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REPORT BY THE U.S.

General Accounting Office

The Urban Development Action Grant Application Selection System: Basis, Criticisms, And Alternatives

From April 1978 through fiscal year 1983, the Urban Development Action Grant (UDAG) Program of the Department of Housing and Urban Development (HUD) provided \$2.7 billion to eligible distressed metropolitan communities to assist them in alleviating physical and economic deterioration. By fiscal year 1984, however, more qualifying applications were being submitted by communities than there were funds available. As a result, HUD implemented a competitive application selection system designed to assign higher ranking to legislatively mandated priorities such as poverty, pre-1940 housing, and the number of permanent jobs to be created.

The system resulted in UDAG funding changes in every subregion of the country. Some city officials complained that too much emphasis has been placed on selection factors related to the community, such as the amount of pre-1940 housing and poverty. These officials believe that more weight should be given to project factors, such as permanent jobs.

GAO selected three alternatives to the current point allocation system and found that award recipients would have been different. Such changes would, however, have reduced the targeting of benefits to communities with the greatest need, as defined by statutory and regulatory criteria.



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WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-212637

The Honorable Henry B. Gonzalez
Chairman, Subcommittee on Housing
and Community Development
Committee on Banking, Finance and
Urban Affairs
House of Representatives

Dear Mr. Chairman:

On September 20, 1984, you requested that we undertake a follow-up review of our March 5, 1984, report on the Urban Development Action Grant (UDAG) Program administered by the Department of Housing and Urban Development (HUD). However, in an October 22, 1984, meeting with your office, it was agreed that we should defer this effort and review the UDAG application selection system, since congressional hearings addressing criticisms of the system were expected in early 1985. Specifically, you requested that we review the selection system's effect on metropolitan communities' participation in the program and analyze the funding changes that would occur based on selected alternatives to this system. In addition, your office asked for information on whether housing projects were disadvantaged compared to other types of projects under the selection system. Information was also requested on the eligibility criteria for communities with pockets of poverty and how applications from these communities were selected under the new system. (A pocket of poverty is an area within a community that qualifies for funding, although the entire community does not meet the UDAG Program's economic distress standards.)

The UDAG Program was established in 1977 as part of the Housing and Community Development Act. The purpose of the program is to assist severely distressed cities and urban counties in alleviating physical and economic deterioration. The program is designed to stimulate private investment in severely distressed communities by providing partial funding for economic development projects. Essentially, the program provides funds to a distressed community, which grants or lends the funds to a private developer, thus improving the feasibility of otherwise marginal private sector economic development projects. These projects are intended to stimulate private investment, increase local tax revenues, and provide jobs. Grants are for three types of projects--industrial, commercial, and neighborhood. Neighborhood projects are often a mix of housing and commercial development, but could represent housing development only. These projects were funded on a quarterly basis--referred to as a funding round--through fiscal year

1984. But beginning in fiscal year 1985, however, applications will be funded every 4 months rather than every 3 months.

HUD officials said that from the program's initial grants in 1978 through fiscal year 1983, all qualifying UDAG applications (those that met threshold requirements, such as having a firm private financial commitment) were funded. By fiscal year 1984, however, this was no longer possible because there were more qualifying applications than there were funds available. As a result, in December 1983 HUD initiated a competitive application selection system.

On the basis of the act's legislative requirements and the program's regulations, HUD officials developed a 100-point selection system. Factors related to the community, such as the amount of poverty and pre-1940 housing, are assigned a maximum of 70 points. A maximum of 30 points specifically relate to the proposed project and include such factors as the number of new permanent jobs to be created.

The point selection system has changed UDAG funding patterns in every subregion of the country, according to HUD records. The largest increase, almost 7 percent, occurred in the South Atlantic subregion. The East North Central subregion experienced the greatest decrease of funds, 7.5 percent. (See p. 11 for a regional map.) As a result, funding pattern changes have given rise to criticisms of the selection system because of the questionable relevance of data and limited weight assigned to project factors. Another criticism is that some, but not all, eligible communities are assured of an award. This is because certain communities that score a high level of points on the basis of community factors are able to receive funding for four or five applications in a funding round. Other eligible communities with lower community scores receive no awards, even though their applications may have high scores for project factors.

While recognizing that there are an infinite number of selection system alternatives, we selected three for examination. The first two alternatives are similar in that they involve point adjustments that increase the points assigned to project factors. The third alternative differs in that the HUD point system is used, but multiple awards are limited to any one community. Using these alternatives, we determined that applications selected in the March, June, and September 1984 funding rounds would have increased the number of communities participating in the program. However, these changes would have reduced the targeting of benefits to communities with the greatest need as defined by statutory and regulatory criteria. We also found that housing applications are not as competitive as are other types of projects. Further, we found that pockets of poverty applications do not compete directly against other applications in the selection system.

LEGISLATION AND REGULATIONS
ESTABLISH CRITERIA

The UDAG Program was established by the Congress in 1977 as section 119 of the Housing and Community Development Act of 1974. The statute identifies three factors for UDAG grant selection:

- comparative degree of economic distress among applicants,
- comparative degree of economic deterioration, and
- other criteria.

The legislation further states that the primary criterion for project selection is the comparative degree of economic distress among applicants, as measured in the case of a metropolitan city or urban county by the differences in the extent of population growth lag, the extent of poverty, and the age of housing. HUD officials considered the primary statutory criterion met by assigning a maximum of 40 points (out of the available 100) to a community's score on the basis of the percentage of housing built before 1940, the extent of poverty, and population growth lag.

The comparative degree of economic deterioration is not defined in the legislation but is to be determined by the Secretary of HUD. HUD program regulations define economic deterioration as measured by such factors as per capita income, unemployment, and the decline or lag in growth of employment. These measures are assigned a maximum weight of 30 points.

The other criteria are basically project quality factors and are spelled out in the statute. These criteria, referred to as project factors, include (1) the extent to which the grant will stimulate economic recovery by leveraging private investment, (2) the number of permanent jobs to be created and their relation to the amount of grant funds requested, and (3) the proportion of permanent jobs accessible to lower income persons and minorities, including persons who are unemployed. These and additional project factors account for the remaining 30 points in the selection system. (See pp. 2-6.)

CRITICISMS OF THE
APPLICATION SELECTION SYSTEM

Some city officials have criticized the UDAG application selection system criteria. These officials charged that the weight of pre-1940 housing as an application selection factor adversely affects communities with growing boundaries and newer

homes and that it is not an accurate indicator of substandard housing. Some HUD officials who designed the selection system believe, conversely, that there is a correlation between pre-1940 housing and other measures of distress for metropolitan communities. Nevertheless, HUD officials said that using poverty-level families in pre-1940 housing as a criterion, instead of pre-1940 housing alone, would be more realistic. This would recognize the financial position of the occupants and not just the age of the dwelling, which may have been well maintained or recently renovated. HUD officials said that they have not initiated action to change the housing indicator because the Congress is expected to address the UDAG application system and its criteria this year.

A second criticism was that some cities, because of their high scores for community factors, are locked in as winners each funding round without regard to prior awards and their benefits. Responding to this criticism, HUD officials stated that the benefits of prior UDAG awards in ameliorating city distress are likely to be fairly small in relation to total city needs. Further, they said that reducing communities' scores to account for prior benefits would be complex and arbitrary.

Another criticism by some city officials was that too much weight is given to community factors and too little to the merits of the proposed project, which includes expected private investment and potential jobs to be created. We reviewed qualifying applications for the March, June, and September 1984 funding rounds and found that some applications with high project points were not funded. Conversely, we found that some applications with low project points were funded. Legislative action would be required to substantially increase project points because the act specifies that the primary criterion for project selection is the comparative degree of economic distress among applicants, as measured by the extent of population growth lag, the extent of poverty, and the age of housing. (See pp. 7-9.)

ALTERNATIVES TO THE APPLICATION SELECTION SYSTEM

To illustrate the effects of using alternatives to the present selection system, we analyzed three different alternatives to show how such revisions would influence cities' application selection and the distribution of funds among eligible communities. Of the numerous possibilities, we selected three alternatives that were mentioned in discussions with HUD headquarters program officials, city officials, and various congressional staff members dealing with the UDAG Program.

These discussions focused our attention on two primary factors that were the basis for our selection of the alternatives chosen. The first was the previously discussed criticism of the weight given to community factors and the fact that a legislative proposal had been submitted to increase the weight of project factors to no less than 49 percent. The second was the fact that, though eligible for funding on the basis of economic deterioration and distress measures, some communities do not score high enough on these measures to receive an award, while others are able to receive four or five awards in a funding round.

We adjusted the criteria weights for two of the alternatives, providing 50 (instead of 30) points to project factors and varying the weights given to the factors related to the community. For the third alternative, we maintained HUD's allocation of points but increased the number of communities receiving an award by decreasing multiple awards to any community. The results showed that UDAG award recipients would have changed--some previously rejected applications would have been funded and some previously funded applications would have been rejected.

The two alternatives that raise project factors to 50 points give communities that qualify for UDAG funds but that have low economic deterioration and distress scores a greater chance to receive a UDAG award. In addition, by raising project points, the alternatives increase the chances that those applications expected to produce the highest benefits, for factors such as job creation, will be selected. Under the third alternative, more eligible communities would have been able to receive a UDAG award because multiple awards would not have been made until at least one application from each eligible applicant community had been funded. Conversely, all three alternatives would reduce the targeting of benefits to communities with the greatest need as defined by statutory and regulatory criteria. (See pp. 21-30.)

UDAG HOUSING APPLICATIONS ARE NOT COMPETITIVE

The Housing and Urban-Rural Recovery Act of 1983 states that, in providing UDAG assistance, HUD may not discriminate on the basis of the particular type of activity involved, whether such activity is primarily a neighborhood, industrial, or commercial activity. We found that although housing applications compete on the same basis as other applications under the point selection system, they are not as competitive because housing projects cannot offer as much employment as can commercial and

industrial applications. Also, the present application selection system does not provide project points for housing units created.

HUD officials agreed that housing projects may be at a competitive disadvantage. These officials do not believe, however, that this necessarily discriminates against housing applications because all projects are scored in the same way, irrespective of activity type. Nevertheless, a HUD task force official said that several possible solutions for making housing applications more competitive have been considered. For instance, one alternative would be to develop a housing project factor as a substitute for jobs. But HUD officials stated that employment is a selection factor specified in the act as mandatory. HUD officials had not taken action supporting a change in employment as a selection factor for housing projects because they believe that this and other selection issues must be addressed by the Congress. (See pp. 18-21.)

POCKETS OF POVERTY APPLICATIONS
COMPETE ONLY ON PROJECT FACTORS

The Congress has authorized the Secretary of HUD to fund applications, up to a level of 20 percent of available funds, from metropolitan communities and small cities with pockets of poverty. These communities do not need to meet the UDAG standards, such as for population decline and unemployment, but qualify for funding because an area within the community meets certain criteria. For instance, at least 70 percent of the people residing in a pocket of poverty must have incomes below 80 percent of the jurisdiction's median income to qualify in this way, and at least 30 percent of the residents must have incomes below the national poverty level.

Since economic distress and deterioration measures with a maximum value of 70 points are not applicable for the community at large, applications from these communities are ranked solely on project characteristics that have a maximum weight of 30 points. If HUD had not exercised its statutory discretion in funding 9 out of 10 such applications, no pockets of poverty applications would have received awards solely on the basis of project scores during the March, June, and September 1984 funding rounds.

HUD officials have considered options for integrating pockets of poverty into the selection process. One option is to rank pockets of poverty applications separately and designate a certain amount of funds, not to exceed the 20-percent cap, for these applications. Another option is to calculate a score for

pockets of poverty applications comparable to other communities' economic distress and deterioration scores. Again, HUD believes that this issue rests with the Congress. (See pp. 31-34.)

OBJECTIVES, SCOPE, AND METHODOLOGY

As requested by your office, we reviewed the UDAG application selection system's effect on approvals of applications from metropolitan communities and analyzed alternatives to the present selection system. Our work was performed primarily at HUD headquarters in Washington, D.C. We interviewed agency officials, reviewed HUD policy documents and analyses of the selection system, reviewed legislation, and analyzed the universe of 372 applications considered for funding by HUD in the March, June, and September 1984 funding rounds. These applications were used to (1) determine the minimum number of points needed for funding in a round, (2) compare economic deterioration, distress and project scores for funded and unfunded applications, and (3) analyze the effect that alternatives to the present point-allocation system would have had on projects selected for funding in these funding rounds.

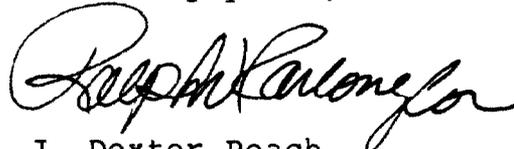
Our audit work was conducted between October 1984 and January 1985. At your request, we did not obtain agency comments on this report. With this exception, our review was performed in accordance with generally accepted government auditing standards. A more detailed description of our objectives, scope, and methodology is contained in appendix VI.

Appendix V presents a history of UDAG applications, showing the communities that have received awards before and after the competitive application selection system, as well as eligible communities that have never received an award.

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Copies of this report will be sent to the Director, Office of Management and Budget; appropriate House and Senate committees; and the Secretary of Housing and Urban Development.

Sincerely yours,



J. Dexter Peach
Director



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ABBREVIATIONS

CETA Comprehensive Employment and Training Act
HUD Department of Housing and Urban Development
LSA labor surplus area
UDAG Urban Development Action Grant

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ESTABLISHMENT OF HUD'S UDAGPROJECT SELECTION SYSTEM

The Urban Development Action Grant (UDAG) Program was established by the Congress in 1977 as Section 119 of the Housing and Community Development Act of 1974 to assist severely distressed cities and urban counties to help alleviate physical and economic deterioration. The statute directs the Secretary of Housing and Urban Development (HUD) to make awards to cities and urban counties that meet the eligibility criteria for distress. The statute was amended in 1979 to add a "pocket of poverty" provision whereby nondistressed communities that contain areas, or pockets, with severe distress are allowed to receive UDAG funds.

The program is designed to stimulate private investment in severely distressed communities by providing partial funding for economic development projects. Essentially, the program provides funds to a distressed community, which grants or lends the funds to a private developer, thus improving the feasibility of otherwise marginal private sector economic development projects. UDAG projects are intended to stimulate private investment, increase local tax revenues, provide jobs, and stimulate investment in deteriorated or abandoned housing. The awards are for three types of activities--industrial, commercial, and neighborhood/housing projects.

The UDAG Program has three categories of eligible communities: distressed metropolitan cities and urban counties, distressed small cities with populations of less than 50,000, and nondistressed communities containing areas with pockets of poverty. By statute, at least 25 percent of all funds appropriated for the UDAG Program must be used for small cities. Up to 20 percent may be awarded to nondistressed communities containing areas with pockets of poverty. The balance is available for distressed metropolitan cities and urban counties. From the program's initial awards in 1978 through fiscal year 1983, the program provided \$2.7 billion in UDAG awards for metropolitan communities. Throughout this period, HUD officials stated that all (100 percent) qualifying applications were funded.

At the beginning of fiscal year 1984, the demand for UDAG funds from eligible communities exceeded program funds to be awarded. HUD received qualifying applications totaling \$158 million from metropolitan communities and funded 75 percent of the applications. In choosing these applications, HUD used a point system for selection, which is based on statutory and regulatory criteria.

LEGISLATION AND REGULATIONS
ESTABLISH CRITERIA

The Housing and Community Development Act of 1974, as amended, identifies three criteria for urban development action grant selection: comparative degree of economic distress among applicants, comparative degree of economic deterioration in cities and urban counties, and other criteria. The legislation further states that the primary criterion for project selection is the comparative degree of economic distress among applicants, as measured in the case of a metropolitan city or urban county by the differences in the extent of population growth lag, the extent of poverty, and the age of housing. UDAG regulations recognize these as the primary criteria and HUD refers to them as "impaction." The regulations establish weights for the three impaction variables with 50 percent of the weight going to age of housing. Listed below are the legislative measures, regulatory definitions, and weights.

<u>Legislative measures</u>	<u>Regulatory definitions and weights</u>
Adjusted age of housing	Percentage of housing built before 1940 - weight .5
Extent of poverty	Percentage of population in poverty - weight .3
Extent of population growth lag	The degree of population growth lag behind all metropolitan cities - weight .2

The comparative degree of economic deterioration is not defined in the legislation but is to be determined by the Secretary of HUD. According to HUD program regulations, economic deterioration, or "distress," is measured by such factors as per capita income, unemployment, and the decline or lag in growth of employment. The regulations do not, however, assign weights to these measures.

The other criteria referred to in the act are basically project quality factors and are spelled out in the statute, which states that at least the following other criteria should be considered: performance of the city or urban county in housing and community development programs; the extent to which the grant will stimulate economic recovery by leveraging private investment; the number of permanent jobs to be created and their relation to the amount of grant funds requested; the proportion of permanent jobs accessible to lower income persons and minorities, including persons who are unemployed; the impact of the proposed activities on the fiscal base of the city or urban county and its relation to the amount of grant funds requested;

the extent to which state and local government funding or special economic incentives have been committed; and the feasibility of accomplishing the proposed activities promptly within the grant amount available. Specific weights for these factors are not assigned by law or regulation.

IMPACTION AND DISTRESS LEVELS DETERMINE
WHICH COMMUNITIES ARE ELIGIBLE

Generally, only after a community has met the program's eligibility standards is it eligible to submit an application. City and county eligibility is based on whether established impaction and distress standards are met.¹ For metropolitan communities, which are the focus of our analysis, the city or county must meet at least three standards or have a pocket of poverty.² According to the February 9, 1984, Federal Register,³ the minimum standards are:

1. Age of Housing. At least 21 percent of the community's year-round housing units were constructed prior to 1940.
2. Per Capita Income Change. The net increase in per capita income for the period from 1969 to 1979 was \$4,036 or less.
3. Population Growth Lag/Decline. For the period from 1960 to 1980, the percentage was 20.7 percent or less.
4. Unemployment. The average rate of unemployment for 1982 was 9.4 percent or greater.
5. Job Lag/Decline. The rate of growth in retail and manufacturing employment for the 1972-77 period increased by 6.9 percent or less.

¹Communities with pockets of poverty do not have to meet community-wide impaction and distress standards because eligibility is based on the characteristics of only a portion of the community. The criteria for pockets of poverty are described on p. 31.

²If the percentage of poverty is less than half of the minimum 12.4 percent standard, the city must pass four of the above standards.

³This notice is updated data. For example, per capita income was previously based on 1977 data and this notice changed it to reflect 1979 data.

6. Poverty. 12.4 percent or more of the people in the community are at or below the poverty level.
7. Labor Surplus Area (LSA). An area receives an LSA designation from the Department of Labor if its unemployment rate exceeds 120 percent of the national average unemployment rate over the previous 2 years.

Using the above February 1984 standards, HUD identified 413 eligible metropolitan cities and urban counties. To obtain UDAG funds, however, these communities, among other factors, must have demonstrated results in providing housing for low- and moderate-income persons and in providing equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups.

After meeting eligibility requirements, a community can submit a UDAG application. The community's application must meet several statutory and regulatory threshold requirements before HUD considers it for funding. The threshold requirements are that (1) there must be a firm private commitment, as well as a firm public commitment if other public resources are required, (2) there must be at least \$2.50 in private funds for every UDAG dollar, (3) the applicant must show that without the UDAG funds the project would not be feasible, and (4) the amount of funding must be the least amount needed to make the project feasible. If all of these requirements are met, the project is referred to by HUD as "fundable." In order not to confuse fundable with funded, we have substituted the term "qualifying" to refer to projects that meet threshold requirements.

THE USE OF ALTERNATIVE ELIGIBILITY CRITERIA EXPLORED BY HUD

In our report, Criteria for Participation in the Urban Development Action Grant Program Should Be Refined (CED-80-80, Mar. 20, 1980), we reviewed the program eligibility criteria that HUD used to measure impaction and distress; we stated that some of the time frames and assumptions used by HUD were questionable; and we recommended that HUD evaluate a number of alternative criteria. We noted that, while not all inclusive, a partial list of possible factors which could be considered included (1) population density, (2) crime rate, (3) education levels, (4) dependency, (5) budget deficits, and (6) female heads of household.

In response, HUD contracted with the Urban Institute to examine alternative measures. The Institute's findings revealed that alternative criteria produced little change in the list of eligible cities in terms of geographic distribution or size. Alternative criteria considered by the Institute were the level of crime, dependency ratios, and percent of residents without a

high school education. These criteria produced a list of cities only slightly different from the one in use. The report concluded that the methods and criteria now used in determining eligibility for UDAG funding perform just as well as the alternatives studied.

INCREASED DEMAND FOR FUNDS LED HUD TO REFINER
THE APPLICATION SELECTION SYSTEM

From initial awards in 1978 through fiscal year 1983, HUD program officials stated that all qualifying applications received UDAG awards.⁴ After that time, however, HUD initiated a competitive point-ranking system whereby applications compete against each other for funding. This system was developed because the number of qualifying applications increased to the extent that funds were not sufficient to make awards to all such projects. For example, by November 1, 1983, HUD had received 76 qualifying applications requesting \$158 million in UDAG funds. At the end of December 1983, HUD provided \$118 million to fund 57 (75 percent) of these applications.

Before the 57 applications were selected, a HUD task force was organized at the request of the Secretary of HUD to consider selection options. The task force consisted of representatives from HUD's Office of General Counsel, Policy Development and Research, and various Community Planning and Development offices. The task force developed a 100-point system to rank communities' applications based on the criteria discussed earlier in this appendix. HUD considered the primary statutory criterion met by assigning a maximum of 40 points to the community's impact score. Another 30 points would be based on distress measures. The remaining 30 points would reflect an application's score on the project criteria. Task force members said that scores on the project criteria would be given weights based on their importance as specified in the statute, HUD regulations, and the judgment of the Secretary of HUD.

After each factor is scored, points are totaled to produce a composite score. Applications are then ranked highest to lowest and selected for funding in the order of the highest scoring applications first until all available funds are awarded. Table 1 illustrates the 100-point system.

⁴Although a senior HUD program official noted that a lack of funds occurred for two rounds in 1980, these applications were funded in subsequent funding rounds.

Table 1

HUD's 100-Point UDAG Application Selection System^a
for Metropolitan Communities

<u>Criteria and individual points</u>	<u>Total points^b</u>
Impaction	----- 40
--Pre-1940 housing	
--Poverty	
--Population growth lag/decline	
Distress	----- 30
--Per capita income	
--Unemployment	
--Job lag/decline	
Project	----- 30
	100
--Ratio of private investment to UDAG funds	10
--UDAG dollars/job	6
--New permanent jobs	2
--Low-moderate jobs	1
--Minority jobs	1
--Comprehensive Employment and Training Act (CETA) jobs ^c	1
--State & local commitment	1
--Tax benefit	1
--Timeliness of project	1
--Demonstrated performance	1
--Relocation factors	1
--Minority business participation	1
--Energy concerns	1
--Retained jobs	.5
--Impaction of development (physical improvement)	.5
--Construction jobs	.5
--Impaction of economic conditions (influence on businesses, jobs, and population)	.5

^aHUD used an 80-point system in the December 1983 funding round because of time constraints coupled with lack of readily available information for all project criteria.

^bAt the same time a community's eligibility is determined, a composite score for impaction is calculated on the basis of a weight of .5 for pre-1940 housing, .3 for poverty, and .2 for population growth lag/decline. Similarly, a composite score is calculated on the basis of the distress measures. The impaction and distress composite scores are assigned a maximum of 40 and 30 points, respectively.

^cEligible persons are defined by HUD as those who are long-term unemployed, underemployed, or from low- and moderate-income households.

HUD RECOGNIZES CRITICISMS AND ANALYZES
REGIONAL FUNDING CHANGES

The selection system has been criticized by some city officials because of the high percentage of points assigned to a community's application for impact and distress, the age of the data, and the data's relevancy. HUD officials have recognized and responded to these criticisms. Further, they have analyzed the application selection system for the Secretary of HUD to determine, among other things, the changes brought about in regional award patterns. The largest increase, almost 7 percent, occurred in the South Atlantic subregion. The East North Central subregion experienced the greatest loss of funds, 7.5 percent. (See p. 11 for a subregion map.)

HUD RECOGNIZES CRITICISMS

In March 1984, HUD's Under Secretary outlined criticisms from some city officials following implementation of the point selection system. These criticisms included:

1. Too much weight is given to a city's economic distress and too little weight to the merits of the proposed project.¹
2. The data (per capita income, unemployment, and job lag/decline)² used for distress are out of date.
3. Some cities are locked in as winners each funding quarter without regard to prior awards and their benefits.
4. Too much weight is given to pre-1940 housing, which adversely affects newer cities with growing boundaries. Further, pre-1940 housing is not an accurate indication of substandard housing.

HUD's project selection task force members responded to these criticisms. First, members disagreed with the criticism that too little weight is given to the merits of a proposed

¹The merits of the proposed project represent factors such as jobs expected to be created and private investment expected to be stimulated.

²The data base for per capita income is 1969 to 1979; for unemployment it is 1982; and for job lag/decline it is 1972 and 1977.

project. They said that, presumably, less distressed communities are better able to generate employment opportunities for their residents, without UDAG assistance, than are highly distressed communities.

Task force members agreed with the second criticism that the data used to measure distress are out of date. They said, however, that this situation could possibly be remedied if updated data were available. However, these data must be updated and certified by the Bureau of Census and/or the Bureau of Labor Statistics and referable to the same time period.

In response to the third criticism that some cities are locked in as winners because of their high impactation and distress scores, without consideration of prior awards, task force members noted that the benefits of prior UDAG awards in ameliorating city distress are likely to be fairly small in relation to total city needs. They said that reducing impactation and distress scores to account for this prior benefit would be complex and arbitrary. Further, in their view the difficulties would outweigh a very small increase in relative equity.

Responding to the last criticism that too much weight is given to pre-1940 housing, some task force members stated that since the focus of the program is on economic development, there may be a strong case for deemphasizing pre-1940 housing. These officials, however, said pre-1940 housing is presumed to be correlated with other measures of physical distress for metropolitan communities. Further, cities with growing boundaries and newer homes are unlikely to rank very high under any revised measure of distress. Most importantly, they said that using poverty-level families in pre-1940 housing, instead of pre-1940 housing alone, would no doubt be more realistic. This would recognize the financial position of the occupants and not just the age of the dwelling, which may have been well maintained or recently renovated. On the other hand, more recently built housing may be in poorer condition and have a lower value. HUD has recognized that a change in the use of pre-1940 housing as a selection factor would require legislative action, since the law states that one of the primary selection criteria is the age of housing. HUD officials said they have not initiated action to change the housing indicator because the Congress is expected to address the UDAG application system and its criteria in 1985.

The Deputy Assistant Secretary for Community Planning and Development said that other alternative housing criteria were considered, such as over-crowded housing conditions and the amount of substandard housing, although not documented by the task force. He stated that alternative measures to pre-1940 housing had the support of the late Assistant Secretary.

Under the present system the amount of pre-1940 housing accounts for 50 percent of the impact score. HUD's analyses de-emphasizing pre-1940 housing revealed that if pre-1940 housing, poverty, and population growth lag were given equal weight (one-third each), the rank would be reduced for those communities with a high level of pre-1940 housing and growing populations. HUD found that communities benefiting would be in the following states--Florida, Georgia, North Carolina, Puerto Rico, South Carolina, Texas, and Virginia. In addition, communities in the following states would be adversely affected--Illinois, Indiana, Iowa, Massachusetts, Minnesota, New York, Pennsylvania, and Wisconsin. Changing weights to 25-50-25 for pre-1940 housing, poverty, and population growth lag, respectively, would create a much more significant change in impact ranks. HUD said benefits would go to cities with high poverty populations. The communities that would benefit would be in Alabama, California, Florida, North Carolina, South Carolina, Puerto Rico, Texas, and Virginia. Communities that would be adversely affected would be in Illinois, Indiana, Iowa, Massachusetts, New York, Ohio, Pennsylvania, and Wisconsin.

While HUD recognized that improvements could be made through updating its data and using an alternative measure in place of pre-1940 housing, it has not taken action supporting these changes. HUD has considered increasing project factor weights or the number of participating communities, but its position is that any change will positively affect some communities and negatively affect others. Further, because of existing statutory criteria, HUD believes that the UDAG criteria for application selection should be dealt with by the Congress.

HUD'S ANALYSIS OF REGIONAL CHANGES

The HUD task force members analyzed the UDAG application selection system for the Secretary of HUD. The result was a September 1984 Secretary's briefing paper that noted, among other things:

- Half (50.1 percent) of the UDAG eligible population resides in three subregions: New England, Middle Atlantic, and East North Central. (See p. 11 for a subregion map.)
- Since inception of the UDAG Program, 56.4 percent of the funds have gone to the New England, Middle Atlantic, and East North Central subregions. This trend has remained the same since the new selection system (56 percent). (On a subregion basis, however, New England has received an increase of 1.1 percent of UDAG funds and the Middle Atlantic's share has increased 6 percent, while the East North Central has received a decrease of 7.5 percent in UDAG funds.)

--Several subregions are receiving less funding under the new system. This, however, is partially explained because communities are submitting lower dollar levels of qualifying applications from these regions. This situation applies to the following areas:

- East North Central,
- West North Central,
- West South Central, and
- Pacific.

--One subregion--the East South Central--is receiving substantially less funding, even though, proportionately, the qualifying applications have remained at the same dollar level.

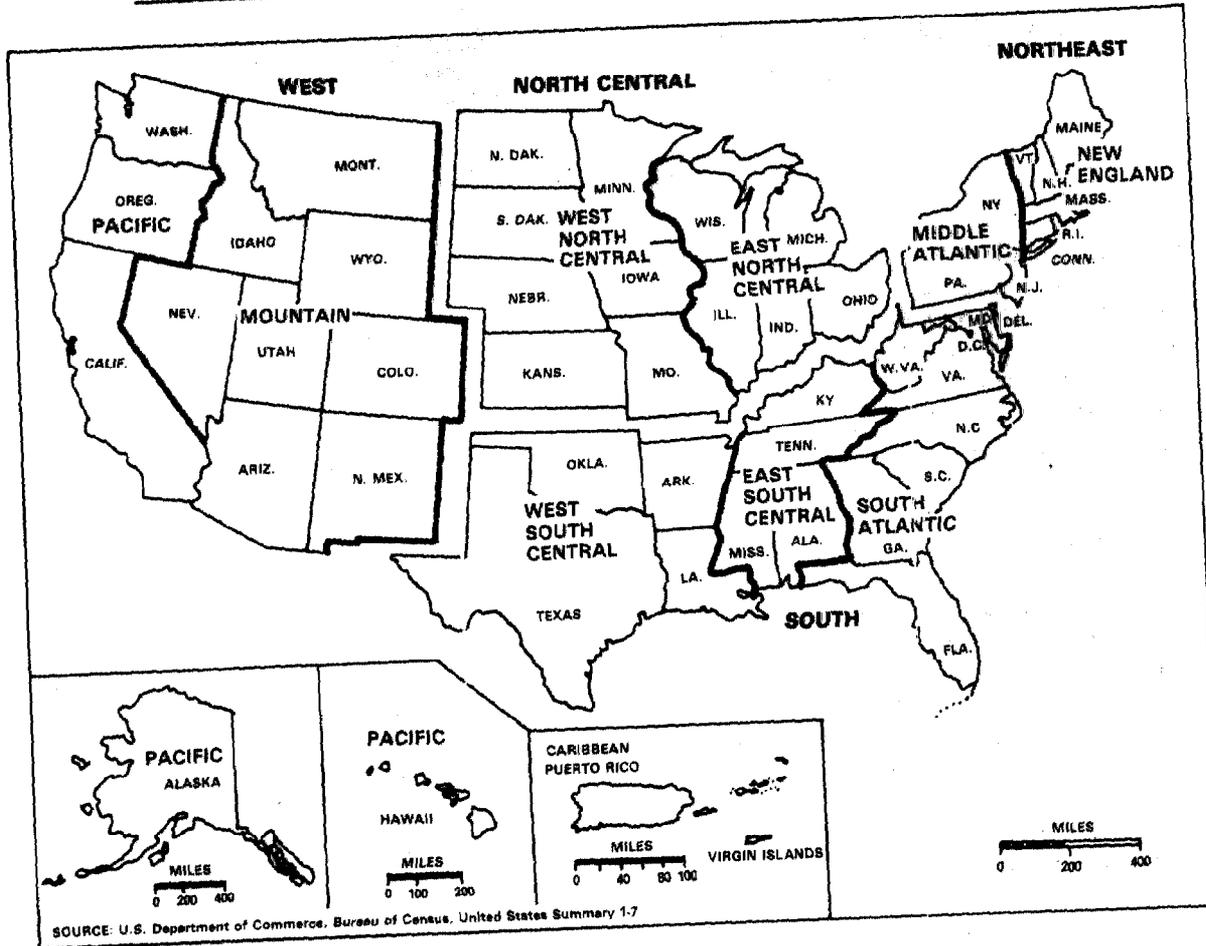
--Submissions could be related to perceived chances for success. However, HUD said that the system has not been in place long enough for this to have a significant effect.

--Since December 1983 the following subregions have had a lower success rate than others in submitting qualifying applications:

- East North Central,
- West South Central,
- Mountain, and
- Pacific.

The HUD subregional classifications were based on the following Bureau of Census divisions.

Regions and Census Divisions of the United States



The Secretary's briefing paper further explored the issue of whether the distribution of UDAG awards has changed since use of the new selection system. The distribution has been as follows:

Table 2HUD's Analysis of UDAG Regional Funding Patterns
Before and Since December 1983

<u>Location</u>	<u>% Approved UDAG funds before 12/83</u>	<u>% Approved UDAG funds since 12/83</u>	<u>Difference</u>
New England	10.4	11.5	+1.1
Middle Atlantic	23.6	29.6	+6.0
East North Central	22.4	14.9	-7.5
West North Central	9.1	5.8	-3.3
South Atlantic	9.6	16.4	+6.8
East South Central	5.6	1.7	-3.9
West South Central	7.3	4.6	-2.7
Mountain	1.7	4.1	+2.4
Pacific	7.4	2.4	-5.0
Caribbean	2.9	9.0	+6.1

The task force found that the new selection system has resulted in changes in every subregion. However, they said that the changes must be looked at in relation to patterns of application submissions and those which qualified technically. Also, they noted that the time periods are significantly different. The data base of projects funded before December 1983 is based on 44 quarters, while the data base since December 1983 is based on only 6 quarters. (The quarters include those for both metropolitan communities and small cities.)

A task force official noted that the subregional analysis can be misleading because of differences within a broad area. For instance, in the South Atlantic subregion, Virginia's share of total UDAG funds increased, whereas South Carolina received a decrease in UDAG funds. Under the assumption that there would also be variances within a state, we reviewed metropolitan communities' applications approved, not funded, and terminated. The data are divided according to the periods before and after the new project selection system. (See pp. 36 through 53.)

The briefing paper, however, also contained information on selection alternatives. For example, it was stated that if the criteria are changed so that impactation does not receive primary weight, applications from all regions would be more competitive: with project characteristics worth 50 to 60 points, some additional communities would receive funds; with project characteristics worth 70 points, significantly more communities would receive funds.

According to a senior UDAG official, HUD has no alternative to following the statute's guidance, which provides that the primary criterion for application selection should be a

community's impact compared with other applicant communities. For this to change, he concluded that the UDAG statute would have to be revised.

ANALYSIS OF METROPOLITAN APPLICATIONS
AND SELECTION SYSTEM ALTERNATIVES

In this appendix, we provide information on the minimum number of points needed for funding, compare point scores for funded and unfunded applications, and analyze three alternatives to the present selection system. We recognize that the number of selection system alternatives is infinite, but we chose three based on discussions with HUD officials, city officials, and Congressional staff members dealing with the UDAG program. Our objective is to illustrate the effects on the present point allocation system of using alternatives if the Congress should want to amend the law to provide for an alternative.

Two of the alternatives we tested involved criteria weight adjustments that would provide 50 out of 100 points to project characteristics; in both cases we varied the weight given to impact and distress factors. For the third alternative, we used existing criteria weights but increased the number of communities receiving an award by decreasing multiple awards to any community.

THE FUNDING LEVEL AND PROJECT POINT CUT-OFF
VARY IN EACH ROUND

The present point selection system is used to determine which qualifying applications receive funds. The minimum number of points needed for funding is determined according to the number of applications and amount of funds requested by qualifying applications and the total amount of funds available. This funding level is established each round¹ by the Secretary of HUD. According to the Acting Deputy Assistant Secretary in HUD's Office of Community Planning and Development, the Secretary's decision is based on the yearly amount of funds appropriated plus funds recovered from previously approved projects, such as from project terminations. Table 3 shows the amount of funds provided in three recent metropolitan funding rounds along with point scores for the last application selected.

¹From initial UDAG awards in 1978 through fiscal year 1984, UDAG funds were provided on a quarterly basis which HUD refers to as a funding round or quarter. A UDAG regulatory change provides, however, that beginning in fiscal year 1985, applications will be accepted every 4 months rather than every 3 months.

Table 3

The UDAG Funds and Least Number of Points^a
Needed for a UDAG Award

Funding round date and total UDAG <u>dollars</u>	Lowest total points (impaction, distress, and project) for a <u>funded application</u>
--	--

March 1984
\$166.5 million

31.6 total points

June 1984^b
\$86.2 million

52.4 total points

Sept. 1984
\$127.3 million

50.4 total points

^aPoint values for pockets of poverty applications are excluded because impaction and distress points are not applicable.

^bTwo projects approved in March received half (\$20 million) of the UDAG dollars requested from March funding, and the other half from the June funding round. This left \$66.2 million available for new applications approved in June.

A question that arises from the above table is why was the March funding level higher than later rounds. The Acting Deputy Assistant Secretary in HUD's Office of Community Planning and Development said that the March funding level was in part influenced by HUD's perception that the demand for funds would level off after HUD funded the backlog of applications. This backlog represented 11 qualifying December 1983 applications carried over to March 1984, plus 121 new qualifying applications. Eight of the December applications were funded in March.

A major difference between March and later metropolitan funding rounds is the high percentage of qualifying applications that were funded. As the following table indicates, most (almost 90 percent) of the qualifying applications considered in March were funded, but the percentage drops to about 50 percent or less in June and September.

Table 4UDAG Application/Funding Statistics

<u>Funding round (1984)</u>	<u>Qualifying applications</u>	<u>Funded applications</u>	<u>Percent of qualifying applications funded</u>
March	132	117	89
June	87	44	51
September	153	70	46

The table shows that following the March 1984 funding round, there was a decline in qualifying applications considered in June 1984. By September, the number of qualifying applications exceeded the March level. However, the average award amount for a funded application in March was \$1.4 million, but the average was \$1.8 million in September.

COMPARISON OF POINT SCORES FOR FUNDED AND UNFUNDED APPLICATIONS

To determine how impactation plus distress and project points compared to funded and unfunded applications, we analyzed applications considered in the March, June, and September 1984 funding rounds. The December funding data were excluded because, as noted in table 1, an 80-point rather than a 100-point system was used. Under the 100-point system, a maximum of 40 points can be given to impactation factors and 30 points to distress factors. Since these two factors basically represent locality characteristics, we combined the point scores, for a maximum value of 70 points, in a category referred to as locality points. Table 5 shows the number and percentage of applications funded and not funded, broken down by various locality point strata.

Table 5

UDAG Locality (Impaction Plus Distress) Point
Statistics for Funded and Not Funded Applications
Consolidated for March, June, and September 1984

Total locality points	Applications ^a			
	Funded		Not funded	
	No.	Cumu- lative %	No.	Cumu- lative %
60 or more	33	15	0	0
50-59.9	58	41	0	0
40-49.9	70	73	3	2
30-39.9	30	86	24	19
20-29.9	20	95	34	44
10-19.9	9	99	50	80
9.9 or less	2	100	28	100
	222	100	139	100

Total applications: 361

^aWe did not include pockets of poverty applications and one community's application that did not have an impaction and distress score.

Table 5 shows that UDAG funds are generally being targeted to communities with high locality (impaction and distress) scores. The table shows that 41 percent of the applications funded had locality points of 50 or more and that no unfunded applications had locality points this high. Cumulatively, almost three-fourths (73 percent) of the funded applications had locality points at the next stratum (40-49.9 points) or higher, while only 2 percent of the unfunded applications had locality points at this range.

In contrast to locality point scores, total project point scores are numerically more similar for funded and unfunded applications in the same three funding rounds. The maximum value for project factors is 30 points. These point scores are valid for all applications, including those from pockets of poverty. Table 6 shows project point scores for funded and unfunded applications.

Table 6

UDAG Project Point Statistics for Funded
and Not Funded Applications Consolidated for
March, June, and September 1984

<u>Total project points</u>	<u>Applications</u>			
	<u>Funded</u>		<u>Not funded</u>	
	<u>No.</u>	<u>Cumu- lative %</u>	<u>No.</u>	<u>Cumu- lative %</u>
25 or over	3	1	0	0
20-24.9	47	22	37	26
15-19.9	101	65	46	59
10-14.9	52	88	29	79
5-9.9	27	100	29	100
4.9 or less	1	100	0	100
	231	100	141	100

Total applications: 372

As table 6 indicates, 37 of 141 applications not funded had project scores of 20 or higher. Of 231 funded applications, 50 applications had project scores of 20 points or higher. However, 28 of the funded applications had project scores of less than 10 points.

HOUSING PROJECTS ARE NOT COMPETITIVE

UDAG funds may be used for industrial, commercial, and neighborhood development projects. A specific UDAG project may undertake these development activities singly or in combination. Further, HUD has stated that neighborhood projects are often a mix of housing and commercial development, although they could represent housing development only.

In providing assistance, HUD may not discriminate on the basis of project type when making funding decisions. The Housing and Urban-Rural Recovery Act of 1983 states that in providing UDAG assistance, HUD may not discriminate on the basis of the particular type of activity involved, whether such activity is primarily a neighborhood, industrial, or commercial activity.

Housing projects provide fewer direct economic development benefits than commercial or industrial projects, according to a January 1982 HUD evaluation of the UDAG Program. This evaluation stated, however, that housing projects may have substantial secondary impacts. For instance, a number of cities have used housing development as a part of an integrated strategy for overall city economic development. The report further noted that some cities have proposed housing development to increase the number of middle-income residents, which may increase the aggregate demand for goods and services. This greater demand may, in turn, increase sales volume for businesses within the city since people are more likely to shop closer to home than to places of employment.²

HUD program officials said housing projects may be at a disadvantage, under the present application selection system, because of the factors involved in project scores. These HUD officials said that housing projects may create no or few new permanent jobs and do less well than industrial and commercial projects with respect to leveraging private funds. HUD program officials said leveraging of private funds and job creation are selection factors specified in the act as mandatory. A HUD task force official explained the competitive disadvantage of housing projects by way of a hypothetical example of a commercial and a housing application from the same eligible metropolitan community. This project type comparison follows.

²Karl E. Case, The Role of Housing in Urban Development Strategies. Cambridge, MA: Urban Systems Research and Engineering, Inc., November 1980. (Report prepared for U.S. Department of Housing and Urban Development.)

Table 7Comparison of a Commercial and a Housing Application

<u>Factor</u>	<u>Commercial application</u>		<u>Housing application</u>	
	<u>Value (if applicable)</u>	<u>Points</u>	<u>Value (if applicable)</u>	<u>Points</u>
--Impaction plus distress	-	40.9	-	40.9
--Project leveraging ratio ^a	\$3.6 private dollars for each UDAG dollar	4.0	\$2.8 private dollars for each UDAG dollar	1.0
--UDAG dol- lars per job ^a	\$ 6,900	4.2	\$14,300	1.8
--New per- manent jobs	42	.6	6	.2
--Other proj- ect points	-	<u>2.5</u>	-	<u>2.5</u>
Total		<u>52.2</u>		<u>46.4</u>

^aBased on HUD-calculated average for the project type.

The HUD task force official observed that in September the lowest score for a funded application was 50.4; thus, the same community could have obtained funding for the commercial but not for its proposed housing application.

Members of HUD's task force have also said that housing projects may cause the most difficulty in a scoring system because they will have low or no job creation and because the rating factors do not explicitly credit housing creation. A HUD task force official said several ad hoc solutions are possible: one is to score job creation separately for housing projects; another is to ignore this factor group for housing projects and to rank projects on an average score for the remaining factor groups; another is to develop a housing factor, perhaps under the guise of physical impacts, and substitute this in some way for jobs. Another solution noted by a HUD task force official is to have competition only within project types. For example, commercial projects would compete only against other commercial

projects and housing projects would compete only against other housing projects. Conversely, HUD officials said it could be argued that the correct way not to discriminate against housing is to score all projects the same without distinction regarding activity type. HUD had not taken action supporting any of these solutions as they believe this and other selection issues should be dealt with by the Congress.

SELECTION ALTERNATIVES EMPHASIZING
PROJECT QUALITY OR INCREASING THE
NUMBER OF PARTICIPATING CITIES

While we recognize that there are an infinite number of selection system alternatives, this section discusses three alternatives to the present UDAG project selection system. The alternatives selected were primarily based on discussions with HUD headquarters and city officials and congressional staff members dealing with the UDAG Program. These discussions focused our attention on two primary factors that were the basis for our selection of the alternatives chosen. The first was the previously discussed criticism of the weight given to community factors and the fact that a legislative proposal had been submitted to increase the weight of project factors to no less than 49 percent. The second was the fact that, though eligible for funding on the basis of impaction and distress measures, some communities do not score high enough on these measures to receive an award, while others are able to receive four or five awards in a funding round.

The first two alternatives are similar in that they involve point adjustments for the three criteria for project selection--impaction, distress, and project characteristics. The third alternative differs in that the HUD-assigned weights are used, but to increase the number of participating communities awarded grants, multiple awards to the same communities have been decreased.

Our analysis of alternative selection systems is intended to demonstrate the funding changes that would have occurred on the basis of the actual 372 metropolitan community applications considered by HUD to be qualifying in the March, June, and September 1984 funding rounds. They cannot be used to predict future changes because such changes will be dependent, among other things, on (1) the amount of UDAG funds available, (2) the communities that apply for a UDAG, and (3) the amount of funds requested by each applicant. Further, these alternatives could not be undertaken unless there was a legislative change. This is because the law specifies that economic distress, referred to in the regulations as impaction, be the primary criterion for awarding UDAG funds (except for grants to nondistressed communities containing pockets of poverty), and under the alternatives described below it would no longer be primary. Nevertheless, we

believe that these alternatives and their outcomes, based on actual previously considered applications, will be useful if the Congress should want to amend the law to provide for an alternative. They provide a basis for deliberations on the feasibility of alternatives.

Two alternatives adjusting criteria weights

To determine what project funding changes would result from increasing the project criterion from 30 to 50 points, we analyzed two different alternatives that provide 50 out of 100 points to project characteristics. These alternatives are compared to the existing system in the following table.

Table 8

Two Project Selection Alternative Weights Compared
with Existing System Weights

<u>Criterion</u>	<u>Current points</u>	<u>Points-- alternative 1</u>	<u>Points-- alternative 2</u>
Impaction	40	25	10
Distress	30	25	40
Project	30	50	50

Alternative 1 weights were chosen to provide an equal assignment of points to both the impaction and distress criteria. For alternative 2, the impaction criterion weight was decreased to 10 points, in large part to reduce the impact of pre-1940 housing.

Qualifying metropolitan community applications were ranked for March, June, and September according to these revised weights with the highest scored applications considered selected for funding. Selection stopped at the application closest to but not exceeding the actual funds awarded each round, with any remaining funds carried over to the next round. The three quarterly funding rounds have been consolidated for illustrative purposes.

For alternative 1, table 9 shows that 15 unfunded applications would have received \$18.4 million in UDAG funds, given the assumed weight changes. The primary UDAG dollar beneficiaries, based on the size of the awards, would have been two communities in California that would have received almost \$4 million, plus Wisconsin and Texas communities that would have received over \$3 million each in UDAG funds. The other side of the table presents the applications that actually did get funded, but would no longer be funded under the assumed point

Alternative 2 affects approximately twice the number of applications, mainly because impaction is weighted at 10 points rather than 40 points. Thirty-three projects not previously funded would have been, and 25 projects that had received funding would have lost it, as shown in table 10. The table also shows that compared to alternative 1, UDAG dollars involved are roughly doubled. As table 9 shows, the dollar size of individual applications is a major component in establishing communities that would have been primary beneficiaries and losers. The primary dollar losers would again have been communities in New Hampshire and New York. The primary UDAG dollar beneficiaries, however, would have been communities in Puerto Rico, followed by ones in Texas and California.

Table 10

Application Funding Changes If Weights Were Impaction 10 points,
Distress 40 points, and Project Factors 50 points

New applications receiving funding

State	Locale	UDAG funds	State cumulative
AL	Huntsville	\$ 125,000	\$ 125,000
CA	Baldwin Park	3,628,000	
	El Monte	1,500,000	
	Oxnard	1,200,000	
	Oxnard	700,000	
	Los Angeles	329,750	
	Stockton	1,000,000	8,357,750
FL	St. Petersburg	200,000	200,000
GA	Columbus	2,100,000	
	Columbus	325,000	2,425,000
IL	Joliet	75,000	
	Rockford	1,280,000	1,355,000
MI	Lansing	600,000	600,000
NC	High Point	1,500,000	1,500,000
OH	Barberton	560,000	
	Columbus	460,000	
	Columbus	550,000	1,570,000
PA	Allegheny County	1,130,000	1,130,000
PR	Bayamon Municipio	675,840	
	Bayamon Municipio	365,000	
	Bayamon Municipio	1,671,896	
	Carolina Municipio	750,000	
	Carolina Municipio	2,000,000	
	Carolina Municipio	400,000	
	Fajardo Municipio	292,500	
	Guaynabo Municipio	2,665,665	
	Ponce Municipio	2,381,600	
	San Juan Municipio	1,334,600	
	Toa Baja Municipio	455,000	12,992,101
TX	Brownsville	6,346,600	
	Fort Worth	3,149,235	9,495,835
VI	St. Thomas	300,000	
	St. Thomas	384,685	684,685
		Total	<u>\$40,435,371^a</u>

Applications losing funding

State	Locale	UDAG funds	State cumulative
CT	Hartford	\$ 1,317,500	\$ 1,317,500
DE	Wilmington	1,000,000	1,000,000
IL	Chicago	200,000	200,000
KY	Louisville	1,000,000	1,000,000
LA	Monroe	1,183,000	1,183,000
MA	Boston	1,200,000	
	Boston	1,649,650	2,849,650
MD	Baltimore	373,194	
	Baltimore	328,000	701,194
ME	Portland	408,000	408,000
MN	Minneapolis	900,000	
	Minneapolis	3,408,000	4,308,000
MO	St. Louis	750,000	
	St. Louis	1,633,255	
	St. Louis	2,580,000	4,963,255
NH	Manchester	6,777,000	
	Portsmouth	900,000	
	Portsmouth	2,100,000	9,777,000
NY	Albany	2,450,000	
	Albany	3,500,000	
	Binghamton	360,000	
	Buffalo	750,000	
	New York City	700,000	
	New York City	1,364,089	9,124,089
VT	Burlington	4,000,000	4,000,000
		Total	<u>\$40,831,688^a</u>

^aThe difference between the total dollar amount of new projects receiving funding and the amount for projects losing funding represents approximately \$400,000 assumed to be carried over to the next round. The funds were to be carried over because the next project that would have received funding was requesting more funds than available.

The advantages of both alternative weight adjustments are that they give communities that qualify for UDAG funds but that have low impaction and distress scores a greater chance to receive a UDAG award. In addition, by raising project points from 30 to 50 points, the alternatives increase the chances that those applications expected to produce the highest benefits, for factors such as job creation and leveraging private funds, will be selected.

Conversely, the disadvantages associated with the alternatives are that they reduce the targeting of benefits to cities with the greatest need as defined by impaction and distress criteria, which are emphasized in the statute and regulations. The emphasis (50 points) on project factors also places housing applications at a further disadvantage. Housing projects, as previously noted by HUD program officials, may create no or few new permanent jobs and do less well than industrial and commercial projects in leveraging private funds.

Alternative aimed at increasing
the number of participating communities

The third alternative we considered ranks applications using the HUD point system. It is aimed, however, at increasing the number of participating cities by decreasing multiple awards to any one city in a funding round.

Once again the selection method was applied to the March, June, and September 1984 metropolitan funding rounds. One application was selected (on the basis of the highest score) from each applicant city. Whether this application was funded depended on the amount of funds provided in a round. If there were sufficient moneys after each applicant community's highest scoring project was considered funded, then communities were assumed to receive a second award based on their second highest scoring project. If funds still remained following this selection, then a third application was chosen.

In March, sufficient funds were available to enable some cities to receive multiple awards. This was not the case, however, for June and September, although certain cities received one award in June and another one in September. Therefore, March application results under this selection alternative are presented separately from those of June and September, which are consolidated for illustrative purposes.

Even though application of this alternative in the March round enabled some cities to receive multiple awards, not all cities received funding for a third application and no city received funding for a fourth or fifth application. Table 11 discloses those cities that would have lost March funds under this alternative, along with those that would have benefited.

Table 11

Alternative 3--March Application Funding Changes if Multiple City Awards Decreased

<u>Cities gaining applications and funds</u>				<u>Cities losing applications and funds</u>							
<u>State</u>	<u>City</u>	<u>New projects funded under alternative 3</u>		<u>State</u>	<u>City</u>	<u>Orig. funded</u>		<u>Funded under alternative 3</u>		<u>No longer funded under alternative 3</u>	
		<u>No.</u>	<u>Amount</u>			<u>No.</u>	<u>Total amt.</u>	<u>No.</u>	<u>Total amt.</u>	<u>No.</u>	<u>Total amt.</u>
AL	Huntsville	1	\$ 125,000	AL	Birmingham	4	\$ 1,520,100	3	\$ 1,070,100	1	\$ 450,000
CA	Los Angeles	1	329,750	IL	Chicago	4	2,509,000	3	1,965,000	1	544,000
FL	Jacksonville	1	600,000	MA	Lowell	3	3,585,000	2	3,150,000	1	435,000
	St. Petersburg	1	200,000	MD	Baltimore	4	2,170,000	3	1,752,000	1	418,000
GA	Columbus	1	2,100,000	MO	Kansas City	4	4,212,000	2	1,937,000	2	2,275,000
LA	Alexandria	1	700,000	NY	New York City	4	15,404,927	3	3,904,927	1	11,500,000
NC	High Point	1	1,500,000		Rochester	3	948,500	2	748,500	1	200,000
	Winston-Salem	1	2,499,268	OH	Cleveland	5	2,675,920	3	1,545,000	2	1,130,920
NJ	Union County	1	5,000,000	PR	Bayamon Municipio	5	6,236,550	2	3,015,000	3	3,221,550
PA	Allegheny County	1	1,130,000		Mayaguez Municipio	3	984,250	2	679,000	1	305,250
PR	Guaynabo Municipio	1	2,665,665	Total		39	\$40,246,247	25	\$19,766,527	14	\$20,479,720^a
TX	Fort Worth	1	3,149,235				*****		*****		*****
VI	St. Thomas	1	384,685								
Total		13	\$20,383,603^a								

^aThe difference between the total dollar amount of new applications receiving funding and the amount for applications losing funding is assumed to be carried over to the next quarter. The funds were carried over because the next project that would have received funding was requesting more funds than available.

As table 11 shows, the primary losers of UDAG funds, on the basis of the size of awards, in March would have been communities in Missouri, New York, and Puerto Rico. The loss of funds to two communities in Puerto Rico, however, is somewhat offset by additional funds provided to another community (Guaynabo Municipio) in Puerto Rico. This offsetting did not occur for funds lost in Missouri and New York. Other primary UDAG dollar beneficiaries, influenced by the dollar size of applications, would have been communities in Georgia, New Jersey, North Carolina, and Texas.

In June and September this alternative produced very different results, since some of the states whose communities would have been beneficiaries in March would have been adversely affected in June or September. For example, a community in North Carolina would have lost a \$4 million award and two communities in Georgia would have lost awards totaling \$1.2 million. The following table presents this information along with that of other fund losers and beneficiaries. It also includes a New York City application for \$11.5 million that would not have been funded. (Actually, this application was originally funded in March with half--\$11.5 million--of the funds coming from March and the other half from June.) Since under this alternative the application was not selected in March, the June funds of \$11.5 million are also shown as a loss for the city.

Table 12
Alternative 3—June and September Application Funding
Changes if Multiple City Awards Decreased

Cities losing applications and funds							Cities gaining applications and funds								
State	City	Orig. funded		Funded under alternative 3		No longer funded under alternative		State	City	New projects funded under alternative 3 Amount	State	City	New projects funded under alternative 3 Amount		
		No.	Total amt.	No.	Total amt.	No.	Total amt.							Amount	Amount
AL	Birmingham	2	\$ 1,110,000	1	\$ 710,000	1	\$ 400,000	AL	Mobile	\$ 525,000	NJ	Bloomfield Twp.	\$ 368,500		
GA	Atlanta	2	10,520,000	1	10,000,000	1	520,000	CA	Baldwin Park	3,628,000	NY	New Rochelle	250,000		
	Augusta	2	921,000	1	200,000	1	721,000		El Monte	1,500,000		OH	Barberton	560,000	
IL	Chicago	10	13,763,000	2	4,544,000	8	9,219,000		Oakland	4,000,000	Oxnard		700,000	PA	Allentown
									Stockton	1,000,000	Luzerne County	12,000,000			
MD	Baltimore	8	13,175,444	2	1,648,000	6	11,527,444	DC	District of Columbia	670,000	PR	Bayamon Mun.	365,000		
MO	St. Louis	6	10,853,255	2	4,400,000	4	6,453,255	GA	Albany	1,821,000		Carolina Mun.	2,750,000		
NC	Wilmington	2	4,580,000	1	580,000	1	4,000,000	IA	Des Moines	1,700,000	Savannah	1,650,000	Fajardo Mun.	1,350,000	
													Dubuque	125,000	San Juan
NJ	Camden	2	1,495,000	1	430,000	1	1,065,000	IL	Joliet	75,000	San Juan	2,026,959			
	Newark	2	11,072,500	1	1,208,000	1	9,864,500						LA	New Orleans	1,050,000
	Paterson	2	1,170,250	1	420,250	1	750,000	Rockford	1,280,000	SC	Charleston	800,000			
NY	Albany	3	6,385,750	1	435,750	2	5,950,000	MA	Quincy	1,100,000	TX	Brownsville	6,346,600		
	Buffalo	3	4,259,300	1	954,300	2	3,305,000	ME	Auburn	370,000		Edinburg	120,000		
	New York City	3	13,564,089	1	700,000	2	12,864,089				MI	East Lansing	2,000,000	VI	St. Thomas
OH	Cleveland	2	613,000	1	300,000	1	313,000	MN	St. Paul	\$9,000,000	WI	Milwaukee	2,500,000		
												Racine	600,000		
PA	Easton	2	500,000	1	250,000	1	250,000	TOTAL				\$69,208,173 ^a			
Total		58	\$97,006,433	20	\$27,825,300	38									
		Total (includes March carryover of funds—\$96,117)											\$69,277,250 ^a		

^aThe difference between the total dollar amount of new projects receiving funding and the amount for projects losing funding is assumed to be carried over to the next round.

The advantages of this third alternative would be that (1) more eligible cities would be able to obtain funds and (2) it would be considered more equitable by some because the number of awards to certain cities would be decreased so that other cities could receive an award.

On the other hand, this alternative has disadvantages: (1) it could reduce the targeting of funds to cities with the greatest need as defined by impact and distress criteria that are emphasized in the statute and regulations, (2) it may not enable all cities to receive at least one award in a round, as this would depend on the number of cities applying, project funds requested, and funds made available, and (3) it could discourage cities from submitting small UDAG dollar applications. As a former UDAG Program director noted, this alternative may have no effect. Instead, it could simply lead to communities' packaging several smaller UDAG dollar applications into a larger one. In addition, this official noted that communities may make trade-offs so that larger UDAG dollar applications are submitted at the expense of their smaller dollar counterparts.

OTHER ISSUES: COMMUNITIES WITH POCKETS
OF POVERTY AND NONPARTICIPANTS

As previously noted, the Congress has authorized the Secretary of HUD to fund applications, up to a level of 20 percent of the funds available, from metropolitan communities and small cities with pockets of poverty. These communities do not meet the UDAG distress standards but may qualify for funding because they include an area within the community that meets certain criteria. Since impactation and distress scores are not applicable for the community at large, applications from these communities are ranked solely on project characteristics. On the basis of project characteristic scores alone, 10 recent qualifying applications¹ would not have been funded, but HUD exercised its discretion by approving 9 of these applications.

Of the communities that do meet the UDAG standards of distress, a sizable percentage (31 percent) of eligible metropolitan communities have never received an award. Common characteristics of such communities are that they (1) have never applied, (2) generally have low impactation and/or distress scores, and (3) frequently (over two-thirds) have populations under 50,000.

COMMUNITIES WITH POCKETS OF POVERTY

A metropolitan community or small city² that does not meet the UDAG standards of impactation and distress may qualify as a UDAG pocket of poverty applicant if it contains a specifically defined geographic area meeting certain criteria. Since one of three regulatory criteria differs for metropolitan and small communities, they are separately set out in the following summary.

¹Represents metropolitan community pocket of poverty qualifying applications considered by HUD in March, June, and September 1984.

²Small cities are cities having a population of less than 50,000.

Metropolitan community
pocket of poverty criteria

1. Must be composed of a contiguous area. In addition, the defined geographic area must contain at least 10,000 persons or 10 percent of the jurisdiction's population.³
2. At least 70 percent of the population residing in pockets of poverty must have incomes below 80 percent of the jurisdiction's median income.
3. At least 30 percent of the residents must have incomes below the national poverty level based on criteria provided by the Office of Management and Budget.

Small city
pocket of poverty criteria

1. Must be composed of a contiguous area defined by the U.S. Bureau of the Census or for which data certified by the U.S. Bureau of the Census are available. The defined geographic area must contain at least 2,500 persons, or 10 percent of the jurisdiction's population, whichever is more.³
2. Same as for metropolitan community.
3. Same as for metropolitan community.

Communities with a pocket of poverty, like those communities meeting UDAG distress standards, must also demonstrate results in providing housing for low- and moderate-income persons and in providing equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups. Furthermore, applications from communities with pockets of poverty are subject to additional requirements, including: the locality must match 20 percent of the grant funds requested; at least 75 percent of the permanent initial jobs resulting from the project must be provided to low- and moderate-income persons; at least 51 percent of these jobs must be provided to low- and moderate-income residents of the pocket; and HUD encourages that at least 20 percent of all permanent

³In defining the pockets of poverty, district and block groups with median income levels greater than 120 percent of the median income of the jurisdiction must be excluded.

jobs be filled by pocket residents who are qualified to participate in the Comprehensive Employment and Training Act⁴ (CETA) Program on a continuous basis. In addition, the applicant must describe, if relevant, how services and physical improvements relate to the needs of low- and moderate-income residents of the pocket. (Of note is the emphasis on low- and moderate-income benefits for applications from pockets of poverty, whereas the 100-point project selection system provides up to 1 point for low- and moderate-income jobs and another possible point for CETA jobs.)

In any funding round, applications received from communities eligible for participation on the basis of pocket of poverty criteria are considered at the same time as applications from distressed communities. A HUD task force paper notes that relatively few applications have been received from pockets of poverty communities.

According to HUD's 1984 Consolidated Annual Report to Congress on Community Development Programs,⁵ 27 pocket of poverty awards totaling \$46 million have been made since the statute was amended in 1979 to provide for this type of project. In fiscal year 1983, according to the report, nine pockets of poverty awards were announced with a total value of \$18 million.

In explaining how applications from communities with pockets of poverty fit into the current project selection system, HUD task force members noted that, prior to the point system, it was possible to ignore the absence of impaction and distress measures for pockets of poverty communities because all qualifying applications were funded. They explained that, because of the absence of impaction and distress measures, these projects now compete solely on the project criteria, and this factor is only 30 percent of the total score. However, HUD exercised its statutory discretion by approving pockets of poverty projects in 1984. For the March, June, and September 1984 funding rounds, HUD considered ten applications qualifying from metropolitan communities with pockets of poverty. The UDAG funds requested totaled \$22.1 million. HUD provided over half of the funds (\$12.6 million) for nine of these applications. Based solely on project scores, these applications would not have been funded.

⁴Eligible persons are defined by HUD as those who are long-term unemployed, underemployed, or from low- and moderate-income households.

⁵Included are UDAG data through fiscal year 1983.

Several options have been considered for integrating pockets of poverty in the selection process. These options include the following:

- Rank pocket of poverty applications only with applications received from other pocket of poverty communities. These applications in any round or fiscal year would be funded up to 20 percent of the funds available (or, at another level the Secretary may choose, not to exceed the 20 percent cap in any fiscal year).
- Calculate a score for pockets of poverty applications comparable to impactation and distress scores. All projects would then compete together. Several methods are available to approximate this comparability.

HUD officials have not made a decision on adopting a solution for selecting applications from pockets of poverty communities, as they believe the issue should be addressed by the Congress.

A LARGE NUMBER OF METROPOLITAN CITIES HAVE NEVER RECEIVED AN AWARD

We analyzed the participation of eligible metropolitan communities and found that, as of February 1984, of the 413 communities eligible, 127 (31 percent) have never received an award. (This percentage does not include 11 communities where approved applications were subsequently terminated.)

The 413 communities currently eligible are ranked by HUD from 1 to 413 for both impactation and distress. A rank of 1 is the greatest level of distress and a rank of 413 the least. We stratified the rankings in table 13 which shows that most non-participants have impactation and distress ranks in the third and fourth quartile. There are a few exceptions, however. For instance, Bridgeton, New Jersey, with an impactation/distress rank of 47/3, applied unsuccessfully eight times. Seven applications were made prior to the new selection system and one after it was initiated. Another example is Union City, New Jersey (impactation/distress rank of 44/23), which applied once before the new system but whose application was not funded. The unsuccessful applications, prior to the new selection system, either did not meet threshold requirements or were withdrawn by the community prior to funding consideration. The chart below further illustrates impactation and distress characteristics of cities that have not received an award.

Table 13

Nonparticipants' Impaction/Distress Ranks

I M P A C T I O N	<u>Rank</u>	<u>Quartile</u>	<u>Number of cities</u>	<u>Percent</u>
	001-103	1st	5	4
	104-207	2nd	23	18
	208-310	3rd	38	30
	311-413	4th	<u>61</u>	<u>48</u>
Total		<u>127</u>	<u>100</u>	

D I S T R E S S	<u>Rank</u>	<u>Quartile</u>	<u>Number of cities</u>	<u>Percent</u>
	001-103	1st	19	15
	104-207	2nd	31	24
	208-310	3rd	28	22
	311-413	4th	<u>49</u>	<u>39</u>
Total		<u>127</u>	<u>100</u>	

While nonparticipating communities had populations ranging from 16,000 to 297,000, most are small metropolitan cities. This is demonstrated by the fact that over two-thirds (69 percent) of these cities have populations under 50,000. Metropolitan communities include cities with populations under 50,000 when the cities are central cities of a standard metropolitan statistical area.

A closer look reveals additional insights about the nonparticipants. First, 69 percent have never applied. For example, Cumberland, Maryland, with an impaction/distress rank of 39/107, has never applied. Second, 28 percent of the cities are newly eligible as of February 1984. An analysis of these newly eligible nonparticipants shows that they are heavily concentrated in the 3rd and 4th quartiles of the impaction/distress range. Third, there are 19 cities on the current metropolitan eligibility list that have not received awards as metropolitan cities, yet did receive funding as small cities.

HISTORY OF UDAG METROPOLITAN COMMUNITY APPLICATIONS

This appendix presents a history of metropolitan UDAG applications showing the communities that have received awards before and after the competitive application selection system. It also presents eligible communities that have never received an award, as of the end of September 1984.

Since the first UDAG awards in April 1978, 1,320 applications have been approved; the awards totaled \$2.65 billion. In addition, 210 applications amounting to \$392 million were approved but subsequently terminated. Terminations are presented separately, rather than being recognized as awards, since de-obligated funds from such terminated projects may be used to fund other UDAG projects. Also, 1,323 applications amounting to \$3.23 billion have been proposed but not funded.

As previously stated, 127 communities (31 percent) of the 413 metropolitan communities eligible for UDAG awards as of February 1984 have never received an award. These communities are also shown in this appendix.

City name	Activity from 1978 through November 1983					Activity from December 1983 through September 1984						
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed not funded	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed not funded
<u>Alabama</u>												
Anniston					1	\$ 54,584	1	\$ 185,000				
Bessemer							500,000					
Birmingham	13	\$15,636,378			7	19,784,281	7	2,815,100			2	\$ 404,000
-Dothan												
-Florence												
Gadsden	4	1,835,452										
Huntsville	2	1,400,000			1	3,229,166	1	850,000				
Mobile	2	1,860,000			4	37,118,970						
-Montgomery					5	19,865,436						
Tuscaloosa	1	1,200,000			5	26,979,364					2	25,750,000
State total	22	21,931,830			23	107,031,801	10	4,350,100			4	26,154,000
<u>Arizona</u>												
Phoenix	1	624,000										
Tucson	1	750,000			1	450,000	1	425,000			2	4,335,000
State total	2	1,374,000			1	450,000	1	425,000			2	4,335,000
<u>Arkansas</u>												
*Fort Smith											1	1,246,000
*Little Rock											1	4,000,000
Pine Bluff			1	\$ 750,000								
-Texarkana			2	5,926,800	7	9,818,000					1	500,000
-West Memphis												
State total			3	6,676,800	7	9,818,000					3	5,746,000

-Indicates metropolitan communities that have not received a UDAG award.

*Indicates a previously eligible metropolitan community or one that has qualified for funding through a pocket of poverty.

^aActivity for funded projects is presented according to the date the project was approved.

City name	Activity from 1978 through November 1983					Activity from December 1983 through September 1984						
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed and not funded	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed and not funded
<u>California</u>												
*Alameda	1	1,836,000			1	1,233,400						
Alhambra	1	2,350,000										
Bakersfield					1	7,500,000						
Baldwin Park							1			4,500,000		
Berkeley	1	300,000	1	130,000	3	870,000						
Burbank					1	12,000,000						
Chico												
Chula Vista					3	7,450,000						
Compton	1	2,193,000			3	6,200,000				1	5,000,000	
-El Monte										1	2,500,000	
Fresno	3	2,017,740			1	5,347,000				1	450,000	
-Fresno Co.												
Glendale	1	6,702,300										
-Inglewood					4	15,895,267						
-Kern Co.												
-Lompoc												
Long Beach	2	11,000,000			1	10,500,000						
Los Angeles	14	48,889,000	1	8,233,000	13	35,258,025				6	15,895,500	
-Norwalk												
Oakland	4	18,049,180	2	5,613,000	4	3,750,000	1	1,950,000		3	11,086,000	
-Ontario										1	5,650,000	
-Oxnard					2	9,760,000						
-Pasadena												
Pico Rivera	1	100,000	1	4,519,700	2	6,735,000				1	2,500,000	
-Pomona					2	6,645,000						
-Porterville												
Richmond	1	7,422,700	1	535,000						2	3,820,000	
Riverside	4	1,956,285			1	2,160,000				1	2,400,000	
Riverside Co.					3	8,908,600						
Sacramento	2	1,726,239			5	9,741,633						
-Salinas												
San Bernadino	2	961,200			4	18,935,615				2	2,440,689	
San Diego	1	4,800,000			3	18,900,000				1	1,240,000	
San Francisco	4	8,767,665	1	1,512,508	5	40,955,000	3	4,503,500				
Santa Ana					1	157,000						

APPENDIX V

APPENDIX V

City name	Activity from 1978 through November 1983				Activity from December 1983 through September 1984			
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of projects not funded	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of projects not funded
-Santa Cruz								
*Santa Monica								10,050,000
-Seaside								
South Gate	2	2,844,899		7,000,000				
Stockton	1	5,186,652						
-Tulare								
-Turlock								
-Yuba								
State total	46	127,102,850	7	20,543,208	64	235,901,540	4	6,453,500
Colorado								
Colorado Springs	1	275,000						
Denver	5	16,048,732						
*Greeley								
Pueblo	1	250,000						
State total	7	16,573,732						
Connecticut								
Bridgeport	2	1,069,746	1	2,500,000	1	759,024	2	5,000,000
Hartford	8	23,598,642	5	16,516,665	2	2,127,500	2	
*Manchester								
Meriden			1	8,000,000	1	476,640		
-Middletown								
New Britain	1	375,000						
New Haven	4	10,100,000	1	4,759,000	1	6,000,000		
New London	2	564,500	6	8,267,000				
Norwalk	2	1,275,000						
Norwich	1	1,000,000	1	630,000	2	1,364,711	1	800,000
Stamford					2	2,431,500		
-Waterbury					1	10,000,000		
West Haven			1	767,000	1	2,403,985		
State total	20	37,982,888	4	11,897,000	20	46,978,525	5	13,127,500
Delaware								
Wilmington	6	24,928,916	4	3,933,150	5	14,924,000	1	1,150,000
District of Columbia	5	6,207,028	12	42,414,233	1	2,650,000		

Activity from 1978 through November 1983

Activity from December 1983 through September 1984

City name	Activity from 1978 through November 1983				Activity from December 1983 through September 1984			
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed and not funded	Number of proposed projects not funded	Total amt. proposed and not funded
<u>Florida</u>								
*Bradenton					2	4,270,000		
-Cocoa								
Dade County					1	2,000,000	1	1,338,000
Fort Lauderdale	1	192,000			2	885,500		
-Fort Pierce								
-Hialeah								
Jacksonville	2	2,270,000			4	5,050,000	2	7,438,912
-Lakeland					2	4,500,000	1	8,000,000
Miami	2	5,994,000	1	3,000,000	7	20,383,000	2	5,900,000
-Miami Beach					1	12,661,082	1	1,600,000
Milbourne					1	671,086		
Orange County	1	282,070						
Orlando					3	12,000,000		
-Panama City								
Pensacola	1	760,000			1	3,180,000		
-Polk County							3	4,401,000
-St. Petersburg							2	1,935,000
Tallahassee	1	67,185	1	1,274,584			1	6,457,500
Tampa	2	8,600,000						
-West Palm Beach					4	898,600		
-Winterhaven								
State total	10	18,165,255	2	4,274,584	28	66,499,268	13	37,070,412
<u>Georgia</u>								
Albany			1	1,335,000	3	6,468,000		
Atlanta	6	4,176,280	5	8,826,000	10	28,236,753	2	9,792,200
Augusta	1	1,430,000			4	4,604,000	3	830,300
Columbus	3	4,986,000			3	3,713,000	1	325,000
Macon	3	4,888,878			4	8,830,561		
-Marietta								
Savannah	2	2,456,416	2	1,400,000	2	2,491,000	2	1,578,500
State total	15	17,937,574	8	11,561,000	26	54,343,314	8	12,526,000

City name	Activity from 1978 through November 1983						Activity from December 1983 through September 1984					
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. pro- posed and not funded	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. pro- posed and not funded
<u>Illinois</u>												
Alton												
-Aurora												
-Belleville												
-Berwyn												
Champaign	1	750,000			1	820,000						
Chicago	32	66,459,293	10	38,435,140	21	86,598,600	18	23,542,050		12	21,045,200	
-Chicago Heights												
-Cicero												
-Decatur					4	10,871,250						
East St. Louis	2	312,000			3	20,269,940				2	1,500,000	
-Granite City												
Joliet	1	1,000,000	1	350,000	1	350,000				2	710,000	
Kankakee	1	520,000	2	331,500	4	1,910,500				3	783,000	
Madison Co.	2	2,752,000			1	1,000,000						
*Moline					1	900,000						
*Oak Park												
-Pekin												
Peoria	4	13,233,100	1	16,300,000	1	4,100,000						
*Rantoul												
Rockford	2	228,325			4	3,262,380	1	260,000		3	625,121	
-Rock Island					1	300,000						
Springfield	1	3,100,000										
-St. Clair Co.										2	2,540,000	
Urbana	1	300,000										
Waukegan	1	925,000										
State total	48	89,579,718	14	55,416,640	42	130,382,670	19	23,802,050		24	27,203,321	
<u>Indiana</u>												
-Anderson					1	685,000						
-Bloomington												
East Chicago	1	400,000			1	1,130,000				1	170,000	
Elkhart	1	61,800								1	1,399,000	
Evansville	5	5,762,823	1	3,056,000	1	324,400						
Fort Wayne	4	6,059,028			2	4,125,000						
Gary	1	800,000	1	2,531,449	4	12,486,875	1	71,600				
-Goshen												
Hammond	2	2,429,440	2	1,800,000	5	2,919,000				1	230,000	
Indianapolis	4	15,332,880			3	8,797,000	1	4,898,000		2	8,685,056	

City name	Activity from 1978 through November 1983				Activity from December 1983 through September 1984			
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. proposed and not funded	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. proposed and not funded
Kokomo								
Lafayette	2	760,000		212,500	1	4,000,000	1	2,000,000
Mishawaka								
Muncie								
New Albany								
South Bend	2	17,563,000		2,000,000	1	1,500,000	1	1,400,000
Terre Haute	1	925,868	1	1,276,000	1	650,000		
West Lafayette								
State total	23	50,094,839	5	8,663,449	19	11,119,600	7	13,884,056
Iowa								
-Cedar Rapids								
-Council Bluffs								
-Davenport								
Des Moines	3	8,250,000		750,000	1	1,855,900	1	750,000
Dubuque	2	4,250,000		2,250,000	1	5,900,000	1	5,900,000
*Iowa City	1	2,081,000		5,330,000	2		1	280,000
Sioux City	1	2,000,000						
Waterloo	2	7,948,500		4,750,000	1	1,500,000	1	1,500,000
State total	9	24,529,500		15,602,200	8	1,855,900	4	8,370,000
Kansas								
Kansas City	3	1,810,000	3	16,662,298	2	3,308,500		
-Lawrence			1	910,000				
*Leavenworth								
Topeka								
Wichita	1	480,000	3	3,609,799	2	1,907,090	1	225,000
State total	4	2,290,000	7	21,182,097	5	13,043,039	1	2,135,320
Kentucky								
-Ashland								
Covington	1	432,600	1	2,500,000	1	383,203	1	225,000
Hopkinsville	1	291,320		741,000	3	20,588,440	1	2,135,320
Lexington-Fayette	2	3,495,000			2	330,000	1	6,156,420
Louisville	2	13,000,000	1	2,000,000	5	14,710,000	3	6,156,420
Owensboro	1	1,500,000		1,910,500	1	1,480,000	1	8,516,740
State total	7	18,718,920	2	4,500,000	12	38,333,143	5	8,516,740

Activity from 1978 through November 1983

Activity from December 1983 through September 1984

City name	Activity from 1978 through November 1983					Activity from December 1983 through September 1984						
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed and not funded	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed and not funded
<u>Louisiana</u>												
Alexandria	1	4,975,000			1	1,985,124				1	815,000	
Baton Rouge	1	2,400,000					1	394,144				
Lafayette	3	3,203,385			1	500,000						
Lake Charles	2	3,476,877										
Monroe							1	1,183,000				
New Orleans	12	30,547,435	5	6,867,170	14	40,490,475	1	8,254,000		2	2,322,000	
Shreveport	3	6,279,190	1	1,700,000	3	3,700,000						
Thibodaux												
State total	22	50,881,887	6	8,567,170	19	46,675,599	3	9,831,144		3	3,137,000	
<u>Maine</u>												
Auburn	1	1,000,000								1	1,000,000	
Bangor	3	650,000			1	206,000	1	166,000		2	800,000	
Lewiston	2	3,396,000			1	500,000						
Portland	4	9,673,820			1	480,000	1	408,000		1	318,000	
State total	10	14,719,820			3	1,186,000	2	574,000		4	2,118,000	
<u>Maryland</u>												
Annapolis												
Baltimore	45	46,748,906	9	20,264,825	62	84,635,152	18	20,349,878		11	23,608,300	
Cumberland					1	400,000						
Hagerstown							1	175,000		1	850,000	
State total	45	46,748,906	9	20,264,825	63	85,035,152	19	20,524,878		12	24,458,300	
<u>Massachusetts</u>												
<u>*Arlington</u>												
Attleboro												
Boston	18	54,892,988	3	3,780,000	4	20,945,360	2	1,829,650	1	1,550,000	2	6,800,000
Brockton	1	1,062,600	1	500,000								
Brookline			1	1,855,000	1	4,400,000						
Cambridge	2	7,188,600			7	17,309,000	1	4,905,000				
Chicopee	1	1,500,000			1	100,000						
Fall River	4	5,210,000			4	2,966,000	3	2,001,800		2	2,800,000	
Fitchburg	1	625,000			1	750,000						
Gloucester												
Haverhill	3	6,229,000	1	830,000	2	646,000						

Activity from 1978 through November 1983

Activity from December 1983 through September 1984

City name	Activity from 1978 through November 1983		Activity from 1978 through November 1983		Activity from December 1983 through September 1984		Activity from December 1983 through September 1984			
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed and not funded	Number of awards	Total amt. of awards	Number of proposed projects not funded	Total amt. proposed and not funded
Holyoke	3	2,366,000			1	2,922,251			1	400,000
Lawrence	3	8,800,000			2	170,000	3	11,348,000	1	1,130,500
Lowell	2	10,600,000	1	1,550,000	1	8,000,000	3	3,585,000	1	2,300,000
Lynn	2	5,270,367								
Malden	10	9,284,703			5	5,371,000			1	2,985,000
Medford			1	1,700,000	1	4,400,000				
New Bedford	3	2,504,454	4	2,753,000	2	5,952,000	1	1,465,909		
Northampton										
Pittsfield			1	14,233,000	1	2,700,000				
Quincy	3	6,790,000			1	2,137,000				
Salem										
Somerville	4	5,460,000					2	780,000	3	1,295,000
Springfield	6	17,838,760	6	5,986,904	3	4,728,200	4	2,391,312	3	14,382,648
Waltham					4	9,104,000	1	575,000		
*Weymouth										
Worcester	1	4,700,000							1	1,600,000
State total	67	150,322,472	19	33,187,904	41	92,600,811	20	28,881,671	15	33,693,148
<u>Michigan</u>										
Ann Arbor					1	2,300,000				
Battle Creek	2	15,833,000			1	4,515,000	1	420,000		
Bay City	1	158,200			4	1,389,460	1	390,000		
Benton Harbor							1	1,500,000	1	120,000
*Dearborn										
Detroit	21	77,748,132	5	29,195,000	31	140,122,843	4	19,271,000	19	97,642,500
-East Lansing					1	2,300,000				
Flint	6	28,430,700			5	22,186,500	4	6,417,275	1	1,840,000
Grand Rapids	2	6,060,000	1	536,000	3	7,844,000			2	3,308,000
-Holland										
-Jackson										
Kalamazoo	1	650,000			1	11,762,000				
Lansing	4	15,385,000			1	3,052,000				
-Lincoln Park					1	500,000			1	400,000
Muskegon	5	6,062,150					1	582,921		
Muskegon Heights	1	450,000								
Pontiac	4	7,822,000	2	4,115,000	12	13,024,100	2	290,000	5	6,025,000
Port Huron										
Saginaw			2	3,600,000	1	371,000				
-St. Clair Shores										
State total	47	158,599,182	10	37,446,000	62	208,966,903	14	28,871,196	29	109,335,500

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City name	Activity from 1978 through November 1983					Activity from December 1983 through September 1984						
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<u>Minnesota</u>												
Duluth	3	4,605,000			4	15,332,460						
Minneapolis	18	45,200,371	1	3,867,000	10	16,181,175	2	4,244,807		4	5,400,000	
St. Cloud	1	1,343,700			1	470,000						
St. Paul	15	50,756,402			3	7,795,000	1	700,000		1	1,890,000	
State total	37	101,905,473	1	3,867,000	18	39,778,635	3	4,944,807		5	7,290,000	
<u>Mississippi</u>												
Biloxi			1	2,000,000	1	522,000						
Gulfport	1	3,464,228										
Jackson	1	6,237,000			2	1,735,237						
-Moss Point										1	300,000	
-Pascagoula										2	1,322,500	
State total	2	9,701,228	1	2,000,000	3	2,257,237				3	1,622,500	
<u>Missouri</u>												
<u>-Joplin</u>												
Kansas City	7	19,026,000			9	34,814,269	4	4,212,000		3	4,138,000	
St. Joseph	1	1,300,000			3	1,674,670						
St. Louis	14	49,102,000	1	199,000	9	58,537,500	7	15,853,255		2	1,755,784	
Springfield	1	3,800,000										
State total	23	73,228,000	1	199,000	21	95,026,439	11	20,065,255		5	5,893,784	
<u>Montana</u>												
*Great Falls	2	1,002,875										
<u>Nebraska</u>												
Lincoln					1	5,600,000						
Omaha	2	2,150,000			3	1,158,000	1	264,000				
State total	2	2,150,000			4	6,758,000	1	264,000				
<u>New Hampshire</u>												
<u>-Dover</u>												
Manchester	3	8,000,000			2	5,000,000	1	6,777,000		1	1,150,000	
Nashua	1	125,000			1	550,000						
Portsmouth	1	5,575,000					2	3,000,000				
-Rochester												
State total	5	13,700,000			3	5,550,000	3	9,777,000		2	6,400,000	

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<u>New Jersey</u>												
Asbury Park					3	1,573,000	1	3,100,000				
Atlantic City			1	6,330,000	4	14,839,000	1	9,218,000			1	9,950,000
Bayonne	2	1,200,000			1	1,325,000						
*Bloomfield	1	300,000			1	625,400						
-Bridgeton					7	14,290,000					1	275,000
Camden	4	5,245,221	1	190,000	2	1,280,000	2	1,495,000			1	755,000
Clifton	3	1,791,550			1	6,000,000						
East Orange			2	580,000	4	3,510,000	1	3,236,000				
Elizabeth	5	4,792,100			5	10,250,000	3	6,460,500			1	652,000
*Essex County			1	1,625,000	1	185,000					1	2,000,000
Hoboken												
Hudson County	2	2,370,000										
Irvington	4	271,000			2	335,000						
Jersey City	5	60,674,000	1	3,200,000	5	8,250,000	1	450,000			1	2,500,000
-Long Branch					1	40,000						
Millville	3	2,314,750			2	4,030,300						
Newark	16	27,604,018	3	3,010,000	13	33,979,075	3	12,672,500			3	3,157,500
New Brunswick	4	16,983,000	1	1,500,000	1	1,000,000	2	3,500,000			2	22,547,639
Passaic	1	575,760			2	12,900,000						
Paterson	3	5,615,500	2	931,750	4	5,392,600	3	1,470,250				
Perth Amboy	2	2,120,000			1	2,000,000						
Trenton	5	4,890,000	2	3,350,000	8	14,673,550	2	1,750,000			1	140,000
-Union City					1	150,000					2	800,000
Union County	2	4,000,000	1	350,000	1	5,000,000						
Vineland	4	2,420,704									2	475,000
State total	66	143,167,603	15	21,066,750	70	141,627,925	19	43,352,250			16	43,252,139
<u>New Mexico</u>												
Albuquerque	2	1,327,800									1	2,310,000
*Las Cruces												
State total	2	1,327,800									1	2,310,000

Activity from 1978 through November 1983

Activity from December 1983 through September 1984

City name	Activity from 1978 through November 1983				Activity from December 1983 through September 1984					
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<u>New York</u>										
Albany	9	7,325,500	1	103,000	7	11,300,000	6	11,822,750	1	260,000
Binghamton	5	5,164,500			2	369,000	2	2,550,000	1	930,000
Buffalo	15	34,523,505	2	2,191,000	6	7,216,500	6	12,167,300	1	166,000
Elmira	1	800,000	1	80,000	1	600,000				
Erie County	4	7,679,000			1	600,000	2	2,862,500		
Glen Falls							1	750,000		
Middletown										
Mount Vernon	2	784,127			1	200,000			1	1,636,038
Newburgh	4	492,700	1	219,500	1	965,625	8	3,155,495	4	864,000
New Rochelle	1	649,807			2	6,453,193			1	4,654,091
New York	50	103,115,115	14	21,485,566	46	116,417,547	8	18,123,877	7	25,065,000
Niagara Falls	9	6,494,250	1	503,000	15	33,647,328	3	5,309,800	2	13,540,000
*Orange County	1	618,700							1	950,000
Poughkeepsie	1	1,750,000	1	1,000,000	1	2,200,000	1	225,000		
Rochester	23	28,550,950	1	350,000	14	14,997,666	7	9,731,500	2	1,532,100
Rome	1	78,000			1	4,299,950				
Schenectady	12	5,084,000			3	2,974,100			1	250,000
Syracuse	10	18,129,233	3	540,000	6	4,178,000	2	3,820,000	1	585,000
Troy	6	5,959,113			6	4,798,479				
*Union Town	1	3,525,000			2	87,000				
Utica	5	4,517,855	3	720,700	14	5,009,500	1	600,000		
White Plains					1	4,975,000				
Yonkers	4	11,394,000			3	26,700,000	3	2,378,095		
State total	164	246,635,355	28	27,192,766	133	247,988,888	50	73,496,317	23	50,432,229
<u>North Carolina</u>										
Asheville	2	1,593,823					1	3,400,000		
-Burlington										
Charlotte	1	2,136,046	1	2,400,000	1	1,680,000				
-Concord										
Durham	1	464,000								
Fayetteville							1	2,606,000		
-Gastonia									1	700,000
Greensboro					1	5,760,000	1	135,280		

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-Hickory												
High Point	1	1,700,000			1	500,000						
-Jacksonville												
Raleigh					1	2,200,000			1		382,900	
-Salisbury												
Wilmington	1	943,849			3	2,944,000	4	5,145,000				
Winston-Salem	2	3,340,000							1		865,000	
State total	8	10,177,718	1	2,400,000	7	13,084,000	7	11,286,280	3		1,947,900	
<u>Ohio</u>												
Akron	9	27,714,000			3	1,697,000	3	2,539,900				
-Barberton												
-Bowling Green												
Canton	3	4,386,900	1	900,000								
Cincinnati	7	27,136,121	2	1,925,000	4	11,724,000	1	3,450,000	4		2,645,000	
Cleveland	20	21,801,897	4	16,150,000	20	46,615,307	8	3,684,320	5		3,740,000	
-Cleveland Heights									1		6,056,000	
Columbus	7	21,140,000			9	19,012,000			5		4,767,000	
Dayton	4	6,440,000			2	21,147,000			1		1,690,000	
Elyria	1	579,080	1	330,375	1	2,000,000						
-Hamilton City					1	5,461,000						
Kent												
-Lancaster												
Lima	1	192,500			2	3,519,000						
Lorain	1	250,000			2	1,690,000						
Mansfield	1	2,100,000										
-Marietta					2	1,087,000						
Massillon												
Middletown	1	300,000										
-Newark												
Springfield	1	1,645,000	1	1,700,000	1	1,850,000	2	1,381,300				
-Stark County												
-Staubenville												
Toledo	9	38,730,890	1	305,000	7	14,451,775	2	8,650,000	1		3,806,250	
Warren	2	3,959,088			1	500,000	1	750,000				
Youngstown	1	750,000	2	2,870,000	2	17,166,560	2	9,725,000	2		4,759,800	
State total	68	157,125,476	12	24,180,375	57	147,920,642	19	30,180,520	19		27,464,050	

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<u>Oklahoma</u>												
-Lawton												
Oklahoma City	1	4,500,000					1	5,200,000				
Shawnee												
Tulsa	1	240,000										
State total	2	4,740,000					1	5,200,000				
<u>Oregon</u>												
Eugene	1	30,000								1	500,000	
Portland	6	6,259,150			1	306,000				2	5,000,000	
-Springfield												
State total	7	6,289,150			1	306,000				3	5,500,000	
<u>Pennsylvania</u>												
Allegheny County	1	1,505,000			1	500,000				2	2,330,000	
Allentown	4	6,265,000	1	1,500,000	1	3,484,500		1	110,000	1	655,000	
Altoona	2	531,946	2	2,415,000	1	520,000				1	800,000	
Beaver County	1	2,901,949			1	4,840,500						
Bethlehem	2	685,125								1	500,000	
Bristol Township					1	1,000,000		1	1,500,000	2	295,000	
-Carlisle												
Chester	2	2,484,000	1	1,600,000	2	2,210,000						
Easton	1	190,000					2	500,000				
Erie	3	8,113,319	1	2,070,000	1	1,053,450	1	1,650,000				
Farrisburg	1	115,000					2	1,715,463		1	14,300,000	
Hazleton	4	1,021,126	1	1,000,000	1	1,775,000						
Johnstown	4	5,789,000			5	21,707,667	2	4,671,000				
Lancaster					2	1,400,000				1	400,000	
Lebanon												
*Lower Merion												
Luzerne County	7	7,166,000	1	205,000	2	664,800						
McKeesport												
Norristown												
Philadelphia	12	35,455,375	4	6,806,000	12	46,964,750	4	4,997,000		2	12,045,000	
Pittsburgh	9	46,113,783	3	1,673,808	5	17,899,520	2	17,460,000		1	2,317,500	
Reading	3	8,662,940	1	700,000	4	9,432,000						

Activity from December 1983 through September 1984

Activity from 1978 through November 1983

City name	Activity from 1978 through November 1983				Activity from December 1983 through September 1984			
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of projects not funded	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of projects not funded
Scranton	5	9,992,500	1	100,000	1	630,000	1	850,000
Staron	1	315,000						
-State College								
-Upper Darby								
Washington County	2	2,541,500			2	3,350,000		
Westmoreland County	2	2,525,000			1	104,100		
Wilkes-Barre	2	3,350,000			2	1,400,000		
Williamsport	1	850,000	1	250,000	2	1,400,000		
York	2	4,049,000	1	860,000	1	425,000	1	300,000
York County	1	1,000,000	1	860,000	1	3,024,100		
State total	72	151,622,563	18	19,179,808	47	122,385,387	14	34,792,500
<u>Rhode Island</u>								
Cranston	1	625,000						
East Providence	1	580,000						
Pawtucket	1	5,950,000			1	2,500,000		
Providence	3	8,645,625	1	1,550,000	4	17,806,000	1	2,050,000
Warwick	1	1,000,000			1	280,000		
Woonsocket								
State total	7	16,800,625	1	1,550,000	6	20,586,000	1	2,050,000
<u>South Carolina</u>								
-Anderson								
Charleston	7	18,798,520			4	8,565,881		
Columbia	1	9,427,000						
-Florence								
Greenville	2	6,500,000			2	3,050,000		
North Charleston								
Rock Hill								
-Spartanburg								
State total	10	34,725,520	1	2,000,000	6	11,615,881	3	3,140,088
<u>South Dakota</u>								
Sioux Falls	3	4,348,000						
<u>Tennessee</u>								
-Knox								
Chattanooga	1	350,000						
Clarksville	7	21,025,548						
State total	1	2,080,000			1	2,000,000		

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-Johnson City					1	250,000				1	2,000,000	
-Kingsport										2	7,400,000	
Knoxville	3	15,350,000	3	6,950,000						1	4,000,000	
Memphis	2	9,100,000	1	180,000	7	17,033,333						
-Murfreesboro												
Nashville	1	9,750,000								3	2,400,000	
Nashville-Davidson					2	16,450,000				7	15,800,000	
State total	15	57,655,548	4	7,130,000	11	35,733,333						
Texas												
Austin	1	2,400,000										
Beaumont	1	5,050,000	2	2,215,500						4	1,548,911	
Brownsville			1	593,000	6	26,506,200	1	244,000				
Bryan					1	215,000						
Dallas	1	4,067,923					1	473,172				
-Denison												
-Edinburg												
El Paso	2	6,558,420			4	12,314,546	1	114,759		1	1,600,000	
*Fort Worth	4	15,636,907			2	3,753,064				1	3,149,235	
Galveston	6	7,490,000			7	47,380,000	1	500,000				
-Harlingen					1	1,580,000				1	1,133,600	
Houston										1	3,150,000	
-Willeen												
Laredo	1	1,500,000			2	12,500,000						
-McAllen					1	2,600,000						
-Marshall					1	200,000						
-Mission												
Odessa					1	4,280,000						
-Orange										1	566,450	
Pharr			1	700,000								
Port Arthur	3	6,475,094								1	3,000,000	
San Antonio	3	41,055,000	1	400,000	4	4,850,000	1	1,360,000		1	201,600	
San Benito	1	629,349			1	94,204						
Texarkana	1	1,782,000	1	100,000	2	762,000						
Waco	1	1,400,000	1	1,400,000								
State total	25	94,044,693	7	5,408,500	33	117,035,014	5	2,691,931		11	14,349,796	

City name	Activity from 1978 through November 1983					Activity from December 1983 through September 1984						
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed and not funded	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed and not funded
<u>West Virginia</u>												
Charleston	2	15,600,000			1	4,000,000						
Huntington	1	927,000			1	3,000,000						
Parkersburg	2	1,935,000			4	12,100,000	1	125,000		2	485,000	
-Weirton												
Wheeling	1	841,000	1	2,000,000								
State total	6	19,303,000	1	2,000,000	6	19,100,000	1	125,000		2	485,000	
<u>Wisconsin</u>												
-Beloit												
-Eau Claire												
-Green Bay												
Kenosha	2	900,000			1	8,000,000				2	1,128,000	
La Crosse	3	5,065,000										
Madison	1	2,500,000										
Milwaukee	15	34,105,650	1	1,525,000	1	1,913,000	2	360,000		4	5,980,000	
Oshkosh	3	4,125,000	1	420,811	2	2,640,200						
Racine	1	1,133,000										
*Sheboygan	1	1,030,000										
Superior	1	750,000	1	3,900,000								
Wausau	1	650,000										
State total	28	50,258,650	3	5,845,811	4	12,553,200	2	360,000		6	7,108,000	
-Guam					1	2,790,000						

City name	Activity from 1978 through November 1983						Activity from December 1983 through September 1984					
	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed and not funded	Number of awards	Total amt. of awards	Number of terminations ^a	Total amt. of terminations	Number of proposed projects not funded	Total amt. proposed and not funded
<u>Puerto Rico</u>												
Aguadilla Municipio					2	4,700,832	1	533,722			1	2,405,025
Arecibo Municipio	1	732,000	1	1,590,000			1	818,250			4	3,986,880
Bayamon Municipio	13	22,213,905	1	50,000	7	3,992,252	5	6,231,550			2	560,158
Caguas Municipio	3	5,975,804			7	21,980,775	1	726,400			2	1,925,000
Carolina Municipio	2	3,854,625			2	3,239,275					8	15,192,166
-Fajardo Municipio												
Guaynabo Municipio	5	5,263,144			5	3,227,250					1	600,000
Mayaguez Municipio	1	900,000			5	6,854,000	3	984,250			1	400,000
Ponce Municipio	4	6,338,485	1	872,813	6	12,778,886	2	5,556,000			1	1,200,000
San Juan Municipio	7	11,083,973	2	1,885,350	10	22,098,608	2	3,934,400			4	2,996,275
Toa Baja Municipio	1	934,920	1	596,338	1	2,969,233	1	2,601,500			3	9,538,224
-Trujillo Alto Municipio												
State totals	37	57,296,856	6	4,994,501	45	81,841,111	16	21,386,072			27	38,803,728
<u>Virgin Islands</u>												
							1	5,405,233			3	1,799,000
SUBTOTALS	1,035	\$2,186,987,720	207	\$389,934,188	990	\$2,505,014,562	285	\$468,328,827	3	\$1,935,000	333	\$728,666,380

TOTALS from 1978 through September 1984

-Amount of awards	\$2,655,316,547
-Amount of terminations	391,869,188
-Amount of proposed projects not funded	3,233,680,942

OBJECTIVES, SCOPE, AND METHODOLOGY

On September 20, 1984, you requested that we undertake a follow-up review of our March 5, 1984, report on the UDAG Program. You asked us to determine the results realized from additional projects and review HUD's response to our recommendations. In an October 22, 1984, meeting with your office, however, it was agreed that we would defer the follow-up work until after we had reviewed the UDAG application selection system, since the system was expected to be legislatively addressed in early 1985. We were requested to review the selection system's effect on metropolitan communities' participation and analyze the funding changes that would occur based on alternatives to this system. In addition, your office asked for information on whether housing applications were disadvantaged under the selection system. Also, information was requested on the eligibility criteria for communities with pockets of poverty and how applications from these communities were selected under the new system.

We reviewed applicable legislation, records of congressional discussions of the selection system, HUD regulations and policy documents, and analyses of the selection system prepared by HUD. We discussed the UDAG selection process with HUD headquarters officials and obtained the views of city officials primarily through discussions and attendance at an October 18-19, 1984, national UDAG conference where project selection was a focal point of discussion. Our work was performed primarily at HUD headquarters in Washington, D.C.

To obtain information on the selection system's effect on applications, we reviewed metropolitan communities' applications actually considered for funding by HUD in the March, June, and September 1984 funding rounds. This provided us with a project data base of 372 applications, which was used to (1) determine the minimum number of points needed for funding in a round (2) compare locality and project scores for funded and unfunded applications, and (3) analyze alternatives to the present point allocation system. We did not examine whether the system discouraged communities from applying.

While recognizing that there are an infinite number of selection system alternatives, we selected three alternatives primarily based on discussions with HUD headquarters and city officials, and congressional staff members dealing with the UDAG Program. Two of the alternatives are similar in that they involve point adjustments for the three criteria for project selection--impaction, distress, and project factors. Both alternatives increase the weight of project factors from 30 to 50 points. The third alternative differs in that the HUD-assigned weights are used, but to increase the number of participating communities awarded grants, multiple awards to the

same communities have been decreased. The procedure followed throughout our analysis of the alternatives was not to exceed the funds available in a round with the assumption that any excess funds would be carried over to the next round, and any carryover of \$1.5 million or less would not materially affect the analysis. The alternatives are discussed in detail in appendix III.

Finally, we reviewed metropolitan communities' UDAG funding based on data from HUD's UDAG information system. The analysis includes the 413 currently eligible metropolitan communities, previously eligible metropolitan communities, and metropolitan communities that have participated through pockets of poverty eligibility. In reviewing applications from these communities, we recognized in our schedules applications that were not funded. These applications could either be (1) withdrawn by a community before being approved by HUD for funding or (2) judged by HUD as not meeting threshold requirements. Also, we listed approved applications that were terminated and funds deobligated.

We performed our review in accordance with generally accepted government auditing standards with the exception of obtaining official agency comments. As requested by your office, we waived this requirement. Our audit work was conducted between October 1984 and January 1985.

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