determine whether further changes should be proposed regarding the national objective standards for benefiting low- and moderate-income persons through the creation or retention of jobs. These issues included: (1) whether any further low- and moderate-income presumptions should be made for job creation or retention activities; (2) whether any modification should be made to the CDBG job retention requirement to document that jobs claimed as being retained would actually be lost without the CDBG assistance; and (3) whether any modification should be made to the requirement in job retention activities that, except for some allowance for jobs that may become available through turnover, the low- and moderate-income standards are applied at the time the assistance is provided, which is while the employees still have the income from the jobs that they are subject to lose. (Please refer to the preamble to the proposed rule published in the Federal Register on May 31, 1994, for a more complete discussion of these issues.)

A sizable amount of public comment in response to these issues was received. Many of the comments offered interesting suggestions, and HUD will be publishing an additional proposed rule in response to some of the recommendations provided. Such items must go through the proposed rulemaking process in order to provide the general public with an opportunity to comment on them before they would be published for effect. The public comments received on these issues based on the request contained in the preamble to the May 31, 1994, proposed rule will be discussed fully in the preamble to the new proposed rule.

National Objective Standards for Addressing Slums or Blight on an Area Basis

The proposed rule included a revision to § 570.208(b)(1)(ii) of the Entitlement regulations and § 570.483(c)(1)(ii) of the State regulations. This proposal would allow designated slum/blighted areas to qualify under the slum/blight national objective if the area exhibited pervasive economic disinvestment in the form of high turnover or vacancy rates in previously occupied commercial or industrial buildings.

In addition, the Department sought comment on whether instances of environmental contamination should be considered as evidence of blighting conditions. No specific regulatory language was proposed in that area, however.

The Department received valuable input on both topics relating to the

slum/blight national objective. As a result, the Department has decided to propose additions to the slum/blight criteria to accommodate environmental contamination, and to revise its initially proposed criteria regarding pervasive economic disinvestment. The existing regulations would be significantly restructured to accommodate these changes.

The Department has decided to publish a new set of proposed regulations dealing with the slum/blight national objectives. The comments received by the Department on slum/blight issues will be discussed in the preamble to those new proposed regulations.

Guidelines for Evaluating and Selecting Economic Development Activities for CDBG Assistance

The proposed rule contained language implementing section 806(a) of the 1992 Act at a proposed new § 570.209 in the Entitlement regulations and additions to § 570.482 in the State regulations. The proposed regulations described guidelines for evaluating certain economic development activities assisted with CDBG funds. These guidelines consist of two parts: guidelines and objectives for evaluating project costs and financial requirements, the use of which are not mandatory, and public benefit standards, which are mandatory.

Numerous comments were received on various aspects of this section of the proposed regulations. The comments can be categorized into groups of issues, and will be discussed by category of issue.

Underwriting Guidelines—General

The proposed rule described HUD's Guidelines and Objectives for **Evaluating Project Costs and Financial** Requirements (the "underwriting guidelines"); the proposed guidelines themselves were published as a separate **Federal Register** notice on the same day. Sixteen commenters commented on HUD's proposed Guidelines and Objectives for Evaluating Project Costs and Financial Requirements: 5 local governments, 4 national associations, 2 States, 3 HUD Field Office staffs, one citizen and one business development entity. Four commenters expressed overall support for the approach proposed to be taken by the Department in implementing the requirements of the 1992 Act.

Issue. Three commenters stated that the underwriting guidelines themselves should be included in the text of the regulations, rather than in a separate **Federal Register** notice. By not being part of the regulations themselves, commenters felt that the guidelines would be more easily overlooked or forgotten about in future years.

Response. These issues were carefully considered by the Department in developing the proposed rule. The rule stated that the use of the underwriting guidelines proposed at § 570.209(a) and § 570.482(e) is not mandatory. To further demonstrate this point, the specific elements of the underwriting guidelines were not included within the text of the proposed rule itself. Instead, they were proposed to be published in a concurrent but separate Federal Register notice. Outweighing the commenters' concerns is the fact that, while Congress directed that the guidelines be published by regulation, the use of the underwriting guidelines is not mandatory. To publish non-binding guidance within a set of otherwise binding regulations would be contradictory and confusing. In disseminating information on the final regulations, the Department will take steps to include the guidelines along with the final regulations, to help ensure that the **Federal Register** notice does not get overlooked.

Issue. Three widely divergent comments were received regarding the applicability of the underwriting guidelines to microenterprise and small business assistance programs. One commenter argued that "appropriate determinations" should not be required on a loan-by-loan basis for microenterprise activities, but could be addressed by overall program design. Another argued that the underwriting guidelines should apply to microenterprise assistance activities, so that communities will have a stronger regulatory framework upon which to develop their own guidelines for evaluating microenterprise loans. A third commenter stated that small businesses which do not qualify as microenterprises should be given some relief from the underwriting criteria and financial documentation requirements.

Response. The 1992 Act specifies that HUD is to develop guidelines for evaluating and selecting economic development activities funded under sections 105(a) (14), (15) and (17) of the Act. Microenterprise assistance activities were made separately eligible under the new § 105(a)(23) of the 1992 Act, and thus were not subjected to the underwriting guidelines by Congress. The Department feels it is inappropriate to extend coverage of the underwriting guidelines to programs which provide assistance exclusively to microenterprises and which are eligible under § 105(a)(23). Grantees may