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# DEREGULATING COMMUNITY DEVELOPMENT

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by

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**Report on the Cleveland State University Field Study  
of the Community Development Block Grant Program  
Prepared under Contract HC-5547**

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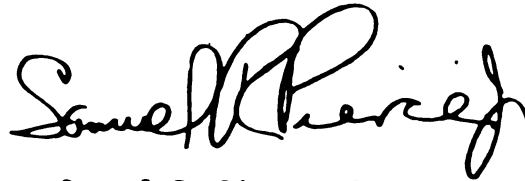
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## FOREWORD

This report is the fifth and final in a series covering the first eight years of the Community Development Block Grant Program. These reports -- the first four of which were prepared by the Brookings Institution -- rely on an experienced group of field observers to assess the many changes in the program over its brief history.

The major recent development in the entitlement communities part of the CDBG program is the deregulation resulting from the 1981 legislation and related regulatory changes. The report's findings are instructive about the value of deregulation and decentralization of national government domestic programs. The study found that HUD's effect on local decision-making was reduced, and that grantees made use of the increased flexibility in the choice and location of community development activities. However, with the exception of increased economic development activities, the overall mix of funded activities and distribution of direct benefits were not greatly different than before the 1981 changes.

The added flexibility enhances CDBG's value as a relatively discretionary revenue source for capital spending in a period of fiscal constraint. The CDBG program helps local officials maintain continuity in local development priorities and continued emphasis on neighborhood-oriented revitalization. The initial objectives of the 1974 Act are being well served by the decentralization and deregulation achieved with the 1981 legislation and subsequent regulatory changes.



Samuel R. Pierce, Jr.  
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## CONTENTS

	<u>PAGE</u>
Executive Summary	vii
Chapter 1.           INTRODUCTION	1
Research Design	3
Field Network Evaluation System	4
Sample	6
Major Findings	6
Decisionmaking and Administration	6
Programs and Strategies	7
Direct Benefits	11
Summary	11
Chapter 2.           THE CDBG SETTING	13
National Goals and Decentralization	13
Shifting from "Hands-on" to Deregulation	16
Administrative Deregulation	17
Legislative Deregulation	18
The 1981 Amendments	20
Local Fiscal and Political Factors	25
Fiscal Factors	25
Political Changes	26
Chapter 3.           INTERGOVERNMENTAL ISSUES AND THE CDBG DECISION PROCESS	28
Intergovernmental Issues	28
Findings	30
Changing Patterns in the Decisionmaking Process	36
Summary of Findings	36
Decision Processes	40
Decisionmakers: Influence and Roles	43
HUD Influence	43
HUD Role	45
Local Executive Roles and Influence	48
Legislative Influence	52
Citizen Participation	55
Local Administration of Deregulation	62
Administrative Capacity	63
Administrative Costs	64
Looking Ahead	66

	<u>PAGE</u>
<b>Chapter 4.                   PROGRAMS AND STRATEGIES</b>	<b>69</b>
<b>Program Allocations</b>	<b>71</b>
Program Activities	71
Summary of Findings	73
Housing Rehabilitation	78
Public Improvements	82
Economic Development	87
Public Services	91
Nonprofit Organizations	95
 <b>Continuity and Change in Program Activities</b>	 <b>100</b>
 <b>Community Development Strategies</b>	 <b>104</b>
Development Strategies	105
Fiscal Strategies	109
Geographic Strategies	116
 <b>Looking Ahead</b>	 <b>121</b>
 <b>Appendix</b>	 <b>124</b>
 <b>Chapter 5.                   SOCIAL TARGETING</b>	 <b>127</b>
<b>Background</b>	<b>127</b>
<b>Analysis</b>	<b>130</b>
Summary of Findings	131
Continuity and Change	133
Effects of Federal Policy Changes	141
Benefits as a Local Issue	143
Availability of Information on Benefits	143
 <b>Looking Ahead</b>	 <b>147</b>
 <b>Chapter 6.                   CONCLUSION</b>	 <b>150</b>
 <b>Appendix                   FIELD ANALYSIS FORM</b>	 <b>153</b>



LIST OF TABLES

	<u>PAGE</u>	
1-1	Sample Cities and Some Characteristics.	5
3-1	Number of Jurisdictions Where HUD-Local Issues Occurred, by Type of Issue, Years 5 through 8.	31
3-2	Leading Actors in Defining Program Content, Number of Jurisdictions, Years 2 through 8.	37
3-3	Changes in Relative Influence over Program Content, by Number of Jurisdictions, Years 5 through 8.	38
3-4	Types of Decisionmaking Process, Number of Jurisdictions, Years 2 through 8.	41
3-5	HUD's Influence Over Program Content, Number of Jurisdictions, Years 3 through 8.	44
3-6	HUD's Role in the CDBG Process, Number of Jurisdictions, Years 2 through 8.	47
3-7	Number of Jurisdictions in Which each Type of Executive Actor was the Highest Ranking Actor in Terms of Influence over Program Content, Years 1 through 8.	50
3-8	Number of Hearings, Years 7 and 8.	56
3-9	Dominant Forms of Citizen Access, Number of Jurisdictions, Years 1 through 8.	59
4-1	CDBG Entitlements for Ten Sample Cities, Years 6 through 8 (thousands of dollars).	70
4-2	Program Allocations, Years 1 through 8 (unweighted mean percentages).	74
4-3	Program Allocations, Years 1 through 8 (thousands of dollars; mean percentages in parentheses).	75
4-4	Number of Cities and Level of Allocations for Program Categories, Years 6 through 8.	76
4-5	Allocations for Housing Rehabilitation, Years 1 through 8 (thousands of dollars; unweighted mean percentages in parentheses).	80

4-6	Allocations for Public Improvements, Years 1 through 8.	83
4-7	Allocations for Economic Development (thousands of dollars; unweighted mean percentages in parentheses).	88
4-8	Allocations for Services, Years 1 through 8 (thousands of dollars; unweighted mean percentages in parentheses).	93
4-9	Allocations for Nonprofit Organizations, Years 5 through 8 (thousands of dollars; unweighted mean percentage in parentheses).	96
4-10	Percentage of CDBG Funds Allocated for Previously Funded CDBG Activities, Years 2 through 8.	102
4-11	Allocations for Neighborhood Revitalization Activities (thousands of dollars; unweighted mean percentages in parentheses).	107
4-12	Fiscal Effects of Major Federal Program Changes, FY 1982.	113
4-13	Incidence of Changes in Number, Boundaries, and Activity Mix of Target Areas, Years 7 and 8.	117
5-1	Comparison of Ten Sample Cities' Social Targeting to the Mean of Thirty Central Cities, Years 1 through 6.	129
5-2	Changes in Benefit Levels in Ten Sample Cities, Years 1 through 9.	132
5-3	Percentages of Income Group Benefits, by Program Category, Years 2 through 6 (unweighted mean percentages).	135

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## EXECUTIVE SUMMARY

### Introduction

In 1981, changes were initiated in the Community Development Block Grant (CDBG) program as part of a broader set of proposed domestic policy changes designed to reduce the role of the Federal government in intergovernmental policy and decisionmaking.

In the entitlement portion of the CDBG program, two of the major changes were the elimination of the requirement for a detailed, comprehensive local application for funds and the 75 day "veto" period for Federal review of the application. The new "application" or submission process was intended to enlarge local responsibility for community development decisions by providing greater discretion to local officials in choosing what to do and where to do it. Another factor affecting CDBG during 1981 and 1982, years 7 and 8 of the program, was a reduction of funds. Separately or combined, the greater local discretion in CDBG decisionmaking and the lower level of Federal aid had the potential for importantly affecting local decisions.

This report examines the initial effects of these CDBG policy changes in ten large cities during years 7 and 8 of the program and assesses the initial program direction in these cities during year 9. The ten cities were chosen from a larger sample used in previous HUD-funded field monitoring research of the CDBG program covering the first six years of the program. That research was carried out at the Brookings Institution and transferred to Cleveland State University in 1982. The ten sample cities are Atlanta, Chicago, Cleveland, Houston, Los Angeles, Phoenix, Rochester, St. Louis, Seattle, and Worcester (Mass.). Because of the small sample size and the exclusion of suburban cities and urban counties, the findings of the study are not intended to represent the general impact of the policy changes for all

entitlement jurisdictions. The more limited purpose is to identify emerging issues resulting from the policy changes and the possible broader implications of these changes on the entitlement cities and counties.

### Findings

Throughout the eight years of this field research, the focal points of analysis have been intergovernmental issues and local decisionmaking, local program priorities, and the distribution of benefits among income groups.

Decisionmaking. The study makes a distinction between HUD's influence on the content of local programs and the agency's broader involvement in the formulation, processing, approval, and implementation of local CDBG programs. The HUD role involves a wide range of formal and informal interaction with local officials on both programmatic and procedural issues.

In the ten cities in the present sample HUD's direct influence on local program content had never been significant, except for Houston. Most of the cities in the current sample are large central cities that had been participants in the urban renewal and model cities programs and generally have a strong sense of their community development needs and priorities. However, in many communities HUD may have indirectly influenced program content through its creation of the CDBG policy environment (e.g., designation of eligible activities, targeting policies, and HAP requirements). HUD's broader involvement in local decisionmaking had been steadily increasing over the first six years of the program. That growing involvement was related to a more aggressive HUD policy during the four years (1977 - 1980) of the Carter Administration to impose targeting policies on recipient communities and to oversee more closely various aspects of program implementation.

The evidence for program years 7 and 8 indicated that HUD's generally low level of influence on local program choices during the first six years declined further. Moreover, there were indications that the agency's broader involvement in the local decision process was also declining, at least partially as a result of the elimination of the detailed application process. However, there were reports from a few cities in the sample that the HUD area office staff was giving

closer scrutiny than in the past to the details of local program management, presumably because of the agency's "fraud, waste, and mismanagement" standard of performance implemented soon after the new Administration took office in 1981.

At the local level, the chief executives and the local government officials administering CDBG continued to dominate the decisionmaking process. However, there was also evidence in some of the sample cities of a greater influence of citizen and legislative participants in the decision process. The increased influence of citizens and legislators appeared to be, in part, a response to the greater flexibility in the block grant program which encouraged them to become more active because they perceived new opportunities to gain approval of projects they supported. Also, greater citizen involvement was partially a response to the funding reductions in CDBG and other Federal aid programs. This induced some citizen groups to become more active to retain CDBG funding or to get block grant funds as a replacement for other Federal aid.

Program priorities. Although it is too early to determine the longer term effects of the policy changes, there appeared to have been considerable continuity in local development choices among the ten sample cities, at least between years 7 and 8. Much of this continuity appeared to be the result of the institutionalization of the decision process and the continued acceptance and support of previous program priorities by participants in that process. However, there was some evidence that local decisionmakers have done some things differently with the added discretion resulting from policy changes in the program.

The clearest evidence of the exercise of that discretion was the higher priority given to economic development. For the ten cities as a whole, economic development was only fourth among the program categories in dollar allocations, but in several cities there was a substantial increase in the share of funds for such activities. An important factor accounting for the higher priority in some cities was the election of new mayors who emphasized economic development and job-creation. However, implementation of this goal was facilitated by the added flexibility given to eligible economic development activities in the policy changes. Allocations for economic development in the sample cities increased from an average of 9 percent in year 6 to 12 percent in year 8. More importantly, in year 8, dollar allocations for economic development increased by 7 percent while total program funds declined by 12 percent, thus indicating a choice in priorities under a

condition of declining resources. Only one city reduced its allocation for economic development activities, dropping from 4 percent in year 6 to zero percent in year 8.

The greatest decline in priorities was in public works activities. Allocations for public works among the ten sample cities declined from an average of 24 percent in year 7 to only 16 percent in year 8. The decline in dollars was even more pronounced. While the total dollars in the sample cities declined by 12 percent between years 7 and 8, allocations for public works dropped by 47 percent. A major factor that may account for that drop was that public works have a variety of Federal, State, and local funding sources and there were considerable sums of money in the public works pipeline so that, in the short-term, CDBG-funded public works could be reduced.

Housing assistance, primarily rehabilitation loans and grants, continues to play an important role in CDBG programs. Housing remained the single largest program category in the sample cities. In year 8, housing represented more than one-third of total program funds for the ten cities, about the same level as year 7, and a slightly higher share than in year 6 when CDBG funding reached a peak. However, two cities reduced their allocations for housing well beyond the reduction in their grants.

In allocations for public services, the new 10 percent limit on such spending may present the most troubling future problem for local officials and citizen groups in some of the sample cities. These cities generally had been above the 10 percent limit in previous years and, by law, were permitted to exceed that limit in year 8. However, the ceiling must be met in 1985; thus, some difficult decisions in this politically sensitive area will have to be made by local officials in some cities. This is particularly true in Chicago and Seattle where allocations for public services exceeded 25 percent in year 8. In both cities the trend over the years has been toward an increasing share of funds for public services. The share of program funds in the ten sample cities allocated for services increased from 12 percent in year 6 to 14 percent in year 8, the highest level at any time over the 8 years of the program. Six of the ten cities were above the 10 percent limit in year 8. However, the problem of meeting the 10 percent limit may not be a general one. Four of the ten cities were already at that level or below in year 8. The prior field research based on a larger sample showed that a number of communities made no allocations for public services. HUD research for the department's 1982 CDBG annual report indicated that there was a converging of communities toward the 10 percent level in service allocations.



While the 10 percent limit is a new constraint on local discretion, additional flexibility was given to where the services could be implemented in a community. Prior to the policy changes, services had to be tied geographically to physical development activities. The geographic restriction on the distribution of services has been removed and communities are now permitted to extend services to any part of the community. Some have chosen to expand CDBG-funded public services into new geographic areas. Similarly, in several cities housing rehabilitation assistance was extended to new geographic areas as local programs were revised to include citywide eligibility for some housing rehabilitation programs.

Benefits. The programmatic changes did not appear to have affected significantly the distribution of direct benefits (primarily services) among income groups in the sample cities. Generally, these cities had a relatively high level of direct benefits to low- and moderate-income groups in previous years. Two of the cities in the sample decreased their level of direct benefits in year 7, while five showed an increase and three remained at the same level as the previous year. A similar pattern was found for year 8. However, the field associates for this study in six of the cities anticipated that direct benefit levels would decline in year 9 and perhaps in future years as the sample cities shift program allocations and design in various ways, including reducing their service spending to meet the 10 percent limit.

### Conclusion

During the Carter Administration, the agency's aggressive oversight had come to encompass both the application and the implementation stages of the CDBG program. Local officials learned to accommodate themselves to the more detailed application process and the targeting policies which were instituted to establish a development framework for the program choices included in the application. However, they frequently found the increasing Federal involvement in various local management arrangements to be an intrusion into traditionally local prerogatives. Under the policy changes begun in 1981, HUD's oversight of the CDBG program appears to have shifted substantially from the application to the implementation and performance stages of the program. Whether the fraud, waste, and mismanagement emphasis brings a new wave of HUD intervention into local CDBG programs depends ultimately on the kinds of issues raised by HUD and how they are to be resolved--on a case by case basis or by uniform regulation.

Another implication of the policy changes concerns the relationship between program choices and the distribution of program benefits. Some communities used the added flexibility on eligible economic development activities to increase such allocations. Throughout the field monitoring research, it was found that economic development activities tended to yield a lower level of direct benefits to low- and moderate-income groups than did other kinds of CDBG activities. In contrast, spending on public services, heavily oriented toward social services, produced a much higher level of lower income benefits. The 10 percent limit on public service spending is likely to have an adverse effect on total program benefits. In some communities the combination of the added flexibility on economic development activities and the limitation on public service spending could have a negative impact on the income targeting provisions of the law. As communities shift from activities that have primarily personal benefits to those that entail areal benefits, the critical determinant of the maintenance of social targeting is the income character of the geographic areas in which CDBG activities take place. Therefore, it is possible for cities to change their program mix to include more area-based activities and continue to maintain their social targeting levels provided that a majority of project area residents are of low- and moderate-income.

The added flexibility of CDBG appeared to make it increasingly possible for local officials to treat the program funds as a highly discretionary revenue source. Aside from general revenue sharing, CDBG may be the principal source of discretionary money remaining in some cities, as other sources of State and Federal assistance are reduced and own-source tax revenues come under added fiscal pressure. However, there is an important difference between general revenue sharing and CDBG. General revenue sharing has been used increasingly over the years for operating funds. In contrast, CDBG has been used increasingly for a wide range of capital spending activities, a trend that is likely to continue with the new 10 percent ceiling on public services spending. Within this framework of an orientation toward capital expenditures, the added flexibility of CDBG is likely to make the block grant a more integral part of local fiscal policy and a means to absorb some of the fiscal pressure resulting from any reductions in other revenue sources.

In summary, the 1981 legislative and administrative policy changes introduced added flexibility into the CDBG program. This made it possible for local participants in the decision process to make some changes in the kinds of activities funded and the geographic location of these activities within the community. Nevertheless, such changes operated within a basic framework of continuity of local development priorities which meant a continued emphasis on neighborhood-oriented revitalization.

## Chapter 1

### INTRODUCTION

The Community Development Block Grant (CDBG) was enacted in 1974, consolidating several separate discretionary grant programs of the Department of Housing and Urban Development (HUD) into a single formula grant. As originally enacted, funds were distributed by formula to large cities and populous counties with additional funds available for small communities through discretionary grants from HUD. The two largest programs consolidated into the block grant were Urban Renewal (including the Neighborhood Development Program) and Model Cities.<sup>1</sup>

The central purpose of the CDBG program was to transfer substantial decisionmaking authority from Federal to local officials and to provide the latter with more flexibility in the use of the funds. Decentralization was the procedural goal of the block grant, but the 1974 legislation also included substantive goals aimed at eliminating or preventing slums and blight, assuring that the primary benefits of the program went to low- and moderate-income groups, or assisting with problems of a particular urgency.

The CDBG program was extended (reauthorized) twice. In 1977, the extension was accompanied by a major change in the allocation system with the introduction of a dual formula system which retained the original formula but added a second one that directed a larger share of the funds to the older, declining cities. A city received the higher amount of the two formulas. In 1980, a second three-year extension was enacted with no major changes made in the law. In 1981, the block grant underwent major revision in the Budget Reconciliation Act with the intended effect of greatly reducing the Federal role that had begun to grow during the administration of President Carter. The 1981 changes did not affect the three-year extension period enacted the previous year. CDBG is up for extension in 1983.

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<sup>1</sup>The other programs merged into the block grant were grants for water and sewer projects, neighborhood facilities, and open spaces, and loans for public facilities.

Throughout the period since enactment of CDBG, HUD has funded extensive longitudinal research on the program, focusing on the evolution of the Federal role and local decisionmaking, the programmatic use of CDBG funds, and the distribution of direct benefits among income groups. This study is the fifth and final report of that series.

The first and second reports covered the first two years of the program, 1975 and 1976, the period of the Ford Administration.<sup>2</sup> The third report analyzed the third and fourth years of the program, 1977 and 1978, to determine the initial impact of the Carter Administration's policies which substantially raised the level of Federal involvement in the program.<sup>3</sup> The fourth report covered years 5 and 6 (1979 and 1980), the final two years of the Carter Administration, when Federal involvement continued to expand.<sup>4</sup>

This report covers the seventh and eighth years of the program, generally 1981 and 1982. This introductory chapter provides a general background on the research and lists the principal findings for program years 7 and 8. Chapter 2 discusses in detail the changing policy factors affecting the two program years studied. Chapter 3 analyzes the various intergovernmental issues that arose between HUD and local governments and examines the local decision processes and the influence on program choices of the various participants in that process. Chapters 4 and 5 focus on substantive findings concerning local program allocations and strategies and the distribution of benefits among income groups. Chapter 6 presents the research conclusions based on eight years of field research. The theme of the report is deregulation, reflecting a major new policy context that was initiated in 1981.

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<sup>2</sup>Richard P. Nathan, Paul R. Dommel, Sarah F. Liebschutz, Milton D. Morris and Associates, Block Grants for Community Development, Department of Housing and Urban Development (Washington, D.C.: Government Printing Office, 1977). Paul R. Dommel, Richard P. Nathan, Sarah F. Liebschutz, Margaret T. Wrightson and Associates, Decentralizing Community Development, Department of Housing and Urban Development (Washington, D.C.: Government Printing Office, 1978).

<sup>3</sup>Paul R. Dommel, Victor E. Bach, Sarah F. Liebschutz, Leonard S. Rubinowitz and Associates, Targeting Community Development, Department of Housing and Urban Development (Washington, D.C.: Government Printing Office, 1980).

<sup>4</sup>Paul R. Dommel, James C. Musselwhite, Sarah F. Liebschutz and Associates, Implementing Community Development, Department of Housing and Urban Development (Washington, D.C.: Government Printing Office, 1982).

## Research Design

Major legislative and administrative changes were initiated in the CDBG program in 1981 to implement the Reagan Administration's policies to greatly reduce the Federal role in intergovernmental decisionmaking. Administrative changes began to occur just as most communities were submitting their year 7 (1981) applications to HUD for review and approval or as some were just getting their year 7 programs underway. Thus, year 7 was a transition year for CDBG and year 8 (1982) was the first program year in which the new policies were applicable. In the entitlement city portion of the CDBG program, the most notable change affecting year 8 programs was elimination of both the requirement for a local application for funds and the 75-day "veto" period for Federal review and approval of the applications. In place of the application a submission package was substituted which, as discussed in Chapter 3, required less information and was not subject to HUD disapproval. The intended effect of the new funding process was to enlarge local responsibility for community development decisions while reducing the Federal role. A second important factor affecting CDBG was the reduction of funds for program years 7 and 8. In year 7, the total program funds in the sample cities was 6 percent less than year 6, the peak funding year for CDBG; in year 8, the funds declined an additional 12 percent on the average in the sample cities.

The greater local discretion in CDBG decisionmaking and the lower level of Federal aid had the potential for importantly affecting local decisions. The changes represented a reversal of policy and funding trends of the first six years of CDBG and thus represented a new policy context for local decisionmaking.<sup>5</sup> But local CDBG decisionmaking was operating within a still larger change in the policy environment. Other intergovernmental programs were also being eliminated or reduced. The conclusion of the previous report in this series stated that, "the competition for funds involves not only competition within the CDBG decisionmaking arena, but also between CDBG constituents and constituents of other aid programs."<sup>6</sup>

To include this broader local fiscal context, the CDBG field research was coordinated with a field research project being carried out at Princeton University under the direction of Richard P. Nathan, and getting underway at the same time. The Princeton research, funded by the Ford Foundation, assesses the impact of Federal policy changes on a wide range of aid programs. The coordination of the two projects was facilitated by the overlapping of the research sample and the field associates.

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<sup>5</sup>For history of CDBG policy development, see: Paul R. Dommel and Associates, Decentralizing Urban Policy, (Washington, D.C.: Brookings Institution, 1982).

<sup>6</sup>Implementing Community Development, p. 192.

## Field Network Evaluation System

The CDBG field research on entitlement communities, of which this report is a continuation, began in 1975 at the Brookings Institution and was moved to Cleveland State University in 1982. The research uses a field network evaluation system (FNES) as the basic data collection and analytical approach. This involves a network of resident observers, primarily university-based political scientists, who study an agreed-upon set of process and program issues in communities where they live or in nearby communities with which they are familiar. The associates use a uniform research instrument to generate the "field research data" referred to hereafter, basing their analyses on standardized budget and program data wherever possible, memorandums and other informational documents, locally developed government data, and interviews with key officials and participants in the decisionmaking process. The central staff for this report, located at Cleveland State and Northwestern Universities, maintained contact with the associates, reviewed and coded the field research data, and conducted the overall analysis.

One of the major advantages of the CDBG field network is the experience of the field associates with the program in their jurisdictions; in previous rounds each associate covered two or three recipient communities. Further involvement in other field network research, including the Princeton study, puts them at a good vantage point for assessments about the general applicability of their findings. This is one of the major advantages offered by longitudinal policy research, particularly when that research has been continuous since the inception of the program.

Continuity of the research team is also important. For example, the experience gained by that continuity makes it possible to develop and interpret with confidence a quantified indicator such as the influence points used in Chapter 3 to assess complex decision systems. This continuity is important not only to making the judgments for a given program year, but also in measuring trends across observation years. In some CDBG policy areas such as the level of benefits to lower income groups, it may be as important to know the trend of those benefits over the eight program years as to know the levels of benefits in any particular program year. In seven of the ten sample cities, the same associate has been involved in the research since the first program year; in one city the same associate has been involved since the third program year; in the remaining two cities the same associate or a member of a local research team has been doing the field work since year 5. Thus, the minimum continuity is four program years.

An important feature of the FNES approach is the research conference, where the central staff and field associates discuss the principal policy issues to be studied and develop the final field analysis form (Appendix). The CDBG conference for the fifth round of research was held on May 20-21, 1982, in Cleveland, Ohio. The field associates gathered data during the summer of 1982, and submitted their reports at the beginning of September. The Princeton field work was also carried out during the summer with reports submitted at the beginning of October. Data from the Princeton research were

**Table 1-1. Sample Cities and Some Characteristics**

City	Region	1980 Population	Grant (\$Millions)		
			Year 6 1980	Year 7 1981	Year 8 1982
Atlanta, GA	South	425,022	15.1	14.7	11.8
Chicago, IL	Midwest	3,005,072	128.4	122.2	106.6
Cleveland, OH	Midwest	573,822	39.2	37.6	32.4
Houston, TX	South	1,595,138	28.3	27.3	23.5
Los Angeles, CA	West	2,966,850	56.9	54.8	47.7
Phoenix, AZ	West	789,704	11.4	10.4	9.8
Rochester, NY	Northeast	241,741	13.0	12.4	11.0
St. Louis, MO	Midwest	453,085	35.2	33.5	30.2
Seattle, WA	West	493,846	17.2	16.4	13.7
Worcester, MA	Northeast	161,799	6.3	6.0	5.2

Source: Grant data from the U.S. Department of Housing and Urban Development.

provided to the CDBG field research central staff at Cleveland State and Northwestern Universities.

### Sample

The sample for this report was ten central cities (table 1-1). Eight of these (all except Atlanta and Worcester) were also in the Princeton study. The first three rounds of research, covering program years 1 through 4 (1975-1978), included 61 sample jurisdictions; among these were nine small hold-harmless communities. The fourth round, covering years 5 and 6 had fifty-two jurisdictions; the nine small communities were dropped because their grants had become very small or they had been shifted to discretionary funding which operated under different rules. The larger samples used previously included both central and suburban entitlement cities, as well as urban counties.

There were two principal reasons for HUD's wanting a smaller sample for years 7 and 8. The first was economy; it costs less and the reduction in HUD's research funds made the larger sample too costly. The second was time. Previously a full round of research from the research conference through the submission of the draft report to HUD required about 18 months. Because of the policy cycle associated with the extension legislation, the available time for data collection, analysis, and writing was cut by about one-half. This required reducing the sample size substantially.

The sample size has important implications for the analytical structure of this report. First, the sample included ten large central cities, the smallest being about 162,000 population. Consequently, the sizes of the grants are commensurately large and thus provide information and insights on programs of significant size. Second, because of the small sample size, the analysis is more reliant on qualitative information and illustrative support than in the past when the analysis was more quantitative. Thus, the findings are not intended to represent the general impact of the policy changes for all entitlement jurisdictions, but rather to identify emerging issues resulting from the policy changes and the possible broader implications of these changes on the entitlement cities and counties. Because of this it is pointed out in various places in the report the extent to which the ten central cities in the sample are representative of the larger previous samples. It is also noted where findings from HUD's 1983 CDBG Annual Report, based on a sample of 200 entitlement communities, differs in any substantial way from or supports the findings in the ten cities.

## **Major Findings**

### Decisionmaking and Administration

1. HUD's involvement in CDBG decisionmaking declined in the sample cities in year 8 of the program, at least partially as the result of the 1981 legislative changes that eliminated the application process. In the cities in this sample, however, HUD's influence in setting local program priorities had never been great; thus, the drop in HUD influence over local program content was not a marked one.



2. At the local level, executive participants remained the dominant actors in CDBG decisionmaking in the sample cities, although in some cities there was some evidence of a larger role by legislative and citizen participants. In several cities with new mayors, there was a reassertion of chief executive authority which in turn had an influence on program choices, particularly in increasing allocations for economic development. In those cities showing some indications of greater legislative and citizen influence, the added flexibility resulting from deregulation appeared to have induced these participants to become more active in the decision process. Some increased citizen involvement resulted from the Federal cuts in CDBG and other aid programs, inducing some groups to be more aggressive in seeking funds.

3. In another aspect of local processes, several sample cities took steps to link the CDBG allocation process more closely with the regular local budget process. In a few cases this greater centralization of local budgetary decisions was prompted by local fiscal pressures and a desire to coordinate better local fiscal resources. In some instances this resulted in using CDBG to fund activities which might previously have been funded from other sources.

### Programs and Strategies

1. Housing assistance remained the dominant program choice in the sample cities and did not appear to be affected by the Federal policy changes. In year 8 housing represented more than one-third of total program funds, about the same level as year 7, and a slightly higher share than in year 6.<sup>7</sup> This continued high priority for housing appeared to result from several factors:

- a. It is an activity in which visible improvements usually can be seen in a relatively short time; thus, it is politically attractive to local officials as a sign of progress.
- b. City officials can measure the demand relatively easily through the backlog of applications for housing rehabilitation loans and grants.
- c. Housing rehabilitation is a relatively new municipal government activity (prior to CDBG, most publicly funded housing rehabilitation was generally done by semi-autonomous housing and renewal authorities), and one for which there are few alternative sources of funding.

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<sup>7</sup>This summary presents priorities on the basis of the share of funds for a category of activities. The share is presented as an unweighted mean which measures average program allocations across the sample; it eliminates the skewing effect of large grants to larger jurisdictions. Chapter 4 presents an analysis of priorities based on dollar amounts and trends.

- d. Housing rehabilitation leverages private investment, and where loan programs are used it involves a payback which can be recycled for additional activity; several communities have shifted from grant to loan assistance.
- e. In many communities, HUD applied pressure during the Carter Administration to do more housing and local officials continued that priority.
- f. Cities have mastered the "rehab puzzle"; that is, housing rehabilitation programs are now underway in most communities without any major implementation problems.

2. Public Improvements. Allocations for public works dropped in year 8 in the sample cities. Although the share of funds allocated remained fairly stable in year 7, there was a large decline in year 8 with the share dropping from an average of 24 percent in year 7 to 16 percent in year 8. Declines in dollar allocations were even more pronounced. In year 8 dollar allocations for public improvements declined at a rate nearly 4 times greater than the overall decline in total program funds. This decline is attributed to several interrelated factors:

- a. Public works is a traditional local government function and funding comes from multiple sources. Also, considerable sums of money are likely to be in the pipeline. Therefore, CDBG funding can be cut with no immediate, short-term decline in public works activity.
- b. Public improvements do not have the organized, aggregate demand that has developed for housing rehabilitation and, in combination with multiple funding sources, can therefore be more readily reduced, at least in the near-term.
- c. Public improvements are generally small, discrete activities which can be shifted around, if necessary, to meet any particular organized demand. Such activities can still be carried out despite an overall drop in funds.
- d. When cities face fiscal pressure, one of the first decisions is to defer capital improvements and maintenance, particularly for infrastructure, and to use available funds in the operating budget.

3. Economic development. Several cities gave increased priority to economic development. Allocations increased in the sample cities from an average of 8 percent in year 7 to 12 percent in year 8. More importantly, in year 8, dollar allocations for economic development increased by 7 percent while total program funds declined by 12 percent, thus indicating a clear choice in priorities under a condition of declining resources. Several factors appear to account for the higher priority:

- a. Creation of demand from the top for economic development; generally, it has not been popular among citizen groups and thus demand has not been generated from the bottom. In several cities mayors are pushing economic development as a top priority and are using CDBG funds to carry out those plans. This is particularly evident in Atlanta, Houston, and St. Louis.
- b. HUD has loosened its guidelines on eligible economic development activities, giving local officials greater flexibility in the kinds of activities they can fund.
- c. The general state of the national economy gave new appeal to economic development and job-creation. The higher priority may also reflect the Carter Administration's emphasis on public/private partnerships (e.g., UDAGs) and the Reagan Administration's continued emphasis on such partnerships, giving an added push for activities that leverage private investment.

4. Public Services. The sample cities, which generally provided above-average allocations for public services in previous years, are not rushing to meet the 10 percent limit established in the 1981 legislative changes on allocations for services. The share of program funds in the sample cities allocated for public services increased from 12 percent in year 6 to 14 percent in year 8 which was the highest level at any time over the eight years of the program for the ten cities. HUD is permitted to waive the 10 percent limit through fiscal 1984 for jurisdictions that were above the limit in 1981. Factors that contributed to requests for waivers to exceed the legislative ceiling include:

- a. With a general decline in resources from other Federal and State programs, there are no alternative sources of funding readily available to pick up these services.
- b. Citizens' demands for social services tend to be the most vocal and are well organized. Therefore, there is some near-term political risk for local officials involved in making such reductions.

The 10 percent limit on public services is likely to give officials in some jurisdictions their greatest problem over the next few years as they seek to adjust their allocations down to that limit. This is most likely to be the case in those cities which participated in the Model Cities program as these cities tend to have higher allocations for public services. For this sample, the greatest adjustments will have to be made in Chicago and Seattle which made allocations for public services exceeding 20 percent in year 8. It must be noted, however, that there are many entitlement jurisdictions which have never funded public services from CDBG and others which have been below the 10 percent limit. Thus, any pains in adjustment will not be evenly distributed across all entitlement jurisdictions.

5. Continuation of previously funded activities. Allocations for the continuation of activities started under CDBG continued their upward trend through year 7 (an increase from 72 to 88 percent) but dropped in year 8, as a number of cities in the sample shifted to funding new undertakings. Nevertheless, program continuity still predominated--80 percent of program funds in year 8 went for the continuation of previously funded CDBG activities.<sup>8</sup> Several factors may account for the decline in program continuity in year 8.

- a. Year 7 was the end of the three-year plan required for the first time in the fifth program year. Thus, year 8 offered the first opportunity for a "new start." This, in combination with the greater flexibility provided by the new Federal policies, facilitated shifting of funds to new activities.
- b. With the end of the regulations on the Neighborhood Strategy Areas (NSAs), issued to encourage the geographic concentration of activities, and the elimination of the linkage between NSAs and services, there were opportunities to undertake some new activities (capital or services) in new areas of the community.

These findings do not necessarily mean a continuing downward trend in program continuation, since there are large parts of local programs which have become established priorities with considerable constituency support. The new undertakings in year 8 more likely reflected an initial local response to the new flexibility; in most sample cities local officials chose to undertake a limited number of new activities in new places.

6. Strategies. Neighborhood revitalization focusing on housing rehabilitation and related public works still characterizes the dominant strategy of most recipients in the sample. However, the emphasis on neighborhood revitalization may be changing in some cities. Economic development is receiving an increasingly large allocation in some cities. It is also possible that increasing fiscal pressures may be forcing some jurisdictions to pick CDBG priorities more on the basis of overall budgetary needs than development preferences; that is, to shift some activities that might normally be funded from non-CDBG revenues over to block grant funding and dropping or lowering some previous CDBG priorities.

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<sup>8</sup>In this report the proportion of CDBG funds allocated for the continuation of previously funded CDBG activities is used as a measure of program continuity. To fully explore the extent of program continuity one would also have to examine the structure of each individual CDBG activity (e.g., program design, administering agency, etc.) and its geographic location.

7. Geographic targeting. A few cities in the sample have started development activities in new geographical areas; the cities where this was most evident were Cleveland, Houston, and Los Angeles. Only Atlanta and Seattle showed evidence of increased geographic targeting and this generally resulted from past HUD pressures to do so.

### Direct Benefits

There did not appear to be a significant change in the level of direct benefits to low- and moderate-income groups in the sample cities for year 7 and 8. However, field associates in six of the ten cities anticipated that direct benefit levels would decline to some extent in year 9. They predicted the decline as the result of some shifting in the mix of CDBG activities. The expected shift, a modest one at this point, is from those activities tending to yield high levels of direct benefits to low- and moderate-income groups to activities where the level of those benefits is lower. The shifts appeared to be related to the general added flexibility of the program rather than to any local desire to alter the distribution of benefits themselves. Generally, a lower level of direct benefits is most likely to occur where economic development is given priority. As cities adjust to the 10 percent ceiling on public services, a decline in benefits to lower income groups is likely to be felt in those places where the emphasis has been on social services directed specifically toward low- and moderate-income persons.

Potentially adding to the decline in such benefits is a shift in some housing rehabilitation programs from grants to loans. This is likely to shift the income level of participants to a relatively higher income group, although the new beneficiaries may still be within the low- and moderate-income range. Also, some cities are expanding their housing rehabilitation programs from limited target areas to a citywide approach. While income eligibility tests may still be applicable, citywide programs may be prone to reduced targeting of direct benefits.

### Summary

The changes that occurred in program years 7 and 8 in the sample cities were the result of a mix of local factors and Federal policy changes. Local politics, fiscal factors, and bargaining among local participants in the decision process have always been important parts of the CDBG allocation process. They continue to be so, although there is some evidence that increased fiscal pressures may become more important in CDBG decisionmaking.

At the same time, the Federal policy changes seemed to have facilitated, if not caused, some of the major findings presented above. These facilitating factors included the end of the application process, a reduced HUD role at the funding stage of decisionmaking, and greater flexibility in the kinds of eligible activities and where they can be geographically located in a community.

Overall, there was considerable continuity in local development priorities, with neighborhood revitalization remaining the strategic centerpiece of most sample cities. Such continuity was not a surprise since the local decision process and development priorities have tended over the years since CDBG started to become institutionalized and supported by various constituencies. Nevertheless, the amount of change found so soon after the policy changes were instituted was surprising. This was most evident in the new interest in economic development in some cities, but occurred also in other aspects of local programming such as the decision in a few cities to spread activities across a wider geographic area.

The report now examines in more detail the Federal policy changes that were made in 1981, and the local political and fiscal decisions in the sample cities that affected local CDBG programs in years 7 and 8 of the program.

## Chapter 2

### THE CDBG SETTING

Local CDBG programs are influenced by both external policies and local factors. The external policies involve the Federal role in local processes and program choices and the amount of Federal money provided. At the local level political and fiscal factors may have important consequences for CDBG decisionmaking. This chapter examines the external and internal policy setting to serve as a contextual background for the subsequent chapters on decisionmaking, program priorities, and social targeting.

#### National Goals and Decentralization

A theme throughout the CDBG monitoring research has been the policy tension between the substantive national objectives of the CDBG law and the procedural goal of greater decentralization of decisionmaking. Viewing the first six years of the program, the previous reports capsulized the general evolution of Federal policy as a shift from "hands-off" to "hands-on", as HUD officials came increasingly to emphasize the substantive goals rather than the decentralization objective. The substantive objectives specified in the 1974 law were prevention or elimination of slums or blight, directing the principal direct benefits of the program to low- and moderate-income groups ("social targeting") or taking care of local needs of a particular urgency.

Evidence of HUD concern for the substantive goals began to appear as early as the second program year during the administration of President Ford. But it was HUD officials during the administration of President Carter who made the explicit choice to escalate substantially the Federal role in the program and shift the central policy emphasis from decentralization to substance. As part of that shift HUD officials also expressed a clear policy preference among the three national objectives, choosing social targeting as their highest program priority.

The new policy choice was expressed soon after the Carter administration took office when the new HUD Secretary, Patricia R. Harris, told a Senate committee:

The basic administrative machinery is now in place. It is time to determine if the funds are being spent to carry out a clear

strategy: Are they being used primarily to benefit low- and moderate-income persons?<sup>1</sup>

Thus, local accountability for the use of CDBG funds was defined in terms of the substantive national objectives and, more particularly, social targeting. By mid-April 1977, HUD made its social targeting policy explicit in a directive from the Assistant Secretary of Community Planning and Development to the CDBG field staff. This was followed in the fall of 1977 with proposed new regulations on social targeting, as well as other aspects of the program. Two weeks before the proposed regulations were published, amendments to CDBG were signed into law, but it would be fair to say that the new social targeting policies were based more on what the administrators had already decided and begun to implement than upon any major changes made in the legislation.

The proposed regulations generated considerable controversy because they would have required an established percentage of program benefits to go to lower income groups. The proposed rule came to be known as the 75-25 rule (at least 75 percent of the benefits to go primarily to lower income groups).<sup>2</sup> The previous studies in this research indicated that HUD's social targeting policy did result in a higher level of direct benefits to low- and moderate-income groups in some jurisdictions, but many communities had no direct conflicts with that policy.<sup>3</sup> Nevertheless, the 75-25 rule took on a symbolic meaning, connoting to some Congressmen and local officials HUD's exercise of discretionary authority never intended by the law at the expense of local discretionary authority which they argued was intended.

The final regulations promulgated in the spring of 1978 were somewhat less stringent in imposing any quota but the third field research report concluded that, "Although HUD did not get all that it wanted on the benefits issue, recipient communities could not ignore HUD's preferred policy on social targeting."<sup>4</sup>

HUD's social targeting policy was accompanied by another targeting policy, the concentration of funds in a delineated area of a community to achieve visible results--geographic targeting. The policy on geographic targeting was expressed in the 1978 regulations providing for Neighborhood

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<sup>1</sup>Housing and Community Development Legislation of 1977, Hearings before the committee on Banking, Housing and Urban Affairs. U.S. Senate, 95th Cong. 1st Sess., April 18, 1977, p. 114.

<sup>2</sup>For Background on targeting policy, see: Paul R. Dommel and others, Targeting Community Development, Department of Housing and Urban Development (Washington, D.C.: Government Printing Office, January 1980), pp. 9-21.

<sup>3</sup>Ibid., pp. 160-73.

<sup>4</sup>Ibid., p. 21.



Strategy Areas (NSAs), which encouraged the concentration of CDBG physical development activities to show visible physical improvement in a delineated area within a reasonable period of time. Although HUD did not mandate the delineation of such NSAs, it directed that public services could only be funded with CDBG money if the services principally went to residents of an NSA. Thus, communities seeking to fund services would have to establish such target areas and assure that the majority of the services went to residents of the area. The NSA policy had been a continuous issue between HUD and some communities, involving the number and size of NSAs, and whether the services were really oriented toward residents of the target areas.

In operationalizing its targeting policies, HUD focused initially on the local grant application to determine whether the proposed activities in the application adhered to the social and geographic targeting goals. Thus, the local application as an expression of intentions was used by HUD as a major instrument of local accountability for carrying out the national objectives. The initial effects of the social targeting policy began to appear in program years 3 and 4, with the greatest increases in lower income benefits tending to appear in better-off suburban jurisdictions. In the older, declining cities the development problems tended to be more severe and widespread so that the larger share of activities could be fitted within the social targeting policy. Geographic targeting, on the other hand, tended to be an issue more frequently in older central cities, which were more inclined to wider areal distributions of activities.

About the fifth program year, HUD extended its policy reach from the application to the implementation stage of local programs. In addition to attempting to assure local adherence to HUD's targeting policies and to the stated local intentions in the applications, HUD also began to press some communities for faster progress in carrying out their development programs. HUD officials thus became more involved in a variety of local CDBG management and administrative issues, such as the adequacy of financial records and organizational matters.

HUD also sought to influence the structure of local citizen participation mechanisms. On the basis of legislative changes made in 1977 to provide more citizen involvement and HUD's implementing regulations, HUD sought to impose a more neighborhood-oriented structure of citizen participation and to strengthen the representation of lower income groups in such structures. In this way policies regarding the citizen participation process were intended to reinforce the substantive neighborhood targeting policies. HUD also set up an administrative complaint process which made it easier for citizen groups to bring compliance issues directly to the agency for resolution or mediation.

Much of HUD's effort to implement its policy preferences developed through the regulatory and administrative processes. The 1977 legislative changes provided some of the additional authority for HUD's policies on citizen participation. But in the area of social targeting, the policy history could be fairly interpreted as efforts by HUD with Senate support to increase social targeting, countered by House efforts to constrain HUD's

interpretation of the law and the agency's preference for social targeting over other national objectives.<sup>5</sup> The House view prevailed finally in 1978 by insisting through amendments to the CDBG law on the co-equality of the three national objectives, but as stated above, communities had to deal with HUD on a continuing basis and could not therefore ignore its targeting preferences.

Local officials were wary about this renewed HUD activism during the Carter Administration. The last report stated:

to many local officials, though not all, such 'expansionism' impinges on the greater local discretion they expected from the block grant and frequently intrudes into what they regard as traditionally local prerogatives.<sup>6</sup>

It was into this evolving pattern of increasing Federal involvement that the administration of President Reagan entered.

### **Shifting from "Hands-on" to Deregulation**

The Reagan administration came to office advocating Federal deregulation of a wide range of domestic policies, including CDBG. The discussion of deregulation in this study has two principal elements--administrative and legislative. Administrative deregulation was implemented through fewer and more flexible regulations and guidelines. Legislative deregulation came primarily through the elimination in the law of the CDBG application process.

The emphasis of this report is on deregulation since that was the major objective of the policy changes, but there were also elements of additional regulation. One of the 1981 legislative changes put a 10 percent ceiling on the share of the local grant that could be spent on public services. Previously there was no statutory limit, although a 20 percent limit was generally used by HUD to guide local officials on service spending. Some of the cities in the sample, with HUD's acceptance, had consistently exceeded the 20 percent informal ceiling. Also, as discussed in Chapter 3, there was in the sample cities some evidence of HUD becoming increasingly involved during the first year of the policy changes in further regulating local administrative practices as the agency's focus shifted from the application to the implementation stage of the program. Nevertheless, the basic intent of the policy change was deregulation and greater local flexibility.

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<sup>5</sup>Ibid., pp. 14-21.

<sup>6</sup>Paul R. Dommel and others, Implementing Community Development, Department of Housing and Urban Development (Washington, D.C.: Government Printing Office, 1982), p. 18.

## Administrative Deregulation

Soon after taking over in 1981, the new HUD officials administering CDBG found out what previous administrators learned four years earlier. Even without legislative changes, the block grant law provided considerable discretionary authority to Federal administrators to insert their own policy preferences.

On April 21, 1981, the new HUD secretary, Samuel R. Pierce, Jr., proposed to a Senate committee a number of major legislative changes in the block grant to reduce significantly the overall Federal policy role. The testimony signaled a new hands-off policy and put a new emphasis on decentralization. The proposed changes, discussed below, did not include revisions of the stated national objectives but the net substantive effect would be a clear Federal administrative neutrality among the three national objectives.

The beginning of the new policy came administratively the following month, in May, with the issuance of new guidelines to field officials. The guidelines told HUD area office officials how to review local applications, many of which were just coming into area offices requesting funding for program year 7.

The new approach represented a change of policies of the preceding administration which had emphasized social and geographic targeting. The new policies stressed the statutory co-equality of the national objectives and steps were immediately taken to implement the policies without waiting for the legislative changes proposed by Secretary Pierce.

The new policy approach probably had little effect on most local programs for year 7 because the basic local decisions had already been made before the new guidelines were issued. But the guidelines served an important initial symbolic purpose, much like the 75-25 rule, signaling the HUD area offices and community participants that the rules of the game were changing in important ways.

The stated general intention of the new administration as expressed in the guidelines was to "remove some review requirements, simplify the application review process, and reduce the costs of government."<sup>7</sup>

Concerning social targeting, the 1981 guidelines stated that proposed local activities must continue to be reviewed for compliance with the legislative language that program benefits go principally to lower income groups. However, it eliminated as a matter of administrative policy any

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<sup>7</sup>U. S. Department of Housing and Urban Development, Community Planning and Development, Notice CPD 81-5, "Review of Community Development Block Grant (CDBG) Entitlement Applications." May 15, 1981, p. 1.

percentage measure as the standard of compliance.<sup>8</sup> "All such percentage review thresholds are hereby revoked." (emphasis HUD's).

The new guidelines also signaled a change in geographic targeting policy by loosening the services-NSA linkage. The change allowed field officials to approve public services if there was sufficient concentrated physical development to meet legislative requirements even though such concentration might not meet the more strict standards of the NSA regulations.<sup>9</sup> At the local level, the new interpretation opened up the possibility for expanding various public services beyond the NSA boundaries, a politically attractive possibility in some communities. Also, such geographic expansion made it possible to provide benefits to lower income residents who did not live within the designated target areas.

The guidelines also increased local flexibility for funding economic development activities. The regulatory policy had been that HUD reviewers should determine the eligibility of proposed economic development activities on the basis of whether the jobs created or saved would go to lower income persons. The 1981 guidelines stated that, "This type of judgment is often impractical and has proven unduly restrictive."<sup>10</sup> Instead the criterion for review was to be whether such jobs would be available to such persons, not that they necessarily would go to persons in those income groups.

With that guidance in the spring of 1981, local officials did gain some sense of the new policy context. It was not long, however, before the legislative outcome was determined and the Reagan approach to deregulation of CDBG was given a statutory basis.

### Legislative Deregulation

As noted above, soon after taking office, Secretary Pierce made a number of legislative proposals relating to CDBG, the most important being to eliminate the application process as a condition for receiving funds.

**Background.** The issue of an application process had been an important one in the legislative history of CDBG. In 1971 President Nixon first proposed consolidation of several urban grants, primarily urban renewal and Model Cities, into what was then called special revenue sharing; the funds were to be distributed automatically by formula to certain cities. Congress, in reworking the proposal into what became CDBG three years later, balked at an automatic allocation system and developed an application process which the

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<sup>8</sup>Ibid., p. 2.

<sup>9</sup>Ibid., pp. 2-3

<sup>10</sup>Ibid., p. 4.

Senate--which was more inclined than the House toward a continued, large Federal role--said "should be brief rather than elaborate" and the HUD review "should be limited in its scope."<sup>11</sup>

The Senate version called for a limit of 90 days within which HUD must approve or disapprove the application. The House, also wary of automatic funding but more inclined toward the decentralist position, proposed a 75-day period within which HUD could reject the application or otherwise it was automatically approved, a veto-only approach. The House version, worked out with HUD officials of the Nixon Administration, prevailed, having the effect of greatly simplifying the funding process of the predecessor grant programs but retaining some Federal leverage over local program proposals.

The application procedure, developed within Congress, was used by HUD officials during the Carter Administration to influence local program strategies at the planning stage of the CDBG process. The application in turn provided a standard of performance in the implementation stage. Section 104(d) of the 1974 law stated:

The Secretary shall, 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 (emphasis added), 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 (emphasis added).

As leverage to enforce local compliance with this provision, that section also authorized HUD to reduce a community's annual grant. As applied by the Carter Administration, this made it possible for HUD officials to extend their involvement into various aspects of local implementation and management in terms of both the substantive national objectives, as selected in the application, and local progress in carrying out the program.

Thus, for HUD officials of the Carter Administration the application process carrying with it the right to say "no" was the key point of entry for imposing their policy preferences. Secretary Pierce sought to break these linkages between the application and implementation stages by eliminating the application process entirely and substituting an approach similar to the automatic funding procedure proposed by the Nixon Administration.

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<sup>11</sup>Housing and Community Development Act of 1974, S. Rept. 93-693, 93rd Cong., 2nd Sess., p. 55.

## The 1981 Amendments

The 1981 legislative amendments of CDBG were incorporated into the Budget Reconciliation Act. The major changes involved the application process citizen participation, and eligible activities.

Application eliminated. The Reconciliation Act abolished the formal CDBG application process and substituted the requirement that a recipient provide "a final statement of community development objectives and projected use of funds." This approach was adopted from the 1973 Better Communities Act proposed by President Nixon and which evolved into the CDBG program in 1974. The "final statement" along with the various certifications in different compliance areas such as citizen participation, anti-discrimination laws, and environmental protection came to be referred to by HUD as a community's "submission package." Thus, in the discussions of years 7 and 8 in this report, the terminology changes from an application for year 7 to a submission package or submission for year 8.

HUD did not issue a new set of formal regulations establishing any administrative procedures to be followed by local governments in preparing their submissions. The previous major change of the CDBG law in 1977 was followed within a few weeks by a new set of regulations which became the basic administrative policy followed throughout the Carter Administration. New regulations following up the 1981 changes, signed into law on August 13, 1981, were delayed by an extended negotiating process between HUD and the Office of Management and Budget which had the task of overseeing the general deregulation policies of the Reagan Administration. The new proposed CDBG regulations were not issued until October 4, 1982.

In January 1982, HUD issued "Interim Instructions for Recipients." These capsulized the changes in the law but did not prescribe any standard requirements.<sup>12</sup> At that time HUD's new CDBG regulations were in the final stages of clearance within the department and would also require subsequent clearance from the Office of Management and Budget and by the Congress. In keeping with the thrust of the legislative and administrative changes, HUD's policy was not to ask for much detail in the local submission packages. Thus, local participants had no clear guidance on either the substance or form of the submission package.

More generally, legislative elimination of the application process removed the major potential leverage HUD had in its authority to say "no" to an entire application or individual activities within it. Through this potential leverage at the front-end of the process, HUD had been able to influence, although not necessarily control, local development planning. The

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<sup>12</sup>U. S. Department of Housing and Urban Development, Memorandum from Assistant Secretary Stephen J. Bollinger to Field Officials, "Interim Instructions for Processing and Awarding Fiscal Year 1982 Community Development Block Grant (CDBG) Entitlement Funds," January 26, 1982.

Reagan Administration wished to end this Federal influence and to leave front-end development strategy to local participants in the decisionmaking process. The new administration wanted to shift the burden of program accountability to the performance or implementation stage of the process. This intended shift was reflected in the language of the report of the Senate committee which narrowly approved the legislation by a partisan vote of 8 to 7.

We are . . . convinced that the integrity of the program will be protected by the present and proposed requirements for performance review as opposed to application review. In recent years, the Department of Housing and Urban Development interpretation of the Act has placed too much emphasis on application review. The HUD regional and area office staff has used the application process far too frequently as a means for imposing HUD's views of acceptable program activity on local entities. The Committee's proposal re-emphasizes the post grant review and audit process as the proper point in time to determine consistency and appropriateness of local CD programs.<sup>13</sup>

Thus, the focus of HUD involvement in local programs was statutorily shifted from a prospective look at local development strategies through the application process to a retrospective assessment of individual activities and implementation performance. However, the 1981 changes did not alter the three national objectives. In ending the application process, the new law shifted the locus of expressing any preference among the three objectives from HUD to local officials.

It is important to emphasize, however, that in losing the right to disapprove an application or an activity at the funding stage, HUD did not totally lose control of the front-end of the process. Funding was not fully automatic; HUD still had to formally award the annual grant. Recipients had the continued requirement of an annual performance report which was subject to HUD review. In the January 1982 guidelines to the area offices for processing the submission package, HUD instructed area office officials to make their annual review of local performance prior to processing the submission package.<sup>14</sup> If the HUD reviewers found performance deficiencies, they could recommend that the local submission package include a response to the problems or, if the problems were particularly serious, the area office officials could recommend a reduction in the amount of the subsequent grant.<sup>15</sup> The guidelines also stated that attaching any special conditions to the grant had to be tied to a deficiency that is "sufficiently serious to warrant reduction of the pending grant." Such conditioning of a grant was in accord with past policies

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<sup>13</sup>Housing and Community Development Amendments of 1981, S. Rept. 97-98, 97th Cong., 1st Sess., p. 3.

<sup>14</sup>"Interim Instructions for Processing." pp.1-2.

<sup>15</sup>Ibid., p. 3

any recommendation for a grant reduction was to be cleared in Washington to avoid diverse application of the policy which occurred previously when the authority for such reduction and conditioning had been delegated to the area offices.

As discussed earlier, the Carter Administration had become extensively involved in monitoring for compliance both the substantive national objectives and the rate of program progress. In the process, HUD field officials also had begun to scrutinize various aspects of local program management and organization. In guidelines issued to the field on October 28, 1981, HUD officials of the Reagan Administration provided for monitoring several program areas, including benefits and program progress, but the emphasis appeared to be on local conformity with Federal management standards and practices. In terms of local management systems, the standards were various existing OMB management circulars.

For CDBG-funded projects, the compliance standard emphasized was "fraud, waste, and mismanagement."<sup>16</sup> Activities designated for special attention were housing rehabilitation programs and public services, particularly those carried out through private sector subcontractors. The guidelines also directed that the activities be monitored from the planning through the implementation stages to assess local progress in carrying out their program. In choosing the jurisdictions to be monitored, top priority was to be given to jurisdictions which had already known serious problems and which had the largest annual grants.

What is to be noted is that the targeting policies of the previous administration were not the standards for assessing local performance. The new guidelines stated that activities were to be reviewed to assure that "maximum feasible priority" was being given to "meet one of the three broad national objectives." However, the language of the guidelines was clearly neutral in accord with the 1978 amendments rather than an expression of preference among those objectives as was the case during the Carter Administration.

**Citizen Participation.** The 1977 CDBG amendments went beyond the original legislation in seeking to influence the structure of local citizen participation. The amendments added a requirement for a written citizen participation plan; encouraged greater participation of persons living in target neighborhoods, particularly low- and moderate-income residents; and extended citizen participation into assessments of local program performance. This resulted in a number of communities in considerable expansion in the number and kinds of hearings held and some reshuffling of participation

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<sup>16</sup>U.S. Department of Housing and Urban Development, Community Planning and Development, Notice 81-14, "CPD Monitoring Policies for FY 1982," October 28, 1981, pp. 1-2.

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mechanisms. However, as concluded in the previous field research reports and again in the next chapter, the new arrangements did not necessarily translate into greater citizen influence. Citizen influence tended to be more effectively registered through various informal processes and working relationships with local legislators and CDBG staff.

The 1981 amendments changed the statutory citizen participation requirements in a way that generally returned the Federal policy to that of the earlier "hands-off" period of the Ford Administration in which the Federal position on the structure of such participation was a more neutral one. The only requirements of the 1981 law were that the locality: 1) furnish citizens information concerning the amount of money available and how it can be used; 2) publish a proposed statement of spending plans to provide an opportunity for comment; and 3) hold one or more public hearings.

Referring to the general goal of procedural simplification (the major aspect of which was elimination of the application), the Senate report, reflecting the majority view, said, it

is convinced that adequate and effective citizen participation is a well established element of the community development process. . . Our decision not to do so (include detailed procedures) was based on the inappropriateness of rigid legislative prescriptions, not on a lack of concern about the importance of citizen participation.<sup>17</sup>

The Democratic minority countered that the changes "would virtually wipe out the citizen participation plan that makes citizens part of the community development process."<sup>18</sup>

In applying the statutory language, the October 1981 HUD guidelines to the field eliminated the procedure established by the Carter Administration for on-site monitoring of citizen participation arrangements, unless local complaints or other information raised the issue.

**Eligible activities.** The most important changes made in the eligibility of activities for CDBG funding concerned the share of the local grant that could be allocated for public services and the linkage between services and physical development activities. In the area of public service spending, the general goal was greater local flexibility in the kinds of services that could be funded and where such services were permitted. However, by establishing a ceiling on how much spending for public services was permitted, there was also an element of more regulation rather than less.

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<sup>17</sup>Housing and Community Development Amendments of 1981, p.3.

<sup>18</sup>Ibid., p. 61.

When the original CDBG legislation was being considered in 1973 and 1974, the Senate sought to put a statutory limit of 20 percent on the share of funds that could be used for public services. The purpose of the proposed ceiling was to assure that the block grant would be oriented toward physical development and not take on a service orientation that had characterized many local Model Cities' programs. The limit was never written into the law, but it became the generally accepted ceiling by HUD and local officials for such spending, although some cities did direct a higher share of funds into public services. However, many jurisdictions purposely avoided any allocations for public services, in some cases to avoid having to use local revenues to continue such services if the block grant was discontinued. In other cases it was the result of more conservative local views about the role of local government in providing services, particularly social services.

The 1981 amendments put a statutory cap of 10 percent on service spending, thus inserting a new regulatory control. However, the law allowed HUD to waive that limit for three years in communities where such spending had exceeded that limit in fiscal 1981. Under the waiver provision, for example, a community that had allocated 15 percent of its grant for services in 1981, would not have to reach the 10 percent limit until fiscal 1985. If a community had allocated 7 percent for services in 1981, it fell immediately under the 10 percent provision. With the reductions in overall CDBG funding and the local grants, the 10 percent limit meant fewer dollars could be allotted to public service activities. The amendments continued the requirement that communities fund only public services designed to provide a new or increased level of services, except where decreases in local funding are caused by events beyond the control of the community.

While adding to the Federal limits on the level of public service allocations, the amendments made such spending more flexible. The 1974 law (Sec. 105(a) (8)) limited the geographic location of CDBG-funded services to areas where concentrated CDBG physical development activities were being carried out. This was the basis of the Carter Administration's efforts to tie services to Neighborhood Strategy Areas, the core of the geographic targeting strategy. Strictly enforced, this would have meant that a community without a designated NSA could not use CDBG money for public services.

The changes made in the Reconciliation Act broke this public service-physical development tie, thereby clearing the way for communities to change geographically their distribution of services. This statutory change completed the disconnection that had been started administratively with the May 1981 HUD guidelines which no longer required the service-NSA linkage but retained the service-physical development tie required by law. Thus, with the 1981 legislative changes, if a community chose to do so, it could now initiate CDBG-funded services in new areas or even citywide. However, the statutory changes retain the provision that limits the use of CDBG funds for public service activities that provide a new or increased level of service.

Overall, the amendments on public services offered communities greater flexibility in their service allocations, but the 10 percent limit on such spending posed to local participants in some cities difficult decisions in the

future on how to distribute the smaller share among the many claimants that had come to depend over the years on the CDBG program.

Beside the amendments providing greater flexibility on the kinds of services that could be funded, other changes in eligible activities were:

1. adding a provision allowing assistance to for-profit businesses for economic development purposes (formerly, economic development activities were limited to public agencies or nonprofit organizations);

2. permitting CDBG money to be used for comprehensive planning activities formerly funded under the 701 planning grant program which was eliminated under the Reconciliation Act.

This background discussion now shifts from Federal policy changes to local factors that influenced CDBG decisionmaking in the ten sample cities.

### **Local Fiscal and Political Factors**

This section examines briefly the fiscal and political context within which CDBG decisionmaking took place in the ten sample cities in years 7 and 8 (1981 and 1982). The fiscal presentation is based on data collected by the Princeton University study as well as the field reports of this study. While there are many factors affecting the local fiscal setting, including national economic conditions, the focus here is on tax and expenditure limitations because of their important effect on CDBG in some of the sample cities. Atlanta is not included in the fiscal discussion because it was not among the Princeton sample sites. Although not in the Princeton study, a corresponding fiscal analysis of Worcester was made.

#### **Fiscal Factors**

Fiscally, the more hard pressed cities of the sample are Chicago, Cleveland, Rochester, St. Louis, Seattle, and Worcester. Their fiscal problems are the result of national economic conditions, long-term interregional economic shifts and important local factors, including taxing limitations. Los Angeles is coming under increasing fiscal pressure as the result of Proposition 13. Phoenix and Houston generally have felt relatively less fiscal pressure during the two years covered in this report, but they too have felt some of the adverse effects of the current recession.

**Tax and expenditure limitations.** Six of the ten cities in the sample have some form of tax limits imposed upon them. Some of these limits have been around for a number of years as, for example, in Rochester, N.Y., where revenue limits are written into the New York constitution, and in Seattle, Wash., where the city faces a long-standing State limit on revenue generation. Seattle is faced with a Washington State law that allows no discretionary authority to cities to raise taxes. This restriction is now causing hardship for the city as it tries to deal with declining revenues from its existing sources.

Though Proposition 13 is four years old, Los Angeles and other California cities are only now feeling its full impact. In the early years of the tax limitation the State of California used its substantial surplus to assist local governments with special aid. That surplus has now run out and the state money has dried up. In addition, the State's own fiscal condition is such that it is now withholding for its own use some revenue funds that it had previously shared with local governments.

Worcester, and other cities in Massachusetts, also face property tax limitations. Worcester relies upon the property tax for close to half of its revenues. In 1980, Massachusetts voters adopted Proposition 2 1/2 requiring local governments to reduce the property tax rate 15 percent annually until reaching 2.5 percent of the fair market value. Worcester also has been hurt by a limit on its auto excise tax, adopted in the same 1980 vote, which had an immediate negative impact on city revenues. These losses in general revenues had an important impact on Worcester's CDBG program.

St. Louis faces a Missouri law that permits no increase in local revenues without a vote of the citizens. The Hancock amendment, adopted in 1980, also limits State revenue increases to no more than the rate of growth in personal income. The Hancock amendment, however, is an ambiguous one and now awaits final interpretation by the Missouri courts.

### Political Changes

Political changes refer generally to changes in key personnel through elections or appointments or bureaucratic structure which may have an impact on CDBG. Revised decisionmaking structures may also affect program decisions because different perspectives are introduced into the decisionmaking process.

**New executives.** Half of the sample cities had a change in key leadership at the top affecting the CDBG decision process for year 7 and/or 8. Atlanta, Houston, Seattle, and St. Louis elected new mayors and in Rochester a new city manager and assistant city manager were appointed. In most cases, executive change was accompanied by bureaucratic shifts and reassignment of responsibilities.

Atlanta elected a new mayor which led to a change in bureaucratic decisionmaking and program priorities. In Houston the new mayor wanted to professionalize city hall and brought in outsiders to run the CDBG program. In Seattle, the new mayor shifted program responsibilities and replaced the CDBG director. The previous CDBG program staff was reorganized and relocated, shifting the bureaucratic responsibility to the Mayor's Office of Management and Budget. The new mayor of St. Louis made major changes in the bureaucratic arrangements for administering CDBG, the net result being to add to his own influence over the program. In Rochester, new city executives started to search for ways to bring the CDBG office more under their control.

**Council changes.** Changes in city council structure may also have an effect on CDBG decisionmaking. In Cleveland, the number of council wards was reduced from 33 to 21. This changed the competition for CDBG funds. In

altering its charter to cut the size of the council, Cleveland also doubled the length of the mayoral term from two to four years and re-elected George Voinovich. This "change" in mayoral terms introduced more continuity into the city's administration and CDBG planning. In St. Louis, the departure of the President of the Board of Alderman to a State judicial post left the council in a weaker competitive position with a new, aggressive mayor with his own set of priorities.

With this background on external and internal factors that could potentially influence local CDBG decisionmaking in program years 7 and 8, the report now turns to the findings in the ten sample cities.

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## Chapter 3

### INTERGOVERNMENTAL ISSUES AND THE CDBG DECISION PROCESS

This chapter examines several dimensions of CDBG decisionmaking. The first section discusses the intergovernmental issues that arose between HUD and the ten sample cities in years 7 and 8 (1981 and 1982) to determine whether there was any shift from previous years in the frequency or kinds of issues raised. This issue discussion serves as the contextual bridge between the broad policy changes discussed in the previous chapter and the roles and influence of the various actors in the decisionmaking process, the focus of the second section of this chapter. In examining the decisionmaking process, the initial focus is on HUD's role and influence to determine what effects, if any, the policy changes had on the agency's involvement in the CDBG process.

The discussion then shifts to the local level to examine any effects of the Federal policy changes on local administration of CDBG and the relative influence over program decisions among the local participants in the process-- executive, legislative, and citizen actors. The chapter concludes by examining what the field associates see as the outlook for further changes in CDBG decisionmaking in year 9.

#### Intergovernmental Issues

An important part of the analysis of the evolution of HUD's policy from a "hands off" emphasis on decentralization during the Ford Administration to a "hands on" emphasis on the national objectives during the Carter years has been to examine particular policy issues that shaped HUD-local relations. The framework of the issue analysis is that used in previous reports, which divided intergovernmental issues into two broad categories--substantive issues (what to do) and procedural issues (how to do it).

**Substantive issues** include the following:

1. **Strategy issues**, which concern the mix of program activities and the ways in which benefits are distributed as a result of the overall allocation of CDBG funds to program activities.
2. **Program issues**, which deal with the definition and eligibility of specific activities of a jurisdiction's CDBG plan without reference to broader strategies or the targeting of benefits.

For example, the distribution of activities in a community on a citywide or target area basis is a strategy issue: whether the proposed construction of a fire station is an eligible activity is a program issue. Both are substantive issues.

Procedural issues include the following subcategories:

1. Compliance issues, which involve local conformity with prescribed procedures and mandates, such as equal opportunity, environmental protection, Davis-Bacon wage provisions, and citizen participation.
2. Administrative and technical issues, which deal with a variety of issues related to local management of CDBG program efforts, such as recordkeeping, contractual procedures, staff capabilities, accuracy of data and information used at the local level, quality and content of submissions to HUD, and reports on program performance.
3. Rate of expenditure issues, which concern the rate at which local jurisdictions have spent their funds, both on an overall basis and for specific activities.

Table 3-1 shows the kinds of issues that occurred and the number of sample cities in which they occurred during program years 5 - 8. In discussing these issues the focus is on years 6 and 8. Year 8 is of particular interest because it was the first program year in which the application procedure was dropped, thereby removing an important stage in the CDBG process where in the past HUD often raised various issues with local officials. The field work for years 7 and 8 was carried out just as most of the sample communities were beginning their eighth program year and implementation and management issues that might normally arise during the implementation stage during year 8 are not included. Since the effects of elimination of the application procedure is the focus of the issue analysis, collecting the field data before the implementation stage sharpens that focus. A similar phasing occurred in prior field work for year 5 and 6. Therefore, to look for any effects of the new submission approach on the occurrence of intergovernmental issues, the appropriate years for comparison are program years 6 and 8.

Before proceeding to the discussion of the findings, there is an important general point to be emphasized. Frequently a distinction is drawn between the application and implementation stages in the discussion, but on some kinds of issues that distinction may not be evident in practice. In administering the program, HUD area officials are in frequent communication with local officials, and sometimes citizen groups, on a variety of topics throughout the program year. Such contacts may be by telephone, letter, or in person. While all participants in the decision process may be focusing on preparation of an application or submission package at a particular point in time, they are also involved at the same time in matters concerning the implementation of activities previously funded. Certain kinds of issues may



tend to occur more frequently at a certain stage of the process, but because of the overlapping of program stages and participant functions, any issue may come up at almost any time, particularly when the issue has been a continuous one.

### **Findings**

Overall, there was a notable dropoff in the number of sample jurisdictions where HUD-local issues occurred in year 8 compared with year 6, the last year when the policies of the previous administration were fully in effect (table 3-1). The exceptions to this pattern were administrative and technical issues which increased from two of the sample cities in year 6 to four cities in year 8.

While some caution is advisable in interpreting data from a sample of ten jurisdictions, the pattern suggests that the new "hands off" policy at least at the application end of the process has had an effect. Namely, the elimination of the application process appears to have reduced the number of communities in which substantive program issues arose. At the same time, the increase in the number of cities from two to four in which administrative and technical issues appeared could fit the new HUD emphasis on "fraud, waste, and mismanagement." This would tend to support the point made in the previous chapter that deregulation of the application stage may be accompanied by greater regulation of the implementation and performance stage. As discussed later in the chapter, field associates in some cities reported that HUD was aggressively pursuing such issues with some early signs of irritation among local officials.

The discussion now turns to specific issues.

**Geographic targeting.** In the previous research this issue tended to occur more frequently in central cities than in other kinds of jurisdictions. Further, the issue occurred more frequently in central cities as the program proceeded. In the last report, based on a larger sample, the issue occurred in about half of the 30 central cities in the sample in years 3 and 4, increasing to about two-thirds of those cities in years 5 and 6. As illustrated in table 3-1, the ten central cities in the current sample have that same pattern, indicating that on this issue, the ten-city sample appears to be representative of the larger sample of central cities used in the past.

As shown in the table, the geographic targeting issue continued to be prominent during year 7, the transition year between the Carter policies based on the NSA approach and the ending of that policy by HUD officials of the Reagan Administration. In year 8, there was a sudden dropoff in the issue, occurring in only one city. This contrasted with its occurrence in five cities in year 6 at the same stage of the process. Cleveland was the only city where it remained an issue in year 8--but with little likelihood of being resolved.

**Table 3-1. Number of Jurisdictions Where HUD-Local Issues Occurred, by Type of Issue, Years 5 through 8.**

	Program Year			
	5	6 <sup>b</sup>	7	8 <sup>b</sup>
<u>Strategy Issues</u>	<u>7<sup>a</sup></u>	<u>7<sup>a</sup></u>	<u>8<sup>a</sup></u>	<u>1<sup>a</sup></u>
Social targeting	5	2	4	0
Geographic targeting	4	5	6	1
<u>Program issues</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>0</u>
<u>Administrative/ technical issues</u>	<u>8</u>	<u>2</u>	<u>8</u>	<u>4</u>
<u>Rate of expenditure issues</u>	<u>8</u>	<u>5</u>	<u>3</u>	<u>3</u>
<u>Compliance issues</u>	<u>9</u>	<u>4</u>	<u>9</u>	<u>1</u>

Source: Field research data

<sup>a</sup>The sums of the incidence of social and geographic targeting exceed the incidence of strategy issues because of overlap in the number of jurisdictions where a targeting issue occurred.

<sup>b</sup>The field research in these years was carried out early in the program year and did not cover issues that arose during the implementation stage.

HUD has been pressing Cleveland over the years to reduce the number of target areas in the city. In HUD's view the city "tries to spread its resources too thin," according to the associate. In its year 8 submission package, the city added four new target areas to its program.

**Social Targeting.** Unlike geographic targeting, in previous years the issue of the level of direct benefits to lower income groups tended to occur less frequently in central cities than in suburban cities. Most of the central cities in the larger sample of previous field research reports were above the sample average in the level of social targeting, as discussed further in Chapter 5. The last report also stated that the frequency of the issue was generally on the decline in the fifth year of the program. The ten-city sample appears to follow that general pattern for central cities.

In year 6, the issue was raised in only two of the ten sample cities during the application process. In year 7 the benefit issue was raised in four cities during the course of the program year, but the issue tended to be about the targeting of particular activities rather than the overall targeting strategy of the city. In year 8 the number of sample cities where the issue occurred dropped to zero. Thus, by year 8 social targeting had ceased to be a major HUD-local issue in any of the sample cities. However, the disappearance of the issue in year 8 did not represent the sudden muting of a major policy conflict between HUD and any of the ten cities in this sample since it had never been a major issue in these sample cities.

**Program issues.** There has always been a fairly high occurrence of program issues between HUD and local officials during both the application and implementation stages.

At the application stage, the issue usually involved the eligibility of individual activities. A frequent scenario was that HUD would approve a local application, except for one or two individual activities which might be questioned about eligibility. The previous research found that over the program years the most frequently questioned activity involved housing since this was often a community's largest program category and included a variety of different activities.

The next most questioned kind of activity was social services and usually involved the issue of whether it was properly linked with physical development in an NSA. HUD's questioning of a particular activity usually set off an exchange of letters in which local officials sought to justify the activity; sometimes HUD won, sometimes the community. St. Louis illustrates this process. During the application process for year 7, HUD rejected funding for improvements to a botanical garden in St. Louis on the grounds it was a citywide activity and the use of an admission fee was counter to the social targeting objective of CDBG. The city responded with the justification that the money was for historic repair work on a building included on the National Register. As an historic preservation activity it was eligible for CDBG funding. HUD acquiesced but the city later dropped the project.

Programmatic issues also occur during the implementation stages. In Cleveland during year 7, HUD demanded that the city reimburse the Federal government \$13,300 in disallowed costs for demolition work. HUD also was pressing the city on some overbudgeting of public service activities. At the time of the field research, the two issues were still unresolved. In Phoenix, HUD, acting on a citizen complaint about a dilapidated structure in a housing target area, got the city to modify the project.

While strategic targeting issues may occur less frequently under the new policies, program issues are likely to be a continuing point of dispute between HUD and local officials. The absence of such issues in year 8, as shown in table 3-1, may be more related to the fact that the field work was completed before the implementation stage than indicate the effects of the end of the application process. In fact, it is reasonable to speculate that such issues could become even more frequent if HUD becomes more aggressive in pursuing management issues.

**Administrative and technical issues.** Given the wide range of potential problems included within this category, it was not surprising to find throughout the previous field research that a majority of sample communities had some kind of administrative and technical issue with HUD. Of greater significance was the scope of such issues. The last field research report concluded:

Generally, over the 6 years, HUD's concerns about administrative and technical matters have evolved from relatively narrow and minor matters to a broader concern in some communities about overall management organization, skills, and procedures that affect implementation of the program.<sup>1</sup>

In part this expansion in the scope of the issues is attributable to a growing emphasis of HUD officials during years 5 and 6 on program implementation and management issues. But in some communities HUD dissatisfaction with local program management has been a continuing issue and unrelated to any changes in policy emphasis.

Table 3-1 indicates that issues in this category tended to be raised more frequently as a result of site monitoring by HUD officials during the course of a program year than at the time an application was sent to HUD when attention was more likely to focus on substantive programmatic issues. This would account for the large number of jurisdictions where administrative and technical issues occurred in years 5 and 7 when the field associates carried out their research after these program years were completed. As pointed out earlier, for years 6 and 8 when the incidence of such issues was much lower, the field data was collected early in the program year.

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<sup>1</sup>Paul R. Dommel and others, Implementing Community Development, U. S. Department of Housing and Urban Development (Washington, D.C.: U. S. Government Printing Office, 1982), pp. 44.

It is worth noting that the ten central cities in the current sample tended to have a higher incidence of such issues than was found among the larger sample in previous years. Administrative and technical issues had occurred in about two-thirds of the jurisdictions compared with an 80 percent level for the ten central cities included in the current sample. This was probably attributable to the fact that larger cities tend to have more complex programs and management structures that are more susceptible to administrative and technical difficulties and resultant intergovernmental issues.

In comparing years 6 and 8, this was the only category of intergovernmental issues in which there was an actual increase, from two to four, in the number of cities where such administrative and technical issues occurred. This is suggestive that HUD officials have become more aggressive in raising such issues. Such an interpretation is supported by comparing years 4 and 6 of the Carter Administration. In those two years, when field data also were collected early in the program year, the number of jurisdictions where such issues were raised remained relatively constant. Administrative and technical issues were raised in fourteen communities in year 4 and thirteen communities in year 6. Although doubling from two to four the number of cities where such issues occurred in year 8, the increase should be interpreted cautiously. It is too early in the life of the new HUD policies to determine whether the increase in the incidence of the issues is the result of a new form of HUD policy activism or an alteration in HUD's internal work flow which brings such issues to its attention at an earlier stage in the process. Whether the fraud, waste, and mismanagement policy emphasis brings a new wave of HUD intervention depends ultimately on the kinds of administrative and technical issues raised and how they are resolved--by individual negotiation or uniform regulation.

**Rate of expenditures.** Expenditure rate issues can involve either a community's overall rate of spending of CDBG funds or the spending rate on a particular activity. As a HUD-local issue it can be raised at either the funding (application/submission) end of the process or during site visits to check on implementation. In any case, the issue took on considerable significance during years 5 and 6 as the expenditure rate came to be used as a measure of both local program progress and a community's capacity to carry out a development program.

The problem of expenditure rates was frequently the basis of HUD warnings to communities that if they did not improve their rate of spending, they faced the loss of block grant funds in the future--a "use or lose" policy.<sup>2</sup> In some communities such as Houston, that warning was escalated into a condition attached to the annual grant. Only Houston actually lost money, a cut of about 2 percent in the fifth program year. More commonly the spending issue took a less contentious form with HUD simply pressing communities,

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<sup>2</sup>For a discussion of the "use or lose" policy, see *ibid.*, pp 14-18.

without official conditioning, to reprogram money from slow-moving activities to ones where the money could be spent more quickly.

The issue tended to occur somewhat more frequently among the ten central cities in the current sample than among other jurisdictions. In the ten cities the problem of expenditure rates was often found in housing rehabilitation programs because of difficulties in getting such activities established and smoothly implemented. As communities gained experience with operating housing rehabilitation programs, expenditure rates tended to increase.

Table 3-1 indicates that the issue occurred less frequently as the program proceeded. In year 7 the issue arose in fewer sample cities than in year 5, the comparable period when the program year was completed at the time of the field research. Similarly, there was a drop in year 8 compared with year 6. It should be noted, however, that the number of cities where the issue appeared stayed the same in years 7 and 8. The three cities in years 7 and 8 were Atlanta, Houston, and Los Angeles where the issue has been a continuous one over several program years.

The decline in the incidence of the expenditure rate issue in the sample may be related to local improvements in program operations, but HUD continues to look at expenditure rates as one indicator of program progress.

**Compliance.** Issues in this category have tended to occur frequently with the general trend being toward a slight increase. In year 5, a compliance issue occurred at some point in the program year in about 70 percent of the larger sample of fifty-two jurisdictions; by comparison, the incidence of such issues was higher, 90 percent, in the ten central cities, as shown by table 3-1. For the ten cities, that high level continued in year 7. However, comparing years 6 and 8, the data showed a drop in the number of cities where compliance problems were reported.

There also appeared to be a shift in the kinds of issues occurring. The last field research report stated that equal opportunity disputes were the most frequent kind of compliance issue over the first six years of the program. For years 7 and 8, the mix of issues is different. Associates reported equal opportunity issues in only two of the ten cities in year 7, with no such issues reported in year 8. The most frequent compliance issue reported in year 7 was the Davis-Bacon issue concerning the wage rates to be paid on federally assisted construction projects. Half of the ten cities had such an issue in year 7, but there were no reports of this issue for year 8.

The analysis now returns to the decisionmaking process and the effects of the policy changes on the distribution of influence among participants, including HUD, in determining local program content.

## Changing Patterns in the Decisionmaking Process

When observing the two-year period of this study, it is important to restate that the legislative and administrative changes adopted in 1981, as well as the HUD guidelines of May 1981, came after the sample cities either had started their year 7 programs (St. Louis and Seattle) or were well along in the application process established by the 1974, 1977, and 1980 CDBG laws and implementing regulations. Therefore, any effects of the 1981 changes on local allocations were not likely to be evident until year 8 at the earliest.

Field associates assessed the relative distribution of influence on the content of the local CDBG programs by the assignment of "influence points" to categories of key participants in the sample cities. The principal participants are HUD, the local executive (including the bureaucracy), local legislature and citizen groups. Each associate estimated the relative influence of each category of actors by dividing ten influence points among them. This same approach was applied to determining the relative influence among subsets of actors within the executive and citizen categories. The resulting distribution of influence points was an ordinal measure that permitted comparison of relative influence by type of actor within a community; the scores could not be used to compare the degree of influence among actors in different communities. For example, executive actors 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 three other participant groups, leaving the executive the dominant influence in the process.

It is in the area of assessing relative influence where continuity among the research team is important. The experience gained by that continuity in observing changes in both the process and substance of local programs makes it possible to develop and interpret with confidence a quantified indicator of a complex decision system.

### Summary of Findings

The two previous reports used the concept of leading actors to designate those participants who had or shared the most influence over the content of the local CDBG program. Table 3-2 shows the number of sample cities in which each key participant group ranked highest or tied for the highest rank.

In the seventh year of the program there was a slight decrease in HUD influence in the decisionmaking process (table 3-3). HUD influence, as measured by the influence points assigned by the field associates, stayed the same in eight of ten cities, and declined in two. For nine cities the level of HUD influence had been low in year 6 and simply remained so or declined in year 7. In eight of the nine, HUD was assigned no more than one influence point by an associate for year 7. The only exception to the low level of HUD influence on the contents of the seventh year application was Houston where

**Table 3-2. Leading Actors in Defining Program Content, Number of Jurisdictions, Years 2 through 8<sup>a</sup>**

Participant	Program Year							
	2	3	4	5	6	7	8	
HUD	0	1	1	0	0	0	0	
Executive	10	8	9	10	10	10	10	
Legislative	3	2	2	2	2	1	2	
Citizens	1	0	0	0	0	0	0	
Other	0	1	1	0	0	0	0	
<b>Total Jurisdictions<sup>b</sup></b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	

Source: Field research data.

<sup>a</sup>First year data not available for all 10 jurisdictions.

<sup>b</sup>A jurisdiction may have more than one leading actor because of tied rankings; thus columns do not total to the number of jurisdictions.



**Table 3-3. Changes in Relative Influence over Program Content, by Number of Jurisdictions, Years 5 through 8**

Participant	Program Year												
	5		6		7		8		9		10		
	I	D	I	D	I	D	I	D	I	D	I	D	
HUD	4	4	2	2	0	9	1	0	0	8	2	0	5
Executive	6	3	1	1	2	7	1	4	4	6	0	3	5
Legislative	2	6	2	2	1	7	2	0	0	9	1	3	7
Citizens	0	5	5	5	1	8	1	0	0	7	3	4	5
Other	0	0	2	2	1	9	0	0	0	10	0	0	10

Source: Field research data.

Key: I = Increase, S = Same Level, D = Decrease

the associates gave HUD four influence points as HUD continued to press local officials for speedier implementation which in turn influenced the city's development priorities submitted to HUD for approval.

Thus, in examining changes in HUD influence on the content of local programs, the changes are relative to a low baseline. As shown in table 3-2, HUD has not been the leading actor in any of the ten sample cities since the fourth program year when it shared influence equally with executive participants in Houston.

In year 8, HUD's generally low level of influence declined further with associates in five cities reporting a decline in HUD influence on program content. In that year no associate gave HUD more than one influence point. In Houston where HUD's influence had been greatest, the associates gave Federal reviewers zero influence on the content of the submission package, compared with four points in year 7, the final year of the formal application process. It must be emphasized, however, that the influence assigned is relative to the contents of the annual application or submission and does not reflect directly the possibility that HUD influence in previous years may have had an important effect on local priorities and those priorities have continued. Thus, HUD officials may no longer have to press a community on priorities because they had won in previous years.

Continuing the trend found throughout the CDBG field research, in year 7, executives in four cities enhanced their already leading position. In Los Angeles where the city council has customarily shared influence with executive department actors in setting priorities, executive participants increased their influence slightly, according to the associates. The greatest increase in executive influence came in Seattle where the role of citizen groups showed a corresponding decline. In St. Louis, the coming of a new mayor with an active interest in the block grant combined with the departure of the President of the Board of Aldermen shifted some program influence from the legislature to the executive. Phoenix was the fourth city where executive influence increased, accompanied by a decline in HUD influence. In the other six cities executive influence remained the same.

In year 8 there were two variations in the established pattern of executive dominance with associates in Cleveland and Houston reporting a slight decline in executive influence. In Cleveland this came with a commensurately slight increase in legislative and citizen influence. In Houston the decline in executive influence, combined with the sharp drop in HUD's influence, accrued to the benefit of the city council and citizen participants. The more customary trend of increasing executive dominance was found in Worcester, Phoenix, and Chicago. In the other five cities executive influence remained the same.

Legislative influence in year 7 generally held constant in nine of the ten cities; the associate for St. Louis reported a slight dip in legislative influence in that city. In year 8, legislatures in Los Angeles, Houston, and Cleveland increased their influence over program choices. Nevertheless, legislatures were leading actors in only two cities, Rochester and Los

Angeles, in year 8 and that lead was shared with the executive. Associates in the other cities reported no change in legislative influence.

Among the citizen participants, associates in seven of ten cities reported for year 7 that such groups stayed at the same level of influence while citizens in three cities (Los Angeles, St. Louis, and Seattle) had less influence on program choices. In year 8 there were further changes in citizen influence, but in a different direction with gains reported in four cities (Cleveland, Houston, Phoenix, and Seattle) and a loss only in Worcester. It should be kept in mind, however, that changes up or down in citizen influence were relative to a low level of influence in most cities. In only one city, Houston, did citizen influence reach three points in any of the last four years of the program and in that city this occurred in year 8.

Before examining more closely the influence of the different participants, the discussion focuses on the overall processes of the sample jurisdictions to characterize the distribution of program influence.

### Decision Processes

The analysis uses a classification of local decision systems based on the associates' allocation of influence points. The three categories of decision systems are centered, shared, and dispersed, using the following rules:

1. Where an actor had at least 5 influence points and at least 2 points more than any other actor, the configuration was classified as a centered system.
2. Where two actors had the same number of influence points but not fewer than 4 each, or where one had 5 and the other 4, the influence was said to be shared.
3. Where no actor held more than 3 influence points, or where one actor held 4 points and no other held more than 3, the configuration was designated as dispersed, meaning that the program influence was relatively evenly distributed.

Over the eight years of the program, no basic changes occurred in the types of decision processes found in the sample cities (table 3-4). There had been some shifts from year to year among individual cities, but this did not change the domination of executive-centered systems.

Consistent with that general longitudinal finding, the data for year 7 showed little change from the earlier years. Of the ten sample cities, only two had a shift in influence important enough to alter the basic decisionmaking process. Seattle and Phoenix shifted from dispersed to executive-centered systems. In Phoenix a shift in influence from HUD to executive actors put the executive participants more clearly in control of the

**Table 3-4. Types of Decisionmaking Process, Number of Jurisdictions, Years 2 through 8<sup>a</sup>**

Type of Process	Program Year						
	2	3	4	5	6	7	8
<b><u>Centered</u></b>	<b><u>5</u></b>	<b><u>4</u></b>	<b><u>4</u></b>	<b><u>5</u></b>	<b><u>4</u></b>	<b><u>5</u></b>	<b><u>5</u></b>
Executive	5	4	4	5	4	5	5
Legislative	0	0	0	0	0	0	0
Citizen	0	0	0	0	0	0	0
HUD	0	0	0	0	0	0	0
<b><u>Shared</u></b>	<b><u>2</u></b>	<b><u>1</u></b>	<b><u>2</u></b>	<b><u>2</u></b>	<b><u>2</u></b>	<b><u>2</u></b>	<b><u>2</u></b>
Executive-Legislative	2	1	1	1	1	1	2
Executive-Citizen	0	0	0	0	0	0	0
Executive-HUD	0	0	1	1	1	1	0
Legislative-Citizen	0	0	0	0	0	0	0
Legislative-HUD	0	0	0	0	0	0	0
<b><u>Dispersed</u></b>	<b><u>3</u></b>	<b><u>5</u></b>	<b><u>4</u></b>	<b><u>3</u></b>	<b><u>4</u></b>	<b><u>3</u></b>	<b><u>3</u></b>
No Leading Actor	1	1	1	2	1	1	0
Executive	2	2	1	1	3	2	3
Legislative	0	0	0	0	0	0	0
Citizen	0	0	1	0	0	0	0
HUD	0	1	0	0	0	0	0
Other	0	1	1	0	0	0	0
<b>Total Jurisdictions</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>

**Source:** Field research data.

<sup>a</sup>Data for year one was not available for all jurisdictions.

program while in Seattle the associate reported the process was now clearly dominated by executive officials with citizens losing influence. According to the Seattle associate:

The reduction of the number of actors--citizens as well as bureaucrats--reduces the number of access points to the process and tends to focus more direction from the mayor's office itself.

This continuity of decisionmaking processes across the sample between years 6 and 7 was not surprising. The same application process was in effect and the programs of year 7 were the third year of the three-year plans submitted to HUD as part of the application for fifth year funds. As such, it could be expected that both the substantive and procedural factors that operated in the two previous years would remain substantially unaltered.

In year 8, the results were similar despite the broad, if not great, decline in HUD influence. As noted above, associates in five of the ten sample cities reported a decline in that influence, although declining from an already low level. The result was that in seven of the ten cities there was no change in the kind of decision system between years 7 and 8. The three where changes occurred were Los Angeles, Houston, and Cleveland. Thus, in the two-year period, there were changes in the decision system in five cities. This proportion of shifts was higher than found previously with the larger sample. During years 5 and 6, the decision system changed in only five of fifty jurisdictions.

In Los Angeles a shift of influence from HUD to the city council after the Federal policy changes altered the overall system from one of dispersed influence to one where influence was shared between executive and legislative officials. In Cleveland a slight shift of influence from executive to legislative and citizen participants altered the process from an executive-centered to a dispersed one, although executive and legislative actors remained the principal influentials. In Houston where HUD's influence dropped sharply in year 8, legislative and citizen participants filled the vacuum and shifted that city from a system of shared power between HUD and local executives to a dispersed system with influence nearly evenly distributed among local actors.

### Houston

Among local actors, executive participants dominated the CDBG process throughout the first seven years. The HUD area office was also a major influence on the city's program, constantly pressing issues of a poor rate of expenditure and various administrative problems. Houston was held to a "use it or lose it" policy which forced the

city to load its program with ready-to-go public works activities.<sup>3</sup>

HUD's direct influence on program content diminished greatly between years 7 and 8 as a result of the city's improved rate of expenditure, various administrative improvements, and deregulation. With the decline in HUD influence, the city's program gained added flexibility and both the city council and citizens sought to influence program choices more than they had in the past. The influence of the council and citizens was enhanced by their joining forces in establishing program priorities. Also, many members of the Houston Resident Citizen Participation Commission (HRCPC) had been active campaign workers for the new district-based council members. Thus, there was a working coalition between some of the council members and the HRCPC which enhanced their combined position against the community development staff when HUD's role diminished.

Overall, in those cases where associates reported a reduction in HUD influence in local program choices, that loss was from an already low level of influence and did not accrue in any consistent pattern to the benefit of any other single participant group. That is, whether local executives, legislators, or citizen groups picked up additional influence varied primarily on the basis of local factors.

#### **Decisionmakers: Influence and Roles**

In this section we examine more closely the influence and roles of the various participants in CDBG decisionmaking.

#### **HUD Influence**

Associates judged whether the impact of Federal influence resulted in a set of local program priorities determined by HUD, showed a major HUD influence, minor HUD influence, or no HUD influence. As would be expected, the resulting pattern was like that shown by the influence points.

The previous research showed that none of the ten sample cities had a program determined by HUD and in no more than two cities did Federal officials have a major impact on the content of the local program. As shown in table 3-5, the HUD impact was most frequently characterized as minor. It is worth noting, however, that this pattern of minor influence found among larger cities was not the pattern found in previous reports using a larger sample, which included other large cities as well as smaller central cities and suburbs. Data from the larger sample showed that HUD tended to have a major impact on program content in suburban communities more frequently than in larger central cities.

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<sup>3</sup>Ibid., pp. 39-41.

**Table 3-5. HUD's Influence Over Program Content, Number of Jurisdictions, Years 3 through 8**

<b>Program Year</b>	<b>Absolute</b>	<b>Major</b>	<b>Minor</b>	<b>None</b>	<b>Total Jurisdictions</b>
<b>Year 3</b>	0	1	7	2	10
<b>Year 4</b>	0	1	7	2	10
<b>Year 5</b>	0	1	8	1	10
<b>Year 6</b>	0	2	7	1	10
<b>Year 7</b>	0	1	8	1	10
<b>Year 8</b>	0	0	8	2	10

**Source:** Field research data.

In the ten-city sample in program year 7, the single case of major influence was Houston. In year 8, HUD's influence in Houston dropped to "minor," putting all ten of the sample cities in the minor or no-influence category for the first time in the research. This did not represent a drastic change from the previous years since most of the cities of the sample had been in those categories previously.

Viewed in terms of change in individual cities, this represented a decrease in HUD impact from the previous year in three cities; HUD influence did not increase in any of the cities. In Atlanta, the associate reported that HUD's impact shifted from major to minor between years 6 and 7, before deregulation. This was actually a return to what had been a pattern of minor influence in that city before the sixth year when HUD required the city to reduce the number of NSAs and pressed for more geographic targeting, thereby increasing HUD influence for just one year.

In the two cities--Phoenix and Houston--where HUD influence declined in year 8 after the policy changes, the shift appeared to be only partially related to the changes in Federal policy. In Phoenix the decrease in influence was a change from minor to no influence, making Phoenix along with Rochester the two cities where associates said HUD had no influence on program content in year 8.

### **HUD Role**

Beyond the direct impact on local development priorities, as measured above and by the influence points, HUD's overall "role" must be considered within the context of the policy changes. HUD's role is defined as the sum of the agency's involvement in the formulation, processing, approval, and implementation of the local CDBG programs. The HUD role can include such activities as: informal interaction with local officials on either substantive or procedural issues; formal interactions on application submission, processing, and "red tape"; site visits and performance; monitoring to assess local activities and program progress; and HUD actions to promote specific decisions or actions on the part of local actors. Thus, the term "role" has a very generalized meaning going beyond the impact on program content. To get a broader assessment of that role in the overall CDBG process, the associates reported whether that role was increasing, stabilizing, or decreasing. Generally, over the years that role continuously expanded as HUD become increasingly involved in all stages of the CDBG process.

In the seventh and eighth years, however, HUD's role began to shift as a result of Federal policy changes. As stated in the previous chapter, in year 7 HUD administratively began to deemphasize certain aspects of the application review and while this had little effect on the contents of most applications in that year, it signaled that the rules of the game were changing. Those changes became more evident, and mandatory, with the legislative changes of 1981 that eliminated the application requirement and shifted the focus of Federal evaluation to the implementation aspects of local programs.



As shown in table 3-6, there was some indication of less HUD activism with the change in administrations between years 6 and 7. In year 8, associates in eight of the ten cities reported HUD's role to be decreasing (four) or staying the same (four). The number of associates in the ten cities reporting a reduced HUD role was the highest of any year in the research. Two cities (Atlanta and Seattle) reported an increase in HUD's role.

In those cities where HUD's role decreased, the drop was at least partially related to the change in national policy. Since HUD no longer had the authority to approve or disapprove the submission packages, the area offices no longer had the previous opportunities to affect the planned uses of the grants. This change alone could be expected to reduce, although not necessarily eliminate, the HUD role since the application process usually resulted in a variety of formal and informal contacts between area office and local officials prior to formal submission of the application. Frequently such contacts continued after submission because of HUD's request for more information on certain activities.

With the end of the application process HUD provided that the recipient communities could request a HUD review of proposed activities to see if they complied with eligibility standards. Three of the sample cities made such a request -- Cleveland, Rochester, and Worcester. In each case the request was made primarily to protect the city against future problems about the eligibility of activities and the possible future need to repay funds to HUD. In Cleveland and Worcester the reviews were also seen as a defense against any council tendencies to use the added flexibility of the policy changes as a reason for proposing a significantly different set of priorities.

The changed perceptions of HUD's role were in part influenced by a local responsiveness to earlier HUD involvement in program performance. This was the case in Houston, as noted above, where HUD's role declined between years 7 and 8. Similarly, the associate for Los Angeles reported that the city had internalized the guidelines that HUD had previously pressed on the city, thereby reducing the HUD role in that city.

It is important to restate that the year 8 field analysis was made prior to the implementation stage where HUD's attention will now be focused and which could alter again the HUD role and the local perceptions of that role.

In Phoenix where HUD's role has never been great and decreased further between years 7 and 8, the associate reported some local irritation over the new HUD role in performance evaluation.

### Phoenix

One city official commented that HUD is now more concerned with the city showing documentation for expenditures, explaining their buying and bidding procedures, and could care less about programs. As a result, HUD's annual performance visit focused on waste, fraud, and mismanagement issues. A major difficulty that

**Table 3-6. HUD's Role in the CDBG Process, Number of Jurisdictions, Years 2 through 8**

	Increased	Stayed the same	Decreased	Total jurisdictions
<b>Years 2-3</b>	7	3	0	10
<b>Years 3-4</b>	5	5	0	10
<b>Years 4-5</b>	6	3	1	10
<b>Years 5-6</b>	4	6	0	10
<b>Years 6-7</b>	2	6	2	10
<b>Years 7-8</b>	2	4	4	10

**Source:** Field research data.

this shift raises is that area office people are not being retrained for their new auditing role. The result is program people coming in and trying to be auditors, asking the wrong questions and creating generally more confusion than anything else.

In Seattle, the local CDBG bureaucracy perceives that HUD monitors are now more visible in the city offices and interpret this as meaning a greater HUD role is emerging.

It is too soon to gauge the aggressiveness of HUD's administration of the "fraud, waste, and mismanagement" standard. Reports from some of the sample cities indicate that some local officials feel that the deregulation of the application end of the CDBG process could be offset by increased regulation at the implementation and performance stages. It is also possible that the reports of HUD's closer scrutiny of some aspects of local program administration were the result of initial uncertainty among HUD area officials on what it is they are supposed to be doing to implement the new policies.

#### Local Executive Roles and Influence

The most notable aspect of local executive decisionmaking during years 7 and 8 was the continuation of the pattern established in earlier years. The executive was the dominant actor in most cities in the local decisionmaking process, and this continued. In years 7 and 8, the executive was the leading actor in setting CDBG priorities in all ten of the sample cities, although in two (Los Angeles and Rochester), the influence was shared with the local legislature.

Throughout the eight years of research a point noted was that one objective of the CDBG program at the outset was to consolidate local decisionmaking in the hands of local chief executives (elected mayors and/or appointed managers) and legislators. The intended beneficiaries were classified as generalist officials. The expected losers were Model Cities and urban renewal agencies, labeled specialist agencies. An early conclusion in the research was that generalist control had largely been achieved and that control increased as traditional city line departments absorbed the administrative duties and officials of specialist agencies.<sup>4</sup> In some cases the specialist agencies were redesigned as new line departments or, in cases where urban renewal agencies maintained their semiautonomous positions, they were forced to compete with other agencies for CDBG money. Often the decline of specialist agencies resulted initially in the rise in influence of the regular city line departments as the latter became more important in the

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<sup>4</sup>Paul R. Dommel and others, Decentralizing Community Development, U.S. Department of Housing and Urban Development (Washington, D.C.: U.S. Government Printing Office, 1978), p. 132.

selection and implementation of activities, particularly where HUD pressed for higher rates of expenditure to show program progress. As shown in table 3-7, the influence of line departments appears to be on the wane. To understand better the shift of influence among executive actors, it is necessary to go beyond the aggregate data of leading actors and examine relative shifts among executive actors within communities.

Table 3-7 shows no changes in the total number of cities where the chief executive was a leading actor, but there were shifts among the cities. In year 7 the chief executive gained influence in two of ten cities while losing influence in three. Staff, on the other hand, increased its influence in four cities while losing in only two. It should be noted that the cities in which the staff gained influence were those in which the community development agencies were categorized as staff. In three of four cities where the line departments were leading executive actors, the community development agencies were established as line departments. In the fourth city, Houston, the line departments were tied with the chief executive for the dominant executive position.

In year 8, the staff officials again increased their influence in three cities where the community development agencies were organized at the staff level. The line departments gained influence only in Los Angeles where the block grant is administered by a line department. Thus, as the program matured, increasing executive influence gravitated into the hands of the local officials directly administering the block grant. Rochester illustrates the emergence of staff influence.

### Rochester

During the first year of the block grant, an interdepartmental task force appointed by the city manager and led by his assistant was given the responsibility for preparing the city's application. In the second year that responsibility was transferred to the Department of Community Development (DCD), a line department, which since that time has been in a subtle competition with staff officials for program control.

DCD's ascendancy continued into the third year of the program but diminished somewhat through the middle program years due to the city's financial difficulties when the influence of staff officials in the budget office increased somewhat. However, the views of the city manager himself and the priorities established by DCD remained the dominant executive influence in program decisions. It should also be noted overall program influence remained shared between executive and legislative participants.

In years 7 and 8, DCD increased its influence at the expense of staff officials but, according to the field associates, some city officials feel that the DCD staff is

**Table 3-7. Number of Jurisdictions in Which each Type of Executive Actor was the Highest Ranking Actor in Terms of Influence over Program Content, Years 1 through 8.**

Executive Actor	Program Year							
	1	2	3	4	5	6	7	8
Chief Executive	4	2	2	4	4	4	4	4
Staff Officials	4	4	3	3	3	3	3	3
Line Departments and Agencies	3	4	5	7	5	5	4	3
Other	0	1	0	0	0	0	0	0
<b>Total<sup>a</sup></b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>

Source: Field research data.

<sup>a</sup>Figures may not total to the number of jurisdictions because of ties in influence among types of executive participation.

becoming too independent. The city budget director believes that the block grant "received less scrutiny by his office than any other city program."

For the sample as a whole, the emergence over time of a prominent role by the community development staff does not mean, however, that the staff has come to totally dominate the CDBG process. As shown in table 3-7 chief executives were the leading executive actors in four cities and that influence was not shared.

In St. Louis, an executive-centered system where the mayor has dominated the CDBG process from the outset, the mayor was assigned eight of the ten influence points among executive actors for years 7 and 8, further increasing his influence from previous years. In Atlanta, where the decisionmaking process was characterized as dispersed influence, the mayor's influence increased from one to four points between the seventh and eighth years, again reflecting the inauguration of a new mayor, Andrew Young.

In some cities where the chief executive was a dominant influence in the city's regular budget process, executives enhanced their control of CDBG by establishing closer links between CDBG decisionmaking and the regular budget process. In Chicago, a traditionally strong executive-centered system with its roots in machine politics, influence within the executive shifted further to Mayor Byrne and away from the line departments when administration of the block grant program was reassigned from a line agency to the city budget director who worked closely with the mayor.

In Worcester the impact of Proposition 2 1/2 and its adverse effect on the city's fiscal condition caused the city manager and his CDBG staff to add further to their control of the program by linking block grant allocations more closely to the city's regular budget process. This was done by establishing an informal process whereby the Office of Planning and Community Development, the agency administering CDBG, reviewed all departmental budget requests to determine what proposed budget items were eligible for CDBG funding rather than funding from the city's own tax levies.

Closer linkages between the CDBG and regular city budget processes were also put into place in Phoenix during year 7. Prior to this time the two budgets were developed separately. The new budgetary ties developed more from personnel shifts than any deliberate effort to tie the budgets together for fiscal reasons, as was the case in Worcester. (In Phoenix the program director of the community development agency had formerly been in the city's budget office.) Seattle is another city where CDBG is now linked more closely to the regular budget process. There the responsibility for preparing the CDBG application was transferred to the Office of Management and Budget when the city dismantled the Office of Program Planning (OPP). The OPP had been a controversial agency since its creation in the early 1970s and had gone through several transformations over the years. However, the associate indicated that shifting the CDBG application to OMB "is more an organizational convenience than a merger of functions."

Overall, it appeared that the block grant program was becoming increasingly integrated into the regular functions of local government. This trend was occurring prior to Federal policy changes as the local community development staff came increasingly to be the major influence in establishing basic program priorities. This integration process appeared to be increasing with the closer linkage in some cities between CDBG allocation decisions and the regular city budget process. While the development of such linkages appeared to be based on particularized local factors, the added flexibility of the block grant provided by Federal policy changes may facilitate development of such ties. One reason would be that the simplified and shortened CDBG submission process makes it possible to alter the calendar of CDBG decisionmaking to coordinate the block grant process more closely with the regular budget process. To the extent that cities choose to further integrate CDBG and regular budget processes, it is possible that CDBG decisionmaking may be perceived as being an integral part of local fiscal policy. The issue of CDBG as local development and/or fiscal policy is discussed further in the next chapter.

### Legislative Influence

In the previous section, the CDBG decision process was characterized over the years as one of executive dominance. On the average the legislature was a leading actor in only two of the sample cities over the years and in each case the lawmakers only shared the leading actor position with the executive (table 3-2). Except for Rochester, N.Y., seldom has an associate assigned more than three influence points to the local legislature. Even in those cities where council members have been elected by districts, rather than at-large, and have been most active in getting allocations for their districts, the legislatures have not exclusively dominated the local CDBG decision process.

The previous reports generally found that the increasing involvement of HUD in targeting and implementation issues tended to strengthen the role of the local executive at the expense of the legislature. For the ten cities in this sample, however, this was not the tendency. The legislatures in these larger cities generally held their own, although not as the dominant actor. This may be related to the fact that HUD's influence in the programs of the larger cities had never been great. The inverse relationship between HUD and local legislative influence had tended to be more evident in smaller, better-off communities where HUD most actively pressed the social targeting issue in the past. An exception for the ten-city sample was Houston where continuing implementation problems brought considerable and continuous HUD intervention into that city's program. This pattern suggests that where HUD's influence was relatively high and that influence declined, it created new opportunities for legislative activism.

Since programs and processes of year 7 were largely carryovers from the previous year, it was not surprising that legislative influence showed little change. In all of the sample cities, the associates made no change in legislative influence between years 6 and 7.

Year 8, however, did show some changes. Two jurisdictions showed an increase in legislative influence, Houston and Los Angeles. In both cases the greater legislative influence was matched by a decline in HUD influence. In Los Angeles the change was a small one; but in Houston as discussed earlier, there was a precipitous drop in HUD influence, going from four to zero, and an increase in council influence from zero to three.

While these quantitative changes occurred in only two cities, some important qualitative changes in the legislative role began to appear. The second report on CDBG stated that legislatures were prone to push for more geographic spreading of activities to meet a variety of citizen demands. This was even more likely to be the case in cities where councils are elected on a district basis and legislators are more aggressive in getting a share of the pie for those districts. Legislators have also tended to be more protective than executive actors of nonprofit organizations seeking funds to carry out a range of social services. Some of these legislative tendencies appear to be undergoing some change.

In Worcester the city council, which had customarily retained a variety of social services in the program despite executive efforts to eliminate them, agreed in year 7 that such services would not be funded in the future. Council members backed off in year 8 and again funded a number of social services but at a much reduced level. However, in that city a large part of the allowable 10 percent limit for public services went for new police services. Thus, the council, while fighting a rear guard action for the nonprofit organizations, came to recognize in year 8 that the city's fiscal problems were so pressing that it had to move away from its former role as the court of appeals for those agencies.

In Los Angeles, the associate said the primary goal of the council remained "to spread benefits on a wider basis and to generate visible, politically desirable projects." However, as the effects of Proposition 13 began to be felt more severely, the council became more concerned about funding major projects that would require general fund support in the future. Also, the introduction of an RFP (request for proposals) approach for choosing projects weakened some of the ability of individual council members to "pork barrel" by shifting project selection to local officials in the community development agency.

In Atlanta the associate reported that beginning with year 7 the council began to take a more sympathetic view toward geographic targeting and problems of cost effectiveness. The council policy change came after a six-year period during which the associate described the council's main impact on CDBG as "spreading benefits to as many neighborhoods as possible." The change in year 7 came partly because of HUD pressure on the issue and a change within the council.

### Atlanta

For several years HUD has been pressing the city to concentrate its spending in a smaller geographic area and



city planners in turn had been urging this upon the council, unsuccessfully.

For some time there had been an element on the council, particularly within the Finance Committee, that had been sympathetic toward the planners' proposal and had generally been concerned about the cost effectiveness of the CDBG program. During year 7 one of these members also served as chairperson of the council's Development Committee, along with two other members of the Finance Committee. As a result the planners were more successful. In year 8 a new chairperson took over the Development Committee and continued to support the policy established for the seventh year.

"Despite the change in HUD's regulations, the NSA (Neighborhood Strategy Area) and targeting strategies remained in force with respect to the formulation of the eighth year program, because most of the interested actors, particularly the leading ones on the council, wanted it that way. Although some members saw the possibility of using the flexibility presented by the (1981) amendments as a way to revert back to spreading the benefits, this approach was discouraged by a majority."

Despite such qualitative changes, spreading remained an important factor among city councils. To illustrate: as noted above, sharing the pie remained the predominant policy orientation of council members in Los Angeles despite some efforts to remove the pork barrel image. St. Louis' aldermen also were alert to assuring that their districts share in the allocation of activities. Cleveland's council also remained attached to the principle of spreading.

### Cleveland

For several years there was a continuing discussion between Cleveland and HUD officials about the distribution of activities around the city, with Federal officials holding the view that the city was spreading the money too thinly. Within the city there was a similar difference of approaches between the community development staff and the city council, elected by districts, with the former seeking more targeting and the latter a broader distribution of activities.

An important factor behind the distribution of activities among council districts is the influential role of the council president in CDBG decisionmaking and the use of block grant allocations to gain political support within the council.

One manifestation of the council's spreading tendencies was the addition by the council in year 8 of four additional target areas to the fifteen existing Neighborhood Strategy Areas (NSAs). According to the associates, "Virtually the entire inhabited area of the city will receive some kind of CDBG programming in year 8."

Another illustration is the city's principal housing rehabilitation program. The loan program had been directed into low income target areas but very few loans were actually made. Under pressure from the council president the program was extended in year 8 to include most of the city.

### Citizen Participation

The 1977 legislation and HUD's regulations sought to: 1) expand the scope of citizen involvement throughout the CDBG process from application to implementation and performance monitoring; and 2) influence the structure of local participation to improve the access of neighborhood groups, particularly those representing low- and moderate-income residents. Under deregulation the Federal position on citizen participation is generally one of neutrality in terms of scope and structure of participation. This neutrality represents a return to the position of the 1974 legislation and the general policy of the Ford Administration. Only one public hearing is mandatory and local governments are only required to provide information to the public regarding the amount of money available and the ways it can be spent.

The general finding for years 7 and 8 was that initially the sample cities made few changes in their citizen participation process, with the exception of the number of hearings (table 3-8). In four cities there were fewer hearings held in year 8, although in those cities the number continued to exceed the single hearing required. Cleveland was the only city that increased the number of public hearings in year 8. Regardless of the number of hearings, associates unanimously reported that the hearings had little influence on program decisions, a finding consistent with field research in earlier years. It should also be noted that none of the six cities where a formal citizen advisory committee existed made any move to abolish such mechanisms. Presumably, getting rid of such committees would cause too much of a political stir. Thus, the formal mechanisms of participation remain largely intact, although as discussed later other changes affecting the citizen role are occurring.

While the 1981 policy changes may have opened up the possibility of curbing citizen access to local CDBG decisionmaking, there was actually a small upward move in citizen influence in the sample cities in year 8. For year 7, the transition year between administrations and policies, citizen influence as measured by the influence points dropped in three cities from the previous year and stayed the same in seven cities. For year 8, however, citizen influence increased in four cities, stayed the same in five, and declined in only one (table 3-3).

**Table 3-8. Number of Hearings, Years 7 and 8**

<b>Number of Hearings</b>	<b>Increased</b>	<b>Decreased</b>	<b>Stayed same</b>
<b>Year 7</b>	Los Angeles Houston Worcester	Rochester	Chicago Atlanta St. Louis Phoenix Cleveland
<b>Year 8</b>	Cleveland	Seattle Atlanta St. Louis Worcester	Los Angeles Rochester Phoenix Houston Chicago

**Source: Field research data.**

Any changes in influence must be viewed within the context that overall citizen influence in the program has never been great. In none of the ten jurisdictions were citizens the leading actor in defining program content (table 3-2). Only in Houston in year 8 did associates give as many as three influence points to citizen actors. But while citizen influence may not be great for local programs as a whole, it may be more significant for particular aspects of the program. That is, citizen groups tend to be project-oriented rather than strategy-oriented and focus their interests on specific activities they wish to see funded. There are exceptions in cases where a public interest group (Chicago) or a coalition of neighborhood groups (Los Angeles) focus on a broader issue such as targeting or high administrative costs and press for changes.

The generally low level of citizen influence in the sample of ten cities differs from the findings in previous years with the larger and more diverse sample. The report on years 5 and 6 stated that citizens had been leading actors in ten of fifty communities in year 5, and eight of fifty in year 6. In program years 4, 5, and 6, citizen groups were leading actors more frequently than were legislatures. None of the jurisdictions where citizens were leading actors is among the ten-city sample. It appears that citizen influence tends to be greater in smaller communities where presumably decision systems are less complex and access is thus easier.

**Forms of citizen access.** This analysis focuses on three types of citizen participants:

1. **Advisory Committees.** These are bodies officially charged by the local government to act as the medium for citizen advice and comment concerning CDBG plans and decisions. They may be existing structures of local governments, such as planning commissions or standing community/neighborhood planning boards, or they may be new groups whose members are appointed or elected. The representation may be both citywide and neighborhood.
2. **Neighborhood-based groups.** These groups represent the interests of specific neighborhoods or areas, in either formal or loose association.
3. **Special or public interest groups.** Such groups represent specific broad public interests apart from those of specific neighborhoods. They may be formally organized, such as the League of Women Voters, or may be coalitions that reflect the views of professional, business, or subgroup interests.

The finding in the previous field research reports based on the large sample was that the formal citizen advisory structures and neighborhood-based groups were co-equal as the dominant form of citizen access, and had been so since the beginning of the program. It was reported previously that special

or public interest groups were on the decline as a mechanism for citizen participation.

In the ten-city sample the findings showed a different pattern. As table 3-9 illustrates, neighborhood groups emerged as the dominant form of citizen access as early as year 5 and more recently that dominance has become more evident. In years 7 and 8, the number of cities where neighborhood-based groups were dominant dropped from 9 to 7, but that dominance was no longer shared with any of the other mechanisms of access. Thus, in years 7 and 8, there was a more clear sorting out of citizen access between the advisory committees and neighborhood-based groups. Beginning with year 5, the larger cities included in the current sample began to deviate from the pattern of the larger sample. For the large sample advisory committees and neighborhood-based groups remained substantially co-equal in years 5 and 6, but in the larger cities the neighborhoods became dominant. In Worcester, the shift in dominant access has been from the advisory committee to neighborhood-based groups.

### Worcester

For the first four years of the program the Community Development Advisory Committee (CDAC) was the most visible point of citizen access for getting funds. Beginning in the fifth program year the Office of Planning and Community Development (OPCD) began to do more in-house structuring of the program to discourage submission of applications of outside groups.

With the passage of Proposition 2 1/2 in 1980 and the resulting pressures on the local property tax revenues, OPCD began to take a harder line on allocations to any non-city agencies, ending solicitation of proposals from outside groups, ceasing to participate jointly with the CDAC in public hearings, and preparing its own allocation plan prior to meetings with any outside groups, including the CDAC.

In year 8, the CDAC succeeded with the help of the city council in restoring some of the non-profit funding, although the larger share of service funding went to the police department as proposed by OPCD. Since the neighborhood groups are more interested in physical development for parks and public works in their areas and less interested in social service spending, their interests are closer to the plans of OPCD and increases their influence vis a vis the CDAC.

The three cities where the citizen advisory committee was the dominant form of access were Chicago, Houston, and Phoenix. In Chicago, the edge of the advisory group over neighborhood groups is a narrow one, according to the associate, and is related to the relatively smaller role of public interest groups in years 7 and 8. The slight dominance of the advisory group also reflects the fact that about half of its members represent neighborhood

**Table 3-9. Dominant Forms of Citizen Access, Number of Jurisdictions, Years 1 through 8<sup>a</sup>**

Form	Program Year							
	1	2	3	4	5	6	7	8
Citizen Advisory Committee (formal citizen participation mechanism)	3	3	4	5	3	4	4	3
Neighborhood-based Group	5	4	5	6	9	9	7	7
Special/Public Interest Groups (e.g. Chamber of Commerce, NAACP, League of Women Voters, Taxpayers Associations, etc.)	1	1	1	1	1	1	0	0
Other (individual)	3	3	2	1	0	0	0	0
<b>Total Jurisdictions</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>

Source: Field research data.

<sup>a</sup>Figures may not total to the number of jurisdictions because of ties in influence among types of citizen participation. For example, a jurisdiction may have the respective CAC and the Neighborhood-based groups equal in influence.

groups. Prior to year 7 the public interest groups had been the watchdogs over the city's program and had filed a number of administrative complaints in the past. However, in year 7 only one administrative complaint was filed. Meanwhile, the advisory committee which was established by Mayor Byrne in year 5 developed closer working relations with city officials, although it is clear that the committee has an advisory rather than substantive planning role.

In Phoenix the advisory committee was overwhelmingly the dominant means of citizen access to the decision process. In large part this is because Phoenix is not a city of established neighborhoods that can serve as a basis for effective organizations. Also, the city chose from the outset to have a very targeted program in a low income area and that approach has been accepted by all participants in the process, leaving little opportunity for mobilization of other neighborhood interests.

In Houston, a previously balanced system of access between the Houston Residents Citizen Participation Commission (HRCPC is the advisory committee), neighborhood groups, and public interest groups gave way in year 8 to domination by HRCPC. It was noted earlier that both citizen and legislative influence increased as HUD's influence dropped sharply. As an elected group which shares the political base with some members of the city council, it followed that the relative position of the HRCPC among citizen groups would shift with that of the council.

The report on years 5 and 6 concluded that the increased activism of the neighborhood-based groups appeared to be tied to both internal and external factors. Internally, the increased sophistication of neighborhood groups and the growing visibility of block grant activities as they were completed were cited by associates as contributing to the larger role played by the neighborhood organizations. This in turn encouraged groups in other neighborhoods to seek funding. Also, as funds continued to increase through year 6, some cities actively sought more participation by citizen groups. For example, in year 6 Cleveland started to hold neighborhood meetings to encourage and assist submission of project proposals. Externally, increased Federal funding, HUD's policy emphasis on geographic targeting, and new regulations requiring larger cities (over 50,000 population) to provide a citizen participation process in neighborhoods with significant CDBG activity encouraged more active involvement.

That report also concluded that over the six years of the research some tension emerged between tendencies toward institutionalization and bureaucratic control (Federal and local) and countertendencies, also underwritten in important ways by HUD policies, to keep the system open to citizen access.

Changes in external policy factors appeared to be having some effects on the citizen role, effects that indicated the local decision process may become less accessible. The greatest immediate effect appears to result from the funding cutbacks that began in year 7 and increased in year 8.

The Los Angeles associates reported:

Funding cutbacks have changed the nature of citizen involvement from one complaining about high administrative costs to a competitive battle with other community-based organizations for shrinking dollars.

From Atlanta:

It will be even more difficult for neighborhoods to compete in the future. In the future, the planners and managers will determine what the needs are, and then seek proposals tailored to meeting those needs. In other words, the process will become more closed. This new approach is one more indication of the impact of the money crunch on the city, and the consequent efforts by program planners and managers to make the most cost-effective use possible of every scarce dollar.

From Seattle:

Years 7 and 8 have been holding the line years. Discourse at public hearings have been low key and mostly confined to pleas by clients currently in the program for continued funding . . . . This certainly differs from previous years when money was increasing and there was competition among new entrants into the system.

The associates in St. Louis said the cutback in funds is increasing the competition between the citizen advisory committee and neighborhood organizations.

The citizens advisory committee (CAC) has continued to exert influence on the final shape of the application. However, as the effects of decreased Federal funding and program cutbacks have become more apparent, neighborhood groups have become more aggressive in the pursuit of remaining CDBG dollars.

Where such effects have not been felt already, they may be in the future. In Cleveland, under executive sponsorship, access has been expanded in recent years most notably by establishing a network of staff Neighborhood Planners and by an out-reach program that encourages submission of proposals by citizen groups. One result was that in year 8, the number of such allocations increased from 60 to 90. However, because of the drop in block grant funding, past participants got fewer dollars. With continuing cuts in the grant and the need to reduce service spending to meet the 10 percent limit in 1984, the associates, stated: "Rather than fighting over pieces of a fairly ample pie, Clevelanders may be fighting over the crumbs of a very paltry pie."

In terms of citizen access, it is likely that citizen groups will become even more dependent on other actors in the decision process. The words "even



more dependent" are stressed because citizen influence throughout the years of CDBG has been registered more effectively through informal working relations with governmental actors than through the formal mechanisms of advisory committees and public hearings. In the report on years 5 and 6 one of the conclusions about citizen participation was:

Citizen influence in program decisions tended to be enhanced where citizen groups--formal or informal, continuous or ad hoc--allied themselves with governmental participants in the process such as HUD, local legislators, or the local staff charged with administering the program.<sup>5</sup>

There was no common pattern of which access point has been most useful to citizen groups. In Atlanta, St. Louis, and Worcester the associates indicated that legislators were more sympathetic to citizen demands while in Rochester and Phoenix executive actors, usually the community development staff, tended to be the preferred point of access. In Cleveland the neighborhood participants have fared better with the community development staff while third-party providers of services have tended to work through the city council for funding. This alignment in Cleveland appeared to result at least partially because council members, elected by district, tend to view neighborhood groups as competing points of political organization. There also appeared to be a sense of citizen-council competition in Los Angeles where the associate reported:

The council's grants committee and the city council as a whole have attempted to consolidate their own authority by reducing the amount of citizen input and by using the Chief Legislative Analyst to generate more politically desirable alternatives.

The reduced role of HUD may also effect citizen involvement. The Los Angeles associates reported that the 1981 amendments reduced HUD's influence in the decision process and Federal officials

were strong supporters of expansion of citizen participation activity. With that change, the emphasis on citizen participation is much reduced and now appears to represent only the minimum level politically necessary for credibility during year 9.

In Seattle HUD's previous efforts to have a clearer neighborhood structure to citizen participation were left unresolved in year 8 because of the new policies.

#### **Local Administration of Deregulation**

In addition to tracing the affects of the Federal policy changes on the relative influence of the various participants in the decision process, the

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<sup>5</sup>Implementing Community Development, p. 58.

field associates examined certain aspects of local administration to see if the policy changes had any effects.

### Administrative Capacity

The report on years 5 and 6 distinguished between a front-end planning capacity for preparing the annual applications, an execution capacity for program implementation, and an overhead capacity defined as

the ability to coordinate the various public and private agencies executing CDBG activities, monitor their performance, assure compliance with Federal standards, and maintain an information system on various aspects of the program.<sup>6</sup>

Generally, the report concluded that over the years communities had added considerably to their capacity to meet the application requirements but problems with execution and management overhead capacity were still found in a number of communities. In particular it was found that financial information systems, a key tool in management performance, were of very uneven quality among the jurisdictions in that sample. However, and a point to be emphasized, local capacity to carry out and manage the block grant increased substantially over the years. It was also noted that closer HUD scrutiny of implementation and management aspects of the program had led to a variety of changes in local administration of the block grant.

With the shift of HUD's focus to "waste and mismanagement," it might be expected that there would be a shift of local capacity needs from the front-end task of preparing the simplified submission package to tasks related to the shift in HUD's interests. Local concern over such issues was reflected partially in the request by three cities to have their submission packages reviewed by HUD to protect themselves against future audit problems. The Los Angeles associate reported the local perspective this way:

The only concern (among local officials) is that the audit process may turn out to be an "Aha, I got you!" game with the city's liability higher because of an ineligible or disallowed cost . . . . Auditors have to justify their existence with findings, even when they are not really warranted.

The Houston associates reported some uncertainty among local officials about what types of HUD evaluation standards would be imposed. In Chicago, one local official remarked that, "HUD's more intensive monitoring is a typical bureaucratic response--after all, they've got to do something to justify their existence." Another local official in that city noted:

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<sup>6</sup>Ibid., p. 174.

In the past all HUD wanted was to see our records. They never really examined them. Their concern was that we had a file cabinet marked rehab, for example. Now, they take a sample of rehab cases and follow each case all the way through the rehab process checking for verifying documentation at each step of the process. In addition, they scrutinized each step of the process. This is as close to a financial audit as they have ever come.

A number of associates reported that local officials were giving increasing attention in year 8 to program management and performance, although this did not appear to be directly related to the Federal policy changes. Rather, beefing up of management capacity seemed in a number of cities to be the result of past HUD pressures in this area. In that sense, the possible near-term effects of deregulation on program evaluation might be viewed as an extension of the effects of the policy of the prior administration.

Atlanta added two persons to its staff to improve management operations, a response to continuing HUD pressures for better monitoring of contractors. Similarly, Houston, according to the associates, is seeking

to improve agency performance and agency accountability by centralizing programmatic responsibility, eliminating duplicative efforts of other city departments, and reducing the size of the staff while improving the quality.

While reducing staff size, Houston created an in-house auditing unit to conduct fiscal and programmatic reviews of contracts.

Thus, there is some evidence of greater local efforts to improve overhead management capacity, but, overall, associates reported no major shifts of local staff assignments from the application to the performance end of the block grant process in year 8 as the result of the elimination of the application requirement. The Atlanta associate stated, "All of the basic planning and assessment--the front-end work--done before actual typing of the application is deemed vital by those officials involved in the process." The Worcester associate said the time saved in the actual preparation of the application was going to other aspects of front-end planning, primarily structuring the program elements through more planning meetings with agencies carrying out the activities. In that city the overall burden involved in front-end planning has been reduced as more and more of the block grant money has gone into fewer and fewer contracts. Part of that reduction in front-end work load has also resulted from making increasingly fewer allocations to non-city agencies for social services and housing rehabilitation activities. This in turn is expected to ease performance monitoring of third-party contracts.

#### **Administrative Costs**

In examining the overall effects of the policy changes on the assignment of staff work for year 8, the associates also sought to determine whether deregulation in its first year had resulted in any evident cost savings in local administration of the program. Associates assessed changes in the size

of the local staff and in administrative costs. Overall, the result was that deregulation itself had little effect in year 8 on either the size of local community development staffs or the cost of administering the program.

In the five cities where the size of the staff decreased in year 8, the reasons were local political and/or fiscal factors or a response to past HUD pressure to cut oversized staffs. Several associates reported that cuts in staff size, either already made or anticipated, were to weed out deadwood. In St. Louis two major cuts in two years reduced the staff size from 140 to 45. The associate said the first cut "eliminated many duplicative positions and unnecessary work" and was part of cutbacks in other departments because of the city's fiscal problems. The second cut came more from political considerations. At the same time the community development agency was being cut in size, the new mayor created in his office 14 "neighborhood liaison" positions to maintain close contact with neighborhood groups, a move seen by some as a device to strengthen the mayor politically. In Los Angeles, the third city to report substantial staff cuts between years 7 and 8, the associate said the reductions were in large part an adjustment to overrapid expansion of positions during the time when city CDBG funds were growing. The cuts were also influenced by a previous HUD audit and a local suit based on that audit charging excessive administrative costs.

During year 8 Houston cut 54 positions from a staff of 136. An earlier HUD audit had reported overstaffing and the new mayor and community development director used the audit as leverage to cut out what the community development director described as "untrained, incompetent, and counterproductive staff members." Atlanta was also planning to cut its staff during year 8 by eight positions, recognizing "the decrease in the level of grants and the city's mandate to efficiently administer the CD program." In Worcester a slight reduction in staff size was reported because of a hiring freeze in that city resulting from the effects of new property tax limits. The freeze in turn disrupted the city's career ladder and some staff members left public employment.

While particularized local factors appeared to be the direct cause of staff reductions, in some of the cities the staff reductions appeared to be a partial response to lower levels of CDBG funding. If so, staff cuts may become a general phenomenon as grants are further reduced. In some cases the staff reductions appeared to be "cutting out the fat," but more generally the cuts appeared to be a necessary adjustment to the fact that the cities were receiving less grant money.

There was only one city, Phoenix, where the community development staff expanded, adding five persons who had formerly been with a separate office of economic development. The latter was merged with community development because of a cut in Federal funds from the Economic Development Administration.

Regardless of changes in staff size, there seemed to be little effect in administrative costs as presented in spending plans for year 8. In most cases any savings from reduced staff size were absorbed in pay increases for

remaining staff members and higher costs for administrative items such as travel and supplies. But the more evident problem in determining any changes in administrative costs in the sample cities was that the administrative budget for CDBG frequently was used to temporarily hide funds to be used later for non-administrative purposes. In Phoenix \$800,000 of administrative costs was for "unanticipated cost overruns" that may occur later in the program year. In Worcester administrative costs have been regularly overbudgeted as a means to set aside some money until the community development agency decides later what non-administrative activities to fund. As such, the added administrative money was also a means of banking some money so the city council would not use it to fund its pet projects, although the legislators subsequently had to approve the actual use of the money. In St. Louis some administrative funds were used later as a mayoral discretionary fund and for reprogramming to other activities.

Another problem in determining administrative costs was that the figures shift from year-to-year because of changes in bookkeeping practices. In Houston, in year 7 administrative costs for housing rehabilitation were reported under housing assistance expenditures but shifted in year 8 to the general administrative budget. In Atlanta, the only city to report a drop in planned administrative costs for year 8, the associate said that this resulted primarily from HUD's insistence that persons putting only part of their time on CDBG work be paid proportionately from the block grant. The associate added an important caveat, however:

What all of this means -- whether it reflects actual reduced cost or merely paper shuffling -- is unclear at this point. Besides, the council is very likely to take action that will raise the administrative cost, in any event.

Thus, there was no evidence for year 8 that deregulation resulted in lower administrative costs, although the actual measurement of such costs is very difficult.

### Looking Ahead

This chapter on decisionmaking concludes by looking ahead. Because the field work was carried out in most cities just as the first year of the policy changes were getting underway and thus before any effects could be fully observed, associates took a forward look at any changes anticipated in the local decision process in year 9 (1983).

The most evident point made by several of the associates was that in various ways the cities were entering a new phase of local competition for control of the program. Except in Cleveland where citizen groups were becoming more active, the general indication was that executive and legislative actors were likely to be the major contestants for greater influence. Such added competition, however, was less likely to be marked by the clash and clang of open conflict than by more subtle operational changes that would have the effect of enhancing the relative influence of one or another set of actors.

In Rochester, for example, where the associates reported a system of shared executive-legislative influence throughout the life of the program, there were some indications that the city manager may seek to gain more control over the block grant. The vehicle for such a change would be greater integration of the city's capital budget with the CDBG budget which has been formulated independently.

In Cleveland the trend appears to be toward more council influence. The associates reported that year 8 was a transition year for the city in terms of allocating the declining funds. Two funding categories--administrative costs and public services--held their own in year eight but face the tough decisions in years 9 and 10. "It is then that the question of who holds the knife to carve the CDBG pie will become really important," the associates stated. In year 8 the council added to its ability to wield the knife by increasing its own staff dealing with CDBG planning and monitoring. "Some councilmen began to explore ways of more effectively moving policymaking into city council chambers," the associates said, thereby reducing executive control through the community development staff. Greater legislative power is likely to be resisted by neighborhood groups who have organized into the Neighborhood People in Action to strengthen their bargaining position. However, the associates stated:

The neighborhood groups are distrusted and feared by councilmen because they are rivals to ward organizations. Council is also disdainful of the CP (citizen participation) process.

However, with the reductions in CDBG funds, the associates said a major question is whether the new neighborhood coalition "can build a citywide view and interest among the neighborhood groups, or whether they will fall to just squabbling among themselves over pieces of the pie."

In Houston discussions are underway on a number of issues which could alter the relative influence of the community development staff, the council, and the citizen advisory group. Among the changes being discussed are: 1) the absorption of a number of other city activities into the community development agency; and 2) restructuring the citizen participation mechanism to make it an advisory committee appointed by the mayor and approved by the city council and to eliminate funding for the citizen participation staff. The latter change would be a major alteration of the citizen participation structure which is currently an elected body with close political ties to the city council. The net effect of the various changes, if adopted, would likely be greater executive influence vis a vis its major competitors, the council and citizens.

In Los Angeles several structural and operational changes are being made which will accrue to the disadvantage of community organizations. The city council had reduced the size of the citizen advisory committee from 150 to 30 members and altered the public hearings to encompass larger geographic areas, thus diluting the influence of the small neighborhood areas. Also, by putting public services on a flat percentage basis (thus reducing the amount of money

as the grant declines), and putting these services on an RFP review basis, more control over the negotiating process goes to the community development staff. "Accordingly, there should be much less interest and involvement from community organizations," the associates reported.

The sharp reduction in the number of public hearings held by Worcester in year 8 will be formalized in year 9. The city had cut the number of application hearings from fourteen to four between years 7 and 8, in part because they did not have HUD guidance on new citizen participation policies, but local officials in the community development agency liked the change so much they decided to make it permanent in year 9. Proposed plans by the city staff to completely eliminate social service spending in year 9 is also likely to diminish interest and participation by the various nonprofit organizations who have received CDBG allocations. This in turn would further reduce the already shrinking influence of the citizen advisory committee and the city council, its informal coalition ally.

Thus, the field reports suggest that both the added local flexibility and the decline in funds have reopened or are in the process of reopening some important decisionmaking and procedural issues that appeared to have been settled earlier as the program grew and became increasingly an integral part of the functions of local government.

The report now turns from the procedural analysis to a discussion of how the ten sample cities used their grants.





## Chapter 4

### PROGRAMS AND STRATEGIES

The analysis thus far has focused on the effects of deregulation and decreased funding on intergovernmental issues and the local decision process. This chapter focuses attention on the substantive outcomes of the decisionmaking process, analyzing program priorities included in the applications (year 7) and submission packages (year 8) of the ten sample cities.

The last report developed the theme of continuity and change and noted that both the local decisionmaking process and program outcomes had become fairly institutionalized over the first six years of the program.

Stability was the central theme of the program and strategy discussion and the data indicated to us that after six years the major programmatic and spatial decisions tended to become relatively fixed.<sup>1</sup>

The analysis in this chapter picks up on that theme of continuity and change. Is the block grant program in years 7 and 8 (1981 and 1982) a continuation of trends observed in previous years or have new patterns emerged? Have national policy changes and local political and fiscal factors had any observable impact on CDBG programs and strategies? As noted in Chapter 1, the current fiscal stress experienced by some of the sample cities may affect local program choices and strategies. All of the sample cities experienced a decline in CDBG entitlements in years 7 and 8 (table 4-1) as well as some losses of Federal aid from a variety of other programs that were either eliminated or cutback by reductions in Federal domestic spending. In addition, in some cities local fiscal pressures increased by such actions as local tax and expenditure limitations and the recession. A general result of these various external and internal fiscal factors was that in many cities, CDBG has become the only source of "discretionary" money available to local government officials.

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<sup>1</sup>Paul R. Dommel and others, Implementing Community Development, U.S. Department of Housing and Urban Development (Washington, D.C.; U.S. Government Printing Office, 1982), p. 119.

**Table 4-1. CDBG Entitlements for 10 Sample Cities, Years 6 through 8  
(thousands of dollars)**

<b>City</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Percentage Change, 6-7</b>	<b>Year 8</b>	<b>Percentage Change, 7-8</b>
<b>Atlanta</b>	<b>15,075</b>	<b>14,735</b>	<b>-2</b>	<b>11,795</b>	<b>-20</b>
<b>Chicago</b>	<b>128,436</b>	<b>122,180</b>	<b>-5</b>	<b>106,056</b>	<b>-13</b>
<b>Cleveland</b>	<b>39,293</b>	<b>37,626</b>	<b>-4</b>	<b>32,366</b>	<b>-14</b>
<b>Houston</b>	<b>28,290</b>	<b>27,305</b>	<b>-3</b>	<b>23,508</b>	<b>-14</b>
<b>Los Angeles</b>	<b>56,855</b>	<b>54,846</b>	<b>-4</b>	<b>47,730</b>	<b>-13</b>
<b>Phoenix</b>	<b>11,367</b>	<b>10,928</b>	<b>-4</b>	<b>9,782</b>	<b>-10</b>
<b>Rochester</b>	<b>12,972</b>	<b>12,432</b>	<b>-4</b>	<b>10,952</b>	<b>-12</b>
<b>St. Louis</b>	<b>35,184</b>	<b>33,535</b>	<b>-5</b>	<b>30,219</b>	<b>-10</b>
<b>Seattle</b>	<b>17,178</b>	<b>16,387</b>	<b>-5</b>	<b>13,711</b>	<b>-16</b>
<b>Worcester</b>	<b>6,264</b>	<b>6,010</b>	<b>-4</b>	<b>5,213</b>	<b>-13</b>

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

## Program Allocations

### Program Activities

Section 105 of the Housing and Community Development Act provides an extended list of activities eligible for funding under the block grant. To better understand the mix of diverse activities permitted and the pattern of local priorities, the following program categories are used.<sup>2</sup>

1. Housing. Housing rehabilitation loans and grants, modernization of public housing and other housing activities such as code enforcement, demolition and clearance for new residential redevelopment.
2. Public Improvements. Public works projects such as streets and sidewalks, water and sewer lines, parks, playgrounds, and other recreation improvements.
3. Urban Renewal Continuation. Continuation or completion of urban renewal activities (acquisition, public improvements, demolition and clearance, relocation) begun during the categorical period.
4. Economic Development. Commercial and/or industrial development projects designed to enhance the local tax base and create jobs. Examples include acquisition and preparation of property for a new industrial park, public improvements along neighborhood commercial strips, and technical assistance to small businesses.

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<sup>2</sup>The program categories used in this report are slightly different from those used in previous reports. This analysis combines the neighborhood conservation and general development categories into a public improvements category in order to gauge the overall trend in block grant allocations for public works activities. In previous reports the distinction had been used primarily to distinguish among public works activities by their geographic location. In addition, this report has program categories for public services and for public facilities. Both of these categories include activities for social as well as public services. In the previous reports there were separate program categories for social services, social service facilities, and public services and facilities. The reason for the present set of program categories is the current interest and concern for the overall level of public service allocations manifest in the 10 percent ceiling on public service funding instituted in year 8. While the term public services is used throughout the report, bear in mind that it includes both social services and more traditional local government services. Where appropriate, distinctions are made between these two types of services.

5. Public Services. Programs for social services such as health, education, welfare, child care, senior citizens, youth, job training, and counseling programs as well as rodent control, vacant land management, refuse collection, police and security patrols and other public services.

6. Public Facilities. Construction, maintenance, and rehabilitation of facilities necessary for the provision of public services.

7. Planning and Administration. Planning, management, and administration of the CDBG program. Also included are citizen participation activities, and relocation activities not classified as urban renewal continuation.

In addition to assigning each activity to one of these program categories, associates indicated whether single activities such as housing rehabilitation or a public service were part of a package of activities going into a target neighborhood. This made possible the identification of CDBG activities that were part of a neighborhood revitalization strategy. This concentration of CDBG-funded activities is discussed later in the chapter.

The previous reports presented data on program allocations in three different ways--as unweighted mean percentages, as weighted mean percentages, and as total dollar amounts. This report continues this approach but because of a much smaller sample made up of larger central cities, the presentation of data on program allocations will focus on individual city allocations. The weighted mean is a measure of the percentage of total dollars allocated to a program category for the entire sample. The unweighted mean, by contrast, measures the average share for each program category across the sample. Throughout the research the emphasis was on the unweighted mean because it reflects program priorities and eliminates the skewing effect of the larger grants in the biggest cities. For example, Worcester allocated \$534,000 of its \$5.2 million year 8 funds (10 percent) for housing. Chicago, with total year 8 funds of \$107.9 million, allocated 33 percent (\$35 million) for the same category. The unweighted mean for the two cities is 21.5 percent. However, if total dollars rather than program shares are averaged, the mean for the two cities is 31 percent, reflecting the strong upward influence of Chicago's larger dollar allocation for housing.

The focus here is on the proportion or share of funds allocated to particular program categories since these shares reflect local priorities. Since all cities are experiencing a decline in entitlement funds, an increase in the share of funds to a program category indicates the city's higher priority for such activities. Because of the overall decline in program funds, a decline in the amount of money allocated to a particular category might also translate into an increased share and a higher priority relative to other categories. For example, a city's grant might be cut 12 percent, but funding for housing may only be reduced 5 percent. Thus, other categories have to receive a disproportionate share of the reduction, thereby indicating the city's relative priorities. Therefore, a program category's share, and

thus its priority, is reduced when the percentage decline in funds allocated to a category is greater than the overall percentage decline in the city's grant. However, some caution must be advised in over interpreting shifting priorities based on allocation shares. Previous experience in assessing local programs indicates that year-to-year fluctuations sometimes occur because of the phasing of implementation plans or to compensate for implementation problems.

The appendix at the end of the chapter lists the total amount of CDBG funds available for each of the first eight years of the program for the ten central cities included in the analysis and the allocations (in percentage shares) for each of the program categories.

### Summary of Findings

Tables 4-2 (unweighted mean) and 4-3 (thousands of dollars and weighted mean) present information on program allocations for the ten sample cities for the first eight years of the CDBG program. Table 4-4 shows the unweighted mean and the breakdown of the sample cities by percentage intervals for each of the program categories for years 6 through 8. In this summary the data are presented for the sample as a whole; subsequent discussion points out the wide range of priorities assigned to individual program categories by the sample cities. The subsequent discussion also presents data on the differences between the ten cities and the larger sample used in previous field research reports.

As shown in the tables, housing remained the dominant program choice, representing more than one-third of total program funds in years 7 and 8. In year 7, the amount of funds allocated for housing by the ten cities increased by 11 percent while total program funds declined by 6 percent (table 4-3). Overall, among the ten cities housing represented 35 percent (table 4-2) of program funds, an increase of 5 percentage points over year 6, and the highest level attained by these cities since the program began. In year 8, housing remained at about the same level, dropping only slightly from 35 to 34 percent. In terms of the amount of dollars allocated in year 8, total allocations for housing declined by 10 percent but total sample dollars declined by 12 percent, indicating the continued high priority given to housing among local decisionmakers.

Allocations for public improvements showed a downward trend. Measured by the unweighted mean, allocations for public improvements were relatively stable in year 7 (24 percent v. 23 percent in year 6) but dropped considerably in year 8 to 16 percent. Viewed in terms of dollars allocated, the decline was even more pronounced. In year 7, allocations for public improvements declined at a rate about twice that of total program funds and in year 8 the rate of decline was nearly four times as great as that reported for total CDBG funds. In the aggregate, these cities assigned less priority to CDBG-funded public improvements in year 8 as the share of funds allocated for these activities was at its lowest level since the CDBG program began. However, as discussed below, this was not the case for all cities in the sample.

Table 4-2. Program Allocations, Years 1 through 8 (unweighted mean percentages)

Program Year	Housing	Public Improvements	Urban Renewal Continuation	Economic Development	Public Services	Public Facilities	Planning and Administration	Other <sup>a</sup>
Year 1	20	18	20	6	13	6	10	8
Year 2	14	26	22	5	13	6	10	5
Year 3	17	25	14	8	15	3	10	10
Year 4	23	26	6	9	12	8	11	4
Year 5	26	25	8	9	12	5	12	3
Year 6	30	23	2	9	12	8	12	4
Year 7	35	24	1	8	13	4	14	3
Year 8	34	16	1	12	14	3	17	4

Source: Field research data.

<sup>a</sup>. Includes activities encompassing more than one program category and those nonallocable to any program category (e.g., unspecified local option).

Table 4-3. Program Allocations, Years 1 through 8 (Thousands of dollars; weighted mean percentages in parentheses)

Program category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Percentage Change, 6-7	Year 8	Percentage Change, 7-8		
Housing	36,723 (21)	29,998 (16)	39,219 (18)	82,265 (26)	108,501 (32)	112,833 (31)	125,262 (36)	112,480 (37)	+207	112,480 (37)	+11	112,480 (37)	-10
Public Improvements	26,459 (15)	43,750 (23)	50,343 (23)	71,569 (22)	74,138 (22)	68,131 (18)	60,817 (18)	32,317 (11)	+157	32,317 (11)	-11	32,317 (11)	-47
Urban Renewal Cont.	25,991 (15)	35,135 (19)	16,062 (7)	10,940 (3)	9,110 (3)	3,348 (1)	521 (0)	313 (0)	-87	313 (0)	-84	313 (0)	-40
Economic Develop.	11,303 (7)	9,815 (5)	21,800 (10)	28,843 (9)	34,151 (10)	43,618 (12)	32,196 (9)	41,191 (14)	+286	41,191 (14)	-26	41,191 (14)	+28
Public Services	23,179 (13)	26,756 (14)	38,661 (17)	50,243 (16)	54,728 (16)	57,044 (16)	60,744 (18)	56,395 (19)	+146	56,395 (19)	+6	56,395 (19)	-7
Public Facilities	14,767 (8)	10,179 (5)	8,091 (4)	27,844 (9)	19,707 (6)	32,896 (9)	13,214 (4)	5,390 (2)	+123	5,390 (2)	-60	5,390 (2)	-59
Planning & Admin.	19,061 (11)	20,346 (11)	21,789 (10)	31,472 (10)	35,866 (10)	39,423 (11)	41,554 (12)	43,087 (14)	+107	43,087 (14)	+5	43,087 (14)	+4
Other <sup>a/</sup>	16,288 (9)	10,497 (6)	25,215 (11)	16,874 (5)	5,576 (2)	9,426 (2)	8,864 (3)	10,217 (3)	-42	10,217 (3)	-6	10,217 (3)	+15
Total CDBG	173,771	186,476	221,180	320,050	341,777	366,719	343,172	301,390	+111	301,390	-6	301,390	-12

Source: Field research data.

a. Includes activities encompassing more than one program category and funds not allocated to specific projects.

**Table 4-4. Number of Cities and Level of Allocations for Program Categories, Years 6 through 8**

Year/Level	Housing	Public Improvements	Urban Renewal Continuation	Economic Development	Public Services	Public Facilities	Planning and Administration
<u>Year 6</u>							
Less than 10%	0	1	10	5	3	6	2
10-20%	2	2	0	3	5	3	8
21-30%	2	5	0	2	2	1	0
31-40%	5	1	0	0	0	0	0
More than 40%	1	1	0	0	0	0	0
<u>Unweighted mean</u>	<u>30</u>	<u>23</u>	<u>2</u>	<u>9</u>	<u>12</u>	<u>8</u>	<u>12</u>
<u>Year 7</u>							
Less than 10%	0	1	10	6	5	9	3
10-20%	1	3	0	4	3	1	5
21-30%	2	3	0	0	2	0	2
31-40%	4	1	0	0	0	0	0
More than 40%	3	2	0	0	0	0	0
<u>Unweighted mean</u>	<u>35</u>	<u>24</u>	<u>1</u>	<u>8</u>	<u>13</u>	<u>4</u>	<u>14</u>
<u>Year 8</u>							
Less than 10%	0	5	10	4	3	9	2
10-20%	1	2	0	3	5	1	4
21-30%	3	2	0	3	2	0	4
31-40%	3	0	0	0	0	0	0
More than 40%	3	1	0	0	0	0	0
<u>Unweighted mean</u>	<u>34</u>	<u>16</u>	<u>1</u>	<u>12</u>	<u>14</u>	<u>3</u>	<u>17</u>

Source: Field research data.



An important finding was the increasing priority of economic development activities. Based on the unweighted mean, allocations for economic development decreased slightly from nine percent in year 6 to eight percent in year 7 but increased to 12 percent in year 8. Seven of the ten cities increased the share of their program devoted to economic development in year 8. Only 1 city (Worcester) reported a decreased share for economic development, and two cities allocated the same share for economic development in both years 7 and 8. A point to be emphasized is that in year 8 dollar allocations for economic development increased by 28 percent while total program funds declined by 12 percent. This was the largest increase reported for any program category.<sup>3</sup> However, it should be noted that the dollar increases were largely accounted for by large increases in three of the cities. It should also be noted that for the sample as a whole, economic development was only the fourth largest program category in terms of total dollars allocated.

Tables 4-2 and 4-3 provide no evidence that the sample cities rushed to meet the 10 percent limit on allocations for public services. In the eighth year, six of the sample cities exceeded the 10 percent limit which will be imposed no later than fiscal year 1985. This was the same number of cities above that level in year 6, the peak funding year for CDBG. Interestingly, the number of cities above the 10 percent limit increased between years 7 and 8 from five to six cities. Overall, the unweighted mean allocation for public services increased from 12 percent in year 6 to 14 percent in year 8. Thus, in year 8 the share of CDBG funds devoted to public services was at its highest level at any time during the eight years of the program for these ten cities.<sup>4</sup> In terms of dollars allocated, the amount of funds allocated for

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<sup>3</sup>HUD's analysis of local uses of program funds in a random sample of 200 entitlement communities reports a similar finding. The HUD report notes that allocations for economic development increased from 5 to 8 percent of total CDBG funds between years 7 and 8; the amount of funds allocated for economic development activities among these entitlement cities increased from \$122 million to \$174 million (42.6 percent increase.) See U.S. Department of Housing and Urban Development, 1983 Consolidated Annual Report to Congress on Community Development Programs, p. 23.

<sup>4</sup>HUD's analysis shows that more cities allocated funds for public services in year 8 than in any prior year and that some communities have increased the amount of funds going to public services. The HUD study reports that the proportion of funds allocated for public services is up slightly over year 7 (from 7 to 8 percent) and that the amount of funds budgeted for public services among the sample entitlement cities increased by about 8 percent. Overall, the HUD study reports a convergence of spending towards the 10 percent ceiling with cities above that level reducing service allocations and cities below (or those with no previous public service allocations) approaching the 10 percent level. See U.S. Department of Housing and Urban Development, 1983 Consolidated Annual Report to Congress on Community Development Programs, pp. 9 and 23.

public services increased by six percent in year 7 while total CDBG funds decreased by six percent. In year 8, allocations for public services decreased at a rate less than that for total CDBG funds.

Funding for public facilities (e.g., community centers, branch libraries, fire stations) showed a downward trend during years 7 and 8. Based on the unweighted means, allocations dropped from eight percent in year 6 to three percent in year 8. Trends in the amount of funds allocated to public facilities emphasize the declining importance of this program category. Funds allocated for public facilities declined by 60 percent in year 7 and 59 percent in year 8, rates much greater than the overall decline in program funds for those years. However, this has been one of the least funded program categories throughout the eight years of the CDBG program.

Not surprisingly, allocations to continue urban renewal projects begun under categorical programs continued to decline in years 7 and 8. Only two cities (Phoenix and Worcester) made allocations for activities in this program category in year 7, and in year 8 only Worcester continued to allocate CDBG funds for urban renewal continuation. As shown by both the unweighted and weighted means, urban renewal continuation has received increasingly lower funding levels throughout the block grant program's history as projects were completed or stretched out.<sup>5</sup>

Finally, these ten cities increased the proportion of their funds allocated for planning and administration. The share of funds allocated, based on the unweighted mean, increased from 12 percent in year 6 to 14 percent in year 7 and increased further to 17 percent in year 8. Four cities (Atlanta, Los Angeles, Phoenix, and Seattle) allocated more than 20 percent of their block grant funds for planning and administration in year 8. The amount of funds allocated for planning and administration increased slightly in year 7 and in year 8 the amount budgeted increased by four percent.

The discussion now shifts from the summary of findings to a more detailed discussion of the major program activities: housing rehabilitation, public improvements, economic development, and public services.

### Housing Rehabilitation

While there are a variety of activities that comprise the housing category (e.g., housing rehabilitation, counseling, code enforcement, residential redevelopment, public housing modernization), housing rehabilitation has been the dominant CDBG-funded housing activity in most

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<sup>5</sup>During 1982 HUD closed out more than half of the remaining urban renewal and neighborhood development projects that were begun under the prior categorical programs. At the start of fiscal year 1983 only 25 urban renewal and neighborhood development projects remained to be closed out. U.S. Department of Housing and Urban Development, 1983 Consolidated Annual Report to Congress on Community Development Programs, p. 35.

cities. Compared with the larger sample used in previous reports, the ten central cities allocated a smaller share of their program funds for housing rehabilitation during the first 6 years of the CDBG program, although the gap between the two sample means narrowed as the program matured.

Table 4-5 shows the total dollar allocations for housing rehabilitation activities for the ten cities during the first eight years of the block grant program. By year 5 larger commitments for housing rehabilitation began to appear more frequently among the sample cities. In that year, six cities allocated at least 20 percent of their block grant funds for housing rehabilitation, although this dropped to five cities the following year. In year 7 the number of cities above 20 percent rose to nine, dropping to eight in year 8. Within the context of declining grants in years 7 and 8, particularly in the latter year, this level of funding is an important indication of high community priority for housing rehabilitation.

Only Chicago and Worcester deviated from the general pattern of higher priority for housing rehabilitation within the CDBG program, showing substantial declines in funding in year 8. In Chicago, however, it was a shift in funding arrangements rather than an overall downgrading of priority for housing rehabilitation. The large decline in CDBG funding for housing rehabilitation in Chicago (a \$10 million drop between years 7 and 8) was due primarily to the city's new Home Improvement Loan Program which took effect in year 7. Under this new program the city combined \$5 million in year 7 CDBG funds with the proceeds from a \$20 million revenue bond issue to establish a low-interest loan pool. Because the city was able to leverage additional funds through the bond market, CDBG funds that would have normally been allocated for housing rehabilitation were freed up for other uses. Thus, the decline in CDBG funding did not represent a lower priority for housing rehabilitation.

In Worcester, on the other hand, there was a clear decision on the part of local officials to lower the city's priority for housing rehabilitation. In that city, funding for housing rehabilitation dropped by almost \$1 million between years 7 and 8, primarily because of the city's smaller grant (an \$800,000 decline) and the city's need to shift CDBG funds into activities that normally might have been funded with local tax levies (e.g., police services and fire equipment) because of the fiscal strain brought about by Proposition 2 1/2. As one Worcester official noted, "You can't close fire stations and keep housing going."

In addition to changes in funding for housing rehabilitation, some cities made changes in the structure of their rehabilitation programs. Three cities (Houston, Los Angeles, and Phoenix) established income limits for housing rehabilitation assistance. In Houston, it was the first time that local officials had established formal eligibility criteria for their program. In Los Angeles and Phoenix, city officials for the first time set formal income ceilings for their programs. Chicago and Rochester made changes in their eligibility standards. In Rochester, the eligibility threshold was raised 10 percent to reflect increases due to rising costs and inflation. Five cities (Chicago, Los Angeles, Phoenix, Rochester, and St. Louis)

**Table 4-5. Allocations for Housing Rehabilitation, Years 1 through 8 (Thousands of dollars; unweighted mean percentages in parentheses)**

City	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Percentage Change, 1-6	Year 7	Percentage Change, 6-7	Year 8	Percentage Change, 7-8
Atlanta	1,755 (10)	1,900 (11)	2,390 (14)	2,510 (18)	2,850 (20)	6,925 (46)	+295	4,410 (30)	-36	3,522 (29)	-23
Chicago	5,750 (13)	5,100 (11)	5,400 (9)	9,360 (8)	18,439 (15)	23,715 (18)	+312	25,866 (21)	+9	15,548 (14)	-40
Cleveland	2,113 (14)	3,000 (19)	2,500 (15)	6,047 (17)	8,799 (24)	7,929 (18)	+275	11,368 (30)	+43	10,630 (32)	-6
Newton	2,800 (21)	0 (0)	1,730 (8)	1,665 (7)	3,157 (12)	3,960 (14)	+41	4,482 (16)	+13	5,060 (21)	+13
Los Angeles	8,979 (23)	6,972 (18)	6,918 (14)	6,952 (14)	14,017 (26)	16,200 (28)	+90	22,425 (41)	+30	26,974 (31)	+20
Phoenix	507 (20)	130 (2)	1,131 (11)	2,463 (25)	2,841 (23)	3,647 (29)	+619	3,889 (28)	+7	6,717 (38)	+73
Boston	1,475 (13)	500 (3)	1,445 (10)	2,125 (17)	2,000 (16)	3,937 (30)	+166	3,897 (31)	-1	4,103 (36)	+5
St. Louis	100 (1)	2,331 (14)	1,805 (11)	1,931 (6)	7,886 (21)	8,284 (19)	+8104	7,645 (22)	-8	7,970 (28)	+4
Seattle	480 (4)	645 (6)	1,180 (12)	1,859 (11)	2,618 (15)	3,745 (21)	+680	4,730 (27)	+26	4,707 (29)	-1
Worcester	178 (3)	500 (9)	495 (9)	903 (17)	1,175 (20)	859 (14)	+382	1,406 (23)	+64	468 (9)	-67

Source: Field research data.

increased the amount of assistance available to homeowners under their programs. One of the implications of changes in the structure and eligibility of housing rehabilitation programs--especially those that raised income ceilings, extended eligibility beyond target areas, and/or changed from a grant to a loan format--is that the mix of program benefits could change to favor moderate- and middle-income households as opposed to low- and moderate-income ones.

Four cities made major changes in the structure of their housing rehabilitation programs in order to increase the amount of private dollars leveraged with their CDBG funds. Besides economic development, discussed below, housing rehabilitation is the only other major program category where CDBG funds have major potential for leveraging private investment. Thus, the mix of CDBG-private funds could be altered to induce a greater commitment from the property owner directly (e.g., smaller loans or grants) or through lending institutions (e.g., encouraging lenders to earmark private funds for housing rehabilitation in the city's target areas). Such options for increasing the leverage of CDBG funds are not generally possible with public improvements.

In Phoenix, the associates noted that the city shifted from deferred loans which allow a certain percentage of the loan to be forgiven for each year the recipient lives in the dwelling, to below market interest rate loans. Below market interest rate loans increase the leverage of CDBG funds since the entire loan plus interest is repaid eventually to the city. The associates stated that both the institution of an income ceiling, which limited the number of potential applicants, and the movement away from deferred loans to below market rate loans

is related to the cutbacks in the amount of money the city's housing and urban redevelopment department believes will be available through CDBG allocations. In order to supplement the amount of funds available for housing rehabilitation there is renewed emphasis upon loans which will generate revenue through interest payments.

In Chicago, as noted earlier, the city restructured its major single-family housing rehabilitation program by combining CDBG funds with the proceeds of a bond issue to establish a revolving loan fund. In addition, the city's multi-family rehabilitation program was transformed from a grant to a low-interest loan program. Chicago officials noted that these changes were prompted by the city's declining entitlement and an increased demand for housing assistance among citizens.

St. Louis also switched from a grant to a loan approach in year 8 when the city's major housing rehabilitation program, the Housing Implementation Program, was transformed into a low-interest loan program with a maximum amount of \$10,000 per unit. In Cleveland, dissatisfaction with the number of applicants and the small amount of private funds leveraged under that city's principal rehabilitation program led to a major restructuring of

rehabilitation programs, the most notable change being an extension of eligibility to participate in the city's housing rehabilitation programs from a targeted to a citywide basis.

In summary, housing remained the dominant program choice among the ten cities, representing more than one-third of total program funds in years 7 and 8. Housing rehabilitation constituted the bulk of funding for housing activities in these cities. Several reasons appeared to account for housing's continued popularity and support in the CDBG programs of these cities. First, housing rehabilitation is a very popular activity among local residents and one in which city officials can measure the level of demand relatively easily (e.g., backlog of applications for housing rehabilitation loans and grants). Second, housing assistance is a relatively new function for most city governments (prior to CDBG housing assistance programs were usually operated by semi-autonomous housing authorities) and one for which there is no alternative source of funding. Third, housing rehabilitation is neighborhood-oriented and an activity for which visible improvements can readily be seen in a relatively short period of time. Fourth, housing rehabilitation leverages private investment and with loan programs involves a payback, plus interest, that generates program income that can be recycled for additional housing rehabilitation activity. Finally most cities have mastered the "rehab puzzle." Housing rehabilitation programs are now underway in most communities without any major implementation problems.

### Public Improvements

The previous reports divided public works activities into two categories--neighborhood conservation and general development. If a public works activity was part of a larger package of improvements (especially one that included housing rehabilitation) within a designated target area, it was labeled a neighborhood conservation activity. If, on the other hand, the public works project was not part of a package of CDBG-funded improvements or if the project had communitywide as opposed to neighborhood benefits, it was designated as a general development activity. This report combines these two categories to assess any larger trend in funding for public improvements. Compared to the larger sample used in previous reports, the ten central cities that comprise the sample for this study allocated a slightly smaller share of program funds for public improvements during the first 3 years of the program and showed slightly larger allocations in years 4 through 6.

Table 4-6 shows the amount and proportion of funds allocated for neighborhood conservation and general development as well as the combined total for public improvements for each of the ten cities over the eight program years. For most of the program's history, the ten cities budgeted about one-fourth of their program funds for public improvements. Exceptions were the first year, when many of the cities allocated a large portion of their funds for urban renewal continuation (which often included public improvements) and year 8, in which funding for public improvements was at an all-time low.

Table 4-6. Allocations for Public Improvements, Years 1 through 8.

City	Neighborhood Conservation		General Development		Total	
	Unweighted Mean Percentage	Thousands of Dollars	Unweighted Mean Percentage	Thousands of Dollars	Unweighted Mean Percentage	Thousands of Dollars
<b>Atlanta</b>						
Year 1	22	3,997	5	909	27	4,906
Year 2	17	2,988	28	4,922	45	7,910
Year 3	20	3,275	6	983	26	4,258
Year 4	37	5,153	1	139	38	5,292
Year 5	7	981	5	701	12	1,682
Year 6	13	1,960	8	1,206	21	3,166
Year 7	16	2,364	3	443	19	2,807
Year 8	0	0	4	472	4	472
<b>Chicago</b>						
Year 1	12	5,184	0	0	12	5,184
Year 2	14	6,678	0	0	14	6,678
Year 3	9	5,530	1	614	10	6,144
Year 4	10	11,780	3	3,534	13	15,314
Year 5	12	15,125	2	2,521	14	17,646
Year 6	7	9,155	2	2,616	9	11,771
Year 7	7	8,644	0	0	7	8,644
Year 8	5	5,396	0	0	5	5,396
<b>Cleveland</b>						
Year 1	7	1,015	20	2,900	27	3,915
Year 2	0	0	32	5,149	32	5,149
Year 3	0	0	8	1,287	8	1,287
Year 4	41	14,211	6	2,080	47	16,291
Year 5	27	10,051	13	4,840	40	14,891
Year 6	17	7,331	26	11,213	43	18,544
Year 7	32	12,281	1	384	33	12,665
Year 8	19	6,292	5	1,656	24	7,948
<b>Houston</b>						
Year 1	2	262	5	656	7	918
Year 2	0	0	53	7,170	53	7,170
Year 3	0	0	61	13,813	61	13,813
Year 4	32	7,748	3	726	35	8,474
Year 5	43	11,336	0	0	43	11,336
Year 6	23	6,507	0	0	23	6,507
Year 7	41	11,247	0	0	41	11,247
Year 8	25	5,879	0	0	25	5,879

Table 4-6, continued.

City	Neighborhood Conservation		General Development		Total	
	Unweighted Mean Percentage	Thousands of Dollars	Unweighted Mean Percentage	Thousands of Dollars	Unweighted Mean Percentage	Thousands of Dollars
<b>Los Angeles</b>						
Year 1	1	386	5	1,930	6	2,316
Year 2	7	2,702	5	1,930	12	4,632
Year 3	14	6,925	7	3,463	21	10,388
Year 4	10	5,109	0	0	10	5,109
Year 5	7	3,752	1	536	8	4,288
Year 6	9	5,117	4	2,274	13	7,391
Year 7	11	5,933	0	0	11	5,933
Year 8	3	1,570	0	0	3	1,570
<b>Phoenix</b>						
Year 1	5	129	0	0	5	129
Year 2	2	115	10	577	12	692
Year 3	14	1,367	5	488	19	1,855
Year 4	14	1,390	0	0	14	1,390
Year 5	29	3,579	0	0	29	3,579
Year 6	22	2,784	2	253	24	3,037
Year 7	22	2,997	2	250	24	3,247
Year 8	5	582	2	233	7	815
<b>Rochester</b>						
Year 1	0	0	10	1,089	10	1,089
Year 2	9	1,299	8	1,155	17	2,454
Year 3	16	2,230	8	1,115	24	3,345
Year 4	15	1,874	9	1,124	24	2,998
Year 5	19	2,317	0	0	19	2,317
Year 6	23	2,984	0	0	23	2,984
Year 7	26	3,253	0	0	26	3,253
Year 8	18	2,053	0	0	18	2,053
<b>St. Louis</b>						
Year 1	12	1,865	3	466	15	2,331
Year 2	30	4,833	0	0	30	4,833
Year 3	35	5,774	0	0	35	5,774
Year 4	20	6,871	8	2,748	28	9,619
Year 5	24	8,908	10	3,712	34	12,620
Year 6	13	5,565	10	4,281	23	9,846
Year 7	18	6,321	6	2,107	24	8,428
Year 8	10	2,854	6	1,713	16	4,567



Table 4-6, continued.

City	Neighborhood Conservation		General Development		Total	
	Unweighted Mean Percentage	Thousands of Dollars	Unweighted Mean Percentage	Thousands of Dollars	Unweighted Mean Percentage	Thousands of Dollars
<b>Seattle</b>						
Year 1	11	1,226	22	2,451	33	3,677
Year 2	20	2,181	13	1,418	33	3,599
Year 3	29	2,780	0	0	29	2,780
Year 4	25	4,060	14	2,274	39	6,334
Year 5	17	2,901	8	1,365	25	4,266
Year 6	12	2,147	2	358	14	2,505
Year 7	9	1,597	3	532	12	2,129
Year 8	7	1,114	0	0	7	1,114
<b>Worcester</b>						
Year 1	0	0	33	1,994	33	1,994
Year 2	0	0	11	633	11	633
Year 3	8	430	5	269	13	699
Year 4	7	374	7	374	14	748
Year 5	11	640	15	873	26	1,513
Year 6	24	1,503	14	877	38	2,380
Year 7	32	1,923	9	541	41	2,464
Year 8	36	1,877	12	626	48	2,503
<b>Total</b>						
Year 1	7	14,064	11	12,395	18	26,459
Year 2	10	20,796	16	22,954	26	43,750
Year 3	15	28,311	10	22,032	25	50,343
Year 4	21	58,570	5	12,999	26	71,569
Year 5	20	59,590	5	14,548	25	74,138
Year 6	17	45,053	6	23,078	23	68,131
Year 7	21	56,560	3	4,257	24	60,817
Year 8	13	27,617	3	4,700	16	32,317

Source: Field research data.

In the eighth year, nine cities decreased the share of their program allocated for public improvements. Three cities (Atlanta, Houston, and Phoenix) reported a decrease of more than 10 percentage points in the proportion of CDBG funds allocated for public improvements. The associates for Houston attributed much of the decline in the neighborhood conservation allocation to the fact that the city had completed most of the projects that had been scheduled for improvement in the city's target areas. Associates in several other cities also noted that many of the previously scheduled public improvement activities had been completed, thus resulting in smaller allocations for this program category in year 8.

However, the decline in allocations for public improvements, particularly those for neighborhood conservation, does not imply that all of the capital improvement needs have been met in these ten cities. Since year 7 represented the end of the three-year plan cities were required to adopt under the old application format and regulations, some cities shifted to new activities and programs in year 8. It appeared that in some cities, public improvements were phased down and funds shifted to other activities, but this may only be temporary. As new areas of the city are designated for CDBG activity, public improvements allocations may rise again. Such activities are highly popular and it would be reasonable to assume that they will continue to have reasonably high priority. As noted in the last field research report:

each of the 52 sample jurisdictions had a mix of housing and related public improvements, although in different proportions, and these categories accounted for over half of the funds in the sample.<sup>6</sup>

Some cities appeared to be spreading their public improvements funds beyond their established CDBG target areas. Atlanta, Cleveland, and Worcester all showed an increase in the share of their funds allocated for general development. However, of these, only Worcester reported an overall increase in the share of funds devoted to public improvements. In addition, Worcester was the only city that allocated more dollars for public improvements in year 8 than in year 7. The associates noted:

The increase in the allocation for neighborhood conservation activities followed the trend of previous years, with the city putting more CDBG funds into public works and parks activities as tax levy funds became more scarce. The increased scarcity was a direct result of Proposition 2 1/2 which began to cut city revenues in the sixth year and would become a more serious problem in future years.

The large decline in allocations for public improvements appeared to be attributable to several factors. First, when cities face fiscal pressures, one of the first items cut from the budget is capital improvements and

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<sup>6</sup>Implementing Community Development, p. 83

maintenance. Second, public improvements do not have the aggregate constituency demand that an activity such as housing rehabilitation does. It is more difficult for city officials to gauge local demand for sidewalks, streets, or tree plantings than for housing rehabilitation which, as noted above, can be measured by the backlog of applications. Thus, cuts in public improvements can be made without any serious short-term political repercussions. Third, public improvements are a traditional municipal government function in which funding is very fungible (i.e., funding for these activities is available from a variety of sources such as other grants, taxes, and bond proceeds) and often interchangeable. Further, there is likely to be considerable sums of money already in the public works pipeline so that an immediate, short-term decline in CDBG-funded public works activity is less evident.

### Economic Development

The last field research report noted that economic development was the fastest growing program category during the first six years of the program as dollars allocated to this category by the 51 sample jurisdictions increased by 388 percent, although the amount of dollars allocated remained small in comparison to other categories. The earlier discussion pointed out that among the ten central cities included in this report, economic development was one of only two categories (planning and administration was the other) that received more funds in year 8 than in year 7. However, the ten cities of this sample, on the average, allocated about two to three times more for economic development than the average of the thirty central cities included in the larger sample used in earlier reports and thus may not be representative of current trends in such cities.

As table 4-7 illustrates, only a few cities have consistently been involved in CDBG-funded economic development activities (Chicago, Phoenix, Rochester, and St. Louis) throughout the course of the program. However, by the eighth year, six cities (Atlanta, Chicago, Houston, Phoenix, Rochester, and St. Louis) allocated more than 10 percent of their CDBG funds for economic development; three of those cities (Atlanta, Chicago, and Rochester) allocated more than 20 percent. In Atlanta and Rochester the large allocations reflected a major increase in the share of funds budgeted for economic development activities; in Atlanta the share increased from 15 percent in year 7 to 26 percent in year 8 and in Rochester the increase was from 17 percent to 27 percent. The Atlanta associate reported:

The city's eighth year program reflects a significant change in program emphasis toward economic development. This change in emphasis strongly reflects the input of the new mayoral administration which established a 35 percent funding goal for economic development for the CDBG program.

In Phoenix, the share of program funds allocated for economic development doubled from 8 to 16 percent between years 7 and 8 and in Houston economic development activities were included for the first time in year 8 as major components of the city's CDBG program.

**Table 6-7. Allocations for Economic Development (Thousands of dollars; unweighted mean percentages in parentheses)**

City	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Percentage Change, 1-6	Year 7	Percentage Change, 6-7	Year 8	Percentage Change, 7-8
Atlanta	4,906 (27)	176 (1)	491 (3)	1,532 (11)	1,261 (9)	1,658 (11)	-66	2,216 (15)	+34	3,068 (26)	+38
Chicago	3,024 (7)	5,247 (11)	10,445 (17)	11,780 (10)	20,166 (16)	28,773 (22)	+851	20,992 (17)	-27	23,741 (22)	+13
Cleveland	435 (3)	0 (0)	0 (0)	347 (1)	0 (0)	431 (1)	-1	304 (1)	-11	331 (1)	-14
Houston	262 (2)	271 (2)	0 (0)	0 (0)	0 (0)	0 (0)	-100	0 (0)	0	2,351 (10)	--
Los Angeles	1,158 (3)	1,158 (3)	6,530 (13)	6,642 (13)	3,216 (6)	2,274 (4)	+96	1,079 (2)	-33	3,140 (6)	+191
Phoenix	0 (0)	0 (0)	0 (0)	2,086 (21)	1,851 (15)	1,771 (14)	--	1,118 (6)	-37	1,863 (16)	+67
Rochester	871 (8)	1,444 (10)	2,649 (19)	2,374 (19)	3,170 (26)	3,373 (26)	+287	2,127 (17)	-37	3,079 (27)	+45
St. Louis	466 (3)	483 (3)	495 (3)	3,435 (10)	4,083 (11)	4,709 (11)	+910	3,863 (11)	-18	3,140 (11)	-19
Seattle	0 (0)	0 (0)	0 (0)	487 (3)	171 (1)	358 (2)	--	177 (1)	-51	478 (3)	+170
Worcester	181 (3)	1,036 (18)	1,290 (24)	160 (3)	233 (4)	251 (4)	+39	240 (4)	-4	0 (0)	-100

Source: Field research data.

## Houston

Houston allocated \$2.3 million for economic development activities in year 8. This was the first time since year 2 that city officials had included funds for economic development in the CDBG program. The associates reported that the city plans to spend an even larger portion of block grant funds for economic development in year 9.

Houston intends to use its CDBG funds allocated for economic development to provide public improvements in the city's newly created tax-increment finance district in the Buffalo Bayou area near downtown Houston and to supplement the city's industrial revenue bond program which was recently enacted to create jobs and bolster the tax base in the city's target areas. The Houston associates report that the city's interest in economic development was stimulated in part by a new mayor and community development director interested in economic revitalization and the HUD area office's criticisms of the city's program in earlier years for lacking such a focus.

In Los Angeles the associates noted:

The mayor, and more recently the community development department, have wanted to increase the economic development orientation of the program and the 1981 amendments helped move the council in that direction by giving them wider latitude and the ability to package the city's CDBG and Community Services Block Grant funds along with other grant funds to leverage private investment. Although the trend has been gradual and continuous since the beginning of the program, emphasis on economic development increased considerably from year 7 to year 8.

Some cities have begun to set aside a fixed portion of their block grant funds specifically for economic development activities. Officials in Los Angeles, beginning with year 8, earmarked 5 percent for economic development while Atlanta, as noted above, has a goal of more than one-third of its CDBG funds for economic development activities. In Phoenix, city officials put a cap on economic development allocations by agreeing to allocate no more than 25 percent of their block grant funds to the Central Phoenix Redevelopment authority for use in downtown development activities.

While the general trend among the sample cities was toward a higher priority for economic development, in Worcester it was being sidetracked. Worcester provided no new funds for economic development activities, although small business assistance continued in year 8 with unexpended funds from previous program years. For the future, if economic development funding is resumed, city CDBG officials are considering whether to continue the activities as presently structured with administration by a local nonprofit

organization or to bring the economic development activities into the city's community development office.

Much of the increasing interest in CDBG-funded economic development was related to the personal interest and involvement of city mayors. Atlanta's focus on economic development was attributed to the city's newly elected mayor, Andrew Young, and his emphasis on jobs and increasing the city's tax base. Similarly, St. Louis Mayor Vincent Schoemehl, upon taking office during the seventh program year, allocated additional funds for economic development by reprogramming funds that had been initially allocated for general capital improvements. It should be noted, however, that the city's former mayor also favored increased spending for economic development. A similar development was reported in Chicago during the fifth program year when Jane Byrne, newly elected mayor, reprogrammed approximately \$5 million dollars for economic development activities in order to bring the block grant program more closely in line with her priorities.

**Leveraging.** In addition to providing direct assistance for economic development with their block grant funds, some cities took advantage of provisions of the CDBG law to use their funds to leverage additional resources for economic development activities. Section 108 of the law permits a city to borrow up to three times its entitlement amount from the Federal government for eligible short-term community and economic development activities. Cities have generally used the money for land acquisition and related site preparation costs. Some cities have used the Section 108 provisions to provide short-term loans to the private sector for economic development activities and have pledged their future CDBG entitlements to guarantee these loans. If the private sector defaults on the loans, the funds are repaid to HUD from the city's future CDBG entitlement.

Five of the ten cities (Atlanta, Cleveland, Phoenix, Rochester, and St. Louis) have initiated Section 108 projects. In Atlanta, the city is using \$3.5 million in Section 108 funds for public improvements for a 178-acre industrial park currently being developed in northwest Atlanta. Other funds being used in this project include direct CDBG assistance and a \$1 million grant from the Economic Development Administration. Cleveland officials will use their Section 108 money to set up a revolving loan fund to aid the private sector in revitalizing the "flats area," the city's former warehouse district which is now undergoing commercial and residential revitalization. The Section 108 funds will be loaned to private developers at below market rates to finance the acquisition and renovation of vacant warehouse structures. In Phoenix, a \$10.8 million Section 108 loan was executed in year 7 to be used over a three-year period for a major residential/office development in downtown Phoenix. Of that amount, \$6.6 million was earmarked for land acquisition and subsequent development (e.g., relocation, demolition, clearance, public improvements) prior to its disposition to a private developer, an approach similar to the former urban renewal program. Phoenix officials estimate that the amount of private funds leveraged from this project will be in excess of \$130 million.

A few cities have also used the "CD float", a procedure that allows cities to draw down their unexpended CDBG program funds to create a capital pool for short-term use by the private sector in economic development projects. The funds have generally been used for interim financing during the construction phase of development projects. The loan paybacks are then used for the CDBG projects for which the funds had been allocated originally and the city uses the interest earned for additional community development activities eligible under Title I of the Housing and Community Development Act. Rochester and Seattle have initiated CD Float projects.

The attractiveness of both the Section 108 and the CD float is that both techniques allow cities to leverage private investment for additional community development activities and provide a means for cities to generate additional revenues during a period of fiscal austerity and retrenchment. This point was illustrated in Seattle.

### Seattle

Seattle officials in year 8 drew down their entire letter of credit (\$12.5 million) which was then loaned at a below-market rate to a private developer for use in a major downtown redevelopment project. In return, the developer agreed to provide about \$300,000 in public works and paid nearly \$1 million in interest on the city loan. City officials noted that because of the interest income from their float loan they were able to lessen the impact of their reduced entitlement grant. As one local official remarked, "this float loan was the only thing that kept the city from having to undertake major program cuts."

In summary, the data suggest that these ten cities have given increased priority to economic development activities. Much of this increased priority appeared to be linked to the general state of the economy and to the saliency of economic development issues in many cities. In addition, economic development received increased emphasis during the Carter Administration and this emphasis on creating public/private partnerships and leveraging private investment continued during the Reagan Administration. Also, as discussed in Chapter 2, HUD loosened its interpretation of CDBG-funded economic development activities so that it is now much easier for cities to use their CDBG funds for economic development activities. Finally, at the local level mayors in several cities promoted economic development as a top priority and turned to the CDBG program as a vehicle for carrying out their commitments.

### Public Services

Section 105 of the Housing and Community Development Act notes that block grant funds can be used for a variety of public services. The amount of block grant funds that can be allocated for public services has been a sensitive issue throughout the program's history. As noted in Chapter 2, during the initial debate on the CDBG legislation in the early 1970's, the Senate wanted to limit by law the proportion of funds that could be allocated

for services to 20 percent. Although this "ceiling" was never formally enacted into law nor included in the administrative regulations, it did serve as an informal guideline. In 1978, the program regulations were revised to more closely tie the expenditure of CDBG funds for public services to Neighborhood Strategy Areas (NSA). As also discussed in Chapter 2, important changes were made in 1981 on both issues, limiting the amount of funds cities could allocate for services to 10 percent of the city's annual entitlement and disconnecting the linkage between public services and physical development activities.

As a group, the ten cities have customarily allocated a considerably larger share of their block grant funds for public services than the average central city included in the previous reports. Generally, this was the result of their experience in the Model Cities program and the extensive involvement in social services activities that were carried over into the CDBG program. Nine of the 10 cities (all but Phoenix) participated in the Model Cities program. Seven cities generally allocated at least 10 percent of their CDBG funds for public services throughout the first six years of the program (table 4-8).

With the exception of Chicago and Cleveland, allocations for public services during the first six years of the program were fairly stable in terms of the proportion of block grant funds allocated. In Chicago, the share of block grant funds budgeted for public services more than doubled from 10 to 22 percent between years 1 and 6 and the amount of dollars increased nearly sevenfold. The increases were made easier by the jump in the city's grant under the dual formula which doubled the city's entitlement from \$61.4 million in year 3 to \$114.3 million in year 4. Thus, a large increase in public services was possible without diverting funds from other program areas. In Cleveland, on the other hand, the portion of CDBG funds allocated to public services was cut from 31 to 11 percent. In that city where the dual formula also more than doubled the city's grant from \$16.1 million to \$34.5 million between years 3 and 4, the level of dollars was held relatively constant, thus meaning a large drop in the share of funds for public services.

In the seventh year, five cities reported an increase in both the share and the amount of funds allocated for public services; in Cleveland the share remained the same as that in year 6 but dollar allocations declined by nine percent,<sup>7</sup> a smaller cut than the city's overall reduction in total program funds.<sup>7</sup> In the eighth year, as shown by the figures in parenthesis on table 4-8, six cities reported an increase in the share of their funds allocated for public services; in three cities the share for services remained the same. Both Chicago and Seattle, two cities that have traditionally allocated large portions of their program funds for public services, slightly increased the service share of their programs in year 8.

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<sup>7</sup>Cleveland's year 7 entitlement declined by 4 percent; total program funds declined by 9 percent.



**Table 4-8: Allocations for Public Services (Thousands of dollars; unweighted mean percentages in parentheses)**

City	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Percentage Change, 1-6	Year 7	Percentage Change, 6-7	Year 8	Percentage Change, 7-8
Atlanta	727 (4)	879 (5)	819 (5)	557 (4)	561 (4)	603 (4)	-17	739 (5)	+22	1,180 (10)	+60
Chicago	4,320 (10)	6,201 (13)	15,831 (26)	23,276 (20)	27,255 (22)	28,544 (22)	+560	34,143 (28)	+20	32,507 (30)	-5
Cleveland	4,530 (31)	3,662 (21)	4,997 (31)	4,923 (14)	5,606 (15)	4,738 (11)	+4	4,337 (11)	-9	3,973 (12)	-8
Houston	2,323 (18)	3,154 (23)	3,596 (16)	3,146 (13)	3,691 (14)	3,961 (14)	+70	4,115 (15)	+4	3,997 (17)	-3
Los Angeles	6,262 (16)	7,718 (20)	7,914 (16)	9,196 (18)	8,576 (16)	8,528 (15)	+36	4,854 (9)	-43	4,707 (9)	-3
Phoenix	0 (0)	0 (0)	0 (0)	0 (0)	123 (1)	0 (0)	--	0 (0)	--	0 (0)	--
Rochester	544 (5)	144 (1)	558 (4)	500 (4)	366 (3)	649 (5)	+19	500 (4)	-23	456 (4)	-8
St. Louis	1,548 (10)	1,898 (12)	2,210 (13)	4,170 (12)	3,789 (10)	5,101 (12)	+229	6,795 (19)	+33	4,618 (15)	-35
Seattle	2,019 (18)	2,399 (22)	1,930 (20)	3,634 (22)	4,637 (26)	4,294 (24)	+113	4,790 (27)	+12	4,657 (28)	-7
Worcester	906 (15)	921 (16)	806 (15)	801 (15)	524 (9)	626 (10)	-31	481 (8)	-23	698 (13)	+45

Source: Field research data.

### Chicago

CDBG allocations for public services have been a major component of the Chicago program since year 1 and have grown considerably over the course of the program. Most recently, shortly after the year 8 program year began, the city reallocated \$16.8 million in block grant funds to the financially-strapped Board of Education to help avert a financial crisis that threatened to prevent the public schools from opening on time in September.

HUD area office officials have notified city officials that the special jobs program and the Board of Education reprogramming were in violation of Chicago's waiver of the 10 percent public services ceiling. City officials are now trying to qualify these activities as economic development activities, for which there is no ceiling. A preliminary HUD ruling, however, did not accept that justification and the matter is still being negotiated between HUD and the city.

Seattle also increased its large share of funds for public services.

### Seattle

While dollar amounts have remained fairly stable, the share of the Seattle program devoted to public services has increased recently because of decreasing entitlements. In year 8, public services accounted for 28 percent of the city's program.

To deal with the funding cuts, Seattle officials initiated two decision rules in year 7. First, no new projects would be considered for funding. In addition, agencies currently receiving CDBG funds were required to identify a base budget request at 90 percent of their year 6 level. Exceptions would be considered only if additional funding was necessary to maintain services at 1980 levels. One Seattle official observed that "the cutback in social services is a major problem for Seattle. The city will go 'cold turkey' by cutting back to the 10 percent level all in one year rather than gradually decreasing the social services allocation. The city will give notice to community groups of what will have to happen in 1985."

While the dominant trend among the ten cities was toward larger shares for public services, only Atlanta and Worcester allocated more dollars for services in year 8 than in year 7. In Atlanta, increased allocations for services focused on social services and was a direct response to cutbacks in other Federal aid programs. In Worcester, however, funding for social services was cut sharply with the largest portion of the money for services

going to a new allocation of \$333,000 for a special downtown police patrol. The overall result was an increase in total service allocations but the kind of services changed in an important way.

St. Louis was the only sample city to significantly reduce funding for public services in year 8 as the share of funds allocated for services declined from 19 percent in year 7 to 15 percent in year 8. The associates reported that this reduction was due in part to the changes in emphasis of the Schoemehl administration (year 8 was the first year the new mayor's priorities were directly felt) which concentrated CDBG resources on housing rehabilitation and economic development and reduced funding for general capital improvements and public services, and the overall reduction in the city's grant along with the institution of a 10 percent ceiling on public service spending.

In summary, most of the ten sample cities did not rush to meet the 10 percent limit on service spending imposed by the 1981 amendments. For a variety of reasons, this may be the area of the program most difficult for local officials to cut as services are generally the most difficult set of demands to alter. First, the service constituency usually consists of the most active, most organized groups in the local community. Second, there are generally no alternative sources of funding for CDBG-funded services; funding for other Federal social service programs are also declining or have been eliminated altogether. The allocation of CDBG funds for services will likely be the most contentious issue some cities will face in the future. For this sample, the problems will be greatest in Chicago and Seattle where the levels of allocations for public service exceeded 25 percent in year 8. As entitlement funds continue to decline in the years ahead, the 10 percent cap will be applied to a diminishing amount of funds. Two tradeoffs in particular will need to be addressed by local officials. First, how will funds be allocated between social services, which serve a predominantly low- and moderate-income constituency, and other services, which frequently address a broader segment of the community. Second, what will be the distribution of funds between the city's public service bureaucracy, its social service bureaucracy, and participating nonprofits?

Because of the important role played by nonprofit agencies in providing social services under CDBG, examination was made of any changes in their role during years 7 and 8.

### **Nonprofit Organizations**

This section discusses the role of nonprofit organizations with a focus on the implications for these agencies of cuts in total CDBG funds. It should be noted that although primarily involved in the delivery of services, nonprofits have become increasingly involved in housing rehabilitation and economic development activities in some cities.

Table 4-9 shows the allocation of block grant funds to nonprofit organizations for the ten cities for years 5 through 8. In Rochester the associates noted:

**Table 4-9. Allocations for Nonprofit Organizations, Years 5 through 8**  
 (Thousands of dollars; unweighted mean percentages in parentheses)

City	Year 5	Year 6	Year 7	Percentage Change, 6-7	Year 8	Percentage Change, 7-8
Atlanta	1,450 (10)	1,550 (10)	233 (2)	-85	452 (4)	+94
Chicago	13,272 (10)	11,625 (9)	11,580 (9)	--	9,982 (9)	-14
Cleveland	1,663 (5)	4,274 (10)	4,430 (12)	+7	6,095 (18)	+38
Houston	2,109 (8)	2,263 (8)	2,200 (8)	-3	2,200 (9)	--
Los Angeles	12,866 (24)	13,076 (23)	16,457 (30)	+26	17,539 (35)	+7
Phoenix	370 (3)	506 (4)	1,514 (14)	+199	560 (5)	-63
Rochester	366 (3)	649 (5)	500 (4)	-23	470 (4)	-6
St. Louis	1,485 (4)	1,712 (4)	2,940 (8)	+72	2,996 (10)	+2
Seattle	1,536 (9)	1,968 (11)	2,213 (12)	+12	2,175 (14)	-2
Worcester	1,339 (23)	1,378 (22)	1,601 (27)	+16	296 (6)	-82

Source: Field research data.

The decrease of CDBG funding for nonprofits in year 8 appears to be due to a smaller CDBG entitlement for Rochester. Other Federal, State, local, and private funds have not replaced the losses. CDBG staff administering the programs with nonprofit participation indicate that the reduction in funds is being dealt with by approving fewer applications for funding and having those seeking funds pare down the amount requested.

In Chicago, the associates reported that while the share of funds allocated to nonprofits remained constant in years 7 and 8, the amount of funds allocated to nonprofits declined by 14 percent in year 8 and the declines affected the three principal areas of the program in which nonprofits were active (housing rehabilitation, economic development, and public services).

In Worcester, nonprofits played a significant role in that city's program for many years but as the following capsule illustrates, a number of factors came together in year 8 resulting in a substantially diminished role for nonprofit agencies.

#### Worcester

In Worcester, the proportion of block grant funds allocated to nonprofits dropped from 27 percent in year 7 to 6 percent in year 8. Declining property tax revenues brought about by Proposition 2 1/2 have focused Worcester officials on funding traditional city services and cutbacks have been made in other areas. For example, many of the social service activities were cut sharply with further cuts likely in year 9.

The city's decision to cut back on housing rehabilitation and to have the rehabilitation program administered by the Worcester Redevelopment Authority also had an adverse impact on the role of nonprofits.

Finally, both of the city's economic development activities were dropped from the year 8 program, although they were continued with funds allocated in previous years. However, the associate noted that if these programs are continued in year 9, it is likely that they will be administered by the city's Office of Planning and Community Development rather than the nonprofit.

In Phoenix, where the city has refrained from using CDBG funds for services, the sharp decline in funding for nonprofits observed in year 8 was due partly to a large one-time expenditure in year 7 for capital improvements to a nonprofit's gymnasium and pool. However, the associates also noted:

The city council has formally requested the community development agency to hold the line on spending for nonprofits because of the decline in dollars coming into the city from CDBG monies. In addition, the council has indicated to the community development agency that the goals of the nonprofits appear to be somewhat peripheral to the overall goals of the CD administration and therefore the funding should be decreased.

While nonprofits in a few cities were experiencing reductions in funding and possible elimination in the future, in other cities nonprofits were holding their own or actually increasing their role. In some cities, CDBG money was used to replace funds lost by nonprofit organizations from other Federal programs. The associate for Seattle noted:

For those nonprofit social service agencies which have been funded by CDBG all along and have proven to be well managed and effective, current CDBG funds have increased marginally to replace funds lost to them from other sources.

In Atlanta, where nonprofits had large cuts in year 7, the amount of funds allocated for nonprofits in year 8 increased by 94 percent from \$233,000 to \$452,000 and their share of program funds doubled. The associate noted that "the reasons for this increase are very straightforward: nonprofits lost funding from other sources and came to the city for help." Two nonprofit agencies that had lost Federal funding from other sources were awarded CDBG funds for the first time in year 8 to carry out their activities, and a third, which had recently gone bankrupt, was awarded \$300,000 to use for debt retirement and completion of its newly constructed service center in order to generate rental income to assist in stabilizing its financial condition.

In Houston, the answer to less CDBG funding appeared to be to spread approximately the same amount of money to more groups, although there was some replacement of lost Federal funds. The Houston associates reported that while the amount of funds allocated to nonprofits remained at about the same level in year 8 as in year 7, the number of nonprofits receiving funds increased and the amount of funds allocated each was consequently reduced. They attributed this to

a decision by the city's community development director to start requiring nonprofits to put up more of their own funds, especially for administration--all part of the director's leveraging strategy. It was also a first step in the planned move away from lump sum contracts toward unit cost reimbursement in anticipation of the need to reduce overall levels of community development public service spending.

Cleveland had the greatest increases in both the amount of funds and the number of nonprofit agencies participating in the CDBG program.

## Cleveland

Although the total amount of dollars allocated to nonprofit agencies has not increased dramatically since year 6, the number of nonprofit agencies participating in the city's program has risen sharply. For example, in year 8 there were 30 more social service nonprofits funded than in year 6. Nonprofits involved in housing activities have also increased their role in the Cleveland CDBG program.

Much of the increase in nonprofit participation is credited to the city's outreach and technical assistance efforts begun in year 6. As the number of nonprofit applicants increased, many of which turned to their city council representatives (Cleveland has a ward-based council) for assistance, council members began to "quickly recognize the political value of spreading CDBG funds around to worthy causes in their wards." And, because of changes made in the local program in year 6 which gave the city council considerable discretion over the allocation of about half of the city's funds budgeted for social service nonprofits, the council has succeeded in dividing up the social service funds into numerous small grants. One local official has referred to this practice as "an employment program in the wards."

Associates in some cities reported a shift in the nature of activities nonprofit organizations were involved in. In St. Louis, the associates reported a change in emphasis from social services to housing rehabilitation and development. They noted that one of the consequences of this shift was fewer agencies participating in the city's CDBG program since a more sophisticated agency structure is required for housing activities. However, those nonprofits that were left in the program received larger grants reflecting the shift from services to more costly physical development activities. Similarly, in Los Angeles, the associates reported a decline in nonprofits in the services area but an increase in those involved in housing programs which have received increasing allocations.

Another dimension of change in the role of nonprofits occurred in both Houston and Los Angeles where officials revised the procedures for awarding contracts to nonprofit organizations. In Houston, the community development director cancelled the department's contract with the Department of Human Resources for administration of public service contracts with nonprofit organizations. This change was made because of public resentment over the manner in which the contracts were awarded. Similarly, in Los Angeles, dissatisfaction with the allocation process led to the institution of a request for proposals (RFP) process in year 8 in which community-based organizations now compete with one another on a competitive basis for CDBG contracts. The associate noted that "the complex new RFP process for community-based organizations will intimidate many which are not professionally organized and do not have sophisticated accounting."

In summary, allocations to nonprofit agencies in the sample cities for year 8 remained fairly stable in most cities. Only four cities show a change of more than two percentage points in the share of block grant funds allocated to nonprofit agencies, with Cleveland and Los Angeles reporting an increased share and Phoenix and Worcester a decreased share. Associates in five cities reported a decline in the amount of funds allocated to nonprofits. Several associates reported that the role of nonprofit agencies is likely to diminish further as CDBG entitlements continue to decline and as cities are forced to reduce funding for public services to the 10 percent ceiling. Exceptions to this pattern may occur in those cities where nonprofits are active in housing and economic development, program areas that are either growing or holding their own in most of the sample cities. The implications for nonprofit organizations is that a kind of Darwinian struggle lies ahead--only those nonprofit agencies that have the most sophisticated organizational structure and leadership are likely to survive this era of retrenchment.

### **Continuity and Change in Program Activities**

The last report noted that an important indicator of the continuity or institutionalization of local CDBG programs is the distribution of CDBG funds to continue previously funded activities or to start new ones. For each of the eight program years, associates indicated whether the individual program activities included in the applications were allocations to: (1) continue an activity started under the categorical programs; (2) continue an activity begun under the CDBG program; or (3) begin a new activity. For example, Chicago has allocated block grant funds for several years for an activity titled "Public Improvements in Support of Housing Rehabilitation." In its first year of funding this activity was coded as a new CDBG activity. In subsequent years the activity was coded as CDBG program continuation because the program's structure did not change although the location and mix of those public improvements (e.g., streets, sidewalks, tree plantings, etc.) has varied from year to year. By contrast, an allocation for a one-time expenditure such as a neighborhood community center would be considered a new CDBG activity.

This indicator of program continuity focuses on the extent to which local CDBG programs consisted of activities that were begun in prior program years and continued to be funded without any major changes in intended purpose. Those cities that allocate a large proportion of their CDBG funds to continue CDBG activities that were begun in prior program years may be considered to have a high degree of program continuity.

Data from the first six years of the program showed that as the program matured, an increasingly larger share of program funds was directed to continuation of activities started under CDBG. By year 6, more than two-thirds of total funds for the larger sample of 51 jurisdictions were allocated for such program continuation. The last report pointed out:



As allocations dropped for activities started under the categorical grants, the funds generally were shifted to continue activities already started under the block grant rather than becoming a source of funds for new undertakings.<sup>8</sup>

Because of the need to close-out projects started under the prior categorical programs, many central cities in the earlier years of the CDBG program tended to show a lower funding level to continue CDBG activities but, as the CDBG program matured and the categorical projects were completed, the central cities showed an above average level of program continuation. During years 2 through 5 the proportion of funds allocated for program continuation by the ten central cities in the sample was below the average for the thirty central cities used in previous reports; by year 6, however, the means of the two samples were identical. Half of the present sample of ten cities allocated more than 75 percent of their year 6 program funds to continue activities previously funded under CDBG, two were near the mean (72 percent), and three were well below the mean (table 4-10). The trend toward increased program continuity continued in year 7, as the proportion of funds allocated for program continuation among the ten sample cities increased from 72 percent in year 6 to 88 percent in year 7. In year 8, however, program continuity showed an important change when the share of funds for continuation of previously funded CDBG activities dropped 8 percentage points to 80 percent.

Among the ten cities, the greatest continuity, characterized as a highly institutionalized program, occurred in Rochester. By year 5 nearly all of Rochester's block grant funds were allocated for previously funded activities. Houston, by contrast, has shown the least continuity in its program, allocating less for program continuation than most of the other cities throughout the eight years of the program. Houston's discontinuity was largely the result of recurring implementation problems and the city's need to put in ready-to-go activities from various city departments that would use up money quickly to meet HUD's demands for a higher expenditure rate.

In the seventh year, nine of the ten cities (all but Houston) allocated 80 percent or more of their CDBG funds for the continuation of previously funded CDBG activities and six of these cities (Los Angeles, Phoenix, Rochester, St. Louis, Seattle, and Worcester) allocated more than 90 percent for program continuation. In year 8, however, half of the cities dropped below the 75 percent level, showing a substantial increase in allocations for new activities. Nine cities (all but Chicago) increased the share of their program devoted to new activities. Four cities (Atlanta, Cleveland, Phoenix, and Worcester) reported a decrease of more than 10 percentage points in program continuity. The only other time that more cities decreased than increased the proportion allocated for program continuation was in year 4 when five cities (Atlanta, Cleveland, St. Louis, Seattle, and Worcester) did so.

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<sup>8</sup>Implementing Community Development, p. 76.

Table 4-10. Percentage of CSBG Funds Allocated for Previously Funded CSBG Activities, Years 2 through 8

Percent	Program Year							
	2	3	4	5	6	7	8	
75 percent or more	Cleveland 97 Atlanta 87	Cleveland 83 Rochester 76	Chicago 89 Rochester 76	Chicago 92 Rochester 92 Seattle 86 St. Louis 82	Rochester 96 Chicago 94 Phoenix 94 St. Louis 90 Seattle 78	Rochester 99 Seattle 97 Los Angeles 93 St. Louis 93 Phoenix 91 Worcester 91 Atlanta 87 Cleveland 85 Chicago 84	Rochester 94 Chicago 94 Seattle 94 Los Angeles 92 St. Louis 90	
50-74 percent		St. Louis 73 Seattle 58 Chicago 57	Houston 65 Los Angeles 63 Seattle 51 St. Louis 50	Cleveland 71 Los Angeles 62 Worcester 61 Phoenix 57 Houston 51	Worcester 71 Los Angeles 70 Cleveland 65	Houston 63	Worcester 73 Cleveland 71 Phoenix 69 Atlanta 65 Houston 58	
25-49 percent	Los Angeles 41 Seattle 39 Worcester 33 Chicago 31 St. Louis 28	Worcester 46 Los Angeles 42 Atlanta 41 Houston 27	Cleveland 41 Worcester 40 Atlanta 37		Houston 42			
Less than 25 percent	Rochester 20 Houston 17 Phoenix 14	Phoenix 20	Phoenix 22	Atlanta 15	Atlanta 21			
Unweighted mean	41	52	54	67	72	80	80	

Source: Field research data.

In that year the increase in new activities was partially the result of substantial new funds (except in Atlanta and Worcester) from the dual formula and that the cities were in a position to undertake new projects.

Among the four cities that reported a decline of more than 10 percentage points in their share of funds allocated for program continuation, only Worcester appeared to concentrate its new spending in one programmatic area. In that city, most of the new spending was allocated for public services (police salaries) and public facilities (fire equipment), thus confirming that the city regarded basic city services as its highest CDBG priority to offset the loss of property taxes brought about by Proposition 2 1/2. In Atlanta, by contrast, where the proportion allocated for program continuation dropped by 22 percentage points but where fiscal pressures were much less severe, new spending was fairly evenly dispersed among housing, economic development, and public services activities, many of which are not traditional or basic local government services. The largest new allocation, \$1.2 million, was for a new housing rehabilitation program in which grants were made to handicapped property owners to bring their properties up to code standards. The city also intended to use the funds allocated to this program for weatherization if State funds could be obtained to provide for the purchase of the necessary materials. Other major new activities in Atlanta included public housing modernization, commercial revitalization, and funding for two nonprofit social service agencies.

In Cleveland, where nearly one-third of year 8 funds were allocated for new activities, much of the new spending occurred in the city's four new NSAs which received housing rehabilitation and public improvements (e.g., streets, sidewalks, parks, playgrounds). Other new activities included \$1 million for a neighborhood clean-up/jobs program, \$1.3 million for two new housing programs, exterior rehabilitation loans and a homeownership pilot program, \$200,000 for a section 108 economic development project, and funding for a number of small grants to nonprofit agencies for social services and housing rehabilitation activities. In Houston, new spending focused on capital improvements. One million dollars was allocated for public housing modernization, \$700,000 for rehabilitation of neighborhood facilities, \$2.3 million for creation of an economic development strategy, and \$5.5 million for storm drainage and street improvements.

In summary, program continuity rose sharply in year 7 but dropped considerably in year 8, indicating that for a number of cities, year 8 represented an opportunity to fund new activities. Program continuity, however, still predominates as 80 percent of year 8 funds in the ten sample cities were budgeted for the continuation of previously funded CDBG activities.

The increase in allocations for new activities in year 8 may be linked to the Federal policy changes that took effect that year. For example, year 7 was the last year covered by the three-year comprehensive community development plan cities were required to institute in the fifth year, and in year 8 cities were no longer required to submit an application, geographic targeting to NSAs was relaxed, and HUD's requirement that cities submit a

formal amendment when more than 10 percent of a program year's funds are subsequently reprogrammed was eliminated.

One should be cautious, however, about making a straight linear projection of this trend towards increased allocations for new activities in future years. A major portion of CDBG funds in these ten sample cities continue to go to activities that were begun in prior program years. Proposals for further new spending are likely to directly confront established program constituencies prepared to battle for their share of a pie that is no longer growing.

### Community Development Strategies

This section examines the block grant program from a broader perspective by examining the various community development strategies in the 10 sample cities. It is worth repeating a caveat used in the last report which advised using the term "strategy" with caution:

In some communities (we cannot determine the number), strategy is more the fortuitous coming together spatially of discrete activities than a long term development plan based on an assessment of priority needs and directed toward stated goals, which is implied in the word strategy.<sup>9</sup>

Three aspects of local community development strategies are examined: (1) developmental; (2) fiscal; and (3) geographic.

For this discussion development strategy means generally, that the city has a neighborhood revitalization and/or economic revitalization focus of which CDBG allocations are a key component. Although the focus of such a strategy is on the physical development of the city, public services may be an important component of that strategy. Furthermore, a city's development strategy may focus on neighborhood revitalization, a more general strategy of economic revitalization through job creation and retention of business and industry, or a combination of both approaches.

Generally, an orientation toward a fiscal strategy means that the allocation of CDBG funds to particular activities is importantly influenced by local fiscal factors and that CDBG funds are frequently used to replace funds from other sources (Federal, State, local). Included within the fiscal strategy heading is local "entrepreneurial" efforts in which cities use their block grant funds to generate program income. Examples of such revenue generation activity include the use of lump sum drawdowns for housing rehabilitation, CDBG loans (rather than grants) for housing and economic development, use of the Section 108 loan provisions, and the "CD float".

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<sup>9</sup>Ibid., p. 80.

Geographic strategy means the areal focus of the city's block grant program, including such aspects as the number and size of target areas, the extent of concentration of funds within them, and the distribution of CDBG resources between downtown and neighborhood areas.

While these three components of local community development strategies can be analytically sorted and discussed, in practice it is frequently more difficult to clearly distinguish among each. Nor are they mutually exclusive strategies. For example, local CDBG programs often include a mixture of all three strategies, although not necessarily with equal emphasis. Further, in several cities the developmental strategy includes both neighborhood and economic revitalization components. Similarly, a number of cities also allocate block grant funds to both their neighborhood and downtown areas.

The principal question addressed in this section is whether there have been any shifts in the mix of local community development strategies and why--Federal policy changes or local factors? For example, has the added local discretion from deregulation contributed to a greater emphasis on economic development? Have changes in local fiscal conditions, as discussed in Chapter 2, resulted in more emphasis on a fiscal strategy? In exploring such changes emphasis is given to the point made earlier in several places that the Federal policy changes just went into effect in year 8 so clear patterns of change may be difficult to discern. However, there was some evidence, more than expected, that some cities may be at the threshold of some changes.

### Development Strategies

The last report noted that by the sixth year of CDBG, neighborhood revitalization was the dominant development strategy of communities in the sample, whether or not they had participated in the earlier (categorical) programs. This emphasis was frequently the approach selected by cities early in the program, and was given an additional push by the Carter Administration's efforts to enhance the neighborhood focus of the program. In 1978, HUD issued regulations that required cities to designate and to concentrate their CDBG-funded physical development activities within these areas. Further, CDBG-funded public services and facilities were to be restricted to the NSAs. Subsequently, in year 5 the application format was changed to reflect this increased emphasis on neighborhood activities. Chapter 2 noted that the Federal policy changes that took effect for year 8 eliminated the local application and the NSA regulations, clearing the way for communities to alter their development strategies and the distribution of activities, if they chose to do so.

To assess the extent to which local CDBG programs focus on neighborhood revitalization the associates designated over the five rounds of field research which activities in the local CDBG program were, in their judgment,

part of a CDBG-funded neighborhood revitalization strategy.<sup>10</sup> These data were aggregated across program categories in each year to determine the proportion of funds in each year that was allocated for neighborhood revitalization activities.

The last field research report noted that neighborhood revitalization was the dominant strategy employed in local CDBG programs. By the fifth year, the forty-two cities (urban counties were excluded) of the larger sample used in previous reports had allocated more than 50 percent of their program funds for neighborhood revitalization activities. It should be pointed out, however, that the thirty central cities of that sample allocated slightly less for neighborhood revitalization activities than the overall average. Of the ten cities in the current sample, only three (Chicago, Los Angeles, and Phoenix) consistently allocated more than the average central city for neighborhood revitalization during the first six years of the program. The report for years 5 and 6 also noted that there was a slight decline among the communities in the larger sample in the proportion of funds allocated for neighborhood revitalization in year 6. However, as table 4-11 shows, six of the ten cities in the current sample (all but Houston, Phoenix, St. Louis, and Seattle) increased the proportion of their block grant funds allocated for neighborhood revitalization activities in year 6. For the ten cities, the share of funds allocated for neighborhood revitalization increased from 44 to 47 percent between years 5 and 6 and thus they were not representative of the trend for the larger sample, but the increase brought them closer to the level of the other communities.

In year 7, the proportion of CDBG funds allocated for neighborhood revitalization continued to increase with nine cities raising the share of money for this purpose; Houston remained the same. However, in year 8, declines were observed in seven cities; five of the seven cities reported a drop of more than 10 percentage points. The biggest increase in the share of funds budgeted for neighborhood revitalization activities was 2 percentage points in Houston. Measured in dollars, no city allocated more dollars for neighborhood revitalization in year 8 than in year 7; in four cities (Atlanta, Cleveland, Phoenix, and St. Louis) the amount of funds allocated for neighborhood revitalization declined by more than one-half. The overall

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<sup>10</sup>A neighborhood revitalization strategy is defined as encompassing a variety of CDBG-funded projects undertaken in target neighborhoods. For example, a package of activities--housing rehabilitation, street and sidewalk improvements, rehabilitation of a community center, and social services in a delineated target neighborhood--would be considered evidence of a neighborhood revitalizations strategy. Excluded from consideration are single CDBG-funded activities or instances in which a single CDBG activity is combined with several non-CDBG activities. Also excluded are allocations for downtown activities and allocations for economic development activities in nonresidential parts of the city (e.g., industrial parks).

**Table 4-11. Allocations for Neighborhood Revitalization Activities, (Thousands of dollars; unweighted mean percentages in parentheses)**

City	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Percentage Change, 1-6	Year 7	Percentage Change, 6-7	Year 8	Percentage Change, 7-8
Atlanta	6,360 (35)	2,988 (17)	4,586 (28)	5,153 (37)	3,924 (28)	5,276 (35)	-17	8,126 (55)	+54	2,478 (21)	-70
Chicago	33,265 (77)	40,546 (85)	35,021 (57)	41,231 (35)	74,362 (59)	82,395 (63)	+148	95,080 (77)	+81	73,382 (68)	-23
Cleveland	1,305 (9)	0 (0)	0 (0)	24,262 (70)	16,300 (44)	21,132 (49)	+1319	21,492 (56)	+2	7,286 (22)	-66
Houston	262 (2)	2,570 (19)	0 (0)	14,527 (60)	19,772 (75)	21,218 (75)	+7098	20,574 (75)	-3	18,106 (77)	-12
Los Angeles	28,560 (74)	27,788 (72)	24,238 (49)	41,383 (81)	27,871 (52)	36,954 (65)	+29	40,451 (75)	+9	32,965 (63)	-19
Phoenix	1,696 (66)	4,099 (71)	8,104 (83)	5,164 (52)	6,541 (53)	6,326 (50)	+273	15,733 (90)	+149	6,985 (60)	-56
Rochester	1,851 (17)	2,743 (19)	5,158 (37)	5,247 (42)	2,926 (24)	3,762 (29)	+103	4,504 (36)	+20	4,106 (36)	-9
St. Louis	1,865 (12)	1,289 (8)	8,413 (51)	7,558 (22)	9,279 (25)	5,993 (14)	+221	6,673 (19)	+11	2,854 (10)	-57
Seattle	5,459 (49)	6,107 (56)	5,273 (55)	11,531 (71)	6,655 (39)	4,831 (27)	-16	6,210 (35)	+29	3,343 (21)	-66
Worcester	363 (6)	691 (12)	914 (17)	1,709 (32)	2,444 (42)	3,946 (63)	+987	3,846 (64)	-3	3,389 (65)	-12

Source: Field research data.

result for the ten cities was an average level of allocations for neighborhood revitalization of 44 percent in year 8, 14 percentage points below the year 7 level and 3 percentage points lower than year 6.

### Atlanta

In Atlanta, the proportion of funds allocated for neighborhood revitalization in year 8 declined by 34 percentage points and the amount of dollars declined by 70 percent. The associate attributed the decline to the increased priority for economic development. Further, the focus of economic development activity in that city shifted from an orientation toward small business assistance in neighborhood commercial areas toward large scale industrial development activities.

Two projects, the Atlanta Industrial Park and the Pool Creek/Gilbert Heights Acquisition, accounted for nearly two-thirds of the city's CDBG allocation for economic development. One Atlanta official noted "we fought off a lot of these attempts to get neighborhood commercial development in there (the CDBG program) and call it economic development."

Similarly, the large decline in Phoenix's allocation for neighborhood revitalization activities in year 8 (from 90 percent to 60 percent) reflects the city's emphasis on an economic revitalization strategy, particularly an emphasis on downtown development. In St. Louis, neighborhood revitalization never was a strong component of the city's program and allocations for neighborhood revitalization dropped from 19 to 10 percent between years 7 and 8. The associates noted:

The city partially pursued the strategy HUD later designed as its NSA approach--housing rehabilitation and major capital improvements to restore and develop sagging neighborhoods. But the crucial factor was not the city's designation of the neighborhood for redevelopment, but rather the private sector's commitment and above all money for housing rehabilitation. Don Spaid, Community Development Director under former Mayor Conway, constantly emphasized his strategy for development as a heavy emphasis on 'leverage'. Geographic priority ranked second to private sector commitment.

In Cleveland, the decline in neighborhood revitalization allocations was due primarily to the city's "phase-out" of the old NSAs and a stronger emphasis on citywide housing rehabilitation programs.



## Fiscal Strategies

A major issue concerning deregulation of CDBG is whether the greater local discretion at the planning stage makes the block grant a more flexible tool for use in local fiscal strategies. As Federal oversight of the CDBG program lessens, do development strategies tend to give way to greater use of CDBG as a means for relieving local fiscal pressures? To get at that question the associates examined: (1) the extent to which the local CDBG program reflects an overall orientation toward a fiscal strategy as opposed to a development strategy; and (2) evidence of substitution (or replacement) of CDBG funds for Federal, State, or local funds. Another aspect of the discussion of fiscal strategies, and one with quite different implications, is the emergence of local fiscal entrepreneurship--that is, some cities have begun to use CDBG funds to generate program income.<sup>11</sup>

Identification of substitution and quantifying its effects is a very difficult analytical task and it is not the purpose of this report to do so. Rather, associates reported any evidence of substitution they found and, based on their knowledge of the CDBG program and their work in the broader Princeton study, assessed whether or not fiscal considerations were beginning to predominate over development priorities in CDBG decisionmaking. To get at this broader fiscal context, data were used from the Princeton study on how eight of the sample cities responded to Federal reductions in a variety of physical development and public service programs.<sup>12</sup>

**Fiscal v. Development Strategy.** Associates in seven of the ten cities reported that the predominant strategy in their jurisdiction remained developmental rather than fiscal. Worcester was the only city in which the associate reported a predominately fiscal strategy and associates in Chicago and Los Angeles reported that both fiscal and developmental strategies were evident in their programs with developmental strategies predominant although fiscal concerns were beginning to receive increased attention.

As stated in several places throughout this report, fiscal pressure in Worcester brought about by Propostion 2 1/2 was an important contextual factor that accounted for many of the changes in that city's program during years 7 and 8. However, the associate noted that fiscal concerns have been evident in that city's program for a number of years:

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<sup>11</sup>For a discussion of local fiscal entrepreneurship and its applications in the Urban Development Action Grant Program see Susan E. Clarke and Michael J. Rich, "Financial Federalism: Trends Toward Intergovernmental Management of the Local Economy," paper presented at the 1982 Annual Meeting of the American Political Science Association.

<sup>12</sup>Eight of the ten sample cities (all but Atlanta and Worcester) were included in the Princeton study. For an initial report on this study, see John Ellwood and Richard P. Nathan, eds., Reductions in U.S. Domestic Spending: How They Affect State And Local Governments, Transaction Books, 1982.

The key difference is that in the first 6 years of the program, fiscal and developmental objectives were complementary rather than conflicting. Year 7 was a transitional year and by year 8 fiscal considerations took priority over developmental considerations. Housing rehabilitation was cut by more than half and was targeted as the most vulnerable activity in the future as fiscal pressures increased. The first allocations were made for police operating costs and funds were earmarked for buying fire equipment. The loss of \$800,000 in CDBG funds in year 8, combined with the greater problem of Proposition 2 1/2, hastened the ascendancy of fiscal considerations.

In Chicago, CDBG funds have been used more frequently, and in larger amounts, to meet operating costs of traditional city services such as education, transportation, sanitation, public safety, and rodent control. As pointed out earlier, in September 1982, Chicago officials reprogrammed \$16.8 million in CDBG funds that had been previously allocated for housing, economic development, and neighborhood improvement activities to the city's Board of Education in order to prevent a fiscal crisis that threatened to shut down the Chicago school system. In Los Angeles, the associate noted that "there has always been a 'bottom line' fiscal orientation to the CDBG program."

In St. Louis, however, priorities reversed during the course of the program so that developmental concerns now outweigh fiscal ones. According to the associates:

The early years saw large CDBG allocations going for social services and capital improvements with little money going for housing and economic development; the latter years saw the bulk of CDBG money going for housing and economic development, with smaller allocations set aside for social services and capital improvements. Underlying this shift has been the growing realization that St. Louis must 'revitalize itself'. Recent mayoral administrations are increasingly convinced that only by generating better housing, creating new jobs, and attracting industry can St. Louis get moving again. The block grant program has grown from being a substitute for bond issues to growing as a development tool.

In Rochester, where a development emphasis has been dominant since the program began, the associates reported that fiscal pressures may force the city to shift its focus to a more fiscal orientation.

The CDBG is unquestionably developmental in orientation. This orientation has been unchanging over the life of the program. The most obvious manifestation of it is the spending of CDBG dollars in a fashion very consistent with priorities set at the beginning of the program--housing rehabilitation, neighborhood conservation, and downtown development. Despite increasing pressures on Rochester financially, these priorities have been honored. Whether it will be possible to maintain this developmental orientation, however, is an important question. Many city officials have expressed doubt

over the city's ability to continue to support a developmental orientation in light of increasing fiscal pressures.

**Substitution.** Three points about substitution must be emphasized. First, substitution can no longer be viewed simply in terms of using CDBG funds to substitute for local revenues to carry out a variety of traditional local government functions. With cutbacks in other Federal and State programs, some cities have begun to use their CDBG funds to replace funds lost from these sources. Second, substitution has been around for a long time. Throughout the course of this research instances were reported of local communities using their block grant funds for activities traditionally supported with local revenues. For example, the last report noted:

Fiscal substitution is difficult to measure but it can be generally assumed that it occurs in some jurisdictions, particularly in the program categories of neighborhood conservation and general public improvements which are heavily oriented toward streets, sidewalks, and park and recreation projects.<sup>13</sup>

That report stated that the case against substitution might be better pursued in relatively well-off communities with healthier and growing fiscal bases than in fiscally hard-pressed communities. "In some distressed cities, CDBG funds may be the largest or only source of money to undertake the traditional kinds of public works and facilities."<sup>14</sup>

In coordinating this research with the Princeton study, it is possible to get a broader base from which to observe the local fiscal context in which CDBG program decisions took place in year 8. Of particular interest is the extent to which CDBG funds are being used to replace funds that have been lost from other Federal programs due to budget cuts.

Associates in the Princeton study were asked to characterize the fiscal effects on local governments of major Federal program changes in one of the following categories:

**Ratify.** City passes along the Federal reduction in the form of reduced spending for the program that was cut.

**Compound.** In addition to the Federal reduction, the city reduces its own funding for the program that was cut.

**Replace.** City substitutes funding from other sources for the Federal reduction.

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<sup>13</sup>Ibid., p. 119.

<sup>14</sup>Ibid.

Augment. In addition to replacing the Federal reduction, additional funds are allocated to increase the level of service for the program.

With the increased flexibility given local government officials through the legislative and administrative changes that took effect in year 8, the CDBG program is one source local officials could turn to in order to continue programs that were previously funded from other Federal sources. This does not imply that CDBG funds are the only source used for replacement of Federal program cuts or that CDBG funds constitute all of the replacement money. The point is that CDBG funds can be used for replacement of lost Federal funding if local officials choose to use them for that purpose. In some cities, CDBG is one of the few sources of discretionary money available to local officials.

Table 4-12, based on the Princeton study, shows the fiscal effects on city governments of budget reductions in seven Federal programs in the areas of general community development and public services and facilities. A number of points stand out from an examination of this table.

First, some cities, such as Los Angeles and St. Louis, are prone to ratify the cutbacks across all program categories. For these cities, substitution of CDBG funds for lost Federal funds is not likely to be significant. Second, replacement is most likely to occur in programs that provide funding for public services and facilities. Among the eight cities, replacement of lost Federal funds with local funds is found much less frequently in the community and economic development programs. The associate for Rochester did note that a UDAG loan repayment to the city was used to partially replace Federal reductions in CDBG funds, although the associate categorized the general fiscal effect as being predominantly ratification.

Replacement was found fairly frequently for public services and facilities programs. As noted above in the discussion of public services, these are the types of programs most difficult to cut. It is interesting to observe that the cities that were most likely to replace Federal reductions in public service programs with other money were also the cities that allocated a relatively large portion of their CDBG funds for public services (e.g., Chicago, Cleveland, Houston, and Seattle).

Some cities have used CDBG funds to replace funds lost from other Federal programs. For example, both Chicago and Cleveland allocated CDBG funds to continue their summer youth employment programs which had previously been funded with CETA funds. In Cleveland, the city also allocated CDBG funds to partially replace cuts in its rodent control program which had received funds under the preventive health program. Chicago allocated CDBG funds in year 8 to lessen the impacts of cuts suffered in the city's Community Services Administration (CSA) allocation and the phase-out of its CETA program. When Illinois picked up the Community Services Block Grant (CSBG), it changed the formula for allocating funds from one based on poverty population to one based solely on population. As a result, Chicago's CSBG allocation dropped from 70 percent of the state's grant to 40 percent. In response to this cut, the city's Department of Human Services closed 11 of its 34 field offices and 450

Table 4-12. Fiscal Effects of Major Federal Program Changes, Fiscal Year 1982.

City	Community Development				Public Services and Facilities			
	CDIC	EDA	CETA	SSBC	CSBC	MCIIBC	PHHSBC	
Chicago	---	---	Replace	Replace	Ratify	----	Replace	
Cleveland	Ratify	Ratify	Replace	Augment	----	Ratify	Replace	
Houston	Ratify	Ratify	Ratify	----	----	Replace	Replace	
Los Angeles	Ratify	---	Ratify	----	Ratify	----	----	
Phoenix	----	---	Ratify	----	----	Compound	----	
Rochester	Ratify	Ratify	Ratify	----	----	----	----	
St. Louis	Ratify	Ratify	Ratify	----	Ratify	Ratify	----	
Seattle	Ratify	---	Ratify	----	----	Replace	----	

Source: Field Network Evaluation Study of the Reagan Domestic Program; Princeton Urban and Regional Research Center, Princeton University.

Effects Key:

- Ratify. City passes along the Federal reduction in the form of reduced spending for the program.
- Compound. In addition to the Federal reduction, the city reduces its own funding for the program.
- Replace. City substitutes funding from other sources for the Federal reduction in program funding.
- Augment. In addition to replacing the Federal reduction, city allocates funds to increase level of service.

Program Key:

- CDIC Community Development Block Grant
- EDA Economic Development Administration programs
- CETA Comprehensive Employment and Training Block Grant
- SSBC Social Services Block Grant
- CSBC Community Services Block Grant
- MCIIBC Maternal and Child Health Block Grant
- PHHSBC Preventive Health and Health Services Block Grant

Notes:

- a. Because of change in starting date of program year, city had more funds to spend in FY 1982 than FY 1981.
- Data not available or city not responsible for program administration.

employees, about one-fourth of DHS' total staff, were laid off. CDBG funds now cover most of the operating costs of the city's community service centers and its Department of Neighborhoods. These programs were previously financed almost entirely by the city's CSA and CETA allocations. These trends may explain why some cities have not reduced CDBG funding for public services to begin to meet the 10 percent limit.

Overall, associates in seven of the ten cities reported some degree of substitution in their local block grant programs for years 7 and/or 8. The most evident illustration of substitution was Chicago where large-scale diversions of block grant funds to traditional city services have been customary over the course of the program. One Chicago official remarked that "CDBG is the mayor's cookie jar, the place she turns to when funds are short elsewhere." For example, in previous years Chicago has allocated CDBG funds for snow removal (\$31.8 million), storm clean-up (\$4 million), neighborhood clean-up (\$4.8 million), and most recently to balance the school budget (\$16.8 million).

Phoenix, on the other hand, is a case of customary small-scale substitution. In year 8, city officials allocated \$100,000 for a swimming pool that they did not want to fund with city revenues; such small-scale substitution has occurred throughout the course of the program, according to the associates. The Cleveland associates reported:

City finances have been precarious since the beginning of the decade of the 1970s and reached a crisis when default occurred under Mayor Kucinich in 1978. Under those circumstances, all participants in Cleveland's decisionmaking process have been tempted to treat CDBG like general revenue sharing, if in no other sense than that a CDBG dollar spent on physical improvements or on housing rehabilitation or on social services was one dollar that did not have to come out of the city's general fund.

Substitution in Cleveland was most prominent in the city's emergency food centers, rodent control, and lead-based paint programs, where the block grant monies were used to replace Federal and State cutbacks rather than substitute for local revenues. The associates reported, however, that "pressure to substitute CDBG funds for other sources was not a strong factor in year 8 planning, but is anticipated to be much stronger in year 9."

In St. Louis, the associates reported that the amount of substitution was not great in that city but was found in the area of neighborhood improvements and public services. Activities such as street repairs, weed control, code inspection and the like were funded with block grant resources when undertaken in the NSAs but those same activities outside of NSAs were financed with city revenues. The associates pointed out that one reason for the small amount of substitution is the feeling CDBG funds should be used for 'development type' activities, not traditional services.

Atlanta officials allocated CDBG funds to compensate for losses suffered by other Federal programs. The associate noted that the city funded activities undertaken by two nonprofit social service agencies which had received most of their funds from Federal programs that were cut back.

Substitution was not apparent in all cities, however, and in some, there was a strong emphasis against using CDBG funds for substitution purposes. It was noted above that St. Louis tried to keep substitution at a minimum. In Seattle, the associate reported:

It has been clear from the beginning that the central issue has been and continues to be that CDBG funds are not to be used for programs and activities which the city would normally undertake (e.g., public safety, routine maintenance and repair, ongoing capital improvements), although there have been some arguments against this. If the CDBG program ceases, the kinds of activities that have been included under it--including most social services, except emergency services--would be probably dropped.

Similarly, in Rochester, the associate reported no evidence of substitution and noted that while CDBG-funded capital spending has declined as the city's grant has decreased, city funds have replaced CDBG funds for economic development and other capital projects. But, as pointed out above, the associates reported that growing fiscal pressure may alter the city's strategy.

**Generating program income.** A few cities initiated a complementary fiscal approach as a means of stretching their CDBG dollars. Some cities have developed an "entrepreneurial" fiscal approach using CDBG funds to generate income which can then be recycled for additional housing and community development activities. While many cities have reported some program income throughout the first 8 years of the program, much of this income has been derived from the proceeds of land sales. Increasingly, cities are now turning to more creative techniques for generating program income, such as Section 108 loans and the CD float, which are both illustrated below in Rochester.

### **Rochester**

Rochester has used the proceeds from its two Section 108 loans to establish a business loan program. Under this program, the city lends up to a maximum of \$500,000 to private firms to assist in financing their expansion and renovation. In the past two years the city has lent about \$3.2 million to private firms through this program.

Rochester has also executed three float loan projects to date. The first was a \$2 million low-interest loan for a major downtown office building. A second float loan of about \$1 million was executed with a developer of a downtown hotel. A third loan of \$300,000 was committed for the rehabilitation of an office building in an area the city is

currently focusing on. The project was designed to serve as a catalyst to encourage other developers to renovate additional buildings in the project area.

Cities are also turning increasingly to more conventional techniques for stretching their CDBG funds and increasing the amount of private investment leveraged. For example, the earlier discussion of housing rehabilitation programs noted that several cities shifted from a grant to a loan approach to increase program income.

In Houston, the associates reported that prior to year 8 there was no effort on the part of city officials to generate program income. However, in year 8, a number of techniques were instituted to increase the amount of funds leveraged under CDBG. These included increasing the fees charged for CDBG-funded services and requiring nonprofit organizations to contribute a larger share of program costs. In Chicago, neighborhood commercial areas seeking CDBG funds for business improvements are now required to fund a larger share of the project's costs. In Atlanta, the associate reported:

Although the eighth year program does not involve any new creative financial mechanism the criteria for the award of CDBG dollars to proposed projects indicates a significant change in the city's thinking about leveraging, program payback, and the return on CDBG dollars invested.

In Los Angeles, city officials intend to increase their mandatory private match from participating nonprofit agencies from \$25,000 to \$40,000 in year 9.

### Geographic Strategies

Has deregulation led to a shift in areal strategy? To get at this question analysis of geographic strategies during years 7 and 8 focuses on an examination of the number and size of target areas and the mix of activities within and among the target areas. That is, are communities using the reduced Federal role to spread CDBG money to other parts of the city? The areal analysis also examines any changes in the allocation of CDBG funds between the downtown and the neighborhoods.<sup>15</sup>

**Target areas.** Table 4-13 summarizes changes in the number, boundaries, and activity mix of target areas for each of the ten cities during years 7 and 8. Six cities (Chicago, Phoenix, Rochester, St. Louis, Seattle, and Worcester) did not change either the number or size of their target areas in years 7 and 8. This proportion of cities retaining target area boundaries was about the same as found with the larger sample in years 5 and 6.

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<sup>15</sup>Comparison of the ten city sample with the larger sample used in previous reports was not possible for the analysis of geographic strategies because a different set of questions on this topic were used in previous field analysis forms.



**Table 4-13. Incidence of Changes in Number, Boundaries, and Activity Mix of Target Areas, Years 7-8**

<b>City</b>	<b>Number and/or Boundaries</b>	<b>Activity Mix</b>
<b>Atlanta</b>	<b>Yes, fewer target areas</b>	<b>Yes, more emphasis on economic development</b>
<b>Chicago</b>	<b>No</b>	<b>Yes, emergence of "triage" strategy</b>
<b>Cleveland</b>	<b>Yes, 4 new target areas</b>	<b>No</b>
<b>Houston</b>	<b>Yes, 5 new target areas</b>	<b>Yes, move to larger, more comprehensive projects</b>
<b>Los Angeles</b>	<b>Yes, significant boundary changes</b>	<b>Yes, more emphasis on housing and economic development</b>
<b>Phoenix</b>	<b>No</b>	<b>No</b>
<b>Rochester</b>	<b>No</b>	<b>No</b>
<b>St. Louis</b>	<b>No</b>	<b>No</b>
<b>Seattle</b>	<b>No</b>	<b>No</b>
<b>Worcester</b>	<b>No</b>	<b>Yes, less emphasis on housing rehabilitation</b>

**Source: Field research data.**

Houston and Cleveland increased the number of NSAs in their programs. In Houston, one NSA was added in year 7 because of citizen pressures and four more were added in year 8 to enable residents of those areas to qualify for housing assistance and public services. Although no longer required to do so by HUD, Houston officials continued to enforce the provision that all public services be confined to the NSAs. In Cleveland, four target areas were added in year 8 although city officials announced that they would limit CDBG assistance in these new areas to housing rehabilitation and related neighborhood public improvements. The Cleveland associates reported:

The addition of the four NSAs responded primarily to political pressure. Interestingly, with the size of the city council reduced from 33 to 21, there is more pressure, rather than less, for spreading of CDBG programs to every possible ward. Each of the NSAs is also in an area where neighborhood organizations, including local development corporations, have become stronger, more vocal, and more politically sophisticated in recent years.

In Atlanta the number of target areas was greatly reduced as local CDBG officials, responding to prior HUD pressures, persuaded the city council of a need for greater targeting of program resources. City officials communicated to the council that the city was under pressure from HUD to reduce the number of target areas. As a result, the city's year 7 and 8 programs contained seven NSAs. In contrast, the city's year 6 program contained 87 neighborhood target areas which comprised about 70 percent of the city's population. In years 7 and 8, the seven target areas accounted for less than 10 percent of Atlanta's total population.

Los Angeles was the only city among the ten to abandon entirely the NSA concept in year 8. The associates reported:

The city council adopted a plan to change from NSAs to Labor Manpower Planning Areas to distribute public service funds. This ensures that funds will be spread citywide rather than according to objective assessment of needs. Five council districts had previously received no funds, and are now guaranteed 6 percent of the LMPA allocation for public services.

Such spreading of CDBG funds for public services, however, may increase the number of lower income persons benefiting from these programs and/or provide benefits to persons who had previously been excluded because their neighborhoods were not part of an NSA.

In addition to changes in the number and size of the target areas, associates in several cities reported changes in priorities among or within the NSAs in terms of the amount and type of activities funded. The Chicago associates reported that although the amount of funds allocated to the NSAs was about the same in year 7 as in the eighth year, eleven of the city's twenty-one NSAs received fewer funds in year 8 than in year 7. Most of the reduction in CDBG allocations was in the area of capital spending--housing rehabilitation, neighborhood improvements, and commercial area revitalization;

allocations for services increased in most NSAs and declined slightly in only a few NSAs. In those NSAs that received increased funding in year 8, most of it was for housing rehabilitation, neighborhood improvements, and public services.

Associates in Houston and Worcester also reported a change in the mix of activities within the target areas. In Houston, the associates noted a move "toward larger, more comprehensive projects which will ultimately change the visible character of neighborhoods." The associates added:

Comprehensive plans for each target area are currently being developed, the ultimate result of which will be more concentrated spending for revitalization of a clearly-defined neighborhood area within the target area.

In previous years, the city had undertaken numerous projects throughout the target areas (e.g., streets, sidewalks, water and sewer improvements, parks) with little relation to any overall plan for neighborhood revitalization. In Worcester, the associate reported a "trend away from housing rehabilitation and towards parks and public works."

**Downtown vs. neighborhoods.** Most of the ten cities allocated some portion of their block grant funds in year 7 and 8 for activities in downtown areas. For example, in Atlanta, \$519,000 was allocated in year 8 for the installation of street lights in the southern portion of the city's central business district. In Phoenix, about \$2 million in year 8 funds were allocated for several downtown projects, including funds for land acquisition, site preparation and redevelopment for the Phoenix trade center, a multi-family housing development, and revitalization of the downtown business core area. In most cities, neighborhood and downtown interests were accommodated by city officials without much conflict between the two groups. However, as Phoenix and Seattle illustrate, significant conflicts between the two did emerge in some cities.

### **Phoenix**

Initially, CDBG was primarily a low-income housing rehabilitation and neighborhood conservation program. By year 7, however, the program had shifted toward downtown economic development activities. This shift created tensions between neighborhood and downtown forces, notably the city's Department of Housing and Urban Redevelopment and the Central Phoenix Redevelopment Authority, respectively.

In January 1982 an agreement was reached among the principal agencies in which no more than 25 percent of the city's CDBG funds were to be allocated for downtown development. A number of factors contributed to that agreement. The newly appointed director of the central Phoenix Redevelopment Authority in year 7 realized that the redevelopment authority had about \$2 million in previously

allocated unspent funds and that the pace of downtown development had slowed considerably. Further, the city's rehabilitation program had finally gotten underway and was receiving very enthusiastic reviews from the city council. Also, reduced CDBG dollars because of Federal budget cuts meant there were fewer funds to go around. Thus, any efforts on the part of the director to push for additional funding for downtown economic development would likely intensify conflict. As a result of these factors, the director initiated discussions with the city's community development agency and an agreement was reached.

In Seattle, the associate reported a shift in emphasis away from the downtown and central area NSAs and toward the south and southeast NSAs, due primarily to the mayor's fulfillment of a commitment promised in his recent campaign. The Los Angeles associates reported some minor conflict between downtown and neighborhood interests, although there was no massive shift in block grant funding to either area in any one year. Funding for downtown projects has, however, declined gradually over the past several program years. The associates pointed out:

The political advantages of spending money in the more populous (neighborhood) areas is readily apparent. The city council's distribution plan promotes spreading the funding over a wide area and away from the downtown.

Similarly, the Atlanta associate noted that the lack of a downtown constituency within the city council was an important factor preventing the city from allocating a larger share of its block grant funds for downtown revitalization.

In St. Louis, the associates noted that there was very little attention given to using CDBG funds as part of a downtown development strategy. "Downtown became the preserve of UDAG grant applications operating separately from CDBG." In Houston, however, there was some evidence of a movement toward an increased emphasis on downtown activities, although the associates indicate that "it is doubtful that a downtown development strategy will ever replace the neighborhood development strategy in this city."

In Rochester, the associates reported a dual thrust in the city's program with a primary focus on neighborhoods but also emphasis on downtown development. The associates pointed out that diminished CDBG funding may place more of a hardship on continued downtown development.

Finally, in Worcester the associate noted that while there appeared to be an emergent shift away from downtown development activities, with many projects previously scheduled now near completion, it did not necessarily imply lower block grant allocations for the central business district. For example, the city's concentrated police patrol program, funded with year 8 CDBG funds, was targeted to the downtown area.

## Looking Ahead

The last report concluded that "stability was the central theme of the program and strategy discussion and the data indicated that after 6 years the major programmatic and spatial decisions tended to become relatively fixed."<sup>16</sup> One objective in the analysis of year 7 and 8 was to determine if that finding continued to be true by focusing on continuity and change in community development programs and strategies within the context of changing national and local political and fiscal factors.

While special attention was given to changes found, this is not intended to suggest that there was more change than continuity in local CDBG programs during years 7 and 8. There were a number of important changes, particularly in year 8--changes induced in part by the new flexibility of the program but also partially resulting from changes in local political and fiscal factors. However, much of the program remained fairly fixed in most of the ten cities studied. Overall, in year 7 nearly 90 percent of the program funds allocated by the ten cities were for activities that had been previously funded in prior program years. While there was a marked increase in allocations for new activities in the eighth year, 80 percent of the sample funds were allocated for program continuation.

As a result of the Federal policy changes, the block grant program in 1982 is a more flexible program for local officials to work with than in previous years. Local officials have more flexibility to do what they want, where they want, and how they want, than in prior years. Looking ahead to year 9, the question is: Will that flexibility result in still more program changes?

There was some evidence that local priorities will continue to shift with economic development being the principal beneficiary. As reported above, economic development allocations increased from 8 percent in year 7 to 12 percent in year 8. Houston, for the first time in the history of its program, allocated a major share of CDBG funds for economic development activities in year 8. The associates indicated that this trend is likely to continue in year 9 with economic development becoming an increasingly important component of the city's CDBG program. Similarly, the Atlanta associate reported that economic development is likely to increase in importance in that city's program.

The associates generally reported that the high priority given to housing is likely to continue in year 9, an important indicator of continuity in local priorities. In most of the sample cities, housing was the single largest program category funded in years 7 and 8. The indications from the associates are that this trend is likely to continue for year 9. Only in Worcester are housing allocations likely to decline. According to the

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<sup>16</sup>Ibid.

associate for that city, "if push comes to shove, housing rehabilitation is likely to take further cuts."

One area where there seems to be some tension between local priorities and national objectives in the sample cities is public service funding which is importantly affected by the 1981 changes. The institution of a 10 percent cap on public service spending in year 8 introduced potentially serious problems in a number of the sample cities. For many of the cities in the sample, cutting back to the 10 percent service ceiling by 1985 promises to be the most difficult task they will face. This is especially true for cities like Chicago and Seattle where public service allocations are currently above twenty-five percent.

Closely related to the services issue is the future of nonprofit agencies, particularly those providing social services; they face potentially adverse effects from the ceiling put on public services. In some cities, such as Chicago, Phoenix, and Worcester, the role of nonprofit agencies has already diminished considerably. Future cutbacks in CDBG entitlements are likely to accelerate this trend. In Los Angeles, the associates reported that the city is planning to execute longer contracts (24 months, with 12-month funding increments) in year 9, but these contracts would require participating agencies to contribute a larger share (\$40,000 in year 9 versus \$25,000 in year 8) and there may be a minimum project size. These changes are likely to pose severe obstacles for many of the smaller, more inexperienced nonprofit agencies.

In a broader context, local fiscal factors and the reductions in Federal intergovernmental aid in various forms are beginning to play a stronger role in CDBG programs in some cities. This was especially evident in Worcester where the associate reported that "fiscal factors have come to dominate development considerations in CDBG allocations" and the trend is likely to become stronger as the effects of Proposition 2 1/2 become greater and as CDBG funds continue to decline. While programs in most of the sample cities are still predominantly developmental in focus, some cities, such as Rochester, are beginning to feel the effects of fiscal strain on their block grant programs. Some associates reported that CDBG funds were being used to replace lost Federal funds or to substitute for local funds. As monies from other Federal programs dry up, cities are likely to find increased pressure exerted on their CDBG programs to continue those programs.

The evidence, though mostly qualitative, suggests that the block grant program was somewhat less targeted geographically in year 8 than in previous years, and associates note that program funds are likely to become even more spread in the future as a result of the new policy flexibility, particularly on geographic targeting. For example, in Cleveland, the associates reported that "virtually the entire inhabited area of the city will receive some kind of CDBG programming in year 8." Similarly, in Phoenix the associates reported "a growing sentiment (among local officials) that spreading the benefits of CDBG monies would be more beneficial" than a target area approach.

In conclusion, the findings for years 7 and 8 demonstrated that the 1981 policy changes have had an effect on the CDBG program, although at least initially, the institutionalization thesis generally still holds. The question for year 9 is to what extent the changes observed in year 8--greater emphasis on economic development, emerging importance of fiscal factors, increases in the amount of new spending, and less geographic targeting--will continue. Given the increased flexibility in the program brought about in 1981 by the legislative and administrative changes, it is quite possible that these changes noted above will continue to characterize the program in year 9. How much further the program changes, however, may depend to a considerable extent on the ability of the constituency groups currently benefiting from the present pattern of program allocations to resist further alteration of the established programmatic and geographic priorities.

The discussion now turns to the effects of the program and strategy choices on the distribution of direct benefits among income groups.

Appendix. CDBG Program Allocations by Program Category, Years 1 through 8 (Percentages).

City	Total CDBG Funds (\$000)	Housing	Public Improvements	Urban Renewal Continuation	Economic Development	Public Services	Public Facilities	Planning & Administration	Other
<b>Atlanta</b>									
Year 1	18170	15	27	2	27	4	3	5	15
Year 2	17578	13	45	13	1	5	11	8	4
Year 3	16377	21	26	0	3	5	0	9	36
Year 4	13927	19	38	6	11	4	5	10	7
Year 5	14016	18	12	41	9	4	0	11	5
Year 6	15075	47	21	0	11	4	2	12	4
Year 7	14775	41	19	0	15	5	1	17	2
Year 8	11799	29	4	0	26	10	3	22	6
<b>Chicago</b>									
Year 1	43201	20	12	0	7	10	24	12	16
Year 2	47701	17	14	11	11	13	13	9	14
Year 3	61441	16	10	0	17	26	0	8	22
Year 4	117804	28	13	0	10	20	11	7	11
Year 5	126038	38	14	0	16	22	1	7	0
Year 6	130786	32	9	0	22	22	8	6	1
Year 7	123480	36	7	0	17	28	2	8	3
Year 8	107914	33	5	0	22	30	0	7	3
<b>Cleveland</b>									
Year 1	14502	14	27	0	3	31	0	21	4
Year 2	16092	19	32	0	0	21	0	21	7
Year 3	16092	30	8	0	0	25	0	18	19
Year 4	34660	22	47	0	1	14	1	15	0
Year 5	37227	29	40	0	0	15	7	9	0
Year 6	43126	24	43	0	1	11	10	10	0
Year 7	38379	38	33	0	1	11	3	14	0
Year 8	33116	36	24	0	1	12	6	14	6
<b>Houston</b>									
Year 1	13124	48	7	0	2	18	4	21	0
Year 2	13528	2	53	0	2	23	2	17	1
Year 3	22644	10	61	0	0	16	3	10	0
Year 4	24211	17	35	0	0	13	16	11	7
Year 5	26362	14	43	0	0	14	15	12	2
Year 6	28290	16	23	0	0	14	28	8	10
Year 7	27432	16	41	0	0	15	10	8	10
Year 8	23514	23	25	0	10	17	3	14	9



**Appendix, continued.**

City	Total CDBG Funds (\$000)	Housing	Public Improvements	Urban Renewal Continuation	Economic Development	Public Services	Public Facilities	Planning & Administration	Other
<b>Los Angeles</b>									
Year 1	38595	27	6	30	3	16	2	11	5
Year 2	38595	24	12	27	3	20	2	14	0
Year 3	49465	22	21	3	13	16	14	10	1
Year 4	51090	30	10	8	13	18	12	10	0
Year 5	53599	40	8	0	6	16	16	16	0
Year 6	56853	38	13	0	4	15	10	18	0
Year 7	53935	49	11	0	2	9	8	21	0
Year 8	52326	58	3	0	6	9	3	21	0
<b>Phoenix</b>									
Year 1	2570	34	5	61	0	0	0	0	0
Year 2	5773	15	12	69	0	0	2	0	2
Year 3	9764	14	19	59	0	0	1	0	8
Year 4	9931	27	14	12	21	0	12	11	3
Year 5	12341	28	29	0	15	1	1	10	17
Year 6	12653	33	24	0	14	0	1	18	11
Year 7	13788	28	24	2	8	0	2	23	13
Year 8	11642	47	7	0	16	0	0	27	3
<b>Rochester</b>									
Year 1	10887	16	10	33	8	5	0	14	15
Year 2	14437	8	17	42	10	1	4	11	7
Year 3	13940	14	24	19	19	4	2	16	2
Year 4	12493	20	24	14	19	4	0	17	2
Year 5	12193	21	19	7	26	3	1	20	3
Year 6	12972	34	23	0	26	5	1	10	2
Year 7	12512	36	26	0	17	4	0	17	1
Year 8	11405	42	18	0	27	4	0	7	2
<b>St. Louis</b>									
Year 1	15538	18	15	36	3	10	13	4	2
Year 2	16109	23	30	24	3	12	4	4	1
Year 3	16496	18	35	19	3	13	0	10	1
Year 4	34353	32	28	6	10	12	1	10	0
Year 5	37116	31	34	1	11	10	2	8	4
Year 6	42807	28	23	5	11	12	2	15	5
Year 7	35119	34	23	0	11	19	4	7	1
Year 8	28543	38	16	0	11	15	1	19	0

**Appendix, continued.**

City	Total CDBG Funds (\$000)	Housing	Public Improvements	Urban Renewal Continuation	Economic Development	Public Services	Public Facilities	Planning & Administration	Other
<b>Seattle</b>									
Year 1	11141	8	33	16	0	17	7	1	17
Year 2	10906	6	33	21	0	22	8	8	1
Year 3	9587	12	29	21	0	19	2	8	9
Year 4	16241	13	39	0	3	20	12	10	2
Year 5	17065	20	25	4	1	26	3	18	2
Year 6	17893	33	14	5	2	24	3	12	5
Year 7	17742	41	12	0	0	27	4	10	5
Year 8	15917	26	7	0	3	28	2	25	10
<b>Worcester</b>									
Year 1	6043	5	33	25	3	15	3	11	5
Year 2	5757	11	11	17	18	16	10	8	8
Year 3	5374	10	13	19	24	15	5	12	3
Year 4	5340	24	14	19	3	15	9	11	7
Year 5	5820	21	26	25	4	9	2	12	1
Year 6	6264	15	38	5	4	10	15	13	0
Year 7	6010	29	41	3	4	8	3	12	0
Year 8	5214	10	48	6	0	13	10	13	0

## Chapter 5

### SOCIAL TARGETING

This chapter examines social targeting, which is the distribution of program benefits among income groups. This has been an important and controversial issue throughout the life of the CDBG program, both as an intergovernmental and local issue.<sup>1</sup> The discussion focuses on continuity and changes in social targeting during program years 7 and 8 (1981 and 1982) and examines programmatic factors which may be related to the levels of benefits, including the mix of programs for which cities allocate funds, the locations in which they intend to carry out these activities, and the design of particular programs, which may affect benefit levels.

The last report presented an institutionalization hypothesis which suggested that the level of social targeting had tended to stabilize because the external policies and local factors influencing it were in place. This chapter examines whether that generalization about the future trend of social targeting explains the targeting in the ten cities in years 7 and 8 and the expected levels of benefits in year 9. Local political forces and fiscal pressures loom as internal factors likely to influence the level of social targeting. External factors are the policy changes of the Reagan Administration, as well as the reduction in funding levels in the CDBG program.

#### Background

The major conclusion of the third report, which analyzed social targeting in forty-one jurisdictions, was that social targeting had increased each year for the first four program years. The intended direct benefits to

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<sup>1</sup>Social targeting was a principal theme of our third report on the program. Targeting Community Development, Paul R. Dommel and others, U.S. Department of Housing and Urban Development (Washington, D.C.: U.S. Government Printing Office, January 1980). That report focused on the issue because "it was the central policy issue during the third and fourth years of the program as well as. . . the direction of the CDBG program at the local level.: Ibid., p. 2. The fourth report, Implementing Community Development, continued the analysis of social targeting for years 5 and 6 to provide a longitudinal assessment of this issue. Paul R. Dommel and others, U.S. Department of Housing and Urban Development (Washington, D.C.: U.S. Government Printing Office, 1982).

the lower income groups increased from an unweighted mean of 54 percent of the allocable benefits in the first year to 62 percent in the fourth year, the greatest increases coming in more affluent suburban communities where HUD officials of the Carter Administration pressed the issue most actively. The level of direct benefits to lower income groups in the thirty central cities tended to be higher than suburban cities in the early years, but as social targeting in the suburbs increased, the results for all sample cities tended to cluster more closely around the mean. The thirty central cities' levels of direct benefits increased from 57 percent in year 1 to 62 percent in year 4. For the ten cities in the present sample, the direct benefit level increased from 62 percent in year 1 to 64 percent in the fourth year of the program. The ten cities tended to have a generally higher level than other central cities over the initial four-year period.

In program years 5 and 6, the level of social targeting in the 41 communities declined somewhat, the sample average dropping from 62 to 60 percent in year 5 and increasing slightly to 61 percent in year 6. Large shifts in benefits in a few suburban cities accounted for the slight downward trend. In the thirty central cities of the earlier sample the level of direct benefits increased one percentage point in year 5 to 63 percent and remained at that level for year 6. For the ten central cities in the sample, the level of direct benefits decreased three percentage points in year 5, to 61 percent, and then climbed back up to 64 percent in year 6. With only ten cities, however, the mean is subject to greater variations with changes in just one or two cities. Table 5-1 compares the benefit levels of the sample of ten cities with the mean for the thirty central cities for each of the first 6 years of the program.

Overall, the ten cities in the current sample are representative of the large central city sample in the previous reports, but are less representative of suburban entitlement cities. The wider year-to-year variations in suburban cities is partly attributable to their smaller grants and the greater potential impact on benefits of shifting funds among different kinds of activities.

In all of the jurisdictions analyzed, an important relationship appeared to exist between program categories funded and the distribution of benefits across income groups. In the first four years, the sample cities increased the allocations to programs that tended to yield higher levels of social targeting, most notably housing rehabilitation. Another result of this relationship between program categories and direct benefit levels was that as the program matured and local priorities became more fixed, the types of activities chosen for funding stabilized and benefit changes tended to become smaller.

The relationship of the program categories and direct benefits and the institutionalization of program categories suggest an important implication for social targeting under deregulation. If the kinds of activities funded are a major determinant of the social targeting impact, and if local program choices have tended to stabilize, then the level of direct benefits to lower income groups would tend to stabilize, regardless of deregulation. However,

**Table 5-1. Comparison of 10 Sample Cities' Social Targeting to the Mean of 30 Central Cities, Years 1 through 6**

City	Program Year					
	1	2	3	4	5	6
Atlanta	A	A	A	A	B	S
Chicago	A	A	A	A	A	A
Cleveland	B	B	A	B	B	B
Houston	A	A	A	A	B	B
Los Angeles	A	A	S	A	A	S
Phoenix	A	A	A	A	B	B
Rochester	B	B	B	B	B	A
Seattle	A	A	A	A	A	A
St. Louis	A	B	B	B	B	B
Worcester	B	B	B	B	B	B
Sample Mean (30 Cities)	59	62	64	64	63	61
Sample Mean (10 Cities)	62	61	64	64	61	64

Source: Field research data.

**Key:** A = City's level of social targeting above 30-city sample mean  
 B = City's level of social targeting below 30-city sample mean  
 S = City's level of social targeting same as 30-city sample mean

despite an overall tendency toward considerable programmatic continuity, there is some evidence that allocation choices already have begun to change. This in turn could alter the social targeting results. Within that context of relationships social targeting is examined for years 7 and 8 to determine the impact, if any, and implications of Federal policy changes for those years.

### Analysis

The analysis adopts a qualitative approach for examining social targeting for years 7 and 8. Rather than seeking to quantify levels of intended benefits to various income groups, the discussion presents general levels of direct benefits and changes in those levels, including the direction of any changes and an assessment of the reasons for the continuity or change. As in the past, a major factor in this approach is the judgment of field associates who have applied their knowledge of local programs to the available data, including submission packages for year 8, and other locally prepared data relevant to the benefits question. For example, associates examined the allocations among program categories and the eligibility criteria for particular activities, both of which are indicators of the distribution of benefits.

This report's approach is a departure from our previous analyses of social targeting. The two previous reports used a carefully specified quantitative method for estimating intended direct benefits to various income groups.<sup>2</sup> Although this report retains many of the definitions used in the previous analyses, it does not employ the estimation technique. Several reasons account for this change. As the methodological starting point for estimating benefits, the previous analysis used 1970 census data to determine the median income in the metropolitan area (for defining income groups) and the income character of census tracts in the sample jurisdictions. The census data used are now outdated and highly unreliable. The comparable 1980 census tract data were not available in time for this analysis. Moreover, the sample size of ten cities is too small for generalizing to all central cities, much less to all block grant recipients. Finally, not all of the year 8 submission packages or other available data sources contain detailed locational information on individual activities. This gap in the locational data necessitated using the approach described above and raises questions about the possibilities for analyzing intended benefits from submission packages.

This analysis, as in the past, concerns who will benefit directly when the project is completed. Indirect benefits are not assessed. Although secondary and tertiary benefits are important in evaluating the total impact of the CDBG program, the analysis concentrates on primary benefits.<sup>3</sup> Thus, in the discussion the term "benefits" refers to direct or primary benefits.

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<sup>2</sup>Implementing Community Development, pp. 93-99.

The same general definitions of income groups as in the last report are used, although they are relative rather than measured differences between groups:

1. Low income: less than 50 percent of the SMSA median income.
2. Moderate income: 51 to 80 percent of the SMSA median income.
3. Middle income: 81 to 120 percent of the SMSA median income.
4. High income: 121 percent or more of the SMSA median income.<sup>4</sup>

In the discussion, the low- and moderate-income groups of the field report form comprise a single "low-moderate" or lower income category, and the middle and high groups are consolidated into a "middle-high" category. The focus is on intended, rather than actual allocations and benefits. The data are derived from grant applications, submission packages and other planning documents and are not measures of actual expenditures and their impact.

Estimating intended benefits is a highly imperfect process. Thus, it is useful to repeat the cautionary note of the last two reports with the added emphasis that benefits analysis is even more tentative here than in those reports. Because of the importance of the issue and the uncertainties attached to the numerical estimations made, the previous reports did not identify individual jurisdictions. Since numerical levels are not attached to social targeting levels in this report, the individual cities are identified to illustrate various points.

### Summary of Findings

Using the approach discussed above, field associates assessed the direction of any changes in benefit levels from year 6 to year 7, and from year 7 to year 8. They also looked ahead to assess any expected changes in benefit levels in year 9 and beyond. Table 5-2 shows the changes in benefit levels the associates reported for each of the first 8 years, as well as those expected in year 9, for the ten sample cities.

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<sup>3</sup>Ibid., p. 94.

<sup>4</sup>Ibid., p. 95.

**Table 5-2. Changes in Benefit Levels in 10 Sample Cities, Years 1 through 9**

City	Program Year <sup>a</sup>							
	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9(expected)
Atlanta	I	I	D	D	I	D	D	S
Chicago	D	I	I	D	D	I	I	D
Cleveland	I	I	D	S	I	I	I	D
Houston	S	D	I	D	I	S	S	D
Los Angeles	I	S	I	D	D	I	S	S
Phoenix	D	I	D	D	D	S	S	D
Rochester	D	I	S	I	I	S	S	S
Seattle	D	D	I	I	I	I	I	S
St. Louis	D	D	I	D	D	I	I	D
Worcester	I	D	I	S	I	D	D	D

Source: Field research data.

a. Years 1 - 6 are based on numerical data from previous field reports; years 7 - 9, are based on general estimates of changes in direction.

Key: I= Level of direct low- and moderate-income benefits increased  
 D= Level of direct low- and moderate-income benefits decreased  
 S= Level of direct low- and moderate-income benefits remained the same.



Associates reported that from year 6 to year 7, low- and moderate-income benefit levels increased in five of ten cities, continued at the same level in three cities, and decreased in two cities. In year 8, social targeting was expected to increase in four cities, remain the same in four, and decrease in two cities.

Looking ahead to year 9, associates did not expect benefit levels to increase in any of the cities. They expected four cities to retain the same level of targeting as year 8, and six cities to lower their benefit levels. Thus, five cities increased benefit levels in year 7, four increased these levels in year 8, and none were expected to do so in year 9. Two jurisdictions decreased benefits in years 7 and 8, with six cities expected to decline in benefits in year 9.

Associates in eight of the ten cities reported that no consistent trend in the level of benefits emerged during the period observed or predicted. Only Rochester and Worcester showed the same pattern for years 7, 8, and 9. Rochester's level of benefits remained the same throughout the period, while Worcester's targeting declined each year. As indicated on table 5-2, the other eight cities had mixed patterns of targeting over the period. Chicago and Cleveland show increasing levels of benefits in years 7 and 8, and decreasing targeting expected for year 9. The other six cities' patterns varied from year to year, but not as greatly in terms of the direction of benefit levels.

Where changes were found, they tended to result more from changes in program mix made possible by greater programmatic flexibility than from any evident shift in local strategies to alter the distribution of benefits.

### Continuity and Change

The levels of lower income benefits, whether stable or changing, are related to the mix of program categories and activities, the specific geographic location of the activities, and the structure of the individual programs. Continuity or change in these factors are influenced by local political and fiscal forces, and Federal policy changes.

**Institutionalization.** The basis of the institutionalization hypothesis as it relates to the distribution of benefits was that continuity in program benefits can be expected where there has been little change in these factors. By this stage in the life of CDBG, local decision processes and priorities would be fairly well fixed; thus, any changes in external policy would have only a marginal influence on social targeting in the short term. The ten sample cities provided some support for this hypothesis because the reported changes in their benefits levels tended to be small rather than dramatic. However, Rochester was the only city in the sample that conformed entirely to the institutionalization hypothesis in years 7 and 8. The Rochester associates reported that the level of benefits remained essentially constant and was expected to continue at the same level in year 9 because program categories, geographic location, and program structure all were relatively fixed. Chicago provided some support for the institutionalization hypothesis,

although the associate reported changes in the benefit levels, with slight increases in social targeting in years 7 and 8.

In the cities where changes in the benefit levels were evident, the changes were related to the internal or external factors discussed above. Political forces, such as changes in local administrations, and fiscal pressures, such as those caused by State tax limitations, were important internal factors. Among Federal policy changes, those related to deregulation--easing restrictions on locational targeting and economic development--and cutbacks in funding levels were most significant in the sample cities.

Changes in program mix and benefits. The third report, Targeting Community Development, discussed the important relationship that exists between types of programs and benefit levels. The report found that social services, social service facilities, and housing programs (rehabilitation, counselling and deconcentration projects) generally yielded direct low-moderate benefits well above the mean.

The differences in direct benefit levels partly reflect the kinds of benefits which accrue from different programs. The report noted:

Social service and housing activities generally yield personal benefits that can be more easily directed to individuals and families in the target income group....Neighborhood conservation and general public improvements generally yield service area or locational benefits. All residents, regardless of income level, living in the neighborhood or area may benefit....<sup>5</sup>

Thus, a change in the mix of activities in the city's CDBG program usually is associated with a change in the benefit level. Table 5-3, reproduced from the last report, illustrates the relationship between different program categories and benefit levels in the first six years of the program.<sup>6</sup>

In most of the ten cities, a change in program mix altered the benefit levels, either upward or downward. For example, shifts from activities tending to have high direct benefits, such as social services or housing rehabilitation, to those with lower direct benefits, such as economic development, tend to decrease the overall benefit level. Such a shift in allocations may be the result of internal or external influences. For example, local fiscal pressures, with a consequent need for more leveraging, may lead the city to change its mix of program activities. Federal

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<sup>5</sup>Targeting Community Development, p. 169.

<sup>6</sup>Implementing Community Development, p. 109.

Table 5-3. Percentages of Income Group Benefits, by Program Category, Years 1 through 6 (unweighted mean percentages)

Program category	Central cities			Satellite cities			Total		
	Low-moderate	Middle-high	City-wide	Low-moderate	Middle-high	City-wide	Low-moderate	Middle-high	City-wide
<b>Housing</b>									
Year 1	61	33	6	56	44	0	59	36	5
Year 2	64	35	1	58	34	8	62	35	3
Year 3	68	31	1	60	34	6	66	32	2
Year 4	68	32	0	69	28	3	68	30	1
Year 5	71	26	3	63	37	0	69	29	2
Year 6	69	28	3	67	33	0	68	30	2
<b>Neighborhood conservation</b>									
Year 1	56	42	2	41	54	5	53	45	2
Year 2	55	44	1	41	59	0	51	48	1
Year 3	57	41	2	44	52	4	53	44	3
Year 4	57	42	1	48	52	0	54	45	1
Year 5	56	41	3	41	51	8	51	44	5
Year 6	53	41	6	44	56	0	50	46	4
<b>General development</b>									
Year 1	38	33	29	23	43	34	35	36	29
Year 2	43	36	21	37	62	0	42	42	16
Year 3	49	33	18	30	50	20	43	36	19
Year 4	40	32	28	41	46	13	40	35	25
Year 5	46	34	20	13	37	50	42	34	24
Year 6	48	43	9	0	0	100	45	40	15
<b>Urban renewal continuation</b>									
Year 1	48	49	3	64	36	0	50	47	3
Year 2	43	49	7	55	45	0	45	48	6
Year 3	45	43	12	45	55	0	45	45	10
Year 4	47	43	10	45	55	0	47	44	9
Year 5	34	44	22	45	50	0	36	45	19
Year 6	44	45	11	30	37	33	41	42	17
<b>Economic development</b>									
Year 1	42	51	7	45	55	0	42	51	4
Year 2	37	52	11	34	66	0	37	53	7
Year 3	48	48	4	30	51	19	42	49	10
Year 4	46	47	7	61	39	0	49	45	9
Year 5	45	46	9	35	65	0	42	51	7
Year 6	44	49	7	35	65	0	42	52	6
<b>Social services</b>									
Year 1	89	1	10	60	7	33	84	2	14
Year 2	92	3	5	88	2	10	91	3	6
Year 3	97	3	0	97	2	1	97	2	1
Year 4	97	2	1	99	2	0	97	2	1
Year 5	88	5	7	95	5	0	90	5	5
Year 6	94	5	1	91	6	4	93	5	2
<b>Social service facilities</b>									
Year 1	94	4	2	70	10	20	89	5	6
Year 2	88	3	9	90	10	0	89	5	6
Year 3	82	9	9	85	12	3	83	10	7
Year 4	96	4	0	94	6	0	95	4	1
Year 5	96	4	0	92	8	0	95	5	0
Year 6	96	3	1	81	6	13	93	4	3
<b>Public services/facilities</b>									
Year 1	48	42	10	38	28	34	46	38	16
Year 2	49	42	9	15	21	64	41	37	22
Year 3	48	43	9	55	12	33	50	37	13
Year 4	56	43	1	61	39	0	57	42	1
Year 5	55	32	13	49	51	0	54	36	10
Year 6	51	34	15	38	37	25	48	35	17

Source: Field research data.

deregulation, which permits more flexibility in using block grant funds for economic development, may have a similar effect. Worcester illustrates a decrease in benefits levels associated with important changes in the program mix and caused by a combination of internal and external factors.

### Worcester

There was a downward trend in low- and moderate-income benefits between years 7 and 8. Local fiscal pressures and declining city tax revenues necessitated a shift of more Federal funds into activities which normally might have been funded through local tax levies. Federal deregulation aided shifts in CDBG allocations.

Worcester increased dramatically its funding for public services and facilities, from 2 percent of the year 7 grant to 15 percent in year 8. The most significant change in this category was an allocation of 8 percent of the total grant for police salaries to pay for a "downtown foot patrol." About 7 percent of the total grant went into a one-time capital project, the purchase of fire equipment. Neither the police patrol nor the fire equipment are clearly targeted to benefit any particular income group. Social service spending, which is generally high in direct low- and moderate-income benefits, declined in years 7 and 8.

In year 8, allocations increased for capital activities such as neighborhood conservation, general development, and urban renewal. These yield locational rather than personal benefits and tend to have a lower level of low- and moderate-income direct benefits than the activities they replaced.

Four of the sample cities evidenced a trend toward emphasizing economic development, which typically provides fewer direct benefits than some other activities to low- and moderate-income persons. In Houston, for example, economic development programs were included for the first time in its year 8 submission package. The Houston associates noted that a factor in the CD director's decision to allocate \$2.3 million for economic development was her attendance at a number of HUD-sponsored conferences which stressed the Reagan Administration's commitment to the idea of leveraging public and private funds. Though no shift in targeting has been reported yet, the associates indicated that the economic development activities might benefit community developers and business owners more than lower income groups. The Atlanta associate also reported a significant increase in the funding of economic development activities, influenced by a new city administration and Federal budget cuts.

St. Louis illustrates an increase in benefits to lower income groups that accompanied a change in the program mix. In St. Louis, the programmatic changes followed a change in the city administration.

## St. Louis

Year 8 was the first full program year on which the new mayor and his administration had an impact. The program continued to focus primarily on housing. Public works received less funding as the new administration deemphasized routine infrastructure maintenance activities such as street improvements and concentrated its efforts on economic development activities. It also reduced social service funding and the administrative allocation by one-third each. These reductions in year 8 also stemmed in part from a general decrease in the available block grant funds by over 20 percent.

With these changes in program mix, a gradual increase in social targeting was anticipated because of the shift in priorities toward housing. In year 8, housing activities received about 40 percent of block grant funds, and most of this housing aid was limited to low- and moderate-income uses. For example, all public housing rehabilitation projects directly benefit low-income groups, and most of the other housing subsidy or rehabilitation programs are linked either to section 8 or some low-income qualification.

**Reprogramming.** Changes in program mix can result from a reprogramming during the course of a program year, as well as from changes in proposed activities included in the application or submission. The last report stated:

By reprogramming we mean when the amount of funds finally allocated to an activity is different from the amount specified on the application originally approved by HUD; reprogramming can be an increase or decrease in allocations for an activity.<sup>7</sup>

The report also enumerated many of the reasons that jurisdictions engage in reprogramming, including the inaccuracy of initial cost estimates, program implementation problems, and unanticipated events which prompt a diversion of funds to new opportunities or areas of need.<sup>8</sup>

HUD also may influence reprogramming by pressuring cities to get their grant funds spent or by ultimately rejecting a tentatively approved activity based on clarification or additional information. Local officials may simply also shift priorities or decide to fund a new project. In addition, they may allocate funds fully expecting a subsequent shift of all or part of the

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<sup>7</sup>Ibid., p. 112

<sup>8</sup>Ibid., pp. 112-13.

money--an extra large allocation may have been made to an activity simply to keep the local legislative body from funding its "pet projects" or to avoid problems with HUD's approval of the application.

In discussing program implementation, the last report indicated that reprogramming probably occurs in every community. This report does not focus on the implementation stage of the program, so no systematic data are presented on the extent of reprogramming in the ten cities. With deregulation, however, reprogramming will be subject to fewer Federal limitations than previously. Formerly, HUD approval of changes was required where 10 percent or more of the program year grant was to be used for any purpose not specified in the application approved by HUD. When HUD approval was required, cities also had to subject the proposed changes to public hearings. Deregulation removed the requirement for both HUD approval of such changes and the local public hearings, thus giving local officials greater discretion to reprogram funds. As a result, local officials can change the program mix in the middle of a program year in ways that have substantial impact on benefit levels, without review by local citizens or HUD.

Chicago's experience in year 8 illustrated the great discretion that local officials have in reprogramming block grant funds, and as a consequence, the potentially significant impact on benefit levels.

### Chicago

In 1982, the city reprogrammed \$16.5 million of CDBG funds to the Board of Education for vocational and training programs, fulfilling the mayor's promise of assistance to the financially strapped public schools. A major portion of the reprogrammed funds (\$11.7 million) were year 8 funds representing more than 10 percent of the city's entitlement for that year.

The reprogramming altered the program mix in the eighth year and with it, the probable distribution of benefits. Economic development activities were hardest hit by the reprogramming, followed by a variety of community improvements and housing activities. Revised year 8 allocation figures show public services as the largest program category, representing nearly 40 percent of year 8 CDBG allocations. Housing is next at 30 percent, and economic development follows at 16 percent.

Overall, the focus of the city's program remains the same, but there has been a significant reordering of priorities within these three categories. The city's revised program, for example, showed a greater allocation for social services in year 8 than in year 7 and a level twice that of year 6. Because of the income composition of

the city's student population, the reprogramming may increase the proportion of funds with intended benefits for low- and moderate-income groups.

The Chicago case supports a contention made in the last report on the linkage between reprogramming and benefits. Such shifting of funds tends to be an ad hoc decision to deal primarily with a variety of implementation problems or pressing fiscal needs. Regardless of the reasons or results, however, deregulation would seem to make such reprogramming easier.

**Geographic location and benefits.** In a few cities, changes in social targeting were associated with changes in the location of funded activities. In Atlanta, changes in location tended to reduce low- and moderate-income benefits, or at least shift a greater share to moderate income groups, when the city made an explicit decision during year 7 to move toward a triage strategy. Under that strategy funds were shifted from the most distressed neighborhoods, with the highest concentrations of the very poor, toward "transitional" or "marginal" neighborhoods, where the city (and HUD) expected to have a greater impact.

### **Atlanta**

In the first several years of the city's program, the point of view of former Model Cities officials who now hold CDBG positions dominated, and they oriented the program towards the most distressed neighborhoods. Also, the city council adopted a policy that at least 75 percent of the program benefits should be allocated to low- and moderate-income neighborhoods. In year 6, the city adopted both a triage and a neighborhood strategy area approach.

In year 7, the city, with HUD prodding, decided to concentrate its resources in seven neighborhoods, to be more cost-effective and to have a more visible impact. This change reduced the target area population by about one-half. With this concentration of resources, and the previously adopted triage concept, the benefits shifted in the seventh year away from the most objectively poor neighborhoods and towards moderate-income neighborhoods. Thus, the change in beneficiaries from low-income toward moderate-income resulted from a change in program strategy rather than a deliberate effort to change beneficiaries per se. Generally, moving from the spreading of benefits to an NSA strategy to show visible improvements over a six-year period necessarily excludes the most distressed neighborhoods in the city, where the CDBG program could not be expected to have much of an impact.

Although the 1981 regulations no longer require it, city officials seem committed to continuing the NSA-triage strategy.

**Program design and benefits.** Several of the ten cities underwent changes in the operating design of various programs and activities. This was often the case in housing rehabilitation, with changes in eligibility standards and the kind and amount of the subsidy provided. Such changes may reflect a city's underlying objectives for rehabilitation programs, for example, the desire to leverage more private funds and to stretch the allocation over a broad recipient group. Program design changes can also shift benefits upward or downward. The net effect of changing a rehabilitation program from grants to loans, for example, is likely to be reduced participation by the lowest income groups. A shift upward of benefit distribution may not be reflected in a reduced level of social targeting, for the higher income group able to take advantage of a loan program may still be within the low- and moderate-income population. The Chicago rehabilitation program exemplifies a design change which does appear to have had perceptible effects on social targeting.

### Chicago

In previous years, Chicago's single-family rehabilitation programs provided grants as well as loans. In year 7, the city launched a new home improvement loan program in which \$5 million in CDBG funds were combined with the proceeds of a \$20 million tax-exempt revenue bond issue. Under the new program both regular loans (at 13 percent) and subsidized loans (at 5 or 9 percent for families which meet the income eligibility requirements) of \$2,000 to \$15,000 will be made for a period of up to fifteen years. Nonprofit housing groups claim that the new program structure will benefit middle-income families at the expense of those most in need of housing assistance.

The city also changed its multi-unit rehabilitation program in year 7 from a grant to a loan. A requirement that 40 percent of the units be made available to low- and moderate-income tenants has been removed. The city removed the condition because of the increasing difficulty of securing Section 8 certificates to provide rent subsidies. Without such subsidies, the market rents after rehabilitation are beyond the means of these families.

Changes in housing programs in Phoenix and St. Louis also operated to increase opportunities for participation by relatively higher-income people. In Phoenix, eligibility criteria for particular housing loans were loosened, and programs moved from deferred loans to loans that generate revenue through interest payments. These changes were linked to cutbacks in the amount of funds available through CDBG. St. Louis' main housing rehabilitation program also was changed in year 8 from grants to loans, with a \$10,000 maximum amount per unit.



In contrast, Los Angeles sought to increase the direct benefits of the rehabilitation program, partly in response to HUD efforts and partly because of local political factors.

### Los Angeles

In the housing rehabilitation program, the focus shifted toward more social targeting. In year 6, about 10 percent of the rehabilitation loans went to lower-income groups, while the percentage increased to 30 percent in year 7 and was expected to reach 50 percent in year 8. The increase resulted from shifting from a regular loan program to deferred repayment loans. This redesign provided an incentive for low- and moderate-income people to use the program, so much so that the city reprogrammed significantly through year 7 to provide additional funding for this activity. This change resulted from HUD questioning the city's efforts in this area, as well as from citizen complaints, including a lawsuit by citizens challenging the inadequacy of such funding.

### Effects of Federal Policy Changes

Federal policy changes also influenced social targeting in the sample cities. Although the policy changes are very recent, they already had an observable effect on direct benefit levels in six of the sample cities. The changes that had an impact on social targeting were deregulation and reductions of funding levels, with the latter factor related to both CDBG and other Federal aid programs. The Congressionally-imposed cap on services at 10 percent of the grant is likely to have an important impact on benefits in at least four of these cities in 1985 and beyond. The anticipation of that impending ceiling has already influenced two of the cities to begin reductions in social service spending, with a resultant decrease in direct benefits.

Several aspects of deregulation affected targeting in individual cities in years 7 and 8. As noted in Chapter 2, HUD broadened its eligibility requirement that economic development activities must create or save jobs that go to lower-income persons to include programs in which jobs would be available to, though not necessarily be given to, persons in lower income groups. This change enabled Houston to undertake economic development activities that it might not have been able to do under the previous requirements.

A second policy change removed the requirement that services be provided only in NSAs. As a result, Worcester was able to justify using CDBG funds for a downtown police patrol service. Worcester's public services allocation increased in year 8. The major change in services was the allocation of 8 percent of the total grant to salaries for a downtown patrol. HUD chose to view this money as being spent for services in a target area, rather than as salaries. In earlier years, HUD would not have permitted this allocation, because such services had to be linked to an NSA designated by the city and

the downtown area was not in an NSA. The 1981 guidelines of the Reagan Administration disconnected the linkage between CDBG-funded services and NSAs, and enabled Worcester to use the Federal funds for police patrols. Funding of the downtown patrol program contributed to reduced lower income benefits in the city's total program. The Federal policy change did not cause the city to undertake that shift, but it made the change possible.

On the other hand, Atlanta's response to the removal of the services limitation to NSAs possibly broadened its social targeting. A major effect reported of the 1981 regulations was to allow the city to provide social service programs for all those who qualify, regardless of where they live in the city. When Atlanta changed in year 7 to NSAs, people who had been relying on social services but did not live in a designated area were cut out. In year 8, however, virtually all of the social services were expanded citywide, although targeted to the elderly, low- and moderate-income residents, and youths.

By lifting the requirement that public and social services be distributed only in NSAs, the Federal administration furthered the aims of some city councils to geographically spread CDBG money as widely as possible. In Los Angeles, for example, the council eliminated NSAs in favor of 6 Labor Manpower Planning Areas (LMPAs) which the associates said greatly reduced citizen participation and furthered the political focus on citywide visible and tangible benefits. Five city council districts which had received no funds previously are now guaranteed six percent of the LMPA allocation for public services.

The St. Louis and Cleveland city councils also became more vocal about getting a "fair share" or equitable division of CDBG money among their wards or council districts. As noted previously, this approach was rejected in Atlanta where the NSA and targeting strategies remained in force in the eighth year. The Atlanta associate reported that although some members saw the possibility of using the amendments' flexibility as a way to revert back to spreading the benefits, this approach was discouraged by a majority.

Reductions in both CDBG and other Federal grants also affected the level of social targeting. For example, a substantial reduction in the city's block grant in year 8 led Worcester to reduce the allocation for housing rehabilitation. The city's rehabilitation initiatives had been targeted substantially for low- and moderate-income people. Cleveland altered its allocation of CDBG funds in year 8 to increase targeting because of the reductions in funds for other Federal programs that benefited low- and moderate-income people. The city used the block grant to take up some of the slack caused by decreased funding levels in those programs.

Thus, even at this early stage, preliminary indications suggest that the Federal policy changes have affected targeting in the sample cities. In those cities which showed such an impact, shifts in Federal policy usually facilitated programmatic changes, which in turn contributed to reduced levels of benefits. In a few instances the same flexibility enabled a city to allocate funds to fill a gap caused by decreases in resources from other

Federal programs, generally social services, which resulted in increased social targeting of CDBG funds.

### Benefits as a Local Issue

Generally, social targeting has not been a major controversy in most of the sample cities, although it may emerge as an issue in year 9 and subsequent years because of the effects of Federal policy changes. The pattern of minimal controversy continued in the sample cities in years 7 and 8. In year 7, social targeting was a local issue in only two of the ten cities; in year 8 it was an issue in three of the jurisdictions. In the older, declining cities the large concentrations of lower income groups almost ensure that substantial benefits from the program will flow to low- and moderate-income people. Some of the more affluent communities such as Houston and Phoenix chose a social targeting approach at the outset of the program, and were able to avoid controversies.

The following illustration from Chicago indicates that where controversy did persist, it often concerned the degree to which groups within the low- and moderate-income range should receive priority, or about specific activities rather than overall distributional strategies.

#### Chicago

During year 7, nonprofit organizations and the citizens' advisory committee raised the social targeting issue in relation to the neighborhood cleanup program as well as the city's new CDBG/revenue bond home improvement loan program. A number of nonprofit housing groups expressed concern that those families most in need of housing assistance would be shut out under the new program structure which requires homeowners to borrow money for home improvements. The city's previous single-family rehabilitation program had included a grant provision.

In the eighth year, the benefits issue arose once again over a budget revision. The citizens' advisory committee unanimously rejected the mayor's proposal to reallocate substantial funds to the Board of Education for vocational and educational programs. The committee maintained that such a move would take funds away from needed housing and neighborhood improvements and apply them as a quick fix to the school crisis, which deserved a more comprehensive approach.

### Availability of Information on Direct Benefits

Because of the change in year 8 from an application to the simplified submission package, less program information was available in some of the sample cities. Thus, monitoring and evaluation of intended social targeting is more difficult. Since HUD intends to shift its evaluation of local

programs from the front-end of the process to the performance stage, the effects of any reduced level of information will be primarily on local citizen groups and researchers seeking information on program planning.

The field associates in about half of the sample jurisdictions reported that they experienced significant problems in trying to assess benefits assessments for year 8 because of the lack of available geographical data on planned activities. The absence of such data is more critical for analyzing activities with locational benefits than those yielding personal benefits. In the other half of the cities, the availability of such data made it possible to assess benefit levels for year 8, although some associates suggested that such data may not be available in subsequent years. Some of the relevant data were included in the materials presented to HUD in a city's request for review of eligible activities. That review is voluntary, however, and if city officials fail to make such requests in the future, this additional information may not be available.

An important aspect of the availability of information is its accessibility. Some cities developed detailed locational information, but it was in the form of in-house documentation. Such data may be more accessible to governmental participants in the CDBG process than to citizen participants, particularly those who are not members of any formal citizen participation mechanism. In some cities, such as Atlanta, local planning practices and political factors, particularly the interest of council members, required that locational data on activities continue to be available, regardless of the simplified Federal requirements.

### Atlanta

The city's submission package for year 8 includes descriptions of activities similar to the information prepared in earlier years. Although the year 8 summary does not contain the census tract data that were provided in earlier years, it does describe the geographic area of the projects. This degree of continuity of planning information resulted because the city's program planners, the city council, and the HUD area office wanted it that way. The planning office prepared and retained the census tract data, although it did not include this data in the submission package.

The interests of several important actors joined to ensure that these data were prepared as in prior years. The HUD area office asked the city to "please" provide sufficient data so that HUD would know what the year 8 projects were and where they were located. City officials, new to the job because of a new administration, and agency planners found it easier to continue past practices in formulating the submission package. Some members of the city council wanted supporting documentation on activities because they had a continuing concern about cost-

effectiveness and slow implementation of the program. Data on kinds and locations of activities facilitated the council's monitoring of the program. Further, council members usually have a keen interest in where any city activities are being carried out.

In some cases the year 8 data were extensive, in part because the city had prepared the application under the previous requirements before it received new HUD guidelines for the submission package. In those instances, year 8 data may not provide a good indicator of the type of data the city will prepare in the future. St. Louis illustrates such a situation:

### St. Louis

The city's eighth program year was to begin on January 1, 1982, earlier than most cities. The city prepared an application that was very similar to previous applications, including detailed project summaries and NSAs. Since the application was due to HUD in October 1981, and HUD had not published guidelines on its format, the city used program summaries and census data following the standard HUD format.

HUD sent the application back to the city and requested a streamlined format consistent with the "submission package" approach, although it did not clarify what such an approach really meant. The city then submitted a 12-page document, with a simple listing of its proposed CDBG activities, organized along functional lines. Identifying those projects that appeared to be concentrated in low- or moderate-income areas was most difficult. The city, however, continued its own record of fund allocations that was established at the beginning of the program. That system, however, is also organized by a functional division of projects rather than a geographical division. Thus, it is more difficult to analyze geographical distributions of intended benefits.

In other cities, important detailed information was not available for year 8, making social targeting assessments more difficult. Estimates for some cities were possible by a reliance on detailed data from the previous year and on relatively limited changes in the mix of activities, their location, and program design. For example, the Worcester associate was able to use the previous year's data, and also was aided by the city's voluntary release of some additional information on project location.

### Worcester

The year 8 submission package did not contain sufficient information to estimate benefits for activities with locational benefits. It contained no census tract information; the project listings were not broken down by

neighborhood nor any other kind of site-specific information. For example, no information was provided about housing rehabilitation beyond the lump sum allocation, whereas in the past the rehabilitation allocation was broken down into neighborhood allocations with specific dollars per neighborhood.

More detailed information on some programs was provided voluntarily by the city for HUD review of eligibility. The neighborhood public works allocation was broken down by neighborhood, and specific streets to be repaired were listed. Specific neighborhoods could then be translated into census tracts which are the basis of generally available income data on residents.

Year 8 estimations were facilitated by the fact that most of the activities were carried over from previous years. As neighborhoods characteristics change over time, the data in city and HUD files will become obsolete. Thus, the problem of lack of detailed information is likely to become increasingly severe if the present submission format is continued.

The distribution of benefits in Chicago was still more difficult to assess, as that city did not release any relevant geographic data.

### Chicago

The city's year 8 submission package is much less detailed than its prior CDBG applications. While the submission package provided a narrative description of each of the CDBG activities to be undertaken which was nearly identical to that provided in previous years, there were no allocational or geographical data to go along with the narrative statement. An addendum listing dollar allocations among activities was prepared but only selectively distributed (e.g., to aldermen, members of the citizens' advisory committee). This addendum did not contain the geographic data that were available in earlier years.

Thus, the most apparent effect of the legislative and administrative changes instituted in year 8 upon the application formats was that it was now more difficult to evaluate the distribution of benefits based on data included in the document submitted to HUD. Further, availability of other data sources for this purpose, such as a grantee performance report or the comptroller's reports, remains questionable. Although it is still possible to determine the programmatic thrust of the city's program, it will be nearly impossible to judge its geographic impact, and hence, the intended benefits for low- and moderate-income people.

In summary, it may be possible in some cases to utilize data from previous years and from other sources to assess program benefits. As activities change, however, particularly with declining social services under the new Federal restrictions and with a shift in location, estimates of intended benefits are likely to become more difficult to make at the front-end of the CDBG process.

### Looking Ahead

As indicated in table 5-2, the field associates in six of the ten cities anticipate that direct benefit levels will decline to some extent in year 9.

The projections made by the field associates for year 9 were based on anticipated changes in the mix and design of activities funded by the block grant and any expected changes in location of these activities in the community. The base line for assessing the effects of such changes was their knowledge gained over several years of field research on the mix and location of CDBG-funded activities and the relationship between those factors and the level of direct benefits to lower income groups in their communities. Information on anticipated changes for year 9 was gained primarily through interviews with various participants in local CDBG decisionmaking.

In some of these cities, associates expect larger declines in subsequent years, related primarily to the statutory cap on public services of 10 percent and the tendency of these services, at least in the past, to be directed heavily toward lower income groups. However, the anticipated decline in benefits is not limited to that change. More generally, the projected decline is related to changes in program mix, geographic location, and the details of local program design. Underlying these expectations of change are local political and fiscal factors and Federal deregulation and regulation (i.e., the 10 percent ceiling on services) and funding cutbacks. Nevertheless, other factors, most notably programmatic institutionalization, may constrain the pace of such declines. Thus, the overall near-term outlook is more of an incremental than precipitous drop in benefits to lower income groups in the sample cities. However, the cumulative effect over time could be a decrease in such benefits. Chicago and Worcester illustrate this expected decline in benefit levels.

Chicago demonstrates the interaction of changes in program mix, geographic location, and program structure with the local and external causes of such. Elimination of the provision tying public services to NSAs is likely to result in some spreading of resources to other areas of the city. Also, the increasing orientation towards economic development activities, if it continues, will mean fewer dollars for lower income neighborhoods. Another factor is the city's emphasis on leveraging in its housing assistance programs, which is likely to mean greater participation from moderate (and perhaps middle-income groups) and less from low-income groups. Further, enforcement of the 10 percent ceiling on public services will result in significant reductions in the city's allocation of CDBG funds for social and public services beginning in 1985, and hence, fewer direct benefits for low- and moderate-income groups.

Worcester CDBG officials are likely to take steps that will decrease benefits to low- and moderate-income people in the future, because these officials want to put more money into particular activities that tend to have lower direct benefit levels for low- and moderate-income persons. The most likely category to receive increased funds in the future is police services, which received substantial funding for the first time in year 8. Housing rehabilitation also faces further reductions beyond the large decrease in year 8, with a likely diversion of those funds to public works and park activities. Since the city has targeted rehabilitation funds rather extensively to lower income neighborhoods and groups, the outcome is likely to be lower direct benefits to that group.

The Phoenix associates projected a shift in year 9 to more economic development. This impending shift is causing concern among community groups, although the community development agency feels that it can continue to monitor the programs to ensure that benefits still go, at least indirectly, to low- and moderate-income groups. The associates noted that "discussion seems certain to be heated and may well result in a major shift in benefits."

The most frequently recurring theme related to the future decline in low- and moderate-income benefits concerns fiscal 1985, when the 10 percent ceiling on services is fully implemented. Eight of the cities have allocated over 10 percent of their grants for services over the years and probably would continue to do so if they could. However, the sample may not be wholly representative of CDBG entitlement cities, as it includes cities with higher levels of allocations for public services than was typical for the larger sample in earlier years. Many entitlement cities and urban counties funded no services from CDBG while others were already below the 10 percent level. Also, nine of the ten cities in the sample had participated in the Model Cities program which tended to have a strong service orientation that carried over into CDBG.

As indicated earlier, public services generally yield the highest level of benefits to lower income groups, so any reduction in services allocations may result in reduced levels of benefits for those income groups. Even where a city has consciously tried to target on an income basis, direct benefit levels are likely to decrease when the ceiling takes effect because many of the physical development activities that will replace public services are more difficult to target because they yield locational rather than personal benefits. However, any changes in the level of direct benefits due to a shift in activity focus from projects which primarily involve personal benefits to those that involve locational benefits will depend upon the income characteristics of the areas in which the new activities are located. If physical development activities are scheduled for areas of the city that are predominantly low- and moderate-income then the level of direct benefits is not likely to significantly decline. Seattle provides an example, although an extreme one, of the way in which the Federal limitation on social services may lead to a decrease in direct benefit levels, notwithstanding the city's policy in favor of targeting:



## Seattle

The Seattle program has always been a highly targeted program, above the mean for central cities (table 5-1). An important feature of that targeting strategy has been the use of about one-third of its block grant funds for basic social service programs--shelter, health and other programs serving low- and moderate-income people. Most of these programs have yielded personal or individualized rather than locational benefits, so it has been possible to target them quite precisely. When the 10 percent ceiling on services begins in 1985, the city will have to reduce its allocations for those activities dramatically, because it does not intend to reduce them until that point.

Therefore 1985 will bring major changes in program allocations affecting the level of social targeting unless the statutory ceiling on services is removed. Although some of the funds may be shifted into housing programs for low- and moderate-income people, with personal benefits and the potential of a high degree of targeting, other funds are likely to go into programs with locational benefits. Few concentrations of low-income people isolated from higher income neighborhoods exist in the city. Because of this spatial distribution, activities with locational benefits, such as street repairs, are likely to benefit a wide range of income groups, even in lower income areas. The city has avoided this dilemma by emphasizing social service and housing programs which can be targeted to specific populations by using income eligibility requirements.

While the factor most immediately related to the changes in social targeting in these cities seems to be modifications in program mix, often facilitated by deregulation, the ceiling on public services beginning in 1985 will have a more significant impact in several of the cities. That requirement, combined with continuing incremental changes in program mix, location of activities, and program structure that are related to local political and fiscal factors and the Federal policy changes, may well lead to reduced social targeting over the next few years.

This chapter completes the discussion of the procedural and substantive findings of the field research. The report ends with some broad conclusions and observations.



## Chapter 6

### CONCLUSION

The Federal policy changes giving communities greater flexibility in the CDBG program created a new framework for local decisionmaking. At the same time, institutionalization of local processes and priorities has produced, at least at this early stage of the policy changes, considerable continuity in local development choices in the ten sample cities. But the evidence from the sample also indicated that local decisionmakers, if left free to do so, do some things differently. For advocates of Federal deregulation and greater decentralization this is good news. For those who prefer a greater Federal role to oversee compliance with the substantive national objectives, as expressed through the targeting policies of the Carter Administration, the findings may be less satisfying.

With the creation of the block grant in 1974, communities had greater flexibility than with the target or project area approach of urban renewal and Model Cities. CDBG provided communities more choice in what they did and where they did it. HUD officials of the Carter Administration sought to constrain that flexibility by requiring local officials to operate within a development framework of social and geographic targeting. The general result at the end of the Carter Administration was that local programs reflected a balance between the substantive national policy objectives and local preferences, with perhaps a tilt in the direction of local preferences. However, there were communities where HUD pressed particularly hard for compliance with Federal policies. The broad implication of the 1981 policy changes was a return to the "hands off" policy position that marked the early years of CDBG during the Ford Administration, and a clearer preference for local discretion.

Previous field research on the CDBG program has shown that there is often a lag between the institution of policy changes and evidence of their effects at the local level. In this round of field research there was as much interest in identifying issues that emerged from the policy changes as in the initial program changes that occurred. However, unlike previous legislative and administrative changes to the CDBG program, more changes were found in local CDBG programs in the first year following the 1981 changes than expected.

The single most evident change was the higher priority given to economic development in several of the sample cities. An important factor accounting for that higher priority was the election of several new mayors who wanted to emphasize economic development and job-creation in their cities. Implementation of that local programmatic preference was facilitated by the added flexibility given to eligible economic development activities by the new Federal policies.

Another finding of importance was the continuing high priority given to housing rehabilitation which remained the single largest program category in the sample cities. As the central programmatic component of a neighborhood revitalization strategy, the continuing high level of allocations to housing rehabilitation was the best indicator of the substantial continuity in development priorities in the sample cities.

The most troubling programmatic problem in the near future for local officials and citizen groups appeared to be the new 10 percent limit set on public service spending. The cities in the sample generally had been above the 10 percent limit in previous years and were quick to take advantage of the waiver permitted, but the indication was that when the ceiling has to be met in 1985, there would be some difficult decisions to be made by some local officials in a politically sensitive programmatic area. For 1983, year 9 of the program, further relief in meeting the 10 percent limit came with the additional CDBG funds provided for one year only in the jobs creation legislation enacted by Congress. On the average, an entitlement community will receive an additional 32 percent in CDBG funds for one year only. A community may allocate at least 50 percent of this additional money for public services.

Another dimension of the added discretion resulting from the 1981 changes was in the geographic location of proposed activities. In discarding the geographic targeting strategy of the Carter Administration, as expressed in the Neighborhood Strategy Area (NSA) approach, deregulation freed local officials to move activities into other areas of the community, if they chose to do so. Evidence in several cities indicated that such geographic spreading was occurring in both housing rehabilitation and public services in particular.

Thus, the initial evidence in the sample cities was that the added flexibility provided by deregulation did result in some of the cities choosing to do different things in different places. This, in turn, potentially affected the distribution of direct benefits to low- and moderate-income groups. There was no clear evidence that the pattern in the distribution of direct benefits was different in the first year of the policy changes than before the changes. However, the field associates anticipated there would be a modest lowering of such benefits in some cities because of changes in local

program mix. A lower level of such direct benefits was likely where the shift was from neighborhood-based activities into economic development or where a part of the service spending shifted from social services primarily for lower income groups to communitywide public services. Also, as communities cut social service spending to reach the 10 percent limit, the impact on benefits to low- and moderate-income groups is likely to be adverse.

More broadly, the added flexibility of the community development block grant makes it increasingly possible for local officials to treat the money as a highly discretionary fund. Aside from general revenue sharing, for fiscally more distressed cities, it is probably the principal source of discretionary money remaining at the local level as other sources of State and Federal assistance are reduced and own-source tax revenues come under added fiscal pressure. However, in comparing general revenue sharing and CDBG, there is an important difference. Over the years, recipients have used general revenue sharing increasingly for general operating funds. In contrast, CDBG has come to be used increasingly for a broad range of capital expenditures and that trend is likely to continue with the new 10 percent ceiling on allocations for public services.

How long the added discretion intended by deregulation continues will be importantly influenced by HUD's policies in overseeing local program performance. How aggressive HUD officials will be in implementing the agency's "fraud, waste and mismanagement" performance standard is a matter of HUD's policy preference. The early indication from some of the sample cities was that HUD has intensified its scrutiny of local CDBG management. However, it is too early in the life of the new HUD policies to determine whether the increase in the incidents of such issues is the result of a new form of HUD activism or an alteration in HUD's internal work flow which brings such issues to its attention at an earlier stage in the process. Whether HUD's emphasis on fraud, waste, and mismanagement brings a new wave of HUD intervention depends ultimately on the kinds of issues raised and how they are resolved--by individual negotiation or uniform regulation. Thus, deregulation of the application process may be counterbalanced in part by greater regulation of local program implementation and management.



**APPENDIX**

**Field Analysis Form**





Due: August 25, 1982

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**FIELD ANALYSIS FORM**

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**STUDY OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

**Cleveland State University  
Cleveland, Ohio**

**Jurisdiction** \_\_\_\_\_

**Associate** \_\_\_\_\_

**Please make 3 copies of this report.**

**Send one copy to: Paul R. Dommel  
Department of Political Science  
Cleveland State University  
Cleveland, Ohio 44115**

**Send one copy to: Leonard Rubinowitz  
Center for Urban Affairs and Policy Research  
Northwestern University  
Evanston, Illinois 60201**

**Retain one copy for yourself.**

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**NOTE: Wherever necessary, insert continuation sheets.**

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**Persons interviewed for Field Research Report for the Cleveland State University study of the Community Development Block Grant program.**

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Name	Title and Organization
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TABLE OF CONTENTS

	<u>Page</u>
I. INTERGOVERNMENTAL RELATIONS	4
II. LOCAL DECISIONMAKING PROCESS	23
III. CDBG ADMINISTRATION	38
IV. PROGRAMS AND STRATEGIES	54
V. BENEFITS	80



## INTRODUCTION TO THE REPORT FORM

### Organization of the Report Form

We have organized the report form in four parts separated by yellow divider pages which contain introductory material for each section. The parts of the report form are as follows:

#### Part I. Intergovernmental Relations

This part deals with federal-local relations under the block grant program and focuses on HUD's role in reviewing the application/submission and monitoring city performance.

#### Part II. The Local Decisionmaking Process

This section asks for information about the decisionmaking process in place at the local level for determining the program content of the city's CDBG program. Special attention is given to the role of executive, legislative, and citizen participants.

#### Part III. CDBG Administration--Federal and Local Roles

This part focuses on issues relating to the administration of the block grant program at both the federal (primarily the area office) and local level.

#### Part IV. Programs and Strategies

In this section we ask for detailed information regarding the individual activities funded with CDBG funds and the overall strategy (or lack of strategy) your jurisdiction has adopted in regard to the CDBG program.

#### Part V. Benefits

This section concerns the distribution of intended program benefits among income groups.

### Legislative and Administrative Changes in the CDBG Program

The 1981 CDBG amendments and HUD's interim instructions for fiscal year 1982 (year eight) have significantly altered the CDBG program. These changes are in line with the Reagan administration's policy of making the CDBG program more flexible. Among the major changes are those relating to the application and the process by which communities

prepare and submit their applications for HUD review.

Communities are no longer required to submit an application as previously required. That is, there are no prescribed forms which cities must complete and then submit to HUD for review and approval. Instead, communities now provide HUD what is called a submission, which may be characterized as a statement of intentions.

HUD's interim instructions for recipient jurisdictions for the eighth program year require localities to complete four steps prior to transmitting their submission package to the HUD Area Office. These include the following:

- (1) providing citizens information regarding the amount of funds available for housing and community development activities and the range of activities that may be undertaken;
- (2) holding one or more public hearings to obtain citizen input on the city's housing and community development needs;
- (3) development of a document designated as the "Proposed Statement of Community Development Objectives and Use of Funds" which contain the city's proposed CDBG activities;
- (4) after completing steps 1-3, localities shall consider any comments and views received and then prepare their "Final Statement of CDBG Objectives and Projected Use of Funds", which is then included in the city's submission package to the HUD Area Office.

In light of the magnitude of these changes, a major focus of this round of field research will be to analyze the extent and ways in which these legislative and administrative changes have altered the CDBG program in your jurisdiction. Of particular interest to us is the effect, if any, these changes have on the CDBG program in communities in which the CDBG decisionmaking process and/or program outcomes have become highly institutionalized during the first six years of the CDBG program.

Throughout your analyses keep in mind that there have been two major external factors that potentially affect local strategies and program choices. One is a reduction in grant funds to the city. The second is "deregulation" through the legislative changes as well as how HUD administers the program. In seeking causal explanations for both procedural and substantive changes, be as thorough and as precise as possible in sorting out whether changes are the result of reduced funds, deregulation, both, or other factors.

### Due Dates and Field Report Submission

The completed field research report is due on August 25, 1982. Tables 6 and 7, which contain information on program uses, are due on July 26, 1982. Question 19, which addresses the Housing Assistance Plan (HAP) is due October 15, 1982. Send one copy of all submissions (completed field research report, tables 6 and 7, HAP question) to Paul Dommel and one to Len Rubinowitz, as shown on the cover. If you have any questions as you proceed, please feel free to call Paul Dommel (202-797-6072), Len Rubinowitz (312-649-8381 or 312-492-3395), or Mike Rich (312-492-3395).

## PART I. INTERGOVERNMENTAL RELATIONS

An important component of our research on the CDBG program has been a focus on federal-local relations. Our research has shown that HUD has become increasingly involved in all phases of the CDBG program. Our second report pointed out that HUD's role during the first two years of the program tended to be more procedural than substantive-- i.e., a focus on administrative, technical, and compliance issues as opposed to issues relating to individual CDBG activities and/or the mix of activities included in a city's program. In our third report we noted that HUD took a much more active role in the third and fourth program years, focusing in particular on the distribution of benefits. Our fourth report concluded that HUD's involvement in the program continued to expand with an emphasis on issues relating to implementation and local program progress.

To continue our analysis of intergovernmental issues, we need very specific information on HUD-local issues that arose during the seventh and eighth program years. Tables 1-5 are provided for this purpose.

### Intergovernmental Issues Analysis

Tables 1-5 correspond to the five basic types of intergovernmental issues identified in previous CDBG reports. Referring to the definitions on page \_\_ and the subheadings on the tables, choose the category that is most appropriate for each issue that arose in your jurisdiction and describe the issue briefly on the corresponding table.

In addition to a concise description of each issue, the tables call for the following information and assessments:

- o The outcome of the issue. Did HUD's or the city's view prevail? Or was the outcome a compromise or was the issue unresolved at the time of the report?
- o The initiating party.
- o The program year and stage (e.g., application, implementation) in which the issue arose.



### Categories of Intergovernmental Issues

Strategy issues (table 1) involve the overall allocation of a jurisdiction's CDBG program and the distribution of benefits among income groups and areas. The HUD office might contend that a jurisdiction has spent too much money on one type of activity (e.g., social services) or has neglected a certain program area (e.g., housing). Another strategy issue frequently raised by HUD concerns the targeting of funds to low- and moderate-income groups as opposed to spending on communitywide activities, and the targeting of specific geographic areas as opposed to the spreading of benefits.

Programmatic issues (table 2) concern the definition and eligibility of specific CD projects. For example, in Philadelphia HUD ruled that the city's mortgage and loan guarantee program could not use CDBG funds for new housing loans, though loans for housing rehabilitation were permissible. The principal difference between a programmatic issue and a strategy issue is that a programmatic issue involves a specific aspect of one CD project whereas a strategy issue encompasses a broad theme (e.g., target area vs. communitywide) and addresses a number of CD activities (e.g., housing, social services) or the jurisdiction's entire CD plan.

Compliance issues (table 3) concern procedures and implementation rather than program content. These issues generally center on the jurisdiction's fulfillment of the assurances it must file with its CDBG application. Four types of compliance issue predominated in the first four years: equal opportunity, citizen participation, environmental impact, and Davis-Bacon.

Administrative and technical issues (table 4) concern the manner in which the program is administered at the local level, covering such topics as financial record-keeping systems, staffing, and the planning process. Technical issues generally focus on errors of calculation.

Expenditure rate (table 5) concerns the rate at which local jurisdictions have spent their CDBG funds.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**Table 1. Intergovernmental Relations: STRATEGY ISSUES**

(If more than one issue arose within a subcategory, list each issue separately)

<u>Brief Description of Issue</u>	<u>Who initiated?</u> 1) HUD 2) City 3) 3rd party (specify type)	<u>Program Year</u> 7 or 8	<u>Stage of Process</u> 1) Application 2) Implementation	<u>Outcome</u> 1) HUD wins 2) City wins 3) Compromise 4) Unresolved
Social targeting (specify if housing or non-housing)				
Geographic targeting (specify if housing or non-housing)				

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

Table 1. Intergovernmental Relations: STRATEGY ISSUES (continued)

(If more than one issue arose within a subcategory, list each issue separately)

<u>Brief Description of Issue</u>	<u>Who initiated?</u> 1) HUD 2) City 3) 3rd party (specify type)	<u>Program Year</u> 7 or 8	<u>Stage of Process</u> 1) Application 2) Implementation	<u>Outcome</u> 1) HUD wins 2) City wins 3) Compromise 4) Unresolved
Other strategy (specify if housing or non-housing)				

Jurisdiction \_\_\_\_\_  
 Associate \_\_\_\_\_

**Table 2. Intergovernmental Relations: PROGRAMMATIC ISSUES**

(If more than one issue arose within a subcategory, list each issue separately)

<u>Brief Description of Issue</u>	<u>Who initiated?</u> 1) HUD 2) City 3) 3rd party (specify type)	<u>Program Year</u> 7 or 8	<u>Stage of Process</u> 1) Application 2) Implementation	<u>Outcome</u> 1) HUD wins 2) City wins 3) Compromise 4) Unresolved
Housing programs				
Physical development programs				

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**Table 2. Intergovernmental Relations: PROGRAMMATIC ISSUES (continued)**

(If more than one issue arose within a subcategory, list each issue separately)

<u>Brief Description of Issue</u>	<u>Who initiated?</u> 1) HUD 2) City 3) 3rd party (specify type)	<u>Program Year</u> 7 or 8	<u>Stage of Process</u> 1) Application 2) Implementation	<u>Outcome</u> 1) HUD wins 2) City wins 3) Compromise 4) Unresolved
Public/social service programs				
Economic development programs				

Associate \_\_\_\_\_

**Table 3. Intergovernmental Relations: COMPLIANCE ISSUES (continued)**

(If more than one issue arose within a subcategory, list each issue separately)

<u>Brief Description of Issue</u>	<u>Who initiated?</u> 1) HUD 2) City 3) 3rd party (specify type)	<u>Program Year</u> 7 or 8	<u>Stage of Process</u> 1) Application 2) Implementation	<u>Outcome</u> 1) HUD wins 2) City wins 3) Compromise 4) Unresolved
Citizen participation				
Davis-Bacon				

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

Table 3. Intergovernmental Relations: COMPLIANCE ISSUES (continued)

(If more than one issue arose within a subcategory, list each issue separately)

<u>Brief Description of Issue</u>	<u>Who initiated?</u> 1) HUD 2) City 3) 3rd party (specify type)	<u>Program Year</u> 7 or 8	<u>Stage of Process</u> 1) Application 2) Implementation	<u>Outcome</u> 1) HUD wins 2) City wins 3) Compromise 4) Unresolved
Other				

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**Table 4. Intergovernmental Relations: ADMINISTRATIVE AND TECHNICAL ISSUES**

(If more than one issue arose within a subcategory, list each issue separately)

<u>Brief Description of Issue</u>	<u>Who initiated?</u> 1) HUD 2) City 3) 3rd party (specify type)	<u>Program Year</u> 7 or 8	<u>Stage of Process</u> 1) Application 2) Implementation	<u>Outcome</u> 1) HUD wins 2) City wins 3) Compromise 4) Unresolved
<p>Administrative issues (e.g., financial record keeping, contracting, and letter of credit procedures, etc.) Please specify the kind or kinds.</p>				
<p>Technical issues (e.g., errors in calculations)</p>				



Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**Table 5. Intergovernmental Relations: RATE OF EXPENDITURE ISSUES**

(If more than one issue arose within a subcategory, list each issue separately)

<u>Brief Description of Issue</u>	<u>Who initiated?</u> 1) HUD 2) City 3) 3rd party (specify type)	<u>Program Year</u> 7 or 8	<u>Stage of Process</u> 1) Application 2) Implementation	<u>Outcome</u> 1) HUD wins 2) City wins 3) Compromise 4) Unresolved
Rate of expenditure in overall CDBG program				
Rate of expenditure in a particular CDBG activity				

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**1. Discussion of Intergovernmental Issues**

In tables 1-5 you briefly described the specific intergovernmental issues that arose in this jurisdiction. Now we would like you to discuss the major issues and their outcomes in more detail. By major issues we mean those that created the most controversy, no matter what category they are in.

The second major focal point of this discussion is any change in the quantity and nature of these issues. Since this analysis covers the transitional year of the program between the Carter and Reagan administrations, your discussion should encompass: 1) relevant comparisons between years six and seven; and 2) comparison of year seven with year eight when the Reagan policies were fully in place.

Please be as thorough as possible.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**2. HUD Influence on Program Content**

Here we would like you to assess HUD's influence on the content of the local CDBG program for specific program years--i.e., HUD influence on the distribution of block grant funds among the various eligible activities. HUD influence on program content often is felt during the application process but may come at any stage. For example, HUD's performance monitoring may influence the content of the city's next year program. This question focuses on relations with the HUD Area Office, but if the regional or central office is involved, please specify and describe this involvement.

2(a) <u>Level of HUD influence on program content</u>	<u>Year seven</u>	<u>Year eight</u>
Local program determined by HUD	_____	_____
Major HUD influence	_____	_____
Minor HUD influence	_____	_____
No HUD influence	_____	_____

2(b) Discuss in detail your reasons for the assessments in 2(a) above. Give particular attention to the major strategy or program elements affected by HUD involvement.

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Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**3. Changes in HUD's Role**

This question focuses on HUD's (the area office) overall role in the CDBG program and on changes over time. In assessing HUD's role, consider not only influence on program content but also the general character of relations between HUD and this jurisdiction, e.g., HUD influence on the Housing Assistance Plan, and HUD's role in enforcing regulations (e.g., equal opportunity, citizen participation, environmental review, etc.). If the regional or central office became involved in this jurisdiction's program during the seventh or eighth program year, please specify and discuss the nature of their involvement.

3(a) <u>Change in HUD's role</u>	<u>From year six to year seven</u>	<u>From year seven to year eight</u>
Increased	_____	_____
Stayed the same	_____	_____
Decreased	_____	_____

3(b) Discuss in detail your reasons for the assessments in 3a above. Give particular attention to any changes you may have indicated, particularly any changes observed between year seven and year eight.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

#### 4. HUD Conditions and Warnings

One manifestation of HUD's expanding role in the CDBG program has been the practice of HUD Area Offices attaching conditions to their approval of local CDBG applications. Generally, these consist of formal requirements attached to the grant agreement which the city must meet in the current program year or in the following year. In other instances Area Offices have issued warnings to local officials that their grant funds might be in jeopardy if certain actions are not taken by the jurisdiction.

4(a) Were any conditions or warnings attached to HUD's approval of this jurisdiction's CDBG program in year seven? In year eight? If so, what were the conditions in each year and did any of these conditions result in the city's grant being reduced?

4(b) If conditions or warnings were attached to HUD's approval of the city's year seven grant, were these new conditions or continuation of conditions attached in previous years? Focus particularly on conditions imposed or warnings given in year six as basis of comparison for year seven. Similarly, if conditions were attached to the city's year eight grant were these new conditions or continuation of existing conditions?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**4. HUD Conditions and Warnings (continued)**

4(c) If conditions or warnings attached to previous grants (e.g., rate of expenditure conditions) were not imposed in year seven, what factors seem to account for this--e.g., the city fulfilled the conditions, HUD Area Office was no longer enforcing the conditions, some combination of these or some other factors?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**5. HUD Review of Year Eight Submission Package**

HUD's interim instructions for fiscal year 1982 grants (year eight) state that communities may request a HUD review of their submission package. Presumably, if there is no such request, there is no formal HUD review. However, it is possible that an informal review was made so please distinguish between a formal and informal review where applicable.

5(a) Was there a HUD review of the city's year eight submission package?

5(b) Did this jurisdiction request a HUD review of its submission package? If yes, why? If not, why not?

5(c) If a review was done by the HUD Area Office without the city's request, who initiated it? Why?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

5. HUD Review of Year Eight Submission Package, (continued)

5(d) In what ways, if any, did the Area Office's review process of the year eight program differ from application review processes in previous years? For example, did the Area Office continue to have the city's CDBG application reviewed by different divisions (e.g., housing, equal opportunity, area counsel, etc.)?

5(e) If there was a HUD review of the city's year eight submission, what was the substantive result of the Area Office's review? For instance, did the city make any changes in its program because of substantive comments received in HUD's review of the submission package?



## PART II. THE LOCAL DECISIONMAKING PROCESS

A major objective of our research to date has been to identify the participants in CDBG decisionmaking at the local level and to observe and analyze shifts in the relative influence of these participants over time. We want to find out whether the block grant format tends to produce closed decision systems restricted to federal and local officials or whether the decisionmaking process is instead more open to a greater number and variety of participants under CDBG than it was under the categorical grants.

Our research has shown that during the first six years of the program the distribution of relative influence among the major actors (i.e., local executive, legislative, citizen and HUD participants) has been characterized by the dominance of local executive participants. A second focal point of our analysis of the local decisionmaking process has been the degree of institutionalization. Our fourth report pointed out that the local decisionmaking process tended to become institutionalized in a number of jurisdictions as evidenced by a fairly constant mix of participants and a relatively stable distribution of influence among them.

An important focus of this round of field research is to analyze whether the degree of institutionalization reported in previous reports continues in light of the legislative and administrative changes that have been introduced by the Reagan administration.

In order to continue to address questions of relative influence, we ask you to assess the relative influence of all the various participants in the CDBG decisionmaking process in your jurisdictions, using the "influence points", a methodology developed and applied in our previous CDBG reports. In addition, in this section we also ask you to describe the roles played by the various participants.

### Explanation of Influence Points

The influence points are a means of attaching a numerical value to your overall assessment of the relative influence of various participants in the decision process within your jurisdiction. The points do not measure the relative influence of a given category of participants in different jurisdictions.

The hypothetical case below illustrates how a total of ten influence points might be distributed to correspond to a specific situation.

Description of Hypothetical Case. In this jurisdiction the city manager made all major CDBG program decisions. The technical work involved in drafting the application was done, under his supervision, by the assistant city manager and the city planner. The city council did not formally participate in the development of the CDBG program, though some council members independently contacted the city manager's office to express interest in specific projects. Specific requests were also made by two citizen groups, who urged the funding of small-scale rehabilitation projects in their neighborhoods. After the completed CDBG application was submitted to HUD, the agency advised the city that several projects would be ruled ineligible. Under the city manager's supervision, these projects were revised or replaced to meet HUD's approval.

Allocation of Influence Points--

Executive	5
Legislature	1
Citizens	1
HUD	<u>3</u>
	10

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**6. Updated Background on Local Actors**

Since the last round of field research in the Summer of 1980, have there been any key events or sudden changes--such as local elections, new positions taken by leaders, or other signal occurrences (e.g., state policy changes)--that have significantly affected the operation of the CDBG program in this jurisdiction? If so, please discuss and indicate what the significance of these events is for CDBG.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

7. Influence on CDBG Decisionmaking--ALL ACTORS

7(a) Complete the following table distributing a total of ten influence points among the various participants in the CDBG decision process for years seven and eight. Keep in mind that the basis of the point assignment is influence on content of the program as approved by HUD in the original application. The year six figures are those provided by you in your previous report.

<u>Participant</u>	<u>Year six</u>	<u>Year seven</u>	<u>Year eight</u>
Executive	_____	_____	_____
Legislature	_____	_____	_____
Citizens	_____	_____	_____
HUD	_____	_____	_____
Other (specify: _____)	_____	_____	_____
<b>TOTAL</b>	<b>10</b>	<b>10</b>	<b>10</b>

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Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**7. Influence on CDBG Decisionmaking--All Actors (continued)**

7(b) Please give your assessment of the distribution of influence among the various participants over CDBG program content--i.e., why is the distribution of influence points the way it is, including why it stayed the same or why it changed in each of years 7 and 8. Discuss in detail the basis for any changes in your distribution of influence points among the different participants from year six to year seven and from year seven to year eight.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**8. Influence on CDBG Decisionmaking--EXECUTIVE ACTORS ONLY**

8(a) Distribute a total of 10 influence points among the following types of executive actors in relation to their relative influence over the content of the CDBG program, as approved by HUD. The year six figures are those provided by you in your previous report.

<u>Executive Actors</u>	<u>Year Six</u>	<u>Year Seven</u>	<u>Year Eight</u>
Chief executive ( __ mayor; __ manager; __ other)	_____	_____	_____
Staff officials	_____	_____	_____
Line agencies/departments	_____	_____	_____
Other (specify _____)	_____	_____	_____
<b>TOTAL</b>	<b>10</b>	<b>10</b>	<b>10</b>

8(b) Does the distribution of influence points among the different executive actors represent a continuity with the first six years of CDBG decisionmaking or a change from earlier patterns? Please describe the roles of the executive actors, distinguishing the chief executive from his/her immediate staff and line departments, noting especially how these roles have evolved and the factors that seem to account for them. In your response be sure to distinguish between years seven and eight.

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Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**8. Influence on CDBG Decisonmaking--EXECUTIVE ACTORS ONLY, (continued)**

8(c) Another major area for discussion concerning executive interest is linking CDBG more closely with local fiscal policy. Was there any executive discussion or action about using a share or greater share of CDBG funds to substitute for other funds (e.g., federal, state, or local)? Discuss in detail.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**9. Influence on CDBG Decisionmaking--LEGISLATIVE ACTORS ONLY**

9(a) Describe the role of the local legislature in CDBG decisionmaking and its influence on program content relative to other participants (i.e., HUD, executive participants, citizen participants). Did this role change from year six to year seven? From year seven to year eight? If so, why? If not, why not? In your analysis be particularly alert to the response of local legislators to the more flexible submission format. For example, did local legislative participants seek to use this flexibility to get projects they supported into the program?

9(b) Another major area for discussion concerning legislative interest is linking CDBG more closely with local fiscal policy. Was there any legislative discussion or action about using a share or a greater share of CDBG funds to substitute for other federal or local funds?



Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

10. Influence on CDBG Decisionmaking--CITIZEN ACTORS

As we noted in the Introduction to the report form, beginning with fiscal year 1982 (year eight) communities are no longer required to submit an application as previously required. That is, there are no prescribed forms which cities must complete and then submit to HUD for review and approval. In addition, the process by which communities prepare their "applications" has also changed. HUD's interim instructions for the eighth program year require that recipient jurisdictions: (1) provide citizens with information regarding the amounts of funds available for housing and community development activities and the range of activities that may be undertaken; (2) hold one or more public hearings to obtain citizen input on the city's housing and community development needs; and (3) where deemed appropriate, consider any comments and views received from citizens in the city's preparation of its "Final Statement of CDBG Objectives and Projected Use of Funds", which is included in its submission package to HUD.

10(a) Distribute a total of 10 influence points among the following types of citizen participants in relation to their relative influence over the content of the CDBG program as approved by HUD. The year six figures are those provided by you in your previous report.

<u>Citizen Actors</u>	<u>Year Six</u>	<u>Year Seven</u>	<u>Year Eight</u>
Citizen advisory committee (formal citizen participation mechanism)	_____	_____	_____
Neighborhood-based groups	_____	_____	_____
Special/public interest groups (e.g., Chamber of Commerce, NAACP, League of Women Voters, taxpayers associations, etc.)	_____	_____	_____
Other (individuals)	_____	_____	_____
TOTAL	10	10	10

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Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

10(b) Does the distribution of influence points among the different citizen actors represent a continuity with the first six years of CDBG decisionmaking or a change from earlier patterns? Please describe the roles of the citizen actors, noting especially how these roles have evolved and the factors that seem to account for them. In your response be sure to distinguish between years seven and eight.

10(c) <u>Number and type of public hearings</u>	<u>Year six</u>	<u>Year seven</u>	<u>Year eight</u>
Application preparation:			
-citywide	_____	_____	_____
-neighborhood	_____	_____	_____
Performance monitoring:			
-citywide	_____	_____	_____
-neighborhood	_____	_____	_____

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

10(d) Describe the citizen participation process in this jurisdiction in year seven and in year eight. If there is a formal citizen participation structure (e.g., citizens advisory committee) in what program year was it established and what role does it play (e.g., drafting the application, commenting on the draft application, evaluating programs, etc.). Were there any changes in the citizen participation process between years six and seven? Between years seven and eight? What factors seem to account for these changes? If there were no changes, what factors seem to account for the lack of change?

10(e) Was there any change in the relative influence of citizen participants on CDBG program content from year six to year seven? If so, what accounted for changes in citizen influence? If there were no changes in citizen influence, what accounts for the lack of change? In this assessment take into consideration avenues of informal influence that operated in the past and any changes in these informal channels that may have resulted from changes in the formal arrangements in year eight.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

10(f) Was there any change in the relative influence of citizen participants on CDBG program content from year seven to year eight? If so, what accounted for changes in citizen influence? If there were no changes in citizen influence, what accounts for the lack of change? In this assessment take into consideration avenues of informal influence that operated in the past and any changes in these informal channels that may have resulted from changes in the formal arrangements in year eight.

10(g) Describe the role of neighborhood-based groups in the CDBG decisionmaking process during year seven and during year eight. To what extent, if any, have these groups been affected by changes regarding citizen participation (e.g., the 1981 amendments and HUD's interim instructions for the eighth program year)? Discuss in detail any ways in which neighborhood-based groups have been affected by such changes.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

10(h) The Introduction to the report form specified the formal steps a city had to take before transmitting its submission package to HUD for its year eight funds. We would like specific information on the timing of the various steps.

	<u>Date</u>
1. Initial information provided citizens	_____
2. Date or dates of public hearings	_____
3. Completion of Proposed Statement of Activities	_____
4. Submission of Final Statement of Activities to HUD	_____

10(i) In what form were citizens given the initial information of step 1? Send a photocopy of the information presented.

10(j) To what extent did the public hearing(s) influence the content of the Proposed Statement of Activities? Did this differ from the influence of public hearings in prior program years? Discuss.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

10(k) To what extent were the comments and views of citizen participants on this jurisdiction's "Proposed Statement of Community Development Objectives and Use of Funds" taken into account in the "Final Statement of CDBG Objectives and Projected Use of Funds" which was included in the jurisdiction's year eight submission to HUD? Did this differ from the influence of public comments in the past? Discuss.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**11. Year Nine--CDBG Decisionmaking Process**

Looking ahead to year nine, are you aware of any changes planned or being discussed by local officials that would alter the decision-making process? What do you anticipate would be the effect of such changes on the substance of the local CDBG program?

### **PART III. CDBG ADMINISTRATION--FEDERAL AND LOCAL ROLES**

In this part of the report form we ask you to assess the administration of the CDBG program at both the federal (area office) and local levels. Although our focus in this section is primarily on the impact of the 1981 amendments and HUD's interim instructions on such factors as size of staff, assignment of personnel, and administrative costs, in some instances we ask you to take a broader perspective and analyze the first eight years of the program. In these instances we are particularly interested in identifying any trends that may have developed and the factors that seem to account for them. In your discussion of these issues please be as specific as possible in regard to dates (i.e., program years).

Finally, in this section we ask you to describe the reactions of the major CDBG participants (i.e., HUD, city executive, city legislative, and citizen participants) to the administrative and legislative changes in the CDBG program.



Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**12. HUD Area Office**

12(a) One of the consequences of the new procedures in effect for year eight is that HUD Area Office personnel may be reassigned to new functions and/or responsibilities. They may also be reassigned from CDBG to other HUD programs. Describe any changes that have occurred relating to the assignment of personnel in the HUD Area Office brought about by the legislative and administrative changes in the CDBG program that took effect in the eighth program year.

12(b) In comparison to year seven, were there any changes in the number of HUD site visits (or plans for site visits) during year eight? If so, why? If not, why not? Note, it may be too early to know about actual site visits in year eight but HUD Area Office officials may have developed their plans for site visits during the eighth program year.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**13. Staff Size--Local Jurisdiction**

13 (a) <u>Changes in City CDBG Staff Size</u>	<u>Between year 6 and year 7</u>	<u>Between year 7 and year 8</u>
Increased substantially	_____	_____
Increased slightly	_____	_____
Stayed the same	_____	_____
Decreased slightly	_____	_____
Decreased substantially	_____	_____

13 (b) Please give your assessment of the reasons for, and the results of, the changes indicated in 13aabove. If no changes were reported, what factors account for the lack of change?

13(c) Looking back over the first eight years of the program, describe in as much detail as possible changes in the number, type, and level of skill of personnel involved in the administration of the CDBG program in this city. Discuss the factors that seem to account for these changes.

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Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**14. Local Administrative Costs**

14(a) In comparison to year seven, what changes have there been, if any, in local administrative costs in the eighth program year?

14(b) Give your assessment of the reasons for these changes. For example, are these changes the result of the legislative and administrative changes in effect for the eighth program year?

14(c) Which aspects of the new procedures for the eighth program year (i.e., the changes in the 1981 CDBG amendments and HUD's interim instructions) have local officials found most beneficial in terms of time and money saved? Which have local officials found most detrimental (if any)?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**15. Functional Responsibilities of Administrative Staff--Local Jurisdiction**

15(a) In comparison with year seven, what changes have there been, if any, in the assignment of city personnel for the CDBG program in the eighth program year?

15(b) Give your assessment of the reasons for these changes. For example, are these changes the result of the legislative and administrative changes in effect for the eighth program year? If there are other factors that may have led to changes in the functional responsibilities of city staff responsible for CDBG, please discuss them as well in your response.

15(c) Which aspects of the new personnel assignments for the eighth program year have local officials found most beneficial in terms of time and money saved? In terms of managing the program? Which have local officials found most detrimental (if any)?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**16. Year Nine--Local CDBG Administration**

Looking ahead to year nine, are you aware of any changes planned or being discussed by local officials that would alter the administrative process at the local level? What do you anticipate would be the effect of such changes on the substance of the local CDBG program?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**17. Format and Content of CDBG Applications and Submission Packages**

The 1981 legislative amendments and HUD's interim instructions have significantly altered the application requirements for the eighth program year, as was briefly noted in the Introduction to the Report Form. In this question we ask you to assess the format and content of information provided in the city's CDBG applications and its year eight submission package by comparing the year six and year seven applications and the year seven application and the year eight submission package.

	<u>Much more detailed</u>	<u>Slightly more detailed</u>	<u>About the same</u>	<u>Slightly less detailed</u>	<u>Much less detailed</u>
<b>17(a) <u>Year 7 vs. Year 6</u></b>					
Description of individual activities (e.g., anticipated units of output, such as units of housing to be rehabilitated)	_____	_____	_____	_____	_____
Dollar allocations among activities (e.g., individual projects vs. aggregated categories)	_____	_____	_____	_____	_____
Geographic location of activities (e.g., inclusion of census tracts)	_____	_____	_____	_____	_____
<b>17(b) <u>Year 8 vs. Year 7</u></b>					
Description of individual activities	_____	_____	_____	_____	_____
Dollar allocations among activities	_____	_____	_____	_____	_____
Geographic location of projects	_____	_____	_____	_____	_____

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**Jurisdiction** \_\_\_\_\_

**Associate** \_\_\_\_\_

**17(c) Discuss in detail your reasons for the assessments given in 17a.**

**17(d) Discuss in detail your reasons for the assessments given in 17b.**

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

17(e) What effects are the changes in the application format likely to have on the ability of others (HUD, researchers, etc.) to evaluate the relationship between the planned local activities and the national objectives of the legislation?

17(f) How would you characterize this city's transition from the preparation of a CDBG application to preparation of a CDBG submission package? In what ways is this transition most manifest?



Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

17(g) Do local officials expect that the changes in the structure of this city's submission package will make it easier to shift funds among activities during the implementation stage of the local program?

17(h) What problems did you encounter in obtaining data on program allocations by activity in year seven? In year eight? If specification of census tracts for individual activities was not included in the submission package, was this information available from another source? If so, describe the source and discuss the ease or difficulty in getting such information.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

18. Participants' Perception of Legislative and Administrative  
Changes in the CDBG Program

In this question we ask you to discuss the perceptions the various participants in the CDBG program have of the changes brought about by the 1981 amendments and HUD's interim instructions relating to the eighth program year. What aspects do the various participants find most beneficial? In what ways? Which aspects do the various participants find most detrimental? In what ways?

18(a) HUD Area Office Officials

18 (b) City Executive Officials (specify types of executive officials involved--e.g., chief executive officer, line, staff, etc.)

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**18(c) Local Legislative Officials**

**18(d) Citizen Participants, Neighborhood Groups, and Non-Profits**

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Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

19. Housing Assistance Plan

The current Housing Assistance Plan (HAP) of a jurisdiction remains in effect until September 30, 1982. Recipients must complete and submit a new HAP no later than October 1, 1982. To match our own reporting with that schedule, the completed questions on the HAP are not due until October 15, 1982.

19(a) Were any changes made in the local process for preparing the HAP? Describe any changes and the significance of such changes.

19(b) Has there been any change in the amount of staff time being spent on preparation of the HAP? Discuss.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

19(c) Have any changes been made in the amount and type of information contained in this city's HAP? Discuss.

19(d) What are the current local perceptions of the HAP in terms of its usefulness as a statement of local housing policy? Does this differ from previous perceptions? How? Why? Would this city find it useful to continue the HAP process? Why? If the HAP were optional, would this city be likely to complete one?

Jurisdiction \_\_\_\_\_  
Associate \_\_\_\_\_

19(e) What value do local officials place on the following aspects of the HAP process:

	<u>Extremely beneficial</u>	<u>Somewhat beneficial</u>	<u>Indifferent</u>	<u>Somewhat detrimental</u>	<u>Extremely detrimental</u>
Section 213 Review and Comment Process	_____	_____	_____	_____	_____
Assessment of Housing Assistance Needs	_____	_____	_____	_____	_____
Identification of Preferred Locations for New Construction or Substantial Rehabilitation	_____	_____	_____	_____	_____
Establishment of Goals for Addressing Housing Assistance Needs	_____	_____	_____	_____	_____

**Jurisdiction** \_\_\_\_\_

**Associate** \_\_\_\_\_

**19(f) Discuss in detail your reasons for the assessments given in 19e.**

#### PART IV. PROGRAMS AND STRATEGIES

This part of the Field Analysis Form deals with your assessments of the official data submitted by this jurisdiction in its CDBG application for years seven and eight. We ask you to submit a photocopy of the following documents:

##### Year Seven

1. Cost Summary, parts A-E, as approved by HUD. See sample on pages 55a - 55d.
2. Project Summary, as approved by HUD. Send all project summaries, including activity descriptions. These documents are to be submitted according to the instructions on page 56. See sample on page 55e.

##### Year Eight

With the end of the formal application process and a standard application form, there are likely to be considerable differences in the structure of local submission packages. Therefore, we cannot specify the precise documents for photocopying, but we do want copies of pages that include descriptions of specific activities and the dollar amounts allocated to those activities. See sample on page If of reasonable length, send a copy of the complete submission package.

The most important part of the task on program data will be to complete tables 6 and 7. Depending on the local submission format, this may be a relatively simple task. In some cases, however, it may be necessary to get this information from other sources. Sorting out activities by our prescribed program categories is essential since a major focal point of this research is continuity or change in the substance of local programs and the causes of the continuity or change.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
ANNUAL COMMUNITY DEVELOPMENT PROGRAM

**COST SUMMARY**

1. NAME OF APPLICANT  
**City of Worcester, Mass.**

2. APPLICATION/GRANT NUMBER  
**B-79-MC-25-0026**

3. PERIOD OF APPLICABILITY

FROM

**7/1/79**

TO

**6/30/80**

4.  ORIGINAL (last year)  
 REVISION, DATED \_\_\_\_\_  
 AMENDMENT, DATED \_\_\_\_\_

Line	PART A. SUMMARY OF PROGRAM ACTIVITY (Important: See instructions before classifying costs.)	AMOUNT	FOR HUD USE ONLY
1	Acquisition of Real Property	\$ - 0 -	\$
2	Disposition	- 0 -	
3	Public Facilities and Improvements		
a	Senior Centers	- 0 -	
b	Parks, Playgrounds and Other Recreational Facilities	100,000	
c	Centers for the Handicapped	50,000	
d	Neighborhood Facilities	75,000	
e	Solid Waste Disposal Facilities	- 0 -	
f	Fire Protection Facilities and Equipment	- 0 -	
g	Parking Facilities	- 0 -	
h	Public Utilities, Other Than Water and Sewer Facilities	- 0 -	
i	Street Improvements	460,000	
j	Water and Sewer Facilities	- 0 -	
k	Foundations and Platforms for Air Rights Sites	- 0 -	
l	Pedestrian Malls and Walkways	- 0 -	
m	Flood and Drainage Facilities	- 0 -	
n	Specially Authorized Public Facilities and Improvements (List)	- 0 -	
(1)			
(2)			
(3)			
4	Clearance Activities	50,000	
5	Public Services	462,520	
6	Interim Assistance	- 0 -	
7	Completion of Previously Approved Urban Renewal Projects	2,371,500	

Replaces Form HUD-7015.5, which is obsolete

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		AMOUNT	FOR HUD USE ONLY
8	Relocation Payments and Assistance	\$ - 0 -	\$
9	Payments for Loss of Rental Income	- 0 -	
10	Removal of Architectural Barriers	- 0 -	
11	Specially Authorized Assistance to Privately Owned Utilities	- 0 -	
12	Rehabilitation and Preservation Activities		
a	Rehabilitation of Public Residential Structures	- 0 -	
b	Public Housing Modernization	- 0 -	
c	Rehabilitation of Private Properties	1,175,000	
d	Code Enforcement	109,000	
e	Historic Preservation	27,500	
13	Specially Authorized Economic Development Activities		
a	Acquisition for Economic Development	- 0 -	
b	Public Facilities and Improvements for Economic Development	- 0 -	
c	Commercial and Industrial Facilities	- 0 -	
14	Special Activities By Local Development Corporations, Etc. (List)	220,000	
a	Small Business Assistance Program	\$ 120,000	
b	Local Development Program	100,000	
c			
d			
15	<b>SUBTOTAL</b>	<b>5,100,520</b>	
16	Planning and Urban Environmental Design (See Part B of this form.)		
a	Development of a Comprehensive Community Development Plan	- 0 -	
b	Development of a Policy-Planning-Management Capacity	- 0 -	
c	Specially Authorized Comprehensive Planning Activities	- 0 -	
17	General Administration (From Part C, Line 6)	688,000	
18	Contingencies and/or Local Option Activities (Not to exceed 10% of amount shown in Part D, Line 1)	29,480	
19	<b>TOTAL PROGRAM COSTS (Sum of Lines 15 through 18)</b>	<b>\$ 5,818,000</b>	<b>\$</b>

**PART B. DESCRIPTION OF PLANNING AND URBAN ENVIRONMENTAL DESIGN COSTS**

Check if continued on additional page(s) and attach.

SAMPLE

**PART C. GENERAL ADMINISTRATION COSTS**

(See instructions for description of administration activities before classifying costs below.)

Line	Description	AMOUNT	FOR HUD USE ONLY
1	General Management, Oversight and Coordination	\$ 628,000	\$
2	Indirect Costs (Allowable if charged pursuant to a cost allocation plan)		
3	Citizen Participation		
4	Environmental Studies Necessary to Comply With Environmental Regulations	60,000	
5	Other (List)		
a		\$	
b			
c			
d			
e			
6	<b>Total General Administration Costs (Sum of Lines 1 through 5)</b>	\$ 688,000	\$

Line	PART D. BLOCK GRANT RESOURCES FOR PROGRAM COSTS	AMOUNT	FOR HUD USE ONLY
1	Entitlement Amount	\$ 5,818,000	\$ .
2	Less: Repayment of Urban Renewal/NDP Loans (Attach Schedule)	\$ 100,000	
3	Grant Withheld for Repayment of HUD-Guaranteed Loan	\$	
4	Grant Amount For Program Activities (Line 1 minus sum of Lines 2 and 3)	\$ 5,718,000	\$
5	Program Income	\$ - 0 -	\$
6	Surplus From Urban Renewal/NDP Settlement	\$ - 0 -	\$
7	Loan Proceeds	\$ - 0 -	\$
8	Reprogrammed Unobligated Funds From Prior Program Year (Attach Schedule)	\$ - 0 -	\$
9	TOTAL BLOCK GRANT RESOURCES FOR PROGRAM COSTS (Sum of Lines 4 thru 8)	\$ 5,718,000	\$

Line	PART E. SUMMARY OF PROGRAM BENEFIT	AMOUNT	FOR HUD USE ONLY
1	Costs Subject to Program Benefit Rules	5,100,520	\$ -
2	Expenditures Principally Benefiting Low- and Moderate-Income Persons	2,729,020	\$
3	Line 2 as a Percent of Line 1	54 %	%
4	Other Expenditures	\$ 2,371,500	\$
5	Line 4 as a Percent of Line 1	46 %	%

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<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ANNUAL COMMUNITY DEVELOPMENT PROGRAM</b>		<b>1. NAME OF APPLICANT</b> City of Worcester													
<b>PROJECT SUMMARY</b>		<b>2. APPLICATION/GRANT NUMBER</b> B-79-MC-25-0026													
<b>3. PERIOD OF APPLICABILITY</b>															
<b>FROM</b> 7/1/79	<b>TO</b> 6/30/80	<b>4.</b> <input type="checkbox"/> ORIGINAL (each year) <input checked="" type="checkbox"/> REVISION, DATED 5/1/79 <input type="checkbox"/> AMENDMENT, DATED:													
<b>5. NAME OF PROJECT</b> Belmont/Franklin Project		<b>6. PROJECT NUMBER</b> 4	<b>7. ENVIRONMENTAL REVIEW STATUS</b> under review												
<b>8. ENTITY WITH RESPONSIBILITY FOR CARRYING OUT THE PROJECT</b> Office of Planning & Community Development		<b>9. TELEPHONE NUMBER</b> 617-798-8151 ext. 224													
<b>10. DESCRIPTION OF PROJECT</b> This project inaugurates a 3-year plan for an integrated use of housing rehabilitation, street improvements, and parks renovations in continuation of home improvement efforts from Years III & IV. Under the Worcester Housing Improvement Program financial and technical assistance will be provided to income-eligible homeowners. Street repairs and parks improvements will be co-ordinated in the course of the three years. Spot demolition will occur as needed to remove condemned buildings, preserve public safety, and enhance property values. All activities are funded with CDBG monies and seek to meet the needs of Belmont/Franklin as outlined in the Summary of Housing and Community Development needs.															
<input type="checkbox"/> Check if continued on additional page(s) and attach.															
<b>CENSUS TRACT(S)/ENUMERATION DISTRICT(S)</b> 7322.03, 7318, 7304.02, 7319															
<b>11. ANTICIPATED ACCOMPLISHMENTS</b> Worcester Housing Improvement Program - 101 housing units will be rehabilitated by 6/30/80 in continuation of Year III and IV home improvement programs, under which 290 units have been completed thus far. An additional 175 units will be rehabbed in each of the following two years. 318 houses will be inspected for code violations.															
<input checked="" type="checkbox"/> Check if continued on additional page(s) and attach.															
<b>12. CDBG COMPONENT ACTIVITIES</b> <i>(List component activities using names of activities shown in Part A, COST SUMMARY, Form HUD-7067J)</i>		<b>PROGRAM YEAR FUNDS (in thousands of \$)</b>													
		<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">CDBG</th> <th colspan="2" style="text-align: center;">OTHER</th> </tr> <tr> <th style="text-align: center;">LOW/MOD BENEFIT</th> <th style="text-align: center;">OTHER BENEFIT</th> <th style="text-align: center;">AMOUNT</th> <th style="text-align: center;">SOURCE</th> </tr> <tr> <th style="text-align: center;">(a)</th> <th style="text-align: center;">(b)</th> <th style="text-align: center;">(c)</th> <th style="text-align: center;">(d)</th> </tr> </table>		CDBG		OTHER		LOW/MOD BENEFIT	OTHER BENEFIT	AMOUNT	SOURCE	(a)	(b)	(c)	(d)
CDBG		OTHER													
LOW/MOD BENEFIT	OTHER BENEFIT	AMOUNT	SOURCE												
(a)	(b)	(c)	(d)												
Rehabilitation of Private Properties		\$ 175.2	\$ 328.5	Private-Loan Pool											
Worcester Housing Improv. Program		16.425	98.55	State-Dept. Elder Affairs											
Worcester Labor Co-op Code Inspection (2)				Fed. - CETA											
Lead Poisoning Program (3)		11.4		" " " "											
Clearance Activities															
Demolition (4)		12													
Street Improvements															
Neighborhood Public Works (5)		100													
Parks Playgrounds & Facilities															
Parks Improvement (6)		37	16.75	State-Heritage Conservation											
<b>14. Totals</b>		<b>\$352.025</b>	<b>\$443.8</b>												
<b>15. Total Costs To Be Paid With Community Development Block Grant Funds (Sum of Columns b and c) \$ 352.025</b>															

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Worcester Labor Co-op

47-49 housing units will be provided with code violation repairs, home rehabilitation and maintenance.

Demolition

Six condemned buildings will be demolished in the interest of public safety by 6/30/80, and an additional 12 structures will be razed over the following two years.

Lead Poisoning Prevention Program

67 dwelling units will be inspected, 467 re-inspections will be performed, and 835 children will be tested for elevated lead levels by 6/30/80. The same services will be provided over the following two years.

Neighborhood Public Works

\$100,000 in Year V funds will be used with \$32,150 remaining in Year IV funds to begin Phase III of street reconstruction in the neighborhood, roadbed, sidewalk and sewer repairs between Belmont St. and Hermitage Lane.

Parks Improvements

Harrington Field - 1 new backstop will be installed and two others repaired at a cost of approximately \$3,500.

East Park - Play equipment will be supplied and lights for the basketball court will be installed at a cost of approximately \$28,000. Further renovations will be undertaken pending finalization of the City's updated parks improvement plan.

Sample

**PROGRAM TITLE:** DOWNTOWN PUBLIC WORKS

**OPERATING AGENCY:** Worcester Department of Public Works

**PROGRAM DESCRIPTION:** Downtown Public Works is supportive of ongoing downtown revitalization activities necessary to the economic health of the Central Business District. Program activities include:

Demolition of unsafe municipal salt shed on East Worcester Street. The State has agreed to replace this shed using State funds.

Water Improvements (clean/line/valves)  
 Summer Street  
 Thomas Street

Roadway Improvements (roadway, curb, sidewalks) on Summer Street (E. Central to Goldsbury)

Roadway Resurfacing  
 Streets impacted by EPA Stormwater Separation Project

Main Street - Front to Walnut  
 Waldo Street - entire  
 Exchange Street - Commercial to Main  
 Pearl Street - entire  
 Mechanic Street - entire  
 Norwich Street - entire  
 Walnut Street - entire  
 Foster Street - Commercial to Main  
 Maple Terrace - entire  
 Elm Street - Main to Chestnut  
 Maple Street - entire

**PROPOSED CDBG YEAR VIII ALLOCATION:** \$647,000

**SUPPLEMENTAL FUNDING:** -0-

**TOTAL PROJECT COST:** \$647,000

Sample

PROGRAM TITLE: EAST CENTRAL URBAN RENEWAL PROJECT (R-88)

55h

OPERATING AGENCY: Worcester Redevelopment Authority (WRA)

PROGRAM DESCRIPTION: Funds will be used to continue the City's commitment within the East Central Urban Renewal Area (R-88). Activities will include land disposition, settlement of land damage cases, site improvements and activities necessary for the successful completion of the Urban Development Action Grant (UDAG).

Site improvements include:

Street improvements -  
Old Lincoln Street  
Lincoln Square (north)  
Grove Street  
Institute Road  
Prospect Street  
Franklin Street  
Highland Street

Lighting -  
Johnson Underpass

Signalization -  
West of Lincoln Square

Landscaping -

In connection with the above, the Worcester Redevelopment Authority will provide for related protection, temporary traffic control, barricades, and associated items. The Worcester Redevelopment Authority will provide for the services of an engineering consultant to prepare plans and specifications, invite bids on several projects, and provide administrative services relative to project development and execution.

PROPOSED CDBG YEAR VIII	Administration - \$200,000
ALLOCATION:	Capital <u>100,000</u>
	Total <u>\$300,000</u>

SUPPLEMENTAL FUNDING: \$324,453 from three (3) existing urban renewal contracts.

TOTAL PROJECT COST: \$1,124,453.00

Sample

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PROGRAM TITLE: NEIGHBORHOOD PUBLIC WORKS  
OPERATING AGENCY: Worcester Department of Public Works

PROGRAM DESCRIPTION: Public works improvements (streets, sidewalks, utilities) under this program are a continuation of work done in CDBG Years I through VII. Activities planned are in support of housing improvement activities within the designated neighborhoods. Sidewalk replacement will improve pedestrian mobility (especially for elderly and handicapped persons), street improvements will maintain existing streets, and utility work will improve the water distribution system and ensure proper drainage. Work will take place in five (5) neighborhoods: South Worcester, Union/Vernon Hill, Columbus Park, Hamilton, and Piedmont. See attached sheet for street breakdown.

PROPOSED CDBG YEAR VIII ALLOCATION:

*Sample*

\$1,500,000	
South Worcester -	\$ 50,000
Union/Vernon Hill-	350,000
Columbus Park -	200,000
Hamilton -	100,000
Piedmont -	800,000

SUPPLEMENTAL FUNDING - -0-

TOTAL PROJECT COST \$1,500,000

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## Tables 6 and 7

## PROGRAM USES - Years 7 and 8

Using this jurisdiction's Project Summary (in application) for the seventh program year, assign a number to each individual project listed. A photocopy of the Project Summary, with the project numbers marked, should be submitted along with the completed tables.

The same procedure should be followed for year eight, although the documentation will differ.

I. PROGRAM USES: Tables 6 and 7, Columns A - D.

Column A. Activity number. Number consecutively each activity listed on the Project Summary. Start with number 1 in numbering the activities on each of tables 6 and 7. See Worcester example, page

Column B. Program category. Based on the definitions on the next page, assign each activity to a program category and fill in the appropriate number code from the column heading. You may wish to refer to your previous reports.

IMPORTANT: 1) if a project is part of a CDBG-funded multi-activity neighborhood conservation strategy include a "/N" after the program code (e.g., a social service facility that is part of a neighborhood conservation strategy would be entered as follows: 7/N). Note, the "/N" is used only where there is at least one other CDBG-funded activity directed toward neighborhood conservation. The "/N" would not be used if there is only one CDBG activity in the neighborhood even though private funds are also being used for neighborhood conservation.

2) housing rehabilitation activities should be designated with a "/R". For example, 1/R. Where the housing rehab is part of a CDBG-funded neighborhood conservation strategy, the housing rehab activity would be designated "1/N/R".

Column C. Type of activity. Is the project a continuation of a categorical project? A continuation of a project begun under CDBG in a previous program year? A new CDBG activity? Use the number code in the column heading.

Column D. Dollars. Enter the amount allocated to the activity, in thousands of dollars.

PROGRAM CATEGORIES

1. Housing (HSE): housing rehabilitation loans and grants, modernization of public housing, and other housing activities. Code enforcement and demolition and clearance for housing-related activities are included when part of a neighborhood conservation strategy.
2. Neighborhood Conservation (NC): neighborhood-oriented public works projects such as water and sewer lines, street improvements, parks, recreation, and open space acquisition.
3. General Development (GD): physical development activities which have communitywide benefits or are in neighborhoods that are not part of a neighborhood conservation strategy. In some cases GD projects appear to be a response to problems of population growth; in other cases they appear to be a means of spreading benefits.
4. Urban Renewal Continuation (URC): the continuation or completion of urban renewal activities (property acquisition, public improvements, demolition and clearance, relocation) begun during the categorical period. Also included are management costs and interest payments for these activities.
5. Economic Development (ED): both commercial and industrial development projects ranging from the acquisition of land for an industrial park to technical assistance for minority businessmen.
6. Social Services (SS): health, education, child care, senior citizens, youth, job training, counseling programs, etc.
7. Social Service Facilities (SSF): the construction, maintenance, and rehabilitation of facilities necessary for the provision of social services.
8. Other Public Services and Facilities (PSF): capital and operating expenditures for public services, such as police and security, transportation, garbage collection, and fire protection.
9. Planning and Administration (P&A): planning, management, and administration of the CDBG program. Also included are citizen participation activities, and relocation projects not classified as urban renewal continuation.
10. Nonallocable (NA): allocations for projects that do not clearly fall into any of the above categories.





Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

Program Discussion

Note: This table will be completed by the central staff; a copy will be sent to you for your records. The data from years 1 to 6 are derived from previous reports.

Table 8. Program Uses  
(in percentages)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Housing	_____	_____	_____	_____	_____	_____	_____	_____
Neighborhood conservation	_____	_____	_____	_____	_____	_____	_____	_____
General development	_____	_____	_____	_____	_____	_____	_____	_____
Urban renewal continuation	_____	_____	_____	_____	_____	_____	_____	_____
Economic development	_____	_____	_____	_____	_____	_____	_____	_____
Social services	_____	_____	_____	_____	_____	_____	_____	_____
Social service facilities	_____	_____	_____	_____	_____	_____	_____	_____
Other public services and facilities	_____	_____	_____	_____	_____	_____	_____	_____
Planning and administration	_____	_____	_____	_____	_____	_____	_____	_____
Multi-category <sup>¶¶</sup>	_____	_____	_____	_____	_____	_____	_____	_____
Nonallocable	_____	_____	_____	_____	_____	_____	_____	_____

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**20. Program Discussion**

Change and continuity in program emphasis are a major focal point of this research so please be as detailed as possible in answering this question. In your discussion keep in mind the cause and effect point noted in the Introduction to the Report Form, sorting out funding and deregulation as causal factors. In addition, in your response be alert to any significant CDBG activities that may have been dropped from the city's program.

20(a) Were there any significant changes in program emphasis between years six and seven? If so, what do you see as the major factors behind these changes? If not, what do you see as the major factors behind the lack of changes?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_ - \_\_\_\_\_

20(b) Were there any significant changes in program emphasis between years seven and eight? If so, what do you see as the major factors behind these changes? If not, what do you see as the major factors behind the lack of changes?

20(c) What kinds of "creative financial mechanisms", if any, have been used to bolster CDBG program income? For example, use of lump-sum drawdown for housing rehabilitation activities, creation of revolving loan funds for economic development activities, etc. In your response be sure to distinguish between year eight, year seven, and the first six years of program activity.



Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

21. Economic Development

Economic development has been one of the smaller program categories in our previous reports, but a category showing considerable growth (in percentage terms) over the years.

21(a) Discuss any significant change in CDBG allocations for economic development activities in your city in the seventh year. In the eighth year. Discuss the reasons for any change (e.g., higher or lower priority). For each year, if no changes were made what factors seem to account for the lack of change?

21(b) Discuss any changes in the kinds of economic development activities being funded and the reasons for any changes.





Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

Program Discussion

Note: This table will be completed by the central staff; a copy will be sent to you for your records. The data from years 1 to 6 are derived from previous reports.

Table 8. Program Uses  
(in percentages)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Housing	_____	_____	_____	_____	_____	_____	_____	_____
Neighborhood conservation	_____	_____	_____	_____	_____	_____	_____	_____
General development	_____	_____	_____	_____	_____	_____	_____	_____
Urban renewal continuation	_____	_____	_____	_____	_____	_____	_____	_____
Economic development	_____	_____	_____	_____	_____	_____	_____	_____
Social services	_____	_____	_____	_____	_____	_____	_____	_____
Social service facilities	_____	_____	_____	_____	_____	_____	_____	_____
Other public services and facilities	_____	_____	_____	_____	_____	_____	_____	_____
Planning and administration	_____	_____	_____	_____	_____	_____	_____	_____
Multi-category <sup>†††</sup>	_____	_____	_____	_____	_____	_____	_____	_____
Nonallocable	_____	_____	_____	_____	_____	_____	_____	_____

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**20. Program Discussion**

Change and continuity in program emphasis are a major focal point of this research so please be as detailed as possible in answering this question. In your discussion keep in mind the cause and effect point noted in the Introduction to the Report Form, sorting out funding and deregulation as causal factors. In addition, in your response be alert to any significant CDBG activities that may have been dropped from the city's program.

20(a) Were there any significant changes in program emphasis between years six and seven? If so, what do you see as the major factors behind these changes? If not, what do you see as the major factors behind the lack of changes?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_ - \_\_\_\_\_

20(b) Were there any significant changes in program emphasis between years seven and eight? If so, what do you see as the major factors behind these changes? If not, what do you see as the major factors behind the lack of changes?

20(c) What kinds of "creative financial mechanisms", if any, have been used to bolster CDBG program income? For example, use of lump-sum drawdown for housing rehabilitation activities, creation of revolving loan funds for economic development activities, etc. In your response be sure to distinguish between year eight, year seven, and the first six years of program activity.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

21. Economic Development

Economic development has been one of the smaller program categories in our previous reports, but a category showing considerable growth (in percentage terms) over the years.

21(a) Discuss any significant change in CDBG allocations for economic development activities in your city in the seventh year. In the eighth year. Discuss the reasons for any change (e.g., higher or lower priority). For each year, if no changes were made what factors seem to account for the lack of change?

21(b) Discuss any changes in the kinds of economic development activities being funded and the reasons for any changes.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

21 (c) The 1981 amendments permit CDBG funding to for-profit firms. Are such firms, including for-profit Local Development Corporations (LDCs), included in your city's program? Discuss the level of funding, kinds of activities, and the city's reasons for including them.

21 (d) If for-profits were not included, was there any effort to include them or any discussion of including them? If so, who sought to include them?



Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_ - \_\_\_\_\_

## 22. Housing Rehabilitation

Housing rehabilitation has been a major part of local CDBG programs throughout the six years of our research.

22(a) Discuss any changes (or anticipated changes) in income levels for eligibility for housing rehabilitation assistance in the seventh and eighth years. Also discuss any changes in the amount of assistance provided an individual, the form of aid (e.g., loan, grant, guarantee, etc.), the kinds of rehabilitation permitted (e.g., code standards, cosmetic rehab, etc.), and the structure of local rehab programs (e.g., greater involvement of local banks).

If there have been any of the above changes, please discuss in detail the reasons for the changes.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**23. Social and Public Services**

Social and public services have generally tended to decline as a percentage of local CDBG programs over the first six years. In a number of sample communities no funds were ever used for these purposes. Generally, the ceiling had been set at 20 percent of funds, although there were some notable exceptions. The law now limits service spending to 10 percent, although HUD is permitting recipients to go above that level in fiscal 1982 if they exceeded 10 percent in fiscal 1981.

23(a) Is spending on social or public services new to this city? Why?

23(b) Has there been any major change in the kinds of services funded from CDBG? For example, changing some or all of such spending from health clinics or housing counseling to police salaries or city hospital staff. Why?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

23(c) Have CDBG funds been used to substitute for social or public services previously funded from other sources? Why? Where such substitution has occurred, please discuss in detail the prior sources of funding--federal, state, local, private.

23(d) It is no longer required that spending on social or public services primarily benefit residents of neighborhood strategy areas (NSAs). Has this city changed the geographic distribution of CDBG-funded services? Why? Include in your discussion the kinds of services involved and the character (e.g., race, ethnicity, income) of the areas added to the service delivery area.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

24. Participation by non-profits in the CDBG program.

24 (a) What proportion of the CDBG block grant for years seven and eight went to private, non-profit organizations to implement programs?

	<u>Dollars allocated</u> <u>(\$000)</u>	<u>Percent of</u> <u>CDBG grant</u>
Year seven	_____	_____
Year eight	_____	_____

24(b) Discuss in detail any significant changes in funding patterns. This should include the reasons for the change and the kinds of activities involved. Be sure to take into account the general direction that non-profit participation has been taking in the past so we do not overinterpret any increases or decreases.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

24(c) To what extent has the allocation of CDBG funds to non-profit organizations become an issue in this city? Describe the issue. What is the forum for discussion?

24(d) Where relevant please discuss what happened to the non-profit's program as a result of the loss of CDBG funds? Were other funds provided? Include as many specific examples as possible.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

24(e) If the level of CDBG funding for non-profits decreased in year 8 and the decrease was because of a smaller grant to the city, have other federal, state, local or private funds replaced the CDBG losses? Discuss.

24(f) Have CDBG funds been used to replace money lost by non-profits from other federal, state, or local programs? Include as many specific examples as possible.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

## 25. Fiscal Strategy vs. Development Strategy

An important focus of this research is the extent to which CDBG allocation decisions reflect a local fiscal policy or a local development policy. Generally, by orientation toward fiscal considerations we mean that the allocation of CDBG funds to particular activities was significantly influenced by local fiscal factors and that CDBG funds were frequently used to replace funds from other sources. By orientation toward development needs we mean, generally, that the city has a revitalization or economic development "strategy" of which CDBG allocations are a key component.

One of the most difficult questions throughout the series of field network evaluation studies has been the extent to which federal funds have been used in place of local tax levies. It is in this area where coordination between the CDBG research and the broader Princeton research on Reagan's domestic policies becomes most important.

CDBG itself is too narrow a programmatic base from which to determine net fiscal effects in a community. The Princeton research will provide important data and background on both the jurisdiction's general fiscal condition and on what is happening in terms of net flows of funds across a wide range of local programs. These information sets will provide the empirical backdrop for our own analysis of CDBG fiscal effects.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

25(a) Describe any linkages between the CDBG decision process and the city's regular budget process. For example, putting the CDBG program year on the same schedule as the regular budget process, having the CDBG allocation proposals reviewed by city budget officials, or the reverse, where CDBG officials review other departmental requests for general fund appropriations to see whether CDBG funds can be used for particular items. For this response, we ask you to describe how such linkages, if any, have operated prior to year seven.

25(b) In instances where they exist, have these linkages increased the packaging of CDBG funds with other city funds or the replacement of other city funds with CDBG funds?



Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

25(c) Were any changes made in the CDBG decision process (or any contemplated) to link the program more closely or less closely to the city's regular budget process in year seven? In year eight? Why? Discuss in detail.

25(d) In what ways, if any, did these changes affect CDBG allocations to specific activities?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

25(e) We would like an assessment of the city's overall CDBG program in terms of its orientation toward fiscal considerations and development needs. In your reply state: (1) what the orientation is; (2) how that orientation manifests itself; (3) whether it has changed over the first eight years of the program; (4) at what point such changes occurred; and (5) why there was a change.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

26. Downtown vs. Neighborhood Development

By downtown we mean the central business district (CBD); neighborhood commercial centers are considered part of neighborhood development.

26(a) To what extent was there a downtown and/or neighborhood development strategy in this city during the first six years of the CDBG program? Were there any changes in that strategy during that period? What were the programmatic components of the city's development strategy (e.g., housing rehabilitation, commercial rehabilitation, public works, parks and recreation facilities, etc.)?

26(b) Has there been any shift in the city's development strategy in the seventh year? In the eighth year? If so, what has been the change (e.g., a shift in CDBG funds between the CBD and the neighborhoods)?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

26(c) What factors seem to account for any shift in the downtown vs. neighborhood development strategy? Your response should take into account local factors such as political or decisionmaking process changes, any changes in priorities resulting from reduced federal funds for CDBG, and any changes in priorities resulting from deregulation.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

27. Target Areas

## 27(a) Number and size of target areas

	<u>Year 7</u>	<u>Year 8</u>
Number of target areas	_____	_____
Percentage of total population in target areas	_____	_____

27(b) Have there been any changes in target area designations in year seven? In year eight? By changes we mean expanding or contracting target area boundaries, or adding or subtracting target areas. Explain the reasons for the changes. (Be alert to any changes that may be based on 1980 census data.) In cases of change, is there a pattern to the types of areas changed (commercial-residential; income character, etc.)?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

27(c) In cases of both changes or no changes in official designations, has there been any significant shift in priorities among or within target areas in terms of concentration of spending or kinds of activities? Why?

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

**28. Year Nine--Program Uses**

Looking ahead to year nine, are you aware of any changes planned or being discussed by local officials that would significantly alter the nature of the city's CDBG program? Take into consideration the previous questions concerning the mix of activities funded, fiscal vs. development strategy, downtown vs. neighborhoods, and target areas.

## PART V. BENEFITS

In the past we used a carefully specified quantitative methodology for estimating intended benefits to different income groups. In this research that method is no longer used, for three reasons: 1) the census tract data which are part of that method are now very old and highly unreliable; 2) the sample size of 10 is too small to use for generalization and includes only central cities; and 3) many, if not all, of the year eight submissions do not include census tract data for specific activities.

We are, however, pursuing the question of benefit distributions, although we will have to rely on a more qualitative and judgmental approach. This requires a more detailed discussion in response to the questions, since your narratives are the central source of data for analysis of this important question.



Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_ - \_\_\_\_\_

29. Distribution of Benefits

29(a) Has the distribution of benefits been an issue in this city in year seven or year eight?

	Yes	No
Year seven	_____	_____
Year eight	_____	_____

29(b) Discuss your response to 29a. Who initiated the issue? Did HUD get involved? What was the forum for discussion of the issue? How was the issue resolved? In your discussion please be sure to distinguish between year seven and year eight.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_ - \_\_\_\_\_

29(c) In your judgement, has there been any shift, up or down, in the shares of intended benefits for low and moderate income groups? Did such changes occur in year seven, year eight, or both years? If changes are reported, discuss their magnitude and explain fully the basis for your conclusion.

In reaching your assessment of the distribution of benefits be sure to take into account changes in the kinds of activities funded and the proportion of funds allocated to different program categories. Keep in mind that our previous reports have shown that different kinds of program activities tend to yield different benefit levels. Also take into account any changes in the number or type of target areas and the proportion of funds allocated to different geographic areas. Finally, be alert to changes made in the structure of programs which may have an effect on the distribution of benefits to low and moderate income groups (e.g., changing a housing rehabilitation program from a grant to a loan). Note that protests, lawsuits, etc. may be an indicator of changes in intended beneficiaries.

29(d) If there were changes in the distribution of program benefits in this city, discuss in detail the reasons for these changes. If there were no changes, discuss the factors that seem to account for the lack of change.

Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

29(e) What problems did you encounter in obtaining data on program benefits for year seven? For year eight?



Jurisdiction \_\_\_\_\_

Associate \_\_\_\_\_

30. Year Nine--Program Benefits

Looking ahead to year nine, are you aware of any changes planned or being discussed by local officials that would significantly alter the distribution of benefits in the city's CDBG program? What do you anticipate would be the effect of such changes?

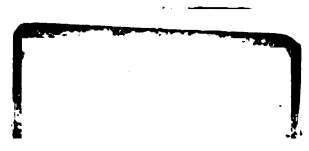
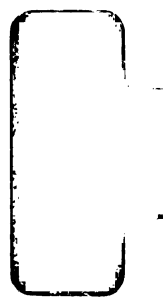
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