

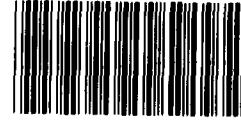
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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548



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COMMUNITY AND ECONOMIC  
DEVELOPMENT DIVISION

B-199615

July 25, 1980

The Honorable Lyle Williams  
House of Representatives

Dear Mr. Williams:

Subject: [Status of the Youngstown, Ohio, Community Development Block Grant and Urban Development Action Grant Eligibility] (CED-80-121)

Based on your April 17, 1980, request, we reviewed the conditions the Department of Housing and Urban Development (HUD) placed on Youngstown's ability to receive Community Development Block Grant (CDBG) funds and its rescission of Youngstown's eligibility for the Urban Development Action Grant (UDAG) program. As agreed when we briefed you on June 11, 1980, and during subsequent discussions with your office, this report summarizes our findings on the status of the CDBG and the eligibility for the UDAG program.

Based on our discussions with HUD and City of Youngstown officials (including the former mayor) and a review of grant files, we believe HUD officials acted within their authority when they placed conditions on the fiscal year 1979 CDBG and rescinded Youngstown's UDAG eligibility.

Before 1980 the city had not met the goals for assisted housing for low- and moderate-income families as set out in its 1976 Housing Assistance Plan. However, since January 1980, the city has made progress in meeting its commitment for low- and moderate-income housing and other conditions placed on the 1979 CDBG.

As a result, on May 30, 1980, HUD officials released \$2.2 million for the 1979 CDBG. In addition, the HUD Area Office Manager in Columbus, Ohio, told us on July 23, 1980, that Youngstown has met all the grant conditions and he expects to release the balance of the 1979 funding (\$2.1 million) within a few days. He also said the UDAG eligibility could be reinstated in the near future if the city demonstrates actual performance in providing low- and moderate-income housing.

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Mayor Vukovich told us he believes HUD acted properly in placing conditions on the 1979 CDBG and rescinding UDAG eligibility. He said the city had ample warning from HUD that it was not meeting the goals of its housing program.

The Mayor stated that the HUD Area Office Manager and his staff have been very helpful in offering advice and assistance to him in meeting the grant conditions. He is optimistic that HUD will release all the 1979 grant funding soon and restore the city's UDAG eligibility.

Philip Richley, the former Mayor, told us that, in his opinion, HUD acted correctly when it withdrew the city's UDAG eligibility and placed conditions on the 1979 CDBG. He also told us HUD officials were very cooperative in assisting the city in meeting the grant conditions. Mr. Richley said that during his term as mayor, 1978-79, the city council was unable to agree on the issues involving low- and moderate-income housing. He believes that many city officials thought HUD would not withdraw the UDAG eligibility and were very surprised when it finally did.

#### COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The purpose of the CDBG program is to provide funds to localities for a variety of community development activities designed to eliminate slums and blight, assist low- and moderate-income persons, and respond to urgent local needs. Within general guidelines established by HUD, local governments receive funding for activities they have planned and are responsible for administering.

The City of Youngstown has received the following funding under the CDBG program.

<u>Fiscal</u> <u>year</u>	<u>Amount</u> <u>(millions)</u>
1975	\$3.7
1976	3.7
1977	3.5
1978	5.5
1979	5.9
1980	6.1 (application under review)

However, on September 24, 1979, HUD approved the 1979 funding but attached the following conditions to the grant that the city would have to resolve before the funds would be released.

- a. Submit a detailed plan of action for full implementation of a Housing Assistance Plan in accordance with 24 CFR 570.306(a)(2) and (b)(3)(ii), including a timetable for such actions.
- b. Reimburse the CDBG account for \$58,817.23 (since increased to \$102,000) to resolve findings of an audit report issued May 8, 1978, and other findings relating to an audit report issued June 13, 1979; and a performance report dated August 10, 1979.
- c. Submit a 3-year plan for the use of CDBG funds which demonstrates a comprehensive strategy for meeting housing and community development needs pursuant to 24 CFR 570.304.
- d. Submit by November 30, 1979, a detailed plan of action for correcting the under-utilization of minority group persons and females employed in sections of the city's work force receiving block grant funds, including goals and timetables for hiring, training, and upgrading.
- e. Submit by November 30, 1979, a comprehensive plan of action to further fair housing in accordance with 24 CFR 570.900(c)(2).
- f. Submit by November 30, 1979, a plan for a Minority Business Enterprise Program in accordance with Office of Management and Budget Circular A-102.
- g. Submit by November 30, 1979, a list of specific actions to be undertaken to identify housing and community development needs of lower income Hispanic and Native Americans.

A majority of the city council has approved the actions taken by the city to meet the conditions of the 1979 CDBG. Because Youngstown was making progress in complying with the grant conditions, HUD, in March 1980, released \$100,000 of its 1979 funds to help the city administer the CDBG and continue its effort to meet the conditions imposed on the grant.

An April 21, 1980, letter from the Columbus Area Office Manager stated the city had complied in part with conditions "b," "c," "e," and "f," on page 3.

In another letter, dated May 13, 1980, the area office stated that the Youngstown council's actions of April 23, 1980, which approved development of the Westview (Schenley Park) housing proposal for 124 low- and moderate-income family units, satisfied, in part, grant condition "a," on page 3. This same letter set out the conditions remaining for the city to resolve. They were:

(A) (2): Notice of Fund Availability

Corrective Actions: Clarification is needed as to the city's intentions regarding obtaining sites suitable for the development of 80 units of family housing. The grant conditions require the city to identify such sites and obtain control of them. Prior to obtaining control, however, the sites must be inspected by HUD for suitability.

(B) Finding No. 2 of August 10, 1979 Performance Report

Corrective Actions: This condition requires a reimbursement of the CDBG account in the amount of \$102,000. The city proposes to make the reimbursement in installments. Based on an installment plan, resolution of this condition rests on submission of a legally binding commitment of reimbursement on or before December 31, 1980, including a firm schedule of reimbursement.

(C) Neighborhood Strategy Areas

Corrective Actions: In addition to the list of public improvements received May 1, 1980, resolution of this condition requires the submission of a housing rehabilitation implementation strategy. As a minimum, the strategy must contain: (a) a firm schedule of implementation to maximize performance during the current construction season, (b) number of units to be rehabilitated, and (c) descriptive maps of areas where housing rehabilitation and public improvements will be undertaken, including council approval.

(D) Affirmative Action Plan

Corrective Actions: The following actions are required to resolve this finding: (a) submit a list of the affirmative actions which the city will undertake in order to promote equal employment opportunities. The list should include, but is not limited to, outreach efforts, a list of organizations to be contacted; training preparation for Civil Service exams; upward mobility training, and (b) submit a list of anticipated vacancies, by department, with goals and time-tables for hiring minorities and females.

(E) Housing and Community Development Needs of Hispanic and Native Americans

Corrective Actions: The actions necessary to resolve this condition are the submission of identified housing and community development needs of low- and moderate-income Hispanic and Native Americans and a program of activities to meet these needs. The program of activities, in addition, must be included in the fiscal year 1980 application:

Based on further significant progress by the city in satisfying the grant conditions, the area office, on May 30, 1980, released \$2.2 million of the 1979 CDBG. The areas of progress included all the areas listed in the May 13 letter.

As of June 9, the city had yet to meet the following grant conditions:

- (A) (2) Agreement between HUD and the city on site location and procedures to be used in administering the construction of 80 units of low- and moderate-income housing.
- (B) The city needs to submit a legal document for binding commitment of reimbursement of the remaining \$63,000 by December 31, 1980. The city council approved payment of \$39,000 of the \$102,000 on April 30, 1980.
- (D) The city has drafted an Affirmative Action Plan and HUD reviewed it on June 2 and 3. HUD told us minor adjustments will have to be made to the plan and then it will need city council approval.

- (E) The city needs to complete its plan for housing and community development needs of Hispanics.

As stated earlier, however, the city had met all of the grant conditions by July 23, 1980.

URBAN DEVELOPMENT ACTION GRANT PROGRAM

The purpose of UDAG is to assist severely distressed cities and urban counties which require increased public assistance and private investment to alleviate physical and economic deterioration. Assistance is given for economic revitalization in communities with a declining or stagnating population or declining tax base and for reclamation of neighborhoods having excessive housing abandonment or deterioration. In order for cities to receive UDAG grants, however, they must, in the determination of the Secretary, HUD, demonstrate results in providing housing for persons of low- and moderate-income and in providing equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups.

Youngstown became eligible to participate in the UDAG program in December 1978. It has received two grants--one in late 1978 for about \$750,000 and one in September 1979 for about \$870,000.

On August 29, 1979, the HUD Columbus Area Office formally recommended to HUD's Assistant Secretary for Community Planning and Development that Youngstown's UDAG eligibility be withdrawn. On October 22, 1979, the Assistant Secretary notified the Mayor that the city did not meet the statutory criteria for participation in the program and he was rescinding its eligibility. The rescission of eligibility was based on section 119(b) of the Housing and Community Development Act of 1974, as amended. The city had not demonstrated that it provided "housing for low- and moderate-income persons and equal opportunity in housing." The Assistant Secretary specifically stated:

"\* \* \* The fact that, notwithstanding the opportunity to perform with two potential projects, there has been no production of the new assisted housing units to meet the City's HAP [Housing Assistance Plan] goals and to provide units outside of areas of impactation was the ultimate reason for the Department's decision."

He added that

"\* \* \* while the City's eligibility has been rescinded, the potential for the restoration of eligibility is certainly available and can be acted upon quite rapidly."

HUD program officials told us that to restore eligibility in the UDAG program the city must: (1) satisfy all of the conditions which have been imposed on the CDBG entitlement grant, (2) initiate the construction of 204 units of assisted housing for low- and moderate-income persons outside areas of impaction, and (3) refile for eligibility to the program. The program officials pointed out that the two grants previously approved would not be affected by the rescission.

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At your request, we did not obtain written agency comments, but the matters covered in the report were discussed with agency officials. Their comments are included in the report where appropriate. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 5 days from its issue date. At that time we will send copies to the Secretary of Housing and Urban Development and the Director, Office of Management and Budget, and make copies available to other interested parties.

Sincerely yours,



Henry Eschwege  
Director