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Whose Neighborhood Needs? Assessing Social Equity in City-Level CDBG Allocation Decisions

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Abstract

Local governments must balance their growth ambitions against needs arising from social inequities. The Community Development Block Grant (CDBG) program aims to redress these disparities by directing funds toward disinvested tracts. We ask whether a city's institutional design, public and private actor composition, and resource availability influence the decision to invest in communities with greater levels of social need. Utilizing a social equity framework, we connect place-level procedural fairness mechanisms with neighborhood-level access equity consequences. Combining U.S. local government survey data over two decades with census tract-level CDBG expenditures, we find that in neighborhood where 51% or more of the families are low-to-moderate income (LMI), its likelihood of receiving funds increases with its share of LMI population relative to the city's, but at a diminished rate compared to non-LMI tracts. Further, city-level factors moderate this relationship (e.g., including community development corporations in planning processes).

Introduction

Cities are core service and social welfare providers in federalist systems and often confront fundamental value conflicts. Chief among the multiple, cross-cutting policy goals is the competition for economic growth and development. Over several decades, a central urban concern has been how spatially fragmented jurisdictions nested in fiscally interdependent federalist systems balance the needs of disadvantaged communities with the imperatives to grow their economies and tax bases. Although local government managers are often professionalized

to consider social equity, the growth and fiscal resource imperatives facing cities seemingly produce tradeoffs and goal conflicts (Campbell 1996; Deslatte and Stokan 2017, 2020; Liao, Warner, and Homsy 2019; Stokan, Deslatte, and Hatch 2021). This has motivated a generation of urban scholars to conclude that there is no balancing effort afoot — fiscal stability and economic growth are primal (Peterson 2012; Stone 1989). This view is not without theoretical and empirical detractors who assert that the complexity of intergovernmental and place-based programs clouds such simplistic conclusions (Overton and Stokan 2023). In other words, maybe cities split the difference, embedding equity-focused policy aims within broader, universalist growth goals (or vice versa). While views over governmental motivations may differ, the on-the-ground outcomes remain obvious: Social equity in U.S. cities, however defined, remains more of an aspiration than an achievement.

Assessing social equity requires acknowledgement that the construct is multidimensional and becomes increasingly complicated when examining place-based activities. Svava and Brunet (2004, 2005) and Johnson and Svava (2011) argue that there are four social equity dimensions to consider: *procedural fairness* (the mechanisms by which we allocate our scarce public resources), *access equity* (the equitable distribution of those resources), *quality equity* (the features of those programs/policies that increase equity) and *outcome equity* (the ability of those resources to improve equitable results). Place-based policymaking in fragmented urban regions creates unique social equity concerns because one or more of these dimensions may be superficially satisfied in the pursuit of ulterior motives to compete for economic growth (Stokan, Hatch, and Overton 2022). This paper centers on two social equity metrics. First, access equity in this context is akin to distributional fairness. For access equity to be greater, it would mean that local governments were prioritizing investment into communities that are most disinvested and often historically underinvested. Second, procedural fairness considers the configuration of institutions, actors, and processes that determine the allocation of public resources.

This paper therefore considers how access equity and procedural fairness impact the likelihood and investment volumes at the neighborhood level within cities. Specifically, we ask: (1) whether local governments go beyond federal minimal requirements and prioritize access equity when allocating community development funds to neighborhoods; and (2) whether city-level

procedural fairness mechanisms, particularly institutional and actor-centered decision-making factors, impact neighborhood-level access equity outcomes.

We address these questions in the context of the Community Development Block Grant (CDBG) program. The goals of the program, according to the Housing Community Development Act of 1974, are centered on benefiting low- and moderate-income persons; preventing or eliminating slums or blight; and meeting urgent needs. Local governments are required to invest 70% of their CDBG funds in low-to-moderate income (LMI) communities. To be considered a LMI tract, 51% or more of the families must earn 80% or less of the area median income. Assuming they follow those guidelines, build in some citizen participation component, and meet federal reporting requirements, local government managers and policymakers have substantial flexibility in how and where they spend these resources. This flexibility allows us to understand local government decision-making through spatially targeted CDBG investments.

Through a novel database of CDBG neighborhood-level allocation decisions connected to several waves of a nationwide city-level survey, we find that local governments target LMI neighborhoods for investment. However, while LMI tracts with a higher proportion of LMI families receive more funding overall, the probability of increasing discretionary CDBG investment in these neighborhoods diminishes (relative to non-LMI tracts) as the share of LMI families increases. In other words, neighborhoods with increasingly high levels of low-income populations relative to their city may become less attractive investment opportunities relative to non-LMI neighborhoods.

Second, procedural fairness mechanisms impact this spatial allocation. Involving community development corporations in the city's economic and community development planning processes is associated with improved access equity. These results remain resilient even after controlling for other federal investments (e.g., the HOME Investments Partnerships Program, the New Markets Tax Credit, etc.), socio-economic and environmental controls, historical CDBG investments, and all other time-invariant characteristics.

Finally, we offer implications for federal, state, and local action to improve social equity impacts at the local level.

Community Imperatives: Prioritizing Access Equity?

When confronted with competing pressures to create jobs, generate revenue, address community needs, and counteract social inequities, cities in federalist systems have historically prioritized economic growth (particularly, access to jobs) and fiscal stability over broader sustainability and social equity goals (Campbell 1996; Deslatte and Stokan 2017; Deslatte, Chung, and Stokan 2023; Hammer and Pivo 2017; Liao, Warner, and Homsy 2019; Osgood, Opp, and Demasters 2017; Moldogaziev et al. 2023; Pagano and Bowman 1997; Stokan, Deslatte, and Hatch 2021; Wolman and Spitzley 1996; Zhang, Warner, and Homsy 2017; Zheng and Warner 2010). Cities are sensitive to mobile citizens and businesses (Tiebout 1956; Ostrom, Tiebout, and Warren 1961), spurring them to offer efficient delivery of public services as a means of attracting and maintaining these constituencies (Brennan and Buchanan 1980). While some citizens may be resistant to development and seek to slow the pace of growth within their cities and urban environments (Fischel 2005), urban theorists argue that political actors align closely with private growth-related interests to make development decisions (Elkins 1995; Stone 1989). This pro-development political orientation extends to the provision of many local public services (Stone et al. 2015) and leads to a heavy reliance on financial tools and economic development incentives as a means for both self-enrichment and political regime-maintenance amid inter-jurisdictional economic competition (Clarke and Gaile 1989; Deslatte and Stokan 2020; Hawkins 2014; Kenyon and Oates 1997; Minkoff 2009; Morgan, Hoyman, and McCall 2019; Overton 2017; Reese 1993; Rubin 1988; Rubin and Rubin 1987; Sapotichne, Reese, and Ye 2019; Stokan 2013; Zheng and Warner 2010). In politically fragmented regions where there is greater competition among local governments for citizens and businesses, this pattern becomes stronger (Stokan and Deslatte 2020) and more path-dependent (Reese, Blackmond-Larnell, and Sands 2010; Stokan, Deslatte, and Hatch 2021).

In recent years, the deleterious effects of federalist-style urban development on social and racial inequities have drawn greater attention (Kantor 2016). In a small number of locations, citizens have sought Community Benefits Agreements and other concessions to force public officials to scale back their development ambitions (Jensen and Malesky 2018; Stone et al. 2015). For instance, grassroots groups in New York City led Amazon to become one of the second homes to the Amazon HQ2.0 headquarters after it “won” its bid along with Arlington, VA. The primary,

and empirically validated, concern is that these development activities increase taxable revenues but may displace existing residents (Talen 2010). The benefits of such decisions primarily go to future in-migrants to the region, with fewer of the gains being realized by the existing residents (Bartik 2018).

With development distributed unevenly across and within cities, the CDBG program serves, in part, as a programmatic counterweight to the unevenness of economic prosperity across economic and racial lines. By one evaluation corresponding closely with the time of this study (2005-2013), the CDBG program was responsible for 330,566 jobs, helping 1.1 million people with homeownership and providing public services and investments to 105 million and 33 million people, respectively (Theodos, Stacy, and Ho 2017). While the amount of funding has been declining in real terms, the U.S. Department of Housing and Urban Development (HUD) allocates roughly \$4 billion per year to the CDBG program and a little more than \$2 billion per year to the HOME Investment Partnerships program, which is focused on home repair/renovations and requires a 25% match by local governments. CDBG and HOME funds must directly benefit LMI families. Notably, the flexibility in CDBG spending allows for more than 50 distinct types of expenditures ranging from public services (e.g., mental health services, youth services, etc.) to economic development (e.g., technical assistance for businesses, business loans, etc.) to public improvements (e.g., water and sewer repairs, sidewalk repairs, etc.) and more. While 70% of the funds need to go to communities where more than half of families are categorized as LMI, there is flexibility in how these funds are directed to neighborhoods (Brooks and Sinitsyn 2014) and how the funds are spent (Galster, Walker, Hayes, Boxall, & Johnson 2004).

The relationship between place-based policies, such as some of those offered through the CDBG program, and social need is complex (Basolo and Huang 2001; Brazil and Portier 2021; Brooks and Sinitsyn 2014; Fisher and Peters 1998; Goetz 1994; Fleischmann, Green, and Kwong 1992; Lobao and Kraybill 2009; Mueller and Schwartz 1998; Reese 2006; Reese and Rosenfeld 2002). While some have found need to be a consistent predictor of economic development decision-making (Morgan, Hoyman, and McCall 2019), higher poverty rates and increased shares of LMI residents can lead governments to constrain the range of services and resources offered to low-income areas (Lobao and Kraybill 2009; Dominigue and Emrich 2019; Brooks and Sinitsyn

2014), including public and private investments (Theodos et al. 2019). In some cases, and for some programs (particularly Opportunity Zones), tracts are selected for investments because they are low income but in the process of gentrifying or having recently gentrified (Brazil and Portier 2021). Yet little is known about how cities may prioritize neighborhoods with the greatest social needs.

Social Equity and the CDBG Program

Over the years, several scholars have evaluated the spatial distribution of CDBG investments. In one of the first descriptive studies of CDBG fund allocations across city and county grantees, Dommel and Rich (1987) found that more “distressed” urban areas were also disadvantaged in the distribution of funds. Brooks and Sinitsyn (2014) conducted a foundational analysis of the equitable distribution of funds at the neighborhood level in Chicago, IL, and Los Angeles, CA. They sought to determine whether these cities distributed funds to neighborhoods equal to their share of LMI residents. In the case of Chicago, they found that funds were targeted to relatively better-off communities rather than those exhibiting greater need.

After the first decade of the CDBG program’s existence, Wong and Peterson (1986) remarked on the redistributive nature of the program by noting that in Milwaukee, WI, and Baltimore, MD, neither city had spent more than 10% of its CDBG funds on redistributive policies. Tortola (2015), in a most-different case study analysis of Arlington, VA, and Baltimore, MD, found that policy inertia influenced the spatial allocation of CDBG funds. This policy inertia resulted in part from grant dependence of communities and clique networks (participants in the policymaking process). Each of these studies demonstrates that place-level factors influence the type and distribution of CDBG allocations. Yet these case studies of larger cities may not reflect the reality of the average city. Brooks, Phillips, and Sinitsyn (2011) offer the only nationwide analysis of spending decisions using the HUD Integrated Disbursement and Information System (IDIS) database; however, their study was not focused on the spatial distribution of resources but whether additional grant funds lead cities to supplement city revenues or cut taxes. This study, therefore, is the first nationally representative effort to explore how city-level and tract-level factors impact tract-level community development investment decisions and volumes.

Racial segregation also complicates the policy-needs equation through the CDBG program. Deep racial and ethnic cleavages exist within U.S. metropolitan regions, due largely to the historically discriminatory practices of redlining, blockbusting, restrictive covenants, and residential intimidation (see Jackson 1987; Massey and Denton 1993; Rothstein 2017; and Sugrue 2014 for a historical perspective on the topic). Not only does this divide access to quality housing and environmental protections by race and economic status across cities, but it also reinforces inequitable access to basic public services (Trounstein 2018). Trounstein (2018) demonstrated that cities that were more segregated reinforced these divisions through a range of public service interventions (street paving, water and sewer maintenance, health clinics, etc.).

We examine whether local governments, on average, will avoid targeting most of their CDBG resources to communities with the greatest levels of social need. Consistent with extant research, we believe that such public service distributions will tend to avoid tracts with larger shares of minority populations (Theodos et al. 2019; Trounstein 2018). This hypothesis is consistent with existing urban theories on elite capture of government policymaking (Jansa and Gray 2017; Stone et al. 2015), as well as resource-based views of public organizations in which cities attempt to maximize the resources they can draw from their broader environment (Deslatte and Stokan 2017). Actors' control over resource allocation may also vary based on professionalization and institutional structure (i.e., council-manager form of government versus strong mayor). While city managers are professionalized to consider social equity as a core goal, mayors may be more attuned to the electoral consequences of spatial targeting of CDBG resources. Yet the motivation to prioritize development over access equity is politically and administratively primal. Inter-jurisdictional competition over economic development may push local governments to allocate resources in an effort to maximize return on investment over social equity enhancement (Thomson 2008, 2011). Such calculations may be further exacerbated by including a greater set of pro-development actors in the decision-making process (Logan & Molotch 2007; Reese & Rosenfeld 2002; Stone et al. 2015).

While cities vary in the extent to which they prioritize development- and redistributive-oriented policies (Carreri and Payson, n.d., Einstein and Kogan 2016; Fillion et al. 2019), we expect to find an increase in growth-oriented funds when more pro-growth actors participate in the planning process and as cities face greater barriers in their own economic development efforts

(i.e., access to land, labor, and capital). Greater access to resources, including intergovernmental resources, could serve as a counterbalancing force. Governments with higher levels of need often have more access to intergovernmental resources (Craw 2006, 2010; Feiock et al. 2001; Kaufmann and Wittwer 2019). This larger share of intergovernmental revenues can also increase the organizational capacity for these decisions (Deslatte and Stokan 2020; Hall and Handley 2011), bringing greater involvement of public sector participants into the economic development process (Farmer 2022).

Data and Methodology

To analyze the spatial distribution of these resources, we focus on the program serving as the largest federal effort aimed at bolstering LMI areas — the CDBG program. We recognize that other major investments by HUD could serve as substitutes or complements to the goals of these programs. For example, the HOME Investment Partnerships Program (HOME), also administered by HUD, makes investments into home renovations and repairs for LMI families. Additionally, other federal investments deployed locally, such as the New Markets Tax Credit (NMTC), the Low-Income Housing Tax Credit (LIHTC), and a range of other Community Development Financial Institutions (CDFI) investments, are also directed to LMI communities. Thus, when modelling the distribution and investment intensity of CDBG dollars at the neighborhood level, we control for other investments which may serve as partial substitutes for CDBG dollars. Because cities may opt to use a variety of non-CDBG funding sources for the most disinvested communities, this allows us to control for possible substitution effects.

One concern with CDBG dollars geolocated directly to the neighborhood level is that these data do not reflect the full accounting of all CDBG investments made by the city. Simply put, not all CDBG investments are targeted to specific neighborhoods. For example, CDBG investments in city crime services may be citywide, while other investments are explicitly for city-level planning and administration purposes. Thus, it is possible that some of these dollars will differentially impact particular tracts (including LMI tracts); however, we have no mechanism to discern across governments and years what proportion of these investments might reach communities at different levels. While we do not know precisely what proportion of these funds might be missed, Zuo (2022) estimates that about 30% of the funds are not geotargeted. Yet our

interest lies precisely in the spatial allocation of the investments that need to be directed to particular locations. In our sample, the average tract received \$294,386 in geotargeted CDBG investments over a five-year timeframe, while the top tract received nearly \$26 million. The average city over this timeframe allocated \$17.5 million; however, this included cities with zero CDBG expenditures during that five-year period. As a result, the median CDBG expenditures for our cities over the five-year timeframe totaled \$3.3 million, while the largest expended roughly \$446.6 million over that period.

Neighborhood-Level Data

The federal investment data (e.g., CDBG) are aggregated to the census tract level (i.e., the neighborhood level) and are nested within the city.ⁱ The CDBG outcome variables are collected using the HUD IDIS database.ⁱⁱ Separately, we collect data on NMTC, LIHTC, and other federal programs through the U.S. Department of Treasury's CDFI data portal.ⁱⁱⁱ To understand the race/minority and economic/LMI composition of the neighborhood, we join these data to the Centers for Disease Control and Prevention's Social Vulnerability Index (CDC SVI)^{iv}, and to HUD data on LMI population by census tract (used to calculate LMI tract status).^v The SVI data provides key information on the neighborhood's share of minority population^{vi} and the share of respondents who speak English less than well (a constructed index measure used to capture minority populations). To understand racial equity as a type of social equity, we mainly rely on the CDC SVI's measure of minority population; however, we conduct a sensitivity check that explicitly models the relationship in terms of African-American share within these communities due to the inequitable distribution of resources that are often segregated by race (Trounstein 2018). We supplement these data with neighborhood-level information on unemployment rates, racial and demographic composition, housing characteristics, and other socio-economic controls with data from the U.S. Census Bureau.^{vii}

City-Level Data

Because neighborhood investment decisions are made by city officials, city-level data are included from the International City/County Management Association (ICMA) economic development survey for the years 1999, 2004, 2009, and 2014.^{viii} The ICMA economic development survey has been administered every five years between 1984 and 2014. The survey

asks administrators principally responsible for economic development (e.g., mayors, city managers, economic developers, etc.) questions regarding the types of economic development incentives offered, barriers to development communities faced, resource availability within communities, developmental priorities, the form of government, and much more. The response rate, which varies by year, tends to be in the commonly accepted range of 25%. We exclude counties from our analyses and only consider data from municipalities, which we conventionally refer to as cities. ICMA data do not represent a balanced panel, as cities may respond in one year and not the next. Our fixed effects model includes only those cities responding at least twice. On average, respondents to these surveys tend to represent larger cities clustered in western states with council-manager forms of government.

Finally, at the city level, we connect these data to local finance and tax statistics data from the Census Bureau's Local Government Finance databases.^{ix} These data provide information about city-level own-source revenue and intergovernmental transfer capacities. Each data source, along with summary statistics is provided in table 1.

Temporal Nature of Data

Because the HUD data are daily, while the ICMA survey data are only collected every five years, we aggregate HUD tract-level data to include the two years before and two years following the ICMA survey (providing five-year investment figures). Thus, CDBG investment data are aggregated to five-year time frames at the tract level (1997-2001; 2002-2006; 2007-2011; 2012-2016).

We connect these data to local tax statistics and public finance information compiled and standardized by the Census Bureau during this same timeframe at the city level (1997, 2002, 2007, 2012). Thus, these data reflect the beginning of the investment period.

These data are then joined to the CDC SVI data at the tract-level occurring in 2000, 2010, and 2014 and Census Bureau data for the 2000 decennial survey, and the 2009 and 2014 five-year estimates for the American Community Survey (ACS). We linearly interpolate the 2004 ACS five-year estimates, which were not available from the Census Bureau.^x Table 1 presents our list

of variable descriptions and sources. The links to sources and referenced R packages can be found in endnotes 1-7.

[Table 1 about here]

In Figures 1 and 2, we visualize the spatial distribution of CDBG dollars within several large cities to demonstrate how CDBG investments by size map onto the level of disinvestment within the community (low-to-moderate income location quotient: LMI_LQ). We display maps for both Naperville, IL, which is at the bottom 5% for the average LMI at the city-level and Minneapolis, MN, which is in the top 5%. While these maps present a parcel-level allocation, for illustration purposes, our analyses are aggregated to the census tract level.

[Figures 1 and 2 about here]

Final Data Set

Finally, we filter our data to only include municipalities responding to the ICMA survey. While counties administer some of their own funding, we are interested in exploring the role of the municipality, and the available survey data better helps us understand municipal structures. Therefore, our results may not generalize to how counties distribute their resources. In total, our data cover 15,145 census tracts nested within 1,287 cities. In aggregate, this yields a dataset of 67,769 observations across the 20-year period (1997-2016). We report the descriptive statistics for the full set of observations; however, we rely on two subsamples of these data for analyses. The first subsample includes only non-missing observations with responding governments reporting at least twice, in order to utilize fixed effects. This reduces our first sample to 46,898 observations. The second set of data rely on an additional observation per unit to examine the impact of lagged CDBG investments along with controls for other alternative federal investments in addition to fixed effects (N=26,376). Finally, in the models exploring CDBG by activity grouping (e.g., economic development, housing, etc.), the models vary based on the relationship between fixed effects and the change in the dependent variable. This yields a range of samples with a varying number of observations (range: 9,775-24,450). Table 2 provides descriptive statistics for our variables inclusive of the total sample. Table 3 refines this by CDBG investment status at the tract level.

[Table 2 here]

[Table 3 here]

Outcome Variables

Our analyses include two types of outcomes. First, we include dummy variables of whether CDBG investments or a particular type of CDBG investment (e.g., economic development, housing, etc.) was made in the tract. Second, we include investment volumes. In these latter analyses, we log the distribution of investments. However, because the natural log would drop all cases where no investment is present, we use the inverse hyperbolic sine transformation (Bellemare and Wichman 2020).

Explanatory Variables

We explore several variables believed to correlate with the decision to invest in a particular neighborhood as well as determine the level of investment in those tracts. Most critical in this assessment is the construction of the two LMI measures and two racial/ethnic minority measures (LMI tract designation, LMI location quotient, and minority share and African-American share).

Tract eligibility, which we also refer to as LMI tract status, is derived from the LMI HUD databases for 2004-2009 and 2011-2016. These data include tract-level measures of the percentage of families that are LMI. LMI tracts are those where 51% or more of the families in that tract are low-to-moderate income. To be considered LMI, a family must earn 80% or less of the area median income. The LMI location quotient (LMI_LQ) measures the percentage of LMI families relative to all families within a tract divided by the percentage of LMI families in the city relative to all families in the city. As a result, an LMI_LQ above 1.0 signifies that a tract has a higher share of families that are LMI compared to the city. We construct comparable measures for the minority share and the African-American shares.

To understand whether cities are prioritizing social needs beyond what is federally required (tract status), we interact LMI_LQ and LMI tract status. This interaction allows us to understand what happens after a tract receives a HUD LMI designation. If it is designated as such, does an

increasing share of LMI families increase, decrease, or have no effect on the probability of receiving CDBG investments?

To understand the role city-level factors, including procedural fairness mechanisms, have on promoting access equity at the tract level, we interact these terms with *public participation intensity*, *private participation intensity*, *community development corporation participation*, *economic development barrier intensity*, *competition intensity*, *the form of government*, *intergovernmental revenues*, and *own-source revenue*. These variables are drawn from the ICMA economic development survey. Form of government is captured in the ICMA survey as well. Cities are asked about the actors that participate in the economic development planning process. For this, we differentiate between public and private sector actors consistent with Deslatte et al. (2019) and divide by the number of participants in the process relative to the total number possible for that group. Respondents are also asked about challenges their communities face in terms of land, labor, and capital. These barriers to development are dichotomous indicators. Competition is a measure derived by local governments indicating alternative sources of economic development competition from a list (nearby governments, other local governments, state governments, etc.). The variable construction is similar to other work using these data (Zheng and Warner 2010; Stokan 2013), and we recognize they serve as proxy measures to account for the various actors and pressures cities experience in this process. Intergovernmental and own-source revenue are expressed in per capita terms and collected from the U.S. Census of Governments local finance and tax statistics branch at the municipal level.

We also account for the economic circumstances of the tract by taking stock of the unemployment rate. Further, an important set of controls we account for are other possible investments that might either supplement or complement CDBG allocation decisions (e.g., HOME, NMTC, LIHTC). Finally, because cities may make strategic decisions in the deployment of resources over time, we take stock of whether and the extent to which a tract received CDBG funding in the prior five years as a robustness check.

Analytic Approach

Our analyses were conducted using a two-step Heckman selection model. First, we use a Probit model to estimate the predicted probability that a given tract will be selected for CDBG

investment (or a particular type of CDBG investment). From this, we model the factors that lead local governments to make investments within some neighborhoods and not in others. We do so because we believe many communities have two selection functions: first, deciding where to invest and then, how much to invest. This gives rise to our utilization of a two-step Heckman model. In the first stage, we calculate the Inverse Mills Ratio, which is the ratio of the probability density function to the cumulative distribution function. The Inverse Mills Ratio is included in the second model to control for the selection process. While this structure is more common in evaluation work to account for selection bias, it allows us to model these influences separately by decision structure. To the extent that these are the same decision-making process, and to offer a robustness check, we also model total investments without separating these processes.

We use place- and time-fixed effects (five-year time bands) to account for unobserved time-invariant heterogeneity that might impact the distribution or types of funds (e.g., a natural control for a college, airport, city council size, and any other physical or structural features that are unchanging over time). We cluster our errors at the state level, to account for the fact that our units are not independent of one another and are instead nested within states. Cameron and Miller (2015) offer guidance on clustering for spatial spillovers; however, since we are modeling the decision processes and not the impacts of CDBG spending, which may exhibit spillover effects, we choose to cluster at the highest level of aggregation — the state level.

Our model is formally expressed as:

$$y_{it} = \beta_0 + \beta_1 LMITract_{it} + \beta_2 LMILq_{it} + \beta_3 LMITract_{it} * LMILQ_{it} + XB + \theta_i + \lambda_t + \varepsilon$$

where y equals 1 when the census tract receives CDBG investments in the five-year timeframe and 0 otherwise. In our investment models, y denotes the total CDBG investment at the tract level during this same time frame. i indexes the unit-level (tract), while t indexes the time period. $LMITract$ takes on the value of 1 when the share of families in the tract is 51% or above. LMI_LQ is equal to the share of LMI families in the tract divided by the share of LMI families across all tracts in the city. Thus, tracts with values above 1 have a disproportionately higher share of LMI families relative to the city as a whole. As a result, the interaction term between $LMITract$ and LMI_LQ takes on a value other than zero when the LMI tract has 51% or more of the families that are considered low-to-moderate income. β_3 is the coefficient of interest, giving

us an understanding of what happens with the joint impact of being an LMI tract as the proportion of the LMI families increases above 1. XB are other relevant control variables (e.g., revenue per capita, percent of homes that are owner-occupied, etc.). In other specifications, we again include other federal investments and lagged CDBG investments. θ_i indexes city fixed effects, while λ_t indexes time fixed effects. ε is the residual term, clustered at the state level.

Results

Tract Selection

While the core of our models utilizes fixed effects regression modeling, we see this work as exploratory rather than confirmatory. As such, we offer an empirical assessment connecting two components of social equity (procedural fairness and access equity) and offer robustness checks to ensure we understand this relationship carefully.

Empirically, we first seek to understand whether municipalities prioritized social need when allocating CDBG funds. To test this, we assess whether LMI tract status is positively associated with CDBG investment in a neighborhood. Given the federal requirement that 70% of CDBG funds flow to these tracts, we anticipated this being positively related to investment. Second, we assess whether the probability of receiving CDBG funds increases as the LMI location quotient increases.

We find that municipalities targeted tracts that were considered LMI, per the federal requirement. After holding LMI tract status constant, an increase in the share of LMI families was positively related to the expected probability that the neighborhood would be selected for CDBG funds. However, we must consider the complex interplay between LMI tract status and LMI_LQ. Cities would be prioritizing access equity if the interaction between these terms is also positive. This would mean that after accounting for tract status (which is tied to the federal regulation), as the relative share of LMI families increased, so, too, would the likelihood of receiving CDBG investments. We find, however, that non-LMI and LMI tracts are differentially prioritized as social need increases. As the share of LMI families increases in LMI-designated tracts, the propensity to invest in those tracts is reduced relative to non-LMI tracts. Thus, as illustrated in Figure 3, the probability of receiving CDBG funds rises at an increased rate in non-

LMI tracts compared to LMI tracts. These different slopes suggest that given the same share of LMI families relative to the city, a less disinvested neighborhood (i.e., a non-LMI tract) has a greater likelihood of being prioritized for CDBG funding compared to a more disinvested neighborhood (See Figure 3).

[Figure 3 about here]

We find similar results when accounting for race/ethnicity. Having an increasing share of minority families in LMI tracts increases the likelihood of receiving CDBG investments at a marginally diminishing rate relative to non-LMI tracts. This would generally comport with Trounstein's (2018) findings regarding other types of public services that are deployed in ways that often avoid the most heavily minority-concentrated and disinvested communities due to *de facto* segregation. We find regarding the allocation of resources that the effect no longer holds after accounting for income. Further, replacing the minority share with the share of African-Americans in the tract relative to the share in the city increases the propensity for investing in the tract; however, once the tract is considered LMI, having a larger share of African-Americans has no joint significant effect on continued investment. The results of the models are expressed in odds ratio terms. Thus, any value above 1 signifies an increase in the odds, while values below 1 express a reduced likelihood (see Table 4).

[Table 4 about here]

Figure 4 plots the predicted probability of receiving CDBG investments in a neighborhood by the LMI share of the population. In conjunction with Figure 3, one observes that the probability of receiving any CDBG investments increases in LMI tracts, and as the share of LMI families increases, but the rate of increase (i.e., the slope) is diminished as the share of LMI families increases in LMI tracts compared to non-LMI tracts.

[Figure 4 about here]

These findings suggest that local governments are not optimizing CDBG funding allocations based on areas with greatest social need in pursuit of *access equity*. Instead, they are generally prioritizing tracts that are disadvantaged, but not those with the greatest need. One possible reason for this is that they may seek to use the funds to achieve greater efficiency gains and

economic benefits over addressing social inequities (Thompson 2008). Stone et al. (2015) offer a justification for this type of distribution (in the context of economic development prioritization) through a set of urban case studies. Large cities will often seek to target neighborhoods for development that are not the worst off but are disinvested. Further, they find that cities will tend to prioritize funds in neighborhoods that border census tracts that have greater private market viability. It may simply be that cities are choosing to do the same with their CDBG funding.

City-Level Influences on Distribution

Cities are not black boxes, and some factors and forces compel cities to prioritize certain neighborhoods over others for investment. We account for the various influences (public and private sector participation, community development corporation inclusion in community and economic development decisions, and mayor versus manager forms of government) on the distribution of CDBG dollars. We also account for other potential forces, including city-level economic development competition, barriers to development (land, labor, and capital), and own-source and intergovernmental revenues. Table 5 also includes city and time fixed effects (five-year time band) among these controls to account for time invariant factors that may influence the distribution at the tract level. This model incorporates fewer observations because cities needed to respond to more than one economic development survey. We find that the LMI tract and LMI_LQ remain resilient to the additional variables included in the model for CDBG (Table 5).

[Table 5 about here]

Alternative Federal Investments

We included alternative federal investments (HOME, LIHTC, NMTC, etc.) to account for the fact that there may be strategic decision-making and substitution effects (e.g., invest HOME and LIHTC funds in one disinvested community and CDBG in another). Further, we account for lagged CDBG investments because funding in the prior five years may lead to somewhat reduced need for a particular tract. Thus, the model displayed in Table 6 accounts for other potential investments and lagged CDBG investments.

Importantly, we find that the core result holds. Even after taking stock of other federal investments and lagged CDBG investments, maintaining each of the control variables, and

accounting for city and year fixed effects, the likelihood of funding increases as a function of LMI_LQ but at a decreased rate in LMI tracts relative to non-LMI tracts (see Table 6). We also find a consistent pattern that several factors influence tract selection; however, not too much stock is put into these controls because they are not particularly attuned at this stage to the level of disinvestment of the tract. Rather, our next set of models account for this dynamic.

[Table 6 about here]

Moderating Influences and the Role of Procedural Fairness

We now turn our attention to whether city-level procedural fairness mechanisms help to drive this pattern. In this way, we interact our core measure of access equity (LMI tract * LMI_LQ) with city-level factors that may impact the distribution of funds. We are particularly interested in understanding whether procedural fairness factors (e.g., participants, processes, and institutional structures) influence the decision to distribute funds to areas by the level of disinvestment in that neighborhood (e.g., access equity).

We add a second set of models here which presents the two-stage setup as well as a full model that does not decompose the selection process. In the first stage, we explore how these factors impact tract selection (column 1 in Table 7). In the second stage, independent of tract selecting forces, we examine what factors influence the total amount of CDBG expenditures (column 2 in Table 7). The second stage includes logged CDBG investments. In both cases, we include the full range of controls offered in Table 4. Column 3, the second approach, treats the selection mechanism as part of the investment decision and includes all tracts, irrespective of the choice of investment into that tract. The model is focused on explaining total CDBG expenditure volume by tract.

We find that the inclusion of these moderating forces results in the core access equity measure being insignificantly related to tract selection as well as total investment amount; however, it appears that the impact of this relationship is moderated by other forces. On tract selection, both sources of revenue are important at the city level, but with different ways. Increased intergovernmental revenue per capita is associated with an increase in the likelihood that low-income tracts are prioritized. Conversely, after controlling for intergovernmental revenue per

capita and all the other controls, we find a negative association between own source revenue per capita and the propensity to investment in these low-income tracts.

Participants in the policy process and form of government (or the procedural fairness mechanisms) seem to matter little in either tract selection or size of the investments as moderated through access equity. The lone exception is the involvement of community development corporations in community and economic development planning. This involvement both increases the propensity of investment in low-income tracts and, independently, the size of the investment. This is reasonable, as community development corporations are non-profit organizations focused on revitalizing communities, especially in areas that are impoverished and struggling. They can be well-funded large organizations in major cities or smaller operations. Extant research has also demonstrated that they often play a pivotal role in leveraging public-sector funds (Galster, Levy, Sawyer, Temkin and Walker 2004). When cities build them into these planning processes, controlling for all other factors, it is associated with a 26% increased likelihood of investment flowing to lower income tracts. Even after this selection effect, more dollars also flow to these tracts (see Table 7).

[Table 7 about here]

Variation in Distribution by Type of Expenditure

We recognize that overall CDBG expenditures include spending on a large range of programs and there may be strategic decisions made by type of expenditure in the pursuit of economic growth, social equity, and other local objectives. As a result, we conduct the same core analyses, while accounting for the various types of CDBG expenditures (economic development, public service, public improvement, acquisition, and housing).

While these groupings include activities that are classified as economic development or public service, it is hard to clearly align with goals of economic growth and social equity in a meaningful and mutually exclusive way. Economic development activities occurring in a disinvested neighborhood may be in pursuit of improved equity, while housing rehabilitation in a gentrifying neighborhood might be to improve economic returns. Thus, this delineation hardly

maps onto the respective goals. Nonetheless, we can see how well these funds are deployed in tracts that are disinvested.

We find that several city-level factors are associated with the decision to invest funds in disinvested tracts. Several institutional, actor-centered, and resource capacity factors make CDBG investments in lower income tracts more or less likely. Improved city-level intergovernmental resources are positively associated with the decision to invest economic development and public service funds in the most disinvested tracts. Likewise, involving community development corporations in the community and economic development planning processes is positively associated with investing public improvement and public service funds in these types of tracts. Interestingly, greater private sector involvement in these planning processes is positively associated with housing investments in more disinvested tracts. Conversely, having a professionalized city manager as opposed to a mayor form of government, identifying a greater set of economic development barriers and competitors, and increased own source revenue per capita are all associated with diminished likelihood of investing economic development funds in the most disinvested tracts. Furthermore, greater public sector involvement from other levels of governance (e.g., county and state) is associated with diminished likelihood of investment public service funds in the most disinvested tracts. The same holds for increased own source revenue per capita with respect to these public service investments (See Tables 8a and 8b).¹

[Table 8a about here]

[Table 8b about here]

Limitations

We recognize several limitations that partly limit the generalizability of our findings. First, we only include CDBG funds that are spatially targeted to particular census tracts. This likely represents 70% or less of total CDBG spending in the city. Second, our analyses are only inclusive of municipal level governments. Many counties make expenditures in nonentitlement communities which may be more or less equitable in their geographic distribution to

¹ Due to space constraints, we report only the three-way interactions; however, the models include main and two-way fixed effects. F results are available upon request.

neighborhoods with greater or lesser need. While we believe it is important to understand those distributions, we center our analyses on municipalities so not to conflate the two units. Finally, the ICMA data overrepresents local governments in western states with council-manager forms of government, and of overrepresenting larger areas, as ICMA only surveys governments with populations of 10,000 and greater. We recognize that these sources of bias will be reflected in our analyses as they form the sampling frame.

Discussion and Conclusion

The federal government entrusts local government officials with a great deal of flexibility in allocating federal funding to address community development needs, fight urban blight, and counter the economic hardships confronting disinvested neighborhoods. Yet it also imposes, in the context of the CDBG program, requirements that 70% of funds go to low-to-moderate income (LMI) tracts. Local governments have considerable flexibility in how they spend and deploy these funds. Thus, they can deploy them in ways to better achieve economic returns or even improve racial and social equity.

By combining tract-level CDBG allocation decisions, along with several other federal investment programs (NMTC, LIHTC, HOME), and connecting these data to several waves of the ICMA economic development survey, this paper explores how city-level procedural fairness factors impact access equity. We find that both tract status (defined by HUD as having 51% or more LMI families) and the relative proportion of LMI families in the tract compared to the city overall increases the probability of receiving CDBG funds. However, as the share of LMI families increases in LMI tracts, the marginal likelihood of receiving CDBG funds begins to diminish, relative to non-LMI tracts. This suggests that goals other than optimizing for access equity, or investing in the most disinvested neighborhoods, is the focus. Allocation decision-making may be complex with several cross-cutting goals (i.e., access equity and economic growth) that may be at work when deciding where and how to invest these funds. If governments deploy these resources like economic development investments, they may target relatively better off tracts (Stone et al. 2015) with more private sector development capacity. At the least, we see that deploying these funds to the neediest tracts is not the priority in most locations.

While the factors associated with moderating the relationship between access equity and CDBG investments were different depending on the type of geo-targeted spending (e.g., economic development, housing, public infrastructure), involving community development corporations in the community and economic development planning processes was associated with an increase in the likelihood of low-income tracts receiving funding and receiving greater concentrations of funding. Additionally, when the federal and state governments provided greater access to intergovernmental revenues on a per capita basis, it too was associated with an increased likelihood of disinvested neighborhoods receiving more CDBG support. Economic competition, economic barriers resulting from land, labor, and capital constraints, and greater own-source revenue per capita across models tended to be associated with reduced likelihoods of receiving these same geo-targeted funds.

Our results held across specifications and even after accounting for other federal investments, temporal decision-making (e.g., lagged CDBG investments), and city and time fixed effects, and they start to connect the different dimensions of social equity using a polycentric extension of the social equity framework (Stokan, Hatch, and Overton 2022). This work demonstrates that city-level procedural fairness mechanisms have implications for access equity at the neighborhood level. Future work could build on this by incorporating other components of social equity (e.g., quality equity and outcome equity) and whether these results hold for programs other than the CDBG program with different federal programmatic requirements (e.g., Opportunity Zones, New Markets Tax Credits, etc.).

While the focus of this research was exploratory, it is also suggestive. Cities might do well to build community development corporations more comprehensively into their planning processes, which could lead to improved access equity of community development funds. Of course, federal and state governments that have the capacity to share increased resources might see greater benefits at the local level, or at least improved capacity to reach those neighborhoods that are most disinvested. Greater community organizing and participation may work to reduce pro-development pressures. Increasing the share of federal funds also positively impacts dollars flowing to the areas with greatest need. While some have called for modifications to the CDBG funding formulas, which date back to the 1980s (Richardson 2007), the federal government could modify CDBG allocation regulations to ensure that more dollars flow to the highest areas

of need (Collinson 2014; Rich 2014; Rohe and Galster 2014). Today, public sentiment for ensuring equitable access to resources is stronger. Governments need to find pathways to improve equity as an important end in itself and ensure inequity doesn't stifle future economic opportunity (Stiglitz 2012).

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**Figure 1: Minneapolis CDBG Investments by LMI Location Quotient by Tract (All Years)-
Top 5% for Avg LMI City-Level**

CDBG spending by level of
social need (1997-2016)
Minneapolis,
MN

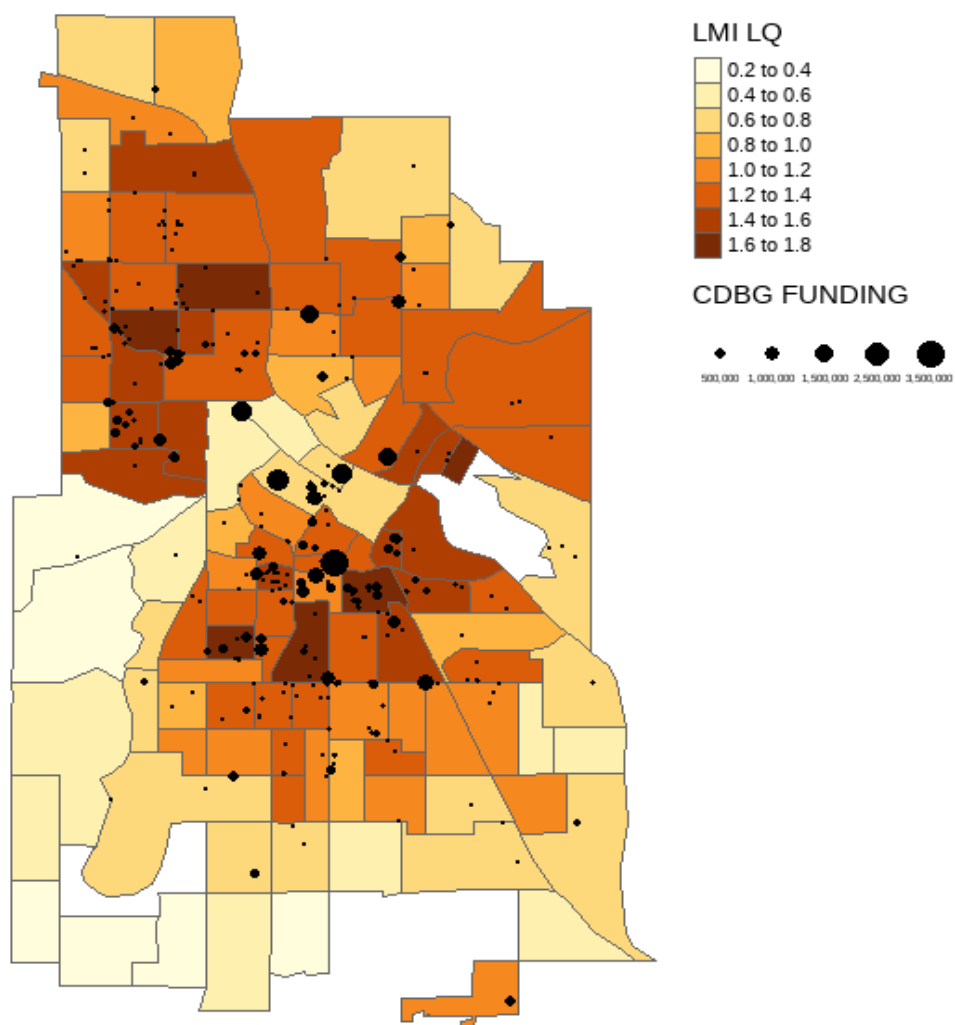


Figure 2: Predicted Probability of Receiving CDBG Investments for LMI Tracts and Non-LMI Tracts based on LMI_LQ (LMI share of tracts relative to LMI share of city)

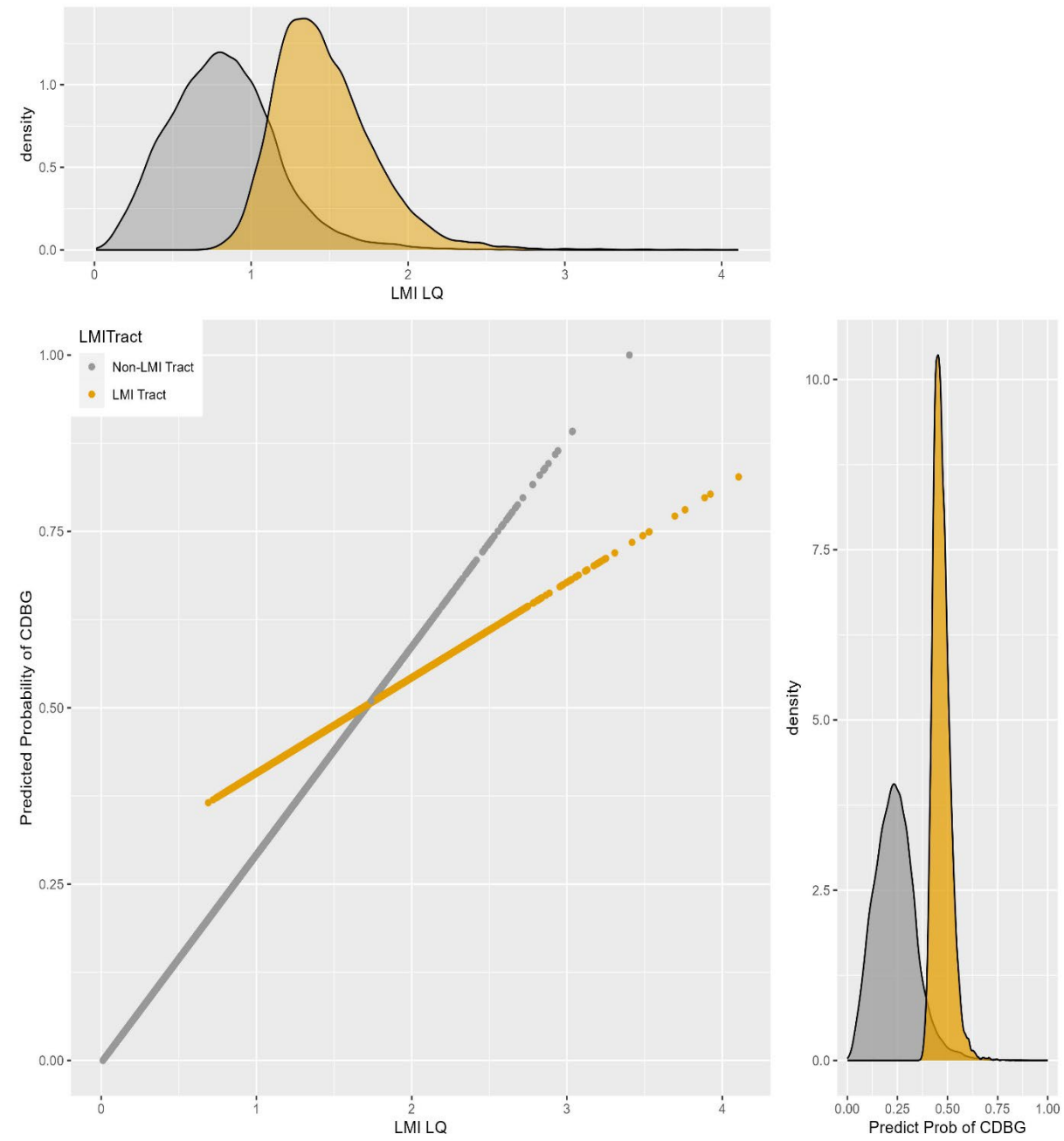
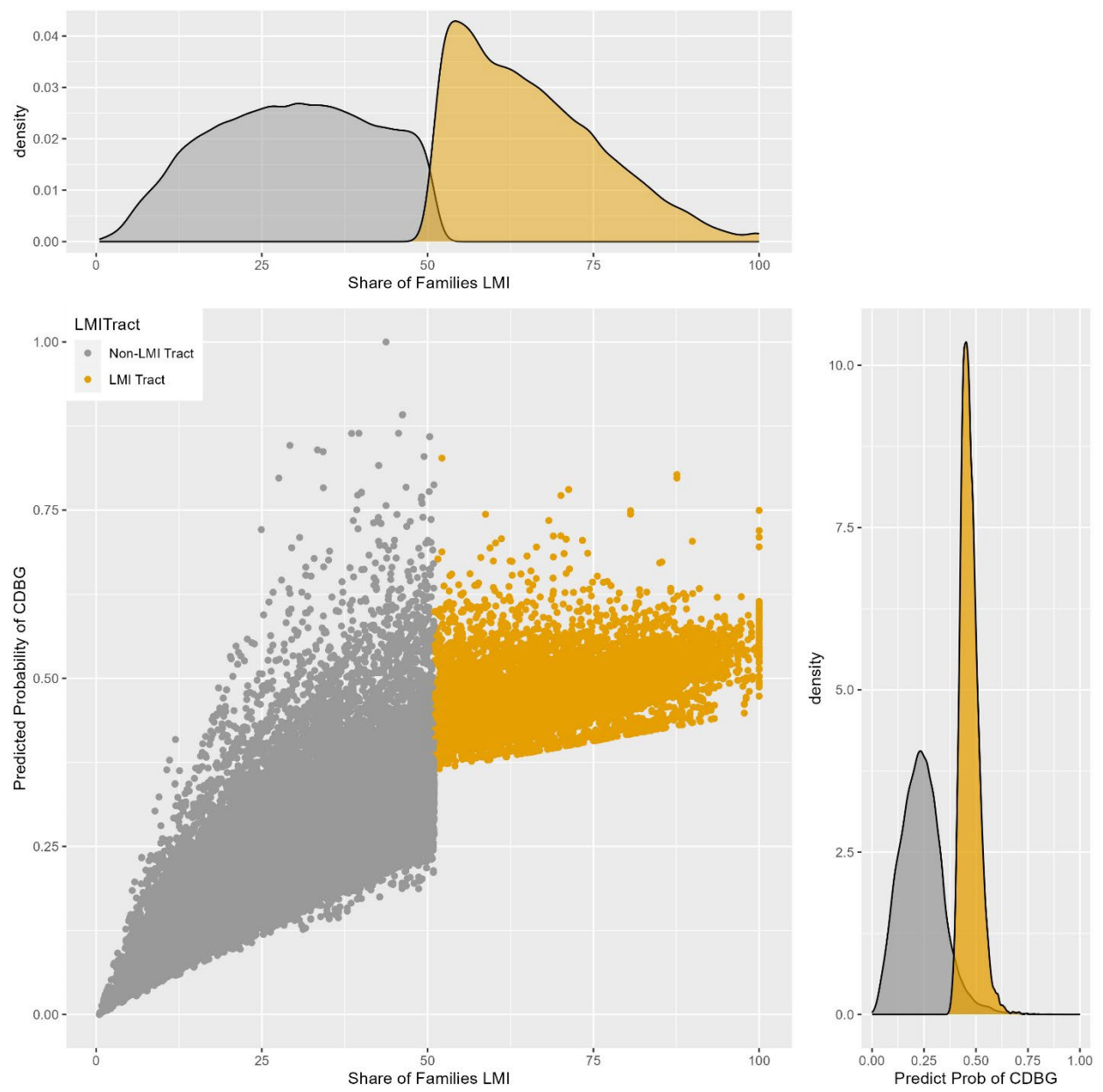


Figure 3: Probability of Neighborhood Selection for CDBG based on LMI Status and Percentage of Families that are LMI



ⁱ We used the “Get” function in R to collect individual CDBG investments from the HUD here: <https://hudgis-hud.opendata.arcgis.com/datasets/HUD::community-development-block-grant-grantee-areas/explore?location=22.542576%2C0.315564%2C2.94>

ⁱⁱ We use two primary R packages for the spatial joins and determination of the parcel level positioning in the neighborhoods. These include both the tigris package and the “sf” package.

ⁱⁱⁱ For the alternative federal investments, data can be found on the U.S. Department of Treasury’s CDFI website here (Link will download file): https://www.cdfifund.gov/sites/cdfi/files/documents/2019-nmtc-public-data-release_fy_17.xlsx

^{iv} CDC SVI data can be found here: <https://www.atsdr.cdc.gov/placeandhealth/svi/index.html>

^v HUD LMI data can be found here: <https://www.hudexchange.info/programs/acs-low-mod-summary-data/>

^{vi} The Centers for Disease Control and Prevention define “minority” to include (Hispanic or Latino (of any race); Black and African American, Not Hispanic or Latino; American Indian and Alaska Native, Not Hispanic or Latino; Asian, Not Hispanic or Latino; Native Hawaiian and Other Pacific Islander, Not Hispanic or Latino; Two or More Races, Not Hispanic or Latino; Other Races, Not Hispanic or Latino) estimate, 2016-2020 ACS. Details can be found here: https://www.atsdr.cdc.gov/placeandhealth/svi/documentation/pdf/SVI2020Documentation_08.05.22.pdf

^{vii} Decennial census data was accessed through the “get_decennial” function and the ACS data was accessed through the “get_acs” function in R as part of the “tidycensus” package.

^{viii} International City/County Management (ICMA) survey data can be obtained here: <https://bookstore.icma.org/datasets-c3.aspx>

^{ix} The Census Bureau Local Government Finance Survey data can be found here: <https://www.census.gov/programs-surveys/gov-finances/data/historical-data.html>

^x For the years covering 2000, we rely on the Census Bureau decennial census. This covers the period of 1997-2001. For the periods 2007-2011 and 2012-2016, we use the 2009 and 2014 American Community Survey, respectively. However, this survey was not available between 2002 and 2006. As a result, we linearly interpolate our 2004 Census data by using the decennial data and the 2009 ACS.

Table 1: Variable Sources

Variable	Explanation	Source
<i>Dependent Variables</i>		
CDBG (Indicator)	CDBG Investment Dummy	HUD IDIS Database
CDBG (Logged)	Logged CDBG Value	HUD IDIS Database
CDBG (Total)	Total CDBG value	HUD IDIS Database
Type: Econ Devt (Indicator)	CDBG Activity Type	HUD IDIS Database
Type: Acquisition (Indicator)	CDBG Activity Type	HUD IDIS Database
Type: Housing (Indicator)	CDBG Activity Type	HUD IDIS Database
Type: Public Service (Indicator)	CDBG Activity Type	HUD IDIS Database
Type: Public Improvement (Indicator)	CDBG Activity Type	HUD IDIS Database
<i>Key Independent Vars</i>		
LMI Tract	LMI Share Tract Greater than 51 Percent	HUD LMI Data
LMI_LQ	LMI Share Tract / LMI Share City	HUD LMI Data
LQ_Minority	Minority Share Tract / Minority Share City	CDC SVI/HUD LMI
LMI Tract X LMI_LQ	Interaction of LMI Share Tract and LMI_LQ	HUD LMI Data
<i>Controls</i>		
Manager FOG	Manager Form of Government	ICMA Survey
Private Sector Intensity	Private Sector Participants / Total Possible	ICMA Survey
Public Sector Intensity	Public Sector Participants / Total Possible	ICMA Survey
Barrier Intensity	Number of Econ Dev Barriers / Total Possible	ICMA Survey
Competition Intensity	Sources of ED Competition / Total Possible	ICMA Survey
CDC	CDC Involvement in ED Planning	ICMA Survey
Vacancy Pct	Vacant Property Percent	Decennial and ACS
Owner Pct	Percent of Properties Owned	Decennial and ACS
Tot Intergovt Rev Per Cap	Intergovt Revenue Per Capita (City)	Local Finance Survey
Total Revenue Per Cap	Own-Source Revenue Per Capita (City)	Local Finance Survey
Unemployment	Unemployment Rate	Decennial and ACS
Population (Logged City)	City-level population Logged	Decennial and ACS
Lag Investment (CDBG)	Total CDBG value Lagged	HUD IDIS Database
Other Fed Investments (Logged)	Other Investments (LIHTC, NMTC, HOMES, etc.)	US Dept of Treasury
Year	5-Year time bands	ICMA Survey Dates

Notes: ICMA Stands for International City/County Management Association.

Local Finance Survey refers to Census Local Government Individual Finance Survey.

Unless specified, all variables are at tract level. Decennial and ACS are from the US Census Bureau.

ACS Stands for American Community Survey. CDC Stands for Community Development Corporations under Variable.

However, CDC stands for Centers for Disease Control and Prevention under Data Sources.

Calculations and transforms are authors (e.g. logged).

Table 2: Descriptive Statistics

Variable	n	Min	Median	Mean	Max	SD
<i>Dependent Variables</i>						
CDBG (Indicator)	67769	0.0	0.0	0.2	1.0	0.4
CDBG (Logged)	67769	0.0	0.0	2.03	17.8	4.7
CDBG (Total)	67769	0.0	0.0	49.3	25998.9	343.8
Type: Econ Devt (Indicator)	67769	0.0	0.0	0.03	1.0	0.16
Type: Acquisition (Indicator)	67769	0.0	0.0	0.01	1.0	0.11
Type: Housing (Indicator)	67769	0.0	0.0	0.2	1.0	0.15
Type: Public Service (Indicator)	67769	0.0	0.0	0.10	1.0	0.30
Type: Public Improvement (Indicator)	67769	0.0	0.0	0.08	1.0	0.28
<i>Key Independent Vars</i>						
LMI Tract	67248	0.0	0.0	0.3	1.0	0.5
LMI_LQ	67248	0.0	1.0	1.0	4.1	0.4
LQ_Minority	58255	0.0	1.0	1.0	5.2	0.4
LMITract X LMI_LQ	67248	0.0	0.0	0.4	4.1	0.7
<i>Controls</i>						
Manager FOG	67769	0.0	1.0	0.8	1.0	0.4
Private Sector Intensity	67769	0.0	0.4	0.4	1.0	0.3
Public Sector Intensity	67769	0.0	0.4	0.4	1.0	0.2
Barrier Intensity	67769	0.0	0.4	0.5	1.0	0.3
Competition Intensity	67769	0.0	0.4	0.4	1.0	0.3
Community Development Corporation	67769	0.0	1.0	0.6	1.0	0.5
Vacancy Pct	53491	0.0	0.035	0.056	0.95	0.22
Owner Pct	53491	0.0	0.69	0.65	1.0	0.72
Total Intergovt Revenue Per Cap	64833	0.0	0.2	0.3	2.9	0.4
Total Revenue Per Cap	64833	0.1	1.5	1.8	11.5	1.2
Unemployment	58026	0.0	0.1	0.1	0.7	0.0
Population (Logged City)	58026	9.84	11.83	11.98	14.96	1.24
Lag Investment (CDBG)	36959	0.0	0.0	36.1	23768.5	270.4
Alternative Federal Investments (Logged)	67782	0.0	0.0	1.6	22.2	4.5
Year	67769	1999	2009	2006.4	2014	5.9

Note: Total investments in thousands of dollars.

Table 3: Descriptive Statistics by CDBG Status

Variable	No CDBG n	No CDBG Mean	CDBG n	CDBG Mean
<i>Dependent Variables</i>				
CDBG (Indicator)	56351	0.0	11431	1.0
CDBG (Logged)	56351	0.0	11431	12.02
CDBG (Total)	56351	0.0	11431	294.3
Type: Econ Devt (Indicator)	56351	0.0	11431	0.16
Type: Acquisition (Indicator)	56351	0.0	11431	0.11
Type: Housing (Indicator)	56351	0.0	11431	0.13
Type: Public Service (Indicator)	56351	0.0	11431	0.61
Type: Public Improvement (Indicator)	56351	0.0	11431	0.51
<i>Key Independent Vars</i>				
LMI Tract	55858	0.25	11403	0.45
LMI_LQ	55858	0.97	11403	1.20
LQ_Minority	47732	0.97	10445	1.12
LMI Tract X LMI_LQ	55858	0.37	11403	0.67
<i>Controls</i>				
Manager FOG	56351	0.82	11431	0.78
Private Sector Intensity	56351	0.39	11431	0.37
Public Sector Intensity	56351	0.44	11431	0.43
Barrier Intensity	56351	0.49	11431	0.54
Competition Intensity	56351	0.38	11431	0.34
Community Development Corporation	56351	0.55	11431	0.57
Vacancy Pct	43656	0.05	9835	0.43
Owner Pct	43656	0.67	9835	0.57
Total Intergovt Revenue Per Cap	54067	0.29	10779	0.31
Total Revenue Per Cap	54067	1.79	10779	1.86
Unemployment	47062	0.07	47602	0.08
Lag Investment (CDBG)	30330	15.0	6629	132.6
Log Other Federal Investments	56351	1.17	6629	4.06

Note: Total investments in thousands of dollars.

Table 4: Tract-Selection Based on LMI and Minority Status

Dependent Variable:	CDBG Selection (Odds Ratios)			
Model:	(1)	(2)	(3)	(4)
<i>Variables</i>				
LMITract	1.473*** (0.0714)	1.765*** (0.0526)	1.422*** (0.0775)	1.478*** (0.0732)
LMI_LQ	2.179*** (0.0371)		2.148*** (0.0332)	2.126*** (0.0377)
LMITract \times LMI_LQ	0.765*** (0.536)		0.744*** (0.0571)	0.757*** (0.0513)
LQ_Minority		1.281*** (0.0444)	1.028 (0.0415)	
LMITract \times LQ_Minority		0.904** (0.0427)	1.059 (0.0467)	
LQ_African American				1.032*** (0.0141)
LMITract \times LQ_African American				1.005 (0.0200)
<i>Controls</i>				
Place FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
<i>Fit statistics</i>				
Observations	46,624	46,624	46,624	46,624
Squared Correlation	0.11783	0.02652	0.03602	0.03612
Pseudo R ²	0.11812	0.02672	0.03882	0.03911
BIC	52,868.7	53,552.0	52,876.9	52,865.4

Clustered (State-level) standard-errors in parentheses.

*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Table 5: Tract-Selection Based on LMI with FE

Dependent Variable: Model:	CDBG Selection (Odds Ratios)
<i>Variables</i>	
LMI Tract	1.375*** (0.0722)
LMI_LQ	1.889*** (0.0430)
LQ_Minority	1.016 (0.0417)
LMI Tract \times LMI_LQ	0.739*** (0.0566)
LMI Tract \times LQ_Minority	1.078 (0.0492)
Manager	0.630*** (0.1259)
CDC	0.997 (0.0503)
Private Sector Participation	0.968 (0.0592)
Public Sector Participation	1.033 (0.0557)
Econ Dev Barriers	1.062 (0.0734)
Econ Dev Competition	1.188** (0.0822)
Intergovernmental Rev Per Cap (City)	1.180* (0.0774)
Revenue Per Capita (City)	0.947 (0.0232)
City Population (Logged)	1.023 (0.0467)
Owner Pct	0.615*** (0.1230)
Vacancy Pct	0.921 (0.2709)
Unemployment Rate Tract	0.892 (0.3741)
<i>Fit statistics</i>	
Observations	46,624
Squared Correlation	0.12396
Pseudo R ²	0.12577
BIC	52,877.4

*Clustered (State-level) standard-errors in parentheses.
Region controls included; City and Time FE included.
Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Table 6: Tract-Selection with Alternative and Lagged Investments

Dependent Variable: Model:	CDBG Selection (Odds Ratios)
<i>Variables</i>	
LMI Tract	1.208** (0.0967)
LMI_LQ	2.062*** (0.0740)
LMI Tract \times LMI_LQ	0.822*** (0.0706)
LMI Tract \times LQ_Minority	1.067 (0.0745)
LQ_Minority	1.019 (0.0438)
Manager	0.598* (0.1930)
CDC	0.949 (0.0603)
Private Sector Participation	1.195*** (0.0695)
Public Sector Participation	0.999 (0.1092)
Econ Dev Barriers	0.949 (0.1238)
Econ Dev Competition	1.075 (0.1078)
Intergovernmental Rev Per Cap (City)	1.347*** (0.1150)
Revenue Per Capita (City)	0.883** (0.0457)
City Population (Logged)	1.010 (0.0894)
Owner Pct	0.635** (0.1995)
Vacancy Pct	0.916 (0.4426)
Region	1.230 (0.0710)
Unemployment Rate Tract	0.824 (0.4639)
Alternative Federal Investments (Logged)	0.968*** (0.0055)
Lagged CDBG Investment	1.000 (6.91×10^{-9})
<i>Fit statistics</i>	
Observations	26,187
Squared Correlation	0.14491
Pseudo R ²	0.14167
BIC	31,116.3

Clustered (State-level) standard-errors in parentheses.

Region controls included; City and Time FE included.

*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Table 7: Moderating Influences: CDBG Selection and Investment Volumes

Dependent Variables: Model:	CDBG Selection (1) Probit	CDBG Investment (Logged) (2) OLS (3) OLS	
<i>Variables</i>			
LMI Tract	0.968 (0.4337)	-0.3466 (1.055)	-0.2798 (1.648)
LMI_LQ	2.146*** (0.1155)	0.1055 (0.4225)	2.030*** (0.4332)
LQ_Minority	1.021 (0.0421)	-0.0229 (0.1933)	0.0603 (0.1014)
Manager	0.618** (0.2029)	-0.0021 (0.2747)	-0.9227** (0.4479)
CDC	0.949 (0.0820)	0.0343 (0.2903)	-0.0960 (0.2610)
Private Sector Participation	1.364* (0.1676)	0.1323 (0.3083)	0.8117** (0.3448)
Public Sector Participation	0.783 (0.1634)	-0.4785 (0.3848)	-0.2608 (0.4580)
Econ Dev Barriers	0.874 (0.2073)	0.2460 (0.4503)	-0.5687 (0.5546)
Econ Dev Competition	1.226 (0.1463)	-0.0124 (0.5768)	0.4618 (0.4097)
Intergovernmental Rev Per Cap (City)	1.359** (0.1359)	0.7459* (0.3813)	0.8390** (0.3131)
Revenue Per Cap	0.856** (0.0726)	-0.2041** (0.0987)	-0.4065** (0.1902)
Population Logged (City)	1.008 (0.0860)	0.3275*** (0.0891)	-0.0296 (0.2193)
Owner Pct	0.641** (0.1996)	-0.1944 (0.2804)	-1.546** (0.7419)
Vacancy Pct	0.915 (0.4475)	1.137 (0.9439)	-0.5402 (1.480)
Alternative Federal Investment (Logged)	0.967*** (0.0056)	0.0398*** (0.0057)	-0.0945*** (0.0151)
Lagged CDBG Investment	1.000×10^{-8} (6.92×10^{-9})	$2.19 \times 10^{-9***}$ (5.94×10^{-10})	$1.06 \times 10^{-8***}$ (3.61×10^{-9})
Region	1.225*** (0.0716)	0.0164 (0.1096)	0.4745** (0.1793)
Unemployment	0.783 (0.4565)	1.874 (1.120)	0.3163 (1.564)

**Table 7 (Continued): Moderating Influences: CDBG
Selection and Investment Volumes**

Dependent Variables: Model:	CDBG Selection (1) Probit	CDBG Investment (Logged) (2) OLS	(3) OLS
<i>Variables</i>			
LMITract \times LMLLQ	0.786 (0.2907)	0.0341 (0.7580)	-0.2853 (1.089)
LMITract \times LQ_Minority	1.070 (0.0759)	-0.0241 (0.1812)	0.1488 (0.2686)
LMITract \times Manager	1.056 (0.3450)	0.9528 (0.8053)	0.4176 (1.332)
LMLLQ \times Manager	0.886 (0.1077)	0.0954 (0.2235)	-0.5776 (0.3501)
LMITract \times CDC	0.821 (0.2157)	-0.9996** (0.4448)	-1.079 (0.8075)
LMLLQ \times CDC	0.951 (0.1055)	0.0556 (0.2783)	-0.1754 (0.3203)
LMITract \times Private	0.859 (0.2157)	-0.0644 (0.6287)	-0.9635 (0.8185)
LMLLQ \times Private	0.899 (0.1771)	-0.2320 (0.3268)	-0.3602 (0.4254)
LMITract \times Public	1.375 (0.3948)	0.1450 (0.9215)	0.6659 (1.473)
LMLLQ \times Public	1.266 (0.2064)	0.4483 (0.3191)	0.3244 (0.5473)
LMITract \times Barriers	1.061 (0.3625)	1.292** (0.5957)	0.6324 (1.372)
LMLLQ \times Barriers	1.039 (0.1745)	-0.0360 (0.4033)	0.3589 (0.4784)
LMITract \times Competition	1.355 (0.3194)	-0.4645 (1.046)	1.040 (1.119)
LMLLQ \times Competition	0.806* (0.1228)	-0.1418 (0.5487)	-0.4747 (0.3598)
LMITract \times Intergovernmental Rev Per Cap (City)	0.670 (0.2542)	-1.498** (0.6017)	-1.926* (1.006)
LMLLQ \times Intergovernmental Rev Per Cap (City)	0.885 (0.1246)	-0.8172** (0.3974)	-0.4631 (0.4291)
LMITract \times Own-Source Revenue Per Cap (City)	1.110 (0.0972)	-0.0739 (0.2464)	0.2195 (0.3014)
LMLLQ \times Own-Source Revenue Per Cap (City)	1.062 (0.0432)	0.0226 (0.1036)	0.1606 (0.1069)

**Table 7 (Continued): Moderating Influences: CDBG
Selection and Investment Volumes**

Dependent Variables: Model:	CDBG Selection (1) Probit	CDBG Investment(Logged) (2) OLS	(3) OLS
<i>Variables</i>			
LMITract \times LMILLQ \times Manager	1.117 (0.2126)	-0.4658 (0.6222)	0.1247 (0.8356)
LMITract \times LMILLQ \times CDC	1.238* (0.1241)	0.7670*** (0.2813)	0.9545* (0.4778)
LMITract \times LMILLQ \times Private	1.080 (0.1723)	0.3952 (0.5135)	0.5083 (0.5735)
LMITract \times LMILLQ \times Public	0.762 (0.3019)	-0.2150 (0.6571)	-0.3992 (1.147)
LMITract \times LMILLQ \times Barriers	1.016 (0.2698)	-0.9885** (0.4597)	-0.2447 (0.9888)
LMITract \times LMILLQ \times Competition	1.000 (0.2683)	0.1749 (0.7897)	-0.3103 (0.9229)
LMITract \times LMILLQ \times Intergvt Rev PerCap(City)	1.567** (0.1939)	1.347** (0.5131)	1.922** (0.7522)
LMITract \times LMILLQ \times Own Source Rev PerCap(City)	0.886** (0.0620)	0.0362 (0.2034)	-0.3054 (0.1919)
IMR		-0.5259** (0.2105)	
<i>Fixed-effects</i>			
Time	Yes	Yes	Yes
City	Yes	Yes	Yes
<i>Fit statistics</i>			
Observations	26,187	5,377	28,052
Squared Correlation	0.14642	0.28235	0.15416
Pseudo R ²	0.14321	0.08562	0.02794
BIC	31,319.6	26,421.2	174,972.1

Clustered (State) standard-errors in parentheses
*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Table 8a: Tract Selection By Expenditure Type

Dependent Variables: Model:	Econ Dev (1)	Public Improve (2)	Acquisition (3)
<i>Variables</i>			
LMITract	0.372 (0.9718)	1.476 (0.4434)	0.168 (1.162)
LQ_Minority	1.169** (0.0752)	1.005 (0.0705)	1.048 (0.0911)
LMI_LQ	0.570** (0.2639)	1.871*** (0.1648)	1.326 (0.4694)
LMITract \times LQ_Minority	0.867 (0.0928)	0.938 (0.0965)	1.142 (0.1105)
LMITract \times LMI_LQ	3.010* (0.6417)	0.753 (0.2815)	4.513 (0.9381)
LMITract \times LQ_Minority \times Manager	0.655* (0.2830)	0.974 (0.1916)	0.501 (0.5982)
LMITract \times LQ_Minority \times CDC	1.601 (0.2871)	1.464** (0.1757)	0.953 (0.5982)
LMITract \times LQ_Minority \times Private	0.735 (0.4634)	0.774 (0.2327)	0.733 (0.7802)
LMITract \times LQ_Minority \times Public	1.405 (0.4235)	0.812 (0.3278)	0.314 (0.9152)
LMITract \times LQ_Minority \times Barriers	0.449** (0.3630)	0.830 (0.3502)	1.259 (0.7534)
LMITract \times LQ_Minority \times Competition	0.444* (0.4489)	1.376 (0.3184)	1.852 (0.6521)
LMITract \times LQ_Minority \times Intergovt RevPerCap	1.835* (0.3365)	1.241 (0.3090)	1.041 (0.6478)
LMITract \times LQ_Minority \times Rev Per Cap	0.804** (0.0951)	1.016 (0.0863)	0.818 (0.1703)
<i>Controls</i>			
Place and Year FE	Yes	Yes	Yes
Main and Two Way Interactions	Yes	Yes	Yes
Full Controls (Table 4)	Yes	Yes	Yes
<i>Fit statistics</i>			
Observations	15,479	24,468	9,775
Squared Correlation	0.08967	0.11579	0.17100
Pseudo R ²	0.16325	0.14843	0.27194
BIC	8,902.6	21,853.7	4,112.2

Clustered (State-level) standard-errors in parentheses.

Coefficients expressed as Odds Ratios.

*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Table 8b: Tract Selection By Expenditure Type

Dependent Variables: Model:	Housing (4)	Public Service (5)
<i>Variables</i>		
LMITract	1.986 (0.8095)	0.929 (0.6310)
LQ_Minority	1.079 (0.0770)	1.004 (0.0560)
LMI_LQ	6.553*** (0.3623)	1.916*** (0.1471)
LMITract \times LQ_Minority	1.052 (0.1163)	1.091 (0.1006)
LMITract \times LMI_LQ	0.335* (0.5834)	0.744*** (0.4231)
LMITract \times LQ_Minority \times Manager	1.315 (0.3796)	1.446 (0.2961)
LMITract \times LQ_Minority \times CDC	1.198 (0.2686)	1.365** (0.1276)
LMITract \times LQ_Minority \times Private	2.108** (0.3650)	1.066 (0.2255)
LMITract \times LQ_Minority \times Public	0.717 (0.5322)	0.531** (0.3144)
LMITract \times LQ_Minority \times Barriers	1.360 (0.5041)	1.030 (0.3428)
LMITract \times LQ_Minority \times Competition	1.358 (0.5211)	1.007 (0.2807)
LMITract \times LQ_Minority \times Intergovt Rev Per Cap	1.818 (0.3790)	1.731*** (0.1899)
LMITract \times LQ_Minority \times Revenue Per Capita	0.955** (0.1575)	0.845 *** (0.0595)
<i>Controls</i>		
Place and Year FE	Yes	Yes
Main and Two Way Interactions	Yes	Yes
Full Controls (Table 4)	Yes	Yes
<i>Fit statistics</i>		
Observations	17,501	24,450
Squared Correlation	0.07098	0.12290
Pseudo R ²	0.15973	0.14114
BIC	8,055.4	23,609.2

*Clustered (State-level) standard-errors in parentheses.
Coefficients expressed as Odds Ratios.
Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*