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4-14-99

THE WHITE HOUSE

WASHINGTON

April 12, 1999

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BC

PRESIDENT

NG

RE: PRESIDENTIAL TRIP TO AMERICA'S NEW MARKETS

Your planned trip to underserved areas in America offers an opportunity to leave a lasting impact on investment in urban, rural and Native American distressed communities. Clearly this trip could be done in the next five weeks in a way that would highlight your accomplishments such as CDFIs, Empowerment Zones, CRA, and specifically your new initiative -- New Markets Investments Initiative. Such a trip would cement an understanding of your longstanding commitment (and that of the Vice President) to revitalizing the needs of these communities. However, I believe the trip could have an even more significant impact if it culminates in a high profile effort begun in May to mobilize the private sector to provide capital for underserved areas. Under this plan, you could do two events in May that highlight the current efforts underway, announce your trip as part of your mobilization, and issue a direct challenge to the business community to invest in America's new markets.

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To meet this goal of national mobilization you could host a CEO/Community leaders roundtable at the White House to highlight what you have already done and it could serve as the appropriate venue for you to issue a challenge to the country to participate with you when you take your trip in July and seek new commitments to America's untapped markets. In issuing this challenge, with eight full weeks of lead time before your trip, we would have the chance to launch an aggressive, administration-wide effort to get companies, banks, non-profit organizations engaged in this important mission of bringing U.S. investors to America's own emerging markets and seek to try and create a bandwagon effect in which more and more people are answering this call. Then the Vice President -- or the two of you together -- could use the Empowerment Zone Conference in May to further emphasize the trip and the need for additional commitments in Empowerment Zones and other Administration initiatives. There is one important caveat: to make this a real national mobilization we may need to make some effort to show your challenge as a non-political, bipartisan call on America's private sector to do good. This would require including key Republicans, like Jack Kemp, in our plan to assure people that this is a challenge that is not motivated by partisan politics.

The trip would therefore include the following components:

1. **National Mobilization of Private Investment in New Markets.** The trip could reflect a major effort to mobilize business investors around the country to invest in underserved communities. The Youth Summit was exciting because it was perceived as mobilizing new commitments. Leading up to the trip, you could call upon key investment community leaders to join you in pioneering in underserved communities and create some competition among efforts to be the ones highlighted on the trip. The story of the trip, then, will be the private investors who have been mobilized by your call to find profitable business investment opportunities in America's untapped markets.

2. **Major New National and Local Investment Commitments Building on Existing Success and Capacity to Implement.**. To demonstrate the mobilization, each visit could follow a formula played out with different programmatic elements in a different setting: (A) find an area of poverty and joblessness where something is working, e.g., a CDFI, an empowerment zone, or an active community development partnership; (B) unveil new commitments that were mobilized by your initiative; and © show that we leave behind an infrastructure that will ensure follow through and implementation of the commitment. In addition, where possible: (D) simultaneously highlight other communities across the country where similar programs are being unveiled (perhaps by sending Cabinet Secretaries to participate in parallel events that day). I believe that we would get the best impact from your trip if we are able to announce new things instead of announcing good things already happening.

   For example: You could have a CDFI investment day during which you visit a poor community where a successful CDFI has made tangible investments that have made a real difference. You could unveil new million dollar commitments of area or national companies and investors who were mobilized by your Administration to invest in a new fund set up by the CDFI. We could work with major financial institutions (like Citigroup, Chase, and NationsBank) to make major nationwide announcements of comparable investments that same day. And you could send members of your Cabinet to five other communities to highlight similar new funds are being established by CDFIs with new private investment commitments.

3. **Announce the Trip With Business Leaders.** I propose that you host in May a roundtable with a small group of major CEOs who are willing to commit to some type of new investment. At the roundtable, you could announce that you seek to mobilize investment to be highlighted on a trip to be taken three months later. We could provide models for the type of investment we seek, stimulating a competition among other companies to be part of the effort.

4. **Vice President Gore Leads Outreach Effort at Empowerment Conference.** In late May, the Vice President will chair the fifth annual Empowerment Conference in Texas. It will provide another opportunity to bring together major business interests to showcase those who have agreed to make commitments to this effort and to call upon others to join the New Markets mobilization. The Vice President -- or the two of you if you attend -- could use this to build momentum for the trip and to call for additional private sector commitment in the Empowerment Zones.

5. **Senior Administration Officials Reach Out to Their Constituencies.** Secretaries Rubin, Alvarez, Daley, and Cuomo could host lunches with CEOs in the financial, investment, corporate, and real estate sectors. The Office of Public Liaison (Cheri Carter and Jay Dunn) could be tasked with carrying out the outreach effort and coordinating with the public liaison functions at each agency. Senior White House, Cabinet, and Subcabinet officials must be available to help them mobilize the private sector by phoning targeted companies and hosting briefings.

6. **Task Force to Design the Most Promising Programmatic Models.** I will lead a special task force made up of Secretaries Rubin, Cuomo, and Daley, and Administrator Alvarez to develop the programmatic elements. At the staff level, I have just hired Lisa Green, an energetic woman who previously worked at Fannie Mae, LISC, and Enterprise Foundation, to work full-time on this effort. She will lead the staff level working groups, with which I will meet periodically, assisted by my senior advisor, Sarah Rosen, who coordinated the development of the New Markets proposals in your budget this year.

7. **Encourage Likely Communities to Develop Proposals and Create Competition for Event Sites.** With the best models in hand, we can identify communities that are most likely to be able to produce new commitments and then send small interdisciplinary teams into the community to see what they can pull together.

8. **Mobilize a Special Internal Effort to Plan the New Markets Trip.** I will work with Maria Echaveste to coordinate the effort to reconcile the programmatic content for the trip with the political, legislative, and logistical considerations.

9. **Ensure Adequate Resources to Carry Out the Plan.** In addition to the NEC staff and the support of OPL, Legislative Affairs, Scheduling, Communications, etc., we could ask each of the relevant Cabinet Secretaries to designate both a Senate-confirmed appointee responsible for marshaling their agency's contribution to the mobilization and two staff who will be available as needed to help with outreach and planning.

Programmatic Models

As we undertake the outreach plan, we will be encouraging investors to consider various approaches to working in untapped markets. In consultation with HUD, Treasury, SBA, and Commerce, we have developed the following preliminary programmatic models:

1. **New Market Investment Companies.**. A central component of your New Market initiative is the creation of various types of investment funds which would focus on equity investment in businesses in underserved areas.
   America's Private Investment Companies (APICs) and the New Market Venture Capital Firms (NMVCs) are both modifications of an existing SBA program known as Small Business Investment Companies (SBICs). While APICs and NMVCs require legislation, the SBA is near completing regulatory changes that will provide special incentives for SBICs that target investment in underserved areas. (APICs will be larger funds that can make larger investments; NMVC are aimed at smaller firms that need technical assistance as well as equity.) SBA is aggressively marketing the concept of targeted SBICs through conferences around the country. There are a number of targeted SBICs on the drawing board aimed at inner cities and Appalachia. We hope to find that some of these proposed funds can demonstrate that have qualified management. There also are a handful of existing community development venture capital firms that are struggling under existing program rules. The investors spurred to make investments by your challenge will find that these vehicles are available. Obviously, if you unveil investments in these types of funds, it will be a great opportunity to argue about the far greater possibilities if our APICs, NMVC, and tax credit legislative proposals are enacted by Congress.

2. **CDFIs.** CDFIs are some of the most knowledgeable and effective institutions in underserved areas dedicated to community development. They provide existing institutions with capacity and proven track records and can serve as the vehicle for the new investment that this effort will solicit. Because there are so many around the country, this event could be the cornerstone of a national CDFI investment day.

3. **Empowerment Zones.** 20 new Empowerment Zones were recently selected, but Congress has not provided the necessary funds. Each EZ application contains private sector commitments; the most successful zones thus far have been those with significant private sector investment. Your visit could present an opportunity to increase the level of commitments to these new zones while making a case for public funding.

4. **Retail or Franchise Stores in Inner Cities.**. Recently, a number of companies have invested in inner cities and produced high rates of return, including Pathmark supermarkets, RiteAid pharmacies, and Magic Johnson theaters. These firms are taking advantage of the extraordinary concentrated buying power in these communities. The example of these firms may help induce other large retail or franchise companies to make new commitments to inner cities, allowing us to highlight the economic potential of these communities, perhaps by releasing a new government study to validate advocates assertions about this potential.

5. **BusinessLINC Partnerships.** Under the Vice President's leadership, Treasury Secretary Rubin and Administrator Alvarez launched an initiative to encourage larger businesses to link with and advise smaller firms, particularly in distressed communities. Many companies find that such efforts to mentor smaller firms can lead to loyal and productive supplier relationships. The effort is now focused on bringing together local BusinessLINC partnerships. News of your potential visit could promote communities to compete to pull together the most innovative and extensive local efforts to foster small firms in their communities.

May 4, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
MARIA ECHAVESTE
STEPHANIE STREETT

SUBJECT: PRESIDENTIAL TRIP TO AMERICA'S NEW MARKETS

BACKGROUND

As we have discussed, you will host a CEO roundtable on Tuesday, May 11 to discuss the New Markets Initiative. The CEO roundtable will serve as a venue for you to issue a challenge to the country and invite corporation participation in your July trip to underserved areas. The CEO Roundtable will also provide an opportunity to seek new commitments from corporations to invest in America's untapped markets. The morning roundtable on May 11 will be followed by an announcement in the Rose Garden about the July trip, when we expect to unveil major private sector commitments to underserved communities. After the Rose Garden announcement, you will be accompanied by a number of the CEOs and perhaps others on a brief trip to a city where we can illustrate the investment potential in new markets.

REQUEST

The purpose of this memorandum is to request your preference between two locations for the May 11 trip. You asked that we seek your guidance on what city to visit. We have analyzed a number of locations with an emphasis on Empowerment Zones and Empowerment Communities. We believe a visit to an EZ or EC will create a bridge between the New Markets Initiative and the community empowerment programs that have been a priority for both you and the Vice President over the last six years. Also, by focusing on Empowerment Zones it may make your May 11th trip less duplicative of your July trip that will include, but go beyond, Empowerment Zones.

We propose a visit to either Atlanta, Georgia or Akron, Ohio where we can highlight examples of economic success in untapped, non-traditional markets through visits to one or more business sites as outlined below.

Option 1: Atlanta, GA

Pros:

- This city has an Empowerment Zone with many characteristics of a "New Market." The Atlanta EZ has a poverty rate of 57.4% and an unemployment rate of 17.9%. Approximately 44% of the residents lack a high school diploma.

- Atlanta is home to many important corporations such as Coca-Cola and BellSouth that we will enlist as partners in the New Market Initiatives. We can expect CEOs from these companies to participate in both the roundtable and the trip, if Atlanta is selected as the location.

- The City of Atlanta is home to many small businesses that illustrate the potential for successful investment in distressed areas. Business success stories in Atlanta and its Empowerment Zone include the following, one of which may make for an effective venue on May 11:

  (1) **NationsBank** has received funding from Treasury's CDFI Fund to make investments in the National Community Investment Fund. The NCIF will use NationsBank's support to invest in community development banks and to expand its existing community development programs.
  (2) **Diaz Wholesale and Manufacturing** is a small business recently featured in an *Inc. Magazine* cover story on the Top 100 Inner-City Companies, compiled from research conducted by Michael Porter's group, Initiative for a Competitive Inner City. Diaz manufactures and distributes Hispanic foods and employs 85 people.
  (3) **United Water Services Atlanta (UWSA)** was recently chosen to privatize the city's water system and will locate it regional headquarters in the EZ. UWSA employs 425 people and has committed to hiring 20% of its employees from the EZ. The company has also committed to provide a total of $500,000 for use as seed capital in new EZ businesses.
  (4) **Renewal Atlanta** is a recycling plant that will generate 65 permanent jobs for EZ residents and 200 temporary jobs for students. However, building renovations for the plant have just begun.
  (5) **Blimpy's** is opening its first franchise as part of a corporate agreement to open franchises in ten EZ/ECs across the country.

- A visit to Atlanta on May 11 will also complement the planned SBA Workshop on New Markets scheduled for May 6 that will focus on SBA's Small Business Investment Company (SBIC) program. The workshop is designed to recruit potential new SBIC investors and management teams with experience investing in small businesses in low and moderate-income areas.

Cons:

- The Atlanta Empowerment Zone experienced some well-publicized difficulties during its startup related to administration and management. These issues have been resolved, however there may be some remaining stigma.

<u>Option 2: Akron, OH</u>

Pros:

- Akron, Ohio is a model Enterprise Community with many new businesses, illustrating the potential of a new market. The EC has a 25% poverty rate and an unemployment rate of 18.1% with a population of 49,920. Akron is a classic mid-sized city with a population of 223,019.

- A visit to Akron would be a related follow through to the Town Hall meeting you conducted there earlier this year on race relations.

- The mayor and congressman from Akron have been strong supporters.

- There are several examples in Akron of private investment that exemplify the types of commitments we will be seeking from corporations. These examples include:

  (1) **The Safe Harbor Minority Business Center** assists the development and growth of minority-owned office and service firms through support services and technical assistance. The 7,000 square foot center currently houses nine businesses. The center also operates a micro-lending program in conjunction with Akron's EC Program.
  (2) **Enterprise Community Fund (ECF)** is a non-profit business loan fund – and a recipient of a CDFI Fund award -- that makes working capital loans to small and micro-businesses in the distressed neighborhoods of the Akron Enterprise Community. ECF also provides businesses with much needed technical assistance.
  (3) **Akron Edison Industrial Incubator** was created in 1983 and is a model small business incubator with a multi-tenant facility that provides entrepreneurs with space and a wide variety of administrative, management, technical and professional services.
  (4) **G. Stephens Construction** is a small firm partnering with Turner Construction through BusinessLINC, an initiative that encourages larger businesses to link with and advise smaller firms, particularly those in economically distressed communities.
  (5) **The Middlebury Grocery Shopping Center** is under development in the central city area through a loan under the Economic Development Initiative. The center will ultimately employ 30 full time and 100 part time workers.

Cons:

- The Vice President has attended several recent events in Akron, including one last month on teen smoking.

SUMMARY OF RECOMMENDATION

After careful consideration and review of ten other potential locations (several of which you have recently visited), Atlanta, GA and Akron, OH were selected for recommendation. These two cities are characteristic of New Markets and they illustrate the potential for successful private investment in underserved communities. These cities also fit logistical travel constraints given our expected departure time from Washington following the morning roundtable. Please advise us of your preference.

Atlanta, GA ________ Akron, OH__________ Discuss Further __________