National Neighborhood Coalition

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September 17, 1999

Lisa Green
White House National Economic Council
1600 Pennsylvania Ave., NW Room 235
Washington, DC 20500

Dear Lisa:

Thank you very much for participating in our Forum on the New Markets Initiatives last week. I appreciate your time and very clear explanation of the President's proposal.

I found the Forum to be very informative and thought that the interaction between the speakers and the audience brought out a lot of excellent points.

You should be pleased to know that the National Neighborhood Coalition Board of Directors voted this week to support the New Market Initiative. We'd be more than happy to work with you to continue to educate our network about the initiative and to look for ways to build additional support. I spoke to Keith Laughlin and the new Livable Communities Task Force this week, and one of our recommendations was close coordination of the New Markets and Livability agendas, as clearly there is a lot of common ground between the two.

Thanks again for all your efforts. I look forward to continuing to work with you.

Best Wishes,

Betty

Betty Weiss

Note from Lisa:
This group has more than 100 member groups. The session last week went very well and the Board's support will be helpful on the legislative front

The National Neighborhood Coalition

What people say

First Lady Hillary Rodham Clinton
"Your coalition of national organizations and legislative and grassroots leaders provides a powerful voice in Washington, one that must continue to be heard."

Senator Paul Sarbanes, Maryland
"As the nation faces a dual crisis of severe shortages of affordable housing and community disinvestment, it is essential that we work together to develop solutions that create strong communities. The National Neighborhood Coalition is a leading catalyst for creating these solutions and working with policy makers to put them into action."

Eva Plaza, Deputy Assistant Secretary for Fair Housing, HUD
"The NNC has been involved in such issues as community reinvestment, financial modernization, welfare to work, transportation and public housing reform. I commend you for your advocacy on these important issues."

Jim Faulstich, Federal Home Loan Bank of Seattle
"The members of the National Neighborhood Coalition are very important to the Federal Home Loan Banks...they are participating in our programs and helping us become even more valued partners."

Jim Johnson, Chairman, Fannie Mae
"The National Neighborhood Coalition provides an influential and necessary forum f[illegible] discussing public policies related to low- and moderate-income neighborhoods. We at Fann[illegible] Mae, and the Fannie Mae Foundation, admir[illegible] and benefit from your work."

Pablo Eisenberg
"The National Neighborhood Coalition has become an indispensable source of informatio[illegible] and a key forum about neighborhood and community problems and programs. It continues to serve as an important catalyst f[illegible] new ideas and policy initiatives."

About the NNC

The demands on nonprofit and community-based organizations to be the problem-solvers for the nation's urban neighborhoods and rural communities have increased tremendously since the NNC was formed in 1979. For organizations that want to stay ahead in these challenging times, the NNC provides relevant and timely information about programs and trends, a policy voice in Washington, and a support network of organizations and individuals with similar goals.

- NNC is a network of local, regional and national organizations working together to improve the quality of life in lower income neighborhoods and communities.
- NNC promotes public policies that strengthen the role of community and neighborhood-based nonprofits as problem solvers and community builders.
- NNC fosters partnerships, collaboration, communication, and exchange of information among organizations and individuals committed to building healthy and sustainable communities.

The NNC is a convener of people and organizations concerned about neighborhoods, a conduit of information about programs and policies, and an advocate for neighborhoods and community and neighborhood-based organizations.

Members

NNC members include: national nonprofits, community and neighborhood-based organizations, intermediaries, faith-based organizations, labor organizations, government agencies, foundations, private corporations, trade associations, neighborhood residents and activists, and others seeking to improve the quality of life in lower income neighborhoods. All NNC members:

- Stay informed on a broad range of issues of vital importance to America's neighborhoods.
- Are linked to a far reaching and diverse network of national, regional, community and neighborhood organizations.
- Support a voice for neighborhoods in the nation's capital and are represented in the NNC's efforts to promote strong communities.
- Learn about important public and private resources that are available for neighborhoods and neighborhood organizations.
- Receive the NNC's information packed newsletter and list job openings for free.
- Are invited to participate in all NNC activities and events and share news and information with the, NNC network.

Programs

- **The Forum Program** -- NNC's monthly forums feature presentations by senior government officials and other leaders on a wide range of timely and topical neighborhood issues. Members of the NNC

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- **The Forum Program** -- NNC's monthly forums feature presentations by senior government officials and other leaders on a wide range of timely and topical neighborhood issues. Members of the NNC network also have a regular opportunity at the forums to exchange news and information on programs and issues that are important to lower income communities.
- ***The NNC Voice*** -- All members receive *The Voice*, the nationally acclaimed newsletter of the NNC. A comprehensive source of news and information about neighborhood issues, *The Voice* lists job openings, publications, events, and information about activities of NNC members.
- **Advocacy** -- No other organization brings such a broad based network together to inform policymakers about the concerns of neighborhoods and communities.
- **Educational and Information Clearinghouse** -- The NNC is the source for information on issues affecting low and moderate income neighborhoods.

[illegible] Neighborhood Coalition
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Washington, DC 20009
[illegible] email [illegible]@erols.com

National Neighborhood Coalition

The Voice for Neighborhoods

Regular ... is open to nonprofit organizations interested in neighborhood issues. Dues are based on the organization's total annual budget.

Up to $50,000	$40
$50,001 - $100,000	$75
$100,001 - $200,000	$125
$200,001 - $300,000	$175
$300,001 - $500,000	$250
$500,001 - $750,000	$400
$750,001 - $1 million	$500
$1 - $3 million	$750
$3 - $5 million	$1,000
Over $5 million	$2,000
Over $10 million	$3,000

is open to corporations, grant-making foundations, government agencies, and financial institutions that are interested in neighborhood issues.

Annual Dues: $1,000

Organizational $50

Individual $25
(or nonprofit groups without paid staff)

Complete form and mail to: NNC, 1875 Connecticut Avenue, NW, #410, Washington, DC 20009

National ...

- ❑ Regular Membership (See fee schedule)
- ❑ Associate Membership ($1,000)
- ❑ Organizational Subscription ($50)
- ❑ Individual Subscription ($25)

NAME ____________________ TITLE ____________

ORGANIZATION ____________________

ADDRESS ____________________

CITY/STATE/ZIP CODE ____________________

PHONE ____________ FAX ____________ E-Mail ____________

September 21, 1999

MEMORANDUM TO GENE SPERLING

FROM: Lisa Green

CC: Jon Kaplan
Natasha Bilimoria
Patrick Dorton

SUBJECT: My Remarks to the National Neighborhood Coalition

As you know I spoke last week to the National Neighborhood Coalition about the New Markets Intiative. Attached for your reference is a copy of my remarks. NNC plans to publish my comments including a Q&A in their next newsletter. **Please let me know if there are any particular parts of the attached comments that you would not want to be published.** Also does this need to be cleared through any other White House office.

Ms. Green: Here is a draft of your comments at the NNC Forum on September 10, which will appear in NNC's October newsletter. We wanted to give you a chance to review and comment on it before it goes to press. Please fax or email your comments to me by Monday, September 27 at 202/986-1941 or janclark@erols.com. Thank you, Janice.

Tapping America's New Markets

The Clinton Administration's New Markets Initiative recognizes the enormous economic potential in America's low-income inner city and rural communities. New Markets Tax Credit legislation and related proposals are intended to ensure business growth and community empowerment in these untapped and underserved markets. NNC's September Forum brought together NNC members, government officials, and others to learn more about the proposed new initiatives including how they will benefit low-income communities and the role of community based organizations.

Speakers at the Forum were:
Lisa Green, Senior Advisor for the National Economic Council (NEC) at the White House responsible for policy issues related to domestic economic and community development.

Vickie Tassan, Senior Vice President in the Bank of America Community Development Banking Group in Washington, DC. She manages national communication and public policy strategies for community development banking.

Benson "Buzz" Roberts, Vice President for Policy at the Local Initiatives Support Corporation, (LISC) moderated the discussion. LISC is a national nonprofit organization that operates financial and technical support programs for nonprofit community-based development corporations (CDC's).

The Need for New Markets Initiatives

Buzz Roberts set the stage for the discussion by noting that LISC and other community development organization consider the New Markets Initiative to be one of the most exciting proposals in a generation for economic development in distressed communities.

The new markets initiative will provide incentives to encourage the private sector to invest in distressed communities and make equity capital available in the communities where it is most needed. Lisa Green emphasized the Clinton Administration's high level of commitment to community development and outlined the components of the proposed New Markets package. She pointed out that the New Markets Initiative is not a federal spending program, but rather a means of stimulating private sector investment through loan guarantees and tax credits that minimize the real and perceived risk of investing in low-income communities.

While the United States is experiencing extraordinary growth, not all parts of the nation are participating in the boom. Green said, "This is not just a new way to cut up the pie." New markets initiatives will not replace the Administration's commitments to affordable housing, community reinvestment, or Enterprise Zone/Empowerment Communities and will not take resources away from other programs. The Administration supports "making the pie bigger" by expanding the realm of national economic growth to the communities that have been left behind.

New Markets Legislation

The three main components of the new markets initiative each require new legislation.

- **New Markets Tax Credit** This is a credit for investors in funds, banks or institutions that are financing businesses in low- and moderate-income communities. Investors must have a primary mission of investing in these communities to receive the credit. House legislation (H.R. 2713) proposes a six-percent per year credit, which is applied over a five-year period; the Senate bill (S.1526) proposes five percent over seven years. The model for this legislation is the Low Income Housing Tax Credit, which encourages limited partnerships and investment vehicles for affordable housing.
- **Americas Private Investment Companies (APICs)** There is a need for large-scale investment in low- and moderate-income communities for things like plant relocation and large business expansions. Based on this need, legislation has been proposed by Sens. LaFalce and Sarbanes to create APICs, which would be an investment vehicle to provide loan guarantees or guarantee debt to an investment fund to help lower the cost of capital. The model for this legislation is overseas emerging markets programs. The cost to the federal government for APICs, which will result in one billion dollars in tax guarantees, is only $37 million.
- **New Market Venture Capital Companies** The intent of new market venture capital firms is to bridge the gap between the world of venture capital funds and the world of community and economic development. This program will provide incentives to increase the availability of venture capital in low- and moderate-income communities and will also provide for technical assistance to small businesses and capacity building of community development venture capital funds. Legislation is expected to be introduced soon.

Even without legislation, there are other ways to encourage greater private sector in underserved communities, such as an expansion of the CDFI program, which is administered by the US Department of the Treasury; and an expansion of the BusinessLinc program, which is administered by the Small Business Administration.

As part of his effort to highlight the investment potential in new markets, President Clinton is planning another tour in November as a follow-up to his successful New Markets tour this summer and will continue push hard for his initiatives. Green asked for suggestions of program models and ideas about themes to highlight and locations to visit for the President's next tour.

Private Sector Supports New Markets Initiatives

The new Bank of America is among the financial institutions and other private sector companies that are strong supporters of the President's New Markets Initiative. Bank of America is also a leader in calling for greater private sector involvement in community development. For more than a decade, the Bank has been working to galvanize leaders of the corporate and philanthropic communities around community capitalism. Vickie Tassan noted that the new markets initiative is an exciting opportunity to get the private sector more involved in community revitalization. The tax credits and loan guarantees that these initiatives offer will help the community development field access growing capital markets, such as the more than $6 trillion invested by pension funds. With the increasing competition in financial markets, Tassan suggests, the New Markets tools will bring new investors, including private investors, into community development.

New Markets Initiatives Face Challenges

There are challenges to successfully encouraging greater private investment in new markets, said Tassan. First there is an information gap. Practitioners and developers need to educate the private sector about the opportunities in community development. "Profit is good thing," she emphasized and businesses need good information about how this will benefit their bottom line.

Also, community based organizations need to help identify partners for private sector businesses. This is an opportunity for community-based organizations to take the lead. They can provide useful information and technical assistance to the private sector about what works in low-income communities and can help businesses network and build relationships in the community. CBOs can serve as site selection managers and help businesses get the capital to where it can best be used. Tassan stated, "nonprofit organizations are the marketers of new markets."

Tassan also noted that for the new markets legislation to pass Congress there must be bi-partisan interest and a groundswell of public support. Bank of America is committed to bringing more supporters from the private sector on board by mobilizing business CEOs, trade associations, and customers. They want community development to be a diversified, recognized industry and according to Tassan, the new markets initiative can help achieve this.

Community Groups Fill Intermediary Role

Buzz Roberts talked about how the New Markets Tax Credit program would work. He noted that the only organizations that will have access to tax credits are organizations that have community development as their primary mission and that are accountable to the communities they serve. He emphasized the importance of safeguards to ensure that new resources address community needs.

New markets tax credits and loan guarantees will support investment in businesses that are manufacturing products or providing services in low-income communities. Community development investment organizations (called "community development entities" in the legislation) will approach the government with a strategy for the development of these businesses. The strategy will have to explain the role of the community development entity in the community, its mechanism for local accountability, its mission, and its plan. This is similar to the way the CDFI program works; the qualifications for sponsors are tough but there is considerable flexibility in the types of projects that can be undertaken.

New Markets Advocacy

This legislation is not going to be enacted without the support of community groups. Roberts noted that an organized effort to make this happen has already begun; housing advocates are working together with venture capital funds, CDFIs and others to bring investment to low income communities.

The Community Development Tax Credit Coalition, a strategy group that supports New Market Tax Credit (NMTC) legislation, has been together for ten months and is working to build support in Congress. Currently, the tax credit legislation has 22 sponsors in the House and 6 in Senate. More than 900 local and national groups have signed on to a letter in support of the tax credit legislation. New markets advocates are also working with the Community Development Venture Capital Alliance, an association of venture capital funds, to coordinate support for the New Markets Venture Capital Companies legislation.

Contact information:

If you have ideas for the President's second New Markets tour in November, contact Lisa Green at the White House National Economic Council 202/456-2803.

For more information on the New Markets Tax Credit Coalition: Contact Rapoza and Associates 202/393-5225 or visit their website at www.rapoza.org

Live at the Forum

Q What are the plans to win active support among faith-based organizations and community empowerment nonprofits for the new markets initiative? These organizations have put a lot of energy into lending but none have found a way to use their dollars to provide equity capital.

Lisa Green: The Administration has a community empowerment board, which is chaired by Vice-President Gore. We have been coordinating with them very closely to identify creative initiatives around community empowerment strategies with respect to new markets.

We have not yet explored the opportunities with new markets with respect to faith-based institutions. NEC is certainly interested in hearing ideas about how to incorporate faith-based institutions into the new market strategy. These organizations are clearly doing great economic development work across the country.

Q There is a difference between the Senate and House NMTC bills on the targeting strategy. The House bill proposes serving only low-income census tracts. The Senate bill also includes low-income parts of the population. Why is that difference there and how is this going to be played out? Do you think the new market initiative will be a place-based or population targeting strategy?

Lisa Green: The President's proposal focuses primarily on census tracts or a place-based strategy. The funds are targeted to census tracts that are at 80 percent of area median income or 20 percent poverty. A business that can benefit from the tax credit or loan guarantees must also be located in the census tract. A lot of thinking went into that decision. The kind of monitoring involved in a population-based targeting strategy would be very difficult to implement. Another concern was the difficulty in passing legislation with a population-based strategy. We have focused on the mission of the organization, by doing this we expect that the appropriate populations will be served.

Q Cooperative businesses have advantages in new markets because they are rooted in a community and focus on serving their members' needs. But they cannot take outside capital. Will there be a mechanism in the legislation that will incentivise co-ops?

Benson Roberts: This tax credit is for investment in community development and investment organizations. That means that the money that goes into these organizations will be in the form of equity investment. CDCs and CDFIs will set up investment mechanism to take the equity in. That is what the credit is for, it will provide a credit to the investor. But that doesn't mean you have to put money out in the form of equity investment This credit could be used as a means for providing money to the co-op in the form of a loan. This is a crucial difference between other tax credits and the new markets tax credit. Other credits are asset-based investment tax credits. They are based on the cost of the asset, i.e., the housing stock or historic structure. This is different. This is based on the amount of equity investment that goes into the fund. A business owner does not have to give up capital to get this flexible funding.

Q Does the proposal have a technical assistance component to help CDCs and other nonprofits learn how to set up these structures?

Lisa Green: The new market venture capital fund is the only piece with a technical assistance component. The technical assistance funds goes to the community development investment enterprises. The intent is that those funds will then be used to provide technical assistance to businesses to help them expand their capacity.

Q If the new markets legislation is enacted, how will this change Bank of America's participation in community development?

Vicky Tassan: Bank of America will be working on a plan for when the initiative is enacted. There is a lot of interest in this by the Bank's leadership. We do know it is going to have an incredible impact on the way we do business. It will work nicely with our new Catalyst Fund, which is a flexible product that has already been set up to take advantage of the opportunities in low-income communities.

Q How can the new markets tax initiatives be used to complement or support livability and not encourage sprawl?

Lisa Green: We have talked with staff from the Vice President's Livability Task Force about how livability fits in with the new markets initiatives. One of the examples we discussed is a community capital investment organization in California, which is an organization that is working regionally to encourage investment in distressed areas. They have brought together 23 communities and are putting together investment plans to bring capital access to these areas. This kind vehicle is being used to get people to work regionally and could be a model for how to bring together diverse interests in the region around equity capital.

Q How do we make sure that the economic benefits that businesses have access to remain in or accrue to people in the low-income community? Is there a mechanism in the new markets initiatives to give the community equity?

Lisa Green: The focus really is on the organization and their primary mission to serve disadvantaged communities. We are relying on community development organizations to make sure that this takes place. For APICs and New Markets Venture Capital Companies, a finite number of companies are eligible for guarantees. Approximately 10-20 venture capital firms will have contractual relationships with the Small Business Association. Those firms are responsible for making sure that the funds are being used in an appropriate manner. They will be monitored and held accountable by the SBA. Even though the targeting is place-based, there are mechanisms in the statute that will ensure that the money stays in communities and tight control over access to guarantees will reduce problems. There is no design to encourage community equity, but it could be part of the APIC's mission that to have that requirement. We don't want to narrow the program to the extent that no one uses it.

Q Is the private sector going to be amenable to having legislation that encourages development that uses inner-city brownfields or invests in historical inner-city business corridors? Can the legislation be more explicit to support these kinds of activities?

Vickie Tassan: The beauty of the new markets initiatives is twofold. There are protective mechanisms in there, but it is incredibly flexible. The private sector supports these initiatives. This is exemplified by the number of CEOs who accompanied President Clinton on his poverty tour in July. These CEOs had a diverse corporate background and they clearly saw the opportunities. Many people in the private sector are eager to begin. It will not be a challenge to get them to address sprawl and invest in the inner city business corridor.

Lisa Green: I encourage NNC and its members to help give focus to these issues for the next presidential trip. The Administration is very open to putting issues of livability and sustainable growth on the agenda, if you have a proposal about what can be done. The focus has to be on what the private sector can do and what they can deliver to the table.

Q What size organization would be able to qualify for the benefits of the initiatives and what are the characteristics of these entities? Are smaller budgeted and staffed community development entities going to be able to qualify?

Lisa Green: The APICs are designed for established entities with up to $300 million in capital that are regional or thematic in scope. We also encourage joint ventures between national intermediaries and private sector entities. The tax credit is intended for any type of investment vehicle. It could be a small CDFI with a $10 million venture capital fund or Bank of America's $500 million catalyst fund.

Benson Roberts: If you are small community development organizations there are two ways to get involved in the new markets initiatives.

1) To fund a specific project, i.e., a shopping center or childcare facility, you would have a business plan that someone could come in and evaluate. You would then go to the government and apply for tax credits for that activity.
2) If there is a CDFI or other community investor in your area, then they can go and get the tax credits or loan guarantees. You can then go to people who are getting credits and ask them to lend to you.

Q Have you considered having a living wage component in the legislation for companies receiving loans?

Lisa Green: It is not a requirement in the legislation, but we expect that the community development companies will have a primary mission that is consistent with businesses hiring people at living wages.