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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Thursday, May 27, 1999

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

Janet R. Forsgren

FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference

OMB CONTACT: Alexandra Gianinno
PHONE: (202)395-1483 FAX: (202)395-1307

SUBJECT: **HUD Report on the State of America's Cities**

DEADLINE: **COB Wednesday, June 2, 1999**

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. **Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

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RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

TO: Alexandra Gianinno Phone: 395-1483 Fax: 395-1307
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-1483

FROM: ______________________________ (Date)

______________________________ (Name)

______________________________ (Agency)

______________________________ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _________

_____ Other: ________________________

_____ FAX RETURN of _____ pages, attached to this response sheet

State of the Cities 1999: Executive Summary

<Hold for quote from President Clinton>

Introduction

After 30 years of erratic fits and starts that saw the fraying of our cities' social and economic fabric, most of the nation's 539 central cities are today sharing in America's historic economic expansion. Last year's *State of the Cities* reported that America's cities found themselves on the losing side of fundamental structural and demographic trends. This year, we are witnessing for the first time in decades what could be the slowing or even reversal of some of these long term development trends.

But while America's cities as a group are showing clear signs of revitalization and renewal, too many places have not yet shared in this prosperity. Many cities are still experiencing the familiar challenges of population decline, loss of middle-class families, slow job growth, income inequality, and poverty. As detailed in an April 1999 HUD report, *Now Is The Time: Places Left Behind in the New Economy*, the new urban challenge touches all parts of the country, not just the large cities that once epitomized urban decay. Today's lagging cities include mostly small or mid-sized cities, found throughout the nation, from farm cities to former industrial giants, from timber towns to former mining centers.

through 3 part strategy (1) fiscal discipline 2) opening markets 3) strategic investment)

Three factors are responsible for the improving circumstances in most of our cities. First, the Clinton-Gore economic expansion—the longest peacetime expansion in American history—has resulted in more jobs, lower unemployment, higher wages and incomes, and less poverty. Second, the Administration's community empowerment policies are paying off: central cities have experienced a revitalization that has made them more attractive places to live and work. And third, the success of public-private partnerships spearheaded by a new generation of innovative mayors and local community and business leaders has brought significant new investments in our downtowns and in many distressed neighborhoods, too. Faith and community-based groups, as well as businesses seeking to make a difference, have been critical partners in these efforts. So has a revitalized and more customer-friendly HUD under the leadership of Secretary Andrew Cuomo. In addition to economic expansion which has driven revitalization, such partnerships can and are working to bring back cities.

While last year's report focused only on the problems of our nation's central cities, Americans increasingly recognize the common stake that city and suburb have in ensuring economic competitiveness and a high quality of life throughout our metropolitan areas, where eight in ten Americans now live. This means energizing new relationships that will make metro regions as a whole good places to live and work. It also means seeking solutions for the challenges now facing many of our older suburbs. While suburbs still capture a larger share of total metropolitan growth, our nation's "graying" suburbs are beginning to experience the problems of job loss, population decline, crime, and disinvestment that were previously associated only with the central cities. At the same time, many suburbs are showing the strains of sprawling growth that creates commuting problems and traffic congestion, overcrowds schools, and robs communities of open space and other environmental treasures. The same growth pattern results in underinvestment in urban markets, making metro regions less competitive. Last November, millions of suburbanites went to the ballot box and showed support for growth alternatives and for new investments to enhance community livability.

These initiatives point to an historic opportunity for an alliance of cities and suburbs to address the challenges facing our metropolitan areas. Perhaps never before have the interests of the dual pillars of regional community—central cities and suburbs—converged so sharply toward a common agenda for metropolitan vitality. Perhaps never before has that agenda been so important, with our Nation entering a new millennium and racing to compete in a dynamic global economy.

Part One reports on recent trends in our nation's cities and the potential for a city-suburb alliance to promote a common agenda to address the challenges the trends point to. Part Two describes the path to meet our cities' remaining challenges and enhance metropolitan communities.

State of the Cities: Three Major Findings

Despite this national growth there are pockets of poverty in central cities that are not sharing in as much of the growth

Finding #1: **Thanks to a booming national economy, most cities are in the strongest fiscal and economic recovery they have experienced in recent years.** There are early signs that some of the structural trends that caused cities' decline for three decades may be slowing or reversing. **H~~owever, too many ce~~ntral cities are still ~~left behind.~~** They continue to suffer from the challenges of population decline, loss of middle-class families, slow job growth, income inequality, and poverty.

Finding #2: **Some suburbs are beginning to experience problems** of job loss, population decline, crime, and disinvestment that were previously associated only with the central cities. At the same time, **many suburbs are showing strains of sprawling growth** that create traffic congestion, overcrowded schools, loss of open spaces, and other problems related to sprawl.

Finding #3: **We now have a historic opportunity for cooperation between cities and suburbs to address the challenges facing our metropolitan areas.**

Part One: Findings -- Revitalization, Renewal and Remaining Metropolitan Challenges

Finding #1. Thanks to a booming national economy, most cities are in the strongest fiscal and economic recovery they have experienced in recent years. There are early signs that some of the structural trends that caused cities' decline for three decades may be slowing or reversing. ~~Ho~~wever, too many central ~~cities are still left behind~~. They continue to suffer from the challenges of ~~population decline, loss of mid~~dle-class families, slow job growth, income inequality, and poverty.

The strong economy is helping cities recover and there are early signs of a

slowing or reversal of some structural trends that worked against cities.

Two-thirds of central cities increased in population from 1980 to 1996. The popular conception that center city residents continue to pour out of their older neighborhoods and head for the suburbs is no longer accurate for the majority of cities. Between 1980 and 1996, two-thirds of the country's 539 central cities enjoyed population growth.

Overall, population is still growing far faster in suburbs than in central cities, but the gap is narrowing. From 1970 to 1980, more than 95 percent of total metropolitan growth nationwide occurred in suburbs. Since 1980, the suburban share of metropolitan growth has been 77 percent.

Central city unemployment rates have fallen dramatically. From 1992 to 1998, many cities registered dramatic drops in unemployment, which fell overall in central cities from 8.1 percent to 4.8 percent. Unemployment rates are also falling in suburbs but not as sharply as in central cities. Central city unemployment rates are still double the jobless rates in the suburbs, implying that there is a significant pool of available labor in central cities to continue to power the economic expansion. In addition, wages for central city jobs are rising. Between 1991 and 1996, average annual pay for jobs in 77 large central cities rose by 6.9 percent, compared to 5.2 percent for suburban jobs.

~~**For the first time in three decades, the percentage of central city households who are poor appears to have stopped growing.**~~ **For the first time in three decades, central city poverty rates have declined.** From 1969 to 1993, the central city poverty rate steadily increased from 14.3 percent to 21.7 percent. From 1993 to 1998, however, this trend reversed and the central city poverty rate dropped to 18.8 percent.

For the first time in history, the majority of central city households are homeowners. In 1998, for the first time in history, the central city homeownership rate topped 50 percent. For the first quarter of 1999, 50.3 percent of urban residents owned their own homes, compared to 48.9 percent in 1993. Minorities have led the way in increasing homeownership.

Cities across the country are demonstrating new vitality and showing marked improvement in fiscal conditions, service delivery and quality of life indicators. Moreover, central cities have shown a particular improvement in public safety, and most big cities are safer today than they were 25 years ago.

Despite strong national growth,

<Hold for "up" quote from Vice President Gore>

there are pockets in our national economy not sharing as much in the new prosperity

- **~~Too many central cities are left behind in the new economy~~**

impressive gains in many areas.

there are still pockets in many cities where growth has not been as strong.

Despite the ~~positive news~~, ~~many cities are being left behind in~~ urban America's impressive comeback. They continue to suffer from the challenges of population decline, loss of middle-class families, slow job growth, income inequality, and poverty.

As detailed in *Now is the Time: Places Left Behind in the New Economy*, population declines continue to plague about 20 percent of our Nation's 539 central cities. Nearly one in three central cities had poverty rates of 20 percent or more in 1995, and even in cities with lower rates, poverty remains concentrated in selected urban neighborhoods.

- **Serious population losses continued to ~~plague~~ occur in about one in five central cities.** A total of 116 central cities lost 5 percent or more of their people between 1980 and 1996, and 57 cities – more than 1 in 10 – lost 10 percent or more of their population. Most central cities losing population are small or mid-sized, and they tend to be clustered regionally across the Nation's "rustbelt" and Northeastern states.

Unemployment remains ~~unacceptably~~ high in about one in six central cities. High unemployment (50 percent or more above the national rate) affects 17 percent of central cities. Ninety-five central cities and the District of Columbia had jobless rates of 6.75 percent or higher in 1998; 64 had a rate of 7.9 percent or more (75 percent above the national rate), and 37 had rates of 9 percent or more (100 percent above). Even in cities with low unemployment overall, there are pockets of high joblessness.

this is still pretty low.

Stubborn poverty persists in one-third of our central cities. Poverty rates of 20 percent or more can be found in 32 percent of central cities, most of which are small or medium sized. This amounts to 170 central cities in 34 states and the District of Columbia. In 30 cities, the poverty rate is estimated to be 30 percent or higher. Many cities with the highest poverty rates are small or medium-sized.

Poor central city residents continue to experience homelessness and related problems of poverty. Homelessness and related problems continue to plague the poorest residents of many central cities. Affordable housing shortages are worsening, as documented in *Waiting in Vain.* Moreover, households in poverty continue to be geographically concentrated in urban areas, a problem that especially affects the minority poor.

Moreover, a 1998 survey of 30 major cities by the US Conference of Mayors indicates that requests for emergency food assistance increased by an average of 14 percent during 1998. Requests for shelter also increased in 72 percent of the surveyed cities during 1998, by an average of 11 percent. Requests for assisted housing rose in three-quarters of the cities. A similar number reported that they had stopped accepting applications for at least one assisted housing program due to the excessive length of the waiting list.

Finding #2: Some suburbs are beginning to experience problems of job loss, population decline, crime, and disinvestment that were previously associated only with the central cities. At the same time, many suburbs are showing strains of sprawling growth that create traffic congestion, overcrowded schools, loss of open spaces, and other problems related to sprawl.

The challenges once concentrated in central cities have spread to some older communities, such as Euclid and Garfield Heights outside of Cleveland, Southfield and Oak Park near Detroit, and Chicago Heights just outside the city of Chicago, which are facing such urban ills as crime, poverty and population loss. The challenges are not restricted to one or two regions of the country, but are national in scope.

More than 400 suburban jurisdictions in 36 states meet HUD's criteria for distress as defined in *Now Is The Time: Places Left Behind in The New Economy.* Suburban jurisdictions – like central cities – are considered to be suffering from distress if their population declined by 5 percent or more between 1980 and 1996 and if their 1995 estimated poverty rate exceeded 20 percent. More than 400 suburban jurisdictions in 36 states meet these criteria for distress. While many are small communities, 77 had populations over 5,000. As in central cities, disinvestment is creating blighted areas and sapping these communities of their economic vitality.

Many suburbs are showing the strains of sprawling growth that creates long commutes and traffic congestion, overcrowded schools, and other problems related to sprawl. At the same time that disinvestment is harming central cities and some suburbs, many suburbs are showing the strains of sprawling growth. Suburban residents are suffering from the effect of increased traffic congestion and commutes and the loss of recreational opportunities and open space. Last November, voters around the country approved almost three-quarters of the 240 initiatives to make already developed communities more attractive for growth.

The costs associated with sprawl are mounting and curtailing sprawl could save substantial sums over coming decades. A research team at Rutgers University carefully studied the costs of sprawl and concluded that pursuing strategies to facilitate growth in developed communities would generate savings by decreasing the consumption of developable land and by increasing land available for recreation. By growing smarter, traffic congestion could be reduced and the nation could save billions of dollars in spending for roads. Sewer and water infrastructure could also be substantially reduced. These savings reflect only a small proportion of the costs of sprawl.

- **Cost of poverty concentration and job mismatches.** The steady migration of middle and upper income Americans out of central cities has ~~left behind~~ created concentrations of poor people and has sapped once-thriving areas of their economic vitality. Rapid development outside of central cities has created a mismatch between where many potential workers live and where jobs are located. This leads to pockets of high joblessness in parts of otherwise healthy metropolitan areas while jobs go unfilled in other parts of the same metro areas.

VP's? Thoughts. message?

- **Public capital and operating costs.** Sprawl drives up the cost of roads, bridges, sewers, and other public capital because the development is so much less dense. New systems typically have to be provided at high cost. Road costs in communities marked by sprawl are 25 to 33 percent higher, and utility costs 18 to 25 percent higher, than in communities without sprawl. Municipal and school district operating costs are 3 to 11 percent higher in sprawl developments.

- **Loss of open space and environmentally sensitive land.** Sprawl encroaches on forests and fragile natural habitats. Sprawl consumes 20 to 40 percent more open land than non-sprawl development and produces about one-third more water pollution.

- **Travel distances, travel time and congestion costs.** Sprawl development means Americans are driving more. The average suburban household drives 3,300 more miles than its central city counterpart, or about 31 percent more annually. That translates to an additional cost of $211 per year per household in transportation costs. Assuming an average car speed of 30 miles per hour, suburban drivers spend an additional 110 hours behind the wheel each year – almost three full weeks of work.

- **Sprawl detracts from the sense of community.** Sprawl developments contribute to the loss of community because of their leapfrog development patterns and reliance on automobiles. Studies show that people living in sprawling developments gather less in public places and feel less attached to one another and to shared surroundings.

Finding #3: The Nation now has a historic opportunity for cooperation between cities and *suburbs to address the challenges facing our metropolitan areas.*

The revitalization of our central cities, along with the emerging problems in suburbs, have brought us to a historic moment of convergence on a common urban-suburban agenda. The interests of city and suburban residents are rapidly coinciding in support of a better approach to growth. After 40 years of city versus suburbs, the game has changed. Cities and suburbs are no longer competing against one another. Rather, they are increasingly cooperating to maintain the health of the whole metro area – to increase the livability of their communities and maximize the competitiveness of their regions. Last year, more than a dozen governors from both parties advanced land use and growth management notions in their state-of-the-state or inaugural addresses. This year, more than 30 governors spoke out in their annual addresses.

Metropolitan regions are the growth engines of the economy in our globally-competitive modern world. America's regional economies can only compete effectively if they are supported by healthy cities at their core. In an era of high mobility, low transportation and information costs, and global competition, a metropolitan region without a healthy urban core finds itself at a competitive disadvantage. In the modern global economy, however, firms choose among regions – and the health of the central city is a key factor in deciding which region is best.

Remarkable

Moreover, in the current unprecedented economic expansion, central cities have the resources and untapped consumer markets to extend the boom. A decade ago, Wall Street investors eagerly looked to emerging markets overseas to generate high returns on their capital. Today, America's own central cities are the emerging markets of the 21st century. These new domestic markets and available labor force are right here, with developable land close to supply lines. Yet, for the most part, they are undiscovered territory for many businesses. "The largest pools of untapped investment opportunities and new customers are not beyond our shores," President Clinton said earlier this year. "They're in our backyard." Investing in the untapped markets of central cities and implementing regional solutions – at the local level – to address regional problems are key to creating competitive metro economies and livable communities for the 21st century.

< Hold for quote from Secretary Cuomo >

Part Two: A 21st Century Agenda for Cities and Suburbs

weak make strong

The 21st Century Agenda for Cities and Suburbs is designed to capitalize on today's favorable conditions for tapping new markets, anchor the positive trends in central cities, and help cities and suburbs address their remaining challenges. The agenda is designed to help metropolitan communities deal with sprawling development and forge coordinated regional approaches to growth. While many cities and suburbs are beginning to recognize their common stake in ensuring economic competitiveness and a high quality of life throughout our metropolitan areas, many communities need support in taking the next step toward effective metro-wide cooperation.

The 21st Century Agenda relies on the strategies and approaches that have *already* proven their effectiveness over the past six years:

- **Public-private partnerships.** The evidence is overwhelming: the right mix of public incentives, combined with the willingness of the private sector to invest in untapped markets, is a highly effective strategy for revitalizing distressed communities. The 21st Century Agenda for Cities and Suburbs uses targeted public incentives to encourage more partnerships among the public, private and nonprofit sectors and to attract larger multiples of private sector investment in central city businesses and redevelopment projects.

- **Comprehensive approaches.** In the past, well-meaning programs often took a narrow, single focus to urban problems. We have now learned that the most effective initiatives tackle distress in a much more comprehensive and integrated manner. In recognition of this fact, the initiatives in the 21st Century Agenda span multiple federal agencies and departments.

- **Local and bottom up.** Today's successful revitalization initiatives operate on a much smaller scale than the large federal programs of the past. They focus on the neighborhood level and are much more local and more personal. The 21st Century Agenda continues the efforts of the past six years to refashion federal programs so that they support and encourage the work of community-based organizations and local governments.

- **A strong and capable HUD.** Urban communities benefit from a strong and reinvented HUD as their partner. The best HUD budget in 10 years underscores HUD's renewed strength in offering a comprehensive menu of federal support that is integrated, flexible and decentralized. HUD's role is not to dictate – but rather to ensure that cities have the resources they need to create jobs, promote affordable housing, fight crime, and create healthier, more livable communities for all citizens.

- **Individual empowerment and financial self-sufficiency.** With a new welfare reform law enacted in 1996, the Administration began to overhaul completely the approach the Nation uses to supporting its poorest residents. We have clearly seen that the most effective initiatives stress job training and placement, child care, medical insurance coverage and other supports to enable people to build careers, not just find low wage jobs. There's also a growing understanding that an effective anti-poverty strategy needs to incorporate initiatives that help people build assets and equity through homeownership, savings programs and microenterprise development.

The 21st Century Agenda for Cities and Suburbs is composed of five parts:

- **Tapping New Markets.** Federal support is needed in two critical areas – providing adequate supplies of affordable risk capital and developing workforces – to ensure that central cities' untapped markets for labor, retail opportunities, and land are realized. The Agenda includes initiatives to close the capital gaps faced by public, private and nonprofit developers who are ready right now to meet the untapped market demand in cities for homes, stores, offices, entertainment, and business services – if only more affordable equity and debt capital were available.

- **Workforce Investment and Welfare-to-Work.** The Agenda also provides the tools to help ensure that central city residents have the right skills needed for today's job market – and the means to learn about and get to jobs that may be distant from their neighborhoods.

- **Creating Healthy and Safe Communities.** Communities must be seen as safe to be attractive to new residents and businesses. The 21st Century Agenda includes initiatives to help localities, in partnership with the private sector, build healthy communities.

- **Expanding Homeownership and Affordable Housing.** Homeownership fosters community stability and safety by encouraging families to maintain their properties, watch out for their neighbors, and get involved in neighborhood improvement activities. Homeownership is also the single best way for families to build assets. Promoting homeownership must be a vital component of any national urban strategy, especially one that seeks to encourage growth into our already developed urban communities. Providing more assistance for rental housing is equally critical, particularly as shortages of affordable rental housing worsen in many communities. The landmark public housing legislation proposed by HUD offers innovative approaches to ensuring that housing remains affordable for all Americans.

- **Promoting Smarter Growth.** To realize the billions in savings that could be generated by curtailing sprawl and promoting growth in already developed communities, the agenda provides support to local government and private sector partners in four areas – creating smart growth strategies, redeveloping urban land and industrial sites, removing blighted and vacant buildings, and preserving natural resources and historic amenities. By providing cities with strong tools to tackle these challenges, we can help enhance their attractiveness for residents, businesses, and investors.

TAPPING NEW MARKETS

Each of the capital-based initiatives in the 21st Century Agenda for Cities and Suburbs targets a financing need that must be addressed to accelerate city redevelopment. All of the programs are based on the proven urban revitalization principles of public private partnership and leverage – that is, using public funds and guarantees to encourage much larger multiples of private sector investment in central city businesses and redevelopment projects.

New Markets Initiative (NMI). NMI is a series of measures designed to stimulate $15 billion in new private capital investment in low income areas with high concentrations of poverty to ensure that the opportunity for job growth, neighborhood and economic development of America's untapped new markets is not lost. NMI will build a network of private investment institutions to help provide the capital and expertise that businesses and microenterprises need to flourish in distressed communities.

The NMI components are:

- **New Markets Tax Credit.** The Clinton Administration's FY2000 budget includes a new tax credit to help spur $6 billion in private investment for business growth in low and moderate income communities. Under this plan, qualified investors could claim a tax credit worth 25 percent of the amount invested. The tax credit would be available to organizations whose primary mission is to develop these communities in partnership with the private sector – including community development financial institutions, community development corporations, and SBICs serving low and moderate income communities.

- **America's Private Investment Companies (APIC).** Modeled after successful programs run by the Small Business Administration (SBA), APIC is a new proposal to encourage major private investment in economically distressed areas. APIC would fund the creation of private investment companies – APICs – that will, in turn, invest in large businesses seeking to expand or locate in inner cities and distressed rural communities. Jointly administered by HUD and SBA, APICs will fill a major capital gap by providing equity and debt capital to these businesses.

- **SBICs Targeted to New Markets.** Over the past 40 years, small business investment companies (SBICs) have provided about $20 billion in private equity and debt financing to support the growth and development of 85,000 small businesses. The New Markets Initiative proposes to use this highly successful structure specifically to attract new private investment to low and moderate income communities. The Low and Moderate Income-Focused SBIC (LMI-SBIC) would promote the growth of small businesses in central cities and rural areas where 20 percent of the population is below the poverty level or median income is less than 80 percent of the area median.

- **New Markets Venture Capital Firms.** SBA proposes to fund 10 to 20 new markets venture capital companies (NMVCs) that provide a combination of equity venture capital financing and technical assistance to small businesses in low and moderate income areas. The program will engage community development organizations which have already established successful records in venture investing. Such institutions are already playing a major role in the creation and expansion of businesses in distressed areas, but their efforts have been limited by a lack of adequate funding for both investments and technical assistance. NMVC venture investments will typically range between $50,000 and $300,000.

- **Microenterprise Lending and Technical Assistance.** Microenterprise programs provide access to capital, financial services, and training to entrepreneurs who are traditionally bypassed by the mainstream financial sector. Supporting microenterprises has proven to be a powerful tool for empowering people and promoting economic growth. The Administration's FY2000 budget includes a 159-percent increase in support for domestic microenterprise programs, with a significant strengthening of the Administration's commitment for training and technical assistance.

- **Community Development Financial Institutions (CDFI) Fund.** A crucial component in the capital equation of rebuilding distressed communities are community-based financial institutions (CDFIs) – including community development banks, credit unions, venture capital funds, and microenterprise loan funds – which anchor revitalization initiatives by providing a wide range of financial products and services directly to small businesses and individuals. The FY2000 Budget seeks $125 million for CDFIs, a $30 million increase.

- **BusinessLINC.** This initiative is a new partnership between the federal government and America's business community to encourage large businesses to work with small business owners and entrepreneurs, especially in central cities and rural areas. BusinessLINC – which stands for Learning, Information, Networking and Collaboration – is designed to stimulate business-to-business mentoring relationships that will produce individualized technical and business assistance for small firms.

Community Empowerment Fund (CEF)/CEF Trust. By integrating and streamlining two existing HUD programs, CEF would help ensure that local governments have the public capital they need to support critical business investment and job creation projects in distressed communities. The FY2000 Budget would combine $125 million in Economic Development Initiative grants with an estimated $625 million in Section 108 guaranteed private loans to provide a total of $750 million in grants and low-cost loans in these communities. In FY 2000, the CEF will emphasize two priorities – ensuring welfare-to-work targeted job creation and connecting central cities to areas of regional economic growth. The CEF Trust, an innovative and pathbreaking pilot program, is designed to pool loans and enable a fully private secondary market for economic development loans to emerge. The lack of secondary market instruments, which have had such a major positive impact on our housing finance system, traps billions of dollars in capital that could otherwise be used to expanding private investments in distressed communities.

Empowerment Zone and Enterprise Community (EZ/EC) Initiative. This initiative is the foundation of the Administration's empowerment agenda for communities with high unemployment and poverty rates. Under this program, investment in EZs and ECs is promoted in many ways – including tax incentives, flexible block grants, and regulatory waivers. The FY 2000 Budget proposes guaranteed funding for 10 years for a total commitment of $1.6 billion for EZs and ECs. The FY 2000 Budget would also provide $50 million for a Regional Empowerment Zone Initiative to help EZs/ECs link their economic development strategies with the broader economy of the surrounding metropolitan region. The EZ/EC initiative couples business capital investment with targeted social capital investment to produce comprehensive approaches to revitalization.

Community Development Block Grants (CDBG). The CDBG program is the federal government's most flexible tool for assisting cities, towns, and states to meet local community development priorities and objectives. With its multi-faceted eligible uses, the block grant program is routinely used to rehabilitate housing, improve infrastructure, provide job training, finance revolving loan funds, and finance other community-determined projects. The FY 2000 Budget will increase funding for this linchpin program to $4.775 billion, an increase of $25 million over 1999 enacted levels.

WORKFORCE INVESTMENT AND WELFARE-TO-WORK

Untapped labor markets can only contribute to national economic growth if those workers can access jobs and perform well. The federal government must continue to provide a full range of tools to ensure that city residents have the right skills needed for today's job market, as well as the means to learn about and get to jobs that may be distant from center city neighborhoods.

Expanding Education and Training Initiatives. The FY2000 Budget proposes a major three-part initiative to strengthen adult education, provide universal re-employment, and expand youth employment initiatives.

- **Strengthening Welfare-to-Work.** For the second year in a row, the Administration is requesting new vouchers to help families make the transition from welfare-to-work by providing the housing assistance needed to enable families to move near jobs.

- **Providing More Affordable Child Care.** To help urban families balance the demands of work and family, the Administration's FY2000 Budget proposes a significant new investment in strengthening child care -- making it better, safer, and more affordable.

- **Strengthening Our Schools.** Lagging educational systems remain the single most important impediment facing cities in attracting and keeping middle and upper income residents. The Administration's FY2000 program proposes significant new funding to modernize schools, hire new teachers, reduce class size, integrate technology in classrooms, and expand after-school and summer school programs.

CREATING HEALTHY AND SAFE COMMUNITIES

- **21st Century Policing Initiative.** Communities must be seen as safe to be attractive to new residents and businesses. For FY2000, the Administration proposes a $1.3 billion initiative to put more police on the streets and strengthen community crime prevention efforts. The FY2000 Budget provides funds to help communities hire and redeploy 30,000 - 50,000 more law enforcement officers, as well as new money to help state and local enforcement agencies use new technologies to communicate more effectively, solve more crimes, and conduct comprehensive crime analysis. Other expanded initiatives focus on community crime prevention.

EXPANDING HOMEOWNERSHIP AND AFFORDABLE RENTAL HOUSING

HOME Investment Partnership Program (HOME). HOME is one of HUD's most successful housing rehabilitation and production programs. The FY2000 Budget requests $1.6 billion for HOME, which works through local governments to finance the construction and rehabilitation of multifamily rental housing, improve substandard housing for current owners, and assist new home buyers through acquisition, construction, and rehabilitation. Beyond its impact in terms of bricks and mortar, HOME has been an important tool for enhancing the capability and experience of nonprofit organizations and other affordable housing producers.

Low Income Housing Tax Credit. Since 1986, this tax credit has generated one million rental units for low income American families. However, the amount of the credit has never been adjusted for inflation. The Administration's FY2000 Budget would adjust for inflation, enabling the tax credit to build an estimated 75,000-90,000 new affordable housing units each year. The tax credit is the nation's largest source of assistance for producing affordable rental housing.

Raising Federal Housing Administration (FHA) Volume Caps. The Administration has asked Congress to permit FHA to insure more home mortgages to accommodate rising demand generated by housing markets and by last year's historic increase in the value of mortgages that FHA can insure. The new request would enable FHA to insure 400,000 additional mortgages this year and next above the number it would insure if the cap remained at its current level.

National Partners in Homeownership. This unprecedented public-private partnership is working to dramatically increase homeownership opportunities in America. The Partnership consists of 66 members representing lenders, real estate professionals, home builders, nonprofit housing providers, as well as federal, state, and local governments. Its goal is to achieve a homeownership rate of 67.5 percent of all American households by the end of the year 2000.

Homeownership Zones. The FY2000 Budget requests $25 million as a set-aside in the CDBG program to fund large scale homeownership projects in targeted areas. Funds will be awarded competitively to communities that have large numbers of housing units that need rehabilitation and that have made homeownership part of a holistic strategy for community revitalization. The request will support five to seven Homeownership Zones and create an estimated 1,500 new homeowners. In 1997, HUD was able to fund just six of the 70 zone applications received.

100,000 Vouchers - Section 8 Rental Assistance. In FY2000, the Administration is requesting funds to renew all existing Section 8 contracts and to continue its comprehensive reform of the program. The Administration is also requesting funding for 100,000 new Section 8 vouchers to help address the substantial housing need that remains.

Hope VI/Public Housing. Hope VI provides funds for innovative and comprehensive approaches to address the problems of severely distressed public housing. The program promotes new ways for HUD and public housing authorities to work together, including leveraging HUD funds with private resources and creating resident-based self-sufficiency programs. By going beyond bricks and mortar, HOPE VI gives local partnerships the chance to undertake comprehensive community building and to use the revitalization of public housing as an opportunity to turn neighborhoods around. The FY2000 budget proposes an appropriation of $625 million for HOPE VI, the same as in FY 1999. For public housing overall, the budget proposes an increase in operating funds from $2.8 billion in FY 1999 to $3.0 billion in FY2000. These operating subsidies go to approximately 3,200 public housing authorities with 1.2 million units under their management. The FY2000 budget also proposes to pursue important reforms that will remove and replace the worst units, restore troubled housing authorities to financial integrity, demand household accountability, and promote greater diversity in public housing. In addition to operating funds, the FY2000 budget also proposes public housing capital funds of $2.55 billion for modernization and capital needs.

Continuum of Care Homeless Assistance. In 1994, the Administration launched a new approach to address homelessness focused on long-term solutions, not just emergency or stop-gap measures. The program works with communities nationwide to establish a continuum of programs that help homeless persons move into jobs and permanent housing. As a result of the success of this approach in helping thousands of people move from homelessness to self-sufficiency, the FY2000 budget is requesting $1.13 billion in continuum of care funding, a significant increase over the levels enacted in FY1999.

Housing for Older Americans. As many as one in five Americans will be elderly by 2050, swelling the current elderly population to 80 million people over the age of 65. To address this growing demographic challenge, the Administration is proposing $750 million in FY2000 for housing assistance to senior citizens. The initiative is aimed at both increasing the supply of housing for America's low-income seniors and improving the housing of those already receiving assistance. The funding includes an initiative to help house-rich but cash-poor elderly convert the equity in their homes into rehabilitation and property improvement loans through HUD's reverse mortgage program. The initiative would also continue the federal government's longstanding commitment to the Section 202 Housing for the Elderly program. The FY2000 budget calls for $660 million for Section 202, an increase which will enable it to expand nonprofit housing available for unserved elderly by an estimated 5,790 new units.

Partnership for Advancing Technology in Housing (PATH). The PATH initiative, a public private partnership announced by the President last year, aims to dramatically improve the quality, cost efficiency, durability, safety, and disaster resistance of the next generation of housing. PATH will do this by speeding the identification and adoption of building technologies. In FY2000, the Administration is again requesting $10 million for this multi-year program.

PROMOTING SMARTER GROWTH AND LIVABLE COMMUNITIES

To realize the savings that could be generated in coming decades by facilitating growth in already developed communities, many cities and metropolitan areas need support in at least five areas: creating smart growth strategies that span jurisdictional boundaries and apply multiple tools; redeveloping urban land and industrial sites; removing blighted and vacant buildings; preserving open space and other natural resources and historic amenities; and promoting community safety.

Regional Connections. This new initiative would provide $50 million in FY2000 to fund local partnerships to develop and implement locally-driven smarter growth strategies by addressing economic and community development needs across jurisdictional lines. Broadly speaking, such strategies will include incentives for coordinated reinvestment in already built-up and infrastructure-rich areas – especially cities and older suburbs – and strategies that promote alternatives to uncontrolled sprawl wherever new development does occur.

Brownfields Redevelopment. The Administration proposes to double HUD funding for redevelopment of abandoned or underused industrial sites in urban areas to capitalize on this large untapped resource for development within already established communities.

Better America Bonds. The Administration proposes to generate $9.5 billion in new bond authority for state and local governments to promote redevelopment by cleaning up brownfields, creating or restoring urban parks, and protecting water quality.

Redevelopment of Abandoned Buildings Initiative. The Administration proposes a new $50 million initiative for each of the next three years to pave the way for accelerated urban redevelopment by removing one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, homes, warehouses, offices, and commercial centers.

Lands Legacy. To help communities preserve the natural and historic treasures that make them more attractive places to live, work, and invest, the Administration's FY2000 Budget proposes a $1 billion initiative to protect land and water resources, preserve natural and historic sites, expand open space planning, preserve threatened farmland, create urban parks and forests, and save endangered species.

Part One: Findings -- Revitalization, Renewal and Remaining Metropolitan Challenges

Finding #1. Thanks to a booming national economy, most cities are in the strongest fiscal and economic recovery they have experienced in recent years. There are early signs that some of the structural trends that caused cities' decline for three decades may be slowing or reversing. However, too many central cities are ~~still~~ left behind. They continue to suffer from the challenges of population decline, loss of middle-class families, slow job growth, income inequality, and poverty.

many pockets not sharing.

The strong economy is helping cities recover and there are early signs that some structural trends that worked against cities may be slowing.

The strong economy is helping cities recover in many important ways. Most city balance sheets are the healthiest they've been in decades, and city services are improving as a result. For the first time in American history, a majority of our urban residents are homeowners. Crime in our cities continues to decline dramatically, and urban school achievement is improving. Downtown urban cores have been coming back as centers for commerce, tourism, sports, the arts, entertainment and even housing. That progress is now spreading to neighborhoods outside of the downtown core.

1. Population

Two-thirds of central cities increased in population from 1980 to 1996. Between 1980 and 1996, two-thirds of the country's 539 central cities enjoyed population growth. More than a dozen cities in the South and West grew by 100 percent or more. The most rapid gains were in small cities, but some big cities ballooned, too, such as Las Vegas, which grew by 129 percent.[1] Among central cities, the population growers included some

[1] Now is the Time: Places Left Behind in the New Economy, page 29 and Table 13.

older cities: New York City, for example, grew by 4.4 percent between 1980 – 1996; Oakland by 8.2 percent; Miami by 5.3 percent; Indianapolis by 6.6 percent; and Jersey City by 2.5 percent.[2]

The key decade for central city population loss was the 1970s, when central city populations nationwide hardly grew at all and when many large cities suffered considerable population loss.

Year	Population Growth Central Cities	Population Growth Suburbs
1970-1980	1.2%	18.9%
1980-1990	7.0%	15.0%
1990-1996	3.5%	9.0%

Source: Kurt (SOCDS Census Data)

During the 1990s, 14 of the nation's 30 largest cities continued to lose residents, but at a slower pace than before. Detroit, for example, lost more than 30 percent of its population between 1970 and 1990, but lost 2 percent of its residents from 1990 to 1996. Cleveland, too, lost more than one-third of its residents during the 1970s and 1980s, with slight population declines since then. Moreover, six central cities which lost population in the 1970s gained residents in the 1990s.

Population Change Among Large Cities: Decline Slowed in the 1990s

Rank 1970	City	State	1970-1980	1980-1990	1990-1994	1994-1996
1	New York	NY	-10.4%	3.5%	0.6%	0.2%
2	Chicago	IL	-10.6%	-7.4%	-1.2%	-1.1%
3	Los Angeles	CA	5.4%	17.5%	1.8%	0.2%
4	Philadelphia	PA	-13.4%	-6.1%	-4.0%	-2.9%
5	Detroit	MI	-20.4%	-14.6%	-2.1%	-0.6%
6	Houston	TX	29.4%	2.2%	5.6%	1.3%
7	Baltimore	MD	-13.1%	-6.5%	-4.5%	-3.9%
8	Dallas	TX	7.1%	11.4%	3.7%	0.9%
9	Washington	DC	-15.6%	-4.9%	-6.4%	-4.4%
10	Cleveland	OH	-23.6%	-11.9%	-0.5%	-0.9%
11	Indianapolis	IN	-5.9%	4.4%	2.2%	-0.1%
12	Milwaukee	WI	-11.3%	-1.3%	-4.0%	-2.1%
13	San Francisco	CA	-5.1%	6.6%	0.7%	0.8%
14	San Diego	CA	25.7%	26.8%	4.0%	1.4%
15	San Antonio	TX	20.1%	19.1%	10.5%	3.3%

[2] Now is the Time: Places Left Behind in the New Economy, Table 13

16	Boston	MA	-12.2%	2.0%	-3.7%	1.0%
17	Memphis	TN	3.6%	-5.6%	-0.6%	-1.7%
18	St. Louis	MO	-27.2%	-12.4	-7.3%	-4.4%
19	New Orleans	LA	-6.1%	-10.9%	-2.3%	-1.8%
20	Phoenix	AZ	35.8%	24.5%	8.7%	8.4%
21	Columbus	OH	4.7%	12.0%	3.3%	0.5%
22	Seattle	WA	-7.0%	4.5%	1.4%	0.3%
23	Jacksonville	FL	2.3%	17.4%	4.4%	2.5%
24	Pittsburgh	PA	-18.5%	-12.8%	-2.9%	-2.5%
25	Denver	CO	-4.3%	-5.0%	5.5%	0.9%
26	Kansas City	MO	-11.6%	-2.9%	1.2%	0.2%
27	Atlanta	GA	-14.5%	-7.3%	2.3%	-0.3%
28	Buffalo	NY	-22.7%	-8.3%	-3.0%	-2.4%
29	Cincinnati	OH	-14.8%	-5.6%	-3.0%	-2.1%
30	Nashville	TN	1.7%	7.2%	3.4%	1.2%

Immigrant families are playing a significant role in rebuilding some urban communities. Between 1981 and 1996, more than 13 million immigrants came to the US – the most since the last great immigration waves at the turn of the 20th century. The newcomers have had an important impact on population growth, especially in such gateway cities as Los Angeles, Miami, New York and Seattle.

Number of Foreign-Born Who moved from Abroad to US

Year	US	Metropolitan Areas		Central Cities		Not in Central Cities		Non-metro areas	
		Number	% of US	Number	% of US	Number	% of US	Number	% of US
1990-95	3,305,000	3,107,000	94.0	1,621,000	49.0	1,486,000	45.0	199,000	6.0
1996	932,000	868,000	93.1	412,000	44.2	455,000	48.8	64,000	6.9
1997	920,000	858,000	93.3	472,000	51.3	386,000	42.0	62,000	6.7
1997	797,000	729,000	91.5	302,000	37.9	428,000	53.7	68,000	8.5
Total	5,954,000	5,562,000	93.4	2,807,000	47.1	2,755,000	46.3	393,000	6.6

Source: March 1994-1998 CPS Files

Overall, population is still growing faster in suburbs than in central cities, but the gap is narrowing. The US population continues to disperse toward suburban areas. Between 1970-1996, the Nation's suburban population grew by 49.2 percent, compared to 12.1 percent growth in central cities. Today, only slightly more than one-third of residents live in central cities, compared to 44.9 percent in 1970. However, the relative rate of suburbanization has declined. From 1970 to 1980, more than 95 percent of total metropolitan growth nationwide occurred in suburbs. Since 1980, the suburban share of metropolitan growth has been a still large 77 percent.

US Population Continues to Suburbanize

Year	All MSAs/PMSAs	Central Cities	Suburbs	Central City Share of US Metro Population
1970	159,853,825	71,727,831	88,125,994	44.9%
1980	177,399,088	72,586,529	104,812,559	40.9%
1990	198,250,684	77,669,885	120,580,799	39.2%
1996	211,879,835	80,401,868	131,477,967	37.9%

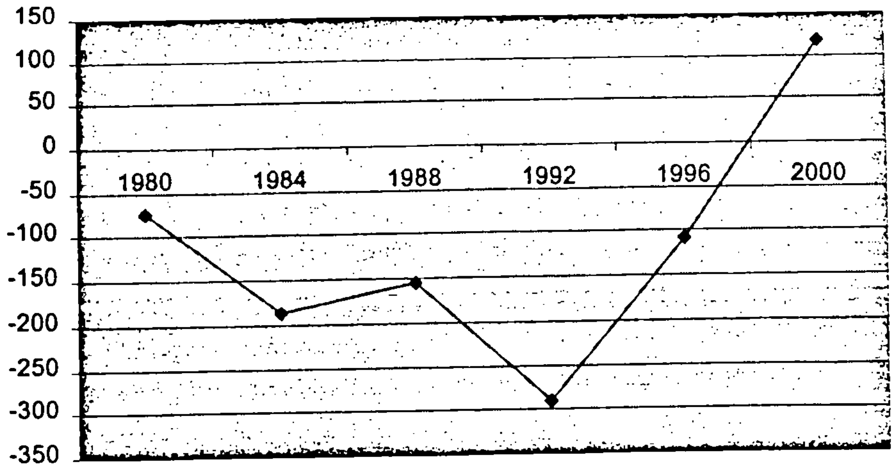
2. Jobs and Employment

A strong national economy is driving an economic recovery ~~in~~ most parts of urban America. Nationwide, the familiar villains – inflation, unemployment, high interest rates, budgetary red ink – have been overcome, and the nation is experiencing budget surpluses, high employment, declining poverty, and a record high stock market. The US is in the midst of the longest peacetime economic expansion in our history. The Nation's gross domestic product (GDP) has grown by an average of 3.2 percent each year since President Clinton took office – and recorded an especially robust 3.9 percent annual increase in 1998. More new businesses are forming, and interest rates remain low. During this time period, the economy has created 18 million new jobs. The national unemployment rate, 4.5 percent in 1998, was the lowest since the 1960s. Living costs have remained relatively stable even as wages and incomes rise. Inflation fell to 1.6 percent in 1998, its lowest level in many years.[3]

Federal Budget Receipts Minus Expenditures: 1979-2000*

Billions

[3] Economic Report to the President, February 1999



*Estimated Source: Economic Report of the President, February 1999

Employment is on the rise in the majority of central cities. The economic recovery is putting new paychecks in the hands of hundreds of thousands of urban residents, many of whom were previously unemployed or on welfare. From 1992 to 1998, the number of employed residents living in central cities grew by 11 percent – or more than four million people.

Total Number of Employed People by Place of Residence

City	1992	1998	Change
1 New York	2,902,214	3,093,370	6.6%
2 Los Angeles	1,614,309	1,713,426	6.1%
3 Chicago	1,196,666	1,228,369	2.6%
4 Houston	855,877	965,321	12.8%
5 Philadelphia	621,694	610,286	-1.8%
6 San Diego	510,069	572,632	12.3%
7 Phoenix	495,372	675,766	36.4%
8 San Antonio	431,166	508,403	17.9%
9 Dallas	540,798	641,606	18.6%

10 Detroit	329,830	369,877	12.1%
11 San Jose	393,146	469,280	19.4%
12 Indianapolis	368,514	412,478	11.9%
13 San Francisco	373,752	401,090	7.3%
14 Jacksonville	307,324	380,900	23.9%
15 Baltimore	300,172	289,455	-3.6%
16 Columbus	342,301	380,377	11.1%
17 El Paso	217,345	239,402	10.1%
18 Memphis	264,556	301,281	13.9%
19 Milwaukee	273,844	285,494	4.3%
20 Boston	263,117	288,382	9.6%
21 Washington	283,586	239,469	-15.6%
22 Austin	279,306	357,229	27.9%
23 Seattle	291,022	347,591	19.4%
24 Nashville	250,672	304,957	21.7%
25 Cleveland	182,202	193,504	6.2%
26 Denver	238,031	279,907	17.6%
27 Portland, OR	232,012	271,125	16.9%
28 Fort Worth	218,719	253,104	15.7%
29 New Orleans	191,132	194,466	1.7%
30 Oklahoma City	216,173	237,531	9.9%
31 Tucson	190,812	222,342	16.5%
32 Charlotte	221,251	261,387	18.1%
33 Kansas City	222,674	254,618	14.3%
34 Virginia Beach	194,425	209,540	7.8%
35 Honolulu**			
36 Long Beach***	190,489	202,185	6.1%
37 Albuquerque	203,314	234,966	15.6%
38 Atlanta	171,827	210,237	22.4%
39 Fresno	152,318	171,198	12.4%
40 Tulsa	189,025	209,964	11.1%
41 Las Vegas	148,472	212,033	42.8%
42 Sacramento	165,677	177,957	7.4%
43 Oakland	163,319	174,841	7.1%
44 Miami	153,583	164,891	7.4%
45 Omaha	173,980	205,453	18.1%
46 Minneapolis	189,945	207,848	9.4%
47 St. Louis	160,525	154,996	-3.4%
48 Pittsburgh	155,730	154,363	-0.9%
49 Cincinnati	162,745	172,596	6.1%
50 Colorado Springs	135,547	180,990	33.5%
Top 10 Total	9,497,995	10,379,056	9.3%
Top 50 Total	18,741,295	20,694,582	10.4%
ALL MSAs*	35,484,067	39,439,174	11.1%

Source: Bureau of Labor Statistics

Central city unemployment rates have fallen dramatically – and at a faster pace than the suburbs. From 1992 to 1998, many cities registered dramatic drops in unemployment, which fell overall in central cities from 8.1 percent to 4.8 percent.

Unemployment rates are also falling in suburbs, but not as sharply as in central cities. From 1992 to 1998 in the 50 largest central cities, unemployment fell by 3.3 percent, compared to jobless rate declines of only 2.8 percent in these cities' suburbs.

During the current expansion, the improving urban jobs picture was so consistent in central cities nationwide that unemployment rose in only three of the nation's 539 central cities. In the 50 largest central cities, unemployment fell from 8.2 percent to 4.9 percent.

Central city unemployment rates are still nearly double the jobless rates in the suburbs, however, implying that there is a significant pool of available labor in central cities to continue to power the economic expansion.

Some central city unemployment declines have been modest, but others have been substantial. Between 1992 and 1998, unemployment in Detroit fell from 17.0 percent to 7.0 percent; in Flint from 20.0 percent to 9.8 percent; in Fall River, MA from 15.1 percent to 4.3 percent; and in Camden, NJ from 24.3 percent to 13.5 percent.[4] Lower unemployment has had significant ripple effects throughout the economy. More workers mean more adults who can provide for their families, support local merchants, buy a home, invest in the community, start a business and serve as a role model for the next generation.

Unemployment Rate by Place of Residence

City	Central City			Suburbs		
	1992	1998	Change	1992	1998	Change
1 New York	11.0%	8.0%	-3.0%	6.3%	3.3%	-3.0%
2 Los Angeles	11.1%	7.3%	-3.8%	8.9%	5.9%	-3.1%
3 Chicago	9.5%	5.6%	-3.9%	6.2%	3.5%	-2.7%
4 Houston	8.7%	5.0%	-3.7%	5.5%	3.2%	-2.3%
5 Philadelphia	8.9%	6.0%	-3.0%	6.7%	3.5%	-3.2%
6 San Diego	7.5%	3.7%	-3.8%	7.2%	3.5%	-3.7%
7 Phoenix	7.2%	2.9%	-4.3%	6.9%	2.8%	-4.1%
8 San Antonio	7.0%	4.1%	-2.9%	4.5%	2.6%	-1.8%
9 Dallas	8.7%	4.2%	-4.5%	5.7%	2.6%	-3.1%
10 Detroit	17.0%	7.0%	-10.0%	7.2%	2.6%	-4.6%
11 San Jose	8.1%	3.8%	-4.3%	5.3%	2.4%	-2.9%
12 Indianapolis	5.9%	2.8%	-3.1%	4.2%	1.9%	-2.3%
13 San Francisco	6.9%	3.6%	-3.2%	5.1%	2.4%	-2.7%
14 Jacksonville	7.0%	3.3%	-3.7%	5.9%	2.9%	-3.0%
15 Baltimore	11.0%	8.7%	-2.3%	6.2%	3.9%	-2.3%
16 Columbus	5.4%	2.9%	-2.5%	4.1%	2.2%	-2.0%
17 El Paso	11.2%	9.6%	-1.6%	15.7%	13.6%	-2.1%

[4] Now is the Time: Places Left Behind in the New Economy, Table 13

18 Memphis	7.0%	4.6%	-2.4%	4.4%	2.6%	-1.8%
19 Milwaukee	6.2%	4.8%	-1.4%	3.8%	2.0%	-1.8%
20 Boston	8.0%	3.3%	-4.7%	7.4%	2.6%	-4.8%
21 Washington	8.6%	8.6%	0.0%	4.8%	2.6%	-2.2%
22 Austin	4.8%	2.9%	-1.8%	3.3%	2.2%	-1.1%
23 Seattle	7.5%	3.5%	-4.0%	6.0%	2.8%	-3.3%
24 Nashville	4.9%	2.6%	-2.3%	5.0%	2.9%	-2.1%
25 Cleveland	13.7%	8.4%	-5.3%	5.7%	3.2%	-2.5%
26 Denver	6.6%	3.4%	-3.2%	4.9%	2.5%	-2.4%
27 Portland, OR	7.7%	4.8%	-2.9%	6.2%	3.8%	-2.4%
28 Fort Worth	9.4%	4.4%	-5.0%	6.0%	2.8%	-3.1%
29 New Orleans	7.2%	5.5%	-1.7%	6.7%	4.1%	-2.6%
30 Oklahoma City	5.6%	3.6%	-2.0%	4.4%	3.0%	-1.4%
31 Tucson	6.1%	3.0%	-3.1%	4.6%	2.2%	-2.4%
32 Charlotte	5.5%	2.5%	-3.0%	5.1%	2.5%	-2.6%
33 Kansas City	6.2%	4.4%	-1.9%	3.8%	2.7%	-1.0%
34 Virginia Beach	5.3%	2.9%	-2.4%	5.4%	2.8%	-2.5%
35 Honolulu**						
36 Long Beach***	9.1%	6.0%	-3.2%			
37 Albuquerque	4.8%	4.4%	-0.4%	5.5%	5.4%	-0.1%
38 Atlanta	10.0%	5.2%	-4.7%	6.0%	2.9%	-3.1%
39 Fresno	14.1%	12.5%	-1.6%	16.7%	14.6%	-2.1%
40 Tulsa	5.5%	3.2%	-2.3%	5.2%	2.9%	-2.2%
41 Las Vegas	6.6%	4.0%	-2.6%	7.1%	4.0%	-3.0%
42 Sacramento	9.9%	6.2%	-3.7%	7.5%	4.5%	-3.1%
43 Oakland	10.1%	6.5%	-3.7%	5.8%	3.4%	-2.4%
44 Miami	15.0%	9.6%	-5.3%	9.4%	6.0%	-3.5%
45 Omaha	3.9%	2.4%	-1.5%	2.7%	1.4%	-1.2%
46 Minneapolis	5.0%	2.5%	-2.5%	4.4%	1.8%	-2.6%
47 St. Louis	8.3%	7.2%	-1.1%	5.4%	3.5%	-1.9%
48 Pittsburgh	6.8%	4.5%	-2.3%	7.1%	4.5%	-2.6%
49 Cincinnati	8.0%	4.8%	-3.2%	5.5%	2.9%	-2.6%
50 Colorado Springs	7.2%	3.9%	-3.3%	7.1%	3.8%	-3.3%
Top 10 Total	**10.0%**	**6.2%**	**-3.8%**	**6.9%**	**3.7%**	**-3.2%**
Top 50 Total	**8.7%**	**5.3%**	**-3.4%**	**6.2%**	**3.4%**	**-2.9%**
ALL MSAs*	**8.6%**	**5.1%**	**-3.4%**	**6.6%**	**3.7%**	**-3.0%**

Source: Bureau of Labor Statistics

Central city job bases are growing again. From 1991 to 1993, 77 major central cities lost employment at a rate of 1.3 percent, but from 1993 to 1996, employment in these same cities rose by 4.4 percent.

Jobs and Establishment in Central Cities and Average Annual Pay ($1998) for 77 Central Cities and their Metropolitan Areas: 1991-1996

	MSAs	Central Cities	Suburbs
1991			
Jobs	52,524,822	23,305,144	29,219,678
Establishments	3,215,833	1,256,679	1,959,154
Average Annual Pay	30,300	31,911	29,015
1993			

Jobs Establishments Average Annual Pay	53,254,032 3,303,761 30,814	22,995,065 1,263,869 31,911	30,258,967 2,039,892 29,445
1994			
Jobs Establishments Average Annual Pay	54,180,896 3,356,893 30,978	23,271,430 1,270,214 32,738	30,909,466 2,086,679 29,653
1995			
Jobs Establishments Average Annual Pay	56,226,587 3,415,046 31,287	23,950,126 1,284,211 33,256	32,276,461 2,130,835 29,826
1996			
Jobs Establishments Average Annual Pay	57,381,656 3,479,687 32,015	23,999,209 1,286,931 34,103	33,382,447 2,192,756 30,515
Change 1991-1993			
Jobs Establishments Average Annual Pay	1.4% 2.7% 1.7%	-1.3% 0.6% 2.2%	3.6% 4.1% 1.5%
Change 1993-1996			
Jobs Establishments Average Annual Pay	7.8% 5.3% 3.9%	4.4% 1.8% 4.6%	10.3% 7.5% 3.6%
Change 1991-1996			
Jobs Establishments Average Annual Pay	9.2% 8.2% 5.7%	3.0% 2.4% 6.9%	14.2% 11.9% 5.2%

Source: HUD Special Tabulant

Moreover, wages for central city jobs are rising at a faster rate than elsewhere. Between 1991 and 1996, average annual pay for jobs in 77 large central cities rose by 6.9 percent, compared to 5.2 percent for suburban jobs.

Central City Job Bases Are Growing Again: Change in Jobs in 77 Central Cities

City	1991-1993	1993-1996	City	1991-1993	1993-1996
Albuquerque	9.6%	15.8%	Long Beach	-22.0%	1.4%
Anchorage	2.9%	6.7%	Los Angeles	-7.2%	-4.8%
Atlanta	0.8%	9.8%	Louisville	-4.8%	1.7%
Austin	8.7%	23.7%	Memphis	0.1%	8.6%
Baltimore	0.3%	-3.6%	Miami	-4.8%	-4.0%
Billings	4.9%	5.6%	Milwaukee	2.3%	-4.7%
Birmingham	-3.2%	5.8%	Minneapolis	-3.2%	-1.7%
Boise City	7.4%	21.5%	St. Paul	-2.4%	4.6%
Boston	-1.3%	8.3%	Nashville	2.6%	12.1%
Manchester	-5.3%	11.4%	New Orleans	2.2%	-2.5%
Buffalo	-3.9%	-2.3%	New York	-4.3%	2.6%
Burlington	-4.7%	-14.3%	Newark	-0.7%	5.7%
Charleston	1.3%	1.3%	Virginia Beach	2.2%	15.0%
Charlotte	6.0%	10.0%	Oakland	-5.5%	4.6%

Cheyenne	12.1%	3.7%	Oklahoma City	1.5%	10.6%
Chicago	-4.0%	0.4%	Omaha	8.2%	10.5%
Cincinnati	-1.9%	-0.6%	Santa Ana	-11.2%	4.8%
Cleveland	-5.8%	4.5%	Philadelphia	-2.1%	-1.2%
Columbia	8.8%	4.8%	Phoenix	4.0%	17.0%
Columbus	1.8%	8.9%	Pittsburgh	-1.8%	-0.1%
Dallas	-2.1%	6.3%	Portland, ME	-4.5%	2.5%
Denver	3.3%	1.6%	Portland, OR	6.8%	15.8%
Des Moines	3.3%	-2.2%	Providence	-2.5%	-3.2%
Detroit	-3.0%	0.4%	Sacramento	-2.0%	3.1%
El Paso	9.8%	6.0%	St. Louis	5.3%	2.3%
Fargo	4.1%	18.3%	Salt Lake City	8.7%	-1.7%
Fort Worth	0.2%	7.7%	San Antonio	7.0%	13.9%
Fresno	-6.6%	7.3%	San Diego	-2.6%	5.2%
Hartford	-2.9%	-7.3%	San Francisco	-5.1%	0.3%
Honolulu	-6.6%	-5.0%	San Jose	0.0%	13.2%
Houston	-1.7%	5.0%	Seattle	-3.8%	6.6%
Indianapolis	1.7%	-0.6%	Sioux Falls	7.8%	11.0%
Jackson	2.5%	3.4%	Tampa	-3.6%	7.4%
Jacksonville	4.4%	11.0%	Toledo	-6.8%	6.0%
Kansas City, KS	-4.1%	-0.8%	Tucson	5.3%	9.2%
Kansas City, MO	-1.7%	5.6%	Tulsa	-0.3%	6.0%
Las Vegas	-4.5%	44.7%	Washington	3.3%	-6.9%
Little Rock	0.9%	17.9%	Wichita	-1.9%	4.7%
			Wilmington	-15.8%	29.6%

Some large cities that have continued to lose population in the 1990s have gained jobs. Of the 49 largest central cities in 1970, 21 were continuing to lose population from 1990 to 1996. However, 14 of those same cities expanded their job base from 1993 to 1996.

Central Cities which lost population from 1993 to 1996 but still gained jobs:

Chicago Detroit Washington Cleveland Memphis	St. Louis Atlanta Toledo Newark Oakland	Louisville Long Beach St. Paul Birmingham

Job growth is happening faster in the suburbs around central cities. Even while virtually all cities are adding jobs and reducing unemployment, growth in the suburbs is happening at a faster pace. Between 1992 and 1998, central city labor forces in 500 US metropolitan areas grew by 7.5 percent. The suburban labor forces in those same metropolitan areas grew by 9.2 percent – or 23 percent faster. For the Nation's 50 largest metropolitan areas, suburban labor forces grew 52 percent faster than central city labor forces.[5] The rapid increase in suburban jobs has led to mismatches between where available untapped pools of workers are – in central cities – and where the employment needs are greatest – in suburbs.

3. Poverty and Incomes

For the first time in three decades, central city poverty rates have declined slightly. From 1969 to 1993, the central city poverty rate steadily increased from 14.3 percent to 21.7 percent. From 1993 to 1995, however, this trend reversed and the central city poverty rate dropped to 19.8 percent, according to HUD estimates. From 1996-1997, the number of poor people living in central cities declined from 15.6 million to 15.0

[5] Bureau of Labor Statistics, Employment Statistics for Selected Cities and their Metropolitan Areas, Total Labor Force by Place of Residence, 1998.
[6] Interim Report on The State of the Cities, HUD, January 26, 1999, page 2

million.[6] New figures from the Current Population Survey suggest that central city poverty has continued to decline, from 19.6 percent in 1996 to 18.8 percent in 1997. Poverty remains concentrated in central city neighborhoods, however. In 1995, central city poverty rates were double those in the suburbs.

US Poverty Rates: 1969-1995

Year	Metropolitan Areas	Central Cities	Suburbs
1969	11.4%	14.3%	9.0%
1979	11.4%	16.2%	8.2%
1989	12.1%	18.0%	8.4%
1993*	14.7%	21.7%	10.3%
1995*	13.3%	19.8%	9.3%

*estimated

Source: HUD calculations

For the first time in three decades, the percentage of central city households who have the lowest incomes appears to have stopped growing. Conversely, the percentage of central city households of middle and upper incomes on balance no longer appears to be declining. Between 1993 and 1997, the percentage of central city households that were in the lowest 20 percent income category declined slightly, from 25.6 percent to 25.2 percent. This reverses a trend that began in 1969 of steadily increasing share of central city households in the lowest income brackets. At the same time, the percentage of city households that were in the top 20 percent of income rose in central cities by 0.2 percent. While these changes are slight, they may be the first sign that cities are beginning to retain the middle and upper income households who are so important to stabilizing central city economies and tax bases.

Confusing

Population by income level and location

1969	All Central Cities	All Suburbs
Low Income (National lowest 20%)	21.9%	14.8%
Middle Income (National middle 60%)	59.8%	59.1%
High Income (National top 20%)	18.3%	26.2%
1989	**All Central Cities**	**All Suburbs**
Low Income (National lowest 20%)	23.9%	14.1%
Middle Income (National middle 60%)	58.8%	59.8%
High Income (National top 20%)	17.2%	26.1%
1993	**All Central Cities**	**All Suburbs**
Low Income (National lowest 20%)	25.6%	14.2%

[6] Interim Report on The State of the Cities, HUD, January 26, 1999, page 2

Middle Income (National middle 60%)	58.1%	59.3%
High Income (National top 20%)	16.3%	26.5%
1997	**All Central Cities**	**All Suburbs**
Low Income (National lowest 20%)	25.2%	14.5%
Middle Income (National middle 60%)	58.3%	59.5%
High Income (National top 20%)	16.5%	26.0%

Source: SOCDS Census Data (1969, 1989) and sheet from Kurt (from Table 7: Number of Households by Income Quintiles and Metro Status, March 1994-1998 CPS Files ??)

Children in Poverty: 1993 – 1997

Year	U.S.	Central Cities	Not in central Cities	Non-metropolitan areas
1993	22.0%	33.0%	14.4%	23.5%
1994	21.2%	32.7%	14.2%	21.9%
1995	20.2%	32.3%	12.4%	21.7%
1996	19.8%	30.3%	12.9%	21.5%
1997	19.2%	28.3%	12.8%	21.9%

Poverty among children in central cities ~~is approximately 50 percent higher than the national rate, but the~~ rate is declining faster than in the nation as a whole. Nationwide, the rate of children living in poverty fell from 22 percent in 1993 to 19.2 percent in 1997. Of all jurisdictions, child poverty declined the most in central cities, falling from 33 percent in 1993 to 28.3 percent in 1997, a decline of 14.2 percent.[7]

Median Family Income: 1998 dollars

Year	All Central Cities	All Suburbs	City-Suburb Gap
1969	$42,251	$47,971	$5,720
1979	$41,657	$50,224	$8,567
1989	$42,217	$53,740	$11,523

Source: State of the Cities Data Series

Median family income has started rising again in central cities. During the 1970s, when many cities suffered major population declines, median family incomes in central cities fell in constant dollars. During the 1980s, however, the trend reversed and median income in central cities began rising again. During those decades, suburban incomes rose consistently and the gap between city and suburban incomes grew significantly. In 1989, city residents' incomes were only 78 percent of suburban incomes, a wider gap than in 1969, when city residents earned 88 percent as much as suburbanites.

[7] From Kurt

Welfare households are declining in central cities. Welfare rolls have fallen substantially across the nation since 1993, including in central cities. The percentage of central city households receiving public assistance income fell from 8.4 percent in 1993 to 5.3 percent in 1997, a decline of 37 percent.

Welfare Rolls Have Fallen

	US Total	Metropolitan Areas	Central Cities	Suburbs	Non-Metro Areas
1969	5.7%	5.4%	7.0%	4.0%	6.9%
1979	8.0%	7.8%	10.5%	5.7%	8.7%
1989	7.5%	7.2%	10.2%	5.2%	8.8%
1993	5.4%	5.5%	8.4%	3.5%	4.9%
1994	4.9%	5.1%	8.1%	3.3%	4.2%
1995	4.5%	4.6%	7.2%	3.0%	4.2%
1996	4.2%	4.3%	6.7%	2.8%	4.2%
1997	3.4%	3.4%	5.3%	2.2%	3.3%

Source: Decennial Census 1970, 1980, 1990: March 1994 to March 1998 CPS

Public assistance includes AFDC/Cash TANF and other General Welfare Payments

4. Homeownership

For the first time in history, more than half of central city households are homeowners. Homeownership fosters community stability and safety by encouraging families to maintain their properties, watch out for their neighbors, and get involved in neighborhood improvement activities. Homeownership is a primary way families build assets for the future. And homeownership serves as a foundation for bringing back commercial reinvestment and more, because new owners create demand for neighborhood economic activities, such as grocery stores and other retail.

In 1998, for the first time in history, the central city homeownership rate rose above 50 percent. For the first quarter of 1999, 50.3 percent of urban residents owned their own homes, compared to 48.9 percent at the end of 1993.[8]

Homeownership Rates: 1988-1998

Year	National Rate	Central City	Suburban	Rural	White	Black	Hispanic

[8] Now is the Time: Places Left Behind in the New Economy, HUD, April 1999, page 17

1988	64.0	48.7	71.1	72.1	69.1	42.9	40.6
1989	64.0	48.7	70.4	73.1	69.3	42.1	41.6
1990	64.1	48.9	70.1	73.5	69.4	42.6	41.2
1991	64.0	48.3	70.4	73.2	69.5	42.7	39.0
1992	64.1	49.0	70.2	73.0	69.6	42.6	39.9
1993	64.1	48.9	70.2	72.9	70.2	42.0	39.4
1994	64.0	48.5	70.3	72.0	70.0	42.5	41.2
1995	64.7	49.5	71.2	72.7	70.9	42.9	42.0
1996	65.4	49.7	72.2	73.5	71.7	44.5	42.8
1997	65.7	49.9	72.5	73.7	72.0	45.4	43.3
1998	66.3	50.0	73.2	74.7	72.6	46.1	44.7

Source: US Housing Market Conditions, February 1999, HUD, pages 78-79.

America's overall homeownership rate rose to 66.7 percent for the first quarter of 1999, up from 63.7 percent in 1993. A total of 69.6 million American families owned their own homes – more than at any time in American history. Since President Clinton took office in 1993, 7.8 million more families own homes.[9]

Minorities have led the way in increasing homeownership. The number of homeowners includes a record 5.9 million African American and 4.2 million Hispanic families – the highest number of minority homeowners in American history. The homeownership rates for minorities – 46.9 percent for blacks and 46.2 percent for Hispanics – are the highest since these rates were separately reported in 1983, and are believed to be the highest ever. A total of 39 percent of the net new homeowners since 1994 are minorities, even though minorities account for just 24 percent of the population. African American and Hispanic homeownership rates have been growing twice as fast as the white homeownership rate.

5. Central City Fiscal Conditions and Quality of Life Indicators

Cities across the country are reasserting themselves as the geographic and cultural centers of their regions. Downtown areas are becoming the vibrant hubs of commerce, tourism, culture, and entertainment.

Downtown renaissance. Examples of major downtown renaissance are everywhere –

[9] HUD Press Release, No 99-69, April 21, 1999

from Cleveland to San Antonio, from Providence to Seattle. These efforts not only signal urban turnaround: they also generate revenues as increased visitors spend money in establishments that hire local workers. In Baltimore, for example, where a downtown renaissance has been underway for more than a decade, tourism rose 47 percent between 1993 and 1997. The 13.4 million visitors to Baltimore in 1997 generated 16,000 jobs and $2.6 in spending.[10] Other central cities are experiencing a similar growth in tourism.

> "Among the most admirable and enjoyable sights to be found along the sidewalks of big cities are the ingenious adaptations of old quarters to new uses. The town-house parlor that becomes a craftsman's showroom, the stable that becomes a house, the basement that becomes an immigrants' club, the garage or brewery that becomes a theater, the beauty parlor that becomes the ground floor of a duplex, the warehouse that becomes a factory for Chinese food."
>
> Jane Jacobs, The Death and Life of Great American Cities, 1961

Rents charged for office space in central business districts are another good indicator of the health of downtown markets. According to the National Real Estate Index, rents for downtown office space rose 13.6 percent in the 12 months ending in the second quarter of 1998, outperforming all other property types, including suburban office space, which was the next strongest market, with rents rising by nearly 8 percent.[11]

Some downtowns are experiencing a surprising gain in residential population, some for the first time in decades, according to an Urban Land Institute survey of 24 cities. Nearly all of the surveyed cities expected significant increases in their downtown residential populations by 2010. Some cities, including Cleveland, Houston, Memphis, and Seattle, are expecting triple-digit increases. According to the report, most new downtown residents are well-off empty nesters seeking to live closer to work and cultural

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[10] PlanBaltimore: City Planning Department, April 1999, page 76.
[11] Urban Land Institute: Land Use Digest, Vol. 31, No. 12, December 1998
[12] Urban Land Institute: Land Use Digest, Vol. 32, No. 2, February 1999

amenities.[12]

Fiscal conditions. The fiscal condition in many central cities has improved significantly over the past six years, due both to better economic conditions overall and to financial management reforms instituted in city governments. One indicator of city fiscal strength are rating made by Wall Street on the bonds that cities issue to raise funds. Since 1994, Standard and Poor's has raised the stand alone general obligation rating on bonds for 24 of the 91 major central cities it currently rates; 8 cities had their bond ratings lowered during that period. The upgraded ratings not only reflect improved fiscal outlook in the cities. Higher bond ratings also mean cities pay investors a lower interest rate when they sell bonds, saving city taxpayers millions of dollars annually. Those savings, in turn, translate into more revenues cities can apply to vital service and infrastructure improvements, investments in schools and even tax cuts for residents and businesses.

24 cities have had their general obligation bond ratings upgraded since 1994

started?

City	State	Current Rating	Prior Rating	Current Rating Date
Anaheim	CA	AA	AA-	9/14/94
Boston	MA	A+	A	9/27/95
Chicago	IL	A+	A	3/20/98
Cleveland	OH	A	A-	6/20/94
Columbus	GA	AA	A	5/12/95
Columbus	OH	AAA	AA+	5/12/95
Denver	CO	AA+	AA	3/9/99
Detroit	MI	BBB+	BBB	12/9/97
Fort Wayne	IA	AA-	A+	10/9/97
Grand Rapids	MI	AA-	A+	9/4/98
Jackson	MS	AA-	A+	6/21/94
Knoxville	TN	AA	AA-	4/24/97
Las Vegas	NV	A+	A	2/14/96
Mesa	AZ	AA-	A+	11/10/95
Miami	FL	BB	B	5/13/97
Montgomery	AL	AA	AA-	3/24/95
New York	NY	A-	BBB	7/16/98
Newport News	VA	AA	AA-	3/5/98
Philadelphia	PA	BBB	BBB-	3/25/97
San Antonio	TX	AA+	AA	12/8/98
Shreveport	LA	A+	A	4/28/95
Tacoma	WA	A+	A	5/20/94
Tucson	AZ	AA	AA-	4/16/96
Washington	DC	BBB	BB	4/22/99

Source: Standard and Poor's Rating Information Services, April 1999

[12] Urban Land Institute: Land Use Digest, Vol. 32, No. 2, February 1999

City Services. Many central cities are offering residents higher levels of city services. In a 1999 survey, 88 percent of municipal officials reported their cities were able to offer residents good or very good levels of services. Of the nearly 400 officials surveyed, 40 percent expected to increase service levels in the coming year and 75 percent said their cities offered a wider range of city services today than five years ago.[13]

Public safety. One area where cities have shown the biggest improvement is in crime. Most big cities are safer today than they were 25 years ago. For the nation as a whole, the FBI crime index dropped 13 percent from 1994 to 1998. But crime fell even faster in cities. The largest declines were recorded in violent crimes such as murder, rape, robbery, and aggravated assault. From 1997 to 1998, the total crime index fell by six percent in cities with populations over 1 million – including an 11 percent reduction in murders and robberies, a 12 per cent decline in motor vehicle theft, and 16 percent drop in arson. The next largest group of cities – those with a population between 500,000 and 999,999 – recorded a 13 percent reduction in violent crime between 1997 and 1998, a 15 percent drop in robberies, a 12 percent decline in aggravated assault, and a 9 percent drop in motor vehicle theft.[14]

<Hold for table on crime rates>

Source: Bureau of Justice Statistics, January 1999

The longer run crime trends for key large cities are encouraging. Between 1991-1997, violent crime dropped 20 percent in Minneapolis, 25 percent in Atlanta, 32 percent in Cleveland, 35 percent in Boston, 36 percent in Kansas City, 42 percent in Seattle, 44 percent in Dallas, 45 percent in Los Angeles, and over 51 percent in New York City.[15]

The nation's murder rate in 1997 fell to its lowest level in 30 years, with much of the

[13] National League of Cities, January 1999

[14] Uniform Crime Reports, January-June 1998, Federal Bureau of Investigation, December 13, 1998

[15] Interim Report on The State of the Cities, HUD, January 26, 1999, page 3.

decline in cities with more than 1 million people, where the murder rate fell from 35.5 per 100,000 population in 1991 to 20.3 per 100,000 in 1997.[16] Americans experienced fewer violent and property crimes in 1997 than in any other year since the survey began in 1973, according to National Crime Victimization Survey.[17]

According to the internet company Yahoo, the most wired US cities are:[18]

1. San Francisco	2. Atlanta	3. Washington, DC
4. Austin	5. Seattle	6. Minneapolis
7. Boston	8. New York	9. Chicago
10. Miami	11. Denver	12. San Diego
13. Dallas	14. Pittsburgh	15. St. Louis
16. Los Angeles	17. Houston	18. San Jose
19. Philadelphia	20. Portland (OR)	

The view that new telecommunications technologies would only harm the economic viability of central cities has not been borne out. Some economists believe that central cities may have a growing competitive advantage over less densely populated areas in today's information economy. Central cities' high concentration of telecommunications infrastructure and tightly integrated populations may facilitate the high level information exchanges and spontaneous conversations that lead to innovation and productivity advances in a knowledge-based economy.

Central cities may also have a growing competitive advantage because of the high number of professional service firms clustered in their central business districts and surrounding neighborhoods. A growing number of large and small companies alike rely on outside consultants and firms to handle their legal, tax, accounting, marketing, special projects, and other professional service needs, rather than employ these services in-house. Central cities may have an economic advantage in such an outsourcing environment because the consultants and outside professionals providing services need

[16] Homicide Trends in the United States, Bureau of Justice Statistics, Jan.1999, p.1.
[17] Criminal Victimization 1997, Bureau of Justice Statistics, Dec. 1998, p.1.
[18] Urban Land Institute: Land Use Digest, Vol 31, No. 6, June 1998

to be able to meet and communicate easily with one another and with the companies that retain them.

Cities may also start to benefit soon from new trends in consumer purchasing driven by technology. As more and more people shop for standard commodities over the internet and through catalogues, shops that offer unique and unusual goods and niche market items may start to capture more consumer shopping interest and time. Such stores typically need a concentrated environment in which to be profitable – an environment which central cities already offer.

Too many central cities are left behind in the new economy Despite our strong economic growth there are pockets not sharing equally in the new prosperity.

remarkable growth there are

Despite the ~~positive news~~, ~~too many cities and~~ pockets of concentrated poverty ~~are being left~~ behind in urban America's impressive comeback. They continue to suffer from the challenges of population decline, loss of middle-class families, slow job growth, income inequality, and poverty. That is why we need to focus our attention & efforts on these areas.

As detailed in *Now is the Time: Places Left Behind in the New Economy*, while cities overall are doing well, population declines continue to plague about 20 percent of our Nation's 539 central cities. Nearly one in three central cities had poverty rates of 20 percent or more in 1995, and even in cities with lower rates, poverty remains concentrated in selected urban neighborhoods. City school systems show improvement, but are still an Achilles' heel of urban revitalization.

1. Population Loss

Serious population losses continue to plague about one in five central cities. The fact that many central cities still suffered significant population loss at a time when the overall US population grew by 17 percent between 1980 and 1996 is a cause for concern. A total of 116 central cities lost 5 percent or more of their people during that time period, and 57 cities – more than 1 in 10 – lost 10 percent or more of their population. These cities lost workers and consumers to grow their economy, as well as the tax base needed to protect livability and strengthen the local business climate. Shrinking cities tend to have higher rates of poverty and unemployment than central cities with a growing or stable population base.

Most cities losing population are small or mid-sized. They tend to be clustered regionally across the Nation's "rustbelt" and Northeastern states. The most extreme cases of urban population loss reflect a massive exodus of people: East St. Louis (IL) lost over 30 percent of its population during 1980-1996; Gary lost 27 percent; Johnstown 26 percent; Youngstown 24 percent; Wheeling (WV) 23 percent; and St. Louis 22 percent.[19]

Insert Figure 4: High Population Loss Cities Map from Now Is The Time, page 70

The differences in central city population trends across the Nation are striking. Every central city gained population from 1980 to 1996 in Arizona, Idaho, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Oregon, South Dakota, Utah and Washington. All but four of Texas's 44 central cities gained residents during that time period. In California, only one of the state's 59 central cities lost residents.[20]

By contrast, 12 of Michigan's 18 central cities lost population between 1980 and 1996, including Detroit, whose population declined by 16.9 percent. In New York, 14 of the state's 19 central cities lost population, led by Utica, which lost nearly one in five residents. Of Ohio's 24 central cities, 16 lost population. In Pennsylvania, 17 of the 18 central cities lost population, while in Illinois, 13 of 23 central cities lost residents. All of West Virginia's five central cities lost population, by an average of 16 percent.

2. Jobs And Employment

Unemployment remains unacceptably high in about one in six central cities. Even while the majority of cities are doing extremely well, high unemployment (50 percent or

[19] Now is the Time: Places Left Behind in the New Economy, Table 13
[20] Now is the Time: Places Left Behind in the New Economy, Table 13

more above the national rate) affects 17 percent of central cities. This amounts to 95 central cities in 25 states and the District of Columbia with jobless rates of 6.75 percent or higher in 1998; 64 had a rate of 7.9 percent or more (75 percent above the national rate), and 37 had rates of 9 percent or more (100 percent above). And while unemployment has fallen over the past six years even in the cities with the highest rates, the decline has not kept pace with "the lowest peacetime unemployment in over 40 years" that the Nation enjoys. These higher unemployment cities are mostly in small or mid-sized cities and found throughout the nation.[21]

Despite a strong recovery, unemployment in 37 central cities is still at least double the national average

City	State	1998 unemployment %	City	State	1998 unemployment %
Yuma	AZ	18.8	Flint	MI	9.8
Fresno	CA	12.5	Atlantic City	NJ	13.7
Hemet	CA	9.3	Camden	NJ	13.5
Madera	CA	18.3	Jersey City	NJ	9.3
Merced	CA	15.2	Newark	NJ	9.9
Modesto	CA	10.8	Trenton	NJ	9.1
Porterville	CA	18.5	Niagara Falls	NY	10.4
Salinas	CA	14.0	Youngstown	OH	10.6
Stockton	CA	12.4	Brownsville	TX	14.4
Tulare	CA	13.4	Edinburg	TX	15.6
Turlock	CA	10.6	El Paso	TX	9.6
Visalia	CA	10.2	Harlingen	TX	9.1
Watsonville	CA	14.6	Laredo	TX	9.2
Yuba City	CA	17.7	McAllen	TX	12.7
Fort Pierce	FL	17.6	Mission	TX	15.0
Miami	FL	9.6	Port Arthur	TX	10.8
East St. Louis	IL	9.6	Texarkana	TX	9.4
Kankakee	IL	9.6	Yakima	WA	10.2
North Chicago	IL	10.3			

Source: Now Is The Time: Places Left Behind in the New Economy

Pockets of

3. Incomes And Poverty

~~Stubborn~~ poverty persists in about one-third of our central cities. Many central cities are still struggling with high rates of poverty that appear not to have dropped significantly in the first half of this decade. Poverty rates of 20 percent or more can be found in 170 central cities in 34 states and the District of Columbia.[22] In 30 cities, the

[21] Now is the Time: Places Left Behind in the New Economy, page 25

[22] Now Is The Time: Places Left Behind In The new Economy, HUD, April 1999, page 33.

poverty rate is estimated to be 30 percent or higher. Many cities with the highest poverty rates are small or medium-sized.

30 cities have central city poverty rates of 30 percent or higher

		Poverty Rate %	Estimated Poverty Rate %	
City	**State**	**1989**	**1993**	**1995**
Pine Bluff	AR	27.7	32.9	31.8
Madera	CA	26.9	33.4	33.0
Merced	CA	25.1	31.6	33.9
Porterville	CA	26.8	32.2	31.8
San Luis Obispo	CA	27.4	28.5	30.0
Hartford	CT	27.5	38.3	35.2
Fort Pierce	FL	29.2	38.9	39.3
Miami	FL	31.2	45.4	42.8
Miami Beach	FL	25.2	37.7	35.2
Atlanta	GA	27.3	35.6	33.6
Augusta	GA	33.3	42.4	42.7
East St. Louis	IL	43.9	47.9	44.3
Monroe	LA	37.8	37.6	35.0
New Orleans	LA	31.6	37.9	33.6
Lawrence	MA	27.5	37.5	30.3
Benton Harbor	MI	58.0	74.0	64.3
Detroit	MI	32.4	39.6	33.1
Flint	MI	30.6	35.9	30.4
Saginaw	MI	31.7	36.7	32.8
Camden	NJ	36.6	49.2	44.2
Newark	NJ	26.3	35.3	30.5
Newburgh	NY	26.2	34.3	31.5
Brownsville	TX	43.9	38.8	39.9
Edinburg	TX	33.8	31.9	33.6
Harlingen	TX	29.9	29.3	30.6
Laredo	TX	37.3	35.1	35.2
McAllen	TX	32.7	32.4	34.4
Mission	TX	37.3	36.5	37.5
Port Arthur	TX	28.1	29.1	30.1
San Benito	TX	36.8	36.8	39.0

Source: HUD: Now Is The Time: Places Left Behind In The New Economy: Table 11

Persistently high poverty rates tend to reflect structural barriers to participation in the changing economy – barriers such as a large skills gap in the workforce and rapidly disinvested and blighted portions of a city that have trouble attracting investment even where significant market potential exists.

We have not yet seen evidence of any reversal in the growing concentration of poverty. in some pockets. For example, the number of central-city census tracts with high poverty rates has increased steadily from 1970; the percentage of such tracts reached 13.8 in 1990, the last year for which data are available. The growing concentration of poverty has hit inner-city residents particularly hard.

Poor central city residents continue to experience homelessness and related problems of poverty. Even with an improving economy, homelessness and related problems continue to plague the poorest residents of many central cities. A 1998 survey of 30 major cities by the US Conference of Mayors indicates that while cities are improving in many important indicators, hunger and homelessness have not been eradicated and affordable housing shortages may be worsening. Officials in the surveyed cities estimated that requests for emergency foot assistance increased by an average of 14 percent during 1998 – with 78 percent of the cities registering an increase. About two-thirds of those requesting emergency food assistance were children or their parents. More than one-third of those requesting food assistance were employed.

Requests for shelter also increased in 72 percent of the surveyed cities during 1998, by an average of 11 percent. People remain homeless for an average of 10 months. Lack of affordable housing led the list of causes of homelessness identified by the city officials. On average, single men comprised nearly half of those requesting emergency shelter in the mayors' survey Requests for assisted housing rose in three-quarters of the cities. A similar number reported that they had stopped accepting applications for at least one assisted housing program due to the excessive length of the waiting list.

Last year, HUD released a survey of worst case housing needs that found that 5.3 million low income households – the highest number ever recorded – paid half or more of their earnings for housing or lived in substandard dwellings. The report covered Americans in all jurisdictions, not just central cities. A 1999 HUD report – *Waiting In Vain* – confirmed the difficult housing situation for Americans at the bottom rung of the economic ladder. The report finds that the time families spend on waiting lists for HUD housing assistance has grown dramatically, and that market rents are rising faster than the incomes of poor people.

do we want to say this?

Urban schools systems show slight improvement but are still failing to prepare an alarming number of children. The National Assessment of Educational Progress reported in 1999 that test scores among central city middle school students have begun to inch up slowly as a result of education reform efforts nationwide. Nevertheless, central city school systems across the board are still underperforming and remain the most significant barrier to center city revitalization, especially attempts to attract middle income households back to cities.

The challenges confronting central city schools have not changed significantly since being reported in detail in last year's State of the Cities:

- Central city schools serve much greater concentrations of poor and minority children than do suburban schools. In 80 percent of large central city schools, at least 70 percent of students are poor and more than half are minority.

- Some central city schools systems have difficulty recruiting highly qualified teachers

- Basic achievement in central city schools continues to lag: In 1996, 60 percent of the children in urban schools failed to achieve basic levels of competency in ready and math on the National Assessment of Educational Progress.

- About half of all students in large city school districts fail to graduate in four years.

Finding #2: Some suburbs are beginning to experience problems of job loss, population decline, crime, and disinvestment that were previously associated only with the central cities. At the same time, many suburbs are showing strains of sprawling growth that create traffic congestion, overcrowded schools, loss of open spaces, and other problems related to sprawl.

The challenges once concentrated in central cities have spread to some older communities – such as Euclid and Garfield Heights outside of Cleveland, Southfield and Oak Park near Detroit, and Chicago Heights just outside the city of Chicago – which are facing such urban ills as crime, poverty and population loss. The challenges are not restricted to one or two regions of the country, but are national in scope.

- In the 1990s, 90 percent of Minneapolis' inner ring suburbs gained poor children at a faster rate than Minneapolis itself.

- Six of the 10 communities in the San Francisco Bay Area with the highest poverty rates are inner ring suburbs surrounding the San Francisco Bay.

- In four Atlanta suburbs, the growth in median family income between 1960 and 1990 lagged income growth in the central city.

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- In the older suburbs surrounding the central city of Rochester, NY, property values are a fraction of those in newer suburbs in the same metropolitan area. A study found that assessed property value in three inner-ring suburbs was only 40 percent of those in three outer-ring suburbs. Also, between 1977 and 1995, the tax bases in these older suburbs grew by an average of 28 percent, compared to a booming 122 percent in the outer ring suburbs.

More than 400 suburban jurisdictions in 36 states meet HUD's criteria for distress. Suburban jurisdictions – like central cities – are considered to be suffering from significant distress if their population has declined by 5 percent or more between 1980 and 1996 and if their 1995 estimated poverty rate exceeds 20 percent. More than 400 suburban jurisdictions met these criteria for distress in 1996. While many are small communities, 77 had populations over 5,000 and 20 had populations of 15,000 or more. As in central cities, disinvestment is creating blighted areas and sapping these communities of their economic vitality.

Distressed Suburban Places With Populations Over 15,000

City	State	1996 population	1995 estimated poverty rate	Population change 1980-'96
Pritchard	AL	32,887	51.6%	-16.8%
Hallandale	FL	31,163	21.4%	-14.5%
College Park	GA	20,300	30.5%	-17.6%
East Point	GA	34,155	21.2%	-8.9%
Forest Park	GA	17,060	20.0%	-9.2%
Chicago Heights	IL	31,899	21.1%	-13.8%
Harvey	IL	29,097	26.9%	-18.7%
Covington	KY	40,971	23.8%	-17.4%
Newport	KY	16,957	29.5%	-21.4%
Gretna	LA	16,862	31.2%	-18.2%
Hamtramack	MI	18,262	30.7%	-14.3%
Highland Park	MI	19,788	45.9%	-29.1%
Inkster	MI	30,992	24.8%	-11.9%
East Orange	NJ	70,534	20.8%	-9.4%
Oswego	NY	18,522	22.7%	-6.4%
Ashtabula	OH	21,315	21.7%	-9.1%
East Cleveland	OH	31,141	30.4%	-15.7%
Chester	PA	40,660	31.8%	-11.2%
McKeesport	PA	23,343	24.3%	-24.7%
Orange	TX	18,953	23.4%	-19.8%

Suburbs are showing the strains of sprawling growth that creates long commutes and traffic congestion, overcrowded schools, and other problems related to sprawl. At the same time that disinvestment is harming central cities and many suburbs, other suburbs are showing the strains of sprawling growth. Suburban residents are suffering from the effects of increased traffic congestion and commutes, as well as the loss of recreational opportunities and open space. Last November, voters around the country approved almost three-quarters of the 240 initiatives to make already developed communities more attractive for growth.

The costs associated with sprawl are mounting, and curtailing sprawl could save

substantial sums over coming decades. A research team at Rutgers University carefully studied the costs of sprawl and concluded that pursuing strategies to facilitate growth in developed communities would generate savings by decreasing the consumption of developable land and by increasing land available for recreation. By growing smarter, traffic congestion could be reduced and the nation could save billions of dollars in spending for roads. Sewer and water infrastructure could also be substantially reduced. These savings reflect only a small proportion of the costs of sprawl.

- **Cost of poverty concentration and job mismatches.** The steady migration of middle and upper income Americans out of central cities has left behind concentrations of poor people and has sapped once-thriving areas of their economic vitality. Rapid development outside of central cities has created a mismatch between where many potential workers live and where the jobs are located. This leads to pockets of high joblessness in parts of otherwise healthy metropolitan areas while jobs go unfilled in other parts of the same metro areas.

  In a study of the changes in metropolitan area settlement patterns between 1980 and 1990, Jordan, Ross, and Usowski (1998) found that metropolitan areas where central city poverty was more concentrated in high-poverty census tracts suburbanized faster than metropolitan areas where central city was less concentrated. For example, if Chicago's poverty population in 1980 were half as concentrated as it actually was, the Chicago metropolitan area would have suburbanized at a rate 19 percent slower than it actually did between 1980 and 1990.[23]

  Moreover, an analysis from the Woodstock Institute quantifies the city-suburban job disparity in the Chicago region. From 1991 to 1996, employment in the Chicago region rose by almost 8 percent. But the city suffered a loss of manufacturing and retailing jobs even more rapid in the 1990s than in the 1980s. In many older suburban areas, employment growth was slowing, too; some registered actual job declines in certain key sectors.[24]

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23 Jordan, Stacy, John P. Ross, and Kurt G. Usowski, "U.S. Suburbanization in the 1980s," *Regional Science and Urban Economics*, October 1998, pages 611-627.
24 *A Rising Tide But Some Leaky Boats*, Woodstock Institute, *1998*, Chicago

A significant share of central city residents do not have cars to access those suburban jobs. Residential segregation exacerbates the situation by limiting minorities' access to housing in the suburbs. As a result, blacks and Hispanics are likely to bear the largest employment losses from the discrepancy between central-city and suburban rates of job growth.

In Boston, researchers found that welfare recipients using public transit would, after a one hour commute, still access only 14 percent of the jobs in the metropolitan area's fast growth areas. In Atlanta, less than half of the region's entry level jobs are located within a quarter mile of a public transit route – and almost no jobs are accessible by transit in job-rich Cobb and Gwinnett counties.[25]

"Every new classroom costs $90,000. Every mile of new sewer line costs roughly $200,000. And every single-lane mile of new road costs at least $ 4 million.

Gov. Parris Glendening of Maryland, which adopted a Smart Growth program in 1997[26]

- **Public capital and operating costs.** Sprawl drives up total spending on roads, bridges, sewers, and other public capital because existing networks have to be extended further and because new systems – typically underutilized – have to be constructed at high cost. Road costs in communities marked by sprawl are 25 to 33 percent higher, and utility costs 18 to 25 percent higher, than in communities without sprawl. Municipal and school district operating costs are 3 to 11 percent higher in sprawl developments.

- **Loss of open space and sensitive environmental land.** Sprawl encroaches on forests and fragile natural habitats. Sprawl consumes 20 to 40 percent more open land than non-sprawl development and produces about one-third more water pollution.

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[25] Chen – 125

[26] Chen – page 91

- **Travel distances, travel time, and congestion costs.** Because of our development patterns, Americans are driving more. Between 1983 and 1990, the average miles traveled per person in the US rose by 19 percent; vehicle miles traveled went up even faster, by 37 percent.[27] Put another way, Americans now spend the equivalent of almost two waking hours every day driving somewhere in their cars.[28] Persistent traffic jams used to be a problem in a handful of cities such as Los Angeles and New York. Now congested freeways are a national epidemic. An index developed by the Texas Transportation Institute indicates that congestion worsened in 47 of 50 major US cities between 1982 and 1991.[29] Concerns about traffic aren't just coming from people that have to commute. Increasingly, employers, too, are worried about long and enervating commutes for their workers and the negative impact of traffic on the capacity to fill suburban jobs.

  The average suburban household drives 3,300 more miles than its central city counterpart, or about 31 percent more annually. That translates to an additional cost of $211 per year per household in transportation costs. Assuming an average car speed of 30 miles per hour, suburban drivers spend an additional 110 hours behind the wheel each year – almost three full weeks of work.

- **Sprawl detracts from the sense of community.** Sprawl developments contribute to the loss of community because of their leapfrog development patterns and reliance on automobiles. Studies show that people living in sprawling developments gather less in public places and feel less attached to one another and to shared surroundings.

Box: Roots of the Urban Decline – Sprawl Cycle

Until the 1960s, most growth in metropolitan areas still occurred within the boundaries of central cities. In 1950, almost 70 percent of the population of our major metropolitan

[27] The State of the Cities and Sprawl: Burchell paper prepared for HUD, page 6.
[28] Chen - page 130.
[29] The State of the Cities and Sprawl: Burchell paper prepared for HUD, page 6.

areas lived within the city limits. After that, however, suburban counties began capturing more and more residents, commercial development and jobs. By 1990, more than 60 percent of our population lived outside central cities.[30]

Sprawl was not part of earlier expansion out of central cities. Before World War II and for a decade thereafter, suburban communities pretty much followed the growth patterns that had guided the development of our urban communities. The first suburbs, in inner rings around major cities, were multi-purpose communities, with a mix of public and private spaces, stores, shops, parks and homes of varying size and value.

By the 1960s, however, a new development pattern took hold. The Nation began building subdivisions for homes only, with shopping centers, commercial strips and industrial parks built in another location – without much connection among any of them. Increasingly there were no town centers. As steadily we moved to new communities, we disinvested in the communities we left behind.

> Land in the US is being consumed at triple the rate of household formation; automobile use is growing twice as fast as the population.
>
> *The Cost of Sprawl – Revisited*, Transportation Research Board, 199831

As a result of this new pattern, by the 1980s, US metropolitan areas started to become much less densely developed. According to a recent report, growth in developed land between 1970 and 1990 outpaced growth in urban populations by almost 4 to 1.[32] Nationwide, land in urban areas increased from 47.3 million acres in 1980 to 55.9 million acres in 1990 – a 15 percent expansion in just one decade.[33] By 1990, Western Europe, which can hardly be considered overcrowded, was ten times more concentrated in its

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[30] The State of the Cities and Sprawl: Burchell paper prepared for HUD, page 7.
[31] Report 39: *The Cost of Sprawl – Revisited*, Transportation Research Board, National Research Council, Washington, DC, 1998, page 4.
32 David Rusk, *Inside Game, Outside Game*, Table A-4.
[33] Kahn

development than the US.[34]

Today sprawl occurs on a micro basis in almost all of the Nation's 3,200 counties and is a dominant form of development in about 20 percent of those counties. Sprawl is especially evident in metropolitan areas that are widening out much faster than their populations grow. Between 1950 and 1990, for example, Phoenix's population grew by 828.7 percent – but its land area expanded by 1247 percent.[35] The land area of Kansas City's metropolitan area grew by 70 percent between 1990-1996, while the population increased just 5 percent.[36] Metropolitan Atlanta measured 65 miles from north to south in 1990. By 1998 its was 110 miles long.[37]

Finding #3: The Nation now has an historic opportunity for cooperation between cities and suburbs to address the challenges facing our metropolitan areas.

The revitalization of our central cities, along with the emerging problems in suburbs, have brought us to a historic moment of convergence on a common urban-suburban agenda. The interests of city and suburban residents are rapidly coinciding in support of a better approach to growth. After 40 years of city versus suburbs, the game has changed. Cities and suburbs are no longer competing against one another. Rather, they are increasingly cooperating to maintain the health of the whole metro area – to increase the livability of their communities and maximize the competitiveness of their region. Last year, more than a dozen governors from both parties advanced land use and growth management notions in their state-of-the-state or inaugural addresses. This year, more than 30 governors spoke out in their annual addresses.

<Hold for discussion of reversal of politics of urban-suburban antagonism and alienation - Xav>

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[34] The State of the Cities and Sprawl: Burchell paper prepared for HUD, page 2.
[35] Kahn paper - 1
[36] The Brawl over Sprawl, by Richard Lacayo, Time Magazine, March 22, 1999, Vol. 153, No. 11
[37] The Brawl over Sprawl, by Richard Lacayo, Time Magazine, March 22, 1999, Vol. 153, No. 11

Investing in central cities is the key to creating competitive metro economies. Metropolitan regions are the growth engines of the economy in our globally-competitive modern world. America's regional economies can only compete effectively if they are supported by healthy cities at their core. In an era of high mobility, low transportation and information costs, and global competition, a metropolitan region without a healthy urban core finds itself at a severe competitive disadvantage. In the modern global economy, however, firms choose among regions – and the health of the central city is a key factor in deciding which region is best. Even firms that choose to relocate to suburban areas will choose the suburbs surrounding a vibrant central city.

In other words, after 40 years of city versus suburbs, the game has changed. Cities and suburbs are no longer competing against one another. Rather, they must cooperate to maintain the health of the whole metro area – and to maximize their region's competitiveness.

Central cities have untapped markets – for labor, retail and land development – which can help the nation continue its economic growth and can serve as an alternative to uncontrolled suburban growth. A decade ago, Wall Street investors eagerly looked to emerging markets overseas to generate high returns on their capital. Today, America's own central cities are the emerging markets of the 21st century. These new domestic markets are right here, with developable land close to supply lines. Yet, for the most part, they are undiscovered territory for many businesses. "The largest pools of untapped investment opportunities and new customers are not beyond our shores," President Clinton said earlier this year. "They're in our backyard." Investing in the untapped markets of central cities and implementing regional solutions – at the local level – to address regional problems are key to creating competitive metro engines and livable communities for the 21st century.

Central cities have a pool of more than four millions of workers who are available to continue the expansion of our economy without re-igniting inflation. Some economists are becoming concerned that labor shortages could curtail the Nation's record peacetime expansion by fueling inflation, as demand for labor collides with a limited labor supply and pulls up wages. Fortunately, urban areas have the untapped labor pools needed to continue our economic growth. More than 2.3 million of these workers are unemployed but are actively seeking work. Another 550,000 have stopped looking for jobs because they are discouraged or because problems with day-care, transportation or skill levels prevent them from taking a job. An additional 1.5 million workers could be added to the labor pool with the proper motivation.

Central cities offer large untapped consumer markets that represent new profit opportunities for businesses. Inner-cities have enormous huge purchasing power, but many residents end up doing much of their shopping in the suburbs, where the selections are wider and the bargains are better. The retail purchasing power of all central city residents has been conservatively estimated at $665 billion. Even households in the most economically distressed urban neighborhoods have $85 billion in buying power – more than the total purchasing power of Mexico.

Central cities and older suburbs have a significant supply of land that is well-served by infrastructure, strategically located, and available for new development. There are five million acres of abandoned industrial sites in our nation's cities – roughly the same amount of land that is taken up by 60 of our largest cities. If these sites were filled with residential neighborhoods, they could house nearly.45 million people. Alternatively, they could accommodate hundreds of millions of square feet of new stores, businesses, offices and other commercial and industrial uses. Many developable sites are brownfields, but cities, states and the federal government are pursuing innovative strategies to level the playing field so that cities can absorb more growth and relieve suburban sprawl.

As urban conditions improve, cities' enormous assets – infrastructure, public transit, strategic location, cultural amenities, college and universities, available labor force, retail markets and developable land – are ready to be put to work. These untapped urban markets can provide a significant source of national economic and social growth in the next century.

Part Two: The 21st Century Agenda for Cities and Suburbs

The 21st Century Agenda for Cities and Suburbs is designed to capitalize on today's favorable conditions for tapping new markets, anchor the positive trends in central cities, and help cities and suburbs address their remaining challenges. The agenda seeks to capitalize on what we have *already* learned over the past six years are the most effective approaches to revitalize cities and spur meaningful city-suburb collaboration:

- **Public-private partnerships.** The evidence is overwhelming: the right mix of public incentives, combined with the willingness of the private sector to invest in untapped markets, is a highly effective strategy for revitalizing distressed communities. The 21st Century Agenda for Cities and Suburbs uses targeted public incentives to encourage more partnerships among the public, private and nonprofit sectors and to attract larger multiples of private sector investment in central city businesses and redevelopment projects.

- **Comprehensive approaches.** In the past, well-meaning programs often took a narrow, single focus to urban problems. We have now learned that the most effective initiatives tackle distress in a much more comprehensive and integrated manner. In recognition of this fact, the initiatives in the 21st Century Agenda span multiple federal agencies and departments.

- **Local and bottom up.** Today's successful revitalization initiatives operate on a much smaller scale than the large federal programs of the past. They focus on the neighborhood level and are much more local and more personal. The 21st Century Agenda continues the efforts of the past six years to refashion federal programs so that they support and encourage the work of community-based organizations and local governments.

- **A strong and capable HUD.** Urban communities benefit from a strong and reinvented HUD as their partner. The best HUD budget in 10 years underscores HUD's renewed strength in offering a comprehensive menu of federal support that is integrated, flexible and decentralized. HUD's role is not to dictate – but rather to ensure that cities have the resources they need to create jobs, promote affordable housing, fight crime, and create healthier, more livable communities for all citizens.

- **Individual empowerment and financial self-sufficiency.** With a new welfare reform law enacted in 1996, the Administration began to overhaul completely the approach the Nation uses to supporting its poorest residents. We have clearly seen that the most effective initiatives stress job training and placement, child care, medical insurance coverage and other supports to enable people to build careers, not just find low wage jobs. There's also a growing understanding that an effective anti-poverty strategy needs to incorporate initiatives that help people build assets and equity through homeownership, savings programs and microenterprise development.

The 21st Century Agenda for Cities and Suburbs is composed of five parts:

- **Tapping New Markets.** Federal support is needed in two critical areas – providing adequate supplies of affordable risk capital and developing workforces – to ensure that central cities' untapped markets for labor, retail opportunities, and land are realized. The Agenda includes initiatives to close the capital gaps faced by public, private and nonprofit developers who are ready right now to meet the untapped market demand in cities for homes, stores, offices, entertainment, and business services – if only more affordable equity and debt capital were available.

- **Workforce Investment and Welfare-to-Work.** The Agenda also provides the tools to help ensure that central city residents have the right skills needed for today's job market – and the means to learn about and get to jobs that may be distant from their neighborhoods.

- **Creating Healthy and Safe Communities.** Communities must be seen as safe to be attractive to new residents and businesses. The 21st Century Agenda includes initiatives to help localities, in partnership with the private sector, build healthy communities.

- **Expanding Homeownership and Affordable Housing.** Homeownership fosters community stability and safety by encouraging families to maintain their properties, watch out for their neighbors, and get involved in neighborhood improvement activities. Homeownership is also the single best way for families to build assets. Promoting homeownership must be a vital component of any national urban strategy, especially one that seeks to encourage growth into our already developed urban communities. Providing more assistance for rental housing is equally critical, particularly as shortages of affordable rental housing worsen in many communities. The landmark public housing legislation proposed by HUD offers innovative approaches to ensuring that housing remains affordable for all Americans.

- **Promoting Smarter Growth.** To realize the billions in savings that could be generated by curtailing sprawl and promoting growth in already developed communities, the agenda provides support to local government and private sector partners in four areas – creating smart growth strategies, redeveloping urban land and industrial sites, removing blighted and vacant buildings, and preserving natural resources and historic amenities. By providing cities with strong tools to tackle these challenges, we can help enhance their attractiveness for residents, businesses, and investors.

Tapping New Markets

For central city redevelopment and business growth to occur, there must be access to sufficient investment capital – both equity capital and loans at affordable costs. While the groundwork for renewed economic development has been laid over the past six years, lack of access to capital is still a problem, forcing central cities to forgo billions of dollars in redevelopment activity that would otherwise almost surely occur based on existing market demand for more retail outlets, more affordable housing, more community facilities, and other emerging development opportunities.

New Markets Initiative (NMI). NMI is a series of measures designed to stimulate $15 billion in new private capital investment in low income areas with high concentrations of poverty so as to ensure the opportunity to stimulate job growth, neighborhood and economic development of America's untapped new markets is not lost. NMI will build a network of private investment institutions to help provide the capital and expertise that businesses and microenterprises need to flourish and grow in distressed communities.

The NMI components are:

- **New Markets Tax Credit.** The Administration's FY2000 budget includes a new tax credit to help spur $6 billion in private investment for business growth in low and moderate income communities. Qualified investors could claim a tax credit worth 25 percent of the amount invested. The tax credit would be available to organizations whose primary mission is to develop these communities in partnership with the private sector – including community development financial institutions, community development corporations and SBICs serving low and moderate income communities.

- **America's Private Investment Companies (APIC).** Modeled after successful programs run by the Small Business Administration, APIC is a new proposal to encourage major private investment in economically distressed areas. APIC would fund the creation of private investment companies – APICs – that will, in turn, invest in large businesses seeking to expand or locate in inner cities and distressed rural communities. Jointly administered by HUD and SBA, APICs will fill a major capital gap by providing "patient" equity and debt capital to these businesses. For FY2000, HUD is requesting $37 million in credit subsidy to cover the cost of providing Federal guarantees on $1 billion in private loans made through APICs. These loans will leverage an additional $500 million in private equity commitments for new investment partnerships. Under APIC, private investment companies would be competitively selected and licensed. A wide range of projects – from inner-city retail centers to rural factories – would be eligible for investment. APIC will encourage substantial community benefits, including quality jobs at good wages.

- **SBICs Targeted to New Markets.** Over the past 40 years, small business investment companies (SBICs) have provided about $20 billion in private equity and debt financing to support the growth and development of 85,000 small businesses. Licensed by SBA, SBICs are private companies with private management and private investors. Equity participation in the businesses they support is typically a significant component of the financial return for SBIC investors. The New Markets Initiative proposes to use this highly successful structure specifically to attract new private investment to low and moderate income communities. The Low and Moderate Income-Focused SBIC (LMI-SBIC) would promote the growth of small businesses in central cities and rural areas where 20 percent of the population is below the poverty level or median income is less than 80 percent of the area median. Investments would range from $150,000 to $1 million and investors would agree to defer interest payments for five years. As part of the initiative, SBICs making LMI investments will be eligible for a new form of financing known as "LMI debentures." These debt instruments are sold with an SBA guarantee to augment their private capital.

- **New Markets Venture Capital Firms.** SBA proposes to fund 10 to 20 new markets venture capital companies (NMVCs) that provide a combination of equity venture capital financing and technical assistance to small businesses in low and moderate income areas. The program will work through community development organizations that have already established successful records in venture investing. Such institutions are playing a major role in the creation and expansion of businesses in distressed areas, but their efforts have been limited by a lack of adequate funding for both investments and technical assistance. NMVCs must be organized as for-profit entities and raise at least $5 million in investment capital, which SBA will match with up to $10 million for any single venture firm. Interest on the government funding will be deferred for the first five years. NMVCs must also secure commitments to provide at least $1.5 million in technical assistance funding over five years. NMVC venture investments will typically range between $50,000 and $300,000.

- **Microenterprise Lending and Technical Assistance.** Microenterprise programs provide access to capital, financial services, and training to entrepreneurs who are traditionally bypassed by the mainstream financial sector. Supporting microenterprises has proven to be a powerful tool for empowering people and promoting economic growth. The Administration's FY2000 budget includes a 159-percent increase in support for domestic microenterprise programs, with a significant strengthening of the Administration's commitment for training and technical assistance. The President's plan includes $15 million to support the **Program for Investments In Microentrepreneurs (PRIME) Act**, which authorizes the Community Development Financial Institutions (CDFI) Fund to establish a microenterprise technical assistance and capacity building program. The Administration proposes to double support for technical assistance provided under the **SBA Microloan Program**, from $16 million in FY1999 to $32 million in FY2000, and to expand direct SBA lending to microenterprises from $3 million in FY1999 to $6 million in FY2000. This expanded funding should help leverage over $75 million in new loans from private sources. To help low income individuals save for their education, buy a home or start a business, the Administration proposes to double funding for **Individual Development Accounts (IDAs),** which offer families matching contributions of between $1 and $8 for each dollar they save in an IDA. Last year, President Clinton signed legislation authorizing IDAs. The President's FY2000 budget increases the IDA budget from $10 million in FY1999 to $20 million in FY2000. To further encourage microenterprise development the FY2000 budget would triple funding for **SBA's One-Stop Capital Shops,** from $3.1 million in FY1999 to $10 million in FY2000. The shops provide financial and technical assistance for microenterprise development in Empowerment Zones.

- **Community Development Financial Institutions (CDFI) Fund.** CDFIs stimulate investment in and revitalization of low income communities by providing financial products and services directly to small businesses and individuals. CDFIs include community development banks, credit unions, venture capital funds and microenterprise loan funds. These institutions provide home mortgages for first-time home-buyers, financing for needed community facilities, commercial loans, small businesses financing, and loans to rehabilitate rental housing. In 1994, President Clinton proposed and Congress established the CDFI Fund to ensure these institutions have the capital they need. The FY2000 Budget seeks $125 million for

CDFIs, a $30 million increase. Administered by the US Treasury Department, the CDFI Fund provides relatively small infusions of capital that leverage private sector investments from banks, foundations and other funding sources. Every CDFI that receives financial assistance from the Fund must provide at lease a one-to-one match with funds from non-Federal sources. Since the Fund's creation, it has made over $120 million in awards to community development organizations through its Community Development Financial Institutions Program. Through the Bank Enterprise Awards Program, the CDFI Fund has provided another $60 million to traditional banks and thrifts which increase their activities in distressed areas by investing in CDFIs.

- **BusinessLINC.** This initiative is a new partnership between the federal government and America's business community to encourage large businesses to work with small business owners and entrepreneurs, especially in central cities and rural areas. BusinessLINC – which stands for Learning, Information, Networking and Collaboration – is designed to stimulate business-to-business mentoring relationships that will produce individualized technical and business assistance for small firms.

Community Empowerment Fund/CEF Trust. The Community Empowerment Fund will help ensure local governments have the public capital they need to support critical business investment and job creation projects in distressed communities. The FY2000 Budget would combine $125 million in Economic Development Initiative grants with an estimated $625 million in Section 108 guaranteed private loans to provide a total of $750 million in grants and low-cost loans in these communities. Under the Section 108 program, HUD guarantees repayment of funds that local governments borrow from private sources, against the cities' Community Development Block Grants, to enhance the financial viability of economic development projects. The program has enabled local governments provide billions in loan commitments for projects that otherwise would not be possible, at a very low default rate. CEF's public funds are projected to leverage up to five times the guaranteed loan amount in additional private sector financing. Projects funded through the CEF will include loans for business expansion and modernization, start-up costs for new and small and medium-sized businesses, preservation and expansion of existing industrial facilities, and retail and commercial revitalization initiatives.

In FY 2000, the CEF will emphasize two priorities – ensuring welfare-to-work targeted job creation and connecting central cities to areas of regional economic growth. The **Welfare-to-Work Targeted Job Creation Initiative** will provide up to $75 million in grants for local programs that support initiatives creating private sector jobs for people who have recently come off of welfare or who will enter the laborforce as welfare reform time limits take effect. Communities competing successfully under this targeted job creation program will combine the HUD incentives for business development with local public and private supports for job training, transportation, child care – and more – as needed. A second component of the CEF in FY 2000, **City-Suburb Business Connections,** will provide up to $25 million for local projects which boost economic partnerships between city and suburban firms in a common metropolitan area. The linkages might include joint ventures, regional employer commitments to targeted hiring in central cities, and first sources agreements between suburban firms and urban suppliers. In this way, the CEF could help local public and private sector leaders create vibrant clusters that include firms in inner cities as well as in more affluent parts of the metro economy. Closer city-suburb relationships are also vital to addressing worker shortages outside of cities and linking urban residents to expanding job markets.

The CEF Trust, an innovative and pathbreaking pilot program, is designed to pool loans and enable a fully private secondary market for economic development loans to emerge. The lack of secondary market instruments, which have had such a major positive impact on our housing finance system, traps billions of dollars in capital that could otherwise be used to expanding private investments in distressed communities. The CEF Trust is being operated on a pilot basis this year with previously appropriated FY1998 funds. The Administration would provide an additional $25 million in FY2000.

Empowerment Zone and Enterprise Community (EZ/EC) Initiative. This initiative is the foundation of the Administration's empowerment agenda for communities with high unemployment and poverty rates. The EZ/EC initiative couples business capital investment with targeted social capital investment to produce comprehensive approaches to revitalization. Under this program, adopted in 1994, investment in EZs and ECs is promoted in many ways – including tax incentives, flexible block grants and regulatory waivers. EZs and ECs are also eligible for flexible block grants for housing, job training, day care, and other purposes. The FY 2000 Budget proposes guaranteed funding for 10 years for a total commitment of $1.6 billion for EZs and ECs. The FY 2000 Budget would also expand funding for three programs to complement the EZ/EC initiative. The Administration is requesting $50 million in FY 2000 for a Regional Empowerment Zone Initiative, which will award competitive grants to help EZs/ECs link their economic development strategies with the broader economy of the surrounding metropolitan region. Special emphasis will be placed on expanding the strategies to include regional employers and job markets, with priority going to applicants with well-defined plans to increase employment among EZ/EC youth.

Community Development Block Grants (CDBG). The CDBG program is the federal government's most flexible tool for assisting cities, towns and States to meet local community development priorities and objectives. With its multi-faceted eligible uses, the block grant program is routinely used to rehabilitate housing, improve infrastructure, provide job training, finance revolving loan funds, and finance other community-determined projects. The FY 2000 Budget will increase funding for this program to $4.775 billion, an increase of $25 million over 1999 enacted levels.

Workforce Investment and Welfare-to-Work

A century ago, as the economy was shifting from agriculture to manufacturing, the way Americans lived and worked changed dramatically. Today, the economy has shifted again – this time from manufacturing to information and technology. These changes have been the engine of today's prosperity. But Americans who have not had access to education and training to prepare them for this new economy risk being left behind.

Education and training have been the cornerstone of the Administration's efforts over the past six years to ensure that all Americans have the tools they need for the 21st century. Such initiatives are vital for tapping the labor force in cities and ensuring urban workers can perform well in the expanding job market. Expanded education and training initiatives, however, are only part of the equation. Empowering the workforce also requires building upon our Nation's highly successful track record with welfare-to-work initiatives – which have slashed rolls in half since 1996 – and providing more affordable child care to help families balance the demands of work and family. More efforts to strengthen urban schools are also critical for preparing our future workforce and for helping cities attract and keep middle and upper income residents.

Expanding Education and Training Initiatives

Last year, President Clinton signed the Workforce Investment Act transforming the job training system by streamlining services and empowering workers with a simple skills grant so that they can choose the training they need. However, more work needs to be done. On average, employers report that one out of every five of their workers is not fully proficient in his or her job and in manufacturing, and 88 percent of companies are having trouble finding qualified applicants for at least one job function. The FY2000 Budget proposes a $965 million, three-part initiative to close America's skills gap, focusing on adult education, universal re-employment and youth initiatives.

Adult Education and Family Literacy. Today, 44 million adults struggle with a job application, cannot read to their children, or cannot fully participate in our economic and civic life because they lack basic skills or English proficiency. The goal of the Adult Literacy initiative is to improve the quality of adult basic education programs and help States both meet the new quality goals and serve more people. The FY2000 Budget calls for a $190 million increase in spending on adult education and family literacy.

This initiative has five major components. **Adult Education State Grants** would be increased by $95 million – to $468 million – to boost the number of full-time adult education teachers and instructional hours per student, make more computer stations available at adult education centers, and provide more child care and counseling services. Because we have absorbed record numbers of immigrants, the **English Literacy/Civics Initiative** would receive $70 million in the FY2000 Budget to expand high quality English language instruction, linked to practical instruction in civics and how to navigate the workplace, public education system, and other essentials. **America Learns Technology** would receive $23 million in the FY2000 Budget to promote more effective use of technology in adult education.

Other tools for adult education include the **High Skills Communities Campaign**, which would be funded in the FY2000 Budget at $2 million, to mobilize States and local communities to implement strategies to promote adult education and lifelong learning. And under the **Workplace Education Tax Credit**, employers who provide certain workplace literacy, English language instruction, and basic education programs will be allowed a 10 percent income tax credit for eligible educational expenses, with a maximum credit of $525 per participating employee per year.

Universal Re-Employment Initiative. Very few Americans today work at the same job throughout their careers. Because our workforce is so dynamic, retraining is critical. The FY2000 Budget would increase funds for re-employment training and placement by $368 million. The budget makes a commitment to our Nation's reformed job training system to ensure that within five years, *all* displaced workers will receive the job training and re-employment services they want and need. Since 1993, dislocated worker funding has been expanded by 171 percent.

This initiative includes three major components. The **Dislocated Worker Program** would be increased by $190 million to enable it to serve 169,400 additional workers. The FY2000 Budget also expands the **Employment Service,** putting it on a path to serve 1.4 million displaced workers within five years. **One-Stop Career Centers** would also be expanded. Last year, Congress and the Administration ensured that One-Stop Centers would be available in every part of the country. The FY2000 Budget provides $65 million to give unemployed people job leads the moment they apply for Unemployment Insurance and create a nationwide toll-free telephone system so workers can find out what services are available and where they can go to receive them. The One-Stop initiative would ensure job search information is available at 4,000 community-based organizations, create 100 new mobile centers for rural areas, and include special services to help the disabled.

Youth Employment. Dealing with the problems of at-risk youth is one of our Nation's most important challenges. In December 1998, the national unemployment rate was 4.3 percent – its lowest peacetime level in 41 years. The jobless rate among African-American teens (aged 16-19) also reached its lowest peacetime level in four decades – however, it was still 6.5 times higher than the national average and much higher than the rate for white youth. The youth employment initiative funds promising approaches to increase the educational attainment and employment rates of disadvantaged youth. The FY2000 budget proposes a $405 million increase for youth employment initiatives.

As part of this initiative, the Administration proposes an increase in funding for the **JobCorps** and another $250 million investment in **Youth Opportunity Areas**. The FY2000 Budget also expands the popular **YouthBuild** initiative, which promotes on-the-job experience combined with academic assistance for school drop outs. Funding for YouthBuild would increase by more than 75 percent, enabling this initiative to provide $75 million to offer disadvantaged young adults the opportunity for an education and employment skills by rehabilitating and building housing for low-income and homeless people. The FY2000 Budget proposes a new $100 million **Right-Track Partnerships** initiative to promote innovative partnerships between schools, employers, and community-based organizations to reduce high school drop out rates, improve high school achievement and enhance post secondary education and career opportunities among economically disadvantaged and limited-English proficient youth.

Other initiatives would be targeted to help disadvantaged young people get ready for college. The FY2000 budget doubles funding for **GEAR-UP for College**, from $120 million to $240 million, to enhance partnerships between high-poverty middle or junior high schools and colleges to help low-income children prepare for and enroll in college. In 2000, GEAR UP will reach 381,000 students. The FY2000 Budget proposes a $30 million increase in other Federal initiatives, including **Upward Bound**, to fund outreach, counseling, and educational support to help disadvantaged students prepare for academic success in college. A new $35 million initiative is also proposed to help disadvantaged students stay in college and earn diplomas.

Strengthening Welfare-to-Work

Hundreds of thousands of welfare recipients have already made the transition from welfare rolls to payrolls —and the percentage of the US population on welfare is at its lowest since 1969. Nevertheless, important challenges remain. Although most new jobs are being created in the suburbs, half of all households that receive public assistance income live in cities. This concentration means that cities must do a better job of connecting city welfare recipients to the jobs in the metropolitan economy. Today, long commutes on public transit often create formidable barriers to getting and keeping jobs.

To address this gap, for the second year in a row, the Clinton-Gore Administration requests new housing vouchers to help families make the transition from welfare-to-work. The FY2000 Budget seeks $144 million to fund an additional 25,000 vouchers, in addition to the 50,000 vouchers enacted in 1999. Welfare-to-work vouchers are especially valuable when job opportunities in a region are located some distance from where welfare recipients live. The vouchers go beyond transit solutions by providing the rental assistance needed to allow families to move near jobs.

Providing More Affordable Child Care

Child care remains a significant barrier to tapping city labor pools. Nationwide, only about 10 percent of the families who qualify for Federal child care assistance receive help. Many cities have tens of thousands of families on waiting lists for child care assistance. To help urban families balance the demands of work and family, the FY2000 Budget proposes a significant new investment in strengthening child care – making it better, safer, and more affordable.

The FY2000 Budget expands the **Child Care and Development Block Grant** – the primary federal subsidy program to pay for child care. Funds are distributed by formula to the states to operate direct child care subsidy programs, as well as to improve the quality and availability of care. In FY 1997, States provided child care assistance to only 1.25 million of the 10 million low-income children eligible for assistance. The FY2000 Budget would increase funding for child care subsidies by $1.2 billion to provide child care subsidies for 500,000 more families.

The Child and Dependent Care Tax Credit provides tax relief to taxpayers who, in order to work, must pay for the care of a child under 13 or a disabled dependent or spouse. The FY2000 Budget proposes to increase the credit for families earning under $60,000, providing an additional average tax cut of $345 for these families and eliminating income tax liability for almost all families with incomes below $35,000 (for a family of four) that claim the maximum allowable child care expenses. The budget includes $5 billion over five years to expand the tax credit for nearly 3.3 million working families paying for child care.

Research shows that children's experiences in the earliest years are critical to their development and ability to reach school ready to learn. One of the Clinton-Gore Administration's highest priorities is to expand **Head Start**, America's premier early childhood development program. Head Start supports working families by helping parents get involved in their children's educational lives and by providing services to the entire community. The FY2000 Budget provides $5.267 billion – a $607 million increase over FY1999 levels – for Head Start. This increase would enable the program to serve 42,000 additional children in 2000 – bringing the total served to 877,000 – and keep Head Start on track to reach the Administration's goal of serving 1 million children by 2002. Since 1993, the Administration has worked with Congress to increase annual Head Start funding by 68 percent. The FY2000 Budget also proposes to increase the Early Learning Fund block grant to improve early learning and the quality and safety of child care for very young children.

Strengthening Our Schools

While education is primarily a state and local responsibility, the federal government has a crucial role to play in supporting education, from preschool through adulthood. Urban school systems are finally showing signs of improvement – but much more remains to be done. City schools are still failing to prepare an alarming number of children to meet the challenges of the new high-technology economy. Disproportionately, minority children are paying the highest price. In 1997, more than 81 percent of urban schools had a student population that was at least 70 percent poor *and* 50 percent minority.

In addition, lagging urban educational systems remain the single most important impediment facing cities in attracting and keeping middle and upper income residents. Put another way, strategies to combat unchecked sprawl and facilitate more growth in already developed areas must be accompanied by aggressive measures to address remaining shortcomings in urban schools.

A centerpiece of the Administration's FY2000 Budget is a **New Classrooms and Modernized Schools** initiative to provide Federal tax credits to pay interest on nearly $25 billion in bonds to build and renovate public schools. Two types of bonds are being proposed: School Modernization Bonds ($22.4 billion) and Qualified Zone Academy Bonds ($2.4 billion). The tax credits on these bonds will cost the US Treasury a total of $3.7 billion over 5 years.

The FY2000 Budget also provides $1.4 billion as the second installment of the President's plan to help schools **recruit, hire, and train 100,000 new teachers** by 2005 and **reduce class size** in the early grades. In addition, the budget provides $115 million to help improve the quality of teacher preparation programs at colleges and universities, including $35 million in scholarships and other support for 7,000 prospective teachers who commit to teach in high-poverty schools. The budget includes $18 million to expand the Troops to Teachers program, and $10 million to train and recruit 1,000 new Native American teachers over the next five years.

The FY2000 Budget ensures teachers can integrate technology effectively into their instruction by providing $450 million for the **Technology Literacy Challenge Fund** and $65 million for **Community-Based Technology Centers**. The **Pre-Service Teacher Training in Technology** initiative would receive $75 million, and $30 million would be provided for a new **Middle School Teacher Training** initiative to train technology experts. In addition, $1.3 billion will be made available through the education rate program – **E-rate** – created under the Telecommunications Act of 1996. E-rate provides discounts for schools and libraries to buy high-speed Internet access, internal wiring, and telecommunications services.

Experts agree that school-age children who are unsupervised after school are far more likely to use alcohol, drugs, and tobacco, commit crimes, receive poor grades, and drop out of school than those who are involved in supervised, constructive activities. The FY2000 Budget proposes to triple funding for the **21st Century Learning Center Program,** which supports after-school and summer school programs nationwide. The initiative funds programs that use public school facilities and existing resources. In awarding these new funds, the Education Department will give priority to school districts that are ending social promotions. The FY2000 Budget includes $600 million to help 1.1 million children each year participate in after-school and summer school programs.

Creating Safe and Healthy Communities

Communities must be safe to attract new residents and businesses. The Nation has made much progress. Serious crime is down six years in a row. The murder rate has fallen more than 28 percent and is at its lowest point in three decades. But there is still much to be done to stop crime and improve still further the investment climate in urban neighborhoods. The FY2000 Budget proposes a new **21st Century Policing Initiative** to enhance Federal anti-crime capabilities and empower States and communities, which play the central role in controlling crime, particularly violent crime.

A centerpiece of the $1.28 billion initiative is a program to put **More Police on the Streets**. The FY2000 Budget provides $600 million to help communities hire and redeploy 30,000 - 50,000 more law enforcement officers over five years, especially in crime "hot spots." About $20 million will fund programs to combat violence in schools. The FY2000 Budget also provides a $350 million **Crime-fighting Technology** initiative to help State and local enforcement agencies use new technologies to communicate more effectively, solve more crimes, and conduct comprehensive crime analysis. The initiative will promote better compatibility among criminal justice agencies and foster improvement of the forensic sciences capabilities of state and local labs. The FY2000 Budget provides $200 million to hire, redeploy or train **Community-based Prosecutors** who will interact directly with the community to fight crime on a proactive basis. And $125 million would be provided for **Community Crime Prevention,** to engage entire communities in preventing and fighting crime – including community residents, probation and parole officers, faith-based organizations and the private sector.

Expanding Homeownership and Affordable Housing

Today, homeownership has never been higher in our history, including in our urban areas. But homeownership rates are 70 percent in suburbs and just 50 percent in cities. Central city residents of all income levels are less likely to own a home than suburban residents with similar incomes. Because homeownership is a vital component of stable and more livable communities, initiatives to promote homeownership must remain a vital component of any national strategy to facilitate growth in already developed areas and make cities attractive to new residents, businesses and investment.

While our homeownership record is improving, shortages of affordable rental housing are worsening. The US Conference of Mayors reports that in 1998, requests for housing assistance by low income families rose in 25 of the 30 major cities it surveyed. Providing rental assistance to low income families not only addresses vital housing needs. When families pay out less of their earnings simply to have a roof over their heads, more disposable income is left over to purchase goods and services, save for college, start a business or accumulate a downpayment on a home.

HOME Investment Partnership Program (HOME). HOME is one of the Nation's most successful housing rehabilitation and production programs. HOME works through local governments to finance the construction and rehabilitation of multifamily rental housing, improve substandard housing for current owners, and assist new home buyers through acquisition, construction and rehabilitation. Beyond its impact in terms of bricks and mortar, HOME has been an important tool for enhancing the capability and experience of nonprofit organizations and other affordable housing producers. The FY2000 Budget requests $1.61 billion for HOME, an increase of $10 million over the 1999 enacted level. This will provide 85,400 additional housing units for owners and renters. About 3 percent of the HOME funds will be used for tenant based assistance.

Raising Federal Housing Administration (FHA) Volume Caps. Since 1934, the Federal Housing Administration (FHA) has made homeownership possible for nearly 25 million families by insuring the mortgages issued by private lenders. FHA loans are particularly important to first-time homebuyers and minority homebuyers. Eighty percent of FHA loans last year went to first-time homebuyers. FHA insures over 40 percent of all mortgages to black and Hispanic homebuyers.

In 1999, the Administration succeeded in raising the limit on the amount a mortgage that FHA can insure to enable more families purchase their first homes, especially in areas with high housing prices. Now the Administration now is asking Congress to permit FHA to raise its annual cap on the total volume of home mortgages it can insure to accommodate growing homebuyer demand. If Congress approves, the annual cap would be increased to $130 billion in each of the next two years. This would allow FHA to insure about 400,000 additional mortgages above the number it would insure if the cap remained at its current level during the two-year period.

National Partners in Homeownership. This unprecedented public-private partnership working to dramatically increase homeownership opportunity in America. The Partnership consists of 66 members representing lenders, real estate professionals, home builders, nonprofit housing providers, and federal, state and local governments. HUD Secretary Cuomo leads the Partnership. The Partnership's goal is to achieve a homeownership rate of 67.5 percent of all American households by the end of the year 2000, creating up to eight million additional homeowners since 1995. To date, more than 150 local partnerships have signed on to the National Homeownership Strategy.

Homeownership Zones. The FY2000 Budget requests $25 million as a set-aside in the CDBG program to fund large scale homeownership projects in targeted areas. Funds will be awarded competitively to communities which have large numbers of housing units that need rehabilitation and which have made homeownership part of a holistic strategy for community revitalization. The FY2000 request will support five to seven Homeownership Zones, based on the average grant of $3 million to $5 million. The funds will create an estimated 1,500 new homeowners. In 1997, HUD was able to fund just six of the 70 zone applications received.

100,000 Vouchers/Section 8 Rental Assistance for Needy Families. Over three million families depend on the annual renewal of Section 8 rental assistance, either through contracts with private landlords or through vouchers and certificates provided directly to tenants. The Administration has steadfastly maintained a policy that all contracts will be renewed every year. In FY2000, HUD will require $10.6 billion in new budget authority to renew existing contracts covering 2.4 million rental units. In addition, the Department began last year a comprehensive reform of the administration of Section 8 project-based contracts. This initiative will ensure more effective oversight of the program.

The FY2000 Budget also requests $580 million in increased funding for 100,000 new Section 8 vouchers to help address the substantial housing need that remains. A number of vouchers have designated purposes, including elderly (15,000 vouchers), homeless (18,000 vouchers) and welfare-to-work (25,000 vouchers). The remaining 42,000 vouchers will be distributed to housing authorities to help the many families on the lengthy Section 8 waiting lists throughout the country.

Low Income Housing Tax Credit. Since its enactment in 1986, the Low-Income Housing Tax Credit (LIHTC) has allocated Federal tax credits to States to award to affordable housing developers. The initiative has supported creation of about 1 million rental units for low income families. Even though building costs have increased 40 percent in the last decade, the amount of the credit has never been adjusted for inflation. The FY2000 Budget proposes to increase the cap on the LIHTC from $1.25 per capita to $1.75 per capita – restoring the value of the credit to its 1986 level. The LIHTC currently helps build an estimated 75,000-90,000 affordable housing units each year. Increasing the cap by 40 percent will create an additional 150,000-180,000 new rental housing units over the next five years. This proposal will cost $1.7 billion over five years.

Hope VI/Public Housing. Hope VI provides funds for innovative and comprehensive approaches to address the problems of severely distressed public housing. By going beyond bricks and mortar, HOPE VI gives local partnerships the chance to undertake comprehensive community building and use the revitalization of public housing as an opportunity to turn neighborhoods around. The FY2000 budget proposes an appropriation of $625 million for HOPE VI. As part of the initiative, HUD plans to approve the demolition of 10,000 obsolete public housing units in FY2000, which will bring the Administration closer to its goal of approving demolition of 100,000 obsolete units. The units will be replaced through a combination of new units and expanded Section 8 rental assistance. The new units will be in well designed, mixed income communities where needed services are readily available.

For public housing overall, the budget proposes a small increase in operating funds to $3.0 billion in FY2000. These operating subsidies go to approximately 3,200 public housing authorities with 1.2 million units under their management. The Administration is pursuing reforms that will remove and replace the worst units, restore troubled housing authorities to financial integrity, demand household accountability and promote greater diversity in public housing. In addition to operating funds, the FY2000 budget also is proposing $2.55 billion for public housing capital needs.

Continuum of Care Homeless Assistance. In 1994, the Administration launched a new approach to address homelessness, focused on long-term solutions, not just emergency or stop-gap measures. The program works with communities nationwide to establish a continuum of programs that help homeless persons move into jobs and permanent housing. The federal grants help communities provide a wide array of comprehensive supports for homeless people, including emergency shelter, single room occupancy dwellings, social services and training, and assistance for homeless people who are also disabled. As a result of the success of this approach in helping thousands of people move from homelessness to self-sufficiency, the FY2000 budget is requesting $1.13 billion in continuum of care funding, a significant increase over the levels enacted in FY1999. Among many initiatives in the program, the funds will support 18,000 incremental Section 8 vouchers to help homeless persons secure permanent housing.

Housing for Older Americans. As many as one in five Americans will be elderly by 2050, swelling the current elderly population to 80 million people over the age of 65. To address this growing demographic challenge, the Administration is proposing $750 million in FY2000 for housing assistance to senior citizens to both increase the supply of housing for America's low-income and improve housing of those already receiving assistance. Many elderly homeowners often find themselves house-rich but cash-poor. To help them get the money they need to stay in their homes, the Administration want to expand its initiative to convert seniors' home equity into rehabilitation and property improvement loans through HUD's reverse mortgage program. The Administration wouls also continue the federal government's longstanding commitment to the Section 202 Housing for the Elderly program. The FY2000 budget calls for $660 million for Section 202, an increase which will enable it to expand nonprofit housing available for unserved elderly by an estimated 5,790 new units. As part of the program, 15,000 new housing vouchers would provided to very low income elderly who move into apartments constructed using the Low Income Housing Tax Credit.

Partnership for Advancing Technology in Housing (PATH). The PATH initiative, a public private partnership announced by the President last year, aims to dramatically improve the quality, cost efficiency, durability, safety and disaster resistance of the next generation of housing. PATH will do this by speeding the identification and adoption of building technologies. In FY2000, the Administration is again requesting $10 million for this multi-year program.

Promoting Smarter Growth

Regional Connections. This new initiative would provide $50 million in FY2000 to fund local partnerships to develop and implement locally-driven smarter growth strategies by addressing economic and community development needs across jurisdictional lines. Broadly speaking, such strategies will include incentives for coordinated reinvestment in already built-up and infrastructure-rich areas – especially central cities and older suburbs – and incentives and rules to curtail sprawl where new development does occur. Participating regions will be asked to outline strategies for managing the economy and workforce in ways that reinforce the overall development strategy. Eligible lead applicants will include states and groups of localities, working in active partnerships with the private sector, nonprofit institutions and community groups, as well as regional institutions, such as councils of government (COGs), regional councils, and metropolitan planning organizations (MPOs). This year's request is for a separate program with its own appropriation, rather than as a set aside in the Community Development Block Grant program, as proposed last year.

Brownfields Redevelopment. Brownfields are former industrial and commercial properties that may contain low to moderate levels of contamination. An estimated 450,000 brownfields exist across the country, the vast majority of which are located in urban areas. Brownfields redevelopment is critical to economic development and community revitalization. Brownfields also offer a large untapped resource for land development within already established communities. A recent survey by the US Conference of Mayors on brownfields in 224 American cities estimated that these communities had more than 178,000 acres brownfields which, if redeveloped, could bring in additional tax revenues of $955 million to $2.7 billion and create more than 675,000 jobs on former brownfield sites.

The Administration's Brownfield National Partnership, announced in May 1997, brings together the resources of more than 20 federal agencies to address brownfields clean-up and redevelopment issues. As part of the Partnership, HUD provides grants in conjunction with Section 108 loan guarantees to redevelop moderately contaminated industrial or commercial sites. The Administration's FY 2000 Budget proposes to double HUD's funding for the brownfield redevelopment, from $25 million to $50 million per year for the next three years. Other key components of the Clinton-Gore Brownfields program include Environmental Protection Agency (EPA) funding for assessment, clean-up and job training. Last year, EPA received $90 million to make grants to approximately 100 communities for site assessment and redevelopment planning, as well as for capitalizing revolving loan funds to finance clean-up efforts. The FY2000 Budget proposes **XXXXX for EPA.**

Another key incentive is the brownfields tax incentive, enacted as part of the Taxpayer Relief Act of 1997. It is projected to leverage another $4 billion in private investment in brownfield clean up by allowing businesses to deduct certain clean up costs on environmentally contaminated land.

Better America Bonds. Urban redevelopment efforts would also get a boost from a new Administration initiative – Better America Bonds – providing a new financing tool for State and local governments to clean up abandoned industrial sites, preserve green space, create or restore urban parks and protect water quality. The initiative is designed to generate $9.5 billion in bond authority over five years for such investments. The FY2000 Budget proposes tax credits totaling almost $700 million over five years to support the Bonds. The program will be administered jointly by the Department of the Treasury and EPA.

Redevelopment of Abandoned Buildings Initiative. One of the primary causes of blight in urban neighborhoods are abandoned apartment buildings, homes, warehouses, offices and commercial centers. Through this new initiative, which would receive $50 million in the Administration's FY2000 budget, HUD will provide competitive grants to local governments to support removal abandoned buildings as part of a holistic plan to redevelop properties for commercial use or housing. Such plans would require significant private-sector participation. Eliminating abandoned buildings will give these areas new hope by shifting their direction from deterioration to development. Once these buildings are removed, the remaining land becomes a valuable resource that can be converted to usable housing and other positive tax revenue producing uses.

Lands Legacy Initiative. A key component of building strong communities is to protect and preserve the natural environment and historic treasures. The FY2000 Budget proposes a $1 billion Lands Legacy Initiative for the protection of America's land and coastal resources. This initiative, a 125 percent increase over FY 1999, renews America's commitment to its natural environment. The initiative would fully fund the Land and Water Conservation Fund for the first time, providing $900 million, and provide $442 million to protect natural and historic sites, including critical lands in the Mojave Desert and Florida's Everglades, Civil War battlefields, and the Lewis and Clark Trail.

The Lands Legacy Initiative provides $588 million to state and local governments to encourage open space planning, protect threatened farmland, restore urban parks and forests, and safeguard endangered species. **Open Space Planning Grants** would go to State, regional and local governments to help them develop smarter growth strategies. Priority for the $50 million in open space grants will go to proposals that link State open space protection plans to regional strategies for balancing growth, land use, infrastructure development and quality of life concerns. $150 million in **Land Conservation Grants** would be provided to help State and local governments acquire land and easements for open spaces, greenways, outdoor recreation, urban parks, wildlife habitat, and coastal wetlands. And under the **Urban parks and Recreation Recovery** initiative, the Federal government would provide $4 million in matching grants and technical assistance for the restoration of parks in economically distressed urban communities. The urban parks program, administered by the National Park Service, awarded over 1,200 grants from 1978 to 1995, but has not been funded since 1995.

Lisa Green
06/08/99 11:23:05 AM

Record Type: Record

To: Meredith E. Cabe/WHO/EOP@EOP

cc:
Subject: New Markets Quote for the State of the Cities Report

Per my voice mail, I understand that you are the designated New Markets contact person at the White House Counsel. HUD has asked us to provide a Presidential quote on New Markets for the State of the Cities Report which will be released this week in conjunction with the US Conference of Mayors convention in Louisiana.

The following quotes were taken from the President's actual remarks on May 11 at a Rose Garden announcement about the July New Markets trip and at the Atlanta site visit to the Sweet Auburn Curb Street Market.

"We should genuinely create opportunity for every responsible citizen...We have been given an opportunity now, because we've got the strongest economy in at least a generation, to prove that we can bring the benfits of free enterprise to every neighborhood in America."
- May 11, President William Jefferson Clinton

or

" I believe we ought not to leave anybody behind when we go into the 21st century...I want people to..believe it can be be done in their neighborhoods, in their communities, rural or urban."
- May 11, President William Jefferson Clinton

Please let me know what type of clearance process we need to follow before releasing these quotes to HUD.

Thanks.

DRAFT 5.19.99

State of the Cities 1999: Outline

Letter from the Secretary

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Finding #1. *Thanks to a booming national economy, most cities are in the strongest fiscal and economic recovery they've experienced in recent years. There are early signs that some of the structural trends that caused cities' decline for three decades may be slowing or reversing.*

- Two-thirds of central cities increased in population from 1980 to 1996.
- Jobs are growing in central cities.
- Wages are rising in central cities at a faster rate than the nation as a whole.
- Central city urban unemployment rates have fallen substantially.
- Central city poverty rates are at their lowest levels since the start of this decade.
- For the first time in history, more than half of central city households are homeowners.
- Cities are showing marked improvement in fiscal conditions, service delivery and quality of life indicators.

Finding #2: *A significant number of central cities are still lagging behind. They continue to suffer from the challenges of population decline, loss of middle-class families, slow job growth, income inequality, and poverty.*

- Serious population losses continues to plague about one in five central cities.
- Unemployment remains unacceptably high in about one in six central cities.
- Stubborn poverty persists in about one-third of our central cities.

Finding #3: *Older suburbs are beginning to experience the problems of job loss, population decline, crime, and disinvestment that were previously associated only with the central cities.*

- More than 400 suburban jurisdictions in 36 states meet HUD's criteria for distress.
- These suburbs show population losses of 5 percent or more and poverty rates above 20 percent.
- Distressed suburbs are located in all regions of the country.

Finding #4: *We now have an historic opportunity for cooperation between cities and suburbs to address the challenges facing our metropolitan areas.*

- Metropolitan regions are the growth engines of the economy in our globally-competitive modern world. America's regional economies can only compete effectively if they are supported by healthy cities at their core.

- Central cities have untapped markets – for labor, retail and land development – which can help the nation continue its economic growth and can serve as an alternative to uncontrolled suburban growth.

- Many newer suburbs are showing the strains of sprawling growth that creates long commutes and traffic congestion, overcrowded schools, and other problems related to sprawl.

- The costs associated with sprawl are mounting. Curtailing sprawl could save the Nation $250 billion over the next 25 years.

- The costs of sprawl include the cost of concentrated poverty and the mismatch of jobs between cities and suburbs. The costs also include 20 –25 percent higher costs for road and 15-20 percent higher costs for utilities in communities marked by sprawl. Sprawl development consumes 20 - 40 percent more land than compact development. Because of sprawl, the average suburban household drives 3,300 more miles annually than its central city counterparts and spends over 110 additional hours behind the wheel.

Part Two: A 21st Century Agenda for Cities and Metropolitan Regions

TAPPING URBAN MARKETS

Providing Capital To Expand Investment Opportunities

- New Markets Initiative
- Community Empowerment Fund/CEF Trust
- Empowerment Zone and Enterprise Community Initiative
- Community Development Block Grants

Empowering and Training the Workforce

- Expanding Education and Training Initiatives
  - Adult and Family Literacy
    - (Education State Grants, English Literacy/Civics Initiative, America Learns Technology, High Skills Communities Campaign, Workplace Education Tax Credit)
  - Universal Reemployment Initiative
    - (Dislocated Workers Program, Employment Service, One Stop Career Centers)
  - Youth Employment
    - (JobCorps, Youth Opportunity Areas, YouthBuild, Right-Track Partnerships, Gear Up for College, Upward Bound)
- Strengthening The Welfare-to-Work Equation
- Providing More Affordable Child Care
  - Child Care and Development Block Grant
  - Child and Dependent Tax Credit
  - Head Start
  - Early Learning Fund
- Strengthening Our Schools

School Modernization Bonds

Qualified Zone Academy Bonds

Recruit, hire, and train 100,000 new teachers and reduce class size

Troops to Teachers

School and Teacher Technology Initiatives

21st Century Learning Center Program

PROMOTING SMARTER GROWTH

- Regional Connections
- Brownfields Redevelopment
- Better America Bonds
- Redevelopment of Abandoned Buildings Initiative
- Lands Legacy
  - Open Space Planning Grants
  - Land Conservation Grants
  - Urban Parks and Recreations Recovery

EXPANDING HOMEOWNERSHIP AND AFFORDABLE HOUSING

- HOME Investment Partnership Program
- Raising Federal Housing Administration Volume Caps
- Homeownership Zones
- 100,000 Vouchers - Section 8 Rental Assistance
- Low Income Housing Tax Credit
- Hope VI/Public Housing
- Continuum of Care Homeless Assistance

CREATING HEALTHY AND SAFE COMMUNITIES

- 21st Century Policing
  - More Police on the Streets
  - Crime-fighting Technology
  - Community-based Prosecutors
  - Community Crime Prevention

[What else is most important? Community/urban health?]