Los Angeles Statistics

- 70% of young black men in Watts (ages 16-25) are in jail, on parole or on probation (Source: *Newsweek*, 14 June 1999)

- 6.3% Unemployment in LA county (Source: *LA Times*, 11 April, 1999)

- Gun-related deaths in LA county dropped 14% in 1997 BUT 35% of homicide victims lived in twenty ZIP codes in South LA (representing fewer than 10% of LA's ZIP codes) (Source: *LA Times*, 20 August 1998)

- 26,000 people live in 8,300 apartments in 20 major public housing developments
- While LA has the second largest municipal population in the nation, it is 12th in number of public housing units
- LA has the second-largest number of Section 8 households (42,000 families)
- LA projects are 98% occupied. There are 20,000 on the waiting list
- Ethnic breakdown of public housing population: 70% Latino, 25% Black, 4% Asian, 1% White

  (Source: *LA Times*, 21 August 1998)

Demographics of LA County:

Total Population:	9,236,000
Latino	44.5%
White	33.5%
Black	9.6%
Asian	11.9%
Other	0.5%
Median age	33.2
Avg. Household size	2.96
Median household income	$40,344
Median home price	$190,500

(Source: *LA Times*, 29 January 1999)

Michael Katz

Ready Body ~~taking~~ king

Watts

ooh-ah

207-
864
3659

Melvin Oliver → sociologist
- Ford Fdtn

James Johnson
from UCLA to
UNC Chapel Hill

→ geography / sociology

Q. Why did the proposal to create a Delta Regional Commission last year fail?

PHOENIX - HUD

Q. Why is Phoenix a New Market. Isn't it a prosperous thriving city?

Q. Why is one of your stops on this tour focused on the Hispanic community but none of your other stops have focused on a specific minority community?

PINE RIDGE RESERVATION - HUD

Q. Isn't the New Markets Initiative focused on broad economic development and investment in business? Why are most of your announcements here relalted to housing investment?

Q. Conditions on reservations seem so dire with unemployment so high. How will people how live here be able to afford the mortgages that these programs create?

LOS ANGELES - HUD

Q. Hasn't the Los Angeles Empowerment Zone had difficulties in the past. What is the current status?

Q. What is the status of the LA Community Development Bank and the problems it has experienced?

Q. President Clinton visited Watts as long ago as 1992 during his campaign. What has changed since then. Have things gotten any better for this community during the Clinton Administration?

(708-0270) (9 — none.

Josh, this is the LA piece HUD provided. We're working on getting them to send it to you electronically — Dawn

sleep the night before." Bankers and homebuilders will attend the Pine Ridge Home Build, demonstrating their commitment to financing mortgages and construction. Housing construction and infrastructure (roads, sewer etc.) are the foundation for economic development. Economic development flows from rooftops to retail.

Q. Conditions on reservations seem so dire with unemployment so high. How will people how live here be able to afford the mortgages that these programs create?

A. Through President Clinton's One Stop Mortgage Center Initiative, efforts are underway to streamline federal regulations and improve coordination among federal agencies to pave the way for more homeownership on Indian Reservations. Lenders, attending the HUD conference and participating in the President's visit, are eager to make loans available to eligible homeowners. There are families on reservations who can afford mortgages. (See answer above with examples of percentages.) Government, in partnership with lenders, the private sector, and the tribal governments, simply has to remove the barriers and show families how they can join the American dream.

Pine Ridge is the poorest reservation in the country; however, there are families with incomes high enough to support a mortgage on the reservation. For example, 16% of families on the Pine Ridge Reservation have incomes higher than the state nonmetro median family income. Most reservations have higher percentages. Isleta Peublo in New Mexico has 48% of its families above the state nonmetro family income. Flandreu Reservation in South Dakota; 34%; Mississippi Choctaw, 29; Cattaraugus Reservation in New York, 25%; White Earth in Minnesota, 18%. Many of these families live in housing authority homes – built and subsidized with HUD dollars. As a result, grant funds cannot meet the total housing needs. Shared Visions will provide a model in how to utilize NAHASDA funds for downpayment assistance, thereby stretching grant funds as well as utilizing private financing vehicles to expand the housing stock.

LOS ANGELES

Q. Hasn't the Los Angeles Empowerment Zone had difficulties in the past? What is the current status? What is the status of the LA Community Development Bank? ~~and the problems it has experienced?~~ How is the LA Comm. Development Bank handling problems

A. Recent negative articles in the *LA Times*, *USA Today*, and the *Wall Street Journal* focused on failed loans and not the complete picture of what the LA Bank has accomplished. The LA Bank is now on track and has had successes:

- Approved 159 loans/ investments totaling $118.3 million; financial commitments total $74.2 million in loans/investments.
- These financing activities are projected to create or retain nearly 3,500 jobs. Of the 979 jobs already created, 24% have gone to EZ residents.
- The bank is confident it will reach the 51% local job creation goal. Borrowers have two years to meet the resident hiring requirement.
- Since its start-up in 1996, the LACDB has grown eight times more rapidly than any commercial lender in the LA-Long Beach MSA.
- Committed $70 million ($58 million funded and $12 million in the funding pipeline) since its

inception less than three short years ago. This is especially impressive given that the Bank is already equal in loan volume to its long established competitors in the area (4 small commercial banks) over that period of time.

- The bank is providing capital to a diverse industry base that reflects the city's growth industries. These industries include wholesaling, manufacturers, services, finance, insurance and real estate.
- The bank utilizes community-based organizations (CBOs) to generate deal flow for microloans and other small business loans.

TOUGH BUSINESS

Access to capital for all but the strongest companies in the inner city is severely limited. That is why the LA Bank was created. The LA Bank deals with those businesses turned down by traditional lenders. There are ~~gonna be defaults~~. That is the nature of the loan business. But the defaults ($2.5 million) and troubled loan levels (16%) are reasonable ~~given the nature of the beast~~ and the losses do not threaten the viability of the Bank.

The commercial banks that said they would help with over $200 million in co-lending, Union Bank, Wells Fargo and Bank of America, have not come to the table. Their lack of commitment has made the LA Bank's lending operations less flexible because the primary source of the money for loans is HUD, which by regulation, has many restrictions.

FALSE CLAIMS

- The LA Times Article claims the LA Bank has broken regulations. The Bank vehemently denies this allegation. In fact, the LA Bank's compliance is vigorous. ~~That is why the~~ Bank is monitored every 90 days by independent auditors which have never found the Bank in noncompliance with applicable HUD laws and regulations.
- Both the Wall Street Journal ~~(WSJ) and~~ the Los Angeles Times (LAT) quoted failed borrowers as the source of "complaints" about the bank ~~using~~ heavy-handed tactics. Both borrowers defaulted on loans to the Bank. The LA Times' use of failed borrowers as sources is akin to asking a murderer convicted by a jury if he was responsible for the crime. Chances are the murderer would not blame himself. Neither does a failed borrower.
- LA Times tried to make it appear the Bank was short on creating jobs by taking a "to date" snapshot which is unfair. The projected jobs are not created the day the loan is funded. They are created based on the agreement worked out with the borrower. ~~In fact~~, the Bank has already created 132 for residents and over the two-year evaluation period it is on track to create 750 jobs.

HUD Review

The LA HUD Office recently completed a compliance review of the LA CDB. The HUD review found that the LA Bank needs to improve linking EZ residents to jobs created with the LA Bank loans. The City must also improve its efforts to get the LA Bank the names of EZ residents that are available for jobs created with the LA Bank loans.

Q. President Clinton visited Watts as long ago as 1992 during his campaign. What has changed since then? Have things gotten any better for this community during the Clinton Administration?

turning around

A. Like most cities, Los Angeles, and Watts ~~within it,~~ are ~~coming back~~ thanks to a record-breaking economic expansion nationwide. The Clinton-Gore fiscal policies and community empowerment agenda are driving the boom. since 1992 Unemployment and poverty are down in Watts ~~since 1992~~ thanks ~~to this recovery and thanks to major commitments by HUD and other federal agencies~~. The Federal Government has been an active partner with local leaders in the private, public, and nonprofit sectors, working in Watts and other distressed, untapped market areas of Los Angeles. These efforts are already stimulating major new investments of private capital and expanding the job base. In addition, a ~~wide~~ array of Clinton Administration initiatives is supporting workforce development, youth development, crime prevention, community health, and other vital activities ~~that are~~ making Watts a better place to live and do business.

work adding
part to overview

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PRESIDENT CLINTON'S NEW MARKETS TOUR
TAPPING AMERICA'S POTENTIAL THROUGH INVESTMENTS IN OUR NATION'S NEW MARKETS
July 5-8, 1999

CORPORATE AND OTHER PRIVATE SECTOR ANOUNCEMENTS IN APPALACHIA

Bank One

- $1 million for **The Appalachian Ohio Development Bank One** which will provide equity financing and technical assistance to small businesses in Southern Ohio. Others involved in the formation of this new venture capital fund include the **Appalachia Regional Commission**; **Kentucky Highlands Investment Corporation** and **ACE-Net.**
- $5 million for the **DCC Growth Fund**, a large national Small Business Investment Company that will target investments to firms located in Low and Moderate Income communities.
- $600,000 to the **Enterprise Development Corporation (EDC)**, one of the oldest and most productive microenterprise development organizations in the country.
- Bank One is the lead investor ($3 million) in **Capital Across America**, the first SBIC in the nation to focus on women-owned businesses.

First Union National Bank

- First Union pledges to provide at least $5 million for small business equity, micro-loans and economic development programs in 1999 and 2000 in the Appalachia region. This commitment will continue First Union's efforts to promote job training and educational programs, affordable housing and small business development.

Sykes Enterprises

- Sykes Enterprises Incorporated, a leader in providing vertically integrated, technology-based solutions worldwide, has announced that it will build two new technical support centers in Eastern Kentucky. The new 42,500 square foot state-of-the art call centers are expected to be fully operational in the fourth quarter of 1999. Each center will bring hundreds of jobs to Eastern Kentucky.

Bell South

- Bell South will announce a partnership with the Kentucky Community and Technical College System for an initiative that supports the "Youth Opportunity Movement." The program includes a commitment to ensure the placement of 100 successful participants into service technician and customer contact representative positions within Bell South, or within other companies in the state.
- Bell South will also commit to develop a curriculum for training youth in the target age groups in the Appalachian area of KY. The curriculum will focus on both cognitive skill development and life skills training.

Deutsche Bank/BankersTrust

- Deutsche Bank has committed to make an investment of $2.9 million to the Kentucky Highlands Investment Corporation. The investment, in the form of a loan and a grant, flows through the Appalachian-Wall Street Partnership. This partnership was formed for the sole purpose of allowing the investment to capture economic development tax credits specifically crafted to support CDCs.

Ms. Foundation

- The Ms. Foundation will launch the third round of their Collaborative Fund for Women's Economic Development through which grantmakers will capitalize funds of at least $4 million. Funds will go to groups such as ACEnet (Appalachia Center for Economic Networks). ACEnet, a community-based economic development organization located in rural Ohio, is a leader in the non-profit sector for creating entrepreneurial opportunities. Its goal is for people with low incomes to move out of poverty permanently through employment or business ownership. In the last year, ACEnet has created over 100 new jobs and trained more than 50 welfare recipients for jobs in the specialty food sector.

Appalachian Regional Commission

- ARC is committing $581,000 to seed two interrelated Strategic Capital Funds, which together will serve as a model to demonstrate the use of strategic equity for creative deal structuring for developing businesses in Appalachian Kentucky and West Virginia.
- ARC will give a grant of $325,000 to Technology 2020 in Oak Ridge, Tennessee to help launch the creation of two new capital funds serving Appalachian Tennessee, including particularly the Knoxville Empowerment Zone. Technology 2020 is a public-private partnership designed to utilize East Tennessee's unique information technology resources to incubate new businesses, create private sector jobs, and improve prospects for economic growth in Appalachian Tennessee.
- ARC will award $151,000 to three Appalachian organizations that will promote industry "cluster" opportunities on a regional basis. Focused primarily on three entrepreneurs, this program seeks to strengthen strategically important industrial sectors, or clusters, that can add to the wealth of Appalachia's distressed counties.

PUBLIC SECTOR INVESTMENT ANNOUNCEMENTS IN KENTUCKY

United States Department of Agriculture – Water 2000

- USDA is planning over 100 events on July 12th to bring attention to the Administrations Water 2000 initiative which will bring water to as many rural Americans as possible by the year 200. USDA will fund over $200 million for more than 60 water projects in 40 states.
- In Kentucky there will be more than $7 million in investments in four projects.

- Other new commitments from NextDay that will be announced today include: $2.4 million from Cisco Systems for routing and switching technology; networking academies; and teacher training; $1.4 million from 3M for fiber to the desktop programs; media conversion technology; and technical support.

National CDFI Announcements

- In conjunction with our visit to the Delta, and our focus on Enterprise Corporation of the Delta, the local CDFI, there are other investment announcements being made today throughout the country by representatives from the Administration about investments in CDFIs. These include:
  Fleet Bank - $10 million investment in Boston Community Loan Fund.
  Bank of America has a CDFI initiative, which leverages capital through community banks, credit unions, development corporations and micro-enterprise loan funds. At today's roundtable event, **Bank of America** will make a major announcement about additional funding for their national CDFI initiative.
  Allstate Insurance Company - $5 million investment in the Illinois Facilities Fund for child care initiatives in the Chicago.
- Treasury officials will highlight a total of more than $60 million in new CDFI investments. In addition to the CDFI's mentioned above, new investments will be made in Delaware Valley Community Reinvestment Fund, Applebanc, Community Bank of the Bay, Women's Self-Employment Project, Micro Industry Credit Rural Organization and the Institute for Social and Economic Development, and Detroit Entrepreneurship Institute.

SEEDCO

- SEEDCO has partnered with the Jackson State University to create a community development program linking business development, homeownership opportunities and social services through several innovative projects. The partnership has led to the establishment of a Commercial Revolving Loan Fund, capitalized at $500,000 to provide financing to small, African American-owned neighborhood businesses.

PUBLIC SECTOR ANNOUNCEMENTS IN MISSISSIPPI

United States Department of Agriculture – Water 2000

- USDA is planning over 100 events on July 12th to bring attention to the Administrations Water 2000 initiative which will bring water to as many rural Americans as possible by the year 200. USDA will fund over $200 million for more than 60 water projects in 40 states.
- In Mississippi there will be more than $10 million in investments in four projects.

Housing and Urban Development

- HUD has awarded $1.4 million in CDB funds to support the creation of an 800,000 square foot Bill's Dollar General Store distribution center in Indianola, MS. The company has 3,000 stores in 24 states and will contribute $25 million in private funds to the facility. This center will create 200 new full-time jobs – 51% of which will be low-moderate income individuals.

CORPORATE/PRIVATE SECTOR ANOUNCEMENTS IN EAST ST. LOUIS

Walgreens

- The company is locating an anchor store in the largest shopping center to be built in area since 1950. Walgreens has made investments in other inner city areas

Bank of America

- Bank of America will make a significant commitment of $500 million of equity to support the development of community development opportunities in the New Markets of inner-city America.
- This new venture fund, will be known as the **Bank of America Catalyst Fund** and will build on the bank's track record, vision and commitment to community development across the country.
- Bank of America provided more than $3 million in construction loans to create a new Walgreens in the heart of E. St. Louis.
- A $500,000 construction loan to E. St. Louis' CDC Development Corporation will create 18 new affordable single-family homes in the South End neighborhood of E. St. Louis.

Aetna-Hartford

- Huber has agreed to commit to the new MetroHartford Investment Fund which will be somewhat modeled after the type of SBIC based funds that the New Markets Initiative will support. Aetna is taking a leadership role in developing the new MetroHartford Investment fund through which Hartford-based corporations will raise $50 to $100 million dollars to support regional economic development projects.

Initiative for a Competitive Inner City[CAN NOT MAKE THIS ANNOUNCEMENT IF WE HAVE NOT RECEIVED CLEARANCE FOR ICI]

- ICI announced the formation of Inner City Ventures, L.L.C. (ICV) a private equity fund which will make investments in businesses that capitalize on the competitive advantages of America's inner cities.
- ICV has a current target of $100 million to capitalize ICV. To date $10 million has been raised by the founders. ICV will create jobs, income and economic opportunities by investing in growing businesses located in and hiring from inner cities. By earning good returns, ICV will demonstrate that inner cities are good places to invest.

Triple M Financing

- An Affiliate of the Mel Farr Automotive Group, the Triple M Financing company finances vehicles for urban consumers in underserved markets . Until now, Triple M could only fund these loans with its own capital.
- Today Triple M is announcing that it will securitize its car loans and sell them to major investors including Bank of America, TIAA-Cref, Goldman Sachs, Bank One and Ford Motor Credit Company.

- This increased access to capital will allow the Mel Farr Automotive Group to expand its dealerships and increase employment in these markets.

Sallie Mae [DON"T WANT TO MAKE THIS ANNOUNCEMENT BUT SENIOR EXECUTIVES FROM SALLIE MAE MAY JOIN US AT EVENT]

- Sallie Mae will establish a college information center at a local library in East St. Louis. The center will have a full-time staff person to counsel prospective college students on their options and voluminous resources. It is modeled on the DC College Information Center and the Boston Higher Education Center. The initial cost to start the center will come from a $50,000 grant from the Sallie Mae Trust (their charitable foundation).

PUBLIC SECTOR ANNOUNCEMENTS IN EAST ST. LOUIS

Department of Housing and Urban Development

- The HUD CDBG program has provided funds to lay the infrastructure and build roads surrounding the **Jackee Joyner Kersee Center**. The Jackee Joyner Kersee Center is a major new community center that will offer educational, social, recreational, and health services. Several companies have helped to finance development of the center, including **May Department Stores** and **Bank of America.** East St. Louis receives about $2.4 million annually in Community Development Block Grant.
- The signing of the St. Louis/East St. Louis Empowerment Zone Agreement will be singed today. The agreement formally establishes the new Empowerment Zone and triggers the initial $3 million in federal funds needed for the cities to implement their strategic Plan.

CORPORATE/PRIVATE SECTOR ANOUNCEMENTS IN PINE RIDGE

Fannie Mae

- $1 million Tri-Party agreement among Fannie Mae, the Ogalala Sioux and Norwest mortgage that will enable tribal members to purchase homes on trust lands.
- Fannie Mae will commit to invest up to $3 million over the next 5 years through its American Communities Fund, which is an equity investment vehicle.
- A Fannie Mae Partnership Office will be opened in Sioux Falls by October 1. Part of the Investment Plan will be a partnership with the South Dakota Housing Development Authority for first time homebuyers. Fannie will commit to purchase $35 million in mortgage revenue bonds. Of this amount, $2 million will be set aside-exclusively for Pine Ridge residents to purchase homes at below market interest rates.

Norwest Mortgage

- Norwest in partnership with Fannie Mae is providing $1.4 million in loans and providing mortgage counseling to families.

Citibank

- Citibank South Dakota announced a $150,000 Citigroup Foundation grant to fund installation of Classroom, Inc. career simulation software in public schools throughout the state. Under the program, Classroom, Inc. software will be installed in 125 schools over the next 12-24 months. More than 200 teachers will also receive related computer training.
- With Classroom, Inc., students use custom-designed computer software to simulate "real-life" workplace experiences in a number of categories, including banking and economics, the environment, and health care.

Bart Harvey, Enterprise Foundation

- The Enterprise Foundation is working with HUD on the Pine Ridge effort with the Oglala Sioux Tribe. Enterprise has also been part of a team of consultants working with HUD and **PriceWaterhouseCoopers** to create the non profit Oglala Sioux Tribe Partnership for Homeownership.

Gateway

- Gateway has agreed to work with the Oglala Lakota Community College to develop a curriculum and donate materials to teach Indian students data processing and computer programming. They have committed $50,000 to the program.

Microsoft

- Microsoft has agreed to provide over $300,000 in software and to work with the Oglala Lakota college and the Gateway program to deliver training to five reservations.

The Native American Homeownership Initiative

- The **Mortgage Bankers Association** will team with **Countrywide, Norwest, Banc One, FirstStar, M&T, National Bank of Alaska, Washington Mutual, and Bank of America** and other private mortgage lenders mortgage lenders to more than double the number of government insured or guaranteed home mortgages in Indian Country for each of the next three years. This Initiative will mean 1,000 additional Native American homeowners.

Bank One

- **BancOne Capital Markets** and **George K. Baum & Company** have committed to underwrite $300 million in bonds per year for the next five years to raise funds to be lent to tribes, tribal housing authorities and individual Native American homebuyers.
- This new initiative will also result in lower interest rates on mortgages in Indian Country.

Mortgage Insurance Companies of America's Five Year Alliance with Tribes

- Members of the Mortgage Insurance Companies of America (MIC) will work to meet the homeownership needs of Native Americans. In all, commitments include insuring a total of $37 million of home mortgages.
- Commitments under this initiative include:

Republic Mortgage Insurance Company will launch the Native American "Financial Independence" pilot project, which will begin by giving 2,000 Pine Ridge students each year the financial knowledge and tools they need to achieve their financial independence.
The PMI Mortgage Insurance Company recently announced that it has expanded its Native American mortgage insurance initiative nationwide and increased the amount of the commitment by $20 million. PMI is insuring home mortgage for members of four Indian tribes and is negotiating with others. Under the initiative, PLMI agrees to insure loans that require as little as 1% downpayment from the homebuyer with flexible underwriting guidelines and risk shared between the Indian tribes and PMI. Over 76 loans have already been made and over 100 loans are in process.
GE Capital will start a pilot program to insure $2 million in mortgage loans in Indian Country.
The Mortgage Guaranty Insurance Corporation will create homeowner education courses for the tribal colleges and develop new home financing mechanisms tailored to the specific needs of Native Americans.

New $6 Million Manufacturing Facility

- **Champion Enterprises** has partnered with the Gila River Indian Tribe to open a new **$6 million** manufactured housing facility on the Gila River Reservation in Arizona.
- When it begins operations in late July, the plant will employ approximately 300 new workers. Champion is actively recruiting members of the Gila River Tribe to fill those jobs.
- The plant will revert to the Tribe once the lease term ends.

State of the Art Construction Certification Program for Tribal Colleges

- **Owens Corning** and all of the nation's tribal colleges will work together to bring the Certified Energy Professionals program to Indian Country. This program will offer Native Americans the chance to become certified experts in energy efficiency in homes and the latest construction technologies.
- **Owens Corning** will train instructors from every tribal college on housing technology and energy efficiency and on the best methods for teaching their students in these areas.

North American Steel Framing Alliance

- The **North American Steel Framing Alliance, Amity** and **Worthington Industries** will help establish job training courses in steel framing at all of the tribal colleges.
- The companies will also facilitate business relationships between other private companies in the construction industry and Native American economic development organizations.

Cellular Telephones Industry Association's Wireless Foundation

- CTIA's Wireless Foundation has announced its commitment to expand its three national programs to help address some of the communications challenges facing our Native American communities.
- Look to see if letter has a dollar commitment
- Over the next year the wireless industry has agreed to donate 1,000 phones and airtime through Communities on Phone Patrol(wireless phones for neighborhood watch patrols),

ClassLink(wireless phones for elementary and secondary school classrooms) and CALL to PROTECT(wireless phones for organizations combating domestic abuse), to improve safety and education at Indian reservations across the country.

The United States Telecommunications Training Institute

- At the request of the FCC, the United States Telecommunications Training Institute, a non-profit venture between leading U.S. communications corporations and the federal government will provide training and advice to Native Americans. The USTTI provides tuition-free training each year to communications officials throughout the developing world.

PUBLIC SECTOR ANNOUNCEMENTS IN PINE RIDGE

Federal Communications Commission

- Informed by recent field hearings, the FCC will be announcing in August several regulatory solutions and begin a rulemaking proceeding to improve universal service support for telecommunications in underserved areas, including Native American reservations.
- The FCC is also working to secure a spectrum sharing arrangement with the Dept. of Defense that will allow underserved and unserved reservations to benefit from wireless telecommunications services.

United States Department of Agriculture

- The Department of Agriculture has designated an Empowerment Zone on Pine Ridge and 9 Enterprise Communities in Indian Country. The signing ceremony for the Empowerment Zone and Enterprise Communities will occur during the Pine Ridge Summit.
- The Rural Utilities Service (RUS) has committed to hold workshops to improve telecommunications and utility infrastructure in Indian Country. RUS is the federal government lead agency to promote reliable, affordable utility services in rural America.
- The U.S. Department of Agriculture's Water 2000 initiative seeks to bring running water and sewer systems to Indian Country. Current plans include 12 water projects in 8 states with a total of $15.9 million in loans and grants. This month, the Department of Agriculture will devote more than $200 million in loans and grants for 100 safe and clean water projects in 38 states. This will bring safer and cleaner water to more than 275,000 rural Americans.

Commerce Report on Technology and Infrastructure on Reservations

- The President announced a report prepared by the Department of Commerce, "Assessment of Technology Infrastructure in Native Communities," which assessed the current state of technology infrastructure in Native communities.
- Results from a survey showed that Native communities lag far behind non-Native communities in infrastructure technology such as utilities, computer and Internet access, and telephone service. For instance, of the 48 tribes responding, the survey found that only 39% of households in Native communities have telephones compared to 99% in for non-Native rural communities; approximately 25% of tribes report that they do not have 911 service; of rural Native households, only 9% have personal computers; and 61% of tribes report not having a single manufacturing facility in their community.

- The survey respondents also reported some recent technological improvements, in part because of Administration policies, such as nearly 90% of Native schools and libraries having computer and Internet access.
- The report concluded that the federal government should work to provide additional assistance to these communities and to continue to provide incentives to the private sector to invest in these communities such as the President's New Markets Initiative.

Department of Housing and Urban Development

- HUD will expand Ginnie Mae's successful Targeted Lending Initiative (currently available only in Empowerment Zones and Enterprise Communities) to increase lending in Indian Country by $1.5 billion. Targeted Lending attracts mortgage lenders by cutting the fees they pay to place their loans in Ginnie Mae securities by up to 50%.
- HUD has awarded 28 grants totaling $8 Million to Native American run non-profits and tribes. The grants will go toward projects such as new housing, utilities, water and sewer lines, as well as economic development projects such as a revolving loan fund and partnership for economic development.
- HUD's new program, Homeownership South Dakota, a five-year, $650 million investment plan, will finance affordable housing for 7,500 families. The plan is a comprehensive strategy to assist the state in addressing its housing needs by expanding the capacity for single-family, multifamily and new construction lending.

Federal Home Loan Bank of Des Moines

- The Federal Home Loan Bank of Des Moines will award $1.3 million in grants to the Oglala Sioux Tribe Partnership for Housing, the Rosebud Housing Authority and the Native American Advocacy Project. The Oglala Sioux will use their grant of $499,000 to build 45 new single-family homes in Pine Ridge.

Construction of Lakota Sioux Heritage Culture Center

- The National Park Service will request $12 million to construct the Lakota Sioux Heritage Culture Center Complex to replace the current White River Visitor Center on the Southern Unit of Badlands National Park. The new Center would attract tourism and display the culture and heritage of the Tribe. The new Center would serve as a link between Mount Rushmore and Wind Cave National Park. The project also would bring revenue directly to Pine Ridge because the new visitor center will contract for its concessions services with the Oglala Sioux Tribe.
- The Departments of Labor, Defense, Transportation, Interior, and the State of South Dakota are partnering to build and repair the roads leading to the new Center. The State of South Dakota has submitted a letter of intent to apply for Public Lands Highway Discretionary funds to improve BIA Route 2. Road repair work will include gravel resurfacing and may also include paving roads if there is anticipated increased traffic. In addition, these agencies are looking into providing job training to the Oglala Sioux Tribe in construction related to the roads and visitor center as well as to build skills for the long term.

Department of Energy

- The Department of Energy has selected eight projects for awards under its "Renewable Energy Technologies on Native American Lands" program. Awards will total approximately $2 million. Individual selections include: Oneida Tribe of Indians of Wisconsin will install a solar hot water and electric system on residences in Oneida, Wisconsin. The project cost is $220,777 with 21.46% assumed by the Tribe. Jicarilla Apache Tribal Utility Authority will install and monitor a PV system to power a tribal office building in Dulce, New Mexico. The project cost is $139,988 with 21.57% assumed by the Tribe.
- In addition, as part of its Wind Powering America initiative, the Department of Energy will study the wind resources on tribal lands in the Dakotas.

CORPORATE/PRIVATE SECTOR ANOUNCEMENTS IN PHOENIX

Univision

- Univision will announce that it is making a multi-million dollar commitment to build a new state-of-the-art broadcast facility for their local station, KTVW-33, in the predominantly Hispanic south-side of Phoenix. It will contain fully-digital technology in an attractive new building of Southwestern architecture and regional landscaping.

Bank One

- Has previously invested in Arizona MultiBank, Community Development Corporation, a CDFI that plans to apply to become a new type of SBIC, targeted to low and moderate income communities, that is being created by the New Markets Initiative. **Bank One** will be making a <u>$1.5 million</u> new investment in this fund to be known as Magnet Capital, that will provide growth capital in the form of mezzanine financing to small businesses in Arizona. Investments will range from $250,000 to $1.5 million.
- Under the SBA Microloan Program, Bank One provided a $640,000 credit facility to PPEP Microbusiness, INC., one of the longest running and most successful microenterprise organizations in the country. Bank One also provided Chicanos Por La Causa with a $500,000 credit facility under the SBA Microloan Program.

Enron

- Has established a fund focused on investment in low and moderate income communities, called the Houston Economic Opportunity Fund. Enron capitalized the fund with <u>$20 million</u> and is trying to raise additional funds from local investors.
- To date, they have invested over <u>$5 million</u> in new businesses, many of them in Hispanic businesses.

Wells Fargo Bank

- Wells Fargo Has previously invested in Arizona MultiBank and will be making a <u>$1.5 million</u> new investment in the LMI SBIC.

Safeway, Inc.

- Safeway recently opened a new 55,000 square foot store in an underserved section of South Phoenix. They invested nearly $7 million in the facility, replacing a smaller outmoded store nearby. The location of the store on this site has helped to spur development of a shopping center on the 24 acre parcel.

Capital One and Pacific Century Bank

- Both of these companies are considering a $1 million investment in MICRO, one of the oldest microdevelopment organizations in the country which focuses from Capital One and Bank of Hawaii (Century Pacific Bank in Phoenix).

Bank of America

- Has previously contributed $3 million to **Arizona MultiBank Community Development Corporation.**

PUBLIC SECTOR ANNOUNCEMENTS IN PHOENIX

Department of Housing and Urban Development

- The **Chicanos por La Causa Small Business Incubator**, is located in the EC and has received $140,00 in CDBG funds. The incubator program supports the empowerment of the business community by providing computerized office support, management training workshops, and other small business related resources.
- Through the Community Development Block Grant, HUD has helped to fund the **Expansion Assistance and Development Program** ("EXPAND"). The EXPAND Program is a loan collateralization program that encourages lenders to make loans to businesses that might not have otherwise been able to secure start-up capital. The program leveraged CDBG and private funding to an amount exceeding $3.5 million.
- Phoenix won a HUD "Blue Ribbon Best Practice" award for its Youthbuild Program. HUD also contributed $2.2 million to Youthbuild's Phoenix grant. Youthbuild funds programs that help young high school dropouts obtain education, employment skills, and site work experience in a construction trade.
- **[NEED TO DISCUSS WITH JON about HUD EDI grants]**

CORPORATE/PRIVATE SECTOR ANOUNCEMENTS IN LOS ANGELES

Cisco Systems

- Cisco will expand the Cisco Networking Academy information technology training course offerings from the current level - in 15 different empowerment zones and enterprise communities - to 35 of those economically disadvantaged areas.
- The Los Angeles-based company will partner with every one of the Labor Department's current Youth Opportunity grant communities if possible as well as selected Job Corps centers, and will also develop a web-based placement system to allow students to be matched with employers.

- Cisco will recruit employers through an information campaign to customers, partners and the general business community, with the potential to reach 65,000 people in the first two years. The estimated financial commitment from Cisco is in excess of $630,000.

Xerox Corporation
- Xerox will provide job shadowing opportunities and paid internships for 50 Los Angeles area youth.

United Parcel Service
- UPS will commit to hire 2,000 out-of-school youth by the end of the year 2000, and become a partner with all 11 existing Department of Labor Youth Opportunity communities.

Toyota Motor Sales USA
- Toyota Motor Sales USA has pledged to make an investment of $1 million over the next three years.

Shell Oil
- Shell will double the size and scope of its Watts/South Central-based training academy with an additional half-million dollar investment.

Los Angeles Dodgers
- The National League Baseball franchise will host a job fair to connect youth with employers and launch a mentoring relationship with the Los Angeles Youth Opportunity grant organization.

KCBS-TV of Los Angeles
- The station will commit air time to promote youth programs including extensive airing of Department of Labor Youth Opportunity Movement public service announcements.

Tower Health and Pro Patient Plus
- It will open a minimum of five clinics in inner city Los Angeles, partner with the Los Angeles Youth Opportunity grantee, and hire at least 25 youth in the next year.

PDQ Staffing of Los Angeles
- PDQ Staffing will hire 100 at-risk youth in the Los Angeles area.

McDonald's
- McDonald's will hire 200 more Los Angeles area out-of-school youth.

State Farm Insurance of California

- They will mentor 50 young people and hire 10-15 out-of-school youth.

Megatoys

- Megatoys is a small Los Angeles toy manufacturer, will hire three to five targeted youth this year as part of their new partnership with the Youth Opportunity Movement.

Starks and Associates

- Starks and Associates, of Upland, Calif. will hire five out-of-school youth.

MRA Managed Health Care Solutions

- MRA Managed Health Care Solutions of Long Beach will hire three out-of-school youth.

BD Systems

- BD Systems of Torrance, Calif. will hire three out-of-school youth.

Flanigan Farms

- Flanigan Farms of Culver City, Calif. will hire two out-of-school youth.

The Rose Hills Company

- The Rose Hills Company of Whittier, Calif. will hire two out-of-school youth.

Western Badge and Trophy Company

- The Western Badge and Trophy Company of Los Angeles will hire two out-of-school youth.

The Enterprise Foundation and the Freddie Mac Foundation

- The two foundations will underwrite a new $1 million child care program for young out-of-school mothers in Los Angeles and throughout California.

The Chase Manhattan Foundation

- The Chase Manhattan Foundation will run a financial literacy program for at-risk youth in distressed New York City neighborhoods, with a financial commitment of more than $250,000.

The California Endowment

- In partnership with the **Rockefeller Foundation**, the California Endowment will assemble a neighborhood skills program for out-of-school youth and welfare recipients statewide in California.

The Annie E. Casey Foundation

- The Annie E. Casey Foundation will start an Employment Skills Readiness project as part of its Neighborhoods in Transition and Jobs-First initiative, in 22 U.S. cities.

Ms. Foundation for Women

- The Ms. Foundation will start a national Girls Leadership and Training program.

The Village Foundation and the Kellogg Foundation

- The two foundations will co-host a national foundation roundtable in September on the Youth Opportunity Movement and the New Markets Initiative.

PUBLIC SECTOR ANNOUNCEMENTS IN LOS ANGELES

[NEED TO DISCUSS TO HUD EDA GRANTS]

CORPORATE/PRIVATE SECTOR ANOUNCEMENTS IN LOS ANGELES/ANAHEIM:

LISA, LET'S MERGE WITH ABOVE PERHAPS?

America On Line

- AOL will announce a "Digital Divide Grant Program" through which they will provide grants of $25-100,000 to help close the digital divide through assistance to community technology centers.
- The company is also working on Digital Divide Symposium that they will sponsor this fall.

AT&T, Michael Armstrong

- AT&T is committing a total of $1.26 million to increase access to technology for young people.
- AT&T has awarded a two-year, $500,000 grant to the Los Angeles County Office of Education to support expansion of the Technology for Learning initiative, a collaborative effort to increase community access to technology.
- AT&T has also provided funding for the Community Technology Centers' Network, a national membership organization that seeks to advocate for equity in access to technology; the National Urban League, in support of the development of three At&T Digital Campuses; the NAACP to launch a pilot program aimed at providing access to computer technology and training in the local LA community; the Magic Johnson/AT&T Technology Center; and the Puente Learning Center.

Synopsys

- Synopsys Silicon Valley Science & Technology Championship is an education initiative intended to advance high school science and math education in Silicon Valley through scientific research and project-based learning. Synopsys is making a $3 million commitment.
- The Synopsys Championship provides many corporate sponsorship opportunities, such as the Summer Teacher Institute to underwrite costs associated with enrichment programs for teachers, and the Scientific Review Committee to fund science fair personnel to attend the Intel International Science & Engineering Fair.
- Synopsys is also working to help local students learn math and science better through project-based, inquiry learning. The company has created Synopsys Silicon Valley Science and Technology Championship and is committing $3 million over three years to increase science fair participation.

Academy of Information Technology

- The National Academy Foundation with the support of companies like Lucent is developing a new Academy of Information Technology. Lucent is taking a leadership role in challenging the information technology industries to work together to develop and support a long-range and systemic solution to the digital work force challenge.

- The new IT Academy will cost approximately $8 million to develop. Funding received in excess of the $8 million program costs will provide direct support to participating schools for further infrastructure development.
- The President will announce at NAF's conference a major corporate commitments to this effort.

Jackson T. Dunn
07/02/99 08:55:13 PM

Record Type: Record

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

cc: Jaycee A. Pribulsky/WHO/EOP@EOP, Laura A. Graham/WHO/EOP@EOP
Subject: Confirmed Corporate Executives

Please don't share with the press or congressional office yet. I would want to double check spellings and titles. Thanks.

Outstanding Questions:
1. **Henry Cisneros**
2. **ICIC -- was attendance resolved?**
3. **John Utendahl, still deciding if he can come -- if he does**

KENTUCKY HIGHLANDS
Requested Seats: FULL MANFEST FROM WASHINGTON - KENTUCKY
SITE CONTACT: BILL LUCHT, CEO COORDINATOR

Confirmed Attendees
1. **Dick Huber, CEO, Aetna**
2. **Duane Ackerman, CEO, BellSouth**
3. **Jesse White, President, ARC**
4. **Al From, President, DLC**
5. **Kip Stolen, President, Bank One of Central Kentucky**
6. **David Wilhelm, President, Wilhelm & Conlon**
7. **Sarah Gould, Executive Vice President, Ms. Foundation for Women**

Event Attendees
1. **Mr. David Grimes, CEO, Sykes**

MISSISSIPPI DELTA
Requested Seats: FULL MANIFEST FROM KENTUCKY TO MEMPHIS
Requested Seats: FULL MANIFEST ON HELIO TO AND FROM CLARKSDALE
SITE CONTACT: DON GRAVES, CEO COORDINATOR

Confirmed Attendees
1. **Dick Huber,CEO, Aetna**
2. **Bob Cabe, President, Arkansas Blue Cross & Blue Shield**
3. **Jack Haugsland, COO, Greyhound**
4. **Al From, President, DLC**
5. **Wayne Leonard, CEO, Entergy**
6. **Cathy Bassant, President of Community Development, Bank America**

7. David Broszek, COO, FDX
8. Gregory Calhoun, President, Calhoun Enterprises

EAST ST. LOUIS
Requested Seats: FULL MANIFEST FROM MEMPHIS TO EAST ST. LOUIS
CEO SITE CONTACT: Jackie Laweing 888-740-8662
Ted Carr 888-772-4713

Confirmed Attendees
1. Cathy Bassant, President for Community Development, Bank America
2. TBD, ICIC
3. David Bernauer, President, Walgreens
3. Al From, President, DLC
5. Dick Huber, CEO, Aetna
6. Jackie Joyner-Kersee, President, Elite International Sports Marketing
7. Joe Stroud, General Manager, Jovan Broadcasting

PINE RIDGE
Requested Seats: FOUR SLOTS MANIFEST FROM EAST ST. LOUIS TO PINE RIDGE
CEO SITE CONTACT: ROGER CHUNG 888-907-8110

Confirmed Attendees
1. Franklin Raines, CEO, Fannie Mae
2. Bart Harvey, CEO, Enterprise Foundation
3. Roger Haughton, CEO, PMI

PHOENIX
Requested Seats: 4 SLOTS FROM PINE RIDGE TO PHOENIX
Site Contact: Betsy Kim 202-679-3602; 602-687-8440
Bob Laney 602-745-7222; 602-315-9175

Confirmed Attendees Travelling with the President
1. Gene Humphry, CEO, Enron Development
2. Leo Guzman, President, Guzman & Company
3. Marianne Spraggins, Wiley Smith & Company

PLANE FROM PHOENIX TO LOS ANGELES
1. Stephen Burd, CEO, Safeway
2. Marianne Spraggins, Wiley Smith & Company

New Markets Initiative
June 29, 1999

There is enormous economic potential in America's lower-income communities, both urban and rural – potential that can benefit the residents of these communities, and benefit the businesses that successfully serve these markets. Many of these communities possess meaningful business advantages if approached with strategic mindset. The challenges are real, but so, too are the opportunities.

{New Markets = census tracts with either poverty >20% or median income <80% of local median income}

Advantages:

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

The Administration's New Markets Initiative primarily addresses the need for access to capital, especially access to equity capital. This is a critical need for small business growth.

In addition to access to equity capital, businesses in these areas need access to technical expertise and to market opportunities. The New Markets Initiative also includes a very small amount of seed capital for BusinessLINC, a public-private partnership to promote more business-to-business mentoring and partnerships that benefit both firms.

A third barrier, one that impedes outside business investment in these areas, is access to market information. This is access to compiled business demographics, purchasing power and local economic opportunities. Up until now, the federal government has never looked through its various databases with an eye toward compiling useable business information to help investors apprise these communities as markets.

At the federal government level, we have pooled expertise from Commerce/Census Burea, Labor/Bureau of Labor Statistics, Treasury, and HUD to look at our available information and how to present it most usefully for potential business investors. Although we are still working on the details, I will be looking to form an Inter-Agency Group that is specifically charged with this task, including producing a regular compendium of New Markets business indicators.

YY

1. Retail spending power is significant

We are analyzing the Consumer Expenditure Survey for New Markets areas. This is the first time this has ever been done – prior analyses focused either on entire Metro areas, or focused on lower-income people wherever they lived. We are putting the two together to understand the unique purchasing patterns of lower income neighborhoods generally.

- According to the Consumer Expenditure Survey, consumers spend almost $685 billion in these new market areas.

- According to the Consumer Expenditure Survey, people with lower incomes spend a much greater percentage of their incomes. For example, in central city New Market areas, residents spend 83% of their income, whereas Non-New Market areas in central city spend 69%. In rural New Markets areas, residents spend 75% of their income, whereas Non-New Market rural areas spend 85%.

2. Retail shopping Opportunities are Scarcer – There is less competition for the consumer's dollar.

See HUD paper

3. Success Story: The Home Mortgage Industry

A few industries and a few businesses have really succeeded in finding profitable market opportunities in these New Markets

First, the home mortgage lending industry. Since 1993, access to the mortgage market for lower-income persons, for lower-income communities and for minorities in general improved dramatically compared to the market as a whole. As shown in Table 1, total conventional mortgage loans increased by 33 percent between 1993 and 1997. Loans to census tracts where

✓ untapped loans markets in new markets

growth in mortgage lending faster in NM areas than in other areas the median income is less than 80 percent of the median income of the metropolitan area increased much more rapidly than the average, by 45.1 percent. Similarly, loans to African Americans and Hispanics grew by 71.6 percent and 45.4 percent, respectively, over that period, also much faster than the average.

Table 1. Conventional Home Loans, 1993-1997

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

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

Successful lenders are making these loans profitably, and consistent with safe and sound banking practice. In some cases, banks' obligations under the Community Reinvestment Act first motivated them to explore these markets. But now that these lenders have developed the underwriting expertise and the market knowledge to serve these customers, they are staying for the profit opportunities. This is the same approach that a savvy business person would take with any new market overseas.

The Inner-City Shopper: A Strategic Perspective

A Special Report by PricewaterhouseCoopers and The Initiative for a Competitive Inner City

Summary of Inner-City Consumer Findings

The migration of retailers to emerging suburban markets over the past forty years casts the inner city as a difficult and unprofitable market. In some cases this is warranted. However, new research on inner-city consumers and markets points to a large, underserved, and potentially profitable retail market estimated at $85 billion annually, or 7% of US retail sales[1].

Many retailers underestimate the potential of the inner-city market in part because of a lack of information on the inner-city consumer. PricewaterhouseCoopers and the Initiative for a Competitive Inner City have sought to fill this gap by undertaking the first national survey of 1,205 inner-city households. This survey provides concrete information on what inner-city consumers look for when shopping for apparel, food and home furnishings, and how the purchasing behavior of inner-city households compares to that of the average U.S. household.

The Inner-City Market

The consumer survey findings indicate that the inner city represents attractive opportunities for retailers. While these markets are less understood and have barriers and complexities that must be overcome, they represent potential sales opportunities that can rival those of suburban retail developments.

For the purposes of this survey, we have defined inner-city areas as economically distressed urban communities measured by a median household income of at least 25% less than the city average, a poverty rate at least 50% higher than the city, and/or unemployment of at least 30% higher than the city average.

Apparel

Inner-city shoppers are more interested in fashion and apparel shopping than U.S. shoppers as a whole. Inner-city African American households report spending (in absolute dollars) more annually on apparel than the average U.S. household. Compared to the average U.S. shopper, inner-city shoppers are potentially attractive customers because they are more fashion and style conscious, more oriented to brand and service, and more interested in credit.

Home Related Goods

Dspit lower homeownership rates in the inner city, inner-city shoppers are more likely than the average U.S. household to have made purchases in categories such as furniture, electronics and tableware in the past year.

For furniture, inner-city shoppers consider a wide range of styles, availability of brands, and unique merchandise to be very important when choosing a store. This presents an opportunity for specialty fashion home furnishing retailers, who currently have a very limited presence in the inner city.

Groceries and Household Needs

For groceries and household needs, inner-city shoppers tend to have greater brand loyalty than the average consumer and rate high quality meat, fresh seafood, and other fresh foods as very important when choosing a store.

Drug stores capture a disproportionate share of purchases in many consumable categories largely because there are more drug stores in the inner city than discount department stores and supercenters.

Inner-city African American and Hispanic households demonstrate less loyalty to a particulargrocery stores, and are more likely to have several stores that they like to shop.

Specialty Stores

Inner-city shoppers are more likely to shop at specialty stores than the average U.S. household in many product categories such as men's and women's apparel.

Specialty stores, many owned by inner-city entrepreneurs, succeed when they provide unique merchandise tailored to the needs of the inner-city shopper and are customer-service oriented.

Customer Service, Selection and Credit

Across all product categories, inner-city shoppers are more selection and customer service-oriented than the average shopper. They are looking for more information and more help from the sales associate in the store.

Additionally, the availability of store credit, 0% financing, and extended payment plans are much more important to the inner-city consumer than to consumers in general.

Discount Department Stores

Discount department stores, which have transformed retailing everywhere else in America, are missing an opportunity in the inner city.

Inner-city primary household shoppers are less likely than shoppers in general to be regular shoppers at discount department stores. In part, this is due to the fact that inner-city shoppers have limited access to such stores. Despite this, in product category after product category, from small appliances to women's apparel, the purchase behavior of inner-city shoppers suggests that they seek out discount department stores.

There is a major opportunity for the discount department stores to embark on a Sell America! campaign by expanding in the inner city.

Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

[1] *The Business Case for Pursuing Retail Opportunities in the Inner City* The Boston Consulting Group in partnership with The Initiative for a Competitive Inner City, June 1998. Part of the Initiative's national retail study entitled Catalyzing Private Sector Inner-City Retail Investment & Services.

A Strategic Perspective

The neglect of the inner city has created markets full of opportunities for retailers. These markets have unique needs and complexities that must be understood and met. Nevertheless, they represent potential growth markets that can rival those of both foreign expansion and suburban retail developments.

Inner-city retailing is the subject of an on-going consumer research effort by the Initiative for a Competitive Inner City (ICIC) and PricewaterhouseCoopers LLP. The ICIC is a national not-for-profit organization founded by Harvard Business School professor Michael E. Porter. This report details the findings of the first fielding of this annual inner-city consumer survey.

In addition to the PricewaterhouseCoopers/ICIC survey, ICIC is completing research on strategies for profitable retail execution for independent retailers, best practices for inner-city retailers, and with The Boston Consulting Group completed a study in June 1998 entitled *The Business Case for Pursuing Retail Opportunities in the Inner City.*

Inner-city retailing is an under served market

In general, inner-city residents have less access to shopping centers and food stores than do their suburban counterparts. Shoppers in the inner city typically pay higher prices for goods and services and have fewer products to choose from.

For retailers in the inner city there is less competition. As a result, many inner-city stores have a higher level of productivity than the rest of retailing in terms of sales per square foot, gross margin and inventory turn.

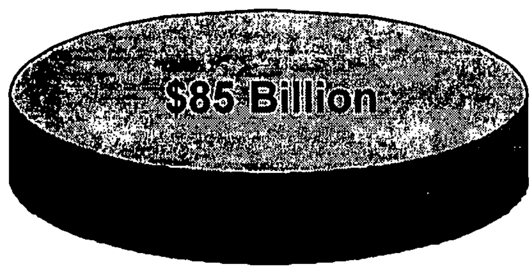
The inner-city retail gap negatively impacts urban neighborhoods and households

The inner-city economy would be better off with more retail choice. In many inner-city markets there is a void in supermarket retailing resulting in a lack of access to competitively priced products and services.

With fewer choices, inner-city shoppers generally have to travel farther, go to more stores and take more time to get all of their shopping done. More retail penetration would also mean more jobs in the inner city, adding to the tax base and making for more stable neighborhoods.

How Big is the Inner-City Opportunity?

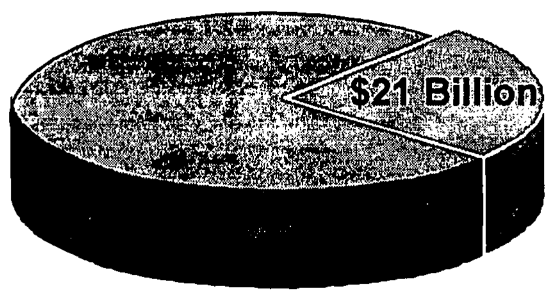
Total Inner-City Retail Sales



Source: The Boston Consulting Group And The Initiative for a Competitive Inner City

In a study conducted by The Boston Consulting Group and the Initiative for a Competitive Inner City, the annual inner-city retail market was calculated at approximately $85 billion dollars. This is slightly larger than the entire retail market of Mexico. The inner-city market is also very concentrated, making sales per square mile substantially higher than the majority of suburban markets

The Last Frontier of U.S. Retailing: Unmet Total Inner-City Retail Sales



Source: The Boston Consulting Group And The Initiative for a Competitive Inner City

Due to the lack of retail interest in the inner city, an estimated one-quarter or $21 billion in retail sales are not being provided by inner-city retailers. This shortfall makes the inner city the last frontier of U.S. retailing.

The 1997 Inner-City Shopper Survey

The PricewaterhouseCoopers/ICIC survey is the first national study of of inner-city shoppers. The lack of information on the inner-city customer is perhaps due to the perception of the inner-city as an unattractive market . Although there have been consumer surveys of minority shoppers, they do not capture the depth and complexity of the behaviors and attitudes of inner-city shoppers.

This survey is based on a special fielding of PricewaterhouseCoopers' Consumer Database. The Consumer Database is a proprietary database based on shopper surveys conducted in the United States on a regular basis since 1986. The extensive survey is focused on consumer shopping behavior and attitudes, covering a wide range of shopping-related topics including shopping frequency and store type preference. The sample is weighted by household income and age and lifestyle of the primary household shopper, creating a nationally representative picture of shopping behavior, described in this research as 'the average U.S. household" or "the U.S. shopper sample".

For the Inner-City Shopper Survey, 1,205 inner-city households were surveyed in October and November 1997. The surveys were mailed to a random sample of inner-city households in 417 zip codes identified by the Initiative for a Competitive Inner City as inner-city areas[1] across major U.S. metropolitan areas. The households were drawn from a consumer panel of over 500,000 households provided by National Family Opinion, a market research firm. Surveys were completed by the self-designated "primary shopper" in the household.

Responses to the inner-city survey were weighted to reflect the national mix of African American, Hispanic and White households in the inner city as well as the income and age distribution of each of these inner-city consumer segments. The inner-city respondents completed the same survey used for the 1997 Consumer Database, allowing comparisons of inner-city shopping behavior to the shopping behaviors of the nationally representative sample. This sample, like any sample, has certain biases. In particular, the sample is biased toward English speaking inner-city residents who participate in National Family Opinion's panel.

Shopper Survey Sample Profiles

	Total U.S. Primary Household Shoppers	Inner-City Primary Household Shoppers: White (n = 443)	African American (n = 499)	Hispanic (n = 263)
Gender				
Male	25%	35%	18%	29%
Female	75	65	82%	72%
Marital Status				
Married	57%	34%	20%	43%
Not Married	43	66	80	57
Household Type				
Single Person	25%	41%	37%	23%
Single Parent with Child(ren)	7	10	29	19
Married Couple with Child(ren)	34	15	9	30
Married Couple w/o Child(ren)	24	20	11	15
Group of Unrelated People	10	14	14	13
Age Distribution				
Under 25	3%	8%	6%	8%
25-34	23	23	22	29
35-44	27	19	21	24
45-54	19	13	16	16
55-64	13	12	15	11
65+	16	25	21	12
Income				
Under $15,000	19%	38%	51%	45%
$15,000 to $24,999	18	20	18	22
$25,000 to $34,999	15	15	12	14
$35,000 to $49,000	17	13	10	11
$50,000 +	32	14	9	8

Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

[1]Inner-city zips codes are defined as economically distressed urban communities with a median household income of at least 25% less than the city average, a poverty rate at least 50% higher than the city, and/or unemployment of at least 30% higher than the city average.

Who Is the Inner-City Shopper?

There is no single inner-city shopper. Significant differences exist in shopping frequency, attitudes and store choice factors among different inner-city shopper segments, as well as differences in merchandise selection, style, and brand preferences. Requirements of the shopping experience also vary greatly with respect to customer service, product information, convenience, pricing and credit.

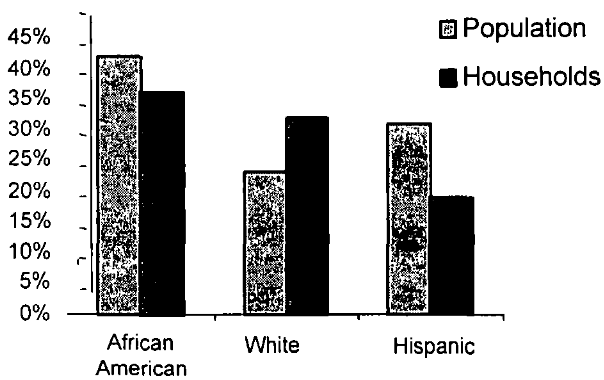
Many Customer Segments

There is no single description of the inner-city shopper. According to ICIC's analysis of U.S. Census Bureau statistics, African Americans represent 42% of the inner-city population and 36% of all inner-city households, Whites 23% and 32%, Hispanics 31% and 19%, other segments 4% of the population and 13% of households.

This tremendous diversity provides retailers and suppliers with challenges as well as opportunities.

The population and household data in the chart below are based on the ICIC's analysis of U.S. Census data for inner-city zip codes in metropolitan areas.

Inner-City Population & Households



Source: U.S. Census Bureau

In addition to the tremendous diversity of the inner-city population, the PwC/ICIC survey found significant differences in each of the major inner-city shopper segments, particularly in terms of life stage and income. These differences by ethnicity account for many of the differences in shopping behavior within the inner city. The following percentages may vary from Census data as they are representative of the PricewaterhouseCoopers/ICIC survey sample.

Inner-City African Americans

Inner-city African Americans households are older then the total shopper population. They are significantly older than inner-city Hispanic households, but somewhat more middle aged compared to inner-city White households.

A substantial number of inner-city African Americans live alone, with 37% of households consisting of single individuals. Another 29% are single parents with children, four times the national average. African American households have the lowest household incomes of the three inner city ethnic groups.

Inner-City Whites

Inner-city Whites tend to be older than the other inner- city residents, particularly Hispanics, and much older than the total shopper population.

Inner-city Whites also tend to have more income than their inner city counterparts. Although somewhat less well off than the general population, there is a segment of inner-city White residents with relatively high household incomes .

Inner-city Whites are generally beyond their child rearing years. Only 25% have children, compared to 41% of all households. A substantial 41% of the inner-city White households are made up of just a single person living alone.

Inner-City Hispanics

Hispanics are the smallest of the three major ethnic inner-city shopper segments, but the fastest growing on a national basis.

Hispanics in inner cities are younger and more likely to be in the family lifestage than either African American or White households. Nearly half or 49% of all Hispanic households have children at home, compared to 41% for the general shopper population. Hispanic households are middle class, as 36% have incomes between $15-$35,000 compared to 33% for the general shopper population.

Inner-City Shopper Education and Occupation

While inner-city shoppers tend to be somewhat less educated than the general shopper population, the vast majority are high school graduates and about half have at least some college.

In terms of employment, inner-city shoppers surveyed are more likely than the population as a whole to be found in pink collar (mid level) service or support jobs or in blue collar operator/laborer jobs. Among women, a high percentage work in managerial/professional, technical/sales and administrative support positions.

Inner-City Sample Profile by Ethnicity for Men

	Total U.S. Primary Household Shoppers		Inner-City shoppers: White (n = 443)[2]		African American (n = 499)[2]		Hispanic (n = 263)[2]	
Male Head Education								
Did Not Graduate High School	9%		9%		22%		25%	
Graduated High School	25%		34%		28%		28%	
Some College (includes Associates degree)	35%		31%		40%		36%	
Graduated College	20%	66%	19%	62%	10%	53%	3%	43%
Post Graduate Degree	11%		12%		3%		4%	
Male Head Occupation								
Managerial/Professional	42%		47%		25%		25%	
Technical/Sales, Admin. Support	14%		19%		14%		13%	
Service	9%		10%		23%		29%	
Farming/Forestry	2%		0%		0%		0%	
Craftsman/Repairman	15%		13%		10%		9%	
Operator/Laborer	18%		11%		27%		24%	

Inner-City Sample Profile by Ethnicity for Women

	Total U.S. Primary Household Shoppers (n = 443)[2]		Inner-city shoppers: White (n = 499)[2]		African American (n = 263)[2]		Hispanic	
Female Head Education								
Did Not Graduate High School	7%		17%		19%		27%	
Graduated High School	29%		34%		28%		28%	
Some College (includes Associates degree)	40%		31%		40%		36%	
Graduated College	17%	64%	14%	50%	8%	53%	8%	46%
Post Graduate Degree	7%		5%		5%		2%	
Female Head Occupation								
Managerial/Professional	45%		34%		37%		39%	
Technical/Sales, Admin. Support	33%		32%		34%		36%	
Service	16%		25%		27%		18%	
Farming/Forestry	1%		1%		0%		0%	
Craftsman/Repairman	1%		4%		0%		1%	
Operator/Laborer	5%		6%		2%		6%	

Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

[2] The sample size (n) reflects the number of responses, not the actual number of respondents within each category. The primary shopper was asked to report this information for his or her spouse.

The Inner-City Softgoods Opportunity: The Appeal of Apparel

In many ways, inner-city shoppers are more attractive apparel customers than the general population. They are more likely to enjoy shopping for apparel and, for African American inner-city shoppers, spend more on apparel in absolute terms.

Apparel Shopping Enjoyment

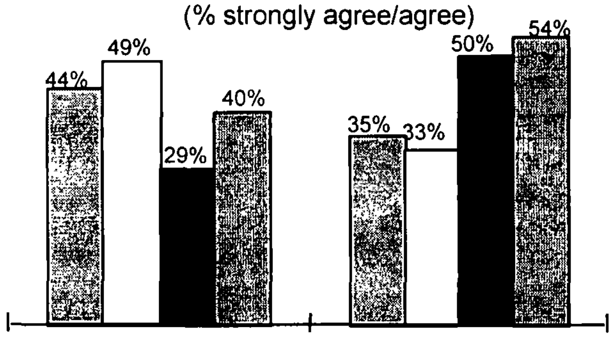
Inner-city shoppers in many ways are more desirable shoppers than the total U.S. shopper population. In short, they like to shop. They enjoy shopping for apparel, more so than the average American primary household shopper.

Hispanic and African American households are enthusiastic apparel shoppers. A significant share, 72% of Hispanic and 70% of African American primary shoppers enjoy shopping for apparel, compared to 50% of the general shopper population. White inner-city households enjoy shopping for apparel about as much as the total U.S. population.

African American and Hispanic shoppers were almost twice as likely to wish they had more time to spend browsing for clothing, an attitude consistent with their enjoyment of shopping. Additionally, when they are shopping, they are less likely to be shopping to replace an existing item in their wardrobe.

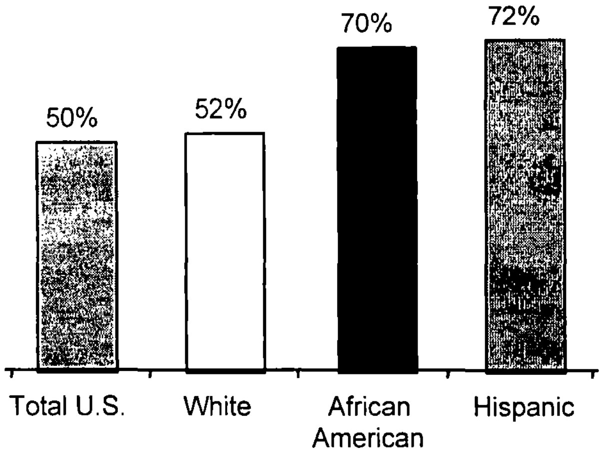
Apparel Shopping Attitudes

(% strongly agree/agree)



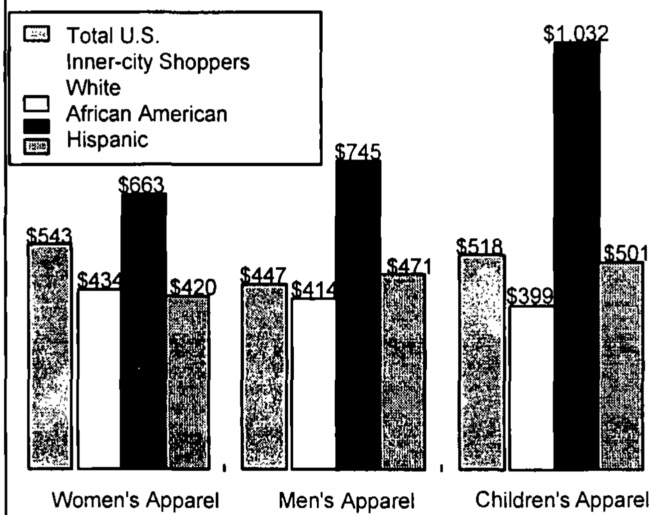
I Enjoy Shopping for Clothing

(% strongly agree/agree)



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Average Annual Household Expenditures on Apparel



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Apparel Spending

For African Americans, this enjoyment of apparel shopping translates directly into spending more on apparel. Inner-city African American households spend, in absolute dollars, roughly 20% more annually on women's apparel than does the average U.S. household, nearly 75% more on men's apparel and twice as much on children's apparel.

Although average spending by Hispanic households on children's apparel is not that much more than the general population, they are important children's apparel customers because nearly 50% of Hispanic households include children. For both Hispanics and African Americans, children's apparel is the product category that accounts for the most annual apparel expenditures.

The data for both inner-city and total household apparel spending is self-reported based on the respondents' recall over the past twelve months. Typically, this form of data collection often results in an underreporting of absolute spending as compared to consumer research that asks respondents to complete a spending diary.

Inner-city households may be able to spend more on apparel because of their lower home ownership rates. National trends indicate that renters spend less on home improvement and furnishings than home owners, freeing up more disposable income to spend on other categories, including apparel.

Apparel Purchase Mix

African Americans were more likely than their White or Hispanic neighbors (or shoppers in general) to have made purchases in a number of apparel categories in the past year. Women's dress clothing and accessories, fine jewelry, as well as infant, children and teen's clothing, were more likely to have been on African Americans' shopping list in the past year. Among other items, Hispanics were most likely to have purchased children's clothing in the last year.

Purchase Incidence in the Last 12 Months

Product Categories	Total U.S. Penetration(%)[4]	Inner-City Shoppers Relative to Total U.S. (index values)[3] White	African American	Hispanic
Women's Casual Clothing	68	75	93	94
Women's Athletic Clothing	25	64	124	68
Women's Dress Clothing	56	73	114	88
Women's Dress Shoes	40	80	135	120
Women's Athletic Shoes	40	65	95	80
Men's Athletic Clothing	24	83	113	100
Men's Casual Clothing	60	78	62	72
Men's Dress Clothing	38	92	71	84
Men's Athletic Shoes	37	76	59	108
Costume Jewelry	27	74	137	81
Fine Jewelry	25	68	164	104
Accessories	37	84	116	81
Infants'/Toddlers' Clothing	37	89	105	119
Boy's Clothing	31	74	110	119
Girl's Clothing	29	76	117	110
Children's Athletic Shoes	25	64	116	140
Teen Boy's Clothing	13	62	154	92
Teen Girl's Clothing	13	69	146	77

[3] An index value of more than 100 indicates a higher than average propensity to have purchased category in past year. An index value of less than 100 indicates a lower than average propensity to have purchased category in the past year. Index values calculated relative to total U.S. category penetration.
[4] Indicates percentage of total U.S. primary household shoppers who purchased category in past year.

Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Size Requirements

Clothing size needs for the inner-city shopper are much wider than for the population as a whole. African American women are over-represented in the Large/Plus and the Tall sizes. Hispanic women also have a large representation in the Large/Plus sizes but are also over represented in Misses Petite.

Size Worn by Female Head of Household

	Total U.S.	Inner-City Shoppers White	African American	Hispanic
Misses Reg (2 - 14)	35	31	30	*25*
Misses Reg (16 - 20)	17	*25*	13	22
Women's Large/Plus	21	23	*38*	29
Misses Petite (2 - 14)	18	14	9	20
Misses Tall	5	6	7	2
Juniors (1 - 15)	4	3	2	2

Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Apparel Selection: Emphasis on Unique, Fashion Forward Merchandise

Merchandising a store to serve inner-city customers will challenge even the most fashion forward retailer. Unique merchandise and the availability of trend setting fashions are highly rated store selection criteria for inner-city Hispanic and African American households. Inner-city customers, especially African Americans, are looking for something unique and different.

The Right Stuff

Not only are inner-city shoppers spending more on apparel, but from a retail perspective, they are potentially a more desirable customer because they are more brand driven and more fashion conscious than the average apparel shopper. For apparel retailers who want to attract the inner-city shopper, getting the fashion right is the first priority.

The Role of Brands and Fashion

When choosing a store for their clothing needs, inner-city shoppers — primarily African Americans and Hispanics — place significantly more importance on brands than the typical U.S. shopper. These customers are looking for a wide selection of brands when they go shopping for apparel, but are not very loyal to a specific brand. Inner-city shoppers are no more likely than shoppers in general to purchase the same clothing brands repeatedly.

Further, 14% of African Americans and Hispanics rate the availability of trend-setting fashions as very important when choosing a store for clothing, compared to 7% of the total U.S.

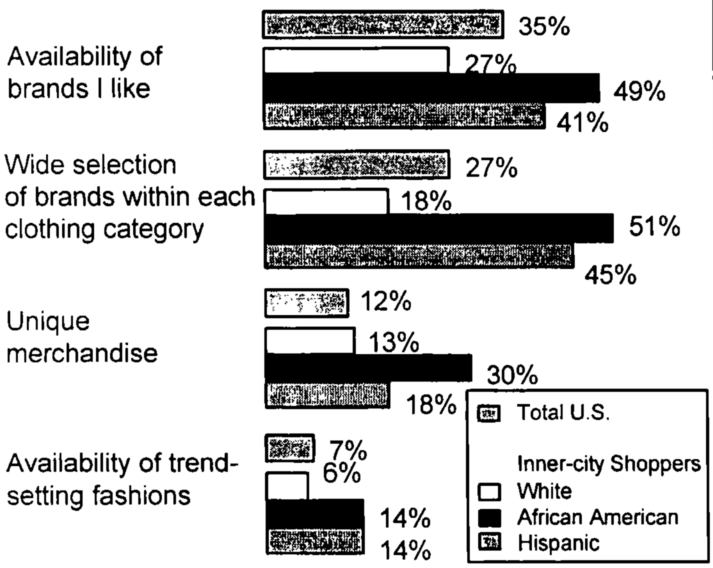
Styles Worn

Inner-city apparel shoppers give more importance to wearing fashionable clothing than the rest of the population. Buying new clothes at or before the start of the season, when prices and margins are generally higher, is much more important to this customer than the general public.

31% of Hispanic primary shoppers indicated that they wear trend setting fashions most often, compared to 21% for the general population.

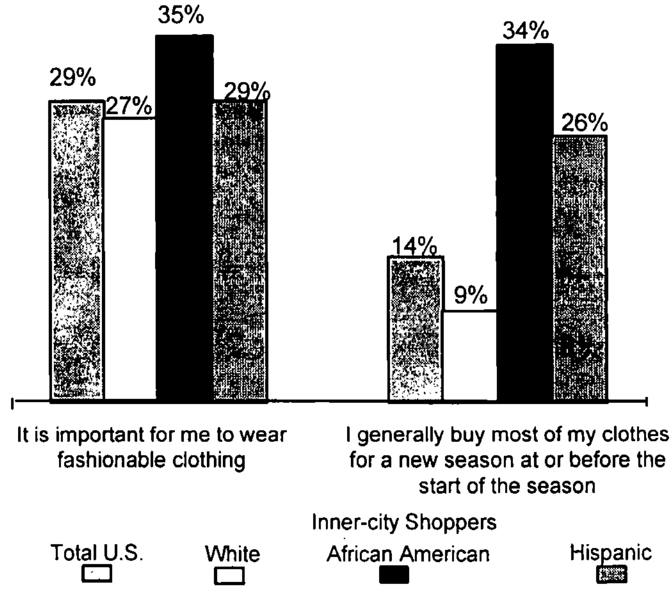
Older White households overwhelmingly favor basic styles when compared to the general population, while African American and Hispanic households show less interest in basic fashions.

Merchandising Issues
% Rating As Very Important
When Choosing A Store for Clothing

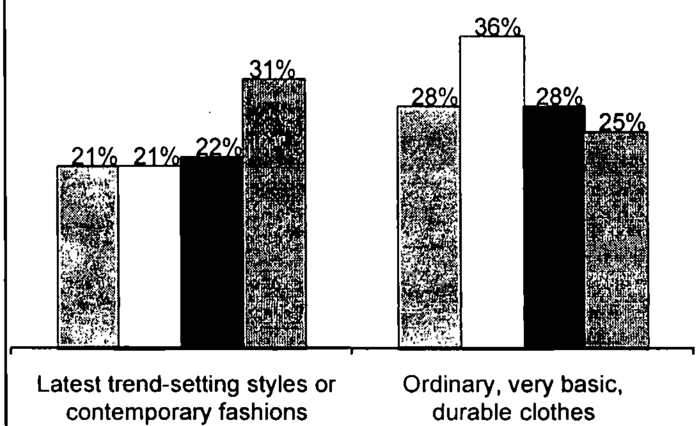


Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Fashion Attitudes
(% strongly agree/agree)



Style of Clothing Worn Most Often



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Apparel Store Choice

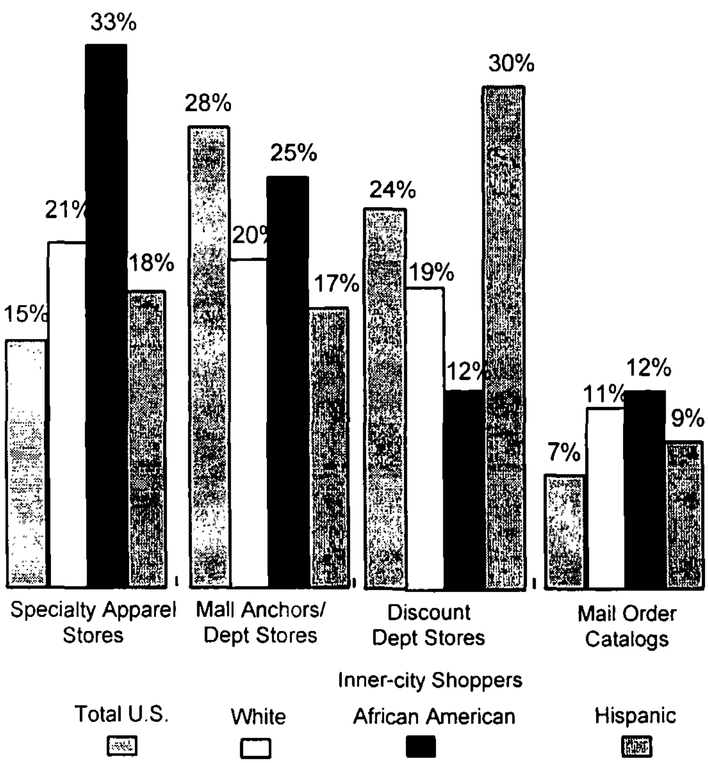
Specialty apparel stores are by far the store type inner-city consumers frequent the most for men's and women's apparel. Key appeals in attracting the inner-city shopper are not that different from the general shopping population. Price and selection are important to both sets of shoppers. Once they have made a purchase decision, however, the inner-city shopper is much more time sensitive.

Store of Choice

Where do inner-city consumers shop for apparel? Store type choices for inner-city shoppers seem to be largely driven by accessibility. The inner-city apparel shopper, particularly for men's and women's apparel, is more attracted to specialty stores than is the general population and less likely to buy from department stores.

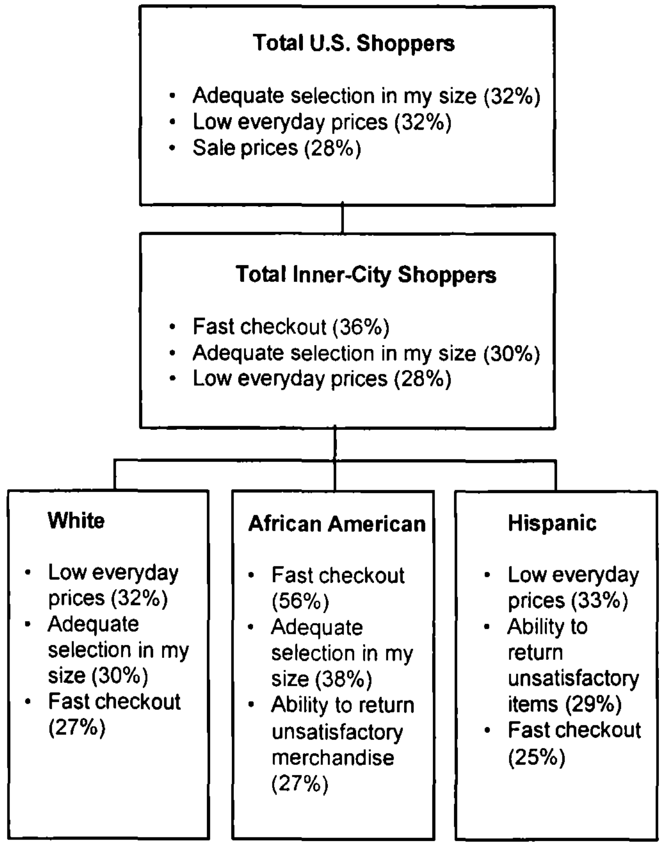
Specialty stores are more likely to be found in inner-city neighborhoods, and department stores in adjacent downtown city centers. In contrast, discount department stores — a popular format among suburban shoppers — are often not present in inner cities or downtown city centers.

Store Type Bought from Most Often
Women's Apparel



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Three Most Important Reasons for Choosing Where to Shop for Clothing For Myself



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Mail order also does well with the inner-city shopper, perhaps reflecting the limited number of other conventional store outlets.

Like the general population, the inner-city consumer values adequate selection in their size and low everyday prices. However, fast check-out and the ability to return unsatisfactory merchandise rate high in the minds of inner-city shoppers.

The Value of Customer Service, Price and Credit

Inner-city shoppers expect more from their shopping experiences than the rest of the population. While sales help has become an oxymoron in many apparel stores, effective sales help is critical to meeting the expectations of the inner-city shopper. The inner-city shopper prefers to buy new clothes at or before the start of the season at an everyday low price, and is very interested in the credit programs that an apparel store has to offer.

Service

While price is important to inner-city shoppers, they are more selection and customer service-oriented than the average apparel shopper. They are looking for more information and help from the sales associate in the store. This is particularly true for inner-city Hispanic and African American shoppers, and much less so for White shoppers.

Inner-city shoppers also want sales associates who are friendly and who can help them find what they are looking for and put together an outfit. Once the decision to buy has been made, the inner-city shopper looks to the sale associate to provide fast checkout.

Specialty retailers, who often compete on customer service and unique merchandise, have a significant opportunity to satisfy the selection and service needs of the inner-city consumer.

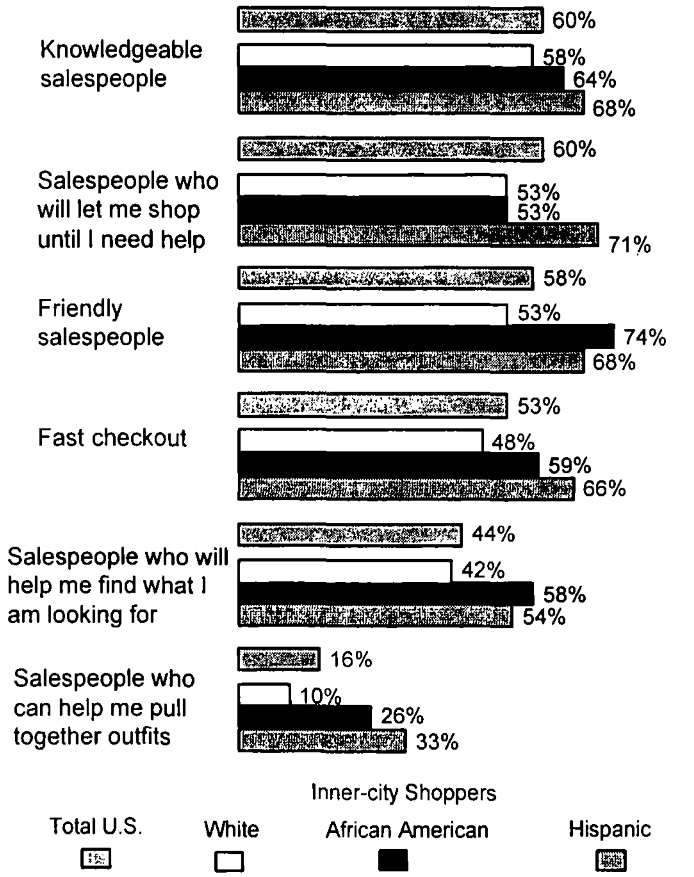
Price and Credit

When it comes to price, an everyday low price (EDLP) seems to have slightly more appeal than a low sales price. Given the limited number of shopping alternatives and the more time required to get to a desired shopping destination, it is no surprising that EDLP would be favored by inner-city consumers.

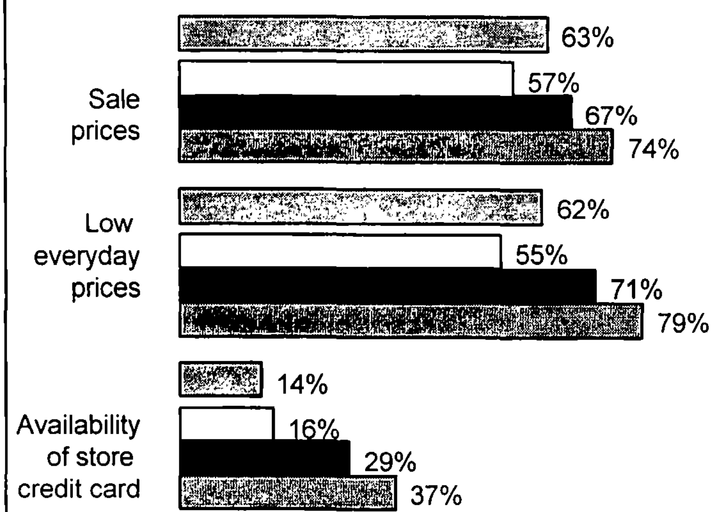
At the same time, the inner-city apparel shopper is very interested in the credit programs that an apparel store has to offer. Inner-city shoppers cite the availability of store credit as a very important factor in store selection much more frequently than the general population.

It is this interest in fashion, combined with a desire to buy early in the season, on store credit, that makes the inner-city apparel shopper potentially a more profitable shopper than the average U.S. shopper household.

Customer Service Issues
% Rating As Very Important
When Choosing a Store for Clothing



Price and Credit Issues
% Rating As Very Important When Choosing a Store for Clothing



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Home Related Shopping

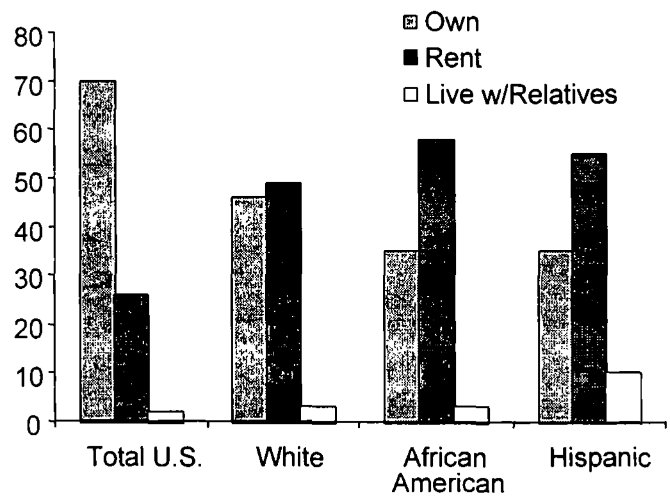
Although inner-city households have a somewhat lower purchase incidence for many home and auto related products, there are a few home-related product categories where inner-city shoppers have a higher propensity to buy than the average U.S. household.

Purchase Frequency

Inner-city households have a somewhat lower purchase incidence than the average U.S. household for many home and auto related products. The low rate of inner-city home ownership accounts for much of this lack of purchase activity. Hispanic and African American inner-city households own their own homes at roughly half the rate of the total U.S. population.

Inner-city shoppers, particularly African Americans, were more likely to have made a purchase last year in several home goods categories, including furniture, consumer electronics, and tableware.

Home Ownership



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Home/Auto Related Goods

Purchase Incidence in the Last 12 Months

	Percent of Households Purchased	Inner-City Shoppers Index Values[5]		
	Total U.S. Penetration[6]	White	African American	Hispanic
Lower Propensity				
Automotive: large products/service purchases	38%	63	71	68
Building materials	31	65	52	55
Tools/hardware	29	66	59	52
Other lawn & garden	29	55	52	38
Power tools	16	75	44	50
Power lawn & garden tools	15	60	60	47
Computer software	23	84	44	59
Computer hardware	17	85	44	69
Greater Propensity				
Window coverings	27	76	133	100
Assemble-it-yourself furniture	19	74	151	85
Assembled furniture	17	77	166	104
Video tapes	44	83	106	87
Electronics and home entertainment	27	99	130	118
Everyday tableware	20	67	146	100
Fine tableware	8	89	142	108

[5]An index value of more than 100 indicates a higher than average propensity to have purchased category in past year. An index value of less than 100 indicates a lower than average propensity to have purchased category in the past year. Index values calculated relative to total U.S. category penetration.
[6] Indicates percentage of total U.S. primary household shoppers who purchased category in past year.
Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Furniture: Service and Selection

African Americans have a higher propensity to purchase furniture than the U.S. household sample. Like apparel, the inner-city furniture shopper is looking for wide selection and unique merchandise. This is particularly true for Hispanic and African American shoppers.

Inner-city African American households have a significantly higher than average propensity to purchase both assemble-it-yourself and assembled furniture than the general population. A surprising 50% of African American and 46% of Hispanic households report enjoying shopping for furniture versus 33% of white inner-city households, and 30% of all U.S. primary shoppers.

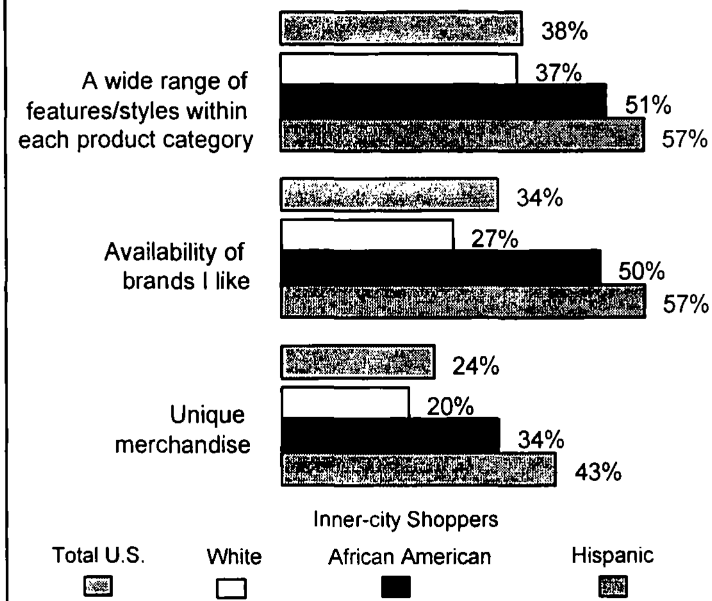
Customer Service

When making a furniture purchase, inner-city shoppers want the peace of mind that comes from being able to return unsatisfactory products and are looking for convenient delivery times.

As in other product categories, stores that compete on service will have an advantage in the inner-city furniture market. Inner-city shoppers also want sales associates who are friendly and who can help them find what they are looking for, while at the same time allowing them to shop until they need help.

Store layout is also important to the inner-city shopper, as they favor stores that make it easy for the shopper to find what they are looking for.

Choosing a Store for Furniture
% Rating Factor as Very Important

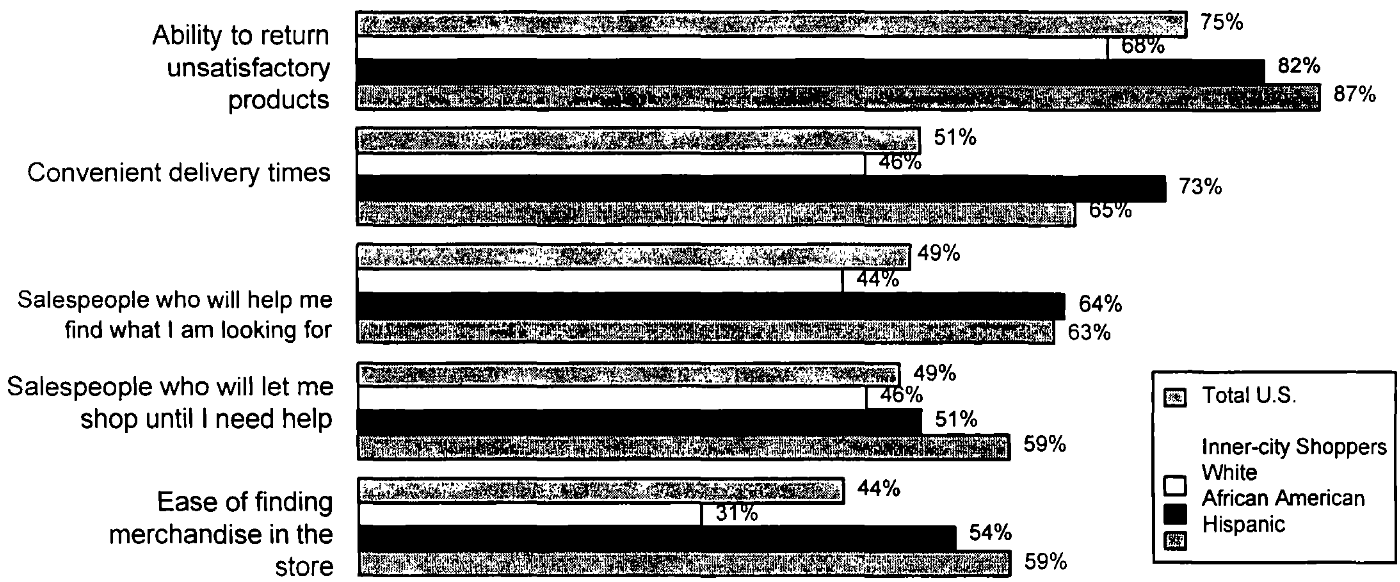


Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Style and Brands

Inner-city shoppers consider a wide range of styles, availability of brands, and unique merchandise to be very important when choosing a store for furniture. This presents an opportunity for specialty home furnishing retailers, who currently have a very limited presence in the inner city.

Choosing a Store for Furniture
% Rating Factor as Very Important



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Furniture: Price & Credit

Given the generally lower income of the inner-city household, it is not surprising that price and credit are very important in furniture purchases. Everyday low price seems to win out over sales with this customer, but not by much.

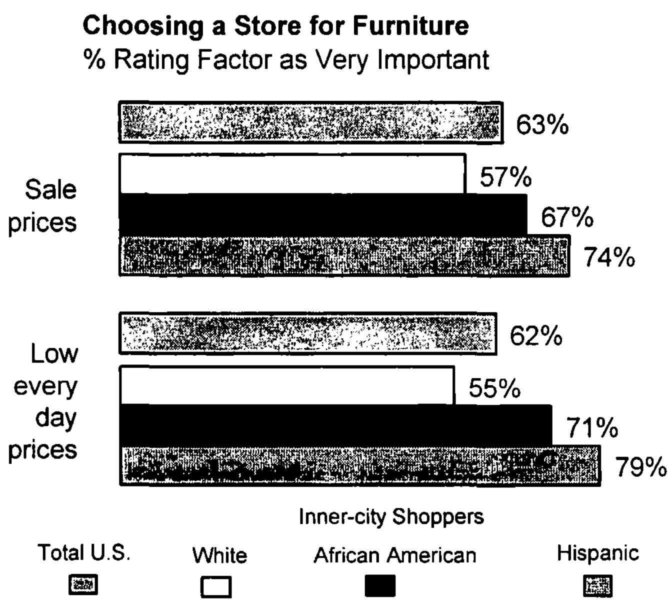
Pricing it Right

African American and Hispanic households are much more price sensitive than their inner-city White counterparts. Given the lack of shopping alternatives, these shoppers may not be able to take advantage of high-low sales promotions as much as the general population. Also, given the higher proportion of single parent households in this population, time may also play a role.

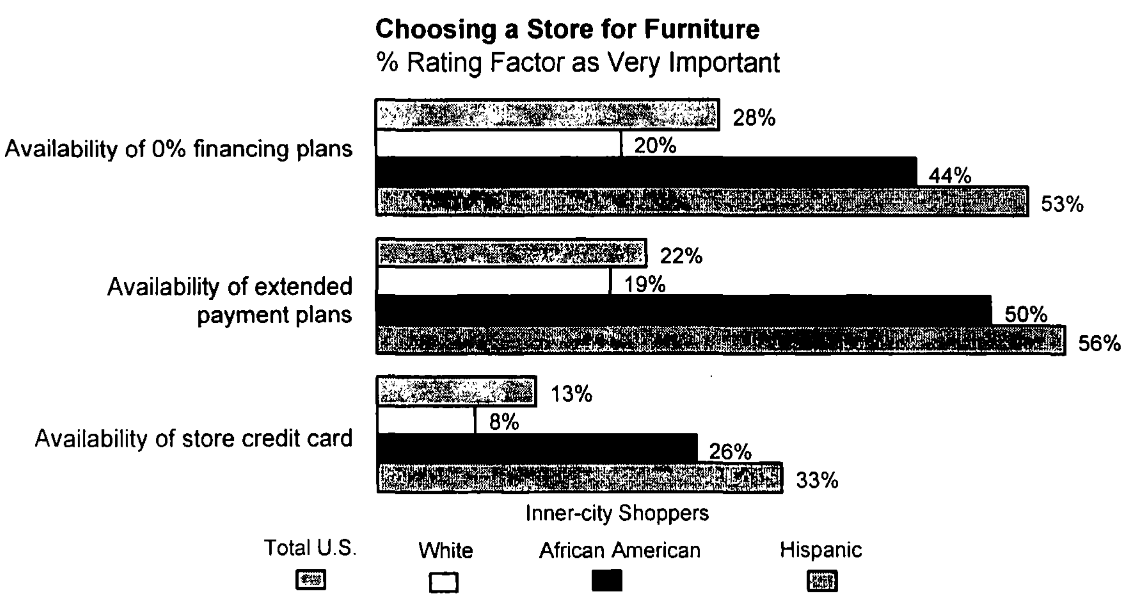
Credit is Critical

Credit is much more important to the inner-city shopper than the average U.S. shopper when it comes to selecting a store for furniture. This is particularly true for African American and Hispanic households. Given lower household incomes, inner-city shoppers probably have fewer credit alternatives than the average shopper. Stores that offer credit and extended payment plans will gain this shopper's loyalty.

Today, store credit card operations represent an important profit component of many retailers' businesses.



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Consumer Electronics and Home Entertainment

Once again, pricing and credit show up as critical marketing levers for the inner-city shopper. Zero percent financing is a winner.

Purchase Behavior

Thirty-one percent of African Americans and 37% of Hispanics purchased a TV, VCR, or stereo in the past year versus 25% of the total U.S. shopper sample.

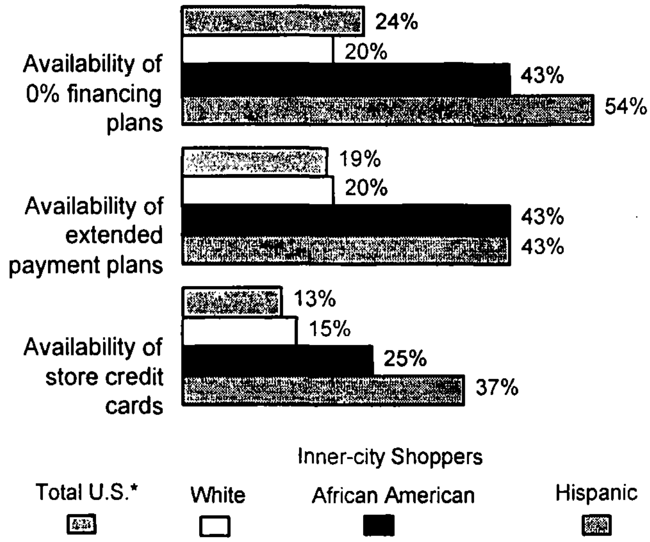
Consumers in the inner city shop at consumer electronics store/superstores most often for electronics and home entertainment. Sears is the dominant appliance store for Hispanics, while Whites and African Americans most often buy appliances from a consumer electronics store/superstore.

Inner-city consumers are somewhat less likely than the general U.S. shopper to have purchased computer hardware or software in the past year. Twenty percent of white, 10% of African American and 14% of Hispanic inner-city households purchased computer software in the past year, compared to 23% of the U.S. shopper sample. Fourteen percent of white, 8% of African American and 12% of Hispanic inner-city households purchased computer hardware, versus 17% of the U.S. shopper sample.

Service Before and After the Sale

Inner-city consumers look for a higher level of service when buying consumer electronics. They depend on the store for more of their information about the products they buy than the U.S. shopper sample. Providing convenient delivery times, product repair, and home set up and installation are all highly rated factors by inner-city consumers when selecting a consumer electronics store.

Choosing a Store for Consumer Electronics
% Rating Factor as Very Important

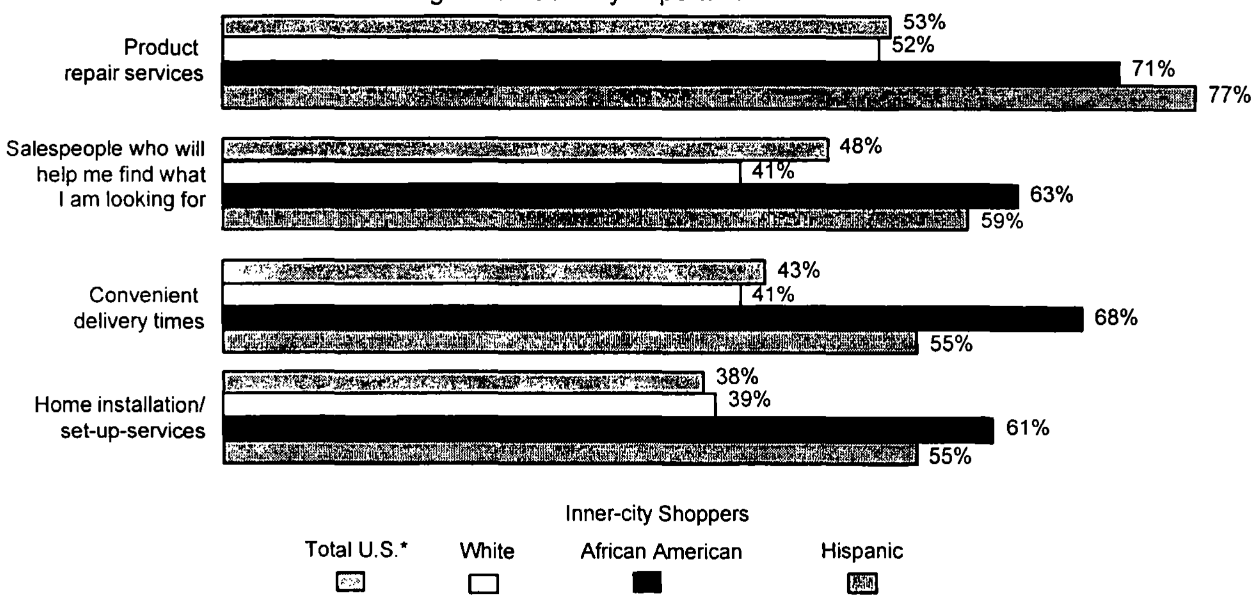


Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Credit

The inner-city shopper is very interested in the credit programs that a consumer electronics store has to offer. When choosing a store, 43% of African Americans and Hispanics cite the availability of extended payment plans versus 19% for the U.S. shopper sample. African Americans rate the availability of store credit cards twice as important as the U.S. shopper sample, while Hispanics rate it three times as important.

Choosing a Store for Consumer Electronics
% Rating Factor as Very Important



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Shopping For Groceries

Inner-city food retailers must meet their customer's expectations for both freshness and cleanliness. Customer service is also an important factor for inner-city shoppers when choosing a store for groceries. Friendly, helpful salespeople are much more important to the inner-city shopper than to the rest of the country.

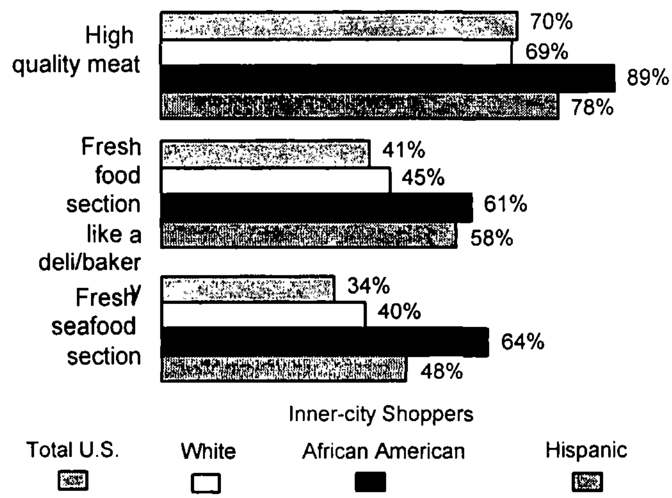
Freshness, Cleanliness and Quality Matter

High quality meat is the most important factor for inner-city shoppers when choosing a store for groceries. African Americans also rank fresh seafood highly as a key factor in choosing a store. While supermarkets are the primary source for seafood, African Americans are more likely relative to other inner-city consumer segments to purchase seafood at specialty food stores and supercenters.

Whether it is seafood, meat or bakery items, freshness matters to the inner-city shopper. Cleanliness, while always important in grocery retailing, is of even greater importance to the inner-city consumer.

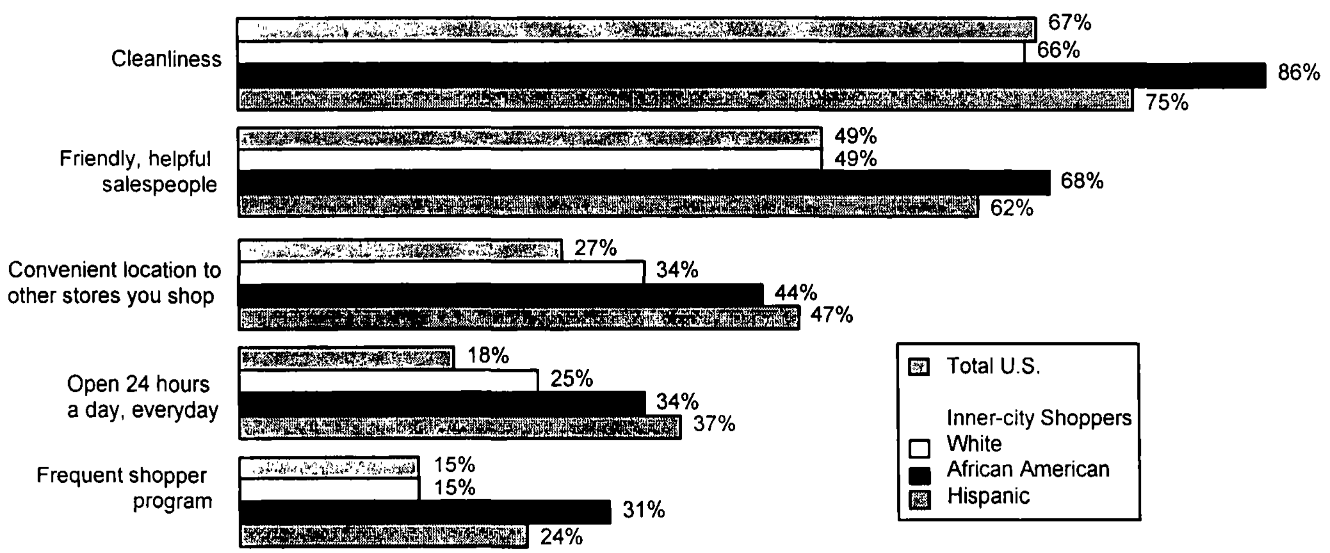
Frequent shopper programs are of high interest to the inner-city shopper. Store hours and convenient location also matter more. The time challenges experienced by many single adult households may account for the need for greater accessibility.

% Rating Factor as Very Important
When Choosing a Store for Groceries



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

% Rating Factor as Very Important
When Choosing a Store for Groceries



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Grocery Shopping: Pricing and Credit

Inner-city shoppers enjoy shopping for groceries more than the general population. Pricing, coupons and acceptance of credit cards are important store selection criteria.

Pricing

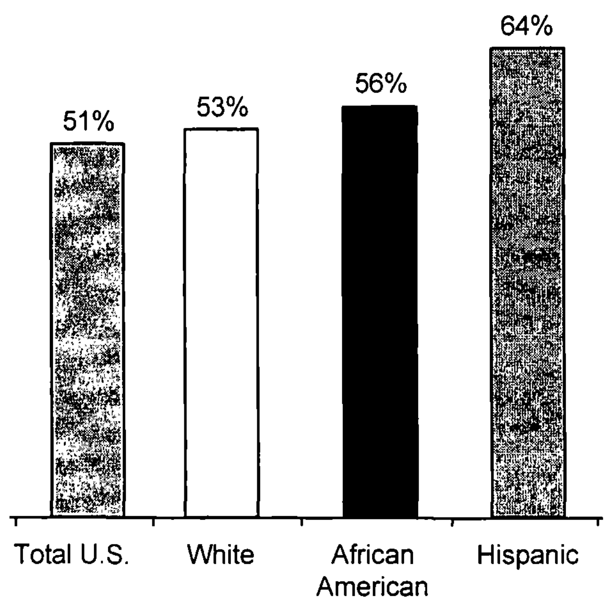
Reflecting lower incomes, inner-city shoppers place more importance on competitive pricing than the general population. Everyday low prices are particularly appealing to the inner-city shopper. With fewer shopping alternatives and more single adult households in the inner city, economizing on time is just as important as economizing on budget for this shopper.

Coupons and Credit Cards

For inner-city Hispanic and African American households, double and triple coupons are dramatically more important in choosing a store for groceries than it is for the general population.

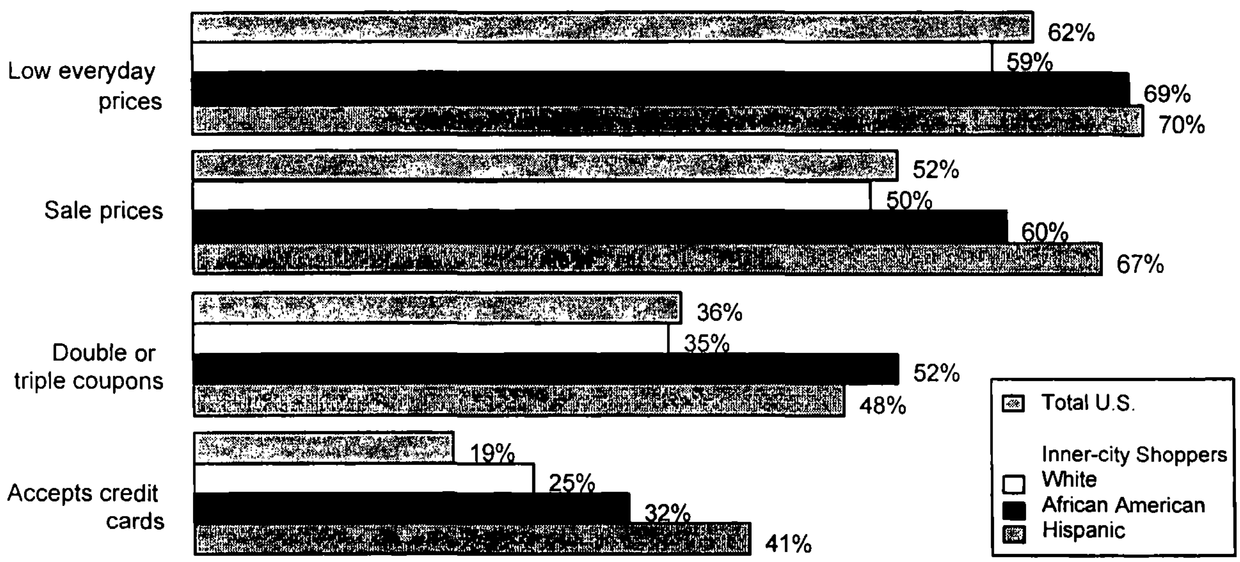
Acceptance of credit cards is also important to the inner-city shopper regardless of the product being purchased. That is particularly true for groceries. Inner-city shoppers favor grocery stores that accept credit cards by large margins.

I Enjoy Shopping for Groceries
(% strongly agree/agree)



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Choosing a Store for Groceries
% Rating Factor as Very Important



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Grocery Stores and Customer Loyalty

When shopping for groceries or household essentials, inner-city shoppers exhibit less store loyalty but more brand loyalty than shoppers in general. The lack of store loyalty is in part due to the fact that inner-city shoppers place greater importance on price-related factors when deciding where to shop for groceries. In the area of brand loyalty, African Americans are the most brand loyal, with a strong affinity for national brands.

Brand Loyalty

African Americans demonstrate stronger loyalty to specific brands (either private label or national brands) than the rest of the population. Sixty percent have one brand that they prefer to buy all the time and 69% know what brand they will buy before they enter the store. Inner-city residents believe that national brands are worth the extra cost, and exhibit less confidence in the value of private label or generic brands.

African Americans purchase private label products more often in categories including canned fruit/vegetable, cereal, frozen dinner/entrees, household cleaning products, personal care products, soft drinks, and soups. Inner-city Hispanics are typically less likely to be frequent users of private label food products compared to the total U.S. shopper population.

Store Loyalty

Inner-city African American and Hispanic households demonstrate less loyalty to grocery stores. Inner-city shoppers are more likely to have several stores that they like to shop and shop more stores than they did two years ago.

Response to Sales

These households are more inclined to shop at stores with advertised specials (African Americans-59%, Hispanic-57% versus 45% of typical U.S. shoppers) or lowest prices (African Americans-64%, Hispanic-70% versus 54% of typical U.S. shoppers). African Americans are more likely to visit a grocery store only to buy items that are on sale.

In Search of Customer Loyalty

		Inner-city Shoppers		
	Total U.S. Shoppers	White	African American	Hispanic
More stores in the set...				
Have several stores I like to shop	53%	49%	70%	69%
Shop at more grocery store today than two years ago	31	32	*48*	*42*
Store decision more likely to involve price...				
Decide where to shop first based on advertised specials	45%	37%	59%	57%
Decide where to shop first based on lowest prices	54	44	64	70
Often go to store to buy only items on sale	37	29	45	34
Tend to be brand loyal...				
Have one brand I prefer to buy all the time	49%	49%	60%	47%
Tend to buy whichever brand is on sale	51	50	*39*	43
I know what brand I want before I enter the store	52	*59*	*69*	59
National brand preference...				
National brands are worth the extra cost	23%	27%	34%	33%
Purchase store and generic brands over national brands	36	35	25	26
Buying more store and generic brands now than before	53	44	39	35
Store and generic brands are a good value	76	72	60	75

Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

The Inner City Drug Store Success Story

Where do inner-city shoppers shop for consumable items? Not surprisingly, shopping patterns seem to be determined largely by the accessibility of formats. Compared to the U.S. shopper sample, inner-city households are more likely to be frequent shoppers of smaller conventional grocery stores, drug stores and specialty stores. These stores are more likely to be found in inner-city neighborhoods and downtown city shopping areas than "big box" superstores that are largely a suburban, power center phenomenon.

Due to a relative lack of supermarkets in the inner city, inner-city shoppers have a higher frequency of buying consumable items from formats with a strong presence in the community, such as drug stores and specialty food stores.

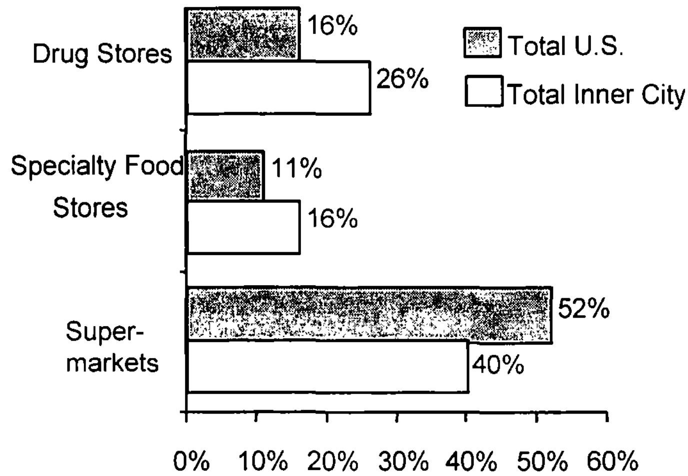
Drug Store Success

Inner-city drug stores maintain a disproportionate share of shopper preference in several product categories while discount department stores have captured a significant share of preference in suburban areas. Inner- city shoppers' have limited access to discount formats and significantly more access to drug stores. Competitive drug store chains have a significant presence in the inner city.

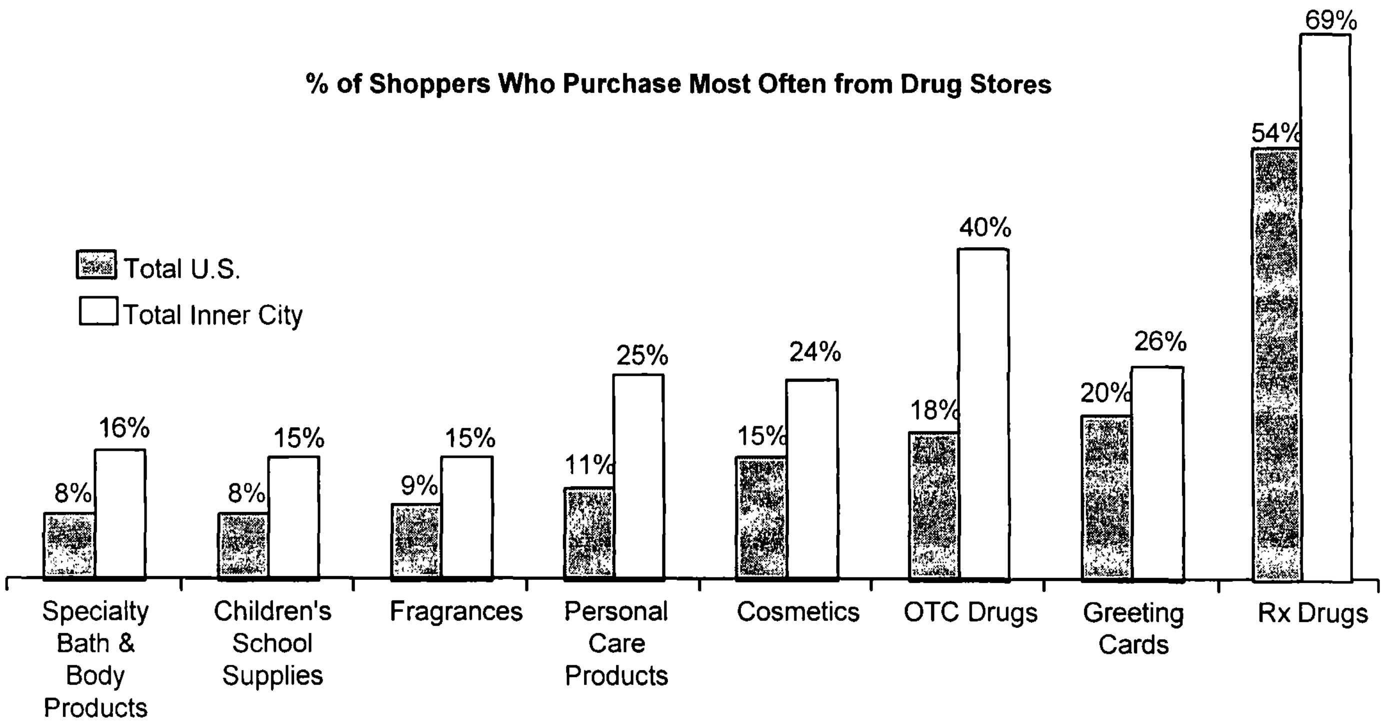
Drugstores have set the standard for success in attracting the inner-city customer. In so doing, they have become the dominant retailer in a wide range of different products.

While drug stores' share of preference for prescription and non-prescription drugs has eroded elsewhere, drug stores still dominate this traffic generating category with inner-city shoppers. Dominance in prescription drugs has given them a big advantage in product categories like OTC drugs where the percentage of shoppers who purchase most often from drug stores is 40% among inner-city shoppers versus 18% among all shoppers.

Consumables Retailers
(% Who Are Frequent Shoppers at Store Type)



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Discount Department Stores Are Missing a Key Market Opportunity

Discount department stores, which have transformed retailing everywhere else in America, are largely missing from inner-cities. The absence of discounters contributes to higher prices for inner-city shoppers, less selection and fewer job opportunities.

Discounters

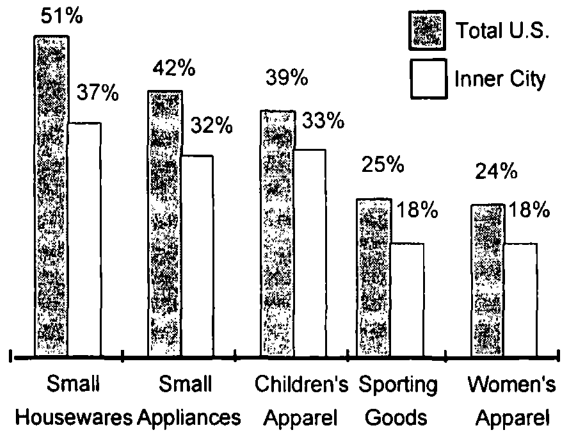
Not long ago, a marketing slogan of the discount department store sector was: Buy American. Today, a new slogan could just as easily be: Sell America.

Inner-city shoppers are less likely to have made a purchase at a discount department store in the past year as compared to all primary shoppers, reflecting the discounters' limited presence in the inner city. However, in many product categories from small appliances to women's apparel, discount department stores garner a significant share of preference, although not as high as the discount format's share of preference among all shoppers. Nonetheless, this suggests that a substantial number of inner-city shoppers seek out discount department stores, even if it means leaving the neighborhood.

Discount department stores are missing a major market opportunity in inner cities. This absence creates a void in the inner-city shopping landscape, and hurts the inner-city community. Furthermore, discount department stores are big employers - Wal*Mart is the largest private employer in the United States. Growth of discount department stores in the inner city would provide much needed employment to entry level inner-city workers.

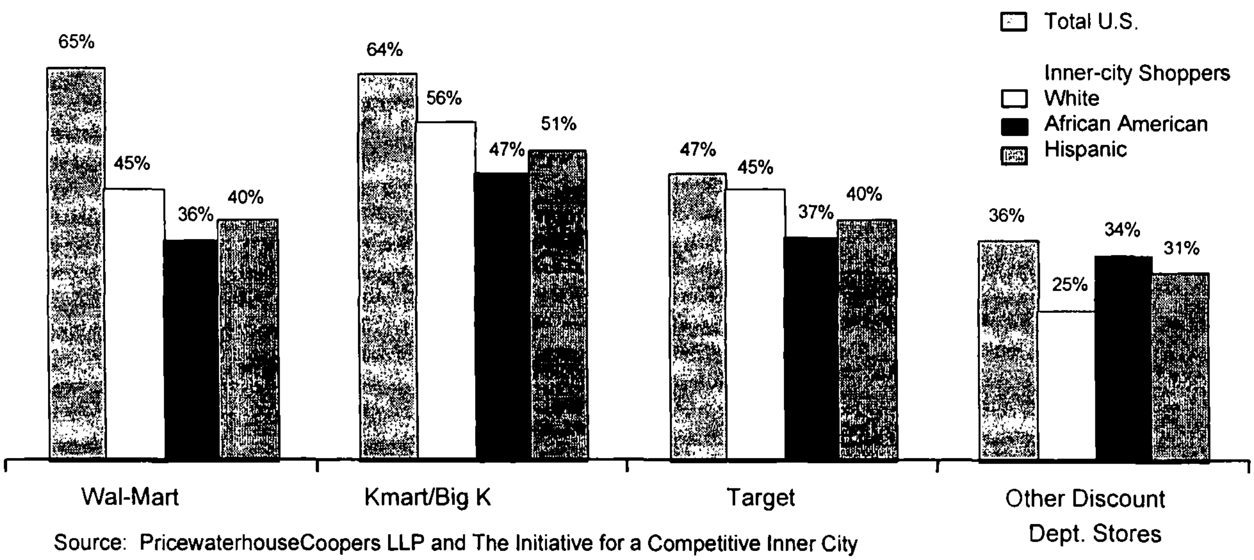
Discount department stores have transformed the whole concept of value for the suburban consumer. There is a big opportunity for them to transform the inner-city market as well. Discount stores, such as Kmart, who are beginning to enter the inner-city market with tailored offerings are finding the inner city a very profitable place to do business.

% of Shoppers Who Purchase Most Often From Discount Department Stores



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

Discount Department Store Purchases in the Past 12 Months



Source: PricewaterhouseCoopers LLP and The Initiative for a Competitive Inner City

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The Initiative for a Competitive Inner City team was led by Michael E. Porter, Chairman and Chief Executive Officer of the ICIC, and included Anne Habiby, Director of Research; Lorn Davis, former Vice President of Research; Amelia Alberghini, Senior Research Analyst; and Deirdre Coyle, Director of Communications.

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The Initiative for a Competitive Inner City (www.icic.org) is a national, not-for-profit organization founded in June 1994 by Harvard Business School Professor Michael E. Porter, following several years of pioneering research on inner-city business and economic development. ICIC's mission is to transform thinking, reinvigorate market forces and engage the private sector in fostering healthy economies in America's inner cities that create jobs, income, wealth and economic opportunities for local residents. ICIC seeks to accelerate the development and growth of inner city based businesses and provides cities with a new vision for economic development.

This report is part of ICIC's national retail study entitled Catalyzing Private Sector Inner-City Retail Investment & Services. ICIC is completing research on strategies for profitable retail execution for independent retailers, best practices for inner-city retailers, and with The Boston Consulting Group completed a study in June 1998 entitled *The Business Case for Pursuing Retail Opportunities in the Inner City.*

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