

**DOCUMENT RESUME**

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[Cleveland, Ohio's, Community Development Block Grant Applications]. March 19, 1978. 4 pp.

Report to Robert C. Embry, Department of Housing and Urban Development: Assistant Secretary for Community Planning and Development; by Richard J. Woods, Associate Director, Community and Economic Development Div.

Contact: Community and Economic Development Div.  
Organization Concerned: Cleveland, Oh.  
Authority: Housing and Community Development Act of 1974.

A review of Cleveland, Ohio's, Community Development Block Grant applications for 1975 through 1977 indicated that Cleveland's application for 1977 funds did not describe the activities to be undertaken to meet community development needs and objectives. Instead, the applications listed general classes of activities, the total dollar amount requested for each class of activity, and referenced the location to large blocks of census tracts. These class descriptions did not appear to be sufficient for the Department of Housing and Urban Development (HUD) to determine whether the activities were eligible under the requirements of the Housing and Community Development Act of 1974. Without specific activity descriptions, HUD could not adequately fulfill its responsibilities concerning the application and review requirements of the act. There was no evidence that the city had officially committed itself to a complete program of specific activities at any time before the application was transmitted to HUD for review. The city's commitment to specific activities was apparently made some time after HUD's approval of the application. Concern was expressed over the apparent lack of management control by HUD in approving the 1977 application and the potential for unnecessarily tying up block grant funds because of a lack of timely commitment by the city. (KRS)



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

COMMUNITY AND ECONOMIC  
DEVELOPMENT DIVISION

IN REPLY  
REFER TO: HUD-78-2

MAR 19 1978

Mr. Robert C. Embry  
Assistant Secretary  
For Community Planning  
and Development

Dear Mr. Embry:

At the request of Representative Mary Rose Oakar of Ohio, we recently reviewed Cleveland, Ohio's Community Development Block Grant applications for 1975 through 1977. In connection with the review, several questions have arisen on which we would appreciate your comments.

We noted that Cleveland's application for 1977 entitlement funds, as well as prior year applications, did not describe the activities to be undertaken to meet community development needs and objectives. Instead, Cleveland listed general classes of activities (i.e. public works), the total dollar amount requested for each class of activity and referenced the location to large blocks of census tracts representing approximately 75 percent of the city. (See enclosure)

These class descriptions did not appear to be sufficient for HUD to determine whether the activities contemplated were eligible under the requirements of the Housing and Community Development Act of 1974, and whether Cleveland's Community Development Program meets the objectives of the Act.

HUD Notice CPD 77-24, dated October 1977, requires HUD field staff to obtain additional information when applications are not sufficiently clear to confidently conclude that they meet statutory objectives of applicable program requirements. In addition to requesting more specific activity descriptions, HUD field staff may request the applicant to reprogram funds or they may condition approval of the application on the applicant taking corrective action. HUD records show that the problem of ambiguous activity descriptions in Cleveland's applications was discussed as early as January 1976, with specific reference to public services and local match activities.

While the 1976 application was approved, and the 1977 application conditionally approved, we found no evidence of final resolution of the problem. Discussions with officials at the Columbus area office revealed that Cleveland's 1978 application was equally ambiguous in describing activities to be undertaken.

Without obtaining specific activity descriptions from Cleveland, we could not determine how HUD could have adequately fulfilled its' responsibilities concerning the application and review requirements of Section 104 of the Act. Specifically, the question whether HUD could have determined (1) the eligibility of the activities, (2) whether the activities were designed to meet Maximum Feasibility Priority tests (as described in the October 1977 Notice), and (3) whether the activities contemplated were appropriate for meeting the identified needs and objectives.

For example, the 1977 application simply states that Public Works funds will be used "To offer assistance and provision of public improvements primarily in neighborhoods within the Concentrated Action Areas. Such improvements will include street lighting, street resurfacing, street resurfacing, playgrounds, parking lots etc." These "activities" were to be located in "All Concentrated Action Areas, Local Development Corporation areas and others as may be appropriate". Cleveland's estimated costs for these "activities" was \$2,075,000, with no breakdown by activity cost.

Ambiguous descriptions of activities and unreasonably broad location references, as cited above, were in evidence in the following four budget categories, in addition to the two identified by the Columbus Office: acquisitions, public works, demolition, and rehabilitation loans and grants. These budget categories comprise a large percentage of those categories which lend themselves to specific activity descriptions and locations. These categories also account for a large portion of Cleveland's block grant. It is questionable whether a program with this degree of ambiguity should be considered to be complete. Also, the lack of specific public commitment, as illustrated by the ambiguity of the grant application, did not appear to provide citizens with reasonable assurance that they have had adequate opportunity to participate in the development of the application, as provided for by Section 104 (a)(6)(C) of the Act.

Further, we found no evidence that the city officially committed itself, even tentatively, to a reasonably complete program of specific activities at any time before the application was transmitted to HUD for review. It appears that city commitments to specific activities were not made until some time after HUD approval of the application. For example, Cleveland's October 31, 1977, report on Progress of Planned Activities, indicated that commitments had not been made for about \$4.3 million in first, second, and third year funds. These funds were listed as balances in the report. The first year funds included as balances had been approved by HUD approximately 30 months before, yet no activity had received an official city commitment for contract authority.

We are concerned with the apparent lack of management control by HUD in approving Cleveland's 1977 application, and the potential for unnecessarily tying up block grant funds due to a lack of timely commitment by the city. We are also concerned that similar situations may be occurring in varying degrees elsewhere.

Further, it appears to us that a definition of the word "activity" as used in Section 104 of the Act, is crucial to insure that HUD receives sufficiently detailed descriptions of what an applicant intends to do with block grant funds for it to determine whether that use is eligible under the requirements of the Act. HUD, however, has not defined the term "activity". Section 104 (a) specifies that no grant may be made unless the applicant formulates a program that includes the activities to be undertaken. Section 105 (a) of the Act describes the types of activities which are eligible for funding. It seems clear to us that class descriptions are not "activities", because they are not descriptive of activities described in Section 105 (a), yet Cleveland's 1977 block grant application was approved.

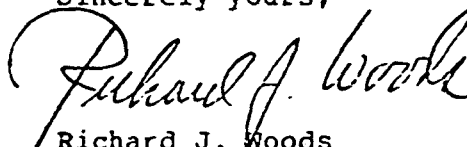
Our specific questions then, based on the foregoing, are as follows:

1. Why were the problems with Cleveland's 1977 application not remedied?
2. What corrective action is contemplated for the problems with Cleveland's application for 1978 funds?

3. In light of the requirement in the 1974 Act (Sec. 104 (d)), that HUD determine "whether the grantee has carried out the program substantially as described in its application", what is HUD's policy toward Cleveland's lack of commitment to specific activities at the time applications are filed?
4. How can Cleveland have satisfied the citizen participation requirement of Section 104(a)(6) (C), in light of the ambiguous nature of the 1977 and 1978 applications?
5. Why has HUD not officially defined the term "activity"?
6. Does HUD interpret the 1974 Act to require approval of an application even if it cannot determine (1) whether the program requirements have been met, or (2) whether an activity is eligible?
7. What assurances does HUD have that the problems of ambiguous applications is not widespread?

We would be happy to meet with you or your staff if you wish to discuss any of these matters in more detail.

Sincerely yours,



Richard J. Woods  
Associate Director

enclosure