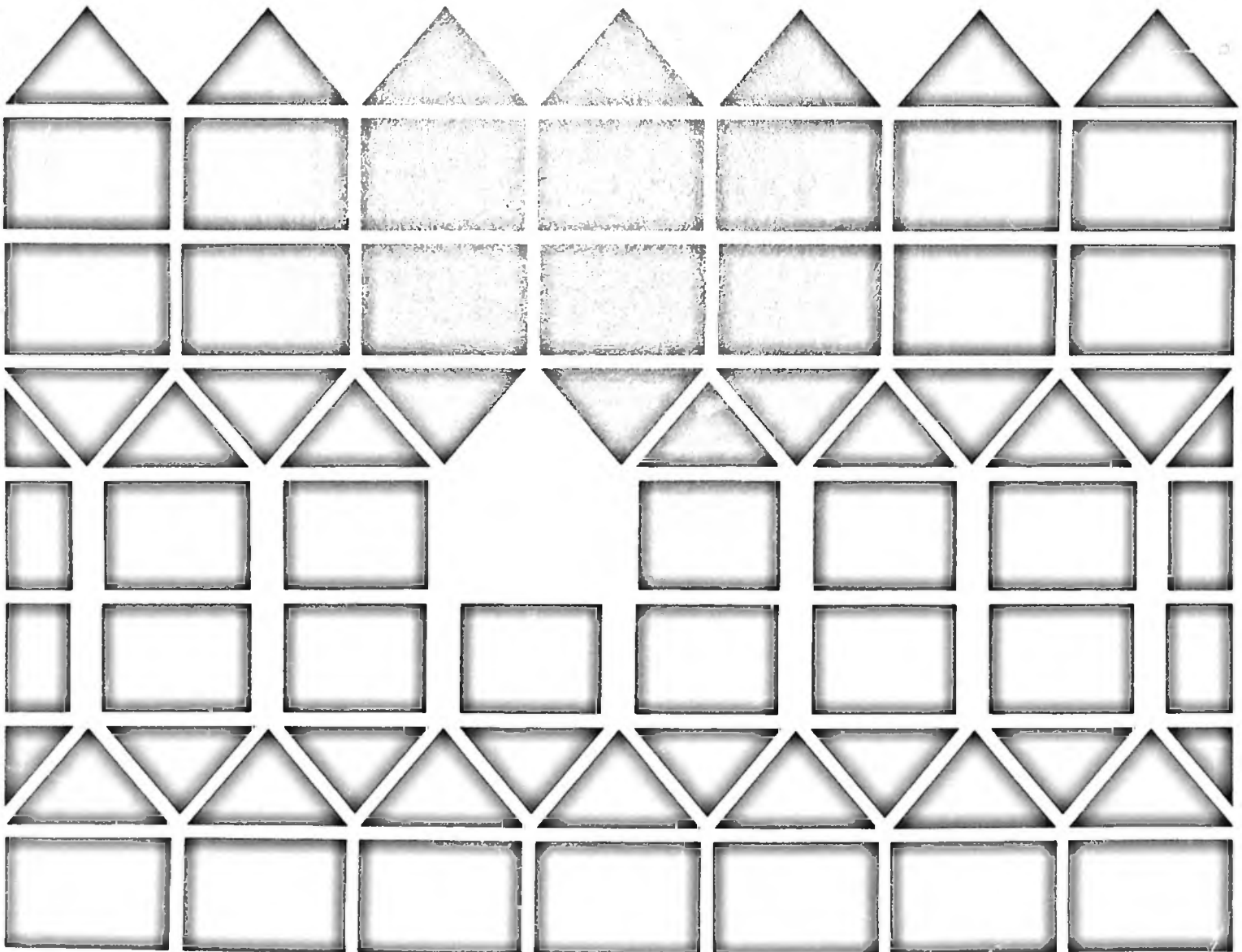
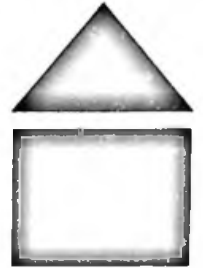




---

# Decentralizing Community Development

---





DECENTRALIZING COMMUNITY DEVELOPMENT

by

Paul R. Dommel  
Richard P. Nathan  
Sarah F. Liebschutz  
Margaret T. Wrightson  
and Associates

The Brookings Institution

Second report on the Brookings Institution Monitoring Study  
of the Community Development Block Grant Program  
Prepared under Contract H-2323R

U.S. Department of Housing and Urban Development  
Washington, D.C.  
June 2, 1978

The research forming a basis for this report was conducted pursuant to a contract between the U.S. Department of Housing and Urban Development and The Brookings Institution. The statements and conclusions contained in this report are those of the authors, who assume sole responsibility for their accuracy and completeness. They do not necessarily reflect the views of the United States Government in general or HUD in particular.



## FOREWORD

This is the second report on a study by the Brookings Institution of the political and social impacts of HUD's Community Development Block Grant program. The first report, Block Grants for Community Development, released by the Department early in 1977 (and subsequently reprinted by the U.S. Government Printing Office), was of considerable value in the ensuing Congressional debate over alternative funding formulas.

This second report examines a number of key issues involved in the CDBG program and is especially important because of the 1977 legislative changes made in the program. What are the regional effects of the shift to a dual formula allocation system? What impact has decentralizing substantive decisionmaking had on program activities? Are the kinds of program activities undertaken in the CDBG program different from those undertaken under the categorical grant program procedure?

Tentative answers to these questions are given in this report. Definitive ones are not possible now because the program has a new identity and many changes are likely to occur over the next several years. However, HUD must understand as best it can the nature of these changes as they are happening.

To help in this evolving process, this Office has commissioned a third report covering the third and fourth program years, planned for the summer of 1979, anticipating the next major round of Congressional review. A final report, based on data for the first six program years, is scheduled for 1981.

I welcome your reactions to this analysis.



Donna E. Shalala  
Assistant Secretary for  
Policy Development and  
Research

## FIELD SITES AND RESEARCH ASSOCIATES

The sixty-one research jurisdictions and the names of the associates who provided data and supplementary information from each appear below. Jurisdictions are grouped by state.

<u>ARIZONA</u>	Casa Grande Phoenix Scottsdale	<u>John S. Hall</u> Assistant Professor of Political Science and Director of Research at the Center for Public Affairs Arizona State University
<u>CALIFORNIA</u>	Huntington Beach Orange County	<u>Catherine Lovell</u> Assistant Professor Graduate School of Administration University of California (Riverside)
	San Jose Santa Clara	<u>Dale R. Marshall</u> Associate Professor of Political Science University of California (Davis) assisted by <u>Rufus Browning</u> Professor of Political Science San Francisco State University and <u>David Tabb</u> Professor of Political Science San Francisco State University
	El Monte Los Angeles Los Angeles County	<u>Ruth Ross</u> Assistant Professor of Political Science Claremont Men's College
<u>COLORADO</u>	Denver Lakewood	<u>John C. Buechner</u> Professor of Political Science and Director of Community and Local Government Relations University of Colorado

<u>FLORIDA</u>	Dade County Jacksonville Miami Miami Beach	<u>John DeGrove</u> Director of the Joint Center for Environmental and Urban Problems Florida Atlantic-Florida International University assisted by <u>Deborah Athos</u> Joint Center for Environmental and Urban Problems Florida Atlantic-Florida International University
<u>GEORGIA</u>	Atlanta DeKalb County	<u>Tobe Johnson</u> Professor of Political Science and Director of the Urban Studies Program Morehouse College
<u>ILLINOIS</u>	Carbondale Pulaski County	<u>John S. Jackson, III</u> Associate Professor Department of Political Science Southern Illinois University
	Chicago Cook County Evanston	<u>Leonard Rubinowitz</u> Associate Professor of Law and Urban Affairs Northwestern University
<u>IOWA</u>	Sioux City	<u>William O. Farber</u> Professor Emeritus Department of Political Science University of South Dakota
<u>MAINE</u>	Auburn Bangor Portland	<u>Kenneth T. Palmer</u> Associate Professor of Political Science University of Maine, <u>David Wihry</u> Associate Professor of Economics University of Maine and <u>Roy W. Shin</u> Associate Professor of Political Science University of Maine

MASSACHUSETTS

Marlborough  
Worcester

Paul R. Dommel  
Associate Professor of  
Political Science  
College of the Holy Cross

Boston  
Cambridge

Lawrence E. Susskind  
Associate Professor of  
Urban Studies  
Massachusetts Institute of  
Technology  
and Emily Achtenberg  
Research Associate  
Department of Urban Studies  
and Planning  
Massachusetts Institute of  
Technology

MICHIGAN

Alma  
East Lansing  
Lansing

Paul E. Conn  
Associate Professor of  
Political Science  
Michigan State University

MINNESOTA

Hennepin County  
Minneapolis

James E. Jernberg  
Associate Professor  
School of Public Affairs  
University of Minnesota

MISSOURI

St. Louis  
St. Louis County

Robert Christman  
General Assignments Reporter  
St. Louis Post-Dispatch

NEW JERSEY

East Orange  
Newark

Robert Curvin  
Associate Professor of  
Political Science  
Brooklyn College of the City  
University of New York

NEW YORK

Greece  
Rochester

Sarah F. Liebschutz  
Research Associate  
Brookings Institution

Mount Vernon  
New York City

Julia Vitullo-Martin  
Associate Professor  
Center for New York City Affairs  
New School for Social Research  
and Stanley Boynton  
Research Assistant  
New School for Social Research

<u>NORTH CAROLINA</u>	Durham Raleigh	<u>Lester M. Salamon</u> Associate Professor of Political Science Institute for Policy Sciences Duke University
<u>OHIO</u>	Cleveland Cleveland Heights	<u>Steven A. Minter</u> Foundation Associate The Cleveland Foundation and <u>Dolores Minter</u>
<u>PENNSYLVANIA</u>	Philadelphia	<u>Stephen Schechter</u> Assistant Professor of Political Science Temple University
	Allegheny County Pittsburgh	<u>Leon L. Haley</u> Associate Dean Graduate School of Public and International Affairs University of Pittsburgh
<u>SOUTH CAROLINA</u>	Columbia Florence	<u>C. Blease Graham</u> Assistant Professor of Government and Research Associate Bureau of Governmental Research University of South Carolina
<u>SOUTH DAKOTA</u>	Sioux Falls	<u>William O. Farber</u> Professor Emeritus Department of Political Science University of South Dakota
<u>TEXAS</u>	Harris County Houston	<u>Victor E. Bach</u> Assistant Professor Lyndon B. Johnson School of Public Affairs University of Texas
	Lubbock Plainview	<u>James Clotfelter</u> Associate Professor of Political Science and Director of the Center for Public Service Texas Tech University, and <u>Albert K. Karnig</u> Assistant Professor of Political Science Texas Tech University

VIRGINIA

Charlottesville

William H. Lucy  
Associate Professor  
Division of Urban and  
Environmental Planning  
School of Architecture  
University of Virginia  
and Kenneth R. Mladenka  
Research Associate  
Institute of Government  
University of Virginia

WASHINGTON

King County  
Seattle

Dorothee S. Pealy  
Lecturer in Political Science  
University of Washington

## PREFACE

What happens when federal grant policies are changed? This is the second in a series of reports that seek to answer this question for the community development block grant (CDBG) program. This program, enacted in 1974, provided \$3.5 billion to local governments in 1978 to undertake a wide range of community development activities. The first report on the Brookings study of the CDBG program was issued by the Department of Housing and Urban Development in January 1977. In all there will be four Brookings monitoring reports on this program from its inception through the first six years of activities.

Since the publication of the first report, the Brookings Institution has expanded its monitoring studies and established a Monitoring Studies Group. As part of this reorganization, Paul R. Dommel, a Brookings senior fellow on leave from Holy Cross College in Worcester, Massachusetts, where he is a professor of political science, was named project director for this study and is the principal person at Brookings responsible for this report. He was assisted by Sarah F. Liebschutz, associate professor of political science at the State University of New York at Brockport, who worked on the program data, and Margaret W. Wrightson, formerly a Brookings research assistant, who worked on the decisionmaking process data. James E. Jernberg, associate professor of political science at the University of Minnesota, assisted with the urban county analysis.

Leonard Rubinowitz, associate professor at the Center for Urban Affairs, Northwestern University, and Victor E. Bach, assistant professor at the Lyndon B. Johnson School of Public Affairs, University of Texas, reviewed the draft report and contributed important comments to the final version. Linda C. Berger, Arthur A. Morton, and Michael J. Rich served as research assistants for this report; Philip L. Denlinger, a student intern from Yale University, also assisted. Editorial assistance was provided by Elizabeth W. Kodama. The report was typed by Dinah Smith, Thomas T. Somuah, and Ruth C. Lates.

Special thanks should also be extended to a number of HUD officials: Frederick J. Eggers, John L. Gardner, James R. Broughman, and William H. Bowman. Warren H. Butler, former deputy assistant secretary of HUD, served as an outside reader and contributed important comments to the final report.

As is the usual practice for Brookings, the work done on this report is the responsibility of the authors; it does not reflect the interpretations or views of the trustees, officers, or other staff members of the Brookings Institution.

Richard P. Nathan, Head  
Monitoring Studies Group

Washington, D.C.  
June 2, 1978



## CONTENTS

	<u>Page</u>
Field Sites and Research Associates	ii
Foreword	vii
Contents	ix
List of Capsules	xii
List of Tables	xiv
List of Appendixes	xvii
Chapter 1. INTRODUCTION	
Brookings Monitoring Research	2
Characteristics of the CDBG Sample	6
Major Issues and Findings	10
Chapter 2. CHANGING THE LAW: THE DUAL FORMULA	
Summary of Changes	15
Altering the Distribution System	21
The Formula System	21
Urban Distress and Formula Criteria	32
Aging Cities	32
Growth Lag	34
Measuring Distress	35
Targeting and the Dual Formula	39
Distributional Patterns: Dollars and Shares	42
Regional Distribution Patterns	45
Types of Communities	48
Intrametropolitan Disparities	52
The Overall Pattern of Federal Aid Distributions	55

Chapter 3. INTERGOVERNMENTAL RELATIONS UNDER  
THE BLOCK GRANT PROGRAM

The State and Regional Role	63
HUD Influence: An Overview	66
Opportunities for HUD Influence	66
The Level of HUD Influence	68
The Decentralization Impact of CDBG	71
Changes within CDBG: Year One versus Year Two	74
Red Tape	79
HUD Influence: An Analysis of Issues	81
Strategy Issues	84
Program Issues	93
Compliance Issues	102
Administrative and Technical Issues	107
Concluding Comments	108

Chapter 4. THE DECISION PROCESS

Summary of Findings	112
Decisionmaking Systems	114
Executive Dominance	119
Increasing Legislative Influence	123
The Specialists' Role	128
Citizen Participation	132
Decisionmaking in Urban Counties	152
Allocation Systems	156
Participation and Influence	161
Summary Comments	163

Chapter 5. THE USES OF CDBG FUNDS

Program Allocations	167
Housing and Neighborhood Conservation	174
Planning and General Development	176
Urban Renewal Continuation	180
Social Services and Facilities	185
Economic Development	189

Analysis of Program Uses	192
Explaining Strategy Choices	197
The Fiscal Effects of CDBG Funds	204
Net Fiscal effects	204
Fiscal Pressures	208
Attracting Private Sector Funds	211
Attracting Other Public School Funds	215
The Timing of CDBG Spending	218

## Chapter 6. HOUSING REHABILITATION

Local Program Design	229
Public and Private Sector Involvement	230
CDBG-Funded Rehabilitation Programs	234
Leveraging Programs	236
Program Implementation Problems	240
Strategy and Benefits	243
Targeting	243
Eligibility	245
"Gentrification"	249
Spatial Deconcentration	252
Housing Program Coordination	253
The 312 Program	253
Urban Homesteading	255
Summary Comments	256

## LIST OF CAPSULES

	<u>Page</u>
3-1. Minneapolis, Minnesota	77
3-2. Cleveland, Ohio	78
3-3. Raleigh, North Carolina	85
3-4. Phoenix, Arizona	85
3-5. Greece, New York	88
3-6. Boston, Massachusetts	103
3-7. Columbia, South Carolina	107
4-1. Los Angeles County, California	123
4-2. Allegheny County, Pennsylvania	127
4-3. Bangor, Maine	131
4-4. Minneapolis, Minnesota	133
4-5. Durham, North Carolina	144
4-6. Houston, Texas	145
4-7. Cambridge, Massachusetts	146
4-8. DeKalb County, Georgia	147
4-9. Harris County, Texas	147
4-10. Cook County, Illinois	157

5-1. Huntington Beach, California	179
5-2. Scottsdale, Arizona	179
5-3. Worcester, Massachusetts	192
5-4. East Orange, New Jersey	192
5-5. Rochester, New York	196
5-6. St. Louis, Missouri	200
5-7. East Lansing, Michigan	201
6-1. Durham, North Carolina	234
6-2. Sioux City, Iowa	235
6-3. Denver, Colorado	244
6-4. Raleigh, North Carolina	244
6-5. Rochester, New York	245
6-6. Worcester, Massachusetts	249

LIST OF TABLES

	<u>Page</u>
1-1. Population Size of CDBG Recipient Localities in the Brookings Sample, Second Program Year	9
2-1. Number of CDBG Recipients Above Mean of Pre-1940 Housing, by Region	33
2-2. Number of CDBG Recipients with Population Growth Lag, by Region	34
2-3. Distribution of CDBG Recipients on the Brookings Urban Conditions Index, by Region, Type, and Size	38
2-4. Communities Benefiting from the Dual Formula, by Region, Type, and Size	40
2-5. Projected Distribution of CDBG Entitlement Allocations, by Region	46
2-6. Projected Distribution of CDBG Entitlement Allocations, by Type of Jurisdiction	49
2-7. Projected Distribution of CDBG Entitlement Allocations to Central Cities, by Region	51
2-8. Funding Shares of Central Cities and Suburbs Compared under Original and Dual Formulas, for Six Selected SMSA's	54
2-9. Comparative Growth of Total Federal Grants to Selected NEQ and Sunbelt Cities, 1971-72 through 1978	58
3-1. HUD Influence in the Two Years of CDBG	69
3-2. CDBG Programs Determined by HUD in the First Two Years	70

3-3. The Decentralization Impact of CDBG: CDBG Compared with Categorical Grants	72
3-4. The Decentralization Impact of CDBG: First and Second Program Years Compared	75
4-1. Types of Decisionmaking Processes among Sixty-One Sample Jurisdictions, Based on Influence Points, Years One and Two	117
4-2. Number of Jurisdictions with Changed Influence Points between Years One and Two	118
4-3. Summary Data on the Thirty-Six Citizens' Advisory Committees Participating in the Second-Year CDBG Application Process	137
4-4. Population Characteristics of Urban Counties in the Brookings Sample, Second Program Year	155
5-1. Program Uses of Second-Year CDBG Funds: Unweighted Mean Percentages	171
5-2. Program Uses of Second-Year CDBG Funds: Thousands of Dollars	173
5-3. Second-Year Funding of New and Continued Programs, by Level of Prior Experience	194
5-4. Net Fiscal Effects of CDBG Allocations, by Type of Jurisdiction	207
5-5. Net Fiscal Effects of CDBG Funds in Sample Jurisdictions, by Degree of Fiscal Pressure	209
5-6. Second-Year Allocations for Leveraging Private Capital, by Jurisdiction	213

5-7. Second-Year CDBG Program Allocations	221
6-1. Public and Private Sector Funding of Second-Year Housing Rehabilitation Programs, by Type of Jurisdiction	232
6-2. Second-Year Housing Rehabilitation Programs of Sample Jurisdictions	258



LIST OF APPENDIXES

- Appendix I. Brookings Monitoring Sample for Program Year 1976, Showing Descriptive Statistics, Categorical Program Experience, and CDBG Allocations
- Appendix II. Projected CDBG Allocations to Entitlement Jurisdictions in Fiscal 1980, with Urban Conditions Index and Index Variables
- Appendix III. The Housing and Community Development Act of 1977
- Appendix IV. Selected Legal Cases and Complaints Involving the Community Development Block Grant Program
- Appendix V. Second Analysis Form, Study of the Community Development Block Grant Program



## Chapter 1

### INTRODUCTION

This is the second report on the Brookings monitoring study of the community development block grant (CDBG) program. The first report, issued in January 1977 by the U. S. Department of Housing and Urban Development (HUD), emphasized distributional issues and included recommendations for modifying the formula allocation system of the 1974 legislation [1]. This report stresses the political effects of the block grant for community development, notably its impact as an instrument for decentralization. The study is based on field analyses by resident observers in sixty-one jurisdictions that receive CDBG funds. Field data for the first year of the program were presented in the initial report on this study; combined data for both the first and second years of the program are presented in this report.

---

1. Richard P. Nathan, Paul R. Dommel, Sarah F. Liebschutz, Milton D. Morris, and Associates, Block Grants for Community Development (Washington, D.C.: U.S. Government Printing Office, January 1977, stock no. 023-000-00407-1). The dual formula approach for revising the CDBG allocation system recommended in this report was adopted in the 1977 extension of the CDBG program.

## BROOKINGS MONITORING RESEARCH

The CDBG monitoring research is one of three monitoring projects being carried out by the Monitoring Studies Group, a unit of the Governmental Studies Program at Brookings. The first monitoring study, started in December 1972, was a five-year study of the \$30.2 billion general revenue sharing program enacted in October of that year. That study, covering sixty-five jurisdictions, has resulted in two books, and a third volume is now in progress. The study of the block grant for community development was added in the spring of 1975. (This research also resulted in a small subsidiary study for the Department of the Interior on expenditures of CDBG funds for urban parks and recreation.) A third monitoring study was initiated in the late spring of 1977 under a contract with the National Commission on Manpower Policy to study the \$8 billion public service employment program in forty-two recipient jurisdictions. The Monitoring Studies Group has also undertaken a set of case studies on the combined impact of federal aid in fourteen large cities.

The monitoring methodology relies upon a national network of experienced researchers, primarily political scientists and economists, who use a uniform analytical framework to study an agreed upon set of process and program issues in communities where they live or in nearby communities with which they are familiar. These field associates base their analysis on available government data, budget and program

documents, and interviews with local officials and others involved in the administration of the program being studied.

An important aspect of the monitoring methodology is the research conference, where field associates discuss the principal policy issues to be studied and the analysis forms to be used for the research. A research conference for the first CDBG report was held in September 1975, before the initial round of field monitoring. The conference for the second report was held April 21-22, 1976. The analysis form for the second round of field research is reproduced as Appendix V to this report. The main modification from the first-year report was to focus on changes between years one and two and to add a set of questions looking ahead to the third year of program operation.

To be most effective, monitoring research needs to begin with the start of a program, as was the case with the CDBG study, and continue through major legislative changes, again, as is the case for the Brookings monitoring study of the CDBG program. Under a new contract with HUD, the Brookings Institution's monitoring study of the CDBG program has been extended for four years. Two sets of field observations will be made, one for the third and fourth years of the program and another for the fifth and sixth years. A series of reports is planned by HUD and Brookings to take maximum advantage of the longitudinal nature of this research, extending both the analysis and the methodology into new areas. As a supplement to this report highlighting the political effects of CDBG, the staff of the Monitoring

Studies Group is preparing a special report on the methodology for studying the distribution of benefits--both geographically and by income group--under the CDBG program. An important aim of the monitoring research by Brookings has been to examine those aspects of the programs under study that are most relevant to public policy decisions, even though these often tend to be the most difficult subjects to analyze. In the study of the general revenue sharing program, for example, emphasis has been placed on fiscal effects in an effort to distinguish between new spending and substitution uses of general revenue sharing funds and to explain the concepts and political dynamics involved in this distinction [2]. Using a similar analytical framework, emphasis has been placed on the issue of job creation versus job displacement in the monitoring study of the public service employment (PSE) program under the Comprehensive Employment and Training Act (CETA) [3].

The distribution of benefits under CDBG is in the same category of critical, though difficult to assess, programmatic effects. HUD Secretary Patricia Harris issued new regulations on March 1, 1978,

---

2. Richard P. Nathan, Allen D. Manvel, and Susannah E. Calkins, Monitoring Revenue Sharing (Washington, D.C.: Brookings Institution, 1975); Richard P. Nathan and Charles F. Adams, Jr., Revenue Sharing: The Second Round (Washington, D.C.: Brookings Institution, 1977).

3. Richard P. Nathan, Robert F. Cook, Janet M. Galchick, Richard W. Long, and Associates, "Monitoring the Public Service Employment Program" (Brookings Institution, February 1978).

which require the use of CDBG funds principally to benefit low- and moderate-income persons. These regulations and the controversy surrounding their issuance have become one of the most important issues affecting the future of the CDBG program. For this reason, the continuing monitoring research on the program will use new procedures to extend the analysis of the distribution of benefits from CDBG expenditures.

An additional dimension of the CDBG research involves case studies of the program's impact in five sample jurisdictions--Chicago and Carbondale, Illinois; Houston, Texas; Phoenix, Arizona; and Allegheny County, Pennsylvania (which overlies Pittsburgh). Papers written by the field associates for these jurisdictions will be published by Brookings in 1979, along with other material on this study.

## CHARACTERISTICS OF THE CDBG SAMPLE

The sample for the second-year CDBG monitoring study is a structured national sample selected to take into account a mix of characteristics: (1) type of CDBG recipient, (2) geographic location, (3) population size, (4) income level, and (5) previous categorical grant experience. The sample is sufficiently diverse to permit grouping of the units by these various characteristics for analysis. Of necessity, the sample sites were selected so that a single associate could report on two or more units. These factors precluded using random selection procedures. Thus, while we believe the sample provides a good picture of what is happening under CDBG, the results are not statistically representative.

A total of sixty-one jurisdictions are included: thirty central cities, twelve satellite (suburban) cities, ten urban counties, and nine nonmetropolitan jurisdictions. A tenth nonmetropolitan jurisdiction, Roanoke Rapids, North Carolina, received a discretionary grant in 1975 but was not funded in the second year of the program. It continued to be monitored for first-year program implementation but it is not included in the second-year analysis.

In year two of the program, the sixty-one sample units accounted for 21.2 percent of the CDBG funds allocated in 1976. This is a decline from the 22.7 percent received by the sample in the first year. The total amount of CDBG funding increased by about 10 percent in the



second year, but thirty-eight of our sample units did not receive an increase because of the gradual reduction of the "hold-harmless" portion of their CDBG grant, or because they are "hold-harmless" rather than formula entitlement jurisdictions [4]. Appendix I lists the sample jurisdictions, their major characteristics, and their grant allocations.

Community type	Grant increased	Remained the same	Grant decreased
Central cities	6	13	11
Satellite cities	8	3	1
Urban counties	9	0	1
Nonmetropolitan			
Hold-harmless	0	4	1
Discretionary	1	1	2
Total	24	21	16

4. "Hold-harmless" jurisdictions are communities that are given CDBG funds during the first three program years to compensate for the withdrawal of categorical funds and to ensure that projects begun with categorical funding can be completed. The hold-harmless amount is equal to the average grant received during the period 1968-72; it is phased down by thirds during the fourth and fifth years. In the sixth year hold-harmless grants are phased out. Jurisdictions that are entitled to funds under the CDBG formula may also receive "hold-harmless" funding, in gradually decreasing amounts, if their grant amount calculated under the CDBG formula is lower than their level of categorical funding. For details, see Nathan et al., Block Grants for Community Development, pp. 79-83.

The sample jurisdictions are evenly divided among the northeast, midwest, south, and west. Table 1-1 shows the sample jurisdictions grouped by population size. The sample is weighted toward larger jurisdictions, with populations over 250,000; they make up nearly half of the sample but only 18 percent of all CDBG entitlement communities. Previous categorical grant experience was also considered in selecting the sample. Thirty-nine (64 percent) of the sample units had high or moderate previous experience, while twenty-two (36 percent) had little or no previous categorical involvement [5].

---

5. Based on the ratio for each recipient unit of the per capita amount received under the previous programs to the national per capita mean. "High" is over 150 percent of the national mean of \$17.63 per capita (annual average, 1968-72); "moderate" is 50-150 percent of this amount; and "low" is under 50 percent.

Table 1-1. Population Size of CDBG Recipient Localities in the Brookings Sample, Second Program Year\*

Population	Number in sample	Percent of sample
Over 1 million	12	19.7
500,000-1 million	10	16.4
250,000-500,000	7	11.5
100,000-250,000	7	11.5
50,000-100,000	14	22.9
Under 50,000	11	18.0
Total	61	100.0

Source: From 1970 U.S. Census Bureau data.

\* For the ten counties in the sample, this table includes the population of the entire county.

## MAJOR ISSUES AND FINDINGS

The chapters that follow present the field research findings and our analyses of what we consider the major issues involved in the CDBG program. Chapter 2 examines some of the changes made in the program by the 1977 legislation, particularly the impact of the new dual formula allocation system. This is followed by two chapters examining the political effects of CDBG decentralization: chapter 3 describes intergovernmental relations under the block grant (a new topic for this report), while chapter 4 analyzes the structure of local decisionmaking processes, and the distribution of influence among local participants in those processes. The third major section of the report examines the programmatic effects of decentralization, analyzing in chapter 5 the different approaches that have been taken to community development and the factors that influence the choice of CDBG strategies; also included is a special analysis in chapter 6 of CDBG housing rehabilitation, which has emerged as the single largest activity of the program. Several major findings, summarized below, stand out.

1. The shift to the dual formula allocation system has significantly improved the "targeting" capabilities of the program. With the addition of a new, second formula oriented toward older and more distressed cities, a significant amount of additional funding is going to what we find to be the neediest communities. The new allocation system directs additional funds to older cities in all

regions. Although the primary beneficiaries are the cities of the northeast and midwest, one fifth of the cities gaining from the new formula are in the south and west. Our analysis also shows that, while the block grant's dual formula system is particularly beneficial to northeastern and midwestern cities, the overall growth of federal aid to local governments during the past five years has brought very large increases in aid to communities in the south and west. Thus, the regional pattern of the new CDBG formula represents, in effect, a shift (although not a highly pronounced one) giving greater emphasis to urban distress conditions which predominate in the northeast and midwest.

2. There has been significant decentralization of substantive decisionmaking, with local officials exercising more control over community development policy than they did under the categorical programs. It is too soon, however, to make a final judgment on the extent of decentralization. Comparing years one and two of the CDBG program, we found evidence (and concern among local officials) that the federal government may be recentralizing some CDBG authority.

3. As for intergovernmental relations, an examination of cases where issues arose between HUD and local jurisdictions revealed that local decisions were more likely to prevail on substantive issues--those involving community development strategy or program content--than on procedural issues--involving administration of the local program and compliance with such requirements as environmental reviews and affirmative action. It appears that local officials are

more likely to concede to HUD where they feel less is at stake.

4. At the local level, the dominance of local chief executives and their staffs observed in the first year has decreased somewhat with the increased involvement of local legislatures and citizens in the decision process.

5. The range and severity of local problems tends to influence the basic development strategy of a community; the decision process is most likely to affect specific program choices and the distribution of program benefits within this strategy.

6. The kinds of programs being undertaken in the CDBG program are significantly different from those carried out under the categorical grants. Communities are shifting to smaller-scale, more diversified programs. Work on large-scale urban renewal projects started under the categorical grants is being stretched out or completed; few major new renewal projects are being initiated. Housing rehabilitation has become an important community development activity under CDBG in many jurisdictions. Social services, the primary focus of the model cities program, have declined sharply as an activity under CDBG, although our data show a small increase in social services in the second program year compared with the first.

These findings, based on two years of CDBG experience, are not presented as final judgments. Quite to the contrary, we find the decisionmaking processes and the substance of the decisions in a state

of flux; changes / are quite likely to occur over the next few years. Distressed cities will be receiving substantial increases in their allocations as the dual formula is phased in. Changes may also result from other amendments in the Housing and Community Development Act of 1977. Besides establishing the dual formula system, the 1977 extension legislation provides for expanded citizen participation and emphasizes the importance of housing rehabilitation and economic development activities. In addition, the change in national administrations may also transform the administration of the CDBG program in ways that could, in effect, recentralize more CDBG authority from the local to the federal level. Our continuing monitoring research--through the sixth year of the CDBG program--will focus on these crucial issues.

## Chapter 2

### CHANGING THE LAW: THE DUAL FORMULA

By 1977, when the CDBG program came up for renewal, the central issue had shifted from the philosophical decentralization controversies of 1974 to the more clearly political issue of how to distribute the funds. This resulted in some intense regional cleavages and a split between small and large communities when Congress changed the distribution formula to target more CDBG aid on older, declining cities. This CDBG allocation controversy was, however, only the most visible outbreak of a larger, continuing dispute over the general issue of targeting federal aid to cities with the greatest need, an issue discussed in the final section of this chapter.

To the extent that the 1977 CDBG legislation deals directly with decentralization, it can be said that Congress reaffirmed local decisionmaking by not challenging the 1974 decision to turn over substantially more federal decisionmaking authority to local officials.

A summary of the major 1977 changes and an analysis of urban distress and the impact of the new formula system are presented in the sections that follow.



## SUMMARY OF CHANGES

The Housing and Community Development Act of 1977 extends the block grant program for three years through fiscal year 1980, the first year full formula funding will be in effect. The major changes in the new law include the following.

Allocation System. The 1977 amendments adopted a dual formula to improve the targeting of CDBG funds to the neediest cities. Under the new allocation formula no entitlement jurisdiction receives less funding than under the original formula. The major benefits of the dual formula go to older, declining cities of the northeast and midwest. The new formula system is discussed in detail later in this chapter.

Action Grants. The law established a new Urban Development Action Grant (UDAG) program (section 119) to be used for large development projects in the most severely distressed cities and urban counties. The grants are to be used for economic revitalization in communities with population loss or a stagnating or declining tax base, and for reclamation of neighborhoods with excessive abandoned or deteriorated housing. The law authorized \$400 million annually for three years for

*These are all variables with which age of housing is highly correlated*

*and the housing component has been reformed*

these grants, to be distributed on a discretionary basis [1]. The UDAG program has the principal objective of helping to develop "viable urban communities." The funds are to enable cities to take advantage of specific opportunities that may arise to stimulate new and increased private investment. The UDAG program became the subject of a major dispute between the House and Senate when the new legislation was being considered (see below).

Eligible Activities. To get greater private sector involvement in community development, in addition to establishing the UDAG grants, the new legislation also made economic development a separate, major activity under the block grant [section 105(a)(14)]. The 1974 law was unclear on the eligibility of economic development activities. The 1977 amendments specify the commercial and industrial activities that

---

1. HUD has proposed the following criteria to determine eligibility for UDAG grants: (1) 34 percent or more of the applicant's housing was constructed before 1940; (2) net increase in per capita income from 1969 to 1974 did not exceed \$1,433; (3) population growth rate for the period 1960 to 1975 did not exceed 14.7 percent; (4) unemployment in 1976 was 7.75 percent or greater; (5) rate of growth in retail and manufacturing employment for the period 1967 to 1972 was 6.1 percent or less; (6) 11.1 percent or more of the applicant's population is below the poverty level; (7) unique distress factors may be considered as long as such factors can be objectively and quantitatively measured.

Communities would be eligible to compete for UDAG grants if they met any four of the seven criteria. However, communities whose per capita income level is below the median and whose poverty level is more than 50 percent above the median need only meet three criteria; communities whose poverty level is less than half the national median must meet five.

Furthermore, grants are restricted to communities with demonstrated success in providing low-income housing.

are now eligible for CDBG funding.

Housing rehabilitation is a second activity that was upgraded. The original law made housing rehabilitation an eligible activity only if it was "incidental" to other development projects being carried out. It is now a fully eligible activity [section 105(a)(4)]. CDBG housing rehabilitation programs are discussed more fully in chapter 6.

Small Communities. For small communities the 1974 legislation had both advantages and disadvantages. Small communities generally stood to benefit under the 1974 allocation system because as hold-harmless grants were phased down these funds became available for discretionary distribution to small communities. By 1980 small metropolitan communities were projected to receive nearly 30 percent of all metropolitan funds (in addition to the 20 percent earmarked for nonmetropolitan discretionary areas). On the other hand, those small communities with hold-harmless entitlements were scheduled to begin losing these funds in the fourth program year, with all hold-harmless funding ending in fiscal 1980.

In the House committee there was never any serious effort to extend the hold-harmless provisions but language was adopted to allow for multi-year funding for small communities with a record of comprehensive development activities [section 106(d)(3)]. In the Senate there were more serious efforts to preserve hold-harmless funding but in the end the House position prevailed.

Overall, it can be concluded that the multi-year funding provisions helped those small communities, both metropolitan and nonmetropolitan, that had undertaken comprehensive development activities. Such communities could now be assured that these programs could be continued. On the other hand, small metropolitan communities that had not participated in the older categorical programs now saw their chances for CDBG funding diminished because of the sharp decrease in funds that would be available for them. Because of the added cost of the dual formula approach, the metropolitan discretionary fund now represented less than 10 percent of the total metropolitan fund compared with nearly 30 percent that would have been available by 1980 under the original legislation.

One funding success of small communities was adoption of a provision that 25 percent of the UDAG grants would be set aside for discretionary grants to small metropolitan and nonmetropolitan communities [section 119(k)].

Housing Assistance Plans. The 1974 law required, in general, that a community's housing assistance plan (HAP) include a survey of housing stock in the community, an assessment of the housing needs of lower-income persons expected to reside in the community, and an annual goal for the number of persons to be assisted. The 1977 amendments expanded the scope of the survey to include the identification of housing stock in deteriorated condition and to assure that a preponderance of subsidized rehabilitated housing would go to

lower-income persons [section 104(a)(4)(A) and (B)]. While not a part of the law itself, the House-Senate conference committee report made it clear that, except under certain conditions, they expected any housing rehabilitation programs included within the HAP to be concentrated in contiguous neighborhood areas.

Targeting of Benefits. The Senate has generally sought to legislatively tighten the requirements on targeting CDBG benefits to low- and moderate-income groups. This was the case in 1974 and again in 1977. The House, on the other hand, has tended to side with more local decisionmaking and has argued that community development objectives go beyond income targeting. In extending the program the Senate sought a new provision allowing the HUD Secretary to reject a local application if it did not give "specific regard to the primary purpose of principally benefiting persons of low- and moderate-income." However, in the House-Senate conference, House conferees took issue with this language as a basis for rejecting a community's application for funds because it referred only to the income targeting objective of the law, leaving out other stated objectives concerning prevention or elimination of slums and blight and meeting other community needs of a particular urgency. The House agreed to allow the Senate language on rejecting applications to stand but expanded the basis of rejection to include all three national objectives, thus giving no clear preference to the low and moderate language. The Senate tried to add similar language on the priority of income targeting in the section covering

eligible activities but again the House insisted that the language be expanded to include all three objectives.

The Senate did succeed in changing the "maximum feasible priority" language on income targeting. In the 1974 law maximum feasible priority was to go to activities benefiting "low- or (emphasis added) moderate-income" families. There was concern that some communities were using the "or" to target on moderate income groups while ignoring the low income. Consequently the Senate committee changed the language to read "low- and (emphasis added) moderate-income." This change was accepted by the House.

On the other hand, the new law added a House provision allowing communities to include in their program activities "to induce higher-income persons to remain in, or return to, the community." This language allows communities to undertake activities to encourage population stability and to improve their tax base but it may also result in conflict with the goal of targeting benefits to lower income groups.

Citizen Participation. Citizen participation provisions have been strengthened to expand the citizen role in the CDBG application. In the 1974 legislation, communities were required to provide citizens with adequate information on the program, to hold public hearings, and to provide citizens an opportunity to participate in development of the application. The 1977 amendments go farther, requiring each recipient community to draw up a written citizen participation plan and requiring

that citizens be given an opportunity to comment on CDBG program performance [section 104(a)(6)]. The law also states that communities applying for UDAG grants must meet citizen participation requirements comparable to those for the block grant application [section 119(c)(5)].

### ALTERING THE DISTRIBUTION SYSTEM

#### The Formula System

In our first report we concluded that the allocation system of the 1974 act had the overall effect of diverting a large share of urban grant assistance from the most distressed central cities--the major recipients of the consolidated categorical grants--to a larger number of small and less needy jurisdictions. This was achieved through three provisions of the law:

1. The eligibility test provided that all central cities, suburban cities with populations of 50,000 or more, and urban counties meeting certain population and other requirements were eligible for formula entitlements. By the third program year, there were 615 entitlement jurisdictions, many of which were well-off, growing communities.

2. The allocation formula reinforced the problem of the eligibility test. The population criterion directed funds away from the older, declining cities to the newer, growing communities. The formula was also heavily weighted toward poverty and provided no measure of physical development needs. This poverty bias was particularly helpful to southern jurisdictions, where the level of poverty tends to be higher than in communities of other regions.

3. A large share of metropolitan funds went for discretionary grants to small communities. The 1974 law provided that, after the allocation of grants to formula and hold-harmless entitlement jurisdictions, the remainder of the metropolitan funds were to be used for discretionary distributions among nonentitlement communities within metropolitan areas. We projected that by 1980, 28 percent of CDBG metropolitan funds would go to small communities and that the major portion of these funds would be money redirected from the older central cities. (Nonmetropolitan communities are also eligible for discretionary funds. The law provides that 20 percent of the block grant money be set aside for nonmetropolitan distribution.)

We concluded that, because of what appeared to us to be some of the important objectives of the program, major changes should be made in the allocation system. Specifically, we proposed the establishment of a dual formula system that would target funds more accurately among communities with diverse types of development needs. The dual formula concept retained the original, poverty-oriented formula and added a



second formula directed toward physical development needs. The second formula included the number of housing units built before 1940 to serve as a proxy for community age; that is, as an indicator of the condition of a community's physical environment such as streets, curbs, sewers, and other infrastructure. The second formula would thus be based on population, poverty, and age of housing (weighted double). Under the dual formula each entitlement community would receive the greater of the amounts computed under the two formulas; (thus no jurisdiction would receive less than its allocation under the original formula.)

This dual formula concept, incorporating the pre-1940 housing factor, was adopted by both the outgoing Ford administration and the new administration of President Carter. The Ford administration proposed that the second formula be based on age of housing (50 percent), poverty (30 percent), and population decline (20 percent). The Carter administration made an important change in the second formula, adopting the concept of (growth lag) instead of population decline. Growth lag aids communities with slow population growth rates as well as those losing population. The change was also politically wise, since it increased the number of jurisdictions aided by the population factor.

Though the dual formula system assured that no entitlement jurisdiction would lose formula funds, the two-formula approach drew the opposition of a bipartisan coalition of many southern and western

members of the House of Representatives who felt that the change gave large increases to the cities of the northeast and midwest while giving little to their regions. The dispute came to a head in a floor fight over an amendment cosponsored by Representatives Jerry Patterson and Mark Hannaford, two California Democrats; the amendment would have dropped the dual formula and retained the original allocation system. Patterson argued,

The real issue here is: Do we want to address poverty or do we want to address old houses? The old formula gives a 50-percent weight to poverty. The new formula gives a 50-percent weight to the age of housing. . . . [P]oor people live throughout the United States, they are not entirely contained within older cities. . . . Why should we not use the real test, the test of poverty rather than the test of the age of housing? [2]

Representative Thomas Kelly (R-Florida) charged that the purpose of the second formula was to "continue the preference that the cities in the northeast and north central part of the United States have enjoyed from the inception of the program" [3]. He added that under the dual system "Pittsburgh, Pa. gets 33.9 percent more money than New Orleans, although their population is the same. Per capita, the Pennsylvania city gets \$52.62, while as a comparable city New Orleans gets only \$39.29. They both qualify under the additional formula." Kelly pointed to this as evidence of regional inequity.

---

2. Congressional Record, vol. 123, no. 79, 95 Cong. 1 sess. (daily ed., 1977), p. H4236.

3. *Ibid.*, p. H4235.

On the other hand, Representative Les AuCoin (D-Oregon) favored the dual formula, saying, "There is not a single section of the country that is hurt by the bill. . . .What is going to happen under this bill," he continued, "is what should have happened if we had had the vision in Congress three years ago--funds are going to where the need is, where the blight is, where the physical decay is" [4].

The amendment to kill the dual formula was defeated 261 to 149 in a vote split along regional lines. Among congressmen from the east, the vote was 110 to 1 in favor of the dual formula; among midwesterners the vote was 105 to 7. However, congressmen from the southern and western states voted 132 to 18 to eliminate the two-formula approach.

A second floor fight developed in the House, this time between big city and small community representatives. This involved the proposed UDAG program to help severely distressed cities fund large projects over and above those aided through the basic block grant. Some representatives from small communities believed that unless such communities were guaranteed a fixed share of the UDAG money, the large cities would outcompete them for the grants. To assure small community participation, Representative Charles E. Grassley (R-Iowa) proposed that 25 percent of the UDAG funds be earmarked for small metropolitan and nonmetropolitan cities. In offering the amendment, Grassley said,

---

4. Ibid., p. H4239.

In this day of grantsmanship, in this day of a large amount of paperwork required for these grants, and considering especially in this day when small communities do not have the large staff that they need to prepare all these things, and the larger cities do, how are the smaller cities going to compete against the larger cities for their share of the action grant program?  
[5]

The small community argument was countered by Representative Thomas L. Ashley (D-Ohio), chairman of the subcommittee that handled the legislation and floor manager of the bill. Ashley told his colleagues that HUD Secretary Patricia R. Harris had assured his committee that small communities would get equal treatment with big cities in competing for the grants. Ashley also stated, "One of the great pitfalls of the legislative set-aside is that funds are very apt to be directed not on the basis of answering needs, but simply on the basis of answering a mathematical formula" [6]. The small community position prevailed, however, and the amendment was adopted by a vote of 279 to 129. The bill passed the House on May 11 by a vote of 369 to 20.

In the Senate the key issue was quite different from that in the House. The dual formula approach and the need to direct more funds to the older, declining cities were not contested. Some Senators argued, however, was that even with the dual formula the House version did not

---

5. Congressional Record, vol. 132, no. 80, 95 Cong. 1 sess. (daily ed., 1977), p. H4272.

6. Ibid., p. H4273.

go far enough toward aiding the older cities. In the Senate Committee on Banking, Housing, and Urban Affairs, Senators Edward Brooke (R-Massachusetts) and Harrison Williams (D-New Jersey) led a bipartisan attempt to add a third formula. The Brooke-Williams amendment would have provided additional aid, called "impaction" grants, to be added to the dual formula for cities with very high percentages of old housing. Impaction grants would have been particularly helpful to cities in the northeast. For example, under the dual formula system Boston was entitled to \$25.8 million, but with the impaction aid the city would receive about \$34 million; Cleveland's entitlement would increase from \$39.4 million to about \$45 million.

Because the administration and both houses of Congress were agreed on the overall spending ceiling for the CDBG program, the Brooke-Williams amendment provided that the additional impaction money would be taken from the UDAG program. Since it was expected that the UDAG funds would go mostly to cities in the northeast and midwest anyway, southern and western senators were not opposed to impaction aid that came from UDAG money. This funding arrangement had the effect of reducing the UDAG program from the proposed \$400 million to an estimated \$125 million. The committee approved the bill on May 16; it was taken up by the full Senate in early June.

While the full Senate, unlike the House, did not become involved in a major dispute over the dual formula, regional feelings did arise over the provisions for allocating funds to small communities. Both

the House and Senate bills established a dual formula system to calculate allocations on a statewide basis for metropolitan and nonmetropolitan discretionary communities [7]. The issue here was protection against loss. The dual formula system for entitlement jurisdictions protected communities against any loss, but this protection was not possible for the metropolitan and nonmetropolitan discretionary allocations to individual states. The discretionary funds are basically fixed amounts--20 percent of the total for nonmetropolitan areas and, under the amendments, \$250 million for the metropolitan discretionary fund. If the total amount needed to fund the discretionary allocations under the two formulas exceeds the amount available, then each state has its share prorated downward. (HUD projections of 1980 allocations show that each state's share of metropolitan discretionary funds would be prorated downward by 11.2 percent while nonmetropolitan discretionary funds would be prorated downward by 12.3 percent.)

Because of the great benefit of the second formula to the northeastern and midwestern states, southern and western senators feared their states would actually get much less money for discretionary distributions. Senator James Sasser (D-Tennessee) proposed that the second formula be dropped for the small communities,

---

7. There was one difference in the formula criteria for small communities. The second formula used population instead of growth lag because current data are not available for population changes in small communities.

asserting that poverty was the best measure of need for small cities. He said that twenty-seven southern and western states would lose discretionary funds under the dual formula [8]. (A few states qualifying for discretionary funds under the second formula would also receive less money than they would have received had the original single-formula system been retained. For example, West Virginia qualifies under the second formula for both its metropolitan and nonmetropolitan discretionary funds. However, because of the prorationing downward, its projected 1980 discretionary grants fall below the projected amount it would have received under the original formula.) Senator Thomas McIntyre (D-New Hampshire) countered that such a redistribution of funds was appropriate to meet the needs of older communities in the northeast [9]. The Sasser amendment was narrowly defeated, 45 to 43. The vote was along regional lines with northeastern and midwestern senators voting 40 to 2 to retain the dual formula for small communities while southern and western senators voted 41 to 5 to drop the second formula.

The Senate did adopt two amendments favored by small communities. Neither became the subject of a major dispute and they were accepted by voice vote. One was an amendment by Senator William Hathaway (D-Maine)

---

8. Congressional Record, vol. 123, no. 97, 95 Cong. 1 sess. (daily ed., 1977), p. S9058.

9. *Ibid.*, p. S9060.

to require that 25 percent of the UDAG funds be earmarked for small communities. This was a companion amendment to the one adopted on the House floor. The Senate committee had not included this provision in its bill. The Hathaway amendment, combined with the provision to fund the impaction grants from the UDAG money, meant that the amount of UDAG funds available for the larger cities was likely to be less than \$100 million a year.

The second amendment accepted, proposed by Senator Dale Bumpers (D-Arkansas), extended the phasing down of hold-harmless grants by requiring that no entitlement recipient receive less than 80 percent of its previous year's grant. The 1974 act provided that hold-harmless communities would be phased down by thirds during the fourth and fifth years of the program. In the sixth year these communities would have no entitlement.

The bill, with the impaction grants and the Hathaway and Bumpers amendments, passed the Senate on June 7 by a vote of 79 to 7.

In the House-Senate conference committee the Senate's impaction grants were the major issue. The conferees first met on June 28 and most of the differences were settled in a few sessions. But the impaction issue produced a deadlock that lasted until September 26. The House had never had an opportunity to consider the impaction grants because the idea had not been presented until after that chamber had passed the bill [10]. The House conferees sided with HUD Secretary

---

10. For a more detailed discussion of this dispute, see Rochelle L. Stanfield, "Civil War Over Cities' Aid--The Battle No One Expected," National Journal, August 6, 1977, no. 32, pp. 1226-27.



Harris, who wanted to preserve the full \$400 million UDAG program. Senate conferees, on the other hand, were committed to the impactation grants and were not enthusiastic about having HUD start up a major new discretionary grant program. Their differences produced a stalemate. At one point, Ashley, chairman of the House conferees, referred to the Senate proposal as "plundering." On several occasions the senators presented compromises, offering to fund the impactation grants at only two-thirds of the total and then at 55 percent. The House refused, and the conferees broke up their meetings on July 18 and did not resume discussions until September. (After further discussions the House finally won. The conference committee agreed on the dual formula but dropped the impactation grants.) (In return for the Senate concession, it was agreed that the impactation of older housing would be a primary criterion for the distribution of the UDAG grants.) Funding for UDAG was kept at the level of \$400 million annually, but the law provided that, if Congress failed to appropriate funds for the full CDBG authorization in each of the three years of the program extension, the action grants would be the first program to be cut [section 103(c)] [11]. Section 106(1) of the final version also provided that a study

---

11. For example: full funding of title I of the 1977 act would require an appropriation of \$4.3 billion in fiscal 1980 (\$3.8 billion for the block grant, \$100 million for urban renewal closeouts, and \$400 million for UDAG). If the actual appropriation totals only \$4.1 billion, the UDAG program will receive only \$200 million; if the appropriation is \$3.9 billion, the UDAG program will receive no funds; if the appropriation is \$3.8 billion, neither the UDAG program nor the urban renewal closeouts will be funded.

be made by September 30, 1978, on the "adequacy, effectiveness, and equity" of the new allocation system, with specific attention given to the feasibility of using impact factors in the formula.

The Bumpers amendment to stretch out the phase down of hold-harmless entitlements was dropped, thus retaining the planned phase out in the sixth program year. The small communities did succeed in getting 25 percent of the UDAG grants earmarked for them.

The new provisions of the Housing and Community Development Act went into effect on October 1, 1977. In addition to \$400 million for UDAG, the new legislation provided an increase in the basic block grant authorizations. Under the 1974 law, authorization for the third year (fiscal 1977) had been set at \$2.95 billion. The revised law increased the authorization to \$3.5 billion in fiscal 1978, \$3.65 billion in 1979, and \$3.8 billion in 1980. The law also provided \$100 million a year for three years to close out uncompleted urban renewal projects.

#### URBAN DISTRESS AND FORMULA CRITERIA

##### Aging Cities

The original CDBG formula was based on population, poverty (weighted double), and overcrowded housing. A major point of the first Brookings report on the CDBG program was that the formula failed to include any measure of the physical development needs of cities. As a consequence, there was a major discrepancy between the physically

oriented objectives stated in the law and the poverty-oriented formula for allocation of the funds. Under the new legislation, the adoption and heavy weighting of the pre-1940 housing factor (housing, 0.5; poverty, 0.3; growth lag, 0.2) better aligns the allocations system with the stated objectives. As shown in table 2-1, the pre-1940 housing factor aids older cities in all regions, but particularly old central cities of the northeast and midwest.

Table 2-1. Number of CDBG Recipients Above Mean of Pre-1940 Housing, by Region (Mean of Entitlement Areas = 36 Percent)

Region	Total number of CDBG recipients	Number of recipients above the mean			Percent of recipients above the mean
		Central cities	Satellite cities	Urban counties	
New England	53	34	12	0	87
Middle Atlantic	99	42	18	13	74
East North Central	121	58	15	2	62
West North Central	33	21	2	0	70
South Atlantic	77	18	1	0	25
East South Central	27	9	0	0	33
West South Central	65	7	0	0	11
Mountain	26	5	0	0	19
Pacific	107	9	5	0	15
	<u>608</u>	<u>203</u>	<u>48</u>	<u>15</u>	<u>44</u>

Source: Calculated from 1970 Census of Housing, Detailed Housing Characteristics, series HC (1)(B), table 35.

(Puerto Rico is excluded from this analysis.) It is also noteworthy that forty-eight satellite cities and fifteen urban counties have above average levels of older housing. It should be reemphasized here that

\* the age-of-housing factor is not used to measure the condition of housing units themselves but rather serves as a proxy for community age and as an indicator of community infrastructure needs.

### Growth Lag

Under the new legislation, older cities also benefit from the inclusion of the growth lag factor. Most older cities have lost population since 1950 while some cities have continued to grow but at a rate below the average for all cities. It is important to note in table 2-2 that the CDBG jurisdictions experiencing growth lag are

Table 2-2. Number of CDBG Recipients with Population Growth Lag, by Region (Mean Population Growth, 1960-75 = 12.3 Percent)

Region	Total number of CDBG recipients	Number of recipients with growth lag			Percent of recipients with growth lag
		Central cities	Satellite cities	Urban counties	
New England	53	26	13	0	74
Middle Atlantic	99	38	19	11	69
East North Central	121	39	17	2	48
West North Central	33	14	1	0	46
South Atlantic	77	22	0	0	29
East South-Central	27	9	0	0	33
West South Central	65	20	0	0	31
Mountain	26	4	0	0	15
Pacific	107	10	15	0	23
	608	182	65	13	41

Source: Calculated from County and City Data Book, 1962, table 6; data supplied by the Department of Housing and Urban Development; and the U.S. Office of Revenue Sharing, General Revenue Sharing: Final Data Elements, Entitlement Period 9.

predominantly central cities, though some are satellite cities or urban counties. As seen in the table, growth lag affects communities in all regions. Along with reduced growth generally come changes in the composition of the population: higher income groups move out, leaving the poor behind. In many cities, such shifts have eroded the tax base, increased social services costs, and thus worsened fiscal conditions.

### Measuring Distress

We have combined the factors of age of housing, poverty, and population change into an urban conditions index, in order to compare the needs of CDBG entitlement jurisdictions [12].

---

12. This index was initially used in chapter 12 of the first-year Brookings report on the CDBG program to discuss a means for allocating a supplementary grant program. See Nathan et al., Block Grants for Community Development, p. 510. The index is computed as follows:

$$\frac{\frac{\text{Percent poverty}}{\text{Mean percent poverty}} \times \frac{\text{Percent pre-1940 housing}}{\text{Mean percent pre-1940 housing}}}{\frac{100 + \text{percent of population change}}{100 + \text{median percent of population change}}}$$

This version of the formula was used to show interrelationships between an individual city and all entitlement cities. For algebraic simplicity the denominators for all factors can be dropped without changing the rankings of the cities.

The pre-1940 housing factor was chosen to serve as a proxy for a community's age and thus its infrastructure needs such as streets, curbs, and water and sewerage systems. The poverty factor is a direct measure of a community's general socioeconomic character and also stands as a proxy for both social welfare spending needs and income base. Population change is also an important indicator of a city's problems and prospects. A community with a declining population is likely to be experiencing an erosion of its resource base. Declining cities generally are losing not only their middle income population but they also tend to have slower rates of increase in housing values, another important factor in a community's fiscal condition [13]. Conversely, growing communities experience a more rapid expansion of both their income base and housing values and thus are in a better position to finance physical development and socioeconomic needs. Thus we see these three factors as measuring important dimensions of community conditions--physical, socioeconomic, and fiscal. Further, we see these factors as interacting and reinforcing.

The formula also seeks to account for change, although data availability limits such measurements. A community losing population is likely to experience an increasing incidence of poverty because it is generally the better off residents who are leaving. However, this change in the incidence of poverty cannot be directly measured because

---

13. See Nathan et al., Block Grants for Community Development, Table 12-1, p. 508.

only 1970 census data is available for this factor. Current population figures are available and we believe they can be used to indirectly measure the changing socioeconomic composition of a community as well as the changing conditions of the fiscal base. Because of these interrelationships the index was constructed, by use of multiplicative and division functions, to measure both interactions and changes.

The index numbers in the first report were based on 1970 census data and did not include the urban counties. For this report, the urban counties have been included, bringing the total to 608 jurisdictions (excluding Puerto Rico), and population figures have been updated to 1975. (See appendix II for the index formula and a listing of the index number for each jurisdiction.) The index mean for all jurisdictions is standardized at 100. Table 2-3 shows the distribution by region, type, and size of three groups of jurisdictions: (1) those cities and counties most distressed, i. e., with indexes above 200; (2) those above the mean of 100 but below 200; (3) the better-off communities, i. e., those below 100.

Table 2-3. Distribution of CDBG Recipients on the Brookings Urban Conditions Index, by Region, Type, and Size

	Number of CDBG recip- ients	Number below 100	Percent below 100	Number 100- 200	Number above 200	Percent above 200
<b>Region</b>						
New England	53	22	41	17	14	26
Middle Atlantic	99	43	43	21	35	36
East North Central	121	74	61	27	20	17
West North Central	33	20	61	9	4	12
South Atlantic	77	44	57	24	9	12
East South Central	27	14	52	9	4	15
West South Central	65	43	66	17	5	8
Mountain	26	22	85	4	0	0
Pacific	107	97	91	7	3	3
	<u>608</u>	<u>379</u>	<u>62</u>	<u>135</u>	<u>94</u>	<u>16</u>
<b>Type</b>						
Central cities	372	175	47	110	87	23
Satellite cities	158	133	84	18	7	5
Urban counties	78	71	91	7	0	0
	<u>608</u>	<u>379</u>	<u>62</u>	<u>135</u>	<u>94</u>	<u>16</u>
<b>Population size</b>						
Above 1,000,000	8	4	50	0	4	50
500,000-1,000,000	30	20	66	4	6	20
250,000-500,000	80	59	74	12	9	11
100,000-250,000	122	67	55	39	16	13
Below 100,000	367	229	62	80	59	16
	<u>608</u>	<u>379</u>	<u>62</u>	<u>135</u>	<u>94</u>	<u>16</u>

Source: Index data (see appendix II).



As seen in table 2-3, the highest proportions of the most distressed cities are found in the New England and Middle Atlantic regions, but all regions except the Mountain states have some cities at the high end of the index. In terms of type of community, not only central cities but also a number of satellite cities and a few urban counties are above the mean. Thus, contrary to the popular impression, all suburban communities are not well-off and growing. Berkeley, California; Cambridge, Massachusetts; Camden, New Jersey; and Somerville, Massachusetts, are examples of satellite cities with indexes above 200. East St. Louis, Illinois, a satellite city, is the highest ranked city on the conditions index, at 609. The table also shows that distress is found in cities of all sizes and is not confined to the large cities. In short, urban distress cuts across region, type, and size. Urban policy must therefore be analyzed with regard to how well it targets resources to these distressed areas, wherever they may be located.

#### TARGETING AND THE DUAL FORMULA

With the inclusion of age of housing and growth lag as formula elements, the new CDBG allocation system directs more aid to the distressed cities discussed above. Table 2-4 shows by region, type, and size the number of communities benefiting from the addition of the second formula.

Table 2-4. Communities Benefiting from the Dual Formula, by Region, Type, and Size

	Number of jurisdictions	Number benefiting	Percent benefiting
<b>Region</b>			
New England	53	44	83
Middle Atlantic	99	74	75
East North Central	121	70	58
West North Central	33	17	52
South Atlantic	77	19	25
East South Central	27	5	19
West South Central	65	7	11
Mountain	26	3	12
Pacific	107	20	19
	<u>608</u>	<u>259</u>	<u>43</u>
<b>Type</b>			
Central cities	372	183	49
Satellite cities	158	61	39
Urban counties	78	15	19
	<u>608</u>	<u>259</u>	<u>43</u>
<b>Population size</b>			
Above 1,000,000	8	4	50
500,000 to 1,000,000	30	10	33
250,000 to 500,000	80	23	29
100,000 to 250,000	122	57	47
Below 100,000	368	165	49
	<u>608</u>	<u>259</u>	<u>43</u>

Source: Projections of 1980 allocations; see appendix II.

A total of 259 communities, 43 percent of all entitlement jurisdictions, are projected to receive more funds in fiscal 1980, when

the dual formula system is fully in effect, than they would have under the single formula system. Of the 259, 205 are in the four census subregions of the northeast quadrant (New England, Middle Atlantic, and East and West North Central), while 54 are in the southern (South Atlantic, East and West South Central) and western (Pacific and Mountain) regions. The communities benefiting from the dual formula include 183 central cities, 61 satellite cities, and 15 urban counties. There are 165 small communities (with populations below 100,000) that benefit from the dual formula.-

Comparing projected allocations in 1980 with urban distress as measured by the conditions index (with its similar factors) [14], 97 percent of communities above the 200 level are projected to benefit from the dual formula; 68 percent of the communities between 100 and 200 benefit; 20 percent below 100 benefit, as shown below. A Pearson r correlation shows a coefficient of .6019 between the index and per capita allocations under the original formula; the coefficient increases to .9092 under the dual formula.

---

14. Both the dual formula and the conditions index use the age-of-housing and poverty factors; the formula uses growth lag while the index uses population change, thus factoring in population loss, slow growth, and great growth. The formula allocations are based on the actual numbers for old houses, poor, and population lag, while the index is based on impaction, that is, the percentage of old houses, poor, and population change.

Position on urban conditions index	Number of jurisdictions	Number benefiting	Percent benefiting
Below 100	379	76	20
100-200	135	92	68
Above 200	94	91	97
	<u>608</u>	<u>259</u>	<u>43</u>

DISTRIBUTIONAL PATTERNS: DOLLARS AND SHARES

To assess the full effect of the dual formula system we projected the allocations of the entitlement areas to fiscal 1980 when hold-harmless entitlements will be ended and full formula funding will be implemented. The projections and comparisons with the single formula system are based on the \$3.8 billion authorized for fiscal 1980 in the 1977 act. The actual amounts to be allocated in fiscal 1980 will depend on program appropriations. Also, the actual amounts will change when later population data are used to measure population growth, growth lag, and to add new entitlement communities.

Overall, the addition of the second formula is projected to increase the amount of formula funds to the 608 entitlements areas in fiscal 1980 from \$1.9 billion to \$2.6 billion. This represents an increase in formula entitlements to these jurisdictions from 52 percent to 71.5 percent of the total CDBG program. In figure 2-1, estimated

Figure 2-1. Estimated Allocations for Fiscal 1980 under the Original and Amended Legislation

1974 Legislation

formula entitlements 52 percent	metropolitan discretionary funds 28 percent	non- metropolitan discretionary funds 20 percent
------------------------------------	--	--

1977 Legislation

formula entitlements 71.5 percent		non- metropolitan discretionary funds 20 percent [15]
--------------------------------------	--	---

↑  
metropolitan  
discretionary  
funds  
8.5 percent

---

15. Because of the special set-aside procedure used to compute the metropolitan discretionary balances, the nonmetropolitan share of total dollars is approximately 18 percent.

allocations are compared under the old and new legislation, after removing the 3 percent secretary's discretionary fund [16].

As shown, the additional funds for the dual formula come primarily from the metropolitan discretionary fund, which provides CDBG aid for smaller communities within metropolitan areas. Under the old system, the metropolitan discretionary fund would have grown to an estimated \$825 million in 1980, or 28 percent of all metropolitan allocations. The new legislation greatly reduces that amount and share. Under both the 1974 and 1977 laws the metropolitan discretionary fund is the amount left over after the formula and hold-harmless entitlements have been allocated. Because the total amount needed for the formula entitlements was undetermined when Congress considered the legislation, and because the entitlements will change as new population data are used and new communities are added, it was uncertain how much would be left for metropolitan discretionary distribution. Therefore, Congress provided that at least \$250 million must be set aside for metropolitan discretionary allocation in 1980. In reality this is likely to be the ceiling as well as the floor. Thus the 28 percent metropolitan discretionary share projected under the 1974 legislation is reduced to less than 10 percent under the dual formula. In proposing the dual formula in our first report, we advocated funding the added cost from the metropolitan discretionary fund. (Another change in the law

---

16. The 1977 amendments increased the secretary's discretionary fund from 2 to 3 percent.

affecting small metropolitan communities is that discretionary funds are to be aggregated at the state level rather than by individual metropolitan areas. At the individual metropolitan area level, the amounts available would usually be too small to make any impact.)

We now turn to an analysis of the distributional patterns of the dual formula by region and type of recipient, comparing dollar amounts, dollars per capita, and percentage shares under the dual and single formula systems.

#### Regional Distribution Patterns

The greatest aggregate benefits of the dual formula go to the four regions of the northeast quadrant. Of the total of \$675 million in additional funds for entitlement areas under the dual formula, 80 percent goes to the northeast quadrant. As shown in table 2-5, total dollars for these four regions are projected to increase from \$950 million to \$1.5 billion, an increase of 58 percent. Funds for entitlement areas in the southern and western regions go from \$978 million to \$1.1 billion, an increase of 10.5 percent. Thus, in terms of dollars, funds for entitlement areas in all regions increase. In terms of percentage shares, the northeast quadrant's share of entitlement funds increases from 49 percent to 58 percent, southern and western share declines from 51 percent to 42 per

16. The fund from 2  
 less than  
 formula in o  
 the metropo

Distribution of CDBG Entitlement Allocations, by Region

Region	Categorical share	Single formula of (millions dollars) per capita	Single formula per share	Dual formula (millions dollars) of per capita	Dual formula per share
<b>NORTHEAST QUADRANT</b>					
New England	10.9	76	16.68	4.0	142
Middle Atlantic	21.9	427	17.37	22.1	682
East North Central	16.5	350	16.58	18.1	548
West North Central	6.4	97	16.54	5.0	150
	<u>55.7</u>	<u>950</u>	<u>16.93</u>	<u>49.2</u>	<u>1,522</u>
					<u>27.12</u>
					<u>58.5</u>
<b>SOUTH and WEST</b>					
South Atlantic	16.0	259	18.94	13.4	292
East South Central	4.1	89	23.49	4.6	100
West South Central	7.8	221	21.67	11.4	227
Mountain	3.1	63	14.86	3.3	69
Pacific	13.3	346	16.15	18.1	392
	<u>44.3</u>	<u>978</u>	<u>18.34</u>	<u>50.8</u>	<u>1,080</u>
					<u>20.25</u>
					<u>41.5</u>

Source: Projections of 1980 allocations (see appendix II).



Comparing per capita allocations, the northeast quadrant regions have a per capita increase of \$10.15; the southern and western regions have per capita increases of \$1.79 and \$2.12 respectively.

The aggregated data above show the interregional effects of the dual formula. However, as shown by the earlier analysis of urban distress, there are cities in the southern and western regions that will benefit from the dual formula. Some examples chosen by size are shown below.

	Grant under single formula (\$ 000)	Grant under dual formula (\$ 000)	Percent gain
Southern			
Atlanta, Ga.	12,774	14,650	15
Baltimore, Md.	20,952	32,338	54
Birmingham, Ala.	8,286	12,440	50
Louisville, Ky.	8,415	13,673	63
New Orleans, La.	19,483	22,914	18
Norfolk, Va.	6,678	7,651	15
Savannah, Ga.	3,562	5,823	63
Washington, D.C.	18,389	23,451	28
Western			
Denver, Colo.	9,337	12,944	39
Long Beach, Calif.	5,790	8,187	41
Oakland, Calif.	7,794	13,003	67
Portland, Ore.	6,173	12,016	95
Salt Lake City, Utah	3,352	6,036	80
San Francisco, Calif.	14,163	28,982	105
Seattle, Wash.	7,533	17,949	138
Spokane, Wash.	3,013	5,284	75

Types of Communities

Among jurisdictional types, the greatest benefits from the dual formula system go to the central cities. Central city allocations increase 43 percent (table 2-6), going from almost \$1.4 billion to almost \$2 billion; central cities receive nearly 90 percent of the additional aid going to entitlement areas. It should be noted, however, that the dual formula does not return central cities to the proportionate level of benefits they received under the categorical grants. Prior to the CDBG program, the central cities received close to 90 percent of urban aid funds, about 15 percentage points above their CDBG share. A total of 113 central cities are projected to receive less under the dual formula than they had received under the categorical grants despite the fact that the total amount of aid has increased by 80 percent. Cities that will receive less than they did under the categorical grants include:

	1980 CDBG grant (\$ 000)	Hold-harmless grant (\$ 000)
Atlanta, Ga.	14,650	16,377
Boston, Mass.	25,831	28,993
Denver, Colo.	12,944	13,279
Newark, N.J.	16,785	19,508
Washington, D.C.	23,451	40,998

Table 2-6. Projected Distribution of CDBG Entitlement Allocations, by Type of Jurisdiction

Type	Categorical share	Single formula of (millions of dollars) per capita	Single formula per share	Dual Formula (millions of dollars) per capita	Dual formula per share
Central cities	89.7	1,375	20.84	1,975	29.94
Satellite cities	5.8	160	13.32	214	17.77
Urban counties	4.5	393	12.61	413	13.25
		<u>1,928</u>		<u>2,602</u>	

Source: Projections of 1980 allocations (see appendix II).

Because some satellite cities and urban counties also have problems of age and growth lag, collectively their amount of aid increases. Satellite cities gain \$54 million while urban counties gain \$20 million, increases of 33 percent and 5 percent respectively.

While all types of jurisdictions gain in total dollars and in dollars per capita, their shares of CDBG funds shift (see table 2-6).

The urban county share declines 4.5 percentage points, the satellite city share declines only slightly, and the central city share increases 4.6 percentage points. Thus, the overall picture is one of concentration of additional funds in the central cities. However, the distribution of the central city gains varies significantly among regions. As shown in table 2-7, central cities of the northeast quadrant are the primary beneficiaries of the new aid. Their aggregated allocations increase 73 percent, and their share of all entitlement aid to central cities increases from 50 to 60 percent. The southern and western central cities combined increase their aggregated allocations by 14 percent but their share of total central city allocations decline from 50 to 40 percent.

Table 2-7. Projected Distribution of CDBG Entitlement Allocations to Central Cities, by Region

Region	Single formula (millions of dollars)	Single formula per capita	Single formula share	Dual formula (millions of dollars)	Dual formula per capita	Dual formula share
<b>NORTHEAST QUADRANT</b>						
New England	61	18.12	4.4	112	33.16	5.7
Middle Atlantic	298	22.17	21.7	514	38.32	26.0
East North Central	252	19.97	18.3	434	34.46	22.0
West North Central	72	18.77	5.2	124	32.32	6.3
	<u>683</u>	<u>20.53</u>	<u>49.6</u>	<u>1,184</u>	<u>35.60</u>	<u>60.0</u>
<b>SOUTH and WEST</b>						
South Atlantic	181	22.93	13.2	214	27.10	10.8
East South Central	82	23.93	6.0	93	26.98	4.7
West South Central	197	23.47	14.3	203	24.19	10.3
Mountain	51	17.27	3.7	58	19.52	2.9
Pacific	181	18.00	13.2	223	22.22	11.3
	<u>692</u>	<u>21.15</u>	<u>50.4</u>	<u>791</u>	<u>24.17</u>	<u>40.0</u>

Source: Projections of 1980 allocations (see appendix II).

### Intrametropolitan Disparities

A basic argument we have made in various analyses of federal aid distributions is the need for better targeting in terms of directing a larger share of aid to the older, declining areas--to the distressed central and satellite cities and away from small suburban communities [17]. Targeting can also be analyzed within individual metropolitan areas; that is, how does the dual formula affect the shares of CDBG funds received by the central city (or cities) and suburbs of individual metropolitan areas? Table 2-8 shows the funding for six selected metropolitan areas by central city and suburban (satellite cities and urban counties) shares. The SMSA's were chosen on the basis of two criteria: (1) a range of central city-suburban socioeconomic disparities; (2) CDBG entitlement jurisdictions covering most of the metropolitan area. Total dollar amounts, percentage gains, and shares under the single and dual formulas are compared and related to a Brookings index of social and economic disparities between the central city and its suburbs [18]. This index differs from the urban

---

17. See Richard P. Nathan and Paul R. Dommel, "The Cities," Setting National Priorities: The 1978 Budget (Washington, D.C.: Brookings Institution, 1977), pp. 283-316; Financing Municipal Needs, hearings before the Subcommittee on Economic Growth and Stabilization and the Subcommittee on Fiscal and Intergovernmental Policy of the Joint Economic Committee, July 28, 1977, pp. 51-64.

18. See Richard P. Nathan and Charles Adams, "Understanding Central City Hardship," Political Science Quarterly 91, no. 1 (spring 1976): pp. 47-62. The indicators used are unemployment, dependency (population under age 18 and over 64), education, per capita income, overcrowded housing, and poverty.

conditions index discussed earlier, which uses different data elements and does not measure central city-suburban disparities. A disparity index above 100 means that the central city is more disadvantaged socioeconomically than its suburbs; an index below 100 means that the central city is better off than its suburbs. A study of central city-suburban disparities in the fifty-five largest metropolitan areas found the cities of Newark, Cleveland, and Hartford the most disadvantaged and Greensboro, Seattle, and Fort Lauderdale the most advantaged relative to their suburbs.

In the selected metropolitan areas shown in table 2-8, the central cities of Cleveland and Chicago have large disparities, Louisville and Birmingham have moderate disparities, and Los Angeles and Houston are near and below the mean disparities, respectively. As the table illustrates, the more disadvantaged central cities (i.e., compared to their suburbs) gain more from the dual formula (column 4). Cleveland receives an additional \$23 million, an absolute gain of 147 percent, while its suburbs together gain only 50 percent. Overall, the city of Cleveland increases its share from 70 percent of metropolitan area funds to nearly 80 percent. Birmingham receives an additional \$4 million, while its surrounding urban county receives no additional funding. The central city thus increases its share of metropolitan funds from 56 percent to 66 percent. Within the Los Angeles metropolitan area the index shows only slight disparity between the city and its suburbs, and shares remain constant.

Table 2-8. Funding Shares of Central Cities and Suburbs Compared under Original and Dual Formulas, for Six Selected SMSA's

SMSA	Disparity index (1)	Single formula grant* (2)	Dual formula grant* (3)	Percent gain (4)	Single formula share (5)	Dual formula share (6)
Cleveland	331					
Central city		16.0	39.5	147	70.4	79.6
Suburbs		6.7	10.1	50	29.6	20.4
Chicago	245					
Central city		71.1	130.8	84	68.4	77.1
Suburbs		32.9	38.8	18	31.6	22.9
Louisville	165					
Central city		8.4	13.6	63	66.6	76.4
Suburbs		4.2	4.2	0	33.4	23.6
Birmingham	131					
Central city		8.3	12.4	50	56.9	66.5
Suburbs		6.3	6.3	0	43.1	33.5
Los Angeles	105					
Central city		63.1	65.5	4	51.4	51.2
Suburbs		59.6	62.3	5	48.6	48.8
Houston	93					
Central city		26.2	26.2	0	78.5	78.5
Suburbs		7.2	7.2	0	21.5	21.5

Source: Projections of 1980 CDBG allocations; see footnote 18 on the disparity index.

\*Millions of dollars.



The area as a whole gains \$5 million, half of which goes to the central city, half to several of the satellite cities. The rapidly growing, better-off Houston area receives no new funds under the dual formula, and thus there is no change in shares. In sum, the improved targeting found at the interregional level is also found within metropolitan areas.

Overall, we conclude that the dual formula system does a reasonably good job of targeting additional aid to the most distressed cities and areas.

#### THE OVERALL PATTERN OF FEDERAL AID DISTRIBUTIONS

In this chapter we have focused on measuring urban distress and have illustrated how the dual formula does a better job of targeting CDBG aid than the original single-formula system. We also noted how the new distributional system, while giving more aid to needy cities in all regions, is particularly beneficial to the older cities of the northeast. It was this redirection of aid that resulted in the sharp regional cleavages that developed as the legislation went through Congress.

It is clear that the dual formula did result in substantially more funds for cities of the northeast quadrant (NEQ). However, these shifts represent only a small part of overall federal aid, and the CDBG program is only one part of a large recent increase in federal aid to

local governments generally. The share of federal aid given directly to local governments has risen to about one-third of all federal grants, and the dollar amounts have increased sharply. If welfare grants (AFDC and Medicaid), which go to the states, are eliminated from consideration--as we would argue they should be for these purposes--half of all remaining federal grants to states and localities in 1978 go to local governments. This trend toward increased direct federal-local grants represents a fundamental change in American federalism. Most recently the countercyclical revenue-sharing, local public works, and public service employment programs, along with CDBG programs, have brought to local governments new types of assistance and new policy objectives to meet. These programs have resulted in very large increases of aid to most cities, including those in the south and west.

The total federal aid picture needs to be viewed both close-up and from a distance. Looking closely at fiscal 1978, federal assistance for the most distressed urban areas has reached new highs. As shown in table 2-9, projected total grants for Chicago in 1978 exceed \$400 million; grants for Philadelphia and Detroit are over \$300 million each. The major increases have been recent, since 1975.

Taking a longer perspective, federal aid to all cities, even the most well-off, has increased within the past five years. The percentage increases from 1972 to 1978 for Houston and Phoenix, for example, have been 591 and 689 percent respectively, over this six-year

period (column 5). On this basis, a spreading pattern of federal aid is observed, from the northeastern cities which were the primary beneficiaries of the consolidated categorical programs to "Sunbelt" cities with less previous grant experience, which are now benefiting from the shift from discretionary to formula grants.

Table 2-9. Comparative Growth of Total Federal Grants to Selected NEQ and Sunbelt Cities, 1971-72 through 1978 (Thousands of Dollars)

City	Estimated grants FY 1978 (1)	Total grants 1974-75 (2)	Total grants 1971-72 (3)	Percent increase 1975-78 (4)	Percent increase 1972-78 (5)
Baltimore	181,394	108,015	43,835	68	314
Boston	120,885	66,782	61,249	81	97
Buffalo	80,947	31,844	15,345	154	427
Chicago	407,726	166,129	95,147	145	329
Cleveland	110,381	47,733	16,782	131	558
Detroit	311,142	166,183	132,071	87	136
Philadelphia	328,134	130,820	82,694	151	297
St. Louis	109,500	31,483	14,145	248	674
Mean, 8 NEQ cities				133	354
Atlanta	58,994	38,548	10,435	53	465
Birmingham	31,643	14,458	3,240	119	877
Dallas	64,147	24,292	4,807	74	777
Houston	86,395	45,869	12,507	88	591
Jacksonville	40,886	30,619	6,247	34	554
Louisville	67,686	36,364	21,588	86	214
New Orleans	86,895	45,670	14,770	90	488
Oklahoma City	38,748	18,691	5,540	107	599
Phoenix	70,911	36,556	8,990	94	689
Mean, 9 Sunbelt cities				83	584

Source: Computed by procedures described in Richard P. Nathan, Paul R. Dommel, and James W. Fossett, "Targeting Development Funds on Urban Hardship," Testimony before the Joint Economic Committee, July 28, 1977.

Our analysis of current federal aid developments leads us to conclude that the trend of growing local aid is likely to continue, but at a less rapid rate. Given the increased use of allocation by formula, the spreading pattern is also likely to continue. We are not

optimistic about the prospects for adjustment of existing formulas to achieve better targeting on distressed urban communities. Formulas are political decisions, and altering them requires changes in the distribution of political influence. The CDBG dual formula has produced considerable critical comment, suggesting that such changes will be harder to achieve in the future.

In sum, we see efforts to achieve better targeting as an important part of urban problem-solving; we also see such efforts as likely to meet with resistance from those concerned about other problems--for example, the problems of growth areas and the need for rural development. The clash and clang as formula issues are debated reflects the balancing of political interests. The needs of distressed core cities and inner-ring suburbs, which are recognized by the CDBG dual formula, have for a long time been a fundamental concern of domestic politics, but it is a concern that competes for attention with many other claims.

### Chapter 3

#### INTERGOVERNMENTAL RELATIONS UNDER THE BLOCK GRANT PROGRAM

An important goal of the CDBG program is to transfer control over community development from the federal to the local level--to decentralize. This chapter focuses on the relationships between local governments and the federal and state governments in the implementation of the CDBG program.

The first question to be asked--and it is not an easy one--is what kinds of intergovernmental relations were anticipated under CDBG? The origins of CDBG can be traced to the Nixon administration's New Federalism program. This was a devolutionary strategy which sought, as one way of decentralizing, to create broader and less conditional federal grant-in-aid programs for state and local governments--that is, broader and less conditional than the conventional categorical grants, the mainstay of President Lyndon Johnson's Great Society, which had seen a rapid increase (critics called it a "proliferation") of such grants. The two main intergovernmental fiscal instruments of the New Federalism were "general revenue sharing" (enacted in 1972 and extended in 1976) and the so-called special revenue sharing programs, the Nixon administration's term for what are now generally called "block grants." A block grant is a grant in a broad functional area, distributed in part (or in full) under a formula allocation system and involving a "minimum" of federal conditions and restrictions. The aim is to enable recipient jurisdictions to (1) anticipate their allocations in advance and (2) use these funds with more flexibility and discretion than is

possible under the narrower categorical grant programs, especially those allocated on a project (as opposed to formula) basis.

The implications of the block grant policy for community development were described enthusiastically by President Ford when he signed the Housing and Community Development Act of 1974: "In a very real sense, this bill will help to return power from the banks of the Potomac to people in their own communities. Decisions will be made at the local level. Action will come at the local level. And responsibility for results will be placed squarely where it belongs--at the local level" [1].

Likewise, David Meeker, the assistant secretary of housing and urban development in the Ford administration, made it clear that the aims of the New Federalism would be reflected in the implementation of the CDBG program: "In the past, there has been a very large temptation to insert ourselves (HUD) into the decision-making process of local elected officials. We had to say whether you could or could not do anything. We are now trying to limit HUD's role to those [cases and problems] that are constitutional in nature" [2].

---

1. Gerald R. Ford, "Statement on the Housing and Community Development Act of 1974" Public Papers of the President of the United States (Washington, D.C.: Government Printing Office, 1975), p. 44.

2. Arthur J. Magida, "Housing Report: Major Programs Revised to Stress Community Control," National Journal 6, no. 37 (1974): 1374.

The executive branch, however, was by no means the only actor in this drama. While the Nixon and Ford administrations stressed the breadth, flexibility, and formula allocation features of the CDBG program, the Congress wrote in objectives, added restrictions on the use of funds, and established application and planning procedures, including review by state and regional bodies as well as HUD. The result, in effect, was a hybrid: a decentralization instrument with many centralization features.

From the outset there were many who were skeptical about the decentralization impact of CDBG. Some predicted that in the first year--in the rush to implement the new program in four months--central controls would be few and limited, but that in the ensuing years they would grow. It was pointed out that, beginning in the second year, HUD was required to conduct "performance-monitoring reviews" under CDBG. For this reason and others, both defenders and opponents of the New Federalism saw a possibility of what was called "creeping recategorization" in subsequent grant years.

Others pointed out that the election in 1976 (when the application process for the third program year was just beginning for most CDBG recipient jurisdictions) might produce a Democratic administration less enamored of the program's decentralization aims than its Nixon and Ford precursors. In fact, statements by HUD Secretary Patricia Harris suggest that this is the case. Addressing the House Subcommittee on Housing and Community Development, Secretary Harris said: "We will



expect communities to direct development and housing programs toward low and moderate income citizens. I do not consider these to be just objectives of the block grant program; it is the highest priority of the program, and we, in the Federal Government, must see to it that the thrust of the program serves that objective" [3].

How Secretary Harris's policy will affect local decisionmaking in the CDBG program is a question that cannot be answered for several years. We can, however, assess the role of the federal and state governments in administering the program in its first two years. Our first report on the CDBG program did not cover this subject; this chapter, therefore, adds an important dimension to the CDBG story.

#### THE STATE AND REGIONAL ROLE

The CDBG application process involves governments at three levels--regional, state, and federal. We discuss the role of regional and state governments first, not because they are most significant but because their reviews precede the federal review.

---

3. Patricia R. Harris, Housing and Community Development Act of 1977, Hearings before the House Subcommittee on Housing and Community Development, 95:1 (Washington, D.C.: Government Printing Office, 1977), pt.1, p. 9.

CDBG grants are made directly to local jurisdictions, rather than to state governments or regional agencies, and responsibility for planning and implementing grant programs is also borne locally. Thus, the principal opportunity for direct involvement by state or regional agencies is through application reviews.

Without spelling out the details, the Housing and Community Development Act requires that grant applications be "submitted for review and comment to an areawide [regional] agency under procedures established by the President." This is implemented through the A-95 review process, established by the Office of Management and Budget. The executive order establishes a process in which clearinghouse agencies at both the state and regional level review local grant applications and comment on the impact of the proposed programs and their consistency with areawide objectives. While these clearinghouse agencies review and comment, however, they cannot veto an application, and the absence of any veto authority is a major limitation on the effectiveness of their reviews. Although there are exceptions, in general neither the local governments nor the reviewing agencies attach great policy value to this review process.

Collecting information on the A-95 reviews for both the first and second years of CDBG, we found little effective influence by state and regional agencies. In the first year, perhaps because of time pressures, A-95 reviews at both the state and regional levels were largely perfunctory. In many cases, particularly at the state level,

agencies conducting reviews sent letters to local jurisdictions acknowledging receipt of their applications but making no substantive comments. In the second year, associates reported that the review process was taken somewhat more seriously by both the review agencies and the local communities, but overall the review process had little impact on the applications submitted to HUD.

Only three instances were noted, all in the second year, in which a local jurisdiction made changes in its CDBG application as a result of clearinghouse comments. All three--Hennepin County, Minnesota; Cleveland Heights, Ohio; and Marlborough, Massachusetts--involved comments made by regional bodies. The most interesting case was Hennepin County, where the regional clearinghouse objected to submission of a countywide housing assistance plan instead of separate housing assistance plans for each of the twenty-nine municipalities sharing Hennepin County's grant. The HUD area office agreed with this criticism, and the county changed its plan. According to the field associate, it was HUD's position, not that of the regional agency, which made the difference.

The absence of A-95 issues in our sample leads us to conclude that HUD is clearly the most significant external governmental actor, besides the locality, in the CDBG decisionmaking process.

## HUD INFLUENCE: AN OVERVIEW

Our analysis of HUD's role in the CDBG decisionmaking process relies on two kinds of information in the field associates' reports: the associates' assessments of HUD influence in each jurisdiction in the first two program years, and descriptions of specific instances of HUD involvement at the local level. These data, respectively, form the bases of the two main parts of the chapter. In this section we evaluate the overall level of HUD influence in the first two years of the CDBG program. In the second part of the chapter we take a closer look at individual cases of HUD involvement, examining content and outcomes, in order to understand what kinds of issues have concerned HUD and how conflicts between HUD and local communities have been resolved. The patterns that emerge from this analysis of issues, together with the conclusions from part 1, have important implications for the future of decentralization under the CDBG program.

### Opportunities for HUD Influence

Unlike state and regional agencies, which are involved only peripherally in the CDBG decisionmaking process, HUD interacts routinely with recipient local jurisdictions at several points in the CDBG process. These include, among others, application reviews, performance monitoring, and site visits, all of which are chiefly the responsibility of the HUD area offices around the country, though

unresolved issues may be referred to the regional office or to the central office in Washington.

In contrast to the categorical programs, under which funds were not granted until HUD had reviewed detailed plans for the proposed project and the jurisdiction's capability to carry out its proposals, the Housing and Community Development Act specified that applications from entitlement and hold-harmless jurisdictions are automatically approved unless HUD raises objections within seventy-five days after submission [4].

Once approved, a CDBG plan is not ignored, however; HUD officials may raise questions at any time regarding its implementation, as a result of site visits, complaints from third parties, and performance-monitoring reviews, which are conducted annually beginning in the second program year. In short, the opportunities for HUD to intervene in and influence local CDBG programs are many. The important question is, how has HUD used these opportunities?

---

4. The application procedure and criteria for rejection of applications are explained in detail in our first-year monitoring report on the CDBG program; See Nathan et al., Block Grants for Community Development, pp. 54-55.

### The Level of HUD Influence

Reviewing the data in each report on interactions between HUD and the recipient community, we classified sample units according to the overall level of HUD influence during the first two years of CDBG. Jurisdictions were grouped in four categories: no HUD influence on the local program, minor HUD influence, major HUD influence, and cases in which HUD's influence was so strong that it can be said that HUD determined the local program. In cases where HUD's role changed from year one to year two, several factors, including the frequency of HUD involvement, the kind of issues raised by HUD, and the outcome of HUD-jurisdiction disagreements, were weighed in order to produce a single overall classification for the two years.

In the majority of communities, HUD's influence was clearly limited. As shown in table 3-1, cases with little or no HUD influence were nearly three times as numerous as those where HUD was a major influence or determined CDBG program content.

Table 3-1. HUD Influence in the First Two Years of CDBG

Level of influence	Number of jurisdictions
Local program determined by HUD	2
Major HUD influence	14
Minor HUD influence	34
No HUD influence	11

Source: Field research data.

Note: Here and throughout the report, Roanoke Rapids, North Carolina, which received CDBG funds in the first year but not in the second, is excluded.

HUD's influence tended to be greater in smaller communities. Nine of the fourteen jurisdictions where HUD's influence was classified as major have populations under 100,000, and the two cases in which HUD determined the local program involve jurisdictions with populations under 25,000 (see table 3-2). The two cases in which HUD determined the local CDBG program were discretionary jurisdictions with no prior experience with categorical grants. The combination of inexperience and discretionary funding appeared to make these communities more subject to HUD influence. By contrast, HUD exercised essentially no influence or minor influence in the seventeen large sample communities (those with populations over 500,000).

Table 3-2. CDBG Programs Determined by HUD in the First Two Years

Jurisdiction	Type	Population	Prior grant experience	HUD influence
Casa Grande, Arizona	Nonmetropolitan discretionary	13,421	None	Almost all first-year funds were spent on housing rehabilitation at the urging of HUD, which disapproved of a street improvement proposal in the city's preapplication. Also at HUD's insistence, the city spent funds in a target area instead of citywide, as it had proposed in both the first and second years.
Pulaski County, Illinois*	Nonmetropolitan discretionary	8,756	None	In the first year HUD approved only a limited portion of the county's preapplication. In the second year, HUD cut the county's request by more than two-thirds and warned that activities "beyond those approved in the preapplication would not be considered." Pulaski's application was finally approved after the county agreed to changes specified by HUD.

\* Pulaski County represented a consortium of rural southern Illinois counties with a combined population of 58,266 in the first year and 47,529 in the second. (One of the participating counties withdrew in the second year, reducing the population figure.)



The two exceptions to this pattern of low HUD influence in large jurisdictions are Phoenix and Houston, both classified as cases of major HUD influence. In Phoenix, discussed later in the chapter, housing programs were the point of contention, while in Houston the issue was social services. According to the field associate, Houston in the past had resisted federal programs: it had a model cities program but no urban renewal projects. The city's ongoing commitment to model cities service programs begun under the categoricals conflicted with the negative position adopted by the HUD field office concerning the eligibility of social service programs under CDBG. These factors, in part, explain the level of tension between the city and HUD over CDBG, which resulted in HUD having a strong hand in shaping the city's program.

#### The Decentralization Impact of CDBG

To put the general finding of limited HUD influence in context we must ask, limited compared to what? Was HUD's role in the first two years of the CDBG program significantly different from its role in categorical grant administration? If HUD's role under CDBG was significantly smaller than under the categorical grants, that finding would constitute evidence that decentralization had taken place. Of necessity, this analysis is limited to the forty-four sample units that had previous experience under HUD programs.

The results, summarized in table 3-3, show that CDBG has had a significant decentralization impact. For thirty-eight of the units, or 86 percent, associates reported a reduced HUD role under CDBG, and for another three units they reported no change.

Table 3-3. The Decentralization Impact of CDBG: CDBG Compared with Categorical Grants

Change in HUD role	Number of jurisdictions
Substantially greater	0
Somewhat greater	3
No change	3
Somewhat smaller	21
Substantially smaller	17

Source: Field research data.

Note: N=44. In addition to the fifteen jurisdictions with no prior grant experience, there were two with insufficient experience to permit a judgment by the associate.

Furthermore, of the three jurisdictions where an increased HUD role was indicated, two--Miami and Miami Beach--simultaneously reported very low levels of HUD influence. This is a reflection of special structural arrangements between Dade County and the communities within it. Direct HUD involvement in Miami and Miami Beach had been small in the pre-CDBG

period because the community development function was primarily a responsibility of Dade County. Under CDBG these cities became entitlement areas themselves and thus came into direct contact with HUD. In Miami, for example, which had had direct relations with HUD primarily through the model cities program, the associate observed that under the block grant HUD raised "more frequent and more varied questions of eligibility, as well as fiscal and technical issues." According to the associate for Miami Beach, previous HUD involvement there had been "so minimal that there was an increase in the day-to-day involvement under CDBG, but overall it was low-keyed." Only Houston, already described, reported both major HUD influence under CDBG and an increase in HUD influence from the categorical to the CDBG programs. In sum, the data for these three cities do not constitute a strong exception to the predominant decentralization effect of CDBG shown in table 3-3.

Comments of the associates for some of the units reporting substantially less HUD influence stress both the extent and the range of local autonomy under CDBG. For Atlanta the associate reported,

HUD's relationship with the city on the CDBG application was entirely different from what it had been under the model cities and urban renewal programs. HUD has taken a "hands off" position. Its only concern is in reviewing the application to make sure it is consistent with the guidelines.

The Chicago associate compared HUD's previous close supervision--"aggressively raising policy questions"--with conditions

under CDBG in which "HUD is essentially divorced from dealing with substantive issues." The Los Angeles associate stressed the independence of the city under CDBG and concluded, "The current program is light years away from the categorical grant programs." Similarly, the associate for Worcester, Massachusetts, noted that "decentralization has been significant" and has "enabled the city to carry out its programs faster than was possible before CDBG." The Sioux Falls, South Dakota, associate quoted an enthusiastic local official as saying, "Never in my eighteen years in the housing field has so much real decisionmaking been possible right here at home."

#### Changes within CDBG: Year One versus Year Two

While this overall decentralization impact is striking, the obvious question is, will it last? As suggested earlier, a number of observers of the community development scene have speculated that there would be a gradual "recategorization" process under CDBG. A comparison of year one with year two of the CDBG program clearly indicates that a stronger HUD role was emerging in the second year, as shown in table 3-4.

Table 3-4. The Decentralization Impact of CDBG: First and Second Program Years Compared

Change in HUD role	Number of jurisdictions
Substantially greater	13
Somewhat greater	19
No change	22
Somewhat smaller	5
Substantially smaller	2

Source: Field research data.

There are two practical reasons for us to expect an increase in HUD involvement in the second year of the CDBG program. First, implementation of the program in the first year was rushed. The law, signed on August 22, 1974, gave communities only about five months to set up an application process, hold public hearings, evaluate projects, and prepare their formal application, including a housing assistance plan [5]. Second, performance-monitoring (PM) reviews were not conducted in the first year because programs were just starting, but during the second year HUD started to review first-year CDBG projects. The PM reviews give HUD the opportunity to scrutinize whether local activities meet the objectives of the Housing and Community Development

5. For a discussion of implementation problems, see Nathan et al., Block Grants for Community Development, pp. 56-60.

Act and can be used as the basis for decisions to reduce or withhold future grants.

Because both of these factors involve a change from a temporary situation tied to start-up of the program, to the establishment of regular administrative procedures for the CDBG program, this increase in HUD involvement perceived by some in the second year may level off in future years. On the other hand, the policies of the Carter administration and Secretary Harris, referred to earlier, could result in greater HUD involvement in the local CDBG process. This question will be a major focal point of our extended monitoring research.

Comments of a number of associates about HUD's second-year oversight role suggest that HUD's influence under CDBG may continue to grow. This was particularly true for communities where a "substantially greater" HUD role was found. In Jacksonville, Florida, for example, the associate observed that HUD was becoming "more and more rigid, moving toward stricter control over the community development programs in determining the focus and output of specified activities." The associate for East Lansing, Michigan, reported that HUD officials played "a greater supervisory role" in the second year, with "increased attention to the eligibility of CDBG activities and the basic philosophy of the local program." In both Charlottesville, Virginia, and Greece, New York, associates noted that HUD pressures seemed to be increasing in the planning process for the third year of the CDBG program. This expansion of the HUD role from the first to the

second year was perhaps most pronounced in Minneapolis, where the city went to court to reverse HUD administrative actions.

Capsule 3-1. Minneapolis, Minnesota

Population: 378,112

Central city

Previous experience: model cities, urban renewal

Minneapolis's hold-harmless base of \$16 million (which compares with a first-year formula eligibility of \$6 million) indicates the city's high level of involvement in the categorical grant programs. Roughly 18 percent of the city's hold-harmless base comprised commitments to social services, and it was these commitments that became a source of conflict between the city and HUD in the second program year. Most of Minneapolis's community development program went through unscathed in the first year, but in the second the HUD area office, perceived by local officials as a group of "strict constructionists," rejected fifty of the ninety programs in the city's application. The principal issue was whether the city's rehabilitation and service programs were linked to other community development activities. Minneapolis took several cases to court. A ruling was not obtained, but HUD did revise its position, and eventually all but six programs, representing \$400,000 in CDBG funds, were approved. HUD also raised some procedural issues with Minneapolis in the second year.

Although these several cases suggest a recategorization tendency on the part of HUD, it is important to note also that HUD's role remained the same or decreased from year one to year two in almost half of our sample (see table 3-4). In Cleveland, the change was substantial.

Capsule 3-2. Cleveland, Ohio

Population: 638,793

Central city

Previous experience: model cities, urban renewal

HUD-city relations in the first program year were tense, as the agency questioned a wide array of social service and public service programs in its review of Cleveland's grant application. The issues were resolved only after a ruling by the agency's general counsel and involvement of a congressman, a senator, and HUD Assistant Secretary Meeker. At the performance-monitoring stage, the agency again was critical of Cleveland's CDBG program. HUD's objections focused on social service programs, environmental reviews, and citizen participation and affirmative action procedures.

In the second-year, Cleveland's relations with HUD improved significantly. The agency raised only minor questions regarding the application, and city officials reportedly felt they had established a good working relationship with HUD. The associate noted, "Cleveland officials believe that both the responsibility for the CDBG program and the authority for implementing it are now vested in the local jurisdiction."

Similarly, contacts between Cleveland Heights and the HUD area office in Columbus were said to have decreased substantially in the second year.

There were five cases where we found HUD's role to be "somewhat smaller" in the second year. For Bangor, Maine, the associate wrote, "HUD has appeared to give the city even more of a free hand" in the second year. In Boston, city officials took the position in the second year that they should proceed essentially on their own, "on the theory that any transgression would merely result in 'a slap on the wrist' in the post-audit process." The Columbia, South Carolina, associate's second-year report stated that "decentralization is continuing at a steady pace." Essentially the same observations were made by the



associates for Santa Clara and San Jose, California.

### Red Tape

Although the crucial decentralization question is who decides where and how CDBG money will be spent, increased decentralization might be expected to result in a reduction of administrative detail, processing requirements, and paperwork--in short, "red tape" [6].

With this in mind we collected data on local officials' perceptions of the amount of red tape involved in the CDBG program. The results were somewhat surprising. When officials in the forty-four jurisdictions with prior HUD categorical grant experience were asked to compare red tape under CDBG with their prior experience, only about half of those responding (twenty-one out of forty-three), including officials from a number of large cities with extensive categorical grant experience, reported a decrease in red tape. The other half reported either no change or an increase in the amount of red tape. Clearly the block grant approach is not seen consistently as reducing red tape.

Two factors help to explain this. First, the CDBG program gave local officials responsibility for some tasks previously carried out by HUD, such as environmental impact reviews (see below in this chapter).

---

6. For a provocative discussion of the role of red tape in government, see Herbert Kaufman, Red Tape: Its Origins, Uses, and Abuses (Washington, D.C.: Brookings Institution, 1977).

Second, despite the fact that their community had prior categorical grant experience, the local officials involved in CDBG planning and implementation may be new to the job and thus unfamiliar with the paperwork routinely involved in federal grant programs. To these newcomers, any amount of paperwork might seem burdensome.

Like overall HUD influence, red tape also seemed to be increasing in the second year. Officials in only four communities reported a decrease in red tape from year one to year two, while nearly two-thirds reported an increase. One reason for this may be the addition in the second year of a new task for local officials: preparation of performance reviews of their projects--the local jurisdictions' counterpart to HUD's PM reports. Officials in many communities complained about the timing of the reports, which sometimes covered only a few months of the first program year. Many local officials indicated to associates that they found the reviews of little or no use to their community. According to one local official, the review was "designed by bureaucrats in bureaucratese and produced yet another document to be filed away." The various environmental impact reviews and affirmative action plans required of recipient jurisdictions also necessitated new paperwork (see below in this chapter).

A third aspect of the CDBG program frequently criticized as red tape was the housing assistance plan (HAP), required annually as part of each grant application. In the words of one associate, local officials see the HAP as a "necessary evil" that must be put up with in

order to get CDBG money--"It's like eating your spinach in order to get your dessert."

These comments on performance reports and the HAP, coupled with the assessments of red tape given by local officials, make it clear that in the eyes of many local officials red tape has not decreased under the block grant program, as might have been expected. However, red tape itself does not necessarily mean reduced local decisionmaking. Perceptions of red tape tend to focus on procedure--how the CDBG program is planned and implemented--rather than substance. Thus, the findings on red tape do not necessarily contradict the earlier conclusions about decentralization of decisionmaking, which concentrated on the substance of decisions. The relationships between HUD and the local communities will become clearer as we look at instances of HUD-jurisdiction interaction.

#### HUD INFLUENCE: AN ANALYSIS OF ISSUES

In this section we examine specific cases in which the associates reported that HUD questioned local CDBG activities. The analysis covers the first two program years and concentrates on three aspects of HUD-jurisdiction disputes: (1) the type of issue involved and the grounds for HUD's involvement; (2) the importance of the issue to both parties; and (3) the outcome, that is, whether HUD or the local community prevailed. There are two basic categories, substantive and

procedural issues. Substantive issues include:

1. Strategy issues, involving the program mix and the benefits by income group in the overall allocation of a jurisdiction's CDBG grant; and
2. Program issues, involving the definition and eligibility of specific program components of a jurisdiction's CDBG plan. An example will clarify the distinction: whether to allocate 20 percent of a community's block grant to social services is a strategy issue; whether housing counseling is an eligible social service is a program issue. Both, however are substantive issues.

The second main category is procedural issues, which include:

1. Compliance issues, involving equal opportunity, environmental protection, Davis-Bacon (prevailing wage), and citizen participation requirements; and
2. Administrative and technical issues, involving staffing, the planning process, the rate of implementation (an important subject, especially in the early days of CDBG), the various data required in CDBG plans and programs, and so on.

The types of issues are listed above in what we consider their overall order of importance. As a general rule, and this is a significant point, we found that the position of the local community

tended to prevail on substantive issues, whereas on procedural issues HUD clearly prevailed. The apparent explanation for this pattern is that recipient jurisdictions tended to be more willing to compromise on lower-level issues, particularly procedural issues where they could satisfy HUD without making basic changes in their plans. On the other hand, they were likely to resist HUD pressure on substantive issues, where they felt it was necessary to defend their decisionmaking prerogatives.

Another general comment is needed here. The figures on specific issues and their outcomes may obscure an important point: for each kind of issue there were significant numbers of jurisdictions that had no disagreements with HUD during the first two years of the CDBG program. Although HUD's failure to take issue with CDBG activities in these jurisdictions is not tantamount to approval, we interpret it as evidence of decentralization. In assessing the level of HUD involvement and the degree of HUD influence on various kinds of issues, we look at both cases where HUD failed to raise issues and cases where HUD raised issues but did not prevail.

An important question in analyzing decentralization concerns anticipation of HUD expectations by local decisionmakers. While it cannot be directly observed, there may be instances where no HUD-local differences occurred because local officials knew HUD's position on certain programs and issues and designed their program and procedures accordingly. We will be examining this question of "potential" HUD

influence in the next round of field research.

### Strategy Issues

Altogether, the field associates reported that HUD raised strategy issues on sixty-four occasions in forty-three jurisdictions, which means that for eighteen jurisdictions (approximately 30 percent of the sample) there were no disagreements with HUD over strategy matters in the first two years of the CDBG program. Where HUD raised strategy issues, it prevailed half of the time; recipient jurisdictions won one-third of these cases [7]. Combining the cases where no strategy issues arose with those where the jurisdictions prevailed, we find that the local community's position was accepted in over half the cases. This suggests that the goal of decentralization of substantive decisionmaking has been achieved to a notable degree.

Among the strategy issues, three kinds predominated--housing, geographic targeting, and social services.

Housing Strategy. As described in chapter 5, neighborhood conservation programs (housing rehabilitation and related public improvements) have emerged as the single largest activity under CDBG. Hence, it is not surprising that many strategy cases involved housing.

---

7. The residual is cases where the outcome was a compromise that did not clearly favor either side. Throughout the chapter, compromise settlements favoring HUD are counted as HUD wins, and compromises favoring the jurisdiction are counted as jurisdiction wins.

The focus of attention in most of these cases was the distribution of benefits. HUD's policy, particularly in central cities, was not consistent. In Durham and Raleigh, for example the agency urged concentration on the most distressed neighborhoods; by contrast, HUD favored spreading housing rehabilitation programs in Philadelphia and in Phoenix, where the issue was a source of considerable tension.

Capsule 3-3. Raleigh, North Carolina

Population: 134,231

Central city

Previous experience: urban renewal

In the second year, the HUD regional office disallowed a central feature of the Raleigh CDBG plan--a proposal to make housing rehabilitation assistance available not just to those in the target areas but also to several "satellite" areas where pockets of poor housing threatened to cause neighborhood decay. According to HUD, such a plan would violate the target area approach intended in the CDBG legislation because the "satellite" areas would not be receiving any other assistance under the block grant. All but three of the pocket areas were disqualified for housing rehabilitation assistance.

Capsule 3-4. Phoenix, Arizona

Population: 664,721

Central city

Previous experience: urban renewal

A city with a strong coalition for housing assistance, Phoenix allocated nearly 95 percent of its first-year and 85 percent of its second-year CDBG funds to housing and urban redevelopment programs. Implementation, however, was very slow; local officials frequently cited HUD as the villain. A performance-monitoring visit in the first year generated three HUD rulings that undermined Phoenix's low-income housing policy by making most program sites ineligible for CDBG assistance. HUD ruled that racial and economic impaction in twenty-one census tracts made them ineligible for section 8 housing assistance. HUD also declared the city's Residential Restoration and Preservation Program, a major renewal effort, ineligible for section 312

rehabilitation loans because of the poor housing conditions in the area. HUD's position was that the city should avoid rehabilitation in segregated areas of the city because it would increase existing minority and economic impactation. The city's view, on the other hand, was that "neighborhood development in minority neighborhoods takes priority over neighborhood integration. A housing program designed to produce the opposite effects--deconcentration--would, in effect, reduce needed assistance in abandoned and blighted inner city areas." According to the associate, local officials were critical of HUD's inconsistency of interpretation and of conflicting regulations, especially regarding impacted census tracts.

It is possible, of course, that differences in local conditions explain these variations in HUD's implementation policy, but the more likely presumption is that these cases involve a difference in policy between different offices and officials of HUD. The act itself is unclear as to the most desirable location of housing assistance activities, reflecting the basic conflict between the income group targeting and spatial deconcentration objectives contained in the law [8].

Consequently, some city leaders, emphasizing the targeting objective, claim that the poor in deteriorated core areas should be the focus of housing assistance activities under CDBG. Others argue for the application of the law as a spatial deconcentration instrument to help the poor and minorities obtain housing in suburbs and in better-off neighborhoods within central cities. To the latter group,

---

8. The seven "specific objectives" contained in the law include eliminating "slums and blight," and increasing "the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities" [sec. 101(c)(1) and (6)].



targeting benefits in areas of concentrated low- and moderate-income population only reinforces concentration.

Another related housing strategy issue was raised by HUD in its criticism of citywide housing rehabilitation programs in jurisdictions such as Pittsburgh and Sioux Falls, South Dakota. In pressing for concentration on lower-income neighborhoods in both cities, the agency cited the provision of the law stipulating that housing rehabilitation must be incidental to other neighborhood physical improvements in order to be an eligible activity [9]. The cities responded by interpreting "physical improvements" loosely: tree planting in Pittsburgh and replacement of street signs in Sioux Falls were used as justification for housing rehabilitation efforts throughout the city. HUD eventually accepted both plans.

Geographic Targeting Strategy. In eighteen cases HUD questioned the overall geographic distribution of CDBG activities within jurisdictions. HUD won twelve cases; jurisdictions won four. In most cases the issue concerned income group benefits; HUD consistently favored targeting funds on low- and moderate-income groups, as opposed to allowing jurisdictions to spend funds communitywide. In the first year, for example, HUD required Atlanta, Casa Grande, and East Lansing

---

9. In describing eligible activities, the Housing and Community Development Act of 1974 states that a community development program may include "clearance, demolition, removal and rehabilitation of buildings and improvements (including interim assistance and financing rehabilitation of privately owned properties when incidental to other activities)." Emphasis added; see sec. 105(a)(4).

to designate specific target areas before their CDBG applications were approved; in the second year it required Hennepin County to submit maps of census tracts to verify that projects would serve low- and moderate-income households [10].

An especially interesting case involving overall targeting was that of Columbia, South Carolina. HUD officials expressed concern over the citywide nature of the CDBG program throughout the first year and instructed the city to develop specific target areas for the second year. As a result, substantial changes were made: the city's home burglar-proofing program, for instance, was restricted to low-income neighborhoods. In addition, HUD ruled after lengthy negotiations that a mosquito control program was permissible because mosquitoes do not fly over the entire city.

The case of Greece, New York, a middle-income suburb of Rochester, is another instance where HUD pressed concentration of benefits on income groups.

Capsule 3-5. Greece, New York  
 Population: 76,401  
 Satellite city  
 Previous experience: none

Described by the associate as a "community without large and visible concentrations of poverty and blight," Greece has the lowest poverty percentage--2.8 percent--of jurisdictions in the Brookings

---

10. HUD defines low-income and moderate-income areas as census tracts with a median income of 0-50 percent and 51-80 percent of the SMSA median income, respectively.

sample; 80 percent of its housing has been built since 1939. Its first-year application, which allocated most of the city's funds to land acquisition for a drainage basin, was approved conditionally when city officials agreed to apply for section 8 housing assistance funds; the town was urged by HUD officials to pay more attention to the needs of its low- and moderate-income groups. This criticism was repeated in HUD's first-year performance-monitoring review, which noted that the city had dragged its feet on section 8 housing. The agency's persistence led to major changes in the town's CDBG program: in the second-year, Greece's small minority of low- and moderate-income residents was the direct beneficiary of one-fourth of the town's CDBG grant.

In Chicago and Denver, two big cities with much larger proportions of low- and middle-income residents, the jurisdictions were more successful. Commenting on Chicago's second-year application HUD officials stated, "Many of the proposed activities do not appear to be consistent with maximum feasible priority being given to activities which will either benefit low- or moderate-income families or the elimination of slums or blight. At the same time the Applicant has not described in the Application community development needs having a particular urgency, which these activities are designed to meet" [11]. For the sixteen activities to which this statement applied--one-fifth of the city's second-year program, amounting to \$9.5 million--the city responded by providing additional rationale for undertaking them, and HUD was satisfied. Similarly, when spreading was criticized in Denver, the city made minor modifications in its CDBG program but no major

---

11. Memorandum from Joseph E. Paige, Office of Area Counsel, to Woodrin Kee, Director, HUD Community Development and Planning, August 4, 1976, containing legal review of Chicago's second-year application.

reallocation of funds. These cases illustrate our earlier point that large cities are more successful than smaller jurisdictions in resisting HUD pressure.

HUD discouraged spreading of funds in one city for efficiency reasons. In Charlottesville, HUD was critical of the city's shotgun approach, in which many small projects were dispersed throughout the city. In response, the city's third-year CDBG application designated two projects to receive over two-thirds of the total allocation.

Social Service Strategy. The CDBG program was perceived by HUD to be mainly a hardware (bricks and mortar) program and not a software (services) program. This interpretation reflects the legislative history of the Housing and Community Development Act of 1974. Initially the Senate adopted an amendment proposed by Edward Brooke of Massachusetts setting a 20 percent limit on social services under CDBG. The House, however, dissented. The result was the inclusion of general language requiring that such services be related to projects undertaken with block grant funds [12]. In the first year of the CDBG program we found that this unadopted 20 percent lid influenced local policy in many cases, being used by local officials to justify decreasing or expanding social services, depending on their predilections. And in both the first and second years, this section of the law (see footnote

---

12. Section 105(a)(8) of the law classifies services as an eligible activity if they "are not otherwise available in areas where other activities assisted under this title are being carried out in a concentrated manner."

12) was the grounds used most often by HUD for challenging social service spending as a major CDBG strategy.

The agency, however, was not a consistent winner on these strategy issues: jurisdictions won half of the cases. Model cities experience was an important factor in determining the outcome of social service strategy issues. Eight of the nine jurisdictions that won on this issue had considerable experience under the model cities program, ranging from 25.3 percent of the hold-harmless base in Minneapolis to 93.2 percent of the hold-harmless base in Houston. By contrast, only one jurisdiction where HUD won on a social service strategy issue--Allegheny County, Pennsylvania--had model cities experience. This suggests that those communities with model cities experience were willing to fight harder to keep their social service programs and that HUD was willing to drop its objections in communities that had commitments to social service programs begun under model cities.

According to the associate in El Monte, California, "In general, the HUD message to all the area cities was to keep social service programs out of the application unless they were part of the hold-harmless programs." Likewise, in Portland, Maine, HUD criticized social service programs with a communitywide clientele, i.e., not linked to specific physical improvement activities. However, according to the associate, the agency "backed off after the intervention of one (and perhaps the other) of the state's U.S. senators." In Houston, where HUD's intervention in the city's strategy on social services

involved its model cities program, the associate reported that the city appealed directly to the office of the secretary of HUD in Washington and was reported to have received assurances that it could continue these services up to 20 percent of the block grant without jeopardy to the rest of its CDBG plans. HUD officials also questioned social service spending in Cleveland. In this case, city officials took the position that the requirement that social services under CDBG be "specifically related" to physical development projects (the language at issue) was HUD area office language and not in the law [13]. The city proceeded to carry out its plans for social services despite the questions raised by the area office.

In contrast to the communities that won social service disputes with HUD, the losers not only tended to have little prior experience with HUD-funded social service programs but also tended to be small jurisdictions. Of the seven, four had populations of less than 100,000. In addition, two--Alma, Michigan, and Charlottesville, Virginia--were nonmetropolitan hold-harmless recipients. As stressed in our first report, these units are much more vulnerable to HUD influence than are formula-entitlement jurisdictions. A third nonmetropolitan hold-harmless jurisdiction--Carbondale, Illinois--was among the winners on social service strategy issues, but there was a significant difference between this community and the two

---

13. See the immediately preceding footnote, which raises doubts about so specific an interpretation.

others--one-third of Carbondale's hold-harmless base was model cities spending, while neither Alma and Charlottesville had model cities experience.

Overall, even though it tended to lower social service spending, officials in recipient jurisdictions seemed to be aware that the 20 percent ceiling was not obligatory; HUD officials tended to be flexible on this issue, especially in cases involving the continuation of services started under the model cities program.

#### Program Issues

We turn now to program issues--cases in which HUD sought to modify or delete some aspect of one of the program components of a community's CDBG plan. HUD's win-loss record was higher at this level than at the strategy level: of the 115 cases identified we counted HUD as winning 79 and losing 26 (with 18 other outcomes). However, these figures may obscure more than they reveal since on many of these issues the stakes were not high. Again, housing and social service issues predominated.

Housing Programs. A majority of the housing program issues raised by HUD centered on the housing assistance plan (HAP). According to section 104 (a)(4) of the Housing and Community Development Act of 1974, each jurisdiction must submit as part of its CDBG application a HAP which includes: (1) a survey of the condition of the jurisdiction's existing housing stock; (2) an estimate of current housing needs and the housing needs of those lower-income persons

"expected to reside" in the community over the next three years as a result of existing or planned employment opportunities; (3) realistic goals for the amount and kind of housing assistance to be provided annually. The HAP, which permits localities to determine both the type and general location of housing assistance, is to be included in the CDBG application to ensure that housing and community development activities are undertaken in a mutually supportive manner.

Nationally, the "expected to reside" clause--or ETR, as it is now known--received more publicity than any other intergovernmental issue that arose in the initial implementation of the CDBG program. This occurred because of the Hartford case in which HUD was enjoined from releasing community development funds to seven suburban towns surrounding the city of Hartford, Connecticut. The federal district court for the district including Connecticut ruled that HUD had acted illegally in approving the applications of the seven suburban towns since the towns had not documented the housing needs of those "expected to reside" within their borders. Six of the towns had given zero as their ETR figure; the seventh had used a figure obtained from the local housing authority's waiting list, which the court found inadequate. The Hartford case focused on a memorandum of May 21, 1975, in which HUD Assistant Secretary David Meeker stated that the agency would approve applications without an ETR figure as long as the jurisdiction indicated what steps it would take to provide more accurate data in the next year's application.



On August 15, 1977, on an appeal from three of the suburban towns involved, the Hartford decision was reversed by the U.S. court of appeals for the second circuit. The city of Hartford in turn has appealed this decision to the U.S. Supreme Court and has asked the second circuit to refrain from implementing its ruling pending a decision by the Supreme Court. At this writing, it is not known whether the Supreme Court will hear the case.

No matter what the eventual outcome, however, the Hartford case apparently sensitized HUD officials to the ETR issue. During the first two program years, HUD questioned ETR figures in twenty-eight of the sample units and won an overwhelming majority of these cases. In many of the cases HUD successfully pressed jurisdictions to use higher ETR figures based on the agency's standardized estimation procedure rather than the figures initially provided by the local government. Our data clearly suggest that HUD tended to lean more heavily on suburban governments (urban counties and satellite cities) than on central cities. Suburban St. Louis County, for example, was pressed to raise its ETR estimate from 40 to 400 households in the first year of the program. In the second year, Evanston, Illinois, which set its first-year figure at zero on the grounds that there was no vacant land available for low-income housing, was "induced" to change its ETR figure from 57 to 910 households.

Though both HUD and the recipient jurisdictions tended to take the ETR estimates more seriously in the second year, the jurisdictions in which HUD questioned ETR figures generally did not get highly exercised about the issue in either year and were willing to substitute HUD's figures. Similarly, communities in which HUD questioned projections of subsidized housing goals based on the ETR rarely challenged the agency. The reason for local governments' acquiescence on both counts is obvious. The amount of subsidized housing available under HUD's housing programs--most notably section 8--was bound to fall short of local needs. Since HUD could not deliver the goods, it did not matter how much was ordered. In Lubbock, Texas, for example, an official remarked that the ETR is "a fruitless exercise since only a small number in need can be assisted through HUD subsidy programs." Also, local officials knew they could use section 8 units for the elderly and thus avoid local controversy.

HUD's position on the amount and type of assisted housing varied considerably. HUD sometimes asked localities to lower their housing assistance goals to conform with their section 8 allocation. In other cases HUD encouraged jurisdictions to raise their housing assistance goals. Similarly, regarding the program mix, HUD insisted on fewer new units (as opposed to subsidies for existing units or for substantial rehabilitation) in some communities, but encouraged more new subsidized construction in others.

In addition to HAP-related issues, there were many cases in which HUD challenged the eligibility of specific local housing programs and projects. Rehabilitation, relocation, and code enforcement programs stand out. In Philadelphia, Chicago, and Durham, HUD challenged different aspects of rehabilitation loan and guarantee programs. All three cities were able to retain their rehabilitation loan and grant programs, though Philadelphia was forced to find private funding for certain mortgage activities. Relocation cases were generally less controversial and more easily resolved. One exception to this rule was Los Angeles County, where the agency required the county to establish a formal relocation procedure for its Neighborhood Development Program after finding in its first-year performance-monitoring review that existing procedures were inadequate.

Code enforcement programs were the subject of minor disputes in two jurisdictions: East Orange, New Jersey, and Chicago. In each case HUD insisted that the city designate census tracts to be covered by its code enforcement program. Both cities responded by providing HUD with information on the general conditions of the code enforcement areas and plans for physical development activities in these areas.

Social Service Programs. HUD questioned the eligibility of various specific social service programs, ranging from child care to senior citizen programs. At the program level as at the strategy level, localities tended to prevail more often on social service issues than in other functional areas. HUD won nine cases and the

jurisdictions eight. In all, HUD raised issues in ten jurisdictions.

The communities that won on social service questions tended to be large and experienced with federal grant programs: three of the four winners had populations over one million, and two--Chicago, where HUD challenged four social service programs, and Houston--had model cities experience. On the other hand, HUD tended to win in smaller jurisdictions inexperienced with HUD programs: four of the seven communities that lost to HUD had populations under 100,000, and only two had model cities experience.

One of the most controversial cases involved Houston's attempt to use CDBG money to establish neighborhood service centers which would receive inquiries and disseminate information about the CDBG program at the neighborhood level. However, a second-year spot check of two centers by HUD performance monitors revealed that over half of the inquiries were concerned with general city administration, rather than specifically related to community development. This confirmed the suspicions of HUD officials that the centers would become "little city halls," though the city contests the validity of the spot check. As a result of a HUD audit soon afterward, the agency recommended the disallowance of \$306,000 in first-year CDBG funds used for the operation of the neighborhood service centers. The issue was finally settled when HUD dropped its repayment claims in exchange for reductions in Houston's CDBG expenditures for citizen participation, expenditures which HUD felt were excessive.

The requirement that social services be tied to physical development activities funded with CDBG money, cited often by HUD in its attempts to reduce overall social service spending, was also used to support HUD challenges of individual social service programs. In Cook County, Illinois, HUD enforcement of this regulation led to elimination of two of the three programs questioned. Another basis for HUD criticism of social service programs was the clause in the Housing and Community Development Act specifying that, in order to use CDBG funds for social service programs, jurisdictions must demonstrate that assistance "under other applicable Federal laws or programs had been applied for and denied or not made available within a reasonable period of time" [section 105 (a)(8)]. Of the four such cases, HUD won three.

Public Facilities and Improvements Programs. Construction and repair projects for streets, neighborhood centers, parks, water lines, and the like were the subject of HUD challenges in fourteen cases involving ten jurisdictions. Most of the cases were noncontroversial, and the agency tended to come out on top.

Many of these cases involved HUD's enforcement of the "urgent needs" provision of the Housing and Community Development Act (explained below). In specifying that "maximum feasible priority" be given to activities that benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight [section 104(b)(2)], the law allows an exception for activities which the secretary of HUD determines are "designed to meet other community

development needs having a particular urgency." Because this provision can be used to win HUD approval of programs not otherwise eligible under CDBG, it is a potential loophole. In fact, however, the evidence for the Brookings sample suggests that the agency tended to interpret this provision narrowly (where it was at issue) and to win on these cases. In Orange County, California, for example, two public facilities projects described by the county as meeting urgent needs--a highway overpass and sewer facilities--were rejected by HUD.

Targeting was the issue in Lansing, Michigan, where HUD objected to plans to construct a fire station in a census tract without the required concentration of low- and moderate-income families. HUD withdrew its objection when the city demonstrated that no other site was available and that the site was adjacent to its CDBG target areas. The only other jurisdiction victory on a program issue involving public facilities and improvements was in Houston, where the city used CDBG funds for construction of bus shelters despite HUD's challenge of their eligibility.

Other Program Controversies. Local communities differed with HUD on a number of other program issues, including land acquisition, police and security programs, and commercial and industrial development. One important case involved Cleveland, which sought to use \$2.25 million of its \$16 million first-year CDBG entitlement to avoid laying off 190 policemen. Initially, the HUD area and regional offices both refused to approve Cleveland's CDBG application, contending that the crime

control program did not tie the use of CDBG funds to neighborhoods in which other community development activities were scheduled to take place. An additional concern, voiced by Ohio Representative Louis B. Stokes and several community groups, was that the use of CDBG funds for crime control would allow the mayor to use funds outside of low-income neighborhoods. Besides Stokes, this issue eventually involved a U.S. senator and HUD area, regional, and national officials. After HUD's general counsel ruled that CDBG funds could be used for police so long as they were confined to the target areas, the agency reversed its position and approved Cleveland's application. This precedent-setting decision permitted CDBG funds to be used to pay the salaries of 190 police officers in four low-income target areas in which the city also planned to spend other CDBG dollars.

Another interesting case--this one involving industrial development--centered on a second little-used but potentially important "loophole" in the law (similar to the "urgent needs" provision discussed above) which allows recipient jurisdictions to classify up to 10 percent of their annual program as "unspecified local option." Doing so can be a means of avoiding a HUD challenge on the eligibility of particular activities. Chicago wanted to allocate \$500,000 of its second-year allotment to the city's new economic development commission for the purpose of encouraging and facilitating industrial expansion and development. HUD objected on the grounds that the project would neither benefit low- and moderate-income individuals nor aid in the

prevention or elimination of slums or blight. To win approval, HUD maintained, the project had to meet the urgent needs test. In response the city simply shifted these activities to the "unspecified local option" category.

On other issues, HUD disqualified programs for rehabilitation of privately owned neighborhood centers (Cambridge), purchase of police cars (Durham), microfilming housing data (Evanston), repurchase of urban renewal notes (New York), and bicentennial projects (Philadelphia).

#### Compliance Issues

We turn now from substantive to procedural issues. Compliance issues involve requirements in the law which, although important to many groups, are extrinsic to the community development function and concern implementation rather than program content. Four types of compliance issues predominated: equal opportunity, environmental impact, citizen participation, and Davis-Bacon (prevailing wage). Several generalizations apply to all four categories: (1) Of the seventy-two cases identified, jurisdictions won only six. (2) These issues appeared to be relatively unimportant to the recipient communities. (3) Though not hard fought, many compliance cases--especially those involving equal opportunity requirements--have been long-drawn-out. As of this writing several are not yet resolved; however, HUD generally has not held up funding pending resolution. (4)



HUD action on compliance issues has often been initiated by complaints from third parties.

One reason for HUD's high success rate in compliance issues may be the existence in each HUD area office of a separate unit (or individual) for equal opportunity and environmental review functions. HUD's ten regional offices also have units responsible for all four compliance categories listed above. In addition, we observed a general reluctance on the part of recipient governments to highlight or debate questions that arose affecting the status of minorities as beneficiaries or employees under the CDBG program. The same kind of dynamic was found to apply, although less strongly, on environmental issues. Local officials sought to dampen environmental controversies that arose under CDBG and were less prone to challenge HUD or third parties than on matters affecting strategy and program content.

Equal opportunity issues were identified in twenty-seven jurisdictions. HUD won eighteen cases while local jurisdictions won only two--in Boston and Denver. Generally, HUD involvement in this area centered on fair housing policies and affirmative action plans.

Capsule 3-6. Boston, Massachusetts

Population: 636,725

Central city

Previous experience: urban renewal, model cities

In HUD's first-year performance-monitoring report, the area office's equal opportunity division cited "a recent finding by the Boston Housing Court of segregation in Boston Housing Authority (BHA) housing," and several "well-publicized incidents of harassment of public housing tenants and minority individuals in white neighborhoods"

[14]. On the basis of these findings the area office stated that the city should develop programs to rectify the problem of minority access to housing and public facilities. When the city omitted such specific programmatic guarantees from its second-year CDBG program, the HUD area office recommended rejection of Boston's application. HUD headquarters in Washington overrode this recommendation and approved the city's \$32.4 million application, but it required assurances from the city that all CDBG money used for BHA activities would be in compliance with court desegregation orders and that projects funded from CDBG or section 8 sources would meet all civil rights requirements. HUD also indicated its intention to begin monitoring the city on a quarterly basis for equal opportunity compliance.

The development of a local affirmative action plan covering facilities, services, employment, and all other benefits provided under CDBG was an issue in a number of cities (Cambridge, Cleveland, Columbia, Durham, Greece, Marlborough, Minneapolis, and Santa Clara). Typical of the local response was Marlborough, Massachusetts, where an affirmative action plan was drawn up after HUD commented on its absence. According to the associate, the plan then "languished in the desk drawer of the mayor for several months." Eventually the plan was adopted by the city council and forwarded to state and HUD officials.

Though local officials tended to respond in a perfunctory manner to HUD's request for documentation of an affirmative action plan, officials in Greece refused to draw up an affirmative action plan. The associate notes that "the resolution is still pending and will probably be the subject of ongoing HUD scrutiny."

---

14. The court deals with tenant-landlord disputes and makes judicial rulings on housing issues.

HUD involvement in several jurisdictions focused on the fair housing portion of the equal opportunity provisions. In Portland, Maine, the HUD area office instructed city officials to seek technical assistance from the regional office since the city's performance report indicated the city had taken no action to further the fair housing requirements of the law. HUD pressure in Los Angeles County led to the county board's appointment of a fair housing and equal employment opportunity officer whose primary responsibility was to monitor civil rights compliance in those municipalities participating in the CDBG program through county. In DeKalb County, Georgia, program officials were "pleased with HUD's concern about the lack of a fair housing policy as the federal initiative made it possible to bring pressure to bear on the county board."

In New York City an issue was raised by the Pratt Conference Coalition, a citywide organization of 150 community groups, which alleged that two second-year CDBG activities (the Fordham Plaza and the Housing Rehabilitation Finance Program) would not adequately benefit blacks and Hispanics. After reviewing the charges HUD ruled that the two projects did benefit low- and moderate-income people and that a representative proportion of blacks and other minorities would benefit from them [15]. The Pratt Conference Coalition also raised objections

---

15. Cases resulting from third-party complaints to HUD are intergovernmental in their resolution though not in origin. Where such cases were decided against the complaining party we counted them as "other outcomes" rather than as jurisdiction wins.

to environmental review and citizen participation procedures in New York. In these cases, too, HUD sided with the city.

Environmental review cases usually focused, not on the substance of the environmental impact decisions, but on some aspect of the review process, which requires recipient units to "assume all of the responsibilities for environmental review, decisionmaking, and action" [section 104 (h)(1)]. (Under the categorical grants, HUD performed the environmental review.) In Plainview, Texas, for example, HUD froze CDBG funds until the city had completed separate environmental reviews for several projects the city's community development consultant had indicated would have a significant environmental impact. The only jurisdiction win was in Charlottesville, where the issue was environmental impact statements for ramps in curbs to improve access for the handicapped. HUD withdrew its request when the city officials pointed out that each statement would cost more than the ramp itself and threatened to take the issue to court.

Citizen participation, discussed in detail in chapter 4, has been the focus of considerable attention as a CDBG compliance issue. The case of Columbia, South Carolina, is especially interesting; HUD pressure there resulted in a significant expansion of citizen participation.

Capsule 3-7. Columbia, South Carolina

Population: 111,616

Central city

Previous experience: urban renewal

In its first-year performance-monitoring report, HUD criticized Columbia's citizen participation mechanism on several points; agency officials charged that there was no record of public hearings and no formal citizen participation plan. A questionnaire had been sent out with one of the city's water bills, but HUD contended that this failed to reach many low- and moderate-income apartment renters. In the second year, Columbia restructured its citizen participation plan to include nine neighborhood "brainstorming" sessions, the results of which were summarized and passed on to city officials and to a newly formed citizen advisory council. A total of five public hearings were then held--two by the city and three by the advisory committee--before the CDBG application was submitted to HUD.

As with other federal grants, recipients under CDBG must comply with the Davis-Bacon Act, which requires that officially determined prevailing wage rates be paid on all construction projects funded under the block grant program [16]. Of the seven cases reported by the field associates, HUD prevailed in six; the other is unresolved.

Administrative and Technical Issues

Like compliance issues, administrative and technical issues tended to be noncontroversial and were usually settled in HUD's favor. In one instance of a jurisdiction victory, the Washington HUD office overruled area office complaints about inefficient administration of the CDBG

---

16. The only exception, and it is an important one, is the rehabilitation of housing for fewer than eight families.

program in St. Louis, stating that the city's performance was "comparable to other jurisdictions." Administrative issues centered on such matters as financial recordkeeping systems (Minneapolis and Pulaski County, Illinois), accounting and contracting procedures (East Lansing), maintenance of records (Charlottesville), and letter-of-credit procedures (Alma, Michigan).

The most frequent administrative issue was the rate of spending, a topic of concern in Washington, where frequent complaints were heard about the CDBG program's "slow" progress. In Charlottesville HUD threatened to reduce the city's allocation in future years if spending did not accelerate. Jurisdictions have typically responded to criticism of their slow spending by indicating that they would take steps to speed up program implementation.

Technical issues, as classified in our analysis, for the most part concerned errors of calculation; none were considered to be controversial. The vast majority were settled in HUD's favor.

#### CONCLUDING COMMENTS

To restate the findings, overall we found that local governments tended to prevail more frequently on substantive--strategy and program--issues, whereas HUD was more assertive and successful on procedural and compliance questions. In terms of jurisdictional types, central cities were more successful than other types of jurisdictions.

Central cities won in about half of the cases of substantive issues, while other types of jurisdictions prevailed on an average only about one-fourth of the time. On procedural and compliance issues the pattern is less clear.

Prior categorical grant experience was an important factor in disputes between HUD and recipient jurisdictions. Communities with moderate and high levels of experience were successful about half of the time on substantive issues, while those with little or no experience prevailed only 20 percent of the time. On procedural issues, the more experienced jurisdictions also did better than those with less experience, but the difference in success rates was smaller.

In sum, the CDBG program has resulted in significant decentralization of decisionmaking authority from the federal to the local level, compared to the older-style HUD categorical aid programs. The overall view among local officials at the end of two years was that they had more control over community development under the block grant than they did under the categorical programs. At the same time, there was a growing belief at the end of the second year that decentralization was being reduced.

It is difficult to speculate about the future of decentralization under this block grant for several reasons. One important consideration is the nature of federal involvement. We found in the first two years a general tendency for federal officials to insert themselves more in the local CDBG decisionmaking process as the block

grant program matured. The necessity for speedy decisionmaking in the first year of the program gave way in the second year to a slower and more deliberative HUD-locality relationship. Also, in the second year HUD became more involved in the CDBG process locally through performance monitoring and program evaluations--procedures that were not operative in the first year of the new program.

Perhaps the most important factor that will influence decentralization under CDBG is the role of the Carter administration. HUD Secretary Patricia Harris has made it clear that she intends to be more active in stressing the income group targeting and housing goals of the CDBG program. New regulations are about to be implemented for this purpose. In our next report, planned for the later part of 1979, we will report on the CDBG program during the third and fourth program years; it is during this period that the new administration came to office..



## Chapter 4

### THE DECISION PROCESS

In the preceding chapter we examined the external political inputs to CDBG decisionmaking. This chapter shifts to an analysis of the local decision process--who participates in and influences decisionmaking at the community level.

Under the categorical programs the primary line of policy control often ran vertically between federal bureaucracies established to administer a program nationally and counterpart local agencies created to carry out the program at the community level. The local specialized agencies, such as urban renewal authorities, were often semi-autonomous and operated with considerable independence of local elected officials. Thus, important community development activities were often being carried out with only minimal control by those elected officials who presumably were ultimately responsible for local policymaking. The block grant program, by directing funds to units of general government, seeks to put local elected officials at the center of the decisionmaking process and reduce the control of both federal and local specialized bureaucracies.

The CDBG program also structures citizen participation into the local decisionmaking process. The 1974 legislation required public hearings and an "adequate opportunity" for citizens to participate in the development of the application, leaving it to local officials to determine what was adequate. The 1977 legislation goes further by requiring recipient communities to submit a written citizen

participation plan and by expanding the citizen's role to include participation in program evaluation as well as the development of the application.

#### SUMMARY OF FINDINGS

In the first Brookings report, analysis of the decisionmaking process focused on establishment of the local processes and on the roles played by various participants. We found that local executives (chief executives, staff aides, and department officials) were the dominant actors, with legislators substantially less involved and less influential. The first-year data also showed that there was more citizen participation than might have been expected; new citizen groups, particularly neighborhood groups, were quite active. At the same time, those who had participated in the model cities program were less active. Generally, the importance and influence of citizen groups depended on how seriously such participation was viewed by the local executive officials who established the decision process. We also found that citizen influence tended to result in some spreading of program benefits to wider areas of a community and to a broader range of income groups than had been the case under the categorical programs.

In this report, covering the second program year, we extend these lines of inquiry, analyzing the changing relationships and influence between executives, legislators, specialists, and citizens. Generally,

the data show that local decision processes in the second year were not yet stabilized; there continued to be notable shifts in both the composition of the participants in CDBG decisionmaking and the relative influence of those participants. While change was the most prominent characteristic, local executives continued to dominate many local decision processes. However, there has been an increase in participation in the CDBG process by legislators and citizens. In some communities this has resulted in a more even distribution of influence among participants. We also found that more of the specialist agencies set up under the categorical programs had disappeared or declined in influence.

A second objective of this report is to examine some of the relationships between the decision process and the decisions made. Do different decisionmaking processes tend to produce different approaches to community development? Do different processes tend to result in different patterns of program benefits? The first question is discussed in more detail in chapter 5. Generally we found that a community's basic development approach tended to be influenced more by the range and severity of that community's problems than by the decisionmaking process as such. However, at the level of program benefits, field analyses continued to show the tendency of citizens and legislatures to spread program benefits.

In our analysis of decision processes and participant influence we gave special attention to the urban counties, many of which must make cooperative arrangements with individual municipalities in order for the county to qualify for CDBG funds. In some cases county-level officials have little authority over the program, passing through much of the money to participating municipalities who decide how to use the money. In other cases county officials have not had to negotiate participation of individual municipalities and have been able to exercise greater control over the program.

#### DECISIONMAKING SYSTEMS

In this section we compare the role of executives, legislatures, and citizens in determining the content of the CDBG program in the second year. We also include overall data on HUD influence, which was discussed more fully in the previous chapter.

To measure relative influence in the decisionmaking process we asked associates to distribute ten "influence points" among five groups--the executive (chief executive and his or her staff), the legislature, citizens, HUD, and "other" (e.g., specialist officials and outside consultants). In a supplement to the basic analysis form (appendix V), we asked the associates to assign the points on the basis of their assessment of relative influence "measured by level of impact on the content of the second-year CDBG program." We also asked them to

make retrospective assessments of influence for the first year of the program. Associates were provided models of executive-, citizen-, legislature-, and HUD-controlled decisionmaking systems to provide guidance on how we perceived various "ideal" processes.

It is important to note that the assignment of the points is based on the judgments of relative influence among various sets of participants in the application process. The points are a means of quantifying the informed judgments of associates--of attaching a value to their overall assessments of who had influence in the local CDBG process and ranking the participants within the same decision process. The influence points are ordinal numbers; they do not tell within a community, for example, how much more influential a participant with five points is than a participant with two points. The points also do not compare the influence of participants in different systems. For example, the executives in communities A and B may each have five points but this does not mean they have equal influence. In community A the legislature may also have five points, thus sharing influence with the executive, while in community B the other five points may be distributed among four other participant groups, leaving the executive in control of the process. These quantified measures provide a means of tracking changing patterns of influence longitudinally within communities. For example, by quantifying relative influence, it is possible to better judge the importance of citizen participation in the CDBG program over an extended period of time.

We classified jurisdictions into three models on the basis of the distribution of the influence points, using the following rules:

1. Where one actor had at least five points and at least two more than any other, the process was defined as a centered or dominated process.

2. Where two actors had the same number of points but not less than four each, or where one had five and the other four, the influence was said to be shared.

3. Where no actor held more than three points or where one actor held four points and no other held more than three, the process was designated as dispersed, meaning that program influence was relatively evenly distributed among participants.

It should be noted that the three models do not account for coalitions among participants. Through coalition-building it is possible for two or more participants low on the influence scale to combine their efforts to produce a coalition-dominated process. While not necessarily a formal coalition, some associates reported that citizens, working through the local legislature, have been able to produce a set of allocation decisions different from that proposed by the executive. In such cases, the distribution of the influence points made by the associate generally falls into the dispersed model.

On the basis of the points assigned by the field associates, we identified the influence patterns and their frequency. As shown in table 4-1, centered and dispersed processes were the two principal

influence patterns found in the second program year, the latter predominating.

Table 4-1. Types of Decisionmaking Processes among Sixty-One Sample Jurisdictions, Based on Influence Points, Years One and Two

Type of process	Year one	Year two
Centered processes		
Executive	28	22
Legislative	2	2
Citizens	1	1
HUD	2	2
Other	2	1
Shared processes		
Executive-legislature	2	5
Executive-citizen	3	2
Executive-HUD	2	4
Dispersed processes		
	19	22
Total	<u>61</u>	<u>61</u>

Source: Field research data.

Executive-centered systems were found in more than one-third of the sample jurisdictions. This executive dominance was also found in the first year, but the data show that the second-year trend was toward more dispersed or shared decisionmaking systems with more actors exercising greater influence. Between the first and second year the number of shared and dispersed processes increased from twenty-six to

thirty-three.

The overall change in influence patterns is also seen in table 4-2, which shows a decline in executive influence in a number of the sample jurisdictions.

Table 4-2. Number of Jurisdictions with Changed Influence Points between Years One and Two

Participant	Increased influence	Decreased influence	Net change
Executive	6	16	-10
Legislature	13	3	+10
Citizens	10	6	+4
HUD	7	3	+4
Other	2	2	0

Source: Field research data.

Associates reported a total of twenty-two communities with changes in executive influence points, with sixteen of these showing a decline from the first year to the second. At the same time the number of jurisdictions showing a rise in the relative influence of legislatures and citizens increased.

In part these second-year changes were the result of communities having more time to develop their decisionmaking procedures. In the first year the pressure of time to complete the application resulted in



strongly executive-directed processes. As the program became better known and as the wide range of permissible activities became more apparent to other sectors of the community, new actors entered the process and gained influence. This does not mean, however, that the decisionmaking processes of the second year have become firmly entrenched and the distribution of influence has become fixed. The field associates indicate that the decisionmaking arrangements were still evolving in the third year; new actors were entering and old actors leaving the stage. The nature of these changes will be a major focus of our monitoring research over the next four years.

#### Executive Dominance

Executives continued to be the most influential participants relative to legislatures, citizens, HUD, and specialists. In the second year decision processes in over one-third (twenty-two) of the sample jurisdictions were executive-centered. In thirty-four of sixty-one cases executives had the most relative influence; other actors were more influential than the executive in only ten jurisdictions. We noted earlier that there tended to be some decrease in executive influence between years one and two, but the trend was toward a wider distribution of influence rather than toward the replacement of an executive-centered system with one dominated by another set of actors.

Up to this point we have referred to executive-centered processes as though they were a single type. They are not. Within this category are a variety of influence and control arrangements distinguished by the roles played by the chief executive, his or her immediate aides, and the departments assigned CDBG policymaking responsibilities.

Among the twenty-two executive-centered systems, there were only two cases where the chief executive himself maintained extensive and continuing control over both policymaking and preparation of the application. The two communities were Alma, Michigan, and Plainview, Texas, both small, nonmetropolitan jurisdictions with populations under 20,000. This form of executive control may be related to small community size and thus the small bureaucracy directing the program.

The type of executive-centered system most frequently found was one where the chief executives involved themselves only at strategic points in the process, with subordinates having primary responsibility for preparation of the application. The subordinates also frequently had a policy role--generally to represent the policy preferences of the chief executive, but sometimes to initiate policy. The strategic points for chief executive involvement included: (1) determining the broad direction of the program; (2) deciding issues of political consequence; (3) breaking deadlocks on issues; and (4) presiding over policy committee meetings. Sample jurisdictions where this type of decisionmaking process was found were Allegheny County, Bangor, Cambridge, Carbondale, Cleveland, Cleveland Heights, Cook County, East

Lansing, East Orange, Lakewood, Mount Vernon, Newark, Pittsburgh, San Jose, and Worcester. This type of process cut across community size and community type.

To illustrate this type of executive-centered process: In Cambridge, Massachusetts, the CDBG coordinator was a protege of the city manager. The associate wrote, "The city manager maintained a low profile and was not involved in the details of the program planning. But he kept the process in check by intervening decisively at critical junctures and maintaining ultimate control." In Lakewood, Colorado, the city manager maintained primary responsibility for preparation of the application but reportedly wanted his assistant to coordinate all activities. The associate stated, "It was the city manager's intent to have all activities surrounding CDBG rest centrally in his office." In Mount Vernon, New York, the associate noted, "The mayor's role was very strong. He appointed the urban renewal director, who briefed him on all major policy choices, and then he made the decisions."

The third type of executive-centered process is where the chief executive has policy preferences but is seldom involved directly in the process. He assigns primary responsibility for application preparation and policymaking to close subordinates who are familiar with his own policy preferences and who can be relied upon to look out for his interests. Key policy decisions are determined by these individuals, sometimes in conjunction with a high-level policy committee. Three large cities in the sample--New York, Chicago, and Boston--fit this

pattern. The absence of direct chief executive involvement in the CDBG process in these cities is not surprising. These are large cities where many demands compete for the chief executive's time.

In Boston the mayor was represented in the CDBG process by the deputy mayor, who worked in close cooperation with the director of community development. The deputy mayor chaired the Neighborhood Development Committee, the official CDBG policymaking body. In Chicago, the mayor assigned responsibility for CDBG decisionmaking to the Community Development and Housing Coordinating Committee, under the co-chairmanship of the commissioner of the Department of Development and Planning (and also of the Department of Urban Renewal), and the commissioner of the model cities successor agency. The links between the generalist mayor and these specialists were both organizational and political.

In the fourth and final variation on executive-centered systems observed by associates, there was very low chief executive involvement and interest, and policymaking was dominated by other executive officials such as planners. Two sample communities--Marlborough, Massachusetts, and Columbia, South Carolina--were in this category. In Marlborough the city initially established a CDBG process substantially controlled by the head of a new Department of Planning and Community Development. In the second program year the city had a new mayor who, according to the associate, tended to be more oriented toward political than policy matters. The planning office continued to dominate the

major policy decisions although there was growing legislative involvement in the program. In the case of Columbia, reduced executive involvement in the second-year CDBG process was politically strategic. The associate stated that the city manager's role "diminished in the second year, because of potential conflict with HUD which would put him in a bad light with the city council. Thus, the community development unit was encouraged to take positive initiative in priority setting. This allowed the city manager to see which way the wind blew, so he could come up on the winning side."

#### Increasing Legislative Influence

While the role of most legislatures remained the same, more than 20 percent (13) of the legislatures in our sample increased their involvement in the CDBG decision process; only three were less involved.

In each year we found only two cases among the sample jurisdictions where legislatures dominated the decision process: Los Angeles County and Phoenix in the first year, and Los Angeles County and Harris County in the second.

#### Capsule 4-1. Los Angeles County, California

Los Angeles County government consists of five supervisors elected by district who serve as the executive and legislative body. The management and administrative function of the county is assigned to the county administrative officer.

In the first year of the CDBG program, the five supervisors made a decision to retain much of the model cities program and to divide the remaining CDBG dollars among the five districts on the basis of poverty levels. In the second year, board members considered a few countywide programs, as well as programs for their districts. These were summer youth and housing activities. However, the major distributions continued to be for their districts.

There was a small increase in the number of cases in which the legislative body shared control with the executive. In the second year, there were five shared executive-legislative processes compared with two in the first year. The five were El Monte, Los Angeles, Phoenix, Rochester, and Santa Clara.

The more general pattern was for legislative councils to increase their involvement and influence in the CDBG process but not to the point of dominating it or sharing control over it. In some cases the increase was enough to shift the jurisdiction from the executive-centered to the dispersed process category.

Associates reported in some cases that the quantitative influence of the legislature was the same but the qualitative role had diminished. The associate for Pittsburgh, for example, reported that in the second year the CDBG program seemed to lack the intensity of council interest evident during the first year. This qualitative difference was due to three factors: (1) the presence of newly elected council members who knew less about and were less interested in the CDBG program; (2) the "deescalation of conflict" between the mayor and council over the direction of the program; and (3) the general citizen

satisfaction or indifference with the CDBG projects undertaken by the city.

The overall increase in legislative influence came as councils involved themselves more frequently and actively in various procedural stages: (1) consideration of the draft application, (2) holding public hearings, (3) meeting individually with constituents, and (4) giving approval to the application before sending it to regional and state bodies for review.

Associates reported that councils also took active and important policy roles. In some cases this policy activity centered on spreading CDBG funds to council or supervisor districts. In these jurisdictions the result was a spreading of funds for small capital improvements or social services. Citing the large role of the Denver city council during the second year the associate commented, "Participation by council members came at the district meetings where proposals for new projects were set forth. Members of the council worked for projects in their districts which would benefit a portion of their constituency." In East Lansing, Michigan, working on behalf of key constituencies meant pushing funding of social service activities, a day care center, and drug education centers. These social service agencies had strong claims for political support and pressed their demands on the council. Despite clear indications that HUD would disallow such projects, the city council pushed for their inclusion. In East Orange, New Jersey, this kind of legislative attitude toward the CDBG program and its

implications were summarized this way:

East Orange NJ

Council members view the block grant as highly flexible money that can be used to fund pet projects and satisfy their individual constituencies. There is a constant stream of demands from them to change the budget to meet their demands. These continue throughout the year; programs are added in midstream and then staff has to shuffle the budget around to free money.

Legislative policy involvement sometimes took the form of council pressure to guide the program along certain lines. In Newark, New Jersey, for example, as a result of possible lay-offs of teachers, police, and firemen in Newark, the council president demanded that the CDBG budget be revised to provide for the hiring of thirty-five policemen who had been laid off because of the city's fiscal crisis. The mayor balked, saying he had been told by HUD that to use CDBG money to rehire former public employees would be "in serious violation" of federal laws and might jeopardize the HUD grant to the city. The council persisted and eventually asked HUD officials in Newark if policemen could be hired from the grant. After some extended discussions and on the basis of similar problems in other cities, the HUD area representative said that police salaries could be paid if the services were related to development in target areas. The council then allocated approximately \$837,000 for this purpose.

While we found that the increased legislative role was generally attributable to greater awareness of and familiarity with the CDBG program, increased involvement was sometimes the result of electoral changes. Allegheny County illustrates the impact elections can have on



the level of legislative involvement.

Capsule 4-2. Allegheny County, Pennsylvania

Two of the three county commissioners were defeated in November 1975 and their replacements took office in January 1976. The new commissioners took an active role in determining second-year programs and projects. According to one key official close to the planning process, just before the county's application was submitted to HUD, the two new commissioners made the following changes: (1) included a municipal recreation and improvement program, (2) eliminated a winterization program, and (3) eliminated the homeowners, fine arts and counseling service programs. These changes, especially the first, represented a significant alteration of the CDBG plan prepared by the staff and adopted by the Planning Commission. "The active role of the new commissioners seems a function of a different style of political leadership, with the new county commissioners anxious to solidify their relations with municipal officials."

*But this is not exactly legis. involvement*

Thus, overall, we found greater legislative involvement in the CDBG process in the second year, but in few places did this mean displacement of another dominant role player. For the most part the greater legislative role meant a more dispersed decisionmaking process in some cities. On policy matters legislators in some jurisdictions sought to use the CDBG program as a means of spreading benefits. They frequently succeeded. Our data do not directly relate spreading effects to the type of decision process but the field analyses clearly suggest that legislators and citizen groups (discussed below) were the two sets of actors most likely to favor spreading program benefits.

### The Specialists' Role

In the first year associates found that specialists had a smaller role in CDBG policymaking than under the categorical grants. By specialists we mean officials of semiautonomous local agencies with functional responsibilities, such as urban renewal agencies. Specialist agencies also include line departments of local government with responsibility for a specific program area. The latter includes model cities. In the second year the specialist agencies continued to decline in both numbers and influence. As in the first year, this bureaucratic effect of the block grant was felt more by model cities than by urban renewal agencies. The single case of "other" domination (table 4-1) in the second year is Hennepin County, Minnesota, where most of the CDBG money is passed through to participating municipalities which, as municipalities, dominate the process (see below in this chapter).

In the first year we reported that, of twenty-five jurisdictions where model cities agencies had been in existence before the CDBG program, only fourteen continued to operate as such. By the second year, only five of these fourteen continued as specialist agencies.

This sharp decline in the number and influence of model cities bureaucracies parallels the decline in model cities social service activities continued under the CDBG program. (Social services funded by CDBG are discussed more fully in chapter 5.) In terms of the decisionmaking process, the rapid disappearance of model cities

agencies has meant the loss of an institutionalized bureaucracy representing primarily low- and moderate-income groups. Some argue that in a competitive, open process, the lower income groups are at a disadvantage as compared to higher income groups which also seek benefits from the CDBG program. Thus the lower income groups need to be formally structured into the CDBG process.

In the case of urban renewal agencies, of the twenty-seven that continued to operate in the first year, twenty-three were still operating by the end of the second. While the phase out of model cities programs often left the model cities staffs with few if any programs to administer, some urban renewal programs were restructured into regular city departments and continued to operate with full or only lightly reduced complements of personnel.

What kind of role are the specialists playing in the CDBG decision process?

In some communities they are undergoing bureaucratic isolation and declining influence. This appears to be the case in Charlottesville, Virginia, where the Redevelopment and Housing Authority, which had administered the city's public housing programs since the sixties, was given no role under CDBG. Similarly, in Marlborough, Massachusetts, the redevelopment authority continued to exist but was purposely left out of the CDBG process.

Some specialist agencies continued to administer CDBG programs separately but policy decisions were made by generalist officials. For example, in Durham, North Carolina, the Redevelopment Commission managed a successful bid to implement the rehabilitation program that constituted over one-half of the proposed local CDBG program. In addition, the Redevelopment Commission gained control over that portion of the community development budget designated for urban renewal type activities. As a result it ended up with primary responsibility for spending over 60 percent of the CDBG funds. But, the associate stated, "It did not play a substantial role in the preparation of the plan that decided how these funds would be spent." Similarly in Newark, New Jersey, the planning function shifted from the Newark Housing Authority (the city redevelopment agency under urban renewal) to city hall, although the redevelopment agency was given substantial funding. According to the associate, "The shift of the planning function from the NHA to another planning group is a major occurrence in the Newark redevelopment experience."

In some cases the staff of former specialist agencies has been absorbed into a generalist department. This absorption process is an important aspect of decentralization. The disappearance of specialist agencies does not necessarily mean the loss of specialist skills to the communities. Frequently, persons with these skills are shifted over to the CDBG program, but this shift brings a change in bureaucratic accountability. By moving into a generalist agency the staff is now

more subject to local control than was the case under the categorical grants, where the lines of authority tended to run vertically between the specialized local agency and its federal counterpart.

In the first year we noted that specialist staffs that were merged into the general government sometimes had more influence under CDBG than those specialist agencies retaining their independence. The role and influence of these staff members are difficult to assess. Generally, where CDBG positions were staffed from the personnel of former specialist bodies, these specialists had opportunities to influence the program. These opportunities were constrained when chief executives, their immediate subordinates, or other influential participants sought to shape the program. Bangor, Maine, illustrates the continuing influence of some specialists absorbed into the CDBG process.

Capsule 4-3. Bangor, Maine

CDBG brought the near absorption of the Urban Renewal Authority by the city's newly formed community development department. In the first year, two urban renewal officials joined the community development staff and in addition the urban renewal director worked closely with the community development director on relocation problems, spending perhaps two-thirds of this time on community development projects. After two years of CDBG, the CDBG program remains in the hands of specialists. In addition to recruiting urban renewal staff, the community development department has drawn its professionals from other functional departments in the city. For example, the community development director and one other staff member came from the city's code enforcement office. By June 1977 the urban renewal staff was fully absorbed into the community development department and its staff was working in the fiscal area of the community development department.

In summary, it can be said that the first two years of the CDBG program have resulted in a significant shift in control over community development from local specialists to local executive and legislative officials. This shift of power is a reflection of the downward shift in authority from the federal to the local level. The specialists gained their positions through the categorical programs; when these ended it followed that specialist dominance would decline or disappear.

In some cases, the emergence of executive and/or legislative dominance was not a matter of gaining control from specialist officials. Ten sample communities had little or no prior experience with the categorical programs and thus no institutionalized specialists to displace; it was simply a matter of the generalist officials establishing a decisionmaking process under their control.

#### Citizen Participation

In the second year field associates for ten jurisdictions reported increased levels of citizen influence between years one and two; in six jurisdictions influence declined.

There were no cases where a gain in citizen influence meant the emergence in the second year of a citizen-dominated process, nor did any of the declines mean the end of such a process. Like the gains in legislative influence, the increases in citizen influence tended to produce a more dispersed distribution of influence. Among the sample jurisdictions, Minneapolis was the only one with a citizen-centered decisionmaking process in the first two program years. In the third

year that situation changed and citizen influence decreased.

Capsule 4-4. Minneapolis, Minnesota

In the first year, the mayor of Minneapolis indicated his support for a strong citizen role in the CDBG program, stating, "A new kind of city government organization is required to provide for considerably more participation by people who live and work in those neighborhoods that are directly affected." To that end a partly elected, partly appointed citizens' advisory committee was formed and given primary authority for CDBG allocation decisions. In both the first and second years, the citizens' advisory committee met frequently to prepare a draft program. City staff provided technical assistance and the city council had to approve the program, but the content of the application was citizen determined.

In the third year there was a major drop in citizen influence as the mayor and council became more assertive. The council set CDBG goals and priorities, specifying what percentage of block grant funds would be allocated to which particular program areas. The citizens' advisory committee then set to work in much the same manner as before. However, because of a growing sense of fiscal pressure and concern over the direction of the program, the mayor and council integrated CDBG and capital budget decisions and made a major change in the CDBG application recommended by the citizens' advisory committee. The mayor and council allocated 3.3 million in CDBG funds for capital projects that, in the associate's words, "would have been funded elsewhere in other years."

More typical of the changes occurring in citizen participation is Orange County, California, where the associate reported, "Citizens in the community as a whole and in target areas had become much more aware of the possibilities by the second year--a leap forward in the knowledge and activity of citizens had taken place." In Seattle, Washington, an executive-dominated first-year process gave way to a dispersed process in the second year as citizens gained additional influence. Individual citizens and citizen groups were better prepared

in the second year to support their projects with data and were more sophisticated about the objectives and limits of the CDBG program. They were also more familiar with the decisionmaking process.

What caused this increased citizen involvement and influence? In the first year, we found a positive relationship between citizen participation and the seriousness with which local officials viewed such participation. In 80 percent of the jurisdictions officials were reported as taking citizen participation requirements seriously. In the second year the results indicated that local officials were taking citizen participation even more seriously. In Rochester, New York, for example, the associate noted that city officials increased the number of scheduled neighborhood meetings and added a television program to encourage citizen input before and after preparation of the preliminary draft of the CDBG application. In Denver the associate reported the effects of local officials' attitudes this way:

The community development staff and officials regarded citizen participation as the most important part of the CDBG application process. Projects on the final application were almost identical to those submitted by the mayor's advisory council which is made up of city staff and citizens. The staff did not dominate the application process. The second year yielded greater citizen participation primarily because of the experience gained in the first year and because of efforts to assure greater participation.

There were other reasons for the greater citizen involvement in the second year. In some cases pressure from citizens for more involvement resulted in new approaches. In other cases decisions on citizen participation that were deferred in the first year because of



the tight schedule were made in the second.

In Cambridge, Massachusetts, increased citizen influence came as the result of citizens' demands for a bigger rôle in decisionmaking. According to the associate,

The changes in citizen participation resulted in part from the dissatisfaction of organized Cambridge groups with the first-year block grant allocations, particularly the heavy emphasis on streets and sidewalks. Many of these groups felt undercut and excluded by the first-year process. By the end of the first year, they realized that block grants were "where the action is." In turn, the city manager recognized the need to develop a more credible program to satisfy key constituencies. The broader representation on the second-year citizens' advisory committee for Cambridge, the committee's mandate to review all proposals, and its votes on detailed issues--including the level of funding for specific projects--constituted significant departures from the first year.

In some cases the program permitted local officials to shape citizen participation to fit their own objectives and preferences. In San Jose, California, the associate reported that "city hall wanted to get control over federal programs from program specialists and used citizen participation as a strategy for building citizen support for that goal."

While we found an important link between the attitudes of local officials and the extent of citizen involvement, in some cases public apathy was apparently so extensive that no amount of official encouragement could arouse citizens to participate. Of Bangor, Maine, for example, the associate wrote, "Despite the efforts of local officials to solicit citizen views through well-publicized public hearings and neighborhood meetings, citizen response was minimal."

Citizen Participation Mechanisms. The adoption of specific citizen participation procedures in the first year tended to be noncontroversial--an administrative matter. Second-year field data show that these decisions remained largely unchanged. Fifty-two of the sixty-one jurisdictions stayed with the citizen participation approach they had adopted in the first year. Among those that changed, Atlanta, Georgia, chose a simpler mechanism while five other communities chose a more elaborate mechanism, creating a citizens' advisory committee (CAC). This brought the total number in our sample with such formal mechanisms to thirty-six (60 percent). The major characteristics of these citizens' advisory committees--their composition, how members are selected, and their role in the application process--are shown in table 4-3. As shown in the table, the formal CAC's were primarily appointive bodies with members chosen by executive officials (either the chief executive or officials of executive departments).

Table 4-3. Summary Data on the Thirty-Six Citizens' Advisory Committees Participating in the Second-Year CDRC Application Process

Jurisdiction	Number of members on committee	How members are selected	Who selected members	Basis of selection	Percent low-moderate-income representatives on CAC	Type of participation		
						Advisory role in drafting application	Participation in preparing draft	Participation in commenting on draft
Auburn, Maine	11	Appointed	Legislature	Citywide	0	Yes	No	Yes
Bangor, Maine	15	Appointed	Legislature	Citywide	13	Yes	No	Yes
Cambridge, Mass.	90	Appointed	Executive	Both	a/	Yes	No	No
Carbondale, Ill.	26	Appointed	Executive	Citywide	38	Yes	No	Yes
Casa Grande, Ariz.	11	Appointed	Department	Citywide	18	No	No	Yes
Charlottesville, Va.	16	Appointed	Executive	Both	44	Yes	Yes	No
Cleveland Heights, Ohio	10	Appointed	Legislature	Neighborhood	10	Yes	Yes	Yes
Columbia, S.C.	15	Appointed	Executive and legislature	Citywide	27	Yes	No	Yes
Dade County, Fla.	26	Elected	Citizens	Neighborhood	69	Yes	Yes	Yes
DeKalb County, Ga.	13	Appointed	Department	Both	69	Yes	Yes	Yes
Denver, Colo.	27	Appointed	Legislature	Both	89	Yes	Yes	Yes
Durham, N.C.	30	Appointed	Legislature	b/	b/	Yes	Yes	Yes
El Monte, Calif.	25	Appointed	Legislature	Citywide	a/	Yes	No	Yes
Florence, S.C.	15	Appointed	Legislature	Citywide	40	No	No	Yes
Greece, N.Y.	9	Appointed	Executive	Citywide	0	No	No	Yes
Harris County, Tex.	13	Appointed	Legislature	Citywide	0	Yes	No	No
Houston, Tex.	28	Elected	Citizens	Neighborhood	68	Yes	Yes	Yes
Huntington Beach, Calif.	8	Appointed	Legislature	Citywide	0	Yes	No	No
Jacksonville, Fla.	27	Appointed and elected	Other	Both	19	Yes	Yes	Yes
Los Angeles, Calif.	150	Appointed	Legislature	Neighborhood	a/	Yes	No	Yes

Table 4-3, continued

Jurisdiction	Number of members on committee	How members are selected	Who selected members	Basis of selection	Percent low-moderate-income representatives on CAC	Type of participation		
						Advisory role in drafting application	Participation in preparing draft	Participation in commenting on draft
Lubbock, Tex.	14	Appointed	Legislature	Both	43	Yes	Yes	Yes
Marlborough, Mass.	5	Appointed	Executive	Citywide	0	Yes	No	Yes
Miami Beach, Fla.	11	Appointed and elected	Executive and citizens	Neighborhood	100	Yes	Yes	Yes
Minneapolis, Minn.	47	Appointed and elected	Executive, legislature, and citizens	Both	34	Yes	Yes	Yes
Mount Vernon, N.Y.	12	Appointed	Executive	Citywide	0	No	No	Yes
Newark, N.J.	27	Appointed	Executive	Citywide	0	No	No	Yes
Philadelphia, Pa.	45	Appointed	Executive	Citywide	a/	No	No	Yes
Phoenix, Ariz.	17	Appointed	Executive	Citywide	0	Yes	No	No
Plainview, Tex.	41	Appointed	Executive and legislature	Both	34	Yes	No	No
Raleigh, N.C.	18	Appointed and elected	Executive	Neighborhood	b/	Yes	b/	Yes
St. Louis, Mo.	39	Appointed	Executive	Neighborhood	77	Yes	No	Yes
St. Louis County, Mo.	20	Appointed	Executive	Neighborhood	30	Yes	No	Yes
San Jose, Calif.	11	Appointed and elected	Executive, legislature, and citizens	Both	45	Yes	Yes	Yes
Santa Clara, Calif.	9	Volunteer	Citizens	Both	0	Yes	Yes	No
Sioux Falls, S. Dak.	21	Appointed	Legislature	Citywide	38	Yes	No	No
Worcester, Mass.	24	Appointed	Executive	Both	29	Yes	Yes	Yes

Source: Field research data.

a. Due to fluctuations in membership and the large size of the citizens' advisory committee, field associates were unable to make this calculation.  
 b. Data were not available at the time this chapter was written.

Citizens' advisory committees were found more frequently in non-central city jurisdictions, as shown in the table below. The low percentage of urban counties with CAC's is partly attributable to the two-layer nature of these jurisdictions (discussed later in the chapter). In some of these counties, there was no CAC at the county level but individual communities within the county had their own citizen participation arrangements.

Type of jurisdiction	Number in sample	Percent with CAC
Nonmetropolitan	9	78
Satellite cities	12	67
Central cities	30	57
Urban counties	10	40

Representation. Among the important issues regarding the CAC's is the extent of representation of low- and moderate-income groups, the intended principal beneficiaries of the CDBG program. A major concern of those opposed to grant consolidation was the potential loss of representation of lower income groups in the decisionmaking process. This was of particular concern to supporters of the model cities program which had structured lower-income representation into local decisionmaking.

Based on information provided by the field associates we grouped the sample jurisdictions with CAC's on the basis of their percentage of representatives from low- and moderate-income areas. The following table is based on the thirty-two jurisdictions from which data were available.

Percent of low- and moderate- income representation on CAC	Number of jurisdictions
0 to 25	15
25 to 50	11
50 to 75	3
75 to 100	3

We found that low- and moderate-income representation tended to be higher where the CAC's specifically called for neighborhood representation. In those jurisdictions where the CAC's were composed

of representatives of communitywide organizations, the number of low- and moderate-income members tended to be lower.

Type of representation	Number of jurisdictions	Percent low- and moderate-income members on CAC
Communitywide	15	12
Communitywide and neighborhood	9	41
Neighborhood	8	57

Neighborhood Group Participation. Neighborhood groups were well established in the first year as the most prominent and influential vehicle for citizen involvement in the CDBG decisionmaking process. They continued to predominate in the second year and in some cases received a boost as more local officials identified and planned strategies calling for targeting of benefits to specified geographical areas. Some of the second-year increase in neighborhood participation was related to the rush surrounding the first-year application process. In Rochester, New York, for example, there was a small increase in the number of target area neighborhood organizations that participated in the second-year CDBG process. These groups, not sufficiently organized to participate in the first year, made proposals in the second. In other jurisdictions, associates noted that neighborhood involvement was a distinct and growing trend linked to specific project demands. In

Denver, groups formed to work for particular projects, such as a community center. During the first year this occurred in only three districts; in the second such groups presented specific proposals in six of eleven districts.

Overwhelmingly, associates reported that neighborhood groups continued to be the most influential as well as the most active citizen participants. The associate in Pittsburgh, for example, reported that, among the various types of citizen groups, the most active by far in terms of the number participating in the public hearing process were groups formed in neighborhood areas. These groups, which constituted nearly 75 percent of those participating, were also effective in articulating their needs and concerns. The groups had developed good working relationships with the community planner assigned to their neighborhoods before the CDBG program. This gave them an additional path of access to the decisionmaking process in their jurisdiction. In Phoenix the associate made the following evaluation:

Citizen participation did play a part in the council's CDBG planning, particularly in their decision to stay in the second year in the controversial site of the neighborhood development program established under the categorical grants. At a series of city-sponsored meetings residents expressed cynicism, alienation, and general distrust, using language reminiscent of "urban renewal horror stories." They were older blacks, not young radicals, yet very distrustful. They felt the city would somehow "rip them off." For the majority of the council members, stories like this meant that they could not pull out of the area regardless of staff arguments to the effect that the project was no longer feasible.



The influence of neighborhood groups was sometimes due to their preparedness. According to the associate for St. Louis, "The really valid proposals came from neighborhood groups who have a surprising amount of expertise these days. In fact, the best chance an alderman had of getting a proposal funded was to have the backing of a neighborhood organization."

In some cases neighborhood influence resulted in a spreading of program benefits to satisfy the variety of neighborhoods represented. In Cambridge, Massachusetts, for example, the inclusion of more neighborhood representatives on the CAC resulted in increased competition for CDBG funds and more geographic spreading of projects. "The addition of some sixty neighborhood representatives introduced a much stronger element of neighborhood competition. Each neighborhood raised demands for open-space and neighborhood facilities. These pressures in turn led to a greater geographic dispersion of CDBG funds." In Worcester, Massachusetts, spreading of benefits took the form of small parks and recreation projects. This enabled the city to satisfy a wide demand for neighborhood projects while committing only a small share of funds to such spreading. In Durham, North Carolina, there was also considerable pressure for spreading, particularly among the lower-income neighborhoods.

Capsule 4-5. Durham, North Carolina

The dispersal of community development activities in Durham clearly reflected neighborhood demands for a share of CDBG funds, typically for recreation and other facility improvements. In at least one case, a neighborhood lobbied successfully to have itself included as a target area over the objections of city officials, who argued that the neighborhood was scheduled to be cleared for a leg of the interstate highway system. Several other neighborhoods had also laid claim to particular facilities such as tennis courts. Almost without exception these were low- and moderate-income neighborhoods. The middle class was not mobilized to claim CDBG money for itself.

In some cases neighborhood participation was synonymous with minority representation. Some jurisdictions took steps to promote minority participation. In Miami, Florida, for example, the associate reported, "CDBG gave Spanish-speaking persons direct access to both city and county (Dade) officials. In the first year, because of their association with Dade County in past categorical programs, blacks worked directly with the county and only indirectly with the city. Now blacks and Spanish-speaking persons are directing their influence to both local governments." In Boston the city held meetings in the second year for Spanish-speaking groups serving the Hispanic community. These groups made gains in the second year of at least five new social service programs, but social service programs benefiting blacks in the old model cities area were cut and no special efforts were made on their behalf.

Houston is a case where the influences of neighborhood-based structures, lower-income representation, minority influence, and pressures for spreading are clearly seen.

Capsule 4-6. Houston, Texas

The Houston Residents' Citizen Participation Commission, constituted in the summer of 1975 by an act of the city council, became the formal citizen participation mechanism for Houston's CDBG program. Based on a concept of "sub-area" representation, the commission was to be composed of elected commissioners, with two to three elected per sub-area, depending on its population size. The sub-areas represented included those portions of the city that had been designated as potential target areas during the first-year planning process, in general conformance with census tract profiles for low- and moderate-income areas; sub-area boundaries conformed as closely as possible to generally understood neighborhood constellations. As a result the commission represented the low- and moderate-income parts of Houston, rather than the city as a whole. Commissioners were elected by popular vote. Moses Leroy, a respected leader of Houston's black community who had headed the model cities residents' commission and had formulated the new commission's structure, became its chairman. Unlike members of the earlier citizens' task force appointed during the first year, most of whom represented citywide public interest groups, the resident commissioners from sub-areas were vocal advocates for their particular constituencies and often aggressive in initiating proposals for activities in their particular neighborhoods and sub-areas. As a result the second-year CDBG planning process was much more "turf oriented" than the first year's, and reflected grass roots priorities to a greater extent. And the second-year CDBG program became a more loosely strung collection of projects which would have visible effects in a large number of sub-areas of the city, rather than a well-honed strategy toward carefully defined city goals.

Roles and Influence. The primary activities of the citizens' advisory committees were to: (1) hold hearings to solicit proposals, (2) review citizen proposals and establish priorities, and (3) subsequently review the CDBG application. In only a very few cases

were CAC's involved in actually drafting the CDBG application. Their primary function was generally to provide information and advice about policy, but not to determine it. Nevertheless, some were more influential than others. Some were given substantial influence, others were largely "window dressing." Still others were established because local officials perceived this to be the only way citizens' views could be solicited due to apathy toward the program or government generally.

The following capsules on Cambridge and DeKalb County show the influence such formalized bodies can have.

#### Capsule 4-7. Cambridge, Massachusetts

An elaborate process for citizen participation was established for the second-year CDBG program in Cambridge. A ninety-member Block Grant Advisory Committee was formed by invitation from the city manager, consisting of sixty neighborhood representatives and thirty city and community agency representatives. This group held eight lengthy sessions between October and the end of February, with technical assistance provided by the city's community development staff, to review and rank proposed block grant programs. Proposals were initially drawn from a series of twenty-four neighborhood meetings organized around local comprehensive planning teams. Over 400 residents were ultimately involved in one or more block grant meeting.

After publishing a comprehensive list of proposed funding requests, the committee held a series of formal voting sessions--first to determine allocations for general program categories and then to rank projects within each category.

The advisory committee's recommendations were presented to the city manager, who then responded with his own proposals which were discussed further with the committee. The draft application submitted to the city council was thus a product of discussions between the two parties, with the city manager making the final decisions.

Capsule 4-8. DeKalb County, Georgia

In DeKalb County, the citizens' advisory committee was viewed by officials as an important means of securing community support. The associate concluded, "The CAC provided the political leverage on the commission that insured that the CDBG plan--a rather liberal undertaking for DeKalb--was accepted." During the second year, the committee continued to have an important policy role. Both staff and committee members agreed on the importance of establishing clearly defined needs and priorities. Some members of the DeKalb County Commission might have preferred to allocate resources on a strict patronage basis. The committee, however, would have no part of this approach and insisted on allocating the money according to need. Moreover the committee was firm in its position that it would support the preferences of neighborhood residents as against staff or the county commission itself, if it came to that. The committee's views prevailed, although there was some concern expressed by the commission as to whether the committee adequately reflected the views of the target areas.

The case of Harris County, on the other hand, shows that even the most elaborate CAC structure was not necessarily indicative of substantive or influential citizen activity.

Capsule 4-9. Harris County, Texas

In late 1975 during the implementation of the first-year CDBG program, a citizen participation task force was formed in Harris County for the purpose of assisting in the development of the second-year application. Each member of the Commissioner's Court submitted a list of names to the Community Development Agency and forty-five persons were asked to participate. A core of from five to thirteen people formed an ongoing citizen task force. The task force was divided into four subcommittees, generally operating under the director of community development. The community involvement subcommittee was responsible for holding citizen meetings in nine target communities to ascertain the needs of these communities. Subsequently the project selection subcommittee determined those projects that would best satisfy the expressed needs and developed a priority listing of projects for each area. The application subcommittee was responsible for checking the project list against federal guidelines. An advisory subcommittee

provided advice on general direction.

However, the presence of the citizen task force has not had a substantial effect on the CDBG program. The initial choice of target areas--a crucial decision--was largely made by the commissioners and the Housing Authority Board. The expression of citizen concerns at meetings in selected target neighborhoods and their filtering up through the various task force committees provided only the starting menu of program alternatives at the community level from which members of the Commissioner's Court and the Housing Authority Board made their own decisions. In general, they could veto those they objected to, accord high priority to favored projects or to programs in favored constituent areas, and add other program components which had not been suggested in the target neighborhoods. As a result, informal access to a commissioner was a more effective way of influencing CDBG outcomes than participation in the cumbersome task force process, which served only as a channel of communication between the communities and the Community Development Agency and Commissioner's Court.

For Auburn, Maine, the associate reported, "The citizens' advisory committee had two formal meetings which were rather poorly attended by its members. On one of the two occasions only two of eleven members showed up. After each of these meetings public hearings were held--but the public was virtually nonexistent." In Greece, New York, the second-year citizen participation process differed procedurally from that of the first year. In addition to two public hearings, a citizens' advisory committee was established in order to expand the solicitation of citizen views. The committee membership overlapped with that of the town's planning, zoning, and drainage committees. At HUD's suggestion monthly meetings were opened to the public. However, the meetings were very rarely attended by nonmembers. The CAC's role was essentially reactive; agendas were mostly status reports on first-year projects. Thus in Greece the citizens' advisory committee

fulfilled the citizen participation requirement, but the committee had little substantive influence on the second-year program.

An important aspect of the approach local governments took to citizen participation involves the number of stages in the application process at which opportunities for participation were provided. In the first year we identified three such stages: (1) prior to preparation of a draft application, (2) during the drafting process, and (3) in connection with consideration by the local legislature. In the second year timing-of-involvement patterns remained largely the same as in the first year. A few jurisdictions provided opportunities at only one point in the process; many others provided participation at two points; and, others at all three points. Among those jurisdictions that changed their structural arrangements in the second year, we found no pattern of increasing opportunities at more points in the process. More elaborate structures did not appear to increase the number of phases at which participation was provided for. The primary pattern was that of participation before and after, but not during the drafting phase itself. There are implications for citizen influence in this finding. We found that when citizens were able to participate on an ongoing basis, especially during the critical drafting process, they were often more influential than might otherwise be expected. When participation consisted of making suggestions before the draft was prepared and/or commenting later on the finished product, the citizen role tended to be advisory. According to the associates, this advisory

capacity was a preference expressed by many local officials. The comment of the associate for St. Louis County is typical. "The citizen participation component was taken seriously by local officials and the citizens' advisory committee went through all the necessary motions, but advisory is the watchword. The buck stops at the supervisor's office and he and his staff--especially the community development staff--had the last word."

Informal Procedures. We continued to follow the efforts of local governments to promote citizen participation beyond structural arrangements. Overall, these less-structured opportunities for citizen participation increased.

The trend was toward more efforts to enhance citizen participation by providing technical assistance and informal contacts between elected officials, staff, and citizens. Informal contacts with the local legislature sometimes proved to be an effective avenue for citizens to influence the contents of the CDBG program. For Los Angeles County the associate reported, "The citizen participation process did not generate much excitement. Turnout at the meetings was usually small, even though the county mailed out notices. The real citizen input came in an informal way--directly to the supervisor's office." In Cleveland the associate reported that citizens and citizen groups seemed to realize that the formal citizen participation mechanism had limited potential for impact. Rather, the indirect, informal channels of communication between the CDBG staff and city council members were used to greater



advantage in the second year. It was through these indirect and informal channels that sixteen community, social, and public service groups were funded, target areas were expanded, and the local development corporation was supported with CDBG funds. Technical assistance designed both to educate citizens about the CDBG program and to help them prepare their proposals also increased. In Pittsburgh, ten workshops were held around the city in order to provide citizens and organizations with technical information on project requirements as well as to assist them in preparing testimony for the public hearings.

Summary on Citizen Participation. To summarize, we found that the citizen participation process in the second year was characterized by some increases across all dimensions: local officials were more disposed toward the requirement; there were more elaborate mechanisms and more technical assistance as well as informal staff and citizen contact; there was a greater sophistication among participating groups; higher levels of participation and more competition were apparent, as was increasing citizen influence and often a wider distribution of benefits. Nevertheless, citizen influence remained well behind that of local executives.

Analyses of associates suggest that the increases in the second year may be the natural consequence of "gearing up," rather than part of a continuing trend toward more and better citizen participation. Their preliminary assessments for the third year suggest that, while in some cases the peak of citizen participation has not been reached, in

other cases it may have passed as programs have become routinized and opportunities for nonbureaucratic influence decrease.

Thus, increases in citizen influence or stabilization of the citizen role over the first two years do not necessarily imply influence in the future. We conclude that the flexibility of the CDBG program, elections, the attitudes of federal and local officials, and structural and representational factors all determine the role and influence of citizen participation.

#### DECISIONMAKING IN URBAN COUNTIES

Because the CDBG decisionmaking process in urban counties is affected by unique factors--primarily the relation between the county and its member communities--this type of jurisdiction requires special attention.

The Housing and Community Development Act defines an urban county as one which has a population of at least 200,000 excluding its central city (or cities), suburban cities with populations of 50,000 or more, and any other municipalities that choose not to participate. Thus, for purposes of the CDBG program, the "urban county" does not include the entire geographic area of the county or all of its population; it is a "residual" entitlement area made up of small suburban communities and, in some cases, rural areas. An example is Los Angeles County, which excludes twenty-three formula entitlement cities and forty-one smaller

municipalities that chose not to participate. The CDBG law also specifies that the urban county must have powers to perform "essential community development and housing activities."

In its simplest form, then, a county would be eligible to receive CDBG funds if it were authorized by the state to carry out community development activities (specifically, urban renewal and publicly assisted housing) in its unincorporated areas and if the population of the unincorporated area exceeded 200,000.

If a county is deficient in population, community development authority, or both, it can become an entitlement area through a more complex manner--by entering into cooperative agreements with incorporated municipalities within the county. These agreements permit the population of the participating municipalities to be counted toward the 200,000 and may allow the municipality's community development authority to be shared by the county.

Even where a county has sufficient population in unincorporated areas alone, there is an advantage to the county in gaining the participation of municipalities--the county's entitlement amount increases as its population increases. Participation can also be advantageous to the municipality, since the cooperative agreement may include provisions for sharing the county's entitlement funds with the participating municipalities, which individually might not receive CDBG assistance.

Urban counties currently exist in twenty states, in all four census regions, with California and Pennsylvania having the most, thirteen and eleven respectively. The total population of the 75 qualifying urban counties in the second program year was 61.2 million, but only 27.1 million were counted for CDBG purposes. In the first year 73 urban counties included 1,875 cooperating municipalities. This number increased to 2,152 in the second year. The urban counties in the northeast and north central regions have more than three times the number of participating municipalities than their counterparts in the south and west, where there is more unincorporated territory.

The Brookings sample includes ten urban counties, some in each of the four census regions. Table 4-4 presents a population profile of the sample counties, among which are the two largest urban counties in the country (Cook and Los Angeles counties). Seven of the ten sample urban counties have populations of more than one million.

Table 4-4. Population Characteristics of Urban Counties in the Brookings Sample, Second Program Year

County	Total county population (thousands)	CDBG population (thousands)	CDBG population as a percent of total population	CDBG population in incorporated areas (thousands)	Percent of CDBG population in incorporated areas
Allegheny, Pa.	1,605	847	52.7	847	100.0
Cook, Ill.	5,494	1,454	26.5	1,454	100.0
Dade, Fla.	1,268	743	58.6	206	27.7
DeKalb, Ga.	415	344	82.9	26	7.6
Harris, Tex.	1,742	372	21.3	130	34.9
Hennepin, Minn.	960	337	35.0	337	100.0
King, Wash.	1,159	567	48.9	156	27.5
Los Angeles, Calif.	7,042	1,862	26.4	887	47.6
Orange, Calif.	1,421	499	35.1	334	66.9
St. Louis, Mo.	952	753	79.1	428	56.8

### Allocation Systems

Analyses of the field associates indicate that there were two basic allocation patterns among urban counties: (1) a "pass through" system whereby the urban county acts as a conduit and distributes the CDBG funds directly to the participating municipalities, who decide how to spend the money; and (2) a system whereby the urban county retains the funds and makes the spending decisions itself. The allocation system may also be a combination of these two. Four of the ten sample counties--Allegheny, Dade, DeKalb, and Harris--retained all CDBG funds and made project decisions at the county level. The other six sample counties adopted a combination pass-through and retained-funds system, with considerable variation in the proportion distributed downward. The percentage of funds passed through varied as follows:

County	First year (percent)	Second year (percent)
Hennepin, Minnesota	95.0	93.0
Orange, California	65.5	57.5
St. Louis, Missouri	54.4	52.5
King, Washington	47.5	43.2
Cook, Illinois	41.6	98.6
Los Angeles, California	12.7	23.0

The methods adopted by the six counties passing through funds differed, though most relied on some type of formula. In Hennepin and St. Louis counties, the municipal distributions were based on the HUD national formula (population, poverty, and overcrowded housing), using local demographics. The participating cities thus become entitlement communities within the urban county. Los Angeles County made a basic decision to allocate \$30,000 to each of the forty-three participating municipalities for planning purposes, with the remainder of the CDBG funds to be spent by the county. This county share was then split five ways among the five county supervisor districts. The actual dollar amounts for each district were determined by applying the CDBG formula to the unincorporated area within that district.

Cook County devised the most elaborate allocation system among the sample units.

#### Capsule 4-10. Cook County, Illinois

While adhering to the philosophy of minimal county involvement in the first year, Cook County officials nonetheless sought some systematic method for evaluating individual proposals received from municipalities and for allocating funds consistent with county priorities and the national objectives of the CDBG program. Also, with 128 participating cities in the second year, the anticipated volume of proposals required a system to make review manageable. Cook County contracted with Real Estate Research Corporation (RERC) to develop such a system. Initially mayors from almost 100 municipalities were interviewed to identify local needs and problems. Next RERC divided all projects eligible for CDBG funding into six major categories and grouped them in descending order of need, as expressed by local officials. Using this method, RERC established a way of assessing the importance of the various projects.

RERC next ranked municipalities in terms of their needs; the ratings were based on several elements: housing conditions, community size and maturity, financial and administrative capabilities, employment, income and economic base, and environmental characteristics. Cook County was then divided into five different districts. Of the total CDBG money available to the county, it was proposed that each district receive the following percentages: north--5 percent; northwest--7 percent; west--4 percent; southwest--31 percent; and south--53 percent. This breakdown directed most of the money to the districts that needed it most, although every district was assured of getting some funds.

The ranking system worked out by RERC was used to review the 175 municipal proposals submitted to the county for funding with second-year CDBG money. Of the projects totaling \$35 million requested by the municipalities, the county was able to trim the list to sixty-six projects within the total allocation of \$8,265,000.

The consequence of this process was that 98.6 percent of the funds was passed through to municipalities. The county retained one percent for administration and an additional \$35,000 for technical assistance.

In the second year Hennepin, King, Orange, and St. Louis counties showed a small decline in the percent of CDBG funds passed through to municipalities. However, the increased county share did not necessarily mean that municipalities received less money than the year before, because many county entitlements increased by one-third under the CDBG phase-in process [1]. In Hennepin County, which passed through most of its funds, the incentive of the additional phase-in money increased the number of participating municipalities from 23 to 29 in the second year (and to 35 in the third year). In St. Louis

---

1. The law provides that when an entitlement area's formula allocation exceeds its hold-harmless amount, the amount actually allocated shall be which ever is greater--its hold-harmless amount or one-third of the formula amount in the first year, two-thirds in the second year, and the full formula amount in the third year.



County the number of participating municipalities increased from 43 to 60.

Two factors appear to explain the variations in pass-through arrangements: municipal participation and community development powers.

Municipal Participation. As noted earlier, an urban county needs a population of 200,000 or more to qualify for CDBG funds. Of the ten urban counties in the sample, seven qualified on the basis of unincorporated population alone, while three counties (Cook, Hennepin, and Orange) needed population from cooperating municipalities. (All urban counties in the sample include some population from incorporated areas, however.) Cook and Hennepin were totally dependent upon their municipalities, since they had no unincorporated areas with population. Orange County needed the population of one municipality to qualify, although others did join.

This dependence on municipalities produced the most "pro-municipality" arrangements of the urban counties in the sample. Cook and Orange counties gave participating municipalities substantial CDBG funds, with Hennepin going even further. In early negotiations Hennepin offered to pass through, by formula, 90 percent of its funds. However, the municipalities wanted 95 percent, stating that the county had always charged only 5 percent for overhead on other programs. The compromise agreement called for the county to receive 5 percent the first year, 7 percent the second, 9 percent the third year, and an

amount not to exceed 10 percent thereafter.

The field analyses show that the willingness of municipalities to enter a cooperative agreement depends in part on how they see their prospects for getting metropolitan discretionary funds [2], and in part on their willingness to comply with the legislative provisions and HUD regulations on such things as equal opportunity and spatial deconcentration of low- and moderate-income population.

A number of associates reported concern among local officials that the CDBG program would require them to build low-income housing in their community. Some municipalities were also concerned generally over the possible loss of autonomy to HUD and to the county. Despite such uncertainties and misgivings, by the third program year, only 13.6 percent of the municipalities in urban counties in the sample, with 5.8 percent of the urban county population, had chosen not to join the urban county.

Community Development Powers. The relationship between the county and municipalities is also structured by community development powers. HUD operating instructions state:

Where the county has the authority to undertake essential activities within a unit of local government HUD will consider all units of government to be part of the urban county unless they have expressed in writing to the county and to HUD's area office . . . their intention to withhold populations from the

---

2. Under the 1977 amendments there may be more incentive for communities to join the urban counties. With the sharp reduction in metropolitan discretionary funds (see chapter 2) and the aggregation of these funds at the state level, individual communities may consider their prospects for separate funding diminished.

county. [That is, where the county has such development authority, all municipalities are automatically included unless they deliberately opt out.]

Where the county does not have the authority to undertake essential activities in a unit of local government . . . [it] must enter into cooperative agreements [3].

Allegheny County is an example of an urban county that has community development authority and is not required to have cooperative agreements with its municipalities. All of the county's population is within incorporated areas and very few municipalities opted out. With the necessary powers, staff, and experience, the county was able to assert its authority immediately and did not adopt a pass-through arrangement. Requests for project proposals were sought from county departments, municipalities, and citizen groups, but choices were made by the county, to be implemented by the county.

#### Participation and Influence

Within individual jurisdictions the pass-through arrangements influenced the role of county elected officials. In the five counties that passed through more than 40 percent of their CDBG funds to participating municipalities, there was little or no involvement of county elected officials in the CDBG application process. In those

---

3. Assistant Secretary Meeker, quoted in a letter from R. J. Franco, Los Angeles Deputy Area Director, HUD, to Los Angeles County and all cities in the county under 50,000, January 8, 1975. Eligibility of urban counties is also detailed in Code of Federal Regulations, title 24, section 570.105.

counties which retained all or the bulk of the CDBG funds, elected county officials played a more important role.

One other aspect of the decision processes of urban counties that should be noted concerns citizen participation. Generally, pass-through counties took a passive view of citizen participation at the municipal level. They tended to seek assurances that participation requirements were met in the municipalities rather than actively promoting the concept of countywide citizen participation. For example, Hennepin County required each municipality to hold two public hearings. Each municipality was free to meet that minimum requirement or establish a more elaborate process. The county staff had no public hearing on the application. Cook County required one public hearing at the municipal level before a proposal could be considered by the county's Community Development Advisory Council. The county then held two hearings on the entire CDBG application which were considered to be pro forma.

Counties with unincorporated areas and less pass-through money tended to take a more active part in citizen participation. Community development officials in St. Louis, Los Angeles, and King counties organized meetings and worked with community leaders in the target areas to solicit project proposals. In Dade County, members of the county manager's task force prepared the CDBG application, based in part on the priorities established by citizens in eighteen target areas established by the county. Each area elected a chairperson to

represent the target area residents before the task force. After the task force prepared the application, the eighteen chairpersons reviewed it, and it was modified to take into account their objections. The citizen participation mechanisms in DeKalb and Harris counties, both of which retained all CDBG funds, were described in capsules earlier in the chapter.

In summary, the decision processes of urban counties can differ markedly from those of central and satellite cities. The counties very often have two-tiered arrangements, and how the tiers are related to each other in the CDBG program appears to be determined principally by whether or not the county must include participating municipalities to gain entitlement status. Where such participation is necessary, the county itself may have to trade off some of its program control for municipal cooperation. Thus the central question concerns accountability: As the entitlement jurisdiction and the recipient of the CDBG funds, to what extent can an urban county relinquish its responsibility to nonentitlement municipalities?

#### SUMMARY COMMENTS

Decentralized decisionmaking under CDBG has resulted in a diversity of local decision processes which we have categorized as centered, shared, or dispersed systems, depending on the relative influence of local executives, legislatures, specialists, citizens, and

HUD. After two years of the program, the data clearly show the preeminence of local executive influence, but as the processes evolve the trend is toward systems with more involvement and influence by legislatures and citizens.

In some cases the opportunity under the CDBG program to substitute local processes for federally dominated ones has resulted in structural innovation at the local level. New bureaucracies and new groups have been formed to take part in CDBG decisionmaking. In other cases bureaucratic adaptation has prevailed as agencies and groups dominant under the categorical grants have changed names and sometimes faces but have continued to play an important role in the decision process; now, however, they are more accountable to local control. In the case of urban counties, a lack of prior categorical experience by many of these jurisdictions has resulted in the establishment of new processes for decisionmaking. Frequently the process created has given more program control to participating municipalities than to county officials.

For many communities the CDBG program has contributed significantly toward opening up community development decisionmaking, but this has benefited some groups more than others. With the flexibility of the program, new citizen and neighborhood groups have entered the process to compete for program benefits. This has tended to produce some spreading of benefits to meet the new demands. For those communities that had model cities programs, the influence of those lower-income constituent groups has generally been weakened as

the model cities program has lost its separate identity and as model cities bureaucracies and programs continue to disappear.

Finally, it must be stressed that these decisionmaking processes are still evolving as the relative influence of participants changes and as participants enter and leave the process. Thus, some important questions remain. As the programs continue, will decisionmaking become routinized with the process closing up and coming under the domination of one set of participants? Is the relatively great involvement of citizens in the early years of the CDBG program a burst of initial enthusiasm that has peaked and will decline, or has citizen influence become an established part of local decisionmaking? What will be the effect of HUD policies on local decision processes? These questions will be among the major topics for our continuing research.

## Chapter 5

### THE USES OF CDBG FUNDS

Decentralization involves not only who makes decisions but also the kinds of decisions that can be made. The basic CDBG legislation recognizes the diversity of conditions and needs that exist at the local level and permits a variety of responses. This approach is clearly expressed in the act's objectives. Within the framework of developing "viable urban communities . . . and a suitable living environment . . . principally for persons of low- and moderate-income," local officials have considerable flexibility in setting their own community development priorities. Do the resulting choices reflect this greater flexibility? Are they the product of a comprehensively planned effort to shift priorities or are they more the result of a local political bargaining process?

The evidence, presented in the first part of this chapter, is sufficiently clear to conclude that local governments have used the CDBG program's greater flexibility. For the second program year, we have analyzed the field data according to the major programs funded by CDBG. This analysis, which is based on our knowledge of the first program year, gives a fuller picture of the shifting priorities reflected in the move from categorical to block grants. The clearest evidence of this shift is the emergence of neighborhood conservation programs (housing rehabilitation and related neighborhood improvements) as major CDBG activities, coupled with reduced commitments to urban renewal and social service programs.



In addition to programmatic uses, there is the question of the fiscal impact of CDBG funds. To what extent have the funds been used to stimulate new spending by recipient governments as opposed to substituting for funds that would otherwise have been obtained from other sources? The last part of the chapter is concerned with this question and extends the fiscal effects analysis of the first-year report [1].

#### PROGRAM ALLOCATIONS

A wide range of activities--property acquisition, construction of public facilities, rehabilitation of private homes, housing code enforcement, and social services--are included among the thirteen eligible activities listed in section 105(a) of the 1974 act. While these activities are important for official reporting purposes, their usefulness is limited for understanding the broader policy choices of recipient jurisdictions. In the analysis that follow we use five categories of community development programs:

1. Housing and neighborhood conservation--allocations for housing rehabilitation and for related public facilities, such as streets and parks. A neighborhood conservation project does not necessarily

---

1. Richard P. Nathan, Paul R. Dommel, et al., Block Grants for Community Development (Washington, D.C.: Department of Housing and Urban Development, 1977), pp. 510-24.

include a housing rehabilitation component although it frequently does [2];

2. Planning and general development--allocations for planning, as well as for capital and operating projects which are intended (1) to serve the entire community or (2) to serve a part of the community but which are not part of a multi-project neighborhood development plan (e.g., resurfacing a street in a neighborhood where no other development activities are being carried out);

3. Urban renewal continuation;

4. Social services and facilities--both capital and operating expenditures related to the provision of social services such as health, child care, senior citizens, and counseling programs; and

5. Economic development--allocations for new commercial and industrial development programs.

These categories of activities are not mutually exclusive. For example, construction of a social service facility or continuation of an urban renewal project could be part of a neighborhood conservation strategy.

---

2. Only those capital improvements indicated by associates to have been directed to target neighborhoods for the specific purpose of upgrading the area are considered neighborhood conservation uses; similar activities for communitywide use or a single activity to serve a part of the community are classified as urban renewal continuation or general development.

Data on program allocations in the sample jurisdictions are presented in two ways--as unweighted mean percentages and in aggregate dollar amounts of CDBG funds. The percentage distributions of aggregate dollar allocations by the sample units are strongly influenced by the largest sample jurisdictions. Unweighted means, by contrast, reflect program decisions. To illustrate: Lubbock, Texas, with a second-year CDBG entitlement of \$3 million, allocated 35.5 percent or just over \$1 million for urban renewal continuation. Philadelphia, on the other hand, allocated 7.9 percent of its second-year block grant of \$60.8 million for urban renewal continuation, an allocation of \$4.8 million. The unweighted mean for the two cases is 21.7 percent  $[(35.5 + 7.9) / 2]$ ; the average for the two units in aggregate dollar terms is 9.2 percent. The use of the unweighted mean factors out the skewing effect that Philadelphia's proportionately larger entitlement amount has when the dollar allocations for Lubbock and Philadelphia are directly compared.

Second-year program allocations for each of the sample units are shown in table 5-7 at the end of this chapter. The table lists by jurisdiction the percentages allocated to the five program areas. It also includes data on experience under urban renewal (column 3) and model cities (column 4) and the percentage of unspent funds at the end of the first program year (column 2).

Two program areas--housing and neighborhood conservation and planning and general development--were the predominant choices of the sample jurisdictions in the second year. On the basis of unweighted means, almost two-thirds of all second-year block grant funds were allocated for these two program areas. Neighborhood conservation accounted for 34.1 percent, and general development programs for 31.2 percent. Comparing different types of jurisdictions, we found that urban counties were an exception to the general rule: here the two largest categories were general development and urban renewal continuation (see table 5-1). This difference should not be overemphasized, however, for the data on neighborhood conservation activities in urban counties are limited [3]. For central cities and nonmetropolitan jurisdictions housing and neighborhood conservation allocations were larger than planning and general development programs, whereas for satellite cities the order was reversed. This pattern is not surprising; one would expect housing and neighborhood conservation needs to be related to the age and condition of housing and public facilities, and according to the 1970 census the average proportion of older houses (those built before 1940) was higher in the central cities

---

3. Since the field associates did not identify target neighborhoods in urban counties, the housing and neighborhood conservation category includes only allocations for housing improvements. In addition, many urban counties pass through large proportions of their CDBG funds to participating municipalities; in most cases it was not possible to determine the program uses for such passed-through funds.

Table 5-1. Program Uses of Second-Year CDBG Funds: Unweighted Mean Percentages

Program category	Number of jurisdictions making allocations	Central cities	Satel- lite cities	Urban counties	Nonmetropolitan jurisdictions	All jurisdictions
Housing and neighborhood conservation	54	37.3	37.2	8.8*	47.1	34.1
Planning and general development	60	23.8	45.6	37.1	29.9	31.2
Urban renewal continuation**	32	23.2	4.4	13.9	16.0	19.3
Social services and facilities	46	12.3	9.0	9.2	8.8	10.7
Economic development	22	2.3	2.9	.5	.4	1.8
Not allocated		3.4	3.5	4.7	3.1	3.5
Passed through to cooperating municipalities		...	...	36.9	...	6.0
Total		100.0	100.0	100.0	100.0	100.0
Number of jurisdictions		30	12	10	9	61

Source: Field research data.

\* Housing conservation uses only.

\*\*Since this category is based solely on continuation of categorical programs, unweighted means are based on only those jurisdictions which had urban renewal programs.

and nonmetropolitan communities in the sample (48.6 and 44.3 percent respectively) than in the satellite cities (35.5 percent).

When the program uses of second-year CDBG funds are computed on the basis of actual dollar allocations (table 5-2), housing and neighborhood conservation, and planning and general development programs again predominate, with spending in the latter category (31.6 percent) slightly higher proportionately than in the former (30.5 percent).

The greatest difference between calculations based on unweighted means and on actual dollar allocations is in the category of social services. On an unweighted means basis, 10.7 percent of all second-year CDBG funds was allocated for social services, compared with 16.0 percent when computed as a proportion of dollars allocated; the latter figure reflects the large dollar amounts allocated for social services by a few large jurisdictions, particularly Chicago, Philadelphia, and New York.

On an unweighted means basis, urban renewal continuation allocations (19.3 percent) are higher than social services and facilities allocations (10.7 percent), reflecting higher proportionate urban renewal spending by units with smaller entitlements. We turn now to a detailed analysis of each program area.

Table 5-2. Program Uses of Second-Year CDBG Funds: Thousands of Dollars

Program category	Central cities	Satellite cities	Urban counties	Nonmetropolitan jurisdictions	All jurisdictions
Housing and neighborhood conservation	168,039 (33.6)	5,008.8 (31.7)	6,878.0 (9.4)*	2,464.0 (30.6)	182,389.8 (30.5)
Planning and general development	149,328 (29.8)	7,173.6 (45.5)	29,850.0 (40.9)	2,576.0 (31.9)	188,927.6 (31.6)
Urban renewal continuation	67,359 (13.5)	682.8 (4.3)	5,757.0 (7.9)	1,594.0 (19.8)	75,392.8 (12.6)
Social services and facilities	85,782 (17.1)	1,842.0 (11.7)	6,806.0 (9.3)	982.0 (12.2)	95,412.0 (16.0)
Economic development	14,058 (2.8)	405.0 (2.6)	891.0 (1.2)	108.0 (1.3)	15,452.0 (2.6)
Not allocated	15,978 (3.2)	667.2 (4.2)	3,074.0 (4.2)	338.5 (4.2)	20,057.7 (3.4)
Passed through to cooperating municipalities	0 (0.0)	0.0 (0.0)	19,714.6 (27.0)	0.0 (0.0)	19,714.6 (3.3)
Total	500,544 (100.0)	15,779.4 (100.0)	72,960.6 (99.9)	8,062.5 (100.0)	597,346.5 (100.0)
Number of jurisdictions	30	12	10	9	61

Source: Field research data.

Note: Figures in parentheses indicate percentages.

\* Housing conservation uses only.

### Housing and Neighborhood Conservation

Fifty-five of the sample jurisdictions--almost 90 percent--  
allocated funds for housing and neighborhood conservation, with more  
than half of the money in the category going into housing  
rehabilitation. This high participation rate reflects not only  
community needs but also the flexibility of the CDBG program, which  
becomes apparent when we compare it with experience under the federal  
government's 312 program both before and after the inception of CDBG.  
The 312 program, established in 1964, provides 3 percent loans to  
property owners for the rehabilitation of residential and commercial  
buildings in designated areas. The total amount of loan funds provided  
averaged \$30 million per year between 1964 and 1972. Originally, this  
program was to be consolidated into CDBG, but instead it was retained  
separately by the Congress. The Housing and Community Development Act  
of 1977 provided an additional \$60 million for the program in fiscal  
1978 and extended it through fiscal 1979.

Only 43 percent of the sample jurisdictions participated in the  
312 program during the years 1968-72, compared with the 88.5 percent  
that allocated CDBG funds for housing rehabilitation in the second  
program year. There are several reasons for this: (1) the 312 program  
is a loan program whereas many of the locally designed CDBG  
rehabilitation programs include a grant to the homeowner; (2) local  
officials have developed application procedures for CDBG housing  
rehabilitation programs that involve much less paperwork than is



required under 312; (3) the greater flexibility of CDBG has permitted local communities to tailor housing rehabilitation to their own ideas about what is needed (generally a smaller-scaled and simpler program); and (4) to participate in the 312 program a community was required to have a "workable program," a federal planning requirement, in order to participate in urban renewal and several other federal urban development programs. Some communities, such as Houston, had no "workable program" and thus were not eligible for 312 assistance.

The great variety in the types and features of housing rehabilitation programs especially demonstrates the flexibility of the block grant mode; this subject is discussed in chapter 6 on housing rehabilitation. Specific activities and their proportions of total dollar expenditures for housing and neighborhood conservation are as follows:

Activity	Percent of total allocations
Housing improvements:	
Housing rehabilitation	54.5
Housing services (counseling)	4.4
Neighborhood improvements:	
Public improvements (streets, sidewalks, sewers, etc.)	28.0
Recreation facilities (parks, playgrounds, etc.)	13.1
	100.0

All but one of the fifty-five communities allocating funds for housing and neighborhood conservation had housing rehabilitation programs. Thirty-seven jurisdictions--over 60 percent--had both housing and related neighborhood improvement activities.

Viewed as a percentage of each jurisdiction's grant, second-year allocations for housing and neighborhood conservation ranged from over 83.3 percent in El Monte, California, to 2 percent in Scottsdale, Arizona. One-third (eighteen) of the communities making allocations in this category made it the central focus of their CDBG plan, allocating more than 50 percent of their grant for this purpose in the second year. Housing and neighborhood conservation was popular with all types of jurisdictions. Among communities allocating funds for this purpose, the unweighted mean allocation was 37.3 percent for central cities and 37.2 percent for satellite cities (see table 5-1). The figure for nonmetropolitan communities was even higher--47.1 percent. The unweighted mean allocation for urban counties was a low 8.8 percent, but this figure, as noted earlier, is misleading since it is based on limited data.

#### Planning and General Development

In contrast to the broader, multi-project neighborhood conservation focus of the previous category, the planning and general development category includes capital allocations for the construction and/or maintenance of streets, sewers, parks, and other public

facilities (1) to serve the entire community, or (2) to carry out a single activity of this kind to serve a part of the community. Also included are allocations for certain operational purposes, notably police and security services.

All of the sample jurisdictions except Pulaski County, Illinois (a nonmetropolitan discretionary jurisdiction), allocated some second-year funds for planning and general development. As shown in table 5-1, this category was second to housing and neighborhood conservation on an unweighted means basis; in terms of aggregate dollar allocations, planning and general development was the largest single program category (table 5-2). Eleven jurisdictions concentrated more than half of their second-year CDBG funds in this program area. None of the eleven are central cities.

For the sixty sample jurisdictions that allocated funds for this program category, the proportions of various activities were:

Activity	Percent of total allocations
Planning and management	49.4
Police and security services	11.7
Acquisition of property	11.6
Construction of parks and other public facilities	10.0
Construction of streets, sidewalks, sewers	7.6
Demolition and clearance	4.5
Maintenance of public facilities	1.2
Other	3.9
	<hr/> 100.0

Planning and management of local community development, the largest activity, accounted for nearly half of the money in the category and about 16 percent of total sample dollars in all categories. These planning and management funds were used primarily for staff costs for general planning and administration of the overall CDBG program; these costs did not usually cover design, planning, and administration of specific CDBG projects.

Unlike the first program category--housing and neighborhood conservation--where the block grant's greater flexibility apparently permitted funding of previously ineligible programs, it is difficult to generalize about shifts in the planning and general development program

area. For example, some of the property acquisition, demolition, and clearance activities (15.9 percent) might have qualified for funding under the previous urban renewal program, had it continued. But this was improbable in most cases, because projects we categorized as general development, unlike urban renewal activities, tended to be small in scale and were usually not part of a comprehensive program for dealing with major problems of physical distress. In some cases general development projects appeared to be a response to problems associated with population growth; in other cases they appeared to be a means of spreading benefits. The cases of Huntington Beach, California, and Scottsdale, Arizona, illustrate a general development focus.

Capsule 5-1. Huntington Beach, California

Allocation for planning and general development: 75.5 percent

One of the fastest growing cities in the country, Huntington Beach spent most of its CDBG funds on public works projects in the first two program years. A storm drainage project consumed almost half the second-year CDBG money. The associate noted that "though the project was built in a low-income tract, it is not really for the poor. Developers are building in that area and want the storm drainage problem solved."

Capsule 5-2. Scottsdale, Arizona

Allocation for planning and general development: 78.1 percent

Most of Scottsdale's second-year CDBG money was earmarked for communitywide capital projects such as parks, sewer and street improvements, and traffic signals. CDBG funds were also used for long-range capital improvements planning. The benefits of these activities--especially the parks and streets projects--were spread

throughout the city. "The communitywide benefits pattern was the logical result of local politics in Scottsdale, where the city council is chosen at large and most of its members live in the high-income, low-density area of North Scottsdale" [4].

#### Urban Renewal Continuation

Of the federal grant programs consolidated by the Housing and Community Development Act of 1974, two were directed at urban renewal--the original urban renewal legislation of 1949 and the neighborhood development program of 1968. Together they accounted for the bulk of the funding consolidated into the block grant--64.9 percent. Among the sixty-one sample jurisdictions, forty had previous experience under these two programs. Of these, thirty-two allocated some part of their second-year funds for continuation of projects begun with urban renewal funds. The specific activities funded and their proportions of total dollar allocations for urban renewal continuation are as follows:

---

4. Unless otherwise identified, quotations in capsules are from the field associates' reports.

Activity	Percent of total allocations
Property acquisition	37.9
Public improvements (sidewalks, streets, sewers)	23.4
Demolition and clearance	14.1
Relocation assistance	11.3
Other (including management costs and interest repayments)	13.3
	100.0

This category could also be divided to distribute the allocations among other categories. For example, a particular urban renewal project being continued with CDBG funds may involve housing rehabilitation and street and sidewalk work in a designated renewal area. Thus, while it is classified here as urban renewal continuation, it could instead be categorized as housing and neighborhood conservation to determine a community's overall program thrust. In this report we classified such allocations as urban renewal continuation in order to focus the decentralization and flexibility analysis.

Just as the block grant permitted communities to enter new program areas, it also enabled them to reduce or stretch out their commitments to programs started under the old categorical grants. Of the

thirty-two communities allocating funds to urban renewal continuation, most made allocations below the categorical funding level, both proportionately and in dollar amounts; in only two jurisdictions was the share of CDBG funds allocated for urban renewal continuation higher than the share of their hold-harmless base represented by urban renewal funds. The two are Phoenix and San Jose [5].

The data below show the relationship between prior urban renewal experience and the commitment of CDBG funds to urban renewal continuation by quartiles for the thirty-two jurisdictions making such allocations. Clearly, previous experience makes a difference; as a practical matter, it limits the extent to which some jurisdictions with large ongoing renewal projects can take advantage of the flexibility of the CDBG program. The greater the prior urban renewal experience, the larger the commitment of CDBG funds to project continuation. The only deviation from this pattern is in the fourth quartile, where communities put a larger share of CDBG funds into urban renewal continuation than did the jurisdictions in the two quartiles above them. (The fourth quartile includes Phoenix and San Jose.)

---

5. A special case was Miami, which allocated 13.8 percent of its second-year CDBG funds for urban renewal continuation. Technically, it had received no urban renewal funds, but it had received funds indirectly, as urban renewal projects had been carried out in the city under programs administered by Dade County. Thus the 13.8 percent does not represent an increase in urban renewal spending over the categorical grant period.



	Quartiles			
	I	II	III	IV
Percent of hold-harmless represented by urban renewal	88.7	66.9	51.1	28.4
Urban renewal allocations as percent of total allocations	43.1	17.2	13.1	24.6

Four jurisdictions allocated more than 50 percent of their CDBG grant for urban renewal continuation:

Jurisdiction	Percent of second-year funds allocated to urban renewal continuation	Percent of hold-harmless base represented by urban renewal
Auburn, Maine	85.7	86.4
Bangor, Maine	66.2	100.0
Phoenix, Arizona	63.8	34.3
Sioux City, Iowa	78.5	94.9

In a few cases, we found that local jurisdictions would have reduced their urban renewal allocations further had not HUD pressed them to allocate a major share of their CDBG funds for this purpose.

In Marlborough, Massachusetts, for example, the city, as a result of HUD pressure, reallocated nearly half of its second-year CDBG funds from other projects (previously approved) to complete work on urban renewal activities. Similarly, in Auburn, Maine, HUD pressure resulted in the allocation of 85.7 percent of second-year CDBG funds for urban renewal continuation. On the other hand, some communities significantly decreased their allocations in this category. Scottsdale, Arizona, which had had a major renewal project, allocated only 3.1 percent for continuation of this work because the project was nearly completed. In a few cases, the amount of CDBG funds earmarked for urban renewal was supplemented by an "urgent need" grant for this purpose: in the second program year Boston received \$8.6 million in "urgent need" funds for urban renewal, Cambridge, Massachusetts, \$2 million, and Denver \$1 million [6].

Associates were asked to consider what might have happened in the case of uncompleted urban renewal projects had the CDBG program not been enacted. Would projects have been undertaken anyway if urban renewal had been ended, and how would they have been funded? The second-year findings reinforce the first-year data in showing that, on

---

6. The CDBG legislation established a fund of \$50 million to provide grants on a discretionary basis for "urgent community development needs" which cannot be met through the regular allocation system. For the second year of the program "urgent need" funds went to complete a variety of previously funded projects, including urban renewal, water and sewer projects, and neighborhood facilities.

the whole, the rate of spending would have decreased [7] Except in Sioux City and Auburn, where associates indicated that in their judgment borrowing would have been undertaken to continue projects, associates in most jurisdictions indicated that had the urban renewal grant been ended and CDBG not been enacted, most urban renewal activities would have been discontinued or greatly reduced.

### Social Services and Facilities

Spending in this program area was shaped to a considerable extent by the legislative history of the block grant. As described in chapter 3, in an effort to emphasize physical development uses of CDBG funds, the Senate tried to limit spending on social services to 20 percent of a jurisdiction's allocation. Although the bill that was finally approved did not contain a statutory limit on such spending, the Senate view was seen as an "unofficial" limit on CDBG spending for social services. Furthermore, the legislation specified that the social services funded with CDBG money must be "in support" of physical development programs. Apparently responding to this requirement, many sample jurisdictions used CDBG funds for the construction or renovation of multipurpose community centers, child care facilities, and senior citizen centers. In this chapter, the social service category includes

---

7. See Nathan et al., Block Grants for Community Development, pp. 277-80, for a discussion of the continuation of urban renewal programs with first-year funds.

both improvements to the facilities in which social services are provided and the services themselves. For example, Houston set aside 20 percent of its grant for continuation of model cities programs, including youth, health, child care, and senior citizen services, and for construction of multipurpose centers. Pulaski County, Illinois, allocated approximately one-third of its second-year grant for construction of a new senior citizens' center to accommodate programs presently operating in an inadequate facility. First-year CDBG funds were also allocated to this project.

In the second year, forty-six sample jurisdictions allocated a total of \$95.4 million for social services and related facilities. The kinds of activities funded and their proportions of total allocations are as follows:

Activity	Percent of total allocations
Social services:	
Health	19.9
Education	11.8
Child care	9.9
Senior citizens	6.2
Youth and recreation	2.9
Job training and counseling	1.6
Other service programs	27.6
Total services	79.9
Service-related capital projects:	20.1
	100.0

Clearly, services--as opposed to capital projects--received the lion's share of these funds. Of the forty-six communities allocating funds to this category, thirteen funded only services and twenty-seven funded both services and facilities. Only six funded facilities alone.

As a proportion of total CDBG funds, allocations for social services, excluding facilities, were well below the unwritten 20 percent ceiling in both program years: less than 10 percent in year one, and 12.7 percent in year two. On the basis of actual dollar allocations, the second-year proportion was higher--16.0 percent. This was mainly because of the skewing effect of the large dollar amounts

allocated by Chicago, Los Angeles, Philadelphia, and New York City. Despite the increase from the first to the second year, the conclusion in our first-year report still holds: "The Senate's 20 percent limit on social services spending, transformed into general terms in the final act, does seem to have influenced local decisions about the uses of CDBG funds" [8]. However, when allocations for services and facilities are combined, we find over fifteen jurisdictions exceeding 20 percent, the highest being just over 30 percent. Five of these communities had no prior model cities experience, but the other ten did. For some, such as Carbondale, Illinois, and Houston, model cities represented a major share of their categorical hold-harmless base.

Model cities program experience is an important variable explaining social service allocations under CDBG. In jurisdictions with model cities experience, where one would expect continuing influence from citizen groups and bureaucratic advocates, we found higher funding levels for social services than in communities where there had been no model cities program. All twenty-seven jurisdictions with model cities experience allocated some portion of their second-year funds for social services and facilities; only one-half of the jurisdictions without such experience provided funds for social services. The average proportion (unweighted mean) of second-year funds allocated for social services by all former model cities in the

---

8. Ibid., p. 246.

sample was 17.4 percent; for the sample units without such experience, it was 5.1 percent. For the twenty-seven previous model cities, associates classified 74.8 percent of these social service allocations as model cities program continuation and 21.2 percent as new undertakings.

Without exception, associates for the jurisdictions that allocated second-year funds for the continuation of model cities services expressed the opinion that without CDBG such programs would have been terminated or greatly reduced [9]. The assessment of the Boston associate is typical: "Without CDBG, Boston would have discontinued allocations for the administration of the model cities program. Model cities services might have received partial funding from private sources on an interim basis. But given the tight city budget and even tighter state budget, a number of programs would probably have been terminated."

#### Economic Development

Economic development, which includes both commercial and industrial development projects, was the smallest of the five program categories, in terms of both participating communities and dollars. Only twenty-two jurisdictions were reported to have allocated funds to

---

9. See *ibid.*, pp. 280-83, for a discussion of the continuation of model cities programs with first-year funds.

this program category, and their combined allocations--\$15.4 million--amounted to less than 3 percent of total sample dollars. Two changes in the Housing and Community Development Act of 1977, however, may bring an expansion of spending in this category. First, though the 1974 act did not list economic development as a distinct eligible activity, the revised law now includes "commercial or industrial buildings or structures and other commercial or industrial real property improvements." A second important change concerns section 108 of the act, which provides a means for communities to use CDBG funds as collateral for long-term borrowing, in order to acquire real property for community development purposes. The language of the 1974 law in fact made such undertakings unlikely because of the requirement that a community had to pledge its "full faith and credit" for repayment. The 1977 CDBG legislation drops this requirement, making it possible for the secretary of HUD to establish other arrangements to assure repayment, such as pledging future block grants or providing other securities, "including increments in local tax receipts generated by the activities assisted under this title or dispositions proceeds from the sale of land or rehabilitated property" [sec.108(d)(3)].

In the commercial and industrial development category, CDBG funds were allocated for both capital and operating expenses, though capital expenditures predominated.



Activity	Percent of total allocations
Industrial development:	
Site acquisition and improvements	11.6
Planning and operations	2.6
Total	14.2
Commercial development:	
Capital improvements (public improvements and loans and grants to businesses)	69.0
Counseling and operations	16.8
Total	85.8

The proportion of CDBG funds allocated for commercial development was much larger than that for industrial development. One city--Portland, Maine--funded only industrial development activities; eighteen jurisdictions funded only commercial development activities; and three jurisdictions allocated second-year funds for both types of economic development activities. Only three jurisdictions allocated more than 10 percent of their second-year funds to this program area [10]. The programs of Worcester, Massachusetts, and East Orange, New Jersey, are

---

10. See *ibid.*, pp. 253-55, for elaboration of the economic development uses of first-year funds.

described below.

Capsule 5-3. Worcester, Massachusetts

Allocation for economic development: 23.4 percent

In Worcester, CDBG efforts to stimulate industrial and commercial growth and to attract public and private funds were reflected in an airport industrial park. The city made large allocations in the first three program years to match a grant from the Economic Development Administration to develop the park. Smaller amounts were made available for improvement of the downtown business district, and for technical assistance to small businesses. In addition, seed money was allocated to a local development corporation to be used for land acquisition, demolition, and new capital for other industrial and commercial projects.

Capsule 5-4. East Orange, New Jersey

Allocation for new economic development: 13.2 percent

East Orange allocated CDBG funds for rehabilitation of a commercial area to leverage funds from the Small Business Administration, and for operating assistance for the city's business development authority. The latter allocation was expected to generate approximately seven times its amount in investments from local merchants. "The city administration is concerned with declining commercial areas in the city and feels it must improve the business situation in order to retain residents as well as attract new ones."

ANALYSIS OF PROGRAM USES

The second-year data show three trends: (1) a reduction from the first year in the use of block grant funds to continue programs funded under the categorical grants, (2) a further trend toward neighborhood

conservation (housing rehabilitation and related neighborhood improvements), and (3) a wide variation in the mix of programs undertaken.

Table 5-3 shows that communities with medium or high experience under the categorical grants earmarked more than a third of their funds for program continuation [11]. What is important, however, is that even recipient jurisdictions with the heaviest involvement in urban renewal and model cities projects have been able to direct more than half of their CDBG funds to what we have classified as new spending activities, as opposed to program continuation and substitution uses (discussed later in this chapter).

Many communities chose to concentrate a majority of their CDBG funds in one program category. Excluding urban counties (for which the data are limited), more than half of the sample jurisdictions (twenty-nine of fifty-one) concentrated at least 50 percent of their second-year CDBG funds on housing and neighborhood conservation (eighteen communities), planning and general development (seven), or urban renewal continuation (four). The tendency to concentrate allocations in a single program area was found primarily among satellite cities and nonmetropolitan jurisdictions.

---

11. If a community's per capita grant under the categorical programs was more than 150 percent above the national mean of \$17.63, it is considered to have a high level of prior experience; moderate is 50-150 percent of the mean; low is under 50 percent.

Table 5-3. Second-Year Funding of New and Continued Programs, by Level of Prior Experience

Program category <sup>a/</sup>	Level of prior experience			
	High	Medium	Low	None
New spending <sup>b/</sup>	55.4	60.8	57.0	93.6
Program continuations <sup>c/</sup>	36.4	37.5	10.6	.8
Substitution <sup>d/</sup>	4.1	1.3	8.7	4.2
Number of jurisdictions	27	12	17	5

Source: Field research data.

- a. The full definitions of these categories are presented in a later section of this chapter.
- b. New spending includes new capital and new operations.
- c. Program continuation includes community development program continuation and other program maintenance.
- d. Substitution includes avoidance of borrowing, tax reduction, tax stabilization, and increased fund balances.

Twenty communities shifted from program concentrations under the categorical grants to more mixed programs in the second year. Of the twenty, seventeen were central cities. Most of these cities had at least 50 percent of their categorical experience in either urban renewal or model cities and at least 80 percent of their prior program experience in the two programs combined. However, in the second year of the block grant none of the twenty concentrated over 50 percent of the community's allocation in any single program area. For those communities where model cities represented the major share of categorical experience, the shift to a more mixed program under CDBG may have resulted from the limit set on social service spending--they had to spend their money on other things. But even jurisdictions without model cities experience made shifts in program choices. Three of the twenty communities shifting to more mixed programs--San Jose, Jacksonville, and Rochester--allocated more than 40 percent of their second-year funds to urban renewal continuation. San Jose's 45.8 percent allocation represented an increase from its categorical level of 28 percent, but in the other two cities even these relatively high allocations represented a large reduction from the categorical grant period. Urban renewal comprised 90.6 percent of Jacksonville's categorical experience; in the second year of the CDBG program, by contrast, only 42 percent of Jacksonville's funds went for urban renewal continuation, with another 32.5 percent going to housing and neighborhood conservation, and 23.7 percent to planning and general

development. In Rochester, the drop in funding for urban renewal projects from 72.3 percent of the city's hold-harmless base to 41.5 percent of its second-year CDBG allocation (which was the same as the hold-harmless amount) represented a major shift in policy.

#### Capsule 5-5. Rochester, New York

Rochester, which had the thirteenth largest urban renewal program in the United States, altered its approach to community development under the block grant. Disillusionment with the results of massive clearance programs, and problems related to a declining middle-class population led city officials to develop a three-pronged strategy: 41 percent of the second-year grant was allocated for urban renewal continuation, 37 percent for housing and neighborhood improvement, and 6 percent for downtown development. The purpose of the urban renewal allocation was to complete projects begun under the categorical grants. The neighborhood rehabilitation and downtown development allocations were intended to enlist private capital in the effort to stabilize neighborhoods and slow the outward flow of population. According to the associate, "Rochester's priorities have shifted away from the large-scale acquisition associated with traditional renewal and clearance activities in blighted areas, to conservation and rehabilitation of marginal neighborhoods and development of the central business district." While urban renewal remains the largest single CDBG spending category, its proportion of the total has dropped.

Major shifts in program allocations also took place in other cities. In Minneapolis, urban renewal represented 61 percent of the city's prior categorical experience, but in the second year urban renewal declined to 15 percent while neighborhood conservation and general development split two-thirds of the CDBG money. In New York City, half of the categorical money had come from model cities; under the block grant two-thirds of the money was split between neighborhood

conservation and general development, while social service funding dropped to 17.2 percent.

The data on shifts from program concentration to more mixed programs are important in understanding the decentralization of decisionmaking under CDBG. In our view the decline in social service spending below the levels of the model cities program is not attributable simply to the 20 percent limitation. Many communities with model cities programs made CDBG allocations for social services well below the 20 percent level. Similarly, it is our view that the move away from major renewal projects is not simply a matter of the older projects being completed, thus freeing money for other purposes. Such communities as Rochester, Boston, Marlborough, and Philadelphia have chosen to reallocate their federal aid funds to other program areas, despite the fact that these decisions are inconsistent with long-run urban renewal plans on their books.

We turn now to a discussion of factors we see influencing local community development strategies.

#### Explaining Strategy Choices

With the end of the categorical grants--notably urban renewal and model cities--came a reduced role in many communities for the agencies and officials directing these programs. In their place the role of generalist officials--chief executives, legislators, and planners--has been enhanced. The increased influence of these officials has tended

to produce community development programs based on broader community values and considerations, as well as political factors.

Under the categorical grants choices were significantly shaped by the fact that federal policy set priorities and established program goals. Local choices were also shaped by the price effect of the categorical grants; the availability of matching funds served to lower the price of certain programs.

The block grant concept was adopted for community development to answer many of the complaints about the priority-setting role of the federal government under categorical grants and to transfer decisionmaking authority from the federal to the local level. This political rearrangement, as our data show, has had the effect of substituting local preferences for federal preferences. Under the categorical grants the competition for urban aid was to a great extent between communities; under block grants with formula entitlements the competition is primarily within the community.

Generally speaking, this intracommunity competition has two dimensions, particularly in older, declining cities. Many of these cities were heavily involved in categorical programs dealing with problems of physical decay and increased service demands. These same cities generally have experienced population losses and a corresponding contraction of their tax base. Thus they face growing problems and shrinking resources. With the end of the categorical grants addressed to federally defined urban development needs, local officials must now



set their own priorities among the many competing demands. This competition between needs sets up, or increases, a second and related type of competition--that among agencies and nongovernmental groups seeking support for their particular programs. This competition tends to be greatest in those communities that had been the most heavily involved in the consolidated categorical grants. The individuals and groups previously involved in the categorical programs had become a part of the local decisionmaking process. Now, with the more flexible CDBG funds, new groups and interests are competing with them for resources.

This expanded demand structure is evidenced by the large number of relatively hard-pressed jurisdictions (mostly central cities) shifting to a more mixed program to meet a wider range of community problems.

By contrast, in better-off communities there is a greater tendency to concentrate CDBG funds in a single program area. This is particularly true of suburban and nonmetropolitan communities, especially those without categorical grant experience. The explanation for this pattern is quite simple and is related to our formula analysis showing the overall spreading effect of the block grant concept. In jurisdictions with relatively few disadvantaged people, less physical decay, and therefore fewer problems, there is less pressure to fund a broad mix of programs. This is seen in the eleven sample jurisdictions (excluding urban counties) that had no prior grant experience: all eleven chose to concentrate more than half of their funds in a single

program area, either housing and neighborhood conservation or planning and general development.

The following capsules for St. Louis, Missouri, and East Lansing, Michigan, illustrate these relationships between local conditions and program composition.

Capsule 5-6. St. Louis, Missouri  
Urban conditions index: 545

St. Louis is an old, declining city under fiscal pressure. Over 70 percent of its housing was built before 1940, and almost one-fifth of its residents are below the poverty level. Population has declined by one-third in the last fifteen years. ~~Because of these pressing problems the associate reported, "the mayor was eager to maximize CDBG dollars and not channel them into one area, as had been the case under model cities."~~

Commitments to a model cities program and to two major urban renewal projects made this difficult in the first program year. In the second year, however, St. Louis changed from a hold-harmless to an entitlement jurisdiction. This "new money," plus a reduction in spending on the old categorical programs, enabled St. Louis officials to respond to pressures for projects from neighborhood groups throughout the city and to attack several problems simultaneously. Neighborhood conservation projects, in the form of home improvement loans, code enforcement activities, neighborhood beautification projects, and street improvements, were carried out in neighborhoods covering much of the city. Land was acquired for an industrial park to improve the economic base of the city. Urban renewal programs were continued but at a reduced level, and most of the funds allocated for this purpose went for street improvements rather than demolition and clearance. Also funded were neighborhood services, including reforestation and weed control, and social services (concentrated mainly in the former model cities target area).

Capsule 5-7. East Lansing, Michigan  
Urban conditions index: 29

A relatively well-off central city, East Lansing had no urban renewal or model cities experience. Its only categorical grant experience was with the open spaces program. In the second year of the CDBG program, almost two-thirds of East Lansing's CDBG funds were concentrated in the program area of housing and neighborhood conservation. The city allocated \$60,000 for housing rehabilitation, \$23,520 for code enforcement, and \$4,500 for relocation assistance. Many of the physical improvements funded in this category were concentrated in the one neighborhood of the city with the highest share of student (Michigan State University) rentals. According to the associate, this was one of the few parts of the city which qualified under CDBG guidelines for physical improvement expenditures. It was also the area whose residents made the strongest demands for street closures, tree planting, and other beautification projects.

In addition to its neighborhood conservation activities, the city spent \$110,967 (about one-third of its second-year grant) on parks and recreation equipment in neighborhoods throughout the city.

We see the relationship between local conditions and the local decisionmaking process as an important factor in explaining the basic approaches for the use of CDBG funds. Two points need to be made:

1. The greater the range and severity of problems, the more likely is a jurisdiction to adopt a mixed spending approach.

2. Within the broad approach chosen--concentrated or mixed--the local decisionmaking process is a major factor influencing allocation of funds to specific projects. The choice of programs may be shaped by carefully planned strategies, or it may be the product of a political bargaining process or, of course (and this is often the case), it may be a mixture of the two. Under CDBG this bargaining process is primarily among local participants, though in some cases the federal role continues to be important, as discussed in chapter 3.

To test these findings we analyzed the two approaches--mixed and concentrated programs--in relation to three variables:

1. Prior program experience, based on a community's level of participation in the categorical programs.

2. Type of decisionmaking process, based on the typology used in chapter 4--that is, whether the decisionmaking process was dominated by a particular person, institution, or group, or whether influence was dispersed among participants in the process.

3. Urban conditions index, based on three factors--poverty, age of housing, and population change from 1960 to 1975, discussed in Chapter 2.

As the table below shows, the cities concentrating more than half of their CDBG allocation in the second year in a single program category are not clearly associated with either a specific type of decisionmaking process or a specific level of prior program experience. There is, however, a clear difference in the urban conditions index, with those concentrating their CDBG programs falling below the index mean (and thus better off) by a ratio of 2 to 1.

Program approach	Decisionmaking process		Prior experience		Urban conditions index	
	Centered	Dispersed	High or moderate	Low or none	Above mean	Below mean
Concentrated programs (N = 22)	11	11	12	10	7	15
Mixed programs (N = 20)	12	8	20	0	15	5

For jurisdictions with a mixed strategy the important determinants appear to be the level of urban distress as evidenced by the conditions index, and participation in the categorical grants. In contrast to those with concentrated programs, jurisdictions with more mixed programs are predominantly above the index mean--by a ratio of 3 to 1--and thus have more severe problems. All were major participants in categorical programs. We conclude, as noted above, that the range and severity of community problems is thus more important than the structure of the decisionmaking process in determining a jurisdiction's overall approach to community development under the block grant.

The question then becomes: what difference does the decisionmaking process make? Combining our findings here with the results of the decision process analysis in chapter 4, it appears that the range of problems and level of distress are major determinants of a community's basic program approach, but that the decisionmaking process is an important factor affecting the particular project choices made within that approach. For example, a city with severe problems of poverty, old housing, and aging infrastructure tends to choose a mixed program approach, in order to allocate some resources to each of these problem areas. However, the decision to allocate funds to specific social services, facilities for the elderly, housing rehabilitation, street maintenance, or some other program is often determined by the interaction between the persons and groups participating in the decisionmaking process.

## THE FISCAL EFFECTS OF CDBG FUNDS

The preceding analysis concentrates on the programmatic uses of CDBG funds and the response of recipients to the flexibility of the block grant. In this section, the uses of CDBG funds are considered in terms of their use for new and additional expenditures by the sample units--that is, spending that would not otherwise have been undertaken in the absence of CDBG? To what extent have the CDBG funds been used to substitute for other local funds that would have been spent even without the block grant money.

### Net Fiscal Effects

For both the first report and this one, the field associates sought to answer the very difficult question: What did CDBG funds enable recipient governments to do that they would not have been able to do if the categorical programs had ended (some had been frozen by President Nixon) and CDBG funds had not become available? This analysis uses the same net fiscal effect categories as the first report--new spending, program continuation, and substitution effects. The categories and their subdivisions are defined below. To determine fiscal effects, a field associate considered the individual activities in a community's program and decided into which category a particular activity fit. That determination was based on information gained from interviews of local officials and examination of other budget

allocations made by the community in the recent past and planned for the future (e.g., a project may have been shifted from bond funding under the community's regular capital improvement budget to the CDBG program). To this information the field associate added his own well-informed judgements based on his or her knowledge of the economic and fiscal conditions, as well as the political processes, of the jurisdiction. The categories used are:

1. New spending

- a. New capital spending--spending for capital projects or the purchase of equipment that, without block grant funds, either would not have occurred at all or would have occurred at least one year later; and
- b. New or expanded operations--operating expenditures undertaken or expanded with block grant funds.

2. Program continuation

- a. Community development program continuation--allocation of CDBG funds to ongoing programs formerly funded by grants consolidated into the CDBG program; and
- b. Other program continuation--allocation of CDBG funds to other ongoing programs that would have been cut back or eliminated without CDBG.

3. Substitution

- a. The use of CDBG funds in place of local funds that would have been used if the block grant money had not been available. Substitution of funds can be used to achieve one or a combination of the following fiscal effects:

(1) Tax reduction--use of block grant funds to finance essential ongoing programs, with the net result of conserving the jurisdiction's own resources and thereby permitting a reduction in the tax rate;

(2) Tax stabilization--use of CDBG funds to finance essential ongoing programs, with the result of avoiding a tax

increase that otherwise would have been necessary and approved;

(3) Avoidance of borrowing--substitution of CDBG funds for borrowing that would have been undertaken in the absence of CDBG funds; and

(4) Increased fund balances--allocation of CDBG funds to essential ongoing programs, with the net effect of increasing fund balances.

Table 5-4 shows the uses and fiscal effects of first- and second-year CDBG funds for the four types of recipient jurisdictions and for the entire sample, in unweighted means.

The data show that new spending increased in all types of jurisdictions, going from 52 percent in the first year to 60 percent in the second. There is a clear distinction, however, in the types of new spending undertaken. New capital spending, the largest single net effect category for the first year--37.2 percent--increased to nearly 50 percent in the second year. New operations declined slightly.

Another point to be noted is that, while new spending as a whole was increasing, allocations for the continuation of programs formerly funded under the categorical grants, according to this fiscal impact analysis, declined from 28.5 percent in the first year to 22.6 percent in the second. The net decline in program continuation is attributable to the decrease noted earlier in allocations for urban renewal continuation. The pattern of increased new spending and decreased program continuation is found for all types of jurisdictions; it is



Table 5-4. Net Fiscal Effects of CDBG Allocations, by Type of Jurisdiction (Unweighted Mean Percentages)

	Central cities		Satellite cities		Urban counties		Nonmetro-politan		All jurisdictions	
	1st year	2d year	1st year	2d year	1st year	2d year	1st year	2d year	1st year	2d year
Net fiscal effect										
New spending	48.0	54.9	51.8	69.6	41.8	50.9	74.7	74.6	52.0	60.1
New capital spending	34.1	42.7	35.1	56.6	26.3	41.0	59.9	63.7	37.2	48.3
New or expanded operations	13.9	12.2	16.7	13.0	15.5	9.9	14.8	10.9	14.8	11.8
Program maintenance	45.7	39.8	25.0	17.1	17.3	5.2	19.4	18.2	32.8	26.5
CD program continuation	42.7	36.2	12.4	8.2	16.3	3.9	17.7	17.2	28.5	22.6
Other program maintenance	3.0	3.6	12.6	8.9	1.0	1.3	1.7	1.0	4.3	3.9
Substitution	3.3	2.8	18.8	11.1	7.7	3.0	4.1	5.4	7.2	4.8
Other**	3.0	2.4	4.4	2.2	33.3	40.8	1.9	1.9	8.0	8.5
Net effect not categorized	3.0	2.4	4.4	2.2	2.3	3.9	1.9	1.9	3.0	2.5
Passed through to cooperating municipalities	0.0	0.0	0.0	0.0	31.0	36.9	0.0	0.0	5.0	6.0
Total	100.0	99.9	100.0	99.9	100.1	99.9	100.1	100.1	100.0	99.9
Number of jurisdictions	30	30	12	12	10	10	10	9	62	61

Source: Field research data.  
 \*Mean percentage less than 0.1.  
 \*\*Data insufficient to permit categorization.

particularly clear for central cities. Nearly all of the increased new spending in central cities is accounted for by the decline in program continuation. This results from the tendency among central cities to shift from program concentration under the categorical to new capital activities (housing and neighborhood conservation, and general development) under the block grant. For the satellite cities and urban counties, the increase in new spending comes at the expense of decreases in both program continuation and substitution uses. For nonmetropolitan jurisdictions, which collectively have the highest new spending allocations, there was very little shift in net effects between the first and second years.

#### Fiscal Pressures

Fiscal pressure on a community may, of course, influence its use of grant-in-aid funds. In both the revenue sharing and CDBG research, field associates were asked to classify their jurisdictions in terms of fiscal pressure--none, little, moderate, or extreme. The judgments were based on such specified factors such as tax rate trends, local effects of inflation and recession, wage demands, local government debt.

As stated in Revenue Sharing: The Second Round, the willingness of larger, more urban governments to "integrate shared revenue into their ongoing expenditure and revenue flows . . . is at least partly a reflection of the greater fiscal pressure faced by many of these

jurisdictions" [12]. Analysis of the cumulative allocations of general revenue sharing funds for the 1972-74 period shows that the greatest substitution effects were found in the hardest pressed jurisdictions, principally through tax stabilization as "a way of slowing the rate of fiscal deterioration" [13]. This relationship was not found in the CDBG program in either year, as shown in table 5-5; fiscal pressure does not correlate with substitution uses of CDBG funds.

Table 5-5. Net Fiscal Effects of CDBG Funds in Sample Jurisdictions by Degree of Fiscal Pressure

Fiscal pressure	Number of jurisdictions	Net fiscal effect in unweighted mean percentages*		
		New spending	Program maintenance	Substitution
Extreme	10	54.2	39.7	2.4
Moderate	35	59.2	29.2	2.2
Little or none	16	65.6	12.6	3.2

Source: Field research data.

\*Percentages do not add up to 100 because unallocated fiscal effects are not included.

12. Richard P. Nathan and Charles F. Adams, Jr., Revenue Sharing: The Second Round (Washington, D.C.: Brookings Institution, 1977), pp. 37-38.

13. Ibid., p. 42.

This situation could change, however. The proposition that, "the older a grant, the greater will be its substitution or displacement effects" [14], which emerges from several studies of the substitution effects of federal grants, may ultimately find support in analyses of the impact of future CDBG allocations. The observations of the associates for New York City and for Minneapolis, for example, suggest that more substitution uses are being considered. The third-year CDBG application for New York City was discussed by the associate in the following terms:

The most important issue was whether the city of New York should be permitted to divert CDBG funds into the general operating fund. From Mayor Beame's point of view, diversion of CDBG funds should not even be an issue; it should be a right. The city is under severe financial pressure and cannot even afford to provide essential services. Why should it be forced by federal priorities to spend CDBG money on nonessential capital projects when it could be spent on essential services?

In Minneapolis, decisions on the city's capital budget and preparation of the third-year CDBG application came at the same time; the city's "fiscal crunch" led to adoption of a third-year CDBG application which, according to the associate, incorporates "\$3.3 million worth of projects that would, in other years, have been funded elsewhere."

A central issue here is "maintenance of effort" [15]. In

---

14. Ibid., p. 80.

15. "Maintenance of effort" means that, on an existing project, a community must continue to spend its own revenues at the previous level and not substitute federal for local funds.

considering general revenue sharing legislation in 1971, the House Ways and Means Committee initially included a local maintenance-of-effort provision but subsequently dropped this requirement. Section 101(c) of the 1974 CDBG legislation states, however, that "it is the intent of Congress" that CDBG aid "not be utilized to reduce substantially" the level of local funding for community development activities. In this context, and given the development objectives of the law and the greater federal oversight of the CDBG program through the application, performance-monitoring, and audit stages, recipients clearly are less inclined to use the block grant as substitution money.

In the 1977 CDBG amendments, Congress included new and somewhat stronger language to require maintenance of effort for public services: section 105(a)(8) prohibits the use of block grants for public services if such services have been provided by the recipient government within the year preceding the CDBG application. This change may produce even further net service gains under the CDBG program, but it does not pertain to substitution effects for capital expenditures, which, of course, account for the majority of CDBG allocations.

#### Attracting Private Sector Funds

The desirability of attracting private resources to supplement public spending for community development was recognized at the very outset of the CDBG program. In the second year, associates reported that thirty-seven jurisdictions adopted CDBG projects involving funds

from the private sector (see table 5-6). This was an increase of eight jurisdictions over the first year. Field reports show that allocations for these hybrid programs totaled \$49.3 million, or 8.3 percent of all second-year funds. The principal programs involved are housing rehabilitation and commercial and industrial development. Twenty-eight jurisdictions--almost half of the sample--allocated second-year CDBG funds in conjunction with efforts to attract loans from banks and other private lending institutions to property owners for rehabilitation of housing units. In the first year only nineteen jurisdictions had such arrangements. (Details on these housing rehabilitation programs are given in chapter 6, which discusses the major area in which the leveraging of private funds with CDBG funds was attempted.)

Sixteen jurisdictions were reported to have allocated CDBG funds to attract private capital for commercial (retail) and industrial (manufacturing and distribution) projects (see table 5-6). This compares with ten units in the first year. The programs for East Orange and Worcester, two of the jurisdictions allocating large proportions of second-year funds for economic development leveraging purposes, were described earlier in the discussion of new economic development uses of block grant funds.

Table 5-6. Second-Year Allocations for Leveraging Private Capital, by Jurisdiction

Jurisdiction	Percent of second-year CDBG funds used to leverage private capital		
	For housing rehabilitation	For commercial development	For industrial development
<u>Central cities:</u>			
Boston, Mass.	16.7	.9	...
Chicago, Ill.	6.3	4.2	...
Cleveland, Ohio	...	3.4	...
Columbia, S.C.	...	1.5	...
Jacksonville, Fla.	2.2	...	...
Lansing, Mich.	16.9	...	...
Los Angeles, Calif.	8.0	...	1.3
Newark, N.J.	1.0	.5	...
New York, N.Y.	14.3	...	...
Philadelphia, Pa.	1.1	...	2.8*
Phoenix, Ariz.	.9	...	...
Pittsburgh, Pa.	31.4	.6	...
Rochester, N.Y.	1.7	10.1	...
Seattle, Wash.	2.3	...	...
Sioux Falls, S. Dak.	...	...	27.7
St. Louis, Mo.	9.9	3.1**	...
Worcester, Mass.	8.7	1.7	...

Table 5-6, continued

Jurisdiction	Percent of second-year CDBG funds used to leverage private capital		
	For housing rehabilitation	For commercial development	For industrial development
<u>Satellite cities:</u>			
Cambridge, Mass.	21.6	8.0	...
Cleveland Heights, Ohio	2.9	36.8	...
East Orange, N.J.	10.4	6.0	...
El Monte, Calif.	35.2	...	...
Evanston, Ill.	36.5	...	...
Greece, N.Y.	21.6	...	...
Miami Beach, Fla.	16.4	...	...
Scottsdale, Ariz.	2.1	...	...
<u>Urban counties:</u>			
Allegheny, Pa.	14.8	...	...
Dade, Fla.	9.3	...	...
DeKalb, Ga.	5.4	...	...
Los Angeles, Calif.	3.9	...	...
Orange, Calif.	10.0	...	...
St. Louis, Mo.	4.3	...	...



Table 5-6, continued

Jurisdiction	Percent of second-year CDBG funds used to leverage private capital		
	For housing rehabilitation	For commercial development	For industrial development
<u>Nonmetropolitan:</u>			
Charlottesville, Va.	17.0	...	...
Marlborough, Mass.	16.7	...	...

Source: Field research data.

\*Includes allocation for commercial leveraging.

\*\*Includes allocation for medical center complex, involving a mix of business, industry, and housing.

#### Attracting Other Public Sector Funds

Block grant funds for community development can also be used as leverage to attract other public funds. The law specifically states that block grant funds can be used for the "payment of the non-federal share required in connection with a federal grant-in-aid program undertaken as part of the community development program" [section 105(a)(9)]. The same applies to state grants-in-aid. Associates reported that thirty-six jurisdictions allocated second-year CDBG funds to attract other grant-in-aid funds. Twelve units used second-year CDBG funds to match both state and federal programs; twenty-two attempted to attract just federal grants; two allocated funds to match

only state grants. For twenty-eight of the thirty-six jurisdictions, the specific grants sought were judged by the associates to represent new or substantially expanded programs. In the view of the associates for these jurisdictions, if CDBG funds had not been available, these jurisdictions would have sought smaller amounts of public funds or would not have sought them at all.

Federal Grants. As in the first year, federal grants matched with CDBG funds were mainly for social services, parks and recreation, and economic development [16]. Auburn, Maine, received \$70,000 from the federal Bureau of Outdoor Recreation to match an equal amount in CDBG funds for construction of a recreation area in a middle-class neighborhood. According to the associate, "This recreation project had been discussed for a number of years, but the city could not find matching funds for it. After commitments to urban renewal completion had been met out of the second-year block grant, enough money remained to make the project feasible." Boston's allocation of \$3.1 million for new parks and park improvements attracted an estimated \$175,000 from the Bureau of Outdoor Recreation and \$215,000 from the National Park Service.

Six jurisdictions sought federal funding under title XX of the Social Security Amendments of 1974 for social services; child care and services to the elderly predominated. In St. Louis, for example, child

---

16. See Nathan et al., Block Grants for Community Development, pp. 356-58.

care, services for the blind, elderly, and disabled, and home management counseling were expanded under a CDBG-title XX matching grant. The city put up \$800 thousand and attracted \$2.5 million. The associate noted, "Without CDBG such expansion would have been impossible, given the tendency in St. Louis to cut back on everything they possibly can because of fiscal pressures." CDBG and title XX funds in Raleigh, North Carolina, funded a variety of social services, including home health, meals on wheels for the elderly, infant day care, and mental health counseling.

Atlanta, East Orange, Newark, Philadelphia, and Worcester sought federal funds for economic development from the Economic Development Administration (EDA) and the Small Business Administration (SBA). Worcester allocated second-year funds to attract development funds from both federal agencies. Atlanta and Philadelphia sought to match EDA funds, and Newark and East Orange, SBA funds. Worcester's major project using CDBG money to match federal funds was its airport industrial park, begun in the first CDBG program year with matching funds from the EDA. In the second year Worcester allocated \$800,000 to the project and received an equal amount from EDA; in all, the city will receive \$2.6 million on a straight 50-50 matching basis. According to the associate, without the CDBG money, the city would not have been able to apply for this EDA grant. Worcester also allocated \$100,000 to a local development corporation to provide seed money for industrial and commercial investment; these funds were expected to

attract both private capital and funds from the Small Business Administration.

State Grants. Fourteen jurisdictions allocated small amounts of second-year CDBG funds to attract state grants for a wide variety of programs, including sewers, highways, flood control, planning, vocational rehabilitation, recreation, and child care. Block grant allocations by the city of Los Angeles to attract state grants for education, transportation, job creation, and park development were the largest and most extensive reported by associates.

#### The Timing of CDBG Spending

As mentioned in chapter 3, the rate of spending of CDBG funds--and by extension the timing of CDBG effects--has been a topic of some concern. We asked each associate to indicate the approximate percentage of the jurisdiction's first-year grant that remained unspent at the end of the first program year. For the entire sample, such unspent funds represented almost one-half (44.3 percent) of first-year funds. Proportions of unspent funds varied according to the type of jurisdiction, as shown by the table below. The highest proportions of unspent funds were found in urban counties but the differences among jurisdictional types are small.

Type of jurisdiction	Number of jurisdictions	Percent of CDBG funds unspent at end of first program year
Urban counties	10	50.5
Central cities	30	46.5
Nonmetropolitan	10	41.1
Satellite cities	12	36.6

Among the factors affecting the rate of spending of first-year funds, associates most frequently cited three: (1) the amount of time--twelve to twenty-four months--required for the planning, bidding, and execution of capital projects; (2) unanticipated difficulties in securing private sector funds for housing rehabilitation programs; and (3) delays due to inadequacies and inexperience of community development administrative staffs. Difficulties in implementing housing rehabilitation programs are described in chapter 6. Delays associated with capital projects are illustrated by the experience of Orange County, California. The associate wrote:

The urban county application included seventy-four activities, the majority of which were projects to be performed by the cooperating cities. The first-year application had been prepared rapidly, and further time was needed for staffing, for learning HUD procedures, and for planning and project development. Public works projects done in-house need to be scheduled, and those done under contract require extensive specifications, bidding procedures, and so on, before actual construction can begin. Land acquisition moves slowly, due to search, negotiations, payment scheduling, environmental impact statements, and normal administrative delay.

At the end of the first twelve months of its CDBG program, Atlanta had spent only 5 percent of its block grant. According to the associate, the factors that accounted for this very slow rate of spending were largely administrative. These included:

*Atlanta*

lack of coordination between the mayor, the chief administrative office, and the functional departments in according priority to the CDBG program; failure to establish definite lines of responsibility for program coordination and implementation; independence of the community development staff from other city departments; lack of experienced staff in the community development department; and vagueness in the application for projects.

Some caution must be exercised in evaluating these data on the rate of spending in the early stages of the CDBG program. Before judging progress slow, we must ask, compared to what? The categorical programs were often criticized for their slow pace. It was not uncommon for several years to lapse between application to HUD and even the beginning of work on an urban renewal project. One must also consider the objectives of the CDBG program. Unlike countercyclical programs designed to reduce unemployment by funding projects that are "ready to go," activities to carry out community development objectives, such as eliminating urban blight and decay, frequently take longer to design and implement. The rapidity of spending may not be the best test of effectiveness in achieving these goals.

*BG prog was not designed as a countercyclical program -*

Table 5-7. Second-Year CDBG Program Allocations (Percentages)

Jurisdiction	Second-year funds of (thousands of dollars) (1)	Unspent funds at end of first program year (2)	Share of hold-harm-less funds represented by urban renewal (3)	Share of hold-harm-less funds represented by model cities (4)	Program uses					Non-general development allocation cable (10)
					Urban renewal con- tinuation allocation (5)	Neighborhood and housing conservation allocation (6)	Social ser- vices and facilities allocation (7)	New economic development allocation (8)	Planning and general development allocation (9)	
<b>Central cities:</b>										
Atlanta, Ga.	17,578.0	95	59.2	30.4	8.8	32.2	15.8	2.6	36.1	4.5
Auburn, Maine	701.0	58	86.4	...	85.7	...	...	...	14.3	...
Boston, Mass.	30,940.0	55	67.8	20.6	10.3	54.0	6.9	.7	22.1	6.0
Chicago, Ill.	47,701.0	12	28.1	69.3	4.1	26.5	28.1	4.4	32.7	4.2
Cleveland, Ohio	16,092.0	67	33.7	59.7	...	47.0	24.5	3.0	25.5	...
Columbia, S.C.	1,936.0	70	58.8	...	...	52.0	24.2	2.6	20.7	.5
Denver, Colo.	15,872.0	74	63.2	31.2	...	53.2	5.0	...	35.8	6.0
Durham, N.C.	2,384.0	45	82.4	...	12.7	67.7	4.3	...	14.1	1.2
E. Lansing, Mich.	364.0	10	...	...	...	60.4	...	...	33.2	6.4
Houston, Tex.	13,528.0	75	...	93.2	...	52.0	27.2	2.4	17.8	.6
Jackeeville, Fla.	6,042.0	22	90.6	...	42.0	32.5	1.8	...	23.7	...
Lansing, Mich.	7,210.8	38	70.1	27.7	...	38.7	24.9	2.1	31.1	3.2
Los Angeles, Calif.	38,595.0	33	38.1	58.5	17.5	25.0	23.9	3.9	29.7	...
Lubbock, Tex.	5,328.0	47	78.9	...	35.4	40.5	...	...	15.1	9.0
Miami, Fla.	5,831.0	50	*	80.1	13.8	47.1	18.7	.8	19.6	...
Minneapolis, Minn.	15,943.0	72	60.9	25.3	15.0	33.8	16.1	.6	32.7	1.8
New York, N.Y.	102,244.0	25	42.7	50.9	8.8	35.6	17.2	3.5	34.9	...
Newark, N.J.	20,613.0	38	71.9	24.5	28.0	4.3	21.0	1.8	44.6	.3

Table 5-7, continued

Jurisdiction	Second-year funds (thousands of dollars) (1)	Unspent funds at end of first program year (2)	Share of hold-harm-less funds represented by urban renewal (3)	Share of hold-harm-less funds represented by model cities (4)	Program uses					
					Urban renewal continuation allocation (5)	Neighborhood and housing conservation allocation (6)	Social services and facilities allocation (7)	New economic development allocation (8)	Planning and general development allocation (9)	Non-cable allocation (10)
<b>Central cities (cont'd.):</b>										
Philadelphia, Pa.	60,829.0	62	62.0	30.1	7.9	16.8	21.9	2.9	42.0	8.5
Phoenix, Ariz.	5,773.0	27	34.2	...	63.8	25.4	...	...	6.5	4.3
Pittsburgh, Pa.	17,112.1	60	69.3	27.0	9.4	68.0	6.9	.6	10.4	4.7
Portland, Maine	4,964.0	53	60.7	31.2	14.6	49.4	16.1	3.6	13.8	2.5
Raleigh, N.C.	1,978.4	84	64.3	...	3.3	55.4	3.7	...	33.1	4.5
Rochester, N.Y.	14,463.6	38	72.3	16.8	41.5	24.0	6.2	9.0	13.9	5.4
St. Louis, Mo.	16,108.8	10	48.5	45.6	21.1	44.0	11.4	...	20.9	2.6
San Jose, Calif.	6,565.0	45	28.0	47.1	45.8	32.7	2.0	...	19.5	...
Seattle, Wash.	10,906.8	10	42.7	38.9	21.1	26.0	23.7	...	20.4	8.8
Sioux City, Iowa	4,217.0	25	94.9	...	78.5	3.0	...	...	18.5	...
Sioux Falls, S.Dak.	3,064.0	65	82.0	...	20.9	52.9	...	...	10.9	15.3
Worcester, Mass.	5,757.0	39	60.8	31.7	17.4	17.1	16.2	23.4	23.8	2.1
<b>Satellite cities:</b>										
Cambridge, Mass.	3,746.0	20	53.9	34.0	12.0	49.9	7.6	...	22.6	7.9
Cleveland Heights, Ohio	340.0	44	...	...	...	22.6	...	21.5	55.9	...
East Orange, N.J.	2,519.0	35	32.6	55.3	5.7	26.9	29.8	13.2	17.7	6.7
El Monte, Calif.	852.0	27	...	...	...	83.3	...	...	11.2	5.5
Evansston, Ill.	507.0	24	...	...	...	58.8	...	...	32.7	8.5



Table 5-7, continued

Jurisdiction	Second-year funds at end of first program year (thousands of dollars) (1)	Unspent funds at end of first program year (2)	Share of hold-harmless funds represented by urban renewal (3)	Share of hold-harmless funds represented by model cities (4)	Program uses						
					Urban re-creation allocation (5)	Neighborhood conservation allocation (6)	Social services and facilities allocation (7)	New economic development allocation (8)	Planning and general development allocation (9)	Non-Funds passed through cable (10)	Funds passed through (11)
<b>Satellite cities (cont'd.):</b>											
Greece, N.Y.	348.0	0	...	...	...	74.7	...	...	...	25.3	...
Huntington Beach, Calif.	690.0	82	...	...	...	...	23.0	...	...	75.5	1.5
Lakeview, Colo.	502.0	60	...	...	...	23.6	...	...	...	76.4	...
Miami Beach, Fla.	1,251.0	78	...	...	...	16.6	21.8	...	...	61.6	...
Mount Vernon, N.Y.	2,590.0	9	40.2	43.7	1.2	11.2	2.3	...	...	85.1	.2
Santa Clara, Calif.	598.0	50	76.8	...	...	77.1	10.0	...	...	5.4	7.5
Scottsdale, Ariz.	1,832.0	10	94.4	...	3.1	2.1	14.0	...	...	78.1	2.7
<b>Urban counties:</b>											
Allegheny, Pa.	7,791.0	88	...	100.0	...	22.5	2.7	...	...	61.0	13.8
Cook, Ill.	8,263.0	17	...	...	...	...	...	...	...	1.4	...
Dade, Fla.	21,530.9	57	67.0	28.3	22.1	12.0	10.6	3.9	...	50.5	...
DeKalb, Ga.	1,857.0	94	...	...	...	6.6	19.7	...	...	71.1	2.6
Harris, Tex.	3,006.0	86	...	...	...	...	29.9	...	...	63.0	7.1
Hennepin, Minn.	1,752.0	45	...	...	...	...	...	...	...	7.0	...
King, Wash.	3,602.0	8	...	...	...	11.4	6.5	...	...	36.6	2.3
Los Angeles, Calif.	17,533.0	21	31.3	52.2	5.7	4.0	14.2	...	...	47.1	5.9
Orange, Calif.	3,008.0	59	...	...	...	10.6	3.8	...	...	21.7	6.4
St. Louis, Mo.	4,618.0	30	...	...	...	21.1	4.4	1.1	...	11.9	9.0

Table 5-7, continued

Jurisdiction	Second-year funds (thousands of dollars) (1)	Unspent funds at end of first program year (2)	Share of hold-harmless funds represented by urban renewal (3)	Share of hold-harmless funds represented by model cities (4)	Program uses					
					Urban renewal allocation (5)	Neighborhood and housing conservation allocation (6)	Social services and facilities allocation (7)	New economic development allocation (8)	Planning and general development allocation (9)	Non-cable allocation (10)
<b>Nonmetropolitan:</b>										
Alma, Mich.	532.0	3	79.8	...	...	72.5	.2	...	23.5	3.9
Bangor, Maine	1,172.0	25	100.0	...	66.2	4.0	.2	...	20.6	9.0
Carbondale, Ill.	2,715.0	42	35.0	33.3	30.1	17.6	26.4	4.0	17.9	4.0
Casa Grande, Ariz.	111.2	33	...	...	...	65.8	...	...	34.2	...
Charlottesville, Va.	1,087.4	71	79.2	...	...	70.9	4.4	...	24.7	...
Florence, S. C.	1,028.0	80	95.2	...	...	...	1.5	...	98.5	...
Marlborough, Mass.	1,068.0	36	90.0	...	...	40.6	15.9	...	34.4	9.1
Plainview, Tex.	250.0	33	...	...	...	82.8	...	...	14.8	2.4
Pulaski County, Ill.	97.8	53	...	...	...	69.3	30.7	...	...	...

Source: Field research data.

Miami's urban renewal program was credited to Dade County.

## Chapter 6

### HOUSING REHABILITATION

Housing rehabilitation, which in the original CDBG legislation was considered an "incidental" activity, has emerged as one of the major CDBG undertakings of local governments.

In the second program year, fifty-four jurisdictions--almost 90 percent of the sample--collectively allocated \$95 million for housing rehabilitation activities. This represents 16 percent of the total sample funds and is the largest single program activity reported by the field associates; on an unweighted means basis, allocations averaged 15.4 percent. (Table 6-2 at the end of the chapter lists the housing rehabilitation allocations of individual jurisdictions.) In this chapter we focus on the issues involved in respect to housing rehabilitation activities and the variety of rehabilitation programs that have been devised at the local level.

In the 1974 legislation housing rehabilitation was regarded as a secondary program. Among the eligible activities, the legislation included in section 105(a)(4) "clearance, demolition, removal, and rehabilitation of buildings and improvements (including interim assistance and financing rehabilitation of privately owned properties when incidental to other activities)" (emphasis added). The growing prominence of CDBG housing rehabilitation is reflected in the 1977 legislation, which omits the phrase "when incidental to other activities," thus making housing rehabilitation an independently eligible CDBG activity.

While housing rehabilitation has become a major CDBG activity nationwide and appears to be expanding, its importance within individual communities varies considerably. In large cities CDBG-funded housing rehabilitation projects are likely to represent only a small share of total publicly funded housing activities, which frequently include a variety of other federal and perhaps state housing programs intended to expand the housing opportunities of low- and moderate-income groups. In some smaller, better-off communities, by contrast, CDBG housing rehabilitation projects may be the first venture into publicly funded housing activities and thus may represent a very significant decision for such jurisdictions. Also, housing rehabilitation should not be viewed as free-standing CDBG activity. As will be discussed later, it may be necessary to link such rehabilitation with rental assistance to avoid displacing lower-income with higher-income families in the rehabilitated units.

The data show that twenty-two communities with little or no categorical grant experience allocated CDBG funds to housing rehabilitation. Collectively, their unweighted mean allocations were greater than those of jurisdictions with higher levels of prior experience.

Level of prior experience	Number of jurisdictions	Percent of CDBG funds for hous- ing rehabili- tation
None	6	27.5
Low	16	15.9
Moderate	12	11.6
High	27	14.2

The data also show that satellite cities and nonmetropolitan jurisdictions tended to spend proportionately more on housing rehabilitation than central cities (see the table below). However, the relatively high mean allocation by nonmetropolitan jurisdictions (23.2 percent) is greatly influenced by the large allocations of Casa Grande, Arizona (65.8 percent), and Pulaski County, Illinois (69.3 percent), where HUD played a significant role in determining the use of funds (see chapter 3, table 3-2). Urban counties had the lowest average allocation (8.5 percent) among the types of community, but this does not include the nearly 27 percent of funds passed through to municipal governments, which probably allocated some of their funds to housing rehabilitation.

Type of jurisdiction	Percent of CDBG funds for housing rehabilitation (unweighted means)
Central cities	14.5
Satellite cities	17.8
Urban counties	8.5
Nonmetropolitan	23.2

These data on housing rehabilitation allocations are in accord with the discussion in chapter 5 of basic allocation strategies. We concluded there that better-off communities with no prior experience were able to direct a larger share of their CDBG funds into one or two program areas because they were not constrained by prior program commitments and were not experiencing the range and severity of problems found in many central cities. For these better-off communities, housing rehabilitation was an area where they could address a visible community problem and at the same time assist lower-income groups.

Housing rehabilitation activities highlight a number of major characteristics and issues of the CDBG program, including its flexibility, the participation of private capital, implementation problems, the pattern of income group benefits, and the coordination of related CDBG activities. We look at each of these in turn.

## LOCAL PROGRAM DESIGN

Housing rehabilitation under the CDBG program combines experience from previous federal programs with decentralized decisionmaking under the more flexible block grant. The basic approaches to CDBG rehabilitation assistance adopted by local officials are largely based on previous federal models. Under the CDBG program there are rehabilitation loans (similar to the 312 program), grants to homeowners (former section 115 grants), interest subsidies (section 235 and 236 housing programs), loan guarantees (Federal Housing Administration and Veterans Administration), and various combinations [1]. While generally adopting some form of these basic federal approaches, local officials have altered program details to meet local demands and conditions.

---

1. Section 115 (of Title I, Housing Act of 1949, as amended) provided rehabilitation grants of up to \$3,500 to low- and moderate-income families in federally assisted areas (e.g., urban renewal and concentrated code enforcement). Section 312 (Housing Act of 1964, as amended) provides 3 percent loans for housing rehabilitation to low- and moderate-income individuals in federally assisted areas. Section 235 (National Housing Act of 1934, as amended by section 101 of the Housing and Urban Development Act of 1968) is an interest-subsidy home-ownership program for low- and moderate-income families which reduces the interest rate to as low as 5 percent. Section 236 (National Housing Act of 1934, as amended by section 201 of the Housing and Urban Development Act of 1968) provides federally insured multi-family mortgages and interest subsidies to reduce the interest rate to as low as 1 percent. The Federal Housing Administration and Veterans Administration operate mortgage guarantee programs insuring individual home ownership loans made through private lending institutions.

The locally designed alterations usually involve the determination of eligibility for assistance and the levels of assistance provided. The uniform federal standards for eligibility and amount of assistance have been replaced by a wide variety of local criteria under the block grant.

In terms of funding, some of these programs are funded wholly with CDBG money, and others use a combination of public funds and private sector money (i.e., funds from private lending institutions). Some communities use CDBG funds only to bring housing units up to various building code standards while others go further, allowing funds to be used for structural and external repairs beyond code requirements, such as putting on new siding. Some extend rehabilitation to privately owned, single-family homes only while a few communities include public housing in their programs. A number have programs covering both types of housing. Finally, program strategies (e.g., a "worst first" versus transitional neighborhood emphasis) also vary.

#### Public and Private Sector Involvement

The mix of public and private sector funding stands out as a distinguishing feature of many housing rehabilitation programs, and one that is closely related to the impact on the community's housing stock. In this discussion "public funds" means CDBG money, while "private funds" means funds from private lending institutions. This section focuses on some of the implications of public versus private funding



for housing rehabilitation and the types of programs funded. The findings rely primarily on supplemental information provided by the field associates in response to follow-up inquiries.

Nearly half of the fifty-four sample jurisdictions with housing rehabilitation programs financed such activities primarily with CDBG funds. These are referred to as CDBG-funded programs. About a third of the jurisdictions ran a two-track program, which offered CDBG-funded assistance and a leveraging program funded with a combination of CDBG money and loans from private lending institutions. Still other jurisdictions had only leveraging programs. (Leveraging mechanisms are discussed in a later section of this chapter.)

There was a notable difference in the approaches adopted by the different types of communities (see table 6-1). Central cities and nonmetropolitan communities had the highest proportion of CDBG-funded programs. Suburban jurisdictions, on the other hand, relied more heavily on the involvement of private lending institutions.

Table 6-1. Public and Private Sector Funding of Second-Year Housing Rehabilitation Programs, by Type of Jurisdiction

Type of jurisdiction	Number of jurisdictions	CDBG-funded programs (percent)	Leverage programs only (percent)	Two-track programs (percent)
Central cities	29	50	7	43
Satellite cities	11	28	56	18
Urban counties	7	15	43	45
Nonmetropolitan	7	70	15	15

Source: Field research data.

This mix of public (CDBG) and private lending institutions' funds is linked in important ways to the scope of rehabilitation programs. In those programs with primarily CDBG-funded loans and/or grants, rehabilitation was tied closely to code enforcement, so that correcting building code violations was either the only permitted use of funds or the preferred use. The decision to limit the scope of work under CDBG-funded programs to code enforcement appeared to be based on two factors: (1) the limitation makes it possible to stretch the money among more units; (2) equity and perhaps legal problems may arise in those cases involving 100 percent CDBG loans and grants; the issue here is providing subsidies that increase private property values above the added value of the repairs needed to meet code standards.

In programs where most of the funds were a combination of CDBG money and funds from private lending institutions, the scope of rehabilitation work was broader, usually involving both code enforcement and repairs beyond code requirements. Some jurisdictions also permitted the construction of additions to homes where overcrowding existed. Thus, participation of private lending institutions permitted a broader range of housing rehabilitation activities.

On the other hand, requiring rehabilitation up to building code standards may mean too much repair work. With the increased interest in housing rehabilitation generally, there has been considerable discussion about "rehab codes" which would require that only repairs be made that are essential for health and safety. Many older buildings were built during a period of different building standards and upgrading them to meet current codes often makes the cost prohibitive, even with such programs as CDBG grants. In terms of CDBG rehabilitation programs, adoption of such "rehab codes" could result in spreading CDBG funds to conserve more units and overcoming the resistance or financial inability of some property owners to undertake the more extensive and expensive repair work.

CDBG-Funded Rehabilitation Programs

In most cases, rehabilitation programs funded wholly with CDBG money constituted new types of activities, although some involved the continuation of projects started under the categorical programs, such as model cities and section 312 rehabilitation. An important feature of CDBG-funded programs was that income criteria were used to determine eligibility and sometimes the level of subsidy for loan or grant recipients. (In some cases elderly and disabled homeowners received special consideration.) The amount of individual grants varied. In Pulaski County, Illinois, the lowest grant was \$300; in Chicago the grants go as high as \$10,000 per unit (\$40,000 for a four-unit structure). Where loans were involved the interest rate also varied. Usually it was lower than the prevailing market rate. In general, the characteristics of CDBG-funded rehabilitation programs were (1) close linkage to correction of code violations, (2) income criteria for eligibility and sometimes for determination of the amount of subsidy, and (3) lower interest rates on loans. The capsules on Durham and Sioux City show that these characteristics, while general, were not uniform.

Capsule 6-1. Durham, North Carolina  
Percent of pre-1946 housing: 33.6

Durham officials focused rehabilitation grants on code enforcement in ten target areas. Within the target areas, eligibility was limited to owner-occupants whose annual family income adjusted to family size did not exceed \$5,500. Grants up to \$5,500 were offered for correction

of code violations, with no repayment necessary unless the home was sold within twenty-five months after receipt of the grant. If the grant alone was not sufficient to bring the property up to code standards, its award was conditional on the receipt of 312 loan funds or the application of personal assets by the homeowner.

Capsule 6-2. Sioux City, Iowa  
Percent of pre-1940 housing: 67

In Sioux City, eligibility for CDBG housing rehabilitation loans and grants was limited to owner-occupants whose homes, located within the two neighborhood project areas, did not meet the local housing code. Three separate programs were funded with the second-year block grant. The basic program involved grants to homeowners with incomes up to 50 percent of the median, or \$6,575. The maximum grant was \$5,000. The second program, aimed at low-income elderly and handicapped persons in need of supplemental funding to bring their property up to code standards, offered loans up to \$5,000 beyond the grant. No repayment of grants was necessary unless the home was sold within three years of rehabilitation. A third program made ten-year loans up to \$5,000 available, interest free, to low-income families, in addition to the basic grant.

The primary emphasis of CDBG housing rehabilitation programs was on assistance to privately owned, single-family homes, which, using the HUD definition, means structures housing one to four families.

Twelve jurisdictions allocated CDBG funds for the modernization of existing public housing in the second program year. According to the field associates, these block grant funds were viewed by the communities as a supplement to regular, but inadequate, state and federal funds.

### Leveraging Programs

Generally, there are two basic approaches that will stimulate financial institutions to make rehabilitation loans available to parts of a community or to borrowers that might otherwise be rejected. The two are (1) increasing the lender's profits, and (2) reducing their risks in making such loans. The field data show that the latter has been the approach in the CDBG rehabilitation programs, taking several forms:

1. Loan guarantees. These may be partial or total; i.e., the lenders can be protected against all or part of the risk of loss on default. The guarantees are backed by CDBG funds set aside to cover lenders' losses.

2. Interest subsidies. These subsidize the borrower and decrease the likelihood of default by decreasing the amount that has to be paid back to the lender each month. With this mechanism the jurisdiction pays the private lender the difference between the market interest rate and a lower rate paid by the borrower.

3. Grants. This involves a grant to cover part of the rehabilitation cost with a lending institution providing additional funds. Such grants, like the interest subsidy, also subsidize the borrower and decrease the likelihood of default by decreasing the amount to be borrowed and therefore reducing the monthly payment.

While these mechanisms may initially encourage private lender participation by reducing the risk of making such loans, they also may result in increased lender profits because of increased loan activity.

In leveraging terms, each of these approaches may increase the willingness of private institutions to make loans, but the process should also be viewed from the perspective of the property owner. In economic terms, the owner may be "indifferent" as to whether the rehabilitation loan comes directly from the city using CDBG funds or from a private lending institution. (In political terms he may prefer dealing with a local public agency.) Either way the loan must be repaid and the real distinction is whether there is a partial grant or an interest subsidy. To the borrower the type of mechanism and the role of the lending institutions are likely to be secondary to the size of the monthly payment. Thus, from the viewpoint of local officials administering the program, the most important reason for attracting private lending institutions to the rehabilitation program is to expand the total number of dollars going into the program.

In communities with rehabilitation programs combining CDBG money and private funds the median ratio of projected expenditures was about \$2.50 of the private funds for each \$1 of CDBG funds. Thirty of the fifty-four communities with rehabilitation activities involved or attempted to involve private lenders in their programs.

CDBG housing rehabilitation programs were frequently accompanied by counseling services to the property owner. Counseling involved subjects like cost estimates, "do-it-yourself" repairs, choosing a qualified contractor, and shopping for a rehabilitation loan.

Marlborough, Massachusetts, used the partial grant approach. There the homeowner living in the target area and meeting the income criteria did the rehabilitation with his own or borrowed funds, or both, and was then given a 25 percent rebate on the cost up to a limit of \$1,000 for a one-family dwelling and \$3,000 for a structure with three or more dwelling units. In some cases grant limits were adjusted for income.

The Chicago program of financial assistance to property owners (CFAP) was a combination loan-grant package designed to reduce the interest rate to 5 percent. Rehabilitation grants were provided to owners of one-to-four unit-residential structures, primarily to correct code violations. The grant, which was expected to be used in conjunction with a rehabilitation or mortgage loan obtained from conventional financing sources, was based on the gross family income of the property owner. For example, families with annual incomes below \$7,000 were eligible for grants covering 100 percent of the rehabilitation work up to a maximum of \$10,000 per housing unit. As incomes rose, the grant amounts decreased; families with incomes between \$11,000 and 12,000 for example, were eligible for a grant of 50 percent of the total rehabilitation cost; families with incomes above \$25,000 were ineligible. While the program was designed to "piggyback



grants onto private loans," with only the poorest applicants receiving 100 percent grants, the average grant has been about 80 percent of the rehabilitation cost.

Lansing, Michigan, and El Monte, California, used CDBG funds as collateral to guarantee private lending institutions against risk. Lansing placed \$200,000 of CDBG funds in escrow to guarantee \$600,000 in loans and thus secured the participation of local banks in a rehabilitation program which otherwise would not have been undertaken, according to the associate. El Monte received a commitment from a local bank of \$750,000 for property improvement loans in return for the deposit of \$300,000 of CDBG funds. As the bank made loans to qualified homeowners, 10 percent of the loan amount was deducted from the \$300,000 and placed in a reserve account to pay for any defaulted loans. Another sum equal to 30 percent of the loans made was placed in a second account; as loans were repaid, the funds from this revolving, non-interest-bearing account reverted to the city.

In Jacksonville, Florida, the interest subsidy approach was adopted. That city allocated second-year funds to subsidize the interest on conventional bank loans for home repairs, reducing the effective interest rate to 3 percent for the borrower.

## PROGRAM IMPLEMENTATION PROBLEMS

With the wide range in design of housing rehabilitation programs has also come a range of success in getting them underway. As noted in chapter 5, unspent housing rehabilitation funds were a major component of total unspent first-year CDBG funds. Difficulties were caused by administrative inexperience, differing views on the kind of rehabilitation approach to use, and suspicion of the program by potential recipients of loans and grants.

In Phoenix, for example, it became apparent early in the first year that the administrative, legal, and organizational details of the city's Residential Restoration and Preservation Program had not been fully worked out. The project coordinator was not hired until four months after the start of the CDBG program year. The Phoenix associate indicated also that the housing effort was a source of continuing conflict between city council and housing commission members, who disagreed on the feasibility of rehabilitation in the specified target area. "Opponents of the program spent most of the first year collecting data and arguing that the program should be abandoned. Proponents fought to maintain the housing rehabilitation program by arguing that abandonment would simply reinforce the alienation of the area's low-income inhabitants. The result was a stalemate."

Phoenix

Evanston, Illinois, allocated 18 percent of its first-year grant and almost 37 percent of its second to housing rehabilitation. At the end of the first program year, 24 percent of the first-year funds remained unspent as a result of administrative delays and skepticism by lower-income homeowners. The associate reported, *Evanston*

The house-by-house nature of the program required greater start-up time than was anticipated to establish procedures and funding criteria. In addition, the number of applicants was far below expectations. There may have been some wariness of the program among lower-income people, which deterred them from applying for loans and grants even though their houses needed rehabilitation. This suspicion may have been justified since the Housing Rehabilitation Board seldom gave outright grants, and loans were often given at conventional rates.

In some cases the obstacle to implementation was reluctance by both borrower and lender. In Rochester, New York, for example, the Home Improvement Rehabilitation Loan Program was slow to get off the ground during the first year because of this reluctance, requiring some early program changes. These included (1) changing the grant subsidy to the homeowner from a sliding scale of 5 to 35 percent to a flat 35 percent of rehabilitation costs; (2) expanding the geographic eligibility from the CDBG target area to the entire city; and (3) including as property owners persons who purchase a home directly from the city at public auction and agree to occupy it once it is repaired. The change in geographic eligibility is particularly noteworthy since it provides evidence of the reluctance of some private lending institutions to make loans on property in certain parts of a community. Making the program citywide also expanded the pool of potential borrowers. The result was

an increase in applications. The field associate reported, "The net effect of these changes was positive--so positive in fact that just six months into the second program year all CDBG funds for leveraging housing rehabilitation capital carried over from the first year and almost all of the funds for the second year had been exhausted."

In Chicago, the lack of qualified applicants and the shortage of private loan funds in rehabilitation target areas have been obstacles to that city's implementation. In the first year of the program, \$3 million was budgeted but \$1 million was eventually diverted to other programs; only three units were rehabilitated. In the second year, \$3 million was again budgeted but only eighty-eight units were assisted. One reason for the few units rehabilitated through this program is that the city's \$10,000 maximum grant per unit does not appear to be high enough to cover the substantial amount of rehabilitation work needed, given the high cost of this work and the limited ability of applicants to obtain supplemental funding from private lenders. Although the city anticipated leveraging \$12 million in private funds, it is likely that the only people who will use CFAP in the city's older neighborhoods are those eligible for 100 percent grants. Many people in the \$8,000 income range cannot afford to pay 20 percent of the cost of rehabilitating their homes. An additional program feature contributing to the lack of applicants is the application process which requires each unit to be inspected by a task force of the city's building department and electrical division. While the inspection is likely to

*Chicago*

uncover numerous code violations there is no guarantee that the applicant will be accepted into the program, or if accepted, that the grant will be sufficient to make all required repairs.

## STRATEGY AND BENEFITS

### Targeting

A major issue that comes up in discussions of CDBG housing rehabilitation activities is the question of geographic and income group targeting. Should a community concentrate its funds in target neighborhoods or should it adopt a communitywide rehabilitation program? If the neighborhood targeting approach is selected, should it be a "worst first" or "transitional" neighborhood strategy? The answers to these questions often determine which income groups will benefit from the program. A "worst first" neighborhood strategy is likely to benefit more lower-income persons than a transitional neighborhood approach since the latter is likely to include more residents above the low- and moderate-income level, the intended beneficiaries of the CDBG program. Furthermore, for some recipient jurisdictions a communitywide program may spread resources so broadly as to dilute the potential for significant impact on the condition of the city's deteriorated housing stock. On the other hand, in communities that do not have a concentrated area of deteriorated

housing, a communitywide program may halt the spread of pockets of decay.

The transitional neighborhood approach was the dominant strategy adopted by the sample jurisdictions. Among the exceptions were Denver, which chose the "worst first" approach, and East Orange, Sioux Falls, Mount Vernon, and Rochester, which adopted communitywide rehabilitation for lower-income housing. Some examples help to illustrate the various geographic approaches: Denver ("worst first"), Raleigh (transitional), and Rochester (communitywide).

Capsule 6-3. Denver, Colorado  
Percent of pre-1940 housing: 41

Denver officials focused their CDBG housing effort on rehabilitation of slums in two former model city target areas. Grants up to \$5,000 and low-interest loans at 3 to 6 percent were made available for lower-income owner-occupants of single-family homes within the target areas. With the exception of a few severely blighted pockets within stable neighborhoods, areas outside the slum neighborhoods were excluded from the program. This emphasis on slum housing resulted from agreement between city officials and citizens that "one of the primary purposes of the CDBG program was to eliminate slums and blight and to prevent further blighting influences." In addition, the emphasis on slum areas reflected a continuing commitment to programs begun with the model cities grant.

Capsule 6-4. Raleigh, North Carolina  
Percent of pre-1940 housing: 24.8

Benefits under Raleigh's second-year program were highly localized to a particular target area. However, according to the associate, "it was a different kind of target area from that treated by the previous categorical programs. This time, the focus was on redeemable neighborhoods, not those already past repair." The program combined rehabilitation loans and grants. The decision to try to preserve

salvageable neighborhoods was based on a determination to keep the black middle class in the city.

Capsule 6-5. Rochester, New York  
Percent of pre-1940 housing: 79.5

Rochester expanded geographic eligibility for its housing rehabilitation loan and grant program from the CDBG target area to the entire city during the first program year. Income limits and owner occupancy were the only requirements for program participation. Homeowners throughout the city whose incomes ranged from \$9,950 to \$19,900, depending on family size, were eligible for subsidies of 35 percent of bank loans up to \$5,000. Homeowners with incomes in the low or very low income categories could qualify for CDBG grants up to \$3,500. Rochester officials, in justifying the citywide housing rehabilitation program, cited the Brookings city-suburb disparities index in which Rochester's disadvantage relative to its suburbs was eighth highest among fifty-five SMSA's in the study. They argued that "making CDBG funds available to low- and moderate-income residents on a citywide basis to fix up their property is a positive step in reducing that disadvantage through stabilization of neighborhoods that are beginning to deteriorate but still have the attributes to attract middle-income people."

Eligibility

The Rochester capsule highlights the targeting question as it relates to income level: within the designated geographic area, be it neighborhood, census tract, or municipality, who is eligible to participate in the program, to receive grants or subsidized loans? Some sample communities tied eligibility merely to residence in the target area, which often tended to spread the benefits among income groups. For example, under Allegheny County's Neighborhood Preservation Program, rehabilitation loans were available to any

resident in the target neighborhoods in selected municipalities. The two criteria used in selecting target neighborhoods were (1) at least 50 percent of its residents must be homeowners, and (2) median income should be not less than \$7,500, an income floor that would generally exclude neighborhoods with concentrations of lower-income families. Any resident homeowner within the project boundaries whose home needed repairs to correct code violations was eligible for a loan.

Other communities, like Rochester, used an income test to establish eligibility, but in many cases the level was set so that benefits were extended to recipients above the low- and moderate-income levels. In Marlborough, Massachusetts, rehabilitation rebates were available to any family with an income of \$14,000 or less. The associate noted that, "since the \$14,000 limit is taxable, not gross income, it is possible that rebates are going to persons with incomes at or near \$20,000." Chicago, as noted earlier, made housing rehabilitation rebates available on a sliding scale to families with gross incomes up to \$25,000.

In some cities, the elderly and handicapped received special consideration. In addition to serving as an eligibility test, family income was also used by many units to scale the subsidy. In Denver, grants, on a graduated basis, were available for homeowners with incomes up to \$8,100; interest rates on loans were also scaled to income.



In sum, whether geography or income tested, CDBG housing rehabilitation benefits clearly have spilled over to some recipients above the low- and moderate-income levels. This focuses an important conflict among the multiple goals of the CDBG program. If CDBG housing rehabilitation expands in the future, as appears likely, this activity could produce a significant spreading effect among income groups in some communities. However, such rehabilitation may help to achieve a second CDBG goal--the prevention of slums and blight. Further, the spreading of benefits to higher income groups may be beneficial from another standpoint. It is reasoned by some that housing rehabilitation assistance should be made available to homeowners above the low- and moderate-income level to encourage them to remain in their neighborhoods and help stabilize them.

The issue of geographic and income group targeting was involved in the 1977 CDBG legislative changes. Adopting language from the Senate version of the Housing and Community Development Act, the House-Senate conferees, referring to housing rehabilitation, stated:

A community . . . should, except where it has been demonstrated to the Secretary that it is necessary to assist low- and moderate-income housing deconcentration, to meet immediate relocation needs, or to eliminate conditions detrimental to public health and safety, concentrate its efforts in contiguous neighborhood areas [2].

---

2. Housing and Community Development Act of 1977 Conference Report, H. Rept. 95-634, 95:1 (1977), p. 50, emphasis added.

In terms of income group targeting, the Senate sought to tighten up the language on benefits to low- and moderate-income groups while the House wanted to allow other income groups to benefit from the CDBG program "in order to induce higher-income persons to remain in, or return to, the community" [3]. Although the final version retained an orientation toward the low- and moderate-income groups, the 1977 legislation does permit communities to include in their applications programs that benefit higher income groups directly as part of a community development strategy aimed at retaining or attracting such residents. For CDBG housing rehabilitation activities, the new legislative language is, in effect, catching up with the practice. However, if HUD vigorously enforces a policy to direct more CDBG benefits to low- and moderate-income groups, there is likely to be considerable conflict between that policy and expanding housing rehabilitation programs that extend substantial benefits directly to groups above the low- and moderate-income levels.

The interplay of these various strategy and benefit issues is shown by the example of Worcester, Massachusetts, where a major housing rehabilitation program was established in the second program year.

---

3. Ibid., p. 50.

Capsule 6-6. Worcester, Massachusetts  
Percent of pre-1940 housing: 74.4

Worcester is an old industrial city in central Massachusetts. Three-quarters of its housing stock was built before 1940 and most of this consists of three-decker wooden homes housing three families, built more than fifty years ago. In the initial planning of the city's rehabilitation program, targeting was a principal issue. A nonprofit organization with rehabilitation experience under model cities wanted to concentrate in the city's core area before further deterioration occurred. However, this organization opposed the inclusion of one of the worst core-city neighborhoods because its members felt housing conditions were so deteriorated that too much money would have to be spent for too little impact. The local redevelopment authority, on the other hand, urged adoption of a transitional neighborhood approach in a residential area adjacent to the core-city area. The city finally adopted a mixed approach, including one neighborhood in the core area and two neighborhoods outside of the central area.

In establishing eligibility standards, the city adopted an approach it felt would both help low- and moderate-income groups and keep better-off residents in the target neighborhoods. The program is a mix of public grants and private sector loans. Adjusting for number of dependents, if adjusted gross family income is \$17,500 or less the homeowner is eligible for a grant of 25 percent of the rehabilitation cost up to \$2,000 on a single-family dwelling, \$2,500 for a two-family dwelling, and \$3,000 for a three-to-seven-family structure. If adjusted gross income is \$6,000 or less the grant may go up to 50 percent. This latter arrangement is intended to take care of the heavy concentrations of elderly in the target neighborhoods. According to the associate, "In the deteriorating and transitional neighborhoods of Worcester, there tends to be a considerable mix of income groups and it was felt that if neighborhood preservation was to be achieved, then funds must be made available to a rather broad spectrum of income groups and not just low and moderate by HUD definitions."

"Gentrification"

The potential contribution of CDBG rehabilitation activities to neighborhood stabilization is also related to "gentrification"--the restoration of older, deteriorating housing by middle- or upper-income persons.

The past thirty years have witnessed a familiar pattern in many American cities: the departure of the white middle class to the suburbs and the concentration of lower-income people in the central city. In terms of housing, this has resulted in a "trickle down"; the housing left behind becomes available to lower income groups. Sometimes this housing is bought by the occupant but often it is bought and rented to lower-income families. In many cases what was formerly a single-family, owner-occupied home is converted into a multifamily dwelling.

"Trickle down" housing is often better housing than what was previously available to lower-income persons. Over time, however, some of this housing tends to deteriorate for lack of both interior and exterior repairs. As rental housing for lower-income persons, it becomes harder to maintain. The deterioration of inner city housing often coincides with a new interest in rehabilitating older housing for middle- and upper-income residents. In some cities buyers and developers are going back to older neighborhoods, buying up older housing, and carrying out "gut" rehabilitation, involving the demolition of virtually everything but the interior building shell, and then rebuilding the interior, refurbishing the exterior, and modernizing the facilities. This process of "gentrification" has taken place in a number of cities.

Gentrification has a positive result in terms of building up a city's middle-income population and hence its tax base, which in turn can lead to commercial revitalization. But it also results in the displacement of lower-income persons who had moved into these neighborhoods as they were trickling down. As the neighborhoods are restored, this housing "trickles" back up and displaced families must find housing elsewhere.

CDBG housing rehabilitation, on the other hand, generally has a different orientation. It is directed mainly at neighborhood stabilization, i.e., at assistance for owner-occupied housing and/or rental units. Such stabilization may be more easily achieved in neighborhoods with owner-occupied housing than where lower-income rental units are dominant. In the latter case resident displacement could result unless additional rental subsidies are available. Where the rehabilitation is partially or wholly financed through a loan, the property owner is likely to offset the loan costs by increasing rents. This in turn may result in lower-income tenants being replaced by higher-income tenants who can afford the higher rent. To prevent such displacement section 8 or some comparable subsidies may be necessary, thus packaging CDBG rehabilitation with rental assistance.

The effects of a CDBG rehabilitation program thus must be viewed not only in terms of general neighborhood enhancement but also in terms of its impact on the displacement of lower-income families by higher-income groups.

### Spatial Deconcentration

One of the major objectives of the CDBG legislation is to assist in bringing about the spatial deconcentration of low- and moderate-income groups. Spatial deconcentration has two dimensions: (a) dispersion of low- and moderate-income groups within a political jurisdiction from areas where these groups are concentrated to better-off sections of the community; (b) dispersion of low- and moderate-income population from central cities into the surrounding suburbs. For many communities this spatial deconcentration involves major shifts of population. Given the competing demands for block grant funds in many communities and the limited amount of funds involved, it is unlikely that block grant money alone can accomplish such major shifts.

The spatial deconcentration goal also focuses some important conflicts within the CDBG legislation. CDBG funds used to improve the physical environment and to expand social services for low- and moderate-income population in target areas of a community help to achieve the income targeting objective of the law but may hinder spatial deconcentration. For example, if a community allocates funds for the rehabilitation of low-income housing in a neighborhood with a concentration of low-income population, it may directly and immediately benefit low-income persons but at the same time encourage those persons to remain in the area of concentrated low-income population. On the other hand, if the rehabilitation results in displacement of the lower income groups from the target neighborhood, they may be forced to move

into other low-income neighborhoods thereby increasing the concentration in the latter area. Thus, housing rehabilitation, a major and growing activity under the CDBG program, is not a good vehicle for spatial deconcentration and may, in some cases, contribute to the concentration of lower-income groups.

#### HOUSING PROGRAM COORDINATION

##### The 312 Program

Housing rehabilitation programs funded wholly or in part with CDBG funds were not the only such programs in the sample jurisdictions. Twenty-six sample units received federal funds for home rehabilitation loans under section 312 of the Housing Act of 1964 (described below). Associates for Boston, Carbondale, Chicago, Durham, Los Angeles County, and Philadelphia specifically noted coordination between second-year CDBG allocations and section 312.

The Housing Act of 1964 provided in section 312 for rehabilitation loans to property owners in urban renewal and concentrated code enforcement areas to bring property up to code standards. Other property improvements were also allowed after code compliance was achieved. The 312 program was generally part of a major concentrated neighborhood improvement effort including expenditures for streets, sidewalks, and other public facilities. CDBG rehabilitation activities

are usually more limited than those under the 312 program. In Boston, Carbondale, and Los Angeles County, second-year block grant funds were allocated for administration of 312 loans. In addition, Carbondale, Durham, and Philadelphia associates reported that section 312 loans were used in conjunction with CDBG-funded grants for housing rehabilitation. The Philadelphia Redevelopment Authority, for example, administered a rehabilitation program consisting of section 312 loans for moderate-income homeowners and CDBG grants for low-income homeowners. Durham, after failing in its first program year to institute a set of complex leveraging arrangements involving loans, subsidies, and guarantees, established a program for code-related housing rehabilitation comprised of CDBG grants and section 312 supplemental loans [4].

The continuing availability of section 312 loans may result in increased use of CDBG funds for local administration of the 312 program and more widespread programmatic integration. Another possibility is the substitution of 312 funds for block grant money now used to finance rehabilitation loan programs, thus releasing CDBG funds for other uses.

---

4. Nathan et al., Block Grants for Community Development, p. 350.



### Urban Homesteading

Urban homesteading is another program directed at preservation of urban neighborhoods. A federal urban homesteading program was established in section 810 of the Housing and Community Development Act of 1974, although several cities had started their own homesteading programs prior to the federal legislation. The act provides for the sale of foreclosed Federal Housing Administration property located in target neighborhoods at nominal cost to individuals or families who need such housing. There are no income eligibility requirements in the federal program (some local programs have income criteria) for purchase of the foreclosed housing units, only the stipulations that the buyer must occupy the property as a principal residence for at least three years, make repairs necessary for compliance with health and safety codes prior to occupancy, and make any other necessary repairs within eighteen months of occupancy. Administrative costs--property-rehabilitation appraisals, marketing costs, and loan processing--are assumed by the local government or public agency.

Associates reported that CDBG funds were allocated for the administration of urban homesteading programs in Atlanta, Boston, Philadelphia, and St. Louis. In Philadelphia, CDBG funds were used for counseling and technical rehabilitation assistance. In Boston, CDBG funds were used as collateral to guarantee rehabilitation loans made by private lending institutions to the local nonprofit group administering the homesteading program. At the end of the first year, the associate

reported, "the individual homesteader takes title and obtains a permanent FHA-insured mortgage loan from a private lender to pay off the interim construction loan. CDBG funds are used on a revolving basis to guarantee repayment of private construction loans for rehabilitation work."

#### SUMMARY COMMENTS

The variety and extent of housing rehabilitation activities funded by the block grant support the decentralization argument that local officials can and would make use of greater program flexibility and therefore should have more authority to design programs to meet individual community needs. Variety is found in the different types of housing rehabilitation strategies adopted, the mix of public and private funds, the scope of the repair work undertaken, and the many variations in the eligibility and subsidy rules adopted in this program area. We are not judging the rehabilitation programs themselves in terms of programmatic, economic, or social success or failure. We are simply saying that communities have taken advantage of decentralization to design their own programs.

At the same time, this variety, the product of decentralized decisionmaking, focuses attention on some of the built-in conflicts and tensions of the CDBG program. The law specifies, among other goals, that grants should be used for activities that will principally benefit

low- and moderate-income families, aid in the prevention or elimination of slums or blight, and bring about spatial deconcentration. These goals, complementary at first reading, do not always coincide in practice. The prevention of slums or blight may be best achieved by providing assistance for housing rehabilitation to families above the low- and moderate-income levels. On the other hand, focusing housing rehabilitation funds on lower-income groups may make it easier and pleasanter for lower-income families to remain in areas where they are concentrated than to find housing elsewhere, which goes against the spatial deconcentration objective of the CDBG act.

The central question becomes: What are the priorities among these goals? Is housing rehabilitation to be assessed primarily in terms of prevention of slums and blight? In terms of income group targeting? Or in terms of spatial deconcentration? There is also a broader question, tied to the goal of decentralization: Who will set these priorities--local or federal officials? In many ways, housing rehabilitation, the largest single program use for CDBG funds, is also the activity in which the most crucial legislative and value issues of the CDBG program come into sharp focus.

Table 6-2. Second-Year Housing Rehabilitation Programs  
of Sample Jurisdictions

Jurisdiction	CDBG-funded program	Program expected to leverage pri- vate capital	Amount allocated (thousands of dollars)	Percentage of second- year grant allocated
<u>Central cities:</u>				
Atlanta, Ga.	X		2,200.0	12.5
Boston, Mass.	X	X	8,718.0	28.2
Chicago, Ill.	X	X	5,100.0	10.7
Cleveland, Ohio	X		3,000.0	18.6
Columbia, S.C.	X		259.0	13.4
Denver, Colo.	X		5,375.0	33.9
Durham, N.C.	X		464.0	19.5
East Lansing, Mich.	X		60.0	16.5
Houston, Tex.	X		380.0	2.8
Jacksonville, Fla.		X	130.0	2.2
Lansing, Mich.	X	X	1,241.0	17.2
Los Angeles, Calif.	X	X	4,825.1	12.5
Lubbock, Tex.	X		625.4	11.7
Miami, Fla.	X		100.0	1.7
Minneapolis, Minn.	X		4,863.0	30.5
New York, N.Y.	X	X	24,173.0	23.6
Newark, N.J.	X	X	525.0	2.5
Philadelphia, Pa.	X	X	7,838.2	12.9

Table 6-2, continued

Jurisdiction	CDBG-funded program	Program expected to leverage private capital	Amount allocated (thousands of dollars)	Percentage of second-year grant allocated
<u>Central cities (cont'd.):</u>				
Phoenix, Ariz.	X	X	742.2	12.9
Pittsburgh, Pa.	X	X	7,023.5	41.0
Portland, Maine	X		412.2	8.3
Raleigh, N.C.	X		903.3	45.7
Rochester, N.Y.	X	X	810.0	5.6
St. Louis, Mo.	X	X	2,502.0	15.5
San Jose, Calif.	X		774.0	11.8
Seattle, Wash.	X	X	721.0	6.6
Sioux City, Iowa	X		125.0	3.0
Sioux Falls, S.Dak.	X		150.0	4.9
Worcester, Mass.		X	500.0	8.7
<u>Satellite cities:</u>				
Cambridge, Mass.	X	X	1,152.8 <sup>e</sup>	30.8
Cleveland Heights, Ohio	X	X	30.0	8.8
East Orange, N.J.		X	262.2	10.4
El Monte, Calif.		X	300.0	35.2
Evanston, Ill.		X	185.0	36.5
Greece, N.Y.		X	75.0	21.6

Table 6-2, continued

Jurisdiction	CDBG-funded program	Program expected to leverage private capital	Amount allocated (thousands of dollars)	Percentage of second-year grant allocated
<u>Satellite cities (cont'd.):</u>				
Lakewood, Colo.	X		118.5	23.6
Miami Beach, Fla.		X	205.0	16.4
Mount Vernon, N.Y.	X		290.0	11.2
Santa Clara, Calif.	X		100.0	16.7
Scottsdale, Ariz.		X	38.0	2.1
<u>Urban counties:</u>				
Allegheny, Pa.	X	X	1,750.0	22.5
Dade, Fla.	X	X	2,400.0	11.1
DeKalb, Ga.		X	100.0	5.4
King, Wash.	X		410.5	11.4
Los Angeles, Calif.		X	677.0	3.9
Orange, Calif.		X	300.0	10.0
St. Louis, Mo.	X	X	973.9	21.1

Table 6-2, continued

Jurisdiction	CDBG-funded program	Program expected to leverage private capital	Amount allocated (thousands of dollars)	Percentage of second-year grant allocated
<u>Nonmetropolitan:</u>				
Alma, Mich.	X		103.0	19.4
Bangor, Maine	X		30.0	2.6
Carbondale, Ill.	X		347.0	12.8
Casa Grande, Ariz.	X		73.2	65.8
Charlottesville, Va.	X	X	246.0	22.6
Marlborough, Mass.		X	178.0	16.7
Pulaski County, Ill.	X		67.8	69.3

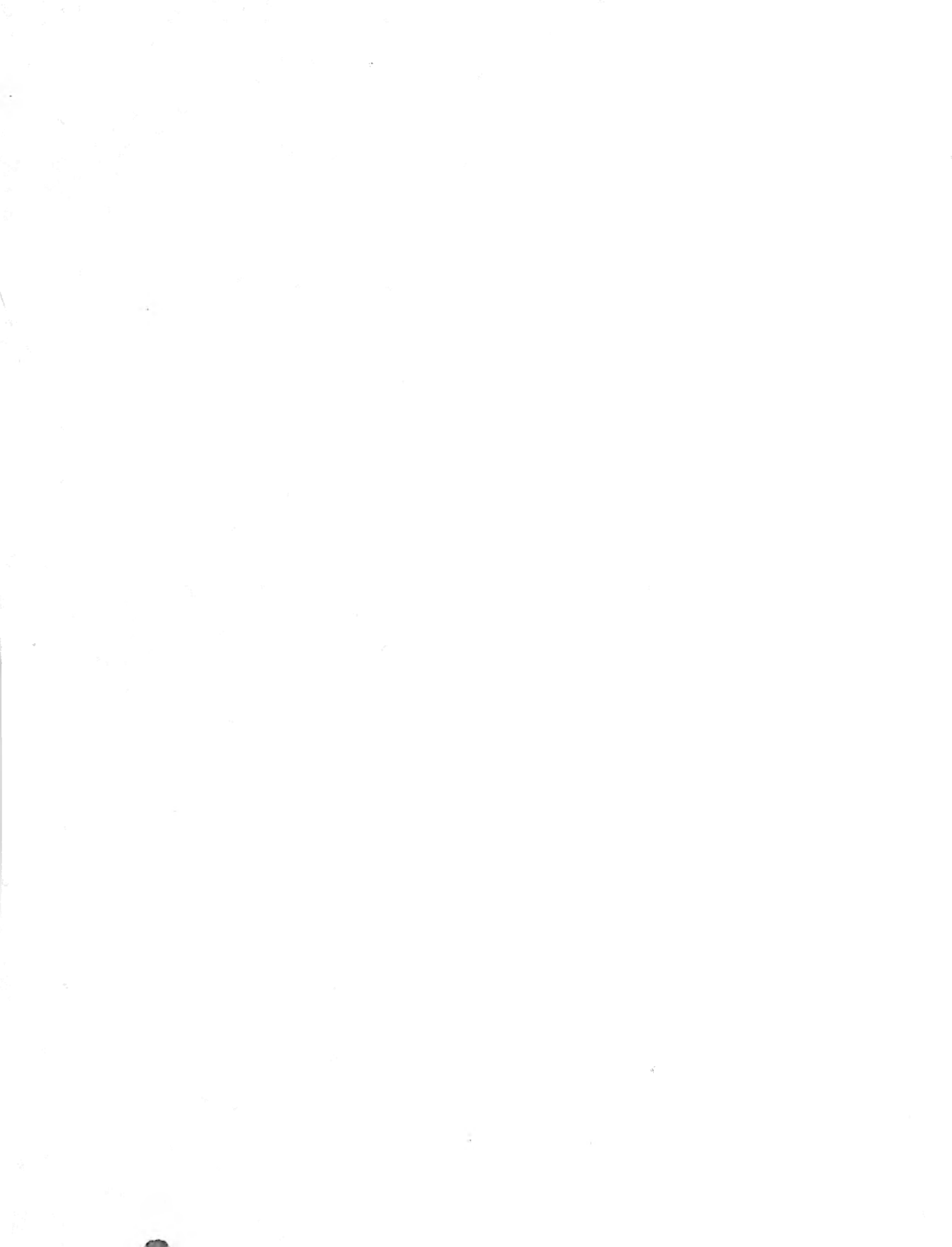
Source: Field research data.





APPENDIX I

BROOKINGS MONITORING SAMPLE FOR PROGRAM YEAR 1976, SHOWING DESCRIPTIVE  
STATISTICS, CATEGORICAL PROGRAM EXPERIENCE, AND CDBG ALLOCATIONS



Appendix I. Brookings Monitoring Sample for Program Year 1976, Showing Descriptive Statistics, Categorical Program Experience, and CDBG Allocations; Alphabetically by State

Jurisdiction	Type of Jurisdiction (1)	Urban conditions index (mean=100) (2)	CDBG population 1975 (thousands) (3)	Population change 1960-75 (U.S.=+18.8) (4)	Percent poverty 1970 (U.S.=14.0) (5)	Percent overcrowded housing 1970 (U.S.=7.0) (6)	Percent pre-1940 housing 1970 (U.S.=40.6) (7)	Prior program experience	Funds received under categorical programs (thousands of dollars) (10)	First-year CDBG grant (thousands of dollars) (11)	Second-year CDBG grant (thousands of dollars) (12)	
								Model cities renewal (8)	Urban renewal (9)			
<b>ARIZONA</b>												
Casa Grande	NH-Dist.	23	13	+61.5	14.2	18.9	11.1			354	111	
Phoenix	CC	21	664	+51.4	11.6	8.9	11.2	X	X	2,570	5,711	
Scottsdale	SC	1	77	+673.3	5.1	4.5	1.1	X	X	1,832	1,832	
<b>CALIFORNIA</b>												
El Monte	SC	11	67	+414.3	13.3	12.7	16.7		15	367	815	
Huntington Beach	SC	1	149	+1,202.7	5.1	4.8	3.7		460	460	690	
Los Angeles	CC	89	2,727	+10.0	13.0	8.4	32.2	X	38,595	38,595	38,595	
Los Angeles County	UC	51	1,936	-4.1	9.7	n.a.	21.4	X	14,461	14,461	17,533	
Orange County	UC	3	545	+215.0	5.7	n.a.	5.3		54	1,361	2,997	
San Jose	CC	11	555	+172.1	8.6	7.6	13.9	X	6,554	6,554	6,245	
Santa Clara	SC	53	82	+40.6	7.6	6.3	6.3	X	357	357	598	
<b>COLORADO</b>												
Denver	CC	131	484	-1.9	13.4	5.2	41.0	X	15,805	15,805	14,767	
Lakewood	SC	7	120	NA	4.6	3.0	6.2		5	226	502	
<b>FLORIDA</b>												
Dade County	UC	10	863	+68.1	11.3	n.a.	5.8	X	21,610	21,610	20,998	
Jacksonville	CC	31	535	+166.1	16.8	8.1	20.9	X	5,193	5,193	6,042	
Miami	CC	114	365	+25.2	20.3	20.6	29.9	X	3,165	3,165	5,831	
Miami Beach	SC	76	94	+48.9	18.9	8.4	25.4		129	564	1,253	
<b>GEORGIA</b>												
Atlanta	CC	157	436	-10.5	19.8	10.5	30.3	X	18,780	18,780	17,578	
DeKalb County	UC	8	389	+75.5	4.9	n.a.	11.7		235	840	1,530	
<b>ILLINOIS</b>												
Carbondale	NH-RH	122	23	54.3	24.6	6.1	32.6	X	2,930	2,930	2,715	
Chicago	CC	255	3,099	-12.7	14.3	9.5	66.5	X	43,201	43,201	43,201	
Cook County	UC	12	1,613	+52.7	3.9	n.a.	19.6		101	3,246	8,265	
Evanston	SC	95	77	-3.3	6.5	3.4	60.3		61	222	493	
Pulaski County	NH-Dist.	84	9	-16.6	44.2	11.7	67.9		0	300	98	
<b>IOWA</b>												
Sioux City	CC	172	86	-3.9	10.5	6.7	67.0	X	3,929	3,929	3,929	

Appendix I, continued

Jurisdiction	Type of jurisdiction (1)	Urban conditions index (mean=100)* (2)	CDBG population 1975 (thousands) (3)	Percent population change 1960-75 (U.S.=+18.8) (4)	Percent poverty 1970 (U.S.=14.0) (5)	Percent overcrowded housing 1970 (U.S.=7.0) (6)	Percent pre-1940 housing (U.S.=40.6) (7)	Prior program experience		Funds received under categorical programs (thousands of dollars) (10)	First-year CDBG grant (thousands of dollars) (11)	Second-year CDBG grant (thousands of dollars) (12)
								Model cities renewal (8)	Urban renewal (9)			
<b>MAINE</b>												
Auburn	CC	199	23	-4.7	10.9	7.2	74.1	X	X	701	701	701
Bangor	NH-Dist.	294	32	-17.1	14.7	5.9	70.8	X	X	1,172	1,172	1,172
Portland	CC	317	60	-17.5	14.7	5.8	76.1	X	X	5,272	5,272	4,907
<b>MASSACHUSETTS</b>												
Boston	CC	303	637	-8.7	15.3	7.2	77.2	X	X	32,108	32,108	30,550
Cambridge	SC	251	102	-4.9	12.8	5.6	79.7	X	X	4,035	4,035	3,746
Marlborough	NM-HH	41	30	+61.1	5.9	5.3	48.2	X	X	1,068	1,068	1,068
Worcester	CC	188	171	-8.1	9.9	5.4	74.4	X	X	6,044	6,044	5,757
<b>MICHIGAN</b>												
Alma	NM-HH	140	10	+11.5	9.7	5.0	68.6	X	X	529	529	529
East Lansing	CC	29	50	+66.9	10.7	4.8	18.8	X	X	62	164	364
Lansing	CC	92	127	+17.6	9.9	6.3	46.5	X	X	6,967	6,967	6,582
<b>MINNESOTA</b>												
Hennepin County	UC	7	363	+48.1	3.4	n.a.	12.6	X	X	109	738	1,752
Minneapolis	CC	234	378	-21.7	11.5	4.3	68.1	X	X	16,793	16,793	15,943
<b>MISSOURI</b>												
St. Louis	CC	487	525	-30.0	19.7	12.3	73.9	X	X	15,194	15,194	14,155
St. Louis County	UC	17	766	+33.8	4.4	n.a.	22.0	X	X	436	2,034	4,619
<b>NEW JERSEY</b>												
East Orange	SC	186	73	-4.9	11.1	5.1	67.8	X	X	2,519	2,519	2,519
Newark	CC	422	340	-16.2	22.1	14.3	68.4	X	X	20,513	20,513	20,513
<b>NEW YORK</b>												
Greece	SC	8	76	+56.9	2.8	3.3	18.6	X	X	300	300	348
Mount Vernon	SC	174	68	-10.9	9.3	8.3	71.1	X	X	2,590	2,590	2,590
New York	CC	222	7,481	-3.9	14.7	9.9	62.1	X	X	102,244	102,244	102,244
Rochester	CC	266	267	-16.1	12.0	5.3	79.5	X	X	14,684	14,684	14,437
<b>NORTH CAROLINA</b>												
Durham	CC	118	101	+29.3	19.4	8.1	33.6	X	X	2,384	2,384	2,384
Raleigh	CC	52	134	+42.9	12.8	6.5	24.8	X	X	498	520	1,156
Roanoke Rapids	NM-Dist.	142	14	+4.8	15.7	7.6	40.4	X	X	0	815	0

Appendix 1, continued

Jurisdiction	Type of jurisdiction (1)	Urban conditions index (mean=100)* (2)	CDRG population 1975 (thousands) (3)	Population change 1960-75 (U.S.=+18.8) (4)	Percent poverty 1970 (U.S.=14.0) (5)	Percent overcrowded housing 1970 (U.S.=7.0) (6)	Percent pre-1940 housing 1970 (U.S.=40.6) (7)	Prior program experience Model cities (8)	Urban renewal (9)	Funds received under categorical programs (thousands of dollars) (10)	First-year CDBG grant (thousands of dollars) (11)	Second-year CDBG grant (thousands of dollars) (12)
<b>OHIO</b>												
Cleveland	CC	400	639	-27.1	17.0	7.1	73.3	X	X	16,092	16,092	16,092
Cleveland Heights	SC	113	51	-17.2	5.5	1.2	72.7			0	141	313
<b>PENNSYLVANIA</b>												
Allegheny County	UC	121	897	+2.5	6.2	n.a.	85.0	X		6,456	6,456	7,583
Philadelphia	CC	271	1,815	-9.3	15.1	5.9	69.5	X	X	60,829	60,829	60,829
Pittsburgh	CC	344	458	-24.1	15.0	6.3	74.4	X	X	16,429	16,429	16,429
<b>SOUTH CAROLINA</b>												
Columbia	CC	111	112	+14.6	17.8	7.9	30.3	X	X	1,936	1,936	1,936
Florence	NM-HH	162	31	+26.8	21.6	10.5	40.6	X	X	1,028	1,028	1,028
<b>SOUTH DAKOTA</b>												
Sioux Falls	CC	86	74	+12.9	9.3	6.4	44.3	X	X	3,064	3,064	3,064
<b>TEXAS</b>												
Harris County	UC	10	437	+112.4	9.2	n.a.	9.7			0	963	3,006
Houston	CC	40	1,326	+41.4	13.9	10.0	17.3	X		13,257	13,257	13,528
Lubbock	CC	34	164	+27.1	16.2	10.5	11.3		X	5,328	5,328	5,328
Plainview	NM-Dis.	105	20	+8.0	20.4	11.2	23.6			0	200	250
<b>VIRGINIA</b>												
Charlottesville	NM-HH	94	41	+41.5	15.9	5.6	35.8	X	X	1,051	1,051	1,051
<b>WASHINGTON</b>												
King County	UC	11	590	+61.6	5.3	n.a.	14.2			1,006	1,511	3,340
Seattle	CC	128	487	-12.6	10.0	3.3	47.6	X	X	11,641	11,641	10,571
										553,120	566,236	584,713

Source: Monitoring sample data and formula data elements are from the U.S. Department of Housing and Urban Development.

Note:

- CC = central city
- SC = satellite city (city of 50,000 but not a central city)
- UC = urban county
- NM-HH = nonmetropolitan hold-harmless entitlement jurisdiction
- NM-Dis. = nonmetropolitan discretionary jurisdiction

\* Jurisdictions above 100 are generally less well off than those below the mean; see appendix II.

\*\* Not available.



APPENDIX II

PROJECTED CDBG ALLOCATIONS TO ENTITLEMENT JURISDICTIONS IN FISCAL 1980,  
WITH URBAN CONDITIONS INDEX AND INDEX VARIABLES





APPENDIX II

PROJECTED CDBG ALLOCATIONS TO ENTITLEMENT JURISDICTIONS IN FISCAL 1980,  
WITH URBAN CONDITIONS INDEX AND INDEX VARIABLES

The table that follows lists the 615 CDBG formula entitlement jurisdictions for the third program year and their projected block grants for fiscal year 1980. Columns 6 and 7 list projected block grant amounts based on the original allocation formula and the new formula, respectively. If a jurisdiction's grant under the new formula is greater than that under the original formula, this means that the jurisdiction benefits from the dual formula approach. Actual grant amounts will change as later population figures are used to make the allocations.

The Brookings urban conditions index (column 1) provides a comparative measure of distress conditions found in each jurisdiction. The index is computed from the following formula:

$$\frac{\frac{\text{Percent poverty}}{\text{Mean percent poverty}} \times \frac{\text{Percent pre-1940 housing}}{\text{Mean percent pre-1940 housing}}}{100 + \text{percent of population change}} = 100 + \text{median percent of population change}$$

Percentages of poverty and pre-1940 housing are based on the 1970 census. The index mean is standardized at 100; jurisdictions ranking above that level tend to have greater problems of urban distress than those lower on the scale.

For the urban counties listed, the projected 1980 allocations are based on data elements used by the Department of Housing and Urban Development to determine grant amounts for fiscal 1978. Not included are small hold-harmless communities and municipalities who chose not to participate in the program. The urban conditions index for these counties is based on balance-of-county data; that is, the population, poverty and housing data for the entire county minus the population, poverty and housing counts of the central city (or cities) and any suburban cities over 50,000 population.

Following the name of each recipient is a designation of the type of jurisdiction it is--CC (central city); SC (satellite city); UC (urban county).

Appendix II. Projected CDBG Allocations to Entitlement Jurisdictions in Fiscal 1980, with Urban Conditions Index and Index Variables

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
ALABAMA							
ANNISTON SMSA	284	30,622	-9.0	27.8	39.7	1,016	1,134
ANNISTON CC							
BIRMINGHAM SMSA	278	276,273	-19.0	22.5	42.7	8,286	12,440
BIRMINGHAM CC	61	332,372	25.3	13.3	24.2	6,278	6,278
JEFFERSON UC							
FLORENCE SMSA	93	34,402	8.7	18.0	24.0	750	750
FLORENCE CC							
GADSDEN SMSA	191	50,357	-13.3	20.2	35.0	1,299	1,827
GADSDEN CC							
HUNTSVILLE SMSA	15	136,419	88.5	10.5	10.8	2,132	2,132
HUNTSVILLE CC							
MOBILE SMSA	146	196,441	.8	23.1	27.2	5,405	5,405
MOBILE CC							
MONTGOMERY SMSA	113	153,343	14.1	23.1	23.8	3,877	3,877
MONTGOMERY CC							
TUSCALOOSA SMSA	102	69,425	9.6	21.6	22.0	1,722	1,722
TUSCALOOSA CC							
ALASKA							
ANCHORAGE SMSA	2	161,018	264.0	6.5	3.7	2,050	2,050
ANCHORAGE CC							
ARIZONA							
PHOENIX SMSA	21	664,721	51.4	11.6	11.2	11,199	11,199
PHOENIX CC	8	65,671	313.2	14.0	9.9	921	921
GLENDALE SC	7	99,043	193.3	9.3	9.1	1,340	1,340
MESA SC	1	77,529	673.3	5.1	1.1	772	772
SCOTTSDALE SC							

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
TEMPE SC	3	84,072	237.7	9.1	3.3	1,039	1,039
TUCSON SMSA							
TUCSON CC	30	296,457	39.3	13.6	13.1	5,664	5,664
ARKANSAS							
FAYETTEVILLE-SPRINGDALE SMSA							
FAYETTEVILLE CC	61	33,405	64.8	15.9	27.0	615	615
SPRINGDALE CC	24	20,499	103.4	11.9	16.9	320	320
FORT SMITH SMSA							
FORT SMITH CC	106	64,734	22.2	15.9	34.7	1,313	1,313
LITTLE ROCK-NORTH LITTLE ROCK SMSA							
LITTLE ROCK CC	101	141,143	30.9	17.1	32.8	2,911	2,911
NORTH LITTLE ROCK CC	86	61,768	6.4	18.3	21.4	1,397	1,397
PINE BLUFF SMSA							
PINE BLUFF CC	157	54,631	24.1	26.2	31.7	1,766	1,766
TEXARKANA SMSA							
TEXARKANA CC	160	21,249	7.4	21.4	34.3	582	582
CALIFORNIA							
ANAHEIM-SANTA ANA-GARDEN GROVE SMSA							
ANAHEIM CC	5	193,616	85.8	6.3	6.0	2,221	2,221
GARDEN GROVE CC	3	118,454	40.6	5.6	2.2	1,494	1,494
SANTA ANA CC	23	177,304	76.7	10.0	17.0	2,986	2,986
BUENA PARK SC	4	61,840	33.3	5.1	4.4	824	824
COSTA MESA SC	4	76,058	102.6	7.6	4.5	964	964
FULLERTON SC	8	93,692	66.8	5.9	9.2	1,061	1,061
HUNTINGTON BEACH SC	1	149,706	1202.7	5.1	3.7	1,414	1,414
NEWPORT BEACH SC	5	61,853	132.8	6.9	7.0	602	602
ORANGE SC	5	82,157	215.0	6.0	5.3	934	934
WESTMINSTER SC	2	66,758	159.3	6.3	2.9	830	830
ORANGE UC	3	541,536	210.7	5.7	10.3	5,332	5,332

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
BAKERSFIELD SMSA	61	77,264	35.9	15.0	23.3	1,442	1,442
BAKERSFIELD CC	65	272,610	15.9	15.9	20.1	6,173	6,173
KERN UC							
FRESNO SMSA	84	176,528	31.8	17.0	27.8	3,704	3,704
FRESNO CC	98	269,158	16.0	19.6	24.7	6,740	6,740
FRESNO UC							
LOS ANGELES-LONG BEACH SMSA	85	335,602	-2.5	11.2	31.6	5,790	8,187
LONG BEACH CC	89	2,727,399	10.0	13.0	32.2	56,443	56,443
LOS ANGELES CC	65	60,715	10.8	7.9	38.4	814	998
ALHAMBRA SC	21	51,145	11.4	8.1	12.2	755	755
BELLFLOWER SC	36	86,001	-4.6	6.5	22.5	1,115	1,720
BURBANK SC	6*	78,671	4.6	6.9	3.5	1,329	1,329
CARSON SC	55	75,143	4.0	18.8	13.0	2,353	2,353
COMPTON SC	8	85,812	4.0	5.9	5.5	1,040	1,040
DOWNNEY SC	11	67,698	414.3	13.3	16.7	1,547	1,547
EL MONTE SC	66	132,360	10.8	8.0	38.7	1,764	2,175
GLENDALE SC	8	53,953	63.3	5.7	9.3	724	724
HAWTHORNE SC	26	86,610	36.6	7.6	19.7	1,270	1,270
INGLEWOOD SC	2	81,802	21.9	4.8	1.7	939	939
LAKEWOOD SC	8	86,826	-2.2	6.9	4.3	1,539	1,539
NORWALK SC	128	108,220	-7.0	11.4	44.4	1,876	3,386
PASADENA SC	14	51,495	4.8	8.0	7.8	1,051	1,051
PICO RIVERA SC	43	82,275	22.5	12.3	18.1	1,650	1,650
POMONA SC	22	62,400	32.8	7.6	16.1	907	907
REDONDO BEACH SC	69	92,115	10.6	11.7	27.7	1,542	1,542
SANTA MONICA SC	58	56,560	5.1	9.2	28.0	911	943
SOUTH GATE SC	4	139,776	38.4	4.0	5.1	1,426	1,426
TORRANCE SC	1	75,783	49.6	4.5	1.3	800	800
WEST COVINA SC	12	72,059	114.1	6.1	17.4	835	835
WHITTIER SC	51	1,936,494	-4.1	9.7	21.4	34,314	34,314
LOS ANGELES UC							
MODESTO SMSA	22	83,540	128.3	10.7	19.3	1,136	1,136
MODESTO CC							
OXNARD-SIMI VALLEY-VENTURA SMSA	10	86,596	115.1	12.7	6.6	1,475	1,475
OXNARD CC							

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
SIMI VALLEY CC	2*	70,086		4.5	1.4	685	685
VENTURA CC	15	63,441	117.9	7.7	17.7	775	775
VENTURA UC	21	437,853	67.8	9.0	16.1	3,953	3,953
RIVERSIDE-SAN BERNARDINO-ONTARIO SMSA							
ONTARIO CC	40	63,140	35.4	12.5	18.2	1,251	1,251
RIVERSIDE CC	26	150,612	78.6	10.4	18.7	2,308	2,308
SAN BERNARDINO CC	75	102,076	11.0	15.5	22.9	2,257	2,257
RIVERSIDE UC	25	288,095	70.6	15.1	11.8	6,065	6,065
SAN BERNARDINO UC	22	485,192	45.7	10.6	12.7	8,519	8,519
SACRAMENTO SMSA							
SACRAMENTO CC	67	260,822	36.1	14.0	27.7	5,050	5,050
SACRAMENTO UC	9	427,066	37.3	8.0	6.2	5,504	5,504
SALINAS-SEASIDE-MONTEREY SMSA							
MONTEREY CC	45	28,063	-5.3	7.6	24.0	347	519
SALINAS CC	22	70,438	143.3	10.9	20.5	1,159	1,159
SEASIDE CC	10	36,886	90.6	14.1	5.5	758	758
SAN DIEGO SMSA							
SAN DIEGO CC	42	773,996	35.0	11.0	21.7	12,053	12,053
CHULA VISTA SC	8	75,497	79.6	9.4	5.8	1,114	1,114
EL CAJON SC	7	60,404	60.6	9.2	4.5	840	840
OCEANSIDE SC	29	56,003	124.3	13.6	19.8	876	876
SAN DIEGO UC	15	552,947	62.8	8.5	11.7	7,184	7,184
SAN FRANCISCO-OAKLAND SMSA							
OAKLAND CC	225	330,651	-10.0	16.2	53.3	7,794	13,003
SAN FRANCISCO CC	237	664,520	-10.2	13.6	66.9	14,163	28,982
ALAMEDA SC	61	72,017	63.6	6.1	16.5	1,093	1,179
BERKELEY SC	244	110,465	7	18.1	57.1	2,498	3,764
CONCORD SC	2	95,114	164.2	4.6	3.3	949	949
DALY CITY SC	11	72,741	62.4	5.7	13.1	876	876
FREMONT SC	3	117,862	169.2	4.7	5.0	1,250	1,250
HAYWARD SC	13	92,802	27.7	8.0	8.4	1,399	1,399
REDWOOD CITY SC	19	54,160	17.0	5.9	15.5	673	673
RICHMOND SC	72	62,713	-3.0	12.9	23.0	1,529	1,548
SAN LEANDRO SC	25	66,953	1.5	5.9	18.2	785	914

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
SAN MATEO SC	23	77,878	32.7	6.1	15.8	907	907
ALAMEDA UC	24	256,516	12.8	10.0	47.5	3,054	3,054
CONTRA COSTA UC	15	394,737	39.2	6.5	13.5	4,685	4,685
MARIN UC	22	217,731	50.1	6.4	21.7	2,389	2,389
SAN MATEO UC	17	314,843	11.5	6.1	17.9	3,646	3,646
SAN JOSE SMSA							
SAN JOSE CC	11	555,707	172.1	8.6	13.9	7,176	7,176
MOUNTAIN VIEW SC	6	55,143	78.5	6.4	6.7	684	684
PALO ALTO SC	38	52,277	.0	6.6	24.1	649	925
SANTA CLARA SC	53	82,822	34.0	7.6	12.5	1,097	1,097
SUNNYVALE SC	21	102,462	93.7	4.6	36.8	1,066	1,066
SANTA CLARA UC	14	289,317	40.7	6.2	41.8	4,053	4,053
SANTA BARBARA-SANTA MARIA-LOMPOC SMSA							
LOMPOC CC	11	24,296	68.5	10.8	6.9	412	412
SANTA BARBARA CC	86	72,125	24.9	13.2	34.6	1,310	1,310
SANTA MARIA CC	27	33,595	67.7	11.3	17.1	612	612
SANTA CRUZ SMSA							
SANTA CRUZ CC	112	36,807	43.8	16.5	41.8	660	660
SANTA ROSA SMSA							
SANTA ROSA CC	28	65,087	109.8	11.1	22.6	820	820
STOCKTON SMSA							
STOCKTON CC	11	117,600	36.2	16.3	3.6	2,488	2,488
VALLEJO-FAIRFIELD-NAPA SMSA							
FAIRFIELD CC	3	50,264	235.8	9.8	3.0	748	748
NAPA CC	22	46,557	110.0	8.9	21.8	576	576
VALLEJO CC	57	70,681	16.1	10.0	28.2	1,135	1,135
COLORADO							
COLORADO SPRINGS SMSA							
COLORADO SPRINGS CC	29	179,584	155.8	11.1	27.8	2,382	2,382

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
DENVER-Boulder SMSA							
Boulder CC	29	78,560	108.3	11.5	22.0	1,083	1,083
Denver CC	131	484,531	-1.9	13.4	41.0	9,337	12,944
Arvada SC	2	74,254	285.9	3.6	5.0	575	575
Aurora SC	3	118,060	143.2	5.4	3.9	1,025	1,025
Lakewood SC	7*	120,350	...	4.6	6.2	1,034	1,034
Fort Collins SMSA							
Fort Collins CC	45	55,984	123.7	13.9	30.7	809	909
Greeley SMSA							
Greeley CC	73	47,362	80.0	16.0	34.7	815	815
Pueblo SMSA							
Pueblo CC	122	105,312	15.5	13.2	45.4	2,041	2,041
CONNECTICUT							
Bridgeport SMSA							
Bridgeport CC	178	142,960	-8.8	11.5	60.1	2,880	5,085
Fairfield SC	24	58,084	25.8	4.1	30.8	537	537
Milford SC	34	49,704	19.3	4.9	34.5	581	581
Bristol SMSA							
Bristol CC	35	58,560	28.7	4.7	40.7	712	712
Danbury SMSA							
Danbury CC	32	54,512	137.8	7.0	45.8	709	716
Hartford SMSA							
Hartford CC	298	138,152	-14.8	16.2	67.0	3,639	6,518
East Hartford SC	20	54,132	23.1	4.3	24.1	614	614
West Hartford SC	29	66,605	6.8	3.5	37.3	535	911
Meriden SMSA							
Meriden CC	74	57,697	11.3	6.6	52.9	760	904
New Britain SMSA							
New Britain CC	113	78,556	-4.4	8.4	54.7	1,283	2,238

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
NEW HAVEN SMSA	320	126,845	-16.6	16.5	69.2	2,960	5,991
NEW HAVEN CC	58	53,002	23.3	7.2	42.4	684	718
WEST HAVEN CC							
NEW LONDON-NORWICH SMSA	203	30,456	-10.9	12.2	63.3	522	1,110
NEW LONDON CC	144	41,060	6.6	10.0	65.6	629	981
NORWICH CC							
NORWALK SMSA	58	76,688	13.2	6.6	42.3	1,059	1,059
NORWALK CC							
STAMFORD SMSA	59	105,151	13.4	7.0	40.5	1,498	1,498
STAMFORD CC	41	59,566	10.7	3.9	49.3	542	846
GREENWICH SC							
WATERBURY SMSA	139	107,065	-1	9.5	62.2	1,783	2,876
WATERBURY CC							
DELAWARE							
WILMINGTON SMSA	444	76,152	-20.5	21.1	71.5	1,980	4,124
WILMINGTON CC	14	321,122	52.7	5.3	16.1	3,342	3,342
NEW CASTLE UC							
DISTRICT OF COLUMBIA							
WASHINGTON SMSA	193	711,518	-6.9	16.3	47.0	18,389	23,451
WASHINGTON DC CC							
FLORIDA							
DAYTONA BEACH SMSA	143	48,037	28.5	23.1	33.8	1,232	1,232
DAYTONA BEACH CC							
FORT LAUDERDALE-HOLLYWOOD SMSA	12	152,959	82.9	11.9	7.6	2,645	2,645
FORT LAUDERDALE CC	4	119,002	237.7	9.8	5.2	1,762	1,762
HOLLYWOOD CC	2	574,735	167.9	10.6	2.0	7,196	7,196
BROWARD UC							



Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
FORT MYERS SMSA	74	36,170	60.6	17.1	29.4	601	691
FORT MYERS CC							
GAINESVILLE SMSA	27	72,236	143.2	19.7	14.2	1,532	1,532
GAINESVILLE CC							
JACKSONVILLE SMSA	31	535,030	166.1	16.8	20.9	11,672	11,672
JACKSONVILLE CC							
LAKELAND-WINTER HAVEN SMSA	120	49,705	20.2	18.6	33.1	964	964
LAKELAND CC	131	18,618	14.4	20.8	30.6	415	415
WINTER HAVEN CC							
MELBOURNE-TITUSVILLE-COCOA SMSA	46	15,544	26.4	17.2	14.2	365	365
COCOA CC	7	39,821	232.3	11.8	7.5	699	699
MELBOURNE CC	2	29,501	360.2	6.9	4.7	405	405
TITUSVILLE CC							
MIAMI SMSA	114	365,082	25.2	20.3	29.9	11,388	11,388
MIAMI CC	5	117,682	75.7	8.6	3.6	2,210	2,210
HIALEAH SC	76	94,063	49.0	18.9	25.4	2,450	2,450
MIAMI BEACH SC	10	862,565	68.1	11.3	5.8	14,527	14,527
DADE UC							
ORLANDO SMSA	74	113,179	28.4	19.1	21.0	2,428	2,428
ORLANDO CC	8	273,832	237.8	11.9	9.1	4,134	4,134
ORANGE UC							
PENSACOLA SMSA	165	64,168	13.1	21.8	36.5	1,604	1,604
PENSACOLA CC							
SARASOTA SMSA	42	47,089	38.2	17.4	14.2	904	904
SARASOTA CC							
TALLAHASSEE SMSA	36	83,725	73.8	17.5	14.9	1,641	1,641
TALLAHASSEE CC							
TAMPA-ST PETERSBURG SMSA	64	234,389	29.3	15.7	22.4	4,391	4,391
ST PETERSBURG CC							

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
TAMPA CC	122	280,240	1.9	18.5	28.6	6,520	6,520
CLEARWATER SC	20	67,069	93.5	11.8	13.6	950	950
HILLSBOROUGH UC	12	297,157	142.0	12.0	10.2	4,268	4,268
PINELLAS UC	7	326,105	115.5	10.6	5.3	4,154	4,154
WEST PALM BEACH-BOCA RATON SMSA							
BOCA RATON CC	1	42,363	508.6	6.2	3.7	417	417
WEST PALM BEACH CC	124	61,471	9.4	16.5	35.0	1,329	1,329
PALM BEACH UC	15	313,795	104.5	12.9	9.8	5,330	5,330
GEORGIA							
ALBANY SMSA							
ALBANY CC	72	73,373	31.3	24.4	16.4	2,259	2,259
ATLANTA SMSA							
ATLANTA CC	157	436,057	-10.5	19.8	30.3	12,774	14,650
DE KALB UC	8	389,239	75.5	4.9	11.7	3,827	3,827
AUGUSTA SMSA							
AUGUSTA CC	481	54,019	-23.5	30.6	51.4	2,095	3,057
COLUMBUS SMSA							
COLUMBUS CC	77	159,352	36.5	20.2	22.0	4,105	4,105
MACON SMSA							
MACON CC	103	121,157	73.7	22.5	33.7	3,457	3,457
SAVANNAH SMSA							
SAVANNAH CC	326	110,348	-26.1	25.8	39.9	3,562	5,823
HAWAII							
HONOLULU SMSA							
HONOLULU CC	15	705,381	139.8	8.9	20.0	13,043	13,043

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
<b>IDAHO</b>							
BOISE CITY SMSA	26	99,771	189.4	10.0	31.8	1,296	1,296
BOISE CITY CC							
<b>ILLINOIS</b>							
BLOOMINGTON SMSA	131	41,509	14.4	10.0	63.9	623	856
BLOOMINGTON CC	21	33,336	149.6	8.3	26.3	365	365
NORMAL CC							
<b>CHAMPAIGN-URBANA-RANTOUL SMSA</b>							
CHAMPAIGN CC	91	58,398	17.8	12.8	35.6	972	972
RANTOUL CC	25	21,533	-2.6	8.6	11.9	363	363
URBANA CC	96	31,448	26.1	12.3	41.7	551	551
<b>CHICAGO SMSA</b>							
CHICAGO CC	255	3,099,391	-12.7	14.3	66.5	71,122	130,754
ARLINGTON HEIGHTS SC	2	70,019	151.2	1.8	7.7	496	496
AURORA SC	66	76,955	20.8	6.0	56.0	1,016	1,189
BERWYN SC	88	49,618	-8.5	5.1	67.1	526	1,751
CICERO SC	112	63,444	-8.2	6.2	70.9	810	2,300
DES PLAINES SC	8	55,828	60.0	3.2	15.9	537	537
ELGIN SC	55	59,754	20.8	5.0	56.2	657	880
EVANSTON SC	95	76,665	-3.3	6.5	60.3	897	2,149
JOLIET SC	97	74,401	11.4	8.3	55.6	1,213	1,399
OAK LAWN SC	3	62,317	126.8	3.1	8.0	669	669
OAK PARK SC	96	59,773	-2.2	5.0	79.6	623	1,981
SKOKIE SC	5	67,674	14.0	2.6	7.8	508	508
WAUKEGAN SC	65	65,133	16.9	7.9	41.0	1,039	1,039
COOK UC	12	1,612,867	52.7	3.9	19.7	16,489	16,489
DUPAGE UC	8	458,978	76.6	3.0	19.3	4,091	4,091
LAKE UC	22	307,723	43.8	4.7	28.2	3,347	3,347
<b>DAVENPORT-ROCK ISLAND-MOLINE SMSA</b>							
MOLINE CC	96	44,568	4.4	7.8	54.8	619	1,019
ROCK ISLAND CC	147	49,031	-5.5	10.6	56.0	802	1,504
<b>DECATUR SMSA</b>							
DECATUR CC	105	89,604	14.9	10.3	50.1	1,470	1,601

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
KANKAKEE SMSA KANKAKEE CC	136	27,961	1.1	10.2	58.7	513	791
PEORIA SMSA PEORIA CC	116	125,983	22.1	11.1	54.3	2,117	2,416
ROCKFORD SMSA ROCKFORD CC	84	145,459	14.8	9.3	44.3	2,227	2,284
ST LOUIS SMSA EAST ST LOUIS SC	609	57,929	-29.1	33.6	54.9	2,733	3,949
MADISON UC	74	249,685	11.1	8.7	40.3	4,179	4,179
ST CLAIR UC	59	223,017	23.1	9.4	32.5	3,793	3,793
SPRINGFIELD SMSA SPRINGFIELD CC	136	87,418	5.0	10.5	57.8	1,527	2,226
INDIANA							
ANDERSON SMSA ANDERSON CC	75	69,486	41.6	9.7	46.6	1,136	1,174
BLOOMINGTON SMSA BLOOMINGTON CC	54	48,955	56.1	10.0	35.6	883	883
EVANSVILLE SMSA EVANSVILLE CC	152	133,566	-5.6	11.9	51.3	2,553	4,034
FORT WAYNE SMSA FORT WAYNE CC	90	185,299	14.5	9.1	48.1	2,712	2,895
GARY-HAMMOND-EAST CHICAGO SMSA EAST CHICAGO CC	289	44,186	-23.4	13.4	70.7	1,074	2,259
GARY CC	162	168,546	-5.5	14.9	43.7	4,223	4,724
HAMMOND CC	77	104,892	-6.1	6.5	47.0	1,613	2,701
INDIANAPOLIS SMSA INDIANAPOLIS CC	59	714,878	50.1	9.5	39.7	12,033	12,033

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
LAFAYETTE-WEST LAFAYETTE SMSA							
LAFAYETTE CC	80	48,894	15.5	7.6	51.4	637	755
WEST LAFAYETTE CC	66	20,297	60.1	13.0	34.6	304	304
MUNCIE SMSA							
MUNCIE CC	148	78,329	14.2	13.5	53.5	1,449	1,449
SOUTH BEND SMSA							
SOUTH BEND CC	131	117,478	-11.3	9.2	54.0	1,877	4,011
TERRE HAUTE SMSA							
TERRE HAUTE CC	248	63,998	-11.7	13.2	70.8	1,278	2,688
IOWA							
CEDAR RAPIDS SMSA							
CEDAR RAPIDS CC	70	108,998	18.4	7.6	46.2	1,505	1,664
DAVENPORT-ROCK ISLAND-MOLINE SMSA							
DAVENPORT CC	106	99,941	12.3	9.4	54.1	1,576	1,744
DES MOINES SMSA							
DES MOINES CC	137	194,168	-7.1	10.0	54.4	3,137	6,085
DUBUQUE SMSA							
DUBUQUE CC	114	61,754	9.1	8.6	61.8	1,006	1,162
OMAHA SMSA							
COUNCIL BLUFFS SC	137	58,660	5.4	11.3	54.3	1,117	1,312
SIOUX CITY SMSA							
SIOUX CITY CC	172	85,719	-3.9	10.5	67.0	1,405	2,649
WATERLOO-CEDAR FALLS SMSA							
CEDAR FALLS CC	46	33,184	56.6	8.4	36.2	446	446
WATERLOO CC	114	77,681	8.3	10.6	49.7	1,302	1,449

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
KANKAKEE SMSA KANKAKEE CC	136	27,961	1.1	10.2	58.7	513	791
PEORIA SMSA PEORIA CC	116	125,983	22.1	11.1	54.3	2,117	2,416
ROCKFORD SMSA ROCKFORD CC	84	145,459	14.8	9.3	44.3	2,227	2,284
ST LOUIS SMSA EAST ST LOUIS SC	609	57,929	-29.1	33.6	54.9	2,733	3,949
MADISON UC	74	249,685	11.1	8.7	40.3	4,179	4,179
ST CLAIR UC	59	223,017	23.1	9.4	32.5	3,793	3,793
SPRINGFIELD SMSA SPRINGFIELD CC	136	87,418	5.0	10.5	57.8	1,527	2,226
INDIANA							
ANDERSON SMSA ANDERSON CC	75	69,486	41.6	9.7	46.6	1,136	1,174
BLOOMINGTON SMSA BLOOMINGTON CC	54	48,955	56.1	10.0	35.6	883	883
EVANSVILLE SMSA EVANSVILLE CC	152	133,566	-5.6	11.9	51.3	2,553	4,034
FORT WAYNE SMSA FORT WAYNE CC	90	185,299	14.5	9.1	48.1	2,712	2,895
GARY-HAMMOND-EAST CHICAGO SMSA EAST CHICAGO CC	289	44,186	-23.4	13.4	70.7	1,074	2,259
GARY CC	162	168,546	-5.5	14.9	43.7	4,223	4,724
HAMMOND CC	77	104,892	-6.1	6.5	47.0	1,613	2,701
INDIANAPOLIS SMSA INDIANAPOLIS CC	59	714,878	50.1	9.5	39.7	12,033	12,033

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
LAFAYETTE-WEST LAFAYETTE SMSA							
LAFAYETTE CC	80	48,894	15.5	7.6	51.4	637	755
WEST LAFAYETTE CC	66	20,297	60.1	13.0	34.6	304	304
MUNCIE SMSA							
MUNCIE CC	148	78,329	14.2	13.5	53.5	1,449	1,449
SOUTH BEND SMSA							
SOUTH BEND CC	131	117,478	-11.3	9.2	54.0	1,877	4,011
TERRE HAUTE SMSA							
TERRE HAUTE CC	248	63,998	-11.7	13.2	70.8	1,278	2,688
IOWA							
CEDAR RAPIDS SMSA							
CEDAR RAPIDS CC	70	108,998	18.4	7.6	46.2	1,505	1,664
DAVENPORT-ROCK ISLAND-MOLINE SMSA							
DAVENPORT CC	106	99,941	12.3	9.4	54.1	1,576	1,744
DES MOINES SMSA							
DES MOINES CC	137	194,168	-7.1	10.0	54.4	3,137	6,085
DUBUQUE SMSA							
DUBUQUE CC	114	61,754	9.1	8.6	61.8	1,006	1,162
OMAHA SMSA							
COUNCIL BLUFFS SC	137	58,660	5.4	11.3	54.3	1,117	1,312
SIOUX CITY SMSA							
SIOUX CITY CC	172	85,719	-3.9	10.5	67.0	1,405	2,649
WATERLOO-CEDAR FALLS SMSA							
CEDAR FALLS CC	46	33,184	56.6	8.4	36.2	446	446
WATERLOO CC	114	77,681	8.3	10.6	49.7	1,302	1,449

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
<b>KANSAS</b>							
KANSAS CITY SMSA	111	168,153	37.9	13.8	47.4	3,489	3,489
KANSAS CITY SC OVERLAND PARK SC	3*	81,013	...	2.4	4.5	598	598
TOPEKA SMSA TOPEKA CC	97	119,203	-2	9.9	41.5	1,897	2,735
WICHITA SMSA	73	264,901	4.0	11.1	29.0	4,590	4,731
<b>KENTUCKY</b>							
CINCINNATI SMSA COVINGTON SC	427	44,467	-26.3	16.1	82.8	1,319	2,907
CLARKSVILLE-HOPKINSVILLE SMSA HOPKINSVILLE CC	163	26,288	35.1	24.1	38.9	678	678
HUNTINGTON-ASHLAND SMSA ASHLAND CC	209	27,456	-12.2	14.3	54.8	564	1,063
LEXINGTON-FAYETTE SMSA LEXINGTON CC	39	186,048	196.2	16.1	31.2	3,306	3,306
LOUISVILLE SMSA LOUISVILLE CC JEFFERSON UC	246 9	335,954 333,310	-14.0 63.8	17.0 6.1	53.2 9.5	8,415 4,215	13,673 4,215
OWENSBORO SMSA OWENSBORO CC	93	50,788	19.6	13.7	34.6	1,014	1,014
<b>LOUISIANA</b>							
ALEXANDRIA SMSA ALEXANDRIA CC	180	49,481	22.8	29.7	32.0	1,697	1,697
BATON ROUGE SMSA BATON ROUGE CC	56	294,394	92.5	18.6	20.7	6,537	6,537
LAFAYETTE SMSA LAFAYETTE CC	54	75,430	86.7	22.1	19.4	1,983	1,983



Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
LAKE CHARLES SMSA							
LAKE CHARLES CC	89	76,087	20.0	21.7	21.0	2,090	2,090
MONROE SMSA							
MONROE CC	159	61,016	16.8	30.0	26.4	1,943	1,943
NEW ORLEANS SMSA							
NEW ORLEANS CC	340	559,770	-10.8	26.2	49.4	19,483	22,914
JEFFERSON PARISH UC	12	399,016	91.7	10.3	9.5	6,398	6,398
SHREVEPORT SMSA							
SHREVEPORT CC	139	185,711	13.0	21.9	30.6	4,939	4,939
MAINE							
LEWISTON-AUBURN SMSA							
AUBURN CC	199	23,304	-4.7	10.9	74.1	409	803
LEWISTON CC	195	41,045	.6	12.3	68.1	743	1,220
PORTLAND SMSA							
PORTLAND CC	317	59,857	-17.5	14.7	76.1	1,237	3,001
MARYLAND							
BALTIMORE SMSA							
BALTIMORE CC	279	851,698	-9.3	18.0	60.0	20,952	32,338
ANNE ARUNDEL UC	18	311,592	66.5	6.1	19.9	3,670	3,670
WASHINGTON SMSA							
MONTGOMERY UC	1	518,691	67.7	4.1	1.2	6,431	6,431
PRINCE GEORGES UC	7	551,232	89.7	5.7	8.7	6,740	6,740
MASSACHUSETTS							
BOSTON SMSA							
BOSTON CC	303	636,725	-8.7	15.3	77.2	13,369	25,831
ARLINGTON SC	29	49,815	-.3	5.4	22.5	568	1,258
BROOKLINE SC	130	52,590	-2.7	8.8	61.5	735	1,823
CAMBRIDGE SC	251	102,420	-4.9	12.8	79.7	1,814	3,820
FRAMINGHAM SC	12	65,540	47.2	5.0	14.5	673	673

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
LYNN SC	238	79,327	-16.0	10.7	79.8	1,426	3,846
MALDEN SC	149	55,778	-3.3	8.0	76.6	765	1,789
MEDFORD SC	124	60,769	-6.5	6.1	80.9	726	2,035
NEWTON SC	78	88,559	-4.1	4.7	67.5	853	2,401
QUINCY SC	109	91,494	-4.7	6.8	71.2	1,157	3,153
SOMERVILLE SC	235	80,798	-14.7	9.5	90.1	1,379	3,778
WALTHAM SC	85	56,251	1.5	6.6	55.6	775	1,278
WEYMOUTH SC	12	56,815	17.9	5.5	11.0	678	1,678
BROCKTON SMSA							
BROCKTON CC	69	95,878	31.7	8.5	45.4	1,360	1,635
FALL RIVER SMSA							
FALL RIVER CC	262	100,430	.5	13.5	83.4	1,887	3,345
FITCHBURG-LEOMINSTER SMSA							
FITCHBURG CC	188	38,976	-9.4	9.8	74.1	666	1,519
LEOMINSTER CC	79	35,493	27.1	7.1	59.9	479	558
LAWRENCE SMSA							
HAVERTHILL CC	179	44,377	-4.2	9.1	80.4	676	1,567
LAWRENCE CC	225	67,390	-5.0	11.4	80.0	1,146	2,487
LOWELL SMSA							
LOWELL CC	196	91,493	-.7	11.2	74.2	1,605	2,860
NEW BEDFORD SMSA							
NEW BEDFORD CC	292	100,133	-2.3	15.1	80.8	1,995	3,699
PITTSFIELD SMSA							
PITTSFIELD CC	122	54,893	-5.1	7.4	66.7	723	1,676
SPRINGFIELD-CHICOPEE-HOLYOKE SMSA							
CHICOPEE CC	81	57,771	-6.1	6.9	46.8	917	1,547
HOLYOKE CC	283	46,435	-11.9	14.5	73.4	987	2,091
SPRINGFIELD CC	191	170,790	-2.1	12.4	64.4	2,924	4,992
WORCESTER SMSA							
WORCESTER CC	188	171,566	-8.1	9.9	74.4	2,678	6,117

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
<b>MICHIGAN</b>							
ANN ARBOR SMSA	45	103,542	53.8	10.5	28.1	1,541	1,541
ANN ARBOR CC							
BATTLE CREEK SMSA	258	43,338	-1.9	15.7	68.9	778	1,368
BATTLE CREEK CC							
BAY CITY SMSA	203	47,215	-11.9	10.5	72.7	794	1,850
BAY CITY CC							
<b>DETROIT SMSA</b>							
DETROIT CC	266	1,335,085	-20.1	14.7	61.8	29,704	64,509
CLINTON TWP SC	2	60,697	136.3	10.2	1.9	632	632
DEARBORN SC	58	98,986	-11.6	5.5	39.5	1,181	2,792
DEARBORN HEIGHTS SC	6*	79,239	..	3.3	7.1	935	935
FARMINGTON HILLS SC	7	54,124	686.6	17.0	12.4	492	492
LIVONIA SC	26	49,514	-8.2	5.3	19.0	705	979
LIVONIA CC	2	114,881	72.2	2.1	6.5	1,082	1,082
PONTIAC SC	153	76,027	-7.5	12.8	47.2	1,704	2,349
REDFORD TWP SC	6	67,298	-5.6	2.9	7.7	797	929
ROSEVILLE SC	12	58,141	15.8	4.9	11.7	861	861
ROYAL OAK SC	21	79,191	-1.8	3.8	22.9	864	1,259
SOUTHFIELD SC	2	75,978	141.2	3.2	5.6	606	606
ST CLAIR SHORES SC	7	85,934	12.1	3.2	9.7	1,048	1,048
STERLING HEIGHTS SC	3*	86,932	..	2.8	3.9	687	687
TAYLOR SC	11*	76,626	..	4.9	9.1	1,010	1,010
WARREN SC	4	172,755	93.6	3.2	8.9	2,023	2,023
WATERFORD TWP SC	17	59,888	27.1	4.7	19.1	720	720
WESTLAND SC	5*	92,689	..	3.6	5.3	1,119	1,119
OAKLAND UC	16	450,674	23.4	4.1	19.9	5,014	5,014
WAYNE UC	39	342,822	-12.8	4.4	32.8	4,936	4,936
<b>FLINT SMSA</b>							
FLINT CC	146	174,218	-11.5	12.1	45.6	3,546	5,870
GENESEE UC	19	252,637	56.3	5.1	23.8	3,024	3,024

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
GRAND RAPIDS SMSA							
GRAND RAPIDS CC	166	187,946	6.0	12.1	62.0	3,220	4,805
WYOMING SC	30	57,918	26.4	5.9	26.7	160	760
JACKSON SMSA							
JACKSON CC	273	43,994	-13.3	12.5	80.8	787	1,918
KALAMAZOO-PORTAGE SMSA							
KALAMAZOO CC	180	79,542	-3.1	12.9	57.7	1,426	2,366
PORTAGE CC	10*	38,641	...	3.4	11.5	360	360
LANSING-EAST LANSING SMSA							
EAST LANSING CC	29	50,425	67.0	10.7	18.8	701	701
LANSING CC	92	126,805	17.6	9.9	46.5	2,055	2,127
MUSKEGON-NORTON SHORES-MUSKEGON HEIGHTS SMSA							
MUSKEGON CC	204	44,176	-5.0	12.3	67.2	809	1,484
MUSKEGON HEIGHTS CC	334	15,745	-19.5	19.2	59.8	441	745
NORTON SHORES CC	19*	21,294	...	5.0	15.4	276	276
SAGINAW SMSA							
SAGINAW CC	234	86,202	-12.3	13.7	64.1	1,802	3,334
MINNESOTA							
DULUTH-SUPERIOR SMSA							
DULUTH CC	221	93,971	-12.1	11.4	72.6	1,608	3,830
FARGO-MOORHEAD SMSA							
MOORHEAD CC	50	22,755	-.8	9.6	21.9	452	452
MINNEAPOLIS-ST PAUL SMSA							
MINNEAPOLIS CC	234	378,112	-21.7	11.5	68.1	6,849	19,859
ST PAUL CC	151	279,535	-10.8	9.2	62.4	4,567	10,290
BLOOMINGTON SC	2	79,210	56.9	2.7	3.8	814	814
HENNEPIN UC	7	363,053	48.1	3.4	12.6	3,554	3,554
ROCHESTER SMSA							
ROCHESTER CC	50	56,211	38.2	7.9	37.3	731	731

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
ST CLOUD SMSA							
ST CLOUD CC	94	40,621	20.1	9.9	48.4	699	699
MISSISSIPPI							
BILOXI-GULFPORT SMSA							
BILOXI CC	91	46,407	5.3	15.7	26.0	1,022	1,022
GULFPORT CC	68	43,126	42.8	17.8	23.0	963	963
MOSS POINT CC	18	18,298	175.9	17.2	12.0	506	506
PASCAGOULA CC	27	30,403	77.2	12.9	15.3	557	557
JACKSON SMSA							
JACKSON CC	109	166,512	15.3	23.7	22.5	4,635	4,635
MISSOURI							
COLUMBIA SMSA							
COLUMBIA CC	44	63,227	72.5	12.6	25.2	1,015	1,015
KANSAS CITY SMSA							
KANSAS CITY CC	151	472,529	-6	12.5	51.3	9,063	13,582
INDEPENDENCE SC	23	111,481	78.9	6.1	28.4	1,341	1,341
ST JOSEPH SMSA							
ST JOSEPH CC	235	77,679	-2.5	13.7	71.4	1,499	2,550
ST LOUIS SMSA							
ST LOUIS CC	487	524,964	-30.0	19.7	73.9	16,761	36,380
FLORISSANT SC	1	70,465	84.6	3.0	2.2	780	780
ST LOUIS UC	17	766,147	33.8	4.4	22.0	9,100	9,100
SPRINGFIELD SMSA							
SPRINGFIELD CC	96	131,557	37.2	14.0	40.2	2,299	2,299
MONTANA							
BILLINGS SMSA							
BILLINGS CC	70	68,987	30.5	11.6	33.7	1,069	1,069

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
GREAT FALLS SMSA GREAT FALLS CC	89	60,868	10.2	10.4	40.0	1,027	1,027
NEBRASKA							
LINCOLN SMSA LINCOLN CC	72	163,112	26.9	8.8	44.2	2,085	2,265
OMAHA SMSA OMAHA CC	91	371,455	23.2	10.4	46.1	5,914	5,914
NEVADA							
LAS VEGAS SMSA LAS VEGAS CC	4	146,030	126.7	9.3	3.8	2,154	2,154
RENO SMSA RENO CC	33	78,097	51.7	8.9	23.7	1,095	1,095
NEW HAMPSHIRE							
MANCHESTER-NASHUA SMSA MANCHESTER CC NASHUA CC	169 48	83,417 61,002	-5.5 56.0	10.1 6.4	67.6 49.1	1,400 752	2,774 807
NEW JERSEY							
ATLANTIC CITY SMSA ATLANTIC CITY CC	460	43,969	-26.2	22.0	66.0	1,232	2,882
JERSEY CITY SMSA JERSEY CITY CC BAYONNE SC UNION CITY SC HUDSON UC	282 155 70 117	243,756 73,574 52,648 156,779	-11.7 -.9 .9 -.3	13.5 9.0 3.7 6.6	78.9 73.0 81.3 75.5	5,530 1,131 1,254 2,439	10,645 2,196 1,929 4,325
LONG BRANCH-ASBURY PARK SMSA ASBURY PARK CC LONG BRANCH CC	407 131	13,841 31,007	-20.3 18.0	23.1 13.1	60.0 50.3	456 610	805 617

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
MIDDLETOWN TWP SC	33	58,535	47.5	4.3	47.5	579	598
MONMOUTH UC	31	364,552	54.8	7.0	29.1	4,330	4,330
NEW BRUNSWICK-PERTH AMBOY-SAYREVILLE SMSA							
NEW BRUNSWICK CC	150	47,420	18.1	12.4	61.1	812	823
PERTH AMBOY CC	203	35,963	-5.4	12.2	67.2	728	1,255
SAYREVILLE CC	9	33,329	47.8	2.6	19.9	311	311
EDISON TWP SC	6	66,274	47.9	2.7	12.1	603	603
ELIZABETH SC	179	104,405	-3.1	11.4	64.9	2,119	3,386
WOODBIDGE TWP SC	14	95,798	21.5	3.2	21.5	922	922
MIDDLESEX UC	20	273,531	49.9	4.8	26.6	2,965	2,965
NEWARK SMSA							
NEWARK CC	422	339,568	-16.2	22.1	68.4	11,247	16,785
BLOOMFIELD SC	74	52,162	.6	5.0	63.3	547	1,292
EAST ORANGE SC	186	73,420	-5.0	11.1	67.8	1,250	2,583
IRVINGTON SC	138	58,196	-2.0	8.8	65.3	837	1,853
PARS-TH TWP SC**	5	50,104	96.0	2.6	13.0	422	422
UNION TWP SC	34	51,113	-7.9	4.3	40.9	466	906
ESSEX UC	151	174,942	8.9	12.9	54.4	1,808	2,763
MORRIS UC	21	312,744	45.5	3.6	34.9	2,838	2,838
UNION UC	133	294,430	-7	12.8	33.4	2,863	4,314
PATERSON-CLIFTON-PASSAIC SMSA							
CLIFTON CC	45	79,467	-3.2	4.2	44.0	782	1,782
PASSAIC CC	284	49,900	-7.5	14.8	75.7	1,184	2,066
PATERSON CC	284	136,098	-5.3	16.3	70.5	3,423	5,049
BERGEN UC	4	797,063	12.8	3.7	4.0	7,723	12,854
PHILADELPHIA SMSA							
CAMDEN SC	447	89,214	-23.9	20.8	70.0	2,577	5,139
CHERRY HILL TWP SC	5	68,794	8.9	2.7	8.2	488	488
BURLINGTON UC	22	247,404	54.0	5.0	28.7	2,756	2,756
TRENTON SMSA							
TRENTON CC	348	101,365	-11.2	16.3	81.0	2,250	4,378
HAMILTON TWP SC	27	83,126	27.8	4.8	30.4	854	854

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
VINELAND-MILVILLE-BRIDGETON SMSA							
BRIDGETON CC	226	20,545	-1.8	14.1	67.1	400	633
MILLVILLE CC	97	25,119	31.5	10.4	52.0	343	382
VINELAND CC	65	53,637	42.3	9.8	40.3	791	791
NEW MEXICO							
ALBUQUERQUE SMSA							
ALBUQUERQUE CC	30	279,401	38.9	13.9	12.6	4,978	4,978
NEW YORK							
ALBANY-SCHENECTADY-TROY SMSA							
ALBANY CC	272	110,311	-15.0	13.2	74.7	1,990	5,081
SCHENECTADY CC	207	74,995	-8.2	10.0	81.3	1,097	3,052
TROY CC	287	60,312	-10.6	13.5	81.0	1,107	2,538
BINGHAMTON SMSA							
BINGHAMTON CC	284	60,666	-20.1	11.9	81.3	1,023	3,138
BUFFALO SMSA							
BUFFALO CC	388	407,160	-23.6	14.8	85.7	8,432	24,293
NIAGARA FALLS SC	199	80,773	-21.1	10.9	61.5	1,406	3,657
WEST SENECA TOWN SC	13	54,154	61.0	3.7	24.5	547	547
ERIE UC	30	591,793	26.0	5.0	32.2	6,441	6,441
ELMIRA SMSA							
ELMIRA CC	399	37,320	-19.8	15.6	87.6	757	1,999
MASSAU-SUFFOLK SMSA							
MASSAU UC	23	114,021	7.9	3.8	27.0	1,566	2,161
SUFFOLK UC	14	931,535	88.0	6.0	18.7	9,878	9,878
NEW YORK CITY SMSA							
NEW YORK CITY CC	222	7,481,613	-3.9	14.7	62.1	174,170	255,919
MT VERNON SC	174	67,687	-10.9	9.3	71.1	1,233	2,630
NEW ROCHELLE SC	105	71,841	-6.5	7.5	56.0	1,045	2,086
YONKERS SC	86	192,509	1.0	7.2	51.4	2,816	4,524
ROCKLAND UC	16	193,734	83.6	4.4	27.8	1,997	1,997
WESTCHESTER UC	58	234,309	17.6	6.1	47.8	2,619	3,869
WHITE PLAINS SC	89	48,327	-4.3	6.6	53.5	2,657	1,348



Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION <sup>(2)</sup>	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
POUGHKEEPSIE SMSA	287	31,608	-17.5	12.8	79.0	558	1,531
POUGHKEEPSIE CC							
ROCHESTER SMSA	266	267,173	-16.1	12.0	79.5	4,935	12,843
ROCHESTER CC	8	76,401	57.0	2.8	19.0	629	629
GREECE TOWN SC	20	60,164	8.7	2.7	32.9	487	667
IRONDEQUOIT TOWN SC	23	271,674	86.2	6.9	25.5	2,282	2,282
MONROE UC							
SYRACUSE SMSA	265	182,543	-15.5	13.5	70.8	3,414	8,314
SYRACUSE CC	27	289,380	40.2	5.2	30.2	3,126	3,126
ONONDAGA UC							
UTICA-ROME SMSA:	110	49,014	-5.1	8.2	54.3	701	1,272
ROME CC	297	82,443	-17.9	13.2	79.0	1,547	4,148
UTICA CC							
NORTH CAROLINA							
ASHEVILLE SMSA	177	59,591	-1.0	18.0	51.0	1,339	1,743
ASHEVILLE CC							
BURLINGTON SMSA	60	37,586	13.2	9.6	30.1	616	616
BURLINGTON CC							
CHARLOTTE-GASTONIA SMSA	48	281,417	39.6	14.8	19.3	5,235	5,235
CHARLOTTE CC	79	49,343	32.4	13.6	32.5	997	997
GASTONIA CC							
FAYETTEVILLE SMSA	118	65,915	39.9	19.4	18.9	1,613	1,613
FAYETTEVILLE CC							
GREENSBORO-WINSTON SALEM-HIGH POINT SMSA	75	155,848	30.3	23.6	20.7	2,551	2,551
GREENSBORO CC	44	61,330	-1.2	11.7	33.1	1,288	1,364
HIGH POINT CC	107	141,018	26.9	13.6	28.5	3,029	3,029
WINSTON-SALEM CC							

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
RALEIGH-DURHAM SMSA							
DURHAM CC	91	101,224	29.3	17.3	33.6	2,356	2,356
RALEIGH CC	52	134,231	42.9	12.8	24.8	2,251	2,251
WILMINGTON SMSA							
WILMINGTON CC	191	53,818	22.3	25.2	39.5	1,360	1,360
NORTH DAKOTA							
FARGO-MOORHEAD SMSA							
FARGO CC	81	56,058	20.1	8.6	48.2	790	826
OHIO							
AKRON SMSA							
AKRON CC	179	251,747	-13.3	11.6	57.0	4,453	9,646
SUMMIT UC	27	214,969	26.9	5.2	27.4	2,749	4,058
CANTON SMSA							
CANTON CC	211	101,852	-10.4	12.2	66.2	1,873	3,953
STARK UC	34	219,009	20.9	4.6	37.6	2,558	2,558
CINCINNATI SMSA							
CINCINNATI CC	289	412,564	-17.9	17.1	59.3	10,536	19,577
HAMILTON UC	22	418,196	34.9	4.5	28.2	4,860	4,860
CLEVELAND SMSA							
CLEVELAND CC	400	638,793	-27.1	17.0	73.3	16,020	39,490
CLEVELAND HEIGHTS SC	113	51,141	-17.3	5.5	72.7	533	2,273
EUCLID SC	17	63,307	.5	4.1	17.3	685	2,879
LAKWOOD SC	82	65,395	-1.1	5.4	64.1	701	2,132
PARMA SC	10	98,883	19.4	3.6	13.2	968	968
CUYAHOGA UC	14	412,199	35.6	3.6	21.6	3,847	3,847
COLUMBUS SMSA							
COLUMBUS CC	106	535,610	13.6	13.2	39.0	9,834	9,834
FRANKLIN UC	15	321,797	52.4	5.0	18.8	3,239	3,239
DAYTON SMSA							
DAYTON CC	213	205,986	-21.5	13.7	52.1	4,595	9,784

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
KETTERING SC	5	69,949	28.4	3.1	7.1	611	611
MONTGOMERY UC	14	310,179	48.2	4.4	19.0	3,218	3,218
HAMILTON-MIDDLETOWN SMSA							
HAMILTON CC	154	66,469	-8.1	11.1	54.2	1,222	2,085
MIDDLETOWN CC	100	48,004	14.0	10.8	44.9	1,825	825
LIMA SMSA							
LIMA CC	205	51,372	.7	12.0	73.4	964	1,493
LORAIN-ELYRIA SMSA							
ELYRIA CC	58	52,474	19.9	7.1	41.2	734	734
LORAIN CC	81	84,907	23.2	10.0	42.3	1,376	1,376
MANSFIELD SMSA							
MANSFIELD CC	117	56,916	20.3	11.4	52.8	949	1,040
PARKERSBURG-MARIETTA SMSA							
MARIETTA CC	254	16,174	-4.0	14.2	73.3	296	576
SPRINGFIELD SMSA							
SPRINGFIELD CC	196	77,317	-6.5	12.5	62.6	1,443	2,628
STEUBENVILLE-WEIRTON SMSA							
STEUBENVILLE CC	246	28,280	-13.0	14.8	61.8	579	1,164
TOLEDO SMSA							
TOLEDO CC	123	367,650	15.6	10.7	56.8	6,028	7,280
YOUNGSTOWN-WARREN SMSA							
WARREN CC	105	60,486	1.4	9.6	47.1	974	1,363
YOUNGSTOWN CC	275	132,203	-20.7	13.8	67.4	2,612	6,284
OKLAHOMA							
LAWTON SMSA							
LAWTON CC	51	76,421	23.9	17.4	15.4	1,679	1,679



Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
OKLAHOMA CITY SMSA							
OKLAHOMA CITY CC	84	365,916	12.8	13.9	29.1	7,110	7,110
MIDWEST CITY SC	6	50,105	39.0	9.2	3.7	779	779
NORMAN SC	37	59,948	79.4	13.1	21.3	909	909
TULSA SMSA							
TULSA CC	57	331,726	26.8	11.9	25.9	5,545	5,545
OREGON							
EUGENE-SPRINGFIELD SMSA							
EUGENE CC	36	92,451	81.4	12.4	22.3	1,343	1,343
SPRINGFIELD CC	19	33,432	70.4	9.8	13.5	465	465
PORTLAND SMSA							
PORTLAND CC	176	356,732	-4.3	12.6	57.2	6,173	12,016
SALEM SMSA							
SALEM CC	54	78,168	59.1	10.6	34.5	1,063	1,063
PENNSYLVANIA							
ALLENTOWN-BETHLEHEM-EASTON SMSA							
ALLENTOWN CC	146	106,624	-1.6	9.2	66.5	1,469	3,214
BETHLEHEM CC	114	73,827	-2.1	8.6	55.5	967	1,877
EASTON CC	329	29,263	-8.4	15.3	84.2	560	1,234
ALTOONA SMSA							
ALTOONA CC	211	59,692	-14.0	9.2	84.0	1,088	2,765
ERIE SMSA							
ERIE CC	186	127,895	-7.6	11.0	66.8	2,082	4,284
HARRISBURG SMSA							
HARRISBURG CC	478	58,274	-26.9	20.3	73.6	1,500	3,900
JOHNSTOWN SMSA							
JOHNSTOWN CC	398	40,044	-25.8	14.9	84.7	829	2,404

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
<b>LANCASTER SMSA</b>							
LANCASTER CC	295	56,669	-7.2	14.8	79.1	1,059	2,254
LANCASTER UC	66	286,128	31.7	7.6	48.8	3,421	3,756
<b>NORTHEAST (SCRANTON) SMSA</b>							
HAZLETON CC	213	29,610	-7.6	10.2	82.2	443	1,152
SCRANTON CC	269	95,884	-14.0	11.4	86.6	1,617	4,473
WILKES-BARRE CC	308	57,040	-10.2	13.1	90.0	1,010	2,519
LUZERNE UC	194	214,003	3.0	11.1	76.9	3,270	5,114
<b>PHILADELPHIA SMSA</b>							
PHILADELPHIA CC	271	1,815,808	-9.3	15.1	69.5	37,987	72,020
ABINGTON TWP SC	32	60,032	7.5	4.6	31.3	601	709
BRISTOL TWP SC	2	66,184	435.3	4.8	9.4	902	902
CHESTER SC	407	48,529	39.0	19.8	41.3	1,344	2,725
HAVERTOWN TWP SC	31	55,385	2.5	3.0	43.9	1,451	880
LOWER MERION TWP SC	62	60,099	1.1	5.6	47.5	583	1,254
UPPER DARBY TWP SC	52	91,521	-1.8	4.3	50.3	928	2,097
BUCKS UC	21	354,288	49.4	5.2	24.9	3,729	3,729
CHESTER UC	49	278,649	-23.8	7.0	66.9	3,300	3,300
DELAWARE UC	48	382,827	-19.1	4.6	35.7	4,013	4,013
MONTGOMERY UC	33	389,173	-5.5	3.7	37.1	3,637	3,637
<b>PITTSBURGH SMSA</b>							
PITTSBURGH CC	344	458,651	-24.1	15.0	74.4	10,117	26,282
PENN HILLS TWP SC	18	62,605	21.5	4.6	20.1	651	651
ALLEGHENY UC	121	897,303	2.5	6.2	85.0	10,629	13,280
BEAVER UC	84	180,240	1.4	7.4	49.2	2,626	3,010
WASHINGTON UC	157	179,359	-1.2	10.7	61.8	2,966	4,125
WESTMORELAND UC	83	333,627	7.8	7.4	51.6	4,563	4,687
<b>READING SMSA</b>							
READING CC	304	81,592	-16.9	12.4	86.9	1,374	4,255
BERKS UC	74	220,357	-7.6	5.6	51.6	2,343	2,984
<b>WILLIAMSPORT SMSA</b>							
WILLIAMSPORT CC	360	35,915	-14.4	14.9	88.4	705	1,737
<b>YORK SMSA</b>							
YORK CC	309	48,587	-10.9	14.5	81.2	919	2,176
YORK UC	118	224,826	29.0	14.5	44.7	2,579	2,893

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
RHODE ISLAND							
PROVIDENCE-WARWICK-PAWTUCKET SMSA							
PAWTUCKET CC	209	72,024	-11.1	11.5	68.9	1,284	2,871
PROVIDENCE CC	416	167,724	-19.2	17.8	80.7	3,826	9,160
WARWICK CC	36	85,875	26.2	5.6	34.2	1,015	1,015
CHANSTON CITY SC	56	74,381	11.4	5.5	48.4	817	1,017
SOUTH CAROLINA							
CHARLESTON-NORTH CHARLESTON SMSA							
CHARLESTON CC	314	57,470	-12.8	26.3	44.4	2,028	2,512
NORTH CHARLESTON SC	188*	59,544	...	14.3	54.3	1,091	1,091
COLUMBIA SMSA	111	111,616	14.6	17.8	30.3	2,485	2,485
COLUMBIA CC							
GREENVILLE-SPARTANBURG SMSA							
GREENVILLE CC	188	58,518	-11.6	19.9	35.6	1,532	2,013
SPARTANBURG CC	187	46,929	5.8	21.6	39.1	1,200	1,200
SOUTH DAKOTA							
SIoux FALLS SMSA							
SIoux FALLS CC	86	73,925	12.9	9.3	44.3	1,105	1,105
TENNESSEE							
CHATTANOOGA SMSA							
CHATTANOOGA CC	162	161,978	24.6	24.5	48.3	4,013	4,013
CLARKSVILLE-HOPKINSVILLE SMSA							
CLARKSVILLE CC	43	51,910	135.7	21.9	19.5	987	987
JOHNSON CITY-KINGSPOrt-BRISTOL SMSA							
BRISTOL CC	113	27,016	53.7	15.9	46.7	501	501
JOHNSON CITY CC	154	39,325	26.1	19.3	43.0	935	935

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
KINGSPORT CC	91	33,024	25.5	15.3	31.6	622	622
KNOXVILLE SMSA							
KNOXVILLE CC	96	183,383	64.0	18.2	37.0	3,965	3,965
MEMPHIS SMSA							
MEMPHIS CC	86	661,319	32.9	20.4	23.0	17,335	17,335
NASHVILLE SMSA							
NASHVILLE CC	31	423,426	147.8	13.1	24.8	8,294	8,294
TEXAS							
ABILENE SMSA							
ABILENE CC	67	96,459	6.7	13.9	21.9	1,783	1,783
AMARILLO SMSA							
AMARILLO CC	53	138,743	.6	11.8	19.3	2,309	2,309
AUSTIN SMSA							
AUSTIN CC	40	301,147	61.4	15.9	17.0	5,666	5,666
BEAUMONT-PORT ARTHUR-ORANGE SMSA							
BEAUMONT CC	133	113,696	-4.6	17.3	31.2	2,678	2,999
ORANGE CC	97	25,782	.7	17.1	24.4	635	635
PORT ARTHUR CC	219	53,557	-19.7	19.2	39.2	1,457	2,290
BROWNSVILLE-HARLINGEN-SAN BENITO SMSA							
BROWNSVILLE CC	145	72,157	50.2	45.4	20.5	3,009	3,009
HARLINGEN CC	126	40,423	-1.9	40.2	13.1	1,584	1,584
SAN BENITO CC	418	17,436	6.2	52.1	36.4	1,886	1,886
BRYAN-COLLEGE STATION SMSA							
BRYAN CC	71	37,160	34.9	20.9	19.4	904	904
COLLEGE STATION CC	16	26,577	133.2	13.4	11.9	339	339
CORPUS CHRISTI SMSA							
CORPUS CHRISTI CC	41	214,838	28.1	19.0	11.7	5,517	5,517

## Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
DALLAS SMSA							
DALLAS CC	48	812,797	19.6	13.3	18.1	16,821	16,821
FORT WORTH CC	83	358,364	.6	13.3	26.7	7,821	7,821
ARLINGTON SC	2	110,543	146.9	5.3	3.6	1,105	1,105
GARLAND SC	1	111,322	189.1	4.0	2.9	1,056	1,056
GRAND PRAIRIE SC	6	56,842	87.1	7.8	5.4	857	857
IRVING SC	2	103,703	125.5	5.4	3.4	1,254	1,254
MESQUITE SC	2	61,933	125.0	4.5	2.6	705	705
RICHARDSON SC	2	59,190	252.1	18.3	1.3	403	403
TARRANT UC	11	245,253	89.2	5.9	14.9	2,946	2,946
EL PASO SMSA							
EL PASO CC	78	385,691	39.4	20.4	22.7	9,703	9,703
GALVESTON-TEXAS CITY SMSA							
GALVESTON CC	251	60,125	-10.5	20.5	46.8	1,630	2,239
TEXAS CITY CC	24	40,939	27.7	10.9	11.8	714	714
HOUSTON SMSA							
HOUSTON CC	40	1,326,809	41.4	13.9	17.3	26,282	26,282
PASADENA SC	4	94,670	61.2	6.0	4.4	1,225	1,225
HARRIS UC	10	437,142	112.4	9.2	9.7	5,983	5,983
KILLEEN-TEMPLE SMSA							
KILLEEN CC	10	49,307	110.9	16.8	4.9	887	887
TEMPLE CC	92	39,518	29.9	17.1	29.9	788	788
LAREDO SMSA							
LAREDO CC	270	76,998	26.9	44.6	32.8	3,693	3,693
LONGVIEW SMSA							
LONGVIEW CC	50	52,034	29.9	13.6	20.2	946	946
LUBBOCK SMSA							
LUBBOCK CC	116	163,525	27.1	40.1	11.3	3,453	3,453
MCALLEN-PHARR-EDINBURG SMSA							
EDINBURG CC	34	20,514	9.7	16.2	13.5	858	858
MCALLEN CC	147	48,563	48.4	40.2	23.2	1,788	1,788



Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
PHARR CC	142	19,589	38.9	51.9	16.2	958	958
MIDLAND SMSA MIDLAND CC	17	62,950	.5	12.4	5.8	1,113	1,113
ODESSA SMSA ODESSA CC	12	84,476	5.2	12.6	4.0	1,613	1,613
SAN ANGELO SMSA SAN ANGELO CC	107	66,099	12.4	18.6	27.6	1,558	1,558
SAN ANTONIO SMSA SAN ANTONIO CC	99	773,248	31.6	21.5	25.8	20,622	20,622
SHERMAN-DENISON SMSA DENISON CC	156	22,413	-1.5	14.9	43.9	513	646
SHERMAN CC	84	26,049	4.2	10.1	36.9	443	535
TEXARKANA SMSA TEXARKANA CC	145	33,813	11.9	19.1	36.1	769	769
TYLER SMSA TYLER CC	70	61,434	19.9	13.1	27.3	1,150	1,150
WACO SMSA WACO CC	146	97,607	-.2	20.7	30.0	2,357	2,357
WICHITA FALLS SMSA WICHITA FALLS CC	99	95,008	-6.6	13.2	29.7	1,769	2,392
UTAH							
PROVO-OREM SMSA OREM CC	13	35,584	93.5	11.4	9.2	524	524
PROVO CC	85	55,593	54.2	18.3	30.3	1,245	1,245
SALT LAKE CITY-OGDEN SMSA OGDEN CC	133	68,978	-1.7	12.3	45.3	1,319	1,734
SALT LAKE CITY CC	188	169,917	-10.3	13.8	52.1	3,352	6,036

## Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
SALT LAKE UC	15	342,213	76.8	7.5	14.8	4,665	4,665
VIRGINIA							
LYNCHBURG SMSA	160	63,066	15.1	14.2	55.4	1,157	1,157
LYNCHBURG CC							
NEWPORT NEWS-HAMPTON SMSA	33	125,013	40.1	10.6	18.1	1,974	1,974
HAMPTON CC	51	138,760	22.1	13.8	19.2	2,623	2,623
NEWPORT NEWS CC							
NORFOLK-VIRGINIA BEACH-PORTSMOUTH SMSA							
NORFOLK CC	132	286,694	-6.0	17.3	30.5	6,678	7,651
PORTSMOUTH CC	133	108,674	-5.3	18.6	28.8	2,655	2,868
VIRGINIA BEACH CC	1	213,954	2544.3	9.6	6.9	2,664	2,664
CHESAPEAKE SC	57*	104,459	...	13.6	17.1	1,816	1,815
PETERSBURG-COLONIAL HEIGHTS-HOPEWELL SMSA							
COLONIAL HEIGHTS CC	16	17,472	82.2	5.5	21.3	171	171
HOPEWELL CC	63	23,580	31.8	10.6	33.4	388	388
PETERSBURG CC	241	45,245	19.9	22.6	54.6	1,151	1,151
RICHMOND SMSA							
RICHMOND CC	173	232,652	5.8	17.4	44.8	5,535	5,668
ROANOKE SMSA							
ROANOKE CC	159	100,585	3.6	14.6	50.2	1,899	2,378
WASHINGTON SMSA							
ALEXANDRIA SC	31	105,220	15.6	8.3	18.3	1,555	1,555
FAIRFAX UC	3	493,206	86.5	4.1	4.8	4,333	4,333
WASHINGTON							
RICHLAND-KENNEWICK SMSA	18	19,015	33.5	9.3	10.7	260	260
KENNEWICK CC	1	29,543	25.5	5.8	.8	309	309
RICHLAND CC							

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
SEATTLE-EVERETT SMSA							
EVERETT CC	96	48,371	20.0	11.1	44.3	839	933
SEATTLE CC	128	487,091	-12.6	10.0	47.6	7,533	17,949
BELLEVUE SC	1	65,365	410.3	3.2	3.4	502	502
KING UC	11	590,082	61.6	5.3	14.2	6,400	6,400
SNOHOMISH UC	18	204,169	63.6	6.6	18.4	2,563	2,563
SPOKANE SMSA							
SPOKANE CC	177	173,698	-4.4	13.5	53.6	3,013	5,284
TACOMA SMSA							
TACOMA CC	138	151,267	2.2	12.4	48.5	2,600	3,792
PIERCE UC	24	263,738	52.3	7.4	20.6	3,402	3,402
YAKIMA SMSA							
YAKIMA CC	172	49,264	13.8	16.9	49.3	968	995
WEST VIRGINIA							
CHARLESTON SMSA							
CHARLESTON CC	299	67,348	-21.5	17.2	58.3	1,492	3,359
HUNTINGTON-ASHLAND SMSA							
HUNTINGTON CC	354	68,811	-17.7	18.5	67.2	1,597	3,411
PARKERSBURG-MARIETTA SMSA							
PARKERSBURG CC	206	38,882	-13.2	13.1	58.3	780	1,600
STUBENVILLE-WEIRTON SMSA							
WEIRTON CC	141	25,935	-8.0	7.2	76.6	361	638
WHEELING SMSA							
WHEELING CC	154	44,369	-16.9	15.3	35.6	933	2,215
WISCONSIN							
APPLETON-OSHKOSH SMSA							
APPLETON CC	53	59,182	22.2	5.9	46.5	728	736
OSHKOSH CC	130	50,107	11.1	9.3	66.0	735	1,048

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
DULUTH-SUPERIOR SMSA SUPERIOR CC	266	30,038	-10.5	13.2	77.1	548	1,242
EAU CLAIRE SMSA EAU CLAIRE CC	34	47,852	26.0	9.9	18.3	689	797
GREEN BAY SMSA GREEN BAY CC	56	91,189	45.0	7.6	44.9	1,340	1,340
KENOSHA SMSA KENOSHA CC	84	80,727	18.9	7.8	54.7	1,212	1,272
LA CROSSE SMSA LA CROSSE CC	176	49,082	3.2	12.0	64.7	840	1,318
MADISON SMSA MADISON CC	67	168,196	32.7	11.0	34.4	2,827	2,827
MILWAUKEE SMSA MILWAUKEE CC	161	665,796	-10.2	11.2	55.0	12,241	22,969
WAUKATOSA SC	41	56,514	-7	4.1	42.1	525	1,092
WEST ALLIS SC	45	69,084	1.4	4.3	44.5	785	1,339
RACINE SMSA RACINE CC	110	94,744	6.3	8.9	55.9	1,470	1,949

Appendix II. (continued)

RECIPIENT	URBAN CONDITIONS INDEX (1)	1975 POPULATION (2)	PERCENT POPULATION CHANGE 1960-75 (3)	PERCENT POVERTY 1970 (4)	PERCENT PRE-1940 HOUSING 1970 (5)	GRANT UNDER ORIGINAL FORMULA (\$ 000) (6)	GRANT UNDER NEW FORMULA (\$ 000) (7)
PUERTO RICO							
CAGUAS SMSA	216	107,268	64.8	84.7	17.9	5,802	5,802
CAGUAS CC							
MAYAGUEZ SMSA	500	99,616	18.8	76.7	33.1	5,437	5,437
MAYAGUEZ CC							
PONCE SMSA	366	188,167	29.2	77.7	26.0	10,480	10,480
PONCE CC							
SAN JUAN SMSA	179	517,747	14.6	48.3	18.1	23,309	23,309
SAN JUAN CC	21	205,580	184.4	46.1	5.3	7,688	7,688
BAYAMON SC	13	162,444	297.0	44.3	4.8	4,943	4,943
CAROLINA SC	85	77,012	93.9	53.5	13.1	3,310	3,310
GUAYNABO SC							

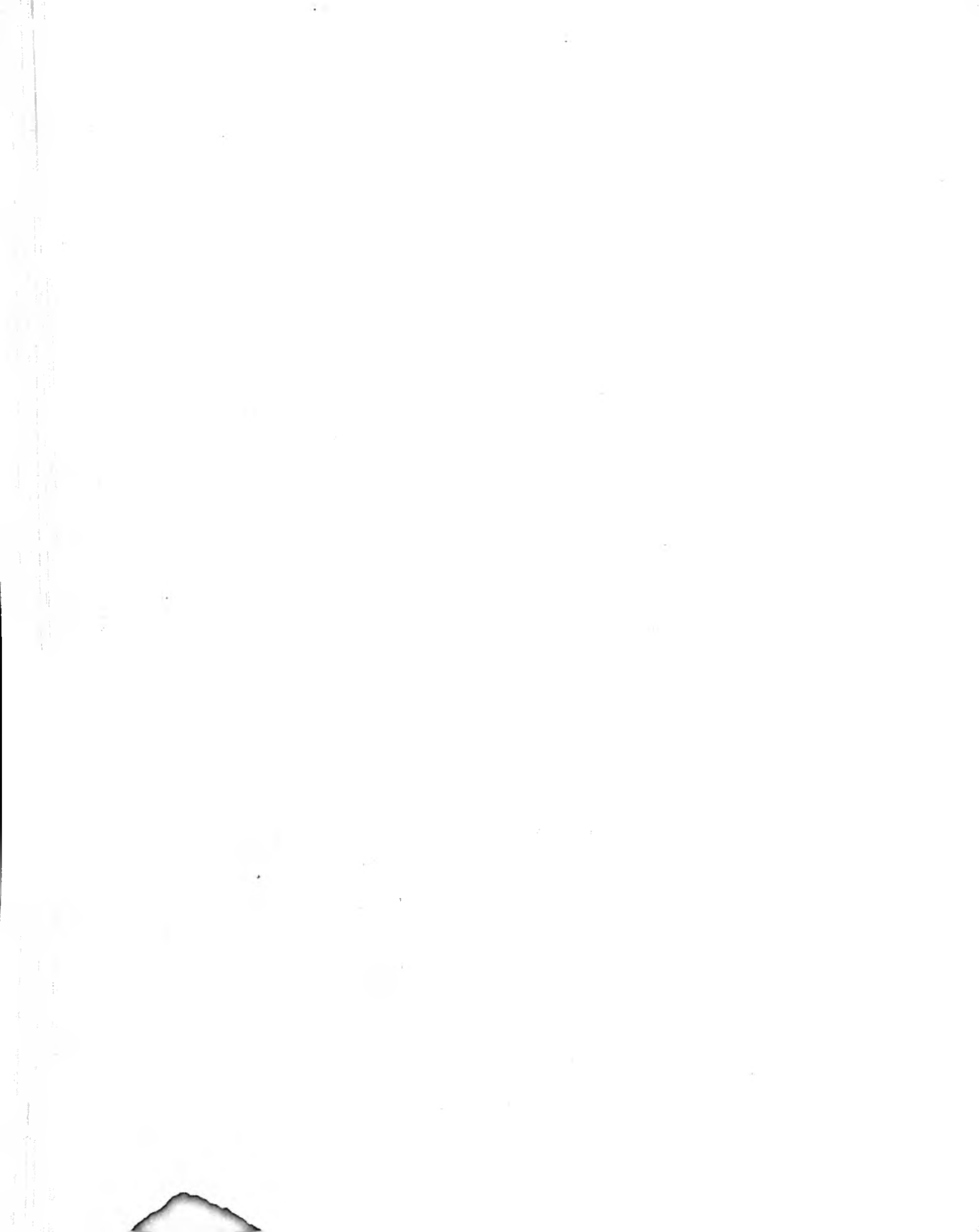
\*FOR CERTAIN RECENTLY INCORPORATED JURISDICTIONS, 1960 POPULATION FIGURES WERE NOT AVAILABLE. HENCE POPULATION CHANGE FROM 1960 TO 1975 COULD NOT BE COMPUTED, AND THE CONDITIONS INDEX NUMBERS FOR THESE CITIES WERE COMPUTED ON THE BASIS OF POVERTY AND PRE-1940 HOUSING LEVELS ONLY. IF 1960 POPULATION FIGURES WERE AVAILABLE, INDEX NUMBERS FOR MOST OF THESE CITIES WOULD BE LOWER.

\*\*PARSIPPANY-TROY HILLS TOWNSHIP



APPENDIX III

THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1977





APPENDIX III

Public Law 95-128  
95th Congress, October 12, 1977

An Act

To amend certain Federal laws pertaining to community development, housing,  
and related programs.

Oct. 12, 1977  
[H.R. 6655]

*Be it enacted by the Senate and House of Representatives of the  
United States of America in Congress assembled,*

SECTION 1. This Act may be cited as the "Housing and Community  
Development Act of 1977".

Housing and  
Community  
Development Act  
of 1977.  
42 USC 5301  
note.

TITLE I—COMMUNITY DEVELOPMENT

OBJECTIVES AND PURPOSES OF COMMUNITY DEVELOPMENT ACTIVITIES

Sec. 101. (a) Section 101(c) of the Housing and Community Devel-  
opment Act of 1974 is amended—

42 USC 5301.

- (1) by striking out "and" at the end of paragraph (6);
- (2) by striking out the period at the end of paragraph (7) and  
inserting in lieu thereof "; and"; and
- (3) by adding the following new paragraph after paragraph  
(7):

"(8) the alleviation of physical and economic distress through  
the stimulation of private investment and community revitaliza-  
tion in areas with population outmigration or a stagnating or  
declining tax base."

(b) Section 101(d)(4) of such Act is amended by inserting the  
following before the period at the end thereof: "by Federal agencies  
and programs, as well as by communities".

DEFINITIONS

Sec. 102. (a) Section 102(a) of the Housing and Community Devel-  
opment Act of 1974 is amended—

42 USC 5302.

(1) by striking out "the Trust Territory of the Pacific Islands;  
and Indian tribes, bands, groups, and nations, including Alaska  
Indians, Aleuts, and Eskimos, of the United States" in paragraph  
(1) and inserting in lieu thereof "and the Trust Territory of the  
Pacific Islands";

(2) by inserting before the period at the end of paragraph (4)  
the following: "; except that any city which has been classified as  
a metropolitan city under clause (B) of this paragraph shall  
continue to be so classified until the decennial census indicates that  
the population of such city is less than fifty thousand";

(3) by inserting the following before the period at the end of  
paragraph (5): "which have not entered into cooperation agree-  
ments with such town or township to undertake or to assist in  
the undertaking of essential community development and housing  
assistance activities";

(4) by inserting in paragraph (6) "either" before "(B)" and  
by inserting before the period at the end thereof the following:  
"or (C) has a population in excess of one hundred thousand, a

population density of at least five thousand persons per square mile, and contains within its boundaries no incorporated places as defined by the United States Bureau of Census”;

(5) by redesignating paragraphs (10), (11), (12), and (13) as paragraphs (17), (18), (19), and (20), respectively; and

(6) by inserting after paragraph (9) the following new paragraphs:

“(10) The term ‘age of housing’ means the number of existing housing units constructed in 1939 or earlier based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

“(11) The term ‘extent of growth lag’ means the number of persons who would have been residents in a metropolitan city or urban county, in excess of the current population of such metropolitan city or urban county, if such metropolitan city or urban county had had a population growth rate between 1960 and the date of the most recent population count referable to the same point or period in time equal to the population growth rate for such period of all metropolitan cities.

“(12) The term ‘housing stock’ means the number of existing housing units based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

“(13) The term ‘adjustment factor’ means the ratio between the age of housing in the metropolitan city or urban county and the predicted age of housing in such city or county.

“(14) The term ‘predicted age of housing’ means the arithmetic product of the housing stock in the metropolitan city or urban county multiplied times the ratio between the age of housing in all metropolitan areas and the housing stock in all metropolitan areas.

“(15) The term ‘adjusted age of housing’ means the arithmetic product of the age of housing in the metropolitan city or urban county multiplied times the adjustment factor.

“(16) The term ‘Indian tribe’ means any Indian tribe, band, group, and nation, including Alaska Indians, Aleuts, and Eskimos, and any Alaskan Native Village, of the United States, which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act (Public Law 93-638) or under the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512).”

(b) Section 102 of such Act is amended by adding the following new subsection at the end thereof:

“(d) An urban county designated under subsection (a) (6) (B) (i) of this section shall notify, prior to a date set by the Secretary for each year, all incorporated units of general local government the populations of which are included in the population of such urban county for purposes of this section of their opportunity to exclude their population from such urban county. Any unit of general local government which has not elected to have its population so excluded shall have its population included within the population of such urban county for purposes of this section until it, on its own initiative, elects to exclude its population by notifying the urban county on or before a date set by the Secretary.”

25 USC 450 note.

31 USC 1221

note.  
Local  
governments,  
exclusion from  
urban county  
population.  
Notice.

*Anse*, p. 1111.

## AUTHORIZATIONS

SEC. 103. (a) The first sentence of section 103(a)(1) of the Housing and Community Development Act of 1974 is amended by inserting "and Indian tribes" after "units of general local government". 42 USC 5303.

(b) Section 103(a)(1) of such Act is amended by striking out everything after the first sentence and inserting in lieu thereof the following: "There are authorized to be appropriated for these purposes not to exceed \$3,500,000,000 for the fiscal year 1978, not to exceed \$3,650,000,000 for the fiscal year 1979, and not to exceed \$3,800,000,000 for the fiscal year 1980. Any amount authorized for any fiscal year under this section but not appropriated for such year may be appropriated for any succeeding fiscal year."

(c) Section 103(a)(2) of such Act is amended to read as follows:

"(2) Of the amounts approved in appropriations Acts pursuant to paragraph (1), \$50,000,000 for each of the fiscal years 1975 and 1976, \$200,000,000 for the fiscal year 1977 (not more than 50 per centum of which amount may be used under section 106(d)(1)), \$350,000,000 for the fiscal year 1978 (of which not more than \$175,000,000 may be used under such section), \$265,000,000 for the fiscal year 1979 (of which not more than \$25,000,000 may be used under such section), and \$250,000,000 for the fiscal year 1980 (none of which may be used under such section) shall be added to the amount available for allocation under section 106(d) and shall not be subject to the provisions of section 107." Post, p. 1117.

(d) Section 103(b) of such Act is amended—

(1) by striking out "for the fiscal year 1977," and inserting in lieu thereof "for each of the fiscal years 1977, 1978, 1979, and 1980.":

(2) by striking out "to units of general local government having urgent community development needs which cannot be met" and inserting in lieu thereof "for the financial settlement and, to the extent feasible, the completion of projects and programs assisted under the categorical programs terminated in section 116(a), primarily urban renewal projects assisted under the Housing Act of 1949, to units of general local government which require supplemental assistance which cannot be provided"; and

(3) by adding at the end thereof the following new sentence: "No funds shall be made available under this subsection (1) for fiscal year 1978 unless the amount appropriated under subsection (a) for fiscal year 1978 is at least \$3,500,000,000; (2) for fiscal year 1979 unless the amount appropriated under subsection (a) for fiscal year 1979 is at least \$3,650,000,000; or (3) for fiscal year 1980 unless the amount appropriated under subsection (a) for fiscal year 1980 is at least \$3,800,000,000." 42 USC 5316.  
42 USC 1441  
note.

(e) Section 103 of such Act is amended by redesignating subsections (c) and (d) as subsections (d) and (e), respectively, and by adding the following new subsection after subsection (b): 42 USC 5303.

"(c) There is authorized to be appropriated a sum not in excess of \$400,000,000 for supplemental grant assistance under section 119 for each of the fiscal years 1978, 1979, and 1980, except that no funds shall be made available for such purpose (1) for fiscal year 1978 unless the amount appropriated under subsections (a) and (b) for fiscal year 1978 is at least \$3,600,000,000; (2) for fiscal year 1979 unless the amount appropriated under subsections (a) and (b) for fiscal year 1979 is at least \$3,750,000,000; or (3) for fiscal year 1980 unless the amount appropriated under subsections (a) and (b) for fiscal year 1980 is at least \$3,900,000,000." Post, p. 1125.

## APPLICATION REQUIREMENTS

42 USC 5304. Sec. 104. (a) Section 104 (a) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting "and housing" in paragraph (1) after "which identifies community development";

(2) by inserting after "needs" in paragraph (2) (B) the following: "including activities designed to revitalize neighborhoods for the benefit of low- and moderate-income persons,";

(3) by striking out "and" at the end of paragraph (3) (A); by striking out the semicolon at the end of paragraph (3) (B) and inserting in lieu thereof "and in a manner to insure fully opportunity for participation by, and benefits to, the handicapped; and"; and by inserting the following new subparagraph after paragraph (3) (B):

"(C) improve conditions for low- and moderate-income persons residing in or expected to reside in the community and foster neighborhood development in order to induce higher-income persons to remain in, or return to, the community;"

(4) by striking out paragraph (4) and inserting in lieu thereof the following:

"(4) submits a housing assistance plan which—

"(A) accurately surveys the condition of the housing stock in the community and assesses the housing assistance needs of lower-income persons (including elderly and handicapped persons, large families, and persons displaced or to be displaced) residing in or expected to reside in the community and identifies housing stock which is in a deteriorated condition,

"(B) specifies a realistic annual goal for the number of dwelling units or lower-income persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units, (ii) the sizes and types of housing projects and assistance best suited to the needs of lower-income persons in the community, and (iii) in the case of subsidized rehabilitation, adequate provisions to assure that a preponderance of persons assisted should be of low- and moderate-income, and

"(C) indicates the general locations of proposed housing for lower-income persons, with the objective of (i) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible, and the reclamation of the housing stock where feasible through the use of a broad range of techniques for housing restoration by local government, the private sector, or community organizations, including provision of a reasonable opportunity for tenants displaced as a result of such activities to relocate in their immediate neighborhood, (ii) promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons, and (iii) assuring the availability of public facilities and services adequate to serve proposed housing projects;" and

(5) by striking out paragraph (6) and inserting in lieu thereof the following:

Housing  
assistance  
plan.

"(6) provides satisfactory assurances that, prior to submission of its application, it has (A) prepared and followed a written citizen participation plan which provides citizens an opportunity to participate in the development of the application, encourages the submission of views and proposals, particularly by residents of blighted neighborhoods and citizens of low- and moderate-income, provides for timely responses to the proposals submitted, and schedules hearings at times and locations which permit broad participation; (B) provided citizens with adequate information concerning the amount of funds available for proposed community development activities and housing activities, the range of activities that may be undertaken, and other important requirements; (C) held public hearings to obtain the views of citizens on community development and housing needs; and (D) provided citizens with an opportunity to submit comments concerning the community development performance of the applicant; but nothing in this paragraph shall be construed to restrict the responsibility and authority of the applicant for the development of the application and the execution of its community development program."

Citizen  
participation  
plan.

(b) Section 104(b) (2) of such Act is amended—

*Ante*, p. 1114.

(1) by striking out "low- or moderate-income" in the first sentence and inserting in lieu thereof "low- and moderate-income"; and

(2) by striking out all after "urgency" in the second sentence and inserting in lieu thereof "because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available."

(c) Section 104(b) (3) of such Act is amended—

(1) by striking out clauses (B) and (C) and inserting in lieu thereof "(B) the application does not involve a comprehensive community development program, as determined by the Secretary, and"; and

(2) by redesignating clause (D) as clause (C).

(d) Section 104(c) (3) of such Act is amended by inserting after "the requirements of this title" the following: "with specific regard to the primary purposes of principally benefiting persons of low- and moderate-income or aiding in the prevention or elimination of slums or blight or meeting other community development needs having a particular urgency."

(e) Section 104(d) of such Act is amended—

(1) by inserting after the first sentence the following: "The performance report shall include any citizen comments submitted pursuant to subsection (a) (6) (D) and the Secretary shall consider such comments, together with the views of other citizens and such other information as may be available, in carrying out the provisions of this subsection."; and

(2) by adding at the end thereof the following: "With respect to grants made pursuant to sections 106(d) (2) and 106(f) (1) (B), the Secretary may adjust, reduce, or withdraw grant funds, or take other action as appropriate in accordance with such reviews and audits, except that funds already expended on eligible activities under this title shall not be recaptured or deducted from future grants made to the recipient."

Grants.  
*Post*, p. 1117.

(f) Section 104(e) of such Act is amended by adding the following new sentence at the end thereof: "In addition, the Secretary may provide an opportunity for the State, in which a grant is to be made to

42 USC 5306. a unit of general local government under section 106(d)(2) or 106(f)(1)(B), to participate in the selection process for funding such grants. Such participation may include, as determined practicable by the Secretary, the incorporation of State growth and resource coordination policies in funding decisions on such grants, or such other arrangements, excluding administration of the grants referred to in the preceding sentence, as the Secretary deems appropriate."

*Ante*, p. 1114. (g) Section 104 of such Act is amended by adding the following new subsection at the end thereof:

"(i)(1) The Secretary shall, in making funds available to the recipients of grants under this title, permit any such recipient to receive funds, in one payment, in an amount not to exceed the total amount designated in the recipient's application, and approved by the Secretary pursuant to this section, for use by the recipient for establishing a revolving loan fund which is to be established in a private financial institution and which is to be used to finance rehabilitation activities that are part of the recipient's community development program. The Secretary may, as a condition of making such payment, require that the revolving loan fund be utilized for the making of loans to finance rehabilitation activities in a manner consistent with this title. Rehabilitation activities authorized under this section shall begin within forty-five days after the Secretary has made such payment.

Payments,  
standards.

"(2) The Secretary shall establish standards for such cash payments which will insure that the deposits result in appropriate benefits in support of the recipient's rehabilitation program. These standards shall be designed to assure that the benefits to be derived from the local program include, at a minimum, one or more of the following elements, or such other criteria as determined by the Secretary—

"(A) leverage of community development block grant funds so that participating financial institutions commit private funds for loans in the rehabilitation program in amounts substantially in excess of deposit of community development funds;

"(B) commitment of private funds for rehabilitation loans at below-market interest rates or with repayment periods lengthened or at higher risk than would normally be taken;

"(C) provision of administrative services in support of the rehabilitation program by the participating lending institutions; and

"(D) interest earned on such cash deposits shall be used in a manner which supports the community rehabilitation program.

Agreements,  
review and  
approval.

At the time of application, the Secretary shall review and approve all agreements with lending institutions which receive funds for community rehabilitation programs. Such approval shall be made on a case-by-case basis, and upon a determination by the Secretary that the agreement with the lending institution meets minimum benefit standards as listed in this paragraph."

#### ELIGIBLE ACTIVITIES

42 USC 5305. SEC. 105. (a) Section 105(a) of the Housing and Community Development Act of 1974 is amended by inserting the following after "under this title" the first time it appears therein: "shall consist of activities which assist in carrying out a comprehensive strategy for meeting the community development and housing needs and priorities identified pursuant to section 104, giving primary attention to activities benefiting low- and moderate-income persons and neighborhoods, aiding in the prevention or elimination of slums or blight, or meeting

other community development needs having a particular urgency. These activities”.

(b) The parenthetical expression in section 105(a)(4) of such Act is amended to read as follows: “(including interim assistance, and financing public or private acquisition for rehabilitation, and rehabilitation, of privately owned properties)” *Ante*, p. 1116.

(c) Section 105(a)(8) of such Act is amended by striking out “economic development”, and by inserting before the semicolon at the end thereof the following: “, and if such services have not been provided by the unit of general local government (through funds raised by such unit, or received by such unit from the State in which it is located) during any part of the twelve-month period immediately preceding the date of application submission for funds which are to be made available under this title, and which are to be utilized for such services, unless the Secretary finds that the discontinuation of such services was the result of events not within the control of the applicant”.

(d) Section 105(a) of such Act is amended—

(1) by striking out “and” at the end of paragraph (12);

(2) by striking out the period at the end of paragraph (13) and inserting in lieu thereof “; and”; and

(3) by adding at the end thereof the following new paragraphs:

“(14) activities which are carried out by public or private nonprofit entities when such activities are necessary or appropriate to meeting the needs and objectives of the community development plan described in section 104(a)(1), including (A) acquisition of real property; (B) acquisition, construction, reconstruction, rehabilitation, or installation of (i) public facilities, site improvements, and utilities, and (ii) commercial or industrial buildings or structures and other commercial or industrial real property improvements; and (C) planning; and *Ante*, p. 1114.

“(15) grants to neighborhood-based nonprofit organizations, local development corporations, or entities organized under section 301(d) of the Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development project in furtherance of the objectives of section 101(c).” *15 USC 681. Ante*, p. 1111.

#### ALLOCATION AND DISTRIBUTION OF FUNDS

Sec. 106. (a) Section 106(a) of the Housing and Community Development Act of 1974 is amended by striking out “(2) or (3)” in the second sentence and inserting in lieu thereof “(1) or (2)”. *42 USC 5306.*

(b) Section 106(b) of such Act is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following: *Metropolitan city.*

“(b)(1) The Secretary shall determine the amount to be allocated to each metropolitan city which shall be the greater of an amount that bears the same ratio to the allocation for all metropolitan areas as either—

“(A) the average of the ratios between— *Ratios, average.*

“(i) the population of that city and the population of all metropolitan areas;

“(ii) the extent of poverty in that city and the extent of poverty in all metropolitan areas; and

“(iii) the extent of housing overcrowding in that city and the extent of housing overcrowding in all metropolitan areas;

or

“(B) the average of the ratios between—

"(i) the extent of growth lag in that city and the extent of growth lag in all metropolitan cities;

"(ii) the extent of poverty in that city and the extent of poverty in all metropolitan areas; and

"(iii) the age of housing in that city and the age of housing in all metropolitan areas.

Urban county. " (2) The Secretary shall determine the amount to be allocated to each urban county, which shall be the greater of an amount that bears the same ratio to the allocation for all metropolitan areas as either—

Ratios, average. " (A) the average of the ratios between—

"(i) the population of that urban county and the population of all metropolitan areas;

"(ii) the extent of poverty in that urban county and the extent of poverty in all metropolitan areas; and

"(iii) the extent of housing overcrowding in that urban county and the extent of housing overcrowding in all metropolitan areas; or

"(B) the average of the ratios between—

"(i) the extent of growth lag in that urban county and the extent of growth lag in all metropolitan cities and urban counties;

"(ii) the extent of poverty in that urban county and the extent of poverty in all metropolitan areas; and

"(iii) the age of housing in that urban county and the age of housing in all metropolitan areas.

"(3) In determining the average of ratios under paragraphs (1) (A) and (2) (A), the ratio involving the extent of poverty shall be counted twice, and each of the other ratios shall be counted once; and in determining the average of ratios under paragraphs (1) (B) and (2) (B), the ratio involving the extent of growth lag shall be counted once, the ratio involving the extent of poverty shall be counted one and one-half times, and the ratio involving the age of housing shall be counted two and one-half times."

*Ante*, p. 1117.

(c) Section 106(b) (5) of such Act is amended—

(1) by striking out "(5)" and inserting in lieu thereof "(4)"; and

(2) by striking out "receive" and inserting in lieu thereof "are entitled to".

(d) Section 106(c) of such Act is amended—

(1) by striking out "During the first three years for which funds are approved for distribution to a metropolitan city or urban county under this section" in the first sentence and inserting in lieu thereof "With respect to funds approved for distribution to a metropolitan city or urban county under this section during fiscal years 1975, 1976, and 1977"; and

(2) by inserting "only for such funds approved for distribution in fiscal years 1975, 1976, and 1977" after "adjusted" in the first sentence.

(e) Section 106(d) of such Act is amended to read as follows:

"(d) (1) Any portion of the amount allocated to metropolitan areas under the first sentence of subsection (a) which remains after the allocation of grants to metropolitan cities and urban counties in accordance with subsection (b) and any amounts added in accordance with the provisions of section 103(a) (2) shall be allocated by the Secretary, first, for grants to metropolitan cities, urban counties, and other units of general local government within metropolitan areas to meet their hold-harmless needs as determined under subsections (g) and (h), and, second, in accordance with the provisions of paragraph (2).



"(2) Any portion of such amounts which remains after applying the provisions of paragraph (1) shall be utilized by the Secretary for grants to units of general local government within metropolitan areas (other than metropolitan cities and urban counties), and States for use within metropolitan areas, allocating for the metropolitan areas of each State the greater of an amount that bears the same ratio to the allocation for such areas of all States available under this paragraph as either—

"(A) the average of the ratios between—

Ratios, average.

"(i) the population of the metropolitan areas in that State and the population of the metropolitan areas of all States;

"(ii) the extent of poverty in the metropolitan areas in that State and the extent of poverty in the metropolitan areas of all States; and

"(iii) the extent of housing overcrowding in the metropolitan areas in that State and the extent of housing overcrowding in the metropolitan areas of all States; or

"(B) the average of the ratios between—

"(i) the age of housing in the metropolitan areas in that State and the age of housing in the metropolitan areas of all States;

"(ii) the extent of poverty in the metropolitan areas in that State and the extent of poverty in the metropolitan areas of all States; and

"(iii) the population of the metropolitan areas in that State and the population of the metropolitan areas of all States.

In determining the average of the ratios under subparagraph (A), the ratio involving the extent of poverty shall be counted twice and each of the other ratios shall be counted once; and in determining the average of the ratios under subparagraph (B), the ratio involving the age of housing shall be counted two and one-half times, the ratio involving the extent of poverty shall be counted one and one-half times, and the ratio involving population shall be counted once. The Secretary shall, in order to compensate for the discrepancy between the total of the amounts to be allocated under this paragraph and the total of the amounts available under such paragraph, make a pro rata reduction of each amount allocated to the metropolitan areas in each State under such paragraph so that the metropolitan areas in each State will receive an amount which represents the same percentage of the total amount available under such paragraph as the percentage which the metropolitan areas of the same State would have received under such paragraph if the total amount available under that paragraph had equaled the total amount which was allocated under that paragraph.

Pro rata  
reduction.

"(3) If the Secretary approves a grant under paragraph (2) to a unit of general local government which has a comprehensive community development program with provision for lower-income housing, the Secretary may make a multiyear commitment, up to three years, to any such unit of general local government for specified grant amounts, subject to the availability of appropriations. In determining whether to make such a commitment to a unit of general local government, the Secretary shall give special consideration to those communities presently carrying out comprehensive community development programs, which are subject to the provisions of subsection (h)(2), before making new commitments. In making grants under paragraph (2), the Secretary shall establish for each participating unit of general local government an annual grant at an amount meaningful to the size of

Multiyear  
commitment.

Annual grant.

- the unit and the program identified, and shall consider such factors as the unit's engaging in economic redevelopment activities, past performance of the unit in community development activities, prior and present funding levels under this title, the function of the unit as a regional center of economic development and activity, impact on the unit's growth of national policy or direct Federal program decisions, the potential for having increased employment within such unit as a result of community development activity, the physical and economic deterioration within the unit, the age of housing stock and the extent of poverty within the unit, the extent to which the unit's activity or program of activities is necessary to alleviate a serious threat to health or safety, the capacity of the unit to carry out such programs, and any other factors deemed, by the Secretary, to be relevant to carrying out the purposes of this title. The Secretary shall make grants under paragraph (2) in such a manner as to insure that a reasonable proportion of grants is available to applicants which are not seeking funding for comprehensive community development programs. The Secretary may accept and approve commitments for annual grants based on comprehensive community development programs commencing in future fiscal years subject only to the availability of appropriations. In computing amounts under paragraph (2), there shall be excluded metropolitan cities, urban counties, Indian tribes, and units of general local government which are entitled to hold-harmless grants pursuant to subsection (h)."
- Limitation.**
- Ante*, p. 1117. (f) Section 106(e) of such Act is amended—
- (1) by striking out "during such program period" in the first sentence and inserting in lieu thereof "within a reasonable time"; and
- (2) by striking out "during the same period" in the first sentence.
- (g) Section 106(f) of such Act is amended—
- (1) by striking out paragraph (1) and inserting in lieu thereof the following:
- Ante*, p. 1113. "(f) (1) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with sections 103(a) (2) and 107), 20 per centum shall be allocated by the Secretary—
- "(A) first, for grants to units of general local government outside of metropolitan areas to meet their hold-harmless needs as determined under subsection (h); and
- "(B) second, any portion of such amount which remains after applying the provisions of subparagraph (A) shall be utilized by the Secretary for grants to units of general local government outside of metropolitan areas and States for use outside the metropolitan areas, allocating for the nonmetropolitan areas of each State the greater of an amount that bears the same ratio to the allocation for such areas of all States available under this subparagraph as either—
- Ratios, average.** "(i) the average of the ratios between—
- "(I) the population of the nonmetropolitan areas in that State and the population of the nonmetropolitan areas of all States;
- "(II) the extent of poverty in the nonmetropolitan areas in that State and the extent of poverty in the nonmetropolitan areas of all States; and
- "(III) the extent of housing overcrowding in the nonmetropolitan areas in that State and the extent of

housing overcrowding in the nonmetropolitan areas of all States; or

“(ii) the average of the ratios between—

“(I) the age of housing in the nonmetropolitan areas in that State and the age of housing in the nonmetropolitan areas of all States;

“(II) the extent of poverty in the nonmetropolitan areas in that State and the extent of poverty in the nonmetropolitan areas of all States; and

“(III) the population of the nonmetropolitan areas in that State and the population of the nonmetropolitan areas of all States.

In determining the average of the ratios under clause (i) of subparagraph (B) the ratio involving the extent of poverty shall be counted twice and each of the other ratios shall be counted once; and in determining the average of the ratios under clause (ii) of subparagraph (B), the ratio involving the age of housing shall be counted two and one-half times, the ratio involving the extent of poverty shall be counted one and one-half times, and the ratio involving population shall be counted once. The Secretary shall, in order to compensate for the discrepancy between the total of the amounts to be allocated under subparagraph (B) and the total of the amounts available under such subparagraph, make a pro rata reduction of each amount allocated to the nonmetropolitan areas in each State under such subparagraph so that the nonmetropolitan areas in each State will receive an amount which represents the same percentage of the total amount available under such subparagraph as the percentage which the nonmetropolitan areas of the same State would have received under such subparagraph if the total amount available under such subparagraph had equaled the total amount which was allocated under such subparagraph.

Pro rata  
reduction.

“(2) If the Secretary approves a grant under paragraph (1) (B) to a unit of general local government which has a comprehensive community development program with provision for lower-income housing, the Secretary may make a multiyear commitment, up to three years, to any such unit of general local government for specified grant amounts, subject to the availability of appropriations. In determining whether to make such a commitment to a unit of general local government, the Secretary shall give special consideration to those communities presently carrying out comprehensive community development programs, which are subject to the provisions of subsection (h) (2), before making new commitments. In making grants under paragraph (1) (B), the Secretary shall establish for each participating unit of general local government an annual grant at an amount meaningful to the size of the unit and the program identified, and shall consider such factors as the unit's engaging in economic redevelopment activities, past performance of the unit in community development activities, prior and present funding levels under this title, the function of the unit as a regional center of economic development and activity, impact on the unit's growth of national policy or direct Federal program decisions, the potential for having increased employment within such unit as a result of community development activity, the physical and economic deterioration within the unit, the age of housing stock and the extent of poverty within the unit, the extent to which the unit's activity or program activities is necessary to alleviate a serious threat to health or safety, the capacity of the unit to carry out such programs, and any other factors deemed, by the Secretary,

Multiyear  
commitment.

Annual grant.

- to be relevant to carrying out the purposes of this title. The Secretary shall make grants under paragraph (1) (B) in such a manner as to insure that a reasonable proportion of grants is available to applicants which are not seeking funding for comprehensive community development programs. The Secretary may accept and approve commitments for annual grants based on comprehensive community development programs commencing in future fiscal years subject only to the availability of appropriations. In computing amounts under paragraph (1) (B), three shall be excluded units of general local government which are entitled to hold-harmless grants pursuant to subsection (h) and Indian tribes.”;
- (2) by redesignating paragraph (2) as paragraph (3);
- (3) by striking out “during such period” in paragraph (3), as redesignated, and inserting in lieu thereof “within a reasonable time”; and
- (4) by striking “during the same period” in such paragraph.
- Ante*, p. 1117.
- (h) Section 106(g) (2) of such Act is amended—
- (1) by striking out “(b) (2) or (3)” and inserting in lieu thereof “(b) (1) (A) or (B), or (2) (A) or (B)”;
- (2) by inserting “, as computed under subsection (b) (1) (A) or (B), or (2) (A) or (B),” immediately before “shall” in clauses (i) and (ii).
- (i) Section 106(i) of such Act is amended—
- (1) by striking out “population, poverty, and housing overcrowding”;
- (2) by striking out “receive” and inserting in lieu thereof “are entitled to”; and
- (3) by striking out “(b) (5)” and inserting in lieu thereof “(b) (4)”.
- (j) Section 106(j) of such Act is amended—
- (1) by striking out “not later than thirty days prior to the beginning of any program period” in the first sentence and inserting in lieu thereof “by such date as the Secretary shall determine”;
- (2) by inserting “for a hold-harmless grant for a single year” after “eligibility” in the first sentence; and
- (3) by striking out “(b) (5)” in the second sentence and inserting in lieu thereof “(b) (4)”.
- (k) Section 106(l) of such Act is amended to read as follows:
- “(1) Not later than September 30, 1978, the Secretary shall report to the Congress with respect to the adequacy, effectiveness, and equity of the formula used for allocation of funds under this title, with specific analysis and recommendation as to the feasibility of utilizing factors of impaction (such as adjusted age of housing and extent of poverty) as a measurement consideration, and the feasibility of utilizing a single formula based on the current factors or others, including regional or area differences in income and cost of living. As used in this subsection, the term ‘impaction’ means the intensity, measured in terms of absolute numbers and proportions of each needs factor.”
- (l) Section 106 of such Act is amended by adding the following new subsection at the end thereof:
- “(m) In the event that the total amount available for distribution under this section in fiscal year 1978 or fiscal year 1979 is insufficient to meet all basic grant and hold-harmless entitlement needs as provided pursuant to this section, and funds are not otherwise appropriated to meet such deficiency, the Secretary shall meet the deficiency through a pro rata reduction of (1) all basic grant and hold-harmless entitlement amounts, and (2) funds available under section 106(d) (2)
- Limitation.**
- Funds allocation formula, adequacy. Report to Congress.**
- “Impaction.”**
- Deficiency.**

(including amounts provided for use under section 103(a)(2)) and section 106(f)(1)(B)."

DISCRETIONARY FUND

SEC. 107. Section 107 of the Housing and Community Development Act of 1974 is amended—

42 USC 5307.

(1) by striking out "and 1977," in subsection (a) and inserting in lieu thereof "1977, 1978, 1979, and 1980,";

(2) by striking out "2 per centum" in subsection (a) and inserting in lieu thereof "3 per centum";

(3) by striking out "and units of general local government" in subsection (a)(5) and inserting in lieu thereof ", units of general local government, and Indian tribes";

(4) by striking out "and" at the end of subsection (a)(5), by striking out the period at the end of subsection (a)(6) and inserting in lieu thereof a semicolon, and by adding the following after subsection (a)(6);

"(7) to Indian tribes; and

"(8) to States, units of general local government, Indian tribes, or areawide planning organizations for the purpose of providing technical assistance in planning, developing, and administering assistance under this title. The Secretary may also provide such technical assistance under this paragraph directly or through contracts.";

Technical assistance.

(5) by striking out "one-fourth" in subsection (b) and inserting in lieu thereof "15 per centum"; and

(6) by adding the following new subsection at the end thereof:  
 "(d) No grant may be made to an Indian tribe unless the applicant provides satisfactory assurances that its program will be conducted and administered in conformity with title II of Public Law 90-284. The Secretary may waive, in connection with such grants, the provisions of section 109 and section 110."

Assurances.

25 USC 1301.

Waiver.

GUARANTEE OF LOANS FOR ACQUISITION OF PROPERTY

SEC. 108. Section 108 of the Housing and Community Development Act of 1974 is amended—

42 USC 5308.

(1) by striking out subsections (a) and (b);

(2) by redesignating subsections (c), (d), (e), (f), and (g) as subsections (f), (g), (h), (i), and (j), respectively;

42 USC 5308,  
31 USC 711.

(3) by inserting before subsection (f), as redesignated, the following:

42 USC 5308.

"(a) The Secretary is authorized, upon such terms and conditions as the Secretary may prescribe, to guarantee and make commitments to guarantee the notes or other obligations issued by units of general local government, or by public agencies designated by such units of general local government, for the purposes of financing acquisition of real property or the rehabilitation of real property owned by the unit of general local government (including such related expenses as the Secretary may permit by regulation). Notes or other obligations guaranteed pursuant to this section shall be in such form and denominations, have such maturities, and be subject to such conditions as may be prescribed by regulations issued by the Secretary.

"(b) No guarantee or commitment to guarantee shall be made with respect to any note or other obligation if the issuer's total outstanding notes or obligations guaranteed under this section would thereby

Prerequisites.

exceed an amount equal to three times the amount of the grant approval for the issuer pursuant to section 106.

“(c) Notwithstanding any other provision of this title, grants allocated to an issuer pursuant to this title (including program income derived therefrom) are authorized for use in the payment of principal and interest due (including such servicing, underwriting, or other costs as may be specified in regulations of the Secretary) on the notes or other obligations guaranteed pursuant to this section.

Securities.

“(d) To assure the repayment of notes or other obligations and charges incurred under this section and as a condition for receiving such guarantees, the Secretary shall require the issuer to—

Repayment contract.

“(1) enter into a contract, in a form acceptable to the Secretary, for repayment of notes or other obligations guaranteed hereunder;

“(2) pledge any grant approved or for which the issuer may become eligible under this title; and

“(3) furnish, at the discretion of the Secretary, such other security as may be deemed appropriate by the Secretary in making such guarantees, including increments in local tax receipts generated by the activities assisted under this title or dispositions proceeds from the sale of land or rehabilitated property.

“(e) The Secretary is authorized, notwithstanding any other provision of this title, to apply grants pledged pursuant to subsection (d) (2) to any repayments due the United States as a result of such guarantees.”;

(4) by striking out, in the first sentence of subsection (h), as redesignated, the following: “may, at the option of the issuing unit of general local government or designated agency,” and inserting in lieu thereof “shall”;

Grants.

(5) by striking out, in the second sentence of subsection (h), as redesignated, the following: “In the event that taxable obligations are issued and guaranteed, the Secretary is authorized to make, and to contract to make, grants” and inserting in lieu thereof “The Secretary is authorized to make, and to contract to make, grants, in such amounts as may be approved in appropriations Acts,”;

(6) by striking out “such unit or agency has elected to issue as a taxable obligation pursuant to subsection (e) of” in subsection (j), as redesignated, and inserting in lieu thereof “is guaranteed pursuant to”;

(7) by adding at the end thereof the following:

Outstanding obligations, limitation.

“(k) Notwithstanding any other provision of this section, the total amount of outstanding obligations guaranteed on a cumulative basis by the Secretary pursuant to subsection (a) shall not at any time exceed \$3,500,000,000 or such higher amount as may be authorized to be appropriated for sections 106 and 107 for any fiscal year.”.

#### REPORTING REQUIREMENTS

42 USC 5313.

SEC. 109. Section 113(a) of the Housing and Community Development Act of 1974 is amended—

(1) by striking out “and” at the end of paragraph (1).

(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof: “; and”;

(3) by adding the following new paragraph after paragraph (2):

“(3) with respect to the action grants authorized under section 119, a listing of each unit of general local government receiving

funds and the amount of such grants, as well as a brief summary of the projects funded for each such unit, the extent of financial participation by other public or private entities, and the impact on employment and economic activity of such projects during the previous fiscal year.”.

URBAN DEVELOPMENT ACTION GRANTS

SEC. 110. (a) Section 104(a) of the Housing and Community Development Act of 1974 is amended by inserting “or section 119” after “106”. 42 USC 5304.  
*Anie*, p. 1114.

(b) Title I of such Act is amended by adding the following new section at the end thereof:

“URBAN DEVELOPMENT ACTION GRANTS

“SEC. 119. (a) In order to promote the primary objective of this title of the development of viable urban communities, of the total amount of authority approved in appropriation Acts under section 103(c), the Secretary is authorized to make urban development action grants to severely distressed cities and urban counties to help alleviate physical and economic deterioration through reclamation of neighborhoods having excessive housing abandonment or deterioration, and through community revitalization in areas with population outmigration or a stagnating or declining tax base. Grants made under this section shall be for the support of severely distressed cities and urban counties that require increased public and private assistance in addition to the assistance otherwise made available under this title and other forms of Federal assistance. 42 USC 5318.

“(b) Urban development action grants shall be made only to cities and urban counties that have, in the determination of the Secretary, 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 members of minority groups. The Secretary shall issue regulations establishing criteria in accordance with the preceding sentence and setting forth minimum standards for determining the level of physical and economic distress of cities and urban counties for eligibility for such grants, which standards shall take into account factors such as the age and condition of housing stock, including residential abandonment; average income; population outmigration; and stagnating or declining tax base. Criteria and standards, regulations.

“(c) Applications for assistance under this section shall— Applications.

“(1) include documentation of eligibility for grants in accordance with the standards described in subsection (b);

“(2) describe a concentrated urban development action program setting forth a comprehensive action plan and strategy to alleviate physical and economic distress through systematic change, which program shall be consistent with the community development program described in section 104(a)(2) and the housing assistance plan described in section 104(a)(4), and, where it exists and is in effect, the overall economic development plan as provided for in section 202(b)(10) of the Public Works and Economic Development Act of 1965, but only in the event and after such time as such plans are required by law or administrative action to be consistent with community development programs. Such program shall be developed as to take advantage of *Supra; ante*, p. 1114. 42 USC 3142.

unique opportunities to attract private investment, stimulate investment in restoration of deteriorated or abandoned housing stock, or solve critical problems resulting from population out-migration or a stagnating or declining tax base;

"(3) include the activities to be undertaken in the urban development action program, together with the estimated costs and general locations of such activities;

"(4) indicate public and private resources which are expected to be made available toward achieving the action plan and strategy described in paragraph (2); and

Citizen  
participation  
plan.

"(5) provide satisfactory assurances that, prior to submission of its application, it has (A) prepared and followed a written citizen participation plan, which plan provides the opportunity for citizens to participate in the development of the application, with special attention to measures to encourage the statement of views and the submission of proposals by low- and moderate-income people and residents of blighted neighborhoods, and to scheduling hearings at times and locations which are convenient to all citizens, (B) provided citizens with adequate information concerning the amount of funds available for proposed activities under this section, the range of activities that may be undertaken, and other important program requirements, and (C) held public hearings to obtain the views of citizens on needs which may be dealt with under this section.

Public hearings.

*Ante*, p. 1114.  
*Ante*, p. 1117.

"(d) To the extent that the application requirements of section 104(a)(4) have been satisfied in connection with a grant made pursuant to section 106, such requirements shall be determined to have been met for purposes of this section.

Selection  
criteria.

"(e) In establishing criteria for the purpose of making grants under this section the Secretary shall establish selection criteria which must include (1) as the primary criterion, the comparative degree of physical and economic distress among applicants, as measured (in the case of a metropolitan city or urban county) by the differences in the extent of growth lag, the extent of poverty, and the adjusted age of housing in the metropolitan city or urban county; (2) other factors determined to be relevant by the Secretary in assessing the comparative degree of physical and economic deterioration in cities and urban counties; and (3) at least the following other criteria: demonstrated performance of the city or urban county in housing and community development programs; impact of the proposed urban development action program on the special problems of low- and moderate-income persons and minorities; extent of financial participation by other public or by private entities; extent of assistance to be made available by the State; impact on the physical, fiscal, or economic deterioration of the city or urban county; extent to which the program describes activities representing a special or unique opportunity to meet local priority needs or the objectives of this title; and feasibility of accomplishing the program in a timely fashion within the grant amount available.

"(f) In addition to activities authorized under section 105(a), an urban development action program may also include such additional community development and neighborhood development and conservation activities as the Secretary may determine to be consistent with the purposes of this section.

Consultation  
and coordination.

"(g) No assistance shall be provided for business loans or industrial development under this section unless the Secretary shall first consult



with and coordinate such assistance with other Federal agencies which make available funds for similar activities.

“(h) The Secretary shall, at least on an annual basis, make reviews and audits of recipients of grants pursuant to this section as necessary to determine the progress made in carrying out activities substantially in accordance with approved plans and timetables. The Secretary may adjust, reduce, or withdraw grant funds, or take other action as appropriate in accordance with the findings of such review and audits, except that funds already expended on eligible activities under this title shall not be recaptured or deducted from future grants made to the recipient.”

Annual reviews  
and audits.

“(i) No assistance may be provided under this section for projects intended to facilitate the relocation of industrial or commercial plants or facilities from one area to another, unless the Secretary finds that such relocation does not significantly and adversely affect the unemployment or economic base of the area from which such industrial or commercial plant or facility is to be relocated.”

Relocation.

“(j) The Secretary shall allocate the amounts available for grants under this section in a manner which achieves a reasonable balance among programs that are designed primarily (1) to restore seriously deteriorated neighborhoods, (2) to reclaim for industrial purposes underutilized real property, and (3) to renew commercial employment centers.”

“(k) Not less than 25 per centum of the funds made available for grants under this section shall be used for cities under fifty thousand population which are not central cities of a standard metropolitan statistical area.”

#### REHABILITATION LOANS

SEC. 111. (a) Section 312(c)(4)(A) of the Housing Act of 1964 is amended—

42 USC 1452b.

(1) by striking out “the amount of a loan which could be insured by the Secretary of Housing and Urban Development under section 220(h) of the National Housing Act” and inserting in lieu thereof “\$27,000 per dwelling unit”; and

(2) by striking out “under such section”.

(b) Section 312(d) of such Act is amended by striking out “and not to exceed \$100,000,000 for the fiscal year beginning on October 1, 1976” and inserting in lieu thereof “not to exceed \$100,000,000 for the fiscal year beginning on October 1, 1976, and not to exceed \$60,000,000 for the fiscal year beginning on October 1, 1977”.

(c) Section 312(h) of such Act is amended by striking out “1977” each place it appears and inserting in lieu thereof “1979”.

#### COMPREHENSIVE PLANNING

SEC. 112. The second sentence of section 701(e) of the Housing Act of 1954 is amended by striking “and not to exceed \$100,000,000 for the fiscal year 1977” and inserting in lieu thereof “not to exceed \$100,000,000 for the fiscal year 1977, and not to exceed \$75,000,000 for the fiscal year 1978”.

40 USC 461.

#### STUDY ON SMALL CITIES

SEC. 113. The Secretary of Housing and Urban Development shall conduct a study and, not later than one year after the date of enact-

Report to  
President and  
Congress.  
42 USC 5313  
note.

Alternative  
formulae.

*Ante*, p. 1111.

42 USC 5301  
note.

ment of this Act, report to the President and to the Congress recommendations on the formation of a national policy on the developmental needs of small cities. In carrying out such study, the Secretary shall (1) take steps to improve the data available about small cities, (2) suggest means of reducing the duplication in government programs in jurisdictions which affect small cities, and (3) consider all of the relevant differences and similarities between small and large cities, particularly in the area of housing, growth, development patterns, infrastructure, education, energy needs, and social development. In addition, the Secretary shall include in the report alternative verifiable formulae to be used in the distribution of discretionary balance funds available for allocation to small cities under title I of the Housing and Community Development Act of 1974.

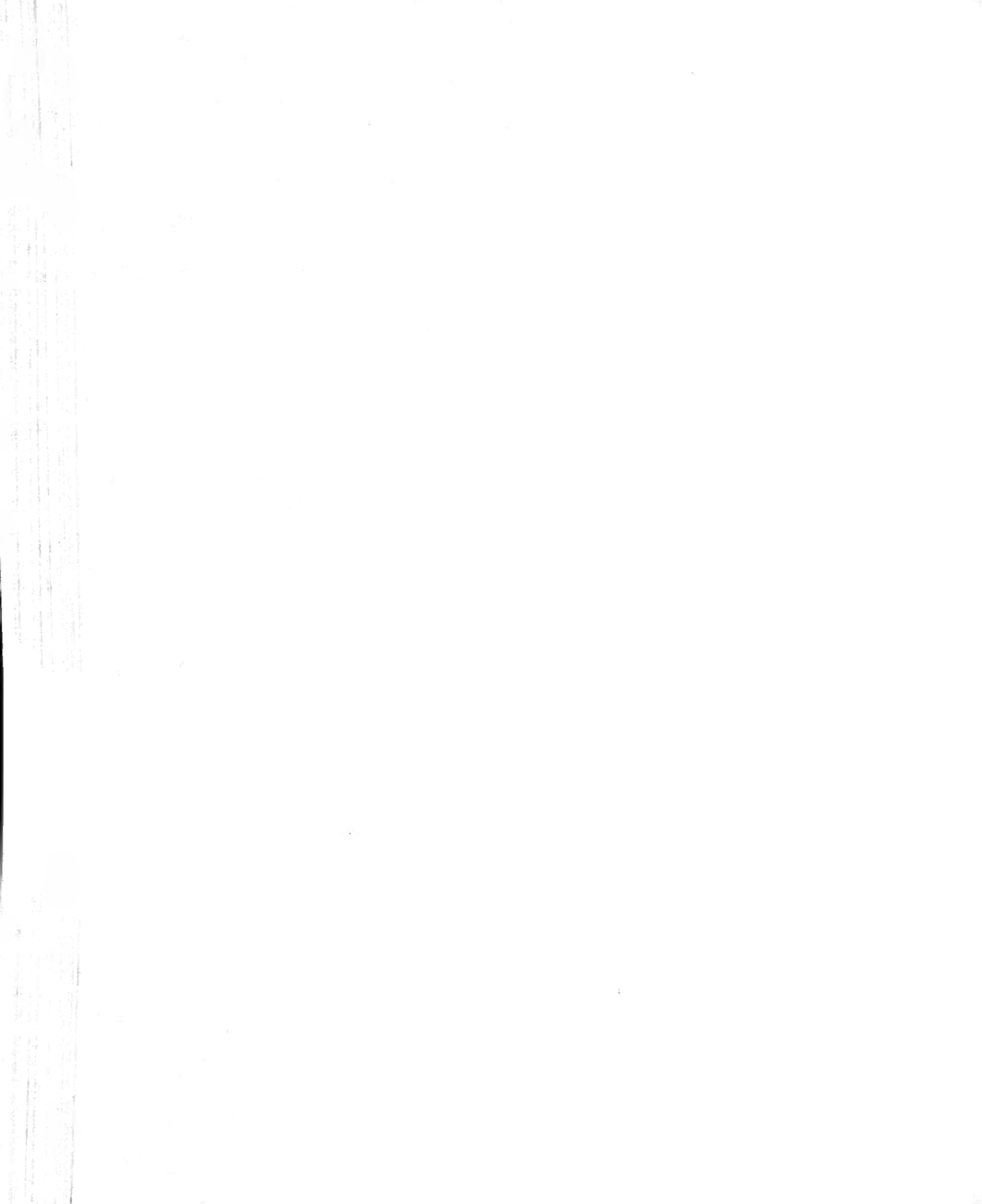
EFFECTIVE DATE

SEC. 114. The amendments made by this title shall become effective October 1, 1977.

APPENDIX IV

SELECTED LEGAL CASES AND COMPLAINTS

INVOLVING THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM



Appendix IV  
SELECTED LEGAL CASES AND COMPLAINTS  
INVOLVING THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

by

Richard LeGates  
Dennis Keating

Richard LeGates is director of the Urban Studies Program at San Francisco State University. J.D. Boalt Hall Law School, 1968; M.C.P. Department of City and Regional Planning, University of California at Berkeley, 1969.

Dennis Keating is a lecturer in the Urban Studies Program at San Francisco State University, in the New College of Law in San Francisco, and in the Field Studies Program, University of California at Berkeley. J.D. University of Pennsylvania, 1967.

Ed Weil, A law student at Boalt Hall Law School, assisted in preparation of the appendix.

As of October 1977, at least twenty lawsuits and ten major complaints involving the community development block grant (CDBG) program had been filed nationwide [1]. Each of the first three program years has seen an increase in the number of cases, but few have reached the more advanced stages of litigation. Among the twenty lawsuits, there is only one appellate decision involving the program (Hartford v. Hills). Four other federal district court decisions are reported (published in generally available legal reporters) and three federal district cases have proceeded to unreported decisions (written opinions are in the casefiles of the local courts, but not published in a legal reporter). All of these decisions rejected plaintiffs' claims. Twelve additional federal court suits had been settled or dismissed, or were pending [2].

There are a number of factors that may contribute to the relatively small number of decided opinions. The breadth of discretion given to local CDBG recipients may reduce the prospects for successful litigation in comparison to prospects under the categorical system. The lack of litigation successes may discourage additional attempts. Also CDBG programs remain largely in the planning phase; as

---

1. Most CDBG cases are unreported, HUD maintains no systematic docket of this litigation, many cases are of recent origin, and there are some definition problems at the fringe. Consequently the actual number of cases may be slightly more than twenty.

2. See the list at the end of the appendix.

implementation directly affects people, additional litigation can be anticipated. Finally, a number of lawsuits have been settled out of court, and, as indicated below, the number of currently pending cases greatly exceeds the number of reported decisions.

The cases have, nonetheless, had an impact upon the program. Telephone interviews with attorneys in the cases revealed instances in which CDBG programs were significantly altered as a result of court settlements. The interviews also indicated that legally unsuccessful cases frequently resulted in local programs being changed in the ways sought by plaintiffs; indeed some of the cases appear to have been mooted, dismissed, or decided against the plaintiff for this very reason. While difficult to measure, the symbolic effect of the major cases--Hartford and Davenport (discussed below)--has been considerable, and the cases have altered HUD and local behavior.

Plaintiffs in the vast majority of CDBG cases have been public interest groups: poverty-oriented groups, neighborhood organizations, civil rights groups, tenants' associations, environmental groups, a religious association, and a local chapter of the League of Women Voters.

In only one instance was the plaintiff a city (Hartford, Connecticut). Individuals have been plaintiffs in a few cases. A common pattern in the CDBG cases has been for several public interest groups to combine efforts and sue jointly or to form an umbrella organization for collective action and sue in its name. To assure

standing to sue, these umbrella organizations have usually included as a plaintiff an individual who is representative of the class allegedly injured.

Defendants in the CDBG litigation have often been a city and the Department of Housing and Urban Development (HUD) sued jointly--the city for proposing and HUD for approving an allegedly defective program. Cities have also been named defendants in some administrative complaints. Alternatively, responsible government officials (the mayor or community development director) acting in their official capacities have been named defendants. HUD is usually named, and sometimes complaints have been formally directed against responsible federal officials (the HUD secretary and/or the assistant secretary for community planning and development). Most common, for tactical reasons, have been lawsuits naming all responsible persons and government entities; this assures that a court order for appropriate relief can be enforced upon all decisionmakers.

Courts hearing CDBG cases have been federal district courts. Only one case reached a circuit court of appeals (Hartford).

Legal bases of the suits have been primarily the provisions of title I of the Housing and Community Development Act of 1974 and the housing assistance plan (HAP) provisions of that act. Other applicable federal statutory law (so-called CDBG overlay statutes) has been involved to a lesser extent, primarily in the areas of civil rights and environmental protection. Federal constitutional issues have been



raised in a few of the civil rights causes of action.

Issues in the cases have covered a broad range of requirements in the 1974 act and the overlay statutes, including the following:

1. Spatial deconcentration of housing opportunities for lower-income persons and the "expected to reside" (ETR) requirement
2. Fair housing, including both racial and economic discrimination
3. Benefits to low- and moderate-income people as the "primary objective" of the CDBG program
4. "Maximum feasible priority" of benefits to low- and moderate-income persons
5. Eligibility of proposed activities
6. Adequacy of HAP data, goals, and programs
7. Citizen participation
8. Adequacy of "comprehensive strategy" statements
9. Use of funds for "needs of a particular urgency"
10. Federal court jurisdiction over CDBG
11. Environmental standards

Attorneys representing plaintiffs have included Legal Services Corporation attorneys and public interest lawyers from groups including the National Association for the Advancement of Colored People (NAACP), the National Committee against Discrimination in Housing (NCDH), and Suburban Action, among others. The New Jersey office of the public advocate, a state-level public interest law organization, has also

represented plaintiffs in CDBG litigation. On the defendants' side, cases have been defended by city attorneys and by Justice Department attorneys. Most of the attorneys involved have not had intimate knowledge of the CDBG program.

Other major complaints have been filed with HUD in addition to the lawsuits cited above. In federal administrative law, plaintiffs are ordinarily required to "exhaust their administrative remedies" before proceeding to litigation. In at least two instances lawsuits have been dismissed for failure to exhaust administrative remedies (Davis v. Pomona and Munoz v. Hills). HUD has no formal administrative complaint procedure for the CDBG program. Complaints received are usually informally investigated and responded to. Hearings are not held and HUD does not issue formal opinions in response to complaints. Notwithstanding the absence of formal administrative complaint procedures, most of the lawsuits were preceded by documents labeled "administrative complaints" and filed with HUD. All are documents in legal form, raising legal issues, drafted by lawyers, and appropriate for litigation if the question is not satisfactorily resolved. The precise demarcation line between such formal prelitigation complaints and numerous less formal complaints filed with HUD is not clear. Nonetheless the major complaints help enrich a discussion of legal issues that have been litigated or are continuing sources of controversy.

The CDBG cases may be classified in many ways: by plaintiff type, defendant type, legal basis, status or outcome, or specific issue(s). In the following summary, the cases are grouped according to the major issue or cluster of related issues raised or decided. Most cases raised related causes of action as well, but an exhaustive review of all ancillary issues for each case is beyond the scope and space limitations of this appendix.

EXPECTED TO RESIDE, SPATIAL DECONCENTRATION OF HOUSING  
OPPORTUNITIES, FAIR HOUSING, AND STANDING TO SUE

Title I of the 1974 Housing and Community Development Act includes as one purpose of the legislation "spatial deconcentration of housing opportunities for persons of lower income" [42 U.S.C. #5301(a)(1)]. The act requires all jurisdictions receiving CDBG funds to enter a figure in their housing assistance plan (HAP) for the number of persons "expected to reside" in the community who need housing assistance [42 U.S.C. #5304(a)(A)(1975 supp.)]. The 1964 and 1968 Civil Rights Acts prohibit racial discrimination in federal programs, including housing programs. The 1968 act imposes an affirmative duty on federal government agencies, including HUD, to overcome the effects of past racial discrimination. These HAP and civil rights provisions are the aspects of the CDBG legislation that have received the most scholarly and public attention. The plaintiff in the leading case was a city

suing its surrounding suburbs on the "expected to reside" (ETR) issue. Technical legal issues have focused primarily on the issues of standing to sue.

Hartford v. Hills is the leading case. Hartford, Connecticut, is an older northeast quadrant core city with very severe hardship conditions relative to its surrounding suburbs. The city brought suit when it was learned that HUD had permitted six of its surrounding suburbs to file first-year CDBG applications containing HAPs with statements of no need for assisted units for low-income persons "expected to reside" in the community and had permitted a seventh one to indicate very little need. The suburbs based their HAP statements on a 1974 memorandum from David Meeker, former HUD assistant secretary for community planning and development, authorizing communities to leave out ETR figures in the first program year because of time and data problems. Accordingly, HUD was joined as principal defendant in the suit. The trial court judge concluded that HUD had abused its administrative discretion in issuing the Meeker Memorandum and that the "spatial deconcentration" and ETR provisions of the act had been violated. On the basis of the court decision HUD instructed its field staff to require ETR figures and finalized an acceptable rough way to do this.

The key procedural issue in the case involved the city's standing to sue. The trial judge held that Hartford met relevant standing tests, that is, it adequately represented legitimate interests and had

in fact suffered injury. Individual plaintiffs--low-income and minority residents of Hartford--survived a similar challenge. The trial court's standing decision was based in part upon an interpretation that reprogrammed CDBG funds would be distributed to localities within the same SMSA and that therefore Hartford had a direct financial stake in the case.

On appeal (City of Hartford v. Towns of Glastonbury, West Hartford, and East Hartford), the courts have focused on the standing issue. A three-judge panel of the U.S. Court of Appeals for the Second Circuit first sustained the lower court opinion. Then, in an unusual en banc rehearing, the panel reversed itself and held that the city does not have standing. The Second Circuit has taken a lead in holding that plaintiffs outside a jurisdiction suing over racial and economic restrictions lack a sufficiently clear stake in the litigation to be afforded standing.

Hartford v. Hills involves precise issues of administrative discretion and standing. It is not a case "for" or "against" the spatial deconcentration of housing per se. However, nonlawyers interested in CDBG implementation tended to read the first decision as meaning that suburban integration as a result of CDBG was required by the decision; it is likely that the reversal will be interpreted as a ruling to the contrary.

Coalition for Block Grant Compliance v. HUD is a related lawsuit. The case was brought by a coalition of Detroit area housing and civil rights groups with regard to Livonia, Michigan. Livonia figured prominently in the 1976 CDBG oversight hearings chaired by Senator William Proxmire (D.-Wis.) as a symbol of the unwillingness of wealthy suburbs to use CDBG funds to help alleviate metropolitan housing problems. The case challenges the Livonia HAP as inadequate for having no new housing construction goal, despite virtually no vacancies, and no specific goal to meet ETR housing needs. It also charges fair housing violations contravening the Civil Rights Acts. The case is still pending.

Coalition for Block Grant Compliance v. Hills is an administrative complaint which builds upon the coalition's analysis of patterns of practice in the Detroit metropolitan area. The complaint alleges recurring patterns of violations in the CDBG applications of twenty-six suburban Detroit communities approved by HUD. ETR and spatial deconcentration issues are primary in the complaint.

North Shore Branch NAACP v. Lynn is an administrative complaint filed against the CDBG application of Lynn, Massachusetts, a depressed industrial suburb of Boston. The complaint is based principally upon the 1964 and 1968 Civil Rights Acts. The central issue is the allegation that dispersal of CDBG funds citywide, while virtually all ethnic minority residents are concentrated in a few census tracts, violates federal civil rights law.

PRINCIPAL AND MAXIMUM FEASIBLE PRIORITY BENEFIT TO LOW- AND  
MODERATE-INCOME PERSONS, ELIGIBLE ACTIVITIES,  
AND MAINTENANCE OF EFFORT

The stated "primary objective" of the 1974 act lists activities "principally for persons of low- and moderate-income" [42 U.S.C. #5301(c)]. Elsewhere the act requires that "maximum feasible priority" be given to activities which benefit low- or moderate-income families or "aid in the prevention or elimination of slums or blight." Expenditure of funds to meet "needs having a particular urgency" is also permitted [42 U.S.C. #5304(b)(2)]. Title I defines "eligible" activities [42 U.S.C. #5305(a)(supp. IV 1974)]. It also contains a "maintenance of effort" provision to discourage cities from reducing their own general fund expenditures and substituting CDBG funds [42 U.S.C. #5301(c)]. Several lawsuits and complaints challenging the general thrust of CDBG applications as unresponsive to the needs of low- and moderate-income persons have been based on one or more of these provisions.

NAACP v. Hills involved a challenge by a black group which asserted that a downtown urban renewal project in Santa Rosa, California, did not meet the "maximum feasible priority" provision of the act. The court stressed that in addition to activities which would "benefit low- or moderate-income families" the law also permitted those which would "aid in the prevention or elimination of slums or blight," and the plaintiffs were denied relief. This opinion was subsequently

cited by Congressman Thomas Ashley (D.-Ohio) in arguing against proposed regulations to establish a lower percentage for benefits to low- and moderate-income groups.

Central and Western Neighborhood Development Corporation v. Hills is a related case. The plaintiff obtained a consent order reprogramming \$335,000 previously slated for parks and tennis courts in upper- and middle-income areas of Davenport, Iowa, to provide for a variety of programs benefiting low- and moderate-income persons. Among the benefits provided were funds for a nonprofit developer and for a rehabilitation program in the most neglected census tract, a program of land banking for low- and moderate-income housing sites, and funds for program staff and a fair housing attorney/investigator.

Edison Branch, NAACP v. Hills is a similar case which ended in nearly total reprogramming by settlement. Plaintiffs represented by the New Jersey public advocate filed suit against a CDBG application which included \$100,000 for acquisition of a park, \$30,000 for construction of tennis courts near a public housing project, and funding for administrative costs.

The city dropped the tennis court proposal before the suit was filed, because HUD had ruled it ineligible. A small rehabilitation program was substituted. The city continued to insist that the park acquisition addressed needs having a particular urgency.



The action was brought with the support of several local community groups representing the NAACP, a tenants' association, the League of Women Voters, the National Council of Jewish Women, and other groups. The support of these groups is viewed by the plaintiffs' attorneys as an important element in the successful outcome to the case.

In the settlement, funds were completely reallocated for rehabilitation loans for low- and moderate-income homeowners, improvements for a public housing project, and parks located only within urban renewal projects in need of open space. In addition, the consent decree established a citizens' advisory committee with low-income and minority representation.

Garcia v. Hills is a fourth case along the same lines. Plaintiffs represented by the Western Center on Law and Poverty sued the Los Angeles suburb of Alhambra to prevent it from spending 51 percent of its first-year CDBG grant of \$197,000 to expand its nine-hole municipal golf course to eighteen holes. Alhambra's second- and third-year applications called for spending an additional \$1,161,000 on golf course expansion. Alhambra originally earmarked only \$30,000 for housing assistance. In exchange for dismissal of the suit, Alhambra significantly altered its second- and third-year applications. Housing rehabilitation assistance was increased from \$250,000 to \$400,000. Another \$156,000 was shifted to a neighborhood public improvement program in low-income residential areas. Finally, Alhambra agreed to apply for section 8 subsidies for 900 lower-income tenants through the

Los Angeles County Housing Authority.

Stires v. Harris is a challenge to Honolulu's third-year CDBG application based upon inclusion of allegedly excessive recreational facility projects: 72 percent of third-year funds were allocated for acquisition of parks and related recreational activities. The complaint challenged this program as violating the "primary objective" of the 1974 act and further argued that the application did not contain sufficient basic information for the secretary of HUD to make required determinations that the proposed activities were "appropriate" to the needs of the applicant.

Concerned Citizens of South Vallejo v. City of Vallejo, California is a similar complaint. A lower-income community group in this Northern California community successfully challenged the city's plan to spend \$450,000 in third-year funds to construct a swimming pool in an upper-income neighborhood. In June 1977 HUD disallowed funding for this project and required reallocation of funds previously set aside for the project.

Business and Professional People for the Public Interest v. HUD and Cook County Legal Assistance Foundation v. Waner are two administrative complaints involving, respectively, the city of Chicago and surrounding Cook County. The complaint against the city of Chicago focused on inadequate implementation of the housing assistance plan--particularly in relation to the Gautreaux decision [3]. The Cook

---

3. Gautreaux v. Chicago Housing Authority, 206F supp. 907(1969). This federal court decision required that low-income housing be provided on a nondiscriminatory basis.

County complaint raised numerous objections regarding the eligibility of activities, maximum feasible priority criteria, discrimination, and employment.

Knoxville Progressive Christian Coalition v. Testerman unsuccessfully challenged the eligibility of \$1.6 million in proposed activities in Knoxville, Tennessee. Without formally ruling on the plaintiff's contentions, the court said that the activities were eligible and that CDBG projects approved by HUD are not ripe for adjudication. The court based this conclusion upon the act's provision for HUD audits and reduction or recovery of funds spent on ineligible activities [42 U.S.C. #5311]. The court's position has not been followed in other cases.

Philadelphia Welfare Rights Organization v. Embry unsuccessfully attacked Philadelphia's assertion that the requirement that "low- or [emphasis added] moderate-income families" be principal beneficiaries of the act was satisfied by a program which neglected low-income families' needs and concentrated on those of moderate-income families. (Congress later amended the 1974 legislation, substituting the word "and" for "or" in the 1977 act and thus making it clear that Congress does not intend the words to be read disjunctively in the future.)

## HOUSING ASSISTANCE PLAN ISSUES

The 1974 act requires that each locality submit a housing assistance plan (HAP) which accurately surveys conditions and needs, specifies a realistic annual goal for assistance, and provides some details on how the locality will meet this goal [42 U.S.C. #5304(a)(4)]. These requirements have also been a source of litigation.

Davis v. Pomona is a case involving a southern California suburb. In its first-year HAP, Pomona identified 6,072 households, primarily renters and including large families, which required housing assistance. However, it set a goal of only 140 units, of which 110 were new units for the elderly. HUD field office requirements regarding the relationship between statements of need and projected goals do not set clear standards. During the course of the suit HUD made future CDBG grants to Pomona conditional on the city's participation in the section 8 program; on May 17, 1977, the Pomona City Council voted not to apply for its \$1.4 million CDBG entitlement amount. Subsequently the suit was dismissed because of the plaintiff's failure to exhaust administrative remedies. Pomona is not now participating in the CDBG program and no legal activity is pending.

Munoz v. HUD is a lawsuit based on almost identical issues, filed against the southern California city of Southgate. Southgate's HAP goals were also low and virtually all activity was directed toward elderly homeowners despite identification of needs for family and

tenant housing assistance. Unlike Pomona, the jurisdiction did not withdraw from the CDBG program. Instead, after the suit was filed, Southgate raised its first-year HAP goal of 88 rehabilitated units to include 150 units of section 8 rental housing. Southgate's three-year goal reduced assistance to homeowners and tripled proposed assistance to renters. The locality also established by resolution a public housing agency. Thus, the suit achieved the aims of the plaintiffs. On June 20, 1977, the case was dismissed for failure to exhaust administrative remedies and because it was considered "moot" in light of Southgate's response.

The Western Center on Law and Poverty, which represented plaintiffs in the Pomona and Southgate cases, negotiated settlements with two additional southern California jurisdictions without litigation. Norwalk and Santa Ana both agreed to revise their programs to provide for more low- and moderate-income housing assistance and to have their housing authorities apply for section 8 units.

Bradley v. HUD involves an attempt by lower-income senior citizens in Miami Beach to stop the use of approximately \$900,000 of CDBG funds to assist in planning a redevelopment project. The project proposed demolition of units housing approximately 5,000 low- and moderate-income persons, in order to provide for hotel rooms, recreation and entertainment facilities, and market rate units. The suit challenges the project as "plainly inconsistent with" stated HAP objectives. The case is pending.

Broaden v. Harris is a Pittsburgh lawsuit that alleges the city's failure to address housing assistance to renters in anything approaching their proportionate need. The suit is pending.

Philadelphia Welfare Rights Organization v. Rizzo et al. involved the issues of whether it was a per se abuse of discretion for the secretary of HUD to approve a program in which the HAP provided for no CDBG assistance to low-income persons. Secondly, if not a per se abuse, did such an approval violate the act, in light of the facts and data reported in Philadelphia's HAP? The case was settled on the basis of two city stipulations--an agreement to make 200 rehabilitation loans to low-income households, and the establishment of a system of detailed reporting on the breakdown of CDBG expenditures.

Hodder v. Hills is a HAP lawsuit in Corning, New York, with a slightly different focus. The suit alleges disregard of significant facts and hence violation of the requirement that a locality "accurately survey" housing conditions as reflected in its HAP goals. The suit is pending.

Because most HAP-related housing activities thus far are still in the planning phases, no litigation deals directly with implementation issues.

Los Angeles Welfare Rights Organization v. Embry is an administrative complaint filed in August 1977, which goes beyond HAP issues in individual jurisdictions to charge that the HUD area office has "ignored those most in need by allowing local housing assistance

programs to neglect non-elderly family and large family renters on a wholesale basis." The complaint alleges a pattern of improper HUD administration including permitting localities to allocate funds to the elderly and to homeowners despite identified housing needs of tenants and families.

#### CITIZEN PARTICIPATION

The 1974 act requires public hearings on the CDBG application and sets out general requirements regarding citizen participation [42 U.S.C. #5304(a)(6)]. Plaintiffs who have found fault with the substance of a locality's CDBG program have also frequently complained of the process used to develop the program. "Citizen participation" causes of action were included in many of the cases discussed above. In addition, some cases have made citizen participation the principal cause of action. While none has succeeded in court, strengthened citizen participation was included in a number of the settlements discussed in this appendix.

NAACP v. Hills placed primary emphasis on citizen participation issues. Representatives of the Santa Rosa, California, chapter of the NAACP and others had been appointed to a CDBG advisory committee but quit when they learned that the mayor retained a veto over the advisory committee's decisions. The lawsuit challenged the city's program on the basis that citizen participation had been pro forma. They said

that the committee was created only after the application was substantially completed, that committee input was rejected, and that the requirements of the act were thus violated. The court rejected the plaintiffs' arguments and stressed that the act had placed "responsibility and authority" for development of the application and execution of the CDBG program with the recipient city. The court concluded, "Title I requires [that] citizen input be considered, but it does not compel the drafting of the local application by community groups. . . . Nothing in the act requires that any person or group concur with the local community development plan." Despite the legal "failure," Santa Rosa did change its CDBG program priorities significantly to meet the substantive objections of the NAACP.

Ulster County Community Action Committee v. Koenig involved residents of the low-income "Roundout" neighborhood and two community-based corporations in the Hudson Valley town of Kingston, New York. Plaintiffs challenged the Kingston CDBG application on the procedural ground that citizens were not given adequate and timely notice of public hearings and that eligible CDBG activities and alternatives were not explained as required by the citizen participation sections of the law. Substantive objections were raised as well. The court found no merit in the claim, noting that the plaintiffs had been present and had spoken at public hearings.



## LACK OF A COMPREHENSIVE STRATEGY

League of Women Voters of Cowlitz County v. Harris challenged the second-year application of Longview, Washington, on the ground that it had not prepared a comprehensive three-year community development plan, and that HUD approval without such a submission was an abuse of discretion. The trial court summarily rejected this argument, holding that the recipient had submitted a summary of such a strategy and this was all that the act required.

Community Relations Conference of Southern California v. HUD is an administrative complaint challenging the adequacy of one urban county's comprehensive strategy. It has been asserted that CDBG recipient urban counties often merely allow funds to "pass through" the county to other jurisdictions with little overall coordination. This complaint noted that the county had set HAP goals for its unincorporated areas only (permitting forty-two participating nonentitlement jurisdictions to set their own goals), and alleged an overall lack of comprehensive planning by the county.

## NEEDS HAVING A PARTICULAR URGENCY

Expenditure of CDBG funds for "needs having a particular urgency" was permitted by the 1974 act [42 U.S.C. (# 5304 (b)(2))]. The 1977 act tightened this provision by adding the qualifying clause: "because

existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available." Prior to the 1977 amendment it was asserted that some communities were stretching the above provision to include projects that did not have a particular urgency.

On Board Legal Services v. HUD is an administrative complaint also involving the urgent needs provision of the act [#5304 (b)(2)]. This complaint, filed in New Bedford, Massachusetts, questioned the allocation of \$1.1 million of CDBG funds for renovation of sewer systems in high-income areas. For technical reasons the city engineer argued that sewers in higher elevations should be replaced first; these areas of the city were upper-income areas. The proposed sewer funds were reprogrammed as the result of administrative action by HUD.

#### ENVIRONMENTAL ISSUES

The 1974 act transferred responsibility for compliance with the National Environmental Protection Act (NEPA) from HUD to CDBG recipients [42 U.S.C. #5304(h)].

Two major lawsuits have invoked the NEPA requirement that localities' environmental impact statements include an assessment of potential negative social and economic consequences.

HANC v. Moscone is the first of these. San Francisco, California, proposed to spend CDBG funds to implement its local rehabilitation assistance program (RAP) in the low/moderate-income Haight-Ashbury neighborhood. A local community group--the Haight-Ashbury Neighborhood Council--filed suit alleging that the program would displace current residents through elimination of illegal units, demolition, and costly rehabilitation with resulting rent increases. The timing, quality of data, and methodology of the environmental impact statement form the principal basis of the pending suit.

Bois D'Arc Patriots v. Hills is similar. In Dallas, Texas, a community organization called the Bois D'Arc Patriots organized local residents against possible displacement due to redevelopment. Dallas proposed to spend approximately \$800,000 of its first-year grant for housing code enforcement and demolition activities. Since city figures assumed that only fifty persons would be displaced, the city argued that the activity would not affect the environment sufficiently to require an environmental impact statement and filed a negative declaration to that effect. The Bois D'Arc Patriots disagreed about the extent of the likely environmental impact and filed suit. The city then prepared a "supplemental environmental review record." In March 1976 the court held that the city had met NEPA requirements. After a period of further conflict and a second lawsuit (Bois D'Arc Patriots v. City of Dallas #2), the city revised its third-year application to meet some of the Patriots' demands, including

creation of a \$1,370,000 hardship home repair loan fund and a \$400,000 program for home repair grants for the elderly. The second lawsuit was dropped.

#### FEDERAL JURISDICTION

Johnson v. Chester raised complex and factually unusual issues of federal jurisdiction in relation to the CDBG program. Suit was brought to stop disbursement of \$9,000 that the city of Williston, Pennsylvania, would receive as part of Chester County's \$575,000 CDBG grant. The suit was based on the Pennsylvania Supreme Court's invalidation of Williston's zoning as exclusionary. The court held that it lacked the jurisdictional amount threshold of \$10,000 needed to make a damages claim in court and the invalidation of the local zoning ordinance alone did not state a sufficient cause of action for denial of civil rights [4].

---

4. This case no longer has significance because the jurisdictional amount threshold has been changed.

## SUMMARY AND CONCLUSIONS

There has been substantial legal activity surrounding the CDBG program. Much of it has not proceeded to the trial court decision stage, however, and among those cases that have been decided in court, plaintiffs have not succeeded in achieving any favorable decision that was not subsequently reversed. Indirectly, however, some suits and administrative complaints have resulted in settlements favorable to the plaintiffs. Among these are the cases of Davenport, Iowa; Edison, New Jersey; and Alhambra, California. In addition, interviews with attorneys active in CDBG cases disclosed that in some situations where clear legal defeats occurred--such as the Santa Rosa, California, case--plaintiffs in fact obtained much of what they had sought.

Two major cases--the Hartford and Davenport suits--have had a significant symbolic impact. They have been popularly interpreted as "meaning" that a city cannot neglect the ETR requirement or portions of the act intended to target benefits principally to low- and moderate-income persons, thus making city officials more attentive to these issues.

The cases mentioned in the paragraphs above suggest some important trends. First, a pattern of shifting from legal attacks on specific program abuses to attempts to remedy "patterns of abuse" is beginning to emerge among advocates. Examples include recently filed administrative complaints in both the Detroit and Southern California

areas.

Second, a shift in emphasis from CDBG applications and goals to adverse effects of program implementation is becoming apparent, as evidenced by the Chicago administrative complaint.

Third, new filings related to the issue of "targeting" CDBG funds to meet low- and moderate-income needs have increased, probably in response to the change in national administrations and a perception among public interest groups and their attorneys that they may now have more leverage. Whether this trend continues may depend in part upon future HUD administration of the program.

Overall the change from categorical to block grants appears to have weakened the "legal hooks" for successfully challenging federal and local decisions in court, but the end result may be more substantive accomplishments as federal and local officials become more sensitive to various CDBG issues.

## LIST OF CASES

- Bois D'Arc Patriots v. Dallas, No. 75-0906 (N.D. Tex., March 17, 1976)  
Dallas, Texas, and Bois D'Arc Patriots v. Hills, No. 3-76-1504  
(N.D. Tex., filed June 24, 1977) Dallas, Texas (dismissed).
- Bradley v. HUD, No. 77-2144 (S.D. Fla., filed July 8, 1977) Miami  
Beach, Florida (pending).
- Broaden v. Harris, No. 77-899 (C.W.D. Pa., filed August 23, 1977)  
Pittsburgh, Pennsylvania (pending).
- Central and Western Neighborhood Development Corp. v. Hills, No. 76-67  
(S.D. Iowa, January 24, 1977) Davenport, Iowa (settled--consent  
order).
- Coalition for Block Grant Compliance v. HUD, No. 770503 (E.D. Mich.,  
filed March 2, 1977) Livonia, Michigan (pending).
- Davis v. Pomona, No. 77-0839 (C.D. Cal., June 30, 1977) Pomona,  
California (dismissed without prejudice on settlement).
- Edison Branch, NAACP v. Hills, No. 75-1461 (C.D. N.J., January 18,  
1976) Edison, New Jersey (settled--consent order).
- Garcia v. Hills, No. 76-1014 (C.D. Cal., April 15, 1977) Alhambra,  
California (dismissed).
- HANC v. Moscone, No. 77-0817 (N.D. Cal., filed April 21, 1977) San  
Francisco, California (pending).
- Hartford v. Hills, 408 F. Supp. 879 (order granting preliminary  
injunction), 408 F. Supp. 889, (D. Conn., 1976); Aff'd Sub Nom  
Hartford v. Glastonbury, 561 F. 2d 1032 (2d Cir. 1976), rev'd on  
rehearing en banc 561 F. 2d 1048 (2d Cir. 1977).

Hodder v. Hills, No. 76-3867 (S.D. N.Y., filed January 7, 1977)  
Corning, New York (pending).

Johnson v. Chester, 413 F. Supp. 1299 (E.D. Pa., 1976) Chester,  
Pennsylvania.

Knoxville Progressive Christian Coalition v. Testerman, 404 F. Supp.  
789 (E.D. Tenn., 1975) Knoxville, Tennessee.

League of Women Voters of Cowlitz County v. Harris, No. 76-521 (W.D.  
Wash., July 27, 1977) Longview, Washington (dismissed).

NAACP v. Hills, 412 F. Supp. 102 (N.D. Cal., 1976) Santa Rosa,  
California.

Munoz v. HUD, No. 77-0839 (C.D. Cal., June 30, 1977) Southgate,  
California (dismissed without prejudice).

Philadelphia Welfare Rights Organization v. Rizzo et al., No. 76-1767  
(E.D. Pa., May 19, 1977) Philadelphia, Pennsylvania (settled--  
consent order).

Philadelphia Welfare Rights Organization v. Embry, 438 F. Supp. 434  
(E.D. Pa., September 1977) Philadelphia, Pennsylvania.

Stires v. Harris, Civil No. 77-0397 (D. Hi., filed October 13, 1977)  
Honolulu, Hawaii.

Ulster County Community Action Committee v. Koenig, 402 F. Supp. 986  
(S.D. N.Y., 1975) Kingston, New York.



## MAJOR COMPLAINTS

Business and Professional People for the Public Interest (BPD) v. HUD (Chicago, 1977; pending).

Coalition for Block Grant Compliance v. Hills (suburban Detroit, 1976; pending).

Community Relations Conference of Southern California v. HUD (Los Angeles County, 1977; pending).

Concerned Citizens of South Vallejo v. Vallejo (Vallejo, 1977; settled).

Cook County Legal Assistance Foundation v. Waner (Cook County, 1977; pending).

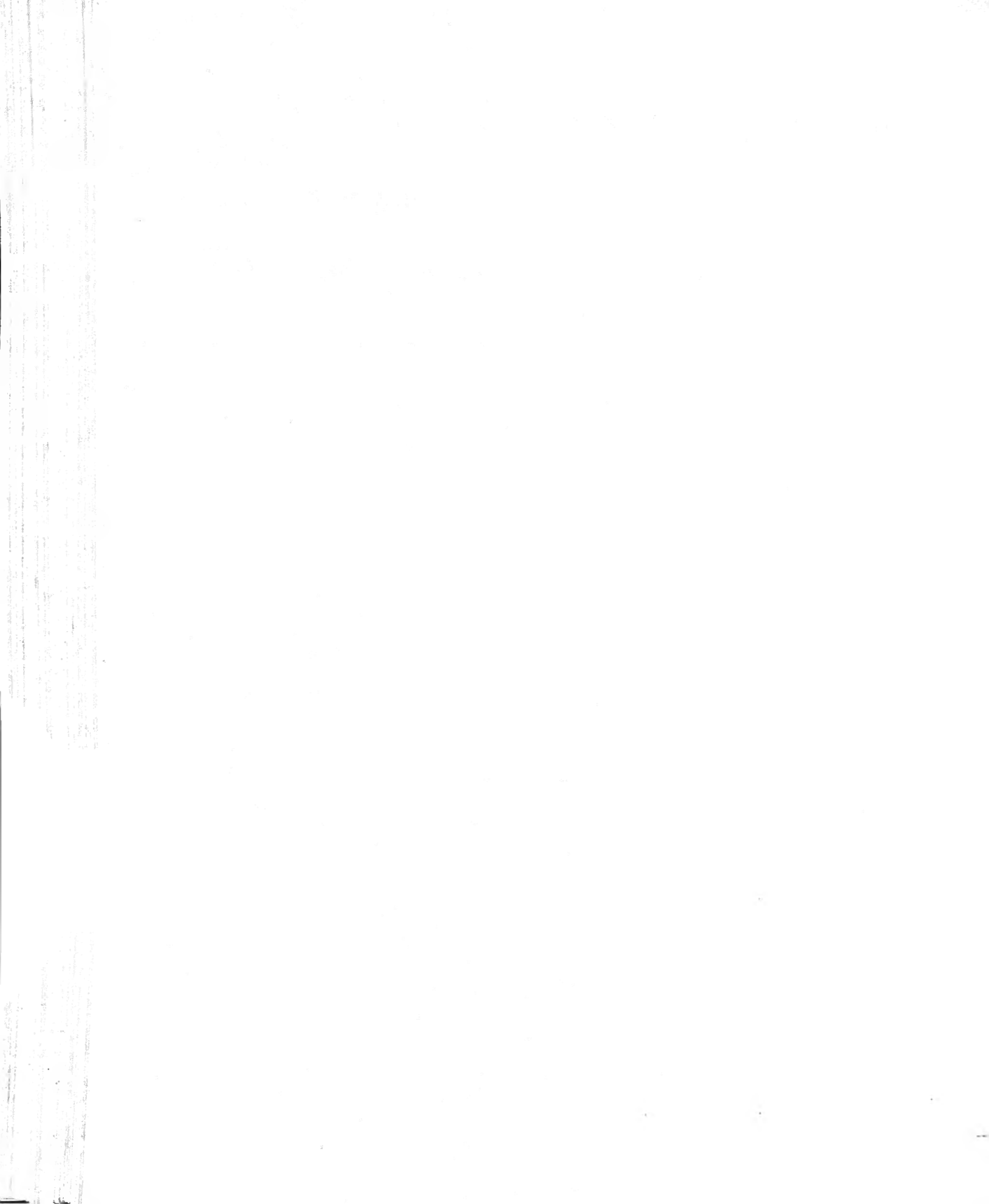
Los Angeles Welfare Rights Organization v. Embry (Los Angeles, 1977; pending).

North Shore Branch NAACP v. HUD (Lynn, 1977; pending).

On Board Legal Services v. HUD (New Bedford, 1977; negotiations with city and HUD pending).

Western Center on Law and Poverty v. Norwalk (Norwalk, 1977; letter to A-95 reviewer).

Western Center on Law and Poverty v. Santa Ana (Santa Ana, 1976; settled).



APPENDIX V

SECOND ROUND ANALYSIS FORM

STUDY OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM



Due: February 15, 1977

REPORT FORM

STUDY OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The Brookings Institution

1775 Massachusetts Avenue, N.W.  
Washington, D.C. 20036

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

Please make 3 copies of this report:

Send one copy to: Sarah F. Liebschutz  
6 South Pittsford Hill Lane  
Pittsford, New York 14534

Send another copy to: Milton D. Morris  
The Brookings Institution, Room 622  
1775 Massachusetts Avenue, N.W.  
Washington, D.C. 20036

Retain the third copy for yourself.

---

NOTE: Wherever necessary, you should insert continuation sheets in the Report Form.

## Introduction to Final Version of Report Form II

This is the final version of the second-year Report Form. We have organized it into four parts separated by yellow divider pages which contain introductory material for each section.

The questions in this Report Form focus on changes in the processes and activities you reported for the first year. You need not repeat the information you provided in your first report except where you find it convenient or necessary to do so. We ask you instead to concentrate on reporting changes from the decisions and activities reported for the first program year.

You will notice in several places that revisions have been made in the Report Form to reflect issues raised at the Conference and recommendations which several Associates made to us in writing since the Conference. These changes include restating some questions, adding a few new ones and modifying Forms CD-3 and CD-4. We believe that they have resulted in a more manageable and sharply focussed research instrument. The income-group incidence questions which we discussed at the Conference have been added to Part II and the research "statements" as a new Part IV.

Again some questions are Major Analysis Questions. For these we want longer answers incorporating your major conclusions on the issues under discussion. Please give special attention to these answers as we may excerpt from them for our second report.

The Report Form is divided into the following four parts:

Part I. The Application for Community Development Block Grants  
This part covers the local performance report and HUD monitoring of first year activities. It also covers the application process for CDBG funds for the second year and the effects of the CDBG program on political relationships and institutions.

Part II. CDBG Program Effects  
This section deals with the programmatic and net fiscal effects as well as the distribution of benefits geographically and by income groups for the second program year.

Part III. Performance Review and Trends for the Third Year  
This section deals with the performance report and HUD monitoring of the second year program and with initial trends as you are able to observe them for the third year of the CDBG program.

Part IV. Research Statements

The completed form is due on February 15, 1977. Send one copy each to Sarah Liebschutz and Milton Morris as shown on the cover. If you have any questions as you proceed, please feel free to call Dick Nathan, 202-797-6066; Milt Morris, 202-797-6061; or Sarah Liebschutz, 717-385-1854.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

Persons interviewed for First Field Research Report for the  
Brookings Study of the Community Development Block Grant Program

Name	Title and Organization

## Part I. The Application for Community Development Block Grants

This part of the Report Form deals with the process and the politics of applying for CDBG funds. We ask you here to describe and analyze that process and its implications for political relationships and political institutions in this jurisdiction. It consists of the following subparts:

- Local program evaluation and HUD's performance monitoring of the first year program;
- Preparation of the application for the second year program;
- Citizen participation and organized group involvement;
- The role of local elected officials, A-95 clearing-houses and HUD.

Note: For the second program year, the Administrative Guidelines issued on November 13, 1974 have been amended and elaborated on by issuance of revised or additional guidelines. These cover the Application Procedures issued January 28, 1976 replacing parts D and E of the original guidelines; the Housing Assistance Plan, issued on February 19, 1976; Eligible Activities issued January 19, 1976. In addition, revised guidelines for Evaluation Review and Coordination of Federal and Federally Assisted Programs and Projects modifying the A-95 process were issued January 13, 1976.

For second year applications, the deadline for pre-applications from non-metropolitan discretionary places is February 14, 1976 and from metropolitan discretionaries the deadline is March 15, 1976. Dates for final applications are set by area offices. For entitlement and hold harmless jurisdictions applications are due no later than 75 days prior to the end of the first program year.



Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

1. First Year Program Evaluation and HUD's Performance Monitoring

Section 104(d) of the Housing and Community Development Act requires that reviews of each jurisdiction's performance be undertaken by the jurisdiction and by HUD. Each jurisdiction is required to submit to HUD an annual performance report before applying for additional community development funds. In addition the Secretary of HUD is required to

. . . at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine whether the grantee has carried out a program substantially as described in its application, whether that program conformed to the requirements of this title and other applicable laws, and whether the applicant has a continuing capacity to carry out in a timely manner the approved Community Development Program.

1(a) Provide the dates for this jurisdiction's first program year and indicate approximately what percentage of its first year grant remained unspent (i.e., had not been drawn down) at the end of the program year. If there was a substantial unspent balance, what factors do you believe affected the rate of spending?

1(b) Did this jurisdiction revise its first year CDBG program in any major ways, either formally or by revising the way in which major projects are to be designed and operated? If yes, how was it revised and what prompted the revision?

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

1(c) In what way did this jurisdiction make available locally the performance report required by HUD? If there were any local public discussions of the report indicate who or what organizations reacted and the nature of their comments.

1(d) Was this jurisdiction visited by HUD officials as part of HUD's performance monitoring of first year grant recipients? If yes, indicate when, whether there were any specific issues or controversies which you believe prompted the visit by HUD officials, and what the outcome was.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

Major Analysis Question

1(e) We now ask you to assess the overall performance evaluation process as it operated in this jurisdiction in terms of the degree to which it permits an evaluation of the jurisdiction's capacity to perform; the extent to which it facilitates public understanding of the implementation of the program; whether in your best judgment it contributes to improved performance by this government and how it affects the perceptions of local officials about the level of federal involvement in local community development activities.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

2. Staffing and Preparation of the Community Development Program

2(a) Identify the official or officials (by role or title) responsible for preparing the Community Development Program for the second year and the part they played in the process. Indicate whether this constitutes a change from the first program year and if so, what you think are the likely implications of the changes for the CDBG program in this jurisdiction.

2(b) What was the timetable followed by this jurisdiction in preparing its second year application for CDBG funds? (List major steps up to final action by HUD). Was this timetable significantly different from that used for the first year application, and if so, how do you believe it affected the overall application?

2(c) Were appointed public officials other than those directly involved in the application process in this jurisdiction involved in the application for second year funds? If so, identify them by position and discuss the nature of their involvement.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

2(d) Turning specifically to elected officials, was their role in the preparation of the community development program for the second year different from that for the first year? If so, describe the difference.

2(e) Was the overall staffing arrangement adopted in preparing the second year application different in any way from that used to prepare the first year application? If yes, describe the changes and indicate the likely implications for the CDBG program in this jurisdiction.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

2(f) Major Analysis Question

One objective of the CDBG program is to encourage more comprehensive priority setting at the local level and in so doing, to emphasize the role of generalist officials (i.e. elected and appointed officials with general governmental roles) vis-a-vis specialist officials (i.e. those heading specialized agencies or programs such as housing authorities and urban renewal and model cities programs). Please indicate with reference to the CDBG program whether this objective is being realized in this jurisdiction and whether there has been any change in this regard from the situation which obtained for the first program year.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

3. Staffing and Preparation of the Housing Assistance Plan

3(a) If the HAP was prepared separately from the CDBG program, indicate whether there were changes in the personnel responsible for its preparation for this jurisdiction's second year CDBG application. If there were, describe the changes, indicate why they were made and their implications for the CDBG program in this jurisdiction.

3(b) With respect to the HAP, did the role of public officials, both appointed and elected, change in any way from that of the first year? If yes, describe and account for the change.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

3(c) What effect, if any, did changed regulations or clarifications concerning HAP requirements by HUD have on how the second year HAP for this jurisdiction was prepared?

3(d) Did this jurisdiction rely on new or different data in preparing the second year HAP? If yes, what was the source of this data and what kind of effect did it have on the HAP?

3(e) Were there any significant, substantive changes in the HAP for the second year? If yes, describe the changes and indicate what prompted their adoption.



Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

Major Analysis Question

3(f) We now ask you to discuss this jurisdiction's HAP in terms of the importance with which it was treated by public officials and other participants in the application process; how and to what extent it was integrated with the community development program; and whether its preparation contributed in any way to a more prominent role for generalists in setting priorities for local housing and community development activities.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

#### 4. Citizen and Group Involvement

Note: Federal regulations for the Housing and Community Development Act of 1974 specify that local governments must provide citizens with information on the amount of funds available, the activities on which the funds may be spent and other program requirements; hold at least two public hearings to obtain citizen views on community development and housing needs; and provide citizens with an adequate opportunity to participate in developing the application.

4(a) Briefly describe the type of citizen participation process utilized by this jurisdiction and the major points in the application process at which citizen participation occurred (e.g. use of public hearings before/after drafting application, use of special citizens' advisory committee, use of existing citizens' organizations, etc.). If this procedure constitutes a change from the first program year, what in your judgment prompted the change and what have been its effects on the CDBG program for this jurisdiction.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

4(b) Were there any major changes from the first program year in the local groups that commented on the published draft of the community development program and HAP or were represented on community development advisory committees or task forces which participated in preparing the application? If so, describe the changes and discuss their implications for the second year program.

4(c) Was the application modified to reflect the comments of citizens or citizens' organizations about the first publicly presented version of the second year community development application? If so, in what ways?

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

Major Analysis Question on Citizen Participation

4(d) We now ask you to evaluate the citizen participation process for this jurisdiction in terms of whether it reflects any change from the first year in the importance attached to it by local public officials and residents; the extent to which it influenced the decisions reflected in the application; and whether it reflects increased or decreased levels of citizen interest, involvement and influence in this local government.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

5. Equal Opportunity

In this part of the report form, we ask you to examine issues concerning implementation of the civil rights or equal opportunity provisions applicable to the CDBG program.

Section 109(a) of the Housing and Community Development Act of 1974 prohibits discrimination on the basis of race, color, sex or national origin in any phase of the CD program. In addition, the Act is subject to the nondiscrimination provisions of Title VI of the Civil Rights Act of 1964 and Section 108 of the Civil Rights Act of 1968.

The administrative guidelines for the CDBG program require that:

- a. Governments undertake affirmative action practices where past administrative procedures in community development projects resulted in discrimination against some persons or where conditions exist which would result in limiting full participation by individuals of a particular race, color, sex or national origin.
- b. Governments keep complete records of all actions related to compliance with the non-discriminatory provisions of the Act.

The guidelines also permit complaints to the Secretary of HUD by individuals or groups who have evidence of non-compliance by a government.

5(a) Were the steps taken by this jurisdiction to include minority group persons in the preparation of the CDBG Program and HAP different from those taken in the first program year and did they change in any way the opportunity these people had to influence the decisions made? If yes, describe and assess the changes.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

5(b) In your best judgment was there any change from the first year in the manner in which public officials involved in preparing the CDBG Program and the HAP treated the non-discrimination provisions of the Act? (Please take into account attitudes toward the provision as well as their implementation.)

5(c) Were there any lawsuits, complaints to HUD or local controversies involving the role of minorities in the application process or the way they would be affected by the second year program? If there were, discuss the issues and indicate how they were resolved.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

5(d) Major Analysis Question on Equal Opportunity Requirements

To what extent and in what way, in your judgment, do this jurisdiction's second year CDBG program and HAP appear likely to affect racial segregation with respect to housing and schools? Was explicit consideration given to its impact in these areas? Do the choices made in preparing the CDBG program and HAP appear likely to reduce or expand low and moderate income housing available to minorities in this and neighboring jurisdictions?

Indicate how your observations on the impact of the second year application on racial segregation compare with those for the first year.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

6. Environmental Review

[Note: Qualified applicants for CDBG funds assume for the program full responsibility for conducting reviews of the environmental impact of proposed CD activities essentially along lines required by NEPA, and are responsible for responding to challenges including lawsuits with respect to these reviews. See the Environmental Review Regulations.]

6(a) Indicate whether environmental issues were significant sources of controversy during preparation of the second year application and give your assessment of the importance which the appropriate local officials attached to the review function. Where there were major controversies involving environmental questions, indicate the issues, the specific CD projects involved and the way in which this particular controversy was handled.

6(b) Were controversies involving environmental issues more prominent in this jurisdiction for the second year than they were for the first? If yes, describe and discuss.



Government; \_\_\_\_\_

Reported by: \_\_\_\_\_

7. A-95 Review Process

OMB Circular A-95 provides for the designation of state and area-wide clearinghouses to review and comment on applications for certain federal grant funds. The comments should deal with the relationship between the proposed activity for which funding is sought and related state, regional or area-wide plans or activities. As part of the review and comment process, clearinghouses are expected to solicit, from state or local environmental and civil rights agencies, comments about the proposed activity's environmental impact and its conformity to existing civil rights laws and regulations. Section 104(e) of the Housing and Community Development Act provides that "No grants may be made under this title unless the application is submitted for review and comment to an area-wide agency. . ."

In Question 9, we ask you to report on how the review process affected preparation of the CDBG application.

7(a) Summarize the principal comments on the CDBG application made by the State and Area-wide clearinghouses and indicate whether this jurisdiction modified its application as a result of these comments.

7(b) Was the role of the A-95 clearinghouses (State and Local) in the second year application process different in any way from that played during the first program year? If yes, describe the difference and indicate what in your judgment accounted for it.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

8. Actions by the Local Legislature on the Application

Note: Federal regulations for the Housing and Community Development Act of 1974 state that final determination of the application's contents rests exclusively with the applicant government.

8(a) List by date and describe briefly official actions regarding this jurisdiction's second year application for CDBG funds taken by the local legislature (e.g. City Council, County Board of Supervisors, etc.). Discuss any major controversies concerning the CDBG application which emerged during deliberations of the local legislature.

8(b) Did these actions by the local legislature constitute a significantly expanded or reduced role from that of the first program year? If yes, indicate what contributed to the change.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

9. The Role of Participants

You have now completed a series of questions concerning actions and activities at the local level regarding the application for CDBG funds. We ask you now to indicate your view as to the relative influence of actors and groups as you observed them.

In the application for CDBG funds in this jurisdiction for the second program year, please circle for each actor or group listed below whether each played essential, important but not essential, or not important roles.

	Essential Role	Important But Not Essential	Not Important
Chief Elected Official (_____)	1	2	3
Chief Executive Official (_____)	1	2	3
Democratic Party	1	2	3
Republican Party	1	2	3
Newspapers	1	2	3
Labor Unions	1	2	3
Ethnic Groups (list essential and important only)			
_____	1	2	3
_____	1	2	3
_____	1	2	3
Neighborhood Groups (list essential and important only)			
_____	1	2	3
_____	1	2	3
_____	1	2	3
Heads of local government agencies			
<u>Model Cities</u> Director (most recent)	1	2	3
Urban Renewal Director (most recent)	1	2	3
Other	1	2	3
City and county employees	1	2	3
Industrial leaders	1	2	3
Retail Merchants	1	2	3
Bankers and executives of financial institutions	1	2	3
Real Estate interests	1	2	3
Construction industry	1	2	3
Chamber of Commerce	1	2	3
Church leaders	1	2	3
Bar Association	1	2	3
Other businessmen	1	2	3

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

10. State Role

Indicate whether and in what ways the state's role in this jurisdiction's CDBG activities changed from that played in the first program year. [You need not repeat here the role of the state agency which performed the A-95 review]

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

11. HUD Review and Action Process

11(a) Discuss the response of the HUD area office to the second year application for CDBG funds of this jurisdiction. What issues were raised by HUD concerning the application? What modifications, if any, were made to comply with HUD comments?

11(b) In the opinion of generalist local officials, when all phases of the CDBG program are considered, has the program resulted in an overall reduction in administrative requirements ("red tape") in this jurisdiction's relations with HUD from that which existed for the folded-in categoricals in which this jurisdiction participated? If it has, explain in what ways and to what extent. If it has resulted in what is perceived by local officials to be an increase in administrative requirements, indicate what factors local officials believe are responsible for the increase.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

11(d) Major Analysis Question on HUD Role

Discuss how this jurisdiction's relations with HUD have been affected by the CDBG program. In particular we ask you to comment on whether there has been any change in HUD's role from that played in the first program year and whether the overall level and character of HUD's involvement in local community development activities is different from that which existed prior to the CDBG program.

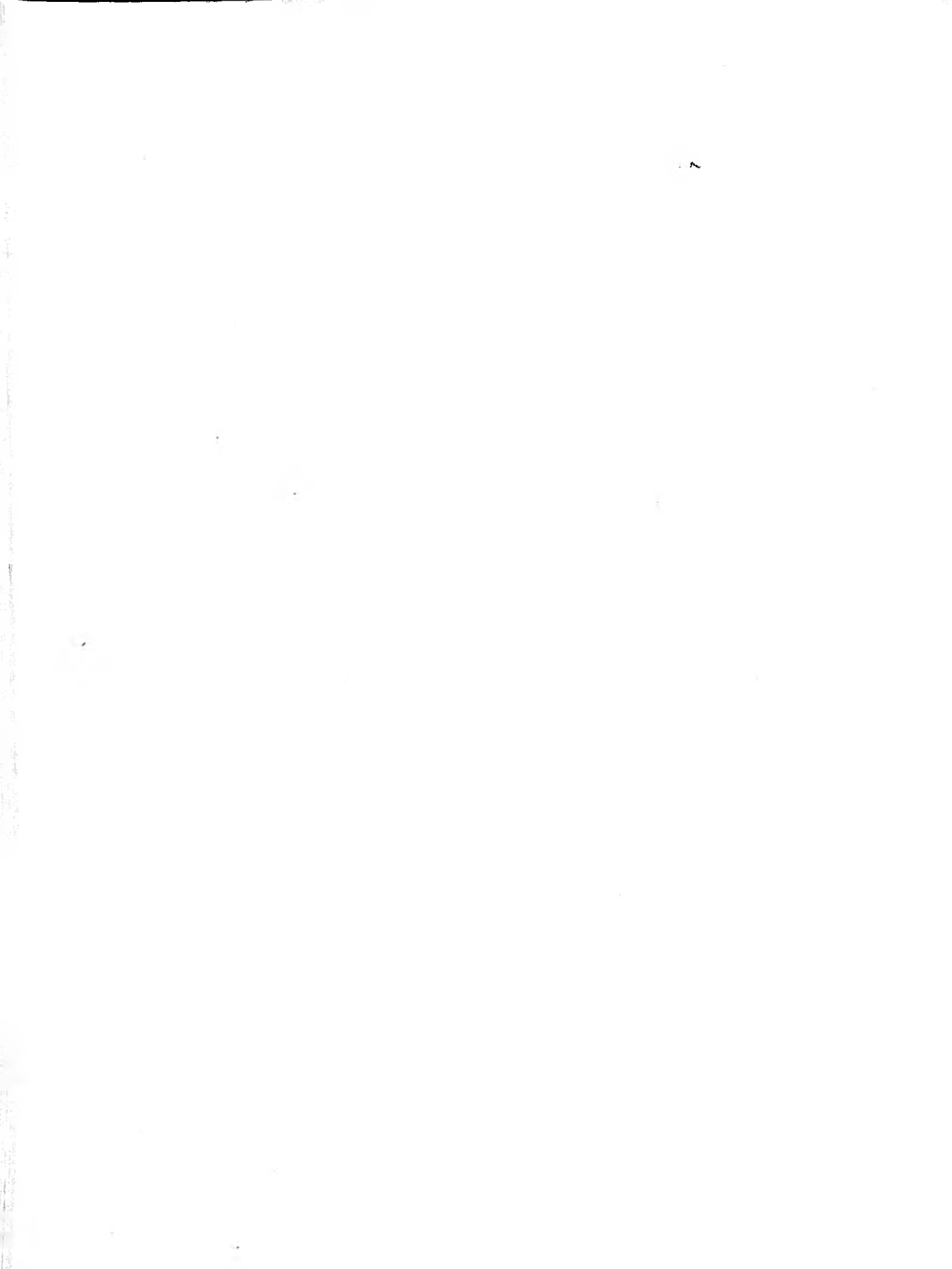
## Part II. CDBG Program Effects

This part of the Report Form deals with your assessment of the official data submitted by this jurisdiction as "Community Development Budget" for the second program year. First, we ask you to submit a photocopy of the "Community Development Budget" for the second program year as approved by HUD. Our form CD-1 is actually a copy of the HUD form. You can simply replace it with a photocopy of the "Community Development Budget" approved by HUD for this jurisdiction. If you are unable to obtain a copy of the jurisdiction's CD Budget, you can instead fill in the blank form CD-1 as provided.

After you obtain these data, we ask you to answer a series of questions on the data provided in this form and to assess the net fiscal effects of CDBG funds for this jurisdiction. Forms CD-2, CD-3 and CD-4 are provided for your analysis of net fiscal effects.

We would like your analysis of the net effects of CDBG funds (Forms CD-2, CD-3, and CD-4) to take into account all decisions made about the uses of CDBG funds for the second program year. We are not seeking actual expenditure or outlay effects rather we want what in federal budget parlance would be called "appropriations."

We recognize that some of your decisions on the net effects, especially for what you regard as "substitution effects," will be difficult to make. It would help if you would explain your reasoning for these kinds of decisions and then we can talk to you further, as needed, in our analysis of these data.





U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
COMMUNITY DEVELOPMENT BUDGET

A.  ORIGINAL  
 AMENDMENT

B. APPLICATION NO.

C. NAME OF APPLICANT

D. PROGRAM YEAR

FROM:

TO:

LINE NO.	E. PROGRAM ACTIVITY	AMOUNT	FOR HUD USE ONLY
1.	ACQUISITION OF REAL PROPERTY		
2.	PUBLIC WOBKS, FACILITIES, SITE IMPROVEMENTS		
3.	CODE ENFORCEMENT		
4.	CLEARANCE, DEMOLITION, REHABILITATION		
5.	REHABILITATION LOANS AND GRANTS		
6.	SPECIAL PROJECTS FOR ELDERLY AND HANDICAPPED		
7.	PAYMENTS FOR LOSS OF RENTAL INCOME		
8.	DISPOSITION OF REAL PROPERTY		
9.	PROVISION OF PUBLIC SERVICES		
10.	PAYMENT OF NON-FEDERAL SHARES		
11.	COMPLETION OF URBAN RENEWAL/NDP PROJECTS		
12.	RELOCATION PAYMENTS AND ASSISTANCE		
13.	PLANNING AND MANAGEMENT DEVELOPMENT		
14.	ADMINISTRATION		
15.	CONTINUATION OF MODEL CITIES ACTIVITIES		
16.	SUBTOTAL (Sum of Lines 1 thru 15)		
17.	CONTINGENCIES AND/OR UNSPECIFIED LOCAL OPTION ACTIVITIES (Not to exceed 10% of line 16)		
18.	TOTAL PROGRAM ACTIVITY COSTS (Sum of Lines 16 and 17)		
LINE NO.	F. RESOURCES FOR PROGRAM ACTIVITY COSTS		
1.	ENTITLEMENT OR DISCRETIONARY AMOUNT		
2.	LESS DEDUCTIONS		
3.	ENTITLEMENT/DISCRETIONARY AMOUNT FOR PROGRAM ACTIVITIES (Line 1 minus 2)		
4.	PROGRAM INCOME		
5.	SURPLUS FROM URBAN RENEWAL/NDP SETTLEMENT		
6.	LOAN PROCEEDS		
7.	REPROGRAMMED UNOBLIGATED FUNDS FROM PRIOR PROGRAM YEAR		
8.	TOTAL RESOURCES FOR PROGRAM ACTIVITY COSTS (Sum of Lines 3-7)		

<sup>1</sup>  Check box if costs include indirect costs which require approval of a cost allocation plan as required by Federal Management Circular 74-4.

## COMMUNITY DEVELOPMENT BUDGET INSTRUCTIONS

**ITEM A—ORIGINAL-AMENDMENT.** Check "original" box if this is the first budget to be approved in the current year, otherwise check "Amendment" box.

**ITEM B—APPLICATION NUMBER** Enter assigned application number.

**ITEM C—APPLICANT.** Enter the name of the unit of general local government as it appears in the Application for Federal Assistance, Item 4.

**ITEM D—PROGRAM YEAR.** Entitlement Applicants shall enter the starting and ending dates of the program year for which this application is being submitted. Discretionary Applicants leave blank.

**ITEM E—PROGRAM ACTIVITY.**

**LINE E. 1. —ACQUISITION OF REAL PROPERTY.** Enter costs of acquisition as defined in Section 570.200(a)(1).

**LINE E. 2. —PUBLIC WORKS, FACILITIES, SITE IMPROVEMENTS.** Enter the costs of acquisition, construction, reconstruction, or installation of public works facilities, and site for other improvements as defined in Section 570.200(a)(2).

**LINE E. 3. —CODE ENFORCEMENT.** Enter costs for code enforcement as defined in Section 570.200(a)(3).

**LINE E. 4. —CLEARANCE, DEMOLITION, REHABILITATION.** Enter the costs of clearance, demolition, removal, and rehabilitation as defined in Section 570.200 (a)(4).

**LINE E. 5. —REHABILITATION LOANS AND GRANTS.** Enter the costs of financing rehabilitation of privately owned properties as defined in Section 570.200 (a)(4).

**LINE E. 6. —SPECIAL PROJECTS FOR ELDERLY AND HANDICAPPED.** Enter the costs of program activity directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons as defined in Section 570.200 (a)(5).

**LINE E. 7. —PAYMENTS FOR LOSS OF RENTAL INCOME.** Enter the total of payments to housing owners for losses of rental income as defined in Section 570.200 (a)(6).

**LINE E. 8. —DISPOSITION OF REAL PROPERTY.** Enter the costs of disposition of real property as defined in Section 570.200 (a)(7).

**LINE E. 9. —PROVISION OF PUBLIC SERVICES.** Enter the costs of public services as defined in Section 570.200 (a)(8).

**LINE E. 10. —PAYMENT OF NON-FEDERAL SHARES.** Enter the total of payments representing non-Federal shares required for Federal grant-in-aid programs undertaken as part of the Community Development Program, to the extent that they are otherwise eligible as defined in Section 570.200 (a)(9).

**LINE E. 11. —COMPLETION OF URBAN RENEWAL NDP/PROJECTS.** Enter on this line only funds for: (1) completion of previously approved activities in urban renewal projects or NDPs funded under Title I of the Housing Act of 1949; and (2) repayment of project temporary loan indebtedness and interest. Attach a supporting schedule listing each urban renewal and NDP project number and indicating separately for each the amounts to be used in the new program year for completion of previously approved activities and the amounts to be used for repayment of loan indebtedness and interest. Do not include funds for repayment of project temporary loan indebtedness and interest on this line or in the supporting schedule where HUD determines or the applicant requests that a deduction be made from the applicant's grant to pay such costs pursuant to Section 570.802. Amounts so deducted shall be shown on line F. 2. All new activities, whether or not to complete the local urban renewal plan, shall be shown on other appropriate lines. (Section 570.200(a)(10).

**LINE E. 12. —RELOCATION PAYMENTS AND ASSISTANCE.** Enter the total costs of relocation payments and assistance as defined in Section 570.200(a)(11). The amount entered shall be sufficient to fully fund relocation payments and assistance pursuant to Section 570.602, for all persons expected to be displaced by activities receiving block grant assistance during the program year even if such displacement will not occur until a later program year.

**LINE E. 13.—PLANNING AND MANAGEMENT DEVELOPMENT.** Enter the costs of (1) developing a comprehensive community development plan and (2) developing a policy-planning-management capacity as defined in Section 570.200(a)(12).

**LINE E. 14. —ADMINISTRATION.** Enter reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities as defined in Section 570.200(a)(13).

**LINE E. 15. —CONTINUATION OF MODEL CITIES ACTIVITIES.** Enter the costs of carrying out any ongoing Model Cities program activity. The amount included in this entry for continuation of Model Cities Activities not otherwise eligible under the Act may not exceed the recipient's hold harmless amount attributable to Model Cities pursuant to Section 570.200(b). No activity costs should be entered in this program activity category after the fifth year of the applicant's Model Cities Program. After the fifth year, Model Cities activity costs which are eligible under the Community Development Program shall be shown on other appropriate lines.

**LINE E. 16. —SUBTOTAL.** Enter the total of lines 1 thru 15.

**LINE E. 17. —CONTINGENCIES AND/OR UNSPECIFIED LOCAL OPTION ACTIVITIES.** Enter the amount, not to exceed ten percent of line E. 16, locally determined as necessary to provide a contingency for designated activities and/or amounts for eligible unspecified program activities.

**LINE E 18. —TOTAL PROGRAM ACTIVITY COSTS.** Enter the sum of lines E. 16 and E. 17. The amount must equal the amount shown on line F8.

**ITEM F – RESOURCES FOR PROGRAM ACTIVITY COSTS.**

**LINE F. 1. –ENTITLEMENT OR DISCRETIONARY AMOUNT.** Enter the applicable amount as shown on HUD Form 7015, item 7.

**LINE F. 2. –LESS DEDUCTIONS.** Enter the total of grants to be used for: (1) repayment of urban renewal or NDP temporary loan indebtedness and interest where HUD determines or the applicant requests that a deduction be made from the applicant's grant to pay such costs pursuant to Section 570.802; and (2) security in connection with a HUD guaranteed Loan (Line F. 4 of Form HUD-7015.6). The amount representing repayment of temporary loan indebtedness and interest shall not include any amount shown on Line E. 11, Completion of Urban Renewal/NDP Projects. A supporting schedule indicating specific projects and the respective amounts relating to repayment of temporary loan indebtedness and interest shall be submitted.

**LINE F. 3. –ENTITLEMENT/DISCRETIONARY AMOUNT AVAILABLE FOR BUDGET ACTIVITIES.** Enter the difference between lines F. 1 and F. 2.

**LINE F. 4. –PROGRAM INCOME.** Enter total of all income to be derived from program activity for which there is reasonable assurance of receipt in time to apply to program activity costs in the program year. Such income includes rents, land disposition proceeds, interest earned on revolving funds, repayments of principal and interest on rehabilitation loans, etc.

**LINE F. 5. –SURPLUS FROM URBAN RENEWAL/NDP SETTLEMENT.** Enter the amount of surplus Federal grant, derived from financial settlement of urban renewal projects and NDPs completed after January 1, 1975, to be used as a resource in the program year. These amounts shall not be estimates, but shall be based on financial settlement documents.

**LINE F. 6. –LOAN PROCEEDS.** Enter the amount of funds to be borrowed using a HUD loan guarantee (line 6. of Application for Community Development Loan Guarantee, Form HUD-7015.6).

**LINE F. 7. –REPROGRAMMED UNOBLIGATED FUNDS – PRIOR PROGRAM YEAR.** Enter the total of funds from the prior program year budget that will not be obligated by the applicant prior to the beginning of the new program year which the applicant elects to use as a resource for new activities.

**LINE F. 8. –TOTAL RESOURCES FOR PROGRAM ACTIVITY COSTS.** Enter the total of Lines F. 3 thru F. 7.

*("For HUD Use Only" Column: This column is for HUD use during the review of the application. Changes will be made necessary to reflect corrections for typographical errors; errors in computation; deletions or adjustments for proposed activities which are determined to be ineligible.)*

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

12. Changes in First Year Program Net Fiscal Effects

Many jurisdictions revised their CDBG budgets during the first program year. In some cases this required submission of the budgetary revisions to HUD for approval; in others, the revisions were within broad program categories and did not require HUD approval.

Have there been changes because of budget revisions in the fiscal effects of the First Year CDBG Program which you reported in your first field report? If so, please discuss the changes and how they affect the net effects analysis which you submitted in February 1976.

No change in net effects analysis

Change in net effects analysis (Please present details below)

13. If the Total Program Activity Costs (Form CD-1, line E-18) for the second program year exceed the "Community Development Entitlement Amount" (Form CD-1, line F-1) by ten percent or more, please discuss the most significant categories (F-2 through F-7, Form CD-1) which provide the additional funds over the entitlement amount.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

## 14. Maintenance of Effort and Davis-Bacon Requirements.

Maintenance of Effort. HUD regulations require that funds provided under this program shall not be utilized to reduce substantially the amount of local financial support for community development activities provided prior to the act.

Davis-Bacon. Section 110 of the Act requires compliance with provisions of the Davis-Bacon Act as amended which provides that all workers employed by a contractor or sub-contractor on construction projects assisted under the Act be paid wages and rates not lower than those prevailing on similar construction in the locality. This provision applies to rehabilitation of dwellings if the property is designed for use of 8 or more families.

14(a) To what degree, in your opinion, were the allocations for the second program year of CDBG funds in this jurisdiction influenced by the Davis-Bacon provisions in the law? Were any of the activities funded by CDBG subject to the Davis-Bacon provision? If you checked 2, please explain.

	No Effect	Little Effect	Very Much Effect
Davis-Bacon	0	1	2

14(b) If this jurisdiction provided funds for CD activities prior to CDBG, indicate whether it has reduced or eliminated these expenditures in its present program and how much money was involved.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

15. Net Effects Report

Form CD-2 is provided for your assessment of the net effects of CDBG funds allocated for the first program year by this government, using net-effects categories similar -- but not identical -- to those used for the Brookings monitoring study of general revenue sharing.\* In essence, what is sought here is your best judgment as to the net impact of CDBG funds which may, or may not, coincide with the way in which expenditure data is officially accounted for in reports filed by this jurisdiction. Definitions of the net fiscal effect categories used in Form CD-2 follow the form.

Note that we are continuing to study spending effects in the CDBG program by comparison with pre-CDBG circumstances. The categories used for the first year are therefore retained and in dealing with the "new expenditures" and "program continuation" categories, you are asked to approach them by distinguishing between expenditures that are new to the CDBG program or that are continuations of programs started prior to CDBG. Therefore, funds to continue a program or activity begun with Year 1 CDBG funds would still be listed as a new expenditure and not as program continuation. Please bear in mind that it is very important that the uses you report for Year 2 and the kinds of breakdowns used should be consistent with those reported for Year 1.

[Note to Associates monitoring urban counties: Please assess the net effects of CDBG funds on the operations of the county government only, that is for their own direct expenditure of CDBG funds and indicate under item C those funds administered by participating municipalities.]

---

\*See Chapters 7 and 8 of Monitoring Revenue Sharing (Brookings, 1975).

NET FISCAL EFFECT CATEGORIES

B.1. NEW SPENDING EFFECTS

- a. New Capital Expenditures--Spending for capital projects or the purchase of equipment that, without CDBG funds, would in your judgment either not have occurred at all or would have occurred at least one year later.
- b. New or expanded operations--Operating expenditures initiated or expanded with CDBG funds.

B.2. CD PROGRAM CONTINUATION

The allocation of CDBG funds to on-going programs, formerly funded by the categorical grants consolidated into the Community Development Block Grant program.

B.3. PROGRAM MAINTENANCE EFFECTS

- a. Continuance of non-CD federally-aided programs--The allocation of CDBG funds to on-going programs formerly funded by non-CD federal grants where, in your judgment, the alternative course of action without CDBG funds would have been to cut or eliminate these existing programs.
- b. Other Program Maintenance--The allocation of CDBG funds to on-going programs not formerly funded by federal categorical grants where, in your judgment, the alternative course of action without CDBG funds would have been to reduce or eliminate these existing programs.

B.4. SUBSTITUTION EFFECTS--Instances in which CDBG funds have, in your judgment, ultimate substitution effects for:

- a. Increased Fund Balances--Allocation of CDBG funds to on-going programs where the net effect was to increase fund balances.
- b. Avoidance of Borrowing--Substitution of CDBG funds for borrowing that would otherwise have been undertaken.
- c. Tax Stabilization--the use of CDBG funds to finance existing \* ongoing programs or programs scheduled for this fiscal year (CD or non-CD programs) where the result in your judgment was to avoid an increase in tax rates which otherwise would have been approved.
- d. Tax Reducation--The use of CDBG funds to finance on-going programs where in your judgment the net result was to free up the jurisdiction's own resources and thereby permit a reduction in the tax rates.

B.5. OTHER NET EFFECTS--Effects not reportable under the foregoing categories, e.g. a reduction in charges or other nontax revenues.

\*The distinction between Program Maintenance (B.3. a-b) and Tax Stabilization (B.4.c) effects is often difficult to make. In the first case, what is involved is the use of CDBG funds for programs which in your best judgment would otherwise have been reduced or eliminated; tax stabilization involves your judgment that without federal aid funds for CD purposes, taxes would have been increased to continue to fund those programs for which CDBG funds were allocated.





Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

15(a) Net Effects Report

Form CD-2

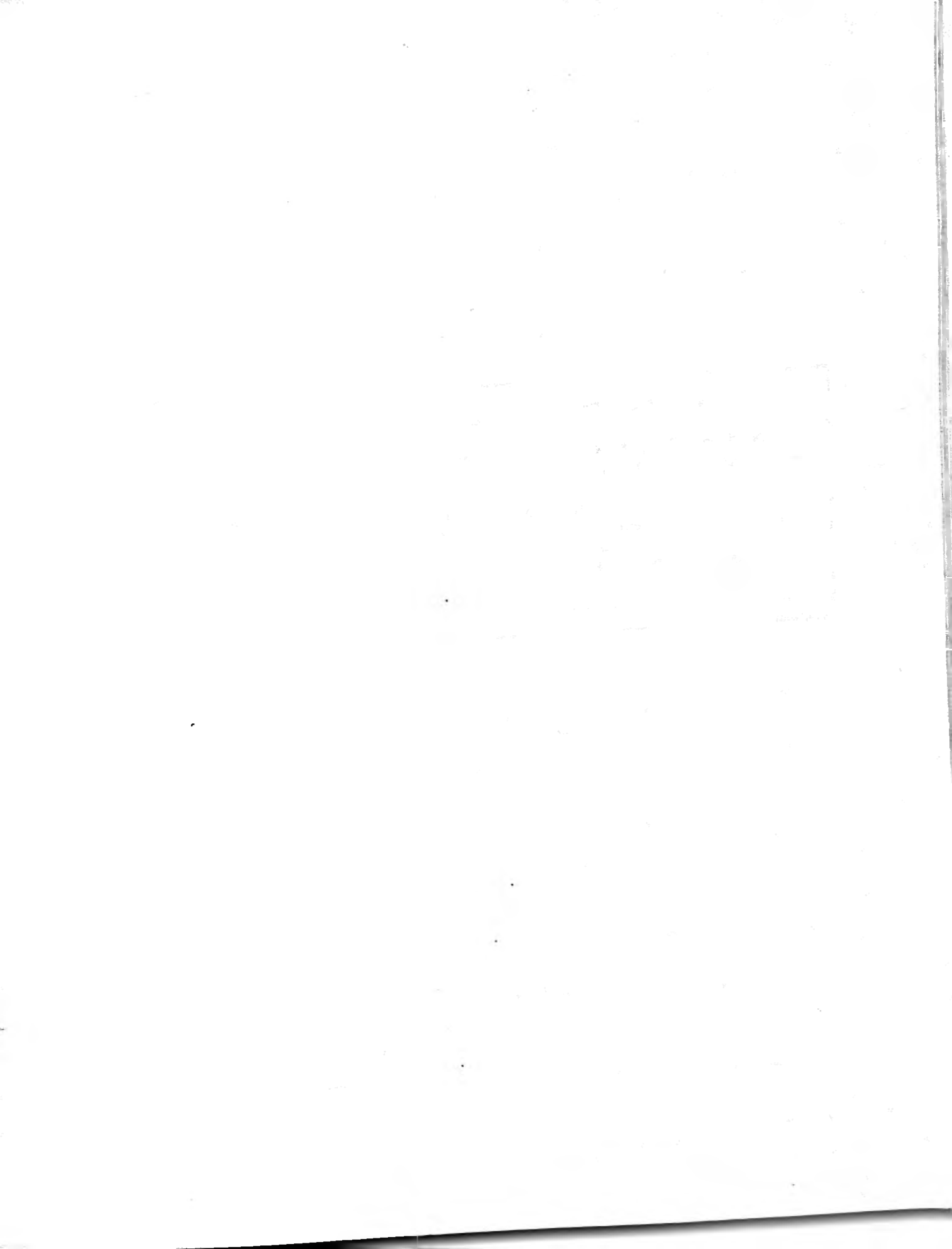
ITEM	AMOUNT (dollars)	
A. TOTAL PROGRAM ACTIVITY COSTS (as shown on Form CD-1, line 18)		
B. Net effects distribution of <u>Item A</u> :		
1. NEW SPENDING EFFECTS		
a. New Capital Expenditures		
b. New or Expanded Operations		
2. CD PROGRAM CONTINUATION		
3. PROGRAM MAINTENANCE EFFECTS		
a. Continuation of non-CD federally-aided programs		
b. Other Program Maintenance		
4. SUBSTITUTION EFFECTS		
a. Increased fund balances		
b. Avoidance of borrowing		
c. Tax stabilization		
d. Tax reduction		
5. Balance of Item A, for which net fiscal effects in your judgment cannot be allocated.		
*C. CDBG Funds Passed Through to Cooperating Municipalities		

\* Urban counties only

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

15(b) If you assigned funds in Form CD-2 to the CD Program Continuation category, we would like your assessment of what would have happened if no CDBG funds had been provided and if the folded-in grants had been discontinued. Would these projects have been undertaken anyway? If the answer is "yes," how do you think these activities would have been funded (e.g. tax increase, cuts in other programs, borrowing)?



Form CD-3 Detail on New Spending Effects

On form CD-3, we seek information, detailed by function, of programs funded with CDBG funds where you have allocated these funds to New Spending (Capital and Operating) for this jurisdiction.

Use form CD-3 to indicate the functional distribution of expenditure net effect amounts shown on form CD-2 at Items B-1.

Note that the functional distribution which you present in form CD-3 may not be the same as the functional detail given in the "Community Development Budget" (our form CD-1).

NOT TO BE FILLED OUT  
FOR URBAN COUNTIES  
EXCEPT FOR DIRECT  
COUNTY GOVERNMENT  
EXPENDITURES

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

15(c). Detail on New Spending Effects  
Form CD-3

Expenditure Category*	New Capital (dollars)	New or Expanded Operations (dollars)
1. Property acquisition, demolition and clearance		
2. Public facilities (Fill in major projects) a.		
b.		
3. Public Improvements: Streets, sidewalks & sewers (Fill in major projects) a.		
b.		
4. Housing (Rehabilitation)		
5. Social Services (Fill in major projects or programs) a.	X	
b.		
6. Relocation Assistance		
7. Planning and Program Administration		
8. Other (Fill in major projects or programs) a.		
b.		
9. Non-allocable: Balance which you are unable to allocate to an expenditure category		
Total (Same as Form CD-2, lines B-1.a and B-1.b)		

\*Where there are breakdowns not provided for on this page, please list them on a separate page.



Form CD-4 Detail on Program Maintenance Effects

On form CD-4, we seek information, detailed by function, of programs funded with CDBG funds where you have allocated these funds to Program Maintenance (Community Development Program Maintenance, Other Program Maintenance and Continuation of non-CDBG federal aid programs) for this jurisdiction.

Use form CD-4 to indicate the functional distribution of expenditure net effect amounts shown on form CD-2 at Items B.2.

Note that the functional distribution which you present in form CD-4 may not be the same as the functional detail given in the "Community Development Budget" (our form CD-1).

NOT TO BE FILLED OUT  
FOR URBAN COUNTIES  
EXCEPT FOR DIRECT  
COUNTY GOVERNMENT  
EXPENDITURES

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

15(d) Detail on Program Continuation and Maintenance Effects

Form CD-4

Expenditure Category *	CD Program Continuation (dollars)	Continuation of Non-CD Federal Aid Programs (dollars)	Other Program Maintenance (dollars)
1. Property acquisition, demolition, clearance and relocation			
2. Public facilities (Fill in major projects)			
a.			
b.			
3. Public Improvements: Streets, Sidewalks & Sewers			
4. Housing (Rehabilitation)			
5. Social Services (Fill in major projects or programs)			
a.			
b.			
c.			
6. Planning and Program Administration			
7. Other (Fill in major projects or programs)			
a.			
b.			
c.			
8. Non-allocable: Balance which you are unable to allocate to an expenditure category			
Total (Same as Form CD-2, lines B-2.a; B-2.b; and B-2.c.)			

\*Where there are breakdowns not provided for on this page, please list them on a separate page.



Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

15(e) Major Analysis Question

Please discuss what you consider to be the most important features of the net effects data you report, indicating the basis for your judgment. Here we ask you to consider and discuss not only the largest spending effects of the CDBG funds, but more importantly, those effects which in your judgment are most significant in that they represent shifts in priorities for this government.

Where you cite shifting priorities, please discuss not only those program areas where the initiation or expansion has occurred as a result of CDBG allocations, but also program areas where cut-backs or abandonments have occurred. We are particularly interested in those effects which indicate shifts in priorities from the first program year to the second.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

16(a) Geographical Distribution Analysis

This question asks you to consider the geographical distribution of CDBG program effects. First, we request that you submit a map of this jurisdiction in which you identify, separately, low and moderate income areas in terms of their dominant income characteristics, and then locate CDBG project areas where it is possible to do so on a geographical basis.

Following your comments at the April 1976 Conference, we have considered how specific we should be in defining low and moderate income. We have decided that we should, to the fullest extent that it is reasonably possible to do so, use the definitions in the CDBG Regulations and in HUD's First Annual Report on the Program: Low income: households with 0 - 50% of the SMSA median family income; Moderate income: households with 51 - 80% of the SMSA median family income.

To help us work with this data, we ask you to color in low-income areas in red and moderate-income areas in blue. As to what we mean by "area," we realize that in many jurisdictions income areas are generally regarded as identifiable neighborhoods, which may or may not conform to Census tracts grouped by income. If you find it more useful to think about this jurisdiction in terms of neighborhoods as certain generally-agreed upon areas, you can identify low and moderate-income areas in a way that essentially reflects the area's overall income characteristic.

-----

Using this map, please discuss the following issues concerning geographical distribution. Is there, especially for jurisdictions with significant previous experience with categorical grants, a continuation of benefits for a localized target area of the community or is there a wider geographical dispersion of such benefits?

Again, please indicate whether the second-year geographical distribution reflects a continuation of or departure from trends reported for the first program year.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

16(b) Income-Group Incidence Analysis (New Question based on Conference Discussion)

Putting together the geographical distribution and net fiscal effects analyses which you have presented in the previous question, we now ask you to consider the impacts of the CDBG programs on families and individuals in this jurisdiction according to income level.

Please allocate in 5 percentage-point blocks CDBG service and facility benefits on low- and moderate-income groups.

As pointed out at the April Conference, other kinds of benefits -- especially employment opportunities -- may flow from CDBG allocations. Identification of many different kinds of impacts is, of course, very difficult. We ask you to allocate in the accompanying table only those benefits resulting from facility-usage and service-delivery for persons in the income groups specified, using summary net effects categories.

To estimate these percentage allocations, you should use this decision rule: Where more than half of a project's benefits go to one income group, assign the total value of the project to that group.

As in the geographical distribution question, low income refers to households with 0-50% of the SMSA median income, and moderate income refers to households with 51-80% of the SMSA median income.

You should be assured that in any discussion of this data, we will make it absolutely clear that this is a difficult but important question, and that these are the best judgements by the Associates based on their knowledge of the communities being studied.

Net Fiscal Effect Categories	Income Group Incidence Categories					Total
	Low Income Families & Individuals	Moderate Income Families & Individuals	Other Income Groups	Community-wide/ Non-income Specific	Not Allocable on this basis	
New Spending						100%
CD Program Continuation						100%
Program Maintenance						100%
Substitution						100%

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

16(c) Income Group Incidence-Geographical DistributionMayor Analysis Question

Looking at your descriptions of the distribution of benefits by geography and by income group incidence, explain what kinds of major forces or considerations influenced these outcomes. Be especially attentive to the impact of the type and level of citizen participation, and type of representation in the local legislature, e.g. are members chosen at large or from districts? Are there particular pressures for them to deliver a share of the program funds to their districts or some special constituency?

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

16(d) Income-Group Incidence Discussion (New Question based on Conference Discussion)

Finally, drawing on the distribution of program benefits according to income groups which you have provided, we now ask you to comment in overall evaluative terms on that distribution. We ask you to consider and discuss other kinds of benefits, in particular employment opportunities, which you think are likely to accrue to these groups, but which are not reflected -- well or at all -- in your analysis.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

17. Community Development Funds As Leverage

17(a) If CDBG funds were used successfully in the second program year to attract local, private capital investment funds, what local sources were the target (e.g. lending institutions, real estate developers, etc.)? Would this jurisdiction, in your judgment, have engaged in the same activities to attract private investment capital if CDBG funds were not available? Where applicable, discuss type and program, amount of CDBG funds allocated, private investment source and amount.

Was this leveraging for the second year significantly different in scale or target from the first year? If yes, please discuss the differences.

[Note: The HUD application contains a form, "Community Development Program," where estimated other sources of funds (amount and source) are to be specified.]

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

17(b) If CDBG funds were allocated in the second program year for programs to be administered by local private agencies, were they for new social programs (i.e. programs not in existence in this jurisdiction prior to CDBG funds)? If so, in your judgment, would such programs and such administrative arrangements have been adopted if CDBG funds were not available? Where applicable, discuss type of program and contractual arrangement.

17(c) If CDBG funds were allocated during the second program year to match or otherwise attract federal funds, were these for new programs (i.e. programs which this jurisdiction did not have prior to CDBG funds)? If so would such funds have been applied for, in your judgment, if CDBG funds were not available? Please be as specific as you can respecting the programs and amounts of federal grant-in-aid dollars sought and indicate how these amounts compare with those for the first program year. [Note: See HUD Form "Community Development Program" where estimated other sources of funds (amount and source) are to be specified.]



Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

17(d) If CDBG funds were allocated during the second program year to match or otherwise attract state funds, were these for new programs (i.e. programs which this jurisdiction did not have prior to CDBG funds)? If so, in your judgment, would such state grants have been applied for if CDBG funds were not available? Be as specific as you can respecting the programs and amounts of state grant-in-aid dollars sought and indicate how these amounts compare with those for the first program year.

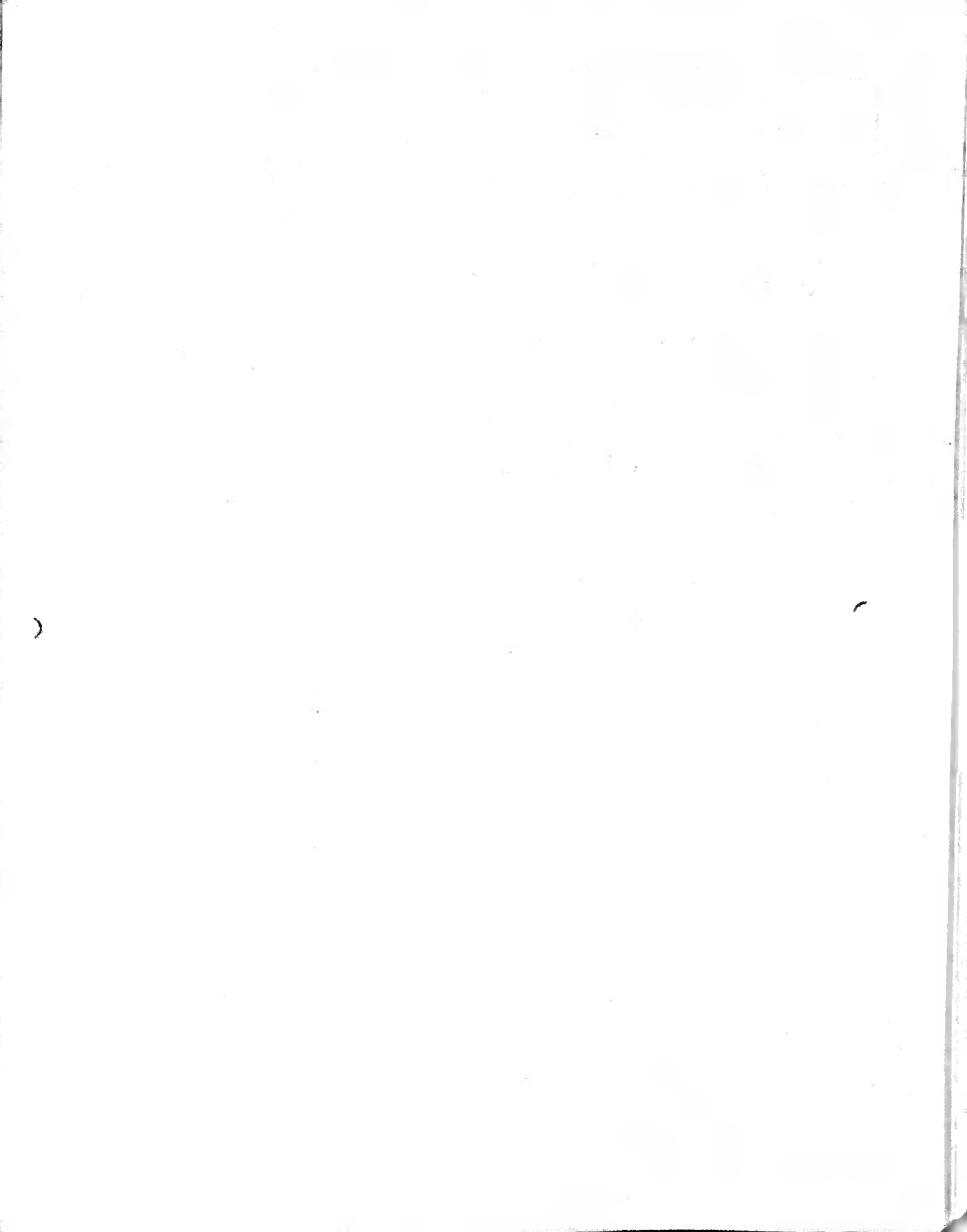
[Note: See HUD Form "Community Development Program" where estimated other sources of funds (amount and source) are to be specified]

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

18. Program Linkages

The CETA, Title XX, LEAA and GRS programs also make funds available to localities for a wide range of purposes. Please indicate whether, and to what extent, attempts were made to coordinate planning for, and the use of, these funds with the CDBG process. We would like you to compare the degree and character of such coordination during the second year with that reported for the first program year.



Part III. Second Year Program Evaluation and Third Year Trends

Note: In this part of the report we ask you to look at three issues. The first concerns the performance of local governments in their second program year activities. This includes local program evaluations as well as HUD's second year performance monitoring. By the time this report is due not all jurisdictions will have been monitored; questions (18b) and (18c) should be ignored where monitoring has not yet been undertaken.

The second issue covered is the evaluation of the cumulative impact of the two-year CDBG experience.

The third issue is a partial look at third year activities. We are not asking you to conduct a third round of monitoring but by the time this report is submitted (February 15, 1977) third year planning will be underway and you undoubtedly will find out about these planning activities as you work on the second year program. Some observations by you about the trends that appear to be emerging for the third year would be very helpful in rounding off our data gathering for this study.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

19. Program Evaluation and HUD's Performance Monitoring

19(a) Has this jurisdiction prepared a performance report for the second year or held public hearings on the conduct of the second year CDBG program? If it has, what major issues emerged with respect to the government's performance in implementing the program?

19(b) Was this jurisdiction visited by HUD officials as part of its performance monitoring for the second year program? If yes, were there specific issues or circumstances which you believe prompted the visit? What were they?

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

19(c) Have any changes been made by this jurisdiction in the conduct of the second year CDEG program, voluntarily or as a result of recommendations from HUD monitors? If yes, describe the changes.

20. Please evaluate this jurisdiction's performance in planning and implementing its CDBG program to date. Specifically we ask you to comment on how you rate the jurisdiction's overall capacity to implement the program for which community development funds have been provided and what steps, if any, have been taken to improve its planning and management capabilities as they relate to the community development effort.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

21. Impact on Local Government21(a) Decentralization Impact of CDBG

One way of looking at the CDBG program is as an instrument for decentralization, defined in terms of increasing the role and scope for decision making by generalist officials of local government vis a vis the federal government. Looking at the role of federal and local government officials in community development activities in this jurisdiction for the second program year, comment on the degree to which decentralization has occurred and how your findings compare with the trend reported for the first year of the program.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

2I(b) Closely related to the decentralization (federal to local) objective of the CDBG program is that of centralization of responsibility for CDBG activities in general local governments in contrast with the earlier distribution of responsibility among separate, functionally specialized local agencies. We would like you to comment on the degree to which a comprehensive planning or program approach has been promoted or is occurring in this jurisdiction and how the trend in this regard for the second year compared with that observed for the first year.



Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

21(c) Major Analysis Question

One of the objectives of the CDBG program is to contribute to an overall strengthening or improvement in the capability of local governments to carry out local management or implementation activities without extensive federal involvement. On the basis of this jurisdiction's performance thus far, indicate whether and to what extent the demands of the CDBG program and the resources it provides have contributed to the achievement of these objectives for this government.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

22. Third Year Activities

22(a) Is the staffing arrangement used in preparing the third year application different in any way from that which you described for the second year? If yes, describe the changes and their likely implications for this jurisdiction's third year program.

22(b) Has the role of generalists, especially local elected officials, changed in any way from that which you reported for the second year? If yes, describe and account for this change.

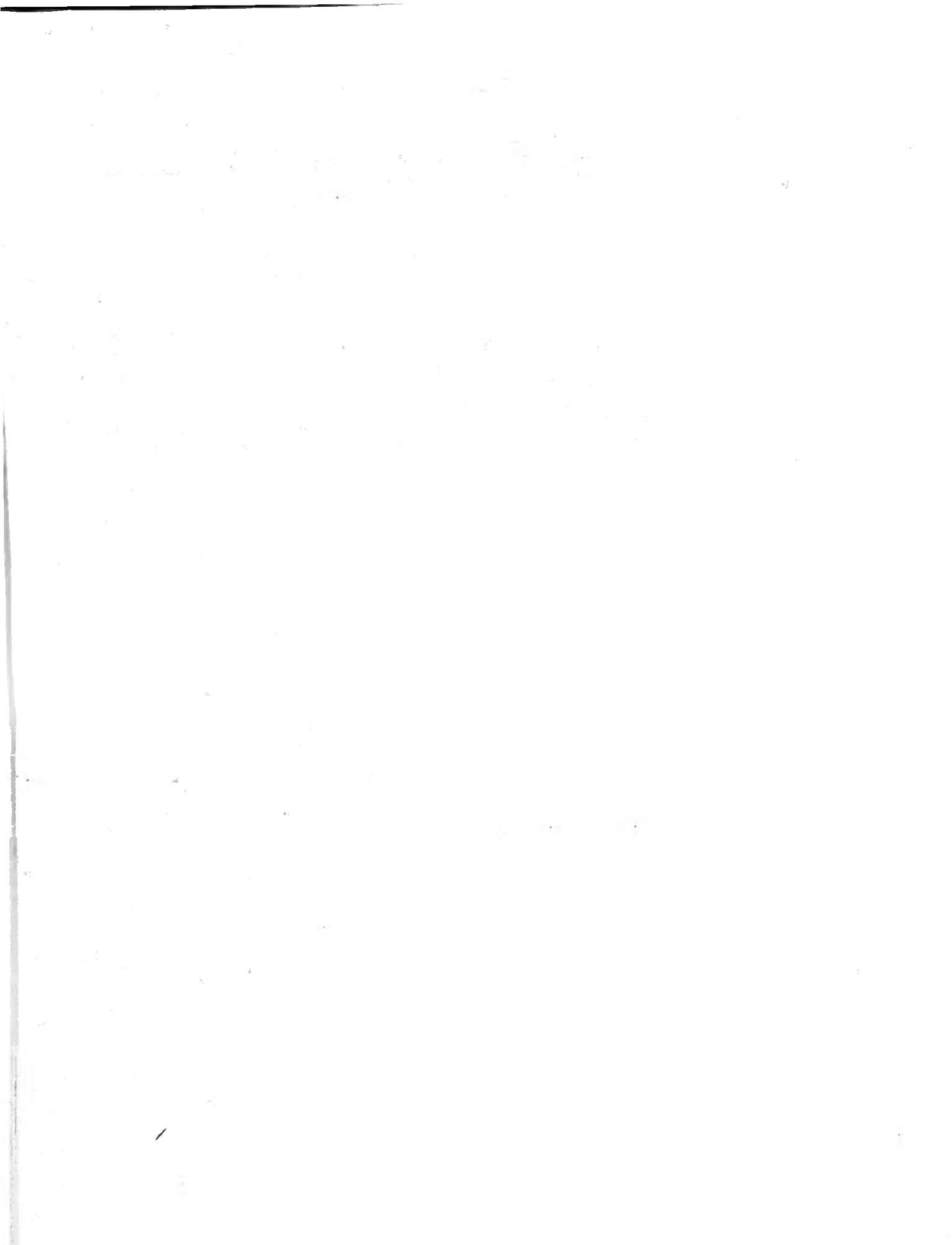
22(c) Has there been any change in this jurisdiction's approach to citizen participation in the CD application process from that which you described for Year Two? If yes, describe these changes and assess their likely impact on the application.

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

23. [Now that you have come to the end of over two years of observation of the CDBG program we now ask you to evaluate its overall impact on this jurisdiction.]

Looking at this jurisdiction's entire experience with the CDBG program we ask you now to assess that experience with respect to whether it has made a distinct, visible impact on the community by improving the appearance of some neighborhoods, increased or improved the supply of housing or provided important new facilities or services for the community as a whole and whether it has produced significant changes in local decision-making processes and power relationships.



Part IV. Research Statements

This part consists of six Summary Statements to which we would like you to respond. The statements are identical to the ones filled out for the first year except for Number 4 which asks you to compare the HUD role with that of the first year rather than prior to CDBG.

To be completed for the  
second program year.

Jurisdiction: \_\_\_\_\_

Associate: \_\_\_\_\_

Summary Statement Number 1  
Impact on Generalists

- A. Primary responsibility for priority-setting for community development programs and activities under CDBG was exercised by generalist officials of local government.

applies [Answer B]

applies to a limited extent [Answer B]

does not apply [Do not answer B]

- B. For this jurisdiction, such exercise of primary priority-setting responsibility for CD programs by generalist officials [check one]

was already the case

was already being developed and was aided by CDBG

is a new development in which CDBG was important

is a new development in which CDBG was not important

To be completed for the  
second program year.

49

Jurisdiction: \_\_\_\_\_

Associate: \_\_\_\_\_

Summary Statement Number 2  
Role and Relative Importance  
of Citizen Participation

A. Citizen participation was influential in terms of the final outcomes contained in the CDBG application.

applies for this jurisdiction [Answer B]

applies for this jurisdiction but to a limited extent [Answer B]

does not apply [Answer C]

B. In this jurisdiction citizen participation was influential because (check as many responses as apply)

citizens have a history of active participation in local affairs

the local government made a major effort to encourage participation under CDBG

local officials did not want to take full political responsibility for community development decisions under CDBG

C. In this jurisdiction citizen participation was not influential because (check as many responses as apply)

citizens had no previous experience with citizen participation and were not organized

the local government made no effort to encourage citizen participation

local officials were eager to pursue their own political goals under the CDBG program

To be completed for the  
second program year.

Jurisdiction: \_\_\_\_\_

Associate: \_\_\_\_\_

Summary Statement Number 3  
Treatment of the HAP

- A. This jurisdiction is now developing and implementing a comprehensive housing and community development strategy.

applies for this jurisdiction [Answer B]

applies for this jurisdiction, but to a limited extent [Answer B]

does not apply for this jurisdiction [Answer C]

- B. For this jurisdiction such a comprehensive housing and community development strategy (check one)

was already the case

was already being developed and was aided by the HAP

is a new development in which the HAP was important

is a new development in which the HAP was not important

- C. To the extent that a comprehensive housing and community development strategy is not being developed, the failure resulted from (check as many as apply)

lack of enough time to develop a plan and strategy

lack of pressure or direction from HUD

lack of funds to pursue housing needs of the jurisdiction

local opposition to the provision of low and moderate-income

Other: \_\_\_\_\_

\_\_\_\_\_



To be completed for the  
second program year.

Jurisdiction: \_\_\_\_\_

Associate: \_\_\_\_\_

Summary Statement Number 4  
Impact on HUD's  
Relations with Local Governments

- A. HUD's role in priority setting for this jurisdiction's community development activities is essentially the same as it was for the first year.

applies [Do not answer B or C]

does not apply [Answer B or C]

- B. To the extent that HUD's role has become less influential in determining community development priorities, this has happened with respect to (check as many as apply)

housing and the HAP

citizen participation

determination of eligible activities

determination of eligible areas

Other: \_\_\_\_\_

- C. To the extent HUD's role has become more influential in determining community development priorities, this has happened with respect to (check as many as apply)

housing and the HAP

citizen participation

the determination of eligible activities

the determination of eligible areas

Other: \_\_\_\_\_

To be completed for the  
second program year.

Jurisdiction: \_\_\_\_\_

Associate: \_\_\_\_\_

Summary Statement Number 5  
Impact on Intergovernmental Relations

- A. In the immediate future the CDBG program appears likely to increase cooperation among units of local government within the geographical area of this jurisdiction informally as well as through formal bodies like Councils of Government and other areawide planning organizations.

applies for this jurisdiction [Answer B]

applies for this jurisdiction, but to a limited extent [Answer B]

does not apply for this jurisdiction [Do not answer B]

- B. Type of cooperation likely to be increased by CDBG (check as many as apply)

city-county

inter-city

for regional services such as: \_\_\_\_\_

cooperation between CDBG recipient jurisdictions and special district governments for: \_\_\_\_\_

\_\_\_\_\_

To be completed for the  
second program year.

Jurisdiction: \_\_\_\_\_

Associate: \_\_\_\_\_

Summary Statement Number 6  
Urban Counties in the CDBG Program

[for urban counties only]

- A. The county government is demonstrating strong interest in meeting local community development and housing needs.

applies for this jurisdiction [Answer B]

applies for this jurisdiction, but to a limited extent [Answer B]

does not apply for this jurisdiction [Do not answer B]

- B. For this urban county, such interest (check one)

was already the case

was already being developed and was aided by CDBG

is a new development in which CDBG was important

is a new development in which CDBG was not important

Government: \_\_\_\_\_

Reported by: \_\_\_\_\_

24. Final Question

No doubt the Report Form fails to cover all of the important issues in the CDBG program in this jurisdiction which you think we should know about. We ask you to discuss here aspects of the program which you consider important but which you have not had an opportunity to discuss in response to the questions asked. For example, we invite Associates with urban counties to discuss their observations of the interaction between the county government and its cooperating incorporated municipalities with respect to the way cooperation agreements were worked out and whether the process has affected overall relations between the county and these municipalities.

FOLLOW UP INFORMATION REQUESTED

Jurisdiction: \_\_\_\_\_

General Issue Involved:

This year we are combining our generalist and citizen participation chapters into a single chapter on the Decision-Making Process. In this way we hope to more effectively present the Legislative, Executive, and Citizen roles by integrating them to portray the range of CDBG processes.

To do this we again need your cooperation. Our intention is to use four models--Executive-, Citizen-, Legislative-, and HUD-centered models to present the spectrum of CDBG processes. When we use the term "centered" we are referring to dominance in determining outcomes--what went into the application.

The following brief descriptions of the four types may help you to understand what we consider to be Executive-, Citizen-, Legislative-, and HUD-centered processes. We stress the point that the following are specific illustrations drawn from your field reports. Subsequently, we will develop more general models.

Executive-centered:

In this jurisdiction, activities keyed in on the City Manager who gave the go ahead to the city planner and his assistant. The assistant did most of the technical work, feeding it back to the city planner and then to the manager. The City Manager, it must be stressed, made all program decisions--this was his program. The city council is not involved in a strong way but with an election coming up some council members expressed interest in several projects. Once contacted in that regard, however, HUD advised that they would be ruled ineligible. In general city hall tries to accommodate needs of citizens and does a good job convincing them that the city proposals are what the citizens need or, said another way, what finances, circumstances and the federal government will allow.

Jurisdiction: \_\_\_\_\_

Citizen-centered

"In this jurisdiction in response to demands of a strong coalition of citizen groups, a neighborhood-based, elected, Citizens Advisory Board was constituted and charged with developing a draft application to be presented to the City Council. Elected representatives held weekly meetings in their target areas. The Council also created a technical assistance committee, made up of staff from several depts. to work with and assist the CAC in preparing a draft application. On the recommendation of the technical committee the CAC organized itself into 5 subcommittees--human relations, physical improvement, housing assistance, affirmative action, and an overall steering committee. These subcommittees held separate meetings to work on specific aspects of the application. The steering committee pulled together the recommendations of the other subcommittees; trimming the proposed expenditures to meet the city's entitlement amount and then submitting its draft application to the Council. The City Council reviewed the draft application and approved it with only a few modifications."

Legislative-centered

"In this urban county the County Administration has never played a dominant role vis-a-vis the County Board of Supervisors. Without prior categorical experience and lacking in adequate county staff, the Board made the decision to contract with a private consulting firm to prepare the application, but it was the Board that decided how the money would be divided. The consultant provided the Supervisors with a formula by which each district would be allotted a portion of the grant according to need. The Supervisors themselves, with consultation from suburban mayors within their own districts, and with technical assistance from the consulting firm in regard to project eligibility, decided the projects to be undertaken in their districts with their portion of the grant."

Jurisdiction: \_\_\_\_\_HUD-centered

"In this small discretionary community the Director of Planning prepared all material related to the application. He had no one to delegate this kind of activity to. While the Manager was the nominal supervisor of the activity he was quick to admit that CDBG was the planning director's idea and his responsibility. The planning director was the only official who communicated with the HUD area office. To say that he 'listened carefully' would be an understatement! The result of this was that the application was tailored to meet HUD area office demands, at least to the extent that their demands were articulated and could be understood."

We expect that very few, if any, of the sample will be pure forms of these models. In order to classify your jurisdictions according to this typology we plan to rely on Associates' assessments. We would like you to assign ten influence points among the four groups--Executive, Legislative, Citizens and HUD for the second program year. Consider influence measured by level of impact on the content of the second year CDBG program. For example a balanced process might have allocated points as follows:

	Executive	3
	Citizens	3
	Legislative	2
	HUD	2
(Please specify)	Other	0
	<hr/>	<hr/>
	Total	10

We would appreciate any additional comments or qualifications you feel necessary to flesh out our understanding. If you are experiencing difficulties completing the attached form contact Paul Dommel (202-797-6069 between August 23 and September 8) or Margaret Wrightson (703-491-6972).

Jurisdiction: \_\_\_\_\_

Specific information requested:

Executive	_____
Legislative	_____
Citizen	_____
HUD	_____
Other	_____
_____	
Total	10

If this distribution is different from year one - how would you have allocated them then?





U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410  
OFFICIAL BUSINESS  
PENALTY FOR PRIVATE USE: \$300

DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT  
POSTAGE AND FEES PAID  
HUD-401  
FIRST CLASS MAIL



November 1978  
HUD-PDR-354