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

1987

# Consolidated Annual Report to Congress on Community Development Programs

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

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

MAR 31 1987

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the provisions of Sections 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 1987 Consolidated Annual Report on the community development programs that we administer. In it, information is presented on the Community Development Block Grant (CDBG), Urban Development Action Grant (UDAG), Rental Rehabilitation, Section 312 Rehabilitation Loan, and Urban Homesteading programs.

The programs covered in this Report help States and communities to address locally-identified community development, economic development, and housing rehabilitation needs. They support the revitalization of communities and lower-income neighborhoods, the rehabilitation of housing and property, the repair of infrastructure, and the creation of business opportunities and jobs.

Very sincerely yours,

Samuel R. Pierce, Jr.

HUD-1090-CPD

# 1987 CONSOLIDATED ANNUAL REPORT TO CONGRESS ON COMMUNITY DEVELOPMENT PROGRAMS

This Report Incorporates Statutorily-mandated
Reports to Congress for FY 1986 on the:

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

**1987 CONSOLIDATED ANNUAL REPORT TO CONGRESS ON COMMUNITY DEVELOPMENT PROGRAMS**

TABLE OF CONTENTS

# EXECUTIVE SUMMARY

## INTRODUCTION

The U.S. Department of Housing and Urban Development, through its Office of Community Planning and Development (CPD), operates the Federal Government's major community development, economic development, and housing rehabilitation programs. These programs, the Community Development Block Grant (CDBG) Entitlement, State and Small Cities CDBG, Urban Development Action Grant, Rental Rehabilitation, Urban Homesteading, and Section 312 programs, provide a comprehensive array of community development assistance to States, counties, and cities of all sizes. These programs target assistance to grantees through formulas or selection criteria that reflect the programs' purposes and the local needs of the individual communities. They also afford substantial latitude for local officials to decide how the program funds will be used. Because of this latitude, local officials often use these programs to complement one another.

This report, the Consolidated Annual Report to Congress on Community Development Programs, describes the FY 1986 operations of these programs. The first section of this Executive Summary provides a basic overview of the purposes, funding levels, participation, and the activities supported by the CPD-funded programs and estimates the actual accomplishments of the programs for selected types of products. The second section provides a summary of the operations of each program.

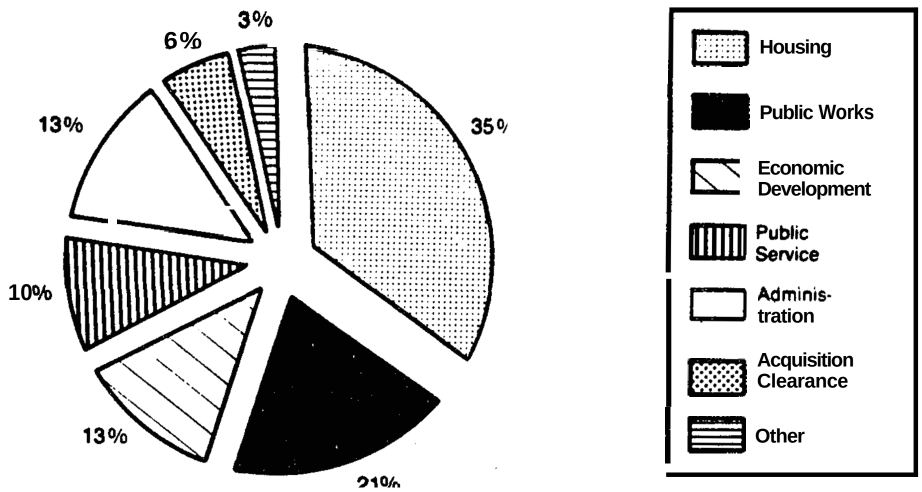
## OVERVIEW OF PROGRAMS

### COMMUNITY DEVELOPMENT

**Community Development Block Grant Entitlement Program.** The largest of the programs operated by the Office of Community Planning and Development is the Community Development Block Grant program (CDBG) for Entitlement Communities, which provides formula grants to all central cities in metropolitan areas, all other cities with a population of 50,000 or more, and Urban Counties. These grant amounts are determined by each community's population, population growth lag, number of persons in poverty, extent of overcrowded housing, and amount of housing built prior to 1940.

Localities can use their formula grants to undertake a broad range of eligible activities, including housing rehabilitation, public improvements, economic development, and public services. The proportions of Entitlement funding going to the major activity groupings have remained nearly constant over the last five years with housing rehabilitation activities most prevalent, public improvements next, followed by smaller shares for economic development and public service activities. The FY 1986 planned spending reflects the same priorities.

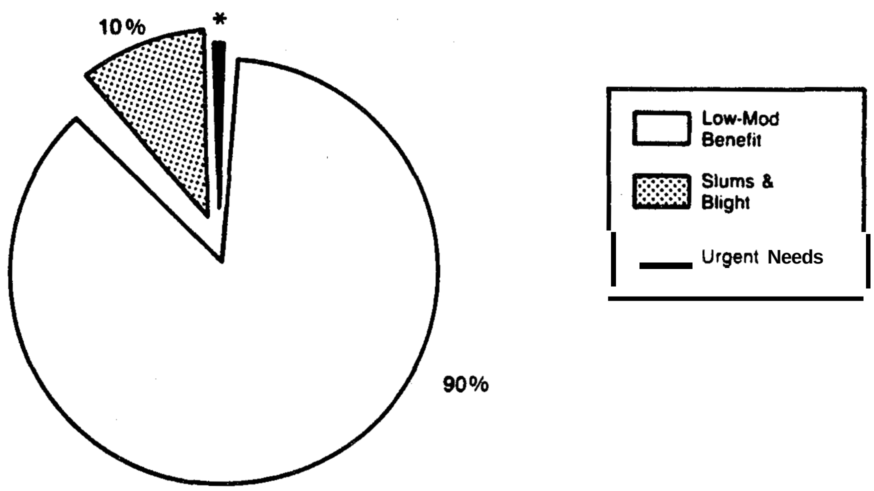
**Figure 1**
**Activities Funded by the CDBG Entitlement Program**
**FY 1986**




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

Each CDBG activity must meet one of the program's three national objectives; i.e., benefitting low- and moderate-income persons, preventing or eliminating slums and blight, or meeting another urgent community development need. Benefit to low- and moderate-income persons continues to account for nine-tenths of aggregate program activity with prevention or elimination of slums and blight for the bulk of the remainder.

**Figure 2**
**National Objective of CDBG Entitlement Program**
**Spending, FY 1986**



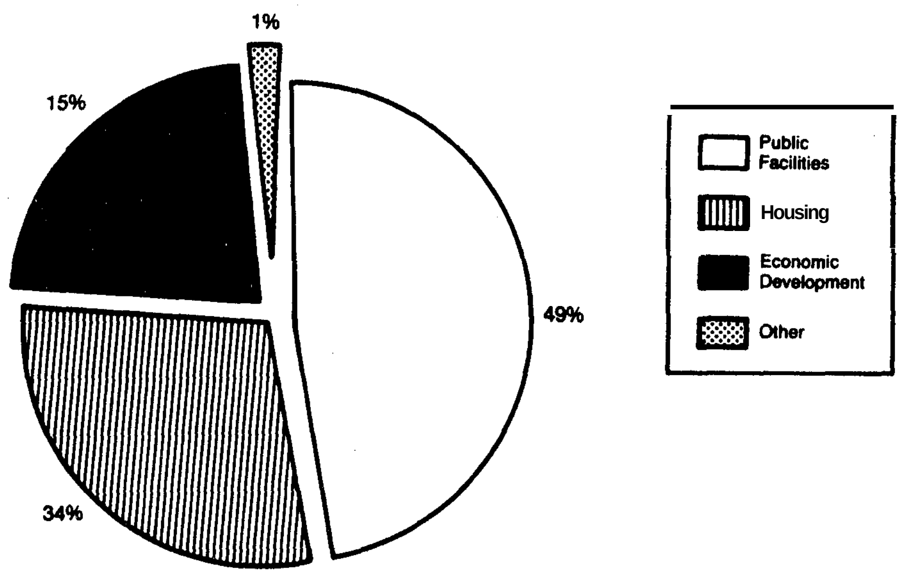

* = less than .5%

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

**State and Small Cities Community Development Block Grant Programs.** The State and Small Cities Community Development Block Grant programs offer funding to smaller communities that are not eligible for entitlement grants. These funds are allocated to States using the same formulas used in the Entitlement component of the program. However, the formulas are adjusted to include only the data for non-entitlement areas of the State. In 48 States, including Puerto Rico, State officials select the communities to receive the funds. In the other three States, the HUD field office(s) responsible for the Department's operations in that area administers the program.

State and local officials have the same broad latitude to undertake activities as do the grantees in the Entitlement program. Based on the first one-third of FY 1986 grants awarded by States, the relative share of funding to the three major activity groupings continued as they have since program inception. Public facilities remained the principal activity funded by the State CDBG program with housing activities next most prominent, and economic development, third. Since many States make their economic development awards later in the year, the proportion of FY 1986 funds for economic development probably will increase when States award the remaining two-thirds of the funds.

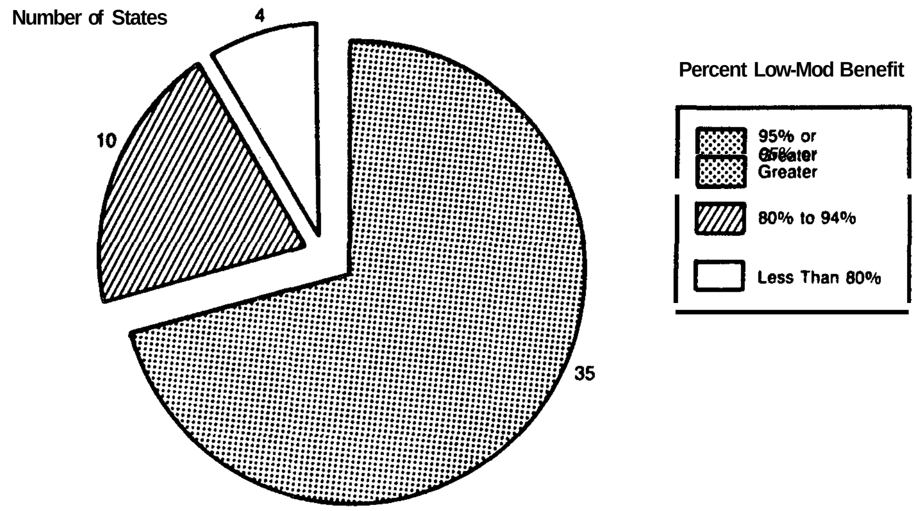
Figure 3
Activities Funded by the State/Small Cities CDBG Program, FY 1986




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

States are bound by the same requirements as Entitlement communities regarding meeting the program's national objectives. As in the Entitlement program, benefit to low- and moderate-income persons accounts for a very large percentage of State CDBG activity for FY 1986.

**Figure 4**
**State CDBG Program Benefit**
**to Low- and Moderate-Income Persons**
**FY 1986 Expenditures**




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

**Secretary's Discretionary Fund.** The Secretary's Discretionary Fund (SDF) 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 1986, the SDF 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.

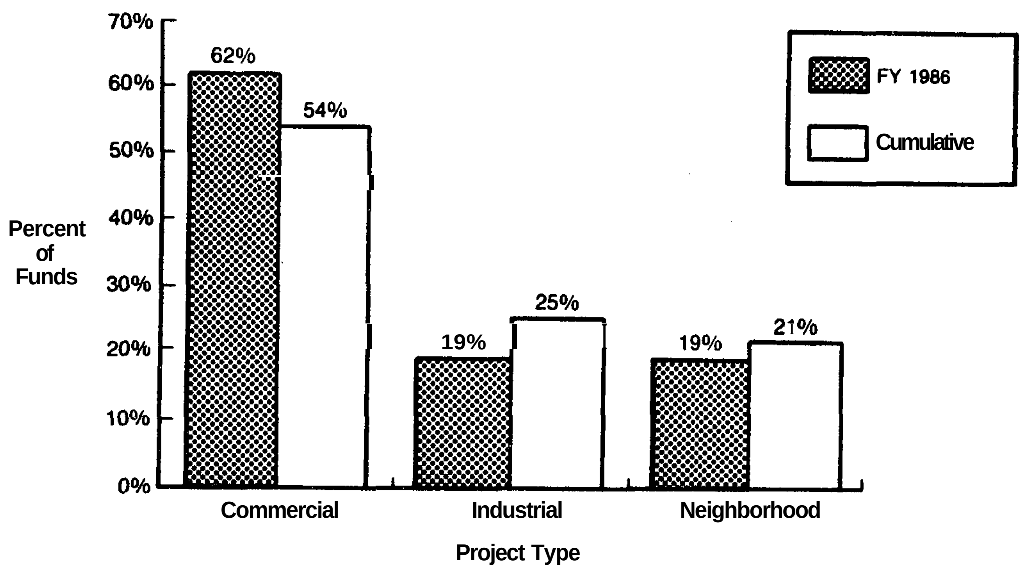
## ECONOMIC DEVELOPMENT

**Urban Development Action Grant Program.** The Urban Development Action Grant program (UDAG) is the Department's only program designed primarily to foster economic development in areas experiencing economic distress. Directed both to large cities and small cities, UDAG is a categorical program in which the Secretary selects projects to fund from among applications submitted by local officials of eligible jurisdictions.

To obtain a UDAG award, an eligible community must: obtain firm financial commitments from private sector participants; generate private investment that is at least two and one-half times the amount of the Action Grant; and demonstrate that, "but for" the UDAG award, the project could not be undertaken and that the UDAG amount is "the least amount" required. UDAG funds awarded to units of general local government are, in most cases, used to make loans to private sector developers or companies.

Commercial projects have been awarded the majority of UDAG funding both across all fiscal years and for FY **1986** with industrial and neighborhood projects receiving smaller and similarly-sized shares.

**Figure 5**
**Types of Projects Funded With Action Grants**
**FY 1986 and Total Program**



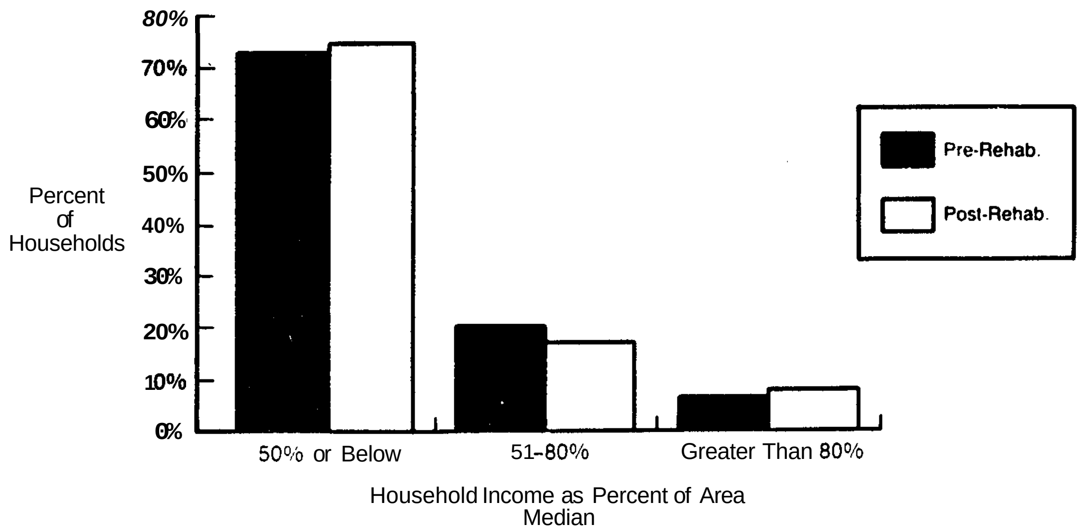

**Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation.**

## HOUSIBG BEHABILITATIOI

**Rental Rehabilitation Program.** The Office of Community Planning and Development operates three programs specifically devoted to conserving America's existing housing stock. The largest of these is the Rental Rehabilitation program (RRP), which, like the CDBG program, is divided into an entitlement component for larger cities and counties and a State- or HUD-administered program for smaller communities. The Rental Rehabilitation program provides grants to States and eligible communities based on the amount of each jurisdiction's rental housing stock that is old, deficient, or occupied by persons in poverty.

Officials in RRP communities can use the grant funds to provide reduced rate financing for rehabilitating substandard rental housing for lower-income renters. The program also makes rental assistance available in the form of Section 8 Certificates and Housing Vouchers to lower-income tenants so that they will be able to afford increased rents charged by the owners of the properties. One effect of these policies has been to maintain the same high level of low-income occupancy for the properties once rehabilitated that existed before rehabilitation.

Figure 6
Household Income of Rental Rehabilitation Program Project Occupants, FY 1986




Source: US. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation.

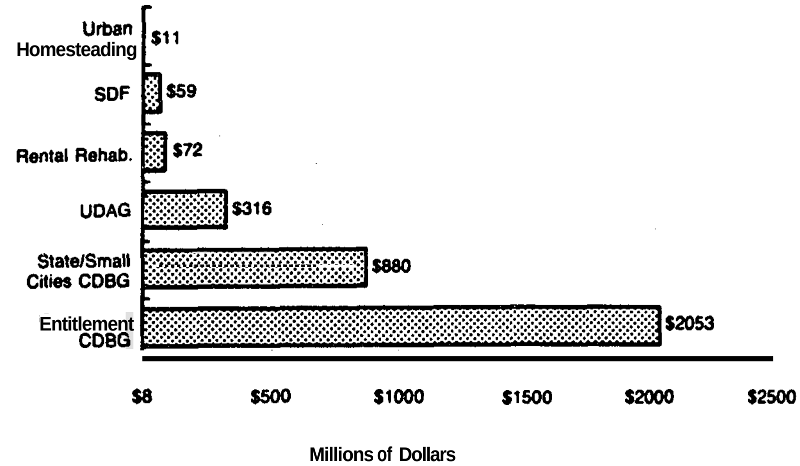
**Urban Homesteading Program.** The Urban Homesteading program provides financing for acquiring properties whose owners have defaulted on Federally-insured loans. In this program, once the properties are acquired, they are given at nominal cost to lower-income "homesteaders" who contract to repair them and reside in them for a period of at least five years. The Urban Homesteading program relies on both the CDBG and Section 312 programs for financing rehabilitation of the properties.

**Section 312 Behabilitation Loan Program.** The Section 312 Rehabilitation Loan program provides reduced rate financing for rehabilitating properties, usually single-family residential properties. Frequently, loans in this program are made in conjunction with the Urban Homesteading program as a means of subsidizing the repair work needed in that program.

## PROGRAM APPROPBIATIOBS

Appropriations for these programs totalled $3.390 billion in FY 1986, down from $4.074 billion in FY 1985. This decline resulted from a decrease in appropriations for the CDBG, UDAG, and Rental Rehabilitation programs and from reductions required by the Gramm-Rudman-Hollings deficit control process. The relative level of funding for each CPD program in FY 1986 is illustrated in Figure 7.

Figure 7
CPD Funding FY 1966

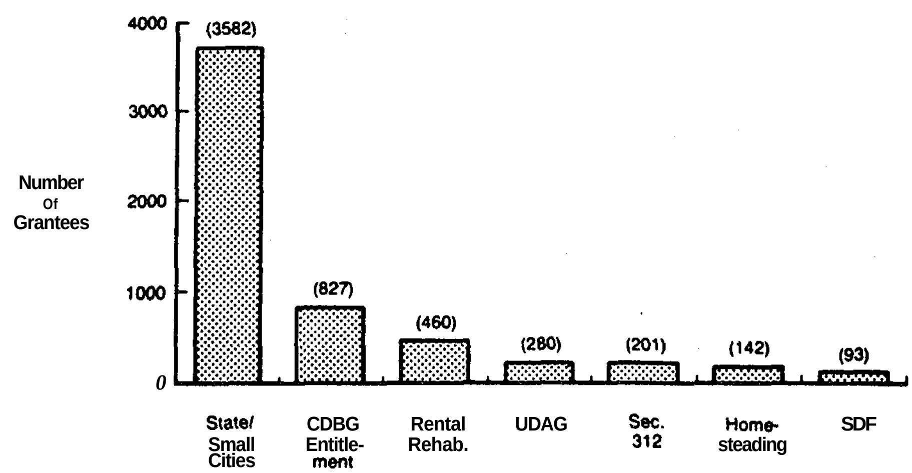



Source: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation.

## PROGRAM PARTICIPANTS

During FY 1986, CPD provided grants to all States and to more than 5,700 localities for a variety of community development activities under all of its programs. Figure 8 indicates the numbers of participants in each program during FY 1986. Since many communities participate in more than one program, the actual number of communities benefitting from CPD programs in FY 1986 is somewhat less than 5,700. For example, about half of the CDBG Entitlement recipients also received Rental Rehabilitation grants and about one in ten also received one or more UDAGs.

Figure 8
CPD Program Participants, FY 1986




Source: U.S. Department of Housing and Urban Development, Community Planning and Development, m i c e of Program Analysis and Evaluation.

# PBOGBAH SUHHABIES

This section of the Executive Summary describes actions and activities undertaken in the CPD programs during FY 1986 to meet the legislative objectives and requirements of each program.

## COMMUNITY DEVELOPMENT BLOCK GRANTS
## ENTITLEMENT PROGRAM

Participation and Funding. The Community Development Block Grant (CDBG) Entitlement program is HUD's principal program to assist urban areas. The program provides an annual entitlement to localities based upon objectively measured need factors.

- o In FY 1986, 827 Jurisdictions (711 cities and 116 counties) were eligible to receive Entitlement grants. The number of eligible communities has increased 39 percent since the program's beginning in 1975.

- o The FY 1986 CDBG Entitlement program appropriation amounted to $2.053 billion, a 14 percent decrease from FY 1985. Excepting pending approvals, Entitlement cities received $1,564 million and Urban Counties $385 million.

- o During FY 1984 (the most recent year for which information is available), program income equalled almost 16 percent ($372 million) of the Entitlement grant appropriation for that year. Most of program income ($255 million) derived from the repayment of loans made from CDBG funds. Proceeds from the sale of property also produced substantial income ($67 million) for Entitlement cities and counties.

FY 1986 Activities. Grantees have broad discretion to undertake neighborhood revitalization, public works, social service, or economic development projects to address local needs.

- o Housing-related activities, principally rehabilitation, continue to receive the largest share ($859 million, or 35 percent) of budgeted FY 1986 funds. The next largest budget category in FY 1,986 was public works ($506 million) followed by economic development ($304 million) and public services ($236 million). Lesser amounts of funds were budgeted for acquisition and clearance activities, contingencies, and repayment of Section 108 loans.

- o Planning and general program administration were budgeted for $304 million or 13 percent of all funds awarded, far less than the statutory cap of 20 percent.

- o In FY 1986, the relative amounts budgeted for major activity categories varied little from that exhibited since 1982.

- o Since FY 1983, over $100 million in CDBG funds has been directed to the homeless.

**National Objectives.** Each CDBG-funded activity must meet one of three national objectives: benefit to low- and moderate-income persons; prevention or elimination of slums and blight; and meeting urgent local needs. Starting with FY 1984, each Entitlement grantee could choose a one- to three-year period over which at least 51 percent of its expenditures had to benefit low- and moderate-income persons.

- o Nearly all communities spent at least 51 percent of their 1984 expenditures on activities qualified under the low- and moderate-income benefit objective, and 98 percent spent over 90 percent of their funds under that objective.

- o Overall, grantees reported spending approximately 90 percent of their 1984 funds on activities to benefit low- and moderate-income persons, 10 percent to relieve slums and blight, and less than one percent to meet local urgent needs.

- o Grantees reported that about 30 percent, or $716 million, of their 1984 expenditures involved activities to directly benefit individuals — 96 percent of whom were of low and moderate income. The proportion of minority households receiving direct benefits approximated their share of the poverty population.

**Section 108 Loan Guarantees.** Communities may pledge their current and future annual CDBG Entitlement grants as collateral for loans guaranteed under the Section 108 program. For FY 1986, Congress established-a program limit of $225 million in guarantee authority. Congress also shifted the provision of loan funds from the Federal Financing Bank to the private sector.

- o In FY 1986, HUD approved 25 new Section 108 guaranteed loans totalling $113.3 million, bringing total FY 1978-86 guarantee approvals to $888 million.

- o The vast majority of the loans approved in FY 1986 involve the acquisition of real property. In almost 75 percent of these projects, a second activity, usually clearance or rehabilitation, was also included.

- o Between 1978 and 1986, 151 communities participated in the program. Each of these communities has secured an average of 1.6 approvals, with a mean approval amount of $2.9 million.

## COMMUNITY DEVELOPMENT BLOCK GRANTS
## THE STATE AND SMALL CITIES PROGRAMS

**Participation.** The State Community Development Block Grant and HUD-administered Small Cities programs are HUD's principal vehicles for assisting eligible communities under 50,000 population that are not central cities. Statutory changes made in 1981 gave States the option of administering the program funds which HUD allocates 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--Hawaii, Maryland, and New York.

- The appropriation for FY 1986 was $879.8 million, of which approximately $835 million went to the 48 participating States and $45 million to 127 grantees in the three States where HUD administers the program.

- Since the inception of the program in FY 1974, about $9.3 billion has been awarded to States, small cities, and counties.

**Activities Funded.** States may, within the scope of national program objectives, set their own priorities to meet the particular needs of their smaller communities and to respond to the policy preferences of the State officials.

- Of $3.6 billion in CDBG funding distributed by States since FY 1982, approximately 47 percent ($1.68 billion) has gone to activities whose purpose was public facilities-related; 29 percent to activities whose purpose was housing-related; 22 percent to activities whose purpose was economic development-related; and the remaining two percent to planning- and public service-related activities.

- As of June 30, 1986, States reported that about 48 percent of their FY 1986 awards had been made for public facilities-related activities, 33 percent for housing-related activities, and 17 percent for economic development-related activities. The early date for reporting this information probably understates the prominence of economic development activity because many economic development activities are funded throughout the year on a non-competitive basis.

**Low- and Merate-Income National Objectives.** 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.

- Thirty-one of the 45 States for which we have information have awarded at least 95 percent of their allocations since FY 1982 to meet the low- and moderate-income objective. In four States, the overall proportion of funds awarded to support this objective was less than 80 percent with the lowest being 57 percent.

- Across all States, 97 percent of FY 1986 funds awarded through June 30, 1986 were intended to meet the national objective of providing benefit to people with low and moderate incomes.

**Program Administration Features.** States have broad latitude to administer their programs. Consequently, there is considerable variation among States regarding such features as basic program objectives, selection systems and priorities, and the use of set-asides to encourage applicants to meet special State objectives.

o All 48 States distribute at least some portion of their CDBG allocations through competitions, and, for most States, it is the principal form of distribution.

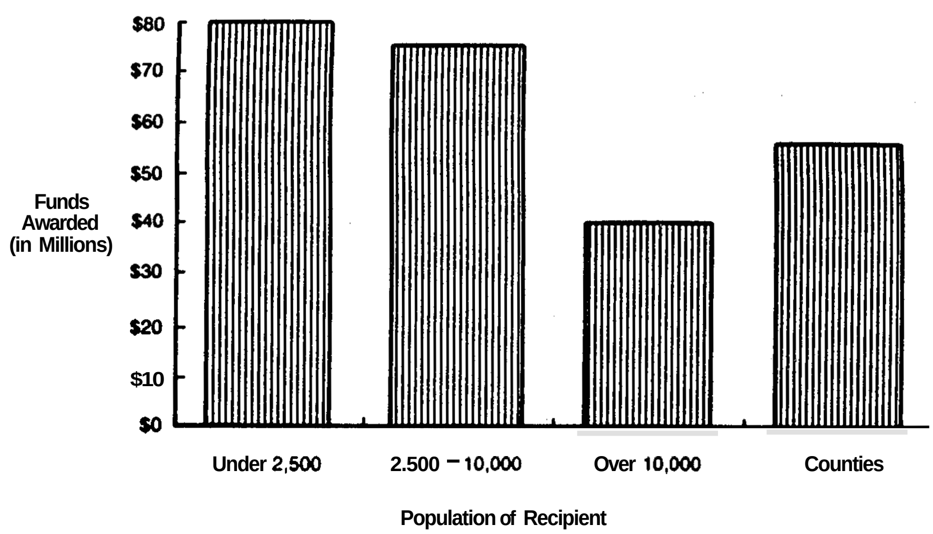
o Thirty States also distribute some part of their allocations through an ongoing noncompetitive consideration of applications in specific categories, primarily economic development. This is the main distribution mechanism in five States.

o Four States use formulas in addition to other distribution systems. Only one, however, uses a formula as the principal way to distribute its allocation.

Characteristics of State Recipients. In FY 1986, State selection systems resulted in the following profile of awards and activities.

o Of the $250 million in awards distributed for program activities as of June 30, 1986, towns (under 2,500 population) received 32 percent, very small cities (2,500-10,000 population) accounted for 30 percent, larger cities (over 10,000 population) were awarded 16 percent, and counties received 22 percent.

Figure 9
Population of State/Small Cities CDBG Program Recipients, FY 1986




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

o In FY 1986, the principal program focus of communities under 10,000 in population and of counties was public facilities. Only in communities larger than 10,000 was housing more prominent than public facilities. Economic development was the third major activity for all recipient categories.

**HUD-Administered Small Cities Program.** In FY 1986, HUD awarded $45 million to 127 of 305 applicants in the three States of Hawaii, Maryland, and New York.

- Housing-related activities accounted for 38 percent of the funds distributed, with 30 percent going to comprehensive projects. Lesser amounts went to economic development and public works (16 percent each) activities.

- Very small cities (2,500 to 10,000) received the largest amount of funds awarded, 30 percent; followed by towns (less than 2,5001, 29 percent; small cities (over 10,000), 22 percent; and counties, 19 percent.

## URBAN DEVELOPMENT ACTION GRANT PROGRAM

**Participation.** Eligibility to compete for UDAG funds depends upon 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 1986, HUD announced preliminary application approval for 280 Action Grant projects for $437 million to 185 eligible communities. Seven additional awards were announced but subsequently terminated during the year. 1

- Since the beginning of the program in FY 1978, the Department has awarded 2,764 Action Grants totalling more than $4.2 billion to approximately 1,150 eligible communities. An additional 492 awards had been announced and later terminated by the end of FY 1986.

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

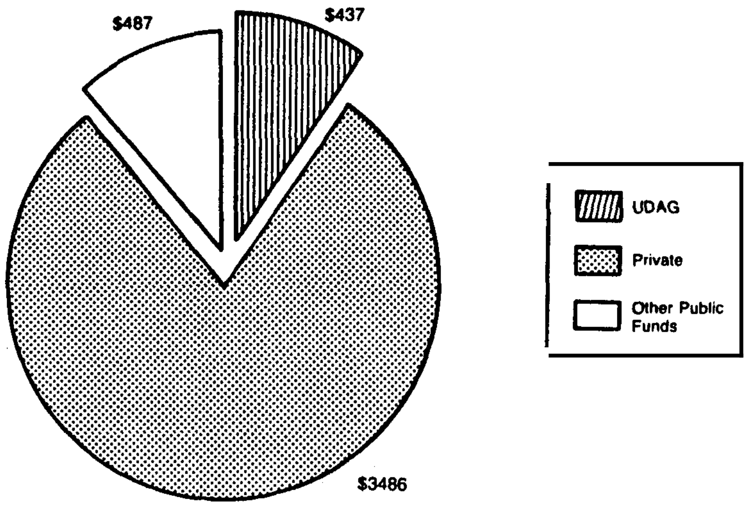
- Of the $437 million of UDAG funds awarded in FY 1986, commercial projects received 62 percent, and industrial projects and neighborhood projects, primarily related to housing activities, each received 19 percent.

- Over the life of the program, commercial projects have received 54 percent of the funds awarded compared to 25 percent for industrial projects and 21 percent for neighborhood projects.

**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 either approved but not yet started, underway, closed out, or completed.

- In FY 1986, 280 funded UDAG projects involving $437 million leveraged $3.486 billion in planned private investment and $487 million in other public funds, bringing total planned project expenditures to $4.41 1 billion.

Figure 10
UDAG Project Funding Sources, FY 1986
(Dollars in Millions)




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

- o Over the life of the program, there have been 2,764 UDAG projects funded with a value of $4.2 billion. These have leveraged $26.1 billion of planned private investment and $2.4 billion in other public commitments for a total of $32.7 billion in planned project expenditures.

**UDAG Funds Obligated and Drawn Down.** When HUD signs the grant agreement between itself and the grantee, the Department obligates the UDAG funds involved.

- o Obligations of $365.4 million were incurred for 285 projects during FY 1986.

- o Since the beginning of the program, HUD has signed 3,150 grant agreements, thus obligating appropriated UDAG funds of $4,606,187,000.

- o Just over $2.9 billion in UDAG funds have been drawn down by grantees through the end of FY 1986; this constitutes 63 percent of the program funds obligated.

**Project Progress and Private Expenditure Rates.** Grantees periodically report to HUD on project status. As of the end of FY 1986:

- o Construction was underway or had been completed in 81 percent of all funded projects.

- o More than 1,300, or forty-eight percent of all funded projects, had been closed out or completed as of the end of FY 1986.

- More than $21.7 billion of private investment had been expended—83 percent of the planned total of almost $26 billion.

**Program Benefits.** Grantees also report periodically on their progress in achieving the benefits called for in the grant agreements. Performance highlights through the end of FY 1986 include:

- The creation of 273,500 new permanent jobs, or 50 percent of the more than 550,000 planned. Of the total new jobs created, over 164,000 (60 percent) have been filled by low- or moderate-income persons and more than 69,000 (25 percent) by minority persons.

- The receipt of almost $210 million in new annual tax revenues, or 33 percent of the $628 million planned. These additional revenues include $135 million in property taxes, $52 million in other local taxes, and $21 million in payments in lieu of taxes.

- The payback of approximately $232 million from UDAG loans received by almost 560 local communities.

- The development of almost 60,000 units of both new and rehabilitated housing--56 percent of the 107,000 units planned.

- The receipt of contracts with a value of $1.2 billion by minority contractors or sub-contractors. Fifty-six percent of all UDAG projects in which contracts have been awarded involve the participation of one or more minority contractors. They have received 16 percent of the total number of contracts awarded and eight percent of the dollar amount of all such contracts.

## 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 local governments, and States to finance the rehabilitation of privately-owned rental housing.

- In FY 1986, 409 communities, including 306 cities, 102 urban counties, and one consortium, qualified for direct allocations under the Rental Rehabilitation program. The 50 States plus Puerto Rico also were eligible for direct program funding.

- Of the 409 communities eligible for a direct allocation, 353 elected to participate as formula grantees. In addition, 39 States (including Puerto Rico) have chosen to administer the Rental Rehabilitation program for communities that did not receive a formula grant in their jurisdiction. The Department is administering the program for the other States.

**Program Funding.** Congress appropriated $150 million for the program in each of FY 1984 and FY 1985. During FY 1986, the program received $71.775 million in appropriations. The FY 1986 appropriation was allocated to grantees during June of 1986 and, consequently, was not available to grantees until very late in the fiscal year.

**Program Progress.** A committed project is one in which a program grantee and project owner have reached a legally binding committtment to begin construction within 90 days, Completion occurs when the grantee has made the final drawdown of program funds for a project.

- Through the end of October 1986, grantees had committed 10,788 projects containing 64,895 units.

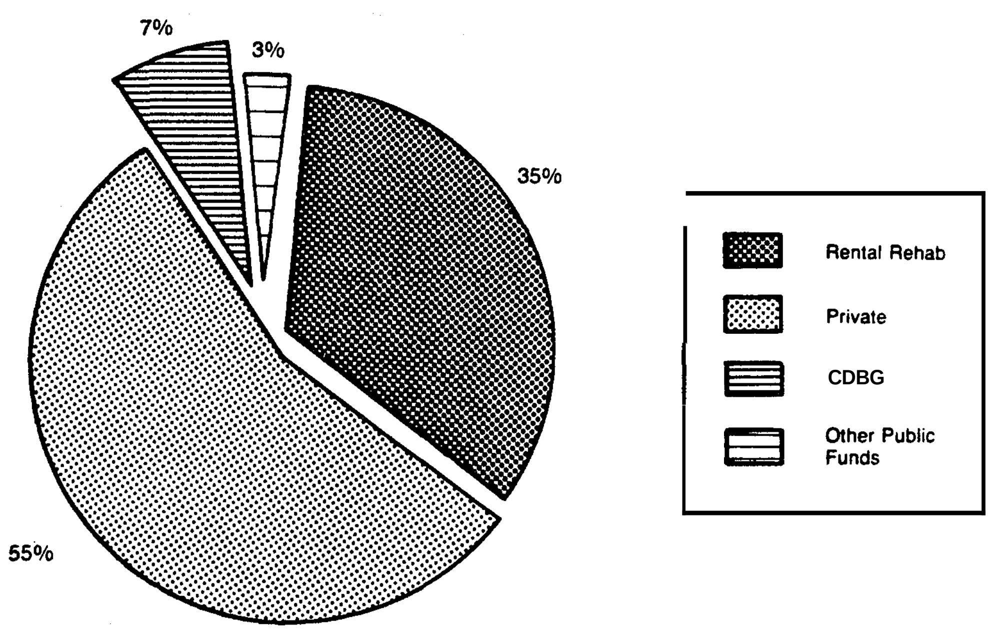
- Through this same period, grantees had completed 5,863 projects containing 19,621 units,

**Rehabilitation Financing.** The rehabilitation subsidy provided by the Rental Rehabilitation program is intended to maximize the commitment of private funds and to minimize the public contribution to the project. The portion of rehabilitation costs funded by the program ordinarily may not exceed 50 percent.

- For every dollar of Rental Rehabilitation program funds spent through November 30, 1986, $1.59 in private money was spent on rehabilitation.

- The average per unit rehabilitation cost in the program has been $8,978, of which 35 percent have been Rental Rehabilitation program funds, seven percent have been CDBG funds, three percent have been other public funds, and 55 percent have been private funds.

**Figure 11**
**Sources of Financing for**
**Rental Rehabilitation Program Projects, FY 1986**




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

- In nearly two-thirds of completed Rental Rehabilitation projects, the rehabilitation subsidy was provided through a deferred payment loan. Grants were used in 21 percent of projects, and direct loans financed 11 percent.

Rental Assistance. In addition to providing a rehabilitation subsidy, the Rental Rehabilitation program includes rental assistance to ensure that lower-income tenants can continue to afford to live in program properties. This rental assistance is provided through Section 8 Existing Housing Certificates and Housing Vouchers.

- Although only about 13 percent of tenants of Rental Rehabilitation projects were receiving rental assistance before rehabilitation, after rehabilitation some 62 percent of tenants received such assistance.

- Eighty percent of households with incomes of less than 50 percent of the area median living in projects after rehabilitation were receiving either a Section 8 Certificate or Housing Voucher.

Project Characteristics. The Rental Rehabilitation program offers each grantee considerable discretion in the selection of neighborhoods and types of owners and properties to be assisted. Program regulations do mandate, however, that projects must be in lower-income neighborhoods and that at least 70 percent of grants must be used to rehabilitate units with two or more bedrooms.

- As of November 30, 1986, 78 percent of completed units had two or more bedrooms and 22 percent had three or more bedrooms.

- The 5,331 completed projects for which information was available contained an average of 3.1 units.

- The occupancy rate of completed projects increased from 55 percent before rehabilitation to 89 percent afterwards.

- Ninety-two percent of units completed and occupied for rent had rents that were less than or equal to HUD's Section 8 Existing Fair Market Rents, a basic indicator of the affordability of the housing to lower-income households.

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 50 percent benefit in accordance with certain statutory tests and the Secretary's regulations.

- Ninety-three percent of households in completed projects prior to rehabilitation had incomes of less than 80 percent of the area median, and seventy-three percent had incomes of less than 50 percent of the area median. After rehabilitation, ninety-two percent had incomes of less than 80 percent of the area median income and seventy-four percent were below the 50 percent figure.

- Minority groups constituted 47 percent of the households in completed projects prior to rehabilitation and 52 percent of households after rehabilitation. These proportions have remained fairly constant over the life of the program. Blacks were the largest minority group both before and after rehabilitation.

## 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 1986, the Department had approved 174 communities, including three States, for participation in the Urban Homesteading program. Minnesota, one of the State participants, has selected ten communities to participate in its program. Of the approved communities, 142 remained formally in the program as of the end of FY 1986. All of the Minnesota State participants also remained in the program.

- During FY 1986, 28 jurisdictions, including the States of Ohio and Minnesota, entered the program.

**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.

- In FY 1986, $11.358 million was appropriated for Section 810 acquisitions. The program incurred obligations during the year of $12.145 million and outlays of $9.9 million.

- Communities acquired 723 properties using Section 810 funds in FY 1986.

- The average value of Section 810 properties transferred to communities during FY 1986 was $18,127.

- The average cost of rehabilitating a homesteading unit during FY 1986 was $20,602, with the Section 312 loan program providing the largest source of rehabilitation financing.

## 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 1986, the Department obligated 1,180 loans totalling $40.411 million in 201 communities. Program funding depends entirely on loan repayments, recovery of prior year commitments, and the unobligated balance from previous years.

**Loan Characteristics.** 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 the Section 312 loan cannot exceed 20 years or three-fourths of the remaining economic life of the property, whichever is shorter.

- Ninety-nine percent of Section 312 loans in FY 1986 went to rehabilitate single-family properties. These loans averaged $27,381 per unit for the 1,292 units rehabilitated.

- The remaining 16 loans financed rehabilitation of 268 units in multi-family properties at an average cost of $18,794 per unit.

**Loan Collection Activity.** The Department services active Section 312 loans through a number of contracts and subcontracts. The Federal National Mortgage Association (FNMA) and its private servicers administer 71 percent of the outstanding loans and 53 percent of the outstanding loan amount. The HUD Central Office manages the remaining loans, including defaulted loans and all new loans, through a private contractor.

- During FY 1986, the proportion of Section 312 loans whose repayment is current increased to 83 percent from 80 percent in FY 1985. The proportion of outstanding loan amounts in loans whose repayment is current increased to 77 percent in FY 1986 from 74 percent the previous year.

## SECRETARY'S DISCRETIONARY FUND

**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 1986 was $57.9 million.

- The Office of Community Planning and Development (CPD) distributed $24.6 million of the $25.8 million allocated to the CDBG Program for Indian Tribes and Alaska Natives. Eighty-nine grants for community development activities were awarded. Almost three-fifths of the funds distributed went to either housing rehabilitation (30 percent) or economic development (29 percent) projects.

- The Insular Areas CDBG program made grants totalling $4.1 million out of the $6.0 million available to Guam, the Commonwealth of Northern Mariana Islands, American Samoa, and the Trust Territories of the Pacific. The distribution of funds for the Virgin Islands is still under review. Approximately 37 percent of the program funds awarded are planned to be used for community facilities and about 26 percent for infrastructure development. Administrative expenses, housing rehabilitation, and economic development will share the remaining funds.

- In addition, $14.6 million was allocated to provide technical assistance to participants in CPD programs and $11.4 million for special projects. A total of 101 contracts and grants were awarded under both programs in FY 1986.

Reflecting the Secretary's priority, over 50 percent of the Technical Assistance funds supported the participation of minority firms in local community and economic development programs.

## CHAPTER 1

## COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT PROGRAM

### INTRODUCTION

The Community Development Block Grant (CDBG) Entitlement program is the U.S. Department of Housing and Urban Development's principal program to assist local governments in addressing their locally defined community development needs. This program provides funding to Metropolitan Cities and Urban Counties. Metropolitan Cities are defined as central cities in Metropolitan Statistical Areas (MSAs) or cities in MSAs with populations of 50,000 or more. A county in a MSA can qualify as an Urban County if it is within an MSA and has a population of 200,000 or more, excluding any cities that qualify for an Entitlement grant and any other communities that do not choose to participate in the program through the Urban County.

A community's CDBG Entitlement amount is determined by one of two allocation formulas, which incorporate the current population, the population growth lag, the number of persons in poverty, the extent of over-crowded housing and the amount of housing built before 1940. Entitlement recipients must meet minimum front-end requirements, and they exercise broad discretion both to define local needs and to develop programs to address them. Every activity selected by the community must qualify as either benefiting low- and moderate- income persons, preventing or eliminating slums and blight, or meeting an urgent local need. In addition, since 1983 each program must spend at least 51 percent of its funds, during a one-to-three year period a community selects, on activities that principally benefit low- and moderate- income persons.

This chapter describes the operation of the CDBG Entitlement program during FY 1986, and presents information on planned spending for FY 1986, and actual expenditures for 1984, the most recent year for which such information is available. The chapter is organized into four major sections. The first section reports on FY 1986 Congressional and Administration budget actions and grantee funding, eligibility and participation. The second section focuses on the activities for which communities planned to spend their FY 1986 grant funds, and the third section reports on the actual expenditure of funds in 1984. The last section discusses the amount of participation and funding under the Section 108 Loan Guarantee Program. Information on monitoring, sanctions, audits, and other aspects of CDBG grant management is contained in Chapter 5.

### PROGRAM FUNDING AND PARTICIPATION

This section is divided into four parts: FY 1986 Congressional and Administrative budget actions; grantee eligibility, participation and funding; unexpended program funds; and significant management actions undertaken during FY 1986.

## AUTHORIZATION, APPROPRIATION AND ALLOCATION ACTIONS IN FY 1986

Authorization. The Housing and Urban-Rural Recovery Act of 1983 authorized an appropriation of up to $3.468 billion for each of three fiscal years, the last of which was FY 1986. Of this amount, up to $68.2 million in each fiscal year was authorized to be appropriated for the Secretary's Discretionary Fund. A separate and comprehensive set of housing and community development amendments was not enacted in 1985. However, two substantive changes to the CDBG program were enacted as a part of the Consolidated Omnibus Budget Reconciliation Act of 1985, signed by the President on April 7, 1986. The new legislation continued the eligibility of 25 metropolitan cities that had lost their central city designation or had their population decline below 50,000. The second provision prohibited the financing of Section 108 loans through the Federal Financing Bank and required HUD to set up a system of private sector financing of Section 108 loans.

Appropriation and Allocation. The final amount of FY 1986 funds available for allocation under the CDBG program was $2.99 billion. This represents a $482 million (14 percent) decrease in the amount of funds appropriated for the CDBG program compared to FY 1985. After subtracting the Secretary's Discretionary Fund amount ($58 million), the CDBG Entitlement program received its statutory allocation of 70 percent of $2.932 billion or $2.052 billion.

The FY 1986 Appropriation Act provided $3.125 billion for the CDBG program, of which $60 million was to be allocated first to the Secretary's Discretionary Fund. This was a 10 percent decrease from the funds appropriated for FY 1985. However, following the enactment of the Appropriation Act, the CDBG program's funding was further affected by the operation of the Balanced Budget and Emergency Deficit Control Act of 1985 (hereafter called Gramm-Rudman-Hollings) and an Administration deferral announced in February 1986. The Gramm-Rudman-Hollings process resulted in a final 4.3 percent ($134 million) reduction, or sequestration, of CDBG program funds to $2.99 billion.

In addition to the Gramm-Rudman-Hollings reduction, on February 5, 1986 the Administration announced the deferral of $500 million in FY 1986 CDBG funds to the following fiscal year. Several CDBG grantees instituted a lawsuit challenging the constitutionality of the section of the Impoundment Control Act of 1974 that authorized the President to defer or impound the expenditure of funds appropriated by Congress. In May 1986, a Federal District Court invalidated the provision authorizing deferrals, but the effect of the decision was stayed pending an appeal to the Circuit Court of Appeals.' In the meantime, both Houses of Congress moved to overturn the deferral action by legislation. In July, Congress passed the Urgent Supplemental Appropriation Act of 1986 which contained a provision directing the President to allocate the funds involved in the deferral action. Following the enactment of this legislation, the deferred funds were restored to all grantees. However, during the five-month deferral period, nearly all grantees' allocations were reduced by 14 percent to reflect the deferred amount.

## GRANTEE ELIGIBILITY, PARTICIPATION, AND FUNDING

**Eligibility.** There were 827 communities--711 Metropolitan Cities and 116 Urban Counties--eligible to receive CDBG Entitlement grants in 1986. (See Table 1-1.) This represented a net increase of 13 jurisdictions over those eligible in 1985. A total of 15 communities (6 Metropolitan Communities and 9 Urban Counties) were eligible to receive an Entitlement grant for the first time in FY 1986. However, two Metropolitan cities chose to defer their Entitlement status, thereby ensuring eligibility for Urban County status* to the county in which they were located. With the addition of these two communities there are now 12 cities that have deferred their Entitlement status in order to continue to participate in their Urban County's program.

**TABLE 1-1**

**ELIGIBLE CDBG ENTITLEMENT COMMUNITIES FOR SELECTED YEARS 1975-1986**

| Grantee Type | 1975 | 1979 | 1981 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|
| Metro Cities | 521 | 562 | 583 | 637 | 691 | 707 | 711 |
| Urban Counties | 73 | 84 | 86 | 98 | 104 | 107 | 116 |
| Total | 594 | 646 | 669 | 735 | 795 | 814 | 827 |

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

The number of jurisdictions eligible to receive CDBG Entitlement program funding increased 39 percent between 1975 and 1986. The number of Metropolitan Cities increased by 190 (36 percent) and the number of Urban Counties increased by 43 (59 percent).

In 1986 approximately 62 percent or 512 of the grantees were entitled to a grant because of a central city designation, 21 percent or 174 of the grantees were eligible because their populations exceeded 50,000, and 14 percent or 116 counties qualified for an Urban County designation. Twenty-five or 3 percent of the grantees continue to receive CDBG grants through legislatively enacted grandfathering provisions even though they have lost central city status (17 cities) or had their population decline below 50,000 (8 cities). This is a decline from a high of 27 grandfathered entitlement communities in FY 1985 because two previously grandfathered cities regained eligibility by being declared central cities.

* Deferment of Entitlement status is different from the situation discussed on page 1-4, where a Metropolitan City receives its own Entitlement grant, but undertakes a joint program with an Urban County.

**FY 1986 Funding and Participation.** There are three sources of grantee program funds -- a formula grant from new appropriations, reallocation of prior years' recaptured or unapplied-for funds, and program income generated from previously funded activities. The Entitlement grant from newly appropriated funds provides the overwhelming proportion of funds a grantee receives each year. The amount of Entitlement funds a community receives is based upon calculations of one of two statutorily-mandated 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 share of poverty weighted at 30 percent, pre-1940 housing weighted at 50 percent, and 1960-1982 population growth lag weighted at 20 percent. Each grantee's Entitlement is calculated using both formulas and it receives the greater of the two calculated amounts. In 1986, 57 percent of grantees received funds under formula A and 43 percent under formula B.

In FY 1986, 810 jurisdictions received an Entitlement grant; 694 Metropolitan Cities received $1.65 billion and 116 Urban Counties were awarded $390 million. This represents decreases of 14.5 percent from the funds provided to Metropolitan Cities and of 11.4 percent to Urban Counties in FY 1985. Two grantees' approvals were pending as of February 1, 1987 because of questions regarding their past performance in the CDBG program. (See Table 1-2.)

The number of Metropolitan Cities choosing to have their FY 1986 Entitlement grants combined with an Urban County program remained at seven. Three Metropolitan Cities had their FY 1986 grants partially reduced and eight eligible Metropolitan Cities did not apply for their grants. The amount of funds from the three grant reductions ($45,877) and the eight non-participating grantees ($4,566,000) will be reallocated in 1987.

**1986 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.

A total of $8.4 million was reallocated ($1,270,547 from FY 1984 and $7,122,00 from 1985 funds) to 79 grantees (72 Metropolitan Cities and 7 Urban Counties) in 16 states and Puerto Rico. Sixteen reallocations were $1,000 or less, and 10 were over $100,000. There was no reallocated money distributed nationally in 1986.

TABLE 1-2

**FUNDING STATUS OF CDBG ENTITLEMENT COMMUNITIES, FY 1986**
**(Dollars in Thousands)**

| Status | Total Number | Total Amount | Metro Cities Number | Metro Cities Amount | Urban Counties Number | Urban Counties Amount |
|---|---|---|---|---|---|---|
| Eligible | 827 | $2,052,775 | 711 | $1,667,753 | 116 | $385,022 |
| Combined with Urban County | 7 | NA | 7 | NA | NA | NA |
| Awarded: | 810 | 2,043,933 | 694 | 1,654,078 | 116 | 389,855 |
| Full Awards | 807 | 2,034,004 | 692 | 1,652,043 | 115 | 381,961 |
| Partial Award+ | 3 | 5,091 | 2 | 2,035 | 1 | 3,056 |
| Combined with Urban County | NA | 4,838 | NA | NA | NA | 4,838 |
| Pending Approval | 2 | 4,230 | 2 | 4,230 | 0 | 0 |
| Did Not Apply | 8 | 4,566 | 8 | 4,566 | 0 | 0 |

+ FY 1986 Grant reductions totaled $45,876. These funds, along with $4,566,000 that was not awarded in FY 86, and $483,699 in FY 85 reductions will be reallocated during FY 1987.

SOURCE: US 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 Income.** Income generated from the proceeds of previously funded activities is a third source of program funds for grantees. Program regulations require that use of this income meet all the requirements that apply to newly appropriated or reallocated funds. During 1984, the most recent year for which information is available, Metropolitan Cities and Urban Counties reported generating an estimated $372 million in program income. This was equal to almost 15.6 percent of the funds appropriated for the Entitlement program in FY 1984. Metropolitan Cities generated program income equal to 16.5 percent and Urban Counties equal to 11.8 percent of the amounts allocated to them in 1984. (See Table 1-3.)

The largest source of program income was generated from revolving or other loan repayment sources. These two sources of income accounted for almost 70 percent ($255 million) of all income reported by grantees in 1984. Loan repayments accounted for $146 million (39 percent) and revolving loan funds—loan repayments that must be reinvested in the same activity—were $109 million (30 percent) of this total. Housing rehabilitation repayments ($75 million) constituted almost 70 percent of all revolving loan income compared to those involving economic development funds ($32 million or 30 percent). The second largest source of all program income ($67 million or 18 percent) resulted from the sale of land. The remaining amount of 1984 program income was generated by rental income (2 percent), fees for services (2 percent), refunds (2 percent) and other sources (6 percent) that could not be categorized separately.

TABLE 1-3

CDBG ENTITLEMENT PROGRAM INCOME, FY 1984
(Dollars in Millions)

| Source of Income | Metro Cities Amount | Metro Cities Pct. | Urban Counties Amount | Urban Counties Pct. | All Grantees Amount | All Grantees Pct. |
|---|---|---|---|---|---|---|
| Revolving Loan Funds | $88 | 27% | $21 | 42% | $109 | 30 |
| Housing Rehabilitation | (66) | (20) | (10) | (20) | (75) | (20) |
| Economic Development | (21) | ( 7) | (12) | (24) | (33) | ( 10) |
| Loan Repayments | 134 | 42 | 12 | 23 | 146 | 9 |
| Sale of Land | 62 | 19 | 5 | 10 | 67 | 18 |
| Rental Income | 10 | 3 | 1 | 2 | 11 | 3 |
| Fees for Services | 9 | 3 | * | 1 | 9 | 2 |
| Refunds | 9 | 3 | * | 1 | 9 | 2 |
| Other Sources | 10 | 3 | 11 | 22 | 21 | 6 |
| Total | $322 | 100% | $50 | 100% | $372 | 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 Base.

There were significant variations in the amount of program income generated in 1984 by the 316 communities included in the sample of Metropolitan Cities and Urban Counties used to produce this Chapter. (See Methodological Appendix for a description of this sample.) About 88 percent of the grantees reported generating some program income. However, the amount of program income generated varied significantly, with 39 percent of the grantees reporting program income equal to 10 percent or more of their 1984 grant, and 41 percent reporting program income equal to less than 5 percent of their Entitlement amount. Only a few communties (18) reported program income in excess of 50 percent of their grant. (See Table 1-4.) The reasons for the proportionately high income received in this last category vary by size of grant: communities with large grants (over $5 million) use CD interim financing or floats, which may involve sizeable but rapidly recycled outlays; and communities with smaller grants, in addition to some use of floats, received various one-time cash infusions from such sources as the sale of property.

## UNEXPENDED PROGRAM FUNDS

Each year a CDBG grantee's Entitlement amount is added to its letter of credit at the U.S. Treasury. The grantee then draws down the funds as needed to pay for the actual cost of activities undertaken during the year. At the end of

TABLE 1-4

**CDBG ENTITLEMENT PROGRAM INCOME AS A PERCENTAGE OF COMMUNITIES' GRANTS, FY 1984**

| Program Income as a Percentage of 1984 Grant | Metro Cities Number | Metro Cities Pct. | Urban Counties Number | Urban Counties Pct. | All Grantees Number | All Grantees Pct. |
|---|---|---|---|---|---|---|
| 50+ | 14 | 7% | 4 | 4% | 18 | 6% |
| 30-49 | 18 | 8 | 3 | 3 | 21 | 6 |
| 10-29 | 65 | 30 | 21 | 20 | 86 | 27 |
| 5-9 | 45 | 21 | 22 | 21 | 63 | 20 |
| 2-4 | 19 | 9 | 15 | 15 | 38 | 12 |
| .01-1 | 28 | 13 | 26 | 25 | 54 | 17 |
| 0 | 26 | 12 | 12 | 12 | 38 | 12 |
| Total | 215 | 100% | 103 | 100% | 318 | 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 Base.

each fiscal year, some unexpended program funds are carried over into the next fiscal year. This occurs for several reasons. First, most grantees receive their annual awards late in the Federal fiscal year. Second, communities budget the majority of their funds to several activities, such as housing and public works, that are relatively slow-starting because they involve long contracting times and seasonal construction scheduling. In some cases communities select projects that take several years to complete. In other cases inefficient local planning and execution of projects may result in slow expenditures. In the aggregate, only two percent of CDBG Entitlement funds are actually expended in the same year that they are appropriated and awarded to grantees.

The balance of the unexpended appropriations for the CDBG Entitlement Program was $3.626 billion at the end of the 1986 fiscal year. This is a $145 million (3.9 percent) decrease from the previous year. (See Table 1-5.) During 1986 grantees expended $2.255 billion in previously appropriated CDBG Entitlement Program funds. The level of FY 1986 expenditure was $141 million (5.8 percent) less than the $2.396 billion drawn down in 1985. Two factors affected the level of expenditure and unexpended funds in 1986. First, the Entitlement Program's FY 1986 appropriation was reduced by $335 million. Second, the proposed deferral of nearly $350 million (22 percent) in program funds resulted in seven months of uncertainty for many grantees in the planning and implementation of FY 1986 activities.

TABLE 1-5

UNEXPENDED BALANCE CDBG ENTITLEMENT PROGRAM APPROPRIATIONS,
FY 1979 - FY 1986*
(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 |
| 1986 | 3.626 | -3.9 |

* As of September 30th of each year.

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

## FY 1986 MANAGEMENT ACTIONS

For the third straight year CDBG grantees were guided by interim operating instructions. New regulations implementing the 1983 and 1984 amendments as well as new program management revisions were published for comment by HUD on October 31, 1984. Revisions were made and the final regulations were submitted to the U.S. Department of Justice for review in October 1985. Justice Department review was based upon Executive Order 12250 which requires the Justice Department to review all regulations involving equal opportunity or non-discrimination compliance matters. As of February 1987, negotiations with the Justice Department over concerns about the scope of the equal opportunity performance standards have not been concluded. The long delay in issuing these regulations has resulted in uncertainty for HUD field staff and grantees as to eligibility and recordkeeping standards for important program areas.

The operation of the Entitlement program was significantly affected by the temporary CDBG funding deferral of $350 million and the $134 million Gramm-Rudman-Hollings reduction in March. Nearly all grantees' planning and implementation of their FY 1986 programs were disrupted by the reductions and subsequent need to institute one or more program amendments involving citizen participation and local government approvals to either reduce funds and/or add back returned deferral funds.

In January 1986, a U.S. Department of Labor administrative review board upheld a decision of July 31, 1985 by the Under Secretary of Labor that Davis-Bacon Act labor requirements apply to privately financed construction in projects only indirectly assisted under the CDBG or UDAG programs. This position was contrary to HUD's long standing legal position that Davis-Bacon wage requirements did not apply if the use of CDBG or UDAG funds is limited to nonconstruction aspects of the project, such as the land, machinery or equipment costs. There is significant concern by grantees that this ruling will result in greater costs for many projects, and make many projects financially infeasible as the higher Davis-Bacon wages offset the CDBG and UDAG funding incentives.

In August 1986, HUD issued an opinion providing new guidance to grantees on the funding of activities involving religious organizations. That guidance, along with subsequent clarifications, prohibits the expenditure of CDBG funds on the construction, rehabilitation, maintenance, or restoration of structures or other real property owned by religious entities, even if such property is to be used for a wholly secular purpose. Nor may CDBG money be used to help religious entities acquire real property regardless of the purpose to which the property is put. Nevertheless CDBG funds may be used to acquire property owned by a church entity if the use is for non-religious, CDBG-eligible purposes. The guidance also makes clear that a religious organization can qualify to receive CDBG assistance for providing public services, providing it agrees in writing that there be no religious setting or selectivity in the provision of those services.

## PLANNED USE OF FY 1986 ENTITLEMENT PROGRAM FUNDS

This section reports on how E titlement communities planned to spend their FY 1986 allocation of CDBG funds? Information contained in this section derives from information reported by Entitlement Cities and Urban Counties in their FY 1986 Statements of Projected Use of Funds. In addition to broad categories of community development spending, this section presents supplemental detail on housing, public works, and economic development spending. Patterns of planned expenditure from 1980 to 1986 also are presented.

### ACTIVITIES TO BE FUNDED--FISCAL YEAR 1986

Programming of FY 1986 Entitlement community spending covered an estimated $2,475 million: $2,053 million from the FY 1986 entitlement, supplemented by an expected $422 million of program income, reprogrammed funds from prior years, and communities' own contributions to CDBG-funded projects.

Housing-related activities, principally housing renovation, were the largest single category of planned FY 1986 program spending, totaling 35 percent of all CDBG entitlement spending. (See Table 1-6). Communities budgeted some one-fifth of program resources for public facilities expenditures, and lesser amounts for economic development (13 percent) and public services (10 percent). Administration and planning activities, limited by statute to not more than 20 percent of each community's available program resources, represented only 13 percent of all planned spending.

In general, cities and urban counties accorded priority to somewhat different program categories: Entitlement cities budgeted about 37 percent of funds to housing--more than double the amount budgeted to any other single category. Urban counties in contrast placed higher emphasis on public facilities expenditures. Urban Counties budgeted funds in roughly equal proportions to housing and public works; 27 percent and 32 percent respectively.

**TABLE 1-6**

**CDBG ENTITLEMENT PROGRAM PLANNED SPENDING**
**BY MAJOR ACTIVITIES AND GRANTEE TYPE, FY 1986**
**(Dollars in Millions)**

| Activity | Metro Cities Amount | Metro Cities Pct. | Urban Counties Amount | Urban Counties Pct. | Total Budgeted Amount | Total Budgeted Pct. |
|---|---|---|---|---|---|---|
| Housing-Related | $745 | 37% | $114 | 27% | $859 | 35% |
| Public Facilities and Improvements | 370 | 18 | 135 | 32 | 506 | 21 |
| Economic Development | 257 | 13 | 47 | 11 | 304 | 13 |
| Public Services | 214 | 11 | 23 | 5 | 236 | 10 |
| Acquisition and Clearance-Related | 133 | 7 | 18 | 4 | 151 | 6 |
| Contingencies | 31 | 2 | 21 | 5 | 52 | 2 |
| Repayment of Section 108 Loans | 24 | 1 | 7 | 1 | 31 | 1 |
| Administration and Planning | 243 | 12 | 61 | 14 | 304 | 13 |
| Total | $2,017 | 100% | $422 | 100% | $2,439 | 100% |

Note: Detail does not add due to rounding.
Figures reflect 98.5% of total estimated program resources of $2,475

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 Housing Funding--FY 1986.** The rehabilitation of single family, owner-occupied, housing represented the bulk of FY 1986 planned CDBG-funded housing activities. As shown in Table 1-7, nearly two-thirds of all planned CDBG expenditures, an estimated $524 million, were earmarked for programs to upgrade single-family dwellings. About 21 percent of CDBG funds earmarked for housing represented community investments in rental housing. Only modest amounts were budgeted to support publicly-owned housing, code enforcement, or other housing activities, including some program delivery costs.

The Entitlement cities planned to make the vast majority of CDBG-funded multifamily housing expenditures. Of a total $185 million in rental housing expenditures, cities allocate all but $3 million of this amount. Urban counties' almost complete emphasis on single-family housing, 82 percent of their planned CDBG housing expenditures, probably reflected lower-density suburban development patterns and the predominance of owner-occupied units. The relative amounts accorded to other types of housing expenditure by cities and urban counties were nearly identical.

## TABLE 1-7

### COMPONENTS OF PLANNED CDBG ENTITLEMENT PROGRAM HOUSING FUNDING, FY 1986 (Dollars in Millions)

| | Metro Cities | | Urban Counties | | Total Budgeted | |
|---|---|---|---|---|---|---|
| Activity | Amount | Pct. | Amount | Pct. | Amount | Pct. |
| Single-Family Rehabilitation | $430 | 58% | $ 94 | 84% | $524 | 61% |
| Multifamily/Rental Rehabilitation | 182 | 24 | 3 | 3 | 185 | 21 |
| Rehabilitation of Public Residential Facilities | 21 | 3 | 4 | 3 | 25 | 3 |
| Code Enforcement | 32 | 4 | 3 | 3 | 35 | 4 |
| Other | 81 | 11 | 11 | 10 | 92 | 11 |
| Total | $745 | 100% | $114 | 100% | $859 | 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 Base.

**Planned Public Works Funding--FY 1986.** Planned CDBG public works expenditures from FY 1986 program funds were concentrated in street improvements--41 percent of public works funds budgeted, or $209 million (as shown in Table 1-8). Expenditures for public facilities construction or renovation, including structures housing social and other community services, represented the second highest public works spending category, about one-quarter of funds budgeted for public works. Water and sewer distribution and treatment system reconstruction accounted for $76 million, or 15 percent of planned public works spending; parks and recreation facilities a further 10 percent.

Urban Counties and Entitled Cities shared similar public works planned spending patterns. Both devoted roughly 40 percent of funds to street improvements; about one-quarter to public facilities. But almost a third of planned urban county spending was earmarked for water and sewer system rehabilitation, in contrast to a 10 percent share allocated by metro cities.

TABLE 1-8

**COMPONENTS OF PLANNED CDBG ENTITLEMENT PROGRAM PUBLIC WORKS FINDING, FY 1986**
**(Dollars in Millions)**

| Activity | Metro Cities Amount | Metro Cities Pct. | Urban Counties Amount | Urban Counties Pct. | Total Budgeted Amount | Total Budgeted Pct. |
|---|---|---|---|---|---|---|
| Street Improvements | $158 | 43% | $ 51 | 38% | $209 | 41% |
| Public Facilities | 98 | 26 | 33 | 24 | 131 | 26 |
| Water and Sewer | 37 | 10 | 39 | 29 | 76 | 15 |
| Parks | 44 | 12 | 9 | 7 | 53 | 10 |
| Other | 34 | 9 | 3 | 2 | 37 | 7 |
| Total | $370 | 100% | $135 | 100% | $506 | 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 Base.

**Planned Economic Development Funding--FY 1986.** Entitlement Communities planned to pursue economic development activities primarily by extending business grants and loans. (See Table 1-9.) An estimated 58 percent of planned FY 1986 CDBG-funded economic development expenditures supported grant and loan programs. This direct business assistance was concentrated primarily

TABLE 1-9

**COMPONENTS OF PLANNED CDBG ENTITLEMENT PROGRAM ECONOMIC DEVELOPMENT FUNDING, PY 1986**
**(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 | $151 | 59% | $26 | 57% | $177 | 58% |
| -- for Rehab | (32) | (12) | (7) | (15) | (39) | (13) |
| -- Other | (119) | (46) | (19) | (41) | (138) | (45) |
| Land Acquisition/ Disposition | 24 | 9 | 7 | 15 | 31 | 10 |
| Infrastructure-Related | 29 | 11 | 5 | 11 | 34 | 11 |
| Other Assistance | 53 | 21 | 8 | 17 | 61 | 20 |
| Total | $257 | 100% | $47 | 100% | $304 | 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 Base.

in capital grants or loans, $138 million of $177 million, as opposed to support for property renovations. Other CDBG-funded economic development activities include assisting projects undertaken directly by the public sector, including infrastructure improvements tied to economic development, and the acquisition and sale of land. Metro Cities and Urban Counties planned similar program spending patterns regarding CDBG-funded economic development activities.

**CDBG Expenditures Fa. Assisting The Homeless.** The Department of Housing and Urban Development has undertaken several initiatives to insure that grantees understand the variety of CDBG-eligible activities that can meet the special needs of the homeless. Secretary Pierce wrote to all governors and Entitlement community mayors or chief executives concerning the CDBG and other Departmental resources available to assist the haueless. Grantees have used the flexibility of the CDBG program to fund a variety of homeless projects.

HUD Field staff reported that during FY 1986 grantees either programmed, obligated, or expended almost $32 million in CDBG funds for homeless-related assistance. These funds have supported the following types of activities, provided either directly by the city or through charitable organizations:

- acquisition and rehabilitation of buildings for conversion to emergency shelters for the homeless, including shelters for victims of domestic violence and shelters for runaway teenagers;
- purchase of land far. shelters;
- improvements to existing shelters;
- operation of shelter facilities;
- psychological counseling for the homeless;
- housing counseling and referral services;
- housing the homeless through acquisition and rehabilitation of residential hotels for single room occupancy use;
- transportation of the haneless from shelters to soup kitchens;
- placement of homeless senior citizens with other senior citizens; and
- operation of an economic crisis center.

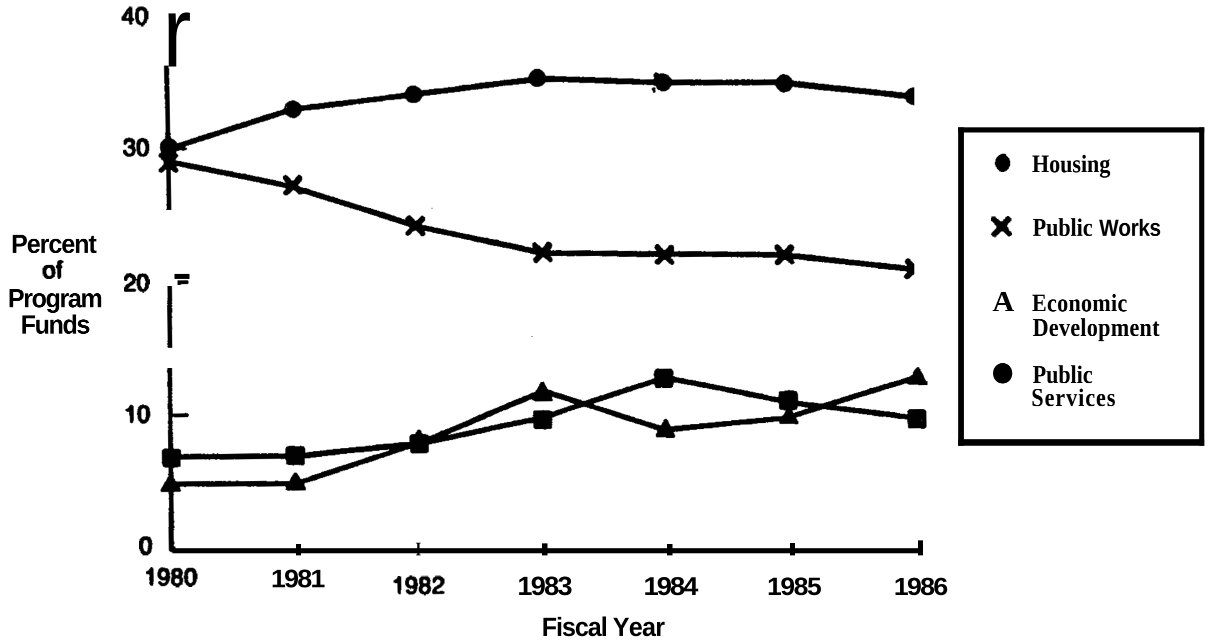
Since 1983, CDBG recipients are known to have used over $100 million in CDBG Entitlement funds for shelter and services to the homeless.

PLANNED SPENDING–FY 1980–1986

Communities' aggregate planned funding in FY 1986 largely continued the broad patterns established over the last several years: general but **modest** increase in economic development spending; relative stability and emphasis in housing ~, and continued decline in public services funding. Figure 1–1 -1986 planned spending for all entitlement communities for the four largest spending categories. From 1985 to 1986, the two largest categories of expenditure, housing and public works, remained virtually unchanged; each experienced a one percent decline in their share of total spending. Public services **also** remained largely unchanged. Economic development spending, in contrast, registered a 3 percent increase, now comprising 13 percent of all spending.

1

Figure 1-1
Planned Spending in the CDBG Entitlement Program
FY 1980–1986




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

## ACTUAL EXPENDITURES OF CDBG FUNDS

This part of the chapter describes how communities actually used their CDBG funds in FY 1984, the most recent year for which expenditure information is available.[3] This section presents expenditures by the type of program activity and Entitlement community, details funds expenditures for each of the three national objectives, and identifies the general income characteristics of the areas in which activities are carried out and the income and racial and ethnic characteristics of individual beneficiaries.

### ENTITLEMENT PROGRAM EXPENDITURES BY TYPE OF ACTIVITY

Entitlement communities spent approximately $2.8 billion in program funds during FY 1984; an estimated $2.364 billion by Metropolitan Cities and $458 million by Urban Counties. The largest proportion of expenditures, $976 million (35 percent), was spent on housing-related activities. (See Table 1-10.) Public facilities and improvements was the next largest category of FY 1984 expenditures at $697 million (25 percent). Economic development at $335 million (12 percent) showed a significant increase over the 1983 (8 percent) expenditure. Public Services and acquisition and clearance-related expenditures were $213 million (7 percent) and $199 million (7 percent) respectively. Repayments of Section 108 loans accounted for $4 million. Planning and general program administration consumed $397 million or 14 percent of all expenditures in 1984.

**TABLE 1-10**

**CDBG ENTITLEMENT PROGRAM EXPENDITURES BY MAJOR ACTIVITIES AND GRANTEE TYPE, FY 1984 (Dollars in Millions)**

| Activity | Metro Cities Amount | Metro Cities Pct. | Urban Counties Amount | Urban Counties Pct. | Total Expended Amount | Total Expended Pct. |
|---|---|---|---|---|---|---|
| Housing-Related | $846 | 36% | $130 | 29% | $976 | 35% |
| Public Facilities & Improvements | 520 | 22 | 177 | 39 | 697 | 25 |
| Economic Development | 293 | 12 | 42 | 9 | 335 | 12 |
| Public Services | 193 | 8 | 20 | 4 | 213 | 7 |
| Acquisition and Clearance-Related | 182 | 8 | 17 | 4 | 199 | 7 |
| Repayment of Section 108 Loans | 2 | * | 2 | • | 4 | • |
| Administration and Planning | 327 | 14 | 70 | 15 | 397 | 14 |
| Total | $2,364 | 100% | $458 | 100% | $2,822 | 100% |

* Less than .5%, or less than $500,000.
Note: Detail does not add due to rounding.

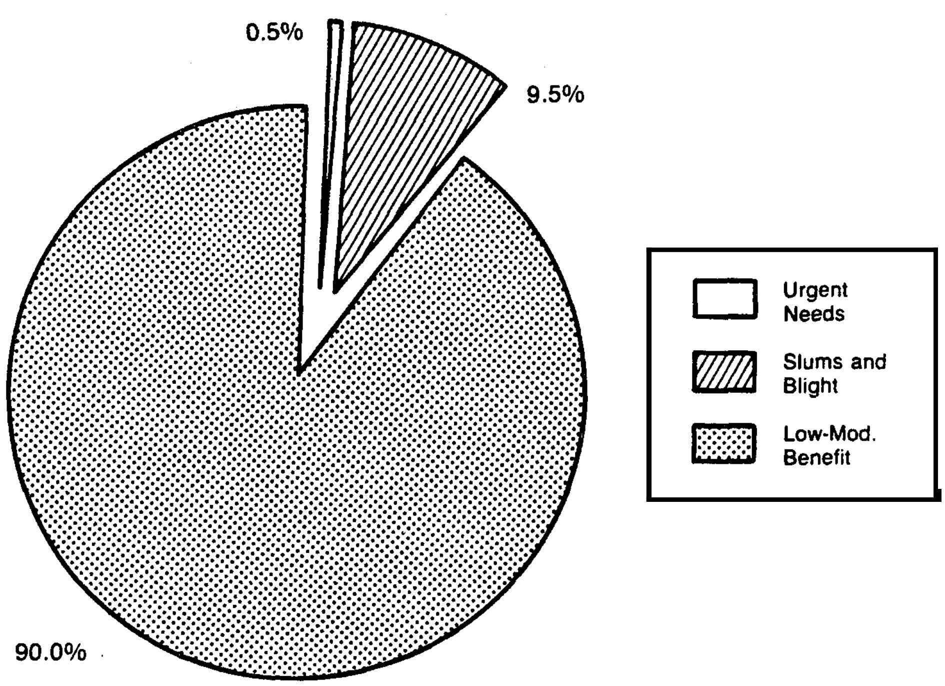
SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, CDBG Performance Monitoring and Evaluation Data Base.

In the aggregate, Metropolitan Cities and Urban Counties continued to reflect somewhat different community and economic development priorities in the activities funded. Metropolitan cities spent about 36 percent of their funds on housing-related activities and 22 percent on public works compared to 29 percent and 39 percent, respectively, for Urban Counties. Metropolitan Cities spent a larger proportion of funds than Urban Counties on economic development (12 versus 9 percent) public services (8 versus 4 percent), and acquisition and clearance-related activities (8 versus 4 percent).

## ENTITLEMENT PROGRAM EXPENDITURES ON NATIONAL OBJECTIVES

Program **Benefit.** The Housing and Community Development Act of 1974 requires that each CDBG-funded activity meet one of the Act's national objectives: benefiting low-and moderate income persons, eliminating or preventing slums or blight or meeting urgent local community development needs. Local officials reported that 90 percent, or $2.42 billion, of all CDBG funds expended during FY 1984 met the Act's lower income benefit objective. Another $231 million (9.5 percent) was used to prevent or eliminate slums and blight. Only $7 million (.5 percent) was used to meet urgent community development needs. (See Figure 1-2.)

**Figure 1-2**
**Distribution of FY 1984**
**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.**

In addition to each activity meeting one of the National Objectives, each community's program must, over a period specified by the grantee but not exceeding three years, spend at least 51 percent of total funds for activities that benefit low- and moderate-income persons. Only 12 grantees (2 percent of all grantees) reported spending less than 50 percent of their Block Grant resources available in FY 1984 on projects to benefit lower income persons. (See Table 1-11). About two-thirds of the Entitlement grantees for which information is available reportedly spent 90 percent or more of their funds in FY 1984 on low-income benefit activities. Twenty percent of the grantees spent between 76 and 90 percent of their funds and 13 percent of the grantees indicated spending 51 to 75 percent of their funds on low-income activities.

TABLE 1-11

CDBG ENTITLEMENT PROGRAM EXPENDITURES BENEFITING PERSONS WITH LOW AND MODERATE INCOMES, FY 1984

| Percent of Expenditures Reported as Low-and Moderate-Income Benefit | Metro Cities | | Urban Counties | | All Grantees | |
|---|---|---|---|---|---|---|
| | Number | Pct. | Number | Pct. | Number | Pct. |
| 100% | 222 | 34% | 34 | 33% | 256 | 34% |
| 91 - 99 | 201 | 30 | 44 | 42 | 245 | 32 |
| 76 - 90 | 129 | 20 | 21 | 20 | 150 | 20 |
| 51 - 75 | 95 | 14 | 5 | 5 | 100 | 13 |
| 50 or less | 12 | 2 | 0 | 0 | 12 | 2 |
| Total | 659 | 100% | 104 | 100% | 763* | 100% |

Overall Program Total = 90 percent

* Information based on review of 93% of FY 1984 Grantee Performance Reports

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.

<u>Activities and National Objectives.</u> In FY 1984 more than 51 percent of expenditures for each of the major activity types were reported to benefit low- and moderate-income persons. Indeed, more than 80 percent of the expenditures for four of the five activities were claimed to have addressed this national objective. (See Table 1-12.) As might be expected from the nature of the activity, nearly all expenditures for public services (99 percent) were reported to benefit low- and moderate-income persons. Further, 95 percent of FY 1984 housing expenditures, 91 percent of public works, and 82 percent of economic development expenditures were described as meeting this objective. Even acquisition and clearance, the activity type with lowest proportion of funds for low- and moderate-income benefit, reportedly had 64 percent of the funds directed toward this objective. A higher percentage of spending for acquisition and clearance (35 percent) and economic development spending (17 percent) than for other types of activity were claimed to prevent or eliminate slums and blight.

TABLE 1-12

**CDBG ENTITLEMENT PROGRAM EXPENDITURES BY TYPE OF ACTIVITY AND NATIONAL OBJECTIVE, FY 1984**
**(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 | $ 929 | 95% | $ 47 | 5% | * | * | $ 976 |
| Public Facilities & Improvement | 638 | 91 | 54 | 8 | 5 | 1 | 697 |
| Economic Development | 276 | 82 | 59 | 17 | * | * | 335 |
| Public Services | 212 | 99 | 1 | * | * | * | 213 |
| Acquisition & Clearance-Related | 127 | 64 | 70 | 35 | 2 | 1 | 199 |
| Total | $2,182 | | $231 | | $7 | | $2,420 |

* Less than .5%, or less than $500,000.
\+ This table excludes $397 million in expenditures for administration and planning and $4 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 Base.

## ENTITLEMENT PROGRAM EXPENDITURES IN LOWER INCOME AREAS

Block Grant program activities may either directly benefit low- and moderate-income persons, (e.g. by providing individuals with social services or housing rehabilitation loans), or improve the neighborhood where lower-income people live (e.g., by improving streets or constructing parks). This section reports the amount and proportion of CDBG funds expended in lower-income areas in FY 1984.

In FY 1984, Entitlement communities expended $1.189 billion, or 49 percent of the $2.4 billion in program expenditures, in census tracts considered to be low and moderate under current program procedures.* (See Table 1-13.)

* At present, grantees are to report locational data by census tract only. This does not mean that the activity services the entire tract or is even limited to that tract. Future GPRs will contain reporting on the "service area" of an activity.

**TABLE 1-13**

**CDBG ENTITLEMENT PROGRAM EXPENDITURES BY LOCATION OF EXPENDITURE AND NATIONAL OBJECTIVE FY 1984**
(Dollars in Millions)

| National Objective | Type of Tract: Low-Mod Amount | Low-Mod Pct. | Non-Low-Mod Amount | Non-Low-Mod Pct. | Citywide Amount | Citywide Pct. |
|---|---|---|---|---|---|---|
| Low-and Moderate Income | $1,039 | 88% | 273 | 89% | 870 | 94% |
| (Direct Benefit) | (281) | (24) | (61) | (20) | (374) | (40) |
| (Area Benefit) | (758) | (64) | (212) | (69) | (496) | (54) |
| Slums and Blight | 146 | 12 | 32 | 10 | 53 | 6 |
| Urgent Needs | 4 | * | 3 | * | -- | -- |
| Total | $1,189 | 100% | $307 | 100% | 924 | 100% |
| Percent by Location | 49% | | 13% | | 38% | |

* Less than .5%
Excludes $397 million in planning and administration and $4 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 Base.

A further 38 percent of funds were expended citywide, either through scattered expenditures in low- and moderate-income areas generally, or through support far such activities as services that benefit individuals regardless of residential location. Only 13% of funds were expended in census tracts not considered predominantly occupied by low- and moderate-income persons.

Regardless of where funds were reportedly expended, the preponderance of expenditures were claimed to have qualified as meeting the low-and moderate-income objective. About 64 percent of the funds reportedly spent in lower income census tracts were claimed to fall under the area benefit test and 24 percent under the direct benefits test in meeting this objective. About twelve percent ($146 million) of funds were spent in these areas under the slums and blight objective. The substantial portion of funds reported as spent in non-lower income census tracts or citywide also were claimed to have met the low- and moderate- income objective.

## ENTITLEMENT PROGRAM EXPENDITURES FOR DIRECT BENEFIT ACTIVITIES

**Direct Beneficiary Activities.** An activity can qualify as meeting the low- and moderate-income benefit national objective if it serves a limited clientele (rather than all the residents of a particular area), at least 51 percent of whom are low- and moderate-income persons. In 1984 about 30 percent of the $2.421 billion was spent on activities to directly benefit individuals. The preponderance of direct benefit activities involved expenditures where consumers of the resulting activity can be easily screened by income: Seventy-two percent of direct benefit expenditures involved housing; 20 percent public services. Table 1-14 indicates direct benefit spending by activity group for Metropolitan Cities and Urban Counties.

TABLE 1-14

**CDBG ENTITLEMENT PROGRAM DIRECT BENEFIT EXPENDITURES BY ACTIVITY GROUP AND GRANTEE TYPE, FY 1984 (Dollars in Millions)**

| Activity Group | Metro Cities Amount | Metro Cities Pct. | Urban Counties Amount | Urban Counties Pct. | Total Expended Amount | Total Expended Pct. |
|---|---|---|---|---|---|---|
| Housing-Related | $422 | 71% | $97 | 82% | $519 | 72% |
| Public Services | 131 | 22 | 12 | 11 | 142 | 20 |
| Acquisition and Clearance-Related | 26 | 4 | 4 | 3 | 30 | 4 |
| Public Facilities and Improvements | 9 | 1 | 4 | 3 | 13 | 2 |
| Economic Development | 9 | 1 | 2 | 1 | 11 | 2 |
| Total | $ 597 | 100% | $119 | 100% | $716 | 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 Base.

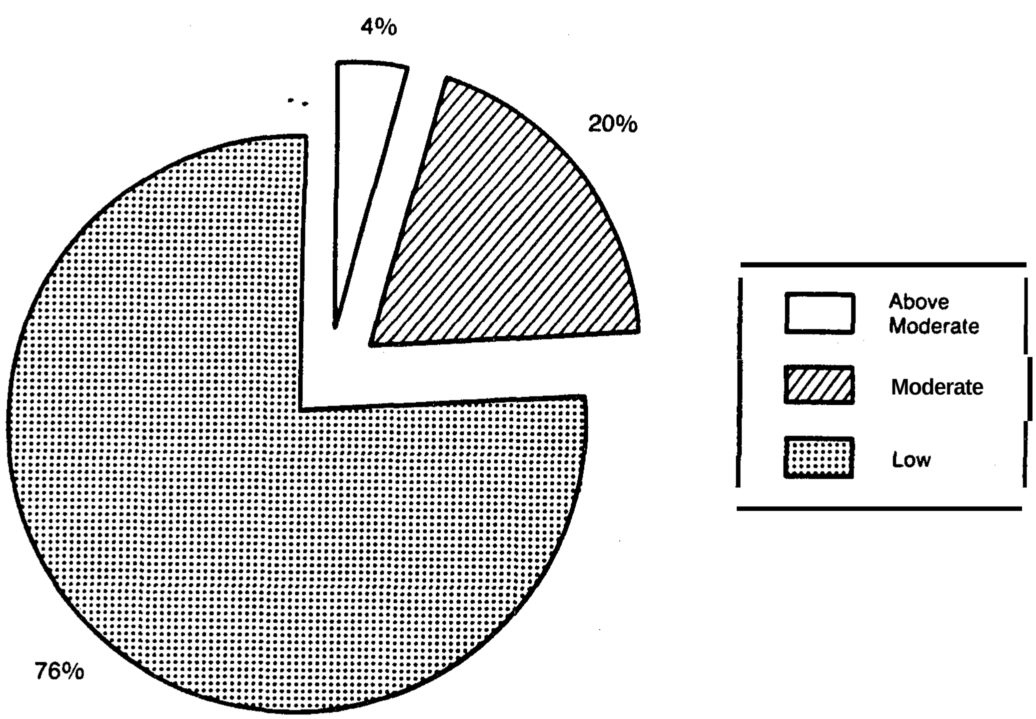
Rehabilitation was the most common housing activity to involve direct benefits. Single-family rehabilitation generally is directed toward low- and moderate-income homeowners and multi-family rehabilitation benefits lower income renters. Public service activities involving direct beneficiaries can range from the provision of day care, to drug counseling, to assistance for the elderly and the homeless.

Metropolitan Cities and Urban Counties differed slightly in the share of funds expended on housing and public services-related direct benefit activities. Urban County direct benefit-related spending was more likely to be directed to housing-related activities, compared to Metropolitan Cities (82 versus 71 percent). Relative to Urban counties, a substantially higher share of Metropolitan City expenditures qualified as direct-benefit were devoted to public services. (22 versus 11 percent.)

**Income and Ethnicity of Direct Beneficiaries.** In terms of income, the CDBG program defines three kinds of direct beneficiaries; those who are low, moderate and above-moderate income. In 1984, localities identified 76 percent of direct beneficiaries as being low-income, i.e., with incomes less than 50 percent of the MSA median income. Twenty percent of the beneficiaries of direct benefit activities were moderate income (incomes between 50 and 80 percent of the MSA median income) and only 4 percent were reported as above moderate income levels. (See Figure 1-3.)

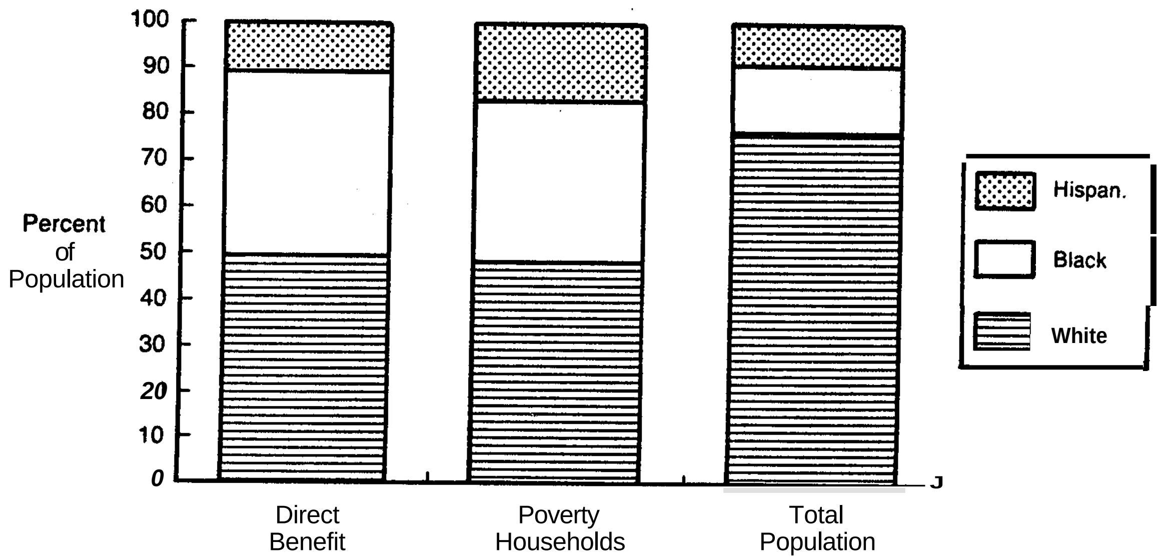
The proportion of beneficiaries of direct benefit spending by racial and ethnic group, as well as the proportions of these groups in the total population and the poverty population in all Entitlement communities, are presented in Figure 1-4.

**Figure 1-3**
**Incomes of Beneficiaries of**
**CDBG Direct Benefit Activities, FY 1984**




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

Figure 1-4
**Ethnicity of Beneficiaries**
**CDBG Direct Benefit Activities**
**FY 1984**




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

Grantees indicated that minorities, particulary Blacks, represent a much larger proportion of beneficiaries of CDBG funded direct benefit activities than their **share in** the population of the Entitlement communities **as** a whole. Forty percent of the beneficiaries of direct benefit activities are Black and 10 percent are Hispanic, compared to a **15** percent Black and 9 percent Hispanic total composition of Entitlement communities. Figure 1-4 indicates, though, 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.

## SECTION 108 LOAN GUARANTEE PROGRAM

This section describes the Section 108 Loan Guarantee Program, under which the Department guarantees local debt incurred to acquire or rehabilitate publicly-owned real property. Separate subsections treat program initiatives, recent program activity, community participation, and characteristics of projects approved in FY 1986.

### LEGISLATION, PROGRAM ACTIVITY, AND PARTICIPATION

**Description and Legislative Initiatives.** The Section 108 Loan Guarantee Program, created by the Housing and Community Development Act of -1974, as amended, authorizes the Department to guarantee notes issued by Entitlement communities to support eligible projects. By pledging Block Grant receipts as security on the notes, Metro Cities and Urban Counties in effect borrow against future annual grants to finance current community development capital outlays. Communities thus can undertake large development projects that otherwise would absorb an unacceptably high share of their current grants. The communities can also structure their loans to be repaid wholly or partially from other sources, thus pledging their grants only as collateral security.

All development projects must meet one of the three National Objectives: slums and blight, benefit to low-and-moderate income persons, and urgent community needs, with eligible costs limited to site acquisition and rehabilitation of publicly-owned real property, including attendant relocation, clearance, site preparation, and Sectibn 108 interest charges. The Department does not exercise extensive approval authority over proposed projects, limiting review principally to community certifications that all CDBG program requirements have been met, that it has legal authority to pledge its grant, and that efforts to finance the project without the guarantee could not result in timely completion. However, the review does include a determination that the proposed activities meet one of the national objectives and that the loan guarantee is an acceptable financial risk.

In early 1986, Congress passed legislation prohibiting Federal Financing Bank purchase of notes guaranteed under the program; hitherto the only source of funds to borrowers. Directed to arrange for private sector purchase of guaranteed issues, the Department in July solicited proposals from firms interested in participating as members of an underwriting group. This group will underwrite public offerings of Section 108 obligations. The choice was made based on the group's available financial resources to purchase obligations for public resale, and their ability to design an obligation acceptable to the market, with low rates, and retaining flexibility in meeting financing needs of program participants. A group consisting of Citicorp Investment Bank, Salomon Brothers, Inc., Smith Barney, and Harris Uphorn & Co., were selected. By the end of the fiscal year, the initial public offering of Section 108-guaranteed obligations had not yet taken place.

**Section 108 Program Activity.** In FY 1986, HUD approved 25 new Section 108 projects totaling $113 million, bringing total project approvals over the life of the program to $888 million. (See Table 1-15.)

**TABLE 1-15**

**SECTION 108 PROGRAM ACTIVITY, TOTAL PROGRAM AND FY 1986 (Dollars in Millions)**

| Transaction | Fiscal Year 1978-85 | Fiscal Year 1986 | Total |
|---|---|---|---|
| Guarantees Approved | $774.7 | $113.3 | $888.0 |
| Notes Issued | 654.8 | 119.4 | 768.2 |
| Funds Advanced | 403.9 | 88.8, | 492.7 |
| Funds Repaid | 114.5 | 77.8 | 192.3 |

SOURCE: Compiled by the Office of Program Analysis and Evaluation based on data supplied by the Office of Finance and Accounting.

During FY 1986, HUD guaranteed $119 million in community notes issued under terms specified by HUD and the Federal Financing Bank, and since the inception of the program, HUD has guaranteed notes totaling $768 million. Grantees may make advances immediately on issuance of the guarantee, but only in amounts sufficient to cover current project financing needs. Cumulative program advances, therefore, are at somewhat less than $500 million, and lag (by some $375 million) the total-amounts guaranteed. (The rate charged on each advance is that of the Treasury's own obligations, typically for a six-year term.) Finally, in FY 1986 communities repaid approximately $78 million, about half of which is attributable to a single community's balloon payment.

Program Participation. By the end of FY 1986, a total of 151 entitlement communities had chosen to participate in the Section 108 loan guarantee program. (See Table 1-16.) Based on 245 net approvals (i.e. exclusive of cancelled projects), totaling $838 million, the average participating community has applied for and received 1.6 guarantee approvals, averaging $3.4 million per approval. Communities with larger entitlement grants, on average, more often received approval for multiple projects, 2.2 projects per community, and plan to expend larger amounts per project, $7.6 million. The average number of projects per community, and the average amount of each project, decreases with declining grant size. Declining average per project amounts reflect both the relatively fewer program resources available in communities with smaller grants, and the Section 108 program limit on issues to three times the annual grant.

* The amount repaid is larger than the amount shown in Table 1-6, reflecting the repayment of loans from non-CDBG sources.

TABLE 1-16

**SECTION 108 APPROVALS BY ENTITLEMENT GRANT SIZE FY 1978-86 (Dollars in Millions)**

| Grant Size | N of Communities | Approvals N | Approvals Amount | Average Approval/City | Average Amount Approval |
|---|---|---|---|---|---|
| GT $10 | 21 | 47 | $359.2 | 2.2 | $7.6 |
| $4-10 | 23 | 48 | 189.7 | 2.1 | 4.0 |
| $2-4 | 38 | 66 | 162.3 | 1.7 | 2.5 |
| $1-2 | 29 | 39 | 85.9 | 1.3 | 2.2 |
| LT $1 | 40 | 45 | 41.4 | 1.1 | .9 |
| Total | 151 | 245 | $838.5 | 1.6 | 2.9 |

SOURCE: Compiled by the Office of Program Analysis and Evaluation based on data supplied by the Office of Finance and Accounting. **Note:** Excludes project cancellations.

## SECTION 108 PROJECT CHARACTERISTICS

National Objectives. Section 108 loan guarantee approvals in FY 1986 most often were justified as meeting the National Objective of benefitting low-and moderate-income persons, 18 of a total 24 projects,* and 65 percent of project funds. (See Table 1-17.) The remaining projects are designed to assist in the elimination of slums and blight. None were expected to meet urgent community needs, unsurprising given the scale and extended development periods of Section 108 projects.

Commercial development projects, representing just over half of all FY 1986 loan guarantee approvals, and a somewhat larger share of funds, are most likely to be qualified under the slums and blight provision. Other project types, Housing, Mixed Housing and Commercial, and General Public Improvements, most often satisfy the lower-income benefit objective.

Project Activities. Planned activities to be funded with FY 1986 loan guarantee approvals are presented in Table 1-18. All but 10 percent of planned projects entail public sector land acquisition, either singly (25 percent of projects) or in combination with clearance, rehabilitation, or other project activities. Of total funds to be invested, almost half, or 43 percent, will support projects involving acquisition and clearance. Only 5 percent of funds do not involve land acquisition.

* One 1986 project approval was cancelled at community request.

TABLE 1-17

**FY 1986 LOAN GUARANTEE APPROVALS BY PURPOSE AND NATIONAL OBJECTIVE (Dollars in Thousands)**

| | National Objective | | | |
|---|---|---|---|---|
| | Low-Income Benefit | | Slums & Blight | |
| Project Purpose | N | Amount | N | Amount |
| Housing | 2 | $1,725 | | |
| Commercial | 7 | 29,984 | 5 | $39,300 |
| Mixed | 5 | 15,906 | | |
| Gen'Public Improvements | 4 | 25,450 | 1 | 200 |
| Total | 18 | $73,065 | 6 | $39,500 |
| Percent | | 64.9% | | 35.1% |

SOURCE: Compiled by the Office of Program Analysis and Evaluation based on information supplied by the Financial Management Division, Office of Block Grant Assistance.

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**TABLE 1-18**

**ACTIVITIES FUNDED BY FY 1986 LOAN GUARANTEE APPROVALS**
(Dollars in Thousands)

| | Loans | | Funds | |
|---|---|---|---|---|
| Activity | Number | Pct. | Amount | Pct. |
| Acquisition Only | 6 | 25% | $16,925 | 15% |
| Acquisition & Clearance | 5 | 21 | 48,105 | 43 |
| Acquisition & Rehab | 9 | 38 | 40,992 | 36 |
| Acquisition & Other | 2 | 10 | 1,000 | 5 |
| Rehab & Other | 2 | 10 | 5,543 | 5 |
| Total | 24 | 100% | $112,565 | 100% |

SOURCE: Compiled by the Office of Program Analysis and Evaluation based on information supplied by the Financial Management Division, Office of Block Grant Assistance.

## FOOTNOTES

1. The D.C. Circuit Court of Appeals affirmed the District Court's decision in an opinion issued on January 20, 1987. In granting the President the authority to defer appropriations in the 1974 Act, Congress reserved the authority to veto the President's decisions through a one-house "impoundment resolution", obligating the President to make the funds available. In 1983 the Supreme Court held unconstitutional such "legislative vetoes" in the Chadha case. In that case the Supreme Court ruled that if Congress would not have enacted a statute without the one-house veto power, the whole statute should be nullified. The D.C. Circuit found clear congressional intent that Congress would not have authorized the President to defer appropriations for policy reasons without reserving to itself the one-house veto check. The Court refused to sever the legislative veto from the section and therefore invalidated the whole deferral procedure. At the time of this report it was not yet clear whether the Circuit Court decision would be appealed to the Supreme Court.

2. The data described in this section came from the Statements of Community Development Objectives and Proposed Use of the 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 1986 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.

3. The data used in the analysis of expenditures were taken from Grantee Performance Reports (GPRs) submitted by the sample of communities included in the 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 1984 GPRs are the most recent Performance Reports available for analysis of the program on a national level.

4. 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 applications 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 1–19
## Estimated Planned Expenditures of CDBG Entitlement Program Funds, FY 1986
## (Dollars in Millions)

| | Metro Ciies | Urban Counties | All Entitlements |
|---|---|---|---|
| Housing-Related | $745.2 | $114.0 | 859.2 |
| (percent) | (36.9) | (27.0) | (35.2) |
| Private Residential Rehab.: | | | |
| Single-family | 429.9 | 93.7 | 523.6 |
| Multi-family | 182.4 | 2.6 | 185.0 |
| Rehab. of Pub. Res. Property | 3.3 | 1.5 | 4.8 |
| Rehab. of Pub. Housing | 17.6 | 2.0 | 19.6 |
| Code Enforcement | 31.8 | 2.9 | 34.7 |
| Historic Preservation | 3.4 | .9 | 4.3 |
| Housing Activities by Sub-Recip: | 35.8 | 5.6 | 41.4 |
| Renovation of Closed Schools | .9 | ■ | .9 |
| Weatherization Rehabilitation: | | | |
| Single-family | 4.2 | 2.4 | 6.6 |
| Multi-family | ■ | ■ | |
| Rehabilitation Administration | 35.7 | 2.3 | 38.0 |
| Public Facilities and Improvements | $370.4 | $135.3 | $505.7 |
| (percent) | (18.4) | (32.1) | (20.7) |
| Street | 158.0 | 50.5 | 208.5 |
| Park, Recreation, etc. | 44.2 | 9.4 | 53.6 |
| Water and Sewer | 27.6 | 35.4 | 63.0 |
| Flood and Drainage | 9.0 | 4.1 | 13.1 |
| Neighborhood Facilities | 23.5 | 7.2 | 30.7 |
| Solid Waste Facilities | 1.1 | .3 | 1.4 |
| Removal of Arch. Barrier | 7.7 | 5.8 | 13.5 |
| Senior Centers | 6.2 | 5.6 | 11.8 |
| Centers for Handicapped | 1.2 | 1.4 | 2.6 |
| Renovation of Closed Schools | .8 | .2 | 1.0 |
| Historic Preservation | 1.8 | .4 | 2.2 |
| Other Pub. Fac. and Improve. | 89.4 | 15.1 | 104.5 |
| Economic Development | $257.3 | $47.0 | $304.3 |
| (percent) | (12.8) | (11.1) | (12.5) |
| Assistance to For-Profit Entities | | | |
| Rehab loans and grants | 29.1 | 7.0 | 36.1 |
| Other loans and grants | 119.0 | 19.0 | 138.0 |
| Acquisition/Disposition | 14.8 | 2.0 | 16.8 |
| Infrastructure | 9.0 | 1.0 | 10.0 |
| Other assistance | 52.5 | 7.1 | 57.6 |
| Comm. and Industrial Improvements by Grantee: | | | |
| Land acq./disposition | 9.0 | 5.1 | 14.1 |
| Infrastructure development | 20.4 | 4.4 | 24.8 |
| Other improvements | .6 | 1.3 | 1.9 |
| Rehab. of Private Property | 2.9 | .1 | 3.0 |
| Public Services | $213.5 | $22.7 | $236.2 |
| (percent) | (10.6) | (5.4) | (9.7) |
| Public Services | 213.5 | 22.7 | 236.2 |

**Table 1–19 (Continued)**
**Estimated Planned Expenditures of CDBG Entitlement Program Funds, FY 1986**
**(Dollars in Millions)**

| | Metro Cities | Urban Counties | All Entitlements |
|---|---|---|---|
| Acquisition, Clearance Related | $133.2 | $ 17.6 | $150.8 |
| (percent) | (6.6) | (4.2) | (6.2) |
| Acquisition of Real Property | 65.7 | 10.8 | 76.5 |
| Clearance | 32.0 | 3.5 | 35.5 |
| Relocation | 18.4 | 2.8 | 21.2 |
| Disposition | 17.2 | .5 | 17.7 |
| Other | $54.6 | $24.3 | $78.9 |
| (percent) | (2.7) | (5.8) | (3.2) |
| Contingencies/Local Options | 31.0 | io.7 | 51.7 |
| Repayment of Section 108 Loans | 23.6 | 3.6 | 27.2 |
| Administration and Planning | $ 242.9 | $ 60.8 | $303.7 |
| (percent) | (12.0) | 114.4) | (12.5) |
| Administration | i27.3 | 55.3 | 282.6 |
| Planning | 15.6 | 5.5 | 31.1 |
| Total Program Resources | $2,017.2 | $421.7 | $2,438.9 |

• Less than $50,000

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

Note: Figures based on an estimated 98.5% of total program resources.

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
## Estimated Planned Expenditures of CDBG Entitlement Program Funds, FY 1984–1985
## (Dollars in Millions)

| | 1985 | | | 1984 | | |
|---|---|---|---|---|---|---|
| | Metro Cities | Urban Counties | All Entitlements | Metro Cities | Urban Counties | All Entitlements |
| House-Related | $871.2 | $125.5 | $966.7 | $837.8 | $132.5 | $970.3 |
| (percent) | (38.2) | (26.8) | (36.2) | (37.9) | (27.9) | (36.1) |
| Private Residential Rehab.: | | | | | | |
| Singlefamily | 427.0 | 96.0 | 523.0 | 414.4 | 100.3 | 514.7 |
| Multi-family | 91.2 | 5.5 | 96.7 | 114.9 | 14.2 | 129.1 |
| Rehab. of Pub. Res. Property | 14.6 | 1.6 | 16.2 | 93.3 | 1.0 | 94.3 |
| Rehab. of Pub. Housing | 13.1 | 2.6 | 15.7 | 19.0 | 2.6 | 21.6 |
| Code Enforcement | 42.2 | 3.3 | 45.4 | 45.2 | 2.8 | 48.0 |
| Historic Preservation | .3 | .1 | .4 | 3.0 | .2 | 3.2 |
| Housing Activities by Sub-Recip: | | | | | | |
| New Housing & Acquisition | 81.5 | 7.3 | 88.7 | 19.9 | 3.2 | 23.1 |
| Rehabilitation | 96.8 | 2.4 | 99.2 | 46.6 | 2.0 | 48.6 |
| Renovation of Closed Schools | | | | 1.5 | — | 1.5 |
| Weatherization Rehabilitation: | | | | | | |
| Single-family | 5.2 | 2.3 | 7.5 | 6.7 | 2.0 | 8.7 |
| Multi-family | .5 | | .6 | 1.5 | — | 1.5 |
| Rehabilitation Administration | 98.8 | 4.4 | 103.2 | 71.8 | 4.2 | 76.0 |
| Public Facilities and Improvements | $433.3 | $165.6 | $599.9 | $421.8 | $164.7 | $586.5 |
| (percent) | (19.0) | (35.6) | (21.8) | (19.1) | (34.7) | (21.8) |
| Street | 156.2 | 55.4 | 211.5 | 186.7 | 64.7 | 251.4 |
| Park, Recreation, etc. | 56.9 | 12.7 | 69.7 | 55.0 | 12.2 | 67.2 |
| Water and Sewer | 43.1 | 36.8 | 79.9 | 56.2 | 43.3 | 99.5 |
| Flood and Drainage | 21.1 | 7.7 | 28.8 | 11.2 | 6.7 | 17.9 |
| Neighborhood Facilities | 17.9 | 6.8 | 24.6 | 24.6 | 5.6 | 30.2 |
| Solid Waste Facilities | 1.8 | | 1.8 | 2.6 | 0.2 | 2.8 |
| Removal of Arch. Barrier | 8.2 | 7.5 | 15.7 | 5.7 | 5.4 | 11.1 |
| Senior Centers | 6.6 | 10.2 | 16.8 | 4.3 | 9.3 | 13.6 |
| Centers for Handicapped | .8 | 1.1 | 1.9 | 4.7 | 2.4 | 7.1 |
| Renovation of Closed Schools | 2.3 | | 2.3 | 1.2 | 1.1 | 2.3 |
| Historic Preservation | 3.0 | 1.7 | 4.7 | 5.4 | 2.9 | 8.3 |
| Other Pub. Fac. and improve. | 115.4 | 26.7 | 142.1 | 64.2 | 10.9 | 75.1 |
| Economic Development | $263.3 | $42.2 | $305.5 | $293.1 | $62.2 | $355.3 |
| (percent) | (11.5) | (9.0) | (11.1) | (13.3) | (13.1) | (13.2) |
| Assistance to For-Profit Entities | | | | | | |
| Rehab loans and grants | 7.6 | .2 | 7.7 | .2 | — | .2 |
| Other loans and grants | 36.3 | 8.3 | 44.6 | 1.2 | — | 1.2 |
| Acquisition/Disposition | 4.6 | .1 | 4.7 | .2 | — | .2 |
| 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 | 41.6 | 14.1 | 55.7 |
| Other loans and grants | 45.3 | 3.7 | 49.0 | 65.2 | 12.9 | 78.1 |
| Land acq./disposition | 12.1 | 2.2 | 14.3 | 34.4 | 6.5 | 40.9 |
| Infrastructure development | 36.3 | 7.2 | 43.4 | 42.5 | 15.4 | 57.9 |
| Other improvements | 40.7 | 8.4 | 49.1 | 42.2 | 4.9 | 47.1 |
| Special Activities Subrecipients: | | | | | | |
| Loans and grants | 15.3 | 4.0 | 19.3 | 32.8 | 2.7 | 35.5 |
| Other assistance | 25.3 | 1.8 | 27.1 | 20.8 | 2.2 | 23.0 |
| Rehab. of Private Property | 10.9 | .8 | 11.8 | 12.0 | 3.5 | 15.5 |
| Public Services | $241.2 | $23.4 | $264.6 | $217.9 | $22.3 | $240.2 |
| (percent) | (10.6) | (5.0) | (9.6) | (9.9) | (4.7) | (8.9) |
| Public Services | 225.8 | 22.7 | 248.5 | 201.0 | 20.7 | 221.7 |
| Special Activities by Subrecipients | 15.3 | .7 | 16.0 | 16.9 | 1.6 | 18.5 |

Table 1–20 (Continued)

**Estimated Planned Expenditures of CDBG Entitlement Program Funds, FY 1984–1985 (Dollars in Millions)**

| | 1985 | | | 1984 | | |
|---|---|---|---|---|---|---|
| | Metro Cities | Urban Counties | All Entitlements | Metro Cities | Urban Counties | All Entitlements |
| Acquisition, Clearance Related | $96.2 | $15.9 | $112.1 | $85.3 | $5.5 | $90.8 |
| (percent) | (4.2) | (3.4) | (4.1) | (3.9) | (1.2) | (3.4) |
| Acquisition of Real Property | 47.9 | 12.2 | 60.1 | 11.7 | .9 | 12.6 |
| Clearance | 21.9 | 2.2 | 24.1 | 43.8 | 2.1 | 45.9 |
| Relocation | 15.9 | 1.3 | 17.2 | 18.5 | 2.2 | 20.7 |
| Disposition | 10.5 | .2 | 10.7 | 11.3 | .3 | 11.6 |
| Other | $60.2 | $30.9 | $91.1 | $64.5 | $16.6 | $81.1 |
| (percent) | (2.5) | (6.6) | (3.3) | (2.9) | (3.5) | (3.0) |
| Completion of Urban Renewal | 5.0 | .3 | 5.3 | 9.8 | — | 9.8 |
| Contingencies/Local Options | 33.7 | 20.1 | 53.8 | 37.1 | 15.5 | 52.6 |
| Repayment of Section 108 Loans | 21.5 | 10.5 | 32.0 | 16.7 | .9 | 17.6 |
| | | | | .9 | .2 | 1.1 |
| Administration and Planning | $317.2 | $63.6 | $380.7 | $287.3 | $68.6 | $355.9 |
| (percent) | (13.9) | (13.6) | (13.8) | (13.0) | (14.4) | (13.3) |
| Administration | 289.4 | 55.1 | 344.5 | 264.0 | 61.0 | 325.0 |
| Planning | 27.7 | 8.5 | 36.2 | 23.3 | 7.6 | 30.9 |
| Total Program Resources+ | $2,282.5 | $468.1 | $2,750.6 | $2,210 | $475 | $2,685 |

*** 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 7-21: Part 1
## Estimated CDBG Metropolitan City Funding by Major Activities Budgeted
## 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 |
| bercentl | (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 | [illegible] | $324.7 |
| (percent) | (4.6) | (8.3) | (11.0) | [illegible] | (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' | 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 1–21: Part 2

**Estimated CDBG Metropolitan City Funding by Major Activities Budgeted**
**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 | 1906.9 |
| 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 1–22: Part 1

**Estimated CDBG Urban County Funding by Major Activities Budgeted**
**FY 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 | $1 17.4 | $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) | | (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) | (.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 1-22: Part 2**
**Estimated CDBG Urban County Funding by Major Activities Budgeted, 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 |
| (percent) | (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 Data Base

The data presented in this chapter come from the CDBG Performance Monitoring and Evaluation Data Base maintained by HUD's Office of Program Analysis and Evaluation. This data base 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 data base 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.

### 1984 GPB Universe, Sample, and Coding

The universe of communities required to submit 1984 GPRs (the most current GPRs available to HUD) consisted of 682 Metropolitan Cities and 104 Urban Counties that received 1984 CDBG grants.

Data on the actual use of FY 1984 CDBG entitlement program funds came from GPRs submitted by 104 Urban Counties and 216 Metropolitan Cities in the sample. Two cities included in the sample of eligible communities did not submit a GPR because they had never applied for CDBG funds and two cities in the 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 1984 GPR universe and the coded sample of Metropolitan Cities in each stratum.

### 1986 Statement Universe, Sample, and Coding

In FY 1986, 711 Metropolitan Cities and 116 Urban Counties were eligible to receive CDBG entitlement grants. Of that number, 694 cities and 116 counties applied for and received funding; the applications of two cities for FY 1986 funding were 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 1986 grants.

Two of the Metropolitan Cities included in the CDBG sample participated in the program through Urban Counties and one city in the sample did not apply for their 1986 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 1986 funds are based on information submitted by 216 metropolitan Cities and, 116 Urban Counties.

Each Entitlement city was weighted to reflect the ratio of sampled cities to the total number of communities in the stratum that received grants. Table A-2 shows the composition of the 1986 universe of cities receiving entitlement funds and the coded sample of Metropolitan Cities in each stratum.

## TABLE A-1

### CHARACTERISTICS OF 1984 GPR UNIVERSE AND CODED SAMPLE OF METROPOLITAN CITIES

| | Central Cities | | | | Non-Central Cities | | | |
|---|---|---|---|---|---|---|---|---|
| | Formula A | | Formula B | | Formula A | | Formula B | |
| Grant Amount (millions) | N | n | N | n | N | n | N | n |
| $10.0+ | 10 | 10 | 22 | 22 | 0 | 0 | 0 | 0 |
| $4.0-9.9 | 22 | 19 | 26 | 16 | 2 | 2 | 0 | 0 |
| $2.0-3.9 | 31 | 16 | 48 | 22 | 7 | 1 | 7 | 4 |
| $1.0-1.9 | 48 | 13 | 68 | 19 | 25 | 5 | 27 | 11 |
| Less than $1.0 | 135 | 20 | 87 | 15 | 85 | 18 | 25 | 3 |
| Total | 246 | 78 | 251 | 94 | 119 | 26 | 59 | 18 |

N = Number of communities in universe of entitlement communities submitting 1984 GPR.

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

## TABLE A-2

### CHARACTERISTICS OF 1986 STATEMENT UNIVERSE AND CODED SAMPLE OF METROPOLITAN CITIES

| | Central Cities | | | | Non-Central Cities | | | |
|---|---|---|---|---|---|---|---|---|
| | Formula A | | Formula B | | Formula A | | Formula B | |
| Grant Amount (millions) | N | n | N | n | N | n | N | n |
| $10.0+ | 9 | 9 | 18 | 18 | 0 | 0 | 0 | 0 |
| $4.0-9.9 | 15 | 14 | 21 | 16 | 2 | 2 | 0 | 0 |
| $2.0-3.9 | 28 | 16 | 42 | 22 | 4 | 1 | 1 | 1 |
| $1.0-1.9 | 46 | 17 | 71 | 20 | 20 | 4 | 27 | 13 |
| Less than $1.0 | 153 | 21 | 107 | 19 | 97 | 20 | 33 | 3 |
| Total | 251 | 77 | 259 | 95 | 123 | 27 | 61 | 17 |

N = Number of communities awarded Entitlement Program grants in 1986.

n = Number of communities included in sample and coded.

# CHAPTER 2

## THE STATE CDBG AND HUD-ADMINISTERED SMALL CITIES PROGRAMS

### BACKGROUND AND INTRODUCTION

The State Community Development Block Grant and HUD-administered 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 1975 until FY 1982, the CDBG Small Cities program was administered exclusively by HUD, and more than $4.3 billion was awarded through competitions managed by HUD Field Offices. At the Administration's request, Congress changed the administrative structure of the CDBG Small Cities Program in the Omnibus Budget Reconciliation Act of 1981.

Beginning in FY 1982, States were offered the option of administering the program for their communities that did not receive CDBG Entitlement grants, 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. Only three States, New York, Maryland, and Hawaii, currently remain in the HUD-administered Small Cities program.

This Chapter describes the operation of the State CDBG and HUD-administered Small Cities programs in FY 1986. The chapter is divided into four sections. In the first, appropriations, program participation, and funding among the States are described. The second discusses recent program developments and 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 1986 program year. The final section includes a brief discussion of the FY 1986 HUD-administered Small Cities program.

### 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 appropriation remaining after subtracting the amount allocated to the Secretary's Discretionary Fund. In FY 1986, $879.8 million 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 those data reflecting non-entitlement, areas of each State.*

Since FY 1982, Congress has appropriated almost $5 billion for the CDBG Small Cities program of which 90 percent has gone to the State CDBG program and the remainder to the HUD-administered Small Cities program. For FY 1986, Congress

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

appropriated $879.8 million of which approximately $835 million went to 48 State CDBG programs and $45 million to the HUD-administered Small Cities programs.

## THE STATE CDBG PROGRAM

### RECENT PROGRAM DEVELOPMENTS

**Systems Review of State Programs.** The Office of Community Planning and Development revised its approach to the review of State programs in response to an audit of the State CDBG program by the Inspector General's Office, which concluded that States did not have adequate systems in place to satisfy the statutory requirements. The new approach examines the systems each State uses to carry out certain of its obligations under the program. For example, in looking at the State's fundability system, HUD examines how the State determines that the activities it funded are eligible under Section 105(c) of the Act and that they meet one of the program's three national objectives. CPD also reviews the State's systems for audit management, project closeout, and review of recipients. For each of these systems, CPD developed and made available to the States a model approach. Each State is generally free to adopt these models or to develop alternative approaches that it believes better suits its own particular needs and circumstances.

**State Administrator's Manual.** To further assist States in administering their programs, CPD issued a revised State Administrator's Manual that delineates and describes each statutory and regulatory requirement that applies to the program. Additionally, the Administrator's Manual suggests, but does not mandate, approaches a State might use to ensure compliance.

**"Necessary or Appropriate" Requirement.** Section 105(a)(17) of the Housing and Community Development Act of 1974, as amended, allows States to provide direct loans and grants to private for-profit entities if that assistance is "necessary or appropriate to carry out an economic development project." In FY 1986, CPD worked closely with States to focus their attention on this provision and to improve the quality of analysis relating to this requirement at the State level. Moreover, CPD encouraged States to approach economic development so as to emphasize and ensure maximum private financing, thus minimizing reliance on public financing in economic development.

### PROGRAM ADMINISTRATION

**State Set-Asides.** One method that States have used to ensure that CDBG funds address particular needs is to mandate that specific amounts or fractions of their program funding be used to fund particular kinds of activities or communities. Forty-five of the 48 States participating in the State CDBG program use at least one form of set-aside, and most use more than one. Only two States provide for only one category, and one State allots funding to seven categories. Overall, States provide set-asides for an average of four categories.

Set-aside categories can be placed roughly into three types, according to whether they target specific kinds of activities, communities, or grant features. For example, 33 States assigned some proportion of their allocations for economic development; 20 States allotted a set-aside for housing projects; 19 States detailed resources for public facilities; and 13 States assigned monies to planning activities.

Nine States devoted some fraction of their allocations to particular types of communities, e.g., communities with populations of 10,000 or more. In addition, 22 States apportioned parts of their allocations for communities facing some imminent threat.

States also choose to set apart funds to ensure that certain features of their programs, e.g., flexibility or local discretion, are preserved. Twenty States established set-asides to ensure that a range of activities, both single purpose and multi-purpose, could be funded. Eighteen States have set aside discretionary funds from which the Governor can assist particular projects. Thirteen States have assigned funding to multi-year as well as single year projects. Ten States have set aside some part of their allocations for general purpose competitions.

A few States also set aside funds for distinctive purposes. Arkansas, for instance, set aside funds for minority business; Massachusetts, for a "Main Street" financing project; and Illinois, to provide fixed-rate financing for small businesses in recipient communities. California set aside 1.25 percent of its funds for small cities having Native American communities not recognized under Federal law as Indian Tribes. Idaho assigned five percent of its funds for projects benefitting senior citizens. Texas set aside a special impact fund for projects in severely distressed, unincorporated areas of counties.

**State Selection Systems.** All 48 States distribute at least some portion of their CDBG funding through competitions, and it is the principal form of allocation in most-States. In a competition, communities apply to the State for funding and are funded based on a judgment of the relative merits of the activities on which the application is based.

Many States, in addition to regular competitions, consider applications in specific categories, particularly economic development and urgent needs, on an ongoing noncompetitive basis. Agreement on the level of support and the particulars of project design is reached through negotiations between the State and the recipient community. The ongoing character of these application processes allows communities to make project applications in concert with business conditions and specific project circumstances.

Thirty States, or two-thirds of those with competitions, also distribute some part of their funds through one of these application procedures. While many States allocate relatively little of their Block Grant funds this way, at least five States (Indiana, Maine, South Carolina, South Dakota, and Wyoming) use it as their principal allocation mechanism and ten others assign 15 percent or more of their allocations through this method.

Finally, in addition to competitions and/or noncompetitive negotiations, four States use formulas to allocate grants among communities. Pennsylvania distributes 89 percent of its allocation amount through a formula; Puerto Rico, Ohio, and Massachusetts allocate 41, 34, and one percent, respectively.

No single formula factor dominates the formulas. Two States each use population and economic distress in their calculations, but no other factor is included more than once.

**State Selection Priorities.** Most States combined multiple community- and project-based criteria in making awards. In FY 1986, States employed an average of three community selection factors and as many as eight; correspondingly, they used an average of four project factors and as many as nine. Table 2-1 summarizes the frequency with which particular factors were used. As is evident, many States used similar criteria, especially distress and availability of other funds among community level criteria and lower-income benefit, leveraging, and project impact among project criteria.

**TABLE 2-1**

**COMMUNITY- AND PROJECT-BASED SELECTION FACTORS USED BY STATES TO AWARD CDBG FUNDS TO RECIPIENTS, FY 1986**

| | States Using the Factor | |
|---|---|---|
| Community Selection Factors | Number | Percent |
| Economic Distress | 34 | 76% |
| Availability of Other Funds | 30 | 67 |
| Persons in Poverty/Low/Mod | 21 | 46 |
| Urgent Need | 18 | 48 |
| Local Capacity | 16 | 36 |
| Local Effort/Support | 14 | 30 |
| Other Need Factors | 5 | 11 |
| Other | 23 | 51 |
| Project Selection Factors | | |
| Lower-Income Benefit | 33 | 73 |
| Funds Leveraged | 33 | 73 |
| Project Impact | 27 | 60 |
| Cost Effectiveness | 22 | 49 |
| Jobs Created/Retained | 21 | 47 |
| Strategy/Feasibility | 16 | 35 |
| Housing Units Created or Rehabilitated | 11 | 24 |

SOURCE: U.S. Department of Housing and Urban Development, Office of Program Program Analysis and Evaluation, CDBG State Performance and Evaluation Report Evaluation Report Data Base.

**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. For the purposes of Section 104, HUD considers funds distributed when they are under contract to, and, thus, available for, the use of local governments.

Table 2-2 provides data on the timeliness of States' distribution of CDBG funds at two points in time. The first column of figures presents last year's data on the distribution of FY 1984 State grants, and the second and third columns present comparable data collected recently for FY 1985 State grants. The data suggest that a somewhat greater proportion of States had committed high percentages of grants to their recipients under contract this year than last. On the other hand, a small group of States remains very deliberate in bringing their recipient awards under contract.

**TABLE 2-2**

**TIMELINESS OF STATE FUNDS DISTRIBUTION TO RECIPIENTS**

| | FY 1984* | | FY 1985** | | | |
|---|---|---|---|---|---|---|
| Recipients Under Contract | 12 months after HUD Award | | 12 months after HUD Award | | 15 months after HUD Award | |
| | States | Pct. | States | Pct. | States | Pct. |
| 90-100% | 15 | 32% | 21 | 51% | 30 | 75% |
| 80-89 | 15 | 32 | 9 | 22 | 2 | 5 |
| 60-79 | 13 | 28 | 4 | 10 | 5 | 13 |
| 40-59 | 2 | 4 | 5 | 12 | 3 | 7 |
| 0-39 | 2 | 4 | 2 | 5 | 0 | 0 |
| Total | 47 | 100% | 41 | 100% | 40 | 100% |

* As of January 17, 1986
** As of February 5, 1987

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

## USES OF STATE CDBG FUNDS*

As of June 30, 1986, the end of the reporting period for the annual performance reports, State officials reported making awards for a total of $247 million, or 27 percent of the FY 1986 CDBG funds available to States.

reported in the Performance Evaluation Reports. First, seven of these States had not received approval for their FY 1986 allocations prior to the June 30 reporting deadline, and 27 more had received approval only within the previous three months. Second, most States do not distribute all their CDBG funds at one time but, rather, make awards at several different times through the year.

### TYPES OF COMMUNITIES FUNDED

Although each State funded a considerable variety of communities, the typical recipient of State CDBG funds was a town or very small city, e.g. one with a population of less than 10,000 located outside of a metropolitan area.' More than 60 percent of the FY 1986 grants and FY 1986 grant amounts to date have gone to these smaller communities, and approximately 85 percent have gone to communities outside metropolitan areas. (See Table 2-3.)

Most FY 1986 recipients have received similar award amounts. Towns, very small cities, and counties received, on average, between $232,000 and $253,000. However, small cities with populations greater than 10,000 have received significantly larger average grants--$302,000.

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* The data used to describe the funding in the State CDBG program are derived from the FY 1986 Performance Evaluation Reports (PERs) submitted for 47 of the 48 states administering the State CDBG program. In each PER, State officials identified each recipient their State had funded since they began administering the program through June 30, 1986. In addition, they reported the amount of each award, the specific activity funded, the purpose of the activity, and which of the program's three national objectives the award met. This is the first year States have submitted the PER, and, consequently, the data in this report differ from those presented in previous Annual Reports which were derived from press releases or other early announcements of awards and not from actual funding commitments.

\+ In this Chapter, all communities other than counties with populations less than 2,500 are called "towns." Similarly, all non-counties with populations between 2,500 and 10,000 are called "very small cities." All other non-county subrecipients are referred to as "small cities." Although not technically correct, this terminology is used to avoid confusion about which type of community is being described.

**TABLE 2-3**

**CHARACTERISTICS OF FY 1986 STATE CDBG PROGRAM RECIPIENTS, AS OF JUNE 30, 1986+**
**(Dollars in thousands)**

| Type of Community | Grants Number | Grants Percent | Funds Dollars | Funds Percent | Avg. Award |
|---|---|---|---|---|---|
| Towns | 341 | 34% | $79,153 | 32% | $232 |
| Very Small Cities | 293 | 29 | 74,162 | 30 | 253 |
| Small Cities | 129 | 13 | 38,910 | 16 | 302 |
| Counties | 230 | 23 | 54,924 | 22 | 239 |
| No Information | 26 | - | 3,165 | - | 117 |
| Total | 1,019 | 100% | $250,314 | 100% | $246 |
| **Metropolitan Status** | | | | | |
| In Metro Area | 153 | 16% | $ 35,079 | 14% | $229 |
| Outside of Metro Area | 814 | 84 | 207,846 | 86 | 255 |
| No Information | 52 | - | 7,389 | - | 142 |
| Total | 1,019 | 100% | $250,314 | 100% | $246 |

+ Percentages calculated on known characteristics only.

SOURCE: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, State CDBG Performance and Evaluation Report Data Base

## USE OF FY 1986 FUNDS

The FY 1986 grants that State officials reported in their Performance Evaluation Reports funded a total of 2,562 activities. Physical development activities continued to receive by far the largest share of funding. Water and sewer projects (31 percent of funds) and housing rehabilitation (28 percent) received the most funding with direct assistance to for-profit entities (12 percent) third in prominence. Table 2-4 indicates the activities funded in FY 1986 and the dollar amounts awarded for each activity.

TABLE 2-4

**STATE CDBG ACTIVITIES FUNDED AND AMOUNT OF FUNDING, FY 1986+**
**(Dollars in thousands)**

| Activity | Activities Number | Activities Percent | Funds Amount | Funds Percent |
|---|---|---|---|---|
| Water and Sewer | 446 | 17% | $74,279 | 31% |
| Housing Rehabilitation | 372 | 15 | 66,708 | 28 |
| Streets | 191 | 7 | 18,312 | 8 |
| Assistance to For-Profit Entities | 164 | 6 | 28,852 | 12 |
| Acquisition/Disposition | 158 | 6 | 7,860 | 3 |
| Other Public Facilities | 120 | 5 | 11,328 | 5 |
| Community Centers | 63 | 3 | 8,793 | 4 |
| Relocation | 54 | 2 | 3,586 | 1 |
| Public Housing Modernization | 33 | 1 | 1,521 | 1 |
| Public Services | 17 | 1 | 984 | * |
| Interim Assistance/ Code Enforcement | 8 | * | 87 | * |
| Administration | 759 | 30 | 15,309 | 6 |
| Planning | 74 | 3 | 1,573 | 1 |
| Contingencies | 103 | 4 | 428 | * |
| Total | 2,562 | 100% | $239,620 | 100% |

+ As of June 30, 1986.
* Less than .5 percent, or less than $500,000.

SOURCE: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, State CDBG Performance and Evaluation Report Data Base.

In their performance reports, States indicated the purpose for which they chose to fund particular activities. Building or improving public facilities, principally streets and water and sewer facilities, was by far the purpose most pursued in the State CDBG program, receiving 50 percent and 49 percent, respectively, of the FY 1986 activities and grant funds. Housing improvement, mainly housing rehabilitation, and economic development, usually in some form of direct assistance to businesses, each has been funded somewhat less frequently than public improvements. However, because economic development awards tend to be made later than awards for other types of projects, the share of funding going to this purpose will most likely increase after all FY 1986 funds are committed. Table 2-5 shows FY 1986 funding by purpose with a breakdown of the major activities related to each purpose.

TABLE 2-5

**FY 1986 STATE CDBG FUNDING BY PURPOSE OF AWARD+**
**(Dollars in thousands)**

| Purpose and Major Activities | Activities Number | Activities Percent | Funds Amount | Funds Percent |
|---|---|---|---|---|
| Public Facilities | 1,241 | 50% | $116,872 | 49% |
| (Streets, water, sewer) | (592) | (24) | (87,776) | (37) |
| (Other) | (273) | (11) | (23,892) | (10) |
| (Administration) | (376) | (15) | ( 5,204) | ( 2) |
| Housing | 762 | 31 | 80,738 | 34 |
| (Rehabilitation) | (351) | (14) | (64,167) | (27) |
| (Other) | (187) | ( 8) | (9,589) | ( 4) |
| (Administration) | (224) | ( 9) | (6,982) | ( 3) |
| Economic Development | 353 | 14 | 36,490 | 15 |
| (Assistance to for-profits) | (159) | ( 6) | (27,313) | (11) |
| (Other) | ( 92) | ( 4) | ( 7,592) | ( 3) |
| (Administration) | (102) | ( 4) | ( 1,585) | ( 1) |
| Planning | 115 | 5 | 2,852 | 1 |
| Public Services | 21 | 1 | 2,646 | 1 |
| No Information | 105 | - | 2,688 | - |
| Total | 2,597 | 100% | $242,286 | 100% |

+ As of June 30, 1986. Percent based on known characteristics only.

SOURCE: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, State CDBG Performance and Evaluation Report Data Base.

The purpose for which the State CDBG funds were awarded varied considerably according to the type of the recipient. For towns, very small cities, and counties, public facilities received the largest share of funds, followed by housing and economic development. In small cities of more than 10,000 population, housing was the most often funded purpose, followed by public facilities and economic development. For all groups of recipients, planning and public services both received relatively little funding, although the portion of funds awarded for this purpose was slightly greater for larger recipients than for other communities.

**TABLE 2-6**

**FY 1986 STATE CDBG FUNDING BY PURPOSE OF AWARD+ AND TYPE OF RECIPIENT (Dollars in thousands)**

| | Type of Recipient | | | |
|---|---|---|---|---|
| Purpose | Towns | Very Small Cities | Small Cities | Counties |
| Public Facilities | 57% | 47% | 29% | 53% |
| Housing | 27 | 36 | 47 | 27 |
| Economic Development | 15 | 15 | 20 | 19 |
| Planning | 1 | 1 | * | 1 |
| Public Services | * | 1 | 4 | * |
| Total | 100% | 100% | 100% | 100% |
| Amounts awarded | $78,386 | $68,037 | $43,700 | $54,448 |

* Less than .5 percent.
\+ As of June 30, 1986.

SOURCE: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, State CDBG Performance and Evaluation Report Data Base.

## NATIONAL OBJECTIVES

The CDBG program requires that all activities undertaken with CDBG funds must meet one of the program's three national objectives: benefitting people with low and moderate incomes, preventing or eliminating slums or blight, or addressing urgent community development needs. In implementing their programs, States must certify to HUD that they will only fund activities that meet these objectives.

As part of this certification, States must ensure that not less than 51 percent of their CDBG grant funds are used to fund activities that will benefit people with low and moderate incomes over a one-, two-, or three-year period that the State designates. Among 44 States for which FY 1986 information was available, 41 chose to meet the 51-percent requirement in the current year. Two States elected a three-year period, and the other elected a two-year period.

Thirty-one of the 45 States for which we have information have awarded at least 95 percent of their allocations to meet the low- and moderate-income objective since FY 1982. In four States the overall proportion of funds awarded to support this objective was less than 80 percent, with the lowest being 57 percent. (In FY 1982 and FY 1983, that State awarded a large portion of its funds to communities having urgent local needs. In the last three years, however, the State awarded 75 percent of its funds for the low- and moderate income objective.) (See Table 2-7.)

## TABLE 2-7

**CUMULATIVE PERCENT OF AWARDED FUNDS FOR LOW- AND MODERATE-INCOME NATIONAL OBJECTIVE, FY 1982-FY 1986+**

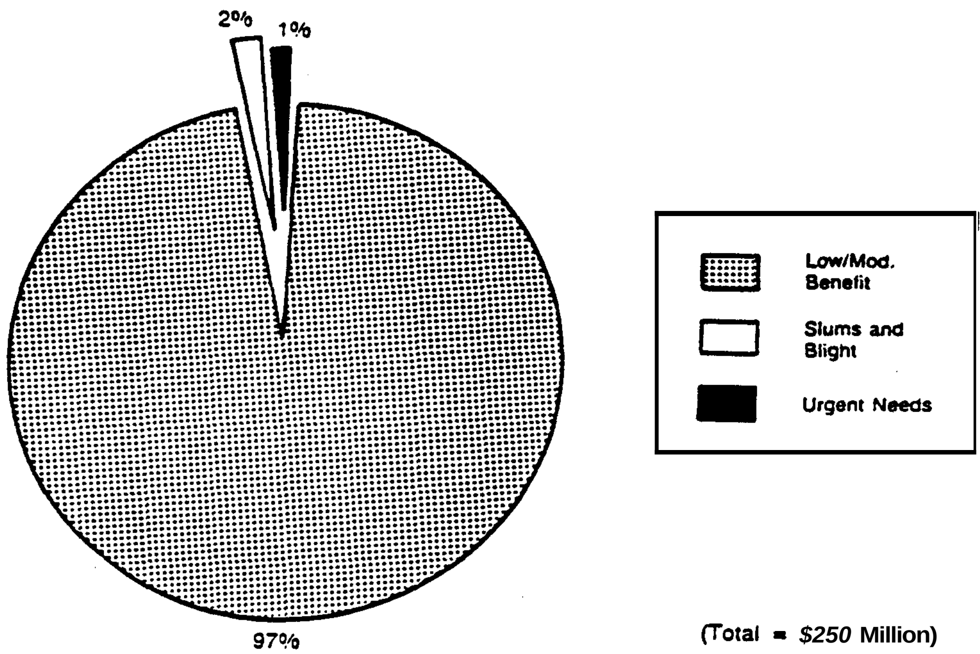
| Low- and Moderate-Income Benefit | FY 1982 - FY 1986 States | FY 1982 - FY 1986 Percent |
|---|---|---|
| 100% | 5 | 11% |
| 95-99 | 26 | 58 |
| 90-94 | 5 | 11 |
| 80-89 | 5 | 11 |
| 57-79 | 4 | 9 |
| Total | 45 | 100% |

\+ As of June 30, 1986.

SOURCE: U.S. [illegible]p rtm[illegible] of [illegible] and Urba[illegible] Development, [illegible] of Program Analysis and Evaluation, [illegible] and [illegible] rt Data Base.

Across all States, 97 percent of FY 1986 funds awarded through June 30, 1986 were intended to meet the national objective of providing benefit to people with low and moderate incomes. The balance of funds was used to advance the other two objectives.

**Figure 2-1**
**Percent of State CDBG Spending**
**by National Objective, FY 1986**




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

Most of the funds awarded in FY 1986 were intended to advance the low- and moderate-income objective, regardless of the specific purpose for which the award was made. There is some variation, however, as 98 percent of funds spent for housing were for low- and moderate-income benefit, while only 85 percent of planning funds were for this objective. (See Table 2-8.)

The very high degree of reported program benefit for individuals with low and moderate incomes was evident for all types and sizes of recipients. The slight variation that appeared across types of recipients showed that grants to very small towns met the low- and moderate-income benefit objective somewhat less frequently (94 percent) than in other cities and towns (97 percent), and that counties exhibited the highest such benefit at 99 percent. (See Table 2-9.)

## TABLE 2-8

### PERCENT OF FY 1986 STATE CDBG AWARDED BY PURPOSE OF FUNDS AND NATIONAL OBJECTIVE+ (Dollars in thousands)

| | National Objective | | |
|---|---|---|---|
| Purpose | Low- and Moderate-Income Benefit | Slums and Blight | Urgent Needs |
| Public Facilities | 96% | 3% | 1% |
| Housing | 98 | 1 | 1 |
| Economic Development | 96 | 4 | * |
| Planning | 85 | 15 | 0 |
| Public Services | 99 | 1 | 0 |
| Total | 96% | 3% | 1% |
| Amount | $238,409 | $6,005 | $2,245 |

+ As of June 30, 1986.
* Less than .5 percent

SOURCE: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, State CDBG Performance and Evaluation Report Data Base.

## TABLE 2-9

### PERCENT BENEFIT TO LOW- AND MODERATE INCOME PERSONS IN FY 1986 BY TYPE OF RECIPIENT+

| Recipient Size or Type | Low- and Moderate-Income Benefit |
|---|---|
| Town | 94% |
| Very small city | 97 |
| Small city | 97 |
| County | 99 |

+ As of June 30, 1986.

SOURCE: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, State CDBG Performance and Evaluation Report Data Base.

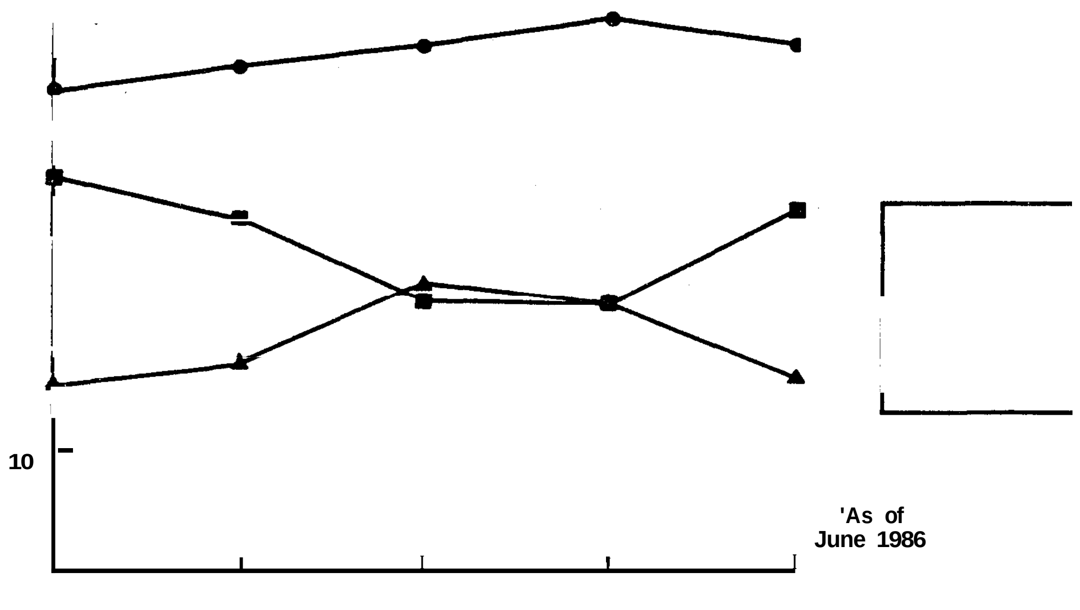
## FY 1982-FY 1986 TRENDS

**Purpose of Awards.** The FY 1986 State CDBG awards discussed above do not provide a complete picture of how State officials use their CDBG funds because only about one-third of all awards were made by the time PER reports were prepared in June 1986. Data from other years of the program, however, place the FY 1986 funding in greater context.

In the aggregate, the relative funding priorities of the States, and, in particular, the emphasis on physical development projects, have not changed greatly since States began administering the State CDBG program in FY 1982, although aggregate support for housing has declined and for economic development has increased correspondingly over the period.

Public improvements, notably water and sewer facilities and streets, consistently have received more than 45 percent of program funds. This emphasis, based on the partial information available to date, has continued in FY 1986. (See Figure 2-2.)

Figure 2-2
Percent of State CDBG Awards
by Purpose and Fiscal Year'




Source: U.S. Depanment of Housing and Urban Development. Community Planning and Development. Office of Program Analysis and Evaluation.

Housing activitieg, mainly housing rehabilitation, received about 35 percent of program funds in FY 1982, and then declined to 23 percent in FY 1984. That level of funding continued through FY 1985, but increased to 34 percent in the early FY 1986 data. The FY 1986 increase probably does not indicate a change in program direction, but, rather, that housing projects were selected earlier in the year than were economic development projects.

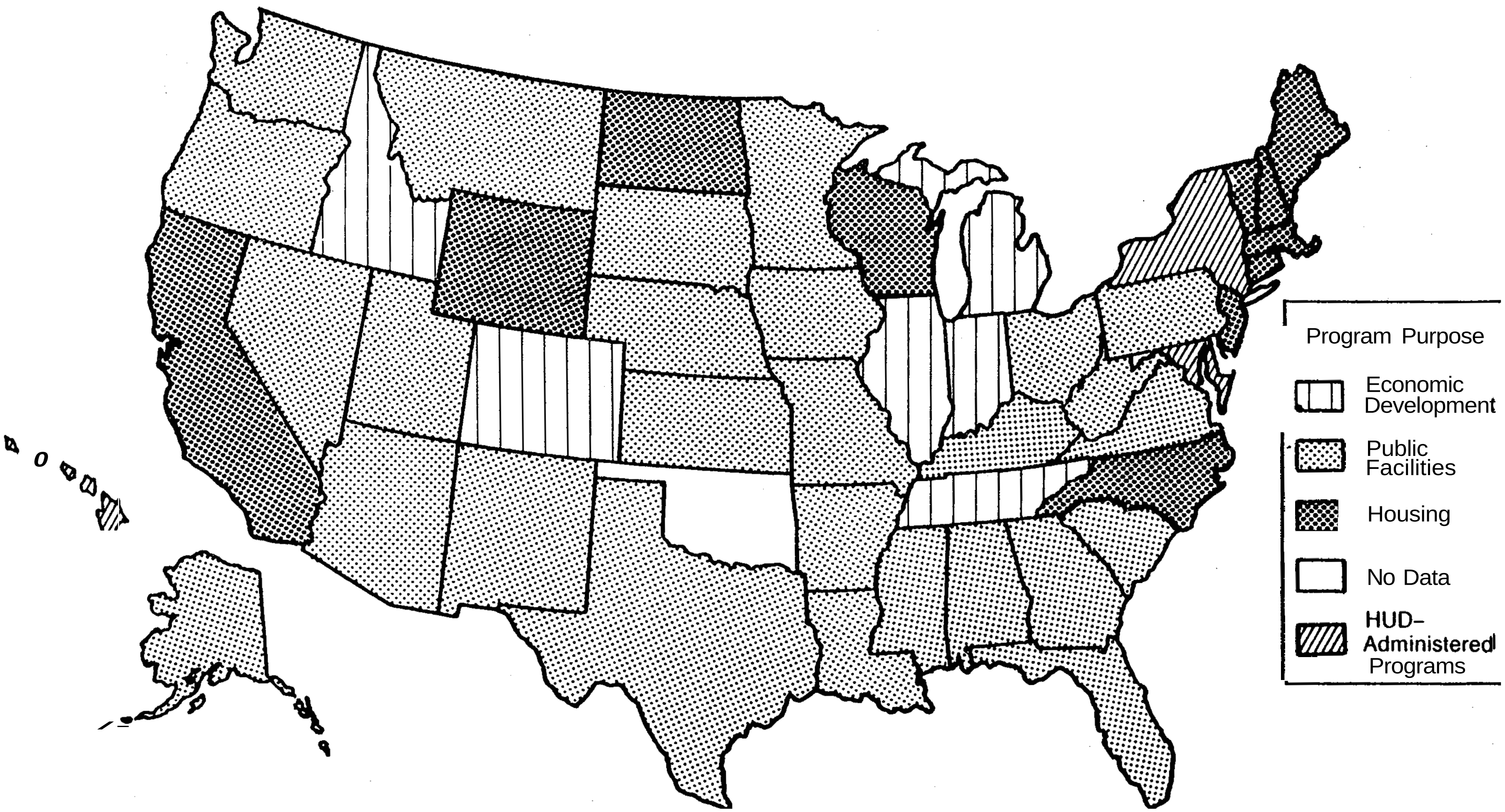
Economic development funding, mainly assistance to for-profit entities, but also involving large investments for infrastructure improvements related to local economic development projects, has increased significantly since the States began to administer the CDBG program in 1982. From a low of 16 percent that first year, funding for economic development increased to 25 percent in FY 1984 and remained about the same in FY 1985. This change between FY 1982 and FY 1984 probably reflects a change in priorities since the prior HUD program. The apparent decline in economic development funding in FY 1986 is a likely result of economic development awards being made later in the program year, and, therefore, not being fully reflected in reports made on June 30, 1986.

Funding for public services and planning consistently has been at about one percent in all years of the State-administered program.

Figure 2-3 shows how States have awarded the largest share of their CDBG funds by purpose since 1982. At least. in the aggregate, support for public facilities remains the major focus of State funding for FYs 1982 through 1985. Twenty-nine of the 47 States for which information was available expended more of their allocations over those four years for public facilities than for any other activity, and twenty States spent more than half of their allocations from this period on such activities.

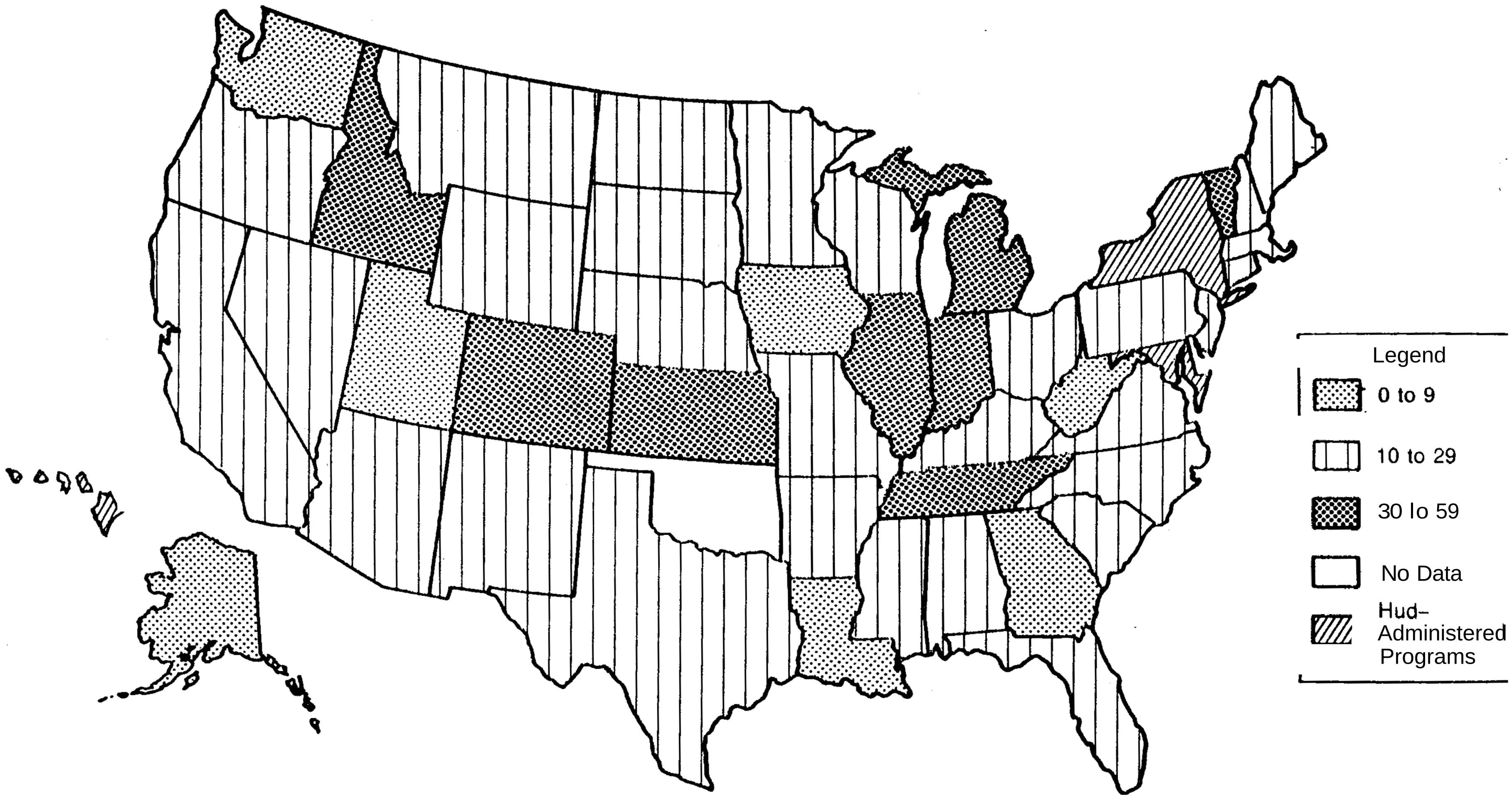
Figure 2-4 displays the aggregate share of CDBG spending going to economic development activity from FYs 1982 through 1985. The figure indicates that almost two-thirds of the States for which information is available have spent between ten and 30 percent of their CDBG funding for economic development. Half of the remaining States spent less than ten percent on such activities, and the other half expended more than 30 percent. Two States have spent at least 50 percent of their cumulative allocations for economic development.

**Figure 2-3**
**State CDBG Program Primary Funding Purpose**
**by State, FYs 1982–1985**




Source: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, CDBG State Performance and Evaluation Data Base.

**Figure 2-4**
**Percent of State CDBG Spending for**
**Economic Development, FYs 1982–1985**




Source: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, CDBG State Performance and Evaluation Data Base.

**Size of Recipients.** Since the States assumed the administration of the CDBG program in FY 1982, there has been a gradual increase in the proportion of funds going to smaller communities. Towns, i.e., communities with populations of less than 2,500, received approximately 23 percent of the program funds in FY 1982 and 30 percent in FY 1985. Conversely, the share of funds going to small cities with populations greater than 10,000 declined from 26 percent in FY 1982 to 19 percent in FY 1985. The relative portion of funds going to other recipients has changed very little since FY 1982.

The partial data from FY 1986 do not appear to be inconsistent with established trends in the program. (See Table 2-10.)

**TABLE 2-10**

**PERCENT OF STATE CDBG FUNDING BY TYPE OF RECIPIENT, FISCAL YEARS 1982-1986+**
(Dollars in millions)

| Type of Recipient | Percent of Funds Awarded in FY 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| Towns | 23% | 25% | 29% | 30% | 32% |
| Very small cities | 29 | 32 | 29 | 28 | 28 |
| Small cities | 26 | 24 | 20 | 19 | 18 |
| Counties | 22 | 19 | 22 | 23 | 22 |
| Total | 100% | 100% | 100% | 100% | 100% |
| Funds Awarded | $708 | $907 | $898 | $848 | $247 |

+ As of June 30, 1986.

SOURCE: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, State CDBG Performance and Evaluation Report Data Base.

Table 2-11 indicates that, in addition to receiving a large and growing share of yearly grant dollars, towns and very small cities make up a large portion of recipients. However, most of the smaller communities receiving grants have received just one grant. In contrast, of communities with populations of 10,000 or more that have received grants since FY 1982, 68 percent have received two or more grants. About half of the counties and cities with populations between 2,500 and 10,000 that have received grants have received more than one grant.

TABLE 2-11

**PERCENT OF COMMUNITIES RECEIVING MORE THAN ONE STATE CDBG GRANT BY TYPE OF RECIPIENT, FY 1982-FY 1986+**

| Number of Grants | Type of Recipient: Towns | Very Small Cities | Small Cities | Counties |
|---|---|---|---|---|
| One | 75% | 44% | 32% | 49% |
| Two | 19 | 27 | 22 | 24 |
| Three | 5 | 16 | 21 | 15 |
| Four | 1 | 9 | 14 | 7 |
| Five or More | * | 4 | 0 | 5 |
| Total | 100% | 100% | 100% | 100% |
| Number of Communities | 3,221 | 1,629 | 800 | 1,291 |

+ As of June 30, 1986.

SOURCE: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, CDBG State Performance and Evaluation Report Data Base.

**Funding for National Objectives.** Since FY 1982, providing benefit to people with low and moderate incomes consistently has received at least 95 percent of State CDBG funds annually. Eliminating slums or blight and addressing urgent

TABLE 2-12

**PERCENT OF STATE CDBG FUNDING BY NATIONAL OBJECTIVE, FY 1982-1986+**

| National Objective | Percent of Funding in Fiscal Year: 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| Low and Moderate Income Benefit | 96% | 95% | 95% | 96% | 97% |
| Eliminating Slums or Blight | 2 | 2 | 3 | 2 | 2 |
| Meeting other Urgent Needs | 2 | 3 | 2 | 2 | 1 |
| Total | 100% | 100% | 100% | 100% | 100% |
| Total Funds | ($708) | ($907) | ($898) | ($848) | ($247) |

+ As of June 30, 1986.

SOURCE: U.S. Department of Housing and Urban Development, Office of Program Analysis and Evaluation, CDBG State Performance and Evaluation Report Data Base.

needs each has received two or three percent of funds per year. The partial data from FY 1986 reflect a continuation of this pattern, which is summarized in Table 2-12.

## THE HUD-ADMINISTERED SMALL CITIES PROGRAM

### SELECTION PROCESS

By FY 1986, only Hawaii, Maryland, and New York had chosen not to administer the CDBG program themselves. In these three States, the program was administered by HUD field offices in Honolulu, Baltimore, New York City, and Buffalo, respectively, which distributed the CDBG allocations for those States using a competitive application process.

During FY 1986, these four HUD offices received applications from 305 small communities. Applications that met the basic threshold requirements were rated using the four criteria shown below and then ranked against other applications received in that field office,

TABLE **2-13**

**SELECTION FACTORS FOR APPLICANTS IN THE HUD-ADMINISTERED SMALL CITIES PROGRAM, FY 1986**

| Factor | Points |
|---|---|
| Need: | |
| Number of persons in poverty (1980) | 75 |
| Percent of persons in poverty (1980) | 75 |
| Program impact | 400 |
| Outstanding performance: | |
| Fair Housing | 40 |
| Local equal opportunity efforts | 25 |
| Total | 615 |

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

### FUNDING AND AWARDS

HUD funded 127, or 40 percent, of the applications received by field offices in FY 1986. (See Table 2-14.) The largest proportion of both grants (35 percent) and grant funds (38 percent) went to communities that submitted applications for housing rehabilitation activities. The remainder of the needs each has received two or three percent of funds per year. The partial data from FY 1986 reflect a continuation of this pattern, which is summarized in Table 2-12.

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| Outstanding performance: | |
| Fair Housing | 40 |
| Local equal opportunity efforts | 25 |
| Total | 615 |

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### FUNDING AND AWARDS

HUD funded 127, or 40 percent, of the applications received by field offices in FY 1986. (See Table 2-14.) The largest proportion of both grants (35 percent) and grant funds (38 percent) went to communities that submitted applications for housing rehabilitation activities. The remainder of the grants were awarded in roughly equal numbers to communities requesting funds for economic development projects, public works improvements, and more comprehensive projects. The awards for comprehensive projects, however, because of their much larger average size--$520,000 as opposed to the less than $275,000 for the other types of projects--accounted for a substantial share of the CDBG monies awarded in FY 1986.

**TABLE 2-14**

**HUD-ADMINISTERED SMALL CITIES PROGRAM**
**APPLICATIONS RECEIVED, AND NUMBER, PERCENT, AND AMOUNT OF GRANTS**
**AWARDED BY PROGRAM ACTIVITY FUNDED, FY 1986**

| | Applications | | Total Grants | | | |
|---|---|---|---|---|---|---|
| Program Activity | Number | Pct. | Number | Pct. | Amount | Pct. |
| Housing | 119 | 39% | 45 | 35% | $16 | 38% |
| Economic Development | 79 | 26 | 30 | 24 | 7 | 16 |
| Public Works | 66 | 22 | 27 | 21 | 7 | 16 |
| Comprehensive | 41 | 13 | 25 | 20 | 3 | 30 |
| Total | 305 | 100% | 127 | 100% | $43 | 100% |

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

Table 2-15 offers HUD-administered Small Cities program data along two dimensions. One dimension is funding amount by community size. Here, the table indicates that nearly 60 percent of the FY 1986 funding in the HUD-administered program went to communities of less than 10,000, with much smaller amounts to communities with populations of 10,000 to 50,000 and to non-urban counties.

The other dimension is program activity. In general, the two categories of communities with populations less than 10,000 tended to receive funding for economic development activities with public works and comprehensive activities having smaller and similar amounts. Those non-urban counties that were funded supported proportionately more housing and comprehensive activities and less public works and economic development. The larger small cities tended to receive more money based on comprehensive activities, perhaps reflecting size, program complexity, and expertise.

**TABLE 2-15**

**HUD-ADMINISTERED SMALL CITIES PROGRAM**
**PROGRAM ACTIVITY FUNDED BY TYPE OF RECIPIENT, FY 1986**

| Program Activity | Towns | | Very Small Cities | | Small Cities | | Counties | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Pct. | Amount | Pct. | Amount | Pct. | Amount | Pct. |
| Public Works | $2,758 | 21% | $3,292 | 24% | $ 175 | 2% | $ 594 | 7% |
| Economic Development | 5,901 | 45 | 5,486 | 40 | 2,025 | 20 | 2,584 | 31 |
| Housing | 949 | 7 | 1,696 | 13 | 1,600 | 16 | 2,619 | 31 |
| Comprehensive | 3,476 | 27 | 3,130 | 23 | 6,303 | 62 | 2,571 | 31 |
| Total | $13,084 | 100% | 13,604 | 100% | 10,103 | 100% | $8,368 | 100% |

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

## Table 2–16
## State CDBG and HUD-Administered Small Cities Programs Allocations by State, FYs 1981–1986
## (Dollars in Thousands)

| State | FY 1981 | FY 1982 | FY 1983 | FY 1984 | FY 1985 | FY 1986 |
|---|---|---|---|---|---|---|
| Alabama | $28.007' | $31,727 | $29,792 | $28,803 | $29,102 | $25,372 |
| Alaska | 1,283' | 1,315 | 1,504 | 1,651 | 1,706 | 1,521 |
| Arizona | 5,284' | 5,998 | 6,849 | 6,301 | 6,425 | 5,635 |
| Arkansas | 20,433' | 22,902' | 21,215 | 20,525 | 20,712 | 18,071 |
| California | 23.327' | 24,708' | 27,142 | 30,101 | 27,028 | 22,168 |
| Colorado | 8,585' | 9,654' | 10,128 | 9,534 | 9,783 | 7,821 |
| Connecticut | 8.417' | 9,978 | 10,120 | 10,386 | 10,481 | 9,086 |
| Delaware | 1,449' | 1,587 | 1,663 | 1,645 | 1,642 | 1,438 |
| Florida | 21,051* | 23,076* | 25,982 | 26,909 | 27,679 | 21,232 |
| Georgia | 34,380' | 36,676 | 36,408 | 36,454 | 36,920 | 31,497 |
| Hawaii | 1,525' | 1,633' | 1,896' | 2,544' | 2,598' | 2,293" |
| Idaho | 5,713* | 6,280 | 7,102 | 7,312 | 7,420 | 6,487 |
| Illinois | 32,409' | 33,713 | 33,485 | 33,209 | 33,375 | 28,822 |
| Indiana' | 26,263' | 30,254 | 29,801 | 28,935 | 29,125 | 25,130 |
| Iowa | 22,498' | 24,908 | 24,775 | 24,920 | 25,096 | 21,693 |
| Kansas | 16,084' | 17,885* | 17,484' | 16,808 | 16,973 | 14,210 |
| Kentucky | 27,238' | 30,639 . | 29,316 | 28,764 | 28,987 | 25,258 |
| Louisiana | 27,586* | 30.837 | 27,787 | 27,041 | 26,823 | 23,461 |
| Maine | 9,493' | 10,090 | 10,524 | 11,259 | 11,360 | 9,852 |
| Maryland | 8,556' | 8,325' | 8,315' | 8,154' | 8,039' | 6,996* |
| Minnesota | 22,512' | 26,542 | 27,380 | 27,626 | 27,834 | 24,110 |
| Michigan | 28,424' | 30,506 | 31,822 | 31,837 | 32,140 | 27,794 |
| Minnesota | 19,721* | 22,249* | 22,291 | 21,689 | 21,806 | 18,254 |
| Mississippi | 30,303' | 33,925 | 30,349 | 30,824 | 31,177 | 27,166 |
| Missouri | 23,560' | 26,218 | 25,803 | 24,096 | 24,290 | 21,082 |
| Montana | 5,595' | 6,109 | 6,327 | 6,213 | 6,276 | 5,448 |
| Nebraska | 10,928' | 12,101 | 11,897 | 12,049 | 12,142 | 10,492 |
| Nevada | 2,031* | 1,291 | 1,520 | 1,682 | 1,693 | 1,485 |
| New Hampshire | 5,742' | 5,731* | 6,015 | 6,629 | 6,710 | 5,829 |
| New Jersey | 9,999' | 11,381 | 11,915 | 8,326 | 8,833 | 7,669 |
| New Mexico | 8,414' | 9,329* | 9,324 | 9,724 | 9,407 | 8,254 |
| New York | 37,424' | 39,225" | 39,315* | 42,342' | 41,460' | 36,007* |
| North Carolina | 41,707* | 46,374 | 43,868 | 42,685 | 43,176 | 37,433 |
| North Dakota | 5,164' | 5,704 | 5,528 | 5,341 | 5,407 | 4,690 |
| Ohio | 39,317' | 44,040 | 44,927 | 44,719 | 43,516 | 37,612 |
| Oklahoma | 16,550* | 18,517 | 17,719 | 15,836 | 16,194 | 14,178 |
| Oregon | 9,204' | 9,894' | 11,081 | 10,189 | 10,282 | 8,923 |
| Pennsylvania | 37,764' | 42,622 | 42,691 | 44,359 | 44,334 | 38,358 |
| Puerto Rico | 44,730* | 47,050 | 54,796 | 55,906 | 56,592 | 48,003 |
| Rhode Island | 4,121' | 4,443 | 4,441 | 4,059 | 4,097 | 3,551 |
| South Carolina | 24,641" | 26,938 | 25,614 | 26,008 | 26,365 | 23,073 |
| South Dakota | 6,111. | 7,057 | 6,754 | 6,921 | 6,975 | 6,037 |
| Tennessee | 26,349' | 30,105 | 28,531 | 27,448 | 27,751 | 23,775 |
| Texas | 50,292' | 57,619' | 56,886 | 61,569 | 62,986 | 53,907 |
| Utah | 3,557' | 4,235 | 4,728 | 5,028 | 5,170 | 4,573 |
| Vermont | 4,882' | 4,905' | 5,145 | 5,613 | 5,666 | 4,915 |
| Virginia | 23,290* | 25,520 | 24,005 | 22,346 | 22,592 | 19,730 |
| Washington | 11,080' | 11,342 | 12,179 | 11,707 | 10,931 | 9,543 |
| West Virginia | 16,600" | 18,714 | 17,743 | 17,113 | 17,248 | 14,921 |
| Wisconsin | 23,015' | 25,058 | 24,998 | 25,816 | 26,065 | 22,548 |
| Wyoming | 2,964* | 2,921 | 2,970 | 2,985 | 3,061 | 2,357 |
| Total | $925,582 | $1,019,850 | $1,019,850 | $1,019,940 | $1,023,450 | $879,760 |
| State Admin.: | | | | | | |
| Amount: | — | 762,715 | 952,840 | 966,900 | 971,353 | 834,464 |
| Number: | — | (37) | (47) | (48) | (48) | (48) |
| HUD Admin.: | | | | | | |
| Amount: | 925,582 | 257,135 | 64,010 | 53,040 | 52,097 | 45,296 |
| Number: | (51) | (14) | (4) | (3) | (3) | (3) |

* HUD-administered

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

## Table 2–17
## State CDBG Activities Funded FYs 1982–1986
## (Dollars in Thousands)

| Activities | Amount FY 1982 | FY 1983 | FY 1984 | FY 1985 | FY 1986 + |
|---|---|---|---|---|---|
| Water and Sewer | $168,319 | $246.314 | 5290,140 | 5253,483 | 574,279 |
| Housing Rehabilitation | 165,326 | 195.729 | 163.481 | 160,083 | 66.708 |
| Streets | 73.761 | 114,818 | 85,870 | 82.008 | 18,312 |
| Assistance to For-Profa Entities | 68.145 | 107,353 | 161,495 | 146.852 | 28,852 |
| Acquisition/Disposition | 30,140 | 40.833 | 32,759 | 28.611 | 7,860 |
| Cther Public Facilities | 68,317 | 54.554 | 42.202 | 48,017 | 11.328 |
| Community Centers | 16,013 | 20.568 | 24.871 | 32,276 | 8,793 |
| Relocation | 19,219 | 21,484 | 14,501 | 12.587 | 3,586 |
| Public Housing Modernization | 762 | 1,644 | 3,005 | 6.032 | 1,521 |
| Public Services | 3,513 | 2,526 | 5,535 | 4,798 | 984 |
| Interim Assistance/Code Enforcement | 536 | 9.642 | 354 | 393 | 87 |
| Administration | 49.255 | 66,431 | 61,692 | 61.788 | 15,309 |
| Planning | 4.464 | 11,403 | 5.380 | 5.821 | 1,573 |
| Contingencies | 2.624 | 10,648 | 7.393 | 3.815 | 428 |
| Total | 5670,394 | $903.948 | 5898.678 | $846.564 | $239.620 |

+ As of June 30, 1986

SOURCE: U.S. Department of Housing and Urban Develcpment, Office of Program Analysis and Evaluation. CDBG State Performance and Evaluation Data Base.

## Table 2–18
## State CDBG Funding by Purpose of Grant
## FYs 1982–1986
## (Dollars in Thousands)

| Purpose | Funds FY 1982 | FY 1983 | FY 1984 | FY 1985 | FY 1986 + |
|---|---|---|---|---|---|
| Public Facilities | $295,847 | $413,738 | $432,556 | $420,773 | 5119,702 |
| (Street. Water, Sewers) | (199.474) | (302,837) | (329.756) | (299,227) | (87,773) |
| (Cther) | (81,549) | (87,979) | (75,776) | (95,040) | (26.725) |
| (Administration) | (14,824) | (22.922) | (27,024) | (26,506) | (5,204) |
| Housing | 241,923 | 290,379 | 218.418 | 204514 | 81,138 |
| (Rehabilitation) | (158.929) | (187,490) | (153.823) | (154,709) | (64,168) |
| (Cther) | (58.471) | (74,297) | (37.842) | (31.316) | (9.988) |
| (Administration) | (24.523) | (28.592) | (23.753) | (18,489) | (6.982) |
| Economic Celeloprnent | 118.241 | 176,871 | 236.245 | 202.292 | 41,297 |
| (Assistance to For-Profits) | (62,107) | (104,732) | (159,707) | (144,757) | (27,313) |
| (Cther) | (50.947) | (61,425) | (68.124) | (48,037) | (12,399) |
| (Administration) | (5,187) | (10.714) | (8,414) | (9,498) | (1,585) |
| Planning | 8,772 | 14.040 | 7,390 | 13,260 | 2.852 |
| Public Service | 7,044 | 7,599 | 7.275 | 6.621 | 2,646 |
| No Information | 2.836 | 6.508 | 352 | 180 | 22 |
| Total | $674,663 | 5909,045 | 3902,236 | 5847,640 | 5247,656 |

+ As of June 30, 1986

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

Table 2-19
**Estimated Planned Expenditures By Small Cities Grantees, FYs 1979–1981 (Dollars in Millions)**

| | FY 1978 | FY 1979 | FY 1980 | FY 1981 |
|---|---|---|---|---|
| Public Facilities and Improvements | $224.8 | $331.3 | $388.1 | $352.3 |
| (percent) | (44.1) | (45.0) | (42.3) | (40.5) |
| Street Improvements | 80.6 | 117.5 | 139.1 | 118.7 |
| Parks, Recreation, etc. | 9.3 | 12.0 | 13.5 | 16.0 |
| Water and Sewer | 85.4 | 138.2 | 161.8 | 150.4 |
| Flood and Drainage | 16.3 | 18.7 | 23.8 | 19.8 |
| Neighborhood Facilities | 8.4 | 10.0 | 11.9 | 12.0 |
| Solid Waste Facilities | 1.2 | 2.1 | 2.9 | 1.7 |
| Parking Facilities | 1.2 | 1.7 | 2.6 | 2.6 |
| Fire Protection Facilities | 4.1 | 4.6 | 5.0 | 3.5 |
| Removal of Arch. Barriers | 1.0 | 2.1 | 1.4 | 2.1 |
| Senior Centers | 3.9 | 6.6 | 6.2 | 6.3 |
| Centers for the Handicapped | 3.9 | 5.2 | 6.2 | 3.8 |
| Other Public Works and Fac. | 9.5 | 12.6 | 13.7 | 15.4 |
| Housing Related Activities | $144.3 | $221.1 | $301.1 | $298.5 |
| (percent) | (28.2) | (30.1) | (32.8) | (34.5) |
| Rehab. of Private Property | 132.6 | 205.9 | 282.2 | 284.3 |
| Rehab. of Pub. Resi. Structures | 5.3 | 9.3 | 11.8 | 7.5 |
| Rehab. of Publ. Housing Mod. | 3.1 | 1.6 | 2.2 | 1.8 |
| Code Enforcement | 2.7 | 3.7 | 4.3 | 4.0 |
| Historic Preservation | .6 | .6 | .6 | .9 |
| Acquisition and Clearance Related | $80.0 | $99.3 | $119.1 | $101.2 |
| (percent) | (15.7) | (13.4) | (13.0) | (11.7) |
| Acquisition of Real Property | 45.8 | 52.6 | 59.6 | 50.9 |
| Clearance | 6.7 | 9.7 | 11.0 | 8.7 |
| Relocation | 27.3 | 36.4 | 47.6 | 41.1 |
| Disposition | .2 | .6 | .9 | .5 |
| Public Services | $2.0 | $2.2 | $2.8 | $2.2 |
| (percent) | (0.3) | (0.3) | (0.3) | (0.3) |
| Economic Development | $9.8 | $10.3 | $15.6 | $22.0 |
| (percent) | (1.8) | (1.3) | (1.8) | (2.6) |
| Local Development Corporation | 2.2 | 2.5 | 4.2 | 6.8 |
| Public Fac and Impr for ED | 2.2 | 3.1 | 4.4 | 5.5 |
| Com and Ind Fac for ED | 3.3 | 3.1 | 5.6 | 7.5 |
| Acquisition for ED | 2.1 | 1.6 | 1.4 | 2.2 |
| Completion of Categorical Prog. | * | $.1 | $.9 | $1.0 |
| (percent) | (–) | (–) | (0.1) | (0.1) |
| Contingencies and Local Options | $11.3 | $15.0 | $17.5 | $17.1 |
| (percent) | (2.2) | (2.0) | (1.9) | (2.0) |
| Administration and Planning | $37.4 | $57.0 | $75.1 | $73.2 |
| (percent) | (7.4) | (7.8) | (8.2) | (8.4) |
| Administration | 31.5 | 50.0 | 69.1 | 66.3 |
| Planning | 5.9 | 7.0 | 6.0 | 6.9 |
| Total Resources | $509.6 | $736.3 | $920.2 | $867.5 |
| Net Grant Amount | 508.3 | 734.4 | 914.4 | 850.7 |
| Other Program Resources+ | 1.3 | 1.9 | 5.8 | 6.8 |

N/A = Not Available
+ Includes program income. surplus urban renewal funds. loan proceed, and funds reprogrammed from prior years' grants.
* Less than $50,000
– Less than .05 percent

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

Table 2–20
**Estimated** Planned **Expenditures In** the **HUD-Administered Small** Cities **Program**
**FYs 1975–1978**
**(Dollars in Millions)**

| | FY 1975 | FY 1976 | FY 1977 |
|---|---|---|---|
| Public Facilities and Improvements | $171.3 | S208.3 | $207.0 |
| (percent) | (65.2) | (61.2) | (47.8) |
| Public Works, Facilities and Site Improvements | 171.3 | 208.3 | 207.0 |
| Payments for Loss of Rental Income | * | * | * |
| Rehabilitation | **$24.8** | s44.7 | $105.3 |
| (percent) | (9.5) | (13.1) | (24.3) |
| Rehabilitation Loans and Grants | 22.2 | 42.0 | 102.2 |
| Code Enforcement | 2.6 | 2.7 | 3.1 |
| Acquisition/Clearance | $37.8 | $50.6 | s73.9 |
| (percent) | (14.3) | (14.8) | (17.0) |
| Acquisition | 24.5 | 28.4 | 34.8 |
| Clearance, Demolition and Rehabilitation | 8.7 | 12.1 | 24.7 |
| Disposition | .1 | .1 | .1 |
| Relocation Payments and Assistance | 4.5 | 10.0 | 14.3 |
| Public Services | **$2.7** | **$2.0** | **$2.2** |
| (percent) | **(0.5)** | **(0.3)** | **(0.3)** |
| Provision of Public Services | 1.3 | .9 | .9 |
| Special Projects for the Elderly and Handicapped | 1.4 | 1.1 | 1.3 |
| Completion of Categorical Programs | $7.5 | s7.9 | **$4.3** |
| (percent) | (2.9) | (2.3) | (1.0) |
| Completion of Urban Renewal Projects | 4.9 | 6.3 | **3.5** |
| Continuation of Model Cities Activities | * | .1 | * |
| Payment of Non-Federal Share | 2.6 | 1.5 | .8 |
| Contingencies and Local Options | **$6.0** | $7.9 | **$8.8** |
| (percent) | **(2.3)** | (2.3) | (2.0) |
| Admin. and Planning | $12.6 | S19.2 | $31.2 |
| (percent) | (4.8) | (5.7) | (7.2) |
| Administration | 7.5 | 13.9 | 25.5 |
| Planning/Management | 5.1 | 5.3 | 5.7 |
| Total Resources | $262.7 | S340.6 | $432.7 |
| Net Grant Amount | 259.7 | 338.7 | 429.6 |
| Other Program Resources+ | 3.0 | 1.9 | 3.1 |

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

* **Less than $50,000**

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

## 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 1986.[1] The basic purposes of the UDAG program are to stimulate employment and to generate tax and other revenues in distressed communities by providing grants to be used to leverage private investment in economic development projects. Grants are made to units of general local government which, in most cases, use the funds to make loans to private sector commercial or residential real estate developers or to industrial companies.

### PROGRAM DESCRIPTION

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

By statute, not less than 25 percent of the funds appropriated for the UDAG program must be made available for small cities of less than 50,000 population. Small cities compete separately from large cities and urban counties for this portion of program funds.

To obtain a UDAG award for a proposed project, an eligible community must obtain firm financial commitments from private sector participants. The private investment must be at least two and one-half times the amount of the Action Grant. It must be demonstrated that "but for" the infusion of UDAG funds the project could not be undertaken, and that the UDAG amount is "the least amount required."

Major factors in project selection are the comparative degree of economic impaction and distress of the applying jurisdiction; the ratio of private investment leveraged; UDAG dollars per new permanent job; the number of new permanent jobs to be created, particularly for persons of low- and moderate-incomes; and the amount of local government tax revenues to be generated. A project selection formula was established in early FY 1984 to respond to the condition in which there were more fundable projects than money available to fund them. (See Exhibit 3-1 for a description of the project selection formula.)

Once a project is selected for an Action Grant award, final agreements are signed by the private, local government, and HUD participants and project development commences. Two documents--a grant agreement, which is a contract between the locality and HUD stating final terms and conditions of the activities to be undertaken, and the legally binding commitments which document enforceable commitments from project participants--are executed before a Letter of Credit allowing the recipient to draw down UDAG funds is issued to the locality. In addition, environmental requirements must be met before most project activities supported by the Action Grant can be undertaken.

During project development, continued Action Grant funding is conditioned on meeting the performance schedule specified in the grant agreement. Grantees submit semi-annual progress reports throughout the development period and projects are also monitored by HUD Field staff. Projects are "closed-out" when all activities defined in the grant agreement are finished and all costs have been incurred. A project is subsequently considered "completed" by HUD when all performance requirements such as jobs and taxes have been met and Single Audit Act Requirements are met.[2]

### CHAPTER ORGANIZATION

The first section, Recent Program Developments, discusses the authorization and appropriation of funds for the fiscal year. The next, Program Operations, discusses program participation in FY 1986; the financial and locational characteristics of all projects funded as of the end of FY 1986; project construction and completion status; UDAG drawdowns and private expenditures. The third, Program Benefits, identifies planned and actual program benefits in the provision of jobs, tax revenues to local jurisdictions, and housing and minority benefits. The final section, Projects with Signed Grant Agreements, highlights detailed project characteristics by project type in funded projects with grant agreements that have been signed by both HUD and the grantee.

The Appendix includes a description of each of the projects for which preliminary application approval was announced in FY 1986.

## RECENT PROGRAM DEVELOPMENTS

### FISCAL YEAR AUTHORIZATION AND APPROPRIATION

The Housing and Urban-Rural Recovery Act of 1983 authorized $440 million for the UDAG program for FY 1986. The 1986 Appropriations Act provided $330 million, and the Gramm-Rudman-Hollings Act reductions lowered the amount to $315.8 million.

Congress did not uphold the Administration's proposed rescission of FY 1986 UDAG program funds, but the resultant program delay required that the number of small city funding rounds be reduced from three to two. For administrative reasons, there were four funding rounds for large city projects announced during FY 1986.

No new legislation affecting the UDAG program was passed during FY 1986 nor were there any significant changes in program regulations or administrative procedures.

## PROGRAM OPERATIONS

### PARTICIPATION IN THE PROGRAM DURING FY 1986

The Department announced preliminary application approval of 287 applications for $442 million in UDAG funds during FY 1986. Seven of these projects subsequently were terminated during the fiscal year for various reasons, but primarily because the financing arrangements fell through. The remaining 280 funded projects are located in 185 jurisdictions and involve $437 million in Action Grant funds. These funds included appropriated funds for FY 1986; unannounced, unobligated funds carried over from FY 1985 appropriations; and funds recaptured from projects terminated during FY 1986.

### CHARACTERISTICS OF FUNDED PROJECTS

**UDAG Funds Obligated.** Through the end of FY 1986, a total of 3,156 projects have received preliminary application approval. The Department obligates appropriated UDAG program funds for individual projects when HUD signs the grant agreement. The Department has signed grant agreements for 3,150 UDAG projects, obligating funds in the amount of $4,606,187,000. This amount does not reflect any deobligations for projects subsequently terminated. For FY 1986, budget documents indicate that obligations of $365.4 million were incurred for 285 projects (some of which were announced in previous fiscal years).

**Financial Characteristics of Funded Projects.** "Funded" projects are those that have received an announcement of preliminary application approval, have not been terminated, and ither are approved but not yet started, underway, closed out, or completed.' Of the 3,156 projects announced over the life of the UDAG program, 492 projects subsequently were terminated. The balance of 2,764 funded projects are located in 1,151 communities and represent a planned total public and private investment of $32.7 billion. (See Table 3-1.)

Action Grant funds of $4.2 billion leveraged private investment of $26.1 billion and the balance of $2.4 billion was provided by other Federal grants and State and local government grants. Note: A more detailed breakdown of funding sources for projects with grant agreements signed by both parties is provided in the final section of this chapter in Table 3-10. For basic information on the financial characteristics and planned benefits of funded projects, by fiscal year, see Exhibit 3-2 at the end of this chapter.[4]

During FY 1986, there were 280 projects funded involving $437 million in UDAG funds that leveraged about $3.5 billion in private investment and an additional $30 million in Federal grants and $418 million in grants from State and local governments.

In FY 1986, the UDAG share of total project costs was ten percent, compared to 13 percent for all funded projects. The difference was accounted for by an Increase in State and local government grants. This reflects project underwriting practices in which increasingly scarce UDAG dollars are made to leverage additional other public and private investment to ensure project viability.

**TABLE 3-1**

**NUMBER OF PROJECTS AND SOURCES OF FUNDS**
**FY 1986 AND CUMULATIVELY**
**(Dollars in Millions)**

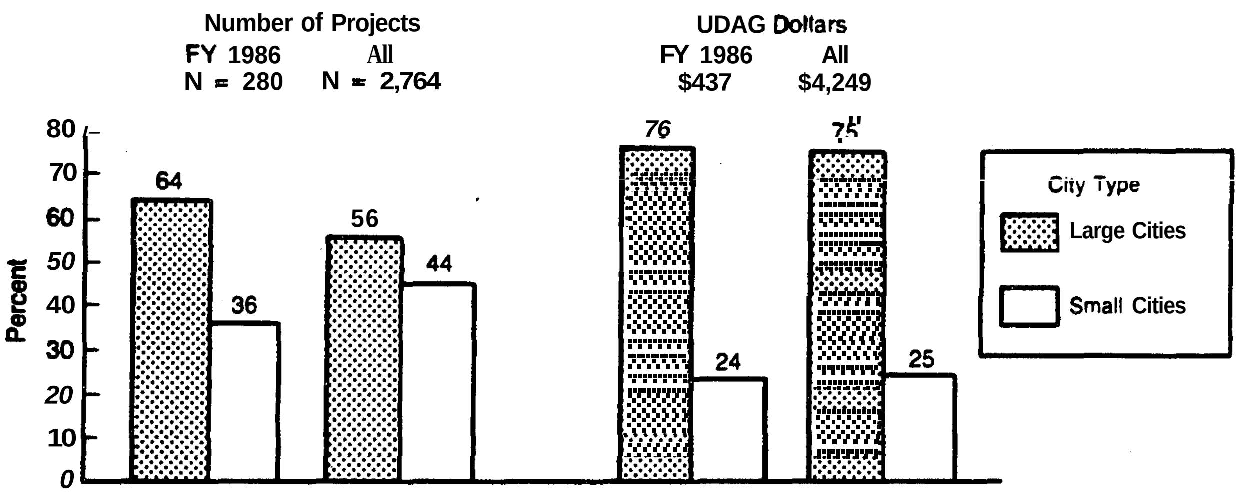
| Category | FY 1986 | Percent | Program Totals | Percent |
|---|---|---|---|---|
| Number of Funded Projects | 280 | | 2,764 | |
| Action Grant Funds | $ 437 | 10% | $ 4,249 | 13% |
| Private Commitment | 3,486 | 79 | 26,059 | 80 |
| Other Federal Grants | 69 | 2 | 571 | 2 |
| State and Local Grants | 418 | 9 | 1,829 | 5 |
| Total Project Expenditures | $4,411 | 100% | $32,708 | 100% |

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

The increased competition for awards resulting from the use of the selection formula, in which the ratio of private investment to the UDAG dollars can receive up to 10 points, explains why the ratio for FY 1986 was 8:1. This ratio was about the same as for FY 1985, but 2.3 points higher than the average ratio for the period FY 1978 to FY 1984. As a consequence, the average Action Grant dollar per project for FY 1986 was $1.56 million, almost the same as the average of $1.53 million for all funded projects. However, the average total project cost of $15.8 million for FY 1986 was higher than the $11.8 million average for the life of the program. This increase, in part, reflects the higher costs of construction and a changing mix of project types.

**Distribution of Projects and Action Grant Dollars by City Type.** The proposed FY 1986 budget rescissions resulted in delays that reduced the number of small city funding rounds from three to two. In addition, for administrative reasons, the results of four large city rounds were announced in FY 1986 instead of the usual three. As a consequence, 64 percent of the total projects funded in FY 1986 were located in large cities and urban counties. Historically, only 56 percent of the projects are accounted for by large cities and urban counties. (See Figure 3-1.) The portion of UDAG dollars awarded to large cities was 76 percent in 1986, only slightly higher than the program average of 75 percent. In dollar amounts, $331 million in UDAG funds were made available to 93 large cities in FY 1986 and $3.2 billion since the program began has been awarded to 323 such jurisdictions.

**Figure 3-1**
**Distribution of Funded Projects and UDAG Dollars by City Type**
**FY 1986 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.

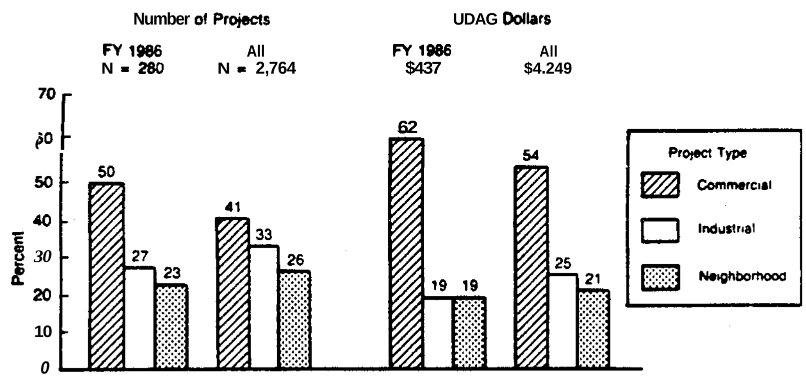
In FY 1986, there were 100 Action Grants in the amount of $106 million awarded to 92 small cities. Since the beginning of the program, 828 small cities have received more than $1.0 billion from 1,223 projects.

**Pockets of Poverty Projects.** The statute creating the UDAG program was amended during 1979 to add a "Pockets of Poverty" provision whereby non-distressed communities that conta n areas or pockets, with severe distress are allowed to apply for UDAG funds.' Pockets of Poverty projects can be of any nature, but must primarily emphasize benefits to low- and moderate-income residents of the pocket, and a 20 percent match of the Action Grant amount must be provided by the local government. The amendment provided that up to 20 percent of the Action Grant funds appropriated in a given fiscal year can be used for Pockets of Poverty projects. HUD funded nine Pockets of Poverty projects in FY 1986, in the amount of $23 million. Since the 1979 amendment, 52 such projects have been awarded involving $87 million in UDAG funds.

**Distribution of Projects and Action Grant Dollars by Project Type.** UDAG projects are classified under one of three types: commercial, industrial, or neighborhood. Commercial projects support retail, hotel, office, and mixed-use activities. In FY 1986, 50 percent of the funded projects were classified as commercial compared to 41 percent of the cumulative share. The $272 million made available during the fiscal year for commercial projects constituted 62 percent of all UDAG dollars committed; for all projects, it is 54 percent. (See Figure 3-2.)

For FY 1986, industrial projects accounted for 27 percent of all projects funded and 19 percent of the UDAG dollars, while the program averages are 33 percent and 25 percent respectively. Neighborhood projects, largely consisting of activities relating to housing, comprised the balance of FY 1986 projects (23%) and UDAG dollars (19%). Historically, 26 percent of all UDAG projects are classified as neighborhood projects and they have received 21 percent of total program funds.

Figure 8 2
**Distribution of Funded Projects and UDAG Dollars by Project Type**
**FY 1986 and Cumulatively**
**(Dollars In Millions)**



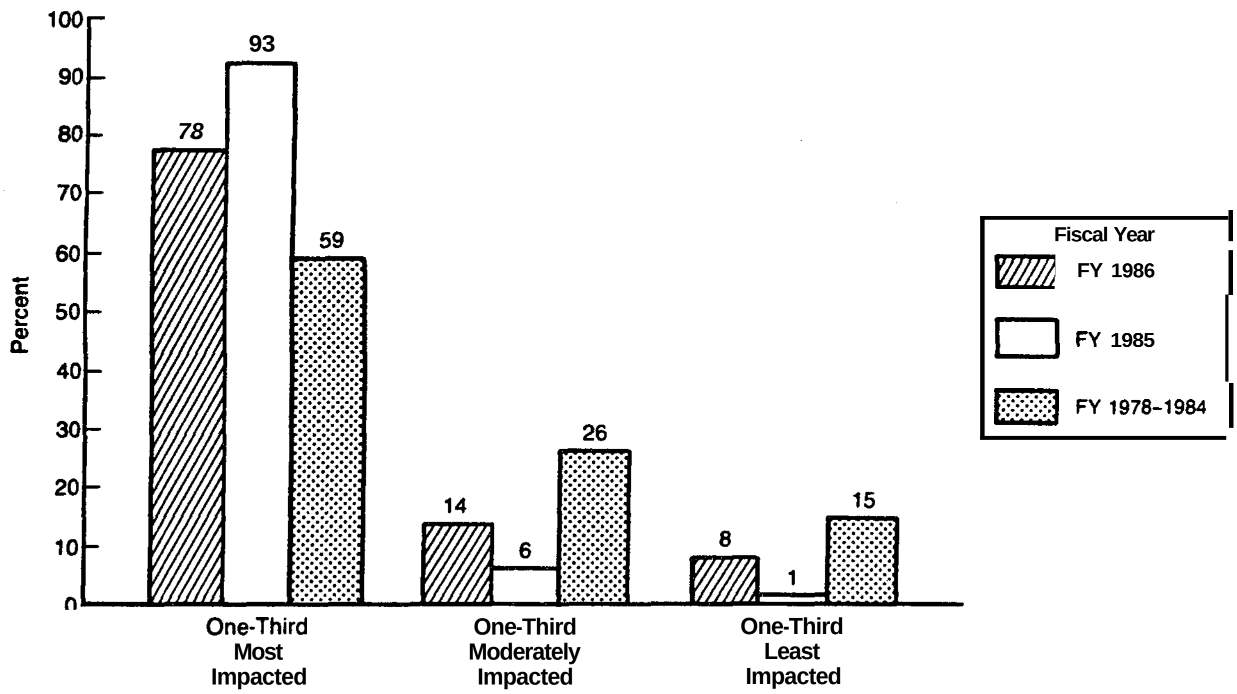

Source U.S Department of Housing and Urban Development. Community Planning and Development. Office of Management. Action Grant Information System.

Of the UDAG funds received by large cities over the life of the program, commercial projects account for the largest share, 61 percent, compared to 23 percent for neighborhood projects, and 16 percent for industrial projects. In contrast, in small cities, 51 percent of the UDAG funds involved industrial projects, compared to 33 percent for commercial projects and 16 percent for neighborhood projects.

**Distribution of UDAG Dollars by Degree of Impaction.** The UDAG 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. Impaction is measured by the degree of population growth lag/decline, the extent of poverty, and the percentage of pre-1940 housing. In the selection formula introduced in late 1983, impaction accounts for 40 of the formula's possible 100 points.

For large cities in FY 1986, 78 percent of all UDAG dollars was awarded to communities within the one-third most impacted of all eligible communities compared to 93 percent in the previous fiscal year. This reflects the impact of the selection formula, as the average for the one-third most impacted cities from FY 1978 to FY 1984 was 59 percent. Fourteen percent of UDAG funds were received by communities in the one-third moderately impacted group in FY 1986, compared to 26 percent through FY 1984. Eight percent of large city funds were awarded to those among the one-third least impacted in FY 1986, compared to 15 percent through FY 1984. (See Figure 3-3.) These calculations exclude Pockets of Poverty projects, awards to Indian Tribes, and projects in communities that had become ineligible due to changes in their distress rating, but had a several-month extension past the expiration date in which to submit applications. In both FY 1985 and 1986, between five and six percent of large city projects fell into this last category.

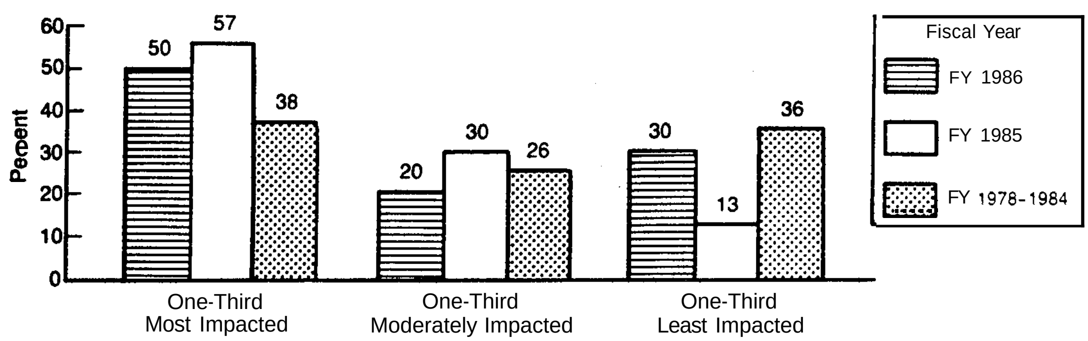
**Figure 3-3**
**Distribution of UDAG Dollars Among Eligible Large Cities by Degree of Impaction by Fiscal Year**




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

In FY 1986, one-half of the UDAG dollars in small cities were awarded to cities among the one-third most impacted. This was lower than the previous fiscal year (57%), but higher than the percentage through FY 1984 (38%). This analysis excludes the same project categories as was the case for large cities.

**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.

The affect of the use of the selection formula has been to increase the share of Action Grant dollars awarded to cities with higher degrees of impaction, both large and small. However, over the life of the UDAG program, high impaction large cities have always made greater use of it, as measured by both the proportion of applications submitted and awards made. In contrast, applications from and awards made to small cities have always been more widely distributed as measured by their degree of impaction.

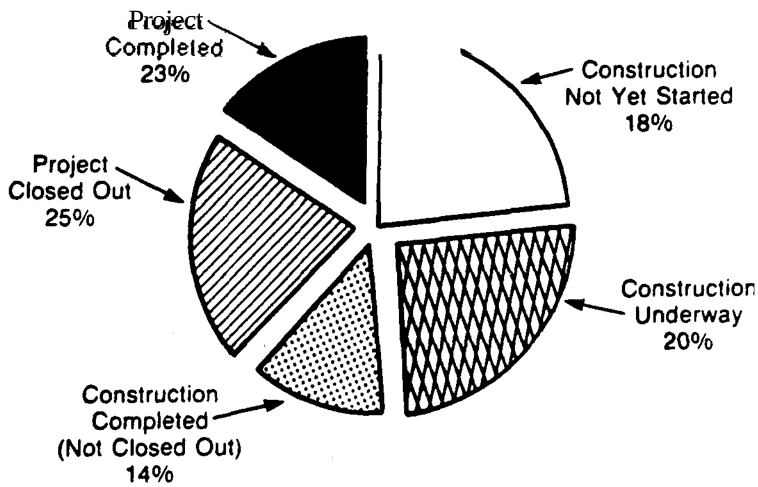
## PROJECT PROGRESS AND EXPENDITURE RATES

This section provides information on the construction and completion status of funded projects as of the end of FY 1986, as well as the amount and rate of UDAG drawdowns and private expenditures.

**Construction and Completion Status.** As of September, 1986, 81 percent of all funded UDAG projects were either completed, closed out, or underway. (See Figure 3-5.) This was an increase from the end of the previous fiscal year when 77 percent of all projects were in this status, reflecting the aging of the program. There were 624 projects (23%) that had been issued Certificates of Completion and 685 projects (25%) that had been closed out, but had not yet been issued such Certificates. Together, completed and closed out projects constituted 48 percent of all funded projects, up from 38 percent as of the end of FY 1985. This reflects the aging of the program and the lower number of awards in recent years.

Eighteen percent of funded projects (532) had not yet been started, and 20 percent of projects (543) still had construction underway. Finally, construction was completed on 14 percent (380) of all projects but they had not yet expended all of their funds and thus had not been closed out by HUD.

**Figure 3-5**
**Construction and Completion Status of All Funded Projects as of the End of FY 1986**




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

UDAG Drawdowns. According to the HUD Office of Finance and Accounting, UDAG recipients had drawn down $2,919,000,000 in program funds as of the close of FY 1986. This amount was 63 percent of the $4,606,187,000 in funds obligated.

Private Expenditures. Over $26 billion in planned private investment not derived from government grants was projected to be spent for UDAG projects funded through FY 1986. (See Table 3-2.) Grantees reported that $21.7 billion had been expended by the end of FY 1986. This amount represented 83 percent of planned expenditures. For completed and closed out projects, more private funds had been expended than actually planned (121%).

The private expenditure rate for small city and large city projects was 85 percent and 83 percent, respectively. The highest rate was in industrial projects (89%); the lowest, in neighborhood projects (78%).

TABLE 3-2

PLANNED VERSUS ACTUAL PRIVATE INVESTMENT IN FUNDED PROJECTS
CUMULATIVE AS OF OF SEPTEMBER 30, 1986
(Dollars in Millions)

| Projects | Planned | Actual | Percent Actual of Planned |
|---|---|---|---|
| All Projects | $26,059 | $21,731 | 83% |
| Large Cities | 18,957 | 15,673 | 83 |
| Small Cities | 7,103 | 6,059 | 85 |
| Commercial | 13,494 | 10,965 | 81 |
| Industrial | 8,479 | 7,579 | 89 |
| Neighborhood | 4,086 | 3,187 | 78 |
| Closed Out and Completed Projects | $8,708 | $10,533 | 121% |

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 briefly the benefits, both planned and actual, derived from all funded Action Grant projects. Among the benefits included are jobs created (including those for low- and moderate-income and minority persons); revenues for local governments in the form of taxes and paybacks from UDAG loans; housing units built or rehabilitated; and minority contracts and minority investment in projects.[6]

## EMPLOYMENT BENEFITS

Planned Employment Benefits. Projects funded in FY 1986 plan for the creation of 54,000 new permanent jobs, of which 57 percent are designated for low- and moderate-income persons and 36 percent for minorities. In addition, these projects were expected to create 50,700 construction jobs and retain 8,400 jobs. (See Table 3-3.)

Cumulatively, over 550,000 new permanent jobs and 447,000 construction jobs are planned in funded projects. Fifty-five percent of the permanent jobs (305,000) were estimated to benefit low- and moderate-income persons and 20 percent, minority persons (112,000).

TABLE 3-3

**PLANNED EMPLOYMENT BENEFITS IN FUNDED PROJECTS**
**FY 1986 AND CUMULATIVELY**

| FY 1986 Planned Benefits | All Projects | Projects |
|---|---|---|
| New Permanent Jobs | 54,036 | 50,790 |
| Low/Moderate Income Jobs | 30,691 | 305,093 |
| Percent Low/Moderate | 57% | 55% |
| Minority Jobs | 19,521 | 112,180 |
| Percent Minority | 36% | 20% |
| New Permanent Jobs Per Project | 193 | 199 |
| UDAG Dollars Per New Job | $ 8,090 | $ 7,715 |
| Retained Jobs | 8,404 | 130,423 |
| Construction Jobs | 50,703 | 447,645 |

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

In FY 1986, the average amount of UDAG dollars per planned new permanent job was $8,090; this was higher than the average of $7,715 for all projects. The average number of new permanent jobs per project in FY 1986 was 193, six less than the historic average of 199.

A large majority of planned new permanent jobs were related to commercial projects in FY 1986 (79%), more than for FY 1985 (67%), and substantially greater than for the period FY 1978 to 1984 (57%). In contrast, the percent of jobs associated with industrial projects (19%) declined compared to the previous fiscal year (31%) and to the cumulative period through FY 1984 (32%). The percent of jobs generated from neighborhood (largely housing) projects dropped from an average of 11 percent from the period FY 1978 to FY 1984 to two percent in both FY 1985 and FY 1986. As indicated in the previous section, the drop in employment from neighborhood and industrial projects reflects the fact that proportionally fewer of these types of projects were funded in recent years.

The decreased proportion of neighborhood projects in recent years resulted in a generally declining average-UDAG cost-per-job created. The reason is that the historic UDAG cost-per-planned permanent job is higher for neighborhood projects ($17,770) than for commercial projects ($6,982) and industrial projects ($6,141).

In many cases, projects have been funded that retained existing permanent jobs that would have otherwise been lost to the community. Over the life of the program, **130,000** jobs have been retained, including **8,400** in FY **1986**. The ratio of new permanent to retained jobs in FY **1986** was **6.4:1**, compared to the historic ratio for the entire life of the program of **4.2:1**. This reflects the current emphasis on attracting new economic development and that new permanent jobs carry significantly more weight in the selection formula than do retained jobs.

A considerable number of construction jobs were planned to be created by the UDAG projects: close to **450,000** over the life of the program and **50,700** for FY **1986** projects.

TABLE 3-4

**NEW PERMANENT JOBS CREATED IN FUNDED PROJECTS**
**CUMULATIVE AS OF SEPTEMBER 30, 1986**

| Type of Job | Planned | Created | Percent of Planned Jobs Actually Created |
|---|---|---|---|
| New Permanent | 550,790 | 273,573 | 50% |
| Commercial Projects | 329,537 | 143,975 | 44 |
| Industrial Projects | 170,531 | 101,189 | 59 |
| Neighborhood Projects | 50,722 | 28,409 | 56 |
| Low/Mod Total | 305,093 | 164,422 | 54 |
| Completed/Closed Out Projects | | | |
| New Permanent Jobs | 215,834 | 172,826 | 80 |
| Low/Mod Income Jobs | 125,825 | 108,172 | 86 |

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

**Actual Jobs Created**. Since many projects have not yet been completed, the actual number of permanent jobs created by funded projects through FY **1986** of almost **275,000** was **50** percent of total planned employment. (See Table **3-4**.) Of the total new jobs actually created, **165,000** were for low- or moderate-income persons, **54** percent of the number planned. The highest percentage of job creation was in industrial projects **(59%)**, compared to neighborhood projects **(56%)**, and commercial projects **(44%)**.

When uncompleted projects are excluded from the calculation, the percent of actual jobs created increases significantly. Eighty percent of planned new permanent jobs were actually created in completed or closed out projects and 86 percent of planned new jobs for low- and moderate-income persons.

## PLANNED FISCAL BENEFITS

**Planned Fiscal Benefits.** There are two sources of fiscal benefits to local governments from UDAG projects: income generated directly from the UDAG projects themselves, and, indirectly, from induced development. Since information on spin-off development, while significant, is not covered in local government periodic performance reports to HUD, only direct fiscal benefits are described here.

Projects funded since the program was created were expected to produce over $625 million annually in net new tax revenues. Of this amount, $400 million was expected to come from property taxes, $200 million from other taxes, and about $25 million from payments-in-lieu-of-taxes (PILOT). Historically, tax abatements, offered as an inducement to development, occur in 21 percent of all projects, reducing the net amount of new tax benefits. This is taken into account in the figures cited above.

Sixty-three percent of the total planned new revenues from property and other taxes were to come from commercial projects, although such projects constituted only 54 percent of total grant assistance. Twenty percent were related to industrial projects which accounted for 25 percent of all UDAG dollars; and 18 percent from neighborhood projects, which represented 21 percent of UDAG dollars.

TABLE 3-5

**PLANNED ANNUAL FISCAL BENEFITS FROM FUNDED PROJECTS**
**FY 1986 AND CUMULATIVELY**
**(Dollars in Millions)**

| Type of Revenue | FY 1986 Projects | All Projects |
|---|---|---|
| Property Tax | $41 | $402 |
| Other Taxes | 31 | 202 |
| PILOT | 3 | 24 |
| Total | $75 | $628 |
| Percent with Abatements | 16% | 21% |

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

**Actual Tax Revenues Received.** Information on both estimated and reported revenues is the least reliable of the various UDAG program benefits. The most recent data provided by grantees indicate that 34 percent of planned new annual revenues from all funded projects actually have been realized by local governments. The largest component of both planned and actual fiscal benefits derived from property taxes. Over $400 million in annual property tax revenues were anticipated from all funded projects. The actual benefit reported was $135 million. (See Table 3-6.) In closed out and completed projects, $64 million (42%) of total planned property tax revenue of $153 million is reported as being received. In general, property taxes are not received until a Certificate of Occupancy is issued for the structure and the building has been appraised for tax purposes.

There is a differential rate of realization of property and other tax benefits among the different types of projects. Industrial projects have annual property and other tax benefits that are 55 percent of the total planned amount. However, commercial and neighborhood projects realized only 28 and 29 percent, respectively, of their projected tax benefits.

**TABLE 3-6**

**ANNUAL TAX AND RELATED REVENUES PLANNED AND RECEIVED IN FUNDED PROJECTS CUMULATIVE AS OF SEPTEMBER 30, 1986**
**(Dollars in Millions)**

| Revenue Source | Planned | Received | Percent of Planned Revenues Actually Received |
|---|---|---|---|
| All Funded Projects | | | |
| Property Tax | $402 | $135 | 34% |
| Other Taxes | 202 | 52 | 26 |
| PILOT* | 24 | 21 | 88 |
| Total | $628 | $209 | 33% |
| Completed and Closed Out Projects | | | |
| Property Tax | $153 | 64 | 42% |
| Other Taxes | 60 | 36 | 60 |
| PILOT* | 13 | 4 | 31 |
| Total | $226 | $104 | 46% |

*Payments in lieu of taxes

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

**Paybacks of UDAG Loans.** Another fiscal benefit of the UDAG program is provided by paybacks from UDAG funds loaned to developers or from equity "kickers" where the city enjoys a return from project profitability. As of the end of FY 1986, 568 local jurisdictions reported receiving $232 million in paybacks from 947 projects. Communities are authorized to use paybacks for activities eligible under Title I of the Housing and Community Development Act of 1974, as amended.

## HOUSING BENEFITS

**Planned Housing Benefits.** Over the life of the program, communities anticipated building or rehabilitating almost 107,000 housing units, of which 38 percent were designated for low- and moderate-income persons. Fifty-three percent of this housing involved new construction and the balance, the rehabilitation of existing units.

Over the years, the mix of housing types has been changing. Through FY 1984, the percent serving low- and moderate-income persons averaged 40 percent, but declined to 29 percent and 32 percent for FY 1985 and 1986, respectively. The percent accounted for by new construction has been increasing. Historically, through FY 1984, it was 48 percent; however, new construction increased to 71 percent in FY 1985 and to 82 percent of all housing assisted in FY 1986.

The additional number of units to be built and rehabilitated under the program, however, has declined over the years. Because projects with housing create few new permanent jobs, they do not compete as effectively under the selection formula as do commercial and industrial projects. From FY 1978 to FY 1983, there was only one year in which less than 13,000 units were planned to be built with assistance under the program. In each of the fiscal years FY 1985 and 1986, the total number of units planned to be produced was just under 8,900.

**Housing Units Completed.** Grantees reported that just under 60,000 housing units were completed in UDAG projects as of the end of FY 1986, or 56 percent of the total number of planned units. Of this amount, 30,000 were new units and 29,700 were rehabilitated units. Over 25,000 of the units were designated for low- and moderate-income persons, or 61 percent of those planned.

For completed and closed out projects, the ratio of actual to planned units is significantly higher. There were almost 14,400 new units actually built in such projects, or 83 percent of the almost 17,400 planned. Just under 20,500 units were rehabilitated in completed projects, or 78 percent of the 26,160 planned. Of the new and rehablitated units, almost 15,000 were for low- and moderate-fncome persons, or 79 percent of those originally planned.

## BENEFITS TO MINORITIES

A variety of benefits related to UDAG projects involve or were planned for minorities and minority-owned firms. These include jobs planned for minority persons, awards made to minority contractors and subcontractors, and participation in project ownership by minority individuals.[7]

**Minority Employment.** Sixty percent of all UDAG projects have planned new permanent jobs designated for minorities. The total number of such jobs was over 121,000 and accounted for 20 percent of all planned new permanent jobs. This does not include minority employment in retained and construction jobs. In FY 1986 projects, almost 20,000 jobs were planned for minorities, or 36 percent of all new permanent jobs.

As of the end of FY 1986, the number of jobs actually created for minorities was just over 69,000, or 62 percent of those planned. (See Table 3-7.) The ratio of actual to planned employment was higher for minorities (62%) than for total employment (50%). Industrial projects had the highest ratio of actual to planned minority jobs (77%). Over one-half (56%) of the planned minority jobs in commercial projects were created.

For closed out and completed projects, more minority jobs were created than planned (147%). However, planned jobs are understated because, during the early years of the program, planned minority jobs were not included in applications as a separate category while jobs for minority persons actually created have always been reported by grantees.

**TABLE 3-7**

**PLANNED AND ACTUAL MINORITY JOBS CUMULATIVE TO AS OF SEPTEMBER 30, 1986**

| | Planned | Actual | Percent |
|---|---|---|---|
| All Projects | | | |
| Total | 112,180 | 69,168 | 62% |
| Large City | 85,953 | 51,033 | 59 |
| Small City | 26,227 | 18,135 | 69 |
| Industrial | 28,192 | 21,848 | 77 |
| Commercial | 72,592 | 21,848 | 53 |
| Neighborhood | 11,396 | 8,692 | 76 |
| Completed/Closed Out Projects | 27,686 | 40,751 | 147% |

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

**Minority Contracts.** There have been more than 12,200 contracts with a value of approximately $1.2 billion awarded to minority-owned firms over the life of the program. This constituted 16 percent of all UDAG contracts awarded to date in UDAG projects and eight percent of total contract dollars. (See Table 3-8.)

**Planned Minority Financial Interests.** Thirteen +percent of all projects approved under the program, as of the end of FY 1986, involved a financial interest on the part of minority firms or individuals. This financial interest may include an equity position or ownership role, a specific set-aside of space to be leased or a set-aside of construction contracts.

TABLE 3-8

BENEFITS TO MINORITY PERSONS AND FIRMS
FROM ALL FUNDED PROJECTS
CUMULATIVE AS OF SEPTEMBER 30, 1986

| Category | Percent |
|---|---|
| Projects with Planned New Permanent Jobs for Minority Persons | 60% |
| Planned New Permanent Jobs Designated for Minority Persons | 20% |
| Planned New Permanent Jobs for Minority Persons Actually Created | 62% |
| Projects with Involvement of Minority Contractors in Projects Which Had Awarded Contracts | 56% |
| Total Contracts Awarded to Minority Firms | 16% |
| Total Contract Dollars Awarded to Minority Firms | 8% |
| Projects with Planned Minority Financial Interests | 13% |

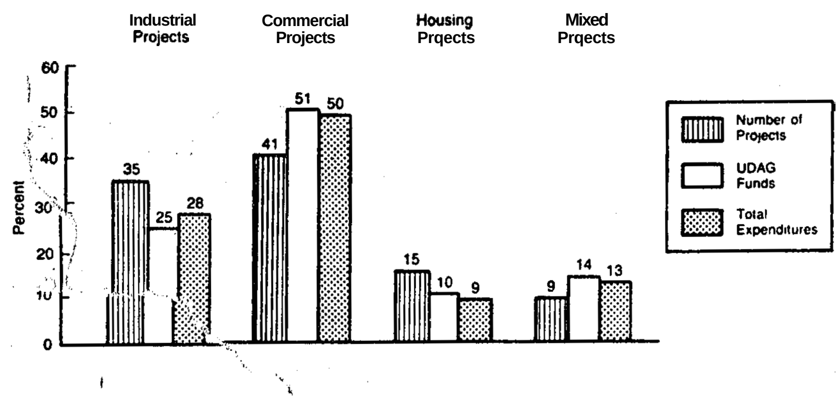
SOURCE: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Management, Action Grant Information System.

## PROJECTS UITH SIGNED GRANT AGREEMENTS

This section describes the detailed characteristics of projects for which grant agreements have been signed by both HUD and the grantee. Among the variables described in this section, by various project categories, are the number and dollar amount of UDAG grants! the sources of public and private funding; the initial and ultimate uses to which UDAG funds are put; new construction versus rehabilitation; the distribution of projects by city size; location within jurisdictions; and the development status of project land at the time of application review.

The analysis is based on information from 2,583 projects with signed grant agreements as of the end of FY 1986. This number represents a significant percentage of all funded UDAG 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. 8

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, 1986




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

## DEVELOPMENT CATEGORIES OF ACTION GRANT PEOJECTS

There are several methods of classifying UDAG projects. In the previous section of this chapter, the categories used were: industrial, commercial, and neighborhood. In this section, projects with grant agreements are described by their functional or developmental characteristics: industrial, commercial, housing, or mixed projects. A neighborhood project may include both commercial and housing activities. A commercial project described in the previous section can include housing.

**Commercial Projects.** The largest single category of Action Grant projects with signed grant agreements are commercial projects. They account for 41 percent of all projects and about 50 percent of both UDAG and total planned expenditures. (See Figure 3-6.) Commercial projects include the construction and/or rehabilitation of retail space, office buildings, hotels and parking garages, and a mix of these activities. A large number of commercial projects incorporate a mix of uses: 45 percent of all commercial projects and 69 percent of all planned expenditures for commercial projects include more than one commercial use. Twenty-seven percent of commercial projects and 12 percent of planned expenditures for these projects are designated only for retail use. Office use accounts for seven percent of all commercial projects and six percent of planned commercial expenditures. Projects involving only hotels represent 12 percent of all commercial UDAG projects with signed grant agreements and 10 percent of the total costs.

At least 215 million square feet of commercial space are planned in projects' with signed grant agreements, about equally divided between office and retail use. Both of these categories include multiple-use projects,

**Industrial Projects.** Industrial projects constitute 35 percent of all projects with signed grant agreements and 24 percent of total planned expenditures of UDAG funds. There are 181 million square feet of industrial space planned as a result of either rehabilitation or new construction. The majority of this space (63%) is to be improved by rehabilitation; the balance is new construction. Because of the heavy emphasis on rehabilitation, it is not surprising that 95,000 employees already were on the site of the project at its beginning. Most (60%) of the industrial projects involved firms which were previously located within the same city before moving to or expanding on the site of the UDAG project.

**Housing Projects.** As of the end of FY 1986, housing projects constituted only 15 percent of all projects with signed grant agreements and ten percent of the UDAG dollars to be expended. There are 55,400 units planned to be constructed, 48 percent of which were to be new units and the balance rehabilitated. The average price of new owner-occupied units assisted under the program in FY 1986 was $47,952; the average monthly rent for assisted units was $458.

**Nixed Projects.** Mixed projects constituted nine percent of all UDAG projects with signed grant agreements and 14 percent of UDAG funds as of the end of FY 1986. Typically, mixed projects include both housing and commercial facilities.

**Average Project Costs.** The average total planned cost of different types of projects varies considerably. Mixed development projects, typically including major downtown redevelopment efforts, average the highest amount in total public and private investment: $15.9 million. Commercial projects average $14.3 million compared to $9.5 million for industrial projects and $7.4 million for housing projects. The Action Grant assistance, as a percent of total project costs, ranges from a low of 11 percent for industrial projects to a high of 14 percent for housing and mixed-use projects. (See Table 3-9.)

TABLE 3-9

AVERAGE TOTAL PROJECT COST AND UDAG AMOUNT BY PROJECT TYPE IN PROJECTS WITH SIGNED GRANT AGREEMENTS (Dollars in millions)

| | Project Type | | | | |
|---|---|---|---|---|---|
| Category | Industrial | Commercial | Housing | Mixed | Total |
| Avg. Total Cost | $9.5 | $14.3 | $7.4 | $15.9 | $11.2 |
| Avg. UDAG Amount | 1.0 | 1.9 | 1.0 | 2.3 | 1.5 |
| Percent UDAG | 11.0% | 13.0% | 14.0% | 14.0% | 13.0% |

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

## SOURCES OF PROJECT FUNDS

The funds invested in UDAG projects come from three basic sources: private investment, Action Grants, and other public grants from Federal, State, and local governments. Projects approved under the program must be assisted with UDAG grants which are "the least amount necessary" for the projects to go forward. Private sector developers are encouraged to seek as much financing as possible from other sources.

**Private Investment.** The largest of the three sources of funding for UDAG projects is provided by private investment composed of equity and debt; it constitutes 82 percent of total planned project costs. (See Table 3-10.) Private investment ranges from a high of 87 percent for industrial projects to 80 percent for both housing and mixed projects.

**Government Grants.** Action Grant dollars constitute 13 percent of total project costs with other Federal, State, and local government grants contributing an additional five percent for a combined public grant total of 18 percent. UDAG funds range from a high of 18 percent in housing projects to 11 percent in industrial projects. Commercial and mixed projects have the highest utilization of other public grants of six and five percent respectively.

TABLE 3-10

SOURCE OF FUNDS FOR PROJECTS WITH SIGNED GRANT AGREEMENTS
BY PROJECT TYPE CUMULATIVE AS OF SEPTEMBER 30, 1986

| | Project Type | | | | |
|---|---|---|---|---|---|
| Source of Funds | Industrial | Commercial | Housing | Mixed | Total |
| Total Private Investment | 87% | 81% | 80% | 80% | 82% |
| UDAG Grants | 11 | 13 | 18 | 15 | 13 |
| Other Public Grants | 2 | 6 | 2 | 5 | 5 |
| Total Project Costs | 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.

More than two-thirds of other public grants are provided by local governments with the balance about equally divided between Federal and State government contributions.

## INITIAL USES OF UDAG FUNDS

This section describes the form in which UDAG funds are used initially by grantees. These initial uses include loans, interest subsidies, rehabilitation grants/rebates and other non-payback uses such as public infrastructure.

**Loans.** Although all UDAG assistance is in the form of grants to local governments, they use these funds for project assistance predominantly in the form of repayable loans to developers or to industrial companies. Sixty-eight percent of all UDAG funds have been used for loans. (See Table 3-11.) Both commercial and industrial projects had 73 percent of UDAG assistance in the form of loans. Only 46 percent of funds for housing projects were loaned.

## TABLE 3-11

### DISTRIBUTION OF THE INITIAL USES OF UDAG FUNDS IN PROJECTS WITH SIGNED GRANT AGREEMENTS BY PROJECT TYPE CUMULATIVE AS OF SEPTEMBER 30, 1986

| | Project Type | | | | |
|---|---|---|---|---|---|
| Initial Use | Industrial | Commercial | Housing | Mixed | Total |
| Loans | 73% | 73% | 46% | 59% | 68% |
| Interest Subsidies | - | - | 16 | 2 | 2 |
| Rehabilitation Grants/Rebates | 1 | - | 5 | 2 | 1 |
| Other Non-Paybacks | 26 | 26 | 33 | 37 | 29 |
| 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.

Shortly after the program began, it became the policy of the Department to encourage cities to use UDAG funds as loans to provide gap financing and to generate paybacks. As a result, the percent of total UDAG dollars used by grantees for loans increased from 17 percent in FY 1978 to 89 percent in FY 1985 and to 87 percent in FY 1986. At the same time, the percent of UDAG dollars assisting projects in the form of non-paybacks has declined steadily from about 80 percent in FY 1978 to 7 percent in FY 1986.

In order to improve the project's projected cash flow by reducing the cost of borrowing, UDAG loan interest rates typically have been made at less than market rates. However, over the life of the program, the spread between the prime rate and the average UDAG loan rate has narrowed as the prime rate and the necessity for deep interest rate subsidies has declined. (See Table 3-12.) The average length of UDAG loans is just under 17.5 years and ranges from a high of 24.6 years for housing projects to a low of 13 years for industrial projects.

TABLE 3-12

AVERAGE UDAG LOAN INTEREST RATE COMPARED
TO THE PRIME INTEREST RATE IN
PROJECTS WITH SIGNED GRANT AGREEMENTS

| Rate of Interest | Fiscal Year 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|---|
| UDAG (Avg.) | 1.6% | 2.7% | 6.2% | 7.2% | 8.0% | 6.9% | 6.4% | 5.7% | — |
| Prime (Avg.) | 9.1 | 12.7 | 15.3 | 18.9 | 14.9 | 10.8 | 12.0 | 9.9 | 8.5 |
| Spread | 7.5 | 10.0 | 9.1 | 11.7 | 6.9 | 3.9 | 5.6 | 4.2 | 3.2 |

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

Grants and Other Non-Paybacks. Thirty-two percent of UDAG funds were used by local governments for assistance that did not have to be paid back including: public infrastructure expenditures, interest subsidies, rehabilitation grants, and other non-paybacks including administrative expenses in small city projects. For both industrial and commercial projects, 26 percent of UDAG funds involved non-payback uses compared to 54 percent for housing projects.

Equity "Kickers." The amount of the local subsidy in UDAG projects can be reduced in certain instances by requiring an "equity kicker" from developers. This term, borrowed from commercial lenders, describes the situation in which the local government receives a portion of the project's profits above an agreed-upon rate of return to the developer. This arrangement prevents the developer from making a windfall profit with government assistance should the project prove to be very successful. Thirty-two percent of all UDAG projects involve equity kickers. Such projects range from a high of 57 percent for commercial and 51 percent for mixed projects which contain a commercial component to 16 percent of housing projects and only seven percent of industrial projects.

## THE END USES OF ACTION GRANT FUNDS

This section describes the end uses to which UDAG funds are put such as on-site construction and the purchase of capital equipment.

The bulk of Action Grant funds (61%) were planned to be used for on-site improvements and building construction. The second largest projected use was for capital equipment (14%). Planned funds for public infrastructure was 12 percent of total UDAG costs and included streets, water and sewer lines, parking facilities, off-site improvements, and other infrastructure. Seven percent was to be spent on acquisition, relocation, and clearance. Two percent is for professional fees, and only one percent for administration in small city projects. (See Table 3-13.)

The distribution of planned end-use expenditures varies considerably for different types of projects. For industrial projects, planned expenditures for capital equipment accounted for almost one-half of the UDAG funds with on-site construction receiving 26 percent. In contrast, on-site construction represents the largest end-use for commercial projects (77%), housing projects (70%) and mixed projects (59%).

**TABLE 3-13**

**DISTRIBUTION OF THE END-USE OF ACTION GRANT FUNDS BY PROJECT TYPE IN PROJECTS WITH SIGNED GRANT AGREEMENTS CUMULATIVE AS OF SEPTEMBER 30, 1986**

| | Project Type | | | | |
|---|---|---|---|---|---|
| End-Use | Industrial | Commercial | Housing | Mixed | Total |
| On-site Construction | 26% | 77% | 70% | 59% | 61% |
| Capital Equipment | 49 | 2 | 2 | 2 | 14 |
| Public Infra-structure | 7 | 11 | 8 | 26 | 12 |
| Acquisition, Clearance, Relocation | 12 | 5 | 2 | 8 | 7 |
| Professional Fees | 2 | 2 | 1 | 2 | 2 |
| Administration | 1 | 1 | 2 | 1 | 1 |
| Other | 2 | 2 | 16 | 3 | 4 |
| Total | 99% | 100% | 101% | 101% | 104% |

Note: Totals may not add due to rounding.

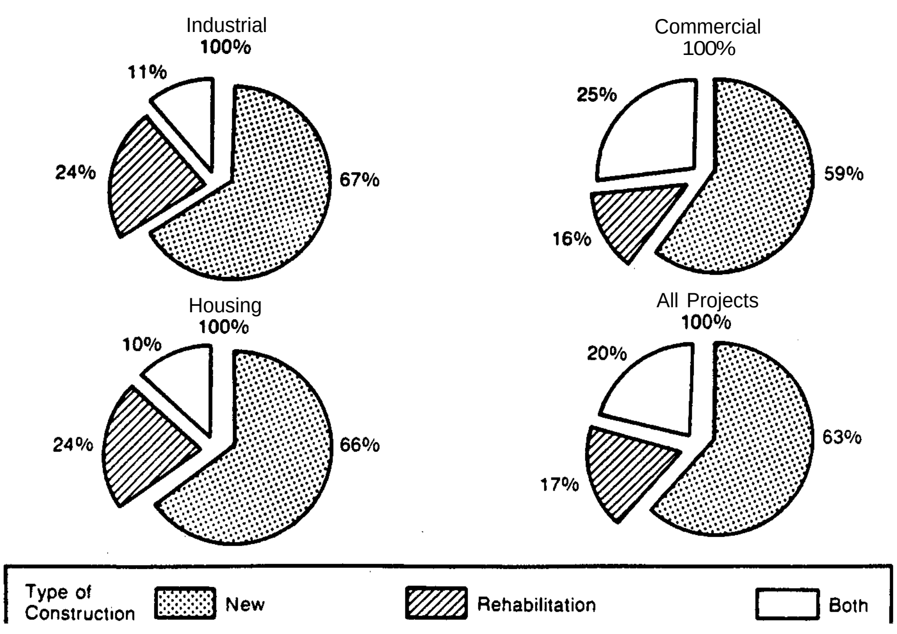
SOURCE: U. S. Department of Housing and Urban Development, Community Planning and Development, Office of Program Analysis and Evaluation, UDAG Grant Agreement Data Base.

## CONSTRUCTION CHARACTERISTICS

A significant majority of all UDAG funds (63%) have been used for new construction rather than rehabilitation. Seventeen percent are projected to be spent on projects involving only the rehabilitation of existing structures and 20 percent for projects with some combination of new construction and rehabilitation. Industrial and housing projects each had the highest percent of funds designated for rehabilitation (24%). Although commercial projects had a relatively low proportion of total funds which were spent solely on rehabilitation (16%), they had a high percent of projects involving the combination of rehabilitation and new construction (25%). (See Figure 3-7.)

Project construction characteristics varied considerably by location: only 47 percent of commercial projects in large cities involved new construction, compared to 60 percent in small suburban and non-metropolitan small communities. Similarly, 50 percent of industrial projects in large cities involved new construction only, compared to 71 percent in small towns. Fifty-two percent of housing projects in large cities include rehabilitation efforts in whole or in part. The comparable rate in small towns is 30 percent.

**Figure 3-7**
**Distribution of the UDAG Funds by Construction Characteristics by Facility Type in Projects With Signed Grant Agreements Cumulative as of September 30, 1986**




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

Seventy percent of all UDAG projects are located in Metropolitan Statistical Areas (MSAs), and they account for 85 percent of total UDAG dollars awarded. The balance of the UDAG-funded projects are located in nonmetropolitan small towns. (See Table 3-14.)

Commercial projects and mixed projects with some commercial uses located in central cities showed the highest concentration of UDAG dollars for such projects (81%). UDAG expenditures for industrial projects showed the highest degree of dispersion to nonmetropolitan small towns (31%) and to small cities within metropolitan areas (22%). Forty percent of UDAG dollars for industrial projects were spent in central cities. Sixty-nine percent of UDAG housing expenditures were for projects located in central cities, 10 percent in other large metropolitan cities and 12 percent in nan-metropolitan small towns.

**TABLE 3-14**

**DISTRIBUTION OF UDAG FUNDS BY GRANTEE LOCATION BY PROJECT TYPE FOR PROJECTS WITH SIGNED GRANT AGREEMENTS CUMULATIVE AS OF SEPTEMBER 30, 1986**

| Grantee Location | Project Type: Industrial | Commercial | Housing | Mixed | Total |
|---|---|---|---|---|---|
| MSA: | | | | | |
| Central Cities | 40% | 81% | 69% | 81% | 70% |
| Other Large Cities | 4 | 4 | 10 | 3 | 4 |
| Small Cities | 22 | 6 | 8 | 6 | 10 |
| Urban Counties | 3 | - | 1 | - | 1 |
| Sub-Total | 69% | 91% | 88% | 91% | 85% |
| Non-MSA | 31 | 9 | 12 | 9 | 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.

## PROJECT LOCATION WITHIN GRANTEE JURISDICTIONS

The trend of UDAG awards shows a reduction in the concentration of projects located in the central business districts (CBDs) of recipients. From FY 1978 to FY 1983, 49 percent of all UDAG funds were projected to be spent in central business districts; but from FY 1984 to FY 1986, only 44 percent of funds were in CBDs.

The degree of concentration in CBDs varied considerably by project type. From FY 1984 to FY 1986, 66 percent of UDAG funds spent for commercial projects and 53 percent for mixed projects were for activities within CBDs; however, the degree of concentration in CBDs was even higher for the period FY 1978-86 (76%). By contrast, 13 percent of housing projects and two percent of industrial project funds were located in CBDs from FY 1984 to FY 1986. (See Table 3-15.)

TABLE 3-15

**DISTRIBUTION OF WAG FUNDS BY LOCATION WITHIN JURISDICTIONS FOR PROJECTS WITH SIGNED GRANT AGREEMENTS CUMULATIVE AS OF SEPTEMBER 30, 1986**

| Location | Industrial 1978-83 | Industrial 84-86 | Commercial 78-83 | Commercial 84-86 | Housing 78-83 | Housing 84-86 | Mixed 78-83 | Mixed 84-86 | Total 78-83 | Total 84-86 |
|---|---|---|---|---|---|---|---|---|---|---|
| Inside CBD | 7% | 2% | 76% | 66% | 15% | 13% | 50% | 53% | 49% | 44% |
| Outside CBD | 93 | 98 | 24 | 34 | 85 | 87 | 40 | 47 | 51 | 56 |
| Total | 100% | 100% | 100% | 100% | 100% | 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.

**STATUS OF PROJECT LAND**

Thirty-six percent of UDAG projects were located on non-urban renewal vacant land that had already been cleared. Twenty percent of the projects were on land requiring clearance, fourteen percent on land which was not developed and six percent on cleared urban renewal land. The remaining 24 percent of the projects involved only the rehabilitation of existing structures. (See Table 3-16.)

TABLE 3-16

**STATUS OF PROJECT LAND FOR PROJECTS WITH SIGNED GRANT AGREEMENTS BY PROJECT TYPE CUMULATIVE AS OF SEPTEMBER 30, 1986**

| Project Type | Vacant Land: Not Devel. | Vacant Land: Urban Renewal | Vacant Land: Other Cleared | Land Needing Clearance | Rehabilitation Only | Total |
|---|---|---|---|---|---|---|
| Industrial | 19% | 2 | 38 | 11 | 30 | 100% |
| Commercial | 10% | 10 | 34 | 28 | 18 | 100% |
| Housing | 19% | 5 | 37 | 10 | 29 | 100% |
| Mixed | 9% | 7 | 34 | 29 | 20 | 100% |
| All Projects | 14% | 6 | 36 | 20 | 24 | 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.

## EXHIBIT 3-1

## UDAG PROJECT SELECTION SYSTEM

| Selection Criteria | Large Cities Data Elements | Small Cities Data Elements | Points |
|---|---|---|---|
| A. Impaction[1] | | | 40 |
| | Pre-40 Housing | Pre-40 Housing | |
| | Poverty | Poverty | |
| | Population Growth Lag/Decline | Population Growth Lag/Decline | |
| B. Distress | | | 30 |
| | Per Capita Income | Per Capita Income[2] | |
| | Unemployment | Labor Surplus Area (LSA)[3] | |
| | Job Lag/Decline | | |
| | Labor Surplus Area (LSA)[3] | | |
| C. Other Criteria | | | 30 |
| Composed of following: | | | |
| Leverage Ratio | 10 | Retained Jobs | 1/2 |
| UDAG Dollars Per Job | 6 | Construction Jobs | 1/2 |
| Total New Permanent Jobs | 2 | Impact of Physical Development | 1/2 |
| Percent Low/Moderate Income Jobs | 1 | Impact of Economic Conditions | 1/2 |
| Percent Minority Jobs | 1 | Timeliness | 1 |
| Percent CETA Jobs | 1 | Demonstrated Performance | 1 |
| State and Local Funds Per UDAG Funds | 1 | Relocation | 1 |
| Tax Benefits per UDAG Funds | 1 | Minority Business Participation | 1 |
| | | Energy | 1 |

1 Impaction is the comparative degree of economic distress among applicants, as measured by a weighted average of three factors: Age of the housing stock weighted at 50 percent; the extent of poverty at 30 percent; and population growth/lag at 20 percent.

2 For the small cities distress criterion, up to ten points will be allocated for Per Capita Income and 20 points for LSAs. This criterion does not include data on job lag or unemployment because this information is not available for all small cities.

3 Within the LSA measure, ten points will be allotted if the city is within a county that meets the LSA threshold. One point is then added for every unemployment percentage point above the LSA threshold. Conversely, one point is deducted for each percentage point by which the city is under the LSA threshold.

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

## Exhibit 3-2
## 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 | FY 1986 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year of Award' | | | | | | | | | |
| Number of Projects | 123 | 257 | 285 | 354 | 290 | 462 | 395 | 318 | 280 | 2.764 |
| Large (#) | 75 | 121 | 161 | 210 | 180 | 249 | 193 | 172 | 180 | 1,541 |
| Small (#) | 48 | 136 | 124 | 144 | 110 | 213 | 202 | 146 | 100 | 1,223 |
| Large (%) | 61 | 47 | 56 | 59 | 62 | 54 | 49 | 54 | 64 | 56 |
| Small (%) | 39 | 53 | 44 | 41 | 38 | 46 | 51 | 46 | 36 | 44 |
| UDAG Dollars | $276M | $420M | $554M | $590M | $347M | $641M | $546M | $437M | $437M | $4.249M |
| Large ($) | $226M | $324M | $429M | $442M | $284M | $487M | $341M | $321M | $331M | $3.184M |
| Small ($) | $50M | $96M | $125M | $148M | $63M | $154M | $205M | $116M | $106M | $1.065M |
| Large (%) | 82 | 77 | 77 | 75 | 82 | 76 | 62 | 73 | 76 | 75 |
| Small (%) | 18 | 23 | 23 | 25 | 18 | 24 | 38 | 27 | 24 | 25 |
| Private Investment ($) | $1,745M | $2,557M | $2,807M | $3,964M | $2.057M | $3,184M | $2,689M | $3.569M | $3,486M | $26.059M |
| Ratio to UDAG Dollars | 6.3 | 6.1 | 5.1 | 6.7 | 5.9 | 5.0 | 4.9 | 8.2 | 8.0 | 6 1 |
| State and Local ($) | $195M | $205M | $194M | $331M | $104M | $104M | $165M | $114M | $418M | $1.829M |
| Other Federal ($) | $104M | $130M | $61M | $53M | $51M | $38M | $35M | $30M | $69M | $571M |
| Total Project Investment ($) | $2,320M | $3,312M | $3,616M | $4,939M | $2,558M | $3,967M | $3,435M | $4,149M | $4.411M | $32.708M |
| New Permanent Jobs (#) | 48.416 | 70,869 | 75,420 | 78.642 | 41,806 | 67,065 | 59,690 | 54.860 | 54.036 | 550.790 |
| UDAG Dollars Per Job ($) | 85,705 | $5,929 | $7,346 | $7,518 | $8,296 | $9,564 | $9.134 | $7.966 | $8.090 | $7.715 |
| Low/Moderate Income Jobs (%) | 62 | 54 | 59 | 56 | 58 | 44 | 60 | 51 | 57 | 55 |
| Construction Jobs (#) | 43,214, | 59,774 | 44,816 | 64,942 | 31.387 | 52,546 | 47.036 | 53.221 | 50.703 | 447.645 |
| Total Housing (Units) | 13,139 | 12,279 | 16,026 | 13.816 | 12.855 | 15,029 | 7.779 | 8.874 | 8.883 | 106.680 |
| New Construction (%) | 55 | 38 | 42 | 37 | 27 | 75 | 78 | 71 | 83 | 53 |
| Low/Moderate Income Housing (%) | 64 | 49 | 43 | 39 | 26 | 22 | 35 | 29 | 32 | 38 |
| Total New Annual Revenue ($) | $33M | $86M | $68M | $129M | $33M | $74M | $59M | $51M | $72M | $604M |

# 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.

## 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. Title I of the Housing and Community Development Act of 1974 was amended and Section 119, establishing the UDAG program, was added.

2 Program regulations should be consulted for more information on how the UDAG program is administered. See Subpart G of 24 CFR Part 570. The currently applicable regulations were published in the Federal Register on January 23, 1982.

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 the Single Audit Act Requirements are met, 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 2,764 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 Amendment to the Housing and Community Development Act of 1974, Public Law 96-153, approved December 21, 1979. The Pockets of Poverty provision appears at Section 119(b)(2).

6 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 859 Project Closeout Reports and in Annual Post-Grant Closeout Reports for 922 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.

7 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.

8 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.

## CHAPTER 4

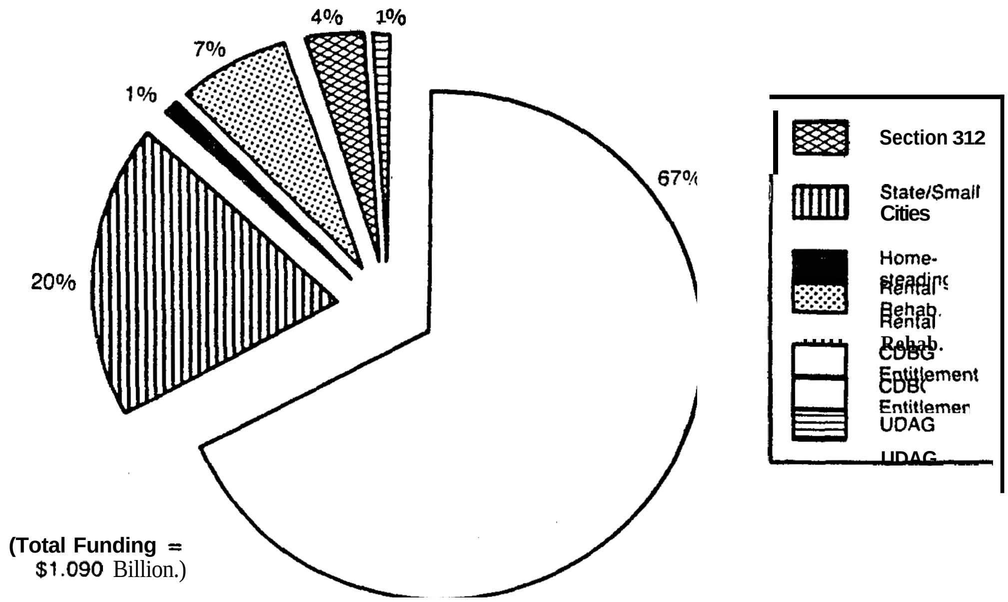
## CPD-ADMINISTERED HOUSING REHABILITATION PROGRAMS

### INTRODUCTION

This chapter reports on the housing rehabilitation programs that the Office of Community Planning and Development (CPD) administers. It is divided into three major parts, each devoted to one of three programs: 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.

These three programs are specifically, and almost entirely, directed to housing rehabilitation, but they constitute a relatively small proportion of the almost $1.1 billion of CPD program funds that were used for housing rehabilitation. The CDBG Entitlement program and the CDBG Small Cities program, accounting for 67 percent and 20 percent of this sum respectively, provide significantly larger amounts for housing rehabilitation than do the Rental Rehabilitation program (seven percent), the Section 312 loan program (four percent), the Urban Development Action Grant program (one percent), and the Urban Homesteading program (one percent for acquisition related to rehabilitation), as is illustrated by Figure 4-1.

**Figure 4-1**
**CPD Administered Programs as a Source of Housing Rehabilitation Funding, FY 1986**




**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 authorizing the Rental Rehabilitation program.* The purpose of the Rental Rehabilitation program (RRP) is to increase the supply of affordable standard housing for lower-income tenants. It achieves that purpose by (1) providing Federal funds to rehabilitate existing private market rental housing units and (2) offering rental assistance to eligible lower-income families through special allocations of Housing Voucher and Section 8 Existing Housing Certificate assistance.

The Rental Rehabilitation program does not, however, provide direct Federal loans or grants to property owners. Instead, HUD provides grant funds by formula to cities with populations of 50,000 or more, Urban Counties, approved consortia of units of general local government, and States. Within the framework of Federal laws and regulations, State and local officials have considerable flexibility to design and implement rehabilitation programs to finance the rehabilitation of privately-owned rental housing.

If a particular State agency chooses not to administer the State allocation of funds, the responsible HUD Field Office will establish a State-specific selection system to select small communities to participate in the program and to receive funds from the allocation for that State.

This part of the Chapter describes the operation of the Rental Rehabilitation program in FY 1986 and is divided into five sections. This first section briefly outlines the basic features of the program. The second discusses the major program developments during the past year. The third addresses program funding allocations and participation. Section four reports measures of progress in the program, and section five discusses performance in some of the key program areas, including rehabilitation cost and financing, characteristics of rehabilitated properties and units, post-rehabilitation rents and unit affordability, the characteristics of tenants, and the provision of rental assistance through the program.

### RECENT PROGRAM DEVELOPMENTS

#### PROGRAM FUNDING

The HUD Appropriations Act of FY 1986, signed into law by the President on November 25, 1985, provided $75 million in program funds for FY 1986. The Administration subsequently proposed that the entire FY 1986 program appropriation be subjected to a rescission. Congress, however, did not approve the rescission request, and $71.775 million (the appropriated amount less the Gramm-Rudman-Hollings sequestration of $3.225 million) was allocated

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* Section 301 of the Housing and Urban-Rural Recovery Act of 1983 (Pub.L. 98-181, 97 Stat 1153) amended the United States Housing Act of 1937 (42 USC 1437o) by adding a new section (Section 17) authorizing the Rental Rehabilitation program.

to grantees on June 3, 1986. Consequently, it was not until the very end of FY 1986 that program funds appropriated for that year were available to RRP grantees.

## PROGRAM ADMINISTRATION

**Annual Performance Report.** On July 1, 1986, the Department issued a Notice providing guidance concerning completion of the Annual Performance Report (APR) that all Rental Rehabilitation program grantees must submit. The Notice required grantees to include information on: how their local Rental Rehabilitation program met the program's objectives, its cost-effectiveness, the affirmative action marketing plan they used; their utilization of minority- and women-owned businesses; the extent of participation in their program by minority property owners; the training and employment they afforded local residents; and, their use of local businesses. The Notice also established August 31, 1986 as the deadline for the 1986 APR.

**Change in the Minimum Allocation Amount.** The original regulations for the Rental Rehabilitation program, developed when the appropriation for the program was $150 million annually, provided that no city, urban county, or consortium that was otherwise eligible for a formula allocation under the program would receive such an allocation if the formula generated less than $50,000. The rationale for this requirement was that the time and expense involved in establishing programs would outweigh the benefits for communities with very small grants.

One effect of the appropriations for FY 1986 was that 172 communities would have fallen below the $50,000 threshold and, therefore, would have been ineligible for a formula grant through the Rental Rehabilitation program. To minimize the disruption to local programs that would have resulted from such funding cutoffs, the Department revised the regulations to permit a grantee that received a formula allocation in the preceding fiscal year and that met all other criteria for a formula allocation in the current fiscal year to continue to receive a formula allocation if it so chose, even though its formula amount fell below $50,000.

**Revision of Required Deobligation Provisions.** Prior to August 1986, Rental Rehabilitation program regulations required the Department to deobligate any grant amounts that had not been committed to specific local projects within two years after a grant has been received (or three years if a State distributed the grant amount to State recipients) or that have not been expended for eligible costs within four years of receipt (or five years in the case of State distribution to subgrantees). However, situations arise in which deobligation would occur, yet the grantee's overall administrative performance has been effective and the amounts deobligated could have been used within an extended but specified period.

Consequently, on August 11, 1986, the Department issued a rule change that allows it to extend, on a case-by-case basis, any of the previous time periods by up to one year. The Department retains discretionary authority to deobligate any grant amounts that have not been committed to specific projects within the original time periods or that have not been committed according to the schedule submitted with the grantee's program description.

**Technical Assistance.** As part of the RRP legislation, Congress set aside $1 million per year in FY 1984 and FY 1985 for technical assistance for program participants. A consulting firm was awarded a competitive contract to provide this technical assistance during the period between October 1985 and September 1987. The contract calls for six categories of assistance including the provision of direct technical assistance to up to 135 grantees, up to 30 workshops, six training courses on project financing, 30 information-gathering meetings with RRP users or customers, 13 manuals and technical bulletins, and the development of software packages and other assistance in automation technology to assist in program operations and management.

Through December 1986, the actual products delivered have included: direct technical assistance to 94 grantees; 30 workshops on four different topics; five training courses on project financing; 10 meetings to obtain feedback from project owners; preliminary development of required software; and 10 technical bulletins and one computer manual.

## PROGRAM ELIGIBILITY, FUNDING ALLOCATION, AND PARTICIPATION

### PROGRAM ELIGIBILITY AND FUNDING ALLOCATIONS

**Funding Allocations.** In FY 1986, 409 communities, including 306 cities, 102 urban counties, and one consortium, qualified for direct allocations under the Rental Rehabilitation program, fewer than the 427 communities that qualified for a direct allocation in FY 1985. The reduced number results from communities being ineligible because they did not accept a grant in FY 1985 and then fell below the $50,000 threshold in FY 1986. All 50 States plus Puerto Rico also were eligible for direct program funding.*

Of the $71.8 million available for grant allocations in FY 1986, the Department initially allocated 71 percent to formula cities and counties and 29 percent to smaller communities, either through programs administered by individual States or through programs administered directly by the Department for those States that chose not to administer a program.

Seventy-five percent of direct allocation communities qualified for grants of less than $100,000 in FY 1986, as is indicated by Table 4-1. The range of grant amounts was considerable, with four communities qualifying for more than $1 million in funding. New York City, with an allocation of $7.5 million, was the largest formula grantee, and Stark County (OH), which was eligible to receive $24,000, the smallest. State funding for non-formula communities ranged from $20,000 for Delaware to $1,566,000 for California, with the largest number of States qualifying for between $250,000 and $499,999.

* For the remainder of this chapter, the word "States" includes the Commonwealth of Puerto Rico.

## TABLE 4-1

### RENTAL REHABILITATION INITIAL ALLOCATIONS BY PROGRAM TYPE, FY 1986

| | Cities and Counties | | States | |
|---|---|---|---|---|
| Allocation Amount | Number | Percent | Number | Percent |
| $ 49,999 or less | 172 | 42% | 4 | 8% |
| 50,000 - $ 99,999 | 137 | 33 | 3 | 6 |
| 100,000 - $249,999 | 64 | 16 | 12 | 23 |
| 250,000 - $499,999 | 25 | 6 | 19 | 37 |
| 500,000 - $999,999 | 7 | 2 | 11 | 22 |
| 1,000,000 or more | | 1 | 2 | 4 |
| Totals | 409 | 100% | 51 | 100% |

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

**Program Participation**. Of the 409 communities eligible for a direct allocation in FY 1986, 353 elected to participate as formula grantees. These participating formula grantees included 118 communities that qualified for less than $50,000, and thus had the option of continuing as formula grantees or participating in the non-formula program in their States. Fifty-three communities that qualified for less than $50,000 in direct funding elected not to participate as direct recipients, and the funds they were eligible to receive were added to the amount available to non-direct allocation communities in their states. Only three communities eligible for grants of more than $50,000 chose not to participate in the program. Of the 50 States and Puerto Rico, 39 (including Puerto Rico) chose to administer the program for their smaller Communities. The Department operated the program for smaller communities in the other 12 States.

**Reallocation of Funds.** In addition to funds that became available as a result of some formula communities electing not to participate as direct grantees, the Department has begun deobligating funds from communities and States that have been slow to use the RRP funds and reallocating them to grantees with more rapid progress, pursuant to the authority in Section 511.33(c). Generally, these funds available for reallocation have been used to make additional grants to other grantees within the jurisdiction of the same HUD Field Office. However, some funds have also been reallocated between HUD Field Offices in the same region or between regions.

A total of about $16 million in grant funds from FY 1984 and FY 1985 has been reallocated for reasons related to progress. Most of the reallocation has involved formula communities, but States administering programs and small communities funded directly by HUD also have been affected. (See Table 4-2.)

TABLE 4-2

RENTAL REHABILITATION PROGRAM FUNDS REALLOCATED BY TYPE OF GRANTEE, FY 1984 AND FY 1985
(Dollars in Thousands)

| | Direct Allocation Communities | | States | | Cities in HUD-Administered Program | |
|---|---|---|---|---|---|---|
| | FY 1984 | FY 1985 | FY 1984 | FY 1985 | FY 1984 | FY 1985 |
| Total grantees | 399 | 407 | 38 | 39 | 39 | 38 |
| Grantees losing funds | 61 | 71 | 7 | 3 | 15 | 12 |
| Grantees gaining funds | 141 | 107 | 2 | 7 | 8 | 6 |
| Funds reallocated for performance reasons | $6,321 | $7,086 | $1,118 | $350 | $826 | $1,043 |

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

## PROGRAM PROGRESS

In the first two years of actual operations under the Rental Rehabilitation program (funds were not made available to grantees until the end of FY 1984), local officials have committed funds to the rehabilitation of 64,895 dwelling units in 10,788 projects. As of the end of October 1986, construction work on 19,621 of these units (in 5,863 projects) had been completed, and in the three month period ending on that date commitments on an additional 10,000 units were realized. (See Table 4-3.*) Commitments for new projects have fluctuated after the program's start-up period, while completions have grown quarterly since the program started. The reduction in program funding in FY 1986 does not appear to have yet affected progress in the program, but a decline in the rate at which units are committed may occur in the coming months.

**TABLE 4-3**

**RENTAL REHABILITATION PROGRAM PRODUCTION, JANUARY 1985 TO OCTOBER 1986**

| | Units Committed | | Units Completed | |
|---|---|---|---|---|
| Report Period | Total Number | Added This Quarter | Total Number | Added This Quarter |
| Jan. 1985 | 538 | 538 | 0 | 0 |
| Apr. 1985 | 2,781 | 2,243 | 241 | 241 |
| July 1985 | 16,424 | 13,643 | 477 | 236 |
| Oct. 1985 | 29,529 | 13,105 | 2,893 | 2,416 |
| Jan. 1986 | 35,971 | 6,442 | 5,917 | 3,024 |
| Apr. 1986 | 44,531 | 8,560 | 10,130 | 4,213 |
| July 1986 | 54,663 | 10,132 | 14,586 | 4,456 |
| Oct. 1986 | 64,895 | 10,232 | 19,621 | 5,035 |

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

## PATTERNS OF PROGRESS

The rate at which projects were undertaken in the Rental Rehabilitation program varied greatly depending on whether the local program was a direct allocation grantee, a small community in a State program, or a small community

* In the Rental rehabilitation program accounting terminology, a "commitment" occurs when a grantee enters a legally binding commitment with a property owner to begin construction within 90 days. A project is considered "completed" when the grantee has made the final drawdown of rehabilitation funds. A project is considered "closed out" when a final form on tenant and financial characteristics in the project is submitted to HUD (within 90 days of project completion). In this report, except for Table 4-3, information on completed projects is derived from the project completion form, and thus refers to "closed out" projects.

in a HUD-administered program. This section* examines progress in terms of commitment of FY 1984 and FY 1985 grant funds.*

Fifty-four percent of communities that received funding in FY 1984 and FY 1985 through direct formula allocation had committed at least three-quarters of their initial grant amount, and another 19 percent had committed more than one-half of the funds they received for those fiscal years. (See Table 4-4.) Progress has been somewhat slower for HUD-administered small communities.

**TABLE 4-4**

**PERCENT OF FY 1984 AND FY 1985 RENTAL REHABILITATION PROGRAM FUNDS COMMITTED AS OF NOVEMBER 30, 1986#**

| Percent of Funds | Formula Grantees Number | Formula Grantees Percent | HUD-Administered Grantees Number | HUD-Administered Grantees Percent | States Number | States Percent |
|---|---|---|---|---|---|---|
| 100%+ | 111 | 26% | 13 | 23% | 2 | 5% |
| 75% - 99% | 120 | 28 | 8 | 14 | 7 | 18 |
| 50% - 74% | 80 | 19 | 10 | 17 | 19 | 49 |
| 25% - 49% | 48 | 11 | 9 | 15 | 5 | 13 |
| 1% - 24% | 36 | 9 | 8 | 14 | 4 | 10 |
| Less than .5 percent | 29 | 7 | 10 | 17 | 2 | 5 |
| Totals | 424 | 100% | 58 | 100% | 39 | 100% |

# (The percent committed is calculated as a percent of the initial allocation. Consequently, the amount committed may exceed 100 percent where a community has received additional funds through reallocations. Conversely, where a community has lost funds through reallocation, it can never achieve 100 percent commitment by this measure.)

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

The slowest progress so far has been in the State-administered programs, but the rate is increasing, as over one-half of the States have committed more than 50 percent of their initial allocations.

Part of the reason for the slower rate of progress for State-administered programs is that States have at least one additional step in delivering funds

* The FY 1986 allocation was not made available to grantees until the very end of that fiscal year. Consequently, very few FY 1986 funds had been committed by the end of November 1986, the most recent date for which data were available, and such commitments are not included in this analysis.

to the localities actually' implementing the projects. States receive an allocation from HUD, and then must select the individual communities or projects that they will fund. States vary in the procedures they employ for administering the program, with some using a centralized approach in which a State agency makes all program decisions and others using a decentralized approach in which the State funds localities that, in turn, make the key program choices. In any case, the Department is increasingly directing technical assistance to States to help promote more rapid progress in this part of the program.

In the 13 States that chose not to administer their own Rental Rehabilitation programs in one or more years, HUD is administering the program for communities that do not receive a direct allocation. Of the $13.3 million in FY 1984 and FY 1985 funding initially allocated to those States, the Department initially had awarded $10.2 million to 58 grantees in 11 States as of November 30, 1986. The grantees, in turn, had committed $6.6 million (65 percent) to individual projects.

## PROGRAM CHARACTERISTICS

### REEIABILITATION COST AND FINANCING

The Rental Rehabilitation program is intended to maximize the commitment of private dollars and to minimize public subsidy costs for rehabilitating rental properties. To accomplish this goal, Rental Rehabilitation program financing cannot exceed 50 percent of the total cost of eligible rehabilitation for a project (except in certain refinancing situations) and must average less than $5,000 per unit per project (except in high cost areas with higher limits approved by the Department).

In the aggregate, the Rental Rehabilitation program has met both of these requirements. The average per unit cost of rehabilitation for the 5,314 projects completed* as of November 30, 1986 was $8,978, of which RRP funds have provided 35 percent of total rehabilitation financing, while fifty-five percent came from private sources (Table 4-5). The balance, approximately ten percent, came from other public sources, primarily local CDBG funds. Overall, for every Rental Rehabilitation program dollar spent, the program leveraged $1.59 in private money. For every dollar of public funding spent, including sources such as CDBG funds or tax exempt financing, private sources contributed $1.23.

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* In the rest of this discussion, "completed projects" are those projects for which all construction work has been finished and for which a "project completion form" has been submitted. In addition to these closed-out projects, construction work has been finished in another 549 projects but not all of the required paperwork has been completed.

TABLE 4-5

SOURCES OF FINANCING FOR RENTAL REHABILITATION PROJECTS COMPLETED AS OF NOVEMBER 30, 1986

| Source of Funding | Percent of Total Project Cost |
|---|---|
| Public Funding: | 45% |
| Rental Rehabilitation Program | (35) |
| CDBG | ( 7) |
| Tax-Exempt Financing | ( 2) |
| Other Public Funds | ( 1) |
| Private Funding: | 55% |
| Private Loan Funds | (30) |
| Other Private Funds | (25) |
| Total | 100% |

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

Not only does the program in the aggregate meet the goal that most project funding come from private sources, but only 11 percent of the completed projects have not achieved at least 50 percent private funding. Table 4-6 demonstrates that more than half of the completed projects have more private than public funds involved in the rehabilitation. However, the most common practice in the program is to match private funds with public funds on a one-to-one basis -- 37 percent of the projects have a fifty-fifty match.

TABLE 4-6

PUBLIC FINANCING AS A PERCENT OF TOTAL REHABILITATION FINANCING FOR RENTAL REHABILITATION PROGRAM PROJECTS COMPLETED

| Public Financing as a Percent of Total Financing | Projects Number | Projects Percent |
|---|---|---|
| 51%+ | 569 | 11% |
| 50 | 1,985 | 37 |
| 40-49 | 1,483 | 28 |
| 30-39 | 712 | 13 |
| 1-29 | 565 | 11 |
| Total | 5,314* | 100% |

* Information was missing for 17 projects.

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

**Project Coat.** Although the program sets no specific upper limits on the overall per unit rehabilitation cost for a project, the program requirement that not more than 50 percent of the rehabilitation cost or more than $5,000 per unit be funded from the RRP funds tends to limit the amount of work done in the projects.

The Rental Rehabilitation program is designed primarily to provide funding for rehabilitating housing. In some instances, however, projects also involve the refinancing of existing debt on a property. Only about six percent of completed projects, however, have involved refinancing. (See Table 4-7.) For these projects, the average total project costs per unit were much higher ($21,296) than in projects involving only rehabilitation ($8,783). This difference was due primarily to the added cost of refinancing, but these projects also had per unit rehabilitation costs that were approximately 42 percent higher ($12,498 **vs.** $8,783) than in other projects.

In projects where refinancing was involved, most of the additional cost was financed from private sources; the proportion of rehabilitation costs financed by the Rental Rehabilitation program funds was similar for all types of projects. In projects without refinancing, RRP funds accounted for 38 percent of the rehabilitation work. In projects involving refinancing, the RRP share declined to 34 percent of the rehabilitation costs and to only 20 percent of the total project cost. Even with refinancing, the per unit cost of program funds was, in the aggregate, within the $5,000 average per unit maximum. (See Table 4-7.)

## TABLE 4-7

### FINANCIAL CHARACTERISTICS OF COMPLETED RENTAL REHABILITATION PROGRAM PROJECTS

| | All Projects | Projects Involving: Refinancing | Projects Involving: Only Rehabilitation |
|---|---|---|---|
| Number of Projects | 5,314 | 295 | 5,019 |
| Percent of Projects | 100% | 6% | 94% |
| Average: | | | |
| Total Cost per Unit | $9,478 | $21,296 | $ 8,783 |
| Rehab Cost per Unit | $8,978 | $12,498 | $ 8,783 |
| RRP Funds per Unit | $3,364 | $ 4,217 | $ 3,314 |
| Private Funds per Unit | $5,149 | $14,335 | $ 4,609 |
| RRP Funds as a percent of: | | | |
| Rehabilitation Costs | 37% | 34% | 38% |
| Total Project Costs | 35% | 20% | 38% |

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

**Rental Rehabilitation Program Subsidy Mechanisms.** Local officials have unlimited discretion to choose the specific form of the subsidy they provide to property owners. In nearly two-thirds of projects completed so far, deferred payment loans (DPLs) have been used to provide the Rental Rehabilitation program subsidy. Grants (21 percent) and direct loans (11 percent) are the next most common types of subsidies used. Deferred payment loans (either with or without forgiveness of repayment requirements) and grants probably are used most often because they impose no drain on the immediate post-rehab cash flow of the project, are relatively easy to administer, require the shallowest subsidy, and have been promoted by the Department for use in the program. Direct loans, in contrast, require on-going servicing and deeper subsidies, but may have the advantage to the community of generating a payback over time that may be recycled into other projects.

The financial characteristics of RRP projects vary slightly by the type of subsidy employed, as is illustrated by Table 4-8. Direct loans are associated with a lower leveraging ratio than other subsidy types, probably because the need for an immediate payback makes a given level of subsidy less desirable

**TABLE 4-8**

**FINANCIAL CHARACTERISTICS OF RENTAL REHABILITATION PROGRAM PROJECTS BY TYPE OF SUBSIDY MECHANISM**

| Characteristic | Type of Subsidy Used: Deferred Payment Loan | Grant | Direct Loan | Other |
|---|---|---|---|---|
| Number of Projects | 3,385 | 1,125 | 589 | 215 |
| Percent of Projects | 64% | 21% | 11% | 4% |
| Average Total Cost per Unit | $10,067 | $8,767 | $9,510 | $10,492 |
| Average Rehabilitation Cost per Unit | $9,292 | $8,390 | $8,794 | $9,898 |
| Average Total RRP Funds per Unit | $3,445 | $3,169 | $3,359 | $3,525 |
| Average Total Private Funds per Unit | $5,738 | $4,680 | $4,412 | $6,568 |
| Private Funds Leveraged per RRP Dollar | 1.67 | 1.48 | 1.31 | 1.86 |

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

to the owner than if it were provided as a subsidy that required no immediate repayment. Grants were used to convey less money per unit rehabilitated than other types of subsidies. Sometimes grants are seen as "give aways" of large sums of money without a mechanism to ensure that program requirements, such as the ten year restriction on condominium conversion, could be enforced. Deferred payment loans, on the other hand, were used more often than grants, probably because deferral (and possible forgiveness) provides the community with a mechanism for promoting other local goals and enforcing program requirements through the term of the loan.

## CEARACTERISTICS OF REHABILITATED PROPERTIES

**Project Size.** Most local programs thus far have rehabilitated smaller rental properties. Through November 30, 1986, there were commitments for 67,110 units in 11,482 projects, or 5.8 units per property. Completed projects tended to be substantially smaller than committed projects, perhaps because smaller projects required less time to complete or because grantees started their programs with small projects. The 5,331 completed projects contained 16,711 units for an average of 3.1 units per project.

**Unit Size.** The Rental Rehabilitation program statute requires that an equitable share of rehabilitation funds 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 annual grant was used to rehabilitate units containing two or more bedrooms. A 1984 Technical Amendment clarified the large family requirement by providing that an equitable share of program funds must be provided for families with children, particularly those requiring three bedrooms or more. Rather than impose this performance requirement on all grantees, however, the Department subsequently established an overall program goal that at least 15 percent of the aggregate total of rental units rehabilitated through the Rental Rehabilitation program be three bedrooms or more, while also continuing the 70 percent two-bedroom requirement.

As of November 30, 1986, more than 22 percent of the 16,711 units rehabilitated through the RRP contained three or more bedrooms, exceeding the national goal by seven percentage points. Four percent of completed units were efficiencies or single room occupancies (SROs).

Moreover, a comparison of the sizes of units in completed projects before and after rehabilitation indicates that many are being modified and that the net result of the changes is more large units. Approximately 20 percent of completed projects (1,080 of 5,331) have experienced some changes in the number of bedrooms in at least one unit. These changes resulted in a slight (two percent) reduction in the total number of units in these projects and a 25 percent decrease in the number of one bedroom units and efficiencies, but a 12 percent increase in the number of units with two or more bedrooms.

TABLE 4-9

**NUMBER OF BEDROOMS IN UNITS COMPLETED AS OF NOVEMBER 30, 1986**

| Unit Size | Units: Number | Units: Percent |
|---|---|---|
| Efficiency or SRO | 716 | 4% |
| One Bedroom | 3,587 | 21 |
| Two Bedrooms | 8,842 | 53 |
| Three Bedrooms | 3,100 | 19 |
| Four Bedrooms | 406 | 3 |
| Five or More Bedrooms | 43 | * |
| Not Reported | 17 | |
| Totals | 16,711 | 100% |

* Less than .5%

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

**TABLE 4-10**

**UNITS BY SIZE IN COMPLETED RENTAL REHABILITATION PROGRAM PROJECTS UHERE THE SIZE OF AT LEAST ONE UNIT CHANGED DURING REHABILITATION**

| Size of Unit | Units Before: Number | Units Before: Percent | Units After: Number | Units After: Percent |
|---|---|---|---|---|
| Efficiency | 411 | 8% | 284 | 6% |
| One Bedroom | 1,563 | 31 | 1,200 | 24 |
| Two Bedroom | 2,303 | 45 | 2,348 | 48 |
| Three Bedroom | 650 | 13 | 957 | 19 |
| Four or More Bedrooms | 139 | 2 | 151 | 3 |
| Totals | 5,066 | 100% | 4,940 | 100% |

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

## OCCUPANCY STATUS

One purpose of the Rental Rehabilitation program is to increase the supply of standard rental housing. Projects must have one or more substandard conditions in order to be eligible for the program, and the rehabilitation must correct all deficiencies measured by the Section 8 Housing Quality Standard for Existing Housing. The 16,711 units completed as of November 30, 1986 thus were made standard by the program. The occupancy rates of these completed units increased substantially from 55 percent before rehabilitation to 89 percent immediately afterwards. While these data do not indicate how long the units were vacant prior to rehabilitation or how long they will remain occupied afterwards, they do show that the Rental Rehabilitation program has enabled local officials to rehabilitate unoccupied, substandard units so that more people can live in them. (See Table 4-11.)

TABLE 4-11

**OCCUPANCY STATUS OF UNITS IN PROJECTS COMPLETED AS OF NOVEMBER 30, 1986**

| | Before Rehab | After Rehab |
|---|---|---|
| Total number of Units | 16,711 | 16,711 |
| Occupied number | 9,119 | 14,860 |
| Percent Occupied | 55% | 89% |

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

## RENTS IN RENTAL REHABILITATION PROJECTS

Rental rehabilitation units are supposed to be leased at private market rents. The statute requires that rents in neighborhoods in which RRP projects are located be generally affordable to lower-income families at the time of project 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 expected to occur in the market area for five years. In addition, the median income of the neighborhood may not exceed 80 percent of the median income for the MSA, or for non-MSA neighborhoods, the median income of the county or the non-MSA areas of the State.

Monthly gross rents in completed, occupied rental rehabilitation units on average were $56 higher (18 percent) than they were in the same occupied units before rehabilitation. There were 14,577 completed units that were occupied for rent* as of November 1986, renting for an average of $359 per unit.

* The apparent differences in the numbers of units between Tables 4-11 and 4-12 is explained by the fact that Table 4-11 contains all occupied units, while Table 4-12 reports only units occupied for rent. Thus, Table 4-12 excludes units that are owner-occupied, have no cash rent charged, or for which information on rent amounts was not reported.

Before rehabilitation, 8,817 of these units were occupied for rent, at an average of $303 per unit. Units of all sizes experienced a substantial increase in rent, as is to be expected when a substandard unit is rehabilitated. Average rent increases exceeded 20 percent for efficiencies and apartments having three or more bedrooms and were somewhat less for one and two bedroom apartments.

TABLE 4-12

**AVERAGE MONTHLY GROSS RENTS IN COMPLETED RENTAL REHABILITATION UNITS BEFORE AND AFTER REHABILITATION**

| Unit Size | Pre-Rehab Mean Rent | Pre-Rehab Number | Post-Rehab Mean Rent | Post-Rehab Number | Mean Increase Amount | Mean Increase Percent |
|---|---|---|---|---|---|---|
| Efficiency | $215 | 407 | $264 | 419 | $49 | 23% |
| 1 Bedroom | 263 | 2,181 | 308 | 3,073 | 45 | 17 |
| 2 Bedroom | 310 | 4,770 | 354 | 7,975 | 44 | 14 |
| 3 Bedroom | 351 | 1,305 | 431 | 2,740 | 80 | 23 |
| 4 Bedroom | 388 | 154 | 481 | 370 | 93 | 24 |
| All Units | $303 | 8,817 | $359 | 14,577 | $56 | 18% |

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

Rent increases of these magnitudes do not necessarily indicate that the rehabilitated units are no longer affordable to lower-income tenants. Table 4-13 compares the after-rehab rents of more than 14,000 occupied units with the published Section 8 Existing Housing Fair Market Rents (FMRs) for the communities in which they were located. Fully 92 percent of completed units had rents that were less than or equal to the FMR, as is indicated by Table 4-13. After rehabilitation, a smaller proportion of units rented for less than the FMR than before rehabilitation, and, similarly, a smaller proportion rented for far less than the FMR. Despite the general increase in rents relative to the FMR, the effect of the rent increase has been to close the gap between rents and the FMR, rather than to cause units to be generally unaffordable to lower income families. This is not to say that individual families might not experience rent increases unaffordable to them under the program. However, the availability of rental assistance to tenants, either to live in completed units, or to move to eligible units in other properties, helps to alleviate these hardships.

* The FMR is a rough indicator of a unit's affordability to lower-income tenants. HUD may, however, increase the FMR because of the unit's location or other special characteristics. Also, rents reported in the CMI system sometimes may represent contract rent instead of actual gross rent for the unit. The amount by which the FMR exceeds the rent will be overstated in these unknown number of cases.

## TABLE 4-13

### NUMBER AND PERCENT OF COMPLETED UNITS BY THE DIFFERENCE BETWEEN THEIR RENT AND THE FAIR MARKET RENT

| Compared with FMR Unit Rent is: | Before Rehabilitation Number | Before Rehabilitation Percent | After Rehabilitation Number | After Rehabilitation Percent |
|---|---|---|---|---|
| $100 to $200 more | 9 | * | 51 | * |
| $ 50 to $100 more | 53 | 1 | 234 | 2 |
| $ 1 to $ 50 more | 185 | 2 | 888 | 6 |
| Same | 23 | * | 468 | 3 |
| $ 1 to $ 50 less | 982 | 11 | 4,090 | 28 |
| $ 50 to $100 less | 1,950 | 22 | 3,875 | 27 |
| $100 to $200 less | 3,745 | 43 | 3,859 | 26 |
| More than $200 less | 1,870 | 21 | 1,112 | 8 |
| Totals | 8,817 | 100% | 14,577 | 100% |

* Less than .5 percent

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

Moreover, the general affordability of the rehabilitated units held true for units of every size. The average rent in each type of unit, from efficiencies to four bedroom units, was between $66 and $127 less than the respective FMR for that size unit. Thus, the typical completed RRP unit was one that was affordable to lower income individuals and one in which Section 8 certificate-holders probably could use their rental assistance.

## TABLE 4-14

### DIFFERENCE BETWEEN MEAN FAIR MARKET RENTS AND MEAN RENTS AFTER REHABILITATION FOR COMPLETED RENTAL REHABILITATION PROJECTS

| Unit Size | Number of Units | Mean Rent | Mean FMR* | Mean Dollars Below FMR |
|---|---|---|---|---|
| Efficiency | 219 | $264 | $330 | $66 |
| 1 Bedroom | 3,073 | 308 | 376 | 68 |
| 2 Bedroom | 7,971 | 354 | 435 | 81 |
| 3 Bedroom | 2,738 | 431 | 545 | 114 |
| 4 Bedroom | 370 | 481 | 608 | 127 |

* Mean FMRs are computed based on the FMR associated with occupied post-rehabilitation units.

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

## TENANT CHARACTERISTICS

Tenants residing in properties rehabilitated through the Rental Rehabilitation program were predominantly lower-income households, as Table 4-15 indicates. Among the 16,711 units completed through November 1986, 9,119 were occupied before rehabilitation, and about 8,481 (93 percent) were occupied by lower income families. Immediately after rehabilitation, 14,860 of these units were occupied, about 12,750 (92 percent) by lower-income families.* Moreover, with the substantial increase in occupied units after rehabilitation, it is apparent that not only did the Rental Rehabilitation program provide a high proportion of benefit to lower income people, but that substantially more lower-income families, approximately 5,000 more, have received standard housing because of the program.

In the aggregate, the characteristics of residents changed only slightly after rehabilitation because of the movement of tenants into and out of the buildings. In addition to having a low income, the typical tenant was a member of a household of two to four persons, and more likely to be white than black or Hispanic. There was, however, a significant increase in the proportion of black households, and an even greater increase in the proportion of female-headed households, In fact, female-headed households became predominant after rehabilitation.

That the tenants became more racially heterogeneous in the aggregate, after rehabilitation, was not a result of a disproportionate number of white tenants moving out. Instead, as overall occupancy rates increased, there was a large net inflow of households of all races. The number of white and black households moving into RRP projects was very similar, and because blacks made up a smaller proportion of tenants before rehabilitation, the overall effect was greater racial balance.

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* This section, and especially Table 4-16, attempts to estimate the characteristics of tenants who move to or from RRP projects. The C/MI system, however, does not specifically indicate which tenants move from the rehabilitated properties. Thus, the characteristics of out-movers must be calculated by identifying tenants in residence after rehabilitation, eliminating from that group those who moved in after rehabilitation, and subtracting this remainder from the characteristics of those in residence prior to rehabilitation. In making these calculations, we assume that the missing tenant characteristics data are distributed in proportion to the reported data. For the variables used in Table 4-16, missing data range from three percent of tenants after rehabilitation on gender of head of household to nine percent of tenants prior to rehabilitation on household income.

**Table 4–15**
**Characteristics of Households in Completed Rental Rehabilitation Projects**

| Household Income | Households In Project Prior to Rehab Number | Percent | Households Moving out of the Project Number | Households Moving into the Project Number | Households In Project After Rehab Number | Percent |
|---|---|---|---|---|---|---|
| 50% of median or below | 6,657 | 73% | 1,254 | 5,893 | 10,996 | 74% |
| 51-80% of median | 1,824 | 20 | 447 | 1,119 | 2,675 | 18 |
| 80% + of median | 638 | 7 | 17 | 447 | 1,189 | 8 |
| Total | 9,119 | 100% | 1,718* | 7,459 | 14,860 | 100% |
| **Race/Ethnicity of Head of Household** | | | | | | |
| White | 4,833 | 53% | 908 | 3,207 | 7,132 | 48% |
| Black | 2,827 | 31 | 387 | 3,207 | 5,647 | 38 |
| Hispanic | 1,094 | 12 | 280 | 821 | 1,635 | 11 |
| Other | 365 | 4 | 143 | 224 | 446 | 3 |
| Total | 9,119 | 100% | 1,718 | 7,459 | 14,860 | 100% |
| **Gender of Head of Household** | | | | | | |
| Female | 4,468 | 49% | 275 | 4,475 | 9,065 | 61% |
| Male | 4,651 | 51 | 1,443 | 2,984 | 5,795 | 39 |
| Total | 9,119 | 100% | 1,718 | 7,459 | 14,860 | 100% |

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

* No information is available on whether the 1,718 households that moved out were displaced. They may have received rental assistance to move or may have chosen to move on their own.

Not only did aggregate tenant characteristics change toward racial integration, but there also was an increase in the proportion and especially the number of projects in which the tenants were of more than one ethnic classification. Table 4-16 illustrates the characteristics of tenants of projects that were occupied by at least two households. Before rehabilitation, 17 percent of these projects had at least one unit occupied by a household of a different racial/ethnic group from the rest of the occupants, and this figure increased to 22 percent after rehabilitation. The proportion of projects with an income mix among the tenants declined a little -- from 17 percent to 15 percent. However, with the large increase in the number of occupied units after rehabilitation, the net effect was that a greater number of RRP projects had both a racial and income mix among their tenants.

As the number of occupied units in a project increased, so did the diversity of tenants ethnically and economically. More than half of the projects with more than 11 occupied units had tenants of more than one race, while for projects of two to four units 15 percent of projects had such a post-rehabilitation mix.

## TABLE 4-16

### TENANT MIX IN COMPLETED PROJECTS BY NUMBER OF OCCUPIED UNITS

| | Number of Occupied Units in Buildings: | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2-4 | | 5-10 | | 11 or More | | All Projects | |
| Characteristic | Before | After | Before | After | Before | After | Before | After |
| Project has:* | | | | | | | | |
| Racial mix | 12% | 15% | 28% | 37% | 53% | 56% | 17% | 22% |
| No racial mix | 88% | 85% | 72% | 63% | 47% | 44% | 83% | 78% |
| Project has: | | | | | | | | |
| Income mix+ | 13% | 11% | 25% | 27% | 47% | 38% | 17% | 15% |
| No income mix | 87% | 89% | 75% | 73% | 53% | 62% | 83% | 85% |
| Total Projects | 1,235 | 2,129 | 326 | 506 | 93 | 140 | 1,645 | 2,775 |

+ Income mix here is defined as the project's having at least one household with very low income and one with an income over 80 percent of the area median.

* Racial mix here is defined as the project's having at least one household with a white head and one that has either a black or hispanic head. Thus, a very large building that had only one minority resident would be included as "mixed," even though it would be predominantly white.

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

## RENTAL ASSISTANCE

The Rental Rehabilitation program has directed rental assistance to residents of rehabilitated projects. Approximately 13 percent of households residing in RRP projects prior to their rehabilitation received rental assistance in the form of a Section 8 Existing Housing Certificate or Housing Voucher. After rehabilitation was complete, about 62 percent of the tenants were receiving such rental assistance. Table 4-17 indicates the portion of households receiving different types of rental assistance.

### TABLE 4-17

### RENTAL ASSISTANCE BY DIFFERENT TENANT GROUPS

| | Households in Completed Projects | |
|---|---|---|
| Rental Assistance | Prior to Rehab | After Rehab |
| Certificates in Support of RRP | 1%+ | 36% |
| Vouchers in Support of RRP | *+ | 16 |
| Non-RRP Certificates/ Housing Vouchers | 12 | 10 |
| Other Rental Assistance | 4 | 2 |
| No Rental Assistance Reported | 83 | 36 |
| Totals | 100% | 100% |
| (n=) | (9,119) | (14,860) |

* Less than .5%

\+ Probably indicates errors in the C/MI System data.

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

Generally, Section 8 Certificates or Housing Vouchers can be issued to families with incomes of up to 50 percent of the area median. In instances where families with incomes between 50 and 80 percent of the area median would be displaced as a result of the program if they did not receive rental assistance, they also may be eligible to receive a certificate or voucher. Table 4-18 indicates that 80 percent of very low-income tenants received rental assistance in the form of a certificate or voucher, and that 29 percent of those with incomes between 50 and 80 percent of the area median received assistance. Only about two percent of households with incomes greater than 80 percent of the area median were reported as receiving a Section 8 certificate or housing voucher.

## TABLE 4-18

**RENTAL ASSISTANCE BY HOUSEHOLD INCOME AMONG TENANTS OCCUPYING RENTAL REHABILITATION PROJECTS COMPLETED THROUGH NOVEMBER 30, 1986**

| | Percent of Households with Incomes | | |
|---|---|---|---|
| Rental Assistance | Less than 50% of Median | 51-80% of Median | 80% + of Median |
| Certificate or Voucher | 80% | 29% | 2% |
| Other Assistance | 2 | 1 | 1 |
| No Assistance | 16 | 67 | 94 |
| Unknown | 2 | 3 | 3 |
| Totals | 100% | 100% | 100% |
| (n=) | (10,454) | (2,360) | (969) |

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

## 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 States and local governments with homesteading programs approved by HUD. These recipients, 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 in the homesteading neighborhoods. Section 810 funds are used to reimburse the respective Federal agencies for the value of the units transferred to State and local governments for homesteading.

Currently, the Department is also operating a Local Property Demonstration, in which cities may homestead locally-acquired properties. For this Demonstration, Section 810 funds are being used to compensate city agencies for the value of the properties acquired.

This part of the Housing Rehabilitation Chapter reports on Urban Homesteading program activity both during FY 1986 and over the life of the program. There are four sections: program funding and expenditures; homesteading properties; State and local participation; and the Local Property Demonstration. Although States are eligible to participate in the program, the bulk of participants are local governments. Therefore, for editorial convenience, jurisdictions participating in the program generally are referred to as "communities" throughout this part.

## PROGRAM FUNDING AND EXPENDITURES

### SECTION 810 FUNDING AND EXPENDITURES

Since 1975, Congress has appropriated $102.358 million to support the acquisition of Federal properties for Urban Homesteading programs. In FY 1986, Congress appropriated $11.868 million for the program. The Gramm-Rudman-Hollings sequestration reduced this amount to $11.358 million.

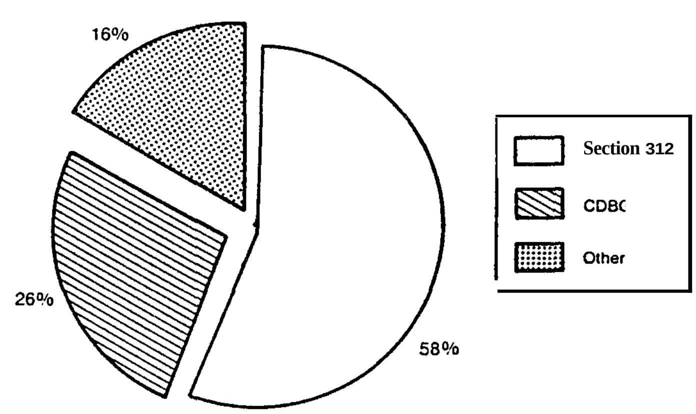
The size of a specific community's allocation is calculated on the basis of the expected number of available HUD, VA, and FmHA properties in the community that would be suitable for homesteading, the average "as-is" value of such properties in the jurisdiction, and the timeliness and cost-effectiveness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

By the end of FY 1986, outlays of Section 810 funds totalled $94.1 million, or 92 percent of cumulative appropriations to that point. Fiscal year 1986 outlays were $9.9 million. Obligations incurred in FY 1986 of $12.145 million exceeded the annual appropriation, because some carry-over funds from FY 1985 were obligated.

### 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,

**Figure 4-2**
**Sources of Rehabilitation Financing for Urban Homesteading Properties, FY 1986**




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

Rehabilitation financing information for all urban homesteading participants indicates Section 312 loans provided 56 percent ($7.405 million) of the rehabilitation financing for Section 810 properties during FY 1986. (See Figure 4-2.) Another 28 percent ($3.716 million) derived from CDBG funds. The remaining 16 percent ($2.105 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 4-19 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 1986 was $20,602, with substantially different average costs based on source of financing. The higher per unit costs in Section 312 and mixed projects suggest that Section 312 funds were used for properties requiring a higher level of work. Overall, the average per unit rehabilitation costs changed little from the previous year, when they had been $20,771.

**TABLE 4-19**

**MEAN REHABILITATION COST FOR SECTION 810 PROPERTIES BY FINANCING SOURCE, FY 1986**

| | Mean Rehabilitation Cost | | | |
|---|---|---|---|---|
| | Properties | | Units | |
| Financing Source | Amount | Number | Amount | Number |
| Section 312 Only | $23,833 | 222 | $22,325 | 237 |
| CDBG Only | 18,343 | 153 | 18,224 | 154 |
| Other Only* | 12,953 | 133 | 12,856 | 134 |
| Mixed** | 34,060 | 100 | 29,111 | 117 |
| Overall | $22,118 | 598 | $20,602 | 642 |

* 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.

One cause of this slight decrease in per unit rehabilitation costs in FY 1986 was the relatively late date at which Section 312 monies became available. Proportionately fewer FY 1986 properties used Section 312 funds, which historically have funded higher levels of rehabilitation in homesteading properties.

Of course, there was also variation in per unit rehabilitation costs across communities. The Department's Field Offices reported that rehabilitation financing had been secured for 598 properties in 84 communities. In 16 percent of these communities the mean per unit rehabilitation costs exceeded $30,000. In contrast, mean per unit costs in another 19 percent of the communities fell below $15,000. The remaining communities experienced mean per unit costs between those categories ($15,001–$20,000, 24 percent; $20,001–$25,000, 20 percent; and $25,001–$30,000, 21 percent).

### CDBG ASSISTANCE

Community Development Block Grant funds are used to assist homesteading programs in several important ways. As indicated above, CDBG funds provided about a quarter of the rehabilitation financing for the program. CDBG monies comprise the principal source of administrative support for most local programs. Moreover, some localities used CDBG funds to supplement Section 810 funds or to purchase local properties that were used for homesteading purposes.

## HOMESTEADING PROPERTIES

### PROGRAM-WIDE PROPERTY ACQUISITION

During the 1986 fiscal year, 851 additional properties became available for homesteading from all sources, as Table 4-20 demonstrates. Section 810 properties, and especially HUD-owned Section 810 properties, remained the dominant source of suitable properties. All Section 810 properties made up 86 percent of all newly-acquired properties; HUD-owned Section 810 properties 67 percent. Locally-acquired and non-Section 810 Federal properties, provided a smaller number of properties acquired by the program.

**TABLE 4-20**

**NUMBER AND SOURCE OF HOMESTEADING PROPERTIES, FY 1986 AND CUMULATIVE**

| | FY 1986 | | Cumulative | |
|---|---|---|---|---|
| Property Source | Properties | Percent | Properties | Percent |
| Section 810 | 723 | 87% | 9,775 | 83% |
| (HUD) | (550) | (66) | (9,134) | (78) |
| (FmHA/VA) | (120) | (15) | ( 581) | ( 5) |
| (Local Demo) | ( 53) | ( 6) | ( 60) | ( *) |
| Other Federal | 21 | 3 | 663 | 6 |
| Locally Acquired | 86 | 10 | 1,264 | 11 |
| Totals | 830 | 100% | 11,702 | 100% |

* Less than .5 percent

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

When the Urban Homesteading Demonstration program began in the Fall of 1975, a major part of its justification was to rehabilitate and bring into use some of the properties that the Department had acquired. Until 1980, the HUD inventory of single-family properties was the sole source of properties available for transfer at no cost to local homesteading programs under Section 810. The national inventory of HUD-owned properties has declined drastically from its peak of 75,000 properties at the end of FY 1974. As of September 30, 1986, there were 25,506 properties in the Departmental inventory. The transfer of HUD properties to local homesteading programs has accounted for a very small part of all HUD properties disposed of since 1975.

Despite the aggregate number of HUD-acquired properties, some 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 too costly or otherwise inappropriate for homesteading. Despite current national housing market conditions being somewhat unfavorable to homesteading, regional markets, such as those in Texas, Oklahoma, and Louisiana are favorable for the program. The new participation in FY 1986 of 28 cities and 8 counties indicates that demand for the program remains high.

The average value of the Federal Section 810 homesteading properties transferred to communities during FY 1986 was $18,127. This was an increase from FY 1985, when the figure was $17,101. This level was within the maximum as-is value of urban homesteading properties permitted by the program regulations, i.e., $20,000 per property during FY 1986, but the costs have been increasing steadily.

## LOCAL HOMESTEADING PROPERTY SOURCES

Most communities in the Urban Homesteading program reported that they depend on Federal, principally HUD, properties for their homesteading production. Fifty-six percent of the approved programs have reported using only Federal properties for homesteading. Twenty-nine percent have reported using Federal and local properties in combination to advance their homesteading goals. Eight percent have employed only local properties, and the remainder (seven percent) have reported no property acquisition thus far.

Of all participating communities, 79 percent have included HUD properties in their urban homesteading programs, 37 percent have used locally-acquired properties, and 37 percent have employed Veterans Administration-owned properties or Farmers Home Administration-owned properties.

The central feature of the Urban Homesteading program is the use of Section 810 funds to finance property acquisition. From the Department's perspective, rigorous tracking of progress in the program is tied to the use of Section 810 funds. Some unknown numbers of communities are operating their own homesteading programs exclusively with local revenues or CDBG funds, and there would be no reason for HUD to have information on the activity levels in these programs. Similarly, communities in the Urban Homesteading program frequently homestead properties without using Section 810 funds, and even though these are often reported to HUD, it is probable that the number reported is something of an understatement.

## LOCAL PROGRAM SIZE AND PROPERTY ACQUISITION

Local homesteading programs vary considerably in size. (See Table 4-21.) About 78 are very small with ten or fewer properties acquired for homesteading since their programs began. On the other hand, 16 communities each have acquired more than 200 properties. These communities obviously have accounted for a sizeable share of performance in the Urban Homesteading program to date. The ten participants with the largest number of acquired properties represented six percent of participating communities, but accounted for 40 percent of properties acquired in the program. These ten communities, in descending order of the number of properties acquired, are Philadelphia, Gary, Columbus, Milwaukee, Chicago, Indianapolis, Islip (NY), Dallas, Detroit, and Toledo. (Dallas has since closed out its program.) They are not all very large cities, although most are in the Midwest or Northeast part of the country.

### TABLE 4-21

### CUMULATIVE LEVELS OF PROPERTY ACQUISITION FOR LOCAL HOMESTEADING PROGRAMS

| Properties Acquired | Number of Participants* | Percent |
|---|---|---|
| 0 | 9 | 5% |
| 1 - 5 | 32 | 18 |
| 6 - 10 | 27 | 16 |
| 11 - 25 | 29 | 17 |
| 26 - 50 | 21 | 12 |
| 51 - 100 | 21 | 12 |
| 101 - 200 | 19 | 11 |
| 201+ | 16 | 9 |
| Total | 174 | 100% |

* Minnesota's ten cities and counties have acquired a total three properties so far. This table counts the Minnesota program as one participant.

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

## URBAN HOMESTEADING PARTICIPATION AND PROGRESS

### HOMESTEADING PARTICIPATION

By the end of **FY** 1986, the Department had approved 174 jurisdictions, 152 cities, 19 counties, and three States, for the Urban Homesteading program. Minnesota, one of the State participants, has selected six cities and four counties to participate in its program. Twenty-eight jurisdictions, 21 cities, 5 counties, and two States (Ohio and Minnesota) entered the program during **FY** 1986, and the ten Minnesota program communities also began participation in **FY** 1986.

Of the 174 approved participants 142 remained formally in the program as of the end of **FY** 1986. Additionally, all ten of the Minnesota program's participants remain active. Thirty-two participants formally have closed out their programs or have initiated closeout procedures. Ninety-nine participants added new properties during **FY** 1986, a basic indicator of program activity. With regard to other milestones, 78 participants reported making conditional transfers of property, 72 participants initiated rehabilitation of homesteading properties, and 80 participants completed the rehabilitation of program properties.

### HOHESTEADING PROGRESS

Once a property is obtained for homesteading, it must proceed through a series of steps before a homesteader actually owns a fee simple title to it. 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 (6) 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 ongoing 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 now has been in existence for 12 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 11,702 properties acquired for homesteading from whatever source, 89 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 77 percent. Ninety-three communities had been in the program long enough to have transferred final title to at least some of their homesteaders; and 5,938 (51 percent) homesteaders had acquired fee simple title by completing their conditional title periods.

## THE LOCAL PROPERTY DEMONSTRATION

Historically, most of the properties acquired for the Urban Homesteading program have come from Federal sources (See Table 4-20). However, in many cities, there are many abandoned, usually tax-delinquent, properties that are not owned by the Federal government. These properties could, in theory at least, provide a significant additional source of properties suitable for homesteading. To demonstrate whether properties could be successfully acquired for homesteading through the tax foreclosure process or by negotiation with owners prior to tax foreclosure, the Housing and Urban-Rural Recovery Act of 1983 authorized the Local Property Urban Homesteading Demonstration Program.

Section 122 of this Act authorized the Department to use Section 810 funds to reimburse participating communities for the costs of acquiring properties that were: (a) in the process of foreclosure; (b) not occupied by a person legally entitled to reside there; (c) in need of repair; and (d) designated for use in a local property urban homesteading program.

The Demonstration was announced in the Federal Register on September 20, 1984, and early in 1985 the Department selected eleven cities to participate in the Demonstration.

### PROGRESS IN THE DEMONSTRATION

Of the eleven cities chosen to participate in the Demonstration, seven already were operating Urban Homesteading programs.* So far, the participants have acquired 60 local properties for homesteading, at an average Section 810 reimbursement of $11,671. Each of the eleven cities has acquired at least one property; Terre Haute has the largest number of local acquisitions (14). In all, 14 properties in eight cities have been initially conveyed to homesteaders, and rehabilitation financing has been arranged for 13 of these properties. Six properties in four cities have been completely rehabilitated.

The sources of rehabilitation financing for the 13 properties have been similar to those used in the Urban Homesteading Program. The average rehabilitation cost per property was projected to be $25,985, with 55 percent of the overall cost coming from Section 312 loans. The remainder of the financing came from CDBG funds (28 percent) and private sources (16 percent).

The Department's Office of Policy Development and Research currently has underway an evaluation of the Local Property Demonstration. That evaluation is expected to be completed in 1987.

* The participating cities are: Rockford (IL); Louisville (KY); Duluth (MN); Omaha (NE); Columbus (OH); Portland (OR); Milwaukee (WI); Terre Haute (IN); Harrisburg (PA); Knoxville (KY); and College Station (TX). The first seven of these cities already were operating homesteading programs.

## 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 non-residential 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 the statute requires participating communities to give priority to loans to low- and moderate-income owner-occupants. 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 varying interest rate for all other loans.* In addition, at the direction of OMB, the Department charges a one percent risk premium, which is added to the contract interest rate for the loan. 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 1986 basis.

### CURRENT PROGRAM STATUS

#### PROGRAM FUNDING

Since its beginning in 1964 through FY 1986, the Section 312 program has awarded 98,575 loans totaling $1.363 billion for the rehabilitation and occasional refinancing of housing. Congress, however, 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. These sources generated a total of $175.636 million for FY 1986. From that amount, $40.411 million was obligated for loans in 201 communities during FY 1986. After other expenses (i.e., loan servicing, acquired security and collateral, and administrative expenses), an unobligated balance of $111.575 million remained at the end of the Fiscal Year. Table 4-22 presents a summary of Section 312 lending activity for FY 1986.

Section 312 program activity in FY 1986, with 1,180 loans in the amount of $40.411 million, declined notably from FY 1985 when 3,750 loans in the amount of $75.007 million were made. Congress made $81.345 million available to loans in the program on July, 3, 1986. However, because the funds became

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* The variable interest rate becomes fixed on the date of approval at the yield of government securities with a comparable maturity, usually 20 years.

available so late in the Fiscal Year, only $40.4 million was obligated in loans in FY 1986.

In FY 1986, 88 percent of Section 312 assistance went to owners of single-family housing, and 12 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, pursuant to HUD-imposed restrictions since dropped at the direction of Congress.

**TABLE 4-22**

**CHARACTERISTICS OF SECTION 312 LOANS FOR FY 1986**

| Single Family Loans* | |
|---|---|
| Total Loan Amount | $35,375,881 |
| Number of Loans | 1,164 |
| Mean Amount Per Loan | $30,392 |
| Number of Dwelling Units | 1,292 |
| Units Rehabilitated Per Loan | 1.11 |
| Mean Amount Per Unit | $27,381 |
| **All. Other Loans**** | |
| Total Loan Amount | $5,036,197 |
| Number of Loans | 16 |
| Mean Amount Per Loan | $314,762 |
| Number of Dwelling Units | 268 |
| Units Rehabilitated Per Loan | 16.75 |
| Mean Amount Per Unit | $18,794 |

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

** This category includes all multifamily, non-residential, and mixed use loans.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, compiled by the Office of Program Analysis and Evaluation from information provided by the Office of Urban Rehabilitation and the Office of Management.

## SECTION 312 LOAN COLLECTION ACTIVITY

Active Section 312 loans are serviced through a number of contracts and subcontracts. The Federal National Mortgage Association (FNMA) and its private servicers administer 71 percent of the outstanding loans and 53 percent of the outstanding loan amount. The HUD Central Office manages the remaining loans, including defaulted loans and all new loans, through a private contractor. Table 4-23 summarizes the status of the Section 312 Loan portfolio.

TABLE 4-23

**STATUS OF SECTION 312 LOAN PORTFOLIO**
**FOR FY 1984 - FY 1986**
**(Dollars in Thousands)**

| | Loans | | | | | |
|---|---|---|---|---|---|---|
| | FY 1984* | | FY 1985* | | FY 1986* | |
| Status | Number | Pct. | Number | Pct. | Number | Pct. |
| Current | 48,774 | 80% | 48,016 | 81% | 47,192 | 83% |
| Delinquent#: | 8,024 | 13 | 7,199 | 12 | 6,586 | 12 |
| 3 months or less | (5,487) | ( 9) | ( 5,668) | (10) | (5,194) | ( 9) |
| More than 3 months | (2,537) | ( 4) | ( 1,531) | (3) | (1,392) | ( 3) |
| In Legal Action | 3,894 | 7 | 4,058 | 7 | 3,042 | 5 |
| Total | 60,692 | 100% | 59,273 | 100% | 56,820 | 100% |

| | Unpaid Balances | | | | | |
|---|---|---|---|---|---|---|
| | FY 1984* | | FY 1985* | | FY 1986* | |
| Status | Amount | Pct. | Amount | Pct. | Amount | Pct. |
| Current | $517,508 | 77% | $515,460 | 74% | $529,524 | 77% |
| Delinquent#: | 90,925 | 13 | 127,771 | 18 | 111,890 | 16 |
| 3 months or less | (75,465) | (11) | (100,599) | (14) | (89,043) | (13) |
| More than 3 months | (15,460) | ( 2) | ( 27,172) | (4) | (22,847) | ( 3) |
| In Legal Action | 67,440 | 10 | 52,416 | 8 | 49,886 | 7 |
| Total | $675,873 | 100% | $695,647 | 100% | $691,300 | 100% |

* FY 1984 data are as of November 30, 1984. FY 1985 and FY 1986 are as of September 30 of their respective years. "Unpaid balances" for FY 1985 and FY 1986 exclude loans not in loan servicing status, i.e., new loan approvals and loans in the process of foreclosure. Including all loans would raise the totals to $717.5 million and $709.7 million, respectively.

\# The delinquency figures in this table do not include cases in legal action. Including legal action cases in the delinquent category would increase, for example, the percentage of FY 1986 loans that are delinquent to 17 percent from the 12 percent noted on the "delinquent" line. The Department's annual budget presentations report the higher delinquency rates.

SOURCE: U.S. Department of Housing and Urban Development, Community Planning and Development, compiled by the Office of Program Analysis and Evaluation, from information provided by the Office of Urban Rehabilitation and the Office of Management.

As of the end of FY 1986, there were 56,820 active Section 312 loans with unpaid balances totaling $691.3 million. Eighty-three percent of all outstanding Section 312 loans and 77 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 seven percent of the Section 312 loans and ten percent of the Section 312 loan amounts were seriously delinquent or in legal action as of September 30, 1986.

The past three years has been a period with historically high levels of defaults in the conventional market, yet the Section 312 delinquency rate has decreased over this period. Table 4-23 indicates that the proportion of loans whose repayment is current has increased from 80 percent to 83 percent, and that 77 percent of the outstanding loan amounts are in loans whose repayment is current (up from 74 percent last year).

In FY 1986 the number of loans in serious difficulty decreased to eight percent from 10 percent in the previous year. The amount of the loans that were in legal action declined again to seven percent of the total funds outstanding.

## CHARACTERISTICS OF SINGLE-FAMILY LOAN RECIPIENTS*

Based on a review of a very small sample of FY 1986 approved loan applications available at HUD Headquarters, Section 312 loan recipients appear to be relatively young and to have modest incomes. In a large percentage of the applications reviewed, the applicant reported an income of $20,000 or less, and most applicants were under 40 years of age.

## CHARACTERISTICS OF PARTICIPATING COMMUNITIES

During FY 1986, property owners in some 201 communities obtained Section 312 loans. Single-family loans comprised the only form of Section 312 activity in 94 percent of those communities. In two percent of these communities only multifamily Section 312 loans were issued and in four percent both single- and multifamily loans were made.

Sixty-two of the 201 (31 percent) communities with Section 312 loans reported using $7.3 million in the rehabilitation of 319 Urban Homesteading properties with 341 units. For 236 of those units, accounting for $5.3 million of Section 312 monies, Section 312 was the sole source of rehabilitation

* Because the Section 312 Loan funds were not available for allocation to participating communities until July 1986, relatively few loans (less than 1,200) have been made with these funds. Moreover, because Field Offices are not required to forward all documents to the servicer in Washington, DC immediately after the approval, this information is based on only 61 approved applications.

financing. For the remaining 105 units, accounting for $2.0 million, Section 312 support was used in concert with other assistance, e.g., CDBG loans, other public financing, and private financing.

Of the 201 communities with 312 loans, 174 (87 percent) were cities or towns, twenty-seven (13 percent) were counties. Of the cities and towns, 143 were large or central cities, thereby meeting the criteria for Entitlement status in the CDBG program. The remaining are smaller cities.

# CHAPTER 5

## SECRETARY'S DISCRETIONARY FUND, MANAGEMENT INITIATIVES AND PROGRAM MONITORING

This chapter covers the FY 1986 operation of the Secretary's Discretionary Fund and the Neighborhood Development Demonstration program, the efforts of the Office of Community Planning and Development to support management initiatives of the Department, and actions to ensure grantees are carrying out statutory programs in conformity with program requirements.

The first part of this chapter covers several programs operated out of the Secretary's Discretionary Fund. The second describes the Neighborhood Development Demonstration program. The third reports on Departmental management initiatives, including encouraging entrepreneurial actions on the part of State and local governments to improve their efficiency and effectiveness. The fourth reports on a variety of efforts to monitor and audit CPD-administered programs. The final part describes Departmental efforts to achieve fair housing and equal opportunity objectives in community development programs.

## PART ONE: THE SECRETARY'S DISCRETIONARY FUND PROGRAM

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 1986, the $60.5 million appropriation for the Fund (reduced to $57.9 million by the Gramm-Rudman-Hollings sequestration) supported several program areas: The CDBG program for Indian Tribes and Alaskan Natives, the CDBG program for Insular Areas, and the Technical Assistance and Special Projects programs. This section of the chapter describes the amounts of funds allocated through these programs and summarizes how these funds were used.

### THE CDBG PROGRAM FOR INDIAN TRIBES AND ALASKAN NATIVES

The Indian CDBG program provides funding for Indian Tribes, bands, groups or nations including Alaskan Indians, Aleuts, Eskimos or Alaskan Native villages that are eligible under Title I of the Indian Self-Determination and Education Assistance Act or the State and Local Fiscal Assistance Act of 1972.

Funds for the CDBG Indian program are allocated to the six HUD Offices of Indian programs according to a formula that includes the Indian population in that Office's jurisdiction and the extent of poverty and overcrowded housing among that population. In addition to the formula allocation, each Indian Field Office is allocated $500,000 as a base amount to which the formula allocation is added. The base amount is intended to reduce year-to-year fluctuations in Field Office funding levels due to changes in the appropriation.

In FY 1986, $25.8 million of CDBG funds were allotted from the Secretary's Discretionary Fund for the CDBG Indian program. Each of the six HUD Offices of Indian programs subsequently distributed its share of funds by competition among tribes using a rating and ranking system designed by that Office. Among the factors used in the FY 1986 competitions were the applicants' needs, the impact of the proposed project on those needs, and the quality of the proposed project. Each of these systems was reviewed by HUD Headquarters to ensure consistency in selection procedures while allowing maximum flexibility to address different situations among the regions.

**Activities Funded.** The Indian Community Development Block Grant program allows applicants to set their own priorities and to request funding for any activity eligible under the CDBG program. To date, 89 awards, totaling $24.6 million, have been made to Indian tribes for FY 1986. These 89 awards supported a total of 100 activities. About 60 percent of these grant funds were awarded to applicants requesting assistance for housing rehabilitation and economic development projects. (See Table 5-1.) The remaining grants were made to assist infrastructure projects (water, sewer, roads, flood control, and electrical services), community facilities (daycare centers, health centers, community centers, etc.) or other activities. Table 5-1 shows the number and total amounts of the awards that were made in FY 1986 for each of these types of activities.

**TABLE 5-1**

**CDBG INDIAN PROGRAM FUNDING BY TYPE OF ACTIVITY, FY 1986***
**(Dollars in Thousands)**

| Activity | Activities Number | Activities Percent | Funds Amount | Funds Percent |
|---|---|---|---|---|
| Housing Rehab. | 33 | 33% | $ 7,372 | 30% |
| Economic Development | 27 | 27 | 7,023 | 29 |
| Infrastructure | 20 | 20 | 5,240 | 21 |
| Community Facilities | 17 | 17 | 4,266 | 17 |
| Other | 3 | 3 | 712 | 3 |
| Total | 100 | 100% | $24,613 | 100 |

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

## THE CDBG INSULAR AREAS PROGRAM

The CDBG Insular Areas program provides funds to the Virgin Islands, Guam, the Commonwealth of Northern Mariana Islands, American Samoa and the Trust Territories of the Pacific. Funds are distributed to HUD Field Offices and earmarked for insular areas based solely on population. Grantees apply to the Field Office serving them for project funding.

In FY 1986, $6.0 million was available to grantees in the following amounts: The Trust Territories of the Pacific ($1.7 million), the Virgin Islands ($2.0 million), Guam ($1.4 million), American Samoa ($.5 million), and the Northern Marianas ($.4 million).

To date, applications from the Trust Territories, Guam, 'American Samoa, and the Northern Marianas have been approved. The CDBG funds will be used for community facilities ($1,476,8001, infrastructure development ($1,021,900), administrative expenses ($766,470), economic development ($508,000), and housing rehabilitation ($350,000). Applications from the Virgin Islands are still under review by HUD.

## THE TECHNICAL ASSISTANCE AND SPECIAL. PROJECTS PROGRAMS

HUD uses the Technical Assistance (TA) and Special Projects components of the Secretary's Discretionary Fund to assist participants in CPD-administered programs to acquire or improve skills related to community and economic development activities and to address special community development needs. In FY 1986, HUD allocated $14.7 million for the TA program and $11.4 million for Special Projects.

In FY 1986, HUD awarded $14.6 million for 87 technical assistance grants and contracts. A sample of more than one-half (48) of the TA contracts awarded in FY 1986 shows the more detailed characteristics of these projects. About half of the sample awards went to projects that were designed to assist local officials in undertaking economic development activities in their communities. One example of this type of project was a contract to help local community development officials develop a plan to enlarge the central business district as a specialty commercial area which includes housing, entertainment and cultural uses. Other examples are the establishment of a Lender Commitment Program to assist new or expanding businesses and the convocation of special forums to encourage commitment of elected officials to economic development projects. Other technical assistance awards were made to support historically Black colleges and to assist local officials in undertaking housing rehabilitation and district heating and cooling projects.

About one quarter of the funds in the 48-project sample went to not-for-profit firms; another quarter of the funds went to various levels of government, including associations of governments. For-profit firms were awarded about a quarter of the funds, and private associations, universities and a variety of other groups received the balance of the funds.

Providing opportunities to Minority Business Enterprises (MBEs) is a major priority for the Technical Assistance program. Ten of the organizations funded through the TA program were themselves MBEs, and 14 other projects were designed, in part, to promote the participation of minority business enterprises in local community and economic development programs. In all, 50 percent of the TA projects funded and 58 percent of the funds awarded directly supported this priority.

**Specfal Projects Program.** The Community Development Special Projects program enables HUD to award grants to States and units of general local government for special projects that address community development activities consistent with the purposes of Title I of the Housing and Community Development Act of 1974, as amended.

In FY 1986, the Department made 14 grants totaling $4.7 million under the Special Projects program. The remainder of the allocated funds is under reservation, and grants are being negotiated. The purposes of the individual grants varied widely, but they can be grouped into four broad categories. Three of these categories--housing-related activities, water and sewer projects, and other public works and improvements--received similar amounts of funds, each approximately $1.3 million. The fourth category, economic development projects, received about $.8 million.

One of the 14 awards went to Brookhaven, New York, to assist that community in installing a public water main; another was made to Bogalousa, Louisiana, to help that community repair its water and sewer systems which were damaged by Hurricane Elena. Other Special Projects awards made during FY 1986 were used to expand a minority-owned trucking terminal in a blighted neighborhood of Omaha, Nebraska, and repair structural problems in two Tougaloo College dormitories.

## PART TWO: THE NEIGHBORHOOD DEVELOPMENT DEMONSTRATION PROGRAM

**Background.** Section 123 of the Housing and Urban-Rural Recovery Act of 1983 authorized the Neighborhood Development Demonstration program (NDDP). The purpose of the Demonstration is:

> to determine the feasibility of supporting eligible neighborhood development activities by providing Federal matching funds to eligible neighborhood development organizations on the basis of the monetary support such organizations have received from individuals, businesses and nonprofit or other organizations in their neighborhoods prior to receiving assistance under this section (P. L. 98-181).

The 1985 HUD-Independent Agencies Appropriation Act (P. L. 98-371) provided $2 million for the Neighborhood Development Demonstration. The Appropriation Act conferees agreed that this $2 million would be made available from funds carried over from the FY 1984 Community Development Block Grant program as authorized by the 1983 Act. In October 1986, the 1986 Appropriations Act for the Fiscal Year 1987 (P. L. 99-591) appropriated $2 million to continue the demonstration in 1987.

**Program Administration.** To be eligible to participate in the program, a neighborhood organization is required to be a private, voluntary, nonprofit corporation that: has conducted business for at least three years prior to the date of application; is responsible to residents of its neighborhood through a governing body, the majority of which are residents of the area to be served; is operating within a UDAG-eligible area; and conducts one or more eligible neighborhood development activities that have as their primary beneficiaries low- and moderate-income persons.

HUD published the Notice of Funding Availability for the first demonstration in the Federal Register on August 23, 1984. More than 1,200 requests for application packages were received in response to this Notice. The organizations selected to participate in the NDDP were announced on February 21, 1985. Since this announcement, seven of the original 44 organizations have dropped out of the program and one was added, resulting in the current number of 38 active neighborhood development organizations (NDOs).

**Characteristics *of* the Funded NDOs.** The funded NDOs are relatively small organizations. A full 20 percent of the NDOs had annual budgets of less than $50,000 at the time of their application for the Demonstration, and another 37 percent had budgets between $50,000 and $150,000. In contrast, however, there were also a few relatively large NDOs (12%) that had annual budgets that exceeded $500,000. In terms of staff size, most NDOs (54%) had between two and nine employees, and 10 percent had only one full-time employee. The largest 25 percent of the NDOs had ten or more staff persons. Again the distribution is skewed toward the low end of the scale, as reflected in the median staff size of six compared to an average of ten employees overall.

**Project Characteristics.** The largest share of the NDDP projects, 68 percent, are either housing projects or "mixed" projects containing a housing component and an additional secondary activity. When measured in terms of project budgets, approximately 58 percent of the projects devote the majority of their resources to housing. Seventeen percent of the NDOs planned projects to stimulate local business development. Among the activities they planned to undertake were the promotion of small business incubators and the provision of loan guarantees. Ten percent planned neighborhood service activities, such as health care or day care, and a few (5%) planned neighborhood improvements such as clean-up campaigns, vacant-lot reuse, or creating gardens and mini-parks. Many projects involved combining more than one of these activities.

**Local Fundraising Techniques.** The incentive matching grant design of NDDP required that the local match be raised from within the NDOs' neighborhoods before the Federal funds would be released. NDOs, however, could have raised the local match in any of a variety of ways they might select, including soliciting funds from individuals, businesses and nsn-profit organizations.

The most common fundraising method, used by 81 percent of the NDOs participating in the NDDP, was to solicit contributions from neighborhood businesses, in particular, small businesses. While soliciting businesses was by far the most frequent fundraising method used, two other methods were tried by more than one-half of the NDOs. Fifty-six percent of the NDOs sought contributions from individuals within the neighborhood, most often by soliciting funds through the mail, telephone or door-to-door canvassing, and assessing membership dues for the organization. The other fundraising strategy employed by a majority of participating NDOs was to sponsor a special event such as a raffle, dinner, or street festival.

**Local Fundraising Progress.** As of the end of December 1986, the 38 active NDOs had raised more than $885,000 for their NDDP projects and had requested $1.5 million of Neighborhood Development Demonstration program matching grant funds. This latter figure represents about 93 percent of grants awarded.

Almost three-fourths of the active NDOs (27 of 38) have reached 100 percent or more of their fundraising goal, and another 13 percent have raised more than 90 percent. Only about five percent of the active NDOs have raised less than one-half of their goals.

## PART THREE: MANAGEMENT AND POLICY INITIATIVES

A number of management initiatives were undertaken in FY 1986 by the Office of Community Planning and Development to promote the goals and objectives of the Department. Included among these initiatives are: encouraging public entrepreneurship; furthering historic preservation and energy efficiency; and enhancing minority business enterprise.

### PUBLIC ENTREPRENEURSHIP

Throughout FY 1986, initiatives were undertaken to bring about improvements in the quality of local government management in housing and community development and to improve the working relations between State and local governments and the private sector. These activities have been included under the term "public entrepreneurship."

Public entrepreneurship is the innovative and businesslike management of public resources to improve the quality and efficiency of providing community facilities and services and to attract private sector involvement in community development activities. Public entrepreneurship may apply to all activities which can be funded through HUD programs, including housing, economic and community development, public facilities and related public services. It may also apply to community and economic develoment activities without Federal participation. Typically, these activities may include one or more of a variety of features: efficient public administration, citizen participation, public/private partnerships, private investment leveraging, and privatization.

Among the activities for promoting public entrepreneurship in FY 1986 were many diverse activities of the CPD field offices, publications, the national recognition program, and enterprise zones.

**Field Office Activity.** Field Offices have supported many public entrepreneurial activities. Among them are: promotion of community participation in the National Recognition Program; creation of a demonstration city in one State to test public/private partnership ideas; publication of information on outstanding projects by Region 11; creation of clearinghouses in the Atlanta and San Francisco offices; use of technical assistance funds to finance economic development forums in Kentucky and to help small cities in Ohio; exploration of expanded involvement of the Federal Home Loan Bank Board and the Federal Reserve for community development activities; and promotion of the use of interim financing for economic development.

**Publications.** HUD and the Partners for Livable Places wrote and published The Entrepreneurial American City and distributed some 50,000 copies in response to requests. It includes examples of city projects that have been successful in making use of public and private funds and resources that improve public entrepreneurial programs. This publication has also created interest abroad. Other countries are attempting to learn about communities in the United States which have leveraged private funds and improved the quality and efficiency of local government management. A German version of the document has been published.

**The National Recognition Program.** In FY 1986, CPD conducted the third national awards program, The National Recognition Program for Community Development Excellence. It acknowledged communities that have used the Community Development Block Grant program or local funds in creating outstanding public/private partnerships. This awards program was designed specifically to encourage greater local self-reliance by identifying successful projects which can be used to create public/private partnerships. The following criteria were used in judging the projects or programs submitted for consideration: usefulness as a model for other communities; private funds leveraged; job creation and retention; financial self-sufficiency; benefit to the community; degree of innovation; and amount of spin-off development. Over 400 States and local communities submitted projects and programs for consideration.

**Technical Assistance.** HUD continues to use its technical assistance program, described in the first section of this chapter, to assist local programs that promote public entrepreneurship. Among the technical assistance projects are those designed to stimulate housing revitalization and economic development, strengthen downtown commercial areas, improve management and delivery of financing to small businesses, and assist elected officials in the development and implementation of public entrepreneurial activities in CDBG and UDAG programs.

**Enterprise Zones.** There has been a continuance of an active outreach program by the Office of Community Planning and Development to promote public/private partnerships in Enterprise Zones. One of those outreach activities is the publication of the Enterprise Zone Notes that informs States and localities about Enterprise Zone events. HUD has supported Enterprise Zones by participating in numerous conferences, making speeches and presentations and maintaining a clearinghouse for Enterprise Zone activities.

CPD prepared a detailed report, State-Designated Enterprise Zones, Ten Case Studies, and a revised Directory of Enterprise Zone Officials to improve communications among local governments with Enterprise Zones. In addition, the Office of Policy Development and Research published the annotated bibliography, Enterprise Zones in America, A Selected Resource Guide.

A number of Enterprise Zone bills were introduced in the 99th Congress, but none were enacted. Although somewhat varied, each bill had the common thrust of providing special Federal incentives, either tax or non-tax, and of encouraging businesses to invest in distressed areas, to create jobs and contribute to economic revitalization.

The Enterprise Zone concept has been adopted by 32 States. Enterprise Zone incentives have been designated in more than 1,425 areas (in 625 jurisdictions) in 21 States. States have reported over 90,000 jobs that have been retained or created in Enterprise Zones. They have noted also that more than $6.0 billion 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...." of increased costs. The 1980 Amendments to the Housing and Community Development Act incorporated this emphasis on energy and included a new objective for Community Development programs--%he conservation of the Nation's scarce energy resources, improvement of energy efficiency, and the provision of alternative and renewable energy sources of supply." (See Section 101(c).)

In support of this objective, FY 1986 HUD energy activities emphasized providing assistance to localities in developing district heating and cooling systems, promoting energy-efficient rehabilitation and public awareness of the benefits to local communities of investments in energy, and establishing interagency agreements to further energy-conservation goals. Guidance was offered to localities and States on the use of CDBG and UDAG programs to promote community and economic development through energy efficiency. Strong emphasis was placed on strengthening private sector participation in achieving these objectives.

**Developing Community Energy Systems.** Through the Secretary's Discretionary Fund, energy-related technical assistance was provided for feasibility determination and design of Community Energy System projects involving district heating and cooling systems (DHC). DHC systems provide heat, hot water and cooling from a central plant with greater efficiency and less pollution than individual units. Continued progress in DHC development took place in FY 1986 in San Francisco and San Jose, CA; construction was completed in Provo, UT, and Hibbing, MN; and construction was started in Baltimore, MD, and Springfield, MA; final design and marketing were underway in Columbus, OH and Chicago, IL.

The Department reissued a policy notice encouraging Public Housing Authorities to cooperate with developers of nearby or planned DHC systems to reduce project operation and maintenance costs. In eleven cities developing DHC systems, the anchor customers will be HUD-assisted housing projects, serving over 13,000 units when completed. Technical assistance awards for this purpose were made to six communities which began substantive work this year. Permission for local authorities to use HUD modernization funds on projects was included.

In addition to helping cities maximize opportunities for public/private cooperation through DHC, the Department provided technical assistance to States to set up programs to assist localities in developing community-energy systems. New Jersey, Pennsylvania, and Connecticut are implementing their programs with Oil Overcharge funds. To increase the effectiveness of CDBG funding in planning and developing waste-to-energy systems, technical assistance was provided to eight localities. Most of these projects were tied to the use of CDBG or UDAG funds and were designed to promote economic and community development.

**Improving Energy Efficiency in Multifamily Rehabilitation.** Studies show that 50 percent of energy is wasted in many older multifamily buildings occupied by low-income households and originally built to now obsolete energy standards. A November 1986 study by the Lawrence Berkeley Laboratory indicated that in public housing, where the Department directly subsidizes utility costs, elimination of this waste could result in an annual savings estimated at $500 million. Similar savings may be obtainable in other assisted housing, such as Section 8 and Section 202 elderly housing, at an additional estimated $500 million annually to owners. Assistance provided for rehabilitation in the CDBG and Rental Rehabilitation programs also offers potential for substantial reductions in annual energy waste to owners and occupants. HUD programs thus may cut energy waste and costs to make housing more affordable and defray operating cost subsidies.

To foster increased investment in weatherization and energy management during property rehabilitation, technical assistance was provided under a cooperative agreement with the National Association of Home Builders Research Foundation to HUD-assisted multifamily housing projects. Under an Interagency Agreement, HUD contributed to the Urban Consortium Task Force, focusing on strategic planning for energy projects in San Francisco (comprehensive program for commercial building tenants), Columbus (DHC), St. Louis (shared savings for multifamily buildings), Chicago (balancing heating systems in multifamily buildings), and San Antonio (data on retrofit and savings). HUD continued the program of energy roundtables in major U. S. cities as in San Jose, CA, where property owners, energy-service companies, utilities, State energy Offices, lenders and local property rehabilitation staff initiated a process to address economic issues through cooperative energy actions. To improve the flow of information to local government and the private sector in support of greater energy efficiency through rehabilitation, a Federal interagency coordinating group was established.

**Using CDBG and UDAG Funding to Improve Energy Efficiency.** For some States, the State Community Development Block Grant funds provide a special opportunity to assist small communities in addressing energy problems. The States may offer extra selection points for energy assistance in conjunction with rehabilitation or economic development activities.

In FY 1984, the last year for which actual expenditure data are available, the CDBG Entitlement communities expended $10.8 million on weatherization, exclusive of other activities. Of this amount, $950,000 (10%) was devoted to weatherize multifamily units. Only those projects solely devoted to weatherization are listed separately in the HUD data base.

Communities have incorporated energy strategies into their economic development programs as they became familiar with the economic benefits of investments in energy conservation and renewables. Jamestown, NY, joined with its county to establish a widely imitated industrial and commercial sector revolving loan program which enables businesses to repay loans out of energy cost savings. Nebraska and Washington State have developed economic models which enable communities to assess the return rates of potential energy investments.

In FY 1986, 17 percent of UDAG program projects funded incorporated energy-related features. These projects attracted $409.5 million in private funds to match that leveraged by $53 million of UDAG funds, a ratio of about eight private to every Federal dollar.

**Promoting Energy Awareness.** In FY 1986, HUD continued to work cooperatively with public and private organizations to provide local governments with technical information on energy programs and demonstrations, using the automated Local Government Information Network (LOGIN). This information system is designed to increase awareness of investment benefits of CDBG- and UDAG-funded energy projects and the need to cut energy resource waste and mismanagement. HUD also co-sponsored with the Department of Energy (DOE) the Fourth National Conference on District Heating and Cooling.

## HISTORIC PRESERVATION

The Housing and Community Development Act of 1974 established an objective of historic preservation and authorized the use of Title I funds for the "restoration and preservation of properties of special value for historic, architectural or aesthetic reasons." HUD has taken the initiative to encourage and monitor historic preservation activities which are part of local economic development and community revitalization programs.

Since FY 1978, the Department has provided assistance for historic preservation through both the UDAG and CDBG programs. UDAG assistance for preservation projects totaled $312.5 million between FY 1978 and FY 1986, compared with $76.1 million from CDBG for that purpose from FY 1979 to FY 1986..

Annual UDAG historic preservation expenditures between FY 1978 and FY 1986 averaged $34.7 million, ranging from a low of $7.3 million to a high of $68.1 million in FY 1983. The trend in spending for preservation has been upward. In the three-year period from FY 1983 to 1985, $186.8 million was expended for this purpose. FY 1986 data are incomplete in that only 188 of the total of 280 UDAG projects funded during the year have signed grant agreements and have been coded for input into the data base. The balance of the projects do not have signed agreements as yet.

UDAG historic preservation grants also leverage private sector funding. From FY 1978 to 1986, UDAG historic preservation grants totaling $312.5 million leveraged $1.6 billion in private sector investment, for a ratio of one grant dollar to about 5.5 private dollars.

Total FY 1986 CDBG grants for Entitlement Cities are estimated at $2.1 billion. Of the total grant funds, the annual sum solely allocated to historic preservation diminished steadily from $13.2 million in FY 1979 to $6.4 million in FY 1986, as communities concentrated on other priorities or reported these types of activities under other project categories. (See Table 5-2.)

TABLE 5-2

CDBG ENTITLEMENT AND
UDAG SUPPORT FOR HISTORIC PRESERVATION ACTIVITY
FY 1978 - FY 1986
(Dollars in Millions)

| Fiscal Year | CDBG Expenditures | UDAG Expenditures | |
|---|---|---|---|
| 1978 | N/A | $7.3 | |
| 1979 | $13.2 | 19.8 | |
| 1980 | 12.5 | 15.3 | |
| 1981 | 11.5 | 24.3 | |
| 1982 | 9.9 | 32.8 | |
| 1983 | 9.2 | 68.1 | |
| 1984 | 8.4 | 53.2 | |
| 1985 | 5.0 | 65.5 | |
| 1986 | 6.4 | 26.2 | (partial) |
| Total | $76.1 | $312.5 | |

NOTE: CDBG data for FY 1978 do not include historic preservation; FY 1979 - FY 1986 CDBG data do not include such other funds as public facilities, planning, public works, rehabilitation, and housing, which may also be used for historic preservation purposes but are not so designated in grantee reports to HUD.

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

## MINORITY BUSINESS ENTERPRISE (MBE)

Encouraging participation by minority-owned firms in all HUD's programs is an area of particular importance to the President and the Secretary. On September 17, 1981, President Reagan promulgated a directive committing the Administration to expand efforts to develop and encourage minority businesses. On July 14, 1983, the President issued Executive Order 12432. It provides guidance and oversight for the Federal Government's role with respect to the development of minority business enterprises and encouragement of greater economic opportunity for minority entrepreneurs. The Office of Community

Planning and Development has supported these efforts since 1982 by establishing annual regional goals for the amount of contract funds to be awarded to minority-owned firms.

**FY 1986 Activity.** During FY 1986, the Department continued to ensure that minority business enterprises were included in all CPD programs. CPD Field Office staff provided technical assistance to minority groups to increase their ability to participate in economic development, housing, commercial revitalization, and other CDBG-related activities. The staff encouraged grantees to use minority business firms as contractors and subcontractors on projects funded with HUD grants. The Department also encouraged States managing the State Community Development Block Grant program to make greater use of minority firms and to report on the results of this effort to the Department.

Grantees reported that they had awarded $502 million CPD program funds to minority-owned firms during the fiscal year, which represented 23 percent of all funds awarded for contracts. The award amount was 98.6 percent of the $509 million target that CPD had established for the fiscal year.

TABLE 5-3

**MINORITY BUSINESS ENTERPRISE**
**PARTICIPATION IN CONTRACTS AND SUBCONTRACTS AWARDED**
**BY CPD PROGRAM GRANTEES IN FY 1986**
**(Dollars in Millions)**

| Program | Contract Amounts: Total $ Awarded | Contract Amounts: Awarded to Minorities: Dollars | Contract Amounts: Awarded to Minorities: Percent |
|---|---|---|---|
| CDBG Entitlement | $1,313 | $335 | 26% |
| Small City CDBG: | | | |
| HUD Administered | 15 | 3 | 20 |
| State Administered | 197 | 37 | 19 |
| UDAG | 659 | 104 | 16 |
| CDBG Indian, Alaskan | 13 | 9 | 69 |
| Other | 30 | 14 | 46 |
| All Projects | $2,227 | $502 | 23% |

SOURCE: Department of Housing and Urban Development, Assistant Secretary for Community Planning and Development, Office of Program Policy and Development.

Table 5-3 shows the FY 1986 value of contracts and subcontracts awarded from various CPD programs by grantees to all firms and to minority business firms, and the percentage of MBE participation.

In addition to the contracts awarded by grantees, the Office of Program and Policy and Development reported that CPD directly awarded technical assistance contracts totaling $3.4 million to minority-owned firms. This was 24 percent of CPD's total technical assistance procurement budget, but under its goal of 36 percent for such contracts for the fiscal year.

A number of other actions were undertaken by various CPD Field Offices to encourage MBE: (1) conferences, workshops, and seminars to inform grantees of the MBE issues and promote increased MBE participation; (2) letters to grantees encouraging support for MBE; (3) the use by grantees of minority-owned banks; and (4) promotion of MBE goals with grantees during regular monitoring visits.

## PART FOUR: MANAGEMENT MONITORING ACTIONS

A major statutorily-mandated responsibility of CPD field staff is to monitor grantee compliance. The principal field staff activities regarding this function are general program monitoring, reviewing program audits, approving program closeouts, and monitoring and reviewing equal opportunity issues. They are discussed in turn in this section.

### CPD MONITORING ACTIONS

To ensure that grantees undertake projects or programs consistent with Congressional objectives, CPD staff routinely review grantee performance and management. These reviews entail both on-site visits to grantees and such in-house activities as inspection of program documents. In addition to alerting HUD and grantees to instances of noncompliance with applicable laws, rules and regulations, field staff also use monitoring results to influence the direction of CPD technical assistance efforts.

The Secretary is required by the Housing and Community Development Act of 1974 to review and audit CDBG grantees. The review of Entitlement program and HUD-administered Small Cities program grantees must determine whether each grantee carries out its activities in a timely manner, consistent with the law's objectives and requirements, and demonstrates the capacity to continue timely program implementation. Review of the State Block Grant program operation must include States' timeliness of funds distribution and consistency with each State's approved method of distribution, certifications of legal compliance, and review of grantees. Review of UDAG grants must determine grantee progress against approved plans and timetables.

Field staff are guided in their review by the CPD Monitoring Handbook and by the Regional Management Plan and supplemental management issuances.

**Monitoring Priorities for FY 1986.** The CPD Regional Management Plan guides the Field Office review process, including selection of grantees for review, the intensity of that review, the assignment of priorities to program areas, and the actual number of grantees and programs to be monitored in each region.

The 1986 Management Plan for Entitlement program monitoring specified three different levels of review: limited, comprehensive, and focused. The plan contemplated at least limited on-site monitoring for every grantee. Thus, all grantees were to be subject to limited monitoring of "special areas of concern": National objectives, especially in rehabilitation and business assistance programs and in the definition of low-income service areas, accountability and citizen participation. However, at least 20 percent of all grantees were to be selected for comprehensive or focused, rather than limited monitoring. Comprehensive monitoring involves review not only of the special areas of concern, but at least three other program areas (e.g., financial management or relocation). Focused monitoring concentrates on one or a few areas of high risk requiring unusually thorough review.

State CDBG program monitoring is conducted in accordance with a monitoring and technical assistance strategy negotiated with each State. No direct CPD monitoring of a State's recipients is conducted. Rather, HUD principally monitors the State's system for ensuring subgrantee compliance with applicable legislation and rules. Specifically, HUD monitors State procedures for: determining the fundability of local activities; review of recipients; audits management; grant closeouts; and financial management. HUD also determines whether funds are distributed in a timely manner and in accordance with the State's approved funds distribution method.

Monitoring priorities of other CPD programs reflect the particular needs of each program. Monitoring of the UDAG program focuses on those projects with Legally Binding Commitments already in place. Reflecting the newness of the program, Rental Rehabilitation program monitoring emphasized grantee progress, general program structure, efficiency, and progress against program performance standards.

To stress the basic field staff role in ensuring that grantees meet statutory and regulatory responsibilities, and more completely reflect the breadth of field staff workload, the Management Plan for FY 1986 added four new monitoring categories: HUD-administered Small Cities program, Section 312 program, Acquisition and Relocation, and Environment.

**Monitoring Goals in FY 1986.** The CPD Management Plan, in addition to setting review priorities, established national numeric goals for field staff monitoring activity. In most years, HUD Headquarters negotiates the planned number of monitoring visits. Each Regional Administrator proposes a "fair and attainable" goal in response to an initial National estimate produced by HUD Headquarters. The aggregation of the final negotiated goals in each region produces an agreed-upon National goal. In FY 1986, this negotiation did not take place. Proposed program rescissions and staff reassignments to meet a sharply increased FHA mortgage-processing workload introduced considerable uncertainty into the CPD goal-setting process. The Regional Offices produced a set of "projected accomplishments," but these were not subsequently negotiated with the Central Office. Thus, in contrast to prior years, no final benchmark of Field Office performance existed in FY 1986.

Table 5-4 shows the Field Office monitoring performance against the initial National goals and the total of each Region's "projected accomplishments" for FY 1986. Field Offices met or exceeded the projected accomplishment in 10 of the 11 monitoring categories. In only one category, Section 312, did Field Offices fall short of projections: some eight percent. As expected, field performance against the initial, unadjusted, National goals fell short in all but a single category, though in only two of the eight categories for which an initial National estimate was produced did this shortfall exceed one-quarter. This performance reflects both the lack of a negotiation process in FY 1986 and the disruptive impacts of CPD field staff transfers on CPD monitoring activity.

## TABLE 5-4*

### MONITORING PERFORMANCE AND GOALS FY 1986

| | National Goal | Regional Projection | Actually Accomplished | Percent of National Goal | Percent of Regional Projection |
|---|---|---|---|---|---|
| CDBG Entitlement | 797 | 709 | 779 | 98% | 110% |
| Limited | | 443 | 482 | | 109 |
| Focused, Compre-hensive | | 266 | 297 | | 112 |
| State CDBG | 48 | 48 | 48 | 100 | 100 |
| UDAG | 1,497 | 1,100 | 1,172 | 78 | 107 |
| Rental Rehabilitation | 506 | 467 | 500 | 99 | 107 |
| Section 312 | 408 | 318 | 296 | 73 | 93 |
| Indian CDBG | 260 | 187 | 325 | 125 | 174 |
| HUD Small Cities | | 61 | 65 | | 107 |
| Acquisition, Relocation | 944 | 577 | 623 | 66 | 108 |
| Acquisition | | 306 | 301 | | 98 |
| Relocation | | 271 | 322 | | 119 |
| CDBG Rehab | | 465 | 494 | | 106 |
| Environment | | 737 | 774 | | 105 |
| Indian | 814 | 674 | 721 | 89 | 107 |
| Regular | | 63 | 53 | | 84 |

*Tables 5-4, 5-5, and 5-6 covering monitoring goals, performance visits, and findings are 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 Outcomes.** While monitoring grants or grantees, HUD field staff may "find" a grantee in non-compliance with applicable laws or program regulations. These findings, and any additional "concerns" field staff may have regarding potential violations of law or regulation, are communicated by letter to the grantee monitored. Grantees must formally respond to findings, typically either by providing additional information that establishes their compliance or by taking appropriate remedies.

The aggregate outcomes of monitoring visits for selected CPD programs in FY 1986 are presented in Table 5-5. Entitlement and State CDBG program monitoring and the information reported, is conducted on a grantee by grantee basis--each grantee operates an ongoing program consisting of multiple grant years and activities. Monitoring and data reporting for HUD-administered Small Cities and UDAG programs are handled by grants; communities participate on a project-by-project basis. Reflecting this difference between broad programs and discrete projects, the number of findings per grantee is higher than the number of findings per grant. Since project-based program funds are awarded based on a detailed application review, during which potential problems can be screened and corrected, vulnerability to subsequent non-compliance is reduced.

TABLE 5-5*

MONITORING VISITS AND FINDINGS FOR SELECTED CPD PROGRAMS
FY 1986

| Program | Number of Grants or Grantees Monitored | Number of Findings | Findings Per Grant or Grantee |
|---|---|---|---|
| CDBG Entitlement | 795 | 1,458 | 1.8 |
| HUD Small Cities | 252 | 268 | 1.1 |
| State Small Cities | 48 | 136 | 2.8 |
| UDAG | 1,265 | 1,009 | .8 |

*Tables 5-4, 5-5, and 5-6 covering monitoring goals, performance visits, and findings, are 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.

Detailed CPD monitoring data are presented in Table 5-6. For each program or project monitored, HUD may investigate any of a number of program areas. For each of four selected CPD programs and for each program area, the Table indicates the percent of grantees monitored in that area, the percent of all findings for the program that the area represents, and the percent of grantees for which findings were recorded in the area.

Entitlement grantees in FY 1986 most often were monitored for compliance with program benefit (79%), rehabilitation (65%), program progress (65%) and environmental (57%) regulations. Together, these program areas comprised 41 percent of all monitoring findings. No other single program area accounted for more than six percent of total findings. Based on the percentage of monitored grantees with findings in particular program areas, grantees appear particularly vulnerable to violations of program regulations in the more technical areas, financial management (86 percent of all grantees monitored) and environment (66%), or in areas involving non-governmental actors, use of third party contractors (67%) and rehabilitation (56%).

## Table 5–6
## FY 1986 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 Admin. Small Cities: Pct. of Grantees Monitored | HUD Admin. Small Cities: Pet. of Findings Recorded | HUD Admin. Small Cities: Pet. of Monitored Grantees with Findings | State CDBG Small Cities: Pct. of Grantees Monitored' • | State CDBG Small Cities: Pct. of Findings Recorded | State CDBG Small Cities: Pct. of Monitored Grantees with Findings | UDAG: Pct. of Grantees Monitored | UDAG: Pct. of Findings Recorded | UDAG: Pct. of Monitored Grantees with Findings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rehabilitation | | | | | | | | | | | | |
| In-Depth | 51 | 10 | 33 | 14 | 12 | 45 | 39 | 1 | 11 | | 0 | 2 |
| Limited | 14 | 2 | 23 | 2 | 2 | 29 | 4 | 0 | 0 | | 0 | 0 |
| Program Progress | 65 | 6 | 16 | 32 | 18 | 26 | 18 | 0 | 0 | 67 | 16 | 17 |
| Program Benefit | 79 | 10 | 22 | 28 | 9 | 16 | 43 | 1 | 5 | 5 | | 9 |
| Environment | | | | | | | | | | | | |
| In-Depth | 46 | 14 | 54 | 7 | 6 | 42 | 126 | 4 | 10 | 4 | 13 | 53 |
| Limited | 11 | | 12 | 4 | | 5 | 14 | 1 | 14 | 7 | | 11 |
| Accountability | 30 | 2 | 12 | 16 | 2 | 7 | 12 | 0 | 0 | 38 | 5 | 9 |
| Fin. Management | | | | | | | | | | | | |
| In-Depth | 22 | 6 | 50 | 9 | 7 | 36 | 146 | 6 | 11 | 7 | 4 | 40 |
| Limited | 13 | 3 | 36 | 8 | 10 | 57 | 12 | 3 | 67 | 10 | 5 | 35 |
| Procurement | 23 | 4 | 30 | 10 | 6 | 26 | 0 | 0 | 0 | 3 | 1 | 28 |
| Admin. Costs | 1 | | 29 | 1 | 1 | 75 | 0 | 0 | 0 | | | 100 |
| Man. Systems | 19 | 3 | 24 | 6 | 4 | 33 | 22 | 1 | 9 | 16 | 11 | 5 |
| Third Party | | | | | | | | | | | | |
| Contractors | 5 | 2 | 67 | 0 | 0 | 0 | 0 | 0 | 0 | | | 100 |
| Personal Property | 13 | 2 | 27 | 3 | 4 | 63 | 0 | 0 | 0 | | | 4 |
| Relocation | | | | | | | | | | | | |
| In-Depth | 17 | 4 | 45 | 2 | 5 | 93 | 63 | 2 | 10 | 1 | 2 | 85 |
| Limited | 11 | 1 | 23 | 2 | 0 | 0 | 24 | 0 | 0 | | | 3 |
| Acquisition | 28 | 4 | 24 | 5 | | 6 | 73 | 1 | 6 | 2 | 1 | 58 |
| HAP | 10 | | 9 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Labor Standards | 20 | 4 | 38 | 7 | 4 | 26 | 100 | 7 | 20 | 6 | 4 | 41 |
| FHEO | 11 | 2 | 37 | 4 | 3 | 29 | 82 | 10 | 35 | 4 | 2 | 45 |
| Citizen Partici- | | | | | | | | | | | | |
| pation | 42 | 3 | 15 | 7 | 0 | 0 | 53 | 2 | 12 | 2 | 0 | 0 |
| Elig. Activities | 32 | 3 | 19 | 6 | 3 | 22 | 27 | 1 | 8 | 2 | | 15 |
| Other | 14 | 3 | 4 | | | 2 | 4 | 0 | 2 | 4 | 2 | 31 |
| Allowable Costs | 22 | 4 | 35 | 9 | 3 | 18 | 0 | 0 | 0 | 4 | 2 | 30 |
| Subrecipients | 31 | 6 | 35 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 41 |
| Other (See Note) | + | + | + | + | + | | 116 | 58 | 17 | 68 | 28 | 29 |

.: Less than one percent + Not Applicable
•• May total more than 100 percent because of multiple visits

NOTE: For State CDBG Small Cities, Included 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.

State CDBG program monitoring (which may involve multiple monitoring visits to each grantee) emphasized review of State financial management (158 percent of grantees), environmental certifications (140%) and other practices specific to the State program (116%), principally including grants management systems. This latter category, covering the range of State management practices, including, for example, State systems for funds distribution, monitoring, and closeout, accounted for most findings--58 percent. Grantee vulnerability to violations, where monitored, is highest in financial management (79 percent of grantees monitored), fair housing and equal opportunity (35%) and environmental regulations (24%).

Urban Development Action Grant program reviews focused on grant progress (67%) and the achievement of planned benefits (68 percent, noted in the Table as "Other"). The bulk of findings were concentrated in these same categories, 16 percent and 68 percent, respectively. As is true for other programs, a high proportion of environmental reviews results in findings--63 percent. Other categories for which more than half of the monitoring visits results in findings involved only a few grantees.

Finally, review of HUD-administered Small Cities program grants covered a wide range of program areas, with only program progress and program benefit monitoring involving more than 20 percent of grants (32 and 28 percent, respectively). Program progress accounted for 18 percent of recorded findings. Susceptibility to recorded findings for those categories in which more than five percent of all grants monitored was highest in financial management (94 percent of all grants monitored in that area), rehabilitation (74%), and environment (47%).

## PROGRAM AUDITS

In addition to monitoring conducted by CPD field staff, grantee programs are subject to financial and compliance audits. Grantee use of Federal funds must be audited, at least biennially, by an Independent Public Accountant (IPA), or a State or local government auditor. In addition, there are audits by the HUD Office of the Inspector General. In FY 1986, 1,280 IPA and 195 OIG audit reports were completed.

**Audit Activity and Results.** Of the 1,475 audit reports conducted during FY 1986, nearly one-half included a review of grantee financial management of the CDBG Entitlement program, the largest single category of program audits. (See Table 5-7.) Consistent with CPD monitoring experience, as noted in the previous section, the Entitlement program is most likely to turn up findings during the course of review, reflecting the program's scale and diversity of program activities and perhaps the lack of a detailed front-end review. Entitlement Reports contained findings in 41 percent of all reports, compared with 32 percent in the net total for all programs.

TABLE 5-7

CPD PROGRAM AUDIT REPORTS—FY 1986

| Audit Reports | CDBG Entitlment N | Pct. | CDBG State and Small Cities N | Pct. | UDAG N | Pct. | Otther CPD Programs N | Pct. | All CPD Programs* N | Pct. |
|---|---|---|---|---|---|---|---|---|---|---|
| With Findings | 267 | 41 | 123 | 25 | 132 | 38 | 173 | 32 | 469 | 32 |
| Without Findings | 386 | 59 | 369 | 75 | 212 | 62 | 361 | 68 | 1006 | 68 |
| Total | 653 | 100% | 492 | 100% | 344 | 100% | 534 | 100% | 1,475 | 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 of all CPD programs.

SOURCE: U. S. Department of Housing and Urban Development, Office of Inspector General, Planning and Research Group.

The 469 audit reports with findings contained some 1,345 total findings. (See Table 5-8.) Most findings resulted from Entitlement program audits, reflecting both the higher number of audits conducted for the program and the higher number of findings per audit with findings (3.2 compared with 1.5 in the Small Cities program, the next highest program average).

TABLE 5-8

TYPE AND AMOUNT OF AUDIT FINDINGS IN CPD PROGRAMS
FY 1986
(Dollars in Thousands)

| [redacted] | Entitlement No. | Pct. | State and Small Cities No. | Pct. | UDAG No. | Pct. | Other CPD No. | Pct. | Total No. | Pct. |
|---|---|---|---|---|---|---|---|---|---|---|
| | 186 | 22 | 53 | 29 | 42 | 22 | 45 | 38 | 326 | 24 |
| Non-Monetary Findings | 667 | 78 | 132 | 71 | 147 | 78 | 73 | 62 | 1,019 | 76 |
| Total | 853 | 100% | 185 | 100% | 189 | 100% | 118 | 100% | 1,345 | 100% |

| | Entitlement | State and Small Cities | UDAG | Other CPD | Total |
|---|---|---|---|---|---|
| Monetary Findings* | $29,152 | $2,359 | $12,217 | $5,143 | $43,871 |
| Non-sustained | ( 6,284) | (1,427) | (1,072) | (1,423) | (10,206) |
| Sustained | (14,071) | (609) | (5,667) | (3,560) | (23,907) |
| Unresolved | (8,797) | (323) | (5,478) | (160) | (14,758) |

* Totals may not add due to rounding.

SOURCE: U. S. Department of Housing and Urban Development, Office of Inspector General, Planning and Research Group.

Despite some variation across programs, three-quarters of all findings, are non-monetary, dealing with procedures and systems for internal control. Monetary findings, which question or disallow incurred costs, totalled some $49 million, though $10 million (20%) were not sustained, either because supporting documentation subsequently was provided or HUD staff review determined that expenditures were proper. A further $14.7 million represented findings unresolved as of the end of the fiscal year. Of the remaining $23.9 million in sustained findings, the Entitlement program accounted for $14 million.

**Audit Policy.** The Department continues to implement the single-audit approach as required by Attachment P of OMB Circular A-102, which requires a single audit of all Federal programs administered by a grantee rather than a separate audit for each program.

As shown in Table 5-9, the number of single audits has increased annually and now comprises 65 percent of all IPA audits. At the same time as the share of single audits has increased, the total number of audits has declined, thus reducing the burden on Federal grantees.

**TABLE 5-9**

**INDEPENDENT PUBLIC ACCOUNTANT AUDITS OF CPD GRANTEES**
**FY 1982-1986**

| Fiscal Year | Total Audits | Circular A-102 Attachment P Reports Number | Circular A-102 Attachment P Reports Percent |
|---|---|---|---|
| 1982 | 3,136 | 156 | 5% |
| 1983 | 2,787 | 370 | 13 |
| 1984 | 2,385 | 560 | 23 |
| 1985 | 1,539 | 762 | 50 |
| 1986 | 1,280 | 832 | 65 |

SOURCE: U. S. Department of Housing and Urban Development, Office of Inspector General, Planning and Research Group.

## CLOSEOUT OF COMMUNITY DEVELOPMENT PROJECTS

As a measure of prudent fiscal management and a way of reducing the management burden on existing staff resources, timely program closeouts are a strongly emphasized CPD management goal. While the bulk of closeout efforts are directed toward projects associated with ongoing programs, CPD also stresses closeout of projects from repealed or superseded programs.

At the beginning of FY 1986, CPD's inventory of active projects from now-defunct programs stood at 50, (down from 70 at the beginning of FY 1985). One-third of these projects (17) consisted of active Planning Assistance

Grants. (See Table 5-10.) Other grants with more than five outstanding grants included 15 "Hold-Harmless" CDBG programs and 11 Neighborhood Self-Help projects.

**TABLE 5-10**

**CPD PROJECTS AND GRANTS CLOSED OUT, FY 1986**

| Program/Project | Active at Start of FY 86 | Closed Out During FY 86 | Still Active |
|---|---|---|---|
| Hold Harmless | 15 | 3 | 12 |
| Planning Assistance (701) | 17 | 2 | 15 |
| Neighborhood Self-Help | 11 | 7 | 4 |
| Urban Renewal | 4 | 2 | 2 |
| Neighborhood Facilities | 2 | 2 | 0 |
| Total | 50 | 16 | 34 |

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

During FY 1986, CPD closed out 32 percent (16) of the active inventory. The two remaining Neighborhood Facilities grants were closed out and most of the Neighborhood Self-Help grants were completed. Two Urban Renewal projects were officially closed out, with only formal document processing required for the two remaining. Shortly, therefore, the Urban Renewal program will have ceased all activity.

The closeout of grants associated with active programs also is a CPD priority. During FY 1986, 402 of 565 HUD-administered Small Cities program grants active at the beginning of the fiscal year were closed out. Of 1,433 active UDAG grants at the beginning of FY 1986, 357 were closed out.

## CONTRACT CONDITIONING

On determination of a serious performance deficiency, HUD Headquarters may conditionally approve Entitlement community grants (or contracts), restricting the use of funds for the affected activities until problems are resolved. In FY 1986, the Department authorized 13 grant conditions out of a total 817 approved grants. Almost half (6) of the conditions resulted from deficiencies in rehabilitation programs. Other reasons for contract conditions included failure to satisfy requirements in procurement (2), Fair Housing, civil rights, Housing Assistance Plans, oversight of subgrantees, and delinquent implementation of grant awards.

## PART FIVE: FAIR HOUSING AND EQUAL OPPORTUNITY

Federal statutes and Executive Orders prohibit discrimination on the grounds of race, color, national origin, religion, sex, age, or disability. These statutes and Executive Orders apply to grantees, subgrantees, contractors, and subcontractors of all CPD programs. Each contains sanctions for failure to comply. CPD program grantees and contractors are made aware of their responsibilities to: (1) comply with all applicable nondiscrimination requirements through provisions incorporated within grant agreements and contracts; (2) certify that they will comply; (3) maintain adequate records; and (4) meet certain reporting requirements.

This section reports on in-house and on-site monitoring reviews conducted by the HUD Fair Housing and Equal Opportunity (FHEO) Field Office staff in FY 1986 and the results of those activities by program area. It also lists the number of compliance reviews and complaint investigations and the distribution of minority employment in CPD-funded local governmental agencies. Finally, it summarizes reviews of selected equal opportunity issues and 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 of the grantees and other independent evidence such as related court suits or complaint investigations involving the applicant. Each grantee must certify annually that it has complied with equal opportunity statutes and laws.

In FY 1986, FHEO completed 788 certification reviews, most of which (518) were of the CDBG Entitlement program. The Entitlement program also received the largest proportion of negative conclusions on civil rights law compliance. FHEO challenged Entitlement grantee certifications based on 42 negative findings from its reviews of grantee performance for the past year. The results of these reviews are shown in Table 5-11. For Entitlement Cities in which civil rights deficiencies were found, there were three recommendations for "special assurances," two for contract conditions, and four other sanctions were applied to jurisdictions. "Special assurances" are promises obtained by HUD from a grantee to correct certain practices in areas of FHEO monitoring.

Seven certification deficiencies were found with the HUD-administered Small Cities program out of 258 reviews conducted. No deficiencies were discovered in the State-administered Small Cities program or in the Secretary's Discretionary Fund projects. Normally, HUD restricts its reviews for the State-administered Small Cities program to State performance only and does not review the performance of individual Small Cities. However, individual Small Cities are reviewed when a State requests this review, the State's records are insufficient, or records at the State level show significant problems with certain recipients.

**UDAG Application Reviews.** UDAG program applications are reviewed by FHEO field staff before they are approved. During FY 1986, field staff conducted reviews of 335 applicants. Of those reviewed, over half (203) were rated excellent (113) or good (90) on equal opportunity commitments. A rating of "excellent" was given if minority-job estimates were high and if contracts for minority businesses were planned to be over 10 percent of total contracts. A rating of "good" was accorded if minority-employment commitments were average and if minority-business involvement was projected to be around 10 percent. A little more than a third of the UDAG applications were rated as either fair (82), poor (23), or unacceptable (18). An application was rated "fair" if it estimated a low number of minority jobs and less than 10 percent minority business participation.

As a result of FHEO review, 241 UDAG applications were recommended for funding, 76 were not recommended for funding, and 24 were recommended for funding with contract conditions.

TABLE 5-11

FHEO FIELD OFFICE CERTIFICATION REVIEWS AND RESULTS BY CDBG PROGRAM

| | Entitlement | HUD Administered Small Cities | State CDBG | Secretary's Discretionary Fund | Total |
|---|---|---|---|---|---|
| Total Reviews | 518 | 258 | 8 | 4 | 788 |
| Total Deficiencies | 42 | 7 | 0 | 0 | 49 |
| Housing | 14 | 4 | 0 | 0 | 18 |
| Employment | 6 | 0 | 0 | 0 | 6 |
| Minority business | 3 | 1 | 0 | 0 | 4 |
| Recordkeeping | 3 | 2 | 0 | 0 | 5 |
| Reporting | 2 | 0 | 0 | 0 | 2 |
| Disparity in administration | 4 | 0 | 0 | 0 | 4 |
| Affirmative action | 1 | 0 | 0 | 0 | 1 |
| Other | 9 | 0 | 0 | 0 | 9 |

SOURCE: U. S. Department of Housing and Urban Development, Office of Fair Housing and Equal Opportunity.

**Off-Site and On-Site Monitoring.** In FY 1986, FHEO conducted 1,942 performance reviews (monitoring) of which 1,042 were on-site reviews and 900 were undertaken in-house. Ninety-six Entitlement cities, 267 UDAG grantees, 12 States which administer the State CDBG program, and six HUD-administered Small Cities received multiple site visits.

The largest number of FHEO monitoring reviews was for Entitlement cities (969) and the second largest was for UDAG grantees (557). Although the largest numbers of deficiencies were found in the CDBG Entitlement program (106) and in the UDAG program (45), the highest percentage of findings was in the Secretary's Discretionary Fund (75%) and the HUD-Administered Small Cities program (25%). There were approximately 11 deficiency findings per 100 Entitlement grantees in FY 1986, compared with six per 100 in FY 1985. Of those deficiencies identified, the largest number were in the area of fair housing (57), followed by problems in recipient recordkeeping and reporting (42) and minority business enterprise (34).

**TABLE 512**

**FHEO MONITORING OF CPD PROGRAMS BY TYPES OF DEFICIENCIES FOR FY 1986**

| | Entitlement | HUD Administered Small cities | state CDBG | UDAG | Rental Rehabilitation | Secretary's Discretionary Fund |
|---|---|---|---|---|---|---|
| Total Reviews | 969 | 156 | 79 | 557 | 177 | 4 |
| Total Deficiencies | 106 | 39 | 2 | 45 | 0 | 3 |
| Type of Deficiency | | | | | | |
| Minority Entrepreneurship | 11 | 5 | 0 | 18 | 0 | 0 |
| Recordkeeping Reporting | 27 | 3 | 1 | 10 | 0 | 1 |
| Recipient Employment | 10 | 6 | I | 5 | 0 | 1 |
| Section 3 Local Businesses | 0 | 0 | 0 | 3 | 0 | 0 |
| Fair Housing/ Private Market | 40 | 16 | 0 | 1 | 0 | 0 |
| Minority Employment | 0 | 0 | 0 | 2 | 0 | 0 |
| Activities Inappropriate | 11 | 1 | 0 | 1 | 0 | 1 |
| Other | 7 | 8 | 0 | 5 | 0 | 0 |

SOURCE: U. S. Department of Housing and Urban 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 contracts, the size of the grantee or its minority population, and failure to meet civil rights requirements. In-depth investigations are made in response to filed civil rights complaints.

**Compliance Reviews:** Under Section 109 of the Housing and Community Development Act of 1974, 29 compliance reviews of CDBG programs were conducted in FY 1986. This section of the Act prohibits discriminatory exclusion of persons from benefits of activities assisted through the CDBG and other programs created by the Act. A large majority of reviews ended with findings of "compliance." There were five non-complying Entitlement Cities and one non-complying Small City, all in Region 111. For the non-complying cities, agreements were executed with HUD to correct deficiencies.

**Complaint Investigations.** During FY 1986, 42 complaints that had been filed under Section 109 were closed; of these, 10 had been received during that fiscal year and the balance were from prior fiscal years. Twenty-four cases were classified as closed "in substantial compliance," with the remainder closed because of lack of jurisdiction, withdrawal of the complaint or because they 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 the 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.

Compliance reviews under Section 3 are conducted in response to complaints received. In FY 1986, HUD received four new complaints under this section in connection with CPD-funded projects. During the fiscal year, these 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, average salaries by job category, and salary levels for all employees.

Data for FY 1986 are not yet available. The FY 1983, 1984, and 1985 data showed very significant minority male- and female-hiring proportions for these fiscal years, with a considerably higher proportion of female-minority employment in higher salary categories in 1984 and 1985 than in 1983. Table 5-13 indicates that the differential between minority-male and white-male average salaries and between minority-female and white-female salaries are roughly the same. The Table also shows a higher percentage of minority persons being hired in FY 1985 than in prior years.

## PROGRAM ASSESSMENTS

UDAG Activities. In addition to the UDAG application reviews cited above, FHEO reviewed the records of 481 cities that applied for a UDAG grant for the first time, and found that 37 had not "demonstrated results" in providing employment for minorities, which is required by law for eligibility. Eight of them had not met special assurances or conditions from previous findings in employment. FHEO also found that 44 had not provided equal opportunity in housing, did not have an equitable rate of participants, or had segregated housing patterns. Seventeen were small communities with no new housing activities for the past two years.

TABLE 5-13

PERCENT MINORITY EMPLOYMENT AND SALARIES IN CDBG-FUNDED AGENCIES, FYs 1983, 1984, AND 1985

| Employment Status | FY 1983 Percent Minority Male | FY 1983 Percent Minority Female | FY 1984 Percent Minority Male | FY 1984 Percent Minority Female | FY 1985* Percent Minority Male | FY 1985* Percent Minority Female |
|---|---|---|---|---|---|---|
| Full Time | 35% | 40%** | 31% | 51% | 32% | 52% |
| Part Time | 32 | 27 | 36 | 37 | 38 | 37 |
| New Hires | 39 | 32 | 39 | 48 | 42 | 52 |
| Salary Levels | | | | | | |
| $100-15,999 | 49 | 44 | 56 | 58 | 58 | 52 |
| $16,000-24,999 | 35 | 38 | 34 | 50 | 37 | 52 |
| $25,000 and over | 20 | 29 | 20 | 36 | 21 | 38 |
| Average Salary | | | | | | |
| Minority | $20,994 | $18,441 | $21,728 | $18,976 | $22,207 | $19,583 |
| White | $22,346 | $19,424 | $23,662 | $20,458 | $24,172 | $21,131 |

* Data for FY 1986 will be available for the 1988 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, FY 1984, and FY 1985 Report on Municipal Government Employee Information for CDBG-Funded Departments and Agencies.

**Affirmatively Furthering Fair Housing Goals.** To respond to Departmental concerns about the inadequacy of information on actions taken by CDBG recipients to meet their responsibilities to affirmatively further fair housing goals, the Office of Policy Development and Research conducted a study in FY 1986. The study assessed the number, variety, and funding of local programs designed to meet this statutory requirement. All 1982 grantees in the 316 CDBG Entitlement communities national sample were used in the analysis.

Results showed that voluntary measures covered more than one-half of the Entitlement cities' fair housing activities. Larger communities placed relatively higher emphasis on education while smaller communities placed higher emphasis on enforcement activities. It was found that communities with a higher percentage of minority persons are more likely to emphasize enforcement and are less likely to use private fair housing groups in the implementation of their affirmative fair housing activities.

# FOOTNOTES TO CHAPTER 5

1 Other references governing the Minority Business Enterprise initiative with HUD are:

(1) Executive Order 11625, dated October 13, 1971, which prescribes a National Program for Minority Business Enterprise;

(2) The Secretarial Designation of Responsiblity with Respect to Minority Business Enterprise, 40 FR 26053, dated June 20, 1975; and

(3) Public Law 95-507, 92 Stat 760, Approved October 25, 1978, which authorized the creation of the Office of Small and Disadvantaged Business Utilization with HUD.

# APPENDIX A

## FISCAL YEAR 1986 URBAN DEVELOPMENT ACTION GRANT AWARDS

# FISCAL YEAR 1986 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 | | | | | | | |
| Anniston | Financial assistance to foundry company to help purchase and install new metal molding machine and make major modifications to plant's metal melting facilities. | $ 400,000 | $ 7,979,770 | $ 0 | 20 | 0 | $ 17,160 |
| Auburn | Financial assistance to developer to help construct Magnolia Plaza, a five-story office/residential complex near Auburn University campus, a first of its kind downtown. | 400,000 | 3,748,057 | 0 | 61 | 0 | 32,975 |
| Bessemer* | Financial assistance to yearbook and other printed material manufacturing company to help with site acquisition and construction of 64,000 square foot facility. | 628,000 | 3,384,344 | 0 | 251 | 0 | 16,176 |
| Birmingham | Financial assistance to developer to help construct 18,240 square foot professional office building with parking deck for 69 vehicles. | 160,500 | 1,418,688 | 4,500 | 44 | 0 | 32,038 |
| Birmingham | Financial assistance to developer to help construct 250-room convention hotel on 1.1 acre site to include 250-car parking garage for lease by City. | 2,000,000 | 20,395,202 | 0 | 338 | 0 | 256,665 |

*Terminated

ALABAMA (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Mobile | Second mortgage financing to builder to help construct single-family homes. | $ 647,188 | $ 1,860,312 | $ 0 | 0 | 70 | $ 80,384 |
| Mobile | Financial assistance to developer to help renovate downtown, historic "Battle House" into office and retail space. | 633,000 | 12,619,000 | 50,000 | 316 | 0 | 96,046 |
| Phenix City | Permanent mortgage subsidy to help build single-family homes for moderate-income buyers required to pay City back upon sale. | 1,020,000 | 2,833,583 | 0 | 0 | 100 | 70,566 |
| Prichard | Second mortgage financing to purchasers of single-family homes in Parkwood subdivision. | 363,350 | 1,338,880 | 0 | 0 | 43 | 13,534 |
| Sheffield | Loan to die casting and development company to modernize and reopen closed Ford Motor facility to manufacture aluminum die-cast parts and provide funds to construct water and sewer lines to connect facility to City's systems. | 3,365,000 | 10,532,954 | 1,000,000 | 900 | 0 | 67,615 |

ARIZONA

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Navajo Nation | Interim/permanent mortgage loan to Tribally-owned industrial firm to help finance purchase and installation of new capital equipment and renovation of existing sawmill operations to allow enterprise to become more energy efficient and productive. | 595,000 | 5,872,446 | 0 | 87 | 0 | 0 |

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|---|---|---|---|---|---|---|---|
| Phoenix | Interim and permanent mortgage loan to partnership to help construct 80,000 square foot festival marketplace downtown near Hyatt Regency and Hilton Hotels and developed on City land using Community Development Block Grant funds. | $2,895,000 | $12,945,570 | $8,500,000 | 360 | 0 | $ 779,009 |
| CALIFORNIA | | | | | | | |
| Baldwin Park | Loan to developer to acquire site to help construct 157,000 square foot neighborhood shopping center on 13-acre site in central downtown area with a major supermarket and drug store chain as anchor tenants. | 2,750,000 | 16,134,646 | 830,000 | 358 | 0 | 384,879 |
| Big Lagoon Rancheria | Financial assistance to limited partnership to help acquire vacant, historic hotel in Arcata, California, for guest rooms and 2,000 square feet of retail/office space. | 351,000 | 1,015,457 | 507,000 | 35 | 0 | 1,005 |
| Cudahy | Financial assistance to subsidiary and development arm of savings and loan company to help construct shopping center which involves assembling and clearing 7.72-acre parcel; plus constructing 49,860 square foot EXPO supermarket, 20,100 square feet of side shops, and 13,300 square feet in four PADs. | 1,468,000 | 9,572,598 | 2,581,500 | 384 | 0 | 216,590 |

CALIFORNIA (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| El Monte | Financial assistance to developer to help construct 64,200 square foot office building, 7,500 square foot restaurant and 160-space parking facility. | $1,500,000 | $ 5,485,572 | $ 0 | 154 | 0 | $ 86,681 |
| San Francisco | Loan to developer to help construct two-story commercial center located within industrial park. | 542,000 | 9,360,559 | 840,000 | 237 | 0 | 239,902 |
| Santa Ana | Financial assistance to downtown Hispanic merchants group to help redevelop four-square block entertainment/retail complex through new construction, renovation, and refurbishment of existing structures to provide 80,614 square feet of retail space, 76,024 square feet of office space, 1,540 square foot food court, two-screen cinema and 7,560 square foot performing arts facility. | 689,000 | 8,477,482 | 5,017,100 | 363 | 0 | 455,674 |

CONNECTICUT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| New Haven | Financial assistance to developer to help rehabilitate vacant, 105,000 square foot building in enterprise zone as new manufacturing facility and office for engineering company. | 750,000 | 9,779,748 | 400,000 | 153 | 0 | 437,582 |
| New Haven | Second mortgage financing to moderate-income homebuyers for purchase of duplex homes constructed by three non-profit organizations in Dixwell, Newhallville and Hill neighborhoods. | 5,826,500 | 22,438,800 | 500,000 | 0 | 542 | 697,835 |

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| CONNECTICUT | | | | | | | |
| New Haven | Financial assistance to corporation to help construct major mixed-use development in North Square historic district to include rehabilitated and new housing; approximately 125,000 square feet of office and retail space; and 77 street-level parking spaces. Twenty percent of housing will be for low- and moderate-income persons. | $10,694,108 | $82,421,112 | $4,916,000 | 282 | 530 | $1,090,000 |
| DELAWARE | | | | | | | |
| Wilmington | Second mortgage financing for low- and moderate-income families to purchase single-family housing units being constructed by nonprofit organization. Slightly over 75 percent of units are modular town-houses and the rest are existing structures to be renovated. | 310,000 | 780,000 | 200,000 | 0 | 22 | 4,623 |
| Wilmington | Financial assistance to limited partnership to help construct two-bedroom units of rental housing in downtown Asbury Heights urban renewal area. | 1,300,000 | 4,775,707 | 200,000 | 6 | 114 | 29,390 |

FLORIDA

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Miami | Financial assistance to realty corporation to help construct high-rise complex to include efficiency and one- and two-bedroom apartments plus parking spaces. | $ 4,500,000 | $17,257,802 | 0 | 10 | 350 | $ 349,125 |
| Miami | Financial assistance to developer to help construct multi-use project in Overton/Park West section to consist of rental housing units, 21,000 square feet of commercial/retail space and 445-space parking deck. | 5,643,000 | 25,752,864 | 0 | 83 | 368 | 459,562 |
| Riviera Beach | Financial assistance to developer to partially finance construction of rental housing units for low- and moderate-income families in Pocket of Poverty area consisting of two-story, walk-up type buildings, 10,000 square foot multi-purpose building, and swimming pool. | 3,600,000 | 16,000,000 | 800,000 | 31 | 0 | 148,582 |
| Riviera Beach | Financial assistance to developer to help construct 107,150 square foot neighborhood strip shopping center next to future housing project. | 2,375,000 | 6,215,611 | 485,000 | 325 | 0 | 60,304 |
| St. Petersburg | Loan to developer to help renovate former 16-story, 337-room hotel to include a swimming pool and tennis courts. | 3,400,000 | 13,602,010 | 800,000 | 283 | 0 | 177,327 |

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ARIZONA

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| Riviera Beach | Financial assistance to developer to help construct 107,150 square foot neighborhood strip shopping center next to future housing project. | 2,375,000 | 6,215,611 | 485,000 | 325 | 0 | 60,304 |
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|---|---|---|---|---|---|---|---|
| **GEORGIA** | | | | | | | |
| Adairsville | Financial assistance to manufacturer of wool carpets and rugs to help acquire site, construct 359,700 square foot production facility, and purchase capital equipment. | $ 720,000 | $14,251,920 | $1,440,000 | 200 | 0 | $ 269,950 |
| Atlanta | Financial assistance to developer to help redevelop 216,000 square foot building as downtown office and retail. space. | [illegible]000,000 | 11,318,269 | 0 | 472 | 0 | 188,568 |
| Augusta | Financial assistance to developer to help acquire and renovate downtown Hilton Hotel plus construct 9,589 square foot conference/convention center adjacent to the hotel. | 617,140 | 3,810,800 | 0 | 62 | 0 | 35,820 |
| Braselton | Financial assistance to Mitsubishi corporation to help construct two 120,000 square foot manufacturing facilities to produce color television sets and cellular telephones and become largest Mitsubishi operation in the country. | 978,500 | 18,951,955 | 0 | 491 | 0 | 155,070 |
| Decatur | Financial assistance to limited real estate partnership to help construct 185-unit, 5-story, first-class hotel with two restaurants and retail space on main level featuring an atrium. | 2,625,000 | 8,222,172 | 0 | 179 | 0 | 343,565 |

GEORGIA (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Macon | Financial assistance to developer to help rehabilitate 12 historic structures on Poplar Street into 73,000 square foot office/retail complex to include festive public area, with food court, and first-class office space in remaining area. | $ 446,107 | $ 3,787,122 | $ 0 | 196 | 0 | $ 27,940 |
| Macon | Loan to partnership to help construct three-story office building at Mulberry and Fifth Streets intersection to include 54,000 square feet of Class A leasable space. | 766,147 | 5,094,674 | 107,500 | 144 | 0 | 21,340 |
| Quitman | Loan to corporation to purchase capital equipment for new manufacturing plant in Brooks County to produce oriented-strand board for use in residential and commercial construction. | 1,020,000 | 19,498,310 | 0 | 100 | 0 | 241,531 |

IDAHO

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Glenns Ferry | Loan to developer to assist in reopening of potato-processing plant. | 360,000 | 1,232,778 | 0 | 66 | 0 | 51,852 |
| Kootenai Indian Reservation | Financial assistance to partnership to help construct 52-room motel in Bonner's Ferry. Tribe will own motel business to be managed by partnership hospitality company. | 750,000 | 1,839,750 | 250,000 | 48 | 0 | 41,000 |

## FISCAL YEAR 1986 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 | | | | | | | |
| Chicago | Lam to partnership for construction and permanent financing to help rehabilitate vacant building providing rental housing units and commercial retail space plus construction of 3-story building with approximately 31,275 square feet of commercial/retail space with 3-level parking structure for 160 cars. | $2,014,120 | $26,693,261 | $ 0 | 231 | 291 | $1,129,250 |
| Chicago | Financial assistance to developer to help renovate vacant, 1.5 million square foot factory for lease in small parcels as "incubator-industrial" facility to provide individual gas-fired force air heat system. | 470,000 | 6,362,004 | 0 | 350 | 0 | 295,400 |
| Chicago | Lam to developer to assist in acquisition and rehabilitation of two buildings--totalling 111,000 square feet—in West Loop area for use as commercial office space. | 535,000 | 9,358,163 | 0 | 121 | 0 | 582,365 |
| Chicago | Construction/permanent mortgage loan to developer to help rehabilitate deteriorating industrial facility on North Side into 165,000 square feet of commercial rental space. | 800,000 | 10,156,112 | 0 | 330 | 0 | 702,217 |

ILLINOIS (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Chicago | Loan to developer to assist in renovation of 13-story hotel to provide 187 moderately-priced rooms catering to tourists and commercial businesses. | $ 500,000 | $ 2,831,439 | $ 0 | 44 | 0 | $ 396,471 |
| Chicago | Construction/permanent loan to manufacturing company to help acquire facility on adjacent 6.5-acre site, renovate building and purchase capital equipment. | 860,000 | 6,199,047 | 140,000 | 120 | 0 | 56,271 |
| Chicago | Financial assistance to partnership to help acquire and rehabilitate seven-story warehouse building in West Loop to provide 30,000 square feet of loft-office space and 5,000 square feet of retail space. | 325,000 | 3,482,089 | 0 | 39 | 0 | 225,746 |
| Chicago | Construction and permanent financing to developer to help rehabilitate six-story building, and construct three-story building with addition, plus 2-level parking structure for 96 cars to provide 144,000 square feet of office, retail and commercial space. | 1,700,573 | 13,265,158 | 0 | 267 | 0 | 1,274,080 |
| Chicago | Financial assistance to YMCA of Metropolitan Chicago to help construct 91,000 square foot multi-purpose "Y" facility on the Southside of Stoney Island and 63rd Avenue. | 1,200,000 | 8,628,873 | 4,300,000 | 148 | 0 | 0 |
| Kankakee | Loan to developer to provide construction/permanent financing to assist in building 172,000 square foot enclosed downtown shopping center with parking for 750 cars. | 3,009,008 | 11,234,706 | 3,592,000 | 306 | 0 | 397,169 |

## FISCAL YEAR 1986 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) | | | | | | | |
| Rock Island | Financial assistance to developer to help acquire and clear two downtown blocks and construct park on cleared site plus renovate vacant Fort Armstrong Hotel adjacent to blighted blocks for conversion into elderly apartment units and 28,000 square feet of commercial space with a restaurant. | $ 667,000 | $ 7,681,669 | $ 200,000 | 96 | 0 | $ 111,850 |
| INDIANA | | | | | | | |
| Columbus | Grant to City to finance construction of 315-space parking deck and relocatim of streets and underground utilities. | 1,834,632 | 22,261,059 | 371,000 | 406 | 0 | 337,939 |
| Terre Haute | Financial assistance to local industry to help purchase equipment for new addition to existing facility. | 175,000 | 1,057,361 | 0 | 25 | 0 | 256,340 |
| Terre Haute | Loan to company that manufactures packaging for VCRs, records and cassettes to help finance renovations, plus purchase capital equipment. | 700,000 | 4,585,193 | 375,000 | 1% | 0 | 1,074,154 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **IOWA** | | | | | | | |
| Des Moines | Construction and permanent financing to developer to help rehabilitate Rock Island Depot building and adjacent arch providing 5,000 square feet of restaurant space, 2,000 square feet of retail space and 12,000 square feet of office space. | $ 400,000 | $ 1,873,857 | $ 0 | 54 | 0 | $ 19,214 |
| **KANSAS** | | | | | | | |
| Wichita | Financial assistance to recently renovated downtown Ramada Hotel to help construct four-story parking deck for 496 cars across the street. | 528,000 | 2,366,448 | 132,000 | 7 | 0 | 25,676 |
| **KENTUCKY** | | | | | | | |
| Barbourville | Financial assistance to developer to help start-up of home appliance manufacturing facility for company to lease 104,000 square foot building for its operations. | 820,000 | 3,531,788 | 1,000,000 | 208 | 0 | 4,996 |
| Brodhead | Loan to plastics company to help purchase capital equipment for more than 40,000 square feet of warehouse and printing space. | 433,125 | 4,843,560 | 0 | 57 | 0 | 1,000 |

FISCAL YEAR 1986 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) | | | | | | | |
| Catlettsburg | Financial assistance to steel company to help reopen specialty mini-mall to include acquisition of existing facility consisting of equipment, inventory, 58.59 acres and approximately 340,000 square feet of buildings to operate as wholly-owned subsidiary that will melt 300,000 tons of recycled scrap steel a year to produce "springs," "flats" and "rounds" for automatic leaf-spring forging and cold-finish markets. | $ 2,250,000 | $ 8,486,837 | $2,500,000 | 304 | 0 | $ 15,000 |
| Covington | Financial assistance to developer to help improve City's waterfront to include construction of 253-room hotel, 285,000 square feet of office space, and approximately 50,000 square feet of festival/marketplace area. | 8,416,000 | 49,800,468 | 9,903,000 | 1,393 | 0 | 760,000 |
| LOUISIANA | | | | | | | |
| New Orleans | Permanent second mortgage financing to homebuyers of newly constructed, single-family housing units in Maple Ridge subdivision. | 525,000 | 3,212,778 | 0 | 0 | 70 | 0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| MAINE | | | | | | | |
| Pleasant Point Reservation | Construction/permanent loan to Passamaquoddy Tribe to help acquire vacant 24,000 square foot industrial facility an 2-acre site in Eastport, renovate existing building and construct 24,000 square foot addition for lease to Tiim corporation. | $ 839,500 | $ 2,942,766 | $ 860,000 | 108 | 0 | $ 0 |
| Sanford Town | Financial assistance to corporation to help acquire 23-acre site in industrial park and renovate existing vacant, 100,000 square foot building for manufacture of compact discs for company to become full-service supplier to compact disc marketplace providing mastering, replication, packaging, graphics and distribution capabilities to customers. | 2,070,500 | 15,030,500 | 0 | 409 | 0 | 277,088 |
| MARYLAND | | | | | | | |
| Baltimore | Financial assistance to minority, non-profit organization to help develop 140-bed, comprehensive-care facility in urban renewal areas. | 736,346 | 2,606,205 | 1,521,000 | 120 | 0 | 0 |
| Baltimore | Financial assistance to drapery-lining producing company to help with roof repairs and expansion of equipment line. | 157,294 | 3,127,303 | 0 | 20 | 0 | 12,350 |

## FISCAL YEAR 1986 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 | Grant to City to partially finance construction company's development costs to help with construction and site improvements for development and sale of three-bedroom modular townhouses to owner-occupants. Houses will be constructed on four low- to moderate-income neighborhood sites. | $ 2,418,200 | $ 6,058,270 | $1,194,900 | 0 | 171 | $ 159,560 |
| Baltimore | Interim and permanent mortgage loan to help construct rental apartments and 11,235 square feet of commercial space near Inner Harbor and Little Italy neighborhood. | 1,485,000 | 7,939,650 | 431,275 | 23 | 99 | 64,350 |
| Baltimore | Construction/permanent mortgage loan to partnership to assist in renovation of commercial facility of Fells Point Waterfront that encompasses 100,260 square feet designed for restaurants, retail stores and offices plus a promenade and 40 marina slip. | 2,700,000 | 10,817,006 | 0 | 396 | 0 | 278,700 |
| Denton | Grant to Tam to help build 550 linear foot water main and 2,200 linear foot sewer main extension to enable development and construction of commercial complex consisting of 10,000 square foot health facility, 90-seat McDonald's and 80-seat Shore Pizza Hut. | 659,000 | 1,795,680 | 141,000 | 71 | 0 | 68,826 |

MARYLAND (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| North East | Financial assistance to developer to help acquire four-acre site and construct warehouse/manufacturing facility. | $ 236,000 | $ 915,000 | 0 | a | 0 | $ 11,312 |

MASSACHUSETTS

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Ayer Town | Financial assistance to shrimp company to help purchase land, build 130,000 square foot processing facility plus construct 30,000 foot freezer, purchase and install new capital equipment. | 2,550,000 | 12,156,025 | 0 | 300 | 0 | 119,000 |
| Boston | F[redacted] a[redacted] to area home-buyers to reduce cost of developed iums in distressed area of Dudley Station and Roxbury. | 360,000 | 1,811,322 | 0 | 12 | 24 | 34,159 |
| Brookfield Town | Financial assistance to joint venture to help purchase and install capital equipment to produce specialty-communication fiber. | 860,000 | 16,957,013 | 0 | 380 | 0 | 10,994 |
| Cambridge | Financial assistance to developer to help finance rehabilitation of former paper-box building and construction of 10-story office tower on site to enable developer and major tenant to consolidate data-processing activities. | 1,000,000 | 14,585,364 | 0 | 114 | 0 | 430,156 |
| Cambridge* | Financial assistance to corporation to help with expansion of laboratory and office facilities for production of bio-genetic items. | 834,000 | 9,681,415 | 0 | 50 | 0 | 137,581 |

*Terminated

## FISCAL YEAR 1986 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 | Financial assistance to developer to help acquire approximately 2.5 acres of land and construct 12-story, 128-unit apartment building overlooking Taunton River plus construct 192 parking spaces. | $ 933,855 | $ 7,280,385 | $ 0 | 10 | 128 | $ 50,304 |
| Fall River* | Financial assistance to developer to help acquire and rehabilitate building to house combined operations of finishing company and dye works fins. | 365,000 | 1,174,494 | 0 | 50 | 0 | 2,500 |
| Fall River | Financial assistance to developer to help construct four steel-framed buildings totalling 30,000 square feet of space. | 200,000 | 1,020,327 | 0 | 42 | 0 | 21,100 |
| Fall River | Loan to manufacturing company to help finance purchase of capital equipment to expand present facility by 10,000 square feet. | 180,000 | 565,335 | 0 | 15 | 0 | 6,650 |
| Fitchburg | Financial assistance to developer to help renovate six vacant industrial structures, known as the Simonds complex, into mixed-use development consisting of apartment units and 30,000 *square* feet of retail space. | 2,500,000 | 9,696,254 | 0 | 66 | 180 | 251,540 |

*Terminated

MASSACHUSETTS (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Greenfield Town | Loan to limited partnership to help renovate 40,000 square feet of existing floor s— in two buildings within former industrial complex, and addition of 10,180 square feet of new space. | $ 750,000 | $ 3,299,376 | $ 250,000 | 104 | 0 | $ 39,100 |
| Holyoke | Financial assistance to developer to help rehabilitate existing industrial building to house several light industrial businesses. | 400,000 | 2,057,606 | 0 | 80 | 0 | 46,600 |
| Holyoke | Financial assistance to manufacturer and distributor of library and media-center supplies and equipment, permanent record paper for storage and other archival materials to help acquire vacant, 75,541 square foot building, make improvements and renovations, plus purchase new capital equipment. | 550,000 | 2,200,827 | 0 | 79 | 0 | 66,048 |
| Lawrence | Financial assistance to developer to help renovate historic 40,000 square foot building. | 308,625 | 1,353,594 | 0 | 21 | 0 | 18,577 |
| Lawrence | Financial assistance to manufacturing company to help relocate and renovate its facilities to remain competitive. | 75,000 | 1,556,996 | 0 | 357 | 0 | 7,500 |
| Lawrence | Financial assistance to develop to help with rehabilitation and construction in existing shopping center. | 2,200,000 | 6,918,000 | 0 | 200 | 0 | 167,325 |
| Lawrence | Financial assistance to developer to help rehabilitate existing shopping center in distressed area of North Andover to provide much needed consumer services. | 450,000 | 2,091,323 | 0 | 83 | 0 | 19,858 |

# FISCAL YEAR 1986 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 creamery corporation to help expand and renovate its plant enabling manufacture of new product lines—yogurt, cottage and other cheese products—as well as retool packaging capacities. | $ 450,000 | $ 8,965,494 | $ 0 | 225 | 0 | $ 168,405 |
| Medford | Financial assistance to developer to help construct 200-room hotel with 200-space parking garage to include meeting rooms, indoor pool, and 325-seat restaurant in Medford Square. | 850,000 | 15,380,000 | 0 | 194 | 0 | 374,000 |
| Pittsfield | Financial assistance to toy company to help construct 750-car parking garage for new 75,000 square foot office building to alleviate downtown parking problem. | 220,000 | 4,931,225 | 7,030,000 | 25 | 0 | 110,000 |
| Pittsfield | Financial assistance to joint venture to help rehabilitate YMCA into apartment buildings. Units will receive rental assistance for lower-income persons under State's SHARP program. | 336,000 | 2,539,526 | 0 | 2 | 50 | 29,739 |
| Salem | Financial assistance to developer to help renovate 337,000 square foot industrial building into office, light-industrial and manufacturing space with 600-space parking garage. | 650,000 | 6,167,129 | 0 | 850 | 0 | 78,810 |

MASSACHUSETTS (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Springfield* | Financial assistance to limited partnership to help renovate rundown housing units into market-rate housing in Hollywood section of city. | $ 200,000 | $ 2,391,978 | $ 647,500 | 1 | 64 | $ 347 |
| Springfield | Financial assistance to developer to help rehabilitate apartment units in Liberty Heights neighborhood. | 103,849 | 1,186,525 | 235,000 | 1 | 47 | 9,911 |
| Worcester | Financial assistance to developer to help revitalize downtown to include commercial space with parking. | 4,000,000 | 29,550,543 | 0 | 420 | 0 | 445,090 |
| Worcester | Financial assistance to developer to help acquire abandoned factory building and rehabilitate, creating one, two-, and three-bedroom apartment units with 167-car parking garage. Twenty-five percent of units will receive rental subsidy for low- and moderate-income households through State's "SHARP" program. | 1,500,000 | 9,479,076 | 0 | 3 | 155 | 33,575 |

MICHIGAN

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Benton Harbor | Financial assistance to new local company that provides maintenance and repair services to continuous steel-casting industry to help with expansion that involves addition of 16,000 square foot building to current 423,000 square foot facility, as well as machinery acquisition and public improvements. | 315,000 | 1,407,627 | 100,000 | 16 | 0 | 8,456 |

* Terminated

FISCAL YEAR 1986 URBAN DEVELOPMENT ACTION GRANT AWARDS

| State and City | Project Description | UDAG Dollars | Private Investment | Other Public Dollars | Estimated Total New Jobs | Estimated Housing units | Estimated Local Tax Revenue |
|---|---|---|---|---|---|---|---|
| MICHIGAN (Continued) | | | | | | | |
| Detroit | Financial assistance to developer to help acquire and renovate historic downtown building to provide 375,000 square feet of leasable area, including office space, a health club and a restaurant. | $ 3,000,000 | $18,321,449 | $ 0 | 564 | 0 | $ 370,800 |
| Detroit | Loan to developer to help acquire and renovate 8-story office building in historic downtown Harmonie Park district. | 200,000 | 927,480 | 0 | 77 | 0 | 32,344 |
| Detroit | Loan to restaurant corporation to help construct 225-room hotel with first-class restaurant and lounge located adjacent to Trapper's Alley. | 2,000,000 | 14,052,862 | 0 | 225 | 0 | 540,040 |
| Detroit | Construction/permanent loan to developer to help construct second tower for Ponchartrain Hotel to contain 432 rooms, dining areas and lounges, and be connected to Cobo Hall by skywalk. | 6,052,500 | 34,087,896 | 0 | 432 | 0 | 890,873 |
| Detroit | Construction/permanent mortgage loan to developer to help rehabilitate 30,000 square foot building into two upper floors of office space with first-floor restaurant and acquire 83-car parking lot across from building. | 275,000 | 2,752,061 | 0 | 64 | 0 | 77,981 |
| Detroit | Construction/permanent mortgage loan to minority architectural and engineering firm to help renovate 64,000 foot office building in Washington Boulevard historic district. | 341,032 | 4,012,913 | 0 | 65 | 0 | 112,400 |

MICHIGAN (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Detroit | Loan to developer to partially finance restoration and redevelopment of historic downtown, 29-story Book Cadillac Hotel to provide rooms, 192,000 square feet of Class A office space, 11,000 square feet of retail space and adjoining 600-car parking lot. | $ 8,975,000 | $53,694,415 | $6,000,000 | 1,103 | 0 | $1,906,330 |
| Detroit | Financial assistance to developer to help restore Michigan Central Depot and rehabilitate existing 380,000 square foot, 17-story office building to be known as the Great Lakes World Trade Center, to include 94,000 square feet of shops, restaurants and refurbished historic waiting room. | 3,250,000 | 23,201,779 | 0 | 2,000 | 0 | 2,694,335 |
| Detroit | Financial assistance to developer to help construct 350,000 square foot downtown building with residential rental units on the riverside. | 2,500,000 | 28,492,785 | 0 | 22 | 300 | 1,366,124 |
| Detroit | Grant to City to help relocate families and businesses plus demolish structures to prepare 320-acre site for construction of Chrysler Corporation assembly and paint facility. | 15,000,000 | 541,800,000 | 209,765,000 | 0 | 0 | 4,200,000 |
| Detroit | Financial assistance to developer to help renovate 89,000 square foot downtown building into office space and construct 100-space parking structure on Abbot Street. | 700,000 | 7,744,872 | 0 | 120 | 0 | 188,545 |

# FISCAL YEAR 1986 URBAN DEVELOPMENT ACTION GRANT AWARDS

| State and City | Project Description | UDAG Dollars | Private Investment | Other Public Dollars | Estimated Total New Jobs | Estimated Housing Units | Estimated Local Tax Revenue |
|---|---|---|---|---|---|---|---|
| MICHIGAN Continued | | | | | | | |
| Hillman | Financial assistance to develop to help construct 17.5 megawatt, wood waste-fired power plant in industrial park utilizing waste-wood products to produce steam and electricity. | $ 2,627,000 | $19,384,270 | $ 500,000 | 49 | 0 | $ 306,302 |
| Houghton | Financial assistance to partnership to help renovate historic downtown building to contain apartment units and 16,490 square feet of commercial space. | 325,000 | 1,163,591 | 0 | 41 | 14 | 22,400 |
| Saginaw | Loan to develop to assist in renovation of old office building for lease to General Motors Steering Division. | 897,500 | 4,323,024 | 2,000,000 | 90 | 0 | 157,335 |
| Ypsilanti | Loan to minority-owned manufacturing firm that supplies parts to automobile industry to help renovate building and purchase capital equipment. | 233,000 | 1,003,950 | 0 | 55 | 0 | 6,321 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Bemidji | Financial assistance to realty company to help demolish 15 obsolete structures and develop 86,850 square feet of new and renovated office and commercial space, including 500-space, off-street parking lot. | $ 810,000 | $ 5,525,250 | $ 920,000 | 138 | 0 | $ 45,728 |
| International Falls | Financial assistance to develop to renovate building for manufacture of fiberboard sheathing used by housing industry and purchase capital equipment. | 1,000,000 | 6,449,000 | 1,100,000 | 73 | 0 | 76,929 |
| Minneapolis | Construction/permanent mortgage financing to help build 113,000 leasable square feet of retail space, with new supermarket, and 250 surface parking spaces in historic riverfront area to include renovation and expansion of adjacent store plus structured parking far 710 cars. | 549,350 | 10,909,200 | 2,700,000 | 294 | 0 | 445,872 |
| St. Paul | Construction/permanent financing to developer (female-owned business) to help construct six-story, 142,000 square foot building for office/retail use; 380-space, four-level, parking ramp; surface parking lot; and new business loop road. | 677,500 | 12,480,700 | 2,900,000 | 178 | 0 | 400,000 |
| St. Paul | Loan to developer to partially finance construction of 16,000 square foot office building and 7,800 square foot office retail building on opposite corners of Dale Street and Selby Avenue intersection. | 350,000 | 1,973,128 | 250,000 | 72 | 0 | 70,000 |

## FISCAL YEAR 1986 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 (Continued) | | | | | | | |
| Virginia | Financial assistance to developer to help construct carpet manufacturing facility in adjacent City of Mt. Iron to provide 180,000 square feet of production and storage space plus 7,500 square foot administration building. | $ 1,810,000 | $12,753,395 | $2,300,000 | 223 | 0 | $ 0 |
| MISSISSIPPI | | | | | | | |
| Choctaw Indians of Philadelphia | Financial assistance to Tribally-chartered corporation to help construct 120-bed nursing home on 13-acre site on Choctaw Reservation near hospital providing facility to care for elderly Tribal members and surrounding county residents. | 477,900 | 2,213,940 | 0 | 70 | 0 | 0 |
| MISSOURI | | | | | | | |
| Cassvile | Financial assistance to major poultry processor to help purchase capital equipment for new plant to be built on 364-acre site near Cassville to include 84,000 square foot processing facility, private water and waste-treatment systems. | 750,000 | 13,883,772 | 0 | 432 | 0 | 21,153 |

MISSOURI (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cedar City* | Construction/permanent mortgage financing to developer to help construct 250-room hotel and convention center on urban renewal parcel in Jefferson City, to include approximately 48,300 square feet of convention, meeting and common space plus 400 parking spaces. | $ 1,700,000 | $14,750,130 | $ 403,824 | 126 | 0 | $ 0 |
| Kirksville* | Construction/permanent loan to partnership to help construct 110-room Holiday Inn-Holidome complex with recreation center including pool, sauna and exercise equipment to include 120-seat restaurant, 70-seat lounge and ballroom. | 600,000 | 4,337,307 | 0 | 92 | 0 | 76,925 |
| St. Louis | Construction/permanent mortgage loan to corporation to help renovate rental housing units and approximately 13,000 square feet of commercial space in five buildings in Central West End district to include three historical buildings, some units being reserved for low- and moderate-income households. | 2,000,000 | 5,058,988 | 0 | 50 | 129 | 86,246 |
| St. Louis | Construction/permanent mortgage loan to non-profit community organization to help build and rehabilitate housing units under FHA's 221(d)(4) program in College Hill neighborhood. | 2,519,681 | 7,027,858 | 130,000 | 6 | 178 | 70,487 |

*Terminated

FISCAL YEAR 1986 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 | Construction/permanent financing loan to manufacturer and wholesaler of fertilizer products to help construct intermodal transfer facility adjacent to existing plant to permit one-operation commodity transport between barge, truck and rail. | $ 1,000,000 | $ 3,787,774 | $ 0 | 24 | 0 | $ 35,332 |
| St. Louis | Loan to developer to help acquire nine Land parcels, construct 50,000 square foot Kroger store; 34,000 square feet of retail space, and renovate existing 20,000 square foot Kroger store on 13-acre site with 534 spaces of surface parking. | 1,900,000 | 7,840,795 | 0 | 293 | 0 | 619,812 |
| St. Louis | Construction/permanent mortgage loan to church development corporation to help construct and rehabilitate housing units with parking spaces and recreational amenities. | 3,137,542 | 9,675,001 | 268,000 | 6 | 225 | 91,671 |
| St. Louis | Construction/permanent mortgage financing to partnership to help build FHA-insured 221k(d)(4) rental-housing units--garden walk-up apartments and townhouses--next to two lower-income rental housing projects. | 919,006 | 2,547,226 | 150,000 | 3 | 68 | 24,011 |

MISSOURI (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| St. Louis | Financial assistance to developer to help rehabilitate historic Welsh Baby Carriage factory building into apartments, 37,000 square feet of retail space, and parking for 136 cars. | $ 2,615,599 | $11,699,763 | $ 0 | 81 | 112 | $ 318,126 |
| University City | Loan to developer to help construct 20,000 square feet, of commercial space and renovate historic synagogue for use as cultural arts center. | 532,428 | 3,614,423 | 100,000 | 128 | 0 | 49,871 |

NEBRASKA

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Lincoln | Financial assistance to developer to help construct City owned and managed downtown parking structure for 1,200 cars to allow company to construct and manage 484,000 square foot regional shopping mall an 12-acre site. | 6,500,000 | 69,168,800 | 28,004,000 | 741 | 0 | 770,186 |

NEW JERSEY

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Atlantic City | Second mortgage financing to general partners to help construct rental units in 14-story, high-rise building and five low-rise buildings. | 3,000,000 | 19,804,071 | 2,240,000 | 11 | 201 | 216,000 |
| Atlantic City | Financial assistance to developer to help construct four-story, 33,000 square foot building to house needy population to contain beds, kitchen and dining areas, health examination rooms, classrooms and reading rooms, plus office space. | 270,600 | 1,625,000 | 400,000 | 20 | 250 | 10,000 |

## FISCAL YER 1986 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 | Second mortgage loan to developer to help relocate law firm from nearby Ventnor City and occupy 5,000 square feet to include site acquisition, demolition of existing substandard building and provision of parking spaces. | $ 625,000 | $ 2,275,000 | $ 0 | 52 | 0 | $ 43,185 |
| Bridgeton | Loan to develop to assist acquisition of existing 230,000 square foot warehouse facility and conversion into highway trailer manufacturing plant by new company to include upgrading of electrical and other mechanical systems and installation of new machinery and equipment by company. | 1,108,8900 | 3,921,213 | 0 | 361 | 0 | 6,220 |
| Hoboken | Financial assistance to developer to help construct eight-story, 92,925 square foot office building on half-acre parcel of land adjacent to train station in historic waterfront area to include outdoor park space and pedestrian mall, plus use of City-owned parking facility located me block away. | 537,500 | 10,366,110 | 0 | 232 | 0 | 405,200 |
| New Brunswick | Second mortgage financing to developer to help construct 252,765 square foot office and retail building. | 2,800,000 | 27,898,548 | 5,000,100 | 562 | 0 | 336,588 |

NEW JERSEY (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Newark | Financial assistance to realty company to help construct 156,000 square foot manufacturing building on 6.3 acres in industrial park providing space for three manufacturing companies. | $ 1,000,000 | $ 6,656,465 | $ 0 | 180 | 0 | $ 294,000 |
| Paterson | Second mortgage financing to camera corporatican to help with expansion and purchase of capital equipment to provide facility for fabrication and warehousing of new product line of video cassettes. | 2,500,000 | 9,209,644 | 0 | 109 | 0 | 49,104 |
| Trenton | Financial assistance to developer to help construct 161,900 square foot office building in Chancery Place redevelopment area providing first new office building in City for many years. | 829,300 | 14,716,000 | 1,175,000 | 259 | 0 | 349,145 |

NEW YORK

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Albany | Financial assistance to four developers to help acquire land and construct an industrial park consisting of four separate buildings--between 20 and 30,000 square feet each. | 550,935 | 2,669,000 | 995,000 | 5 | 0 | 124,484 |
| Albany | Financial assistance to developer to rehabilitate historic brewery into one- and two-bedroom rental residential units. | 410,000 | 3,800,867 | 0 | 2 | 46 | 64,159 |
| Albany | Second mortgage financing to help eligible buyers purchase two-unit structures (1-owner and 1-renter units). | 277,665 | 1,147,535 | 47,900 | 0 | 50 | 29,013 |

## FISCAL YEAR 1986 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) | | | | | | | |
| Albany | Financial assistance to development corporation to help rehabilitate 117,500 square foot, 2-story building in the Arbor Hill neighborhood for commercial office space and light industry. | $ 117,000 | $ 303,818 | $ 0 | 35 | 0 | $ 17,681 |
| Binghamton | Financial assistance to developer to help rehabilitate three buildings in Parlor City historic district to provide one- and two-bedroom residential units as well as 4,000 square feet of commercial space. | 119,803 | 486,230 | 52,000 | 14 | 14 | 7,432 |
| Buffalo | Second mortgage financing to pharmeceutical corporation to help construct 103,225 square foot building for warehousing and production of drugs and skin-care products. | 1,000,000 | 6,794,654 | 0 | 75 | 0 | 47,588 |
| Buffalo | F[redacted]l assistance to developer to help purchase and renovate exist— plant facility and expand product line. | 1,000,000 | 30,648,643 | 4,000,000 | 100 | 0 | 12,684 |
| Buffalo | Financial assistance to developer to help renovate historic building as commercial office to provide approximately 25,000 square feet of useable space. | 600,000 | 2,172,592 | 0 | 100 | 0 | 40,600 |

NEW YORK (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Buffalo | Loan to developer to help renovate building and adjacent commercial building for conversion into mixed-use project consisting of 53,000 square feet of gross space to provide 23,000 square feet of ground-floor retail space and 16,900 square feet of one- and two-bedroom apartments. | $ 500,000 | $2,936,634 | $ 0 | 30 | 20 | $ 27,474 |
| Deposit Town | Financial assistance to meat packing company to help acquire 25-acre site, construct 780,000 square foot slaughtering, processing and packing plant; acquire and install capital equipment plus construct access road, water and sewer lines and on-site water pre-treatment plant. | 2,530,000 | 11,772,467 | 965,000 | 350 | 0 | 45,380 |
| Elmira | Financial assistance to glass manufacturing corporation to help develop new business venture to include renovation of former Sears warehouse of approximately 31,000 square feet and purchase of necessary capital equipment. | 300,000 | 1,191,140 | 0 | 68 | 0 | 27,069 |
| Essex | Loan to developer to assist in renovation of historic restaurant on western shore of Lake Champlain to include construction of transient marina consisting of 22 boat slips adjacent to restaurant. | 55,000 | 175,485 | 0 | 8 | 0 | 2,531 |
| Fort Edward | Financial assistance to corporation, a subsidiary of United Merchants, to help expand their plant and purchase capital equipment to produce new line of specialty tapes and labels. | 935,000 | 5,466,394 | 0 | 50 | 0 | 28,142 |

## FISCAL YEAR 1986 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) | | | | | | | |
| Geneva | Financial assistance to manufacturer of liquid-hair care products to help purchase and install capital equipment for expansion. | $ 2,000,000 | $10,826,874 | $ 0 | 338 | 0 | $ 53,301 |
| Geneva | Financial assistance to developer to help build 175-room hotel and conference center, 150-seat lakefront restaurant, and 32,000 square foot office building in area bordering Lake Seneca. | 5,000,000 | 20,135,000 | 3,077,000 | 395 | 0 | 511,558 |
| Gloversville | Second mortgage financing to manufacturer of monofilament-tricot knit fabrics to help construct 14,400 square foot addition to its existing dyeing and finishing facility plus construction of 5,000 square foot building; purchase and installation of machinery and equipment. | 770,000 | 3,209,918 | 0 | 75 | 0 | 11,935 |
| Gloversville | Financial assistance to partnership to help rehabilitate Kingsborough Hotel into apartments and 7,800 square feet of commercial space. | 540,000 | 2,110,544 | 0 | 9 | 48 | 3,850 |
| Haverstraw Village | Financial assistance to developer to help construct 33,000 square foot, three-story, senior-citizen apartment building to include a small convenience store. | 405,000 | ,421,435 | 0 | 15 | 0 | 11,167 |

NEW YORK Continued

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Hudson | Financial assistance to developer to help construct 166-vehicle parking structure for new 48,000 square foot downtown office building. | $ 860,000 | $ 3,280,000 | $ 0 | 75 | 0 | $ 51,135 |
| Hudson | Financial assistance to limited partnership to help renovate and construct rental units in neighborhoods close to central business district. | 182,000 | 635,939 | 417,015 | 0 | 16 | 4,645 |
| Lowville | Second mortgage financing to partnership to help construct 16,320 square foot commercial building being constructed for office and retail tenants, plus provide on-site improvements. | 157,500 | 710,189 | 175,000 | 32 | 0 | 71,375 |
| New York city | Financial assistance to joint venture to help construct 17-story, 600,000 square foot building in downtown Brooklyn providing space for clerical and computer operations currently in Manhattan with remaining space leased to other prim tenants on speculative basis. | 5,000,000 | 120,194,221 | 10,000,000 | 1,837 | 0 | 6,003,772 |
| New York city | Financial assistance to developer to help construct 356-room Hilton Hotel, 528,000 square foot office tower and 1,270 space garage in new Brooklyn Renaissance Center. | 6,000,000 | 148,658,115 | 12,200,000 | 2,023 | 0 | 2,154,761 |
| New York city | Financial assistance to limited partnership to help develop cogeneration/district heating system to supply electricity and steam to Brooklyn Navy Yard, a 261-acre industrial park, and steam to two nearby public housing projects. | 1,850,000 | 25,044,947 | 6,300,000 | 30 | 0 | 7,500 |

## FISCAL YEAR 1986 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) | | | | | | | |
| New York city | Financial assistance to developer to help construct mixed-use, commercial and residential development in Atlantic Terminal urban renewal area to include office and retail space, a regional supermarket, multi-screen cinema; 1,000-car parking garage, condominum units for low- and moderate-income families and two public, park-like open spaces. | $10,730,000 | $163,375,727 | $29,130,000 | 1,589 | 273 | $3,294,324 |
| Newburgh | Second mortgage financing to general partnership to help renovate former Broadway School building into 30,000 net leaseable square feet of class A office space geared to professionals. | 560,000 | 1,705,215 | 180,000 | 64 | 0 | 65,347 |
| Owego Village | Loan to developer to help acquire plant, located in neighboring Town of Oswego, that produces metal fabrication and plastics-injection molding. | 2,530,000 | 9,884,529 | 4,080,000 | 46 | 0 | 55,000 |
| Peekskill | Financial assistance to developer to help construct 8,000 square foot professional office building m 11,000 square foot parcel of land, located near central business district. | 112,000 | 558.332 | 5,000 | 21 | 0 | 17,200 |

NEW YORK (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Port Chester | Grant to City to help replace and repair infastructure in 18-acre waterfront site. Company will lease site and build approximately 40,000 square feet of supermarket, 60,000 square feet of department store, 82,000 square feet of shops, boutiques and restaurants, 42,000 square feet of cinema and 82,000 square feet of office space. | $ 4,690,700 | $36,348,050 | $5,400,000 | 670 | 0 | $1,143,000 |
| Potsdam | Loan to voluntary, not-for-profit hospital, to partially finance 19,480 square foot expansion and 4,700 square foot renovation, providing space for emergency, ultra sound, x-ray radiology and nuclear-medicine rooms as well as storage, housekeeping and administrative space to benefit cut—patient care. | 530,000 | 2,801,780 | 0 | 19 | 0 | 0 |
| Rochester | Financial assistance to 50 percent equity partner for newly constructed 112,000 square foot commercial/office building where University of Rochester's Sibley Library of Music is principle tenant. | 1,700,000 | 13,174,284 | 724,532 | 161 | 0 | 217,050 |
| Syracuse | Financial assistance to developer to help rehabilitate five-story, 65,600 square foot building to be leased as retail and commercial office space plus construction of 62-space parking facility. | 452,000 | 2,562,385 | 0 | 63 | 0 | 58,817 |
| Troy | Financial assistance to architect to help rehabilitate historic 3,378 square foot, three-story building for office and retail space at street level and two-bedroom apartments on second and third floors. | 45,000 | 159,544 | 0 | 4 | 4 | 5,467 |

# FISCAL YEAR 1986 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) | | | | | | | |
| Utica | Financial assistance to developer to help construct 80-acre development park. Project will include construction by urban renewal agency of 41,371 square foot building for lease. | $ 1,595,000 | $ 7,047,906 | $4,502,000 | 187 | 0 | $ 16,131 |
| Watertown | Financial assistance to developer to help construct two-bedroom townhouses providing affordable housing for military and civilian households. | 730,000 | 2,441,828 | 0 | 1 | 70 | 50,767 |
| NORTH CAROLINA | | | | | | | |
| Beaufort * | Loan to developer to partially finance construction of 41-room bed and breakfast inn on Intercoastal waterway, adjacent to already constructed 16-slip marina. | 248,400 | 1,104,569 | 0 | 21 | 0 | 6,619 |
| Durham | Financial assistance to partnership to help redevelop old hosiery mill into assisted housing units under Section 8, Moderate Rehabilitation Program. | 2,265,000 | 5,991,000 | 1,300,000 | 20 | 151 | 23,984 |
| Lenior | Financial assistance to developer to help acquire land, construct 100,000 square foot facility in neighboring Hudson, and purchase equipment for manufacture of specialty fiber, optic-cable products. | 540,000 | 9,965,989 | 700,000 | 235 | 0 | 29,000 |

*Terminated

NORTH CAROLINA (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Mount Airy | Financial assistance to hosiery manufacturing company to help acquire site, construct 100,000 square foot distribution facility and 12,000 square foot corporate office building plus renovate 60,000 square foot manufacturing building and purchase capital equipment. | $ 480,000 | $ 9,087,223 | $ 0 | 150 | 0 | $ 44,462 |

OHIO

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Aquilla Village | Financial assistance to metal powders and pastes manufacturer and distributor to purchase capital equipment for newly constructed aluminum-flake pigment plant in industrial park in nearby Chardon Village. | 915,000 | 15,513,522 | 3,280,000 | 220 | 0 | 0 |
| Bellefontaine | Loan to developer to help construct waterline extension to food services warehouse approximately four miles outside City in Logan County. | 382,156 | 5,700,000 | 428,120 | 33 | 0 | 90,141 |
| Cleveland | Financial assistance to developer to help construct seven-floor downtown office building on vacant, urban renewal land providing 142,000 square feet of net leaseable space and fifty parking spaces. | 3,000,000 | 12,717,946 | 0 | 156 | 0 | 339,327 |

## FISCAL YEAR 1986 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) | | | | | | | |
| Cleveland | Financial assistance to developer to help construct and renovate downtown rapid transit station located beneath Tower City. Portion of funds will be loaned to investment corporation to construct public area improvements and pedestrian bridge. | $ 5,200,000 | $ 13,000 | $12,629,500 | 202 | 0 | $ 195,774 |
| Cleveland | Loan to joint venture to help construct new shopping center to include 142,000 square feet of leasable space. | 2,700,000 | 9,989,414 | 0 | 224 | 0 | 94,749 |
| Cleveland | Financial assistance to Tower city to help with m of renovation project and provide match for Federal and State mass-transit funds awarded to renovate Rapid Transit Station plus loan to construct public improvements connected with transit renovations. | 4,700,000 | 12,588,227 | 13,065,500 | 160 | 0 | 355,953 |
| Cleveland | Construction/permanent mortgage financing to general partnership to help develop 182,700 square foot galleria mall, with approximately 125,000 square feet of leasable retail space, and 9,600 square feet of renovated retail space in lobby of tower office building plus construction of 88,000 square foot plaza. | 3,500,000 | 25,950,456 | 0 | 563 | 0 | 630,437 |

OHIO (CONTINUED)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cleveland | Financial assistance to developer to help restore 3,000-seat theater and construct 750-car parking deck with connecting pedestrian bridge in City's historic Playhouse Square district. | $ 2,600,000 | $12,097,075 | $5,000,000 | 113 | 0 | $ 181,900 |
| Cleveland | Financial assistance to developer to help construct two residential buildings with rental apartments, 50,000 square feet of retail and restaurant space with a parking garage. | 5,500,000 | 17,397,575 | 642,000 | 210 | 307 | 337,134 |
| Cleveland | Financial assistance to limited partnership to help renovate 67,000 square foot building in historic warehouse district for office/comerical use. | 1,192,325 | 4,990,152 | 0 | 57 | 0 | 91,785 |
| Dayton | Financial assistance to local manufacturer to help purchase capital equipment to allow company to expand steel slitting and warehousing operations. | 150,000 | 1,035,146 | 250,000 | 28 | 0 | 27,130 |
| Fostoria | Financial assistance to developer to help renovate and purchase capital equipment for newly acquired facility to manufacture plastic shelving, racks and related products. | 1,725,000 | 8,791,650 | 1,500,000 | 160 | 0 | 159,033 |
| Lorain | Second mortgages at five percent for 30 years to developer to help construct single-family, split level and ranch style, detached houses on west side allowing moderate-income residents to qualify for purchase of units. | 500,000 | 1,650,000 | 0 | 0 | 50 | 29,916 |

## FISCAL YEAR 1986 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) | | | | | | | |
| Lorain | Financial assistance to developer to help acquire three acres of land and construct 175-room, seven-story hotel to include 110-seat restaurant. Project is part of city's new marina development on Lake Erie. | $ 1,378,000 | $ 8,925,097 | $2,000,000 | 175 | 0 | $ 264,750 |
| Massillon | Loan to construction company to assist in development of shopping center with 215 square feet of leaseable space plus construction of necessary storm sewer improvements and interior store renovation for two major tenants. | 841,381 | 16,532,712 | 220,000 | 545 | 0 | 508,907 |
| Norwood | Financial assistance to developer to help renovate vacant downtown furniture store into 33,500 square feet of office space and construction of structured parking for 75 cars. | 425,820 | 1,475,592 | 0 | 101 | 0 | 61,016 |
| Toledo | Construction/permanent financing to developers to assist in construction of 14-story building with 80,000 square feet of retail space, 200,000 square feet of commercial office space and 340-space parking deck. | 3,000,000 | 29,201,821 | 0 | 450 | 0 | 656,008 |
| Wauseon | Financial assistance to local manufacturing corporation to help purchase capital equipment to expand into new product lines for plastic furniture drawer components and automobile door components. | 179,375 | 632,730 | 218,375 | 71 | 0 | 13,000 |

OHIO (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Wellston | Second mortgage financing to corporation to help construct single-family houses. | $ 107,140 | $ 328,955 | $ 0 | 0 | 10 | $ 5,381 |
| Youngstown | Financial assistance to developer to help construct downtown apartment complex. | 357,320 | 1,593,809 | 100,000 | 2 | 48 | 24,838 |
| Youngstown | Financial assistance to general partnership to help construct 80-room inn located in wick historical district near State University. | 800,000 | 3,760,655 | 0 | 100 | 0 | 80,900 |
| Youngstown | Financial assistance to corporation to to help modernize district heating plant in central business district to improve boiler system, plus add 8,300 linear feet of new pipe and replace 10,200 linear feet of deteriorated pipe lines. | 1,000,000 | . 3,976,078 | 0 | 3 | 0 | 91,400 |

OKLAHOMA

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Durant | Construction/permanent loan to corporation to help build performance test cell for engines and related equipment that company services for oil-extraction firms. | 230,600 | 986,500 | 0 | 36 | 0 | 20,643 |
| Oklahoma City | Permanent mortgage loan to foods corporation to help replace its 75-year old meat-processing facility with state-of-the-art plant. | 697,600 | 5,560,369 | 1,300,000 | 100 | 0 | 13,023 |
| Pauls Valley | Loan to developer to help construct 104-room motor hotel, a Holiday Inn franchise, with surface parking for 246 cars on Highway 19. Funds to provide $20,000 for City administration of loan. | 798,750 | 4,111,519 | 0 | 90 | 0 | 60,140 |

## FISCAL YEAR 1986 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 | | | | | | | |
| Bristol Borough | Construction/permanent loan to limited partnership to help construct 113,545 square foot shopping center. | $ 3,649,500 | $10,195,738 | $ 850,000 | 191 | 0 | $ 113,127 |
| Conshohocken | Loan to developer to help construct 270,000 square foot office complex and 850-car parking facility. | 4,740,000 | 28,941,636 | 0 | 648 | 0 | 39,339 |
| Conshohocken | Loan to limited partnership to help acquire and renovate existing 200,000 square foot shopping center in Plymouth Township plus construction of 45,000 square feet of new retail space. | 2,280,000 | 12,092,551 | 0 | 128 | 0 | 18,000 |
| DuBois | Interim/permanent mortgage loan to developer to help acquire 29.7 acres of land in industrial park and construct 116,000 square foot perishable goods distribution center. | 512,000 | 9,004,332 | 59,400 | 75 | 0 | 52,385 |
| East Landsdowne | Loan to developer to help restore The Lansdowne Theatre, an historic motion picture theatre, to 1,500-seat theatre for feature films and live entertainment plus inclusion of 3,000 square feet of stores and 6,000 square feet of office space. | 205,000 | 848,306 | 0 | 31 | 0 | 11,674 |

PENNSYLVANIA (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Exeter Borough | Mortgage loan to publishing company to help modernize its facility with purchase of new high-speed "ink jet" printing equipment plus installation of air-pollution control equipment. | $ 113,000 | $2,097,300 | $ 0 | 45 | 0 | $ 1,017 |
| Harrisburg | Second mortgage financing to limited partnership to help complete Strawberry Square project to include addition of 47,282 square feet of retail space and 47,425 square feet of office space; construction of 14,560 square feet of improved public space; and selected retail renovation in adjacent Phase 1 retail/office space. | 5,129,448 | 14,362,841 | 0 | 272 | 0 | 143,331 |
| Luzerne County | Financial assistance to mass market paperback-book manufacturing company to help acquire machinery and equipment as part of major expansion of facility located in Dallas Township. | 250,000 | 5,000,000 | 0 | 36 | 0 | 11,817 |
| Mercersburg | Construction/permanent mortgage loan to developer to help renovate historic Mercersburg Inn, closed for six years, to reopen as 16-room country inn and restaurant. | 205,000 | 723,968 | 0 | 10 | 0 | 4,672 |
| Philadelphia | Financial assistance to limited partnership to help rehabilitate building into retail discount department store plus construction of 20,000 square foot supermarket on site. | 975,000 | 3,732,080 | 250,000 | 132 | 0 | 171,207 |

## FISCAL YEAR 1986 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 construct apartment complex to contain 2-story buildings with one-bedroom units in Northeast section of City plus provision of off-street parking for 243 cars. Twenty percent of mits will be available for low- and moderate-income families. | $ 932,400 | $ 4,591,057 | $ 0 | 2 | 120 | $ 157,287 |
| Philadelphia | Financial assistance to Cabinet manufacturing and appliance distribution business to help construct 60,000 square foot showroom and renovate two other buildings. | 450,000 | 1,850,809 | 112,000 | 30 | 0 | 125,105 |
| Philadelphia | Financial assistance to women's apparel retailer to help construct expansion to existing warehouse facility. | 230,000 | 3,880,134 | 100,000 | 50 | 0 | 198,374 |
| Philadelphia | Financial assistance to limited partnership to help acquire and renovate six contiguous historic properties as one- and two-bedroom residential units with approximately 6,800 square feet of commercial space on first floor. | 531,910 | 2,965,704 | 155,000 | 42 | 42 | 100,897 |
| Philadelphia | Financial assistance to delivery systems corporation to help with expansion and redesign of facilities to include additional warehouse truck bays, fencing and sound barrier to buffer them from neighboring residential community. | 225,000 | 827,701 | 250,000 | 20 | 0 | 9,366 |

PENNSYLVANIA (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Philadelphia | Loan to developer to help with on-site improvements and construction of 336-car underground parking garage to support first phase of health-care-oriented institutional development in West Philadelphia. As part of project, University of Pennsylvania will construct 154,000 square foot Clinical Sciences Research building on site of former Philadelphia General Hospital. | $ 5,348,000 | $ 46,610,513 | $ 650,000 | 513 | 0 | $ 706,833 |
| Philadelphia | Loan to aviation corporation to assist with on-site improvements and construction of 20,000 square foot office building, 20,000 square foot hanger and 15,000 square foot shop facility at Northeast Airport. | 600,000 | 3,534,404 | 0 | 30 | 0 | 150,366 |
| Philadelphia | Construction/permanent mortgage loan to limited partnership to assist renovation of 670,000 square foot light-manufacturing warehouse and office facility. | 3,000,000 | 7,907,900 | 0 | 250 | 0 | in,140 |
| Philadelphia | Construction/permanent loan to joint venture to assist in construction of approximately 316,000 square foot retail festival mall to include retail shops, restaurants, a food court, and cinema space. | 10,000,000 | 46,497,275 | 0 | 962 | 0 | 2,227,892 |
| ~~d~~ | Construction/permanent mortgage loan to partnership to assist development of 40,000 square feet of office space, 4,000 square feet of retail space and a 198-car parking garage. | 825,000 | 4,748,505 | 0 | 105 | 0 | 279,912 |

## FISCAL YEAR 1986 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)** | | | | | | | |
| Reading | Financial assistance to developer to help construct 19,150 square foot office/retail center to be located at site of Keystone Firehouse and contiguous properties. | $ 448,000 | $ 1,414,527 | $ 260,000 | 30 | 0 | $ 26,600 |
| Reading | Construction/permanent mortgage loan to limited partnership to assist with acquisition and renovation of former department store into a mixed-use project to include housing units, 124,000 square feet of office space and 81,000 square feet of retail space. | 5,855,000 | 25,321,760 | 1,630,000 | 564 | 119 | 155,360 |
| Scranton | Construction/permanent mortgage loan to developer to help construct two-level, two department store regional mall encompassing approximately 645,000 square feet. Project includes construction of 2,700-car parking garage and renovation of three buildings into office and retail complex. | 5,514,024 | 56,914,840 | 11,000,000 | 1,350 | 0 | 1,556,097 |
| Sharon | Financial assistance to manufacturing corporation to help construct 118,000 square foot facility to produce one-piece aluminum aerosal cans for U.S. cosmetic and pharmaceutical industries. | 2,475,000 | 8,642,578 | 1,056,800 | 102 | 0 | 28,230 |

PENNSYLVANIA (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sharon | Financial assistance to local manufacturer of industrial traveling overhead bridge cranes to provide capital equipment for new 10,000 square foot fabricating facility. | $ 200,000 | $ 784,621 | $ 0 | 14 | 0 | $ 6,425 |
| Shippensburg Township | Financial assistance to development corporation to help construct one-, two- and three-bedroom rental housing units ranging in size from 700 to 1,280 square feet. Twenty percent of units to be rented to low-income families. | 556,826 | 2,094,335 | 0 | 3 | 56 | 35,154 |
| Swoyersville | Loan to developer to help construct streets, sidewalks and sewers for single-family houses on land owned by the Borough. Funds to be used also as second mortgage loans from the Borough to individual home buyers. | 186,958 | 821,819 | 21,042 | 0 | 18 | 29,711 |
| West Middlesex | Financial assistance to developer to help sales company purchase and install casting-line flasks and automotive company purchase plus renovate 8,200 square foot building into retail and wholesale automotive parts store and machine shop. | 101,500 | 579,107 | 0 | 17 | 0 | 6,200 |
| Wheatland | Loan to honey processing and packaging plant with national distribution to help acquire business scheduled to close and construct 12,000 square foot facility to enable company to continue in business. | 131,000 | 433,132 | 0 | 10 | 0 | 13,000 |

# FISCAL YEAR 1986 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)** | | | | | | | |
| Wilkes-Barre | Financial assistance to partnership to help construct 77,500 square foot office building on Public Square. City to construct 200-car parking deck on adjacent land. | $ 358,750 | $ 6,958,162 | $1,800,000 | 140 | 0 | $ 160,467 |
| **RHODE ISLAND** | | | | | | | |
| Newport | Financial assistance to developer to help construct 21,000 square foot "Class A" office building to contain two floors of leasable area and parking for 81 cars. | 500,000 | 1,642,150 | 0 | 51 | 0 | 26,838 |
| **SOUTH CAROLINA** | | | | | | | |
| Charleston | Financial assistance to develop to help construct festival market place along Cooper River waterfront to include 100-room hotel, with conference space, and provide additional retail and office space to compliment the hotel. City will provide public improvements. | 6,375,000 | 34,306,467 | 4,920,000 | 1,261 | 0 | 768,060 |
| Liberty | Financial assistance to developer to help construct shopping center to include 20,000 square foot grocery store, drug store and variety store. Funds will provide $11,600 for City's administration of project. | 235,500 | 1,055,773 | 0 | 70 | 0 | 10,080 |

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|---|---|---|---|---|---|---|---|
| **SOUTH DAKOTA** | | | | | | | |
| Sturgis | Construction/permanent mortgage loan to limited partnership to help construct 80,000 square foot shopping mall to include grocery store and general merchandise store as the two anchors. | $ 965,000 | $ 3,750,202 | $ 785,000 | 90 | 0 | $ 166,134 |
| **TENNESSEE** | | | | | | | |
| Brownsville | Financial assistance to developer to help acquire 155 acres of land and construct 50-unit motel with dining and banquet rooms. Funds will provide $10,000 for City's administration of project. | 203,000 | 1,061,896 | 297,000 | 45 | 0 | 23,440 |
| McKenzie | Financial assistance to developer to help construct pre-treatment facility to serve its new 41,600 square foot electro/chemical plastics and metals plating facility. | 250,000 | 1,524,133 | 939,400 | 126 | 0 | 13,583 |
| Memphis | Financial assistance to developer to help construct major new downtown office and retail development to consist of seven-story, 140,000 square foot office building, 362,000 square feet of mall retail space, 116,000 square foot office building, 362,000 square feet of mall retail space, 116,000 square foot department store, 1,200 parking spaces, 18,000 square foot convention center, plus open space and service area. | 9,700,000 | 76,093,347 | 4,299,000 | 1,488 | 0 | 6,376,883 |

## FISCAL YEAR 1986 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 |
|---|---|---|---|---|---|---|---|
| **TENNESSEE (Continued)** | | | | | | | |
| Monterey | Financial assistance to food processing corporation to help acquire land and construct 460-million gallon water reservoir to expand its plant. | $ 1,260,000 | $ 9,029,930 | $ 0 | 308 | 0 | $ 8,800 |
| **TEXAS** | | | | | | | |
| Brownsville | Mortgage loan to metal products company to purchase capital equipment for newly constructed 30,000 square foot metal stamping plant in International Trade Zone to produce parts for assembly operations in Mexico and ship assembled parts to purchasers in the United States. | 300,000 | 2,707,453 | 0 | 40 | 0 | 24,604 |
| El Paso | Interim/permanent mortgage loan financing to dry goods corporation to help construct 127,000 square foot department store on eight-acre site at 1-10 and Sunland Park Drive intersection. | 525,750 | 9,136,000 | 0 | 244 | 0 | 329,000 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| UTAH | | | | | | | |
| Lindon | Financial assistance to city to help construct sewer service to industrial park to provide necessary sewer services for four local businesses committed to locate in industrial park. | $ 300,000 | $ 1,112,000 | $ 57,450 | 13 | 0 | $ 8,019 |
| Logan | Construction/permanent mortgage loan to general partnership to help construct 53,340 square foot shopping center enabling the anchor, a locally-owned grocery store, to expand its operations. | 439,398 | 1,753,524 | 40,000 | 68 | 0 | 50,013 |
| Provo | Financial assistance to developer to help construct 143,000 square foot office tower and adjacent parking structure. City will use tax increment financing and Community Development Block Grant funds to help construct garage plus a connection to the City's district heating system. | 907,070 | 14,173,743 | 1,314,845 | 349 | 0 | 271,253 |
| VERMONT | | | | | | | |
| Cabot Town | Loan to creamery company to help construct cheese-aging warehouse, 73,000 square foot cutting plant, and install specialized automated processing equipment and necessary sewer treatment facilities. | 2,000,000 | 8,741,644 | 0 | 31 | 0 | 216,000 |
| Rockingham | Financial assistance to developer to help renovate 25,000 square foot former garage in village of Bellows Falls into office space to be leased partly by Mental Health Services of Southeastern Vermont. | 275,000 | 950,005 | 0 | 30 | 0 | 2,238 |

## FISCAL YEAR 1986 URBAN DEVELOPMENT ACTION GRANT AWARDS

| State and City | Project Description | UDAG Dollars | Private Investment | Other Public Dollars | Estimated Total New [illegible] | Estimated Housing units | Estimated Local Tax Revenue |
|---|---|---|---|---|---|---|---|
| **VIRGINIA** | | | | | | | |
| Pulaski | Construction/permanent mortgage loan to firm to help acquire division of corporation which produces magnetic iron-oxide particles to manufacture computer, audio and video tapes. | $ 1,020,000 | $ 5,358,556 | $1,250,000 | 7 | 0 | $ 28,697 |
| **WASHINGTON** | | | | | | | |
| Carnation | Loan to corporation to help finance construction of 26,000 square foot grocery/drug/variety shopping center downtown. | 209,000 | 1,430,073 | 0 | 36 | 0 | 30,399 |
| Spokane | Financial assistance to limited partnership to help rehabilitate historic school into elderly apartments. | 375,143 | 2,572,306 | 0 | 20 | 106 | 17,111 |
| Tacoma | Financial assistance to developer to help construct 247,600 square foot shopping center. | 900,000 | 13,133,718 | 0 | 510 | 0 | 587,600 |
| **WISCONSIN** | | | | | | | |
| Milwaukee | Loan to limited partnership to help acquire and rehabilitate 120,000 square foot, nine-story office building and construct 800-space parking garage to contain 80,000 square feet of commercial space. | 1,500,000 | 17,423,589 | 0 | 255 | 0 | 375,172 |

PUERTO RICO

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Aquadilla | Financial assistance to local development entity to help construct major shopping center in northwest area of the Island. | $ 2,000,000 | $ 7,570,634 | $ 0 | 591 | 0 | $ 125,487 |
| Aquadilla | Second mortgage financing to purchasers of newly constructed housing units to make than affordable. Each unit will contain three bedrooms, one bathroom, living, dining and kitchen areas, carport and patio. | 1,099,560 | 7,176,487 | 0 | 0 | 187 | 51,494 |
| Bayamon | Permanent second mortgage financing to homebuyers of single-fdy precast module houses of 1,052 square feet, with three bedrooms and me bathroom. | 208,000 | 520,074 | 0 | 0 | 22 | 9,034 |
| Caguas | Loan to developer to assist in construction of 276,922 square foot shopping center on 25-acre parcel of land at State Road No. 30 and Cordora Avenue intersection. | 2,000,000 | 10,166,278 | 0 | 480 | 0 | 227,340 |
| Caguas | Second mortgages to families in $21,000-income range to purchase newly constructed single-family homes in Pargue Del Monte Project. | 1,600,000 | 7,613,183 | 0 | 0 | 200 | 67,500 |
| Canovanas | Non-amortizing second mortgages to purchasers of newly constructed single-family, three-bedroom units in 1,261 square foot area. | 1,771,811 | 4,449,528 | 0 | 0 | 168 | 10,773 |

## FISCAL YEAR 1986 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) | | | | | | | |
| Canovanas | Financial assistance to developer to help construct 23,500 square foot strip shopping center plus construction of two one-story buildings and 180 parking spaces. | $ 512,000 | $ 1,729,230 | $ 0 | 93 | 0 | $ 22,255 |
| Carolina | Financial assistance to developer to help acquire and develop shopping center of approximately 141,000 square feet with two fast-food franchises in parking area providing retail space on first floor and office space on second floor. | 1,380,000 | 8,520,825 | 0 | 436 | 0 | 93.106 |
| Catano | Financial assistance to developer to help construct 30,000 square foot facility to accommodate offices, showrooms, warehouse and mechanic shops of sales corporation to enable company which sells, leases and repairs agricultural and construction equipment, now located on leased premises that must be vacated, to continue in business. | 350,000 | 1,588,681 | 0 | a | 0 | 25,438 |
| Guayama | Second mortgage financing to developer to help construct 258,516 square foot regional shopping center to include 1,065 parking and loading spaces and on- and off-site improvements. | 2,545,000 | 10,128,008 | 0 | 446 | 0 | 215,760 |

PUERTO RICO (Continued)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Gurabo | Permanent first mortgages to homebuyers to help purchase newly constructed three-bedroom, single-family homes, each consisting of approximately 1,416 square feet. | $ 1,405,000 | $ 8,717,294 | $ | 0 | 0 | 200 | $ 79,107 |
| Hatillo | Permanent financing to developer to help construct new automobile sales and service facility to consist of three buildings of approximately 23,300 square feet to be used for administrative offices, showrooms, part sales and service. | 184,000 | 588,082 | | 0 | 23 | 0 | 229,483 |
| Las Piedras | Second mortgages to purchasers of newly constructed, 1,140 square foot, 3-bedroom, single-family, detached houses with carports to reduce monthly payments. | 561,250 | 2,177,000 | | 0 | 0 | 65 | 522 |
| Mayaguez | Financial assistance to eligible homebuyers to help purchase newly constructed, 1,116 square foot, single-family patio homes. | 198,000 | 699,938 | | 0 | 0 | 24 | 8,040 |
| Patillas | Financial assistance to developer to help construct 1,100 square foot, three-bedroom, single-family detached units with carports and balconies. | 412,450 | 1,296,550 | | 0 | 0 | 39 | 19,500 |
| Ponce | Second mortgages to homebuyers of newly constructed, three-bedroom, one bathroom, 1,332 square foot., single-family units. | 800,000 | 2,270,900 | | 0 | 0 | 80 | 40,800 |

## FISCAL YEAR 1986 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** | | | | | | | |
| Ponce | Non-amortizing second mortgages to purchasers of newly constructed, one-bathroom, single-family, FHA-insured housing units in Valle Alto Development plus construction of 7,500 square foot retail center in the project. | $ 1,480,000 | $ 4,805,296 | $ 0 | 34 | 148 | $ 71,374 |
| Ponce | Grant to City to help convert vacant 25,000 square foot market building into $6 million Tourism Terminal, construct new Port administration building, reconstruct Wharf I-1 with extensions to Berths 5 and 6; demolish Wharfs 1 and 2 for new deep water piers. Port to also develop site improvements for new 52-acre industrial park. | 2,500,000 | 40,937,189 | 0 | 1,480 | 0 | 625,000 |
| Rio Grande | Permanent financing to purchasers of newly constructed, single-family housing units in an area of 756 square feet. Project funds to be repaid by homeowners at 30-year term, interest-free rate. | 755,256 | 1,888,143 | 0 | 0 | 117 | 25,023 |
| Rio Grande | Financial assistance to developer to help construct three-bedroom, detached, single-family, residential units in 1,096 square foot area for sale to moderate-income persons. | 863,250 | 2,277,502 | 0 | 0 | 75 | 21,901 |

PUERTO RICO (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sabana Grande | Second mortgages to buyers of newly constructed, low-income, three-bedroom, housing units to help reduce the cost. | $ 650,000 | $ 1,655,200 | $ 0 | 0 | 100 | $ 3,151 |
| Salinas | Second mortgages to developer to help construct three-bedroom, single-family homes with balconies an 21.7 acre site. | 959,990 | 2,818,377 | 0 | 0 | 153 | 45,036 |
| San Juan | Financial assistance to developer to help construct water-theme recreational park in Hato Rey, consisting of concessions, food and beverage kiosks, restaurants, arcades, party pavilions, swimming areas with parking for 515 cars. | 1,000,000 | 5,328,113 | 0 | 107 | 0 | 98,341 |
| San Juan | Loan to developer to assist in construction of medical center consisting of three-story, 132,000 square foot building with 275-car underground parking garage providing 13 commercial/retail/office spaces on ground floor and 23 medical and dental offices on second and third floors. | 750,000 | 3,076,544 | 0 | 150 | 0 | 52,505 |
| San Juan | Second mortgages to purchasers of newly constructed, residential units in 29 three-story, walk-up buildings making them affordable. Each unit will contain three bedrooms, living and dining rooms, kitchen, laundry room, bathroom and a covered terrace. | 1,392,000 | 7,870,765 | 0 | 0 | 174 | 71,330 |

## FISCAL YEAR 1986 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) | | | | | | | |
| San Juan | Loan to developer to help acquire and convert four existing movie theatres in Santurce into 15,100 square feet of office space. | $ 2,500,000 | $11,640,073 | $ 0 | 315 | 0 | $ 98,860 |
| San Juan | Second mortgage financing to limited partnership to help renovate vacant, seven-story Normandy Hotel into 190-room, art-deco period hotel with night club, restaurants, banquet hall, conference rooms, and 200 parking spaces. | 150,000 | 949,078 | 0 | 36 | 0 | 12,880 |
| Santa Isabel | Second mortgages to developer to help construct three-bedroom single-family detached houses with porches. | 654,100 | 2,183,292 | 0 | 0 | 107 | 16,065 |
| Toa Alta | Financial assistance to buyers of newly constructed, single-family housing units, 1,056 square feet each, on lots of 889 square feet, to reduce cost by $11,000 per unit. | 1,895,000 | 6,047,750 | 0 | 0 | 170 | 55,292 |
| Toa Alta | Non-amortizing second mortgage loans to purchasers of newly constructed, single-family homes. | 1,927,711 | 9,200,410 | 0 | 0 | 245 | 77,086 |

PUERTO RICO (Continued)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Toa Baja | Financial assistance to USA company to help with expansion and purchase of capital equipment necessary for franchise agreement to introduce complete line of bagged cement products to Puerto Rico. | $ 200,000 | $ 860,550 | $ 0 | 23 | 0 | $ 93,000 |
| Trujillo Alto | Financial assistance to developer to help construct three-bedroom, detached, single-family homes, consisting of 1,100 square feet plus land acquisition and on-and off-site improvements. Homes to be sold to moderate-income purchasers for $46,000. | 1,280,000 | 5,719,000 | 0 | 0 | 160 | 180,467 |
| Trujillo Alto | Financial assistance to developer to help acquire, remodel and equip vacant 33,000 square foot industrial building to enable company to increase production of meat-, cheese-, and fish-filled tacos, pastelillos, and empanadillas. | 395,000 | 1,202,783 | 0 | 127 | 0 | 36,744 |
| Vieques | Financial assistance to developer to help build 105,000-gallon per-day sewage treatment plant for 53-acre industrial park to serve jewelry manufacturers. | 902,000 | 7,470,000 | 1,040,000 | 310 | 0 | 0 |
| Yabucoa | Second mortgages to developer to help construct single-family, three-bedroom housing units with porches on 3.7 acres. | 315,000 | 923,609 | 0 | 0 | 50 | 515,012 |



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