	22	25	32	4	14	97	
Percent of total	23	26	33	4	14	100	100

Table V-8
Levels of Satisfaction by Strategy Type

Strategy Type	High	Moderate	Low
Neighborhood Preservation	21	24	23
Neighborhood Redevelopment	7	4	7
General Development	2	0	0
Economic Development	5	3	2

Table V-9
Degree of Impact on Target Area by Neighborhood
Preservation Project Activities as Perceived by Community
Development Staff for Selected Fourth Year Target Areas
(n=55)

Rehab Project	Degree of Impact				Early	Total
	Substantial	Moderate	None/ Light	Too Negative		
Number with rehab problems	2	4	8	2	3	19
Number without rehab problems	8	11	11	2	4	36
Total	10	15	19	4	7	55

acceptance and involvement, and has also identified a group of contractors which perform quality rehabilitation work. There are also some highly visible physical improvements to the infrastructure of the neighborhood, often street and sidewalk improvements. These contribute to the external appearance of the area and help to improve its image.

Several kinds of problem were frequently mentioned as affecting rehabilitation activities, including finding qualified contractors and

assuring adequate resident involvement. Problems with amtractors providing quality work on time and within budget are more pronounced in rehabilitation than in other aspects of local programs.

With conventional capital improvement projects, for example, the set of eligible and experienced amtractors is known to the cities. Many cities, however, have had considerably less experience with rehabilitation contractors. The shortage of quality rehabilitation contractors is an issue of varying magnitude faced by almost all cities.

Problems with contractors were noted as particularly acute for six city housing rehabilitation programs and in numerous project areas in other cities. The City of Fort Worth has had difficulty in locating enough private contractors to handle the demand generated by its rehabilitation loan and grant program. In the words of the community development director, the rehabilitation contractors "are so saturated that they can't keep up."

Des Moines also has had a problem with locating enough reliable contractors. City staff assessed their rehabilitation program as successful but noted that it could be more successful if better quality work had been done by certain contractors. Baton Rouge has had problems in obtaining the cooperation of contractors, partially because some contractors, it was felt, were incompetent. The Philadelphia rehabilitation program had trouble attracting contractors because of apparent bureaucratic delay and related problems. To circumvent this, a non-profit housing corporation was established.

Securing resident cooperation and involvement in rehabilitation activities was an issue in some project areas. One successful technique cities have used to overcome residents' reluctance is the establishment of an on-site project facility.

In Syracuse, for example, resident reluctance to participate in the Washington Square Park preservation area project stemmed from a fear of systematic code enforcement. The city responded to the resident apprehensions in a manner which many cities have found to be successful: an on-site office was established to further develop the image that the program was a neighborhood program rather than a city program. Once a few houses had been rehabilitated and residents began to see the benefits enjoyed by their neighbors, resistance diminished,

Neighborhood Redevelopment

Neighborhood redevelopment characterized the activities being carried out in eighteen of the 99 sample target areas.

Redevelopment target areas in the study sample were generally situated in former categorical program areas. Projects have been programed for varying public activity, generally infrastructure (street, sidewalks, sewers, parks) improvements, in anticipation of encouraging private development interests.

In general, redevelopment projects are seen to be substantially on schedule (Table V-6). One project was reported to be entirely completed and ten to be in conformance with all scheduling milestones. Four were perceived to be behind schedule. Three projects were still in the planning stage and did not yet have formal schedules.

Similarly, neighborhood redevelopment projects were perceived by local respondents to have achieved a high level of impact (Table V-7). Impact was reported to be substantial in eight target areas and moderate in one. Achievements were less significant but still visible in four. In the remaining five, it is too early to determine impact, according to local program managers.

Consistent with reported progress against schedules and perceived impacts against goals, city officials evidenced a substantial level of satisfaction with redevelopment target areas (Table V-8). Satisfaction was reported as high for nine areas and moderate for five. Overall, perceptions of satisfaction were lower for six project areas.

One of the most successful redevelopment projects, according to local respondents, is located in the Mount Herman Area in Portsmouth, Virginia. Mount Herman is a 200 acre redevelopment area with predominately low-income minority residents. Sections of the neighborhood are severely blighted, and a large number of the structures have been identified as targets for demolition or rehabilitation. The area has a very high degree of citizen involvement.

Mount Herman first received substantial public investment in 1972 -- a \$10 million capital grant under Urban Renewal. In 1977, it received almost \$4 million in CDBG and Urgent Needs fundings for acquisition, relocation, drainage and other conservation activities. Much of the money was used for housing programs which promoted both rental and homeownership opportunities.

Today, the city reports that residents are optimistic about their neighborhood. Other residents appear anxious to move into the area. Property values are rising, and lenders are receptive to loan requests by residents.

Other renewal projects were also reported in a positive manner. In San Francisco, the Western Addition project was viewed as a success -- in spite of problem in establishing a strong commercial center for the area -- because "we are producing more housing than was demolished."

The City of Kingsport, Tennessee, continued work in the area first targeted in the NDP program, combining street and other infrastructure improvements, land acquisition and rehabilitation activities under CDBG with highly favorable results.

Not all redevelopment projects were viewed as successful. Seattle's Central City area is proceeding, but with "no end in sight." The required improvements and redevelopment are of a tremendous magnitude, likewise the resources to sustain the redevelopment. This is the apparent dilemma facing the City of Indianapolis with regard to the Broadway Park II project. The planners admitted a "feeling of futility here due to the intensity of the deterioration," and the difficulty in "just keeping our heads above water."

Residents also shared frustrations, sometimes due to the enormity of their plight, but also as a result of fighting the city for the attention they believe their area deserves. The Lincoln-Governor area in Evansville, Indiana, was cleared in the first two years of the CDBG program. The city attempted to find a developer to construct housing on the two-block area. Money from the sale of land in a UDAG project was programmed to subsidize this development. UDAG funds have not yet become available, and no private developers have expressed interest. While the City restudies the project, the land remains vacant, and local residents are frustrated by what they term "the City promising but not delivering."

Displacement was described as a current issue in a number of redevelopment target areas. Responses of several local officials indicate that some cities have not developed the administrative arrangements and strategies to respond to the problem,

Controversies which surround displacement and relocation may cause delay in redevelopment projects. In Des Moines, demolition of 80 houses in a redevelopment area was under contention because 12 of the structures had originally been scheduled to be moved out of the redevelopment area. When the city decided to demolish all of the structures, residents fought the decision. They have managed to delay the project while a battle over the fair market value of the properties is contested. In San Francisco, same residents took the city's community

development agency to court to fight the extensive household relocation. This has prevented the city's code enforcement activities from proceeding as scheduled.

Sioux Falls adopted a plan to use block grant funds to acquire land in the Beadle-Greenway area for a railroad right of way. It required the acquisition of only two residential properties that were occupied at the time. The **two** families that faced displacement resisted, claiming, "we don't want to move." These two families and their supporters have managed to prevent activity to this point.

Success in target areas may create a "paradox" -- as neighborhoods *are* improved, property values rise and housing opportunities become more limited. The target population of low- and moderate-income households may have to move, given market pressures." As the Mayor notes, "we have to find a way to revitalize for the present population."

Economic Development

Studied cities devoted a relatively small portion of their resources to **economic** development in the fourth program year four. Ten of the 99 project areas had **economic** development as their predominant focus.

Among the reasons relatively few block grant resources were designated for economic development were that most program had a residential revitalization focus and to shift resources away from neighborhoods would be locally difficult; local agencies other than the **community** development agency have jurisdiction over economic development, and the development of economic development plans, therefore, require more time than was available subsequent to the March 1978 regulations and before fifth program year applications were due; and the difficulties in mounting feasible projects represent a complex challenge.

It **was** difficult to **assess** whether or not economic development projects were on schedule. Most of them were technical assistance efforts. They consumed staff time but did not often yield measurable units of output against which to track progress, or they yielded outputs -- such as a rehabilitated store front or commercial facelift -- which resulted from private action, and only indirectly from the block grant activity.

With these considerations in mind, nevertheless, local officials generally report their economic development projects and activities to be on or close to planned implementation schedules (Table V-6). Seven projects were felt to be proceeding as planned, and one was considered to be ahead of schedule. **One** project **was** reported to have been delayed, and one was still in the planning stage.

In terms of actual impact achieved to date, efforts were reported to be significant but, as would be expected with predominately technical assistance efforts designed to build capacity, somewhat less than in other strategy areas (Table V-7). Two projects were seen as having achieved a substantial impact and four a moderate impact. For four projects the view was that visible effects to date had been modest, and for one it was felt that it is too early to offer a reasonable assesanent.

Respondents reported high to moderate levels of satisfaction with most economic development projects (Table V-8). Satisfaction levels were reported as high for five economic development activities and moderate for three. Two projects were seen as performing somewhat below expectations.

The North Main Street project in Evansville is an example of a successful economic development project. It is a neighborhood business revitalization effort which will anchor a larger neighborhood preservation project planned for future program years. The city is providing physical improvements along North Main Street -- a median strip, trees, sidewalks and parking -- but the effort is primarily one of technical support to the local business association in its upgrading of storefronts. The City staff have been working closely with the association to help with planning and coordination, to secure Small Business Administration loans and to support the facelifting of commercial buildings.

Kingsport's downtown economic development project primarily consists of one activity, a rehabilitation program for commercial structures. The project is proceeding with no other plans for activity in the downtown. Approximately 30 percent of the 125 structures in this area have been rehabilitated.

Fort Worth's economic development projects, with one exception, are technical assistance efforts related to a minority procurement project and an economic development corporation. The exception -- the Stockyards Redevelopment project -- is completed.

In at least five economic development projects, and in a half dozen projects in other cities, intergovernmental difficulties were noted between local community development agencies and agencies at other levels of government. Problems resulted in delays in funding or approvals and reviews. Respondents attributed their schedule compliance, or lack thereof, to the timeliness of other Federal agency funding: EDA, UDAG, SBA, loans, CETA and Title XX monies.

General Findings

A relatively small number of target areas in the study sample were characterized by a predominance of general development activities. Two of 99 areas were the focus of this strategy.

General development activities were found to consist of a variety of public improvements -- streets, curbs, gutters, lights, services -- generally occurring at high levels of funding in fairly small areas or at low levels of funding over fairly large sections.

Both project areas were seen to be proceeding on schedule (Table V-6), to have achieved a substantial or moderate impact (Table V-7), and to have engendered a high level of satisfaction (Table V-8).

Factors Affecting Progress

Program Factors

Several program related factors affected the level of progress among and between different strategies. They included: the relative need of the area in which the project is executed; the complexity of the project; and the nature of the activities which comprise 3/ a given project.

Progress seems related to the number of activities in an area. For example, although projects with seven or more activities accounted for 53 percent of all projects, these projects accounted for 64 percent of the total number of projects behind schedule (Table V-10).

3/ For purposes of this analysis, the percent of low- and moderate-income persons was used as a surrogate for need, while the number of activities was used to represent complexity of the project. The number of activities is not a perfect proxy for project complexity, since it does not account for the relative difficulty of activities. Rehabilitation, for example, is not differentiated from sidewalk replacement. The number of activities, however, is a reasonable indicator of the extent of the interrelationships of activities in a project. If one activity is delayed, it may affect the timely implementation of the entire project. The more activities there are in a project, the greater likelihood there is that one activity can cause this delay.

Table V-10

Progress in Project Implementation According to Project Schedule
As Perceived by CDBG Staff In Selected PY 4 Target Area Projects of
March 1979 and According to Number of Activities in the Project
(n=68)

Number of Activities In Project	Progress			Total Number of Projects	Percent Of Total
	Ahead Of Schedule	On Schedule	Behind Schedule		
3 or fewer	0	11	2	13	19
4 - 6	2	11	6	19	20
7 - 9	0	16	11	27	40
10 or more	1	5	3	9	13
Total number of projects	3	43	22	68	
Percent of Total	5	63	32	100	100

Even though delays are more likely in projects with a large number of activities (seven or more), the data suggest that such projects are more likely to achieve a greater degree of impact once they are implemented. Although accounting for only 36 percent of the projects analyzed, projects with seven to nine activities, comprise 55 percent of all projects which local observers indicated had achieved a substantial impact.

Respondent's views of the extent of impact were compared to the percentage of low and moderate income residents in the area. As indicated in Table V-11, most interviewees tended to believe that more impact was achieved in areas with relatively lower percentages of lower income residents.

Table V-11
Progress in Project Implementation According to Project Schedule
as Perceived by CDBG Staff in Selected FY 4 Target Area Projects as
of March 1979 And According to the Percent of Low- and Moderate-Income
Residents in the Area
(n=58)

Percent Low- and Moderate Income Residents	Progress			Total Number of Projects	Per- cent of Total
	Ahead of Schedule	On Schedule	Behind Schedule		
Less than 50 percent	0	7	4	11	19
50 - 59 percent	0	7	3	10	17
60 - 69 percent	1	10	4	15	26
70 - 79 percent	1	8	5	14	24
80 percent or more	1	6	1	8	14
Total number of projects	3	38	17	58	
Percent of total	5	66	29	100	100

Community development directors were also asked which activities were the most important, easiest to implement, most difficult to implement, and most successful. Table V-12 shows that housing was considered the most important and successful type of activity. It also was viewed as the most difficult to implement. Public improvements, primarily street improvements, were most often reported to be the easiest to implement.

Nearly half of the interviewed local staff indicated that housing was the most important activity in their communities. No other activity was chosen by more than 10 percent of the respondents (Table V-12).

Table V-12
 Characterization of Types of Activities and Actions
 in Local CDBG Programs by CDBG Directors
 (n=21)

	Most Important Activity	Activity Or Action Easiest To Implement	Activity Most Difficult To Implement	Most Successful Activity Or Accomplishment
Housing Rehabilitation	11	2	7	7
Other Housing	2	--	3	3
Public Improvements	--	4	2	2
Public Facilities	1	3	--	--
Public Services	1	4	2	1
Economic Development	1	-- *	-- **	3 ***
Other	--			
Could Not Isolate Single Activity	5	6	6	4
Total	21	21	21	21

* Architectural barriers and assessment stabilization.

**

*** Land acquisition.

Securing City Council approval for CDBG.

Project staff also were asked to rate the most and least successful activities in their projects. **Once** again, housing emerged as the key activity category. It **was** named the most successful activity in one-half of the projects for which responses were obtained. Street and sidewalk improvements, the second ranked activity, **was** mentioned by 11 percent of the respondents.

Institutional Constraints

Numerous institutional factors affected progress in CDBG program implementation. They included: agency capacity to administer program activities (management and jurisdiction), including interagency cooperation; complexity and influence of the local political situation, and extent of non-local approvals and reviews.

The community development agency is not ordinarily a superagency which transcends the local political scene; community development plans are not isolated from other local strategies. In none of the 21 cities did the local agency which plans the program implement all activities. Indeed, management of the community development program requires a complicated interagency process.

Community development agencies contract with city line departments or agencies to plan and implement many activities. The Department of Public Works, for example, is usually given responsibility to do most of the capital improvement and physical development projects; in Baton Rouge, it is responsible for implementing the entire program. Other departments such as Parks and Recreation, Police and Fire Departments; Redevelopment Authority, Housing Authority, and Department of Health and Safety, are assigned responsibility for implementing activities related to their functions. Contracting the work limits the ability of the agency to control quality and the speed with which projects can be implemented. For example, in Seattle, most of the capital improvement projects are designed by the City Engineering Department. Project implementation has been delayed because of a work backlog in the Department.

The community development agencies generally are new agencies created for purposes of administering the program. Cities have faced problems with respect to the level of staff capacity in the early years of the program.

The agency is often limited with respect to the **scope** of activities which it is able to implement. Other departments have preestablished responsibilities and jurisdictional functions. In many communities, community development program and budgetary data have been assembled and categorized by city budget categories. These categories often are not relevant to CDBG reporting.

Beyond the local administrative issues of management, jurisdiction and budgets, political realities have impeded timely implementation of the program. One program director admitted, for example, that most of the CDBG projects could be completed in three years, "if we were able to concentrate enough of our resources...but it is human political nature

to spread the money around as much as possible....When election time rolls around for the City Council every four years, the Council would rather have projects underway in as many of the wards as possible rather than have just a few projects completed with more projects promised."

Non-local reviews and approvals often frustrated city schedules. San Francisco wanted to use its loan pool to finance rehabilitation of residential hotels, but was delayed while it awaited an IRS ruling. Sioux Falls wanted to use CDBG funds to pay the special assessments of utilities improvements for low-income residents, but HUD regulations did not permit them to do so. The City had to obtain State-enabling legislation to pay those assessments from other funds before proceeding with improvements.

Conclusion

Based on data gathered in the 24 sample cities, cities appear to be making reasonable progress in implementing their CDBG projects. According to local officials, most target area projects are proceeding according to schedule. Indeed only 20 percent of the target area projects seem behind schedule. Local officials are satisfied with the progress they are making with the community development program. Approximately one-half of the target area projects have achieved modest or moderate impact.

- o Predominant Strategy Types. Neighborhood Preservation was found to be the predominant strategy being used by cities. The median city planned to use 64 percent of its funds for neighborhood preservation, 29 percent for neighborhood redevelopment, eight percent for general development, and five percent for economic development.
- o Progress: Expenditure Rates. Most cities are making reasonable progress as measured by expenditure rates. Median values and ranges among different strategy types and among different levels of effort among strategy types are similar and do not vary significantly by city size, regional location, level of distress, or previous program experience.
- Progress: Schedules, Impacts, Levels of Satisfaction. Similarly, most cities are making reasonable progress as measured by compliance with implementation schedules, degree of impact, and levels of satisfaction. Eighty percent of the target areas were on schedule and approximately 50 percent have achieved at least a moderate impact.

- o Factors Affecting Progress: Program Characteristics. In general, progress was not found to be significantly affected by the level of need (as measured by proportions of low- and moderate-income residents) in target areas, but it was affected by the level of complexity (as measured by the number of activities) of a project as by the nature of the project activities.
- o Factors Affecting Progress: Institutional Characteristics. Progress is also influenced by agency capacity to administer program activities, the complexity and influence of the local political process, and by non-local approach and services.

PART IV

PROGRESS IN IMPLEMENTING NEW PROGRAM GUIDELINES

CHAPTER	VI	Benefit to <i>Low</i> and Moderate Income Citizens
CHAPTER	VII	Neighborhood Strategy Areas
CHAPTER	VIII	Economic Development
CHAPTER	IX	Comprehensive strategies
CHAPTER	X	Housing Assistance plans
CHAPTER	XI	Citizen Participation

CHAPTER VI

NEW REGULATIONS COVERING LOW- AND MODERATE-INCOME BENEFITS

Introduction

The "primary objective" of the Housing and Community Development Act of 1974, which created the CDBG program, is the "development of viable urban communities, by providing decent housing and a suitable living environment and expanded economic opportunities, principally for persons of low and moderate income. Every project using CDBG money must: (1) "benefit low- or moderate-income families;" (2) "aid in the prevention or elimination of slums or blight;" or (3) "meet other community development needs having a particular urgency." ^{1/}

The initial program regulations provided entitlement cities with great latitude within which to comply with these objectives. Each applicant only had to certify that its "Community Development Program had 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."

Studies by HUD, the Brookings Institution and NAHRO of the first three years of program operation documented wide variation in the proportion of its low- and moderate-income benefits. They also noted a decline in the overall proportion of benefits going to low- and moderate-income persons. ^{2/} In addition, several groups challenged HUD and local community efforts to meet statutory concerns with respect to

^{1/} P.L. 93-383

^{2/} U.S. Department of HUD, CDBG: Third Annual Report (Washington, D.C., 1978); Chapter 4.

The Brookings Institution, Targeting Community Development, Interim Report (Washington, D.C., 1979), Chapter 7.

NAHRO, "A Report on Trends and Findings of NAHRO's CD Monitoring Project Journal of Housing (Feb., 1978), 66-72.

allocation of program benefits. They sought and, in some cases, obtained reprogramming of funds on the grounds that local programs did not comply with the low- and moderate-income benefit objective.

The 1974 Act was amended by the Housing and Community Development Act of 1977. Language ~~was~~ added which attempted to clarify or strengthen Congressional objectives concerning the relationship of CDBG funds to ~~low-~~ and moderate-income persons. For example, the amended statute:

- required that applicants take positive steps "to improve conditions ~~for low-~~ and moderate-income" persons and "to assure that a preponderance of persons assisted (by subsidized rehabilitation) be ~~of low-~~ and moderate income;" and
- required that the target population include "~~low-~~ and (emphasis added) moderate-income families" to prevent over concentration of funds on moderate-income households. The old law specified ~~low- or moderate-income~~ (emphasis added). ^{3/}

Subsequently, HUD's program regulations implementing the 1977 statutory changes were intended to carry out the statutory objective of benefiting ~~low-~~ and moderate-income persons in a strong and committed fashion." ^{4/}

Although the regulations did not establish a specific benefit threshold, they did provide a review standard for use by HUD Area Offices in assessing CDBG applications. Under this standard, applications that estimate low- and moderate-income benefits of 75 percent or more are presumed to be in conformance with the guidelines; others are subject to more extensive review. ^{5/}

^{3/} The use of the conjunctive eliminates the ability to focus on one group only. Additionally, HUD now requires both groups to receive benefits in proportion to the "relative severity" of their needs 24 CFR 570.302(b)(5) 1.

^{4/} Federal Register, Volume 43, Number 41, Part 111, May 1, 1978. 24 CFR, Part 570,

^{5/} This review guideline is not an automatic standard for determining non-compliance. While compliance is presumed where benefit levels are 75 percent or more, non-compliance is not automatically presumed where benefit levels are less. In effect, the regulations provide only a means of alerting Area Office to the possible need for review.

The new regulations also contained more restrictive provisions under which projects not benefiting low- and moderate-income persons i.e., those which aid in the prevention or elimination of slums or blight or meet local urgent needs, would secure CDBG assistance.

Impact: An Overview

As was pointed out in Chapter II, both the HUD analysis based on a representative sample of 151 communities and the Brookings analysis based on a sample of 41 jurisdictions indicated that in the most recent program years program benefits for low- and moderate-income people increased.

Both analyses also concluded that the trend showing an increase in benefits for low- and moderate-income people began before the March 1978 regulations. Cities began to give increased attention to low- and moderate-income benefits subsequent to the inauguration of the new Administration and the related new signals from HUD that communities would have to improve their capacity, ability, and willingness to target CDBG funds to the poor and near poor. ^{6/}

In almost all the cities that were studied, ^{7/} it was found that the proportion of program funds planned to benefit low- and moderate-income people exceeded 75 percent levels. Moreover, local community development respondents expressed the view that the new guidelines would have a continuing effect on assuring high benefit levels to low- and moderate-income households in the future.

Local officials in most cities reported few serious problems in complying with the new regulations. The kinds of activities planned in support of low- and moderate-income benefit objectives remained virtually unchanged, indicating a basic interest in continuing planned projects. Additional increments of staff and other resources used to

^{6/} Both the finding that program benefits for low- and moderate-income people have increased and that the increase began in 1977 were confirmed in a study conducted in 20 jurisdictions for HUD by Michael Tietz and Richard LeGates, "Have the CDBG Program Benefit Regulations Made a Difference?" April 2, 1979.

^{7/} The discussion in this chapter is based on field studies by HUD in 24 cities, as well as augmented by data and analysis obtained in the Tietz and LeGates study.

comply with the guidelines were estimated to be small. The major problem noted by localities was the inadequacy of 1970 census data for estimated income.

Impact: A Look at Specifics

General Perceptions of the New Guidelines

Respondents in most cities felt that the new guidelines, with their more precise definitions and standards, had been helpful in planning and estimating program priorities.

Many respondents reported that the new regulations had encouraged them to analyze more carefully their low- and moderate-income benefit projections and to describe their intended effects more thoroughly in CDBG applications. This more deliberative and focused process was seen as a positive contribution to local program development because it provided local citizens with a better idea of the complex decisions and trade-offs that often have to be made in allocating benefits.

While the new regulations had a visible impact on the quality of low- and moderate-benefit analyses and projections, they had less effect on actual benefit levels between the fourth and fifth program year (because, as noted earlier, changes generally were made earlier). In most of the sample cities, major shifts to low- and moderate-income benefit levels were not required because cities had maintained reasonable levels since the beginning of the program or because they had increased benefit levels in previous years.

In Richmond, "the low- and moderate-revisions have meant it's clearly a low-income program here." In Boulder, a respondent felt the regulations were "consistent with city philosophy." In Evansville "the vast majority of all CDBG funds have been going to target areas since year one."

In some cities respondents implied or freely admitted that the Applications, i.e., the written statements of needs, strategies and plans, were prepared to justify those projects agreed upon through the local decisionmaking process. In those cities, a thorough job of determining benefits was less often attempted or achieved.

The comments of respondents in a large western city are a good example. "When we prepare our Application we first ask if the project is located in a low-income area. If it is, then we put the project under the low- and moderate-income category. If it isn't we say that the project removes slums and blight."

Anticipation Effects

In many of the cities that were studied, the response to the regulations began at least a year prior to the final issuance of regulations in *March 1978*. Some respondents reported that there had been major anticipatory effects of the regulations during the fourth program year; others traced the most significant period to the third year. Some reported that shifts had begun after the first program year at least for non-metro discretionary communities.

In sorting out effects of the CDBG program benefit regulations, it is important to distinguish applications that are legally controlled by the regulations from those that are not. Both groups may have been affected by the regulations, but for the latter category, change was caused by anticipation effects.

Two groups of applications submitted to HUD thus far are legally bound by the March 1 program benefit regulations: (a) those submitted after May 1 of the fourth program year; and (b) those that have been submitted so far in the fifth program year. These applications, by month submitted, are illustrated in Chart VI-1. Of approximately 1,330 entitlement jurisdictions, only about 150 were legally bound in the fourth program year. Approximately 350 fifth year applications were submitted through March 15, 1979. Thus, less than half of all entitlement jurisdictions have an application legally covered by the regulations approved at the time of this study.

Clearly, it is difficult to disentangle effects of the regulations per se from other influences that operated in the same direction. One respondent indicated that it was significant that the "administrative climate" had shifted. From early 1977 onward, cities knew from the speeches of the Secretary and Assistant Secretary for Community Planning and Development that the low- and moderate-income benefit was an area for concern, and were aware (to varying degrees at varying times) of coming regulations.

This timing phenomenon is linked to several key dates. The major watershed appears to be April 1977. Assistant Secretary Embury's Notice to Field Staff stressed the importance of low- and moderate-income benefits and announced the Department's intention to issue tough regulations in this area. This notice was issued in time to impact the majority of third year applications, and many informants indicated that it had a significant effect.

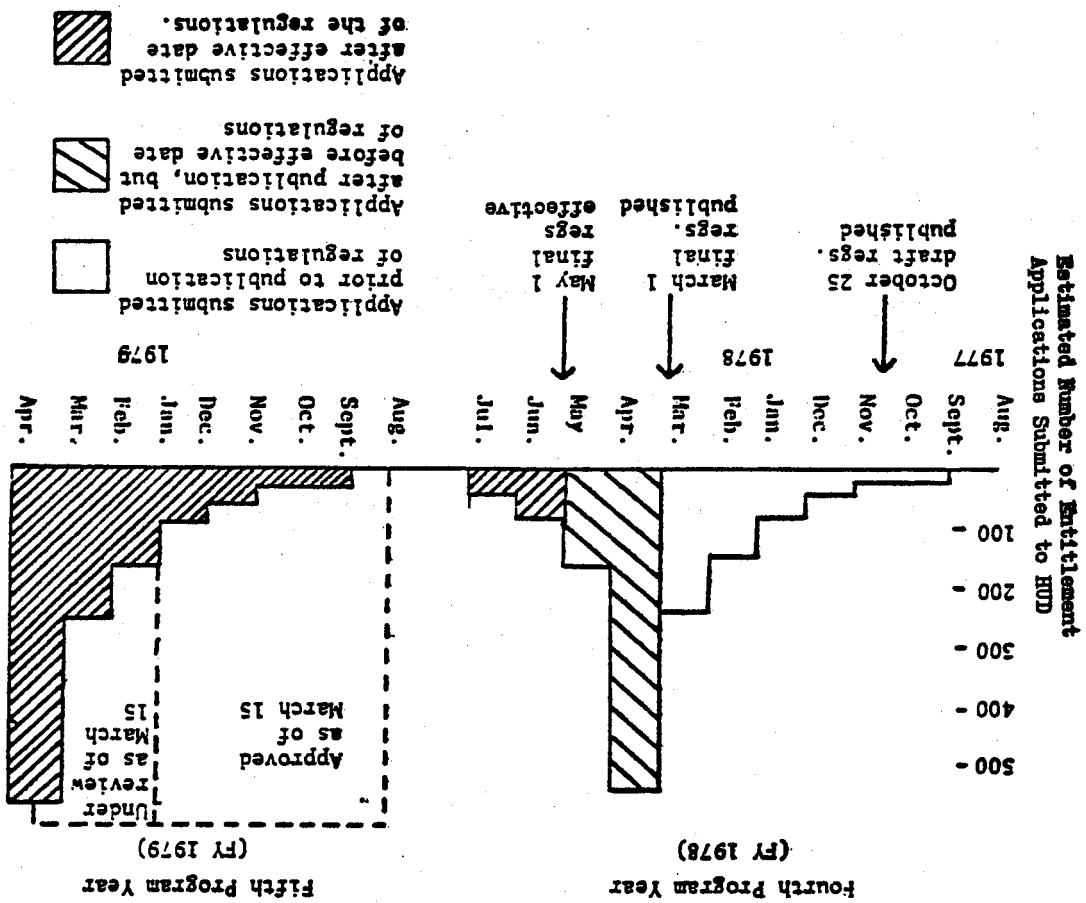


Chart VI-1
Estimated Number of FY 1978 and 1979 CDBG Entitlement Applications Submitted to HUD to Which the Program Benefit Regulations Apply

Early in the fourth program year another benchmark date occurred with the issuance on October 25, 1977 of proposed regulations. One respondent stated: "the proposed regulations had the effect of the final regulations." Many respondents indicated that anticipation of the final regulations was more important than the legal effective date in altering jurisdictions' behavior.

One implication of these strong anticipation effects during the third and fourth program years was that informants sometimes reported little difference between those fourth year applications legally bound to comply with the regulations (those submitted after May 1, 1978) and those submitted by an earlier date. Most respondents suggested that recipients had gotten the message and already made changes in third-year applications. In short, May 1 — the formal effective date of the regulations — was much less important a watershed than the issuance of the April 15 Notice or October 25 proposed regulations,

Low- and Moderate-Income Benefit Levels

Communities are required to provide both one-year and three-year estimates of the proportion of program benefits assigned to low- and moderate-income people.

In the studied cities, the mean low- and moderate-benefit level for respective one-year estimates was 88.6 percent (Table VI-1). All but three cities showed levels above 75 percent, 20 showed levels above 85 percent and 14 showed levels of close to or above 90 percent. ^{8/}

In relation to three-year estimates, the mean low- and moderate-income benefit level was 89.5 percent. All cities estimated proportions above 75 percent, 18 showed levels above 85 percent, and 13 showed levels of close to or above 90 percent.

^{8/} There is obviously a difference between HUD's aggregate trend data and the figures reported by studied cities. Several factors explain the difference. Among them: differences in sample characteristics (data in this chapter is based on 24 cities, data presented earlier is based on 151 cities); and differences in benefit calculations (data in this chapter is based on Applications only; data presented earlier is based on Applications supplemented with a census tract analysis).

Table VI-1
Proportion of Benefit to the Target Population
Reported by Applicants in PY 5 Applications
(N=24)

City	PY5	PY 5 and PY 7
Akron	73.0	75.9
Baltimore	87.8	81.1
Baton Rouge	73.4	84.4
Bethlehem	70.9	83.0
Bloomington	75.5	79.4
Boulder	89.0	90.5
Des Moines	89.8	88.1
Evansville	89.2	91.0
Fort Worth	100.0	100.0
Greenwich	94.4	96.0
Indianapolis	91.0	92.0
Kingsport	85.3	89.0
Philadelphia	96.6	94.2
Portsmouth	87.0	82.0
Pueblo	95.7	97.0
Richmond	100.0	100.0
San Diego	77.1	75.0
San Francisco	84.0	84.0
St. Louis	87.7	87.4
Seattle	97.8	97.4
Somerville	100.0	100.0
Sioux Falls	94.0	95.0
Syracuse	87.0	86.0
Tuscaloosa	100.0	100.0
Mean	88.6	89.5

Source: PY 5 Applications.

Independent analysis suggests that the shift toward low- and moderate-income benefits approached \$280 million. ^{9/} This estimate is confirmed by HUD's trend data which shows that low- and moderate-income benefits could have increased by as much as \$325 billion. ^{10/}

^{9/} Tietz and LeGates, "Benefit Regulations."

^{10/} Assuming the shift in benefit proportions was from 61 percent in program year three to 66 percent in program year four. See Chapter II.

Low- and Moderate-Income Benefit Trends

Almost all informants agreed that the program benefit regulations have had a significant impact. However, there is some variation in responses regarding the degree of impact, the extent to which impacts represent real ~~as opposed~~ to paper changes, and when the changes occurred.

Among the 24 cities studied, benefit levels estimated in fifth year applications generally represented continuations or increases in those estimated in fourth year applications (Chart VI-2). In four cities benefit levels increased significantly; in 15 they increased slightly or remained the same; and in five cities they declined somewhat. Those who reported no or marginal shifts generally suggested three possible explanations: cities already allocated a high proportion of their CDBG funds to law- and moderate-income benefit; the April 1977 notice had achieved a substantial shift earlier; or the Area Office had previously required cities to allocate substantial funding to low- and moderate-income benefit prior to the regulations.

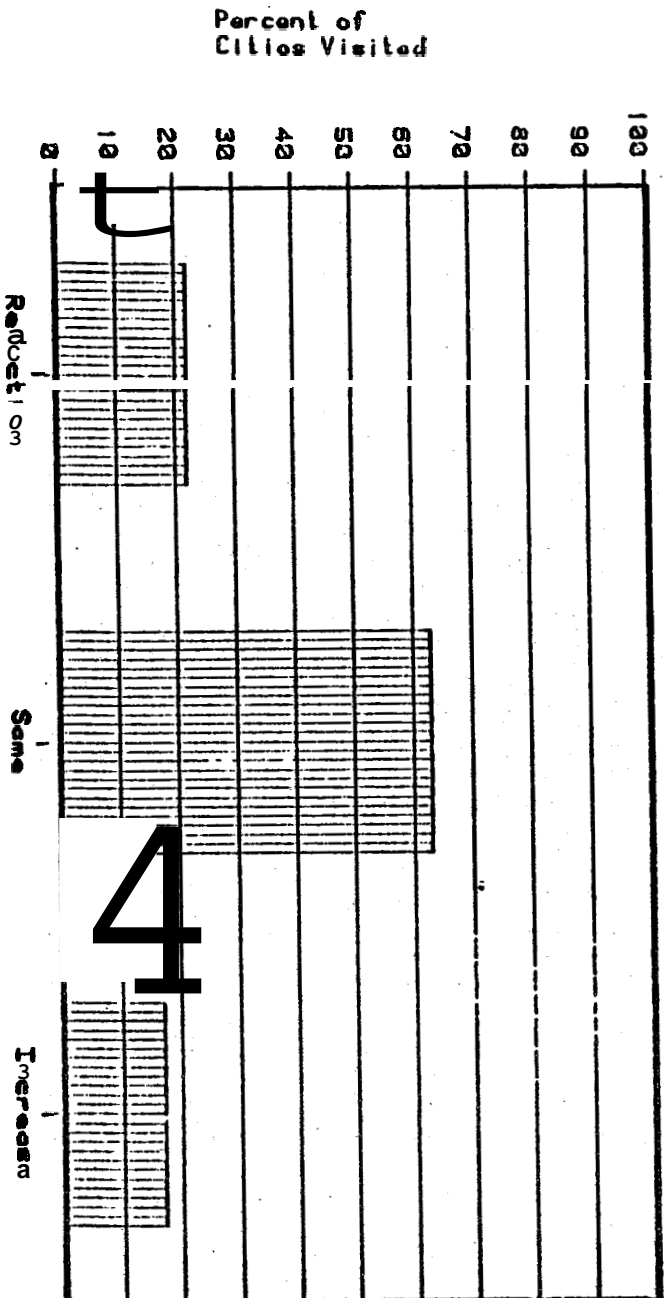
Not all the reported shifts necessarily constituted actual reallocations. Substantial changes in the way in which programs are described and justified were reported. One respondent noted that the vocabulary is changing on fifth year applications and there is a much more refined level of argumentation over program benefit issues. Another program manager stated that activities once characterized as elimination of slums and blight are now described as benefiting law- and moderate-income persons, with appropriate changes to justify this.

Other program managers also indicated significant shifts from slum and blight to law- and moderate-income projects, but were less clear on what, if any, substantive changes were made as the projects were redescribed. Several program managers indicated that it was Area Office policy to require cities to shift from slum and blight to law- and moderate-income projects, and that cities are conforming with their wishes.

Low as 1 Not From Moderate 2 B

The new regulations added a requirement that each applicant address the needs of low- as well as moderate-income persons, given the nature and relative severity of their needs.

Chart VI-2
Changes in the Ratio of Benefits to Low- and Moderate-Income
Persons, Program Year Four to Program Year Five
(N=24)



* Based upon a comparison of estimates of low- and moderate-income benefits provided in fifth year Applications and obtained from local CDBG staff for the prior year. Where the latter was not available, the direction of change was determined by examining changes in the nature and scope of CDBG activities from Applications and opinions of local officials and citizens obtained during the site visits.

Program managers reported wide variations in field practice with respect to tracking low- as opposed to moderate-income benefits. A few indicated that they have set up or are in the process of setting up procedures to monitor low- as opposed to moderate-income benefits. Others indicated that they have always distinguished low- and moderate-income benefits.

Several indicated that at this time they were not able to easily distinguish low- from moderate-income benefits. In one city the respondent appeared to confuse this requirement with those covering the entire low- and moderate-income population.

No jurisdiction conducted a major planning exercise or altered significantly their mix of activities as a result of the new requirement to separately address the needs of low-income and moderate-income persons.

Most local community development program managers indicated that they believe low-income persons benefit about as much as moderate-income persons and many indicated that the regulations have made them more aware of the low-income benefits.

Low- and Moderate-Income Benefit Activities and Projects

Recent changes in categories of CDBG activities included: increased emphasis on housing rehabilitation, targeting of funds to lower-income Neighborhood Strategy Areas, and greater emphasis on economic development.

Virtually all program managers noted the heavy emphasis on housing rehabilitation activities. Several attributed this trend, in part, to the fact that rehabilitation activities can be income-tested and as such, clearly qualified as meeting low- and moderate-income benefit requirements if income requirements are limited to low- and moderate-income persons.

Another theme in program managers comments was that jurisdictions were targeting funds more specifically to lower-income Neighborhood Strategy Areas (NSAs). The primary reason for this appears to be the specific NSA targeting requirements in regulations which were issued concurrently with the low- and moderate-income benefit regulations.

The final major shift noted was an increase in economic development activities. These are encouraged by changes in the 1977 Act, regulations and the general policy climate. The program regulations also permit many classes of economic development activities to be counted as low- and moderate-income benefit activities.

In addition to these three general trends, representative changes in the content of CDBG programs were noted in four cities.

The largest change occurred in Bloomington, in which ~~no~~ more than 23 percent of the residents of ~~any~~ census tract have low- or moderate-incomes. In order to continue an ongoing, citywide project which would have otherwise been considered ineligible, Bloomington established an income limit. Had the project been deleted, the city would have submitted an Application with a benefit ratio of under 75 percent for the three-year planning period and, therefore, would have been subject to detailed HUD review.

In Boulder, four neighborhoods which had previously received funding were no longer considered by CDBG staff to be eligible because of the lower proportion of low- and moderate-income residents. In Bethlehem the CDBG staff eliminated a project which would have continued the city's efforts to replace streets, curbs, gutters, sidewalks, and trees in a ~~middle-income~~ area. In the last case, Richmond, a small (\$3,000) project to fence in a day care center in a middle-income neighborhood, was dropped after HUD objected to it.

Methods Used to Qualify Low- and Moderate-Income Activities

The regulations provide for a variety of qualification standards for low- and moderate-income benefits. For example, cities may use one or more of the following ways to qualify projects:

- income limits: projects with income limits equal to the Departmental definition for low and moderate income;
- majority beneficiaries: projects with a majority of the beneficiaries of low and moderate income.
- economic development: projects with a majority of jobs targeted to low- and moderate-income persons.
- principle use: projects with principle use planned for low- and moderate-income persons.
- architectural barriers: projects which remove architectural barriers.
- special projects: projects serving an area with less than a majority of low- and moderate-income persons where the applicant has few or no such areas.
- integral part: projects which are an integral part of projects which benefit low- and moderate-income persons.

Based on an examination of applications in the sample cities, the most frequently used qualifying standards were: income limits, majority benefits, and principle use (Table VI-2). The bulk of the projects qualified using income limits were rehabilitation loan and grant programs using Section 8 or similar income ceilings. Only one jurisdiction used the provision permitting a project which is not itself beneficial to the target group to qualify as an integral part of a project which does benefit low- and moderate-income. Only two cities employed the special provision permitting projects servicing less than a majority of low- and moderate-income persons to qualify.

Non Low- and Moderate-Income Priorities

Projects not qualifying as benefiting low- and moderate-income persons can be qualified as aiding the prevention or elimination of slums and blight as meeting urgent needs.

In terms of one-year estimates, the mean funding level of projects qualified under these categories was 11.4 percent; and in terms of three-year estimates the mean level was 10.5 percent (Table VI-1).

An average of 37 projects were planned to be undertaken during the fifth program year in the cities visited for this study. Of these projects an average of three in each city were not qualified as benefiting the low- and moderate-income population they were typically classified as aiding in preventing or eliminating slums and blight. Almost none were exclusively qualified under the urgent needs provision.

Table VI-3 depicts the distribution of the non low- and moderate-income benefit projects.

Non Low- and Moderate-Income Activities and Projects

The projects which were qualified under slums and blight or urgent needs provisions comprise a variety of activities. The largest cluster of these activities was focused on street improvements (Table VI-4). Few changes appear to have been made in the numbers, types, or locations of projects and activities not benefiting low- and moderate-income persons.

HUD Monitoring and Review

Respondents indicated that Little change in benefit ratios occurred during HUD review. They felt, however, that the potential for review and the capacity to condition an application may have far-reaching effects on the types of projects funded over the long run.

Table VI-2
Methods Used to Qualify Projects in Program Year Five Applications
as Low- and Moderate-Income

	Income limit	Majority low/mod	Economic development	Users low/mod	Architectural barriers	Special provision with limited or no low/mod	"Integral" part
Akron		✓					
Baltimore		✓		✓			
Baton Rouge	✓	✓					
Bethlehem	J				✓	✓	
Bloomington	✓			✓	✓	✓	J
Boulder	J	✓		✓	✓		
Des Moines	J	✓		J	✓		
Evaosville	✓	✓	✓	✓			
Fort Worth		J					
Greenwich	✓	✓		J	✓		
Indianapolis		✓	✓	✓			
Kingsport		✓					
Philadelphia	J	✓					
Portsmouth		✓					
Pueblo	v	✓					
Richmond	✓	✓		✓	✓		
San Diego		✓		✓			
San Francisco		✓					
St. Louis							
Seattle	J	✓					
Somerville							
Sioux Falls	✓	✓			✓		
Syracuse	J	✓		✓	✓		
Tuscaloosa							

Source: PY5 Applications and Field Notes

Table VI-3
Distribution of ~~Non-Low-~~ and Moderate-Income
Projects in PY 5
(N=23)

Percent of Non-low/mod	Number of Cities	Number of Projects	Number of non-low/mod Projects
0	5	143	9
Less than 5	2	270	3
5.01 to 10	3	116	11
10.01 to 15	8	235	28
Over 15	5	87	19
Total	23	851	61

Table VI-4
Number of Projects Under Slums and Blight/Urgent
Provisions Planned for Program Year Five

Type of Activity	Number Planned
Public Services	1
Code Enforcement	1
Urban Renewal Completion	4
Street Improvements	11
Historic Preservation	6
Reforestation	4
Residential Rehabilitation	7
Acquisition	5
Property Management	7
Pedestrian Malls and Walkways	4
Planning	4
Parks and Playgrounds	3
Commercial/Industrial Facilities	1
Relocation	2
Disposition	2
Project Improvements	4
Local Development Corporations	3
Water and Sewer	3
Clearance	6
Total	83

HUD regulations provide that even if a project is proposed as eligible by providing benefits to persons of low- and moderate-income, it is subject to possible review by HUD under the provision relating to "maximum feasible priority." Such a review is independent of the 75 percent review threshold. Therefore, regardless of applicant's estimated benefit ratio, each low- and moderate-income project must be separately justified as benefiting low- and moderate-income persons.

In the fifth program year, such reviews resulted in minor clarifications. The changes that occurred were not central to the focus of local CDBG programs. As mentioned earlier, one project not in a low- and moderate-income neighborhood was disqualified in Richmond. In Bethlehem, the city was required to provide detailed justifications for projects even though they were continuations of projects previously approved.

Perhaps the most extensive challenge during the HUD review process occurred in Pueblo. The HUD Area Office challenged 11 of the city's 17 low- and moderate-income projects. One, improvements to a privately owned facility, was ultimately disqualified. Two were approved after minor clarification. One which failed to qualify as low- and moderate-income was justified on the grounds of aiding slums and blight. Another was divided, half as a low- and moderate-income project and half as removing blight. The remaining six were justified after the city conducted door-to-door surveys in the project areas.

Problems, Issues and Costs

Measuring shifts in program benefits between the fourth and fifth program years is difficult because of problems involved in separating out anticipatory effects from changes in the ways in which programs are described and justified, and external factors influencing city performance.

An example of probable anticipatory effects is provided by the City of Seattle. Although local officials did not link modifications in their program to the specific regulations, they did, nevertheless, initiate a major redirection of their program in the direction of low- and moderate-income projects and claimed sensitivity to the apparent shift in HUD's administration of the CDBG program.

Some respondents readily admitted that applications were prepared as after-the-fact justifications for projects which were locally endorsed, without specific association with the regulations. Because the low- and moderate-income benefit regulations constituted only a portion of the provisions that had to be complied with, only limited efforts were made in these instances to determine benefits.

In one large mid-Western city visited, the increase in program benefits appeared to be directly linked to a change in the method used to derive such benefits. In earlier years, staff computed benefits on a project-by-project basis which meant that portions of projects targeted for low- and moderate-income people could not be counted. However, since the new regulations permit benefit to be determined at the activity level, all efforts aimed at benefiting the target population could be attributed to the program benefit ratio. Thus, in spite of the fact that regulations were aimed at insuring that a higher proportion of program benefits was directed to low- and moderate-income people, the regulations provided flexibility in designating benefits associated with the programs and areas for CDBG funding. In a similar vein this cities noted that because they were no longer required to estimate program benefit according to frequently out-of-date census data, they were free to select data that permits the highest possible computation of benefit.

Difficulties in isolating the impact of the program benefit regulations from external influences were noted by a number of cities. In one small Northeastern city, for instance, the community development program was, to a large degree, a continuation of past urban renewal efforts. Projects consisting principally of street improvements and residential rehabilitation were concentrated in or near the central business district, where renewal activity was focused. With the election of a new administration, the focus of the program was shifted to a poorer section of the city in which a large-scale street improvement and residential rehabilitation program has been planned to start the fifth year. The change apparently reflected both a response to the regulations and a shift in the local political climate.

Few of the surveyed cities indicated that significant additional resources had been spent to compute low- and moderate-income percentages, to qualify projects, or to prepare project justifications. None had hired additional consultants or new staff, although all indicated some increase in staff time allocated to this part of the applications. Many noted that the breadth of the provisions, which were intended to apply to a diverse range of entitlement communities (from small, affluent cities such as Greenwich to large distressed cities such as Philadelphia), allowed for a good deal of flexibility in the way in which applicants could meet the requirements.

The most common and significant complaint was the lack of up-to-date and accurate data available by target area or NSA. This problem was central in the case of Boulder, where four neighborhoods which had previously received funding were labeled ineligible because of changed populations. In attempts to reduce the inaccuracy of census data, many jurisdictions turned to R. L. Folk and other sources for more recent income statistics.

Conclusions

In general, this survey indicates that there **has** been a shift in emphasis in **CDBG** programs in the direction of increased benefits to low- and moderate-income people. All of the cities surveyed met the presumptive test of compliance, reporting that at least **75** percent of **CDBG** funds were to be directed to the target population. The **24** entitlement cities visited during the study registered few changes in the content or geographical focus of their community development programs between the fourth and fifth program years.

Because of the current difficulty of measuring program benefits, there is a pronounced variation in perceptions regarding the degree of impact, the actual time the shift occurred, the relative effects of external influences, the types of jurisdictions most significantly affected, and the degree to which the benefits indicate real as opposed to paper changes.

Although HUD improved its monitoring and review processes during the fifth year application cycle, none of the cities surveyed noted substantial problems or increases in cost in preparing fifth year applications, nor did any report having hired additional consultants or new staff. The most **common** complaint concerned the lack of up-to-date and accurate data available by target area or NSA.

Given the newness of the regulations, the changes which have occurred are significant. Current trends concerning program benefit impact indicate a real shift in emphasis in favor of low- and moderate-income groups in **CDBG** programs. What is, perhaps, most significant about the **new** regulations is the degree to which they have increased local sensitivity to national objectives.

CHAPTER VII

NEW REGULATIONS COVERING NEIGHBORHOOD STRATEGY AREAS

Introduction

Neighborhood Strategy Areas (NSAs) are defined as project areas in which grantees undertake "concentrated community development activities in accordance with a comprehensive strategy for upgrading and stabilizing the area." The NSAs are intended to provide a focus for community development expenditures and in doing so to produce "substantial long-term improvements within a reasonable period of time." ^{1/}

While NSAs are not mandatory, the regulations encourage their use in several ways. For example, CDEG funding for public services is restricted to services which are "necessary and appropriate" to support the CDEG-assisted physical development activities of an NSA. Further, although they may be incidentally provided for others, public services must be directed to NSA residents. That is, "well over half" of the recipients of CDEG funded services must be residents of designated NSAs.

The NSA regulations provide direct incentives for increasing benefits to low- and moderate-income persons and for encouraging projects which prevent or eliminate slums or blight. First, all CDEG project funds allocated to NSAs where the majority of residents are low- and moderate-income qualify as benefiting the target population. Second, no concentrated activities to eliminate or prevent slums and blight are allowed under the new regulations, unless the area is designated as an NSA.

For each designated NSA, the applicant must develop a comprehensive plan which:

^{1/} U.S. Department of Housing and Urban Development, "Handbook 6503.1, Review and Processing of Community Development Block Grant Entitlement Applications," March 29, 1979, p. 4-1 and 4-2.

- Provides for a combination of physical improvements, public facilities and services, housing programs, private investment, and citizen self-help activities appropriate to the needs of the area;
- Coordinates public and private development efforts; and
- Provides sufficient resources to produce substantial long-term improvements in the area within a reasonable period of time.

Impact: An Overview

The majority of the cities studied have adapted their programs to the NSA concept. In many cities existing target areas were converted into NSAs. The new requirements resulted in more focused targeting by area. They encouraged cities to reduce the number and size of areas designated for concentrated treatment and encouraged HUD's Area Offices to subject proposed programs to more systematic reviews.

Twenty-one of the cities studied identified NSAs in their fifth year applications. Only three, Bloomington, Boulder and Greenwich, did not. Further, respondents in 17 (71 percent) of the cities in the study indicated that they adapted to the NSA approach with minimal or no difficulty.

In Des Moines, for example, six fourth year target areas were converted directly into NSAs with no major changes in planning and programming. Officials in San Diego viewed the NSA regulation as providing additional support for the kind of targeting the city had been doing since the first program year.

Impact: A Look At Specifics

General Perceptions

A majority of local respondents stated that the NSA concept would facilitate the achievement of at least one of three key CDBG national objectives: assisting low- and moderate-income persons, meeting urgent needs, or preventing or eliminating slums and blight (Table VII-1).

Table VII-1
Extent to Which NSA Regulations Facilitate
or Hinder the Accomplishment of National CDBG Objectives
(n=13)

	Facilitate Accomplishment	Hinder Accomplishment	No Effect
Assisting low- and moderate-income persons	9	3	1
Preventing/elimini- nating slums and blight	11	1	1
Meeting urgent needs	8	4	1

A majority of respondents also thought their program met all three of the national objectives listed in Table VII-1 and 11 of the respondents (85 percent) said their program aided in preventing slums and blight.

Respondents held somewhat different views on the extent to which the new guidelines affected local objectives (Table VII-2). Four city

Table VII-2
Extent to which NSA Regulations Facilitate or
Hinder the Accomplishment of Local Objectives
(n=14)

	Facilitate Accomplishment	Hinder Accomplishment	No Effect
Local Objectives	4	2	8

respondents felt that the NSA approach would facilitate local objectives, eight stated that the regulations would not affect local goals, and two said the guidelines would hinder local programs because they could, in effect, frustrate city efforts to initiate community development programs in several areas simultaneously.

Relationship of Target Areas to NSA Designations

Among the 21 cities which designated NSAs for 1979, 13 increased the extent of targeting by reducing the number of areas designated for concentrated treatment (Table VII-3). Cities not reporting a reduction in the number of areas scheduled for focused attention were already targeting program resources to a relatively small number of areas.

Overall, the number of NSAs identified in this program year was lower by 26 percent than the number of target areas identified for the previous program year. The cities that accounted for the greatest increase in targeting were Baltimore, which reduced its target areas by 41 per cent, Fort Worth, which reduced its areas by 84 percent, and Portsmouth, which reduced its area by 80 percent.

Much of the difference in the number of NSAs versus target areas for these cities can be accounted for by the following reasons: the amalgamation of several previous target areas into a single NSA; the completion of objectives within some target areas; the impact of HUD's criteria for activity designation; and the need to reprogram funds to achieve sufficient concentration of activity for designated NSAs.

Community development officials in several cities where little or no difficulty was indicated with the NSA concept noted that NSAs were consistent with the targeting they had been doing all along, and thus, the new regulations presented no major problems. In the fourth program year, 21 (88 percent) of the cities conducted most of their activities in subareas of the city which were defined as eligible under the fifth year NSA guidelines. Of 167 NSAs designated in the fifth program year, 161 (96 percent) had been target areas in the prior year. The cities targeted a median value of 84 percent of their program funds to specific neighborhoods rather than on a citywide basis.

Officials in cities where fifth year adjustments represented more fundamental reallocations of funding were generally those in which no real targeting had been accomplished in previous years. Although St. Louis had designated target areas in the fourth program year the number selected was so large that the program focus was essentially

Table VII-3
Conversion of Target Areas to Neighborhood
Strategy Areas (NSAs)
(n=24)

City	Fourth Year Target Areas	Fifth Year NSAs	Number of Target Areas Converted to NSAs
Akron *	8 *	9	8 *
Baltimore *	39 *	23	23 *
Baton Rouge	13	14	13
Bethlehem	4	3	3
Bloomington **	-	-	-
Boulder	-	-	-
Des Moines	6	6	6
Evansville	11	11	10
Fort Worth **	20	3	-
Greenwich	-	-	-
Indianapolis	9	8	8
Kingsport	3	1	1
Philadelphia	45	42 ***	41
Portsmouth	10	2	8
Pueblo	2	1	1
Richmond	5	3	3
St. Louis	20	13	13
San Diego	4	5	2
San Francisco	8	6	6
Seattle	5	5	5
Sioux Falls	2	2	2
Sanerville	1	3	1
Syracuse	8	6	6
Tuscaloosa	3	1	1
Total Number	226	167	161

* Number of target areas estimated.

** No NSAs designated.

*** Application under review: NSAs not approved by HUD.

citywide. St. Louis proposed all 20 of its fourth year target areas as NSAs in the fifth program year and Philadelphia submitted a total of 42 NSAs for approval. In both instances, HUD Area Offices raised questions about the large number of areas designated as NSAs. ^{2/}

Bloomington, Greenwich, and Boulder had no previous targeting experience and decided not to identify NSAs for 1979, partly because local officials thought no areas existed which were considered appropriate for NSA designation.

Program Characteristics of NSAs

The mix of activities and resources most cities planned for NSAs in the fifth program year varied widely. Generally, however, they were similar to those activities which had occurred in the same geographic areas in the previous year. Indeed, respondents from 18 of the 21 cities reported that the numbers, types, and mix of activities did not change between the fourth and fifth program years,

Of the 115 NSAs studied, 99 (86 percent) were classified by community development staff as neighborhood preservation projects, 11 (10 percent) as neighborhood redevelopment projects, and five (4 percent) as economic development projects. The predominance of neighborhood preservation projects results from several factors. First, in the fifth year, several cities closed out downtown target areas, most of which were classified as economic or general development areas. Second, many Urban Renewal projects were closed, reducing the number of redevelopment projects. Further, there has been a strong trend in the direction of neighborhood preservation projects among CDBG funded programs during the last few years.

The average NSA project was comprised of seven activities in the fifth year (Table VII-4). This is the same number of activities that was planned for target area projects in the previous year and tends to substantiate the reports made by the 18 cities that little or no change occurred in the types and mix of activities between the fourth and fifth year.

^{2/} The Area Offices ultimately disallowed seven of the areas designated as NSAs by St. Louis. The Philadelphia Application is currently under review.

Table VII-4
Distribution of the Number of Activities in NSAs
(n=113)

	Number of Activities			
	3 or Less	4 to 6	7 to 9	10 or More
Number of NSAs	21	28	43	21

Although estimated expenditures ranged up to \$4,980,000, cities in the fifth program year are expected to spend an average of \$807,000 (Table VII-5).

Table VII-5
Distribution of Estimated CDBG Expenditures
in Selected NSAs
(n=113)

	CDBG Expenditures (in dollars)			
	Less Than 250,000	250,000 499,999	500,000 999,999	1,000,000 or more
Number of NSAs	22	18	40	35

Sixty-six percent of the NSAs were projected to be completed by 1982, and 80 percent by 1983 (Table VII-6). Respondents pointed out that HUD, even though the national authorization for the CDBG program runs only through 1980, required longer-run projections and commitments.

Socio-Economic Characteristics of NSAs

Areas designated as NSAs exhibited a wide range of characteristics. Table VII-7 presents data on the size of 76 NSAs for which data were available. The mean size per NSA was 77 blocks and the median size was 67 blocks. The size ranged from two to 295 blocks.

Table VII-6
Projected End Year for Selected NSA Projects
(n=100)

	End Year						
	1979	1980	1981	1982	1983	1984	1985
Number of NSAs	2	4	11	49	14	11	9

Table VII-7
Distribution of Size of NSA Areas in City Blocks
(n=76)

	Size (in blocks)				
	Less Than 25 Blocks	25-49	50-74	75-99	100 or More
Number of NSAs	13	17	8	18	18

The mean population of NSAs was 10,018 persons and the median population was 9,229. Population varied from 500 to 52,034 persons. Table VII-8 provides a distribution of NSAs by population size. Because respondents indicated that the population of over 80 percent of the NSAs was similar to that of the former target areas, it appears that boundary changes between target areas and NSAs were minor in most cases.

Table VII-8
Distribution of Population of Selected NSAs
(n=83)

	Population (in number of persons)				
	Less Than 5,000	5,000- 9,999	10,000- 14,999	15,000- 20,000	20,000 or more
Number of NSAs	27	19	18	8	11

Nearly two-thirds of the residents of the NSAs studied were low- and moderate-income persons. The percentage of the population within these income groups in these areas ranged from 37 to 95 percent. The mean and median percentages were both 64. Table VII-9 provides a distribution of the percent of low- and moderate-income residents.

Table VII-9
Percentage of Low- and Moderate-income Persons in
Selected NSAs (n=40)

	Percent of Low- and Moderate-income Persons			
	Less Than 50%	50-64%	65-80%	80% or More
Number of NSAs	5	16	13	6

Impact of the NSA Regulations on Local Decision-making

Although it is difficult to separate out the many factors involved, it is clear that the NSA regulations presented cities with a decision framework which often encompassed competing priorities and interests. This **was** particularly true in regard to decisions concerning what areas were to be designated as NSAs--an issue which, in many cases, intensified the debate over budgeting among elected officials from different areas within a jurisdiction. In **some** cases, the process of designating NSAs involved working out careful agreements concerning long-term financial commitments to different neighborhoods. In over half of the cities studied, the number of target areas had to be reduced. For example, 66 (29 percent) of the areas targeted for concentrated assistance in the fourth year were not designated as NSAs in the fifth year. Although some of these fourth year target areas were not designated as NSAs, because projects in the areas were completed or because they were being continued as non-designated areas of activity, some were not designated as NSAs because of the new requirement that NSA areas must be provided with sufficient funding to affect substantial improvements in a reasonable period of time.

The NSA determination was not an easy process in many cities. Baltimore, for example, which submitted an application with 23 NSAs comprising approximately 40 percent of the city's area and nearly 45 percent of its population, found difficulty in collapsing the nearly 40 target areas into NSAs which could produce long-term benefits within a "reasonable period of time." Directed by HUD to reduce the

number of areas in the fifth year, the city complied, but not without complaining about the difficulty of selecting such target areas.

Philadelphia experienced the same kind of difficulty. In the fourth year, the city had designated 45 CDBG target areas out of a possible 150 neighborhoods. "Virtually all of its 150 neighborhoods were eligible for CDBG," according to some members of the city planning staff. One planner **summed** up the situation by stating that "to talk about needs in Philadelphia is ridiculous." Philadelphia's fifth year application, which provided for a reduction of only three NSAs over the fourth year application, was under review by the HUD Area Office at the time of the field visit.

Because the new NSA concept encourages the targeting of funds into specific geographic areas, it runs counter, in many cases, to the desires of elected officials to spread money among many constituencies. As one CDBG director commented, "when election time rolls around for the City Council every four years, the Council would rather have projects underway in as many of the wards as possible... ."

The comment of one alderman, "that in the fourth year I vowed I wouldn't be left out" indicates some of the pressures faced by local CDBG administrators in designating NSAs.

At the same time, however, many city officials felt that the NSA requirement provided them with great latitude to offset political pressures. In Kingsport, a member of the Board of Aldermen commented that the requirement for a comprehensive plan sufficient to achieve long-term improvements would increase the targeting of program resources and support targeting objectives by restricting the extent to which CDBG program decisions would bend to local pressures over a period of years. Another community development official commented that the NSA regulations would have direct impact on his capacity to influence the direction of the program because "if there would be strong political pressure for another kind of activity, **we** would be backed up by the regulations."

Other perceived advantages concerning the potential impact of the NSA requirements on local decision-making were often of a more long-range kind. Many **saw** the regulations as an indication of a more supportive Federal attitude for using CDBG funds to achieve real improvement. According to a neighborhood planner in St. Louis, developers and homeowners were pleased with the NSA concept because "they feel that the designation would not have occurred **unless** there **was** hope."

Problems, Issues and Costs

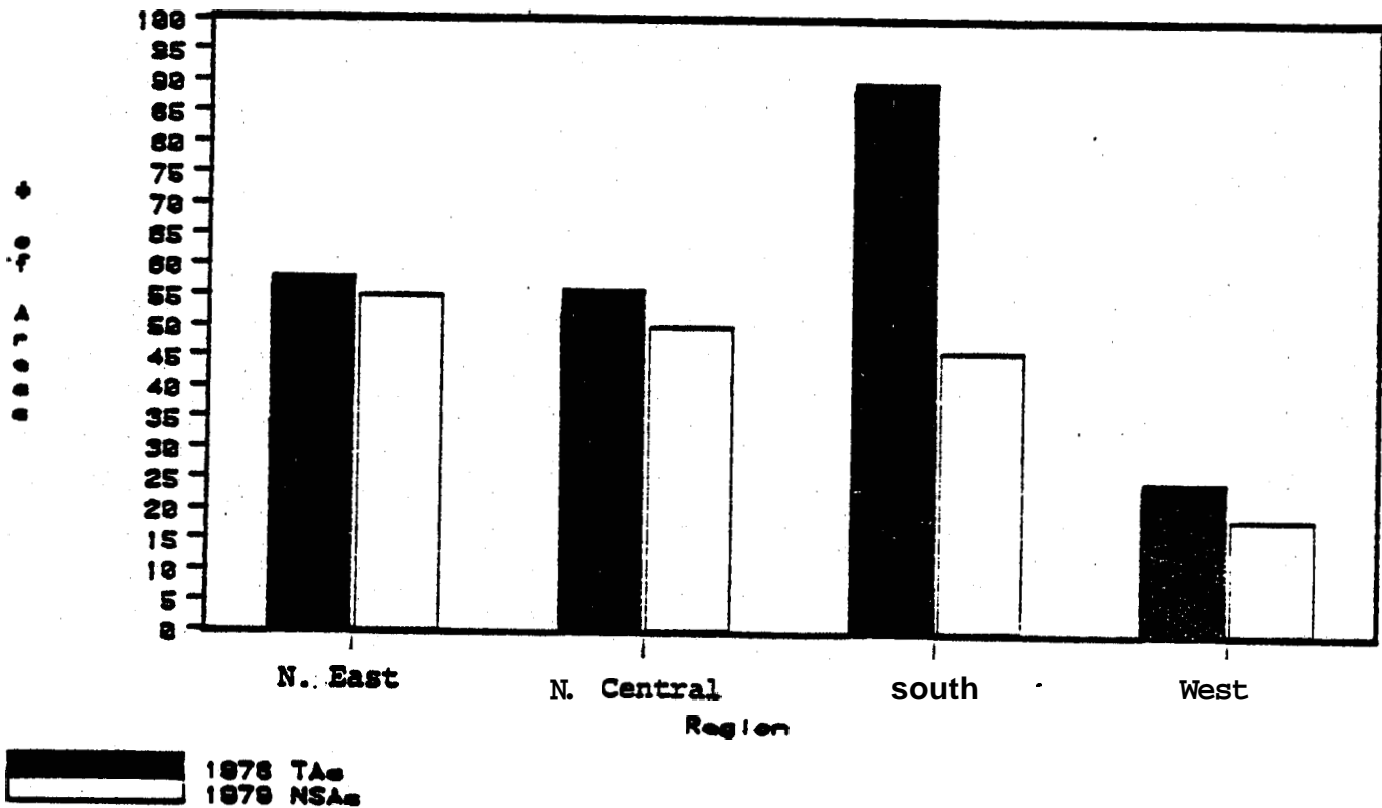
Among the seven (29 percent) cities which had some problems in adapting to the new NSA Regulations, there were some common themes concerning the reasons why adjustment was difficult. First, it was apparent that cities which had not previously targeted funds under CDEG and earlier categorical programs were not as prepared to implement the NSA approach as those that had. Second, there were certain types of cities for which the strategy of geographic concentration of funds was viewed as inappropriate, based on the distribution of need. Third, some cities did not agree with the interpretations of the regulations provided by their respective Area Office.

For cities with no previous experience with geographic targeting of funds, NSA regulations suggested a fundamental re-allocation of funding, involving new processes for the definition and resolution of priority setting. Further, actual implementation of the Regulations required a new approach to program management because programs which were originally set up to provide for administration at the activity level (including budgeting procedures and management information systems) had to be restructured to provide for administration at the geographic unit level.

Respondents in some cities felt that geographic concentration was not the appropriate strategy for their cities because the intended beneficiaries of the CDEG program were not concentrated in specific areas of their cities. For example, city officials of smaller cities (populations under 100,000) more often felt that their lower-income populations were dispersed and could not benefit from focused strategies. Of the nine cities with populations under 100,000, three did not designate any NSAs in the fifth year claiming they had no areas which qualified, and the remaining six cities designated only 13 NSAs in their fifth year applications—fewer than the number of NSAs which might be expected, even taking into account the size of the cities.

Cities located in certain areas of the country designated fewer NSAs. Among the 24 cities sampled for this study, cities located in the West designated fewer target areas in the fourth year and fewer NSAs in the fifth year than did cities in other areas. In the opinion of one city administrator, the NSA guidelines limited the effectiveness of the program in some newer cities "...where the decentralization of residents with lower incomes is substantially greater and where blight and deterioration are less concentrated geographically."

Chart VII-I
Comparison of Target Areas to Neighborhood
Strategy Areas by Region



Source: "The Impact of 1978 CDBG Regulatory Changes," July, 1979,
Westat, INC.

Finally, for some cities, HUD Area Office interpretation of the *new* guidelines influenced the designation of NSAs. In several cases, Area Offices required cities to reduce the number of target areas. As a result of HUD review, Seattle more narrowly defined its areas of concentrated activity, Baltimore reduced its **40** target areas to 23 NSAs, and St. **Louis** reduced its **20** fourth year target areas to 13 NSAs. Philadelphia's application, which included **42** NSAs, had not been approved at the **time** of the field visit. In **sum**, the Area Offices are reported to have subjected city applications to close scrutiny **and**, in many cases, to have required **a** sharper concentration of program resources in NSAs.

Broad Implications

In a *few* instances, local officials argued that the NSA Regulations may, if too rigidly enforced, restrict their ability to adequately serve low- and moderate-income people. Seattle, for instance, considered the requirements relating to NSAs the most troublesome aspect of **the new** CDBG Regulations. While agreeing with the basic objectives of **the** requirements, the city staff believes that the regulations could restrict the flexibility the city feels that it needs to address the problems of its low- *and* moderate-income persons, particularly those households that do not live in concentrated or impacted areas.

Other cities found problems with the requirement to restrict funding **of** public services to services which are "necessary and appropriate" to the support of physical development in NSAs. Some expected **extensive** pressure from local political officials **and** neighborhood groups **to** have their areas designated as NSAs in order to maintain eligibility for public services. According to one community development official, "citizen groups want their areas identified as NSAs to get public service."

Some local officials were concerned that the NSA regulations might encourage head-to-head competition for limited dollars among neighborhoods, **and** along with **some** citizen representatives they argued that **the** requirements might, in the long run, be detrimental to effective citizen participation. A few also argued that limitations on physical development **and** long-term commitments to a smaller number of activities in specified areas could create tensions with citizens' perceptions of their needs. **One** comment from this group **was** that "Residents want short-term visible projects and immediate **results**."

Residents frequently asserted that NSA Regulations may cause cities "not to designate some of the more deteriorated and blighted areas within their jurisdictions as treatment areas." **For** example, officials

in Fort Worth indicated that they would concentrate CDBG funds in those areas of the city with the greatest potential for public and private rehabilitation in order to maximize visibility and success. In effect, limited CDBG funds restrict the magnitude of problems that can be dealt with through CDBG funds. Even with more funding, the time needed to completely revitalize the more deteriorated areas of the city is beyond realistic planning horizons.

Most respondents, however, felt that NSAs were a valid concept. While pointing to potential problems, they acknowledged that NSAs were consistent with statutory intent in relation to revitalization and the need to focus limited resources on specific problems.

Monitoring and Accountability

The emphasis in the new regulations on developing a comprehensive strategy for NSAs has important implications for how and to what extent program will be monitored. The fifth year applications required cities to justify proposed NSA designations by supplying the following information:

- o Long- and short-term objectives, quantified whenever possible;
- o Physical improvement programs to be carried out with block grant funds, such as code enforcement, rehabilitation, acquisition, demolition, or public improvements;
- o Any related programs proposed, such as Urban Homesteading and Section 8;
- o Public services, if any, to be carried out in support of the physical improvement projects;
- o An implementation schedule showing the anticipated timing of activities and the coordination of CDBG activities with those funded by other sources;
- o The anticipated resources, including CDBG funds, other Federal, State, County, or local funds, and private investment;
- o The role of any neighborhood organization; and
- o How the housing assistance goals (particularly rehabilitation) and general locations in the Housing Assistance Plan support the community's neighborhood revitalization strategy.

Although the increment of additional resources needed to meet expanded reporting requirements was considered to be modest, *sane* additional staff and other resources were required in preparing fifth year applications. One city contracted for a special needs assessment survey and another hired one additional staff person to complete the Application. Most community development directors felt the time required because of the NSA regulations was not a significant burden.

Lack of comparable data bothered *sane* cities. Traditional planning and budgeting techniques did not help in meeting NSA requirements. Prior target areas and current NSAs have been defined according to boundaries which do not match existing census tracts or traditional planning districts. Needs assessments were difficult because existing census data was out of date and did not correspond with NSAs: "...the required NSA data did not exist, would be extremely expensive to acquire, and would still need to be updated every year or so because of changing neighborhood conditions." Further, many city budget systems did not easily accommodate geographic accounts. Most were set up based on project activity expenditures. Officials in *sane* cities resisted committing themselves to developing the monitoring mechanisms necessary to carry out the long-term objectives required by NSA Regulations because they believe that significant changes in the CDBG program might well be made during its reauthorization in 1980.

Conclusions

The most discernible impact of the NSA Regulations is that a majority of cities adapted their programs to the NSA concept. Of the 24 cities in the study, 21 identified NSAs in their fifth year applications. Further, respondents in 17 of the cities indicated that they adapted to the NSA approach with minimal difficulty. Aside from these overall findings, certain trends and issues were recognizable in the following specific areas:

- o Anticipation effects of the regulations. In most cases, cities which most easily adapted to the NSA requirements were those which had previously targeted funds geographically.
- o National versus local objectives. The majority of respondents indicated that the NSA concept would facilitate national objectives of increasing benefits to low- and moderate-income people, but were less sure of the impact on local objectives.
- o Impact on local decision-making process. Although the regulations have not yet greatly altered the range or mix of CDBG funded activities, evidence suggests that they may affect future programming.

- Relationship of geographic targeting to the distribution of need in certain cities. Certain cities claimed that geographic concentration **was** not the appropriate strategy for their cities since the intended beneficiaries of the CDBG program are not concentrated in specific areas **of the** city.
- Public services restriction. Some cities felt that the new regulations, by restricting public services to NSAs, would inhibit their ability to meet the needs of their local population.
- Effect on citizen participation. Officials in some cities were concerned that the NSA regulations would increase competition among neighborhoods and local representatives and might, thereby, have a long-term impact on citizen participation in community development programming and implementation.
- Designation of NSAs in marginally-blighted areas. The necessity to produce visible, quantifiable results may tend to tilt the content of local community development programs towards less blighted areas.
- Increase in HUD monitoring activities. Respondents reported more careful HUD monitoring of fifth **program** year applications. Although few cities reported **substantial** increases in costs due to this intensified review process, many found it difficult to adapt existing data to the requirements of the new Regulations.

In sum, although impact varied according to local conditions and the nature of HUD Area Office interpretations of the regulations, the overall short-term effect of the regulations appeared to be considerable, and evidence suggests that the future impacts may be even more significant. Given its direct impact on the comprehensive planning process and the allocation of **CDBG** funds, the potential impact of the NSA concept is likely to be greater than most changes made in program regulations.

CHAPTER VIII

NEW REGULATIONS COVERING ECONOMIC DEVELOPMENT

Introduction

Although Title I of the Housing and Community Development Act of 1974 cites the need "to expand economic opportunities, principally for persons of low- and moderate-income," it did not initially include economic development among its list of national objectives.

Nonetheless, several general types of economic development activities were undertaken during the early years of the block grant program. These included planning and feasibility studies, direct loans and grants to businesses (particularly in former Model Cities areas), the creation of multipurpose community development corporations, and public works and other improvements of the Urban Renewal type. CDBG could also be used as the local match for Federal grant-in-aid programs such as EDA public works, planning, and technical assistance grants.

While the exact amount and scope of economic development activities undertaken under CDBG is not known, it is clear that such activities were funded by a significant number of grantees. HUD data indicate that approximately half of all communities ^{1/} allocated funds to economic development in at least one of the previous program years and about one-third allocated funding to such activities in all program years.

The total amount of expenditures classified as economic development ranged from 10 percent to 13 percent of annual allocations in the first three years. Recipients appeared to be moving away from acqui-

^{1/} Data from a representative sample of 151 jurisdictions.

sition and clearance programs and toward efforts--in both neighborhood commercial areas and central business districts--that emphasized rehabilitation of nonresidential properties and street improvements, ^{2/}

The 1977 Act added economic development as the eighth national objective and expanded the range of economic development activities eligible under CDBG. The new regulations were set forth in two sections: Section 570.203, which permitted localities to undertake direct economic development activities, and Section 570.204, which enabled communities to provide grants to private or community-based entities engaged in economic development work, including Local Development Corporations (LDCs) and Small Business Investment Corporations (SBICs) .

Direct economic development activities eligible under Section 570.203 include: (1) the purchase of real property; (2) the purchase, construction, rehabilitation, or improvement of public facilities; and (3) the purchase, construction, rehabilitation, and improvement of commercial or industrial facilities. Activities permitted through grants to eligible entities under Section 570.204 include: (1) technical assistance; (2) financial assistance, including working capital and funds for property acquisition; (3) assistance to minority contractors; and (4) the funding of economic development or neighborhood revitalization efforts not otherwise eligible under CDBG.

Projects funded under the new sections had to meet general program requirements, including at least one of the three basic CDBG eligibility criteria: benefiting low- and moderate-income persons, eliminating slums and blight, and addressing urgent needs.

The primary intent of the economic development regulation was to enable grantees to become more involved in the process of stimulating local economic revitalization. Ultimately, it was hoped that the economic development provisions would help to leverage local investment funds, stimulate both commercial and industrial activity, help rehabilitate the city's capital infrastructure, and create additional jobs for low- and moderate-income people.

Impact: An Overview

Economic development is viewed as a priority in most cities, and the new provisions were seen as a means of expanding CDBG activities in

^{2/} HUD, Third Annual Community Development Block Grant Report, Chapter 7.

this area. According to the 24-city study, larger and more distressed cities were more likely to propose activities under the new provisions in the fifth program year. Proposals based on the new guidelines were distributed approximately equally between direct economic development activities and activities funded through eligible entities. While some city officials complained about certain procedural aspects of the new regulations, most expressed the view that they provide clearer guidance than previous HUD regulations.

Impact: A Look At Specifics

Incidence of Economic development i

Nineteen of the studied cities (78 percent) funded *some* form of economic development activities in the fifth program year (Table VIII-1). City officials estimated that overall allocations for economic development activities were larger than those of the previous year in 11 of the cities and were smaller in five of the cities. Clearly, local community development budgets reflected an increasing interest in economic development.

In 12 of the 19 cities which funded economic development activities in the fifth program year, the activities were qualified under the new economic development provisions. Eight of the localities funded direct economic development activities through Section 507.203 and nine cities funded economic development through an eligible entity under Section 507.204. In five of the cities, projects or programs were funded through both of the new sections.

The 12 cities using the new provisions proposed a total of 29 separate activities. These activities accounted for \$16,377,750 of CDBG funding or an average of 7.6 percent of their fifth year entitlements, divided almost equally between direct activities and eligible entity activities. While the new activities accounted for as little as 0.2 percent of the fifth year grant in one city, the proportions were more visible in others, and ranged up to 17 percent.

The 12 cities not funding activities under the new provisions were not necessarily disinterested in the possibilities or unaffected by the increased emphasis in the 1977 Act on economic development. While respondents in nine of the cities indicated that other CDBG eligible needs currently were greater, only four gave other needs as the sole reason for not utilizing the new sections. Usually, multiple reasons were cited, including the facts that economic development *was* being supported through other Federal programs, that other CDBG sections

Table WII-1
Total Activities and Allocations Pursuant to the
New Economic Development Provisions, in Program Year Five Program
(n=24)

City (by FY 5 Dollars grant in size descending) order	Direct Economic Development (570.203)		Eligibility-entity Economic Development (570.204)		Total (570.203 and 570.204)		Percent of Program Year Five Grant
	Number of Projects	Dollars Allocated (in 000's)	Number of Projects	Dollars Allocated (in 000's)	Number of Projects	Dollars Allocated (in 000's)	
Philadelphia	2	\$1,439	2	\$5,200	4	\$6,639	9.8%
St. Louis	4	3,165	1	430	5	3,595	10.6
Baltimore	3	2,630	0	0	3	2,630	8.5
San Francisco	1	19.4	3	832.4	4	851.8	3.2
Seattle	1	32	0	0	1	32	0.1
San Diego	1	300	0	0	1	300	8.9
Syracuse	0	0	1	750	1	750	8.8
Fort Worth	1	250	3	655	4	905	12.0
Des Moines	0	0	1	133	1	133	2.5
Somerville	1	175	1	25	2	200	5.5
Richmond	0	0	2	330	2	330	17.4
Bethlehem	0	0	1	12	1	12	0.7
	14	\$8,010.4	15	\$8,367.4	29	\$16,377.8	7.6%*

* Meanpercent.

were enabling activities to be funded, that there was uncertainty about the regulations, or that more time was needed to develop eligible projects.

Although these 12 cities did not take advantage of the new economic development provisions, they did carefully review and debate the regulation changes. In seven of the cities, CDBG staff members noted that future funding was probable or certain. Respondents in these cities indicated that it was simply a matter of finding or designing projects that were appropriate.

Economic development planning efforts were increasing because of the extended possibility of CDBG funding provided by the new regulations. In Bloomington, an official noted, "I expect it will force us to move faster than we might otherwise." In Evansville, a CDBG program staff member observed that the new economic development eligibility already has managed to 'expand our vision and perspective with regard to the areas in which we could operate."

Characteristics of Cities Which Used New Regulations

As shown in Table VIII-2, of the 12 cities the new regulations were a factor in the development of their population size and fifth year grants. Their fifth year grants for instance, averaged \$4 million. All had extensive categorization and only one had a development plan. Recent unemployment figures in the localities ranged from 3.8 percent to 14.5 percent. Ten of the 12 cities were UDAG distress cities. Utilization of the new regulations was high in North-

Of the 12 cities with no economic development programed under the new regulations, only one (Indianapolis) could be termed large on the basis of population or CDBG grant size. Two more had 1975 populations of 250,000 to 300,000, while the other nine had fewer than 150,000 persons. Similarly, fifth year entitlements were relatively small, with a mean of \$4 million. Average 1978 unemployment was approximately 5.5 percent, and only two of the 12 localities were UDAG distress cities. Although half (6) of these cities had applied earlier CDBG funds to economic development activities, only three had done so either with significant expenditures or in more than one program year. With regard to region, again, utilization was high among Northeastern cities.

Table VIII-2
CDBG Economic Development Funding and Selected
Characteristics of Cities

City (by Program year Five grant in descending)	Funding via new sections (in 000 's)	1975 Population Rank	UDAG Distress City	Previous Funding of Economic Development via CDBG
Philadelphia	6,639	1	Yes	Yes
St. Louis	3,595	6	Yes	Yes
Baltimore	2,630	2	Yes	Yes
San Francisco	852	5	Yes	Yes
Seattle	32	7	Yes	Yes
Indianapolis	0	3	No	Yes
San Diego	300	4	No	Yes
Akron	0	10	Yes	Yes
Syracuse	750	12	Yes	Yes
Fort Worth	905	8	Yes	Yes
Baton Rouge	0	9	No	Yes
Evansville	0	13	Yes	Yes
Des Moines	133	11	No	No
Portsmouth	0	14	Yes	Yes
Somerville	200	16	Yes	Yes
Pueblo	0	15	Yes	No
Richmond	330	21	Yes	Yes
Bethlehem	12	20	Yes	Yes
Sioux Falls	0	19	Yes	No
Tuscaloosa	0	22	No	Yes
Boulder	0	18	No	No
Greenwich	0	23	No	No
Bloomington	0	17	No	No
Kingsport	0	24	No	No

Direct activities under Section 507.203

Pursuant to Section 507.203, 14 direct economic development activities were included in the fifth year program of one-third (8) of the cities (Table VIII-3). ^{3/} The participating cities allocated from 0.2 percent to 9.3 percent of their fifth year program entitlements to such activities, with larger cities tending to program more projects but not necessarily greater percentages of their fifth year program budgets. St. Louis funded four separate activities under the section, Baltimore three, and Philadelphia two. The other five cities proposed one each.

Taken together, the seven projects in St. Louis and Baltimore account for half the activities undertaken as direct economic development and over three-quarters of the total funding allocated. In the other six cities that programmed activities under the new provision, the amount and overall percentage of their entitlements were considerably lower, but the range of activities ~~was~~ similarly broad.

Among the 14 activities programmed as direct economic development, five were neighborhood commercial projects (Table VIII-4). Except in Baltimore, the primary focus of these projects ~~was~~ rehabilitation. The projects were site-specific and generally located in one or more Neighborhood Strategy Areas. The most frequently mentioned form of assistance ~~was~~ loans to businesses.

Six of *the* 14 activities were industrial development projects. **Four** were on single sites. Property acquisition and improvement or construction of property were included in all of these projects. Leveraging of other, larger public funding ~~sometimes seemed~~ to be a paramount objective. In Philadelphia, for instance, a sizeable **\$900,000 CDBG** allocation ~~was~~ matching a \$13.3 million **EDA** Title IX grant. St. Louis also expects to secure a large **EDA** grant with a \$1,895,000 **CDBG** allocation.

3/ While application approval ~~was~~ pending at the time of the site visits in several cities, no respondents indicated that they anticipated difficulties in obtaining HUD authorization for the activities.

Table VIII-3
Funding of Direct Economic Development Activities

City	Program Year Five Allocation (Dollars)	Percent of Program Year Five Entitlement	Number of Projects by Type			
			Neighborhood Commercial	CBD Commercial	Industrial	Non- Physical
Baltimore	\$2,630,000	8.5	1	1	0	1
Fort Worth	250,000	34	1	0	0	0
Philadelphia	1,439,000	2.1	0	0	2	0
San Diego	300,000	2.7	1	0	0	0
San Francisco	19,400	0.1	0	0	1	0
Seattle	32,000	0.2	0	0	1	0
Somerville	175,000	4.9	1	0	0	0
St. Louis	3,165,000	9.3	1	1	2	0
	\$8,010,400	3.9%	5	2	6	1

* Mean percent.

TABLE VIII-4
General Type and Location of Direct Economic
Development Activities

Project Type	Single Site	Multiple Sites but Specified	Citywide	Total
Neighborhood commercial	2 (\$2,400,000)	3 (\$1,295,000)	0	5 (\$3,695,000)
CBD Commercial	2 (\$ 650,000)	0	0	2 (\$ 650,000)
Industrial	4 (\$1,101,400)	0	2 (\$2,434,000)	6 (\$3,635,000)
Non-physical	0	0	1 (\$ 30,000)	1 (\$ 30,000)
Total	8 (\$4,251,400)	3 (\$1,295,000)	3 (\$2,464,000)	14 (\$8,010,400)

Most CDBG officials indicated that the focus of their Section 507.203 projects was on both attracting and retaining businesses, rather than on expansion of existing operations. The anticipated outcomes tended to focus primarily on area revitalization and secondarily on jobs. In only four of the projects did the respondents indicate that the primary purpose was job creation.

Funding of Eligible Entities Under Section 507.204

Fifteen economic development activities were funded in a little over one-third (9) of the cities through eligible entities (Table VIII-5). These entities included private non-profit entities, neighborhood-based non-profit organizations, local development corporations (LDCs), and small business investment companies (SBICs). The allocations to eligible entities for economic development purposes varied considerably, ranging from \$12,000 to \$3,800,000 for individual activities.

Table VIII-5
Cities Funding Economic Development Activities
Through Eligible Entities
(n=15)

City	Number of Projects	Program Year Five Allocation (dollars)	Percent Program Year Five Entitlement
Bethlehem	1	\$ 12,000	0.7
Des Moines	1	133,000	2.5
Fort Worth	3	655,000	8.6
Philadelphia	2	5,200,000	7.7
Richmond	2	330,000	17.4
San Francisco	3	832,350	3.1
Sanerville	1	25,000	0.6
St. Louis	1	430,000	1.3
Syracuse	1	750,000	8.8

Table VIII-6 summarizes the general orientation of the projects and the funding level of each category. While neighborhood commercial or mixed-use activities were the predominant types of projects, industrial development efforts nonetheless accounted for a larger share of dollar allocations.

Among the 15 activities, two general characteristics predominate. First, most efforts involved neighborhood commercial endeavors. These were the exclusive concern in nine projects and were part of three more projects.

The second characteristic of note was the general type of assistance provided through the 15 eligible-entity projects. In 11 projects, technical assistance and loan packaging were clearly the primary activities; five projects were identified as including loans for working or venture capital.

Eight of the projects used CDBG funds as the local share for the Small Business Administration (SBA) 502 loan program. Such projects usually operated citywide, although in three cities they pertained exclusively to specific neighborhoods.

TABLE VIII-6
Types of Projects Funded Through Eligible Entities,
By Number of Activities and Dollars Allocated

Project Type	Single Site	Multiple sites but Specified	Citywide	Total
Neighborhood commercial	2 (\$ 450,000)	2 (\$ 805,000)	5 (\$1,687,350)	9 (\$2,942,350)
CBD commercial	1 (\$ 300,000)	0	0	1 (\$ 300,000)
Industrial	0	1 (\$3,800,000)	1 (\$ 750,000)	2 (\$4,550,000)
Mixed commer- cial and industrial	0	1 (\$ 133,000)	2 (\$ 442,000)	3 (\$ 575,000)
TOTAL	3 (\$ 750,000)	4 (\$4,738,000)	8 (\$2,879,350)	5 (\$8,367,350)

The importance and viability of leveraging additional, larger sums of public funding were clear from the descriptions of the 15 projects. In 13 of the activities, some association with SBA, EDA, or Section 108 was specified; in one of the two cities where Federal programs were not mentioned, state money was being matched as part of a conscious strategy.

The anticipated outcomes of the economic development endeavors undertaken by eligible entities were described with considerable variation. Most respondents indicated a strong focus on business area stabilization or revitalization. Job creation was explicitly mentioned by some project directors or community development personnel, but usually as a by-product. Most projects seemed to be directed at attracting or retaining businesses, or both; the goal of expanding existing operations was mentioned as primary in only two cities.

Shifts in Economic Development Strategies

It is difficult to determine whether the 14 activities funded under Section 507.203 and the 15 activities funded under Section 507.204 represent new or additional programs and the extent to which the activities were directly influenced by the HUD Regulations.

In all but three instances, city officials indicated that the activities either had **begun** in a previous program year or were scheduled to begin in the current program year. This suggests that many of the activities had actual or conceptual roots in local efforts preceeding **the** statute or related regulations.

However, a case-by-case analysis of cities where sufficient data were available, reveals instances of specific changes in activities funded in the fifth program year. These include the allocation of larger funding levels, the designation of more specific target areas, and the delineation of a wider range of activities.

St. Louis **was** the leading city in implementing direct activities under the provisions of Section 507.203 in terms of numbers of projects, funds allocated, and percentage of fifth year entitlement spent on economic development. The general focus of St. Louis' expenditures **was** somewhat different from that of previous years. Clearly the city put more emphasis on economic development in the fifth than in the fourth program year. In addition to increased funding, there was a shift in activities from a strategy of one primary project (Franklin Industrial Park) to a number of projects. Direct development proposals included: \$1,895,000 to purchase and improve land for industrial expansion and/or relocation and as matching funds for **EDA** assistance; **\$870,000** for market studies and public improvements for four neighborhood commercial areas; **\$250,000** to relocate a railroad track to improve the potential of the riverfront for tourism; and \$150,000 to develop and implement a program to enhance the corporate image of the city and encourage business expansion and relocation there.

The fifth year program in Baltimore also included a sizeable allocation for direct economic development projects. The emphasis in this city was mostly on commercial projects, including a \$2,100,000 shopping center project, a \$500,000 loan program for small business, and a \$30,000 loan program to assist graduate students of business schools. Although all three projects had been proposed in earlier years, the commercial loan and student loan projects had not been accepted as part of previous **CDBG** applications.

San Diego adopted a carefully drafted five-year plan in 1974. No explicit changes were evident in overall priorities, but certain

changes in economic development strategies could be observed in the fifth program year. The city's focus shifted to leveraging private investment and away from the labor-intensive, low-skill job objectives of earlier efforts. **Two** additional commercial centers were funded and minority business counselling **was** expanded. The major effort, however, **was** a residential and commercial complex, assisted **by** almost **\$2** million of CDBG funding. Whereas prior CDBG projects generated an estimated 2,200 permanent jobs over the previous four years, the fifth year projects are estimated to result in about **3,000** direct jobs over the next three years.

The City of Richmond, which used the largest percentage of fifth year funds for Section 507.204 projects, appeared to alter considerably the focus, breadth, and potential impact of its economic development activities as a result of the new regulations. The largest portion of Richmond's Section 507.204 allocation **was** **\$300,000** for the **Downtown** Business Development Program. The program was intended to provide technical and management assistance, including considerable outreach and promotion. Half the appropriation is to be set aside for venture capital to small and minority-owned businesses.

Overall, **some** respondents indicated there were more geographical targeting and/or **new** programmatic elements in the fifth year. In Fort Worth, for example, the activities proposed were neighborhood commercial programs in three specific Neighborhood Strategy Areas (NSAs). In Richmond, though the new program "**was** always sitting around," it had been available citywide, rather than restricted to the Central Business District NSA; furthermore, according to the project planner, while **some** of the activities could have been funded under the old regulations, the \$150,000 for venture capital loans could not have been, "and that's going **to** make this thing fly."

Impact on Planning and Applications

Nineteen of the 24 cities cited economic development needs in their **CDBG** applications for the fourth year. In the fifth program year, all but three cities included economic development needs in their applications, and these cities--Boulder, Bloomington, and Greenwich--were all small, non-distressed cities with low unemployment rates. Furthermore, in almost all of the fifth year applications, the economic development **needs** sections manifested marked **improvements** in clarity and **explanation** over the equivalent sections in the preceding year's applications.

The primary benefit of the planning process, identified in seven of the cities, was that it bolstered the priority of **economic** development

projects or advanced comprehensive planning. Other beneficial results mentioned were the coordination of CDBG activities and the reactivation of former Urban Renewal Projects.

In at least two cities—Fort Worth and Richmond—the *new* regulations actually resulted in a rethinking of problems and approaches. In Fort Worth, a community development official observed that the opportunity to fund more activities "pushed the city into developing a strategy and seeing economic development as a joint part of a common problem." In Richmond, where the planning of the relatively large CDBG economic development activity took 9 months of city and community involvement, the new regulations were important in instigating a new long range strategy.

Future Potential for Economic Development

The composite view of respondents in the cities was that funding for economic development through CDBG was expected to increase with certainty in seven cities, probably to increase or at least to stay the same in seven cities, and to remain at the same level in 10 cities. In no locality was it predicted that CDBG economic development funding would decline in the near future. Moreover, early indications were that an increasing number of cities will take advantage of the new regulations in the years to come.

For instance, in Pueblo, Colorado, a city which did not use the new economic development provisions this year, the new regulations led the city to consider using CDBG for economic development purposes. An official stated: "The new regulations encourage, as well as allow, economic development. I think it's taken a while for the new regs to sink in and for the council and others to make adjustments, but I suspect you'll see a shift to more economic development programming in the future."

Problem, Issues, and Costs

No significant increases in staff or resources were related to the planning requirements. In most localities, the plan was developed without a direct association with the CDBG program and was applied as necessary to the fifth year applications, sometimes incorporating the work of other agencies or projects. In at least seven cities, major economic development planning efforts had taken place outside the CDBG framework within the past three or four years. Cities used several tools including Overall Economic Development Plans (OEDPs) and Comprehensive Economic Development Strategies (CEDs) .

Although completing plans and strategies usually did not create difficulties in most cities, several local program officials expressed concern about **some** aspects of HUD's requirements. They worried about their ability to provide precise plans given market uncertainties and about HUD's willingness to accept rough numbers on job projections given the speculative nature of **some** projects.

Only in me city, however, was it noted that the requirements actually resulted in questions or challenges from the Area Office. (The project was in Portsmouth, a city which ultimately did not fund any activities under the new regulations.)

Respondents in some cities felt the CDBG context created **some** constraints on economic development activities. They suggested that the CDBG focus on benefiting primarily low- and moderate-income persons and the labor intensive type of project traditionally associated with providing lower-skill jobs for the target populations may not provide the most feasible or rational approach given local needs and final problems.

Another contrasting concern was mentioned in Boulder and Greenwich. Directors of community development programs there were wary that some cities may find new ways to avoid applying their CDBG funds to the target populations because of the new economic development regulations. They were concerned that there might be just enough discretion to make abuses possible, in the "siphoning off of funds from low-income needs," as the respondent in Greenwich put it.

Some cities felt that the broadening of eligible activities particularly in localities with decreasing entitlements, created the possibility of increased competition for limited **funds**, false **hopes**, and diluted program impacts.

Despite these concerns, the new guidelines pertaining to economic development were usually considered in a positive light by staff officials and residents at the local level. They were seen as broadening the range of **CDBG** activities which could be directed at two objectives of concern to local officials and citizens alike: retention of firms and increased tax revenues. **Most** felt that potential conflicts between statutory objectives relative to low and moderate benefits and economic development priorities could be resolved due to CDBG's flexibility and local political processes.

Conclusions

Of the **24** cities in the sample, 12 used the new regulations to fund economic development activities. There were **29** new projects funded

under Sections 507.203 and 507.204, and together they accounted for \$16,377,750 or 7.6 percent of the CDBG entitlements for the fifth program year. Expenditures were about equally divided between direct activities funded under Section 507.203 and eligible-entity activities funded under Section 507.204.

Aside from these basic figures, certain trends were noticeable among the sample cities in the following specific areas:

- o Perceptions of community development staff. With economic development viewed as a high priority in most localities, the new provisions were generally welcomed, although some concerns and reservations were expressed.
- o Characteristics of cities. The 12 cities which used the new regulations tended to be larger and more distressed than those which did not.
- Direct activities under Section 507.203. Eight cities funded 14 projects under Section 507.203. These projects tended to continue previously existing CDBG plans or programs.
- o Activities funded through eligible entities under Section 507.204. Nine cities funded 15 activities under Section 507.204, with the emphasis on technical assistance, loan programs, and a neighborhood focus.
- o Projected outcomes. The intentions of the new projects seemed to be in the direction of leveraging private investment and stimulating small business. Job creation appeared to be a secondary goal in most cases.
- o Shifts in strategies. Community development officials in several cities noted that their economic development strategies had shifted as a result of the new regulations. In general, the shift tended to be from major individual redevelopment projects (such as might have been eligible already under Urban Renewal) to smaller and more numerous commercial projects and loan programs. However, most respondents indicated that the program ideas had been developed prior to the new regulations.
- Impact of planning. Between the fourth and fifth program years, the economic needs sections of the CDBG applications were generally expanded and clarified. In addition, **some** cities explicitly found the planning process helpful in defining or shifting their economic development strategies.

- ♦ Future use of regulations. There were indications that implementation of new eligible activities was under serious consideration in 12 additional cities. Thus, while most respondents indicated only moderate **impact** due to the new economic development regulations, their attention to and interest in funding such activities clearly exists. Support of projects with CDBG expenditures is increasing and will continue to grow, according to local officials, **who** made it clear that more projects pursuant to the new sections will emerge in the sixth program year and beyond. While causality cannot necessarily be attributed to the regulations themselves, it is clear that the latitude provided is being acknowledged and actualized at the local level..



CHAPTER IX

NEW REGULATIONS COVERING THE COMPREHENSIVE STRATEGY

Introduction

Studies by HUD and others have noted many of the difficulties cities have faced in developing comprehensive CDBG plans and in meeting comprehensive planning guidelines. Submittals ~~were~~ often more selective than comprehensive. They served largely as justifications for carrying out particular activities rather than as precise inventories of needs.

Strategy statements, like needs assessments, were relatively narrow and often lacked long-range perspectives, specified goals, and implementation schedules. Linkages between housing and other community development needs and plans were often weak and sometimes absent.

HUD's new regulations issued in 1978 sought to address these limitations. In particular, they required or encouraged:

- o Needs statements based on systematic assessments of needs for neighborhood revitalization, community facilities and public improvements, and housing. To the extent possible, such assessments were to present a neighborhood-by-neighborhood analysis of substandard, deteriorated, or low- and moderate-income neighborhoods.
- o Strategy statements which included specific approaches to neighborhood revitalization, housing, economic development, and overall community development; and a three-year plan for carrying out such approaches, including specific implementation schedules and quantifiable goals. As with the new guidelines for needs statements, the regulations for strategy statements encouraged concentration at the neighborhood level.
- o Linkages between housing and other community development activities. The regulations emphasized the necessity for coordination between housing and community development and included repeated explicit references to "community development and housing plans" and "community development and housing needs."

Impact: An Overview

The 24-city study indicated that the new comprehensive strategy regulations have had a measurable effect on the sample cities. The impact is especially strong in encouraging more systematic long-range planning and needs statements. Less marked, but still observable, were improvements in the actual depth of the plans and the linkages between housing and other plan components.

Impact: A Look At Specifics

Needs Assessment and Statements

HUD hoped that the new requirements would stimulate a more intensive and comprehensive local process for assessing needs and, subsequently, a more inclusive and prioritized approach to carrying out CDBG activities. Changes were noted in the cities examined with respect to the substance of needs assessments, the narrative explanation of needs, and the information assembled.

In seven cities (30 percent), community development staff, local officials, and HUD staff felt that the needs statements for the fifth program year were substantially more comprehensive (Table IX-1). These respondents typically referred to alterations in the numbers and kinds of needs considered. One remarked, for example, that the city was "forced to take a more detailed look at a greater variety of needs and how it would deal with them." Another added that this more comprehensive analysis would assure that "all proposals can be reviewed against a national framework" and that this would help to "avoid some political pressure."

Community development staff in the remaining cities indicated that needs statements were formatted somewhat differently but that the analyses, discussions, and explanations remained substantially unchanged. In some instances, the absence of change resulted from the fact that the city already had prepared the kind of needs statements required.

Attempts in a few instances to comply with the full intent of new guidelines were thwarted by the amount of effort that would have been required. For example, one respondent in a large industrial city explained that the information on needs which would have been most useful was not available and would be too costly to acquire.

Table IX-1
Changes in **Needs** Statements
(n=23)

Population	Needs Statement	
	Substantially More Comprehensive	Substantially Unchanged
Over 600,000	4% (n=1)	17% (n=4)
100,000- 600,000	8% (n=2)	31% (n=7)
Less than 100,000	17% (n=4)	22% (n=5)
Total	30% (n=7)	70% (n=16)

Aside from their effects on the substance and comprehensiveness of **needs** assessments, the new regulations led to another related change. In a **number** of cities, where respondents indicated that they did not assess **needs** in a ~~more~~ systematic or ~~comprehensive~~ manner, they **also** indicated that they tried to present a more refined narrative statement and explanation of needs.

One city respondent explained that this year's **needs** summary was more useful in that it presented a clearer picture of the city's needs to ~~representatives of citizen~~ and other groups unfamiliar with the range of issues facing the city. "Now," he said, "these individuals will be able to understand why we're doing the things we're doing." Another respondent said that this year's needs statements would provide a better basis for future discussions ~~of~~ how the program is meeting the city's needs.

Finally, ~~the~~ new guidelines seemed to have a significant and positive effect ~~on~~ local data collection processes. Community development staff in one-half of the cities studied indicated that there will be fewer data requirements in the future as a result of the planning process this year.

Strategy Plans and Statements

Respondents in only **two** out of 21 cities expressed the view that there were substantial alterations in the contents of their plans. In the other 19 cities, the nature of the strategies chosen and the types of

projects planned were basically unchanged. The major reason given for this lack of change **was** the need to continue projects initiated in the previous years.

Respondents in six out of 20 cities felt that the new regulations had resulted in a more effective prioritizing and programming of funds. In the 14 cities which did not report significant impact in this area, community development officials tended to feel that the cities already knew what their needs were and how they were going to address them. The new requirements, they felt, had primarily caused them to go back and check their progress and priorities and, where necessary, present them in a clearer format.

Performance Criteria

The new requirements for implementation **schedules** and quantitatively stated objectives were designed to facilitate both HUD and grantee ability to monitor progress. This information on schedules and objectives **was** intended to enhance Federal and local ability to report on progress towards the accomplishment of plans.

The requirement for quantified objectives has been largely met by the cities in this study. An examination of fifth program year applications indicates that over two-thirds (17) of these localities prepared quantified statements of their program objectives (Table IX-2). Slightly less than one-third (7) exhibited little or no compliance with this provision.

Table IX-2
Quantification of Objectives
(n=24)

<u>Extent of Quantification</u>			
<u>Little or none</u>	<u>Some</u>	<u>A Great Deal</u>	<u>Total</u>
29% (n=7)	29% (n=7)	42% (n=10)	100% (n=24)

While most cities generally responded to the requirements for quantified objectives their responses **show** considerable variation in precision. In some instances, quantified estimates had the appearance of best guesses. In others, the nature of the projects or activities **was** so broad that it effectively **precluded** meaningful quantification.

All of the cities in the study sample also fulfilled the requirements regarding implementation schedules, although some did so with less precision than the regulations envisioned (Table IX-3).

In some cases, limited staff capacity together with difficulties in interpreting the regulatory requirements may have been responsible for the lack of more detail. In Seattle it was argued that it would be more reasonable to secure scheduling information from program sponsors after the projects were authorized by HUD rather than before.

Table IX-3
Implementation Schedules
(n=24)

Year	Unit in Which Activity Schedule is Presented		Row Total
	Quarter	Month	
83%** (n=20)	4% (n=1)	13% (n=3)	100% (n=24)

Several cities included in this category can be said to provide implementation schedules only in the sense that they list projects on their three-year summary forms on a year-to-year basis.

In regard to the overall usefulness of the requirements for implementation schedules and quantified goals, the initial response of community development staff in seven of 22 cities was that the new requirements would assist them in their monitoring efforts. In the other 15 cities, officials were less certain about the impact.

One individual noted that if it were not for HUD, the city would probably keep records very differently and by implication, less meticulously. Another remarked that his city's program was small enough so that there was no local need for extensive monitoring efforts. He added, however, that the new regulations would probably aid attempts by HUD and local residents to assess local progress.

Long-Range Planning

Most community development staff and local officials felt that the requirement for a three-year plan would assist city staff in their attempts to provide greater coherence and focus to CDBG efforts. Many indicated that it could encourage private investors by generating more certainty and stability.

Respondents in over one-third (9) of the cities felt that this requirement had resulted in better long-range planning. Typical ~~ments~~ among this group were that *the* three-year planning requirement had "forced the city" to "think into the future" and had been "very helpful" in encouraging long-range planning. According to one community development official:

When ~~we~~ and the city sat around during the budget process to decide the balances and trade-offs of our community development program, ~~we~~ were forced to think about the line in more detail. Putting this down ~~on~~ paper helps us look more closely at what ~~we~~ are doing and to weigh the competition between (undertaking activities in) new areas and completion of activities underway.

In contrast, respondents in 14 cities felt that the new regulations had not basically changed the localities' long-range planning process. A few respondents doubted the regulations' impact, arguing that "three years is appropriate, but useless without a similar funding commitment."

In regard to its impact on private investment, many respondents felt that it was still too early to tell if there would be any greater willingness on the part of businesses, developers or neighborhood residents to invest in given areas because of an increased knowledge of future local plans. Many believed, however, that *the* ultimate effect would be helpful.

In one large Northeastern city, community development officials felt that the three-year comprehensive strategy already had achieved a positive effect on private investment. These respondents said that having money available on a sustained basis would be helpful in promoting the stability of neighborhoods through private efforts. In another city, one individual commented that the city was starting to get an inkling of private speculative investment in some areas and attributed some of this activity to the stability of local plans.

Some respondents felt that the three-year plans would not have more than a limited effect. One individual from a medium size Northeastern city explained that community development funds are so limited that the external plans would have little effect on the private sector. A planner from another locality gave a different explanation: the three-year plan would not increase the level of financial commitment from others because, as he put it, "activities we had planned were already underway and actors were already involved."

Linkage Between Housing and Community Development

Prior to the new regulations, the HUD Third Annual Report on CDBG called for "more extensive efforts" to provide for coordination between housing and other aspects of community development. HUD hoped that the **new** regulations, with their added emphasis on the linkage between these two categories of program activity, would facilitate this objective.

Although many respondents indicated that developing effective linkages would require time, the new regulations have had some visible impacts. One community development official in a major West Coast city remarked that this provision had a definite effect, and in the intended way. "For the first time," this individual commented, "we were led away from simple project-by-project plans. Now we see things as components of a broader goal." In addition, "better coordination" between Federal, State, and local programs was said to have taken place in three out of 20 cities.

Respondents in the other 17 cities, however, felt that the regulations had little or no initial effect on housing and community development coordination. Some confessed that they were not aware of the new provisions. Others demonstrated knowledge of the rule changes but indicated that the regulations had not resulted in changes in city plans.

Characteristics of Cities Exhibiting High and Low Compliance

City characteristics do not appear to explain variations in compliance. In terms of the regulations' effect on scheduling, the four cities which presented their implementation schedules on a quarterly or monthly basis exhibited considerable variety in their CDBG funding levels and population sizes. Entitlement amounts for the fifth year among this group ranged from a high of \$11 million to a low of less than \$1 million. Similarly, populations among these cities ranged from a high of over 700,000 to a low of under 50,000.

While one large city found the cost of revising its needs assessments prohibitive, population size did not generally distinguish those cities that revised their needs statements from those that did not. One fairly large city (population over 600,000), two medium-size cities (population less than 600,000 but more than 100,000), and four relatively small cities (population less than 100,000), accounted for the seven localities that revised their needs statements to conform with the **new** requirements. In addition, one large city (population over 600,000) which did not change as a result of the requirement was already in compliance with the new regulations before they were issued.

The six cities which perceived the regulations as causing changes in effectiveness of programming funds varied widely in population size. Three of the cities in this group had populations under 100,000 and two had populations over 600,000. In addition, three of the six were located in the Northeast, two were in the West, and one was in the South.

In only one area, quantification of goals, did there seem to be any relationship between compliance and city character. Here it was found that size of population and level of CDBG funding were variables which appeared significantly associated with city ability to quantify program objectives. Cities with small populations and small grants appeared to be less willing or able to state their goals in numerical form.

Cities submitting applications which exhibited extensive quantification had an average population of 569,208 and an average fifth year funding level of \$18.9 million. In contrast, cities with few, if any, quantified program goals had a smaller average population (234,483) and a lower fifth year average funding level of \$6.67 million. Furthermore, four of the five largest cities had applications in which the quantification of objectives was extensive. Of the five cities having the largest CDBG entitlement amounts, four also exhibited a significant amount of goal quantification in their most recent applications.

Problems, Issues, and Costs

Local community development staff were concerned about the extent to which the new regulations would increase staff costs and make their work more difficult. With few exceptions, city spokesmen remarked that the new requirements had caused them to employ additional resources to complete the application for the fifth program year. In some instances, extra staff or consultants were hired. In other cases, more time was required of existing personnel.

Sometimes noncompliance was attributed to the prohibitive costs of compliance. For instance, a respondent in one large city explained the absence of a revised needs statements by saying that the newly required information on needs would be very costly to obtain in quick order. Community development officials were specifically asked about how difficult it was to complete portions of the fifth year application compared to similar sections in the fourth program year approach. Whether caused by the new regulations themselves or the way their intent was translated into application forms and instructions, the difficulty involved in completing this year's Community Development and Housing Plan was most often assessed as greater than the level

entailed by the last year's plan. Respondents in eight cities remarked that the needs statement **was** harder to prepare. In 13 cities, respondents felt that the Comprehensive Strategy narrative **was** more difficult to construct than the statements of long-and short-term objectives which it replaced.

In fact, the cities in this study were almost evenly divided in their views of whether the new comprehensive strategy requirements would help them achieve local plans and goals. Respondents in seven of the cities said that the new rules would be helpful, and individuals in eight cities gave the opposite reply.

Such reactions present a dilemma for HUD. On the one hand, the Department is charged with the responsibility for effective local performance in accord with specified national objectives. On the other hand, HUD attempts to perform this function are often deemed bothersome or in conflict with local needs by local officials. As indicated by the early local response, the line between allowing too much flexibility and providing too much direction is a narrow one.

Conclusion

The findings in this section have demonstrated that the new comprehensive strategy regulations have had varying effects on the cities included in this study.

- o Needs Assessments and Needs Statements. The new regulations had a significant effect on the substantive content of needs statements in seven cities (30 percent), and **some** effect on the structure and format of needs statements in the remaining cities. In **some** cities, the limited impact on plan content resulted from the fact that existing needs statements met or exceeded the new standards.
- Strategy Plans and Statements. All cities studied were found to be in compliance with the guidelines, although only two cities were found to have modified the substance of their strategies and six to have changed the management of funds. Constraints on change in this area were most often said to involve the need to continue projects and activities already underway.
- o Performance Criteria. The requirements for implementation schedules and quantified goals have largely been met, although the degree of precision with which both were expressed showed considerable variation.

- o Long-Range Planning. All cities provided the required three-year plan, and nine cities (33 percent) felt that the plan represented a clear improvement.- The remaining cities expressed uncertainty or limited expectations about the new three-year requirement. Most felt it was too early to assess the extent to which the guidelines would leverage greater private investment.
- o Linkage Between Housing and Other Community Development. In the 24 cities visited for this study, there is little evidence that the encouragement provided in the regulations for linkages between housing and community development had any significant effect.

Overall, there **was** little correlation between population or grant size in a given city and its tendency to **comply** with the new regulations. However, the data indicated that small cities with small grants were less likely than others to quantify the program objectives.

Problems with the new regulations, according to the respondents, included increased staff **costs** to complete more **complex** applications, lack of available data for the newly required needs assessments, redundancy in the application form itself, and a conflict between this regulation and the local ability to control local planning.

CHAPTER X

NEW REGULATIONS COVERING HOUSING ASSISTANCE PLANS

Introduction

As a precondition for receiving CDBG funds, grantees must prepare an acceptable Housing Assistance Plan (HAP). The HAP is intended to encourage linkages between local community development and Federal housing assistance and thus acts as a bridge between Title I and Title II of the Housing and Community Development Act of 1974.

The primary intention of the **HAP** requirement is to generate local housing programs which address the housing assistance needs of **low-** and moderate-income people who currently reside in the community or **who** could be expected to reside in the community if housing were available.

According to the regulations, needs of these households must be addressed in terms of: renters and homeowners, elderly and handicapped, small and large families, and minority and female-headed households. **Based** on a detailed assessment of housing needs and the condition of the existing housing stock, local HAPs must define three-year housing goals and identify general locations for proposed housing construction and rehabilitation. Localities must submit an Annual Housing Action Program showing which facets of their three-year plan will be addressed in any given program year.

The March 1978 **HAP** regulations required a more explicit relationship between local community development and housing assistance plans. Applicants were asked to assess housing and community development assistance in relation to each other and were required to address both in the same sections of their CDBG applications.

The regulations also encouraged greater efforts to meet **HAP** objectives. They mandated greater specificity in the delineation of housing assistance goals and the identification of specific actions to be taken toward meeting these goals. In particular, the new guidelines require applicants:

- to establish a minimum housing goal to be achieved over a three-year planning period which represents at least 15 percent of total identified needs;
- o to assure that annual goals take into account unmet goals from previous years for tenure, household, and housing types and to propose three-year goals that reflect tenure, household, and housing needs on a basis proportional to the needs of the city;
- o to provide a description of community-wide housing programs and of actions to achieve fair housing and spatial deconcentration;
- o to identify local actions necessary to accomplish housing assistance goals and to provide a timetable for carrying out such actions.

A majority of cities reported varied changes in response to the new regulations. Among the changes reported were: (1) development of more specific goals; (2) greater attention to needs **based** on proportionality; (3) more attention to spatial deconcentration; and (4) the development of implementation plans and schedules. Several cities felt that the regulations had encouraged them to increase the priority attached to HUD's housing assistance programs.

General Perceptions of Impact

Although impact varied, over half *the* cities acknowledged the positive accomplishments of the HAP. As shown in Table X-1, respondents said the HAP: (1) provided a basis by which gains in housing could be monitored; (2) forced the city to step back and take a broad look at local housing needs and activities; (3) served as a focus for developing a dialogue among different interest groups about housing policies and objectives; (4) provided a useful technique for assessing housing problems and needs; and (5) constituted a useful document on local housing policy which could be distributed to local housing developers and citizens. One respondent summarized his view of the fifth year HAP as follows: "needs and conditions are much clearer and they're presented better. It's something we can work with and allocate resources with." A St. Louis community development official commented, "it made us take a step back and look at the program."

A number of cities suggested a more limited view. Their officials expressed the opinion that the effectiveness of the local HAP was dependent on the market, the availability of sites, the adequacy of fair market rents, and the availability of HUD funding for assisted housing.

Table X-1
Impact of the New Regulations on General HAP Content
(n=24)

City Characteristics	Number of Cities	Impact		
		Significant	Madest	None
<u>Size</u>				
1 million or greater	1	0	1	0
500,000-999,999	5	0	5	0
250,000-499,999	4	0	2	2
100,000-249,999	5	0	2	3
Less than 100,000	9	2	1	6
<u>Location</u>				
Northeast	5	1	1	3
South	6	0	3	3
North Central	7	1	3	3
West	6	0	4	2
<u>Condition (UDAG)</u>				
UDAG distressed	16	2	8	6
Non-distressed	8	0	3	5
<u>Population Change</u>				
Loss 1970-1975	15	1	9	5
Gain 1970-1975	5	0	2	3
No Change ($\pm 2\%$)	4	1	0	3

Minimum Goals

The regulations required cities to specify three-year goals equal to at least 15 percent of their identified housing needs, and a one-year goal appropriate to achieving the longer range objectives.

Although officials in many cities criticized the three-year goal requirement, most cities were in compliance with it and most proposed three-year goals significantly higher than those required by the

regulations (Table X-2). Only two cities proposed goals below the required 15 percent of need. Four cities proposed goals at exactly the 15 percent goal, and 18 cities proposed goals of more than 15 percent of estimated needs.

Of those cities proposing a goal higher than 15 percent, five proposed goals between 16 and 20 percent, seven proposed goals between 21 and 30 percent, three proposed goals between 31 and 40 percent, and three proposed goals of more than 40 percent.

Table X-2
Distribution of Cities by Percent of Program Year Five
HAP Goals Versus Needs
(n=24)

HAP Goals as Percent of Need	Number of Cities	Percent of Total
Less than 15%	2	8
15	4	17
16-20	5	21
21-30	7	29
31-40	3	13
More than 40	3	13
Total	24	100% *

While the goals proposed in all but two cities exceeded the 15 percent requirement, they represent varying levels and directions of change (Table X-3). Of the 24 cities, 11 increased their previous goals, 12 reduced their goals, and one city maintained the same goals. Increases were in a range from one percent to 71 percent, while decreases were in a range of one percent to 53 percent.

No particular variables explain the reason for the changes. It is believed that various factors, including the attitude of the HUD Area Offices, the availability of Federal assistance, and housing market conditions affected local HAP plans.

Table X-3
Housing Assistance Plan Goals in the Fourth Program Year and Needs
and Goals in the Fifth Program Year in Housing Units by City Size

City by population size	Program Year Four 3-year Goal	Program Year Five 3-year Goal	Difference Program Years 4-5 (%)	Program Year Five Needs	Program Year Five 3-year Goal Compared to Need (%)	Program Year Five One-Year Goal	Program Year Five One-Year Goal Compared to 3-year Goal
<u>1 million or greater</u>							
Philadelphia	18,524	20,045	+8%	155,625	13%	6,733	34%
<u>500,000-999,999</u>							
Baltimore	17,595	16,740	-5	66,694	25	5,590	33
Indianapolis	10,050	6,615	-44	39,400	17	2,205	33
St. Louis	10,050	11,625	+16	50,623	23	3,800	33
San Diego	26,400	12,320	-53	82,110	15	3,695	30
San Francisco	11,090	17,820	+61	72,425	25	4,925	28
<u>250,000-499,999</u>							
Akron	6,130	6,130	0	10,704	57	2,700	44
Baton Rouge	3,270	5,600	+71	37,141	15	1,766	32
Fort worth	9,380	10,320	+10	25,827	40	3,800	37
Seattle	8,400	6,282	-25	38,126	16	1,974	31
<u>100,000-249,999</u>							
Des Moines	5,685	4,835	-15	20,550	24	1,915	40
Evansville	2,575	1,855	-28	12,341	15	620	33
Portsmouth, Va	1,225	735	-40	6,979	11	510	69
Pueblo	2,250	1,205	-46	4,839	25	390	32
Syracuse	4,855	7,819	+61	19,688	40	2,722	35
<u>Less than 100,000</u>							
Bethlehem	1,240	780	-37	3,066	25	295	38
Bloomington, MN	1,000	985	-1	4,206	23	370	38
Boulder	1,272	1,291	+1	8,349	15	444	34
Greenwich	635	334	-47	1,815	18	139	42
Kingsport, TN	965	1,240	+28	2,531	49	408	33
Richmond, CA	2,235	1,759	-21	9,725	18	668	38
Sioux Falls	1,149	1,385	+21	3,961	35	544	39
Somerville	5,100	5,000	+8	10,126	54	1,770	32
Tuscaloosa	580	740	+28	3,734	20	310	42

Source: Program year four and five applications.

Mast cities proposed to achieve one-third of their three-year goal in the fifth program year, but 13 cities (54 percent) proposed to achieve more than one-third of their goal in the same time. Five cities -- Akron, Des Moines, Portsmouth, Greenwich and Tuscaloosa -- expected to achieve 40 percent or more of their goals in the fifth program year. Even for cities with relatively small goals, such projections would appear to be optimistic considering past accomplishments in housing. Only two cities, San Francisco and San Diego, established fifth program year housing goals significantly less than one-third of their three-year goal.

Proportionality

There were only two cities in which the proportionality requirement was identified as a significant issue in determining HAP goals. The remaining cities either did not mention proportionality as a problem, revised their goals to conform with the requirement, or did not significantly change their proposed distribution of units.

Table X-4 compares the proportions of different types of units in cities' three-year HAP goals in the fourth and fifth program years. Five cities made no changes or only minor ones in the distribution of units. Seven cities did not change the proportion of elderly or large family units; eight did not change the proportion of small family units. Ten cities decreased their elderly housing goals while seven cities increased them. Eleven cities increased their small family goals and five decreased them.

Table X-4
Housing Assistance Plan Three-Year Goal Changes
in the Proportion of Elderly, Small Family, and
Large Family Goals Between Program Year 4 and Program Year 5
(n=24)

Type of Unit	No Change or Minimal Change (+1%)	Increased Goal	Decreased Goal
Elderly	7	7	10
Small Family	8	11	5
Large Family	7	4	13

It might have been expected that a major impact of the proportionality requirement would be to lead cities to propose increased large family housing goals. In fact, as Table X-4 indicates, only four cities show increases in this area, while 13 show decreases.

Although few cities made immediate increases in their goals for housing large families, respondents indicated that the proportionality requirement served to re-emphasize the importance of developing housing for families. As **one** local official contended, "without proportionality the city wouldn't be committed to family housing." To date, however, proportionality appears to have generated increased housing goals for **small** families in a number of cities and a reduction in the goals for elderly housing and housing for large families.

Table X-5 provides further detail on the distribution of housing goals by type of unit for each of the cities. The data **show** that changes in goals were made by all size categories of cities. No significant patterns emerge which would explain the reasons for varied changes.

Spatial Deconcentration

Although respondents frequently expressed the view that this requirement **was** controversial and difficult to implement, they agreed that spatial deconcentration is an important goal. Evidence suggests that the new HAP requirements and a greater concern with the problem on the part of **HUD** Area Offices have increased the sensitivity of cities to this issue.

A review of HAPs indicates that most cities addressed the deconcentration issue to **some** degree. Eight cities addressed the substance of the deconcentration issue in their HAP plans. A smaller number actually proposed specific approaches to achieving deconcentration.

In seven cities the requirement became a major local political issue. Deconcentration guidelines were discussed primarily in terms of planning in about one-third of the cities.

Some community development staff perceived potential conflicts between the deconcentration objective for assisted housing and the targeting objective of the NSA guidelines. They were also concerned about the limited availability of sites in non-impacted areas and how rigidly HUD would define impacted areas.

Table X-5
Comparison of Housing Assistance Plan Goals by Unit Type,
Program Year Four and Program Year Five*
(n=24)

City by population size	Program Year Four, Three-Year Goals			Program Year Five, Three-Year Goals		
	Percent Distribution			Percent Distribution		
	Elderly/ Handi- capped	Small family	Large family	Elderly/ handi- capped	Small family	Large family
<u>1 million or greater</u>						
Philadelphia	32%	46%	22%	34%	52%	14%
<u>500,000-999,999</u>						
Baltimore	34	50	16	25	61	14
Indianapolis	31	43	26	31	50	19
St. Louis	31	43	26	28	46	26
San Diego	31	62	7	32	61	7
San Francisco	30	54	16	35	55	10
<u>250,000-499,999</u>						
Akron	23	63	14	23	63	14
Baton Rouge	39	40	21	32	53	15
Ft. Worth	32	53	15	25	52	23
Seattle	28	64	8	29	64	7
<u>100,000-249,999</u>						
Des Moines	29	58	13	24	67	9
Evansville	53	38	9	45	44	11
Portsmouth, VA	30	42	28	46	32	22
Pueblo	48	25	27	45	50	5
Syracuse	39	45	16	42	45	13
<u>Less than 100,000</u>						
Bethlehem	23	63	14	24	60	16
Bloomington, MN	25	54	21	43	45	12
Boulder	27	60	13	8	89	3
Greenwich	31	57	12	40	43	17
Kingsport, TN	39	41	20	31	48	21
Richmond, CA	22	54	24	20	63	17
Sioux Falls	44	39	17	31	54	15
Sanerville	35	45	20	36	44	20
Tuscaloosa	21	65	14	21	64	15

* In HUD's Third Annual CDBG Report, it **was** reported that for the sample studied the proportion of PY 3 **goals** were: elderly, 39 percent; small family, 46 percent; and large family, 15 percent. (Community Development Block Grant Program Third Annual Report, March 1978, p. 171)

Source: Program years four and five applications.

Factors Affecting the ion of Objectives

The delineation of HAP objectives — minimum goals, proportionality, and spatial deconcentration — were most affected by three factors: the projected level of HUD funding for assisted housing, community needs, and past housing accomplishments (Table X-6). Of these three factors, projected HUD funding was judged the most important one: 19 cities thought it was a major factor and four other cities thought it was a minor influence. Only one city did not comment on the impact of this factor. The extent of HUD funding was considered important by respondents because the need for funds has typically exceeded available HUD resources. As a result, cities have not been able to secure the housing allocations that were required or hoped for.

Table X-6 provides a city-by-city ranking of the factors that determined HAP goals. Respondents in seven (30 percent) of the cities ranked the minimum goal requirements as a major influence. Availability of developers' proposals or developer interest did not appear to be a major problem.

Actions to Achieve HAP Goals

Cities have undertaken a variety of actions to support assisted housing and to help implement HAP goals, although the extent and number of activities varies by city. Officials indicated that a majority of cities have established housing loan and grant programs financed through CDBG funds.

In addition, many have undertaken a variety of other approaches to supporting assisted housing. These include programs to inform developers about Section 8 and to help them prepare applications, as well as programs aimed at reducing the cost of housing development. In several cities, the Public Housing Agency acts as a Section 8 developer.

Table X-7 provides information on the specific actions cities are taking. Because the information is based on responses of community development program officials and not on a formal review of all city-sponsored activities, the data may understate the extent of activity that is actually occurring. Four cities were judged to be making no special efforts, and data were not available on two cities.

Of the remaining 18 cities, the provision of housing-related technical assistance and information was the most common activity offered. Programs involving land banking, Section 11b or housing mortgage bond financing, and seed money financing were also common. Some cities

Table X-6
Significant Factors in Determining Housing Assistance Plan Goals
Program Year Five
(n=24)

City	Factors								
	Past accomplishments	Projected HUD funding	Min. goal requirements	Housing needs	Deconcentration concerns	Developer proposals	Citizen group recomm.	HUD guidance	Other
Akron	Major	Major	Major	Major	Major	Minor	Minor	Minor	
Baltimore	NR*	Major	NR	Minor	NR	Minor	NR	NR	
Baton Rouge	Major	Major	Major	Major	Major	Minor	Minor	NR	
Bethlehem	Major	Major	Minor	Minor	Minor	NR	NR	NR	
Bloomington, MN	Minor	Major	Minor	Major	Minor	Minor	NR	Minor	Major (ABOP)
Boulder	NR	Minor	Major	Major	Major	NR	NR	Minor	
Des mines	Minor	Minor	Minor	Major	Major	NR	Major	NR	
Evansville	Minor	Major	Minor	Major	Minor	Minor	Minor	Major	
Fort Worth	Minor	Major	Minor	Major	NR	NR	Major	Minor	Major (proportionately)
Greenwich	Major	Major	Minor	Major	NR	Major	NR	Minor	
Indianapolis	Major	Major	Major	Major	Minor	Minor	Minor	Major	
Kingsport, TN	Major	Major	Minor	Major	Minor	Minor	Minor	Major	Major (Housing market)
Portsmouth, VA	Minor	Major	Minor	Minor	Minor	Minor	Major	NR	Major (ABOP)
Philadelphia	Major	Major	NR	NR	NR	NR	NR	Major	
Pueblo	Major	Minor	Major	Major	Major	NR	Major	NR	
Richmond, CA	Major	Major	NR	Major	NR	Minor	Major	Minor	
San Diego	Major	Major	Major	Major	Minor	Minor	Major	Minor	Major (projected State funding)
St. Louis	Minor	Major	Major	Major	Minor	Minor	Minor	Major	
San Francisco	Major	Major	NR	Minor	Minor	Major	Minor	Minor	Major (projected State funding)
Seattle	Major	Major	Minor	NR	Minor	Minor	Minor	NR	
Sioux Falls	Major	Minor	Minor	Major	unknown	Minor	Minor	Minor	Major (UDAG application Rejection)
Somerville	NR	Major	Minor	Minor	Minor	NR	NR	Major	
Syracuse	Major	Major	Minor	Major	Minor	Minor	Major	NR	
Tuscaloosa	Major	Major	NR	NR	NR	NR	NR	Major	

* No Response

Table X-7: Special Actions Cities have Undertaken to Support Assisted Housing
(n=22)

City Characteristics	Number of Cities		TYPE OF ACTIONS									Total actions
	Actions under-taken	No action under-taken	TA/ information	Land banking site purchases	Tax abatement	Front end financing	Lending change	Land withdrawn	11b or Bond financing	Expedite permits	FHA Acts as Section 8 developer	
Size												
1 million or greater (0)	0	0	---	---	---	---	---	---	---	---	---	---
500,000-999,999 (4)	4	0	3	2	1	2	1	2	1	2	---	14
250,000-499,999 (4)	2	2	2	1	---	2	1	1	1	2	---	10
100,000-249,999 (5)	5	0	4	2	---	1	1	1	3	1	2	15
Less than 100,000 (9)	7	2	6	3	---	2	1	2	2	---	---	16
Location												
Northeast (4)	3	1	2	1	---	1	---	---	2	---	---	6
South (5)	3	2	3	---	---	1	2	---	2	2	1	11
North Central (7)	6	1	5	3	1	3	2	3	2	1	---	20
West (6)	6	0	5	4	---	2	---	3	1	2	1	18
TOTAL ACTIONS			15	8	1	7	4	6	7	5	2	35

such as Seattle, St. Louis, Sioux Falls and Portsmouth provided multiple types of assistance. Most other cities involved themselves in only one or two types of actions.

City size or location did not appear to explain the extent of city activity. Rather, local factors and practices and the extent to which housing is viewed as a priority concern by local officials seemed to be reams for the variation in city responses.

Factors Affecting Achievement of HAP Goals

Most cities expressed concern about being able to achieve their HAP goals. By far the most common concern regarding achievement of HAP goals was inadequate HUD funding. This factor was mentioned by officials in 15 cities (Table X-8). The Fort Worth housing authority director said he would be happy to meet a 15 percent goal: "All we need is money." The Evansville community development director explained: "The ability of a city to meet the HAP goals depends on HUD funding, which is inadequate. We haven't hit a HAP goal yet."

Table X-8
Impediments to Accomplishing HAP Goals
(n=24)

Type of Impediment	Number of Cities Identifying Impediment	Percent of Total
Inadequate HUD Funding	15	41
Lack of Experienced Developers	1	3
High Costs	5	14
Lack of Available Sites	6	16
Lack of Developer Interest in Section 8	3	8
Problem of Achieving Deconcentration	3	8
City and/or Developers not Interested in Family Housing	4	11

Lack of available sites and high costs were also mentioned frequently. Three cities — Boulder, Portsmouth, and Bloomington — indicated that they are getting smaller housing allocations than they had received previously because of competition from other communities which are a part of their AHOP.

Table X-9, which compares goals proposed in the fifth program year with past accomplishments, supports local concerns. The table compares the three-year and one-year goals proposed in the fifth program year with housing accomplishments presented in the 1978 Grantee Performance Reports (GPRS). In only 2 cities did unit commitments made during the first three program years exceed goals proposed for the next three years. Of the other 22 cities, no city achieved more than 62 percent of the fifth year goals that were proposed for the next three years.

Overall, achievements ranged from 4 to 114 percent of the fifth year goals. The two cities whose unit commitments exceeded the fifth year three-year goal had populations of less than 100,000. As indicated in the table, wide variation in achievements occurred in all size categories of cities.

Housing accomplishments of cities during the 1975-78 period appear related to the Section 8 Existing Housing program. The program was not inextricably linked to rehabilitation or construction and probably will not be growing as fast as it did during the early years of CDBG, given legislative and budget constraints.

Comparing the accomplishments in the 1978 GPRS with the fifth year one-year goals, indicates that seven cities achieved housing unit commitments in excess of their one-year HAP goals for each of the three to four years covered in the GPRS. The table also shows that, in most cities, the number of units reported as occupied was significantly lower than the number of units reported as committed.

Problems, Issues, and Costs

Experience differed among cities with respect to the amount of extra effort required to prepare the fifth year HAP. Community development officials in 9 cities said that they devoted more effort to preparing the HAP than they had in previous years.

No agency hired more staff, although existing staff worked extra hours. Comments on the extent of extra effort ranged from "some overtime work" to the estimate of one city official that it required twice the effort. Typically, where extra effort was required it was because the agency took the HAP more seriously or decided to review its housing strategy from a longer-term perspective.

Table X-9: Fifth Year Housing Assistance Plan Goals Compared to Accomplishments
Presented in the 1978 Grantee **Performance Reports** by City Size (N=24)

City by Population size	Program year five 3-year goal	Program Year five 1-year goal	Accomplishments Unit commitments	1978 GPR Unit Occupied	Percent 1978 GPR Unit commitments of program year five 3-year goal
<u>1 Million or greater</u>					
Philadelphia	20,045	6,733	12,371	7,895	62
<u>500,000-999,999</u>					
Baltimore	16,740	5,590	8,536	3,551	51
Indianapolis	6,615	2,205	253	241	4
St. Louis	11,625	3,800	2,254	1,224	19
San Diego	12,320	3,695	4,318	2,609	35
San Francisco	17,820	4,925	937	865	5
<u>250,000-499,999</u>					
Arkon	6,130	2,700	3,177(1977)	2,173(1977)	52
Baton Rouge	5,600	1,766	1,761	1,367	31
Fort Worth	10,320	3,800	1,114	849	11
Seattle	6,282	1,974	972	NA	15
<u>100,000-249,999</u>					
Des Moines	4,835	1,915	685(1977)	320(1977)	52
Evansville	1,855	620	128	340	7
Portsmouth, Va.	735	510	258	318	35
Pueblo	1,205	390	225	99	19
Syracuse	7,819	2,722	4,566	3,303	58
<u>Less than 100,000</u>					
Bethlehem	780	295	888	289	114
Bloomington, MN.	985	370	94	64	10
Boulder	1,291	444	96	67	7
Greenwich	334	139	363	301	109
Kingsport, TN.	1,240	408	384	29	31
Richmond, CA.	1,759	668	159	113	9
Sioux Falls	1,385	554	400	145	29
Sumerville	5,500	1,770	1,402	1,365	25
Tuscaloosa	740	310	84	24	11

In several cities, officials indicated that the HAP ~~was~~ actually less time consuming than previous applications. In ~~some~~ cities the impact of the new regulations on increasing the workload appeared less significant than did local factors such as shifts in personnel.

Whatever their staff costs in fulfilling the new requirements, the cities studied reported certain difficulties in preparing fifth year **HAPs**. Officials in 20 of the **24** cities mentioned that they had encountered data problems—particularly in relation to the usefulness of 1970 Census data which, in many cases, are severely inaccurate. An extreme example of this is provided by St. Louis, which has lost an estimated 100,000 people since 1970.

To offset data problems, 11 of the cities funded special studies or tried to improve the usefulness of the data with other information. For example, Boulder and Pueblo used special household surveys to update housing needs data: Tuscaloosa took advantage of a housing condition study: St. Louis employed *code* enforcement data: and Richmond used a windshield study conducted by housing inspectors to help estimate rehabilitation needs and goals.

A number of respondents felt that setting high minimum goals would have negative repercussions. In *one* city, the housing director was concerned that END would use the city's failure to achieve high goals as the basis for sanctioning the city or for forcing it to comply with other types of requirements.

In another city, the community development director thought that minimum goals would provide an incentive for cities to avoid developing housing in locations that required unusual amounts of time and effort. He explained, "setting minimum standards scares us away from the real problem areas." A similar issue ~~was~~ raised by officials concerning the pressure on cities to designate Neighborhood Strategy Areas in marginally blighted sections of the city where rapid, visible improvements would be possible.

Although in a majority of cities there was no mention of serious objections to the proportionality requirement, several respondents did express concern **about** the ability of cities to meet their housing targets for large families. Respondents in five cities noted that developers were not interested in building family projects because they were more difficult to manage and significantly less attractive financially. Another frequent local response ~~was~~ that many neighborhoods **opposed** family projects. Several officials noted that this is an areas where END regulations will have to be flexible enough to accommodate local conditions if they are to be successful.

Many cities have found spatial deconcentration requirements troublesome. As suggested above, city respondents generally consider this an important goal, yet many are finding it both controversial and difficult to implement. One official was concerned that the spatial deconcentration rule conflicted with the city's goal to maintain a balance of minority and non-minority families in the city and to retain middle-income families. Other problems that were noted include the difficulty of locating suitable sites that are within the cost limitations of HUD programs.

It was also pointed out that cities and HUD may disagree about what constitutes a non-impacted site. One official reported that a site in his city was rejected because HUD chose to rely on "the judgments of neighborhood groups" rather than on 1970 Census data which designated the site as non-impacted. According to respondents, the new deconcentration requirements could create some problems for the cities in the future. Yet, most of those who suggested difficulties also realized the statutory basis for the regulations and the difficulty HUD had in defining appropriate, but flexible, groundrules.

Conclusions

Although major shifts in city housing strategies have not become apparent, evidence suggests that the new HAP regulations have had an impact on the priority with which cities regard questions of housing. Several cities noted that the requirements led them to take a more active stance about housing than they had in the past. Others reported significant shifts in their HAP goals due to the regulations.

- o Minimum Goals. Most cities established minimum three-year goals in excess of the required 15 percent, and most established one-year goals of at least one-third of the three-year goal. These goals represent varying levels of change over previous years' goals, with changes upward and downward revealing no clear pattern.
- o Proportionality. Most cities revised their goals to conform with this requirement. These revisions varied in direction and magnitude with little overall pattern, except that in a significant number of instances elderly goals decreased, small family goals increased, and large family goals decreased. Although only a few cities increased their large family goals, respondents indicated that this requirement had served to reemphasize the importance of developing family housing.

- Spatial Deconcentration. Although the majority of cities have addressed the requirement and all agree it represents an important goal, spatial deconcentration was a controversial issue. Problems concerning this requirement were related to resistance of moderate income families to assisted housing, the lack of available sites in non-impacted areas which meet HUD cost limitations, and differences with HUD over what constitutes a non-impacted area.
- Actions in Support of HAP Goals. Cities have undertaken a variety of actions to support assisted housing and to implement HAP goals. Of the 18 cities claiming progress in this area, housing-related technical assistance and information dissemination were the most commonly reported activities.

CHAPTER XI

NEW REGULATIONS COVERING CITIZEN PARTICIPATION

Introduction

Citizen participation first became a HUD requirement when the "Workable Program for Community Involvement" was introduced into the Urban Renewal program. The initial guidelines for community involvement were relatively general and entailed broad-base participation at the community level. In the mid-Sixties, guidelines were made more specific and required the establishment of Project Area Committees composed of neighborhood residents. During the same period the new Model Cities program brought with it a requirement for substantial involvement of the citizens affected by the program, most of whom were lower income and minority.

In the later phases of the Model Cities program, community involvement regulations were ostensibly adjusted to resolve tensions between resident groups and city hall. Chief executives of the recipient Model Cities were clearly acknowledged as primarily responsible for the program. Residents, however, were granted major advisory roles.

Consistent with Congressional intent, the Community Development Block Grant Program requires that the local community development staff provide citizens with adequate information on the program and hold at least two public hearings to obtain the views of citizens concerning their needs, preferences, and priorities.

The 1977 amendments reflected an increased emphasis on citizen participation. As a result of the statute and the commitment of the new Administration, new HUD guidelines were more specific with respect to the involvement of lower-income residents and neighborhood organizations. The 1978 regulations for citizen participation required cities to:

- prepare a written citizen participation plan;
- increase citizen involvement, especially at the neighborhood level and for low- and moderate-income citizens;

- o respond to citizen complaints in writing;
- provide technical assistance and other information to citizens;
- o involve citizens in selecting options and making proposals; and
- o translate basic documents into other languages as necessary.

The primary intent of the new regulations was to expand citizen involvement in the community development process at both a neighborhood and a citywide level. They aimed to make the block grant program more responsive to the expressed needs and complaints of citizens. The regulations represented an effort to define specific citizen participation performance.

Impact: An Overview

The impact of the new citizen participation regulations is particularly noteworthy because they were only recently revised. Unlike a Housing Assistance Plan or a Neighborhood Strategy Area, citizen involvement cannot be legislated into effect by the local community development staff. The citizen participation process requires time to grow and develop before it has real influence on government functions.

Since the issuance of the new regulations, citizen participation has increased, although the pattern varies by city. A written citizen participation plan was prepared jointly by city and citizen representatives in all but one city. Substantial changes were reported in regard to the number of hearings held and the involvement of citizens in program development, monitoring and assessment. Further, there were significant increases in involvement by the low- and moderate-income citizens in a number of cities.

Technical assistance was strengthened in some cities. Most grantees complied with the requirements concerning the translation and dissemination of documents and the processing of responses to citizen complaints. In 16 cities, citizens had significant influence over the development and selection of project proposals. In an additional four cities, they had a substantially controlling influence over proposals.

Impact: A Look at Specifics:

Representation

Nineteen (80%) have a citizen advisory board and 23 (95%) have a citizen advisory committee. The size of the advisory committee varies widely (Table XI-1). Among the 16 cities with a citizen advisory board, 10 have a board of 5 members, 4 have a board of 7 members, and 2 have a board of 9 members. The size of the advisory committee varies widely (Table XI-1). Among the 23 cities with a citizen advisory committee, 10 have a committee of 5 members, 4 have a committee of 7 members, and 9 have a committee of 9 members.

Table XI-1
Profile of Citywide Advisory Groups
(n=24)

City Name	Name of Citywide Advisory Committee	Number of Members	Board Selection Process Appointed* Elected*** or Both	Number of Meetings Held Annually	Advisory Board Paid Staff
Akron	Citizen Involvement Committee	20	*	12	
Baltimore	No Advisory Board				
Baton Rouge	Citizen Advisory Council	61	***	12+	
Bethlehem	No Advisory Board				
Bloomington	No Advisory Board				
Boulder	Citizens Committee on Housing and Community Development	38	**self-appoint-ment ***	18	
Des Moines	Central Advisory Board	33		12+	
Evansville	Citizen Advisory Committee	25	*	12+	
Fort Worth	Community Development Council	19	*	12	
Greenwich	Citizen Advisory Board	15	*	10	
Indianapolis	Community Development Task Force	25	*	12	
Kingsport	Citizen Advisory Committee	35	*	12	
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Table XI-1
Continued

City Name	Name of Citywide Advisory Committee	Number of Members	Board Selection Process Appointed* Elected** or Both ***	Number of Meetings Held Annually	Advisory Board Paid Staff
Philadelphia	Citizen Advisory Council	37	***	12	X
Portsmouth	Citizen Advisory Committee	11	*	20	
Pueblo	Citizen Committee for Community Development	16	*		
Richmond	Community Development Commission	41	***	12	X
San Diego	No Advisory Board				
San Francisco	Citizen Committee on Community Development	13	*	16	X
Seattle	No Advisory Board				
Sioux Falls	Community Development Advisory Committee	28	*	12	
Somerville	CDBG Advisory Board	35	*	14	
St. Louis	Citizen Advisory Committee	36	*	14	
Syracuse	Citizen Development Advisory Committee	37	***	12	
Tuscaloosa	Community Development Action Group	100	*	6	

example, the number of board members ranged from 11 to 100, with a cluster of organizations (8) having between 35 and 41 members. In 13 of the 19 cities having advisory boards, the boards are appointed, while in five they are both appointed and elected. In one city, the board was made up entirely of elected members.

In most cities the composition of the citizen groups remained broadly constructed and relatively unchanged. According to local respondents, increased participation by low- and moderate-income citizens was noted in four (17percent) cities. In 11 cities (46 percent) respondents felt that low- and moderate-income citizens were already participating significantly in the program.

In general, citizen advisory boards and neighborhood groups included a wide range of interests. In addition to low- and moderate-income citizens and neighborhood representatives, representation included city interest groups, businessmen, bankers, realtors, and agency heads. A significant number of representatives were homeowners from the target neighborhoods.

Development of Citizen participation Plans

Twenty-three of the sample cities (96 percent) prepared written citizen participation plans.

Citizens played a role in the development of plans in all of the 23 cities in which plans were prepared (Table XI-2). Their role was a strong one in eight cities and a lead one in at least three cities.

Table XI-2
Role of Citizens in Preparing Plans
(n=23)

Role Played By Citizens	50,000- 99,000	100,000- 249,000	250,000- 499,999	500,000- 999,999	1,000,000+
Lead Role	1	2			
Strong Role; city staff developed initial plan-	4	2	2		
Same role; city staff developed initial plan	4	1	1	5	1

As the table shows, citizens **played** a stronger or more influential role in cities which were at the lower end of the population range.

Citizen Views on Implementation of Plans

In 13 of the 22 cities for which information was obtained citizen respondents agreed that the plan was being fully carried out (Table XI-3). In three cities (13 percent), they felt the plan was being partially carried out. In five cities, the citizen representatives interviewed felt they **did** not know enough about the plan to offer an opinion.

Table XI-3
Citizen Views on the Extent to Which
Participation **Plans** Are Being Carried Out
(n=22)

Response Category	Cities	
	Numbers	Percent
Plan Being Fully Carried Out	13	60
Plan Being Partially Carried Out	3	13
Interviewees Not Sufficiently Knowledgeable to Comment	5	23
Interviewees Expressed Contrasting Views	1	4
Total	22	100

Hearings and Meetings: Citywide and Neighborhood ^{1/}

In general, hearings and meetings increased at all levels **and** for all functions—citywide and neighborhood, CDBG application preparation and program performance.

^{1/} Hearings are defined as formal meetings where minutes are taken, while meetings are less formal.

The number of CDBG hearings held at the citywide level increased in 15 (62 percent) of the cities (Table XI-4). Three cities increased the schedule by more than four hearings, four cities added three to four hearings, and eight cities held one or two more hearings than they had in the previous year.

In six cities (25 percent) the number of hearings increased at the neighborhood level. Three cities added more than four meetings for neighborhoods, two added three to four, and one added one or two.

Table XI-4
Effect of Regulations on Number
of Hearings and Meetings
(n=24)

Types of Hearings and Meetings Held	No Change	Increase of 1-2	Increase of 3-4	Increase of 5+	Total
Total Number of Hearings and Meetings	9 (38%)	8 (33%)	4 (16%)	3 (13%)	24 (100%)
Citywide Hearings and Meetings	9 (38%)	15 (62%)			24 (100%)
Neighborhood Level Hearings and Meetings	3 (13%)	1 (4%)	2 (8%)	3 (13%)	9 (38%)

If the meaning of neighborhood-level participation is broadened beyond hearings to include such things as increased neighborhood outreach, greater involvement in the CDBG process of neighborhood groups, and more neighborhood-based organizations dealing with the block grant program, then as a result of the regulations, an increased level of participation was noted in a total of 10 (42 percent) cities.

One example of neighborhood involvement occurred in Portsmouth, where the Citizen Advisory Committee (CAC) held its meetings in a different neighborhood every second month, so CAC members could tour the neighborhood and solicit local opinions.

Hearings and Meetings: Monitoring and Performance

Most cities studied met the basic requirement for performance hearings and citizen review of the Grantee Performance Report. Only one city had not held a performance hearing. Five had not provided for citizen review of the GPR at the time of the study.

Six cities (25percent) noted that monitoring and assessment was one of the areas in which citizen participation had increased significantly as a result of the regulations. For instance, a community development staff person in Boulder, Colorado said that "the evaluation and monitoring has changed from letting citizens know the status of projects to a regular procedure of project status reviews and tours of projects." In Richmond, California, where the Community Development Commission (CDC) had always conducted quarterly reviews, the community development staff went beyond the requirements by having the CDC actually work with the staff in collecting review data through interviews and document analysis. Both the chairman of the citizen commission and the director of the community development program were enthusiastic about the new system.

Aside from the basic requirement for performance hearings and GPR review, few cities had yet developed plans to involve citizens in a regular process of program implementation or monitoring. A certain amount of unofficial monitoring, apparently engendered as a result of strengthened citizen participation regulations, was evident, however, in several instances.

Technical Assistance

Five cities (21percent) reported an increase in technical assistance to citizens. Four of these increased staff assistance, and one hired a community design organization to assist in proposal preparation. In the other 19 cities, respondents stated that technical assistance had not increased significantly since the new regulations were implemented. Many of these cities reported that they already provided some forms of technical assistance to citizens (e.g., funding for citizen advisory groups, planning support for neighborhood organizations developing projects, and staff assistance to citizen advisory groups).

Cities with high levels of technical assistance also funded a relatively high percentage of citizen proposals and had a high degree of citizen participation. Residents in cities without available technical assistance often observed that citizen committees had neither the time nor the expertise to look at proposals closely; others suggested that they needed the regulations explained to them in layman's language.

Translations

Eleven of the sample cities (46 percent) provided bilingual documents and translators. Ten of these cities provided Spanish translators. San Francisco provided Chinese and Japanese translators, and Somerville provided Portuguese translators.

No respondents expressed a need for such services where none existed. It is not clear how much of this bilingual effort was a result of the regulations, but it is clear that these cities were complying with the requirement.

Complaints

As required by the regulations, cities responded in writing to all complaints made by citizens. Thirteen cities (55 percent) received and responded in writing to all complaints, most of which were minor in nature. Typically, citizens complained about decisions not to fund activities they had proposed, decisions not to continue previously-funded activities, and insufficient social services.

In a few cities, citizens took serious action against local officials and sometimes against HUD. In St. Louis, the local Legal Service project filed a suit against HUD and the local Community Development agency on behalf of citizens charging that CDBG-related displacement is subject to the requirements of the Uniform Relocation Act. Subsequently, HUD conditioned the St. Louis application's approval on the city's revising its application to "describe a strategy for dealing with displacement in NSAs that is due to direct and indirect CDBG-related activity or which creates a burden on families."

City and Citizen Perceptions of the New Guidelines

In nine of the cities surveyed (37 percent), community development staff and citizen organizations agreed that citizen participation had been strengthened by the regulations. Respondents said that citizens had become more involved in the community development process, and that citizen participation was more important than it had been prior to the regulations.

Community Development staff in 15 cities (63 percent) and citizen groups in 12 of these cities (50 percent) expressed the view that the new regulations had not yet resulted in strengthened citizen participation. Many suggested, however, that the regulations provide stronger support for their efforts and many will increase citizen participation in the future.

The Balance of City and Citizen Influence

A key issue is the extent to which the new guidelines have helped citizens achieve a meaningful level of participation in all aspects of the block grant program. In three (12 percent) of the studied cities, citizens played a dominant role (Table XI-5). In nine cities (38 percent) city and citizen representatives had about equal levels of influence. In 11 cities (46 percent) city staff played the lead role.

Table XI-5
Interviewer Assessment of Citizen Participation
in Cities
(n=24)

	<u>Number</u>	<u>Percent</u>
Chief Executive, Council or CDBG staff have dominant influence	11	46
City and citizens have fairly equal influence	9	38
Citizens have dominant influence	3	12
Virtually no citizen participation structure	1	4
Total	24	(100)

An association was found between citizen influence, city size, and previous Model Cities experience. In five of the six cities with a population in excess of 500,000, citizen participation was heavily influenced by city staff. Similarly, in eight of the 11 former model cities, the staff seemed to play the dominant role.

In the larger cities, the CDBG decision-making process is more complex and strongly influenced by staff who have specialized area expertise. The larger cities often had elaborate structures which determine the program allocations and use of CDBG funds. Although most cities created a special citizen group or process for the CDBG program, real decision-making appears similar to that for other city funding allocation decisions. In many instances, former Model Cities staff were now community development staff and brought their expertise with them.

Citizen Influence in Project Selection

HUD's regulations required that cities should encourage citizens to develop CDBG project proposals and that citizens should be involved in reviewing and selecting such projects. One measure of the impact of these provisions is the extent to which such proposals were ultimately selected for inclusion in local CDBG programs.

In four cities (16 percent), citizens had substantial influence over the selection of projects (Table XI-6). In these cities, community development staff essentially delegated to citizen groups responsibility for screening, developing, and selecting proposals before submission for consideration.

In an additional 16 cities (67 percent), citizens had some influence. As the table indicates, between 25 and 100 percent of the citizen proposals were ultimately selected for inclusion in CDBG plans.

Baltimore set aside a specific portion of the city's budget for citizen proposals. Citizen proposals competed for funds within the set-aside.

Three cities received no proposals from citizens. Overall, 37 percent of the cities studied funded more than half of all citizen proposals, while 63 percent funded less than half of such proposals.

A number of factors limited the number of citizen proposals found acceptable. Many of the proposals were determined to be for ineligible CDBG activities. Some were for projects already funded under other programs, or for activities which cities were trying to avoid funding under CDBG, such as social services. In some cities, citizens, at times, did not have enough information concerning activities that could be funded and enough technical expertise to put together quality proposals.

Table XI-6
Citizen Role in Selection of Projects
(n=24)

Category	Percentage of Proposals Funded					Total
	0	1 to 25	26 to 50	51 to 75	75 to 100	
Citizens recommend proposals and are influential in the selection of projects				2 (8%)	2 (8%)	4 (16%)
Citizens recommend projects and have some influence		7 (29%)	4 (17%)	2 (8%)	3 (13%)	16 (67%)
A set-aside has been established for citizen-sponsored proposals			1 (4%)			1 (4%)
No citizen proposals were submitted	3 (13%)					3 (13%)
Total	3 (13%)	7 (29%)	5 (21%)	4 (21%)	5 (21%)	24 (100%)

A Note on the Potential Role of Neighborhood Strategy Areas (NSAs) in Citizen Participation

Both city officials and citizens predict that the NSA regulation, by concentrating CDBG resources in certain areas, will make the block grant program **more** of an issue among citizens. For instance, a member of the Syracuse Advisory Committee said that "NSA is going back to the

Model Cities concept--making citizens think more politically," while a San Francisco community development official reported that the NSA "creates political **problems**" because "all citizen groups want their areas **identified** as NSAs."

On the one hand, this could significantly strengthen citizen participation over the next few years. Citizen participation might be converted from a citywide foundation to a more focused neighborhood basis, which in turn might result in more influential and effective citizen organizations.

On the other hand, some city officials expressed concerns that the NSA regulations would harm this participation. They suggested that the NSA approach might throw neighborhoods into competition for CDBG funds, precipitating the conflicts that are harmful to overall citizen involvement.

Problems, Issues, and Costs

None of the community development staff felt that the new citizen participation regulations produced serious delays in the application process. Instead, the change was felt in terms of the increased hours of staff time required to meet citizen participation needs. Staff in half of the cities indicated that the new regulation increased the amount of staff time needed. In seven of the 12 cities, staff completed the extra work by working longer hours. Three cities reassigned staff to work on citizen participation, and two hired new staff. No cities relied on consultants to meet the additional needs.

Some elements of the regulations were easier to implement than others. For example, almost all cities were able to draw up a Citizen Participation Plan, and those that had bilingual populations were able to provide the necessary translators.

However, other aspects of citizen involvement depended on a greater degree of interdependence and were more difficult to implement immediately. For instance, cities without an active technical assistance program found it difficult to fund citizen proposals. Citizens sometimes lacked information about the kinds of activities that could be funded and did not have the technical resources to put together good proposals.

Some city officials felt there were inherent conflicts between the citizen participation requirement and other aspects of the new regulations. The Seattle community development staff argued that the requirement for a comprehensive strategy, which entails a substantial amount of detailed, long-term planning, directly conflicts with the

aim of maximizing citizen participation. Citizens, according to them, prefer short-term visible activities to long-term projects and detailed planning processes. Other cities called attention to the observed conflict between complex economic development projects and citizen involvement.

Conclusions

The survey indicates that citizen participation has increased in some cities since the new regulations **were** implemented. Community Development staff and citizen organizations in nine of the cities surveyed agreed that citizen participation had been strengthened over the previous year. City staff in 15 cities **and** citizen organizations in 12 cities felt that although the new regulations had not yet strengthened citizen participation, modifications in programs would have beneficial effects in subsequent years.

- o Citizen Participation Plan. All but one of the cities prepared a Citizen Participation Plan. Citizens played a role in developing plans in all these cities, and a strong or lead role in 11 cities.
- o Hearings and Meetings: Citywide and Neighborhood. The number of meetings held increased at all levels. In 15 of the cities, the number of citywide hearings was increased, and in six cities the number of neighborhood meetings was increased.
- o Hearings and Meetings: Monitoring and Performance. **Most** cities fulfilled the basic requirement for performance hearings and GPR review. Six cities noted that monitoring and assessment was one of the areas in which citizen participation had increased significantly. In one city a performance hearing was not held and in five cities citizens did not review the Grantee Performance Report,
- o Technical Assistance. Five cities reported an increase in technical assistance to citizens. In the other 19 cities, respondents stated that they already provided some technical assistance. Since cities which offer technical assistance also tend to fund a high proportion of citizen proposals, it is clear that this is an important requirement.
- o Translations. Eleven of the sample cities provided bilingual translators and documents. None of the other cities appear to have unmet needs in this area.

- Complaints. All cities responded to citizens complaints in writing, as required by the new regulations. Minor complaints were reported in a majority of cities. In St. Louis, a lawsuit was filed against HUD, and the Department responded by conditioning the city's application.
- Involvement of Low- and Moderate-Income Citizens. Four cities reported increased involvement of low- and moderate-income citizens resulting from the new regulations. Eleven of the remaining cities already had substantial involvement by this segment of the population.
- Citizen Proposals. In four cities citizens had substantial influence over the proposal selection process, and in 16 cities citizens had significant influence but were somewhat less likely to get citizen proposals funded.

One important factor to be taken into account is the potential effect of the NSA regulation on citizen participation. NSAs may cause either increased power or increased frustration on the part of the citizens, but in either case they are certain to convert citizen participation into a more political process.

Five main issue areas were pointed out by the study. These include the additional staff time required to deal with citizens, the difficulty of implementing certain aspects of the regulations without first implementing others, the additional technical knowledge which the new system requires of citizens, the possible conflict between the citizen participation regulation and other new regulations, and the basic disagreement between citizens and staff over the need for such **regulations**.

PART V

APPENDIX



APPENDIX

Part I -- Samples and Sampling Methodology for Entitlement Communities

The data in this report were derived primarily from two different samples. The basic information on entitlement cities, which describes the amount of funds budgeted by strategies, benefits to low- and moderate-income census tracts, and progress, was derived from a sample of 151 formula and nonformula entitlement cities within SMSAs. Additionally, to obtain more detailed information on cities for the special issues covered in the report

both

The 151-City Sample

The 151-city sample was based on a stratified random sample. The strata, sample sizes were determined by an optimum allocation formula at the 95 percent confidence level with a **5 percent sampling error.**^{1/} On the basis of the first year entitlement amount, the universe of 792 metropolitan entitlement and hold-harmless cities were divided into three strata: over \$4million, \$1-4 million; and under \$1 million (Table A-1),

Estimates of sampling parameters (mean and standard deviation) were computed from budget line item expenditures for "Public Works, Facilities, and Site Improvements." The selection of "Public Works.. ." results in undersampling of the line item "Code Enforcement" and oversampling of "Clearance and Demolition/Rehabilitation."

Estimates of current reliability which compare the line item budgeted amounts for the sample with the same in the universe are presented in Table A-2. Note, however, that the sample includes 147, not 151 communities. Several communities have been dropped from the original 151, either because they did not apply for a grant or because this year their application arrived too late for analysis.

^{1/} Herbert Arkin, Handbook of Sampling for Auditing and Accounting, New York: McGraw-Hill, 1963, Vol. 1, p. 196.

Table A-1
Metropolitan Entitlement-Stratification and Sample Size
(151- City Sample)

Stratum	Entitlement Amount	Universe of Cities	Sample Size	Sampling Error ^{*/}
I	Over \$4 million	108	34	\$119,347.5
II	\$1-4 million	178	59	33,602.8
III	Under \$1 million	506	58	3,769.6
		<u>792</u>	<u>151</u>	

^{*/} Five percent of the estimated mean for each stratum.

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

Table A-2

Estimates of Sample Reliability:
Line Item Budgeted Amounts FOR Entitlement Communities
(Fourth Year Applicants)

Items	147 Sampled Communities		Universe of Metropolitan Entitlement Communities	
	Budgeted Amount (\$000's)	Percent	Budgeted Amount (\$000's)	Percent
Acq. of Real				
Property.....	54659	10.8	191090	8.4
Public Works.....	151817	29.9	674172	29.8
Code Enforcement....	8637	5.2	44227	1.9
Clear & Demo/				
Rehab.....	26181	5.2	231460	10.2
Rehab Loans.....	76342	15.1	333120	14.7
Spec. project				
for Eld./Hand.....	4022	.8	17801	.8
Payments for loss				
of Ret.....	52	.01	471	...
Disp. of Real				
Property.....	1068	.2	4646	.2
Prov. of Public				
Services.....	45322	8.9	196584	8.7
Pay Non-Fed				
Share.....	5546	1.1	34116	1.5
Comp. UR/NDP.....	18540	3.7	72568	3.2
Reloc. Payments....	19022	3.8	72092	3.2
Plng., Mgt. &				
Develop.....	19265	3.8	78541	3.5
Administration.....	60519	11.9	232594	10.3
Model Cities.....	517	.1	1915	.1
Repayment UR/NDP...	15,317	3.0	79504	3.5

The 25-City Sample

The guiding principle in selecting the subsample of 25 cities was that each city have experience with the 1978 regulations by the time of the field visits in March 1979. Since the regulations were not completely in effect until August 1, 1978, only cities submitting fifth year CDBG applications between October 1, 1978 and January 31, 1979 were presumed to have had this experience. Of the 559 metropolitan cities participating in the CDBG program as entitlement recipients, 40 were scheduled to submit applications during that period.

The 25 cities were selected from the 40 to include cities from different geographical locations, with different sizes of population, and with varying severity of need. The following variables reflect this intent and were the selection criteria:

- o Region: As defined by the Census Bureau (Northeast, North Central, South, West)
- o Population Size:

Very large	(More than 500,000)
Large	(250,000 - 500,000)
Medium	(100,000 - 249,999)
Small	(Less than 100,000)
- o UDAG Distress: Those cities determined under the UDAG program to be distressed, versus those cities not so distressed.

It should be clear that the selection procedure precluded the use of any random sample procedure. The cities were purposefully selected by HUD to represent diversity and a broad range of program experience. The following tables depict how the 25 cities met the conditions stated above. Table A-3 shows the 25 cities according to region, population size, and UDAG distress. Tables A-4, A-5 and A-6 show the distributions of the sample cities for each selection variable. For purposes of comparison, distributions within the selection variables are also provided for all entitlement cities and the 40 cities which had submitted applications between October 1, 1978 and January 31, 1979.

TABLE A-3

25-City Sample: Distribution by Region, Population, and UDAG Distress

Population	REGION			
	Northeast	South	North Central	West
over 500,000	*Philadelphia, PA	*Baltimore, MD	Indianapolis, IN St. Louis, MO	*San Francisco, CA San Diego, CA
250,000 - 500,000	*Newark, NJ	*Fort Worth, TX Baton Rouge, LA	*Akron, OH	*Seattle, WA
100,000 - 249,999	*Syracuse, NY	*Portsmouth, VA	Des Moines, IA *Evansville, IN	*Pueblo, CO
less than 100,000	Greenwich, CT *Somerville, MA *Bethlehem, PA	*Tuscaloosa, AL Kingsport, TN	Bloomington, MN *Sioux Falls, SD	Boulder, CO *Richmond, CA

* UDAG Distress Cities

NOTES: The regional boundaries correspond to the four census regions. Populations are those of the 1970 Census. The 40 cities included no Northeastern cities with populations above 500,000 or between 100,000 and 249,999. In order to represent each cell of the selection criteria, Philadelphia and Syracuse were selected from the HUD 151-city sample on the basis of earliest application date following the January 31, 1979, cut-off date.

TABLE A-4

Distribution of Metropolitan Entitlement Cities by Region for the Selected 25 Cities, the 40 Cities which Submitted Applications between October 1, 1978 and January 31, 1979, and the Universe of 551 Entitlement Cities*

ENTITLEMENT CITIES			
Region	Sample Cities (n=25)	Applicant Cities (n=40)	All Entitlement Cities (n=551)
Northeast	25%	10%	24%
North Central	28	28	28
South	24	32	24
West	24	30	24
TOTAL	100%	100%	100%

*Eight of the 559 metropolitan entitlement cities participating in the CDBG program were located in Puerto Rico and other areas outside the mainland United States were excluded.

TABLE A-5

Distribution of Entitlement Cities by Population Size for the Selected 25 Cities, the 40 Cities which Submitted Applications between October 1, 1978 and January 31, 1979, and the Universe of 551 Entitlement Cities*

Population	ENTITLEMENT CITIES		
	Sample Cities (n=25)	Applicant Cities (n=40)	All entitlement Cities (n=551)
Less than 100,000	36%	57%	71%
100,000 - 249,999	18	18	18
250,000 - 500,000	24	12	5
Over 500,000	24	12	5
TOTAL	100%	100%	100%

*Eight of the 559 entitlement cities participating in the CDBG program which were located in Puerto Rico and other areas outside the mainland United States were excluded.

TABLE A-6

Distribution of Entitlement Cities by UDAG Distress Designation for the Selected 25 Cities, the 40 Cities which Submitted Applications between October 1, 1978 and January 31, 1979, and the Universe of 551 Entitlement Cities*

UDAG Distress Designation	ENTITLEMENT CITIES		
	Sample Cities (n=25)	Applicant Cities (n=40)	All Entitlement Cities (n=551)
Distressed	68%	55%	57%
Not Distressed	32	45	43
TOTAL	100%	100%	100%

* (Eight of the 559 entitlement cities participating in the CDBG program which were located in Puerto Rico and other areas outside the mainland United States were excluded.)

Part I -- Census Tract Level Community Development Distress Index

The measure of community development distress at the census tract level was devised to capture the degree of physical decay and income plight for each census tract relative to the city as a whole. Four variables were assembled to generate this index. They are: percentage of persons in poverty, 1969; percentage of year-round housing built before 1940; percentage of owner-occupied housing, 1970; and median family income, 1969. Slightly different weightings were given to each variable to show the relative importance it was judged to have in measuring community development distress. Reflecting the importance of percentage of persons in poverty and percentage of year-round housing built prior to 1940 in the CDBG allocation formula, these variables were assigned the highest weights, .3. The other variables, percentage of owner-occupied housing and median family income, were assigned lesser weights, .25 and .15, respectively. Median family income was given the least weight, since some of its variance is reflected in the percentage of persons in poverty. In the actual index, the variables were measured in standard scores based on the differences between census tract percentage and city average. The full equation for the index is:

$$\begin{aligned} \text{Census Tract Distress} = & .3 \text{ (standard score of persons in poverty)} + \\ & .3 \text{ (standard score of age of housing)} + \\ & .25 \text{ (standard score of owner occupied)} + \\ & .15 \text{ (standard score of median family income)} \end{aligned}$$

Finally, all census tracts were ranked from the most distressed decile to the least distressed decile, with the three most distressed deciles considered seriously distressed; the middle three deciles moderately distressed; and the last four least distressed.

