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Who Won and Why ?

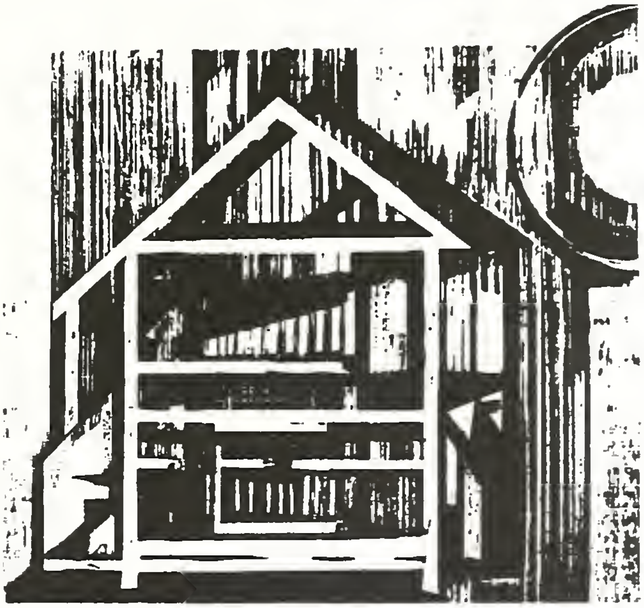
North Carolina's Small Cities Compete for Block Grant Stakes

A primary objective of the Reagan Administration is to transfer the responsibility for social service and community development programs from the federal government to the state or local level. Accordingly, since 1981, the administration of a considerable number of programs has shifted from Washington to state capitals. A significant component of one of the Department of Housing and Urban Development's (HUD) largest programs, the Small Cities Community Development Block Grant (CDBG), is now administered by many state governments, including North Carolina. This transfer of control represents a significant challenge to the State and its ability to manage a substantial sum of money in accordance with federal and State goals. A review of the State's regulations and the types of funded activities provides some preliminary insights to North Carolina's response to this challenge.

The CDBG program is divided into two components, and the changing level of administration affects them differently. Entitlement funds are provided automatically to cities with over 50,000 residents and to cities which are centers of SMSAs. In North Carolina, these cities are Asheville, Winston-Salem, High Point, Greensboro, Burlington, Charlotte, Gastonia, Concord, Salisbury, Durham, Raleigh, Fayetteville, Jacksonville, Wilmington and Hickory. These cities will continue to recieve their funds directly from HUD. The Small Cities program is now administered by the states which choose to do so, and all other states must assume this responsibility by 1984 if they wish to continue receiving the funds.

Before 1982, state participation in the Small Cities program was on a limited and selective basis. A demonstration program was conducted in Kentucky and Wisconsin during 1981 to determine if increased state participation would lead to better targeting and coordination of federal and state resources to those communities with the greatest need. The decision to shift administration of the Small Cities CDBG program to all states reflects that continuing expectation. It is based on an assumption and a hope that states are more aware of and responsive to the needs of their citizens than the federal government and that state administration will simplify procedures and reduce costs. The state administering agencies are charged with the responsibility of developing criteria to suit the particular housing, social and economic conditions prevalent in the states.

In North Carolina, the Small Cities program is administered through the Department of Natural Resources and Community Development (NRCD). NRCD generally follows the program objectives outlined by HUD: to support expansion of housing opportunities for low- and moderate-income families; to provide increased economic opportunities for low- and moderate-income persons; to promote rational land use; and to correct deficiencies in public facilites which affect the public health or safety. In addition, the State requires that the Small Cities grants "support the North Carolina Balanced Growth Policy Act by encouraging economic progress and job opportunities throughout the State, and supporting growth trends favorable to maintaining a dispersed population, a healthy and pleasant environment and the preservation of our natural resources."



North Carolina's Small Cities program is administered on a competitive basis because local demand for grant money far exceeds the available funds. Any small city or urban county is eligible to apply. In the first round of grant awards, three types of project funds were available. The bulk of the funds were designated for Community Revitalization projects, but localities were also able to apply for Economic Development and Development Planning funding.

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Community Revitalization projects are those "activities in which a majority of funds are directed toward improving, preserving or developing residential areas." Projects may include single or multiple activities and may address one or more needs in the target area. Economic Development projects include "activities in which a majority of funds are directed toward promoting the creation or retention of jobs, enhancing income levels and providing local ownership opportunities principally for persons of low- and moderate-income."

Planning Development grants differ markedly from the project-oriented nature of the Community Revitalization and Economic Development activities. The Planning Development grants are designed to assist local governments in developing "appropriate and competitive" CDBG strategies if they have never received these funds or to assist more experienced local governments in their efforts to develop "creative and complex" CDBG projects.

Within these broad project categories a variety of eligible activities are allowed, which, for the most part, have remained the same since the CDBG's inception in 1974. Property acquisition and rehabilitation, provision of public works, code enforcement, and relocation assistance are a few of the traditional CDBG funded activities permitted in North Carolina's Small Cities program. Additional project activities allow neighborhood-based non-profit organizations or local development corporations to carry out local economic development. Grants are also available to finance the development of a community-wide energy use strategy.

In the first round of competition in North Carolina, Community Revitalization and Economic Development projects were evaluated and rated against six selection criteria. While the criteria were the same for both project types, the weights were applied differently. Applicants could obtain a high score of 1000 points based on the criteria in the chart below.

	WEIGHTS	
CRITERIA	Community Revitalization	Economic Development
Community needs	200	100
Financial design	150	250
Program design	250	250
Low- and moderate-income benefit	200	200
Leverage of other funds	100	100
Consistency with other funds	100	100

Development Planning projects were evaluated against program design (400 points) and benefit to low- and moderate-income persons (200 points). Therefore, the highest score a Development Planning project may have obtained was 600 points.

Several of the selection criteria categories can be broken down into individual measures to indicate the concerns of the State:

- In the community needs area, applicants were rated on absolute and relative measures of poverty and subtandard housing. The absolute measures were worth 40 points, and the percent measures were worth 60.
- Cost effectiveness and financial feasibility were considered in the rating of the financial design of a project.
- Program design measures were used to evaluate the potential impact of the proposed project, so that project appropriateness was determined relative to the severity and type of needs in the community.
- The availability of outside funds "leveraged" by the grant strengthened the financial feasibility of the proposed project.

These requirements demanded that the competitive applicant use sound accounting practices, have a clear idea of the work entailed, and possess a realistic vision of the intended results.