Improving Rural Housing by Changing the Small Cities CDBG Regs

The Community Development Block Grant (CDBG) Program is one of the few remaining federal sources of assistance available to local governments in their efforts to improve housing conditions. The Small Cities component of CDBG is intended for smaller urban and rural areas. Unfortunately, as presently designed and administered by the North Carolina Department of Natural Resources and Community Development (NRCD), the State's Small Cities program excludes a portion of the very needy -- those people who live in substandard housing outside incorporated areas.

Substandard housing is a significant problem in North Carolina's rural areas. Substandard housing is defined by the U.S. Census as units that lack adequate plumbing and/or are overcrowded. In 1970, approximately 300,000 units in the State were identified as substandard. By 1980, the number had declined to 207,000 units. Three-quarters of these substandard units are located in unincorporated areas.

This problem of substandard rural housing is demonstrated by the conditions in the six counties (Chatham, Durham, Johnston, Lee, Orange, and Wake) that comprise Planning Region J, one of the fastest growing areas in the State. The number of substandard units declined from 28,000 in 1970 to 16,000 in 1980. Nearly 60% of these units are in unincorporated areas. Of the six counties, Johnston County has the greatest concentration of substandard housing. Summary reports from the 1980 Census place nearly 80% of the substandard units outside of the County's nine incorporated areas.

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Johnston County's inability to obtain Small Cities funds to address its housing problems, despite its clear need, demonstrates the limitations of the State's program. The <u>Application Guidelines</u> issued by NRCD in February 1983 for the second round of Community Revitalization and Development Planning projects contain the selection criteria used in the competitive ranking of the applications. A significant impediment to rural housing improvement efforts remains -- the requirement of geographic "targeting" of program operation and benefit to low-and moderate-income recipients.

The most significant obstacle results from the State's requirement that grant funds be spent within designated target areas which are "defined areas of concentrated need." The regulations do not specifically exclude rehabilitation in scattered sites, but the ranking criteria assign low values to applications which do not demonstrate a concentrated impact on a particular area. Similarly, the ranking criteria favor projects which show benefit to low- and moderate-income people concentrated within the target area. The concept of a target area has only limited utility when assessing housing need and impact in an area such as rural Johnston County because the incidence of substandard housing and poverty is usually not segregated in isolated areas. "Slums and blighted areas" are not as prevalent in rural communities.

These obstacles make it difficult for rural counties to obtain Community Revitalization funds for housing rehabilitation. However, scattered site rehabilitation is possible as a "local option" activity. These are activities which may take place outside of a target area. These activities, however, are limited to 20% of a maximum $750,000 Community Revitalization proposal. This ceiling of $150,000 precludes extensive rural rehabilitation efforts.

In an effort to address the unmet problem of rural housing, the Housing Advisory Committee of the Triangle J Council of Governments petitioned the State during the comment period following the announcement of the first round of grant awards. The Committee requested that a special pool of Small Cities CDBG funds be designated for a scattered site rural rehabilitation demonstration project. It was felt that careful project design, site selection and monitoring could address the special problems of management, accountability, and measurement of impact dispersed over a greater area. To date, the State has not accepted this recommendation, but it is clear that some special effort must be taken if the very real problem of substandard rural housing in North Carolina is to be addressed and successfully resolved.

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In October, 1982, NRCD awarded $28,579,436 to 47 Community Revitalization projects, 7 Economic Development projects and 20 Development Planning projects. The majority of the money, $25,927,407, went to Community Revitalization projects. This amount is significant because North Carolina was one of the few states to concentrate its funds in community revitalization efforts, rather than economic developoment projects.

THE QUALITY OF SERVICE DERIVED FROM THE PROGRAM WILL DEPEND TO A LARGE DEGREE ON THE HOUSING AND COMMUNITY DEVELOPMENT GOALS EMPHASIZED BY THE STATE

Data obtained from project applications reveal the following information about the 1982 Community Revitalization grant recipients:

- The largest portion of the winners were communities with populations between 4,000 and 30,000.
- Coastal applicants received 52.1% of all funds, Piedmont projects, 37.5% and the remaining 10.4% was allotted to projects in the Mountain Region.
- Seventy-seven percent of the winning applications were from cities, two percent were joint applications and 21% were from counties.
- Almost 75% of the winning applicants included a housing rehabilitation component in their projects.
- None of the 49 winners scored over 165 out of a possible 200 in the community needs category. In fact, the highest scoring project, from Morganton (total score 833), received only 33 points for community needs, but had perfect scores for the other criteria.
- Nearly all the funded projects scored 100 to 150 points on their financial impacts. Project impact scores ranged from 178 to the top possible rating of 250 points; the vast majority of winner's scores were above 200 points.
- All winners targeted 80% or more of their benefits to the low- and moderate-income residents of their communities, and received the full 200 points in that area.
- The availability of other funds was a less important factor overall in the selection process. Only two of the winners, Morganton and Cleveland, received a top score on this qualification. Half of all the applicants had scores from ten to zero. It was unclear whether the other funds were to come from other public sources or from private lenders; both sources of funds were allowed. It is very likely, however, that in the future, more emphasis will be placed on the use of non-CDBG funds in Community Revitalization projects as public-private partnerships are viewed as alternatives to only government involvement in local development.
- Compliance with state policies was strongly emphasized in the selection process. All the winners except two scored 100% in this area. This emphasis reveals the potential for using CDBG funds to promote state housing and community development goals.

Before any recently funded projects have made substantial progress, it is not possible to draw significant conclusions regarding the impact of such an administrative change on the Small Cities CDBG program. The quality of service derived from the program will depend to a large degree on the housing and community development goals emphasized by the State. If State goals and objectives are sensitive to the needs of the residents and if local program performance is carefully monitored and evaluated to ensure attainment of these goals, then it is very possible that State administration of the Small Cities program will have positive long-term effects on the lives of North Carolinians.

Part of this article is based on an unpublished paper written by Beth Pearsall and Julie McCullough, recent graduates of the Department of City and Regional Planning, UNC-Chapel Hill.