

EVALUATION REPORT:

# COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM



## URBAN COUNTIES

PROGRAM PLANNING  
AND EVALUATION

JUNE 1976



REGION  
REGION **IX**

## I. PURPOSE AND BACKGROUND

### Purpose

The purpose of this study was to make an early examination of how the Community Development Block Grant Program is being carried out by Urban Counties and to surface issues or problems needing attention. This was seen as being particularly important since Urban Counties are a largely new vehicle for carrying out HUD-funded community development activities and have consumed a far greater than anticipated share of the CDBG funds.

### Background

Under the Housing and Community Development Act of 1974, cities with populations of over 50,000 and Urban Counties were identified as the primary vehicles for carrying out the Community Development Block Grant Program. Urban Counties were defined as any county within a metropolitan area which is (1) authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas and (2) has a combined population of two hundred thousand or more in its unincorporated areas, or in such units of local general government electing to participate in which (3) it also has authority, or enters into cooperation agreements granting it authority, to undertake essential community development and housing activities.

The designation of counties as a vehicle for receiving and administering CDBG funds represents a major departure from previous policy in that cities, not counties, have been the principal clients of HUD funds. One unforeseen effect of this change was the far larger than expected number of Urban Counties which applied and were funded for the program, thus seriously depleting the funds available on a discretionary basis.

The Act and the implementing regulations make no distinction in the way Entitlement Cities and Urban Counties are to address and implement the objectives of the Program. No guidance is provided as to how these two very different units of general local government should carry out their respective responsibilities.

In the administration of the first year of the CDBG Program, Region IX CPD staff noted some differences in administration of the Program by cities and counties. Both the Assistant Regional Administrator and the Deputy Assistant Secretary for CPD felt it would be worthwhile to find out more about this situation and any policy or administrative implications it might involve.

## II. SUMMARY OF FINDINGS AND CONCLUSIONS

- The major finding of this study is that there are really two Community Development Block Grant Programs being carried out by Urban Counties -- one in their unincorporated areas and the other in their incorporated areas. In the former, the Urban County is assuming full responsibility for program planning, funding decisions, and administration; in the latter, the cities themselves are exercising the primary responsibility. For the incorporated areas, the counties have provided a funding pass-through mechanism, but otherwise their role has largely been limited to technical assistance and to coordination in preparing the application.
- The primary reason for this dual role is the long-standing tradition that counties exercise complete responsibility for community development activities in their unincorporated areas while cities perform the same role for their own areas. The counties have traditionally participated in incorporated areas only to the extent that a city has solicited its support or negotiated for coordinated services. Cities have used the leverage of their population count to pressure counties into respecting their traditional home rule responsibilities.
- On the issue of clear Federal policy guidance, neither the legislation nor regulations make a distinction (1) in the way that Urban Counties are to operate in incorporated as opposed to unincorporated areas, or (2) in the way that Entitlement Cities and Counties are to operate. If it is a valid interpretation that the Urban County is to assume direction, responsibility, and accountability for the planning and subsequent administration of the CDBG Program county-wide, then the intention of the Program is not being achieved. Federal policy is not clear on this point, however, and Urban Counties have chosen to interpret it to meet their particular needs.
- Some Urban Counties are seeking to strengthen their county-wide role. However, if there is no change or clarification of the Urban County's responsibility in carrying out the CDBG Program, the dual administration and present high level of city participation will continue.

- If Federal policy were changed or clarified to require Urban Counties to exercise full responsibility and accountability for the CDBG Program in their incorporated as well as their unincorporated areas, it would very likely result in a rather substantial reduction in the number of Urban Counties participating in the Program. This would occur primarily because of incorporated areas withdrawing from the Urban County umbrella, thus bringing the counties below the population eligibility levels. Further, some counties themselves are likely to withdraw rather than change the traditional relationships with their cities. Many, if not most, cities dropping out of the Urban County program would then pursue discretionary funding, particularly if the discretionary pot were to become larger as funds were freed up from a diminished number of Urban Counties.
- Characteristic of first-year applicants in a new Federal program, Urban Counties were experiencing a slow start up. Most Urban Counties had had little direct experience with the prior HUD categorical programs. They also expected CDBG to be another type of revenue sharing program with few guidelines or constraints. They were generally unfamiliar with the overlay statutes. Together this resulted in their underestimating the complexity of the Program and, in many cases, being understaffed to deal with it. Across the board, Urban Counties expressed concern about late Federal guidelines and funding earmarks, changing regulations, new requirements, and the number of overlay statutes that had to be satisfied. Consistently they asked for a period of program stabilization.

#### Recommendations

No specific recommendations have been developed as a result of this study largely because it was an early and limited reconnaissance. However, we believe that the Findings suggest several potential policy issues which should be considered by Central Office. In addition, the reality of the Urban Counties' different role in planning and administering the Program in its incorporated and unincorporated areas, and the constraints causing this, should be borne in mind by Regional and Field Office staff as they conduct their on-going monitoring.



### III. METHODOLOGY

This study was carried out in six of Region IX's thirteen Urban Counties, all thirteen of which are located in California. In order to select a manageable number of counties which would be as representative as possible of the total group, they were divided into four groups: rural and urban entitlement counties with populations over 200,000 in their unincorporated areas; and rural and urban entitlement counties with populations less than 200,000 in their unincorporated areas.

Since six of Region IX's Urban Counties fell into the classification of urban areas with unincorporated populations under 200,000, the study included three counties from this area. One county was selected from each of the other three classifications. In making these selections, consideration was also given to maintaining a balance of selected counties from the Region's two Area Office jurisdictions. The selected counties were San Mateo, Alameda, Fresno, San Bernardino, Orange, and San Diego. In each county, four cities were included in the study. The cities were chosen in consultation with HUD Community Development Representatives and the County CDBG staff. With the exception of three cities, all had participated in the first year of the Urban County Community Development Block Grant Program.

Data was collected through a review of HUD files and from a series of interviews with HUD staff, county officials, participating city staffs, and with representatives of areawide planning agencies. At the county level, interviews were held with the Chairman of the Board of Supervisors, the County Manager, and with the staff directly responsible for administering the CDBG Program. Before beginning the county and city visits, interviews were held with the HUD Community Development Representatives responsible for the selected counties.

The data was collected during February and March, with analysis and report writing occurring during April and May.

It is not possible to make broad generalizations based on the number of Urban Counties included in this study. However, the evaluators feel that the counties selected are representative of those participating in Region IX and that because of the relatively strong county system in California the findings can provide useful insights for both regional and national decision makers.

#### IV. FINDINGS AND CONCLUSIONS

A. CALIFORNIA URBAN COUNTIES ARE ADMINISTERING THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM MUCH DIFFERENTLY IN THEIR INCORPORATED THAN IN THEIR UNINCORPORATED AREAS.

1. Under the CDBG Program, county government has assumed complete responsibility for community development activities in its unincorporated areas while performing a much more limited role in its incorporated areas.

##### Unincorporated Areas

In the unincorporated areas, county governments have exercised strong leadership in identifying community development needs, encouraging citizen participation, and developing community development programs. The counties' implementation of the Community Development Block Grant Program in these areas appears to strongly reflect the philosophy and intent of the Program; e.g., they have established priorities among their community development needs; they have targeted their community development activities to areas of recognized need; and they have coordinated the provision of several community development activities in selected target areas.

##### Incorporated Areas

In the incorporated areas, Urban Counties have provided or coordinated community development services only in response to city direction. Counties have provided CDBG funding to cities for planning and carrying out of community development activities, but the cities have exercised primary responsibility and control over their use. In addition to providing a funding mechanism to assist the cities in carrying out their community development goals, the counties' role in the incorporated areas has been primarily to provide requested technical assistance and to coordinate efforts in regard to the application. Counties have been pressured by the cities (see Finding B) to respect their traditional home rule responsibilities and have been careful not to impinge on their decision making.

2. The different roles played by the Urban County in the CDBG funded community development activities of incorporated and unincorporated areas are reflected in the distribution of funds as well as in the planning and administration of the Community Development Program.

#### Distribution of the Urban County CDBG Entitlement Grant

In five of the six Urban Counties, the distribution of the entitlement grant was based upon an allocation model rather than a county-wide review of needs.

Prior to the initiation of planning activities, five of the six Urban Counties developed allocation models for the purpose of distributing the county's entitlement grant among the participating incorporated areas and the county. The allocations were earmarks against which the county and cities planned their activities. Final distribution of CDBG funds by the counties closely reflected the grant amounts developed through their allocation models. Four of the counties adopted or slightly modified the HUD allocation formula while the fifth based its solely on the distribution of population between the participating cities and the county.

#### Planning the Community Development Program

The municipalities identified needs and corresponding CDBG projects for incorporated areas. County governments did similar planning for their unincorporated areas. Comprehensive, county-wide community development planning did not occur in the development of the first-year application, except to the limited extent that county and city staffs had already coordinated their general plans.

#### Citizen Participation

Cities exercised control over the citizen participation responsibilities for the incorporated areas, either by initiating new citizen participation groups or utilizing existing review techniques. Counties assumed similar citizen participation responsibilities for their unincorporated areas. Even in the one instance where there was an umbrella citizen structure, the



actual input to the city and county (unincorporated area) plans came from the citizens of those respective areas.

#### Administration

Counties assumed primary responsibility for implementing and administering CDBG projects in their unincorporated areas while cities again retained primary responsibility for these activities in incorporated areas. Although there were a few exceptions, projects in incorporated areas are generally implemented with city staff. Grant requirements are reviewed and implemented by the cities. Although grant funds are administered according to Federal and county requirements, cities implement these responsibilities with the same authority as they implement other city functions.

In contrast, projects in unincorporated areas are carried out by county staff with the county exercising the normal control and oversight responsibilities. While the county also has oversight responsibilities for the administration of projects in incorporated areas, these oversight responsibilities had not been exercised by most counties in the first year of the program. In effect, the Program has been administered separately by cities and counties for their respective jurisdictions.

3. Urban Counties have been either reluctant or unable to exercise a more active role in the community development activities funded in incorporated areas under the CDBG Program due to strong tradition, limited and uncertain Federal funding, and lack of clear Federal policy.

#### Tradition

The major force bringing about this dual Urban County role in planning and implementing the CDBG Program is the deep tradition of divided responsibility that exists between counties and

cities. Counties have traditionally exercised complete responsibility and authority for carrying out community development activities in all of their unincorporated areas. At the same time, the provision of community development services in incorporated areas has been the primary responsibility of municipal government. The counties have participated in incorporated areas only to the extent that a city has solicited its support or negotiated for coordinated services. Most cities in California have strong home rule sentiments and they have reacted negatively to any action they perceive as an encroachment upon their rights.

This tradition of divided responsibility has been maintained under the CDBG Program. County officials describe their role in incorporated areas as a supportive one. Cities in turn perceive that the county either has no role in the CDBG funded community development activities of an incorporated area or only a minimal role of supporting the city in the achievement of its goals. At the same time, they see themselves as having complete responsibility for that portion of the Urban County application which pertains to their jurisdictions.

#### Federal Funding

As viewed by the counties, their willingness or ability to depart from their traditional relationship of equals with its incorporated areas in order to develop an administrative oversight role is partially limited by the total benefits received in the CDBG program and the uncertainty of continuing funding. While all counties welcomed the addition of CDBG dollars to assist in community development activities, the percentage of the total budget which is represented by the entitlement is small. In addition, counties and cities are reluctant to change relationships or to develop long range plans for CDBG when there is no certainty that the Program will be extended.

### Federal Policy

Under the Housing and Community Development Act of 1974, cities and counties with entitlement grants are given full responsibility for community development activities funded within their jurisdictions. The act makes no distinction between the way an Entitlement County and an Entitlement City operates. Likewise, the Act makes no distinction in the way Urban Counties operate in a jurisdiction which includes incorporated and unincorporated areas as opposed to one which includes only unincorporated areas.

If this means that Urban Counties should be assuming the direction, responsibility, and accountability for the CDBG Program county-wide, then obviously this is not occurring. Federal policy is not clear on this point; however, and Urban Counties have chosen to interpret it to meet their particular needs.

B. AS LONG AS THERE IS NO CHANGE OR CLARIFICATION IN FEDERAL POLICY OF THE WAY URBAN COUNTIES ADMINISTER THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM, THE PRESENT DUAL ROLE AND HIGH LEVEL OF PARTICIPATION WILL REMAIN.

1. The present dual administration offers cities an inducement to remain in the Urban County Community Development Block Grant Program.

As a "price" for participating in the Urban County CDBG Program, most cities demanded that they receive a "fair share" of the grant. As noted previously, most California Urban Counties developed allocation models to distribute CDBG funds among their incorporated and unincorporated areas. These allocation models effectively resulted in entitlements for any cities which wished to join in a county's CDBG Program. Thus, while being assured of an entitlement they maintained their traditional home rule responsibilities for community development within their incorporated boundaries.

Most cities preferred the more secure position of participating in the Community Development Block Grant Program through the Urban County rather than as an individual applicant for CDBG discretionary funds. Although several cities indicated that they could be enticed to pursue discretionary funding if the grant amount were substantially larger than their "county entitlement," most felt that they were not adequately competitive to pursue it. In general, cities declined to compete for discretionary funds because they were not familiar with Federal guidelines, because they did not have the administrative capacity or wish to incur the costs of administering a discretionary grant, and/or because they were not competitive with other localities with respect to low and moderate income populations.

At the time of this study, all cities in the six-county sample which had participated in the first-year Urban County CDBG Program appeared to be planning to continue in the second year. Indeed, two cities which had previously declined to participate in the Urban County CDBG Program indicating their intention to join in the second year.

2. Although some California Urban Counties are seeking to strengthen their county-wide authority, under present policies their traditional dual role in the community development activities of incorporated and unincorporated areas will remain essentially unchanged.

With one year of program implementation behind them and with an increasing understanding of their responsibility for the actions of participating cities, some urban counties are beginning to seek ways of strengthening their roles. However, this effort to define stronger roles for themselves in the community development activities of both the incorporated and unincorporated areas continues to meet significant and effective city resistance.

In particular, counties which need the population of their incorporated areas to maintain their entitlement are being threatened with city withdrawal. In one such county, the participating cities informed the county during the first-year application process that (1) the county would receive an entitlement only with the participation of the cities, and (2) the cities would participate only if they retained full control of all aspects of the program and received a "fair share" of the grant. In another county where the second-year participation of cities is required for the county to maintain its entitlement, participating cities indicated their intentions to prevent county efforts to develop a stronger administrative role by threatening to withhold their population count from the county total.

Counties which do not need the populations of their incorporated areas in order to maintain their entitlement grant, but choose to include those populations, also have experienced constraints in negotiating a stronger role in the CDBG funded community development activities of participating cities. Again, the constraint of tradition plus the difficulty of obtaining agreement on the part of county and city officials act as major mitigating factors. As discussed previously, both counties and cities perceive themselves as having equal community development responsibilities in their own jurisdictions. County and city cooperation in community development activities occurs on a contractual basis with each



governmental entity retaining its essential powers and responsibilities. To change this tradition in the implementation of the Urban County CDBG Program requires the consensus of both County and City governing bodies. In several counties some combination of support for a stronger county role exists but in none of the counties included in this survey was there anything approaching such a consensus. The incorporated areas also possess a strong bargaining power in these situations because even though their population count may not be necessary for Urban County entitlement purposes, it does add to the amount of the county grant.

3. A change or clarification in Federal policy requiring Urban Counties to exercise full responsibility and accountability for the CDBG Program in their incorporated as well as unincorporated areas would very likely reduce the number of cities and counties participating in the Program.

Most Urban Counties do not have sufficient political clout, nor are they sufficiently motivated by Federal policy as presently interpreted, to develop strong planning and administrative roles for CDBG activities in their incorporated areas. If Federal policy were to be changed or clarified to require this, the interviews conducted with both county and city officials strongly suggest that county and city participation would be reduced.

This reduction would occur in two ways, or for two basic reasons. First, and most importantly, a number of incorporated cities would withdraw, bringing their counties below population eligibility levels. Second, and to a lesser extent, some counties themselves are likely to voluntarily end their participation rather than attempting to change the traditional relationships with their cities.

The full extent to which this withdrawal from the program would occur is unknown. It would depend on motivational factors, which could not be measured by this study, regarding the perceived level of community development needs, the value of the monetary incentives to induce both cities and counties to alter their traditional roles, and the availability of other funding opportunities (such as CDBG discretionary funds). Based only on the counties and cities surveyed in this study, however, the Urban County dropout rate would be 50 percent.

C. CHARACTERISTIC OF FIRST-YEAR APPLICANTS IN A NEW FEDERAL PROGRAM, URBAN COUNTIES EXPERIENCED A RELATIVELY SLOW START UP OF CDBG FUNDED COMMUNITY DEVELOPMENT ACTIVITIES DUE TO A COMBINATION OF LOCAL AND FEDERAL FACTORS.

At the time of this study, the rate of implementing CDBG funded community development activities was relatively slow. Three quarters of the way through their first year, drawdowns by Urban Counties were only at the six percent level, with one county having drawn no funds at all. Further indication of the slow program start up was the substantial amount of money in each county still not free from HUD conditions. Delayed drawdowns were particularly pronounced in the more complex programs such as newly initiated social projects and housing rehabilitation projects. Capital improvement programs, with which cities and counties have had more experience, appeared to have the fastest rate of implementation. The delays were due to a combination of both local and Federal causes.

Delays in County Administration

Most Urban Counties commenced their participation in the Community Development Block Grant Program having had little experience with the categorical programs previously funded by HUD. Their expectations were largely shaped by the way in which the Program was publicized, including a general unawareness of such overlay statutes as equal opportunity, relocation, and environmental review. As a result, many officials viewed CDBG as another type of revenue sharing with very few program guidelines or regulations. This expectation resulted in an underestimation of the complexity of the program.

Counties were also handicapped in their implementation of first-year programs by a lack of full-time staff familiar with HUD programs. Because of the tight application time frames and the late identification of Urban Counties, most county programs were started with very small staffs. Many counties had become aware of the need for additional staff at the time of the study, but for most the staffs responsible for implementing and administering the program were not yet in place.

Counties have not significantly changed their organizations to implement the CDBG Program. In many instances, the staff responsible for administering it have either come from or been incorporated into existing staffs. While this drawing from and dispersing of staff within established county structures results in some economy of resources, numerous officials noted the difficulty of coordinating staff working out of various departments. Where county-wide administrative reorganizations have occurred in the first year of the CDBG Program, such reorganizations had been planned previously and were generally coincidental to the CDBG Program.

#### Delays Attributed to Federal Actions

HUD also contributed to the slow start-up of the CDBG Program in Urban Counties. This occurred primarily because of delays in developing and getting out cooperation agreement formats and earmarks as well as in approving applications and releasing funding holds.

Counties also expressed concern about the number of additions and changes to program policy during the first year and that they did not have sufficient information about the many overlay statutes they had to comply with. In general they felt the amount of regulations and guidelines surrounding the Program were excessive and made quick implementation virtually impossible.

#### Plea for Stability

Across the board, the counties had one major and consistent request for the CDBG Program -- that it be stabilized. Most counties and participating cities indicated that they had sufficient community development needs to warrant many more years of funding and did not want any additional activities made eligible for inclusion in the program. Likewise, they did not seek to have any additional tools or powers under the Program. Both counties and cities were consistent in their preference for a general revenue sharing approach with fewer program guidelines.

In the absence of such an approach, however, cities and counties wanted to opportunity to work with the Program without any additional requirements or revisions. A stabilization of the Program was considered necessary to

its effective implementation. They felt strongly that program guidelines and requirements should be made explicit and remain unchanged for a long enough period of time to complete at least one application and funding cycle. Only after such a stabilization, they felt, would counties and cities -- and the Federal Government -- be able to maximize the value of the Community Development Block Grant Program.