To: Paul Weinstein

From: Michael Barr

Subject: NEC/DPC Community Empowerment Process

Paul, the attached memo represents some preliminary thinking of my office, Economic Policy and Tax Policy, as well as members of the CEA, and several ideas that we have discussed initially with HUD. It is, of course, quite sketchy and may include ideas that we should not support upon further analysis.

Send to SB

L-[illegible]

Ideas for FY99 Budget
Community Development Policy

1. Implementation of a "Fair Lending/Fair Housing Initiative" to ensure equitable access to credit markets. This initiative would include several sub-points:
   - Examination of the impact of credit scoring loan systems and risk-based pricing on the availability and price of capital to lower-income and minority individuals.
   - A Presidential initiative urging the banking regulators to obtain more data on reasons for home mortgage denials (HMDA provides only partial information) and, where possible, on the applicants' credit score. (A similar initiative might be undertaken with respect to race and income data under HMDA's new small business reporting requirement, which only pertains to geographic data at this time.)
   - A Presidential request to the GSEs to retain loan denial data for further analysis of lending patterns (currently, GSEs retain only the loan approval data)
   - Increased funding for DOJ/HUD "testing" of how applicants are treated
   - Public education around the 30 year anniversary of the Fair Housing Act

Pros:

- This is an important issue. HMDA data continue to show disturbing disparities in loan denial rates across racial and ethnic groups.

Cons:
- Legislative action in this arena would prove difficult, and might lead to countervailing legislative efforts to undermine existing safeguards and programs; regulatory actions and hortatory efforts, however, may prove quite contentious in their own right, and might in any event prove to be inadequate to the task.

2. Secondary market / securitization of economic development loans

Launch innovative, private-sector driven effort to assist in crating a secondary market for community and economic development loans. Such a market would create liquidity for institutions with the expertise to make development loans to small businesses, micro entrepreneurs and development projects. Together with other agencies, such as Commerce, HUD, and Agriculture, Treasury would launch small pilot projects that create loan pools, engage experts to provide technical advice on secondary market creation, hire outside firms to conduct research on existing portfolio, and reduce existing barriers. Five fundamental challenges to be overcome in stimulating a secondary market are:
   - lack of standardization in loan underwriting;
   - lack of consistency in documentation;
   - overcoming inhibitory regulatory barriers;
   - insufficient industry data for market assessment;
   - lack of knowledge in the development lending business regarding securitization.

Pros: Linking community and economic development lending intermediaries to the market would enhance liquidity, tend to improve loan performance standards, and potentially bring in new sources of capital for these purposes.

Cons: For many intermediaries, securitization would prove to be an expensive source of capital.

3. Pilot a national Capital Access Program (CAP) based on the successful programs currently operating in 23 states.

Pros:

- Compared to loan guarantees, the CAP program is a much more elegant and effective alignment of incentives between the government and the banks. State government matches an insurance premium paid by the borrower, all of which goes into a segregated account at the originating bank. There is no independent loan review by the government. Any losses on the portfolio are absorbed first by the accumulated insurance premiums. CAP offers a specific government investment for a specific lending volume.
- By working with the successful state programs, a national CAP could quickly benefit from states' experience.
- Treasury's CDFI Fund has existing authorities to begin such a program, given sufficient funding. The underlying statute should be modified as part of the CDFI Fund's reauthorization this year to make the program more effective at scale.

Cons:

- A CAP program could be seen as competing with guarantee models for credit provision.

4. Encourage nonbank lenders such as mortgage companies and other credit suppliers to increase lending to low and moderate income persons on a voluntary basis.

Pros:

- Almost 60% of home mortgages are now made by mortgage companies, entities not covered by CRA. The largest lenders of other types of loan (consumer lending, car lending, institutional real estate lending) are also often not covered by CRA. As major niches of the credit markets become dominated by non-bank players, access to credit may increasingly suggest looking more broadly than banks.

Cons:

- As part of Treasury's financial modernization proposal, we have not extended CRA to nonbank institutions. Legislative action in this arena is next to impossible. Even hortatory steps by the Administration might be seen as leading to legislative actions and might be bitterly opposed. Moreover, numerous conceptual and practical difficulties arise in trying to determine appropriate measurements.

5. Launch a Presidential initiative to create a private sector "CEOs for the Cities," which would (1) help provide a structure for local efforts to provide business-to-business technical assistance; (2) act as a supporter for broad-based efforts to revitalize cities.

Pros:

- Just as President Kennedy helped launch the Lawyer's Committee for Civil Rights to provide national exposure and expertise to the struggle for equality under law, President Clinton could launch the CEO for the Cities to provide exposure and expertise to local efforts to bring residents of distressed communities into the economic mainstream.
- There is a clear need for the transmission of business to business expertise, and local efforts often lack sufficient resources or networking capacities. On a broader front, such an effort could increase support for programs affecting the nation's poorest communities.

Cons:

- A number of local efforts, as well as SBA's SCORE program, already exist, so it would be important to assess what value added a new initiative would bring.

6. <u>Fund Innovative Local Efforts by Community Based Organizations to Promote Job Readiness</u>

Pros: Job readiness is a central issue for the job prospects of low income persons and central to the welfare to work effort. Locally based organizations in a number of communities have developed track records in serving as intermediaries to train and place low income persons. These local initiatives, however, often lack resources, or other intermediaries that can bring them to scale. The Labor Department is already funding an effort to expand the model used by the San Jose CET in a number of sites. This effort could be dramatically expanded, and an additional component -- intermediaries along the LISC and Enterprise models -- could be added.

Cons: The Labor Department is already funding pilot projects with CDCs and it has not been demonstrated that these local initiatives can be successfully adapted to other sites or can reach scale. Thus, an initiative here may be premature and costly.

7. <u>Create a new "Small Business Start-up Equity Fund" to research and develop how credit scoring can be used to expand access to equity for small businesses</u>.

These would be small equity investments, <$100,000 per investee, which is a segment of businesses almost completely unserved by the formal financial markets. The scoring system would seek out indicators other than net worth and current earnings. It is likely that such a fund would experience up to 50% losses in the early years, but the goal is to demonstrate a 15% loss rate by year 5. The private sector is unlikely to develop this product on its own because of the high losses in early years, and the longer timeline to financial payoff.

The fund could be 50%-75% funded by the federal government, with remaining funding coming from major money center banks and philanthropies. It is critical that the private sector participants provide both funding and some staff talent to oversee the project. From the beginning, the project could be structured so that either (1) the knowledge learned would be given away, or (2) the private sector participants could purchase the expertise.

8. <u>Create a program to stimulate greater personal savings of low-income individuals, possibly through Individual Development Accounts (IDAs) or similar structures.</u>

Pros:

- An IDA effort could garner bipartisan support. Coates will introduce a bill this year for a 4 year/$100 million demonstration of IDAs, and is likely to get the support of Harkin; a companion Hall/Kasich measure may also be introduced.
- In the economic development field, there is a gathering consensus that improving savings is key to supporting lower-income people.
- Some states, philanthropies and the CfED are experimenting with IDA accounts, both under welfare reform and as part of purely private efforts. — FORD FOUNDATION IS doing this
- A federal pilot in this area could effectively leverage its dollars.

Cons:

- Fostering savings among the poor is highly difficult. IDAs have been criticized as seeking to foster long-term savings, while savings for emergencies is often a more pressing problem for the poor.

9. <u>Technical assistance for non-profits.</u>

Experience suggests that many nonprofit organizations lack capacity for developing business plans for sustainable interventions/programs. This need results from a shift in the nonprofit funding environment itself: there is now a greater emphasis on financial sustainability, high-quality business management skills, and, in some cases, generating related and unrelated business income. The needed assistance is in proposal writing, business planning, and connecting to other sources of funding. This could occur through workshops; collaborations with educational institutions.

10. <u>Targeted child care training for neighborhoods with large numbers of welfare recipients.</u>

child care

Training would be aimed at (1) welfare recipients receiving training as child care *employees* and (2) individuals interested in starting a center or home-care business. This would promote employment, business ownership, and address potential supply bottlenecks in distressed areas that experience a surge in demand for care as a result of welfare reform.

11. <u>Promote the Portability of HUD Section 8 Vouchers</u>

While Section 8 vouchers are potentially an important vehicle to integrate low-income families into higher income neighborhoods, many Section 8 participants remain clustered in low-income neighborhoods. This could reflect a lack of support at the housing authority level for families moving out of their jurisdiction, in part because of built-in program incentives to retain households within their jurisdiction. To promote increased portability of vouchers, programs could be adopted to increase the willingness of local housing authorities to promote mobility of Section 8 recipients to other jurisdictions. For example, it could be possible to allow local housing authorities to keep a larger share of their administrative fee if they port out a voucher. In addition, more resources could be made available for housing mobility counseling and landlord outreach, as under HUD's Regional Opportunity Counseling program.

12. Promote Linkages Between Low-Income Areas and Other Parts of the City/Suburbs

A number of community-based organizations are now experimenting with programs which try to link workers in low-income neighborhoods with job opportunities elsewhere in the city. These programs expand transportation availability between inner-city areas to other parts of the city and the suburbs. In addition, they try to increase information by building networks between locally based institutions that serve inner-city residents and employers and employer networks that may provide suitable jobs. These efforts could be further supported by increased federal funding of promising local initiatives, and through federal monitoring of local efforts and dissemination of information about promising local models. One potential model is Public/Private Venture's "Bridges to Work" program, which is now being tested in 5 cities.

transportation availability

13. Expand funding for Community Health Care Clinics' Infrastructure

To address the serious shortage of primary care providers in low-income areas, the federal government could increase funding for community health centers and clinics in low-income neighborhoods. This would help to increase access to health care in disadvantaged neighborhoods, as well as to increase local employment opportunities. A potential funding source for this initiative is a portion of the tobacco settlement.

tobacco settlement

14. Provide funding for After-school care for kids and tie this effort to the White House Child Care Conference Agenda

A significant problem for parents, particularly in low income inner city neighborhoods, who wish to move into the job market is the lack of after school alternatives for their children, who may face violence in their neighborhoods. The Administration could propose block grants to the states to fund after-school programs in distressed neighborhoods.

15. Public safety and economic development

A number of small scale initiatives have been undertaken by community groups, national nonprofits such as LISC and Enterprise, business leaders, and police departments to develop integrated anti-crime and economic development strategies at the neighborhood level. The Administration could host one or more "best practices" conferences to discuss these strategies.

16. Incentives for Regionalism?

METROPOLITAN PARTNERSHIPS

0. NOTE

Considerable discussion regarding a "metropolitan initiative" has occurred within the Administration over the last few years. There is strong support for the concept among agency staff. But due to the shortness of time, it hasn't been possible to consult with others outside of CEQ. Therefore, this paper will propose a process to create a metropolitan initiative with the full involvement of all interested parties.

I. INTRODUCTION

There is a growing consensus that the metropolitan region may be the most effective scale to address the economic, social, and environmental problems facing large urban areas. The Administration should launch an initiative to catalyze "Metropolitan Partnerships" in six to 12 regions that will bring together center cities and surrounding suburbs to develop regional strategies to meet local needs -- such as creating jobs, cleaning up brownfields, reducing traffic congestion, moving people from welfare to work, preventing crime, and curbing sprawl.

II. BACKGROUND AND CONTEXT.

- **The DPC-NEC Urban Policy Working Group.** In the fall of '94 this working group gave serious consideration to "promoting metropolitan approaches to solving urban problems and providing incentives for regional cooperation." This work should be dusted off as starting point for developing a new Metropolitan Partnerships initiative.

- **The President's Council on Sustainable Development.** In January 1997, the PCSD sent a progress report to the President that recommended that the Administration:

> *"Establish a pilot demonstration program to encourage metropolitan cooperation and problem-solving. The federal government should act as a catalyst and facilitator for selected metropolitan regions to pursue metropolitan-scale problem-solving strategies by highlighting ongoing initiatives and successful models, coordinating the federal response, leveraging existing resources, using administrative flexibility, streamlining service delivery, and directing resources to more effectively support metropolitan sustainable development strategies."*

(The attachment entitled "PCSD Sustainable Communities Chronology" provides more detail on the Council's work in this area.)

- **The Joint Center on Sustainable Communities.** Upon release of the PCSD's "Sustainable America" report in March 1996, the US Conference of Mayors (USCM) and the National Association of Counties (NACo) announced their intention to create the Joint Center for Sustainable Communities. The primary purpose of this new entity is to promote cooperation among cities and surrounding counties within metropolitan regions in meeting economic, social, and environmental challenges. Both USCM and NACo would be very supportive of a Metropolitan Partnerships initiative.

- **The McArthur Process.** Since early 1997, several national foundations -- most notably McArthur -- have been supporting an effort to provide recommendations to the Administration on implementing the PCSD recommendation referenced above. In the past six months regional meetings with a broad representation of local interests have been held in Miami, Los Angeles, San Francisco, St. Louis, Chicago, Detroit, Atlanta, New York/New Jersey/Connecticut, Cleveland, Boston, Pittsburg, and Minneapolis/St. Paul. Federal agency representatives have been present at each of these meetings. A Washington meeting with representatives from each regional session will be convened in October to discuss final recommendations to the Administration. Administration representatives will be invited to this session. Final recommendations could emerge from this process later this fall. (Additional information concerning this process can be found in items 8-10 on the attached chronology and at www.cnt.org under "Metropolitan Initiative.")

- **The PCSD.** The PCSD has created a new task force with a mission that includes "promoting multi-jurisdictional and community cooperation in metropolitan areas" that is co-chaired by Secretary Cuomo, Mayor Susan Savage of Tulsa, and Scott Bernstein, President of the Center for Neighborhood Technology in Chicago. The PCSD can serve as an effective means of involving non-federal partners in the design of a Metropolitan Partnership initiative.

III. BASIC ASSUMPTIONS

- **Building on Existing Initiatives.** The Clinton-Gore Administration has launched numerous innovative economic development, social policy, and environmental quality initiatives in the past 4 ½ years. The Metropolitan Partnerships initiative will not create new programs; it's focus will be better coordination of existing programs at the metropolitan level.

- **Coordinated with New Initiatives.** The Metropolitan Partnerships initiative will be designed to complement other new Administration initiatives. For example, one of the pilots could be located in the Washington, DC metropolitan region as a means of supporting the Administration's DC Initiative. In addition, because the initiative would be based upon building partnerships between central cities and surrounding suburbs, it may also support the President's Race Initiative.

- **No New *Federal* Money.** Because of the current budget climate, the initiative will require no new federal money beyond what will be necessary to administer the initiative. However, because of the strong interest of the foundation community, it should be possible to leverage significant foundation funding in support of the initiative.

- **A Low- Profile Effort.** This initiative should not be the subject of high-profile national attention. Metropolitan regions should not be selected to participate through a highly visible application process. Rather, candidates will likely emerge from the McArthur process and through other discussions. National attention should be reserved until success stories begin to emerge in specific metropolitan regions.

IV. NEXT STEPS.

The following steps should be taken to develop a Metropolitan Partnerships initiative:

- A Metropolitan Partnerships working group should be created under this DPC-NEC process. The working group should include representatives of all agencies participating in the metropolitan task force of the PCSD;

- Scott Bernstein of the Center for Neighborhood Technology should be invited as soon as possible to brief this new metropolitan working group on the status and lessons learned from the McArthur process;

- The working group should bring in representatives of outside interests, starting with representatives of major foundations that support the concept of metropolitan partnerships. Next, the group should meet with representatives of local government, beginning with the USCM and NACo.

- The working group should participate in the Washington, DC meeting in October that will lead to the final recommendations to the Administration that will emerge from the McArthur process.

- This fall, the working group should prepare, in anticipation of the recommendations from the McArthur process, a draft proposal to create Metropolitan Partnerships in six to 12 regions. Upon formally receiving the McArthur recommendations, the working group will prepare a final draft for internal Administration review by December.

Attachment

PCSD Sustainable Communities Chronology

A. PCSD Phase I: The Report (June 1993 - March 1996)

(1) President Clinton issued an **Executive Order** in June 1993 establishing the President's Council on Sustainable Development (PCSD). Creating the PCSD fulfilled a US pledge made by former President Bush at the Earth Summit in Rio in 1992. President Clinton asked the PCSD to propose a sustainable development strategy for the US.

(2) In March 1996, the President's Council on Sustainable Development transmitted its proposed strategy to President Clinton in a report entitled ***Sustainable America: A New Consensus for Prosperity, Opportunity, and a Healthy Environment.***

(3) The PCSD report included the following national goal:

> "**SUSTAINABLE COMMUNITIES.** Encourage people to work together to create healthy communities where natural and historic resources are preserved, jobs are available, sprawl is contained, neighborhoods are secure, education is lifelong, transportation and health care are accessible, and all citizens have opportunities to improve the quality of their lives."

B. PCSD Phase II: Implementation (May 1996 - January 1997)

(4) Upon receiving the Council's report in March 1996 , the President asked **the PCSD** to continue its work by focusing upon recommendations for implementing *Sustainable America.* To follow through on its sustainable communities recommendations, the Council created a Task Force on Innovative Local, State, and Regional Approaches.

The task force was co-chaired by Dr. James Baker, Administrator of NOAA, and Scott Bernstein, President of the Center for Neighborhood Technology (CNT) in Chicago.

(5) After transmittal of the PCSD report to the President, Laura Tyson (Chair of the National Economic Council) and Katie McGinty (Chair of the Council on Environmental Quality) established an **Interagency Working Group on Sustainable Development**. NEC and CEQ asked federal agencies to review the PCSD recommendations and action items and report on related programs and activities. This process produced a 376 page inventory of ongoing federal activities related to sustainable development.

(6) Upon release of the PCSD report, the US Conference of Mayors and the National Association of Counties announced the creation of a **Joint Center for Sustainable Communities** to focus upon implementing the PCSD report at the local level. This is a truly unique partnership for these representatives of cities and surrounding areas had never worked together before. The new Joint Center was formally launched in December 1996 with support from DOC, DOE, and EPA.

(7) In January 1997, the Council transmitted a **Progress Report** on implementation to President Clinton. The progress report reflects an emerging consensus that the metropolitan region may be the best scale to address sustainable communities issues in urban areas. By adopting a metropolitan approach, the federal government can help to bring together center cities with surrounding suburbs and rural areas to create regional partnerships to clean up brownfields, reduce traffic congestion, move people from welfare to work, prevent crime, preserve prime farmland, curb urban sprawl, etc.

The task force co-chaired by Jim Baker and Scott Bernstein drafted language in the progress report that included the following "Recommended Next Steps" for the federal government to adopt a metropolitan approach to building sustainable communities:

Step 1) Develop and adopt federal metropolitan-scale policy through an Interagency Metropolitan Sustainable Development Working Group.

Action 1: Establish a pilot demonstration program to encourage metropolitan cooperation and problem-solving. The federal government should act as a catalyst and facilitator for selected metropolitan regions to pursue metropolitan-scale problem-solving strategies by highlighting ongoing initiatives and successful models, coordinating the federal response, leveraging existing resources, using administrative flexibility, streamlining service delivery, and directing resources to more effectively support metropolitan sustainable development strategies.

Action 2: Identify and change existing federal programs or policies which encourage or subsidize sprawl and urban disinvestment, reorienting them to revitalize existing communities, whether urban, suburban, or small town.

Step 2) Similar to the efforts with respect to metropolitan regions, convene a group to focus on implementing sustainable development in rural communities and regions.

C. The McArthur Process (January 1997 -)

(8) In December 1996, Adele Simmons, President of the McArthur Foundation, requested a **White House meeting** to discuss implementation of the PCSD's metropolitan policy recommendations (above). In addition to Ms. Simmons, that meeting included Katie McGinty, Laura Tyson, Joe Stiglitz, (Chair of the Council of Economic Advisors), and representatives of three other foundations (Surdna, Pew, and Casey). Due to a strong expression of interest from the White House, representatives from the foundations agreed to provide the Administration recommendations on how a metropolitan initiative would be implemented.

(9) To create such recommendations, the McArthur Foundation contracted with Scott Bernstein of the **Center for Neighborhood Technology** (CNT). He assembled a team to a) identify metropolitan areas in which cooperation is occurring between cities and suburbs; b) identify federal policies and authorities that could be used to facilitate such cooperation; c) draft an ideal "scenario" of how such cooperation might occur, including defining the federal role; d) test that "scenario" in about 12 metropolitan regions with local leaders; and e) to submit to the Administration in the fall of 1997 a proposal for how a metropolitan policy might be implemented.

(10) **The McArthur process** has focused upon three major ways that the federal government can participate in a metropolitan partnership:

a) **Smart Citizens:** How can federal information and technical assistance programs provide tools for problem-solving to the citizens of a region?

b) **Smart Money:** How can existing federal spending be invested wisely to meet the unique needs of a region?

c) **Smart Regulation:** How can federal regulation be crafted to meet national goals in a manner that is cognizant of the unique circumstances found in a region?

Detailed information concerning the McArthur process in general and these three areas of focus in particular can be found at **www.cnt.org** under Metropolitan Initiative.

D. PCSD Phase III (May 1997 -)

(11) In April 1997, the Administration renewed **the charter** for the PCSD for another two years and asked the Council to address the following:

> "Advise the President on policies and approaches that promote sustainable communities. In particular, the Council should promote multi-jurisdictional and community cooperation in metropolitan and rural areas. The Council should create and participate in projects that help forge partnerships among representatives of federal and state agencies, urban centers, suburban areas, and rural communities with the goal of solving, in a comprehensive way, local and regional sustainable development issues. The Council should use the partnership projects to identify barriers to cooperation and innovative sustainable development strategies that engage the constituencies represented by the Council."

(12) On April 29, the PCSD held its first meeting of 1997. The Council created a new task force **on metropolitan and rural approaches to building sustainable communities**, cochaired by HUD Secretary Cuomo, Scott Bernstein of CNT, and Susan Savage, mayor of Tulsa. The new task force held its organizational meeting on August 5, 1997.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

SEP 05 1997

MEMORANDUM TO PAUL WEINSTEIN - DOMESTIC POLICY COUNCIL

FROM: Carl Whillock
U.S. Department of Agriculture
White House Liaison

SUBJECT: Department of Agriculture's Future Contribution to Economic Development

When you first became President, you proposed a rural investment program, most of which has been enacted and strongly supported by the Department of Agriculture. Funding for USDA's rural development programs has also increased 34 percent since 1993.

USDA's objective over the next few years is to ensure that each rural resident has the opportunity to participate and benefit from a dynamic, growing economy. This is particularly true for many residents who have endured decades of persistent poverty and little hope that children' lives will be better than their own. Twenty Four percent of the children in rural areas live in homes with incomes below the poverty level. Even more alarming is that almost 55% of African American children live in homes with incomes below the poverty level.

To meet its objective, USDA's will increase efforts to work with the private sector to create meaningful, well- paying jobs in rural areas, help provide the infrastructure necessary to build and sustain economic growth and help provide the housing and essential community facilities needed by vibrant communities. USDA will work to fulfill this objective by implementing the new Rural Development strategy of capacity building--working with the citizens of a community to plan and implement comprehensive strategies that work for them. Providing technical assistance by field staff and a proactive approach to community development will be the government's primary role in the future. Teaching community leaders the fundamentals of planning will allow them to mobilize the resources, both inside and outside the community and approach problems comprehensively and strategically, enabling them to manage projects more effectively.

Creating Jobs and Revitalizing Impoverished Rural Areas Through Empowerment Zones: The Empowerment Initiative in rural America has demonstrated what a little money, a lot of attention, and a new strategy can do for communities that plan their future with maximum grassroots effort. A straight line projection from the first two years to the year 2000 forecasts remarkable results. By the year 2000 the original 33 rural EZ/EC communities will create or save 15,283 real jobs, establish more than 45 new revolving loan funds to finance future development, build or rehabilitate 2,138 family housing units, and construct or upgrade 100 local educational facilities. Eventually, the investment of the $60 million in Social Service Block Grants will leverage more than $840 million from other sources--the vast majority being non-federal sources. The notable achievement is that this is taking place in a few of America's most impoverished rural communities.

Creating Jobs and Enhancing Rural Businesses: USDA's rural business programs, if funded at the requested FY 1998 level, could assist in creating or saving of 31,782 jobs. Assuming level funding for fiscal years 1999 and 2000, about 100,000 jobs could be created or saved by these programs alone. USDA is also focusing more effort on the development of farmer cooperatives to assist farmers in maximizing return on their investments. USDA can now guarantee loans to individual farmers for the purchase of stock in value-added cooperatives. This will assist in the creation of new jobs in processing agricultural commodities and help rural areas retain more of the income generated locally. USDA may also seek authority to assist non-farm cooperative development efforts in rural areas.

Improving Rural Telecommunications Infrastructure to Support Growing Rural Economies: USDA provides the financing for telecommunications that is necessary for economic development and job growth. The investment of the $1.5 billion proposed in the FY 1998 budget in electric and telephone systems will generate an additional $2.5 billion in private investment and approximately 35,000 jobs. The investment in telecommunications also opens the opportunity for additional economic growth by erasing time and space in competing for jobs with urban areas. Each $1 million invested in electric and telecommunication systems generates 23 jobs. Additionally, USDA participates in the President's National Information Infrastructure Initiative, promoting the President's call to connect all schools and libraries to the Internet by the Year 2000. USDA will provide $45 million in telecommunications grants to rural schools, libraries, and health care providers to ensure that all Americans have the opportunity to contribute to, and compete in, the new global digital economy.

Improving Water and Waste Disposal Systems to Support Economic Growth: USDA finances the construction and improvement of rural water and waste disposal systems which often means the difference between economic vitality and stagnation in rural America. Included in this effort is the Water 2000 Initiative which provides funds to rural areas to provide clean, safe drinking water to their homes. In addition to eliminating health and environmental problems, the water and waste disposal investment creates short-term employment opportunities in the construction trades. In FY 1998, RUS will invest about $1.5 billion in rural water and waste disposal systems and in the process create approximately 30,000 short-term jobs.

Improving Living Conditions and Affordable Rural Housing to Support Economic Growth: USDA finances the construction and improvement of single-family and multi-family housing in rural areas. In FY 1998, USDA will invest about $5 billion through a variety of loan and grant programs to build or improve just under 100,000 units of rural housing. These programs are critical to the achievement of the President's welfare to work initiative and to enable rural residents to achieving self-sufficiency. Each new single family housing unit equates to 1.5 years of short and long-term employment, adds about $20,000 to the local tax base and provides about $50,000 in economic benefits to the local communities. At the FY 1998 funding, USDA will create over 100,000 jobs in a variety of occupations. The housing programs also aid the local communities by helping to retain elderly residents who make up a significant part of local rural economies.

Helping Rural Hospitals, Educational and Child Care: USDA also finances a variety of essential community facilities including hospitals, educational facilities and child care facilities. In addition to helping attract and retain employment, many of the community facilities are employment generators in their own right. For example, hospitals are frequently the largest employer in small towns and over 50 percent of the annual appropriations for the community facility programs finances health care facilities. Funding at the FY 1998 level would create over 24,000 short and long-term jobs in rural areas.

Economic Development While Protecting Natural Resources

Rural Economic and Land Use Planning: USDA assists rural towns by helping them plan, develop, and carry out programs to conserve and improve the use of land; preserve and improve natural resources; and improve and enhance the social, economic, and environmental conditions in rural America. USDA also establishes or improves coordination systems in rural communities to use Federal, state, and local programs for their benefit. This combination of local leadership and coordination of resources is an efficient and effective way for rural communities to achieve local goals. Today, there are 290 RC&D areas serving across the Nation and nearly 46 more areas are awaiting authorization to expand this rural development program once additional funding becomes available. This assistance is similar to the American Heritage Rivers Initiative.

Protecting Watersheds: Rural water problems top the list of development and conservation concerns in rural communities. USDA's Watershed programs are carried out cooperatively with local agencies and units of government that manage water resources and development. Our programs provide financial and technical assistance to local sponsors for watershed-based projects on private land for watershed protection, flood prevention, water quality and supply improvements, and recreation, among many other activities. Our programs also provide assistance to watersheds damaged by severe natural events and are a threat to life and property.

Memorandum

To: The Domestic Policy Council

From: Aram Kailian, Special Assistant to the Commissioner
Public Buildings Service, General Services Administration

Date: September 2, 1997

Re: Considerations for the Administration's Empowerment & Urban Policy Agenda

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General

The Clinton Gore Administration has initiated an unprecedented level of interagency and intergovernmental efforts during it's first term. The second term promises a continuation of this productive practice. For various reasons, many predictable in the context of the management of any large organizational or bureaucratic structure, projects and initiatives have not been linked and coordinated as well as they might or could be. This is true at the national level and across the agencies regional structure nationwide.

The recommendation as we move forward is for the Domestic Policy Council and the National Economic Council to identify the opportunities and determine where it makes the most sense to coordinate, collaborate, connect and thread initiatives that highlight a large picture with special attention to the pieces of policy that fit. (i.e. Empowerment Zones to Metropolitan Regional Planning Strategies which incorporate Welfare to Work, Affirmative Action, the Race Initiative, Work Opportunity Tax Credits, Brownfields, Sustainable Development, Urban Location, Job Training, ICTEA, Community and Economic Development, Micro Lending, etc.).

Also deal with duplication of effort and areas where cross purposes or fabricated jurisdictional barriers are inhibiting opportunities for success. In short, hold agencies and their principals accountable for meeting the Administration's objectives and goals as articulated by the President and Vice President.

Specific

- Link the Empowerment Agenda through better utilization and communication between the WH operations (i.e. DPC, NEC, CEQ, OPL, OGA, OCA etc.) with interagency vehicles such as the CEB.

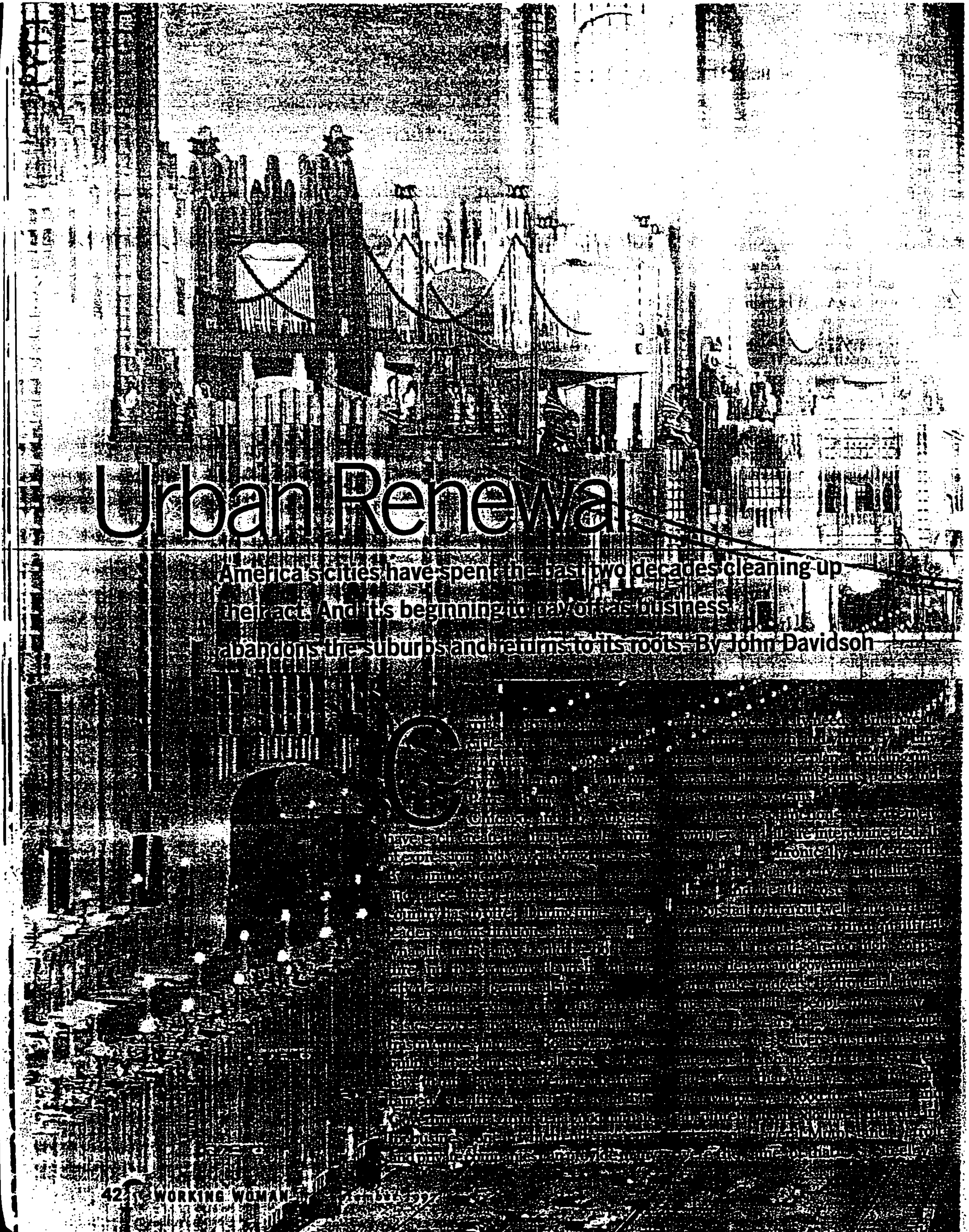
- Begin an initiative seeking the voluntary agreement from individual private sector business providers of goods and services to the government which would allow targeted entities providing jobs, employment, and training for residents from distressed economic areas to purchase from the GSA Schedules, especially in the areas of information technology and communications.

- Reinforce through Presidential Memorandum or Executive Order the intent for each CEB Agency to provide preferences for government programs, facilitate waivers, and provide technical assistance for contracting and procurement at the regional and local level for the designated Empowerment Zones and Enterprise Communities.

- Place high level emphasis on the link between EZ/ECs to Empowerment Contracting (EO 13005).

- Develop strategies and identify the means which promote partnership and bottom-up approaches to strengthening and defining the critical interrelationship for economically distressed areas (EZ & ECs) within larger metropolitan planning strategies, transportation links (getting people to work), and the provision of health and social services.

- Prepare an Executive Order directing agencies to identify the ways and means to provide national, regional and local support for Alternative Government Structures such as, but not limited to, Councils of Government (COG), Regional Planning Commissions (RPC), Community and Economic Development Corporations (CDC, EDC), Community Development Funding Institutions (CDFI), Business Improvement Districts (BID) and Empowerment Zones (EZ). The order should stipulate an emphasis on the promotion of interaction, networking and communication through conferences and other vehicles which would offer opportunities to share successes, support and promote local governance, encourage pilots and facilitate the waivers of regulations.



Urban Renewal

America's cities have spent the past two decades cleaning up their act. And it's beginning to pay off as business abandons the suburbs and returns to its roots. By John Davidson

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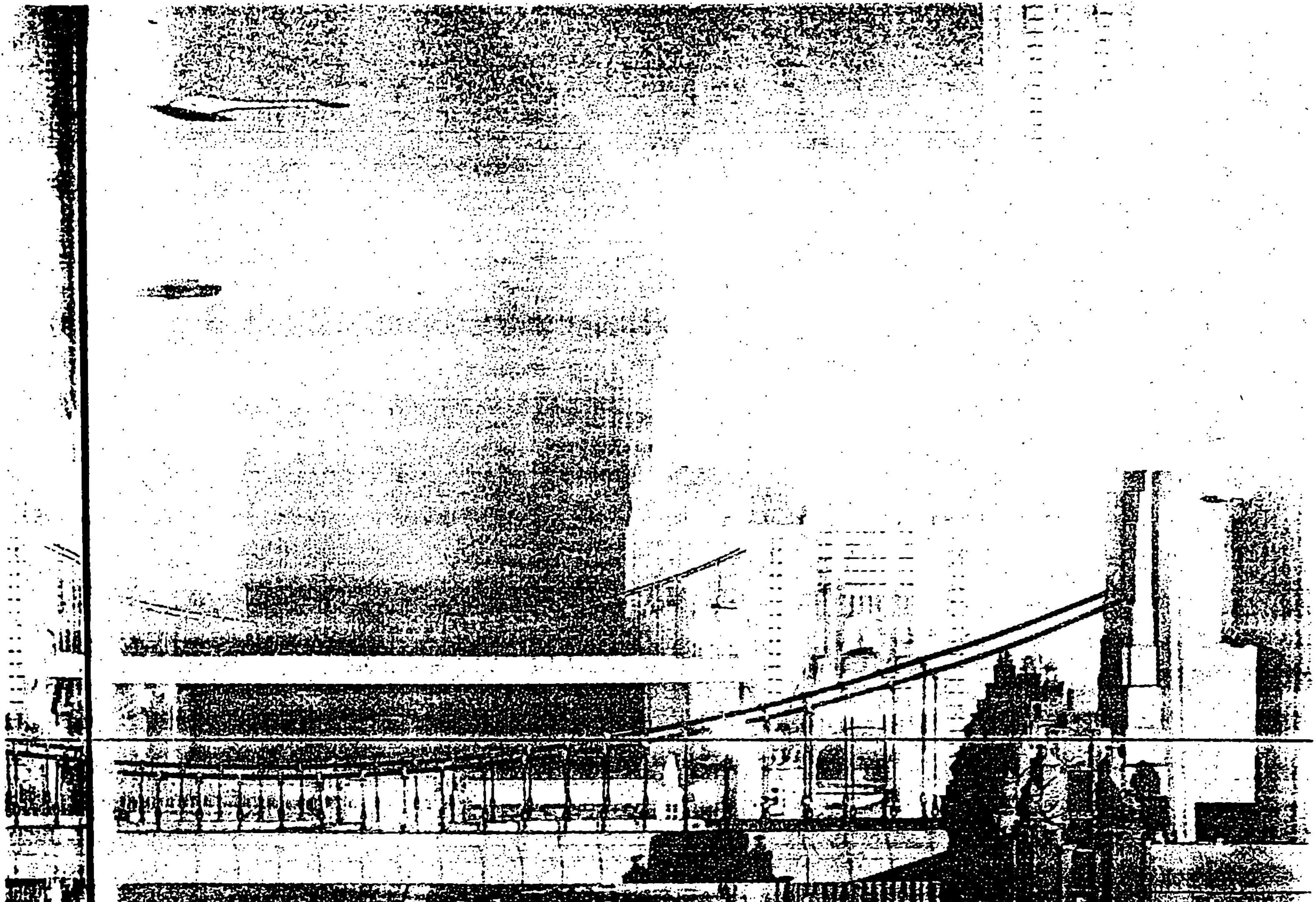


Pittsburgh. Heavy industry brought a period of incredible postwar prosperity, and the middle class, empowered by the automobile and newly fattened wallets, started a mass migration to the suburbs. Meanwhile, urban America began a forty-year decline. Cities that had prospered because of access to raw materials and transportation became industrial dumping grounds. Rivers and lakes filled with polluting waste. Water was [illegible] drinkable, the air toxic. The only people who lived in cities were the very rich, the poor and blue-collar workers. Without the middle class to pay taxes, demand [illegible] rights and exert its political will, basic services deteriorated.

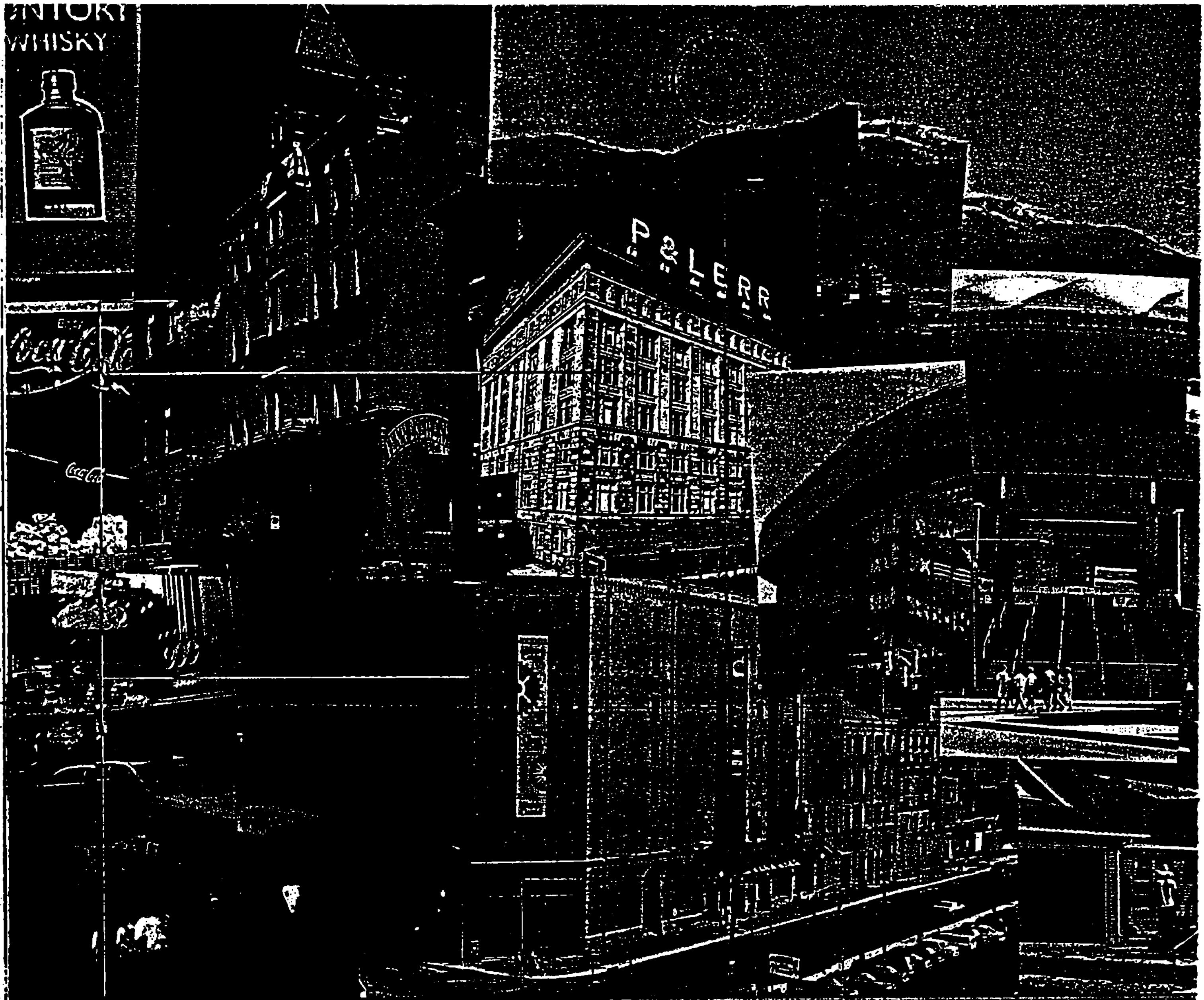
Then, in the mid-'70s and early [illegible] the unthinkable happened: Corporations abandoned the cities that had once made them great in search of cheaper [illegible] non-union labor. Companies began breaking themselves apart and moving manufacturing and assembly plants to the South or overseas. Older cities in the rust belt became hopeless pockets of Third World poverty. At the same time, newer cities grew rapidly, but they were little more than sprawling suburbs with no sense of place or history.

To survive, cities had to reinvent themselves, and after years of hard work, self-evaluation, and struggle, it appears that they have. Urban school districts are [illegible] the past decade, and crime rates in big cities have dropped for the past five years. Moreover, corporations are once more looking at cities like Pittsburgh, Indianapolis, Cleveland, and Louisville as [illegible] places to locate.

Several things have happened to bring about the change. For one, the suburbs [illegible] crowded, dangerous, and often more [illegible] than the cities [illegible]. Parking lots in suburban malls are now patrolled by security guards, and [illegible] [illegible] [illegible] have become common. As their populations age and their lawns and [illegible] no longer filled with children, [illegible] suburbs are [illegible] isolating, anonymous places. Unlike big cities, they have few [illegible] immigrant-owned delis to brighten dark sidewalks and ward off undesirables.

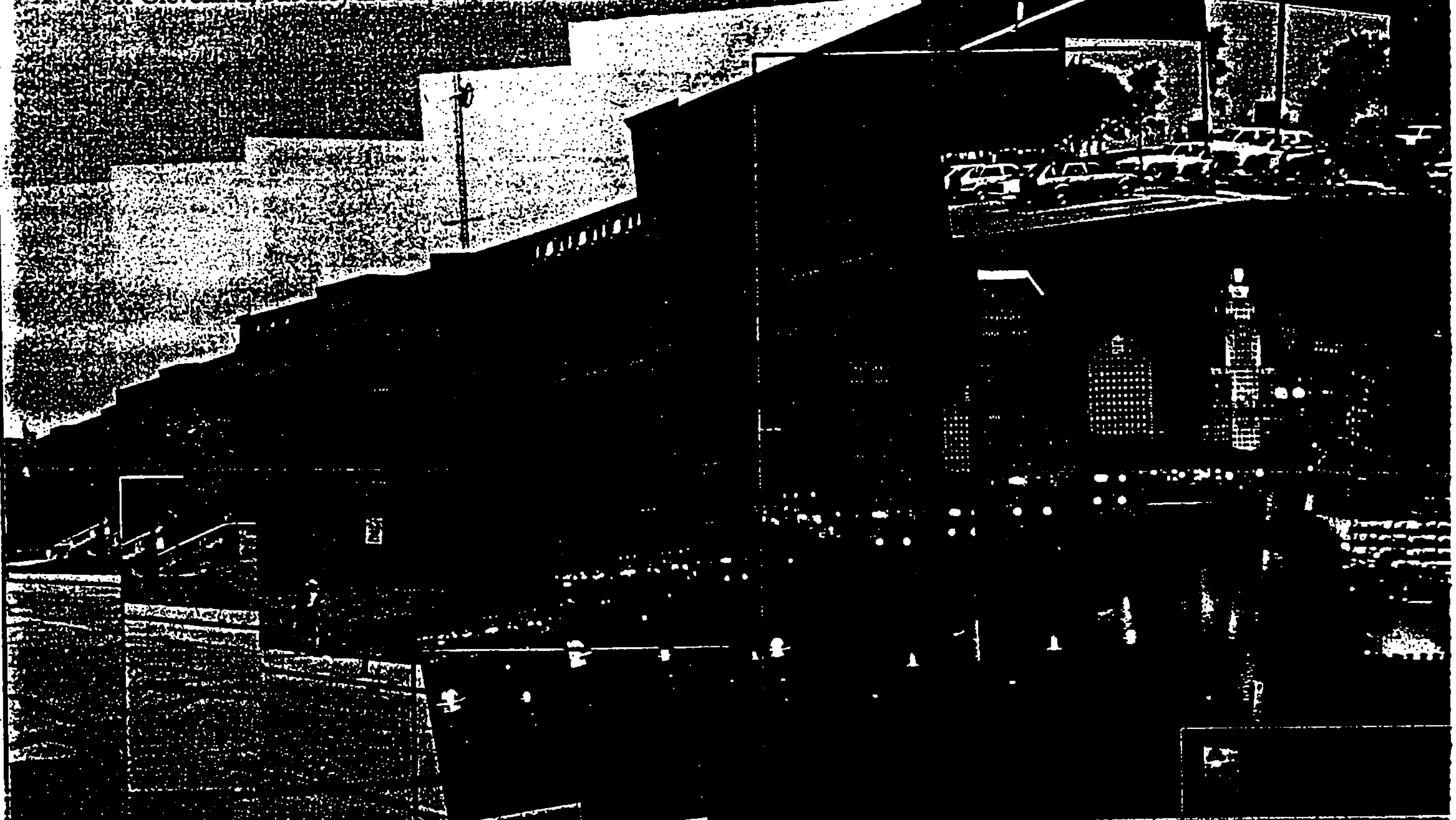
Neither do the suburbs offer the cultural and civic amenities of older cities — universities, research libraries, museums, the performing arts, parks, and public spaces. A number of cities, like Cleveland, have begun capitalizing on these resources. At the same time, they are cleaning up the environment. In fact, [illegible] clean air and water [illegible] [illegible] death knell for [illegible] tremendously positive [illegible] people want to work and play in cities that are environmentally sound. [illegible] its [illegible] *(Continued on page 7)*


COUNTY OF LOS ANGELES
EDWARD R. ROYEAL
COMPREHENSIVE HEALTH CENTER
Kodak
SAMSUNG


WHISKY

The City of Tomorrow

Whenever someone puts together a list of the top cities in the country, inclusion is usually based on statistical data about things like crime, job growth, and taxes. WORKING WOMAN chose to take another route. The city on these pages is a composite of places that have done the best job of reinventing themselves over the past few years. Each one identified problems that were driving people and businesses out, then worked conscientiously to solve them. You may not recognize Denver or Austin or Cleveland, but they are all part of our futuristic cityscape.



Affordable Housing: Houston [illegible]

Airport: Pittsburgh [illegible]

result, the city is now home to over two thousand environmental companies, which have done wonders for both the air and the economy. Today, old industrial buildings in downtown Denver are filled with expensive apartments and shops, and abandoned industrial sites along the river are being converted to parks. Pittsburgh, desperate after the decline of the steel industry, has discovered that it's a lot easier to draw new people and business to the city without smoke from steel mills billowing through the air.

Cities are even giving suburbs a run for their money when it comes to the cost and availability of labor. These factors are key in corporate decisions to relocate because human resources is a company's largest recurring expense, 50 percent to 75 percent of the total budget. Calculating this cost is relatively easy for manufacturing and assembly plants that hire local workers; it is simply a matter of checking local wage scales. But for R&D facilities and headquarters, wages are only one factor. "Higher-quality workers have more choices about where and how they spend their money, so the amenities a city has to offer become critical," said Shari Barnett, a location consultant at Ernst & Young. "We look at housing, schools, cultural institutions, the arts, and universities. Universities are attractive to corporations because the labor pool tends to be better, and because engineers and high-tech people usually want to continue their education."

More and more companies will likely relocate to cities as the U.S. economy continues its fundamental shift from brawn to brains. After all, this is the era of Bill Gates, not Henry Ford. According to economist Nuala Beck, author of *Shifting Gears: Thriving in the New Economy*: "The old manufacturing-based economy peaked in 1981. We have become a knowledge-based economy in which people are paid to think and business is based on brains alone. The great cities of tomorrow will be the ones that attract the great scientists, engineers, and thinkers." ■

John Davidson, a freelance writer in Austin, Texas, wrote "Virtual Money" for the January issue. Special thanks to Regional Financial Associates, who provided additional research materials.

DEPARTMENT OF TRANSPORTATION
URBAN POLICY INITIATIVES

Commuter Incentives

Expand the newly-passed Parking Cash-Out policy.
Support statutory expansion of parking cash-out to cover Federal employees. Passed as part of the recent Tax Bill, Parking Cash-Out allows employers the option of giving the cash value of their employees' parking subsidy to the employees as taxable income. Parking Cash-Out provides employees with the choice of using this funding for transit, other transportation expenses, or personal use. Because the cash-out law does not explicitly apply to Federal agencies, additional legislation is recommended. Legislative action.

Harmonize the tax-free parking and transit benefit levels at $165 per month.
Proposed Administration action: Support legislation increasing the tax-free transit benefit level. Available nationwide, the Transit Benefit Program allows employers to provide up to $65 per month tax free to their employees that travel by transit to and from work. Employers are also allowed to provide up to $165 per month in tax free parking to their employees. This disparity in economic incentives minimizes the motivation to shift modes when high value parking is offered for free (e.g., parking priced below the $165 cap but above the $65 transit level). Increasing the transit benefit level to $165 would harmonize the existing difference between the parking and transit benefit levels. Legislative action.

Public-Private Infrastructure Development

Ease tax code constraints which discourage public/private infrastructure development.
Current tax rules explicitly discourage cooperation between infrastructure investment and economic development. Limits on the amount of "private benefit" a tax-exempt infrastructure project can generate, as well as the percentage of bond proceeds that can be used for non-transit purposes, discourages public/private spin-off development that transportation projects, namely transit projects, could generate. In addition, limits on private participation in tax-exempt highway projects leaves potential urban and near-urban toll facilities undeveloped because of a lack of capital. Three possible changes that would address these limitations - without increasing the allocations of tax exempt debt - are: 1) Raise the current cap on "private benefit" from tax exempt debt from 10 to 20%; 2) Increase the cap on bond proceeds use for non-transit purposes from 5 to 25%; and 3) Permit tax-exempt status for development of public/private highways. Legislative changes are necessary.

Pension fund investment in State Infrastructure Banks (SIB).
Proposed Administration action: Allow employee and union pension funds to invest in SIB projects or components of projects at a higher level of participation, while passing along the tax-benefits. Current SIB law only allows public agency participation in projects and current tax law does not allow pension fund participation in SIBs. This proposal would change existing SIB and pension fund tax law to allow for in-fill, Brownfields and smaller local redevelopment projects.

Additional action related to this proposal would allow pension funds to pass along the tax-benefits to parties able to utilize the SIB tax benefits. Legislative action.

Financial Institution Partnerships.
Develop partnerships between financial institutions regulatory agencies and the CDFI Fund to identify, promote, and undertake transportation-related infrastructure and mobility enhancement projects. These partnerships would allow the Department of Transportation to educate financial institutions on the use of the Community Reinvestment Act Credits program, as well as CDFIs, in order to leverage large and small private financial resources to undertake transportation-related projects in low income urban areas. Once awareness is raised among the financial institutions community about transportation infrastructure and mobility enhancement project eligibility, DOT would lend technical support in identifying and undertaking projects. Administrative effort with some regulatory clarification necessary to increase awareness of project eligibility in financial institution community.

Enhanced Public Infrastructure Development

Grade Crossing Consolidation
Enhance Federal effort to consolidate at-grade rail/highway crossings in urban areas. Existing grade crossing grants are focused on crossing safety devices and incentives for crossing elimination. This does not recognize the unique needs of densely populated urban areas where crossing devices and elimination may not be a suitable option. In these instances grade separation is frequently needed to maintain the flow of rail-borne goods as well as cross-grade traffic and pedestrian movements (for example, the extreme case of the Alameda Corridor Project). In addition, rail mergers and traffic growth have substantially increased the volume of rail traffic moving through numerous communities. DOT proposes a broader grant program that would provide Federal funds for these larger grade separation infrastructure projects. Legislative changes and budgetary resources would be necessary.

Improved Pedestrian Movements:
Improve intra-city access and mobility by improving cross-track mobility. Rail corridors traversing urban areas often have the effect of bisecting communities and creating difficulties for safe pedestrian access from one side of the tracks to the other. Improvements to pedestrian access would reduce trespasser fatalities and injuries. In addition, bisected communities are frequently low income and would benefit from improved access to shopping, jobs and public services. This effort could also be tied in with the FTA/HUD Livable Communities program. Actions necessary include administrative partnering and possibly legislative changes and budgetary resources.

Livable Community Initiatives

Expand the Livable Communities Concept.
Announce a new Federal Livable Communities Grant Program for up to 15 cities that incorporates a broad range of Federal programs and focuses Federal resources to provide incentives for improving the quality of life in selected cities. The Livable Communities concept

is one that has an extremely broad level of support and a readily identifiable image. This Federal initiative would expand DOT's Livable Communities initiative from its transportation focus into a national program linking various federal efforts such as brownfields redevelopment, air quality improvements, sustainability, regional collaboration, welfare to work, community policing, education, and Empowerment Zones/Enterprise Communities. While many of these Administration initiatives also address the livability of a place, there has been little effort to combine Federal resources. Working chiefly through existing programs with existing resources, the Federal Livable Communities grant program would provide an opportunity to extend a broad based public private partnership and leverage significant funding in specific locations. Some administration inter-agency coordination and budgetary resources would be necessary.

Improve Federal Coordination

Regional Collaboration.

Encourage Regional collaboration and decision making. Federal agencies should ensure, whenever possible, that their programs facilitate multi-jurisdictional cooperation.

- *Put all Federally required planning processes on similar timeframes, and geographic boundaries to allow better integration of programs.* Federal requirements are inconsistent and create barriers to coordination. Differing geographic boundaries and timeframes hamper collaborative efforts at the Federal and local levels. Harmonizing Federal planning requirements at the regional level will foster regional problem solving. Administrative and regulatory actions. Legislative action may be necessary
- *Where appropriate, use the same regional forums for a variety of Federal planning responsibilities.* For example, the Administration's proposal for NEXTEA proposes an expanded role for Metropolitan Planning Organizations beyond transportation planning to a wide range of planning responsibilities. Building on existing regional forums is an effective way to increase the coordination across Federal programs. May require regulatory or legislative change.
- *Make regional consultation a factor in all Federal discretionary grants.* This practice would result in the development of new partnerships and the identification of mutual interests further facilitating cross-jurisdictional coordination. Administrative and regulatory actions are necessary.
- *Fund regional visioning and land use planning exercises.* The Federal government can act as a catalyst and facilitator for metropolitan regions who wish to pursue problem solving strategies and improved land use planning. Land use planning is local but the impacts cross jurisdictional lines. Incentives to view land use decisions from a regional perspective could improve land use decision making. Budgetary impacts.

Reinforce Transportation role in Welfare to Work Programs.
Announce a new executive policy clarifying that welfare funding for the HHS TANF program and the new DOL Challenge Grants may be used to directly fund transportation services that move welfare recipients to work. There is a geographic mismatch between welfare recipients and entry level jobs: two-thirds of all new jobs are in the suburbs, while three out of every four

welfare recipients live in central cities or rural areas. For most welfare recipients transportation options are limited. Only six percent own automobiles, and, due to historical commuting patterns and financial constraints, transit does not always provide good service to the suburban job markets. Currently there is confusion about whether such funds can be used to pay transportation providers for services. Historically, both DOT and DOL programs have defined transportation support services in terms of the individual client -- and allowing reimbursement for services used -- rather than service availability. Most state TANF programs have continued this by identifying individual client reimbursement for transportation as an allowable job support activity. Explicitly making transportation services an eligible use of TANF and DOL welfare funds will help ensure that states consider welfare recipient transportation needs alongside other potential uses for the welfare reform funds. This will ensure, for those who want to work, there are actually ways to get there. Possible Executive Order or other administrative action necessary.

Targeted Transportation Programs

Urban Transportation Safety for Children.
Undertake a targeted transportation safety campaign that focuses on children. Specific goals include raising the rate of seatbelt use among urban populations, as well as educating children on the need to wear bicycle helmets, and obey traffic signals. In addition, continued emphasis can be placed on educating parents on the need for and proper use of child safety seats. Presidential declaration of initiative kick-off and event.

Urban Intercity Bus Facilities Redevelopment.
Offer tax incentives for rehabilitating and redeveloping privately owned urban inter-city bus facilities. The proposal calls for a tax credit of similar size and worth as that granted for historic structure rehabilitation (20%). The Administration's current NEXTEA proposal allows privately-owned inter-city bus facilities to be eligible for Federal grants. However, additional tax incentives for private parties to undertake this type of activity are limited. The one existing incentive is in the form of an investors' tax credit if the building is a historic structure. However many private inter-city bus facilities are not historic structures. Yet these structures could form the nucleus of areas of urban redevelopment - in the way some train stations have. Legislative changes are necessary.

Education Programs

Encourage students to consider transportation careers and promote life-long learning.
Support enhancements of the Garret A. Morgan Transportation and Technology Futures Program. Recently initiated by Secretary Slater, the Morgan program is designed to reach one million students by the year 2000. The program fosters partnerships between the transportation industry; Federal, State, and local governments; the education community; and others, to ensure that America's students have full access to transportation career opportunities and the skills and technical expertise necessary to take advantage of those opportunities. Legislative and administrative action, as well budgetary resources may be necessary.

To: Paul Weinstein

From: Michael Barr

Subject: NEC/DPC Community Empowerment Process

Paul, the attached memo represents some preliminary thinking of my office, Economic Policy and Tax Policy, as well as members of the CEA, and several ideas that we have discussed initially with HUD. It is, of course, quite sketchy and may include ideas that we should not support upon further analysis.

Ideas for FY99 Budget
Community Development Policy

1. Implementation of a "Fair Lending/Fair Housing Initiative" to ensure equitable access to credit markets. This initiative would include several sub-points:
   - Examination of the impact of credit scoring loan systems and risk-based pricing on the availability and price of capital to lower-income and minority individuals.
   - A Presidential initiative urging the banking regulators to obtain more data on reasons for home mortgage denials (HMDA provides only partial information) and, where possible, on the applicants' credit score. (A similar initiative might be undertaken with respect to race and income data under HMDA's new small business reporting requirement, which only pertains to geographic data at this time.)
   - A Presidential request to the GSEs to retain loan denial data for further analysis of lending patterns (currently, GSEs retain only the loan approval data)
   - Increased funding for DOJ/HUD "testing" of how applicants are treated
   - Public education around the 30 year anniversary of the Fair Housing Act

Pros:

- This is an important issue. HMDA data continue to show disturbing disparities in loan denial rates across racial and ethnic groups.

Cons:
- Legislative action in this arena would prove difficult, and might lead to countervailing legislative efforts to undermine existing safeguards and programs; regulatory actions and hortatory efforts, however, may prove quite contentious in their own right, and might in any event prove to be inadequate to the task.

2. Secondary market / securitization of economic development loans

Launch innovative, private-sector driven effort to assist in crating a secondary market for community and economic development loans. Such a market would create liquidity for institutions with the expertise to make development loans to small businesses, micro entrepreneurs and development projects. Together with other agencies, such as Commerce, HUD, and Agriculture, Treasury would launch small pilot projects that create loan pools, engage experts to provide technical advice on secondary market creation, hire outside firms to conduct research on existing portfolio, and reduce existing barriers. Five fundamental challenges to be overcome in stimulating a secondary market are:
   - lack of standardization in loan underwriting;
   - lack of consistency in documentation;
   - overcoming inhibitory regulatory barriers;
   - insufficient industry data for market assessment;
   - lack of knowledge in the development lending business regarding securitization.

Pros: Linking community and economic development lending intermediaries to the market would enhance liquidity, tend to improve loan performance standards, and potentially bring in new sources of capital for these purposes.

Cons: For many intermediaries, securitization would prove to be an expensive source of capital.

3. Pilot a national Capital Access Program (CAP) based on the successful programs currently operating in 23 states.

Pros:

- Compared to loan guarantees, the CAP program is a much more elegant and effective alignment of incentives between the government and the banks. State government matches an insurance premium paid by the borrower, all of which goes into a segregated account at the originating bank. There is no independent loan review by the government. Any losses on the portfolio are absorbed first by the accumulated insurance premiums. CAP offers a specific government investment for a specific lending volume.
- By working with the successful state programs, a national CAP could quickly benefit from states' experience.
- Treasury's CDFI Fund has existing authorities to begin such a program, given sufficient funding. The underlying statute should be modified as part of the CDFI Fund's reauthorization this year to make the program more effective at scale.

Cons:

- A CAP program could be seen as competing with guarantee models for credit provision.

4. Encourage nonbank lenders such as mortgage companies and other credit suppliers to increase lending to low and moderate income persons on a voluntary basis.

Pros:

- Almost 60% of home mortgages are now made by mortgage companies, entities not covered by CRA. The largest lenders of other types of loan (consumer lending, car lending, institutional real estate lending) are also often not covered by CRA. As major niches of the credit markets become dominated by non-bank players, access to credit may increasingly suggest looking more broadly than banks.

Cons:

- As part of Treasury's financial modernization proposal, we have not extended CRA to nonbank institutions. Legislative action in this arena is next to impossible. Even hortatory steps by the Administration might be seen as leading to legislative actions and might be bitterly opposed. Moreover, numerous conceptual and practical difficulties arise in trying to determine appropriate measurements.

5. Launch a Presidential initiative to create a private sector "CEOs for the Cities," which would (1) help provide a structure for local efforts to provide business-to-business technical assistance; (2) act as a supporter for broad-based efforts to revitalize cities.

Pros:

- Just as President Kennedy helped launch the Lawyer's Committee for Civil Rights to provide national exposure and expertise to the struggle for equality under law, President Clinton could launch the CEO for the Cities to provide exposure and expertise to local efforts to bring residents of distressed communities into the economic mainstream.
- There is a clear need for the transmission of business to business expertise, and local efforts often lack sufficient resources or networking capacities. On a broader front, such an effort could increase support for programs affecting the nation's poorest communities.

Cons:

- A number of local efforts, as well as SBA's SCORE program, already exist, so it would be important to assess what value added a new initiative would bring.

<u>6.</u> <u>Fund Innovative Local Efforts by Community Based Organizations to Promote Job Readiness</u>

Pros: Job readiness is a central issue for the job prospects of low income persons and central to the welfare to work effort. Locally based organizations in a number of communities have developed track records in serving as intermediaries to train and place low income persons. These local initiatives, however, often lack resources, or other intermediaries that can bring them to scale. The Labor Department is already funding an effort to expand the model used by the San Jose CET in a number of sites. This effort could be dramatically expanded, and an additional component -- intermediaries along the LISC and Enterprise models -- could be added.

Cons: The Labor Department is already funding pilot projects with CDCs and it has not been demonstrated that these local initiatives can be successfully adapted to other sites or can reach scale. Thus, an initiative here may be premature and costly.

7. <u>Create a new "Small Business Start-up Equity Fund" to research and develop how credit scoring can be used to expand access to equity for small businesses</u>.

These would be small equity investments, <$100,000 per investee, which is a segment of businesses almost completely unserved by the formal financial markets. The scoring system would seek out indicators other than net worth and current earnings. It is likely that such a fund would experience up to 50% losses in the early years, but the goal is to demonstrate a 15% loss rate by year 5. The private sector is unlikely to develop this product on its own because of the high losses in early years, and the longer timeline to financial payoff.

The fund could be 50%-75% funded by the federal government, with remaining funding coming from major money center banks and philanthropies. It is critical that the private sector participants provide both funding and some staff talent to oversee the project. From the beginning, the project could be structured so that either (1) the knowledge learned would be given away, or (2) the private sector participants could purchase the expertise.

8. Create a program to stimulate greater personal savings of low-income individuals, possibly through Individual Development Accounts (IDAs) or similar structures.

Pros:

- An IDA effort could garner bipartisan support. Coates will introduce a bill this year for a 4 year/$100 million demonstration of IDAs, and is likely to get the support of Harkin; a companion Hall/Kasich measure may also be introduced.
- In the economic development field, there is a gathering consensus that improving savings is key to supporting lower-income people.
- Some states, philanthropies and the CfED are experimenting with IDA accounts, both under welfare reform and as part of purely private efforts.
- A federal pilot in this area could effectively leverage its dollars.

Cons:

- Fostering savings among the poor is highly difficult. IDAs have been criticized as seeking to foster long-term savings, while savings for emergencies is often a more pressing problem for the poor.

9. Technical assistance for non-profits.

Experience suggests that many nonprofit organizations lack capacity for developing business plans for sustainable interventions/programs. This need results from a shift in the nonprofit funding environment itself: there is now a greater emphasis on financial sustainability, high-quality business management skills, and, in some cases, generating related and unrelated business income. The needed assistance is in proposal writing, business planning, and connecting to other sources of funding. This could occur through workshops; collaborations with educational institutions.

10. Targeted child care training for neighborhoods with large numbers of welfare recipients.

Training would be aimed at (1) welfare recipients receiving training as child care *employees* and (2) individuals interested in starting a center or home-care business. This would promote employment, business ownership, and address potential supply bottlenecks in distressed areas that experience a surge in demand for care as a result of welfare reform.

11. Promote the Portability of HUD Section 8 Vouchers

While Section 8 vouchers are potentially an important vehicle to integrate low-income families into higher income neighborhoods, many Section 8 participants remain clustered in low-income neighborhoods. This could reflect a lack of support at the housing authority level for families moving out of their jurisdiction, in part because of built-in program incentives to retain households within their jurisdiction. To promote increased portability of vouchers, programs could be adopted to increase the willingness of local housing authorities to promote mobility of Section 8 recipients to other jurisdictions. For example, it could be possible to allow local housing authorities to keep a larger share of their administrative fee if they port out a voucher. In addition, more resources could be made available for housing mobility counseling and landlord outreach, as under HUD's Regional Opportunity Counseling program.

12. Promote Linkages Between Low-Income Areas and Other Parts of the City/Suburbs

A number of community-based organizations are now experimenting with programs which try to link workers in low-income neighborhoods with job opportunities elsewhere in the city. These programs expand transportation availability between inner-city areas to other parts of the city and the suburbs. In addition, they try to increase information by building networks between locally based institutions that serve inner-city residents and employers and employer networks that may provide suitable jobs. These efforts could be further supported by increased federal funding of promising local initiatives, and through federal monitoring of local efforts and dissemination of information about promising local models. One potential model is Public/Private Venture's "Bridges to Work" program, which is now being tested in 5 cities.

13. Expand funding for Community Health Care Clinics' Infrastructure

To address the serious shortage of primary care providers in low-income areas, the federal government could increase funding for community health centers and clinics in low-income neighborhoods. This would help to increase access to health care in disadvantaged neighborhoods, as well as to increase local employment opportunities. A potential funding source for this initiative is a portion of the tobacco settlement.

14. Provide funding for After-school care for kids and tie this effort to the White House Child Care Conference Agenda

A significant problem for parents, particularly in low income inner city neighborhoods, who wish to move into the job market is the lack of after school alternatives for their children, who may face violence in their neighborhoods. The Administration could propose block grants to the states to fund after-school programs in distressed neighborhoods.

15. Public safety and economic development

A number of small scale initiatives have been undertaken by community groups, national nonprofits such as LISC and Enterprise, business leaders, and police departments to develop integrated anti-crime and economic development strategies at the neighborhood level. The Administration could host one or more "best practices" conferences to discuss these strategies.

16. Incentives for Regionalism?

DRAFT 9/5/97 5:30PM LAUGHLIN/CEQ

METROPOLITAN PARTNERSHIPS

0. NOTE

Considerable discussion regarding a "metropolitan initiative" has occurred within the Administration over the last few years. There is strong support for the concept among agency staff. But due to the shortness of time, it hasn't been possible to consult with others outside of CEQ. Therefore, this paper will propose a process to create a metropolitan initiative with the full involvement of all interested parties.

I. INTRODUCTION

There is a growing consensus that the metropolitan region may be the most effective scale to address the economic, social, and environmental problems facing large urban areas. The Administration should launch an initiative to catalyze "Metropolitan Partnerships" in six to 12 regions that will bring together center cities and surrounding suburbs to develop regional strategies to meet local needs -- such as creating jobs, cleaning up brownfields, reducing traffic congestion, moving people from welfare to work, preventing crime, and curbing sprawl.

II. BACKGROUND AND CONTEXT.

- **The DPC-NEC Urban Policy Working Group.** In the fall of '94 this working group gave serious consideration to "promoting metropolitan approaches to solving urban problems and providing incentives for regional cooperation." This work should be dusted off as starting point for developing a new Metropolitan Partnerships initiative.

- **The President's Council on Sustainable Development.** In January 1997, the PCSD sent a progress report to the President that recommended that the Administration:

> *"Establish a pilot demonstration program to encourage metropolitan cooperation and problem-solving. The federal government should act as a catalyst and facilitator for selected metropolitan regions to pursue metropolitan-scale problem-solving strategies by highlighting ongoing initiatives and successful models, coordinating the federal response, leveraging existing resources, using administrative flexibility, streamlining service delivery, and directing resources to more effectively support metropolitan sustainable development strategies."*

(The attachment entitled "PCSD Sustainable Communities Chronology" provides more detail on the Council's work in this area.)

- **The Joint Center on Sustainable Communities.** Upon release of the PCSD's "Sustainable America" report in March 1996, the US Conference of Mayors (USCM) and the National Association of Counties (NACo) announced their intention to create the Joint Center for Sustainable Communities. The primary purpose of this new entity is to promote cooperation among cities and surrounding counties within metropolitan regions in meeting economic, social, and environmental challenges. Both USCM and NACo would be very supportive of a Metropolitan Partnerships initiative.

- **The McArthur Process.** Since early 1997, several national foundations -- most notably McArthur -- have been supporting an effort to provide recommendations to the Administration on implementing the PCSD recommendation referenced above. In the past six months regional meetings with a broad representation of local interests have been held in Miami, Los Angeles, San Francisco, St, Louis, Chicago, Detroit, Atlanta, New York/New Jersey/Connecticut, Cleveland, Boston, Pittsburg, and Minneapolis/St. Paul. Federal agency representatives have been present at each of these meetings. A Washington meeting with representatives from each regional session will be convened in October to discuss final recommendations to the Administration. Administration representatives will be invited to this session. Final recommendations could emerge from this process later this fall. (Additional information concerning this process can be found in items 8-10 on the attached chronology and at www.cnt.org under "Metropolitan Initiative.")

- **The PCSD.** The PCSD has created a new task force with a mission that includes "promoting multi-jurisdictional and community cooperation in metropolitan areas" that is co-chaired by Secretary Cuomo, Mayor Susan Savage of Tulsa, and Scott Bernstein, President of the Center for Neighborhood Technology in Chicago. The PCSD can serve as an effective means of involving non-federal partners in the design of a Metropolitan Partnership initiative.

III. BASIC ASSUMPTIONS

- **Building on Existing Initiatives.** The Clinton-Gore Administration has launched numerous innovative economic development, social policy, and environmental quality initiatives in the past 4 ½ years. The Metropolitan Partnerships initiative will not create new programs; it's focus will be better coordination of existing programs at the metropolitan level.

- **Coordinated with New Initiatives.** The Metropolitan Partnerships initiative will be designed to complement other new Administration initiatives. For example, one of the pilots could be located in the Washington, DC metropolitan region as a means of supporting the Administration's DC Initiative. In addition, because the initiative would be based upon building partnerships between central cities and surrounding suburbs, it may also support the President's Race Initiative.

- **No New *Federal* Money.** Because of the current budget climate, the initiative will require no new federal money beyond what will be necessary to administer the initiative. However, because of the strong interest of the foundation community, it should be possible to leverage significant foundation funding in support of the initiative.

- **A Low- Profile Effort.** This initiative should not be the subject of high-profile national attention. Metropolitan regions should not be selected to participate through a highly visible application process. Rather, candidates will likely emerge from the McArthur process and through other discussions. National attention should be reserved until success stories begin to emerge in specific metropolitan regions.

IV. NEXT STEPS.

The following steps should be taken to develop a Metropolitan Partnerships initiative:

- A Metropolitan Partnerships working group should be created under this DPC-NEC process. The working group should include representatives of all agencies participating in the metropolitan task force of the PCSD;

- Scott Bernstein of the Center for Neighborhood Technology should be invited as soon as possible to brief this new metropolitan working group on the status and lessons learned from the McArthur process;

- The working group should bring in representatives of outside interests, starting with representatives of major foundations that support the concept of metropolitan partnerships. Next, the group should meet with representatives of local government, beginning with the USCM and NACo.

- The working group should participate in the Washington, DC meeting in October that will lead to the final recommendations to the Administration that will emerge from the McArthur process.

- This fall, the working group should prepare, in anticipation of the recommendations from the McArthur process, a draft proposal to create Metropolitan Partnerships in six to 12 regions. Upon formally receiving the McArthur recommendations, the working group will prepare a final draft for internal Administration review by December.

Attachment

PCSD Sustainable Communities Chronology

A. PCSD Phase I: The Report (June 1993 - March 1996)

(1) President Clinton issued an **Executive Order** in June 1993 establishing the President's Council on Sustainable Development (PCSD). Creating the PCSD fulfilled a US pledge made by former President Bush at the Earth Summit in Rio in 1992. President Clinton asked the PCSD to propose a sustainable development strategy for the US.

(2) In March 1996, the President's Council on Sustainable Development transmitted its proposed strategy to President Clinton in a report entitled ***Sustainable America: A New Consensus for Prosperity, Opportunity, and a Healthy Environment***.

(3) The PCSD report included the following national goal:

> "**SUSTAINABLE COMMUNITIES.** Encourage people to work together to create healthy communities where natural and historic resources are preserved, jobs are available, sprawl is contained, neighborhoods are secure, education is lifelong, transportation and health care are accessible, and all citizens have opportunities to improve the quality of their lives."

B. PCSD Phase II: Implementation (May 1996 - January 1997)

(4) Upon receiving the Council's report in March 1996 , the President asked **the PCSD** to continue its work by focusing upon recommendations for implementing *Sustainable America.* To follow through on its sustainable communities recommendations, the Council created a Task Force on Innovative Local, State, and Regional Approaches.

The task force was co-chaired by Dr. James Baker, Administrator of NOAA, and Scott Bernstein, President of the Center for Neighborhood Technology (CNT) in Chicago.

(5) After transmittal of the PCSD report to the President, Laura Tyson (Chair of the National Economic Council) and Katie McGinty (Chair of the Council on Environmental Quality) established an **Interagency Working Group on Sustainable Development**. NEC and CEQ asked federal agencies to review the PCSD recommendations and action items and report on related programs and activities. This process produced a 376 page inventory of ongoing federal activities related to sustainable development.

(6) Upon release of the PCSD report, the US Conference of Mayors and the National Association of Counties announced the creation of a **Joint Center for Sustainable Communities** to focus upon implementing the PCSD report at the local level. This is a truly unique partnership for these representatives of cities and surrounding areas had never worked together before. The new Joint Center was formally launched in December 1996 with support from DOC, DOE, and EPA.

(7) In January 1997, the Council transmitted a **Progress Report** on implementation to President Clinton. The progress report reflects an emerging consensus that the metropolitan region may be the best scale to address sustainable communities issues in urban areas. By adopting a metropolitan approach, the federal government can help to bring together center cities with surrounding suburbs and rural areas to create regional partnerships to clean up brownfields, reduce traffic congestion, move people from welfare to work, prevent crime, preserve prime farmland, curb urban sprawl, etc.

The task force co-chaired by Jim Baker and Scott Bernstein drafted language in the progress report that included the following "Recommended Next Steps" for the federal government to adopt a metropolitan approach to building sustainable communities:

Step 1) Develop and adopt federal metropolitan-scale policy through an Interagency Metropolitan Sustainable Development Working Group.

Action 1: Establish a pilot demonstration program to encourage metropolitan cooperation and problem-solving. The federal government should act as a catalyst and facilitator for selected metropolitan regions to pursue metropolitan-scale problem-solving strategies by highlighting ongoing initiatives and successful models, coordinating the federal response, leveraging existing resources, using administrative flexibility, streamlining service delivery, and directing resources to more effectively support metropolitan sustainable development strategies.

Action 2: Identify and change existing federal programs or policies which encourage or subsidize sprawl and urban disinvestment, reorienting them to revitalize existing communities, whether urban, suburban, or small town.

Step 2) Similar to the efforts with respect to metropolitan regions, convene a group to focus on implementing sustainable development in rural communities and regions.

C. The McArthur Process (January 1997 -)

(8) In December 1996, Adele Simmons, President of the McArthur Foundation, requested a **White House meeting** to discuss implementation of the PCSD's metropolitan policy recommendations (above). In addition to Ms. Simmons, that meeting included Katie McGinty, Laura Tyson, Joe Stiglitz, (Chair of the Council of Economic Advisors), and representatives of three other foundations (Surdna, Pew, and Casey). Due to a strong expression of interest from the White House, representatives from the foundations agreed to provide the Administration recommendations on how a metropolitan initiative would be implemented.

(9) To create such recommendations, the McArthur Foundation contracted with Scott Bernstein of the **Center for Neighborhood Technology** (CNT). He assembled a team to a) identify metropolitan areas in which cooperation is occurring between cities and suburbs; b) identify federal policies and authorities that could be used to facilitate such cooperation; c) draft an ideal "scenario" of how such cooperation might occur, including defining the federal role; d) test that "scenario" in about 12 metropolitan regions with local leaders; and e) to submit to the Administration in the fall of 1997 a proposal for how a metropolitan policy might be implemented.

(10) **The McArthur process** has focused upon three major ways that the federal government can participate in a metropolitan partnership:

a) **Smart Citizens:** How can federal information and technical assistance programs provide tools for problem-solving to the citizens of a region?

b) **Smart Money:** How can existing federal spending be invested wisely to meet the unique needs of a region?

c) **Smart Regulation:** How can federal regulation be crafted to meet national goals in a manner that is cognizant of the unique circumstances found in a region?

Detailed information concerning the McArthur process in general and these three areas of focus in particular can be found at **www.cnt.org** under Metropolitan Initiative.

D. PCSD Phase III (May 1997 -)

(11) In April 1997, the Administration renewed **the charter** for the PCSD for another two years and asked the Council to address the following:

"Advise the President on policies and approaches that promote sustainable communities. In particular, the Council should promote multi-jurisdictional and community cooperation in metropolitan and rural areas. The Council should create and participate in projects that help forge partnerships among representatives of federal and state agencies, urban centers, suburban areas, and rural communities with the goal of solving, in a comprehensive way, local and regional sustainable development issues. The Council should use the partnership projects to identify barriers to cooperation and innovative sustainable development strategies that engage the constituencies represented by the Council."

(12) On April 29, the PCSD held its first meeting of 1997. The Council created a new task force on **metropolitan and rural approaches to building sustainable communities**, cochaired by HUD Secretary Cuomo, Scott Bernstein of CNT, and Susan Savage, mayor of Tulsa. The new task force held its organizational meeting on August 5, 1997.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

SEP 05 1997

MEMORANDUM TO PAUL WEINSTEIN - DOMESTIC POLICY COUNCIL

FROM: Carl Whillock
U.S. Department of Agriculture
White House Liaison

SUBJECT: Department of Agriculture's Future Contribution to Economic Development

When you first became President, you proposed a rural investment program, most of which has been enacted and strongly supported by the Department of Agriculture. Funding for USDA's rural development programs has also increased 34 percent since 1993.

USDA's objective over the next few years is to ensure that each rural resident has the opportunity to participate and benefit from a dynamic, growing economy. This is particularly true for many residents who have endured decades of persistent poverty and little hope that children' lives will be better than their own. Twenty Four percent of the children in rural areas live in homes with incomes below the poverty level. Even more alarming is that almost 55% of African American children live in homes with incomes below the poverty level.

To meet its objective, USDA's will increase efforts to work with the private sector to create meaningful, well- paying jobs in rural areas, help provide the infrastructure necessary to build and sustain economic growth and help provide the housing and essential community facilities needed by vibrant communities. USDA will work to fulfill this objective by implementing the new Rural Development strategy of capacity building--working with the citizens of a community to plan and implement comprehensive strategies that work for them. Providing technical assistance by field staff and a proactive approach to community development will be the government's primary role in the future. Teaching community leaders the fundamentals of planning will allow them to mobilize the resources, both inside and outside the community and approach problems comprehensively and strategically, enabling them to manage projects more effectively.

Creating Jobs and Revitalizing Impoverished Rural Areas Through Empowerment Zones: The Empowerment Initiative in rural America has demonstrated what a little money, a lot of attention, and a new strategy can do for communities that plan their future with maximum grassroots effort. A straight line projection from the first two years to the year 2000 forecasts remarkable results. By the year 2000 the original 33 rural EZ/EC communities will create or save 15,283 real jobs, establish more than 45 new revolving loan funds to finance future development, build or rehabilitate 2,138 family housing units, and construct or upgrade 100 local educational facilities. Eventually, the investment of the $60 million in Social Service Block Grants will leverage more than $840 million from other sources--the vast majority being non-federal sources. The notable achievement is that this is taking place in a few of America's most impoverished rural communities.

Creating Jobs and Enhancing Rural Businesses: USDA's rural business programs, if funded at the requested FY 1998 level, could assist in creating or saving of 31,782 jobs. Assuming level funding for fiscal years 1999 and 2000, about 100,000 jobs could be created or saved by these programs alone. USDA is also focusing more effort on the development of farmer cooperatives to assist farmers in maximizing return on their investments. USDA can now guarantee loans to individual farmers for the purchase of stock in value-added cooperatives. This will assist in the creation of new jobs in processing agricultural commodities and help rural areas retain more of the income generated locally. USDA may also seek authority to assist non-farm cooperative development efforts in rural areas.

Improving Rural Telecommunications Infrastructure to Support Growing Rural Economies: USDA provides the financing for telecommunications that is necessary for economic development and job growth. The investment of the $1.5 billion proposed in the FY 1998 budget in electric and telephone systems will generate an additional $2.5 billion in private investment and approximately 35,000 jobs. The investment in telecommunications also opens the opportunity for additional economic growth by erasing time and space in competing for jobs with urban areas. Each $1 million invested in electric and telecommunication systems generates 23 jobs. Additionally, USDA participates in the President's National Information Infrastructure Initiative, promoting the President's call to connect all schools and libraries to the Internet by the Year 2000. USDA will provide $45 million in telecommunications grants to rural schools, libraries, and health care providers to ensure that all Americans have the opportunity to contribute to, and compete in, the new global digital economy.

Improving Water and Waste Disposal Systems to Support Economic Growth: USDA finances the construction and improvement of rural water and waste disposal systems which often means the difference between economic vitality and stagnation in rural America. Included in this effort is the Water 2000 Initiative which provides funds to rural areas to provide clean, safe drinking water to their homes. In addition to eliminating health and environmental problems, the water and waste disposal investment creates short-term employment opportunities in the construction trades. In FY 1998, RUS will invest about $1.5 billion in rural water and waste disposal systems and in the process create approximately 30,000 short-term jobs.

Improving Living Conditions and Affordable Rural Housing to Support Economic Growth: USDA finances the construction and improvement of single-family and multi-family housing in rural areas. In FY 1998, USDA will invest about $5 billion through a variety of loan and grant programs to build or improve just under 100,000 units of rural housing. These programs are critical to the achievement of the President's welfare to work initiative and to enable rural residents to achieving self-sufficiency. Each new single family housing unit equates to 1.5 years of short and long-term employment, adds about $20,000 to the local tax base and provides about $50,000 in economic benefits to the local communities. At the FY 1998 funding, USDA will create over 100,000 jobs in a variety of occupations. The housing programs also aid the local communities by helping to retain elderly residents who make up a significant part of local rural economies.

Helping Rural Hospitals, Educational and Child Care: USDA also finances a variety of essential community facilities including hospitals, educational facilities and child care facilities. In addition to helping attract and retain employment, many of the community facilities are employment generators in their own right. For example, hospitals are frequently the largest employer in small towns and over 50 percent of the annual appropriations for the community facility programs finances health care facilities. Funding at the FY 1998 level would create over 24,000 short and long-term jobs in rural areas.

Economic Development While Protecting Natural Resources

Rural Economic and Land Use Planning: USDA assists rural towns by helping them plan, develop, and carry out programs to conserve and improve the use of land; preserve and improve natural resources; and improve and enhance the social, economic, and environmental conditions in rural America. USDA also establishes or improves coordination systems in rural communities to use Federal, state, and local programs for their benefit. This combination of local leadership and coordination of resources is an efficient and effective way for rural communities to achieve local goals. Today, there are 290 RC&D areas serving across the Nation and nearly 46 more areas are awaiting authorization to expand this rural development program once additional funding becomes available. This assistance is similar to the American Heritage Rivers Initiative.

Protecting Watersheds: Rural water problems top the list of development and conservation concerns in rural communities. USDA's Watershed programs are carried out cooperatively with local agencies and units of government that manage water resources and development. Our programs provide financial and technical assistance to local sponsors for watershed-based projects on private land for watershed protection, flood prevention, water quality and supply improvements, and recreation, among many other activities. Our programs also provide assistance to watersheds damaged by severe natural events and are a threat to life and property.

Memorandum

To: The Domestic Policy Council

From: Aram Kailian, Special Assistant to the Commissioner
Public Buildings Service, General Services Administration

Date: September 2, 1997

Re: Considerations for the Administration's Empowerment & Urban Policy Agenda

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General

The Clinton Gore Administration has initiated an unprecedented level of interagency and inter-governmental efforts during it's first term. The second term promises a continuation of this productive practice. For various reasons, many predictable in the context of the management of any large organizational or bureaucratic structure, projects and initiatives have not been linked and coordinated as well as they might or could be. This is true at the national level and across the agencies regional structure nationwide.

The recommendation as we move forward is for the Domestic Policy Council and the National Economic Council to identify the opportunities and determine where it makes the most sense to coordinate, collaborate, connect and thread initiatives that highlight a large picture with special attention to the pieces of policy that fit. (i.e. Empowerment Zones to Metropolitan Regional Planning Strategies which incorporate Welfare to Work, Affirmative Action, the Race Initiative, Work Opportunity Tax Credits, Brownfields, Sustainable Development, Urban Location, Job Training, ICTEA, Community and Economic Development, Micro Lending, etc.).

Also deal with duplication of effort and areas where cross purposes or fabricated jurisdictional barriers are inhibiting opportunities for success. In short, hold agencies and their principals accountable for meeting the Administration's objectives and goals as articulated by the President and Vice President.

Specific

- Link the Empowerment Agenda through better utilization and communication between the WH operations (i.e. DPC, NEC, CEQ, OPL, OGA, OCA etc.) with interagency vehicles such as the CEB.

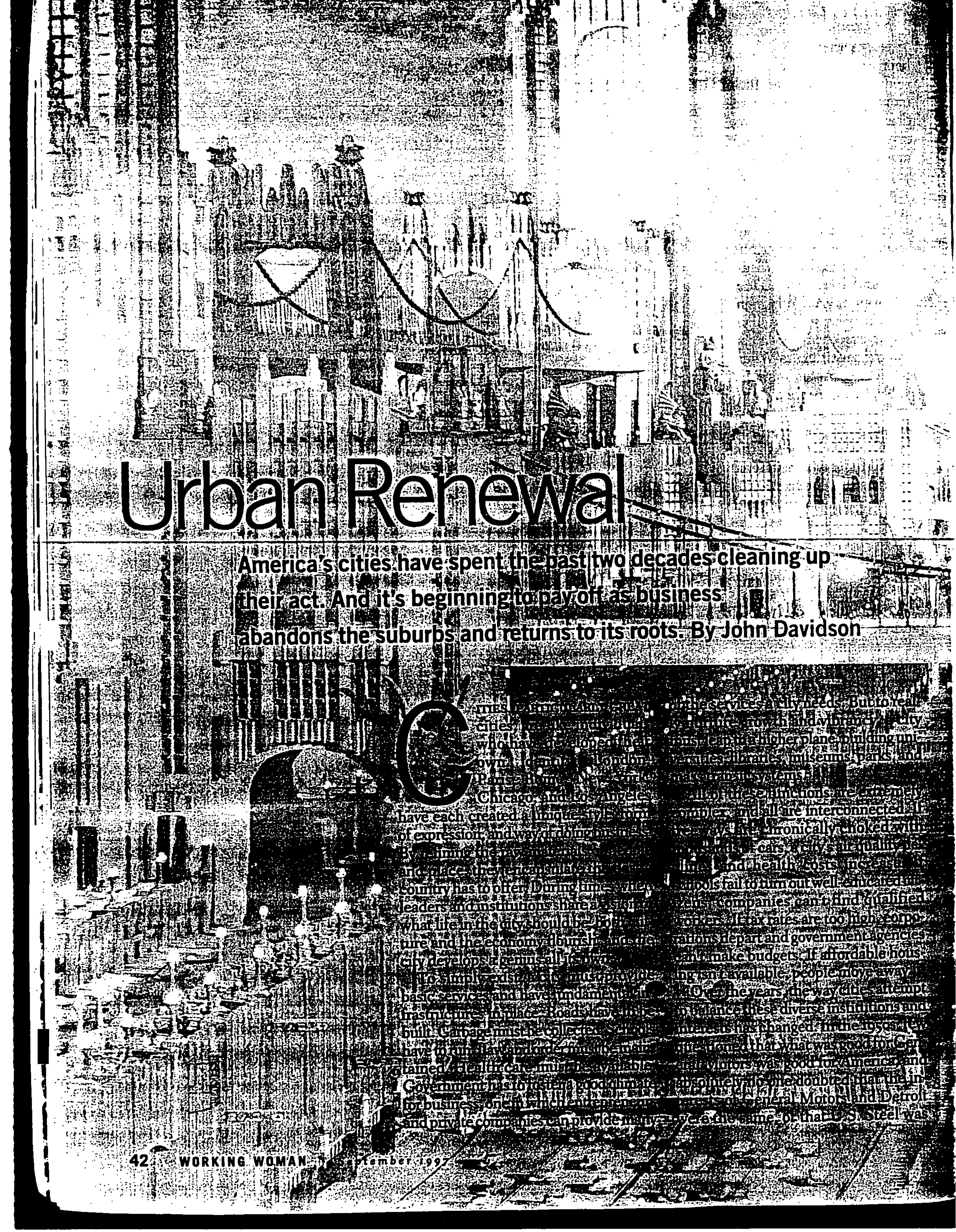
- Begin an initiative seeking the voluntary agreement from individual private sector business providers of goods and services to the government which would allow targeted entities providing jobs, employment, and training for residents from distressed economic areas to purchase from the GSA Schedules, especially in the areas of information technology and communications.

- Reinforce through Presidential Memorandum or Executive Order the intent for each CEB Agency to provide preferences for government programs, facilitate waivers, and provide technical assistance for contracting and procurement at the regional and local level for the designated Empowerment Zones and Enterprise Communities.

- Place high level emphasis on the link between EZ/ECs to Empowerment Contracting (EO 13005).

- Develop strategies and identify the means which promote partnership and bottom-up approaches to strengthening and defining the critical interrelationship for economically distressed areas (EZ & ECs) within larger metropolitan planning strategies, transportation links (getting people to work), and the provision of health and social services.

- Prepare an Executive Order directing agencies to identify the ways and means to provide national, regional and local support for Alternative Government Structures such as, but not limited to, Councils of Government (COG), Regional Planning Commissions (RPC), Community and Economic Development Corporations (CDC, EDC), Community Development Funding Institutions (CDFI), Business Improvement Districts (BID) and Empowerment Zones (EZ). The order should stipulate an emphasis on the promotion of interaction, networking and communication through conferences and other vehicles which would offer opportunities to share successes, support and promote local governance, encourage pilots and facilitate the waivers of regulations.



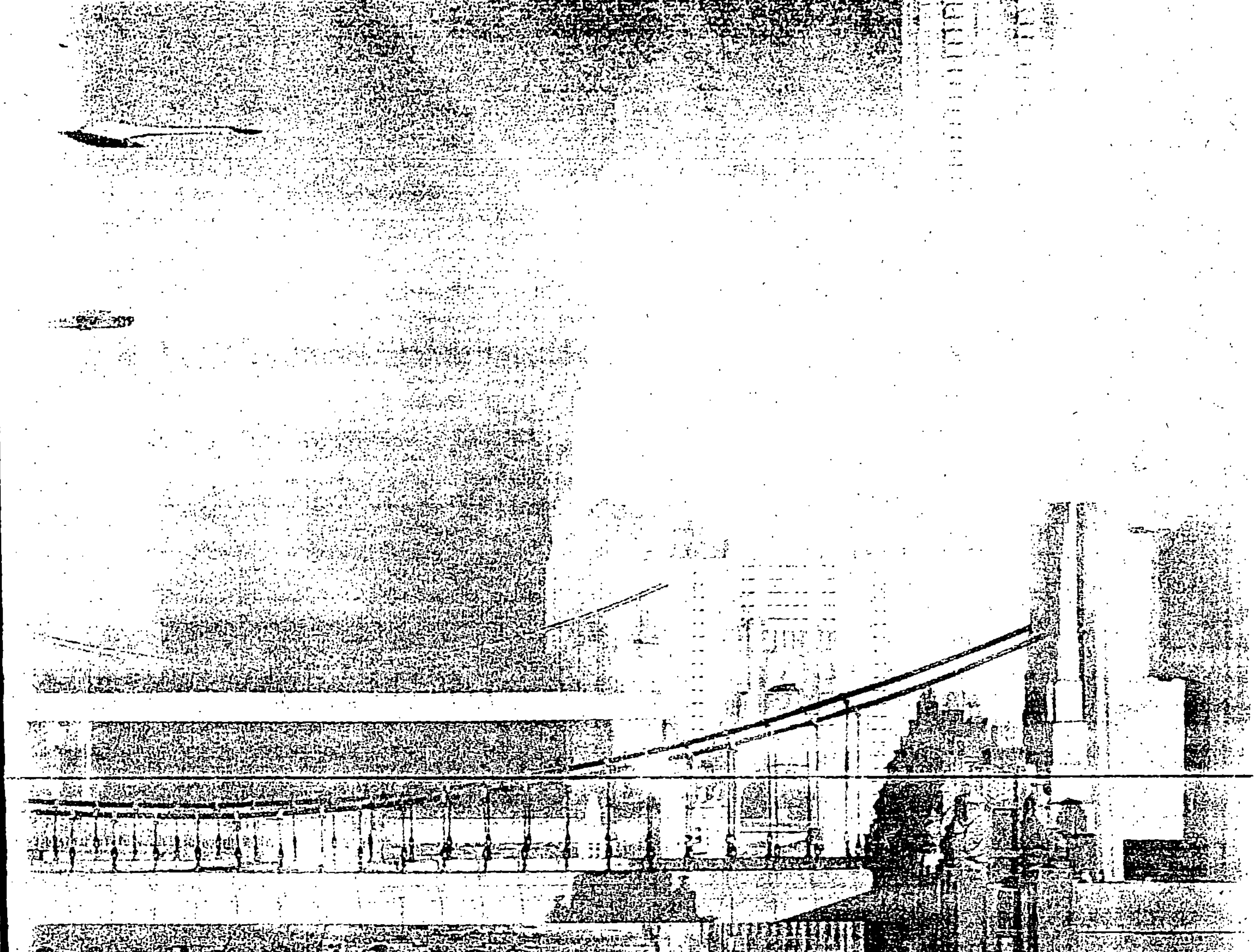
Urban Renewal

America's cities have spent the past two decades cleaning up their act. And it's beginning to pay off as business abandons the suburbs and returns to its roots. By John Davidson

CITIES [illegible] cities. People [illegible] who have developed [illegible] own. London, Paris, Rome, New York, Chicago and Los Angeles have each created a unique style, form of expression, and way of doing business. By defining the pay [illegible] and place, they encapsulate [illegible] country has to offer. During times when leaders and institutions share a vision of what life in the city should be, both culture and the economy flourish and the city develops a genius all its own.

To simply exist, a city must provide basic services and have fundamental infrastructure in place. Roads have to be built. Garbage must be collected. Schools have to run. Law and order must be maintained. Health care must be available. Government has to foster a good climate for business, one in which entrepreneurs and private companies can provide many of the services a city needs. But to realize the future growth and vibrancy of a city, [illegible] leap to a higher plane, building universities, libraries, museums, parks, and mass transit systems. All of these functions are extremely complex, and all are interconnected. If [illegible] are chronically choked with thousands of cars, a city's air quality declines and health costs increase. If schools fail to turn out well-educated citizens, companies can't find qualified workers. If tax rates are too high, corporations depart and government agencies can't make budgets. If affordable housing isn't available, people move away.

Over the years, the way cities attempt to balance these diverse institutions and interests has changed. In the 1950s, few questioned that what was good for General Motors was good for America, and absolutely no one doubted that the interests of General Motors and Detroit were the same, or that U.S. Steel was



Pittsburgh. Heavy industry brought a period of incredible postwar prosperity, and the middle class, empowered by the automobile and newly fattened wallets, started a mass migration to the suburbs. Meanwhile, urban America began a forty-year decline. Cities that had prospered because of access to raw materials and transportation became industrial dumping grounds. Rivers and lakes filled with polluting waste. Water was undrinkable, the air, toxic. The only people who lived in cities were the very rich, the poor, and blue-collar workers. Without the middle class to pay taxes, demand rights, and exert its political will, basic services deteriorated.

Then, in the mid-70s and early 80s, the unthinkable happened. Corporations abandoned the cities that had once made them great. In search of cheaper, nonunion labor, companies began breaking themselves apart and moving manufacturing and assembly plants to the South or overseas. Older cities in the rust belt became hopeless pockets of Third-World poverty. At the same time, newer cities grew rapidly, but they were little more than sprawling suburbs with no sense of place or history.

To survive, cities had to reinvent themselves, and after years of hard work, self-evaluation, and struggle, it appears that they have. Urban school districts are starting to see results from reforms of the past decade, and crime rates in big cities have dropped for the past five years. Moreover, corporations are once more looking at cities like Pittsburgh, Indianapolis, Cleveland, and Louisville as favorable places to locate.

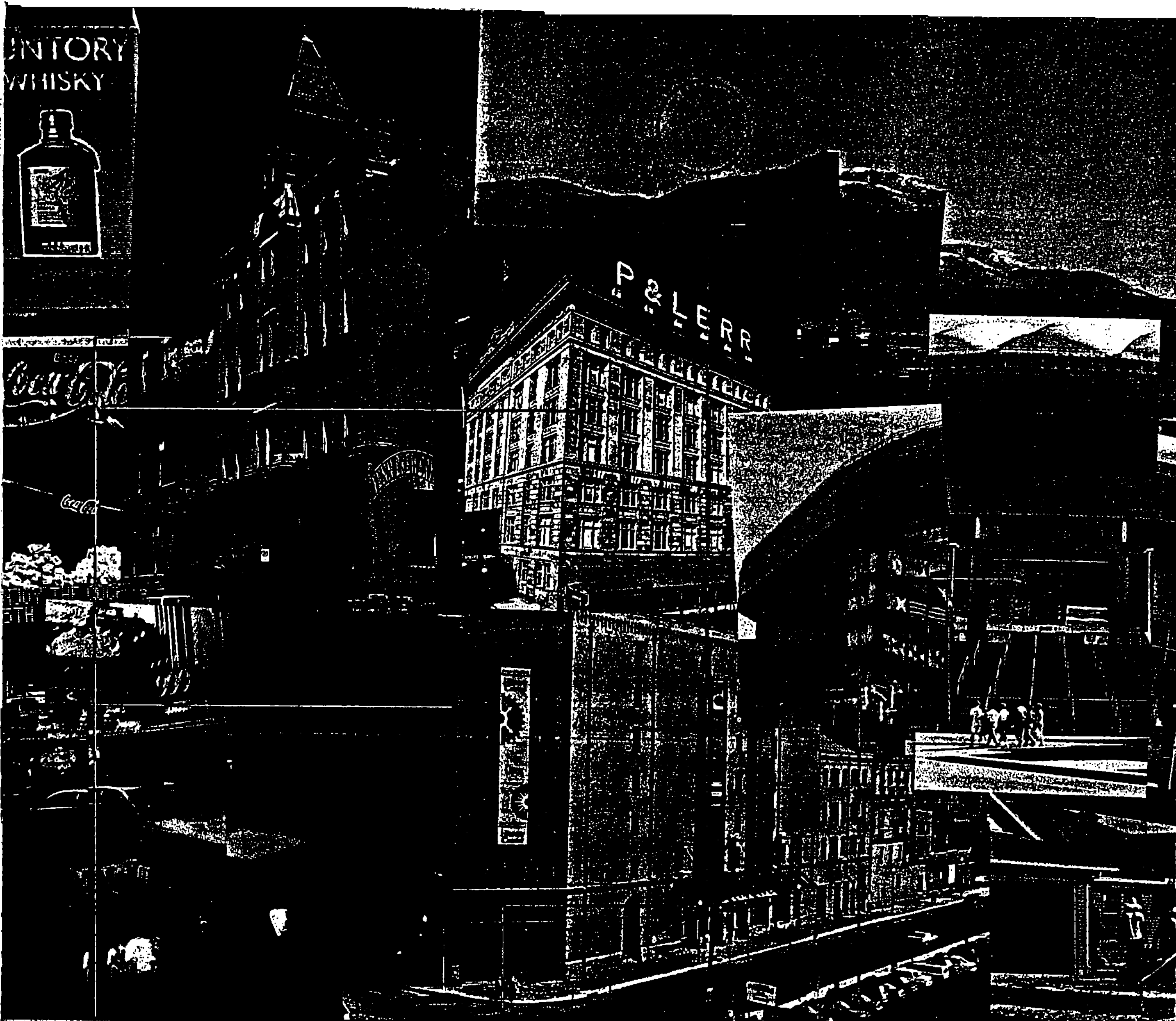
Several things have happened to bring about the change. For one, suburbs are no longer seen as the great refuge. They're crowded, dangerous, and often more polluted than the cities their citizens fled. Parking lots in suburban malls are now patrolled by security guards, and carjackings have become common. As their populations age and their lawns and streets are no longer filled with children, suburbs can be isolating, anonymous places. Unlike big cities, they have few all-night, immigrant-owned delis to brighten dark sidewalks and ward off undesirables.

Neither do the suburbs offer the cultural and civic amenities of older cities—universities, research libraries, museums, the performing arts, parks, and public spaces. A number of cities, like Cleveland, have begun capitalizing on these resources at the same time they are cleaning up the environment. In fact, the clean air and water acts, once regarded as a death knell for cities, have had a tremendously positive economic impact. People want to work and play in cities that are environmentally sound. Twenty years ago, the government forced Denver to begin cleaning up its air, and as a (Continued on page 47)

Health Care: Los Angeles
Two years ago, Los Angeles County's health-care system was on the brink of financial collapse. The local economy was suffering from cutbacks in the aerospace industry, reductions in state and federal funds, and an increased demand for hospital services. In desperation, the county formed the Health Crisis Task Force to come up with a plan for more affordable care. Rather than pour all its money into hospitals—the most expensive option—the county would invest in neighborhood clinics. It sold its plan to the Clinton administration and got permission to restructure the way it spent its federal HHS subsidy, plus an up-front infusion of $36[illegible] million in federal money the first year of the program. At press time, the clinics are flourishing, and no hospitals have gone bankrupt.

Transportation: Portland, Oregon
[illegible] including [illegible] buses, bike lanes and walkways. The city discouraged shopping centers and malls in certain areas because they encourage driving. Instead of providing parking for [illegible] employers are encouraged to subsidize bus passes [illegible] and bicycling. [illegible] Portland [illegible] that [illegible] percent of all trips downtown are now made on public transit.

Downtown Revitalization: New York
Six years ago, exasperated Times Square property owners banded together to create a business improvement district [illegible] the district [illegible] city [illegible] security force to help cut crime. Under pressure, the city agreed to rezone the area to break up the concentration of X-rated businesses, and New York State formed the 42nd Street Development Project, which leased the street's dilapidated theaters and historical monuments to developers who are revamping them at a cost of $350 million. [illegible] real estate boom [illegible] 199[illegible] Disney came to Times Square [illegible] millions of property and entertainment [illegible] Madame Tussaud's [illegible] a twenty-five-screen AMC movie facility [illegible]. Experts put the total public and private investment in the area at $2 billion to $3 billion.



Economic Diversity: Pittsburgh

Pittsburgh's economy was devastated in the late '70s and early '80s, when the steel industry took a [illegible] competition [illegible] smoke from the old mills cleared and the [illegible] came into view—twenty-four universities, a world-renowned symphony, an opera company, parks, and libraries. Pittsburgh used these assets, plus its low cost of living, to attract new companies [illegible] have expanded their Pittsburgh operations [illegible] fifteen hundred [illegible] jobs to the city. Sony [illegible] million plant and Philips [illegible] U.S. headquarters in Pittsburgh.

Clean Air: Denver

Denver [illegible] the city [illegible] Rockies [illegible] the 1990 [illegible]

Sports: Indianapolis

[illegible]

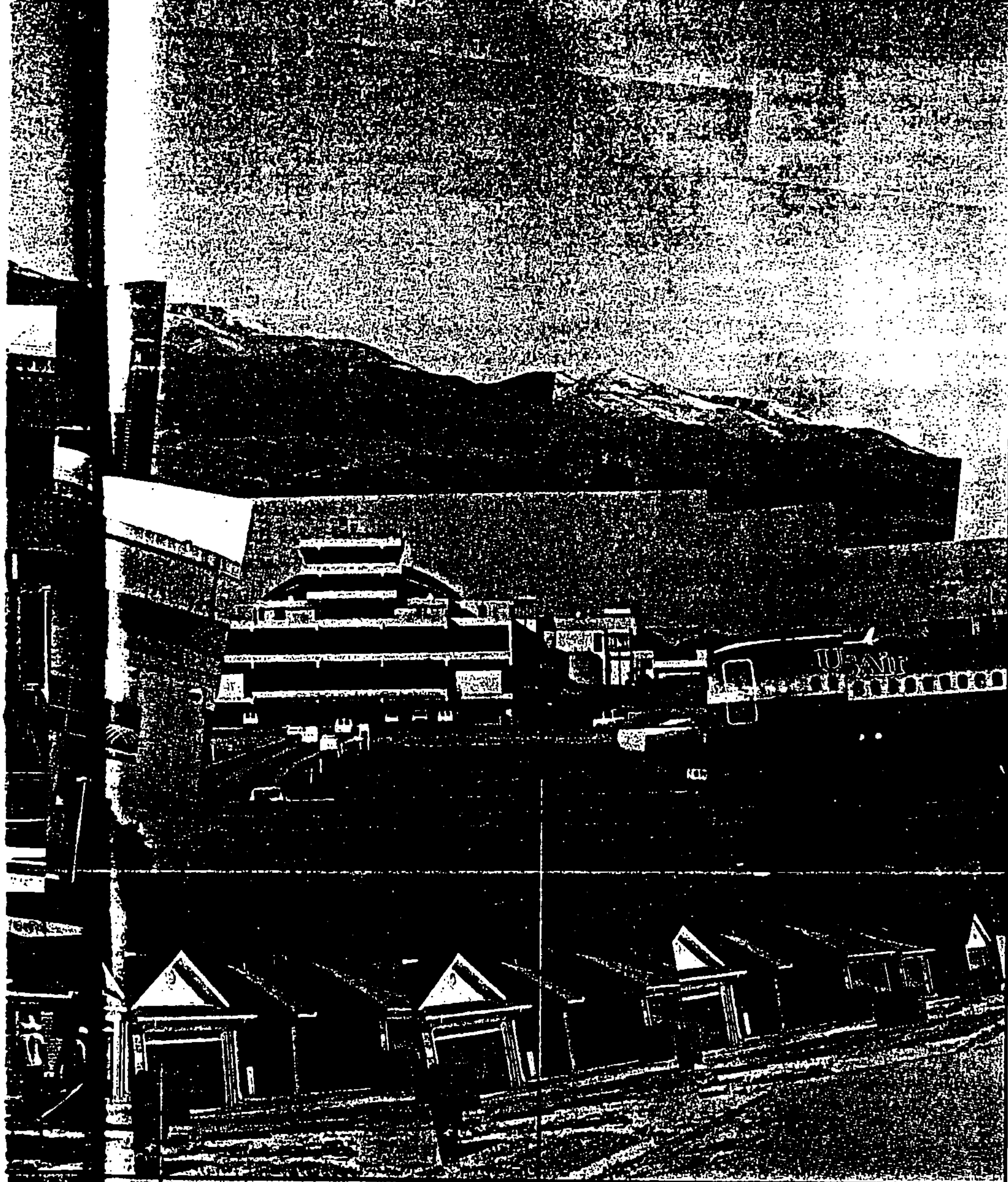
The City of Tomorrow

Whenever someone puts together a list of the top cities in the country, inclusion is usually based on statistical data about things like crime, job growth, and taxes. WORKING WOMAN chose to take another route. The city on these pages is a composite of places that have done the best job of reinventing themselves over the past few years. Each one identified problems that were driving people and businesses out, then worked conscientiously to solve them. You may not recognize Denver or Austin or Cleveland, but they are all part of our futuristic cityscape.

Public Schools

Louisville

[illegible]



■ **Affordable Housing: Houston**
Houston's mayor, Bob Lanier, has made affordable housing a top priority since taking office in 1992. To encourage homeownership, the city subsidizes $8,500 of the down payment for a new house and $3,500 for an existing house. Houston also provides financing for developers who are building or renovating multi-unit, affordable housing, and gives $5,000 in grants to elderly and disabled people to repair their houses each year. As a result, the median price for a house is an extremely modest $84,487, making the city very attractive to young professionals.

■ **Airport: Pittsburgh**
One of the hottest places in town to shop is the Airmall, a complex of one-hundred-plus stores at Pittsburgh International Airport that has all the usual mall offerings—lingerie, books, music—without the usual airport markup. At La Prima Cybaircafe you can check your e-mail, and at Kidsport, you can check your children. By combining retail and travel, the $800 million, futuristic airport has managed to capture some of the excitement and glamour of the railroad and air terminals of the past. It has become a tourist destination and played an important role in Sony's decision to build a $370 million plant in southwestern Pennsylvania. By 2005, the airport's total economic benefit to the area is projected to be $9 billion. —*J.D.*

result, the city is now home to over two thousand environmental companies, which have done wonders for both the air and the economy. Today, old industrial buildings in downtown Denver are filled with expensive apartments and shops, and abandoned industrial sites along the river are being converted to parks. Pittsburgh, desperate after the decline of the steel industry, has discovered that it's a lot easier to draw new people and business to the city without smoke from steel mills billowing through the air.

Cities are even giving suburbs a run for their money when it comes to the cost and availability of labor. These factors are key in corporate decisions to relocate because human resources is a company's largest recurring expense, 50 percent to 75 percent of the total budget. Calculating this cost is relatively easy for manufacturing and assembly plants that hire local workers; it is simply a matter of checking local wage scales. But for R&D facilities and headquarters, wages are only one factor. "Higher-quality workers have more choices about where and how they spend their money, so the amenities a city has to offer become critical," said Shari Barnett, a location consultant at Ernst & Young. "We look at housing, schools, cultural institutions, the arts, and universities. Universities are attractive to corporations because the labor pool tends to be better, and because engineers and high-tech people usually want to continue their education."

More and more companies will likely relocate to cities as the U.S. economy continues its fundamental shift from brawn to brains. After all, this is the era of Bill Gates, not Henry Ford. According to economist Nuala Beck, author of *Shifting Gears: Thriving in the New Economy*: "The old manufacturing-based economy peaked in 1981. We have become a knowledge-based economy in which people are paid to think and business is based on brains alone. The great cities of tomorrow will be the ones that attract the great scientists, engineers, and thinkers." ■

John Davidson, a freelance writer in Austin, Texas, wrote "Virtual Money" for the January issue. Special thanks to Regional Financial Associates, who provided additional research materials.