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

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RESOURCES AND ECONOMIC
DEVELOPMENT DIVISION

B-171500



The Honorable
The Secretary of Housing and ²³
Urban Development

Dear Mr. Secretary:

The General Accounting Office made a survey of the Department of Housing and Urban Development's (HUD) Planned Variations demonstration to evaluate the progress and problems being experienced by three selected cities in implementing the demonstration.

Our survey was performed in Norfolk, Virginia; Waco, Texas; and Seattle, Washington. We selected these cities for survey on the basis of their size, geographical location, and the large amounts of funds allocated to them for the demonstration. We visited also the HUD regional offices in Philadelphia, Pennsylvania; and Seattle, Washington; and the HUD area offices in Richmond, Virginia; Dallas, Texas; and Seattle, Washington.

On the basis of our survey work, we have reservations whether cities will be prepared for the greater responsibilities which they would be given in solving urban problems under the revenue sharing approach to urban community development--such as, under the proposed Better Communities Act now pending before the Congress. Details of our observations are presented below.

PLANNED VARIATIONS DEMONSTRATION

The Planned Variations demonstration, initiated by the President in July 1971, covered 20 cities which had Model Cities Programs. The demonstration was designated for a 2-year period and was designed to demonstrate the feasibility of urban community development special revenue sharing, within existing legislation. The specific objectives of the demonstration were to (1) enable cities to improve their coordination of Federal funds in solving critical urban problems, (2) increase cities' abilities to set local priorities, and (3) reduce paperwork and overcome delay in the existing Federal categorical grant system.

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In order to achieve these objectives, three basic variations were instituted under the demonstration:

1. Chief Executive Review and Comment (CERC) Variation

The local chief executive, representing the local general purpose government, was given the opportunity to review and comment on all applications for Federal assistance affecting his community. This variation was intended to strengthen the local chief executive's ability to coordinate programs at the local level.

2. City-wide Variation

Additional Model Cities supplemental funds were granted to the city, for the purpose of expanding the Model Cities Program to cover all, or a large portion of, deteriorated areas of the city.

3. Minimization of Review Variation

HUD and other Federal agencies were to take steps to waive, or at least minimize, their administrative requirements imposed on grant-in-aid recipients.

Sixteen of the 20 cities in the demonstration, including the three cities covered in our survey, were selected by HUD to participate in all three variations. The remaining four cities were selected to participate only in the CERC variation. HUD allocated about \$160 million for the demonstration, which was in addition to the regular Model Cities funding of about \$137 million for the 20 participating cities during the 2-year period. The amounts received, or expected to be received, by each of the surveyed cities during the 2-year period are as follows:

	Planned Variations <u>Funds</u>	Model Cities <u>Funds</u>
	(millions)	
Norfolk	\$16.0	\$ 9.0
Waco	9.2	5.3
Seattle	10.4	10.4

We found that the three cities experienced varying degrees of success in implementing the variations. For example, Waco implemented its

CERC system in March 1972 and Seattle did not establish its CERC system until February 1973, or about 1-1/2 years after it implemented the Planned Variations demonstration. Norfolk, on the other hand, did not have a fully operational system at the time we completed our survey in March 1973. Norfolk's CERC system was only partly operational, in that not all applications for Federal funds were being evaluated because of manpower shortages in the city organization responsible for CERC. Planned Variations funds were available to hire enough staff, but the city chose to spend almost all the money on expanding the Model Cities projects.

The City-wide variation was implemented without any particular problems in each of the three survey cities. Geographical expansion of the Model Cities area, to cover other deteriorated areas of the city, is one aspect of this variation. Other aspects are expansion of the citizens' participation structure; expansion of Model Cities projects; and development of new projects. Each of the three cities developed its own approaches to implementing this variation and all approaches appeared to have been successful.

The cities, however, differed in the degree of development of a comprehensive plan containing city-wide goals, objectives, and priorities. Such a plan is necessary to assure that planned projects will address the cities' priority needs in the most effective manner.

Of the three cities, Waco had a comprehensive city-wide plan at the time it began its Planned Variations demonstration. In our opinion this contributed to the establishment of Waco's CERC system at a much earlier date than the other two cities because Waco had a plan against which it could evaluate individual grant applications. Norfolk's comprehensive plan had just been drafted and was being reviewed by the city manager, and Seattle did not have a comprehensive plan but had established an Office of Executive Policy in the Office of the Mayor which was developing a process for city-wide planning at the time we completed our survey.

Under the Minimization of Review variation, HUD and other Federal agencies were to waive, or at least minimize, their administrative requirements relating to grant-in-aid applications. Seattle had requested a number of waivers of HUD's requirements, but Norfolk and Waco had requested waivers in only a couple of instances. Officials in Norfolk and Waco said that they did not object to the Federal requirements. Seattle officials expressed some disappointment at the number of waivers which HUD denied and the length of time it took HUD to make a decision on some waiver requests. They stated, however, that those waivers which had been granted had resulted in savings in time and effort.

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We believe that one of the most important points of the Planned Variations demonstration is the need for cities to develop comprehensive plans, which include strategies for resource allocations to meet priority needs, and which assure that both Federal and local funds are used effectively in concert with such plans. The cities covered by our survey have either developed or have taken steps toward the development of such plans.

We are concerned, however, with the length of time it has taken two of the three cities to develop their comprehensive plans. At the time we completed our survey, which was 19 months after the start of their participation in the demonstration, Norfolk's draft plan was just being reviewed by the city manager and Seattle was only developing a process for city-wide planning.

The lack of progress in this area was not only limited to the cities included in our survey. We noted in HUD's report of October 1972, covering its survey of the first year activities of all 20 cities in the Planned Variations demonstration, that:

- Most cities participating in the demonstration relied on existing plans and strategies when rating the responsiveness of local applications for Federal funds to community problems.
- None of the Planned Variations cities had developed a city-wide strategy or comprehensive plan for allocating resources, and 11 of the 20 cities had not even started to develop their strategy or plan.
- None of the cities were utilizing the Planned Variations demonstration to review or influence the budgets of local independent agencies such as urban renewal or public housing, which plan and budget programs impacting on the locality.

The lack of progress by most of the cities to develop comprehensive plans is contrary to the basic intent of the Planned Variations demonstration as expressed by the President when he announced the demonstration on July 29, 1971. The President pointed out that 20 cities would receive funds to build up their planning and management capability so as to identify the priority needs of the community and to develop local comprehensive plans which would include strategies for resource allocations to meet priority needs and which would assure that both Federal and local funds are used effectively in concert with these plans.

Because cities participating in the Planned Variations demonstration are experiencing limited progress in developing city-wide plans, we question whether other cities, which have not participated in this demonstration or in the Model Cities Program, will have the ability to establish, within a reasonable period of time, their comprehensive plans. Accordingly, we have reservations whether local governments will be prepared for the greater responsibilities which they would be given in solving urban problems under the revenue sharing approach to urban community development. Under this approach, we understand that HUD estimates that about 1,300 local governments would be recipients of about \$2 billion of the \$2.3 billion expected to be appropriated during the first year under the community development special revenue sharing program.

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We appreciate the cooperation given to our representatives during this survey. We would be pleased to discuss with you or members of your staff the matters discussed in this report and would appreciate receiving your comments on those matters.

Copies of this report are being sent to your Inspector General and to the Assistant Secretary for Community Planning and Development. Copies are also being sent to the House and Senate Committees on Appropriations and Government Operations, the House Committee on Banking and Currency, and the Senate Committee on Banking, Housing, and Urban Affairs. ³⁰⁻₁₅₀₀ H0700

Sincerely yours,



Henry Eschwege
Director