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# REPORT OF THE COMPTROLLER GENERAL OF THE UNITED STATES

## Meeting Application And Review Requirements For Block Grants Under Title I Of The Housing And Community Development Act Of 1974

### Department of Housing and Urban Development

Problems experienced by 23 communities in preparing, and by the Department in reviewing, community development block grant applications during the first program year are discussed in this report. The problems concern insufficient information in the applications and the lack of criteria to help the Department to determine whether the proposed community development and housing programs have been developed to benefit low- and moderate-income families. GAO is making recommendations aimed at solving these problems.

Subcommittee guidance is needed to clarify the extent to which, and under what circumstances, federally assisted new housing can be located in areas having high concentrations of low-income persons, minority populations, and publicly assisted housing and still comply with the act's objective of promoting greater choices of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons.

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JUNE 23, 1976



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-171630

The Honorable John Sparkman, Chairman  
Subcommittee on Housing and Urban Affairs  
Committee on Banking, Housing and Urban  
Affairs  
United States Senate

Dear Mr. Chairman:

This report presents the results of our review of certain aspects of the community development block grant program made pursuant to your request.

As instructed by your office, we did not give Department of Housing and Urban Development officials an opportunity to formally review and provide written comments on this report. We have, however, provided copies of this report to officials of the Department and have included their informal comments where appropriate.

As agreed with your office, copies of this report are being sent to the Secretary of Housing and Urban Development; the Director, Office of Management and Budget; and various Committees of the Congress that would be interested in the report.

Sincerely yours

A handwritten signature in black ink, appearing to read "Thomas R. Atwell".

Comptroller General  
of the United States

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#### ABBREVIATIONS

HAP	housing assistance plan
HUD	Department of Housing and Urban Development
GAO	General Accounting Office
SMSA	Standard Metropolitan Statistical Area

REPORT OF THE  
COMPTROLLER GENERAL  
OF THE UNITED STATES

MEETING APPLICATION AND REVIEW  
REQUIREMENTS FOR BLOCK GRANTS  
UNDER TITLE I OF THE HOUSING  
AND COMMUNITY DEVELOPMENT ACT  
OF 1974

Department of Housing and Urban  
Development

D I G E S T

GAO was requested to examine problems that had emerged and the progress that had been achieved by communities and by the Department of Housing and Urban Development in meeting the application and review requirements of the Housing and Community Development Act of 1974. For the first program year, the Department approved 1,321 applications for about \$2.1 billion.

GAO evaluated the Department's review of 23 communities' applications for block grant funds under the act. The 23 communities, located in New York, Texas, Louisiana, and California, received \$231.7 million in community development funds.

GAO identified many problems experienced by the Department and the 23 communities in implementing the provisions of the act of 1974. Some problems were of a technical or procedural nature and could easily be corrected. Others, however, are substantive, and corrective action is essential for successfully carrying out the program.

Although 1975 was the first program year and the Department and community officials anticipate improvements in subsequent years, decisive action at the earliest opportunity provides the greatest potential for increasing program effectiveness.

The act requires each applicant to certify, to the satisfaction of the Secretary of Housing and Urban Development, that its Community Development Program has been developed so as to give maximum feasible priority to activities benefiting low- or moderate-income families or aiding in preventing or eliminating slums or blight.

The Department, however, had not issued instructions to applicants or to its personnel defining the term "maximum feasible priority," nor had it established criteria for determining whether community programs met the maximum feasible priority requirement. (See p. 6.)

Department area offices generally accepted applicants' certifications without determining whether maximum feasible priority was being given to activities which would benefit low- or moderate-income families or aid in preventing or eliminating slums or blight. Where the maximum feasible priority requirement was considered, Department reviews were cursory and inconsistent.

Although Department officials indicated that they would evaluate applicants' compliance with the maximum feasible priority requirement during their postapplication monitoring of the applicants' programs, as of May 7, 1976, the Department had not issued any instructions on the method to be used in determining compliance with the maximum feasible priority certification.

Despite the lack of recognized criteria, GAO analyzed 23 applications representing \$231.7 million and found that:

- About \$128.5 million, or 55.5 percent, of the funds were planned for activities which appeared to be directly related to the benefit of low- and moderate-income families.
- About \$33.9 million, or 14.6 percent, of the funds were set aside for planning, administration, and contingencies or unspecified local options.
- About \$3.8 million, or 1.7 percent, of the funds were planned for activities which were approved on an urgent-needs basis and which were not directed to lower income census tracts.
- The remaining \$65.5 million, or 28.2 percent, of the funds were planned for activities which could not be identified as being

located in lower income census tracts. (See p. 13.)

Of the 23 applications examined, we identified information deficiencies in 8 of them. The deficiencies related either to certification or identification of urgent-needs activities, or to completion of housing assistance plan form requirements. (See p. 21.)

In addition, information in 10 housing assistance plans was inadequate for the Department to determine whether the proposed housing program was sufficiently directed toward achieving the legislative objective of avoiding undue concentrations of assisted housing in areas containing a high proportion of low-income persons.

The proposed housing programs of three additional applicants which planned to locate all or nearly all their newly constructed units in lower income census tracts did not, in GAO's opinion, further the legislative objective of avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons.

GAO noted other problems which may diminish the effectiveness of housing assistance plans. Applicants had difficulty in preparing accurate housing assistance plans because of inconsistent definitions and the lack of current and complete data for determining the conditions of their housing stock, housing needs of low- and moderate-income persons, and housing goals and strategies.

GAO believes that many of the housing goals in the plans may be unrealistic because of heavy reliance by applicants on the Department's section 8 Lower Income Housing Assistance Program which has not been very successful in providing newly constructed housing.

Both the Department and the applicants inadequately considered the housing assistance needs of low- and moderate-income households "expected to reside" in the community. Although the Department has issued revised regulations to rectify the problem of second-year applications, it is extremely difficult to compute accurate estimates of households that could be expected to reside in a community if suitable housing were available.

Department headquarters officials, in commenting on this report, agreed with GAO's proposals that criteria was needed for determining whether the maximum feasible priority requirement had been met; that emphasis should be directed toward identifying deficiencies of the type GAO found; that guidance should be issued for determining urgently needed activities; that applications should be disapproved when there are minimal housing goals; and that housing assistance plans should be amended when there are deficiencies in information. The officials did not agree with GAO's proposals that applicants' compliance with the maximum feasible requirement should be determined during application review and that housing assistance plans should more specifically identify the locations of assisted new housing construction. Their comments on GAO's findings and proposals for corrective action and GAO's evaluation of the comments have been incorporated in the report. (See pp. 19, 27, and 32.)

#### RECOMMENDATIONS

GAO is recommending that the Secretary of Housing and Urban Development

- define and develop quantitative criteria for determining maximum feasible priority to be used by communities in preparing their Community Development Programs and by Department area offices in evaluating and monitoring the programs;
- determine, during application review, whether an applicant's program meets the maximum feasible priority criteria (see p. 20);
- require that emphasis be directed, during the monitoring process, toward identifying application deficiencies of the type identified in this report;
- disapprove applications when minimal housing goals are plainly inappropriate to meet the needs and objectives identified by the applicant;



--require applicants to amend their housing assistance plans when there are deficiencies in information (see p. 28.); and

--require that the housing assistance plans identify proposed housing units by census tract, particularly construction of new housing (see p. 33.).

GAO is also recommending that the Secretary provide guidance to Department personnel for their use in reviewing applications. (See p. 28.)

MATTERS FOR CONSIDERATION BY  
THE SUBCOMMITTEE

Because some communities are planning to locate most or all their assisted new housing construction in lower income census tracts, the Subcommittee may wish to consider clarifying the extent to which, and under what circumstances, federally assisted new housing can be located in areas having high concentrations of low-income persons, minority populations, and publicly assisted housing and still comply with the act's objective of promoting greater choices of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons.

## CHAPTER 1

### INTRODUCTION

On June 13, 1975, the Chairman, Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing and Urban Affairs (see app. I), requested us to examine the problems that had emerged and the progress achieved by localities and by the Department of Housing and Urban Development (HUD) in meeting application and review requirements established by the Housing and Community Development Act of 1974, Public Law 93-383, dated August 22, 1974. The Chairman was particularly concerned with:

- Section 104(b)(2) which required the locality to certify to the satisfaction of the Secretary that maximum feasible priority was being given to activities that would benefit low- or moderate-income families (also referred to as lower income families) or aid in preventing or eliminating slums or blight.
- Section 104(c) which provided for approval of grants unless the applicant's needs and objectives were plainly inconsistent or its activities were plainly inappropriate or the application did not comply with title I of the act or with other applicable laws or proposed ineligible activities.
- Section 104(a)(4) which set forth certain requirements for the housing assistance plans submitted by localities and, in particular, the needs of persons "expected to reside" in the community.

Subsequently, his office also expressed concern over localities' complying with section 104(a)(6) dealing with citizens' participation requirements of the act.

The Housing and Community Development Act of 1974 is omnibus legislation, the provisions of which alter considerably Federal involvement in a wide range of housing and community development activities.

Title I of the act consolidated several prior categorical loan and grant programs for community development into a new, single program of community development block grants. It replaced:

1. Urban renewal and neighborhood development programs under title I of the Housing Act of 1949 (42 U.S.C. 1450).

2. Model Cities under title I of the Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3301).
3. Water and sewer facilities under section 702 of the Housing and Urban Development Act of 1965 (42 U.S.C. 3102).
4. Neighborhood facilities under section 703 of the Housing and Urban Development Act of 1965 (42 U.S.C. 3103).
5. Public facilities loans under title II of the Housing Amendments of 1955 (42 U.S.C. 1491).
6. Open space land under title VII of the Housing Act of 1961 (42 U.S.C. 1500).
7. Rehabilitation loans under section 312 of the Housing Act of 1964, except that such loans may be made under authority of section 312 of the Housing Act of 1964, as amended (42 U.S.C. 1452b), until August 22, 1976.

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

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

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

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

"(4) the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for

sound community development and for the development of viable urban communities;

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

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

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

The act provides \$8.4 billion in contract authority for 3 years, with annual disbursement limitations of \$2.5 billion in fiscal year 1975, \$2.95 billion in fiscal year 1976, and \$2.95 billion in fiscal year 1977. The act also requires the Secretary of Housing and Urban Development to submit to the Congress prompt requests for additional authorizations for fiscal years 1978-80. For fiscal year 1975, the Congress appropriated about \$2.2 billion; to the uncommitted balances, as of January 1, 1975, of funds appropriated in fiscal year 1975 for the Urban Renewal program and Model Cities Program were about \$319 million.

Cities over 50,000 in population and urban counties over 200,000 in population are entitled to grants determined by a formula based on population, extent of housing overcrowding, and extent of poverty. Communities which participated in HUD's former community development programs during fiscal years 1968-72 may receive "hold harmless" grants rather than the basic amount computed by the entitlement formula. The hold-harmless grants are based on the average level of funding the communities received under previous HUD programs during the 5-year period. When formula funds exceed previous program levels, the community will be phased in to its full formula level over a 3-year period. Communities receiving a level of funding, under the previous programs, higher than the formula amount will continue to receive this higher level during the first 3 years, and the excess over the formula will be phased out by thirds. This phasing process is designed to provide funding to all communities on the formula basis by fiscal year 1980.

In September 1974 HUD published application and review regulations in the Federal Register for comment, and in November 1974 it published final regulations and issued instructions to its field offices. HUD provided 2-1/2 days of orientation for 4,000 local HUD officials.

The headquarters office delegated to HUD regional and area offices the authority for devising and carrying out an application review process. The headquarters office also delegated to the area offices the authority for approving a community's application, but it retained the authority for disapproving an application. Basically the guidelines developed by the regional offices we visited suggested that reviews be made by various subcomponents of HUD area offices, such as program management, equal opportunity, housing production and mortgage credit, housing management, and economic and market analysis. The guidelines also included several other optional reviews, such as legal, financial, relocation, and environmental.

For the first program year, HUD approved 1,321 applications for about \$2.1 billion. Of this \$2.1 billion, 76 percent, or about \$1.6 billion, was unconditionally approved as of December 31, 1975. Generally the grants are conditionally approved subject to receiving the applicants' certifications that their activities are in compliance with the National Environmental Policy Act of 1969. HUD averaged 49 calendar days in processing each of the 1,321 applications.

HUD area and regional offices recommended to headquarters that six applications be disapproved; HUD ultimately disapproved three of the applications. Appendix II discusses these applications.

Our review did not include an evaluation of applications for discretionary funds. Such funds are awarded to applicants at the Secretary's discretion rather than on the basis of the legislative formula, and they represent less than 13 percent of the funds appropriated for the program.

#### SCOPE OF REVIEW

We made our review at HUD's headquarters in Washington, D.C.; its regional offices in New York City, Dallas, and San Francisco; and its area offices in New York City, Buffalo, Dallas, New Orleans, and Los Angeles. We reviewed HUD's pertinent policies, procedures, and reports and records relating to 23 applications maintained at area offices. The 23 communities were judgmentally selected to provide a cross-representation of community size--large, medium, and small, including urban counties--and geographic location. The 23 community applicants are listed on page 8.

We also visited 11 of the 23 communities and reviewed documents supporting the data included in their applications and identified the public participation involved in formulating the applications. The communities visited were Nassau County, Tonawanda, and White Plains, New York; Lancaster and Waco, Texas; New Orleans and Shreveport, Louisiana; and Anaheim, Los Angeles, Pasadena, and the county of Los Angeles, California.

We held discussions with Federal and community officials to obtain their comments on emerging problems in carrying out the community development block grant program.

We provided HUD headquarters officials with a preliminary copy of this report, and their informal comments have been incorporated in the report.

## CHAPTER 2

### NEED FOR CRITERIA FOR USE IN PREPARING AND EVALUATING

#### MAXIMUM FEASIBLE PRIORITY CERTIFICATIONS

Section 104(b)(2) of the act requires each applicant to certify, to the satisfaction of the Secretary, that its Community Development Program has been developed so as to give maximum feasible priority to activities benefiting low- or moderate-income families or aiding in preventing or eliminating slums or blight. HUD, however, had not issued to program applicants or to its personnel instructions defining the term "maximum feasible priority", nor had it established criteria which could be applied in determining whether community programs met the maximum feasible priority requirement.

Some applicants applied their own interpretations to the certification, whereas other applicants did not know what the certification meant. HUD area offices included in our review generally accepted the applicants' certifications without determining whether maximum feasible priority was given to activities which would benefit low- or moderate-income families or would aid in preventing or eliminating slums or blight. Where the maximum feasible priority requirement was considered, the reviews were cursory and inconsistent. Although HUD officials indicated that they would evaluate applicants' compliance with the maximum feasible priority requirement during their monitoring of the applicants' programs, as of May 7, 1976, HUD had not issued any instructions on the method to be used in determining compliance with the maximum feasible priority certification.

Despite the lack of recognized criteria for determining whether Community Development Programs gave maximum feasible priority to activities which will benefit low- or moderate-income families, we analyzed 23 applications representing \$231.7 million and found that:

- \$45.7 million (19.7 percent) of the community development activities were planned for low- and moderate-income census tracts. (Census tracts with median-family incomes of 80 percent or less than the median-family incomes of their respective Standard Metropolitan Statistical Areas (SMSAs)).
- \$82.8 million (35.8 percent) represented planned activities of the Model Cities Program and the Urban Renewal program which were continuations of activities approved under those programs before the enactment of

the 1974 act. These activities, because of the nature of the Model Cities Program and the Urban Renewal program, would also appear to be benefiting low- and moderate-income persons.

--\$33.9 million represented amounts set aside in the applications for planning (4.2 percent), administration (8.5 percent), and contingencies or unspecified local options (1.9 percent). These amounts were not directed toward identified census tracts.

--\$3.8 million (1.7 percent) represented activities which were approved on the basis of communities' certifications that the activities were urgently needed. These activities were directed to census tracts with incomes above 80 percent of the SMSA median.

--The remaining \$65.5 million (28.2 percent) were for activities directed to (1) census tracts with median-family incomes above the 80-percent SMSA median, (2) clusters of census tracts with median-family incomes both above and below the 80-percent SMSA median and (3) citywide projects.

Section 104(b)(2) of the act states that the Secretary may also approve an application describing activities which the applicant certifies and which the Secretary determines are designed to meet other community development needs having a particular urgency as specifically described in the application.

#### CERTIFICATIONS MADE BY APPLICANTS

The 23 communities included in our review made the following certifications on their applications.

--Ten applicants certified only that their Community Development Programs gave maximum feasible priority to activities which would benefit low- or moderate-income families or aid in preventing or eliminating slums or blight.

--Two applicants certified their Community Development Programs solely on the basis that they contained activities designed to meet other community development needs having a particular urgency.

--Ten applicants included both of the above certifications on their application.



--One applicant failed to include any certification.  
(See p. 22.)

The following schedule lists the applicants and applicable certifications.

Maximum feasible priority:

Buffalo  
Elmira, N.Y.  
Rochester, N.Y.  
White Plains  
Nassau County  
Los Angeles  
San Bernardino, Calif.  
Pasadena  
Baton Rouge, La.  
Shreveport

Urgent needs:

Lancaster  
Tarrant County, Tex.

Both of the above:

Anaheim  
Inglewood, Calif.  
Los Angeles County  
Oxnard, Calif.  
Lubbock, Tex.  
Waco  
White Settlement, Tex.  
New York, New York  
Tonawanda  
New Orleans

None of the above:

Long Beach, Calif.

NO CRITERIA ESTABLISHED FOR MEASURING  
MAXIMUM FEASIBLE PRIORITY

Neither the act nor HUD regulations provide any criteria or standards to determine whether Community Development Programs have been developed to give maximum feasible priority to activities benefiting low- or moderate-income families or aiding in preventing or eliminating slums or blight.

The Compilation of the Housing and Community Development Act of 1974 report by the Subcommittee on Housing, Committee on Banking and Currency, House of Representatives, published in October 1974, shows that the Senate bill included a provision prohibiting an applicant from using more than 20

percent of its community development funds for activities which did not directly and significantly benefit low- or moderate-income families or blighted areas. The 20-percent limitation was not enacted into law. The conference report on the act shows that, in place of the Senate provision, a requirement was included in section 104 (b)(2) of the act. Each applicant is to certify, to the Secretary's satisfaction, that its Community Development Program has been developed so as to give maximum feasible priority to activities benefiting low- and moderate-income families or aid in preventing or eliminating slums or blight.

HUD published the requirement in the Federal Register dated November 13, 1974, as provided for in the act without defining the phrase "maximum feasible priority."

The Chairman of the Subcommittee on HUD-Space-Science-Veterans, Senate Committee on Appropriations, on January 16, 1975, wrote to the Secretary of HUD requesting to be advised of (1) the steps HUD had taken to inform staff members and recipients that community development applications submitted for funding must show a priority for activities benefiting lower income groups or renewing deteriorated areas of the city and (2) the procedure HUD will follow to monitor the extent to which grant recipients are living up to low- or moderate-income requirements.

In his reply of February 24, 1975, the Under Secretary said that the applicants' Community Development Programs outlined proposed activities as they related to the stated objectives and indicated locations by census tracts. He noted that various components of the application addressed the issue of maximum feasible priority to activities which would benefit low- and moderate-income families or aid in preventing or eliminating slums or blight. The Under Secretary stated that item 15 of HUD's funding approval document contained a specific finding by the Secretary that a proposed program had been developed so as to give maximum feasible priority to activities benefiting low- and moderate-income families or aiding in preventing or eliminating slums or blight, and that the activities described in the application meet other community development needs having a particular urgency.

The Under Secretary said that such determinations had been made on the basis of the data and assurances in the application reviewed in the light of HUD's knowledge of various localities and consideration of generally available data reflecting local conditions. He said also that HUD's monitoring system, when developed, would include compliance monitoring to insure that the program conforms to the

standards required by the law and regulations, including those regarding maximum feasible priority.

#### Maximum feasible priority reviews

The reviews referred to by the Under Secretary were not generally made by the HUD area offices included in our review. Item 15(a) of the HUD fund approval document merely indicates that the applicant has certified that its Community Development Program has been developed so as to give maximum feasible priority to activities benefiting low- or moderate-income families or aiding in preventing or eliminating slums or blight.

Program representatives in the Los Angeles, New York, and Buffalo Area Offices with responsibility for determining whether applicants' made the proper certifications told us they accepted the applicants' certifications without reviewing the applications in terms of maximum feasible priority. For example, the New York Area Office Director instructed his staff to accept the communities' assurances in this regard.

Dallas and New Orleans Area Office program representatives responsible for determining whether applicants made proper certifications told us that they did review the application in terms of maximum feasible priority. The New Orleans representative said that he would not disapprove an activity unless it obviously was for the benefit of high-income persons and it was not necessary to meet an urgent community need. He said that he had not disapproved any activities for this reason. The Dallas representative said that he had made an analysis of projects and project locations to determine whether the activity would benefit lower income families. He said that at least 51 percent of the funds must be planned for lower income census tracts. Neither the Dallas nor the New Orleans representative had any record of their maximum feasible priority tests and reviews.

We queried 20 Federal and local community officials for their interpretations of the certification in terms of maximum feasible priority as used in the community development block grant applications. These officials were located in the headquarters office, 3 HUD regional offices, 5 area offices, and 11 communities. Their comments follow.

--Ten told us that the term had not been defined, was not definable, had little concrete meaning, or had no meaning at all.

- Three said that all activities should benefit low- or moderate-income families or aid in preventing or eliminating slums or blight.
- Two commented that 51 percent of the funds must benefit lower income census tracts or aid in preventing or eliminating slums or blight.
- Two told us that whatever was of the highest priority to its citizens was "maximum feasible priority."
- One stated that first consideration, but not necessarily highest priority, must be given to activities which would benefit lower income families or aid in preventing or eliminating slums or blight.
- One commented that housing must be used as maximum priority in eliminating substandard housing in blighted areas.
- One told us that the highest priority possible must be given to a project or activity which was directed at eliminating poverty or blight.

The Under Secretary indicated that HUD's monitoring system, when developed, would include compliance monitoring to insure that the program conforms to the standards required by the law and regulations, including those regarding maximum feasible priority. HUD headquarters officials told us further that applicants' compliance with the maximum feasible priority certification would be determined through audits of applicants' programs and HUD's monitoring system.

HUD's monitoring handbook, however, issued in November 1975, did not provide any criteria for determining compliance with the maximum feasible priority requirement. As of May 7, 1976, HUD had not defined maximum feasible priority, nor had it established a policy concerning actions or sanctions to be considered or applied if an applicant was found not in compliance with its certification. The handbook was to be used as a guide by regional offices which were expected to develop the more detailed processes needed for monitoring of the program.

The San Francisco Regional Office, for example, prepared instructions to be used by personnel in their region for monitoring of applicants' programs. These instructions, which were submitted to HUD headquarters for review, limits the monitoring activity regarding maximum feasible priority to the following questions.

"Do the activities provide maximum feasible benefit to low- and moderate-income families or aid in the prevention or elimination of slums or blight? If not, do the activities meet urgent community development needs?"

The instruction does not identify the criteria or method to be used by reviewers to determine whether community activities are in compliance with the maximum feasible priority certification.

One Los Angeles Area Office ~~program~~ representative said that he didn't know how to evaluate the validity of this certification, whether the determination should be made on the basis of an applicant's program for 1 year or for several years, and whether activities should directly or indirectly benefit low- or moderate-income families. This official believed that some activities which benefited the community as a whole indirectly benefited all citizens in that community.

Furthermore, it appears that communities' compliance with the maximum feasible priority requirement may not be evaluated. In commenting on San Francisco's monitoring handbook, HUD headquarters, on December 2, 1975, said that the questions regarding maximum feasible priority to low- and moderate-income families are ones which had been addressed in the original review of the program and the determinations regarding these factors were included in the funding approval. Headquarters said that a maximum feasible priority determination should be made only if changes were made in a community's program. The handbook had not been approved as of April 9, 1976.

As discussed earlier HUD's fund approval document merely indicates the applicant has certified that its community development program has been developed to give maximum feasible priority and does not constitute a finding based on review that the applicant's program gives maximum feasible priority. In addition, HUD area offices included in our review generally accepted applicants' certifications without reviewing the applications in terms of maximum feasible priority. Therefore, it appears that the only time HUD plans to review an applicant's program in terms of maximum feasible priority is when changes are made in a community's program.

We believe that HUD needs to define and develop quantitative criteria for determining maximum feasible priority to be used by communities in preparing their Community Development Programs and by HUD personnel in evaluating and monitoring applicants' programs.

ANALYSIS OF APPLICANTS'  
COMMUNITY DEVELOPMENT PROGRAMS

Because of the Subcommittee's interest in determining whether applicants' Programs were benefiting low- or moderate-income families, we analyzed 23 applications accounting for \$231.7 million and identified the extent of funding according to the following categories and assumptions.

Funding which appeared to be benefiting  
low- and moderate-income families

About \$128.5 million, or 55.5 percent, of the application funds were planned for activities which appeared to be directly related to the benefit of low- and moderate-income families.

About \$45.7 million (19.7 percent of the total funding) of the \$128.5 million was planned for activities to be located in census tracts with median-family incomes of 80 percent or less of the average median-family income for the SMSA, as represented in Bureau of the Census, Department of Commerce, reports for 1970. HUD regulations define "low- or moderate-income families" as those having incomes not exceeding 80 percent of the average SMSA median-family income of the area. Also included were activities to be located in areas having both low- and/or moderate-income-census tracts and high-income-census tracts (mixed clusters) when the number of low- and/or moderate-income tracts comprised 80 percent or more of the total number of tracts, because we assumed these activities would benefit low- and moderate-income families. One activity included in the \$45.7 million total was approved on the basis of the applicant's urgent-needs certification.

About \$82.8 million (35.8 percent of the total funds) of the \$128.5 million represented planned activities of the Model Cities Program and the Urban Renewal program which were continuations of activities approved under those programs before enactment of the 1974 act. Model Cities Programs, to be eligible for assistance, had to provide educational, health, and social services necessary to serve the poor and disadvantaged. Urban Renewal programs were designed to eliminate and prevent the developing or spreading of slums and blight, and, where housing was involved in a project, many units had to serve the poor and the disadvantaged living in the project area. We therefore concluded that these activities would also appear to be benefiting low- and moderate-income persons.

The percentage of funding for each application which appeared to be benefiting low- and moderate-income families varied from a low of zero for four applicants to a high of 89.2 percent for one applicant. Lancaster, White Settlement, Tarrant County, and Nassau County did not have any low- and/or moderate-income census tracts in their communities or any ongoing Model Cities and Urban Renewal projects. Even though a community does not have any low- and/or moderate-income census tracts, its activities may benefit low- and moderate-income families living in the community. About 89.2 percent of Long Beach's application funds was planned for continuing an Urban Renewal project.

Tonawanda was the only other applicant of the 23 reviewed which did not have any low- and/or moderate-income census tracts in its community. Tonawanda identified 25.6 percent of its application total for continuing an Urban Renewal project.

Appendix III shows the funding levels which appear to be benefiting low- and moderate-income families in each of the 23 communities.

Funding for planning, administration, and contingencies or unspecified options

About \$33.9 million of the total for the 23 communities represents amounts set aside in the applications for planning, administration, and contingencies or unspecified local options as follows:

Planning--\$9.6 million representing 4.2 percent of total funds.

Administration--\$19.8 million representing 8.5 percent of total funds.

Contingencies or unspecified local options--\$4.5 million representing 1.9 percent of total funds.

The above amounts are not directed toward identified census tracts.

Sections 105(a)(12) and (13) of the act allow applicants to include planning and reasonable administrative costs in each application.

Of the 23 communities, Anaheim and Buffalo proposed the highest rates, 20.8 and 16.0 percent, respectively, of their funds for planning activities. Six communities did not identify any planning activities. Buffalo and New York City

proposed the highest rates, 14.1 and 14.3 percent, respectively, for administrative activities. Buffalo's total for the two categories amounted to 30.1 percent of its entitlement. Six communities did not identify any administrative costs.

Section 104(b)(1) allows no more than 10 percent of estimated costs of the applicant's program for unspecified local options or contingencies. None of the 23 applicants exceeded the 10-percent limitation for unspecified local options or contingencies.

Appendix IV identifies the funding levels for planning, administration, and contingencies for each of the 23 communities.

Funding for urgent needs not  
identified as being located in  
low- and/or moderate-income census tracts

About \$3.8 million, or 1.7 percent, of the total funds represented activities which were approved on the basis of the communities' certification that the activities were urgently needed, and the activities were not directed to census tracts with median family incomes of 80 percent or less of the average median-family income of the SMSA.

Nine applicants proposed urgently needed activities for census tracts which were not predominantly comprised of low- or moderate-income families. Of the nine applicants, Lancaster proposed the highest percentage of its funds for urgently needed activities--\$500,000, or 63.6 percent--for construction of a sanitary sewer. The other eight applicants proposed such activities as constructing a solid waste disposal system in New Orleans (\$776,000) and in Tarrant County (\$300,000); constructing a water reservoir (\$671,000) in Lubbock; constructing an elevator and appropriate ramps (\$250,000) to help handicapped persons to attend public hearings and designing playground facilities for handicapped persons (\$100,000) in New York City; upgrading of a water system for fire protection (\$357,000) in Los Angeles County; constructing and/or repairing streets (\$180,000) in Waco; and building a new comfort station (\$90,000) in Tonawanda.

Appendix V identifies the level of funding for urgently needed activities for the nine communities.



Funding for all other activities that could not be identified as being located in low- or moderate-income census tracts

The remaining \$65.5 million representing 28.2 percent of the total funds were for other activities that could not be identified as being located in low- and moderate-income census tracts. Although activities are not located in low- and moderate-income tracts, they may benefit low- or moderate-income families residing in those census tracts. These activities were directed to

- high-income census tracts only (median-family income in excess of 80 percent of the SMSA median),
- mixed clusters of high- and low- or moderate-income census tracts where the number of low- or moderate-income tracts were less than 80 percent of the total number of tracts, and
- communitywide projects.

All communities, except Shreveport and Long Beach, proposed some activities that were included in this category. These activities ranged from 1.1 percent for Rochester to 94.6 percent for White Settlement. Appendix VI identifies the level of funding for activities not identified to lower income census tracts in the 23 communities. A summary of the types of activities, amounts, and the related percentage to total entitlements of the 23 communities included in our review follows.

<u>Type of activity</u>	<u>Amount</u>	<u>Percent of total funds</u>
Acquisition of real property	\$ 3,074,000	1.3
Acquisition, construction, reconstruction, or installation of public works:		
Utilities, streets, and water and sewer facilities	11,167,849	4.8
Neighborhood facilities and senior service centers	4,689,250	2.0
Historic property preservation	132,750	0.1
Open space, recreation, beautification, and parks	3,772,028	1.6
Code enforcement	3,342,628	1.4
Clearance, demolition, removal, and rehabilitation of houses and buildings	35,822,899	15.5
Disposition of other real property	36,543	-

<u>Type of activity</u>	<u>Amount</u>	<u>Percent of total funds</u>
Public services:		
Crime prevention	\$447,500	
Transportation	435,418	
Child care	472,000	
Animal shelters and control	600,000	
Recreation	170,000	
Minority employment program	45,000	
Other social ser- vices, such as health, family practices, youth activities, educa- tional, etc.	<u>593,000</u>	
	\$ 2,762,918	1.2
Other:		
Removal of archi- tectural barriers for handicapped persons	\$170,000	
Development of policy planning programs	478,500	\$ <u>648,500</u>
		<u>0.3</u>
Total	<u>\$65,449,365</u>	<u>28.2</u>

Many of the above activities can be considered as aiding in preventing or eliminating slums and blight. The maximum feasible priority certification applies equally to activities which (1) benefit low- and moderate-income families or (2) aid in preventing or eliminating slums or blight. We did not attempt to determine whether activities located outside low- and moderate-income census tracts aided in preventing or eliminating slums or blight. Determining what constitutes blight, however, is very subjective. For example, one Los Angeles Area Office official stated that the animal shelter and animal control included in the above list (\$600,000) could be classified as eliminating blight because unsheltered dogs roaming the streets are a blight on the neighborhood.

## Analysis limitations

We recognize that the level of funding which we identified as benefiting low- or moderate-income families may (1) exclude activities located in high-income census tracts which may benefit low- or moderate-income families residing in those tracts and (2) include activities located in low- or moderate-income census tracts which may not necessarily benefit low- or moderate-income families. We believe, however, that this analysis, recognizing the lack of better criteria, does provide a reasonable identification, to the extent practicable under the circumstances, of those activities which appear to be benefiting low- or moderate-income families. Too much time and effort would have been required to identify specific recipients of the activities. Furthermore, for many activities, the recipients will not be known until funds are actually programmed by the community for expenditure or the funds are actually expended. As of February 29, 1976, only \$510.3 million, or 24 percent, of total entitlement funds had been disbursed.

In addition, our analysis is based on 1970 census data and there have been changes in population and demographic patterns since that census.

## CONCLUSIONS

The term "maximum feasible priority" has different meanings to different people depending upon a person's subjective interpretation of the phrase. The absence of specific, quantitative criteria from HUD as to how to define maximum feasible priority allowed community officials to use their own varying interpretations of the term. HUD officials generally accepted the applicants' certifications without review. Dallas and New Orleans Area Office officials did consider the maximum feasible priority requirement to some extent, but the reviews were cursory and inconsistent.

Although HUD indicates the applicants' compliance with the maximum feasible priority requirements will be evaluated through audit and monitoring, as of May 7, 1976, HUD had not issued any instructions on the method to be used in determining compliance with the maximum feasible priority certification. Furthermore, HUD headquarters' comments on San Francisco's monitoring handbook indicates that the only time an applicant's program will be reviewed in terms of maximum feasible priority will be when changes are made in its program. The headquarters position is based on the assumption that the determination was addressed during the original review of the program. Our review showed, however, that generally the maximum feasible priority determination was not made.

Despite the lack of recognized criteria, we analyzed 23 applications representing \$231.7 million and found that:

- About \$128.5 million, or 55.5 percent of the funds were planned for activities which appeared to be directly related to the benefit of low- and moderate-income families.
- About \$33.9 million, or 14.6 percent, of the funds were set aside for planning, administration and contingencies or unspecified local options.
- About \$3.8 million, or 1.7 percent, of the funds were planned for activities which were approved on an urgent-needs basis and not directed to lower income census tracts.
- The remaining \$65.5 million, or 28.2 percent, of the funds were planned for activities which could not be identified as being located in lower income census tracts.

In commenting on our report, HUD headquarters officials agreed that there was a need to define and develop criteria for determining whether the maximum feasible priority requirement had been met and that HUD would develop such criteria. They said however, that, although establishment of quantitative criteria was desirable, they believed it was not practicable to develop quantitative criteria that could be used on a nationwide basis without such criteria being unduly restrictive.

It appears to us that any criteria established by HUD must contain some quantitative elements to minimize the problems discussed in this report which resulted from the varying subjective interpretations of the term "maximum feasible priority." Quantitative criteria can be established as a general guide and need not be unduly restrictive. Applicants' programs not meeting the criteria could be provided the opportunity on a case-by-case basis, to justify their deviation from the general rule.

HUD headquarters officials did not agree that applicants' compliance with the maximum feasible priority requirement should be determined during review of the application. They stated that the act provided for applicants to certify that their programs did meet the maximum feasible priority requirement. They therefore believe the certification should be accepted unless there is reason not to--that is, unless the applicant's program is challenged by someone or HUD monitoring has disclosed problems.

The Secretary does not appear to be precluded from determining, during application review, whether the applicant's program has been developed so as to give maximum feasible priority to activities benefiting low- or moderate-income families or aiding in preventing or eliminating slums or blight. The Under Secretary's response to the Chairman of the Subcommittee on HUD-Space-Science-Veterans (see p. 9) indicated that such determinations were being made. HUD headquarters' comments on San Francisco's monitoring handbook (see p. 12) also indicates that such determinations are made during application review. We believe that HUD reviewers relying on readily available information and their knowledge of the communities could better insure that community development funds are planned for uses consistent with the objectives of the act by evaluating the applicants' programs during application review against HUD-established criteria.

#### RECOMMENDATIONS

We recommend that, to insure that an applicant's Community Development Program has been developed so as to give maximum feasible priority to activities benefiting low- or moderate-income families or aiding in preventing slums or blight, the Secretary of HUD

- define and develop criteria for determining maximum feasible priority to be used by communities in preparing their Community Development Programs and by area offices in evaluating and monitoring the programs and
- determine, during application review, whether an applicant's program meets the maximum feasible priority criteria.

## CHAPTER 3

### INFORMATION DEFICIENCIES IN COMMUNITY APPLICATIONS

Of the 23 applications included in our review, we identified information deficiencies in 8 of them. The deficiencies related either to certification or identification of urgent-needs activities or to completion of housing assistance plan (HAP) form requirements. Three applications each had two deficiencies. Seven of the applications had deficiencies of a procedural or technical nature, and four applications had deficiencies in their HAPs.

Some HUD officials said that applicants had difficulty in accurately completing HAP form requirements because of the short time in which they had to develop an approach to solving their housing problems. Other factors mitigating accurate completion of the applications included (1) the short 75-day period allowed by the act for HUD to consider an application, at which time it automatically becomes approved unless HUD has previously disapproved it, and (2) the fact that it was HUD's first review of applications under the new program.

Title I of the 1974 act has significantly changed the traditional grantor-grantee relationship. Previously, the burden of proof for funding an application rested with the grantee which had to justify why its application should be funded. The applicant is now legally entitled to a specific grant amount computed by formula, and the burden of proof for not funding an application rests with HUD which must justify why the application should be disapproved.

### PROCEDURAL OR TECHNICAL DEFECTS

Section 104(b)(2) of title I of the act provides that:

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

To implement this section, HUD designed an assurance form which provided for the applicants to certify to the maximum feasible priority requirement or the urgent needs requirement or both. HUD instructions also required the applicant to identify those projects which were designed to meet, pursuant to the applicant's certification, the other needs which were particularly urgent.

Of the 23 applications we reviewed, 1 application, Long Beach, did not contain any certification and 6 applications that included the certification relating to urgent-needs activities did not identify the activities.

As a result of our inquiry, a HUD official contacted Long Beach. The city manager provided a letter dated November 26, 1975, stating that the omission of the certification was inadvertent and that the city certified to both maximum feasible priority and urgent needs.

Of the six applications that had not identified the urgently needed activities, four--Waco, White Settlement, New York City, and Tonawanda--had certified to both maximum feasible priority and urgent needs; the other two, Lancaster and Tarrant County contained the urgent-needs certification.

Dallas Area Office officials told us that they had identified the communities' activities which were urgent in each application through discussions with community officials before approving the applications. However, they did not identify these activities in the application, nor were there any records made of the discussions.

Buffalo and New York Area Office officials contacted the applicant communities to identify the urgent-needs activities. The communities provided HUD with documents which identified these activities, but the applications were not appropriately revised.

Section 104(b)(2), while allowing an applicant to certify that activities are designed to meet needs having a particular urgency, would also appear to require HUD to determine whether the activities are urgently needed by the applicant.

HUD reviewers are not always making an urgent-needs determination. For example, one HUD official said that he relied on the community's certification when considering the application for approval. The official said he did not second-guess the community's determination of urgent needs. Another HUD official said that, when a community certified to maximum feasible priority and urgent needs, he did not

pay much attention to the identification of urgent needs unless he could readily identify that maximum feasible priority had not been given to low- or moderate-income families.

HUD and community officials did not have a clear understanding of the distinction between activities certified as to maximum feasible priority or urgent needs. For example, two communities made both certifications without identifying which activities were urgently needed. HUD officials said that the communities certified to urgent needs by mistake. A Waco community official stated that all activities benefited low- or moderate-income families in some way and that all activities were of an urgent need. One area office official believed incorrectly that an applicant must always certify to maximum feasible priority regardless of the amount of grant funds being spent for urgently needed activities.

The following opinions of HUD and community officials illustrate the confusion regarding the interpretation of "needs having a particular urgency."

--A need which cannot be overlooked for the overall well-being of the city.

--A need which is necessary to avoid collapse of the city.

--Those activities which will not give maximum feasible priority to activities that will benefit lower income families or aid in preventing or eliminating slums or blight.

On January 28, 1976, HUD issued revised regulations which contained clarifying language requiring an applicant to fully identify and describe those community development needs which are considered to have a particular urgency and why such needs must be addressed. In our opinion, the revised regulations are an improvement on those previously issued and, if properly carried out, should provide HUD with better information to determine whether the communities' activities are urgently needed.

#### DEFICIENT HAPs

Four HAPs included in the 23 applications we reviewed contained the following deficiencies.

--One HAP proposed minimal housing goals relative to the identified lower income housing needs.



- One HAP did not identify housing goals categories specified in the HAP form and included a lump-sum total.
- One HAP identified lower income housing needs in total but did not identify specified categories in the HAP form.
- One HAP did not assess the housing needs of lower income persons expected to reside in the community.

#### Application and review requirements

Section 104(c) states that the Secretary shall approve an application unless

- on the basis of significant facts and data generally available and pertaining to community and housing needs and objectives, the Secretary determines that the applicant's description of such needs and objectives is plainly inconsistent with such facts or data;
- on the basis of the application, the Secretary determines that the activities to be undertaken are plainly inappropriate to meet the needs and objectives identified by the applicant; or
- the Secretary determines that the application does not comply with the requirements of title I or other applicable law or proposes activities which are ineligible under title I.

In the Compilation of the Housing and Community Development Act of 1974 report, printed for the use of the House Committee on Banking and Currency, the Committee of Conference accepted the House provisions on the standards for HUD's review. The House Committee provided some guidance for interpreting section 104(c). The House report illustrated the "plainly inconsistent" test as follows:

"If a community's application asserted that it had little or no need for housing for lower income families despite census figures showing large numbers of sub-standard dwellings and housing overcrowding, the community's assertion would be 'plainly inconsistent' with facts and data available to the community and HUD."

The House report stated that similar examples could be provided with respect to the "plainly inappropriate" test relating to activities described by a community to meet the needs identified in its application. HUD would be expected

to look beyond an application which, for example, proposed only minimal activities to improve housing despite the identification of substantial housing needs.

The examples given dealt only with the housing aspects of an application. No examples were provided concerning the plainly inconsistent or inappropriate tests other than for housing, and, in fact, no applications were disapproved by HUD during its first program year on any basis other than the housing aspect of the application. (See app. II.)

HUD has not defined "plainly inconsistent" or "plainly inappropriate." HUD headquarters policy memorandums did not provide examples of these terms for area office reviewers.

Some HUD reviewers said that they would not consider an application to be plainly inconsistent or plainly inappropriate unless the application contained a "blatant deficiency" or was "so obviously incorrect or inadmissible that the deficiency jumps out at you." For example, they stated that an application could be plainly inconsistent or inappropriate if the application failed to either identify a housing need for lower income persons or set a housing assistance goal of zero.

Section 104(a)(4) required, in part, that no grant be made unless the applicant submits a HAP which:

- Accurately surveys the condition of the housing stock in the community and assesses the housing assistance needs of lower income persons (including elderly and handicapped persons, large families, and persons displaced or to be displaced) residing in or expected to reside in the community.
- Specifies a realistic annual goal for the number of dwelling units or persons to be assisted, including (1) the relative proportion of new, rehabilitated, and existing dwelling units and (2) the sizes and types of housing projects and assistance best suited to the needs of lower-income persons in the community.

To implement this section, HUD designed a HAP form that, according to categories specified in the form, provided for applicants to (1) survey housing conditions in the community, (2) indicate housing assistance needs of lower income households, and (3) identify the annual goal for housing assistance.

HAP housing goals were minimal

One HAP had minimal housing goals relative to identified lower income housing needs.

White Settlement's HAP identified 738 lower income households needing housing assistance. The community's first-year goal was to assist only 12 households under HUD's section 8 Lower Income Housing Assistance Program. The city's Community Development Program also included a \$5,000 housing study. Dallas Area Office officials told us that HUD had allocated section 8 funds for the community which would support about 12 units.

There are indications that other HAPS having minimal housing goals were approved during the first program year. For example, a report prepared by the Southern California Association of Governments--an areawide clearing house for 6 counties--showed that, of 50 applications reviewed, 5 had no first-year goals and 4 had goals of less than 1 percent of identified needs.

HUD regulations governing first-year HAPs did not mention the subject of minimal housing goals. However, on January 15, 1976, HUD issued proposed regulations indicating that, when substantial housing needs are identified and housing resources are available, HUD may determine that HAPs with only minimal housing goals are plainly inappropriate to meet the needs identified by the applicant.

#### HAPs lacked information required by act

Three communities did not accurately complete the HAP form. The New York City HAP identified housing assistance needs for lower income families including categories such as elderly and handicapped persons and large families. However, HAP's housing goal represented a lump-sum total only without identifying the sizes and types of housing projects and assistance best suited to the needs of lower income persons in the community.

Tonawanda's HAP identified a lump-sum total of 425 lower income households as needing assistance but did not identify the specific categories such as elderly and handicapped, and nonelderly and/or handicapped persons comprising this total.

Rochester's HAP did not include expected-to-reside information. Section 104(a)(4) of the act requires the applicant's HAP to assess the housing assistance needs of lower income persons expected to reside in the community. We also noted that, of the six applications submitted to HUD headquarters with a regional office recommendation for disapproval, one was subsequently approved, although it did not include expected-to-reside information. (See app. II, p. 52.)

Other communities we reviewed did not adequately determine, during the first program year, the estimated number of lower-income households expected to reside in the community, in part, due to a misunderstanding of the application requirements and the lack of data to make the estimate. (Ch. 5 discusses the expected-to-reside issue.)

In commenting on particular problems noted during reviews of HAPs, Buffalo Area Office officials said that it was unreasonable to expect applicants to accurately comply with the HAP form requirements especially since many communities were asked to arrive at a rational approach to solve their housing problems within a short period. The Buffalo Area Office Director said that, because of the 75-day maximum period legally allowed for review of an application and the lack of staff, applications could never be reviewed in detail.

Also title I of the 1974 act changes considerably the traditional grantor-grantee relationship in that the burden of proof is shifted from the grantee's justifying that its application merits funding to HUD's justifying that the grantee should not be provided with funds, even though the grantee is entitled to these funds under the act.

## CONCLUSIONS

Of the 23 applications included in our review, we identified information deficiencies in 8 of them. Although HUD reviewers were aware of the deficiencies in some cases, they did not require revision of the applications before approval.

In commenting on our report, HUD headquarters officials agreed that emphasis should be directed toward identifying deficiencies of the types we found, guidance should be issued for determining urgently needed activities, applications should be disapproved when there are minimal housing goals, and HAPs should be amended when there are deficiencies in information.

In commenting on our proposal that guidance be issued to HUD personnel for determining whether applicants' needs and objectives are plainly inconsistent and applicants' activities are plainly inappropriate, HUD headquarters officials agreed that such guidance would be desirable. They believed, however, that establishing national criteria would be extremely difficult and that it may cause problems because of the unlikelihood of devising criteria that could be uniformly applied to the numerous programs and situations that arise during administration of the community development block grant program. They believed that the experience gained by

HUD personnel in the first year as well as the rationale used in disapproval of first year applications provided some guidance to HUD personnel. They said that such guidance will be added to through the experience gained in subsequent years.

We agree that guidance is developed through experience and when applications are disapproved, provided that such information is distributed to appropriate HUD personnel. However, only three of the approximate 1,300 applications were disapproved during the first program year. It is particularly important that guidance be provided early in the administration of a program before precedents are unknowingly or incorrectly established which, through continued usage, are difficult, if not impossible, to later change. Furthermore the three applications were disapproved because of problems with HAPs, only one element of the block grant application. There is no guidance concerning the plainly inconsistent and plainly inappropriate tests for the community development activities in the applicant's program.

#### RECOMMENDATIONS

We recommend that the Secretary of HUD

- require that emphasis be directed during the monitoring process toward identifying application deficiencies of the type identified in this report;
- issue guidance to HUD personnel for determining whether activities certified as urgently needed by the applicant are urgently needed;
- disapprove applications when the minimal housing goals are plainly inappropriate to meet the needs and objectives identified by the applicant;
- issue additional guidance to HUD personnel to help them determine whether (1) an applicant's needs and objectives are plainly inconsistent and (2) an applicant's activities are plainly inappropriate; and
- require applicants to amend their HAPs when there are deficiencies in information.

## CHAPTER 4

### AVOIDING UNDUE CONCENTRATIONS OF ASSISTED HOUSING

#### IN AREAS WITH A HIGH PROPORTION OF LOWER INCOME PERSONS

Ten of the HAPs included in the 23 applications did not contain enough information for HUD to determine whether the proposed housing program was directed toward achieving the legislative objective of promoting greater choices of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons. The proposed housing programs of three additional applicants did not, in our opinion, further this objective.

Section 101(c)(6) of the act stated that title I community development activities should be directed toward reducing the isolation of various income groups within communities and geographical areas and promoting increases in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income.

Section 104(a)(4)(c) states that no grant may be made unless the applicant submits a HAP which

- indicates the general locations of proposed housing for lower-income persons, with the objective of (1) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible, (2) promoting greater choices of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons, and (3) assuring the availability of public facilities and services adequate to serve proposed housing projects.

The House Committee report stated that a major objective of such location decisions must be the avoidance of undue concentrations of lower income persons.

We analyzed the 23 HAPs and found that

- four communities, Lancaster, Tarrant County, Waco, and White Settlement, did not propose construction of any new units;
- the remaining 19 communities proposed 24,997 new units in the first-year program, including 21,962 section 8 assisted units;

--seven of the 19 communities did not identify the number of units planned for each census tract for any of the 18,796 new housing units; and

--twelve of the 19 communities identified the number of units by census tract for 5,792 units of 6,201 units. (See app. VII.)

Two of the 12 applicants--Tonawanda and Nassau County--did not have lower income census tracts; thus their 748 units were planned for high-income census tracts. Of the remaining applications, 3,059 of the 5,044 units, or 61 percent, were planned for lower income census tracts.

Two applicants--Elmira and Rochester--proposed to locate all of their newly constructed units, totaling 1,039, in lower income census tracts. Buffalo planned to construct 1,176 new units in three lower income census tracts and 100 units in high-income areas. Of the 1,176 units, the Buffalo Area Office determined that 1,062 units were planned for census tracts having 98.7 and 81.9 percent minority population and already containing at least 2,600 units of publicly assisted housing. In our opinion the proposed housing programs of Elmira, Rochester, and Buffalo do not further the objective of avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons.

Three applicants, Inglewood, Oxnard, and Baton Rouge, proposed all their units totaling 1,510, for high-income census tracts, which, in our opinion, furthers the legislative objective of avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons.

Units proposed for high-income census tracts in two applications consisted solely of units for elderly households. The 100 units proposed by Buffalo for high-income census tracts were for elderly households. White Plains proposed 571 units of new construction, including 196 units, for nonelderly households in lower income census tracts and 375 units for elderly households in high-income census tracts.

Ten HAPs did not provide adequate information for HUD to determine whether the proposed housing program was sufficiently directed toward achieving the legislative objective of avoiding undue concentrations of assisted housing in low-income areas, because the communities proposed new construction on both lower and high-income census tracts but did not identify the number of units planned for each tract. For example, the city of Los Angeles used groups of census tracts called submarket areas, while Los Angeles County used

groups called statistical areas. Each submarket and statistical area included a large number of census tracts. For example, the city of Los Angeles is covered by six submarket areas which include about 750 census tracts, or an average of over 100 census tracts for each submarket area. The average incomes of the census tracts comprising the submarket area range from very low to very high.

In another example, New York City's HAP provided for 9,000 units of new construction on eight census tracts. Five of the census tracts were low income and three were high income. The HAP did not identify the number of housing units planned for each census tract. Thus it is impossible to determine whether the proposed housing will be placed in areas with a high proportion of low-income persons.

The Potomac Institute, Inc., a nonprofit organization that analyzes public policies affecting lower income groups and racial minorities, evaluated the application and approval process in several large cities throughout the Nation. The Potomac Institute concluded in its report<sup>1</sup> that some HAPs ignored the statutory requirement to avoid concentrating housing in low-income areas.

Fourteen of the 23 applicants recognized the need to deconcentrate housing opportunities for lower income persons in their communities. HUD officials told us that seven of the remaining nine communities did have a need to deconcentrate housing opportunities for lower income persons but did not recognize that need in their application.

HUD and community officials stated that applicants had many reasons for locating new housing in lower income areas. They said that lower income areas often

- had the only sites economically feasible to purchase;
- had the only suitable undeveloped sites;
- had sites already under redevelopment or planned for redevelopment;
- had the only areas with facilities and services suitable for low-income persons; and
- were preferred by lower income persons having social and work ties in the area.

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<sup>1</sup>"The Housing Assistance Plan: A Non-Working Program for Community Improvement?" (November 1975)



However, it is well recognized that there has been a reluctance on the part of some local officials to locate lower income housing in high-income areas.

### CONCLUSIONS

Of the 23 HAPs we examined, 10 did not provide adequate information that would help HUD to determine whether the proposed housing program was sufficiently being directed toward achieving the legislative objective of avoiding undue concentrations of assisted housing in areas containing a high proportion of low-income persons. The proposed housing programs of three additional communities did not, in our opinion, further this objective. Of the remaining 10 HAPs, 6 furthered the objective of avoiding undue concentration and 4 did not propose construction of new units.

HUD headquarters officials did not agree with our proposal that HAPs should more specifically identify the proposed locations of assisted new housing construction. They said that the equal opportunity aspects of housing could not properly be dealt with in the 75 days HUD had for reviewing an application and that, when specific lower income housing proposals were submitted, HUD had more time and data to review the proposal in terms of furthering the act's undue concentration objective. They also said that identifying specific locations of proposed housing could result in unnecessarily increasing the cost of the land needed for the housing. In addition they said the chief executive officer for a community might list locations in the community's HAP which would restrict low- and moderate-income housing to undesirable areas and/or areas not economically feasible for housing development and might use his power under section 213 of the act (the general local government can object to the approval of an application for housing assistance on the grounds that the application is inconsistent with its HAP) to block lower income housing for other locations within the community.

The HAP requirement in the act is a unique link between two distinct programs--housing for lower income families and community development activities. The act establishes, as a condition to receiving a community development block grant, the necessity of preparing a HAP which, among other things, indicates the general locations of proposed housing for lower income persons with the objective of promoting

greater choices of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons. In our opinion, HUD must make that determination before approval of the block grant application and not subsequently when applications for lower income housing are submitted because the act states that no grant shall be made unless that condition is met. Identifying housing locations in an area consisting of hundreds of census tracts as was the case in Los Angeles or the other examples cited in this report certainly precludes any determination concerning that objective. Identifying proposed housing by census tract should be specific enough to enable HUD to determine whether the proposed program will further the undue concentration objective.

HAPs that propose housing programs not economically feasible or restricting lower income families to undesirable areas clearly do not meet the act's legislative objectives, particularly those pertaining to the deconcentration of lower income persons and therefore should not be approved by HUD. Even if such HAPs are improperly approved, section 111 of the act provides remedies for noncompliance with any provision of the act, including terminating payments of the block grant.

#### RECOMMENDATION

We recommend that the Secretary of HUD:

- Require that the HAPs identify proposed housing units by census tract, particularly construction of new housing, to aid HUD personnel in determining whether an applicant's proposed housing program is furthering the act's objective of avoiding undue concentration of assisted housing in areas containing a high proportion of low-income persons.

#### MATTER FOR CONSIDERATION BY THE SUBCOMMITTEE

Because some communities are planning to locate most or all their assisted new housing construction in lower income census tracts, the Subcommittee may wish to consider clarifying the extent to which, and under what circumstances, federally assisted new housing can be located in areas containing high concentrations of low-income persons, minority populations, and publicly assisted housing, and still comply with the act's objective of promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons.

## CHAPTER 5

### PROBLEMS WITH HAPS

Our review of the HAPs submitted by the 23 communities identified several problems which, if not corrected, could diminish the effectiveness of these plans. These problems included (1) inadequate consideration of the housing assistance needs of lower income households expected to reside in the community, (2) possibly unrealistic annual housing goals because of the lack of success with the section 8 Lower Income Housing Assistance Program, and (3) use of inconsistent definitions and lack of current or complete data for surveying the communities' housing stock and for assessing the needs of lower income households.

#### INADEQUATE CONSIDERATION OF NEEDS OF LOWER INCOME HOUSEHOLDS EXPECTED TO RESIDE IN COMMUNITY

Section 104(a)(4)(A) required the HAPs to assess the housing assistance needs of lower income persons (including persons displaced or to be displaced) residing in or expected to reside in the community.

HUD's instructions to communities in preparing HAPs required that the HAPs must contain estimates of the housing assistance needs of lower income households either already residing in the community or expected to reside in the community as a result of planned or existing employment opportunities. HUD's instructions described this estimate as:

"\* \* \* additional households expected to be residing in the locality (net of those expected to leave) taking into account changes in employment and population, and other demographic and labor market changes."

The expected-to-reside estimates made by the 23 communities were generally based on extrapolating historical trends such as population increases.

Initially, HUD gave little consideration to the expected-to-reside information in the HAPs. However, the failure of communities to comply with the expected-to-reside requirement was brought to HUD's attention by the National Committee Against Discrimination in Housing. On April 30, 1975, the committee submitted an administrative complaint to HUD on behalf of the Coalition for Block Grant Compliance in Detroit stating that certain Detroit suburbs did not include in their plans adequate estimates of lower income families expected to reside in those communities.

As a result, the Assistant Secretary provided a method and census data citations to HUD personnel for developing an expected-to-reside estimate for each application. If the new estimate showed that the applicant did not include a major portion of the need in the HAP and the application had not been approved, the applicant could (1) adopt the estimate computed by use of the HUD method, (2) adopt its own estimate with appropriate citation of data and method, or (3) indicate what steps the applicant intended to take to identify a more appropriate needs estimate by the time of its second-year submission. For those applications already approved, deficiencies in method would be noted and further instructions would be given to them with respect to second-year approval requirements.

Several HUD field office officials questioned the expected-to-reside method developed by HUD headquarters because, among other objections, published Bureau of the Census "Journey to Work" tables which were being used to obtain information required for the HUD computation were available only for those cities having populations of over 50,000 located in metropolitan areas having a population of 250,000 or more and because these data were not adequate to measure the complex employment-housing matrix of some large areas such as Los Angeles.

Of the 23 HAPs we reviewed, only Anaheim amended its application using the figures computed by HUD.

However, in the case of City of Hartford v. Hills, 408 F. Supp. 889 (D.Conn. Jan. 28, 1976), 1/ some communities that elected to revise their expected-to-reside figures in the following program year were enjoined from spending their community development funds. On August 11, 1975, Hartford, Connecticut, filed suit in Federal District Court challenging HUD's approval of community development funds for suburban communities in the Hartford area on the basis that its HAPs did not adequately assess the housing needs of families expected to reside in the suburbs. These communities had elected to address the issue in their second-year applications as authorized by HUD. Six of the defendant towns had their grants approved with a zero expected-to-reside figure on their applications. The court's opinion was that the expected-to-reside figure was the keystone to the spatial deconcentration objective (section 101 (c) (6)) of the 1974 act.

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1/As of Apr. 1, 1976, East Hartford, West Hartford, and Glastonbury, Connecticut, filed notice of appeals with the Federal District Court of Connecticut.

The court stated that the act made the HAP the basis for assistance under many of the federally subsidized, low-income housing programs. It stated further that the significance of this could not be overestimated in that the Congress left no doubt of the pivotal role it intended for the HAP by excluding it from the application requirements which might be waived by the Secretary.

The court concluded that options made available to communities by the Assistant Secretary (see p. 35)

"\* \* \* permits suburban towns to obtain funding under the Act without the quid pro quo [one thing in return for another] Congress decided to require--their taking steps to expand housing opportunities for low and moderate income persons. \* \* \* removes the incentive Congress provided for these communities to accept such federally-assisted housing, thereby effectively gutting the 'enforcement' provisions of the Act."

The court issued a permanent injunction in January 1976 enjoining the suburbs from spending the community development funds until they obtain a new approval of their applications from HUD and the approved applications are filed with the court. In issuing the injunction the court concluded that HUD acted contrary to law when it approved the grants without requiring an assessment of the housing needs of lower income persons who might be expected to reside in the community. It stated further that, when HUD offered the communities the third option, and they selected that option, HUD acted contrary to the clear implication of the statute--the HAP could not be waived by the Secretary.

Committee guidance on  
expected-to-reside requirement

The House Committee on Banking and Currency provided some guidance on the expected-to-reside requirement. In its report, the Committee stated:

"The committee wishes to emphasize that the bill requires communities, in assessing their housing needs, to look beyond the needs of their residents to those who can be expected to reside in the community as well. Clearly, those already employed in the community can be expected to reside there."

On May 28, 1975, the Secretary of HUD, in referring to the expected-to-reside issue, stated:

"\* \* \* The legislative history of this provision makes it clear that those 'expected to reside' include workers in planned or existing employment facilities in the community. The House Report states that 'clearly, those already employed in the community can be expected to reside there.'

"Thus, a HAP must take into account the housing needs of a proportion of lower-income persons already commuting to existing places of employment within the community, as well as those who may be expected to take employment there.

"Obviously, not every lower-income worker in a town can be expected to live there.

"On the other hand, the Act creates a clear obligation on the part of communities to provide reasonable residential opportunities for their own lower-income workers. The Act expressly favors a policy of providing lower-income families with an opportunity to live where they work."

The HUD formula produces an estimate consisting of a portion of lower income persons already working in a community as being expected to reside in that community if assisted housing is available.

A formula based on a literal interpretation of the House Committee statement would provide an estimate of housing needs for a particular community for all lower income persons working in that community but living elsewhere.

As shown in the following two examples, differences in the estimates produced by each formula have little relative impact on those communities which already have large numbers of low-income households in need of housing assistance but do have a greater relative impact on communities with small numbers of households in need of assistance.

According to the 1970 census data, the city of Los Angeles had 785,184 lower income workers, and, of these, 516,010, or 66 percent, lived in the city. Los Angeles, in its HAP, identified 373,610 lower income households as

needing housing assistance. The expected-to-reside estimates computed by the city, on the basis of the HUD formula and on a literal interpretation of the Committee statement, follow.

	<u>Los Angeles</u>	<u>HUD formula</u>	<u>Committee statement</u>
Expected to reside	9,856	1,429	42,670

According to the 1970 census data, White Plains had 24,996 lower income workers, and, of these, 7,331, or 29 percent, lived in the community. White Plains, in its HAP, identified 980 lower income households as needing housing assistance. The differences in using the city's basis, the HUD formula, and a literal interpretation of the Committee statement follow.

	<u>White Plains</u>	<u>HUD formula</u>	<u>Committee statement</u>
Expected to reside	0	3,863	8,226

HUD and community officials generally did not adequately consider the housing assistance needs of lower income households expected to reside in the community. They were uncertain as to how to assess and evaluate this housing assistance need. Many communities made no estimates or very low estimates for expect-to-reside households or did not specifically consider the need of those low-income persons already employed but not residing in their community. Some officials found that census data for this estimate were not available for some applicants or did not accurately show local housing and community conditions. Some officials stated that, before meaningful estimates could be made, extensive surveys would be required.

On February 19, 1976, HUD issued revised regulations providing for the assessment of expected-to-reside households. The new regulations called for the applicant to make an assessment of those households expected to reside because of planned employment, as well as a separate assessment of those who were working in the community and expected to reside in the community if housing was available.

The estimates made by the applicants are to be derived from generally available data, including approved development

plans, building permits, and awards of major contracts. In addition, estimates may be made from Federal census data or recent housing needs' assessments prepared by areawide, regional, or State planning agencies. The regulations stipulate that estimates shall, at a minimum, equal the metropolitan percentage of lower income families with workers who live in the community in which they work, since not all the families with workers employed in the community would reasonably be expected to reside there.

On March 16, 1976, HUD amended the February regulations to provide a more complete methodology for estimating the housing needs of expected-to-reside households. Because the revision was made after we completed our fieldwork, we did not assess the impact of the new methodology in estimating expected-to-reside households.

#### ANNUAL HOUSING GOALS MAY NOT BE REALISTIC

The act requires that the applicant specify a realistic annual goal for the number of dwelling units or persons to be assisted. Communities report this goal in the HAP.

The source of funding for most of the housing proposed by communities in their HAPs is the section 8 housing program. For example, a HUD analysis of 25 communities showed that section 8 funds accounted for 67 percent of newly constructed housing units planned in the 25 communities. Similarly, section 8 funds accounted for 88 percent of the units to be constructed in the 23 communities included in our review. Because of the predominate reliance on section 8 and the problems being encountered in implementing that program, the annual housing goals contained in the HAPs may not be realistic.

HUD did not provide section 8 allocation information to many communities soon enough or in a clear enough manner for use in developing the first-year HAP. For example, the city of Los Angeles proposed a first-year housing goal which would require \$63.4 million in section 8 funds. The total amount of section 8 funds available to all the communities under the jurisdiction of the Los Angeles Area Office was only \$52.3 million. In addition, initial section 8 program regulations were slow in developing. Some communities were unable to use their section 8 funds because regulations were not issued until April and May 1975. Even after the regulations were issued, only a few owners and developers participated in the program.



The section 8 program is made up of four program elements--new construction, substantially rehabilitated housing, existing housing, and State Housing Finance and Development Agency-financed housing. State agency-financed housing could be existing, new, or rehabilitated.

On January 30, 1975, HUD headquarters provided about \$900 million of contract authority to its field offices for leasing units under the section 8 program. HUD expected by the end of fiscal year 1976 to have reserved funds to provide about 400,000 housing units under section 8. Of the 400,000 units, HUD initially estimated that 100,000 would be existing units and 300,000 would be for new construction and substantial rehabilitation. However, because of the lack of new construction, HUD, in January 1976, revised its estimates of the mix of the 400,000. HUD estimated that, of the 400,000 units, 165,000 would be for existing housing, 125,000 for new construction and substantial rehabilitation, and 110,000 for properties in loan management and property disposition. As of January 31, 1976, however, HUD had authorized entering into contracts with public housing agencies and housing owners to assist only about 95,800 units, of which about 90,500 (94 percent) were existing housing units. Only about 8,000 units were occupied as of January 31, 1976.

Our Office, in another audit not yet completed, is reviewing selected aspects of HUD's implementation of the section 8 program. The review has noted several problems in the program that has slowed program implementation and must be overcome if section 8 is to be a viable housing program for lower income families. The problems include

- reluctance of owners of existing housing to participate in the program because they feel the fair market rents are too low, considering the program requirements and procedures that must be complied with;
- fair market rents for the new construction and substantially rehabilitated programs may be too low to help developers construct or rehabilitate financially feasible projects; and
- developers and State agencies are unable to secure suitable financing for development of housing.

INCONSISTENT DEFINITIONS AND LACK  
OF CURRENT OR COMPLETE DATA

Section 104 (a)(4)(A) requires that the HAP accurately survey the condition of the housing stock in the community and assess the housing assistance needs of lower income persons. HUD instructions to applicants regarding preparation of HAPs stated that HUD area offices could provide most of the information to those applicants requesting assistance. HUD encouraged applicants, however, to develop additional and improved information. These instructions also allowed the applicant flexibility to define various elements required in the HAP, such as substandard units and units suitable for rehabilitation.

Lack of current or complete data

The communities did not have current or complete data for determining the condition of their housing stocks and the needs of their lower income households. Consequently, most of the applicants used 1970 census data.

Although HUD area office and community officials recognized that 1970 census data was generally outdated and not well suited for the HAP, they said that such data was usually the best available and in some instances it was the only data available. For example, 1970 census data is the only source of data for the number of households currently requiring assistance as defined by HUD.

These same officials believe there have been major changes in population and demographic patterns since the last census was made. According to R. L. Polk and Company, which normally surveys thousands of U.S. communities to track changes and shifts in population, at least 25 to 35 percent of the housing units in most cities will have at least one family move in or out each year. The Los Angeles Area Office and community officials are concerned that as time goes on the 1970 census data will be a poorer indicator of community housing conditions and household needs. But they believe few communities will have extensively updated data before the next general census.

HUD has purchased data from R. L. Polk and Company that is more current than the 1970 census data. The Polk data, however, covers only 318 community development block grant entitlement cities and, according to Los Angeles Area Office

officials, is of limited value because there are over 1,300 applicant communities.

Most of the communities used the 1970 census as a primary source for data on the condition of housing and the number of households requiring assistance, but some of these communities used local studies as a basis for their estimates.

In one case, the New York Area Office questioned White Plains' use of a housing study funded by HUD's section 701 Comprehensive Planning Program as support for its HAP. The Economic and Market Analysis Division at the New York Area Office believed the study's estimate of housing needs, which showed the city having less than half the need of the 1970 census data, was not reasonable. For example, the total number of households requiring assistance was 2,404 in 1970 census data but only 980 in the more current study. Although these officials acknowledged that the 1970 data was outdated, it did have a common base and was therefore easy to review. The community alleviated the problem by leaving the 701 program data in its HAP table and including the census data in the narrative accompanying its HAP.

#### Inconsistent definitions

The HAPs were based on various definitions of housing conditions and housing assistance needs, which resulted in some apparent anomalous, if not misleading, information. Applicants used different definitions for substandard units, units suitable for rehabilitation; and households requiring assistance, including households expected to reside in the community.

Various definitions used for substandard units were

- units lacking some or all plumbing facilities;
- units lacking some or all plumbing facilities and deteriorating and dilapidated units with plumbing facilities;
- deteriorating or dilapidated units; or
- any physical deficiency from minor repair, such as needing paint, to major rehabilitation.

Using this last definition, Waco estimated that 28,000 of its approximately 36,000 (77 percent) housing units were substandard. In contrast, White Settlement reported 4 percent, or 194 units, of its housing stock as substandard using a different definition.

The communities' determinations of units suitable for rehabilitation also varied. Although many communities defined such units as those economically feasible to rehabilitate, other communities used more limited definitions. For example, Los Angeles County excluded units in need of minor repair and Los Angeles city excluded units in the city's lowest income area.

Because communities used a variety of definitions for substandard units and units suitable for rehabilitation, the percentage of substandard units suitable for rehabilitation varied widely. Los Angeles Area Office officials said that the percentage of substandard units suitable for rehabilitation should be 100 percent or less; that is, not all substandard units should be rehabilitated.

Seven of the communities we reviewed reported more units suitable for rehabilitation than substandard units.

Percent of Substandard Units  
Suitable for Rehabilitation

<u>Community</u>	<u>Percent</u>
Inglewood	370
Long Beach	1,107
Shreveport	264
New York City	528
White Plains	612
Pasadena	103
Elmira	137

Varying definitions were also used in assessing the housing assistance needs of lower income persons, including elderly and handicapped persons, large families, and persons to be displaced. Communities defined "households currently requiring housing assistance" differently. For example, Lancaster included only poor households living in substandard housing. Other communities included inadequately housed households according to the Bureau of the Census definition--(1) family is paying more than 25 percent

of its gross income for housing, or (2) housing is substandard, or (3) family is living in overcrowded conditions. Similar differences were found in definitions for elderly and handicapped categories.

We visited 11 communities to review the data used to develop the HAPs. Several communities had difficulty in identifying the sources of data and methods used in developing their HAPs because they did not maintain enough documentation. For example, a city official responsible for completing the Tonawanda application was unable to remember the methods he had used to calculate many of the HAP figures. In those instances in which he was able to identify the method that had been used, the figures were developed inaccurately.

Our visits to these communities also disclosed some generally minor inconsistencies due to various factors, such as computational errors, misuse of information sources, and use of inappropriate data sources.

For example, Los Angeles County mistakenly determined the number of substandard houses on the basis of the number of households requiring assistance as reported in the 1970 census. In another instance, Tonawanda mistakenly determined the number of additional households needing assistance from a regional planning study on the number of additional housing units needed.

## CONCLUSIONS

During the first program year, HUD and the applicants did not adequately consider the housing assistance needs of lower income households expected to reside in the community. HUD issued revised regulations in February 1976 which provided communities with several alternatives for estimating the number of households needing assistance that would be expected to reside in the community. HUD has not required applicants to estimate the number of households expected to reside in the community according to the literal interpretation of the statement in the House Committee report.

Because HUD allowed applicants to use varying definitions, HAPs were inconsistently prepared and were not accurate because of the lack of current and complete data, including section 8 allocation data, for determining

- the condition of their housing stock,
- the housing needs of their lower income persons, and
- housing goals and strategies.

Because of the lack of success of the section 8 housing program, many of the annual housing goals established in the HAPs may be unrealistic.

## CHAPTER 6

### COMPLIANCE WITH THE PUBLIC PARTICIPATION

#### REQUIREMENTS OF THE ACT

Section 104(a)(6) states that no grant may be made unless the applicant provides satisfactory assurances that, before submission of its application, it has (1) provided citizens with adequate information on the amount of funds available for proposed community development and housing activities, the range of activities that may be undertaken, and other important program requirements, (2) held public hearings to obtain the views of citizens on community development and housing needs, and (3) provided citizens with an adequate opportunity to participate in the development of the application.

HUD regulations provide that citizens be given an adequate opportunity to participate in the development of any revisions, changes, or amendments to the application. HUD's performance standards for citizen participation also include a determination of whether a citizen participation plan has been developed and made public by each community and whether those citizens likely to be affected by community development and housing activities, including low- and moderate-income persons, have been afforded an adequate opportunity to participate generally in the development of the application.

Each of the 23 applicants included in our review provided the certification required by the act. HUD accepted the certification without evaluation. Area office officials said that, during the application review phase, they only determine whether the required assurance concerning citizen participation had been made. These officials told us that the certifications would be evaluated during their visits to communities during HUD's monitoring phase.

We visited 11 of the 23 communities and determined that each applicant met the citizen participation requirements of the act. However, some communities provided their citizens with greater opportunities to participate.

#### EVALUATION OF COMPLIANCE WITH PUBLIC PARTICIPATION REQUIREMENTS

In visits to the 11 communities of Anaheim, Los Angeles, Los Angeles County, Pasadena, New Orleans, Shreveport, Nassau County, Tonawanda, and White Plains, Lancaster, and Waco, we determined that all communities complied with the citizen participation requirements of the act.

All communities provided community development information to their citizens through newspapers, public hearings, and/or community meetings. In addition, some of the communities used brochures and letters to disseminate this information to their residents.

All communities published notices in local newspapers for the public hearings required by the act. The communities of New Orleans, Shreveport, and Waco supplemented these notices with radio or television announcements.

All the communities held at least two formal public hearings as required by HUD regulations to obtain the views of citizens on community development and housing needs. But, in some communities--the county of Los Angeles and Pasadena and Lancaster--records of attendance at public hearings were not kept or were not adequately summarized (records consisted of numerous reels of tape recording), and we could not determine the number or composition of persons or groups attending the hearings.

Citizens were provided with adequate opportunity to participate in the development of the applications generally through public hearings and community meetings. As anticipated by the Senate report 93-693 (p. 57), accompanying S.3006, several methods were used by communities to meet the citizen participation requirements. For example, Lancaster, Los Angeles city, Pasadena, Shreveport, Waco, and White Plains organized citizen committees to assist in developing the application. Los Angeles County and Anaheim, New Orleans, Lancaster, and Waco solicited citizen input regarding community development needs and priorities through questionnaires or surveys. The applications were prepared by consulting firms, planning departments, task forces, and other city and/or county departments and agencies. In Tonawanda the application was prepared by the Mayor. Generally these communities allowed citizens to attend meetings at which the application was prepared. The Los Angeles County Commission on Human Relations criticized the county's application because it failed to provide for public attendance and participation during the actual preparation of the application.

Generally the communities approved their applications during board of supervisor or city council meetings attended by the public, but some communities did not open these meetings for public comments.

#### EVALUATION OF COMMUNITIES' COMPLIANCE WITH HUD'S PERFORMANCE STANDARDS

HUD's performance standards require that a local citizen participation plan, including a timetable, be developed and



made public. However, according to HUD policy, a citizen participation plan is not necessarily a single, cohesive document existing and available to the public at a point in time before the inception of citizen participation. The plan may be a process which develops as it proceeds, and considerable flexibility is possible.

None of the 11 communities provided a formal document to the public before citizen participation activities. Although some communities established and publicized a preliminary timetable, the citizen participation plans were largely processes which developed as they proceeded. The elements of the various plans consisted of adequate and timely announcements regarding community meetings, public hearings, and citizen committees.

HUD's standards require communities to afford citizens likely to be affected by community development and housing activities adequate opportunities to participate in the development of the application. Los Angeles County and Anaheim and New Orleans directed large portions of their citizen participation activities to "citizens likely to be affected." These citizens resided in geographical target areas selected for community development activities. These communities disseminated most of their community development information and held informal community meetings exclusively in these designated areas.

A Los Angeles County official said that the county did not involve citizens from outside the target areas except at two public hearings. By contrast, county records showed that 27 community meetings were held in the selected target areas. Anaheim officials selected the target area before holding public hearings.

By contrast, in New Orleans, the selection of target areas was made after holding a public hearing. In Los Angeles County, 10 target areas were selected by a county task force based on surveys, and in approving these 10 at a public hearing, the board of supervisors added six additional areas.

#### CONCLUSION

Although the communities met the requirements of the act regarding citizen participation, the actual extent of citizen participation varied from community to community.

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## United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

(PURSUANT TO S. RES. 57, 94TH CONGRESS)

WASHINGTON, D.C. 20510

June 13, 1975

Honorable Elmer B. Staats  
 Comptroller General of the United States  
 General Accounting Office Building  
 441 G Street  
 Washington, D. C. 20548

Dear Mr. Staats:

In connection with the Committee's responsibility for oversight of Housing and Community Development Programs, I would like your assistance in examining the problems that have emerged and the progress that has been achieved by localities and by HUD in meeting the requirements for application and review under the Housing and Community Development Act of 1974.

The application and review requirements are contained in Section 104 of the Act and are intended to establish basic tests for approving grants consistent with the objectives of the Act set forth in Section 101. Within this section, I am particularly concerned with Subsection (b)(2), which requires the locality to certify to the satisfaction of the Secretary that maximum feasible priority has been given to activities which will benefit low- or moderate-income families, or will aid in preventing or eliminating slums or blight. I am also concerned about Subsection (b)(4)(c), which provides for approval of grants unless they fail to satisfy certain tests, and Subsection (a)(4) which sets forth certain requirements for the housing assistance plan to be submitted by localities. I would like an examination of the housing needs survey, particularly the needs of persons "expected to reside in the community."

I understand the GAO is considering oversight activity related to the 1974 Act, and that preliminary discussions have been held by GAO and Committee staff.

Honorable Elmer B. Staats  
June 13, 1975  
Page 2

After considering the many areas in which oversight activities could be conducted, I have concluded that priority should be given at this time to the review of Section 104, since I believe it is the key to the success of the program. Correction of problems in the application and review area could, early in the life of the program, yield enormous benefits.

I would, accordingly, appreciate your assistance in conducting a review of this subject.

With best wishes, I am

Sincerely,

  
John Sparkman

APPLICATIONS CONSIDERED FOR DISAPPROVAL  
BY HUD IN FIRST PROGRAM YEAR

HUD area and regional officials submitted 6 of the 1,324 first-year applications received to HUD headquarters with recommendation for disapproval. Of the six applicants, five had not planned to use HUD's section 8 Lower Income Housing Assistance Program to help meet their housing needs. The six applicants were Midland, Texas; Wayne, Maple Shade, and Bloomfield, New Jersey; and Lakewood and Parma, Ohio. The Parma, Maple Shade, and Bloomfield applications were ultimately disapproved by HUD's central office because the applicants would not agree to provide housing assistance for lower income families in their communities.

APPLICATIONS DISAPPROVED

Parma's HAP identified an unmet housing need of 1,537 households (759 elderly and 778 nonelderly, including 229 large family). The HAP showed a zero goal for housing assistance for all types of households. Funds providing for about 120 units of assisted housing under HUD's section 8 housing assistance program were made available to Parma by HUD, but the applicant refused to use the program. HUD therefore disapproved the application.

Maple Shade's HAP identified 405 households needing assistance (252 elderly and handicapped and 153 nonelderly and/or handicapped). Maple Shade's total housing assistance goal for the first year was to assist 50 elderly families through the section 8 program. Members of the Maple Shade Township Council refused to participate in administering the section 8 program. The township expected HUD to administer such a program. This refusal raised serious doubts as to the council's commitment to achieve even the limited goal of 50 units. Subsequently, the application was disapproved by HUD headquarters.

Bloomfield's HAP identified 2,802 households in need of assistance (1,412 elderly and handicapped and 1,390 non-elderly/handicapped). However, the HAP did not identify a housing goal for the first year, and only 100 units of housing for the elderly were identified as a 3-year goal. HUD headquarters disapproved Bloomfield's application on the basis that the applicant's description of needs and objectives was plainly inconsistent with facts and data generally available and pertaining to housing and community development needs and objectives.

FINALLY APPROVED CASES

Midland's HAP showed a total of 2,403 households requiring assistance, which included 443 elderly and handicapped and 1,960 nonelderly and/or handicapped. The city's first-year goal was to assist 686 units, of which 636 units were new construction and the remaining 50 units were to be rehabilitated. Midland did not plan to use section 8 housing assistance during the first program year.

The HUD area office viewed the Midland HAP as not specifying a realistic annual goal for the number of units or households to be assisted, including the mix of new, existing, and rehabilitated units, and the size and types of projects and assistance best suited to the needs of the area's lower income persons. HUD headquarters officials agreed that the city failed to address its needs through section 8 or any other assisted housing program. They further agreed that there was no evidence that the proposed private construction would serve the nonelderly or large families in need of housing assistance. However, since there was a local rehabilitation program planned, and because no quantifiable standards existed as to if and when rehabilitation could take the place of new construction, HUD's Office of General Counsel recommended that the application should be approved. HUD subsequently approved the application.

Lakewood's HAP identified 1,179 households of elderly and 1,216 households of nonelderly and nonhandicapped needing assistance. Within the latter category there were 109 large families needing assistance. Lakewood's first-year goal was to assist 300 units of elderly and only 1 unit identified as other households. The city did not indicate the source of financial support for the 300 units, although it was required to do so. Although funds for approximately 75 to 100 section 8 units were allocated to Lakewood, the city did not plan to use this resource.

The city amended its application before final HUD action. The new plan included section 8 housing assistance for a total of 442 units over a 3-year period, including 230 elderly, 22 nonelderly large families, and 190 other families. The number of units was selected primarily on the basis of the funds which HUD indicated could reasonably be expected to be available during the 3-year period. Furthermore, the city expressed its willingness to meet the needs of elderly residents during 1975 by approving 300 units for the elderly under HUD's section 23 rental assistance program. After HAP was amended, HUD approved the application.

The area office recommended disapproval of Wayne's application because its HAP was plainly inappropriate to meet the stated needs, and the reasons for its refusal to address those needs were plainly inconsistent with generally available facts and data. Wayne's HAP indicated 1,511 households needing assistance but its first-year goal was to assist only 68 households, including 35 units of section 8 housing. In supporting its recommendation, the area office noted that Wayne refused to even consider any long-term solution to the needs of over half the households identified as needing housing assistance. Also Wayne did not calculate the housing needs for persons expected to reside in the community although the area office's analysis indicated there would be a net inflow of workers employed in Wayne but living in other communities.

The Assistant Secretary for Community Planning and Development did not conclude that the 35 units of section 8 assisted housing in Wayne's application was plainly inappropriate, because HUD would not dictate either a specific goal for section 8 housing or influence the community's choice of new construction or existing housing. The Assistant Secretary did not mention Wayne's failure to estimate the housing need for persons expected to reside in the community in his decision to approve Wayne's application. The area office subsequently withdrew its recommendation for disapproval of this application.

FUNDING APPARENTLY BENEFITING LOW- OR MODERATE-  
INCOME FAMILIES

	<u>Entitlement</u>	<u>Activities</u>			<u>Total</u>	<u>Percent of entitlement</u>
		<u>Model cities</u>	<u>Urban renewal</u>	<u>Lower income census tracts</u>		
<b>California:</b>						
Anaheim	\$ 511,000	\$ -	\$ -	\$ 326,852	\$ 326,852	64.0
Inglewood	1,851,000	-	741,292	-	741,292	40.0
Long Beach	1,514,000	-	1,350,000	-	1,350,000	89.2
Los Angeles	38,595,000	12,255,676	11,708,000	1,945,529	25,909,205	67.1
Los Angeles County	14,461,000	2,937,342	3,446,000	280,000	6,663,342	46.1
Oxnard	1,598,000	-	15,000	405,000	420,000	26.3
Pasadena	2,584,000	-	1,286,500	788,100	2,074,600	80.3
San Bernardino	3,117,000	-	-	970,000	970,000	31.1
<b>Louisiana:</b>						
Baton Rouge	2,029,000	-	-	1,545,262	1,545,262	76.2
New Orleans	14,808,000	2,056,000	-	5,599,000	7,655,000	51.7
Shreveport	1,142,000	-	-	992,000	992,000	86.9
<b>New York:</b>						
Buffalo	11,685,000	600,000	62,487	2,756,750	3,419,237	29.3
Elmira	1,613,000	-	-	250,000	250,000	15.5
Nassau County	1,531,000	-	-	(a)	-	-
New York	<sup>b</sup> 102,245,000	37,196,000	-	19,961,000	57,157,000	55.9
Rochester	14,684,000	955,000	6,749,902	5,340,000	13,044,902	88.8
Tonawanda	741,000	-	190,000	(a)	190,000	25.6
White Plains	3,712,000	-	745,000	906,000	1,651,000	44.5
<b>Texas:</b>						
Lancaster	786,000	-	-	(a)	-	-
Lubbock	5,328,000	-	18,360	3,086,254	3,104,614	58.3
Tarrant County	658,000	-	-	(a)	-	-
Waco	5,704,000	431,500	93,500	582,000	1,107,000	19.4
White Settlement	839,000	-	-	(a)	-	-
<b>Total</b>	<b>\$231,736,000</b>	<b>\$56,431,518</b>	<b>\$26,406,041</b>	<b>\$45,733,747</b>	<b>\$128,571,306</b>	
<b>Percent of total</b>	<b>100.0</b>	<b>24.4</b>	<b>11.4</b>	<b>19.7</b>	<b>55.5</b>	

a/Community does not have any lower income census tracts.

b/Actual grant amount is \$102,244,000. The city overstated its proposed activities by \$1,000.

## FUNDING FOR PLANNING, ADMINISTRATION, AND CONTINGENCY

	Entitlement	Planning		Administration		Contingency		Total	
		Amount	Percent of entitlement	Amount	Percent of entitlement	Amount	Percent of entitlement	Amount	Percent of entitlement
California:									
Anaheim	\$ 511,000	\$ 106,173	20.8	\$ 19,436	3.8	\$ 25,000	4.9	\$ 150,609	29.5
Inglewood	1,851,000	89,000	4.8	-	-	81,708	4.4	170,708	9.2
Long Beach	1,514,000	164,000	10.8	-	-	-	-	164,000	10.8
Los Angeles	38,595,000	1,435,293	3.7	-	-	-	-	1,435,293	3.7
Los Angeles County	14,461,000	1,668,113	11.5	1,067,987	7.4	873,065	6.0	3,609,165	24.9
Oxnard	1,598,000	75,000	4.7	-	-	80,000	5.0	155,000	9.7
Pasadena	2,584,000	-	-	121,000	4.7	33,400	1.3	154,400	6.0
San Bernardino	3,117,000	50,000	1.6	118,000	3.8	284,000	9.1	452,000	14.5
Louisiana:									
Baton Rouge	2,029,000	70,500	3.5	177,164	8.7	36,000	1.8	283,664	14.0
New Orleans	14,808,000	500,000	3.4	500,000	3.4	1,346,000	9.0	2,346,000	15.8
Shreveport	1,142,000	57,740	5.0	37,610	3.3	54,650	4.8	150,000	13.1
New York:									
Buffalo	11,685,000	1,878,082	16.0	1,645,620	14.1	91,650	.8	3,615,352	30.9
Elmira	1,613,000	10,000	.6	50,000	3.1	53,000	3.3	113,000	7.0
Nassau County	1,531,000	-	-	136,000	8.9	100,000	6.5	236,000	15.4
New York	<sup>a/</sup> 102,245,000	2,700,000	2.6	14,652,000	14.3	-	-	17,352,000	16.9
Rochester	14,684,000	675,000	4.6	375,000	2.5	434,098	3.0	1,484,098	10.1
Tonawanda	741,000	-	-	-	-	16,000	2.2	16,000	2.2
White Plains	3,712,000	100,000	2.7	315,000	8.5	337,000	9.1	752,000	20.3
Texas:									
Lancaster	786,000	25,000	3.2	70,568	9.0	53,432	6.8	149,000	19.0
Lubbock	5,328,000	-	-	63,750	1.2	328,590	6.2	392,340	7.4
Tarrant County	658,000	-	-	58,000	8.8	-	-	58,000	8.8
Waco	5,704,000	-	-	380,000	6.7	240,000	4.2	620,000	10.9
White Settlement	839,000	30,000	3.6	-	-	-	-	30,000	3.6
Total	<u>\$231,736,000</u>	<u>\$9,633,901</u>	4.2	<u>\$19,787,135</u>	8.5	<u>\$4,467,593</u>	1.9	<u>\$33,888,629</u>	14.6

<sup>a/</sup> Actual grant amount is \$102,244,000. The city overstated its proposed activities by \$1,000.



FUNDING IDENTIFIED AS HAVING PARTICULAR URGENCY  
AND NOT LOCATED IN LOWER INCOME CENSUS TRACTS

	<u>Entitlement</u>	<u>Urgent needs amounts</u>	<u>Percent of entitlements</u>
<b>California:</b>			
Anaheim	\$ 511,000	\$ -	-
Inglewood	1,851,000	-	-
Long Beach	1,514,000	-	-
Los Angeles	38,595,000	-	-
Los Angeles County	14,461,000	357,000	2.5
Oxnard	1,598,000	-	-
Pasadena	2,584,000	-	-
San Bernardino	3,117,000	-	-
<b>Louisiana:</b>			
Baton Rouge	2,029,000	-	-
New Orleans	14,808,000	776,000	5.2
Shreveport	1,142,000	-	-
<b>New York:</b>			
Buffalo	11,685,000	-	-
Elmira	1,613,000	-	-
Nassau County	1,531,000	-	-
New York	<sup>a</sup> 102,245,000	350,000	0.3
Rochester	14,684,000	-	-
Tonawanda	741,000	90,000	12.1
White Plains	3,712,000	-	-
<b>Texas:</b>			
Lancaster	786,000	500,000	63.6
Lubbock	5,328,000	877,200	16.5
Tarrant County	658,000	300,000	45.6
Waco	5,704,000	561,500	9.8
White Settlement	839,000	15,000	1.8
Total	<u>\$231,736,000</u>	<u>\$3,826,700</u>	1.7

a/ Actual grant amount is \$102,244,000. The city overstated its proposed activities by \$1,000.

FUNDING THAT COULD NOT BE  
IDENTIFIED TO LOWER INCOME CENSUS TRACTS

APPENDIX VI

	Entitlement	Census tracts			Total	Percent of entitlement
		High income	Mixed-income clusters	Communitywide		
<b>California:</b>						
Anaheim	\$ 511,000	\$ -	\$ 33,539	\$ -	\$ 33,539	6.6
Inglewood	1,851,000	164,000	140,000	635,000	939,000	50.7
Long Beach	1,514,000	-	-	-	-	-
Los Angeles	38,595,000	1,766,250	8,501,900	982,352	11,250,502	29.2
Los Angeles County	14,461,000	1,923,418	1,668,075	240,000	3,831,493	26.5
Oxnard	1,598,000	428,000	375,000	220,000	1,023,000	64.0
Pasadena	2,584,000	-	325,000	30,000	355,000	13.7
San Bernardino	3,117,000	-	1,670,000	25,000	1,695,000	54.4
<b>Louisiana:</b>						
Baton Rouge	2,029,000	197,324	-	2,750	200,074	9.9
New Orleans	14,808,000	150,000	3,881,000	-	4,031,000	27.2
Shreveport	1,142,000	-	-	-	-	-
<b>New York:</b>						
Buffalo	11,685,000	2,209,100	730,000	1,711,311	4,650,411	39.8
Elmira	1,613,000	1,060,000	190,000	-	1,250,000	77.5
Nassau County	1,531,000	1,295,000	(a)	-	1,295,000	84.6
New York	<sup>b</sup> 102,245,000	2,937,000	3,345,000	21,104,000	27,386,000	26.8
Rochester	14,684,000	105,000	-	50,000	155,000	1.1
Tonawanda	741,000	445,000	(a)	-	445,000	60.1
White Plains	3,712,000	180,000	1,115,000	14,000	1,309,000	35.3
<b>Texas:</b>						
Lancaster	786,000	57,000	80,000	-	137,000	17.4
Lubbock	5,328,000	871,346	82,500	-	953,846	17.9
Tarrant County	658,000	240,000	-	60,000	300,000	45.6
Waco	5,704,000	410,000	1,261,000	1,744,500	3,415,500	59.9
White Settlement	839,000	788,000	(a)	6,000	794,000	94.6
<b>Total</b>	<b>\$231,736,000</b>	<b>\$15,226,438</b>	<b>\$23,398,014</b>	<b>\$26,824,913</b>	<b>\$65,449,365</b>	
Percent of total	100.0	6.5	10.1	11.6	28.2	

APPENDIX VI

a/ Community does not have any lower income census tracts.

b/ Actual grant amount is \$102,244,000. The city overstated its proposed activities by \$1,000.

UNITS OF NEW HOUSING BY PROPOSED-CENSUS-TRACT LOCATION

<u>Community</u>	<u>High-income census tracts</u>	<u>Lower income census tracts</u>	<u>Unable to determine</u>	<u>Total</u>
New housing construction not proposed:				
Lancaster				
Tarrant County				
Waco				
White Settlement				
Locations of all proposed units not identified:				
Anaheim	-	-	200	200
Long Beach	-	-	440	440
Los Angeles city	-	-	8,180	8,180
New Orleans	-	-	400	400
Shreveport	-	-	425	425
New York City	-	-	9,000	9,000
Lubbock	-	-	151	151
	-	-	<u>18,796</u>	<u>18,796</u>
Locations of some proposed units identified:				
Los Angeles County	-	420	159	579
Pasadena	-	28	200	228
San Bernardino	-	<u>200</u>	<u>50</u>	<u>250</u>
	-	<u>648</u>	<u>409</u>	<u>1,057</u>
Locations of all proposed units identified:				
Inglewood	1,075	-	-	1,075
Oxnard	150	-	-	150
Baton Rouge	285	-	-	285
Buffalo	100	1,176	-	1,276
Elmira	-	310	-	310
Nassau County	668	(a)	-	668
Rochester	-	729	-	729
Tonawanda	80	(a)	-	80
White Plains	<u>375</u>	<u>196</u>	-	<u>571</u>
	<u>2,733</u>	<u>2,411</u>		<u>5,144</u>
Total	<u>2,733</u>	<u>3,059</u>	<u>19,205</u>	<u>24,997</u>

<sup>a</sup>Community does not have any lower income census tracts.

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