underwriting guidelines which include other economic development activities beyond those subject to the regulations.

İssue. Several comments were received on the wording of several of the objectives in the guidelines. These comments generally spring from the commenters' professional opinions on the desirable design features or outcomes of individual programs.

Response. Because the underwriting guidelines are not mandatory, the Department has chosen not to adopt most of these suggestions. Commenters are encouraged to incorporate their ideas into their local guidelines.

Public Benefit Standards

HUD heard from 20 different commenters on the public benefit standards (and how they would be applied) in the proposed regulations: 3 local governments, 2 states, 8 national associations, 2 development organizations, one citizen and 4 HUD staff. Comments on public benefit fell into four categories of concern: the overall approach and terminology used; the individual activity standards; activities providing insufficient public benefit; and the aggregate standards. While numerous questions and concerns were raised, individual commenters also expressed general support for various aspects of the proposed approach to public benefit: the concept of aggregating public benefit; the flexibility provided by multiple approaches to measuring public benefit; and the concept of allowing certain categories of activities to be excluded from the aggregate dollar standards.

It was also very clear that many commenters did not understand the relationship among the different public benefit standards. Confusion was also expressed about the meaning of various terms used in the proposed regulations, which apparently added to confusion over the relationships among the standards. To overcome this confusion, the Department has substantially rewritten and reorganized the final regulations sections on public benefit.

Overall Approach and Terminology

Issue. Three different commenters asked for clarification of various terms such as "tests", "criteria", "portfolio" and "obligated". One asked what constituted an "activity" for purposes of aggregation: an individual loan? All activity in one particular loan program run by a grantee? Would a grantee with 10 different programs subject to the public benefit standards develop 10 aggregate numbers, or one? Another asked for confirmation that the public benefit measurement period differs from

the time period in which job creation/ retention is measured for national objectives documentation.

Response. In the final regulation, the Department has attempted to use more precise wording. The term "obligated" here has the same meaning as it does elsewhere in the CDBG program-a formal commitment of funds to fund a specific activity, such as a signed contract with a business, or written notification of loan approval. The term "test" has been replaced with "standard"; each numerical measure by which activities are judged (individually or in aggregate) is a standard. Use of the term "portfolio" has been avoided in discussing the aggregate standards. Use of the term "criteria" is limited to describing the "important national interests" activities which may be excluded from the

aggregate standards.

The comment regarding the measurement period for public benefit vs. national objectives is correct. For most covered activities designed to create/retain jobs, each provision of assistance to a business is judged separately for whether it meets a national objective; each business is discretely tracked for job creation/ retention until the business has fulfilled its jobs commitment. In contrast, public benefit for any given business is judged at the time assistance is first obligated to the business; the levels of public benefit determined at the time funds are obligated are then aggregated for all instances of assistance provided by a grantee through all covered activities. The period of time over which activities are aggregated varies among the Entitlement, State, Insular and HUD-Administered CDBG programs.) Thus, for any given business, job creation/ retention is primarily measured prospectively for public benefit and retrospectively for national objectives purposes. (However, this explanation does not apply universally; as the regulations note, certain types of activities may be aggregated differently. In addition, grantees are to keep comparative documentation on the projected vs. actual public benefit from projects.)

Issue. A number of commenters voiced various objections to the overall approach to public benefit: the proposed standards are arbitrary and simplistic, and invite "second-guessing" of projects by HUD; more study is needed in this area before specific standards are proposed; the standards focus too much on the cost per job and assume that more jobs per CDBG dollar is a more important outcome than job quality; the standards ignore present or future

values of assistance provided; the standards focus too much on individual activities, ignoring overall program outcomes; the standards focus too much on aggregate benefits, ignoring individual activities.

Response. As discussed in the preamble to the proposed regulations, the Department considered all of these issues in developing the proposed public benefit standards. More sophisticated measurement systems involve greater complexity, and may increase the documentation burden on grantees and/or reduce flexibility. The Department strives to effect a system which is flexible enough to encompass the great variety of individual programs and individual activities which exist across the CDBG program, and yet ensures at least some modicum of public benefit will be obtained from any given activity. The Department has made revisions to the public benefit standards in response to comments, but has chosen not to radically change the overall approach.

Issue. Two commenters (including one state) suggested that each community (or the state) be allowed to establish its own public benefit standards; HUD could then monitor communities or states for compliance with their standards.

Response. The Department believes these suggestions are inconsistent with the statute. The 1992 Act specified that HUD is to develop, by regulation, guidelines to ensure that public benefit is appropriate relative to the amount of CDBG assistance provided. The commenters' approach could increase, not decrease, grantee complaints about HUD "second guessing" local decisions.

Individual Activity Standards

Issue. Five commenters opined that the proposed \$100,000-per-job individual activity standard is much too high to ensure reasonable public benefit for any given activity; various figures between \$12,000 and \$50,000 were suggested as replacements. On the other hand, one commenter expressed concern that the \$100,000 standard could preclude use of CDBG funds for massive real estate redevelopment projects or capital-intensive industrial projects; other public benefits from such projects may well justify the expenditure of CDBG funds even when the cost per job is high.

Response. After weighing these arguments, the Department has decided to lower the individual activity per-job standard to \$50,000. This should still provide flexibility to undertake vitally important projects with high capital costs per job created or retained;