COMMUNITY DEVELOPMENT BLOCK GRANT:
New Federalism In The 70's To
Uncertainty In The 80's
City Of Flint
A Case Study

BY

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ABSTRACT

The Community Development Block Grant (CDBG) Program, authorized under Title I of the Housing and Community Development Act of 1974, as amended, provided a challenge to local communities to develop community development programs that would primarily benefit low-and-moderate-income persons in the decaying inner city. Because industrialized communities could not afford to provide scarce local dollars to improve declining neighborhoods, the CDBG Program attempted to take up this void.

As the CDBG Program matured, entitlement cities entered an era of uncertainty. Research into the successes, failures, and declining support of the CDGB Program, especially during the Reagan Administration, has given local communities reason to believe that the CDBG Program may be eliminated -- leaving, like many other programs for the poor, the priorities of the CDBG Program to compete for funding from state and local tax dollars.

The Focus of this paper will be on the review of the CDBG Entitlement Program through discussion of legislative history, research, evaluation, and a case study involving implementation of the CDGB Program and fund allocation in Flint, Michigan. The case study will pay particular attention to implementation of a housing rehabilitation program through the creation of the Flint Neighborhood Improvement and Preservation Project, Inc. (Flint NIPP, Inc.), a 501(c)(3) non-profit organization, established as the result of a Mayor's Task Force on Housing.

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COMMUNIITY DEVELOPMENT BLOCK GRANT - THE HISTORICAL PERSPECTIVE

In the United States, Federal Grants-in-aid that are provided to local and state jurisdictions, while considered by some to be a recent innovation, actually have a history back to the nineteenth century. State Universities were given land that was granted to their state by the Federal government. The New Deal, as part of domestic policy, established cash grants. Truman was the first President to establish a direct grant program to local government. Prior to Truman, grants were made only to state governments.

The 1970's saw a large increase in intergovernmental fiscal relationships by providing more direct grants to local jurisdictions.[1] -- The birth of "New Federalism," through Block Grants.

The Federal role in community development and housing policy have shared interests with powerful conservative lobbying groups who have not had a strong desire to use their funds to support quality low income housing. Federal community development policy has focused on "intergovernmental power relationships, as well as a concern with the power relationships between the public and private sector."[2]

There have been both negative and positive consequences of federal housing policy. Among negative consequences are:[3]

> (1) A consistently low level of resources (in relation to need) have been committed to housing and community development programs, both at the 'micro' level (i.e., excessive per unit cost restrictions and various other false economies) and at the level of aggregate spending;

(2) Feedback regarding the difficulties encountered by various programs has been used to argue for their curtailment or abolition rather than as knowledge useful for their improvement. Negative information becomes a weapon in the hands of program opponents, and proponents become reluctant to generate or disseminate such information; and

(3) Consistent fluctuations in program design, direction, and magnitude result from the ongoing struggle between opponents and proponents of government involvement.

On the positive side, one can recall E. E. Schatscheider's assertion that "any organization represents 'mobilization of bias' which tends to discourage the full examination of alternatives."[4] Within Schatscheider's context, when the federal government reacts to a problem, organizational and program commitments are made. Legislators commit to a strategy that will enhance their image and administrators create client support to sustain their ego and career ambitions.[5] However, when programs are carried out on the behalf of the disadvantaged by the more "privileged groups in the society," history has shown that those "privileged public and private sector providers" have not acted in the best interest of the "program's intended beneficiaries."[6] R. Allen Hays argues that "we cannot turn away from the problem nor allow a private sector takeover---ideologically, only a positive and collective reaction can renew our commitment to the disadvantaged."[7]

Theoretical literature, according to Edward M. Gramlichs' "Intergovernmental Grants," does not have an empirical base because of the "lack of an underlying theory of the behavior of state and local governments."[8] In response to Gramlich, Richard P. Nathan, in the Spring of 1983 wrote an essay to help develop a predictive theory of behavior on local and state governments receiving federal grants.[9]

Nathan identifies grants-in-aid as a bargaining process that not only involves Washington, but also the local and state government. He believes the best way to go about describing this phenomenon is to identify a "**horizontal** policy bargaining process, [that] consists of decision-making about policy goals and instruments for the country as a whole, and a **vertical** dimension, involving the way in which a particular grant is defined and executed by individual recipient jurisdictions."[10]

Nathan argues that the federal administrative system, in the foreseeable future, is not adequate to run domestic programs without a grant-in-aid system.[11]

When the Community Development Block Grant (CDBG) Program began, in 1974, the Ford Administration had a "hands off" policy which many local officials embraced. In 1977, local officials resisted Carter's "Targeting" of aid to the poor and distressed neighborhoods. The Reagan Administration went back to the "hands off" policy that existed at the beginning of the CDBG program.[12]

Based on the different ways the CDBG program has been administered, Nathan believes, created a critical generalization:[13]

> The way the dominant political actors of a given recipient jurisdiction perceive and treat a given federal grant often shapes its character.

Nathans' study found that the way local officials used vertical policy bargaining, caused a change in the horizontal or national policy, which returned greater control over CDBG to local or state governments.[14]

The political process, according to Nathan, involves three actor groups: 1) Generalists (governors, mayors, budget and planning officials) 2) Specialist (those responsible for administering the grant); and 3) Special interest groups.[15] In the case of the CDBG program, the Generalists was the architect, and the Specialist, in administering the program, gained a great deal of influence over how funds were to be expended -- primarily in housing rehabilitation and capital improvement projects.[16]

Nathan establishes his second generalization from his description of the three actor groups:[17]

> The character of the vertical policy bargain on a particular grant is likely to be strongly influenced by the group of actors who dominate the decision-making of the recipient jurisdiction for that grant.

The Fiscal variable is also an important consideration in how the CDBG allocations were used. If local funds were limited, the CDBG funds were merged, to provide basic services such as police, fire, streets, and sewers. However, jurisdictions using this fiscal policy, faced the following sanctioning factors:[18]

> 1) Some federal administrators and auditors actively enforce requirements prohibiting the maintenance of existing programs and services with federal funds; 2) Local specialist officials and interest groups demand that federal funds intended for their programs actually be used for them; and 3) federal grant programs are identifiable.

Local jurisdictions, Nathan found, who kept the CDBG funds separated, were more apt to adjust to federal cuts than those who merged CDBG with their general fund.[19]

Nathan further found that local jurisdictions, who played by the rules, did so for the following reasons:[20]

1) officials of the recipient jurisdictions desire to be law abiding; 2) state and local officials share the views of federal officials as to the purposes of federal aid; and 3) generalists officials fear becoming dependent on federal aid because of the problems of funding unreliability and instability.

As a result of the CDBG program, many local jurisdictions created or expanded Departments of Community Development and planning offices or agencies. The question of the 80's, concludes Nathan, is what will become of these departments and agencies as the CDBG program allocations continue to decrease or if the program is eliminated. This is where the horizontal and vertical dimensions will have its greatest impact -- not only on the fiscal variable but more importantly on low income persons.[21]

During the 60's a strong liberal movement increased the Federal government's involvement in providing large categorical grants to state and local governments. By the end of the decade, however, major concerns were expressed by both liberal and conservative groups. The number, complexity, duplication and chaos caused by Categorical programs (programs having a particular intent) forced the Federal government into looking at program consolidation and altering the Federal community development strategy.[22]

In developing a framework that explains the initiatives that led to the block grant concept and a policy of decentralization for federal grants-in-aid, in the 1970s, consideration must be given to those who formulated policy, administered, and reviewed its predecessor -- Categorical Grants of the 1960s.[23]

The usual process, in creating Categorical Grants, was to identify a problem and then establish a response program on the national level. The President proposed programs with input from administration advisors, special interest groups, public agencies, and influencing the programs ultimately approved by Congress. A Federal agency was given authority to administer the program and develop the regulations to implement the program, often with input from special interests.[24]

In many instances, political commitments were made that passed administration of programs to state and local jurisdictions or nonprofit corporations.[25] This process created conflicts between local and federal authorities. Federal agencies controlled local programs through complex review and technical requirements with specific timetables.[26]

Even with the conflicts, local jurisdictions became proficient in dealing with federal requirements and actively sought continuation of programs to keep categorical grant funds flowing into their communities.[27] Thus, according to R. Allen Hays, Associate Professor of Political Science at the University of Northern Iowa, categorical programs[28]

> created the pattern of vertical, functional integration of categorical areas of governmental activity to which former North Carolina Governor Terry Sanford gave the name 'picket fence federalism,'...with each categorical program [representing] not only a coalition at the federal level, but an alliance between agencies and interest groups at all levels of government with a common interest in the survival of the program.

Local jurisdictions, however, continued to resist federal involvement in local decision-making creating increased, though unsuccessful, presidential intervention. The Kennedy and Johnson Administrations saw the need to authorize an umbrella organization to coordinate low income programs, thus creating the Office of Economic Opportunity and the Model Cities Administration. Federal agencies resisted their coordination efforts even before they got to the local level.[29]

Further erosion of categorical programs resulted from continuing frustration of Federal control over local programs, inability of federally funded neighborhood based organizations to impact on policy, and the intense competition between large local governments who had the financial ability to develop expert staffs and political influence and small poorer communities.[30]

These conflicts gave rise to the concept of revenue sharing. Liberal economist Walter Heller was the first to argue "that the expansive and flexible tax mechanisms available to state and local governments necessitated a continuing federal role in financially aiding these governments."[31] However, Heller also supported giving states and local communities more control over programs to allow greater creativity in developing programs to meet their needs.[32]

The Johnson Administration appointed a commission to study the revenue sharing concept, but did not publish the results because he did not like the idea. In 1967, the Advisory Commission on Intergovernmental Relations supported a revenue sharing program, resulting in a number of bills being introduced in Congress. When Richard Nixon took office in 1969, revenue sharing had been supported by the National Conference of Governors, the National Conference of Mayors, the National Conference of State Legislative Leaders, and the National Association of Counties.[33]

The Nixon Administration strongly supported a revenue sharing program by stressing three major themes. First, he critized the amount of aid going to disadvantaged groups through expansion of categorical grants. In August 1969, he proposed the "New Federalism" program, that included revenue sharing, by stating that "...a majority of Americans no longer support the continued extension of federal services. The momentum for federal expansion has passed its peak: a process of deceleration has set in."[34] Second, he attacked the federal bureaucracy in a speech, later in 1969, by offering that "the problems of the cities and the countryside stubbornly resisted the solutions of Washington." With no Congressional action on his proposals, during his 1972 reelection campaign, Nixon again attacked the Federal system by asking "Do we want to turn more power over to the bureaucrats in Washington in the hope that they will do what is best for all the people? Or do we want to return more power to the people and to their state and local governments, so that the people can decide what is best for themselves."[35] Third, revenue sharing was linked to the idea of returning control to local communities through reduced influence by federal agencies, local agencies influence over Federal agencies and strengthen local political control.[36]

The Nixon Administration's initiative included two basic revenue sharing concepts. One would be a virtually unrestricted general revenue sharing grant to state and local communities and the other would be special revenue sharing or block grant fund that would replace categorical programs. He proposed six functional areas for block grants: health, education, police, manpower, medical care, transportation, and community development.[37]

In early 1972, Congress adopted the concept of general revenue sharing by authorizing The State and Local Fiscal Assistance Act. The Act passed when Wilber Mills, who was chairman of the powerful House Ways and Means Committee, finally agreed to report it out of committee due to strong lobbying from the White House and special interest groups. Mills had led the opposition because of loss of accountability and Federal control.[38]

The proposed special revenue sharing or block grant program received even greater opposition, especially from those concerned with aid to minorities and the poor. Walter Hundly, Director of the Seattle Model Cities program strongly opposed the block grant concept by stating:[39]

> I am convinced that the only real salvation for the disadvantaged, and for poor blacks in particular, is the direct intervention of the Federal government. Local political pressures militate against giving to blacks any priority for public monies, as the federal special impact programs do now. That's why local government is not ready for the burdens which Nixon wants to give it.

Former Johnson Administration HEW Secretary, Wilber Cohen, in supporting categorical programs argued:[40]

> If Ehrlichman's criteria is, solve the problem slower, and maybe a little more cheaply, with more local people...that's one statement of the problem. But I wouldn't state the problem that way...in the kind of society we have...we've got a lot of social problems, and we've got to deal with them through strong, federal action.

The Nixon Administration was unable to move the proposed special revenue sharing program for transportation, health, education, and law enforcement because of a Democratic Congress and influence of special interests and Federal agencies supporting the concept of categorical grants. Congress did, however, show support for manpower and community development block grants.[41]

Political support surfaced for the community development block grant proposal because (1) local government officials, a strong lobby in Washington, saw the opportunity to enhance physical development projects, and (2) Nixon appealed directly to middle class residents of central cities, suburban communities and small towns and cities that had little concern for programs directed to the poor and minority population.[42]

In April of 1971, Nixon made his first strong push for a community development revenue sharing program that would consolidate urban renewal, model cities and neighborhood facilities programs, under a formula grant to each local jurisdiction, reduce federal involvement in administration of the grant funds, and give local jurisdictions the decision-making function to determine how funds should be allocated.[43]

Congress made no progress on the proposed community development block grant in 1971 and 1972. After reelection, in 1973, Nixon began his strongest push by declaring a Moratorium on housing programs in January, 1973. In March, 1973, the Nixon Administration proposed the "Better Communities Act," which contained three additional programs: open spaces, water and sewer grants, and public facility loans, and a "hold-harmless" provision that would protect communities receiving large categorical grants.[44]

In the State of the Union Address, on February 2, 1973, Richard Nixon stated:[45]

> We must do a better job in community development -- in creating more livable communities in which all of our children can grow up with fuller access to opportunity and greater immunity to the social evils and blights which now plague so many of our towns and cities.

Congress did not begin action on the community development block grant proposal until the Fall of 1973 when Nixon presented his housing program. Underlying the delay were arguments generated from old debates, between housing and community development supporters, that began in the 1940s under the "New Deal," the Moratorium, and the many disagreements on the new program.[46]

President Nixon, in his State of the Union Address, on January 30, 1974, again addressed Community Development to a Congress that had not acted upon his housing program. He stated:[47]

> The current way of providing most federal aid to communities, with each dollar tied to a string pulled and manipulated by a federal planner,is wrong...We have recognized that the federal policy that will work best is one that helps the people of a particular community define their own needs and meet those needs in the way they consider best...I once again urge passage of the Better Communities Act...a $2.3 billion bill... This legislation would consolidate seven categorical grant

programs into a single program. Funds would be distributed on the basis of need...Two Congresses have now addressed community development legislation...

During the Hearings, that began in October, 1973, the House considered the following resolutions:[48]

HR7277: The Better Communities Act Administrative Bill--Federal Revenues to State and local government which would afford broad discretion; HR10036: Housing and Urban Development Act 1973 - To establish a program of community development and housing block grants, consolidate, simplify and improve laws relating to housing and urban development activities; HR20688: Housing Act of 1973 - Administrative Bill - To improve and simplify laws relating to housing and housing assistance; HR20689: Private Mortgage Insurance Guarantee Act 1973 - To provide for the guarantee of private mortgage insurance.

The Senate Bill, S243-2, under jurisdiction of the Housing and Banking Committee considered an Omnibus bill covering a broad range of Federal housing and urban development programs which would consolidate and simplify existing programs and develop several new programs including Community Development Block Grant.

The Bill would:[49]

1) Consolidate existing FHA Mortgage Insurance programs with safeguards to protect recipients from defective homes;

2) Consolidate community development programs including Model Cities and Urban Renewal into one new block grant with two year contracts to State and Local governments.

3) Revise low rent public housing and comprehensive planning assistance programs;

4) Liberalize rural housing to facilitate Farmers Home Administration aid; and

5) Establish mobile home construction and safety standards and financing assistance for consumer oriented housing cooperatives.

Testifying before both the Senate and House subcommittees, were many public and private officials, who covered a wide range of interests and priorities. The Hearings, which took place during October, 1973, heard testimony from such individuals as: James T. Lynn, Secretary of HUD, who objected to linking housing and community development programs to proposed funding for other housing programs; Robert Turner, President of the International City Managers Association, spoke in favor of HR10036; John Lindsay, Mayor of New York City, favored the distribution between housing and urban renewal programs in the administration of the community development block grant program; Milton Shapp, Governor of Pennsylvania, urged a strong role for State governments in administration of the Community Development Block Grant Program; Maxine Kurtz, representing the Board of Governors of the American Institute of Planners emphasized the importance of the planning functions in housing programs; Lawrence Lane, Legislative Council for American Association of Retired Persons testified that the programs did not sufficiently address the needs of the elderly; and several representatives for civil rights groups and organizations testified on the need for housing for minorities, women and low income persons.[50]

In a joint brief, supplemental views of Senator Tower, Packwood and Brock were entered into the Senate record. They argued that:[51]

> The bill reflects the fact that major housing and urban development legislation has been delayed many years, with the last comprehensive bill enacted in 1968. It is a long and complex measure, presenting an almost bewildering array of

proposals, some old, some new, many highly complex. By its nature, it will be a very difficult bill for the Congress to grasp and deal with in detail.

Other than the Chapter dealing with community development and comprehensive planning, most of the bill deals in one way or the other with housing...In addition to simplification, the Committee made substantive decisions in housing policy and approved numerous specific changes in existing law.[52]

In Chapter III, community development represented the Committee's continuing effort to work out legislation that would consolidate several narrow and fragmented community development authorities into a single program of Federal assistance for community development.[53]

The provisions for allocation of funds--despite some basic problems--at least no longer appears to guarantee that a community will continue to receive funding; a gradual phasedown of prior assistance levels became possible. On the whole, however, the community development provisions of the bill fell far short of expectations, of Federally supported housing programs, envisioned by supporters.[54]

One example of the new limitations that restrict local discretion is a provision which prohibits a community from using more than 20 percent of its grants for activities that are not of "direct and significant" benefit to low or moderate income families or to areas that are presently blighted and deteriorating[55] The fact remains that the provision, with all the potential uncertainties as to what benefits are both direct and important, may become a source of widespread contention and controversy, with artificial boundaries having to be drawn.[56] Another limitation requires that not more than 20 percent of the funds, in any two-year period be used for public services.[57] In addition, the requirement that recipients of funds contribute 10 percent local share adds one more potential burden of Federal review and audit.[58]

Senator Robert Taft, Jr., who left the Banking Committee for another assignment, was allowed to testify because he had been an essential participant in formulation of the bill. Senator Taft testified that:[59]

> The Housing and Urban Development Act of 1968 was enacted with such high expectations that President Johnson was moved to label it a potential "Magna Charta" which could liberate our cities. If nothing else, this bill has thus far been spared similar rhetoric...this bill is of necessity evolutionary and not revolutionary...

The proposed consolidation of ten categorical grants, which have existed as totally separate programs, would be a large step forward. Besides the obvious elimination of red tape, communities would no longer be forced to fragment their planning and development efforts for the purpose of obtaining federal funds. However, to accompany the increased local flexibility, resulting from the merger of these programs, a clear federal directive was needed to channel, but not mandate, the use of funds.[60]

Conference Report NO. 93-1279 - Joint Explanatory Statement of the Committee of Conference, stated:[61]

> The managers on the part of the house and Senate on the disagreeing votes of the two Houses on the amendment of the House to the Senate Bill (S.3066) to consolidate, simplify,

and improve laws relative to housing and housing assistance, to provide federal assistance in support of community development activities, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect the action agreed upon by the managers and recommended in the accompanying conference report:

I. Community Development -- Findings and Objectives

The Senate Bill contained findings that (1) the Nation's communities face critical problems resulting from urban population growth, concentration of lower income persons in central cities, and inadequate public and private investment; and (2) the Nation's welfare depends on establishing and maintaining viable urban communities. It also established the development of viable urban communities, by providing economic opportunities, principally for persons of low and moderate income; and stated that the objective was to be achieved through the elimination of slums and blight and conditions detrimental to health, safety, and welfare, conservation and expansion of housing and housing opportunities; increased public services, improved use of land, increased neighborhood diversity, and preservation of property with special value.

The House amendment set forth the purpose of the title as furthering the development of a national growth policy by consolidating certain programs into a system which (1) provides assistance annually--with maximum certainty and minimum delay, (2) encourages community development activities consistent with local and areawide planning, (3) furthers achievement of national housing goals, and (4) provides for coordinated and mutually supportive housing and community development activities.

Effective Date

The Senate bill provided that the new community development program would begin upon enactment of the bill. The house amendment provided that the new program would begin January 1, 1975. The conference report contains the House provision...

The Senate report was issued February 27, 1974; the house report was issued June 17, 1974; the House conference report was issued August 12, 1974; the Dates of consideration and passage in the Senate was March 11, and August 13, 1974; the House, June 20, and August 25, 1974...The Senate bill was passed in lieu of the House bill.[62]

Managers on the part of the House were:[63]

Wright Patman; W.A. Barett; Leonor K. Sullivan; Thomas L. Ashly; William S. Moorhead; Robert G. Stephens, Jr.; Gernand St.Germain; Henry S. Reuss; Richard B. Widnall; Garry Brown; J. William Stanton; Ben B. Blackburn; and Margaret Heckler; And

Managers on the part of the Senate were:

John Sparkman; William Proxmire; Harrison A. Williams; Alan Cranston; Thomas J. McIntyre; John Tower; Edward W. Brooke; Bill Brock; and Wallace F. Bennett

The Housing and Community development Act of 1974 provided authorization for 24 programs, including HUD housing programs, rural housing programs, the new consolidated community development program and comprehensive planning programs.[64]

Chapter III of the bill consolidated ten categorical development programs into a single block grant program established by the Community Development Assistance Act of 1974.[65] The primary objective of the bill was:[66]

> The development of viable urban communities through the provision of decent housing, suitable living environments and expansion of economic opportunities, principally for persons of low and moderate income.

Consistent with the primary objective of the Act, federal assistance was provided for the support of activities which were directed toward:[67]

> Elimination of slums and blight and preventing the deterioration of property; elimination of conditions which are detrimental to health, safety and public welfare; conserving and expanding the nation's housing stock; expanding and improving the quality and quantity of public services; achieving better use of land and other natural resources; increasing the diversity and vitality of neighborhoods; and restoring and preserving urban property of special value for historic, architectural or esthetic reasons.

The community development program replaced ten development programs administered by HUD: The Public Facilities Loan program authorized by Title II of the housing amendments of 1965; Open Space program authorized by Title VII of the Housing Act of 1961; Planning Advance Program authorized by Section 702 of the housing Act of 1954; Water-Sewer, Neighborhood facilities and Advanced Land Acquisition programs authorized under Title VII of the Housing and Urban Development Act of 1965; Urban Renewal, Code Enforcement and Neighborhood Development Programs authorized by Title I of the Housing Act of 1949; and the Model Cities program authorized by Title I of the Demonstration Cities and Metropolitan Development Act of 1966.[68]

The Act has three broad national objectives:[69]

> 1) To benefit low and moderate income families;
>
> 2) Aid in the prevention or elimination of slums or blight; and
>
> 3) To meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

The Community Development Block Grant program is a <u>formula</u> grant that provides assistance to Entitlement Cities (those with a population of 50,000 or more); Urban Counties; and discretionary funds for small cities. Entitlement Cities received 80% of the allocated funds; 2% to small cities and other related programs selected by the Secretary of Hud; and the remainder to Urban Counties.[70]

The ratios, to determine funding levels, took into consideration the population of a city or urban county and the population of all cities or urban counties; the extent of poverty in that city or urban county and the extent of poverty in all cities and urban counties; and the extent of housing overcrowding in a city or urban county and the extent of housing overcrowding in all cities and urban counties.[71]

The formula concept created a bitter struggle over the redistributive nature of the program. Categorical grant recipients, who had received large allocations, would stand a good chance of reduced federal aid under the Community Development Block Grant Program.[72]

Critics had three basic objections:[73]

> 1) The underlying concept of a formula distribution system was attacked as unfair. The Senate's housing subcommittee concluded that, due to the complexity and variety of urban problems, no formula could accurately determine whether one city had a greater need for community development than another;
>
> 2) Criticism was directed at the type of data used to rate communities according to formula...the U.S. Census, [because] the Census systematically undercounted blacks and other urban minorities...by the Census Bureau's own admission that it had undercounted blacks by 7.7 percent in 1970, in contrast to a 1.9 percent undercount for whites. Also, inaccuracies would occur due to the ten year time lag between censuses; and
> 3) Protests were raised about the immediate impact of conversion to the formula on cities currently enjoying much higher levels of funding under categorical programs.

While the Nixon Administration did not want an expansion of the "hold-harmless" provision, the Act provided for a six year program. The first three years provided a hold-harmless grant to jurisdictions using categorical grants based on prior funding levels. During the next three years, each year would be reduced a third, until the entitlement was attained in the sixth year.[754]

An even greater struggle resulted over the issue of local control. Nixon wanted a "no strings attached" program, however, both the House and Senate opposed this concept. Congress accused the Administration of "more Watergate arrogance." Nixon, again, reluctantly supported a "general level of federal oversight."[75]

The Bill that finally passed required communities to submit an annual application that HUD had 75 days to review. The application was automatically approved unless HUD found "the needs and objectives described in the plan are 'plainly inconsistent' with available facts and data," or the activities were "clearly impermissible or inappropriate."[76]

Richard Nixon resigned the Presidency the month the Housing and Community Development Act of 1974 was past. Gerald Ford, in signing the Act on August 22, 1974, stated:[77]

> This bill is of far-reaching and perhaps historic significance for it not only helps to boost the long-range prospects for the housing market but also marks a complete and welcome reversal in the way that America tries to solve the problems of our urban communities...This bill climaxes years of effort to replace the rigid programs of the past [by] providing communities with greater certainty about the level of federal funding...; distributing federal funds to communities according to what they need rather than who they know; replacing federal judgments on local development with the judgments of the people who live and work there; and allowing local officials to concentrate on comprehensive programs for community betterment instead of grant applications for individual projects.

R. Allen Hays, of the State University of New York, provides the following overview on passage of the Community Development Block Grant Program:[78]

> The passage of the Housing and Community Development Act in August, 1974, clearly set a new direction in community development policy. The federal government would not be totally uninvolved in urban areas, as it has been before the Depression, yet, at the same time, the influence of political and administrative judgments at the national level would be reduced in favor of greater local control...The conversion to Community Development Block Grants may, thus, be seen as a correction of the balance of power...To be sure, blacks would never again be as underrepresented as they had been before the 1960s.

When the Nixon Administration proposed the Community Development Block Grant program, in 1971, it was to be a special revenue sharing allocation to entitlement cities of over 50,000 population. The program was distributive through a weighted formula that considered population (25%); and targeting was accomplished by weighting the level poverty (50%) and overcrowding in housing (25%). However, when the bill was adopted, Congress included urban counties. This change resulted in an increase, from 445 entitlement cities, to 590 entitlement cities and counties, when the bill was adopted in 1974.[79]

Shortly after the CDBG program was implemented, the Brookings Institution conducted a study that revealed that the program was too poverty oriented and did not consider population lag and the deterioration of infrastructure.[80]

In the late 70's, the Carter Administration's urban policy statement called for targeting federal aid. The Community Development Block Grant program was the benchmark for this policy. In 1977 the Carter Administration was successful in having Congress approve a dual formula that would shift funding from affluent communities, receiving CDBG funds, to older and declining, Northeast and Midwest industrial centers.[81]

In 1977, Congress, while keeping the original formula, added a second weighted formula. The additional weighted formula took into consideration pre-1940 housing (50%); poverty (30%); and growth lag (20%).[82] The net result increased the Northeast and Midwest regions from 49% to 59%; central cities 59%; and smaller cities decreased from 28% to 10%, under the dual formula.[83]

In 1980, the Senate Oversight Committee on the Housing and Community Development Act of 1974, observed that some communities have been critized for expending CDBG funds in "the more transitional, modest-income areas where the degree of deterioration calls for relatively marginal public improvements, rather than to the severely deteriorating neighborhoods."[84]

During Hearings held by the U.S. Senate Subcommittee on Housing and Urban Affairs of the Committee on Banking, Housing and Urban Affairs, on the 1980 renewal of the Housing and Community Development Act, Frank Steiner, Executive Director of the Michigan Housing Coalition, testified:[85]

> On the whole, the programs were not geared to addressing severe blight and slum conditions. This finding is consistent with the House Subcommittee's 1977 staff report, which found "relatively few instances in which available community development funds were targeted for the worst areas of their communities."

Catherine Lovell of the University of California, Riverside took a look at the role of federal requirements during the first six years of the CDGB program. She concentrated on the aspects of low income targeting and citizens participation.[86]

From the 1974 legislation, Lovell cited Section 104(b)(2) which required "maximum feasible priority to activities which will benefit low-and-moderate-income families or aid in the prevention of slums and blight," and Section 101(c) that requires CDBG funds benefit "principally persons of low-and-moderate-income."[87] The only guidance that came from HUD was to define low-income as less than 50 percent of the median income and moderate income to be between 51 and 80 percent of the median income as defined by the SMSA. "Maximum feasible priority," and "principally benefits" were not defined by HUD, leaving local communities with little guidance to determine the focus of their CDBG funds. A Brookings Institution monitoring report stated "Thus, at the Federal level, the amount of social targeting desired became a matter of the policy preference of those administering the program."[88]

Lovell noted that Patricia Harris, new HUD Secretary under Carter, announced in February, 1977 that her Department would give the highest priority to programs that benefited low-and-moderate-income persons.[89] Brookings monitors pointed out that their research found from the third year, after Harris took over as HUD Secretary, HUD took a more active role in ensuring funds primarily benefited low-and-moderate-income persons. And that, during the third and fourth years of the Carter Administration, low-income targeting became a dominant issue between HUD and local communities.[90]

The Brookings study also found that there were three important policy variables influencing CDBG programs:[91]

1) The wording of the law;
2) HUD preferences in enforcing the statutory guidelines; and
3) Citizen Participation

The 1974 Act required communities to provide citizens with the "opportunity to participate." In 1977, the Act was amended to require local communities to develop a Citizen Participation Plan that would allow citizen comment and participation of low-income persons from targeted neighborhoods. While HUD regulations provided no additional guidance, citizen participation took three general forms: 1) advisory committees, 2) neighborhood based groups, and 3) special or public interest group involvement (such as the Urban League and the League of Women Voters).[92] While the Brookings study did not attempt to determine any connection between strength or form of citizen participation and targeting of low-and-moderate-income benefits, they did find that the influence of local citizens did affect the CDBG program.[93]

Lovell argues that with the shift of the CDBG nonentitlement program to State control and the Carter Administration's policy to minimize reporting through reduced paperwork:[94]

> All of the "old" new federalism grants, including CDBG, had characteristics in common, which, taken together with the decentralization emphasis, have contributed significantly to political change and have made the question of the role of agency enforcement even more crucial. The most important of these characteristics was the distribution of block grants on the basis of entitlement rather than on the basis of grant applications...The new federalism has, in effect, enticed a whole new group of general purpose local governments, who had had minimal relationships with the federal government before, into direct federal-local partnerships and made the local governments active implementors of nationally determined policies. Under the block grant programs, local political jurisdictions, whether new or experienced on the federal aid scene, were nudged to take responsibility for the disadvantaged or low income people in their communities. As a result, an important degree of value development and value homogenization across local governments may have taken place.

On June 11, 1981 a Senate Hearing was held before the Subcommittee on Intergovernmental Relations of the Committee on Governmental Affairs. The Hearing covered the GAO report, "The Community Development Block Grant Program can be more effective in Revitalizing the Nation's Cities." In his opening statement, Senator Dave Duirenberger, Chairman of the Subcommittee, argued that the CDBG program was not intended to be a revenue sharing program, but one that benefited low-and-moderate income persons from inner-city neighborhoods. The program was to provide flexibility to local jurisdictions, while preserving the government's purpose to award formula grants to entitlement communities. However, Senator Duirenberger pointed out, that two years into the program, the formula failed to sufficiently target the program to the intended recipients. The 1977 Congressional reauthorization of the CDBG program and HUD regulations redirected its focus to targeting.[95]

In testifying before the Subcommittee, Henry Eschwege, Director of the Community and Economic Development Division in the General Accounting Office (GAO), found that the decisions made at the local level do not always meet Federal perceptions "on how to best meet revitalization needs." The GOA review of the CDBG program identified four issues:[96]

> 1) the desirability of having all grantees concentrate their Block Grant funds in distressed geographic areas small enough so that visible improvements can be achieved in a reasonable time period; 2) Retaining the broad list of activities currently eligible, or instead, having grantees focus activities on the cities' most urgent revitalization needs; 3) continuing to allow grantees to decide who can receive Block Grant supported rehabilitation or specifying income

eligibility requirements programwide; 4) whether there is a need to limit eligible rehabilitation work to that which is essential to restore a housing unit to a safe, decent, and sanitary condition, or whether other items of lesser priority should continue to be eligible.

Representatives from The National Citizens' Monitoring Project of the Working Group for Community Development Reform, testified before the Subcommittee on their findings of a 30 month evaluation of the CDGB program. The study evaluated the performance of over 70 entitlement jurisdictions, which included 9 out of 10 of the largest entitlement grants and a cross-section of entitlement cities and urban counties. The Projects' membership included the National Urban League, the National Council of LaRaza, the League of Women Voters, the National Low Income Housing Coalition, the Leadership Conference on Civil Rights, the Legal Services Task Force of CDGB, and the Center for Community Change.[97]

The Project was funded by a Title IX grant from the Community Services Administration, that requires an agency evaluation of the impact of non-CSA programs for the poor.[98]

The Project study found, that while housing rehabilitation was the top priority in Neighborhood Strategy Areas (NSAs), "Low income residents [were] reluctant to apply for rehabilitation assistance [because] some who applied were rejected because they could not financially present themselves to prevailing bank requirements for loans."[99]

Further, the Project monitors' found, in some rehabilitation programs, that:[100]

1) information about the program's goals and objectives and performance were inadequate and/or unavailable;

2) there were inadequate or poorly trained staff;

3) there were long delays of as many as 4 years in getting the program underway;

4) specific complaints were cited about high administrative costs, In one program an auditor-general's report indicated that for every $3 spent on rehabilitation, $2 were spent on administration;

5) a major complaint was the poor quality of the rehabilitation that took place. The complaints ranged from poor materials, to poor work quality, to incomplete work;

6) monitors raised serious questions about actual benefit to low-and moderate-income persons;

7) on the whole the programs were not geared to addressing <u>severe</u> blight and slum conditions. This finding is consistent with the House Subcommittee's 1977 staff report which found 'relatively few instances in which available community development funds were targeted for the worst areas of their communities;'

8) a majority of the programs were designed to rehabilitate owner-occupied homes, even though most of the community's low- and moderate-income residents are renters;

9) programs showed poor record of minority participation and affirmative action; and

10) displacement is likely to occur as a result of one-third of the programs evaluated.

In concluding their testimony, Project representatives stated that "if there is a failure in the CDGB program, it is the inadequacy of local governments to develop meaningful priorities in the elimination of blight and slums."[101] They recommended:

1) of the abuses of Federal spending by local governments, among the most repulsive for an American citizen to witness is the reckless manner in which CDBG funds are squandered, and the colossal insulting attitude in which the Federal government is permitted to be ignored and deceived by blatant disregard of its laws and regulations;

2) one must consider CDGB not only as a contract between the Federal government and local jurisdictions but most importantly as a contract of confidence between the taxpayers;

3) targeted NSAs should be crystal clear in routing benefits to low-income communities. The projects should be targeted to those low-income areas within specific census tracts;

4) if grants to benefit low-income communities cannot be assured through a stronger system of control by the Federal government, it seems fair to return all such funding to the taxpayer and to discontinue such Federal funding and/or local jurisdictions;

5) HUD should seriously explore and investigate a more direct method of funding directly to communities through recognized organizations working within the communities; and

6) incentive supplements should be available for those jurisdictions that can document an improved performance for the poor, as well as a better implementation and targeting of community development activities to lower income persons.

The Housing and Community Development Act of 1974 has been amended several times, but the first major revision occurred in response to President Reagan's "Program for Economic Recovery." On August 13, 1981, Congress passed the Omnibus Budget Reconciliation Act. This Act consolidated over fifty categorical programs into nine block grants: four in health services; three in social services, one in education, and one in community development. This fell short of Reagan's proposal to consolidate over fifty categorical programs into four block grants.[102]

Another major revision allowed state governments to assume administrative responsibility for the small cities portion of the block grant program. Small cities, with populations under 50,000, received 30% of the total block grant program allocation under this amendment. The Reconciliation Act also provided for several miscellaneous procedural changes in grant processing and application.[103]

In 1981, Rutgers University conducted a study that ranked cities, using a measurement of urban hardship, to identify problems with the needs-based dual formula of the CDBG program. Rutgers' study found:[104]

> The urban distress measures have a high level of consistency in ranking the hardship of a common set of cities. Despite differences in their variable selection/expression and statistical treatment, the distress measures are similar in their practical operation or throughout, namely the ordering of urban distress. City hardship therefore appears to be largely independent of the mechanism from which it is determined.

In September, 1982 the Inspector General of the U. S. Department of Housing and Urban Development began an Internal audit - Survey of Planning, Management Development, and Administrative Costs in the Community Development Block Grant (CDBG) Program, because of concerns expressed by Congress over local CDBG Administrative expenditures. Since enactment of the 1978 HUD Independent Agencies Appropriations Act, a ceiling of 20 percent was set for planning and administrative costs on any grant made under Section 103(a) of Title I of the Housing and Community Development Act of 1974. According to the background information contained in the final audit:[105]

> The house Appropriations committee was concerned about the amount of CDBG funds being expended for nonprogram activities which were defined as: (1) the development of a comprehensive community development plan as well as a policy-planning management capacity to facilitate proper program implementation; and (2) the payment of reasonable administrative costs and carrying charges related to planning and execution of community development and housing activities. Historically, HUD program staff have had two basic means of evaluating grantee compliance with the 20 percent limitation on planning, management development, and administrative costs: (1) review of the grant application; (2) on-site monitoring; and in March 1983, a third means was added: A review of the Grantee Performance Report.

The audit was conducted at the Seattle and Portland Area HUD offices and included two grantees from each Area Office Jurisdiction across the country. The audit included review of legislative history and interviews with HUD officials. The audit covered the period between June 1979 and September 1982. The audit took place between September 14 to December 29, 1982. The objectives of the survey were to evaluate:[106]

> (1) the propriety of administrative costs charged by selected grantees; (2) the extent to which administrative costs have been misclassified as activity costs; and (3) program requirements to see if adjustments may be made to simplify both the application of the 20 percent cost limitation and the ability of HUD to monitor compliance.

The HUD Inspector General Audit found that "HUD regulations lack adequate control over planning, management development, and administrative costs incurred by CDBG program grantees." The HUD guidelines did not provide adequate direction to either Field Offices or grantees, resulting in confusion over proper identification of costs. The Inspector General recommended that HUD revise its definition of administrative costs and issued detailed guidelines to better control CDBG expenditures so more funds could be directed to low-and-moderate income persons. The Inspector General praised the 1983 adoption of a revised Grantee Performance Report (GPR) because "the amount of funds expended during each program year for general administrative and planning costs can be measured against the 20 percent limitation.[107]

The Inspector Generals' Audit cited two cases, involving a "legal" misuse of program funds, to stress the importance of revisions in HUD guidelines. In the first case, a grantee allocated 82.8 percent or $24,606,596 of its program funds to a local public agency to complete a parking facilities program. The parking agency expended $768,000 in administrative type cost without little actual progress being made on the planned project. Their administrative costs were charged to activity rather than being applied to the 20 percent limitation.[108] In another audit, they found that a grantee had expended $3,830,222 or 100 percent of its budget for personnel and administrative costs; expended only $1,185,350 or 24 percent for program costs; and accomplished only 15.8 percent of its planned housing activities. Both cases were cited to illustrate how expenditures for administration do not keep up with program progress by "allowing an exclusion from the limitation for administrative costs charged to an individual "activity."[109]

The HUD Inspector General cited a letter of November 11, 1982, from HUD's Office of General Council from the City of Kansas, City, Kansas, to illustrate grantee frustrations over HUD guidelines:[110]

> It should be noted that this rule discourages efficient, less costly consolidation of staff functions and program services since 'multi-activity' functions are defined as administration costs, and single activity functions are assigned to non-administrative cost items.

On March 22, 1983 Congress passed the Emergency Jobs Appropriations Bill. This Bill provided an additional $1.25 Billion to the block grant program with the intent to create 80,000 jobs and be used for "brick and mortar" projects in such areas as housing rehabilitation, parks and historic preservation, street repair and public construction that could be started within six months. However, because of political pressure, HUD was forced to get the funding authority to local jurisdictions, with little advanced planning. While the intent was to create immediate jobs to the benefit low and moderate income persons, implementation and length of the projects identified by local officials, greatly affected the intent of the appropriation.[111]

In the Summer of 1983, Henry J. Schmandt, George D. Wendle and George Otte of St. Louis University wrote an article titled "CDGB: Continuity or Change." They argued that when the shift to block grants from categorical grants occurred, it did not eliminate "problems or goal conflicts" associated with urban programs to revitalize decaying cities. In fact, new federalism generated many unanswered questions:[112]

1) Should redevelopment activities be concentrated in a few geographic sections of the community or dispersed more widely?

2) Should priority be accorded neighborhoods or marginal quality or those most severely deteriorated?

3) How can the need for neighborhood rehabilitation and the attendant displacement of poor families be reconciled?

4) To what extent can the demand for short-run benefits be balanced with the need for long-range plans and strategies?

5) Can urban development programs simultaneously pursue the goals of upgrading neighborhoods and spatially deconcentrating the poor and racial minorities?

One of the more highly debated concepts, under the CDGB program, has been Targeting - the channeling of program benefits to designated income groups or specific geographic areas of a community. During the Carter Administration the buzz word was "social targeting." At first, Carter insisted the funds be allocated to the poor no matter where they lived in a community.

Later in his Administration, Carter changed to "Spatial targeting" by emphasizing concentration of CDGB funding in low income neighborhoods. When the Reagan Administration came into power, they relaxed the targeting policy and left the issue of distribution of CDBG funds to the local community as long as it complied with the general objectives of the CDBG program.[113]

Schmandt, Wendel and Otte concluded that The Community Development Block Grant Program:[114]

> has neither met the full expectations of its sponsors nor confirmed the worst fears of its opponents. It has given local communities greater flexibility in designing their revitalization plans; but it has not distinguished itself by innovative programming or effective tailoring of activities to serve local needs. Nor has it proved any better (or worse) in furthering national social goals than the categorical grants it replaced. As a product of the new federalism thrust, CDBG has the endorsement of President Reagan. that its operations or effectiveness will be much different under the administration's expressed policy of hands-off than under earlier interventionist strategies is doubtful.

In "Major Themes and Additional Budget Details, Fiscal Year 1983," the Office of Management and Budget stated that the CDBG program was "consistent with the administration's concept of federalism since it allows states and localities to determine their own community and economic development needs and address them in a manner which best suits them."[115]

On October 2, 1984 Congress passed the Housing and Community Development Technical Amendments Act of 1984. While containing a number of technical and conforming amendments to the block grant program, several substantive changes were made. The most important of which was a clarification of the conditions under which a city or urban county, having few areas with a majority of low and moderate income residents, may have areawide community development activities qualifying as principally benefitting low and moderate income persons. If (in addition to the activity being designed to the needs of low and moderate income residents) the area served by the activity ranks among the top 25 percent of all the areas within a community's jurisdiction, based on the highest concentration of low and moderate income residents, the activity will qualify as principally benefiting low and moderate income persons.[116]

Mary Ann Steger of the University of Wisconsin, Milwaukee argues the CDBG program is a major example of the "New Federalism" initiative that gave discretion to local jurisdictions.[117] She identifies two factors that influence the process: 1) The decision-making rules and procedures and 2) the influence exerted by organized groups or powerful individuals.[118]

A study, conducted by Steger, looked at Group influence on Decision-making in Milwaukee. She assumed that neighborhood advisory councils would have different recommendations than a city-wide advisory committee because local councils focus on housing and community development needs of their neighborhood while the latter would focus on a community-wide program and generally support the local administering agency. Her study found that there was an almost perfect correlation (r=.99) between the City-wide Advisory Committee and the local agency and a moderate correlation (r=.39) between the neighborhood councils and the local agency. She also found that the local agency favored physical over service programs and neighborhood councils favored both physical and service programs.[119]

Steger's study also found that procedural rules had the greatest impact on decision-making. While the actual structure may be different in local jurisdictions, Community Development Agencies act on proposals first, and then they are given to the advisory councils and committees to review.[120]

Incrementalism is also another factor. Because many CDBG programs are multi-year capital-intensive projects, and local jurisdictions have the ability to implement these projects, very little change occurs in funding priorities. Likewise, local non-profit agencies, who provide housing rehabilitation and public services, will continue to operate these programs.[121]

The decision-making process will also be affected by the Reagan Administrations' goal to reduce or eliminate CDBG and to shift housing and community development programs to the states.[122]

Stegers' study concludes that:[123]

> Once a CDBG program is established in a city and procedures are set, neighborhood concerns or the priorities of nonprofit neighborhood groups could be ignored unless the structure and procedures open the system to this kind of influence or unless these priorities have been incorporated into the rules.

Targeting, during the first ten years, weakened the CDBG program. The 1980 census added new, less needy, entitlement jurisdictions. Also, poorer communities received greater reductions in CDBG funds because of increases to metropolitan areas and a decrease in the overall CDBG allocation.[124]

In 1985, the Reagan Administration proposed a 10 percent reduction in the Community Development Block Grant Program for the 1986 fiscal year. The 1985 appropriation of $3.472 billion would be reduced to $3.1248 in 1986. Reagan also proposed that the current 70/30 split of the allocation between entitlement communities and States, respectively, be changed to a 60/40 ratio, with entitlement communities being reduced by 10 percent. The Administration argued that the 10 percent increase or $203 million in nonentitlement funds was justified because it would compensate for the proposed reduction of $650 million to the Farmer's Home Administration's community and economic development assistance in rural areas of the nation.[125]

In April, 1985 the Congressional Research Service (CRS) of The Library of Congress submitted an internal memo that provided a pro/con discussion for the termination of the Community Development Block Grant Program. The memo indicated that CRS would also provide a pro/con discussion for the termination of the General Revenue Sharing program at a later date (which, as we know, was terminated). Arguments favoring termination of the CDBG program included the restrictive nature of the requirement that 51 percent of local program funds be expended to the benefit of low-and-moderate income persons because it took away "local government autonomy in determining their housing, community development, and economic development needs and goals;" the methods used by States and local jurisdictions, in allocating funds, weakens the effectiveness of the program because it spreads expenditures over a wide variety of programs; and existing State housing, community development, and economic development programs provide similar benefits. The memo cited a 1984 U. S. Department of Treasury report which projects "that the States will have budget surpluses totaling, in the aggregate, close to $86 billion by 1989, while the Federal government faces a budget deficit approaching $220 billion." In turn, arguments for the continuation of the program included the positive aspect of the 51 percent requirement because it targeted funds to persons in need; local control over programs by allowing them to target funds based on the three broad national objectives, making the program "less prescriptive than traditional categorical programs and more focused in its objectives than the GRS (General Revenue Service) program;" and the CDBG program has been effective in rehabilitation of housing, creating jobs, and improving the "physical" environment.[126]

Paul R. Dommel, of Cleveland State University and Michael J. Rich, of Brown University, using a composite urban conditions index developed by Brookings Institution, evaluated the 814 entitlement jurisdictions receiving CDBG allocations in 1985 to compare relative needs. Their findings are summarized on TABLES ONE and TWO.[127]

Table 1
Distribution of Most and Least Distressed Jurisdictions
Urban Conditions Index
1970 by
Population Size, Region, and Type of Jurisdiction

	N	Urban Conditions Index - 1970 Most Distressed Number	Percent	Least Distressed Number	Percent
POPULATION SIZE 1982					
Greater than 1 Million	10	4	40.0	2	20.0
500,000 - 1 Million	39	6	15.4	16	41.0
250,000 - 499,999	80	10	12.5	18	22.5
100,000 - 249,999	160	21	13.1	37	23.1
50,000 - 99,999	273	49	17.9	63	23.1
25,000 - 49,999	171	52	30.4	15	8.8
Less Than 25,000	43	13	30.2	4	9.3
REGION					
Northeast	170	71	41.8	5	2.9
North Central	201	30	14.9	38	18.9
South	217	43	19.8	46	21.2
West	176	6	3.4	65	36.9
Puerto Rico	12	5	41.7	1	8.3
TYPE OF JURISDICTION					
Central Cities	501	142	28.3	40	8.0
Suburban Cities	168	11	6.5	73	43.5
Urban Counties	107	2	1.9	42	39.3

NOTE: N(1970) = 776 / Classification based on U.S. Bureau of Census

Table 2
Distribution of Most and Least Distressed Jurisdictions
Urban Conditions Index
1980 by
Population Size, Region, and Type of Jurisdiction

		Urban Conditions Index - 1980			
		Most Distressed		Least Distressed	
	N	Number	Percent	Number	Percent
POPULATION SIZE - 1982					
Greater than 1 Million	10	4	40.0	1	10.0
500,000 - 1 Million	39	7	17.9	14	35.9
250,000 - 499,999	81	13	16.0	17	21.0
100,000 - 249,999	163	28	17.2	34	20.9
50,000 - 99,999	305	52	17.0	77	25.2
25,000 - 49,999	173	48	27.7	17	9.8
Less Than 25,000	43	10	23.3	3	7.0
REGION					
Northeast	197	89	45.2	9	4.6
North Central	205	45	22.0	31	15.1
South	219	22	10.0	49	22.4
West	181	6	3.3	70	38.7
Puerto Rico	12	0	0.0	4	33.3
TYPE OF JURISDICTION					
Central Cities	504	141	28.0	44	8.7
Suburban Cities	203	19	9.4	85	41.9
Urban Counties	107	2	1.9	34	31.8

NOTE: N (1980)= 814 / Classification based on U.S.Bureau of Census

The Dommel & Rich study concluded that entitlement jurisdictions, found to be most distressed, were the very large or very small communities. Also, the conditions in the most distressed entitlement jurisdictions worsened, both in absolute and relative terms, during the decade studied.[128] In addition, the data revealed that the CDBG program was becoming less responsive to the needs of entitlement communities.[129]

Because of the two elements of the CDBG program allocation process: 1) eligibility and 2) formula, Dommel & Rich suggest reweighting formulas (which their study found had a small effect on overall targeting); reducing the number of entitlement communities; adjusting current allocations; and better targeting by reweighting the current formulas and/or making adjustments in allocations by using other factors or index.[130] Dommel & Rich admit, in conclusion, that "The answer to the question, What can be done? -- and thus the problem -- lies more in political will than in technically feasible solutions."[131]

During 1986 Hearings, on the Reauthorization of the Community Development Block Grant program, before the Subcommittee on Housing and Community Development of the House of Representatives, Chairman Henry B. Gonzalez identified a "clear-cut challenge" from the Reagan Administration for elimination of the CDBG program. He critized HUD for their failure to properly monitor local communities. Representative Gonzalez believes:[132]

> Congress can do substantially better than the President proposes. But we need to convince a number of other members...that the President's proposals must be rejected.

Appearing before the Subcommittee were Mayors representing Omaha; Augusta, Maine; Charleston; and Cleveland. Mayor Harold Washington of Chicago presented a detailed report of the successes of the CDBG program in Chicago. Also over 30 others, from public interest groups representing senior citizens, neighborhood coalitions, and tenant organizations testified.

Mayor James E. Roark of Charleston, West Virginia summarized the Reagan Administrations drive to reduce the CDGB program by declaring that the National League of Cities "strongly opposes the proposed reductions in the CDBG program." Mayor Roark reminded the committee that the 1986 appropriation was down by 10 percent ($3.125 billion), which was reduced an additional 4.3 percent by the Gramm-Rudman-Hollings legislation; that Reagan attempted to defer $500 million in 1977, which would have resulted in an overall 30 percent reduction from 1985 funding levels; and his recommendation to change the current 70/30 split to a 65/35 percent split for entitlement and nonentitlement jurisdictions, respectively, because of the termination of over $600 million in Farm Home Administration's rural community development programs.[133]

Mayor George V. Voinovich of Cleveland took both a serious and humorous approach to the proposed reductions:[134]

> We have a Secretary of HUD that has yet to set foot in a public housing project anywhere in this country...The President wears $3,500 cowboy boots. His wife wears $28,500 garments. I can't expect them to feel that if you deprive a family living on the other side of the expressway of $75 a month in food stamps that they are going to suffer much.

In a subsequent Field Hearing held in Hazelton, Pa., on September 8, 1986, before the House of Representatives Subcommittee on Housing and Community Development, thirteen representatives from Pennsylvania housing and community development organizations testified against reduction and elimination of the CDGB program. Again, Chairman Gonzalez set the tone for the hearing by offering that local communities struggle to rebuild, expand business, and create jobs. Further, he challenged the Reagan Administration's recommendations to greatly reduce the CDBG program while increasing foreign and defense budgets. Chairman Gonzalez challenged the Congress by stating:[135]

> Regrettably, the Congress has sometimes gone along with these requests for deep cuts. I believe that this is a misguided policy. Community Development programs work and they save the Government money in the long run by reducing the costs of unemployment, insurance and other social services. Jobs should be our top priority, and history has proven that community development programs provide jobs.

In a prepared statement, Gary F. Lamont, representing Luzerne County's [Pennsylvania] Board of Commissioners and Office of Community Development, summarized the overall feeling of those testifying before the Subcommittee:[136]

> As CDBG funds relate to the revitalization of older neighborhoods, the increased cost of home rehabilitation, along with necessary neighborhood infrastructure and amenities such as recreation areas, neighborhood centers, senior centers, etc., makes the ability to complete a substantial improvement prohibitive...While it is understood that balancing the budget is not an easy task, if the objective of the federal government is to utilize its resources in those areas of distress, in order that they may become economically self sufficient, Luzerne County can show, by its demonstrated track record that, in utilizing sufficient funds, with local discretion, to create programs that will reverse its distressed condition, that we can become more self sufficient, with less reliance on federal funds. It is important that Luzerne County be able to utilize such federal funding, in order to reduce development costs, in order that we may have a competitive edge against areas which are not distressed and are receiving the ground swell of investment which equates into job opportunities.

In 1986, Kenneth K. Wong of the University of Oregon and Paul E. Peterson of the Brookings Institution conducted a longitudinal study of the implementation of the CDBG program in Baltimore and Milwaukee. They looked at the effect of "new federalism" on grants-in-aid. Had the Reagan Administration been successful in fully implementing their program, categorical grant programs would have been reduced from 79% in 1980 to 34% in 1986.[137]

The Wong & Peterson study reached the conclusion that both economic limitations and political leaders influence CDBG policy decisions -- the pluralistic approach has been the common explanation.[138] Developmental policies, that address economic concerns, are of high priority to political leaders because of the economic and political benefits. Redistributive policies, directed to the low income, are seen to have a negative impact because they attract nonproductive resources.[139] They concluded, from the study, that CDBG priorities are shaped by economic concerns. The 80's will continue to see an emphasis placed upon developmental strategies with redistributive policies being given even less consideration. Because of increasing local control, Wong and Peterson argue that "it is unlikely that urban leaders, at least for some time, will be capable of addressing the needs of their impoverished residents."[140]

In 1986, entitlement cities entered "The Age of Uncertainty," for the Community Development Block Grant program. Entitlement cities were advised that fiscal 1986 appropriations would be reduced by twelve to seventeen percent based upon an anticipated Balanced Budget Act -- upon passage of the Act, entitlement communities saw reductions of approximately sixteen percent. The reductions were further compounded by the Reagan Administrations' deferral of approximately $500 million of a $3.2 billion appropriation for the Community Development Block Grant.[141]

While the Reagan Administration eventually supported a supplemental appropriations bill that included the deferred funds, entitlement cities began to look at limited options for their city's poor.[142] Assistant General Manager for Kansas City, Mo., summed up the feelings of many entitlement cities: "This kind of roller coaster approach doesn't give us the kind of budgetary stability we'd like to allocate to our resources."[104] Most cities have found it difficult to allocate limited general funds to programs funded with the Community Development Block Grant--delayed capital expenditures and reduced program levels will greatly restrict planning initiatives.[144]

COMMUNITY DEVELOPMENT BLOCK GRANT - THE IMPACT OF REAGANOMICS

Under the Reagan Administration, the CDBG program, unlike housing subsidy programs, met Reagan's ideal of consolidation and return of local control over federal programs. Surprisingly, the CDBG program served as a model for turning social welfare programs into block grants to state and local jurisdictions.[145] Also, CDBG has had strong support from political and economic development officials, on the local level, because of local control over the CDBG program and the opportunity for funds to be used for "general community improvement," while still being primarily directed to low-and-moderate-income persons.[146]

However, the CDGB program did not escape the Reagan Administration's drive to reduce domestic expenditures. In 1981, OMB Director David Stockman recommended dramatic reductions in the CDBG program allocations. Because of intervention by HUD Secretary Pierce, state, and local officials, the CDGB program was continued, but not at the same levels enjoyed in the 1970's.[147]

The Reagan Administration had differing degrees of success in making changes to the CDBG program. First, the one having the greatest impact was turning the administration of small, non-entitlement cities over to state government control. The fears of some community development officials that this action would cause the program to become less effective was born out by a HUD report that revealed, in most states, the number of jurisdictions increased an average of 75 percent; the average grant decreased approximately 50%, and a strong emphasis was placed on economic development and public facility improvements over housing programs.[148] Secondly, the Department of Housing and Urban Development proposed to lessen the requirement that the CDBG program benefit primarily low-and-moderate-income persons. HUD, wanting to interpret the CDBG program differently than the Carter Administration, stated that the other two broad national objectives of "elimination of slums and blight" and "meeting urgent community needs...would be treated as coequal."[149] However, in the 1983 CDBG reauthorization bill, Congress reached a compromise with the Reagan Administration. The compromise would provide for a requirement that 51 percent of the CDBG allocation had to be spent for low-and-moderate-income persons.[150] And, third, the Reagan Administration proposed the "enterprise zones" program which would allow cities to identify a certain area as "distressed." Relief would be granted from federal taxes and regulations to private businesses engaged in economic development. The program also encouraged state and local governments to grant tax relief.[151]

The Reagan Administration's goal was to (1) remove a federal agency's direct control over programs for the disadvantaged, and (2) have local and state governments solve their own community development problems. While the strong momentum, started in the Nixon era, has been diminished, it is still strong enough to cause serious concern for those who want federal housing and community development programs. It will take strong lobbying to save federal programs aimed at the disadvantaged.[152]

R. Allen Hays argues that the CDBG program was:[153]

> developed and pushed through by a moderately conservative administration...[representing] a long-term disengagement of the federal government from urban problems, particularly from the problems of those distressed cities which had competed most vigorously for categorical community development funds. The more modest kinds of housing and neighborhood upgrading typical of CDBG programs reflect this underlying spirit of disengagement...CDBG has been in harmony with the lowered voices and lowered expectations which Richard Nixon envisioned for the 1970's, yet it is far from the total retrenchment liberals feared and some conservatives wanted...and how the Reagan Administration has tried to turn this modest disengagement into a rapid federal withdrawal from community development and other urban problems.

COMMUNITY DEVELOPMENT BLOCK GRANT - REHABILITATION AS AN U. S. HOUSING POLICY

Rehabilitation, as an United States housing policy, has, at most, been an afterthought as a strategy to improve the nation's housing stock. While FHA's mortgage insurance program provided financing for rehabilitation, very few took advantage of the program. The Housing Act of 1954 authorized rehabilitation as a part of urban renewal, but the strategy was to clear and rebuild the inner cities.[154]

The post-World War II strategy was "new -- new factories, new commercial developments, and new housing in the suburbs reached by new cars on newly built freeways."[155] Progress has been measured by how fast suburban areas have been able to provide "bedroom communities" to wealthier middle class families. Cities began trying to compete with large malls, modern office buildings, and shifting industrial bases by mass clearance and rebuilding projects and converting closed factories and warehouses into office space and restaurants.[156]

There have been both economic and administrative reasons for negative reactions to rehabilitation. Besides being a slow process some of the other reasons are:[157]

> (1) mass production has proven very difficult to utilize in rehabilitation;
>
> (2) housing rehabilitation requires a very different set of relationships between government agencies and citizens than does suburban new construction or clearance of older areas;
>
> (3) rehabilitation of existing structures in older, declining areas is...a risky venture...unless the area in which the structure is located is substantially upgraded, owners often have difficulty attracting tenants at rents which will support even subsidized borrowing for rehabilitation. And,
>
> (4) rehabilitation of structures which remain in private hands has met resistance on dual grounds (a) that forced inspection and rehabilitation violates the property rights of landlords and homeowners; and (b) that direct subsidies to private owners which enhance the value of an asset they hold represent an unfair benefit to a few owners at the expense of others.

While none of the problems with rehabilitation were solved, it became a popular strategy in community development during the 1970's. Those who had moved to the suburbs found that crime, higher costs of living and social conscience gave way to a "back to the city movement." "Pioneering" and "homesteading" became popular terms. However, through restoring of older inner city neighborhoods, many of them historical, caused property values to increase and low-income persons were forced out -- gentrification became the new "buzz" word for the 70's and 80's.[158]

Urban policy researchers began looking at the dynamics of gentrification. Franklin J. James found "that the middle 70's saw a modest increase in the proportion of central city dwellers owning their own homes and a proportionally faster increase in the value of central city housing than in suburban housing."[159]

However, more careful studies found that what was thought to be a mass exodus of suburbanites to the inner cities was, in reality, only a "trickle." Demographics revealed that very few families and neighborhoods were involved in rehabilitation efforts. Counteracting the movement back to the cities was the fact that middle class white families were moving out of cities and into the suburbs.[160]

Additional studies found that young singles and newly married couples were the ones being attracted to the inner cities because of lower incomes and families. Also, lower income homeowners were rehabilitating their homes rather than attempting an unaffordable move.[161]

While the numbers were not large, reversal of a trend to move out of the inner cities, and the psychological impact, created enough impetus to cause a change in the urban housing policy by focusing on housing rehabilitation.[162]

When the CDBG Program was approved in 1974, rehabilitation was allowed only as a supplemental program to other CDBG activities. However, in 1977, HUD and local political officials convinced Congress to drop any limitation on rehabilitation for four primary reasons:[163]

> (1) Cities traditionally active in urban renewal were generally receiving less money than before, and therefore, could not afford the massive investment in acquisition, relocation, and demolition required by further clearance projects;
>
> (2) Housing rehabilitation fit the need of localities to spread out the dollars among a larger number of claimants. Whereas clearance lent itself to concentrated efforts in the worst neighborhoods, rehabilitation lent itself to more modest efforts in several, less deteriorated neighborhoods. The fact that numerous, well organized neighborhood groups existed in many localities also enhanced the normal desire of local political leaders to please as many citizens as possible with a given expenditure of funds;
>
> (3) housing rehabilitation...was less disruptive for existing neighborhoods and settlement patterns; and
>
> (4) A compatibility between housing rehabilitation and the generally lowered expectations about federal involvement in urban problems which characterized the 1970's.

While the CDBG program can be seen as a greater pro-housing strategy, there are some aspects that create concern. CDBG efforts seem to bypass severe slum areas and their low income inhabitants; rehabilitation is a slow process because of administrative procedures, limited funds, and the fact that there have not been a massive number of upgraded units; and rehabilitation has to compete with other local community development needs, public works and facilities, and economic development.[164]

Sarah F. Liebschutz of the State University of New York, Brockport conducted a study of CDBG funded neighborhood conservation projects and the political choices local officials have to make in responding to the needs of their local neighborhoods. She notes that community development and neighborhood conservation have become synonymous. While the old urban renewal programs were widely critized, the CDBG program has continued to be renewed with a strong emphasis on neighborhood improvement.[165]

Liebschutz identifies two factors that complicate allocation of CDBG funds to targeted neighborhoods because of the competition of limited resources: "1) The relationship between neighborhood change and public sector intervention is not well understood, and 2) although the CDBG legislation assigns primary responsibility to local elected officials to determine community development priorities and programs, it also specifies that low and moderate income persons are to be the primary beneficiaries."[166]

According to Suzanne Keller, in her book "The Urban Neighborhood: A Sociological Perspective," published in 1968, Urban Neighborhoods:[167]

> gain their distinctiveness from one or more of these sources: ethnic or cultural traits of inhabitants; geographical/spatial boundaries; psychological unity; and concentrated use of an area's facilities for commerce, education and leisure.

In 1979, Roger S. Ahlbrandt, Jr. and James V. Cunningham, coauthored two studies in which they found neighborhoods to be dynamic, regardless of their main characteristic or function. A neighborhood is:[168]

> ever changing in small ways, sometimes in large ways. A neighborhood never stands still. It improves or declines or does some of both at the same time. If a neighborhood's improvement keeps pace with its decline, its population changes slowly, and newcomers generally hold to the same values and lifestyles as long-time residents, then we say it is stable. [Neighborhood change is] the interactive and cumulative effects of a number of different parties and circumstances which create the environment conducive to neighborhood decline.

Liebschutz argues that "conversely, if decline outpaces improvement, population turnover is rapid, and if the value of newcomers contrast significantly with those of long-term residents, the neighborhood is characterized by instability and decline. An improving or rising neighborhood is one which shares the latter two characteristics of the declining neighborhood, but experiences reinvestment or gentrification."[169]

Because of a lack of understanding of the dynamics of neighborhood change and the effects of public intervention on urban neighborhoods, unintended effects have taken place. In 1980, Rolf Goetz, writing on the monitoring of neighborhood change for the U.S. Department of Housing and Urban Development, found that:[170]

> Public intervention has been generally assumed to be beneficial when it is sometimes actually destabilizing, For example, it has been assumed that low down-payment mortgages insured by the Federal Housing Administration (FHA) are beneficial, but in some cities "FHA only" has come to mean that only government insured mortgages are available and only low down-payment buyers are buying. This can stigmatize a physically sound neighborhood with an image of a changing neighborhood, mortgage foreclosures and abandoned houses. Consequently, market demand evaporates as the areas are shunned and widespread, self-fulfilling disinvestment can set in.

While the debate continues as to the causes of neighborhood change, and what it will take to reverse negative impact, Liebschutz identifies several factors that create appeal for politicians to support neighborhood-based projects:[171]

> 1) Allocations of block grants for such projects clearly indicate the responsiveness of mayors and city council members to pressures from neighborhood groups for home improvement loans, code enforcement activities, beautification projects, street improvements, and the like.

2) Because such projects are short-term, and can be implemented within a year or two, they are reasonable candidates for inclusion in the annual funding application to HUD.

3) The short-term nature and the visibility of such projects make them particularly attractive both to neighborhood groups and to local politicians who must run for reelection.

4) Neighborhood-based projects have appeal because of their potential for extending the value of the investment of public funds.

5) Through involvement of neighborhood residents in planning and implementing neighborhood revitalization, the local government comes to be viewed as a partner, not an adversary. Private initiative to supplement the block grant is thereby facilitated.

John McClaughry, in his book "Neighborhood Revitalization," observes "Despite the problems of older cities, there is considerable evidence that neighborhood residents can achieve remarkable successes through creative self-help. Indeed, this fact is of central importance to the encouragement of an urban renaissance in the 1980s."[172]

In concluding observations on the impact of revitalization efforts, since passage of the CDBG program, Liebschutz argues:[173]

> Policy analysts and politicians have invested a great deal in learning about and implementing neighborhood conservation strategies since the advent of CDBG. Yet the complex relationship between neighborhood change and public sector intervention still remains unclear. Part of the complexity derives from the dynamics of neighborhood change within the single city, and part from forces beyond the boundaries and beyond the control of a single city. Resources available for neighborhood conservation within a central city may simply be insufficient to overcome the lure of the surrounding suburbs. The dynamics of inter-regional economic competition may also override neighborhood conservation efforts by individual cities within the competing regions. Neighborhood conservation, in sum, may have become synonymous with community development in American Cities. Whether it succeeds in revitalizing selected neighborhoods within individual cities, however, may be as must a result of political and economic factors beyond the sphere of influence of those cities as those factors within their control.

COMMUNITY DEVELOPMENT BLOCK GRANT - BUDGET AND APPROPRIATIONS

The national budget for the block grant program, between 1975 and 1980, averaged a 9.1 percent increase; between 1981 and 1986 the program received an average decrease of 7 percent. Overall, between 1975 and 1986, the budget increased an average of 8.6 percent, both on the national level and for the State of Michigan. However, for the City of Flint, Michigan, the budget decreased 53 percent. (See Table 3)[174]

The level of annual CDBG appropriations were influenced by the Administration, Congress, special interest groups, and local and state officials. Another major factor was the adoption of the Gramm-Rudmann-Hollings legislation that forced the Administration and Congress to adopt Federal budgets reflecting decreases in the National Debt -- as a result all domestic programs received decreases in funding.

TABLE 3
COMMUNITY DEVELOPMENT BLOCK GRANT
Allocation of Entitlement + Non-Entitlement Funds
Fiscal Years 1975 - 1986
(Amounts are dollars in Thousands)

NATIONALLY

1975	1976	1977	1978	1979	1980
2473066	2698999	3097038	3405896	3548450	3704250

1981	1982	1983	1984	1985	1986
3592680	3399500	3399500	3399800	3411500	2932535

MICHIGAN

1975	1976	1977	1978	1979	1980
103073	109204	115678	146436	152492	158523

1981	1982	1983	1984	1985	1986
153362	144935	146968	137461	138700	119406

CITY OF FLINT, MICHIGAN

1975	1976	1977	1978	1979	1980
7737	8184	7608	6279	5668	6178

1981	1982	1983	1984	1985	1986
5857	5083	5044	4698	4797	4173

In the following tables, TABLE 4 presents information on Administrative requests and Actual Appropriations for the CDBG program from Fiscal Year 1975 through 1989; TABLE 5 supplies information on budget authority for the period 1980 through 1989; and TABLE 6 furnishes information on the Budget Outlays for the CDBG program. (TABLE 5 & 6 takes into consideration the GNP deflator and current and constant dollars):

TABLE 4[175]

BUDGET REQUEST AND ACTUAL APPROPRIATIONS FOR COMMUNITY DEVELOPMENT BLOCK GRANT (in millions)

FISCAL YEAR	ADMINISTRATION REQUEST	APPROPRIATION
75	2,300[1]	2,432[2]
76	2,500	2,802[2]
77	3,248	3,248[2]
78	3,500	3,600[2]
79	3,750	3,750[2]
80	3,900	3,752[2]
81	3,950	3,695
82	3,960	3,456
83	3,456	4,456[3]
84	3,500	3,468
85	3,468	3,472
86	3,125	2,990
87	2,625	3,000
88	2,625	2,880
89	2,625	3,000

1 - reflects the Nixon Administration request for funding of the community development special revenue sharing program proposed under the Better Communities Act.

2 - Included Financial Settlement Fund used to assist communities close out projects funded under the consolidated categorical programs that were repealed with the passage of the CDBG legislation. Activities under these programs became eligible for CDBG funding.

3 - Includes $1 billion for an emergency jobs act, P.L. 95-8, in addition to regular appropriation of $3.456 billion.

TABLE 5[176]

CDBG BUDGET AUTHORITY IN CURRENT AND CONSTANT DOLLARS FOR THE FISCAL YEARS 1980 TO 1989 (In Millions) In 1980 Dollars

80	100.0	$ 3,752.0	$ 3,752.0
81	109.0	3,695.0	3,362.1
82	118.1	3,456.0	2,926.3
83	123.0	4,456.0	3,622.8
84	127.8	3,468.0	2,713.6
85	132.1	3,472.0	2,628.3
86	136.0	2,990.0	2,198.3
87	139.3	3,000.0	2,153.6
88	144.7	2,880.0	1,990.3
89	148.8	3.000.0	2,016.1

TABLE 6[177]

CDGB BUDGET OUTLAYS IN CURRENT AND CONSTANT DOLLARS FOR THE FISCAL YEARS 1980 TO 1989 (in millions) (in 1980 dollars)

Fiscal Year	GNP Deflator	Current Dollars	Constant Dollars
80	100.0	$ 3,902.0	$ 3,902.0
81	109.9	4,042.0	3,677.9
82	118.1	3,792.0	3,201.8
83	123.0	3,554.0	3,889.4
84	127.8	3,819.0	2,988.2
85	132.1	3,817.0	2,889.5
86	136.0	3,575.0*	2,628.7
87	139.3	3,099.0*	2,224.7
88	144.7	2,980.0	2,059.4
89	148.8	2,959.0	1,988.6

* Estimates contained in the President's Fiscal Year 1987 Budget Document

Current dollar figures reflect actual budget authority and outlays for each of the programs. Budget authority and outlays expressed in current dollars do not reflect the impact that inflation or deflation might have on the purchasing power of the dollar relative to a fixed point in time or base year. In converting current dollars to constant dollars a GNP deflator is used, with the deflator for the base year 1980 equal to 100 percent of the constant dollar value. The deflators for subsequent years are used to calculate the worth of each year's budget authority and outlays relative to the base year. In order to convert budget authority and outlays expressed in current dollars to constant dollars the current dollar amount for each year is divided by the corresponding GNP deflator.

COMMUNITY DEVELOPMENT BLOCK GRANT - AN OVERVIEW

The CDBG program was first authorized under Title I of the Housing and Community Development Act of 1974, as amended, P.L. 93-383. The program replaced seven categorical programs previously administered by the Department of Housing and Urban Development, including urban renewal, model cities, and community facilities grants. The consolidation of activities previously funded by categorical grants into a block grant format provides communities with greater flexibility in addressing their community development needs, provides greater opportunity for long range planning at the local level, and cuts down Federal red tape and duplication of efforts.

Programs, currently authorized under Title I of the Housing and Community Development Act of 1974, as amended, includes: Entitlement grants; Small Cities program (HUD administered CDBG nonentitlement funds); State's program (State-administered CDBG nonentitlement funds); Secretary's Fund program; Urban Development Action Grant program; and Loan Guarantees.[178]

CDBG's are awarded annually, on an entitlement basis, to central cities of metropolitan areas, to cities with populations of 50,000 or more, to urban counties, and to states for distribution to nonurban counties and communities with populations of less than 50,000. Seventy percent of the appropriation is allocated to entitlement cities and thirty percent goes to states for distribution to nonentitlement communities. Funds are allocated according to one of two distribution formulas, whichever provides the greater amount of funding.[179]

> The factors involved in the first formula are population, extent of poverty and extent of overcrowding, weighted 0.25, 0.50, and 0.50, respectively. No matching requirement. The factors involved in the second formula are growth lag, poverty, and age of housing, weighted o.20, 0.30, and o.50, respectively.

Since 1985, there have been 810 entitlement communities eligible to receive CDBG funds. Local communities, administering the CDBG Program, may undertake a variety of activities intended to promote neighborhood revitalization and community and economic development. These include the acquisition and disposition of real property, housing rehabilitation, historic preservation, energy conservation, public works construction and repairs, the construction of community facilities (except those used for the general conduct of local government), public services, assistance to community based groups, open space acquisition, economic development, code enforcement, cost associated with relocation of individuals and businesses, the removal of architectural barriers to the elderly and the handicapped, planning and urban design, and administrative costs. Funds may also be used to meet the non-Federal share requirements of other Federal programs.

Title I of the 1974 Act requires a community to submit an annual "Statement of Activities," outlining projects it proposes to undertake during their program year, to the Department of Housing and Urban Development. A proposed project can be undertaken only if it addresses at least one of the three broad national objectives. The activity must: 1) primarily benefit low-and-moderate income persons, defined as those with incomes, at, or less than, eighty percent of the median income of the jurisdiction 2) aid in the elimination of slums or blight, or 3) meet an urgent community development need that poses a threat to the health and safety of the community. States and entitlement cities are required to allocate at least sixty percent (P.L. 100-242, Housing and Community Development Act of 1987, increased the required allocation from 51 to 60 percent) of their funds to activities to primarily benefit low-and-moderate-income persons.

Section 104(a)(2) of the Act requires entitlement communities to furnish interested citizens and organizations with information on the amount of funds available for community development activities, the range of activities that may be undertaken, and information on how the community plans to minimize the displacement of proposed activities on low-and-moderate income persons. In addition, communities are required to provide citizens with an opportunity to review and comment on the proposed "Statement." They must hold at least one public hearing in order to obtain the views of citizens regarding community development and housing needs. Also, the Act requires a community to consider the views and comments it receives from the public, and to modify its final "Statement of Activities," before submitting it to the Department of Housing and Urban Development, if the community decides to amend the application. The Act also requires that the community make a copy of the final "Statement" available to citizens, if requested.

Section 104(d) of the Act requires each community to include, as a part of its evaluation and performance report, summaries of comments it has received from citizens and organizations regarding its community development program. The report describes the progress the community has made in addressing the community development and housing needs identified in its previous years' "Statement of Activities," to the Department of Housing and Urban Development.

In 1988, the Department of Housing and Urban Development finally issued regulations, five years after Congress enacted legislative amendments (P.L. 98-181), to the CDBG program.[180] The main reason for the delay was to allow the Department of Justice, which was assigned the responsibility to review and coordinate all enforcement of civil rights and nondiscrimination regulations, by Executive Order 12250, to conduct the review. It took the Justice Department four years to complete the evaluation.[180]

The Department of Justice, as a result of their analysis, brought the civil rights requirements closer to the Reagan Administration's philosophy. The preamble to the regulations reads, "These revisions reflect interpretations of the holdings in recent Supreme Court decisions..."[181]

HUD plans to also issue regulations based upon 1987 legislative amendments, not requiring interpretation, and the 1988 Fair Housing Act (P.L. 100-430) Amendments.[182]

The new CDBG regulations contain provisions to include any activity "assisted" by CDBG funds even if it does not involve an outlay of funds (ie. if a guarantee of a private-market loan is backed with CDBG funds); clarification of when CDBG funds can support a public service to churches or church owned facilities; defined conditions for aid to for-profit businesses; changes in eligible activities to include assistance for manufactured homes when it is a part of a communities housing stock, funds to build temporary shelters for persons with special needs, and disallowed historical rehabilitation when used for buildings where the general conduct of business is carried out; refined the definition of when a communities activities meet one of the three broad national objectives; and refined requirements for performance reviews and program amendments.[183]

HUD did not pursue its proposal to "tighten up" the CDBG regulations on its definition of administrative costs. HUD had proposed "to expand the definition of administrative costs subject to the 20 percent limit [on administrative costs] to include the costs of <u>any</u> staff principally engaged in managing or supervising other staff, even if they are primarily engaged in service delivery functions." -- HUD backed off when CDBG funded communities took an allout assault on the proposal.[184]

The Housing and Community Development Act of 1974, as amended also requires all communities, receiving CDBG funds, to provide assurances, with their applications, that they will comply with the following related legislation:[185]

1) Title VI of the Civil Rights Act of 164; 2) Title VII of the Civil Rights Act of 1968; 3) Executive Order 11063 as amended by

Executive Order 12259; 4) Section 109 of the Act; 5) Age Discrimination Act of 1975; 6) Rehabilitation Act of 1973; 7) Labor Standards: Davis-Bacon; Contract Work Hours and Safety Standards Act; 8) Section 104(f) of the National Environmental Policy Act of 1969; 9) Section 202(a) of the Flood Disaster Protection Act of 1973; 10) Section 210 of the Uniform Relocation Assistance and real Property Acquisition Policies Act of 1970; 11) Executive Order 11246; 12) Section 3 of the Housing and Urban Development Act of 1968; 13) Section 302 and 401(b) of the Lead-Based Paint Poisoning Prevention Act; 14) 24 CFR Part 24: Use of disbarred, suspended or ineligible contractors or subcontractors; 15) OMB Circular Nos. A-102, Revised A-110, A-87, and A-122: Uniform administrative requirements and cost principles; and 16) Attachment O of OMB Circulars A-102 and A-110: Conflict of Interest.

IMPLEMENTATION OF THE COMMUNITY DEVELOPMENT BLOCK GRANT: CITY OF FLINT - AN ENTITLEMENT CITY

The City of Flint began receiving its CDBG Entitlement Grant after approval of the Federal Budget in October 1974. The Department of Community Development is the designated city department authorized to administer the grant, under direction of the Mayor with approval of the Flint City Council. Since 1974, the City of Flint has received a total formula entitlement grant of Seventy nine million four hundred eighty-three thousand dollars ($79,483,000). Of the total entitlement, Sixteen million two thousand and twenty-nine dollars ($16,002,029), has been allocated for local Administration of the program.[186]

During the first two years of the CDBG program, the City of Flint allocated most of the entitlement grant for Urban Renewal Completion, phase out of model cities programs, property acquisition, relocation, and demolition.

The City of Flint had cut back on its Urban Renewal Projects, a few years earlier, because the number of projects, originally undertaken, created an administrative burden on the City. As a result, the St. John and Oak Park Urban Renewal Projects were the only two Categorical Programs remaining upon implementation of the Community Development Block Grant program. An allocation for continuation of Model Cities programs was phased out in the first entitlement year and urban renewal completion phased out in the fourth entitlement year (1978).

The City of Flint was ordered, under a class action suit, to complete the Oak Park Urban Renewal Project. The City had every intention of completing the project, but upon the action, brought by a Flint City Councilman, the Court issued a specific order requiring that twenty-five percent (25%) of each annual CDBG allocation be spent to complete the project, with a complicated three tiered "buy out" schedule. The order greatly reduced the city's block by block, organized methodology. The City had to begin spot buying of property, leaving scattered, occupied structures to be purchased -- fifteen years <u>after</u> the implementation of the CDBG program.

Between 1974 and 1989, Flint allocated a total of $12,280,982 for property acquisition; $1,850,874 for clearance & demolition; $8,214,753 to relocate persons displaced by Community Development projects; $1,204,090 for maintaining the vacant land acquired under CDBG (weed/trash abatement); $2,200,000 for River Front Center; $77,000 in Buick City Acquisition; $200,771 for private-owned utilities; $212,970 for St. John Office Park Project Utility relocation and redevelopment; $549,523 for City-wide scattered site demolition; and $8,230,613 for Public Services that have included small and minority business services, cultural enrichment, services for the elderly, Foot Patrol, recycling material pickup, Hispanic language services, neighborhood convention, Fair Housing Opportunity programs, Emergency Shelter for Women, Federation of the Blind, Urban Coalition/Flint, Leadership Flint, Urban Girl Scouting, Flint/Genesee County

Childcare, Salem Housing Task Force, Vista Coordinator, Children's Museum, Transition House, Kennedy Center, Teen Crime Prevention, Stewart Community Council, and Crime Watch programs.[187]

The largest allocation of the Flint CDBG program has gone to Housing Rehabilitation and related activities. During the first two years of the CDBG Program, the Department of Community Development had a small, in-house rehabilitation program, allocating a total of $381,387. However, since 1977, when the Flint Neighborhood Improvement and Preservation Project, Inc. (FLINT NIPP) was created, the City has allocated $25,388,938 for housing rehabilitation; $1,135,518 for interim assistance; $3,545,517 for Flint NIPP housing services (an administrative cost); $140,104 for Rodent Control; and $10,000 for a lead base paint program. This represents a total CDBG allocation of 38% or $30,220,077 to Flint NIPP between 1977 and 1988.

The City of Flint's Department of Community Development has allocated its CDBG Program funds, from 1975 to 1988, as shown in TABLE A-1 through TABLE A-4.

TABLE A-1
CITY OF FLINT
DEPARTMENT OF COMMUNITY DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT ALLOCATIONS
1975 - 1978

	1975	1976	1977	1978
Entitlement Grant	7,737,000	8,184,000	7,608,000	6,279,000
Adjustments		(93,183)		(25,798)
Program Income				386,830
TOTALS:	7,737,000	8,090,817	7,608,000	6,640,032
CDBG ACTIVITIES:				
Prop. Acquisition	2,735,289	2,737,054	894,184	272,324
Clearance/demo	166,540	214,817	201,993	88,414
Housing Rehab.	103,590	192,790	1,806,280	2,195,386
Land Maint/Disp.	4,856	191,552	142,824	26,790
Relocation paymts	1,972,408	1,958,653	666,839	104,512
Public Improvemts		633,555	491,971	720,219
Urban Renewal Cpl.	1,165,900	389,989	1,326,279	883,062
Model Cities Cont.	548,953			
Pmt.Non-Fed.share		62,208		
Gen.Admn/Prog.Dev.	1,039,464	1,422,660	1,435,463	1,232,640
SUB-TOTAL:	7,737,000	7,803,278	6,965,833	5,523,347
PUBLIC SERVICES:				
Small Bus.Serv.		59,901	136,229	235,580
Cultural Enrchmt.		227,638		
Serv. for Elderly			163,512	194,273
FootPatrol			54,856	
FNIPP Hsing serv.			287,570	686,832
SUB-TOTAL:	-0-	287,539	642,167	1,116,685
GRAND TOTAL:	7,737,000	8,090,817	7,608,000	6,640,032

TABLE A-2
CITY OF FLINT
DEPARTMENT OF COMMUNITY DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT ALLOCATIONS
1979 - 1982

	1979	1980	1981	1982
Entitlement Grant	5,688,000	6,178,000	5,857,000	5,083,000
Adjustments		(31,054)	(124,867)	(19,817)
Program Income	2,220,000	546,921	328,000	277,000
TOTALS:	7,888,000	6,693,867	6,060,133	5,379,817
CDBG ACTIVITIES:				
Prop.Acquisition	448,650	833,505	550,203	605,468
Clearance/demo	88,300	85,249	134,040	112,663
Housing Rehab.	1,970,006	2,764,525	2,432,160	2,567,591
Land Maint/Disp.	94,400	3,981	95,342	99,165
Relocation paymts	246,165	284,798	418,976	459,681
Public Improvmts	563,289	55,360	4,003	
Gen.Admn/Prog.Dev.	1,173,283	1,319,543	1,217,820	1,040,755
RiverFront Cntr.	2,200,000			
Interim Assist.	179,496	192,917	100,865	100,000
Buick City Acq.				77,000
SUB-TOTAL:	6,963,589	5,539,878	4,953,409	5,062,323
PUBLIC SERVICES:				
Small Bus.Serv.	239.519	200,000	119,010	
Serv. for Elderly	245,537	207,249	220,955	226,946
Footpatrol	90,000			
FNIPP Hsing.Serv.	325,005	746,740	700,430	72,205
Rodent Control	24,350			
Recyl.Materials			66,329	
Hispanic Lang.Serv.				16,158
Neighborhood Conv.				2.185
SUB-TOTAL:	924,411	1,153,989	1,106,724	317,494
GRAND TOTAL:	7,888,000	6,693,867	6,060,133	5,379,817

TABLE A-3
CITY OF FLINT
DEPARTMENT OF COMMUNITY DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT ALLOCATIONS
1983 - 1985

	1983	1984	1985
Entitlement Grant	5,045,000	4,707,000	4,797,000
Adjustments	(244,091)	326,250	(734,305)
Program Income	449,000	451,660	783,495
TOTALS:	5,249,909	5,484,910	4,846,190
CDBG ACTIVITIES:			
Prop.Acquisition	550,703	678,748	240,900
Clearance/demo	38,599	215,449	74,152
Housing Rehab.	2,491,934	2,176,901	2,423,844
Land Maint/Disp.	100,000	129,408	40,772
Relocation Paymts	317,526	393,903	379,203
Pub.Improvements	25,000		
Gen.Admn/Prog.Dev.	1,045,903	992,969	1,082,985
Interim Assist.	105,775	106,782	88,683
Priv.Owned Util.	200,771		
Economic Dev.		368,058	250,000
St.John Util.			9,874
SUB-TOTAL:	4,876,211	5,062,218	4,590,413
PUBLIC SERVICES:			
Small Bus.Serv	94,728		
Serv. for Elderly	215,000	209,066	194,655
Rodent Control	44,254		26,500
Hispanic Lang.Serv		15,957	
Neighborhood Conv.	3,032	15,329	
Fair Hsing.Prog.			9,954
Emerg.Shelter/Women			15,000
Fed. of Blind			8,000
Urban Coal/Flint			3,750
Leadership Flint			2,000
Urban Girl Scouts			2,000
Kennedy Center		45,000	
SUB-TOTAL:	373,698	285,352	261,859
GRAND TOTAL:	5,249,909	5,347,570	4,852,272

TABLE A-4
CITY OF FLINT
DEPARTMENT OF COMMUNITY DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT ALLOCATIONS
1986 - 1988

	1986	1987	1988
Entitlement Grant	4,173,000	4,169,000	3,978,000
Adjustments	810,820		
Program Income	611,440	580,548	1,150,000
TOTALS:	5,595,260	4,769,348	5,128,000
CDBG ACTIVITIES:			
Prop.Acquisition	746,596	572,203	415,155
Clearance/Demo	206,830	108,945	114,883
Housing Rehab.	1,499,000	1,398,053	1,748,265
Land Maint/Dispo.	95,000	90,000	90,000
Relocation Paymts	366,230	380,297	265,562
Gen.Admn/Prog.Dev	960,545	1,042,399	995,600
Interim Assist.	86,000	100,000	75,000
Economic Dev.	691,212	405,000	460,604
St.John Util.	203,096		
CityWide Demo	119,327	85,000	345,196
Pilot Hsing Proj.	201,600		
SUB-TOTAL:	5,175,436	4,181,897	4,510,265
PUBLIC SERVICES:			
Serv. for Elderly	228,138	230,000	210,000
FNIPP Hsing Serv.	200,000	250,000	276,735
Rodent Control	15,000	15,000	15,000
Fair Hsing Prog.	9,994	20,000	
Emerg.Shelter/Women	15,000	18,000	25,000
Fed. of Blind	16,000		10,000
Urban Girl Scouts	4,200		
Flint/Gen.Childcare	15,600	15,000	7,000
Salem Hsg.Task Force	10,500	29,652	60,000
Vista Coordinator	7,713		4,000
Flt.Children Museum	10,000	3,000	
Transition House	18,800		
Teen Crime Prev.	1,962		
Stewart Schl.Council		7,000	
Crime Watch	2,401		
Lead base Paint Prog.			10,000
SUB-TOTAL:	555,308	587,652	617,735
GRAND TOTAL:	5,730,744	4,769,549	5,128,000

CITY OF FLINT
IMPLEMENTATION OF A HOUSING REHABILITATION PROJECT
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Flint NIPP is a non-profit 501(c)(3) organization developed from a recommendation made by a Mayoral Task Force on Neighborhood Revitalization, appointed by Mayor James W. Rutherford, in 1976. The Task Force was implemented based upon concerns of the City's black Community. In October 1976, the Task Force recommended a non-profit organization be developed, with a board of directors, to "oversee the task of citywide housing rehabilitation," and to "see to the initiation of a continuing public relations effort including neighborhood community organization programs." The City of Flint completed the necessary requirements to form the non-profit housing agency, and then turned operation over to its board of directors.[188]

The City of Flint has maintained a close relationship with Flint NIPP because of the Community Development Block Grant Regulations requirement to monitor an agencies activities and the fact that the City of Flint is the actual recipient of the CDBG funds, and therefore, ultimately responsible to the Federal Government. Because of the close relationship between the City and Flint NIPP, clients have turned to the City's Department of Community Development Staff, and the Ombudsman Office, to intervene in matters which should appropriately be handled by internal grievance procedures established at Flint NIPP.

The rehabilitation program and services provided by Flint NIPP, and the problems associated with such a program, are no different than those created by many other local communities under the CDBG Program --except that Flint NIPP has been the model used to develop similar programs in other communities. But this does not mean that Flint NIPP has not had its share of criticisms during its thirteen year history of providing rehabilitation and neighborhood programs to low-and-moderate-income persons in various Census Tracts located in the City of Flint. Many of the criticisms are duplicates of those expressed during Congressional Hearings and the findings of scholars conducting research on the CDBG Program.

In its sixth year of operation, 1984, Flint NIPP had become a national model for its successes, but had come under heavy local criticism. As a result, the Mott Foundation provided a $10,000 Grant to Flint NIPP for the purpose of hiring a consultant to conduct an evaluation of the Corporation. The Pratt Institute Center for Community and Environmental Development, from New York, was awarded a contract in February 1984 to conduct the evaluation.

Pratt was to review overall programming, procedures, policies, program guidelines, operation of the rehabilitation program, and recommend new programs as appropriate.[189]

After coming to the community twice, three days in February and three days in April 1984, they prepared an evaluation and recommendations for improving what was "wrong at FNIPP."[190]

The Pratt "Methodology" included interviews with the Flint NIPP Director, Board President, three board members, city and NIPP staff, two clients having active complaints, Mayor, a City Councilperson, Ombudsman, four Flint NIPP contractors, two of which were minorities, members of the Civic Park Historical

Community League, that had recently critized Flint NIPP, and six persons on the street. In addition, Pratt representatives randomly selected fifteen structures that had been rehabilitated and conducted interviews with eight of the homeowners. From this relatively sparse sampling, Pratt set out to discover all that was "wrong at FNIPP."[191] Pratt tempered their findings by pointing out that their study was occurring at a particularly critical time in Flint NIPP's history and they were not hired to point out the positives, but the negatives.[192]

Pratt, overall, found Flint NIPP "an impressive organization with an impressive array of programs and services...[and] judged FNIPP to have used the past six years to construct an organization that has accomplished far more during its short history than most comparable organizations."[193]

However, with that overview of Flint NIPP, Pratt proceeded to list a number of problem areas and recommendations for improvement:

BOARD OF DIRECTORS:

The study found that the Flint NIPP Board of Directors provided very little input into policy and goal development. The City's Department of Community Development, through its Director Jack Litzenberg and Flint NIPP's first Director A. Robert Kucab, had been the primary innovators.[194] Pratt found Board actions to be a "mere formality."[195]

The study also cited the Board for its lack of participation in the monitoring of consumer complaints. An arbitration panel had been establish to handle such matters. In fact, Pratt found that there had been at least two complaints that had not been resolved in three years, even though they had been reported to the Board, the City of Flint, the Ombudsman, and had been reported in the local Flint Journal -- the Board was surprise at the degree of hostility expressed by complainants and several members were not even aware of the Corporate policy on resolving complaints.[196]

Pratt recommended that the Board establish a grievance committee, which the Board did at its meeting of April 27, 1984, but before the final Pratt report.[197]

Pratt also criticized the Board because "the board seems to lack an independent conception of the capability of FNIPP or a vision for the city separate from that of the CD Dept. Hence its expectation of the staff are exceptionally modest and follow the goals set by the city in its CD contract, which are not, in the first instance, very demanding (though this may be because of a lack of resources available to FNIPP and the City of Flint)."[198]

Pratt concluded that the Board should review the White Paper, issued by the Task Force that recommended its creation, to gain guidance into its posture of independence. Flint NIPP was to have been an independent corporation that would "eliminate the stigma of government-controlled programs."[199]

Within the context of accountability, Pratt observed that, while the Board was racially and ethnically balanced, it needed to have a more "representativeness" when it came to citizen access.[200] Based upon this recommendation, Flint NIPP expanded its Board of Directors to include "neighborhood representatives" from those target areas receiving CDBG assistance.

In concluding its review of the Board, Pratt found that, given Flint NIPP's authority as "a sole-source contractor in housing for the City of Flint," Flint NIPP should "become more aggressively responsive to other public needs. The primary one we think can be addressed--given FNIPP's mission--is providing construction trade training and jobs for minority youth."[201] This Pratt recommendation had little merit. First, because Flint NIPP's mission does not include job training, and secondly, considering the number of skilled tradesmen out of work, in 1984 as well as in 1989, any skills learned, would have little value in a competitive market place.[202]

FLINT NIPP STAFFING

Pratt found that two senior staff, the Rehabilitation Supervisor and Assistant Supervisor, assigned from the City of Flint as a result of Union negotiations when the Department of Community Development eliminated its Rehabilitation Section, did not appear to answer to the Director even though they were responsible for directing the operations of the rehabilitation section. Pratt recommended that the positions be made responsible to the Director or transfer the employees back to the City. The positions were not transferred, but by retirement and a promotion to another City Department, by 1986, there were no City staff assigned to Flint NIPP.[203]

The Pratt study also reviewed the bid specifications prepared by the rehabilitation section and found concerns from both contractors and clients. Technical interpretation was the major problem. The specifications were reviewed with clients upon implementation of the work, however, many disputes arose between client and contractor as to the interpretation of the work to be completed. Pratt found in two samples of bids submitted by contractors, the contractor had made amendments to the bid specifications, which disqualified them from consideration. Pratt concluded that had the changes been accepted, the job would have been completed in a more appropriate manner.[204]

Pratt identified three primary factors causing the bid specification problems: 1) incomplete initial inspection; 2) difficulty of staying on top of changes in the industry; and 3) gaps in various rehabilitation specialists' work experience and insufficient supervision by management.[205]

The Consultant recommended that "the development of in-service training programs for the staff of the rehab unit to keep them abreast of state-of-the-art spec writing, materials, methods, pricing, etc. Various construction trade associations should be approached to help structure and conduct these sessions. A more intensive and thorough initial inspection, possibly accompanied by a contractor, is also suggested. Furthermore, we think it is essential for the rehab unit supervisor to exercise more diligent oversight."[206] Flint NIPP, since the Pratt Report, has implemented an up-to-date computerized specification system and a client-contractor orientation to ensure, to the greatest extent possible, a better understanding of the complete rehabilitation process and the requirements of the rehabilitation specifications.

The staffing review also found that the rehabilitation specialists were making insufficient inspections, resulting in charges that the rehab staff "don't do enough work."[207] Flint NIPP also has implemented changes in this area by requiring documented reports detailing site inspections to client homes.

FLINT NIPP CONTRACTORS:

Generally, the complaints against contractors evolved around charges that contractors and rehab specialists were "cozy," resulting in an impression that the contractors were not properly supervised. Pratt suggested that the problem resulted from the fact that the client was viewed as a "consumer" rather than an employer since Flint NIPP bid the job, hired the contractor and supervised the work. Pratt recommended that the consumer become the employer and be advised of veto power over contractor actions.[208] Pratt also recommended that the Board of Directors establish a "three-stage complaint resolution process: 1) staff negotiations; 2) board grievance committee review; and 3) an independent, three-person arbitration panel. Ideally, the arbitration panel should have a FNIPP-chosen member, a home-owner selected member, and a third member chosen by the first two."[209] Flint NIPP implemented this Pratt recommendation shortly after the Report was issued.

The Report also identified problems related to rehabilitation grants. The general perception was that grant recipients did not receive as high a quality of work as those who received loans. While Pratt could not verify this situation specifically, the perception undermined the effects of the program. Pratt recommended, since grants were negotiated instead of bid, that grants also become part of the bidding process.[210] This recommendation was also adopted by Flint NIPP.

CITIZEN PARTICIPATION:

Pratt cites "The Civic Park experience," as having been the main reason for conducting a review of Flint NIPP. The Civic Park Project, which involved a historical preservation-rehabilitation pilot venture, was intended to be a joint venture between a community based advisory committee and Flint NIPP. Pratt identified the following interrelated factors causing the failure of the project:[211]

> an appropriate expectation by citizens of that community and the Advisory Committee that they would be "enabled" to conduct the restoration and preservation of these historic homes; FNIPP proceeding in its adopted operating style as a "doer," disregarding provisions of its contract with the Charles Stewart Mott Foundation to act as an enabler; and the failure of C.S. Mott to enforce its contract provisions with FNIPP to ensure "meaningful participation" of Civic Park homeowners in the project.

The Pratt evaluation found that Flint NIPP had not been able to implement one of the more important recommendations of the White Paper issued by the Mayor Housing Task Force. The non-profit agency should provide "some degree of self-determination" to neighborhood organizations.[212] Pratt argued that the goals of the Task Force were missing from its agenda and ongoing operations -- one of the prime reasons for the failure of the Civic Park Project. Flint NIPP was to have been an advocate for residents, neighborhoods, and housing rehabilitation:[213]

> citizens do not detect this in FNIPP -- staff or board -- and have difficulty influencing its decisions, then questions of loyalty, control, ownership, representativeness, and accountability arise. We believe that while specific complaints of quality of workmanship are important and in some instances substantive, the real complaint against FNIPP is the inability of citizens to influence its decisions concerning them, notwithstanding their limited technical knowledge of housing rehab and finance.

In concluding their report, The Pratt Institute found that Flint NIPP had succumbed to political influence and should redirect its efforts to become part of the community:[214]

> FNIPP...has enjoyed the protection of a political godfather who conceived its programs, defined its goals, provided its resources, and sheltered it from governmental and political attack...Jack Litzenberg [City of Flint-Department of Community Development Director]...If the organization is to survive it is going to have to make adjustments. The chief adjustment is the need to find a new godfather -- a constituency...We recommend that the board consider amending its charter to allow the establishment of a corporate membership. Such membership should be broad-based and representative of Flint's neighborhoods...it is a way of increasing FNIPP's accountability to the citizenry...FNIPP will need to aggressively persuade all those who are now watching it that it is capable of providing a quality product on behalf of consumers. While the number of consumer complaints is relatively small when compared to the total number of projects done, the adverse publicity about those few has considerably undermined FNIPP's image and public confidence...it is essential that outstanding complaints be quickly resolved...In closing, we would like to state that we agree with those citizens who told us that FNIPP is a needed organization providing a valuable service.

Flint NIPP implemented most of the Pratt recommendations either during the time the review was being conducted or shortly after the final report was submitted.

I would like, now, to make some personal observations regarding the Pratt evaluation. I was employed as Contract Administrator by the City of Flint's Department of Community Development, between August 1978 and August 1986. One of my responsibilities was to implement and monitor the Flint NIPP Agreement with the City of Flint. The Department of Community Development was called in many times to investigate client complaints. Clients' perception, as identified in the Pratt Report, was that grant recipients were treated with disrespect, rehab specialists favored contractors, bid specifications were incomplete and easily misunderstood, and some contractors were not performing professional-quality work. Unfortunately, even though in a very small number of cases, all of these charges, to some degree, were substantiated.

The Pratt Report, however, received its greatest criticism (although it did make for interesting press for a few days) when it felt compelled to draw upon its New York penchant for the mafia by identifying the Community Development Director as the "godfather." The Pratt review team, essentially, misinterpreted the close relationship between the City and Flint NIPP. Jack Litzenberg "nurtured" Flint NIPP within the context of the Random House Dictionary's definition: "to promote the development of...to educate or bring up with care...something that nourishes."[215]

Jack Litzenberg had an even greater fault than that of being a "godfather." -- he identified with and strongly supported a concept that, according to Pratt, was elusive to Flint NIPP --

the ability to "humanize" the process by considering, immediately, individual interests, and, to the greater, the concept of citizen participation.

The City of Flint, through the encouragement of Jack Litzenberg, had a very aggressive Citizen Participation Program. When CDBG legislation required the adoption of a Citizen Participation Plan, the Department of Community Development established The Mayor's City Wide Advisory Committee (CWAC) to act as "watchdog" over the CDBG program. The CWAC, taking its responsibility very seriously, continually ensured citizen input.

The CWAC, holding an annual Town Hall Meeting, provided information on the CDBG program, heard public comments, and accepted applications for CDBG funding. The CWAC established committees that reviewed the CDBG applications and made recommendations for funding to the City. The CWAC had the full support of the Department of Community Development, Mayor's Office, and Flint City Council. On occasion, when the City differed with a CWAC recommendation, the City staff and CWAC members would negotiate a resolve to the differences.

The membership of the Committee was comprised of 9 members from the community at large; 2 from each of the twelve planning districts; 4 from public housing tenant councils; 3 members from each of the neighborhood strategy areas; and 1 member from each of the 9 wards. In the original plan, each Councilperson made the appointment for their ward. During the Sharp Administration, an Ordinance, establishing the City Wide Advisory Committee as an official multi-member advisory committee under the City Charter, was adopted by the Flint City Council. After passage of the Ordinance, all members were appointed by the Mayor and confirmed by the Flint City Council. In March, 1989 the Collier Administration amended the City Wide Advisory Committee Ordinance and changed the membership structure. The amended Ordinance restricted CWAC membership to 45 persons, with 5 members from each of the Citys' nine wards.[216]

The Pratt Report somehow missed the fact that the first Director of Flint NIPP, implementing his personal "Management By Objectives" method of administration, totally ignoring considerations of client human interest. He proceeded on the presumption that you could run "The Corporation...like a business." This assumption was irrespective of the fact that service was being provided to persons of low and moderate income, living in substandard housing, located in deteriorating neighborhoods occupied predominately by minorities, and female headed households -- a shocking revelation taking into consideration the intent of the CDBG program. To his credit, however, is the fact that he also "nurtured" Flint NIPP, providing a strong administrative structure that was able to withstand and overcome intense criticisms. Also, by the time the Pratt Report was being conducted, a new Director had been appointed by the Flint NIPP Board of Directors. The second Flint NIPP Director had a greater sense for the importance of a "humanistic" approach to program implementation, but still developing a professionally oriented staff. The Third, and current Director of Flint NIPP, has refined the suggestions from the Pratt Report, developed initiatives of his own and improved on those of the past -- he has the greater challenge to find Flint NIPP funding resources to augment and eventually replace a rapidly decreasing CDBG program.

TABLE B provides a client demographic summary of those receiving loans and grants between 1979 and 1988. Approximately 70.2 percent of Flint Nipp clients were minority, approximately 53.9 percent were female headed households, and 79.3 percent were small families (5 or less persons).[217]

TABLE B
Flint NIPP, Inc.
CLIENT DEMOGRAPHICS
LOANS AND GRANTS
1979 - 1988

Year	Elderly	Female	Minority	Handicapped	Small Family	Large Family	Total Rehab Clients
1988	34	102	109	2	119	13	132
1987	36	83	78	0	100	14	114
1986	52	87	83	2	121	12	133
1985	58	126	170	23	171	14	194
1984	68	141	233	12	212	23	229
1983	83	141	200	5	209	36	240
1982	19	47	69	2	63	10	261
1981	96	144	241	20	257	36	293
1980	52	97	100	20	154	27	182
1979	71	124	140	13	201	47	248
	569	1092	1423	99	1607	232	2026

TABLE C summarizes the number of low income clients receiving rehabilitation loans and grants. Approximately 87.6 percent of all clients were low income. The remaining 12.4 percent were of moderate income.[218]

TABLE C
Flint Nipp, Inc.
Low Income Demographics
LOANS AND GRANTS
1979 - 1988

YEAR	LOW INCOME	TOTAL REHAB CLIENTS
1988	132	132
1987	114	144
1986	126	133
1985	183	194
1984	196	229
1983	192	240
1982	208	261
1981	237	293
1980	163	182
1979	224	248
TOTAL	1,175	2,026

TABLE D reveals that between 1979 and 1988, Flint NIPP expended 61 percent for housing rehabilitation; 26 percent on Administration (which does not reflect program activity and housing center funds that were actually spent on Administration costs); and 13 percent on other program activities.[219]

TABLE D
Flint NIPP, Inc.
REHABILITATION/ADMINISTRATION/TOTAL BUDGET COMPARISON
1979 - 1988

Year	Rehabilitation	Administration	Other	Total Budget
1988	1,172,239	530,054	759,550	2,461,843
1987	1,079,960	469,669	546,577	2,096,206
1986	1,328,122	834,500	318,878	2,481,500
1985	1,576,885	772,539	381,127	2,730,551
1984	1,826,309	836,069	354,271	3,016,649
1983	1,903,496	782,111	304,458	2,990,065
1982	2,056,986	866,728	332,500	3,256,214
1981	2,356,253	942,736	295,230	3,594,219
1980	1,560,227	514,704	228,769	2,303,700
1979	2,133,698	686,832	110,300	2,930,830

TABLE E breaks down, by Census Tract, the appropriation and total rehabilitation jobs between 1979 and 1988.[220]

TABLE E
Flint Nipp, Inc.
CENSUS TRACT/APPROPRIATION/CLIENTS RECEIVING REHABILITATION GRANTS/LOANS
1979 - 1988

CENSUS TRACT	APPROPRIATION	TOTAL REHABILITATION JOBS
32	559,995	77
29	176,125	20
27,28	581,524	71
14	288,235	32
1	2,777,530	347
22	1,302,712	146
23,25	2,403,510	251
21	1,683,565	217
19	2,192,902	283
4	893,989	108
20	1,418,223	171
12	1,149,721	128
3	510,036	58
20	899,927	106
30	120,700	11

TABLE F summarizes the amount and number of the various loans and grants issued by Flint Nipp between 1979 and 1988.[221]

TABLE F
Flint Nipp, Inc.
LOANS, GRANTS, LOAN/GRANTS, & PRINCIPLE-REDUCTION GRANTS
1979 - 1988

Year	Loans/	No.	Grants/	No.	Loan-Grants/	No.	Principle-Reduction/	No
1988	220,282	18	78,998	13	874,612	101	0	0
1987	147,836	15	23,485	4	920,408	95	0	0
1986	187,641	17	182,838	19	967.023	97	0	0
1985	301,475	34	1,255,571	147	19,839	2	0	0
1984	215,588	28	1,493,392	188	123,670	13	0	0
1983	419,154	49	1,471,583	184	0	0	12,759	7
1982	525,642	47	1.492,761	205	6,574	3	29,538	6
1981	630,934	50	1,670.727	228	0	0	59,636	15
1980	912,228	40	616,229	136	0	0	39,286	6
1979	811,669	31	1,238,513	187	0	0	83,515	30

TABLE G presents the average amount of rehabilitation assistance, between 1979 and 1988, provided to Flint Nipp clients.[222]

TABLE G
AVERAGE REHABILITATION ASSISTANCE
LOANS AND GRANTS
1979 - 1988

1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
9523	8614	8370	8077	7858	7706	7928	7749	9473	8893

Flint NIPP has administered several different categories of Program Activities since it began in 1977. In addition to Rehabilitation loans & Grants, Flint NIPP offers a 312 loan program, with funds provided from a program authorized by the Housing and Community Development Act of 1974, as amended.

The Purchase/Rehab/Resale Program (also called Homesteading) allocates funds for the purchase of vacant housing, rehabilitation of the structure, and then Flint Nipp puts the home on the market for sale to a low/mod income person who is able to qualify for a bank loan. The Emergency/Ramp/Hazard (emergency repairs has also been called interim assistance) is a program that provides funds for emergency repairs such as a furnace, construction of a ramp for the handicapped and to repair immediate hazardous conditions. Flint Nipp has operated special Purchase/Rehab/resale programs in the Hurley East and Kearsley Park areas. Rodent Control is contracted to the Genesee County Environmental Health Office. The sidewalk program provides low/mod income persons with grants to repair damaged sidewalks. A Neighborhood Activities Program provided funds to Neighborhood-based organizations to carry out small improvement projects. A paint program provided paint and staff provided from other public service programs to paint exteriors of low/mod income persons. An Investor-owner program provided a percentage of actual rehabilitation costs to owners of rental units in need or repair. A Hispanic Aide program provided funds to hire a bi-lingual person to translate and provide assistance to Flint's Hispanic Community. A clean-up program provided funds to neighborhood-based organizations to pick up trash and hire a contractor to dispose of the collected material. An assistance to the elderly program provided funds to senior citizens for home security or energy efficiency packages.

Flint NIPP's Housing Centers, operated in selected neighborhoods, provide many services. The Housing Centers have a complete Tool Library that loans a wide choice of tools to neighborhood-based organizations and individuals for minor home repairs and beautification projects. Housing Center staff give technical assistance in minor home repair, maintenance, community organization, and Home Maintenance Seminars that provide "how to-hands-on" classes on painting, carpentry, home security, plumbing, electrical work, rodent control and energy conservation.

TABLE H summarizes the various program activities required by the contract between Flint Nipp and the City of Flint, excluding housing rehabilitation.[223]

TABLE H - Flint NIPP, Inc. Program Activities (1979 - 1988)

Year	Program Activities	No. Of Staff
1988	Purchase/Rehab/Resale; Rehab. Specialist/ Private Properties Program (Administrative Costs); Emergency Repair/Ramp/Hazard; Rodent Control; Kearsley Park Purchase/ Rehab/Resale; Housing Center Activities (Administrative Costs). Operated 2 neighborhood-based housing Centers.	25
1987	Purchase/Rehab/Resale; Private Properties (Admin. Costs); Emergency Repair/Ramp/ Hazard; Rodent Control; Housing Centers (Admin. Costs); Sidewalk Proj. Operated 2 neighborhood-based housing centers.	25
1986	Purchase/Rehab/Resale; Ramp/Hazard; Emergency Repair; Rodent Control; Neighborhood Activities; Sidewalk Repair. Operated 2 neighborhood-based housing centers.	25+ one loaned
1985	Purchase/Rehab/Resale; Ramp/Hazard; Emergency Repair; Rodent Control; Paint Project; Hispanic Aide (Admin.Cost); Investor-owner; Neighborhood Activities; operated 3 neighborhood-based housing centers.	32+ two loaned
1984	Purchase/Rehab/Resale; Ramp/Hazard; Emergency Repair; Clean-up Proj.; Paint Proj.; Hispanic Aide (Admin. Cost); Investor-owner; Hurley East Purchase/Rehab/Resale. Operated 3 neighborhood-based housing centers.	32+ 2 loaned
1983	Purchase/Rehab/Resale; Ramp/Hazard; Emergency Repair; Clean-up Proj.; Paint Proj.; Hispanic Aide (Admin. Cost); Investor-owner. Operated 3 neighborhood-based housing centers.	37+ 2 loaned
1982	Homestead; Public Housing; Emergency Repair; Elderly Program; Pilot Project. Operated 3 neighborhood-based housing centers.	34+ 2 loaned
1981	Homesteading; Emergency Repair; Clean-up Proj.; Elderly Proj. Operated 4 neighborhood -based housing centers.	32+ 3 loaned
1980	Interim Assistance; Clean-up Proj.; Neighborhood facilities; Homesteading. Operated 4 neighborhood-based housing centers.	30+ 4 loaned
1979	Interim Assistance; Homesteading. Operated 4 neighborhood-based housing centers.	27+ 4 loaned

SUMMARY
COMMUNITY DEVELOPMENT BLOCK GRANT -
CITY OF FLINT - AN ENTITLEMENT CITY

The City of Flint, upon implementing the CDBG Program, completed the St. John Urban Renewal Project, turning it into an Industrial Park. General Motors BOC acquired a large area of the Park for expansion. Private enterprises constructed auto industry related businesses and have become successful suppliers to "Buick City" -- a complex structured after the Japanese "Can-Ban" or just-in-time concept. This concept allows Buick City the advantage of not storing large quantities of parts and materials on site. The factory is tied to a computer network that calls on suppliers to forward the necessary parts or materials to a central terminal located near the Buick plant.

The City also acquired a large area of land, adjacent to Buick City, in the Oak Park Urban Renewal Project Area, through an Urban Development Action Grant, to expand the industrial park concept. While this area has been cleared and improvements made to make way for new business, the lower area of Oak Park still has property, some occupied, to be acquired and a plan to be developed for reuse.

The intent, in using CDBG funds to complete the St. John and Oak Urban Renewal Projects, was to eliminate two deteriorated neighborhoods by acquisition; relocation of mostly low income owners, tenants, and businesses; clearance; and redevelopment to increase the tax base. The City of Flint, however, was severely criticized by the black community and civil rights organizations for "impacting" other areas of the city by primarily relocating minorities to Northwest neighborhoods. Many of the relocated citizens greatly improved the quality of their housing through acquisition and relocation payments. However, very few breached existing, racially segregated housing patterns, "choosing" to relocate to predominately minority or racially changing neighborhoods -- they now find themselves living, in neglected declining neighborhoods, in a city that has not developed short or long range plans to improve its older housing stock. Since 1976, the City of Flint having allocated over 30 million dollars to Flint NIPP, still has not been able to stabilize neighborhoods in decline. Like other industrialized communities, Flint has been unable to augment CDBG programs with general fund expenditures or identify other significant funding sources.

The resulting economic development benefit to low-and-moderate income persons, by redeveloping Urban Renewal land, using CDBG, Urban Development Action Grants, State, Economic Development Administration, and private grant funds, is questionable.

The city's initiatives to create a "tourist industry" by developing Autoworld, Waterstreet Pavilion, Windmill Place, Carriage Town, and Riverfront Center-Hyatt Regency, has essentially failed. The "renaissance" of downtown, tied to creating jobs, funds for housing rehabilitation, and creation of small minority and women-owned businesses -- to benefit low-and-moderate income persons -- has been marginal.

One project, however, that has been successful, was created through an agreement with the developer of Waterstreet Pavilion. The Salem Housing Task Force, operated by a neighborhood based organization, developed a "sweat equity" housing rehabilitation program. They require those who choose homeownership to provide their labor to help rehabilitate vacant homes the Task Force has acquired from private and publicly owned sources. The Salem Housing Task Force has been able to develop a viable program even though starting with a much smaller base of financial support than Flint NIPP. Since 1986, they have been successful in increasing their support from the City of Flint's CDBG program. It will take creative leadership and greater citizen involvement to develop a long range plan to improve Flint's neighborhoods.

The City Wide Advisory Committee (CWAC) has been able to keep the CDBG program focused on benefit to low-and-moderate income persons. Critics of the citizen participation process, created under the CDBG program, have not been successful in promoting other methods to ensure citizen input. Apparent apathy on the part of Flint citizens to participate in annual Town Hall Meetings, a lack of ability to develop political support to influence Mayoral and City Council decisions, and declining professional planning resources placed the responsibility of steering the CDBG program on the CWAC.

It is too soon to tell if the restructuring of the CWAC, the recently created Mayor's Office on Neighborhoods, creation of a county-wide economic development organization, and redevelopment of the old General Motors Fisher plant will have any impact on declining neighborhoods and benefit low-and-moderate income persons.

The City of Flint has consistently met federally mandated obligations by concentrating the CDBG resources to the inner city, public services demonstrating the greatest need, and economic development loans to minority and women-owned businesses that would not have been given business-start opportunities without government assistance. Unlike other communities, that directed their CDBG funds to census tracts of questionable need to make its projects appear successful, Flint allocated funds to Neighborhood Strategy Areas of greatest need and concentration of low-and-moderate-income persons. This philosophy, however, after the first two years of Flint NIPP programming, also created a rehabilitation program that was spread too thin to make a significant impact on inner city neighborhoods. During the two years, after formation of Flint NIPP, infrastructure improvements such as street resurfacing, and installation of new curb and gutter, was included in selected rehabilitation areas. The City, primarily because of political considerations, increased the number of Neighborhood Strategy Areas, while CDBG allocations were decreasing, thus causing the overall impact of its efforts to decline. Flint Nipp attempted to turn this around, somewhat, by requiring a certain portion of the rehabilitation loan or grant to be expended for exterior residential improvement. A large portion of a grant or loan is expended on critical improvements such as plumbing and electrical systems which does nothing to improve the visual aspects of a neighborhood in decline -- essentially becoming a limited maintenance of effort.

Not only the City of Flint, but all communities involved in attempts to improve their inner cities, through rehabilitation, must look to alternative funding resources.

One possible financial tool, currently authorized in over 30 states, is Tax Increment Financing (TIF). The State of Michigan has adopted two laws that address Tax Increment Financing. In 1975, The Downtown Development Authority (DDA) Act, Public Act 197, was enacted. P.A. 197 allows local units of government to form separate DDA Authorities. The legislation allows DDA's to[224]

> undertake a broad range of downtown improvement projects which will contribute to the economic growth and the halting of deterioration of property values in a designated downtown district. Improvement activities include, but are not limited to planning and proposing the construction, renovation, repair, remodeling, rehabilitation, restoration or reconstruction of public facilities, existing buildings, or multi-family dwelling facilities; development of long-range plans; and otherwise implement any plan of development in the downtown district necessary to achieve the purposes of the statute.

In 1980, The Tax Increment Financing Act, Public Act 197, was passed. P.A. 197 can only be used by local municipal governmental units to form one Tax Increment Financing Authority.

The Tax Increment Financing mechanism allows local units of government to "freeze" current State Equalized Values (SEV) of property in TIFA districts and "capture" any increases in the SEV. The "captured" tax revenue then is used to finance "brick and mortar" improvements within the District.[225] New revenue then can either be allocated as it is produced or borrowed against through a bond issue.[226]

Until recently, TIFA Districts were used to fund large downtown projects, such as the Hyatt Regency Hotel in downtown Flint. Neighborworks organizations, operating Neighborhood Preservation Projects through Neighborhood Housing Services (NHS's), has had some success in utilizing the TIFA District concept.[227]

TIFA Districts have helped revitalize neighborhoods and improve properties through rehabilitation of single family and multifamily dwellings and apartments. The improved neighborhoods bring property values up, thus creating extra tax revenue within the District to fund additional improvements.[228]

In Sacramento, California a neighborhood improvement project overlaps part of the city's Oak Park development district. The district generates approximately $800,000 per year in tax increment funds. The City allocates $300,000 plus $75,000 in TIF revenue to support a revolving loan fund and partially support the operating budget. Also, in this same Sacramento TIF District, revenue has been used to install street lighting, sidewalk, and landscaping improvements.[229]

Another successful TIF District is located in Great Falls, Montana. The revenue generated in the district supports a zero interest loan to provide interim financing for infill construction of affordable single-family housing. Also, TIF revenue, in Great Falls, has financed a storm drain system to prevent flooding. TIF

Districts have also been developed in Rockford, Illinois and St. Paul, Minnesota.[230]

According to one TIFA expert, "Essentially, TIF-funded development pays its own way" while increasing the amount of property taxes paid to local government because of improvement and new construction projects.[231]

While a TIFA District is one option, the City of Flint must also look at the overall delivery of rehabilitation services to declining, and marginal neighborhoods. Political considerations aside, which, admittedly is not easy, Flint must look at reducing the number of Neighborhood Strategy Areas (NSA). Short and long range planning strategies, for improving Flint's neighborhoods, need to be developed. The strategy must include the entire NSA, not just individual residential structures, and prioritization of infrastructure improvements.

This kind of planning strategy will require strong leadership from the City of Flint and the cooperative efforts of banking and lending institutions, politicians, planners, and residents of the various neighborhoods -- the age of uncertainty, which began in the mid 80's, is still with us. The Community Development Block Grant Program can no longer be counted on to support Flint Nipp and its efforts to improve Flint's declining neighborhoods.

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