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

1986

Consolidated Annual Report to Congress on Community Development Programs

(CDBG, UDAG, Rental Rehabilitation, Section 312, Urban Homesteading)

HUD

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

May 28, 1986

TO THE CONGRESS OF THE UNITED STATES:

In accordance with 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, it is my pleasure to submit the Department's 1986 Consolidated Annual Report on community development programs that we administer. We present information on the Community Development Block Grant (CDBG), Urban Development Action Grant (UDAG), Rental Rehabilitation Grant, Section 312 Rehabilitation Loan, and Urban Homesteading Programs.

Samuel R. Pierce, Jr.

Samuel R. Pierce, Jr.

1986 CONSOLIDATED ANNUAL REPORT TO CONGRESS ON COMMUNITY DEVELOPMENT PROGRAMS

This Report Incorporates Statutorily-mandated
Reports to Congress for FY 1985 on the:

Community Development Block Grant Program
Urban Development Action Grant Program
Rental Rehabilitation Grants 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

1986 CONSOLIDATED ANNUAL REPORT TO CONGRESS ON COMMUNITY DEVELOPMENT PROGRAMS

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EXECUTIVE SUMMARY

This 1986 Consolidated Annual Report to Congress on Community Development Programs describes actions and activities undertaken in FY 1985 to meet the legislative objectives and requirements of the following community development programs:

- o Community Development Block Grant (CDBG) Entitlement Program;
- o CDBG State and Small Cities Program;
- o Urban Development Action Grant (UDAG) Program;
- o Rental Rehabilitation Program;
- o Section 312 Rehabilitation Loan Program;
- o Urban Homesteading Program; and
- o Secretary's Discretionary Fund (CDBG).

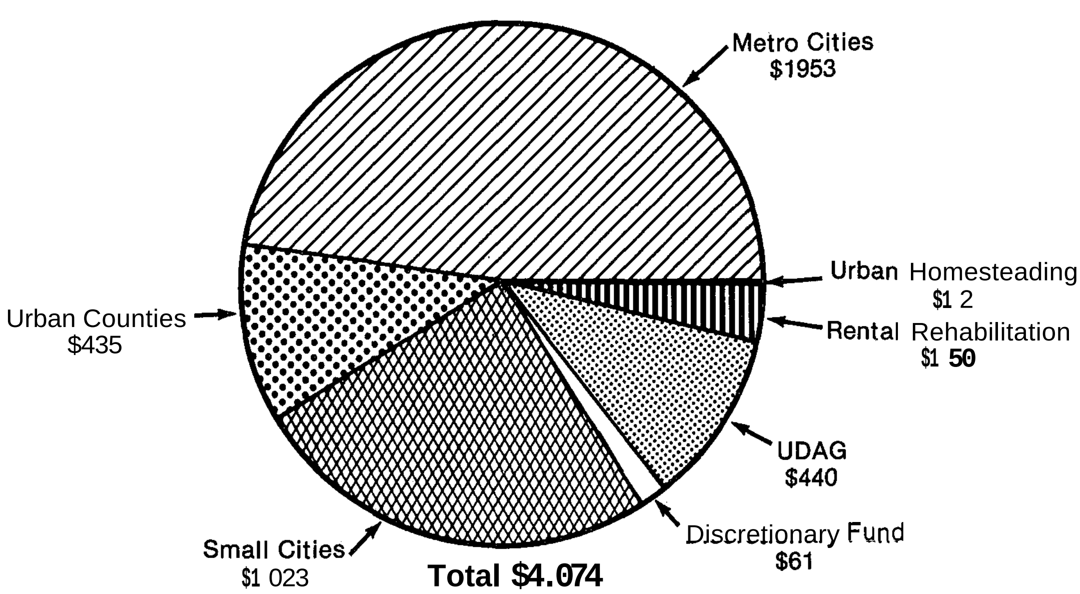
AUTHORIZATION AND APPROPRIATION ACTIONS

The authorization for Community Planning and Development (CPD) programs for FY 1985 was contained in the Housing and Urban-Rural Recovery Act of 1983. The Act authorized funding for CPD program activities for each of the Fiscal Years 1984, 1985, and 1986 and also made a number of legislative changes. The Act created a new program, the Rental Rehabilitation Program, for which $150 million was authorized for each of the Fiscal Years 1984 and 1985.

The HUD Appropriation Act for FY 1985 appropriated a total of $4.074 billion for all Community Development programs. (See Figure ES-1.)

FIGURE ES-1

FISCAL YEAR 1985 APPROPRIATIONS
COMMUNITY DEVELOPMENT PROGRAMS
(Dollars in Millions)



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

The Section 312 Rehabilitation Loan Program receives no budget authority but is directed to use collections from outstanding loans, unexpended balances of prior appropriations, loan repayments, and other income from these sources, $155 million was available in FY 1985 to make new loans and to meet related expenses.

LEGISLATIVE CHANGES

There have been no changes made by Congress to the legislation covering CPD programs since those incorporated in the Housing and Urban-Rural Recovery Act of 1983 and the 1984 Technical Amendments. These changes were described in substantial detail in the 1985 Annual Report to Congress.

COMMUNITY DEVELOPMENT BLOCK GRANTS ENTITLEMENT PROGRAM

PARTICIPATION. The Community Development Block Grant (CDBG) Entitlement Program is HUD's principal program to assist central cities in Metropolitan Statistical Areas, cities with populations over 50,000 and Urban Counties. The program provides annual funding to localities on an entitlement basis. The amount of funds a locality receives is based upon objectively measured need factors.

- In FY 1985, 814 jurisdictions were eligible to receive an Entitlement grant. Five hundred and nine communities were entitled because they were central cities, 171 because their populations exceeded 50,000, and 107 qualified as Urban Counties. Twenty-seven other communities continued to qualify for grants under grandfathering legislation despite having lost population eligibility (nine cities) or central city designation (18 cities).

- Since the program's beginning in 1975, the number of communities eligible to receive grants has increased by 37 percent.

- The portion of the FY 1985 appropriation to be used for the CDBG Entitlement Program was $2.388 billion. Of that amount, eight hundred and four of the eligible jurisdictions received grants totalling $2.375 billion. Eight Metropolitan Cities did not apply for grants totalling $7.5 million, and two communities' awards in the amount of $5 million are still pending as of February 1986.

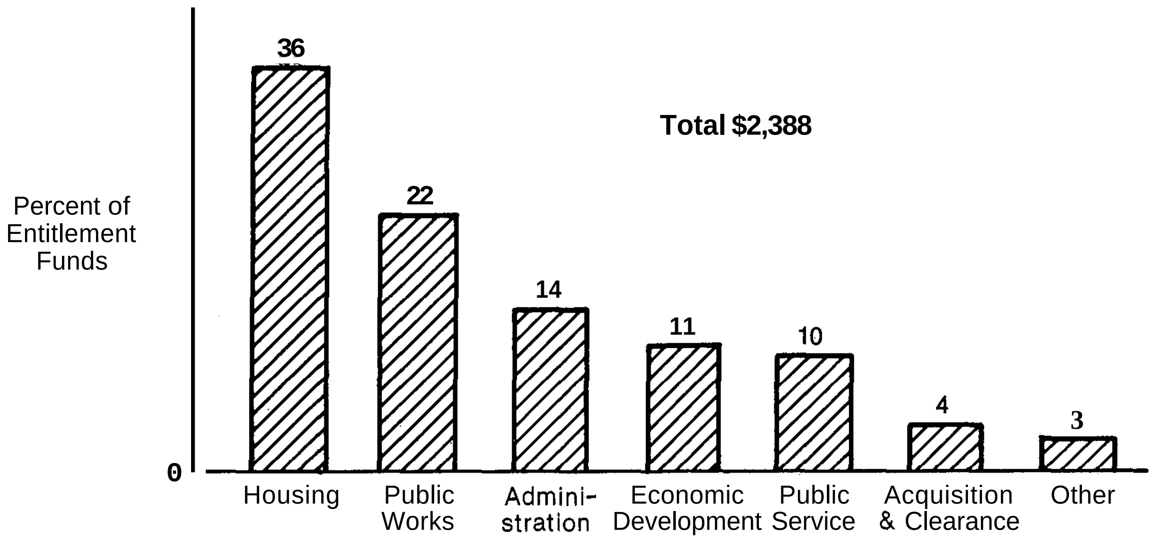
FY 1985 ACTIVITIES. Grantees have broad discretion to develop programs and determine priorities to address local community and economic development needs. Eligible projects may be directed to neighborhood revitalization, public works, social service needs and economic development.

- Housing-related activities, principally rehabilitation, continue to constitute the largest proportion ($997 million, or 36 percent) of all budgeted FY 1985 funds. The next largest budget category in FY 1985 was public works ($600 million, 22 percent), followed by economic development ($306 million, 11 percent) and public services ($265 million, 10 percent). (See Figure ES-2.)

- Lesser amounts of funds were budgeted for acquisition and clearance activities ($112 million), contingencies ($54 million), repayment of Section 108 loans ($33 million) and completion of categorical programs ($5 million).

FIGURE ES-2

PLANNED SPENDING IN THE CDBG ENTITLEMENT PROGRAM
FY 1985



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

- Planning and general program administration were budgeted for $381 million or 14 percent of all funds awarded.

- In FY 1985, the relative amounts budgeted for major activity categories varied little from that exhibited since 1982.

NATIONAL OBJECTIVES. The primary objective of the program is the development of viable urban communities by providing decent housing, a suitable living environment and expanding economic development opportunities, principally for low- and moderate-income persons. Each CDBG-funded activity has to meet one of the 1974 Housing and Community Development Act's three national objectives. These are: benefit to low- and moderate-income persons, prevention or elimination of slums and blight, and meeting urgent local needs. As a result of the 1983 Amendments and starting with FY 1984 expenditures, each Entitlement grantee is required to spend at least 51 percent of its funds over a one- to three-year computation period (chosen by the grantee) on activities benefitting low- and moderate-income persons.

- Grantees reported spending approximately 90 percent of their funds ($2.064 billion) on activities qualified as benefitting low- and moderate-income persons, 10 percent on slum and blight activities and less than one percent on local urgent needs during their 1983 program year, the most recent year for which such information is available.

- Nearly all communities are spending at least 51 percent of their 1983 expenditures on activities qualified under the low- and moderate-income benefit objective. For example, seventy percent of a sample of 403 grantees are spending over 90 percent of their funds under that objective.

Direct Benefits. Activities involving direct benefits to individuals may be qualified under any of the three national objectives.

- o Grantees reported that about one-third, or $674 million, of their 1983 expenditures involved activities with direct benefits to individuals.

- o Fifty-seven percent of the direct beneficiaries of activities funded under the national objectives were low-income persons, 30 percent were moderate-income persons, and 13 percent had incomes that exceeded 80 percent of the area median.

- o Minority participation in activities involving direct benefits roughly approximated their share of the population of households below the poverty level.

Program Income. In addition to new CDBG Entitlement Program funds received each year, grantees also have available for their use proceeds from previously funded CDBG activities.

- o During FY 1983 (the most recent year for which information is available), Metropolitan Cities and Urban Counties received an estimated $357 million in program income from previously funded activities. This is equal to almost 15 percent of the FY 1983 funds distributed to Entitlement communities.

- o Almost one-half of program income, $173 million, comes from the repayment of loans made from CDBG funds. Revolving loan programs returned $96 million to Entitlement communities FY 1983, principally for housing rehabilitation ($62 million) and economic development loans ($31 million), and other loans generated another $77 million for Entitlement communities. Proceeds from the sale of property also produced substantial income ($73 million) for Entitlement cities and counties.

- o Among the 310 communities in the CDBG Performance Monitoring and Evaluation sample, one-third (105) had program income amounting to over 10 percent of their 1983 grants.

Section 108 ban Guarantees. A grantee may apply to HUD to guarantee loans made by the Federal Financing Bank to finance the acquisition of real property or rehabilitation of real property owned by the grantee. Communities using this program pledge their current and future annual CDBG Entitlement grants as collateral for Section 108 loans. For FY 1985, Congress established a limit of $225 million for Section 108 loan guarantees.

- o In FY 1985, HUD approved 63 new Section 108 guaranteed loans involving 52 Entitlement communities--48 Metropolitan Cities and four Urban Counties--totalling $133.5 million.

- o The number of loans approved increased by 117 percent and the total loan amount was up 54 percent over FY 1984 totals.

- o The vast majority of the loans approved involve the acquisition of real property. In about one-half of these projects, a second activity, usually clearance or rehabilitation was also included.

- Between **1978** and **1985,** 247 applications involving **$801** million were approved by HUD.

CDBG Assistance to the Homeless. HUD assists grantees to utilize the flexibility of the CDBG program to meet the needs of the homeless.

- In the first half of **1985,** approximately **$16.7** million in FY **1981-1985** CDBG funds was directed to the homeless.

- The largest proportion of these funds, **$12** million, was directed to housing activities, while **$2.4** million was used for services, **$1.2** million for food and **$1.1** million for other forms of assistance.

COMMUNITY DEVELOPMENT BLOCK GRANTS THE STATE AND SMALL CITIES PROGRAM

Participation. The Community Development Block Grant State and Small Cities Program is HUD's principal vehicle for assisting eligible communities under **50,000** population that are not central cities of Metropolitan Statistical Areas and counties not qualified as Urban Counties. Legislative changes made in **1981** gave States the option of administering the program funds which HUD grants by formula to each State.

- Forty-seven States and Puerto Rico now administer their own programs, and HUD continues to make grant awards for three States.

- The appropriation for FY **1985** was **$1,023** million. HUD distributed **$971** million of that amount to the **48** participating States, and awarded **$52** million to **120** grantees in the HUD-administered program States of Hawaii, Maryland and New York.

- Since the inception of the program in FY 1974, **$8.4** billion has been awarded grantee States, small cities and counties.

Activities Funded. States are required to certify that each activity meets one of the three legislatively-mandated national CDBG Program objectives: benefit to low- and moderate-income families; aid in prevention or elimination of slums and blight; and meeting other community development needs having a particular urgency. The CDBG Program permits a broad range of activities to be funded and States may set their own priorities to respond to special needs and policy preferences, within the scope of national program objectives.

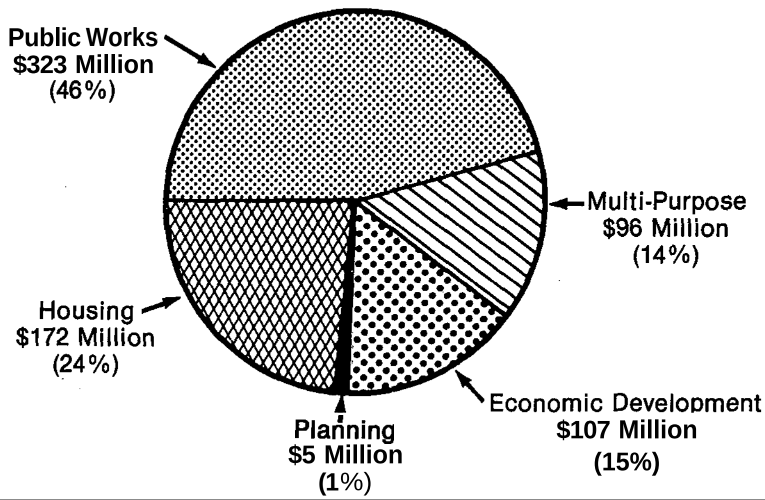
- States are required to distribute funds to applicants in a timely manner, but they are not required to award the entire current fiscal year's grant during that same fiscal year. As of mid-February **1986,** 44 States had distributed all or a part of their FY **1985** grants, a total of **$709** million. Four States had not yet made FY **1985** awards.

- Of the **$709** million distributed, **$703** million had been distributed for specific program activities: **$323** million (46 percent) was for public works; **$172** million **(24** percent)',,was housing-related; **$107** million **(15** percent) for economic development; **$96** million (14 percent) for multi-purpose projects; and the balance of **$5** million (one percent) for planning-related grants. (See Figure **ES-3.**)

- The **48** States also planned eventually to use a total of **$205** million, or **21** percent of their total FY **1985** distributions (including the **$107** million above), to carry out economic development activities.

FIGURE ES-3

STATE CDBG ALLOCATIONS FOR PROGRAM ACTIVITIES FY 1985 (44 STATES)



SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Block Grant Assistance.

Low- and Moderate-Income National Objective. At least 51 percent of all State grant funds must be used to satisfy the low- and moderate-income national objective. States may decide to meet this requirement over a one, two or three year period.

- In FY 1985, 34 States reported specific data on their planned distributions for this objective. Fourteen States indicated that 90 percent or more of their total awards would be used to satisfy this objective; fifteen reported 70-89 percent; and five projected 51-59 percent.

Variations Among States in Program Administration Features. States have much latitude, within the scope of the statute, with respect to their administration of the program. Consequently, there is wide variation among the States regarding such features as basic program objectives, the criteria used for the selection systems employed, selection priorities, and the use of set-asides to encourage applicants to meet certain State objectives such as economic development. States must nonetheless fulfill all national program objectives.

Characteristics of State Recipients. In FY 1985, State selection systems resulted in the following profile of applications, awards, and activities.

- The 44 reporting States received 7,062 applications for FY 1985 funds of which 2,667 (38 percent) received awards.

- Of the $709 million in awards distributed for program activities, very small cities (under 2,500 population) received 32 percent, small cities (2,500-10,000 population) accounted for 28 percent, larger cities (over 10,000 population) were awarded 19 percent and counties 21 percent.

- In very small cities, public works accounted for 63 percent of the funds awarded, compared to 25 percent for housing and 8 percent for economic development.

- Small cities planned to use 37 percent of their funds for public works, 24 percent for housing and 16 percent for economic development.

- Larger cities showed less spread among activities, with 32 percent for housing, 26 percent distributed for public works, and 20 percent for economic development.

- Counties concentrated 50 percent of their distribution in public works, 21 percent in economic development and 18 percent in housing.

- In each of the above categories, remaining funds were accounted for by planning grants, multi-purpose projects and formula grants.

HUD-Administered Small Cities Program. In FY 1985, HUD awarded $52 million to 120 of 258 applicants in the three States of Hawaii, Maryland, and New York.

- Housing-related activities accounted for 35 percent of the funds distributed, with 33 percent going to comprehensive projects. Lesser amounts were earmarked for economic development (17 percent) and public works (15 percent).

- Small cities (2,500 to 10,000) received the largest amount of funds awarded, 34 percent; followed by counties, 26 percent; very small cities (under 2,500), 21 percent; and large cities (over 10,000), 19 percent.

URBAN DEVELOPMENT ACTION GRANT PROGRAM

Participation. The purposes of the Urban Development Action Grant (UDAG) Program are to stimulate employment and to provide revenue in distressed communities by providing grants, awarded on a competitive basis, to be used in leveraging private sector investment in economic development projects. Eligibility to compete for Action Grants is based on the community's relative degree of economic distress and its demonstrated results in providing housing for low- and moderate-income persons and equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups.

- During FY 1985, preliminary application approvals for 347 Action Grant projects in the amount of $466 million to 218 eligible communities were announced. Ten additional awards were announced but subsequently terminated during FY 1985.

- Since the beginning of the program in FY 1978, 2,550 Action Grants totalling almost $3.9 billion have been awarded to approximately 1,100 eligible communities. An additional 419 awards have been announced and later terminated as of the end of FY 1985.

- In FY 1985, there were 79 large cities and Urban Counties that received 189 awards in the amount of $346 million. One hundred thirty-nine jurisdictions under 50,000 population, competing separately, received 158 Action Grants with a value of $120 million or 26 percent of the $466 million awarded in FY 1985. The authorizing legislation requires that small cities receive at least 25 percent of the funds appropriated for the program.

- In 1979, the UDAG statute was amended to permit the use of up to 20 percent of annually appropriated program funds for awards to communities which were not otherwise eligible to compete but which contain Pockets of Poverty. In FY 1985, the Department funded 12 Pockets of Poverty projects involving $17 million in UDAG funds; since this category of applicant was added, 44 such "pocket" projects have received $68 million in Action Grants.

Activities Funded. Action Grants are designed to attract private investment in economic development projects of a commercial, industrial or neighborhood character.

- Of the $466 million of UDAG funds awarded in FY 1985, commercial projects received 55 percent, industrial projects 27 percent and neighborhood projects, primarily related to housing activities, received the balance of 18 percent.

Planned Expenditures in Funded Projects. "Funded" UDAG projects refer to those for which there has been an announcement of preliminary application approval, which have not been terminated, and are underway, closed out or completed.

- In FY 1985, 347 funded UDAG projects involving $466 million leveraged $3.751 billion in planned private investment and $148 million in other public funds, bringing total planned project expenditures to $4.365 billion. (See Figures ES-4.)

- Over the life of the program, there have been 2,550 UDAG projects funded with a value of $3.9 billion. These have leveraged $22.9 billion of planned private investment and $1.9 billion in other public commitments for a total of $28.7 billion in planned project expenditures.

Distribution of UDAG Dollars by Degree of Impaction. Legislation requires HUD to use impaction--the comparative degree of economic distress among applicants as measured by degree of population growth lag/decline, the extent of poverty and the percentage of pre-1940 housing--as its primary criterion in the selection of applications to be funded. Starting in December 1983, HUD developed a project selection formula for use in making awards because in each round there were more applications meeting program requirements for funding than monies available to fund them. Up to 40 of a possible 100 points of the formula are accounted for by an applicant's impaction rank.

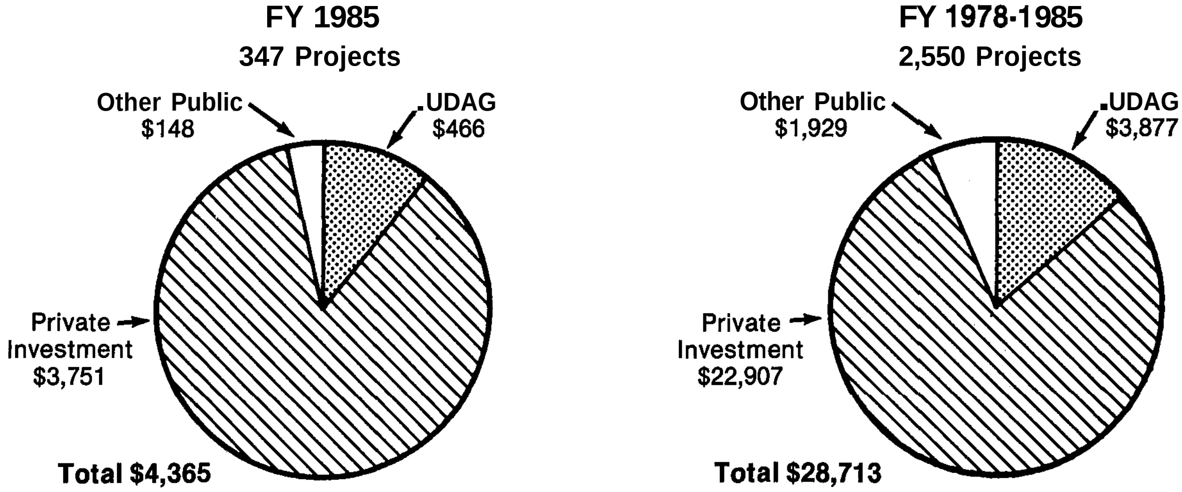
- As a consequence of the use of the selection formula, the percentage of the UDAG funds awarded to the one-third most impacted applicants increased substantially compared to previous years.

- In FY 1985, the one-third most impacted large cities received almost 90 percent of the dollar value of all large city awards compared to 75 percent in FY 1984 and 64 percent for the period FY 1978-1983.

- The one-third most impacted small cities received 56 percent of the dollar amount of FY 1985 awards to small cities. This compares to 42 percent in FY 1984 and 37 percent for the FY 1978-1983 period.

FIGURE ES-4

TOTAL PLANNED EXPENDITURES IN FUNDED UDAG PROJECTS
FY 1985 AND CUMULATIVELY
(Dollars in Millions)



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

UDAG Funds Obligated and Drawn Down. When HUD signs the grant agreement between itself and- the grantee, the Department obligates the UDAG funds involved. Drawdown of UDAG funds can take place only after the grantee has signed the grant agreement, the Legally Binding Commitments described in the grant agreement have been approved by HUD, and the necessary environmental clearances have been obtained.

- HUD's Fiscal Year 1987 Budget documents show that obligations of $559.3 million were incurred for 373 projects during FY 1985.
- Since the beginning of the program, HUD has signed 2,865 grant agreements, thus obligating appropriated UDAG funds in the amount of $4,240,750,000.
- Almost $2.5 billion in UDAG funds have been drawndown through the end of FY 1985; this represents 58 percent of the amount of program funds obligated.

Project Progress and Priwate Expenditure Rates. Grantees periodically report to HUD on project status. As of the end of FY 1985:

- Construction was underway or had been completed in 77 percent of all funded projects.
- Thirty-eight percent of all funded projects (976) had been closed out or completed.
- More than $18.4 billion of private investment had been expended--80 percent of the planned total of almost $23 billion. Many projects have exceeded the planned level of private expenditure due to higher-than-anticipated costs and to the impact of inflation over the life of the projects.

Program Benefits. Grantees also report periodically on the progress made in achieving the benefits called for in the grant agreements in the areas of employment, taxes, housing and benefits for minority persons and firms. Performance highlights through the end of FY 1985 include:

- The creation of 215,000 new permanent jobs, or 43 percent of the more than 503,000 planned. Of the total new jobs created, over 132,500 (62 percent) have been filled by low- and moderate-income persons and more than 51,300 (24 percent) by minority persons.

- The receipt of almost $210 million in new annual tax revenues, or 37 percent of the $560 million planned. Total annual revenue increases are made up of $145 million in property taxes, $44 million in other local taxes and $20 million in payments in lieu of taxes.

- The payback of approximately $128 million from UDAG loans received by almost 400 local communities. Many cities have placed UDAG paybacks into revolving loan pools to be used for economic development.

- The development of almost 52,000 units of both new and rehabilitated housing--52 percent of the 100,000 units planned.

- The receipt of contracts with a value of $981 million by minority contractors or sub-contractors. Over one-half of all UDAG projects in which contracts have been awarded involves the participation of one or more minority contractors. They have received 15 percent of the total number of contracts awarded and eight percent of the dollar amount of all such contracts.

Characteristics of Projects with Signed Grant Agreements. The grant agreement between HUD and the recipient of UDAG funds legally defines the physical activities to be undertaken by all parties to the project and specifies the sources of project financing, the terms and conditions of UDAG loans and paybacks and the distribution of project funds by activity. An analysis of 2,156 projects with grant agreements signed by both parties shows that:

- The average total planned expenditure per project is $11.4 million of which the Action Grant averages $1.3 million.

- Eighty-two percent of total planned expenditures in UDAG-assisted projects are provided by private sector participants. The sources of private investment include equity from cash or from syndication proceeds; borrowing from private lenders or from State, local or Federal governments; or the proceeds from the sale of Industrial Revenue Bonds. Five percent is provided by non-UDAG grants from local, State and Federal agencies. The remaining 13 percent comes from Action Grants.

- Sixty-five percent of all UDAG funds are used initially by grantees to make loans to private investors, usually at below-market rates. The balance is used for activities not involving a payback such as public infrastructure, relocation, interest subsidies and rehabilitation grants for housing projects and administrative costs in small city projects.

- The average interest rate of UDAG loans is close to 6.4 percent and the average term of a loan is just under 18 years. Deferment of principal and/or interest payments, or lower rates of interest, is common in the early years of a UDAG loan.

- In respect to the end-uses of UDAG funds in carrying out the development activities of projects, 61 percent is designated for on-site construction, 15 percent for capital equipment, 11 percent for public infrastructure and the remaining 13 percent for other activities.

- Of all UDAG funds used for construction purposes, 62 percent are in projects which involve only new construction and 17 percent are in projects involving only rehabilitation. Both types of construction activity are found in 21 percent of the projects.

- Jurisdictions, regardless of population size, located within Metropolitan Statistical Areas have received 85 percent of the dollar value of all Action Grants awarded. Seventy percent of all UDAG funds have been awarded to the central cities of MSAs. Suburban communities have received 14 percent and Urban Counties one percent of the funds. Jurisdictions with less than 50,000 population located outside MSAs have received 15 percent of all UDAG dollars.

- The distribution of Action Grant dollars is almost equally divided between projects located within the Central Business Districts of recipient communities and those located outside the CBD.

THE RENTAL REHABILITATION PROGRAM

Participation. The Rental Rehabilitation Program, authorized under the Housing and Urban-Rural Recovery Act of 1983, provides formula grants to cities with populations of 50,000 or more, Urban Counties, approved consortia of units of general local governments, and States to finance the rehabilitation of privately-owned rental housing.

The Rental Rehabilitation Program is designed to increase the supply of standard housing that is affordable to lower-income tenants. It achieves that purpose (1) by increasing the supply of private market rental housing available to lower-income tenants by providing government funding to rehabilitate existing units and (2) through special allocations of the Housing Voucher Program and the Section 8 Existing Housing Certificate Program, offering rental assistance to very low-income persons to help them afford the increased rent of the rehabilitated units or to move to and obtain other housing. Within the framework of Federal laws and regulations, State and local governments have considerable flexibility to design and implement programs that reflect their needs.

- Some 427 communities, including 325 cities, 101 Urban Counties, and one consortium, qualified for direct allocations under the Rental Rehabilitation Program for FY 1985. The 50 States plus Puerto Rico were also eligible for direct Rental Rehabilitation Program funding.

- Of the 427 communities eligible for direct assistance in FY 1985, 407 elected to take part. In addition, 39 States have chosen to administer the Rental Rehabilitation Program for communities that do not qualify for formula grants within their jurisdictions. HUD is administering the Rental Rehabilitation Program for ten other States.

Program Funding. Congress appropriated $300 million for the Rental Rehabilitation Program, $150 million each in FY 1984 and FY 1985. Because most communities had not initiated their programs well into FY 1984, spending and project information is provided on a cumulative basis.

- Through FY 1985, the Department had obligated $297.5 million, or 99 percent, of the total appropriation.

- Total program outlays through September 30, 1985, were more than $14 million, or about five percent of the program appropriation.

Program Progress. A committed project is one in which a program grantee and an owner have reached a legally binding agreement and the owner has agreed to begin construction within 90 days. Closeout occurs when a project completion report is received and entered.

- By the end of FY 1985, grantees had committed 3,327 projects with 21,875 units. Eighty-seven percent of the communities receiving direct grants had at least one committed project by that time.

- As of September 30, 1985, 769 projects totalling 2,058 housing units had been completed.

Rehabilitation Financing. The Rental Rehabilitation Program offers a split subsidy approach, providing separate subsidies to property owners, in the form of rehabilitation financing, and to lower-income residents of the properties, in the form of rental assistance, The rehabilitation subsidy is intended to maximize commitment of private dollars and to minimize public subsidy costs.

- For every dollar of Rental Rehabilitation Grant money, an additional $1.83 is currently furnished by private sources.

- Rental Rehabilitation grants and CDBG funds account for virtually all public rehabilitation funding in Rental Rehabilitation Program projects, 78 percent and 17 percent, respectively.

- The average per-unit cost of rehabilitation for projects completed as of September 30, 1985 is $10,288.

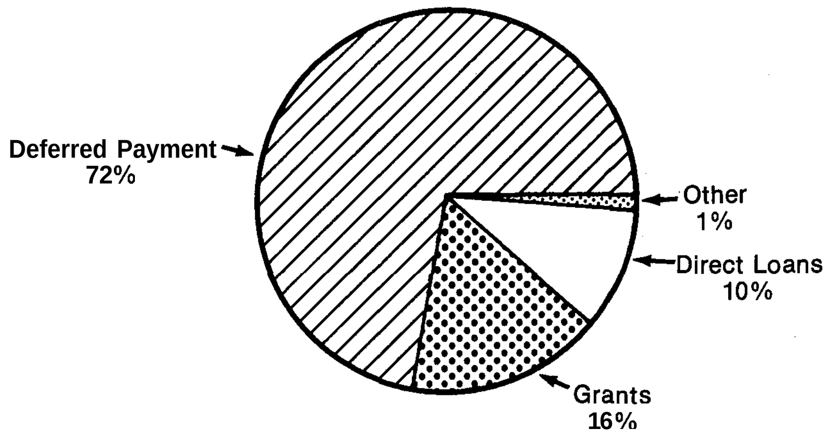
- The average per-unit Rental Rehabilitation grant contribution to rehabilitation financing as of September 30, 1985 is $3,592.

- Deferred-payment loans were the most prominent form of Rental Rehabilitation financing, comprising 72 percent of all such funding in completed projects, followed by grants (16 percent) and direct loans (10 percent). (See Figure ES-5.)

Rental Assistance. In order to ensure that eligible tenants who cannot afford the rents for rehabilitated units without a subsidy can live in those units, Section 8 Existing Housing Certificates and Housing Vouchers have been made available by HUD for use in conjunction with State and local Rental Rehabilitation programs.

FIGURE **ES-5**

FORMS OF RENTAL REHABILITATION GRANT ASSISTANCE IN PROJECTS COMPLETED AS OF SEPTEMBER 30,1985
(n = $5.9 Million)



SOURCE: U.S. Department of Housing and Urban Development, Rental Rehabilitation Program Cash and Management Information System.

- Eighty-seven percent of the tenant households with incomes 50 percent or less of the area median who were living in completed units after rehabilitation obtained some form of rental assistance; the comparable proportions for those households with incomes 50 to 80 percent and greater than 80 'percent of the area median were twenty-six and zero percent, respectively.

- Section 8 Certificates or Housing Vouchers provided in support of Rental Rehabilitation have been the most common form of rental subsidy, helping 87 percent of the assisted households.

- The cost of the average Housing Voucher is currently $3,974 per year or $19,870 over the five-year life of the vouchers.

Project Characteristics. The Rental Rehabilitation Program offers each locality considerable discretion in the selection of neighborhoods and the types of properties and owners to be assisted. Unlike other programs, no distinction or restriction is made between single-family and multifamily properties, as long as the structures are primarily rental and residential in character.

- As of September 30, 1985, the average size of a committed project is 7.6 units. One-third of the committed projects involve only one unit, and 22 percent contain only two.

- The mean size of completed projects is 2.5 units, and the median size is one unit.

- Sixty-one percent of the committed units and 79 percent of the completed units had two or more bedrooms. Sixteen percent of the committed units and 22 percent of the completed units had three or more bedrooms.

- Twenty-seven percent of the units in all committed projects and 50 percent of units in now-completed projects were vacant prior to rehabilitation. In contrast, only seven percent remain unoccupied after rehabilitation as of September 30, 1985.

- Almost three-quarters of the owners of committed projects are individuals; another 13 percent are partnerships. Ninety-five percent of the owners were investor-owners. The remainder lived in the properties.

- Fifty-seven percent of the completed projects showed only marginal average rent increases, i.e., $50 or less per month. Eleven percent experienced rent increases of more than $150. (See Figure ES-6.)

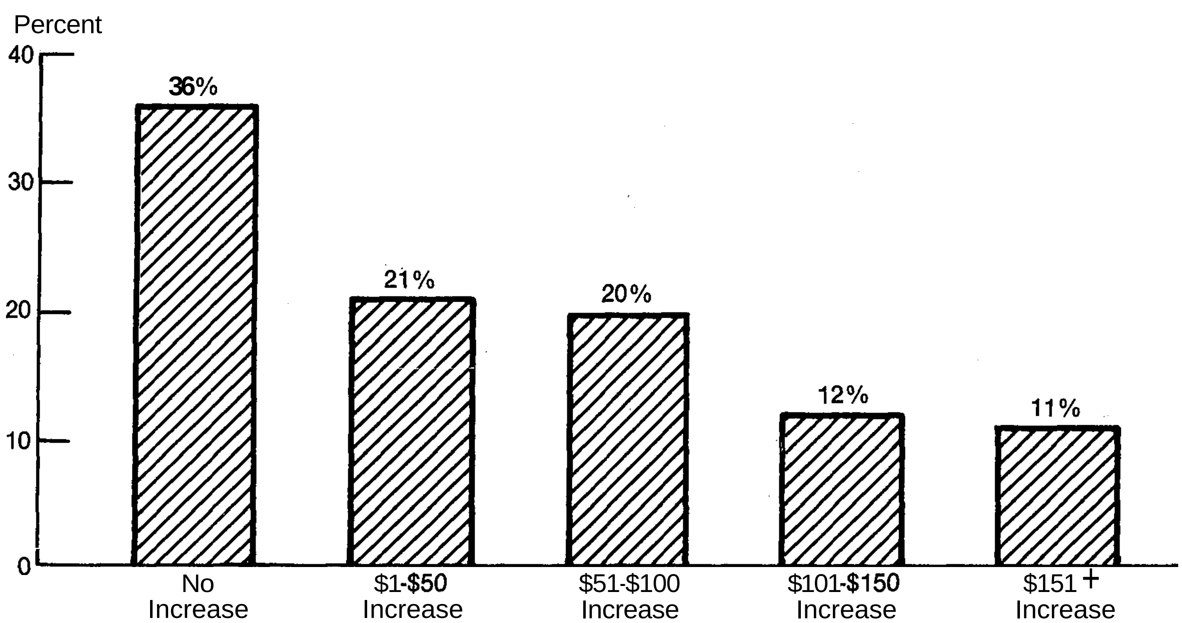
- As of September 30, 1985, only 16, or two percent of the 735 completed units in communities receiving Rental Rehabilitation grants on an entitlement basis, had rents that exceeded Fair Market Rents (or HUD-granted exception rents) for their respective jurisdictions.

Tenant Characteristics. To maximize benefit to lower-income tenants, the Act requires that 100 percent of all grant amounts be used to benefit lower-income families with provision for reduction to 70 percent or to 50 percent benefit in accordance with certain statutory tests and the Secretary's regulations.

- Eighty-five percent of the tenant households in committed projects prior to rehabilitation had incomes less than 80 percent

FIGURE ES-6

AVERAGE MONTHLY RENT CHANGES PER UNIT IN RENTAL REHABILITATION PROJECTS COMPLETED AS OF SEPTEMBER 30,1985"
(n = 588 Projects)



* Includes all units in buildings for which there are both pre- and post-rehabilitation rents.

SOURCE: U.S. Department of Housing and Urban Development, Rental Rehabilitation Program Cash and Management Information System.

of the area median, and 62 percent met the standard for very low income. Ninety-four percent of the tenant households in completed projects after rehabilitation were below 80 percent of the area median income, and 78 percent were at 50 percent or less of the area median income.

- Households of four persons and less constitute the majority of units in committed (58 percent) and in completed projects both before rehab (59 percent) and after (70 percent). Elderly households, single persons and large families make up similar and much smaller shares.

- Minority households comprise a large proportion of tenant households in committed projects (68 percent), in completed projects prior to rehab (46 percent) and in completed projects after rehab (52 percent). Blacks are the largest minority group in each project category.

URBAN HOMESTEADING PROGRAM

Participation. Section 810 of the Housing and Community Development Act of 1974, as amended, authorizes the transfer (without payment) of unoccupied one-to four-family properties owned by certain Federal agencies to communities with homesteading programs approved by HUD. Section 810 funds are used to reimburse the respective Federal agencies for the value of the units transferred to communities for homesteading.

- By the end of FY 1985, the Department had approved 147 communities, including 129 cities, 17 counties, and one State, for participation.

- Six cities and one State entered the program during FY 1985.

- Of the approved communities, 115 remained formally in the program as of the end of FY 1985.

- During FY 1985, ninety-three communities added new properties, either Federal or local. This is a basic indicator of program activity.

Program Funding and Expenditure. While the Urban Homesteading Program transfers properties to homesteaders without substantial cost, it is the homesteader's responsibility to pay for or do whatever rehabilitation is needed to meet required local standards.

- By the end of FY 1985, $84 million of Section 810 funds had been expended for local acquisition of Federal properties for homesteading.

  This amounted to 92 percent of the cumulative appropriations of $91 million. Twelve million dollars was appropriated for FY 1985, and $12.2 million was expended over the year.

- The average value of Section 810 properties transferred to communities during FY 1985 was $17,101.

- Section 312 loans accounted for three-quarters of the rehabilitation financing provided for Section 810 properties during FY 1985. CDBG funds provided the next largest source of funding (12 percent).

- The average cost of rehabilitating a homesteading unit during FY 1985 was $20,771.

Homesteading Properties. Most urban homesteading communities still depend on Federal, principally HUD, properties for their homesteading production.

- Since the beginning of the program, homesteading communities have amassed 10,942 properties from all sources for homesteading purposes.

- By the end of FY 1985, Section 810 funds had been used to reimburse the HUD mortgage insurance and housing loan funds, the Veterans Administration and the Farmers Home Administration for 9,027 properties in 122 of the participating localities.

- During the 1985 fiscal year, 971 additional properties became available for homesteading from all sources. Section 810 properties comprised 60 percent of that total.

- For all 10,942 properties acquired from whatever source over the life of the program:

  -- 9,698 properties have been conditionally conveyed to homesteaders,

  -- Rehabilitation had been begun on 9,317 properties and completed on 8,197.

  -- Homesteaders occupied 8,951 of the properties and had obtained final ownership of 5,095 properties.

SECTION 312 REHABILITATION LOAN PROGRAM

Participation. Section 312 of the Housing Act of 1964, as amended, provides low-interest loans to property owners to finance the rehabilitation of eligible properties.

- During FY 1985, the Department obligated over 2,780 loans totalling $75 million in 322 communities.

- Since its inception, the Section 312 Program has awarded 97,395 loans totalling more than $1.3 billion.

Characteristics of Section 312 Loans. Beginning in January 1985, the Department charged a minimum interest rate of three percent for lower-income families and a floating interest rate to all other borrowers. The term of a Section 312 loan cannot exceed 20 years or three-fourths of the remaining economic life of the property, whichever is shorter.

- Seventy-eight percent of Section 312 assistance in FY 1985 went to owners of single-family housing and 22 percent to owners of all other properties.

- Section 312 loans contributed to the rehabilitation of 3,132 single-family units in FY 1985 at a mean Section 312 loan amount of $13,891 per unit,

- Section 312 loans assisted in the rehabilitation of 1,195 multifamily, non-residential and mixed-use units in FY 1985 at an average of $10,055 per unit.

Characteristics of Single-Family Loan Recipients. There are no national income limits for Section 312 loan applicants, but communities are statutorily required to give priority for loans to low- and moderate-income owner-occupants.

- The best available indicator of the income of recipients is the working interest rate of the loan, since only owners with incomes at or below 80 percent of the area median are to be charged the three percent rate for single-family loans.

Seventy-eight percent of the single-family loans for FY 1985 charged that rate.

- Based on a subset of FY 1985 single-family loan applications for which settlement had occurred:

  -- Ninety-three percent of the applicants reported household incomes less than $30,000 per year, 77 percent had annual incomes less than $20,000 and 22 percent less than $10,000.

  -- Forty-two percent of the loan recipients were less than 40 years of age, and 23 percent were less than 30; 28 percent were 60 years or older.

  -- Half of the loan recipients were members of minority groups. Blacks constituted 32 percent of all recipients and Hispanics another nine percent.

  -- Twenty-seven percent of all recipient households contained four or more members. Thirty-seven percent were two-member households, and 35 percent were single-member households.

SECRETARY'S DISCRETIONARY FUND AND MANAGEMENT INITIATIVES AND MONITORING

Secretary's Discretionary Fund. The Secretary's Discretionary Fund is authorized by Section 107 of the Housing and Community Development Act of 1974 to provide a source of non-entitlement funding for special groups and projects. The appropriation for FY 1985 was $60.5 million.

- Of this amount, the Office of Community Planning and Development (CPD) distributed $28.8 million of the $30 million allocated to the CDBG Program for Indian Tribes and Alaska Natives. Ninety-two grants for community development activities were awarded. Over one-half of the funds distributed were used for either housing rehabilitation (28 percent) or economic development (24 percent). (See Figure ES-7.)

- Grants totalling $7.0 million were made under the Insular Areas CDBG Program. These grants were made to the Virgin Islands, Guam, the Commonwealth of Northern Mariana Islands, American Samoa and the Trust Territories of the Pacific. Approximately 75 percent of the funds were planned to be used either for public facilities or housing-related activities.

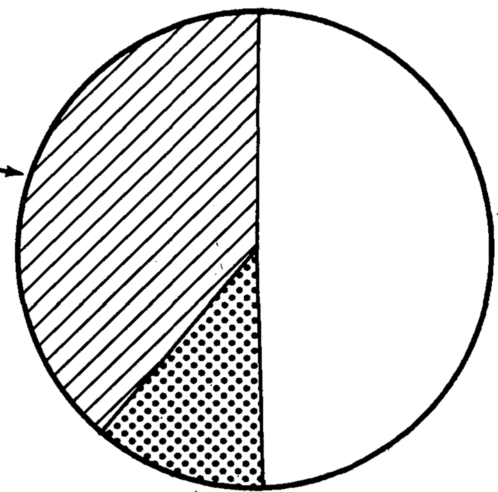
- The remaining $23.5 million was used to provide technical assistance to participants in CPD programs and for special projects. A total of 83 contracts and grants were awarded during FY 1985. Reflecting the Secretary's priority, over $8.0 million of the technical assistance grants were made to minority orgnizations, 81 percent of which were Black and 17 percent Hispanic.

Management Initiatives. CPD has taken several management initiatives designed to aid in achieving the objectives of the Department. While these initiatives may cross program lines, often they do not directly involve the regular programs .of the Department and are done with little or no cost.

FIGURE ES-7

DISTRIBUTION OF SECRETARY'S DISCRETIONARY FUND, FY 1985*

(Dollars in Millions)



* $1.2 reallocated from Fy 1985 to 1986 under Section 515 of Treasury/ Postal Service Appropriation Act of 1985.

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

Public/Private Partnerships. The Department continues to promote the concept of public/private partnerships in carrying out economic and community development activities at the local level.

o Among the public/private partnership initiatives undertaken by CPD in FY 1985 were: a publication citing examples of urban entrepreneurship undertaken by city officials which have been successful in leveraging private participation in development projects; a demonstration grant to replicate the Small Business Development System pioneered in Boston to help small businesses; efforts to increase the use of pension funds for community development activities; and a technical assistance contract to aid ten communities in making better use of CDBG funds to promote economic development.

Enterprise Zones. CPD has played an active role in encouraging the States to recognize Enterprise Zones as a new economic development tool.

o Twenty-seven States have enacted Enterprise Zone enabling legislation, and approximately 1,400 zones have been designated.

o The States have reported that over 80,000 jobs have been created or retained in these zones with actual or planned investment of over $3 billion.

Energy Initiatives. Congress has mandated that community development programs emphasize energy conservation, energy efficiency and the provision of alternative and renewable energy sources.

- o CPD provided $300,000 in technical assistance to seven district heating and cooling projects in FY 1985. Over a five-year period, $2.5 million has been provided to over 30 projects. Upon completion, the 30 projects will have leveraged $100 for every Federal dollar invested.

- o CPD sponsored studies and roundtables to promote energy efficiency measures in properties being rehabilitated with funds provided by the CDBG and Rental Rehabilitation Programs; established interagency agreements to further energy conservation goals; offered guidance on the use of the CDBG and UDAG Programs to improve energy efficiency in community and economic development projects, emphasizing public/private partnerships; and promoted public awareness of the economic development benefits of energy conservation measures.

Historic Preservation. The Housing and Community Development Act of 1974 authorizes the use of program funds for historic preservation, but no specific funds have been appropriated for this activity. Local communities have taken the initiative in using CDBG and UDAG funds to promote historic preservation.

- o In FY 1985, preliminary data shows that UDAG grantees have designated $6.5 million in Action Grant funds for historic preservation. Approximately $5.0 million in expenditures for historic preservation were reported by CDBG Entitlement Program grantees.

- o Between FY 1978 and FY 1985, over $218 million of UDAG funds have been earmarked for historic preservation in 230 projects. This has leveraged over $1 billion in private funds and an additional $52 million in other public funds. Entitlement Cities have spent almost $70 million of CDBG funds during the same period for historic preservation.

Management Monitoring and Auditing. HUD monitors and audits CPD program grantees to ensure that program objectives are being met, that Federal funds are being used properly and that program activities are carried out in a non-discriminatory manner.

Monitoring. The goal of program monitoring is to review grantee conformance with program requirements for the purpose of enabling HUD to improve, reinforce or augment grantee performance.

- o Monitoring of CPD program. grantees is the responsibility of HUD Field Office staff. In FY 1985, 761 Entitlement City

Program grantees, 747 UDAG Program grantees, and 476 Rental Rehabilitation Program grantees were monitored to determine compliance with HUD statutes and regulations. Each of the 48 States administering the CDBG Small Cities Program also was monitored. (See Figure ES-8.)

Auditing. Every community receiving Block Grant funds must have a financial and compliance audit, at least biennially and preferably every year, of its use of all Federal funds. Program audits were aimed at ensuring that local activities and expenditures were those permitted by law. The audits were conducted by HUD's Office of Inspector General or by Independent Public Accountants.

- There were 1,740 audits conducted in FY 1985, of which 31 percent had some negative findings. Of the negative findings, 29 percent involved a monetary value. Of the total of $63 million of monetary findings, 33 percent were sustained, 27 percent were not sustained and the remaining 40 percent are still unresolved.

- The number of audits has been cut by one-third since 1982 as a result of the increasing use of' the single-audit approach in which audits are made on an organization-wide basis rather than grant-by-grant.

TABLE ES-8

MONITORING PERFORMANCE AND GOALS
FY 1985

	Total	To Be Monitored	Actually Monitored	Percent of Goal Accomplished
CDBG Entitlement	806	756	761	101%
State CDBG	49	48	48	100
UDAG	1,602	660	747	113
Rental Rehabilitation	476	448	476	100

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Field Operations and Monitoring.

Fair Housing and Equal Opportunity. FHEO staff in HUD Field Offices are responsible for carrying out a variety of activities to assure that CPD program applicants and grantees promote equal opportunity and are adhering to the Federal statutes and Executive Orders prohibiting discrimination in the administration of CPD programs.

- Annually, each CDBG Program grantee must certify that it has complied with equal opportunity requirements. In FY 1985, FHEO conducted 826 certification reviews of which 30 resulted in challenges.

- All UDAG applications are reviewed by FHEO regarding their provision for jobs for minority persons and contracts for minority-owned firms. As a result of these reviews, 357 applications were recommended for funding and 196 were not recommended. No recommendations were made on the remaining 98 of 'the total of 651 'applications reviewed in FY 1985.

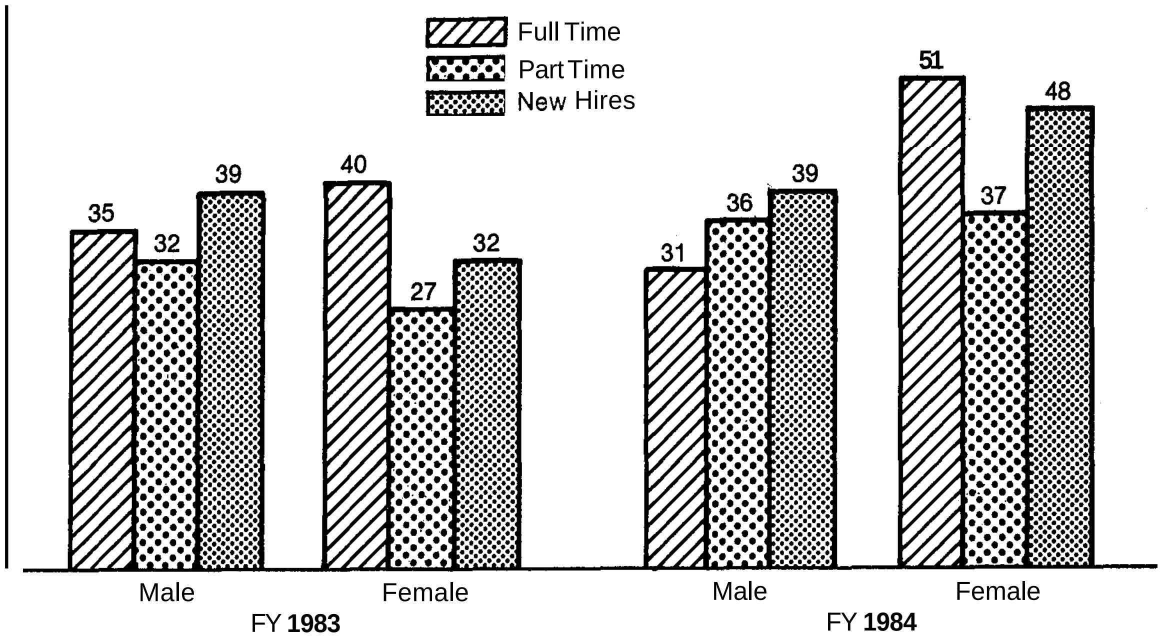
- During FY 1985, there were 2,547 monitoring reviews conducted by FHEO staff, both off-site and on-site, covering grantees in all CPD programs. From these reviews, 179 deficiencies were found.

- Provisions in the CDBG statute prohibit discrimination in a recipient's hiring and employment practices in any program or activity funded in whole or in part with CDBG funds. Information provided by CDBG grantees showed that in FY 1984, 31 percent of males and 51 percent of females employed full time in CDBG-funded agencies were minority persons. Minority females increased from 29 percent of all female employees earning more than $25,000 a year in FY 1983 to 36 percent in FY 1984, the last year for which data are available. (See Figure ES-9.)

- During FY 1985, FHEO reviewed the equal opportunity performance of 642 cities applying for the first time for UDAG eligibility; initiated in-depth reviews of 39 CDBG entitlement cities and 24 HUD-administered small cities; and investigated 69 complaints. It also provided training to HUD Field Office staff and technical assistance in the form of program guidance materials.

FIGURE ES-9

PERCENT MINORITY EMPLOYMENT IN CDBG-FUNDED AGENCIES
FY 1983 AND FY 1984



SOURCE: U.S. Department of Housing and Urban Development, FHEO FY 1983 and FY 1984 Report on Municipal Government Employment Information for CDBG-Funded Departments and Agencies.

CHAPTER 1

COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT PROGRAM

INTRODUCTION

The Community Development Block Grant (CDBG) Entitlement Program provides funding to central cities in Metropolitan Statistical Areas (MSAs), to cities with populations of over 50,000, and to Urban Counties. Urban Counties are counties in MSAs that have populations of 200,000 or more excluding any cities that qualify for a CDBG Entitlement grant and any smaller communities that do not choose to participate in the program through the Urban County. The amount of CDBG entitlement funds that a community receives is determined by two allocation formulas that incorporate the current population, the population growth lag, the number of persons in poverty, the extent of over-crowded housing and the amount of pre-1940 housing.* Communities that receive an Entitlement grant may use the funds for a broad range of community development-related activities. Because CDBG is a block grant program, communities have considerable discretion in designing and implementing their own programs. The activities selected must either benefit low- and moderate-income persons, prevent or eliminate slums and blight or meet local urgent needs.

This chapter reports on the progress of Metropolitan Cities and Urban Counties receiving entitlement grants. The chapter is organized into five major sections. The first section discusses eligibility, participation and funding during Fiscal Year 1985. The second section reports how communities intended to use the funds budgeted in FY 1985, and the third section reports on funds actually expended during FY 1983, the most recent year for which expenditure information is available. The fourth section presents information on the participation and funding under the Section 108 Loan Guarantee Program. The last section reports on the amount of CDBG funds directed to meeting the shelter, food and service needs of the homeless. Information on monitoring, audits, and other aspects of program management related to the CDBG Entitlement Program is provided in Chapter 5 of this report.

PROGRAM FUNDING AND PARTICIPATION

This section is divided into four parts that examine FY 1985 authorization and appropriation acts, community eligibility and participation, unexpended program funds and 1985 management actions.

* The exact components of the formula and the methodology for determining grant amounts are described in Section 106 of the Housing and Community Development Act of 1974.

AUTHORIZATION, APPROPRIATION AND ALLOCATION ACTIONS IN FY 1985

The authorization for the FY 1985 Community Development Block Grant (CDBG) program, enacted as a part of Housing and Urban-Rural Recovery Act of 1983, was $3.468 billion. Of this sum, up to $68.2 million was authorized for the Secretary's Discretionary Fund. No new substantive CDBG-related laws or amendments were passed by Congress in 1984 affecting the 1985 CDBG program, other than Technical Amendments relating to the 1983 Amendments.*

The FY 1985 Appropriation Act provided $3.472 billion for the CDBG Program. This represents an increase of $4 million over the FY 1984 CDBG appropriation. The Conference Report on the FY 1985 Appropriation Act recommended that the $4 million be added to the Secretary's Discretionary Fund and that $2 million of this be used for the special projects category for infrastructure projects. After subtracting the Secretary's Discretionary Fund amount ($60.5 million), the CDBG Entitlement Program received its statutory allocation of 70 percent of $3.412 or $2.388 billion. During FY 1985, up to $225 million in commmitments to guarantee loans under Section 108 were authorized.

GRANTEE ELIGIBILITY, PARTICIPATION AND FUNDING

Eligibility. In 1985, there were 814 communities, 707 Metropolitan Cities and 107 Urban Counties, eligible to receive CDBG Entitlement grants. This represents a net increase of 19 jurisdictions over those eligible in 1984. In FY 1985, 21 communities (18 Metropolitan Cities and three Urban Counties) became eligible to receive an Entitlement grant for the first time. Two Metropolitan Cities first entitled in 1984 chose to defer their Entitlement status, thereby ensuring the county in which they were located Urban County status. In addition, eight other cities newly eligible to receive an Entitlement designation in 1985 also chose to remain a part of an existing Urban County program.**

* The 1983 Amendments and the 1984 Technical Amendments were discussed in the 1985 Annual Report.

** Deferment of an Entitlement status is different from the situation discussed on page 1-3, where a Metropolitan City receives its own Entitlement Grant but undertakes a joint program with an Urban County.

TABLE 1-1

ELIGIBLE CDBG ENTITLEMENT COMMUNITIES FOR SELECTED YEARS 1975-1985

Grantee Type	1975	1979	1980	1981	1982	1983	1984	1985
Metro Cities	521	562	573	583	636	637	691	707
Urban Counties	73	84	85	86	96	98	104	107
Total	594	646	658	669	732	735	795	814

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

Between 1975 and 1985, 220 Metropolitan Cities and Urban counties became eligible to receive an Entitlement grant under CDBG program, a 37 percent increase in grantee participation.

In FY 1985, 509 communities received Entitlement grants because of a central city designation, 171 cities qualified because their populations exceeded 50,000, and 107 counties were eligible for Urban County status. Twenty-seven other communities continued to receive CDBG grants through grandfathering provisions even though they had lost their central city status (18 cities) or had their population decline below 50,000 (nine cities). This is a net decrease of two from the previous year. One grandfathered city regained central city designation and two other cities' populations increased to more than 50,000. One city's eligibility shifted to the grandfather category as a result of its population falling below 50,000.

Entitlement funds are distributed to eligible Metropolitan Cities and Urban Counties utilizing two objective formulas. An allocation under the original formula created in 1974 (formula A) is based on shares of population weighted at 25 percent, poverty weighted at 50 percent, and overcrowded housing weighted at 25 percent. An allocation under formula B, established in 1977, is based on shares of poverty weighted at 30 percent, pre-1940 housing weighted at 50 percent, and 1960-1982 population growth lag weighted at 20 percent, The vast majority of non-central cities (66 percent) and Urban Counties (75 percent) receive Entitlement funding under Formula A, while equal proportions of central cities receive funds under Formulas A and B.

FY 1985 Funding and Participation. CDBG grantees received funds in FY 1985 from three sources -- new appropriations, reallocations of prior years' funds and income generated from previously funded activities. The overwhelming majority of funds a grantee receives each year comes from the formula grant from newly appropriated funds. In FY 1985, 804 jurisdictions received an Entitlement grant; 697 Metropolitan Cities were awarded $1.94 billion and 107 Urban Counties received $440 million. In 1985, seven Metropolitan Cities chose to have their Entitlement grants combined with an Urban County program, an increase of two from 1984. Four Metropolitan Cities had FY 1985 grants partially reduced, and the reductions of $533,800 from these grantees will be reallocated in FY 1986. Two grantees' approvals were pending as of February 1986 because of questions regarding their past performance in the CDBG program. Eight eligible Metropolitan Cities chose not to apply for their FY 1985 grants.

Most cities and counties had very small percent changes in their grants from FY 1984 to FY 1985. Sixty-four percent of the grantees had decreases in grants and 36 percent had gains. However, the magnitude of the changes in the 1985 grant size for most grantees was relatively small. Ninety percent of all grantees had three percent or less change in grant amounts. County variations were primarily due to changes in community participation within the county. The greatest county losses were due to previously participating communities choosing not to join the county programs or their becoming eligible for their own CDBG entitlement grants.

TABLE 1-2

FUNDING STATUS OF CDBG ENTITLEMENT COMMUNITIES, FY 1985
(Dollars in Thousands)

	Total		Metro Cities		Urban Counties	
Status	Number	Amount	Number	Amount	Number	Amount
Eligible	814	$2,388,050	707	$1,953,525	107	$434,525
Awarded:	804	2,375,564	697	1,935,349	107	440,215
Full Awards	793	2,362,317	686	1,927,792	107	434,525
Partial Award+	4	7,557	4	7,557	0	0
Combined with Urban County	7	5,690	7	NA	NA	5,690
Pending Approval	2	4,914	2	4,914	0	0
Did Not Apply	8	7,038	8	7,038	0	0

\+ FY 1985 Grant reductions totalled $533,800. These funds, along with those that were not awarded, will be reallocated during FY 1986.

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.

1985 Reallocation. In addition to grants from each year's appropriation, HUD reallocates by statutory formula any previous year's funds that were withheld, recaptured, or not applied for. The law provides that such funds are to be reallocated by formula among other recipients in the same metropolitan area as the community from which the funds were obtained. There are two limitations on this reallocation procedure. First, a grantee is banned from having its funds reallocated to itself. Second, no community may receive reallocated funds in an amount that exceeds 25 percent of its basic grant amount. Funds that become available for reallocation under these limitations are reallocated nationally to all grantees.

In FY 1985, a total of $7.7 million was reallocated ($100,901 from FY 1983 and $7,673,589 from FY 1984 funds) to 68 grantees (64 Metropolitan Cities and four Urban Counties) in seven metropolitan areas. Seventeen of these grantees (25 percent) received reallocations over $50,000. In FY 1985, there was no money redistributed nationally.

Program Income. In addition to new Entitlement funds received each year, grantees also have available for their use the proceeds from previously funded CDBG activities. Most Entitlement communities undertake activities that produce some amount of program income, and the aggregate amount generated annually is substantial. During their 1983 CDBG program year, the most recent year for which such information is available, Metro Cities and Urban Counties received an estimated $357 million income from activities funded during that program year and previous program years. This amount is equal to almost 15 percent of the funds appropriated for the Entitlement Program that year. CDBG regulations require that this program income be used on CDBG-eligible activities that meet all the rules and requirements applicable to other program funds.

TABLE 1-3

CDBG ENTITLEMENT PROGRAM INCOME, FY 1983
(Dollars in Millions)

	Metro Cities		Urban Counties		All Grantees	
Source of Income	Amount	Pct.	Amount	Pct.	Amount	Pct.
Revolving Loan Funds	$ 79	25%	$ 17	41%	$ 96	27%
Housing Rehabilitation	(51)	(16)	(10)	(24)	(62)	(17)
Economic Development	(24)	(8)	(7)	(17)	(31)	(9)
Other	(3)	(1)	*	*	(3)	(1)
Loan Repayments	72	23	6	15	77	22
Sale of Land	69	22	3	7	73	20
Rental Income	13	4	1	2	13	4
Fees for Services	5	2	*	1	5	1
Refunds	4	1	*	1	4	1
Other Sources	75	24	13	32	89	25
Total	$317	100%	$41	100%	$357	100

* Less than $500,000 or .5 percent

Note: 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.

Almost one-half of this program income ($173 million) came from the repayment of loans made from CDBG funds. This included repayments generated by revolving loan programs--programs in which loan repayments are reinvested in the same activity--and other loan programs. The majority of revolving loan repayments were generated by housing rehabilitation loans, although repayments of economic development-related loans totalled $3/1 million and are becoming an increasingly large proportion of the receipts. Proceeds from the sale of land and real property account for the second largest source of program income. In 1983, Entitlement communities received approximately $73 million from the sale of property acquired through the CDBG program. The balance of 1983 program income was generated by rental charges, fees for services, refunds and a variety of other sources that could not be separately categorized.

For some communities, program income in 1983 represented a substantial amount. Among the communities included in the sample of Metropolitan Cities and Urban Counties used to produce this report, approximately one-third (105 of 310) had program income amounting to at least 10 percent of their 1983 grants. In 33 communities, 1983 program income equalled or exceeded 30 percent of that year's grant and a few other communities (14) received program income in excess of 50 percent of their 1983 grants. (See Table 1-4.)

TABLE 1-4

CDBG ENTITLEMENT PROGRAM INCOME AS A PERCENTAGE OF COMMUNITIES' GRANTS, FY 1983

Program Income as a Percentage of 1983 Grant	Metro Cities		Urban Counties		All Grantees	
	Number	Pct.	Number	Pct.	Number	Pct.
50+	9	4%	5	5%	14	5%
30-49	18	8	1	1	19	6
10-29	59	28	13	13	72	23
.1-9	103	48	64	66	167	54
0	24	11	14	14	38	12
Total	213	100%	97	100%	310	100%

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.

UNEXPENDED PROGRAM FUNDS

CDBG grantees receive a letter of credit at the Treasury for the amount of program funds awarded each year and then drawdown the funds as needed to pay for CDBG activities. However, because most grantees receive their annual awards late in the Federal fiscal year and use the majority of these funds to carry out housing- and public works-related projects, which are relatively slow starting activities, only about ten percent of CDBG funds are actually expended in the same fiscal year they are appropriated and awarded to communities. Consequently, at the end of each fiscal year, some unexpended program funds are carried-over into the next year.

At the end of fiscal year 1985, the balance of unexpended appropriations for the Entitlement Program was $3.771 billion, the smallest balance since the program became fully operational. During FY 1985, CDBG Entitlement communities charged $2.396 billion of CDBG Entitlement Program expenditures against the funds appropriated for the program. Since this amount was slightly more than the $2.380 billion appropriated for the program that year, the total of unexpended appropriations for the program, which peaked at just under $5 billion in 1979, fell for the sixth straight year. (See Table 1-5.) The 1985 reduction, however, like the 1984 decrease, was substantially smaller than reductions in the preceding years and was the smallest annual decline in these last six years.

TABLE 1-5

UNEXPENDED BALANCE CDBG ENTITLEMENT PROGRAM APPROPRIATIONS, FY 1979 - FY 1985*
(Dollars in Billions)

Fiscal Year	Total Unexpended Appropriations	Percent Change From Previous Year
1979	$4.956	+4.0%
1980	4.739	-4.4
1981	4.471	-5.7
1982	4.065	-9.1
1983	3.810	-6.3
1984	3.787	- .6
1985	3.771	- .4

* As of September 30th of each year.

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.

1985 MANAGEMENT ACTIONS

In FY 1985, grantees were again governed by "Interim Instructions" in the absence of new regulations implementing the 1983 Amendments and the 1984 Technical Amendments to the CDBG program. These instructions gave grantees guidance in how to comply with the new legislation and what aspects of the September 23, 1983 regulations should be followed in developing their 1985 programs and submitting final statements to HUD.

On October 31, 1984, the Department published a proposed rule amending the existing regulations to: (1) reflect the 1983 and 1984 amendments; and (2) update or clarify existing HUD policies governing the program. The Department received 270 comments in response to the proposed rule. These comments were analyzed, and a draft final rule was developed in the Summer of 1985. It is currently undergoing final clearance.

PLANNED USE OF ENTITLEMENT PROGRAM FUNDS

This section describes how CDBG Entitlement communities planned to use the 1985 program funds available to them. The largest part of this section analyzes how communities reported planning to use their FY 1985 funds; a shorter part describes trends in local budgeting of CDBG funds from 1979 through 1985.[1] Particular attention is given to the housing, public works and economic development activities funded, since these types of activities together account for 69 percent of all CDBG Entitlement program planned spending.

ACTIVITIES FUNDED

In their 1985 Proposed Uses of Funds documents, local officials in CDBG Entitlement communities reported how they were planning to spend approximately $2.750 billion in new grants, program income and funds reprogrammed from previously planned projects. The majority of these funds was budgeted for housing-related activities and improved public facilities, which were allotted $997 million and $600 million respectively and together accounted for 58 percent of all budgeted funds. (See Table 1-6.) Smaller but still significant amounts were budgeted for economic development projects ($306 million) and public services ($265 million). Local funding for acquisition and clearance of real property, usually done in conjunction with other projects, totalled $112 million, and only very small amounts were budgeted for completing projects begun under prior categorical programs ($5 million), contingencies ($54 million) and repaying loans received from the Federal government guaranteed under Section 108 of the Housing and Community Development Act of 1974 ($33 million). Approximately $381 million of 1985 funds, or 14 percent, was budgeted for general program administration and planning, well under the 20 percent statutory limit for such expenditures.*

* A more detailed estimate of how local officials planned to use 1985 Entitlement program funds is shown in Table 1-22 at the end of this chapter.

TABLE 1-6

CDBG ENTITLEMENT PROGRAM PLANNED SPENDING
BY MAJOR ACTIVITIES AND GRANTEE TYPE, FY 1985
(Dollars in Millions)

Activity	Metro Cities Amount	Metro Cities Pct.	Urban Counties Amount	Urban Counties Pct.	Total Budgeted Amount	Total Budgeted Pct.
Housing-Related	$871	38%	$126	27%	$997	36%
Public Facilities and Improvements	433	19	167	36	600	22
Economic Development	263	12	42	9	306	11
Public Services	241	11	23	5	265	10
Acquisition and Clearance-Related	96	4	16	3	112	4
Contingencies	34	1	20	4	54	2
Repayment of Section 108 Loans	22	1	11	2	33	1
Completion of Categorical Programs	5	*	*	*	5	*
Administration and Planning	317	14	64	14	381	14
Total	$2,282	100%	$468	100%	$2,750	100%

* Less than .5%, or less than $500,000.

Note: 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.

In several respects, Metro Cities and Urban Counties planned to use their 1985 CDBG funds in markedly different ways. The most significant of these differences was the relative amounts of funds each allocated to housing-related activities and to public works projects in their communities. Metro Cities budgeted twice as much for housing-related activities ($871 million, 38 percent of all available funds) as they allocated to public improvements ($433 million, 19 percent). In contrast, Urban Counties planned to use substantially more of their funds for public works ($167 million, 36 percent) than for housing activities ($126 million, 27 percent). Metro Cities and Urban Counties also differed in the relative shares of their funds they used for public services, Metro Cities budgeting proportionally twice as much for such projects as Urban Counties did (11 percent vs. 5 percent).

The following sections provide more detail on how Entitlement communities are using their CDBG funds by analyzing planned spending by Metropolitan Cities and Urban Counties on the specific components of three types of CDBG activities--housing activities, public works projects, and economic development programs. Tables 1-7 to 1-9 provide detailed breakdowns of the components of these major categories and highlight the differences in the budgeting patterns of Metropolitan Cities and Urban Counties.

CDBG-funded Housing Activities. The principal components of CDBG housing-related activities appear in Table 1-7. The largest component of this category in FY 1985 was rehabilitation loans and grants to owners of single-family housing. Approximately 53 percent of all funds budgeted for housing activities by Entitlement communities was earmarked for these activities. Urban Counties in particular concentrated a large majority of their housing funding, 78 percent, in single-family rehabilitation while planning to use no more than eight percent of their funds for any other individual housing activity. In contrast, Metro Cities budgeted slightly less than one-half of their CDBG funds to rehabilitate single family homes and supported a broader range of activities, such as the rehabilitation of multifamily (usually renter-occupied) housing and funding not-for-profit organizations to rehabilitate privately-owned residences. Neither type of grantee planned to spend significant amounts of housing funds to rehabilitate publicly-owned housing or to support code enforcement.

The differences in the mix of housing activities between cities and counties are consistent with general aggregate differences in their housing stocks. Urban Counties, which to a large extent are comprised of suburbs, tend to have higher proportions of single-family, owner-occupied housing than do Metropolitan Cities. In contrast, Metropolitan Cities tend to have a greater proportion of multifamily rental housing. Consequently, although single-family rehabilitation is still by far their largest category of expenditures, Metropolitan Cities budget a larger proportion of funds to other housing activities than do Urban Counties.

Overall, these figures suggest that Entitlement communities may be beginning to use their CDBG funds in somewhat different ways than they did a few years ago. First, Entitlement communities in 1985 budgeted larger amounts of CDBG funds to promoting the construction of new housing through local not-for-profit corporations than in previous years. In 1985, an estimated $98 million, nine percent of all Entitlement Program housing funds, was planned to be used in this way. In 1984, only about $23 million was budgeted for such activities, and, although exact figures are not available, all evidence indicates that no more than that was used to directly encourage new construction in 1983. Metropolitan Cities accounted for the largest proportion of this change, increasing their funding for this activity by approximately $60 million in 1985.

TABLE 1-7

COMPONENTS OF PLANNED CDBG ENTITLEMENT PROGRAM HOUSING EXPENDITURES, FY 1985 (Dollars in Millions)

Activity	Metro Cities		Urban Counties		Total Budgeted	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Single-Family Rehabilitation	$432	50%	$ 98	78%	$531	53%
Multifamily/Rental Rehabilitation	92	11	5	4	97	10
Rehabilitation of Public Residential Facilities	28	3	4	3	32	3
Housing Activities by Sub-Recipients	178	20	10	8	188	19
-- Rehabilitation	(97)	(11)	(2)	(2)	(99)	(10)
-- New Construction	(82)	(9)	(7)	(6)	(89)	(9)
Code Enforcement	42	5	3	2	45	5
Other	*	*	*	*	*	*
Administration of Housing Programs	99	11	4	3	103	10
Total	$871	100%	$126	100%	$997	100%

* Less than .5%, or less than $500,000.

Note: 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.

Second, Metro Cities and Urban Counties appear to be providing increasingly larger amounts of CDBG funds to local organizations to carry out housing activities. In both 1983 and 1984, Entitlement communities reported budgeting about $70 million to enable not-for-profits to perform rehabilitation and other housing-related activities. That amount more than doubled to $180 million in 1985. This increase is almost wholly due to increased use of these organizations by Metro Cities and is only partly accounted for by the increased funding to promote new construction; housing rehabilitation through local not-for-profits was also up sharply from previous years. (See Tables 1-22 and 1-23 at the end of the Chapter.)

The third significant change in recent planned expenditures was the decrease in the amount and proportion of CDBG funds budgeted for multifamily rehabilitation. Although precise figures are not available for the amounts of CDBG funds used for multifamily and rental rehabilitation prior to 1982, GAO studies and HUD monitoring reviews suggest that relatively little CDBG assistance was provided for multifamily rehabilitation prior to 1980 but that slightly larger amounts were allotted to such activities in the early 1980s. CDBG expenditures and budgets in the last three years suggest that the use of CDBG funds for multifamily rehabilitation is now declining. In 1982 and 1983, approximately $173 million and $117 million respectively was expended for multifamily rehabilitation. In 1984, $129 million was budgeted for this purpose, and, in 1985, only $97 million was planned. It is most likely that this decline was due to the participation of most Entitlement communities in the Rental Rehabilitation Program, which became operational in 1984 and provides communities with grants to rehabilitate small multifamily rental housing.*

CDBG-Funded Public Works Activities. Table 1-8 shows that CDBG public works funds are used primarily for replacing deteriorating streets and sidewalks, constructing and rehabilitating public facilities, improving water and sewer systems and developing parks and recreational areas. On the whole, Urban Counties emphasize public works more in their CDBG programs than do Metropolitan Cities, and this is especially true in the area of water- and sewer-related activities. Urban Counties devoted some 27 percent of their CDBG public works funds (compared with 15 percent in Metropolitan Cities) for activities such as building or repairing water systems, sewer systems, and facilities to control flooding or improve drainage. The higher level of CDBG funding for water and sewer facilities may reflect expansion into previously undeveloped parts of the county and the relatively small capital improvement budgets available to communities participating in the CDBG program'through the Urban County.

Other public facilities projects, including the construction and repair of seniors centers, facilities for the handicapped, neighborhood facilities and other buildings for use by the public, constituted about the same proportion of planned spending in both Entitlement cities and counties.

CDBG-Funded Economic Development Activities. In FY 1985, Entitlement communities reported planning to provide approximately $306 million for economic development. Almost $152 million of these funds was designated for assistance to businesses, usually through low interest loans. This constituted approximately 50 percent of all planned CDBG economic development spending in FY 1985. Most often these loans were to provide money for start-up or expansion of businesses (37 percent), although loans to rehabilitate existing buildings accounted for 13 percent of all CDBG economic development funds. These sums included loans made directly to private businesses or through subrecipients such as economic development corporations. Urban Counties, consistent with their greater emphasis on using CDBG funding for public works, budgeted a larger proportion of their CDBG funds to infrastructure development in support of economic development than did Metropolitan Cities. Metropolitan Cities allocated more funds to providing technical assistance and other "softer" economic development activities than did their Urban County counterparts.

* The Rental Rehabilitation program is described in Chapter 4 of this report.

TABLE 1-8

COMPONENTS OF PLANNED CDBG ENTITLEMENT PROGRAM PUBLIC WORKS EXPENDITURES, FY 1985 (Dollars in Millions)

Activity	Metro Cities Amount	Metro Cities Pct.	Urban Counties Amount	Urban Counties Pct.	Total Budgeted Amount	Total Budgeted Pct.
Street Improvements	$156	36%	$ 55	33%	$212	35%
Public Facilities	129	30	48	29	177	30
Water and Sewer	64	15	45	27	108	18
Parks	57	13	13	8	70	12
Other	27	6	6	4	33	6
Total	$433	100%	$167	100%	$600	100%

Note: 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.

TABLE 1-9

COMPONENTS OF PLANNED CDBG ENTITLEMENT PROGRAM ECONOMIC DEVELOPMENT EXPENDITURES, FY 1985 (Dollars in Millions)

Activity	Metro Cities Amount	Metro Cities Pct.	Urban Counties Amount	Urban Counties Pct.	Total Budgeted Amount	Total Budgeted Pct.
Loans and Grants to Businesses	$131	50%	$21	50%	$152	50%
-- for Rehab	(34)	(13)	(5)	(12)	(39)	(13)
-- Other	(97)	(37)	(16)	(38)	(113)	(37)
Land Acquisition/ Disposition	17	6	2	5	19	6
Infrastructure-Related	78	30	16	38	94	31
Other Assistance	38	14	3	7	41	13
Total	$263	100%	$42	100%	$306	100%

Note: 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.

Planned Entitlement Spending, FY 1979 through FY 1985. Figure 1-1 illustrates the intended use of funds for major program activities during FY 1979 through FY 1985. As this figure shows, planned 1985 Entitlement spending largely continued the program's established trend. Housing-related activities, public works projects and acquisition and clearance have been funded at the same relative levels since 1983. CDBG support for economic development, however, which had received an increasing amount of funds since 1979, dropped slightly from 13 percent of all planned spending to 11 percent in 1985. Public services funding received a total of ten percent of FY 1985 funds, up one percentage point from the year before. This slight change may reflect the 1983 statutory change raising the limit on CDBG-funded public services from 10 percent to 15 percent. Both of these changes, the small decline in planned economic development spending and the small increase in public service support, are too small to be seen as significant changes in the way CDBG funds are being used.

ACTUAL EXPENDITURES OF CDBG FUNDS

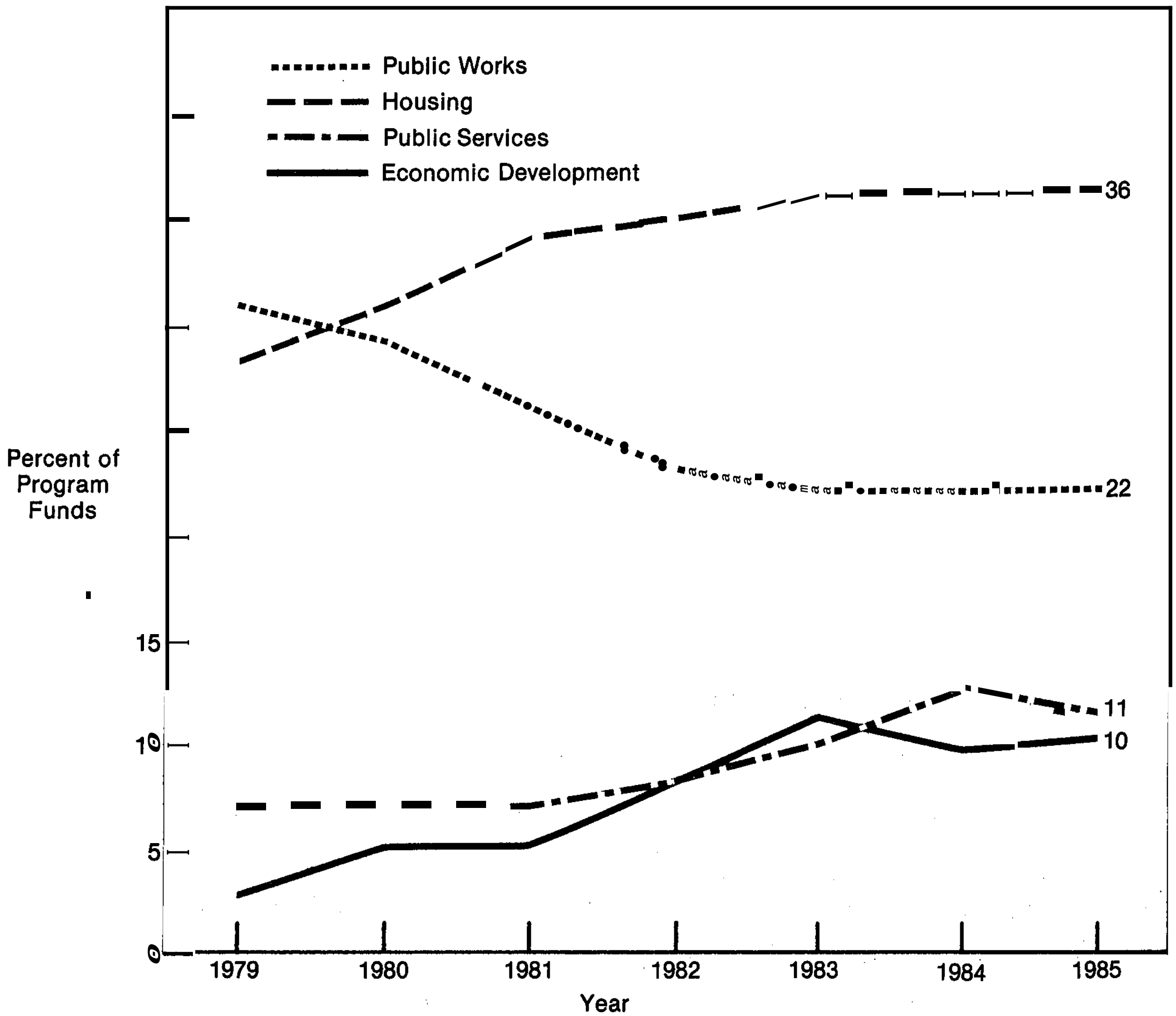
This part of the chapter describes how communities reported they actually used their CDBG funds in 1983, the most recent year for which expenditure information is available.[2] Included in this section are analyses of the expenditures by the type of activity and the type of Entitlement community, the extent to which communities have met the national objectives of the program, the general income characteristics of the areas in which CDBG activities were carried out and summary information about the beneficiaries of some of these activities.

ENTITLEMENT PROGRAM EXPENDITURES BY THE TYPE OF ACTIVITY

Entitlement communities spent approximately $2.7 billion in program funds during FY 1983, most of it--approximately $2.3 billion--by Metropolitan Cities. Not surprisingly, the activities on which these funds were spent reflected the same priorities shown by the budgets they submitted in 1983 and the immediately preceding years. Housing-related activities, principally rehabilitation, constituted the largest share of expenditures, $917 million or 34 percent of all FY 1983 Entitlement program spending, and public works projects, on which some $705 million was spent, the next largest category of expenditures. Economic development projects, public services and acquisition and clearance-related activities accounted for comparable amounts of expenditures, about $215 million each. (See Table 1-10.) Communities expended relatively small amounts, $31 million and $3 million respectively, completing projects that were begun under the categorical programs that preceded the CDBG program (principally Urban Renewal) and repaying Section 108 loans. Planning and general program administration consumed 14 percent of program funds, or $387 million, in FY 1983.

FIGURE 1-1

PLANNED SPENDING IN THE CDBG ENTITLEMENT PROGRAM
FY 1979-1985



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 1-10

CDBG ENTITLEMENT PROGRAM EXPENDITURES BY MAJOR ACTIVITIES AND GRANTEE TYPE, FY 1983 (Dollars in Millions)

Activity	Metro Cities Amount	Metro Cities Pct.	Urban Counties Amount	Urban Counties Pct.	Total Expended Amount	Total Expended Pct.
Housing-Related	$788	35%	$129	30%	$917	34%
Public Facilities and Improvements	528	23	176	41	705	26
Economic Development	183	8	31	7	214	8
Public Services	197	9	16	4	213	8
Acquisition and Clearance-Related	201	9	20	5	222	8
Completion of Categorical Programs	30	1	1	*	31	1
Repayment of Section 108 Loans	3	*	*	*	3	*
Administration and Planning	326	14	62	14	387	14
Total	$2,256	100%	$435	100%	$2,691	100%

* Less than .5%, or less than $500,000.

Note: 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.

Metropolitan Cities and Urban Counties differed somewhat in the types of activities they supported through CDBG expenditures. Housing-related activities accounted for the largest share of Metro City expenditures (35 percent) while public works (41 percent) represented the largest part of the Urban County expenditures. In contrast, Metropolitan Cities spent only 23 percent of their funds for public works projects and spent a slightly larger share of their funds for public services and acquisition and clearance-related activities than did Urban Counties.

ENTITLEMENT PROGRAM EXPENDITURES ON NATIONAL OBJECTIVES

The Housing and Community Development Act of 1974 requires all grantees to use. CDBG funds to benefit low- and moderate-income persons, eliminate or prevent slums or blight or meet other urgent local community development needs. This section describes the extent to which grantees reported funding activities to address each of these national objectives and gives particular attention to activities that grantees reported undertaking to benefit low- and moderate-income persons.

Local officials reported that approximately $2.064 billion, or ninety percent of all funds expended during FY 1983, met the program's national objective of benefitting low- and moderate-income persons.* Of the remaining 1983 expenditures, virtually all ($224 million) was used to prevent or eliminate slums and blight, and only about $13 million was reported to have been used to meet other urgent community development needs. Figure 1-2 illustrates the relative amounts of funding to each of the three objectives, and Table 1-11 shows the breakdown of FY 1983 expenditures for each national objective by the type of activity funded.

TABLE 1-11

CDBG ENTITLEMENT PROGRAM EXPENDITURES BY TYPE OF ACTIVITY AND NATIONAL, OBJECTIVE, FY 1983+
(Dollars in Millions)

	National Objective						
	Low and Moderate Income Benefit		Eliminate Slums and Blight		Urgent Needs		
Activity	Amount	Pct.	Amount	Pct.	Amount	Pct.	Total
Housing-Related	$ 858	94%	$ 59	6%	*	*	$ 917
Public Facilities and Improvements	644	91	53	8	7	1	705
Economic Development	177	83	35	16	2	1	214
Public Services	210	99	2	1	*	*	213
Acquisition and Clearance-Related	157	71	61	27	4	1	222
Completion of Categorical Programs	17	55	14	45	*	*	31
Total	$2,064	90%	$224	10%	$13	1%	$2,300

* Less than .5%, or less than $500,000.

\+ This table excludes $387 million in expenditures for administration and planning and $3 million for the repayment of Section 108 loans.

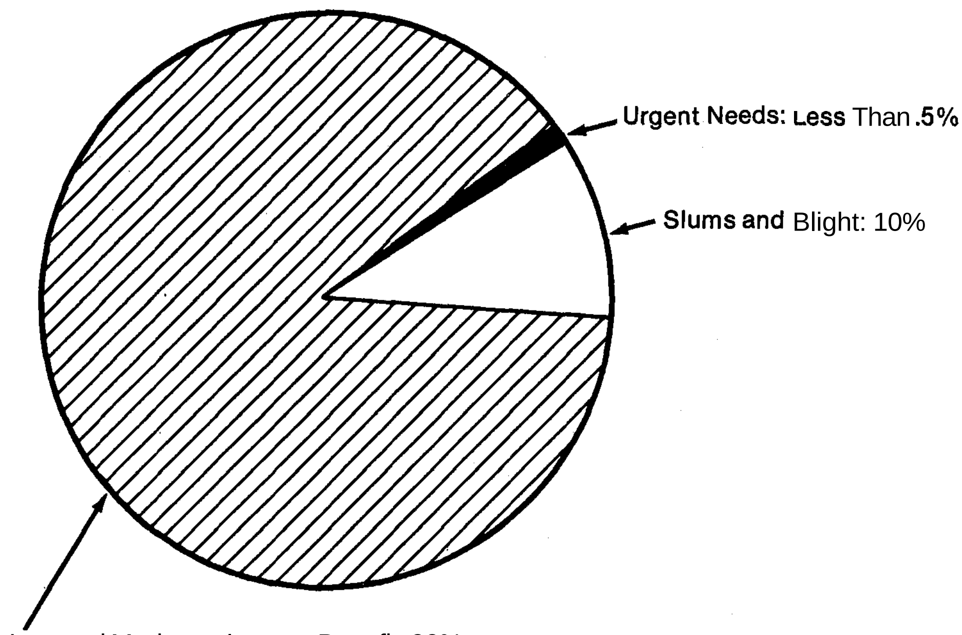
Note: Detail does not add due to rounding.

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.

* Funds spent for program administration are presumed by regulations to benefit low- and moderate-income persons in the same proportions as the remainder of the expenditures.

FIGURE 1-2

DISTRIBUTION OF FY 1983 CDBG ENTITLEMENT EXPENDITURES BY NATIONAL OBJECTIVE



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.

With one relatively minor exception, at least 70 percent of the total FY 1983 expenditures for each type of activity was reported by local officials to have benefitted lower-income persons. Virtually all (99 percent) expenditures for public services and more than 90 percent of expenditures for housing-related activities and public works projects were described as meeting this statutory objective. Substantial percentages of economic development (83 percent) and acquisition and clearance activities (71 percent) were also reported to benefit lower-income persons. The balance of funds used for these two activities was used almost exclusively for projects described as eliminating slums and blight. Funding for categorical projects provided the one exception to the pattern of a substantial majority of expenditures being used for low- and moderate-income benefit. Local officials reported that 55 percent of expenditures for such projects benefitted low- and moderate-income persons and the balance, 45 percent, was used to prevent or eliminate slums and blight.

While 90 percent of the total Entitlement Program funds expended during FY 1983 was reported to benefit persons with low- and moderate-incomes, the proportion of spending claimed to qualify under this provision varied substantially from community to community. Table 1-12 indicates that 69 percent of Entitlement communities for which information was available reported spending more than 90 percent of their funds to benefit persons with low- and moderate-incomes, although some communities reported spending as little as ten percent of FY 1983 expenditures for this purpose. The median level of reported low- and moderate-income benefit was 96 percent, and 136 of the 403 communities reported that all of their CDBG expenditures benefitted people with low- and moderate-incomes.

TABLE 1-12

CDBG ENTITLEMENT PROGRAM EXPENDITURES BENEFITTING PERSONS WITH LOU AND MODERATE INCOMES, FY 1983

Percent of Expenditures Reported as Low- and Moderate- Income Benefit	Metro Cities		Urban Counties		All Grantees	
	Number	Pct.	Number	Pct.	Number	Pct.
100%	100	33%	36	37%	136	34%
91 - 99	103	34	40	41	143	35
76 - 90	59	20	18	18	77	19
51 - 75	35	11	3	3	38	9
50 or less	9	3	0	0	9	*
Total	306	100%	97	100%	403	100%
Median	96%		98%		97%	

Overall Program Total = 90 percent

* Less than .5%, or less than $500,000.

Note: 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.

ENTITLEMENT PROGRAM EXPENDITURES IN LOWER INCOME AREAS

In the CDBG program, benefits to low- and moderate-income persons result either from direct benefit activities, such as providing individuals with social services or a housing rehabilitation loan, or through activities that improve the neighborhood where lower-income people live, e.g., by improving the streets or constructing a park. This section reports the amount and proportion of CDBG funds expended in lower-income areas in FY 1983. The following section describes expenditures on direct benefit activities and characteristics of the beneficiaries of these expenditures.

Table 1-13 illustrates the amount of CDBG funds expended in 1983 according to the national objectives used by local officials to qualify the activity and the median income of the census tract in which the spending occurred. Approximately $1.029 billion, or 45 percent of the $2.301 billion expended during FY 1983, was spent on activities in census tracts where a majority of families had incomes of less than 80 percent of the MSA median family income. The majority of these funds, 63 percent, was expended on activities that met the area test for low- and moderate-income benefit, and another one-quarter provided benefits directly to low- and moderate-income persons or households. The balance of the funds spent in lower-income areas, $128 million, was justified under one of the program's other two objectives.

TABLE 1-13

CDBG ENTITLEMENT PROGRAM EXPENDITURES BY NATIONAL OBJECTIVE and TYPE OF CENSUS TRACT+, FY 1983 (Dollars in Millions)

Expenditures Were Made In:	National Objective: Low- and Moderate Income Benefit: Direct	Low- and Moderate Income Benefit: Other	Slums and Blight	Urgent Needs	Total Expended
Low/Moderate-Income Tracts	$257 (11%)	$ 644 (28%)	$123 (5%)	$ 5 (*)	$1,029 (45%)
Non-Low/Moderate-Income Tracts	91 (4%)	335 (15%)	43 (2%)	8 (*)	477 (21%)
Citywide	326 (14%)	411 (18%)	58 (3%)	* (*)	795 (35%)
Total	$674	$1,390	$224	$13	$2,301
Percent of all Expenditures	29%	60%	10%	1%	100%

* Less than .5%

\+ Excludes $387 million in planning and administration and $3 million for the repayment of Section 108 loans.

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.

The remaining $1.272 billion in FY 1983 expenditures took place in census tracts where a majority of residents did not have low- and moderate-incomes (21 percent of all funds) or were reported by grantees as being spent "citywide" (35 percent). The largest portion of these funds that were not spent in low- and moderate-income census tracts nonetheless met the area test for low- and moderate-income benefit.

Two factors account for most of the money that is spent in non-lower-income census tracts meeting the area test for low- and moderate-income benefit. One is that a project may be targeted to an area that is smaller than a census tract that qualifies as a lower income area, e.g. a neighborhood or a 'single street. The other factor, which is most applicable to smaller, suburban Metropolitan Cities and Urban Counties, is that some communities contain very few, if any, areas that qualify as low- and moderate-income census tracts as defined by the CDBG program regulations. Table 1-14 shows for a sample of Entitlement communities the percentage of each community's census tracts that qualify as low- and moderate-income areas. In most Metropolitan Cities (127) and virtually all Urban Counties in this sample (93 of 96) less than 39 percent of all census tracts in the community met the CDBG program's definition of a lower-income area in 1983. Many communities, more than 10 percent of our sample, have no census tracts that are lower income by the program's definition. Communities with few or no such areas may qualify CDBG expenditures as low- and moderate-income activities, however, if the funds are spent in their least affluent areas.

TABLE 1-14

PERCENT OF CENSUS TRACTS IN CDBG ENTITLEMENT COMMUNITIES TEAT ARE LOW OR MODERATE INCOME?

Percent of Tracts Qualifying as Low- or Moderate- Income	Metro Cities		Urban Counties		All Grantees	
	Number	Pct.	Number	Pct.	Number	Pct.
80%+	8	4%	0	0%	a	3%
60 - 79	18	8	0	0	18	6
40 - 59	61	29	3	3	64	21
20 - 39	78	36	11	12	89	29
1 - 19	26	12	70	73	96	31
0	23	11	12	13	35	11
Total	214	100%	96	100%	310	100%
Median	36%		12%		29%	

+ Census tracts in which the median income is less than 80% of the SMSA median income.

Note: 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.

ENTITLEMENT PROGRAM EXPENDITURES FOR DIRECT BENEFIT ACTIVITIES

As indicated above, CDBG grantees can also meet the statutorily-mandated objective of benefitting lower-income persons by providing them with direct assistance. In 1983, about one-third of the $2.06 billion that Entitlement communities spent to provide benefits to persons with low- and moderate-incomes were used to provide such direct benefits. Housing-related activities accounted for 76 percent of these direct benefit expenditures and public services (15 percent) the second largest share. Table 1-15 indicates direct benefit spending by activity group for Metropolitan Cities and Urban Counties.

TABLE 1-15

CDBG ENTITLEMENT PROGRAM DIRECT BENEFIT EXPENDITURES
BY ACTIVITY GROUP AND GRANTEE TYPE, FY 1983
(Dollars in Millions)

	Metro Cities		Urban Counties		Total Expended	
Activity Group	Amount	Pct.	Amount	Pct.	Amount	Pct.
Housing-Related	$418	74%	$94	86%	$512	76%
Public Services	93	16	8	8	101	15
Acquisition and Clearance-Related	23	4	2	2	26	4
Public Facilities and Improvements	22	4	2	2	26	4
Economic Development	7	1	1	1	8	1
Completion of Categorical Programs	2	*	*	*	2	*
Total	$564	100%	$110	100%	$674	100%

* Less than $500,000 or .5%

Note: 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, Performance Monitoring and Evaluation Data Bases.

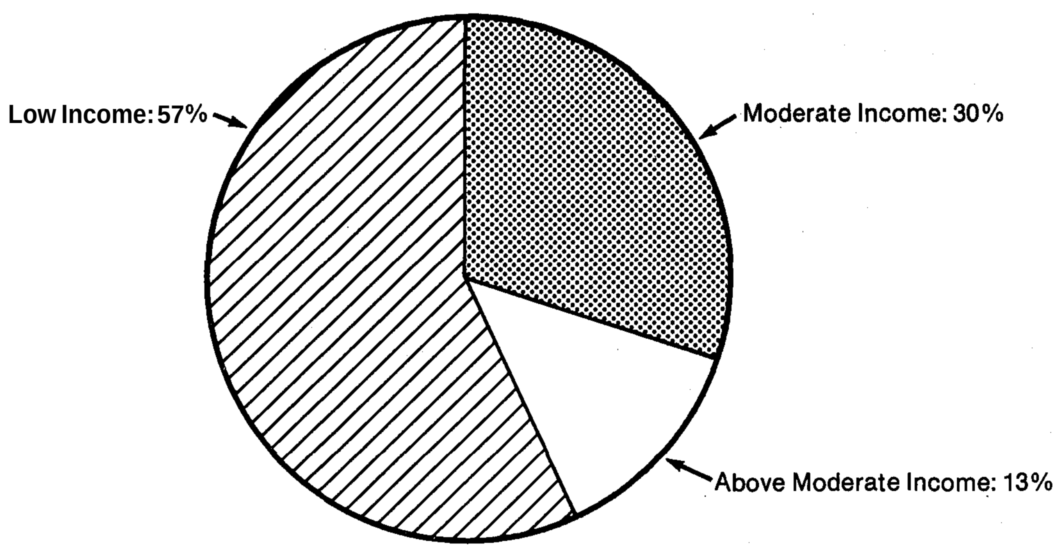
The activities that provided most of the direct benefits in FY 1983 were grants and loans to rehabilitate buildings that were either owned and occupied by lower-income persons or were rented to lower-income persons. Public service activities, such as day care and assistance to the elderly or handicapped, also received substantial amounts of direct benefit funds. CDBG funds were also used to provide direct benefits through public works-related activities and economic development projects. Typically in the public works-related activities, including those involving the completion of categorical programs, these funds were used to pay for assessments to lower-income homeowners for street or alley improvements adjacent to their property or for relocation assistance to persons or businesses displaced by CDBG–supported projects. Direct benefits from CDBG–funded economic development projects were usually the result of loans and grants or technical assistance to businesses.

Urban Counties and Metropolitan Cities differed somewhat in direct benefit spending. The counties placed a stronger emphasis on housing–related activities, principally the rehabilitation of single–family homes, than did Metropolitan Cities, which spent more to provide direct benefits by funding public services. Housing, nonetheless, was also the largest category of direct benefit spending in Metropolitan Cities (76 percent).

Income and Ethnicity of Direct Beneficiaries. Fifty–seven percent of the beneficiaries of direct benefit activities were identified by local officials as members of households that had incomes that were less than half of the median income of the MSA in which they lived; only 13 percent of the beneficiaries were reported as not having low– and moderate–incomes (i.e., with a household income that exceeded 80 percent of the MSA median family income). (See Figure 1-3.)

FIGURE 1-3

INCOMES OF BENEFICIARIES OF DIRECT BENEFIT ACTIVITIES IN THE CDBG ENTITLEMENT PROGRAM, FY 1983

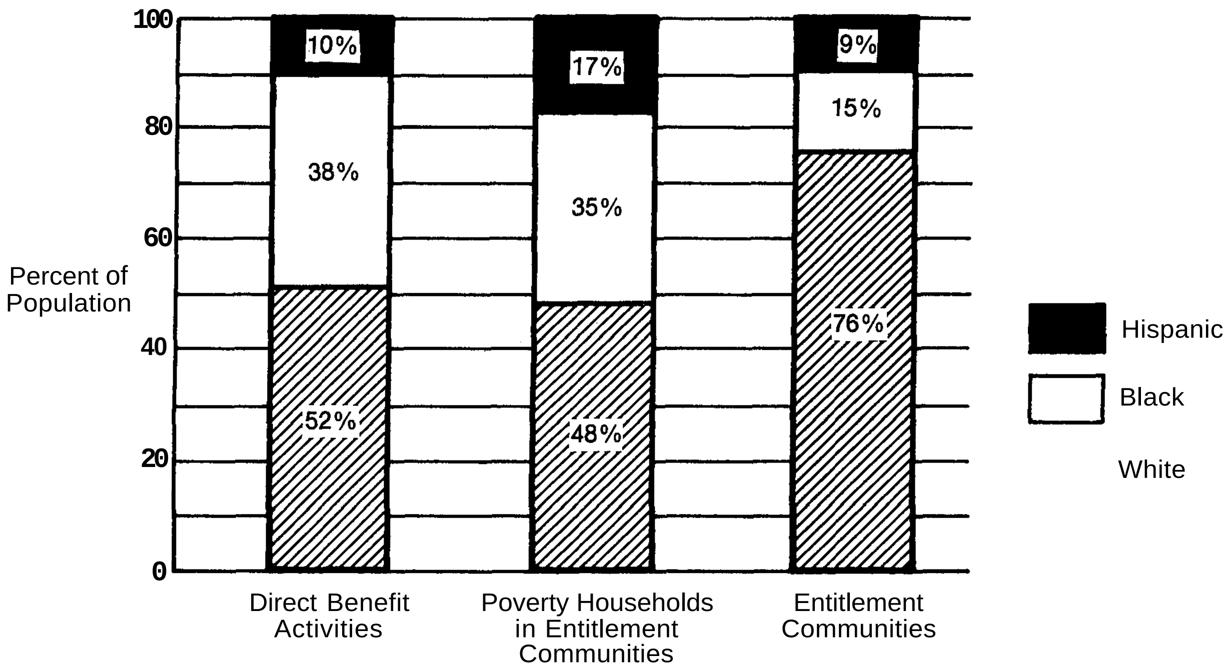


SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, Performance Monitoring and Evaluation Data Bases.

In addition to the preponderance of beneficiaries of direct benefit programs funded during FY 1983 having low- and moderate- incomes, large proportions of these beneficiaries were also members of minority groups. The proportion of beneficiaries of direct benefit spending by ethnic group, as well as the proportions of these groups in the total population and the poverty population of all Entitlement communities, are presented in Figure 1-4.*

FIGURE 1-4

ETHNICITY OF BENEFICIARIES OF DIRECT BENEFIT ACTIVITIES IN THE CDBG ENTITLEMENT PROGRAM, FY 1983



+ Figure 1-4 excludes Puerto Rico, which is 100 percent Hispanic. Its inclusion would alter distribution somewhat to favor Hispanic recipients. The "White" category includes American Indians and Asians; these two groups were not separately identifiable in the data base.

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.

* While the definition of low- and moderate-income in the CDBG program is different from the definition of poverty, the two measures can be used as roughly comparable indicators of the income distributions of the populations of Entitlement communities.

According to information provided by local officials in their 1983 Grantee Performance Reports, minorities, particularly Blacks, represented a much larger percentage of beneficiaries in CDBG-funded direct benefit activities than they did in the population of Entitlement communities as a whole. Thus, while 15 percent of the residents of Entitlement communities are Black and nine percent are Hispanic, 38 percent of the beneficiaries of direct benefit spending in these communities were Blacks and 10 percent were Hispanics. However, minorities represent larger proportions of the lower-income population of Entitlement communities than of the population as a whole. Still, Figure 1-4 indicates that minorities benefit from CDBG direct benefit spending in rough proportion to their incidence in the population of households with incomes below the poverty line. Clearly, the CDBG monies that communities reportedly have used to provide services such as social services or housing rehabilitation assistance were in FY 1983 benefitting minority households.

SECTION 108 LOAN GUARANTEE PROGRAM

This section describes the Section 108 Loan Guarantee Program, which was authorized as part of Title I of the Housing and Community Development Act of 1974. The purpose and requirements of the program, the Program's aggregate loan activity, and the characteristics of the individual loans approved in FY 1985 are covered in separate subsections. 3

PROGRAM DESCRIPTION

Purpose. Section 108 of the Housing and Community Development Act of 1974, as amended, allows HUD to guarantee loans made by the Federal Financing Bank (FFB) to CDBG Entitlement communities, or to public agencies they designate, to finance the acquisition of real property or the rehabilitation of real property owned by the general local government. Regulations governing the use of these loan guarantees also permit Section 108 loan funds to be used for certain project-related costs, including the interest on Section 108 obligations, relocation payments, clearance, and site preparation costs. All activities carried out with the guaranteed loan funds must meet one of the three national objectives of the CDBG Program: benefitting low- or moderate-income persons; eliminating or preventing slums and blight; or meeting other urgent community development needs.

The intent of the Section 108 Loan Guarantee Program is to enable communities to undertake large community development and economic development projects that would otherwise consume extremely large proportions of their annual Entitlement grants. Communities using this program pledge their current and future annual grants as collateral for Section 108 loans. The statute limits the amount of loan guarantees a community can receive to three times its annual grant.

To obtain a Section 108 guaranteed loan, a community must submit an application to HUD containing:

- A copy of the community's final statement of community development objectives and projected use of guaranteed loan funds.

- A description of how each of the activities carried out with the guaranteed loan funds meets one of the CDBG program's national objectives.

- A schedule for repayment of the loan which also identifies the sources of repayment.

- A certification that the grantee has the legal authority to pledge its CDBG grant as collateral for the loan.

- A certification that all CDBG Program requirements concerning: citizen participation; compliance with civil rights acts; maximum feasible priority to benefitting low- or moderate-income persons; housing assistance plans; and other provisions of the Act and applicable laws will be met.

- A certification that the applicant has attempted to obtain financing without the guarantee and cannot complete the project in a timely manner without the guarantee.

HUD reviews of Section 108 applications usually result in acceptance of the grantee's certifications, but the Department reserves the right to consider other relevant information and to challenge the certifications as available information warrants. In determining whether a loan guarantee constitutes an acceptable financial risk, HUD considers only the applicant's current and future Entitlement Block Grants as the primary source of loan repayment. The Department makes no determination regarding the economic feasibility of the proposed project.

Nature of the Loan Guarantee. After the application is approved by HUD, a guarantee for all or some part of the approved loan amount is issued and a promissory note is executed by the locality. The terms of the note are specified by HUD and the FFB, according to an agreement reached between HUD and the applicant. The grantee can begin making advances against the loan amount as soon as the guarantee is issued, but it may only draw down enough funds to meet the current financing needs of the approved activities. The interest rate charged on each advance is pegged at the Treasury Department's borrowing rate for its own obligations, with terms comparable to the Section 108 loan a six-year amortization schedule, plus one-eighth percent. That rate varied for a six-year loan from about 10 percent to approximately 12 percent during 1985. After all advances have been made, a single equivalent interest rate for the total advances is established. Typically, grantees are expected to draw down all funds within one year of the issuance of the guarantee and to repay all such advances within seven years of the same date, although exceptions to this guideline are sometimes granted.

SECTION 108 PROGRAM ACTIVITY

In Fiscal Year 1985, HUD approved 63 new guaranteed Section 108 loans to 52 Entitlement communities--48 Metropolitan Cities and four Urban Counties. These approvals totalled almost $133.5 million, or about 59 percent of the $225 million limit established by the 1985 Appropriations Act. Both of these figures represented increases over the FY 1984 totals, the number of approvals increasing by 117 percent and the loan amounts by 54 percent. (See Table 1-16.)

TABLE 1-16

SECTION 108 LOAN GUARANTEE ACTIVITY, FY 1978 - FY 1985 (Dollars in Millions)

FY	Applications Approved Number	Applications Approved Amount		Guarantees Issued Number	Guarantees Issued Amount		Funds Drawn Down		Funds Repaid
1978	1	$ *		1	$ *		$ *		$ *
1979	9	30.8		3	11.4		6.5		
1980	23	156.9	65%	22	89.9	52%	36.5	36%	3.2
1981	48	156.5		28	156.7		45.3		10.9
1982	54	179.4		30	83.5		57.3		14.5
1983	22	60.6		41	133.5		85.0		24.7
1984	29	87.0	35%	29	95.1	48%	70.8	64%	39.8
1985	63	133.5		27	89.7		102.6		21.5
Total	249	805.0**		181	$660.1		$403.9		$114.5—

* Less than $500,000 ** Includes $25.6 million in cancelled projects

*** Does not include interest payments

Note: Detail does not add due to rounding.

SOURCE: Assistant Secretary for CPD, Office of Management, and Assistant Secretary for Administration, Office of Finance and Accounting.

Promissory notes were executed and guarantees issued for 27 loans in FY 1985. These guarantees made available $89.7 million to Entitlement communities for community development projects and increased to $660 million the total amount of guarantees issued since 1978. Drawdowns of Section 108 loans in FY 1985 exceeded $102 million and constituted the largest annual amount advanced to grantees since the program's inception.

Table 1-16 also indicates the variations in the timing and relative annual levels of approvals, guarantees issued and funds drawn down in the Section 108 loan program. This Table shows that 65 percent of the Section 108 funds was approved in the first five years of the program, but that smaller shares of loan guarantees (52 percent) and especially of drawdowns (36 percent), took place during that same period. In contrast, 64 percent of all drawdowns took place in the last three years.

Several factors contribute to the differences among the cumulative amounts of loan approvals, guarantees issued and funds drawn down in the Section 108 program. First, Section 108 loans are generally a part of larger projects and are specifically used for acquiring or rehabilitating property. Such projects typically have slow expenditure rates and are susceptible to delays, particularly in the components that involve the Section 108 loans. Consequently, many weeks and sometimes several months might pass before a grantee begins drawing down Section 108 loan funds. Moreover, since a large number of loans are approved in September of each year*, substantial use of Section 108 funds sometimes does not occur until the second fiscal year after approval of the loan.

Second, in some cases the amount of the initially approved loan may exceed the project's needs, and notes and guarantees for the entire loan amount are not executed. In addition, in some cases the amount of guarantees actually issued might exceed the project costs and drawdowns will not be taken for the entire amount guaranteed. For example, as of September 30, 1985, there were four loans that had been approved for a total of $9.8 million in FY 1982 or before but had not yet been issued a guarantee for the borrower. There were also 16 other loans, with $44.2 million in guarantees, that had drawn down no Section 108 funds even though they had been approved in FY 1982 or earlier.

CHARACTERISTICS OF APPROVED LOAN GUARANTEES

Loan Amount. Compared with loan approvals made in prior years, the Section 108 loans approved in FY 1985 were significantly smaller. The 63 new loan applications approved in FY 1985 averaged slightly more than $2.1 million, but this average was substantially inflated by just a few loans that were approved for more than $5 million each. Almost one-half of all FY 1985 Section 108 approvals were for $1,000,000 or less, and the median amount ($1,136,500) is a better indicator of the typical 1985 loan approval than the average amount. In comparison, Section 108 approvals prior to FY 1985 averaged more than $3.8 million', with a median amount of $2 million, and included a larger proportion of approvals for loans of more than $5,000,000 than did the 1985 approvals. (See Table 1-17.)

For most communities, the 1985 Section 108 loan guarantees represented about one-half of their Entitlement grants for that year. In 18 communities, however, the loan approvals exceeded their 1985 grants, and in seven communities it was at least twice their annual entitlements. Two of the sixty-three loan guarantees approved in FY 1985 reached the statutory maximum of three times the applying community's annual grants.

Proposed Use of Section 108 Funds. The vast majority of both the number of loans and the amount of loan guarantees approved involved the acquisition of

* In FY 1985, almost one-half of the new loan approvals took place in September. Over the eight-year history of the Section 108 program, about 40 percent of all approvals occurred in the last month of the fiscal year.

\+ This amount excludes a $100,000,000 approval granted to Detroit in FY 1980. If this one very large loan is included, the average amount approved prior to FY 1985 is $3.8 million.

real property. In about one-half of these projects, a second activity, usually the clearance or rehabilitation of the property, was also included. Only six percent of the guarantees and seven percent of the guaranteed funds did not involve acquisition.

TABLE 1-17

AMOUNTS OF SECTION 108 LOAN GUARANTEES APPROVED, FY 1978-FY 1985 (Dollars in Thousands)

Amount of Guaranteed Loan	FY 1985 Number	FY 1985 Percent	FYs 1978 - 1984* Number	FYs 1978 - 1984* Percent
$500 or less	10	16%	21	14%
$501-$1,000	20	32	31	20%
$1,001-$1,500	7	11	14	9%
$1,501-$2,000	5	8	16	10%
$2,001 -$5,000	17	27	47	32%
$5,001+	4	6	25	16%
Totals	63	100%	154	100%

Year	Average amount of guaranteed loan	Median amount of guaranteed loan*
FY 1985	$2,118.6	$1,136.5
FY 1978-1984	$3,842.6	$2,000.0

* Excludes one very large loan approval for $100,000,000.

Note: 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.

TABLE 1-18

PURPOSE OF SECTION 108 LOAN GUARANTEES APPROVED, FY 1985
(Dollars in Thousands)

Activities	Loans Guaranteed Number	Loans Guaranteed Percent	Funds Guaranteed Amount	Funds Guaranteed Percent
Acquisition	30	48%	$64,126	48%
Acquisition & Clearance	13	21	21,681	16
Acquisition & Rehab	10	16	29,797	22
Acquisition & Site Preparation	4	7	5,673	4
Acquisition & Other	2	3	3,058	2
Rehabilitation & Other	4	6	9,140	7
Total	63	100%	$133,475	100%

Note: 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.

National Objectives. Section 108 loan funds, like regular CDBG expenditures, must be used to either benefit lower-income persons, eliminate or prevent slums and blight or meet some other urgent community development need. In the regular CDBG program the vast majority of Block Grant funds (90 percent) are used to benefit lower-income persons and a relatively small amount (10 percent) is qualified as addressing slum and blight problems. In contrast, substantial portions of Section 108 loan funds, which are used almost exclusively for acquisition-related projects, are qualified under the slums and blight provision of the statute. (See Table 1-19.)

CDBG EXPENDITURES FOR ASSISTING THE HOMELESS

The Department encourages its field staff to promote grantees' use of CDBG funds and other resources to assist the nation's homeless population. Field staff reported that during the first two quarters of FY 1985, 74 grantees in all regions either programmed, obligated, or expended almost $17 million of their FY 1981 through FY 1985 CDBG and Jobs Bill allocations to address the needs of this population (See Table 1-20). This half-year total compares with FY 1981 through FY 1984 CDBG and Jobs Bill funds amounting to $23.6 million that were reported during all of FY 1984 as either programmed, obligated or expended to aid the homeless.

TABLE 1-19

SECTION 108 LOAN GUARANTEES APPROVED BY PURPOSE AND NATIONAL OBJECTIVE, FY 1985
(Dollars, in Thousands)

	National Objective+			
	Lower Income Benefit		Eliminating Slums and Blight	
Activities	Amount	Percent	Amount	Percent
Acquisition	$46.3	54%	$12.9	30%
Acquisition & Clearance	12.6	15	9.1	21
Acquisition & Rehab	20.6	24	9.2	22
Acquisition & Site Preparation	5.7	7	0	0
Acquisition & Other	0	0	3.1	7
Rehabilitation & Other	0.7	1	8.4	20
Totals	$85.8	100%	$43.6	100%

+ No funds were reported as "meeting other urgent community development needs."

Note: 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.

TABLE 1-20

FY 1981-FY 1985 CDBG FUNDS* REPORTED IN FY 1985** AS PROGRAMMED, OBLIGATED OR EXPENDED FOR ASSISTANCE TO TEE HOMELESS

Region		Number of Communities	CDBG Dollars
I	Boston	11	$1,266,880
II	New York	7	7,532,853
III	Philadelphia	4	870,431
IV	Atlanta	2	336,800
V	Chicago	17	2,139,078
VI	Ft. Worth	3	1,034,837
VII	Kansas City	6	336,000
VIII	Denver	7	611,550
IX	San Francisco	3	54,860
X	Seattle	14	2,578,490
U.S. Total		74	$16,761,779

* Includes special Jobs Bill grants

** 1st and 2nd Quarters Only

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Field Operations and Monitoring.

The funds reported in the first two quarters of FY 1985 cover grant allocations from FY 1981 through FY 1985. Of the funds reported in these two quarters, almost one-half million dollars was reported as programmed, obligated or expended for homeless aid from FY 1981 CDBG grants. The more than eight and one-half million dollars of allocations from FY 1985 grants reported during the same period maintains a pattern of steady increases in allocations of funds for assisting the homeless from the five years' grants. (See Table 1-21.)

TABLE 1-21

FY 1981-FY 1985 CDBG FUNDS REPORTED IN FY 1985* AS PROGRAMMED, OBLIGATED OR EXPENDED FOR ASSISTANCE TO THE HOMELESS BY FISCAL YEAR AND TYPE OF ASSISTANCE

Fiscal Year	Type and Dollar Amount of Assistance				
	Housing	Food	Services	Other	Total
1981	$ 492,667	--	$ 9,000	--	S 501,667
1982	180,000	80,667	182,165	--	442,832
1983	403,353	84,467	199,167	--	686,987
Jobs Bill	1,061,607	--	35,500	--	1,097,108
1984	2,381,634	189,497	787,742	988,221	4,347,094
1985	6,770,758	799,416	977,656	--	8,547,830
Unreported	770,018	32,948	231,284	104,012	1,138,262
Total	$12,060,038	1,186,995	$2,422,511	$1,092,233	$16,761,779

* Inoludes Special Jobs Bill grants ** First and Second Quarters only.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Field Operations and Monitoring.

Programmed, obligated and expended funds for housing the homeless, in the first two quarters of FY 1985 from grants covering FY 1981 through FY 1985, exceed $12 million. Grantees' housing activities include capital costs for acquiring and making other physical improvements to shelters. They also include allocations for shelter operating costs.

The roughly $1.2 million of the reported funds allocated to feeding the homeless are typically associated with either providing meals to shelter occupants or operating soup kitchens that are independent of any shelter activity. In a few cases, money reported as food-related assistance is used to purchase groceries for distribution to needy recipients.

Service activities, reported as receiving $2.4 million, include a wide range of counseling and related assistance. One $19,000 grant, for instance, finances education and counseling for victims of domestic violence. Another grant of $5,000 is for a detoxification center. Many other individual grants provide housing unit referal information and other kinds of housing counseling.

About $1 million of the reported fundings pays for other kinds of activities to aid the homeless. One grantee's local housing council, for example, maintains a registery of available rental properties. In another community, a CDBG grant funded a task force's study of the local homeless population to ascertain its housing needs.

NOTES

1 The data described in this section came from the Statements of Community Development Objectives and Proposed Use of Funds documents submitted by the sample of grantees included in the CDBG Performance Monitoring and Evaluation Data Base. These documents, submitted as prerequisites to receiving CDBG funds, describe how grantees budgeted their FY 1985 funds; they do not report how these funds were spent. However, comparisons of previous years' information from Statements and Grantee Performance Reports (GPRs) have shown that, in the aggregate, there are no statistically significant differences between the way the grantees budgeted their funds and how they actually used them. Consequently, planned spending provides reliable early information about trends and changes in how local officials use CDBG funds.

2 The data used in the analysis of expenditures were taken from Grantee Performance Reports (GPRs) submitted by the sample of communities included in the CDBG performance Monitoring and Evaluation Data Base. These documents report all CDBG expenditures during the communities' program years, regardless of when the funds were budgeted. Because of the timing of grants (most CDBG Entitlement communities receive their funds late in third or fourth quarter of each Federal fiscal year), the schedule for submitting the GPRs (60 days following the end of the grantee's program year), the time required for the HUD field offices to review and approve the GPR, and the time required for the Office of Program Analysis and Evaluation to content analyze, code, edit and merge GPR data into the data Base, the FY 1983 GPRs are the most recent Performance Reports available for analysis of the program on a national level.

3 Data for the description of the Section 108 program came from three sources. Information regarding the number and amount of loan approvals, guarantees issued, drawdowns made and loan repayments received came primarily from HUD's Office of Financing and Accounting. Data provided by the Budget Division of the Assistant Secretary for Community Planning and Development (CPD) were used to supplement and reconcile these figures. Data on characteristics of the individual loans were taken from the approved application maintained by CPD's Office of Block Grant Assistance, the Office that administers the loan program. These files were reviewed, coded and entered into the CDBG Performance Monitoring and Evaluation Data Base.

TABLE 1-22
ESTIMATED PLANNED EXPENDITURES OF CDBG ENTITLEMENT PROGRAM FUNDS, FY 1985
(Dollars in Millions)

	METRO CITIES	URBAN COUNTIES	All ENTITLEMENTS
HOUSING-RELATED	$871.2	$125.5	$996.7
(percent)	(38.2)	(26.8)	(36.2)
Private Residential Rehab.:			
Single-family	427.0	96.0	523.0
Multi-Family	91.2	5.5	96.7
Rehab. of Pub. Res. Property	14.6	1.6	16.2
Rehab. of Pub. Housing	13.1	2.6	15.7
Code Enforcement	42.2	3.3	45.4
Historic Preservation	.3	.1	.4
Housing Activities by Sub-Recip:			
New Housing & Acquisition	81.5	7.3	88.7
Rehabilitation	96.8	2.4	99.2
Renovation of Closed Schools	•		
Weatherization Rehabilitation:			
Single-family	5.2	2.3	7.5
Multi-family	.5	•	.6
Rehabilitation Administration	98.8	4.4	103.2
PUBLIC FACILITIES AND IMPROVEMENTS	433.3	165.6	599.9
(percent)	(19.0)	(35.6)	(21.8)
Street	156.2	55.4	211.5
Park, Recreation, etc.	56.9	12.7	69.7
Water and Sewer	43.1	36.8	79.9
Flood and Drainage	21.1	7.7	28.8
Neighborhood Facilities	17.9	6.8	24.6
Solid Waste Facilities	1.8	•	1.8
Removal of Arch. Barrier	8.2	7.5	15.7
Senior Centers	6.6	10.2	16.8
Centers for Handicapped	.8	1.1	1.9
Renovation of Closed Schools	2.3	a	2.3
Historic Preservation	3.0	1.7	4.7
Other Pub. Fac. and Improve.	115.4	26.7	142.1
ECONOMIC DEVELOPMENT	$263.3	$42.2	305.5
(percent)	(11.5)	(9.0)	(11.1)
Assistance to For-Profit Entities			
Rehab loans and grants	7.6	.2	7.7
Other loans and grants	36.3	8.3	44.6
Acquisition/Disposition	4.6	.1	4.7
Infrastructure	.7	.6	1.3
Other assistance	12.7	1.1	13.8
Comm. and Industrial Improvements by Grantee:			
Rehab. loans and grants	15.5	3.8	19.3
Other loans and grants	45.3	3.7	49.0
Land acq./disposition	12.1	2.2	14.3
Infrastructure development	36.3	7.2	43.4
Other improvements	40.7	8.4	49.1
Special Activities Subrecipients:			
Loans and grants	15.3	4.0	19.3
Other assistance	25.3	1.8	27.1
Rehab. of Private Property	10.9	.8	11.8
PUBLIC SERVICES	$241.2	$23.4	$264.6
(percent)	(10.6)	(5.0)	(9.6)
Public Services	225.8	22.7	248.5
Special Activities by Subrecipients	15.3	.7	16.0

TABLE 1-22 (Continued)
ESTIMATED PLANNED EXPENDITURES OF CDBG ENTITLEMENT PROGRAM FUNDS, FY 1985
(Dollars in Millions)

	METRO CITIES	URBAN COUNTIES	All ENTITLEMENTS
ACQUISITION, CLEARANCE RELATED	96.2	15.9	112.1
(percent)	(4.2)	(3.4)	(4.1)
Acquisition of Real Property	47.9	12.2	60.1
Clearance	21.9	2.2	24.1
Relocation	15.9	1.3	17.2
Disposition	10.5	.2	10.7
OTHER	60.2	30.9	91.1
(percent)	(2.5)	(6.6)	(3.3)
Completion of Urban Renewal	5.0	.3	5.3
Contingencies/Local Options	33.7	20.1	53.8
Repayment of Section 108 Loans	21.5	10.5	32.0
ADMINISTRATION AND PLANNING	317.1	63.6	380.7
(percent)	(13.9)	(13.6)	(13.8)
Administration	289.4	55.1	344.5
Planning	27.7	8.5	36.2
TOTAL PROGRAM RESOURCES+	$2,282.5	$468.1	$2,750.6

• Less than $50,000

\+ Includes CDBG entitlement grants, program income, loan proceeds, and funds reprogrammed from prior years' grants.

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 1-23

ESTIMATED PLANNED EXPENDITURES OF CDBG ENTITLEMENT PROGRAM FUNDS, FY 1984

(Dollars in Millions)

	METRO CITIES	URBAN COUNTIES	All ENTITLEMENTS
HOUSING-RELATED	837.8	132.5	970.3
(percent)	(37.9)	(27.9)	(36.1)
Private Residential Rehab.:			
Single-family	414.4	100.3	514.7
Multi-Family	114.9	14.2	129.1
Rehab. of Pub. Res. Property	93.3	1.0	94.3
Rehab. of Pub. Housing	19.0	2.6	21.6
Code Enforcement	45.2	2.8	48.0
Historic Preservation	3.0	.2	3.2
Housing Activities by Sub-Recip:			
New Housing & Acquisition	19.9	3.2	23.1
Rehabilitation	46.6	2.0	48.6
Rehabilitation of Closed Schools	1.5	-	1.5
Weatherization Rehabilitation:			
Single-family	6.7	2.0	8.7
Multi-family	1.5	-	1.5
Rehabilitation Administration	71.8	4.2	76.0
PUBLIC FACILITIES AND IMPROVEMENTS	421.8	164.7	586.5
(percent)	(19.1)	(34.7)	(21.8)
Street	186.7	64.7	251.4
Park, Recreation, etc.	55.0	12.2	67.2
Water and Sewer	56.2	43.3	99.5
Flood and Drainage	11.2	6.7	17.9
Neighborhood Facilities	24.6	5.6	30.2
Solid Waste Facilities	2.6	0.2	2.8
Removal of Arch. Barrier	5.7	5.4	11.1
Senior Centers	4.3	9.3	13.6
Centers for Handicapped	4.7	2.4	7.1
Renovation of Closed Schools	1.2	1.1	2.3
Historic Preservation	5.4	2.9	8.3
Other Pub. Fac. and Improve.	64.2	10.9	75.1
ECONOMIC DEVELOPMENT	293.1	62.2	355.3
(percent)	(13.3)	(13.1)	(13.2)
Assistance to For-Profit Entities			
Rehab loans and grants	.2	-	.2
Other loans and grants	1.2	-	1.2
Other assistance	.2	-	.2
Comm. and Industrial Improvements by Grantee:			
Land acq./disposition	41.6	14.1	55.7
Infrastructure development	65.2	12.9	78.1
Rehab. loans and grants	34.4	6.5	40.9
Other loans and grants	42.5	15.4	57.9
Other improvements	42.2	4.9	47.1
Special Activities Subrecipients:			
Loans and grants	32.8	2.7	35.5
Other assistance	20.8	2.2	23.0
Rehab. of Private Property	12.0	3.5	15.5
PUBLIC SERVICES	217.9	22.3	240.2
(percent)	(9.9)	(4.7)	(8.9)
Public Services	201.0	20.7	221.7
Special Activities by Subrecipients	16.9	1.6	18.5

TABLE 1-23 (Continued)
ESTIMATED PLANNED EXPENDITURES OF CDBG ENTITLEMENT PROGRAM FUNDS, FY 1984
(Dollars in Millions)

	METRO CITIES	URBAN COUNTIES	All ENTITLEMENTS
ACQUISITION, CLEARANCE RELATED	85.3	5.5	90.8
(percent)	(3.9)	(1.2)	(3.4)
Acquisition of Real Property	11.7	.9	12.6
Clearance	43.8	2.1	45.9
Relocation	18.5	2.2	20.7
Disposition	11.3	.3	11.6
OTHER	64.5	16.6	81.1
(percent)	(2.9)	(3.5)	(3.0)
Completion of Urban Renewal	9.8	--	9.8
Contingencies/Local Options	37.1	15.5	52.6
Repayment of Section 108 Loans	16.7	.9	17.6
Special Activities by Subrecip.	.9	.2	1.1
ADMINISTRATION AND PLANNING	287.3	68.6	355.9
(percent)	(13.0)	(14.4)	(13.3)
Administration	264.0	61.0	325.0
Planning	23.3	7.6	30.9
TOTAL PROGRAM RESOURCES*	2,210	475	2,685

* Includes CDBG entitlement grants, program income, loan proceeds, and funds reprogrammed from prior years' grants.

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 1-24: PART 1
ESTIMATED PLANNED EXPENDITURES BY CDBG ENTITLEMENT CITIES,
FYs 1979-1983
(Dollars in Millions)

	1983	1982	1981	1980	1979
PUBLIC FACILITIES AND IMPROVEMENTS	$431.0	$423.0	$569.4	$632.6	$712.4
(percent)	(19.2)	(20.0)	(24.0)	(26.9)	(28.8)
Street Improvements	182.4	164.3	279.1	266.8	278.5
Parks, Recreation, etc.	58.2	55.0	67.3	81.2	104.5
Water and Sewer	52.0	44.0	68.9	66.7	78.8
Flood and Drainage	22.7	14.3	16.6	21.3	39.1
Neighborhood Facilities	16.2	19.4	49.0	70.2	67.9
Solid Waste Facilities	8.7	2.5	1.3	1.1	2.2
Parking Facilities	7.1	.7	9.4	23.8	12.1
Fire Protection Facilities	6.5	9.6	9.5	9.7	12.4
Removal of Arch. Barriers	6.0	6.8	11.0	13.2	13.4
Senior Centers	6.0	8.3	9.6	14.7	16.8
Centers for the Handicapped	1.3	1.4	8.2	8.6	7.2
Other Public Works and Facilities	46.0	96.7	40.1	55.4	79.8
HOUSING-RELATED ACTIVITIES	$802.5	$768.1	$816.0	$752.8	$702.6
(percent)	(37.3)	(36.3)	(34.4)	(32.0)	(28.4)
Rehab. of Private Property	548.0	584.2	610.7	575.9	471.6
Rehab. of Pub. Res. Structures	105.0	108.9	115.0	88.5	133.6
Rehab. of Pub. Housing Mod.	18.3	12.5	27.0	28.4	29.7
Code Enforcement	54.8	52.6	52.2	47.5	53.4
Historic Preservation	9.2	9.9	11.1	12.5	14.3
Housing Activities by LDCs	67.2	-NA-	-NA-	-NA-	-NA-
ACQUISITION CLEARANCE RELATED	$ 99.9	$176.0	$260.4	$278.7	$324.7
(percent)	(4.6)	(8.3)	(11.0)	(11.9)	(13.1)
Acquisition of Real Property	25.4	92.3	141.3	151.0	182.6
Clearance	36.4	45.5	53.8	60.2	65.3
Relocation	27.9	31.0	54.5	58.8	68.8
Disposition	11.2	7.2	10.8	8.7	8.0
PUBLIC SERVICES	$254.1	$195.1	$180.3	$180.1	$191.2
(percent)	(11.8)	(9.2)	(7.6)	(7.7)	(7.7)
ECONOMIC DEVELOPMENT	$204.7	$174.1	$121.5	$119.4	$89.2
(percent)	(9.5)	(8.2)	(5.1)	(5.4)	(3.6)
Local Development Corporation	90.4	73.7	74.8	68.5	38.4
Public Fac. and Impr. for ED	27.1	31.7	16.5	22.5	22.3
Com. and Ind. Fac. for ED	58.6	52.5	19.1	18.0	17.3
Acquisition for ED	28.6	16.2	11.1	10.4	11.2
COMPLETION OF CATEGORICAL PROGRAMS	$19.8	$31.6	$19.8	$36.8	$43.1
(percent)	(.9)	(1.5)	(.8)	(1.6)	(1.7)
CONTINGENCIES AND LOCAL OPTIONS	$ 53.8	$ 47.3	$ 79.9	$ 95.3	$102.4
(percent)	(2.5)	(2.2)	(3.4)	(4.1)	(4.1)
ADMINISTRATION AND PLANNING	$304.2	$303.4	$327.1	$255.0	$304.2
(percent)	(14.1)	(14.3)	(13.8)	(10.8)	(12.3)
Administration	249.8	253.4	272.1	205.9	250.0
Planning	54.4	50.0	55.0	49.1	54.2
TOTAL RESOURCES	$2152.1	$2118.6	$2374.3	$2350.7	$2471.1
Net Grant Amount	1954.0	1963.9	2196.8	2216.8	2282.7
Other Program Resources[1]	198.1	154.7	177.5	133.9	188.4

N/A = Not available

[1] Includes program income, surplus urban renewal funds, loan proceeds, and funds reprogrammed from prior years' grants.

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 1-24: PART 2
ESTIMATED PLANNED EXPENDITURES BY CDBG ENTITLEMENT CITIES,
FYs 1975-1978
(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	32.4
ACQUISITION/CLEARANCE	$ 527.8	$ 440.0	$ 420.1	$ 436.4
(percent)	(21.6)	(18.0)	(18.8)	(21.7)
Acquisition	207.7	225.5	215.5	240.0
Clearance Demolition and Rehabilitation	234.8	125.8	112.5	105.8
Disposition	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 CATEGORICAL PROGRAMS	$ 113.9	$ 204.4	$ 261.1	$ 320.9
(percent)	(4.7)	(8.5)	(11.7)	(16.0)
Completion of Urban Renewal 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
(percent)	(3.5)	(4.5)	(4.2)	(4.9)
ADMIN. 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/Management	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
Other Program Resources[1]	141.8	132.0	123.3	17.0

[1] Includes program income, surplus urban renewal funds, loan proceeds, and funds reprogrammed from prior years' grants.

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

TABLE 1-25: PART 1
ESTIMATED CDBG URBAN COUNTY FUNDING BY MAJOR ACTIVITIES BUDGETED
FYs 1979-1983
(Dollars in Millions)

	1983	1982	1981	1980	1979
PUBLIC FACILITIES AND IMPROVEMENTS	$161.2	$155.6	$171.1	$178.5	$186.6
(percent)	(34.1)	(37.7)	(39.3)	(42.3)	(45.7)
Street Improvements	61.6	51.2	61.2	65.5	60.8
Parks, Recreation, etc.	11.4	13.1	17.1	15.8	17.1
Water and Sewer	39.0	32.3	42.5	42.6	47.6
Flood and Drainage	9.7	9.3	10.7	9.9	11.2
Neighborhood Facilities	.9	11.5	10.7	13.8	16.5
Solid Waste Facilities	.5	1.9	.2	----	.2
Parking Facilities	2.5	1.0	1.7	1.9	2.5
Fire Protection Facilities	4.5	3.2	4.2	3.6	3.9
Removal of Arch. Barriers	5.2	3.8	5.8	6.9	6.0
Senior Centers	8.2	7.9	11.3	10.9	12.2
Centers for the Handicapped	1.7	1.1	.9	1.8	1.3
Other Public Works and Facilities	16.0	18.6	4.1	4.6	4.2
HOUSING RELATED ACTIVITIES	$119.1	$117.4	$135.7	$109.6	$ 94.4
(percent)	(25.2)	(28.5)	(31.2)	(26.0)	(23.2)
Rehab. of Private Property	100.6	110.4	119.1	97.2	84.0
Rehab. of Pub. Res. Structures	1.5	1.6	5.4	3.3	3.4
Rehab. of Pub. Housing Mod.	2.2	1.1	2.2	2.1	1.6
Code Enforcement	3.2	3.0	6.6	4.8	2.9
Historic Preservation	2.0	1.6	2.4	2.2	2.5
Housing Activities by LDCs	9.6	-NA-	-NA-	-NA-	-NA-
ACQUISITION CLEARANCE RELATED	$ 7.1	$ 18.9	$ 32.9	$37.2	37.0
(percent)	(1.5)	(4.6)	(7.6)	(8.8)	(9.1)
Acquisition of Real Property	1.4	13.3	24.7	29.3	26.9
Clearance	2.2	2.3	3.9	3.5	4.9
Relocation	3.4	3.3	4.1	4.4	4.9
Disposition	.1	----	.2	----	.3
PUBLIC SERVICES	$ 22.0	$ 18.4	$ 7.6	$ 7.3	$ 8.0
(percent)	(4.7)	(4.5)	(1.7)	(1.7)	(2.0)
ECONOMIC DEVELOPMENT	$ 58.1	$ 31.2	$11.5	$ 10.3	$ 8.2
(percent)	(12.3)	(7.6)	(2.6)	(2.4)	(2.0)
Local Development Corp.	14.0	5.4	7.2	5.7	3.7
Public Fac. and Impr. for ED	3.7	6.7	2.6	1.2	1.9
Com. and Ind. Fac. for ED	25.0	11.4	.5	1.8	1.9
Acquisition for ED	2.1	1.9	1.2	1.6	.7
COMPLETION OF CATEGORICAL PROGRAMS	$ .2	$ .7	$ .7	$ 1.2	2.1
(percent)	(*)	(.2)	(.2)	(.3)	(.5)
CONTINGENCIES AND LOCAL OPTIONS	$ 34.3	$ 15.9	$21.9	$ 24.1	$22.0
(percent)	(7.3)	(3.9)	(5.0)	(5.7)	(5.4)
ADMINISTRATION AND PLANNING	$ 70.4	$ 55.2	$ 54.3	$ 54.5	51.1
(percent)	(14.9)	(13.4)	(12.5)	(12.9)	(12.6)
Administration	47.8	41.3	45.5	46.4	40.1
Planning	22.6	13.9	8.8	8.1	11.1
TOTAL RESOURCES	$472.4	$412.6	$435.0	$421.8	$406.2
Net Grant Amount	426.0	404.3	424.7	417.3	396.0
Other Program Resources[1]	46.3	8.3	10.3	4.5	10.2

N/A = Not available

[1] Includes program income, surplus urban renewal funds, loan proceeds, and funds reprogrammed from prior years' grants.

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 1-25: PART 2

ESTIMATED CDBG URBAN COUNTY FUNDING BY MAJOR ACTIVITIES, FYs 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	0	0	0	0
REHABILITATION	$ 63.9	$ 52.1	$ 28.2	$ 13.7
(percent)	(17.1)	(15.7)	(13.2)	(12.5)
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 CATEGORICAL PROGRAMS	5.6	$ 3.9	$ 4.9	$ 7.4
(percent)	(1.5)	(1.2)	(2.3)	(6.8)
Completion of Urban Renewal 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
	(14.1)	(12.4)	(12.0)	(17.8)
Administration	36.1	27.4	15.1	9.0
Planning/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
Other Program Resources[1]	3.6	4.7	5.4	.3

1 Includes program income, surplus urban renewal funds, loan proceeds, and funds reprogrammed from prior years' grants.

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

METHODOLOGICAL APPENDIX

CDBG Performance Monitoring and Evaluation Database

The data presented in this chapter come from the CDBG performance Monitoring and Evaluation Database maintained by HUD's Office of Program Analysis and Evaluation. This database contains information extracted by content analysis from Final Statements of Community Development Objectives and Projected Use of Funds and Grantee Performance Reports (GPR) submitted by each Urban County and a representative sample of 220 Metropolitan Cities. The 220 Entitlement cities included in the database were selected by a stratified random sample of all cities eligible for CDBG formula grants. The strata used in drawing this sample distinguished grantees by the size of entitlement grant, whether the community is a central city or a non-central city, and whether the community received its grant according to CDBG Formula A or Formula B.

1983 GPR Universe, Sample, and Coding

The universe of communities required to submit 1983 GPRs (the most current GPRs available to HUD) consisted of 623 Metropolitan Cities and 98 Urban Counties that received 1983 CDBG grants.

Data on the actual use of FY 1983 CDBG entitlement program funds came from GPRs submitted by 97 Urban Counties and 214 Metropolitan Cities in the sample. GPR's from two Metropolitan Cities and one Urban County were not included because they were received too late to be coded. In addition, two cities included in the sample of eligible communities were not required to submit a GPR because they had never applied for CDBG funds and two cities in sample have joined urban county programs.

Each city was weighted to reflect the ratio of sampled communities to the universe in that stratum. Table A-1 shows the composition of the 1983 GPR universe and the coded sample of Metropolitan Cities in each stratum.

1985 Statement Universe, Sample, and Coding

In FY 1985, 707 Metropolitan Cities and 107 Urban Counties were eligible to receive CDBG entitlement grants. Of that number, 691 cities and 107 counties applied for and received funding; the application of one other community for FY 1985 funding was pending at the time this report was prepared. Seven cities chose to combine with counties and therefore did not submit statements and eight cities chose not to apply for their 1985 grants.

Two of the Metropolitan Cities included in the CDBG sample participated in the program through Urban Counties and two cities in the sample did not apply for their 1985 grant and one community's application was pending at the time of this report. Consequently, the data presented in this chapter on the planned use of FY 1984 funds are based on information submitted by 215 Metropolitan Cities and 107 Urban Counties.

Each Entitlement city was weighted to reflect the ratio of sampled cites to the total number of communites in the stratum that received grants. Table A-2 shows the composition of the 1985 universe of cities receiving entitlement funds and the coded sample of Metropolitan Cities in each stratum.

TABLE A-1

CHARACTERISTICS OF 1983 GPR UNIVERSE AND CODED
SAMPLE OF METROPOLITAN CITIES

Grant Amount (millions)	Central Cities Formula A N	Central Cities Formula A n	Central Cities Formula B N	Central Cities Formula B n	Non-Central Cities Formula A N	Non-Central Cities Formula A n	Non-Central Cities Formula B N	Non-Central Cities Formula B n
$10.0+	10	9	22	22	0	-	0	-
$4.0-9.9	20	19	30	19	2	2	1	1
$2.0-3.9	29	15	41	16	8	3	15	6
$1.o-1.9	49	14	58	15	24	4	29	13
Less than $1.0	117	18	66	15	85	20	19	3
Total	225	75	217	87	119	29	64	23

N = Number of communities in universe of entitlement communities submitting 1983 GPR.

n = Number of communities included in the sample and coded.

TABLE A-2

CHARACTERISTICS OF 1985 STATEMENT UNIVERSE AND CODED
SAMPLE OF METROPOLITAN CITIES

Grant Amount (millions)	Central Cities Formula A N	Central Cities Formula A n	Central Cities Formula B N	Central Cities Formula B n	Non-Central Cities Formula A N	Non-Central Cities Formula A n	Non-Central Cities Formula B N	Non-Central Cities Formula B n
$10.0+	10	10	21	21	0	-	0	1
$4.0-9.9	22	19	27	17	2	2	0	-
$2.0-3.9	31	16	49	22	7	1	6	2
$1.o-1.9	48	13	70	20	28	5	26	12
Less than $1.0	141	21	88	14	89	17	26	3
Total	252	79	255	94	126	25	58	17

N = Number of communities awarded Entitlement Program grants in 1985.

n = Number of communities included in sample and coded.

CHAPTER 2

COMMUNITY DEVELOPMENT BLOCK GRANTS: THE STATE AND SMALL CITIES PROGRAM

INTRODUCTION AND BACKGROUND

This Chapter describes the operation of the CDBG State- and HUD-administered Small Cities Programs in FY 1985. The chapter is organized into four sections. In the first, appropriations, program participation and funding among the States is addressed. The second discusses how States contracted or awarded their funds among their communities and the priorities they emphasized in their selection processes. Section three presents a brief analysis of the types of projects that States funded during the 1985 program year. The final section includes a brief discussion of the FY 1985 HUD-administered Small Cities program.

The Community Development Block Grant State and Small Cities Programs are HUD's principal vehicles for assisting communities under 50,000 population that are not central cities. From its inception in FY 1974 until FY 1982, the program was administered exclusively by HUD, and more than $4.3 billion in grants were awarded through competitions managed by HUD Field Offices. HUD sponsored a demonstration program in 1981 that permitted State governments in Wisconsin and Kentucky to assist in administering the CDBG program for their non-entitlement communities. At the Administration's request, Congress changed the administrative structure of the CDBG Small Cities Program in the Omnibus Budget Reconciliation Act of 1981. States were offered the option of administering the program for their non-entitlement communities, and most States and Puerto Rico have since assumed this responsibility and now determine how and where to award CDBG Small Cities funds within their jurisdictions. By FY 1985, only three States, New York, Maryland and Hawaii remained in the HUD-administered Small Cities program.

APPROPRIATIONS, PROGRAM FUNDING AND PARTICIPATION

The amount of funds for the State and Small Cities programs is established by Section 106 of the Housing and Community Development Act of 1974, as amended, at thirty percent of the entire CDBG annual appropriations remaining after subtracting the amount allocated to the Secretary's Discretionary Fund. In FY 1985, $1.02 billion was available for use in the State and Small Cities Programs. These funds are distributed among the States using almost the same dual formula process that is used in the Entitlement Program, except that formulas are modified to include only data reflecting non-entitlement areas of each State.* Through these formulas, $971.4 million was distributed in FY 1985 to the 48 States administering their own CDBG programs. The balance, approximately $52 million, went to grantees in the three States in which HUD administers the program.**

* Throughout this Chapter, the term "State" includes Puerto Rico.

** Table 2-10 shows the allocations to each State for FY 1981 through FY 1985.

Forty-four States had distributed a part or all of their HUD FY 1985 grants to recipients by February 7, 1986. State distributions to recipients totalled $709 million. Of these States, five had awarded 30 to 60 percent of their funds to recipients; seventeen States, 60 to 90 percent; and the remainder (22 States) 91 to 100 percent. Thus, about $230 million remained unobligated by approximately 30 States. States are not required to distribute all funds to recipients during the same fiscal year in which funds are received by the State.*

TIMELY DISTRIBUTION OF FUNDS

Section 104(d)(2) of the Housing and Community Development Act of 1974, as amended, requires States to distribute funds to local government recipients in a timely manner. In FY 1985 HUD conducted a study of 47 States indicating that, as of 12 months from the date HUD had awarded FY 1984 grant funds to each State, 88 percent of CDBG State funds had been publicly announced, and 76 percent had been placed under contract with local governments. Thus 24 percent, or approximately $230 million, was undistributed. Ten States had an average of 42 percent of their funds under contract to local government recipients. The slow distribution rate meant that the $230 million remained undistributed, contributing directly to the slow drawdown rate for CDBG funds. Table 2-1 presents distribution of funds data.

HUD considers funds distributed when they are under contract to, and thus available for, the use of local governments. Late State distribution of current fiscal year funds tended to push back distribution of subsequent fiscal year funds. HUD requested that States speed up the contracting process so that this problem would not persist into future fiscal years.

* The program totals shown in Tables 2-4 to 2-6 vary from the total grants to States as shown in Tables 2-9 and 2-10. This is primarily because data were available for only 44 States at the time this report was prepared, and some of these States had not awarded all their FY 1985 funds, or had not provided specific information on the types of activities and communities they had funded. For example, Alaska combined FY 1984 and FY 1985 distributions for its FY 1985 competition, selection and award process. Connecticut's distribution processes combine one and one-half fiscal years, FY 1985 and half of FY 1986. The other half of FY 1986 and FY 1987 constitutes a second Connecticut funding period.

TABLE 2 1

TIMELINESS OF STATE FUNDS DISTRIBUTION TO RECIPIENTS, FY 1985 (47 States)

Percent of Recipients under Contract	Months After HUD Grant Award to the States							
	Three		Six		Nine		Twelve	
	States	Pct.	States	Pct.	States	Pct.	States	Pct.
80-100%	5	11%	14	30%	21	45%	30	64%
60-79	5	11	7	15	14	30	13	28
40-59	2	4	4	8	4	8	2	4
20-39	4	8	4	8	5	11	--	--
0-19	31	66	18	39	3	6	2	4
Total	47	100%	47	100%	47	100%	47	100%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Block Grant Assistance.

STATE GRANTS TO SMALL CITIES

PROGRAM ADMINISTRATION

Each State selects an agency to administer its program. Types of agencies administering the program in FY 1985 remained the same as in FY 1983 and FY 1984. Of the 48 participating States, the departments of community affairs administered the program in 21; economic and community development agencies were responsible in 13; and State planning or industrial agencies, or the Governor's Office were designated in the remaining fourteen. Regional agencies were used by five States to provide assistance to applicants and to aid in grant administration-related tasks. Many other States also relied on regional organizations, other State or even non-State agencies to assist them in administering parts of their grants. Alabama uses a non-State agency to administer the portion of its CDBG Program which addresses economic development. Michigan's State Housing Development Authority was assigned administrative responsibility for the housing component of its program.

Each State may use a portion of the funds it receives to pay for costs incurred in administering the program. A State may deduct from its total grant $100,000, plus 50 percent of any expenses in excess of $100,000. The total amount deducted, however, may not exceed $100,000 plus two percent of the State's allocation.

Within the requirements imposed by the Act and HUD regulations, State administering agencies have discretion to design their own systems for selecting communities, to determine which eligible activities will get special emphasis, and to establish limits to the amounts awarded applicants.

NATIONAL OBJECTIVES

States are required to certify to HUD that the three CDBG Congressionally-mandated national objectives will be met:

- o maximum feasible priority to activities which will benefit low- and moderate-income families, or

- o aid in the prevention or elimination of slums or blight, and

- o other community development needs having particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

In addition to the national objectives specified in the legislation, States can develop their own objectives, and are encouraged to do so to ensure that their programs meet State and local needs. Eleven States (23 percent) relied solely on the national objectives in FY 1985. Five States (10 percent) used objectives determined by the State to meet the needs of their small cities. Over two-thirds of all participating States (32) used a combination of national and State objectives to relate their requirements to applicants and HUD.

THE LOW- AND MODERATE-INCOME BENEFIT OBJECTIVE

Regardless of State objectives, each State must ensure that not less than 51 percent of their CDBG grant funds are used for activities that benefit low- and moderate-income persons. States may select a one, two or three-year period to meet this goal. Once selected, the period may not be changed until it has been completed. The two or three-year period allows States to respond to particular needs in a given year while assuring that over several years the 51 percent requirement is met. In FY 1984, 28 States (58 percent) selected a one-year period, three (six percent) a two-year period and seventeen (36 percent) a three-year period. In FY 1985, 24 States (50 percent) selected a one year period, while four (eight percent) specified two and twenty (42 percent) specified three years. Thus, from FY 1984 to FY 1985, about ten percent of the States (four) changed the completion period for their low-moderate-income requirement from a one- to a two- or a three-year period. Data on low- and moderate income objective time periods are presented in Table 2-2.

TABLE 2-2

NUMBER OF YEARS ELECTED BY STATES TO ACHIEVE THE LOW- AND MODERATE-INCOME OBJECTIVE, FY 1984 and FY 1985
(Dollars in Millions)

Grant Years Elected to Achieve L/Mod a&	FY 1984 States No.	FY 1984 States Pct.	FY 1984 Allocations $Amt.	FY 1984 Allocations Pct.	FY 1985 States No.	FY 1985 States Pct.	FY 1985 Allocations $Amt.	FY 1985 Allocations Pct.
One Year	28	58%	$676	70%	24	50%	$590	61%
Two Years	3	6	24	3	4	8	35	4
Three Years	17	36	267	27	20	42	346	35
Total	48	100%	$967	100%	48	100%	$971	100%

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, office of Block Grant Assistance.

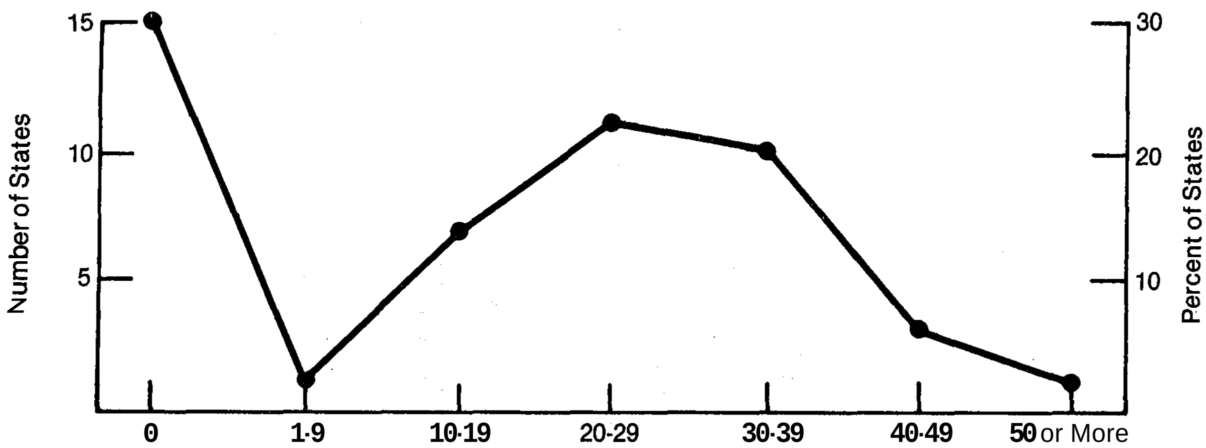
In FY 1985, thirty-four States reported specific data on the low- and moderate-income benefit national objective. Fourteen reported that 90 percent or more of their total grant would be used for activities satisfying this national objective, fifteen reported 70 to 89 percent and five 51-69 percent. The 34 States reported that $572 million, or 86 percent of their total $665 million CDBG funds, were to be used to meet this objective.

ECONOMIC DEVELOPMENT

States continue to use a significant portion of their grants for economic development. The percent of grant funds distributed by each State to recipients for economic development needs in FY 1985 varied, but States planned to distribute $205 million (21 percent) of their grant totals for this purpose. About three-fifths of the 48 States allocated between ten and forty percent of their total CDBG grants to meet economic development purposes. Only four States (eight percent) earmarked forty or more percent of their grant for economic development. Michigan allocated the largest dollar amount ($15 million, or 47 percent) of its grant, while Wyoming allocated the largest percentage (50 percent). A substantial proportion (fifteen, or 31 percent) of participating States did not distribute funds specifically for economic development purposes. During FY 1985 several States discontinued quantitative rating and scoring systems for economic development applications and substituted non-quantitative procedures. Many States also continued to receive and judge economic development applications on a continuous, year-round basis rather than at set times during the year. This was to hasten response to private sector needs. Figure 2-1 presents FY 1985 characteristics of State economic development activities.

FIGURE 2-1

STATE COMMITMENT TO ECONOMIC DEVELOPMENT ACTIVITIES IN THE STATE BLOCK GRANT PROGRAM, FY 1985 (48 STATES)



SOURCE: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Block Grant Assistance.

STATE SELECTION SYSTEMS

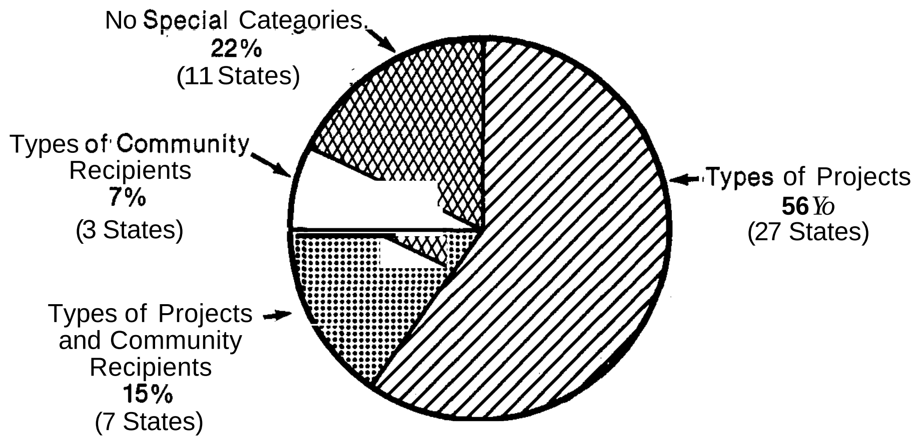
Before States assumed administrative control of their own CDBG programs, HUD established the criteria for rating applications submitted by non-entitlement communities and conducted competitions to rank the applications received. Since States first began to administer the CDBG program in FY 1982, most have awarded grants by using competitive systems that reflect their special economic and community development needs and individual policy preferences. Forty states in FY 1985 maintained more than one competitive award system. These systems included general competition only, or competitions by type of activity (such as public facilities or economic development), or by the size, location or other characteristics of recipients. In FY 1985, 45 States awarded all but a small share of their funds based on competitions. Specific characteristics of the competitions varied considerably among the States.

The selection process was accomplished in most States by the State administering agency, although in four States regional organizations played significant roles in the selection of recipients. In Utah, Texas, Arizona, and South Carolina, most of the States' distributions were influenced by regional organizations. In Utah, seven regional organizations suggested top priority projects; in Texas, 24 organizations, and, in Arizona, four regional organizations made ratings and recommendations based on applications that were closely followed by the State administering agencies in the award of 67 and 85 percent shares, respectively, of those States' distributions. In South Carolina, ten regional organizations ranked the applicants, and the State selected among them. In States where regional organizations only make recommendations on a portion of CDBG funds, the remainder is usually set aside for special project competitions or awards. In several other States, regional organizations provided a variety of technical assistance to applicants such as aid in preparation of applications and workshops on implementation.

The number of States that used a competitive awards process with set asides, categories and/or distributions earmarked for either specific types of projects or types of community recipients, is shown in Figure 2-2.

FIGURE 2-2

TYPES OF SPECIAL FUNDING SYSTEMS ESTABLISHED BY STATES USING A COMPETITITVE APPLICATION SYSTEM, FY 1985 (48 STATES)



SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Block Grant Assistance.

Eleven States do not specify categories but let demand for activities govern their distributions. Thirty-seven maintained more than one of the following categories:

- General, Discretionary
- Housing
- Public Facilities/Infrastructure
- Economic Development
- Planning/Technical Assistance, Feasibility/Capacity Building
- Imminent Threat, Emergency, Urgent Needs
- Senior Citizens
- Interim Financing Projects
- Energy
- Innovative/New Horizons
- Population

Special funding systems in 34 States ensured that certain types of projects were funded. Funding systems were established that set aside portions of State funds for particular types of communities in ten States, including seven that also established rankings for certain types of projects. To assure geographic dispersion in four States (Arizona, South Carolina, Texas and Utah), CDBG funds were awarded through regional or area-wide organizations. Vermont and New Mexico ensured geographic distribution by earmarking a percentage of funds for use in rural areas. West Virginia conducted a single general competition in which all applicants, regardless of the type of project proposed, were ranked against one another.

Three States chose to use population-based formula grants as the most effective means for meeting all or part of their special needs. Pennsylvania, Ohio and Puerto Rico awarded significant portions of their funds through formulas that primarily reflected the relative population and distress of eligible communities. Ohio allocated approximately 42 percent of its FY 1985 grant by formula, Puerto Rico, 62 percent, and the Pennsylvania State legislature required that 87 percent of that State's funds be distributed through formula.

STATE SET ASIDES

Many States targeted assistance to include special features that affect their selection and/or distribution processes in order to better reflect their perceptions of needs particular to their States. One method States have found to be very effective is to set aside funds for certain categories of projects or types of communities and counties. Thirty-three States set aside $205 million for economic development (21 percent of total FY 1985 State funding); 15 set aside $15 million for imminent threats, emergencies and special opportunity projects (two percent of funds); and 12 States reserved $4 million for "planning only" (one percent). Thus, twenty-four percent of the FY 1985 funds available were set aside for specific State-determined priorities.

Other set asides included: public facilities, 10 States; Housing, eight; planning/technical assistance, 15 States; downtown revitalization, two; energy projects, two; formula set aside, two. Only five States did not set aside funds for one or more purposes. A few States also set aside funds for unique purposes. Arkansas set aside funds for minority business, Massachusetts for a "Main Street" financing project and Illinois to provide fixed rate financing for small business. Michigan provided funds for a Community Growth Alliance, and Texas for Area Revitalization. California set aside 1.25 percent of its funds for small cities having Native American communities not recognized under Federal law as Indian Tribes, but defined by the State as identifiable geographic areas comprised of no less than 51 percent Native American Indians. Idaho set aside five percent of its funds for projects benefitting senior citizens.

Other States also set aside all or a part of their allocations using formulas based on geographic and/or population factors. Eight set aside funds for small communities, four for large communities and two for counties. Alabama, New Mexico and North Dakota based their distributions in part on the population of the city or county; Arizona, Texas, Utah and South Carolina made distributions on a regional basis. North Dakota set different grant ceilings for three ranges of small cities, with the ceiling for each community established within population ranges from 0-500, 501-5,000, and over 5,000, thus ensuring adequate funding for very small communities. North Carolina is the only State that permitted local governments receiving grants (Community Revitalization, 72 percent of its allocation) to designate up to 20 percent of their distributions for local option activities. Local option activities included any eligible activities and were not evaluated for the purpose of rating applications, but had to meet CDBG requirements.

STATE SELECTION PRIORITIES

State administering agencies in FY 1985 used the same types of selection criteria that they used in FY 1984 (See Table 2-3.) One-half or more of the States used the following criteria in order of frequency: project impact; community needs; or benefits to low- and moderate-income persons. One-third to one-half of the States also used: the extent to which the project leveraged other funds; met urgent community needs; local commitment to the project; and the applicant's management capacity. Promoting equal opportunity and creating employment were also factors often incorporated by States as part of such general categories as project impact. The importance of the latter factors in the States' programs is consequently probably underrepresented in the count in Table 2-3, which illustrates only those States in which they are singled out as factors in selection.

TABLE 2-3

STATE PROGRAM AWARD SELECTION FACTORS, FY 1985*

Selection Factor	States Using the Factor: Number	States Using the Factor: Percent
Project Impact	37	77%
Community Needs	27	56
Benefits to Low/Moderate Income Persons	24	50
Leveraging Other Funds	23	47
Urgent Needs	18	37
Local Commitment	16	33
Local Management Capacity	16	33
Employment Created/Retained	10	20
Equal Opportunity	5	10
Housing Commitment	3	6

* Because all States used more than one selection factor, the total number of factors exceeds the number of participating States.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Block Grant Assistance.

SMALL CITIES APPLICATIONS AND AWARDS

During FY 1985, 44 States conducting competitions received 7,062 applications and made 2,667 awards to 38 percent of applicants. In FY 1984, the same 44 States received 8,253 applications and made 3,435 awards to 42 percent of the applicants. Approximately 14 percent fewer applications had been received and the award-applicant ratio was eight percent lower in FY 1985 than in FY 1984 by the date of this report. The number of applications received, however, differed little from comparable data for FY 1984 available last year at this time because States continue to make awards using current fiscal year funds well into the following fiscal year, as noted in the Timely Distribution of Funds and other sections of this Chapter. When complete data for FY 1985 applications and awards become available after publication of this report, the number and ratio of FY 1985 applications and awards for the 44 States will probably be comparable to FY 1984, as presented in Table 2-9.

The number of applicants ranged from 19 in Rhode Island to 607 in Texas, and the number of awards ranged from 16 in Delaware to 254 in Ohio. (Ohio distributed a substantial portion of its funds through a formula.) Overall, approximately 2,700 awards totalling $710 million had been made by 44 States using FY 1985 funds at the time this report was prepared.

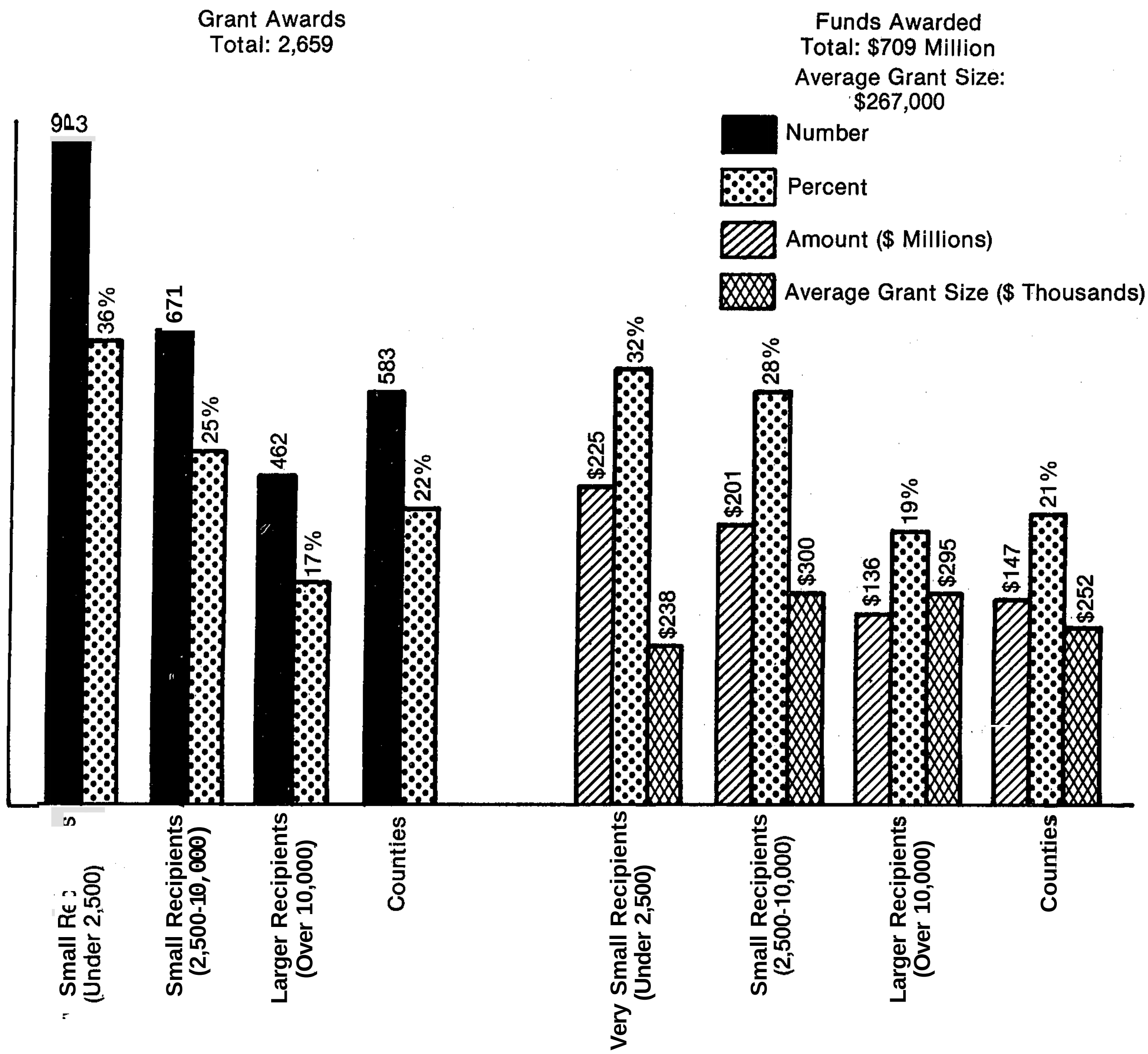
Of all FY 1985 applications received by the States, approximately 38 percent were funded. Average State award size in FY 1985 varied greatly, from $67,000 in Utah to $840,000 in Puerto Rico. Because the CDBG formula makes available more funds to States with higher levels of poverty, Puerto Rico received a relatively larger grant, and made awards averaging $840,000 to its 66 eligible applicants. Figure 2-3 lists applicants, awards and average grant sizes for participating States.

CHARACTERISTICS OF GRANTS AND RECIPIENTS

Very small cities and towns, i.e., those with populations of less than 2,500, were awarded the largest share of money by the States (32 percent of funds) and were the most frequent recipients of FY 1985 State awards (36 percent of grants). Larger cities (those with populations greater than 10,000) and counties received a larger average award than very small cities, and small communities with populations of 2,500-10,000 received the largest average awards. Figure **2-3** presents awards by size of recipient.

FIGURE 2-3

STATE BLOCK GRANT PROGRAM AWARDS BY SIZE OF RECIPIENT, FY 1985 (44 STATES)



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

PROGRAM ACTIVITIES

In FY 1985, the most frequently and most heavily funded activities were public works-related. Housing-related, economic development and planning assistance activities follow in order of amount of funds received. Economic development activities frequently include public works, such as installation of utilities and street improvements to service industrial districts. A substantial portion of grant funds were distributed for multi-activity programs. Table 2-4 presents the frequency and level of funding of program activity categories.

TABLE 2-4

STATE BLOCK GRANT
PROGRAM ACTIVITIES FUNDED, FY 1985
(44 STATES)

Program Activity	Grants: Number	Grants: Pct.	Grant Funds: Amount ($mill.)	Grant Funds: Pct.	Grant Funds: Average Amount ($thous.)
Public Works	1,260	47%	$323	46%	$256
Water	(406)	(15)	(108)	(15)	266
Sewer	(235)	(9)	(70)	(10)	297
Streets	(166)	(6)	(35)	(5)	209
Public Facilities	(144)	(5)	(26)	(4)	181
Flood/Drainage	(75)	(3)	(18)	(3)	242
Other Pub. Works	(234)	(9)	(66)	(9)	282
Economic Development	454	17	107	15	236
Housing-Related	495	19	172	24	349
Planning-Related	121	5	5	1	41
Multi-Activity	320	12	96	14	298
Total	2,650	100%	$703	100%	$265

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

The predominance of actual public works project funding is indicated in Table 2-4.* Approximately one-half of both the number of grants and the amount of grant funds were awarded to projects for the construction or reconstruction of basic community infrastructure. Projects for water and sewer improvements were the most frequently funded types of public works. Significant levels of funding were also allocated to other public works projects such as improvements to streets, bridges and facilities to control flooding or improve drainage. Projects for the construction or rehabilitation of public facilities, such as senior citizen or handicapped centers and recreational facilities, and to make public buildings more accessible to the handicapped were allocated approximately $26 million. The "Other Public Works" category includes such activities as acquisition, clearance, fire and safety projects.

* Current reporting requirements used in the State program permit State officials to develop their own categories to describe the projects they fund. The categories used in this Chapter represent HUD's classification of activities described by the States. HUD assisted public interest groups during 1985 in developing a uniform reporting systemthat is now being reviewed for adoption. HUD made copies of the suggested reporting system available to interested States and suggested that it be adopted on a voluntary basis.

Economic development projects received 15 percent of all funds. Most States did not describe projects promoting economic development in terms of specific activities. Some States identified such activities as site improvements for business expansion and the provision of loans to businesses for capital or to improve facilities. Economic development priorities prompted 13 States to accept those applications at any time throughout the year, while 12 accepted economic development applications on a quarterly basis. With economic development funding spread over the year, the totals distributed for that activity may not be adequately reflected in Table 2-4, and shifts may therefore, occur once States commit all their funds. Housing-related projects, which constituted 19 percent of all grants, received some 24 percent of all funds. Most housing-related projects involved providing loans and grants for the rehabilitation of single-family, owner-occupied housing. Several States also used funds to begin and/or expand rental rehabilitation programs. Small planning grants, averaging $41,000 each, constituted five percent of the number of grants but only one percent of funds distributed. Small communities have few full-time employees, and, consequently, almost none have planning staff. As a result, they frequently require planning or feasibility funds to determine the scope, cost and desirability of housing, public works and economic development projects.

ACTIVITIES UNDERTAKEN BY DIFFERENT TYPES OF RECIPIENTS

There were substantial differences in the way program monies were used by different types of recipients. The distribution of the number and size of State grants by program activities undertaken, populations and types of recipient communities is presented in Tables 2-5 and 2-6.

About 64 percent of the number of awards made and 63 percent of the dollar amount in very small cities and towns (under 2,500 population) were to be used for public works-related projects. Relatively small shares of funds were set aside for housing and economic development projects. Very little funding was allocated for multi-activity projects. Funding for economic development projects by very small city recipients was about one-third to one-half the level of this type of funding by other communities. Projects in larger cities emphasized public works, followed by economic development, housing, and multi-activity awards.

Funding patterns of eligible counties were closer to that of small recipients than to that of larger communities. Most State funds awarded to counties (50 percent) were for public works projects, while substantially smaller proportions went to other types of activities. Counties did, however, spend a relatively larger percentage share on economic development projects than did very small cities.

TABLE 2-5

STATE PROGRAM ACTIVITIES, NUMBER OF AWARDS BY RECIPIENT POPULATION SIZE/TYPE, FY 1985

Program Activity	Very Small cities (under 2,500) Number	Percent	Small cities (2,500-10,000) Number	Percent	Larger cities (over 10,000) Number	Percent	Counties Number	Percent
Public Works	602	64%	264	40%	126	28%	267	46%
Economic Development	102	11	135	a	97	21	118	20
Housing	175	19	133	20	111	24	76	13
Planning	44	5	21	3	18	4	33	6
Milti-Activity	14	1	59	9	42	9	5	1
Formula Grants	—	—	56	8	63	14	81	14
Total	937	100%	668	100%	457	100%	580	100%

SOURCE: U.S. Department of Housing and Urban Developer&, Community Planning and Development, Office of Block Grant Assistance.

TABLE 2-6

STATE PROGRAM ACTIVITIES, AMOUNT OF FUNDING BY RECIPIENT POPULATION SIZE/TYPE, FY 1985 (Dollars in Millions)

Program Activity	Very Small cities (under 2,500) Amount	Percent	Small cities (2,500-10,000) Amount	Percent	Larger cities (over 10,000) Amount	Percent	Counties Amount	Percent
Public Works	$140	63%	$75	37%	$34	26%	$73	50%
Economic Development	17	8	32	16	27	20	31	21
Housing	55	25	49	24	43	32	26	18
Planning	1	1	1	1	1	1	2	1
Multi-Activity	8	3	42	21	25	18	2	1
Formula Grants	—	—	2	1	4	3	13	9
Total	$221	100%	$201	100%	$134	100%	$147	100%

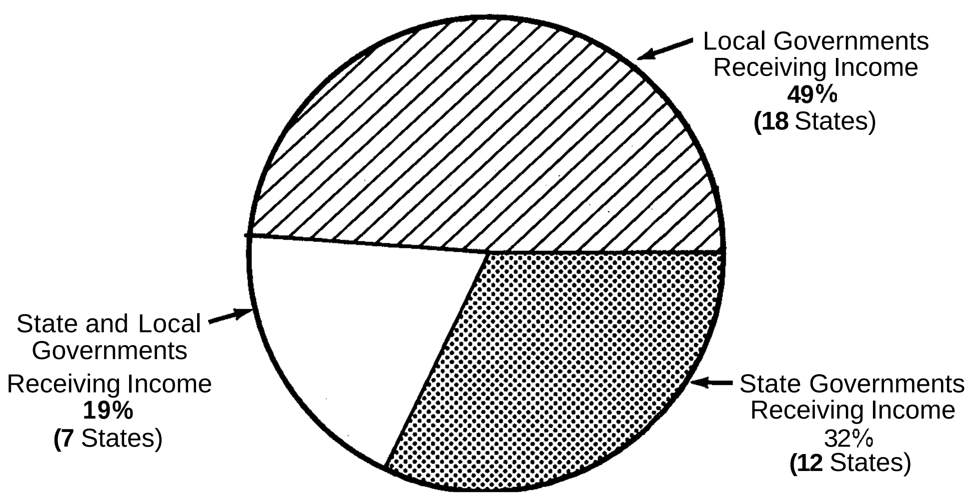
SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Block Grant Assistance.

PROGRAM INCOME

Local governments are permitted to retain certain program income realized from a CDBG grant if the income was realized after the initial disbursement of funds received by the government unit and if the income is used for eligible activities. States may, in their discretion, either require that recipients pay the State any program income or may permit the recipients to retain program income. However, States must permit the small city to retain program income when it is to be used to continue the activity which generated the income. In FY 1985, data received to date from 37 States indicated that 12 (32 percent) required payment of program income to the State while ,18 (49 percent) permitted local government recipients to retain income. Decisions as to what income was to be retained by recipients and what was to be repaid to the States were made by the States on a case-by-case basis. Seven States (19 percent) required payment of certain types of program income to the State and also permitted local governments to retain other types of income. When waiving payment of funds, States required recipients retaining income to use the funds to continue the activity from which the income was derived to satisfy CDBG requirements. Figure 2-4 presents State program income payment requirements.

FIGURE 2-4

PAYMENT OR RETENTION OF PROGRAM INCOME, BY STATES AND/OR RECIPIENTS, FY 1985 (37 STATES)



SOURCE: U.S. Department of Housing of Urban Development, Community Planning and Development, Office of Block Grant Assistance.

Twenty States supplied examples of program income secured from repayment and/or interest on 331 loans, totalling $71.3 million. The loans, averaging $214,000 each, had been made by local recipients over the period FY 1982-FY 1985, primarily to promote economic development activities. The $71.3 million recipient loans had been "matched" by additional, non-CDBG funds totalling $360.4 million committed by banks, businesses and/or governmental units. Thus, the leveraging ratio of additional dollars invested for each CDBG dollar in this sample was five to one. Loan funds had been used by local businesses to purchase equipment (55 percent), for construction (20 percent), or for working capital (17 percent).

THE HUD-ADMINISTERED SMALL CITIES PROGRAM

By FY 1985, only Hawaii, Maryland and New York remained in the HUD-administered Small Cities Program. During the fiscal year, HUD received applications from 258 communities and funded 120 (47 percent). The total amount of grants awarded was $52 million for an average award of about $434,000, providing a one-year funding commitment. Small cities (2,500-10,000 population) received both the largest number (45) and percentage (38) of HUD-administered awards. Very small cities (under 2,500 population) followed with 28 grants and 23 percent of all awards. The most significant program activity, by number of grants awarded, was housing (44 awards and 37 percent of all awards) followed by comprehensive grants (30 awards, 25 percent). The largest average size grant allocations ($567,000) supported comprehensive activities followed by housing ($409,000), public works ($381,000) and economic development ($360,000). Tables 2-7 and 2-8 present characteristics of the HUD-administered program.

TABLE 2-7

HUD-ADMINISTERED SMALL CITIES PROGRAM
NUMBER, PERCENT, AND AMOUNT OF GRANTS AWARDED,
BY STATE, JURISDICTION, AND POPULATION SIZE, FY 1985
(Dollars in Thousands)

	Number and Percent of Grants								Total and Percent of Amount by City Size	
Grants by	Hawaii*		Maryland		New York		Total			
City Population	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	Amount	percent
very Small cities (Under 2,500)	-	-	7	35%	21	22%	28	23%	$11,035	21%
Small Cities (2,500 - 10,000)	-	-	3	15	42	43	45	38	17,847	34
Large cities (over 10,000)	-	-	2	10	a	21	22	18	9,997	19
Counties	3	100	8	40	14	14	25	21	13,217	26
Total	3	100%	a	100%	97	100%	120	100%	$52,097	100%

Grant Totals By State	Hawaii	Maryland	New York	Total
Amount	$2,598	$8,059	$41,460	$52,097
percent	5%	15%	80%	100%

* Hawaii has only three Small Cities CDBG grant-eligible counties.

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

TABLE 2-8

HUD-ADMINISTERED SMALL CITIES PROGRAM
APPLICATIONS RECEIVED, AND NUMBER, PERCENT AND AMOUNT OF GRANTS AWARDED BY PROGRAM ACTIVITY FUNDED, FY 1985

	Applications		Grant Awards				
			Total				Average
Program Activity	No.	Pct.	No.	Pct.	Amt. ($mill)	Pct.	Size ($thous)
Public Works	49	18%	21	17%	$8	15%	$381
Economic Development	76	a	25	21	9	17	360
Housing	103	37	44	37	18	35	409
Comprehensive	49	18	30	25	17	33	567
Total	a 7	100%	120	100%	$52	100%	433

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Block Grant Assistance.

TABLE 2-9

SUMMARY OF STATE BLOCK GRANT PROGRAM APPLICATIONS AND AWARDS FY 1984 AND FY 1985 (Dollars in Thousands)

	Number of Applicants			Number of Awards			Percent Applicants Receiving Awards			Average Size of Awards		
State	FY84	FY85	Pct. Chg.	FY84	FY85	Pct. Chg.	FY84	FY85	Difference	FY84	FY85	Pct. Chg.
Alabama	442	473	7%	178	153	(14)%	40%	32%	(8)	$163	$160	(2)%
Arizona	59	47	(20)	48	36	(33)	81	76	(5)	127	148	17
Arkansas	303	186	(39)	70	45	(36)	16	24	8	278	330	19
California	169	111	(34)	69	64	(7)	41	58	17	430	443	3
Colorado	115	66	(42)	38	26	(32)	33	39	6	243	338	39
Connecticut	53	42	(17)	30	28	(7)	57	67	10	312	363	16
Delaware	29	27	(7)	11	16	45	38	58	20	148	100	(32)
Georgia	341	433	27	101	89	(12)	30	21	(9)	345	327	(5)
Idaho	51	74	45	25	38	52	49	51	2	278	191	(31)
Illinois	300	242	(19)	131	131	—	44	54	10	220	175	(20)
Indiana	184	119	(35)	96	33	(66)	52	28	(24)	280	284	1
Iowa	379	436	15	95	115	20	25	26	1	214	225	5
Kansas	416	292	(30)	84	44	(48)	20	15	(5)	192	236	23
Kentucky	184	204	11	70	70	—	38	34	(4)	401	407	2
Louisiana	150	170	13	45	30	(33)	30	18	(12)	531	643	21
Maine	99	111	12	63	53	(16)	64	48	(16)	174	205	18
Massachusetts	123	99	(20)	81	52	(36)	66	53	(13)	282	484	72
Michigan	496	144	(71)	288	74	(74)	58	51	(7)	159	181	14
Minnesota	168	114	(32)	48	53	10	29	46	17	435	498	15
Mississippi	272	231	(15)	115	68	(41)	42	29	(13)	264	359	35
Missouri	425	303	(29)	91	59	(35)	21	19	(2)	256	260	2
Montana	40	37	(8)	16	16	—	40	43	3	386	342	(11)
Nebraska	229	212	(7)	68	22	(68)	30	10	(20)	112	257	49
Nevada	64	62	(3)	16	18	13	25	29	4	83	76	(8)
New Hampshire	71	66	(7)	40	32	(20)	56	48	(8)	160	196	23
New Jersey	44	53	20	29	30	3	66	57	(9)	267	255	(4)
New Mexico	119	100	(16)	41	59	44	34	59	25	223	177	(21)
North Carolina	228	237	4	105	130	24	46	55	9	432	299	(31)
North Dakota	129	95	(26)	78	52	(33)	60	55	(5)	88	97	10
Ohio	451	401	(11)	327	254	(22)	73	63	(10)	136	134	(1)
Oregon	176	156	(11)	69	65	(6)	39	42	3	134	172	28
Puerto Rlco	66	66	—	66	66	—	100	100	—	830	840	1
Rhode Island	18	19	6	12	18	50	67	95	28	325	220	(32)
South Carolina	133	77	(42)	76	28	(63)	57	36	(21)	306	458	50
South Dakota	123	66	(46)	43	33	(23)	35	50	15	154	111	(28)
Tennessee	228	189	(17)	90	88	(2)	39	47	8	300	299	—
Texas	548	607	11	252	181	(28)	46	30	(16)	236	266	13
Utah	150	100	(50)	92	73	(21)	61	73	12	55	67	22
Vermont	54	46	(15)	41	25	(39)	76	54	(22)	132	170	29
Virginia	130	113	(13)	57	54	(5)	44	48	4	394	432	10
Washington	85	94	11	25	20	(20)	29	21	(8)	461	500	8
West Virginia	257	165	(36)	43	74	72	17	45	28	365	227	(38)
Wisconsin	126	145	15	58	39	(33)	46	27	(19)	452	406	(10)
Wyoming	26	32	23	14	13	(7)	54	41	(13)	202	184	(9)
Total	8253	7062	(14)%	3435	2667	(30)%	42%	38%	(8)	$246	$285	16%

*Alaska, Florida, Oklahoma, and Pennsylvania will award grants later in the year and are not included in this table. Note that the data above for FY 1985 are incomplete and that only approximately 70 percent of State funds were awarded as of February 7, 1986.

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

TABLE 2-10

SMALL CITIES ALLOCATIONS BY STATE
FY 1981 – FY 1985
(Dollars in Thousands)

	FY 1981	FY 1982		FY 1983		FY 1984		FY 1985	
State	Allocation Amount	Allocation Amount	Percent Change	Allocation Amount	Percent Change	Allocation Amount	Percent Change	Allocation Amount	Percent Change
Alabama	$28,007	$31,727	13%	$29,792	(6)%	$28,803	(3)%	$29,102	1%
Alaska	1,283	1,315	2	1,504	14	1,651	10	1,706	3
Arizona	5,284	5,998	14	6,849	14	6,301	(8)	6,425	2
Arkansas	20,443	22,902	12	21,215	(7)	20,525	(3)	20,712	1
California	23,327	24,708	6	27,142	10	30,101	11	27,028	(10)
Colorado	8,585	9,654	12	10,128	5	9,534	(6)	9,783	3
Connecticut	8,417	9,978	19	10,120	1	10,386	3	10,481	1
Delaware	1,449	1,587	10	1,663	5	1,645	(1)	1,642	—
Florida	21,051	23,076	10	25,982	13	26,909	4	27,679	3
Georgia	34,380	36,676	7	36,408	(1)	36,454	—	36,920	1
Hawaii	1,525	1,633	7	1,896	16	2,544	34	2,598	2
Idaho	5,713	6,280	10	7,102	13	7,312	3	7,420	1
Illinois	32,409	33,713	4	33,485	(1)	33,209	(1)	33,375	—
Indiana	26,263	30,254	15	29,801	(1)	28,935	(3)	29,125	1
Iowa	22,498	24,908	11	24,775	(1)	24,920	1	25,096	1
Kansas	16,084	17,885	11	17,484	(2)	16,808	(4)	16,973	1
Kentucky	27,238	30,639	12	29,316	(4)	28,764	(2)	28,987	1
Louisiana	27,586	30,837	12	27,787	(10)	27,041	(3)	26,823	(1)
Maine	9,493	10,090	6	10,524	4	11,259	7	11,360	1
Maryland	8,556	8,325	(3)	8,315	—	8,154	(2)	8,039	(1)
Massachusetts	22,512	26,542	18	27,380	3	27,626	1	27,834	1
Michigan	28,424	30,506	7	31,822	4	31,837	—	32,140	1
Minnesota	19,721	22,249	13	22,291	—	21,689	(3)	21,806	1
Mississippi	30,303	33,925	12	30,349	(11)	30,824	2	31,177	1
Missouri	23,560	26,218	11	25,803	(2)	24,096	(7)	24,290	1
Montana	5,595	6,109	9	6,327	4	6,213	(2)	6,276	1
Nebraska	10,928	12,101	11	11,897	(2)	12,049	1	12,142	1
Nevada	2,031	1,291	(36)	1,520	18	1,682	11	1,693	1
New Hampshire	5,742	5,731	—	6,015	5	6,629	10	6,710	1
New Jersey	9,999	11,381	14	11,915	5	8,326	(30)	8,833	6
New Mexico	8,414	9,329	11	9,324	—	9,724	4	9,407	(3)
New York	37,424	39,225	5	39,315	—	42,342	8	41,460	(2)
North Carolina	41,707	46,374	11	43,868	(5)	42,685	(3)	43,176	1
North Dakota	5,164	5,704	10	5,528	(3)	5,341	(3)	5,407	1
Ohio	39,317	44,040	12	44,927	2	44,719	—	43,516	(3)
Oklahoma	16,550	18,517	12	17,719	(4)	15,836	(11)	16,194	2
Oregon	9,204	9,894	7	11,081	12	10,189	(8)	10,282	1
Pennsylvania	37,764	42,622	13	42,691	—	44,359	4	44,334	—
Puerto Rico	44,730	47,050	5	54,796	16	55,906	2	56,592	1
Rhode Island	4,121	4,443	8	4,441	—	4,059	(9)	4,097	1
South Carolina	24,641	26,938	9	25,614	(5)	26,008	2	26,365	1
South Dakota	6,111	7,057	15	6,754	(4)	6,921	2	6,975	1
Tennessee	26,349	30,105	14	28,531	(5)	27,448	(4)	27,751	1
Texas	50,292	57,619	15	56,886	(1)	61,569	8	62,986	2
Utah	3,557	4,235	19	4,728	12	5,028	6	5,170	3
Vermont	4,882	4,905	—	5,145	5	5,613	9	5,666	1
Virginia	23,290	25,520	10	24,005	(6)	22,346	(7)	22,592	1
Washington	11,080	11,342	2	12,179	7	11,707	(4)	10,931	(7)
West Virginia	16,600	18,714	13	17,743	(5)	17,113	(4)	17,248	1
Wisconsin	23,015	25,058	9	24,998	—	25,816	3	26,065	1
Wyoming	2,964	2,921	(1)	2,970	2	2,985	1	3,061	3
Total	$925,582	$1,019,850	10%	$1,019,850	—	$1,019,940	—	$1,023,450	—
States		(37)$762,715		(47)$952,840		(48)$966,900		(48)$971,353	
HUD		$257,135		$67,010		$53,040		$52,097	

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Block Grant Assistance.

CHAPTER 3

THE URBAN DEVELOPMENT ACTION GRANT PROGRAM

INTRODUCTION

This chapter reports on Urban Development Action Grant (UDAG) Program activities through the end of Fiscal Year 1985.[1] The purposes of the UDAG Program are to stimulate employment and to generate revenue in distressed communities by providing grants, awarded on a competitive basis, to be used in economic development projects. The first section of the chapter, Recent Program Developments, discusses program participation in FY 1985, the authorization and appropriation of funds for FY 1985, and regulatory and administrative changes. The next section, Program Operations, describes basic information concerning the financial and distributional characteristics of the 2,550 projects funded as of the end of FY 1985, discusses project construction and completion status, UDAG drawdowns and private expenditures, identifies planned and actual program benefits, and highlights various project characteristics by project type in 2,156 projects with Grant Agreements which have been signed by both HUD and the grantee. The Appendix of this report includes a description and other basic information for each of the 357 UDAG projects for which preliminary application approval was announced during FY 1985. The Appendix is arranged alphabetically by State and municipality and identifies ten projects that subsequently were terminated during FY 1985.

RECENT PROGRAM DEVELOPMENTS

FY 1985 AUTHORIZATION AND APPROPRIATION

An authorization of $440 million for the UDAG Program for FY 1985 was contained in the Housing and Urban-Rural Recovery Act of 1983. No new substantive legislation affecting the FY 1985 UDAG Program has subsequently been passed except for minor Technical Amendments to the 1983 Act. The FY 1985 Appropriation for the UDAG Program was $440 million, the same as the FY 1984 level.

REGULATORY AND ADMINISTRATIVE CHANGES

Anti-Pirating Prohibition--Policy Clarification. In January 1985, the Department published a statement in the Federal Register to clarify its policy with respect to the statutory provision prohibiting the relocation of industrial or commercial facilities from distressed cities.[2] The statement defines the conditions under which the Secretary may make determinations regarding the funding of applications that involve speculative industrial or commercial space. Such projects may not be funded if it appears they are intended to aid the relocation of jobs from one area to another and if'that relocation is likely to have an adverse affect on the unemployment or economic base of another distressed area (which is located outside the applicant's metropolitan area) from which the jobs might be relocated.

Reduction of Grantee Reporting Requirements. The only change in the administration of the UDAG Program made during FY 1985 involved a reduction in the frequency with which grantees are to report progress on projects that are underway. Instead of submitting Progress Reports on a quarterly basis, grantees now are required to report on a semi-annual basis. This change cuts down on paper work and places less of an administrative burden on local project administrators.

PROGRAM OPERATIONS

1985 PARTICIPATION

The Department received and made final decisions on 1,460 applications for UDAG funding during FY 1985. Of these applications, 759 received no further consideration due to inadequate financial commitments, failure to meet minimum leveraging requirements, withdrawal of applications by the community or submission of incomplete applications. The Department announced preliminary application approval for 357 applications; ten of these projects subsequently were terminated. The remaining 347 funded projects are located in 218 jurisdictions and involve $466 million in Action Grant funds. In addition, 561 applications were received during FY 1985 for which funding decisions are to be made in FY 1986.

CHARACTERISTICS OF FUNDED PROJECTS

UDAG Funds Obligated. Since the beginning of the UDAG Program in FY 1978, announcements have been made for 2,969 projects that received preliminary application approval though the end of FY 1985. HUD's Fiscal Year 1987 Budget shows that since the beginning of the program, HUD has signed Grant Agreements for 2,865 of these projects, obligating appropriated UDAG funds in the amount of $4,240,750,000. For FY 1985, budget documents indicate that obligations of $559.3 million were incurred for 373 projects, and grant .announcements were made for $466 million in UDAG funds.

Financial Characteristics of Funded Projects. "Funded" projects mean those that have received an announcement of preliminary application approva have not been terminated and are still underway, closed out or completed.'' Over the life of the program, 2,969 UDAG projects have been announced and 419 have been cancelled or terminated. This leaves a balance of 2,550 projects funded as of the end of FY 1985.

The 2,550 projects account for $28.7 billion in total planned expenditures. (See Table 3-1.) Action Grant funds comprise $3.9 billion, or 14 percent, of this amount; $22.9 billion of private investment, or 79 percent, is expected to be leveraged; and $1.9 billion, or seven percent, is expected from other Federal, State and local government sources. For basic information on the financial characteristics and planned benefits of funded projects, see Exhibit 3-1 at the end of this chapter.[4]

During FY 1985, Action Grant funds amounting to $466 million funded 347 projects. It is expected that these funds will leverage $3.8 billion in private investment and $148 million in other public funds. This brings total planned project costs to $4.4 billion for FY 1985 projects.

TABLE 3-1

NUMBER OF FUNDED PROJECTS AND SOURCES OF FUNDS
FY 1985 AND CUMULATIVELY
(Dollars in Millions)

Category	FY 1985	Program Totals
Number of Funded Projects	347	2,550
Action Grant Funds	$ 466	$3,877
Private Investment	3,751	22,907
Other Public Funds	148	1,929
Total Project Expenditures	$4,365	$28,713

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

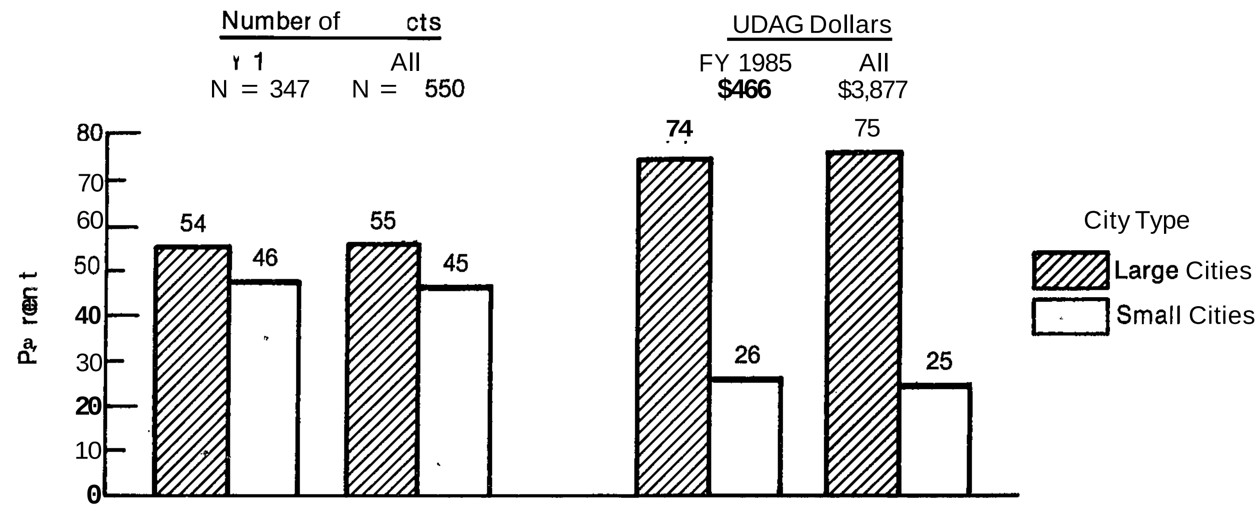
The ratio of private investment to Action Grant dollars for FY 1985 projects was 8:1. This is 3.1 points higher than the average for FY 1983 and FY 1984 projects of 4.9:1 each. To a degree, this increase reflects the greater use of zero-interest UDAG loans and "IRB Specials"[5] in FY 1985 projects; in both cases, less UDAG dollars are required to leverage the private investment. In FY 1985, Action Grant dollars per project averaged $1,343,000 compared to $1,548,000 for FY 1978-1984 projects. Average total project costs of $12,579,000 were somewhat higher than the average for FY 1978-1984 projects of $1 1,052,000.

Distribution of Projects and Action Grant Dollars by City Type. Under the legislation, at least 25 percent of the funds appropriated for UDAG projects must be made available for cities with a population of less than 50,000 which are not central cities of Metropolitan Statistical Areas (MSAs). For this share of the funds, small cities compete separately from large cities.

During FY 1985, large cities received $346 million, representing 74 percent of the UDAG dollars. (See Figure 3-1.) The other $120 million, 26 percent of the total, was awarded to small cities. An average of $1,831,000 in UDAG funds was required for a large city project compared to an average of $759,000 for a small city project. Over the life of the program, the average for large city projects has been $2,078,000 and, for small city projects, it has been $847,000.

FIGURE 3-1

DISTRIBUTION OF FUNDED PROJECTS AND UDAG DOLLARS BY CITY TYPE
FY 1985 AND CUMULATIVELY
(Dollars in Millions)



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

Pockets of Poverty Projects. Up to 20 percent of Action Grant funds appropriated in a fiscal year can be used for Pockets of Poverty projects in jurisdictions which are not otherwise eligible. These projects must provide substantial direct benefits to low- and moderate-income residents of the Pockets, especially employment opportunities. The Department funded 12 Pockets of Poverty projects in FY 1985 involving $17 million in UDAG dollars. Since the 1979 Amendment to the UDAG statute which added this category of applicant, 44 such "pocket" projects have received $68 million in Action Grant funds.[6]

Distribution of Projects and Action Grant Dollars by Project Type. The three major types of UDAG projects are commercial, industrial, and neighborhood. Commercial and industrial projects are defined according to their principal activities; neighborhood projects usually involve housing, but they can also be commercial or industrial in nature depending on whether or not the project's focus is on neighborhood revitalization or employment opportunities for neighborhood residents.

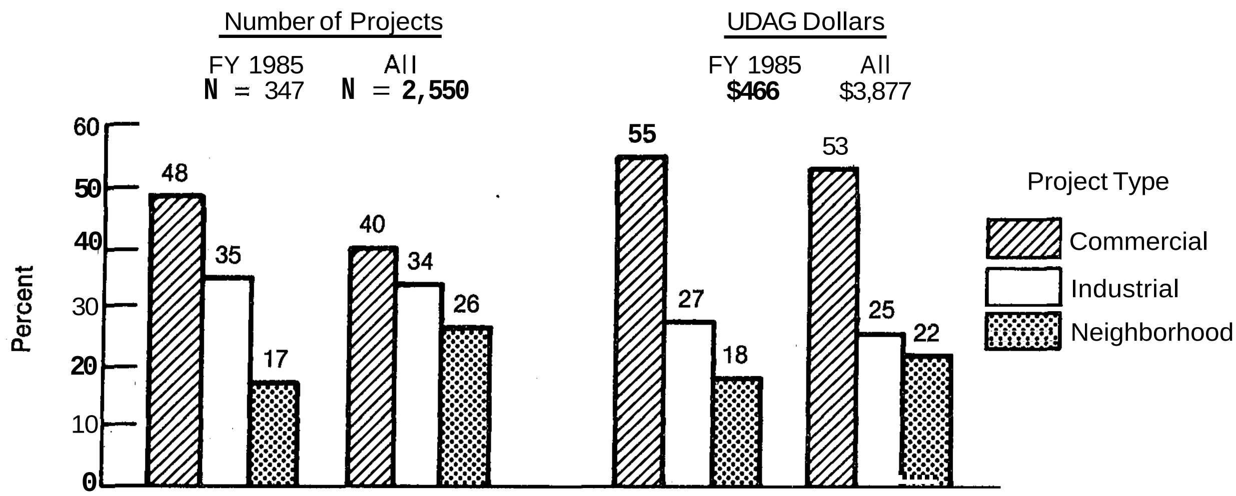
In FY 1985, 55 percent of all UDAG dollars went for commercial projects. (See Figure 3-2.) Industrial projects represented 27 percent of the funds and neighborhood projects 18 percent. Neighborhood projects continue to account for a declining share of both UDAG projects and dollars. To some degree, this reflects the legislative changes that occurred in 1981 directing that the UDAG program promote economic development and eliminating the re uirement that there be a "reasonable balance" among types of UDAG projects.? Even though legislative changes made in 1983 prohibit discrimination among project types, housing-related neighborhood projects do not rate as high as other project types under the project selection formula introduced in December 1983. Such projects create fewer new permanent jobs and generally have lower leveraging ratios than other project types. The selection formula was employed because there were more applications meeting program requirements for funding than there was money available to fund them.

Over the life of the program, in large cities, commercial projects received 60 percent of all UDAG dollars, 17 percent went for industrial projects, and 23 percent for neighborhood projects. By contrast, in small cities, industrial projects account for 52 percent of the UDAG dollars, commercial projects for **33** percent, and neighborhood projects 15 percent.

FIGURE **3-2**

DISTRIBUTION OF FUNDED PROJECTS AND UDAG DOLLARS BY PROJECT TYPE FY 1985 AND CUMULATIVELY

(Dollars in Millions)



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

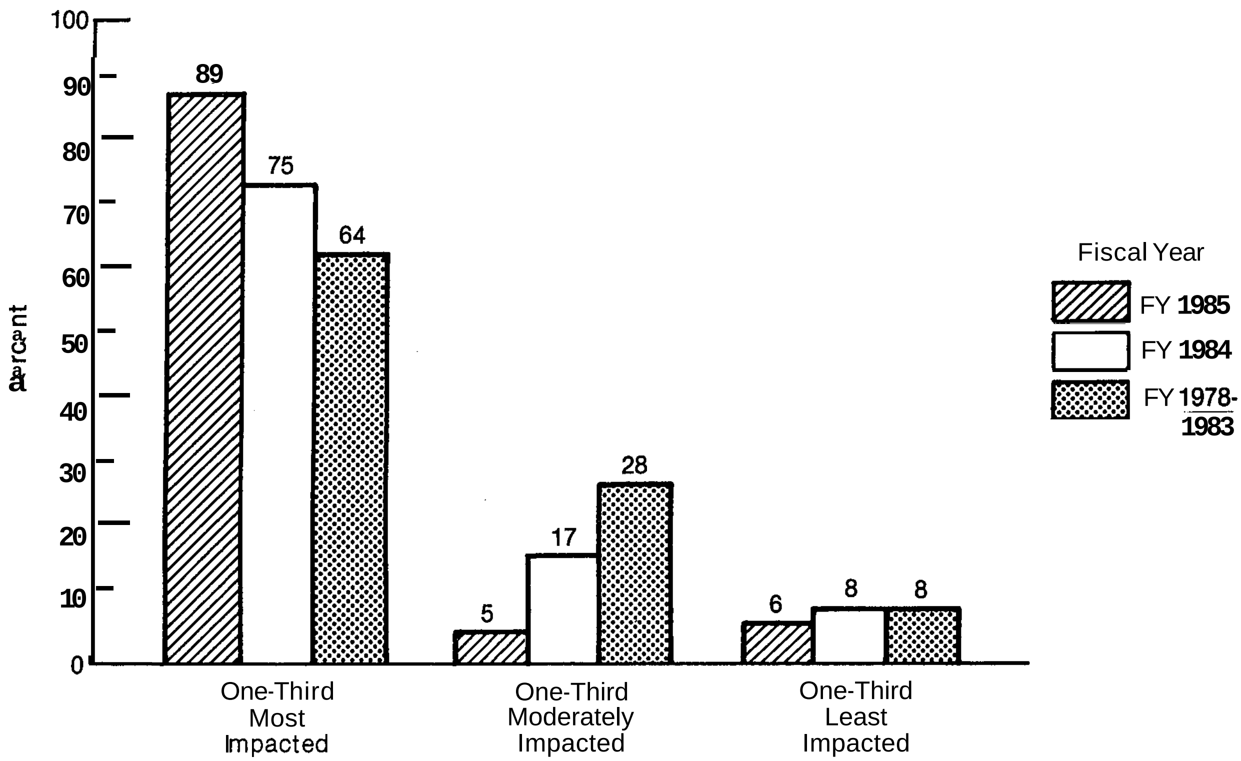
For all FY 1985 projects, the average Action Grant amount was $1.3 million. Commercial and neighborhood projects each averaged $1.5 million, as compared to $1.0 million for industrial projects. These averages are somewhat lower than those for all funded projects.

Distribution of UDAG Dollars by Degree of Impaction. The authorizing legislation requires HUD to use impaction--the comparative degree of economic distress among applicants--as its primary criterion in the selection of applications to be funded. The measurement for impaction takes into account the degree of population growth lag/decline, the extent of poverty, and the percentage of pre-1940 housing.

For large cities in FY 1985, 89 percent of all UDAG dollars was awarded to the one-third most-impacted communities compared to 75 percent in FY 1984. Five percent of the dollars went to the one-third moderately-impacted communities in FY 1985 compared to 17 percent in FY 1984. Six percent was awarded to the one-third least-impacted jurisdictions in FY 1985 compared to eight percent in FY 1984. The corresponding figures for the period FY 1978-1983 are 64 percent, 28 percent, and eight percent, respectively. (See Figure 3-3.) These changes show the impact of the introduction of the project selection formula in FY 1984. Up to 40 of the 100 points which can be assigned to an application are based on the applicant's impaction rank. As a consequence, in FY 1984 and FY 1985, proportionately more funds were awarded to fundable applications submitted by the one-third most-impacted large cities. Conversely, less funds were awarded to both moderately-impacted and the least-impacted communities than in previous fiscal years.

FIGURE 3-3

DISTRIBUTION OF UDAG DOLLARS AMONG ELIGIBLE LARGE CITIES BY DEGREE OF IMPACTION BY FISCAL YEAR

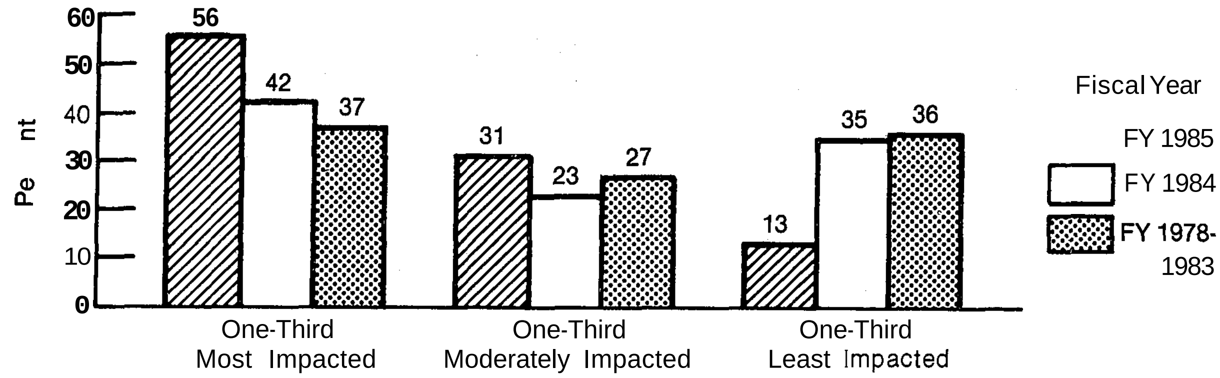


SOURCE: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Action Grant Information System.

Action Grant dollars are more evenly distributed among the degree-of-impaction categories in small cities compared to large cities. To illustrate, in FY 1985, the one-third most-impacted small cities received 56 percent of the total value of awards made to small cities, while the one-third most-impacted large cities received 89 percent of all awards made to large cities. The one-third moderately-impacted small cities received 31 percent of small city awards compared to five percent of large city awards made to the one-third moderately-impacted large cities. However, as is the case with large cities, there has been a shift of funds awarded toward the most-impacted small cities. (See Figure 3-4.)

FIGURE 3-4

DISTRIBUTION OF UDAG DOLLARS AMONG ELIGIBLE SMALL CITIES BY DEGREE OF IMPACTION BY FISCAL YEAR



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

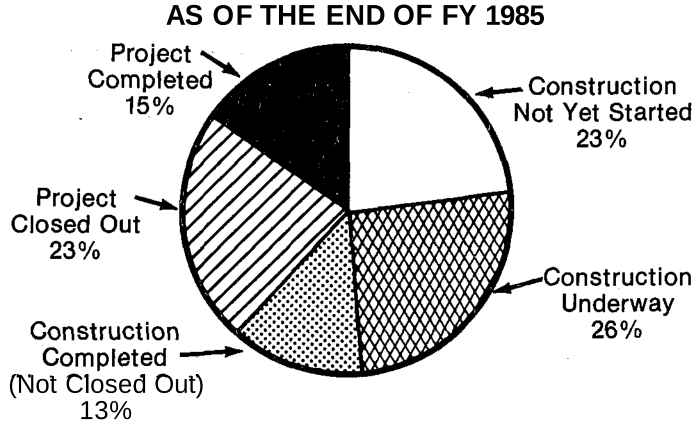
PROJECT PROGRESS AND EXPENDITURE RATES

Information on the construction and completion status of funded projects as of the end of FY 1985 is provided in this part. The amount and rate of UDAG drawdowns and private investment expenditures are also shown.

Construction and Completion Status. Construction was underway or had been completed in 77 percent of all funded projects as of the end of FY 1985. (See Figure 3-5.) There were 596 projects which had been closed out but not yet completed and 380 projects for which Certificates of Completion had been issued. Closed out and completed projects accounted for 38 percent of all funded projects.

FIGURE 3-5

CONSTRUCTION AND COMPLETION STATUS OF ALL FUNDED PROJECTS AS OF THE END OF FY 1985



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

UDAG Drawdowns. According to HUD's Office of Finance and Accounting, as of the end of FY 1985, UDAG recipients had drawn down $2,458,059,000. This represents 58 percent of the $4,240,750,000 in obligated program funds.

Private Expenditures. Almost $23 billion in planned private investment is associated with all 2,550 funded UDAG projects. (See Table 3-2.) Grantees reported that more than $18.4 billion, or 80 percent of this amount had been expended by the end of FY 1985. The expenditure rate of planned private investment (80 percent) is much higher than the UDAG drawdown rate (58 percent) because private investment can exist before Legally Binding Commitments from project participants are approved by HUD. In addition, most UDAG agreements stipulate that a specific proportion of the private funds must be spent before a proportionate amount of UDAG funds can be drawn down.

The private expenditure rate for both small city and large city projects is essentially the same, 80 and 81 percent, respectively. Industrial projects show the highest rate (84 percent) compared to neighborhood projects (81 percent) and commercial projects (78 percent).

Actual private investment in closed-out or completed projects exceeds 119 percent of the planned amount. This has resulted from a combination of higher-than-anticipated costs and inflation.

TABLE 3-2

PLANNED VERSUS ACTUAL PRIVATE INVESTMENT IN FUNDED PROJECTS
CUMULATIVE AS OF OF SEPTEMBER 30, 1985
(Dollars in Millions)

Projects	Planned	Actual	Percent
All Projects	$22,907	$18,439	80%
Large Cities	16,339	13,089	80
Small	6,568	5,350	81
Commercial	11,539	9,040	78
Industrial	7,580	6,347	84
Neighborhood	3,788	3,052	81

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

PROGRAM BENEFITS

This part describes' planned versus actual benefits derived from all funded Action Grant projects in the areas of jobs, taxes, housing, and for minority persons and firms.[8]

EMPLOYMENT BENEFITS

Planned Employment Benefits. In FY 1985, the 347 UDAG projects funded called for the creation of 59,000 new permanent jobs. Fifty-one percent are expected to be produced for low- and moderate-income persons and 27 percent for minority persons. It is anticipated that over the life of the program, the 2,550 projects funded thus far will create more than 500,000 new permanent jobs, 55 percent of which are to be for low- or moderate-income persons and 19 percent for minority persons. (See Table 3-3.)

TABLE 3-3

PLANNED EMPLOYMENT BENEFITS IN FUNDED PROJECTS
FY 1985 AND CUMULATIVELY

Planned Benefits	FY 1985 Projects	All Projects
New Permanent Jobs	58,603	503,254
Low/Moderate Income Jobs	29,784	277,668
Percent Low/Moderate	51%	55%
Minority Jobs	15,835	94,412
Percent Minority	27%	19%
New Permanent Jobs Per Project	169	197
UDAG Dollars per New Job	$7,954	$7,705
Retained Jobs	3,992	122,357
Construction Jobs	67,651	414,164

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

The average number of planned new permanent jobs per project for all projects is 197 and for FY 1985 projects it is 169. This downward trend reflects more accurate job estimates by grantees and a general downtrend in average project size. In FY 1985, the average amount of UDAG dollars per planned permanent job was $8,000. This was a decline from the average of $9,200 in FY 1984 projects--the first year that the average UDAG subsidy required to provide a new permanent job had declined. To some extent this trend reflects a lower number of housing projects, where few, if any, jobs are created. For all 2,550 projects funded, the average UDAG dollar per planned new permanent job is $7,700.

For the life of the UDAG Program, industrial projects have shown the lowest average UDAG dollar cost--$6,100 per planned new permanent job. As a rule, industrial projects have a higher leveraging ratio than other project types. In contrast, the average cost per job for commercial projects is about $7,100, while for neighborhood projects it is over $16,500. This high cost-per-job for neighborhood projects is because they usually involve housing which generates few new permanent jobs. By city type, the average of $6,600 UDAG dollars per new permanent job for small city projects compares to $8,200 for projects in large cities and Urban Counties. Most likely this is a reflection of lower construction costs and the greater number of industrial projects in small cities.

In some instances, projects have been funded that retained existing permanent jobs that otherwise would have been lost to the community. Over the history of the UDAG Program, over 122,000 such jobs have been identified. For projects announced in FY 1985, the reported number of jobs retained is 4,000. Since more emphasis has been placed on economic development and new job creation in the administration of the UDAG Program, the number of retained jobs has become much smaller compared to the number of planned new permanent jobs. The ratio of new permanent jobs to retained jobs for FY 1985 is 14.7:1 compared to a ratio of 4.1:1 for all projects from FY 1978 to FY 1985.

Most Action Grant projects create temporary construction jobs in addition to new permanent jobs. Almost 68,000 construction jobs are expected to occur from FY 1985 projects with a little over 414,000 to be created during the entire program.

Actual Jobs Created. By the end of FY 1985, grantees reported that 215,000 new permanent jobs were actually created by the UDAG Program, or 43 percent of those planned in all projects funded since the inception of the program. (See Table 3-4.) Of the total new jobs created, over 132,000, or 62 percent, were for low- and moderate-income persons. In projects that either have been closed out or completed, 77 percent of all new planned permanent jobs have actually been created.

TABLE 3-4

NEW PERMANENT JOBS CREATED IN FUNDED PROJECTS
CUMULATIVE AS OF SEPTEMBER 30, 1985

Type of Job	Planned	Created	Percent of Planned Jobs Actually Created
New Permanent	503,254	215,053	43%
Low/Mod Income	277,668	132,544	48%

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

FISCAL BENEFITS

Planned Fiscal Benefits. The generation of new tax revenue for distressed communities is another intended benefit resulting from UDAG projects. Communities project about $560 million annually in new tax revenue to be derived from all projects. (See Table 3-5.) Of this amount, $365 million is expected from increases in property taxes; $173 million from other taxes such as local sales taxes, local income taxes, and inventory taxes; and $21 million from payments-in-lieu-of-taxes (PILOT).

Communities anticipated about $57 million in additional annual revenue for FY 1985 projects alone. Of that total, $38 million was to come from increases in real estate taxes (excluding the impact of tax abatements which occur in about 20 percent of all projects), $16 million from other taxes and $3 million from payments in-lieu-of-taxes. For all projects, each UDAG dollar was expected to generate 14¢ per year in increased local revenue as compared to 12¢ in FY 1985 projects.

TABLE 3-5

PLANNED ANNUAL FISCAL BENEFITS FROM FUNDED PROJECTS
CUMULATIVE AS OF SEPTEMBER 30, 1985
(Dollars in Millions)

Type of Revenue	FY 1985 Projects	All Projects
Property Tax	$38	$365
Other Taxes	16	173
PILOT	3	21
Total	$57	$559

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

Actual Tax Revenues Received. Through the end of FY ,1985, as reported by grantees, UDAG projects had actually generated $209 million of additional annual tax revenue. This represented 37 percent of that planned for all funded projects. Property tax revenue increases provided $145 million of that amount, other taxes $44 million, and payments-in-lieu-of-taxes, $20 million. (See Table 3-6.) Over most of the UDAG Program's history, PILOTs were included in planned "Other Taxes," which explains why 95 percent of planned PILOTs is shown as being received.

In closed-out or completed projects, 56 percent of all planned increased revenue was reported as received.

Payback of UDAG Loans. The payback of loans by private sector participants provides another source of revenue to distressed communities from UDAG projects. Approximately $128 million in paybacks were reported as received by almost 400 grantees through FY 1985. Paybacks can be used for the full range of CDBG-eligible activities. Many communities receiving paybacks have established revolving loan pools to promote economic development.

TABLE 3-6

TAX AND RELATED REVENUES RECEIVED IN FUNDED PROJECTS
CUMULATIVE AS OF SEPTEMBER 30, 1985
(Dollars in Millions)

Revenue Source	Planned	Received	Percent of Planned Revenues Actually Received
Property Tax	$365	$145	40%
Other Taxes	173	44	25
PILOT	21	20	95
Total	$559	$209	37%

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

HOUSING BENEFITS

Planned Housing Benefits. Communities planned almost 99,000 housing units, including 9,400 units in FY 1985, to be constructed or rehabilitated in UDAG projects through the end of FY 1985. Seventy-one percent of the planned units in FY 1985 projects involve new construction compared to the program average of 51 percent. Lower interest rates have led to increased demand for projects involving new construction, since new construction is more rate-sensitive than rehabilitation.

Twenty-eight percent of all planned housing units in FY 1985 projects were reserved for low- or moderate-income families, compared to 39 percent over the life of the program.

Housing Units Completed. Of the housing units planned, fifty-two percent, or 51,800 units, had been completed by the end of FY 1985. Forty-three percent of the completed units were reserved for occupancy by low- and moderate-income families.

BENEFITS TO MINORITIES

A variety of benefits to minorities and opportun'ties for participation by minority-owned firms are provided by UDAG projects.' (See Table 3-7.)

Minority Employment. More than one-half of all funded UDAG projects specifically identify planned new permanent jobs for minority persons. The total number of such jobs is over 94,000, which represents 19 percent of all new permanent jobs planned in funded projects. Twenty-seven percent of all new permanent jobs in FY 1985 projects are targeted to minorities. As of the end of FY 1985, communities reported that more than 51,000 new permanent jobs had been filled by minority persons, or 54 percent of those planned. In the early years of the program, grantees were not required to identify jobs planned for minority persons. However, for each project they have always reported the number of actual minority jobs created. As a consequence, the number of projects with planned jobs for minorities and the number of such planned jobs are understated. This accounts for the higher percentage of planned jobs for minorities actually created (54 percent) than that for all new permanent jobs (43 percent).

Minority Contracts. Grantees reported that 54 percent of all projects in which one or more contracts had been awarded as of the close of FY 1985 involved the participation of minority-owned firms as contractors or sub-contractors. These are firms in which 50 percent or more of the firm is owned by persons of racial or ethnic minorities. Fifteen percent of all contracts awarded has gone to minority-owned firms. The total value of contracts awarded to minority-owned firms through the end of FY 1985 is $981 million; this was eight percent of the value of all contracts awarded.

TABLE 3-7

BENEFITS TO MINORITY PERSONS AND FIRMS FROM ALL FUNDED PROJECTS CUMULATIVE AS OF SEPTEMBER 30, 1985

Category		Percent
Percent of Projects with Planned New Permanent Jobs for Minority Persons	57	
Percent of Planned New Permanent Jobs Designated for Minority Persons	19	
Percent of Planned New Permanent Jobs for Minority Persons Actually Created	54	
Percent of Projects with Involvement of Minority Contractors in Projects which had Awarded Contracts		54
Percent of Total Contracts Awarded to Minority Firms		15
Percent of Total Contract Dollars Awarded to Minority Firms		8
Percent of Projects with Planned Minority Financial Interests		13

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

Planned Minority Financial Interests. Plans provide for the financial involvement of minority persons or minority-owned firms in 13 percent of all funded projects. This financial interest may include an ownership role or equity position in the project, a specific set-aside of space to be leased or a specific set-aside of construction contracts.

CHARACTERISTICS OF PROJECTS WITH SIGNED GRANT AGREEMENTS

This part describes the characteristics of UDAG projects by development type, i. e., industrial, commercial, housing and mixed. The analysis deals with the distribution of a number of key variables by these project types, including the number of projects, amount of UDAG funds, total project costs, sources of project funds and the initial- and end-uses of UDAG funds. Also displayed is the distribution of UDAG funds by type of construction (new, rehabilitation or both), locality type (central city, suburban, urban county or non-urban), and location within jurisdictions (Central Business District versus non-CBD) for each project type.

Findings are based on an analysis of 2,156 projects for which a Grant Agreement had been signed by both HUD and the grantee as of the end of FY 1985. This number represents a significant percentage of all such projects. The Grant Agreement legally defines the physical activities to be undertaken by all parties to the project and specifies the sources of project financing, the terms and conditions of UDAG loans and paybacks and the distribution of project funds by activity.[10]

DEVELOPMENT CATEGORIES OF ACTION GRANT PROJECTS

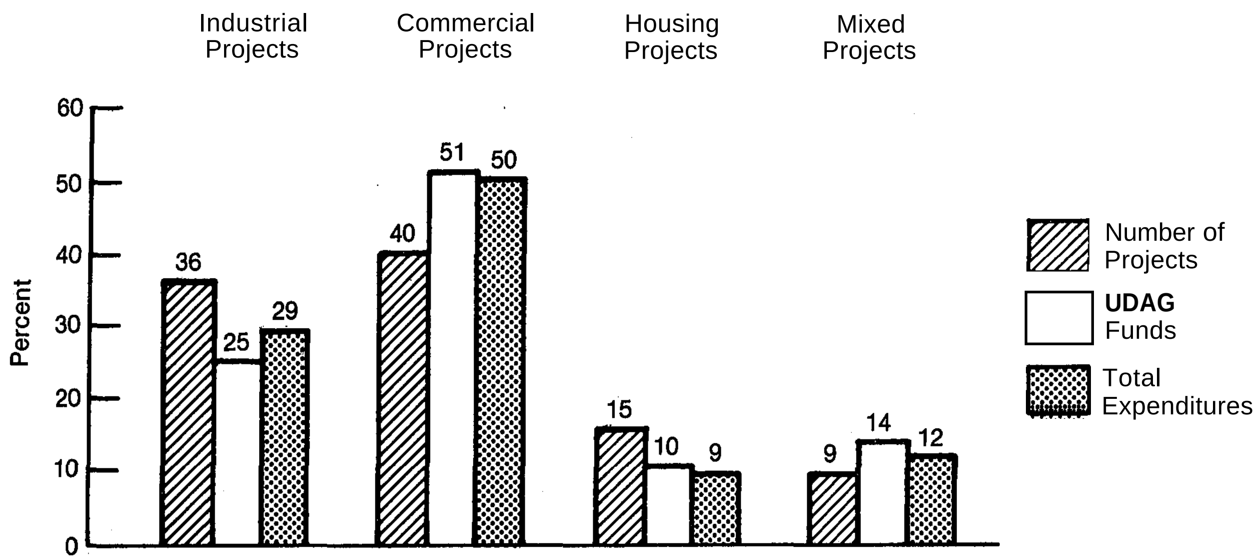
As noted previously, Action Grant projects can be characterized according to whether the project contributes to industrial, commercial or neighborhood development. However, commercial projects can include the development of housing units, and neighborhood projects, while largely comprised of housing development, can include commercial and, occasionally, industrial development activities. This analysis departs from those standard categories and treats projects according to their functional or development characteristics: industrial, commercial, housing and mixed.

Industrial projects involve investment in plant and equipment primarily by manufacturing companies. Commercial projects include the construction and/or renovation of retail space, office buildings, hotels and parking garages. Housing projects involve the construction and/or rehabilitation of both owner-occupied and rental units. Mixed projects include any combination of two or more of the above categories but typically represent a combination of commercial and housing activities.

A higher proportion of Action Grant funds (51 percent) and total planned project expenditures (50 percent) has been obligated in support of commercial projects than any other project type. Commercial projects account for 40 percent of the number of projects with signed Grant Agreements followed closely by industrial projects at 36 percent. Twenty-five percent of UDAG funds are in industrial projects with mixed projects and housing projects accounting for 14 percent and 10 percent respectively. (See Figure 3-6.)

FIGURE 3-6

DISTRIBUTION OF THE NUMBER OF PROJECTS, UDAG FUNDS, AND TOTAL PLANNED EXPENDITURES BY PROJECT TYPE IN PROJECTS WITH SIGNED GRANT AGREEMENTS CUMULATIVE AS OF SEPTEMBER 30,1985



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

The average planned development costs of the various project types, including the amount of Action Grant funds to be expended in support of these projects, vary considerably. Mixed development projects, typically including the development of new housing as well as commercial space and often associated with major downtown development efforts, average the highest amount in total investment--$14.7 million. The average total planned investment of $14.3 million for a commercial project is significantly higher than the $9.2 million average for industrial projects funded under the program and twice as large as the average housing development project cost of $7.2 million. The average Action Grant amount of $1.3 million represents 13 percent of the average total planned project investment of $11.4 million, and this percentage shows only slight variation among project types.

SOURCES OF UDAG PROJECT FUNDS

The funds invested in Action Grant projects derive from three basic sources: private sector investment, Action Grants, and other non–Action Grant public grants. Under the statutory mandate that the Action Grant be the "least amount necessary" for the project to go forward, private sector developers are encouraged to seek as much financing as possible from other sources. Private funds are usually provided in some combination of the following: The contribution of equity in cash or from project syndication proceeds; loans from private lenders or from local, State, or Federal sources; or proceeds from the sale of Industrial Revenue Bonds. Public funds also may be provided- in the form of direct grants to assist project development.

Cumulatively, 82 percent of the total planned expenditures in UDAG-assisted projects comes from private sector participants. UDAG grants to local governments--which, in turn, lend most of such proceeds to the private developers or industrial firms involved in the project--constitute only 13 percent of total planned project expenditures and other non-UDAG public sector grants account for the remaining five percent. In about eight percent of the projects, contributions of Community Development Block Grant Program funds were identified.

There is some variation in the funding sources for the various types of UDAG-assisted projects. (See Table 3-8.) Industrial projects rely most heavily on private financing (85 percent) while mixed projects show the lowest useage (78 percent). Commercial and mixed projects use more assistance from other public grant sources--six percent and seven percent respectively. UDAG funds are highest in mixed projects (15 percent) while the UDAG share is least in industrial projects (12 percent).

TABLE 3-8

SOURCE OF FUNDS IN UDAG PROJECTS WITH SIGNED GRANT AGREEMENTS BY PROJECT TYPE CUMULATIVE AS OF SEPTEMBER 30, 1985

	Project Type				
Source of Funds	Industrial	Commercial	Housing	Mixed	Total
Private Investment	85%	80%	83%	78%	82%
Other Public Grants	3	6	3	7	5
UDAG	12	14	14	15	13
Total	100%	100%	100%	100%	100%

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

THE INITIAL USES OF UDAG FUNDS

This section describes how Action Grant funds are invested in support of project activities. UDAG project funding is intended to be contingent on the assurance that "but for" the Action Grant, the private sector would not invest the funds needed to undertake the project, i.e., the investment by the private sector is not economically or financially feasible without Action Grant assistance. The amount of the Action Grant is, by legislation, determined by the requirement that the UDAG contribution be "the least amount necessary" to assure project development. This amount is the minimum required to fill the "gap" between the resources available to the private sector and the total development costs of a project, including grants from other public agencies, or to generate a reasonable return on investment in order to attract private capital.

Local governments normally use UDAG funds either to provide public facilities essential to the project or as loans by them to the private sector participants in the project. HUD regulations and policy encourage projects to include a repayment of Action Grant funds from private sector parties to the sponsoring jurisdiction. In consideration of the provision of public funds to support development in commercial projects, cities often are given an equity position. Such participation in project profits usually occurs as a hedge against above-average profits. Localities and private-sector developers frequently share in net cash flow in excess of a specified return on private equity in office buildings, shopping centers and hotels.

Both the percentage of UDAG funds that are lent as well as the incidence of equity participation payment provisions have increased steadily since the inception of the program. In FY 1985, the percentage of UDAG funds to be expended as loans was 87 percent with about 33 percent of the projects including some form of participation in net cash flow and/or in net sales proceeds.

Over the history of the program, 65 percent of all Action Grant funds in projects with signed Grant Agreements have been in the form of subordinated loans to assist in financing the project. Thirty-two percent of UDAG funds do not involve paybacks and are used principally by grantees for public infrastructure. The remaining three percent of UDAG funds are used for interest subsidies or for rehabilitation grants and rebates in support of housing activities. (See Table 3-9.)

TABLE 3-9

DISTRIBUTION OF THE INITIAL USES OF UDAG FUNDS IN PROJECTS WITH SIGNED GRANT AGREEMENTS BY PROJECT TYPE CUMULATIVE AS OF SEPTEMBER 30, 1985

	Project Type				
Initial Use	Industrial	Commercial	Housing	Mixed	Total
Loans	71%	70%	43%	51%	65%
Interest Subsidies	-	-	16	2	2
Rehabilitation Grants/Rebates	-	-	6	2	1
Other Non-Paybacks	29	30	35	45	32
Total	100%	100%	100%	100%	100%

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

Project financing mechanisms vary by project type. About 70 percent of the UDAG funds provided to both commercial and industrial projects takes the form of subordinated loans. This compares to 51 percent in mixed projects and 43 percent in housing projects.

The relatively low proportion of Action Grant loans in housing projects reflects the limited ability of housing developments to generate cash flow. In addition, many of the loans in housing projects are "soft" second mortgages, designed to reduce the effective interest rate to the borrower, with liberal repayment terms that contain anti-speculation provisions and may include some kind of forgiveness provision. Two factors explain the below-average share of funds to be repaid in mixed-use development projects. First, a high proportion of mixed-use projects was funded in the early years of the program--a period in which Action Grant funds were less likely to be used as loans. Secondly, the mixed-use development project, which often involves large-scale commercial development in downtown locations, typically requires costly land assemblage and substantial improvements in public infrastructure that are traditionally carried out by public sector agencies without charges to private sector users.

Action Grant loans generally take the form of second mortgages, subordinated to the private debt, and carry below-market rates of interest. The repayment terms of Action Grant loans are structured so as to "blend" the rate of interest carried on the non-UDAG debt for the private sector investors that will make a project feasible under prevailing economic conditions. The average rate of interest in UDAG loans is 6.36 percent, and the average term of the loan is just under 18 years. Deferment of principal and/or interest payments or lower rates of interest in the early years of the UDAG loan is common.

THE END-USES OF ACTION GRANT FUNDS

While the initial use of UDAG funds reflects the financial needs of the project, the specific end-use of those funds reflects the project's development needs. The largest share of UDAG funds (61 percent) is expended for construction followed by capital equipment (15 percent), infrastructure improvements (11 percent), clearance and relocation (eight percent) and other uses (five percent) including administrative costs in small cities only. (See Table 3-10.)

The distribution of the uses of Action Grant funds varies greatly by project type. Expenditures for construction constitute 90 percent of UDAG funds in housing projects and 74 percent in commercial projects. In contrast, only about one-quarter of UDAG funds in industrial projects support construction, compared to almost one-half designated for the purchase of capital equipment. The largest proportion of UDAG funds used for public infrastructure improvements--17 percent--is found in mixed projects. As noted previously, this type of development project, larger than average and generally located in downtown areas, typically relies on improvements to public infrastructure as a necessary adjunct to private sector development efforts. In contrast, only about four percent of total UDAG funds expended to support housing is devoted to infrastructure improvements. Industrial projects show the highest rate of UDAG expenditures for acquisition, clearance and relocation at 14 percent.

TABLE 3-10

DISTRIBUTION OF THE END-USE OF ACTION GRANT FUNDS BY PROJECT TYPE
IN PROJECTS WITH SIGNED GRANT AGREEMENTS
CUMULATIVE AS OF SEPTEMBER 30, 1985

	Project Type				
End-Use	Industrial	Commercial	Housing	Mixed	Total
Acquisition, Clearance, Relocation	14%	5%	2%	8%	8%
Public Infra- structure	7	13	3	17	11
On-site Construction	27	74	90	66	61
Capital Equipment	46	3	1	3	15
Other	6	5	4	6	5
Total	100%	100%	100%	100%	100%

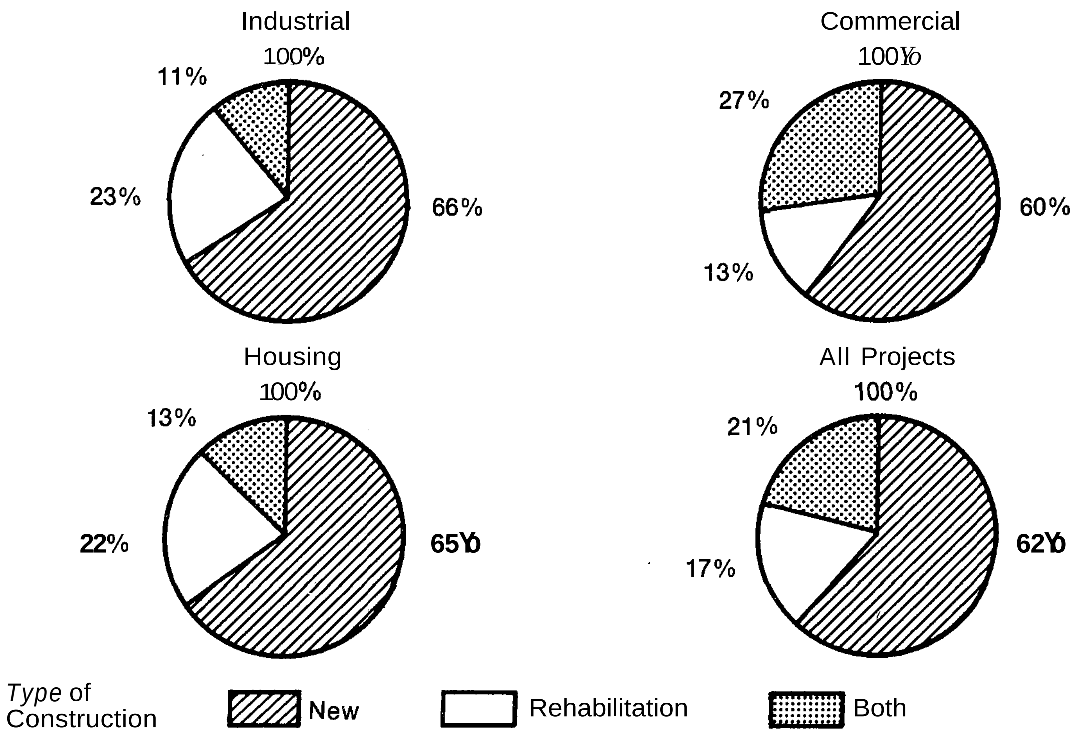
SOURCE: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, UDAG Grant Agreement Data Base.

CONSTRUCTION CHARACTERISTICS

Most Action Grant funds are used to support the development of new, as opposed to rehabilitated, commercial or industrial facilities or housing units. Overall, 62 percent of UDAG funds are planned to be expended in projects developed entirely through the construction of new facilities. Projects that involve only rehabilitation account for 17 percent of Action Grant funds, and projects that include a combination of new and rehabilitated structures comprise 21 percent of funds obligated. (See Figure 3-7.) New construction is more characteristic of both industrial facilities and housing, accounting for approximately two-thirds of the Action Grant funds involved in each type. Likewise, the proportions of funds used only for rehabilitation and for projects involving both types of construction are essentially the same for industrial facilities and housing. WAG-supported commercial facilities take the form of new construction (60 percent) or a mixture of renovation and new retail, office or hotel development (27 percent). Particularly in downtown locations in large cities, the development of new commercial facilities often accompanies the rehabilitation of existing buildings.

FIGURE 3-7

DISTRIBUTION OF UDAG FUNDS BY CONSTRUCTION CHARACTERISTICS BY FACILITY TYPE IN PROJECTS WITH SIGNED GRANT AGREEMENTS CUMULATIVE AS OF SEPTEMBER 30,1985



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

UDAG GRANTEE LOCATION CHARACTERISTICS

Eighty-five percent of UDAG funds have been awarded to jurisdictions which are located within Metropolitan Statistical Areas (MSAs). MSAs are highly urbanized multi-county areas containing one or more central cities. Central cities account for 70 percent of UDAG funds, suburban cities, 14 percent, and Urban Counties, one percent. (See Table 3-11.) Non-MSA jurisdictions (all of which have populations under 50,000) have received the other 15 percent. Commercial, housing and mixed projects located in MSAs have each received approximately ninety percent of the UDAG dollars awarded for such project types. In contrast, industrial projects located in non-MSA cities account for almost one-third of UDAG funds in industrial projects.

PROJECT LOCATION WITHIN GRANTEE JURISDICTIONS

Action Grant funds are almost equally divided between projects located within the Central Business District (CBD) and those located outside the CBD of recipient jurisdictions. (See Table 3-12.) Commercial and mixed projects are concentrated within the CBD, while industrial and housing projects are most often located outside the CBD.

TABLE 3-11

DISTRIBUTION OF UDAG FUNDS BY GRANTEE LOCATION BY PROJECT TYPE FOR PROJECTS WITH SIGNED GRANT AGREEMENTS CUMULATIVE AS OF SEPTEMBER 30, 1985

	Project Type				
Grantee Location	Industrial	Commercial	Housing	Mixed	Total
MSA:					
Central Cities	41%	82%	71%	78%	70%
Suburban Cities	24	9	15	10	14
Urban Counties	3	-	2	-	1
Sub-Total	68%	91%	88%	88%	85%
Non-MSA	32	9	12	12	15
Total	100%	100%	100%	100%	100%

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

TABLE 3-12

DISTRIBUTION OF UDAG FUNDS BY LOCATION WITHIN JURISDICTIONS FOR PROJECTS WITH SIGNED GRANT AGREEMENTS CUMULATIVE AS OF SEPTEMBER 30, 1985

	Project Type				
Grantee Location	Industrial	Commercial	Housing	Mixed	Total
Inside CBD	6%	74%	16%	57%	49%
Outside CBD	94	26	84	43	51
Total	100%	100%	100%	100%	100%

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

FOOTNOTES

1 The UDAG program was initially authorized under Section 110(b) of the Housing and Community Development Act of 1977, Public Law 95-128, enacted October 12, 1977; amended Title I of the Housing and Community Development Act of 1974 and added Section 119.

2 The facilities relocation prohibition is contained in Subsection (h) of Section 119 of the statute. Reference in the UDAG Program regulations is reflected at 24 CFR 570.456.

3 An Action Grant project is "Closed Out" when HUD and the grantee determine that the activities to be carried out by both the grantee and private sector participants, as defined in the grant agreement, are complete and that all costs to be paid with grant funds have been incurred. At that time, the grantee enters into a Grant Closeout Agreement with HUD. Projects are "Complete" and a Certificate of Project Completion is issued when a final audit has been approved, all responsibilities and requirements under the grant agreement and applicable laws and regulations have been carried out satisfactorily, and any performance requirements called for in the Grant Closeout Agreement have been met.

4 Information on the financial characteristics, distribution by city and project type, distribution by degree of impaction, and planned benefits for the 2,550 funded projects has been derived from the Project History file of the Action Grant Information System (AGIS). This information is recorded at the time a project receives preliminary application approval.

5 "IRB Specials" occur when, as provided by statute, the presence of a UDAG lifts the maximum allowable cost of a project financed with industrial revenue bonds from $10,000,000 to $20,000,000. The UDAG enables a developer to get such financing in an amount up to $10,000,000 for a project costing between $10,000,000 and $20,000,000. The developer or industry that will complete the project must provide a statement that "but for" the special IRB financing allowed by the contribution of UDAG funds, the project will not proceed. The amount of the Action Grant in such cases cannot exceed five percent of total project costs--thus automatically generating a significantly higher than average leveraging ratio.

6 Section 104(a), Section 119(b) of the Housing and Community Development Act of 1974 as amended, Public Law 96-153, approved December 21, 1979.

7 Housing and Community Development Amendments of 1981, Public Law 97-35. Section 308(a) (1981), amending Section 119(a) of the Housing and Community Development Act of 1974, as amended.

8 Information on actual private investment and benefits achieved in funded projects is obtained from the Project Monitor file of the AGIS data base. Grantees are required to report project progress to the Department on a semi-annual basis until the project is closed out. These data were supplemented by information provided in 580 Project Closeout Reports and in Annual Post-Grant Closeout Reports for 646 projects. The UDAG Closeout Procedures Handbook, published in April 1983, requires that once a project

is closed out, grantees are to submit an Annual Post-Grant Closeout Report until such time as a Certificate of Project Completion is issued. Information on the receipt and expenditure of paybacks is to be reported annually for an additional five years. These reports provide information on the attainment of project benefits as of September 30 of each year.

9 Minorities include the following racial and/or ethnic groups: Black, Non-Hispanic; American Indian or Alaskan Native; Hispanic; and Asian or Pacific Islander. Minority-owned firms or businesses are those in which 50 percent or more of the company is owned by minority persons, as defined above.

10 Information describing the characteristics of projects with mutually-executed grant agreements is contained in the UDAG Grant Agreement Data Base maintained by the Office of Program Analysis and Evaluation.

EXHIBIT 3-1

URBAN DEVELOPMENT ACTION GRANT PROGRAM
PLANNED INVESTMENT AND BENEFITS IN FUNDED PROJECTS

Item	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	TOTAL
Number of Projects	123	257	285	355	292	476	415	347	2,550
Large (#)	75	121	161	211	182	258	198	189	1,395
Small (#)	48	136	124	144	110	218	217	158	1,155
Large (%)	61	47	56	59	62	54	48	54	**55**
Small (%)	39	53	44	41	38	46	53	46	45
UDAG Dollars	$276M	$420M	$554M	$591M	$348M	$661M	$561M	$466M	$3,877M
Large ($)	$226M	$324M	$429M	$442M	$285M	$504M	$343M	346M	$2,899M
Small ($)	$50M	$96M	$125M	$149M	$63M	$157M	$218M	$120M	$978M
Large (%)	82	77	77	75	82	76	61	74	75
Small (%)	18	23	23	25	18	24	39	26	25
Private Investment ($)	$1,745M	$2,557M	$2,807M	$3,966M	$2,065M	$3,269M	$2,747M	$3,751M	$22,907M
Ratio to UDAG Dollars	6.3	6.1	5.1	6.7	5.9	4.9	4.9	8.0	5.9
State and Local ($)	$195M	$205M	$194M	$331M	$104M	$106M	$174M	$118M	$1,426M
Other Federal ($)	$104M	$130M	61M	$53M	$51M	$39M	$35M	$30M	$503M
Total Project Investment ($)	$2,320M	$3,312M	$3,616M	$4,941M	$2,568M	$4,074M	$3,517M	$4,365M	$28,713M
New Permanent Jobs (#)	48,416	70,869	75,420	78,642	41,881	68,617	60,806	58,603	503,254
UDAG Dollars Per Job	$5,705	$5,929	$7,346	$7,513	$8,319	$9,630	$9,224	$7,954	$7,705
Low/Moderate Income (%) Jobs	62	54	59	56	58	44	60	51	55
Construction Jobs (#)	43,218	59,774	44,816	65,032	31,457	53,503	48,713	67,651	414,164
Total Housing (Units)	13,139	12,279	16,026	13,816	12,955	15,203	6,133	9,397	98,948
New Construction (%)	55	38	42	37	28	75	78	71	51
Low/Moderate Income (%) Housing	64	49	43	39	26	22	35	28	39
Total New Revenue ($)	$33M	$86M	$68M	$129M	$34M	$88M	$63M	$57M	$559M

'Totals are adjusted relative to previous annual reports *to* account for project terminations. Detail may not add due to rounding.

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

CHAPTER 4

CPD-ADMINISTERED REHABILITATION PROGRAMS

INTRODUCTION

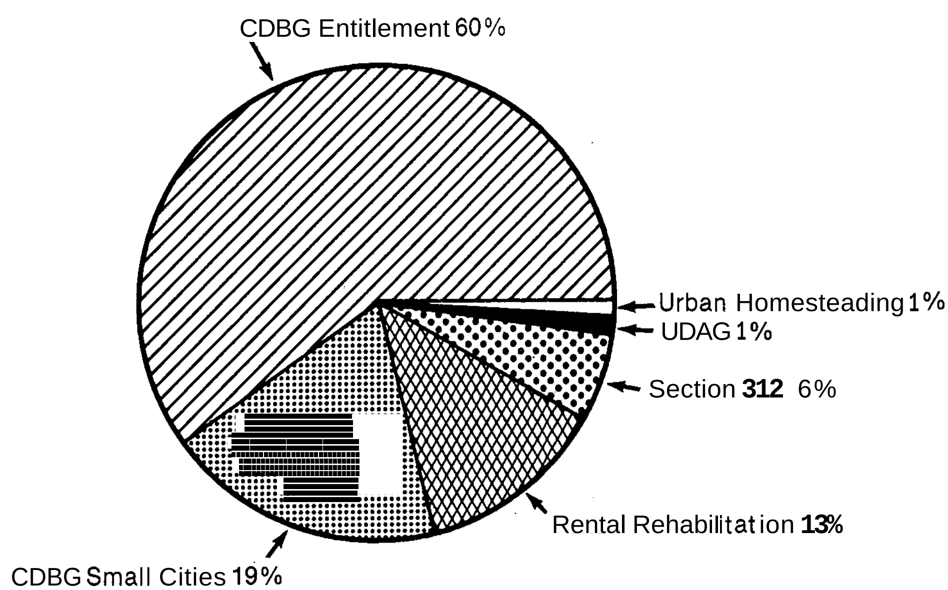
This chapter describes the housing rehabilitation programs for which the Office of Community Planning and Development (CPD) is responsible: the Rental Rehabilitation Program, the Section 312 Rehabilitation Loan Program, and the Urban Homesteading Program. It reports on current developments in the three programs and documents the present status of each.

Housing rehabilitation has been a fairly recent public priority at all levels of government. For example, in the aggregate, CDBG Entitlement communities planned to spend 36 percent of their FY 1985 CDBG funding for housing-related activities, the greatest part of which were single-family and multifamily housing rehabilitation. This is nearly three times the proportion of Block Grant spending in housing-related activities (13 percent) during FY 1976.

Figure 4-1 indicates the relative magnitude of housing rehabilitation resources contributed by the community development programs administered by HUD. The specific housing rehabilitation programs described in this chapter, as important as they are, constitute relatively small proportions of the overall CPD housing rehabilitation effort.

FIGURE 4-1

SUPPORT FOR HOUSING REHABILITATION ACTIVITY FROM CPD PROGRAM SOURCES FOR FY 1985



Total: $1.214 Billion

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

PART ONE: THE RENTAL REHABILITATION PROGRAM

INTRODUCTION AND BACKGROUND

On November 30, 1983, President Reagan signed into law the Housing and Urban-Rural Recovery Act of 1983. That law contained authorizing legislation for the Rental Rehabilitation Program: Section 17 of the U.S. Housing Act of 1937 (42 USC 1437o). The Rental Rehabilitation Program provides grants by formula to cities with populations of 50,000 or more, Urban Counties, approved consortia of units of general local government, and States to finance the rehabilitation of privately-owned rental housing. To be eligible to receive the grants, the city, Urban County, or consortium must have a grant that is computed by formula to be at least $50,000. States may elect to administer the program for smaller communities within their jurisdictions; if they choose not to do so, the responsible HUD Field Office will establish a State-specific selection system to select small local government grantees to participate in the program.

The program is designed to increase the supply of standard housing that is affordable to lower-income tenants. It achieves the purpose (1) by increasing the supply of private market rental housing available to lower-income tenants by providing government funds to rehabilitate existing units, and (2) through special allocations of the Housing Voucher Program and the Section 8 Existing Housing Certificate Program, offering rental assistance to very low-income and eligible lower-income persons to help them afford the increased rent of the rehabilitated units or to move to and obtain other housing. Within the framework of Federal laws and regulations, State and local governments have considerable flexibility to design and implement programs that reflect their needs.

Congress appropriated $300 million for the Rental Rehabilitation Program, $150 million each in FY 1984 and 1985. Of this amount, $1 million each year was statutorily set aside for technical assistance to program participants to help them plan, develop, and administer their programs and activities more effectively, leaving $149 million in 1984 and $149 million in 1985 available for grant allocations. Approximately 30,000 Section 8 Existing Housing certificates and housing vouchers have been made available annually for use in connection with the Rental Rehabilitation Program for those fiscal years.

This part has five sections. The first describes briefly the basic features of the Rental Rehabilitation Program. The second traces program developments since the last report. The third documents program funding and expenditure totals and patterns. Section four reports on measures of program progress, and section five provides descriptive detail on rehabilitation financing, properties, property owners, rents, rental assistance, and tenant characteristics.

RECENT PROGRAM DEVELOPMENTS

THE 1984 TECHNICAL AMENDMENTS

Several clarifications relating to the Rental Rehabilitation Program were contained in the Housing and Community Development Technical Amendments Act enacted in October 1984.* These Amendments concerned State administration of the program, the use of housing vouchers in conjunction with the program, the definition of communities eligible to receive funds through the States' program, and the program requirements involving assistance to large families with children.

BUDGET HIGHLIGHTS

Through September 30, 1985, the Department had obligated $297.5 million or 99 percent of the appropriation. The bulk of the unobligated balance is comprised of $2 million statutorily set aside for technical assistance purposes. (The Department has reached agreement with a consulting firm to provide comprehensive technical assistance services at a value of $1 million to Rental Rehabilitation program grantees beginning in FY 1986. The technical assistance will initially focus on specific topic workshops with later attention to direct on-site assistance, as needed, development of computer software packages, and conducting advisory meetings with a variety of program participants.)

Outlays in this program represent drawdowns of program funds by grantees to fund legally-binding agreements between grantees and property owners for specific projects. Total program outlays through September 30, 1985 were more than $14 million or about five percent of the program appropriation.

PROGRAM ELIGIBILITY, FUNDING ALLOCATION, AND PARTICIPATION

PROGRAM ELIGIBILITY

Some 427 communities, including 325 cities, 101 Urban Counties, and one consortium, qualified for direct allocations under the Rental Rehabilitation Program for FY 1985. This compared with 423 communities that met the criteria for direct participation during the previous year. Five jurisdictions eligible for allocations in FY 1984 did not receive allocations in FY 1985 because they did not meet the $50,000 minimum grant threshold after formula allocation. The nine new qualified participants included six Urban Counties and the one consortium in the program. Program regulations state that only a city or Urban County designated as eligible under the CDBG program for the preceding fiscal year's CDBG funding is eligible for a formula allocation under the Rental Rehabilitation Program. With the exception of the consortium, all the newly qualified participants became eligible under this provision.

* More detailed discussions of the Technical Amendments are contained in the 1985 Consolidated Annual Report and the FY 1985 Annual Report on the Rental Rehabilitation Program.

The 50 States plus Puerto Rico were also eligible for direct Rental Rehabilitation Program funding.

FUNDING ALLOCATION

For FY 1985, the Department allocated $89.4 million, or 60 percent of the $149 million available for grant allocations, directly to formula cities; $18 million, or 12 percent, directly to Urban Counties; and $41.6 million, or 28 percent, to smaller communities either indirectly through programs administered by States or directly by the Department, if a State elected not to administer its allocation.

The size of direct allocations to cities and Urban Counties varies considerably from community to community. (See Table 4-1.) On the one hand, 81 percent of the direct formula communities were allocated less than $250,000 apiece for FY 1985, and 42 percent had allocations of less than $100,000. On the other hand, 12 large jurisdictions were allocated $1 million or more, and New York City, the largest recipient, was allocated $15.6 million in FY 1985 program funds.

TABLE 4-1

RENTAL REHABILITATION ALLOCATION SIZE FOR DIRECT FORMULA CITIES AND URBAN COUNTIES, FY 1985
(Dollars in Thousands)

Allocation Amount	Number of Communities	Percent of Communities	Percent of Funding to Communities
$ 50-99	179	42%	12%
$100-249	164	39	23
$250-499	45	11	13
$500-999	27	6	16
$1,000+	12	2	35
Total	427	100%	100%

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

PROGRAM PARTICIPATION

Of the 427 communities eligible for direct assistance in FY 1985, 407 elected to take part. The 20 communities that did not participate accounted for $1.7 million in formula allocations. With one exception, the nonparticipating communities had relatively small allocations, i.e., $130,000 or less. In fact, 16 of the nonparticipants had allocations of $80,000 or less.

In addition, 38 States and Puerto Rico have chosen to administer the Rental Rehabilitation Program for smaller communities within their jurisdictions. HUD is administering the Rental Rehabilitation Program for ten other States.

In two other States with very small allocations, Alaska and Delaware, no local jurisdictions applied for Rental Rehabilitation funding under HUD-administered programs.

FUNDING REALLOCATION

In order to promote the expeditious use of program funds, HUD may reallocate Rental Rehabilitation grant funds from communities with less timely use of funds to those with more timely use of funds under specific regulatory criteria. In FY 1985, reallocation to a community could occur so long as a community's reallocated amount did not exceed 130 percent of its original obligation for the year. As of the end of FY 1985, the Department had reassigned $6,547,340 in FYs 1984 and 1985 funds that either were not applied for or had been deobligated from some grantees for slow commitment of program resources. Eighty-one communities with formula allocations, four HUD-Administered Small Cities grantees, and three State programs have been assigned these additional funds for timely commitment of program resources.

PROGRAM PROGRESS

PROGRAM-WIDE PROGRESS

The legislation authorizing the Rental Rehabilitation Program was signed by the President on November 30, 1983. Congress passed the appropriations for the program in August 1984; on September 30, 1984, the Department announced the eligible grantees that had elected to participate; and on November 1, 1984, FY 1985 Rental Rehabilitation allocations and application dates were announced. Like all new programs, the Rental Rehabilitation Program has taken some time to start up, yet measures of participation, commitment, and expenditure do indicate that considerable progress has occurred.

By the end of FY 1985, grantees had committed 3,327 projects with 21,875 units in the Cash and Management Information (C/MI) System.* This represents $69.2 million in program grant funds and $190.7 million in total construction financing. The committed grant amount constitutes about 23 percent of total program funding (excepting the technical assistance set-asides) for FYs 1984 and 1985.

* The Rental Rehabilitation Program employs a specific accounting terminology. A commitment to a specific local project is a legally binding agreement between a grantee or a State recipient and an owner for a specific project on which the owner agrees to begin construction within 90 days. The owner, in turn, contracts with various third parties for eligible expenditures, primarily construction costs. When the commitment is entered by the grantee in the Department's C/MI System, grant funds are made available for drawdown and subsequent payment of eligible costs. A grant drawdown, then, is for the purpose of funding a disbursement from the project account created for the grantee commitment. Closeout occurs when the project completion report is received and entered. Throughout this report, commitment and closeout information is used.

As of September 30, 1985, 472 communities, including 366 direct grantees, had committed projects. The direct grantees with commitments constitute 87 percent of all direct grantees receiving grants in either FY 1984 or 1985. Fifteen of the 35 small communities receiving grant monies through the HUD-administered program had also committed projects. The remaining localities with committed projects received funding through State-administered programs.

PATTERNS OF PROGRESS

The rate of project commitment is unevenly distributed among grantees, in part due to variations in program startup, local responsiveness of owners, availability of additional rehabilitation financing, and local program staffing. (See Table 4-2.) As of September 30, 1985, 87 percent of the communities receiving direct funding in either or both FYs 1984 and 1985 had committed at least some of their allocations toward program activity. Almost half of the direct grantees had committed a quarter or more of their program allocations, and 19 percent had committed more than half.

TABLE 4-2

PERCENT OF FY 1984 AND FY 1985 RENTAL REHABILITATION PROGRAM FUNDS COMMITTED BY DIRECT GRANTEES AS OF SEPTEMBER 30, 1985

Percent Committed	Number of Communities	Percent of Communities
0	54	13%
10 or less	66	16
10-25	99	24
25-50	122	29
50-100	78	19
Total	419	100%

Note: Detail does not add due to rounding.

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

A State's Rental Rehabilitation program is inherently more complex than a direct grantee's program, thereby increasing the likelihood that startup will be time-consuming. States electing to administer their own rental rehabilitation programs can exercise a number of design options ranging from a centralized approach in which the State makes all the decisions to a decentralized program in which the State chooses localities to participate and allocates funds directly to them. Particularly with those States working with local communities, it has taken time to choose localities and train them.

However, despite the additional time required to establish a State process, 34 States have committed funds while 23 States have committed more than ten percent of their combined FYs 1984 and 1985 grants. (See Table 4-3.)

TABLE 4-3

PERCENT OF FY 1984 AND FY 1985 FUNDS COMMITTED BY STATE GRANTEES IN STATES ADMINISTERING THE RENTAL REHABILITATION PROGRAM AS OF SEPTEMBER 30, 1985

Percent Committed	Number of States"	Percent of States
0	5	13%
10 or less	11	28
10-35	18	46
35+	5	13
Total	39	100%

* Includes Puerto Rico

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

The remaining 12 States chose not to administer their own Rental Rehabilitation programs, and $6.8 million in FY 1985 funds were allocated to those HUD-administered programs. The Department has thus far obligated over $5.4 million of that total to programs in 38 communities in ten States. The entire FY 1985 grant amounts for six States have been obligated. (The proponderance of the funding left unobligated by the HUD-administered programs was subsequently reallocated and obligated to other participants.) (See Table 4-4.)

TABLE 4-4

FY 1985 FUNDING ACTIVITY IN
THE HUD-ADMINISTERED RENTAL
REHABILITATION PROGRAM
($ in Thousands)

State	Allocation Amount	Number of Grantees Funded	Grantee Funding
Alaska	$ 61	0	$ 0*
Arizona	277	1	100
Arkansas	754	5	754
California	2,737	12	2,050
Delaware	41	0	0*
Florida	1,469	10	1,195
Hawaii	80	2	80
Idaho	289	1	289
Kansas	582	3	582
Nebraska	267	1	100
Nevada	85	1	85
Wyoming	172	2	172
Total	$6,814	38	$5,407

* No communities in Alaska and Delaware applied for HUD-administered Rental Rehabilitation funding.

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

PROJECT COMPLETION

As of September 30, 1985, 769 projects totalling 2,058 housing units had been completed. At this relatively early stage in the program, however, completion numbers shift dramatically, particularly in the construction season; thus interpretation of this particular measure of progress is difficult.

Program completion data for the end of September 1985 will offer the foundation for most of the following analysis of program characteristics.

PROGRAM CHARACTERISTICS

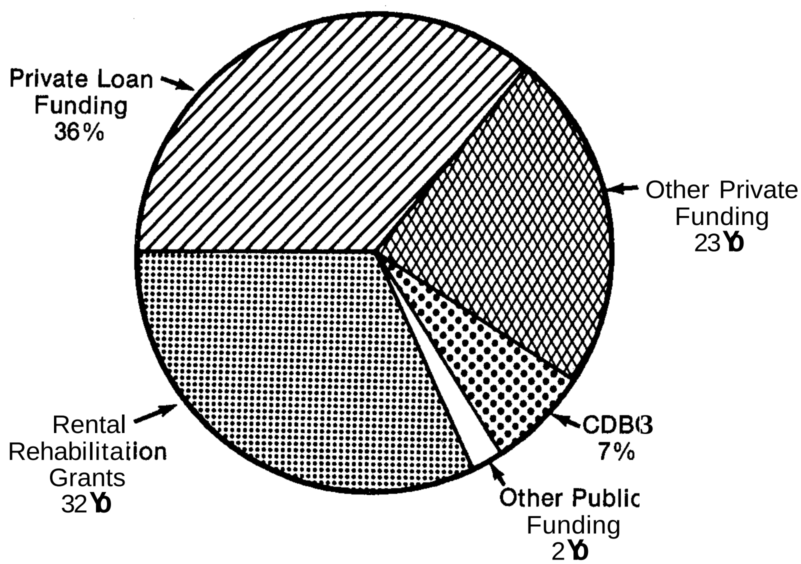
REHABILITATION FINANCING

The Rental Rehabilitation Program is intended to maximize commitment of private dollars and to minimize public subsidy costs. However, the only provisions of the program that affect an upper limit on public rehabilitation financing are that the grant cannot exceed 50 percent of the total cost of eligible rehabilitation (except in certain refinancing situations) and that the grant cannot exceed an average of $5,000 per unit per project (except in high cost areas with higher limits). Figure 4–2 displays sources of rehabilitation financing for completed Rental Rehabilitation projects. Private funding provides the majority of rehabilitation financing. For every dollar of Rental Rehabilitation money, $1.83 is currently furnished by private sources, and for every dollar of public funding, $1.45 of private money is supplied. Rental Rehabilitation Grants and CDBG funds account for virtually all public rehabilitation financing.

FIGURE **4-2**

SOURCE OF REHABILITATION FINANCING FOR RENTAL REHABILITATION PROJECTS COMPLETED AS OF SEPTEMBER 30,1985

(n = 673 Projects)



Total: $18.12 Million

* Less than one percent

** Other private funding includes any funding from sources other than banks, e.g., owner equity.

SOURCE: **U.S.** Department of Housing and Urban Development, Rental Rehabilitation Program Cash and Management Information System.

Table 4–5 offers greater detail about public financing of completed projects. In more than 40 percent of the completed projects, public sources (including Rental Rehabilitation grants) made up exactly half of total rehabilitation financing. In another eight percent of the projects, public financing exceeded funding from private sources. For the rest, private financing surpassed public financing.

In no completed project, however, did Rental Rehabilitation financing constitute more than one–half of total financing. The average per unit Rental-Rehabilitation grant contribution to rehabilitation financing as of September 30, 1985, is $3,592.

TABLE 4–5

PUBLIC FINANCING AS A PERCENT OF TOTAL REHABILITATION FINANCING FOR PROJECTS COMPLETED AS OF SEPTEMBER 30,1985

Public Financing as Percent of Total Financing	Number of Projects	Percent of Projects
51+%	54	8%
50	276	41
40–49	184	27
30–39	87	13
1–29	70	10
Total	671	100%

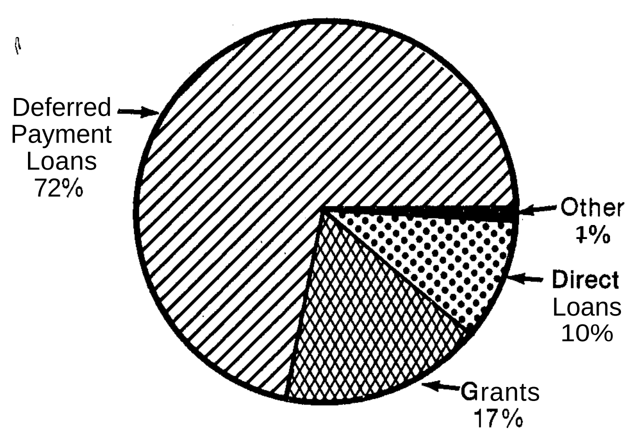
SOURCE: U.S. Department of Housing and Urban Development, Rental Rehabilitation Program Cash and Management Information System.

Eighty–nine percent of the completed projects used forms of rehabilitation financing, deferred payment loans (DPLs) or grants, that do not affect the short run cash flow of property owners. (See Figure 4–3.) Deferred payment loans, loans whose repayment is delayed for a period of time and thus do not impose an immediate drain on the cash flow of rehabilitation properties, are the most frequent form of program grant assistance, both in the number of projects funded and in overall Rental Rehabilitation Program funding. Grants to property owners are the next most common form of assistance. Direct loans, in which the community gives the owner a below–market rate loan that he/she must begin to repay immediately after rehabilitation completion, are the third most common kind of assistance.

FIGURE 4-3

FORMS OF RENTAL REHABILITATION GRANT ASSISTANCE IN PROJECTS COMPLETED AS OF SEPTEMBER 30,1985

(n = 673 Projects)



Total: $5.86 Million

SOURCE: U.S. Department of Housing and Urban Development, Rental Rehabilitation Program Cash and Management Information System.

After Rental Rehabilitation Program funds, the next most important form of public support for rental rehabilitation in Rental Rehabilitation projects was the Community Development Block Grant (CDBG) Program. About 13 percent of completed projects used some CDBG monies, and, overall, CDBG funding comprised three percent of total financing cost for completed projects. Direct loans constituted almost three-quarters of CDBG funding in Rental Rehabilitation Program projects, and deferred payment loans made up the remainder.

PROJECT SIZE

Most local Rental Rehabilitation programs thus far, have supported smaller rental properties. As of September 30, 1985, there were commitments for 3,702 projects with 28,367 housing units or an average of 7.6 units per building. The size of particular rental rehabilitation projects varies greatly. One-third of projects in the program for which information is available involve only one unit and 22 percent more contain only two. Another 21 percent have three to five units; 11 percent have six to ten units; and ten percent contain more than ten units.

Completed projects tend to be even smaller than committed units, perhaps because smaller projects require less time to complete. The mean size of completed projects is 2.5 units, and the median size is one unit.

UNIT SIZE

In general, large families with children have found it difficult to locate rental housing units in which they can use housing vouchers and Section 8 certificates. The Rental Rehabilitation Program statute addresses this issue by requiring that an equitable share of rehabilitation funds must be provided for housing large families. The original program regulations stated that the statutory requirement would be deemed satisfied if 70 percent of a grantee's Rental Rehabilitation annual grant was used to rehabilitate units containing two or more bedrooms. A 1984 Technical Amendment clarified the large family requirement, providing that an equitable share of program funds must be provided for families with children, particularly those requiring three bedrooms or more. In order to meet the more stringent statutory requirement, the Department subsequently established a specific national goal that at least 15 percent of rental units contain three or more bedrooms. Rather than impose another specific threshold requirement on all grantees, however, the Department stated in the Funding Notice of November 1, 1984 that grantees should establish a priority in project selection for units of three or more bedrooms and should explain how this priority will be met.

While the program requirements are couched in terms of the grant amount, data on unit size in committed and completed projects should shed some light on how well families are being served in the program. (See Table 4-6.) Sixty-one percent of the committed units and 79 percent of the completed units had two or more bedrooms. Sixteen percent of the committed units and 22 percent of the completed units had three or more bedrooms.

TABLE 4-6

SIZE OF UNITS IN COMMITTED AND COMPLETED PROJECTS
AS OF SEPTEMBER 30, 1985

Size of Units	Committed Units	Completed Units
Efficiency	10%	2%
One Bedroom	29	19
Two Bedrooms	45	57
Three Bedrooms	14	19
Four or more Bedrooms	2	3
Total	100% (n=21,445)	100% (n=1,719)

SOURCE: U.S. Department of Housing and Urban Development, Rental Rehabilitation Program, Cash and Management Information System.

Initial data on completed projects indicate that there has been little change in the size of units resulting from rental rehabilitation. Only 11 of the 227 completed units for which appropriate information was available experienced any change in the number of bedrooms. Eight involved an increase and three a decrease.

OCCUPANCY STATUS

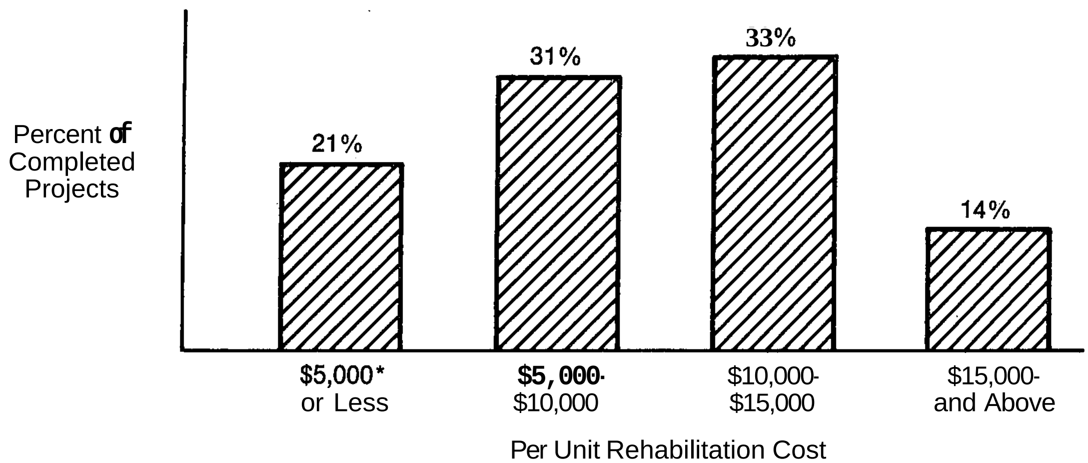
One of the purposes of the Rental Rehabilitation Program is to increase the supply of private market rental housing affordable for lower income tenants through housing rehabilitation. Revitalization of previously unoccupied units naturally increases the supply of rental housing. Unoccupied units have thus far constituted a sizeable portion of Rental Rehabilitation units prior to rehabilitation. Twenty-seven percent of the units in all committed projects have been unoccupied prior to rehabilitation. Units in now-completed projects were even more likely to have been unoccupied before rehabilitation. Half of those units were empty before rehabilitation. In contrast, only seven percent remained unoccupied after rehabilitation as of September 30, 1985.

REHABILITATION COST

The Rental Rehabilitation Program sets no specific upper limits on what the overall per unit rehabilitation cost in a project should be. However, the combination of the not more than 50 percent of rehabilitation cost grant limitation and the $5,000 limit on per unit rehabilitation cost funded through the Rental Rehabilitation grant do work to restrict per unit costs. The average per unit cost of rehabilitation for completed projects as of September 30, 1985, is $10,288 of which $3,592 comprised the Rental Rehabilitation grant subsidy. Figure 4-4 presents the range of per unit rehabilitation costs in completed projects. Fifty-three percent of those projects required rehabilitation effort costing $10,000 or less per unit. Forty-four percent of the projects had costs above $2,500 and below $10,000 per unit. There were also an appreciable number, 14 percent, with per unit costs over $15,000.

FIGURE 4-4

PER UNIT REHABILITATION COSTS FOR RENTAL REHABILITATION PROJECTS COMPLETED AS OF SEPTEMBER 30,1985
(n = 670 Projects)



* The program sets a minimum per unit rehabilitation cost of $600. None of the costs in the completed projects fell below that threshold.

SOURCE: U.S. Department of Housing and Urban Development, Rental Rehabilitation Program Cash and Management Information System.

PROPERTY-OWNER CHARACTERISTICS

The typical owner of a committed Rental Rehabilitation property is an individual investor-owner. Almost three-quarters of the owners are individuals; another 13 percent are partnerships. Other ownership structures--corporations (seven percent), not-for-profits (five percent), and others (six percent)--account for the rest.

The vast majority of the properties in the program are held by investor-owners. Only five percent of the buildings were owned by people who lived in the properties.

RENT CHANGE AFTER REHABILITATION

Rental Rehabilitation units are to be leased at private market rents. Program regulations require that rents in neighborhoods in which Rental Rehabilitation projects are located be generally affordable to lower-income families at the time of neighborhood selection and that neighborhood rents not be likely to increase at a rate significantly greater than the rate for rent increases that can reasonably be anticipated to occur in the market area for five years. The benchmark used to calculate rent affordability is the Section 8 Existing Housing Fair Market Rent (FMR).

As of September 30, 1985, only 16, or two percent, of the 735 completed units in communities receiving Rental Rehabilitation formula grants had rents that exceeded FMRs (or HUD-granted exception rents) for their respective jurisdictions. Of the 97 communities with completed units, nine contained units that exceeded the FMRs.

Building-by-building rent changes also give some notion of initial rent decisions by property owners. As Table 4-7 suggests, 57 percent of the completed projects showed only marginal average monthly rent increases, i.e., $50 or less, no increase at all, or a net decline. The remaining projects displayed increases over $50; 11 percent experienced average monthly rent increases of more than $150. The overall average rent change was a monthly increase of $55.

TABLE 4-7

AVERAGE MONTHLY RENT CHANGES PER UNIT IN RENTAL REHABILITATION PROJECTS COMPLETED AS OF SEPTEMBER 30, 1985*

Average Monthly Rent Change	Number of Projects	Percent of Projects
Rent decrease	68	12%
No change	138	24
$1 -- 50 increase	126	21
$51 -- $100 increase	120	20
$101 -- $150 increase	70	12
$151+ increase	66	11
Total	588	100%

* Includes all units in buildings for which there are both pre- and post-rehabilitation rents.

SOURCE: U.S. Department of Housing and Urban Development, Rental Rehabilitation Program Cash and Management Information System.

RENTAL ASSISTANCE

In order to ensure that eligible tenants who cannot afford the rents for rehabilitated units without a subsidy can live in those units, or find alternative housing, Section 8 Existing Housing Certificates and Housing Vouchers have been made available to Public Housing Agencies for use in conjunction with the State or local Rental Rehabilitation programs.

Generally, Housing Certificates and Housing Vouchers can be issued to families with incomes up to 50 percent of the area median. Table 4-8 shows that, in general, very low income tenants have been provided rental assistance in completed units. Eighty-seven percent of the tenant households with incomes of 50 percent of the area median or less living in completed units after rehabilitation obtained some form of rental assistance. The most common form by far was Certificates or Housing Vouchers offered in support of the Rental Rehabilitation Program. In contrast, only 26 percent of those households with incomes 51 to 80 percent of the area median received any form of assistance, and no household with an income greater than 80 percent of the median income obtained rental assistance.

TABLE 4-8

RENTAL ASSISTANCE BY INCOME OF TENANT HOUSEHOLDS IN PROJECTS COMPLETED AS OF SEPTEMBER 30, 1985

Type of Rental Assistance	Percent of Households with Incomes: 50% of Median or Below	51-80% of Median	80%+ of Median
Certificates or Housing Vouchers Provided in Support of Rental Rehabilitation	74%	20%	0%
Other Section 8 Certificates or Housing Vouchers	12	5	0
Other Rental Assistance	1	1	0
No Rental Assistance	13	74	100
Total	100%	100%	100%
	(n=1,168)	(n=242)	(n=94)

Note: Detail does not add due to rounding.

SOURCE: U.S. Department of Housing and Urban Development, Rental Rehabilitation Program Cash and Management Information System.

Table 4-9 gives information on rental assistance to various racial and ethnic groups in completed projects. Seventy-eight percent of the households headed by Blacks received some form of rental assistance, with Rental Rehabilitation Certificates and Housing Vouchers being most prevalent. The same proportion of the households headed by Hispanics received assistance. Sixty-one percent of households headed by Whites obtained rental assistance.

TABLE 4-9

RENTAL ASSISTANCE BY RACE/ETHNICITY OF TENANT HOUSEHOLDS IN PROJECTS COMPLETED AS OF SEPTEMBER 30, 1985

	Race/Ethnicity			
Rental Assistance	White	Black	Hispanic	Other*
Rental Rehabilitation Program Certificates or Vouchers	52%	68%	56%	58%
Non-Rental Rehabilitation Program Certificates or Vouchers	8	9	22	11
Other Rental Assistance	1	1	0	0
No Rental Assistance	39	22	22	31
Total	100%	100%	100%	100%
	(n=743)	(n=642)	(n=130)	(n=36)

* The Other ca'tegory includes American Indians, Alaskan Natives, Asian Pacific Islanders, and households for which these data are not available.

SOURCE: U.S. Department of Housing and Urban Development, Rental Rehabilitation Program Cash and Management Information System.

The Rental Rehabilitation Program uses a split subsidy technique, offering separate subsidies to owners for rehabilitation and to tenants for rental assistance. Consequently, the costs of the program include both the costs of the rehabilitation and of rental subsidies. Thus far, the average per unit Rental Rehabilitation Grant has been $3,592. The cost of the average Housing Voucher is currently $3,974 per year (including administrative fees) or $19,870 over the five-year life of the voucher. The corresponding cost of the average Housing Certificate is $4,879 per year or $24,395 over five years. Therefore, for units with tenants not receiving rental assistance, the average Rental Rehabilitation Program-related cost is now $3,592. The Rental Rehabilitation Program-related costs of rehabilitating a single rental unit for an assisted household receiving a voucher is at this time $4,692 per year or $23,462 over the life of a voucher; the comparable costs for an assisted household receiving a Housing Certificate at this time is $5,597 per year or $27,987 over the life of a certificate.

TENANT CHARACTERISTICS

The Rental Rehabilitation Program was designed to increase the supply of standard housing affordable to lower-income tenants. To maximize benefit to these tenants, the Act requires that 100 percent of all grant amounts be used to benefit lower-income families with provision for reduction to 70 percent or 50 percent benefit in accordance with certain statutory tests and the Secretary's regulations. Under the regulations, "benefit to lower-income families" is defined as initial occupancy of a unit by a lower-income family following rehabilitation, for purposes of this statutory requirement.

The aggregate characteristics of tenant households, both pre- and post-rehab, correspond to the lower-income benefit objective, and there is no evidence of a shift either toward or away from more distressed households. As Table 4-10 indicates, 85 percent of the tenant households in committed projects prior to rehabilitation had incomes less than 80 percent of the area median, and 62 percent met the standard for very low income. Somewhat greater proportions of tenant households in completed projects both before and after rehabilitation fell into the low and very low-income categories.

Grantees must certify that their programs will be carried out and administered in conformity with the nondiscrimination and equal opportunity laws and executive orders. Minorities make up a large share of tenant households in both committed and completed units; the only significant difference is the relative proportions of White and Hispanic tenants in the committed and completed project categories. Female heads of household constitute a sizeable majority of tenant households for completed projects; in contrast, such households make up a minority of all committed projects prior to rehabilitation.

Households of four persons and smaller comprise the great majority of units in committed and completed (both pre- and post-rehab) projects with the elderly, single, and large families making up similar and much smaller groups.

OWNER ASSESSMENT OF THE RENTAL REHABILITATION PROGRAM

A recent survey of owner assessments of the Rental Rehabilitation program indicates a favorable evaluation of the Rental Rehabilitation program by owners of completed projects.* Fifty-three percent of the owners surveyed registered very positive ratings of the program, and 36 percent more gave it a positive response. Three percent expressed mixed reactions, five percent were negative or very negative, and four percent chose not to assess it.

* The survey, conducted by the Office of Urban Rehabilitation, CPD, requested open-ended assessments by a large subset of those owners receiving rehabilitation assistance from the Rental Rehabilitation Program.

TABLE 4-10

SELECTED TENANT CHARACTERISTICS IN COMMITTED AND COMPLETED PROJECTS AS OF SEPTEMBER 30, 1985

Tenant Characteristics	Households in Committed Projects Prior to Rehab	Households in Completed Projects Prior to Rehab	Households in Completed Projects After Rehab
Household size			
Elderly	18%	16%	11%
Single, non-elderly	16	15	11
2 - 4 persons	58	59	70
5 or more persons	8	10	8
Total	100% (n=17,019)	100% (n=741)	100% (n=1,555)
Household income			
50% of Median or below	62%	72%	78%
51 - 80% of Median	23	19	16
80%+ of Median	15	9	6
Total	100% (n=16,606)	100% (n=703)	100% (n=1,510)
Race/Ethnicity of Head of Household			
White	32%	54	48%
Black	39	33	41
Hispanic	24	11	8
Other	5	2	3
Total	100% (n=16,950)	100% (n=719)	100% (n=1,571)
Gender of Head of Household			
Female	48%	56%	63%
Male	52	44	37
Total	100% (n=16,999)	100% (n=761)	100% (n=1,594)

SOURCE: U.S. Department of Housing and Urban Development, Rental Rehabilitation Program, Cash and Management Information System.

When asked why they had given their positive responses, the most frequent answers were that the program enabled them to rehabilitate their properties (25 percent of responses), improve housing (15 percent), and help tenants (15 percent). When asked which programmatic incentive affected their decision to participate, the most common response by far (47 percent of the responses) was the low interest rates charged by local governments on the program assistance. That the program enabled them to get needed work done was the next most frequent response (26 percent).

While the numb˙ of negative replies was small, they tended to concern slow pacing in th˛ ˛rogram -- six percent of the owners mentioned red tape as a program disincentive and five percent mentioned that the processing took too long. Similarly, when asked how the Rental Rehabilitation Program might be improved, eight percent of the owners urged minimization of paperwork, seven percent pressed for speedier payments, and another seven percent wanted an increased rehabilitation subsidy.

PART TWO: URBAN HOMESTEADING PROGRAM

INTRODUCTION AND BACKGROUND

Section 810 of the Housing and Community Development Act of 1974, as amended, authorizes the transfer (without payment) of unoccupied one- to four- family properties owned by HUD, the Veterans Administration (VA), and the Farmers Home Administration (FmHA) to communities with homesteading programs approved by HUD. Local governments, in turn, transfer the properties at nominal or no cost to homesteaders who agree to repair them within three years and to live in them for a minimum of five years. At the end of that time, the homesteader obtains fee simple title to the residence. Approved urban homesteading programs must be part of a coordinated approach toward neighborhood improvement that includes the upgrading of community services and facilities. Section 810 funds are used to reimburse the respective Federal agencies for the value of the units transferred to communities for homesteading.

This section of the Housing Rehabilitation Chapter reports on Urban Homesteading program activity both during FY 1985 and over the life of the program. There are four sections: recent program developments, program funding and expenditures, homesteading properties, and local participation and progress.

RECENT PROGRAM DEVELOPMENTS

LOCAL PROPERTY URBAN HOMESTEADING DEMONSTRATION PROGRAM

The Housing and Urban-Rural Recovery Act of 1983 (Pub. L. 98-181, Section 122) authorized HUD to undertake a Local Property Urban Homesteading Demonstration Program under Section 810(i) of the Housing and Community Development Act of 1974. The purpose of the demonstration is to test the feasibility of local acquisition of properties early in the process of tax foreclosures for homesteading use. The premise is that vacant but sound buildings can be valuable housing resources if communities can develop ways to obtain the properties before the foreclosure process is complete. As it is, properties that come into the possession of local governments frequently have lost most of their economic value because the deliberate nature of the foreclosure process encourages owners to disinvest and the lengthy process increases the probability of vandalism and deterioration. The result is further housing abandonment and neighborhood deterioration.

Prior to this demonstration, some communities used locally-acquired properties in their urban homesteading programs. Typically, if these properties were acquired through tax foreclosure, they were acquired at or near the end of that process, which generally takes from two to five years. The Local Property Demonstration provided $1 million in Section 810 funds in each of FY 1984 and FY 1985 to encourage States and units of general local government to purchase properties early in the tax foreclosure process. Of this set-aside, $100 thousand is to evaluate the demonstration.

On December 22, 1984, Secretary Pierce announced the 11 communities participating in the Demonstration; the actual awards occurred throughout the fiscal year. The cities selected were Rockford, Illinois; Terre Haute, Indiana; Louisville, Kentucky; Duluth, Minnesota; Omaha, Nebraska; Columbus, Ohio; Portland, Oregon; Harrisburg, Pennsylvania; Knoxville, Tennessee; College Station, Texas; and Milwaukee, Wisconsin. Of the 11 cities, only four (College Station, Harrisburg, Knoxville, and Terre Haute) had not participated in the regular Federal program. In all, it was estimated that as many as 168 local properties would be transferred to homesteaders through the demonstration.

As of the September 30, 1985, all $2 million had been obligated, and seven of the Demonstration communities had acquired a total of seven properties using Section 810 Funds. The Department issued waivers of the Demonstration requirement that at least one property be acquired within 45 days of the date of fund obligation to several communities. The balance of the estimated 168 properties is expected to be conveyed in FY 1986.

MULTIFAMILY URBAN HOMESTEADING DEMONSTRATION PROGRAM

The Housing and Urban-Rural Recovery Act of 1983 also authorized the Department to conduct a Multifamily Urban Homesteading Demonstration Program. Under this demonstration, the Department anticipated using $3 million of Section 810 funds to reimburse the FHA Mortgage Insurance Funds for the transfer of HUD-owned multifamily projects to approximately ten localities during FY 1985.

The purpose of the Demonstration was to determine whether it is both practical and cost-effective for localities to help lower-income tenants acquire and rehabilitate multifamily projects for homeownership. It was intended that, despite the fact that the Demonstration would support only the use of HUD-owned properties, communities would be encouraged to use other multifamily properties, from whatever source, for urban homesteading. Moreover, the Department expected that such a demonstration would enhance local expertise and test the feasibility of a variety of homeownership development and financing methods. In fact, the Department gave preference to applicants who submitted innovative program designs.

On April 16, 1985, the program announcement was published in the Federal Register soliciting letters of intent from interested local governments. The response deadline was set for May 16 but was subsequently extended to July 26 due to limited response. The Department expected as many as 40 proposals, but, by the later date, only 13 letters of intent had been received. Moreover, most of the potential participants planned to use their own, rather than HUD, properties even if the latter were available at nominal cost. The communities' interest in the Demonstration centered around the possibility of Federal technical assistance in administering the Demonstration.

In October 1985, the Department elected to move forward with five of the applications (Omaha, NE; Davenport, IA; Des Moines, IA; Mount Vernon, NY; and Boston, MA), providing technical assistance as necessary to develop completed applications and letters of agreement. (Of the five cities, only one, Mount Vernon, had not participated in the Federal Urban Homesteading Program.) The $3 million set-aside for this Demonstration has been reallocated into the regular Section 810 Program.

REVISED URBAN HOMESTEADING PROGRAM REGULATIONS

On August 2, 1985, revised Urban Homesteading Program regulations took effect. The regulations were revised to: (1) eliminate or reduce burdensome requirements; (2) strengthen controls on fraud, waste, and mismanagement; and (3) implement provisions of the Housing and Urban-Rural Recovery Act of 1983.

The revised regulations simplified the procedures by which communities designate urban homesteading neighborhoods. In addition, they provided for a more streamlined application process featuring certifications of compliance with certain responsibilities, thereby replacing unnecessary paperwork submissions and time-consuming HUD front-end reviews. These and numerous technical changes eliminated duplicative and unduly burdensome requirements.

The regulations also propose stronger HUD monitoring and compliance efforts to enable the Department quickly to detect and correct instances of fraud, waste and mismanagement.

As required by the Housing and Urban-Rural Recovery Act of 1983, the proposed rule provided for a "special priority" in favor of those prospective homesteaders: (1) whose current housing fails to meet applicable local health and safety standards, including overcrowding; (2) who currently pay in excess of 30 percent of adjusted income (as determined by application of standards employed in the Section 8 program at 24 CFR Part 813) for rent, including reasonable utilities as reflected in the schedule of utility allowances for the Section 8 Existing Housing Program; and (3) who have little prospect of obtaining improved housing within the foreseeable future through means other than homesteading.

The regulations also implement the 1983 Amendments that preclude current homeowners from being prospective homesteaders and extend from 18 months to three years the time permitted for homesteaders to make all repairs necessary for the property to meet all applicable local standards for decent, safe, and sanitary housing. In addition, the proposed rule raised the waivable limitation on the value of properties transferable with Section 810 reimbursement from $15,000 per single-family property to $20,000.

PROGRAM FUNDING AND EXPENDITURE

SECTION 810 FUNDING AND EXPENDITURES

Since 1975, Congress has appropriated $91 million to support the acquisition of Federal properties for Urban Homesteading programs. This includes $12 million that Congress appropriated for the program in FY 1985.

The size of a specific community's allocation is calculated on the basis of the expected number of available HUD, VA, and FmHA properties in the community that would be suitable for homesteading, the average "as-is" value of such properties in the jurisdiction, and the timeliness and cost-effectiveness of the community's past homesteading performance.

By the end of FY 1985, $84.171 million of Section 810 funds had been expended or 92 percent of cumulative appropriations to that point. Of that amount, $12.205 million was spent during FY 1985.

REHABILITATION FINANCING

While the Urban Homesteading Program transfers properties to homesteaders without substantial cost, it is the homesteader's responsibility to pay for or do whatever rehabilitation is necessary to meet required local standards. Section 312 Rehabilitation Loan funds have been the main source of rehabilitation assistance since the beginning of the program. More recently, though, communities have looked for other forms of assistance, both public and private, to replace Section 312 funding, since the future of the Section 312 Program as a funding source for urban homesteading remains uncertain.

The Department concentrated all Section 312 single-family loan funding in FYs 1982 and 1983 in HUD-approved urban homesteading areas. For FYs 1984 and 1985, the Department, at Congressional direction, allocated Section 312 funds for general use single-family assistance as well as for urban homesteading areas.

Rehabilitation finance information for all urban homesteading participants indicates that three-quarters ($8.552 million) of the rehabilitation financing provided for Section 810 properties during FY 1985 involved Section 312 loans. Another 12 percent ($1.386 million) derived from CDBG funds. The remaining 13 percent ($1.474 million) came from a variety of sources, both private and public: personal funds, conventional loans, State housing finance agency monies, bond funds, and other local sources.

Table 4-11 provides figures concerning the mean cost for rehabilitation of Section 810 properties by source of rehabilitation financing. The average per unit rehabilitation cost for FY 1985 was $20,771, with substantially different average costs based on source of financing. The average per unit rehabilitation cost in the preceeding year had been $17,155.

Of course, there was also variation in per unit rehabilitation costs across communities. Of the communities for which FY 1985 rehabilitation financing data on Section 810 properties were available (n=79), eight percent experienced mean per unit rehab costs greater than $30,000. In contrast, mean per unit costs in another 21 percent of the communities fell below $15,000.

The remaining communities experienced mean per unit costs between those categories ($15,001-$20,000, 18 percent; $20,001-$25,000, 29 percent; and $25,001-$30,000, 24 percent).

TABLE 4-11

MEAN REHABILITATION COST FOR SECTION 810 PROPERTIES
BY FINANCING SOURCE, FY 1985

	Mean Rehabilitation Cost			
	Properties		Units	
Financing Source	Amount	Number	Amount	Number
Section 312 Only	$21,972	284	$21,225	294
CDBG Only	19,058	51	17,999	54
Other Only*	13,522	179	13,477	180
Mixed**	28,516	175	28,354	176
Overall	$21,223	689	$20,771	704

* See narrative above for explanation.

** Mixed sources include various combinations of Section 312, CDBG and other funding.

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

CDBG ASSISTANCE

Community Development Block Grant funds are used in a variety of ways in addition to rehabilitation financing to assist homesteading programs. CDBG monies comprise the principal source of administrative support for most local programs. Moreover, some localities used CDBG funds to purchase local properties which were used for homesteading purposes.

HOMESTEADING PROPERTIES

PROGRAM-WIDE PROPERTY ACQUISITION

By the end of FY 1985, Section 810 funds had been used to reimburse the HUD mortgage insurance funds, VA, and FmHA for 9,027 properties in 122 of the participating localities. (See Table 4-12.) In addition, 60 participating localities had brought 1,246 locally-acquired properties into their homesteading programs. Twenty-nine communities had used 669 Federal properties purchased from sources other than Section 810. Homesteading communities have, since the beginning of the program, amassed 10,942 properties for homesteading purposes.

TABLE 4-12

NUMBER AND SOURCE OF HOMESTEADING PROPERTIES
FY 1976-FY 1985

	FYs 1976-1983	FY 1984	FY 1985	Total
Section 810	7,446	996	585	9,027
(HUD)	(7,268)	(840)	(464)	(8,572)
(VA)	(164)	(156)	(90)	(410)
(FmHA)	(14)	(0)	(24)	(38)
(Local Demo)	(0)	(0)	(7)	(7)
Other Federal	287	190	192	669
Locally Acquired	855	190	201	1,246
Total	8,588	1,376	978	10,942

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

whole. Locally-acquired and non-810 Federal properties, however, are comprising a larger share than previously of recent property acquisition.

Despite the aggregate numbers of HUD-acquired properties, many local homesteading communities find themselves with insufficient properties to keep their programs going at previous levels, or, occasionally, going at all. Depending upon circumstances, HUD-owned properties may be too few, too quickly sold on the open market, situated outside designated homesteading areas, or simply inappropriate for homesteading.

The average value of the Section 810 homesteading properties transferred to communities during FY 1985 increased dramatically from the corresponding value for the previous fiscal year, from $14,078 to $17,101.* This increase probably reflects an increase in requests for waivers of the maximum as-is value of urban homesteading properties, i.e., $15,000 per property during FY 1985.**

Thus far, few properties have been acquired using Section 810 funds under the Local Property Demonstration. The mean value of those acquisitions is $9,458.

LOCAL HOMESTEADING PROPERTY SOURCES

Most urban homesteading communities currently depend on Federal, principally HUD, properties for their homesteading production. Fifty-two percent of the approved programs have used only Federal properties for homesteading. Thirty-six percent have used Federal and local properties in combination to advance their homesteading goals. Seven percent have employed only local properties, and the remainder (five percent) have acquired no properties thus far.

Of all participating communities, 86 percent have included HUD properties in their urban homesteading programs, 43 percent have used locally-acquired properties, 32 percent have employed Veterans Administration-owned properties, and only two programs have processed Farmers Home Administration-owned properties.

LOCAL PROGRAM SIZE AND PROPERTY ACQUISITION

Local homesteading programs vary considerably in size. (See Table 4-13.) About one-third are very small with ten or fewer properties acquired for homesteading since their programs began. Some of these localities (more than two-fifths) entered the program in the last three years. Others, either because they lacked suitable properties for homesteading or because they targeted their program to specific properties that have subsequently been completed or for other reasons, have not moved beyond this point. Another third have obtained between ten and 50 properties. The final third of homesteading communities have sizeable programs with more than 50 properties. Sixteen communities had processed at least 200 properties since the inception of their respective homesteading efforts. One city, Gary, Indiana, has moved nearly 600 properties into its program.

* The average value reflects the relationship between funds obligated and properties transferred. This figure is based on Section 810 property figures provided by the Office of Finance and Accounting. These data are based on closing documents received as of September 30, 1985.

** The new Urban Homesteading regulations, effective as of August 2, 1985, set the basic limit on as-is fair market value of a one-unit single-family property at $20,000; this limit can be increased by the HUD Field Office Manager based on criteria prescribed by the regulations.

Communities also have obtained properties during FY 1985 at varying rates. Thirty-five percent secured no homesteading properties during the year, (of those, three-fifths had formally closed out their programs). Another 32 percent had acquired less than five properties. The rest had obtained from six to 165 properties for homesteading purposes.

TABLE 4-13

LEVELS OF PROPERTY ACQUISITION FOR LOCAL HOMESTEADING PROGRAMS, FY 1985 AND CUMULATIVELY

Properties Acquired	Percentage of Approved Homesteading Programs: FY 1985	Percentage of Approved Homesteading Programs: Cumulatively
0	35%	5%
1 - 5	32	14
6 - 10	17	13
11 - 25	11	18
26 - 50	3	15
51 - 100	1	12
101 - 200	1	13
201+	0	11
Total	100%	100%
	(n=147)	(n=147)

Note: Detail may not add due to rounding.

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

URBAN HOMESTEADING PARTICIPATION AND PROGRESS

LOCAL HOMESTEADING PARTICIPATION

By the end of FY 1985, the Department had approved 147 communities, 129 cities, 17 counties, and one State, for participation in the Urban Homesteading Program. Seven jurisdictions, six cities and one State, entered the program during FY 1985.

Of the 147 approved communities, 115 remained formally in the program as of the end of FY 1985. Thirty-two communities have formally closed out their programs or have initiated closeout procedures. Ninety-three communities added new properties during FY 1985, a basic indicator of program activity. In addition, 84 communities conditionally transferred properties to homesteaders during the fiscal year, 87 initiated rehabilitation of one or more homesteading units, and 88 completed rehabilitation on one or more units.

LOCAL HOMESTEADING PROGRESS

Once a property is obtained for homesteading, it must proceed through a series of steps before a homesteader actually owns it in fee. The steps need not always follow in this order, but each benchmark must be reached: (1) homesteader selection; (2) conditional transfer of the property from the community to the homesteader; (3) beginning of renovation; (4) occupancy by the homesteader; (5) completion of rehabilitation; and (5) fee simple conveyance, the permanent transfer of the property to the homesteader after five years of occupancy (formerly three years).

The differences in the number of properties at various stages of the process reflect the on-going nature of local homesteading programs and the duration of each property's course through the homesteading process. In communities with effective programs and continuing streams of appropriate properties, properties are continuously being acquired even as others are being renovated and finally conveyed.

The Urban Homesteading program has now been in existence for ten years, so, in the aggregate, most properties have moved through all the steps excepting fee simple conveyance. Over the life of the Urban Homesteading program, based on all properties acquired for homesteading from whatever source (n=10,942 properties), 87 percent of all properties secured had been transferred conditionally to homesteaders, 82 percent were occupied by homesteaders, renovation had begun on 85 percent, and had been completed on 75 percent. Eighty-eight communities had been in the program long enough to have transferred final title to at least some of their homesteaders; and 5,095 homesteaders had become homeowners by completing their conditional title periods.

PART THREE: SECTION 312 REHABILITATION LOAN PROGRAM

INTRODUCTION AND BACKGROUND

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, mixed-use, and nonresidential properties. To be eligible, properties must be located in designated areas (i.e., principally urban homesteading areas at this time) or the rehabilitation must be 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. There are no national income limits for applicants, but communities are statutorily required to give priority to loans to low- and moderate-income owner-occupants (i.e., those with incomes 95 percent or less of the area median income adjusted for family size). Beginning in January, 1985, the Department has charged a minimum interest rate of three percent for lower-income owner-occupant families (80 percent or less of the area median income adjusted for family size) and a "floating" interest rate for all other loans. The term of a Section 312 loan cannot exceed 20 years or three-fourths of the remaining economic life of the property, whichever is shorter.

This part of the chapter reports on Section 312 program activity on a cumulative and Fiscal Year 1985 basis. It is divided into two parts: recent program developments and current program status.

RECENT PROGRAM DEVELOPMENTS

VARIABLE INTEREST RATE

A change in the Section 312 interest rate structure occurred in FY 1985. Beginning January 1985, loans were made at three percent to owner occupants whose incomes were at or below 80 percent of the median income for that metropolitan area, and at a rate equivalent to the Federal funds rate for similar term loans as of the week the loan was approved, for all other borrowers. During FY 1985, 78 percent of the loans were made at three percent, 18 percent at variable rates of 10-12 percent, and three percent at the five or nine percent investor rate in effect prior to January 1, 1985.

LOAN RISK AND APPLICATION FEES

Under a final rule published in the September 25, 1985, Federal Register effective October 30, 1985), the Department sets a loan risk premimum of one percent per annum in order to offset losses from loan defaults. The premium is added to the recipient's loan rate. The regulation also requires borrowers to pay a fee for approved applications to meet administrative costs incurred by the Department. The fee is $200 for a single-family loan and $300 for all other loans. A borrower may pay the application fee in full at loan settlement or have the fee amortized over the life of the loan.

EXPANSION OF CASH MANAGEMENT SYSTEM

In FY 1984, the Department initiated a new cash management system for Section 312 loans, and instituted it on a trial basis in three of the ten HUD Regions. For FY 1985, HUD expanded the system to include all ten regions.

The cash management system is designed to improve the disbursement of program funds and provide management information on the use of funds. In brief, the cash management contractor uses the services of a bank to transfer the loan funds electronically (as they are needed by the property owner to finance the various stages of the rehabilitation projects) to local banks in areas where the rehabilitation loans are made. The drawdown of Federal funds is accomplished through a letter of credit issued for that purpose. By disbursing funds only as they are actually needed, Treasury borrowing costs are reduced. Internal control of obligation authority remains with HUD's Regional Accounting Divisions, which record obligations as approved loans are submitted to them by the HUD Field Offices.

CURRENT PROGRAM STATUS

PROGRAM FUNDING

Since its beginning through FY 1985, the Section 312 Program has awarded 97,395 loans totalling $1.323 billion for the rehabilitation and occasional refinancing of housing.

Congress has appropriated no new funding for the Section 312 Program since FY 1981. Since then, the program has depended for funding support entirely on loan repayments, recovery of prior year commitments, and the unobligated balance from previous years. A total of $155.357 million was available from these sources for FY 1985 loans and related expenses. From that amount, $75.007 million was obligated for loans in 322 communities during FY 1985. (Homeowners in 390 communities received loans in FY 1984.) After other expenses (i.e., loan servicing, acquired security and collateral), an unobligated balance of $64.312 million remained at the end of the Fiscal Year. Table 4-14 presents a summary of Section 312 lending activity for FY 1985.

At the direction of Congress, the Department has not imposed restrictions on the type of properties eligible for Section 312 loans since FY 1983. In FY 1985, 78 percent of Section 312 assistance went to owners of single-family housing, and 22 percent went to owners of all other properties. That contrasts with 74 percent to multifamily properties and 26 percent to single-family properties during FY 1983.

TABLE 4-14

CHARACTERISTICS OF SECTION 312 LOANS FOR FY 1985*

Single Family Loans**	
Loan Amount	$60,099,050
Number of Loans	2,707
Mean Amount Per Loan	$16,114
Number of Dwelling Units	3,132
Units Rehabilitated Per Loan	1.16
Mean Amount Per Unit	$13,891
All Other Loans***	
Loan Amount	$16,803,214
Number of Loans	77
Mean Amount Per Loan	$157,858
Number of Dwelling Units	1,195
Units Rehabilitated Per Loan	15.7
Mean Amount Per Unit	$10,055

* These figures are projected from a large subset of Section 312 for FY 1985. The total dollar and unit figures vary somewhat from the budget figures noted above.

** Single Family refers to buildings of one-to-four units.

*** This category includes all multifamily, nonresidential, and mixed use loans.

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

SECTION 312 LOAN COLLECTION ACTIVITY

Debt collection remained an area of high Departmental priority during FY 1985. Active Section 312 loans are serviced through a number of contracts and subcontracts. The Federal National Mortgage Association (FNMA) and its private servicers administer 77 percent of the outstanding loans and 62 percent of the outstanding loan amount. HUD Headquarters manages the remaining loans, including defaulted loans and new loans, through a private contractor.

As of the end of FY 1985, there were 59,273 active Section 312 loans with unpaid balances totalling $695.6 million (See Table 4-15.) Eighty-one percent of all outstanding Section 312 loans and 74 percent of the outstanding loan amounts are current. If only the seriously delinquent loans (usually defined as three or more months delinquent) are considered, then ten percent of the Section 312 loans and 12 percent of the Section 312 loan amounts were seriously delinquent or in legal action as of September 30, 1985.

TABLE 4-15

STATUS OF SECTION 312 LOAN PORTFOLIO
FOR FYS 1984 AND 1985
(Dollars in Thousands)

Status	FY 1984* Number of Loans	Pct.	Unpaid Balances Dollars Amount	Pct.	FY 1985** Number of Loans	Pct.	Unpaid Balances Dollars Amount	Pct.
Current	48,774	80%	$517,508	77%	48,016	81%	$515,460	74%
Delinquent:	8,024	13	90,925	13	7,199	12	127,771	18
3 months or less	(5,487)	(9)	(75,465)	(11)	(5,668)	(10)	(100,599)	(14)
More than 3 months	(2,537)	(4)	(15,460)	(2)	(1,531)	(3)	(27,172)	(4)
In Legal Action	3,894	6	67,440	10	4,058	7	52,416	8
Total	60,692	100%	$675,873	100%	59,273	100%	$695,647	100%

* As of November 30, 1984

** As of September 30, 1985

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

Overall, the proportion of the total outstanding loan amount in the current status declined by three percent from FY 1984 to FY 1985. Approximately the same proportion of the loan portfolio was in serious difficulty (i.e., more than three months delinquent or in legal action) as in the preceding year, but the amounts shifted somewhat, with less of the unpaid balance in legal action status and more in the "delinquent more than three months" category. The largest category of legal actions was foreclosures, which made up 49 percent of the legal actions and 69 percent of the amount of the unpaid balance in legal actions. Judgments constituted the next largest category (41 percent of the loans in legal action and 13 percent of the unpaid balance in legal actions). Bankruptcies, pending charge-offs, and undisposed of acquired properties comprised the remainder of legal actions.

Several changes are evident when comparing the Section 312 Loan Portfolios for FYs 1984 and 1985. The number and percent of delinquent cases declined during FY 1985, but the dollar value of delinquent loans actually increased. This circumstance occurred for several apparent reasons. In part, it results from a large number of multifamily loans that experienced difficulty in completing construction and that had been placed into servicing for the first time. These loans were considered under construction and, therefore, not technically delinquent at the end of FY 1984. However, in FY 1985, the Department began placing all Section 312 loans which reached their amortization effective date (the predicted date for the completion of construction) in servicing even if construction was not complete. This new practice forces prompt resolution of projects experiencing construction difficulties but also tends to create short-term delinquencies. Moreover, because many of the new cases are multifamily ones, they tend to have higher loan balances than earlier cases.

The increase in the number and dollar value of short-term delinquencies results, in part, from a more aggressive loan servicing policy instituted by the Department in June 1985.

CHARACTERISTICS OF SINGLE-FAMILY LOAN RECIPIENTS*

In the aggregate, Section 312 single-family loans went to households that were of lower income, younger, more minority, and larger than the American population as a whole. The best available indicator of income status is the interest rate of the loan, since the three percent rate for single-family loans applies only if the owner has an income at or below 80 percent of the area median. Seventy-eight percent of the single-family loans charged that rate. Ninety-three percent of the applicants reported household incomes less than $30,000 per year, 77 percent had annual incomes less than $20,000, and 22 percent less than $10,000.

Forty-two percent of the loan recipients were less than 40 years of 'age, and 23 percent were less than 30; 28 percent were 60 years and older.

* This partial information is based on all 1985 Section 312 single-family loan applications received by HUD Central Office. The subset contains 850 applications or 35 percent of all FY 1984 single-family loan applications.

Half of the loan recipients were members of minority groups. Blacks constituted 32 percent of all recipients and Hispanics another nine percent.

Twenty-seven percent of all recipient households contained four or more members. Thirty-seven percent were two-member households, and 35 percent were single-member households.

CHARACTERISTICS OF PARTICIPATING COMMUNITIES

During FY 1985, property owners in some 322 communities obtained Section 312 loans. Single-family loans comprised the only form of Section 312 activity in 80 percent of those communities. Six percent of them had only multifamily activity, and 14 percent experienced both single- and multifamily activity.

Sixty-five of the 322 communities with Section 312 loans reported using $10.4 million in the rehabilitation of 459 Urban Homesteading properties with 470 units. For 294 of those units, accounting for $6.2 million of Section 312 monies, Section 312 was the sole source of rehabilitation financing. For the remaining 176 units, accounting for $4.1 million, Section 312 support was used in concert with other assistance, e.g., CDBG loans, other public financing, and private financing.

Of the 322 communities with 312 loans, 289 are cities or towns, thirty-two are counties. The State of Minnesota also coordinated loan activity with several CDBG Small Cities Program participants. Eighty-one percent of the communities are large or central cities, thereby meeting the criteria for Entitlement status in the CDBG program. The remaining are smaller cities and non-urban counties. Of the Entitlement communities, 71 percent satisfy the UDAG threshold of distress, and 26 percent satisfy the standards for high distress. For smaller communities, three-fifths meet the UDAG criteria for distress.

CHAPTER 5

SECRETARY'S DISCRETIONARY FUND, MANAGEMENT INITIATIVES AND MANAGEMENT MONITORING

INTRODUCTION

This chapter reports on the operation of the Secretary's Discretionary Fund, the efforts of the Office of Community Planning and Development to support management initiatives of the Department, and actions to ensure that grantees are carrying out statutory programs in conformity with program regulations.

The first section of this chapter covers several programs operated out of the Secretary's Discretionary Fund. The second discusses management initiatives, including public/private economic development partnerships, and environmental initiatives. The third reports on a variety of efforts to monitor CPD-administered Programs. Included are CPD monitoring and auditing activity and reviews of compliance with equal opportunity regulations and statutes.

PART ONE: SECRETARY'S DISCRETIONARY FUND

The Secretary's Discretionary Fund is authorized by Section 107 of the Housing and Community Development Act of 1974 to provide a source of non-entitlement funding for special groups and projects. During FY 1985, the $60.5 million appropriation supported four program areas: The CDBG Program for Indian Tribes and Alaska Natives, the CDBG Program for Insular Areas, the Technical Assistance Program, and the Special Projects Program. Also, funds for the special energy initiatives, described elsewhere in this chapter, came from the Technical Assistance Program.

THE CDBG PROGRAM FOR INDIAN TRIBES AND ALASKA NATIVES

The Indian CDBG Program provides funding for Indian Tribes, bands, groups or nations including Alaskan Indians, Aleuts, Eskimos or Alaska Native villages. They must be eligible under Title I of the Indian Self-Determination and Education Assistance Act or the State and Local Fiscal Assistance Act of 1972. In FY 1985, $30 million was made available in this program, including $1.2 million that was withheld from distribution during Fiscal Year 1985 pursuant to Section 515 of the Treasury/Postal Service Appropriations Act of 1985. HUD awarded grants averaging $313,000 to 92 tribes and villages. The largest grant was $3,058,651 to the Navajo Tribe in Arizona, and the smallest was $56,000 to the Quileute Tribe in the State of Washington. Of the total amount awarded, grantees reported they planned to use 28 percent for housing rehabilitation, 24 percent for economic development, 18 percent for infrastructure, 16 percent community facilities, and 14 percent for other purposes.

By contrast in FY 1984, 40 percent was spent on infrastructure, 28 percent for community facilities, 15 percent for economic development, 13 percent for housing rehabilitation and four percent for other purposes.

The Indian funds are distributed initially to HUD regions by formula a based upon Indian population, poverty, and over-crowded housing. In addition, $500,000 is given to each of the six Field Offices administering Indian programs. Each Field Office distributes its allocated funds by competition among tribes. An announcement is made annually in the Federal Register which indicates the criteria to be used to rate applicants and determine distribution of funds to tribes and Alaska Native Villages. Criteria are set by consultation with Indian Tribes. Among the factors considered are degree of need and benefit, impact of the proposed project on needs, and quality of the project. Tribes have discretion in the use of funds they receive.

THE CDBG PROGRAM FOR INSULAR AREAS

The Insular Areas CDBG Program provides funding for CDBG-eligible activities in the Virgin Islands, Guam, the Commonwealth of Northern Mariana Islands, American Samoa and the Trust Territories of the Pacific. In FY 1985, HUD awarded grants totalling $7.0 million which were distributed as foilows: $2.2 million to the Trust Territories; $2.4 million to the Virgin Islands; $1.5 million to Guam; $450,000 to the Northern Marianas and $450,000 to American Samoa. Approximately 75 percent of these funds was planned to be used for public facilities, including water and sewer facilities, or housing activities, eleven percent for economic development projects, and the balance to cover administrative expenses. These expenditures reflect local priorities and are not determined by HUD.

TECHNICAL ASSISTANCE PROGRAM

HUD uses the Technical Assistance (TA) and special projects component of the Secretary's Discretionary Fund (Section 107) to assist participants in CPD-administered Programs to acquire or improve skills related to community and economic development activities and to assist in special community development needs. In FY 1985, HUD allocated a total of $23.5 million for 83 contracts and grants. The areas selected for greatest emphasis included providing grantee assistance in planning and undertaking economic development activities, infrastructure improvements and addressing the specific program needs of grantees in the State and Entitlement CDBG Programs. A significant portion of technical assistance funds also was earmarked for projects in Historically Black Colleges and for housing programs. Table 5-1 notes the distribution of the technical assistance and special projects program in FY 1985 by funding categories.

The Secretary also gave priority to the provision of technical assistance under Section 107 to minority groups and communities and emphasized the need to make as much assistance as possible available through qualified minority organizations. Approximately $8.4 million of all FY 1985 technical assistance funds was allocated for provision of services through Black, Hispanic, and Native American firms, organizations, universities, and colleges. Table 5-2 illustrates the distribution of FY 1985 funds allocated to minority organizations.

TABLE 5-1

DISTRIBUTION OF SECTION 107 TECHNICAL ASSISTANCE AND SPECIAL, PROJECTS PROGRAM FUNDS BY FUNDING CATEGORIES, FY 1985
(Dollars in Millions)

Category	Projects Amount	Projects Percent
CDBG (General)	$9.30	40%
Economic Development	8.76	37
Black Colleges	1.50	6
Energy	.41	2
Housing	3.53	15
Total	$23.50	100%

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

TABLE 5-2

SECTION 107 TECHNICAL ASSISTANCE PROGRAM FUNDS ALLOCATED TO MINORITY ORGANIZATIONS, FY 1985
(Dollars in Millions)

Group	Project Number	Project Amount	Amount as a Percent of Total Minority Projects
Black (Non-College)	19	$5.3	63%
Black College Projects	15	1.5	18
Hispanic	5	1.4	17
Native American	1	.2	2
Total	40	$8.4	100%

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

PART TWO: MANAGEMENT INITIATIVES

Community Planning and Development has taken several positive steps to achieve the objectives of the Department. These steps cross program lines. Among these are efforts to encourage economic development partnerships, to further environmental goals, particularly regarding energy efficiency.

PUBLIC/PRIVATE ECONOMIC DEVELOPMENT PARTNERSHIPS

The Department continues to stress the establishment of public/private economic development partnerships. This initiative is aimed at breaking down traditional barriers between the public and private sectors and bringing about more involvement of the private sector in community and economic development activities. These activities cut across all of HUD and CPD Programs and involve a wide variety of strategies and actions.

PUBLICATIONS

The Office of Community Planning and Development has cooperated in developing several publications to promote public/private partnerships. The first was a brochure, The Entrepreneurial American City, a joint project of HUD and Partners for Livable Places. It was distributed to 35,000 public officials and has triggered wide public attention. It cites examples of cities that have succeeded in making better use of local private resources in leveraging urban development activities.

A second publication, Planning a Government Prpcurement Outreach Center, was published by the Academy for State and Local Government. It was done with the assistance of HUD's Office of Community Planning and Development and the Department of Defense. A shorter brochure published by the same organization is How to Get More Defense Contracts in Your Community. These publications constitute part of a larger initiative by the Department of Defense, with HUD cooperation, to help medium-size distressed communities in securing more defense contracts and promoting economic development.

SMALL BUSINESS DEVELOPMENT SYSTEM

Another initiative is the Small Business Development System, which was pioneered by the Council for Economic Action, Inc. in Boston, Massachusetts. HUD has earmarked funds to replicate this approach in several other cities. These cities, in turn, will add their own money and, thus, develop a stake in the operation. In Boston, the Urban Business Identification System (UBI) identified undersupplied business opportunities in the city so that entrepreneurs could be sought to create businesses in those areas. The Boston University School of Management developed a management training program for small entrepreneurs who were identified through an outreach program. Sources of financing for the businesses were secured and additional equity capital obtained from the Massachusetts Venture Capital Corporation. These steps will be replicated in other cities.

PENSION FUNDS IN URBAN DEVELOPMENT

CPD is encouraging the use of public pension funds in urban development projects that are sound investments. These funds will total three trillion dollars by the year 1990, and, if only a small portion is used for urban development activities, it could make a significant impact. One example of the use of pension funds is in Allegheny County, Pennsylvania. Allegheny County pension funds are deposited in local savings and loan associations which funded urban development activities with long-term, fixed-interest loans to small businesses.

NATIONAL COUNCIL FOR URBAN ECONOMIC DEVELOPMENT

The National Council for Urban Economic Development (NCUED) continues to work with HUD to offer technical assistance to ten communities in using Block Grant funds to develop more effective industrial development strategies. The technical assistance concerns improvement of industrial marketing strategies, development of a program for industrial park management and guidance in obtaining public-private financing for industrial park projects. The emphasis varies from community to community.

ENTERPRISE ZONES

The Office of Community Planning and Development has developed an active outreach program to encourage States to test the concept of public/private partnerships in Enterprise Zones. Illustrative of the outreach activities is the publication of Enterprise Zone Notes to keep States and localities informed of Enterprise Zone events. Other activities include participation in numerous conferences, preparation of speeches and presentations, maintenance of an information clearinghouse and preparation of a video presentation on Enterprise Zones by the Office of Public Affairs.

CPD's Office of Program Analysis and Evaluation has also undertaken research activities on selected Enterprise Zones and published a directory of all Enterprise Zones in the United States. The directory, which was distributed to all State Coordinators and local zone officials, has improved communication among zone officials.

CPD provided back-up support for improving Enterprise Zone legislation. More than a half-dozen Enterprise Zone bills have been introduced in the 99th Congress. While varying in specifics, all of the bills share the common thrust of providing special Federal incentives, either tax or non-tax, to encourage businesses to invest in distressed areas, thus creating jobs and contributing to economic revitalization.

Meanwhile, 27 States have adopted the Enterprise Zone concept. Twenty-six have passed legislation and one, the Commonwealth of Pennsylvania, has implemented a program administratively by targeting resources from existing State assistance programs. The specific eligibility requirements, selection processes, requirements for local commitment and incentives vary by State. Twenty-one States have actually designated more than 1,400 areas (in 645 jurisdictions) in which Enterprise Zone incentives have been applied. These incentives include property and sales tax reductions, motor vehicle or inventory tax reductions or exemptions, fixed asset or working capital loan pools, loan guarantees, tax credits for hiring new employees, day care and training assistance and other incentives.

Reports from the States indicate that over 80,000 jobs have been retained or created in the zones and more than three billion dollars in capital investments are planned or underway.

ENERGY INITIATIVES

In 1980, Congress recognized that increasing energy costs had "seriously undermined the quality and overall effectiveness of local community and housing development activities" and called for "concerted action by Federal, State, and local governments to address the economic and social hardships.. ." these increased costs had caused. The 1980 Amendments to the Housing and Community Development Act incorporated this emphasis on energy and included a new objective for Community Development Programs -- "the conservation of the Nation's scarce energy resources, improvement of energy efficiency, and the provision of alternative and renewable energy sources of supply." (Section 101(c)).

In support of this objective, FY 1985 HUD energy activities emphasized providing assistance to localities in developing district heating and cooling systems, promoting public awareness of the benefits to local communities of energy conservation, and establishing interagency agreements to further energy conservation goals. HUD also offered guidance to communities and States on appropriate use of the CDBG and UDAG programs to improve energy efficiency in community and economic development activities. In each area, strong emphasis was placed on encouraging local public/private partnerships.

Development of District Heating/Cooling Systems. HUD provided energy-related technical assistance through the Secretary's Discretionary Fund for determining the feasibility of and designing projects involving district heating and cooling systems (DHC). District heating/cooling systems provide heat, hot water and cooling to businesses, homes and public buildings from a central heat plant at greater efficiency and less pollution than individual heating and cooling units.

New construction on a DHC project began in Provo, Utah; system expansion for a project was underway in Baltimore, MD; and marketing of the system advanced in Springfield, MA during 1985. Engineering designs and financial packaging for DHC systems are proceeding in six other communities. If all DHC systems go forward, over $100 of local private investment will be realized for each dollar of HUD technical assistance funds invested.

In eleven cities developing DHC systems, anchor customers will be HUD-assisted public housing projects serving over 13,000 units of public housing. Feasibility assessments were also funded for public housing-anchored DHC systems in seven cities. Meanwhile, the Department published a notice encouraging PHAs to cooperate with public and private system developers to reduce energy costs through increased energy efficiency. HUD provided technical assistance to eight cities developing district heating systems that obtain energy from burning municipal waste.

Promotion of Energy Awareness. During FY 1985, HUD disseminated information to communities on how the CDBG and other programs can improve local economies through energy conservation and development. It sought to heighten public awareness of the investment benefits of CDBG and UDAG energy projects and of the need to cut waste and mismanagement of energy resources through an information campaign during American Energy Awareness Week.

The Department also encouraged public/private partnerships to inform local governments about the use of the CDBG program for energy projects. In FY 1985, Control Data Corporation volunteered to work with HUD to provide local governments with technical information on energy programs and demonstrations, using the automated Local Government Information Network (LOGIN). To disseminate benefits of the experiences of the HUD-assisted district heating cities, HUD co-sponsored with the Department of Energy (DOE) the Third National Conference on District Heating and Cooling in Washington, D. C. in January 1985.

Energy Efficiency During Multifamily Building Rehabilitation. Costs for utilities for public housing are approximately one billion dollars per year and substantial sums are spent on the energy portion of Section 8 housing assistance. The Department, through its CDBG and Rental Rehabilitation Programs (RRP), spends hundreds of millions of dollars for rehabilitation of low- and moderate-income housing each year.

To promote increased energy efficiency in property rehabilitation funded by the CDBG and Rental Rehabilitation Programs, HUD convened roundtable discussions in Chicago, New York City, Boston and Pittsburgh. The regional and local roundtables comprise the first step in an initiative to improve cooperation among property owners, energy service companies, utilities, State energy offices, lenders and local property rehabilitation staff.

A National Roundtable sponsored by HUD in Washington brought together representatives from Federal agencies and private sector organizations to promote efforts by local government to form partnerships with the private sector to cut energy costs and achieve greater efficiency in rehabilitation activity.

HUD also joined in a cooperative agreement with the National Association of Home Builders Research Foundation (NAHB/RF) in FY 1985 to provide technical assistance for energy-saving rehabilitation techniques in CDBG/RRP-funded multifamily housing rehabilitation to four CDBG Entitlement communities (Des Moines, IA; Austin, TX; Boston, MA; and St. Louis, MO).

Energy Strategies. Under an Interagency Agreement with the Department of Energy, HUD contributed to the DOE-funded Urban Consortium Energy Task Force. The Task Force focussed particular attention on strategic planning for energy projects being undertaken by task force members.

CDBG and UDAG Funding to Improve Energy Efficiency. Several States have used State-administered Block Grant funds to help their small communities to address energy problems, often through rehabilitation or economic development. For example, in 1985, the Massachusetts Small Cities Program coordinated with the State Office of Energy Conservation to leverage weatherization funds to further housing rehabilitation efforts in 21

Massachusetts communities. New Mexico is one State that awards points to Small Cities applications containing energy measures.

Job creation and economic development objectives are served by CDBG energy investments in Nebraska. For example, over a period of two years, $700,000 of CDBG and other leveraged funds yielded Fremont, NE, a 20 percent annual rate of return on local energy investments, while retaining jobs in the local construction industry. Fremont established a revolving loan fund with CDBG and leveraged funds to weatherize 300 homes.

Increasingly, communities are incorporating weatherization and other energy efficiency measures into their rehabilitation programs. These activities are not recorded separately if they are part of other non-weatherization activities. Expenditures for weatherization are only recorded if that is the only activity in the project. This is reflected by the decline of planned FY 1985 weatherization-only activities for the CDBG Entitlement Program compared with similar expenditures in FY 1983, the most recent year for which comparable data are available. In FY 1985, Entitlement communities planned to spend $8.1 million on weatherization, exclusive of other project activities. Of this, $600,000 was to be used to weatherize multifamily units and $7.5 million for single-family units. Weatherization-only expenditures planned in FY 1985 for Urban Counties remained constant, while the amount for Metropolitan Cities declined 56 percent for multifamily and 63 percent for single-family units, compared to actual FY 1983 expenditures.

HISTORIC PRESERVATION

Included in the authorized use of funds of the Housing and Community Development Act of 1974 are "...restoration and preservation of properties of special value for historic architectural or aesthetic reasons.. .." No special funds are identified in the Act specifically for historic preservation. However, the Department has taken the initiative to encourage and monitor historic preservation activities.

HUD has provided assistance to historic preservation projects through the UDAG and CDBG Programs since 1978. UDAG historic preservation projects totalled $218.4 million between FY 1978 and FY 1985, compared with $69.7 million estimated from CDBG between FY 1979 and FY 1985. Annual UDAG historic preservation expenditures since FY 1978 increased from $7.3 million in FY 1978 to a high of $66.2 million in FY 1983 then diminished to $48.1 million in FY 1984, the last year for which there were complete historic preservation data. FY 1985 data are incomplete in that only 101 out of 347 UDAG projects were coded. The balance did not have signed grant agreements.

UDAG grants for historic preservation have the added benefit of leveraging private sector support. For the period FY 1978 to FY 1985, UDAG historic preservation grants totalling $218.5 million leveraged private-sector expenditures of $1.1 billion, a ratio of approximately 1 to 5.

Between FY 1979 and FY 1985, total CDBG grants for historic preservation projects are estimated at $69.7 million. During this period the annual sum allotted to historic preservation by CDBG entitlement grantees diminished steadily from $13.2 million in FY 1979 to $5.0 million in FY 1985, as indicated in Table 5-4. These expenditures reflected local priorities on expenditures with block grant funds.

TABLE 5-3

UDAG SUPPORT FOR HISTORIC PRESERVATION ACTIVITY, FY 1978-FY 1985

Fiscal Year	Expenditures (in millions)
1978	$7.3
1979	19.8
1980	15.3
1981	24.3
1982	31.0
1983	66.2
1984	48.1
1985	6.5 (partial)
Total	$218.5

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

TABLE 5-4

CDBG ENTITLEMENT SUPPORT FOR HISTORIC PRESERVATION ACTIVITY FY 1979-FY 1985

Fiscal Year	Expenditures (in millions)
1979	$13.2
1980	12.5
1981	11.5
1982	9.9
1983	9.2
1984	8.4
1985	5.0
Total	$69.7

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 Base.

PART THREE: MANAGEMENT MONITORING ACTIONS

Results-oriented management not only includes affirmative measures to achieve Departmental goals, but also effective and careful monitoring to determine whether grantees have carried out these goals. The previous section dealt with management initiatives. This section deals with monitoring compliance with statutory and regulatory requirements.

Among the monitoring activities covered in this section are: general program monitoring, program audits, closeout of Community Development projects, and monitoring and reviews in equal opportunity.

CPD MONITORING ACTIONS

The goal of monitoring is to review the conformance with program requirements of grantee performance and management. Information from monitoring reviews enables HUD to improve, reinforce or augment grantees' performance. Monitoring is viewed as an ongoing process involving continuous grantee communications and evaluation.

Program monitoring is carried out under the CPD Monitoring Handbook which incorporates legislative requirements and program policy. Where monitoring visits identify performance that is deficient, HUD uses these findings as a basis for negotiating ways to improve grantee programs. Monitoring also is used by HUD as a method to direct technical assistance to grantees whose problems indicate a need for expert management consultation. As part of this monitoring procedure, HUD staff are particularly alert for fraud, waste and mismanagement or for situations that present opportunities for such abuse.

The Secretary is required by the Housing and Community Development Act of 1974 to review and audit CDBG grantees. Reviews of Metropolitan City, Urban County, and Small City HUD grantees should determine whether each grantee: (1) carried out activities and, for entitlement grantees, Housing Assistance Plans, in a timely manner; (2) carries out its activities and its certifications in accordance with the primary objectives and requirements of Title I; and (3) has a continuing capacity to carry out those activities in a timely manner.

For States administering the Small Cities CDBG Program, the Secretary's review assesses States' (1) timeliness of fund distribution to localities in conformance with planned methods; (2) certifications of compliance with the requirements of Title I and other Applicable laws; and (3) coordinated reviews of localities receiving assistance from the State to determine whether those localities satisfied performance criteria comparable to those required of Entitlement grantees.

In annual reviews and audits of recipients of UDAG grants, the Secretary is required to determine grantees' progress in carrying out activities substantially in accordance with approved plans and timetables.

Monitoring Priorities in FY 1985. The CPD Management Plan for FY 1985 focussed attention upon CPD's monitoring of grant administration and assisting grantees in their efficient, effective delivery of community development programs. Monitoring is the primary method of ensuring that grantees are carrying out programs in accordance with articulated priorities and was a FY 1985 management priority in all program areas.

In the CDBG Entitlement program, planned monitoring priorities focussed on localities' general compliance with national objectives and satisfactory administration of the program's targeting provisions. It also emphasized program accountability to minimize opportunities for fraud, waste and mismanagement.

Activities under the Emergency Jobs Appropriations Bill of 1983 (The Jobs Bill) were monitored for timely expenditures in a manner consistent with taking into consideration where feasible the job needs of unemployed persons and for grantees' regular reporting of program progress.

The Department's FY 1985 monitoring plans for the State-administered Small Cities CDBG Program recognized the programs' maturing status. With many of the State-administered programs beyond their initial period of operation, HUD's program monitoring aimed at reviewing States' timeliness of fund distributions; compliance with Title I requirements; and supervision and assurances of sub-recipient compliance with program requirements. In addition, HUD staff monitoring was used to provide technical assistance (TA) in a structured manner covering identification of TA needs, development of TA strategies, delivery of TA, and evaluation of its effectiveness,

The Department's monitoring objectives for UDAG in FY 1985 concentrated upon ensuring that grants were effectively managed and funds properly spent, especially in grants in smaller communities.

Objectives for FY 1985 monitoring of the Rental Rehabilitation Program were conqistent with its status as a young program and stressed provision of technical assistance to localities in the development of streamlined, cost-effective programs and financing models to get projects underway. In Urban Homesteading, the Department gave particular attention to communities that were new program participants and cities in the Local Property and Multifamily Homesteading Demonstrations. For Relocation and Acquisition monitoring, HUD emphasized large projects and communities with significant past or incipient problems.

The Department's objective for Indian projects was to coordinate monitoring plans with a focus on helping grantees to develop technical assistance strategies for making proper use of staff and contract resources. In addition, the Department aimed at assisting grantees in understanding recent regulation changes that modify the program's amendment process, preference rules and labor standards requirements.

Through the year, the Department kept careful track of State Enterprise Zone activity. Field staff also reviewed compliance in the areas of environment and energy through regular CDBG and UDAG monitoring.

Monitoring Goals in FY 1985. The Office of the Assistant Secretary develops an annual CPD Mission Statement and Management Plan that contains monitoring goals and identifies program areas to be emphasized. The document provides guidelines for selecting grantees to be monitored, and Regional Offices convert these guidelines into specific quantitative goals for monitoring grantees in each program. Regional Offices' individual goals are aggregated into a national monitoring goal.

Field Offices select individual grantees to be monitored and determine whether in-depth or limited monitoring will be conducted. In-depth monitoring is a comprehensive review of most aspects of a particular program. Limited monitoring is a review of a limited number of a grantee's activities. It is used to review programs where an in-depth review of the grantee during the last two years found substantial compliance by the grantee with program requirements.

Table 5-5 shows the number of grantees in selected CPD programs and the monitoring goals for each of these programs for FY 1985. For FY 1985, established monitoring goals were met or exceeded for all of the major CPD programs. (See Table 5-5.)

TABLE 5-51

NONITORING PERFORMANCE AND GOALS
FY 1985

	Number of Grantees			
	Total	To Be Monitored	Actually Monitored	Percent of Goal Accomplished
CDBG Entitlement	806	756	761	101%
State CDBG	49	48	48	100
UDAG	1,602	660	747	113
Rental Rehabilitation	476	448	476	100%

* Tables 5-5, 5-6 and 5-7 covering monitoring goals, performance visits and findings are each based on data from different sources. As a result, there are some minor variations in the numbers they contain.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Field Operations and Monitoring.

Monitoring Findings. Summarized information on monitoring visits and findings in FY 1985 for CDBG Entitlement grantees, HUD-administered Small Cities grants, State-administered CDBG grantees, and UDAG grants appear in Table 5-6.

In the Entitlement and State CDBG Programs, monitoring covers all of a grantee's currently active grants. Hence, monitoring reviews and findings for these programs are described on a "grantee" basis. For HUD-administered Small Cities and UDAG grants, the activities funded by each grant are highly specific and may be only one of multiple activities funded in a community with a grant from either of the programs. Accordingly, information on monitoring and findings for the HUD Small Cities and UDAG Programs focusses on individual grants.

The number of findings per CDBG Entitlement and State CDBG grantee are noticeably larger than the number of findings per HUD Small Cities and UDAG grant, The reason for this disparity derives, at least in part, from the distinctions which underlie the measurements of monitoring on a grantee basis for the former programs and a grant basis for the latter activities.

It may also depend, in 'part, on the methods by which grants in the different programs are distributed and expended. In the Entitlement and State-administered CDBG Programs, for instance, grants are by formula. They may be active for several years and grantees' funding of activities is highly discretionary. HUD-administered Small Cities and UDAG grants, on the other hand, are made on the basis of highly scrutinized applications for specific activities.

Taken together, these facts suggest two reasons why the number of findings per monitoring unit may be higher in the "grantee" than in the "grant" monitored programs. The first is that the level of scrutiny of the application and specificity in project undertaking may diminish opportunities for recipients' variation from requirements. The second is that monitoring visits conducted on a "grantee" basis cover a larger number of grants where there is little review by the Department until distribution has taken place.

TABLE 5-6*

MONITORING VISITS AND FINDINGS FOR SELECTED CPD PROGRAMS
FY 1985

Program	Number of Grants or Grantees Monitored	Number of Findings	Findings Per Grant or Grantee
CDGB Entitlement	783	2,930	3.7
HUD Small Cities	454	379	.8
State Small Cities	48	214	4.5
UDAG	1,314	1,183	.9

* Tables 5-5, 5-6 and 5-7 covering monitoring goals, performance visits and findings are each based on data from different sources. As a result, there are some minor variations in the numbers they contain.

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.

Three specific kinds of information about FY 1985 monitoring covering the CDBG Entitlement, HUD-administered Small Cities, State-administered Small Cities and UDAG Programs are presented in Table 5-7. For each of the program areas, there are three column entries. The first one shows the percent of all monitoring visits for the program that covered the specific monitoring category appearing in the list at the left of the table. The second column indicates the percent of all findings resulting from monitoring in the specific category. The third column establishes the number of grants or grantees with one or more findings in the specific monitoring category and expresses this number as a percent of all grants or grantees in the program that were monitored in the category.

The table also provides information for the list of specific categories in which monitoring is conducted. Examples of these categories are: financial management, relocation, labor standards, and fair housing.

Of all the grantees who were monitored in the CDBG Entitlement Program during FY 1985, nearly all (95 percent) were reviewed for achieving required program benefits. This total review of whether grantees achieved the kinds of program benefits contemplated resulted in eight percent of all CDBG Entitlement Program monitoring findings. Almost a quarter (22 percent) of all grantees monitored in this area of program operation, however, had one or more findings in it.

At the other end of the scale, limited environmental monitoring covered six percent of all CDBG Entitlement Program grantees that were monitored during the year. They accounted for less than one percent of all monitoring findings recorded for the program. Among the grantees that were monitored, 17 percent had at least one finding in this category.

The most widely monitored area in the HUD-administered Small Cities Program was program progress, consistent with the Department's goal for closing out these grant activities. Program progress monitoring covered more than three-quarters of all HUD Small Cities grants that were monitored during the year. The data suggest that these grants are proceeding. Program progress accounted for 12 percent of all monitoring findings that were recorded in the program. Only eight percent of all HUD-administered Small Cities grants that were monitored had one or more program progress findings.

State-administered Small Cities Program grantees, many of them operating multiple-year program grants, were monitored in the full range of review areas. In particular, however, the Department focussed on five monitoring categories pertaining to special operational aspects of the State program. These categories cover program start-up, fund distribution, monitoring and Title I compliance.

For some State-administered Small Cities grantees, monitoring in some of these program specific categories took place more than once during the year. Hence, monitoring coverage of more than 100 percent of the State-administered Small Cities grantees yielded a little more than a third of all findings associated with monitoring of the program during the year. About a quarter of these grantees had one or more findings during the year in at least one of the five special categories.

The most common monitoring of UDAG grants during the year was in a special monitoring category covering the grants' achievements of planned benefits, More than two-thirds of all UDAG grants that were monitored were reviewed for this kind of accomplishment, and these reviews resulted in almost a quarter of all monitoring findings recorded for UDAG in FY 1985. Similarly, there was at least one finding in this category for nearly a quarter of all UDAG Program grants that were monitored during the year.

TABLE 5-7

FY 1985 COMMUNITY PLANNING AND DEVELOPMENT MONITORING VISITS AND FINDINGS

Program Area	CDBG Entitlement Pct. of Grantees Monitored	CDBG Entitlement Pct. of Findings Recorded	CDBG Entitlement Pct. of Monitored Grantees with Findings	HUD Small Cities Pct. of Grants Monitored	HUD Small Cities Pct. of Findings Recorded	HUD Small Cities Pct. of Grants Monitored with Findings	State Small Cities Pct. of Grantees Monitored	State Small Cities Pct. of Findings Recorded	State Small Cities Pct. of Monitored Grantees with Findings	UDAG Pct. of Grants Monitored	UDAG Pct. of Findings Recorded	UDAG Pct. of Grants Monitored with Findings
Rehabilitation												
In-Depth	53	16	57	22	12	31	21	1	20	1		7
Limited	24	2	19	18	6	21	4		0	1		0
Program Progress	89	5	19	83	12	8	40		5	**	**	**
Program Benefit	95	8	22	60	3	4	85	8	39	12	1	8
Environment												
In-Depth	46	15	69	7	3	21	90	11	51	15	10	40
Limited	6		17	16	1	3	13	1	50	4	1	7
Accountability	44	1	10	36	3	4	40		5	44	5	10
Fin. Management												
In-Depth	23	7	60	27	11	23	94	13	58	8	7	67
Limited	14	2	27	19	4	17	19	1	33	23	6	41
Procurement	25	4	35	22	6	15	10	0	0	5	3	45
Admin. Costs	23	4	40	23	4	9	63	0	0	6	3	34
Man. Systems	21	2	27	19	7	19	44	3	29	16	10	62
Third Party Contractors	8	2	50	3		1	2	0	0	1	1	69
Personal Prop.	17	2	33	8	3	21	2	0	0	1	1	32
Relocation												
In-Depth	16	6	71	5	4	50	58	2	14	2	2	100
Limited	10	2	52	3		1	25	0	0	1		17
Acquisition	21	4	32	9	2	18	52	3	24	2	2	88
HAP	21	1	12	2	0	0	0	0	0		0	0
Labor Standards	26	10	78	20	11	23	67	4	25	10	5	41
FHEO	12	1	29	10	3	14	46	5	50	5	1	14
Citizen Part.	23	1	10	7		2	69	1	9	3		9
Elig. Activities	33		26	11	2	14	88	7	36	3	1	15
Other	9	1	18	1	1	38	25	1	17	5	2	23
Other (See Note)	+	+	+	+	+		120	37	26	69	23	23

'Less than one percent **Not available +Not Applicable

NOTE: For State Small Clties, includes average of Buy-In Provisions, Fund Distribution as Planned, Timely Fund Distribution, Subgrantee Monitoring, and Title I Compliance. For UDAG, includes Planned versus Actual Benefits.

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.

PROGRAM AUDITS

The Department uses audits as another way to ensure grantee compliance with program requirements. Every community receiving CDBG funds must have a financial and compliance audit, at least biennially and preferably every year, of its use of all Federal funds. The audit must be conducted by an Independent Public Accountant (IPA), and the resulting report is sent to the HUD Regional Inspector General for transmittal to CPD program offices. In FY 1985, CPD Program Offices received 1,632 IPA reports and an additional 108 reports from audits conducted by the Office of Inspector General (OIG).

Audits Conducted and Findings Registered. Over three-quarters of these audits were conducted on CDBG Entitlement and Small Cities grantees, including HUD-administered Small Cities grantees and States running the newer State CDBG program which replaced the HUD-administered program. Almost 20 percent of the audits were conducted on UDAG grantees. (See Table 5-8.)

TABLE 5-8

CPD PROGRAM AUDIT REPORTS - FY 1985

	Entitlement Reports		Small Cities Report		UDAG Reports		Other CPD Reports		Net Total of All CPD Programs*	
Audit Reports	N	Pct.	N	Pct.	N	Pct.	N	Pct.	N	Pct.
With Findings	248	40	155	21	76	23	73	15	536	31
Without Findings	368	60	589	79	253	77	409	85	1,204	69
Total	616	100%	744	lo@	329	100%	482	lo@	1,740	100%

* NOTE: Audit reports may cover more than one program. Therefore, each audit report is counted here under each program but only once for the net total all CPD programs.

SOURCE: U.S. Department of Housing and Urban Development, Office of Inspector General, Planning and Research Group.

There are two categories of findings in IPA or OIG audit reports. A program cost incurred by the grantee that is either questioned or disallowed is called a monetary finding. Judgments concerning grantee procedures and systems of internal control are called non-monetary findings.

Thirty-one percent of the CPD-related audits conducted in FY 1985 had either monetary or nonmonetary findings registered against the grantee. Among the 536 audit reports with findings, 29 percent had monetary findings that totalled $63,049,611 in program costs. However, $17,028,841, or 27 percent of these costs, were not sustained, indicating that supporting documentation was located after the auditors left the audit site or subsequent reviews of the findings by HUD program staff ruled that the funds were used properly. Thirty-three percent of the monetary audit costs identified, or $20,600,297, were sustained and grantees may have to repay these funds. Fiscal Year 1985 audit findings involving $25,360,493 were unresolved as of September 30, indicating that HUD management had not yet made a final determination regarding corrective actions to be taken.

TABLE 5-9

TYPE AND AMOUNT OF AUDIT FINDINGS IN CPD PROGRAMS, FY 1985
(Dollars in Thousands)

	Entitlement		Small cities		UDAG		Other CPD		Total	
	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
Monetary Findings	317	30	83	23	52	31	65	37	517	'29
Non-Monetary Findings	743	70	284	77	116	69	109	63	1,252	71
Total Findings	1,060	100%	367	100%	168	100%	174	100%	1,769	100%

	Entitlement	Small cities	UDAG	Other CPD	Total
Monetary Findings*	$42,931	$3,669	$10,415	$6,045	$63,050
Non-sustained	(9,163)	(506)	(2,615)	(4,745)	(17,029)
sustained	(17,768)	(568)	(1,161)	(1,164)	(20,660)
Unresolved	(16,000)	(2,586)	(6,639)	(135)	(25,360)

* Totals may not add due to rounding.

SOURCE: U.S. Department of Housing and Urban Development, Office of Inspector General, Planning and Research Group.

Audit Policy. In March 1984, HUD fully implemented the single-audit approach by issuing regulations requiring State and local grantees to comply with the requirements of Attachment P of OMB Circular A-102. Attachment P requires that audits be made on an organization-wide basis rather than grant-by-grant. In the future, single audits must include an examination of systems of internal control, systems established to ensure compliance with laws and regulations affecting the expenditure of Federal funds, financial transactions and accounts and financial statements and reports.

Although HUD had conducted some audits using this approach since 1979, most grant recipients continued to be audited under the former grant compliance audit approach. In this approach, an audit was conducted of an individual grant rather than of a grantee's full operation. As the number of audits covering multiple grantee activities has (Attachment P Audits) increased, the total number of audits has decreased.

By FY 1985, more than half (52 percent) of the Department's audits were conducted using the single-audit approach described in Attachment P, OMB Circular A-102. Table 5-10 indicates that the number and proportion of single audits have been increasing since 1982.

TABLE 5-10

INDEPENDENT PUBLIC ACCOUNTANT AUDITS OF CPD GRANTEES, FYs 1982-1985

Fiscal Year	Total Audits	Circular A-102 Attachment P Reports	
		Number	Percent
1982	3,136	156	5%
1983	2,787	370	13
1984	2,385	560	23
1985	1,632	842	52

SOURCE: U.S. Department of Housing and Urban Development, Office of Inspector General, Planning and Research Group.

In October 1984, Congress passed the Single Audit Act of 1984 in order to give priority and consistency to the single audit approach. The Act establishes uniform audit requirements for State and local governments receiving Federal assistance. It became applicable to audits of CPD recipients beginning after December 31, 1984.

Policies, procedures and guidelines implementing the Single Audit Act were published by the Office of Management and Budget in Circular A-128 in April 1985. The Department's Interim Regulation implementing the Circular was published in September 1985.

CLOSEOUT OF COMMUNITY DEVELOPMENT PROJECTS

At the beginning of FY 1985, 72 projects and grants from repealed or superseded community development programs remained active. The CPD field staff responsibility for ensuring that funds still obligated to these projects are used in compliance with Federal statutes and regulations makes a demand on limited program management resources. Accordingly, the Assistant Secretary for Community Planning and Development made closing out these projects one of the priority areas in his instructions to the field regarding CPD management goals in FY 1985.

During FY 1985, approximately half (37) of these 72 projects and grants were closed out. Almost half (17) of the projects closed out were Hold Harmless grants made during 1975-1979. Hold Harmless grants were made on an entitlement basis to small communities that did not qualify as CDBG Entitlement communities but had participated in one or more of the categorical programs that were consolidated into the CDBG programs.

Of the other 20 projects closed out, nearly three-quarters were either Section 701 Planning Assistance (8) or Neighborhood Self-Help grants (6). The remaining closeouts took place among active Urban Renewal or Neighborhood Facilities projects and include the sole remaining New Communities development. Table 5-11 shows the projects closed out during FY 1985 and the number still active at the end of the fiscal year.

TABLE 5-11

CPD PROJECTS AND GRANTS CLOSED OUT, FY 1985

Programs/Projects	Active at Start of FY85	Closed Out During FY85	Still Active
Hold Harmless	24	17	7
Planning Assistance (701)	18	8	10
Neighborhood Self-Help	17	11	6
Urban Renewal	6	2	4
Neighborhood Facilities	5	3	2
Open Space	10	1	1
New Communities	1	1	0
Total	72	42	30

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Block Grant Assistance.

Closing out HUD-administered Small Cities and UDAG grants was 'a strongly emphasized CPD management goal during FY 1985. In closing out by the end of the fiscal year more than half (1,117) of the 1930 Small Cities program grants that were active at the beginning of the year as well as grants for 360 completed UDAG projects, Field Offices exceeded FY 1985 close-out goals of 1,069 Small Cities and 340 UDAG grants.

CONTRACT CONDITIONING

The conditioning of a CDBG Entitlement grant award (or contract) is an administrative action in which Entitlement funds are approved but the obligation or use of funds for affected activities is restricted until the condition is satisfied, Conditioning is limited to cases where HUD has determined that performance deficiencies exist that would justify grant reduction. Headquarters approval is required for all grant conditions.

In FY 1985, 10 (one percent) of 806 entitlement communities were awarded grants with conditions attached. This is down slightly from the 19 (three percent) communities receiving conditioned grants in FY 1984.

PART FOUR: FAIR HOUSING AND EQUAL OPPORTUNITY

Federal statutes and Executive Orders prohibit discrimination on the grounds of race, color, national origin, religion, sex, age and disability. These statutes and Executive Orders apply to all CPD Programs, grantees and contractors. Each contains sanctions for failure to comply. CPD Program grantees and contractors are made aware of their responsibilities: (1) to comply with all applicable nondiscrimination requirements through provisions incorporated in grant agreements and contracts; (2) to certify that they will comply; (3) to maintain adequate records; and (4) to meet certain reporting requirements.

This section reports on in-house and on-site monitoring reviews conducted by HUD Fair Housing and Equal Opportunity (FHEO) Field Office staff in FY 1985 and the findings of those activities by program area. It also lists the number of compliance reviews and complaint investigations and their results, and, finally, it describes relevant management initiatives.

CERTIFICATION REVIEWS AND MONITORING

Certification Reviews. It is a primary objective of FHEO to ensure that the Department's grant decisions are based upon informed and documented judgments regarding a grantee's compliance with applicable civil rights and equal opportunity laws. Grantees submit civil rights certifications prior to the grant award. In determining the acceptability of these certifications, the Department relies upon the administrative records of performance reviews and any other independent evidence such as related court suits or complaint investigations. Annually, each grantee must certify that it has complied with equal opportunity statutes and laws.

In FY 1985, FHEO completed 826 certification reviews, most of which (547) were of the CDBG Entitlement Program. The Entitlement Program also received the largest proportion of negative conclusions; FHEO challenged 30 Entitlement grantee certifications based on its reviews of the grantee performance for the past year.

The results of these reviews are shown in Table 5-12. Of the 30 Entitlement cities for which civil rfghts deficiencies were found, 21 were recommended for continued funding with the provision of specific assurances that the deficiencies would be corrected. FHEO recommended only five for disapproval.

No certification deficiencies were found with the HUD-administered Small Cities Program (253 reviews conducted) or the State-administered Small Cities Program (13 certification reviews conducted). With the State-administered program, HUD reviews State performance only and not the performance of individual small cities. FHEO did discover deficiencies in the two Secretary's Discretionary Fund projects for which certification reviews were conducted.

TABLE 5-12

FHEO FIELD OFFICE CERTIFICATION REVIEWS AND RESULTS BY CDBG PROGRAM

	Entitlement	HUD Administered Small Cities	State Administered Small Cities	Secretary's Discretionary Fund	Total
Total Reviews	547	253	13	2	815
Total Deficiencies	30	0	0	2	32
Recommend specific Assurance	(21)	(0)	(0)	(2)	(23)
Recommend Contract Condition	(1)	(0)	(0)	(0)	(1)
Disapproval:					
Inadequate Performance	(1)	(0)	(0)	(0)	(1)
other	(4)	(0)	(0)	(0)	(4)
other Problems	(2)	(0)	(0)	(0)	(2)
Unacceptable Without specific Assurance	(1)	(0)	(0)	(0)	(1)

SOURCE: U. S. Department of Housing and Urban Development, Office of Fair Housing and Equal Opportunity.

UDAG Application Reviews. The UDAG Program applications are assessed by FHEO Field staff before they are approved. During FY 1985, field staff conducted reviews of 650 applications. Of those reviewed, almost half (311) were rated either excellent (141) or good (170) on equal opportunity commitments. A rating of "excellent" was given if there were high minority job estimates and if contracts for minority business were planned to be over 10 percent of total contracts. A rating of "good" was accorded if there were average minority employment commitments and if minority business involvement was projected to be around 10 percent. However, more than half of the UDAG applications were rated as either fair (271), poor (49), or nonacceptable (19). An application was rated "fair" if it estimated a low number of minority jobs and less than 10 percent minority participation.

As a result of the review, 357 applications were recommended for funding and 196 were not recommended for funding. There were no recommendations on the balance of the projects.

Off-Site and On-Site Monitoring. In FY 1985, FHEO conducted a total of 2,547 performance reviews (monitoring), of which 1,212 were on-site reviews and 1,335 were undertaken in-house. Thirty-four Entitlement cities and 51 UDAG grantees received multiple site visits.

The largest number of FHEO monitoring reviews was for Entitlement cities (1,161) and the second largest for UDAG grantees (661). However, the largest number of deficiencies was found in the UDAG program (83). There may be more than one finding per grantee; data do not show the number of grantees which had equal opportunity findings. For the Entitlement Cities, only 72 deficiency findings resulted from all monitoring reviews. Of those deficiencies identified, the largest number were in the area of inadequate minority entrepreneurship (38), followed by problems with grantee minority employment (23) and minority employment in the project itself (19).

TABLE 5-13

FHEO MONITORING OF CPD PROGRAMS BY TYPES OF DEFICIENCIES FOR FY 1985

	Entitlement	HUD Administered Small cities	State Administered Small Cities	UDAG	Rental Rehabilitation	Secretary's Discretionary Fund	Jobs Bill
Total Reviews	1,161	254	169	661	136	4	162
Total Deficiencies	72	12	1	83	0	4	7
Type of Deficiency:							
Minority Entrepreneurship	(14)	(2)	(0)	(16)	(0)	(1)	(5)
Record keeping	(7)	(1)	(0)	(10)	(0)	(0)	(0)
Recipient Employment	(9)	(5)	(0)	(6)	(0)	(1)	(2)
section 3 Entrepreneurship	(0)	(0)	(0)	(6)	(0)	(0)	(0)
Fair Housing/ Private Market	(3)	(0)	(0)	(3)	(0)	(0)	(0)
Minority Employment	(11)	(1)	(0)	(7)	(0)	(0)	(0)
section 3 Employment	(6)	(0)	(0)	(3)	(0)	(0)	(0)
Activities Inappropriate	(3)	(0)	(0)	(4)	(0)	(0)	(0)
Other	(19)	(1)	(1)	(28)	(0)	(2)	(0)

SOURCE: U. S. Department of Housing and Community Development, Office of Fair Housing and Equal Opportunity.

COMPLIANCE REVIEWS AND COMPLAINT INVESTIGATIONS

In addition to the Field Office monitoring, FHEO Regional Office staff also conduct in-depth compliance reviews and complaint investigations. Compliance reviews are undertaken for many reasons: in response to questions raised by Field Office monitoring results, equal opportunity conditions placed on the contracts, the size of the grantee or of its minority population and failure to meet civil rights requirements. In-depth investigations are made in response to filed civil rights complaints.

Compliance Reviews. During FY 1985, FHEO initiated in-depth reviews of 39 CDBG Entitlement cities and 24 HUD-administered Small Cities. Sixty-six CDBG reviews were closed during this period, some of which were initiated during the prior fiscal year. Of those closed, only seven were closed with a finding of noncompliance (three in Region III and four in Region IX).

All of these communities have prepared agreements to correct the deficiencies outlined in the findings. It has not been necessary to refer cases of city noncompliance to the State Governor as is permitted under Section 109 of the Housing and Community Development Act of 1974,

Complaint Investigations. At the close of FY 1985, there were 69 complaints filed under Section 109 that were still open. Forty-four of these had been received during the fiscal year. Thirty-one cases were closed during the fiscal year, of which 20 were finally classified as "substantially in compliance." The remainder were closed because of lack of jurisdiction. Most of these closed cases are to be handled under an authority other than Section 109 of the Act.

Another category of complaints falls under Section 3 of the Housing and Urban Development Act of 1968, as amended. Section 3 requires that opportunities for training and employment in projects assisted by CPD funds be given to lower-income persons residing within the jurisdiction of local government, metropolitan area or non-metropolitan county in which the project is located. It also requires that contracts be awarded to business concerns either located in or owned in substantial part by persons residing in the metropolitan area of the project.

In FY 1985, HUD received no new complaints under Section 3 in connection with CPD-funded projects. During the fiscal year, two FY 1984 cases were closed with a "determination of no probable cause."

CPD GRANTEE FUNDED AGENCY EMPLOYMENT

Provisions in Title I of the Housing and Community Development Act of 1974 prohibit discrimination in a recipient's hiring and employment practices in any program or activity funded in whole or in part with CDBG funds. FHEO annually collects data and reviews recipient employment to determine whether a grantee's employment practices are consistent with the law. HUD has an interagency agreement with the Equal Employment Opportunity Commission to use its EEO-4 Form to collect data from all Entitlement cities and a sample of HUD-administered Small Cities' funded agencies on full-time and part-time employees, new hires, and average salaries by job category and on salary levels for all employees. Data for FY 1985 are not yet available. The FY 1983 and FY 1984 data showed very significant minority male- and female-hiring levels for both fiscal years, with a considerably higher level of female-minority employment in 1984 than in 1983 in all salary categories. Table 5-14 indicates a higher differential between minority-male and white-male salaries than between minority-female and white-female salaries.

TABLE 5-14

PERCENT MINORITY EMPLOYMENT AND SALARIES IN CDBG FUNDED AGENCIES, FYs 1983 AND 1984

Employment/ Salary	FY 1983 Percent Minority Male	FY 1983 Percent Minority Female	FY 1984* Percent Minority Male	FY 1984* Percent Minority Female
Full Time	35%	40%**	31%	51%
Part Time	32	27	36	37
New Hires	39	32	39	48
Salary levels				
$100-$15,999	49	44	56	58
$16,000-24,999	35	38	34	50
$25,000 and over	20	29	20	36
Average Salary				
Minority	$20,994	$18,441	$21,728	$18,976
White	$22,346	$19,424	$23,662	$20,458

* Data for FY 1985 will be available for the FY 1986 Consolidated Annual Report to Congress.

** Percentages show what portion of all female employees and all male employees in various categories are minority.

SOURCE: U. S. Department of Housing and Urban Development, FHEO FY 1983 and FY 1984 Report on Municipal Government Employment Information for CDBG-Funded Departments and Agencies.

PROGRAM ASSESSMENTS

UDAG Activities. In addition to the UDAG application reviews cited above, FHEO undertook a number of UDAG-related studies in FY 1985. It reviewed the records of some 642 cities that applied for UDAG for the first time and found that 38 had not "demonstrated results" in providing employment for minorities, which is required by law for eligibility. It found also that five applicants had not provided equal opportunity in housing, 14 had not met FHEO conditions and five had findings of noncompliance with FHEO requirements.

In FY 1985, FHEO also completed an assessment of UDAG projects to determine the extent to which: (1) minorities received jobs and contracts (number and dollar amounts) generated by UDAG project activities, and (2) FHEO application review and monitoring affected the level of UDAG performance with respect to jobs and contracts for minorities. The results of the study, including major program weaknesses, were shared with the Assistant Secretary for Community Planning and Development so that actions could be taken to address the identified deficiencies.

Assessment of Targeting Guidance on FHEO Monitoring and Compliance Review Activities. The Final Report of an assessment of Section 109 compliance reviews was prepared for briefing the Assistant Secretary. The study of three Regional and Field Offices covered the use of FHEO Field Office monitoring information in the conduct of Regional compliance reviews. Findings addressed targeting of grantees, focusing on program areas, carrying out the reviews, identifying noncompliance and taking corrective action. Recommendations were developed for Headquarters and Regional and Field Offices.

Rental Rehabilitation Program Assessment. FHEO completed a study of the Rental Rehabilitation Program affirmative marketing review process to identify whether city and Urban County grantees were experiencing problems with the affirmative marketing requirements. The study results will aid FHEO managers and policy makers in determining whether changes are needed in the affirmative marketing requirements and in providing technical assistance. The study results were used in developing a guide to affirmative marketing in the Rental Rehabilitation Program for use by program participants and HUD field staff.

Assessment of the Off-Site Monitoring Process. The Final Report of an assessment of the FHEO Field Office off-site monitoring process was completed in FY 1985. The study was conducted to: (1) ensure the quality of the monitoring process; (2) identify Field Offices in need of further technical assistance in conducting off-site monitoring; and (3) summarize the results of FHEO's in-house review of CDBG recipient performance.

FHEO Analysis of Data for Civil Rights. The collection of data for civil rights purposes received critical attention by the Department, OMB and the press this past fiscal year. FHEO initiated the development of several forms with instructions to meet data needs for CPD programs. These efforts involved negotiations with the Office of General Counsel as well as OMB and other executive agencies. One of the forms which addressses CPD programs was approved, and work continues on development and final approval of the remaining forms.

MANAGEMENT INITIATIVES

During FY 1985, FHEO initiated several activities to improve the manner in which it carries out responsibilities for CPD and other programs. These took the form of training and technical assistance.

Training. On three occasions, FHEO staff provided training to Regional and Field Offices on requirements and procedures in monitoring and reviewing Compliance in CPD programs. Training was held in San Diego and Washington. Topics covered in the training were: monitoring Rental Rehabilitation and Urban Development Action Grant Program, responses to deficient performance in the State's CDBG program, and performance review criteria for fair housing and equal opportunity in the CDBG Entitlement Program.

Technical Assistance. FHEO undertook a variety of activities to provide written program guidance to Field Offices in FY 1985, including:

- A handbook on responsibilities of FHEO staff in the State Community Development Block Grant Program;
- A data access guide to assist Field Offices in CDBG Entitlement monitoring;
- A guide to affirmative marketing of the Rental Rehabilitation Program;
- A guide to FHEO monitoring in the Rental Rehabilitation Program;
- An interagency agreement between HUD and the Office of Personnel Management for development of a guide to civil rights in the State-administered CDBG Small Cities Program; and
- A joint memorandum from CPD and FHEO Assistant Secretaries clarifying the procedures to be carried out by CPD and FHEO staff in monitoring the State CDBG Program.

Appendix A

FISCAL YEAR 1985 URBAN DEVELOPMENT ACTION GRANT AWARDS

FISCAL YEAR 1985 URBAN DEVELOPMENT CTION GRANT WARDS

State and City	Project Description	UDAG Dol1ars	Private Investment	,Other Public Dol1ars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
ALABAMA							
Auburn	Second mortgage financing to 1imited partnership to assist in construction of 225-room hotel and conference center complex, with surface and structure parking.	$886,170	$15,958,385	SO	175	0	$106,524
Bessener	Financial assistance to developer to help rehabilitate downtown historic four-story structure providing office space and expand old restaurant 1ocated in sane building.	500,000	1,880,000	0	69	0	19,350
Bessener	Second mortgage 1oans to eligible purchasers of single-family homes.	420,000	1,755,000	0	0	60	10,368
Bessener	Financial assistance to diversified manufacturing corporation offering specialized engineering and construction services and products, headquartered in Pittsburgh, Pennsylvania, to help purchase and install two 1arge steam boilers and 7,500 kilowatt condensing/turbing generator to upgrade and increase its coke plant located outside the City.	360,530	6,462,394	0	20	0	18,027
Birmingham	Below-market rate second mortgage financing to developer to assist in site-assenbly, demolition of two deteriorated structures, and construction of two-story office building with 43 parking spaces. Project to include expansion of developer'S current on-site accounting firm for 40 percent occupancy.	185,000	809,950		26	0	14,426

FISCAL YEAR 1985 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	Financial assistance to developer to help construct 12,000 square foot commercial/retail building in neighborhood where City is currently undertaking revitalization activities.	$60,000	$534,242	$0	20	0	$15,957
Birmingham	Financial assistance to limited partnership to help renovate historic eight-story building into 150-unit luxury-class hotel with restaurant and lounge. Developer will lease the land and purchase the building.	897,000	12,050,912	0	141	0	113,954
Geneva	Grant to City to construct water lines to help food canpany develop processing plant with new capital equipment.	200,000	16,562,900	100,000	136	0	169,000
Gurley	Financial assistance to lumber company to purchase capital equipnent to help with expansion.	160,000	1,501,475	20,000	30	0	1,000
ARIZONA							
Ak-Chin Indian	Financial assistance to corporation to help acquire land to develop and operate 3,050-acre, full-service, autanotive engineering test facility.	958,700	19,101,780	0	205	0	0
Bisbee	Financial assistance to joint venture to help construct 60-room, first-class hotel to be built adjacent to existing retail/convention center.	800,000	2,750,840	0	75	0	45,256

FISCAL YEAR 1985 URBAN DEVELOPFENT 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
ARIZONA							
South Tucson	Financial assistance to technical research and developnent company to help construct two 80,000 square foot facilities for lease to electronics and med-tech companies.	$500,000	$3,974,615	$0	2%	0	$7,359
Yavapai Appache	Loan to Indian Tribe Economic Development Authority at Camp Verde to help finance construction of 80-room motor hotel. Project is final pbase of visitors' complex which includes museum, arts and crafts retail outlet and office space leased to National Park Services.	1,075,000	3,968,426	0	100	0	0
CALIFORNIA							
Baldwin Park	Loan to two separate partnerships to partially finance developnent of contiguous 160,000 square foot shopping center and an adjacent Hilton Hotel project.	2,678,000	26,063,051	782,000	750	0	1,038,000
Commerce	Financial assistance to paint company to help consolidate its facilities at one site. Project to demolish portion of existing structure, construct new improvements, rehabilitate buildings and purchase equipnent.	800,000	9,538,896	300,000	162	0	41,263
Los Angeles Co.	Financial assistance to developers to help construct neighborhood shopping center on approximately 14 acres. Project will provide a supermarket, drugstore, discount department store, financial institutions, small shops and restaurants.	2,000,000	10,486,000	8	550	0	486,000

FISCAL YEAR 1985 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)							
Riverside	Financial assistance to redevelopment agency to help renovate unique inn listed on the National Register. Historic facility will be rehabilitated as 240-room, first-class hotel with three restaurants, approximately 20,000 square feet of retail space, 2,500 square feet of office space, a museum and a chapel.	$2,198,802	$27,635,145	$1,801,198	304	0	$733,164
San Diego	Financial assistance to developer to help reconstruct two Victorian buildings as 110-room, all-suite luxury hotel in urban renewal area.	1,040,800	7,201,194	620,000	148	0	224,463
CONNECTICUT							
Hartford	Financial assistance to developer to help construct one, two- and three-bedroom rental units for low- and moderate-income households on vacant parcel of land.	1,317,500	3,559,886	0	3	94	15,895
Hartford	Financial assistance to developer to help construct retail Festival Marketplace in central business district. Project will incorporate grounds of Old State House.	3,314,255	9,724,773	0	600	0	241,900
New Haven	Financial assistance to developer to help construct office building with 366,000 square feet of leasable space and two, 400-car parking garages on the New Haven Green.	10,500,000	61,064,809	0	938	0	120,000

FISCAL YEAR 1985 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 (Continued)							
New Haven	Financial assistance to limited partnership to help restore vacant, historic mansion into 100-seat restaurant and 23-room hotel.	$450,000	$2,205,584	$0	56	0	$137,951
Waterbury	Financial assistance to developer to help construct 650-car garage for newly constructed 154-room hotel, 57,000 square feet of office/retail space and 48,000 square feet in four renovated historic buildings.	3,550,000	19,220,401	100,000	555	0	477,707
DELAWARE							
Harrington	Financial assistance to developer to help with construction of 8,000 square foot shopping center. Investment will be used for site acquisition.	124,650	407,287	0	16	0	2,675
Wilmington	Financial assistance to limited partnership to help rehabilitate historic elementary-school building into one-bedroom apartment units for nonprofit, congregate housing facility for retired senior citizens.	1,000,000	3,500,802	0	11	62	28,813
FLORIDA							
Gainesville	Grant to City to help construct 400-space parking garage to serve downtown revitalization project consisting of a newly constructed office/retail complex, two apartment buildings and two additional rehabilitated buildings for offices and retail shops.	2,000,000	11,103,303	1,225,000	239	140	89,328

FISCAL YEAR 1985 URBAN DEVELOPFENT 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
FLORIDA (Continued)							
Miami	Financial assistance to developers to help redevelop and construct a public park and specialty center with retail space and restaurants. Fifty percent of retail space to be committed to minority-owned businesses.	$6,012,854	$75,000,000	$5,200,000	1,217	0	$996,811
Miami	Financial assistance to developer to help acquire and renovate an historic downtown office building. Completed project will provide 104,500 square feet of net leasable office and retail space.	615,000	11,811,262	0	286	0	201,849
GEORGIA							
Americus	Permanent second mortgage financing to purchasers of single-family houses in Ford Country subdivision whose incomes are less than 120% of median income for area.	145,000	393,785	0	0	13	3,111
Atlanta	Financial assistance to developer to help acquire and rehabilitate a 60-year old former department store into 74,600 square feet of retail and office space.	830,000	15,467,316	0	240	0	380,574
Augusta	Financial assistance to downtown YMCA limited partnership to help rehabilitate historic building as office facility for lease by bank and nonprofit health-service agency.	,200,000	3,471,428	0	69	0	22,248

FISCAL YEAR 1985 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)							
Augusta	Financial assistance to developer to help rehabilitate historic downtown hotel. Retail activities will be included in ground floor and basement areas.	$721,000	$4,295,545	$0	45	0	$34,306
Augusta	Financial assistance to developer to help construct three-level, 323-car parking garage to allow renovation of 17-story downtown historic building creating over 100,000 feet of new office space.	1,120,000	5,561,080	0	146	0	18,231
Augusta	Second mortgage permanent financing to qualified buyers to purchase newly constructed market-rate, three-bedroom, single-family homes.	500,000	1,373,000	0	0	45	12,905
Brunswick	Grant to State to help renovate two vacant structures on Jekyll Island into a 144-room hotel complex. Both the site and structures will be leased from the State, the owner of the island.	2,020,000	14,520,891	5,000	175	0	12,528
Douglas and Ambrose	Financial assistance to mill company to help construct coal-fired, co-generation fsility to furnish factory with electrical needs plus install new capital equipment.	890,000	17,500,000	0	450	0	78,403
Macon	Financial assistance to developer to help construct 52,058 square foot 150-room hotel in Pocket of Poverty area.	654,497	8,110,396	200,000	150	0	203,185

FISCAL YEAR 1985 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)							
Sylvania	Financial assistance to developer to help construct warehouse/distribution to include truck/vehicle maintemnce building with appropriate parking ramps.	$865,000	$16,943,043	$0	100	0	$3,000
Tallapoosa	Grant to can manufacturing corporation to help install new equipment for use in decoration of metal cans.	246,000	4,015,916	0	54	0	11,050
ILLINOIS							
Anna	Permanent mortgage loan to automobile dealer to help relocate facility. Investment to provide new building with office space plus parts and service area.	64,400	236,800	0	7	0	27,817
Chicago	Construction/permanent loan and an equipment loan to developer to help build 58,500 square foot medical office/immediate care facility with 155-space parking deck.	1,000,000	4,858,859	0	115	0	83,552
Chicago*	Financial assistance to steel company to help construct single-story, high-bay manufacturing addition; two-story, tool-engineering building; plus purchase and install capital equipment.	2,000,000	9,343,178	0	210	0	344,340
Chicago	Construction/permanent loan to developer to help build community shopping center.	1,890,000	9,028,263	0	320	0	1,435,656

*Terminated

FISCAL YEAR 1985 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 general partnership to help construct first phase of planned unit development to include affordable rental housing for low- and moderate-income tenants plus parking and commercial space.	$4,044,000	$48,743,666	$0	174	584	$3,697,352
Chicago	Financial assistance to railroad company to help acquire, rehabilitate and reconfigurate rail tract to continue to provide connecter services.	200,000	868,416	0	4	0	0
Chicago*	Loan to limited partnership to help renovate 10,000 square foot area in lobby of building as 120-seat restaurant.	225,000	829,752	0	67	0	107,146
Chicago	Financial assistance to ice-cream products company with 70 percent minority workforce to help acquire land and construct building for manufacturing and office use. Project will also involve purchase and installation of capital equipment.	1,500,000	6,041,510	0	151	0	150,181
Chicago	Construction/permanent loan to joint venture to help construct shopping center with leasable space and provision for 276 on-site parking spaces.	1,750,000	7,200,676	0	206	0	1,434,212
Chicago	Loan to corporation to help purchase capital equipment for 169,450 square foot industrial plant to store and recycle job lots of paper.	300,000	2,088,887	0	60	0	71,151

*Terminated

FISCAL YEAR 1985 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	UDAG Project Description	Private Dollars	Other Public Investment	Estimated Total New Dollars	Estimated Housing Jobs	Estimated Local Tax Units	Revenue
ILLINOIS (Continued)							
Chicago	Loan to developer to help renovate a loft building, one floor for retail use and the other five for office space.	$400,000	$3,885,133	$0	66	0	$294,773
Chicayo	Financial assistance to developer to help renovate 7-story, 48,000 square foot building, and construct new 6-story, 24,000 square foot addition. The first floor will be for retail use and the upper floor for office space.	950,000	7,168,266	0	210	0	468,837
Chicago	Financial assistance to developer to help renovate 48,000 square foot loft building for office and retail use.	200,000	3,561,837	0	60	0	256,072
Chicago	Financial assistance to developer to help renovate two historic buildings, one a theatre. Project will provide 3,000-seat live and film theatre, three 200-seat movie theatres, 25,000 square feet of commercial/retail space and 37,500 square feet of office space.	2,500,000	22,210,121	1,600,000	730	0	1,231,754
Chicago	Loan to Goodwill Industries to help rehabilitate building for use as headquarters to provide training and testing facility for clients.	162,500	848,000	12,025	46	0	$5,848

FISCAL YEAR 1985 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*	Permanent mortgage to general partnership to assist in development of small "off price" retail complex. Project to include site, over one acre in size, being cleared of existing structures for construction of 28,000 square feet of commercial space.	$445,000	$1,877,600	$0	58	0	$184,800
Chicago	Loan to developer to provide construction and permanent financing to help build 79,150 square foot retail shopping center anchored by major grocery chain operation and rehabilitate vacant apartment building into two- and three-bedroom units.	1,534,000	7,442,080	775,000	203	48	1,227,080
INDIANA							
Plymouth	Construction/permanent loan to developer to help construct 70-bed, acute-care general hospital to replace county hospital.	2,100,000	14,053,570	0	18	0	0
Salem	Financial assistance to developer to help construct a facility. Company plans to manufacture new line of office furniture designed for computer-oriented offices.	800,000	13,568,066	180,000	329	0	148,812
Terre Haute	Loan to corporation to help purchase capital equipment for newly constructed interactive-laser, videodisc manufacturing facility.	650,000	12,089,405	1,150,000	127	0	186,341

*Terminated

FISCAL YEAR 1985 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 (Continued)							
Terre Haute	Loan to company to help purchase capital equipment for newly constructed 60,000 square foot facility to manufacture conveyor systems and bulk material handling equipment.	$250,000	$1,614,037	$31,000	90	0	$72,498
Vernon	Loan to plastic-injection molding company to help acquire 39,000 square foot building and install new capital equipment for industrial expansion.	103,963	348,690	50,000	30	0	1,659
Vincennes	Loan to bakery to purchase capital equipment to help development of new 80,000 square foot baked-goods manufacturing facility in industrial park.	776,600	3,995,229	371,300	150	0	34,551
Washington	Loan to developer to help constuct a facility. Newly formed company will print and convert flexible packaging materials such as polypropylene and cellophane for use in packaging snack foods, baked goods and candy products.	89,250	517,412	215,640	50	0	10,767
IOWA							
Centerville	Loan to developer to purchase capital equipment to assist development of rubber commercial products manufacturing and distribution facility in industrial park. Project to include renovation of vacant industrial building and contruction of two new additions.	1,035,000	16,938,015	153,000	250	0	160,166

FISCAL YEAR 1985 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)							
Iowa Falls	Interim and permanent mortgage loan financing to plastic recycling company to acquire capital equipment for newly constructed plant on 12 acres in industrial park. Facility will produce weather-resistant wood substitutes and molded products for highway signbacks, cable covers, stadium seating, roll tops, livestock pens and other uses.	6335,670	$1,650,000	$203,880	71	0	$9.582
Ruthven	Financial assistance to community health on- and off-site care center to provide on- and off-site improvements to newly constructed 50-bed, intermediate-care facility.	143,756	697,176	900,000	30	0	3,000
KANSAS							
Abilene	Interim/permanent mortgage loan to developer to help build 140,000 square foot expansion of present distribution warehouse facility.	110,000	2,213,646	0	24	0	9,096
KENTUCKY							
Lexington-Fayette County	Financial assistance to developer to help construct 3-story Festival Marketplace in downtown Lexington to include retail, entertainment and food court services.	1,675,000	9,651,380	500,000	320	0	265,552

FISCAL YEAR 1985 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)							
Lexington-Fayette County	Financial assistance to general partnership to help County renovate 19,000 square foot neighborhood shopping center. It will include department store, food market, major national drug store and several small and minority-owned businesses.	$140,000	$665,951	$90,000	39	0	$10,444
Livermore*	Loan to corporation to assist with construction and equipping of salt recovery and power cogeneration facility at firm's aluminum recycling process and rolling mill. Proposed facility will package salt for sale as water softener, eliminating need for waste disposal.	440,000	8,666,874	0	101	0	45,000
Louisville	Financial assistance to partnership to help develop apartment canplex on vacant urban renewal site. Project will include construction of one and two-bedroom apartments, two-bedroom townhouses, a swimming pool and on-site parking plus conversion of vacant fire station to a club house for tenants.	1,000,000	3,920,622	200,000	4	91	34,860
Newport	Grant to City to help construct and rehabilitate several hundred linear feet of water and sewer lines. This will accommodate waterfront area where 210,000 square foot office building with 450-space parking structure will be built.	3,249,000	15,449,066	100,000	350	0	551,838

*Terminated

FISCAL YEAR 1985 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)							
Newport	Financial assistance to developer to help construct and develop a retail shopping center.	$1,148,793	$6,488,424	$285,000	202	0	$260,085
Somerset	Financial assistance to developer to help make site improvements and provide parking facilities for three newly rehabilitated downtown buildings with office, commercial and residential space.	287,520	885,281	100,000	54	0	2,205
Vanceburg	Financial assistance to developer to help acquire buildings and redevelop project area into a 35,000 square foot mini-mall with retail and office space. Investment will rehabilitate four existing buildings, construct another and provide an enclosed commons connecting the structures.	367,000	1,481,284	0	68	0	17,489
LOUISIANA							
New Orleans	Financial assistance to developer to help construct water, sewer and drainage improvements to serve 585-acre industrial park. Investment will lead to construction of import-export warehousing facility with additional sites available for development.	4,065,588	46,948,296	5,194,000	280	0	579,193

FISCAL YEAR 1985 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
MAINE							
Biddeford	Financial assistance to packaging company to help construct approximately 31,000 square feet of manufacturing space plus purchase and install new capital equipment for expansion of present facility.	$255,000	$1,515,224	$0	32	0	$24,380
Biddeford	Financial assistance to developer to help construct fire-gutted downtown building for Class A office space.	155,000	445,774	0	25	0	7,375
Gardiner	Loan to cooperative grocers organization to help construct distribution and refrigeration building to include new offices.	1,007,000	6,578,918	0	103	0	134,407
Penobscot Indian Reservation	Financial assistance to Tribe to help construct manufacturing facility on the Island for lease to limited partnership. Through contractual agreements with Biddeford-based manufacturing company, it will purchase and install capital equipment, plus produce tape cassettes and printer ribbons.	484,000	1,877,352	0	60	0	0
Pittsfield Town	Financial assistance to developer to help purchase equipment and machinery for start-up lumber company to be housed in existing warehouse.	461,425	2,227,048	0	61	0	47,203

FISCAL YEAR 1985 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							
Portland	Financial assistance to developer to help construct road into industrial park for use by company building a new distribution center. Investment will also include construction of an office building in the park.	$408,000	$3,319,931	$76,150	29	0	$42,627
Baltimore	Financial assistance to developer to help renovate vacant, historic hotel into 411-room hotel.	5,000,000	19,528,613	2,000,000	402	0	993,235
Baltimore	Second mortgage financing to limited partnership to help rehabilitate four vacant historic structures into rental apartments.	270,000	992,512	680,150	0	18	16,800
Baltimore	Financial assistance to developer to help rehabilitate eleven vacant structures in urban renewal areas into residential condominium units, available for purchase by low- and moderate-income households.	328,000	946,500	388,407	0	33	24,400
Baltimore	Financial assistance to limited partnership to help acquire land, improve site, purchase and lease equipment for interstate service center to include hotel, restaurant facilities, full-service garage and fuel area with special services for buses.	955,000	17,376,096	0	225	0	546,380
Baltimore	Financial assistance to major wholesale distributor of appliances and other goods to help construct office and warehouse facility in industrial park.	3,760,000	12,845,525	1,000,000	213	0	355,000

FISCAL YEAR 1985 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 financing to developer to help construct 21,500 square foot catering facility with retail space in Old Town Renewal Area.	$449,300	$1,864,649	$200,000	63	0	$48,000
Baltimore	Financial assistance to minority business developer to help construct building of approximately 14,000 square feet to accommodate professional medical offices and related retail uses in Walbrook Junction Area.	230,000	706,049	0	15	0	23,500
Baltimore	Loan to limited partnership to help construct 8-story office tower above existing department store in Inner Harbor West Urban Renewal Plan Area.	776,250	15,512,330	0	198	0	450,000
Baltimore	Financial assistance to limited partnership to help renovate former historic warehouse into office and retail space, plus a foreign trade mart.	2,584,948	19,295,048	0	700	0	800,000
Baltimore	Loan to limited partnership to help with restoration and adaptive reuse of historic waterfront factory building for a mixed-use development to consist of rental apartments for low- and moderate-income families, a restaurant and commercial space including health facility.	4,535,000	26,049,197	0	175	240	144,000

FISCAL YEAR 1985 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	Financial assistance to limited partnership to help construct 20,000 square foot office/retail center, rental apartment complex and another rental apartment building. Investment will result in Johns Hopkins University and Peabody Conservatory constructing 70,000 square foot theatre and research facility on renewal parcel.	$6,000,000	$39,359,276	$0	150	400	$550,000
Baltimore	Financial assistance to YWCA to help with extensive renovation work necessary to keep existing facility operational.	480,000	1,608,652	0	28	0	0
Baltimore	Loan to limited partnership to partially finance rehabilitation of two vacant historic buildings into one and two-bedroom apartments, 20,000 square feet of commercial space and 180-space parking structure.	1,980,000	10,375,396	0	82	132	250,000
Baltimore	Financial assistance to partnership to help acquire and renovate nonhistoric 19th Century mill complex (11,500 square feet) into work spaces for emerging small businesses and cottage industry firms. Facility will provide space for arts and craft studios, general and incubator offices, light manufacturing spaces with gallery, conference and classroom space.	570,000	3,137,335	0	60	0	55,000

FISCAL YEAR 1985 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	Loan to limited partnership to help construct neighborhood shopping center on vacant parcel of urban renewal land in area that is low-incane and predominantly minority.	$800,000	$2,651,146	$218,000	140	0	$80,000
Hagerstown	Financial assistance to novelty ice-cream manufacturing canpany to help construct a freezer warehouse and purchase and install new capital equipment.	175,000	3,482,371	0	69	0	4,536
Northeast	Loan to developer to help construct roads plus sewer and water lines to serve freezer warehouse to be built by Peninsular Industrial Park.	369,840	1,194,080	270,000	55	0	10.678
MASSACHUSETTS							
Ayer Town	Financial assistance to corporation to help construct new 35,000 square foot industrial building.	925,000	3,315,689	0	139	0	29,868
Boston	Financial assistance to developer to help substantially rehabilitate vacant, former anchor and chain-storage building in historic Charlestow Navy Yard as apartment building for the elderly.	1,649,650	6,032,197	104,472	2	0	82,733

FISCAL YEAR 1985 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	Financial assistance to developer to help with major housing development. Project to include demolition of some existing buildings, substantial rehabilitation of others and construction of new high-rise buildings as well as townhouses on 50-acre waterfront site.	$12,000,000	$123,129,200	$8,700,000	63	1,400	$1,660,336
Boston	Financial assistance to developer to help renovate high school in Jamaica Plain area into rental apartments.	530,000	4,390,695	270,000	0	76	90,585
Boston	Financial assistance to developer to help with restoration of school in East Boston into affordable residential rental housing units.	225,333	1,639,374	125,230	0	30	29,420
Chelsea	Financial assistance to developer to help acquire construction sites for two industrial buildings, total square footage 115,000, in industrial park.	1,000,000	6,034,065	0	343	0	356,055
Everett	Financial assistance to developer to help renovate former theatre arts building into units of market-rate, one-bedroom, rental housing, with small amount of commercial space and parking.	710,000	2,309,091	0	8	47	53,998
Fall River	Financial assistance to three curtain manufacturing and finishing companies to help purchase new capital equipment to help with foreign imports competition.	600,000	2,225,061	0	129	0	0

FISCAL YEAR 1985 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)							
Fall River	Second mortgage permanent financing to qualified buyers to purchase two- and three-bedroom condominium townhouse homes.	$400,000	$1,764,775	$0	0	39	$40,976
Fall River	Financial assistance to corporation to help construct 40,000 square foot manufacturing facility and install equipment to produce a product line of wooden toys.	150,000	766,772	0	46	0	18,200
Fall River*	Financial assistance to folding box company to help purchase capital equipment for its plant.	300,000	975,355	0	56	0	1,625
Fall River	Financial assistance to company to help with 50,000 square foot industrial expansion.	1,500,000	4,699,761	0	40	0	0
Fall River	Financial assistance to corporation to help acquire 16.7 acres and construct 260,000 square foot manufacturing facility in industrial park. Project to include installation of new equipment to manufacture commercial dryers.	2,180,000	9,767,314	0	150	0	248,000
Fall River	Financial assistance to corporation to help construct 70,000 square foot industrial building. Project to include installation of eight new glove machines.	800,000	3,110,874	0	100	0	26,000

*Terminated

FISCAL YEAR 1985 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)							
Fitchburg*	Financial assistance to grocery chain to help construct new flat storage building, boiler roan and rail receiving shed plus purchase new capital equipment.	$200,000	$1,154,168	$0	25	0	$18,594
Hardwick Town	Financial assistance to developer to help construct and equip new facility for service company. Project to provide functions of kiln drying, grading, sorting, surfacing and packaging hardwood lumber for both danestic and export materials.	420,000	1,079,961	0	40	0	13,489
Lawrence	Loan to corporation to help renovate and purchase new capital equipnent for leased space to house fully automated machine shop, electrical assembly facility, and other light manufacturing activities. Canpany will conduct extensive training program for newly hired, disadvantaged and under-employed minorities.	6,180,000	22,043,888	500,000	975	0	63,148
Lawrence	Financial assistance to developer to help construct 150-room hotel with restaurant, lounge, and banquet facility.	2,215,000	7,843,399	0	120	0	204,219
Lawrence	Financial assistance to developer to help construct apartments in two buildings.	3,210,000	11,912,048	0	10	214	140,000

*Terminated

FISCAL YEAR 1985 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)							
Lynn	Financial assistance to developer to help rehabilitate downtown historic structure to provide retail and office space plus residential rental units.	$1,442,000	$7,345,313	$0	57	77	$70,000
New Bedford	Below-market, subordinate financing to developer to help construct housing units and commercial space on long vacant "super block" site to be rented at market rates.	1,465,909	5,154,572	0	22	115	62,500
Revere	Financial assistance to developer to help construct five-story, office/ retail building on 7 acre site at Revere Beach MBTA Station. Pedestrian walkway with retail arcade will connect the two.	1,264,400	7,930,627	0	300	0	169,453
Sanerville	Financial assistance to developer to help construct 150,000 square foot office building.	2,250,000	17,749,379	0	360	0	249,080
Springfield	Financial assistance to developer to help construct 952,000 square foot complex to include 26-story office tower, 279-room hotel, retail space, and 540-space parking garage.	10,000,000	111,124,924	1,100,000	1,726	0	1,347,754
Springfield	Financial assistance to developer to help restore historic building as one and two-bedroom, market-rate rental housing units, with 17 percent set-aside for low- and moderate-income tenants. Investment will also provide health club and parking for cars.	1,560,000	9,200,881	50,000	9	139	41,700

FISCAL YEAR 1985 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							
Battle Creek	Fimncial assistance to Japanese-owned firm to help develop building to manufacture auto parts. Investment will provide infrastructure improvements.	$6,255,000	$68,076,408	$9,120,000	550	0	$714,536
bay City	Financial assistance to developer to help acquire land and construct neighborhood convenience retail center with parking facilities for 325 cars.	390,000	1,267,071	0	84	0	46,709
Cadillac	Permanent/construction loan to developer to help build 150-room hotel with pool, sauna, activity areas, 200-seat restaurant, 60-seat coffee shop and a large Job Developnent Authority to be purchased by a partnership.	1,200,000	7,433,327	0	170	0	185,515
Dansville	Interim/permanent mortgage loan to developer to purchase capital equipment for newly constructed 270,000 square foot warehouse distribution center for food service corporation to be located in Green Oak Township.	914,000	17,393,570	0	100	0	218,902
Detroit	Loan to computer corporation to help construct an expansion to their World Headquarters building, a new service building with 850 parking spaces and renovate existing building.	7,500,000	43,430,000	0	710	0	1,470,000

FISCAL YEAR 1985 URBAN DEVELOPMNT 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)							
Detroit	Loan to developer to help renovate hotel into a housing project. Twenty percent of units will be available for rent to low- and moderate-income families.	$2,500,000	$13,300,000	$350,000	19	332	$170,000
Detroit	Loan to partnership to help renovate building located in downtown central business district into three floors of office space with first-floor restaurant.	375,000	1,751,666	150,000	108	0	98,075
Detroit	Loan to molded plastic components manufacturing company to purchase capital equipment to help expand automotive production at current industrial facility.	550,000	1,880,554	0	75	0	46,661
Detroit	Grant to City for street and alley repairs, sidewalk replacement, landscaping and lighting to assist revitalization of commercial area. Project includes construction of 1,200-car parking deck, developnent of retail and commercial space and renovation of building.	5,874,000	17,175,100	0	140	0	507,057
Detroit	Loan to developers to help renovate downtown historic Monroe Block to include restaurants, office and specialty retail space. Project will also include construction of residential units and 440-car parking garage.	4,609,876	27,029,210	0	540	183	424,171

FISCAL YEAR 1985 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 lax Revenue
MICHIGAN (Continued)							
Detroit	Grant to City to assist with renovation of residential units and construction of public improvements, streets and sidewalk repair in this historic district.	$450,000	$2,650,000	$553,090	0	30	$36,000
Detroit	Loan to developer to provide construction and permanent financing to build 21-story high-rise building and rehabilitate vacant warehouse into rental housing units and commercial/retail space.	3,750,105	15,710,592	0	285	213	310,219
East Tawas	Financial assistance to developer to help construct 100-room Class A hotel with restaurant, lqunge, banquet facilities and recreation center on 5.3 acres of land.	449,000	3,362,753	1,140,600	100	0	71,554
Escanaba	Loan to developer to help redevelop retail shopping mall, creating 33,200 square feet of new small shops. Project to also include additional 23,150 square feet of space for new small shops and 50,000 square feet for new grocery store to be constructed on adjacent 10.9 acre site.	1,175,000	6,470,587	0	160	0	75,411
Flint	Financial assistance to developer to help acquire land and construct shopping mall in historic Carriage Town district. Existing buildings will be renovated to contain restaurant, retail and commercial outlets, mall and office space.	460,375	1,548,597	0	4,604	0	23,475

FISCAL YEAR 1985 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UMG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
MICHIGAN (Continued1							
Kinmss TWP	Loan to manufsturing corporation to help renovate munitions plant 1ocated at former Kinchelow AFB and purchase equipment.	$500,000	$2,508,547	$540,000	215	0	$17,716
Monroe	Loan to tool manufacturing company for on-site improvements and renovation of former public school building to help with expansion.	150,500	526,941	0	15	0	8,475
River Rouge	Financial assistance to automobile manufacturing corporation, a wholly owned subsidiary, organized by Japanese automobile manufacturer, to help construct new 2.7 million square foot assembly plant.	2,500,000	684,300,000	8.400,000	362	0	0
Wyandotte	Construction/permanent mortgage 1oan to developer to help modernize capital equipment for steel production corporation's industrial facility in adjacent City of Trenton. Proposed developnent to encompass installation of natural gas-fired, slab-reheat furnace.	4,035,000	24,230,650	0	310	0	0
Ypsilanti	Construction/permanent mortgage loan to limited partnership to help build 144-mom hotel and 40,000 square foot corporate training center.	2,120,025	12,393,219	500,000	167	0	40,000

FISCAL YEAR 1985 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
MINNESOTA							
Minneapolis	Construction/permanent loan to developer to construct mixed-use downtown retail/hotel project in historic preservation district. Project to include renovation of three existing historic buildings, new construction, public plaza and underground parking for about 300 cars.	$3,408,000	$28,687,000	$295,000	597	0	$817,000
Virginia	Cmstruction/permanent mortgage financing to developer to help rehabilitate four floors of hotel building and add new 3-story wing and atrium. Project will include construction of 80 hotel units, along with 128-seat restaurant, pool, meeting, banquet facilities for 300, plus other common facilities.	907,000	3,067,000	1,791,000	80	0	221,197
MISSISSIPPI							
Brookhaven	Loan to company to partially finance construction of 718,000 square foot store distribution center. Project to also include 900,000 square feet of paved parking for trucks, and cars, plus 22,000 square foot truck maintenance building.	1,025,000	24,500,786	982,500	450	0	127,987
Leakesville	Loan to corporation to help construct and equip lumber processing plant to saw green roughcut wood to metric dimensions for export to Europe.	490,000	2,116,035	612,000	105	0	3,115

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FISCAL YEAR 1985 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
MISSOURI							
Chillicothe	Construction/permanent mortgage loan to help finance construction of 60-room motel to include restaurant, cocktail lounge, five meeting rooms, and swimming pool on four-acre site.	$515,000	$2,255,562	$10,000	53	0	$55,498
St. Louis	Loan to limited partnership to assist in construction of new housing units and renovation of existing housing units.	2,580,000	8,645,075	996,196	6	173	51,111
St. Louis	Financial assistance to corporation to help acquire and renovate hotel as apartments and commercial space. Twenty percent of units will be rented to low- and moderate-income families.	1,900,000	8,451,155	200,000	37	109	95,880
St. Louis	Loan to developer to assist in rehabilitation of vacant buildings in historic district into one and two-bedroom apartments plus commercial space.	800,000	2,573,775	400,000	9	56	26,289
St. Louis	Loan to limited partnership to assist in renovation of three vacant historic buildings into rental units--with 20 percent reserved for low- and moderate-income tenants and commercial space.	1,254,328	5,664,303	500,000	33	78	55,478
St. Louis	Loan to developer specializing in inner-city projects to help renovate block of vacant stores including retail and office space plus three small movie theatres.	1,575,000	4,973,738	0	118	0	222,337

FISCAL YEAR 1985 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
MISSOURI (Continued)							
St. Louis	Loan to partnership to help provide construction and permanent mortgage financing for renovation of vacant downtown department store canplex into mixed-use developnent for office and retail space.	$2,856,457	$14,631,230	$0	417	0	$483,211
MONTANA							
Bozeman	Financial assistance to developer to help construct 131-room hotel featuring convention space for 500 people, a 125-seat restaurant and an indoor pool.	500,000	4,818,810	0	120	0	59,562
NEBRASKA							
Richland	Loan to steel building, grain dryers, gates and fencing manufacturing company to acquire capital equipnent to assist with major building improvements at their newly acquired facility.	913,000	3,785,325	0	237	0	4,060
NEW HAMPSHIRE							
Durham	Financial assistance to developer to help construct research and development facility and manufacturing facility.	2,048,750	29,800,000	300,000	1,000	0	436,175
NEW JERSEY							
Atlantic City	Second mortgage financing to developer to help construct 18-story, mixed-use office and retail building with two floors of parking facilities.	9,218,000	44,429,472	0	662	0	480,715

FISCAL YEAR 1985 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)							
Atlantic City	Financial assistance to developer to help construct 39-story apartment tower containing living units and ground-floor commercial and retail space.	$8,000,000	$86,398,731	$0	90	960	$715,000
Atlantic City	Second mortgage financing to assist in renovation of former school into 194-room hotel with meeting rooms, dining facilities, and 110 parking spaces.	1,400,000	11,790,869	0	194	0	196,228
Bridgeton	Financial assistance to asbestos-free commercial floor tiles manufacturing corporation to help construct 20,000 square floor plant on 4-acre site in city-owned industrial park.	711,074	3,485,182	0	105	0	22,101
Burlington	Financial assistance to developer to help construct 500,000 square foot distribution facility on 48 acres to service 68 coat factory stores.	1,015,000	18,172,543	0	460	0	25,000
Burlington	Financial assistance to developer to help construct 120,000 square feet of office space for high-tech users on 11.4 acre parcel of city-owned land formerly occupied by Army Amnunitions Plant and adjacent to recently revitalized downtown.	750,000	7,074,970	0	436	0	37,500
Camden	Financial assistance to hauling company to help purchase and renovate a warehouse. Facility to be used as refrigerated warehouse for short-term storage.	430,000	3,296,317	0	60	0	30,000

FISCAL YEAR 1985 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)							
Camden	Second mortgage financing to developer to assist in construction and equipping of laundry facility.	$1,065,000	$3,629,602	$135,000	71	0	$0
Camden	Second mortgage financing to developer to acquire property to help rehabilitate former high school into 256-bed residential elderly health care facility.	814,000	4,044,860	0	37	0	60,233
East Orange	Loan to partnership to help acquire land and construct 3-story, 120-bed residential-care health facility to include accommodations for 16-patient outcare and 71-car surface parking area.	700,000	6,024,721	0	98	0	241,516
East Orange	Firnncial assistance to manufacturer of tubes and aerosol containers to help purchase capital equipment to be installed in industrial facilities in Bloomfield, New Jersey. Investment will permit use of tax-exempt revenue bonds.	268,425	5,356,714	0	27	0	13,421
Elizabeth	Financial assistance to company to help acquire 250,000 square foot plant and purchase equipnent to assemble paint and wallpaper sample books.	5,000,000	3,784,640	0	360	0	654,483
Elizabeth	Firnncial assistance to developer to help construct 75-mom hotel in airport area.	1,200,000	7,058,960	0	200	0	54,453

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FISCAL YEAR 1985 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)							
Jersey City	Loan to dental and pharmaceutical products manufacturer to help rehabilitate headquarters facility. Investment will provide office space, part of a research and development pilot plant as well as general improvements to building complex.	$165,000	$3,300,000	$0	15	0	$39,523
Neptune TWP	Financial assistance to developer to help construct 220-room hotel and conference center on 10-acre site along Route 35 in Eatontown.	1,300,000	12,295,611	0	196	0	21,425
Neptune TWP	Second mortgage loan to developer to help construct 29,250 square foot industrial building with parking and loading facilities. Project will provide 38 percent of space for manufacture of molds, bottle trimming equipment, and "pick and place" robots with remaining space for lease.	245,000	1,032,100	0	77	0	15,545
New Brunswick	Interim and permanent financing to joint venture to help construct an office building with retail space, renovate office/retail space plus build a 250-car parking deck.	2,500,000	10,597,318	0	213	0	146,341
New Brunswick	Financial assistance to developer to help construct 240-bed residential care facility with support services, elderly housing units and 168 surface parking spaces.	750,000	7,782,514	0	30	70	117,000

FISCAL YEAR 1985 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)							
Newark	Financial assistance to City to construct parking garage and pedestrian bridge to help with development of newly constructed condominium office building. Project is joint downtown revitalization effort of New York/New Jersey Port Authority oriented toward City's legal industry.	$9,864,500	$39,719,125	$0	675	0	$966,153
Newark	Financial assistance to developer to help construct three-story, limited service, 178-room motel and restaurant in airport area. Project will provide overnight facility for passengers using airport and for trucking operations.	1,208,000	9,268,800	0	100	0	411,543
Newark	Financial assistance to developer to help renovate historic building for conversion to 150-bed residential care facility.	232,850	1,820,028	0	20	0	60,400
North Bergen	Second mortgage financing to limited partnership to help construct light industrial warehouse building.	425,000	8,496,511	0	150	0	218,400
Paterson	Financial assistance to food products company to help purchase and renovate vacant industrial building for expansion to be used as a distribution, manufacturing and warehousing operation.	750,000	3,150,050	0	75	0	30,000

FISCAL YEAR 1985 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)							
Paterson	Financial assistance to developer to help construct meat processing plant on site acquired from City in industrial park area.	$420,250	$2,320,204	$179,750	50	0	$113,052
Paterson	Financial assistance to developer to help rehabilitate old Coca Cola Bottling facility to be purchased by paper converting firm for its manufacturing, distribution and office operations. Forty percent of building to be leased for other industrial uses.	1,700,000	9,669, 33	0	167	0	60,100
Pater on	Second mortgage financing to help acquire city-oned, vacant buildings for renovation into 75,480 square feet of office, retail and restaurant space with parking for 107 cars.	1,600,058	5,883,041	243,432	175	0	176,907
NEW MEXICO							
Las Vegas	Loan to partnership to help rehabilitate 18 downtown comnercial buildings. Project will create shops at street level, and second-story offices with 89 parking spaces.	631,631	2,084,266	0	204	0	199,384
NEW YORK							
Albany	Mortgage financing to developer to help acquire and renovate vacant structures in two historic downtown districts into two- and three-bedroom rental convenience housing units and commercial space.	3,500,000	10,500,000	0	38	232	245,900

FISCAL YEAR 1985 URBAN EVELOPMENT 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 YORK (Continued)							
Albany	Financial assistance to minority business enterprise comprised of 15 area businessmen to help develop a retail complex on vacant urban renewal land.	$435,750	$1,505,041	$155,300	87	0	534,210
Albany	Loan to developer to assist in acquisition and renovation of vacant historic downtown Union Station for conversion into headquarters for major banking institution.	2,450,000	9,890,648	0	109	0	344,000
Albany	Grant to City's Local Development Corporation to set up building rehabilitation and permanent loan fund. Six developers will acquire currently underutilized and deteriorating, multi-story structures in central business district. Buildings to be completely rehabilitated with first-floor commercial space and/or office space on upper floors.	1,138,188	6,090,021	2,831,963	126	0	228,342
Binghamton	Financial assistance to industrial painting and screen printing firm to acquire land, construct a facility, and purchase new machinery and capital equipment.	360,000	1,065,635	0	35	0	16,572
Buffalo	Financial assistance to developer to help construct single-family housing units in inner-city neighborhood.	750,000	1,889,550	500,000	0	50	60,200

FISCAL YEAR 1985 URBAN DEVELOPKNT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated New Jobs	Estimated Housing Units	Estimated Local Tax Revenue
NEW YORK (Continued)							
Buffalo	Firnncial assistance to partnership to help develop 155-roan budget hotel and renovation of historic arcade to include restaurant, 8-screen cinema, office and retail space.	$3,580,000	$12,942,164	$2,700,000	655	0	$0
Catskill Town	Firnncial assistance to developer to help construct and furnish 26-unit motel addition. Investment to expand existing 12-roan motel, which has been in business sixteen years, consisting of restaurant, two efficiency units, pool and game roan on five acres.	153,000	516,928	0	16	0	14,233
Deposit	Firnncial assistance to newly formed technology corporation to help acquire, renovate and equip vacant plant to produce medium-density fiber-board.	1,860,000	10,847,078	5,500,000	135	0	18,000
Dunkirk	Financial assistance to press corporation to help construct an ink-making facility and wastewater pre-treatment plant, and purchase necessary machinery and equipnent.	533,704	10,558,388	0	120	0	30,750
Dunkirk	Firnncial assistance to ice cream canpany to help construct 5-story, 27,500 square foot freezer building, 27,300 square foot dry storage warehouse, new ice cream making machinery and new truck maintenance center.	360,000	6,973,500	0	100	0	47,587

FISCAL YEAR 1985 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
NEY YORK (Continued)							
Elmira	Financial assistance to joint venture to help renovate and equip vacant industrial facility in Horsehead, New York for production of medium- and high-resolution, cathode-ray tubes.	67,000,000	$58,940,655	$7,000,000	640	0	$0
Fulton	Loan to help machinery converting canpany construct an addition to its existing facilities and fabricate new, state-of-the-art paper products proeessing machine.	810,000	3,260,082	0	95	0	12,908
Gouverneur Town	Financial assistance to local nonprofit hospital to help renovate and modernize its physical plant to expand health care programs offered.	655,000	2,472,854	0	7	0	0
Hudson	Loan to button manufacturing company to help construct and equip 40,000 square foot facility for expansion of its foreign and danestic markets and customer base.	720,000	2,648,772	40,000	112	0	43,470
Hudson	Construction and permanent financing loan to plastic fasteners for high-tech and traditional uses manufacturing canpany to help construct 13,000 square foot addition to present plant to accommodate increased market demand for its produce line.	77,000	272,836	195,000	10	0	7,011
Liberty	Loan to meat packing company to help acquire land and construct 9,100 square foot slaughter house and meat packing facility.	125,000	927,465	299,550	40	0	18,188

FISCAL YEAR 1985 URBAN DEVELOPMENT ACTION GRANT AWARDS

State and City	Project Description	UDAG Dollars	Private Investment	Other Public Dollars	Estimated Total New Jobs	Estimated Housing Unite	Estimated Local Tax Revenue
NEW YORK (Continued)							
New York City	Fiwncial assistance to realty firm, a holding canpany formed by a wine and a 1umber corporation, to help demolish existing plant, lease property and construct a one-story industrial canplex to accommodate expanded operations of each company.	$700,000	$2,347,280	$0	70	0	$57,181
New York City	Fiwncial assistance to real estate holding canpany to help acquire and rehabilitate vacant facility in industrial park.	1,364,089	3,986,812	0	137	0	220,173
New York City	Loan to developer to help acquire full service graphic arts and canputer mailing firm, lease land and a building, and purchase machinery and equipment for new direct mail finn.	900,000	14,750,618	463,000	250	0	506,903
New York City	Loan to biotechnology firm which develops and produces medical diagnostic technology for research, clinical, agricultural, and industrial markets to help rehabilitate vacant, former hospital complex building into 1aboratory, research/developnent and office facility. Investment will permit company to exceed $10 million capital limitation and purchase capital equip ment.	710,000	17,763,913	0	276	0	337,900

FISCAL YEAR 1985 URBAN DEVELOPENT 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 YORK (Continued)							
New York City	Financial assistance to developer to help convert former five-story hotel into 89 single-room occupancy housing units with shared bath and cooking facilities for low-income persons and 4,000 square feet on ground floor reserved for commercial space.	$350,000	$2,097,815	$2,150,000	34	89	$33,000
New York City	Financial assistance to corporation to help renovate and convert vacant, city-owned, former historic nursing home into Metropolitan New York Council of American Youth Hostels, Inc. Facility will also include a restaurant, theatre, and American Youth Hostel office.	860,000	10,242,429	0	165	0	116,058
New York City	Financial assistance to developer/builder to write down costs of constructing residential units with commercial space within complex. Investment will also provide permanent subsidy to purchasers of units with level of subsidy based on homebuyer's income.	5,990,000	47,782,692	8,500,000	88	599	1,607,140
Newburgh	Second mortgage financing to merchandising canpany to help construct 800 square foot warehouse to service retail stores.	950,000	18,843,107	0	186	0	95,000
Newburgh*	Non-amortizing second mortgages to purchasers of newly constructed condominium apartments.	177,845	1,058,315	32,000	0	19	32,970

*Terminated

FISCAL YEAR 1985 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 YORK (Continued)							
Newburgh	Nonrecourse loan to joint venture to assist in construction of four-story office building.	$612,000	$1,983,347	$0	95	0	$24,480
Newburgh	Financial assistance to developer to help construct a refrigerated warehouse and distribution center in industrial park for lease.	459,000	1,999,729	231,700	20	0	33,727
Newburgh	Second mortgage loans to developer for construction of townhouses. State of New York Mortgage Association to provide homeowners with funds for permanent financing in conjunction with City and Action Grant loans.	179,200	1,033,297	30,000	0	19	45,733
Newburgh	Financial assistance to developer to help expand and construct 104,000 square foot artificial Christmas-tree manufacturing facility.	522,823	3,199,666	0	160	0	63,048
Newburgh	Second mortgage financing to developer to assist in construction of townhouse rental units, bank building, and office building; rehabilitation of City Hall into residential units and commercial space; and on-site improvements including 400 downtown parking spaces.	3,194,000	15,554,572	2,309,600	119	34	198,080
Niagara Falls	Financial assistance to developer to help start-up of rail tank-care cleaning facility and expansion of existing truck cleaning operation and mechanical service.	154,800	597,849	399,200	20	0	7,331

FISCAL YEAR 1985 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 YORK (Continued)							
Olean	Second mortgage loan to developer to assist in construction of 34,450 square foot office and retail building downtown.	$500,000	$2,025,000	$0	99	0	$10,440
Peekskill	Second mortgage loan to partnership for construction of access road and water system for 4.5-acre site of newly constructed rental townhouses.	815,000	5,520,537	0	2	55	71,424
Peekskill	Financial assistance to building supply business to help construct 2-story, 10,000 square foot retail and display facility, plus renovate its existing 4,700 square foot adjoining warehouse.	94,668	310,292	94,000	10	0	3,507
Peekskill	Second mortgage 1can to developer to help construct 40,000 square foot office building on urban renewal vacant land.	411,000	3,122,043	167,000	48	0	87,172
Port Jervis	Financial assistance to laboratory corporation to help construct single-story warehouse building on an adjacent site.	94,500	1,500,431	0	15	0	29,790
Port Jervis	Financial assistance to lunber company to help build 20,000 square foot sales/warehouse facility downtown to replace original space destroyed by fire. Project to include acquisition and clearance of site for parking spaces.	110,950	408,585	114,000	12	0	7,556

FISCAL YEAR 1985 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 YORK (Continued)							
Port Jervis	Financial assistance to developer to help rehabilitate historic Erie Depot and adjacent railway building. Project to provide 7,000 square feet of retail stores, office space and mall railroad museum.	$82,500	$304,215	$125,000	12	0	$2,993
Poughkeepsie	Financial assistance to developer to help sample-swatch books manufacturer for fabric-mill houses construct a facility and purchase related machinery and equipment.	200,000	656,203	0	40	0	13,652
Rochester	Financial assistance to developer to help acquire, renovate, and convert building into residential condominium units, commercial and office condo space with ground floor parking.	1,000,000	5,312,603	0	208	58	110,271
Rochester	Financial assistance to local mailing and printing canpany to help acquire building adjacent to its existing facility, construct a connecting building and purchase new capital equipment.	437,000	1,816,574	750,000	60	0	21,850
Rochester	Financial assistance to help chicken and ribs restaurant owner with expansion. Investment will provide new facility to house restaurant and produce their sauce to meet increasing demand.	97,400	356,506	106,700	20	0	5,877
Rochester	Financial assistance to developer to help finance renovation of 3-story building for wine production. Project will also include space for retail store and related gift shop.	71,000	347,498	203,000	10	0	7,736

FISCAL YEAR 1985 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 YORK (Continued)							
Rochester	Financial assistance to corporation to help construct 100,000 square foot facility for manufacture and sale of productivity-enhancing equipment and scientific instruments used in semi-conductor industry.	$1,688,937	$17,029,998	$1,410,000	350	0	$170,180
Rochester	Financial assistance to developer to help construct downtown building comprising 111,505 square feet of office rental space and 13,680 square feet of commercial rental space.	551,200	11,492,965	0	372	0	223,196
Salamanca	Financial assistance to metal printing cylinders manufacturing canpany to help acquire and install machinery and equipment used to produce wallpaper, flexible packaging giftwrap, floor covering and ruled paper.	405,000	1,393,600	0	61	0	8,000
Schenectady	Loan to developer to help acquire and rehabilitate now-vacant Scotia Naval Depot. Project to provide for renovation of 11 existing warehouse structures for lease to warehouse/distribution/manufacturing concerns over 3-year period.	1,250,000	10,919,693	0	486	0	'10,000
Schenectady	Loan to limited partnership to assist in rehabilitation of former City fire station into three-story Class A office building that maintains its historic character.	380,000	1,133,274	35,000	72	0	17,741

FISCAL YEAR 1985 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 YORK (Continued)							
Sidney	Financial assistance to manufacturer of calendars and related dated materials to help construct 137,000 square foot facility plus acquire new machinery and equipment.	$385,000	$7,349,288	$0	58	0	$113,141
Syracuse	Financial assistance to developer to help acquire and renovate two downtown historic buildings into Class A office space.	750,000	3,674,845	0	95	0	34,007
Syracuse	Financial assistance to developer to help acquire and renovate downtown 5-story masonry building to provide 19,200 square feet of commercial space and apartments.	601,000	2,615,133	0	66	33	30,922
Troy	Financial assistance to developer to help rehabilitate two downtown adjoining buildings into 2,400 square feet of leasable commercial space and one-bedroom apartments.	47,800	155,287	0	5	4	7,061
Troy	Financial assistance to Troy Rehabilitation Improvement Program to help acquire and rehabilitate 27,000 square foot historic structure for use as retail and office space.	291,814	892,384	148,010	45	0	76,936
Utica	Financial assistance to developer to help acquire and renovate 75,000 square foot shopping center with prime tenants, a supermarket and a bakery plus additional 40,000 square feet of retail space.	1,250,000	6,232,491	175,000	210	0	168,040

FISCAL YEAR 1985 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 YORK (Continued)							
Waverly	Financial assistance to association of former employees of foundry to help acquire facility. Company to also purchase capital equipment and undertake renovations.	$1,430,000	$7,399,994	$2,400,000	162	0	$32,786
Windham	Financial assistance to developer to help construct and renovate an inn. Project will include addition of sixteen units to 11-room facility, plus a dining room, kitchen, two lounges, and a summer outdoor cafe.	50,000	306,970	278,500	11	0	17,282
NORTH CAROLINA							
Charlotte	Financial assistance to developer to help build a festival marketplace. Project will include construction of 526-space parking facility, two levels of specialty retail, office, food, restaurant and entertainment areas, plus 77,000 square feet of new construction and rehabilitation of a theater.	2,500,000	11,975,294	3,600,000	345	0	137,329
Mooresville	Loan to metal ladders and material-handling products manufacturer to assist in development of plant complete with equipment on three-acre industrial park site.	200,000	945,777	55,000	25	0	3,822
New Bern	Financial assistance to developer to help construct four-story, 100-room hotel with restaurant, parking and conference facilities, plus retail space on waterfront.	1,996,000	7,161,036	0	155	0	48,196

FISCAL YEAR 1985 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
NORTH CAROLINA (Continued)							
Roxboro	Financial assistance to manufacturer to help construct facility to produce Com-Ply, a form of flake board used primarily as joists in residential and commercial construction.	$4,667,050	$24,717,927	$330,000	250	0	$265,083
Warsaw	Financial assistance to developer to help construct turkey processing plant to be located in Duplin County. Project to also include purchase of nearly 700 acres, construction of related waste-water system plus purchase and installation of capital equipment.	900,000	17,510,470	525,000	685	0	8,000
Wilmington	Financial assistance to company to help acquire, equip, and refit vacant plant to manufacture very large crane structures. Project provides seaport access for shiping finished products.	4,000,000	18,575,561	0	675	0	83,496
Wilmington	Loan to industrial firm to help refit vacant plant for manufacture of laminated veneer lumber. Project to include purchase of water pump for fire protection.	580,000	12,504,823	0	160	0	27,000
NORTH DAKOTA							
Fredonia	Loan to local citizens groups to help finance construction of small retail project for two tenants: a cafe/grocery store and beauty salon.	25,000	66,563	25,000	4	0	334

FISCAL YEAR 1985 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
OHIO							
Akron	Construction/permanent mortgage financing to developer for office park of approximately 96,000 leasable square feet on 4.3 acres. Developer to occupy part of project as headquarters.	$327,000	$6,000,000	$0	143	0	$150,631
Akron*	Construction/permanent mortgage loan to to developer to help renovate 8-story landmark structure for office and retail use. Developer to occupy top four floors.	403,400	2,135,200	126,600	49	0	67,674
Alliance	Construction/permanent loan to developer to help acquire and renovate vacant grocery store for use as self-service warehouse grocery store.	162,000	503,163	0	23	0	78,634
Alliance	Construction/permanent mortgage loan to limited partnership to help construct 100-man hotel with restaurant, retail and office space.	800,000	6,940,452	153,700	188	0	113,674
Athens	Construction/permanent mortgage loan to developer to help construct 27,197 square foot building downtown with two commercial tenants on first floor and residential apartments on second floor.	328,000	1,238,676	335,000	50	10	17,063
Athens	Construction/permanent loan to limited partnership to help construct 300,000 square foot regional mall to include leasable space for anchor stores, specialty shops and common mall areas.	1,020,000	10,300,543	0	383	0	472,365

*Terminated

FISCAL YEAR 1985 URBAN DEVELOPMNT 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
OHIO (Continued)							
Cleveland	Loan to developers to assist with renovation of vacant Post Office in Union Railroad terminal complex at Public Square downtown. Building to be converted into office space and associated commercial uses.	$9,200,000	$26,362,582	S0	453	0	$451,884
Cleveland	Loan to minority developers to assist in relocating and expansion of lounge and restaurant. Investment to provide largest Black-owned entertainment complex in the country.	300,000	507,680	349,770	26	0	26,481
Cleveland	Financial assistance to developer to help construct multi-level shopping mall incorporating 255,000 square feet of renovated retail space and 37,000 square feet of retail space in adjacent area.	10,000,000	42,475,000	0	1,102	0	554,308
Cleveland	Loan to limited partnership for construction and permanent financing to help with renovation of old hospital's school of nursing building into 19,600 square feet of medical office space.	472,940	1,615,045	0	43	0	39,562
Cleveland	Construction/permanent loan to corporation to assist rehabilitation of series of vacant commercial structures in the Broadway district. Project will create 37,525 square feet of retail space, and 5,864 square feet of office space, on two levels.	431,075	2,159,196	0	30	0	42,021

FISCAL YEAR 1985 URBAN DEVELOPFENT 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
OHIO (Continued)							
Cleveland*	Construction/permanent mortgage loan to developer to help construct a new research and developnent facility, expand an existing building and acquire two adjacent parcels for parking.	$395,400	$7,594,820	$64,360	80	0	$178,712
Dayton	Financial assistance to developer to help construct arcade to include 280,835 square foot office building, atrium with 37,043 square feet of retail space, 600-space parking deck, and additional 18,000 square feet of retail space in parking area.	6,000,000	39,343,200	7,800,000	985	0	1,075,163
Greenfield	Permanent second mortgage loans to purchasers of new homes located on scattered sites. Repayment terms to be structured to income levels of each buyer.	58,660	130,390	0	0	5	4,180
Hicksville	Loan to precision products firm to purchase capital equipment for newly constructed plant to manufacture cam follower rollers for General Motors and grant to City to help construct an access road.	1,565,840	10,126,950	1,510,618	139	0	60,400
Ironton	Interim/permanent mortgage to iron canpany to acquire new capital equipment for plant reopening under Employee Stock Ownership Plan.	1,025,000	6,070,997	1,340,000	557	0	85,895

*Terminated

FISCAL YEAR 1985 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
OHIO (Continued)							
Malinta	Financial assistance to developer to help construct regional shopping mall in the City of Defiance to join another retail center.	$525,000	$9,647,577	$1,274,000	10	0	$0
New Boston	Permanent second mortgage financing for purchasers of newly constructed homes located on scattered sites. Repayment terms to be structured to income levels of each buyer.	92,984	214,686	0	0	9	7,523
Ravenna	Financial assistance to electric company to help reopen a manufacturing facility. Project represents major effort to requip the plant.	691,000	12,564,231	0	60	0	133,926
Sandusky	Financial assistance to developer to help renovate and expand the Battery Park Marina to include docking space for 950 boats, a winter storage area, a marina center, a restaurant/lounge and parking.	730,000	4,090,763	270,000	75	0	45,593
Springfield	Financial assistance to minority business enterprise to help renovate historic building into elderly-oriented rental apartment units and leaseable office/retail space with 70 parking spaces.	1,111,300	3,423,900	305,000	35	83	30,989

FISCAL YEAR 1985 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
OHIO (Continued)							
Youngstown*	Financial assistance to developers to partially finance purchase of machinery and equipment for newly constructed brewery in industrial park, consisting of three buildings on donated site.	$9,300,000	$24,367,900	$2,500,000	136	0	$47,779
Youngstown	Financial assistance to developer to help construct two-story building downtown to house a forensic laboratory and professional office space.	85,000	429,665	84,000	12	0	15,800
Youngstown	Loan to limited partnership to assist renovation of former Erie Railroad Terminal Building for reuse as residential/commercial complex consisting of apartments, 12,000 square feet of office space and construction of 43-space parking deck.	500,000	2,607,276	0	12	43	37,437
Youngstown	Construction/permanent mortgage financing to food production company to help build and equip 25,500 square foot facility on downtown urban renewal land.	669,120	2,390,200	901,000	39	0	33,820

* Terminated

FISCAL YEAR 1985 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
OKLAHOMA							
Afton	Financial assistance to frozen pizza firm to purchase equipment for newly constructed processing facility and grant to City to extend water and sewer lines to project site.	$376,663	$950,502	1308,000	78	0	$3,600
Chandler	Loan to limited partnership to help construct 146,000 square foot state-of-the-art dairy products processing plant. Facility will be leased to Statewide dairy products producer to expand its market and reduce transportation costs.	2,750,000	16,233,163	142,000	298	0	227,000
Checotah	Financial assistance to developer to help reactivate aluminum service firm in industrial park. Plant will recover aluminum from scrap for conversion to secondary aluminum casting alloys.	525,000	1,952,758	500,000	108	0	15,000
Guthrie	Financial assistance to limited partnership to help acquire and restore three historic buildings in center of downtown area. Investment to include grant to Logan County Historical Society to renovate the Pollard Theatre and loan to developer to complete off-site improvements. Second floor of theatre to be leased to developers for use as bed and breakfast hotel. Project will also include a restaurant and carry-out, retail and office space, plus live theatre.	644,689	1,938,336	0	99	0	60,137

FISCAL YEAR 1985 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
OKLAHOMA (Continued)							
Guthrie	Financial assistance to developer to acquire and restore restaurant and hotel plus make minor improvements to alleyway to create outdoor cafe and skywalk between the two buildings. Hotel will be remodeled into bed and breakfast hotel with first floor as lobby and commercial space.	$330,000	$1,055,548	$0	58	0	$52,713
Osage Tribe	Financial assistance to developer to help construct an 18,750 square foot building and install machinery and equipment. Plant will produce steel frame prefabricated modular components for residential, commercial and industrial buildings.	198,000	582,500	573,237	64	0	0
OREGON							
Baker	Financial assistance to lumber company to help purchase new equipment for necessary modernization.	476,141	3,338,083	0	0	0	28,887
Seaside	Financial assistance to developer to help construct building to contain prime retail, office and storage space.	162,000	683,703	0	25	0	10,746
Vale	Loan to developer to help purchase capital equipment for newly constructed diatomaceous earth-processing facility. Project to include an office building, a mill and a warehouse.	698,500	12,611,397	0	40	0	25,000

FISCAL YEAR 1985 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
PENNSYLVANIA							
Berwick	Financial assistance to corporation to help acquire, upgrade and re-equip forge plant.	$1,025,000	$4,714,928	$1,327,230	75	0	$27,000
Bloomsburg	Financial assistance to automotive carpet manufacturer to help purchase and install new machinery and equipment to meet automobile manufacturers' requirements.	1,280,000	7,307,465	0	200	0	23,651
Bradford and Lewis Run	Financial assistance to developer to purchase equipment for newly renovated manufacturing facility. Project will also provide grant to partially finance working capital requirements.	236,450	684,283	260,750	20	0	16,580
Cannonsburg	Financial assistance to corporation to help with expansion of its medical products division, a forging and fabrication operation which manufactures implants for major orthopedic suppliers.	300,900	3,355,306	765,000	63	0	9,101
Conshohocken	Financial assistance to general partnership to help construct four-story office building within central business district urban renewal area.	770,000	3,546,726	0	173	0	120,149

FXSCAL YEAR 1985 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
PENNSYLVANXA (Continued)							
Donora	Financial assistance to Mon Valley YMCA to help construct 26,000 square foot addition to include a new gym with Nautilus equipment, an indoor pool, meeting rooms and office space.	$320,000	$822,500	$0	18	0	$0
Easton	Financial assistance to developer to help construct 120-seat restaurant on newly acquired site.	250,000	751,390	0	163	0	12,259
Easton	Financial assistance to partnership to help renovate newly acquired historic five-story hotel. Project to include conversion of one and two-bedroom apartments plus renovation of retail/office space on first floor.	250,000	737,009	0	3	24	12,465
Easton	Financial assistance to limited partnership to help renovate historic hotel as office space, restaurant, banquet and meeting rooms, hotel rooms, and apartments. Investment will also provide relocation assistance to existing tenants.	770,000	2,290,860	0	98	0	37,730
Johnstown	Financial assistance to developer to help acquire and reopen recently closed steel plant consisting of 73 free-standing structures on 54-acre site.	4,000,000	11,672,155	100,000	439	0	108,390

FISCAL YEAR 1985 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
PENNSYLVANIA (Continued)							
Nanticoke	Financial assistance to corporation to help construct and equip 10,600 square foot facility in industrial park for production of tow hitches for front-wheel drive vehicles.	$105,800	$466,485	$156,900	12	0	$9,420
New Castle	Financial assistance to steel corporation to help develop mini-mill subsidiary to produce high-quality, lower-cost ingot feedstock on 9.5 acres of vacant land.	800,000	12,057,780	0	95	0	65,259
Norristown	Financial assistance to limited partnership to help renovate newly acquired brewery into 45,000 square feet of office space and 23,500 square feet of warehouse and light industrial .space.	1,205,000	5,420,423	2,500,000	177	0	112,881
Oxford TWP	Financial assistance to food corporation to help purchase new processing equipment to add production lines for pretzel and potato chip processing.	269,000	4,965,107	0	30	0	4,750
Philadelph'ia	Financial assistance to company specializing in women's and children's clothing, that acquired a vacant theater and demolished it, to help construct a new retail shop.	250,000	1,000,793	0	25	0	35,115

FISCAL YEAR 1985 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
PENNSYLVANIA (Continued)							
Philadelphia	Financial assistance to developer to help with construction and permanent financing for rehabilitation of vacant elementary school. Historic property to be converted into rental housing units for low-income elderly residents and related commercial spaces.	$350,000	$1,519,372	$550,000	7	55	$24,588
Philadelphia	Loan to metal and chemical company to help with partial renovation of newly acquired plant plus purchase and install new production equipment to replace company's old line of lead-based plates with new technology computer-oriented photopolymer plates. Investment will modernize its production capacity to service newspaper industry.	500,000	3,527,047	0	24	0	85,629
Philadelphia	Financial assistance to minority, nonprofit developer to help construct a shopping center on 4.7 acres. Investment will provide funds for construction of supermarket, small retail stores, and parking lot.	1,150,000	3,900,565	250,000	150	0	324,199
Philadelphia	Financial assistance to developer to help construct 27-story, rental housing project with 202 parking spaces. Twelve percent of units will be for low-and moderate-income persons.	3,550,000	29,875,516	150,000	30	318	707,589

FISCAL YEAR 1985 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
PENNSYLVANIA (Continued)							
Philadelphia	Financial assistance to developer to help renovate historically certified building to provide approximately 125,000 square feet of new office and retail space plus public facilities.	$2,200,000	$11,241,480	$0	290	0	$393,646
Philadelphia	Financial assistance to developer to help acquire site for construction of housing project for retired elderly persons. Twenty percent of units to be for low- and moderate-income persons.	420,400	11,316,085	0	18	196	345,241
Scranton	Financial assistance to developer to help general partnership with rehabilitation of 28,548 square foot building for use as ophthalmology office building. Project also involves conversion of 4,041 square feet of office space in adjacent building into ambulatory surgical facility.	850,000	3,278,204	0	53	0	72,248
Slatington	Financial assistance to textile firm to help renovate and re-equip its manufacturing facility., Project will also include construction of additional area of internal space with expanded loading dock.	1,682,000	4,934,333	0	30	0	2,798
Swissvale	Financial assistance to developer to help renovate former historic school into rental units and construct townhouse units on adjacent parcel of land.	299,606	969,743	229,200	0	34	8,526

FISCAL YEAR 1985 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
PENNSYLVANIA (Continued)							
Washington	Financial assistance to tool and machine corporation to purchase new machinery and equipment for newly acquired and renovated 17-acre, 136,000 square foot former box company site.	$525,000	$2,147,576	$600,000	55	0	$13,833
Watsontown	Financial assistance to leading metal furniture company to help purchase structure, and convert it for use as wood furniture manufacturing facility.	1,155,000	3,786,159	1,100,000	404	0	15,771
West Middlesex	Financial assistance to steel building company to help construct 8,500 square foot loading bay and purchase and install new roll-forming mill to fabricate metal studdings for retrofitting metal buildings.	130,410	442,697	0	11	0	3,701
West Pittston	Loan to developer to assist in development of two-floor comnercial office complex on vacant site in urban renewal area. Investment to include construction of approximately 12,000 square feet of office space.	248,000	751,623	0	32	0	14,794
RHODE ISLAND							
Newport	Grant to City to help construct 302-room hotel/conference center and 210-space parking structure. City will also build a new transit facility and visitors center on adjacent site.	5,265,000	27,730,099	894,244	403	0	390,000

FISCAL YEAR 1985 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
RHODE ISLAND (Continued)							
Providence	Financial assistance to developer to help restore and revitalize historic downtown hotel. Investment will provide increased room size, new bathrooms and fixtures, plus redoing of common areas and top floor restaurant.	$1,400,000	$5,114,583	$0	20	0	$100,000
SOUTH CAROLINA							
Bennettsville	Financial assistance to corporation to help acquire former Firestone plant. In addition, new capital equipment will be purchased and installed for the manufacture of paper-cup products.	415,000	2,142,055	515,000	246	0	3,175
Columbia	Financial assistance to general partners to help construct 53,000 square foot neighborhood shopping center on university-owned site in City's Pocket of Poverty.	320,000	1,883,454	80,000	80	0	25,304
SOUTH DAKOTA							
Deadwood	Financial assistance to developer to help construct new 60,000 square foot shopping mall with supermarket, discount store, bank, ladies shop, bakery and drug store. Project to also include construction of 100-room motel with 120-seat restaurant, indoor pool and lounge.	1,320,000	5,312,956	1,340,000	111	0	76,729

FISCAL YEAR 1985 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
SOUTH DAKOTA (Continued)							
Huron	Loan to hotel developer to partially finance construction of 100-room motel to include conference rooms, restaurant and indoor pool with 170 parking spaces.	$1,000,000	$4,292,483	$1,400,000	113	0	$154,402
TENNESSEE							
Lewisburg	Financial assistance to Japanese corporation to help acquire 30-acre site and construct automobile plastic parts and instrunent panels manufacturing plant in Smyra.	820,000	14,833,199	496,908	229	0	59,879
Morristown	Financial assistance to developer to help acquire facility to manufacture plastic grocery bags.	625,000	4,742,000	10,000	136	0	83,644
Mount Pleasant	Second mortgage/permanent financing to families with incomes no greater than 120% of area median, who qualify, to purchase single-family homes.	187,200	620,262	30,000	0	24	54,018
TENNESSEE (Continued)							
Nashville-Davidson	Financial assistance to joint venture to help renovate historic Union Station for lease as retail and office space. Project to include acquisition by City of title to old building from U. S. General Services Administration.	1,600,000	6,572,904	1,900,000	388	0	453,787

FISCAL YEAR 1985 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
TEXAS							
Del Rio	Grant to City to extend water and sewer lines from Del Rio to Val Verde Estates area for construction of two-bedroom apartment units with appliances. Featured in the complex will be a laundromat, two swimming pools and other recreational activities.	$1,404,086	$5,766,082	$33,300	7	200	$6,200
Eagle Pass	Second mortgage financing to low- and moderate-income families to help purchase single-family homes and grant to City to line an irrigation ditch running through approved subdivision.	309,688	1,060,000	30,000	0	30	3,060
VERMONT							
Derby Town	Financial assistance to Burlington, Vermont-based firm to help purchase and install capital equipment to produce pelletized fuel. Company to lease 28,800 square foot building in Derby.	88,850	830,203	5,000	30	0	7,392
Springfield	Loan to small machine tool operation to help purchase equipment. Project also involves leasing of space.	105,000	645,190	141,000	24	0	8,800
Stowe Village	Financial assistance to developer to help construct 100-room hotel/conference center designed as self-sufficient destination complex, incorporating athletic and conference facilities.	600,000	10,337,380	0	105	0	115,420

FISCAL YEAR 1985 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
VERMONT (Continued)							
St. Johnsbury	Loan to developer to partially finance renovation and expansion of 2,800 square foot house as 12,000 square foot community care facility for elderly residents.	$135,000	$620,500	$212,000	14	32	$10,598
VIRGINIA							
Hampton	Financial assistance to corporation to help construct downtown waterfront hotel with 30-space parking garage, retail space, and related public improvements on waterfront walkway.	1,851,000	14,008,672	3,400,000	303	0	397,869
WASHINGTON							
Kelso	Construction/permanent loan to developer to help construct 293,786 square foot regional shopping mall.	2,770,000	18,980,229	860,000	468	0	503,867
WEST VIRGINIA							
Bath	Loan to developer to partially finance expansion of current recreation and restaurant facility by adding a 46-unit lake front inn with meeting facilities and a health center in the Berkeley Springs area.	464,000	2,294,438	0	58	0	2,000

FISCAL YEAR 1985 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
WEST VIRGINIA (Continued)							
Chester	Financial assistance to developer to partially finance acquisition and renovation of former roofing materials manufacturing plant as a mulehide manufacturing facility. Investment will also be used for capital equipment purchases.	$590,000	$1,847,380	$1,000,000	122	0	$34,058
Pennsboro	Financial assistance to manufacturer of aluminum wash windows to purchase equipnent for newly constructed 46,000 square foot production/warehouse facility on five-acre site at industrial park.	315,000	1,044,215	633,000	50	0	15,985
WISCONSIN							
Madison	Mortgage loan to developer to help construct ten-story office building containing three floors of retail and food court restaurant facilities with 238-space parking ramp.	2,250,000	10,799,422	450,000	245	0	232,684
Milwaukee	Loan to steel corporation to purchase new capital equipment to help construct addition to existing facility.	150,000	2,992,528	0	57	0	7,003
Oneida Indian Reservation	Financial assistance to limited partnership to help construct 200-room hotel and conference facility. Project to include 10-acre lease of tribally-owned parcel of land near airport.	1,750,000	8,615,272	0	160	0	0

FISCAL YEAR 1985 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
WISCONSIN (Continued)							
Viola	Loan to wood products manufacturing firm to help construct a facility and purchase new capital equipment.	$43,000	$126,316	$49,170	8	0	$4,836
Whitewater	Loan to manufacturing company to partially finance purchase of capital equipnent. Project to also include rehabilitation of present facility and 6,080 square foot expansion.	409,000	1,561,683	712,000	23	0	1,041
Whitewater	Loan to developer to help local dairy canpany finance improvements to existing manufacturing plant and office facilities, plus purchase new equipnent.	450,000	1,129,254	0	15	0	3,584
PUERTO RICO							
Arecibo Municipio	Financial assistance to hospital corporation to help rehabilitate four buildings, comprising 88 beds, and construct 47,000 square foot medical facility. Project will connect new buildings to existing structures by pedestrian walkway.	997,000	3,802,977	500,000	97	0	89,153
Arroyo Municipio	Second mortgages to low-income purchasers of two-and three- bedroom, single-family homes to write down cost.	302,105	907,000	0	0	48	8,625
Arroyo Municipio	Second mortgage financing to developer to write down purchase price of newly constructed two- and three-bedroom, single-family homes on 3.1 acre site for low-income families.	182,750	540,054	0	0	29	7,405

FISCAL YEAR 1985 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
PUERTO RICO (Continued)							
Cidra Municipio	Financial assistance to developer to help construct office and rental commercial building, gas station and build single-family houses in Villa Del Carmen Development.	8528,178	$1,442,034	S0	45	22	$29,177
Guayama Municipio	Permanent second mortgage financing to purchasers of newly constructed three-bedroom, one bathroom, detached units.	871,500	2,500,182	0	0	89	32,445
Guayama Municipio	Second mortgage loans to developer to help construct 42,500 square foot super-market and warehouse facility, and for purchase of capital equipment.	391,000	1,273,855	0	72	0	44,680
Gurabo Municipio	Non-amortizing second mortgage loans to developer to assist in construction of single-family units.	650,000	1,724,100	0	0	80	79,750
Gurabo Municipio	Second mortgage loans to moderate-income purchasers of single-family homes to write down cost of each unit by approximately $9,800.	1,974,000	7,859,289	0	0	200	98,841
Hatillo Municipio	Financial assistance to developer to help construct 3,500 square foot, one-story concrete building with 40-car parking space. Facility to be used as a restaurant, bakery and cafeteria.	95,400	249,503	0	14	0	5,222
Humacao Municipio	Financial assistance to corporation to help construct wholesale/retail grocery store with parking for 300 Gars. Ten thousand dollars of investment to be used for city admin-istration.	485,000	2,163,711	0	182	0	122,452

FISCAL YEAR 1985 URBAN DEVELOPMENT CTION GRANT WARDS

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)							
Juana Diaz Municipio	Financial assistance to developer to help purchase and process machinery at site of former marble quarry.	$272,946	$1,069,451	$0	70	0	$20,561
Loiza Municipio	Non-amortizing second mortgage of $7,064 per unit to purchasers of newly constructed, three-bedroom, one-bath houses.	1,412,700	7,275,500	0	0	200	94,368
Manati Municipio	Non-amortizing second mortgages to developer to assist in construction of single-family housing units.	670,949	2,064,026	0	0	63	60,707
Manati Municipio	Loan to developer to assist in expansion of an auto parts store plus a gas station.	143,587	509,296	0	16	0	7,179
Mayaguez Municipio	Loan to local developnent corporation to help construct 60,000 square foot discount supermarket with 50 parking spaces.	750,000	2,877,876	400,000	158	0	127,972
Ponce Municipio	Financial assistance to developer to help construct three "fast food" shops. Commercial complex to serve university campus adjacent to site.	265,000	1,100,128	0	34	0	31,135
Quebradillas Municipio	Financial assistance to developer to help build 28,000 square foot shopping center with grocery store, drug store, four food outlets and parking for 208 vehicles.	285,000	1,170,000	0	50	0	27,298
Sabana Grande	Non-amortizing second mortgage loans to developer to assist in construction of single-family housing units.	1,507,610	4,097,225	0	0	130	38,805

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