

Use of Surveys under the Exception Criteria

April 10, 1986

MEMORANDUM FOR: Kenneth J. Finlayson
Regional Administrator-Regional Housing
Commissioner, 3S

ATTENTION: Alfred R. Marcks Jr., Regional Director Office of Community Planning and Development,
3CM

FROM: Alfred C. Moran, Assistant Secretary for Community Planning and Development, C

**SUBJECT: Use of Surveys Under the Exception Criteria:
Community Development Block Grant (CDBG) Entitlement Program**

This is in response to your memorandum of February 14, 1986, which raises several questions concerning the use of surveys by CDBG entitlement communities to qualify low and moderate income benefit activities under the program's area benefit exception criteria.

The exception criteria refers to section 105(c)(2)(B) of the Act, which provides an 'exception' to the general rule at section 105(c)(2)(A) for determining whether CDBG-assisted area benefit activities principally benefit low and moderate income persons. The general rule requires that area benefit activities serve areas where the concentration of low and moderate income persons is at least 51 percent. A number of CDBG grantees, however, have few areas with this high a percentage. The 'exception rule' allows them to undertake the same types of activities in areas where the proportion of low and moderate income persons in the area is within the highest quartile of all areas in the grantee's jurisdiction in terms of the degree of concentration of low and moderate income persons.

On January 4, 1985, the Department issued detailed instructions to all entitlement grantees outlining how this exception was to be implemented. The instructions specify that HUD will use census block groups as the common denominator for determining the minimum percentage of low and moderate income persons required for area benefit activities in communities qualified to use the exception rule.

Your memorandum refers to § 570.208(a)(1)(ii) of the proposed CDBG entitlement regulations, which puts into regulatory form the policies and procedures obtained on page 10, section C of the January 4, 1985, instructions.

Your first question concerns that portion of the instructions which states that "other data acceptable to the Secretary may be used" in the calculations "if block group data are not available for the entire jurisdiction." You specifically ask whether other data, if adequately documented and statistically valid, may be substituted for census block group data at the discretion of the community.

To address this question, it is necessary to make a distinction between the use of census block group data to calculate the minimum percentage of low and moderate income persons is required for area benefit activities in communities using the exception rule, and the use of census block group data to determine the number of low and moderate income persons residing in a service area. The Department does require that census block group data be used to determine a community's minimum percentage under the exception rule, except in communities where block group data is unavailable. In such cases, we would consider use of census data from some other unit of geography (such as enumeration district data), as long as it covers the entire jurisdiction of the community.

The Department does not require that block group data be relied on exclusively to determine the number of low and moderate income persons currently residing in the service area of an area benefit activity when the service area boundaries do not reasonably coincide with census areas. Where fragments of one or more block groups form part of the service area of an activity, the following approach may be used to determine the income characteristics of each such fragment:

1. Assume that the percent of low/moderate income persons in the respective block group(s) also applies to the fragments therein, unless there a good reason to believe that the residents of the fragments have higher income than the balance of the block group; or
2. Either
 - a. determine the likely income levels in the fragments through analysis of the census data at the block face level. (HUD headquarters has previously approved use of this procedure); or
 - b. conduct a special survey throughout the fragment(s) to determine the current income levels there.
3. Combine the data arrived,at for the fragment(s) with the values already determined through the use of the decennial census data for any block group(s) that are completely, subsumed within the service area of the activity.

The usage of data more current than the last decennial census my be accepted for any complete service area, including whole block groups or census tracts, where the more current data shows the percentage of residents that are low/moderate income to be 51 percent or greater. However, where such data indicates a percentage lower than 51 percent, the area could only qualify under the "upper quartile exception" provision. It would not be appropriate to recognize the use of such updated data unless the later data were to be available for all block groups in the grantee's jurisdiction so that a new assessment could also be made of the upper quartile percentage resulting from the more current data.

Because of the heavy emphasis that the statute places on the degree to which low/moderate income persons benefit under the CDBG program, we must exercise extreme care in the administration of the regulatory provisions under which credit for such benefit is given. It is therefore essential that the standards for accepting an area benefiting less than 51 percent low/moderate income persons for this purpose remain unambiguous for HUD, the grantee, and its citizens. Unless there is clear evidence that the percentage of low/moderate income persons in a block group, shown by more current data to be less than 51 percent, would clearly fall within the upper quartile of all block groups based on that same data source, we should not accept it for these purposes.

A word of caution is also appropriate here concerning the use of surveys by grantees. It is essential that a survey be properly constructed and conducted in order to yield results that are reasonably reliable. For this reason, we believe that all such surveys should be reviewed by CPD in consultation with EMAD staff. At a minimum, the review should include:

a review of the survey instruments, sampling, and methodology of administration to see if they appear reasonable and adequate;

a determination that the survey collects income data from all sources for the entire family, and that the number of persons in the family is clearly identified; and

a determination that the proper Section 8 income limits (e.g., by family size and in effect at the time of the survey) are used in deciding whether each individual family surveyed is of low/moderate income.

Thank you for bringing these matters to our attention. If this response does not adequately address your concerns or you have any questions about this policy, you may wish to contact James Broughman, Director, Entitlement Cities Division, at 755-9267.