Final Data Files Documentation

Section 108 Program Evaluation

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1. Introduction

The U.S. Department of Housing and Urban Development's (HUD) Section 108 program is the loan guarantee provision of the Community Development Block Grant (CDBG) program.[1] It provides an upfront source of community and economic development financing, allowing an entitlement grantee to borrow up to five times its annual approved CDBG entitlement amount. According to the program description, Section 108 funds can be spent on multiple activities including: economic development activities eligible under CDBG; acquisition of real property; rehabilitation of publicly owned real property; housing rehabilitation eligible under CDBG; construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements); related relocation, clearance, and site improvements; payment of interest on the guaranteed loan and issuance costs of public offerings; debt service reserves; public works and site improvements in colonias; and in limited circumstances, housing construction as part of community economic development, Housing Development Grant, or Nehemiah Housing Opportunity Grant programs.[2]

The impetus for this evaluation was the recent review of the Section 108 program by the Office of Management and Budget (OMB) using the Program Assessment Rating Tool (PART), which found that the Section 108 program:[3]

- Lacks long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program.

- Has not demonstrated adequate progress in achieving its long-term performance goals.

- Provides insufficient evidence to draw a strong conclusion regarding how Section 108 compares to other similar programs.

- Has an inherent weakness relative to better designed credit loan guarantee programs—the federal government bears 100 percent of any losses; private lenders do not share the risks of loss from default, suggesting that the program generally encourages private lenders to exercise less caution than they otherwise would.

The goal of this evaluation is to examine the results of eligible activities under Section 108 and explain the relationship between program goals, activities, outputs, and outcomes or accomplishments. The evaluation is designed to answer three core questions:

1. Does the Section 108 program overlap with economic development programs operated by other federal agencies?

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[1] Section 108 was enacted as part of the Housing and Community Development Act of 1974. It is codified at 42 U.S.C. §5308 and the governing regulations can be found at 24 C.F.R. 570.700, Subpart M–Loan Guarantees.
[2] http://www.hud.gov/offices/cpd/communitydevelopment/programs/108/.
[3] http://www.whitehouse.gov/omb/expectmore/detail/10009066.2007.html.

2. What types of projects are being funded through Section 108 guaranteed loans?

3. What are the results of the Section 108 projects?

To answer the key research questions, we have devised a four-part approach, consisting of:

- Conducting an analysis of programmatic issues raised by OMB's PART evaluation that relate to program design.

- Examining the administrative files to gain a historical perspective of the program objectives and proposed outputs and outcomes.

- Surveying the Section 108 grantees to better understand the actual project operations and outcomes. To encourage informative responses to the survey, Econometrica and HUD offered confidentiality to all survey respondents.

- Conducting site visits to provide additional clarifications or insights.

Econometrica prepared four data files that interact as the "Integrated Database" for this research effort. These files are the basis for the analysis conducted and the findings presented in the Section 108 Evaluation Final Report. The primary key used to combine the data files and in the analysis is the Section 108 Project Number. The first data file, *idb.sas7bdat*, is a SAS dataset containing combined data by unique Project Number[4] from all major data sources (see Section 2 below), except from the Web survey. The second and third data files, *sources.sas7bdat* and *uses.sas7bdat*, are SAS datasets containing the sources and uses categories and amounts as listed in the HUD administrative files. The sources and uses data are not unique by Project Number, but *idb.sas7bdat* contains summary sources and uses information for the unique Project Numbers. The fourth data file, *survey_HUD.sas7bdat*, is a SAS dataset containing Web survey responses. Responses to specific Web survey questions, as well as identifying information on specific projects (including the Project Number), are suppressed in *survey_HUD.sas7bdat* to preserve respondent confidentiality.

The four data files are both FULL data files and ANALYSIS data files, with all analysis parameters and additional fields appended to the data collected under this contract.

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[4] Of the 329 Project Numbers identified as approved during the research window (fiscal years 2002 through 2007), 2 are under investigation, 2 cover the Pennsylvania Consortium, and 1 project has 2 Project Numbers. These 5 Project Numbers are excluded from the analysis, leaving 324 Section 108 projects in the "Integrated Database."

2. Description of Data Sources

The evaluation team relied on several data sources for the study, among them HUD data files and data sets, the confidential Web survey, and the site visits. There were various challenges to obtaining verifiable and complete information, as discussed in the Section 108 Evaluation Final Report. The team used the Section 108 Project Number to identify unique Section 108 projects.

The basis for the sample of Section 108 projects analyzed was a copy of the dBase file maintained by Paul Webster, Director of the Financial Management Division, which tracks each Section 108 project. The team selected the 329 projects[5] from the dBase file with cohort years 2002 through 2007. Using the Project Number as a primary key, the team merged the dBase file with other HUD administrative data. The confidential Web survey results also used the Project Number as a primary key. As part of the data collection process, the team collected copies of various data sets and reports on select Section 108 projects. These data were not included in the primary analysis file. The data sources are described below:

- **dBase File** (November 10, 2009). Paul Webster maintains a dBase file that tracks financial information on all Section 108 projects. The dBase file includes project numbers, recipient jurisdiction names and states, loan amount and other financial information, application year, approval year, and applicable HUD Field Office. Econometrica used these data to determine which projects to examine for this report. All 329 projects are included in the dBase file.

- **HUD Web Site Project Descriptions** (September and October 2009). The Program Office prepares paragraph summaries of approved Section 108 projects for internal use and public relations. These summaries can be found on the HUD Web site.[6] Econometrica copied the summary text and additional information (project category, Section 108 amount, total project cost, grantee, state, and year) into an Excel spreadsheet. Five of the 329 projects did not have a summary.

- **HUD HQ Administrative File Review** (November and December 2009). Econometrica used an electronic data collection tool to capture key information from HUD Headquarters (HQ) administrative files for the Section 108 projects. The HUD HQ administrative files only contained the Section 108 application materials and related approval documents. Key information collected from these files includes project sources and uses of funds, national objective, public benefit standard, and eligible activities (see Section 3 below). There were 21 projects that did not have administrative files at HUD HQ, and another 12 files were incomplete and of limited use. Econometrica did not review one available project file (B-03-UC-42-0102).

- **Web Survey** (November 2010 through April 2011). Econometrica conducted a confidential Web survey of 296 grantees to confirm information in HUD's administrative

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[5] Data from the dBase file, HUD Web Site, and HUD administrative files were collected for all 329 Project Numbers even though 5 Project Numbers are excluded from the analysis.

[6] http://www.hud.gov/offices/cpd/communitydevelopment/programs/108/index.cfm, accessed May 17, 2011.

files, gather information on project implementation (including outcomes and outputs), inquire about funding sources, and learn about the grantees' experiences with and opinions of the Section 108 program. Econometrica received complete survey responses for 118 projects, and another 22 projects replied that they have not used their approved Section 108 funds (see Section 4 below).

- **Site Visits** (December 2009; March and April 2011). Econometrica conducted site visits to 10 Section 108 projects in Pennsylvania (Berks County and the City of Chester), Oklahoma (the City of Oklahoma City), Washington (King County and the City of Seattle), California (the Cities of Oceanside and San Diego), and Massachusetts (the Cities of Boston and Lowell).

- **Other (Limited) Data Sources** (September 2009 through April 2011). During this research, Econometrica collected various reports and data sets containing information on a limited number of Section 108 projects (see Section 5 below). None of these data sources provided additional information for enough projects to be included in the primary analysis file.

3. Administrative File Review Coding

Econometrica conducted a review of project administrative files[7] maintained at HUD Headquarters for Section 108 projects approved by HUD from 2002 through 2007. Information from the files was captured by manual data entry on laptop computers into an MS Access file. The information was later converted to an Excel spreadsheet and a SAS dataset for analysis. To facilitate analysis, Econometrica parsed and coded the national objectives, public benefit standards, project preparedness, and sources and uses of funds as described below and detailed in the attached Excel files.[8]

National Objectives

The summary document included in most administrative files has a section on national objectives for the project, listing up to three objectives. Projects that listed multiple national objectives did not indicate any order or weight associated with their objectives, so Econometrica assumed all national objectives listed have equal importance. Usually the national objective is straightforward, with the objective stated and sometimes accompanied by a reference to the Code of Federal Regulations (CFR). A few of the national objectives were presented as narratives. Econometrica recorded 246 unique entries for national objective.

Econometrica sought to conduct analysis on individual national objectives, which required projects listing more than one objective to have their objectives listed separately. To do so, Econometrica parsed the information in the administrative files to create and populate three new fields – **NAT_OBJ_1**, **NAT_OBJ _2**, and **NAT_OBJ _3** – that contain the coding categories for each project's national objective(s). Econometrica assumed the national objectives listed have equal weight and applied equal weight to each of the three new fields in our analysis. The numeration of the fields is consistent with the fact that projects can have up to three national objectives listed, and does not reflect importance or weight. Table 1 lists the coding categories and explains their meaning.

Table 1. **Coding Categories for National Objectives**

Coding Category	Explanation
LMI Jobs	Job creation and retention for low- and moderate-income (LMI) persons
LMI Area	Area benefit for LMI persons
Slum/Blight	Reduction of slums and blight
LMI Persons	Benefit to LMI persons
Limited Clientele	Serving limited clientele (e.g., the homeless)
LMI Housing	Provide housing for LMI persons

Public Benefit Standards

The summary document included in most administrative files has a section on public benefit standard for the project. Sometimes the public benefit standard is straightforward (e.g., "Section 108 $800,000 / 16 jobs = $50,000/job"), while in other cases the public benefit standard is stated as a narrative. Econometrica recorded 162 unique entries for public benefit standard.

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[7] Econometrica reviewed the administrative files of 308 projects.

[8] FR_National_Objective_Coding.xls, FR_Project_Preparedness_Coding.xls, FR_Public_Benefit_Standard_Coding.xls, and FR_Sources_Uses_Coding.xls.

Econometrica parsed the information in the administrative files to create and populate four new and related fields in the integrated database.

- **EXEMPT_PBS** is a dummy variable indicator of whether the project is exempt from public benefit standards. Even if the project is flagged as exempt, the narrative may contain public benefit standard information captured in the other three fields.

- **AREA_BEN_PBS** is a dummy variable indicator of whether the project uses an area benefit for calculation of its public benefit standard.

- **JOBS_PBS** is a numeric variable containing the number of jobs to be created by the project.

- **UNIT_AMT_PBS** is a numeric variable containing the dollar amount per unit for the public benefit standard. If AREA_BEN_PBS = 1, then UNIT_AMT_PBS is the dollar amount per person served. If JOBS_PBS > 0, then UNIT_AMT_PBS is the dollar amount per job created.

Project Preparedness

The summary document included in most administrative files includes a sentence or two regarding the project's status or preparedness relative to the Section 108 application and approval. Given the complexity of many Section 108 projects, the project preparedness provides information on where grantees see Section 108 fitting into the overall project timeline. Section 108 approval may be the last step before commencing work, or it may be one of many other steps and approvals needed before work begins, or work may already have begun without approval for the Section 108 funding. Econometrica recorded 219 unique entries for project preparedness.

Econometrica parsed the information in the administrative files to create and populate one new field, **PREPAREDNESS_CODE**, which contains the coding category for each project's status or preparedness. The coding categories and an explanation of their meaning are shown in Table 2.

Table 2. Coding Categories for Project Preparedness

Coding Category	Explanation
Commenced	Work on the project has begun
Enviro Cleared	The project has received environmental clearance
Pending 108 Approval	Work on the project will begin upon approval of the Section 108 loan
Pending Enviro	The environmental review process is not complete
Pending RROF	The Request for Release of Funds (RROF) is not yet approved
Pending Other	The project will not begin until final planning and other reviews are completed
Ready to Go	The project is ready to move forward

Sources and Uses of Funds

Econometrica identified 679 unique sources and 1,074 unique uses of funds. For purposes of analysis it was necessary to collapse the sources and uses into a more manageable number of categories. For example, funding sources could be classified as federal, state, or local

governments. Funds might also originate from a variety of private sources. Uses of funds could be classified as various types of construction cost, including components of "hard" and "soft" costs (defined below). Other categories of uses might, for example, include setting up loan programs (re-lending the Section 108 funds), making interest payments, or incurring legal costs.

We first reviewed the frequencies to identify any naturally occurring groupings. For example, multiple projects indicated BEDI, EDI, CDBG, HOME, and, of course, Section 108 as sources of funds. Frequently cited uses of funds included construction, acquisition, relocation, and contingencies. Frequencies were run to determine natural groupings within the identified sources and uses.

Where there were minor differences in spelling, grammar, or detail in the 679 sources and 1,074 uses, we simply reclassified these to match the naturally occurring groupings. For example, "contingency" could be reclassified as "contingencies", and "Danville CDBG grant" became simply "CDBG".

Econometrica then used an iterative process to establish 24 source categories and 26 use categories.   These categories were to some extent subjectively determined, and judgments were often necessary in order to assign a source or use to a particular category. In the source documents, a cited source almost always represented only one type of funding agency or funding source, but the descriptions of uses were sometimes combined, for example "acquisition/demolition" or "building demolition/abatement." Generally we used the first of the cited uses when assigning a use category, but when three or more uses were described, we selected the category that fit the majority of described uses. Both the source and use categories can be further grouped in the analysis. For example, specific HUD programs can be grouped together into one "HUD funds" source, while specific construction costs can be grouped into one "Construction" use.

Sources of Funds
In classifying sources, Econometrica made an attempt to separate cash from loans. If there was no reference in a source to any type of debt or loan, we assumed that the money was cash (funds). Loaned money was in turn broken down into public and private financing. Any source description that indicated a bank or private market lender, or that cited a mortgage or other commonly used private market loan instrument was considered to be private financing. Any source that indicated participation by a state agency or other public lender, or that cited a bond or similar instrument, was considered to be public financing.

A wide variety of sources were classified as consisting of either local or state funds, based primarily on the identification of the source agency, but also based on the type of activity that generated the source. Some types of activity were assumed to be inherently local, and others more likely to originate from the state level. For example, a funding source that referenced parking fees was assumed to be local, while a source that referenced gas tax revenue was assumed to be state.

All forms of tax credits were collapsed into a single category. These included historic tax credits, low-income housing tax credits, new market tax credits, and others. Some of these tax

credits might have been part of the developer/owner equity, but others might have been cash raised for the project by selling tax credits to outside investors. Tax increments were classified as a local funding source.

A category of developer/owner equity was established to include not only cash but also a variety of deferred payments or fees.

Uses of Funds

With regard to uses of funds, Econometrica assigned construction costs to either hard or soft cost categories. Using standard development and banking concepts, hard costs are assumed to be expenses incurred for physical improvements that can be seen, such as foundations, walls, roof, electrical work, plumbing, etc. Soft costs include all other development costs for items that cannot be seen, including construction management, permits, and a large variety of fees and services. When classifying construction costs, we first designated the cost as hard or soft cost, and then designated (if possible) a more detailed classification. Within hard costs we included equipment and construction. Six more detailed categories of soft cost were identified.

There are a number of other development costs (in addition to construction costs as defined above) that are separately designated in these classifications. Other development costs include demolition and clearance, infrastructure, acquisition, relocation, site improvements, and environmental costs (including mitigation/remediation and other). Econometrica identified infrastructure costs in four separate categories. All acquisition costs (including land acquisition) were collapsed into a single category.

Econometrica collapsed rehabilitation, renovation, and repair costs into a single category. These presumably include hard and soft costs, but there is no way to break them out separately. Also, some hard and soft costs of rehabilitation may have been reported under the construction costs already discussed above. Again, we have no way of knowing how often this may have occurred.

Expenditure for public facilities has often been reported as a blanket category in the source documents, and for consistency we collapsed all references to such expenditure into a single category. These expenses may have included acquisition, construction, or rehabilitation, but there is not enough detail provided in the files to break out costs separately.

Econometrica collapsed all types of debt service and interest payments into a single category. Origination, bond issuance fees, and related costs were grouped into a "Cost of Financing" category. There are two categories of professional services: (1) architecture and engineering, and (2) all other professional services, including legal expenses. Tables 3 identifies the categories for sources and uses of funds that Econometrica established.

Table 3. Categories for Sources and Uses of Funds

Categories for Sources of Funds	Categories for Uses of Funds
BEDI	Acquisition
CDBG	Cost of Financing
Corporate Funds	Demolition/Clearance
DOT	Environmental – Mitigation/Remediation
Developer/Owner Debt	Environmental – Other
Developer/Owner Equity	Hard Cost – Construction
EDA	Hard Cost – Equipment
EDI	Infrastructure – General/Other
EPA	Infrastructure – Streets
Federal Home Loan Bank	Infrastructure – Utilities
HOME	Infrastructure – Water and Sewer
HOPE VI	Interest Payments
Land Value	Loans and Grants (includes loan pools)
Local Funds	Other
Other	Professional Services – Architectural and Engineering
Other Federal	Professional Services – Other (includes legal)
Other HUD	Public Facility Development (includes acquisition, development, and other)
Private Financing	Rehabilitation/Renovation
Private/Non-profit Contributions (includes foundation funds)	Relocation
Public Financing	Site improvements
SBA	Soft Cost – Construction Contingency
Section 108	Soft Cost – Developer/Owner Overhead, Profit, or Fee
State Funds	Soft Cost – Fees
Tax Credits	Soft Cost – Financial Reserve
	Soft Cost – Management and Administration
	Soft Cost – Other

4. Confidential Web Survey Data

The confidential Web survey contained 57 questions (not including sub-questions), although the use of skip logic results in respondents being asked about half that many questions. The survey received OMB approval on September 16, 2010 (OMB Approval Number 2528-0261). Econometrica launched the survey on November 3, 2010, and closed the survey on April 22, 2011. The survey was divided into the following seven main sections:

A. General Project Information.
B. Assistance to Specific Businesses, Nonprofits, or Government Agencies.
C. Third Party Loans (Loan Pools).
D. Economic Development.
E. Public Facilities.
F. Housing.
G. Outcomes.
H. Conclusion.

In total, Econometrica sent survey invitations to "primary respondents" for 296 Section 108 projects. Econometrica did not survey the 22 projects in Puerto Rico or the projects under the Pennsylvania Consortium. Econometrica also did not send survey invitations to the two projects under investigation and the six projects identified before the survey launch as declining or deobligating their Section 108 funds.

Of the 296 projects, 181 "primary contacts" (61 percent) responded in some manner to the survey (168 online and 13 by direct contact with Econometrica). Of these, 118 indicated that Section 108 funds were used and provided complete responses, although 8 of the 118 did not answer the required question on National Objectives. Twenty-two projects, not including the six projects identified prior to the survey, responded that Section 108 funds had not been used. The total response rate for complete responses (including projects that have not used Section 108 funds) is 47 percent.

Econometrica offered confidentiality to all survey respondents, thus project identifiers, open-ended responses, and responses to some questions are suppressed in the data file (*survey_HUD.sas7bdat*) provided to HUD.

Data Preparation
The process of cleaning and excluding responses that reduced the survey data from 181 responses to 118 records for analysis was straightforward. Econometrica excluded all respondents that answered only questions 1a or 1b. For Project Numbers with multiple responses, the response data were combined into one record, with data from the most recent response taking precedence. Projects that have not used Section 108 funds were recorded and included in response-rate calculations, and those responses were excluded from the analysis file. Projects for which respondents indicated that records and information are not available were also removed from the analysis file. Finally, Econometrica updated the analysis file with additional information and clarifications provided by respondents after they had completed the survey. The confidentiality provided to survey respondents precludes Econometrica from providing specific steps used to prepare the survey data for analysis.

5. Other Data Sources

Econometrica identified additional data sources that contain some information on Section 108 projects. Most of these data sources provide information only on a subsample of Section 108 projects, either by geographic location or by specific project characteristics. Econometrica did not include these data sources in its analysis files or "Integrated Database," but does include any raw data from these sources as an attachment to the Section 108 Evaluation data files.

The main table in the *LAMS database* (provided September 2009) tracks financial information for all projects, similar to the dBase file. All other tables in the LAMS database with project information covered only a limited number of projects. The Philadelphia Field Office provided a *Mid-Atlantic LAMS Report* and a one-time *Mid-Atlantic Accomplishments Report* (provided January 2010) covering Section 108 projects in its area. The Seattle Field Office provided a similar *NW-Alaska Status Report* (provided October 2009). The HUD Web site also has summary information on *BEDI* (Brownfields Economic Development Initiative) and *EDI* (Economic Development Initiative) *projects* and, thus, on the Section 108 projects tied to the BEDI/EDI (accessed in October 2009). These data sources are included as an attachment.

All Section 108 grantees are required to report on Section 108 activities in their *CAPERs* (Consolidated Annual Performance and Evaluation Reports), but this information is limited, not standardized, and difficult to acquire as the CAPERs are not necessarily available electronically. The Section 108 activity report in a CAPER can range from a half-page narrative to one row in a table. Econometrica reviewed a number of CAPERs for context but did not collect data systematically from a significant number of CAPERs.

If a Section 108 project is monitored by a HUD Field Office, a monitoring report is entered into HUD's *Grants Management Program* database. Because so few Section 108 projects are monitored, Econometrica did not request access to the monitoring database.