

Fair Housing in Louisville: The Community Development Block Grant Program

December 1982

A report of the Kentucky Advisory Committee to the United States Commission on Civil Rights prepared for the information and consideration of the Commission. This report will be considered by the Commission, and the Commission will make public its reaction. In the meantime, the findings and recommendations of this report should not be attributed to the Commission, but only to the Kentucky Advisory Committee.

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ATTRIBUTION:

The findings and recommendations contained in this report are those of the Kentucky Advisory Committee to the United States Commission on Civil Rights and, as such, are not attributable to the Commission. This report has been prepared by the State Advisory Committee for submission to the Commission, and will be considered by the Commission in formulating its recommendations to the President and Congress.

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LETTER OF TRANSMITTAL

Kentucky Advisory Committee to the
U.S. Commission on Civil Rights
December 1982

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Dear Commissioners:

The Kentucky Advisory Committee to the U.S. Commission on Civil Rights, in fulfillment of its mandate, is pleased to transmit to you this report: Fair Housing in Louisville: The Community Development Block Grant Program.

The report reviews the administration of the block grant program during its first five years of operation --fiscal years 1976-1980. In addition to studying the actual rehabilitation of housing units, the Advisory Committee report includes information on citizen participation, the distribution of loans and grants, employment patterns and compliance reviews by the U.S. Department of Housing and Urban Development (HUD).

The Advisory Committee found that the neighborhood strategy area with the highest percentage of minority residents (98%) had only 21% of its substandard houses rehabilitated while the neighborhood with a high percentage of white residents (92%) had 45% of its substandard units rehabilitated. While it is understood that rehabilitation was financed by loans for which poor minorities could not qualify, the Committee is troubled by the lack of impact the Housing and Community Development Block Grant (CDBG) program has had in providing better homes for Louisville's poor minority residents.

The Advisory Committee also found that HUD's monitoring of the Louisville program has been minimal. In the course of five years, the HUD Area Office in Louisville conducted only one compliance review of the city's CDBG program.

Among its recommendations, the Advisory Committee urges administrators of the Louisville CDBG program to focus rehabilitation efforts in areas with high concentrations of substandard units. It calls for improved reporting to and monitoring by HUD.

The Advisory Committee will continue to monitor the use of CDBG funds in Louisville and report to the U.S. Commission any action taken by officials in response to this study.

The Kentucky Advisory Committee calls on the U.S. Commission to accept this report and endorse its recommendations.

Sincerely,

James M. Rosenblum
Chair
Kentucky Advisory Committee

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The Kentucky Advisory Committee is grateful to the staff of the Commission's Southern Regional Office in Atlanta, Georgia for its help in conducting this study of the Community Development Block Grant Program in Louisville, Kentucky. The study was the principal assignment of Edith A. Hammond, Civil Rights Analyst. Members of the study team who interviewed Federal and city officials, and representatives of civic organizations included Civil Rights Analysts Richmond Doyle, Courtney Siceloff, Katie Harris and Miriam Grayboff. The report was written by Ms. Hammond with contributions from members of the study team. Legal research and review were conducted by Clinton Fried, Regional Attorney. Joan Harper, Portia Raby and Emma Allen furnished support services. Editorial assistance was provided by special consultant Pat Watters. Supervisory assistance was provided by Idalia Morales-Miller, Deputy Director. Staff worked under the guidance of Bobby D. Doctor, Regional Director.

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INTRODUCTION

In March, 1979, the United States Commission on Civil Rights issued a report, "The Federal Fair Housing Enforcement Effort" which assessed "the activities of Federal executive agencies to ensure fair housing." Title VIII of the Civil Rights Act of 1968 prohibits housing discrimination on the basis of race, national origin, religion and sex. Ten years after passage of the act, the Commission found that none of the agencies charged with enforcing Title VIII had succeeded in efforts to eliminate housing discrimination.

The U.S. Department of Housing and Urban Development (HUD) is charged with overall administration of Title VIII. One of HUD's programs covered by Title VIII is the Community Development Block Grant (CDBG). To assist the Commission in following up on the fair housing report, the Kentucky Advisory Committee to the U.S. Commission on Civil Rights has made a study of the CDBG program as it has been administered in Louisville, Kentucky during the first five years of operation (1975-76 through 1979-80).

To carry out the study, a subcommittee of the Advisory Committee was formed. Its members were James Rosenblum, Chairperson, Anne Belvin and George Francis. The subcommittee and members of the staff of the Southern Regional Office of the U.S. Commission on Civil Rights collected information during 1980-1981. This involved interviews with officials of the Louisville Community Development Cabinet, Louisville Area and Southern Regional Offices of HUD, and representatives of the Louisville Board of Aldermen, Neighborhood Strategy Areas, the Kentuckiana Regional Planning and Development Agency, and civic, civil rights and human rights organizations.

The report which follows is based on the following aspects of Louisville's CDBG program: citizen's participation, loans and grants, program costs, housing rehabilitation, employment practices, contractual services, and compliance reviews conducted by HUD.

CHAPTER I

BACKGROUND OF LOUISVILLE CDBG PROGRAM

The Housing Act of 1974

The United States Congress has long sought the ideal of a decent home for all Americans. In the 1960s, this quest manifested itself in numerous grant programs administered by the Department of Housing and Urban Development (HUD). Best known of these were urban renewal and model cities. These programs in various ways, needed improvement. In an effort to correct deficiencies, Congress passed the Housing and Community Development Act of 1974 and amended it significantly in 1977.¹ The thrust of the new law was to simplify the process for getting building programs into cities and to allow more local control than in the past. A change was made from categorical grants to block grants. No longer would HUD design programs to fit the needs of local communities. Local governments and community people would decide on programs and seek funds for them.

The new law was based on the Congressional finding that the nation's cities, towns and smaller urban communities were facing critical social, economic and environmental problems arising from --

- (1) The growth of population in metropolitan and other urban areas, and the concentration of persons of lower income in central cities; and
- (2) Inadequate public and private investment and reinvestment in housing and other physical facilities, and related public and social services, resulting in the growth and persistence of urban slums and blight and the marked deterioration of the quality of the urban environment.²

The primary objective of the act "is the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income."³ The Federal assistance provided by the act is to support community development activities which are directed to the following goals:

- (1) The elimination of slums and blight;
- (2) The elimination of conditions which are detrimental to health and safety and public welfare;
- (3) The expansion and conservation of the nation's housing stock;
- (4) The expansion and improvement of the quantity and quality of community services;
- (5) A more rational utilization of land and other natural resources and better arrangement of activity centers;
- (6) The reduction of the isolation of income groups within certain areas through spatial deconcentration of housing opportunities for persons of lower income;
- (7) The restoration and preservation of properties having special value for historical, architectural or aesthetic reasons; and
- (8) The alleviation of physical and economic distress through the stimulation of private investment and community revitalization.⁴

Regulations provide that Community Development Block Grant (CDBG) funds will be distributed on the basis of community development needs or on previous funding for community development programs which are termed hold-harmless allotments. The program is designed to provide assistance with a minimum of bureaucratic delay.

The City of Louisville applied for CDBG funds during 1975, the first year that the program was in effect.

Background of Fair Housing in Louisville

Historically, black persons in Kentucky have been denied the right to live in neighborhoods occupied by whites.

This is despite the fact that the U.S. Supreme Court, in a 1917 case originating in Kentucky,⁵ ruled unconstitutional a local ordinance prohibiting blacks

from purchasing property in white neighborhoods. Housing segregation continued afterward through "unwritten understandings." ⁶

The Kentucky General Assembly, in January 1966, enacted the Kentucky Civil Rights Act. It empowered cities to enact local laws against housing discrimination.⁷ Then, after a long-term campaign by civil rights leaders, the General Assembly, in 1968, amended the Civil Rights Act to include the Kentucky Fair Housing Act.⁸ The Act banned discrimination in almost all sales and leases of housing. It is enforced by the already existing Kentucky Commission on Human Rights.⁹

Louisville passed an enforceable open housing ordinance in December 1967.¹⁰ The county of which it is the seat, Jefferson, adopted a fair housing law in 1970.¹¹

Despite such local ordinances and the state law, housing segregation has continued to be the practice in Louisville and over the state, according to the Kentucky Commission on Human Rights.¹²

Characteristics of Louisville

Louisville is a border city in a border state. Jefferson County covers 375 square miles and contains 89 cities, the largest of which is Louisville. Louisville was established in 1780 as a trading post on the south bank of the Ohio River. Across the river is the state of Indiana.

Jefferson County has a population of 684,793. This is a 1.5 percent decrease from 1970. Of the population, 109,698, or 16 percent is black. Although the population decreased, the number of housing units in the county has increased by 17.4 percent, from 226,493 in 1970 to 265,834 in 1980.¹³

A total of 298,451 persons, 44 percent of Jefferson County's population, lived in Louisville in 1980. This was a decrease of 17.5 percent from 1970. The 1980 black population was 84,080, or 28 percent of the total. This was a slight decrease (0.9 percent) from 1970.¹⁴ The number of housing units in Louisville decreased by 2.8 percent during this decade, from 129,749 in 1970 to 126,143 in 1980.¹⁵

Local Housing Program Agency: The Louisville
Community Development Cabinet

The Community Development Cabinet was created by a Louisville City Ordinance in March 1974. It was empowered to "coordinate, supervise, evaluate and monitor community development and housing." 16

It has exclusive control over all housing and community development policies, programs and activities in Louisville.¹⁷ However the Board of Aldermen, the Mayor, other city departments and private groups and companies also have input in the Cabinet's housing and community development activities.¹⁸ In its implementation of CDBG funds, the Community Development Cabinet is required by law to comply with the Housing and Community Development Act of 1974, as amended, wherein Federal funds are "...specifically restricted to those activities which give maximum feasible priority to projects which benefit low and moderate income families or aid in the prevention and elimination of blight." 19

The chief officer of the cabinet is the director who is appointed by and serves at the pleasure of the mayor. The departments in the Cabinet are Housing, Building Inspection and the Landmarks Commission. Agencies in the Cabinet the Housing Authority of Louisville. Comprehensive Employment Training Act (CETA) Planning Office, Community Action Agency and the Louisville-Jefferson County Human Relations Commission. The director of the Cabinet has also the duty to coordinate, supervise, evaluate and monitor housing programs and activities of independent boards, commissions and agencies designated by the mayor.

The Housing Department of the Cabinet is given the following statutory powers and duties:

- (a) Primary responsibility for implementing the city's housing strategy, including...rehabilitation loans and grants and vacant lot programs;
- (b) Enforcement of the housing code and ordinances dealing with environmental problems not enforced by the Board of Health and vacant and unsafe structures;

(c) Responsibility for relocation of displaced persons; and

(d) Preparation and presentation of rules and regulations necessary for its functioning.²⁰

As of September 1981, the Cabinet employed a full-time staff of 71 persons. Seventy-six percent, or 54, were white. Twenty-four percent, or 17, were black. Of 30 men, 80 percent, or 24, were white. Twenty percent, or six, were black. Of 41 women, 73 percent, or 30, were white. Twenty-seven percent, or 11, were black. Of 15 persons classified as "Officials and Administrators," 27 percent, or four, were black. Thirty-three percent, or five, were women. Of 35 persons classified as "Professionals," nine percent, or three, were black; fifty percent, or 18, were women. No men were among five "Paraprofessionals." Eleven of the 13 persons in "Office/Clerical" category were women (See Exhibit I).

By May 31, 1982 the Community Development Cabinet work force had decreased to 56 persons. Seventy-five percent, or 42 were white. Twenty-five percent, or 14 were black. Of 26 men, 77 percent or 20 were white. Twenty-three percent or 6 were black. Of 30 women, 73 percent or 22 were white. Twenty-seven percent or 8 were black.²¹ The 21 percent decrease in Cabinet personnel included an 18 percent reduction among blacks and 22 percent among whites.

Review and analysis of the Cabinet's Housing Department's work force reveals that as of September 1981 there were 90 full-time persons employed. Fifty-two percent or 47 were men and 48 percent or 43 were women. Sixty percent or 54 were white and 37 percent or 33 were black. Hispanics and Asian Americans made up the remaining 3 percent.²² Of the eight persons in the upper salary level (\$20-\$30,000) eighty percent were white. Ten percent or one was black. There was one Asian American in this category. Forty-one percent, or 19 of the 46 persons in the lower salary level (\$8-\$12,000) were black.²³

COMMUNITY DEVELOPMENT CABINET WORKFORCE

September 1981

JOB CATEGORIES	ANNUAL SALARY			TOTAL	MALE		FEMALE	
	(1000)				W	B	W	B
Officials and Administrators	\$16.9	-	33.0+	15	7	3	4	1
Professionals	13.0	-	24.9	35	16	1	16	2
Technicians	10.0	-	12.9	3	0	1	1	1
Protective Service				0	0	0	0	0
Para Professional	10.0	-	19.9	5	0	0	4	1
Office/Clerical	10.9		19.9	13	1	1	5	6
Skilled Craft				0	0	0	0	0
Service/Maintenance				0	0	0	0	0
TOTAL EMPLOYEES				71	24	6	30	11

May 31, 1982

Officials and Managers	10	5	3	1	1
Professionals	30	13	1	14	2
Technicians	4	0	1	2	1
Protective Service	0	0	0	0	0
Para Professionals	6	1	1	2	2
Office/Clerical	6	1	1	2	2
Skilled Craft	0	0	0	0	0
Service/Maintenance	0	0	0	0	0
TOTAL EMPLOYEES	56	20	6	22	8

SOURCE: City of Louisville
State and Local Government Information (EEO-Form) 1981.

Monitoring Agency: Kentuckiana Regional Planning and Development Agency

The Kentuckiana Regional Planning and Development Agency (KIPDA) is the area planning agency established in 1973 by the Interlocal Cooperation Acts of Kentucky and Indiana.²⁴ KIPDA assists local governmental units in making the most efficient use of their services and facilities through cooperation with each other.²⁵

KIPDA has had an important role in Louisville's CDBG program. Through its Regional Housing Committee, KIPDA conducted what is called the A-95 Review of the program. This was a review, as required by regulation, of the city's CDBG grant application before it was submitted to HUD. KIPDA also made recommendations to HUD regarding the program's funding. Its recommendations were based on an assessment of the city's CDBG program goals for low and moderate income neighborhoods and on civil rights compliance, as well as on a review of the overall program for the preceding year.²⁶

"The review process was designed to provide an opportunity for governors, mayors, county elected officials and other state and local officials, through clearinghouses, to influence Federal decisions on proposed projects that may have affected their own plans and programs."²⁷ The clearinghouse recommendations were advisory only. The Housing and Community Development Amendments of 1981 have ended the requirement that grant applications be submitted to clearinghouses for A-95 review and comment,²⁸ thus KIPDA's review and monitoring responsibility of Louisville's CDBG program ended in 1981.

Notes to Chapter I

- ¹42 U.S.C. Sec. 5301 et seq. (1974), as amended, 42 U.S.C. Sec. 5301 et seq. (Supp. 1978).
- ²42 U.S.C. Sec. 5301 (a)(1)(2).
- ³42 U.S.C. Sec. 5301 (c).
- ⁴42 U.S.C. Sec. 5301.
- ⁵Warley v. Buchanan, 245 U.S. 60 (1917).
- ⁶Commonwealth of Kentucky, Commission on Human Rights, Kentucky's Black Heritage, July, 1971, p. 124.
- ⁷Ibid., p. 131.
- ⁸Ibid., p. 128.
- ⁹Ibid., p. 129.
- ¹⁰Ibid., p. 131.
- ¹¹Ibid.
- ¹²Kentucky Commission on Human Rights Reports, Public Housing Authorities in Kentucky are Slow to Desegregate, September 1977; Affirmative Action Cuts Segregation in Public Housing, June 1978.
- ¹³U.S. Department of Commerce, Bureau of Census, 1980 Census of Population and Housing, Kentucky Advance Report, PHC80-V-19, p. 9..
- ¹⁴Ibid.
- ¹⁵Ibid.
- ¹⁶Louisville, Kentucky Ordinance 40 (1974).
- ¹⁷Louisville City Ordinance No. 184, Series 1979.
- ¹⁸Letter from William B. Gatewood, Director, Community Development Cabinet to Bobby Doctor, Southern Regional Office Director, U.S. Commission on Civil Rights, September 15, 1982 (Hereinafter cited as Gatewood Letter, September 15, 1982).
- ¹⁹Letter from William B. Gatewood, Director Community Development Cabinet, to Jim Rosenblum, Chair Kentucky Advisory Committee, Attachment 9, June 24, 1982, (Hereinafter cited as Gatewood Letter, June 24, 1982).
- ²⁰Louisville City Ordinance No. 184, Series 1979.
- ²¹Gatewood Letter, June 24, 1982, Attachment 7.
- ²²Ibid., Attachment 8.
- ²³Ibid.
- ²⁴Kentuckiana Regional Planning and Development Agency Charter (1973).
- ²⁵Ibid.
- ²⁶U.S. Office of Management and Budget Circular No. A-95, What It Is and How It Works, Government Printing Office, 1976.
- ²⁷Ibid.
- ²⁸P.L. 97-35 (August 13, 1981).

CHAPTER II

PERFORMANCE OF LOUISVILLE CDBG PROGRAM

Neighborhood Strategy Areas

To qualify for receipt of CDBG funds, a community must, among other things, designate "Neighborhood Strategy Areas" (NSA) for programs of concentrated community development.¹

Types of NSA programs include: "A residential rehabilitation program which provides loans and grants to property owners in a designated area in which street improvements, playgrounds, and public services are also being provided; and a redevelopment program which includes systematic demolition of substandard structures and assembly of new sites for new construction in a particular area in conjunction with site improvements and facilities necessary to attract new developments."²

In Louisville, nine NSAs have qualified for receipt of CDBG funds. They are Butchertown, Meriwether, Old Louisville, Portland, Shawnee, Russell, California, Highland Park and Phoenix Hill. The current combined population of these areas is 24,424 of which 37 percent is black.³

Louisville's Applications for CDBG Funds

As has been noted, the City of Louisville submitted its first application to HUD for CDBG funds in the 1975-76 program year. The application contained both a one-year and a three-year community development plan, as required by regulations. Each year thereafter until 1978-79 the city submitted the same type of application. In 1979 HUD changed the procedure to require a three-year plan every three years. This was done to improve program accountability. Louisville changed its application accordingly. Each application included a Housing Assistance Plan (HAP), a statement of compliance with the Civil Rights Act of 1964, and a citizen participation plan.

Community Development Plan

Louisville's first community development plan identified housing needs and short and long-term objectives. The first review of housing conditions is also contained in the 1975-76 application for CDBG funds. It reported existence of 126,014 housing units in the city. Of these, 25,232 needed rehabilitation. A total of 15,170, or 60 percent, of those needing rehabilitation were rental units. Another 2,453 housing units were identified as vacant, substandard and suitable only for demolition.⁴ Given conditions of housing in the city and taking into account needs expressed by citizens in public hearings, the housing plan set forth a policy of emphasizing use of existing housing. In its 1975 application, the city set the following rehabilitation goals for the first three years.

	<u>1st</u> <u>year</u>	<u>2nd</u> <u>year</u>	<u>3rd</u> <u>year</u>	<u>Total</u>
Owner Units	430	907	908	2,245
Renter Units	500	500	500	1,500
Total	930	1,407	1,408	3,745

To accomplish these goals, the city applied for all funds available under the Housing and Rehabilitation Act for rehabilitation, demolition and street improvement. This study is concerned with only the use of CDBG funds (except in those instances in which the city could not distinguish CDBG funds from other funds used for rehabilitation).

Housing Assistance Plan

The CDBG program requires effort to meet the housing needs of low and moderate income persons. The local government is required to set forth in a Housing Assistance Plan (HAP) the city's housing conditions and housing needs and to set goals for adequate housing⁵.

Housing needs and goals must take into consideration special needs of the elderly, handicapped, large families, female-headed households and low and moderate-income persons. These persons may reside or may be expected to reside in the community. Among the persons expected to reside in the community are those employed by new industry and persons who commute from another

town because affordable housing is not available in the community where they work.⁶ Both the assessment of housing needs and the goals must be specific in terms of rental and owner housing within census tracts of the community.

In the 1975-76 HAP, the City of Louisville established as a goal the rehabilitation of 930 units. It allocated \$3,839,000 in CDBG funds to accomplish that goal.⁷ In its HAP for 1976-77, the city restated housing needs: Of 126,000 units in the city, 26,604 needed some degree of rehabilitation.⁸ A goal was set of rehabilitating 290 units with \$1.1 million in CDBG funds within the year. The HAP identified census tracts where work was to be undertaken. But it did not give the number of units to be rehabilitated in the various census tracts.⁹ (See Exhibit II).

The HAP for 1977-78 set a goal of rehabilitating 230 units, using \$2.4 million in CDBG funds. Census tracts where the work was to be done were not identified.¹⁰ The 1978-79 HAP set a goal of rehabilitating 223 housing units, using \$1.8 million of CDBG funds.¹¹ The HAP for 1979-80 the fifth year of the CDBG program, set a goal of rehabilitating 470 units, using \$3.65 million in CDBG funds. Of this \$2.45 million was allocated for private property, \$1.2 million for public housing.¹² (See Exhibit II).

The HAPs for the years 1976 thru 1980 show increases in the number of housing units needing rehabilitation. The 26,000 units listed in 1976-77 had increased to more than 28,000 by 1980.¹³

Grantee Performance Report

The Grantee Performance Report (GPR) is the HUD-designed instrument used by the City of Louisville to evaluate its own CDBG performance at the end of each program year. This report must be submitted to HUD in order for the city to apply for and receive additional CDBG funds. The Louisville Community Development Cabinet had submitted five GPRs, one for each year 1975-1979. The GPR must, by regulation, provide a detailed description of the CDBG program and its beneficiaries, and an accounting of CDBG funds spent. A summary of the Cabinet's goals and accomplishments from 1975-1980 is shown in Exhibit II.

Exhibit II

Housing Rehabilitation Goals and Accomplishments
1975 - 79

Fiscal Year	Millions Allocated <u>/1</u>	Goals in HAP <u>/2</u>	Goals in GPR <u>/3</u>	Units Committed <u>/3</u>	Units Occupied <u>/3</u>
1975-76	\$3.8	930	430	11	11
1976-77	\$1.1	290	0	62	7
1977-78	\$2.4	230	230	19	60
1978-79	\$1.8	223	0	53	21
1979-80	\$3.65	470	0	77	77

Exhibit II - Continued

Fiscal Year	Elderly or Handicapped					Family - 4 or Less					Family - 5 or More				
	Goal	Committed	Occupied*			Goal	Committed	Occupied*			Goal	Committed	Occupied*		
			T	M	H			T	M	F			T	M	F
1975-76	40	10	10	4	0	250	0	0	0	0	140	1	1	0	0
1976-77	0	25	4	0	0	0	34	3	1	1	0	3	0	0	0
1977-78	60	0	7	2	7	160	19	19	6	6	10	0	0	0	0
1978-79	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1979-80	0	0	38	24	0	0	0	58	27	36	0	0	19	18	15

11B

Sources: 1/ U.S. Department of Housing and Urban Development, Louisville Area Office, Louisville Task Force Report, June 9, 1980, pp. 7-8. Note: Other Federal dollars, such as Section 235, and 312 loans used to rehabilitate some units are excluded from this chart. Note these figures are allocations as opposed to actual expenditures.

2/ City of Louisville, CDBG Applications, Housing Assistance Plans (HAP), Table III, OMB No. 63R-1471, 1975-79.

3/ City of Louisville, CDBG Grantee Performance Reports, (GPR), Housing Assistance Provided, Table III, OMB, No. 63-R-1324

* Occupied by minorities (M), handicapped (H), females (f), "T" represents total

A review of the GPR for the 1975-1976 program year showed that the city established as a goal the rehabilitation of 430 housing units. At that time the funds had been committed, i.e. "Rehabilitation has already begun or was completed or loans or grants have been approved or closed", ¹⁴ for the rehabilitation of 11 units and those 11 were occupied. The City identified 40 of the units to be rehabilitated for the elderly or handicapped. Ten of the 40 were occupied and 4 of those were occupied by minority families. Two hundred and fifty units of the established goal of 430 were designated for families of 4 or less persons. However, funds had not been committed for the rehabilitation of any of those. One hundred-forty of the units were identified for large families (5 or more persons), but funds were available for the rehabilitation of only 1 and it was not occupied by a minority family.¹⁵ The rehabilitation goal in the GPR was different from the goal in the corresponding HAP (930). No explanation was given for the disparity and there was no amended HAP. Even with the lesser number (430) as a goal, the GPR showed it was far from being realized. It reported 11 units either committed or occupied -- only 2.3 percent of the goal.

A review of the GPR for the 1976-1977 program year showed that the City established no housing rehabilitation goal. However, funds had been committed for the rehabilitation of 62 units (using CDBG funds and loan subsidies). Seven, or 11 percent of the 62 units were occupied. No goal was established for rehabilitating units for the elderly or handicapped, but funds were committed to rehabilitate 25 such units. Four, or 16 percent, of the units for the handicapped or elderly were occupied - none by minority families. No rehabilitation goals were established for families of 4 or less, but funds were committed to rehabilitate 34 such units. Three of these were occupied; 1 by a minority family and 1 by a female headed household. No goal was set to rehabilitate large family units, although funds were committed for the rehabilitation of 3 such units. None were occupied by minorities or female heads of households.¹⁶ The rehabilitation goal in the 1976-1977 (0 units) was even more at odds with that in the corresponding HAP (290 units) than in the preceeding year.

In an effort to solve problems it was obviously encountering, the city in 1977 established a Housing and Development Office.¹⁷ The 1975 GPR had stated:

"Problems have centered mainly around planning and implementing a program which is new, for which no staff capability existed, and which must be designed from scratch. While most of these problems have been solved, and the program is now into operation, it has taken much longer than originally hoped or envisioned."¹⁸

The HAP and GPR were consistent for the 1977-1978 program year. Each reported plans for the rehabilitation of 230 housing units. The GPR showed that funds had been committed for the rehabilitation of only 19 of the units. Sixty of those proposed for renovation were occupied. The City identified 60 units to be rehabilitated for the handicapped or elderly. Seven of those were occupied (2 by minority families), but no funds had been committed for this project. One hundred-sixty of the total goal were identified for families of 4 or less persons, but funds had been committed to rehabilitate 19 of those units. Six of the 19 were occupied by minorities and 6 by female headed households. A goal of 10 of the units were identified for large families, but no funds had been committed to complete the rehabilitate work.¹⁹ The GPR called this year's activity a "moderate" success, saying that the city's goals had been too ambitious. "The city," it went on, "was ill-prepared and somewhat naive in establishing a housing rehabilitation program of the size which was started. It would be safe to say that in the past, the housing goals were set too high for what could be accomplished effectively."²⁰

In 1978-1979, the HAP and GPR were again at odds. The HAP set a rehabilitation goal of 223 units; the GPR showed none. The GPR did show that funds were committed to rehabilitate 53 units; 23 of which were occupied. None were occupied by minority families, elderly or handicapped, or female headed households.²¹

The 1978 GPR stated: "The basic problem encountered throughout the year in the rehabilitation activity is primarily the unsuccessful attainment of goals indicated in the Housing Assistance Plan. As of this report there is still a paucity in documented explanation as to why there is a lag in the attainment of goals for housing rehabilitation. The several implementing organizations...undoubtedly can shed light...as to why the rehabilitation program is lagging behind."²²

The implementing organizations include various non-profit neighborhood groups other non-profit organizations which rehabilitate homes, and the local housing authority.²³ But HUD regulations make the city ultimately responsible for administering the housing assistance plan.²⁴

A review of the GPR for the 1979-1980 program year showed that the City did not establish any housing rehabilitation goals, although funds were committed to rehabilitate 77 units. All 77 were occupied. No goals were set to rehabilitate housing units for the elderly or handicapped; but 38 units were occupied by the elderly and of those, 24 housed minority families. Fifty-eight of the units committed for rehabilitation were identified for families of 4 or less persons. Twenty-seven of those were occupied by minority families and 36 by female headed households. Nineteen units were identified for families of 5 or more persons. Eighteen of those were occupied by minority families and 15 by female headed households.²⁵

By May of 1980 the City had rehabilitated 233 housing units or had the funding committed to complete these units. This number represented 6.7 percent of the original goal of 3,745 units established in the 1975-1976 HAP. By September of 1980, the city had rehabilitated 594 units (See Exhibit III). Thus, the city had accomplished 17 percent of the original rehabilitation goal.

David Flores was named director of the Department of Housing within the Louisville Community Development Cabinet in 1979. He attributed the city's limited progress in housing rehabilitation to poor coordination and communication among various city departments.

Mr. Flores said in an interview that housing progress had become easier to follow because of monthly progress reports he had instituted.²⁶ On January 7, 1980, Jessie Daniels, the KIPDA housing and community development planner, reminded Shaymu Shastri, director of planning for the Cabinet, of an earlier discussion regarding the need for the Cabinet to develop procedures for determining its progress in achieving CDBG goals.²⁷ Ms. Daniels suggested in the memorandum that the Cabinet make a bi-monthly report to KIPDA, and attached a form for use as a guide in preparing the report. Mr. Shastri did not respond to the memorandum. Six months later, he did write to the deputy director

14 A
Exhibit III

COMPARISON OF HOUSING REHABILITATED

	Butchertown	California	Highland Park
1970 % Minority 1/	5	93	11
1980 % Minority 1/	5	98	10
Average Income Per Household 1975 2/	\$6,594	\$9,065	\$9,624
Housing Units 1979 3/	595	664	1,090
Housing Units 1980 3/	453	493	1,036
Substandard Units 1980 3/	173	343	368
% of Total Substandard 1980	41	70	36
Units Rehab. 1975-80 4/	52	73	64
% of Substd. Units Rehabd. 4/	30	21	17
Total Cost of Rehab. 4/	\$779,215	\$838,255	\$663,511

Sources: 1/Population data is based on the U.S. Census of 1970 and 1980. Some of the neighborhoods encompass only portions of some census tracts, thus the data in these categories is not always precise for the neighborhood. Exact data is not available. 2/Income data was generated by the National Planning Data Corporation for the City and published in May 1980. 3/Louisville Community Development Block Grant Applications, 1979 and 1980. 4/Louisville, Community Development Cabinet, Chart titled "Development of Housing (Rehabilitation) 1975-Sept. 1979" and Kathy Kelton, Memo to David Flores, Director of Housing Department, Cabinet, Sept. 1, 1980.

14 B
Exhibit III - Continued

Meriwether	Old Louisville	Portland	Russell	Shawnee
37	7	3	95	80
53	8	3	97	93
\$10,120	\$8,866	\$11,535	\$7,968	\$10,996
433	1,365	1,340	987	817
375	1,365	1,042	1,023	1,995
216	388	309	648	409
58	28	30	63	21
30	176	51	55	93
14	45	17	9	23
\$345,969	\$3,886,700	\$820,116	\$656,732	\$1,089,760

Note: Data is not shown for Phoenix Hill since it was not approved as an NSA until year 5 of the CDBG program, 1980.

of KIPDA that the Cabinet "...was in the process of setting up a system to track every project on a monthly basis." The system, he wrote, would be completed in 60 days. As of June 18, 1981, the Cabinet had not developed such a project accounting system.²⁸ The Cabinet's Director advised that the Kentucky Advisory Committee in September 1982 there is now a project accounting system although he did not describe how it works.²⁹

Former Alderman Sharon Wilbert, Chair of the Board of Aldermen's Community Development Committee, has been among critics of the Community Development Program. In an interview, she characterized the program as "the pits" prior to a 1979 reorganization of the Cabinet. Goals for housing rehabilitation were unrealistic, she said. Massive displacement of people had been caused. The staff was not getting direction from top management. The Board of Aldermen was unable to get the information it needed to monitor the program. It was impossible to determine what work was being done where.³⁰ However, according to Mr. Gatewood, massive displacement was not a direct result of the community development program. Most of the relocation caused by rehabilitation was temporary with property owners being relocated during rehabilitation.³¹

Despite her criticism, Ms. Wilbert has remained a supporter of the Community Development Program. Two observers suggested that money originally allocated for housing rehabilitation was spent in other Cabinet programs.³² But Ms. Wilbert maintained that funds not spent as budgeted were carried over to the next year and once again budgeted for housing rehabilitation in accordance with appropriate legislative action by the Aldermanic Board.

Advocates of improved housing conditions point out that while the city had received approximately \$54 million under the HUD Community Development Program from 1975 to 1980, with about \$13 million allocated to housing, the actual number of persons who acquired better housing during those years is small.³³

The same persons, as well as Ms. Wilbert and David Flores, agreed that until late 1979, the lack of meaningful data on housing rehabilitation made evaluation of progress impossible.³⁴

Neither the Regional Housing Committee of KIPDA nor the Louisville-Jefferson County Human Relations Commission recommended the City of Louisville's fifth year (1979-1980) application for approval.

The Human Relations Commission based its decision on "poor performance in meeting housing program priorities...poor performance in addressing the needs of target subgroups." It also criticized the Cabinet's failure to provide relevant documents in a timely fashion.³⁵ It noted that the 1979-80 application projected using only 12.8 percent of the funds requested for rehabilitation or other housing activities, despite the fact that in years 1 through 4 of the program, only four percent of identified housing needs were met.³⁶

Nonetheless, HUD approved the 1979-80 application and granted funds requested in it. In its national study of fair housing, the U.S. Commission on Civil Rights found that "...HUD frequently does not investigate or otherwise verify the reports' contents unless an interested person or group files a complaint about them. Even then there are no standards published by HUD for judging the adequacy of the grantee's performance."³⁷

Loans and Grants

The Housing and Community Development Act states as its objective "the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities principally for persons of low and moderate income".³⁸ The Act does not make race a criteria as to eligibility to receive CDBG funds, but does mandate that the applicant shall comply with Title VI of the Civil Rights Act of 1964 which prohibits exclusion from participation in Federally funded programs on the basis of race, color, or national origin.³⁹ In addition, Title VIII of the Civil Rights Act of 1968, as amended, provides that programs should be administered so that they "...affirmatively further fair housing...in the financing of housing...."

Despite the requirement that the Louisville Community Development Cabinet administer its CDBG funds, both loans and grants, in a non-discriminatory manner, the Cabinet, at the time of this study did not have a record keeping system which would permit effective monitoring of its civil rights compliance obligations.

A comparison of the allocation of loans and grants among the Neighborhood Strategy Areas (NSA) of the CDBG program shows substantial differences exist (See Exhibits III and IV). During the time period covered by this study Russell was the neighborhood with the second lowest income and the highest percentage of black residents, 97.5 percent. Despite Russell having both the highest number (648) and highest percentage (63%) of substandard housing units, only 9 percent of its substandard housing had been rehabilitated, the lowest percentage of any of the NSAs. Of the \$7,059,209 received for loans and grants during the 1975-79 period covered by this study, only \$570,782, or 8.1 percent of the funds went to Russell. The predominantly white, 92 percent, NSA of Old Louisville having only 388 substandard housing units, the second lowest percentage had 45 percent rehabilitated by 1980 and received \$3,458,600 in loans and grants, or 49 percent of all the funds allocated. The greatest portion of the funds allocated in Old Louisville was in Section 312 loans, representing \$3,185,000, while only \$345,950 in Section 312 loans were made in Russell.⁴⁰

The four NSAs having a population over 50% black, California (98%), Meriwether (53%), Russell (97%) and Shawnee (93%), and representing 41.6 of the total NSA population, received \$1,728,817 in loans and grants during the 5 year period studied, or just 24.5% of the total funds allocated. Of the funds allocated to these four NSAs \$1,075,501 went to 312 loans and \$653,316 to grants, representing 19.4% and 43.2% respectively of the total loans and grants. The same NSAs in 1980 had a total of 1,164 substandard units, or 73.2% of all the substandard units in the NSAs. Further, the 251 units actually rehabilitated in these NSAs in 1980 represented only 24.9% of the substandard units existing in those areas.

Although the great majority of the funds available for housing assistance in the period studied (78.6%) were in the form of 312 loans rather than grants and thus had strict eligibility requirements in order to ensure repayment, it is apparent that the areas needing the greatest amount of rehabilitation were not receiving it. The U.S. Commission on Civil Rights has commented on this paradox stating:

"A major criticism of the Annual Community Development Program is that there is no requirement for an

17 A
Exhibit IV

Distribution of Loans and Grants
1975 - September 1979

Neighborhood Strategy Area (% Minority)	Loans Received (%)	Grants Received (%)	Total (%)
Butchertown (5)	\$574,800 (10)	\$115,015 (8)	\$689,815 (10)
California ^{1/} (98)	58,151 (1)	87,005 (6)	145,156 (2)
Highland Park (10)	229,750 (4)	294,961 (20)	524,711 (7)
Meriwether (53)	146,850 (3)	101,019 (7)	247,869 (4)
Old Louisville (8)	3,185,600 (57)	273,000 (18)	3,458,600 (49)
Portland (3)	480,150 (9)	177,116 (12)	657,266 (9)
Russell (97)	345,950 (6)	224,832 (15)	570,782 (8)
Shawnee (93)	524,550 (10)	240,460 (16)	765,010 (11)
Phoenix Hill ^{2/} (64)	0	0	0
TOTALS	\$5,545,801	\$1,513,408	\$7,059,209

^{1/} Approved as NSA in Fy'78

^{2/} Approved as NSA in Fy'80

Source: Louisville Community Development Cabinet,
Chart titled "Development of Housing
(Rehabilitation) 1975 - Sept. 1979."

affirmative plan to meet the needs of low-income population...This Commission is not suggesting...that HUD make the selection of activities and target areas for local authorities, but rather that HUD require that local authorities plan action to meet low-income minority and female needs.⁴¹

Mr. Flores, the director of the Cabinet's Department of Housing, although surprised by the size of the funds received by Old Louisville, had no explanation.⁴²

Former Alderman, Sharon Wilbert offered an explanation of the seemingly disproportionate amount of funds received by Old Louisville by stating that many Cabinet employees live in Old Louisville and thus possess the requisite technical expertise to obtain funds and renovate homes in need. Few middle class blacks, she said, had been drawn to invest in Russell neighborhood renovations.⁴³

In the opinion of Gary Watrous, director of the Portland Rehabilitation Fund, the Section 312 loans, available at 3% interest, go to middle and upper income persons in Old Louisville and usually go to the rehabilitation of an entire house. Lower income persons receive few of the loans due to financial inability.⁴⁴ Although Section 312 loans are not CDBG funds, they are administered by the Cabinet. Likewise, Cherry Davenport, special assistant to the cabinet director, opined that the Old Louisville NSA "was better organized and its residents had better credit histories" and "had more homes that could be renovated". Ms. Davenport did not believe that the city had deliberately targeted Old Louisville to receive the bulk of the funds, but the other NSAs were "less sophisticated" and less knowledgeable of the application process.⁴⁵

The block grant process, according to Sister Clarellen McGinley, former member of the Housing Relocation Staff of the Cabinet, is political. In her view the program displaced the poor, while most of the benefits went to moderate and high income families. "Those who make noise more get results: those who work by the guidelines get shafted."⁴⁶

Compliance Review by Department of Housing and Urban Development

Application for CDBG funds should include a statement that the applicant will "...take any measures necessary to...assure that its program will not discriminate against any persons on the basis of race, color, national origin or sex."⁴⁷ HUD conducted a compliance review of Louisville's CDBG program at the end of 1977. The review stated that the program was in apparent noncompliance with Section 109 and HUD's Implementing Regulation. Specifically, the finding was that the city's relocation practices were discriminatory. HUD informed Louisville Mayor William B. Stansbury that:

The City had not followed its own relocation policy dated December 14, 1976. The Community Development Cabinet has failed to take affirmative action to provide displaced families and individuals maximum opportunities of selecting replacement housing within the community's total housing supply, lessen racial, ethnic and economic concentrations; and facilitate desegregation and racially inclusive patterns of occupancy. A mathematical analysis of the relocation activities demonstrated that segregation has been perpetuated by the City's relocation practices. The overall relocation data show that 91% of the white relocatees remained within predominantly white census tracts and 86% of the black relocatees remained within predominantly black census tracts.⁴⁸

The city was given 30 days to advise the HUD office whether it intended to comply immediately with Section 109 and how, or whether it preferred to submit for HUD's review a plan to accomplish compliance requirements.

Mayor Stansbury's replied that "...voluntary compliance with the purpose of Section 109 is being undertaken at this time. As a matter of record, ...several major changes had already been initiated in the spirit of Equal Opportunity and Affirmative Action."⁴⁹

HUD took no further action regarding the matter; it has conducted no further compliance reviews of the Louisville CDBG program.⁵⁰ However, HUD did a general assessment of the city and the CDBG program which included general demographics, information on the availability of minority contractors and suppliers, city employment and salary data and overall problem areas and concerns.⁵¹

Among HUD's concerns were:

1. The City of Louisville must develop a process whereby a determination can be made in the hiring of individuals under Section 3. The City does not have a systematic process in keeping records to show that significant progress is being made in this area.

2. The city has failed to initiate any kind of fair housing strategy. This strategy should include initiatives in four major areas, such as educational activities, assistance to minority families, local compliance activities and special programs.⁵²

HUD suggested that the city should educate the community on issues relative to civil rights in housing through workshops, the media and public school programs. HUD recommended "the establishment of a monitoring procedure to evaluate the effectiveness" of the Fair Housing Programs and advised that the Kentucky Commission on Human Rights has the expertise to accomplish such a program, particularly in promulgative voluntary agreements.⁵³

Not only did Old Louisville, a predominantly white community receive most of the CDBG funds, but also the HUD compliance review stated that the city did not affirmatively act to lessen racial, ethnic and economic concentrations as prescribed by regulation⁵⁴ (See Exhibit III).

Affirmative Action and Minority Contractors

Louisville's Department of Housing set as a goal the use of 20 percent minority contractors. But until October, 1980, there was no way to know how many were used. At that time, Phyllis Tucker, equal opportunity and contract compliance coordinator for the Housing Department, developed a record-keeping system on minority contractors. She has closely monitored employment practices of subcontractors to encourage affirmative action. She has sought compliance with Section 3 requirements for NSA citizen participation in employment and business. It is not a requirement that prime contractors have affirmative action plans when they employ fewer than 10 persons. The following exhibit shows use of minority contractors in CDBG programs, as recorded by Ms. Tucker (See Exhibit V).

Citizen Participation

Citizen participation in CDBG programs is mandated by law: "The applicant shall provide citizens with an adequate opportunity to participate in an advisory role in planning, implementing and assessing the program. In so doing, the applicant shall also provide adequate information to citizens, hold public hearings to obtain views of citizens, and provide citizens an opportunity to comment on the applicant's community development performance. Nothing in these requirements, however, shall be construed to restrict the responsibility and authority of the applicant for the development of the application and the execution of its Community Development Program." 55

Allegations that citizen participation in Louisville CDBG programs was inadequate were called to the attention of the Kentucky Advisory Committee. The committee set about to investigate the charges through interviews with officials of the Community Development Cabinet and citizen representatives from the NSAs and through information provided by the Louisville Area HUD office.

It learned that the Cabinet had established the Louisville Nine Neighborhood Community Development Monitoring Committee (CDMC) during the 1979-80 program year.⁵⁶ CDMC is recognized as the official, certified citizens' group for the CDBG programs. Its duties include reviewing ongoing programs, reviewing funding requests, and advising the Cabinet on NSA-wide housing

21 A
Exhibit V

MINORITY CONTRACTORS
October - December 1980

	Total of Contracts	Contractors	Dollars and % of Minority Minorities	Number and % of Minority Contractors
Oct.	\$234,218	18	\$34,977(15%)	3(17%)
Nov.	\$295,162	23	\$27,609 (9%)	2(9%)
Dec.	\$275.693	25	\$15,069 (6%)	2(8%)
			13,775(5%)	1(4%) (female non-minority)

Source: Phyllis Tucker, Equal Opportunity and Contract Compliance
Coordinator, Housing Department, Community Development
Cabinet, City of Louisville.

and community development matters. It is also to be advised and consulted by the Cabinet on policy matters, and to work with the Cabinet in addressing complaints.

The CDMC is composed of one representative and one alternate from each of the nine NSAs. Each NSA has one vote. Representatives to the CDMC are appointed or elected by each NSA Task Force, the citizen group officially recognized to speak for the residents of each NSA.

A member of the Cabinet staff is assigned as a liaison to work with the CDMC to improve communication between the cabinet's director and the NSAs. This is viewed as an effort to comply with the technical assistance aspects of the rules and regulations for citizen participation.⁵⁷

The CDMC put together a document which demonstrated considerable discontent in the group. They felt that they had no real input into the way that funds were allocated. They spoke of ineffective participation.⁵⁸ Several persons charged that the CDBG program was "political." They believe that the program is used by the city to benefit the well-off who were given priority over those of low income.⁵⁹ A representative from a majority-black NSA felt that their neighborhood was the last to be considered.⁶⁰

Their complaints echoed the explanation given by Cabinet official Robert Kanzler for Old Louisville's ascendancy. Its residents, he said, are "better organized" and understand the system.⁶¹

Jean McKinney, a member of the Portland Task Force, declared that politics are involved at all stages of the CDBG process. The people who really need help do not get it, she alleged. The designation of a Conservation Area in the more affluent section of the Portland NSA, which is 97 percent white, was because people in that area were better organized, she said.⁶² Ms. McKinney lives outside the Conservation Area. According to Ms. Wilbert, this area of the Portland community was an original Neighborhood Development area under Urban Renewal, and the creation of the CDBG Act mandated that these areas be transmitted to the new CD program.⁶³

Citizens are supposed to participate in the CDBG budgeting process through their NSA representatives. The process begins with neighborhood "needs" meetings. These are attended by NSA residents and Cabinet staff. Community needs are identified at the meetings and the representative of each NSA develops a budget based on these needs. A Cabinet staff person assists in the budgeting process. The Cabinet submits all the NSA budgets to the Louisville Board of Aldermen for approval.

The Portland NSA submitted a budget in 1980-81 of \$1,245,150 to the Cabinet. The Cabinet revised it and submitted it to the Board of Aldermen without informing the NSA of the revisions. The Board of Aldermen, without having seen the original budget, approved the revised one.⁶⁴ The revised budget was for \$1,341,166 nearly \$100,000 more than Portland had requested. Of 14 items that the Portland NSA included in its budget, only three were included in the revised budget submitted by the Cabinet to the Board of Aldermen.

Ms. Wilbert maintains that each of the projects listed in the original budget were submitted by the Cabinet for Aldermanic consideration.⁶⁵ In another criticism of Cabinet budget procedure, Gerald White, former director of the Russell Neighborhood Development Corporation (RNDC), stated that the cabinet was submitting the 1980-81 budget to the aldermen at the same time that the needs hearings were being conducted in the Russell NSA.⁶⁶

The RNDC is the agency that assists the CD Cabinet in implementing CDBG programs in the Russell NSA. It made a presentation to the aldermen in May, 1980, containing the following charges: "Community Development's (i.e. Cabinet) presentation in our area was brief and mainly consisted of a status report of current projects.... No directive or technical assistance was given as to how the proposal forms were to be completed or what type of data and/or support information was necessary...."⁶⁷ The RNDC threatened to sue the Cabinet and aldermen over the lack of citizen participation in CDBG funding. It withdrew the threat when the aldermen voted to fund the RNDC directly, rather than through the Cabinet.⁶⁸

At a meeting of the Cabinet of July 2, 1980, the Louisville Nine Community Development Monitoring Committee made a formal presentation of grievances, as follows:

(1) The CD Cabinet was non-responsive to the priorities and recommendations expressed by the neighborhoods. On numerous occasions, CD, in selecting proposals to be funded, did so with little regard to what the recognized neighborhood groups recommended....

(2) There was a general lack of technical assistance to neighborhood groups in the proposal preparation process....Many groups did not receive assistance even after formally requesting it.... Groups were not told why certain proposals were not funded.

(3) There was a lack of written criteria by which proposals were selected for funding.

(4) In numerous instances , the CD Cabinet undermined the leadership of the neighborhood Task Forces by approving or recommending proposals in strategy areas that had not been presented to the Task Force in these areas....

(5) The scope of review of the CD Monitoring Committee is too limited to be considered effective citizen input into the proposal review process. The committee only reviewed proposals that were city wide. Thus, the majority of the funding proposals were not received by the monitoring body....

(6) The CD Cabinet's policy of division of 9 leads to the ineffective allocation of funds....

(7) There is general lack of community education concerning the overall Community Development process. It is felt that the people for whom the program was created (low and moderate income households) were not aware of how

the program works, how they can benefit
and/or actively participate in the
process....⁶⁹

Despite this questioning of effectiveness of the citizens' participation process, the Cabinet and HUD staff apparently felt that the process was working. A press release was issued on a January 14, 1980 public hearing on the CDBG program. It stated that the tone of the hearing was very positive. "Citizens expressed a general satisfaction with Louisville's program over the past year...", William Gatewood, the Cabinet Director said. "This response from the neighborhoods and interest groups is encouraging."⁷⁰

A HUD official stated that he believed that the citizen participation process was adequate. He added that the neighborhoods would like to have the money without accountability.⁷¹

The Louisville Area HUD office prepared a task force report which evaluated the city's use of HUD funds. The report stated: "The City of Louisville's Community Development Cabinet has provided staff expertise in the development of citizens knowledge of CD programs. This has resulted in the development of some sophisticated neighborhood organizations capable of directing the future growth of their neighborhoods, including commercial revitalization." Although sophisticated neighborhood organizations allegedly had been developed, "...sustained involvement by the neighborhood organizations is lacking in the CD process."⁷²

Notes to Chapter II

- ¹24 C.F.R. Sec. 570.301 (c).
- ²24 C.F.R. Sec. 570.301(c)(4).
- ³1980 Census Report.
- ⁴1975 Appl. p. 1 of 10 and Table I
- ⁵24 C.F.R. Sec. 570.306 (a)(1).
- ⁶Ibid.
- ⁷Application for Federal Assistance, Housing Assistance Plan, Table III, OMB No. 03-R1471, April 15, 1975.
- ⁸1976 Application, Table I Survey of Housing Conditions.
- ⁹1976 Appl. pp. 26-27, and Louisville Task Force Report U.S. HUD Area Office, June 9, 1980, p. 7.
- ¹⁰1977 Appl. Housing Assistance Plan and HUD Task Force Report, p. 8.
- ¹¹1978 Appl., Housing Assistance Plan, Table III and Louisville HUD Task Force Report, p. 8.
- ¹²1979 Appl. Housing Assistance Plan, Table III and Louisville HUD Task Force, p. 8.
- ¹³1976 Appl. p. 4 and 1980 Appl. p. 82.
- ¹⁴Telephone interview, Dr. David Flores, Director of Department of Housing Community Development Cabinet, City of Louisville, August 10, 1982.
- ¹⁵Grantee Performance Report, City of Louisville, B-75-MC-21-000, HUD-4078, Table III, Housing Assistance Provided, pp. 1-2, June 1976.
- ¹⁶Grantee Performance Report, Table III, Housing Assistance Provided, p. 1-2, June 1976.
- ¹⁷Grantee Performance Report, 1977, not paginated.
- ¹⁸Grantee Performance Report of 1975, not paginated.
- ¹⁹"Narrative Explanation of Progress to April 15, 1976."
- ¹⁹Grantee Performance Report, Table III, Housing Assistance Provided, B-77-MC-21-0005, June 14, 1978, not paginated.
- ²⁰Grantee Performance Report, 1977, Table III, "Narrative Explanation of Progress."
- ²¹Grantee Performance Report, Table III, Housing Assistance Provided, B-78-MC-21-0005, HUD-4076, pp. 1-2, May 1979.
- ²²Grantee Performance Report, 1979, not paginated.
- ²³Ibid.
- ²⁴24 C.F.R. Sec. 570.306 (a) (3).
- ²⁵Grantee Performance Report, Table III, Housing Assistance Provided, B-79-MC-21-0005, pp. 1-2, May 1980.
- ²⁶Interview in Louisville, Sept. 11, 1980, (Hereafter cited as Flores Interview).
- ²⁷Memorandum from Jessie Daniels to Shaymu Shastri,

January 7, 1980.

28 Telephone Interview, Jessie Daniels, June 18, 1981.

29 William Gatewood, Letter to Bobby Doctor, Regional Director, USCCR, Sept. 15, 1982 (Hereafter cited as Gatewood Letter, Sept. 15, 1982).

30 Interview in Louisville, Sharon Wilbert, Sept. 10, 1980 (Hereafter cited as Wilbert Interview).

31 Gatewood Letter, Sept. 15, 1982.

32 Interview in Louisville, Jessie Daniels, Planner, KIPDA, Sept. 11, 1980 and Sue Sancomb, Housing Specialist, Kentucky HRC Sept. 9, 1980.

33 Ibid. Also, Janel Wrightsel, Housing Specialist, Louisville-Jefferson County Human Relations Commission (HRC) Sept. 9, 1980, and data in Grantee Performance Reports and tours made by KIPDA staff and Housing Committee from 1975-1979.

34 Ibid. Also Wilbert and Flores Interviews.

35 Louisville-Jefferson County Human Relations Commission, Staff Memo to Board, July 9, 1979.

36 Ibid.

37 U.S. Commission on Civil Rights, The Federal Fair Housing Enforcement Effort, March 1979, p. 49 (Hereafter cited as Federal Fair Housing Enforcement Effort).

38 24 C.F.R. Sec. 570.302 (a).

39 42 C.F.R. Sec. 2000 (d-1).

40 The 312 loan program provides up to \$27,000 per living unit and is direct Federal low interest loans from HUD, paid over up to a period of twenty years. 42 U.S.C. Sec. 1452 (b), 24 C.F.R. Part 510.

41 The Federal Fair Housing Enforcement Effort, p. 46.

42 Flores Interview.

43 Wilbert Interview.

44 Gary Watrous, Interview in Louisville, August 13, 1980.

45 Telephone Interview, Cherry Davenport, Special Assistant to the Cabinet Director, Nov. 10, 1981 (Hereafter cited as Davenport Interview).

46 Sister Clarellen McGinley, Assistant for Housing Relocation, Community Development Cabinet, Interview in Louisville, August 13, 1980 (Hereafter cited as McGinley Interview).

47 24 C.F.R. Sec. 570.302 (a).

48 Letter from Charles E. Clark, Assistant Regional Administrator, HUD, to William B. Stansbury, Mayor of Louisville, April 12, 1978 (Hereafter cited as Clark Letter).

49 Letter from William B. Stansbury to Charles E. Clark, April 27, 1978 (Hereafter cited as Stansbury Letter).

50 Charles E. Clark, Interview in Atlanta, July 14, 1980 (Hereafter cited as Clark Interview).

- 51 Memorandum, "Update Profile City of Louisville" from Fair Housing and Equal Opportunity Division, to Darell Arnold, Louisville Task Force Chairpersons, May 11, 1981 (Hereafter cited as Clarke Memo). HUD conducted a limited review of the CDBG program but it did not include any housing or rehabilitation information.
- 52 Ibid.
- 53 Ibid.
- 54 24 C.F.R. Sec. 570.307 (n)(1).
- 55 24 C.F.R. Sec. 570.303 (a).
- 56 Grantee Performance Report, June 1970 to May 1980.
- 57 Houston Cockell, Former Chairman, Portland Task Force, telephone interview, Feb. 6, 1981.
- 58 Kentuckiana Regional Planning and Development Agency, Regional Housing Committee's A-95 Review of the City of Louisville's CDBG Program, Meeting not from July 2, 1980, Attachment D (Hereafter cited as KIPDA Attachment D).
- 59 Jean McKinney, Portland Task Force Member, interview in Louisville, August 11, 1980 (Hereafter cited as McKinney Interview) and McGinley Interview.
- 60 Gerald White, Director, Russel Neighborhood Development Corporation, interview in Louisville, August 11, 1980 (Hereafter cited as White Interview).
- 61 Robert Kanzler, Block Grant Administrator, Community Development Cabinet, interview in Louisville, August 14, 1980.
- 62 McKinney Interview.
- 63 Sharon Wilbert, Policy Advisory to Mayor Harvey Sloane, letter to Bobby Doctor, Regional Director, USCCR, Sept. 15, 1982 (Hereafter cited as Wilber Letter).
- 64 Gary Watrous, Portland Director of Housing Rehabilitation, Interview in Louisville, August 13, 1980 (Hereafter cited as Watrous Interview).
- 65 Wilbert Letter.
- 66 White Interview.
- 67 Russell Neighborhood Development Corporation, "Community Development Citizens Participation Plan Compliance Objections from the Russell Neighborhood Commercial Revitalization and Development Corporation," no date, p. 1.
- 68 White Interview.
- 69 KIPDA Attachment D.
- 70 City of Louisville, Community Development Block Grant Program, Grantee Performance Report, May 1980, Section 14: Citizen Participation, Exhibit 1.
- 71 Dennis Carr, Director of Community Planning and Development Division, Louisville Area HUD Office, interview in Louisville, August 14, 1980.
- 72 U.S., Department of Housing and Urban Development, Louisville Area Office, Louisville Task Force Report, June 9, 1980, p. 114.

CHAPTER III

SUMMARY

The City of Louisville has failed in various ways in its stewardship of Community Development Block Grant (CDBG) funds received from the Federal government. Its performance has as a background the historical fact that in the state of Kentucky, housing segregation has been the rule despite Federal, state and local laws to the contrary.

CDBG funds have been administered in Louisville by the Community Development Cabinet, a city agency founded in 1975, when the funds became available. The Kentuckiana Regional Planning and Development Agency (KIPDA) was, until 1981, a regional agency that reviewed applications for CDBG funds and made recommendations to the U.S. Department of Housing and Urban Development (HUD) regarding the requests for funds.

Reports filed by the Community Development Cabinet with HUD, as required, have been filled with inconsistencies yet they clearly reveal the failure of the CDBG program in Louisville to reach its own housing rehabilitation goals. The rehabilitation goals set out in the Housing Assistance Plan (HAP) reports differ in almost all years from the goals in the Grantee Performance Reports. In 1975, for example, the HAP called for rehabilitation of 930 units, the Grantee Performance Report 430. Actual rehabilitation accomplished lagged far behind both goals -- only 22 units. A three-year goal set in 1975 of 3,745 units to be rehabilitated was not met even by 1981. At that time, 827 units had been rehabilitated at a cost of \$13 million.

Because of such discrepancies and for other reasons, including poor performance, both KIPDA and the Louisville-Jefferson County Human Relations Commission re-

fused to recommend approval to HUD for the 1979-1980 Cabinet plan for CDBG funds. Further the Cabinet has failed to develop an accounting system that would allow measurement of its performance in the administration of CDBG funds.

In the distribution of loans and grants, the Cabinet has favored neighborhoods that are predominantly white and have the least number of units needing rehabilitation. The most glaring examples of this are loans and grants to the Russell and Old Louisville neighborhoods. The Russell neighborhood is the second poorest neighborhood. It has the second highest concentration of black residents (97 percent) and the second highest percentage of substandard housing units (63). Yet it has the lowest percentage of units renovated, only 9 percent (Exhibit III). It received \$570,782 in loans and grants (Exhibit IV).

The Old Louisville neighborhood has a 92 percent white population. It has the second lowest proportion of substandard units, 28 percent. It has the highest proportion of units rehabilitated, 45 percent. It received \$3,458,600 in loans and grants. The Old Louisville neighborhood received 49 percent of the total amount of loans and grants. The Russell neighborhood received only 8 percent. Other predominantly black neighborhoods, i.e. California and Shawnee, received 2 percent and 11 percent respectively.

The Department of Housing and Urban Development (HUD) conducted a compliance review in 1977 of the Cabinet's administration of CDBG funds. It found that the relocation of people from target rehabilitation areas was discriminatory. Of whites relocated, 91 percent were moved to predominantly white census tracts. Of blacks, 86 percent were moved to predominantly black census tracts. HUD informed city officials of this finding, but made no further effort to remedy the situation.

Data regarding contractors used in rehabilitation work show that only a few minority contracting firms have been used.

One of the requirements for granting CDBG funds is that there be citizen participation in the planning and budgeting process. For this purpose, Community De-

velopment Monitoring Committees (CDMC) were set up in the neighborhoods targeted for rehabilitation. Interviews with members of the CDMCs showed considerable discontent with their roles in planning and budgeting. They said they had no real input into the processes. They believe that the program benefited only the "well-off" and that it was riddled with politics.

The following example of malfunctioning of the budget process was given by citizens. Of 14 items approved by citizens of the Portland neighborhood, only three were submitted by the Cabinet to the Board of Aldermen for approval. A number of other items, not approved by citizens of the neighborhood, was submitted.

CHAPTER IV

FINDINGS AND RECOMMENDATIONS

The Kentucky Advisory Committee to the U.S. Commission on Civil Rights makes the following findings and recommendations based upon its investigation.

Finding 1

While the U.S. Department of Housing and Urban Development (HUD) is empowered with the enforcement authority to require that deficiencies found in the administration of a local Community Development Block Grant (CDBG) program be remedied, only once has this enforcement power been used. HUD has conducted only one compliance review of and issued one "Task Force Report" on Louisville's CDBG program since its inception.

Recommendation

The Louisville Area HUD office should increase its periodic compliance reviews of the CDBG program in Louisville. The reviews should be held in conjunction with reviews of the Grantee Performance Report.

Finding 2

Considerable disparity exists in the rehabilitation goals and accomplishments in the neighborhood strategy areas (NSAs). While blacks comprise 41.6 percent of the total population of the NSAs these areas received only 24.5 percent of the total loan and grant funds allocated. In addition, the four predominantly minority NSAs had 56.6 percent of all the substandard housing units; but an average of less than 17 percent of the substandard units in the four NSAs was rehabilitated. The Advisory Committee found that the predominately white NSA of Old Louisville received 49 percent of all funds allocated and had 45 percent of its substandard units rehabilitated.

Recommendation

The City of Louisville should place a higher priority on the rehabilitation of substandard units found in the highest concentrations. The city should establish as a priority the making of loans and especially the awarding of grants to low income neighborhoods. The city should also seek to use CDBG funds in a manner that would further fair housing in Louisville.

Finding 3

The Grantee Performance Report (GPR) is not adequate to accomplish the purpose for which it is intended -- the accurate evaluation of the grantee's performance. Also, the information it requests and the format in which it is to be presented are inconsistent with data requested for the Housing Assistance Plan (HAP). These inconsistencies make it almost impossible to measure the city's attainment of goals. There is almost no way to compare goals in the HAP to goals and accomplishments in the GPR.

In addition, HUD does not investigate or otherwise verify the contents of the GPR unless an interested party registers a complaint about them.

Recommendation

HUD should design a reporting form that will permit the city and interested parties to objectively and accurately evaluate and measure its progress on CDBG projects. In addition, HUD should seek to verify the contents in the Grantee Performance Report.

Finding 4

The Community Development Cabinet has not provided its citizens an opportunity for full citizen participation as required.

Recommendation

HUD should provide local civil rights groups and community organizations with an opportunity to assist in strengthening the citizens participation aspects of the program.

Finding 5

Despite the large amount of Federal funds (CDBG) made available to the City of Louisville, the city's Community Development Cabinet has not developed a project accounting system to document its project activity that principally benefits low and moderate income persons.

Recommendation

The Cabinet should design and utilize a project accounting system of its projects which should be submitted to the Louisville Board of Alderman's Housing Committee for review. We recommend that a monthly report be made to the Aldermen.

Finding 6

The Community Development Cabinet has failed to act affirmatively to reduce racial isolation and to facilitate housing desegregation through its relocation policies. HUD has taken little action to ensure the city's compliance with the non-discrimination provisions of the Civil Rights Act of 1964.

Recommendation

The Kentucky Commission on Human Rights should perform a civil rights compliance review of the Louisville CDBG program. Additional funds should be provided for the Kentucky Commission by the state legislature so that it can undertake this added responsibility.

