Press Guidance

Lowell A. Weiss
06/17/99 05:45:21 PM

Record Type: Record

To: Jonathan A. Kaplan/OPD/EOP@EOP, Lisa Green/OPD/EOP@EOP, Brian A. Barreto/OPD/EOP@EOP

cc: Stephanie A. Cutter/WHO/EOP@EOP
Subject: draft of new markets mission statement

Folks,
Loretta Ucelli asked me to draft a few paragraphs on the new markets tour to help explain the concept to press and other interested parties. Stephanie Cutter, Loretta's new deputy, can give you more details. Would you mind taking a look and giving me some feedback? (And Brian, would you pls. give a copy of this to Patrick?)

Lowell

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**New Markets Tour**

Today, America is enjoying a time of remarkable economic expansion. Because this expansion has been so strong and so sustained, the benefits of economic growth are beginning to flow into communities once choked off from the economic mainstream.

But there are still too many communities in America where unemployment is far too high and opportunity is far too scarce. That is why the President will lead a bipartisan delegation of corporate CEOs, Members of Congress, and Cabinet Secretaries through areas of our country in great need of outside capital and support.

In our inner cities, small- and medium-sized towns, rural areas, and Indian reservations, there is an $85 million consumer market that is grossly underdeveloped. There will never be a better time for America to develop this market and to shine the light of economic opportunity on communities that have been too long in the shadows. As the President has said, "If we can't do it now, when in the wide world will we ever get around to it? We must seize this moment."

The President's New Markets tour will help direct the flow of opportunity and investment into some of the most stubborn pockets of poverty in our nation. [Insert sites here] He will do so not with the big-government, one-size-fits-all approach of previous generations. Instead, he will expand on the innovative approach to community empowerment he pioneered nearly seven years ago: He will harness the entrepreneurial spirit and enlightened self-interest of the private sector.

During his four-day tour, the President will mobilize the largest and broadest array of private-sector investments in our untapped domestic markets ever announced. He will show the entire nation that these investments represent wise business decisions -- especially at this time of rapid economic growth, when firms are eagerly searching for new workers and new markets. He will also rally support for new tax incentives and investment tools that will make it even more attractive for corporate America to search for opportunities in places where they have rarely, if ever, looked before.

The new-markets approach is the right approach to keep our economy growing, with low unemployment and low inflation, in the 21st century. It is also the best way to leverage the enormous power of our current prosperity to help all Americans live up their full God-given potential.

Sarah Rosen Wartell
06/16/99 05:52:50 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc:

Subject: Washington Post Article on Cedar Rapids

--------------------- Forwarded by Sarah Rosen Wartell/OPD/EOP on 06/16/99 05:52 PM ---------------------------

**"Ventrone, Joe" <Joe.Ventrone@mail.house.gov>**
06/16/99 05:36:14 PM

Record Type: Record

To: Sarah Rosen Wartell/OPD/EOP

cc:

Subject: Washington Post Article on Cedar Rapids

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Sarah- you may want to pass on to Lisa Green. Once again, Cedar Rapids would be an ideal city to highlight for the New Markets Initiative. Norwest a huge financial institution has a presence in the community.

Top of Form 1

The Washington Post
View Related Topics
December 09, 1997, Tuesday, Final Edition
SECTION: A SECTION; Pg. A01

LENGTH: 1874 words

HEADLINE: 'Civic Entrepreneurs' Boost Declining Cities; Creative Selling, Teamwork Aid Comebacks

BYLINE: Judith Havemann, Washington Post Staff Writer

DATELINE: CEDAR RAPIDS, Iowa

BODY:

news stories

When the farm crisis hit Iowa in the early 1980s, 1,500 people moved out of

Cedar Rapids almost overnight, beginning a downward slide that was once a familiar story in urban America. Now Cedar Rapids is growing so fast it is building new schools to keep pace.

"I've been digging in this town for 35 years," said construction worker Chuck Lnenicka the other day as he maneuvered his backhoe through the muddy site where a new Catholic high school is rising. "There was a slow time, but now I don't know where all the people are coming from."

The signs of revival are not just in Cedar Rapids. From Cleveland to Denver to Detroit, an impressive collection of cities has figured out ways to attract new residents, entice new businesses and, ever so gradually, begin to turn around their fortunes.

While the problems that bedevil American cities -- concentrations of poverty, poor schools and crime -- are by no means eradicated, some unexpected places are beginning to make a comeback. Their specific methods are as varied as the cities themselves, but urban specialists see in their solutions a common theme: a desire to unite civic, business and community leaders in search of creative solutions.

It is what some scholars call "civic entrepreneurship," and it is taking form around the country. In Cleveland, a group of business, political and community leaders is being credited with redeveloping downtown and drawing in new residents. In Denver, city and suburban politicians worked with the metropolitan area business community to attract new jobs and housing to the region, agreeing not to fight each other for the same businesses. In Macon, Ga., city leaders have pulled together to use historic preservation laws to revitalize neighborhoods that once seemed on the verge of becoming ghost towns.

"In every place where we have seen some level of success, we have seen new groups step forward and find ways of working together and using the collaborative process," said John Melville, co-author of the civic entrepreneurship bible, "Grassroots Leaders for the New Economy."

The words "civic entrepreneurship" have never passed the lips of the leaders of Cedar Rapids, but they have made the city ground zero in the struggle to employ the creative techniques behind the idea. They have assembled an unusual collaboration of private corporate and civic leaders who work hand-in-glove with the city to diversify their economy, attract new jobs and lure new residents. Raising $ 1.8 million privately and anonymously, they have dispatched a paid professional staff to scour the globe for business. Many businessmen go on recruitment trips on their own dime, and with dramatic results. In the past 10 years, the city has attracted more than 90 new firms from as far away as Korea, Finland, Germany and the Netherlands to locate plants in their city.

"In the early '80s we were almost exclusively an agriculture-based industrial city," said Lee R. Clancy, the city's popular second-term mayor and former civic activist. "Then the farm crisis struck this city broadside, and we lost people, businesses and jobs. A group of business leaders said never again, and people have put aside their parochial interests for the greater good of the community. It sounds Pollyannaish, but it is true."

At a glance, Cedar Rapids is not an obvious candidate for a comeback. It has no mountains, no seashore, no warm climate and no big natural or man-made recreational amenities.

It is generally lacking in architectural distinction and its downtown smells faintly of roasting breakfast cereal, an odor that drifts over from the nearby Quaker Oats plant. Cap'n Crunch smell is a favorite.

The city's problems became acute in the 1980s, when business after business closed and laid off workers and the entire state of Iowa slipped into near depression. Jack Evans, now president of a foundation that supports local causes, remembers the day 15 years ago when a crane manufacturing plant closed on the outskirts of town.

"I don't have time and place like I do with Jack Kennedy's assassination," he said as he remembered the gravity of the day, "but I do remember the sadness." The closing emptied a 50-acre plant site and vacated three huge factory buildings almost overnight. It also wiped out thousands of blue-collar jobs that paid top wages.

Within days, Evans and other community leaders had founded the Committee of 100 and set off to try, futilely, to lure a General Motors Saturn plant to the city. Soon they realized that a more professional and systematic approach would be needed to arrest the city's slide.

They assessed their community, focusing on the positives: It had good schools, a well-educated and productive work force, little traffic, a relaxed quality of life and a low crime rate. They decided they had something to sell and looked for a way to capitalize on it.

In the world of economic development, this is step one: Know thyself.

Step two is the incentive package: assembling an economic development deal attractive enough to lure companies but not so expensive that it costs the city more money in tax incentives and other perks than it can afford to spend.

In the fierce competition for new business, Cedar Rapids's business enticement packages are judged only as "midrange" among the offers of increasingly desperate cities. Even so, they have not come cheap.

The city erected a giant new water tower to attract new business. It has built roads and constructed rail spurs. It has annexed land, pushed through changes in state law and given 5- to 10-year tax breaks to companies willing to relocate. It has moved gas lines and telephone cables and trained workers at public expense.

It also has created a climate that encouraged local entrepreneurship. A former high school teacher founded McLeodUSA, a new multimillion-dollar telecommunications company employing 1,966 workers.

"We try to develop a relationship," said Mark Seckman, vice president for the private group spearheading economic development. "If everything is equal or close, companies do business with people they feel comfortable with."

Company by company, Cedar Rapids has rebuilt its business and population base over the past 10 years.

The huge building emptied by the crane manufacturer is running three shifts a day making printing presses. Abandoned department stores have been turned into offices.

But virtually every recruit has required a daunting infusion of time and resources. Korean-owned PMX Industries Inc. and civic recruiters exchanged some two dozen visits before the company agreed to locate a $ 300 million copper and brass recycling plant in the city.

Arrangements have been made to give 10-year tax breaks, construct a rail spur, provide job training, offer a grant to buy equipment and change the name of the street to the English translation of the Korean owner's name. Finally, the chief executive of PMX's parent company, Poongsan Metal Corp., flew in to choose among the competing U.S. cities, all of which had offered similar, or better, incentive packages.

The civic group threw a dinner at Brucemoor, a National Trust-owned mansion in the center of the city. The mayor and the city's leading businessmen were on hand as the CEO, a garden lover, was guided through Brucemoor's 26 acres of Victorian flowers. After dinner, he was toasted in Korean and English and presented with gifts. The first, a large ginseng root widely believed to be an aphrodisiac, was admired and passed around. The second was something more rare: a bear's gall bladder, also an aphrodisiac, but more potent. That went into his pocket. Moments later, he told his staff to cancel his visits to the other finalists. Cedar Rapids had won.

City officials believe to this day that it was attention to detail, the high-level turnout, the garden tour and the unusual and culturally meaningful gifts that cinched the deal.

"When he dropped that gall bladder into his pocket, I knew he was coming," said Evans.

Early last year, the group opened its mail to find two anonymous questionnaires about the quality of life in Cedar Rapids. Only later did they learn that the surveys came from Nordstrom, the upscale Seattle retailer looking for a new site for its Memphis catalogue distribution center.

The city promised Nordstrom a new road, water, sewer and electrical connections, a leveled-off site and rezoning to help make the deal work. Officials also offered to set up a temporary taxing district that would allow the retailer to pay for the costs of improvements with its first few years of taxes. Nordstrom needed all these things accomplished in five months, and it wanted the city to help get about 35 Nordstrom employees to move from Memphis to Iowa.

So, earlier this year, Cedar Rapids asked the city's African-American Society to host another dinner to persuade Nordstrom's Memphis employees to move. They arrived by bus for the weekend. Julie Stow, 32, California-born and single, is the company's human resources director, and she said her family thought she was crazy to consider uprooting for Iowa.

It was the dinner that sold her. The City Wide Youth Choir sang, a minister whose real name is Elvis Presley gave the invocation, and Stow, who is white, turned to her friend Margaret Oats, who is black, and said, "Do you notice something that never happens in Memphis? Everyone is mixing."

For all their efforts at diversity and development, Cedar Rapids is never going to have the pizzazz of San Francisco, or even the lure of Minneapolis. Although it does support a national-class symphony and an acclaimed regional art museum, many of its young people still head elsewhere the minute they earn college degrees.

There are also scholars at Iowa State University who are concerned that the city's very success in building new industries on old cornfields will eventually create serious problems of urban sprawl.

That may happen, but it seems not to worry too many residents, or too many others following the city's success.

"I know the Cedar Rapids people," said Jeffrey A. Finkle, executive director of the National Council for Urban Economic Development. "They don't operate in the amateur league on economic development."

CITIES ON THE REBOUND

These cities are among those that have slowed down their population losses in recent years:

City 1996 Percentage Percentage

change change

population 1980-90 1990-96

Cleveland 498,246 -11.9 -1.5

Detroit 1,000,272 -14.6 -2.7

These cities have turned a loss into a gain:

Denver 497,890 -5.1 6.5

Kansas City, Mo. 441,259 -2.9 1.5

Atlanta 401,907 -7.3 2.0

Mobile, Ala. 202,581 -2.1 3.2

Yonkers, N.Y. 190,316 -3.7 1.2

Salt Lake City 172,575 -1.9 7.9

Fort Lauderdale, Fla. 151,805 -2.5 1.7

Rockford, Ill. 143,531 -0.2 1.2

Cedar Rapids,Iowa 113,482 -1.4 4.3

Macon, Ga. 113,352 -8.8 5.6

SOURCE: Census Bureau

GRAPHIC: Chart, robert dorrell; Photo, photodisc; Photo, chris stewart for The Washington Post, Kansas City reversed its population losses. Construction worker Chuck Lnenicka digs at site of new high school, a sign of urban revival in Cedar Rapids, Iowa. "There was a slow time, but now I don't know where all the people are coming from," he said.

# From the Desk of...
# Jacquie Lawing

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# Fax

To: LISA GREEN

Fax: 456-2223 Pages: ~~2~~ 4

Phone: Date: 6/14/99

Re:

♦ Urgent ♦ For Review ♦ Please Comment ♦ Please Reply ♦ Please Recycle

••• Comments:

News Stories

THE CHICAGO REPORTER

Investigative reporting on race and poverty in Chicago since 1972

December, 1998

Follow-up

# U.S. Officials Spar Over Chicago's Zone Audit

By Nicolette L. McDavid

See also:

Links to related sites

Federal officials are at odds over whether the city of Chicago should reimburse the government for $1.6 million in misappropriated Empowerment Zone funds, *The Chicago Reporter* has learned.

In an audit released Oct. 15, the U.S. Department of Housing and Urban Development's Midwest District Inspector General found that Chicago inappropriately spent $1.6 million on nine projects and did not properly document whether an additional $241,602 had benefited zone residents.

But another HUD official takes a different view. The audit "overstated the problems that exist within the zone," said Dennis Kane, coordinator of the Empowerment Zone/Enterprise Community Initiative at HUD's Office of Community Planning and Development, which oversees zones nationwide.

Kane and other federal officials are now reviewing Chicago's audit, along with those in Detroit, Philadelphia and Atlanta. By mid-February, they will decide whether Chicago's audit results are valid and whether it must reimburse HUD for misspent funds, Kane said.

But "we do not feel that we have to pay back the government," said Lawrence J. Gorski, special assistant to Mayor Richard M. Daley and new chairman of the Empowerment Zone/Enterprise Community Coordinating Council. "The auditors were being far too restrictive," he said.

The audit identified nine groups, including the Mexican Fine Arts Center Museum, 1852 W. 19th St. Auditors said the museum either spent $650,834 of its $2.8 million grant on jobs and programs that did not benefit zone residents or could not document that funds were spent on residents.

Carlos Tortolero, the museum's executive director, said he is caught in the middle of a fight between the city and the federal government.

"My contract is with the city, so I have to make the city happy, and the city has to make the feds happy," he said.

The audit already may have had some effect. On Nov. 9, after 18 months as the zone's director-special assistant, Avery L. Goodrich Jr. became the second person to resign from the position. Goodrich would not comment. He was replaced by Ronald Carter, director of economic development at the Chicago Housing Authority since 1995. Before that, Carter worked for HUD and other government agencies.

A June 1997 investigation by the Reporter revealed that the $100 million in Empowerment Zone grants created only 283 full-time jobs and that members of the zone council were awarding money to themselves and their friends.

Sixteen months later, a Reporter story found that the city could not document how many new jobs had been created and that the federal government was auditing Chicago's program.

As of mid-November, the Chicago City Council still had not disbursed $39.3 million of the $51.1 million in grants awarded in the program's first round. Gorski said the zone council has not yet decided when to request new proposals.

James W. Payne, 68, is a board member of the Kenwood Oakland Community Organization, a Chicago non-profit. He helped shape the city's Empowerment Zone application. "It started out wrong from day one, and this audit shows that it is doomed for failure," he said. "It was supposed to be a bottom-up program of reinventing government."

For more information on Empowerment Zones, visit the following web sites:

The Chicago's Department of Planning

The U.S. Department of Housing and Urban Development

The complete HUD audit of the Chicago Empowerment Zone

The Chicago Reporter's Oct. 1998 "Chicago Spending Scrutinized HUD Auditing Empowerment Zone."

Home

The New York Times

May 24, 1999, Monday, Late Edition - Final

SECTION: Section A; Page 1; Column 2; Metropolitan Desk

LENGTH: 1942 words

HEADLINE: Thin Support and Red Tape Mire New York City Development Zone

BYLINE: By AMY WALDMAN

BODY:

Nearly five years after the Clinton Administration chose parts of upper Manhattan and the South Bronx as a special target for economic development, the project has ground to a virtual halt, with millions of dollars going unused.

The creation of an "empowerment zone" in the South Bronx, Washington Heights and Harlem, heralded as one of the city's most important urban-renewal efforts in years, has been paralyzed by a cumbersome approval process and spotty support from state and city officials, zone and local officials say. They say the problems are discouraging businesses from working with the zone and may make future administrations reluctant to invest in New York's inner city.

"I think it has wonderful potential," said the Rev. Calvin O. Butts 3d, pastor of Abyssinian Baptist Church and a leader in Harlem, where most of the zone lies. "I can't see a lot of what they've done."

When the Federal Government began the program in 1994, it promised New York and six other cities $100 million each over 10 years for loans, grants and job training, plus $250 million each in tax incentives for companies that set up in the zone.. To help win the competitive designation, New York City and State each promised to contribute $100 million, for a total of $300 million.

But nearly halfway into the five-year program, just over $26 million has been spent on projects, plus $9 million in administrative costs. The process is so slow that city officials say they have spent no money for the zone this fiscal year, which began last June 30.

While the city can rebudget its own funds, it will lose the state and Federal contributions if it does not spend them within the 10-year limit.

Curiously, the program has stagnated even as Harlem and the South Bronx are on the upswing -- a turn credited to a strong economy and to community development organizations that have rehabilitated housing and lured back retail business and private investment. Major zone officials, showing unusual candor about the program's difficulties, said that such renewed interest by private enterprise makes the zone's situation especially troubling.

"We'd better get on with investing this money to meet the business cycle that's here today, or we're going to lose it," said Deborah C. Wright, the president of the Upper Manhattan Empowerment Zone, the local development corporation that manages the project for Harlem and Washington Heights. Ms. Wright is leaving her post next week.

The pool of money has been frozen largely because each proposal requires the approval of officials in three levels of government, whose views often differ. And memories of past urban-renewal programs -- in which buckets of money seemingly disappeared down a black hole -- have resulted in what some say is almost paralyzing caution this time.

Zone officials attribute many delays to Rudy Washington, the Deputy Mayor for Community Development and Business Services, who holds the city's seat on the New York Empowerment Zone's board and has begun demanding the right to approve every loan or grant personally.

Some officials say they wonder if the city's caution masks its reluctance to spend millions of dollars on neighborhoods that promise little political capital for a Mayor considering a run for higher office.

"There's been times we've scratched our heads and asked each other, does the city want this to fail?" said one official, who spoke on the condition of anonymity for fear of jeopardizing neighborhood projects.

But Mr. Washington said that that was not the case, and that he was simply being careful with taxpayer dollars.

In Harlem, Layers Of Complex Politics

In Harlem, the picture is complicated by complex and sometimes volatile politics -- the layers of Congress and Council members, the different generations and classes, and the competing ethnic and immigrant groups all vying for a piece of the pie.

"I've talked to entrepreneurs trying to do things and I tell them to contact the empowerment zone," said Richard D. Parsons, the chairman of the Upper Manhattan Empowerment Zone. "They say, 'God save me from the empowerment zone -- you get bogged down in all that political foolishness.' "

When the zones were awarded in 1994, New York alone received matching public money from the city and state. Pressed to show that the zones had local support, the six other cities -- Chicago, Detroit, Baltimore, Camden-Philadelphia (jointly) and Atlanta -- instead turned mostly to private investment.

They, too, have had problems with bureaucracy and politics and are spending the Federal money at a similar rate. Among them, according to Federal figures, Baltimore has spent $18 million and Chicago $13 million, compared with $10.4 million in New York.

But Federal officials say it is private investment that best measures a zone's success. For example, Detroit's zone, which Federal officials rank as one of the most effective, has spent about as much Federal money as New York. But a consortium of banks there has also invested $1 billion in the zone, keeping a promise it made to help the city win the designation. The auto industry there has also played an active role.

New York has leveraged far less private investment. Its most visible effort is an $11.9 million loan to the developer of Harlem USA, a mall rising on 125th Street that will create 500 jobs and bring stores like Disney and HMV Records to Harlem.

Because of a lack of data, it is unclear to what extent businesses in any of the nation's zones are using the tax credits. Zone officials in New York say that some bigger businesses have taken advantage of them, but that smaller businesses have had a hard time maneuvering through the complicated paperwork.

Andrew M. Cuomo, the Secretary of Housing and Urban Development, who championed the empowerment zones as an assistant secretary, said he was pleased with the rate of spending, pointing out that more projects have been approved but not yet financed. He said he expected the pace to pick up in the next few years.

New York's empowerment zone had difficulties from the start. The Democratic Mayor and Governor who supported it were voted out of office, and the Republicans who succeeded them had to be sold on its merits. Now, with a Democratic President and a Republican Governor and Mayor who are often at odds with him and with each other, the zone's overseers sometimes resemble a quarrelsome family.

"I think we could do a little better," said Charles A. Gargano, the state's Commissioner of Economic Development and chairman of the zone's board. "I think we have done a good job, but I think we could move quicker."

When the program was set up, two local development corporations were designated to work with the community and determine what its priorities should be. The corporations would be overseen by a board that would include Federal, state and city officials. The board would need to sign off on each project, but would stay out of day-to-day affairs. Such was the vision.

"The promise of being a one-stop shop -- of being one place where people could come and negotiate help with red tape at the city, state and Federal levels -- that hasn't happened," Ms. Wright said.

Among the upper Manhattan projects that have been financed are a small-business loan fund and a loan to a video duplication factory. But most of the projects the city has delayed have been in upper Manhattan, where five-sixths of the money is to go. Because the area is mostly residential, officials decided that promoting tourism in Harlem -- the destination most requested by European tourists in New York -- offered the best potential for economic development.

But the initiative has instead become a working example of the system's failings, so much so that Mr. Parsons, who is also the president of Time Warner Inc., recently met with the Mayor to discuss the delays.

A year ago, for example, the upper Manhattan zone approved some $4 million in historic preservation funds for aging churches and other buildings that can help draw tourists. The state also endorsed the initiative.

Balking at Project To Restore Churches

But Mr. Washington balked at the project, calling such initiatives disguised subsidies. He finally gave the go-ahead earlier this month -- on the condition that he approve each church receiving funds. The paperwork for this project, like others, will then have to pass through numerous state and city agencies before a dollar is ever spent, a process that can drag on for a year.

Mr. Washington, whose relationship with Ms. Wright is visibly tense, said the upper Manhattan zone had supplied him with inadequate information about projects, and he said he canceled the board's quarterly meeting in February for that reason. The board met earlier this month, for the first time in six months.

"If we have no procedures in place and turn money willy-nilly over to the local development corporations and just pray it's invested right, rest assured that five years from now The New York Times and Daily News and Post will be saying, 'What happened to this money?' " Mr. Washington said.

Mr. Washington also said that zone officials were pushing too many social service programs, like day care, even though the Mayor was adamant that the money should support economic development only.

But even in the South Bronx, Jose Ithier, the president of the Bronx Overall Economic Development Corporation, said projects had seen delays. In one case, he has tried to get a jobs center at the Mott Haven library approved for months. First, he met resistance because the library is a block outside the zone, though it is the closest for most zone residents. Then, he said, city officials accused him of trying to do an end run around city budget cuts to libraries.

The South Bronx part of the zone has also been hampered by its geographic boundaries. It was gerrymandered to include the Yankee Stadium area, and exclude some of the poorest neighborhoods, partly because United States Representative Charles B. Rangel, who wrote the empowerment zone legislation and sits on the New York zone's board, wanted Harlem to reap most of the benefits, and partly because at the time, it was seen as a way to help keep the Yankees in the Bronx. As a result, the South Bronx part of the zone has a population of just 33,000, and businesses and job-training programs there are struggling to find enough zone residents to fill their available slots.

In many ways, the rebirth of Harlem and the South Bronx sometimes seems to be passing the zone by. Stores like Pathmark and Sterling Optical have moved there without zone money, although with other government funds.

At the same time, the zone has come to embody the fears of some Harlem residents. Some local leaders and small businesses resent Harlem USA, and blame the zone for encouraging gentrification. Others say they worry that Hispanic residents of upper Manhattan are getting short shrift.

Placating all these groups has become a significant part of the zone's work and it may in part have precipitated Ms. Wright's departure. While she says she has long wanted her new job as president and chief executive of Carver Bancorp in Harlem -- the nation's largest bank controlled by blacks -- she has voiced frustration with the politics in Harlem and on the board.

Mr. Parsons said her departure would slow the process -- but not disastrously, he hoped.

If the zones, with their focus on economic development, do not succeed where the Great Society programs of the Lyndon Johnson Administration failed, he said, "no one's got any other ideas."

GRAPHIC: Photos: Deborah C. Wright, president of the Upper Manhattan Empowerment Zone, said, "We'd better get on with investing this money to meet the business cycle that's here today, or we're going to lose it." (Librado Romero/The New York Times); Deputy Mayor Rudy Washington says he is safeguarding tax dollars. (Ozier Muhammad/The New York Times)(pg. B5)

Map of the Bronx and Harlem highlighting the Empowerment zone: Halfway into a plan's 10-year life, little money available for Manhattan and the Bronx has been spent. (pg. A1)

LANGUAGE: ENGLISH

LOAD-DATE: May 24, 1999

The Virginian-Pilot (Norfolk, VA)

May 25, 1999, Tuesday, FINAL EDITION

SECTION: FRONT, Pg. A5

LENGTH: 486 words

HEADLINE: MUCH OF THE MONEY THAT'S MEANT FOR EMPOWERMENT AID IS UNSPENT; CUMBERSOME APPROVAL PROCESS AND SPOTTY SUPPORT HAMPERS NEW YORK

BYLINE: STAFF AND WIRE REPORTS

DATELINE: NEW YORK

BODY:

Nearly five years after the Clinton administration chose parts of Upper Manhattan and the South Bronx as a special target for economic development, the project has ground to a virtual halt, with millions of dollars going unused. Federal money is being spent at a similar rate in the six other cities - Chicago, Detroit, Baltimore, Camden, N.J., Philadelphia and Atlanta.

The creation of an ''empowerment zone'' in New York's South Bronx, Washington Heights and Harlem, heralded as one of the city's most important urban-renewal efforts in years, has been paralyzed by a cumbersome approval process and spotty support from state and city officials, zone and local officials say.

They say the problems are discouraging businesses from working with the zone and may make future administrations reluctant to invest in New York's inner city.

When the zones were awarded in 1994, New York alone received matching public money from the city and state. Pressed to show that the zones had local support, the six other cities instead turned mostly to private investment.

They, too, have had problems with bureaucracy and politics. Among them, according to federal figures, Baltimore has spent $ 18 million and Chicago $ 13 million, compared with $ 10.4 million in New York.

Norfolk and Portsmouth earlier this year joined the list of urban cities that have earned one of the federal empowerment zone designations. They filed a joint application that encompasses about two dozen of their most impoverished neighborhoods.

The sister cities are in the process of forming a board to oversee the program and have yet to receive any money.

Because of the large amount of dollars involved, politics has intruded locally as well, primarily over concerns voiced by African Americans that they be involved in deciding how the empowerment zone money is spent.

Much of Norfolk and Portsmouth's plan, besides stressing education and job training, involves attracting private business investment to create jobs within the zone.

While the two cities hope to receive up to a combined $ 10 million a year for the next 10 years, Congress so far has allocated only $ 3 million for the first year. The mayors are lobbying Congress for more money.

''I think it's so important to get measurable results so there is a good feeling for how the money is used,'' said Andrea Bear, the Norfolk Redevelopment and Housing Authority's assistant executive director for administration.

But federal officials say it is private investment that best measures a zone's success. Detroit's zone, for example, which federal officials rank as one of the most effective, has spent about as much federal government money as New York. But a consortium of banks there has also invested $ 1 billion in the zone, keeping a promise it made to help the city win the designation. The auto industry there has also played an active role.

GRAPHIC: Graphic;
WHAT IT MEANS TO YOU;
Norfolk and Portsmouth jointly have earned an empowerment zone designation. They hope to receive a combined $ 10 million a year for the next 10 years. But politics has slowed the process here, just as in other cities.

LOAD-DATE: May 27, 1999

April 6, 1999, Tuesday CONSTITUTION EDITION

SECTION: News; Pg. 2B

LENGTH: 467 words

SERIES: Metro

HEADLINE: Investigators critical of Empowerment Zone;
No follow-up: $ 1.1 million payback to investors ordered, held up by negotiations.

BYLINE: Alfred Charles, Julia Malone, Staff

BODY:
The investigative arm of the U.S. Department of Housing and Urban Development has recommended that the agency review the progress of the Atlanta Empowerment Zone and three other big city zones after federal administrators failed to follow up on shortcomings cited six months ago.

A report issued last week by the HUD inspector general said the federal housing agency has not established "adequate controls" over the zones to ensure that they are making progress.

But Joseph Reid, executive director of the Atlanta zone, said Monday that his agency is moving forward despite some past missteps.

"We are making progress," he said. "And doing what the zone was designed to do."

The Clinton White House created the zones in 1994 as an attempt to seed economic development by using $ 250 million in federal cash grants and tax breaks which were to be awarded over a 10-year period.

The zones were awarded to Atlanta, Chicago, Baltimore, Detroit, New York and Philadelphia during a first round. Late last year, the Clinton administration awarded a new round of zone designations, which included Crisp and Dooly counties in southwest Georgia.

In October, HUD's inspector general completed an audit of the zones in Atlanta, Chicago, Detroit and Philadelphia during a comprehensive assessment of their progress. In that report, the Atlanta zone was ordered to repay $ 1. 1 million the investigators said was misspent.

The auditors concluded that the money should be repaid because it was used to serve residents who did not live in the empowerment zone.

Reid said Monday that his agency has not repaid the money and is negotiating with federal regulators over the findings. "We're trying to resolve the concerns they raised," he said.

The newest inspector general report criticizes HUD administrators for failing to monitor the zones despite the investigations that found flaws last year.

''If the cities are found not making the necessary progress, then HUD should issue warning letters to the cities based upon the lack of progress as required,'' the report said.

The inspector general report said that HUD administrators in Washington were so ''busy planning for the second round of zone designations'' that HUD declined to assess problems at the four earlier sites.

A spokeswoman at the HUD office in Atlanta could not be reached for comment late Monday.

U.S. housing officials strenuously disputed the inspector general's findings, saying they ''smacked of nitpicking'' and arguing that they are based on a ''fundamental misunderstanding of the design and purposes'' of the empowerment zone program.

Also, housing officials said they have contacted the four cities, offering reassurances that if the cities can justify the spending, they will not have to return the funds.

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Cox News Service

April 5, 1999

SECTION: Washington - general news

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HEADLINE: HUD CHASTISED FOR EMPOWERMENT ZONES EDS: Deletes 8th graf and subs comment from HUD spokesman.

BYLINE: JULIA MALONE

DATELINE: WASHINGTON

BODY:
Months after a federal audit criticized Atlanta and three other cities for major flaws in their ''empowerment zones,'' an internal report says the U. S. Department of Housing and Urban Development failed to exert ''adequate controls'' over the program.

HUD has yet to assess 1997 findings of misspent dollars in the program, said an audit issued last week by the department's inspector general. The concept of empowerment zones, which use grants and tax breaks to boost the economies of low-income neighborhoods, has become one of the most visible anti-poverty initiatives of the Clinton administration.

President Clinton late last year ordered an expansion of the five-year-old program to 15 additional urban neighborhoods and five rural areas.

The inspector general report said that the empowerment zone staff was so " busy planning for the second round of Zone designations" that HUD declined to assess problems at the four earlier sites.

An audit released last fall concluded that four cities were making "little or no progress" in carrying out their strategic plans for empowerment zones, or that their programs did not always benefit the targeted residents.

That report recommended that the Atlanta program repay $1.1 million in grants for activities such as relocating businesses from other locations in the city. Chicago, Detroit and Philadelphia also have been asked to return some of their funds.

The new report called on HUD to review progress of the four cities. "If the Cities are found not making the necessary progress, then HUD should issue warning letters to the Cities based upon the lack of progress as required," it said.

HUD spokesman Peter Ragone said late Monday: "We strongly disagree with the IG's allegations of misspending which, even by their own admission amounts to less than one percent of funding in the four empowerment zones."

Further, housing officials said they have contacted the four cities, offering reassurances that if the cities can justify the spending, they will not have

Insight on the News

March 15, 1999, Monday

SECTION: COVER STORY; Pg. 10

LENGTH: 2514 words

HEADLINE: Bill's EZ Money

BYLINE: Sean Paige; INSIGHT

BODY:

SUMMARY: The federal Empowerment Zone program is supposed to revitalize urban areas. Critics say it's another spending program that only treats the symptoms of decay.

TEXT: President Clinton's propensity to play both sides of almost every issue has served him well politically, buttressing the perception that he is the centrist New Democrat he purports to be. But having it both ways may not work similar wonders when it comes to making public policy.

This problem has been raised by the rapidly expanding federal Empowerment Zone, or EZ, program - a showcase for Clinton-Gore urban policy that attempts to marry Jack Kemp's low-tax, government-lite Enterprise Zones (an import from England, where they were tried by former prime minister Margaret Thatcher) with Lyndon Johnson's free-spending, government-heavy Great Society. Critics say the program fails to deliver on either count.

In extolling its virtues, EZ enthusiasts point to the bottom-up emphasis on working with grass-roots groups; a positive focus that builds on assets already in communities, rather than tearing everything down to start over; an outcome-based approach that begins with a strategic plan and attempts to follow through using measurable benchmarks; and the wise use of scarce resources to leverage a claimed $9 billion in private-sector investment. The program's embrace of area business as an ally also is a departure from the old ways of thinking, advocates say, and the sums of federal money involved are modest when compared to the heyday of the Great Society.

Yet critics contend urban empowerment zones are a bland, largely unimaginative stew of half-measures and stale tactics that lack large enough tax incentives to nourish businesses, but with just enough social spending to treat symptoms without providing cures. In a halfhearted attempt to do everything at once, the EZ programs do nothing well enough to have anything more than a marginal impact, detractors argue, a shortcoming camouflaged by a booming national economy.

"What's been produced is a hybrid with some tax elements and a heavy dose of the Clinton administration's we-know-what's-best-for-these-areas approach," says the Heritage Foundation's Stuart Butler, widely seen as the godfather of the American EZs because of his role in importing the idea from Great Britain. Instead of putting the focus on creating an environment for economic growth, says Butler, Clinton's zones are a "mixed bag" that have "more and more emphasized the pumping in of resources, making these areas more dependent on government resources rather than less."

But the emphasis on economic factors alone may be too simplistic, according to Professor Michael Bennett, executive director of the Egan Urban Center at DePaul University in Chicago. "What we know now is that the market isn't blind and that there is this thing called racism, and there are negative perceptions that have to be overcome" about economically depressed urban areas, says Bennett. "One of the objectives of EZ was trying to intervene where the market has been affected by negative discrimination."

While such debates rage, however, doubts linger about the program's actual impact in cities where it has been road tested - New York, Detroit, Chicago, Atlanta, Philadelphia, Los Angeles, Cleveland and Baltimore, all Democratic Party strongholds. Each received a block grant of $100 million to be used over 10 years, plus several billion dollars in bonding authority and tax breaks. Nonetheless, the Clinton administration is forging ahead with a dramatic expansion of the concept. Vice President Gore in January announced the designation of 20 new empowerment zones, collectively eligible to receive nearly $4 billion in federal grants and benefits, building expectations well before the funding from Congress has been secured.

"These zones do exactly what their name says," declared Gore, who has a huge political stake in a policy that promises to pour billions of dollars into the Democratic core constituency. "They empower people willing to work hard to improve their communities, improve their lives and build better futures for their children."

That's administration boilerplate; but there is a different reality behind the buzz words.

Although EZs purport to empower people from the bottom up, most of the money trickles into participating communities from the top down, and not without strings. Typical of other federal programs, everybody wants a piece of the action. Although the grant money is allocated through the Department of Health and Human Services, for instance, urban EZs are administered by the Department of Housing and Urban Development, or HUD, and rural EZs are the responsibility of the Department of Agriculture. Grant monies are held by the states, then dispersed to each city's empowerment office on an as-needed basis. For the most part, city empowerment "corporations" are actual or de facto appendages of the mayor's office, sometimes becoming an extension of his or her political machine - a development which hasn't been received well by community groups that were promised a more direct hand in the program.

These political and bureaucratic entanglements, combined with the slow pace of visible results as the zones were getting up and running, have spawned impatience in communities whose expectations were raised by administration hyperbole and overpromising. "I think the biggest problem with the program is that it was grossly oversold," says Professor Wim Wiewel, dean of the college of urban planning and public affairs at the University of Illinois at Chicago. "It can never in a thousand years live up to expectations and it has soured people because it hasn't lived up to those expectations," says Wiewel, citing growing frustration with the idea in New York and Chicago.

The laborious process of drafting the strategic plans required to win federal designation for the EZs required "a powerful act of collaboration" among city officials, community groups and the private sector, says Wiewel. "But when the awards were made, the mayors' offices took control of them, which the communities thought was a deviation from what they'd been led to believe. But in reality they have to work with city governments," Wiewel says of the community groups. "And a Democrat White House can't go around Democrat mayors, either."

"I think there is a distinction between facilitating, coordinating and dictating," another academic says of the tensions between city governments and community groups spawned by EZ. "And somehow along the way we got to the dictating part."

Also typical of large government programs is the bewildering array of labels affixed to empowerment projects, reflecting the triumph of political marketing that began when American politicians started packaging and selling their programs like laundry soap. In addition to Urban Empowerment Zones and Rural Empowerment Zones, the administration also has established Supplemental Enterprise Zones, Enterprise Communities, Enhanced Empowerment Communities and Strategic Planning Communities. These differ from one another only in mysterious and often indistinct ways, suggesting the administration's unwillingness to say no to large Democratic constituencies.

"Aside from public-relations value, these HUD designations had no programmatic meaning or statutory basis," says a 1995 critique of the first-round designation process by HUD's inspector general, or IG. The memo, obtained by Insight, strongly suggests that politics intruded into a supposedly fair, merit-based selection process. The approach used by HUD in making zone designations "did not provide reasonable assurance that the best eligible applicants were selected," the IG reported. Several strong candidates for designation were passed over in favor of weaker choices, according to the memo, based on the subjective judgment of then-HUD secretary Henry Cisneros, following the advice of current HUD secretary Andrew Cuomo, who was assistant secretary for community planning and development under Cisneros. In spite of an exhaustive, five-month designation process in which candidates were carefully rated based on their strategic plans, Cisneros, on the advice of Cuomo (who declined to be interviewed for this story), disregarded the process in making more than a dozen EZ community designations.

Also, instead of winnowing the empowerment-zone finalists to six, as originally planned, Cisneros and Cuomo, relying on their "personal knowledge" and citing the need for "geographic diversity" in the designation process, unilaterally created two Supplemental Enterprise Zones in Los Angeles and Cleveland, which together received more than $200 million in grant money. To scrounge up the $350 million he needed to bankroll the additional designations, Cisneros turned to the Senate Appropriations Committee with jurisdiction over HUD - at the time, controlled by Democrats - which provided the money just weeks before Republicans took power.

And there are more practical reasons for despair at the program's prospects. Each EZ is uniquely configured to suit its city, and each faces its own array of challenges, but most have been plagued by mission confusion, mismanagement and poor oversight by the cities, according to audits conducted by HUD's IG. Hundreds of thousands of dollars targeted for use within the zones have gone to benefit nonzone projects and people, according to the reports. Moreover, the zones grossly have overstated their accomplishments to HUD, as well as the level of private funding that supposedly is being leveraged.

A partial audit of Philadelphia's EZ found that more than $100,000 spent by the zone did not benefit zone residents and that the city vastly oversold its accomplishments to HUD headquarters in Washington. One zone initiative, the Youth Landscape Training Program, reported to HUD that it used $40,000 in federal money to provide 40 young people with environmental training - a claim it nonetheless could not prove to government auditors. In another case, the city reported to HUD that 500 parents had attended a child-care conference paid for in part with $30,000 in empowerment-zone money, when records show that just 55 attended. The city also reported to HUD that $83,000 in empowerment funds had been used for lead-paint abatement in 800 zone households, when records show that only one zone house received such services. In fact, the city incorrectly reported the status of 10 of 12 empowerment activities reviewed, according to the IG.

A partial audit of the EZ in Chicago - where the mayor's office seemed to view the program as just another pot of federal money to be used at hizzoner's discretion - showed that at least $800,000 in zone funds benefited nonzone residents, that more than $1 million had been spent for undocumented purposes and that 15 projects which received empowerment funds were not even located in the zone.

These and similar problems have led to numerous reorganizations of empowerment offices. Several cities have fired program managers and had to start from scratch, putting them further behind the eight ball. In Atlanta - where $500,000 in zone funds were used to move a business located elsewhere in the city into the zone, and $8,000 was spent assisting an individual who worked for the zone in purchasing a home that was outside of the zone - the executive director in four years ran through most of the administrative funds that were supposed to last a decade. Royally embarrassed, the mayor purged the staff, fired the director and reopened the office using city workers. Many empowerment-zone offices, it turns out, are partially staffed with people on "loan" from the city.

Joseph Reid, executive director of the Atlanta Empowerment Zone Corp. since last summer, said that the program there suffered under his predecessor because of a disconnection between it and community groups, a breakdown in communication that has plagued other zones. "Historically, these community groups have used protest methodologies to ensure their concerns are heard, but all of a sudden they find themselves at the table and it's hard to change that modality," explains Reid. "When you're at the table you've got to negotiate and compromise." The continuing confrontationalism of community groups frustrated city officials and turned off private-sector collaborators, said Reid, whose efforts to make up for lost time have included expenditure of $46 million in zone funds since last summer.

Fortunately, however, at least one federal empowerment zone seems to be doing something right. And the reasons why may be instructive.

Widely recognized as a model of what an empowerment zone can be, the Baltimore EZ is notable - and perhaps more successful than some others - because City Hall has encouraged its independence, according to zone Executive Director Diane Bell, who credits Baltimore Democratic Mayor Curt Schmoke for being "trusting" enough to take an interested, but relatively hands-off, approach.

"He has confidence enough not to be directly involved," she says of Schmoke.

Baltimore also has effectively built on its existing strengths, using islands of activity within the city to "anchor" its three separate zone districts. One of three city zones, for instance, is anchored by the area surrounding Johns Hopkins University; another by the Fells Point neighborhood, an old warehouse district that long has been a popular spot for pub-crawling but is experiencing rapid gentrification. The EZ also has been relatively successful in reaching out to the grass roots, establishing 13 satellite "village centers" that deliver its services directly to the neighborhoods. And Bell genuinely seems to see her 30-person board of directors, half of whom come from the community, and 50-member advisory council as sources of strength and cooperation rather than frustration.

She personally communicates a bottom-line pragmatism that puts the emphasis on creating new businesses and jobs. "We don't see ourselves as the touchers; we are the facilitators," says Bell, who speaks of seeking "sustainable" private/public/community alliances. "Rather than people having a relationship with us," Bell says, Baltimore's EZ is focused on creating connections between all interested parties that will live on "after we disappear." Baltimore's EZ is "focused on jobs and getting people ready for jobs," says Bell, whose philosophy is that "you can make any deal work when you find where the common agenda crosses over for everyone."

Finally, there is the leadership of Bell herself, who seems to guide the effort with a sense of urgency, energized by the idea that the 10-year time clock is running out on the city's EZ experiment. "We recognized from the beginning that we were not going to be here forever," Bell tells Insight.

With that kind of spirit, maybe there is hope for this government program after all.

GRAPHIC: Photo (color), A) Baltimore's Bell: EZ executive director focuses on bottom line - new jobs.; B) Is it working? In Baltimore, businesses are providing targeted job-training.; C) Cuomo: HUD memo indicates secretary helped politicize EZ selection., A&B) By Aretha White/Baltimore Business Journal; C) By HUD

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HEADLINE: Legends of the Sprawl;
Liberals have a new scapegoat for their urban failures: suburban growth

BYLINE: By Steven Hayward; Steven Hayward, a Bradley Fellow at The Heritage Foundation, is the author of Churchill on Leadership (Prima Publishing).

BODY:

The remarkable thing about liberal urban policy in Washington these days is not its ambition, but its conspicuous lack of it. A case in point is the Clinton administration's second annual State of the Cities report, recently released by the U.S. Department of Housing and Urban Development (HUD). Beyond the self-congratulatory references to President Clinton and Vice President Al Gore, the substance of the report reflects the timidity of liberal policy-makers.

On the one hand, the report details the good news about major cities: employment is rising, poverty and crime are down, and most cities are fiscally sound. A 1997 survey found that 85 percent of mayors rated the health of their cities at seven or higher on a scale of one to 10, a sign that can-do optimism has taken hold in city halls throughout the country. On the other hand, older central cities still face a set of problems that threaten to grow worse: Poverty is overwhelmingly concentrated in inner cities, urban schools are abysmal, and jobs and population continue to migrate to the suburbs. These "structural challenges," the HUD report warns, "could eventually undermine the long-term success of urban America."

So what does HUD propose to solve these problems? More zoning. No, not the usual regulatory kind, but "empowerment zones" that target distressed urban areas with modest tax breaks and federal investment for retaining and creating, businesses and jobs. The HUD report also calls for "homeownership zones" to help provide affordable housing and "education opportunity zones" to funnel aid to the worst urban schools. Many of the initiatives described in the HUD report are existing programs in other agencies (such as job training and cleaning up polluted urban sites) shoehorned into the administration's urban agenda. The report is, of course, silent on two ideas that would help cities immediately: school choice and local regulatory relief.

The report's most striking element is the modest amount of new federal money it proposes for urban programs: less than $ 1.4 billion, mostly for the empowerment zones and subsidies for the worst urban schools. In this way the report sharply departs from liberal urban policy since the Great Society era, which has offered federal spending as the solution to urban woes. Lyndon Johnson would have thought this report's low-budget liberalism was a Republican parody.

The Next Wave

But if the liberal imagination in Washington seems zoned out, there is a lot of ferment among liberal thinkers elsewhere. The next wave of liberal urban policy is coming not from Washington, but from the grass roots, and that wave is cresting fast. Having attempted urban renewal in the 1950s and 1960s and failed, liberals in the 1990s are ready to try suburban renewal.

Perhaps no other individual epitomizes the new liberal vision as well as Myron Orfield. Orfield is a 37-year-old lawyer, law professor, and state legislator in Minnesota who has become one of the nation's most vocal proponents of regional solutions to urban problems. In the view of Orfield and a handful of other liberal urbanists, the trouble with urban areas today is suburban flight. As more and more middle-class people flee the central cities for the suburbs, shrinking tax bases, rising crime, and poorly performing schools push the central cities into free fall. As suburbs attract new jobs away from central cities and expand their tax base, the (suburban) rich get richer and the (urban) poor get poorer.

"In the United States," Orfield wrote in his 1996 book, Metropolitics, "each generation builds a new ring of cities at the edge of our metropolitan areas, as a central city or an inner ring of suburbs becomes isolated and declines." Soon the problems of the central city begin spreading to the inner-ring suburbs, and middle-class people move further out, leading to a spiral of instability and socioeconomic segregation. Orfield has produced a series of dazzling color maps based on census data to illustrate the social and economic trends linking central cities, inner-ring suburbs, and edge cities, and he is in demand as a speaker and consultant around the nation. "Today," he claims, "70 percent of the nation lives in metropolitan areas that are destabilizing and polarizing to one degree or another."

Left: As the "New Urbanists" see it, suburban sprawl has been spreading like a cancer ever since Levittown, New York, brought detached homes and a little patch of green within reach of the masses.

Orfield says that "regional polarization" can be countered only through a "strong, multifaceted, regional response." This means, first of all, consolidating the regional tax base so as to redistribute suburban revenues to the impoverished central city. In its fullest expression, however, Orfield would prefer an elected regional government with strong powers to plan transportation and land use, impose "fair-share" low-income housing requirements on the suburbs, and direct reinvestment to the central cities. Orfield thinks a political coalition of the central cities and threatened inner-ring suburbs could carry the day in many places, though he has many bruises to show for his efforts to promote piecemeal regionalism in the Minnesota state legislature. (Governor Arne Carlson has vetoed the few Orfield bills that have managed to reach his desk.) But if ganging up on the suburbs doesn't work in progressive Minnesota, it is not likely to work elsewhere.

## Shaky Foundations

The chief argument in favor of Orfield's broad regionalism is the "elastic city" hypothesis, expressed most fully in David Rusk's book Cities Without Suburbs. Elastic cities are those that either embrace some form of regionalism or, better still, expand their boundaries by annexing suburbs. Premier examples of elastic cities include Jacksonville, Florida, and Indianapolis. Elastic cities, Rusk and Orfield claim, have fewer competing jurisdictions, stronger job growth and higher incomes, less segregation, and better fiscal management. Inelastic cities such as St. Louis and Chicago have many more suburban jurisdictions and suffer from concentrated poverty, racial segregation, and so forth.

This categorical comparison, however, may rest upon sloppy statistical analysis. A group of urban-policy scholars including the Buckeye Institute's Sam Staley argued in the Journal of the American Planning Association that Rusk's hypothesis was a mere "statistical artifact." A simple thought experiment illustrates the problem. Take a central city of 200,000 residents, with a per-capita income of $ 10,000 and a 15 percent poverty rate, and combine it with a suburb of 50,000 people with a $ 12,000 per-capita income and a 10 percent poverty rate. We would instantly create a new city of 250,000 with a per-capita income of $ 10,400 and a poverty rate of 13 percent -- even though the social profile of the central city has not changed at all. Much of Rusk's theory is thus based on a simple statistical capture of suburban well-being that masks inner-city problems rather than improving them.

Rusk and Orfield also argue that elastic cities do a better job of reducing racial segregation in housing patterns. But their static statistical picture of cities overlooks a trend that refutes their thesis. One of their favorite segregation statistics is the Census Bureau's "index of dissimilarity," which measures on a zero to 100 scale the proportion of the minority population that would need to move to achieve an absolute proportional distribution of minorities across all census tracts. (An index score of 100 would mean complete segregation, zero would mean complete proportional integration; or, in other words, zero would mean that each census tract has the same racial composition as the city as a whole.)

Rusk and Orfield argue that inelastic cities have higher index scores (that is, more segregation) than elastic cities. Yet neither takes note of the trend of the past 25 years, which shows a 10 percent decline in the index of dissimilarity for the 15 cities with the largest black populations (including the inelastic cities of St. Louis and Chicago). In America in Black and White, Stephan and Abigail Thernstrom examined census data for 232 metropolitan areas and found that, between 1970 and 1990, the index of dissimilarity declined in 208 of the 232 areas. This is a clear sign that segregation is gradually decreasing, exactly the opposite of Rusk and Orfield's hypothesis.

The biggest problem with regionalism is its premise that having major metropolitan areas divided into multiple jurisdictions is "inefficient" and undesirable. Rusk and Orfield fail utterly to consider one of the seminal ideas of modern urban economics: The Tiebout Hypothesis. University of Chicago economist Charles Tiebout posited in his 1956 article "A Pure Theory of Local Expenditures" that there is no objective way to determine the "right" level of public services that a local government should provide. Therefore, the optimal level of local public services is best determined through municipal competition, by which local jurisdictions offer different bundles of public goods and people express their preferences by voting with their feet.

It is not self-evident that regionalism is more efficient than municipal competition. Just as competition in the private sector keeps prices down, competition among cities, scholarly research has found, acts to keep local taxes down. Research has also found, not surprisingly, that regional government and municipal consolidations lead to higher local taxes. The federal Advisory

Council on Inter-governmental Relations concluded 10 years ago that metropolitan consolidation would be "suboptimal." "A more consolidated local government structure," writes Sam Staley, "would probably decrease the ability of local governments to provide public goods efficiently and cost-effectively."

## The New Urbanism

If the new liberal thinking began and ended with regionalism, it might not be worth much notice. The tradition of local home rule in America is sufficiently robust that citizens could be expected to limit or terminate regionalism whenever it reared its head. "The voters," Jane Jacobs observed in The Death and Life of Great American Cities, "sensibly decline to federate into a system where bigness means local helplessness, ruthless, oversimplified planning, and administrative chaos -- for that is just what municipal bigness means today. How is helplessness against conquering planners an improvement over no planning? How is bigger administration, with labyrinths nobody can comprehend or navigate, an improvement over crazy-quilt township and suburban governments?"

But there is a second, and rather imaginative, element to the new liberal thought on cities that is rapidly building momentum throughout the country with the support of some conservatives. The second element goes by the name of "new urbanism" or "smart growth." The new urbanism might be summarized as the view that neighborhoods were better when porches were on the front of houses and garages in the back, rather than the other way around, as most suburban subdivisions are built today.

The central insight of the new urbanism is that urban form influences our social interaction and well-being. Wide streets, "dependency" on the automobile, and low-density residential development that is segregated from commercial land uses isolates suburbanites from one another. The new urbanists embrace "neotraditional" planning, a return to higher-density neighborhood designs with narrower streets, houses with front porches and smaller setbacks from the sidewalk, and mixed-use development such as corner stores and other retail outlets. A few new communities have been built as models of neotraditional design, including Kentlands (a neighborhood in Gaithersburg, Maryland), Laguna West, California, and Seaside, Florida (where The Truman Show was filmed).

Conservatives can largely embrace this critique (as the American Enterprise magazine did in a 1996 issue), noting that conservatives like Russell Kirk were saying very much the same thing 40 years ago. After all, many of the problems that the new urbanists now decry are largely the product of a previous era of government land-use regulation and intervention. Conservatives weren't the ones who urged governments to adopt rigidly proscriptive zoning systems in the suburbs and ram the interstate highway system through our big cities.

The new urbanists are not content, however, with repealing land-use regulations that have prevented communities and builders from experimenting with neotraditional neighborhood concepts and other ideas. The new urbanism seeks to mandate high-density, neotraditional neighborhoods as the only development pattern of the future and as the way to redevelop existing cities and suburbs. They approach urban problems with an attitude that could justly be described as "Planning Uber Alles."

## The Cancer Within?

This movement projects a visceral hatred of suburban sprawl and its accomplice, the automobile. Sprawl is attacked in the most pungent terms imaginable. Neal Pierce, a writer on urban affairs, has called suburban sprawl "a virus eating us from the inside out." Philip Langdon (one of the new urbanists featured in the American Enterprise) wrote in his book A Better Place to Live that "the suburbs we build are fostering an unhealthy way of life," though there is no solid data to support such a claim. "Insane," "destructive," and "nightmarish" are adjectives the Arizona Republic used in a series deploring sprawl in Phoenix. State officials in New Mexico, where urban and suburban development occupy about 1 percent of the state's total land area, described sprawl there as a "cancer." Andres Duany, one of the leading neotraditional planners, wrote that "suburban sprawl is a cancerous growth rather than healthy growth, and it is destroying our civic life."

The intellectuals' scorn for the suburbs is nothing new. The title of a 1957 article in the Community Planning Review -- "Hell Is a Suburb" -- neatly captures their attitude. It was to counter this scorn that sociologist Herbert Gans wrote The Levittowners in 1969. Elite opinion at that time, Gans wrote, regarded suburbanites as "an uneducated, gullible, petty 'mass' which rejects the culture that would make it fully human, the 'good government' that would create the better community, and the proper planning that would do away with the landscape-despoiling little 'boxes' in which they live." Gans found that the typical image of the suburbanite as an isolated dullard was a crude and inaccurate caricature. "The community may displease the professional planner and the intellectual defender of cosmopolitan culture," Gans concluded, "but perhaps more than any other type of community, Levittown permits most of its residents to be what they want to be -- to center their lives around the home and the family, to be among neighbors whom they can trust, to find friends to share leisure hours. . . . If suburban life was as undesirable and unhealthy as the critics charged, the suburbanites themselves were blissfully unaware of it."

## Denser Is Better

Since Gans wrote The Levittowners, a new policy has emerged to constrain the growth of suburbs: urban growth boundaries (UGBs). UGBs are necessary, their proponents say, because land is succumbing to suburban development at a much higher rate than population growth. While rapid land conversion is not surprising in the fast-growing metropolitan areas of the Sunbelt, the phenomenon in older midwestern and northeastern cities is more illuminating. Between 1970 and 1990, for example, the population of metropolitan Chicago grew by just 4 percent, while the area of developed land grew by 55 percent. In St. Louis, regional population has grown by 17 percent since 1960, while developed land area has grown by 125 percent.

To those with apocalyptic fears for the environment, this trend portends the "paving of America," even though all urban and suburban development has consumed less than 5 percent of the total land area in the continental U.S. The rate at which land is being used for suburban development is comparatively small as well: The current annual rate of suburban expansion is only about 0.0006 percent of the land in the continental U.S. The discrepancy between population growth and suburban development in metropolitan areas is really a reflection of growing affluence and consumer preferences. Opinion polls show large majorities of homebuyers and would-be homebuyers prefer to live in low-density suburban communities, even if it means a longer commute to work.

The critics of low-density suburban development, however, argue that the collective effects of these individual residential preferences are unacceptably *harmful.* Low-density development is inefficient or "unsustainable" because it imposes much higher costs on the public sector (for roads, sewers, water lines, and so forth) than compact development. The claim that "growth doesn't pay for itself" has become axiomatic in urban-policy debates, though the scholarship suggests that this claim is highly debatable and location-specific. A 1993 Brookings Institution survey of the research on the issue concluded that sprawl and other "variations in urban form" appear to have "modest effects on infrastructure costs." And just as most liberal critics of urban schools seldom consider school choice as a remedy, the critics of suburban development seldom entertain the idea of privatizing infrastructure, which would immediately sort out much of the cost controversy.

Sprawl is said to be unsustainable also because low-density living patterns leads to dramatically higher traffic congestion and "auto dependency." During the 1980s, for example, U.S. population increased by about 10 million, but the number of autos increased by more than 20 million. Similarly, over the last 20 years the number of vehicle miles traveled (VMT) has grown four times faster than the population.

But once again, this measure is misleading: It is a measure more of affluence and changing work habits than of the effect of residential density. A close look at travel data from the U.S. Department of Transportation shows that average commute-to-work times have not increased appreciably in any urban area over the last 20 years. Very few people are driving longer distances to work precisely because the suburbs have generated employment for many of those who live there. Traffic congestion is rising because more people are driving and drivers take more non-work-related trips than they used to. The majority of the increase in VMT has taken place among women who have joined the work force in large numbers over the last 20 years and minorities who have entered the middle class and acquired cars. Enlightened people used to celebrate social trends like these.

The drive to curtail suburban development regardless of the facts is building momentum behind the banner of "smart growth." Smart growth sets boundaries on urban growth by regulating development according to a regional master plan. Sometimes, as in the case of Maryland, state and local authorities refuse to extend public infrastructure beyond a certain radius from downtown. A developer can in theory still build beyond the specified radius if it is willing to pay the full cost of infrastructure for new development, but state transportation planners actively discourage it. The confluence of "smart growth" and regionalism tends to attract a broad coalition of environmentalists, mass-transit advocates, urban planners, downtown political and business interests, and suburbanites happy to shut the development door behind themselves.

Laboratories of Bureaucracy

By far the favorite urban laboratory for regionalism and new urbanist and "smart growth" ideas is Portland, Oregon. That state embraced urban growth boundaries 25 years ago, but fully implemented the policy only in the last few years through its "Metro 2040" plan. Portland's strict urban growth boundary is designed to double the density of its metro area over the next 40 years, and a powerful elected regional government (known simply as Metro) has the clout to enforce the plan. The city has already invested several billion dollars in light rail and plans to force people out of their cars and onto public transit by limiting new road-building and deliberately increasing traffic congestion over the next 40 years.

Portland has become the Potemkin Village of contemporary urban planning. Neal Pierce touts the Portland region as "a model of world-class, citizen-based planning." Urban planners from around the nation flock to Portland like miracle-seekers to Lourdes; Alan Ehrenhalt noted in Governing magazine that "it sometimes seems as if the whole country is looking to Portland as a role model for 21st century urban development." It is impossible to attend a conference on urban planning issues without hearing hosannas for Portland's ostensible enlightenment.

A closer look suggests, however, that Portland's 40-year plan is headed for trouble. In order to accommodate an estimated 700,000 to 1.1 million new residents within the existing growth boundary over the next 40 years, the plan attempts to impose much higher residential densities on existing neighborhoods. Metro wants to shrink the average lot size for single-family homes by almost a third, from about 9,000 square feet to 6,700 square feet. Plans for home sites in some neighborhoods call for home lots as small as 2,900 square feet. Planners have also proposed high-density multifamily housing such as row houses, which have never been popular anywhere in the West. "A nation in love with truck-sized sport utility vehicles," Tim Ferguson observed in Forbes, "is unlikely to embrace the housing equivalent of an Escort."

To preserve land for new housing and businesses, the Metro agency will not allow any "big box" retailers such as Walmart, Price Club, or Home Depot to build anywhere. In fact, it won't permit any retail development larger than 30 acres, because it requires too much parking space and causes too much driving. This way, planners say, they'll have room for the next Intel that wants to move in. Portland's planners are untroubled that they are substituting political decisions for marketplace decisions, even though the track record of politicized decisions about economic development is abysmal. Housing prices in Portland have soared in recent years. Metro's proponents blame the booming economy, but skeptics point out that other western cities with even faster population and job growth but without anti-sprawl controls, such as Phoenix, Las Vegas, and Salt Lake City, have experienced much lower inflation in home prices.

At a time when the world is deregulating markets for fundamental goods such as telecommunications, transportation, banking, and energy production and distribution, it is paradoxical that we should be considering stringent new regulations in the market place for land and housing. The new urbanists are telling us, in effect, that we had it all wrong before, but this time we know how to do it right. They have little regard for the spontaneous nature of neighborhood character or any appreciation for the unintended consequences that such ambitious long-range planning will generate. Even if the plan works exactly as intended, it is unlikely to be popular.

Randal O'Toole of the Thoreau Institute noticed that, while Portland residents think the plan will ease traffic congestion, the plan actually intends to make it dramatically worse. Throughout the West, Los Angeles is reviled as the epitome of sprawl and congested roadways. An anti-growth group in Phoenix, for example, calls itself "Not L.A.," and the original movement for growth control in Oregon in the 1970s adopted the slogan, "Don't Californicate

Oregon." In fact, the Los Angeles region is more than twice as densely populated as the Portland metro area, and one reason for L.A.'s traffic congestion is that the area, surprisingly, has fewer road miles per capita than most major cities, including New York City.

What will happen over 40 years as Portland's density rises while the region deliberately avoids road-building? Even Metro predicts that the amount of congested roadway in the region will more than triple, while the proportion of people taking mass transit to get around will rise to only 6 percent of all trips. And these are the optimistic forecasts; light rail ridership so far is barely half of original projections, and two-thirds of the light rail riders are former bus passengers. O'Toole found a curious admission in an obscure Metro report. "In public discussions we gather that Los Angeles represents a future to be avoided," reads Metro Measured, yet "with respect to density and road per capita mileage it displays an investment pattern we desire to replicate."

## A Popular Backlash

Not surprisingly, a backlash has begun in many Portland neighborhoods. West Linn citizens voted 4 to 1 against Metro 2040, and the close-in suburb of Milwaukie recalled its mayor and two city council members last year because they supported Metro's plans to densify Milwaukie neighborhoods. The Multnomah Neighborhood Association is distributing lawn signs reading, "Save Our Neighborhoods: Rethink Zoning." Voters rejected the latest bond measure to fund rail transit, and an initiative to abolish the Metro agency and restrict future attempts at regional government is being circulated by Oregon Taxpayers United, a grass-roots group that has launched several successful initiatives in Oregon. O'Toole has joined forces with a citizens group called "Ortem" (Metro spelled backwards) that opposes the Metro 2040 plan.

Local attempts to rein in existing regional governments and prevent new ones from forming, however, may be frustrated by the federal government. Although the HUD's State of the Cities report makes no mention of regionalism or "smart growth" ideas, the federal government fully supports regionalism and "smart growth" through the stealth mechanism of the Intermodal Surface Transportation Efficiency Act (ISTEA). ISTEA does more than earmark federal transportation spending for mass-transit projects and local roads. It also mandates regional transportation planning on behalf of goals that serve as the opening wedge for the agendas of environmentalists and new urbanists. This is why ISTEA is heavy on lightly-used rail transit projects and slights road-building in favor of bureaucracy-intensive "congestion management plans."

Although ISTEA enthusiasts argue that the federal interstate highway system represented a massive intrusion by Washington into the hearts of our cities, they now propose to continue Washington's massive intrusion into the hearts of our cities on behalf of a supposedly more enlightened understanding of mobility. Here's a better idea: Cut the federal gas tax and let states and local governments make their own transportation policy. Experiments in "congestion pricing" (charging tolls according to user demand), transit deregulation, and privatization of infrastructure -- all notably missing from new urbanist prescriptions -- would offer a wide variety of models for urban planners to learn from, and would relieve planners from the impossible burden of finding all the right answers for every urban condition.

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Business Wire

June 5, 1998, Friday

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HEADLINE: Rite Aid Announces Its Commitment To The Nation's Urban Neighborhoods Over The Next Two Years

DATELINE: CAMP HILL, Pa.

BODY:
June 5, 1998--

Rite Aid Commended For Its Commitment To Urban Revitalization At a White House meeting Friday, Rite Aid Chairman and Chief Executive Officer Martin Grass announced a two-year, $ 230 million development plan for economically depressed urban areas.

Rite Aid has committed to 37 new stores, 73 relocations and 17 remodeling projects within 85 communities in 20 states and the District of Columbia.

The announcement was made in conjunction with the first meeting of the White House Business and Entrepreneurial Roundtable on Community Empowerment. Convened by Vice President Al Gore, the Roundtable gathered executives from leading corporations to discuss national companies' commitment to economically challenged urban communities and neighborhoods.

During the meeting, Rite Aid was recognized for its ongoing dedication to urban revitalization.

At the White House meeting, Rite Aid was recognized for its ongoing dedication to urban revitalization. The Roundtable meeting included CEOs from a select group of leading corporations.

"For Rite Aid, it is good business to do business in urban communities. We are pleased to be recognized for our past efforts, and for our plans for future growth and investment in our nation's inner-city neighborhoods," said Grass.

"Rite Aid often hires local developers and architects, works with local real estate brokers, and hires store employees from the local community. In fact, in many neighborhoods, a new Rite Aid store serves as the anchor for economic development projects which play a critical role in community renewal," Grass emphasized.

"In addition, most of the revenue from our stores remains in the local community in the form of salaries and wages, taxes and other services. Rite Aid stores and personnel also are active participants in community life, contributing time and resources to local merchants associations, business district beautification, neighborhood events and programs.

"In many cases, Rite Aid has provides new opportunities for local pharmacists unable to remain in business because of pressures brought on by reduced revenue from managed care," Grass continued.

Rite Aid also reinforces its commitment to urban communities through its Mother's Day Mammogramsc program. The program educates women about breast cancer and helps uninsured women, through a referral service, receive free yearly mammograms. Since 1990, over 15,000 women have received free breast screenings.

"Our experience shows that stores in underserved urban areas are among our most successful ventures," Grass added.

Rite Aid Corp., based in Camp Hill is one of the nation's largest drugstore chains with approximately 4,000 stores in 30 states and the District of Columbia with annual revenues of $ 11.4 billion. General information about Rite Aid, including corporate background and press releases, is available through the company's website at http://www.RiteAid.com.

Recent highlights of Rite Aid's commitment to urban revitalization include:

New store at site of 1992 Los Angeles riots

In mid-January Rite Aid celebrated the grand opening of its first new Los Angeles store, highlighting its commitment to economic recovery in South Los Angeles. Community and business leaders joined Rite Aid CEO Martin Grass at the store located on the corner of Rodeo and LaBrea.

Rite Aid was commended for its commitment to the community, and the importance of companies like Rite Aid investing in Los Angeles was emphasized. The corner was a site of devastation following the riots in 1992. Rite Aid's move into the community signals a major rebirth of business in the area.

In addition, Rite Aid is committed to investing $ 55 million over the next year in the city of LA alone, including new and remodeled stores throughout the inner city areas of South Central Los Angeles, East Los Angeles, the harbor district and the San Fernando Valley.

The company is also slated to open two new stores in the City of Compton, representing an investment of $ 4.5 million in that city. Other urban regions of Southern California to be served by new or remodeled Rite Aid stores include, Long Beach, Santa Ana, Huntington Park, Baldwin Park and Gardena.

Commitment to employing San Francisco welfare recipients

Rite Aid is planning a partnership with San Francisco Works, a program that helps provide valuable employment opportunities for San Francisco residents.

Led by the Chamber of Commerce, the Committee on Jobs and the United Way, San Francisco Works was chartered in 1997 to prepare 2,000 men and women to transition successfully from welfare to work through proven screening, training, placement and retention support programs.

Within the next 90 days Rite Aid will open three new stores in San Francisco and will be hiring from the local communities.

Rite Aid redeveloping entire block in Tacoma Hilltop area

Rite Aid will soon break ground on a $ 4 million project that will help revitalize the Hilltop, a struggling neighborhood in Tacoma, Wash. Rite Aid has been commended by community leaders, for its pioneering efforts, which may serve as a catalyst for future economic developments. The 16,000 square-foot store will employ Hilltop neighborhood residents.

Partnering with community construction and hiring groups in Philadelphia

In mid-1996 Rite Aid reaffirmed its commitment to urban retailing by partnering with a community development group to relocate a store in inner-city Philadelphia. The relationship with the Greater Germantown Housing Development Company (GGHDC) ensured local hiring of all subcontractors, architects, engineers, and other construction consultants.

In addition, the GGHDC handled all phases of the construction process and assisted in the hiring process for in-store positions.

Also, in January of 1996 Rite Aid teamed with the Jefferson Manor Community Development Corp. and the Girard Avenue Business Association. A state-of-the-art Rite Aid pharmacy was opened in a depressed North Philadelphia neighborhood, where more than a quarter of the residents were unemployed and the nearest drugstore was blocks away.

Most of the 18 store employees were hired from within the neighborhood. Community leaders commended Rite Aid saying the store serves as a building block to help revitalize their neighborhood.

Rite Aid partnering with New York City as a foundation for urban development

Recently, Rite Aid CEO Martin Grass committed to a project sponsored by New York Mayor Rudolph Giuliani called "The ANCHOR Program." Developed in conjunction with the New York City Partnership, the program is dedicated to the development of commercial properties in economically challenged neighborhoods in which residential housing also is being developed.

Last October, Mayor Giuliani announced Rite Aid's participation in the first "Partnership Plaza," a 20,000 square-foot, $ 3.4 million commercial plaza in Bedford-Stuyvesant, Brooklyn. Rite Aid will anchor the plaza and create 15-20 new jobs in a neighborhood desperately in need of them.

All of the hiring will be done on-site and Rite Aid will work collaboratively with the NYC Partnership's job training component to ensure that neighborhood residents have access to these jobs.

In addition to its 142 stores operating throughout New York City's neighborhoods, Rite Aid also announced its plans for a second store on 125th Street in Manhattan, one of five stores developed in the greater Harlem community.

Rite Aid joins with City of Buffalo to reclaim blighted sites

Working together, Rite Aid and the City of Buffalo have already made significant progress in changing blighted areas into attractive, tax-paying neighborhood drugstore locations. Rite Aid is the only major retail drugstore firm solidly committed to building new stores in every area of Buffalo.

In 1993, Buffalo Mayor Jimmy Griffin and Rite Aid undertook this ambitious program, which is continuing with the solid encouragement of Mayor Anthony Masiello. In the past five years, Rite Aid has constructed 11 drugstores in the City's blighted areas at a total project cost in excess of $ 15 million. Rite Aid plans to add five more stores in urban Buffalo over the next two years.

Commitment to upgrading retail services in Detroit

On June 11, 1998, Rite Aid CEO Martin Grass will host the grand opening of the first of ten new stores planned for Detroit. The store serves an urban, low-income neighborhood without easy access to a full-service drugstore. While other retailers are only just discovering the opportunities Detroit offers, Rite Aid leads the pack in its commitment to Detroit and its investment in the city.

Rite Aid has earmarked approximately $ 25 million for the planned rollout of ten new stores in Detroit. Rite Aid has also committed more than $ 3.5 million for the renovation and remodeling of an additional five stores in Detroit this year.

Commitment to Cleveland's inner-city neighborhoods

Rite Aid is the leader in the industry in rediscovering inner-city Cleveland. With 19 stores currently operating within the city limits, Rite Aid is committed to building at least six new stores in the next couple of years.

Rite Aid's Cleveland initiative started in mid-1996 with the opening of its first prototype store in the Five Points area of Collinwood. Each new store represents an investment upwards of $ 2 million into the neighborhood.

Grass honored for commitment to inner-city Baltimore

Rite Aid built its first Empowerment Zone, state-of-the-art prototype store in Baltimore in 1996. With the opening of that store Martin Grass announced plans to replace as many as 30 older units with new stores. The overall investment of new stores, relocations, and expansions is estimated at $ 33 million.

In fact, Grass was honored by Baltimore's Inner City Community Development Corporation with a community development award for his commitment to creating a network of neighborhood pharmacies that offer customers competitively priced, quality health-care and convenience shopping services.

Rite Aid makes a multi-million dollar investment in Newark

Rite Aid announced in mid-1996 an investment of more than $ 10 million to develop six new pharmacies in Newark. Mayor Sharpe James commended Rite Aid at the Grand Opening of a Clinton Avenue store for creating over 100 new jobs for local Newark residents.

LEVEL 1 - 79 OF 198 STORIES


Los Angeles Times

January 14, 1999, Thursday, Orange County Edition

SECTION: Part A; Page 1; Metro Desk

LENGTH: 1369 words

HEADLINE: SANTA ANA'S TASK: MAKE WINDFALL WORK

BYLINE: JEAN O. PASCO and JASON KANDEL, SPECIAL TO THE TIMES

BODY:

Santa Ana's designation as an "empowerment zone" in Washington on Wednesday will bring the city as much as $ 100 million in federal funds for its poorest neighborhoods, but it is far from assured that the ambitious economic development program will actually improve the lives of residents.

Empowerment zones in other cities across the nation have met with decidedly mixed results, in some cases dividing communities over how best to spend the money and leaving residents bitter that the program did not deliver the jobs and prosperity that officials promised.

Experts said Santa Ana officials will have to learn from the mistakes of other cities like Atlanta and Cleveland if they hope to successfully bring jobs and improve education and social services.

"This is a tremendous accomplishment politically. But the reality is, it doesn't ensure success," said Mark Baldassare, professor of urban planning at UC Irvine.

Atlanta's empowerment zone, for example, was launched with great fanfare in 1994 but has been mired in political infighting, including the firing of almost all the zone's staff. Audits have questioned whether administrators are moving fast enough to improve blighted neighborhoods.

Santa Ana officials agree that winning the coveted zone designation is only a first step, and that they must now unite community groups and residents behind a plan to spend the money, which is expected to be paid out in 10 annual installments of $ 10 million.

"It is an awesome task," said Santa Ana Mayor Miguel A. Pulido Jr., who was on hand in Washington on Wednesday when Vice President Al Gore announced the grant. "We're going to have to work at it very hard."

Already, different factions are listing their own priorities for the windfall. Members of the business community are pushing for job and economic development while some community organizations want much of the money spent on education and children's services.

Los Angeles Times January 14, 1999, Thursday,

Some officials are troubled by the city's decision to appoint a 20-member commission to administer the funds--which they consider an unwieldy body ripe for discord.

Whether the disparate community interests can work together on the commission will be an important early test of things to come, Baldassare said.

"For empowerment zones to be successful, you have to have everyone working on the same team," he said. "In Orange County, we don't have a lot of experience with everyone working on the same team in any city."

Santa Ana is the first city in Orange County to be selected for the empowerment zone program, which was created by President Clinton in the wake of the 1992 Los Angeles riot to help inner-city neighborhoods. It was one of 20 communities selected this year.

Other cities have used the federal grants to offer tax breaks and loans to businesses that move into an empowerment zone or hire working who live in the area.

Santa Ana will receive as much as $ 10 million a year for the next 10 years if Congress approves the program, as expected, this fall. In addition, the city will be allowed to issue about $ 130 million in tax-exempt bonds over the next 10 years beginning immediately.

The city has identified 10 general goals for the empowerment zone including improved educational opportunities, job training, social and health services, child care, cultural programs and community policing. Money also will be spent attracting new business to the city and revitalizing aging roads, sewers and housing.

Pulido predicted that the city will be able to use the federal funds to generate $ 2.5 billion in public and private sector economic investment over the 10 years.

But experts who have tracked other empowerment zones said the promise of improvements is usually greater than the reality.

"The biggest downside is likely to be that, having received the designation, there are going to be expectations that it will have a major impact on generating new employment and attracting new businesses," said urban planner Eugene Grigsby, director of the Advanced Policy Institute at UCLA. "It's going to require a great deal of effort to make those expectations happen."

Even offering tax breaks and loans to businesses, Santa Ana will still have to compete with other attractive business centers in Orange County, including Irvine and Newport Beach.

"They need to make it attractive for people who want to come there," Grigsby said. "The other alternative is that the city is going to have to find some kind of niche, whether it's entertainment, or manufacturing, arts, tourism or education. They have to develop a niche that a lot of people will support."

Santa Ana's empowerment zone includes portions of the aging downtown district as well as more suburban neighborhoods on the southeastern edges of the city.

Pulido said the city's application used census data to pinpoint the neediest areas of the city, which is the second-most densely populated community in California, behind San Francisco.

Rep. Loretta Sanchez (D-Garden Grove), who helped win the designation for Santa Ana, said officials plan to target older industrial districts and downtown neighborhoods that have been largely ignored by past revitalization efforts.

She expressed confidence that the community will be able to work together, pointing out that groups chosen to administer programs--including Delhi Community Center, Catholic Charities and the Boys and Girls Clubs of Santa Ana--are established, trusted organizations.

"They're very solid," she said. "It's not like, all of a sudden, you see a lot of money coming your way and everyone and their brother hangs up a shingle and wants a piece of it."

Urban planners said Santa Ana would be wise to avoid the problems that have beset empowerment zones in places like Atlanta and Cleveland, where residents in many poor areas have complained that conditions have not improved despite the infusion of federal money. In Cleveland, residents said they've attended countless job placement workshops but that actually jobs never materialized.

On the other hand. zones in Baltimore and Detroit are widely credited with increasing economically vitality in target districts. After being rejected once, Los Angeles was awarded an empowerment zone covering portions of South Central Los Angeles and the east San Fernando Valley last year. The zone is now getting rolling.

Santa Ana is Orange County's largest and most ethnically diverse city. Its unemployment rate is usually the highest in the county, and its schools have struggled to improve low scores on standardized tests.

According to Department of Housing and Urban Development guidelines, empowerment zones must have a poverty rate of at least 35%. A family of four is considered to be living at the poverty level if its annual income does not exceed $ 16,450.

Santa Ana officials and community leaders celebrated the windfall Wednesday and are already drawing up lists of projects.

"We will now be able to fund school programs with the money that might have died for lack of funding," said school board member John Palacio, who would like some zone funding used to further cut class sizes.

Councilwoman Patricia McGuigan said money should be spent on a wide array of services.

"This is the people's money," she said. "There's a need for clothing, for writing resumes, and transportation. These aren't luxuries. These are down-to-earth, everyday quality-of-life advantages."

How the program fares is significant for the rest of the county, Baldassare said.

"Santa Ana does tell us what the future of Orange County is going to be in 30 to 40 years," he said. "The time to start addressing those economic issues is today."

(BEGIN TEXT OF INFOBOX / INFOGRAPHIC)

Zone Is a First

Santa Ana on Wednesday became the first Orange County community to win federal designation as an "empowerment zone," which could reap the city as much as $ 100 million for job training, education and economic development. The city will receive as much as $ 10 million per year for the next 10 years if Congress approves the program, as expected, this fall. About $ 3 million has already been approved for 1999.

Source: City of Santa Ana

GRAPHIC: GRAPHIC-MAP: Zone Is a First, Los Angeles Times PHOTO: Santa Ana Mayor Miguel A. Pulido Jr. receives empowerment zone status for city from Vice President Al Gore on Wednesday in Washington. PHOTOGRAPHER: Associated Press

LANGUAGE: English

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Los Angeles Times

February 8, 1998, Sunday, Home Edition

SECTION: Opinion; Part M; Page 1; Opinion Desk

LENGTH: 1405 words

HEADLINE: POWER IN NAME ONLY;
L.A. FINALLY GOT ITS EMPOWERMENT ZONES, AND LOCAL LEADERS CHEER. BUT SUCH TOP-DOWN GOVERNANCE IS INCOMPATIBLE WITH THE CITY'S-- AND AMERICA'S--INCREASINGLY DECENTRALIZED ENTREPRENEURIAL ECONOMY.

BYLINE: David Friedman, David Friedman, a contributing editor to Opinion, is an, international consultant and fellow in the MIT Japan Program

BODY:

Quietly, almost with embarrassment, the Clinton administration last week designated poorer parts of Los Angeles as "empowerment zones"--a 1990s' name for "enterprise zone" programs offering tax breaks and subsidies to businesses in neglected areas--six years after the 1992 riots. Together with the federally backed Community Development Bank, which the administration hastily invented for Los Angeles when the city was shockingly shut out of earlier urban-aid programs, the zone is billed as a multimillion-dollar effort that will revitalize struggling communities.

It almost certainly won't. At best, empowerment zones and similar tax-subsidy programs generate only the most limited results. Worse still, they divert energy from curing the political pathologies that drain jobs from larger urban areas.

The Community Development Bank is a case in point. Launched in early 1995 with $ 430 million in promised federal funds and grand political rhetoric, it did virtually nothing for two years, making just 13 loans affecting, at most, 200 jobs. Even if the bank's performance improves dramatically, it cannot possibly amount to more than a blip in the economy of the neglected area--18,000 companies, $ 54 billion in annual revenues and 376,000 employees--it serves.

Empowerment zones won't add much. Los Angeles' $ 600-million incentive program won't even kick off until 1999 and will be phased in over several years. Nationwide, the administration seeks just $ 1.7 billion for urban empowerment zones, just a fraction of the $ 6.8 billion it wants to fight the speculative threat of global warming.

Perhaps, it's just as well. Of the six major empowerment zones created since 1994, only two--Detroit and Baltimore--show any signs of life, and even there experts can't agree if tax subsidies, or something else, deserves the credit. Over the last 20 years, 34 states and 106 smaller communities set up empowerment and similar programs, but the vast majority of the companies in the designated areas ignored the effort either because they didn't care or the oversight burdens were too onerous. Successes are modest. A recent survey of more than 350 zones showed that, on average, they "created" just 460 jobs over two years.

A University of Louisville study of one of the nation's oldest programs, a 46-square-mile zone in Louisville's West End, found that, since 1983, the zone *actually* lost jobs and population and property values stagnated, even though similar areas with no incentives prospered. Reports abound of abashed local bureaucrats seeking reimbursement when companies squander tax savings on luxuries, fail to create promised jobs or leave the zone once tax benefits are realized. All too often, empowerment and similar tax breaks go to the wrong companies for the wrong purposes without accountability.

Planners concede there's no consistent way of measuring the job-creating effects and costs of tax subsidies, including the vexing question of whether the money would have been better spent in other ways. Small wonder that a 1996 review of years of empowerment-zone programs concluded that they "have not lived up to the broad panacea-like imagery conjured up by early federal proposals and rhetoric."

So why do politicians still hawk such wares?

One reason is that tax subsidies offer one of the last opportunities for political patronage. One of the most frequently cited reasons for the lack of success to date is that local officials carve up empowerment programs to suit political, not economic, priorities.

More troubling is that empowerment zones help political leaders ignore the reality that big-city governance is simply incompatible with America's increasingly decentralized, entrepreneurial economy. To an unmatched degree, urban areas are dominated by special-interest groups and political philosophies that subject even the most routine functions--building permits, sewer hookups, parking--to seemingly unbounded discretionary review. In a fast-moving world in which uncertainty can be fatal, more and more companies prefer to do business in smaller, responsive urban areas or in self-consciously pro-development suburban and rural communities.

The trend away from cities is unmistakable. For the first time in history, non-metropolitan job growth is more than double the rate in U.S. major cities. Average incomes in places like Newark, Detroit, Cleveland, Buffalo or St. Louis are now half the level of their surrounding regions. Detroit, touted as an empowerment-zone success, has a 30% poverty rate compared with 6% in its affluent, booming, suburban ring.

While many blame demographics for such results, big-city governance is the major culprit. Smaller cities like Vernon, Huntington Park, Santa Fe Springs or Commerce are hardly wealthy white enclaves poaching business from a less desirable Los Angeles. They succeed, in some cases, spectacularly, because they clearly set overall land-use, environmental and community goals and administer them in a relatively predictable, fair and efficient way.

Tax subsidies will do little to revitalize crumbling areas like South Los Angeles, for example, until antiquated zoning laws are changed to allow lot sizes or building configurations consistent with what the economy demands. But rezoning strips local officials of the power to review each project on a discretionary basis and extort whatever concessions the urban special interests they serve might want. Rather than tolerate such risks, most businesses, especially smaller companies, go elsewhere.

Older urban areas also face unique environmental challenges since nearly all their land is contaminated by previous, long-defunct users. Unlike pristine suburban or rural sites, an inner-city project has to cope with Byzantine environmental liability rules that can cripple new businesses even if they had nothing to do with problems from decades ago.

Government officials counter with "brownfield" environmental policies that would permit inner-city, contaminated-site cleanup and reuse. Yet, even the most basic principles of such efforts, especially the need to scale the amount of cleanup necessary to end uses rather than a pre-industrial "state of nature," are mired in ideological controversy. Facing the prospect of rabid environmental opposition that can delay projects for years, inner-city sites that are natural industrial or commercial centers languish in decay.

Political caprice not only thwarts revitalization, it tragically generates the inequality liberal urban elites say they most want to cure. Since only the most wealthy or politically connected can hope to navigate through big-city bureaucracies, urban economies become increasingly stratified between a small pool of high-paying jobs and devastated middle and lower classes.

New York, home of one of the original empowerment zones, loudly proclaims its comeback. But while it may be party time for a privileged few on Wall Street, the city's manufacturing-job base--the lifeline for aspiring working-class families--continues to fall from 610,000 in 1980 to just 250,000 today. According to the Center for Budget and Policy Priorities, the city has the nation's largest disparity between its wealthiest and poorest citizens. Its regressive business-development approach has also opened the country's widest gap between middle- and upper-class incomes.

Given the administration's promise to "reinvent government," it would be natural for it to champion an urban policy that reverses the painful economic decline of U.S. cities by pushing local leaders to define goals and pursue them with clear, predictable, non-discretionary rules--the secret development strategy of communities as politically diverse as Santa Monica, Glendale or Fountain Valley. Tragically, because this would mean curbing traditional, heavily Democratic urban power brokers, truly effective revitalization programs are dismissed in favor of political expediency.

Years ago, a well-known Swedish economist advised development officials in his country that "it is not by . . . subsidizing tree planting in a desert created by politicians that the government can promote . . . industry, but by refraining from measures that create a desert environment." Unfortunately, empowerment zones, like all urban programs that ignore the more fundamental problems that cripple urban economies, simply churn the dust.

GRAPHIC: GRAPHIC-DRAWING: No caption, PETER BENNETT / for The Times

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The Chattanooga Times

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LENGTH: 1224 words

HEADLINE: Success mixed in special zones

BYLINE: By Paul Shepard, The Associated Press

BODY:

CAMDEN, N.J. -- Attorney Yvonne Haskins helped write the plan that won Camden the promise of an estimated $73 million in federal grants and tax breaks three years ago.

Now Ms. Haskins speaks with stinging resentment about problems that have all but crippled lofty plans for the city's "empowerment zone."

"We had a vision. We had 400 people at a meeting fussing and fighting but it was great. We were going to change the city," Ms. Haskins recalls. "After a while, we saw plans being changed and groups fighting over the dollars and nothing getting done. I had to wash my hands of it."

The empowerment zone story has been much happier for Jackie Victor, co-owner of Avalon International Breads in Detroit's Cass Corridor district.

The organic bread shop opened in June with help from zone officials who helped Ms. Victor and her partner obtain a bank loan and refine their business plan.

"Benefits from the zone were like icing on the cake; it helped give us more credibility," Ms. Victor said. "They make us feel like someone is looking out for us."

Ms. Haskins and Ms. Victor are two faces of the government's ambitious quest to breathe new life into moribund city neighborhoods by establishing urban zones targeted for special help from Washington.

But while the program has drawn praise from Housing and Urban Development officials who are asking Congress for more money to expand its scope, some observers see success drowning in a sea of political infighting, disorganization among community groups and plain old greed.

"We've got a long way to go but I don't think its grandest dreams are being realized," said Michael Allan Wolf, director of the Empowerment Zone Project, a research project based at the University of Richmond School of Law. "Even the best ones like Detroit and Baltimore haven't met their lofty ambitions."

Gloria Robinson, a HUD empowerment zone coordinator, said while some cities have made a slow start, the overall program is going well.

"This is a long-term strategy," she said. "Not a quick fix."

Hopes were sky high across the country as cities jockeyed for a share of the federal enterprise zone sweepstakes in 1994.

Eventually, six urban empowerment zones were selected: Atlanta, Baltimore, Chicago, Detroit, New York and Philadelphia-Camden. Each is eligible for $350 million in grants and tax breaks over 10 years. Sixty-five "enterprise communities" such as Akron, Ohio; Oakland, Calif.; and Louisville, Ky., were selected for smaller aid packages.

Ms. Victor's success and Ms. Haskins' frustration reflect the promise and problems associated with a plan that melds conservatives' fondness for business tax breaks with liberals' willingness to direct more money toward impoverished cities.

Some of the program's problems mirror those that already plagued the individual cities.

"In New York, the city is always fighting Albany and that was a problem. In Atlanta, people worried the Olympics would overshadow the zone start and it did," Wolf said.

In Chicago, success has been delayed by infighting and political bickering, said Gerald Roper, president of the Chicagoland Chamber of Commerce and a member of the city's 39-member empowerment zone board. The board is being trimmed to 17 members to help reduce infighting.

"To me, this whole thing should be focused on creating jobs and that's not happening here," Roper said. "I heard of a few success stories in the zone but I've heard far more stories from people frustrated with it."

By contrast, 2,100 new full-time jobs in light industrial, health care and high-tech fields have been created in the Baltimore zone, said Michael Preston, spokesman for the Empower Baltimore Management Corp.

In Atlanta, the problem comes down to two words: "no leadership," said Steve Morse, an economist at the University of South Carolina who has studied the zone.

"When you put Atlanta next to the Detroit or Baltimore zones, you can see they are producing jobs and Atlanta isn't. All the cities had the same opportunity," Morse said.

Despite such problems, the program still has its supporters.

"I'd give it a B-plus overall because this is a very ambitious agenda," said Richard P. Nathan, director of the Rockefeller Institute of Government, which worked with HUD on the zone project start-up.

Nathan acknowledged that problems exist, but added: "I'm an easy grader and I know how difficult it is to make this work. These things don't happen overnight."

Other observers say the empowerment zone program is doing much better than past urban renewal programs such as the 1960s Model Cities program, which focused on downtown development at the expense of neighborhoods.

"At least we are spending the money in the right places now," said Greg Longhini, spokesman for the Chicago Department of Planning and Development. He blames some of the disillusionment on "absurdly high" expectations from the outset.

"It's understandable that Clinton had to drum up excitement just to get people interested in urban policy. But no single program can reverse 30 or 40 years of hopelessness," Longhini said. "That set everyone up for what is perceived as a failure though it's far from that."

Failure is the exact term Ms. Haskins uses to describe the experience in Camden, where she says community groups fought only for their pet projects, forgetting the team approach that won them the zone in the first place.

"People got greedy," she said.

Others, like Brian C. Medley, a zone leader who has championed the project since its inception, said things are getting better.

"It's no secret things started slow but I think we are finally getting some momentum," he said.

In fact, HUD threatened in March to withdraw its promised $52 million in tax incentives and $21 million in block grants unless city officials cleaned up their act. Camden's performance is still under review in Washington but for some residents here, the promised revitalization has sown only discontent.

"I read something about it before but it hasn't done nothing for me," said Camden resident James Lee Wilson, peering at boarded-up homes lining Pine Street. "I thought they canceled it."

Inside the empowerment project:

* It establishes nine empowerment zones, six in big cities and three in rural areas.

* Give grants totaling $100 million and tax breaks worth between $150 million and $250 million for each of the urban zones in Atlanta, Baltimore, Chicago, Detroit, New York and Philadelphia-Camden, N.J.

* Gives $40 million in grants and tax breaks worth between $150 million and $250 million for rural zones in the Kentucky Highlands, Mid-Delta in Mississippi and Rio Grande Valley in Texas.

* Creates two "Supplemental Empowerment Zones" in Los Angeles and Cleveland that receive economic development grants through the Department of Housing and Urban Development and tax benefits. Los Angeles has been allocated approximately $450 million and Cleveland has received about $174 million.

* Establishes 95 enterprise communities, 65 in big cities and 30 in rural areas. They get grants and tax incentives worth approximately $6 millicn.

* Creates four "enhanced" enterprise communities -- Boston, Houston, Kansas City and Oakland. Each will get $47 million in economic development grants and social services grants.

GRAPHIC: Jackie Victor, left, and her partner, Ann Perrault, are part of the federal empowerment zones' success stories. Their company, Avalon International Breads, opened in a Detroit empowerment zone in June with help from officials in obtaining bank loans and refining their business plan. The zones are federally subsidized area within six cities that are earmarked for urban renewal.

LANGUAGE: ENGLISH

LOAD-DATE: January 8, 1998

Sarah Rosen Wartell
05/10/99 04:39:03 PM

Record Type: Record

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

cc:
Subject: SBIC Issue -- URGENT ATTENTION

Melissa and Jon -- Please figure out who else needs to know. Thanks.

Today's **Washington Times** reported: "SBA hopes tighter rules will curb political contributions. Sceptics Doubt Measure witll Prevent "handful" of Cases." The story involves the discovery by SBIC examiners in 1997 who found that 4 SBICs (whose debt is backed by gov't guarantees) had made 4 sepearate political contributions (3 to the DNC each for $5k in 1996 and one for $5k to Victory 98 in 1998 (endorsed by the Alabama Republican Party). (This detail is not in the public domain.) SBA regs provide that they can not engage in activities that "do not contribute to the growth, expansion, and modernization of a small business." SBA was thought its current regs prohibited the practice but was not clear. They decided it was advisable to issue a regulation to clarify the view that it was impermissible to use SBIC assets for political contributions, although contributions by individual investors, of course, are protected by first amendment. That regulation was published on April 14, 1999 as a proposed rule. No comments have been received yet. The comment period closes later this week -- May 14th

I am nervous about this because SBICs are the model for the President's New Markets Initiative investment fund. The APICs and NMVC are modelled after them. It is possible that a question might get raised by a Washington Times reporter tomorrow, if they are hunting for a problem.

In this case we can say clearly that SBA found the problem and has taken steps to remedy it.

Note however that In the story (faxed to melissa and jake) Common Cause is quoted as saying the rule won't ban soft money because of how it is drafted. (Easily fixed in drafting.) The story also focuses on how individuals in SBICs can continue to make contributions and how the SBICs have their own PAC -- the National Association of Small Business investment Companies PAC.

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The Washington Times

# SBA hopes tighter rules will curb political contributions

## Skeptics doubt measure will prevent 'handful' of cases

By Barbara J. Saffir
THE WASHINGTON TIMES

The Small Business Administration plans to tighten its rules after learning that companies in its multibillion-dollar taxpayer-backed loan program have been improperly bankrolling political campaigns.

SBA spokesman Mike Stamler said agency guidelines already try to prevent the practice, but added that the rule would be made more explicit to prevent any confusion about permissible campaign-financing activities.

Even with the planned rule change, however, some experts say it may leave a gaping loophole.

Mr. Stamler said an internal examiner had discovered that certain Small Business Investment Companies — private companies licensed by the SBA to issue government-backed loans — had made political contributions on a "handful" of occasions.

Documents accompanying the proposed rule say the contributions went to organizations that "promote the election of political candidates of the advancement of a political or legislative agenda."

Mr. Stamler would not be more specific about how much money or how many companies were involved.

He said that in no instance did the SBA find that taxpayers' dollars were funneled directly into politicians' pockets.

SBICs do not receive federal funds directly, he said, but if a company fails, taxpayers' money is used to pay off its loans.

Agency papers note that SBICs and their investors "are also the recipients of assorted government benefits of a non-tax nature, including exemption from certain provisions of banking and other statutes."

The existing language governing SBICs prohibits them from engaging in activities "that do not contribute to the growth, expansion, and modernization of a small business."

The proposed regulation would specifically bar them from making

*Mr. Stamler would not say how much money was involved. He said that in no instance did the SBA find that taxpayers' dollars were funneled directly into politicians' pockets.*

a "contribution" to "any national, state, or local political party, campaign or candidate, or to any political action committee that makes contributions to one or more political parties, campaigns, or candidates."

Individuals connected to the corporations could continuing making contributions — a constitutionally protected right.

The potential loophole comes from the use of the word "contributions" in the new rule.

Federal law already bans corporations from giving "hard money" to federal candidates, but it allows unlimited "soft money" to be targeted to "nonfederal" accounts, such as those run by the Republican and Democratic national committees.

The SBA's rule would extend the ban to the state and local level, said Don Simon, executive vice president and counsel for Common Cause, a campaign-finance watchdog group. But he said it may not stop the companies from handing out soft money on the federal level because the word "donation" is not included in the rule.

"If they wanted to ban soft money, like they should have, they should have written the rule to cover any contribution or donation to a political party," he said.

"Contribution is a defined term" as used with federal elections, said Ian Stirton, an attorney at the Federal Elections Commission. "If you were soliciting soft money, than that's not a contribution."

Public comment on the rule is being accepted until Friday.

The SBA is not releasing the names of the companies that have made contributions, nor is it detailing the extent of their activities, Mr. Stamler said. The agency only uncovered a few cases, and is "fairly satisfied it's a minor thing," he said.

SBIC lenders include such major financial institutions as First Union and J.P. Morgan Investment Corp., along with hundreds of smaller corporations and partnerships, which are able to attract private investment dollars with the lure of government backing.

In the past, such companies as Apple Computer, America Online and Callaway Golf Co. have benefited from loans that SBICs provided. Currently, 30 percent of the loans are steered to service-oriented companies, but 43 percent of all its recent financial transactions involved transportation and utility companies.

Before proposing the new regulation, SBA officials did not consult with lawyers at the Federal Election Commission, which oversees federal campaign financing, according to an FEC spokesman. But with or without the new rule, federal election laws will continue to allow individuals in corporations to make contributions.

Many individuals connected to the SBICs are already very active contributors to federal campaigns. The SBICs also formed their own PAC — the National Association of Small Business Investment Companies Political Action Committee.

"In this era of increasingly sophisticated campaigns and stringent lobbying rules, money is more important than ever," the association's Web site tells its members.

Lee Mercer, the PAC's treasurer, said he has no "quarrel" with the SBA's proposed rule. "If there is a concern that there be no appearance of any impropriety, then it's good," he said.

Mr. Mercer said the regulation would have little effect on his PAC because only individuals contribute to it.

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1ST STORY of Level 1 printed in FULL format.


DENVER ROCKY MOUNTAIN NEWS

July 4, 1999, Sunday

SECTION: Business; Ed. FINAL; Pg. 1G

LENGTH: 1269 words

HEADLINE: SAFEWAY WORKERS 'MAY GET AN INCH, WON'T GET A MILE'

BYLINE: Michele Conklin, News Staff Writer

BODY:

Nearly 4,500 metro-area Safeway workers will decide Friday whether to take the company up on its latest contract offer or take up picket signs instead.

The workers voted against the offer in May, and union leaders are calling for them to again reject it. Safeway's profits have tripled in the past three years and workers deserve more than what they've been offered, they say.

''They've forgotten their No. 1 asset: the workers,'' said Ernest Duran, president of United Food and Commercial Workers Local 7, which represents the workers.

Safeway officials are urging workers to accept the contract, even giving them time off to vote. They call it a fair offer - the same offer already accepted by workers at Albertson's, King Soopers, City Markets and some 3,400 Safeway workers outside the metro area.

''This is the very same contract the union called an absolute victory when it was accepted by Albertson's workers,'' said Safeway spokesman Pete Webb.

It includes 2 percent annual pay raises over the next five years, an additional 20 cents an hour contribution to pension funds, and health insurance that is fully paid for by the company.

Safeway balks at paying more

Safeway is adamant that it will not negotiate a contract that costs it more than its competitors. They say that only in Safeway's case is the union taking a stand and making unreasonable demands.

One union proposal even asked for the chain to close its stores on Sundays, Webb said.

About 20 percent of Safeway's local workers voted in May, rejecting the offer largely because they said the wage increases were not enough to keep up with the area's soaring living costs.

Workers also complained of contract language agreed upon in 1993 that governs working conditions. They say they cannot get a weekend or holiday off without calling in sick. One worker, Leilani Haubner, said she has worked 40-hour weeks for five years but is still classified as a part-time worker and full-time benefits.

''We've lived with this contract for three years,'' Haubner said. ''We were

not happy when we came off the picket lines three years ago. Now's our opportunity.''
Workers like Haubner and union leaders think there is no better time to take a stand. Unemployment is at a historic low, making it difficult for Safeway to hire replacement workers and easy for strapped strikers to find work elsewhere.

And unlike three years ago, when Safeway workers were locked out at the same time King Soopers workers went on strike, customers now would have an easier way to honor the picket lines.
''Three years ago, time was on the grocer's side, '' Duran said. ''I was on the picket line and customers were telling me they supported us for the first two weeks, but it became too inconvenient. With this situation, most customers will just take a left as opposed to a right in the parking lot and shop at King Soopers. There's a lot more pressure on Safeway this time.''
Gains modest in 1996 strike
After the 44-day strike in 1996, Safeway had to step up its marketing and introduce its savings card to win customers back, Webb said. ''It took Safeway 18 months to win back customers lost in 1996.''
Given those conditions, it would seem workers can't lose by voting Friday to strike the 44 area stores beginning at midnight next Saturday.
Or could they?

Three years ago, grocery workers staged the longest and largest grocery strike in Colorado's history but ended up with little more than what the grocers had offered in the beginning. Workers received 30-cent-an-hour annual wage increases, the same as being currently offered. But they lost contract language that protected full-time jobs and prohibited vendor stocking and pre-packaged meat.

''I know Safeway, and they've been rather inflexible,'' said grocery analyst Jonathan Ziegler in the San Francisco office of Salomon Smith Barney. ''Workers may get an inch, but they won't get a mile.''
In 1996, Safeway withstood a 40-day strike in British Columbia that completely shut down 86 stores because provincial law there does not allow companies to hire replacement workers. A year later, Safeway weathered a 75-day strike in Alberta that cost it $24 million in profits. Both strikes were over Safeway's refusal to negotiate contracts that cost it more than its competitors.

''Whoever in the union is pushing a strike is very masochistic or assumes Safeway is,'' said John Cochran, a professor of economics at Metropolitan State College who analyzed the strike three years ago. ''For workers to expect a better offer than from their competitors is expecting Safeway to commit economic harm to itself.''
The long-term effects of obtaining a better contract could ultimately hurt workers if it puts Safeway at a competitive disadvantage and forces the chain to close underperforming stores or pull back expansion plans, said Gary Giblen, managing director of NationsBanc Montgomery Securities in New York.

''It's easy to cave in, but then you're allowing a cancer in the system,'' he said. ''They won't have acute symptoms, but it'll eventually kill them.''
Safeway has budged little in talks
Company officials showed their resolve in two negotiating sessions two weeks ago. The only concession they budged on was agreeing to change a reference to ''Decoration Day'' to the more modern ''Memorial Day.'' Indeed, Safeway even

soured its offer by delaying pay hikes from July to September, which it has since switched back.

It can't be overlooked that 3,400 Safeway workers outside the metro area voted in May to accept this contract. If Safeway concedes to demands by local workers, it could send a message to its other workers that they need to fight harder next time around.

''We have an obligation to those people who endorsed the contract,'' Webb said.

More than 12,500 workers at Albertson's, King Soopers and City Markets also voted for this contract. Indeed, when Albertson's workers overwhelmingly approved it, union leaders urged Safeway and King Soopers to negotiate early to head off a strike.

But Safeway workers say that underlying disparities make the contract less valuable to them. Pharmacy technicians at Safeway, for instance, make $1 an hour less than those at King Soopers, so the same raise for both workers is not equal.

They also say that perhaps they have more courage than their union brothers and sisters.

''Those other workers are afraid of striking,'' said Yvonne Staples, a union steward and 21-year Safeway worker. ''We feel we're worth more than $1.50 over five years.''

If other workers are afraid of striking, it may be because they know the pain better than Safeway workers. During the labor dispute three years ago, King Soopers workers went on strike and lost their pay for 44 days. Safeway, which was negotiating together with King Soopers, locked its workers out, which meant they were able to collect unemployment benefits.

''It's possible Safeway workers didn't feel the bite, '' Metro's Cochran said. ''And it could be that Safeway has a larger share of younger, idealistic workers who have never been through a strike.''

And while it will be easier for consumers to support a strike, it's unclear whether they will.

Safeway workers will lose support when consumers hear that other grocery workers accepted the contract, experts say. And at a time when few workers get pensions or completely free health benefits - if they get them at all - the union may appear greedy to be asking for more.

''There's not that much to beef about,'' NationsBanc's Giblen said.

NOTES:
WALL STREET WEST COVER

LANGUAGE: ENGLISH

LOAD-DATE: July 6, 1999

2ND STORY of Level 1 printed in FULL format.

The Associated Press State & Local Wire



July 3, 1999, Saturday, BC cycle

SECTION: Business News

LENGTH: 340 words

HEADLINE: Safeway presents 'final' contract offer; union cautious

DATELINE: DENVER

BODY:

Union leaders reacted cautiously Friday to what Safeway, Inc. called its "last, best and final contract offer" to Denver-area supermarket workers set to vote next week on a possible strike.

Safeway presented the United Food and Commercial Workers Local 7 with a new five-year labor agreement the company says mirrors the offer union members have already approved with rival King Soopers.

"First and foremost, our offer is fair for our employees," Safeway spokesman Pete Webb said in a news release. "Safeway's offer is identical to the offer approved by King Soopers employees."

He said the offer is better than one approved in February by Albertson's employees because it includes the same wage, pension and benefit deals but implements wage increases two months earlier.

The contract being offered would increase wages by up to $ 1.50 over its five-year term, with the first raise taking effect "as early as July 11," Webb said.

It would also increase the company's pension fund contributions by 20 cents an hour and "maintains comprehensive health benefits for employees and their families, with Safeway paying the full cost of the premium."

The contract offer covers about 4,400 Safeway clerks and meat employees in the metro area, as well as at a handful of stores outside the area.

UFCW Local 7 President Ernest L. Duran Jr. responded coolly to the afternoon offer, saying it differs little from earlier offers that have been rejected.

"I know workers will look closely at what is in the offer, it is up to them to make that decision," union spokesman Dave Minshell quoted Duran as saying.

"We welcome Safeway's movement but it is only back to where we've started and workers need to decide if what is on the table is fair or not," he said.

Safeway and the union have been at odds since workers turned down a contract last month that was also similar to one accepted by employees at competing stores.

Talks broke off last month, and a strike vote is scheduled for July 9, a day before the current contract expires.

LANGUAGE: ENGLISH

LOAD-DATE: July 3, 1999

The Associated Press State & Local Wire



June 25, 1999, Friday, PM cycle

SECTION: State and Regional

LENGTH: 252 words

HEADLINE: Safeway workers threaten strike as contract negotiations stall

DATELINE: DENVER

BODY:

Negotiations between Safeway and 4,400 local workers broke down Thursday, with union officials recommending a strike and the stores beginning to accept applications for temporary workers.

The Associated Press State & Local Wire, June 25, 1999

On the second day of negotiations, officials from United Food and Commercial Workers Local 7 voted to reject Safeway's last offer. They are recommending a July 9 vote to strike 44 Safeway stores. If a strike vote passes, workers will walk at midnight July 10, when their current contract expires.

"Safeway sent workers a clear message, both on Tuesday and (Wednesday), that they did not come to the table in good faith," Ernest L. Duran, the president of Local 7.

"Based on their refusal to even hear our concerns, let alone address them, the negotiating committee voted unanimously to authorize a strike vote."

Safeway said its proposal included wage increases of up to $ 1.50 per hour over a five-year period, increases in pension contributions and maintaining health benefits. Workers at King Soopers, City Market and Albertson's already have agreed to those conditions, the supermarket chain said.

"It's the same proposal that's been approved by more than 70 percent, or more than 15,000, unionized grocery employees in Colorado," said Pete Webb, a spokesperson for Safeway.

The Associated Press State & Local Wire, June 25, 1999

Union officials attending the negotiating sessions said they rejected the offer because Safeway stock has increased nearly 300 percent and that salaries of the unionized workers have not kept pace even with the cost of living.

LANGUAGE: ENGLISH

LOAD-DATE: June 25, 1999

DENVER ROCKY MOUNTAIN NEWS

June 25, 1999, Friday

SECTION: Business; Ed. FINAL; Pg. 3B

LENGTH: 439 words

HEADLINE: SAFEWAY, UNION TALKS BREAK DOWN
LOCAL 7 OFFICIALS URGING VOTE TO STRIKE 44 STORES

BYLINE: Michele Conklin, News Staff Writer

BODY:

Negotiations between Safeway and 4,400 local workers broke down Thursday, with union officials recommending a strike and the stores beginning to accept applications for temporary workers.

Just hours after beginning the second day of negotiations, officials from United Food and Commercial Workers Local 7 voted to reject Safeway's last offer. They are recommending a July 9 vote to strike 44 Safeway stores. If a strike



vote passes, workers will walk at midnight July 10, when their current contract expires.

The offer was the same one Safeway workers rejected last month. That contract - accepted by Albertson's, King Soopers and City Market workers - provides 2 percent wage increases for each of the next five years, increased pension contributions and health care benefits paid for by the company.

Safeway workers attending the negotiating sessions said they rejected the offer initially because they felt that the raises were not enough to keep up with the cost-of-living increases and because they wanted language that would protect full-time positions.

By Thursday, the union negotiating team had scaled back its list of demands but felt rebuffed by Safeway officials who wouldn't discuss any issues, Local 7 President Ernest Duran said.

''The corporation said the offer would not change; that's what ended the negotiations,'' Duran said. ''Unless the corporation is willing to address the workers' concerns, it's pointless to continue to meet.''

Safeway officials have been adamant that they would not negotiate a contract that would be costlier than its competitors' contracts. During Thursday's session, Safeway offered to implement wage increases July 11 rather than Sept.

5 as the previous package planned.

''Its a fair offer, and it's incomprehensible that the union rejected our proposal,'' said Pete Webb, a public relations consultant for Safeway.

Workers seem divided about whether to strike.
Employees attending a press conference to discuss the decision to reject Safeway's offer said they supported a strike but many of their co-workers did not.

''Some workers are afraid of striking,'' said Yvonne Staples, a 21- year employee and union steward. ''It will depend on who comes out to vote. ''
Leilani Haubner, a Safeway worker for five years who attended the negotiating sessions, said the workers may have been willing to accept certain provisions, including the wage offer, if Safeway had been willing to negotiate other issues. Workers, for example, would like the grocer to make it easier to become a full-time employee and to make it easier to get weekends and holidays off.

LANGUAGE: ENGLISH

LOAD-DATE: June 26, 1999

# Clinton Tours Poorest Areas in U.S.

By KEVIN GALVIN Associated Press Writer

HAZARD, Ky. (AP) -- Going where Wall Street traders never tread, President Clinton is embarking on a four-day tour of some of the nation's poorest areas, bringing a message of hope for the needy and of opportunity for corporate America.

Clinton wants to extend the country's good economic times to its inner cities and rural areas -- from Appalachia to Watts -- which the administration is selling as an $80 billion untapped market to interested business executives and investors.

``We should have a partnership between government and the private sector that would literally empower people to change the dynamics of their lives in these poor neighborhoods," the president said.

His visit starting today to communities in six states, designed to highlight legislation that would help leverage corporate investment in impoverished areas, has the trappings of a trade mission to Africa or Latin America.

A handful of corporate chieftains are accompanying Clinton and several Cabinet secretaries as they scout out what programs and ideas have helped plant the seeds of growth in regions where the economic boom has yet to take root.

The business leaders and government officials also are delivering specific promises of investment and assistance to areas where Wall Street's wealth has yet to trickle down.

Clinton, accompanied by Agriculture Secretary Dan Glickman and Kentucky Gov. Paul Patton, was touring the Whispering Pines neighborhood of Tyner, Ky., and a small business that is a beneficiary of a Kentucky community development corporation.

In Hazard, First Union National Bank was committing $5 million in small business equity loans in Appalachia; Bell South was announcing a partnership with the Kentucky community college system to place 100 people in technical and customer service jobs; and Bank One was investing $1 million in the new Appalachian Ohio Development Fund, which will provide financing and technical assistance to small businesses.

Aides said Clinton's pitch is a '90s answer to the persistent challenge of poverty. In the 1960s, they said, government offered handouts, while in the 1980s the rich got richer and the less well-off were expected to reap some of the benefits.

Clinton wants to encourage corporations to invest in these ``new markets'' with an eye on their bottom lines, just as they do in developing countries abroad.

``There's a lot of money to be made out there,'' he said.

Not everyone is impressed.

Liberal Sen. Paul Wellstone, D-Minn., who two years ago traveled in many of the same areas Clinton will visit, thinks the poverty tour comes too late in the president's administration to make any difference.

``I think the Clinton administration has abandoned many of the most important economic justice concerns,'' Wellstone said. ``I'd say it's a little late.''

Republicans are pushing their own anti-poverty program that emphasizes tax breaks and other economic incentives, and House Speaker Dennis Hastert, R-Ill., sent a letter to Clinton on Sunday seeking his endorsement.

Linda Ricci, spokeswoman for the White House budget office, said the administration was reviewing the GOP plan. She said the president's initiative ``features serious involvement with the private sector. If, in fact, the speaker is moving in this direction we applaud his effort.''

Some trips find Clinton surrounded by well-heeled men and women in business attire, sitting down to a $10,000 fund-raising lunch. This week he will rub elbows with folks who earn don't earn that much in a year.

He'll visit places with boarded-up stores and unpaved roads, whose residents live in crowded shacks without plumbing, where health care is hard to find and unemployment runs many times the national average of 4.3 percent.

On the itinerary, Hazard, Ky.; the Mississippi Delta; East St. Louis, Ill.; South Phoenix, Ariz.; the Pine Ridge Indian Reservation in South Dakota, and Los Angeles. The final event is an Anaheim, Calif., conference focusing on getting at-risk youths into the workforce.

Today's stop was a good example of the hardscrabble lives some Americans lead.

Forty-four of the 49 Appalachian counties in Kentucky, for example, are listed as distressed based on poverty and unemployment rates. In several, a majority of the residents live with inadequate water and sewage disposal systems. It's an area where poverty rates approach close to 50 percent, and fewer than 40 percent of adults have a high school education.

(PROFILE (CO:BellSouth Corp; TS:BLS; IG:TLS;)
(CO:Bank One Corp; TS:ONE; IG:BNK;) )

AP-NY-07-05-99 1210EDT





07/05

# FAX COVER SHEET

FROM
GENE SPERLING
DIRECTOR, NATIONAL ECONOMIC COUNCIL
THE WHITE HOUSE
SECOND FLOOR, WEST WING
WASHINGTON, D.C. 20502

PHONE 202/456-2807
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TO: Gene Sperling / Lisa Green

PAGES (INCLUDING COVER SHEET): _______

COMMENTS: 1st new wk story

Posted: Sunday, July 4, 1999 | 4:37 a.m.
E-mail this Story to a friend

Clinton wants Wall Street to pour money into Main Street.
By Terence Samuel
Post-Dispatch Washington Bureau

* East St. Louis, the Mississippi River Delta and Appalachia are among many areas that have been bypassed by the nation's economic resurgence. The president hopes to encourage investment by pointing to the potential in our back yard.

For four days this week, President Bill Clinton will attempt to link the nation's economic success with a few of its failures.

Clinton will take business leaders to six poor urban and rural communities -- including a Walgreens in East St. Louis -- to draw attention to continuing problems in those parts of America that have yet to match the spectacular health of the U.S. economy.

Clinton has been politically close to poor, traditionally Democratic, communities all his political life. But during his presidency, he has grown especially close to the nation's business sector.

So in some ways, it will be like introducing friends to each other, a flamboyant attempt to acquaint an exuberant Wall Street with an ailing Main Street and a dying Sleepy Hollow.

"I think there are two things we can do," Clinton said Thursday. "The first is to make sure that all people in position to make investment decisions understand that there are very gifted, very hardworking, very creative people out there in these communities."

The second thing Clinton will talk about on his trip is the administration's "New Markets Initiative." It will offer new tax incentives up to 25 percent on government-backed loans for businesses willing to invest or expand into distressed communities.

But the core of the effort is the attention Clinton will bring to the matter.

He'll talk about job training and how businesses can and should tap into an ignored but potentially productive work force in poor communities. He plans to focus the need to build vibrant economies in rural areas. He will tell business leaders that these kinds of investments will yield not just good press, but good profits.

In addition to East St. Louis on Tuesday, Clinton will visit Appalachia and the Mississippi Delta. He will visit an Indian reservation in South Dakota -- one of the first such visits by an American president -- the Watts neighborhood in Los Angeles and a poor Hispanic neighborhood in Arizona.

The trip will end on Thursday with a round table of chief executives in California, where Clinton will try to convince business executives to invest in young people and build a future work force.

Gene Sperling, who heads the White House National Economic Council, said the trip was modeled after trade missions that secretaries of commerce take with CEOs overseas.

"He is making this trip to say that there is a lot of market potential here," Sperling said. "Why should we only do that overseas? We should take an economic mission in our own back yard."

In East St. Louis, the president is expected to focus on the economic difficulties that afflict former industrial centers and the market potential in urban enterprise zone communities.

Deputy White House Chief of Staff Maria Echaveste said the locales for the trip were "places where there were signs of hope, where there is some development." The East St. Louis event will center on the opening of a new Walgreens store at 25th and State streets.

Clinton will take a contingent of business leaders with him, some of whom will announce their own plans for investments in poor communities, but there are questions about how far these measures will go.

"There are solutions to the problems that are in the hands of the people of East St. Louis, and there are solutions that are out of their hands," said Russell Roberts, director of the Management Center at the John M. Olin School of Business at Washington University. "It is not wise to say that we are going to solve the problems. We are not going to make into Clayton overnight, but let us push in the direction of Clayton rather than Bangladesh.

"But the start, if you want to dent the problem .o.o. the place I would look is at the school system."

The author of a book on international trade, Roberts said analogies between the Clinton trip and foreign trade missions are limited, though there are some similarities. He notes that the reason many companies are enticed overseas is the low wages they pay workers.

"The fundamental problem that all these regions face is that they have a low level of educational attainment, and therefore they have low wages."

He pointed out that the problems that keep developing countries from expanding their markets -- poor education and low skills -- are the same ones that prevent some poor American communities from prospering.

The administration's new efforts are designed to build upon earlier initiatives. The largest has been the empowerment zone program, designed to give communities money and expertise to attract jobs and business.

East St. Louis was part of a regional

application that won designation as an empowerment zone in January and could be eligible for up to $100 million. Congress has yet to approve the money.

A smaller version of the empowerment zone program is the enterprise community program. St. Louis and East St. Louis were named enterprise communities in 1994 and received $3 million in federal money for revitalization efforts.

Last year, the successful effort to get a regional empowerment zone united communities on both sides of the river. The effort may already be bearing fruit.

Percy Harris, coordinator of the East St. Louis enterprise zone, said the extent of progress by any community will depend on the cooperation of the entire region.

"I think the drawback has been that we have never worked together as a region. Once we start to work together as a region we begin to understand that we have the same problems," Harris said.

"We have to think strategically. . . . One of the key things that has come out of this is that we have to position our region as the place to come to in the U.S. We do not sell ourselves well as a region. We sell parts of the region, and that makes people think that is all there is."

On Tuesday, the president will be on hand to offer some help in selling, not just East St. Louis, but the region as a whole.

"If the president feels that this is somewhere that is worth investing in then we can convince people that this is a place worth investing in," Harris said. "I think of this as the beginning, not the end, of what going to happen to our city."

Mark Manning, executive director of the Delta Council for Economic Development in Stoneville, Miss., said the president and his attention is welcomed, but with a caution.

"The message we have is that people don't look at is: In terms of the problems, this is an excellent area for a company to operate."

Clinton's initiative is hardly the first effort at reviving the communities he is visiting, and there have already been some successes.

In Eastern Kentucky, a local entrepreneur has opened a data processing concern that has brought 150 jobs to the area. It has given longtime development experts a different view of what the Appalachian economy could be like.

"I don't think we have a good understanding of what is happening in the new economy," said Don Harker, president of the Mountain Association for Community and Economic Development in Berea, Ky.

"It's like the economy has moved to a different place."

WASHINGTON DISPATCH

Melissa G. Green
07/04/99 10:00:02 PM

Record Type: Record

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

cc:
Subject: FYI

GOP Targets Poverty With Tax Breaks

By WILLIAM C. MANN Associated Press Writer

WASHINGTON (AP) -- House Republicans on Sunday revealed a program of tax breaks and incentives to fight poverty in inner cities and poor rural areas, reviving elements of a plan that failed in the last Congress.

Speaker Dennis Hastert asked President Clinton to endorse the ``American Community Renewal Act" before Clinton leaves Monday on a tour of poor areas to pitch his ``New Market Initiative" recovery scheme.

In an Independence Day letter, Hastert told Clinton the community recovery proposal is bipartisan, ``the product of a concerted, four-year effort to construct a new model of revitalization after extensive tours through the nation's most poverty-stricken areas."

``Moreover, it is based on the advice, ideas and experiences of hundreds of dedicated individuals involved in local community renewal work," Hastert, R-Ill., wrote. ``This legislation develops a public-private partnership to give people in currently low-income areas new hope and opportunity as we enter the 21st century."

At the White House, Linda Ricci, spokeswoman for the Office of Management and Budget, said the Clinton administration was reviewing the GOP plan Hastert described.

She said Clinton's project ``features serious involvement with the private sector. If in fact the speaker is moving in this direction, we applaud his effort."

Rep. J.C. Watts, R-Okla., sponsor of the original American Community Renewal bill four years ago, said his bill has more than 100 co-sponsors. It is being made a part of the Republicans' ``taxpayer relief package." His original bill passed the House, but did not make it through the Senate.

It would create 100 renewal communities ``through targeted, pro-growth tax initiatives to create jobs, encourage personal savings, foster home ownership and clean up neighborhoods on former industrial sites," Hastert said in his letter.

Setting strict criteria for communities to be helped, the legislation emphasizes cooperation with community groups, small businesses and religious organizations.

The religious connection might draw fire from many Democrats, although Vice President Al Gore has suggested that religious groups become more active in attacking the nation's social ills.

The plan would involve them in drug counseling and rehabilitation, using government money. But it says no beneficiary can be required to participate in a religion-based program but rules out discrimination for religious reasons against organizations seeking money to provide services under the program.

An analysis of Clinton's ``New Market Initiative" circulated with Hastert's letter called it a ``big government proposal" that won't work.

It derided the administration's arguments that the initiative is needed because of ``small-business financing needs that are going unmet despite the current prosperity." The analysis said the Clinton Small Business Administration is to blame, because the numbers of minority loans have been dwindling for six years despite a succession of pilot SBA programs.

AP-NY-07-04-99 1709EDT

Message Sent To:

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ABC
News Story

Sarah Rosen Wartell
05/28/99 07:26:17 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP, Richard L. Siewert/WHO/EOP@EOP, Melissa G. Green/OPD/EOP@EOP, Jonathan A. Kaplan/OPD/EOP@EOP

cc: See the distribution list at the bottom of this message
Subject: ABC News on Untapped Markets

While they made no mention of the President's New Markets initiative, ABC news tonight did a great story on the retail potential of inner city and minority neighborhoods.

They cited 7.7 million americans live in these neighborhoods, spend 75 billion a year, African Americans and Hispanics spend more per capita for clothes, furniture and other items than Whites, and estimated would spend 21 billion more if stores were closer.

They interviewed Majic Johnson ("this is business") and talked about his movie theaters in inner city neighborhoods, talked about how Starbucks and TGI Fridays are moving nearby. The CEO of the TGI Friday's chain said "we're big believers in the inner city."

They said that fear is keeping some retailers away, but Old Navy and Disney are moving to Harlem, Walmart is opening its first retail store in LA, and Home Depot is opening a number of new stores in inner city areas.

Message Copied To:

Sarah Rosen Wartell
05/28/99 07:26:17 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP, Richard L. Siewert/WHO/EOP@EOP, Melissa G. Green/OPD/EOP@EOP, Jonathan A. Kaplan/OPD/EOP@EOP

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