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[COMMITTEE PRINT]

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

STAFF REPORT

PREPARED BY THE STAFF OF THE

SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

OF THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS HOUSE OF REPRESENTATIVES

95th Congress, First Session



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LETTERS OF TRANSMITTAL

FEBRUARY 8, 1977.

To All Members of the Committee on Banking, Finance and Urban Affairs:

Transmitted herewith for the use of the Committee on Banking, Finance and Urban Affairs is a report prepared by the staff of the Subcommittee on Housing and Community Development on the Community Development Block Grant Program. The views and conclusions of this report do not necessarily represent those of the Committee on Banking, Finance and Urban Affairs or of any individual member.

Sincerely,

HENRY S. REUSS,
Chairman, Committee on Banking, Finance and Urban Affairs.

JANUARY 31, 1977.

Hon. HENRY S. REUSS,
Chairman, Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed for your consideration is the report on the Community Development Block Grant (CDBG) Program prepared by the staff of the Subcommittee on Housing and Community Development.

At my direction in August 1976 the staff of the Subcommittee on Housing and Community Development began a review of the operations of the CDBG Program authorized by Title I of the Housing and Community Development Act of 1974, P.L. 93–383. The staff interviewed local community development officials and elected officials representing 133 community development block grant recipients in 36 states and the Commonwealth of Puerto Rico. Also, many HUD regional and area office staffs were interviewed as well as officials of state government agencies that are involved in housing and community development.

The report represents an attempt to obtain the views of those most involved in the administration of the CDBG Program operation to obtain some sense of just how CDBG funds are now and are likely in the future to be used in a wide variety of communities. In addition to onsite interviews and field visits, the staff reviewed available reports and studies including several of the CDBG monitoring reports prepared by agencies and organizations concerned with the CDBG Program. The survey was conducted over a five-month period from August to December of 1976.

This report is intended to assist the Subcommittee in its oversight responsibilities and to contribute to an illumination of the issues it will be dealing with as it considers reauthorization legislation for the CDBG Program this year. I wish to thank the staff of the Subcommittee, both majority and minority, who participated in developing this report. I believe that the report represents a significant contribution to a major review of the operations of this program.

Sincerely,

THOMAS L. ASHLEY,
Chairman, Subcommittee on Housing and Community Development.

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INTRODUCTION

The staff of the Subcommittee on Housing and Community Development was directed by the Chairman, Mr. Ashley, to conduct a field survey of the Community Development Block Grant (CDBG) Program authorized by Title I of the Housing and Community Development Act of 1974. The staff was directed not to duplicate on-going CDBG studies being carried out by the Department of Housing and Urban Development (HUD) and other organizations, most of which are statistical in nature and tend to analyze particular aspects of the program. The main purpose of the survey was to obtain the overall views of those most directly involved in the implementation and conclusion of the program, such as mayors, managers, planners, other local community development officials and HUD regional and area office personnel. From their views about the program and its operation, the staff tried to obtain some sense of just how community development block grant funds are now being used and how they are likely to be used in the future in a wide variety of communities throughout the nation. This report summarizes the views and conclusions obtained by the staff from the survey and is intended to assist the Subcommittee in its oversight responsibilities and contribute to an illumination of the issues it will be dealing with as it considers reauthorization legislation for the CDBG program this year.

The survey was conducted mainly through field visits and on-site interviews in communities that were using CDBG. The staff interviewed local community development administrators and elected officials representing 133 CDBG recipient communities in 36 States and the Commonwealth of Puerto Rico (a list is provided in the Appendix). The staff also interviewed HUD regional and area office officials; and, in some instances, officials of State government agencies involved in housing and community development.

In addition to on-site interviews and field visits, the staff reviewed available reports and studies, including several of the monitoring reports prepared by agencies and organizations concerned with CDBG and conferred with HUD officials and representatives of public interest groups concerned with housing and community development. The survey was conducted during the five-month period, from August through December, 1976.

At the time the staff conducted the survey, the CDBG program was less than two years old. Although HUD reports that the first application was approved in February 1975, most of the applications for the first CDBG program year were approved in June and July of 1975. Therefore the information gained in the survey is largely based upon only one year of actual operational experience. A substantial part of the local operational experience involved planning and similar "tool-

ing-up" activities necessary for implementing the community development programs.

A general overview of the status of the program and the characteristics of the recipients, according to HUD data, establishes that over 4,500 communities have or are participating in CDBG. These recipient communities comprise 513 metropolitan cities, 740 small "hold-harmless" communities, 76 urban counties and more than 3,500 "discretionary" communities of less than 50,000 population.

Most of the CDBG appropriations for fiscal 1975 and 1976 have been allocated among these communities as is shown in Table 1 which summarizes allocations for the first two CDBG program years.

TABLE 1.—CDBG FUND ALLOCATIONS BY GRANT CATEGORY, FISCAL YEARS 1975 AND 1976 (AS OF NOV. 30, 1976)

[Total fiscal years 1975 and 1976—Grant allocations in thousands of dollars]

	Amount	Percent of total allocations
I. Entitlement	$4,581,797	85.6
Metropolitan	4,046,601	75.6
Metro cities	3,375,364	63.1
Urban counties [1]	327,739	6.1
Small hold harmless	343,498	6.4
Nonmetropolitan	535,196	10.0
II. Discretionary balances	590,269	11.0
SMSA balances	136,571	2.5
Nonmetropolitan balances	453,698	8.5
III. Urgent needs	100,000	1.9
IV. Secretary's fund	79,934	1.5
Total	5,352,000	100.0

[1] Hold-harmless funds allocated for urban counties in accordance with sec. 106(h) are included in the urban counties category.

Note: Grant allocations in this table represent funds appropriated by the Congress, which have been allocated to the categories of eligible recipients according to secs. 103, 106, and 107 of the Housing and Community Development Act of 1974.

Source: Table 1.1.—Community Development Block Grant Program, 2d Annual Report, DHUD, December 1976.

As is shown in Table 1, almost $4.6 billion, or more than 85 percent, of the $5.3 billion of CDBG funds allocated for the first two years was allocated to entitlement communities. Discretionary communities were allocated slightly more than one half billion dollars, or 11 percent of total allocations. The remainder of the allocations were for urgent needs and the Secretary's discretionary fund which together accounted for 3.4 percent.

Recent HUD analyses show that only about one third of the total amount of the funds that have been allocated for both years have been drawn down by the recipients. Therefore the staff survey is largely based on activities that are proposed rather than actually implemented. Nevertheless, the data base for the survey is reasonably firm because it reflects activities proposed in applications that have been approved by HUD.

The report is organized in several major sections according to major issues the staff identified in its survey. The issues are obviously interrelated and therefore they are often discussed in several sections of the report.

Section I

CONCEPTS AND OBJECTIVES OF THE PROGRAM

The community development and housing goals and objectives enunciated in the 1974 Act stemmed from a complex and lengthy history of initiatives by both the Congress and the Executive Branch. They represent a mix of broad national goals: they reaffirm, on the one hand, the National mandate for "a decent home and suitable living environment" established in the Housing Act of 1949, and, on the other hand, the mandates perceived as necessary for implementing the "New Federalism" in federal-state-local relations.

At the operating level, the success in achieving these goals and objectives is a challenge and is a test of whether or not all levels of government can work together in meeting crucial national needs and priorities and at the same time decentralize a great deal of the decisionmaking process from the federal to the local level of government. An appraisal of the perceptions held by officials at the levels of government actually involved in implementation of the CDBG program is required for a better understanding of the issues that have emerged since enactment of the 1974 act.

STATUTORY OBJECTIVES OF THE COMMUNITY DEVELOPMENT PROGRAM

The objectives, goals or purposes of the community development (CDBG) program are numerous, competing and could be conflicting. There is no single dominant objective and in that sense the objectives are not clearly defined.

The stated objectives can be roughly divided into three categories: procedural objectives (i.e., how should the program be undertaken), substantive objectives (i.e., what activities should be undertaken), and derivative objectives (i.e., what benefits should result).

Procedural objectives

These objectives are relatively straight-forward and for the most part are reflected in the statutory structure of the program. These include:

1) consolidation of separate categorical grants into a "decentralized" block grant for the purposes of:

a) providing recipients with more flexibility in choosing the types of community development activities to be funded;

b) providing recipients with more flexibility in the manner in which they undertake these activities;

c) reducing front end application requirements and red tape.

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2) placing responsibility for administering community development activities on local elected officials in order to—

a) improve the coordination of various community development activities by centralizing control over them at the local level;

b) put the control over CDBG in the hands of officials who are elected;

c) improve the capacity of local governments to plan and execute CDBG programs.

3) increasing the role of citizens in the CDBG planning process in order to involve citizens in the improvement of their community and assure a greater responsiveness of the CDBG program to the perceived needs of citizens.

4) allocating funds to the greatest extent possible on the basis of objective needs in order—

a) to reduce "grantsmanship"; and

b) to provide assistance to communities on a regular and predictable basis.

5) requiring communities to define their housing needs and specify specific housing goals for which they are accountable in order that housing and community development may more effectively be coordinated.

6) requiring funds to be spent in a timely manner; and

7) requiring communities to formulate long-range CDBG goals and comprehensive strategies to meet those goals.

Substantive objectives

The substantive objectives of the program can be presented on three levels. First, since the CDBG program is a consolidation of existing programs, the objective is to permit communities to use the block grant for the same activities as were authorized in the replaced programs plus any additional activities specified in the CDBG legislation. At this level the operative statutory provisions are the listing of eligible activities.

The combination of this level of substantive objective plus the procedural objectives previously listed were the elements of the special revenue sharing approach recommended by the previous Administration as a part of the "New Federalism".

The problem was that the substantive content of CDBG, if reflected solely by a list of eligible activities, could be drastically different from that under the replaced categorical programs which in various ways represented prior national objectives. For example, under CDBG, an activity, such as property acquisition for a public purpose, would be similarly deemed eligible without respect to what the public purpose was—to improve golf courses or to eliminate slums and blight.

Accordingly, a second level of substantive objectives attempts to concentrate or focus the potential range of eligible activities in order to continue in a general way the thrust of the major categorical programs which were replaced, primarily urban renewal and related programs. The operative statutory provisions are the application and review requirements. These provisions require that each community formulate a program—

1) to eliminate slums, blight and deterioration where such conditions or needs exist;

2) to prevent blight and deterioration; and

3) to provide improved community facilities and public improvements, and supporting social services where necessary and appropriate.

While these requirements eliminate extremes and offer some guidance, they do give considerable discretion to communities in determining the type of activities, their relative level of funding and their location. Coupled with the procedural objective of reducing HUD review of applications and reducing grantsmanship and other procedural objectives, these substantive objectives are still quite general and flexible.

Still at this second level, an additional application requirement is provided as guidance on funding priorities and the location of activities. It provides that each community must develop a program which gives maximum feasible priority to activities which will either benefit low or moderate income families, or aid in the prevention or elimination of slums or blight, or, as approved by the Secretary, are designed to meet particular urgent community development needs. While this requirement appears to focus on funding priorities, the focus is still extremely broad. Given the procedural objectives of the program, this provision would appear to proscribe only those individual activities which are clearly unrelated to slum or blight prevention, low or moderate income persons, and urgent needs.

A third level of substantive objectives is contained in the findings and purpose provisions. Given the design of the CDBG statute, its procedural objectives and the care with which HUD approval and review discretion is circumscribed, these provisions tend to have little or no operative effect beyond what the provisions in levels one and two mandate. The objectives include:

1) the elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income;

2) the elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;

3) the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities; and

4) the restoration and preservation of properties of special value for historic, architectural, or esthetic reasons.

Derivative objectives

Most of the derivative objectives, or general benefits to be realized, are also stated in the findings and purpose provisions. The stated primary objective is to develop viable urban communities. Other objec-

tives are to provide decent and better quality housing, expand economic opportunities, more rationally utilize land and other natural resources, to reduce economic segregration, and to encourage new centers of population growth and economic activity.

Some of these derivative objectives are expressed in terms of principally benefitting persons of low and moderate income. However, except to the extent that the application requirements previously discussed require it, these expressions of a benefit focus are of marginal legal impact.

Conclusion

The structure and provisions of the community development statute reflect the dual purposes of (1) delegating to local officials and citizens the responsibility for determining needs, activities to meet those needs, and how those activities are to be carried out; and (2) assigning national priorities to the spending of community development funds. This duality of purpose, however, does not mean that the statute is defective. As intended, it provides a flexible and highly decentralized approach for delivering federal community development grant assistance. Within this approach federal and local decisionmakers have extensive latitude. And the success of the approach depends on how well the statute is administered by these decisionmakers. In this sense, they have a larger responsibility for assuring that local programs developed by CDBG are meeting statutory purposes and objectives than they had under the categorical programs.

Throughout this report findings are cited of local deviation from national priorities and from federal experience or attitudes as to the best way to undertake community development. An evaluation of these findings should involve a balancing of the benefits that derive from local priorities, decisionmaking and involvement in community development against a "less-than-ideal" use of federal funds.

HUD INTERPRETATION OF THE OBJECTIVES

Given the origins of the Act as a procedural reform (i.e., special revenue sharing as part of the New Federalism), the ambiguous nature of the substantive objectives of the Act, and the manner in which the HUD review was circumscribed, the HUD interpretation of the objectives of the program was strongly slanted toward the procedural aspects and interpretation of the distinction between eligible and ineligible activities. This has led to criticism of the HUD administration of the program calling for more recognition of some of the substantive objectives. The barrage of criticisms leveled by a variety of national organizations and several court actions has appeared to create a growing concern in HUD about achieving some of the more substantive objectives of the Act.

LOCAL PERCEPTION AND ACHIEVEMENT OF THE CDBG OBJECTIVES

In the first part of this section, it was established that many objectives were considered at different points in the development of the

several proposed legislative initiatives that culminated in enactment of the CDBG program. These objectives may be grouped in six categories, as follows:

1. *ACHIEVING THE CONCEPT OF NEW FEDERALISM*
- Implementing Special Revenue Sharing Concept
- Strengthening Local General Purpose Government
    (1) Vesting responsibility for using community development grant-in-aid assistance with the general purpose local governments
    (2) Decentralization of decisionmaking concerning local community development program planning and implementation
- Improving in the Performance of Local Government
- Extending Community Development Assistance to Urban Counties
- Coordinating Local Housing and Community Development Efforts with Area, Regional and Statewide Planning

2. *SIMPLIFYING FEDERAL GRANT-IN-AID ASSISTANCE*
- Provide More Flexibility for Local Communities to Use Federal Grand-in-aid Assistance
    (1) Consolidating categorical grant-in-aid programs for open space, water and sewer facilities and public facility loans
    (2) Consolidating urban renewal, model cities, neighborhood facilities programs
- Minimizing Administrative Procedural Requirements for Community Development Grant-in-aid Assistance
    (1) Establishing simplified community development block grant application process
    (2) Minimizing federal front end review
    (3) Maintaining sufficient federal review as required to evaluate achievement of broad national goals and objectives
- Shifting the Approach for Obtaining Federal Community Development Grant-in-aid Assistance from the Grantsmanship Approach to Entitlement Allocation According to Statutory Formula
    (1) Eliminating the requirement for a local share
    (2) Protecting communities which had participated in the categorical grant-in-aid programs from losing funds (hold harmless)

3. *ESTABLISHING SOCIALLY, ECONOMICALLY AND POLITICALLY VIABLE URBAN COMMUNITIES*
- Aiding localities in the Prevention or Elimination of Slums and Blight
- Physical Improvement of the Urban Environment
- Social Improvement of Urban Conditions
- Emphasizing Physical Development Over Social Service Activities

4. *PROVIDING A LINKAGE BETWEEN FEDERALLY ASSISTED COMMUNITY DEVELOPMENT AND HOUSING PROGRAMS*

5. *PROVIDING ACTIVITIES WHICH WILL BENEFIT LOW OR MODERATE INCOME FAMILIES*

6. *INCREASING THE PARTICIPATION OF LOCAL RESIDENTS IN THE DECISIONMAKING PROCESS*

The first two objectives are discussed separately below because they are too broad to include in the discussions covering the specific statutory objectives.

Achieving the concept of the New Federalism

Local government officials appear to believe that CDBG has largely satisfied the call for a special revenue sharing approach for providing

federal community development assistance to local governments. Their criticism of the relatively limited strings attached to grant assistance provided in this approach was largely confined to technical matters, and they are opposed to a return to the categorical approach.

As an element of the "New Federalism", local officials believe that general purpose local governments have been strengthened because they are fully responsible for the decisions concerning community development program planning and implementation. The categorical programs often proliferated this responsibility among special purpose agencies that often were not responsive to the citizens nor to locally elected officials.

Some local officials indicated, however, that there are some signs that HUD is increasingly second guessing the decisions made in planning and implementing CDBG. These officials are concerned that HUD might renege on the mandate in the CDBG program for decentralizing the decisionmaking process.

According to most local officials, both the administrative and legislative branches of local governments involved in CDBG have already demonstrated improved performance in both planning and implementing local community development programs. They report that local elected officials became intimately involved in developing the CDBG application whereas they were only superficially involved in the categorical programs. They report that the CDBG process resulted in the involvement of many department heads in several city and county agencies who heretofore had little or nothing to do with community development activities and who often looked askance at the products of planning, urban renewal and model city agencies. All of this has led to a closer and more effective coordination of municipal services and public facilities in implementing community development programs. Often these officials attributed a considerable part of the improvement in local government performance to the citizen participation process required in the CDBG program.

As indicated by the number of applications received from urban counties, the CDBG program proved to be attractive to county governments. This was true even for counties that had little or no prior categorical program experience. Because many had limited community development experience, the performance of the counties, as with smaller cities, is not clear as yet. Many counties, however, developed cooperative agreements with incorporated units within their jurisdiction for applying for CDBG assistance. Also, many counties have become more concerned about conditions in unincorporated areas and are using the program to plan community development and housing activities for such areas.

Another of the "New Federalism" objectives is intergovernmental cooperation and coordination. CDBG does not appear to be generating significant achievement toward this objective, according to local government officials. They acknowledge that CDBG has a potential for achieving it but do not yet see significant progress toward its achievement. An exception to this was in urban counties, most of which reported that such coordination and cooperation was developing often as a result of their participation with CDBG. The extent of achievement was observed as varying from State to State and among regions

within States. In a number of instances, however, the staff observed that progress was developing in achieving the intergovernmental coordination and cooperation objective.

Simplifying Federal Grant-in-Aid Assistance

In the long course of developing the legislation that culminated in the enactment of the CDBG program, an overriding goal was to simplify the method for providing federal grant-in-aid assistance for localities. Almost unanimously the local officials interviewed agree that CDBG moves significantly toward achieving this goal and the several monitoring reports on the CDBG program acknowledge this achievement. Clearly, the consolidation of the categorical assistance programs for open space, water and sewer facilities, public facilities, urban renewal, NDP and model cities has provided more flexibility for communities to plan and use federal community development assistance. The administrative and procedural requirements under the categorical community development assistance programs have been substantially reduced. A much more simplified application process was developed. The front end review by HUD has been reduced to 75 days by statutory mandate. There is some question, however, as to whether or not HUD has maintained sufficient review capability for evaluating progress toward achieving the broad national goals and objectives of the 1974 act. Most local officials say that HUD has. Other segments of the community have complained that it has not.

Some of the monitoring studies undertaken are critical of the manner in which HUD review responsibilities and call for more intensive front end review. The studies claim that for certain aspects, the CDBG post audits and HUD performance evaluations are not effective substitutes. Local officials, however, are critical of any moves to increase the extent of front end intrusion, especially that which occurred in connection with the required Housing Assistance Plans (HAP's). They view the trend as a reversion to the categorical program approach. An issue here is how can HUD satisfy its administrative responsibilities and at the same time meet the mandate for decentralized decision making. Requirements are stipulated in the Act, reviews are called for, local certifications required, post audits of performance and program evaluations are called for and annual reporting to the Congress is mandatory. These procedures should provide significant safeguards for maintaining adequate federal oversight. Some local officials believe that even these requirements are cumbersome and fly in the face of program simplification and decentralization objectives. Until more experience is gained from performance and program evaluation procedures, firm conclusions are difficult to make.

A reliance on federal "grantsmanship" has been substantially eliminated through the CDBG approach to federal community development assistance. Such a reliance had often caused inequities to occur under the old categorical programs according to local officials. It also often necessitated the use of expert, outside consultants which resulted in a relatively more expensive program than that which could be carried out under CDBG. Relatively few consultants were used in preparing CDBG applications during the first two program years. According

to local officials, establishing that cities were entitled to specific amounts of CDBG assistance in accordance with a needs formula and the lack of a matching share requirement contributed substantially to officials not having to rely on grantsmanship in order to receive much needed federal community development assistance. Local officials noted that, in the past, a considerable amount of special expertise was needed to increase "in-kind" payments (such as that authorized in the old urban renewal program) to reduce the amount of the local matching share. This effort was often cited as making a mockery of the matching funds requirement in the categorical programs.

The staff agrees that, in this respect, the CDBG program has resulted in significantly simplifying federal community development grant-in-aid assistance to the benefit of both the federal and local governments.

The remaining objectives identified by the staff from an examination of the Act—establishing social, economically and politically viable urban communities; providing a linkage between housing and community development, providing activities which will benefit low and moderate income families and increase the participation of local residents—are discussed below as well as in other sections of this report.

CDBG statutory objectives

The statutory objectives of Title I of the Housing and Community Development Act of 1974 are set forth in Section 101(c) as follows:

> "(c) The primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income."
>
> (1) The elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income;
>
> (2) The elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;
>
> (3) The conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;
>
> (4) The expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;
>
> (5) A more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;
>
> (6) The reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons

of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and

(7) The restoration and preservation of properties of special value for historic, architectural, or esthetic reasons.

In the earlier parts of this chapter it has been asserted that there is considerable confusion about the goals, purposes and objectives of the Act. In this section the staff's observations about how local officials perceive the objectives of the Act are set forth.

It is necessary to preface this discussion with an overall observation. In discussing the Act's objectives, local officials tend to back away from commenting on specific statutory objectives and prefer to discuss the goals of the Act in general terms. With minor exception, it appears that local officials were more comfortable in discussing in an isolated way the eligible activities as provided in Section 105(a). Often, in preparing the CDBG application, it appeared to the staff that local officials did not address the CDBG objectives first and then develop a program of eligible activities. Rather, it appeared that often the list of eligible activities was developed more or less independently of an analysis of the objectives stated in the Act.

Local officials' views about the general objective

Local officials generally support the primary objective of the Act but are seriously concerned with provisions concerning low- and moderate-income persons. They were often in a quandry as to the interpretation of the term "principally for low- and moderate income".

In the absence of any guidelines from HUD about how the term "principally" should be interpreted and how much of their program had to be directed to benefit low, lower, and moderate income groups, they tended to choose the broadest interpretation of these terms. When questioned, they often asserted that the objectives of the Act concerning low income families could not be fully achieved and cited the following reasons:

(1) the shortage of housing subsidies;
(2) HUD's policy regarding racial and income deconcentration;
(3) the lack of assurance of long term funding;
(4) the limited amount of CDBG funds; and
(5) the high social and money costs involved redeveloping seriously blighted areas in which most low and lower income persons live.

The local officials interviewed also were generally in agreement that the objective aimed at "expanding economic opportunities" could not be fully achieved for the following reasons:

(1) the lack of long term funding and funding commitment;
(2) the lack of adequate funding amounts;
(3) the high cost of relocation; and
(4) the competition from other segments of the community for CDBG funds.

Most local officials believe that CDBG will have a larger impact if it is used primarily for hardware type activities. They further believe that "soft ware" activities, such as many of the social services provided in the model cities program, should be financed from other

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sources. They often pointed out that there is considerable pressure from segments of their community to emphasize the economic opportunities element of the objectives strictly as a social services element—i.e. job training programs, technical assistance to small businesses, etc. They believe that a substantial part of the controversy in the CDBG application phase in both program years—but more so in the first—came about because of this.

In general, local officials have serious reservations about the extent to which major renewal type activities, which are required in the most seriously blighted residential communities, can be undertaken through CDBG. Similar reservations were expressed about CDBG type activities aimed at improving economic conditions generally, i.e. stabilizing the tax base, and maintaining existing and attracting new industrial and commercial activities for increasing employment opportunities, etc. For this reason they are skeptical about whether or not these objectives of the Act can be achieved without revisions in the program.

Local officials' views about specific objectives

Local officials believe, for the most part, that the CDBG program can best be used for achieving the objectives specified in paragraphs (1), (3) and (4) of Section 101(c). In other words, subject to the reservations they have about very low-income blighted areas, local officials believe CDBG could be most effective in achieving the elimination of slums and blight, the improvement of housing in neighborhoods threatened with deterioration, and expansion and improvement of community services.

Local officials gave least credence to the objectives in Section 101 (c)(6) and (7) concerning historic preservation and the isolation of income groups. They pointed out that historic preservation had a relatively low priority because it would have the least impact on achieving the general purposes of the Act. The spatial deconcentration of lower income persons provision was considered as least achievable because of factors such as housing costs, limited income and rent-paying ability, and the insufficient amounts of Federal housing subsidies.

The staff did not hear sufficient comments about the remaining two objectives in Section 101(c) concerning elimination of detrimental conditions and more rational utilization of land to warrant their coming to any conclusions. Discussion of these objectives was seldom, if ever, volunteered, but only implicit within the context of commentary on the other objectives of the Act.

Local officials tended to view CDBG as an effective tool for preventing blight and the deterioration of neighborhoods and community facilities. For the most part, they directed community development activities toward this objective. Except for purposes of completing ongoing urban renewal projects, there were relatively few instances in which available community development funds were targeted for the worst areas of their communities.

Local officials made special comment about code enforcement and demolition. According to these officials, code enforcement is not being emphasized because it is not well understood or received by either the community or by local officials. On the other hand, considerable demolition of dilapidated and unsafe buildings is planned on scattered sites. This activity is viewed as an important element in preventing the decline of many otherwise sound neighborhoods.

Subject to reservations about the effectiveness of rehabilitation as an approach in improving very low-income neighborhoods, local officials viewed CDBG as an excellent approach for conserving and expanding the housing stock. They consistently pointed out, however, that expansion of the stock of decent housing for those of low-income stock was largely determined by the amounts of housing subsidies made available. It is the view of many local officials that rehabilitation activities undertaken in lower-income neighborhoods can succeed only if housing subsidies are creatively merged with CDBG funds for rehabilitation.

Most local officials took a narrow view of the community services objectives found in Section 101(c)(4). Many interpret the language of this provision to mean "software" services generally, while others limit its scope to the provision of operating expenses of federally-assisted community facilities. There is substantial confusion as to the precise meaning of this objective.

The fifth specific objective of the Act (Section 101(c)(5)) was also confusing to local officials. They tended to focus on the "better arrangement" phrase. In this respect, they believe that the community facilities they propose in their applications are meeting this objective. The rational utilization of land and natural resources element of this objective was hardly ever discussed, except by urban counties which had some developing areas.

The sixth objective (whose dual goals are the spatial deconcentration of housing opportunities for lower income persons plus revitalization of deteriorating and deteriorated neighborhoods which could then attract higher income groups) was considered by many local officials as containing aims which are mutually exclusive. Local officials did agree that most of their efforts with respect to this objective were directed toward the neighborhood revitalization element. They pointed out that HUD's policy of discouraging additional new assisted housing in areas of high minority and/or low-income concentration created difficulties for localities in planning major neighborhood revitalization in areas.

Local officials were least confused about the seventh specific objective in section 101(c) concerning historic preservation. As stated earlier, they give less emphasis to this objective on the basis that it is least likely to contribute to achieving the general objectives of the Act and is of low priority among the citizens in their communities.

Conclusion

Generally, the staff found that almost all the officials interviewed welcomed the flexibility that the CDBG approach permitted and believe that it is assisting the recipient communities in strengthening their capability for administering community development programs as a function of general purpose government. The local officials interviewed believe that as the initial phase of the program is completed and experience is gained in actual program implementation, the recipients will develop a clearer concept of its multiple purposes and objectives. For the most part these officials did not hold the view that inherent in the shift to CDBG was an exclusively general revenue sharing approach to Federally assisted community development activities. While the staff observed a tendency for some smaller communities to initially view CDBG as a general revenue sharing approach, it

believes that local officials in these communities are increasing becoming more sophisticated as to the nature of the program. These officials are sometimes chagrined that CDBG didn't turn out to be equivalent to general revenue sharing, but they do not intend to back away from participating in the program in the future.

Achieving the CDBG objectives

This part of the report discusses how much progress is being made in achieving the objectives of the act. The discussion is largely based upon HUD's Second Annual Report of the Community Development Block Grant Program submitted to the Congress in December 1976, HUD's report on the first program year, and the estimates of progress in CDBG made by others such as National Association of Housing and Redevelopment Officials and the Brookings Institution. Progress in all these reports is largely estimated from analyses of funds applied to the eligible activities as described in year one and year two applications of CDBG recipients. The studies acknowledge the fact that, at this early stage in the program, limited data with respect to actual program experience is available. Because of this limitation. the findings in the studies are based largely upon an analysis of listings of proposed activities contained in selected CDBG applications. Furthermore, the studies are largely based upon census tract data (the only readily available, but admittedly a very rough tool) for determining the degree to which low and lower income groups benefit from the program and whether or not assisted activities are undesirably dispersed. As mentioned in the introduction of this report, only about one-third of the funds allocated for the first two program years has been "drawn down" by the recipients as of November 31, 1976. This figure is comprised of a 63% or $1.5 billion draw down on the first year's funds and only about $100 million of the second year. As a result, estimates of progress toward the objectives of the program based on activities actually implemented by the recipients cannot yet fairly be made. The activities already approved in applications do, however, give significant indications of the directions in which the program is moving.

TABLE I.—HUD ANALYSIS OF THE PROGRESS TOWARD ACHIEVING THE 7 STATUTORY OBJECTIVES IN THE 1ST AND 2D CDBG PROGRAM YEARS [1]

Statutory objective	Percent of funds applied in program year		
	1975	1976	Change
Elimination of slums and blight	42.6	43.1	+0.5
Elimination of detrimental conditions	5.6	5.6	None
Housing stock conservation and expansion	16.3	19.6	+3.3
Improvement of community services	12.1	9.6	−2.5
Better arrangement of activity centers	21.3	21.0	−.3
Reduction of isolation of income groups	.1	0	−.1
Historic preservation	.9	1.0	+.1

[1] The percentages represent only a sample of entitlement communities that account for slightly more than 80 percent of the total funds allocated in fiscal years 1975 and 1976. Urban counties and small hold harmless communities are not included.

Source: Subcommittee staff, based on Department of Housing and Urban Development 2d annual report: Community Development Block Grant Program, December 1976.

The data generated by HUD indicates that the order of emphasis in types of program activities in the first two program years is as follows: elimination of slums and blight, better arrangement of activity centers, conservation and expansion of the housing stock, improvement of community services, elimination of detrimental conditions, followed by reduction of isolation of income groups and historic preservation.

The problem with this analysis is that it does not separate out essential elements enunciated in the statement of general objectives in the 1974 Act. NAHRO has moved toward such an analysis in its report on the second program year (NAHRO Community Development Monitoring Program Second Year Report, February 1977) which is based on the experience of 149 entitlement communities. The staff believes this report provides a better (though by no means conclusive) insight into how activities proposed in local CDBG program applications are meeting the objectives of title I of the 1974 Act.

NAHRO ANALYSIS OF THE PROGRESS TOWARD ACHIEVING THE STATUTORY OBJECTIVES IN THE 2D (1976) CDBG PROGRAM YEAR[1]

Derived objectives[2]	Percentage of funds applied	Types of activities
Elimination of blight[3]	16.9	Continuation/completion of urban renewal, NDP; other acquisition activities; related public works and site improvements; some neighborhood improvement projects.
Elimination of detrimental conditions[4]	20.9	Interim assistance to relieve harmful conditions; code enforcement; public works; site improvements; neighborhood cleanup activities.
Conservation and expansion of housing stock.	22.3	Demolition and modernization of public housing; rehab grants and loans; direct rehabilitation; acquisition for new housing.
Expansion and improvement of community services.	11.7	Public services; continuation/completion of model cities.
A more rational utilization of land and activity centers.	15.0	Water and sewer lines for guidance of urban development; park acquisition for use as greenbelt; minipark development; public facilities.
Reduction of the isolation of income groups.	4.3	Relocation; neighborhood preservation projects; housing acquisition; completion of urban renewal projects.
Restoration and preservation of properties of special value.	2.0	Historic preservation activities.
Expansion of economic opportunity	4.2	Acquisition for industrial development; acquisition for commercial development; "seed" money for economic development; job opportunities program.
Urgent community needs	2.7	

[1] NAHRO survey is based on a sample of 149 entitlement communities.
[2] NAHRO derived this list of objectives by a method of assigning the amount involved in an activity to the objective for which it was "primarily and directly" related thus they tend to be mutually exclusive.
[3] This objective includes only those activities ascribed to it that were of a "systematic and sustained" nature and includes activities in urban renewal, NDP and some concentrated neighborhood improvement programs are included under this objective.
[4] Spot demolition activities were listed under the elimination of detrimental conditions objective as were some short-term (1-shot) activities, street work or public works that alone cannot be considered to meet the elimination of blight objective.

Source: Subcommittee staff based on "NAHRO Community Development Monitoring Program Second Year Report," February 1977.

The methodology used in the NAHRO analysis is perhaps a better way for determining from the amounts applied to the several eligible activities which CDBG objectives are being emphasized by the recipients. The results reflect a confusion by both HUD and local governments about the precise meaning of the Act's objectives.

A consistent finding of the staff was that a considerable amount of activity in the cities visited was directed at the conservation and spot

elimination of detrimental conditions objectives. Local officials had a tendency to group many activities in the elimination of blight category when such activities only met that criteria in the broadest sense of the phrase in that many activities were scattered across the community. The staff observed many instances where there was little concentration of activities or a systematic approach in rehabilitation and neighborhood conservation efforts, as is necessary if the investment of CDBG is to "stick" (in the sense of resulting in permanent neighborhood improvements). The staff believes, however, that a substantial amount of the isolated activity has merit in achieving the elimination of detrimental conditions objective enunciated in section 101(c) of the 1974 Act.

The NAHRO table differs from HUD's data with respect to its estimations of progress toward the stated objectives of the Act. Conservation and expansion of the housing stock rank first. Elimination of detrimental conditions is the objective with second priority. Elimination of blight is third (a sharp drop from that indicated in HUD's analysis as presented in Table I). The better arrangement of activities centers is next followed by the reduction of the isolation of income groups and historic preservation. The HUD report did not isolate the expansion of economic opportunities objective or the "urgent needs" category contained in the NAHRO report.

Although the data upon which the National Association of Redevelopment Officials' report is based is not conclusive, it does indicate a trend toward de-emphasizing the use of CDBG funds for a direct and concentrated approach to the problems found in the most seriously deteriorating or deteriorated areas in communities. Because of the manner in which HUD categorized the data on which its report is based, its report does not reflect this trend.

Section II

ALLOCATION OF CDBG FUNDS

Debate over statutory allocation formula

Three major problem areas with respect to the CDBG formula have been identified recently in various formal studies of the CDBG program, including a Congressionally mandated study by HUD.

These perceived "shortcomings" in the CDBG allocation formula were compensated for to a considerable extent during the first three years of the program by the availability of hold harmless grants. The anticipated phase-out of hold harmless, beginning in fiscal year 1978 and ending by fiscal year 1980, has clearly been the major factor in focusing attention on the basic CDBG allocation structure.

The common theme in these criticisms of the CDBG allocation structure is that the formula does not adequately recognize "need" or "hardship", as determined through various statistical indices. These indices are more numerous than the three factors in the formula and while the hardship indices vary by study, similar conclusions are reached.

1. SMSA suburbs vs. formula cities

Criticism.—As measured by various indices of need, by 1980, after hold harmless grants have been phased out, the amounts allocated to smaller communities within SMSA's will be "too large" in relation to the amounts allocated by formula to central cities and other cities over 50,000 in population.

In fiscal year 1977, SMSA communities, other than cities eligible for formula grants, were allocated 23.7 percent of the CDBG funds allocated to metropolitan areas. In fiscal year 1980, under the current formula, these communities would receive 41.4 percent of all such funds. In contrast, formula cities were allocated 76.3 percent of the funds for 1977, while in 1980 their allocation would fall to 58.6 percent of the funds.

2. Central cities vs. satellite cities

Criticism.—The amount of funds allocated to the older central cities in SMSA's is "too small" in relation to the funds allocated by formula to the newer satellite or suburban cities.

Again, the availability of hold-harmless grants has operated against the direction of the formula, although to a much lesser extent than in the comparison between metropolitan cities and SMSA suburban communities. In fiscal year 1977, central cities received 68.9 percent of all metropolitan area funds while satellite cities received 7.5 percent. By

1980, under the current formula, the share allocated to central cities would drop to 53 percent, while the satellite city share would drop only to 6.6 percent or a decline one-half as large as the decline in the allocation to central cities.

3. Regional variations among central cities

Criticism.—The amount of funds allocated to certain cities—the "hardship" cities—which are old and have numerous problems and are generally located in the Northeast and North Central parts of the country is "too small" in relation to the amount of funds allocated to the newer and growing cities, generally located in the South and West.

The phase-out of hold harmless by 1980 operates to the disadvantage of these "hardship" cities. In fiscal year 1977, central cities located in the Northeast section received 20.4 percent of all metropolitan area funds. In 1980, they would receive 13.2 percent of such funds, a drop of over 35 percent. In 1977, central cities in the North Central section received 15.5 percent of all metropolitan area funds. In 1980, their allocation would decline to 12.1 percent, a drop of 22 percent. Central cities in the South received 21 percent of metropolitan funds in 1977, and their allocation in 1980 would be 17.3 percent, or a decline of 17.6 percent, or about one-half the decline for Northeastern cities. Central cities in the West received 10.1 percent of the 1977 funds and would receive 8.4 percent of 1980 funds, or a decline of 16.8 percent.

Discussion

While the availability of hold harmless grants has at least on an aggregate basis, counteracted to an extent these effects of the current formula, there is widespread agreement that a retention of hold harmless is not a satisfactory solution to the goal of better matching fund allocations to needs. Thus, it appears that the basic concept of the 1974 Act of a permanent "needs" formula will remain the focus of the allocation debate.

Of the three factors in the current formula—population, poverty, and housing overcrowding—at least two have been seriously questioned. First, the housing overcrowding factor has been criticized as being closely correlated with the poverty factor. The two together operate to shift funds away from the older cities of the North to the cities of the South. It has been suggested that since the formula lacks any measurement of the physical condition of communities, the correction of which is the main objective of the CDBG program, that the overcrowded-housing factor be replaced by an age-of-housing factor, defined according to Census statistics as the amount of housing built prior to 1939.

The substitution of an age-of-housing factor in the formula, particularly if it is weighted heavily, will shift allocations substantially to the Northeast and North Central cities. However, this change will not materially affect the amount of funds allocated to suburbs. In addition, while this revised formula will increase allocations to most "hardship" cities, the amount of the increase in many cases falls short of bringing the allocation up to their current hold-harmless levels.

Since many of these cities have lost population or gained very little since 1960, it has been suggested by the previous Administration that the current population factor in the formula, be replaced by a population-loss factor. This would be in addition to the substitution of an age-of-housing factor. The inclusion of a population loss factor shifts allocations drastically, both upward and downward since all cities with no population loss receive a zero for that factor. The current Administration is considering the substitution of a "population change" factor, which would reduce some of the drastic swings produced by a strict population loss factor. Here, only cities with a population gain higher than the average population gain for all cities would receive a zero for the factor.

In order to make the formula changes described above more politically acceptable, their proponents have suggested a dual formula: Those communities which would benefit from the new formula would use that formula, while those communities that would lose funds under the new formula could continue to use the current formula. This "formula hold-harmless" approach has the effect of reducing controversy and also radically reducing the amount of discretionary funds that would otherwise be allocated to suburban communities in metropolitan areas. Since the suburban communities would not have received their full allocation until 1980, however, the effect of the dual formula would be to continue these communities at about their current level.

While part of the motivation behind any proposal for formula change is to find a substitute for hold-harmless benefits, a good case has also been made by HUD, Brookings, and others that the current formula is tilted too far in favor of the less needy communities.

Even if we assume that a definition of need or hardship can be generally agreed upon, it can be argued that it does not necessarily follow that CDBG funds would be effectively used in relation to those needs. It could be argued that this particular program pays its highest dividends when used in areas of population growth and in areas which show early signs of decline, and that other forms of federal aid and incentives would be more effective in addressing the special problems of the declining central cities.

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Section III

EXTENT PROGRAM SERVES LOW- AND MODERATE-INCOME FAMILIES

The most widespread criticism of the CDBG program relates to the extent to which it does or should benefit low- and moderate-income persons. The Act states in Section 101(c) that the primary objective of CDBG is:

> ". . . the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income."

Language to this effect is repeated in several of the specific objectives of the Act. Section 104(g)(2) states that applicants certify that the program gives "maximum feasible priority" to activities benefiting "low- or moderate-income families." This provision, however, continues with the phrase "or aid in the prevention of slums and blight". By linking both of these specific objectives, considerable confusion has resulted. Because blight is a relative term, activities directed toward its prevention and elimination have not necessarily directly benefited low- and moderate-income persons. HUD has been criticized for not providing guidelines to ensure that these objectives not be treated by communities as options which may, in many cases, be mutually exclusive. HUD has also been criticized for not providing quantitative criteria to use in determining what constitutes "maximum feasible priority".

The definition of low- and moderate-income for the purposes of the Act is income less than 80 percent of the SMSA median income. Low-income is defined as income less than 50 percent of the SMSA income. Because of their availabilities census tract figures are used as the basic unit for describing areas and in defining low- and moderate-income concentration. Exclusive use of this data can cause analytical problems however because it is possible that a CDBG activity may be directly benefiting low income persons even though it is within a census tract that, generally, would be categorized as higher income.

All of the monitoring studies of the program reviewed by the staff conclude that the low- and moderate-income objectives of the Act are not being met. The dialogue concerning this issue is replete with acrimony and, in the staff's opinion, often confused. This section sets forth the staff's findings and discusses some of the implications of this issue; problems of the data available to support findings concerning who benefits; how the distribution of CDBG funds affected the low-income segment of the population; the implications of the current debate and how it appears to be diverting attention away from developing effective CDBG approaches in the poor areas of the cities; and the staff's observations about related issues that will be raised.

Estimating who benefits from CDBG activities is difficult. Information on levels of funding for various categories of eligible activities is not sufficient, in itself, to base conclusions on which income groups are being served. Also, as noted above, data based on census tracts is usually too broad to distinguish between low, lower and moderate income. However, relying heavily on this data, both the Brookings Institute study and the NAHRO study conclude that slightly more than 50 percent of CDBG funds were used for activities in low- and moderate-income census tracts. These data are for the first and second program years and are averages based on samples of CDBG communities. The studies differ in their estimates of the relative amount of CDBG expenditures benefiting low- and moderate-income families. The Brookings analysis indicates that the average proportion of benefits to this income group was 60 percent in central cities, 53 percent in nonmetropolitan cities and 29 percent in satellite cities. NAHRO, however, esablishes that only 12 percent of the funds were designated for low-income census tracts in which incomes were 50 percent or below the median income for the entire community. The remaining 39 percent was designated for moderate-income census tracts wherein the average income ranged from 51–80 percent of median income of the city.

While these data are indicative of the distribution of CDBG funds they are not conclusive. It is probable that in many census tracts included in these surveys CDBG activities were focused on "pockets" that could be characterized as very low-income within the tracts. It is, of course, also possible that activities were focused in areas with incomes above the low- and moderate-income level within these tracts. Moreover, there is good reason to believe that in most instances where CDBG funds were focused in census tracts that were clearly low- and moderate-income a substantial portion of the activities being carried out involved completion of urban renewal, NDP and Model Cities programs. It is contended that when these projects are closed out the CDBG funds that were used for their completion are likely to be shifted to activities in areas that are above the lowest income level and the proportion of CDBG funds applied in clearly lower income areas will tend to decline.

NAHRO reports that such a decline has already occurred. Here are its figures for the first and second CDBG program years based on its sample of entitlement communities:

Tract	Percentage of CD funds targeted	
	Year 1	Year 2
Low income	12	10
Moderate income	39	34
Middle income	16	24
High income	13	15

Note: Funds for citywide and unspecified activities are not reflected in this table. These were 20 percent in year 1 and 17 percent in year 2.

Source: NAHRO Letter, vol. XI, No. 1, Jan. 3, 1977.

The several factors which are reported to have contributed to the evident de-emphasis of the worst slum and low-income areas in local CDBG programs are discussed below.

Competing demands in other areas of the community

There are competing demands for CDBG activities from other areas of the community. Often, attention to these other areas is necessary to maintain the viability of the community. If these areas are not treated, it is claimed that they, in their turn, will succumb to blight and will no longer be viable. As they become more blighted there is a strong tendency for persons living in these areas to leave the city. This would further exacerbate the urban problem by further eroding already shrinking tax rolls and thus the economic stability of the cities. Moreover, according to this line of thinking, many communities are solely in need of funds to replace old public facility systems which may not provide a direct benefit to any particular segment of a community but benefit the entire community including lower income areas.

Inadequate CDBG funds

The amount of CDBG funds available are insufficient for meeting all of the community development needs of most communities, therefore funds are spread to meet at least some of the most visible and immediately pressing needs. Also, limited CDBG funds discourage activities in the worst areas because the costs involved in these areas would be disproportionately higher than in other areas and would involve substantial relocation payments.

Citizen participation

The citizen participation requirements of the CDBG program has tended to involve a widened range of citizens representing specific sectors and areas of the community who expect that some of the projects they propose are funded if eligible. They represent groups which often outnumber the poor and minorities (who often represent a large proportion of the poor) and are naturally reluctant to set aside their interests in obtaining part of the CDBG allocation.

Inadequate housing subsidies

Revitalization efforts in the worst areas often require a large number of deep housing subsidies that simply are not available from HUD both for new construction and substantial rehabilitation. Accordingly, local officials back away from using CDBG funds in these areas.

HUD policy on deconcentration

HUD's existing policy of not allowing new construction and other housing-related assistance in areas of heavy low-income and/or minority concentrations prevents recipient communities from planning or approving many activities for the worst neighborhoods in their community development program. While this policy may be justified in

view of several court rulings aimed at preventing de facto segregation of minorities, HUD's narrow interpretation of these rulings was often questioned. In several of the communities visited by the staff, it was reported that HUD refused to relax its requirements even when the people affected desired the proposed housing and did not consider it as a move to further segregate them.

Short-term CDBG funding

The fact that CDBG programs are funded on an annual basis works against activities which require long-term financial commitments. The treatment required in many of the worst neighborhoods of a community is clearance and redevelopment. By their very nature, these activities take relatively lengthy periods of time to plan and implement as has been proven by experience in the urban renewal, model cities and the NDP programs. Local officials—administrators, as well as elected officials—are not likely to commit the city to such activities unless they are assured that they have the funds necessary for their completion.

The staff agrees that each of the above assertions, frequently cited by local officials, has considerable validity, and all are highly interrelated.

There are also other, more general, factors which affect the extent to which CDBG funds benefit, and will continue to benefit, low and moderate income areas. One such factor is the common agreement that local elected officials will be tempted to yield to political expediency and offer "something for everyone". Another suggests that the interests of local officials will continuously bias them towards viewing CDBG as another general revenue sharing, no-strings-attached program. It is difficult, if not impossible, to isolate either of these factors from the others discussed above or to accurately measure their impact. While important, the staff is of the impression that neither of these factors is, in practice, as determinative of the manner in which CDBG resources are allocated within a community as the conventional wisdom might suggest.

In the debate little is said about what kinds of activities can be undertaken in the worst areas of communities for effectively making them decent places to live in. Experience shows that the activities necessary in extremely blighted areas are different than those that can be used effectively in still relatively sound but deteriorating areas. They involve more land acquisition for housing, public improvements and facilities; more extensive (and more costly) rehabilitation; more demolition, clearance and—like it or not—more relocation. These activities involve large front-end expenses and, in most cases, long-term financing. Housing rehabilitation of the type required in these areas approaches and sometimes exceeds the costs of new construction. The cost of acquiring the land is often higher in blighted areas than

in other areas of the city; the extent of rehabilitation required often involves gutting the interior of the building, and completely replacing electrical, plumbing, and heating systems; and involves (even if only temporarily) the relocation of many families. Because there is little, if any, clear land available, new construction in these areas is even more expensive than in outlying suburban areas due to the added cost of clearance and demolition of existing structures. Many local officials indicated that they were reluctant to urge treatment in these areas because of the high economic and social costs involved. Residents of many of these areas are fearful of a "bulldozer approach", such as that which occurred in the early history of the urban renewal program and would oppose intensive redevelopment proposals unless they received clear assurances that this history would not repeat itself. The staff believes that the real question involved here is not whether CDBG *should* be used for both sound and severely blighted areas, but whether or not, as currently structured, it *can* be used effectively in the worst blighted areas.

Section IV

THE HOUSING ASSISTANCE PLAN (HAP)

A Housing Assistance Plan (HAP) is required of all CDBG applicants and is intended to be a key component for achieving the purposes and objectives of the Act. Its main purpose was to ensure that local housing, as well as community development programs, would be carried out and that these programs would be executed in a mutually supportive manner. This concept of a required housing assistance plan developed as a result of the experience gained from twenty-five years of federally-assisted community development activities. The experience demonstrated that, almost universally, housing activities were not coordinated with local community development activities in any systematic way to the detriment of both types of activity. For this reason the housing assistance provisions in title II of the Act were to be melded with the community development assistance provided in title I through the HAP. Submission and implementation of a HAP is required in all cases for CDBG assistance and unlike some other requirements in the Act the Secretary is prohibited from waiving it. Congress thus provided HUD a strong mandate to make the HAP an effective instrument for linking housing and community development activities.

The staff found that this housing assistance plan requirement is one of the most controversial aspects of the Act.

The success of the HAP concept depends largely on the availability of federal housing subsidies in amounts sufficient to at least begin to address low- and moderate-income housing needs set forth in a community's statement of annual goals. The fact is that these subsidies were not made available in most communities. While Section 8 housing assistance was mainly relied upon for meeting these subsidy needs, HUD had considerable difficulty in making this program operational. Even the limited amounts of assistance which did become available for the construction of new housing units was not especially well received by private developers or local officials. In general, Section 8 allocations fell far below the amounts needed to address the housing assistance needs of most communities. Other problems with Section 8 were cited such as inadequate or unrealistic fair market rent determinations and lack of coordination between HUD Area Office CPD and HPMC staff. Local officials initially endorsed the HAP concept but soon became disillusioned with it when they found that the subsidies necessary for its meaningful operation were not available. It then came to be considered a "red-tape" item to be given only pro-forma treatment. Also, especially in smaller communities, CDBG applicants revised their actual housing goals to conform to the Section 8 housing assistance allocations known to be available. According to many local officials this was often required by HUD Area Office officials.

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The absence of comprehensive local community development strategies linking community development with housing activities also impaired effective implementation of the HAP. The incentive to seriously develop such strategies is dependent, to a great extent, on the availability of housing subsidies, but some local officials reported that more serious attention might have been given to the HAP if such strategies had been required by HUD. Then the HAP would have been dealt with more as a basic policy matter rather than merely a technical exercise.

Other problems of a lesser impact than those discussed above were identified. These largely concern the availability of usable data and survey techniques. Although, except for the "expected to reside" requirement, the data requirements called for in preparing HAPs were not overly onerous, they did present a considerable problem for smaller communities. It appears that the performance of HUD field staff was uneven with respect to assisting these communities. Some communities indicated that HUD's Area Office staff was most helpful to them in preparing the HAP. Others, however, found the Area Officer to be uncooperative and even arbitrary. There appeared to be little uniformity among these HUD offices as to HAP policy and differences were observed among offices as to the degree to which they recognized problems due to a relative paucity, in many cases, of data with which housing needs could be reasonably estimated.

Most communities found the requirement pertaining to estimating the number and types of lower income families expected to reside in the community to be most difficult and this particular aspect of the HAP created the most administrative difficulties. The so-called Hartford decision in *Hartford* v. *Hills* which faulted HUD's failure to effectively administer this requirement was of major significance. In conformance with the Court's directive in Hartford, HUD revised its regulations. Several other lawsuits have also been filed challenging HUD's enforcement of the "expected to reside" provision.

While future administration of this provision is bound to be controversial, it offers a real opportunity to generate more activity towards achieving the "spatial deconcentration and isolation of income groups" provisions of the Act. It could also relieve some of the burden of meeting the housing needs of the poor that is often disproportionately placed on the central cities.

Some local officials believe that the HAP is too complicated and the development of one is unnecessary for smaller cities. Some local officials suggested more participation of A–95 and similar regional bodies in formulating local HAPs might be especially beneficial for smaller communities that lack staff and resources. This, according to these officials, would more likely result in local HAPs that reflect regional housing policies (including "fair share" approaches where these have been established). Some areawide planning groups suggested that where such fair share plans exist, there is significantly less need for detailed HAPs and especially "expected to reside" figures. They suggested that these requirements be waived for communities joining into fair share agreements.

Conclusion

The implications of HUD's poor performance in administering the HAPs during the first two CDBG program years are serious from two other aspects. First, as cited by many local administrators, firm and adequate administration of the HAP component might have resulted in directing more attention to the housing needs of families. In the opinion of these administrators these local elected officials would have had to treat HAP as basic policy matters in their proposed CDBG program. This can be expected to result in the future as more credence is given to HAPs by HUD. Second, the resulting failure to make the HAP effective is viewed by some local officials as testament to the inability of the federal government to get its "act together" in accordance with the Act's purposes and objectives. In this respect, it was often cited by local officials that the Act was a step beyond model cities in achieving a coordinated federal approach to the nation's urban problems and "the feds failed to perform." They then go on to say, that despite this failure, the federal government is requiring that local governments have their "act together" in order to obtain CDBG assistance. This has led to a cynical attitude toward the HAP component of the CDBG program and could be difficult to overcome. Because the CDBG approach is so highly decentralized, the attitudes toward it on the part of local officials—elected and administrative—are even more important than they were under the former categorical approach for providing federal housing and community development assistance. It is considered essential to the achievement of the goals and objectives of the Act for local elected officials and program administrators to have a more positive attitude about the federal approach and commitment to making the HAP concept work.

Section V

LOCAL COMMUNITY DEVELOPMENT STRATEGIES

Section 104(a) of the 1974 Act specifies that the Secretary shall not make a CDBG grant unless there is an application which:

> (1) sets forth a summary of a three-year community development plan which identifies community development needs, *demonstrates a comprehensive strategy for meeting those needs*, and specifies both short- and long-term community development objectives which have been developed in accordance with area-wide development planning and national urban growth policies [italics provided].

There is very little in the legislative history of the Act which defines a "comprehensive strategy." To some the combination of both long-term and short-term objectives designed to meet the stated community development needs does represent a comprehensive strategy. However, many cities, especially those that participated in the prior categorical programs, had, in the past, developed citywide renewal plans which are another example of comprehensive community development strategies. This form of comprehensive strategy, however, was not required by HUD in the CDBG applications nor were the applications required to reflect them.

These were required in the Workable Program for Community Improvement, a prerequisite in the NDP and urban renewal program. Also, many were developed under the Community Renewal Program (CRP). The experience in the early years of these programs indicated that disparate projects proposed by many cities, however eligible, were not necessarily contributing substantially toward meeting the nation's housing and community development goals. Local community development programs that HUD approved for assistance under CDBG could amount to such a disparate set of eligible activities which have no long term impact on the urban conditions recognized in the 1974 Act as in need of eliminating or improving.

For example, local community renewal programs included, among other things, (1) identification of slum, blighted, deteriorated or deteriorating areas in the community; (2) measurement of the nature and degree of blight in such areas; (3) determination of the financial, relocation and other resources required for renewing such areas; (4) identification of the type of treatment required for renewing such areas; and (5) scheduling or programming required renewal treatment activities. The essential difference between this process and that employed by most CDBG recipients is in how a community development program is established by localities. In identifying community development needs and short- and long-term objectives, CDBG applicants do not necessarily demonstrate, in the staff's view, the existence of a comprehensive strategy as viewed from the more expansive definition. The staff found

that a number of cities visited did not demonstrate a comprehensive strategy in their applications and in fact did not have such expansive comprehensive strategies. The staff believes that there are many reasons that make it difficult to implement the "comprehensive strategy" provision.

Among the major reasons, the staff cites the following:

A. The lack of long-term Federal financial commitment for funding CDBG activities over a long enough term to achieve strategic objectives and the lack of any special incentive for the development of long-term strategies;

B. The lack of technical expertise by communities to carry out strategic planning;

C. The tendency to scatteration (partially as a result of citizen participation) which is discussed elsewhere in this report; and

D. HUD's interpretation of the Congressional mandate for speedy CDBG application review and approval which resulted in—

(1) The design of applications which encouraged boiler plate responses on questions relating to goals and objectives.

(2) An attitude that HUD should not probe into the basis of local decisions.

In addition to these reasons, there is some concern that in requiring such strategies, the citizen participation element would be impaired. Closer analysis of this issue suggests that rather than being impaired it might be improved. In the opinion of the staff, had the nature of a comprehensive strategy been defined, then it is likely that citizens would have been advised that the first order of business was for them and the local government to jointly formulate such a strategy and *then* fit their requests into it. Accordingly, many of the community development programs developed in this way would less likely have resulted in a priced-out, laundry list of eligible activities as was often the case.

Section VI

SCATTERATION VS. CONCENTRATION OF ACTIVITIES

An issue identified in local community development programs using CDBG is whether or not the activities undertaken are scattered with little or no long-term impact or concentrated so as to maximize the impact of these funds in meeting the community development and housing objectives of the Act. From its survey, the staff learned that local community development programs which constitute the scattered approach may be as desirable as those that constitute the concentrated approach. In fact there are sound reasons for programs to include both approaches depending on the nature and extent of the conditions in communities.

The issue should be approached at two levels in order to prevent generalized and oversimplified conclusions. The first level concerns whether or not CDBG funded community development programs are merely a variety of eligible activities scattered throughout the community without regard to sound planning and which could result in little or no long-term impact. The second level concerns whether or not the nature and extent of proposed community development and housing assistance activities in targeted areas constitute a program for effectively renewing or substantially improving such areas.

As to the first level, a general tendency to scatter CDBG on a wide geographical basis throughout participating communities was noted by the staff and by a number of monitoring and evaluation studies. Specifically the NAHRO study for the first year showed "75 percent of the cities programmed community development activities to 50 percent or less of their total city tracts, only about a quarter took in 20 percent or less of their city tracts." For the second year program, the tendency towards dispersed activities accelerated. The NAHRO study indicates that "less than 2 percent of the cities in the sample have programmed funds to less than 20 percent of their tracts, compared to almost 25 percent last year. On the other end of the scale, about 35 percent of the cities funded between 91 and 100 percent of their total city tracts." This type of statistical analysis does have weaknesses. For example, communities which were heavily involved in the prior categorical programs may show up on such analysis as engaging in scattered activities when, in truth, the number of tracts in which they are carrying out CDBG activities only represents the massive scale of their program.

Scatteration, in and of itself, is not necessarily detrimental. Depending on the strategy adopted by the city and its own unique conditions, it may be a necessary or even a desirable approach. Thus, for smaller cities, or those in which the pattern of development resulted in scattered blight, the scatteration of activities through many tracts of

the community may be a necessary approach. For communities in which physical conditions require strategies that are heavily directed toward the curbing of incipient blight through the "elimination of detrimental conditions" objective in Section 101(c)(2), scatteration is a desirable approach.

At the second level, the issue is whether or not areas targeted for treatment in order to renew, rehabilitate or conserve them are being programmed with a variety of activities at a sufficient level to reasonably insure that the proposed treatment will be successful. A more particular discussion of this aspect of the issue is included in the section of the report that discusses rehabilitation. The staff observed that in some communities that had designated such treatment in target areas only one or two of the activities necessary for effectively dealing with the conditions in those areas were actually planned.

According to local officials the limited funds available, the broad nature of eligible activities, the extensive citizen participation involved in developing local programs, and the political desirability of demonstrating widespread and immediate impact, all contribute toward scatteration at both levels. They generally admit there is a tendency for undesirable scatteration and in many cases admitted to undertaking some projects in some parts of their community to dampen criticism of their more substantial and concentrated activities. In many communities, including smaller ones, with prior urban renewal or model cities experience there appeared to be some control over undesirable scatteration. According to local officials, when program administrators and professionals in planning, redevelopment and housing can convince the community and the elected officials that renewal treatment must be concentrated for effective results in renewing or rehabilitating an area there is less of a likelihood that their programs will include substantial undesirable scatteration. At best, however, they report that this is a hard sell proposition not well received by citizens and elected officials alike.

The maintenance of effort provisions in Section 101(c) which could confine the extent of some undesirable scatteration are reported to be almost impossible to monitor. Safeguards against undesirable scatteration that might have been possible if an applicant had to demonstrate a comprehensive strategy, as discussed in another section of the report, are not available for checking this tendency.

Section VII

CITIZEN PARTICIPATION

Section 104(6) of the Act prescribes a citizen participation process for CDBG recipients. The process requires that information about the program be provided to citizens, public hearings be held to elicit their views, and that opportunity be given them to participate in the development of the CDBG application. Section 104(6) also provides that final authority and responsibility for an assisted community development program application and its execution rests with the applicant community.

This aspect of the program has received considerable criticism especially from groups and organizations representative of lower income citizens such as the National Urban League, the National Association for the Advancement of Colored People and the Center for Community Change. These criticisms appear to center on the procedures used by particular localities to provide an opportunity for lower income citizens to participate and the extent to which the views of lower income citizens resulted in their obtaining desired activities for their direct benefit.

The staff found that the way in which communities approached citizen participation varied extensively. Though some recipients did the bare minimum in the first year application phase, a good many of these improved the process as a result of community pressure in the second year's application process. For the most part, however, the staff found that a majority of communities visited went beyond the bare minimum and made efforts to establish a well designed approach for citizen participation and to improve on their citizen participation process in the second program year.

Among the more sophisticated approaches to citizen participation was the establishment of citizen advisory committees representative of various interests in the community. Those committees which worked best seemed to be those which included in their membership representative of the various neighborhoods in the community. While some of the local officials found this approach to be cumbersome, most admitted it turned out to be very valuable and credited it with eliciting valuable dialogue between individual citizens, citizen groups, and local government officials. Admitting, that often this dialogue often involved substantial acrimony, local officials claim that the net result more than offset this problem. It appears that this process was least cumbersome and most effective in communities that had prior categorical grant experience in urban renewal, NDP and model cities.

Local officials often emphasized that the process led to dialogue among groups of citizens as well as between citizens and the local government. Often senior citizen groups, among others, became in-

volved in a citizen participation process for the first time and were notably active. The dialogues resulted in a better understanding of the special needs and conditions of groups in different income and social levels as well as groups from different special segments of the community such as the business community. Perhaps the most important trend noted was the active participation of a wider variety of neighborhood groups in recipient communities. An exception to this was the participation of the more affluent neighborhoods.

Adequate technical assistance was said to be essential to the success of the citizen participation process. According to local officials interviewed, this was often insufficient in the first CDBG program year. Many communities have taken steps toward improving this and have designed programs wherein paid technical staff is provided to neighborhood groups in addition to printed materials describing the community development program. Local officials reacted positively to the suggestion that HUD should take a more active role in providing information and guidance for CDBG recipients and potential recipients in carrying out effective citizen participation programs.

While some communities made extensive use of the media to inform citizens about CDBG program, a few are reported to have limited this activity to a small notice in the legal notices section of the newspapers.

Local officials tend to agree that as the citizen participation process becomes more effective it will strengthen the tendency to spread limited CDBG funds across a a wider segment of the community and tend to divert funds from the most needy areas. Needs and priorities are relative to the groups which define them in their own interest. If the local CDBG program is dictated solely by the groups involved in the citizen participation process with no criteria or guidance but the list of eligible activities, it could result in such a shift. Because it is good politics and lower income groups are frequently in the minority there is a propensity for this to occur. The result could be ineffective spreading of limited CDBG funds without sustained impact and an inequitable use of funds which would disproportionately benefit moderate income families as opposed to low and lower income families.

Local officials in many very large cities emphasized the burdensomeness of carrying out a full citizen participation procedure each year. They questioned the need for annually carrying out such a procedure since community development should basically be considered at least a three year program. According to these local officials establishing, with full citizen participation, the basic approaches toward community development over a three-year period and the major activities to be undertaken should be sufficient.

Section VIII

SOCIAL SERVICES VS. PHYSICAL DEVELOPMENT

The extent to which CDBG programs have included social services was an issue at the outset of the program and continues to be raised. Those who emphasize the elements in the legislative history of the act concerning model cities and the advocates favoring more CDBG emphasis on activities that directly benefit low and lower income persons recommend increasing the level of social service activity funding. These services included activities directed to assisting in employment, economic development, crime prevention, child care, health, drug abuse, education, welfare or recreation needs.

From the interviews with local officials the staff learned that a substantial number of requests were made by citizen groups for social service activities especially in the application phase of the first CDBG program year and such requests declined in the second program year. In their opinion, many of these requests were for activities that were clearly ineligible under the Act. As is noted in other sections of this report local government officials believe that CDBG should emphasize hardware activities for maximum effect and results in meeting the objectives of the act.

Analyses of CDBG programs indicate that in most cities less than 20 percent of CDBG funds (the maximum permissible under the regulations) are targeted for social service or software activities. There is a problem in determining the actual amounts targeted, however. This is because there is no distinct category for social services listed in the activities in the CDBG application. A category included and which most likely solely comprises social services is "public services." Studies establish that about 5 percent of the recipients CDBG allocations are targeted for this element. But, social services activities are also included in "Continuation of Model Cities" and possibly other components included in the CDBG application.

Such services must be shown to be in support of other CDBG funded community development activities in order to be eligible as provided in section 105(a)(8). Also, in order to be eligible, the recipient must show that funds available for these services from other Federal programs must have been denied or not made available in a reasonable period of time.

Smaller communities have had some problem with this component of the CDBG program because they proposed activities that would serve the entire community. HUD recognized the special problems of small communities and has effectively waived the limitations so that in communities of 10,000 or less population the activity was allowed if it satisfied the other requirements but also served the entire city. There has also been some conflict between HUD and some CDBG recipients regarding the use of CDBG funds for maintaining and operating some of the public service facilities.

Section IX

REHABILITATION AND NEIGHBORHOOD PRESERVATION

In this section, the staff presents its observations about local CDBG efforts involving rehabilitation, conservation and preservation.

Response to the national goals and objectives

In general, both HUD and CDBG recipients are enthusiastically responding to the goal in section 101(c)(3) which calls for "conservation . . . of the Nation's housing stock." Reviews of the recipients' applications indicate that very large portions of CDBG allocations in the first and second program years are being used for activities aimed at rehabilitating, conserving or preserving the housing stock and neighborhoods. Some estimates show that in the second program year localities are proposing a larger portion of their CDBG allocations for activities directed at this goal than they did in the first program year. Also, they are proposing slightly more for the "conservation of the housing stock" objective than for the "elimination of blight" objective which had led the list of objectives on which CDBG funds were proposed in the first program year.

Level of effort directed to rehabilitation, conservation and preservation

Estimates of the level of effort that the recipients are directing to rehabilitation, conservation and preservation must rely on analyses of individual activities proposed in the CDBG applications. With the exception of rehabilitation loans and grants, the applications do not include a line item for rehabilitation, conservation or preservation. HUD and some of the groups that are monitoring the CDBG program have computed the percentages of the funds allocated to the several eligible activities. There have been some attempts for grouping the individual activities according to project or program descriptions such as rehabilitation, conservation or preservation. Based on these analyses, crude estimates have been made.

HUD reports that 44 percent of all CDBG funds (less administration and urgent needs) were budgeted in 1976 CDBG applications for rehabilitation activities. Almost 20 percent of all funds are for local rehabilitation loan or grant programs, and a small amount of land acquisition.

According to the trends estimated by those who have monitored the program, this level of effort will more than likely increase as the program continues.

The variety of local approaches

The recipients are using a wide variety of approaches for rehabilitation, conservation and preservation. Some are directed toward types of housing or type of ownership as elderly, owner-occupant, or absen-

tee owned. Others are directed at particular areas, such as neighborhoods or blocks within such neighborhoods.

The communities which had been extensively involved in rehabilitation under the categorical programs and had developed some prior expertise in this activity were the leaders in terms of accomplishment. The newer participating communities were struggling to get off the ground. However, certain characteristics of the more successful approaches involve:

A. The use of CDBG funds liberally to subsidize the cost of rehabilitation through direct grants (or rebates), direct loans, or a variety of leveraging mechanisms involving local financial institutions.

B. The provision of very substantial technical assistance to homeowners.

Many localities have developed a variety of approaches for using CDBG funds to leverage rehabilitation loan funds from private financial institutions. They do not generally provide the low interest rate (3 percent) or refinancing terms that section 312 permits. Because of the variety and complexity of the mechanisms locally developed, there are no generally applicable assessments of their relative effectiveness. They may operate at higher costs to the Federal Government than the direct loan mechanism of the 312 program, but they are essential for local rehabilitation efforts and often are resulting in desirable participation of private lending institutions. The estimated leveraging factors fluctuate, but HUD reports it averages out to about $2.40 for each CDBG dollar. Some localities in several of the States that have active housing finance, community affairs, or local government agencies have unique arrangements for obtaining low interest rate loans for financing revolving rehabilitation loan funds, for providing guarantees to participating private lenders and, in a few cases, for establishing a secondary market for rehabilitation loans. A few of these agencies are providing the recipients technical assistance in rehabilitation financing and revolving loan programs.

In addition to the financing approaches, a variety of project approaches are involved in the rehabilitation components of local community development programs. These are aimed at specific objectives determined by the community such as meeting the needs of elderly homeowners, involving absentee owners (a few communities even require that rental property owners that receive CDBG loan or grant assistance contract to limit rental increases), in many instances, low and moderate income owner-occupants and the repair of low-income public housing. These approaches are sometimes confined to targeted areas or are applied citywide. The larger communities often do both.

Many recipients have developed approaches based on the degree of deterioration of housing units in their communities and have targeted their CDBG funded activities accordingly. Often an element of this approach is the estimated cost of the required repairs. In an effort to maximize limited funds, their programs concentrate on deteriorating rather than deteriorated properties. Some moderately and substantially deteriorated housing is also included, however, according to HUD reports.

Impacts on housing stock and neighborhoods

Two aspects of the impact that rehabilitation, conservation and preservation activities might have are often discussed. One concerns the number of houses that are improved and the other concerns the number of neighborhoods conserved, preserved or rehabilitated. These terms are often used interchangeably. However, some experienced local and federal officials establish that there is a sharp distinction between housing rehabilitation or repair and neighborhood preservation. The latter implies that enough housing is rehabilitated in a single neighborhood, and that this is done in conjunction with the upgrading of public facilities, so that the values achieved are self-sustaining. Reviews of the application provide little conclusive insight as to the effectiveness of neighborhood preservation because the laundry list of activities, such as rehabilitation loans (and/or grants), public improvements, code enforcement and public services, all necessary for effective neighborhood preservation, are not shown, to be operating in a coordinated manner. The long experience with rehabilitation under urban renewal concentrated code enforcement, NDP, and model cities proves that when these activities are concentrated in basically sound and stable neighborhoods (with a high proportion of homeownership), they can be successful. These do not have to be high income neighborhoods, but they are more likely to be neighborhoods in which only a small percentage of the lowest income segment of the community lives.

In almost every community visited, the staff found that rehabilitation activities were undertaken only in reasonably viable areas. These officials report that many viable areas in their communities can be conserved as decent places to live. These areas are not severely blighted and often contain architecturally superb structures that simply could not be replaced in the current housing market—the cost would be exorbitant. Not only are these areas serving a resident population, but they are becoming attractive to a significant number of families—including often middle and upper income families, which is one of the specific objectives of the Act (Section 101(c)(6)). Many local officials in central cities and in small older cities outside of metropolitan areas view this trend as an important event that might aid in stemming the exodus of middle income families. They justify their emphasis on neighborhood rehabilitation on this basis and not as a means for discriminating against the more blighted areas in their communities. Furthermore, they see the approach as one which gets "more bang for the buck" because the treatment necessary to renew the most blighted areas of their communities is more expensive and often involves considerable amounts of acquisition.

With respect to the concentration of activities in a way that will assure neighborhood preservation, the staff found a variety of approaches among the communities visited. Some cities have not developed systematic neighborhood programs, and have conducted rehabilitation activities within a large portion of the city, and in some cases on a citywide basis. Many local officials expressed confidence that over a period of years greater concentration of preservation activities, where needed, would be achieved.

Problems identified

The act provides that neighborhood rehabilitation and conservation be a substantial part of community development programs funded by CDBG. As was noted earlier in this section the communities have responded well in the first 2 program years. Some issues have been identified, however, concerning the impact of the rehabilitation, conservation and preservation elements in many local community development programs. These issues are summarized below:

(1) Does the emphasis on rehabilitation constitute substantial wasteful scatteration of CDBG funds?

(2) Does the emphasis on rehabilitation mean that CDBG funds are being shifted to middle income areas from to low-moderate-income areas?

(3) Does the rehabilitation effort substantially constitute effective neighborhood preservation?

(4) Will several of the problems that localities have discovered be resolved so that the rehabilitation approaches in local community development programs can achieve their purposes?

As to the scatteration issues, the staff observes in another section of the report that scatteration is not necessarily detrimental. Scattered rehabiliation, conservation, or preservation activities often were found to be desirable. The act does not require a concentration of CDBG activities except insofar as principally benefiting low- and moderate-income families. Some of the scattered rehabilitation and conservation activities are actually being used strategically. Often these scattered activities are achieving the "elimination of detrimental conditions" objective in section 101(c)(2).

The shift from low- and moderate-income to middle income areas represented by the emphasis on rehabilitation as alleged by some is largely based upon data derived from census tract analyses. Often, the staff found the actual target areas within census tracts were predominately low- and moderate-income areas. Successful neighborhood rehabilitation and conservation can only be achieved in basically sound areas where such income mix would be expected and is desirable.

Even where concentrated rehabilitation or conservation assistance was directed to specific areas rather than housing types or special groups of needy homeowners, it was the staff's opinion that often these communities had not necessarily developed effective neighborhood conservation approaches. In these instances there was often a lack of supporting public improvements, code enforcement and spot demolition activities necessary to sustain the housing repairs that are or will be made. This was more frequently found in communities that were lacking in prior rehabilitation experience.

Under the categorical programs, federal assistance for local rehabilitation efforts was provided on a project basis. A rehabilitation project had to meet criteria that largely assured that the area designated for rehabilitation treatment with federal assistance was not so deteriorated and socially and economically unstable as to defy the treatment prescribed. In the absence of these criteria, the obvious result would be that considerable local and federal funds would be wasted. Under CDBG, such criteria is not a prerequisite for assistance.

Decentralization objectives of the Act result in leaving to the discretion of the applicant these important prerequisites and so long as the list of activities proposed in the application are eligible, it is presumed that they will be used effectively.

A number of leveraging mechanisms involved the deposit of CDBG funds with local financial institutions, in either interest-bearing or noninterest-bearing accounts. Some of these mechanisms have been found to be in violation in government-wide regulation of the Treasury Department on the use of federal funds and HUD has proposed a new regulation to limit the use of some such depository mechanisms.

Many cases were noted in which State prohibition against the pass-through of CDBG funds to private citizens in the form of loans or grants have restricted CDBG rehabilitation. While the use of non-profit organizations as intermediaries has successfully been utilized by some cities caught in the same circumstance, others have, for one reason or another, been unable to take similar initiatives. HUD has reportedly declined to act, as authorized by the CDBG Act, as an intermediary passing city designated CDBG funds directly to the specified recipient. This would permit such cities to move ahead with a rehabilitation program.

The need for more technical assistance in planning and administering neighborhood conservation and rehabilitation programs is not adequately being met by HUD especially in many small communities.

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Section X

HUD ADMINISTRATIVE PROCESS

Local officials interviewed by the staff made numerous comments about HUD's performance in administering the CDBG program as did HUD Area and Regional Office staff. This section provides a general discussion of how these officials view HUD's administration of CDBG during its first two program years. It covers issues concerning the adequacy of HUD guidelines, the timely response in providing recipients with important decisions, the lack of uniform application of the CDBG regulations, the effectiveness of HUD's organizational structure, and financial management. Additional discussion about how HUD administered CDBG is contained in almost all of the discussions of the specific issues included in other sections of the report.

The legislative history of the Act establishes that CD programs needed to be simplified and their administration decentralized. Section 103(b)(3) of the Act states that in order to establish viable urban communities efforts to "streamline programs and improve the functioning of agencies" involved in community development at all levels of government was required. Section 101(d) of Title I adds to the primary and seven specific objectives the purpose of establishing "a consistent system of Federal aid" which provides communities CDBG "assistance on an annual basis, with maximum certainty and minimum delay." The application and review requirements provided in section 104 created a simplified CDBG application process and limited reviews in contrast with those that were required for grant-in-aid assistance under the categorical program. Front end review of CDBG program applications is minimal. Local certifications and assurances of many substantive CDBG program elements required of applicants were substituted in place of detailed up front reviews. And unless the Secretary found an applicant's needs and objectives "plainly inconsistent" with community and housing needs or determines that the activities in an application are "plainly inappropriate" in meeting community needs and objectives CDBG applications "shall be deemed approved within 75 days after receipt."

CDBG funds are provided to eligible communities on the basis of entitlement rather than on up front evaluation of community development projects as were required under the categorical programs consolidated in the act.

These provisions went far towards achieving the simplification objectives for delivering federal community development assistance to local governments and decentralizing the decisionmaking process. In order to implement these provisions effectively, however, HUD had to make hard and clear cut interpretations in its administrative regulations of many of the often conflicting and confusing provisions contained in Title I of the Act. And it had to establish and communi-

cate through its field office structure effective procedures for processing CDBG applications within the simplified framework that the Act established. There were widespread complaints that HUD did not adequately carry out both of these activities in administering the CDBG program.

Local officials views about HUD's administration of the CDBG programs were mixed. Some were critical of the Area and Regional Offices for disapproving activities proposed in their CDBG applications. Others were critical of HUD for not providing or providing insufficient guidelines. HUD staff was criticized for leaving too much discretion to the recipients at the outset of the program and then later ruling certain activities as ineligible. An almost universal criticism was the slow response that communities received from HUD in matters crucial to the approval of their programs. They also complained that there is a lack of uniformity in policy interpretations among Area Offices within the same Region and between Regional Offices. These variations were especially prevalent with respect to decisions concerning eligible human services, environmental approvals, and, most frequently, the Housing Assistance Plan (HAP).

There were also frequent favorable comments concerning HUD Area Office staffs. These appear to have been made more often by smaller communities that found HUD staff very cooperative and especially helpful in assisting in the development of a CDBG application. Taken together the comments of these local officials indicate that HUD had as much of a problem of gearing up for the CDBG program as did the recipient communities.

Clearly, rulings on regulations and other CDBG program policies were not uniformly applied by HUD's Regional Offices during the first CDBG program year. From the interviews, however, it appears that this became less extensive as the program continued and as the Central Office began to take program policy initiatives and communicate them to the Regional Offices.

Many local officials and some HUD Regional and Area Office officials are seriously questioning the effectiveness of HUD's field office structure. This centers on whether or not a highly decentralized program, such as the CDBG program, can or should be effectively administered through a highly decentralized HUD structure. In some HUD regions, there was a preponderance of local opinion that the Area Offices were largely superfluous insofar as CDBG application review function is concerned. And in almost all instances local officials voiced some criticism about the Area Offices. Often, however, they reported that Area Office staffs were cooperative and helpful. They believe that the Area Offices and to a lesser extent the Regional Offices do not have sufficient operating guidelines to carry out the responsibilities they have been vested with under the CDBG program. Frequently, the recipients could not obtain definitive decisions about major program policies from the Area Offices. Many local officials reported that they by-passed the Area Offices and sometimes even the Regional Offices to obtain firm decisions. Several Area and Regional Offices reported that they were often unable to meet their responsibilities because they were not provided essential policy guidelines from Central Office. Often HUD's

regulations were not workable according to these HUD officials because they provided little more than the language in the Act. This often led to conflicting interpretations and impaired Regional and Area Offices.

In the absence of clear Central Office program policy guidelines, it is difficult to make a conclusive finding as to the adequacy of the HUD organizational structure as it concerns administration of CDBG. Also, in the opinion of the staff, there is evidence that some of the more important policy issues are now being addressed by HUD Central Offices. As these are communicated down through the Regional and Area Offices, some improvements in HUD's administration of CDBG can be expected.

FINANCIAL MANAGEMENT

The staff did not find any major problems with respect to financial management of the CDBG program in the first two years of its operations. This relatively small incidence of deficient financial management on the part of the recipients conforms to the findings of HUD in its monitoring activities that there were few serious misuses or misapplications of funds. One problem, however, is acknowledged by HUD and is one which was often raised by the local officials interviewed. It relates to HUD-Department of Treasury policy with respect to the CDBG "draw down" in letter of credit procedures.

Local officials report CDBG rehabilitation efforts are being curtailed by HUD's "draw down" restrictions. Both direct loan approaches and leveraging approaches involving the participation of private lending institutions are effected.

The "draw down" process prevents federal grant recipients from holding large sums of federal monies in interest bearing accounts. It requires that funds be drawn down from a letter of credit on an as needed basis.

Local rehabilitation financing approaches require deposits in lump sums to obtain the participation of private lending institutions. These lump sum deposits provide security against losses. Together with tax exemption and yields from the cash float these deposits make it attractive for these lenders to participate in these often marginal loan programs. Where interest is earned from these deposits, it is used to defray loan servicing and similar expenses in reducing the amount of CDBG funds required.

Many recipients have developed loan programs that use the bank's funds rather than CDBG funds. This is achieved by placing a sizeable deposit of local CDBG funds in a participating bank. In this way the recipients leverage relatively small amounts of CDBG funds and obtain loan funds several times the amount deposited. And it makes available rehabilitation loans at several points below market rates. Rough estimates of the leveraging factor indicate that for one CDBG dollar private lenders will provide up to four dollars in loans.

Also, some form of lump sum deposit of CDBG funds is often used in local direct loan programs when contractor payments or loan servicing and sometimes origination and processing are carried out by private banks or servicing corporations. Local officials are in-

creasingly using these private institutions for these purposes because it is more costly and duplicative when they carry out these activities in-house.

The limited availability of federal Section 312 direct loans require these local loan approaches for implementing neighborhood rehabilitation and conservation programs. Liberalization of HUD-Treasury draw down policy will make it possible for these programs to be successfully implemented.

Complaints were also received concerning the inflexibility of current Treasury Department policy requiring that draw downs be disbursed within 3 days and the somewhat uncertain requirement that each account register a zero balance after disbursements.

Difficulty has reportedly been experienced, especially in the case of real estate closings, in complying with the 3-day limit where unexpected delays occur. Delays beyond this limit require return of the funds and initiation of a new draw down, subject to penalty for noncompliance.

Also, variations in expected costs of contracts or closings may require unforeseen additional amounts to be provided in order to conclude the transaction. Thus, added delay and burdensome administrative actions may occur.

Section XI

LOCAL, STATE AND REGIONAL ADMINISTRATION

The CDBG program is having a significant effect on the way that local governments, state and regional bodies participate in the planning and administration of local community development programs. These effects are more obvious in local governments than they are in states and in regional bodies as would be expected.

Local governments of all sizes have responded to the CDBG programs effectively with minor exception. The more dramatic responses appear to have occurred in communities with prior categorical grant experience. Often, these communities were found to have begun to restructure their community development functions even before enactment of the program. For the most part such restructuring was directed at consolidating under the general purpose government redevelopment and housing activities that were the responsibility of special purpose authorities. In all instances, however, local governments centralized community development and housing policy functions. The result is that this important function is no longer proliferated as it was in many communities under the categorical grant programs but is centered within the departmental structure with direct line responsibility to city administrators and elected officials.

In this process of restructuring for administering CDBG, several positive results are evident. Traditional city departments necessary for effective community development operations are more involved with the program than they were before. More importantly, this involvement includes participation in planning the program as well as carrying out some of its activities. This, according to the local officials interviewed has already led to an awareness of community development approaches and needs that was sorely lacking under the categorical programs. The result is that considerably more cooperation by these departments is now possible.

Another result of this restructuring is that CDBG has caused active and in depth involvement in the planning and implementation of local community development activities on the part of mayors, managers and city councils (or other comparable local governing bodies). While many localities were structured under the categorical programs in such manner that there was active involvement by mayors and councils, this was not the rule in many communities. Also, even in those communities where it had previously been the rule under the categorical programs, local officials believe the restructuring of CDBG has strengthened and made more effective their participation.

Urban Counties, qualifying through cooperation agreements with smaller communities, have assumed improved stature with the advent of the CDBG program. Planning and program management organi-

zation and staffing have been aligned to fulfill CDBG and technical assistance requirements, and cooperating units of government have tended to voluntarily expand their efforts with the county to include additional, related efforts in social service, health, and other programs of common interest. In such cases, many small communities are benefiting from the new Urban County role, even though they may not be the direct beneficiary of CDBG funds. All cooperating communities have an opportunity to receive technical assistance in planning, housing, and citizen participation and other pertinent aspects of the CDBG programs, which was not previously available.

Small Metro and Non-Metro cities have responded to the opportunities offered by the CDBG program in large numbers, often with substantial front end expense and frustration. Part-time officials and inexperienced and limited staff often require assistance in technical matters involving planning, application, program interpretation, compliance with regulations, financial management, contracting and reports. Numerous cases were noted where community development consultants were employed by small cities in order to participate in the program. Assistance by areawides and States, especially in technical assistance on housing programs, has been common place and essential to the success of many cities in this program. Many of those who applied were not invited to submit a full application. These communities have limited ability to keep abreast of changes in the availability of program funding or of their relative standing in the order of priorities among other contenders for CDBG funds.

The effects of the CDBG program on state governments is less clear than it is with local governments. There appears to be some positive effects in certain states but these are not widespread. The staff's observations of the role of the states are limited because our point of inquiry focused on the recipient communities. Some indications of the role of the states was obtained, however.

It appears that the states' role and participation with local CDBG programs is in providing financial assistance for housing activities and technical assistance for small communities. Many state housing finance agencies do provide or are planning to provide financial assistance to local governments through their bonding powers to assist CDBG housing rehabilitation financing as some provide the same for new construction of low- and moderate-income housing.

In some States where there is an agency for local government assistance or community affairs, considerable technical assistance has been provided to smaller communities. In these states, according to local and state officials interviewed, many of the small local communities that are CDBG recipients would not have been successful had it not been for this assistance, which included not only technical assistance but expert staff services assigned from the State to the recipient community for administering local CDBG programs. In general, however, the role of the states in the CDBG program is a limited one. It appears that with the exception of those states that are active in housing finance and local government assistance, the states will continue to be limited to the role of providing the environmental and related reviews.

As with state governments, the observations made concerning the role of regional agencies in the administration of CDBG programs is relatively limited. These agencies are reported to have been cooperative insofar as the A–95 requirements are concerned, and, in a few instances, they have assisted local governments with preparation of the HAP.

Section XII

COMPLETION OF URBAN RENEWAL PROJECTS

URBAN RENEWAL AND NDP

During the first 2 program years a substantial portion of the CDBG allocations were budgeted by recipients for closing out uncompleted urban renewal neighborhood development (NDP) and model cities projects.

Of the $5.03 billion of CDBG funds allocated for the first two program years HUD estimates that a substantial portion of local funds were directed at closing out these projects. According to other CDBG monitoring reports and based on samples of entitlement communities, localities will spend about 37 percent of their CDBG allocations for the first 2 program years for these purposes. Most of this (about 22 percent) is reported to be directed at completing urban renewal and NDP projects. HUD reports that most of the urgent needs funds provided in section 103(b) of the 1974 Act were used by localities for this purpose. This amounted to almost $75.4 million or more than 75 percent of the $100 million authorized for urgent needs in fiscal year 1975 and 1976. An additional $100 million in urgent needs funds is authorized for fiscal 1977.

According to HUD, as of December 1976, of the 1,419 urban renewal-NDP projects which were incomplete at the date of enactment of the 1974 Act, only 368 or 26 percent of the total have been officially "closed out". This means that over 1,000 such projects remain to be completed or closed out, and that substantial amounts of future CDBG funds may be expected to be directed to this activity.

This problem of closing out prior urban renewal-NDP projects was anticipated at the time of enactment of the 1974 Act and, in addition to the special temporary "urgent needs" funding provided section 112(a) of that act also permits up to 20 percent of a locality's CDBG allocation may be used for paying off urban renewal loans when a determination is made that it cannot be completed without additional capital grants.

Local officials in communities with uncompleted urban renewal projects are seriously concerned about meeting the urban renewal loan deficits. Based on a recent city by city analysis HUD estimates that slightly more than $442 million is necessary for meeting the temporary loan deficit in 456 deficit projects in about 105 cities. These estimates are considered by some local officials and organizations as understated. Only $100 million in urgent needs funds will be available for fiscal year 1977, after which the urgent needs fund is scheduled for termination. Local officials are concerned that large portions of entitlement funds will have to be directed to meeting these temporary loan deficits at the expense of undertaking other CDBG activities.

Also, local officials point out that HUD views the issue concerning closing out urban renewal and NDP projects only in terms of the temporary loan deficit. If 20 percent of CDBG allocations in these cities was applied to this deficit it would be reduced to only $78 million at the end of fiscal year 1978.

As local officials and other organizations involved in monitoring CDBG point out, however, the temporary loan deficit is only one part of the close out problem. Additional capital funds are necessary if projects are going to be completed in accordance with the original urban renewal plans. As with the estimates of the magnitude of temporary loan deficits, this additional estimated cost for completing project activities varies. The staff finds that these estimates range from $300 to $500 million. Therefore, the total cost of completing these projects in accordance with original plans is estimated at from $750 million to almost $1 billion.

Local officials are finding it increasingly difficult to justify to their communities the continued use of large proportions of urgent needs funds for closing out urban renewal projects. Vocal segments in their communities compete for urgent needs funds to meet other eligible needs considered more urgent than closing out existing projects. Then, too, the competing demands for CDBG funds for other eligible activities makes it difficult to use 20 percent of the CDBG community's CDBG allocation for close out purposes.

Also, there is another matter that is exacerbating this issue, according to many local officials. It appears that there is an increasing threat of lawsuits initiated by residents and businesses in project areas. These amount to a claim that they have been financially injured because project activities that were included in the approved urban renewal plans are being delayed or terminated because of a lack of adequate funding.

Many of the local officials interviewed believe that the "close out" problem should be resolved once and for all and are calling for a lump sum grant to complete these projects.

Section XIII

SPECIAL PROGRAM REQUIREMENTS

EQUAL OPPORTUNITY

The 1974 Housing and Community Development Act includes, either by reference or expressly in the act, a number of equal opportunity enforcement tools. Of particular importance are title VI of the Civil Rights Act of 1964, title VIII of the 1968 Civil Rights Act (the Fair Housing Act), Section 3 of the Housing and Urban Development Act of 1968, and Executive Order 11246. All of these laws are applicable to the activities of community development block grant recipients. In addition, Section 109 of the 1974 Act expressly emphasizes the significance that equal opportunity enforcement should have in carrying out the community development block grant program. While similar in concept to title VI of the Civil Rights Act of 1964, this section is a separate provision with its own specific enforcement procedures.

HUD regulations implementing Section 109 require that local governments must refrain from discrimination in all activities or programs funded under the title. They also require communities to take reasonable action to overcome the effects of any prior discriminatory practices or prior conditions which have otherwise limited participation by persons of a particular race, color, national origin, or sex. Coverage of the regulations extends to facilities, services, employment, and all other benefits provided under the program.

The grantee's annual performance report is to be used as a major monitoring tool in ensuring compliance with these regulations. These reports could be especially useful in measuring the affirmative actions that are required in the areas of fair housing and section 3 of the Housing and Urban Development Act of 1968. (Section 3 requires that to the greatest extent feasible, opportunities for training and employment be given lower-income residents of the project area, and that contracts for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.)

While the staff, in its field trips, found no significant patterns of discrimination, it should be remembered that CDBG is a new program with no history of segregation such as is found in the low rent public housing program. Because one of the objectives of the block grant is to provide local officials with maximum flexibility with respect to the timing and manner in which they carry out community development activities, it may be more difficult to determine when, in fact, any particular program action is discriminatory.

A–95 REVIEW PROCEDURE

The Housing and Community Development Act of 1974 authorizing the Community Development Block Grant program states under Section 104(e)—Application and Review Requirements:

> No grant may be made under this title unless the application therefor has been submitted for review and comment to an areawide agency under procedures established by the President pursuant to title II of the Demonstration Cities and Metropolitan Development Act of 1966 and title IV of the Intergovernmental Cooperation Act of 1968.

In essence, the cited titles of these two acts state a national policy which asserts the cooperative intergovernmental nature of federalism and directs close coordination of federal and federally assisted plans and programs. It directs the President to establish rules and regulations governing the formulation, evaluation, and review of federal programs and projects having a significant impact on areawide community development.

In response to this mandate OMB circular A–95 was first issued on July 24, 1969. In summary, A–95 is designed through clearing house comment and review to give governors, mayors and other State and local officials information and an opportunity to comment upon federally assisted programs and projects that may affect their own plans and programs. These comments from the clearing house, however, are advisory only.

The staff visited a number of areawide A–95 review agencies and, in the course of interviews with local community development officials and HUD area office personnel, tried to ascertain what, if any, views they had on A–95 reviews in connection with the community development block grant program.

In general, HUD area office personnel did not find the comments of State or areawide A–95 review agencies especially informative or helpful. In contrast, a significant number of grant recipients and A–95 agency personnel felt that, on the whole, the A–95 Project Notification and Review System has had a beneficial effect on the development of the Community Development Block Grant program. The chief benefit noted was the development of an informal process of review and negotiation between clearinghouses and applicants prior to the submission of formal application. There appeared to be a consensus that most changes in CDBG applications result from this early informal contact rather than later, formal contact in the A–95 review process. Frequently, technical assistance in the early development of applications was provided by areawide clearinghouse staff, and drafts were reviewed and improved to eliminate negative A–95 comments. The relative paucity of negative A–95 comments on applications, noted by HUD personnel, and the procedural or pro forma nature of many of the comments may, in many cases, be due to these informal negotiations and resolutions of issues prior to submission of a formal application to HUD.

There tended to be agreement between both grant recipients and HUD personnel that areawide A–95 agencies were taking a much more active role in the project notification and review system than State agencies. Many State clearinghouses appear to be understaffed and, more often than not, only package the comments of other State

agencies and do not have a capability for providing technical assistance and advice to CDBG applicants. On the other hand, arearwide agencies frequently have this technical assistance capability. Grant recipients often perceived the provision of such assistance, especially with respect to the development of housing assistance plans, as one of the major benefits resulting from the A–95 review process. It should be noted, however, that technical assistance is not one of the express objectives of the A–95 review process and that this assistance was provided as a function of the areawide planning organization. Those organizations receive significant Federal assistance from the section 701 comprehensive planning program.

The staff was frequently warned that there is great variation in the extent and effectiveness of the involvement of A–95 agencies throughout the country, whether State or areawide. This makes generalization dangerous. No interviewees, however, had exceptionally strong negative views on the A–95 process, and in specific cases, where it was being used in conjunction with the provision of technical assistance, its impact on the CDBG program was clearly beneficial.

ENVIRONMENTAL REVIEWS

Section 104(h) of the Housing and Community Development Act of 1974 authorizes a procedure under which community development block grant applicants assume for specific "projects" they are undertaking the environmental review and decision making responsibilities that otherwise would apply to the Secretary of HUD. The procedure eliminates the necessity for "Federal" environmental impact assessments at the time of the initial application. At the same time, however, the procedure is intended to ensure that NEPA policies and protection of the environment continue undiminished. Under the procedure, applicants are to certify prior to any commitment of block grant funds for particular projects (other than funds for general planning or environmental study purposes) that they have met all of their environmental responsibilities in accordance with regulations issued by the HUD Secretary. Approval of such certification by the Secretary discharges the responsibilities he may otherwise have had under NEPA with respect to the specific projects covered by the certification. The Secretary is to wait 15 days after receipt before acting upon such a certification, thus giving those who may wish to challenge a certification an opportunity to take appropriate action. That challenge can include suit against the certifying officer or applicant who, for purposes of enforcing NEPA has consented to accept the jurisdiction of the Federal courts. Such challenge may also include a request that the Secretary reject the certification. The Secretary will consider a request for rejection of the certification only if such request is grounded on a claim that certain procedural requirements have not been met.

An almost universal complaint by local officials with respect to this procedure concerned the very minor nature of many of the activities which require, under HUD regulations, a formal assessment of their environmental impact. They strongly urged that valuable staff resources not be wasted on assessments of relatively insignificant

activities and that HUD establish some sort of "common sense" threshold as to when a particular activity becomes significant enough to require a formal environmental assessment.

The other problem raised by local officials was their reluctance to take on major projects which, due to their scope, would require a finding that the project is an action which would significantly affect the quality of the human environment. A full scale environmental impact statement is required for actions which may have such a significant effect and local officials are reluctant to undertake the extensive staff work and/or suffer the procedural delays the preparation of an environmental impact statement involves.

APPENDIX

LIST OF CD COMMUNITIES VISITED

[Key to symbols: M—Metropolitan City, NM—Non-Metropolitan City, UC—Urban County, F—Formula, D—Discretionary, HH—Hold Harmless, PI—Phase-In]

	Type of Jurisdiction (M, NM, or UC)	Entitlement (F or D)	Funding Status (HH or PI)
Arizona			
Flagstaff	NM	D	
Phoenix	M	F	PI
Sacaton (Gila Indian Reservation).	NM	--------	HH
Scottsdale	M	F	HH
Second Mesa (Hopi Indian Reservation).	NM	D	
Tucson	M	F	HH
Window Rock (Navajo Indian Reservation).	NM	D	
California			
Anaheim [1]	M	F	PI
Buena Park [1]	M	F	PI
Compton	M	F	HH
Costa Mesa [1]	M	F	PI
Los Angeles	M	F	HH
Orange County	UC	F	PI
San Francisco	M	F	HH
San Jose	M	F	HH
Santa Ana [1]	M	F	PI
Santa Clara	M	F	PI
Westminster [1]	M	F	PI
Colorado			
Denver	M	F	HH
Connecticut			
Bridgeport	M	F	HH
Hartford	M	F	HH
Norwalk	M	F	
Stamford	M	F	HH
Florida			
Miami	M	F	PI
Dade County	UC	F	HH
Hillsborough County	UC	F	PI
Orange County	UC	F	PI
Orlando	M	F	PI
St. Petersburg	M	F	PI
Georgia			
Athens	NM	----------	HH
Atlanta	M	F	HH
Gainesville	NM	D	HH
Savannah	M	F	HH
Idaho			
Boise	M	F	HH
Illinois			
Chicago	M	F	HH
Du Page County	UC	F	PI
Rockford	M	F	HH
Indiana			
Indianapolis	M	F	HH

See footnotes at end of table.

LIST OF CD COMMUNITIES VISITED—Continued

[Key to symbols: M—Metropolitan City, NM—Non-Metropolitan City, UC—Urban County, F—Formula, D—Discretionary, HH—Hold Harmless, PI—Phase-In]

	Type of Jurisdiction (M, NM, or UC)	Entitlement (F or D)	Funding Status (HH or PI)
Kansas			
Wichita	M	F	HH
Kentucky			
Ashland [1]	M	F	PI
Danville [1]	NM	F	HH
Lexington [1]	M	F	HH
Richmond [1]	NM	F	HH
Louisiana			
Baton Rouge	M	F	PI
Jefferson Parish	UC	F	PI
New Orleans	M	F	PI
Maine			
Bangor	NM	D	HH
Portland	M	F	HH
Maryland			
Baltimore	M	F	HH
Massachusetts			
Boston	M	F	HH
North Adams	NM	F	HH
Pittsfield	M	F	HH
Springfield	M	F	HH
Waltham	M	F	PI
Worcester	M	F	HH
Michigan			
Albion	M	D	HH
Ann Arbor	M	F	HH
Barry County	M	D	
Battle Creek	M	F	PI
Calhoun County	M	D	
Hastings	M	D	
Kalamazoo	M	F	PI
Lansing	M	F	HH
Portage	M	F	PI
Ypsilanti	M	----------	HH
Minnesota			
Duluth	M	F	HH
Minneapolis	M	F	HH
Two Harbors	NM	D	
Mississippi			
Jackson	M	F	PI
Missouri			
Kansas City	M	F	HH
St. Louis	M	F	HH
Montana			
Butte	NM	----------	HH
Great Falls	M	F	PI
Helena	NM	----------	HH
New Hampshire			
Manchester	M	F	HH
New Jersey			
Middlesex County	UC	F	PI
Trenton	M	F	HH
New Mexico			
Albuquerque	M	F	HH
Santa Fe	NM	F	HH

See footnotes at end of table.

LIST OF CD COMMUNITIES VISITED—Continued

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	Type of Jurisdiction (M, NM, or UC)	Entitlement (F or D)	Funding Status (HH or PI)
New York			
Albany	M	F	HH
Binghamton	M	F	HH
Elmira	M	F	HH
New York City	M	F	PI
Rochester	M	F	HH
Schenectady	M	F	HH
Syracuse	M	F	HH
North Dakota			
Bismarck	NM	----------	HH
Ohio			
Ashtabula	M	D	HH
Cincinnati	M	F	HH
Cleveland	M	F	HH
Dayton	M	F	HH
Mentor	M	D	
Painesville	M	D	HH
Portage County	M	D	
Toledo	M	F	HH
Oregon			
Corvalis	NM	D	
*Eugene	M	F	PI
Newport	NM	D	
Portland	M	F	HH
*Salem	M	F	HH
Pennsylvania			
Allegheny County	UC	F	PI
Harrisburg	M	F	HH
Lancaster	M	F	HH
Pittsburgh	M	F	HH
York	M	F	HH
Rhode Island			
Pawtucket	M	F	HH
Woonsocket	M	D	HH
Texas			
Austin	M	F	HH
Dallas	M	F	PI
Houston	M	F	PI
San Antonio	M	F	HH
Tarrant County	UC	F	PI
Waco	M	F	HH
Wichita Falls	M	F	PI
Utah			
Ogden	M	F	PI
Salt Lake City	M	F	HH
Salt Lake County	UC	F	PI
Vermont			
Brattleboro	NM	F	HH
Burlington	NM	F	HH
Winooski	NM	F	HH
Virginia			
Alexandria	M	F	HH
Charlottesville	NM	----------	HH
Fairfax County	UC	F	PI
Norfolk	M	F	HH
Portsmouth	M	F	HH
Richmond	M	F	HH

See footnotes at end of table.

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	Type of Jurisdiction (M, NM, or UC)	Entitlement (F or D)	Funding Status (HH or PI)
Wisconsin:			
Beloit	NM	F	HH
Kenosha	M	F	PI
Madison	M	F	HH
Milwaukee	M	F	HH
Milwaukee County	UC	D	
Racine	M	F	PI
Washington:			
Seattle	M	F	HH
Tacoma	M	F	HH
West Virginia:			
Charleston	M	F	HH
Puerto Rico:			
San Juan	M	F	PI

[1] Conferred with city officials, but did not visit city itself.

COMMUNITY DEVELOPMENT ASSISTANCE

EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

[Public Law 93–383, 88 Stat. 633]

AN ACT To establish a program of community development block grants, to amend and extend laws relating to housing and urban development, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Housing and Community Development Act of 1974",

TITLE I—COMMUNITY DEVELOPMENT

FINDINGS AND PURPOSE

SEC. 101. (a) The Congress finds and declares that the Nation's cities, towns, and smaller urban communities face critical social, economic, and environmental problems arising in significant measure from—

(1) the growth of population in metropolitan and other urban areas, and the concentration of persons of lower income in central cities; and

(2) inadequate public and private investment and reinvestment in housing and other physical facilities, and related public and social services, resulting in the growth and persistence of urban slums and blight and the marked deterioration of the quality of the urban environment.

(b) The Congress further finds and declares that the future welfare of the Nation and the well-being of its citizens depend on the establishment and maintenance of viable urban communities as social, economic, and political entities, and require—

(1) systematic and sustained action by Federal, State, and local governments to eliminate blight, to conserve and renew older urban areas, to improve the living environment of low- and moderate-income families, and to develop new centers of population growth and economic activity;

(2) substantial expansion of and greater continuity in the scope and level of Federal assistance, together with increased private investment in support of community development activities; and

(3) continuing effort at all levels of government to streamline programs and improve the functioning of agencies responsible for planning, implementing, and evaluating community development efforts.

(c) The primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Consistent with this primary objective, the Federal assistance provided in this title is for the support of community development activities which are directed toward the following specific objectives—

(1) the elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income;

(2) the elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;

(3) the conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;

(4) the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;

(5) a more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;

(6) the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and

(7) the restoration and preservation of properties of special value for historic, architectural, or esthetic reasons.

It is the intent of Congress that the Federal assistance made available under this title not be utilized to reduce substantially the amount of local financial support for community development activities below the level of such support prior to the availability of such assistance.

(d) It is also the purpose of this title to further the development of a national urban growth policy by consolidating a number of complex and overlapping programs of financial assistance to communities of varying sizes and needs into a consistent system of Federal aid which—

(1) provides assistance on an annual basis, with maximum certainty and minimum delay, upon which communities can rely in their planning;

(2) encourages community development activities which are consistent with comprehensive local and areawide development planning;

(3) further achievement of the national housing goal of a decent home and a suitable living environment for every American family; and

(4) fosters the undertaking of housing and community development activities in a coordinated and mutually supportive manner.

DEFINITIONS

SEC. 102. (a) As used in this title—

(1) The term "unit of general local government" means any city, county, town, township, parish, village, or other general purpose political subdivision of a State; Guam, the Virgin Islands, and American Samoa, or a general purpose political subdivision thereof; a combination of such political subdivisions recognized by the Secretary; the District of Columbia; the Trust Territory of the Pacific Islands; and Indian tribes, bands, groups, and nations, including Alaska Indians, Aleuts, and Eskimos, of the United States. Such term also includes a State or a local public body or agency (as defined in section 711 of the Housing and Urban Development Act of 1970), community association, or other entity, which is approved by the Secretary for the purpose of providing public facilities or services to a new community as part of a program meeting the eligibility standards of section 712 of the Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968.

(2) The term "State" means any State of the United States, or any instrumentality thereof approved by the Governor; and the Commonwealth of Puerto Rico.

(3) The term "metropolitan area" means a standard metropolitan statistical area as established by the Office of Management and Budget.

(4) The term "metropolitan city" means (A) a city within a metropolitan area which is the central city of such area, as defined and used by the Office of Management and Budget, or (B) any other city, within a metropolitan area, which has a population of fifty thousand or more.

(5) The term "city" means (A) any unit of general local government which is classified as a municipality by the United States Bureau of the Census or (B) any other unit of general local government which is a town or township and which, in the determination of the Secretary, (i) possesses powers and performs functions comparable to those associated with municipalities, (ii) is closely settled, and (iii) contains within its boundaries no incorporated places as defined by the United States Bureau of the Census.

(6) The term "urban county" means any county within a metropolitan area which (A) is authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas, if any, which are not units of general local government, and (B) has a combined population of two hundred thousand or more (excluding the population of metropolitan cities therein) in such unincorporated areas and in its included units of general local government (i) in which it has authority to undertake essential community development and housing assistance activities and which do not elect to have

their population excluded or (ii) with which it has entered into cooperation agreements to undertake or to assist in the undertaking of essential community development and housing assistance activities.

(7) The term "population" means total resident population based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

(8) The term "extent of poverty" means the number of persons whose incomes are below the poverty level. Poverty levels shall be determined by the Secretary pursuant to criteria provided by the Office of Management and Budget, taking into account and making adjustments, if feasible and appropriate and in the sole discretion of the Secretary, for regional or area variations in income and cost of living, and shall be based on data referable to the same point or period in time.

(9) The term "extent of housing overcrowding" means the number of housing units with 1.01 or more persons per room based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

(10) The term "Federal grant-in-aid program" means a program of Federal financial assistance other than loans and other than the assistance provided by this title.

(11) The term "program period" means the period beginning January 1, 1975, and ending June 30, 1975, and the period covering each fiscal year [1] thereafter.

(12) The term "Community Development Program" means a program described in section 104(a)(2).

(13) The term "Secretary" means the Secretary of Housing and Urban Development.

(b) Where appropriate, the definitions in subsection (a) shall be based, with respect to any fiscal year, on the most recent data compiled by the United States Bureau of the Census and the latest published reports of the Office of Management and Budget available ninety days prior to the beginning of such fiscal year. The Secretary may by regulation change or otherwise modify the meaning of the terms defined in subsection (a) in order to reflect any technical change or modification thereof made subsequent to such date by the United States Bureau of the Census or the Office of Management and Budget.

(c) One or more public agencies, including existing local public agencies, may be designated by the chief executive officer of a State or a unit of general local government to undertake a Community Development Program in whole or in part.

AUTHORIZATION TO MAKE GRANTS

SEC. 103. (a)(1) The Secretary is authorized to make grants to States and units of general local government to help finance Community Development Programs approved in accordance with the provisions of this title. The Secretary is authorized to incur obligations on behalf of the United States in the form of grant agreements or otherwise in amounts aggregating such sum, not to exceed $8,400,000,000, as may be approved in an appropriation Act. The

[1] Sec. 201(37) of the Fiscal Year Transition Act, Public Law 94-272, 90 Stat. 383, approved April 21, 1976, provides for treatment of the transition quarter period between July 1, 1976, through September 30, 1976, as a fiscal year.

amount so approved shall become available for obligation on January 1, 1975, and shall remain available until obligated. There are authorized to be appropriated for liquidation of the obligations incurred under this subsection not to exceed $2,500,000,000 prior to the close of the fiscal year 1975, which amount may be increased to not to exceed an aggregate of $5,450,000,000 prior to the close of the fiscal year 1976, and to not to exceed an aggregate of $8,400,000,000 prior to the close of the fiscal year 1977. Subject to the limitations contained in the preceding sentence, appropriations for—

(A) grants under title VII of the Housing Act of 1961;

(B) grants under sections 702 and 703 of Housing and Urban Development Act of 1965; and

(C) supplemental grants under title I of the Demonstration Cities and Metropolitan Development Act of 1966,

may be used, to the extent not otherwise obligated prior to January 1, 1975, for the liquidation of contracts entered into pursuant to this section.

(2) Of the amounts approved in appropriation Acts pursuant to paragraph (1) $50,000,000 for each of the fiscal years 1975 and 1976,[1] and $200,000,000 for the fiscal year 1977, not more than 50 per centum of which amount may be used under section 106(d)(1), shall be added to the amount available for allocation under section 106(d) and shall not be subject to the provisions of section 107.

(b) In addition to the amounts made available under subsection (a), and for the purpose of facilitating an orderly transition to the program authorized under this title, there are authorized to be appropriated not to exceed $50,000,000 for each of the fiscal years 1975 and 1976, and not to exceed $100,000,000 for the fiscal year 1977, for grants under this title to units of general local government having urgent community development needs which cannot be met through the operation of the allocation provisions of section 106.

(c) Sums appropriated pursuant to this section shall remain available until expended.

(d) To assure program continuity and orderly planning, the Secretary shall submit to the Congress timely requests for additional authorizations for the fiscal years 1978 through 1980.

APPLICATION AND REVIEW REQUIREMENTS

SEC. 104. (a) No grant may be made pursuant to section 106 unless an application shall have been submitted to the Secretary in which the applicant—

(1) sets forth a summary of a three-year community development plan which identifies community development needs, demonstrates a comprehensive strategy for meeting those needs, and specifies both short- and long-term community development objectives which have been developed in accordance with area-wide development planning and national urban growth policies;

(2) formulates a program which (A) includes the activities to be undertaken to meet its community development needs and objectives, together with the estimated costs and general location

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[1] Sec. 15(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 103(a)(2) of the Housing and Community Development Act of 1974 by inserting ", and $200,000,000 for the fiscal year 1977, not more than 50 per centum of which amount may be used under section 106(d)(1),".

of such activities, (B) indicates resources other than those provided under this title which are expected to be made available toward meeting its identified needs and objectives, and (C) takes into account appropriate environmental factors;

(3) describes a program designed to—

(A) eliminate or prevent slums, blight, and deterioration where such conditions or needs exist; and

(B) provide improved community facilities and public improvements, including the provision of supporting health, social, and similar services where necessary and appropriate;

(4) submits a housing assistance plan which—

(A) accurately surveys the condition of the housing stock in the community and assesses the housing assistance needs of lower-income persons (including elderly and handicapped persons, large families, and persons displaced or to be displaced) residing in or expected to reside in the community,

(B) specifies a realistic annual goal for the number of dwelling units or persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units, and (ii) the sizes and types of housing projects and assistance best suited to the needs of lower-income persons in the community, and

(C) indicates the general locations of proposed housing for lower-income persons, with the objective of (i) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible, (ii) promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons, and (iii) assuring the availability of public facilities and services adequate to serve proposed housing projects;

(5) provides satisfactory assurances that the program will be conducted and administered in conformity with Public Law 88–352 and Public Law 90–284; and

(6) provides satisfactory assurances that, prior to submission of its application, it has (A) provided citizens with adequate information concerning the amount of funds available for proposed community development and housing activities, the range of activities that may be undertaken, and other important program requirements, (B) held public hearings to obtain the views of citizens on community development and housing needs, and (C) provided citizens an adequate opportunity to participate in the development of the application; but no part of this paragraph shall be construed to restrict the responsibility and authority of the applicant for the development of the application and the execution of its Community Development Program.

(b) (1) Not more than 10 per centum of the estimated costs referred to in subsection (a) (2) which are to be incurred during any contract period may be designated for unspecified local option activities which are eligible for assistance under section 105(a) or for a contingency account for activities designated by the applicant pursuant to subsection (a) (2).

(2) Any grant under this title shall be made only on condition that the applicant certify to the satisfaction of the Secretary that its Community Development Program has been developed so as to give maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight. The Secretary may also approve an application describing activities which the applicant certifies and the Secretary determines are designed to meet other community development needs having a particular urgency as specifically described in the application.

(3) The Secretary may waive all or part of the requirements contained in paragraphs (1), (2), and (3) of subsection (a) if (A) the application for assistance is in behalf of a locality having a population of less than 25,000 according to the most recent data compiled by the Bureau of the Census which is located either (i) outside a standard metropolitan statistical area, or (ii) inside such an area but outside an "urbanized area" as defined by the Bureau of the Census (or as such definition is modified by the Secretary for purposes of this title), (B) the application relates to the first community development activity to be carried out by such locality with assistance under this title, (C) the assistance requested is for a single development activity under this title of a type eligible for assistance under title VII of the Housing Act of 1961 or title VII of the Housing and Urban Development Act of 1965, and (D) the Secretary determines that, having regard to the nature of the activity to be carried out, such waiver is not inconsistent with the purposes of this title.

(4) The Secretary may accept a certification from the applicant that it has complied with the requirements of paragraphs (5) and (6) of subsection (a).

(c) The Secretary shall approve an application for an amount which does not exceed the amount determined in accordance with section 106(a) unless—

(1) on the basis of significant facts and data, generally available and pertaining to community and housing needs and objectives, the Secretary determines that the applicant's description of such needs and objectives is plainly inconsistent with such facts or data; or

(2) on the basis of the application, the Secretary determines that the activities to be undertaken are plainly inappropriate to meeting the needs and objectives identified by the applicant pursuant to subsection (a); or

(3) the Secretary determines that the application does not comply with the requirements of this title or other applicable law or proposes activities which are ineligible under this title.

(d) Prior to the beginning of fiscal year 1977 and each fiscal year thereafter, each grantee shall submit to the Secretary a performance report concerning the activities carried out pursuant to this title, together with an assessment by the grantee of the relationship of those activities to the objectives of this title and the needs and objectives identified in the grantee's statement submitted pursuant to subsection (a). The Secreary 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, 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. The Secretary may make appropriate adjustments in the amount of the annual grants in accordance with his findings pursuant to this subsection.

(e) No grant may be made under this title unless the application therefor has been submitted for review and comment to an areawide agency under procedures established by the President pursuant to title II of the Demonstration Cities and Metropolitan Development Act of 1966 and title IV of the Intergovernmental Cooperation Act of 1968.

(f) An application subject to subsection (c), if submitted after any date established by the Secretary for consideration of applications, shall be deemed approved within 75 days after receipt unless the Secretary informs the applicant of specific reasons for disapproval. Subsequent to approval of the application, the amount of the grant may be adjusted in accordance with the provisions of this title.

(g) Insofar as they relate to funds provided under this title, the financial transactions of recipients of such funds may be audited by the General Accounting Office under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, records, reports, files, and other papers, things, or property belonging to or in use by such recipients pertaining to such financial transactions and necessary to facilitate the audit.

(h)(1) In order to assure that the policies of the National Environmental Policy Act of 1969 are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary, in lieu of the environmental protection procedures otherwise applicable, may under regulations provide for the release of funds for particular projects to applicants who assume all of the responsibilities for environmental review, decisionmaking, and action pursuant to such Act that would apply to the Secretary were he to undertake such projects as Federal projects. The Secretary shall issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality.

(2) The Secretary shall approve the release of funds for projects subject to the procedures authorized by this subsection only if, at least fifteen days prior to such approval and prior to any commitment of funds to such projects other than for purposes authorized by section 105(a)(12) or for environmental studies, the applicant has submitted to the Secretary a request for such release accompanied by a certification which meets the requirements of paragraph (3). The Secretary's approval of any such certification shall be deemed to satisfy his responsibilities under the National Environmental Policy Act insofar as those responsibilities relate to the applications and releases of funds for projects to be carried out pursuant thereto which are covered by such certification.

(3) A certification under the procedures authorized by this subsection shall—

(A) be in a form acceptable to the Secretary,

(B) be executed by the chief executive officer or other officer of the applicant qualified under regulations of the Secretary,

(C) specify that the applicant has fully carried out its responsibilities as described under paragraph (1) of this subsection, and

(D) specify that the certifying officer (i) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 insofar as the provisions of such Act apply pursuant to paragraph (1) of this subsection, and (ii) is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

COMMUNITY DEVELOPMENT PROGRAM ACTIVITIES ELIGIBLE FOR ASSISTANCE

SEC. 105. (a) A Community Development Program assisted under this title may include only—

(1) the acquisition of real property (including air rights, water rights, and other interests therein) which is (A) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (B) appropriate for rehabilitation or conservation activities; (C) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (D) to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or (E) to be used for other public purposes;

(2) the acquisition, construction, reconstruction, or installation of public works, facilities, and site or other improvements—including neighborhood facilities, centers for the handicapped,[1] senior centers, historic properties, utilities, streets, street lights, water and sewer facilities, foundations and platforms for air rights sites, pedestrian malls and walkways, and parks, playgrounds, and recreation facilities, flood and drainage facilities in cases where assistance for such facilities under other Federal laws or programs is determined to be unavailable, and parking facilities, solid waste disposal facilities, and fire protection services and facilities which are located in or which serve designated community development areas;

(3) code enforcement in deteriorated or deteriorating areas in which such enforcement, together with public improvements and services to be provided, may be expected to arrest the decline of the area;

(4) clearance, demolition, removal, and rehabilitation of buildings and improvements (including interim assistance and financing rehabilitation of privately owned properties when incidental to other activities);

(5) special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;

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[1] Sec. 15(b) of the Housing Authorization Act of 1976, Public Law 94–375, approved August 3, 1976, 90 Stat. 1067, amended section 105(a)(2) the Housing and Community Development Act of 1974 by inserting "centers for the handicapped," immediately after "neighborhood facilities".

(6) payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by program activities under this title;

(7) disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to this title or its retention for public purposes;

(8) provision of public services not otherwise available in areas where other activities assisted under this title are being carried out in a concentrated manner, if such services are determined to be necessary or appropriate to support such other activities and if assistance in providing or securing such services under other applicable Federal laws or programs has been applied for and denied or not made available within a reasonable period of time, and if such services are directed toward (A) improving the community's public services and facilities, including those concerned with the employment, economic development, crime prevention, child care, health, drug abuse, education, welfare, or recreation needs of persons residing in such areas, and (B) coordinating public and private development programs;

(9) payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of the Community Development Program;

(10) payment of the cost of completing a project funded under title I of the Housing Act of 1949;

(11) relocation payments and assistance for individuals, families, businesses, organizations, and farm operations displaced by activities assisted under this title;

(12) activities necessary (A) to develop a comprehensive community development plan, and (B) to develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning implementation; and

(13) payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities.

(b) Upon the request of the recipient of a grant under this title, the Secretary may agree to perform administrative services on a reimbursable basis on behalf of such recipient in connection with loans or grants for the rehabilitation of properties as authorized under subsection (a)(4).

ALLOCATION AND DISTRIBUTION OF FUNDS

SEC. 106. (a) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided

for use in accordance with sections 103(a)(2) and 107), 80 per centum shall be allocated by the Secretary to metropolitan areas. Except as provided in subsections (c) and (e), each metropolitan city and urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to annual grants from such allocation in an aggregate amount not exceeding the greater of its basic amount computed pursuant to paragraph (2) or (3) of subsection (b) or its hold-harmless amount computed pursuant to subsection (g).

(b)(1) The Secretary shall determine the amount to be allocated to all metropolitan cities which shall be an amount that bears the same ratio to the allocation for all metropolitan areas as the average of the ratios between—

(A) the population of all metropolitan cities and the population of all metropolitan areas;

(B) the extent of poverty in all metropolitan cities and the extent of poverty in all metropolitan areas; and

(C) the extent of housing overcrowding in all metropolitan cities and the extent of housing overcrowding in all metropolitan areas.

(2) From the amount allocated to all metropolitan cities the Secretary shall determine for each metropolitan city a basic grant amount which shall equal an amount that bears the same ratio to the allocation for all metropolitan cities as the average of the ratios between—

(A) the population of that city and the population of all metropolitan cities;

(B) the extent of poverty in that city and the extent of poverty in all metropolitan cities; and

(C) the extent of housing overcrowding in that city and the extent of housing overcrowding in all metropolitan cities.

(3) The Secretary shall determine the basic grant amount of each urban county by—

(A) calculating the total amount that would have been allocated to metropolitan cities and urban counties together under paragraph (1) of this subsection if data pertaining to the population, extent of poverty, and extent of housing overcrowding in all urban counties were included in the numerator of each of the fractions described in such paragraph; and

(B) determining for each county the amount which bears the same ratio to the total amount calculated under subparagraph (A) of this paragraph as the average of the ratios between—

(i) the population of that urban county and the population of all metropolitan cities and urban counties;

(ii) the extent of poverty in that urban county and the extent of poverty in all metropolitan cities and urban counties; and

(iii) the extent of housing overcrowding in that urban county and the extent of housing overcrowding in all metropolitan cities and urban counties.

(4) In determining the average of ratios under paragraphs (1), (2), and (3), the ratio involving the extent of poverty shall be counted twice.

(5) In computing amounts or exclusions under this section with respect to any urban county there shall be excluded units of general local government located in the county (A) which receive hold-harm-

less grants pursuant to subsection (h), or (B) the populations of which are not counted in determining the eligibility of the urban county to receive a grant under this subsection.

(c) During the first three years for which funds are approved for distribution to a metropolitan city or urban county under this section, the basic grant amount of such city or county as computed under subsection (b) shall be adjusted as provided in this subsection if the amount so computed for the first such year exceeds the city's or county's hold-harmless amount as determined under subsection (g). Such adjustment shall be made so that—

(1) the amount for the first year does not exceed one-third of the full basic grant amount computed under subsection (b), or the hold-harmless amount, whichever is the greater,

(2) the amount for the second year does not exceed two-thirds of the full basic grant amount computed under subsection (b), or the hold-harmless amount, or the amount allowed under paragraph (1) of this subsection, whichever is the greatest, and

(3) the amount for the third year does not exceed the full basic grant amount computed under subsection (b).

(d) Any portion of the amount allocated to metropolitan areas under the first sentence of subsection (a) which remains after the allocation of grants to metropolitan cities and urban counties in accordance with subsections (b) and (c) and any amounts added in accordance with the provisions of section 103(a)(2) shall be allocated by the Secretary—

(1) first, for grants to metropolitan cities, urban counties, and other units of general local government within metropolitan areas to meet their hold-harmless needs as determined under subsections (g) and (h); and

(2) second, for grants to units of general local government (other than metropolitan cities and urban counties) and States for use in metropolitan areas, allocating for each such metropolitan area an amount which bears the same ratio to the allocation for all metropolitan areas available under this paragraph as the average of the ratios between—

(A) the population of that metropolitan area and the population of all metropolitan areas,

(B) the extent of poverty in that metropolitan area and the extent of poverty in all metropolitan areas, and

(C) the extent of housing overcrowding in that metropolitan area and the extent of housing overcrowding in all metropolitan areas.

In determining the average of ratios under paragraph (2), the ratio involving the extent of poverty shall be counted twice; and in computing amounts under such paragraph there shall be excluded any metropolitan cities, urban counties, and units of general local government which receive hold-harmless grants pursuant to subsection (h).

(e) Any amounts allocated to a metropolitan city or urban county pursuant to the preceding provisions of this section which are not applied for during a program period or which are not approved by the Secretary, and any other amounts allocated to a metropolitan area which the Secretary determines, on the basis of the applications and other evidence available, are not likely to be fully obligated during such program period, shall be reallocated during the same period for

use by States, metropolitan cities, urban counties, or units of general local government, first, in any metropolitan area in the same State, and second, in any other metropolitan area. The Secretary shall review determinations under this subsection from time to time as appropriate with a view of assuring maximum use of all available funds in the period for which such funds were appropriated.

(f)(1) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with sections 103(a)(2) and 107), 20 per centum shall be allocated by the Secretary—

(A) first, for grants to units of general local government outside of metropolitan areas to meet their hold-harmless needs as determined under subsection (h); and

(B) second, for grants to units of general local government outside of metropolitan areas and States for use outside of metropolitan areas, allocating for the nonmetropolitan areas of each State an amount which bears the same ratio to the allocation available under this subparagraph for the nonmetropolitan areas of all States as the average of the ratios between—

(i) the population of the nonmetropolitan areas of that State and the population of the nonmetropolitan areas of all the States,

(ii) the extent of poverty in the nonmetropolitan areas of that State and the extent of poverty in the nonmetropolitan areas of all the States, and

(iii) the extent of housing overcrowding in the nonmetropolitan areas of that State and the extent of housing overcrowding in the nonmetropolitan areas of all the States.

In determining the average of ratios under subparagraph (B), the ratio involving the extent of poverty shall be counted twice; and in computing amounts under such subparagraph there shall be excluded units of general local government which receive hold-harmless grants pursuant to subsection (h).

(2) Any amounts allocated to a unit of general local government under paragraph (1) which are not applied for during a program period or which are not approved by the Secretary, and any amounts allocated to the nonmetropolitan areas of a State under paragraph (1)(B) which the Secretary determines, on the basis of applications and other evidence available, are not likely to be fully obligated during such period, shall be reallocated as soon as practicable during the same period to the nonmetropolitan areas of other States. The Secretary shall review determinations under this paragraph from time to time with a view to assuring maximum use of all available funds in the program period for which such funds were appropriated.

(g)(1) The full hold-harmless amount of each metropolitan city or urban county shall be the sum of (i) the sum of the average during the five fiscal years ending prior to July 1, 1972, of (1) commitments for grants (as determined by the Secretary) pursuant to part A of title I of the Housing Act of 1949; (2) loans pursuant to section 312 of the Housing Act of 1964; (3) grants pursuant to sections 702 and 703 of the Housing and Urban Development Act of 1965; (4) loans pursuant to title II of the Housing Amendments of 1955; and (5) grants pursuant to title VII of the Housing Act of 1961; and (ii) the average annual grant, as determined by the Secretary, made in

accordance with part B of title I of the Housing Act of 1949 during the fiscal years ending prior to July 1, 1972, or during the fiscal year 1973 in the case of a metropolitan city or urban county which first received a grant under part B of such title in such fiscal year. In the case of a metropolitan city or urban county which has participated in the program authorized under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 and which has been funded or extended in the fiscal year 1973 for a period ending after June 30, 1973, determinations of the hold-harmless amount of such metropolitan city or urban county for the following specified years shall be made so as to include, in addition to the amounts specified in clauses (i) and (ii) of the preceding sentence, the following percentages of the average annual grant, as determined by the Secretary made in accordance with such section during fiscal years ending prior to July 1, 1972—

(A) 100 per centum for each of a number of years which, when added to the number of funding years for which the city or county received grants under such section 105, equals five;

(B) 80 per centum for the year immediately following year five as determined pursuant to clause (A),

(C) 60 per centum for the year immediately following the year provided for in clause (B); and

(D) 40 per centum for the year immediately following the year provided for in clause (C).

For the purposes of this paragraph the average annual grant under part B of title I of the Housing Act of 1949 or under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 shall be established by dividing the total amount of grants made to a participant under the program by the number of months of program activity for which funds were authorized and multiplying the result by twelve.

(2) During the fiscal years 1975, 1976, and 1977, the hold-harmless amount of any metropolitan city or urban county shall be the full amount computed for the city or county in accordance with paragraph (1). In the fiscal years 1978, 1979, and 1980, if such amount is greater than the basic grant amount of the metropolitan city or urban county for that year, as computed under subsection (b) (2) or (3), it shall be reduced so that—

(i) in the fiscal year 1978, the excess of the hold-harmless amount over the basic grant amount shall equal two-thirds of the difference between the amount computed under paragraph (1) and the basic grant amount for such year,

(ii) in the fiscal year 1979, the excess of the hold-harmless amount over the basic grant amount shall equal one-third of the difference between the amount computed under paragraph (1) and the basic grant amount for such year, and

(iii) in the fiscal year 1980, there shall be no excess of the hold-harmless amount over the basic grant amount.

(h) (1) Any unit of general local government which is not a metropolitan city or urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to grants under this title for any year in an aggregate amount at least equal to a hold-harmless amount as computed under the provisions of

subsection (g)(1) if, during the five-fiscal-year period specified in the first sentence of subsection (g)(1) (or during the fiscal year 1973 in the case of a locality which first received a grant for a neighborhood development program in that year), one or more urban renewal projects, code enforcement programs, neighborhood development programs, or model cities programs were being carried out by such unit of general local government pursuant to commitments for assistance entered into during such period under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966.

(2) In the fiscal years 1978, 1979, and 1980, in determining the hold-harmless amount of units of general local government qualifying under this subsection, the second sentence of subsection (g)(2) shall be applied as though such units were metropolitan cities or urban counties with basic grant amounts of zero.

(i) In excluding the population, poverty, and housing overcrowding data of units of general local government which receive a hold-harmless grant pursuant to subsection (h) from the computations described in subsections (b)(5), (d), and (f) of this section, the Secretary shall exclude only two-thirds of such data for the fiscal year 1978 and one-third of such data for the fiscal year 1979.

(j) Any unit of general local government eligible for a hold-harmless grant pursuant to subsection (h) may, not later than thirty days prior to the beginning of any program period, irrevocably waive its eligibility under such subsection. In the case of such a waiver the unit of general local government shall not be excluded from the computations described in subsections (b)(5), (d), and (f) of this section.

(k) The Secretary may fix such qualification or submission dates as he determines are necessary to permit the computations and determinations required by this section to be made in a timely manner, and all such computations and determinations shall be final and conclusive.

(l) Not later than March 31, 1977, the Secretary shall make a report to the Congress setting forth such recommendations as he deems advisable, in furtherance of the purposes and policy of this title, for modifying or expanding the provisions of this section relating to the method of funding and the allocation of funds and the determination of the basic grant entitlement, and for the application of such provisions in the further distribution of funds under this title. In making this report, the Secretary shall conduct a study to determine how funds authorized under this title can be distributed in accordance with community development needs, objectives, and capacities, measured to the maximum extent feasible by objective standards.

DISCRETIONARY FUND

SEC. 107. (a) Of the total amount of authority to enter into contracts approved in appropriation Acts under section 103(a)(1) for each of the fiscal years 1975, 1976, and 1977, an amount equal to 2 per centum thereof shall be reserved and set aside in a special discretionary fund for use by the Secretary in making grants (in addition to any other grants which may be made under this title to the same entities or for the same purposes)—

(1) in behalf of new communities assisted under title VII of the Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968 or [1] in behalf of new community projects assisted under title X of the National Housing Act which meet the eligibility standards set forth in title VII of the Housing and Urban Development Act of 1970 and which were the subject of an application or preapplication under such title prior to January 14, 1975;

(2) to States and units of general local government which join in carrying out housing and community development programs that are areawide in scope;

(3) in Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands;

(4) to States and units of general local government for the purpose of demonstrating innovative community development projects;

(5) to States and units of general local government for the purpose of meeting emergency community development needs caused by federally recognized disasters; and

(6) to States and units of general local government where the Secretary deems it necessary to correct inequities resulting from the allocation provisions of section 106.

(b) Not more than one-fourth of the total amount reserved and set aside in the special discretionary fund under subsection (a) for each year may be used for grants to meet emergency disaster needs under subsection (a)(5).

(c) Amounts reserved and set aside in the special discretionary fund under subsection (a) in any fiscal year but not used in such year shall remain available for use in accordance with subsections (a) and (b) in subsequent fiscal years.

GUARANTEE OF LOANS FOR ACQUISITION OF PROPERTY

SEC. 108. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to guarantee and make commitments to guarantee the notes or other obligations issued by units of general local government, or by public agencies designated by such units of general local government, for the purpose of financing the acquisition or assembly of real property (including such expenses related thereto as the Secretary may permit by regulation) to serve or be used in carrying out activities which are eligible for assistance under section 105 and are identified in the application under section 104, and with respect to which grants have been or are to be made under section 103, but no such guarantee shall be issued in behalf of any agency designed to benefit, in or by the flotation of any issue, a private individual or corporation.

(b) No guarantee or commitment to guarantee shall be made with respect to any unit of general local government or public agency designated by any such unit of general local government unless—

(1) the Secretary, from sums approved in appropriation Acts and allocated for obligation to the unit of general local govern-

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[1] Public Law 94-375, approved [illegible] of the Housing and Com-

ment pursuant to sections 106 and 107, shall have reserved and withheld, for the purpose of paying the guaranteed obligations (including interest), an amount which is at least equal to 110 per centum of the difference between the cost of acquiring the land and related expenses and the estimated proceeds to be derived from the sale or other disposition of the land, as determined or approved by the Secretary, which amount may subsequently be increased by the Secretary to the extent he determines such increase is necessary or appropriate because of any unanticipated, major reduction in such estimated disposition proceeds;

(2) the unit of general local government shall have given to the Secretary, in a form acceptable to him, a pledge of its full faith and credit, or a pledge of revenues approved by the Secretary, for the repayment of so much of any amount required to be paid by the United States pursuant to any guarantee under this section as is equal to the difference between the principal amount of the guaranteed obligations and interest thereon and the amount which is to be reserved and withheld under paragraph (1); and

(3) the unit of general local government has pledged to the repayment of any amounts which are required to be paid by the United States pursuant to its guarantee under this section, and which are not otherwise fully repaid when due pursuant to paragraph (1) and (2), the proceeds of any grants for which such unit of general local government may become eligible under this title.

(c) The full faith and credit of the United States is pledged to the payment of all guarantees made under this section. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligations for such guarantee with respect to principal and interest, and the validity of any such guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligations.

(d) The Secretary may issue obligations to the Secretary of the Treasury in an amount outstanding at any one time sufficient to enable the Secretary to carry out his obligations under guarantees authorized by this section. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Secretary issued under this section, and for such purposes is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which such securities may be issued under such Act are extended to include the purchases of the Secretary's obligations hereunder.

(e) Obligations guaranteed under this section may, at the option of the issuing unit of general local government or designated agency, be subject to Federal taxation as provided in subsection (g). In the event that taxable obligations are issued and guaranteed, the Secretary is authorized to make, and to contract to make, grants to or on behalf of the issuing unit of general local government or public agency to cover not to exceed 30 per centum of the net interest cost (including such servicing, underwriting, or other costs as may be specified in regulations of the Secretary) to the borrowing unit or agency of such obligations.

(f) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding at the end thereof a new paragraph as follows:

"(22) For payments required from time to time under contracts entered into pursuant to section 108 of the Housing and Community Development Act of 1974 for payment of interest costs on obligations guaranteed by the Secretary of Housing and Urban Development under that section."

(g) With respect to any obligation issued by a unit of general local government or designated agency which such unit or agency has elected to issue as a taxable obligation pursuant to subsection (e) of this section, the interest paid on such obligation shall be included in gross income for the purpose of chapter 1 of the Internal Revenue Code of 1954.

NONDISCRIMINATION

SEC. 109. (a) No person in the United States shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

(b) Whenever the Secretary determines that a State or unit of general local government which is a recipient of assistance under this title has failed to comply with subsection (a) or an applicable regulation, he shall notify the Governor of such State or the chief executive officer of such unit of local government of the noncompliance and shall request the Governor or the chief executive officer to secure compliance. If within a reasonable period of time, not to exceed sixty days, the Governor or the chief executive officer fails or refuses to secure compliance, the Secretary is authorized to (1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d); (3) exercise the powers and functions provided for in section 111(a) of this Act; or (4) take such other action as may be provided by law.

(c) When a matter is referred to the Attorney General pursuant to subsection (b), or whenever he has reason to believe that a State government or unit of general local government is engaged in a pattern or practice in violation of the provisions of this section, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

LABOR STANDARDS

SEC. 110. All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with grants received under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5): *Provided*, That this section shall apply to the rehabilitation of residential property only if such property is designed for residential use

for eight or more families. The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 13, 1934, as amended (48 Stat. 948; 40 U.S.C. 276 (c)).

REMEDIES FOR NONCOMPLIANCE

SEC. 111. (a) If the Secretary finds after reasonable notice and opportunity for hearing that a recipient of assistance under this title has failed to comply substantially with any provision of this title, the Secretary, until he is satisfied that there is no longer any such failure to comply, shall—

(1) terminate payments to the recipient under this title, or

(2) reduce payments to the recipient under this title by an amount equal to the amount of such payments which were not expended in accordance with this title, or

(3) limit the availability of payments under this title to programs, projects, or activities not affected by such failure to comply.

(b)(1) In lieu of, or in addition to, any action authorized by subsection (a), the Secretary may, if he has reason to believe that a recipient has failed to comply substantially with any provision of this title, refer the matter to the Attorney General of the United States with a recommendation that an appropriate civil action be instituted.

(2) Upon such a referral the Attorney General may bring a civil action in any United States district court having venue thereof for such relief as may be appropriate, including an action to recover the amount of the assistance furnished under this title which was not expended in accordance with it, or for mandatory or injunctive relief.

(c)(1) Any recipient which receives notice under subsection (a) of the termination, reduction, or limitation of payments under this title may, within sixty days after receiving such notice, file with the United States Court of Appeals for the circuit in which such State is located, or in the United States Court of Appeals for the District of Columbia, a petition for review of the Secretary's action. The petitioner shall forthwith transmit copies of the petition to the Secretary and the Attorney General of the United States, who shall represent the Secretary in the litigation.

(2) The Secretary shall file in the court record of the proceeding on which he based his action, as provided in section 2112 of title 28, United States Code. No objection to the action of the Secretary shall be considered by the court unless such objection has been urged before the Secretary.

(3) The court shall have jurisdiction to affirm or modify the action of the Secretary or to set it aside in whole or in part. The findings of fact by the Secretary, if supported by substantial evidence on the record considered as a whole, shall be conclusive. The court may order additional evidence to be taken by the Secretary, and to be made part of the record. The Secretary may modify his findings of fact, or make new findings, by reason of the new evidence so taken and filed with the court, and he shall also file such modified or new findings, which

findings with respect to questions of fact shall be conclusive if supported by substantial evidence on the record considered as a whole, and shall also file his recommendation, if any, for the modification or setting aside of his original action.

(4) Upon the filing of the record with the court, the jurisdiction of the court shall be exclusive and its judgment shall be final, except that such judgment shall be subject to review by the Supreme Court of the United States upon writ of certiorari or certification as provided in section 1254 of title 28, United States Code.

USE OF GRANTS TO SETTLE OUTSTANDING URBAN RENEWAL LOANS

SEC. 112. (a) The Secretary is authorized, notwithstanding any other provision of this title, to apply a portion of the grants, not to exceed 20 per centum thereof without the request of the recipient, made or to be made under section 103(a) in any fiscal year pursuant to an allocation under section 106 to any unit of general local government toward payment of the principal of, and accrued interest on, any temporary loan made in connection with urban renewal projects under title I of the Housing Act of 1949 being carried out within the jurisdiction of such unit of general local government if—

(1) the Secretary determines, after consultation with the local public agency carrying out the project and the chief executive of such unit of general local government, that the project cannot be completed without additional capital grants, or

(2) the local public agency carrying out the project submits to the Secretary an appropriate request which is concurred in by the governing body of such unit of general local government.

In determining the amounts to be applied to the payment of temporary loans, the Secretary shall make an accounting for each project taking into consideration the costs incurred or to be incurred, the estimated proceeds upon any sale or disposition of property, and the capital grants approved for the project.

(b) Upon application by any local public agency carrying out an urban renewal project under title I of the Housing Act of 1949, which application is approved by the governing body of the unit of general local government in which the project is located, the Secretary may approve a financial settlement of such project if he finds that a surplus of capital grant funds after full repayment of temporary loan indebtedness will result and may authorize the unit of general local government to use such surplus funds, without deduction or offset, in accordance with the provisions of this title.

REPORTING REQUIREMENTS

SEC. 113. (a) Not later than 180 days after the close of each fiscal year in which assistance under this title is furnished, the Secretary shall submit to the Congress a report which shall contain—

(1) a description of the progress made in accomplishing the objectives of this title; and

(2) a summary of the use of such funds as approved by the Secretary during the preceding fiscal year.

(b) The Secretary is authorized to require recipients of assistance under this title to submit to him such reports and other information as may be necessary in order for the Secretary to make the report required by subsection (a).

CONSULTATION

SEC. 114. In carrying out the provisions of this title including the issuance of regulations, the Secretary shall consult with other Federal departments and agencies administering Federal grant-in-aid programs.

INTERSTATE AGREEMENTS

SEC. 115. The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative effort and mutual assistance in support of community development planning and programs carried out under this title as they pertain to interstate areas and to localities within such States, and to establish such agencies, joint or otherwise, as they may deem desirable for making such agreements and compacts effective.

TRANSITION PROVISIONS

SEC. 116. (a) Except with respect to projects and programs for which funds have been previously committed, no new grants or loans shall be made after January 1, 1975, under (1) title I of the Demonstration Cities and Metropolitan Development Act of 1966, (2) title I of the Housing Act of 1949, (3) section 702 or section 703 of the Housing and Urban Development Act of 1965, (4) title II of the Housing Amendments of 1955, or (5) title VII of the Housing Act of 1961.

(b) To the extent that grants under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966 are payable from appropriations made for the fiscal year 1975, and are made with respect to a project or program being carried on in any unit of general local government which is eligible to receive a grant for such fiscal year under section 106(a) or (h) of this Act, the amount of such grants made under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966 shall be deducted from the amount of grants which such unit of general local government is eligible to receive for the fiscal year 1975 under such section 106(a) or (h). The deduction required by the preceding sentence shall be disregarded in determining the amount of grants made to any unit of general local government that may be applied, pursuant to section 112 of this Act, to payment of temporary loans in connection with urban renewal projects under title I of the Housing Act of 1949. The amount of any appropriations made for the fiscal year 1975 which is used for grants so as to be subject to the provisions of this subsection relating to deductions shall be deemed to have been appropriated for grants pursuant to section 103(a) of this Act for such fiscal year for purposes of calculations under sections 106 and 107 of this Act.

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(f) With respect to the program period beginning January 1, 1975, the Secretary may, without regard to the requirements of section 104, advance to any metropolitan city, urban county or other unit of general local government, out of the amount allocated to such entity pursuant to section 106 (a) or (h), an amount not to exceed 10 per centum of the amount so allocated which shall be available only for use (1) to continue projects or programs referred to in clauses (1) and (2) of subsection (a) of this section, or (2) to plan and prepare for the implementation of activities to be assisted under this title.

(g) In the case of funds available for any fiscal year, the Secretary shall not consider any application from a metropolitan city or urban county for a grant pursuant to section 106(a) or from a unit of general local government for a grant pursuant to section 106(h) unless such application is submitted on or prior to such date (in that fiscal year) as the Secretary shall establish as the final date for submission of applications for such grants in that year.

(h)[1] In the event that the total amount available for distribution in fiscal year 1977 in metropolitan areas is insufficient to meet all basic grant and hold-harmless entitlement needs, as provided by section 106(a), and funds are not otherwise appropriated to meet such deficiency, the Secretary shall meet the deficiency, first, from amounts available for use under section 107 and, if such amounts are exhausted, through a ratable reduction of all entitlements under section 106(a).

LIQUIDATION OF SUPERSEDED PROGRAMS

SEC. 117. (a) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding after paragraph (22) (as added by section 108(f) of this Act) the following new paragraph:

"(23) For payments required from time to time under contracts entered into pursuant to section 103(b) of the Housing Act of 1949 with respect to projects or programs for which funds have been committed on or before December 31, 1974, and for which funds have not previously been appropriated."

(b) The Secretary is authorized to transfer the assets and liabilities of any program which is superseded or inactive by reason of this title to the revolving fund for liquidating programs established pursuant to title II of the Independent Offices Appropriation Act of 1965 (Public Law 81–428; 68 Stat. 272, 295).[2]

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[1] Sec. 15(d) of the Housing Authorization Act of 1976, Public Law 94–375, approved August 3, 1976, 90 Stat. 1067, amended section 116 of the Housing and Community Development Act of 1974 by adding a new subsection "(h)".

[2] There is a technical error in this subsection. The reference should be to title II of the Independent Offices Appropriation Act, 1955, Public Law 83–428. The reference to the Statutes at Large is correct.

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