Executive Order
New Markets Information Forum

WHEREAS, businesses rely on information routinely collected by government, private and academic sector sources to make location and investment decisions that contribute to our nation's economic growth; and

WHEREAS, among the barriers to economic growth in our Nation's economically distressed urban and rural communities may be a lack of accurate information about the market potential for these communities; and

WHEREAS, the availability of expanded and more accurate market information would assist the public in assessing the potential for economic growth in our Nation's economically distressed urban and rural communities,

By the authority vested in me as President by the Constitution and the laws of the United States of America, I hereby order the [lead agency], in consultation with [supporting agencies] to establish a New Markets Information Forum comprised of senior officers and/or employees of the foregoing agencies and departments. The Forum, working with representatives from the private, academic and nonprofit sectors, will investigate the extent to which a lack of accurate market information may be hindering businesses investment in economically distressed areas.

I also hereby order the Forum to produce, within six months of this Order, a report that documents the information currently available on New Markets, identifies where that information may be inaccurate or incomplete, provides preliminary evidence on where any inadequacies may exist, presents any preliminary research on this subject, and recommends how Federal, State, local, and tribal governments and the private, academic and nonprofit sectors can work together to provide more accurate and complete information about these markets.

This order is intended only for internal management of the executive branch. This order does not create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person.

Proposal for Modified Inter-Agency Working Group on New Markets Information

We believe that issuing an Executive Order in the near-term and with a report-out in 6-9 months is the best way to focus attention and thought on how to address the business information gap in New Markets – a need that everyone seems to agree exists. Given the need to learn more from the private sector, and given the multiple possible approaches towards addressing the barriers, we believe the Executive Order should describe a more modest scope of work. The revised scope of work would call on the group to define the New Markets information problem, ask it to propose methods for correcting that problem, and to present any additional preliminary research that is available in time for the report date.

Objectives: To investigate and describe the extent to which an information gap may be hindering business investment in economically distressed areas; to provide preliminary evidence on where this gap exists; to make recommendations on how government and the private sector can work together to fill this information gap.

Possible Deliverables:

1. An interagency report that describes the information and decision factors that businesses currently use to make their location and investment decisions, how that information may be inadequate for New Markets areas, and how government might work with business to adapt its information to capture better the economic potential of these areas.

2. A conference with representatives from leading business demography firms (e.g., Claritas) business site location consultants, retail industry leaders and other relevant organizations (e.g., Shorebank Advisory Services, Initiative for a Competitive Inner City, Brookings) that would facilitate discussion on the New Markets information gap and explore alliances between government and business to address the problem.

3. Papers/Reports from other organizations (Shorebank, ICIC/PWC) that highlight specific strengths of New Markets areas that are not widely factored into current business investment decisions.

Timeline & Process

Early August – Issue Executive Order calling for an interagency working group with the above mission to produce the above deliverables.

August – Convene group; assign agencies specific research areas based on available data and expertise (e.g., HUD to investigate the real estate information gap, Treasury to investigate the financial services information gap).

September – Commission outside groups to prepare original research about strengths of particular New Markets that are currently overlooked (e.g., ICIC/PWC research on inner city consumer preferences; Shorebank research on particular Chicago neighborhoods).

September/October – Agencies interview businesses and consultants to document current investment decision practices, identify how these practices might be improved to capture the economic potential in New Markets. Agencies conduct preliminary research in respective areas to highlight the information gap.

November/December – Convene conference to discuss the New Markets information gap and possible partnerships between government and private sector to improve use of federal government data. Discuss preliminary research findings.

December – First draft of report.

February – Final draft of report

Discussion: Two major concerns regarding the near-term issuance of an Executive Order were voiced yesterday:

(1) The group is not yet sure what the nature of the information gap is, and what sort of information the private sector truly needs. Issuing an EO now would commit the group to producing a final product when the problem has not yet been defined.

(2) The federal government may not have access to information at the specific geographic levels that the private sector uses. The group would be able to issue a report that compares New Markets to non-New Markets, but such a report might be useful for research purposes only, and would not necessarily galvanize private sector investment.

The revised goals of the working group would allay these concerns. Instead of attempting to provide all of the New Markets information businesses need, it would seek to better define the information problem over 6-8 months, propose steps to increase the accuracy of information about New Markets, while generating private sector interest in seeking solutions to the problem. Like the HHS conference that gave rise to the Interagency Working Group on America's Children,. the final deliverables for this project may generate interest in longer-term research and modifications to existing data sources.

New Markets research

Alan.Berube@do.treas.gov
09/13/99 11:54:10 AM

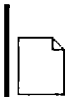
Record Type: Record

To: Carl Haacke/OPD/EOP, Lisa Green/OPD/EOP, Susan_M._Wachter@hud.gov

cc: Michael.Barr@do.treas.gov
Subject: New Markets EO options memo

Date: 09/13/1999 10:17 am (Monday)
From: Alan Berube
To: ex.mail("lisa_green@opd.eop.gov","carl_haacke@opd.eop.gov","Susan _M._Wachter@hud.gov")
CC: barrm
Subject: New Markets EO options memo

Attached is a memorandum NEC had requested outlining pros and cons of proceeding/not proceeding with issuing an Executive Order to establish the New Markets Information Forum. Please share/provide comments accordingly. Thanks.

 - EOMEMFIN.DOC

Attachment 1
Executive Order (proposed)
New Markets Information Forum

WHEREAS, businesses rely on information routinely collected by government, private and academic sector sources to make location and investment decisions that contribute to our nation's economic growth; and

WHEREAS, among the barriers to economic growth in our Nation's economically distressed urban and rural communities may be a lack of accurate information about the market potential for these communities; and

WHEREAS, the availability of expanded and more accurate market information would assist the public in assessing the potential for economic growth in our Nation's economically distressed urban and rural communities,

By the authority vested in me as President by the Constitution and the laws of the United States of America, I hereby order the [lead agency], in consultation with [supporting agencies] to establish a New Markets Information Forum comprised of senior officers and/or employees of the foregoing agencies and departments. The Forum, working with representatives from the private, academic and nonprofit sectors, will investigate the extent to which a lack of accurate market information may be hindering businesses investment in economically distressed areas.

I also hereby order the Forum to produce, within six months of this Order, a report that documents the information currently available on New Markets, identifies where that information may be inaccurate or incomplete, provides preliminary evidence on where any inadequacies may exist, presents any preliminary research on this subject, and recommends how Federal, State, local, and tribal governments and the private, academic and nonprofit sectors can work together to provide more accurate and complete information about these markets.

This order is intended only for internal management of the executive branch. This order does not create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person.

Options Memorandum – New Markets Information Forum Executive Order

Summary

NEC has requested a memo outlining the pros and cons of issuing an Executive Order to establish an Inter-Agency Working Group on business data in New Markets. The objectives of the proposed group are: (1) to investigate and describe the extent to which an information gap on the demographics and investment opportunities in New Markets, if it exists, may hinder business investment; (2) to provide preliminary evidence on where this gap exists; and, (3) to make recommendations on how government and the private sector can work together to fill this information gap.

The proposed EO would call on the group to define the problem, determine if it exists, and propose how to proceed. This narrower scope sharpens the inquiry and would reduce expectations that the EO would itself solve any information gap.

In addition to adjusting the scope of such a Group's mandate, there are three possible courses of action:

- Finalize and issue the Executive Order immediately
- Allow the working group to complete some preliminary investigation, modify the Executive Order accordingly and issue in the near-term
- Do not issue the Executive Order

Discussion

Option 1 – Finalize and issue the Executive Order immediately

Under this option, the Executive Order would formalize the membership of the interagency working group, commit the group to a series of research tasks and set a report date.

Pros

- *Demonstrates follow-through to the POTUS New Markets Trip.* A publicly announced Executive Order would demonstrate the Administration's continued commitment to facilitating private sector investment in economically underserved areas.
- *Makes this effort a priority for participating agencies.* Without an Executive Order, agencies whose resources are otherwise committed may be reluctant to take on an additional research project. An EO would elevate this research among competing agency priorities.
- *Galvanizes private sector involvement.* The working group may find it easier to engage the private sector in this effort – an element crucial to the project's success – if the business community views the project as a White House priority.

Cons

- *Assumes an "information gap" exists.* Although there is a good deal of anecdotal evidence that the information firms use to make investment decisions is inadequate for many economically underserved areas, the problem may not be documented well enough to craft an appropriate Executive Order.
- *Federal government may have limited ability to address problem.* Initial evidence suggests that firms rely primarily on small-area data sources to make their investment decisions. Most of the federal government surveys (SIPP, CPS, CEX, SCF) are samples designed for national representativeness, rather than small area analysis. Issuing an EO without first knowing that the federal government can play a useful role in addressing this problem may put the Administration in an awkward position when the final report is issued.
- *Scope of project may not require Executive Order.* The proposed scope of work (see Attachment 1) is limited enough that it may not call for an Executive Order.

Option 2 – Issue Executive Order after preliminary investigation

Under this option, the most interested agencies would complete two months of research and report back to the NEC by October 31 for reconsideration. The group would interview the private sector and review the accuracy of its data sources for economically underserved areas. If the Group and NEC perceive that the federal government can take actions to address this gap, those preliminary findings would be used to craft a more focused Executive Order.

Pros

- *Reduces Administration exposure to risk.* If the preliminary research reveals that the information gap is not as serious as it is perceived, or that the federal government is the wrong entity to address that gap, the interagency group will not have committed to producing the sort of report an Executive Order would call for.
- *May produce better-focused Executive Order.* To the extent that the problem can be documented before an Executive Order is finalized, the project's structure, timeline and deliverables could be better defined within the Executive Order.
- *May produce most appropriate group membership.* Rather than naming what are perceived to be the relevant agencies for the working group in an Executive Order, allowing the group two months to conduct preliminary research may ensure that those offices that are truly committed to the project are involved.

Cons

- *Reduces sense of urgency around the project.*
- *May sacrifice needed private sector involvement.* Without a White House mandate, the working group may find it more difficult to bring the business community to the table to investigate its knowledge of economically underserved areas. There is no indication thus far that the private sector is reluctant to become involved in the absence of an Executive Order, but the Order may still facilitate the group's work with businesses.
- *Risks excluding needed offices/agencies.* There may be offices/agencies that would not voluntarily choose to take on additional research tasks at this time, but whose involvement

would prove crucial to the effort based on the group's initial findings. If these offices/agencies exclude themselves from the initial problem definition stage, it may be difficult to obtain their buy-in into the effort when the Executive Order is issued.

- *Loses opportunity to lend public support to New Markets legislation.* Delaying the Executive Order by two months would sacrifice an opportunity for the Administration to demonstrate its support for New Markets during the current legislative session.

Option 3 – Do not issue Executive Order

A final option would put aside – for the time being – the idea of issuing an Executive Order. The interagency working group would conduct its research on its own timeline, define its own deliverables and include only those offices/agencies who desire to be involved.

Pros

- *Minimizes risk of undesirable research outcomes.* If the group discovers through its research that the private sector is actually collecting accurate information on economically underserved areas, or that there are few market opportunities in these areas, the Administration will not have committed to releasing these findings publicly.
- *De-links project from New Markets policy agenda.* Although an Executive Order may bring desirable attention to the Administration's New Markets proposals, research and statistical offices/agencies may be uncomfortable with links between this research and the policy agenda.
- *Scope of project may not require Executive Order.* The proposed scope of work (see Attachment 1) is limited enough that it may not call for an Executive Order.

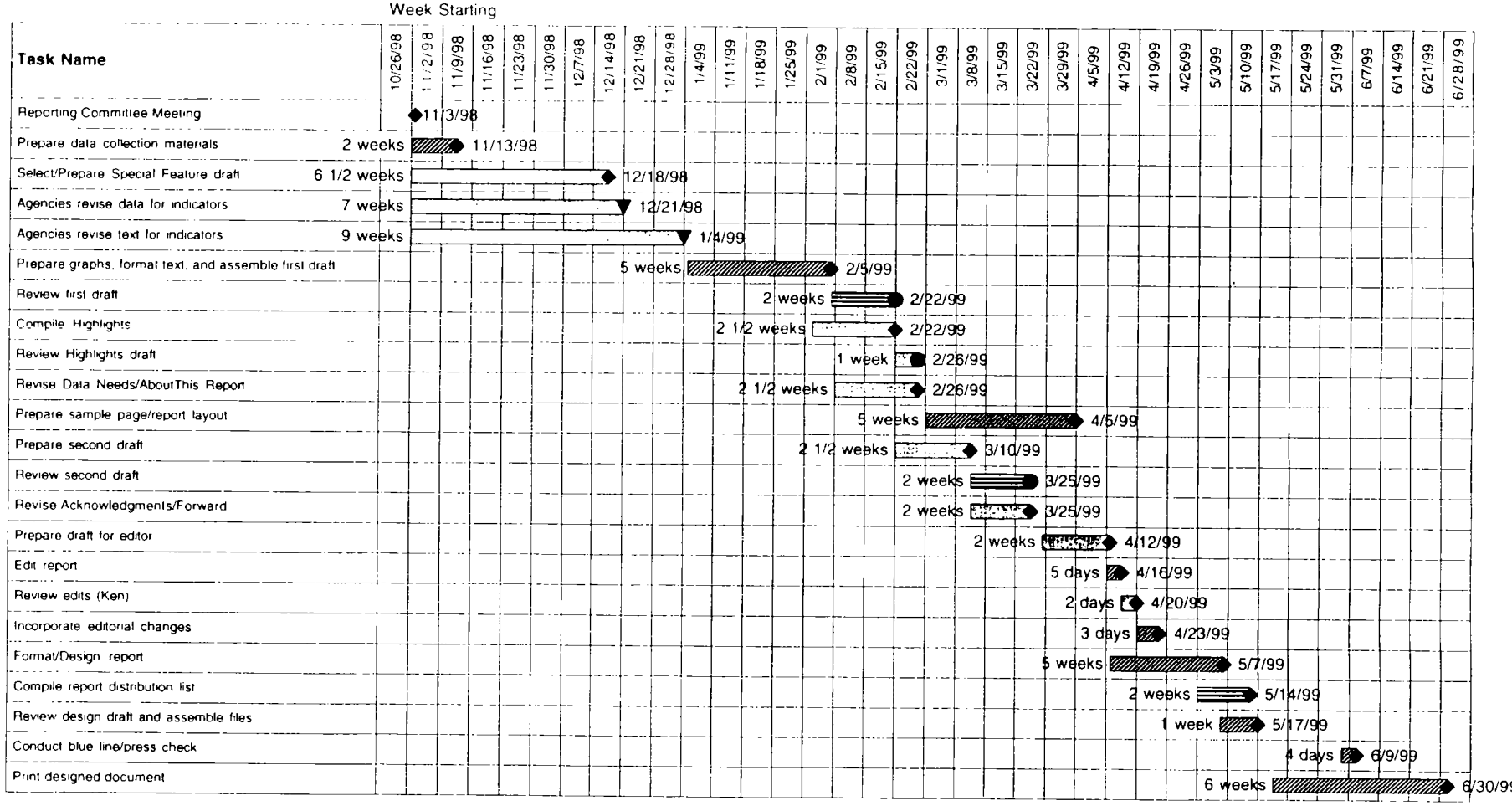
Cons

- *Cannot obligate potentially important public and private sector entities to assist in effort.* Without a White House mandate, working group members may find themselves unable to corral needed resources – from both the business community and the federal government – to pursue the appropriate research agenda.
- *Eliminates sense of urgency around project; leaves research open-ended.* Without a timeline defined within an Executive Order, the research may assume a lower priority for the offices involved in the working group. Should the group develop findings, those findings may not even be released during this Administration.
- *No White House imprimatur on group's findings.* A freelance working group of interested offices/agencies may have greater difficulty drawing attention to its findings and/or gaining acceptance for those findings without the Presidential sanction implicit in an Executive Order.

Timeline of Forum activities in preparation for the first report on America's Children

September 1994	Final report of a "Project to Explore Options for Interagency Coordination of Statistics on Children and Families," prepared by the Population Reference Bureau. Recommended the creation of an interagency forum.
November 1994	First meeting of the Federal Interagency Forum on Child and Family Statistics. Recommendations to formally create the Forum and produce a summary report on the well-being of children.
	Conference on "Indicators of Children's Well-Being" sponsored by ASPE, NICHD, Annie E. Casey, Child Trends, Institute for Research on Poverty
April 1995	Second meeting of Forum. Creation of Reporting Committee to examine the possibility of producing a summary report. Began discussion of possible executive order.
June-Nov 1995	Meetings of Reporting Committee to determine the criteria for selecting indicators for a summary report.
December 1995	Third meeting of Forum. Recommended that a plan be drafted on what a summary indicators report would look like and the best way to produce it.
Jan – April 1996	Meetings of Reporting Committee to draft an initial list of summary indicators.
May 1996	Fourth meeting of Forum. Formal proposal to create a summary report submitted and approved.
June – Sept 1996	Continued meetings of Reporting Committee to finalize initial list of summary indicators.
October 1996	Fifth meeting of Forum. Submitted outline of first summary report, including purpose, selection criteria and initial list of 25 indicators. Agreed to dedicate staff time to produce the report, release report in the spring, and use Child Trends to compile and produce the report.
Nov 96– April 97	Meetings of writing sub-committee to prepare the report. Developed prototype indicator format.
February 1997	Sixth meeting of Forum. Present first draft of summary report.
March 1997	Conference call of Forum members to discuss latest draft of the Forum report. Revised release date to June 1997
April 1997	Executive Order #13045 establishing the Forum and requesting annual report.
July 1997	Release of first annual report "America's Children: Key National Indicators of Well-being, 1997"

Interagency Forum on Child and Family Statistics
America's Children 1999 Report Production Timeline



Legend

- Writing Sub-Committee
- Reporting Committee
- ESSI
- ▼ Complete Data Collection
- ● Reviewer Comments Due
- ◆ Other Key Milestones

Key Dates

Writing Sub Committee/ESSI:

11/3/98-12/18/98 Select/prepare Special Feature
11/2/98-1/4/99 Collect data/update text
1/4/99-2/5/99 Prepare first draft
2/8/99-3/5/99 Compile/review Highlights
2/22/99-3/10/99 Prepare second draft
3/10/99-3/25/99 Revise Acknowledgments
3/25/99-4/12/99 Prepare draft for editor

Reporting Committee:

11/3/98 Committee meeting
2/5/99-2/22/99 Review first draft
3/10/99-3/25/99 Review second draft
5/1/99-5/14/99 Compile distribution list

AGENDA

New Markets Data Working Group
Wednesday, July 28, 1999, 3:30 PM
OEOB 248

I. Executive Order establishing Interagency Group
   A. Timing of Executive Order
   B. Lead agency on process and production
   C. Cost
   D. Final Product(s) – One time report and/or regular survey release

II. Late Fall New Markets Tour – Group Involvement

III. Process – Identifying Appropriate Indicators/Analyses

   A. Involving private sector
   B. Other organizations – Shorebank, ICIC, Social Compact

IV. Potential Research Groupings

   A. Demographics/Income
   B. Consumer Buying Power
   C. Business Activity
   D. Labor Pool
   E. Real Estate
   F. Financial Services
   G. Other Quality of Life (Crime, Social Capital)

V. Deliverables for next meeting

US DEPARTMENT OF THE TREASURY

OFFICE OF THE DEPUTY ASSISTANT SECRETARY
COMMUNITY DEVELOPMENT POLICY
1500 PENNSYLVANIA AVENUE, NW - Rm. 2415MT
WASHINGTON, DC 20020
(202) 622-0016 FAX: (202) 622-5672

IMMEDIATE ATTENTION!! **Date: June 3, 1999**

To:	**Susan Wachter**	**(HUD) 619-8000**
	David Johnson	**(Bureau of Labor Statistics)606-6583**
	Jon Orzsag	**(Commerce) 482-4636**
	Harry Holzer	**(Labor) 693-6146**
	Lisa Green	**(WH - NEC) 456-2223**
	Carl Hacke	**(WH - NEC) 456-2223**
	Daniel Fee	**(Commerce) 482-4636**
	Clifton Kellogg	**(Treasury) 456-5672**
	Michael Barr	**(Treasury) 456-5672**

From: **Irma Tucker - Michael Barr's Assistant**

Pages **1 (pages including the cover)**

The conference call on New Markets Data/BLS is scheduled for Friday, June 4, at 2:30pm. The call in number is 622-9555 and the code is 521745. Please plan to join us.

Thanks!

Sonyia Matthews
05/27/99 02:54:30 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: See the distribution list at the bottom of this message

Subject: Deliverables for New Markets Trip

Lisa Green would like you to join her on Tuesday, June 1 at 4:30 pm in room 472 OEOB for a meeting on the above subject. The purpose of the meeting is to discuss government analyses and other research or data on "indicators of new market potential" that could be deliverables for the July trip. Please feel free to bring any other person you think appropriate from your agency. If you have any questions, please feel free to dial me at 456-5351 or Gay Joshlyn on 456-2801. Thank you.

Message Sent To:

Edward A. Brigham/OMB/EOP@EOP
Francis S. Redburn/OMB/EOP@EOP
Theodore Wartell/OMB/EOP@EOP
Carl Haacke/OPD/EOP@EOP
Paul J. Weinstein Jr./OPD/EOP@EOP
Audrey Choi/CEA/EOP@EOP
jorszag@doc.gov @ inet
xavier_briggs@hud.gov @ inet
cliff.kellogg@do.treas.gov @ inet
michael.barr@do.treas.gov @ inet
Jacquie_m._lawing@hud.gov @ inet
Joseph J. Minarik/OMB/EOP@EOP

Message Copied To:

irma.tucker@do.treas.gov
Lisa Green/OPD/EOP@EOP
Ophelia D. West/OMB/EOP@EOP
Gay L. Joshlyn/OPD/EOP@EOP
Sarah Rosen Wartell/OPD/EOP@EOP

Empowerment Zone/Enterprise Community Bibliography

Publication Name	Publisher/Author	Issue Date	Pluses	Minuses
			EZ/EC Initiative.	
Empowerment Zone/Enterprise Community Progress Report		November 1995	• Sites examples of EZ/EC progress toward implementation of strategic plans.	
The President's Community Empowerment Board: Building Communities Together	Community Empowerment Board	1998	• Provides information on the overall accomplishments of the EZ/EC Initiative.	
Urban Empowerment Zones & Enterprise Communities	Community Empowerment Board Department of Housing and Urban Development		• Describes the EZ/EC Initiative including legislative background, business incentives, implementation and federal partnerships.	
BusinessLINC: Business-to-Business Relationships that Increase the Economic Competitiveness of Firms	Department of Treasury Small Business Administration	December, 1998	• Empowerment Zones and Enterprise Communities are mentioned as examples of private-public sector partnerships.	
Community Development: The Federal Empowerment Zone and Enterprise Community Program	General Accounting Office GAO/RCED-98-27 Testimony before the Subcomittee on Oversight, Committee on Ways and Means, House of Representative	October 28, 1997 Testimony	• Community representation within governance structures and enhanced communication among stakeholders aided program implementation.	• Preexisting relationships among EZ stakeholders and pressure for quick results hindered program implementation.
Community Development: Status of Urban Empowerment Zones	General Accounting Office GAO/RCED-97-21	December, 1996	• Community representation on governance boards, technical assistance from HUD contractors, support from city's mayor, White House and cabinet-level officials facilitated program implementation. • EZ/EC Initiative brought community stakeholders together.	• Additional layer of bureaucracy created by state government involvement, pressure for quick results, lack of federal funding were included as factors constraining implementation.

Empowerment Zone/Enterprise Community Bibliography

Publication Name	Publisher/Author	Issue Date	Pluses	Minuses
			One-Stop Capital Shop models. • Citizens obtained moderate to substantial role in governance of EZ/EC.	
Moving from Plans to Progress: Findings from the Second Round Assessment of the Empowerment Zone/ Enterprise Community Initiative	Nelson A. Rockefeller Institute of Government State University of New York	Never Issued	• One-quarter of projected funding allocable to Economic Opportunity is private. • One-third of funding for sustainable community development comes from private funding. • Half of EZ funding is allocated to economic development, with housing, and family self-sufficiency next.	
New Paths to Opportunity: Special Report on Job Training and Placement Activities in Selected Empowerment Zone/ Enterprise Community Sites	Nelson A. Rockefeller Institute of Government State University of New York	July, 1997	• Some cities described their job training and placement services under EZ/EC as extending beyond, or filing gaps in existing services(18 EZ/ECs). • 16 of 18 sites include industry-specific training.	• Lack of coordination structure among providers and limtied initiative capacity of new EZ/EC-related entitied were two barriers. • Skill-level of local workforce was next cited barrier.
Investing in a New Future: Special Report on Community Development Financing in Selected Empowerment Zones/ Enterprise Community Sites	Nelson A. Rockefeller Institute of Government State University of New York	August, 1997	• One- Stop Capital Shop used in capital access for businesses and residential finance. • Several cities emphasized need for outreach to increase capacity for residents to apply for, obtain and effectively use capital.	• Loan activity is more prevalent in MSAs than EZ/EC sites. • Barriers cited to implementation include capacity of community-based organizations and businesses, city review process for contracts and projects, neighborhood conditions, and leadership trouble/turnover.
PriceWaterhouse Publications				
Activities for Strategic Change:	Price Waterhouse, LLP	March 1997	• EZ/ECs attract leveraged capital	

Empowerment Zone/Enterprise Community Bibliography

Publication Name	Publisher/Author	Issue Date	Pluses	Minuses
An Overview of Public and Private Investment Activities in the Six Urban Empowerment Zones			to the community. • Increased demand for goods and services by local business expansions produces income for zone residents and entrepreneurs.	
Empowerment Zone Initiative: Activities for Strategic Change in Detroit	Price Waterhouse, LLP	August 1996	• Economic strategy in Detroit EZ may lead to stronger residential market and stregthen downtown presence of second tier service industries and professional services. • Detroit EZ is facilitating Detroit's revitalization and preservation of manufacturing base by creating 9000 jobs, stimulating $1.8 billion in investment, 24 businesses expansions, and $1.1 billion lending commitment from financial institutions.	
Urban Empowerment Zones: Highlights from the First 18 Months	Price Waterhouse, LLP	September 1996	• Showcases stories describing economic development successes in Round I EZs and expenditure of SSBG monies to stimulate private investment.	
Abt Associates				
Evaluation of the Performance Measurement System for Empowerment Zones and Enterprise Communities	Abt Associates, Inc.	March 31, 1999	• Report assesses the PERMS and accumulation of data by communities for reporting purposes.	
Baseline Conditions Report: Interim Outcomes Assessment of the Empowerment Zones and	Abt Associates, Inc.	December 1998	• Empowerment Zones encompass a considerable amount of economic activity	• EZs contain more land for residential use that commercial or industrial use.

Empowerment Zone/Enterprise Community Bibliography

Publication Name	Publisher/Author	Issue Date	Pluses	Minuses
Enterprise Communities Program			(228,000 private sector jobs in six Empowerment Zones). • Include a mix of establishments across industries and various sizes. • Three top industries are: services, manufacturing, and retail. • Economies of EZs have highly dynamic character meaning majority of firms are new, expanded or relocated. • Establishments with business ties to EZ employ more residents that businesses that do business outside EZ. • 55% of Zone businesses respondants reported positively on doing business in EZ. Population density, access to customers and suppliers, and transportation all cited. • Relatively high use of Employment Wage Credit and Section 179 expensing.	• Only 3% of zone employment is in businesses owned by residents and 11% in minority-owned businesses • Zone residents tended to be found in jobs with low starting pay. • Crime and safety is the top concern among businesses.
Other Publications				
Empowerment Zone Implementation: Community Participation and Community Capacity	Howard Samuels State Management and Policy Center, Graduate School and University Center of the City University of New York	January 1998	• Strong community participation in writing strategic plans	• Generally, narrow involvement of neighborhood groups, new immigrant groups, religious institutions, social organizations, advocacy groups and unions.
Neighborhood Works: EZ/ECs Two-Year Anniversary	Center for Neighborhood Technology	Jan/Feb 1997 Volume 20	This edition highlights case studies in various EZ/ECs in regards to	

Empowerment Zone/Enterprise Community Bibliography

Publication Name	Publisher/Author	Issue Date	Pluses	Minuses
		Number 1	various topics which include governance, business investment, and the environment.	
EZ Exchange	University of Illinois at Chicago Great Cities Institute	Published quarterly	• Each issue compares various components of the Empowerment Zones from financing tools, to governance to background information.	
"Report Card on Empowerment Zones"	Standard and Poor's *CreditWeek Municipal*	December 22, 1997	• EZ status lead to an improvement in an issuer's credit rating and local economy • Decline in job less rate in Detroit from 11% in 1994 to 8.7%. • Retention and attraction of large businesses such as Sylvan	

Empowerment Zone/Enterprise Community Bibliography

Publication Name	Publisher/Author	Issue Date	Pluses	Minuses
Community Development: Progress on Economic Development Activities Varies Among Empowerment Zones	General Accounting Office GAO/RCED-99-29	November, 1998	• Four of the six EZs surveyed had initiated or completed their economic development activity. • Progress was greater in EZs where stakeholders had experience in implementation and could agree on roles and responsibilities.	• Disagreement among stakeholders delayed activities.
Community Development: Information on the Use if Empowerment Zone and Enterprise Community Tax Incentives	General Accounting Office GAO/RCED-98-203	June, 1998	• Tax-exempt bonds were issued 8 times since the bonds became available to EZ/ECs.	• Data from IRS on the utilization of expensing and wage credits was not reliable.
Audit Report: Review of Empowerment Zone, Enterprise Community, and Economic Development Initiative Grant Selection Processes	Office of Inspector General Department of Housing and Urban Development 95-HQ-154-0002	August 31, 1995		• IG concluded that original process designed for making EZ/EC designations was not fully followed and the nature of the alternative procedures used was not described in writing. • 14 lower-rated EC designates were undocumented
	Office of Inspector General Department of Housing and Urban Development			
Rockefeller Publications				
Empowerment Zone Initiative: Building a Community Plan for Strategic Change Findings from the First Round of Assessment	Nelson A. Rockfeller Institute of Government State University of New York		• Citizen participation during the development of the city's strategic plan was significantly and substantively greater than what has taken place in other federal urban initiatives (18 EZ/ECs reviewed). • Most 18 EZ/ECs reviewed are incorporating job training and	• Areas designated as EZ/ECs were found to be significantly more distressed than other areas of cities eligible for designation. • Populations in EZ/ECs had far lower levels of educational attainment than populations in other areas.

Handout for a Luncheon Discussion
At the Brookings Institution
Washington DC
May 17, 1999

URBAN PROBLEMS AND COMMUNITY DEVELOPMENT

Ronald F. Ferguson and William T. Dickens, Editors

Published by the Brookings Institution Press, 1999

The book is a product of the National Community Development Policy Analysis Network (NCDPAN).

Contacts:

Ron Ferguson
ron_ferguson@harvard.edu
617-495-1104

Bill Dickens
WDickens@brook.edu
202-797-6113

Each page of this handout raises a question, provides a statement of "conventional wisdom" (i.e., a straw man) regarding what the answer might be, offers a somewhat contrary answer based on a chapter of the book, and proposes a few questions to discuss. Note that there are many more issues discussed in each chapter than those identified in this short handout. This is a sampling for purposes of discussion.

TOPICS IN THE HANDOUT

Defining the field: What is the field of community development?

Security: What are the best ways to reduce the fear of personal harm that seems to discourage social, civic and economic investment in some inner-city neighborhoods?

What "Community" Supplies: Is a "village" of caring relationships necessary in order to achieve the informal social controls that stabilize communities?

Jobs and Income: Why do residents of inner-city neighborhoods get less than their proportionate share of the metropolitan area's jobs?

Political History: Is failure to attack community problems comprehensively the main reason that federal urban policies have not had greater impacts on inner-city neighborhoods? Would more comprehensiveness make a big difference?

Local Politics & Community Development Trajectories: Should federal policy assume that most cities are on the same long-term trajectory regarding community development? Are differences among cities in capacity at the local support level and in the numbers and sophistication of front-line and grassroots organizations simply manifestations that some cities are more mature along this common trajectory?

Public Schools: Are efforts to bring public schools into closer alliance with the community development movement (broadly conceived) worth attempting? Are they likely to succeed?

Resident Participation: How important are requirements for grassroots participation in the local governance of programs that affect low-income communities?

Business: Is there far less business activity in the inner city than there would be if businesses understood the profit potential from locating there? Will business growth accelerate substantially once information gets out regarding the spending power of inner-city residents?

Community Development Corporations (CDCs), Housing, and Leadership: Do CDCs play a unique role in the leadership and physical revitalization of low-income communities? Are they uniquely effective?

Evaluation of Community Development Initiatives: What should evaluation research of community development activities be trying to tell us?

Leadership for CD Alliances: Are there some basic ideas about alliances that can help community development leaders achieve their goals, no matter what the social, economic or political outcomes they are trying to achieve?

Social Science Research: Can researchers legitimately inform policy and practice on issues where there is no research consensus?

Defining the field.

Question: What is the field of community development?

Conventional Wisdom for some in the CDC Movement: Only nonprofit organizations that develop buildings or help businesses should be regarded as community-based development organizations. Most others are "service providers" and not part of the community-based development field.

What Ron Ferguson and Bill Dickens suggest: The field of community development should be understood to include all types of people and organizations – CDCs, service providers, advocates, organizers, public servants, business people -- whose activities contribute to the assets (including social, intellectual, physical, financial *and political* assets) that enable communities to achieve quality-of-life ideals.

Questions for Discussion: Is there any substantive disagreement between the two statements above? Should service providers who don't build buildings or develop businesses be treated as part of the community development field? Is this simply a question of semantics with no political or practical consequences?

Security.

Question: What are the best ways to reduce the fear of personal harm that discourages social, civic and economic investment in some inner-city neighborhoods?

Conventional Wisdom: The best way to promote a sense of security in low income neighborhoods is for the police and the criminal justice system to act directly and assertively in an aggressive program of arrest and incarceration in order to reduce victimization rates.

What Mark Moore says: Feelings of insecurity are only weakly related to objective risks of victimization. Signs of disorder and incivility are more important. However, disorder and incivility are *conditions* under which real crime can flourish, because *the fear they engender can cause residents to abandon attempts at informal social control and this makes it easier for perpetrators to operate*. Therefore, in order to reduce both insecurity *and* real victimization, police and citizens should work together on managing litter, graffiti, rowdy unsupervised youth, open drug dealing, visible sings of blight such as broken windows, verbal harassment by strangers, and other signs of disorder. Research supports this conclusion. However, progress has been slow because police cultures favor traditional methods and citizens' in poor communities are hesitant to partner with police.

Questions for Discussion: Should efforts be made to help state and federal policy makers understand that arrest and incarceration rates are not the best measures of increased community security? Why or why not? Should federal policy incentives be used to induce local police bureaucracies to become more hospitable to policing strategies that focus on neighborhood conditions (e.g., signs of disorder) other than crime?

What Community Supplies.

Question: Is a "village" of caring relationships necessary in order to achieve the informal social controls that stabilize communities?

Conventional Wisdom: "It takes a village to raise a child." In addition, if relationships do not penetrate to the personal realm, neighbors will lack the mutual trust necessary to share responsibility for neighborhood conditions. Developing closeness among neighbors should be a priority.

Robert Sampson says: Seeking to penetrate the private world of personal ties and recreate a mythical past where everybody knew their neighbors intimately is a recipe for intervention failure. Indeed, community interventions seem to fall hardest when their major effort is to change individual behaviors by promoting friendships among neighbors. For better or for worse, many neighborhoods are characterized by what M. P. Baumgartner calls "moral minimalism," where neighbors are acquaintances or strangers rather than friends. Where local friendship ties are strong, they result not from government intervention but from processes induced over time by structural factors such as residential stability and the density of families with children. In modern cities, close personal and family relationships tend to be spread across the city, not concentrated in neighborhoods.

Activities by residents and their grassroots groups to maintain conditions of order and stability require acquaintanceship, not close personal ties. In addition, they often require collaboration between grassroots groups and the paid staff of front-line agencies such as the police, school officials, and other community based organizations.

Questions for Discussion: In places where grassroots groups seem mostly ineffective at stabilizing the neighborhood, should foundations and government hire paid organizers to help create or strengthen them? Should government take special efforts to attract and retain middle income residents in low-income communities with the goal of increasing the potential strength of grassroots groups? What are the pros and cons?

Jobs and Income.

Question: Why do residents of inner-city neighborhoods get less than their proportionate share of the metropolitan area's jobs?

Conventional Wisdom: A lack of jobs in the inner city makes it difficult for people in distressed neighborhoods to find and keep jobs. The solution to the problem is to create more jobs in the inner city and/or to improve public transportation to make jobs in the suburbs more accessible to inner city neighborhoods.

What Bill Dickens Says: Everybody commutes. Not many people work within a few blocks of where they live. Job access can not explain the large differences in employment rates between black and white neighborhoods on opposite sides of the same street (e.g., as in David Ellwood's study of Chicago). Dickens argues that in addition to discrimination and differences in skills, a major factor in the differences in levels of employment between neighborhoods is how well the social systems in the neighborhoods work to prepare people for work, help them find work, and support them once they are on the job. He describes how the system works in well functioning blue collar communities and points to evidence of its failure in many inner city neighborhoods. He argues for employment programs that are neither the traditional training programs nor the currently in vogue "work first" programs, but ones aimed at replacing the full range of missing social functions that support employment success. Community based organizations, he argues, are ideally situated to be important partners in such programs, or even to run the programs themselves.

Questions for Discussion: What is the definition of a successful employment program? What are examples of successful employment programs? What are the characteristics of successful employment programs?

Political History.

Question: Is failure to attack community problems comprehensively the main reason that federal urban policies have not had greater impacts on inner-city neighborhoods? Would more comprehensive programs make a big difference?

Conventional Wisdom: Federal Urban policy has been well intentioned, but because it has always addressed problems in a piece meal fashion it has been ineffective. A new generation of comprehensive initiatives that recognize the interrelation of community-level problems and addresses them in an integrated fashion with sufficient funding is needed.

What Alice O'Conner says: The idea of comprehensiveness is not new. Since at least the 1920s the interrelatedness of urban problems and the need for comprehensive policies has been a *reoccurring* theme in policy, and a *constant* theme among movement scholars and activists. The people keeping this theme alive have been well intentioned, but their ideas have remained at the margins of federal policy concerns and they have been swimming against the tide of transportation, tax, and other major initiatives that often have operated to the detriment of inner-city neighborhoods. Community development advocates do not have the political clout to overcome this general tendency on their own and can play only a limited roll in ameliorating inner city problems unless they can link with a national movement for social justice with the power to address the macro-level political problems.

A Question for Discussion. How important can contribution of the community development movement be operating as it does? Can the community development movement become more embedded in a larger movement for social and economic justice? Can it overcome past problems with weak political coalitions, undermined by internal fragmentation, intellectual marginalization, over dependence on volunteerism, pervasive racial bigotry, and internal contradictions among national social policies (this is O'Conner's list)? What factors would help or hinder progress in this direction?

Local Politics & CD Trajectories.

Question: Should federal policy assume that most cities are on the same long-term trajectory regarding community development? Are differences among cities in the number and sophistication of front-line organizations and grassroots groups a result of some cities having progressed further along this common trajectory?

Conventional Wisdom: Cities that have few CDCs are immature environments that need technical assistance and financial incentives to catch up with cities where such organizations are larger and more numerous. Once lessons from more mature CDC environments spread to cities that are less advanced, the less mature cities will develop to become more like those where CDCs have a longer tradition.

What Margaret Weir says: Cities where CDCs have not developed beyond a small number of fragile organizations may be on different trajectories than those that seem "mature." First, political regimes differ among cities. Some local regimes (e.g., elite-dominated regimes as in Houston and Atlanta) have historically been less hospitable to community based initiative. While regimes can and do change, change is not inevitably in the direction of more support for neighborhoods or CDCs. There may be long term political barriers to an expanded role for community based organizations. Second, even if city-level regimes change to be more supportive of neighborhood initiative, the locus of political and economic control over resources to help neighborhoods is gradually moving outside of the city to the surrounding metropolitan region and the state. This trend seems likely to make future patterns of community development different from those in the past.

Questions for Discussion. In what ways are federal officials conscious of city and regional political regimes when they formulate urban policy? How are federal laws and regulations geared to affect (or not to affect) how cities and regions treat low-income neighborhood interests, including CDCs? How well have past efforts by the federal government and national foundations to influence local political regimes worked?

Public Schools

Question: Are efforts to bring public schools into closer alliances with the community development movement (broadly conceived) worth attempting? Are they likely to succeed?

Conventional Wisdom: Schools manage a distinct set of activities that mostly do not require community partnerships. In addition, central bureaucracies put significant constraints on how schools can function. Further, school officials are typically overburdened and lack the capacity to devote time to affairs only tangentially related to core school functions. Hence, aside perhaps from using school buildings for community affairs during after school hours, pursuing a deeper connection between schools and community development will mostly be resisted by school officials.

Clarence Stone and Co-Authors say: The proximate barriers to putting schools and poorer neighborhoods into a productive relationship – turf battles, channeled thinking, patterns of distrust, the inertia of familiar practices – suggest that current conditions have multiple sources but that overcoming many of them is a politically achievable goal. Specific initiatives – improving parent-school relations, employing school-linked services for disadvantaged students and their families, and forming partnerships and alliances that expand the resources available to poor neighborhoods and their schools – underscore the possibility that participants will experience new relationships, not in one grand transformation but through the practical and particular actions they engage in everyday. One key is that school officials, like others, need *assurances* that others will do their parts. A second key is that community leaders should focus mostly on mobilizing the *"power to"* achieve shared goals, and as little as possible on wielding *"power over"* school officials.

Discussion Questions: What needs to happen in the training that school administrators receive in order to make the types of connections that Stone and co-authors describe more common? What benefits do we expect such connections to produce? Does it matter that few researchers have conducted the types of impact evaluations necessary to verify that claimed impacts typically materialize from school-community partnerships even when the partnerships occur?

Resident Participation.

Question: How important are requirements for grassroots participation in the local governance of programs that affect low-income communities?

Conventional Wisdom Among Advocates of Resident Participation or Control:. Where residents do not participate in decisionmaking they will be exploited, fail to develop leadership skills, remain overly dependent upon others to manage community affairs and face providers who are unaccountable, lax and paternalistic.

Ron Ferguson and Sara Stoutland say: There is a lack of systematic evidence regarding what *typically* happens when residents *DO* participate in governance, especially those who initially feel least empowered. While there are plenty of inspirational stories, there remains a need to document practices that proponents claim reliably produce participation benefits, and to verify these claims. In addition, funders need to think through (and act upon) the practical implications of the fact that front-line organizations often consider participation burdensome or even a threat to their power. Funders should *require* resident participation in governance only when anticipated benefits are high and there are reasons to believe it will be implemented effectively.

Question for Discussion:. What types of citizen participation do federal- and foundation-funded initiatives currently require? What should one assume are the intended benefits, the likely benefits, and the likely costs? Is it possible that the costs in some cases may exceed the benefits, especially for the entities expected to manage the participatory process? How can citizen participation requirements be written and implemented to be most helpful?

Business.

Question: Is there far less business activity in the inner city than there would be if businesses understood the profit potential from locating there? Will business growth accelerate substantially once information gets out regarding the spending power of inner-city residents?

Conventional Wisdom (Michael Porter and followers): There is vast untapped economic potential in the inner city. The lack of information about spending power among inner-city residents is a major reason that more businesses have not located there to serve inner-city customers. Inner city customers are poorly served by the consumer-retailing sector and workers suffer because of the absence of nearby jobs.

Ron Ferguson says: Evidence that misperceptions and lack of information are the crux of the problem is lacking and claims that more information about spending power will make a big difference are probably wrong. Porter's other emphases on removing barriers, building network ties, and providing technical assistance are more standard and probably more correct.

Bill Dickens (see above) says: Job location is at best a minor aspect of the employment problem.

Ross Gittell and Phil Thompson say: A more important concern is that inner-city residents are not reaping their proportionate share of benefits from entrepreneurship and innovation. They disproportionately lack the up-front financial resources, the experience, and the social and family network ties that facilitate entry into business. For example, much of the profit from rap music has gone to third parties outside the community. As Peter Doeringer says in his comment, "From the perspective of inner-city economic development, the problem would seem to be less one of market failures than of well-functioning markets that fail to distribute rents from inner-city 'innovations' to inner city residents."

Question for Discussion: Given that the evidence is so thin, why are some people so convinced that inner-city business development will make a big difference to the welfare of inner-city residents? Is it hype? Or, is there something else that makes the proposition really persuasive even without clear evidence from research. Is there any political risk to politicians from overstating the evidence when trying to sell businesses on the idea of locating in the inner city?

CDCs, Housing and Leadership

Question: Do CDCs play a unique role in the leadership and physical revitalization of low-income communities? Are they uniquely effective?

Conventional Wisdom among some CDC Advocates: CDCs are the major players in housing construction and rehabilitation in many low-income neighborhoods and leaders in the movement for comprehensive community development.

Ken Rosen and Ted Dienstfrey say: Most of the low-income housing market remains in the for-profit sector. However, a core of the neighborhood-based housing delivery system is the CDCs and nonprofit community-based housing developers that are now a major link in the neighborhood revitalization of low-income inner cities. The neighborhood housing delivery system has produced a significant number of new and rehabilitated housing units with very limited resources and created a cadre of professionals at the neighborhood level who are committed to neighborhood revitalization. The best case study suggests that experienced CDC housing developers have costs similar to for-profit developers.

Gittell and Thompson say: Generally, there is little evidence that CDCs are any more or less caring or effective at delivering housing services than neighborhood-based entrepreneurs would be if they received similar assistance. For example, residents in NYC's Neighborhood Entrepreneurs' Program (NEP) have proven to be effective owner-managers of low-income apartment buildings.

Sara Stoutland says: Research shows clearly that a number of CDCs have established themselves as important producers and managers of low-income housing. Many are key neighborhood leaders and advocates, and most provide services in addition to housing. However, local systems are becoming tiered, with a few CDCs being nurtured by funders to be large and sustainable housing producers, while others remain small and more fragile. Further, the CDC sector is well established in some cities, but hardly established at all in others. Hence, beliefs about the importance of CDCs are true for some places and organizations, but less true for others.

Ron Ferguson and Sara Stoutland say: Front-line organizations (including CDCs,, health clinics, schools, or family development agencies) that depend heavily on external funding should be distinguished from grassroots groups that do not. Good evidence that some types of front-line organizations are inherently more suited to represent grassroots interests is lacking. Effective leadership and advocacy come from many sources.

Questions for Discussion. Beyond their special roles in housing and commercial development, is there something special about CDCs that puts them in a class by themselves as community development organizations? Should there be more federal support for CDCs as a distinct class of organizations? If so, how should "CDC" be defined for purposes of eligibility?

Evaluation of CD Initiatives

Question: What should evaluation research be trying to tell us?

Conventional Wisdom: Evaluations should tell us whether initiatives achieved what they promised and how much of an impact they had.

Peter Rossi says: Initiatives can achieve the *outcomes* that they promised without really having an *impact*, if the outcomes would have occurred even in the absence of the initiative. Measuring the *impact* requires an estimate of both the outcome *and* the "counterfactual" (i.e., what would likely have happened if the initiative had not been undertaken). It is difficult to do reliable *impact* evaluations without randomly assigning units to treatment and control groups. This can be very difficult and expensive if the units are multi-person entities such as neighborhoods. Alternative methods, such as theory-based evaluation, are not good substitutes for random assignment.

In any case, another type of evaluation is often more important: Diagnostic evaluation (it goes by many names) is probably the most useful of all forms of evaluation research to program funders and managers. Its primary function is to provide timely information about how a program has been designed and carried out and to detect the changes in a program that inevitably take place over time. For all programs, an essential diagnostic evaluation activity is to develop an explicit program theory. Diagnostic evaluation is especially valuable as a management tool and also as a way of knowing what the inner workings of a program were. This is especially important when the impact evaluation indicates that the program made an important difference and, therefore, might be worth doing at other times and places.

Discussion Question: What are the most important questions for both impact and diagnostic evaluations to address for the field of community development? What topics covered by this book are most in need of additional evaluation research? Why?

Leadership for Community Development Alliances

Question: Are there some basic ideas about alliances that can help the leaders of community development alliances to achieve their goals more effectively, no matter what the social, economic or political outcomes they are trying to achieve?

Conventional Wisdom among some Practitioners: There are so many different types of community development alliances, dealing with so many different concerns, that any framework claiming to have relevance for all of them is likely to be of minimal relevance for any of them.

Ron Ferguson says: Through several chapters in this volume, as well as in other literatures, authors emphasize the importance of trust for the initiation and completion of collaborative projects. Most instances involve one (or more) of four key questions about trustworthiness. Specifically, can I trust that allies' *motives* are compatible with mine? That my allies are *competent*? That they will be *dependable*? That they will be *respectful and collegial*? Community development alliances often seek to combine members of different racial, professional, and social class backgrounds. All four types of trust fail in somewhat predictable ways. Leaders can be trained to assist in the development of all four types. Similarly, the tasks of alliance development tend to involve rather standard issues of recruiting members; establishing power relations and struggling to reach agreement; dealing with members' competing commitments from outside the alliance; responding to crises; and moving on when the work is done or progress has ended. There are other frameworks as well that can help leaders to organize their work. If a limited number of frameworks such as this can become established among both researchers and practitioners, it might become easier to accumulate and transmit usable knowledge from and to community development alliances. Researchers, trainers, and practitioners need to identify key concepts within which to organize and understand their collective work.

Questions for Discussion: What are some of the most important ways that trust fails in community development alliances? Can better research and better training for leaders help increase the frequency with which worthwhile community development alliances succeed with their projects?

Social Science Research

Question: Can researchers legitimately inform policy and practice on issues where there is no research consensus?

Conventional Wisdom among some Politicians and Practitioners: Most of the time social science researchers are simply stating their opinions and one is just as valid as any other. You can find some researcher to say just about anything you want to hear.

Ron Ferguson says: With so many propositions still unconfirmed by solid research, there are nonetheless several things that researchers can usefully do to inform policy and practice. We can increase the amount of informed and open debate on the policy implications of what we think we already know (including what we believe to be false or unresolved). We can formulate more targeted research to fill important gaps in what policymakers and practitioners say they need to understand. We can refine our methods for using theory, judgement and limited data, when clear and complete evidence is not available. In evaluation research, we can begin aiming more systematically to distinguish factors that produce failure from those that produce success, and under what conditions.

Discussion Question: Would a greatly expanded research effort in community development be worth the effort? Is there a particular type of research that is more important to policy makers and practitioners? Many of the actors who would need to cooperate with a more thorough research agenda in community development have career interests in the outcomes. What are examples of research that would be likely to attract their interest and cooperation? What are examples that might be resisted, but nonetheless need to be done?

The Brookings Institution

Presents

Urban Problems and Community Development

A BROOKINGS LUNCHEON DISCUSSION

Monday, May 17, 1999

12:00 p.m.

THE BROOKINGS INSTITUTION

1775 MASSACHUSETTS AVENUE, N.W. WASHINGTON, D.C. 20036-2188
TELEPHONE: 202/797-6000 FAX: 202/797-6181
WORLD WIDE WEB: http://www.brookings.edu/

ECONOMIC STUDIES PROGRAM

WILLIAM T. DICKENS

William T. Dickens is a Senior Fellow in the Economic Studies Program at The Brookings Institution. His areas of expertise are labor markets, wage determination, unemployment, welfare reform , inner-city employment problems, effects of trade on employment and wages, poverty, income support, unions, OSHA, and psychology and economics. He is also Director of the National Community Development Policy Analysis Network.

Dickens was formerly a Senior Economist for the President's Council of Economic Advisors; Professor of Economics at the University of California, Berkeley (1980-1995); Visiting Assistant Professor at the Sloan School of Management, M.I.T.; and a consultant for The World Bank.

One of Dickens current projects is a critique of Herrnstein and Murray's controversial work, *The Bell Curve*, entitled "Does The Bell Curve Ring True?" Other publications include, "The Macroeconomics of Low Inflation," with George Akerlof and George Perry (*Brookings Papers on Economic Activity*, vol.1, 1996); "Can Labor Rents Justify Strategic Trade Policy?" *(Journal of Public Economics*, under review); *The Employment Effects of European Economic Integration,* National Commission for Employment Policy (1993); *Labor and an Integrated Europe* edited with Lloyd Ulman and Barry Eichengreen (1993); and *The Dynamics of Trade and Employment* with Laura Tyson and John Zysman (Ballinger, 1988).

Dickens received his B.A. in social studies from Bard College in 1976 and his Ph.D. in economics from M.I.T. in 1981.

[5/99]

RONALD F. FERGUSON

Ronald F. Ferguson is a Senior Research Associate at the Malcolm Wiener Center for Social Policy at Harvard's John F. Kennedy School of Government. He has also been on the faculty of the Kennedy School since 1983 as Assistant and then Associate Professor and currently as a Lecturer, who splits his time between teaching and research. In addition, he is Chairman of the National Community Development Policy Analysis Network (NCDPAN). Before moving to Harvard, he held full time appointments at Brandeis and Brown Universities and, in 1988 and 1989, was a visiting Associate Professor of Urban Studies and Planning at the MIT. His areas of expertise include how teacher quality and other school resources affect test scores in public primary and secondary schools; causes and consequences of changes in the demand for low-skilled workers; community-based programming to increase the employability of adolescents and young adults; and social and economic development with a focus on central cities.

One of his current projects investigates why national test score trends for African American teenagers showed remarkable progress during the 1980s, but virtually none during the 1990s. Another project examines how changes since 1985 in the demand for product quality, speedy delivery, and low cost, have affected hiring patterns, wage levels, and job descriptions, for rank and file workers in manufacturing firms.

Ferguson's recent publications include two chapters in *The Black-White Test Score Gap*, edited by Christopher Jencks and Meredith Phillips and published by Brookings Press late last year. In addition, Ferguson (with Philip Clay of MIT) completed a multi-year formative evaluation of the YouthBuild Program (currently funded by HUD) in 1996. Ferguson participates in a number of research and policy advisory groups on issues of education, employment, and urban development. He received his Ph.D. from MIT in 1981 and his undergraduate degree from Cornell University in 1972, both in economics.

- Labour force mobility
- transit barriers for most of population - transportation may not be the issue that people raise
  i.e. neighborhoods with same access to transit have very different unemployment rates
  most people commute by car
  alternative solutions - transit vouchers
  efforts/skills key similar other issues
  have been successful

Edmonton's Skill Link - not about employment
but does address quality of life
getting work related, access to services, physical improvements

- Whistler - Truly the best
  resident grievance will depend on communities
  do you have to have citizens participation

- temporary job agencies - Genesis Works is a promising example
  helping to get people job ready
  fills network functions

How well do the benefits of living as an to other areas
no systematic evaluation has been done on international

---

map out of priority - people living
bring back middle class people

New urbanism - see Sanyal's chapter
walkability, sprawl, lots of research on urban sprawl - related to community, how people feel walk

EMBARGOED UNTIL 12 NOON EDT
Text Prepared as Delivered
September 23, 1998

MICROENTERPRISE HEARING; HEARING ON H.R. 4179, PROGRAM FOR INVESTMENTS IN MICROENTREPRENEURS ACT OF 1998 (PRIME ACT)

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING AND FINANCIAL SERVICES

General Statement
of
Ellen W. Lazar, Director

DEPARTMENT OF THE TREASURY
Community Development Financial Institutions Fund
September 23, 1998

Chairman Leach, Congressman LaFalce and distinguished Members of the Committee, it is a pleasure to be before you today and represent the Community Development Financial Institutions Fund. I am Ellen Lazar. I have been the Director of the Fund since January of this year. Before I begin my testimony, I would like to introduce you to other members of the Fund who are with me: Maurice Jones, Deputy Director for Policy and Programs and Paul Gentille, Deputy Director for Management/Chief Financial Officer.

The CDFI Fund was created to address critical community and economic revitalization needs of urban, rural and Native American communities. Our mission is to promote access to capital and local economic growth by investing in and supporting community development financial institutions (CDFIs) and expanding banks and thrifts' lending, investment, and services within underserved markets. Today's distressed communities are faced with many challenges: moving families from welfare to work, providing basic financial literacy skills, and training unskilled workers for jobs or to become self employed. The funding we provide, through a variety of programs, is making a difference in the lives of people that are often left out of the economic mainstream in this country.

CDFI PROGRAM OVERVIEW AND PRINCIPLES

The Fund's programs are built on several key principles:

- stimulation of private markets is critical for rebuilding economically distressed areas;
- building the capacity of community based institutions is essential for providing localities with the resources and tools necessary to serve underserved individuals; and
- an initiative that promotes private sector strategies to achieve public policy goals must be based on performance and maximizing impact.

Currently, the Fund operates four programs that collectively further these principles: the Community Development Financial Institutions (CDFI) Program; the Bank Enterprise Award Program; the Technical Assistance Program; and the Presidential Awards for Excellence in Microenterprise Development. These programs are run through a competitive process much like the proposed PRIME Act legislation.

The CDFI Program seeks to stimulate markets and spark economic activity by funding organizations that emphasize private sector market discipline. CDFIs include a number of different kinds of organizations, for profit and nonprofit, regulated and unregulated. These include community banks, community development loan funds, social venture capital funds, community development credit unions and microenterprise funds. The Fund makes investments in, and provides technical assistance to, CDFIs. These organizations provide financing for a host of activities including development of affordable housing, community facilities and small business ventures. The Fund began making awards to CDFIs in

1996. During its 1996 and 1997 rounds, the Fund awarded a total of $77.6 million through the CDFI program to over 81 CDFIs, including microenterprise funds, serving urban, rural and Native American communities. These investments will leverage new capital and generate new community development activity over the next several years. The 1998 Award round is currently underway. By the end of this month, the Fund expects to award over $40 million in to more than 40 entities.

The Fund builds the financial capacity of CDFIs by providing financial assistance in the form of equity investments, grants, loans or deposits to enhance their capital base – or the financial muscle –of the organizations to make loans, investments, provide technical assistance or otherwise address unmet community development needs. The Fund also provides grants for technical assistance, to help the organizations develop the skills they need to further their development objectives. Over the past two years we have provided close to $2 million in funding to approximately 25 organizations for technical assistance.

In addition to CDFIs, traditional financial institutions play a key role in community development lending and investing. The Bank Enterprise Award (BEA) Program stimulates private sector markets by providing incentives for banks and thrifts to increase their investments in CDFIs and to increase their community development lending, investment and service activities within distressed communities. In 1996 and 1997, the CDFI Fund made 92 awards totaling $30 million under the BEA Program. In 1998 we expect to award approximately $30 million to approximately 80 institutions. The Program has attracted significant financial and technical assistance to CDFIs, including microenterprise organizations, and loans, investments and services within high poverty neighborhoods. Program participants have included a wide range of institutions - national banks, state chartered commercial banks, Federal savings banks and thrifts, mutual savings banks and credit card banks.

This year the Fund launched a new initiative to build the organizational capacity of CDFIs. This initiative is a technical assistance program that will provide grant monies to CDFIs, particularly young and relatively small ones, for capacity building activities. We received applications from over 110 organizations throughout the country requesting over $7 million in funding. We expect to award over $3 million to approximately 70 organizations by the end of this month. A second capacity building initiative, to be launched in FY 1999, is a new training program that will enhance skill development among CDFIs and other members of the financial services industry that engage in community development finance activities. The Fund expects to provide up to $15 million in FY 1999 for this program.

The Fund also encourages excellence in performance within the microenterprise industry by identifying and promoting best practices. The Fund's Presidential Awards for Excellence in Microenterprise Development is a non-monetary program that recognizes and seeks to bring attention to organizations that have demonstrated excellence in promoting microentrepreneurship. By recognizing outstanding microenterprise organizations, the Presidential awards seek to promote sound practices and bring wider public attention to the important role and successes of microenterprise development especially in enhancing economic opportunities among women, low-income people, and minorities. The first Presidential Awards for Excellence in Microenterprise Development were made in January of 1997. We expect to make the 1998 awards later this year.

THE PRIME ACT

The proposed PRIME program would be compatible with the Fund's mission and current programs. The Fund's current programs focus on providing financial and technical assistance to community-based organizations that pursue their community development objectives primarily through making loans and investments in distressed communities. The PRIME Act proposes to provide technical assistance to a range of microenterprise organizations that employ training-led microenterprise development strategies.

The proposed legislation establishes a competitive grant program based on the Fund's authorizing statute. The Act's key focus -- technical assistance and training for microenterprise development organizations and low income entrepreneurs – is consistent with the Fund's community development mission. The Act's emphasis on research and development to further best practices in microenterprise

Lisa Green
05/27/99 01:22:19 PM

Record Type: Record

To: Sonyia Matthews/OPD/EOP@EOP

cc: Sarah Rosen Wartell/OPD/EOP@EOP, Carl Haacke/OPD/EOP@EOP, Audrey Choi/CEA/EOP@EOP
Subject: Deliverables for New markets Trip

Sonyia can you send out a message inviting the people mentioned in Sarah's original e-mail below to a meeting next week on Tuesday, late in the afternoon (around 4:00 is probably best). Also add Carl to the list and check with him to see if there's anyone else he thinks we should invite, for example someone from BLS. OMB people should include Ed Brigham, Steve Redburn and Ted Wartell. Also add Paul Weinstein.

I realize Sarah is out next week, but we will have a preliminary meeting asking people for ideas/input and then establish deliverables for the following week, when we will schedule a followup meeting at a time when Sarah can definitely attend.

Check by phone first with Xav Briggs, Audrey Choi, John Orszag and Cliff Kellog to make sure they can make it on Tuesday before you send out a general e-mail. We should change the meeting to Wednesday morning if they are not available.

The note should ask everyone to respond to you by Friday if they can make it or not so we can have confirmation and so I can contact people for prep ahead of the meeting. Also, please try to book a room in OEOB. The e-mail should say that the purpose of the meeting is to to discuss government analyses and other research or data on "indicators of new market potential" that could be deliverables for the July trip. The note should also encourage people to invite members of their staff to join them for the meeting or to attend in their place if they are unable to come.

thanks.

---------- Forwarded by Lisa Green/OPD/EOP on 05/27/99 01:09 PM ----------

Audrey Choi
05/26/99 02:10:48 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc:
Subject: Deliverables for New markets Trip

lisa - has there been any progress on pulling this meeting together? if so please let me know. i think the earlier we start the better, as it does take time if we're going to try to do some serious data analysis.
---------- Forwarded by Audrey Choi/CEA/EOP on 05/26/99 02:10 PM ----------

Lisa Green
05/20/99 01:50:42 PM

Record Type: Record

To: Jonathan A. Kaplan/OPD/EOP, Sarah Rosen Wartell/OPD/EOP

cc: Audrey Choi/CEA/EOP, Sonyia Matthews/OPD/EOP
Subject: Deliverables for New markets Trip

Jon, this is the type of team I suggested for the research piece of the New Markets trip. I think we need to move forward on this soon.

Sarah,

I'd like to set this up, but I want to wait until after tomorrow's 3:00 New Markets meeting, before we start organizing this group, and scheduling meetings. We have most of these people working right now on other deliverables so we can create a short list for locations/sites by next Monday.

I will ask Sonyia to wait until Monday to send out a notice for a meeting next Thursday or Friday (since I'm at the Empowerment Conference Tuesday and Wednesday). I'll also mention at tomorrow's larger New Markets meeting that we are setting up a subgroup meeting on research/report deliverables . Audrey Choi from CEA has been coming to our meetings and will help on this team.

---------- Forwarded by Lisa Green/OPD/EOP on 05/20/99 01:43 PM ----------

Sarah Rosen Wartell
05/19/99 08:31:10 PM

Record Type: Record

To: Sonyia Matthews/OPD/EOP@EOP, Lisa Green/OPD/EOP@EOP

cc: Jonathan A. Kaplan/OPD/EOP@EOP
Subject: Deliverables for New markets Trip

Lisa -- let's schedule a meeting early next week with Jon Orszag and his staff, Xav Briggs, Jacquie Lawing, and their staff, Michael Barr, Cliff Kellogg, the OMB folks, joe minarik, and someone from CEA to discuss government analyses on "indicators of new market potential" that could be deliverables for the July trip. I got HUD to agree to take this stuff out of the State of the Cities report and do something separate for the trip. We've agreed to find a way to have each agency have its piece -- so each secretary gets their credit -- but have them work as a seemless whole to support the idea that these markets are untapped.

I'd like to be part of at least the first discussion since I have cut this deal with these folks and want to enforce its parameters. once they get going in the right direction, its yours.

THE WALL STREET JOURNAL
MONDAY, MAY 10, 1999

Climbing to the Top of Black Businesses

By Robert Johnson
Staff Reporter of The Wall Street Journal

J. Bruce Llewellyn says his firm's rise to the top of a new tally of the largest black-owned companies reflects the best and worst about African-American business in the late 1990s.

"On the one hand, I have been around a long time in a very basic business, bottling soft drinks, so that indicates stability," says the 71-year-old owner of closely held Philadelphia Coca-Cola Bottling Co. "But you could also say, 'Gee, there's nothing really new and hot up at the top of that list.'"

J. Bruce Llewellyn

Yet, with 1,700 employees and $389 million in sales last year, Mr. Llewellyn adds: "I make solid profits. So what if I'm not on the Internet?"

That might not bother him, but some in the black business community say there is too little high-tech presence on the ranking of the Top 100 African-American-owned industrial and service businesses, annually prepared by Black Enterprise magazine. Just 6% of the list's overall sales come from technology-related companies—compared with 20% for the 100 largest U.S. corporations.

The Black Enterprise Top 100, announced Saturday night at a conference hosted by the magazine in Orlando, Fla., is dominated by basic businesses that have become mainstays for black ownership: Grocers and other food companies, beauty-care products and minority-targeted publishing and music. (Dow Jones & Co., publisher of this newspaper, was a sponsor of the conference.)

"Not to take anything away from what Bruce Llewellyn has accomplished, but we need to gain more admittance to Silicon Valley," says Earl G. Graves, chairman and publisher of New York-based Black Enterprise. (Total sales for the companies listed by Black Enterprise rose 6.3% in 1998, to about $14 billion, while total employment rose 23% to 70,400.)

Some blame difficulty raising capital for the shortage of black-owned technology firms. But whatever the reason, the shortage "should be a wake-up call. High-tech is rapidly becoming the mainstream," says Don Barden, chief executive officer of Barden Cos., a Detroit-based company with interests in casinos and real estate. He does expect younger entrepreneurs to move in that direction, he says. "It won't be that long before a high-tech company is at the top of the Black Enterprise list."

On the horizon may be people like Kendric Bryant, the 27-year-old founder of a Nashville-based start-up called Exposure Solutions. "I think a lot of us mistakenly believe it's too expensive to get started," he says. Trying to get exposure for his business, Mr. Bryant mingled at a conference cocktail party last week with an open laptop computer in hand to demonstrate his commercial Web site-building capabilities. "You really don't need much equipment; it's more about your skills."

Front and center now is Mr. Llewellyn, the only African-American among the 100 or so U.S. bottlers of Coke. His firm is Coca-Cola Co.'s fifth-largest American bottler. Taking into account car dealerships, which Black Enterprise ranks separately, only one black-owned business actually eclipses Mr. Llewellyn's in the U.S. It's led by for-

Please Turn to Page B4, Column 6

Ranking African-American-Owned Companies

Black Enterprise magazine's list of top 10 industrial or service companies by 1998 sales.

	Company	Business	1998 Sales (in millions)	Last Year Ranking
1	**Philadelphia Coca-Cola Bottling** Co.	Soft drink and water bottling	$389	3
2	**Johnson Publishing** Co., Chicago	Publishing, broadcasting, TV production, hair care and cosmetics	372	2
3	**TLC Beatrice International Holdings** Inc., New York	Manufacture and distribution of grocery products	322	1
4	**Active Transportation,** Louisville, Ky.	Hauls cars and trucks to retailers	250	4
5	**Bing Group,** Detroit	Steel processing and stamping	232	5
6	**World Wide Technology** Inc., St. Louis	Distributes information-technology products and services	201	11
7	**FUCI Metals USA** Inc., Northbrook, Ill.	Raw materials importer	200	22
8	**Granite Broadcasting** Corp., New York	Seller of commercial air time	194	6
9	**H.J. Russell** & Co., Atlanta	Construction, real estate development and airport concessions	184	8
10	**BET Holdings II** Inc., Washington,D.C.	Cable TV programming and publishing	178	7

Source: Black Enterprise magazine

Continued From Page B1

mer Detroit Lions football star Mel Farr Sr., whose chain of Midwest auto dealerships posted $596 million in sales last year.

Further, Mr. Llewellyn owes his ascent to No. 1 partly to the recent shrinkage of last year's biggest company, TLC Beatrice International Holdings Inc. in New York, a grocery-products company that has been divesting units in a restructuring.

Still, the tale of how Mr. Llewellyn achieved the top spot among his contemporaries is instructive. "I wanted to run a big business, but I wasn't wedded to any particular industry or technology and I didn't invent anything," he says. "The first business I ever owned was a liquor store. It taught me to watch the books, pay everybody on time and not to think of yourself as a black businessman. I'm a businessman, that's all."

A newspaper printer's son, Mr. Llewellyn joined the Army Air Corps at 16, becoming a pilot and commissioned officer stationed in Germany after World War II. In 1948, at age 21, he enrolled in City College of New York, and used $30,000 he had painstakingly squirreled away for a down payment on a liquor store in Harlem. During the next decade, he earned an MBA from Columbia University and a law degree from New York Law School.

"When I graduated from law school it was 1960, the dawn of a new era for African-Americans in this country," says Mr. Llewellyn. "I got into both government and politics. I felt that I needed to expand my world beyond Harlem."

From 1960 to 1962, he was a prosecutor in the Manhattan district attorney's office. By 1965, he had developed contacts within President Lyndon Johnson's administration that helped him get appointed New York's regional director of the U.S. Small Business Administration. "You learn a lot about the realities of what works and what doesn't in a position like that," he says.

By 1969, he was ready to make a big bet. "I mortgaged my house and sold just about everything I owned to raise seed money to buy a grocery chain in a devastated part of the Bronx that most investors and entrepreneurs were avoiding," he says The company, Fedco Foods Corp., had 10 outlets and annual sales of $18 million. He gradually built Fedco into the nation's largest black-owned supermarket chain—with 29 outlets and revenue of $100 million.

His success gained recognition from the Carter administration , which appointed him the volunteer president of the Overseas Private Investment Corp., an agency that arranges insurance for the overseas operations of many U.S. companies. There from 1977 to 1981, he raised his identity nationwide among the white business community.

Banking resources he had never dreamed of began to open. Says Mr. Llewellyn, "I remember walking up the stairs of one guy's club in Atlanta, passing a statue of Robert E. Lee, and thinking, 'Okay, he's welcome here but so am I.'"

In 1985, he borrowed heavily to purchase the Philadelphia Coke plant. Soon after he acquired majority ownership in an ABC television affiliate in Buffalo, N.Y., and in Garden State Cablevision Inc. in New Jersey. "I owed nearly $500 million there for a brief time."

Now he has sold his interests in all but the Coke bottler, which he expanded by investing heavily to quadruple his plant capacity and buying up distribution rights in parts of neighboring states. He is less involved with day-to-day operations than he once was—holding forth these days from a high-rise office in New York. A heart operation last year has left him on doctor's orders not to fly.

Thus he declined to attend the Black Enterprise magazine-sponsored banquet Saturday night in Orlando, where he and other leading black business owners were honored. "I'll leave it to younger ones to celebrate," he says. "I expect to see great things from them."

Lisa
Can someone check
Where the BET
100 do business?
Underserved areas?

THE WALL STREET JOURNAL
MONDAY, MAY 10, 1999

Rising Rates Fan Fears Inflation Will Cool Bull Market

ABREAST OF THE MARKET

By GREGORY ZUCKERMAN
Staff Reporter of THE WALL STREET JOURNAL

Inflation isn't raging, but the fear of it is drawing blood on Wall Street.

Rising interest rates, caused by concerns that a strong economy might soon begin generating inflation, have helped cool off the formerly highflying shares of technology and finance companies. And while the Dow Jones Industrial Average managed to end last week at a record 11031.59, its gains have come largely from rallies in shares of cyclical companies. Those rallies have been spurred by hopes that economically sensitive companies can boost earnings by raising prices. And higher prices is what inflation is all about.

The Rate Question

Some traders say the 30-year bond yield could rise toward the key 6% level in coming weeks. Credit Markets on C19.

"Analysts have been saying since the end of last year that rising rates would stop the bull market, but the market has plowed ahead," warns James Paulsen, chief investment officer at Norwest Investment Management. "Now, for the first time, there's some evidence of inflation, in oil and some raw industrial commodities, for example, so worries are rising."

Highflying Internet stocks have been among the hardest-hit. The Dow Jones Internet Index finished the week at 253.76, down 20% from its high on April 13. Bellwether America Online has tumbled to 118 3/16 from its record high of 175¼ on April 6, although Internet stocks overall still are up a remarkable 69% for the year.

The punishment that so many fast-growing stocks are enduring is being dealt out in large part by a slumping bond market, a direct reflection of inflation fears. The yield on the benchmark 30-year Treasury bond, which moves in the opposite direction of its price, Friday stood at 5.808%, up from 5.08% on Feb. 1 and the highest level since June 1998.

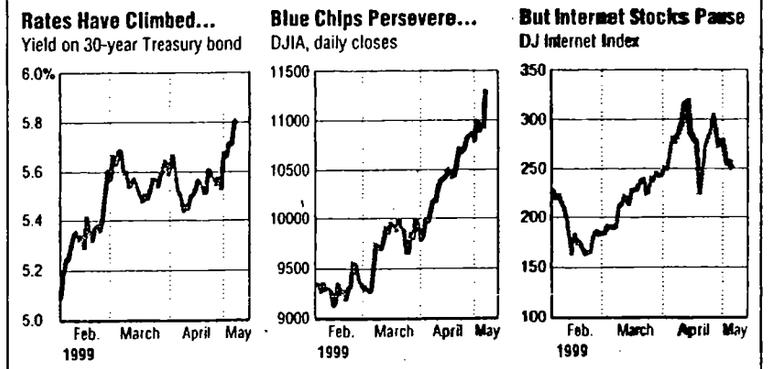
Higher rates for borrowing mean financing costs will rise for any number of companies. At the same time, higher rates tend to curb consumer spending. Mortgage rates are at their highest levels since March, contributing to recent weakness in financial stocks. And the higher that bond yields go, the more likely investors will be to switch from stocks to the safety of bonds.

The higher a stock flies, at least in relation to its earnings, the more dangerous rising rates can be. Internet-related stocks and other big stock-market winners have soared as investors bet that the companies will generate big earnings – at least some day. But as interest rates rise, investors tend to assign a lower value to the promised future earnings of those companies. The lesson: A dollar of future earnings is worth a lot less when interest rates and inflation rise.

So while cyclical stocks have bailed the market out so far, the higher interest rates go, the greater the chance that key highflying technology, Internet and financial stocks will come back down to earth, taking the overall stock market down with them.

"High rates hurt technology and finance stocks the most, and those are the leaders that we need," says Richard Eakle, president of Eakle Associates in Fair Haven, N.J., an advisory firm that counts hedge funds, including those of George Soros, among its clients. "If rates continue to push higher, they will act as a real brake on the market."

Issue for Stock Investors: Interest Rates



Source: Baseline, DJ Global Indexes

High rates can certainly slow the market, but it isn't likely they alone will kill the bull. Only if inflation truly rears its ugly head, driving long-term interest rates higher and spurring the Federal Reserve to raise interest rates, will the lengthy bull market finally end, analysts say. And so far, the evidence of rising inflation is mixed at best.

Many stock-market analysts have pointed to the recent impressive rally in cyclical stocks as one reason to fear higher inflation. If these stocks are up, they figure, it must mean these companies are regaining "pricing power," the ability to raise prices.

Some evidence of improved pricing power does exist. Last week, data from the National Association of Purchasing Management showed that manufacturers are paying the highest prices for supplies since December 1997, while nonmanufacturers saw prices rise for the second straight month after 12 months of either a decline or no change.

And some companies, such as paper-producer Georgia Pacific and steelmaker Nucor, have been able to raise prices lately.

But while the best news on inflation is clearly behind us, a troubling rise in prices may not be in the cards. Friday's employment data showed that wages rose minimally, suggesting that companies may not feel pressure to raise prices to offset rising wages.

Please Turn to Page C2, Column 3

Continued From Page C1

And much of the price gain in the NAPM index was concentrated in petroleum-based products and doesn't augur an overall rise in inflation. Economists doubt the Fed will raise rates until clear evidence of higher consumer prices arises. Indeed, other than oil, most commodities are showing little sign of a sustained rise.

Meanwhile, some analysts argue that the jump in shares of cyclical companies simply reflects a search for relative value on the part of investors, rather than a sign the companies are regaining the ability to raise prices of products.

"People who think pricing power is returning are absolutely, 100% wrong—if anything, prices of the companies I follow are stabilizing at low levels," says Lisa Shalett, capital-goods analyst at Sanford C. Bernstein. "There's tons of excess manufacturing capacity still, so we won't get pricing power for the next four or five years."

Indeed, last week, farm-equipment maker Deere warned investors about "aggressive" price discounting in its construction-equipment market. Yet Deere's stock nevertheless rose, suggesting that it really is relative value, rather than incipient pricing power, that is spurring investor interest in at least some of the cyclical stocks.

"If you talk to the companies, and the dealers they're selling to, and look at the numbers, there's no evidence pricing has improved, and that was the single message from Deere," says Ms. Shalett.

Deere isn't the only one having trouble raising prices. At US Steel Group, a unit of USX, "we've met with some modest success since April 1 in getting price improvements, but it's just been that—modest—although we're hopeful as the year goes on," says J. Paul Kadlic, USX's vice president of sales.

Some argue that the rise in interest rates may actually serve to reinvigorate, rather than kill off, the aging bull market by slowing the U.S. economy to a sustainable, noninflationary pace.

"Rising rates are a good check on the economy and inflation, and we could look back on this period as a refresher," says Mr. Paulsen. "If rates stop going up, financials will be the leaders again, and if the economy slows, growth stocks will re-emerge."

Sarah Rosen Wartell
05/19/99 08:31:10 PM

Record Type: Record

To: Sonyia Matthews/OPD/EOP@EOP, Lisa Green/OPD/EOP@EOP

cc: Jonathan A. Kaplan/OPD/EOP@EOP
Subject: Deliverables for New markets Trip

Lisa -- let's schedule a meeting early next week with Jon Orszag and his staff, Xav Briggs, Jacquie Lawing, and their staff, Michael Barr, Cliff Kellogg, the OMB folks, joe minarik, and someone from CEA to discuss government analyses on "indicators of new market potential" that could be deliverables for the July trip. I got HUD to agree to take this stuff out of the State of the Cities report and do something separate for the trip. We've agreed to find a way to have each agency have its piece -- so each secretary gets their credit -- but have them work as a seemless whole to support the idea that these markets are untapped.

I'd like to be part of at least the first discussion since I have cut this deal with these folks and want to enforce its parameters. once they get going in the right direction, its yours.

US DEPARTMENT OF THE TREASURY

OFFICE OF THE DEPUTY ASSISTANT SECRETARY
COMMUNITY DEVELOPMENT POLICY
1500 PENNSYLVANIA AVENUE, NW - Rm. 2415MT
WASHINGTON, DC 20020
(202) 622-0016 FAX: (202) 622-5672

IMMEDIATE ATTENTION!! **Date: June 3, 1999**

To:	**Susan Wachter**	**(HUD) 619-8000**
	David Johnson	**(Bureau of Labor Statistics)606-6583**
	Jon Orzsag	**(Commerce) 482-4636**
	Harry Holzer	**(Labor) 693-6146**
	Lisa Green	**(WH - NEC) 456-2223**
	Carl Hacke	**(WH - NEC) 456-2223**
	Daniel Fee	**(Commerce) 482-4636**
	Clifton Kellogg	**(Treasury) 456-5672**
	Michael Barr	**(Treasury) 456-5672**

From: **Irma Tucker - Michael Barr's Assistant**

Pages **1 (pages including the cover)**

The conference call on New Markets Data/BLS is scheduled for Friday, June 4, at 2:30pm. The call in number is 622-9555 and the code is 521745. Please plan to join us.

Thanks!

Alan.Berube@do.treas.gov
06/03/99 05:37:10 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: Working Group Proposal

Date: 06/03/1999 05:28 pm (Thursday)
From: Alan Berube
To: New Markets Research
Subject: Working Group Proposal

Attached is a proposal Cliff has drafted that covers the potential mission of this interagency working group on investment in untapped markets. Your comments and suggestions are welcome.

- INNERCIT.DOC

Message Sent To:

Michael.Barr@do.treas.gov
Cliff.Kellogg@do.treas.gov
Bert I. Huang/CEA/EOP
Carl Hancke/OPD/EOP
Cordelia W. Reimers/CEA/EOP
Joseph J. Minarik/OMB/EOP
Lisa Green/OPD/EOP
rbostic@frb.gov
Robert Anderson
stephanie_helfrich@hud.gov
Susan_M._Wachter@hud.gov
xavier_briggs@hud.gov

Carl Haacke 07/15/99 09:44:52 AM

Record Type: Record

To: See the distribution list at the bottom of this message
cc:
bcc:
Subject: Re: Annual Census Income/Poverty Numbers

Given the talk about the President doing a New Markets Mini Trip in the fall it might be good to link the income and poverty releases with the travel with the typical "we've come a long way-- but still have more to do" message.

If we release the reports first that would highlight our achievements, follow by the President's trip which will focus on the remaining pockets of poverty.

JOrszag@doc.gov

JOrszag@doc.gov
07/15/99 09:14:01 AM

Record Type: Record

To: Carl Haacke/OPD/EOP, Jonathan A. Kaplan/OPD/EOP, Melissa G. Green/OPD/EOP

cc:
Subject: Annual Census Income/Poverty Numbers

Every year since I've been in the Administration the President has released the Census' annual income and poverty numbers.

While we do not have a precise date yet, the Census believes the report will be ready at the end of September. Just wanted to give you a heads up (for planning purposes).

Message Sent To:

Cliff.Kellogg@do.treas.gov
07/13/99 01:35:28 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: Draft Executive Order

Date: 07/13/1999 01:27 pm (Tuesday)
From: Cliff Kellogg
To: nmdata
Subject: Draft Executive Order

Hello, Data-Companions --

Now that the flurry of activity around the New Markets trip has subsided, we wanted to re-energize the interagency effort on data issues.

Please review this DRAFT Executive Order that would charge all of us to continue in this effort. While we could continue to meet without an Order, the reasons to formalize the effort are (a) visibility, (b) a timeline, and (c) creating an lasting, ongoing effort.

Thanks.

- EO.DOC

Message Sent To:

alan.berube@do.treas.gov
Carl Haacke/OPD/EOP
cliff.kellogg@do.treas.gov
Cordelia W. Reimers/CEA/EOP
frederick_m._eggers@hud.gov
holzer-harry@dol.gov
johnson_david_scott@bls.gov
jorszag@doc.gov
Joseph J. Minarik/OMB/EOP
kurt_g._usowski@hud.gov
lee.price@mail.doc.gov
Lisa Green/OPD/EOP
michael.barr.do.treas.gov@do.treas.gov
parks_w@bls.gov
stuart-Lisa@dol.gov
susan_m._wachter@hud.gov
xavier_briggs@hud.gov

Executive Order
New Markets Information Forum

WHEREAS, among the barriers to economic growth in our Nation's economically distressed urban and rural communities is the lack of accurate information about the market potential for these communities; and

WHEREAS, the availability of expanded and more accurate market information would assist the public in assessing the potential for economic growth in our Nation's economically distressed urban and rural communities,

By the authority vested in me as President by the Constitution and the laws of the United States of America, I hereby order the Secretary of the Department of the Treasury (the "Secretary"), in consultation with the Secretary of the Department of Housing and Urban Development, the Secretary of the Department of Commerce, the Secretary of the Department of Labor, and other agencies as appropriate, to establish a New Markets Information Forum comprised of officers and/or employees of the foregoing agencies and departments. The Forum will examine public and private research, data, or other information that would enhance our ability to understand and analyze business investment opportunities and labor markets in economically distressed communities.

I also hereby order the Forum to produce a biennial report, using the most recently available data, with a compendium of the most important indicators of business barriers and opportunity and labor supply and demand, for retail, distribution, manufacturing and other businesses, and such other matters as may be appropriate. The Secretary will also report back to me regarding the desirability of new legislation, regulation, or appropriate partnerships among Federal, State, local, and tribal governments and the private, academic and nonprofit sectors that could assist in fulfilling or promoting the purposes of this Order.

The Secretary shall report back to me with the first biennial report in February 2000.

This order is intended only for internal management of the executive branch. This order does not create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person.

Cliff.Kellogg@do.treas.gov
07/13/99 05:23:16 PM

Record Type: Record

To: Michael.Barr@do.treas.gov, Cliff.Kellogg@do.treas.gov, Xavier_Briggs@HUD.GOV

cc: Lisa Green/OPD/EOP, Michael.Barr@do.treas.gov, Susan_M._Wachter@HUD.GOV
Subject: Re: Us and Porter - on what is an inner city -Reply -Reply

---

Date: 07/13/1999 05:15 pm (Tuesday)
From: Cliff Kellogg
To: DOM3.DOPO6(BARRM), ex.mail("Xavier_Briggs@HUD.GOV", "Cliff.Kellogg")
CC: ex.mail("Lisa_Green@opd.eop.gov", "Michael.Barr", "Susan_M._Wachter@HUD.GOV"),
Subject: Re: Us and Porter - on what is an inner city -Reply -Reply

Xav -- You're right that $323 B is total consumer expenditures, but that includes many items that are not classifiable as "retail", e.g., home mortgage, utilities, health insurance, medical services, life insurance and pensions, personal services, babysitting, miscellaneous. Leaving these out is what results in the smaller number. Cliff

Xavier Briggs <Xavier_Briggs@HUD.GOV>
07/12/99 06:14:55 PM

Record Type: Record

To: Lisa Green/OPD/EOP

cc: Michael.Barr@do.treas.gov, Cliff Kellogg <Cliff_Kellogg@HUD.GOV>, DON.CHRISTENSEN@SBA.GOV
Subject: Us and Porter - on what is an inner city

---

lisa --

first, congrats on the tour! hope u feel good about it. here a specific follow-up:

gene was curious as to why the $85 billion michael porter figure on inner-city buying power had mushroomed to $331 billion in our report. below is follow-up on my response of last weekend, with specific numbers:

1. porter's figure is for 1992. we reported 1998 estimates. as indicated below, the '98 estimate for the identical places is $151.8 million.

2. per inter-agency agreement, we defined "inner city" according to the new markets criteria, not porter's criteria (see below), which are more restrictive.

so the updated "porter number" might be considered the total for the more distressed tier of inner-city neighborhoods. even that figure has almost doubled since '92--impressive since very little of that growth is inflation.

there are other follow-ups, of course, and many ideas. i'm headed back to indian country with SBA and treasury in a month or 2...time to get on it.

best -- xav

---------- Forwarded by Xavier Briggs/PDR/HHQ/HUD on 07/12/99 06:03 PM ----------

Kurt G. Usowski
07/06/99 11:05 AM

To: Xavier Briggs/PDR/HHQ/HUD@HUD, Frederick J. Eggers/PDR/HHQ/HUD@HUD
cc: Ana Marie Argilagos/PDR/HHQ/HUD@HUD, David M. Tressler/PDR/HHQ/HUD@HUD
Subject: Total Puchasing Power in "Porter" Inner Cities

The aggergate purchasing power in 1998 for census tracts meeting a "Porter" definition of inner city, i.e., median household income 75% or less of metro area median household income, unempolyment rate 130% or more of meto area unemployment rate, and poverty rate 150% or more of metro area poverty rate, was $151.2 billion.

Market research

Cliff.Kellogg@do.treas.gov
07/12/99 07:10:05 PM

Record Type: Record

To: Michael.Barr@do.treas.gov, Lisa Green/OPD/EOP, Xavier_Briggs@HUD.GOV

cc: Cliff_Kellogg@HUD.GOV, DON.CHRISTENSEN@SBA.GOV, Michael.Barr@do.treas.gov
Subject: Us and Porter - on what is an inner city -Reply

Date: 07/12/1999 07:02 pm (Monday)
From: Cliff Kellogg
To: DOM3.DOPO6(BARRM), ex.mail("Xavier_Briggs@HUD.GOV", "Lisa_Green@opd.eop.gov")
CC: ex.mail("Cliff_Kellogg@HUD.GOV", "DON.CHRISTENSEN@SBA.GOV", "Michael.Barr"),
Subject: Us and Porter - on what is an inner city -Reply

As we've discussed between HUD and Treasury, there are differences between HUD's calculation and the Consumer Expenditure Survey, which itself may be subject to sampling error and high variance. The CEX calculations estimate inner-city buying power (same geographic definition) at a substantially lower level. I think we should confer among ourselves before further broadcasting these numbers.

Xavier Briggs <Xavier_Briggs@HUD.GOV>
07/13/99 08:39:36 AM

Record Type: Record

To: Cliff.Kellogg@do.treas.gov

cc: Michael.Barr@do.treas.gov, "Susan M. Wachter" <Susan_M._Wachter@HUD.GOV>, Lisa Green/OPD/EOP

Subject: Re: Us and Porter - on what is an inner city -Reply

---

cliff --

which # do i look at in your document? i saw "$323 billion in urban new markets" for "total consumer expenditures" and took this as a sign that the 2 sources corroborate each other fairly well. (323 = 2.4% less than 331.) wrong # to compare?

--xav

Cliff.Kellogg@do.treas.gov on 07/12/99 07:10:05 PM

To: Michael.Barr@do.treas.gov, Lisa_Green@opd.eop.gov, Xavier Briggs/PDR/HHQ/HUD
cc: Cliff_Kellogg@HUD.GOV, DON.CHRISTENSEN@SBA.GOV, Michael.Barr@do.treas.gov
Subject: Us and Porter - on what is an inner city -Reply

Note: Some recipients have been dropped due to syntax errors.
Please refer to the "$AdditionalHeaders" item for the complete headers.

Date: 07/12/1999 07:02 pm (Monday)
From: Cliff Kellogg
To: DOM3.DOPO6(BARRM), ex.mail("Xavier_Briggs@HUD.GOV", "Lisa_Green@opd.eop.gov")
CC: ex.mail("Cliff_Kellogg@HUD.GOV", "DON.CHRISTENSEN@SBA.GOV", "Michael.Barr"),
Subject: Us and Porter - on what is an inner city -Reply

As we've discussed between HUD and Treasury, there are differences between HUD's calculation and the Consumer Expenditure Survey, which itself may be subject to sampling error and high variance. The CEX calculations estimate inner-city buying power (same geographic definition) at a substantially lower level. I think we should confer among ourselves before further broadcasting these numbers.

market research Data HUD report

New Markets Initiative

[Proposed Acknowledgment: HUD would like to thank the Treasury Department for its analysis, integrated into this report, including its work with the Bureau of Labor Statistics and the Federal Reserve to analyze new information regarding the consumer purchasing power of residents of new markets communities.

[for Front of Report – New Markets Context]

Overview

There is enormous economic potential in America's lower-income communities, both urban and rural – potential that can benefit the residents of these communities, and benefit the businesses that successfully serve these markets. Many of these communities possess meaningful business advantages if approached strategically.

At a time when many higher-income areas are increasingly saturated with retailers, the Nation's moderate- and lower-income communities represent genuine New Markets for economic expansion and growth. These New Markets possess several underappreciated advantages from a business perspective:

- In New Markets, retail spending power is significant, and in urban areas, quite concentrated.
- Many of these markets are not as well-served with retail outlets. This means that residents may need to leave their neighborhood to find adequate shopping opportunities.
- Often, these New Markets have an available and trainable labor pool. Many employers have succeeded in finding attractive workers.
- Many urban New Markets have location advantages, in that they are close to downtown commercial districts (for firms offering business services), or are close to major interstates and airports (for distribution businesses), or have available real estate with the appropriate utilities and loading facilities for manufacturing businesses.

A few industries and leading businesses have begun to tap these markets and expand their company's presence in these areas. At the same time, there are barriers to New Markets business development that must also be addressed for these areas to reach their economic potential:

- Access to capital, especially equity capital. This remains a critical need for small business growth. As Alan Greenspan has noted, "Businesses must have equity capital before they are

"New Markets" census tracts are defined as those with either tract poverty level at least 20% or, if the tract is in a metropolitan area, if median family income is less than or equal to 80% of median metropolitan income, or if the tract is not in a metropolitan area, if median family income is less than or equal to 80% of statewide median income.

considered viable candidates for debt financing... Continued efforts to develop the markets for private equity investments will be rewarded by an innovative and productive business community. This is especially true in lower income communities, where the weight of expansive debt obligations on small firms can severely impede growth prospects..."

The Administration's New Markets Initiative focuses on building local funds that can provide equity business financing in these targeted areas. This "investment infrastructure" is the linchpin to building equity capital markets in these neighborhoods. Former Treasury Robert E. Rubin observed, "I remember from my time on Wall Street that there really had been no practical means, even for professional investors, to invest in inner cities even if they wished to do so. Hopefully the creation of CDFI and other vehicles, and this new tax credit, will interact to make investment opportunity more readily available and to provide incentive for such investment."

- Access to technical expertise and to market opportunities. The New Markets Business LINC proposal provides a small amount of seed capital for a public-private partnership to promote more business-to-business mentoring and partnerships that benefit both firms. Major corporations reported to Vice President Gore in his White House Entrepreneurial Roundtables that these relationships benefit both large and small firms – they are true"win-win" partnerships. These partnerships include subcontracting, sales channel development, advisory boards, and one-on-one consulting.

  Several New Markets Initiative programs include technical assistance for businesses, including the proposed SBA New Markets Venture Capital program, the proposed CDFI Program for Investment in Micro Entrepreneurs (PRIME) Act and the proposed increases in both the CDFI program and the SBA Microenterprise Lending program.

  Access to market information, such as purchasing power and local economic opportunities. Facilitating private sector investment is essential to economic growth in New Markets, and investors often look to business and population demographics in choosing where to expand. Business research indicates that there are a fairly uniform set of criteria that retailers use to determine retail location. Although specific measures depend on the merchandise, private sector consultants report that retailers look for a concentrated customer base, the demographic traits of core customer, product demand for their merchandise, and existing retailers and competitors.

  Yet potential investors often lack relevant information, or view such information as too costly to amass or obtain. This is primarily a matter for the private sector to address, but the federal government can help. Up until now, the federal government has not viewed its various databases with an eye toward compiling useable business information to help investors apprise these communities as markets. At the federal government, we have pooled

Interview with LocationNet Consultants, June 25, 1999. Businesses seeking to site non-retail facilities, such as headquarters, distribution facilities or back-room processing will consider different factors, specific to their firm's strategy. See unpublished paper by Brookings Institute, Center for Urban Policy.

expertise from Commerce/Census Bureau, Labor/Bureau of Labor Statistics, Treasury, and HUD to review available government data sources and, just as importantly, how to present it most usefully for potential business investors.
There is an increasing business audience for such data. Bill Goodyear, Chairman of Bank of America, Illinois, sums up the shift in corporate perceptions: "We're no longer accepting the deficiency-based statistics. And when you do that, you can come to some pretty different conclusions."

[The President will form an Inter-Agency Group that is specifically charged with this task, including producing a regular compendium of New Markets business indicators.]

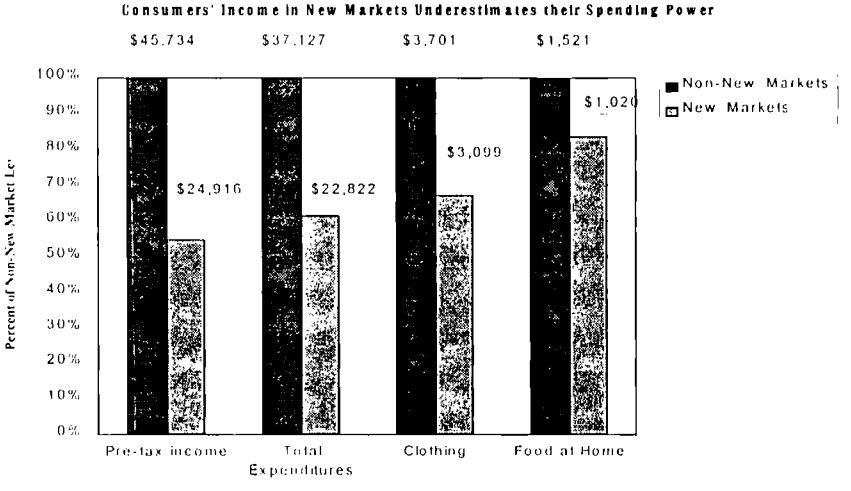
1. Both Urban and Rural New Markets show significant spending power

- A special analysis of the Consumer Expenditure Survey, commissioned by the Treasury Department for the New Markets Initiative, that focused on New Markets communities shows that total consumer expenditures are almost $695 billion ($323 billion in urban New Markets, $192 billion in suburban New Markets and $180 billion in rural New Markets).

- These New Markets can be sizeable and lucrative markets when analyzed by local spending rather than median income. Traditional market analysis that relies on household income to project sales can be inadequate, since new market areas spend a much higher portion of their income, especially in basic items such as food and apparel. New Market areas have a higher proportion of the nation's consumer spending than of the nation's income. According to Treasury analysis:

  ◆

Christian Science Monitor, August 10, 1998, p.7.
Bureau of Labor Statistics, Consumer Expenditure Survey, February 1997 through January 1998.



Nationwide, the average income of consumer units (households) in New Markets areas is just 55% of the rest of the country, but they spend 62% as much as the rest of the country. For clothing, they spend 67% as much. For food at home, they spend 84% as much. This translates into substantial spending power.

- ♦ The pattern is even more pronounced in central cities: On average, New Market residents earn 54% of what other central city residents earn, but spend 62% as much in total, 67% as much on clothing and 89% as much for food at home.

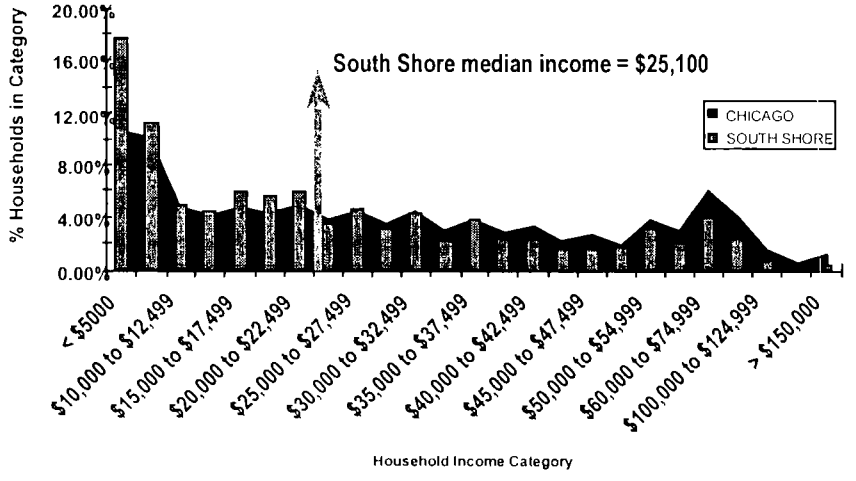
- New Markets contain concentrated spending power due to higher population densities.

Nationwide, consumer expenditures per square mile is $983, whereas in residents in New Markets spend over $33,493 per residential square mile; even comparing within Central Cities, the density of New Markets neighborhoods results in greater spending per square mile of residents, $33,493 for Central City New Markets, compared with $25,879 per square mile for non-New Markets Central Cities.

- New Market areas may also contain substantial pockets of affluence, which can be masked by median income figures. For example, a study by Shorebank/Claritas that analyzed the South Shore neighborhood in Chicago showed a median household income of only $25,100, but over 5,100 South Shore households still earn more than $50,000 annually – more households than in the highest-income Chicago neighborhood, Forest Glen, with a median household income of $65,400, but only 4,300 households earning over $50,000 annually.

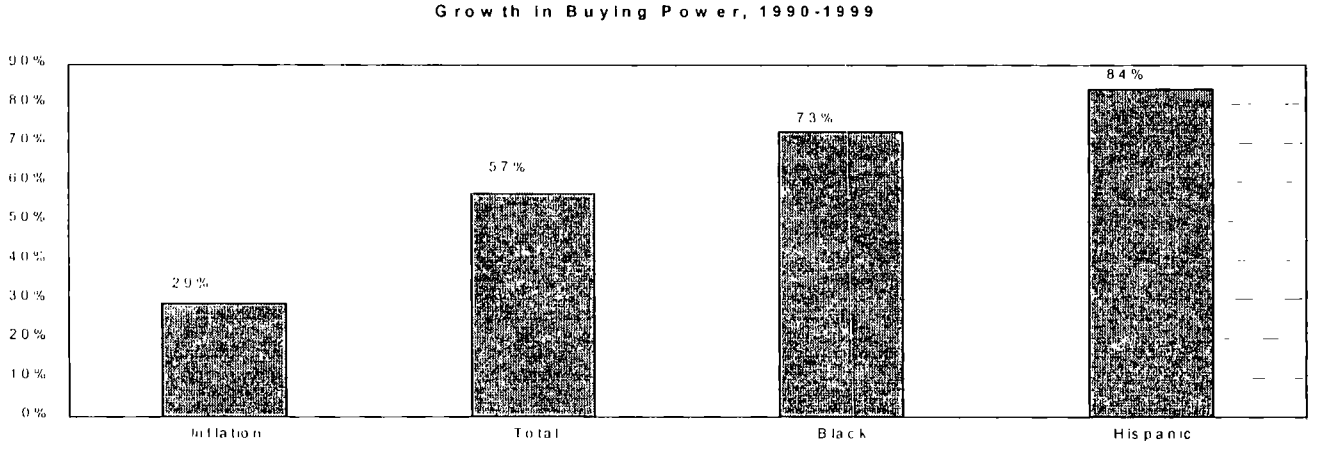
Treasury Department analysis of Bureau of Labor Statistics, Consumer Expenditure Survey, February 1997 through January 1998, plus Census Bureau calculation of square mileage for New Markets tracts. All data are from the Interview portion of the Consumer Expenditure Survey only and will not match published expenditure tables.

Income Profile:
South Shore vs. Chicago



1990 census data

- From 1990 to 1999, the buying power of the quickly growing African-American and Hispanic population segments is outpacing the buying power growth of the population at large, according to a study by the University of Georgia's Selig Center. While the total population's buying power has increased 57%, African Americans' has increased by 73% and Hispanics' has increased by 84%.



5. Success Story: The Home Mortgage Industry

Humphreys, Jeffrey M., "African-American Buying Power by Place of Residence: 1990-1999", Georgia Business and Economic Conditions, July-August 1998; Humphreys, Jeffrey M., "Hispanic Buying Power by Place of Residence: 1990-1999", Georgia Business and Economic Conditions, November-December 1998; Humphreys, Jeffrey M., "Total Buying Power by Place of Residence: 1990-1999", Georgia Business and Economic Conditions, March-April 1998.

Recently, a few industries and businesses have lead the way in demonstrating that New Markets can be served profitably. For example, since 1993, home mortgage lenders have made significant strides in serving these markets. For some lenders, complying with the Community Reinvestment Act was their original motivation to explore these markets. But now that these lenders have developed the expertise, market knowledge and experience to serve these customers, they are staying for the business opportunities. This is the same approach that a savvy business person would take with any new market.

Since 1993, access to the home mortgage market for lower-income persons, for lower-income communities and for minorities has increased dramatically compared to the market as a whole. As shown in Table 1, total conventional mortgage loans nationwide increased by 33 percent between 1993 and 1997. In contrast, loans to census tracts where the median income is less than 80 percent of the median income of the metropolitan area increased much more rapidly than the average, by 45.1 percent. Similarly, loans to African Americans and Hispanics grew by 71.6 percent and 45.4 percent, respectively, over that period, also much faster than the average.

Table 1. Conventional Home Loans, 1993-1997

	Percent change
Total U.S. Market	33.0
By race or ethnicity:	
African American	71.6
Hispanic	45.4
By income of borrower (% of MSA median):	
Less than 80	40.3
80-99	30.0
100-119	24.6
120 or more	31.7
By income of census tract:	
Low or moderate	45.1
Middle	32.0
Upper	31.5

Source: Federal Financial Institutions Examination Council, August 24, 1998.

The same pattern holds true in New Markets areas: According to a Federal Reserve analysis, from 1993 to 1997, total home mortgage loans increased 28% in Central City New Markets, and only 15 percent in Central City non-New Markets. During the same period, loan amounts have also increased in these areas, with Central City New Markets increasing 34% in loan amount, while loan amounts in Central City Non-New Markets increased 22%.

Successful lenders are making these loans profitably, and consistent with safe and sound banking practice. Banks report strong performance of loans in the low-to-moderate-income housing market. For example, Bank of America in San Franciso has profitably lent more than $10 billion as a part of its Neighborhood Advantage program—a system of low-and moderate-income home loans –to borrowers throught the United States. BankBoston lent $140 million to low- and moderate-income borrowers and found performance to be no different than in its regular mortgage portfolio. From 1996 through 1998, Chase Manhattan Bank financed the development of more than 1.6 million square feet of commercial space and the development of 20,271 units of affordable housing to benefit the stability, growth and economic expansion of lower-income communities. Chase Manhattan Bank "made these loans at market rate and found these activities to be a profitable business for Chase and the performance of these loans to be excellent." First

Cited by Secretary Robert E. Rubin, at the National Community Reinvestment Coalition Annual Conference, March 19, 1998.

"Success in Community Development Lending: 33 Examples from around the Country," The Federal Reserve Bank of Philadelphia, 1993.

Chase Community Development Success Stories, 1998.

National Bank of Chicago found that by increasing the availability of its consumer and mortgage lending products, and introducing flexible underwriting criteria, the bank's penetration in low- and moderate-income community markets grew.

"Community Reinvestment Advocates," The Federal Reserve Bank of Philadelphia, 1993, p. 19.