

## United States Senate

WASHINGTON, D.C. 20510

As you may know, during its recent consideration of the Administration's proposal to revise and extend the Community Development Block Grant Program for three years, the Senate Banking Committee approved a significant amendment which we offered.

We believe that our amendment would substantially benefit your city because it improves the ability of the community development program to target money to those communities with the greatest need. To give you a better idea of our proposal's effect on your city and on others around the country, we are enclosing some materials including a computer print-out showing block grant allocations by city and state. Below, we provide a brief description of our proposal and how it operates.

A central feature of the Administration's proposed community development program is a new dual formula by which communities such as yours would receive their block grants. The dual formula would permit communities to receive their allocations according to either the present formula (based on population, extent of poverty, and housing overcrowding) or a new formula (based on the number of pre-1940 housing units, extent of poverty, and population growth lag), whichever provides the higher allocation.

Our amendment would not replace any aspect of the proposed dual formula. It would, however, improve its responsiveness by adding to the age of housing factor a new measurement of need called "impaction". Through the use of impaction, the dual formula would take into account not only the number of old housing units within a community, but also the proportion of a community's old housing stock. As a result, impaction would allow the dual formula to measure community development need with greater precision, and channel additional resources to communities whose need is the most acute. The amounts provided under impaction would be in addition to those provided under the basic dual formula.

The enclosed computer print-out shows block grant allocations for fiscal years 1978-80 under the present program, under the proposed dual formula without impaction, and under the dual formula with impaction. Because the impaction adjustment must, of course, gain approval by the full Senate, and then must be considered by a House-Senate Conference Committee, the final level of funding may be somewhat changed. Also, as new data becomes available, the amounts on the print-out may be slightly increased or decreased. The print-out reflects the Senate Banking Committee's decision to fund impaction from within the proposed action grant discretionary fund. Impaction would be phased in at 50 percent of its cost in fiscal year 1978, 75 percent of its cost in fiscal year 1979, and 100 percent of its cost in fiscal year 1980. Under impaction, therefore, a particularly needy community would have an absolute assurance of additional assistance, not just the potential for such assistance from a discretionary fund alone, as clearly shown on the print-out.

We hope that the information we have provided will prove useful to you. Should you have any questions about impaction, please do not hesitate to contact us.

With best wishes,

Sincerely,

Harrison A. Williams, Jr.

Edward W. Brooke

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## QUESTIONS AND ANSWERS ON IMPACTION

### 1. What is impaction?

Impaction is a mathematical adjustment to one of the factors in the proposed dual formula which determines the distribution of community development block grants to entitlement communities. The adjustment is made to the age of housing factor (pre-1940 housing) in the new formula. This factor is presently designed to measure only the number of old housing units in a community. With the impaction adjustment, the factor would also take into account the community's proportion of old housing stock.

### 2. Why is the impaction adjustment necessary?

Impaction is necessary in order to make the community development formula more precise in its measurement of community development need, and therefore more responsive in its allocation of funds to entitlement communities. The age of housing factor is meant to reflect a number of serious urban problems, including deteriorating housing structures, and obsolete infrastructure. However, the factor as presently designed cannot fully take into account the intensity of these problems. A community with 80 percent of its housing built prior to 1940 has a greater degree of need than one with only 20 percent of its housing built before 1940, and should be accorded additional resources. Without the impaction adjustment, the dual formula cannot accurately consider this difference in need in the allocation of block grants. Impaction would ensure that the localities with the most extensive community development problems would receive the additional assistance that these problems demand.

### 3. Would impaction replace any feature of the proposed dual formula?

Impaction affects only one factor, the age of housing factor, and the only change is the addition of a new measurement of community development need. No other factor would be changed. In addition, the relative weights or values of each of the factors, including the age of housing factor, would remain unchanged.

### 4. How are the benefits of impaction distributed?

As passed by the Senate Banking Committee, the impaction proposal would provide additional assistance to 165 cities in 25 states in fiscal year 1978, 210 cities in 30 states in fiscal year 1979, and 192 cities in 29 states in fiscal year 1980. These cities are located in all regions of the country. In addition, of the nation's 15 neediest cities according to HUD's own index of need, 13 of them receive sums under impaction that are substantially higher than they would receive under the Administration's dual formula without the impaction adjustment.

### 5. Why does impaction require additional funds?

Any change in any of the factors in the dual formula tends to cause a shift of money from some communities to others, and thus additional funds are

necessary to prevent this shift. Under the impaction proposal in the Senate community development bill, additional resources are provided to communities with extreme need without causing any other communities to experience a loss in funding.

6. How does impaction relate to the proposed discretionary Urban Development Action Grant Program?

Impaction strengthens our effort to assist our most seriously troubled communities, while at the same time it retains UDAG's flexibility to respond to unique community development opportunities.

The additional amounts provided by impaction are entitlements, instead of discretionary allocations. Impaction therefore guarantees targeted assistance on a continuing basis. Communities receiving such assistance under impaction can proceed with long-range plans for comprehensive community development projects, secure in the knowledge that funding for their projects will actually be available. This certainty of funding can also prevent much of the frustration and disappointment that many cities might experience if a discretionary fund were the only source of additional money.

The action grant program is designed to provide one-time grants to communities for the purpose of undertaking specific neighborhood reclamation or economic development projects that would otherwise be beyond their capacity. The Administration has suggested that as few as 40 communities per year would receive action grants. As provided by the Senate Banking Committee, impaction would assure on-going special assistance to almost 200 cities each year, while about \$575 million would be available for action grants for FY 1978-80. This means that under impaction, a greater number of communities would receive the added help they need, but money could still be provided on a discretionary basis in instances where unique community development opportunities present themselves. Should action grants require a higher level of funding, the Administration can request supplemental budget authority and appropriations from Congress.

Impaction and a discretionary Urban Development Action Grant Program are concepts which can effectively reinforce and supplement one another.

7. Can impaction help a community to draw upon other sources of community development funds?

Yes. Included in the Senate Banking Committee's community development bill is a new guaranteed loan provision. Under this provision, HUD would be authorized to guarantee community development loans up to three times the amount of a community's block grant. These guaranteed loans could greatly expand a community's capacity to undertake large-scale neighborhood rehabilitation or economic development projects that would otherwise go unfunded. The additional amounts provided under impaction could be used to permit communities to qualify for a larger amount of guaranteed loan than they could otherwise secure with their basic formula grant. A community which receives \$1 million in additional assistance under impaction could use that amount to secure a guaranteed loan for up to \$3 million. Impaction's wide distribution of benefits means that a large number of communities could take advantage of this increased loan capacity.

# City of Cambridge

MASSACHUSETTS

Agenda #6 Proposed resolution in support of Senators Williams' and Brooke's "Impaction Adjustment" In City Council June 13 1977  
Amendment to the Community Development Block Grant Formula.

	YEA	NAY	ABSENT	PRESENT
Mrs. Ackermann	✓			
Mr. Clem			✓	
Mr. Clinton			✓	
Mr. Danehy			✓	
Mr. Duehay	✓			
Mrs. Graham	✓			
Mr. Russell			✓	
Mr. Sullivan	✓			
Mayor Vellucci	✓			

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# City of Cambridge

## IN CITY COUNCIL

June 13, 1977

### RESOLUTION IN SUPPORT OF SENATORS WILLIAMS' AND BROOKE'S "IMPACTION ADJUSTMENT" AMENDMENT TO THE COMMUNITY DEVELOPMENT BLOCK GRANT FORMULA (SENATE BILL S-1523)

WHEREAS, Senators Harrison Williams, Jr. of New Jersey and Edward Brooke of Massachusetts have introduced an amendment to the Senate Bill S-1523 Community Development Block Grant formula which would provide for additional Block Grant funds for cities impacted with high percentages of old (pre-1940) housing; and

WHEREAS, This amendment supports the intent of Secretary Patricia Roberts Harris and the Administration to target Block Grant funds to the nation's most physically and economically distressed cities; and

WHEREAS, The amendment would provide additional funds to 165 cities in 25 states in Block Grant Year #4 (Federal FY1978), to 210 cities in 30 states in Block Grant Year #5, and to 192 cities in 29 states in Block Grant Year #6 -- with an additional \$3.88 million to Cambridge over the three-year period, and an additional \$600 million (rounded) to all impacted cities; and

WHEREAS, The additional funds to these impacted cities would not raise the cost of the Block Grant Program to taxpayers, but rather would only reduce the three-year Urban Development Action Grant allocation in S-1523 from \$1.2 billion to \$600 million (rounded) -- an amount more than sufficient to fund the pilot efforts of this experimental, discretionary program; and

WHEREAS, The Williams-Brooke Impaction Amendment has already been approved by the Senate and is now a part of S-1523, which will soon be considered by the Senate-House Conference Committee;

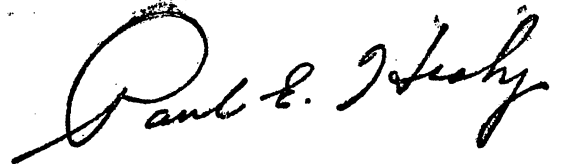
NOW THEREFORE BE IT RESOLVED that the Cambridge City Council strongly endorses the Williams-Brooke "Impaction Adjustment" to the Community Development Block Grant formula, and urges the Senate-House Conference Committee to retain the "Impaction Adjustment" in the forthcoming Community Development Block Grant legislation;

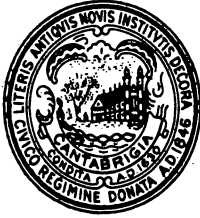
AND BE IT FURTHER RESOLVED that the Cambridge City Council requests the City Manager to transmit this resolution to the Senate-House Conference Committee that will consider S-1523; to all other appropriate members of the United States Senate and House of Representatives; to all appropriate State and local officials; to the National League of Cities and U. S. Conference of Mayors; and to other appropriate organizations and individuals.

In City Council June 13, 1977  
Adopted by a yea and nay vote:  
Yeas 5; Nays 0; Absent 4.  
Attest: Paul E. Healy, City Clerk

A true copy,

ATTEST:

A handwritten signature in cursive script, reading "Paul E. Healy". The signature is written in dark ink and is positioned to the right of the printed name "Paul E. Healy, City Clerk".



# CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139  
Tel. 876-6800

EXECUTIVE DEPARTMENT  
JAMES L. SULLIVAN  
City Manager

June 13, 1977

To the Honorable, the City Council:

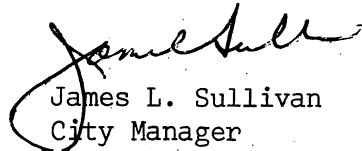
As you know, Congress is preparing legislation that will extend the Community Development Block Grant Program funding for an additional three years and will adjust the funding formula in a manner favorable to the nation's most distressed cities.

Senators Williams of New Jersey and Brooke of Massachusetts have introduced an "Impaction Adjustment" amendment to the new formula. This adjustment, if retained by the Senate-House Conference Committee, and subsequently made law, would increase Block Grant allocations to Cambridge by \$3.88 million over a three-year period. The basis for this increased funding is the high concentration of old (pre-1940) housing in Cambridge. I am attaching a brief statement by Senators Williams and Brooke explaining the formula adjustment.

I am also enclosing a proposed resolution for your consideration. This resolution would support the "Impaction Adjustment" and would reach Federal, State and local officials in a timely manner if acted upon by your Honorable Body at tonight's meeting.

Questions about the amendment can be directed to David R. Vickery, Assistant City Manager for Community Development.

Very truly yours,

  
James L. Sullivan  
City Manager

JLS/mbf  
Encs.

F-224

Resolution in support of Senators Williams' and Brooke's "Impact Adjustment" Amendment to the Community Development Block Grant Formula.

In City Council,  
June 13, 1977

6/13/1977

Order

Adopted

5-04