

Methodology Used to Identify Low and Moderate Income Areas of a Jurisdiction

January 1, 1988

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410
March 30, 1988
Honorable Donald W. Riegle, Jr.
United States Senate
Washington, DC 20510

Dear Senator Riegle:

This is in further response to your September 2, 1987, letter and my response of October 2, 1987, concerning the Department's review of the methodology used by the City of Detroit to identify low and moderate income areas for its Community Development Block Grant (CDBG) program.

As you may know, the HUD Office in Detroit had raised questions about the eligibility of a number of activities the City of Detroit initiated in 1984 under the Community Development Block Grant (CDBG) program. The activities, various improvements to commercial strips, were claimed by the City to benefit low and moderate income persons because of their location. HUD questioned the activities because, based on its assessment of 1980 Census data, the census tracts in which the activities are located had less than a majority of low and moderate income residents. The City explained its basis for concluding that the census tracts were nevertheless predominately low and moderate income areas. Our Detroit Office subsequently challenged the validity of the City's analysis. I understand that the City has discontinued CDBG assistance to those activities, but has requested HUD Headquarters to review the matter and authorize the City's approach. This letter constitutes our response to that request.

The Department has completed its review of the City's methodology for determining the eligibility of areas served by these commercial strips in the City to receive assistance. We have concluded that the City's methodology is not statistically sound for purposes of the CDBG Program and therefore leaves substantial doubt that 51 percent or more of the residents in the areas served by many of the commercial strips are low and moderate income. A detailed discussion of our findings is being transmitted to your Community Development staff and a copy is enclosed. We have discussed with counsel the City's position that, given the regulations, the approach used by the City is legally defensible. We have concluded that the absence of a specific methodology in the regulations only serves to make all the more critical the reasonableness of the use of statistics for this purpose.

The review resulted from the City's use of available information from various sources other than the 1980 Census, which is the data source normally relied on by HUD and CDBG grantees to identify low and moderate income areas within their jurisdiction. The Department has no objection to the use of more current data, provided the methodology used in developing and applying the data is statistically sound and reasonably approximates the accuracy of the decennial Census data for which it would substitute.

Because of the heavy emphasis that the statute places on the degree to which low and moderate income persons benefit under the CDBG program, it is essential that the Department exercise great care in accepting statistical standards which attempt to demonstrate that an activity carried out in an area containing less than 51 percent low and moderate income persons will benefit this targeted population. It is also important that such standards remain unambiguous to HUD and to the City of Detroit and its citizens.

We have provided a number of alternatives and options for the City to consider to assist them in determining which areas may be potentially eligible to receive CDBG funding. The Department understands how important many of these projects are to the City and assures you that the Detroit Field Office will provide whatever level of technical assistance may be needed to assist in determining which areas may qualify, and which of the national objectives they may consider to address.

Similar responses are being sent to Senator Carl Levin; and Congressmen Sander Levin; Dennis M. Hertel; John Conyers, Jr.; and Geo. W. Crockett, Jr., each of whom had expressed concerns about this matter.

Very sincerely,

Samuel R. Pierce, Jr.
Enclosure