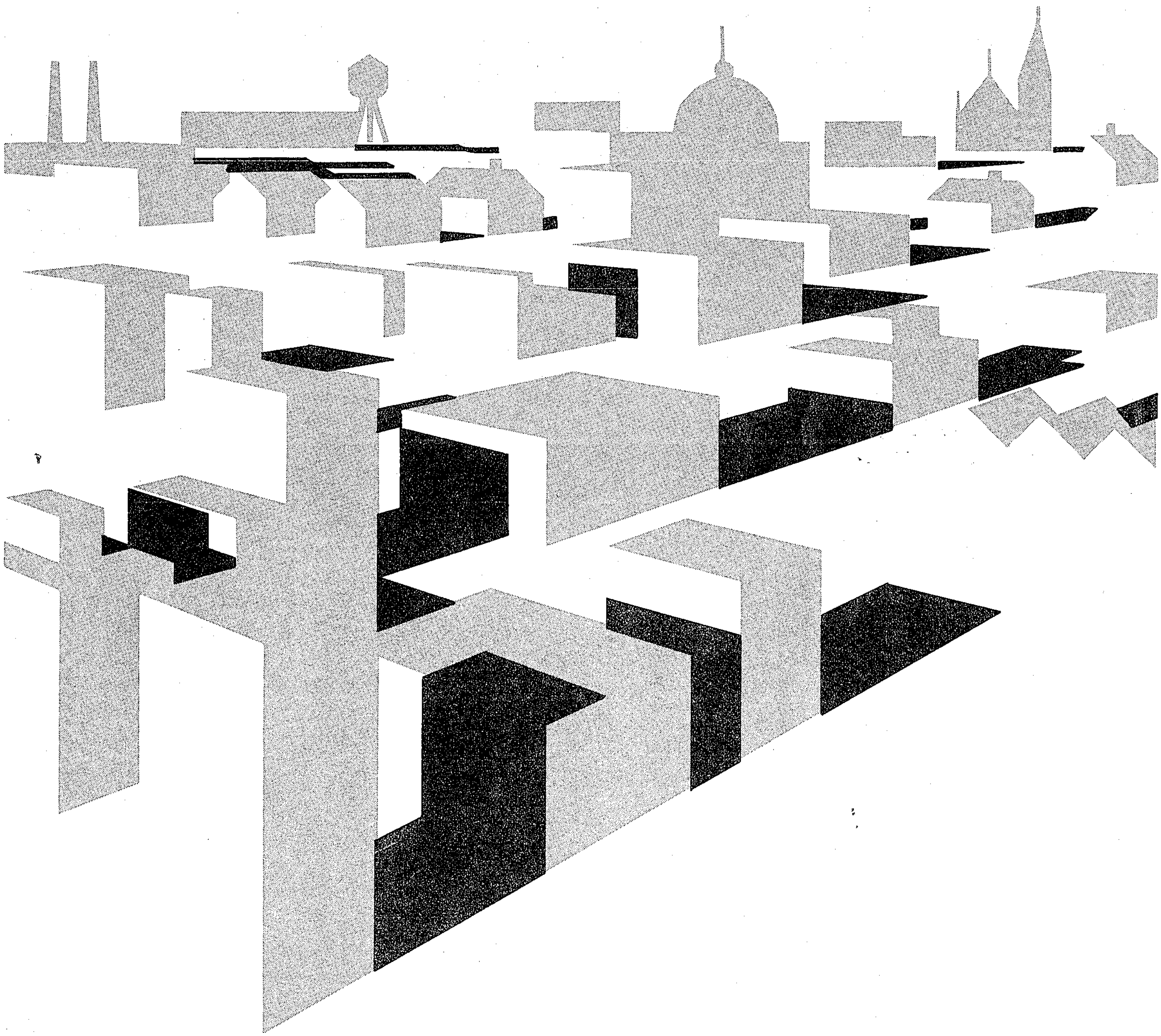
U.S. Department of Housing and Urban Development
Office of Community Planning and Development

1983

Consolidated Annual Report to Congress on Community Development Programs

(CDBG, UDAG, Section 312, Urban Homesteading)



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

March 31, 1983

TO THE CONGRESS OF THE UNITED STATES:

Pursuant to the provisions of Section 113(a) and 810(e) of the Housing and Community Development Act of 1974, as amended, and Section 312(k) of the Housing Act of 1964, as amended, I am pleased to forward to you the Department's 1983 Consolidated Annual Report on the Department's major Community development programs. Information is included on the Community Development Block Grant (CDBG), Urban Development Action Grant (UDAG), Rental Rehabilitation Demonstration, Section 312 Rehabilitation Loan, and Urban Homesteading Programs.

The 1983 Consolidated Annual Report to Congress on Community Development Programs preserves the streamlined reporting format initiated last year. The programs discussed in this report assist States and communities in meeting locally-defined community development needs and problems. They provide funding for community revitalization, rehabilitation of housing and property, and creation of business opportunities and jobs., This report covers major topics and issues related to the implementation of community development programs during Fiscal Year 1982 and surveys the long-term trends associated with these programs.

Samuel R. Pierce, Jr.

HUD

1983 CONSOLIDATED ANNUAL REPORT TO CONGRESS ON COMMUNITY DEVELOPMENT PROGRAMS

Incorporating Annual Reports for FY 1982 on the
Community Development Block Grant Program
Urban Development Action Grant Program
Section 312 Rehabilitation Loan Program
Urban Homesteading Program

U.S. Department of Housing and Urban Development
Office of the Assistant Secretary for Community Planning and Development
Office of Program Analysis and Evaluation

1983 CONSOLIDATED ANNUAL REPORT TO CONGRESS ON COMMUNITY DEVELOPMENT PROGRAMS

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EXECUTIVE SUMMARY

1983 REPORT TO CONGRESS ON COMMUNITY DEVELOPMENT PROGRAMS

This report to Congress describes and analyzes actions and activities which were undertaken in FY 1982 to meet the purposes and legislative objectives of the following community development programs administered by the U.S. Department of Housing and Urban Development (HUD):

(1) the Community Development Block Grant (CDBG) Entitlement Program;
(2) the CDBG Small Cities Program;
(3) the Urban Development Action Grant (UDAG) Program;
(4) the Rental Rehabilitation Program Demonstration;
(5) the Urban Homesteading Program; and
(6) the Section 312 Rehabilitation Loan Program.

COMMUNITY DEVELOPMENT BLOCK GRANTS: Entitlement Program

Recent Initiatives. In FY 1982, HUD and CDBG entitlement grantees began implementation of the 1981 Congressionally-mandated changes to the CDBG Entitlement program. The most significant immediate effect of the 1981 Amenbnents to the Housing and Community Development Act as they related to the CDBG entitlement program was a reduction of approximately 80 percent in the paperwork grantees are required to submit to the Department in order to receive their grants.

Since the passage of the 1981 Amendments, there has been no significant substantive change in local CDBG activities, priorities, or practices. Based on entitlement communities' 1982 projected use of funds and discussions with local officials, it is evident that entitlement communities have made only marginal and incremental changes in the activities they support with CDBG funds, where those activities are located, and which of the three broad national objectives they address.

Funding Levels and Expenditure Rates. From 1975 through 1982, the CDBG program distributed $26.7 billion to entitlement cities and counties, small cities, States, and Secretary's Fund and Financial Settlement Fund grantees for community development activities. CDBG grantees had spent a total of $20.9 billion of available Block Grant funds as of September 30, 1982. This represented a cumulative expenditure rate of 79.5 percent of all CDBG funds obligated to grantees by HUD since the initiation of the program.

Congress appropriated $3.456 billion for the CDBG program in FY 1982, 6.5 percent less than in 1981. As a result of modifications in the distribution of CDBG funds among the component parts of the CDBG program produced by the 1981 Amendments, the Entitlement program received $2.38 billion in FY 1982, a decline of approximately 10.8 percent from 1981. Expenditures for the Entitlement program in FY 1982 were $2.74 billion or the equivalent of about 115 percent of the 1982 funds appropriated. In other words, through the expenditure of unexpended funds from previous program years, in FY 1982, entitlement communities actually expended more CDBG funds than were allocated to them for that specific year. A sizeable unexpended balance of funds from previous years meant, however, that much of the FY 1982 CDBG appropriation was not actually spent in that year.

Since 1975, there has been a steady increase in the number of jurisdictions qualifying for CDBG entitlement status. In 1975, 594 entitlement cities and urban counties were eligible for the Entitlement program. By 1982, this figure had increased by 23 percent to 732 eligible entitlement cities and counties. In 1982, 54 cities and ten urban counties newly qualified for entitlement status as a result of population increases and new SMSA designations indicated by 1980 census data.

Local Uses of Funds. In 1982, entitlement communities continued program emphases begun in recent years. Housing rehabilitation and public works-related activities continued to be the major thrusts of the program. As in past years, entitlement communities (entitlement cities and urban counties) projected spending more 1982 funds for housing rehabilitation and related activities, $885 million or 35 percent of available resources, than on any other type of activity. Public works and infrastructure-related activities and improvements were projected to receive approximately $579 million or 23 percent of 1982 funds. Rehabilitation activities and economic development projects (eight percent of all funds) are projected to receive larger shares of 1982 local CDBG entitlement budgets, while relative funding for other activities are expected to decline or remain the same.

There was a significant difference between the pattern of projected 1982 spending in entitlement cities and urban counties. In entitlement cities, the largest share of funds (36 percent) was projected to be spent on rehabilitation, and a significantly smaller share (23 percent) was assigned to public facilities and improvements. In urban counties, the relative magnitudes of the two categories were reversed; public facilities and improvements were projected to receive a significantly larger share of 1982 funds (38 percent) than rehabilitation activities (28 percent). Entitlement cities also budgeted slightly larger shares of their funds, about four to five percent more of their respective totals, to public services and acquisition and clearance-related projects than did the urban counties.

Due to the submission schedule for Grantee Performance Reports (GPRs), the most recent available data related to actual expenditures in the entitlement program cover program year 1980. Analysis of that information yields two conclusions. First, no significant aggregate shift occurred in the amount of entitlement funds budgeted to an activity at the beginning of the 1980 program year and what was spent on that activity at the end of that year, thereby indicating the reliability of the findings related to 1982 projected funding. Second, the proportions of entitlement funds expended by activity and national objective in the 1980 program year were essentially the same as the proportions projected for 1982, indicating that relatively limited substantive changes have occurred in the priorities of entitlement communities.

Recent Initiatives. Before FY 1982, the Small Cities Program was administered solely by HUD. Cities, townships, counties, and other governmental bodies such as regional planning agencies applied directly to HUD for grants. In FY 1982, the program changed significantly as 36 States and Puerto Rico chose to administer their own programs. This opportunity was achieved by the Omnibus Budget Reconciliation Act of 1981 which allowed HUD to transfer control of the program to States which chose to participate. Participating States were given funds to redistribute as they saw fit within general Congressional guidelines.

The State transfer was not the only change. The application process was greatly simplified for applicants for HUD-administered grants in the 14 States which did not administer their own grants. In addition, the number of grant selection factors was reduced from eight to three. The consequence of this simplification was a considerable reduction of the burden on local governments.

Funding Patterns. $1.02 billion was allocated to the Small Cities Program in FY 1982. Of this amount, $763 million was distributed to the 36 States and Puerto Rico which administer their own programs and $257 million was distributed to grantees in the 14 States for which HUD administered the program.

State-Program Characteristics. States which chose to administer their own programs used existing State agencies, often supplemented with additional staff, to administer the programs. The States also conducted extensive outreach activities in the design and implementation of the program. With the exception of Ohio, which allocated funds by formulas, all States used the competitive process to award grants and allocate funds. The selective factors used in the competitions varied, but most States included project impact, community needs, benefit to low- and moderate-income persons, and leveraging of other funds as criteria. The States did not encounter major problems with their selection systems, although most States anticipate refining their systems in FY 1983.

State Program Performance. State performance was characterized by several differences from HUD administration of previous years. There was a 63 percent increase in applications, a 75 percent increase in the number of grants awarded, and a 55 percent decrease in the average grant size. The States also varied in their development strategies. Some States chose to target grants to the neediest communities and, therefore, seek maximum impact in a limited number of areas. Other States chose to award grants to many, if not all applicants. This strategy resulted in providing small awards for many communities. Most States chose development strategies between these two extremes.

Activities Funded by the States. Another important change was in the funded activities. Under HUD administration in FY 1981, 43 percent of the grant went to housing, 30 percent for public facilities, 23 percent for multi-activity grants, and 4 percent for economic development. In FY 1982, the States altered this trend. Forty-seven percent of the grants went to public facilities, 24 percent to multi-activity grants, 17 percent to economic development, and 12 percent to housing-related activities. The States also awarded grants for planning and public, service activities which had not previously been funded by HUD.

Communities Funded by States There were no major changes in the types of cities funded by the States as contrasted to the cities funded by HUD. There were, however, some minor changes. Cities with populations between 2,500 and 10,000 received 25 percent of the grants in FY 1982 after receiving 31 percent in FY 1981. Cities under 1,000 jumped from a 16 percent share of the grants to a 23 percent share. Other categories had changes of three percent or less. The needs of the cities also varied. Smaller cities received more funds for public facilities than larger cities received. However, housing and economic development were more important to the larger cities than to the smaller ones.

HUD-Administered Small Cities Program The HUD-administered portion of the program also received an increase in applications. While applications were up nine percent, the number of awards was down 29 percent, the average grant size increased by 11 percent over FY 1981. Single purpose grants comprised 45 percent of the awards and 37 percent of the funds, while comprehensive grants totaled 55 percent of the awards and 63 percent of the funds. Four-fifths of the grants were awarded to municipalities with townships, counties, and other governmental bodies receiving the remaining one-fifth. The total amount of grant funds for the 14 States declined 28 percent from FY 1981 to FY 1982.

URBAN DEVELOPMENT ACTION GRANTS

Recent Developments. In FY 1982, the Department concentrated the Action Grant program more fully on economic development activities that create new permanent jobs and increase local tax bases, strengthened operating procedures to assure grants are the least amount necessary to make the project feasible, and broadened the field office role in all stages of the Action Grant program.

Program Operations. In FY 1982, $422 million of Action Grant funds were approved for award to 371 projects, leveraging $2.5 billion in private sector investment. (An additional $14 million in Action Grant funds were awarded in FY 1982 for second phase funding of 3 projects announced in FY 1981.) Planned benefits include 55,000 new permanent jobs and $43 million in annual increased tax revenues. Small cities received 39 percent of all FY 1982 projects announced, though only 18 percent of Action Grant dollars. The percentage of funds going to small cities is low in FY 1982 primarily because HUD announced five large city rounds, but just four small city rounds during the year.

Cumulatively through the end of FY 1982, 1,453 projects were active or completed, involving $2.4 billion of Action Grant funds, $14.1 billion of private funds, and $1.5 billion of other public money, most from local governments. Small cities have received 42 percent of all awards and 22 percent of UDAG funds for the program as a whole.

For all projects, 340,000 planned new jobs are expected, 60 percent of which are for low- and moderate-income people. Eighty thousand jobs are already in place. Planned tax increases for all projects total $381 million a year; $41 million have already been received. For completed projects, UDAG has leveraged 11% more private investment than originally anticipated.

In recent years there has been a substantial increase in the number of projects with planned minority participation, reaching 30% for minority construction activity and 23% for minority business participation in 1981 and 1982.

Program Development. Cumulatively, in projects with signed grant agreements, 55 percent of the planned Action Grant dollars have been drawn down as of the end of FY 1982, according to program records; and 64 percent of the committed private dollars have been expended. Construction is underway in 49 percent of the projects, and completed in 30 percent. For the program as a whole, 197 projects have reached close-out and another 83 are completed.

Project Characteristics. Fifty-nine percent of Action Grant funds support commercial development, 26 percent support industrial development, and fifteen percent are for housing development. Among commercial projects, retail and office space have been the most frequent development activities though there is wide diversity. Industries involved are also a diverse group--most often including food and food products, non-electrical machinery, and fabricated metal products.

In UDAG projects, 81 percent of the development is supported by private investors. Action Grant funds contribute 13 percent of the development costs, and they are most often used by communities to provide direct incentives to private sector participants, principally in the form of loans and, to a lesser degree, land writedowns and interest subsidies. A quarter of the funds have been used for infrastructure required to support development, such as street repair, or water and sewer construction; although this proportion has dropped substantially in recent years. Overall six percent of the funding for UDAG projects has come from public sources other than Action Grants, principally from local governments.

Consistent with legislative and regulatory guidelines, projects have been concentrated in the most distressed eligible cities. Among large city grant awards, 64 percent of all projects and 62 percent of all funds went to the one-third most distressed eligible cities. Among small cities awards, 43 percent of all projects and 41 percent of all funds went to the one-third most distressed eligible communities.

REHABILITATION PROGRAMS

Rental Rehabilitation Program Demonstration. The Rental Rehabilitation Program Demonstration is a precursor of the Administration's proposed Rental Rehabilitation Program. The Demonstration is designed to encourage local governments to use Community Development Block Grant funds for the rehabilitation of rental properties and is based on the premise that the rental subsidy to tenants should be separated from the subsidy for rehabilitating the property. This separation of subsidies is a departure from most other publicly funded housing programs.

Currently, 14 State governments and 185 local governments are operating locally designed Demonstration programs. These communities have budgeted more than $45 million from their CDBG grants to the Demonstration and expect to rehabilitate more than 11,000 units of rental housing. To enable these units to be rehabilitated with minimum displacement of current low- and moderate-income tenants, HUD is allocating more than 6,500 Section 8 Existing Housing Certificates to the 199 participating communities for use in the Demonstration.

As of January 1983, the communities participating in the Demonstration had completed or had under construction approximately 330 units and had funded or selected another 630 units. First round communities, i.e., those selected in September 1981, have approximately one-half of the units they expect to rehabilitate in some stage of processing. The second round communities, i.e., those selected in August 1982, have had less time to implement their programs. These communities have selected, funded, completed, or have under construction approximately three percent of the units they expect to produce.

Although the experience to date is limited, the Demonstration appears to have rehabilitated units at a public cost of approximately $4,300 per unit and to have leveraged $1.50 of private funds for each $1.00 of public funds. Both the per-unit public cost and the leveraging ratio compare favorably with other Federally-funded housing rehabilitation efforts.

Assessments of the Demonstration by local coordinators responsible for administering the program have generally been positive. They stress the advantages of having local control over the selection of the properties to be rehabilitated and the practices and procedures to be followed in the Demonstration.

Urban Homesteading Program. There were no legislative changes made in the Urban Homesteading program in FY 1982. The Department did initiate several administrative changes relating to internal control, simplification and streamlining of program regulations and application procedures, and improvement of program monitoring and compliance. The Department also implemented an interim rule which increased the likelihood that communities could use Veteran's Administration and Farmers Home Administration properties in their homesteading programs, thereby increasing the supply of properties available for homesteading. Finally, a Departmental decision to concentrate single family Section 312 Rehabilitation loans in homesteading areas for FY 1982 expanded the availability of that form of rehabilitation financing for the year.

Since 1975, Congress has appropriated $55 million for the Section 810 program. A balance of unexpended appropriations permitted HUD to operate the program at existing levels without appropriations from FY 1980 through FY 1982. As of the end of FY 1982, 84.8 percent of Section 810 appropriations had been spent.

With the entry of 11 new communities into the program, a total of 107 cities and counties had HUD-approved Urban Homesteading programs by the end of FY 1982. Ninety-one of these communities possessed active programs in FY 1982. Seventy-three communities had acquired new homesteading properties from any source during the year.

Between 1976 and the end of FY 1982, local Urban Homesteading programs had acquired 7,115 properties from all sources. Communities used Section 810 funds to reimburse appropriate Federal agencies for 6,233 of those properties. HUD-owned Section 810 properties constituted 87 percent of all properties acquired, and locally-acquired properties made up another ten percent. Communities acquired 982 properties from all sources during FY 1982 of which 78 percent were HUD-owned Section 810 properties.

Through FY 1982, communities had transferred 84 percent of all homesteading properties to homesteaders (pending successful completion of all program requirements), and 76 percent were actually occupied by homesteaders. Rehabilitation had begun on 81 percent of the properties and had been completed on 65 percent. Fee simple conveyance, which marks the completion of the minimum three-year conditional conveyance and occupancy period, had occurred in 29 percent of all homesteading properties.

Section 312 Rehabilitation Loan Program. The Housing and Community Development Amendments of 1981 extended the Section 312 program through the end of FY 1983. The Department has proposed termination of the program in 1984. Congress did not appropriate any funding for the program in FY 1982. Rather, Section 312 was operated entirely from loan repayments and other income recoveries. Funding available for loans for FY 1982 was $68.1 million; loan reservations for the year were $49.4 million.

The Department initiated two major departures in the Section 312 program during FY 1982. First, the Department shifted the focus of the program from single family to multifamily loans and concentrated all the single family funding in homesteading areas. As a result, multifamily loans constituted 81 percent of the Section 312 loan amounts obligated, and the remainder went to single family loans in urban homesteading areas.

The second departure was the introduction of variable interest rates in the program. Prior to FY 1982, all Section 312 loans were made at three percent interest. In that year, while all Section 312 loans were still made at below market interest rates, the only loans made at the three percent rate were those single family loans made to persons whose family incomes fell at or below 80 percent of the area median income. About 73 percent of the FY 1982 single family loans were given out to low- and moderate-income households at the three percent rate, and 26 percent were lent at 11 percent. Multifamily loans were to bear an 11 percent rate, except where private subsidies equalled or exceeded Section 312 funding in which case the interest rate would be five percent. The 11 and five percent loans constituted 68 and 32 percent, respectively, of Section 312 multifamily loan amounts.

The Department made 757 Section 312 loans during FY 1982 of which 502 (66 percent) were single family loans in support of urban homesteading and 255 (34 percent) were multifamily loans. These loans will eventually contribute to the rehabilitation of 4,383 dwelling units.

Fewer communities participated in the Section 312 program in FY 1982 than had done so the previous year--549 in FY 1981 and 159 in FY 1982. Most of the funding obligated during FY 1982 went to metropolitan cities, localities with populations of 100,000 or more, and distressed communities.

CHAPTER 1: COMMUNITY DEVELOPMENT BLOCK GRANTS: Background and Entitlement Program

INTRODUCTION

This chapter reports on the Community Development Block Grant (CDBG) program during the 1982 fiscal year and summarizes its current status in terms of patterns and trends over its eight year history. While this chapter contains budget and summary information on the total CDBG program, it focuses primarily on the operation of the Entitlement portion of that program.

The information in the chapter is organized around five major topics: Recent program developments, grantee participation and funding patterns, local use of entitlement funds, program monitoring activities, and the closeout of community development projects.

OVERVIEW

The CDBG program is the U.S. Department of Housing and Urban Development's principal program to assist local governments in addressing their locally defined community development needs and problems. The CDBG program was established by the Housing and Community Development Act of 1974 which consolidated seven major community development-related, categorical grant-in-aid programs.

From 1975 through 1982, the CDBG program distributed $26.7 billion to entitlement cities and counties, small cities, States, and Secretary's Fund and Financial Settlement Fund grantees for community development activities and gave them broad discretion in determining the scope and content of local programs. Of this amount, entitlement communities received $20.3 billion or 76 percent of all CDBG appropriations. In FY 1982, the CDBG appropriation was $3.456 billion. Of this amount, $1.965 billion was allocated to entitlement cities, $415 million to entitlement urban counties, $1.020 billion to small cities (and States); and $56 million for the Secretary's Fund.

Since 1975, there has been a steady increase in the number of jurisdictions qualifying for CDBG entitlement status. In 1975, 594 entitlement cities and urban counties were eligible for the entitlement program. By 1982, this figure had increased by 23 percent to 732 eligible entitlement cities and counties. In 1982 alone, an additional 54 cities and ten urban counties qualified for entitlement status as a result of population increases and new SMSA designations indicated by 1980 census data. As a result of the increase in jurisdictions qualifying for entitlement status, a change in the entitlement and small cities allocation distribution system, and the overall reduction in the amount of funds appropriated for the CDBG program in FY 1982, nearly all FY 1982 CDBG entitlement grants were smaller than in FY 1981 with approximately 75 percent of the grants reduced from 10 to 17 percent.

CDBG grantees have spent a total of $20.9 billion of available Block Grant funds as of September 30, 1982. This represented 79.5 percent of all funds obligated to grantees by HUD since the initiation of the program. The spending rate for the Entitlement program was 80.5 percent; for the Small Cities program, 75.6 percent; for the Secretary's Fund, 78.3 percent; and for

Financial Settlement, 84 percent. In FY 1982, entitlement communities expended CDBG funds at an average rate of 115 percent of their annual grant amount. Program maturity and the availability of unexpended funds from previous years contributed to this result.

In 1981, important statutory and regulatory changes were made in the CDBG entitlement program. Analysis of available information indicates that these changes have dramatically simplified program administration but that entitlement communities have not substantially altered the substance or thrust of previously established local programs. Several factors account for this development: The CDBG entitlement program has become stable and institutionalized at the local level; the 1981 statutory changes came too late to affect, in any major respect, local CDBG planning and development systems in 1982; the absence of final regulations implementing the 1981 statutory changes encouraged a cautious approach by local officials; and the declining sizes of 1982 grants provided entitlement communities with relatively limited resources to undertake substantively different types of projects or approaches beyond what had been funded in recent years. As a result, entitlement communities have made incremental and marginal adjustments to their programs since the 1981 statutory and regulatory changes.

The most significant impact to date of the 1981 amendments has been to simplify dramatically the application and review process entitlement communities follow. The number of reviews which localities planned programs must undergo has been reduced as has the time required for those reviews. The replacement of the CDBG application with a "Statement of Community Development Objectives" and "Projected Use of Funds" has produced one of the most significant effects of the 1981 statutory changes. In 1982, the entire submission package submitted by a representative sample of entitlement cities averaged 15 pages. In contrast, the 1981 annual applications submitted by these same communities averaged 80 pages. Although the size of the entitlement program front-end submissions has been reduced by 80 percent, local officials reported that they still follow locally designed and established practices and procedures to plan and implement their community development programs.

In 1982 entitlement communities continued program trends present since 1977. Rehabilitation-related activities and public facilities and improvements continue to receive major program support. They were, in the aggregate, allocated approximately $885 million (35 percent of available funds) and $740 million (23 percent), respectively, and together account for 58 percent of 1982 CDBG entitlement planned spending. No other type or program activity received more than $214 million in 1982 entitlement funding. There is evidence, however, to indicate that there has been some shift by entitlement communities toward increased emphasis and spending on economic development in the last few years.

According to local officials, 90 percent of program year 1980 expenditures benefitted low- and moderate-income persons, and eight percent was directed to preventing or eliminating slums and blight. Only a small percentage, approximately $1 million, was used to meet urgent community development needs.

In FY 1982, the Department emphasized Intensive and Program Accountability Monitoring of CDBG entitlement grantees. During the year, 576 entitlement communities were monitored. Of these, 277 (48 percent) were intensively monitored, nearly twice the planned goal. The most frequent 1982 substantive and procedural monitoring findings related to the operation of local rehabilitation programs and the program accountability review areas.

The trend away from the use of CDBG grant conditions continued in FY 1982. Only three percent of the FY 1982 entitlement grants were conditioned primarily for HAP and audit findings. In addition, ten grantees had their grants partially reduced as a result of audit findings.

The Department made significant progress in FY 1982 in closing out old categorical programs and CDBG transitional hold harmless grants. During 1982, 40 categorical program grants were closed out and only 39 such grants remain open. Progress was also made in closing out 701 Planning Assistance and Neighborhood Self-Help Development program grants. In addition, over 1,170 Hold Harmless grants were closed out in FY 1982.

RECENT PROGRAM DEVELOPMENTS

This section of the chapter describes recent program developments in and the current status of the Community Development Block Grant (CDBG) program and traces patterns and trends in program funding, participation, and expenditures.

PROGRAM FUNDING AND EXPENDITURES

CDBG Appropriations. Congress has appropriated more than $26.7 billion for the CDBG program in the eight years from 1975 through 1982. CDBG funding increased annually from FY 1975 to FY 1980. The FY 1979 and FY 1980 Congressional appropriations were less than the previously authorized level. This was, in large part, due to Congressional concerns about the large unexpended balance of CDBG funds. In FY 1981, Congress again appropriated funds below both the Congressional authorization and the Administration's requested funding level because of that continued concern. The CDBG component programs were also subject to a cost-saving two percent across-the-board cut in FY 1981 funds. Consequently, FY 1981 was the first year that CDBG funding did not increase over the previous year's funding.

In FY 1982, as part of the Administration's overall program to control Federal government spending, the CDBG appropriation was reduced to $3.6 billion. The FY 1982 Appropriation Act further required HUD to reduce its total budget by four percent, providing that no appropriation account, activity, program, or project be reduced more than five percent or be terminated. As a result, the Department reduced the CDBG program by four percent to $3.456 billion. Overall, FY 1982 CDBG funding was 6.5 percent below the FY 1981 level.

For FY 1983, the overall appropriation level and the appropriation levels for the individual CDBG component programs remained the same as the FY 1982 levels.

Distribution of FY 1982 Appropriations. The 1982 allocation among the major **CDBG** program categories--the tntitlement program, Small Cities program, and the Secretary's Discretionary Fund--reflects reduced appropriation levels and statutory changes in the way CDBG funds are allocated and distributed. Under prior law, appropriations which remained after deducting amounts for the metro small cities set-aside and the Secretary's Discretionary program were divided 80 percent for entitlement comnunities and 20 percent for non-metro small cities. This resulted in a FY 1981 allocation of 74.2 percent for entitlement comnunities and 25.7 percent for metro and non-metro small cities.

Under the 1981 Amendments, amounts remaining after funding the Secretary's Discretionary Fund are allocated 70 percent to entitlement **communities** (metropolitan cities and urban counties) and 30 percent for use by small cities. As a result of the allocation changes and the reduction in appropriation levels, entitlement program funding declined by $287 million or 10.8 percent from 1981, while funding for the new consolidated small cities program increased $94 million or 10 percent from 1981 levels.

TABLE 1-1
DISTRIBUTION OF CDBG FUNDS BY FISCAL YEAR
(Dollars in Millions)

	1975	1976	1977	1978	1979	1980	1981	1982
Entitlement Comnunities	$2096	$2353	$2660	$2778	$2752	$2714	$2667	$2380
Metro Cities	1558	1710	1906	2144	2209	2264	2222	1965
Urban Counties	109	209	329	372	416	450	445	415
Hold Harmless	429	434	425	262	127	0	0	0
Small Cities	259	345	438	628	797	955	926	1020
Secretary's Fund'	27	53	51	94	101	71	102	56
Financial Settlement'	50	50	100	100	100	12	0	0
Total Appropriations	$2433	$2802	$3248	$3600	$3750	$3752	$3695	$3456

Discretionary grants from the Secretary's Fund are used to fund a variety of statutorily-defined projects.

2 Grants from the Financial Settlement Fund were awarded to **communities** between 1975 **and** 1980 to assist in the closeout of projects previously approved under the categorical programs.

Detail does not add due to rounding.

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

The relative shares of the various program categories have shifted since the beginning of the program. The proportion of total funds allotted to metropolitan cities has declined over the life of the program from 64 percent of all CDBG funding in FY 1975 to 57 percent in FY 1982. The amount distributed to urban counties has tripled as a proportion of the total appropriation, from four percent in FY 1975 to 12 percent in FY 1982. This increase results primarily from the phase-in provisions of the 1974 Act that brought jurisdictions which were previously inexperienced with Federal community development programs gradually into full funding status. It also reflects the growth in the number of eligible urban counties.

The significant growth in the small cities category has resulted from the phase-out of hold-harmless recipients between 1975 and 1979, and the change in allocation rules for FY 1982. Hold harmless recipients were small cities temporarily entitled to CDBG funds as a result of their past participation in the seven categorical programs consolidated into the CDBG program. These cities received 18 percent of all CDBG funds in 1975 which declined by stages after 1977 to zero in 1980. Since most of the hold harmless funding moved into the small cities category, the amount going to the small cities component has grown steadily from 11 percent of all funds in the first year to 25 percent in 1981. The small cities proportion further increased in FY 1982 to 30 percent of all CDBG funds as a result of statutory changes.

Both the Secretary's Fund and the Financial Settlement Fund have remained small elements of the Block Grant program. Over the life of the program, each has been allotted about two percent of the program funds. Secretary's Fund grants comprised 1.6 percent of the FY 1982 appropriation. The Housing and Community Development Amendments of 1981 eliminated the Financial Settlement Fund.

<u>Current Levels of Program Expenditures</u>. CDBG grantees spent a total of $20.9 billion of available Block Grant funds as of September 30, 1982. That represented 79.5 percent of all funds obligated to grantees by HUD since the initiation of the program.

Cumulative spending rates vary somewhat among CDBG program categories. As of September 30, 1981, the spending rate for the Entitlement program was 80.5 percent; for the Small Cities program, 75.6 percent; for the Secretary's Fund, 78.3 percent; and for Financial Settlement, 84 percent.

Although programmatic cumulative spending rates are uniformly high, a sizeable unexpended balance existed in the Block Grant program at the end of FY 1982. As of September 30, 1982, $5.4 billion of cumulative Block Grant funds remained unspent; the unspent balance for the largest programmatic component, the Entitlement program (including hold harmless grantees), was $3.96 billion. This unexpended balance has been reduced considerably, however, in recent years as more communities have shared smaller Block Grant appropriations and as communities have developed more established community development programs. For example, the unexpended balance for the Entitlement program at the end of FY 1982 was $380 million smaller than it had been at the end of the previous fiscal year. During the FY 1982 fiscal year, entitlement communities (excluding hold harmless recipients) expended Block Grant funds at an average rate of 115 percent of their annual grant amounts.

EFFECTS OF 1981 LEGISLATIVE CHANGES

The Housing and Comnunity Development Amendments of **1981** contained several significant Entitlement program-related changes in the Housing and Community Development Act of **1974.** These changes were signed into law on August 13, **1981.** The purpose of these changes was to reduce the administrative and paperwork requirements of the CDBG Entitlement program and to increase local discretion in the operation of the program. In addition, HUD undertook administrative actions designed to deregulate and streamline the, CDBG program.

In FY **1982,** as a result of Congressionally-mandated changes, HUD and CDBG grantees were given new roles and responsibilities in the CDBG program. This section of the report briefly describes the efforts by HUD and entitlement grantees to implement these changes and the effects of these efforts.

Entitlement grantees did not make major program modifications in **1982.** Most local officials report that, in the short-run at least, they have maintained previously established community development priorities and practices and have not significantly changed either the geographic areas where they spend the CDBG funds or the relative proportion of block grant funds attributed to each of the three national objectives.* Overall, entitlement cities and urban counties continue to spend increasing shares of their CDBG resources on housing rehabilitation and, to a lesser extent, economic development. Smaller shares are being allocated to public facilities and improvements, acquisition and clearance, and the completion of categorical programs.

Data for this section are drawn from two sources. Information about the effects of recent legislative changes was obtained through on-site discussions with 212 community development officials in 50 entitlement communities, **170** telephone interviews with local officials in **155** randomly selected entitlement cities and urban counties, and an analysis of **1982** program documents submitted by entitlement communities. The estimates of projected and actual expenditures come from the CDBG Performance Monitoring and Evaluation Databases maintained by the Office of Program Analysis and Evaluation.

Submission Requirements. The **1981** Amendments significantly changed the process of awarding grants to entitlement communities. One of the major changes replaced the -required multi-part application with a 'Statement -of Community Development Objectives and Projected Use of Funds." The legislation did not specify the content or format of the new submissions but did require grantees to certify that the projected use of funds met specific program requirements and conformed to all applicable laws.

The Housing Assistance Plan (HAP) was also affected by the **1981** Amendments. While its substance was not changed significantly, the HAP is no longer a part of the CDBG submission. Instead, the annual HAP is separately submitted to HUD for approval, and the grantee certifies in its CDBG submission that it is following a currently approved HAP.

* The effects of specific legislative changes are described in more detail in the following subsection.

The most significant immediate effect of these changes has been to dramatically reduce the size of the documents which grantees must submit to HUD. In 1982, the entire submission package submitted by a sample of 113 entitlement cities averaged 15 pages, an 80 percent reduction in the mean size (80 pages) of the 1981 submissions of those same grantees. (See Table 1-2.) The Final Statements of Community Development Objectives and Projected Use of Funds portion of the 1982 submission package ranged in length from one to 55 pages with a median of four and a mean of seven pages.

A second imnediate effect has been on the format and level of detail used by grantees to describe their proposed community development projects and activities. Unlike prior years' submissions, no prescribed forms or format had to be used in 1982. Nor was it necessary to describe activities in detail, because the 1981 Amendments eliminated HUD's front-end review of grantees' programs. Consequently, entitlement grantees in 1982 submitted documents that varied widely in format and in the amount of detail and information provided. For example, in approximately 39 percent of the 113 statements reviewed, the proposed community development activities were described only by name and budget amount without additional detai1 regarding the substance of the proposed project or activity. The other 61 percent of the statements contained activity descriptions or related information about local objectives. This detail ranged in length from a sentence or paragraph to longer narratives.

The smaller size of the documents submitted to HUD at the beginning of the program year and the varying format and detail does not mean that local officials have significantly altered their planning process. The majority (72 percent) of local officials in a survey of 155 entitlement communities reported that the elimination of the detailed CDBG application had not affected their existing program planning processes. Where impacts were cited, they were generally described positively, i.e., in terms of the process being easier, quicker, and more flexible than the prior law's requirements. Moreover, 85 percent indicated that the elimination of the detailed CDBG application would not affect their planning process in the future. In addition, about half of the grantees noted that there were existing local CDBG program documents which were more detailed than the Final Statements subm tted to HUD.

TABLE 1-2

MEAN AND MEDIAN LENGTH OF ENTITLEMENT COMMUNITY ANNUAL DOCUMENTS SUBMITTED IN PROGRAM YEARS 1981 AND 1982[a]

(n=113)

	PROGRAM YEAR 1981	PROGRAM YEAR 1982
Mean Number of Pages	80	15
Median Number of Pages	58	11

[a] Does not include HAP.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, CDBG Performance Monitoring and Evaluation Data Bases.

HUD and A-95 Appplication Reviews. A second 1981 legislative change eliminated HUD'S front-end review of grantee programs, shifting the Department's major focus to a performance-based review after the program was implemented. ?he 1981 Amendments also eliminated the A-95 clearinghouse review and comnent process. In recent years the combined impact of these two review periods had been to require grantees to finalize their CDBG program plans at least four months before their new program years began.

In contrast, in 1982 grantees were requested to submit their complete submission packages 30 days before the completion of their program years or as soon thereafter as possible. Consequently, the specified review and submission time has been cut by approximately three-fourths-- over three months--and has enabled local officials to make their program decisions closer to the start of their program years. In addition, local comnunity development officials were almost unanimous in their approval of the elimination of the A-95 application review process.

The elimination of the front-end application review by HUD does not mean that there was no review of the 1982 submissions by HUD. Instructions for processing the documents required that both CPD field staff and the Area Counsel review each submission to ensure that all critical elements were present, that the community was following an approved HAP, and that all assurances and certifications, including any special additional assurances or information, were adequate. The instructions also directed the CPD field staff to consult with other field divisions such as the Fair Housing and Equal Opportunity, Housing, and Economic Market Analysis Divisions, as appropriate.

Performance Report Modifications. ?he 1981 Amendments also modified, effective October 1, 1982, the content and timing of the submission of the grantee's performance report on the use of CDBG funds. The new law requires that the performance report contain a description of the use of CDBG funds and the grantee's assessment of the relationship of the activities funded to the comnunity development objectives identified in the grantee's statement. In addition, the prior law's requirement that entitlement grantees submit an annual performance report was replaced by a provision that the Secretary may determine when such reports are to be made.

In response to this change, HUD has developed a new entitlement Grantee Performance Report that is currently under review within the Department. This new GPR is significantly more streamlined than its predecessor and reflects the new statutory requirements. The Department will continue to require the GPR to be submitted annually by entitlement communities,

Citizen Participation Requirements. Another legislative change designed to reduce the administrative burden on grantees was the streamlining of the citizen participation process. Prior to 1981, detailed CDBG regulations prescribed the scope, standards, and procedures to be followed for citizen participation and required a minimum of three and, in some circumstances, four separate citizen meetings. The 1981 Amendments simplified the requirements and reduced the number of mandatory citizen hearings from four to one.

Most (66 percent) local officials interviewed in a recent survey reported they have not altered their 1982 citizen participation process as a result of this change. The general view of these officials is that the citizen participation process is well established, works well, and has considerable local support. In fact, many communities hold more than the required number of meetings. The most frequent change that has been made or is under consideration is the elimination of one or two of these public meetings. Officials in 22 percent of the communities contacted reported making such changes in their citizen participation process.

Reduced Restrictions on Public Service Funding. One of the 1981 changes, designed to increase the amount of local discretion over the use of CDBG funds, involved reducing restrictions on CDBG support for public services. However, to ensure that the CDBG program remained essentially a physical development program, Congress specified that not more than ten percent of any community's grant received after 1982 could be spent on public service activities. Communities whose 1981 program allocated more than ten percent to public services might, however, seek a waiver in FYs 1982, 1983, and 1984 of the limitation in order to phase down existing public service activities in an orderly manner.

Since the enactment of 1981 legislative changes, more entitlement communities funded public services than have done so in the past, and some communities have increased the funds going to such activities. About 43 percent of entitlement cities funded public services such as day care centers, shelters for battered women, drug and alcohol abuse counseling, and various forms of assistance to the elderly in Program Year (PY) 1980. Overall, these services accounted for approximately eight percent of all budgeted CDBG funds. Among the 155 communities contacted in the telephone survey, the proportion of grantees funding public services increased to 50 percent in 1981 and 55 percent in 1982.

Funding for public services by the 155 grantees contacted in the telephone survey indicates a convergence of spending toward the ten percent cap, communities with high public service spending trying to come down to the ten percent limit and cities with low (or no) previous public service spending approaching the ten percent limit as a result of local requests for increased public service funding. For example, according to telephone survey data, the number of grantees spending over ten percent for public services in 1982 declined by 22 percent from the previous year. On the other hand, 35 percent of the respondents funding public services in 1982 indicated that they had increased the percentages of their grants going to public services from 1981 levels. Moreover, nearly one-half of the grantees funding public services in 1982 who had not done so in 1981 spent at the ten percent cap.

Although more entitlement communities funded public services in 1982 than in the past, the total amount of CDBG funds going to public services did not significantly change. In 1980, entitlement cities and urban counties combined budgeted approximately seven percent ($187 million) of CDBG resources to public services. In 1982 they budgeted almost the same proportion, eight percent or $213 million, for public services. (See Table 1-11.) A small number of entitlement communities, however, which have budgeted substantial amounts to public services in the past and which have sought or will seek waivers to the 10 percent limitation on public services, can be expected to have some problems in the future readjusting their programs to ensure they do not exceed the public services limitation.

Elimination of Preapproval of Lump-Sum Drawdown Agreements. The Housing and Community Development Act of 1977 gave specific statutory authorization allowing communities to use lump-sum drawdowns to establish revolving loan funds. The law required a grant recipient to designate the amount of lump-sum drawdown for a revolving rehabilitation fund in its CDBG application and mandated the approval by HUD of an agreement with the depository financial institution. The statute required HUD to develop standards to ensure that the benefits derived from the local program included at least one or more of the following elements: (1) the leverage of private funds in excess of CDBG monies; (2) commitment of private funds for loans at a below market interest rate, or for a lengthened repayment period, or at a higher risk than usually taken; (3) provision of administrative services by the lender institution; and (4) interest income on cash deposits used to support the rehabilitation program.

The 1981 Amendments removed HUD preliminary review and approval authority over lump-sum drawdown agreements. The benefit provisions were retained. Compliance is to be assured through performance reviews. In the absence of implementing regulations, grantees were instructed to comply with existing regulations for FY 1982 with the exception of the preapproval provision. Use of prior year's funds for lump-sum agreements still requires HUD approval.

A recent study conducted by the Office of Inspector General (OIG) provides some indication of the national scope of lump-sum drawdowns. The evidence suggests that many block grant recipients are using the lump-sum provisions and that the aggregate amount of Block Grant funds going into lump-sum agreements is quite large. The OIG figures indicate that 207 entitlement grantees had lump-sum agreements as of 1982; the amount currently deposited, including deposits of initial CDBG funds and program income from interest, was almost $213 million.

The size of lump-sum amounts varied considerably from community to community. About six percent of the communities had agreements but no current deposits; another 30 percent had deposits smaller than $100,000. Conversely, twenty grantees, predominately large entitlements, claimed more than $1 million in deposits, and eight of those grantees had current deposits totaling more than $5 million each.

Direct Assistance to Private Enterprises. Prior to the 1981 Amendments, entitlement recipients could not directly assist private businesses in support of economic development. However, the 1977 Amendments did permit localities to make grants to a neighborhood-based non-profit organization (NBO), local development corporation (LDC), or small business investment company (SBIC) to carry out economic development projects. These organizations were allowed virtually unlimited flexibility to undertake such activities, including activities that the city itself was barred from doing. Thus, while cities were barred from providing direct assistance to private business for economic development, they could do so by using any of the above organizations as an intermediary. In fact, many cities have used existing or newly-created NBOs, LDCs, and SBICs which they control in whole or part.

Since 1979, entitlement communities have allocated $283.2 million to such organizations for economic development projects. In 1982, entitlement communities projected spending about $80 million, or slightly more than three percent of CDBG resources, on economic development activities carried out by local non-profit organizations.

The 1981 Amendments permit localities to use CDBG funds for necessary or appropriate assistance to private business in support of economic development projects. The Senate Report indicates that the change "carries out the Administration's commitment to make the block grant program a more flexible resource for local commercial and industrial development projects." Communities are now able to provide direct "assistance which includes, but is not limited to, grants, loans, loan guarantees, interest supplements, technical assistance and other forms of support to be used for such purposes as improvement to and acquisition of land, structures and fixtures, or for working capital or operating funds."

An appreciable fraction of entitlement communities decided to fund private businesses directly subsequent to the 1981 legislative changes. About 14 percent of the telephone sample cornunities indicated that they had initiated direct funding for private businesses in support of economic development in PY 1982. More local officials expected to do it in the future; 24 percent of the communities planned direct funding of private business in the future; another 14 percent were uncertain whether or not they would use the direct route in the future.

When local officials were asked why they had not yet employed direct funding of private business for economic development, the most frequent answer (61 percent) was that the comnunity was not significantly funding economic development with block grant funds. The next most frequent answers were that the lack of final regulations had impede! direct funding of privpte business (21 percent), communities had intermediaries which were working well as conduits for public funds (7 percent), and communities had, as yet, no opportunity or requests to take advantage of the recent changes (6 percent).

ADMINISTRATIVE INITIATIVES

In FY 1982, the Department made a concerted effort to streamline and simplify the regulatory and procedural requirements of the CDBG program, to improve the program's efficiency, and to enhance its utility for local comnunity devlopment projects. Some of these actions are described in the following two subsections of the chapter.

Deregulatory Initiatives. On February 17, 1981, President Reagan issued Executive Order 12291 creating the Presidential Task Force on Regulatory Relief and specifying new requirements for agencies in formulating regulations. The Task Force designated the environmental review procedures of Title I and the Entitlement and Small Cities program regulations for review with the objective of eliminating unnecessary constraints on local flexibility and reducing excessive administrative and compliance costs.

On April 6, 1981, the Secretary outlined steps for review and justification of existing regulations as required by Executive Order 12291. He called upon each program office head to identify a list of existing regulations for review which would include significant regulations of at least one major program and at least 15 percent of the total pages of regulations for which the program office was responsible.

In response to these Presidential and Secretarial priorities, the Office of Community Planning and Development undertook a two-phase review of regulations in programs it administers. Over 75 percent of CPD's 366 pages of regulations published in the Code of Federal Regulations were selected for review. By the end of FY 1982, 33 regulations had been reviewed. Of this total, eight had been rescinded and five revised and substantially reduced in both length and complexity. Revisions have been proposed on another 12 regulations. Seven remained unchanged following review, and one was transferred to the Office of Housing for review.

A significant portion of the Administration's Community Development Block Grant deregulatory objectives was accomplished through enactment of the 1981 Amendments to the Housing and Community Development Act of 1974. Interim regulations implementing the 1981 Amendments as they related to the CDBG Entitlement program were published on October 4, 1982. Until the regulations are made effective, entitlement communities' FY 1982 and FY 1983 submissions and programs have been guided by Interim Instructions and existing regulations which have not been clearly superseded by the 1981 Amendments.

As a result of HUD and Presidential Task Force reviews, new integrated, simplified, and streamlined environmental review procedures covering Title I programs were published as an Interim Rule on April 12, 1982. The rule responded to State and local complaints that many CDBG projects with little or no significant environmental impact were held up unnecessarily because of overly broad Federal criteria. The new rule meets these concerns by revising the review criteria to focus on projects that raise important environmental issues. The rule also delegates to States decision-making responsibility for evaluating the environmental impact of projects under the State Small Cities program.

Fraud, Waste, and Mismanagement Initiatives. To complement government-wide Administration initiatives, HUD has undertaken additional measures to eliminate fraud, waste, and mismanagement and increase program efficiency and effectiveness. The Secretary expanded the Secretary's Committee on Fraud, Waste and Mismanagement to include program Assistant Secretaries. The Committee advises the Secretary on policy matters relating to fraud prevention and detection techniques.

The Department has also begun a coordinated effort to improve management controls. During FY 1982, CPD instituted a Fraud Vulnerability Assessment System as a means to assess new legislative proposals and improved regulations. In addition, the Management Control Assessment System for evaluating controls in existing programs has been strengthened to aid in identifying management control strengths and weaknesses. During FY 1982, eight Management Control Assessments were completed on CPD activities.

Public/Private Partnership Initiatives. Another continuing Administrative objective carried forward during FY 1982 by HUD/CPD was the stimulation of private sector responsibility, initiative, and leadership in the solution of public problems. Several programs and management initiatives were undertaken in 1982 to encourage the formation of creative partnerships between the public and private sectors to carry out community and economic development activities. The Department sponsored, for the first time, a National Recognition Program for Community Development Partnerships for exemplary public/private partnerships using the CDBG program. More than 500 partnership projects were submitted in the nationwide competition. The Program awarded Certificates of National Merit to 100 communities, and eleven outstanding partnerships received Awards for National Excellence from President Reagan.

In 1982, grant assistance from the Secretary's Fund was used to create a Financial Advisory Service (FAS) involving a consortium of major national and regional banks. The Service will operate to increase private investment in towns and cities eligible for CDBG assistance in 22 cities. It is expected that 10,000 new permanent jobs will be created in 1983, the first year of operation. HUD also instituted, in the fall of 1982, a cooperative effort with the Small Business Administration to assist 20 states in establishing Small Business Economic Revitalization Corporations. This program assists small business growth and job creation by mobilizing the resources of the private sector financial community to provide long-term fixed asset financing. A significant number of new jobs will be created in the next four years through the program carried out by participating States. HUD continued its support of the National Alliance of Business effort with communities and States to establish new models for economic development.

A major HUD/CPD management goal and priority during FY 1982 was expanding the economic development capabilities of HUD field office personnel and the development of working relationships with the private sector. These management initiatives are aimed at increasing HUD's economic development support to grantees and encouraging public/private partnerships to meet urban problems.

GRANTEE PARTICIPATION AND FUNDING

PARTICIPATING GRANTEES

In FY 1982, 732 jurisdictions (636 metropolitan cities and 96 urban counties) were eligible for entitlement grants. In that year $1.95 billion in entitlement grants were actually given to 623 metropolitan cities, and $418 million was allocated to 96 urban counties (See Table 1-3.)

TABLE 1-3
FISCAL YEAR 1982 FUNDING STATUS OF ENTITLEMENT COMMUNITIES
(Dollars in Thousands)

Status	Total		Metro Cities		Urban Counties	
	Number	Amount	Number	Amount	Number	Amount
Eligible	732	$2,379,650	636	$1,965,300	96	$414,350
Did Not Apply	12	8,784	12	8,784	--	--
Awarded	719	2,366,827	623	1,949,063	99	417,764[a]
Partial Reductions	10	2,549	8	2,433		116
Not Awarded	1	1,490	1	1,490	--	--

[a] Includes funds awarded four metropolitan cities that signed with Urban Counties

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

Ten of the approved grantees (eight metro cities, and two urban counties) had their grants partially reduced as a result of past non-performance findings. Another grantee was not awarded FY 1982 funds because it could not provide the Secretary with satisfactory assurances concerning compliance with Title I certification requirements. In FY 1982, twelve metropolitan cities, as compared to twenty-six in 1981, did not apply for entitlement grants.

INDIVIDUAL GRANT AMOUNTS

Nearly all 1982 CDBG grants were smaller than in FY 1981 with approximately 75 percent of the grants reduced from 10 to 17 percent. A combination of several factors produced widely varying changes in entitlement amounts. Three of these changes affected all grantees uniformly while two factors had varying effects on individual grantees.

Effects of Legislative Actions. Two legislative actions resulted in less funds being available for CDBG entitlement grantees. First, there was a 6.5 percent overall reduction from the previous year in the amount of funds appropriated for the CDBG program in FY 1982. In addition, the 1981 Amendments increased the proportion of funds allocated to the Small Cities program, with a resulting decrease in the entitlement portion. Taken together, these changes would have resulted in a 10.8 percent decline in every entitlement community's FY 1982 grant.

New Entitlement Grantees. All entitlement grants were also affected by the increase in the number of eligible entitlement jurisdictions. The use of 1980 census population data for the FY 1982 program year produced 64 newly eligible jurisdictions, 54 cities and ten urban counties. This was the largest absolute and proportional (10 percent) increase in newly eligible CDBG entitlement jurisdictions since the beginning of the program and, by itself, would have produced a 2.5 percent reduction in existing grants. Forty-two cities became eligible by designation as central cities in 36 new SMSAs; 12 cities achieved eligibility because the 1980 census data indicated their populations exceeded the 50,000 population cut-off.

TABLE 1-4
TRENDS IN CDBG ENTITLEMENT ELIGIBILITY
BETWEEN 1975-1982

	1975	1976	1977	1918	1979	1980	1981	1982
Metro Cities	521	522	537	559	562	573	583	636
Urban Counties	73	75	78	81	84	85	86	96
Total	594	597	615	640	646	658	669	732
Pet. Increase	-	.5	3.0	4.1	.9	1.8	1.7	9.4

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

Population Characteristics. The net effect of these three changes described above would have meant approximately a 13.3 percent reduction in each FY 1982 grant compared to 1981. However, the use of newly available 1980 census data on population for formula calculations produced significant variations from this reduction factor. For example, not only does the effect of changed population on grant size vary depending on the magnitude and direction of the change (gain/loss), but also on whether a city is receiving funds under formula A or formula B. Formula A gives population a weight of .25 and formula B gives growth lag (its population-based variable) a weight of .20. However, the greater sensitivity of the growth lag variable to changes in population meant that, for formula B communities, population gain/loss could appreciably reduce or increase the 13.3 percent reduction produced by the appropriation, allocation, and eligibility factors.

Reallocations. The final factor contributing to changes in 1982 grant amounts was the reallocation of funds that were not applied for or were recaptured by HUD. In 1982, $25 million in 1980 and 1981 funds were allocated to 21 grantees in 17 SMSAs.[2] These allocations ranged in size from W dollars to $4.8 million.[1] Seventy-two percent of the allocations were under $100,000 and 44 percent under $50,000 (See Table 1-5.)

TABLE 1-5
NET DOLLAR INCREASE IN FY 1982 ENTITLEMENT
GRANTS PRODUCED BY REALLOCATION WITHIN SMSAS
(Dollars in Thousands)

Grant increase	Number of Grantees	percent of Affected Grantees
Less than $1	1	1%
$1 - 49	52	43
50 - 99	34	28
100 - 499	24	20
500 - 1000	4	3
1000 - 2000	5	4
2000+	1	1
Total	121	100%

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

Sixty-two percent of the 121 affected grantees experienced grant increases of less than five percent, and 39 percent had increases of less than three percent. In contrast, only nine percent had grant increases of 15 percent or more produced through reallocation.[3] (See Table 1-6.)

TABLE 1-6
PERCENTAGE INCREASE IN FY 1982 ENTITLEMENT
GRANTS PRODUCED BY REALLOCATION

Percent Increase	Number of Grantees	Percent of Affected Grantees
- 4 99	75	62%
5 - 9.99	32	26
10 - 14.99	4	3
15 - 19.99	8	7
20+	2	2
Total	121	100%

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

Summary of Grant-related Effects. In sumnary, as a result of all these factors described above, 46 percent or 310 of the entitlement communities had their FY 1982 grants reduced more than 13.3 percent, 49 percent or 326 entitlement comnunities had their FY 1982 grants reduced less than 13.3 percent, and 5 percent or 33 comnunities received larger grants. Changes in entitlement amounts ranged from a 17 percent increase to a 31 percent reduction. In absolute dollars, changes in grants ranged from an increase of $1.59 million to a decrease of $33 million.

In 16 of the 33 entitlement communities receiving increased entitlements, the increases resulted from the revision of 1978 population estimates based upon 1980 census data. In 14 entitlement comnunities, SMSA reallocations offset overall CDBG cuts. In three comnunities, reallocations yielded increases over what had already been generated by new population data.

Twenty metro cities and six urban counties experienced FY 1982 grant reductions of 20 percent or more from the previous year. The principal reason for the size of these reductions for the metro cities was recalculation necessitated by the use of 1980 census population data.

LOCAL USES OF FUNDS

This section of the chapter describes funding patterns and trends in the entitlement portion of the Community Development Block Grant Program. The section is divided into two subsections. The first subsection describes the broad aggregate funding patterns found in metropolitan cities and urban counties in 1982 and compares these to recent trends. The second section focuses on recent expenditures by metropolitan cities.

The data used in this section come from two sources. Metropolitan cities data from 1979 to 1982 and urban county data from 1981 and 1982 were extracted from the Project Summaries or, beginning in 1982, the Projected Use of Funds Statements submitted by grantees. These data are part of the CDBG Performance Monitoring and Evaluation Data Bases maintained by CPD's Office of Program Analysis and Evaluation. Data for earlier years were taken from budget sumnary reports provided by CPD's Data Systems and Statistics Division.

PLANNED ENTITLEMENT SPENDING

Projected 1982 Entitlement Spending. In 1982, entitlement cities and counties projected spending slightly more than $2.5 billion in CDBG resources. This sum includes approximately $2.4 billion in new entitlement grants and an estimated $100 million in program income, surplus urban renewal funds, loan proceeds, and funds reprogramned from previous years' grants.

Funding for the seven categories of program activities, excluding administration, can be divided into three groups according to the amount of funds allocated to each. The most heavily funded categories are rehabilitation activities and public facilities and improvements. (See Table 1-7.) In 1982, the majority (58 percent) of entitlement funds was budgeted to these activities. Rehabilitation projects received the largest share, $885 million or 35 percent of available resources; public facilities or infrastructure-related activities were allocated approximately $579 million, 23 percent of 1982 funds.* The second most heavily funded categories are public services, economic development-related activities, and acquisition and clearance projects, each of which was budgeted to receive approximately the same share (eight percent) of CDBG funds, while the least funded categories, local contingencies and the completion of categorical programs, were projected to receive only two percent and one percent respectively.

TABLE 1-7
PROJECTED ENTITLEMENT PROGRAM SPENDING
BY ACTIVITY GROUP, 1982
(Dollars in Millions)

Activity	Total		Metro Cities		Urban Counties	
	$	Pct	$	Pct	$	Pct
Rehabilitation	885	35	768	36	117	28
Public Facilities and Improvements	579	23	423	20	156	38
Public Services	213	8	195	9	18	4
Economic Development	205	8	174	8	31	8
Acquisition/Clearance	195	8	176	8	19	5
Completion of Categorical Programs	33	1	32	2	1	*
Contingencies	63	2	47	2	16	4
Administration	358	14	303	14	55	13
Total	$2532	100%	$2118	100%	$413	100%

* Less than $500,000 or .5 percent.
(Detail does not add due to rounding.)

SOURCE U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, CDBG

* The composition of these activity groups and a more detailed estimate of plannned spending is provided in Tables 1-17 and 1-18 at the end of the chapter.

Performance Monitoring and Evaluation Data Base.

There was a significant difference between the pattern of projected 1982 spending in entitlement cities and urban counties. In entitlement cities, the largest share of their funds (36 percent) was projected to be spent on rehabilitation, and a substantially smaller share (20 percent) was assigned to public facilities and improvements. In urban counties, the relative magnitude of the two categories was reversed; public facilities and improvements received a significantly larger share of 1982 funds (38 percent) than rehabilitation activities (28 percent). Entitlement cities also budgeted a slightly larger share of their funds, about four to five percent more, to public services and acquisition and clearance-related projects than did the urban counties.

<u>Job Creation Potential of Planned CDBG Entitlement Spending</u>. A substantial indirect benefit of CDBG expenditures is the creation and retention of jobs. Although precise estimates are not possible, applying Bureau of Labor Statistics methods to the $2.1 billion projected to be expended in FY 1982 in entitlement cities translates into the support or creation of approximately 65,000 jobs. (See the Methodological Appendix at the end of the chapter for a description of how the job estimates were calculated.)

The job creation estimates presented in Table 1-8 include both direct and indirect employment impacts. Direct impacts are those jobs generated in the production of the final product purchased through local spending; for example, repaired streets. Indirect impacts are jobs supported due to the purchases of materials and services from supplier industries, for example, asphalt to repair streets. No attempt has been made to calculate the income multiplier effects on employment resulting from the additional demand created through wage and salary expenditures. However, other studies indicate that the total dollar volume of output required, and, hence, the employment generated should this multiplier factor be taken into account, would approximately double the number of jobs created.[4] In other words, if the multiplier effects of the CDBG entitlement spending are considered, it can be estimated that approximately 130,000 jobs would be supported or created by FY 1982 entitlement community spending of $2.12 billion. The figures presented in this section and in the accompanying tables are conservative in that they refer only to direct and indirect jobs supported by CDBG spending. They do <u>not</u> include the potential income multiplier effects on employment. Moreover, no consideration is given to eventual jobs supported, created, or retained from direct or indirect assistance that results to local private businesses through CDBG expenditures for infrastructure or economic development-related activities.

The job creation potential of FY 1982 CDBG entitlement city spending exhibits considerable variation across categories of activities funded. Expenditures for housing rehabilitation supported more jobs than other construction-related activities and about half of all employment attributed to expenditures for physical development.[5] Street construction and repair, however, was a more efficient means of employment creation. Each $1 million budgeted for street improvements would be expected to generate over 27 jobs in construction and supplier industries. The corresponding figure for housing rehabilitation activities is 18.5 jobs per $1 million. Water and sewer spending and public facilities expenditures resulted in approximately 20.5 jobs per $1 million.

Among non-construction activities, each unit of expenditure for public services and administration and planning yields substantially more jobs than an equivalent amount expended for relocation or acquisition.

TABLE 1-8
ESTIMATED EMPLOYMENT IMPACTS
OF CDBG-PROJECTED ACTIVITIES
FY 1982 ENTITLEMENT CITIES
(Dollars in Millions)

Activity	Amount Projected	Potential Jobs Created[2]	Jobs Created Per/Million $
CONSTRUCTION			
Housing Rehabilitation	$584.1	10,786[1]	18.5
Street Construction & Repair	164.3	4,532[1]	27.6
Water and Sewer	44.0	899[1]	20.4
Clearance	45.5	858[1]	18.9
Public Housing Rehab & Related	32.1	709[1]	22.1
Public Facilities & Related	215.2	4,402[1]	20.5
NON-CONSTRUCTION			
Public services and Facilities	341.4	13,349	39.1
Relocation	31.0	965	31.1
Acquisition	149.5	3,893	26.0
Administration & Planning[3]	511.6	24,505	47.9
Total	$2118.7	64,901	30.6

1 Expressed as year-long full-time equivalents.

2 These estimates do not include the potential income multiplier effects of CDBG spending on employment. If these effects are taken into account, it has been estimated that approximately twice as many potential jobs would be supported.

3 This category also includes disposition, contingencies and local options, completion of Urban Renewal projects, and funding for Local Development Corporations.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, Factbook for Estimating the Manpower Needs of Federal Program! and Robert Ball, "Employment Created by Construction Expenditures Monthly Labor Review, December 1981; Calculated by Office of Program Analysis and Evaluation, Community Planning and Development, HUD.

Variation in 1982 Projected Spending. For five of the eight types of activity groups funded, there is no significant difference in the relative levels of 1982 funding projected for each by entitlement cities of various populations. Large and small entitlement cities project spending comparable shares of their CDBG funds on acquisition and clearance, economic development, the completion of categorical programs, local contingencies, and administration. (See Table 1-9.)

The relative level of support for the two most heavily funded categories of activities that entitlement cities planned to undertake in 1982 was, however, closely associated with the population of the community. Larger cities tended to allocate a larger share of their CDBG funds for rehabilitation activities and smaller shares for public facilities and improvements than did smaller entitlement cities. (See Table 1-9.) For example, the largest entitlement cities, those with populations equal to or exceeding one million persons, projected spending 43 percent of their 1982 CDBG funds for rehabilitation activities and 13 percent for public works type projects. In contrast, entitlement cities with populations of less than 100,000 projected spending a smaller proportion of their funds on rehabilitation activities, 30 percent, and a larger proportion on public facilities and improvements than the larger cities. The largest entitlement cities also projected spending a slightly larger share of their funds on public services than did the other cities.

TABLE 1-9

PROJECTED USE OF 1982 ENTITLEMENT CITY FUNDS BY ACTIVITY GROUP AND CITY POPULATION

(Dollars in Millions)

Activity	POPULATION Less Than 100,000	100,000-249,999	250,000-499,999	500,000-999,999	More Than 1,000,000
Rehabilitation	$148	$127	$137	$ 83	$274
(percent)	(30)	(32)	(38)	(33)	(45)
Public Facilities and Improvements	153	82	56	53	79
(percent)	(31)	(21)	(15)	(21)	(13)
Public Services	39	25	29	16	86
(percent)	(8)	(6)	(8)	(7)	(14)
Acquisition and Clearance	37	43	35	36	24
(percent)	(7)	(11)	(10)	(14)	(4)
Economic Development	38	39	38	17	43
(percent)	(8)	(10)	(11)	(7)	(7)
Completion of Categorical Programs	2	7	4	6	13
(percent)	(*)	(2)	(1)	(2)	(2)
Local Contingencies	15	11	9	6	6
(percent)	(3)	(3)	(2)	(2)	(1)
Administration and Planning	70	64	54	32	83
(percent)	(14)	(16)	(15)	(13)	(14)
Total	$502	$398	$362	$249	$608

* Less than .5 percent.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, CDBG Performance Monitoring and Evaluation Data Bases.

Trends in Planned Spending. Although the 1981 statutory changes instituted important changes in the CDBG Entitlement program, the overall pattern of spending planned for 1982 by entitlement communities continues trends prevailing in the program since about 1977. (See Table 1-10.) The share of funds going to rehabilitation activities continues to show slight annual increases. Entitlement funding for economic development activities has also increased slightly each year since such activities first became explicitly eligible in 1979. In contrast, the proportions of entitlement funds going to public facilities and improvements (once the most heavily funded category), acquisition and clearance projects, and the completion of categorical programs continue to decline slightly each year. All other categories of activities have received relatively stable shares of entitlement funds in recent years. These trends are present in the planned spending of both entitlement cities and urban counties.

In terms of actual dollars, projected 1982 entitlement spending, because of smaller CDBG appropriations and the larger percentage of funds going to the small cities program, represents an actual decline in the funds going to almost every category of activity. Only projected spending for economic development and public services,* which increased an estimated $71 million and $25 million respectively, are budgeted to receive appreciable increases in 1982. Projected spending for other activities decreased by amounts ranging from $22 million (administration and planning) to $161 million (public facilities and improvements). Projected spending for rehabilitation activities, which increased from 34 percent of all 1981 entitlement funds to 35 percent of all 1982 funds, actually declined by $67 million.

* Public service funding increased despite the 10 percent cap imposed by the 1981 Amendments primarily because more cities funded public services in 1982 than in 1981 and because grantees exceeding the 10 percent cap could apply for waivers. See page 1-9 above.

TABLE 1-10
CDBG ENTITLEMENT PROGRAM PLANNED SPENDING BY
ACTIVITY CATEGORY, 1975-1982
(Dollars in millions)

ACTIVITY	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
Public Fac. and Improvements	$643	$862	$987	$918	$898	$812	$740	$579	$6439
(pct.)	(30)	(35)	(36)	(33)	(31)	(29)	(26)	(23)	(31)
Cities	$602	$759	$830	$752	$712	$633	$569	$423	$5280
Counties	$ 41	$103	$157	$166	$186	$179	$171	$156	$1159
Rehabilitation	$242	$313	$382	$466	$797	$863	$952	$885	$4900
(pct.)	(11)	(13)	(14)	(17)	(28)	(31)	(34)	(35)	(23)
Cities	$228	$285	$330	$402	$703	$753	$816	$768	$4285
Counties	$ 14	$28	$52	$64	$ 94	$110	$136	$117	$ 615
Acquisition	$453	$453	$488	$577	$362	$316	$293	$195	$3137
(pct.)	(21)	(18)	(18)	(21)	(13)	(11)	(10)	(8)	(15)
Cities	$436	$420	$440	$528	$325	$279	$260	$176	$2864
Counties	$ 17	$33	$48	$ 49	$ 37	$ 37	$ 33	$19	$ 273
Pub. Services	$ 91	$156	$186	$238	$199	$187	$188	$213	$1458
(pct.)	(4)	(6)	(7)	(8)	(7)	(7)	(7)	(8)	(7)
Cities	$ 87	$149	$175	$221	$191	$180	$180	$195	$1378
Counties	$ 4	$ 7	$11	$17	$ 8	$ 7	$ 8	$18	$ 81
Econ. Develop.	$ -	$ -	$ -	$ -	$ 97	$129	$134	$205	$ 565
(pct.)	--	--	--	--	(3)	(5)	(5)	(8)	(3)
Cities	$ -	$ -	$ -	$ -	$89	$119	$122	$174	$ 504
Counties	$ -	$ -	$ -	$ -	$ 8	$ 10	$ 12	$ 31	$ 61
Administration	$253	$296	$351	$387	$356	$310	$381	$359	$2693
(pct.)	(12)	(12)	(13)	(14)	(12)	(11)	(14)	(14)	(13)
Cities	$233	$270	$310	$335	$305	$255	$327	$304	$2339
Counties	$ 20	$26	$41	$ 52	$ 51	$ 55	$ 54	$55	$ 354
Contingencies	$104	$106	$127	$105	$124	$119	$102	$ 63	$ 850
(pct.)	(5)	(4)	(4)	(3)	(4)	(4)	(4)	(2)	(4)
Cities	$ 97	$ 94	$107	$86	$102	$95	$ 80	$47	$708
Counties	$ 7	$12	$20	$ 19	$22	$ 24	$22	$16	$142
Categorical Prog. Completion	$327	$273	$224	$133	$ 45	$38	$21	$33	$1094
(pct.)	(15)	(11)	(8)	(5)	(2)	(1)	(1)	(1)	(5)
Cities	$321	$261	$204	$114	$43	$37	$ 20	$32	$1032
Counties	$ 6	$ 12	$20	$ 19	$ 2	$ 1	$ 1	$ 1	$ 62

SOURCE: 1979-1982- U.S. Department of Housing and Urban Development, Office of Community Planning and Development, Office of Program Analysis and Evaluation, CDBG Performance Monitoring and Evaluation Data Bases; 1975-1978- U.S. Department of Housing and Urban Development, Division of Data Systems and Statistics.

ACTUAL USES OF FUNDS

Section 104(d) of the Housing and Community Development Act of 1974 requires CDBG grantees to submit an annual performance report concerning the activities actually carried out with CDBG funds. As part of this performance report (the Grantee Performance Report or GPR), HUD requires grantees to indicate the amount of funds they actually expended during the previous program year on all CDBG-funded activities. Grantees are also required to specify which of the three national objectives, i.e., benefit to low- and moderate-income persons, preventing or eliminating slums and blight, or meeting urgent community needs, the activity addressed. This section of the chapter describes this information from the most recent Grantee Performance Reports that are available.

The information reported in this section differs from the budgeted information reported above, since information in this section represents how entitlement cities actually spent their CDBG funds.

Activity Expenditures. Of the $2.3 billion of 1980 program year funds[6] made available to entitlement cities, CDBG entitlement cities expended approximately $1.1 billion of those funds during that program year. Rehabilitation activities and funding for public facilities and improvements represented the majority of these expenditures, $430 million and $244 million, just as they had for 1980 planned spending. Expenditures for public services, acquisition and clearance projects, and planning and administration accounted for approximately $161 million, $125 million, and $125 million respectively.* The remaining $66 million was divided among economic development projects, the completion of categorical programs, and local contingencies. (See column 3, Table 1-11.)

Overall, expenditures during the 1980 program year represented approximately one-half of the total entitlement cities funds made available for that program year. (See column 4 of Table 1-11) The highest expenditure rates, 76 percent and 74 percent respectively, were for public service projects and general program administration costs. Two other program year expenditure rates, those for rehabilitation activities and the completion of categorical (urban renewal) programs, both exceeded 50 percent and comprised the second highest group of expenditure rates. The lowest expenditure rates for activity types were for public facilities and improvements, economic development projects, and acquisition and clearance projects.** For these projects, between 35 and 45 percent of 1980 funds allocated to such projects had been expended during that program year.

* Since many communities did not report all adminstrative expenditures on the Project Progress form of their GPR, this figure may underestimate the actual administrative costs of the program.

** Expenditure rates for local contingencies are not included in this analysis since funds budgeted to this category are usually reprogramned into other specific activities.

The data in Table **1-11** also show that no significant aggregate **shift** occurred **in** the amount of funds initially budgeted to an activity at the beginning of the program year (column **1** of Table **1-11)** and what the activity was allocated at the end of the program year (column **2** of Table **1-11).** As in **1979,** the only substantial change that occurred during the year reflects the shifting of funds from contingencies to public facilities and improvements.

TABLE **1-11**
PLANNED AND ACTUAL USE OF PY **1980** ENTITLEMENT **CITY**
FUNDS BY **ACTIVITY** GROUP
(Dollars in Millions)

Activity	Initially Budgeted at Start of the Year[1]	Revised Budget at End of the Year[2]	Actually Expended During the Year	Percent of of Budgeted Funds Expended
Rehabilitation	$753	$770	$440	56%
(percent of column total)	(32)	(33)	(37)	
Public Facilities and Improvements	632	715	244	34
(percent of column total)	(27)	(32)	(21)	
Public Services	180	217	161	74
(percent of column total)	(8)	(9)	(14)	
Acquisition and Clearance	279	279	125	45
(percent of column total)	(12)	(12)	(11)	
Economic Development	119	130	46	35
(percent of column total)	(5)	(6)	(4)	
Completion of Categorical Programs	37	30	16	53
(percent of column total)	(2)	(1)	(1)	
Local Contingencies	95	11	3	27
(percent of column total)	(4)	(*)	(*)	
Administration and Planning	255	164[3]	125	76
(percent of column total)	(11)	(7)	(11)	
Total	$2350	$2316	$1150	50%

1 From program year 1980 application
2 From "total estimated cost" columns of program year **1980** GPR
3 The actual expenditures for administration may be higher. See the footnote on the preceding page.

SOURCE: U.S. Department of Housing and Urban Development, **Community Planning** and Development, Office of Program Analysis and Evaluation, CDBG **Performance** Monitoring and Evaluation Data Bases.

Expenditures by National Objective. In the 1980 program year, $923 million, or 90 percent of the funds expended subject to program benefit rules by entitlement cities, were reported by local officials on their communities' GPRs to be benefitting low- and moderate-income persons. (See Table 1-12.) Most of the remaining ten percent of expenditures were reported by local officials to be preventing or eliminating slums and blight, and only a very small amount, approximately $1 million, was used to meet urgent community development needs. This ordering among the three national objectives has remained stable over the life of the program.

TABLE 1-12
CDBG ENTITLEMENT CITY EXPENDITURES BY MAJOR ACTIVITIES AND QUALIFYING PROVISION, PY 1980 FUNDS
(Dollars in Millions)

Activity	Low/Mod Benefit	Slums/ Blight	Urgent Needs	Missing Data	Total $	Total %
Rehabilitation	$409	$13	*	$7	$430	38%
Public Facilities and Improvements	220	18	1	4	244	21
Public Services	155	5	*	*	161	14
Acquisition and Clearance	90	33	*	1	125	11
Economic Development	41	4	*	1	46	4
Continuation of Categorical Programs	8	9	*	*	17	2
Local Contingencies	*	*	*	3	3	*
Administration and Planning	n/a	n/a	n/a	n/a	124	11
Total	$923	$ 82	$ 1	$16	$1146	101
As percentage of funds subject to program benefit rules	90%	8%	*	2%		

* Less than $500,000 or .5 percent.
N/A Not applicable
Detail does not add due to rounding.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, CDBG Performance Monitoring and Evaluation Data Bases.

FY 1982 SECRETARY'S DISCRETIONARY FUND OPERATIONS

The FY 1982 Secretary's Discretionary Fund component of the CDBG program declined by 45 percent as a result of 1981 authorization and appropriation actions. The 1981 Amendments changed the FY 1982 authorization level of the Secretary's Fund from $104 million to $60 million. The FY 1982 Appropriation Act resulted in an additional 5.8 percent reduction to $56 million. In FY 1982, the use of Discretionary funds, particularly in the Technical Assistance program, reflected the Department's priorities of assisting the States to administer the Small Cities program and encourag ng the use of CDBG funds for economic development.

The Secretary's Fund is itself comprised of four smaller programs—the Indian Tribes and Alaskan Natives CDBG program, the Technical Assistance Special Projects program, the Insular Areas program, and the New Communities program. Prior to 1981, the Secretary's Fund included four other small programs--the Community Development Disaster Assistance, Areawide Housing and Community Development, Innovative Grants, and CDBG Inequities programs--which were eliminated by the 1981 Amendments to the Housing and Community Development Act.

The Indian Tribes and Alaskan Natives CDBG program received $30 million in FY 1982, making it the largest single element in the Secretary's Fund. This program funds eligible community development activities of any Indian tribe, band, group., or nation, including Alaskan Indians, Aleuts, and Eskimos and any Alaska Native Village which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act or under the State and Local Fiscal Assistance Act of 1972 (General Revenue Sharing Act). In FY 1982, HUD provided grants to 112 Tribes and villages; 30 percent of the funds awarded went for housing rehabilitation, 26 percent for infrastructure projects, 24 percent for community facilities, 17 percent for economic development, and three percent for other community development activities.

The second largest component is the Technical Assistance and Special Projects program. This program provided $21.1 million through 141 projects in FY 1982. The Technical Assistance program is designed to transfer the knowledge and skills necessary for successful implementation of CDBG programs and objectives. Through it, contracts, cooperative agreements, grants, and inter-agency agreements are executed with third parties to provide technical assistance to eligible participants. Approximately one-third of the FY 1982 funds was provided to States and public interest groups to aid in the transfer of the Small Cities program to States.

A major part of HUD's technical assistance program is to assist communities interested in developing district heating and cooling (DHC) systems as part of their community development programs. These DHC systems supply heat and hot water from a central plant to an entire neighborhood with greater efficiency and reliability and at lower cost than can individual building furnaces.

Twenty-eight cities and towns received cooperative agreements averaging approximately $50,000 each to conduct preliminary assessments of opportunities for developing one or more DHC projects. CPD leveraged its $750,000 investment through a matching agreement with the Department of Energy. This investment led to immediate local investment in four systems. Another seven systems are also likely to be built for a total capital investment of over $500 million. This investment will create 5,500 new construction jobs within those communities.

Other technical assistance for CDBG energy efficiency, conservation, and production involved establishment of a network of 190 State and local public officials and 60 private energy specialists who pledged more than 1,050 days of on-site assistance to less experienced cities and counties. Assistance was delivered to 72 localities. Information, separate workshops, and conferences were provided for some 1,200 local officials. These activities covered such subjects as development of local energy programs, energy contingency planning, and energy retrofit of multifamily properties (including public housing) and small businesses.

The Technical Assistance program also offered aid to communities in designing and carrying out innovative locally-initiated economic development projects, in identifying and training minorities for professions in the community and economic development area, and in developing creative housing rehabilitation programs.

Through the Insular Area CDBG program, HUD awarded over $5 million to the Virgin Islands ($1.6 million) and the Pacific Insular Areas, i.e., Guam, the Northern Mariana Islands, Samoa, and the Pacific Trust Territories ($3.7 million). These sums were used primarily for basic health, safety, and shelter needs.

The fourth component of the Secretary's Fund is the New Communities program. In 1982, this program awarded $3,000,000 to Woodlands, Texas and $1,730,000 to Maumelle, Arkansas for construction of roads and water, sewer, and public facilities. During FY 1983, the New Communities program is being closed out and so will not require further set-asides from the Secretary's Fund.

SECTION 108 LOAN GUARANTEES

Under Section 108 of the Housing and Community Development Act of 1974, HUD guarantees loans to communities to finance the acquisition of real property and the rehabilitation of publicly-owned real property, plus related expenses. Section 108 loan guarantee assistance was designed to enable comnunities to finance large-scale physical development projects that could not, because of their size, be financed from their annual grants. The requirements of the CDBG program are applicable to the activities undertaken with the guaranteed loan funds. As a general rule, the repayment period for the loans is limited to six years. Communities are authorized to use CDBG funds to repay the loans and are statutorily required to pledge their grants as security for repayment. As of December 31, 1982, HUD had approved 135 loan guarantee commitments totaling $524 million.* In FY 1982, 54 loan guarantee commitments were approved for $179 million.

PROGRAM MONITORING AND REVIEW

The 1981 Amendments eliminated the CDBG entitlement application and the HUD front-end review process and shifted program compliance review to the performance review system already present in the statute. This section of the chapter briefly describes the Department's statutory responsibilities, the major elements of performance reviews to meet those responsibilities, and the various actions taken to identify and resolve performance and compliance issues raised during the performance reviews.

* These figures include five loan guarantees totaling $2,000,000 that were later cancelled by communities.

STATUTORY RESPONSIBILITIES

The 1981 Amendments did not substantially change HUD's performance review responsibilities that were established under the prior law. For entitlement grantees, the CDBG statute requires the Secretary to determine whether the grantee (1) has carried out its Title I funded community development activities and its housing assistance plan in a timely manner, (2) has carried out those activities and its certifications in accordance with the requirements and primary objectives of Title I and with other applicable laws, and (3) has the continuing capacity to carry out those activities in a timely manner. The statute also requires the Secretary to "at least on an annual basis, make such reviews and audits as may be necessary or appropriate" to make these determinations.

PERFO REVI R

In order to meet these statutory requirements, HUD conducts four principal types of performance reviews: (1) the Grantee Performance Report (GPR) reviews; (2) on-site monitoring; (3) audit reviews; and (4) annual-in-house reviews. These reviews are implemented in a coordinated manner during the year.

Since Program Year (PY) 1979, each entitlement recipient has been required to submit, within 60 days after the end of its program year, a Grantee Performance Report on the use of CDBG funds for previously approved community development activities. The GPR must also include an assessment of how these funds have been used in relationship to the objectives identified in the grantee's statement. Since the GPR is received by HUD early in the grantee's next program year, the GPR review serves as the principal means for identifying activities which may require closer inspection to assure that they meet program requirements and aids in the selection of grantees for on-site monitoring.

An important HUD method used for reviewing grantee programs for performance inadequacies is on-site monitoring. The increased importance placed on performance reviews has prompted HUD field offices to schedule monitoring visits *to* follow GPR reviews so that field offices can identify and advise the grantee of problem situations before they develop into serious concerns. It also ensures that the maximum amount of time will be available to resolve existing problems through followup technical assistance and monitoring visits before another grant is awarded. Field monitoring is undertaken by both HUD field staff generalists (CPD Representatives) and technical specialists to ensure grantee compliance with the requirements of Title I, the civil rights laws, and other applicable Federal laws.

The Department also uses Independent and Inspector General Audits in making entitlement community annual performance assessments. Every entitlement comnunity is required to have its program reviewed by an Independent Public Accountant (IPA) at least bi-annually and, preferably, every year. A copy of the IPA's audit is sent to the Regional Inspector General for review and acceptance. The Regional Inspector General, in turn, refers the audit to the HUD field office for review and action. The Office of Inspector General may also undertake audits of part or all of the CDBG program of selected grantees. Audit findings are communicated to the grantee and negotiations on the accuracy of the findings and appropriate courses of action are subsequently conducted. If the grantee and HUD reach agreement on disallowed costs, then the grantee may repay the funds to its CDBG letter of credit or program account or have its subsequent year's grant adjusted. If an agreement cannot be reached, HUD may resort to conditioning or reducing the next year's grant.

The mechanism HUD field offices use to consider every grantee's performance against the full array of program requirements and concerns is the annual in-house review. This review is held late in the grantee's program year and just prior to awarding of its next annual grant. Information from all GPR reviews, monitoring visits, and audit findings is reviewed and progress toward the resolution of problems is considered. Where performance deficiencies are still in question, additional on-site monitoring may be performed. With all performance information in hand at the annual review, HUD considers the advisability of grant reduction or conditioning and whether HUD should accept the grantee's certifications.

In conducting GPR and audit reviews, on-site monitoring, and the annual in-house reviews in a planned and coordinated manner, HUD attempts to resolve the greatest number of identified concerns about a grantee's performance in a cooperative, non-adversarial relationship which emphasizes guidance and technical assistance rather than resorting to grant conditions and reductions.

1982 PERFORMANCE REVIEW INITIATIVES

During FY 1982, the Department undertook a major new performance monitoring initiative, Program Accountability Monitoring, to eliminate fraud, waste, and mismanagement in the CDBG program. Program Accountability Monitoring contains both a subject area of monitoring review and a technique--intensive monitoring--for concentrating limited resources on grantees with significant compliance problems and high-risk activities.

As a subject area for review, Program Accountability Monitoring concentrates on the management systems of grantees in six specific areas: Administrative costs, financial management, management systems, personal property management, procurement, and third-party contractors. Select grantees are analyzed in a two-phase review. The first phase focuses upon the grantee's overall management systems and practices for conformance with Federal standards and requirements found in OMB circulars A-87 and A-102. The second phase involves close scrutiny of a sample of individual projects to verify that the grantee's operations are being carried out in conformance with its approved management systems.

Program Accountability Monitoring also directs on-site monitoring efforts to grantees and activities most likely to experience noncompliance or inefficiencies. A select number of grantees are chosen to be intensively monitored in four areas: program progress, program benefit, rehabilitation, and the new priority area, program accountability. These grantees are chosen as a result of past performance deficiencies or indications of current program noncompliance or because they are funding a significant level of activities identified as "high risk". Based upon past experience, "high risk" activities are defined as rehabilitation activities and public services, especially those carried out by subrecipients and third party contractors.

MONITORING VISITS AND FINDINGS DURING FY 1982

During FY 1982, HUD monitored 576 entitlement comnunities accounting for 79 percent of all entitlement communities with active grants. Almost half (277) of all entitlement communities monitored were intensively monitored, thereby exceeding the Department's Operating Plan goal of 143 by almost 100 percent. (See Table 1-13.)

TABLE 1-13
FY 1982 ENTITLEMENT GRANTEE ON-SITE MONITORING

	Grantees	
	Number	Percent
Grantees with Active Grants	725	100
Grantees Monitored	576	79
Grantees Intensively Monitored in FY 1982	277	38
FY 1982 Operating Plan Goal For Grantees to be Monitored Intensively	143	20

SOURCE: U.S. Department of Housing and Urban Development Comnunity Planning and Development, Office of Management, Data Systems and Statistics Division. Compiled by the Office of Program Analysis and Evaluation.

In the majority of communities monitored, the Department reviewed local performance in rehabilitation, program progress, program benefit, and the components of program accountability. (See Table 1-14.)

During FY 1982 monitoring visits, 2927 monitoring findings were made on the 576 entitlement grantees reviewed. Findings concerning local rehabilitation programs accounted for 19 percent of all FY 1982 monitoring findings. The six areas included under the Program Accountability initiative accounted for nearly 31 percent of the monitoring findings, with over one-third of these relating to financial management systems. Other monitoring areas with appreciable proportions of monitoring findings were relocation (10 percent), environment (11 percent), and labor standards (6 percent). These findings could range from major to minor substantive or procedural performance concerns.

TABLE 1-14
FY 1982 CPD MONITORING VISITS AND FINDINGS

Monitoring Area	Grantees Monitored Number	Grantees Monitored Percent	Monitoring Findings[a] Number	Monitoring Findings[a] Percent
Rehabilitation				
In-depth[b]	281	49	459	16
Limited	203	35	102	3
Program Progress	459	80	73	2
Program Benefit	434	75	207	7
Environment				
In-depth	310	54	255	9
Limited	39	7	14	1
Accountability[c]				
Financial Management				
In-depth	197	34	252	9
Limited	146	25	74	2
Procurement	217	38	102	3
Administrative Costs	214	37	121	4
Management System	240	42	142	5
Third Party Contractors	209	36	138	5
Personal Property Mgt.	191	33	89	3
Relocation				
In-depth	200	35	296	10
Limited	38	7	31	1
Acquisition	213	37	136	5
HAP	193	33	53	2
Labor Standards	159	28	174	6
Fair Housing & Equal Oppor.	141	24	114	4
Citizen Participation	138	24	16	1
Eligibility of Activities	80	14	36	1
Other	57	10	43	2
Total	576		2749	100%

[a] HUD can register multiple findings in any monitoring area for any grantee monitored.

[b] In-depth monitoring involved oversight by a technical specialist. Limited monitoring involved oversight solely by a generalist. Grantees may be the subject of both kinds of monitoring.

[c] The number of grantees monitored for each accountability component is understated as a result of FORMS instruction allowing the use of a residual category for reporting non-findings in some or all of the accountability areas.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Data Systems and Statistics Division. Compiled by the Office of Program Analysis and Evaluation.

1982 COMPLIANCE ACTIONS

Two sections of the CDBG statute (Section 104(d) and Section 111) provide HUD with authority to impose sanctions on grantees for inadequate performance. Section 104(d) authorizes the Secretary to "make appropriate adjustments in the amount of annual grants in accordance with his findings pursuant" to three performance determinations. Section 111 provides authority to invoke sanctions for grantee non compliance which overlaps in substantive coverage but significantly diverges in procedural standards from Section 104. Since the inception of the program, HUD has emphasized the use of Section 104 adjustment authority as a basis for reducing or conditioning a succeeding year's grant and has thereby avoided the more detailed and rigorous procedural standards of Section 111. In addition, a third section (Section 109) prohibits several forms of discrimination and specifies procedures and alternative sanctions to ensure compliance.

Contract Conditioning. Most deficiencies in local compliance with the requirements of Title I and other applicable Federal laws are resolved through letters and notices to grantees; however, HUD has also used grant contract conditioning to remedy noncompliance. The conditioning of an entitlement grant request is an administrative action in which the full entitlement is approved but the obligation or utilization of funds for affected activities is restricted until the condition is satisfied.

In the past, such conditions have been imposed on the subsequent year's grant for past performance-related deficiencies or for unresolved application-related deficiencies found during that year's HUD application review process.

In May, 1981, in response to the uneven use of contract conditioning by some field offices, HUD issued CPD Notice 81-5 to the field which tightened the procedures for imposing grant conditions. Field offices were instructed to consider special contract conditions for performance deficiencies only when the evidence of noncompliance would warrant a reduction of the pending application under Section 104(d). After review and agreement by the Central Office on the need for and the nature of the performance-related condition, the affected grantee was to be promptly notified of HUD's conclusions and of the possibility of conditions or other sanctions in the event of a failure to address identified deficiencies. The Notice stressed that communication between the parties and resolution of issues through negotiation were preferable to the imposition of conditions or other sanctions. The notice also indicated that HUD field offices could independently impose conditions concerning unresolved application deficiencies where it would have otherwise been necessary to recommend a grant disapproval or reduction.

The trend away from conditioning which began in FY 1981 continued in FY 1982 with three percent of the grantees or 22 grantees conditioned compared to 19 percent or 124 grantees in FY 1981. Since FY 1980, when conditioning reached its highest level, there has been an eighty-two percent reduction in the annual number of entitlement grantees conditioned.

The reduction in the number of grantees conditioned during FY 1982 was due primarily to the elimination of the CDBG application and HUD application review process. Since there is no longer an application for HUD to review and approve, application-related conditioning is no longer done.

While application and application-related conditions are no longer placed on entitlement grants, HUD has continued to condition succeeding grant awards for performance-related noncompliance concerns. The number of grantees conditioned for performance-related reasons in FY 1982 was down slightly from FY 1981. Three percent of all approved grantees were conditioned for performance-related reasons in FY 1982 as compared to four percent in FY 1981. There were 26 performance-related conditions placed on 22 grantees in FY 1982. Of these conditions, ten related to HAP implementation problems, eight to audit findings, three to financial management problems, two to program capacity and one each to Fair Housing and Equal Opportunity, labor standards, and environmental concerns. Overall, the number of FY 1982 performance conditions was down 58 percent from the 63 performance-related conditions placed on FY 1981 grants.

Grant Reductions. When efforts to reach an agreement with a grantee over performance concerns are unsuccessful, the Secretary may invoke Section 104(d) "adjustment" authority and reduce a portion or all of the next year's award. Ten entitlement recipients had their FY 1982 grant award partially reduced as a result of past non-performance findings. In all, $2,549,440 was reduced from the ten grantees. The reductions ranged from $29,597 to $1,224,810. Since the inception of the Block Grant program, 22 entitlement communities have had their grants reduced as a result of audit findings. Of these reductions, ten occurred in 1982. Thus, 45 percent of all audit grant reductions took place in FY 1982, which indicates the strong emphasis placed on the resolution of audit findings.

One grantee with a $1.49 million grant was not awarded FY 1982 funds because of its failure to provide the Secretary with satisfactory assurances concerning compliance with the certification requirements of Title I.

CLOSEOUT OF COMMUNITY DEVELOPMENT PROJECTS

An ongoing Departmental responsibility and a major FY 1982 Secretarial priority was the closeout of various community development projects and grants.

CATEGORICAL GRANTS

One of the on-going responsibilities of the Department has been to close out projects which were funded by the seven categorical community development programs which predated the Block Grant program. At the beginning of FY 1974, the year preceding initiation of the CDBG program, there were 6,958 outstanding projects, including 3,095 Open Space, 1,395 Water and Sewer, 1,631 Urban Renewal and Neighborhood Development, 492 Neighborhood Facilities, 200 Code Enforcement, and 145 Model Cities projects. The great majority of these projects have been closed out, but a few projects remain active. (See Table 1-15.)

TABLE 1-15
NUMBER OF CATEGORICAL DEVELOPMENT PROJECTS ACTIVE AT THE
START OF SELECTED FISCAL YEARS, 1975-1982

1975	1977	1979	1981	1982	1983
4862	2201	748	181	79	39

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Budget Division. Compiled by the Office of Program Analysis and Evaluation.

During 1982, 26 (or 51 percent) of the remaining Urban Renewal and Neighborhood Development Projects were closed out. HUD also closed out 12 (or 50 percent) of the Resource Projects, one (or 50 percent) of the Model Cities programs, and one (or 50 percent) of the Code Enforcement programs. The remaining categorical workload at the start of FY 1983 was 39 projects of which 25 were Urban Renewal and Neighborhood Development, 12 were Resource, and one each was a Model Cities and Code Enforcement project.

HOLD-HARMLESS GRANTS

The 1974 Housing and Community Development Act, as amended, created a category of temporary entitlement recipients composed of smaller cities, which. while not qualifying for a formula entitlement, had participated in one or more of the several categorical programs consolidated into the Title I CDBG program. For the first three years of the CDBG program, these hold-harmless communities received a grant based upon their average past categorical program experience. The hold-harmless allocation was reduced to two-thirds of formula grant in FY 1978, one-third in FY 1979, and was eliminated in FY 1980. Once phased out in FY 1980 or earlier by waiving hold harmless eligibility, these smaller cities became eligible for the small cities competitive program.

The Department has made steady progress in closing out the five years of hold-harmless grants. In FY 1982, 1,170 grants were closed out, and, at the beginning of FY 1983, 1,192 remained to be closed out. (See Table 1-16).

Table 1-16
HOLD HARMLESS GRANTS CLOSEOUTS
BY FISCAL YEAR OF GRANTS

	Fiscal Years						
	1975	1976	1977	1978	1979	1980	Total
Grants Made	740	729	716	682	666	0	3,533
Grants Closed as of 9/81	266	242	238	217	208	---	1,171
Grants Closed in FY 1982	240	240	237	230	223	---	1,170
Grants Remaining to be Closed	234	247	241	235	235	---	1,192

SOURCE: U.S. Department of Housing and Urban Development, Office of Management, Data Systems and Statistics Division. Compiled by the Office of Program Analysis and Evaluation.

PLANNING ASSISTANCE (701) PROGRAM

Section 701 of the Housing Act of 1954, as amended, authorized grants to support State, areawide, and local comprehensive planning and management programs concerned with urban and rural development. The Program was repealed by Section 313(b) of the Housing and Community Development Amendments of 1981. In FY 1982, HUD field offices were able to closeout 281 projects or 98 percent of the projects scheduled for closeout that fiscal year. For FY 1983, the closeout of 265 projects has been projected as a goal by the Department.

NEIGHBORHOOD SELF-HELP DEVELOPMENT GRANT PROGRAM

Title VII of the Housing and Community Development Amendments of 1978 authorized grants and other forms of assistance to qualified neighborhood organizations to undertake housing, economic, and community development and other appropriate neighborhood conservation and revitalization projects in low- and moderate-income neighborhoods. Over 50 percent of the program activities involved housing rehabilitation. Other activities involved economic development, new housing construction, commercial revitalization and development, community development, and energy conservation.

The program was repealed effective October 1, 1981 pursuant to Section 313(a) of the Housing and Community Development Amendments of 1981.

In FY 1982, 14 of the 86 incomplete projects were closed out. The loss of funds from other funding sources and the unsettled financial market were the major contributors to grantee delays in completing their work. A total of 42 of the 125 projects had been closed out by January 1983. The remaining 83 projects are expected to be closed out in FY 1983 and FY 1984.

TABLE 1-17: PART 1
CDBG ENTITLEMENT CITY FUNDING BY MAJOR ACTIVITIES, BUDGETED 1979-1982
(Dollars in Millions)

	1982	1981	1980	1979
PUBLIC FACILITIES AND IMPROVEMENTS	$ 423.0	$ 569.4	$ 632.6	$ 712.4
(percent)	(20.0)	(24.0)	(26.9)	(28.8)
Street Improvements	164.3	279.1	266.8	278.5
Malls and Walkways	2.4	10.0	14.1	14.3
Parking Facilities	.7	9.4	23.8	12.1
Water and Sewer	44.0	68.9	66.7	78.8
Flood and Drainage	14.3	16.6	21.3	39.1
Parks, Recreation, etc.	55.0	67.3	81.2	104.5
Neighborhood Facilities	19.4	49.0	70.2	67.9
Senior Centers	8.3	9.6	14.7	16.8
Centers for the Handicapped	1.4	8.2	8.6	7.2
Other Public Facilities	89.4	3.4	5.6	31.5
Public Utilities	.9	2.7	4.6	7.3
Solid Waste Facilities	2.5	1.3	1.1	2.2
Spec. Asst. to Priv. Util.	---	.2	.3	.4
Interim Assistance	4.0	22.4	28.3	25.1
Removal of Arch. Barriers	6.8	11.0	13.2	13.4
Fire Protection Facilities	9.6	9.5	9.7	12.4
Foundations and Air Rights	---	1.2	.1	.1
Payments for Loss of Rent	---	.2	2.4	.5
REHABILITATION	$ 768.1	$ 816.0	$ 752.8	$ 702.6
(percent)	(36.3)	(34.4)	(32.0)	(28.4)
Private Property	584.2	610.7	575.9	471.6
Public Res. Structures	108.9	115.0	88.5	133.6
Pub. Housing Mod.	12.5	27.0	28.4	29.7
Code Enforcement	52.6	52.2	47.5	53.4
Historic Preservation	9.9	11.1	12.5	14.3
ACQU ISITION/CLEARANCE RELATED	$ 176.0	$ 260.4	$ 278.7	$ 324.7
(percent)	(8.3)	(11.0)	(11.9)	(13.1)
Acquisition of Real Property	92.3	141.3	151.0	182.6
Clearance	45.5	53.8	60.2	65.3
Relocation	31.0	54.5	58.8	68.8
Disposition	7.2	10.8	8.7	8.0
PUBLIC SERVICES	$ 195.1	$ 180.3	$ 180.1	$ 191.2
(percent)	(9.2)	(7.6)	(7.7)	(7.7)
ECONOMIC DEVELOPMENT	$ 174.1	$ 121.5	$ 119.4	$ 89.2
(percent)	(8.2)	(5.1)	(5.1)	(3.6)
Local Development Corp.	73.7	74.8	68.5	38.4
Pub. Fac. and Imp. for ED	31.7	16.5	22.5	22.3
Comn. and Ind. Fac. for ED	52.5	19.1	18.0	17.3
Acquisition for ED	16.2	11.1	10.4	11.2
COMPLETION OF CATEGORICAL PROGRAMS	$ 31.6	$ 19.8	$ 36.8	$ 43.1
(percent)	(1.5)	(.8)	(1.6)	(1.7)
CONTINGENCIES AND LOCAL OPTIONS	$ 47.3	$ 79.9	$ 95.3	$ 102.4
(percent)	(2.2)	(3.4)	(4.1)	(4.1)
ADMINISTRATION AND PLANNING	$ 303.4	$ 327.1	$ 255.0	$ 304.2
(percent)	(14.3)	(13.8)	(10.8)	(12.3)
Administration	253.4	272.1	205.9	250.0
Planning	50.0	55.0	49.1	54.2
TOTAL RESOURCES	$2118.6	62374.3	$2350.7	$2471.1
Net Grant Amount	1963.9	2196.8	2216.8	2282.7
Program Income	48.5	58.0	35.7	57.1
Surplus Urban Renewal Funds	6.5	6.9	11.7	14.9
Loan Proceeds	23.4	31.1	23.8	15.7
Reprogramned Prior Years' Funds	76.3	81.5	62.7	100.7

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, CDBG Performance Monitoring and Evaluation Data Bases.

TABLE 1-17: PART 2
CDBG ENTITLEMENT CITY BUDGETED FUNDING BY MAJOR ACTIVITIES,
75-1978
(Dollars in Millions)

	1978	1977	1976	1975
PUBLIC FACILITIES AND IMPROVEMENTS	$ 751.8	$ 830.2	$ 759.4	$ 601.5
(percent)	(30.8)	(34.6)	(33.9)	(30.0)
Public Works, Facilities, and Site Improvements	751.4	830.1	759.2	601.3
Payments for Loss of Rental Income	.4	.1	.2	.2
REHABILITATION	$ 402.3	$ 329.5	$ 285.3	$ 228.0
(percent)	(16.5)	(13.7)	(12.7)	(11.4)
Rehabilitation Loans and Grants	356.8	294.0	255.4	195.7
Code Enforcement	45.5	35.5	29.9	32.3
ACQUISITION/CLEARANCE RELATED	$ 527.8	$ 440.0	$ 420.1	$ 436.4
(percent)	(21.6)	(18.0)	(18.8)	(21.7)
Acquisition of Real Property	207.7	225.5	215.5	240.0
Clearance, Demolition, and Rehabilitation	234.8	125.8	112.5	105.8
Disposition of Real Property	4.8	3.7	7.0	3.1
Relocation Payments and Assistance	80.5	85.0	85.1	87.5
PUBLIC SERVICES	$ 220.6	$ 174.6	$ 149.1	$ 87.4
(percent)	(9.0)	(7.3)	(6.7)	(4.4)
Provision of Public Services	200.5	163.1	136.4	72.2
Special Projects for the Elderly and Handicapped	20.1	11.5	12.7	15.2
COMPLETION OF PRIOR CATEGORICAL PROGRAMS	$ 113.9	$ 204.4	$ 261.1	$ 320.9
(percent)	(4.7)	(8.5)	(11.7)	(16.0)
Completion of Urban Renewal Land Projects	76.0	151.9	154.3	158.1
Continuation of Model Cities Activities	2.4	17.6	66.4	132.2
Payment of Non-Federal Share	35.5	34.9	40.4	30.6
CONTINGENCIES AND LOCAL OPTIONS	$ 86.2	$ 107.3	$ 93.6	$ 97.2
[illegible]	(3.5)	(4.5)	(4.2)	(4.9)
ADMINISTRATION AND PLANNING	$ 335.0	$309.3	$ 270.6	$ 232.5
(percent)	(13.7)	(12.9)	(12.1)	(11.6)
Administration	251.5	229.5	201.4	150.6
Planning and Management Development	83.5	79.8	69.2	81.9
TOTAL RESOURCES	$2437.6	$2395.3	$2239.2	$2003.9
Net Grant Amount	2295.8	2263.3	2115.9	1986.9
Program Income	31.3	14.4	11.6	5.7
Surplus Urban Renewal Funds	27.5	48.6	41.2	6.1
Loan Proceeds	11.8	.2	.1	.4
Reprogrammed Prior Years' Funds	71.2	68.8	70.4	4.8

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, CDBG Performance Monitoring and Evaluation Data Bases.

TABLE 1-18: PART 1
CDBG URBAN COUNTY FUNDING BY MAJOR ACTIVITIES,
BUDGETED 1979-1982
(Dollars in Millions)

	1982	1981	1980	1979
PUBLIC FACILITIES AND IMPROVEMENTS	$ 155.6	$ 171.1	$ 178.5	$ 185.6
(percent)	(37.7)	(39.3)	(42.3)	(45.7)
Street Improvements	51.2	61.2	65.5	60.8
Malls and Walkways	1.0	1.5	1.5	1.7
Parking Facilities	1.0	1.7	1.9	2.5
Water and Sewer	32.3	42.5	42.6	47.6
Flood and Drainage	9.3	10.7	9.9	11.2
Parks, Recreation, etc.	13.1	17.1	15.8	17.1
Neighborhood Facilities	11.5	10.7	13.8	16.5
Senior Centers	7.9	11.3	10.98	12.2
Centers for the Handicapped	1.1	.9	1.8	1.3
Other Public Facilities	17.4	.7	.7	.8
Public Utilities	.1	1.3	1.6	.6
Solid Waste Facilities	1.9	.2	---	.2
Spec. Asst. to Priv. Util.	---	.1	.4	.1
Interim Assistance	.1	.5	.4	.4
Removal of Arch. Barriers	3.8	5.8	6.9	6.0
Fire Protection Facilities	3.2	4.2	3.6	3.9
Foundations and Air Rights	---	---	---	.6
Payments for Loss of Rent	---	---	---	---
REHABILITATION	$ 117.4	$ 135.7	$ 109.6	$ 94.4
(percent)	(28.5)	(31.2)	(26.0)	(23.2)
Private Property	110.1	119.1	97.2	84.0
Public Res. Structures	1.6	5.4	3.3	3.4
Pub. Housing Mod.	1.1	2.2	2.1	1.6
Code Enforcement	3.0	6.6	4.8	2.9
Historic Preservation	1.6	2.4	2.2	2.5
ACQUISITION/CLEARANCE RELATED	$ 18.9	$ 32.9	$ 37.2	$ 37.0
(percent)	(4.6)	(7.6)	(8.8)	(9.1)
Acquisition of Real Property	13.3	24.7	29.3	26.9
Clearance	2.3	3.9	3.5	4.9
Relocation	3.3	4.1	4.4	4.9
Disposition	---	.2	---	.3
PUBLIC SERVICES	$ 18.4	$ 7.6		$ 8.0
(percent)	(4.5)	(1.7)	[illegible]	(2.0)
ECONOMIC DEVELOPMENT	$ 31.2	$ 11.5	$ 10.3	$ 8.2
(percent)	(7.6)	(2.6)	(2.4)	(2.0)
Local Development Corp.	11.2	7.2	5.7	3.7
Pub. Fac. and Imp. for ED	6.7	2.6	1.2	1.9
Comm. and Ind. Fac. for ED	11.4	.5	1.8	1.9
Acquisition for ED	1.9	1.2	1.6	.7
COMPLETION OF PRIOR CATEGORICAL PROGRAMS	$ .7	$ .7	$ 1.2	$ 2.1
(percent)	(.2)	(.2)	(.3)	(.5)
CONTINGENCIES AND LOCAL OPTIONS	$ 15.9	$ 21.9	$ 24.1	$ 22.0
*	(3.9)	(5.0)	(5.7)	(5.4)
ADMINISTRATION AND PLANNING	$ 55.2	$ 54.3	$ 54.5	$ 51.1
(percent)	(13.4)	(12.5)	(12.9)	(12.6)
Administration	41.3	45.5	46.4	40.1
Planning	13.9	8.8	8.1	11.1
TOTAL RESOURCES	$ 412.6	$ 435.0	$ 421.8	$ 406.2
Net Grant Amount	404.3	424.7	417.3	396.0
Program Income	2.4	3.7	1.3	2.2
Surplus Urban Renewal Funds	1.1	---	---	3.3
Loan Proceeds	.3	1.0	---	---
Reprogrammed Prior Years' Funds	4.5	5.6	3.2	4.7

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, CDBG Performance Monitoring and Evaluation Data Bases.

TABLE 1-18: PART 2
CDBG URBAN COUNTY FUNDING BY MAJOR ACTIVITES,
BUDGETED 1975-1978
(Dollars in Millions)

	1978	1977	1976	1975
PUBLIC FACILITIES AND IMPROVEMENTS	$ 166.0	$ 156.9	$ 102.9	$ 40.8
(percent)	(44.5)	(47.2)	(48.2)	(37.4)
Public Works, Facilities, and Site Improvements	166.0	156.9	102.9	40.8
Payments for Loss of Rental Income	---	---	---	---
REHABILITATION	$ 63.9	$ 52.1	$ 28.2	
(percent)	(17.1)	(15.7)	(13.2)	[illegible]
Rehabilitation Loans and Grants	60.6	49.6	25.8	11.7
Code Enforcement	3.3	2.5	2.4	2.0
ACQUISITION/CLEARANCE RELATED	$ 49.3	$ 47.8	$ 32.7	$ 17.4
(percent)	(13.2)	(14.4)	(15.3)	(15.9)
Acquisition of Real Property	28.7	31.2	22.1	11.2
Clearance, Demolition, and Rehabilitation	14.8	11.2	7.1	4.2
Disposition of Real Property	---	---	---	.1
Relocation Payments and Assistance	5.8	5.4	3.5	1.9
PUBLIC SERVICES	$ 16.5	$ 10.8	$ 7.0	$ 4.1
(percent)	(4.4)	(3.2)	(3.3)	(3.8)
Provision of Public Services	6.7	6.8	3.6	2.6
Special Projects for the Elderly and Handicapped	9.8	4.0	3.4	1.5
COMPLETION OF PRIOR CATEGORICAL PROGRAMS	$ 5.6	$ 3.9	$ 4.9	$ 7.4
(percent)	(1.5)	(1.2)	(2.3)	(6.8)
Completion of Urban Renewal Land Projects	3.1	.9	.2	1.5
Continuation of Model Cities Activities	.1	---	.9	4.3
Payment of Non-Federal Share	2.4	3.0	3.8	1.6
CONTINGENCIES AND LOCAL OPTIONS	$ 18.6	$ 19.4	$ 12.0	$ 6.4
(percent)	(5.0)	(5.8)	(5.6)	(5.9)
ADMINISTRATION AND PLANNING	$ 52.7	$ 41.3	$ 25.7	$ 19.4
(percent)	(14.1)	(12.4)	(12.0)	(17.8)
Administration	36.1	27.4	15.1	9.0
Planning and Management Development	16.6	13.9	10.6	10.4
TOTAL RESOURCES	$ 372.8	$ 332.4	$ 213.5	$ 109.2
Net Grant Amount	368.1	327.7	208.1	108.9
Program Income	.3	.3	.1	.3
Surplus Urban Renewal Funds	1.1	---	1.3	---
Loan Proceeds	---	---	---	---
Reprogrammed Prior Years' Funds	3.3	4.4	4.0	---

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, CDBG Performance Monitoring and Evaluation Data Bases.

METHODOLOGICAL APPENDIX

JOB CREATION IMPACT SECTION

The calculation of the non-construction employment impacts and the distribution of jobs generated by occupational categories is based on the Factbook for Estimating the Manpower Needs of Federal Programs, Bulletin 1832, U.S. Department of Labor, Bureau of Labor Statistics, 1975. Construction estimates are based on Robert Ball, "Employment Created by Construction Expenditures," Monthly Labor Review, December 1981. The tables in these sources present sectional distributions of employment generated by each billion dollar of expenditures for each category of demand.

The tables found in the Factbook for Estimating the Manpower Needs of Federal Programs are derived from an inter-industry employment model that traces final demand for goods and services through each sector of the economy, determining the labor time required in each sector to support these purchases. An industry-occupation model then distributes employment in each industry into occupational categories. The construction-related employment estimates included in this section are based on these models, as well as Bureau of Labor Statistics surveys of labor and material requirements for various types of construction activities.

Calculations utilizing these tables re uire a three-stqge process. First, CDBG budget line items must be allocate! to the appropriate demand category. For example, water and sewer budget line expenditures were considered, for purposes of employment calculation, as Sewer Works and Lines. In cases where budget lines did not precisely match the demand categories presented in the table, conservative choices were made. In the above example, water and sewer expenditures include facilities as well as lines and might have been allocated to the demand category of Sewer Lines:plants. This would have resulted in slightly higher job estimates than are presented in Table 1-8.

Additionally, employment figures for Housing Rehabilitation and Street Improvements are based on estimates for new construction. Rehabilitation and repair activities could be expected to be more labor-intensive than new construction. Thus, the employment requirements for these activities presented here are probably understated.

The next step is the application of the appropriate price deflators for each demand sector in order to render current budget figures for FY 1982 into constant dollars. Dollar amounts in non-construction categories are deflated to constant 1972 dollars employed in the Factbook by using Implicit Price Deflators for the Third Quarter of 1982 (See Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, November 1982, p. 10, Table 7.1). FY 1982 construction dollars are deflated to the 1980 constant dollars used in Ball through application of the appropriate construction cost index (see Department of Commerce, Bureau of Industrial Economics, Construction Review, November/December 1982, p. 48, Table E-1).

Finally, the employment estimates are corrected to account for the productivity change in each sector from the base years used in the Factbook and in Ball. Adjustment factors for on-site employment requirements in construction are from Ball, p. 43, Table 5. Factors for supplier industries in construction and for non-construction activities are based on Bureau of Labor Statistics productivity indexes (see U.S. Department of Labor, Bureau of Labor Statistics, Monthly Labor Review, January 1983, p. 100, Tables 27-28).

Care should be exercised in interpreting the employment impact figures presented in the tables. These figures should be regarded as estimates of total job opportunities supported rather than as actual jobs created. CDBG expenditures in the aggregate may, in part, contribute to sustaining jobs already created through spending in prior program years. The jobs created per million dollars of program funding may be better understood 'as additional employment generated for each million dollar increment over past funding levels. Moreover, no calculation of the substitution effects of block grant spending has been made. It is possible, for example, that these funds may replace money previously spent by localities for the same purposes.

CDBG PERFORMANCE MONITORING AND EVALUATION DATA BASES

Entitlement city data used in this chapter were taken from CDBG Applications/Statements of Projected Use of Funds and Grantee Performance Reports submitted by the 200 cities in the CDBG Evaluation sample. Complete descriptions of the CDBG Performance Monitoring and Evaluation Data Bases, coding procedures, and sampling procedures are found in the Methodological Appendix of previous annual reports. See U.S. Department of Housing and Urban Development, The Sixth Annual Report to Congress on the Community Development Block Grant Program, U.S. Government Printing Office, Washington, D.C., 1981.

FOOTNOTES

1 In addition to the deregulatory actions described in the chapter, the following CPD-related deregulatory actions were also undertaken in 1982:

- o As deregulation actions were completed on CPD's rules, efforts were refocused on the review of Departmental issuances, publications, forms, and reports. An initial review of CPD issuances in 1981 eliminated over 2,000 pages of Handbooks. A second review, completed in June 1982, rescinded an additional 1,500 pages. Concurrently, CPD publications in the Department's inventory were reduced by over 75 percent with the cancellation of 75 obsolete, duplicative, and unnecessary documents.

- o Public Use Reports, which are measured in "burden hours", were significantly decreased as a result of CPD's deregulation actions. CPD's FY 1983 Information Collection Budget Request dropped to slightly over 400,000 burden hours from the FY 1980 base year allocation of 1.6 million hours, a 75 percent reduction.

- o Another deregulatory initiative affecting CPD programs involved the elimination of the Urban Impact Analysis procedure. The Presidential Task Force concluded that HUD and other agencies prepared time-consuming analyses of the impacts of selected programs and policy initiatives on cities, other communities, and counties under Executive Order 12074 and OMB Circular A-116. The procedure was found by the Task Force to be ineffective and duplicative of other impact analyses. For these reasons and because the Task Force concluded that the procedures often delayed Federal decision-making and slowed the implementation of projects beneficial to local communities, the Executive Order and Circular were rescinded.

2 Prior to the 1981 Amendments, block grants which were not applied for and grant funds recaptured by HUD as a result of non-performance were reallocated to other grantees within the same SMSA on a discretionary basis by HUD. The 1981 Amendments reallocated these funds in the succeeding fiscal year to other participating entitlement communities within the SMSA according to several statutorily-defined conditions.

3 Of the two entitlement cities which received the most dramatic increases in their grants as a result of the 1982 reallocation process:

- o One community received a 31 percent increase in its 1982 grant as a result of a $544,000 reduction in the grant of the only other entitlement recipient in the SMSA.

- o Another community received a 29 percent increase in its 1982 grant because the only other eligible entitlement community had not applied for a 1981 grant.

4 See Bunce, Harold and Glickman, Norman, "The Spatial Dimensions of the Community Development Block Grant Program: Targeting and Urban Impacts" in Glickman, Norman, ed. The Urban Impacts of Federal Policies. Baltimore: The Johns Hopkins University Press, 1980. Using a set of national input-output multipliers, Bunce and Glickman calculated that $2.051 billion of

direct CDBG expenditures generated a total gross expenditure of $4.042 billion.

5 Employment figures for Housing Rehabilitation and Street Improvements are based on estimates for new construction. Rehabilitation and repair activities could be expected to be more labor-intensive than new construction. Thus, the employment requirements presented here are probably understated.

6 Because of the submission schedule for Grantee Performance Reports and the time required to code and edit the information, the most recent available actual expenditure information covers the 1980 program year.

CHAPTER 2: THE SMALL CITIES COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

INTRODUCTION

This chapter describes the Community Development Block Grant Program for Non-Entitled Areas. FY 1982 is the first year in which States have been given the option of participating in a new State-administered small cities program established by the Housing and Community Development Act of 1981, or the option of continuing under the HUD-administered small cities program which has been in existence since 1974.

The information is organized into four main sections: The first section summarizes the results of the first year under the new Omnibus Budget Reconciliation Act. The second section describes the legislative and regulatory history behind the new Act. The third section presents the actions taken by 31 of 37 States electing to participate in the new program -- the design and implementation of their own program decisions. The fourth section describes the actions of the 14 States deciding to continue under HUD-administration of the program.[1]

OVERVIEW

As one of the New Federalism initiatives, the State Community Development Block Grant Program serves as a prime example of increased flexibility in program design and implementation resulting in varied and innovative approaches. Thirty-six States and Puerto Rico tailored their programs to their own needs and those of their communities. The extent to which the program's flexibility was used by the States to develop their own programs is evident from the following factors. First, there was an increase in the number of applications by units of general local government. Secondly, there was an increase in the number of awards and a corresponding decrease in the size of individual grants. Thirdly, States pursued a greater variety of development strategies. Lastly, the States shifted the program's emphasis from addressing housing needs to focusing on public facilities and economic development.

The first substantial change from the HUD-administered program was the large increase in the number of applications from units of general local government. Three factors accounted for this change: extensive outreach activities conducted by the States, an increase in the amount of CDBG funds going to the States, and grantee anticipation of an increase in the number of awards.

Consistent with the Administration's policy and legislative intent, the States engaged in extensive outreach activities with their small cities. The activities encompassed both program design and implementation. States engaged policy advisory committees, associations, elected officials, State staffs, and individual citizens for input on program design. The States then widely advertised the program through newsletters, public forums, and meeting with elected and appointed officials. Not only did these activities spur interest, but many States actually invited appplications -- especially from cities which had not previously received grants. As a result, the number of applications in FY 1982 increased by 63 percent over FY 1981. However, the increase was not uniform. Eight States more than doubled their applications, while six States received fewer applications.

Not only did the number of applications increase, the number of awards increased by 75 percent. The increase in the number of awards was directly related to the decrease in the size of the average grant. In FY 1981, the average grant size was $485,000. In FY 1982, the -average grant size was $219,000.

There was also wide variation in the percentage of applications which resulted in awards. For example, ten States awarded grants to fewer than one-fifth of the applications they received. On the other hand, one State, using a formula system for distributing funds, funded every application it received.

State versatility is most graphically shown in the variation of development strategies. On one end of the spectrum, a few States chose a strategy of targeting grants to achieve maximum impact in a limited number of jurisdictions. The result was a decrease in the number of awards from the previous year, but an increase in the average amount of those awards. On the other hand, some States chose to distribute funds widely. Using this strategy, many States substantially increased the number of awards, although awards were smaller than previous years. The remaining States chose strategies between these two extremes.

The opportunity available to both States and grantees is shown in the shifts in funding from FY 1981 to FY 1982. In FY 1981, 43 percent of the grants went to housing, 30 percent to public facilities, and 23 percent to multi-activity grants, with the majority going for housing and public facilities. In FY 1982, the mix of funding shifted dramatically. Only 12 percent went to housing, 47 percent went to public facilities, and 24 percent went to multi-activity grants, with slightly over half going to housing and public facilities. For the first time, a significant share -- 17 percent -- went to economic development.

The change in program emphasis from housing to public facilities and economic development closely corresponds to spending priorities identified by localities. In 1978, HUD funded a study of developmental needs of small cities. In that study, local officials identified problem areas in housing conditions and local employment, but they most often ranked public facilities as their first priority for improvement.

Not only did the activities change but the program grantees changed. More grants were given to cities in each population group, with cities under 1,000 in population receiving the largest increase in the number of grants. Smaller cities received more funds for public facilities, while economic development and multi-activity grants were important for larger cities.

The HUD-administered portion of the Small Cities Program also underwent changes. An important objective of the 'Administration is the reduction of burdens on State and local government and citizens. This objective was achieved through a streamlining of the application or review process. Applying for a grant is now much easier than before, with the time required for applying for grants has been reduced by 68 percent.[2]

In other ways, the HUD program was closer to the performance of previous years. The number of applications was up nine percent, perhaps a function of the simplified application process, especially the elimination of the Housing Assistance Plan requirement. However, the number of awards was down one percent and the mean grant size was up 10 percent . Fifty-three percent of the grants and 44 percent of the funds went to single purpose grants, while 55 percent of the awards and 56 percent of the funds went to comprehensive grants. Forty-seven percent of the awards were multi-activity commitments which had been made prior to FY 1982. Like the State-administered program, four-fifths of the HUD grants were given to municipalities. Counties received 17 percent and other governmental bodies received less than five percent of the awards. Most HUD grants were given to cities with populations between 2,500 and 10,000 persons.

The Small Cities Program underwent profound changes in FY 1982: the principal changes were the creation of the State program and simplification of the HUD-administered program. The most striking contrast between the two programs was the flexibility exercised by the States in program design, implementation, and funding.

RECENT PROGRAM DEVELOPMENTS

LEGISLATIVE HISTORY

The Small Cities Community Development Block Grant Program was initiated with the Housing and Comnunity Development Act of 1974[3] to develop viable urban communities, provide decent housing and suitable living environments, and expand economic opportunities principally for persons of low and moderate income. This objective was to be achieved through activities which "will benefit low and moderate income families, aid in the prevention of slums or blight; or meet other community development needs having a particular urgency."

Funds for small cities of under 50,000 persons that were not central cities were administered by HUD on a discretionary, competitive basis. Non-metro areas competed separately from metro areas, and communities with comprehensive programs covering several years of development competed separately from communities meeting a single need in one year. Funds were allocated among the States on the basis of two formulas which took into account each State's population, with substandard housing and poverty double weighted.

As part of the Administration's New Federalism initiative, the State Community Development Block Grant Program for Non-Entitled Areas was authorized by the Housing and Community Development Act of 1981. The States were given a new role in the Community Development Block Grant Program. States, at their option, could administer the FY 1982 small cities block grant program and distribute funds among their respective communities. The legislation put minimum conditions on a State's exercising its option to administer the program, sometimes referred to as "buy-in" provisions.[4] The requirements were met when the Governor of the State certified that the State would, in non-entitled areas:

* plan for community development activities;
* provide technical assistance to local communities;
* provide, out of State resources, funds matching at least 10 percent of the State's comnunity development block grant; and
* consult with local elected officials in designing the method of distribution.

The Secretary was authorized, for example, to review the timeliness of each States' funding distribution system and the States' system conformance to the States method of distribution, to determine whether States reviewed grantee performance and whether States complied with applicable laws.

The 1981 Act also brought additional changes to the HUD-administered Small Cities Block Grant Program. New provisions reduced the lengthy application to only a statement of community development objectives and a summary of projected use of funds,which in the case of States, is an outline of the method of distributing funds to non-entitled communities, and certifications of compliance with applicable laws. Post grant review and audit was emphasized rather than the application process.The Housing Assistance Plan

(HAP) requirements were eliminated. The Act also simplified citizen participation requirements, eliminated some restrictions on the use of funds for public service activities, and added a new eligible activity: direct assistance to private businesses in support of economic development.

Thus, the Small Cities program has undergone a profound change from a completely HUD-administered program to a program in which States have the major implementing role.

APPROPRIATIONS

In the 1981 Act, Congress simplified the way funds were allocated to Small Cities and increased their share. Thirty percent of Title I funds, excluding amounts provided for Section 107 and Section 119, was allocated for States' use in both metro non-entitled and non-metro communities.[5]

The result of this change in the method for allocating funds for CDBG programs, was that the small cities allocation increased by approximately five percent. The increase for small cities was intended to correspond to the relative needs of these areas in relation to the entitlement program. The same proportion will be allocated to the Small Cities Program in 1983.

REGULATORY ACTIONS

In implementing the State Community Development Block Grant Program, HUD adopted a policy to give maximum feasible deference to State interpretation of the statutory requirements consistent with the Secretary's obligation to insure compliance with the intent of Congress.[6]

Interim regulations were first published in November 1981, and final regulations were published in April 1982. The final regulations allowed States a substantial amount of flexibility to design their methods of distributing funds and establish policies and procedures for their programs. In addition, the regulations allowed the States to define low and moderate income, a key concept relating to national objectives, within the parameters of the regulations (also moderate-income persons could not be served to the exclusion of lower-income persons).

In contrast for the State-administered program regulations, the revised HUD-administered regulations changed the number of selection factors from eight to three. The selection factors retained were: the community's basic need, as measured by absolute and relative poverty; program impact on the community's needs, and outstanding past performance in meeting basic national objectives in the area of fair housing and equal opportunity.

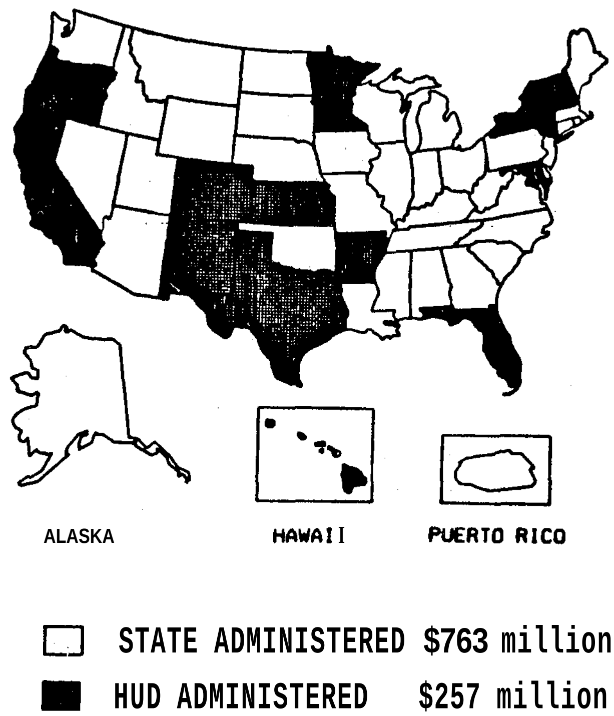
In addition, the awarding of points based on the percentage of lower-income persons has been deleted in order to provide communities greater flexibility in addressing locally identified needs and in choosing activities meeting one of the three broad national objectives. The weight of the program impact factor was increased for single applications to achieve comparability with comprehensive applications. Categories were modified in which housing effort and equal opportunity points could be earned.

STATE-ADMINISTERED SMALL CITIES PROGRAM

PROGRAM OPERATION

Congressional intent in enacting the State-administered Small Cities program was to meet the objectives of the block grant program while allowing States and non-entitlement cities to tailor programs to the needs and conditions of their jurisdictions. Thirty-six States and Puerto Rico chose to administer the program in FY 1982. These States were located in every region and represented a good mix of large and small, populous and sparsely populated States. HUD administered the program for the fourteen States which declined to assume the program. Figure 2-1 depicts the distribution of State-administered and HUD-administered States.

Figure 2-1
STATE CDBG PROGRAM
STATES PARTICIPATING IN THE FY 1982 PROGRAM



Source: Department of Housing and Urban Development, Office of Community Planning and Development, Office of Program Analysis and Evaluation, Small Cities Data Base, 1982.

States which did not assume program administration in the first year had generally cited one of three reasons: delay of HUD's final regulations, lack of State Legislature approval, and recommendations from involved groups. In every case but one, these States felt they needed more time to assess their capacities before deciding to participate.

Administrative Structure. In every case, States chose existing State agencies or offices to administer the program.[7] Table 2-1 shows the various agencies chosen by the State for the program.

Table 2-1
STATE AGENCIES ADMINISTERING THE STATE CDBG PROGRAM
FY 1982

Agencies	Number of States
Departments of Community Development Affairs	14
Economic Development and Community Development Departments	9
State Planning Agencies	5
Economic and Industrial Development	3
Governor's Office	2
Other Agencies	4
Total	37

Source: The State Community Development Block Grant Program: The First Year's Experience: Cambridge, Mass., Urban Systems Research and Engineering, Inc., draft report, February 16. 1983. Contract HC-5546 with the Office of Policy Development and Research, HUD.

The size of the agency varied with the State grants -- ranging between two or three and 24 full-time persons and one to five part-time persons. Some of the staff were already working on block grant type activities. Other were added with the inception of the State Program.

The 1981 Act allowed each State to use up to two percent of its block grant allocation for administrative costs if the amount used was matched by State funds. The Act also required States to use their own funds to match at least 10 percent of the block grant allocation. Most States used all of the two percent for administrative costs. A few used less than two percent, and one State did not use CDBG funds for administrative costs. In fact, several States noted that it would be difficult to administer the program without the two percent set-aside. Most States also easily met the 10% match requirement and were able to show additional State funds provided for housing and community development activities in non-entitled areas.

The State administering agencies were frequently complemented by the use of sub-State planning agencies. In many States, these planning agencies were the major source of technical assistance for smaller communities by providing help in the preparation of grant applications and grant administration.

Program Design Process. States used a number of resources in designing their program, including the Governors, local officials, advisory committees, public hearings and opinion surveys. In most States policy advisory committees appointed by the Governors were major influences in shaping the program.

The States engaged in an extensive variety of outreach activities to obtain small cities' input into the program design, to acquaint small cities with the program and to encourage the submission of applications. Most States established direct communication with the cities through workshops, training sessions, forums, regional meetings, booklets, bulletins, and newsletters. States involved the cities in establishing priorities, designing the funding systems, and commenting on form and procedures.

In designing the programs, the States developed priorities for the funding. Table 2-2 shows these priorities.

Table 2-2
COMMON STATE CDBG PROGRAM PRIORITIES
FY 1982

Activity	Number of States[1]
Economic Development	33
Public Facilities	27
Housing for Low/Moderate-Income Persons	26

[1] Most States had multiple priorities. Therefore, the sum of the States will exceed the number of States participating in the program. Most States had at least five priorities.

Source: The State Community Development Block Grant Program: The First Year's Experience: Cambridge, Mass., Urban Systems Research and Engineering, Inc., draft report, February 16, 1983. Contract HC-5546, with the Office of Policy Development and Research, HUD.

In designing their programs the States had to determine how the primary objectives of the Act would be applied, establish appropriate definitions for each, and develop standards by which the objectives could be measured. Most States established a special set-aside or competition for the urgent needs objective. The applicants were generally required to justify their projects based on either of the two objectives -- benefits to low- and moderate-income persons or elimination of slums and blight.

Under the Federal standard, the metropolitan low and moderate benefit standard is 80 percent of the median family income for the whole SMSA. For non-entitled areas, the standard is 80 percent of the median family income for all non-metropolitan areas. Thirty-two States adopted the Federal definition of low and moderate income.

One State defined moderate income as 90 percent of the median family income; another State defined low and moderate income as 75 percent of the median and a third defined low and moderate income as 90 percent of the median.

Twenty-five States used a rating system which assigned points to proposals. Twenty-four of those 25 States assigned points for projects which benefitted low- and moderate-income persons. On average, those 24 States gave 22 percent of the total points for low and moderate income benefits. Four States which did not have a low and moderate-income factor did, however, institute a threshold to guarantee reasonable benefit to low- and moderate-income persons.

Selection Systems. In allocating funds for units of general local government, State governments followed one of four selection methods: competitive, formula, sub-state allocation, and a hybrid of other methods. In a competitive system, the State conducted either a general competition, where all applicants competed for funds against all other applicants, or a project-type competition, where funds were divided into sub-competitions based on the type of activities (for example, economic development, housing, etc.). Some States chose a formula system where funds were distributed on the basis of community size and relative need. In other States the funds were allocated to sub-State regions and competitions were held with the regions. One State used a hybrid system which included one or more features from the other three systems. The following table shows the various distribution systems and the percent of funds allocated by each.

TABLE 2-3
STATE CDBG PROGRAM DISTRIBUTION SYSTEM

Type of System	Number of States		Percent[1] Funds Allocated	
Competitive				
General	12		20	
Project Type	10		35	
Hybrid	4		15	
Single/Multi-Purpose	4		6	
Population-based	2		4	
Competitive Total		32		80
Formula		2		13
Sub-State Allocation		2		1
Hybrid		1		1
Total		37		96

[1] Does not include four percent of all program funds distributed through special discretionary grant programs in 18 States.

Source: The State Community Development Block Grant Program: The First Year's Experience: Cambridge, Mass., Urban Systems Research and Engineering, Inc., draft report, February 16, 1983. Contract HC-5546, with the Office of Policy Development and Research, HUD.

Table 2-4 illustrates the selection factors used in the FY 1982 competition.

Table 2-4
SELECTION FACTORS FOR THE FY 1982 COMPETITIONS
OF 31 PARTICIPATING STATES

Selection Factors	Number of States[1]
Project Impact	30
Community Needs	26
Benefits to low/moderate income persons	25
Leveraging Other Funds	25
Employment Created/Retained	15
Local Match Commitment	7
Equal Opportunity	2
Prior CDBG Experience	5
Housing Commitment	6

[1]Most States used a multiple selective factor. As a result the sum of the States will exceed the actual number of States participating in the program.

Source: The State Community Development Block Grant Program: The First Year's Experience: Cambridge, Mass.: draft report, Urban Systems Research and Engineering, Inc. February 16, 1983. Contract HC-5446 with the Office of Policy Development and Research, HUD.

Although most State officials reported that they had no major problems with their selection systems, two-thirds expect to change the systems for FY 1983. These changes include refinements in the rating and review processes, project types, and formulas. Many States would have preferred additional time to consider alternate ways to assess low- and moderate-income levels to improve housing data, and to determine the desirability of certain types of projects.

PROGRAM BENEFIT

Number of Applications.[8] A significant change from the HUD-administered program was the large increase in the number of applications and the increased number of recipients. Three factors accounted for this change: extensive outreach activities conducted by the States, an increase in CDBG funds going to small cities, and State intentions to fund a larger number of small cities. As Table 2-5 shows, the number of applications in FY 1982 increased by 60 percent over FY 1981. However, the increase was not uniform. Eight States more than doubled their applications while six States received fewer applications.

Table 25
SUMMARY OF SMALL CITIES APPLICATIONS AND AWARDS
FY 1981 AND FY 1982

STATE	Number of Applications FY 1981	FY 1982	% Change	Number of Awards FY 1981	FY 1982	% Change	Applications/Awards Ratio FY 1981	FY 1982	% Change	Average Amount of Award FY 1981 ($000)	FY 1982 ($000)	% Change
Alabiuna	181	288	59	53	93	75	29	32	10	434	154	(64)
Arizona	27	60	122	11	34	209	41	57	39	435	133	(70)
Connecticut	37	55	48	17	17	0	46	31	(32)	318	340	6
Delaware	15	24	60	6	13	116	40	54	35	239	120	(50)
Georgia	172	312	81	45	50	11	26	16	(38)	626	367	(42)
Idaho	49	76	55	12	9	(25)	24	12	(50)	309	338	9
Illinois	160	248	55	45	36	(20)	28	15	(46)	681	367	(47)
Iowa	189	373	97	44	81	84	23	22	(4)	369	196	(47)
Kentucky	99	228	130	23	29	26	23	13	(43)	481	361	(25)
Louisiana	183	179	(3)	22	26	18	12	15	25	747	518	(31)
Maine	38	72	89	17	19	11	45	26	(42)	345	282	(19)
Massachusetts	76	140	84	33	31	(6)	43	22	(48)	4Y9	441	(12)
Michigan	207	124	(40)	51	82	60	25	66	164	435	220	(50)
Mississippi	101	237	134	33	--	--	33	--	--	499	--	--
Missouri	246	504	104	51	67	31	21	13	(38)	334	188	(44)
Montana	32	48	50	11	13	18	34	27	(20)	386	279	(28)
Nebraska	104	203	96	27	71	162	26	35	(34)	296	128	(57)
Nevada	11	60	445	7	19	171	64	32	(50)	290	67	(77)
New Jersey	52	82	57	20	14	(30)	38	17	(55)	365	344	(6)
North Carolina	156	257	64	46	78	69	29	30	3	599	419	(31)
North Dakota	58	107	84	12	33	175	21	31	47	430	121	(72)
Ohio	218	457	109	61	457	649	28	100	257	529	32	(94)
Puerto Rico	70	67	(4)	70	66	(6)	100	99	(1)	632	611	(4)
South Carolina	92	143	55	34	38	11	37	27	(27)	527	395	(26)
South Dakota	63	55	(12)	13	37	184	21	67	219	470	131	(73)
Tennessee	142	240	69	46	57	23	32	24	(25)	399	319	(21)
Utah	46	175	280	8	75	837	17	43	152	445	50	(89)
Virginia	90	150	66	29	21	(27)	32	14		622	621	0
Washington	61	93	52	17	13	(23)	28	14		462	509	10
West Virginia	78	65	(16)	27	16	(33)	35	25	(28)	431	476	10
Wisconsin	152	118	(22)	37	39	5	24	33	37	487	704	44
Wyoming	17	36	111	7	7	0	41	19	(53)	354	244	(32)
Total	3,222	5276	63	935	1641	75	29	31	6	$485	$219	(55)

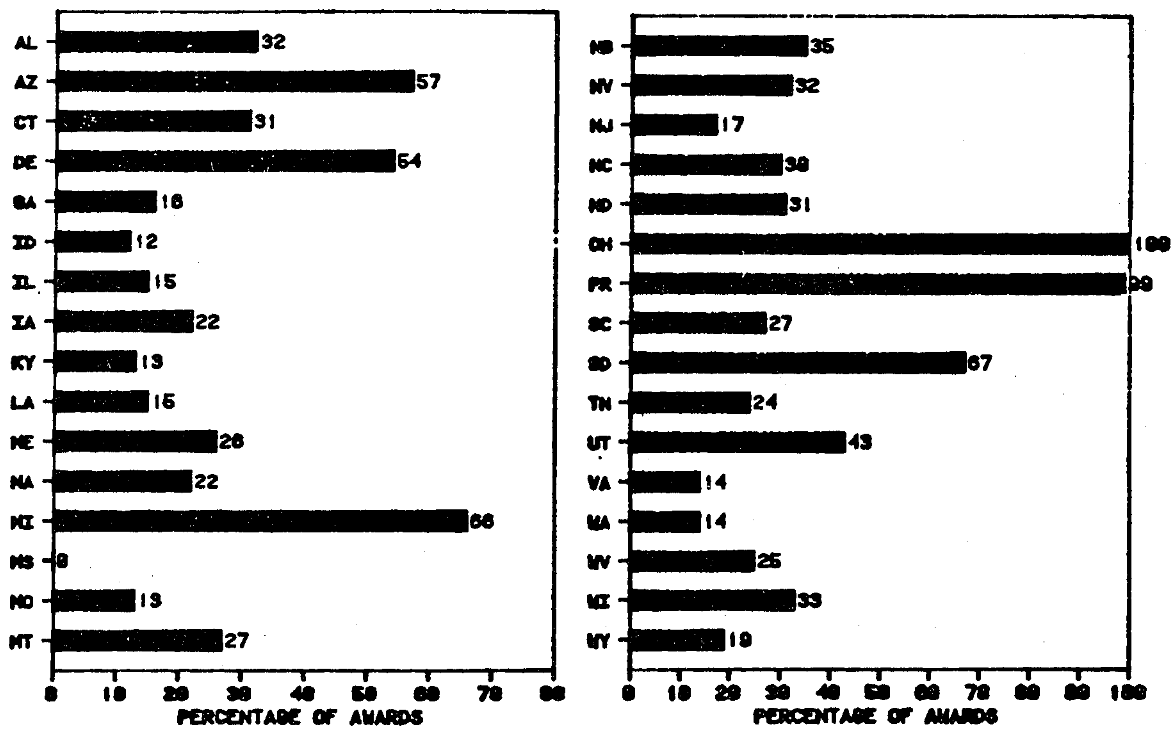
NOTE: (1) Mississippi has not yet awarded its FY 1982 grants.
Parentheses indicate negative numbers
FY 1981 includes Single Purpose and first or initial year of Comprehensive applications, number and average size of grants.
4) Pre-applications in FY 1981

Source: Department of Housing and Urban Developmnt, Office of Community Planning and Development, Office of Program Analysis and Evaluation, 1982 Small Cities Data Base, Data Systems and Statistics Division, Office of Management; compiled by Office of Program Analysis and Evaluation.

Number of Awards.' Not only did the number of applications increase, the number of awards increased by 75 percent. Table 2-5 shows more grants were awarded under State administration, although the average size grant was significantly smaller. There was also wide variation in the percentage of applications which resulted in awards. Idaho, for example, approved 12 percent of the applications it received, while Ohio, using a formula distribution system funded 100 percent as Figure 2.2 shows.

Figure 2.2

PERCENTAGE OF APPLICATIONS RECEIVING AWARDS



Source: Department of Housing and Urban Development, Office of Community Planning and Development, Office of Program Analysis and Evaluation Small Cities Data Base, 1982.

Average Grant Size.[10] Table 2-5 shows that the average grant size in FY 1981 was $485,000. Under State administration in FY 1982, the average grant size for those same States dropped 55 percent to $219,000. The data indicate that a general pattern emerged: more applications, more awards, and smaller individual grants.

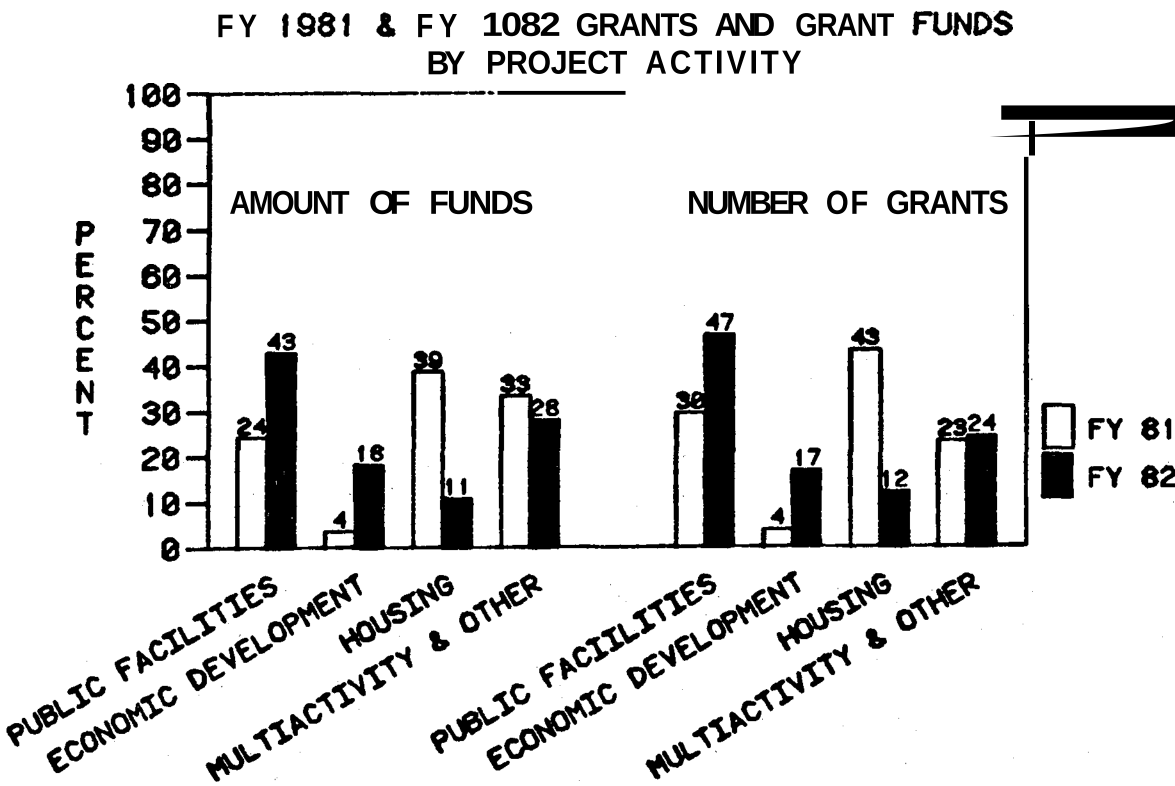
However, this pattern was not universally followed. In fact, States pursued a variety of funding strategies. On one extreme, Ohio chose to distribute funds by using a formula, which resulted in more than six times the number of awards than in FY 1981. However, Ohio's average grant size was only 6 percent of its average FY 1981 grant. On the other extreme, Wisconsin awarded only 5 percent more grants, but each grant was, on average, 44 percent larger than the previous year. The other States developed strategies which were intermediate of these two extremes.

The wide strategic difference between Ohio's funding strategy and Wisconsin's funding strategy indicates the flexibility available to the States under the State administration

Project Activities. State administration of Small Cities funding resulted in substantial shifts in the projects for which grant funds were awarded and wider variation in the average grant size for each purpose (Figure 2-3). In FY 1982, States awarded 43 percent of program funds for public facilities projects, a 63 percent increase over the FY 1981 total of 24 percent of grant funds. Economic development spending markedly increased from four percent to over 18 percent of grant funds awarded. Conversely, funds awarded for housing registered a decline from a FY 1981 share of 39 percent of grant dollars to an 11 percent funding level in FY 1982.[11]

The change in program emphasis from housing to public facilities spending after the transfer to State administration closely corresponds to spending priorities previously identified by localities. A study of the developmental needs of small cities conducted by the Department of Housing and Urban Development in 1978 indicated that while local officials identified problem areas in housing conditions and local employment, they most often ranked public facilities as their first priority for improvement.

Figure 2-3



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1 Multi-activity grants are distributed as follows:

% FY 82 State Grants including specified activity:		% FY 81 HUD Grants involving specified activity:	
Housing	41.6	Housing	84.4
Pub. Fac.	35.9	Pub. Fac.	76.6
Econ. Dev.	18.6	Econ. Dev.	8.4
Unspecified	51.9		

2 Housing activities totals are likely to be understated due to the unavailability of budget figures for some Multi-Activity grants.

Source: Department of Housing and Urban Development, Office of Community Planning and Development, Data Systems and Statistics Division, Office of Management, compiled by the Office of Program Analysis and Evaluation; Small Cities Data Base, 1982.

Multi-Year Commitments. In the new State-administered program, the States were required to honor multi-year commitments HUD had made in FYs '80 and '81. HUD Multi-Year commitments totalled 338 grants and $220,137,000 with an average size grant of $651,000. Because many of these multi-year commitments will terminate in FY 1982, the FY 1983 program commitments are fewer in number. For FY 1983, there are 192 commitments totalling $128,710,000 with an average size grant of $670,000. In comparison with the State-administered program, the average size of State multi-year grants is larger than the State competitive grants, because most States in the State-administered program chose to fund more cities with smaller grants.

Type of Grantees. Grants were awarded to cities, towns, counties and other governmental bodies. Table 2-6 shows the distribution of State-awarded grants to these types of grantees.

Table 2-6
DISTRIBUTION OF FY 1981 AND FY 1982 STATE-AWARDED GRANTS AND GRANT FUNDS BY GRANTEE TYPE
(30 STATES AND PUERTO RICO)

	Number of Grants FY 1981	Number of Grants FY 1982	% Change	Percent of Grants FY 1981	Percent of Grants FY 1982	% Change
Cities	526	1192	127	62.7	72.6	15.8
Townships	132	105	(20)	15.7	6.4	(59)
Counties	181	344	90	21.6	21.0	(2.8)
Total	839	1641	96	100.0	100.0	---

	Total Amount of Funds ($000) FY 1981	Total Amount of Funds ($000) FY 1982	% Change	Percentage of Funds FY 1981	Percentage of Funds FY 1982	% Change
Cities	$253,660	$272,374	7.4	62.5	75.9	21.4
Townships	'56,573	16,119	(71.5)	13.9	4.5	(67.6)
Counties	95,939	70,384	(26.6)	23.6	19.6	(16.9)
	$406,172	$358,877	11.6)	100.0	100.0	---

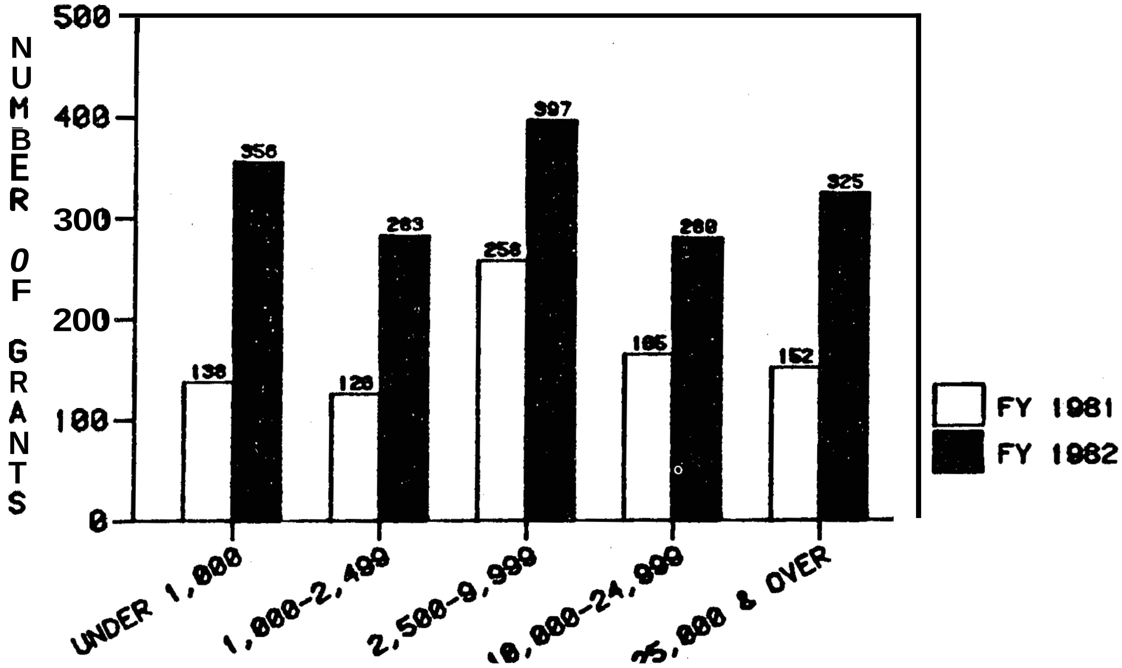
	Average Grant Size FY 1981	Average Grant Size FY 1982	% Change
Cities	$482,244	$228,502	(52.6)
Townships	428,582	153,514	(64.2)
Counties	530,052	204,605	(61.4)
Average for all areas	$484,113	$218,694	(54.8)

Source: Department of Housing and Urban Development, Office of Community Planning and Development, Office of Program Analysis and Evaluation, Small Cities Data Base, 1982.

Grantee Size. Small cities of each population category received more grants in FY 1982 than in FY 1981. The most significant increase was for cities of under 1,000 in population. Grants to such cities increased from 138 to 380, a 158 percent increase. Figure 2-4 shows the distribution of grants by city size.

Figure 2-4

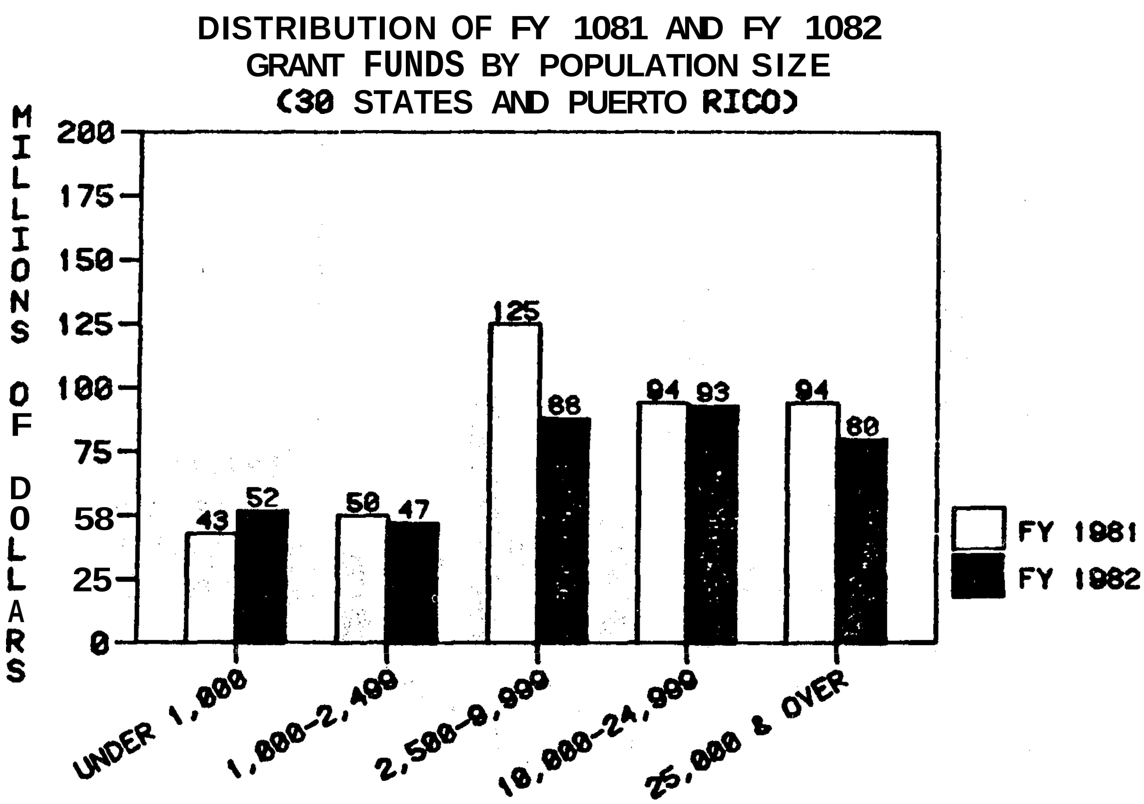
DISTRIBUTION OF FY 1981 AND FY 1082 GRANTS BY POPULATION SIZE (30 STATES AND PUERTO RICO)



Source: Department of Housing and Urban Development, Office of Community Planning and Development, Office of Program Analysis and Evaluation, Small Cities Data Base, 1982, and the Data Systems and Statistics Division, Office of Management, and complied by the Office of Program Analysis and Evaluation; Small Cities Data Base, 1982.

Figure 2-5 shows the distribution of grant funds by population size. Small cities with populations between 10,000-25,000 received the majority of the funds in FY 1982.

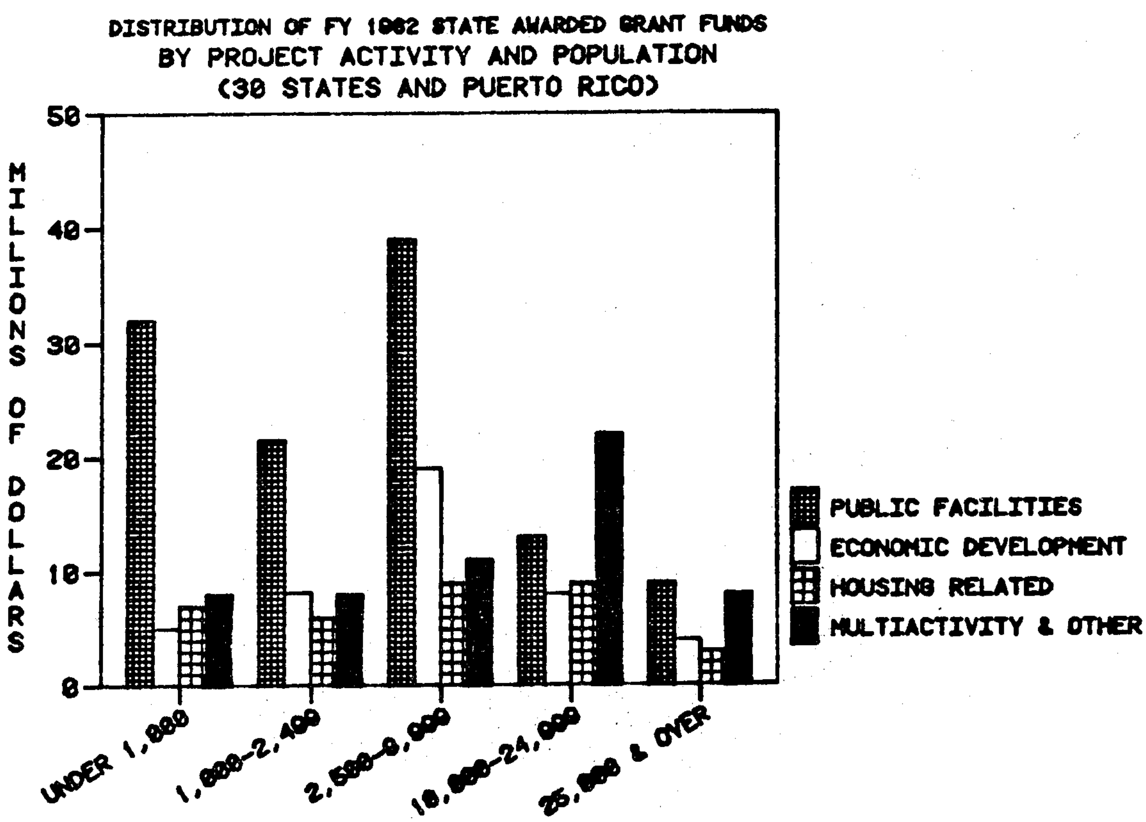
Figure 2-5



Source: Department of Housing and Urban Development, Office of Community Planning and Development, Office of Program Analysis and Evaluation Small Cities Data Base, 1982 and the Data Systems and Statistics Division, Office of Management, compiled by the Office of Program Analysis and Evaluation.

The distribution of grant dollars by city size and project is shown in Figure 2-6. Small cities received more grant funds for public facilities than for any other activity in FY 1982. Economic development and multi-purpose grants followed public facilities funding.

Figure 2-6



Source: Department of Housing and Urban Development, Office of Community Planning and Development, Office of Program Analysis and Evaluation, 1982 Small Cities Data Base.

Level of Distress. Of the small cities that received State-administered grants in FY 1982, 73 percent were distressed.[12] Table 2-7 shows the distribution.

Table 2-7
STATE CDBG PROGRAM
NUMBER OF GRANTS CLASSIFIED AS DISTRESSED
BY POPULATION SIZE, FY 1982

Under 1,000 Pop.	1,000-2,500 Pop.	2,500-10,000 Pop.	10,000-25,000 Pop.	Over 25,000 Pop.	Total
259	170	174	114	61	778

Source: Department of Housing and Urban Development, Office of Community Planning and Development, Office of Program Analysis and Evaluation Small Cities Data Base, 1982.

HUD-ADMINISTERED SMALL CITIES PROGRAM

This section describes the Small Cities Program as conducted under HUD administration in the fourteen States choosing not to accept a transfer to State administration. This description includes a discussion of recent procedural changes in the program as well as data on funding distributions according to grant type and community characteristics. A summary table containing information on the number and amount of grants awarded and the population size of grantees in each of the fourteen States is also included.

PROGRAM OPERATION

As a result of statutory changes, and in keeping with recent HUD efforts to maximize local flexibility in decision-making, the operation of the HUD-administered component of the Small Cities Program has been streamlined and simplified.[12] Application requirements have been substantially reduced, thereby easing the administrative burden placed on Small Cities Program applicants, and the Project Selection System has been redesigned to ensure wider community choice of development activities.

The application process has been simplified through the elimination of the two-stage application procedure, largely in consequence of the legislatively-enacted removal of the Housing Assistance Plan requirement. As communities need no longer submit both pre- and full applications, the administrative effort expended in the preparation of the total submission package is greatly reduced. Moreover, HUD Area Offices can more quickly review and rank project applications, thus expediting the obligation of program funds.

The project selection system has been simplified in order to encourage local flexibility in decision-making within the context of the three broad national objectives: benefit to low- and moderate-income families; the elimination of slums and blight, and the meeting of urgent community development needs. Selection factors have been reduced from 8 to 3: Community need, project impact, and past fair housing performance factors have been retained, while benefit to lower income persons, Area-wide Housing Opportunity Plan, States' rating and other federal program points have been eliminated. That part of the rating system based on the percentage of lower-income persons benefitting from project activities has been dropped in order to afford local communities wider latitude in choosing to pursue activities that meet local needs yet still satisfy national objectives. It is expected that project selection emphasizing program impacts on serious local needs will continue to result in high levels of benefit to low and moderate income families.

In addition to these procedural changes, Small Cities Program modifications resulting from the 1981 Amendments have been implemented. Separate competitions for Comprehensive and Single Purpose grants are still being conducted, but the two funding areas for metropolitan and non-metropolitan jurisdictions have been discontinued. HUD may no longer make multi-year commitments: all Comprehensive grants funded in FY 1982 are one-year awards.

PROGRAM BENEFITS

FY 1982 Applicants and Grantees

As a result of legislative reallocation of funds from the CDBG Entitlement Program to the State and Small Cities Program, the 14 States remaining under HUD administration experienced an FY 1982 increase in funds available for distribution of 9.7%; from $234.4 million to $257.2 million. The number of grant applications received increased proportionately from an FY 1981 total of 1332 to 1452 in FY 1982 or an increase of 9%. Although not all grant funds have been awarded, Table 2-8 indicates that FY 1982 ratio of grants to applicants are somewhat lower than in FY 1981. Should remaining funds continue to be awarded at the $491 thousand average, the number of grants awarded in FY 1982 will approximately equal the FY 1981 tota , despite increases in both funding levels and number of applicants.

Table 2-8
APPLICATIONS AND GRANTS AWARDED IN FY 1981 AND FY 1982 TO
14 STATES IN THE KUD-ADMINISTERED PROGRAMS

	FY 1981	FY 1982
Total Number of Applications	1332	1,452
Total Number of Grants	523	517
Total Amount of Grants	$234.4 million	$253.9 million[1]
Average Size of Grants	$448,183	$491,103

[1]This total comprises 98.8 percent of the total amount allocated. The remainder of funds have not yet been awarded.

Source: Department of Housing and Urban Development, Office of Community Planning and Development, Data Systems and Statistics Division, Office of Management, compiled by the Office of Program Analysis and Evaluation.

Comprehensive and Single-Purpose Grants.[13] In FY 1982 HUD funded 241 Comprehensive grants totalling $142.4 million and awarded 276 Single Purpose grants totalling $111.5 million. Reflecting the purpose of Comprehensive grants to address a significant portion of an area's community development needs through the coordinated pursuit of multiple activities, these grants on average are significantly larger than Single Purpose grants. FY 1982 Comprehensive grants averaged $590,900 in comparison to a Single Purpose grant average of $404,000.

Table 2-9
NUMBER, AMOUNTS, AND AVERAGE SIZE FOR
FY 1982 SINGLE PURPOSE AND COMPREHENSIVE GRANTS
(14 STATES)

	Number of Grants	Percent	Amount of Grants (millions)	Percent	Average Size of Grants (thousands)
Single Purpose	276	53.4	111.5	43.9	404.0
Comprehensive	241	46.6	142.4	56.1	590.9
Total	517	100.0	$253.9[1]	100.0	$491.1

[1] This table comprises 98.8 percent of the total amount allocated. The remainder of funds have not yet been awarded.

Source: Department of Housing and Urban Development, Office of Community Planning and Development, Data Systems and Statistics Division, Office of Management FORMS 1982, compiled by the Office of Program Analysis and Evaluation.

Multi-Year Commitments. Table 2-10 presents the distribution of Comprehensive grant awards in the 14 HUD-administerd States by the duration of the grant and year of funding. As HUD made no new multi-year commitments in FY 1982 the figures for all two- and three-year grants represent continuation of prior multi-year programs. These awards constitute over 64% of all Comprehensive grants funded, and a proportionate share of grant funds. One-year grant awards comprised about 36% of Comprehensive grants awarded. Fourteen grants, or 5.8 percent, were for two years, and 141 or 58.5 percent were for three years. All fourteen of the two-year grants were in their terminal year. Of the three-year grants, 88, or 36.5 percent, were in their second, and 53 or 22.0 percent in their terminal year. Awards tended to be smaller when the comprehensive grant was in its terminal year than when it was in a first or intermediate year.

Table 2-10
NUMBER, PERCENT, AND AVERAGE SIZE AWARDS FOR COMPREHENSIVE GRANTS
BY YEAR AND DURATION OF GRANT, FY 1982
(14 STATES)

Year/Duration	Number	Percent	Amount of Awards ($000)	Average Size Award ($000)
1/1*	86	35.7	$57,098	$663.9
2/2	14	5.8	6,123	437.4
2/3	88	36.5	54,000	613.6
3/3	53	22.0	25,215	475.8
Total funded	241	100.0	$142,436	$590.9

*The "/" mark indicates first, the current grant year being funded and, second, the multi-year commitment. Thus, 2/2 is the second year of a two-year grant; 2/3 is the second year of a three-year grant, etc.

Source: Department of Housing and Urban Development, Office of Community Planning and Development, Data Systems and 'Statistics Division, Office of Management, compiled by Office of Program Analysis and Evaluation.

PROGRAM CHARACTERISTICS

The distribution of HUD-administered grants and grant funds to various types of local government is portrayed in Table 2-11. Grants to municipalities accounted for the bulk of grants and grant funds awarded in FY 1982, totalling 78.3% of grants awarded and 78.7% of grant dollars. Grants to counties constituted about 17% of grants and grant funds, and awards to other jurisdictions, under 5%.

In terms of the population size of grant recipients, communities of between 2,500 and 10,000 in population were awarded a higher share of grant funds than any other category of jurisdiction. Table 2-12 demonstrates that over one-third of grant dollars were expended in communities of this size. Grantees with fewer than 2500 persons received about 24% of grant funds as did communities between 10,000 and 25,000 in population. 17% of funds were awarded to places inhabited by more than 25,000 persons. This funding distribution closely resembles that for all 50 States and Puerto Rico in FY 1981, and is similar to the pattern of funding characteristic of the State-administered portion of the Program (see Figure 2-5).

Table 2-11
FY 1982 GRANTS BY TYPE OF GOVERNMENT,
(14 STATES)

Type of Government	Number of Grants	Percent	Amount of Grants ($000)	Percent
Municipalities	405	78.3	$199,910	78.7
Townships	21	4.1	8,166	3.2
Counties	89	17.2	43,602	17.1
Other	2	.4	2,263	1.0
Total	517	100.0	$253,941	100.0

Source: Department of Housing and Urban Development, Office of Community Planning and Development, Data Systems and Statistics Division, Office of Management, compiled Office of Program Analysis and Evaluation.

Table 2-12
FY 1982 DISTRIBUTION OF GRANT FUNDS BY POPULATION
SIZE OF GRANTEES
(14 STATES)

Size of City	Number of Grants	Percent	Amount of Grants ($000)	Percent
Under 1,000	60	11.6	$22,484	8.8
1,000-2,499	87	16.8	37,897	15.0
2,500-9,999	173	34.4	88,094	34.7
10,000-24,999	116	22.4	62,112	24.4
25,000 or more	81	15.6	43,354	17.1
Total	517	100.0	$253,941	100.0

Source: Department of Housing and Urban Development, Office of Community Planning and Development, Data Systems and Statistics Division, Office of Management, compiled by Office of Program Analysis and Evaluation.

Table 2-13
FY 1982 SMALL CITIES PROGRAM,
NUMBER AND AMOUNT OF GRANTS BY STATE,
AND PERCENT DISTRIBUTION OF GRANTS BY POPULATION SIZE OF CITIES

States	Approved Grants: Amount ($000)	%	Number	%	Percent Distribution of Grants by Population Size of Cities: Total	over 25,000	10,000-25,000	2,500-10,000	1,000-2,500	Under 1,000
Arkansas	$22,995	9	43	8	100	12	16	30	9	32
California	23,453	9	49	9	100	36	29	26	6	2
Colorado	9,654	4	20	4	100	5	25	45	5	20
Florida	21,520	8	35	7	100	20	6	40	17	17
Hawaii	1,400	1	2	1	100	100				
Kansas	17,118	7	39	8	100	10	28	34	8	20
Maryland	8,325	3	23	4	100	18	39	26	13	4
Minnesota	22,249	9	41	8	100	19	17	32	22	10
New Hampshire	5,619	2	12	2	100	8	42	42	8	
New Mexico	9,329	4	21	4	100	20	19	30	9	5
New York	38,925	15	81	16	100	17	30	38	10	5
Oregon	9,894	4	23	4	100	13	22	13	22	30
Texas	585,553	23	116	22	100	7	17	32	35	9
Vermont	4,905	2	12	2	100	25	67	8		
Total	$253,941.3	100%	517	100%	100%	15%	23%	33%	17%	11%

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Data Systems and Statistics Division, 1982, compiled by Office of Program Analysis and Evaluation.

Figures for each State's number and amount of grants awarded, as well the distribution of grants by grantee population size, are presented in Table 2-13.

Grant Closeouts

In order to ensure a more efficient use of staff resources, eliminate costs caused by delays, and ease the transition to state administration closeout of completed Small Cities grants has been a HUD priority for several years. In FY 1982, HUD closed out 2069 grants, an increase over the 2045 grants closed out in FY 1981, the first year in which close-outs exceeded new awards. HUD will continue this emphasis on the close-out of completed projects.

POTENTIAL JOB CREATION IMPACTS

In addition to the concrete community improvements resulting from planned FY 1982 Small Cities Program expenditures, the total allocation of $1.02 billion expended on project activities is expected to support or create approximately 31,000 jobs.[14]

Table 2-14 presents the comparative employment effects of these expenditures for each project activity for which data are available. Among construction-related activities, water and sewer projects, the most heavily-funded activity, generate the highest number of jobs. Street improvements account for a small portion of jobs supported, but generate them at a higher rate per $1 million in planned expenditures than do other construction activities. However, the most effective job creation activities are non-construction projects; generating an average 43.5 jobs per $1 million compared to a total program average of 30.6.[15]

This estimate includes both direct employment resulting from program expenditures, and indirect jobs generated through materials purchases in other sectors of the economy. It does not include the multiplier effects of planned expenditures, ie. those jobs supported through the additional spending of wages earned. Inclusion of this factor would result in substantially higher job estimates. In addition, spending for economic development activities and local infrastructure improvements are likely to spur further job formation not reflected in Table 2-14. (See Methodological Appendix at the end of Chapter One for a description of how the job estimates were calculated.)

Table 2-14
COMPARATIVE EMPLOYMENT IMPACTS OF
FY 1982 CDBG SMALL CITIES PLANNED EXPENDITURES

	Planned Expenditures (in millions)	Potential Jobs Created	Jobs Created Per/ Million $
(State-Awarded Grants)			
Construction			
Water & Sewer	83.6	1705	20.4[1]
Public Facilities	43.4	890	20.5[1]
Housing Rehabilitation	37.5	694	18.5[1]
Street Construction and Repair	4.8	133	27.6[1]
Non-Construction			
Public Services	14.2	555	39.1
Planning	2.3	110	47.9
Multi-Activity/Unspecified	173.1	5626	32.5[2]
'31-State Total	358.9	9713	27.1[3]
Total-All States	1,020	31,199	30.6[2]

[1]Jobs supported or created through construction-related expenditures are expressed as year-long full-time equivalents.

[2]The average of construction and no-construction jobs/$1 million (full and part- time) is used to estimate the employment impact of the category.

[3]This figure is somewhat understated due to the unavailability of administrative cost estimates for planned activities.

[4]These estimates do not include the potential income multiplier effects of CDBG on employment. If these effects are taken into account, it has been estimated that approximately twice as many potential jobs would be supported.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Factbook for Estimating the Manpower Needs of Federal Programs and Robert Ball, "Employment Created by Construction Expenditures", Monthly Labor Review, December 1981; Calculated by Office of Program Analysis and Evaluation, Community Planning and Development, HUD, 1982.

Table 2-15
CDBG DISCRETIONARY FUNDING BY MAJOR ACTIVITIES
BUDGETED 1978-1982
(Dollars in Millions)

Activity	1982*	1981	1980	1979	1978
Rehabilitation	$64.0 (17.8%)	$298.5 (34.4%)	$301.1 (32.7%)	$221.1 (30.1%)	$144.3 (28.3%)
Public Facilities and Improvements	163.1 (45.6%)	353.2 (40.8%)	389.7 (42.3%)	330.8 (44.9%)	224.8 (44.1%)
Acquisition/ Clearance-Related	.8 (0.2%)	101.2 11.6%)	119.1 (12.9%)	99.3 (13.5%)	80.2 (15.7%)
Public Services	.8 (0.2%)	2.2 (0.3%)	2.8 (0.3%)	2.2 (0.3%)	2.0 (0.4%)
Economic Development	77.3 (21.5%)	21.9 (2.5%)	15.6 (1.7%)	10.3 (1.4%)	9.8 (1.9%)
Planning, Administration or Local Contingencies	2.5 (0.7%)	90.3 (10.4%)	92.6 (10.1%)	72.0 (9.8%)	48.7 (9.6%)
Multi-Activity	48.9 (13.6%)				
No Information on Activity	1.4 (0.4%)				
Total Dollars (Percents)	$358.8 (100.0%)	$867.3 (100.0%)	$920.9 (100.0%)	$735.7 (100.0%)	$509.8 (100.0%)

*Includes only 31 State-administered Small Cities Programs.

Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Management Data Systems and Statistics Division, compiled by the Office of Program Analysis and Evaluation, 1982.

FOOTNOTES

1. Data sources include the Department of Housing and Urban Development, Office of Community Planning and Development, Office of Program Analysis and Evaluation, Small Cities Data Base, 1982; Office of Management FORMS Data Base, 1981; and data from the Urban Systems Research and Engineering, Inc.'s forthcoming report on the Community Development Block Grant Program Transfer Evaluation, Contract HC-5546, with the Office of Policy Development and Research.

2. In FY 1981, 16 hours were allocated for the preparation of the pre-application and 107 hours for the application for a total of 123 hours. In FY 1982, the single application process has reduced the preparation time per application to 40 hours.

3. Housing and Community Development Act Amendments of 1974 (PL 93-383, 88 Stat. 633).

4. States were also required to provide assurances of compliance with the national objectives and applicable Federal laws.

5. Prior to 1981, the statute set aside a designated amount for the Secretary's Fund and non-central cities under 50,000 persons within SMSAs. Eighty percent of the remainder is then allotted by formula among the entitlement jurisdictions. The remaining 20 percent is used for discretionary grants to non-metropolitan jurisdictions, that is, communities that are not located in SMSAs.

6. U.S. Senate, Committee on Banking, Housing and Urban Affairs, Housing and Community Development Amendments of 1981, Report 97-87 to accompany S.1197, together with additional views, 97 Congress, 1st Session, May 15, 1981, p. 18.

7. Data concerning HUD's State program operations are from the State Community Development Block Grant Program: The First Year's Experience. This study was conducted by Urban Systems Research and Engineering, Inc., under contract with the Office of Policy Development and Research, Department of Housing and Urban Development. USR&E reviewed State-submitted Final Statements and surveyed the Community Development Director for each of the 37 State-administered programs for information on administrative structures, program design, and selection systems.

8. Information on the number of applicants for each State was obtained from multiple sources. Data from State press releases provided by the Council of State Community Affairs Agencies was supplemented largely through information provided by HUD Area Offices. In some few cases, clarifications were sought from the appropriate State agencies.

9. Information concerning the number and amount of awards, recipients, and the purposes for which FY 1982 grant funds are planned to be expended is contained in the Office of Program Analysis and Evaluation Data Base. These data are derived from documents provided by the States, supplemented by Area Office clarifications when necessary. Fourteen of the 31 States choosing State administration of the program, and for which information was available, reported expending the entirety of their grant allocation. Due to Imminent Threat reserves or multiple funding rounds, the remaining 17 States had not awarded all of their grant funds as of January 1, 1983. On average, grants awarded in these States constituted 82.6 percent of their total allocation. Thus, the distribution of grant funds by region, population, and project presented in the chapter tables may change somewhat based on future grant awards. These changes, however, should not significantly affect the funding patterns discussed in the text.

10. Information on the numbers of grants and grant dollars awarded for FY 1981 is drawn from material supplied by the Data Systems and Statistics Division, Office of Management, Community Planning and Development, HUD. This information is based on budget figures provided by HUD's Area Offices for the majority of HUD Small Cities grants awarded. In the 31 States opting to accept transfer of the program, FY 1981 data are available for 93 percent of FY 1981 grantees.

11. The UDAG program distress measure was used for Table 2-7. This table does not include counties.

12. Data presented for HUD-awarded grants in the 14 States remaining under HUD administration are compiled by the Office of Program Analysis and Evaluation from data supplied by the Data Systems and Statistics Division, Office of Management, Community Planning and Development, HUD. These data are complete for those grants awarded and reported to HUD Central Office as of March 3, 1983.

13. For the derivation of this estimate, see the Methodological Appendix IN Chapter 1.

14. These figures differ from the averages presented in the chapter on Entitlement Communities due to the unavailability of precise budgetary information on Small Cities Program projects.

CHAPTER 3: THE URBAN DEVELOPMENT ACTION GRANT PROGRAM

INTRODUCTION

This chapter reports on the activities of the Urban Development Action Grant (UDAG) program through the end of FY 1982. Under the Action Grant program, as amended in 1981, the Secretary is authorized to make grants "to cities and urban counties which are experiencing severe economic distress to help stimulate economic development activity needed to aid in economic recovery."[1] Congress established the program in 1977 and has since appropriated $2.6 billion in funds for use in projects in distressed cities.

Action Grant funds are awarded on a discretionary basis. Communities are eligible to apply to HUD for funding if they meet distress criteria established by HUD, and also have demonstrated results in providing housing for persons of low- and moderate-income and in providing equal opportunity in housing and employment for low-and moderate-income persons and minorities.

To obtain a UDAG award for a proposed project, an eligible community must obtain firm, legally binding commitments from private sector participants. The private investment must be at least two and one-half times the amount of the Action Grant. It must be demonstrated that "but for" the infusion of UDAG funds the project could not be undertaken and that the UDAG amount is the least amount required. Major factors in project selection are the number of new permanent jobs to be created, particularly for persons of low- and moderate-income, and the amount of local government tax revenues to be generated.[2]

Once a project is selected for an Action Grant award, final agreements are signed by the private, local, and HUD participants; and project development takes place. Two documents--a grant agreement which is a contract between the locality and HUD stating final terms and conditions of the activities to be undertaken and the legally binding commitments which document enforceable commitments from project participants--are executed before a letter of credit allowing the recipient to draw down UDAG funds is issued to the locality. In addition, environmental requirements must be met before project activity (except administrative, environmental studies, and relocation activity) supported by the Action Grant can be undertaken.

During project development, continued Action Grant funding is conditioned on meeting the performance schedule specified in the grant agreement. Grantees submit quarterly progress reports throughout the development period and projects are also monitored by HUD field staff. Projects are closed-out when all activities defined in the grant agreement are finished and all costs have been incurred. A project is subsequently considered complete when all performance requirements such as jobs and taxes have been met and a final audit has been approved.

OVERVIEW

This report discusses recent developments in the Action Grant program, program operations in FY 1982 including awards and status of projects, and planned and actual benefits. It also provides an in-depth look at project characteristics. All preliminary awards announced during FY 1982 are described in an Appendix. Major findings and topics from each section are summarized below.

Recent Program Developments. Congressional actions amending the Action Grant program for FY 1982 and HUD-initiated steps have led to several important administrative developments in FY '1982. The main development has been to focus on stimulating economic development and job creation in response to new direction from the Congress and the Administration.

Other developments include revising regulations and forms to simplify application requirements and paperwork and to provide stronger documentation. The field office role has been expanded in providing pre-application assistance to cities and in post-grant agreement management and monitoring of a steadily growing number of projects. Outreach and assistance to small cities has been intensified.

Program Operations in FY 1982. Appropriations for the Action Grant program in FY 1982 were $435.1 million.[3] The annual level for the two previous fiscal years was $675 million. Total budget authority through FY 1982 has been just under $2.6 billion.

During FY 1982, 371 projects were given preliminary application approval. These projects involved $422 million of Action Grant funds They leveraged over $2.5 billion in private Sector commitments and an additional $188 million from other public sources. Completed projects have leveraged 11 percent more private investment than planned. Total planned project investment in FY 1982 was just over $3.1 billion,

Cumulatively through FY 1982, total planned investment has been $18.0 billion in 1,453 announced projects which are still active or completed. Action Grant funds have accounted for $2.4 billion of this amount with $14.1 billion in commitments leveraged from private sector investors and more than $1.5 billion from other government sources. More detail is provided in the Program Operations section of this chapter along with information on progress in construction and expenditures.

Program Benefits. The 371 projects announced during FY 1982 call for the creation of 55,060 new permanent jobs of which 59 percent have been designated for persons of low and moderate income. Over the life of the program, 1,453 projects have accounted for 340,000 planned new permanent jobs, 60 percent of which were for low- and moderate-income persons. As of the end of FY 1982, 80,000 new permanent jobs were reported by grantees as having been created by UDAG projects.

Projects announced in FY 1982 were estimated to produce $43 million in additional .revenue to local governments from property taxes and other tax sources. For all projects, the amount of planned annual tax benefits was $381 million; grantees report that $41 million is already being received annually. The Program Benefits section of this chapter provides greater detail on these planned and actual impacts of UDAG projects along with a discussion of other benefits such as housing, historic preservation, and minority participation.

Program and Project Characteristics. The final section of the report describes characteristics of projects and uses of the investment for the program from start in 1978 through FY 1982. One-half of all Action Grant projects have been commercial or mixed-development projects containing a major commercial component, 34 percent have been industrial, and 15 percent have been purely housing, as measured by the way funds are actually used.

Commercial activities have most often been retail and office developments. Other commercial development has included hotels, medical facilities, and cultural centers. Industries most frequently involved in UDAG projects have been those which produce food and food products, non-electrical machinery, and metal products. However, in both commercial and industrial projects there has been great diversity in the type of economic development taking place.

Most UDAG funds (72 percent) have been used by communities to provide direct incentives to private sector participants, principally in the form of loans. The use of UDAG funds as direct incentives has increased greatly in recent years, from 53 percent in FY 1978 and 1979 projects to 90 percent in FY 1981 and 1982 projects. A smaller portion, 26 percent, of the UDAG funds has been used by local governments for infrastructure development such as street repair and water and sewer line replacement.

Public funds other than UDAG have accounted for six percent of the total project investment. Of the funds derived directly from other public sources, 69 percent have been provided by local governments, 20 percent by Federal agencies, and 11 percent by the States.

Among eligible cities, UDAG funds have been targeted to those which are more distressed. In large cities and urban counties, for example, two-thirds of the projects and funds have been awarded to the one-third of the eligible cities that are most distressed. The program and project characteristics section of this chapter provides greater detail on these and related findings.

RECENT PROGRAM DEVELOPMENTS

Significant developments affecting the administration of the UDAG program have occurred in four major areas. These areas, which overlap to some degree, are: program design, operating procedures, the role of HUD field offices, and small cities' participation in the UDAG program.

PROGRAM DESIGN

The Housing and Community Development Amendments of 1981 modify the purpose of Urban Development Action Grants to emphasize economic development projects that give the biggest impact in terms of new permanent jobs and local tax revenues. The 1981 Amendments also do away with the previous requirement that there be a "reasonable balance" among commercial, industrial, and neighborhood projects. These changes are reflected in a revision of the UDAG program regulations published in February 1982 and have led to a greater emphasis being given to projects that have the greatest impact in terms of jobs and taxes.

The Department has also taken action to help strengthen the ability of States and local government officials to undertake public/private partnerships and to make effective use of the various tools and techniques designed to promote economic development activities. These actions included the training of HUD field office staff to enable them to provide more pre-application advice and guidance on proposed UDAG projects and the use of the Secretary's Discretionary Fund to provide technical assistance on the packaging and-development of UDAG applications.

OPERATING PROCEDURES

Continued emphasis is being given to improving the procedures which govern the administration of the UDAG program. The 1981 Amendments contain provisions designed to simplify the application process and to reduce the paperwork involved. The provision with the greatest impact in this regard eliminates the requirement for local governments to submit UDAG applications to their A-95 regional and State clearinghouses for review. This and other provisions dealing with simplified procedures are incorporated in the February 1982 revision of the UDAG regulations.

In addition, the UDAG application has been revised to reflect these legislatively mandated changes and to implement other improvements. The 1981 Amendments stipulate that the Action Grant should be the least amount necessary to stimulate the private investment and any other public funds required to carry out a project. The recommendations of "An Impact Evaluation of the Urban Development Action Grant Program" conducted by HUD's Office of Policy Development and Research and published in January 1982 were consistent with this stipulation. These recommendations called for applications to include stronger "but for" letters from cities and private developers justifying the UDAG subsidy, appropriate documentation of the project's economic feasibility, and improved accuracy of employment and revenue estimates. The revisions to the UDAG application form incorporate the requirements for stronger "but for" letters and additional financial documentation, and include detailed instructions on how to calculate employment and revenue benefits.

THE ROLE OF HUD FIELD OFFICES

There has been a steady increase in the number of active UDAG projects from year to year. There were almost twelve times as many projects at the close of FY 1982 (1,453) compared to the number (124) at the end of the program's first fiscal year in 1978. An average of 333 projects has been added in each of the last four fiscal years. The workload of managing and monitoring post-grant agreement project activity has grown steadily.

As a result, it has been necessary to expand and clearly define HUD field office responsibilities in the post-grant agreement management and monitoring of existing projects. To make this active involvement more effective, an ongoing training program was established at Headquarters in which selected field office staff receive intensified instruction in the Action Grant process. Moreover, the position of Economic Development Specialist has been created and each field office now has one or more such specialists who concentrate on the UDAG program and who also help train other staff members.

To support the field offices and provide central guidance, the UDAG Monitoring Handbook has been revised, and revisions to the UDAG Project Close-Out Handbooks were undertaken. Monitoring activities are being concentrated on those projects which are authorized to draw down UDAG funds. Monitoring is focused on adherence to schedule and on financial accountability. Seven hundred twelve projects were monitored in 417 communities during FY 1982. As noted above HUD field office staff also are now providing increased pre-ovelication assistance to local government officials to facilitate the development of their applications and to improve application quality.

SMALL CITIES PARTICIPATION

As required by statute, not less than 25 percent of each annual UDAG appropriation is set-aside for award to small cities. The total amount of UDAG funds requested in applications submitted by small cities substantially exceeds the amount of the set-aside. But, there has not been a sufficient number of applications which meet minimum criteria for funding, such as firm private sector financing, to obligate those funds fully. As a result, there has been a carryover of unobligated, unannounced small cities funds. This carryover amounted to just over $70 million at the end of FY 1980, $97 million by the end of FY 1981, and $142 million at the close of FY 1982.

A number of actions to deal with this condition have been underway. A new outreach effort was undertaken which called for each HUD Area Office to advise the mayors of all UDAG-eligible small cities located in their area of the program's existence and of their eligibility to participate in it. HUD technical assistance contractors are intensifying their efforts to provide assistance on proposal development directly to a number of small cities as well as through State governments. HUD field office are making a concerted effort to provide pre-application advice to local government officials in small cities and to work closely with them to improve the quality of their applications.

PROGRAM OPERATIONS IN FISCAL YEAR 1982

This section begins with a brief discussion of the Congressional appropriations for the UDAG program. It then provides information for those projects which were either still active or had been completed as of the end of FY 1982.[5] There were 371 such projects announced during FY 1982 and 1,453 over the life of the program. There is a description of the financial characteristics of those projects, their distribution between large cities and small cities and those which involve Pockets of Poverty.

The remaining portion of the section measures program progress based on projects for which a grant agreement had been signed by both HUD and the grantee as of the close of FY 1982. Following a breakdown of the use of UDAG funds in those projects in support of industrial, commercial and housing activities, it shows how much of the planned UDAG dollars had been drawn down and how much of the private investment commitments had been expended as of the close of FY 1982.[6] The balance of the section describes the status of consaruction for projects with signed grant agreements and the numbers and proportion of projects which have been closed out or completed.

APPROPRIATIONS

The amount of funds appropriated by Congress for the UDAG program for FY 1982 was $435.1 million.[7] This compares to an annual level of $675 million for both FY 1980 and FY 1981. The total amount of funds appropriated for the period FY 1978-1982 was $2,585 million.

CHARACTERISTICS OF ANNOUNCED PROJECTS

Financial Characteristics. Since the inception of the UDAG program there have been 1,611 projects announced. As of the end of FY 1982, formal budget records show that 1,472 of those projects had grant agreements which had been signed by HUD involving the obligation of appropriated UDAG funds in the amount of $2,412,277,000.

On a working basis, however, program reports and analyses often are based on those announced projects which are still active or completed. Much of the following analysis relies on this base. Of the 1,611 announced projects, 158 had been cancelled or terminated as of the end of FY 1982, leaving a balance of 1,453 active or completed projects.

Over the life of the program, $18.0 billion in total planned investment has been associated with the 1,453 active or completed projects, Action Grant funds have accounted for $2.4 billion of this amount with $14.1 billion in commitments being leveraged from private sector investors and more than $1.5 billion from other Federal, State, and local government sources. Basic information on the financial characteristics and planned benefits of the 1,453 active or completed projects, by fiscal year and in total, is shown in an Exhibit at the end of this chapter.

TABLE 3-1

FINANCIAL CHARACTERISTICS OF ACTIVE AND COMPLETED PROJECTS

Item	FY 1982	FY 1978-1982
Number of Projects	371	1,453
Action Grant Funds	$ 422 million	$ 2,363 million
Private Investment	$2,527 million	$14,091 million
Other Public	$ 188 million	$ 1,527 million
Total Project Costs	$3,137 million	$17,981 million
Action Grant Funds Per Project	$1,137,000	$ 1,676,000
Total Project Costs Per Project	$8,456,000	$12,375,000
Ratio: Private Investment $ to UDAG $	6:1	6:1

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

During FY 1982, 371 projects were announced involving Action Grant funds in the amount of $421.8 million as shown in Table 3-1.[8] These awards in turn leveraged over $2.5 billion in private sector commitments and an additional $188.0 million from other public sources bringing total planned project investment to just over $3.1 billion.

The ratio of private investment commitments to Action Grant funds of 6:1 for FY 1982 projects was the same as for all projects from FY 1978 through FY 1982. However, the average grant size dropped in FY 1982; UDAG dollars per project averaged $1.1 million in FY 1982, declining significantly from the $1.6 million average for all projects. Total investment per project in FY 1982 of $8.5 million has also dropped as compared to $12.4 million for all projects.

Distribution of Projects and Action Grant Dollars by City Type. In response to the legislative requirement that not less than 25 percent of UDAG funds be set aside and awarded to small cities, separate funding rounds have been established to review applications and make awards for eligible large cities and small cities projects. Small cities are cities with populations less than 50,000 that are not central cities of a metropolitan statistical area. Large cities include urban counties as used here.

TABLE 3-2

DISTRIBUTION OF PROJECTS AND UDAG DOLLARS IN ACTIVE AND COMPLETED PROJECTS
(Dollars in Millions)

Item	FY 1982	FY 1978-1982
Number of Projects--Total	371	1,453
Large Cities	238	850
Small Cities	133	603
Percent of Projects	100%	100%
Large Cities	61	58
Small Cities	39	42
UDAG Dollars--Total	$422	$2,363
Large Cities	$348	$1,847
Small Cities	$ 74	$ 516
Percent of UDAG Dollars	100%	100%
Large Cities	82	78
Small Cities	18	22
Pockets of Poverty		
Number of Projects	8	20
Amount of Projects	$13	$31

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

In FY 1982 small cities received almost 39 percent of the awards but only 18 percent of the UDAG funds.[9] Over all program years 42 percent of all awards have been made to small cities involving just under 22 percent of the total amount of the funds announced, as shown in Table 3-2.

Pockets of Poverty. Twenty awards for Pockets of Poverty have been made since the statute was amended in 1980 to establish this option.[10] The total amount of UDAG funds involved has been $31 million. The Action Grants to Pockets of Poverty range in size from $67,000 to $9,750,000 and average $1.5 million. Eight of these awards were announced in FY 1982 with a total value of $13 million.

Economic Activities Funded by Action Grants. Action Grant funds are used to support three types of economic development activity: industrial, commercial, and housing. A project may have entirely one type of activity (the usual case) or a mixture (often commercial and housing together). This section reports on the proportion of UDAG funds program-wide actually programmed for these activities. Subsequent analysis then refers to projects based on whether they involve pure industrial, commercial, or housing activity, or a mix.

The majority of UDAG funds have supported commercial development. One-quarter have been used for industrial development, and fifteen percent have gone to develop housing over the five program years.

TABLE 3-3

DISTRIBUTION OF UDAG FUNDS BY ECONOMIC ACTIVITY, 1978-1982

Item	Industrial	Commercial	Housing
All projects	26%	59%	15%
1978-79	26%	56%	18%
1980	27	59	14
1981-82	24	63	13
Large	17%	67%	16%
Small	57	31	12

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

Over time, the percentage of UDAG funds for commercial development has gradually increased and the portion for housing has decreased. Between the first two and last two program years, the percentage of all UDAG funds for commercial development has increased from 56 percent to 63 percent. In the same time period, the percentage of UDAG funds for housing has declined from 18 percent to 13 percent. The percentage for industrial development has stayed approximately constant.

Economic activity supported by UDAG funds has been quite different in large communities as compared to small cities. The predominant use of funds in large cities has been for commercial development, involving nearly 70 percent of their total UDAG funds. Small cities on the other hand have most often used UDAG funds for industrial development--almost 60 percent has gone for this activity.

FINANCIAL PROGRESS

UDAG Drawdowns. Fifty-five percent of the total planned amount of investment in projects with signed grant agreements have been drawn down, according to project records. As Table 3-4 shows, small cities projects have a higher drawdown rate (63%) than do those in large cities (53%). Among project types, the rate is highest for industrial projects (66%) and the lowest for commercial projects (49%). Projects announced in FY 1978 and FY 1979 together have had 80% of the planned UDAG amount drawn down.

TABLE 3-4

UDAG DRAWDOWNS IN PROJECTS WITH SIGNED GRANT AGREEMENTS
(Dollars in Millions)

Item	Planned	Actual	Percent
All Projects*	$1,931	$1,069	55%
Large	1,495	794	53
Small	436	275	63
Industrial	442	291	66
Commercial	990	486	49
Housing	171	97	57
Mixed	328	195	60
FY 1978-1979 Projects	797	634	80

* Note: based on 1169 grant agreements coded for this analysis.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

Private Investment Expenditures. For projects with signed grant agreements, there has been over $11.9 billion of planned private investment, as Table 3-5 shows. By the end of FY 1982, grantees reported that almost $7.7 billion, or 64 percent of that amount, had been expended.

Actual private investment was 82 percent of planned for small cities and 59 percent for large cities. Industrial and housing projects show substantially higher rates of achieved investment than those for commercial and mixed projects. For the FY 1978-1979 projects, 94 percent of the planned private investment has occurred. For those projects which were either closed out or completed (defined below), private investment has actually exceeded plans by 11 percent. In other words, at completion, UDAG projects leveraged even more private investment than originally planned.

TABLE 3-5

EXPENDITURE RATES OF PLANNED INVESTMENT IN PROJECTS WITH SIGNED GRANT AGREEMENTS

Item	Planned	Actual	Percent
Projects*	$11,935	$7,663	64%
Large	9,061	5,306	59%
Small	2,864	2,357	82%
Industrial	3,204	2,628	82%
Commercial	6,104	3,222	53%
Housing	824	844	102%
Mixed	1,793	969	54%
FY 78-79	4,942	4,663	94%
Closed Out and Completed	1,064	1,181	111%

*Note: based on 1169 grant agreements coded for this analysis.
OURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

PROJECT DEVELOPMENT

Construction Status. As of the close of FY 1982, progress on planned construction activities, as reported by UDAG grantees, indicated that construction had been finished in 30 percent of the projects with signed grant agreements. Table 3-6 shows that construction was underway in 49 percent of the projects, and in 21 percent construction activities had not yet begun.

By the end of FY 1982, small cities projects had made more progress toward finishing construction than had large cities projects. Thirty-five percent of small cities projects had been finished compared to 26 percent of those in large cities. Similarly, only 18 percent of small cities projects had not yet started construction in contrast to 23 percent of large cities projects. The greater progress of small cities reflects the generally smaller scale and reduced complexity of small cities projects.

Among project types, industrial projects showed the most progress in respect to finishing construction. By the end of FY 1982, 42 percent of all industrial projects were finished; this compared to 19 percent for mixed projects and just 16 percent for housing projects.

TABLE 3-6

CONSTRUCTION COMPLETION STATUS IN PROJECTS WITH SIGNED GRANT AGREEMENTS

Item	Not Yet Started	Underway	Finished
All Projects	21%	49%	30%
Large	23	51	26
Small	18	47	35
Industrial	18	40	42
Commercial	22	49	29
Housing	32	52	16
Mixed	12	69	19

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

Closeout and Completion Status. A UDAG project is closed out when all of the activities defined in the grant agreement, including construction, are finished and all costs to be paid with grant funds (with minor exceptions) have been incurred. A project is complete (and a Certificate of Project Completion issued) when all of the benchmarks necessary for closeout have been met, a final audit has been approved, and performance requirements such as jobs and taxes as called for in the closeout agreement have been met.

As of the end of FY 1982, there were 197 projects which had reached the closeout stage and an additional 83 projects for which Certificates of Project Completion had been issued. The total number of projects in both categories was 230. Of these, 105 projects were closed out and another 36 completed during FY 1982.

Of all projects with signed grant agreements, 12 percent were closed-out and another seven percent completed for a total of 19 percent, as shown in Table 3-7. Consistent with the record of finishing construction, a greater percentage of small cities projects were closed-out or completed. Twenty-four percent of the projects in small cities have reached the stage of being either closed out or completed, compared to 15 percent of large cities projects. A comparable pattern is reflected among project types with industrial projects at 24 percent having the highest rate of closeout and completion. In contrast 12 percent have been closed out or completed for mixed projects and only 10 percent for housing projects. Over 41 percent of all projects announced in FY 1978 and 34 percent of FY 1979 projects were either closed out or completed.

TABLE 3-7

PROJECT COMPLETION STATUS

Item	Percent Closed Out	Percent Completed	Combined Percent
All Projects	12%	7%	19%
Large	11	4	15
Small	13	11	24
Industrial	13	11	24
Commercial	13	6	19
Housing	7	3	10
Mixed	10	2	12
FY 78 Projects	22	19	41
FY 79 Projects	21	13	34
FY 80 Projects	10	3	13
FY 81 Projects	4	0	4
FY 82 Projects	0	0	0

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

PROGRAM BENEFITS

This section discusses planned benefits for jobs, taxes, and housing, from the UDAG program and reports on actual progress in achieving them. It also notes additional benefits such as minority business participation and historic preservation. It should be noted that reports for some completed porojects were not available, and thus some benefits may be undercounted.[11]

PLANNED EMPLOYMENT BENEFITS

Active projects announced in FY 1982 will provide over 55,000 planned new permanent jobs. Fifty-percent are designated for persons of low- to moderate-income. For all 1,453 projects, there are 340,000 new permanent jobs to be created of which 59 percent are intended for low- and moderate-income persons.

Estimates for planned job creation and retention in Action Grant projects have declined over time, as projects have had to adjust to increased construction costs and as new application requirements have caused job estimates to be more accurate. The average number of UDAG dollars per new permanent job to be created in FY 1982 projects is $7,650, an increase over the average of $6,950 for all projects. The number of planned new permanent jobs per project of 149 in FY 1982 has dropped from 234 for all projects, due to the smaller average size of FY 1982 projects.

TABLE 3-8

PLANNED EMPLOYMENT BENEFITS

Item	FY 1982	Total
New Permanent Jobs	55,142	340,135
Low/Moderate Income Jobs	32,645	200,918
Percent Low/Moderate	59%	59%
New Permanent Jobs Per project	149	234
UDAG Dollars Per New Job	$7,650	$6,950
Construction Jobs	38,320	259,367

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

Action Grant dollars per job in commercial and related projects have averaged $8,050, compared to $5,200 for industrial projects. The industrial average has been less because these projects usually have a higher leverage ratio than commercial, and are focused more specifically on job creation. Two-thirds of planned permanent jobs have been in commercial and related projects; the rest have been in industrial. Both commercial and industrial projects have had about equal proportions of planned jobs for low- and moderate-income workers--59 percent.

Action Grant projects often are designed to retain existing permanent jobs which might otherwise be lost by distressed cities. It is expected that over 13,900 jobs will be retained in projects announced in FY 1982 and more than 60,000 are estimated to be retained in all UDAG projects. Planned retained jobs have dropped as a proportion of all planned permanent jobs, from 21 percent in early years to seven percent recently.

Construction Jobs. An additional employment benefit from the program is the construction jobs provided during project development. Over 38,000 construction jobs are expected in FY 1982 projects and almost 260,000 from all UDAG projects.12

ACTUAL JOB CREATION

At the end of FY 1982, almost 80,000 new permanent jobs had been created by the Action Grant program--one-quarter of all planned jobs. Of these jobs 51,000 were in large cities and 29,000 in small cities. Thirty four thousand of all new jobs were industrial positions; the rest, 46,000, are in commercial and related activities. Forty eight thousand of the jobs are now being held by low- or moderate-income people.

Those Action Grant projects which have reached financial closeout or completion have created 74% of all planned jobs and 88 percent of planned low- and moderate-income jobs. A project is not normally certified complete until jobs and other benefits are fully realized after closeout. By the end of FY 1982, grantees also reported 180,000 construction jobs had been created.

TABLE 3-9

NEW PERMANENT JOBS

	Planned	Created	Percent
All Projects:			
New Permanent Jobs	340,135	79,548	23%
LOW-Mod Jobs	200,918	48,382	24%
Projects at Closeout or Completion:			
New Permanent Jobs	33,943	24,969	74%
LOW-Mod Jobs	19,591	17,307	88%

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

PLANNED FISCAL BENEFITS

Another major objective of the use of UDAG funds is to generate new revenue for distressed cities from project activities. Total tax increases to be provided by FY 1982 projects from all sources are projected at $43 million annually. The principal source of new revenue will be derived from taxes on real estate: About $29 million in annual revenue increase is expected from this source from FY 1982 projects once they are completed. An additional $14 million in annual revenue is to be derived from other tax sources such as the local portion of sales taxes, local income taxes, inventory taxes, and payments in lieu of taxes (PILOT).

TABLE 3-10
PLANNED ANNUAL FISCAL BENEFITS

Item	FY 1982	Total
Property Tax Increase	$29 million	$242 million
Other Tax Increase	$14 million	$139 million
Total	$43 million	$381 million
Tax Increase Per UDAG $	$0.10	$0.16

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

For all projects, $242 million in projected property tax increases together with planned increases of $139 million from other sources is expected to produce additional annual revenues for communities of over $380 million.

For FY 1982 projects, each UDAG dollar will generate 10¢ in additional annual revenue from project-related activities. This compares to an average of 16¢ from each UDAG dollar from all projects.

Tax Abatements. About one-quarter of all projects receive some form of tax abatement. The rate has dropped slightly in recent program years to 21 percent. Overall, about 28 percent of projects in large cities and 18 percent in small cities receive some degree of abatements. The amount of abatement and is effect on expected tax revenue increases varies widely among projects.

Actual Tax Revenues. In FY 1982, communities with UDAG projects received $41 million in actual tax and related payments--$22 million annually in actual property tax payments, $15 million in other taxes, and $4 million in payments in lieu of taxes. This is 11 percent of planned tax revenues from all projects. Large cities received $29 million of these payments, and small cities received $12 million.

TABLE 3-11

ANNUAL ACTUAL TAX AND RELATED REVENUES

	Planned	Received	Percent
All Projects:			
Property Tax	$242 million	$22 million	9%
Other Taxes	$139 million	$19 million	14%
Total	$381 million	$41 million	11%
Projects at Closeout or Completion:			
Property Tax	$ 17 million	$ 4 million	21%
Other Taxes	$ 10 million	$ 4 million	39%
Total	$ 27 million	$ 8 million	30%

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

Another source of revenue is paybacks by private developers to cities of UDAG loans. Cumulative payments totalled $19 million at the end of FY 1982--$12 million in large cities and $7 million in small cities.

HOUSING.

In its first five years, the program has planned construction or rehabilitation of 71,500 housing units--28,600 new units and 42,900 rehabilitated units. Forty-four percent are intended for low- and moderate-income residents.

Planned Housing. Total numbers of units planned in Action Grant projects have remained relatively constant throughout the program, at about 15,000 units per year. But the character of this housing activity has changed dramatically, shifting from over 50 percent new construction in the early program years to 85 percent rehabilitation in recent years. (Two very large recent rehabilitation projects inflate this proportion. Without these projects, the current rate is 79 percent rehabilitation.)

The amount of Action Grant dollars actually devoted to housing has decreased substantially in per unit cost because of the relatively lower expense of rehabilitation. Per unit housing cost in early program years was $6,800; in recent years it has averaged $2,600 (excluding two extreme projects would raise the current average to $4800). Proportions of units intended for low- and moderate-income people have remained the same. UDAG supported housing has been largely a large city activity -- 86 percent of the units and 82 percent of the UDAG funds spent on housing have been committed in large cities.

Pure and Mixed Housing Projects. One third of all housing units have been planned in mixed projects which combine housing and commercial activities. These mixed projects account for 42 percent of all UDAG funds spent on housing. The proportion of housing units in mixed projects has dropped substantially in 1981 and 1982 from early program years--largely because of an increase in pure housing rehabilitation activity.

Housing activity in mixed-use projects has been more likely to be new construction than in pure housing projects and this has translated into a relatively higher UDAG commitment per unit. UDAG commitments for housing per planned housing unit in mixed-use projects has averaged $6,100 per unit compared to $4000 in pure housing projects.

TABLE 3-12

HOUSING UNITS

	Planned	Complete	Percent
All Projects:			
Housing Units	71,534	17,268	24%
Low/mod Units	31,554	9,282	29%
Projects at Closeout or Completion:			
Housing Units	3389	1908	56%
Low/mod Units	2067	963	47%

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

Housing Performance At the end of Fiscal Year 1982 8,200 new housing units and 9,100 rehabilitated units were complete, totalling 17,300 housing units available on the market. This is 24 percent of all planned units. Nine thousand three hundred of these units are available for low- and moderate-income residents.

OTHER BENEFITS.

Action Grant projects provide subsidiary benefits besides jobs, housing, and taxes. These include opportun ties for minority contractors, historic preservation, and special activities such as assistance to Indian tribes and energy conservation.

Minority Contracts. Over 20 percent of all projects which have reaced the signed grant agreement stage indicate that minority contractors will be used in project construction, and 14 percent have planned minority business ownership in the project.

TABLE 3-13

PLANNED MINORITY PARTICIPATION

	Projects with Minority Construction Contracts	Projects with Minority Business Participation
Total	21%	14%
1978-80	15	10
1981-82	31	23
Large	25	19
Small	15	9
Industrial	13	9
Commercial and Housing	23	17
Pockets of Poverty	40	29

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

In recent years of the Action Grant program, there has been a substantial increase in the proportion of projects with planned minority participation--reaching 30 percent with minority construction contracts and 23 percent with minority business participation in 1981 and 1982. Rates in previous years were 15 percent and 10 percent for construction and ownership. Minority involvement has been more likely in large city projects than small cities; and in commercial and housing projects than industrial. Forty percent of projects in Pockets of Poverty have expected minority construction contracts, and 30 percent have included minority business participation.

Progress toward meeting minority contractor commitments appears to be greater than initially anticipated. Of 960 projects which had reached a stage of letting contracts, half, 478 projects, had provided at least some contracts to minority contractors. In these 960 projects, fourteen percent of all contracts and subcontracts have actually gone to minority firms; the dollar value of these minority contracts and subcontracts is $402 million, which is 6 percent of the total public and private project amount contracted as of the end of Fiscal Year 1982.

Historic Preservation. The rehabilitation and renovation of historic buildings of all types, which often involves the conversion to uses other than those for which they were originally designed, can make a significant contribution to a city's economic development and revitalization efforts. Over nine percent of UDAG projects with signed grant agreements have involved planned historic preservation activities, either in whole or in part.

TABLE 3-14

HISTORIC PRESERVATION
(Dollars in Millions)

Item	All Projects	HISTORIC PRESERVATION ACTIVITIES Number or Value	Percent
Projects	1,169*	107	9%
UDAG	$1,931	$ 68	4%
Private	$ 11,925	$332	3%
Other Public	$ 847	$ 22	3%
Total	$14,703	$422	3%

* Equals all projects for which data are available.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

These projects include $68 million of UDAG funds which were specifically tied to historic preservation, amounting to 4 percent of all UDAG dollars associated with projects with signed grant agreements. About $422 million in total project investment has been targeted for historic preservation which represents 3 percent of total project costs for 1,169 projects.

The total planned investment of $422 million designated for historic preservation activities represents just under 25 percent of the planned investment for all activities related to those 107 projects.

Special Activities. Action Grant projects provide other benefits not recorded here--including indirect economic benefits, jobs and investment from multiplier effects, and spin-off development. Grants also support special activities, such as energy conservation and assistance to Indian tribes. In FY 1982, $1,120,000 was awarded to The Navapai-Prescott Tribe of Arizona to assist in construction on the reservation of a 150-room hotel with meeting rooms and a restaurant.

PROGRAM AND PROJECT CHARACTERISTICS

In this final section, there are discussions on four main topics: the process of project development from the initial design stages through project completion and an in-depth look at project activities, investment components, and locational characteristics.

PROJECT DEVELOPMENT

This first section gives information about the events that take place during project develoment. After projects are selected for UDAG support, they go through a development stage, entai1ing rehabilitation and/or construction of structures such as offices, industrial plants, shops, or houses.

Elapsed Time. The typical Action Grant project has taken about fourteen months--419 days--from announcement of award to the completion of construction. However, there is wide variation among individual projects. Small cities projects have tended to finish construction about two months earlier than the norm, and large city projects have been completed about one month later than the median time. Construction has been finished in industrial projects faster than in commercial projects by about two months. Mixed commercial and housing ventures have taken the longest, about eight months longer than the norm.

Moving from announcement to completion of construction is composed of several stages, some of which overlap. The first step is execution of the grant agreement between HUD and the city, defining mutually agreed terms of the project. Over the five years, median elapsed time for executing the grant agreement has been 99 days from the announcement of preliminary application approval by the Secretary.

A second step must be completed before Action Grant funds can be drawn down. Communities must submit to HUD for its approval evidence of legally binding commitments between the private sector and the city as described in the grant agreement. The environmental review of the project must be completed, and other applicable contractual conditions must be met. HUD will issue a letter of credit to the community when these steps are completed. Over the program's history, the median elapsed time from HUD's and the community's signing of the grant agreement to issuing a letter of credit has been 91 days.

The third step of project development is the actual construction of facilities. The median time for the start of construction has been three days after the letter of credit was executed. However, in one-half of the projects, construction has begun with private funds before the letter of credit was released. The construction period has usually lasted about one year--a median of 357 days.

PROJECT CHARACTERISTICS

An Action Grant project may be for one type of development--commercial, industrial or housing--or for mixed development at a site. This section provides information on the characteristics of UDAG projects, including descriptions of the types of commercial and industrial development carried out through the UDAG program.

Types of Projects. The bulk of UDAG projects have been either for commercial or industrial development. Thirty-nine percent of all projects have been commercial and 34 percent have been industrial. Housing projects have accounted for fifteen percent of the total. The remaining twelve percent have been mixed activity projects, nearly all of which were predominately commercial with some housing included.

Commercial projects and mixed development projects have been, on average, the largest developments. The total cost of commercial projects has averaged $16.7 million per project, of which $2.2 million has been UDAG funds. Similarly, mixed development projects have averaged a total of $16.3 million with $2.3 million of UDAG funds. The average industrial and housing projects have been smaller. The total cost of industrial projects has averaged $9.4 million with $1.1 million of UDAG funds. On average, housing projects have had a total cost of $5.9 million with $1.0 million of UDAG funds.

TABLE 3-15

DISTRIBUTION OF UDAG PROJECTS, 1978-1982

Item	Industrial	Commercial	Housing	Mixed
All projects	34%	39%	15%	12%
1978-1979	35	35	12	18
1980	35	42	12	11
1981-1982	32	41	20	7
Large	24	46	17	13
Small	46	31	13	10

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

Industrial projects have remained about one-third of all projects over the five program years, while commercial projects have increased slightly to about 41 percent of all projects. The greatest changes over the five program years have been a relative decline in the use of mixed projects and an increase in the incidence of housing projects. As a percentage of all awards, mixed development projects have dropped from 18 percent in the early years to seven percent in recent years. In the same time period, housing projects have grown from 12 percent to 20 percent of all UDAG projects, though this reflects a shift from mixed to pure housing activity rather than any overall increase.

As a group, small cities projects are far more likely to be industrial than are large cities projects. Forty-six percent of all small cities projects have been for industrial development, compared to 24 percent in large cities. The latter have undertaken a larger percentage of commercial, mixed (predominately commercial), and housing projects.

Characteristics of commercial and industrial development projects follow.

Commercial Projects. One-half of all UDAG projects have been either entirely for commercial development or have contained a commercial development compo-

UDAG projects have also been instrumental in developing business office facilities and providing hotel space. Commercial UDAG projects have or will develop a total of 29 million square feet of office space, either through additions or rehabilitation. Twenty-two percent of commercial projects (8% of all UDAG projects) have included hotel development. These projects involve construction of 52,000 hotel rooms and rehabilitation of another 4000 rooms.

Forty percent of the commercial UDAG projects included the development of other types of commercial facilities than retail, office, or hotel. These other commercial projects have developed many diverse commercial facilities. The following are some illustrations drawn from the commercial projects approved in FY 1982: nursing homes, rehabilitation centers, hospitals, a job training center, theatres, a film and television studio, and an urban heritage display park. (The complete list is given in the Appendix.)

Commercial development projects have involved new construction of buildings, expansion of existing facilities, and/or rehabilitation of existing structures. Most projects--about 70 percent of all commercial projects--have involved new construction, either solely or in combination with rehabilitation. Nearly one-half (45%) have included rehabilitation of existing facilities. Sixteen percent of the commercial projects have included facilities expansions.

Industrial Projects. UDAG projects always have at least one private sector partner; however, fourteen percent of industrial projects have had two firms participating as partners, and seven percent have had three or more firms as private sector partners. Forty percent of the primary businesses in the projects were new to the community or were new businesses.

Firms involved in industrial development projects encompass a very broad spectrum of the American economy. About ten percent, the largest group, process food and food products. Two other large groups of businesses manufacture non-electrical machinery and fabricated metal products. Still other participating firms are a cross section of the industrial economy, producing metals, chemicals, textiles, furniture, paper, leather, and so forth.

Industrial projects generally involve new construction, expansion, and/or rehabilitation of plant facilities. One-half of UDAG industrial projects have included new construction of facilities for the businesses; one-quarter have expanded on existing sites. About **30** percent of the industrial projects have involved rehabilitation, sometimes occurring in conjunction with new construction or expansion. In total, UDAG projects involve the development of about 59 million square feet of industrial space, two-thirds of this space added through construction and one-third through rehabilitation of existing structures.

FIGURE **3-1**

FIRMS IN INDUSTRIAL PROJECTS, 1978-1982

<u>Most Frequent</u> Ten percent of firms for each product class	Food and food products; non-electrical machinery; fabricated metal products
<u>Frequent</u> Five percent of firms for each product class	Metals; clothing; rubber and plastic; electrical machinery; wholesale trade of nondurable goods; chemicals; concrete products; printing
<u>Others</u> Less than five percent of firms for each product class	Agriculture; construction, textiles; wood products; furniture; paper products; petroleum; measuring instruments; communication; wholesale durable goods

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

UDAG industrial projects have also been for the development of industrial parks. Fifteen percent of industrial projects have involved development of industrial parks, two-thirds of these parks located in small cities. An industrial park project typically has been for the development of about **80** acres; Overall, about 4,000 acres have been or are being developed for use as industrial parks.

FUNDS IN UDAG PROJECTS

This section gives an account of the sources of investments in UDAG projects and the ways in which the investments are used for project development.

<u>Sources of Funds</u>. The funds to support UDAG projects come from private investment, Action Grants, local and State governments, and some other Federal grant and loan programs. The UDAG program is structured **so** that the UDAG dollars contribute only a portion of project funds. Private investors are

required to provide the substantial share of funds.

In the aggregate, 81 percent of the total cost of UDAG projects has come from private investment. Thirteen percent of the balance is provided by Action Grants; one percent from other Federal progams; and five percent from State and local governments.

TABLE 3-16

SOURCES OF PROJECT FUNDS, 1978-1982

Item	Private	UDAG	Other Public
All Projects	81%	13%	6%
1978-79	80%	13%	7%
1980	81%	13%	6%
1981-82	83%	13%	4%
Large	80%	14%	6%
Small	83%	13%	4%
Industrial	86%	12%	2%
Commercial	80%	13%	7%
Housing	80%	17%	3%
Mixed	78%	14%	8%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

In the last three years, the proportion of private investment in UDAG has increased slightly from 80 to 83 percent, while the proportion of UDAG investment remained the same. Other public investment has decreased from seven to four percent of total project investments.

The relative distribution of investments differs somewhat between large cities and small cities. As a group, small cities have had a somewhat greater percentage of private investment in projects than large communities. This may be because small cities have had more industrial projects, and it has been the industrial projects which have had the largest share of private investment. For example, industrial projects have the largest proportion of private funds (86%) and the smallest percentages of UDAG (12%) and other public funds (2%).

The investment patterns in other types of projects differ from those in industrial projects. Housing projects have had a share of private investments comparable to the average (81%) but have contained a higher percentage of UDAG investment (17%) than other project types and a smaller percentage of other public funds (3%). Moreover, commercial and mixed (nearly always commercial) projects have contained higher shares of other public investments than other projects.

Sources of Private Investment. Private investment in UDAG projects has two main components: unsubsidized investment consistinu of equity and Private debt and subsidized loans or debt financing from "State, local, or' other Federal (non-UDAG) sources. Over three-quarters of private investment has been unsubsidited investment in the form of equity or privately-derived loans at market rates of interest:

TABLE 3-17

SOURCES OF PRIVATE INVESTMENT, 1978-82

Unsubsidized	Subsidized
77%	23%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

The balance of private investment has come from subsidized loans or debt, including industrial revenue bonds (IRBs) and other financing tools. Eighty percent of the subsidized investment has been supplied by local government financing mechanisms, and ten percent has come from State programs. Another ten percent has been derived from Federal loan programs--Small Business Administration, Economic Development Administration, Farmer's Home Administration, etc.

Sources of Other Public Funds. As noted above, a small portion (6%) of direct investments in UDAG projects has come from public sources other than UDAG, largely from local governments themselves. Local governments contributed 69 percent of the non-UDAG public funds. An additional twenty percent of these public investments came from Federal grants programs, such as the Community Development Block Grant (CDBG) program and EDA; and 11 percent have been provided by State programs.

TABLE 3-18

DISTRIBUTION OF NON-UDAG PUBLIC INVESTMENT, 1978-1982

Federal	State	Local
20%	11%	69%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

State and local government shares of the total project costs have remained constant over the life of the program. States provide about one percent and localities about four percent of totals. However, non-UDAG Federal funds have dropped over the years from about two percent to less than one percent of total project costs.

Uses of Action Grants. UDAG funds are used in three ways: direct incentives including loans, interest subsidies, rebates, and land write-downs; infrastructure development; and relocation payments.

UDAG funds have been used most often as direct incentives for development. In the aggregate, three quarters (72 percent) of Action Grant funds have been used for direct incentives in UDAG projects. Twenty-six percent of UDAG funds have been spent on infrastructure development, and two percent were related to relocation expenses.

Over time, there has been a dramatic shift toward use of UDAG funds as direct development incentives. In the early years, one-half of UDAG funds were used in this way. Currently, 90 percent of UDAG funds are provided as direct incentives in all types of projects and in both large and small cities.

TABLE 3-19

USES OF UDAG FUNDS, 1978-1982

Item	Direct Incentives	Infrastructure Development	Relocation
All projects	72%	26%	2%
1978-79	53%	43%	4%
1980	81%	17%	2%
1981-82	90%	9%	1%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Grant Agreement Data Base.

UDAG as Direct and Repayable Incentives. Cities have used 54 percent of all UDAG funds to make loans to private developers, at below market rates of interest. This is about three-quarters of the direct incentive. These loans are intended to be paid back to the communities to be available for further use in local development activities consistent with the Housing and Community Development Act.

The UDAG program has shown a continued increase in the use of direct loans. In the early years about one-quarter of all UDAG funds were used for loans to private developers. Currently, 86 percent of all UDAG dollars are used for loans. Most remaining funds used as direct incentives have been for land write-downs and related site improvements. Over the years, slightly less than five percent of UDAG funds have been for interest subsidies or rehabilitation grants used largely in housing projects. Whereas land write-downs once accounted for 20 percent of UDAG commitments, their use has declined dramatically in the last two years. Now, only about two percent of UDAG funds are used for land write-downs.

UDAG for Infrastructure Development. Street repair and construction, water and sewer improvements, parking facilities construction, and a wide variety of other off-site development activities each have received about equal shares *(25%) of* the UDAG funds used for infrastructure. This pattern has remained the same throughout the program's history, even though as noted above the share of UDAG funds used for infrastructure has declined significantly.

Use of Local, State, and Non-UDAG Federal Funds. Just as with Action Grants, other public investments in projects have been used for direct incentives and for infrastructure development. The pattern of using local, State, and other Federal funds has been remarkably similar in the aggregate--one-third *of* the funds from each source has been used for direct incentives and two-thirds of each has gone toward infrastructure development.

Over the five program years, the use of local assistance has remained fairly constant with one-third for direct incentives and two-thirds for infrastructure development. However, State assistance has shifted from primarily infrastructure repair to direct incentives. In the early years, only 15 percent of State funds were spent for direct incentives. More recently, 68 percent are being used directly in UDAG projects. Non-UDAG Federal funds have also been increasingly used for direct incentives. Their use for that purpose has risen from 31 percent to 51 percent in the last two program years.

LOCATION OF PROJECTS

This section contains information about communities which have undertaken Action Grant projects and where projects are located within the communities.

Distribution of Projects Among Distressed Communities. In the UDAG program Action Grants are only awarded to fully eligible distressed cities and Pockets of Poverty.[13] The comparative degree of economic distress is the primary criterion for application selection and all distressed communities are ranked according to their degree *of* distress for the selection process. For this report, these rankings have been used to categorize grantees into three equal groups as highly; moderately, or less distressed.

Among large city grant awards, there was a high degree of targeting to the one-third most distressed communities. Sixty-four percent of all UDAG large cities projects were located in highly distressed eligible localities; these localities received 62 percent of the UDAG funds. The one-third moderately distressed communities had 24 percent of all projects and 25 percent of UDAG funds. The remaining one-third less distressed had only 12 percent of the projects and 13 percent of funds.

There was also targeting among small cities awards. Forty-three percent of all projects and 41 percent of UDAG funds were in highly distressed eligible communities. Twenty-nine percent of projects and funds went to moderately distressed localities; 28 percent of projects and 34 percent of funds went to less distressed communities.

TABLE 3-20

DISTRIBUTION OF PROJECTS AMONG ELIGIBLE LARGE CITIES BY DISTRESS

	One-third most distressed	One-third moderately distressed	One-third least distressed
Percent of Awards	64%	24%	12%
Percent of Dollars	62%	25%	13%

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

Regional Distribution. Because funds are distributed on a discretionary basis, there is no prescribed amount of UDAG funds to be awarded in each region. However, the pattern of regional distribution of funds has remained in rough proportion to the percentage of the total eligible population in each region.

TABLE 3-21

COMPARATIVE REGIONAL DISTRIBUTION

	North-East	North Central	South	West
Percent of Total Eligible Population	28%	28%	30%	14%
Percent of Total Action Grant Allocation	33%	31%	25%	11%

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

Cities in both the Northeast and North Central regions receive just over 30 percent of the total funds. Those in the South receive 25 percent, in the West 11 percent. However, the size and number of eligible cities in each region differ. To permit a rough comparison, the total population in eligible cities has been determined as a rough indicator to compare the regional distribution of funds, though it does not compensate for differences in distress of eligible cities in the regions. Comparison of the percentages of Action Grant awards and eligible populations shows that both of the Northern regions have received a slightly higher amount of funding in proportion to their eligible gopulat ons, and that the South and West have received slight y less.

Location Within Communities. Overall, one-third of all UDAG projects have been located inside cities' central business districts and two-thirds elsewhere in the community. This pattern has remained nearly constant over the five program years.

However, there are large differences in where projects are located among project types. For example, 95 percent of the industrial and 90 percent of the housing projects are located outside the central business district. On the other hand, one-third of the commercial and one-half of mixed development projects were located in downtown areas.

As a group, large communities, having more commercial development, had a greater percentage of their UDAG projects in downtown areas than did small cities. The pattern in small cities of having projects located outside the city centers reflected the higher incidence of industrial projects among them.

Status of Project Land. About three-quarters of all UDAG projects have required some site preparation before construction could begin. Sometimes this has involved clearing assembled properties and other times it has meant preparing vacant land.

Thirty percent of all projects with site preparation have involved clearing a site, but over the five years the number of projects requiring land clearance has declined by one-half. Commercial and mixed development projects have been more likely than others to require clearance.

The other projects requiring site preparation have involved vacant land. Most often this has been land which was formerly developed but already cleared. A small portion of projects--about five percent--have been built on vacant urban renewal land; this percent has declined by one-half since the early program years. Commercial and mixed development projects have been the types of projects which have most often used urban renewal sites. UDAG projects have also been built on vacant land which was not previously developed. This has been the case in small cities projects much more frequently than in large cities projects.

NOTES

1. Housing and Community Development Amendments of 1981, Pub. L. 97-35, Sec. 308(a), 95 Stat. 384, 392 (1981), amending Sec. 119(a) of the Housing and Community Development Act of 1974.

2. Only highlights are given here. The program regulations should be consulted for more information. See subpart G of 24 CFR Part 570.

3. Although Congress initially appropriated $458.0 million for the UDAG program for FY 1982, it also authorized HUD to use up to four percent of that amount for other purposes. The Department fully exercised that option which accounts for the figure of $435.1 million shown as the FY 1982 appropriation. Subsequently, an additional $38.6 million for the UDAG program from funds recaptured from terminated projects was reappropriated. This money would otherwise have been returned to the Treasury had Congress not extended from three years to four years the period in which UDAG funds from a fiscal year's appropriation must be obligated. Thus, the total budget authority for FY 1982 was $473.7 million.

4. An additional $14.6 million in Action Grant funds was awarded in FY 1982 as second phase funding for projects that were approved in FY 1981. Thus, total funds awarded in FY 1982 are $436 million. In the exhibit which lists funds by year of approvals, the $14.6 million referenced here is included in FY 1981 totals.

5. The characteristics of projects at the time of announcement are contained in the Action Grant Information System (AGIS) data file maintained by the Data Systems and Statistics Division, Office of Management, Community Planning and Development. The AGIS file also contains information on project status and accomplishments as reported quarterly by grantees.

6. The characteristics of projects for which both HUD and the grantee have signed a Grant Agreement are contained in the Grant Agreement Data Base which is updated annually by the Economic Development Analysis and Evaluation Division, Office of Program Analysis and Evaluation, Community Planning and Development. The Grant Agreement Data Base contains information on 1,169 active or completed projects with mutually-executed grant agreements.

7. See Note 3 above.

8. See Note 4 above.

9. For administrative reasons the announcement date for the last round of large city awards in FY 1982 was changed to occur at the end of the fiscal quarter. As a consequence, there were five large city rounds announced during FY 1982 compared to four small cities rounds.

10. A Pocket of Poverty is a severely distressed area meeting specific eligibility requirements, located in a city or urban county not otherwise eligible. See Section 570.466(a) of the regulations.

11. Most planned benefit estimates are derived from the Action Grant Information System after cross checking with other data sources. Planned benefits for closed out or completed projects are taken from the Grant Agreement Data Base. Performance data are drawn from current grantee reports. Reports were not available in FY 1982 for some projects that had reached close out, and thus some benefits may be undercounted.

12. FY 1982 construction jobs are reported as annual equivalents. Earlier project figures do not necessarily make this adjustment.

13. For a more extensive discussion of community distress, see Federal Register: Vol. 47, No. 36, February 23, 1982. It contains the Final Rule for UDAG distress criteria in Section 570.452. See Section 570.453 of the regulations for more details on eligibility determinations.

EXHIBIT
PROGRAM TOTALS BY FISCAL YEAR

ITEM	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	TOTAL
Number of Projects	124	259	306	393	371	1,453
Large (#)	75	123	173	241	238	850
Small (#)	49	136	133	152	133	603
Large (%)	60	47	57	61	64	58
Small (%)	40	53	43	39	36	42
UDAG Dollars	$277M	$423M	$616M	$625M	$422M	$2,363M
Large ($)	$227M	$327M	$473M	$473M	$348M	$1,847M
Small ($)	$50M	$96M	$143M	$152M	$74M	$516M
Large (%)	82	77	77	76	82	78
Small (%)	18	23	23	24	18	22
Private Investment	$1,746M	$2,576M	$3,074M	$4,168M	$2,527M	$14,091M
Ratio to UDAG ($)	6.3	6.1	5.0	6.7	6.0	6.0
State and Local	$195M	$218M	$221M	$340M	$134M	$1,108M
Other Federal	$104M	$138M	65M	$57M	$55M	$419M
Total Investment	$2,322M	$3,355M	3,977M	$5,191M	$3,137M	$17,981M
New Permanent Jobs	48,416	71,483	81,261	83,833	55,142	340,135
UDAG $ Per Job	$5,714	$5,920	$7,587	$7,456	$7,649	$6,948
Low/Moderate Income (%)	62	54	60	61	59	59
Construction Jobs	43,318	60,198	48,861	68,670	38,320	259,367
Total Housing (Units)	13,139	12,279	16,317	15,480	14,319	71,534
New Construction (%)	55	38	43	35	31	40
Low/Moderate Income (%)	64	49	43	42	25	44
Total Taxes	$33M	$88M	$81M	$137M	$43M	$382M

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

Note: Totals are adjusted relative to previous annual reports to account for project terminations.

CHAPTER 4: REHABILITATION PROGRAMS

INTRODUCTION

This chapter reports on the major housing rehabilitation programs administered by HUD's Office of Community Planning and Development. The chapter is divided into three major parts: Part One describes the Rental Rehabilitation Program Demonstration; Part Two describes the Urban Homesteading program; and Part Three describes the Section 312 Rehabilitation Loan program.

OVERVIEW

RENTAL REHABILITATION PROGRAM DEMONSTRATION

The purpose of the Rental Rehabilitation Program Demonstration, which is a precursor of the Rental Rehabilitation Grants program proposed by the Administration, is to encourage local governments to use Community Development Block Grant funds for the rehabilitation of rental properties. The Demonstration is based on the premise that the rental subsidy to tenants should be separated from the subsidy for rehabilitating the property. This separation of subsidies is a departure from most other publicly-funded housing programs.

Currently, 14 State governments and 185 local governments, each with a Demonstration program locally designed to meet its distinct needs, are participating in the program. Twenty-three communities, 21 cities and two counties, have been in the Demonstration since it began in 1981. The other 176 communities were selected in August 1982. These communities have agreed to budget more than $45 million in amounts ranging from $40,000 to $1,669,000 to the Demonstration from their CDBG grants and expect to rehabilitate more than 11,000 units of rental housing. To allow rehabilitation of these units with a minimum displacement of current low- and moderate-income tenants, HUD is allocating more than 6,500 Section 8 Existing Housing Certificates to the 199 communities for use in the Demonstration.

As of January 1983, the communities participating in the Demonstration had completed or had under construction approximately 325 units and had funded or selected another 800 units. First round communities have about one-half of the units they expect to rehabilitate in some stage of processing. The second round communities have selected, funded, completed, or have under construction approximately 300 of the units they expect to produce.

The average per unit rehabilitation cost in the Demonstration has been $10,965. Approximately $4,341 of that average has been contributed from CDBG funds allocated to the Demonstration and the balance, $6,624, from private sources. Although the experience to date is limited, the Demonstration appears to have rehabilitated units at less cost to the public and with a higher leveraging ratio than other CDBG-funded multifamily housing rehabilitation efforts.

Assessments of the Demonstration by local officials have generally been positive and stress the advantages of local control over the selection of properties and over the practices and procedures to be followed in the Demonstration.

URBAN HOMESTEADING PROGRAM

Section 810 of the Housing and Community Development Act of 1974, as amended, provides for the transfer to local governments of unoccupied one-to-four unit properties owned by HUD, the Veterans Administration (VA), and the Farmers Home Administration (FmHA) at no cost to communities with HUD-approved homesteading programs. Local governments, in turn, offer the properties at nominal or no cost to homesteaders who agree to rehabilitate them and to reside in them for a minimum of three years. The principal goals of the program have been to promote homeownership, upgrade properties, revitalize neighborhoods, and reduce the HUD inventory of acquired properties.

Congress initiated no modifications to the Urban Homesteading program in FY 1982. The Department did take several administrative steps relating to internal control and improvement of program monitoring and compliance. The Department also took action to increase the supply of properties available through VA and FmHA. Finally, a decision to concentrate all Section 312 single family rehabilitation loan activity for the year in homesteading areas expanded the supply of rehabilitation assistance from that source for the year.

Since 1975, Congress has appropriated $55 million for the Section 810 program. HUD operated the program on funds appropriated for previous years from FY 1980 through FY 1982. As of the end of FY 1982, 84.8 percent of all money appropriated for Section 810 had been spent.

Eleven communities joined the Urban Homesteading program in FY 1982, making 107 approved programs in all. Ninety-one of the communities filed annual applications for the year; three had been suspended, and 13 had inactive programs. Seventy-three communities had acquired new homesteading properties from any source during the year.

Between 1976 and the end of FY 1982, local Urban Homesteading programs had acquired 7,115 properties from all sources. Communities used Section 810 funds to reimburse appropriate Federal agencies for 6,233 of those properties. HUD-owned Section 810 properties made up 87 percent of all properties acquired, and 1ocally-acquired properties constituted another ten percent. Communities acquired 982 properties from all sources during FY 1982 of which 78 percent were HUD-owned Section 810-supported properties. FY 1982 marked the first year in which VA properties were acquired for homesteading. So far, relatively few such properties have been conveyed.

Through FY 1982, communities had transferred 84 percent of all homesteading properties to homesteaders (pending successful completion of all program requirements), and 76 percent were actually occupied by homesteaders. Rehabilitation had begun on 81 percent of the properties and had been completed on 65 percent. Fee simple conveyance, which marks the completion of the minimum three-year conditional conveyance and occupancy period, had occurred in 29 percent of all homesteading properties.

SECTION 312 REHABILITATION LOAN PROGRAM

Section 312 of the Housing Act of 1964, as amended, authorizes the Secretary to make low-interest loans for rehabilitating properties to local standards in certain eligible areas.

The Housing and Community Development Amendments of 1981 extended the Section 312 program through FY 1983. The Department has proposed termination of the program in 1984. Congress did not appropriate any funding for the program in FY 1982. Instead, the program was operated entirely from loan repayments and other income recoveries. Funding available for loans for the year was $68.1 million; loan reservations were $49.4 million.

The Department took two major programmatic steps during FY 1982. First, it shifted the principal focus of the program from single family to multifamily loans and concentrated the single family funding in homesteading areas. As a result, multifamily loans constituted 81 percent of the Section 312 loan amounts obligated during the year, and the remainder went to single family loans in urban homesteading areas.

The second initiative was the introduction of variable interest rates in the program. Prior to FY 1982, all Section 312 loans were made at three percent interest. In that year, while all Section 312 loans were still made at below market interest rates, the only loans made at the three percent rate were those in which single family incomes of the applicants fell at or below 80 percent of the area median income. About 73 percent of the FY 1982 single family loans were made at the three percent rate, and 26 percent were lent at 11 percent. Multifamily and investor-owned single family loans were to bear an 11 percent rate, except where private subsidies equalled or exceeded Section 312 funding. The 11 and five percent loans constituted 68 and 32 percent, respectively, of multifamily loan amounts.

Debt collection remained an area of high Departmental priority during FY 1982. In order to promote this priority, the Department took actions in collection system automation and consolidation of various loan servicing functions. These initiatives allowed HUD to increase dramatically debt collection for the program and to maintain the proportion of seriously delinquent loans at 7.2 percent.

The Department made 757 Section 312 loans during FY 1982 of which 502 were primarily single family loans in support of urban homesteading and 255 were multifamily loans. These loans will eventually contribute to the rehabilitation of 4,383 dwelling units.

Fewer communities participated in the Section 312 program in FY 1982 than had done so the previous year--549 in FY 1981 and 159 in FY 1982. Most of the funding obligated during FY 1982 went to metropolitan cities, localities with populations of 100,000 or more, and distressed communities.

PART ONE: THE RENTAL REHABILITATION PROGRAM DEMONSTRATION

INTRODUCTION

This section of the chapter describes the Rental Rehabilitation Program Demonstration. The section is divided into three subsections. The first subsection presents information on recent program developments, including the background, purpose, and structure of the Demonstration. The second subsection describes the status and progress of the 23 communities participating in the first round of the Demonstration and the 176 communities participating in the second round. The final subsection briefly describes some of the major features of the programs designed by first round communities and summarizes local assessments of the first twelve months of the Demonstration.

The background material summarized in this section was taken from information, including memorandums, provided to the participating communities by HUD. Data on the CDBG funds and Section 8 Housing certificates budgeted for the Demonstration and the progress of the second round communities were provided by the Office of Urban Rehabilitation. The more detailed information on progress by first round communities was obtained through telephone and on-site discussions with the local coordinators of the 23 first round Demonstration programs.

RECENT PROGRAM DEVELOPMENTS

PURPOSE AND STRUCTURE OF THE DEMONSTRATION

Purpose of the Demonstration. Since the inception of the Community Development Block Grant (CDBG) program in 1974, the rehabilitation of privately-owned residential properties has accounted for an increasingly large share of all Block Grant expenditures. In the three program years between 1979 and 1981, approximately $2.7 billion, 25 percent of all CDBG funds appropriated, were budgeted to such activities. In 1982 entitlement grantees alone projected spending an additional $700 million on housing rehabilitation.

The largest share of these funds has been used to rehabilitate single-family, owner-occupied, 1-4 unit properties. A recent report based on a survey of more than 400 entitlement communities by the General Accounting Office shows the extent of CDBG assistance to this segment of the housing stock. In that survey, 98 percent of all communities responding were found to have rehabilitated single-family, owner-occupied properties compared with 50 percent that had rehabilitated investor-owned multifamily or single-family units with CDBG funds. The survey also found that, although substantially more rental units than owner-occupied units need rehabilitation, entitlement communities assisted, on average, over four times as many owner-occupied units (309) as investor-owned units (75).[1] Available evidence also suggests that relatively little of the CDBG-assisted rental rehabilitation activities have been used for smaller, i.e., 30 or fewer units, rental properties.

The Rental Rehabilitation Demonstration program is designed to fill that gap by encouraging local communities to develop effective rehabilitation programs for small rental properties. The first round of the Demonstration, which was announced in the Federal Register on December 15, 1980, was open to CDBG entitlement communities and recipients of Small Cities Comprehensive grants. In the second round of the Demonstration, announced in June 1982, eligibility was expanded to include State governments. The purpose of the Demonstration is to show:

> "That with the appropriate subsidized financing it is feasible, practical and cost effective to rehabilitate small multifamily property for rental at market rates;
>
> That local CDBG funds can be used to leverage private monies to subsidize financing for rehabilitation of small multifamily rental properties;
>
> That it is possible to build into publicly sponsored rehabilitation programs incentives for strong management and long-term maintenance of rental property; and
>
> That with the appropriate use of Section 8 Existing Housing Certificates of Family Participation, eligible lower income residents can, if they choose, remain in rehabilitated buildings."[2]

Demonstration Funding. The primary source of the rehabilitation assistance in the Demonstration is the Community Development Block Grant funds that each participating community was required to budget for its local projects.[3] The principal use of these CDBG funds is to subsidize the cost of rehabilitation down to the level required to make a project feasible at market rents. Demonstration participants can use their CDBG funds to provide any type of rehabilitation loan, grant, or other subsidy allowed by CDBG regulations.

In addition to the public sector financing, each Demonstration program is required to include participation by private lenders in loan underwriting and to leverage private funds with the public resources used. In the first round, localities were also expected to require an equity investment by the prospective borrower of at least ten percent cash or cash equivalent based on the market value of the property before rehabilitation.

The Demonstration's rental subsidy is provided through the Section 8 Existing Housing Program and is available to low-income tenants so that, in most cases, they can continue to live in the building after it has been renovated. Tenants receiving Section 8 certificates through the Demonstration are not required to remain in the rehabilitated building; they can leave the building and use the certificate at another location if they choose to do so. In addition, these Certificates can be used in cases where tenants would prefer to remain in the rehabilitated building but are unable to do so, e.g., where physical changes to the building are such that there are no units suitable for the tenant in that building after rehabilitation. Each local government selected for the Demonstration received a special allocation of Section 8 Existing Housing Contract Authority. The amount of the Contract Authority made available to each community was based upon the number of units to be rehabilitated through the Demonstration, the estimated need for tenant assistance in those communities, and the availablity of Section 8 Existing funds.

Local Program Requirements. In order to avoid causing hardship for lower income tenants, HUD required first round communities to devise a strategy to minimize displacement of tenants from buildings being rehabilitated and to follow HUD-prescribed minimum requirements for protecting tenants earning less than the area median income. Localities have the option of providing more assistance to these tenants as well as providing assistance to tenants whose income exceeds 100 percent of the area median.

Second round communities were required to develop their own relocation/anti-displacement strategies consistent with local needs and neighborhood characteristics. Minimum levels of protection for low- and moderate-income tenants were also required of participating communities.

The Rental Rehabilitation Program Demonstration also requires participating communities to target their program to one or more neighborhoods where CDBG activities are concentrated and to require that post-rehabilStation rents will fall within the Section 8 Existing Fair Market Rents.

To help the locality deal with the technical aspects of the Demonstration, particularly with the terms and conditions of financial arrangements, HUD provided participating communities with technical assistance from a private consultant.

Differences from Other Programs. The Demonstration differs from other Federal housing assistance programs in several ways. The most significant difference is that the Demonstration is based on the premise that the rental subsidy to the low-income tenant should be separated from the rehabilitation assistance for the property. Unlike the Section 8 rehabilitation programs, the Section 8 Existing certificates provided lower income families through the Demonstration are not tied to the property being rehabilitated. This is a significant change from Federal housing rehabilitation programs that provide property owners the assurance of continued rental income if they rehabilitate their properties.

A second important difference is the expanded role of local officials. Compared to many other Federal housing programs, local officials have broader discretion and greater responsibilities in the Demonstration. In the Demonstration, local officials are engaged in selecting neighborhoods, determining appropriate subsidy levels and mechanisms, attracting owners, selecting properties to be rehabilitated, and coordinating the activities of investors, lenders, contractors, and tenants. Because of the flexibility permitted local officials, each locality's program has a unique combination of characteristics designed to meet its particular needs, priorities, and management structures.

A third major difference between the Rental Rehabilitation Demonstration and other Federally-assisted rehabilitation programs is that communities participating in the Demonstration are required to leverage private funds with the CDBG funds they use in the Demonstration. Although many communities do attempt to leverage private resources through other rehabilitation programs, most other programs do not require that they do so.

A final major difference between the Demonstration and other Federal housing programs is that it was designed to increase the risk borne by the investor, i.e., the owner of the property, relative to the public sector. The position of investors in the Demonstration is more similar to their position in the private unsubsidized rental market than it is in other Federal housing programs. Unlike most other Federal housing programs, the investors may be responsible for proposing the amount of work to be done, obtaining their own private financing, and negotiating with contractors. Communities in the first round of the Demonstration were also expected to require recourse* lending in the Demonstration and to discourage participation by tax shelter syndicates. In return, rental property owners receive only a one time loan or grant from the public sector; they receive no guarantee of continuing rental assistance to their tenants and no special tax breaks. Investors are expected to view property ownership, rehabilitation, and management as a profitable investment that will produce a positive cash flow in a competitive private market environment.

Selection of Demonstration Participants. The December 1980 announcement of the Demonstration required interested localities to submit preliminary applications describing specified major features of their proposed program to the HUD Central Office by March 6, 1981. From these preliminary applications a smaller number of communities would be identified and invited to submit final applications for consideration.

A total of 78 communities responded by submitting preliminary applications. These applications were reviewed by the HUD Central Office and by the Area Office having Jurisdiction over the community. Forty of the 78 communities submitting preliminary applications were initially selected to submit a final application. However, because the Section 8 Existing certificates requested by the communities exceeded the available funds, only 23 communities were invited to submit final applications.

On September 15, 1981, the 19 CDBG entitlement cities, two urban counties, and two CDBG small cities selected to participate in the Demonstration were announced. These communities agreed to budget a total of $6,719,000 in local CDBG funds to the Demonstration and planned to rehabilitate approximately 1,200 units. HUD was to provide the 23 communities a sufficient allocation of Section 8 Existing Housing Contract Authority to assist 714 low- to moderate-income tenants residing in buildings rehabilitated in the Demonstration and technical assistance in designing their programs.

On June 17, 1982, the second round of the Demonstration was announced in the Federal Register. The basic purpose of the Demonstration was unchanged, but the scope was broadened to allow participation by interested State governments. In August 1982, 176 jurisdictions (14 States, 21 counties, and 141 cities) were selected to participate in the second round of the Demonstration. These participants agreed to budget $38.5 million in CDBG funds to the Demonstration, were to receive 6,000 Section 8 certificates, and planned to rehabilitate approximately 10,000 units in the Demonstration.

* A recourse loan enables the lender to take action against the personal property of the borrower in addition to foreclosing on the mortgaged property. It was encouraged by HUD in the first round of this Demonstration to increase the owner's risk and commitment to the success of the project.

Local CDBG Funding. The 199 communities participating in the two rounds of the Demonstration have agreed to budget more than $45 million of local CDBG funds, or an average of $230,000 per community, to their Demonstration projects.

Although most communities allocated amounts close to the overall average-- 75 percent allocated between $50,000 and $299,000 to the Demonstration-- there was substantial variation both in actual dollars and the relative size of the amounts compared to their CDBG grants. (See Table 4-1.) The amounts budgeted to the Demonstration ranged from a low of $40,000 in a small county to more than $1,669,000 in a large entitlement city. The variation in the budgeting of CDBG funds for the Rental Rehabilitation Program Demonstration relative to the participating communities' grants is equally substantial. In 16 communities, generally entitlement cities, CDBG funds going to the Demonstratiop represent less than one percent of their 1981 or most recent CDBG grants. (See Table 4-2.) In contrast, three participating cornunities budgeted funds for their local Demonstration programs that exceeded the amounts of their most recent CDBG grants.

Compared to first round communities, participants in the second round allocated smaller amounts ($219,000 vs. $292,000) for the Demonstration. Proportionately, however, most participants in both rounds allotted comparable shares of their CDBG grants for their local programs; the median in both rounds was about five percent. +

For the most part, the CDBG funds budgeted to the Demonstration, at least in first round communities, were funds that had already been allotted for housing rehabilitation. Only three of the 23 first round cities reported budgeting additional CDBG funds to rehabilitation as a result of participation in the Demonstration. The increases, which ranged from $10,000 to $200,000, amounted to $310,000 and accounted for approximately five percent of all CDBG funds allocated to the Demonstration during that round.

* Participating communities were not required to budget all the Demonstration funds from one year's CDBG grant. The 1981 grant amount is used here simply for comparative purposes.

\+ The reason for the relative difference in the amount budgeted to the Demonstration and the share of the CDBG grants that this represents is that the second round involves proportionately more small cities, 21 percent of participants, than the first round, nine percent, and, consequently, the average grant size is substantially smaller.

TABLE 4-1
CDBG FUNDS BUDGETED FOR THE RENTAL REHABILITATION DEMONSTRATION
BY PARTICIPATING COMMUNITIES
(Dollars in Thousands)

CDBG Funds Budgeted	First Round Number of Communities	First Round Pct	Second Round Number of Communities	Second Round Pct	Total Number of Communities	Total Pct
Less than $50	0	0	1	1	1	1
$50 - $99	0	0	36	20	36	18
$100 - $199	6	27	76	43	82	41
$200 - $299	7	30	27	15	34	17
$300 - $499	4	17	20	11	24	12
$500 - $999	6	26	9	5	15	8
More than $1000	0	0	7	4	7	4
Total	23	100%	176	100%	199	100%
Average	$292		$219		$230	
Median	$250		$125		$125	

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Urban Rehabilitation. Compiled by the Office of Program Analysis and Evaluation.

TABLE 4-2
FUNDING FOR THE RENTAL REHABILITATION
DEMONSTRATION AS A PERCENTAGE OF 1981 CDBG GRANTS

Demonstration as Percent of Grant	First Round Number of Communities	First Round Pct	Second Round Number of Communities	Second Round Pct	Total Number of Communities	Total Pct
Less than 1	3	13%	13	9	16	9
1 - 4.9	0	35	64	42	72	41
5 - 9.9	7	30	39	25	46	26
10 - 19.9	3	13	28	10	31	18
20 or more	2	9	9	6	11	6
Total	23	100	153	100	176	100
Median	5.1%		4.9%		5.0%	

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Urban Rehabilitation. Compiled by the Office of Program Analysis and Evaluation.

In terms of the CDBG funds allocated to the Demonstration and the goals established by participating first round communities, the Rental Rehabilitation Program Demonstration is not the largest part of most local rehabilitation programs. In most of the first round communities, the CDBG funds budgeted to the Demonstration represent less than thirty percent of all CDBG funds budgeted for rehabilitation and less than **30** percent of all units to be rehabilitated during FY **1981.** In only one of the first round communities does the Demonstration budget account for more than one-half of all funds budgeted for rehabilitation programs or one-half of all units to be rehabilitated. (See Table **4-3.)**

TABLE **4-3**
RENTAL REHABILITATION DEMONSTRATION AS A
PERCENT OF ALL PLANNED LOCAL REHABILITATION
IN FIRST ROUND COMMUNITIES

Demonstration as Percent of All Local Rehabilitation	Units		Funding	
	Number of Communities	Percent of Communities	Number of Communities	Percent of Communities
Less than 10%	9	41%	9	45%
10 - 30	8	36	8	40
31 - 50	4	18	2	10
51 - 99	1	5	1	5
100	0	0	0	0
Total	22	100%	20	100%
Median	15.5%		11.5%	

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

The Demonstration is, however, a very significant share of local multifamily rehabilitation programs. (See Table **4-4.)** In nine of the **23** first round communities the Demonstration accounts for more than half of the multifamily units the participating communities expect to rehabilitate, and in six communities, it represents more than one-half of the local funds to be used in multifamily rehabilitation efforts. In fact, in four communities the Demonstration is the only CDBG-funded multifamily rehabilitation effort.

TABLE 4-4
RENTAL REHABILITATION DEMONSTRATION AS A
PERCENT OF LOCAL MULTIFAMILY (MF) REHABILITATION
IN FIRST ROUND COMMUNITIES

	Units		Funding	
Share of All MF Rehabilitation	Number of Communities	Percent of Communities	Number of Communities	Percent of Communities
Less than 10%	3	14%	6	27%
10 - 30%	9	41	7	32
31 - 50%	1	5	3	14
51 - 99%	5	23	2	9
100%	4	18	4	18
Total	22	100%	22	100%
	26.5%		26.5%	

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

Demonstration Goals. Overall, participating first round communities expect to rehabilitate an average of 53 units, or approximately 1200 total units. This average, however, is inflated by the relatively large goals of five cities that expect to rehabilitate 100 or more units. In fact, most communities actually established goals of rehabilitating between 20 and 49 units in the Demonstration. (See Table 4-5).

TABLE 4-5
ESTIMATED NUMBER OF UNITS TO BE REHABILITATED
IN FIRST ROUND OF RENTAL REHABILITATION DEMONSTRATION

Number of Units	Number of Communities	Percent of Communities
Fewer than 20	0	0%
20 - 30	7	30
31 - 40	2	9
41 - 50	5	22
51 - 99	4	17
100+	5	22
Total	23	100%
Average	53 units	
Median	49 units	

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

As of January, not all second round Demonstration communities had set their final program goals. Consequently, complete figures or detailed breakdowns regarding national goals for the second round of the Demonstration are not available.* According to data currently available, however, an estimated 10,000 units are expected to be rehabilitated during the second round of the Demonstration.

Demonstration Progress. According to the most recent available information, the first round communities have completed or currently have under construction 43 projects comprising 255 units, approximately 21 percent of their total goals. (See Table 4-6.) Local officials also report that a number of projects have been funded or selected but are not yet under construction. Overall, approximately one-half of the about 1200 units the 23 first round communities expect to produce through the Demonstration have at least been selected for processing.

In addition to the units completed by the first round comnunities, some second round communities have begun to implement their local programs. Second round comnunities have a total of 54 projects comprised of 313 units in some stage of rehabilitation, including six units in three projects already completed and 16 projects with 68 units under construction. (See Table 4-6.)

TABLE 4-6
PROGRESS OF THE RENTAL REHABILITATION DEMONSTRATION

Stage	First Round Proj.	First Round Units	First Round Pct of Goal	Second Round Proj.	Second Round Units	Total Proj.	Total Units
Complete or in Construction	43	255	21%	19	74	62	329
Funded, not in construction	25	146	12	14	30	39	176
Selected. not yet funded	35	242	20	21	209	56	451
Total	103	643	53%	54	313	157	956

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Urban Rehabilitation. Compiled by the Office of Program Analysis and Evaluation.

Some first round comnunities have made substantial progress towards accomplishing their local goals for the Demonstration. Three communities had completed or had under construction between 50 percent and 63 percent of their goals, and two communities had already rehabilitated 100 percent of the units they expected to produce through the Demonstration. (See Table 4-7.)

* Of the 176 participating communities, 43 had completed their program designs by mid-January 1983, and the majority of the other participants were expected to complete their designs by the beginning of February.

comnit themselves to long-term loans, especially on small properties. In a few cases, local officials said that owners were reluctant to invest even the money required for appraisal fees.

TABLE 4-7
UNITS COMPLETED OR UNDER CONSTRUCTION AS
A PERCENT OF LOCAL GOALS IN FIRST ROUND
RENTAL REHABILITATION DEMONSTRATION COMMUNITIES

Completed Units as Pct. of Local Goal	Number of Communities	Percent of Communities
0	9	39%
1-20	8	35
21-50	1	4
51-99	3	13
100	2	9
Total	23	100%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Urban Rehabilitation. Compiled by the Office of Program Analysis and Evaluation. (Detail does not add due to rounding.)

Some local officials in first round comnunities also stressed that certain program requirements of the Demonstration were a major obstacle they faced in getting the properties they originally targeted and meeting their goals. In particular, they identified the requirement for recourse lending in the Demonstration and HUD's emphasis on funding occupied properties as factors discouraging the participation of some multifamily investors. Local officials also cited other HUD program-related problems that are not exclusively features of the Demonstration as contributing to slower than expected progress. For example, some local officials believe that Section 8 Existing Fair Market Rents are too low for their communities and that the paperwork involved with processing Section 8 certificates is making some investors reluctant to participate.

PROGRAM CHARACTERISTICS AND EXPERIENCES IN FIRST ROUND COMMUNITIES

Characteristics of Rehabilitated Properties. The purpose of the Rental Rehabilitation Program Demonstration was to focus on small, occupied and partially occupied, multifamily rental properties of approximately five to thirty units per building and to show that such properties could be efficiently rehabilitated using CDBG funds. The actual decisions regarding specific properties to rehabilitate, however, were made exclusively by the participating comnunities.

The local discretion permitted the Demonstration participants was reflected in the types of buildings that local officials reported emphasizing in the Demonstration. Although the Demonstration programs in each of the 23 first round communities targeted certain types of properties according to the income of their tenants, the occupancy status of the buildings, or several other characteristics, only the number of units in the building was identified as a major selection factor in the majority of communities. There was, however, substantial variation among the communities regarding the size of the buildings to be targeted for rehabilitation in the Demonstration; local officials reported emphasizing a wide variety of buildings from single-family structures to buildings having 30 or more units.

The local discretion permitted by the Demonstration was also apparent in the varying size of the buildings that have been rehabilitated through the Demonstration. As of December 1982, 14 of the 23 first round communities had completed or had under construction 32 projects. The majority of the Demonstration projects that have been completed or are under construction involve buildings with 1-4 units, and 85 percent of the projects involve buildings with 10 or fewer units. (See Table 4-8.) These 32 projects varied in size from single family properties in three of the 14 communities to a 38 unit building in one community.

TABLE 4-8
SIZE OF PROJECTS COMPLETED OR UNDER CONSTRUCTION IN
FIRST ROUND OF RENTAL REHABILITATION DEMONSTRATION

	Projects		Units	
Building Size	Number	Percent	Number	Percent
1-4 units	17	53%	45	19%
5-10 units	10	32	63	27
11-20 units	3	9	54	23
21+	2	6	69	30
Total	32	100%	231	100%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Urban Rehabilitation. Compiled by the Office of Program Analysis and Evaluation. (Detail does not add due to rounding.)

Local Subsidy Mechanisms. The majority of the communities participating in the first round of the Demonstration provided rehabilitation assistance by offering forgiveable and non-forgiveable, deferred payment loans to property owners. This pattern is significantly different from that found in other CDBG communities. According to a recent GAO review of CDBG-funded housing activities, most entitlement rehabilitation programs "used less innovative financing methods" (i.e., grants) and "attracted few private funds to supplement the CDBG funds.. .."[4]

Officials in 74 percent of the first round communities reported using deferred payment loans, usually carrying zero or one percent interest, to subsidize their Demonstration projects. (See Table 4-9.) In twelve of these cities, borrowers were required to repay the loan. Generally, the repayment was required after the market rate loan had been paid off, upon sale of the property, or within a specified time period after sale. Five communities offered investors forgiveable loans. Four of these communities forgave the entire amount after a specified period of time, generally between eight and 12 years. The other cornunity forgave two-thirds of the loan with the remaining one-third due on sale of the property.

Three of the six other participating cornunities provide direct rehabilitation grants to property owners. In one city, the grant is combined with a deferred payment loan. However, that loan, 100 percent forgiveable if the property is not sold within eight years, is quite similar to a grant.

TABLE 4-9
PUBLIC SUBSIDY MECHANISMS USED
BY PARTICIPATING COMMUNITIES IN
FIRST ROUND OF DEMONSTRATION

Mechanism	Number of Communities	Percent of Communities
Deferred Payment Loans	17	74%
Grants	3	13
Participation Loans	2	9
Interest Subsidy	1	4
Total	23	100%

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

Of the other three cities, two use a participation loan* as their public subsidy mechanism. One combines a four percent CDBG loan with a market rate loan from a private lending institution to achieve a below-market interest rate. The city shares the first mortgage, and the owner pays only one rate. The second city has a formal lump-sum leveraging agreement with a consortium of lenders who lend money at one percent below-market rate. The banks service the loans at five percent, and the Federal National Mortgage Corporation buys 50 percent of each loan. The city contribution is enough to make the project work at market rates, and priority is given to the high leveraging ratio.

The final city has an interest subsidy agreement in which the bank issues a line of credit for the amount of the whole rehabilitation cost. This is done because there is a variable interest rate and no way to determine the amount of subsidy. The city provides the bank with a lump-sum that represents the difference between an affordable payment for the owner based on income, experience, profits, and the market rates. The bank makes a loan for the

* A participation loan is a loan in which the principle is provided by two or more lenders that share in both the return on the loan and in the risk of making the loan.

whole rehabilitation amount. The city recovers part of the subsidy in the event of prepayment.

Although the data presented here and the data analyzed in the GAO report are difficult to compare, it appears that the Demonstration involves more frequent use of deferred payment and forgiveable loans and less frequent use of grants and interest subsidy agreements than is found in most CDBG rehabilitation programs. In the GAO sample, 17.9 percent of the financing "interventions" were grants, 13.7 percent were interest subsidies, and only 4.2 percent were deferred payment or forgiveable loans.[5] As Table 4-9 shows, the figures for the Demonstration comnunities are quite different, and deferred payment loans are used by three-fourths of the communities in the first round of the Demonstration.

Leveraging and Per Unit Costs. The per unit rehabilitation costs in the 32 Demonstration projects completed or under construction as of December 1982 have varied from approximately $3,300 to $41,000 and have averaged $10,965. Of that sum, public costs, excluding the Section 8 certificates provided, have ranged from approximately $1,000 to $20,000. Overall, the average public cost has been $4,341. This figure is lower than the estimated per unit public costs for Section 312 Rehabilitation loans to multifamily family properties ($10,599) and other multifamily rehabilitation funded by CDBG, $5,900 to $7,680.[6]

Because participating comnunities were required to leverage funds as part of the Demonstration, the 32 projects completed or under construction as of January 1983 have a better leveraging ratio than typical CDBG-funded multifamily rehabilitation projects. According to the recent GAO report on CDBG-assisted housing rehabilitation, the rehabilitation of rental property with CDBG funds resulted in a public-to-private leveraging ratio of 73:27, or approximately 6.37 of private funds for every CDBG dollar contributed.[7] Demonstration projects, however, have public-to-private leveraging ratios of approximately 40:60, resulting in the leveraging of $1.50 of private funds for each CDBG dollar used.

Relocation and Post-Rehabilitation Rents. One of the major purposes of the Demonstration is to show that CDBG-funded multifamily rehabilitation can be undertaken without causing substantial involuntary displacement of low- and moderate-income tenants. According to the local officials interviewed, very little such displacement has occurred in projects rehabilitated through the Demonstration. Thirteen of the communities participating in round one of the Demonstration reported having projects that required relocating tenants. In 11 of 13 localities, the relocation was temporary and occurred on site. Only two cities reported any permanent relocation, and only six households were involved in the relocation.

The reason that relatively little permanent relocation has apparently taken place is that the market rents in the rehabilitated buildings have generally not exceeded the Section 8 Existing Fair Market Rents (FMRs) in the participating communities and, consequently, the Section 8 certificates can be used to minimize displacement. Only three of the 23 local officials contacted reported that the post-rehabilitation rents in one or more of their communities' projects exceeded the Fair Market Rents for existing units. Recent data collected by the Office of Urban Rehabilitation are available on the rents of 194 of the 230 Demonstration units with construction completed by January 1983. Of these 194 units, 171 (88 percent) were occupied and renting at or below the Section 8 Existing FMR for that unit. Only 23, or 12 percent, of these units were occupied and renting at more than the FMR.

Low- and Moderate-Income Tenants. Available data provided by local officials and HUD field staff indicate that the majority of the households residing in the rehabilitated buildings are low- and moderate-income households. According to these data, which represent 149 units that are occupied and for which the incomes of the tenants are known, 88 percent (126) have incomes of less than 80 percent of the area median, and 12 percent (23) have incomes that exceed 80 percent of the area median. The incomes of tenants residing in 82 of the occupied units are unknown.

Local Assessments of the Demonstration. According to the local officials interviewed, the strong point of the Demonstration is the extent of local discretion permitted. They were especially pleased that they, instead of HUD, actually made the decisions regarding the specific properties to be funded and the procedures and practices to be used in the Demonstration project. Some local coordinators said that this discretion enabled them to address the needs of rental properties that could not feasibly have been rehabilitated through other programs and to vary the subsidy provided to the property owners to match the particular situation.

This local discretion also allowed comnunities to reduce the extent of their involvement in administering the rehabilitation program. Local officials in 13 of the first round comnunities reported they were successful in reducing public involvement in administering rehabilitation, primarily by shifting some of their former responsibilities to the property owner. Seven of these officials reported that the owner had taken the majority of the responsibilities, four indicated that the lender and owner shared the responsibilities about equally, and two reported that the lender had taken the majority of the responsibilities.

Despite the fact that owners frequently took on added tasks in the rehabilitaion process, many local officials said it was the rental property owners' lack of experience with financing rehabilitation and their unfamilarity with HUD housing programs that hampered efforts to reduce the community's role in the rehabilitation process. According to these officials, the Demonstration is new, and the use of the Section 8 certificates involves a normal, but in their view, nonetheless considerable, amount of paperwork. Local officials reported that many small property owners were not experienced at filling out applications or fulfilling their responsibilities without substantial assistance from the city. In contrast, those officials that dealt with experienced developers or investors found that they were aware of necessary requirements and needed very little assistance. However, several local respondents did indicate the program was not financially attractive enough for many sophisticated investors. Participating lenders were cited as generally cooperative and reportedly were willing to take increased responsibility.

PART TWO: THE URBAN HOMESTEADING PROGRAM

INTRODUCTION

Section 810(e) of the Housing and Community Development Act of 1974 requires HUD to submit to Congress an annual report on the Urban Homesteading program.

Section 810 of the Housing and Community Development Act of 1974, as amended, authorizes the transfer of unoccupied one-to-four-family properties owned by HUD, the Veterans Administration (VA), and the Farmers Home Administration (FmHA) at no cost to communities with HUD-approved homesteading programs. Local governments, in turn, offer the properties at nominal or no cost to homesteaders who agree to repair them within 18 months and live in them for a minimum of three years. Section 810 appropriations are used to reimburse the respective Federal agencies for the value of the units transferred to local homesteading programs.

This section reports on Urban Homesteading program activity during FY 1982. The section is divided into two major parts. The first part outlines program initiatives and changes that occurred in FY 1982. The second part describes the current status of the program in terms of funding, properties, and participating communities.

RECENT PROGRAM DEVELOPMENTS

CURRENT PROGRAM STANDING

The Department considers the Urban Homesteading program to be an effective way to use existing stock in order to expand homeownership and to contribute to the preservation and revitalization of neighborhoods. Congress appropriated $12 million for the program in FY 1983, and the Department is proposing reauthorization and another $12 million appropriation for FY 1984. HUD is also proposing expansion of the program to include multifamily property.

INCREASED AVAILABILITY OF FEDERAL PROPERTIES FOR HOMESTEADING

Section 106 of the Housing and Community Development Amendments of 1979 provided for reimbursement by HUD to the VA and FmHA for VA- and FmHA-owned properties conveyed to local urban homesteading agencies under the Urban Homesteading program. Since the number of properties in the HUD-owned inventory had been significantly reduced, the intent of this legislative change was to increase the supply of Federal properties available to homesteading communities.

The initial interim rule implementing the 1979 amendments did not incorporate a provision permitting HUD to increase the otherwise applicable limit ($15,000 per initial dwelling unit and $5,000 for each additional unit) relating to the reimbursement for VA- and FmHA-owned properties. Since the majority of VA and many FmHA properties have values greater than $15,000, the absence of a waiver provision made it practically impossible for many localities to include such properties in their homesteading programs.

In September 1982, an interim rule incorporating authority to increase the $15,000 limit became effective. However, since this change occurred too late in FY 1982 to affect the transfer of VA and FmHA properties in FY 1982, only 32 VA properties were transferred to homesteading programs during the fiscal year.

MANAGEMENT IMPROVEMENTS

During FY 1982, HUD's Office of Inspector General (OIG) and Office of Finance and Accounting (OFA) undertook a joint assessment of the effectiveness of internal controls on the Urban Homesteading program. This effort was one Departmental response to the President's initiative to reduce and/or eliminate fraud, waste, and mismanagement in Federal programs. The OIG/OFA review identified a series of improvements that could be made in the internal controls used in the Urban Homesteading program. The project team. recomnended that the Department: (1) establish controls over the allocation, certification of fund availability, obligation, and expenditure of homesteading appropriations; (2) improve the accuracy of property transfer charges; (3) record receivables and collect prepaid taxes due HUD from cities which receive properties; and (4) develop effective procedures for reconciling OFA records with records kept by HUD field offices.

The CPD Program Office and OFA have completed funding reconciliation and have developed an automated Regionalized internal control system.

DEREGULATION INITIATIVES

Pursuant to Executive Order 12291, the Department is currently reviewing the Section 810 regulations to meet its deregulation goals. Other policy changes in this deregulation effort include steamlined application procedures and improved monitoring and corrective and remedial action options.

EVALUATION FINDINGS

The final report of the comprehensive evaluation conducted by HUD of the 23-city Urban Homesteading Demonstration program was published during FY 1982. The summary report, covering the 1975-1979 period, presents a generally positive assessment of the effectiveness of urban homesteading as a means of encouraging homeownership, providing housing assistance to families, and stabilizing declining neighborhoods.[8]

INCREASE OF SECTION 312 LOANS IN SUPPORT OF URBAN HOMESTEADING

The Department concentrated all Section 312 single family loan funding in FY 1982 in HUD-approved urban homesteading areas. Sixty-eight (or 75 percent) of the communities with active homesteading programs used Section 312 loans in support of homesteading in comparison with 53 communities the year before. Altogether, 502 Section 312 loans totaling $9.259 million were provided to owner-occupants and invester owners in urban homesteading areas during FY 1982; in contrast, 281 loans amounting to $5.216 million were provided to such owner-occupants during FY 1981. Section 312 loans to homesteaders constituted 55 percent of the single family loans and 61 percent of the single family loan amounts for FY 1982; the remainder went to other owner-occupants and investor owners for housing rehabilitation in the urban homesteading areas.

NEW URBAN HOMESTEADING LOCALITIES

Eleven comnunities, nine entitlement cities, one urban county, and one non-urban county entered the Urban Homesteading program during FY 1982. All nine entitlement cities met the UDAG distress threshold, and six of them were highly distressed; the urban county did not meet the minimum UDAG distress threshold.

Given the recency of their entry into the program, it is not surprising that most of the new entrants had few properties in their 1982 programs. One city had 11 properties in its program and two others had ten; on the other hand, three communities had no homesteading properties thus far, and two more had only one. Four 1ocalities used HUD-acquired properties, three used VA properties, and five used local properties.

CURRENT PROGRAM STATUS

PROGRAM FUNDING AND EXPENDITURES

Section 810 funds are used to reimburse HUD, the VA, and the FmHA for the value of Federal properties transferred pursuant to Section 810. The CDBG program, the Section 312 Rehabilitation Loan Program, and private leveraging have been the major sources of rehabilitation financing for homesteaders. Communities have also supported local homesteading program administration and property acquisition with CDBG monies.

Section 810 Funding and Expenditures. Since 1975, Congress has appropriated $55 million to support the acquisition of Federal properties for Urban Homesteading programs. No appropriations were approved for the period FY 1980-82. The balance of unexpended appropriations was sufficient to operate the program in FY 1982 at a level comparable to previous years. Congress appropriated an additional $12 million for program operations in FY 1983.

HUD had allocated over $52 million in Section 810 funds to approved communities by the end of FY 1982. The size of a particular community's allocation is calculated on the basis of the expected number of available HUD, VA, and FmHA properties suitable for homesteading, the average "as-is" value of appropriate Federally-acquired properties in the jurisdiction, and the community's past homesteading experience.

As of the end of FY 1982, $46.639 million of Section 810 funds had been spent, or 84.8 percent of the Section 810 appropriations to that point. $11.639 million of that total had been expended in FY 1982.

Uses of CDBG Funding. Most homesteading communities that received CDBG funds have used them to support the administration of their programs; many have used them for homesteading-related rehabilitation financing; and some have used them for homestead property acquisition. Some communities have made direct rehabilitation grants or low interest loans to homesteaders or used CDBG funds to leverage rehabilitation loan funds from private sources. In most communities that purchased 1ocal properties for homesteading, CDBG funds were the principal source for that acquisition.

Nearly all communities with approved homesteading programs received CDBG program funds during FY 1982.

Use of Section 312 Rehabilitation Loans. As discussed above, Section 312 loans constituted a major and, at least for FY 1982, a larger role in rehabilitation financing-in support of urban homesteading than in FY 1981.

Private Rehabilitation Financing. Many homesteading communities rely on private sector financing for all or part of the cost of rehabilitating homesteading properties. Some have developed creative financing mechanisms to provide rehabilitation financing. HUD plans to stress more such leveraging in the future.

Use of Sweat Equity. "Sweat equity," homesteader contributions to the rehabilitation of their homesteads, has added to the rehabilitation of homestead properties in some homesteading communities. Sweat equity is generally encouraged by homesteading communities but has been limited by local rules that require homesteaders to be certified or licensed prior to undertaking technical work such as wiring, plumbing, and heating and by local provisions that restrict sweat equity contributions to cosmetic property improvements.

HOMESTEADING PROPERTIES

Federal Inventory. Until 1980, the HUD inventory of single family properties was the sole source of properties available for transfer at no cost to local homesteading programs under Section 810. The overall inventory of HUD-owned properties has declined significantly since its high point in the mid-1970's. The inventory of unsold properties had declined from over 75,000 properties at the end of FY 1974 to 17,238 properties as of September 30, 1982. The transfer of HUD properties to local homesteading programs under Section 810 has accounted for a very small (2.5 percent) proportion of all HUD-owned properties disposed of since 1975, although the proportion might be considerably greater for homesteading communities and areas.

While the HUD inventory has declined in absolute numbers, a substantial number of properties are still acquired each year and, therefore, are potentially available for homesteading. During FY 1982, HUD acquired 18,179 properties compared to 13,871 in 1981. However, the overall inventory still declined because sales exceeded acquisitions.

In 1979, Congress sought to expand the inventory of Federal properties suitable for homesteading by authorizing reimbursement to the Veterans Administration and Department of Agriculture for VA- and FmHA-held properties available for homesteading.

Cumulative and FY 1982 Property Acquisitions. During FY 1982, Section 810 funds reimbursed Federal agencies for the transfer of 796 properties to local homesteading programs.[9] This compares with 1,105 properties in FY 1981. Most transferred properties continued to be from the HUD inventory (764) followed by those from the Veterans Administration (32) inventory. FY 1982 was the first year that VA properties were funded through Section 810.

In addition to Section 810-funded properties, 91 other Federal properties were conveyed to ocalities during FY 1982 for use in urban homesteading programs. In most cases, localities purchased these properties themselves using CDBG or other local funds. Communities indicated that they obtained 95 additional properties through various local means. During FY 1982, localities relied on Section 810 funds to obtain over 80 percent of the properties acquired for homesteading.

Since 1976, localities with approved homesteading programs have acquired 7,115 properties for homesteading use. Section 810 funded properties account for over 88 percent of all properties acquired by localities over this period. Approximately three percent of all homestead properties have been Federally-acquired through non-Section 810 means. Local sources of properties account for the remaining nine percent of all homestead properties.

TABLE 4-10
NUMBER AND SOURCE OF HOMESTEADING PROPERTIES
FY 1976 - FY 1982

	FY 1976 - 1981	FY 1982*	TOTAL*
Section 810	5,437	796	6233
FHA	(5,437)	(764)	(6201)
HUD	(--)	(--)	(--)
VA	--	(32)	(32)
Other Federal	101	91	192
Locally Acquired	595	95	690
Total	6,133	982	7115

* The Office of Finance and Accounting maintains records only on properties acquired through Section 810 funding. The Section 810 property figures reflect OFA data on closing documents received as of September 30, 1982. Non-Section 810 property figures were provided by the Office of Urban Rehabilitation.

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

Value of FY 1982 Federal Properties Transferred. While the number of Section 810 properties transferred for homesteading declined by 28 percent from FY 1981 to FY 1982, the amount of Section 810 funds obligated during FY 1982 decreased by only 17 percent over the FY 1981 level. The resulting average value of a property transferred in FY 1982 was $11,005, compared to a corresponding value for FY 1981 of $9,580.

URBAN HOMESTEADING PARTICIPATION AND PROGRESS

Number of Urban Homesteading Programs. By the end of FY 1982, HUD had approved 107 communities, 97 cities and 10 counties, as participants in the Urban Homesteading program. Eleven of those communities entered the program during FY 1982.

TABLE 4-11
NUMBER OF APPROVED URBAN HOMESTEADING PROGRAMS

FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	Total
23	16	0	37	18	2	11	107

Of the 107 approved communities, 91 jurisdictions actually operated programs during FY 1982. Of the 16 inactive communities, three had been suspended by HUD and 13 had failed to sign annual grant agreements with HUD.[10]

Characteristics of Urban Homesteading Communities. More than four-fifths of the communities with approved homesteading programs are in the Eastern United States, with the principal concentration being in the Northeast quadrant where the bulk of the HUD-acquired inventory is also concentrated. Four states--Ohio, Pennsylvania, Michigan, and New York--contain 43 percent of all Urban Homesteading programs.

Urban homesteading communities vary significantly on the basis of size. One fifth of the approved localities have populations over 500,000. On the other hand, 44 percent have populations under 100,000.

Over three-quarters (76 percent) of the approved communities are CDBG Entitlement recipients, including 66 central cities, six cities over 50,000 that are not central cities in their respective SMSAs, and nine urban counties. The remaining communities are 25 small cities and one non-urban county.

The approved communities are more likely to be physically and economically distressed than the typical community. For example, about half of all CDBG entitlement cities fall above the UDAG eligibility threshold, but four-fifths of the homesteading participants have UDAG distress rankings of three or more, making them eligible for UDAG assistance; half of the homesteading communities met the UDAG conditions for high distress.

Property Sources for Local Homesteading Programs. Most homesteading programs rely on the Federal, principally HUD, inventory for homesteading properties. Over half of all approved programs have employed Federal properties exclusively. Twenty-eight communities have utilized both HUD- and locally-acquired properties. Seventeen programs have used only local properties, and six programs have not yet acquired properties for their approved programs.

TABLE 4-12
SOURCES OF PROPERTIES FOR APPROVED HOMESTEADING PROGRAMS

Source of Properties	Number of Programs	Percent of Programs
'Federal only	56	52%

and Development, Office of Urban Rehabilitation.

Program Size and FY 1982 Property Acquisition Activities. As of September 30, 1982s the 107 homesteading programs fell roughly into three sizes. About one-third of the programs (n=36) were very small, having acquired ten or fewer properties from any source. Most, but not all, of these programs were recent entrants (i.e., had entered the program since FY 1978). Another third (n=33) of the programs had between 11 and 50 properties. The final third (n=38) had programs with over 50 properties. Among these programs were ten which have handled over 200 properties. (See TABLE 4-13).

TABLE 4-13
CUMULATIVE PROPERTY ACQUISITIONS FROM ALL SOURCES
FOR ALL APPROVED HOMESTEADING PROGRAMS

Number of i	Number of Programs	Percent of Prog
0	5	5%
1 - 5	18	17
6 - 10	13	12
11 - 25	16	15
26 - 50	17	16
51 - 100	11	10
101 - 200	17	16
201 - 300	3	3
301+	7	6
Total	107	100%

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

The average size of urban homesteading programs was 68.7 properties and the median was 28 properties.

As the cumulative activity suggests, programs vary widely in the level of property acquisition each year. In FY 1982, for example, one-third of all homesteading programs did not acquire any properties for homesteading purposes. Another third acquired between one and ten properties. The remaining third acquired over 11 properties. Most of these programs acquired between 11 and 30 properties.

TABLE 4-14
HOMESTEADING PROPERTY ACQUISITION FROM ALL SOURCES
FOR ALL HOMESTEADING PROGRAMS DURING FY 1982

Number of Properties	Number of Programs	Percent of Programs
0	34	32%
1 - 5	24	22
6 - 10	14	13
11 - 20	16	14
21 - 30	6	6
31 - 40	6	6
41 - 50	3	3
51+	4	4
Total	107	100%

SOURCE: U.S. Department of Housng and Urban Development, Community Planning and Development, Office of Urban Rehabilitation.

Local Homesteading Progress. Once a property is acquired by a local homesteading program, it is conveyed to a homesteader through a process that includes six milestones: (1) homesteader selection; (2) conditional conveyance to the homesteader; (3) initiation of rehabilitation; (4) homesteader occupancy; (5) completion of rehabilitation; and (6) fee simple conveyance. Table 4-15 shows the status of the properties that have been moved through the process through FY 1982.

The differences in the number of properties at various stages in the process reflect several features of the Urban Homesteading program. First, the homesteading process is ongoing. Properties are continually acquired even as others are being rehabilitated. Second, the process is long relative to the age of the program. Fee simple conveyance of the property to the homesteader occurs at least three years after occupancy begins. The time between local acceptance of a HUD-held property and homesteader occupancy adds more time to the process.

As of September 30, 1982, 7,242 households had been selected for homesteading. Although this figure indicates that homesteaders have been selected for 98 percent of all properties acquired for homesteading, this high proportion may be somewhat misleading because some communities report both their primary and alternate homesteader selections. Nevertheless, by the end of FY 1982, approximately 84 percent of all homesteading properties had been conditionally conveyed to homesteaders, and 76 percent were occupied by homesteaders. Rehabilitation had been initiated on 81 percent of all properties acquired and completed on 65 percent of the properties. Fee simple conveyance, which marks the completion of the minimum three-year conditional conveyance and occupancy period, had occurred in 29 percent of all homesteading properties.

TABLE 4-15
STATUS OF URBAN HOMESTEADING PROPERTIES AS OF SEPTEMBER 30, 1982
(Cumulative Totals)

Cities[a]	HUD Properties Transferred To Cities	Home-Steaders Selected[b]	Properties Transferred Conditionally From Cities To Homesteaders[c]	Properties Occupied[c]	Rehabilitation Started[c]	Rehabilitation Completed[c]
Akron, OH	12	12	12	6	12	6
Anderson, SC	4	12	12	9	12	9
Athens, OH	...	8	8	7	8	4
Atlanta, GA.	167	140	140	140	140	140
Babylon, NY	12	20	11	9	11	9
Baltimore, MD	78	68	61	55	61	49
Bayamon, PR	10	...	...	...	...	...
Benton Harbor, MI	15	14	14	13	14	14
Berkeley, MO	16	16	16	7	7	5
Boston, MA	46	44	43	43	47	4
Bradford, PA	...	3	3	3	3	3
Brookhaven, NY	63	70	61	57	61	57
Broward County, FL	25	18	13	13	13	13
Buffalo, NY	31	24	24	5	14	5
Camden, NJ	67	Q	56	56	56	38
Canton, OH	...	14	...	...		...
Chicago, IL	356	356	307	271	254	158
Cincinnati, OH	113	146	146	91	130	105
Cleveland, OH	49	90	36	36	36	36
Columbus, OH	349	379	344	267	344	281
Compton, CA.	39	39	39	39	39	39
Dade County, FL	82	80	66	61	66	61
Dallas. TX	372	371	371	371	371	371
Davenport, IA	...	3	3	...	3	...
Dayton, OH	135	101	95	81	87	66
Decatur, GA.	107	113	113	110	113	110
DeKalb County, GA.	33	33	33	27	33	27
Des Moines, IA	6	3	3	3	3	3
Detroit, MI	126	Q	57	37	53	30
East Liverpool, OH	...	15	15	15	15	15
East St. Louis, IL	140	100	100	99	100	97
Flint, MI	78	78	78	67	70	43
Freeport, NY	79	101	75	75	75	75
Gary, IN	360	685	313	273	283	190
Hartford, CN	...	13	13	9	13	9
Haverhill, MA.	...	3	3	3	3	3
Hazel Park, MI	6	...	...	...	...	...
Hempstead, Village of, NY	43	55	35	35	35	35
Highland Park, MI	21	19	18	14	14	14
Indianapolis, IN	252	248	248	239	248	211
Islip, NY	306	331	am	207	207	am
Jackson, MI	3	4	3	2	3	2
Jefferson County, KY	41	44	34	20	20	20
Jennings, MO	17	12	12	8	12	7
Jersey City, NJ	15	14	14	14	14	14
Joliet, IL	41	38	36	34	37	34
Kansas City, MO	177	222	144	130	144	130
Lansing, MI	...	1	1	...	...	...
Lawrence, MA	...	5	5	5	5	5
Lebanon, PA	...	8	8	6	8	6
Los Angeles City, CA	24	22	22	22	22	22
Louisville. KY	34	29	28	21	28	19
Luzerne County, PA	...	1	1	1	1	1
Madison Heights, MI	2	1	1	1	1	1
Milwaukee, WI	313	317	316	299	316	220
Minneapolis, MN	95	203	201	184	201	163
Montgomery County, OH.	39	39	39	22	30	22
Mt. Holly, NJ	3	4	4	4	4	4
Nanticoke, PA.	...	1	1	...	...	...
Nassau County, NY	108	132	95	89	95	89
New Haven, CT	5	20	20	20	20	20
Newark, NJ	6	2	2	2	2	-2
Newport News, VA	15	15	15	14	15	14

Cities[a]	HUD Properties Transferred To Cities	Home-Steaders Selected[b]	Properties Transferred Conditionally From Cities To Homesteaders[c]	Properties Occupied[c]	Rehabilitation Started[c]	Rehabilitation Completed[c]
New York City, NY. . . .	29	29	29	29	29	29
Oakland, CA.	120	118	118	117	118	116
Omaha, NE.	29	32	32	30	32	30
Palm Beach County, FL. .	59	59	48	48	48	48
Patterson, NJ.	4	4	4	4	4	4
Philadelphia, PA. . . .	392	346	346	346	346	173
Phoenix, AZ.	88	129	87	95	118	109
Pine Lawn, MO.	17	9	9	9	12	12
Pinellas County, FL. . .	10	10	10	10	10	10
Piqua, OH.	1	2	2	2	2	2
Plainfield, NJ	20	19	19	11	19	11
Port Huron, MI	6	4	4	4	4	4
Portland, OR	9	9	1	1	1	1
Pottsville, PA.	...	2	2	2	2	2
Racine, WI	4	23	4	...	...	...
Richmond, VA	4	4	4	3	4	3
Roanoke, VA.	...	3	3	3	3	3
Rochester, m..	181	206	175	170	175	98
Rockford, IL	142	128	128	117	127	104
Saginaw, MI.	41			32	33	32
St. Louis, MO......	104	85	85	51	53	29
St. Paul, MN	...	151	149	146	149	82
St. Petersburg, FL . . .	82	105	75	68	74	68
Shamokin, PA	...	7	7	7	7	7
Sioux City, IA	...	10	10	9	10	9
South Bend, IN	[illegible]	134	131	110	114	69
Springfield, MA.	30	66	63	60	63	60
Springfield, OH.	9	6	2	...	2	...
Tacoma, WA	58	58	58	58	58	58
Tampa, FL.	23	22	22	8	22	8
Toledo, OH.	123	132	125	103	109	70
Warner Robbins, GA . . .	a3	27	27	24	26	24
Warren OH.	12	11	11	7	10	7
Wilmington, DE	107	u4	114	107	112	107
Xenia, OH.	6	6	4	3	4	3
York, PA.	...	36	35	28	33	a3
Youngstown, OH	18	31	20	19	20	18
Totals	6,409	7,242	6,189	5,592	5,986	4,776

a HUD has approved 107 localities to date. While Sunbury and Wilkes-Barre, Pennsylvania; Salem, Oregon; and Steubenville, Ohio are excluded from the preceding table, they are approved localities and have only been excluded because historically they have not requested nor received any Federal properties and no local activity has occurred. The localities of James City County, Virginia; Los Angeles County, California; and Trenton, New Jersey, are also excluded because they are newly approved and activity has not yet occurred.

b The number of "Homesteaders Selected" exceeds the number of "HUD Properties Transferred to Cities" because localities are using locally owned and other Federal properties in their programs and some localities select alternate homesteaders for properties.

c A number of localities with HUD-approved Urban Homesteading programs use locally acquired properties only, or HUD, or other Federal, and locally acquired properties. The last four columns of the table include all properties.

PART THREE: SECTION 312 REHABILITATION LOAN PROGRAM

INTRODUCTION

The Housing and Community Development Amendments of 1978 require HUD to report to Congress on the Section 312 program in conjunction with the Annual Report on the CDBG program required by Section 113(a) of the Housing and Community Development Act of 1974.

Section 312 of the Housing Act of 1964, as amended, authorizes the Secretary to make loans for the rehabilitation of single family and multifamily residential properties and non-residential properties. Loans may only be made if the rehabilitation is a part of, or is necessary or appropriate to, the execution of an approved Community Development program under Title I of the Housing and Community Development Act of 1974, as amended, or an approved Urban Homesteading program under Section 810 of the same Act. Loans may also be approved within certain categorical program areas, e.g., urban renewal and neighborhood development projects.

In making Section 312 loans, priority must be given to applications submitted by low- and moderate-income persons who own property and will occupy it upon completion of rehabilitation and by owners of multifamily properties who leverage private funds to accomplish rehabilitation.

This part of the chapter reports on Section 312 program activity during FY 1982 and is divided into two major sections. The first section outlines major program initiatives and changes that occurred in FY 1982. The second section describes the current status of the program in terms of Section 312 funding, loan activity, participating communities, properties, and borrowers.

RECENT PROGRAM DEVELOPMENTS

CONGRESSIONAL ACTIONS

The Housing and Community Development Amendments of 1981 extended the Section 312 program through September 30, 1983. The Department's FY 1984 Budget proposed to terminate the program in 1984 and to transfer the assets and liabilities of the program to the Departmental Revolving Fund (Liquidating Programs).

Congress has not appropriated any funds for the Section 312 program since FY 1981. The FY 1982 program was operated entirely on loan repayments and other income recoveries. Consequently, available Section 312 funding decreased from a high of $288.3 million in FY 1979 to $83.4 million for FY 1982. Loan reservations in FY 1982 were $49.4 million; the comparable amount for FY 1979 was $233.9 million.

CHANGES IN THE ALLOCATION SYSTEM

Fund Categories. The Department assigned Section 312 funds for FY 1982 to HUD field offices in two categories:

1. Urban Homesteading Program--Section 312 funds were assigned for rehabilitating single family properties having one to four dwelling units

in support of local Section 810 Urban Homesteading programs. This includes properties in approved urban homesteading areas as well as actual Section 810 homesteading properties. This specific allocation to urban homesteading replaced a broader single family general use category employed the year before.

2. Multifamily Program--Section 312 funds were also assigned for repairing residential properties having five or more dwelling units and for mixed-use properties having five or more dwelling units.

In FY 1981, 281 Section 312 loans totaling $5.2 million were used to rehabilitate single family properties in support of local Urban Homesteading programs. As a result of the concentration of single family loans in homesteading areas, 502 loans totaling $9.4 million were distributed in homesteading areas in FY 1982.

During FY 1981, no more than one-third of the Section 312 funds could be used for the rehabilitation of multifamily properties. However, this restriction was removed for FY 1982, and rehabilitation of multifamily properties with Section 312 funding became a Departmental priority. The resulting change was dramatic. In 1981, four percent of the Section 312 loans made and 26 percent of the funds obligated were for multifamily loans. These increased to 34 percent and 81 percent, respectively, in 1982. In 1981, 29 percent of all units rehabilitated were in multifamily projects. In 1982, this proportion increased to 85 percent.

Allocation Mechanisms. The Department allocated single-family loan funds in support of Urban Homesteading to localities with approved urban homesteading programs based upon need and past use of Section 312 funds to assist the homesteading program. These funds were assigned to Regional Offices which, in turn, subassigned the funds to Area Offices with active homesteading programs.

In contrast, the Department distributed Section 312 multifamily monies to Regional Offices with suballocations to Area Offices based on two factors indicating need and priority placed on rehabilitation by grantees within their jurisdictions. Area Offices then could choose any of three methods for allocating funding among recipient communities: (1) approval of multifamily loans based on the merits of individual projects rather than allocation of funds to specific communities; (2) allocation to a few localities based on projects identified as in the pipeline; and (3) allocation to localities that the Area Office believed should participate based on their multifamily experience, regardless of whether individual projects were in the pipeline. Priority was given to localities taking part in the Rental Rehabilitation Demonstration and to projects which leveraged private financing for rehabilitation or which were submitted by efficient local rehabilitation operations and by communities with low rates of Section 312 loan delinquency.

INTRODUCTION OF VARIABLE INTEREST RATES

Until FY 1982, all Section 312 loans were made at an interest rate of three percent. Beginning in FY 1982, while all Section 312 loans were still made at below market interest rates, the only loans made at the three percent rate were those single family loans made to owner-occupants whose family incomes fell at or below **80** percent of the area median income. All other single family owner-occupant borrowers were given **11** percent interest rate loans.

Loans to rehabilitate multifamily and investor-owned single family rental properties also bore an **11** percent interest rate, except where non-publicly subsidized funding equalled or exceeded Section **312** funding, in which case, the rate was five percent.

Analysis of a subset of FY **1982** Section **312** loans for which information is available indicates that three percent loans constituted the predominant form of single family interest rate financing. Information based on **55** percent of the total FY **1982** loans and **53** percent of fund reservations shows that **73** percent of the FY **1982** loans were given out at the three percent rate, **26** percent were loaned at **11** percent, and the remaining one percent was comprised of investor-owned single family loans at the five percent rate.

Seventy-eight percent of all Section **312** multifamily loans in FY **1982** were made at the **11** percent interest rate, and **22** percent were made at the five percent rate.[11] The **11** and five percent loans constituted **68** and **32** percent, respectively, of multifamily loan amounts.

DEBT COLLECTION

Administrative Steps. Debt collection remained an area of high Departmental priority during FY 1982. Section **312** loans are serviced through a number of contracts and subcontracts. Eighty-seven percent of the loans are administered through the Federal National Mortgage Association **(FNMA)** and its 50 private servicers. HUD Headquarters manages the remaining loans, including defaulted loans and new loans, through several private contracts.

In order to maximize the level and efficiency of Section **312** debt collection, the Department took two specific actions in FY **1982: (1)** HUD undertook the final stage of the conversion of the Section **312** collection system from a manual to an automated system; and **(2)** HUD consolidated various loan servicing functions such as direct assignment of single-family foreclosure actions.

Delinquency Rate. As of July **31, 1982,** HUD had a total of **64,676** active Section **312** loans with unpaid balances totaling **$715.5** million. Continuing aggressive servicing efforts and new policies and procedures enabled the Department to maintain the proportion of delinquent loans at **12** percent of the total and the proportion of seriously delinquent loans **(i.e., 31** days or more delinquent) at **7.2** percent, this, despite the recession, a large increase in bankruptcies, the lengthy period required to complete some foreclosure actions, and an unanticipated time lag in the procurement and enforcement of judgments in connection with unsecured loans (See **Table 4-16).**

TABLE 4-16
NUMBER AND UNPAID BALANCES OF SECTION 312 LOANS, BY PAYMENT STATUS AND FISCAL YEAR
(Dollars in Thousands)

Status	(As of December 31, 1981)				(As of July 31, 1982)			
	# Of loans	%	Unpaid Balances $ Amount	%	# Of Loans	%	Unpaid Balances $ Amount	%
Current	57,878	88.5	$602,117	84.7	56,982	88.0	$615,100	86.0
Delinquent:								
3 Months or Less	5,325	8.1	89,967	12.6	4,500	7.0	77,700	10.9
More than 3 Months	2,210	3.4	19,116	2.7	3,194	5.0	22,700	3.1
Subtotal	7,535	11.5	109,083	15.3	,694	12.0*	100,400	14.0
Total	65,413	100.0	$711,201	100.0	64,676	100.0	$715,500	100.0

* Many of the loans that were less than three months delinquent were actually less than one month in arrears. Such loans may be considered lrtc payments rather than actual delinquencies. When these less than one month delinquencies are excluded from the analysis, the effective delinquency rate as of July 31, 1982 was 7.2 percent.

SOURCE: Federal Natlonal Mortgage Association and U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Urban Rehabilitation.

Collections. Collections for the 10-month period ending July 31, 1982 for both Federal National Mortgage Association and HUD-held Section 312 loans totaled $60.2 million as compared to $41.7 million for the comparable 10-month period in 1981, an increase of 44 percent.

Legal Actions. Under new foreclosure procedures, 505 loan cases were assigned to foreclosing agents during the last six months of FY 1982 in comparison with less than 100 during all of FY 1981. The Department was unable to process the backlog of 712 judgments in FY 1982. The Department is working on procedures to assign judgments expeditiously.

CURRENT PROGRAM STATUS

PROGRAM FUNDING

Source of Funding. Since no funding has been appropriated for the Section 312 program since FY 1981, the FY 1982 program was supported entirely from loan repayments, accounting for $75.627 million, and recoveries of prior years' obligations and other income, accounting for $7.785 million. A total of $83.412 million, as a result, was available for FY 1982 Section 312 loans and related expenses.

Fund Reservation and Operating Costs. Actual FY 1982 Budget reservations for the section 312 program were less than originally estimated. The Department reserved $49.446 million for loans, about 73 percent of the amount originally estimated. A balance of $24.5 million was left unreserved at the end of the fiscal year.

The divergence between estimated and actual reservations stems principally from the Administration's proposal to terminate the program in **1984** and the shift in program focus to the rehabilitation of multifamily properties, since the applications for such loans take much longer to be developed.

While loan activity has declined, loan servicing and operating costs have increased. Such costs increased **49** percent **from FY 1981** to **FY 1982** to **$7.648** million. The Department's intensified efforts to improve loan servicing and recordkeeping explain much of the increase.

Loan Obligations. Section **312** loans totaled **$49.446** million during **FY 1982** or **84.1** percent ot the funds **($58.763** million) originally available for loans. Eighty-one percent **($40.063** million) of the loans obligated was used for **multifamily** rehabilitation, and the remaining **19** percent **($9.383** million) was used to support the Urban Homesteading program. This distribution contrasts sharply with the **26** percent obligated for multifamily and the six percent obligated for urban homesteading in the preceding fiscal year.

Regional Distribution. Funding of the Section **312** program varies **significantly** from **HUD** Region to HUD Region. (See Table **4-17).** The most funds were used in the Eastern half of the country, with the New York **(27.1** percent), Chicago **(15.5** percent), Philadelphia **(11.7** percent), and Atlanta **(10.6** percent) Regions using the largest proportions. Distribution of the **multifamily obligations** generally followed the distributional **pattern** of Section **312 funding** as a whole. The distribution of single **family** loan funding diverged' from the overall patterns, especially in the instance of the Chicago Region. The Chicago Region received nearly two-fifths of the single family funds, principally because of the concentration of urban homesteading **communities** within that jurisdiction.

TABLE 4-17
SUMMARY OF SECTION 312 FUND USE
DURING FY 1982 BY PROGRAM CATEGORY AND HUD REGION

HUD Region	Support of Single-Family Urban Homesteading Units		Support for Multifamily Units		Total	
	$	%	$	%	$	%
I (Boston)	392,550	4.2	2,815,100	7.0	3,207,650	6.5
II (New York)	2,317,200	24.7	11,072,800	27.6	13,390,000	27.1
III (Philadelphia)	433,450	4.6	5,352,400	13.4	5,785,850	11.7
IV (Atlanta)	1,505,400	16.0	3,731,250	9.3	5,236,650	10.6
V (Chicago)	3,597,200	38.3	4,068,050	10.2	7,665,250	15.5
VI (Dallas)	---	0.0	831,620	2.1	831,620	1.7
VII (Kansas City)	800,000	8.6	3,870,050	9.7	4,670.050	9.4
VIII (Denver)	---	0.0	378,000	0.9	378,000	0.8
IX (San Francisco)	218,850	2.3	4,719,850	11.8	4,938,700	10.0
X (Seattle)	118.200	1.3	3,224.350	8.0	3,342,550	6.7
Total	$9,382,850	100.0%	$40,063,470	100.0%	$49,446,320	100.0%

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

SECTION 312 LOAN CHARACTERISTICS

Number of Loans. The Department made 757 Section 312 loans during FY 1982 of which 502 were single family loans in support of urban homesteading, and 255 were multifamily loans. These loans will eventually contribute to the rehabilitation of 4,383 dwelling units (609 single family and 3,774 multifamily units).

Average Loan Amount. Average Section 312 loan amounts per property were $18,691 for all single family loans and $157,112 for all multifamily loans. Average Section 312 loan amounts per dwelling unit were $15,407 for all single family loans and $10,546 for all multifamily loans.

These figures marked a decline in the average loan amount per dwelling unit from the previous year, when homesteading loans averaged $16,455 and multifamily loans averaged $12,500. The introduction of the variable interest rates, which encourage borrowers to supplement Section 312 loans with other sources of financing, probably contributed to these reductions.

The average Section 312 multifamily loan amount per loan at the 11 percent interest rates was $136,025.[12] The average loan amount per dwelling unit was $9,875, and this amount constituted about 81 percent of the total rehabilitation cost per dwelling unit. In comparison, the average Section 312 loan amount per multifamily loan at the five percent interest rate was $232,050. The average loan amount per dwelling unit was $12,282, and this loan made up about 44 percent of the average total rehabilitation cost per dwelling unit for five percent loans.

Security Position. All FY 1982 Section 312 single-family loans were secured; for almost three-quarters of them, HUD was in a first lien position.

Loan Terms. Most FY 1982 Section 312 single family loans (84 percent) had 20-year terms. Another 13 percent possessed terms of 15 years of less.

CHARACTERISTICS OF PARTICIPATING COMMUNITIES

The combination of the reduction in available funds and of the decisions to stress multifamily loans and to concentrate single family loans in urban homesteading areas produced a radically different allocation of Section 312 loans among localities than in previous years. Only 159 communities took part in the Section 312 program during FY 1982 in comparison with 549 the year before. Sixty-seven (or 42 percent) of the participating localities were allocated loan funds in conjunction with their urban homesteading programs. One hundred and eight (or 68 percent) of the participating communities were allocated multifamily loans.

Most of the Section 312 funds obligated during FY 1982 were distributed to metropolitan cities, localities with populations of 100,000 or more, and distressed communities (defined in terms of the UDAG index of community distress). In fact, the data indicate increased concentration of loan funding in metropolitan cities, larger cities, and more distressed jurisdictions.

Community CDBG Status. In FY 1982, 81.2 percent of Section 312 funding went to entitlement cities, 4.2 percent to urban counties, and 14.6 percent to small cities. In contrast, in the previous year, 71.2, 10.5, and 18.3 percent had been distributed to entitlement cities, urban counties, and small cities respectively.

Community Size. In FY 1982, 28.5 percent of Section 312 monies were allocated to communities of greater than 500,000 population, 36.9 percent to localities with 100,000 to 499,999 people, 14.0 percent to those between 50,000 and 99,999, and 20.6 percent to those under 50,000. In contrast, the largest communities in FY 1981 received 23.6 percent of Section 312 funding, and the smallest ones received 23.8 percent.

Community Distress. In FY 1982, 85.6 percent of Section 312 loan funding went to communities which met the distress criteria for UDAG eligibility, and 52.9 percent went to very distressed communities. This compares with 74.6 percent to distressed communities and 34.2 percent to the most distressed communities for FY 1981.

Funds Per Locality. On average, individual jurisdictions with single family programs obligated $137,980 in Section 312 monies during FY 1982 for single family rehabilitation. In contrast, communities in FY 1982 averaged Section 312 obligations of $370,960 for multifamily programs. The overall average for all localities was $310,980. Of course, the amount obligated by localities varied widely, ranging from a single loan of less than $7,000 for one locality to 47 loans totaling almost $2.8 million in another city.

Loans Per Locality. The Department made Section 312 single family loans in 68 communities in FY 1982 for an average of 7.4 loans and 9 dwelling units per locality. Properties in 108 communities received Section 312 multifamily assistance, accounting for an average of 2.4 loans and 35 dwelling units per locality.

CHARACTERISTICS OF SECTION 312-ASSISTED PROPERTIES

Section 312 properties assisted in FY 1982 were generally small, older properties. Most of the single family loans went to one-unit properties. Approximately 85 percent of the single family loans were received by owner-occupants of single unit properties. Another 12 percent went to two-unit properties. Multifamily properties aided in FY 1982 contained an average of 15 dwelling units.

More than 78 percent of the properties receiving Section 312 single family funds in FY 1982 had been built prior to 1952.

CHARACTERISTICS OF BORROWERS

Participation of Elderly and Minority Households. The concentration of Section 312 single family loans in urban homesteading areas produced a marked shift in the proportion of elderly and minority people receiving single family loans. About seven percent of the FY 1982 loans to owner-occupants went to applicants over the age of 62, compared to 16 percent of comparable FY 1981 loans.[3] Seventy-two percent of the FY 1982 single family loans went to minority households; in contrast, 40 percent of the FY 1981 loans had gone to such households. These changes conform closely to the socio-economic characteristics of urban homesteaders as reported in other studies.[14]

Participation by Low- and Moderate-Income Persons. Section 312 single family loan requirements place several financial conditions on prospective applicants. First, the applicant must have the capacity to repay the loan. Second, the applicant must be unable to secure necessary financing from other sources on comparable terms and conditions. Third, priority is to be given to applicants whose incomes are at or below 95 percent of the median income of the area, when adjusted for family size.

One measure of low- and moderate-income benefit in the Section 312 program is the number of single family loans lent at three percent interest, because, as noted earlier in this section, Section 312 single family loans may now be provided at the three percent rate only when an owner-occupant has household income at or below 80 percent of the area median income. Seventy-three percent of the FY 1982 single family loans were given at the three percent rate.

This figure is roughly parallel with available Section 312 household FY 1982 income information. Whereas about 45 percent of the owner-occupants that received Section 312 single family loans in FY 1982 had annual household incomes under $15,000 and 35 percent had incomes between $15,000 and $22,500, about 20 percent had incomes over $22,500 and six percent claimed incomes over $30,000.

FOOTNOTES

1 U.S. General Accounting Office, "Block Grants for Housing: A Study of Recent Experiences and Attitudes." Washington, D.C., RCED-83-21, December 13, 1982, pp. 13,15.

2 45 Fed. Reg. 82361 (1980).

3 Initially, Section 312 Rehabilitation Loan funds were also to be used in the Demonstration. The December 1980 announcement stated that priority in the allocation of Section 312 funds would be given to Demonstration participants. The announcement stated that cornunities could receive one dollar in Section 312 funds for each dollar in CDBG funds budgeted to the Demonstration, although they would not necessarily receive more Section 312 funds than if they did not participate. However, the Administration's proposal in early 1981 to terminate the Section 312 program forced a suspension on Section 312 activity between March and July 1981, and communities were notified that no Section 312 funds would be available for the Demonstration.

In July 1982, the Housing and Community Development Amendments of 1981 extended the Section 312 loan program using the proceeds from repayments of previous loans. Although participating communities were still given priority in the allocation of Section 312 funds, HUD decided to discourage the use of these funds in the Demonstration because certain features of the Section 312 program, e.g., rent restrictions, predetermined interest rates, and Davis-Bacon and Uniform Relocation Act requirements, were not compatible with the design of the Demonstration.

In FY 1982, 72 participating communities (16 first round and 56 second round) received Section 312 funds.

4 U.S. General Accounting Office, op.cit., p. 10.

5 Ibid., p. 66.

6 1983 Consolidated Annual Report to Congress on Community Development Programs." March 1983, U.S. General Accounting Office, op.cit., pp. 70-71.

A recent survey conducted for the Office of Housing found that the average total per unit rehabilitation cost, excluding the Section 8 subsidy, in 64 communities with Section 8 Moderate Rehabilitation programs was $ 7,679 in that program. The survey also found that local officials reported the primary source of funding for 70 percent of the 6,861 units rehabilitated in these communities was private money or conventional loans. CDBG funds and other public sources were reported to be the primary source of funding for approximately 30 percent of the units. It is not possible, however, to accurately compare the public costs in this program to the public costs in the Demonstration because the form used to collect the Section 8 information (HUD-52686-Report on Section 8 Moderate Rehabilitation Program Activity) does not report separately the amounts provided from the various sources.

7 U.S. General Accounting Office, op.cit., pp. 18-20.

8 U.S. Department of Housing and Urban Development, Office of Policy Development and Research. Evaluation of the Urban Homesteading Demonstration Program: Final Report. Volume I: Summary Assessment. (1981).

9 Aggregate Section 810 property data reflect Office of Finance and Accounting data received by September 30, 1982. Community-by-community property data reported elsewhere in this section reflect Office of Urban Rehabilitation information which is based on regular updates from HUD field offices. As a result, the community-by-community tables indicate higher property movement in FY 1982 than do the aggregate totals.

10 Of the 107 approved communities, 91 were active during FY 1982. Three had been suspended for the year, including Benton Harbor, MI, based on allegations of questionable rehabilitation program activities; St. Louis, MO, for Urban Homesteading program mismanagement; and Steubenville, OH, for FHEO and HAP noncompliance. Thirteen other communities did not submit 1982 annual program applications, and, therefore, were considered inactive: Compton, CA; Hartford, CN; Los Angeles (city), CA; Luzerne Co., PA; New Haven, CN; New York City, NY; Pinellas Co., FL; Port Huron, MI; Pottsville, PA; Salem, OR; Sunbury, PA; Tacoma, WA; and York, PA. The reasons given for program inactivity were lack of HUD-owned properties (n=6), lack of local properties (n=5), lack of adequate rehabilitation financing (n=5), administrative expenses (N=1) and program mismanagement (N=1).

11 The multifamily information is based on a telephone survey of Section 312 loans administered by the Office of Urban Rehabilitation during FY 1982.

12 Comparable data were not available for Section 312 single family loans at three and 11 percent interest rates.

13 Calculations relating to borrower characteristics are based on all 1982 Section 312 single-family loan applications received by HUD Central Office and entered into the Data Systems and Statistics Division data base. The subset contains 380 or 76 percent of all FY 1982 Section 312 single-family loan applications, accounting for 73 percent of all such loans amounts for FY 1982.

14 For example, the study of the Urban Homesteading Demonstration program by the Office of Policy Development and Research, HUD, reported the median age of homesteader heads of households to be 35.8 years and that 68 percent of the homesteader heads of household were minority members. See Evaluation of the Urban Homesteading Demonstration Program: Final Report. Volume I: Summary Assessment (1981).

APPENDIX A

FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

APPENDIX
FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
ALABAMA							
Birmingham	Loan to box manufacturer for site improvements and renovation of vacant building to permit consolidation of operations.	$275,000	$975,105	-0-	45	-0-	$13,048
Brent	Loan to newly established garment processing company to purchase capital equipment and rehabilitate an existing plant facility.	$150,000	$522,077	-0-	150	-0-	$5,000
Centreville	Loan to assist wood products manufacturing firm to build a factory to produce soft-wood veneer, cut lumber and wood-chips.	$106,240	$819,471	-0-	30	-0-	-0-
Dadeville	Loan to aid manufacturer of molded plastic products make site improvements, construct new plant and renovate existing building.	$731,100	$3,612,100	$90,075	71	-0-	$10,000
Ft Deposit	Deferred second mortgage loans to middle- and moderate-income families to help purchase new single-family houses.	$334,500	$1,401,650	-0-	-0-	35	$15,583
Gadsden	Second mortgage loans to facilitate the purchase of new single-family houses by income-qualifying families; loans to be repaid on sale or refinancing of homes.	$510,800	$2,000,000	$10,500	-0-	48	$10,768
Gadsden	Interest-reduction subsidies on new home mortgages for moderate-income buyers.	$164,000	$600,000	-0-	-0-	20	$5,438
Mobile	Second mortgages to be used as part of downpayment by qualified home purchasers to reduce owners' monthly mortgage payments.	$960,000	$2,936,500	-0-	-0-	100	$42,206

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
ALABAMA (continued)							
Phenix City	Assistance to construct new market rate rental apartments and an adjacent road.	$445,000	$3,286,531	-0-	-0-	100	-0-
Selma	Assistance in the redevelopment of a former Air Force base for use as an industrial site. Candy company will construct warehouse facility as first tenant once public improvements have been made.	$760,000	$2,000,000	-0-	100	-0-	-0-
Selma	Grants to low- and moderate-income families to assist in the purchase of new houses. Grants to be repaid on sale of home.	$615,000	$1,672,000	-0-	-0-	50	$19,876
York	Loan to manufacturer of children's clothes to assist in construction of new plant and purchase of capital equipment.	$400,000	$2,450,287	-0-	347	-0-	$10,800
ARIZONA							
Phoenix	Loan to manufacturer of air conditioners to assist in purchase of equipment and to make improvements to the site and existing vacant buildings to house fabrication operations. Project is located in "pocket of poverty" area.	$624,000	$2,889,000	$156,000	260	-0-	$29,000
The Yavapai-Prescott Tribe of Arizona	Second mortgage loan for construction of a 150-room hotel on Yavapai-Prescott Indian Reservation.	$1,120,000	$4,497,355	-0-	156	-0-	$50,000
ARKANSAS							
Arkadelphia	Grant to City to install water service lines and to construct a new water storage tank which are essential for the construction of a new hospital.	$752,000	$5,467,553	$578,100	140	-0-	$87,096

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
ARKANSAS (continued)							
Malvern	Second mortgage loan to wood products company to acquire and modernize vacant plant and install new capital equipment to produce medium-density fiberboard panels.	$1,300,000	$16,422,180	-0-	73	-0-	$30,600
CALIFORNIA							
Alhambra	Loan to help write down land costs for development of a shopping center in central business district.	$2,350,000	$11,310,000	$5,912,000	265	-0-	$442,000
Baldwin Park	Loan to help finance on- and off-site improvements for a light industrial building.	$150,000	$1,828,651	-0-	149	-0-	$34,830
Bell Gardens	Loan to assist in the development of a downtown shopping center.	$2,734,000	$9,309,000	$2,068,000	252	-0-	$174,000
Colfax	Grant to city to provide water and sewer expansion necessary to build a new shopping center.	$735,398	$1,838,495	-0-	25	-0-	$41,000
Fresno	Loan to help rehabilitate an abandoned downtown commercial building listed on National Register of Historic Places.	$500,000	$2,990,625	-0-	169	-0-	$35,000
Fresno	Loan to manufacturer of tortillas to permit expansion of manufacturing and retail operations.	$ 700,000	$2,943,466	$300,000	156	-0-	$73,369
Healdsburg	Financial assistance to write down excessive site costs associated with the development of a new shopping center.	$1,750,000	$7,794,000	-0-	194	-0-	$282,940
Oakland	Loan to finance a portion pf the renovation costs of a vacant hotel for use as a retail and office complex.	$1,000,000	$9,433,776	-0-	166	-0-	$169,988

APPENDIX
FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
CALIFORNIA (continued)							
Pico Rivera	Loan for extraordinary costs associated with the acquisition, relocation and clearance of a 20-acre site to be developed into an industrial/business park.	$4,519,700	$17,435,400	$1,272,000	1,026	-0-	$201,699
Placerville	Loan to provide on- and off-site improvements for a new market-rate apartment unit complex.	$338,607	$3,467,535	-0-	5	85	$39,330
San Bernardino	Loan to rehabilitate and equip a previously bankrupt bakery.	$200,000	$1,048,832	$150,000	75	-0-	$21,676
San Francisco	Loan to help a direct-mail commercial firm relocate into a new building in order to remain and expand in area.	$485,000	$3,567,206	-0-	32	-0-	$47,182
South Gate	Loan to assist in the redevelopment and recycling of a vacant, former tire and rubber plant to be used for the manufacture of office furniture.	$2,750,000	$12,498,450	-0-	999	-0-	$156,700
COLORADO							
Canon City	Low-interest second and third mortgages to low- and moderate-income purchasers of new or rehabilitated homes located in historic district.	$216,000	$792,489	-0-	-0-	25	$8,256
Denver	Loan to assist in purchase and rehabilitation of building which will be used to facilitate expansion of speciality plastics products manufacturing company.	$356,980	$1,978,576	$ 51,000	38	-0-	$8,243

APPENDIX
FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
CONNECTICUT							
Hartford	Assistance to defray cost of site improvements, parking garage and unusual piling costs associated with development of Section 8 and market-rate rental housing units in an under-used urban renewal site.	$9,180,000	$27,608,300	$10,009,250	50	593	$185,979
New Haven	Assistance in renovation and adaptive reuse of an old abandoned building in a new technology center. Space will be leased to high-tech companies.	$2,500,000	$6,655,000	$945,000	180	-0-	$354,000
DELAWARE							
Smyrna	Second mortgage financing for moderate-income buyers of new single-family houses.	$250,000	$845,000	-0-	-0-	30	$15,000
Wilmington	Non-amortizing second mortgages to qualified low- and moderate-income families for rehabilitation costs of vacant city-owned houses to be deeded to them.	$810,000	$2,250,000	-0-	-0-	100	$23,042
Wilmington	Loan to help develop new office building on vacant urban renewal land in downtown area to serve as corporate headquarters of insurance company. Wilmington Parking Authority will build adjacent 500-car garage.	$1,520,000	$13,741,959	$5,197,079	251	-0-	$78,723
FLORIDA							
Ft. Lauderdale	Loan to assist in construction of new showroom-warehouse facility located within "pocket of poverty" area.	$ 192,000	$1,679,200	$48,000	111	-0-	$9,000

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
FLORIDA (continued)							
Orange County	Grants and second mortgage loans to low- and moderate-income families to enable them to purchase new single-family houses.	$282,070	6846,210	$399,500	-0-	40	$18,000
Tallahassee	Financial assistance to purchase land for leaseback to developer of new hotel and convention center.	$1,274,584	$18,306,000	-0-	303	-0-	$71,181
Tallahassee	Loans for rehabilitation of two minority-owned businesses and for street improvements and parking in the French Town area.	$67,185	$181,400	-0-	8	-0-	$1,486
GEORGIA							
Albany	Loan to help development of new office tower and retail center and plaza and construction of 516-car garage in downtown area.	$1,335,000	$14,300,000	-0-	279	-0-	$170,647
Atlanta	Loan to help finance renovation of existing building as a multi-use facility to permit expansion of a business products company's conference center.	$300,000	$2,999,676	-0-	132	-0-	$53,100
Atlanta	Loan to assist major local company expand its national headquarters. Company will construct new office space, renovate an existing building and build a new garage.	$2,000,000	$15,997,845	-0-	400	-0-	$200,895
Ft. Gaines	Loan to assist manufacturer of lightweight concrete aggregate construct new plant.	$950,000	$5,420,108	-0-	98	-0-	$89,768
La Grange	Second mortgage loans to moderate-income purchasers of new townhouses.	$33,200	$135,000	$20,000	-0-	4	-0-

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
GEORGIA (continued)							
La Grange	Second mortgage loans to moderate-income purchasers of new single-family houses.	$79,000	$231,145	-0-	-0-	10	$1,200
Macon	Assistance to City to repair, refurbish and beautify public right-of-way in commercial area. Will stimulate new investment by the businesses and property owners in the area.	$1,551,878	$6,422,500	-0-	409	-0-	$423,045
Rome	Second mortgages for buyers of new townhouses in low- and moderate-income, predominantly minority neighborhood.	$485,000	$1,333,800	$26,000	-0-	40	$14,350
Waycross	Second mortgage loans to be used as part of down payment by income-eligible buyers of new single-family houses.	$211,745	$539,000	-0-	-0-	25	$6,050
ILLINOIS							
Chicago	Loan to assist in development of new neighborhood shopping center in Irving Park area.	$1,650,000	$9,313,149	-0-	228	-0-	$426,743
Chicago	Loan to container company to assist in acquisition and rehabilitation of manufacturing facility in North Lawndale Community. Company will purchase additional machinery and equipment.	$78,750	$57,577	-0-	25	-0-	$28,192
Chicago	Second mortgage loans to purchasers of residential units to be developed as part of rehabilitation of five-story loft building for mixed residential and commercial use in near West Side area.	$2,216,140	$7,716,300	-0-	60	126	$205,278

APPENDIX
FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
ILLINOIS (continued)							
Chicago	Financial assistance in the rehabilitation of owner-occupied multi-family structures in several South Shore neighborhoods.	$288,500	$895,276	-0-	-0-	200	-0-
Chicago	Loan to assist in renovation and conversion of historic Lincoln Park Refectory Building into a first-class restaurant and to provide certain public facilities necessary to support the project.	$1,495,000	$7,244,326	-0-	445	-0-	$193,005
Chicago	Loan to assist in rehabilitation and conversion of former plant buildings in near North Side into a mixed-use residential and commercial development with enclosed parking. Second mortgage loans to purchasers of residential condominiums.	$3,567,625	$18,924,845	-0-	236	146	$789,700
Chicago	Loan to aid in rehabilitation and modernization of baking facility to prevent its closing.	$2,075,000	$11,085,777	-0-	-0-	-0-	$26,320
Chicago	Loan to assist manufacturing company rehabilitate newly-acquired facility to permit relocation and expansion of operations.	$690,000	$3,529,470	-0-	25	-0-	$98,000
Chicago	Street and off-site improvements including new rail transit station, public walkways, public plaza and 250-car parking garage to support development of 1.3 million square feet of new office space in South Loop area.	$9,883,580	$114,153,084	-0-	6,500	-0-	$93,000

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
ILLINOIS (continued)							
Chicago	Loan to help rehabilitate historic building, formerly used as a printing plant, into an office building in Historic District south of the Loop.	$844,126	$5,728,628	-0-	172	-0-	$357,890
Dixon	Construction of a box culvert to permit a lumber company to renovate and expand its facilities.	$179,760	$597,987	-0-	17	-0-	$14,000
East St. Louis	Loan to assist minority-owned paint manufacturing firm purchase capital equipment for use in rehabilitated facility previously destroyed by fire.	$100,000	$329,296	-0-	23	-0-	$8,394
Manence	Loan to reactivate waste-water pre-treatment facility to permit modernization and reopening of vacant hog processing plant.	$455,000	$4,414,925	-0-	300	-0-	$76,915
Peoria	Assistance to construct new City-owned parking deck to be leased to company which is rehabilitating a vacant hotel in downtown area.	$2,100,000	$15,117,070	-0-,	280	-0-	$579,000
Peoria	Loan to assist in development of residential condominium units and mixed-use building, which will contain City-owned underground parking garage, in downtown location.	$3,600,000	$17,564,467	-0-	320	120	$437,840
Streator	Provision of on- and off-site improvements for mixed-use development involving industrial site for two new companies and construction of new single-family houses.	$651,592	$3,048,783	-0-	70	10	$19,053

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
INDIANA							
Ft Wayne	Low-interest home improvement loans to homeowners in targeted areas.	$472,028	$1,600,450	$20,000	-0-	205	$5,a64
Huntington	Loan to manufacturing company for purchase of machinery and equipment to permit expansion of operations.	$257,500	$914,615	-0-	75	-0-	$13,352
Indianapolis	Loan to assist in renovation of deteriorating, partially occupied shopping center.	$779,500	$3,340,673	$150,000	161	-0-	$30,000
Marengo	Loan to help build and equip a new plant to process electronic components.	$35,000	$238,205	$75,000	10	-0-	$1,792
Scottsburg	Loan to manufacturer of computer forms to aid in purchase of capital equipment for use in new facility.	$725,000	$6,030,000	$125,000	104	-0-	$9,731
Shelbyville	Assistance for construction of City-owned fire station and elevated water storage tank which will stimulate investment by three local manufacturing companies.	$1,000,000	$6,100,000	-0-	50	-0-	$41,480
South Bend	Loan to assist in construction and development of ethanol production facility and aid to City for supporting off-site public improvements.	$9,963,000	$156,197,308	$3,094,510	450	-0-	$3,059,683
IOWA							
Dubuque	Loan to manufacturer of plumbing supplies to purchase new equipment for expanded foundry operation in new manufacturing facility.	$1,200,000	$4,168,000	$7,500,000	159	-0-	$126,999

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
IOWA (continued)							
Dubuque	Loan to purchase new capital equipment for use in meat packing and processing facility.	$3,050,000	$7,729,000	$500,000	600	-0-	-0-
Hamburg	Loan to developer of new ethanol plant for installation of on-site sewer and water improvements.	$955,000	$15,661,000	-0-	30	-0-	$158,000
Sigourney	Assistance in upgrading the City's waste water treatment facilities to permit meat processing company to modify and equip a vacant building to house its operations.	$588,000	$4,684,628	$455,000	130	-0-	$18,000
KANSAS							
Wichita	Assistance in constructing a new City-owned parking garage to support a hotel/retail development project in the downtown area.	$2,014,000	$17,049,000	$3,365,000	224	-0-	$232,000
Winfield	Loan to manufacturer of crayons and art supplies to help purchase capitol equipment to support expansion of warehouse and production facilities.	$350,000	$6,936,000	-0-	75	-0-	$32,546
KENTUCKY							
Louisville	Loan to assist in rehabilitation of office building and construction of new retail space in downtown location.	$5,000,000	$22,773,300	-0-	530	60	$67,000
Mt. Vernon	Loan to manufacturer of plastic products to purchase new equipment to support expansion of operations.	$208,500	$1,073,395	$250,000	45	-0-	$1,804

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
KENTUCKY (continued)							
Somerset	Loan to newspaper publishing company to aid in the acquisition and renovation of historic building adjacent to existing downtown plant to permit expansion.	$129,600	$770,000	-0-	30	-0-	$5,064
LOUISIANA							
Delhi	Loan to manufacturer of aluminum products to acquire and prepare site for construction of new facility.	$2,300,000	$13,397,388	$200,000	172	-0-	$34,000
Hamnond	Provision of water and sewer facilities, railroad improvements and access roads to serve two new distribution warehouses to be built in industrial park.	$4,477,000	$32,998,567	-0-	301	-0-	$161,000
New Orleans	Second mortgage loan to manufacturer of electronic components for the construction of a new plant.	$1,715,000	$8,386,190	-0-	750	-0-	$180,508
New Orleans	Loan to assist in the construction of an 89-bed, intermediate-care nursing facility.	$410,000	$1,512,806	-0-	52	-0-	-0-
New Orleans	Principal-reduction subsidies to allow low- and moderate-income families to purchase new houses to be constructed in the Desire Community Area in East New Orleans.	$360,000	$1,297,050	-0-	-0-	25	-0-
New Orleans	Principal-reduction subsidies to allow low- and moderate-income families to purchase new houses to be constructed in the Rue Bienvenu subdivision in East New Orleans.	$668,000	$2,225,000	-0-	-0-	50	-0-

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
LOUISIANA (continued)							
Oakdale	Improvements to City-owned industrial building and loan to tool company to purchase new manufacturing equipment.	$148,222	$670,479	-0-	50	-0-	-0-
Shreveport	Second mortgage loan to construct addition to existing parking garage to serve new office tower in downtown location.	$1,700,000	$17,439,490	-0-	600	-0-	$226,000
Vidalia	Loan to provide infrastructure improvements for new ore-processing plant in an existing industrial park.	$1,000,000	$15,984,155	-0-	37	-0-	$111,441
MARYLAND							
Baltimore	Loan to a bakery to assist in expansion of operations in Fells Point area.	$360,000	$5,640,000	-0-	100	-0-	$386,000
Baltimore	Non-amortizing second mortgages to increase homeownership opportunities for moderate-income families in Patterson Park area.	$233,000	$613,725	$120,000	-0-	25	$9,750
Baltimore	Rental assistance funds and loan to help construct new parking garage to support new residential complex plus retail/office space in Charles Center.	$4,280,000	$25,426,918	-0-	143	254	$444,295
Baltimore	Subsidies to reduce cost of new townhouses in Johnston Square area for purchase by 4-person households with annual income of less than $25,000.	$665,000	$1,981,500	$631,460	-0-	64	$52,876
Baltimore	Loan to drapery manufacturing company to renovate an existing building which will permit relocation of operations from a flood-prone site.	$850,000	$4,916,166	$2,300,000	-0-	-0-	$26,685

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FISCAL YEAR 1982 URBAN DEVELOPMEKT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
MARYLAND (continued)							
Baltimore	Second mortgage loan to assist in rehabilitation for residential and commercial use of seven properties in Union Square Historic District.	$203,000	$648,746	$355,668	7	16	$14,300
Baltimore	Second mortgage loans to moderate-income purchasers of new townhouses at corner of Alameda and Coldpsring Lane.	$540,400	$1,423,502	$161,000	-0-	39	-0-
Baltimore	Second mortgage loans for purchasers of rehabilitated rowhouses in Boyd-Booth neighborhood.	$226,500	$578,500	-0-	-0-	25	$7,500
Baltimore	Second mortgage loans or mortgage payment subsidies to low- and moderate-income buyers of new houses in the Upton area.	$512,000	$1,380,000	$340,000	-0-	40	$33,600
Baltimore	Loan to paint manufacturer to assist in rehabilitation of vacant building for use as production facility.	$660,000	$2,731,451	$500,000	219	-0-	$27,152
Baltimore	Second mortgage loans to income-qualified purchasers of either newly constructed houses or renovated units in the Middle East neighborhood.	$810,000	$2,025,000	$411,328	-0-	64	$61,440
Baltimore	Second mortgage loans to income-qualified purchasers of either newly constructed houses or renovated units in the Reservoir Hill neighborhood.	$250,700	$749,900	$233,795	-0-	23	$17,940
Baltimore	Second mortgage loans to income-qualified purchasers of either newly constructed houses or renovated units in the Franklin Square neighborhood.	$568,700	$1,765,000	$288,204	-0-	47	$4,550

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
MARYLAND (continued)							
Baltimore	Second mortgage loans to income-qualified purchasers of either newly constructed houses or renovated units in the Oliver Urban Renewal area.	$1,014,525	$2,794,500	$351,540	-0-	81	$71,928
Baltimore	Second mortgage loans to income-qualified purchasers of either newly constructed houses or renovated units in the Southwood neighborhood.	$668,100	$2,040,000	$254,745	-0-	51	$45,900
Baltimore	Second mortgage loans to income-qualified purchasers of either newly constructed houses or renovated units in the Poppleton neighborhood.	$229,100	$590,000	$144,225	-0-	22	$20,000
MASSACHUSETTS							
Attleboro	Loan to assist in construction of retail shopping village in Central Business District.	$165,800	$632,058	$144,000	29	-0-	$16,000
Ayer	Loan to joint venture of American and Italian milling companies to assist in development of new Semolina flour mill.	$1,050,000	$10,984,000	$500,000	131	-0-	$200,000
Boston	Assistance to low- and moderate-income tenants and future buyers of residential units to be developed in adoptive re-use of historic chocolate mills in Dorchester neighborhood.	$660,000	$2,849,773	$3,103,594	-0-	57	$40,000
Boston	Loan to assist dairy products company expand and modernize its Charlestown facility.	$4,000,000	$15,783,300	-0-	-0-	-0-	-0-

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
MASSACHUSETTS (continued)							
Boston	Parking and safety improvements to park adjacent to Charlestown Navy Yard where historic building will be redeveloped for use as headquarters space for a magazine publishing firm.	$761,000	$6,729,400	$350,000	122	-0-	$69,256
Boston	Financial assistance in purchase and rehabilitation of a building, in the Boston Marine Industrial Park, to serve as manufacturing center for the Boston-based garment industry.	$3,704,600	$9,261,600	-0-	139	-0-	$372,530
Boston	Loan to aid in renovation of former shopping mall space into Bayside Trade and Exhibition Center in Columbia Point area and grant to City to improve two access roads.	$3,500,000	$15,558,481	-0-	488	-0-	$465,000
Brockton	Loan to assist shoe manufacturer in renovation of an existing industrial building as part of expanded operations.	$500,000	$2,704,244	-0-	50	-0-	-0-
Chicopee	Loan to assist in the conversion of an old, vacant factory complex located within the central business district into market-rate apartment units and commercial space.	$1,500,000	$4,490,000	$300,000	33	132	-0-
Fitchburg	Loan to purchase capital equipment for use in a new pharmaceutical plant. Company will also construct offices, laboratories and a warehouse on the site.	$625,000	$2,925,000	-0-	72	-0-	$31,000

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'FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City MASSACHUSETTS (continued)	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
Lawrence	Loan to assist fruit processing firm expand and modernize its facilities in historic industrial district in downtown area.	$650,000	$2,511,718	-0-	75	-0-	$34,940
Malden	Loans to pre-qualified commercial property owners for facade renovations of their buildings.	$263,778	$803,092	-0-	52	-0-	$27,700
Malden	Loan to assist in development of market-rate housing complex which will include commercial space and parking facilities in downtown area.	$1,250,000	$7,545,804	-0-	45	122	$194,700
Malden	Loan to company specializing in office storage, maintenance and retrieval to acquire and install new machinery and equipment as part of expansion of operations.	$100,000	$595,628	-0-	25	-0-	$15,000
Medford	Loan to help construct 200-space parking facility to serve a new hotel.	$1,700,000	$15,167,700	-0-	205	-0-	$231,875
North Adams	Assistance in renovating six historic buildings to provide retail and display space and to landscape seven acres of land to be used as an Urban Heritage State Park.	$600,000	$2,117,000	$4,385,000	115	-0-	$30,832
Quincy	Loan to assist in development of new office building to be built over existing MBTA Transit station.	$1,000,000	$11,769,880	-0-	210	-0-	$259,600
Revere	Housing rehabilitation loans to low- and moderate-income families who own and occupy their homes.	$150,000	$448,000	-0-	-0-	60	$9,000

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
MASSACHUSETTS (continued)							
Somerville	Loan to a manufacturer of stationery and office supplies to purchase capital equipment for a planned expansion of its operations.	$600,000	$3,291,475	-0-	60	-0-	$47,500
Southbridge	Loan to assist in renovation of four historic downtown buildings into rental apartment units for low- and moderate-income tenants and retail/commercial space.	$423,873	$2,265,756	$1,630,900	205	61	$24,000
Springfield	Financial assistance to acquire and demolish vacant building on site where bank will construct new headquarters office building.	$2,925,000	$11,979,127	$75,000	177	-0-	$144,770
Springfield	Loan to assist maker of hand tools consolidate and modernize its manufacturing operation.	$2,700,000	$13,994,000	-0-	236	-0-	$100,000
Taunton	Loan to aid privately owned and operated bus company construct new terminal building.	$ 365,000	$1,970,962	-0-	58	-0-	$69,858
MICHIGAN							
Cassopolis	Loan to assist wire manufacfacturing company purchase and renovate an existing building and install new equipment to implement expansion plans.	$243,000	$1,740,540	-0-	26	-0-	$16,840
Detroit	Financial assistance in building seawall and bridge in conjunction with construction of low- and moderate-income housing units.	$930,000	$5,779,436	-0-	-0-	100	$12,500

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estima ed Housing Units	Est mated Local Tax Revenue
MICHIGAN (continued)							
Detroit	Loan to assist in acquisition and renovation of a warehouse building. A portion of the building will be leased to the City of Detroit for use as a court house and the remainder developed as office space.	$3,250,000	$16,632,514	-0-	360	-0-	$86,400
Detroit	Loan to assist soft drink bottler expand, renovate and make other improvements to its present operations.	$625,000	$2,872,000	-0-	100	-0-	$273,750
Detroit	Loan to assist development of downtown mixed-use project to include a hotel, apartment house, parking garage, health club and commercial space.	$13,150,000	$47,000,000	$16,000,000	449	312	$1,534,700
Detroit	Financial assistance for completion of renovation of existing buildings in Greek Town district to provide retail and office space.	$2,800,000	$7,300,000	-0-	450	-0-	$210,385
Douglas	Assistance to improve the City's water system and to construct a sheltered care facility. Water system improvements will stimulate a variety of private investments.	$827,000	$5,188,524	$271,000	125	24	$40,400
Franklin Township	Loan to assist copper company rehabilitate vacant industrial facility to be used in the production of copper oxide.	$194,820	$887,921	-0-	27	-0-	$13,554
Grand Rapids	Loan to help renovate and convert two under-utilized buildings as a vertical retail mall on four levels.	$3,000,000	$12,969,000	-0-	376	-0-	$781,105

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
MICHIGAN (continued)							
Hamtramck	Demolition, site clearance and relocation assistance for development of site for new industrial park. One company will build new building in the park and another will expand its existing plant.	$2,700,000	$6,800,000	$1,650,000	130	-0-	$153,200
Iron River	Public improvements to stimulate revitalization of the downtown business district through exterior renovation, interior rehabilitation and/or construction of new commercial space.	$584,000	$1,536,953	-0-	42	-0-	$16,507
Lansing	Loan to assist in development of new produce distribution facility.	$850,000	$11,080,000	-0-	207	-0-	-0-
Muskegon	Loan to chemical company to assist in expansion of existing production facilities.	$600,000	$7,854,000	-0-	80	-0-	$114,000
Pontiac	Loan to assist in renovation of former telephone company building and adjacent properties as a restaurant.	$250,000	$812,345	$167,000	46	-0-	$67,265
Pontiac	Loan to assist in construction of industrial building in new industrial park.	$945,000	$3,700,000	$280,000	200	-0-	$445,000
Port Huron*	Loan to assist high-tech manufacturing company expand its facilities.	$300,000	$3,800,000	-0-	165	-0-	-0-
Port Huron	Assistance for expansion of community-owned machine and tool company.	$147,000	$567,000	-0-	30	-0-	$4,000

* Terminated

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
MICHIGAN (continued)							
Saginaw	Loan to assist in construction of parking deck to support development of downtown commercial/retail complex.	$2,100,000	636,995,550	$3,260,000	800	-0-	$880,224
MINNESOTA							
Cokato	Loan to assist in constructing and equipping full-service, year-round family restaurant building.	$95,000	$257,015	-0-	8	-0-	$6,000
Dawson	Loan to processor of whey, lactose, and dairy replacers to acquire and convert abandoned industrial facility and purchase new machinery and equipment.	$455,000	$8,218,210	-0-	45	-0-	$357,447
Duluth	Loan to tool company to purchase new equipment to support expansion of facilities.	8750,000	$2,811,619	-0-	145	-0-	$76,439
Milaca	Assistance in developing new downtown mini-mall shopping area and in relocating businesses presently on the site.	$133,300	$567,067	$270,000	15	-0-	$64,426
Minneapolis	Assistance in creating a mortgage loan pool to provide below-market interest rate financing to City residents for energy and rehabilitation improvements.	$2,730,000	$12,432,329	-0-	-0-	6,150	-0-
Minneapolis	Loan for construction of new downtown hotel. Facility will also provide a parking garage, retail space, convention facility and luxury condominium residential units.	$6,560,000	$68,461,000	-0-	805	70	-0-
Minneapolis	Loan to assist in development of drug store/medical clinic building.	$118,000	$972,312	$63,609	29	-0-	$94,723

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FISCAL YEAR 1982 URBAN DEVELOPMEKT ACTION GRAKT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
MINNESOTA (continued)							
Princeton	Loan to automobile dealership to purchase capitol equipment for new building.	$75,000	$610,205	-0-	10	-0-	$19,737
Sandstone	Loan to assist in purchase of equipment for use in new retail grocery building.	$105,000	$467,779	$43,000	15	-0-	$9,984
St. Paul	Financial assistance to increase energy load capacity of central energy production system to cover second phase development of 218-acre Energy Park. Private investment will be triggered in a variety of industrial and commercial facilities.	$3,431,000	$22,707,000	-0-	495	-0-	$633,088
St. Paul	Loan to help convert vacant warehouse in historic district as mixed-use comnercial and residential facility.	$565,000	$3,075,000	$450,000	85	65	$50,000
St. Paul	Assistance to continue revitalization of Selby Avenue commercial area. Involves rehabilitation of commercial space, construction of building for commercial and residential use, new parking lot and street improvements.	$1,505,000	$9,256,716	$450,000	142	90	$89,463
MISSISSIPPI							
Batesville	Construction of water mains to assure adequate fire protection to furniture manufacturing plant being rebuilt following severe fire.	$109,200	$336,687	$30,000	42	-0-	$3,000
Hattiesburg	Assistance in constructing two downtown parking garages to stimulate three banks to expand operations.	$900,000	$8,490,000	$1,100,000	78	-0-	$81

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
MISSOURI							
Kansas City	Loan to assist in renovation of two historic buildings at 39th and Main Streets.	$175,000	$607,904	$175,000	36	-0-	$9,595
Mexico	Loan to drapery manufacturer to assist in purchase and rehabilitation of vacant industrial plant.	$420,300	$1,500,000	-0-	225	-0-	$31,000
Mountain Grove	Public improvements to assist in revitalization of Central Business District. Over eighty percent of commercial buildings in downtown area will be rehabilitated.	$89,070	$353,997	$23,000	14	-0-	$7,921
St. Joseph	Loan to assist in development of new downtown hotel, with parking.	$1,300,000	$7,512,568	-0-	106	-0-	$85,090
St. Louis	Loan to assist in conversion of historic Union Station to provide commercial space, a 550-room hotel and surface parking.	$10,000,000	$89,770,000	-0-	1,410	-0-	$2,314,000
Trenton	Loan to assist trucking company construct new transportation terminal.	$100,000	$354,193	$10,000	45	-0-	$11,401
NEW JERSEY							
Atlantic City	Payment to developer to reimburse the costs of reclaiming and developing an abandoned refuse site for the construction of new multi-type housing for low- moderate to middle-income families.	$6,330,000	$40,120,000	-0-	33	603	$1,963,653
Camden	Assistance in financing the rehabilitation of vacant single-family housing units in the Parkside neighborhood for purchase by moderate-income families.	$190,000	$560,000	$245,000	-0-	35	$31,500

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FISCAL YEAR 1982 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW JERSEY (continued)							
Cape May	Interest subsidies for rehabilitation of small commercial establishments and rooming houses which support the tourist trade.	$335,000	$1,097,500	-0-	-0-	-0-	$8,110
Clifton	Loan to mail-order company to modernize its existing retail/distribution center.	$100,000	$467,865	-0-	20	-0-	$8,000
Clifton	Loan for the construction of two three-story office buildings and rehabilitation and refurbishment of the interior and exterior of an existing two-story facility.	$735,000	$9,755,030	-0-	300	-0-	$57,572
Elizabeth	Principal-reduction subsidies of 25 percent of the cost of rehabilitating housing units occupied by low- and moderate-income renters.	$250,000	$660,000	-0-	-0-	400	$19,492
Hoboken	Second mortgage loan for renovation and rehabilitation of historic Railroad/Ferry Terminal for use as film and television sound-stage studios and associated facilities.	$1,443,750	$7,595,810	$675,000	280	-0-	$42,750
Hudson County	Financial assistance for expansion of national distribution center and warehouse for American licensee of designer clothing.	$650,000	$8,500,000	-0-	97	-0-	$49,596
Irvington	Loan to manufacturer of dry cleaning equipment to purchase machinery for new product line. Company will build new addition to and rehabilitate existing facilities.	$75,000	$254,287	-0-	12	-0-	$5,482
Irvington	Financial assistance to construct new building in existing industrial park.	$41,000	$544,540	-0-	7	-0-	$5,000

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW JERSEY (continued)							
Jersey City	Loan to renovate and rehabilitate an existing 15-story building to provide new office and retail space.	$824,000	$4,223,427	-0-	138	-0-	$72,863
Linden	Loan to manufacturer of wire, cable, and tubing products to acquire an existing warehouse and convert into manufacturing facility, construct new automated warehouse and install new capital equipment.	$1,117,500	$13,351,150	-0-	208	-0-	$121,781
Millville	Principal-reduction grants to eligible owner-occupants to rehabilitate residential properties.	$337,750	$908,040	$90,260	-0-	188	$14,750
Montclair Township	Loan to provide additional financing needed for a rehabilitation center to renovate and expand its building.	$125,000	$338,807	$100,000	58	-0-	-0-
Montclair	Second mortgage financing for the renovation of a building located in the central business district to be used for commercial and retail purposes.	$350,000	$1,638,866	-0-	40	-0-	$25,566
Montclair	Loan for conversion of historic railroad station as a shopping center, demolition of existing overpass, street improvements, and construction of pedestrian underpass.	$1,480,000	$9,985,946	-0-	250	-0-	-0-
Neptune	Principal-reduction subsidies to help owners of tourist roominghouses located in Historic District rehabilitate their properties.	$72,000	$200,000	$30,000	7	-0-	-0-
Newark	Assistance in site preparation and construction of a toy retailer's warehouse to be located in a new industrial park.	$915,000	$12,234,367	$1,200,000	55	-0-	$262,603

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW JERSEY (continued)							
Newark	Second mortgage loan to rehabilitate a large downtown hotel.	$310,000	$941,213	-0-	46	-0-	$6,469
Passaic	Interest-reduction subsidies for rehabilitation loans to income-qualified homeowners.	$575,760	$1,439,400	-0-	-0-	308	-0-
Pennsauken	Shared-appreciation second mortgages to low- and moderate-income families to purchase new townhouses. Mortgages are repayable upon resale or transfer of property.	$190,000	$813,950	$142,990	-0-	30	$21,541
Salem	Loan to manufacturing company to purchase and rehabilitate an existing building for use as a mineral processing facility.	$700,000	$2,496,547	$50,000	72	-0-	$38,800
Salem	Principal-reduction subsidies for rehabilitation loans to qualified borrowers of owner-occupied 1-4 family units.	$210,000	$600,000	$50,000	-0-	100	$3,820
Trenton	Principal-reduction subsidies for loans to low- and moderate-income homeowners for energy saving and other improvements.	$140,000	$420,000	$140,000	-0-	70	-0-
Union County	Loan to employee-owned manufacturing firm to help finance purchase of capital equipment needed to keep company competitive.	$2,000,000	$5,890,000	-0-	170	-0-	-0-
Vineland	Interest-reduction subsidies for rehabilitation loans to income-qualified owner-occupants of residential properties.	$738,500	$2,250,000	-0-	-0-	325	$40,640

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW JERSEY (continued)							
Vineland	Principal-reduction subsidies for conventional loans to revitalize commercial properties located in the downtown area.	$344,000	$1,088,550	-0-	47	-0-	$4,860
West New York	Grants to assist low- and moderate-income homeowners rehabilitate their single-family houses.	$398,500	$1,087,500	-0-	-0-	325	-0-
NEW MEXICO							
Las Vegas	Public improvements and parking necessary to spur restoration of historic hotel.	$200,000	$1,379,865	$60,100	33	-0-	$20,200
NEW YORK							
Auburn	Financial assistance for the construction of an addition to a vocational rehabilitation center facility for the mentally and physically handicapped.	$136,000	$484,618	$230,000	148	-0-	-0-
Batavia	Loan to a manufacturing company for the purchase of machinery and equipment as part of relocation and expansion of operations.	$500,000	$3,860,719	-0-	200	-0-	$84,018
Buffalo	Loan to manufacturer of overhead radiant gas heating systems for construction of a new plant facility in city's industrial park and purchase of new machinery and capital equipment.	$575,000	$4,378,611	-0-	200	-0-	$85,715
Buffalo	Loan to macaroni manufacturer to purchase and install new equipment in expanded and rehabilitated production facilities.	$2,500,000	$10,588,848	-0-	80	-0-	$101,241

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW YORK (continued)							
Buffalo	Second mortgage financing for middle-income families and mortgage-reduction grants to low-income families to purchase new duplex houses to be constructed in historic preservation area.	$583,000	$2,202,916	$682,000	-0-	42	$19,703
Buffalo	Loan for acquisition and renovation of a vacant former retail complex for. use as office and industrial space for future tenants.	$1,020,000	$3,643,820	-0-	890	-0-	-0-
Buffalo	Loan for acquisition and renovation of a vacant refrigerated warehouse building and construction of four new buildings for use as a multi-tenant office and light industrial complex.	$1,675,505	$5,039,333	-0-	370	-0-	-0-
Erie County	Loan to bakery to renovate and expand its bagel production plant.	$653,000	$7,800,000	-0-	90	-0-	849,077
Geneva	Loan to a union for renovation and construction of an addition to an existing office/retail building.	$106,375	$360,490	-0-	22	-0-	$5,792
Glen Town	Loan to a manufacturer of pressure control instruments for purchase of machinery and equipment as part of expansion and renovation of existing facilities.	$185,000	$680,600	-0-	75	-0-	$5,570
Hoosick Falls	Loan to a metal components manufacturer for assistance in the purchase of a computer-controlled precision boring and drilling machine.	$37,400	$131,876	-0-	10	-0-	$500

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW YORK (continued)							
Hoosick Falls	Loan to a valve manufacturer to renovate and construct an addition to its existing facility. Company will also purchase new machinery and equipment.	$108,000	$403,841	-0-	24	-0-	$969
Hudson	Financial assistance to extensively rehabilitate an old hotel and to construct a new addition.	$315,000	$1,362,947	-0-	45	-0-	-0-
Lackawanna	Loan to renovate commercial space on first floor of completely renovated hotel.	$200,000	$501,893	-0-	45	-0-	$13,450
Lockport	Loan to a foundry for acquisition of land on which to expand its existing facility and to purchase and install new machinery and equipment.	$102,180	$375,269	-0-	16	-0-	$2,523
New York	Loan to a minority developer for construction of a two-story commercial building in the Bronx.	$515,000	$1,558,566	$550,000	50	-0-	$109,660
New York	Loan to photographic engraving company for purchase of new printing equipment and renovation of newly acquired building in Queens.	$700,000	$4,426,081	$619,000	73	-0-	$29,041
New York	Financial assistance in the conversion of an existing two-story masonry building in Queens into a hotel, restaurant/bar and banquet facility.	$315,000	$1,026,289	$650,000	32	-0-	$35,000
New York	Assistance in the development of a neighborhood shopping center in Queens.	$700,000	$3,127,890	-0-	77	-0-	$188,524

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW YORK (continued)							
New York	Loan to assist in rehabilitation of a three-story building in West Harlem for use by a newly established recording and music publishing company.	$150,000	$396,155	$1,171,500	25	-0-	$12,616
New York	Loan to manufacturer of kitchen textiles for construction of new plant on site of former brewery in Brooklyn.	$1,115,000	$3,796,375	$2,363,896	200	-0-	-0-
New York	Assistance in rehabilitating nine historic brownstones in Harlem to permit community mental health organization to move and expand its out-patient facilities and to provide residential space for adolescents.	$575,000	$1,441,469	$1,903,000	50	-0-	$14,850
New York	Loan to a video service company to purchase and renovate a warehouse in order to expand its operations on West 57th street.	$472,500	$3,417,499	$600,000	75	-0-	$105,488
New York	Assistance to rehabilitate the U.S.S. Intrepid, an aircraft carrier, for use as an air, space and naval museum to attract tourists. Project also involves renovation of 46th Street pier.	$4,540,000	$14,792,000	$2,600,000	469	-0-	$400,731
New York	Loan to steel fabricator to purchase equipment as part of expansion of Queens operations.	$609,000	$7,359,005	-0-	32	-0-	$324,600
New York	Loan to a metal fabricator for expansion of its operations in the South Bronx.	$930,000	$3,005,803	$940,000	105	-0-	$113,684
New York	Loan to provide portion of permanent financing for completion of building shell to be used as supermarket in blighted neighborhood in Brooklyn.	$319,000	$1,005,427	$600,000	52	-0-	$34,127

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW YORK (continued)							
New York	Assistance in the construction of a new facility in Queens to serve as the wholesale flower market for New York City.	$1,260,000	$3,668,408	$1,395,000	142	-0-	$151,258
New York	Interest write-downs on home improvement loans for low-income homeowners in twelve neighborhoods throughout the city.	$3,108,750	$10,362,500	-0-	-0-	-0-	-0-
New York	Loan to company which constructs theatre scenery to acquire and renovate two industrial buildings in the South Bronx to permit consolidation and expansion of operations.	$527,566	$1,437,807	$1,546,000	100	-0-	-0-
New York	Loan to rehabilitate the Historic Apollo Theater in Harlem, and turn it into a top-rated facility for the production of cable television programing.	$1,575,000	$4,350,000	-0-	128	-0-	$193,094'
New York	Loan to paper company to acquire land and machinery necessary for construction of new manufacturing facility to expand operations in Brooklyn.	$644,000	$2,698,680	-0-	60	-0-	$60,000
Newburgh	Loan to an assembler of commercial and industrial vacuum cleaners to acquire and rehabilitate an industrial facility to provide expansion for new product line.	$309,000	$779,734	$423,000	70	-0-	$24,078
Niagara Falls	Loan to major local retailing firm to make leasehold improvements as anchor tenant in new downtown mall.	$850,000	$2,840,095	-0-	48	-0-	$141,847

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW YORK (continued)							
Niagara Falls	Loan to partially finance the acquisition and renovation of a closed-down steel fabricating plant. Company will upgrade machinery to be able to perform more complex work and expand product line.	$187,000	$730,485	$382,000	37	-0-	$11,606
Norwich	Loan to help producer of engine systems to construct new addition to existing manufacturing complex.	$346,560	$4,343,063	-0-	200	-0-	$35,000
Ogdensburg	Loan to assist in the construction of a new building in an existing industrial park which will house three manufacturers and a Foreign Trade Zone.	$200,000	$752,154	$275,000	72	-0-	$20,583
Port Jervis	Loan to sportswear manufacturer for purchase of computer equipment and to assist in renovation and expansion of plant and office facilities.	$61,900	$232,833	$83,188	36	-0-	$1,655
Potsdam	Loan to assist in the rehabilitation of fire-damaged commercial structures and the construction of new apartment units in historic section of central business district.	$112,279	$339,763	$47,143	27	13	$22,251
Rochester	Loan to major corporation to assist in construction of new addition to existing plant, a new parking lot and connecting pedestrian bridge.	$937,000	$4,787,344	-0-	380	-0-	$81,907
Rochester	Loan to assist developer in the acquisition, demolition and redevelopment costs of a site on which to construct a new neighborhood shopping center.	$1,040,000	$3,994,562	-0-	125	-0-	547,057

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Rev'enue
NEW YORK (continued)							
Rochester	Loan to assist in the major rehabilitation and refurnishing of a closed hotel to reopen as a first-class facility.	$3,000,000	$7,526,261	-0-	380	-0-	$133,819
Schenectady	Second mortgage for conversion of vacant school building into market-rate apartments for moderate-income tenants and off-street parking. School building eligible for inclusion on National Register of Historic Places.	$250,000	$779,318	-0-	-0-	24	$15,122
Schenectady	Loan to convert vacant downtown department store into apartments for moderate- to middle-income tenants, first-floor commercial space and parking. Building eligible for inclusion on National Register of Historic Places.	$1,308,000	$4,289,640	$60,000	12	80	$35,460
Sherburne Village	Loan to assist electric wire and cable manufacturer construct new plant and acquire machinery and equipment for processing raw copper material into continuous cast copper redraw. Company will also invest in new equipment in nearby city.	$1,796,000	$7,450,000	$1,000,000	175	-0-	$29,486
Syracuse	Loan to heavy equipment manufacturer to assist in modernization and expansion of existing service and distribution center.	$100,000	$637,303	$482,000	25	-0-	$14,546
Syracuse	Loan to assist newly established manufacturer of luggage and sporting bags, acquire and rehabilitate vacant structure.	$150,000	$472,932	$180,000	200	0-	$6,700
Syracuse	Loan to assist storm window manufacturer to purchase equipment in order to expand operations.	$375,000	$1,398,956	-0-	55	-0-	-0-

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW YORK (continued)							
Syracuse	Loan to developer to assist in construction of major downtown office/shopping mall complex and associated parking garage.	$7,500,000	$43,871,374	-0-	838	0-	$689,779
Syracuse	Financial assistance to manufacturer of metal window and door systems to expand its production and warehouse facilities.	$290,000	$1,115,577	$400,000	25	-0-	$56,222
Syracuse	Loan to Syracuse Economic Development Corporation to acquire and rehabilitate vacant structure for lease to two expanding small businesses.	$260,000	$752,622	$246,000	25	-0-	$35,414
Syracuse	Loan to assist plumbing and heating equipment firm in building renovation to support expansion of operations and preparation of space for lease to outside tenants.	$100,000	$369,135	$95,000	104	-0-	$8,957
Troy	Financial assistance to renovate and restore nine historic warehouse buildings located in central business district and convert into market-rate apartments, retail specialty shops and commercial storage space. Project will include underground parking and City will build adjacent park along Hudson River.	$1,897,499	$6,067,215	$475,000	40	85	$78,194
Utica	Loan to distributor of hospital equipment to help renovate vacant downtown building to provide space for expansion of local operations.	$123,600	$547,303	-0-	22	-0-	$8,600

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW YORK (continued)							
Watervliet	Loan to facilitate proposed expansion project by paint company to augment existing production and warehouse capacity.	$80,000	$615,838	-0-	18	-0-	$13,847
NORTH CAROLINA							
Davidson	Loan to assist producer of air compressors to construct new manufacturing plant next to existing facility; grant to City to construct required sewer improvements.	$800,000	$12,098,000	-0-	85	-0-	$37,472
Lumberton	Loan to help finance development of a mixed-use, two-and-one-half story project involving office space and residential units for low- and moderate-income tenants.	$36,275	$154,700	-0-	8	6	$1,500
Monroe	Loan to a manufacturing company to help finance the purchase, renovation and expansion of a vacant plant to be used for the production of electronic transformer parts.	$1,100,000	$18,230,000	-0-	142	-0-	$86,959
Shelby	Loan to help pay costs of renovating historic downtown building for use as office space and rental apartments.	$200,000	$800,712	-0-	22	12	$3,024
Warsaw	Loan to be used by textile company to help purchase and install open-end spinning equipment over a three-year planned expansion.	$1,040,000	$11,880,551	-0-	118	-0-	$118,000

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NORTH CAROLINA (continued)							
Winston-Salem	Second mortgage loan for construction of a retail shopping center to be located on Urban Renewal land in East Winston neighborhood.	$340,000	$1,322,255	$504,000	80	-0-	$60,132
NORTH DAKOTA							
Cando	Loan to help construct and equip an egg-producing facility.	$460,000	$2,185,825	-0-	20	-0-	$6,750
Devils Lake	Loan to assist in conversion of the boilers used to supply the City's district heating system from gas-fired to solid-waste fired boilers.	$500,000	$1,739,105	$300,000	8	-0-	-0-
OHIO							
Akron	Loan to help construct two new industrial buildings containing office and manufacturing space which will be leased to small businesses.	$350,000	$1,927,762	$47,000	40	-0-	$71,937
Cambridge	Streetscaping, sewer lines for a new building, and loans to businesses for renovation to stimulate revitalization of the Central Business District.	$141,700	$867,731	$130,000	22	-0-	$10,785
Canton	Loan to rehabilitate vacant downtown hotel into office and retail space and for construction of parking garage.	$900,000	$5,075,000	-0-	134	-0-	$106,496

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State and City OHIO (continued)	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
Canton	Loan to rehabilitate a vacant high school building into a mixed-use facility which will include a nursing home, day care centers, medical offices and retail shops.	$965,000	$11,615,000	-0-	190	-0-	$174,870
Cleveland	Loan to help construct a new theatre, and to convert a vacant former retail building into rental space, a restaurant and support facilities for an existing theatre complex in the downtown Playhouse Square area.	$1,050,000	$5,450,000	-0-	124	,0-	$42,880
Cleveland	Loan to assist in renovation of a vacant warehouse and conversion into Class A office space. Building is located in area currently under consideration as historic district.	$840,000	$5,366,656	-0-	132	-0-	$122,234
Cleveland	Assistance in expansion and renovation of a nursing home with improved related service space.	$938,870	$4,045,342	-0-	105	-0-	$99,808
Columbus	Loan to assist in Phase I of renovation and expansion of Ohio Theatre. Improvements will include a multi-level Arts Pavilion, an expanded stage, numerous support facilities and an open air Esplanade.	$1,500,000	$4,000,000	$2,000,000	119	-0-	$131,458
Columbus	Loan for Phase II of Ohio Theatre renovation and expansion. Improvements will include interior renovation and construction of the theatre stage and basement and interiors of the new Esplanade.	$500,000	$1,678,500	-0-	58	-0-	$60,158

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State and City OHIO (continued)	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
Elyria	Loan to manufacturer of wheelchairs and patient aids to construct new'addition to existing facility.	$330,375	$4,074,625	$2,000,000	280	-0-	$201,097
Kent	Loan to help milk processor construct new plant to produce butter, margarine and a butter-margarine blend.	$970,000	$12,943,000	$800,000	140	-0-	$122,500
Lincoln Heights	Loan for construction of building in new industrial park for lease as light manufacturing and warehouse space.	$948,400	$3,522,000	-0-	115	-0-	$83,604
Lorain	Loan to assist in purchase of capital equipment to be installed in renovated facilities to permit expansion of firm which provides linen rental services to area hospitals.	$250,000	$1,671,302	-0-	130	-0-	$12,593
Marion	Loan to assist in construction of new 100-bed nursing home.	$532,000	$2,571,170	$2,698,170	85	-0-	$32,248
Martins Ferry	Grant to City to help pay the cost of extending a sewer line to service steel pipe coupling plant. As a result, company will maintain existing facilities and expand operations.	$350,000	$1,700,000	$685,886	80	-0-	$5,200
Massillon	Loan to help heating and cooling systems manufacturer finance construction of a new facility necessary for expansion of operations.	$112,560	$589,344	-0-	19	-0-	$54,563
Nelsonville	Loan to help renovate historic building, nearly destroyed by fire several years ago, for retail use on first floor with theatre on second floor.	$232,000	$679,831	-0-	23	-0-	$20,162

State and City OHIO (continued)	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue.
New Boston	Loan to purchase capital equipment for new motel-restaurant development.	$210,000	$1,736,500	-0-	42	-0-	$53,416
Toledo	Loan for the construction of connection between a hospital and the upper floors of adjacent hotel building which is being converted into a living care center with doctor's offices and other health related facilities on the lower floors.	$219,000	$3,000,000	-0-	224	-0-	$85,660
Toledo	Loan to help finance construction of 485-space parking facility to be located in downtown area. A local church will construct a plaza over a portion of the facility.	$2,500,000	$7,644,830	-0-	4	-0-	$114,740
Toledo	Loan to help finance construction of an office building to be located in downtown development area.	$7,500,000	$19,490,070.	-0-	320	-0-	$348,225
Wellston	Loan to company which makes prepared Italian foods to assist in expansion of existing facilities.	$575,000	$7,520,450	-0-	148	-0-	$27,645
Wilmington	Low-interest second mortgage loan to subsidize rentals at levels that lower-income elderly tenants can afford in new addition to be constructed in elderly housing complex.	$482,000	$1,397,549	-0-	5	52	$19,953
Youngstown	Loan to help construct hotel, parking garage and mini-convention center on vacant urban renewal land in downtown area.	$2,000,000	$12,385,658	-0-	237	-0-	$324,340

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars.	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
OKLAHOMA							
Frederick	Grant to City to upgrade water lines and increase electric power to industrial park. Improvements will spur immediate investment for new equipment to permit existing business to expand and reduce fire insurance rates for all occupants.	$800,000	$2,221,772	-0-	134	-0-	-0-
Haniny	Grant to City for street and sidewalk improvements to stimulate,business investment in the Central Business District.	$90,000	$233,780	-0-	4	-0-	$7,922
Stroud	Second mortgage loan to construct building to be occupied by new wholesale auto auction business.	$78,750	6282,576	-0-	16	-0-	$68,228
OREGON							
Corvallis	Loan to assist in rehabilitation and conversion of historic hotel into rental apartments at rates affordable to elderly persons. Project is located in downtown "pocket of poverty" area.	$210,000	$883,266	$200,000	2	53	$34,560
Portland	Loan to help finance renovation of historic theatre building for use as office space and a specialty retail center.	$1,020,000	$4,770,980	-0-	144	-0-	$13,500
PENNSYLVANIA							
Allentown	Second mortgage financing for rehabilitation of vacant historic building to provide office and retail space. City will construct parking garage which will be connected to the building via a covered walkway.	$1,020,000	$3,074,000	-0-	156	-0-	$41,600

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
PENNSYLVANIA (continued)							
Allentown	Second mortgage financing for development of 8-story office building in CBO.	$735,000	$2,956,086	-0-	90	-0-	$111,063
Allentown	Loan to aid financing for new downtown office building and garage.	$1,510,000	$4,841,359	-0-	154	-0-	$361,234
Bethlehem	Rehabilitation grants to low- and moderate-income homeowners to supplement loans fran private lender. Grants to be repaid if house is sold or refinanced within 12 years.	$112,500	$337,500	-0-	-0-	100	$3,443
Chester	Financial assistance to construct new downtown office building and parking area.	$600,000	$2,400,000	-0-	-0-	-0-	$55,000
Coal Township	Financial assistance to pay for extraordinary site development costs associated with construction of new retail facility.	$538,000	$3,091,200	-0-	100	-0-	$57,900
Easton	Interest rate subsidies on rehabilitation loans to low- and moderate-income.	$190,000	$1,000,000	-0-	-0-	150	-0-
Ford City	Loan to rehabilitate a facility for an industrial lifting device manufacturer and to individually meter utilities for additional industrial users moving into an industrial park.	$436,772	$2,501,700	$1,251,600	42	-0-	$3,638
Hazleton	Loan to plastics manufacturer to expand and renovate existing 'facility, make site improvements and purchase new equipment.	$1,000,000	$3,239,820	$1,000,000	100	-0-	$30,450
Larksville	Interest-free permanent second mortgages to income-qualified purchasers of new three-bedroom houses.	$228,480	$627,400	-0-	-0-	20	$3,096

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
PENNSYLVANIA (continued)							
Luzerne County*	Loan to Dutch corporation to purchase equipment for new plant to manufacture egg rolls.	$205,000	$609,410	$280,000	39	-0-	-0-
Meadville	Loan to synthetic fiber manufacturer to add raw material processing capability at its existing plant.	$730,000	$2,395,486	$100,000	100	-0-	$10,347
Philadelphia	Financial assistance to minority developer for the renovation of vacant theatre building as 2,200-seat performance hall, lounge and restaurant in North Philadelphia.	$250,000	$896,309	$261,900	50	-0-	$46,756
Philadelphia	Loan to help company which designs and installs interior trade fixtures and retail layouts expand its present operations. Expansion involves acquisition of a vacant adjacent building and construction of a new building.	$300,000	$1,070,384	-0-	50	-0-	657,619
Philadelphia	Loan to assist in the construction of a minority-owned 120-bed nursing facility on urban renewal land in North Philadelphia.	$337,000	$2,861,072	$100,000	63	-0-	$103,155
Philadelphia	Loan to manufacturer of cushioning materials to purchase new capital equipment to support expansion of operations.	$206,000	$957,751	$432,000	29	-0-	$34,859

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
PENNSYLVANIA (continued)							
Pittsburgh	Loan to assist in Second Phase development of industrial park. Involves construction of seven buildings for use as industrial and office space.	$300,000	$2,389,000	-0-	162	-0-	$69,537
Pottstown Borough	Second mortgage loan to construct facility to be, used for storage, final assembly and shipping by furniture manufacturer.	$2,993,130	$14,484,618	-0-	210	-0-	$250,000
Scranton	Second mortgage loan to developer to rehabilitate historic railroad station as luxury hotel, restaurant and conference center.	$2,695,000	$8,742,120	$1,602,000	245	-0-	-0-
Scranton	Loan to assist in renovation and expansion of rehabilitation hospital and construction of adjacent 180-bed nursing home.	$4,160,000	$19,346,750	-0-	127	-0-	-0-
Washington County	Low-rate second mortgage financing for low- and moderate-income purchasers of new single-family housing in five towns within the County.	$672,600	$2,523,566	-0-	-0-	60	$28,355
Westmoreland County	Loan to assist steel producer expand its specialty steel plant in West Leechburg.	$775,000	$10,325,000	-0-	159	-0-	-0-
York County	Loan to electronic control equipment manufacturer for assistance in relocation and expansion of its manufacturing operation. Project involves site acquisition, construction of new facility and installation of new production equipment.	$860,000	$9,602,557	-0-	381	-0-	$144,214

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State and City	Project Description	UOAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
PUERTO RICO							
Bayamon	Write-down of interest rate on rehabilitation loans to homeowners in selected neighborhoods.	$429,187	$1,200,000	-0-	-0-	213	-0-
Bayamon	Financial assistance to construct a multi-building, private 450-bed psychiatric hospital complex.	$3,341,000	$12,060,992	-0-	337	-0-	$385,136
Bayamon	Loan to help new company rehabilitate existing building in industrial park and purchase equipment necessary to manufacture pressurized vessels, tanks and cylinders for liquid gas.	$78,750	$561,998	-0-	17	-0-	$10,000
Bayamon	Loan to help new business purchase machinery and equipment for the manufacture of a complete line of detergents and cleaners.	$50,000	$151,180	-0-	12	-0-	$61,245
Cayey	Loan to assist in construction of new commercial building for food processing and distribution company.	$500,000	$2,441,373	-0-	55	-0-	$61,109
Dorado	Loan to assist cement company convert from oil-fired to coal-fired kilns to reduce oil imports and allow price reductions.	$1,990,600	$8,082,386	-0-	32	-0-	$244,895
Guaynabo	Loan to aid new operation purchase sophisticated equipment for the manufacture of disposable plastic plates, cups and utensils. Will reduce imports.	$175,000	$644,105	-0-	20	-0-	$6,381
Guaynabo	Financial assistance for construction of new building to allow expansion of private school to serve 400 children from pre-kindergarten through grade twelve.	$224,758	$788,474	-0-	20	-0-	$16,352

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
PUERTO RICO (continued)							
Guaynabo	Loan to assist in the construction of a new facility to permit a warehousing and cold storage business to consolidate and expand its operations.	$635,000	$1,793,556	-0-	78	-0-	$47,471
Ponce	Assistance to reconstruct City-owned pier to enable cement company to use the pier to receive coal once its conversion from oil-to-coal project is completed.	$2,782,000	$17,031,446	-0-	90	-0-	$372,272
Ponce	Assistance for construction of five new buildings to house a four-year regional campus of the Inter-American University.	$1,000,000	$4,323,211	-0-	256	-0-	$250,000
San Juan	Loan to assist'in the construction of a new campus for the Puerto Rico Junior College.	$1, 680,000	$5, 730,546	-0-	178	-0-	$255,360
San Juan	Financial assistance to a hospital for the purchase of low-energy radiotherapy equipment to enable it to increase number of daily treatments.	$131,010	$339,740	-0-	20	-0-	$20,000
San Juan	Public improvements and loan to developer of mixed-use residential, commercial/retail and industrial/manufacturing complex.	$3,159,001	$10,312,595	$1,000,000	60	260	$328,682
San Juan	Loan to assist in rehabilitation of an office building and construction of a new addition in a restored area of Old San Juan.	$205,350	$675,000	-0-	30	-0-	$24,000
Toa Baja	Loan to finance site and rehabilitation costs to permit renovation of an abandoned factory building for use as a discount supermarket.	$596,338	$1,999,015	-0-	127	-0-	$145,835

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
PUERTO RICO (continued)							
Vega Baja	Financial assistance to construct a 150-bed acute care general hospital in an area presently lacking any medicare-certified hospitals.	$2,600,000	$13,063,017	-0-	274	-0-	$138,600
RHODE ISLAND							
Central Falls	Loan for acquisition and renovation of a vacant historic school into market-rate rental apartments.	$70,000	$208,000	-0-	-0-	10	$2,000
Providence	Loan to assist in development of downtown office tower and parking garage.	$7,050,000	$43,662,200	-0-	683	-0-	$563,694
Providencc	Loan to help develop an office building, public plaza and parking garage to be located in historic section of downtown.	$1,550,000	$22,571,540	-0-	380	-0-	$359,000
Warwick	Loan to assist in construction of a 225-room first-class hotel.	82,020,000	$15,780,000	-0-	225	-0-	$300,000
SOUTH CAROLINA							
Charleston	Financial assistance in rehabilitation of former tobacco company building to be used as business technology and job training center to aid residents of East Side target area.	$430,500	$2,665,805	-0-	324	-0-	$56,000
Elloree	Grant to City to construct a water and sewer facility to accommodate a new plant to be operated by a door manufacturer.	$651,000	$2,639,889	-0-	75	-0-	$15,750
Neeses	Loan to help rebuild a supermarket which had recently burned down.	$157,500	$887,000	-0-	38	-0-	-0-

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
SOUTH DAKOTA							
Sioux Falls	Loan to assist in renovation of vacant historic department store building for use as office, retail and restaurant space.	$630,000	$3,731,520	-0-	150	-0-	$54,132
TENNESSEE							
Bristol	Loan to acquire a former downtown YMCA building and renovate it for use as office, retail and restaurant space. City will build new parking facilities across the street to be leased to developer.	$350,000	$1,500,000	-0-	110	-0-	$39,322
Chattanooga	Assistance to City and County to construct a new convention center adjacent to new 350-room hotel. Complex to be located in South Central Business District.	$3,000,000	$21,335,416	$7,959,000	390	-0-	$179
Chattanooga	Financial assistance for the construction of rental apartment units in the Brainerd neighborhood. Majority of units will be available for elderly and/or handicapped persons and the balance for low- or moderate-income persons.	$1,185,548	$3,048,197	-0-	-0-	115	$60,000
Dickson	Assistance for streets and access, site improvements, and water and sewer facilities for a new apartment complex to house employees of new industry in town.	$106,487	$2,511,790	-0-	3	90	$23,500
Henderson	Loan to assist apparel manufacturer to purchase equipment for installation in renovated production and warehouse facilities.	$180,000	$930,800	$20,000	300	-0-	$2,182

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
TENNESSEE (continued)							
Knoxville	Loan to assist in development of new retail mall and underground parking garage.	$1,000,000	$11,508,111	$1,435,000	294	-0-	$227,861
Memphis	Financing assistance to a minority-owned development firm to renovate an old vacant hotel into retail and commercial space and residential units.	$180,000	$1,022,000	-0-	30	22	$3,076
Mt. Pleasant	Second mortgage subsidies to qualified low- and moderate-income homebuyers of single-family houses on sites scattered throughout the City.	$240,000	$721,000	$15,000	-0-	24	$5,000
Mt. Pleasant	Loan to a tire mold company to construct a new building in an industrial park, purchase new equipment and expand its operations.	$52,000	$225,000	-0-	15	-0-	$10,566
Nashville	Financial assistance for construction of City-owned convention center, parking garage and pedestrian circulation. Supports private development of hotel and shopping mall as part of major complex. Three-fourths of new jobs to be created will be filled by residents of City's "pocket of poverty" area.	69,750,000	$66,092,398	$47,417,500	1,147	-0-	$2,062,510
TEXAS							
Cleburne	Loan to manufacturer of commercial rubber products to purchase new equipment to support expansion of its manufacturing and distribution operations at Cleburne plant.	$675,000	$6,880,000	-0-	40	-0-	$93,686

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
TEXAS (continued)							
Galveston	Second mortgage loan to develop new 300-room hotel with convention facilities and related amenities. City will improve street maintenance and make beach replacements to support hotel development.	$1,365,000	$17,484,765	-0-	256	-0-	$537,310
UTAH							
Salt Lake City	Loan to assist financial services company construct a new headquarters office building in area targeted for revitalization.	$1,155,000	$6,166,660	$150,000	100	-0-	$18,190
VERMONT							
Brattleboro	Loan to Brattleboro Development Credit Corp. to provide access road, utilities, sewer and water to a site on which BDCC will build a new plant to lease to a local company which is consolidating and expanding its operations.	$250,000	$1,125,448	$1,200,000	91	-0-	$46,518
St. Albans	Loans to property owners in downtown Historical District to assist them to renovate and improve their buildings. City will renovate park which serves as central common in the City.	$86,239	$379,277	-0-	9	2	$8,400
VIRGINIA							
Newport News	Loan to help develop neighborhood shopping center.	$287,000	$834,765	$543,800	46	-0-	$20,636

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
VIRGINIA (continued)							
Norfolk	Grant to pay portion of costs of new City-owned parking garage to enable construction of new Class A office building in downtown location.	$1,588,000	$18,900,000	$2,991,600	564	-0-	-0-
Roanoke	Loan to aid in rehabilitation of partially occupied 12-story office'building in prime downtown location.	$300,000	$867,720	-0-	100	-0-	$25,740
Suffolk	Portion of Action Grant to provide water and sewer service to industrial area and balance as loan to British corporation to help pay for construction of new polymer manufacturing facility.	$720,000	$5,632,543	-0-	175	-0-	$47,677
WASHINGTON							
Seattle	Second mortgage financing for a mixed-use development in Pioneer Square Historic District. Project will involve both new construction and rehabilitation to provide retail space, parking, condominiums and rental housing units.	$1,600,000	$11,253,275	-0-	157	45	$106,285
Seattle	Loan to assist in rehabilitation of vacant six-story office building located in Pioneer Square Historic District to provide both retail and office space.	$939,000	$5,783,788	-0-	137	-0-	$70,577
Seattle	Partial financing for renovation of an existing vacant warehouse complex for use as light industrial and associated office space.	$615,000	$3,625,000	-0-	175	-0-	$7,234

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
WASHINGTON (continued)							
Tacoma	Second mortgage financing for a first-class downtown 328-room hotel with retail space, restaurant and cocktail lounge and parking garage.	$4,050,000	$20,496,400	$450,000	270	-0-	$494,315
Tacoma	Loan to assist in construction of 22-story office building with retail space on ground floor in downtown location.	$4,010,000	$31,963,085	-0-	750	-0-	-0-
WEST VIRGINIA							
Charleston	Loan to assist in rehabilitation of former hotel in downtown location as an office building.	$1,600,000	$4,035,820	-0-	429	-0-	$281,300
Follansbee	Financial assistance to extend water and sewer lines and to construct a new shopping plaza.	$510,000	$2,607,109	-0-	60	-0-	$10,000
Parkersburg	Loan to glass company to purchase capital equipment and renovate its plant in order to expand production capacity.	$110,000	$1,006,721	-0-	17	-0-	$6,000
WISCONSIN							
Baraboo	Loan to help a plastic products manufacturer expand its operations by constructing an addition to existing building and purchasing a new CAD-CAM system.	$303,450	$3,946,550	-0-	40	-0-	$12,900
Durand	Loan to assist in construction of utilities and site improvements necessary for development of 30-bed hospital and 60-bed nursing home.	$678,058	$5,143,000	$535,000	37	16	$52,500

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State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
WISCONSIN (continued)							
La Crosse	Loan to assist in construction of ten-story office tower in downtown location.	$2,000,000	$10,372,190	-0-	161	-0-	$223,422
La Crosse	Loan to assist in rehabilitation and restoration of a vacant historic structure in downtown location for use as office and retail space and a restaurant.	$250,000	$1,177,595	$150,000	88	-0-	$26,139
Milwaukee	Loan to help steel casting company purchase heavy equipment to be used in expansion of production facilities.	$2,060,000	$14,453,491	-0-	350	-0-	$76,271
Milwaukee	Financial aid for water and sewer improvements for a new research park. First tenant will be a local electronics firm which will build a new engineering facility.	$191,800	$2,360,000	-0-	22	-0-	$52,899
Milwaukee	Loan to enable steel products company to construct new building and install equipment for the manufacture of a new product line.	275,625	$3,500,000	-0-	70	-0-	$46,154
Milwaukee	Financial assistance to electronics company for acquisition of capital equipment for plant expansion.	$373,500	$4,552,000	-0-	100	-0-	$72,101
Milwaukee	Second mortgage loans to low- and moderate-income home buyers enabling them to qualify for first mortgage for new housing to be built in Park West corridor.	$2,000,000	$8,000,000	$2,770,000	-0-	200	$315,918
Wausaukee	Grant to City to provide water, sewer and road service to allow a company to expand its facilities in a new office/garage to be built on the last remaining undeveloped land in the village.	$155,000	$504,143	$567,252	5	-0-	$15,000