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

Wednesday, June 18, 1997

URGENT

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

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

OMB CONTACT: Collin Brown III
PHONE: (202)395-7887 FAX: (202)395-6148

SUBJECT: HUD Report on The State of America's Cities

DEADLINE: NOON ~~4:00 pm~~, Thursday, June 19, 1997

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

COMMENTS: HUD Secretary Cuomo is expected to release the attached report to the public this weekend, June 14-15. DEADLINE IS FIRM. CLOSE HOLD

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MEMORANDUM

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You may also respond by:
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(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

TO: Collin Brown III Phone: 395-7887 Fax: 395-6148
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_____ **Concur**

_____ **No Objection**

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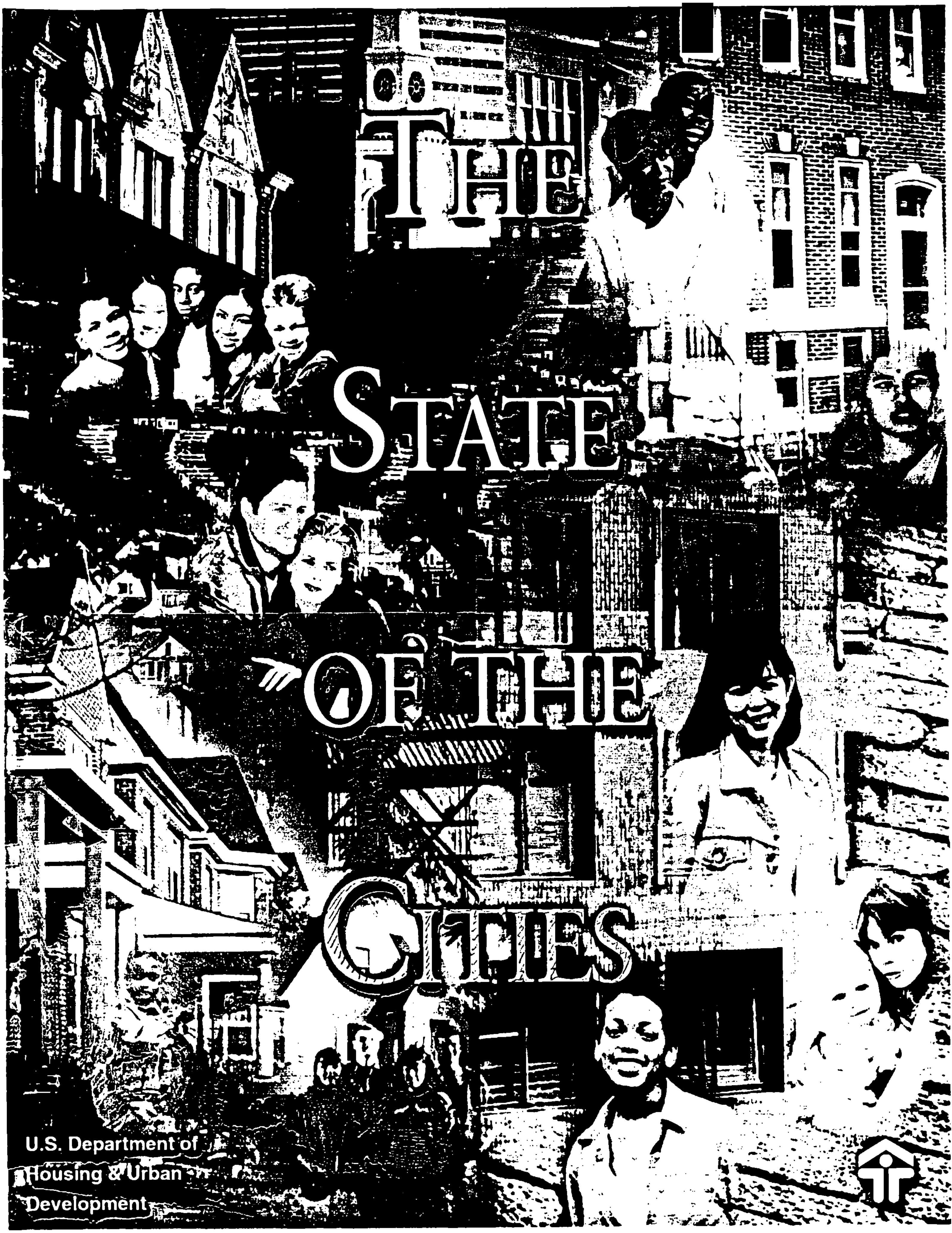
_____ **FAX RETURN of** _____ **pages, attached to this reponse sheet**

The State of the Cities



U.S. Department of Housing & Urban Development

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A REPORT ON

THE STATE OF AMERICA'S CITIES

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CONTENTS

Overview

I: The Decades of Decline

The 1970s and 80s saw a marked decline in the quality of life, the economic prospects and the optimism that once grew from America's cities.

-- Cities became poorer and lost population
-- Rising poverty and crime and declining educational standards
-- Lagging behind the suburbs in job growth

II: Cities Are Doing Better, But Real Challenges Remain

The Administration's first term urban agenda has made a difference -- and there is genuinely good and hopeful news from many cities -- but this report finds three troubling trends in the Nation's 200 largest cities.

III: An Urban Agenda for the Future

The President is proposing a second-term urban agenda based on the principles developed in the empowerment zones: bottom-up, flexible, results-oriented, values-driven.

-- The Empowerment Concept
-- A Set of Urban Initiatives
-- The Tools for Implementation of that Agenda

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OVERVIEW

[Insert quote from President Clinton]

Early in 1997, President Clinton asked Secretary Cuomo and the Department of Housing and Urban Development to look at two questions:

(1) As we come to the close of the 20th century -- the century that saw the birth and rise of many of America's greatest cities -- what now is the state of those cities?

(2) What more can the Clinton Administration do to prepare our cities to meet the economic and social challenges of a new era?

This report directly answers both of those questions. Its description of the current state of cities, as well as longer-range historical trends, is based in large part on extensive and original analysis of Bureau of Labor Statistics and Census data -- data that is being released publicly for the first time in this report.

The State of the Cities

There is much good news for cities, in large part because of the one-two punch of the Administration's effective economic policies -- which have helped to lift many cities -- and targeted urban initiatives on a number of fronts including jobs, housing, crime, education and the environment.

- The Administration's economic agenda of the past four years has created a vibrant and growing economy, with the United States now in the midst of a vigorous economic expansion, the deficit down $223 billion over 1992 and a projected balanced budget by 2002, unemployment has dropped below five percent for the first time in 24 years. Twelve million new jobs have been created; xxxx million new homeowners have gotten their piece of the American dream. This rising tide has helped to lift many cities from the economic decline of the 1970s and 80s;
- The fiscal health of many cities is stronger than its been in decades and city budget ink is turning from red to black nationwide;
- Crime is down dramatically;
- A number of cities have experienced a downtown renaissance, bringing whole areas back to life with sports, tourism and local business;

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- Unemployment, from 1993 to 1996, dropped more in central cities than in their surrounding suburbs -- and each of the ten largest American cities has a lower unemployment rate today than in 1993;

- Average wages for city jobs are growing faster than for suburban jobs as businesses concentrate their highest-productivity workers in cities; and

- Many mayors -- from cities of all sizes -- are highly optimistic about their cities' future. A 1997 survey found that almost 85% of mayors and chief elected officials scored their city a seven or higher on a scale of one to ten. And over two-thirds noted that the number of jobs in their cities has increased over the past five years.

As the Vice President has often noted, there is a new generation of deeply committed and visionary mayors leading the Nation's cities -- mayors who have turned their cities into laboratories of experimentation and innovation, helping forge in the white heat of their urban cores smart and sensible solutions to city problems.

[Insert quote from Vice President Gore]

While these are positive and hopeful trends, they also tend to mask some of the deeper underlying challenges that remain.

The report has three main findings of the problems facing cities:

Finding #1: There is a dangerous disparity in job creation between the cities and the suburbs -- and the cities are losing out.

- Urban unemployment is regularly and significantly higher than suburban and national rates;

- Most of the jobs fueling metropolitan economic growth are being created in the suburbs;

- Large cities actually lost jobs in the early 1990s and some have not recovered; and

- Cities are not creating enough of the kind of jobs welfare recipients need to move into the workforce. The suburbs are creating more than 80% of the low-skilled jobs crucial to ending welfare as we know it.

Finding #2: Despite the recent decline in the national poverty rate, America's poor are more poor, more socially and economically isolated and more physically concentrated than at any time in a generation.

- City-wide, the central city poverty rate has risen 50% since 1970, from 14% to 21% in 1995.

- The concentration of the poor within many urban areas is increasing. More than ten percent of all city residents live in census tracts with poverty rates of 40 percent or more. Consequences of this concentration are severe: Such high-poverty areas are often the breeding ground for severe social dysfunctions like violent crime, drug abuse and teenage pregnancy.

- High poverty rates also places heavy service burdens on cities while reducing the resources available to support these burdens. For example, cities spend 10 percent less per capita for education than suburbs despite a student population that requires more resources. Higher dropout rates are a consequence.

- [Need data proving the "poor are more poor."]

Finding #3: The migration of the middle class from cities to suburbs continues.

- Only 11 of the 30 largest cities in 1970 have more people in them today than two decades ago, and population losses continue in some of today's largest cities.

- But even in cities with growing populations, the character of the population is changing in ways that do not portend well for cities. Large cities are losing middle-class and wealthier families to the suburbs.

- In addition, the number of families with children in central cities declined between 1970 and 1990, particularly two-parent families with children.

In short, there is much good news to build on -- cities are far better off than they were in the 1970s and 1980s -- but America's largest cities are still trailing in the economic recovery of the last half decade and only an invigorated urban agenda will prepare these cities, and their surrounding suburbs, for the new century.

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An Urban Agenda for the Future

Any urban agenda for the new century must begin with a central premise: cities matter.

Cities have provided hope and opportunity to millions of Americans for most of the past century. They have served as the gateway to travelers and future US citizens from around the world. They have been the ports of entry and exit for trillions of dollars of products made here and virtually everywhere else on the planet. They have been the centers and often the lifeblood of arts, culture, science and technology -- a symbol of the American promise and dream.

Today, one in every four Americans lives in a city of more than 100,000 people. At the beginning of the twentieth century, the United States had only 38 cities with populations that size; now there are over two hundred -- and those cities, and their surrounding suburbs -- are home to almost eighty percent of Americans and contain close to eighty-five percent of U.S. jobs.

But the importance of cities cannot be measured in population alone -- they also hold a disproportionate share of both the country's problems and potential. More than 43 percent of America's poor live in cities, but these same cities are also home to 43 percent of all metropolitan jobs. Just 50 city-based school districts are educating huge numbers of tomorrow's minority workforce -- nearly 40 percent of African American children and 32 percent of Latino kids.

Even those who live outside the urban core have a real stake in the future of cities. The roots of America's metropolitan economies lie in the great cities; neither city nor suburb can successfully incubate a new industry unless the resources and infrastructure are strong across the whole region. Nor can suburbs, and their residents, truly isolate themselves from the effects of economic and social decay that affects so many large cities.

Over the past few decades, however, many have written off the Nation's cities, fleeing to the suburbs for safety, an affordable home, for a better job. Ironically, many have given up on one of the greatest innovations of the twentieth century, the engines that drove American economic prosperity and gave rise to the largest middle class the world has ever known.

Even courageous champions of the cities -- mayors and city leaders nationwide --

have often faced impossible economic triage decisions, making choices to allocate precious and limited city resources to rebuild a dilapidated downtown but having to let other surrounding city neighborhoods languish without adequate assistance. All know that a vibrant downtown, while essential in a long-term recovery plan, does not a city make. [Quote from Mayor Rendell about downtown development and the loss of neighborhoods/urban triage]

President Clinton, and Vice President Gore, believe deeply in the future of America's cities. They have proved that commitment repeatedly over the past five years, putting together a strong first-term urban empowerment agenda that was based on a new and distinctly different approach to urban policy. It worked on a few basic but often ignored principles, emphasizing mainstream values and practical approaches:

-- solutions must come from the bottom-up not the top-down in Washington

-- communities must have flexibility to implement what works best for them

-- responsibility and hard work must be demanded of all who benefit

-- strengthening communities and families must be the first priority

-- the public sector must leverage private sector resources wherever possible

-- performance and results must be measured and rewarded

The core elements of that agenda -- developed and coordinated in large part through the Vice President's Community Empowerment Board -- included:

- the first Empowerment Zones and Enterprise Communities America had ever seen (105 EZs and ECs)

- enacting legislation for Federal co-investment in community banks (CDFIs) and reforming the Community Reinvestment Act to generate close to $100 billion in community development lending and investment from banks and thrifts

- creating affordable housing by making the low-income housing tax credit permanent

- boosting the homeownership rate

- rewriting federal homeless policy to serve 14 times more people than before

- committing to bring down and replace 100,000 of the most dangerous and dilapidated public housing developments in the Nation

- streamlining Superfund to help clean up more toxic waste dumps in the last few years than in the previous twelve

- reducing crime rates by putting tens of thousands more cops on the street through community policing, passing the Brady bill and the assault weapons ban and instituting a One Strike and You're Out policy to evict gangs and drugs dealers from public housing

- expanding educational opportunity by increasing funding for head start, creating Americorps, signing the School-to-Work bill and launching an initiative to link every child in every classroom to the Information Superhighway

- implementing the HUD Economic Development Initiative to spur private investment

- expanding the earned income tax credit for 15 million working families and

- winning a new minimum wage for the American worker.

This report indicates that this first-term Clinton-Gore urban agenda is working for many cities, especially the President's economic policies which are driving a recovery from the past few decades of economic and social decline. But the report also makes clear that too many cities and most larger cities are still lagging behind the economic renewal sweeping the country and that they continue to face very deep-seated problems that threaten not only the long-term health of those cities but their connected suburbs.

Progress has been made but the reality is that cities face the tremendous task of not only continuing to resolve the problems born in the 1970s and 80s, but they must also meet two new challenges born in the 1990s: creating tens of thousands of jobs to move people from welfare to work and integrating the waves of new immigrants from all over the world.

If we fail to meet these challenges head on -- at the same time reversing the trends that still trouble cities -- many cities face the genuine possibility of a reprise of the decline of earlier decades. To ensure the success and health of America's cities well into the new century, the Administration has begun, over the past few months, to put together a comprehensive and bold second term urban agenda -- in response to the second question the President originally proposed.

That agenda -- covering a wide range of urban concerns including homeownership and affordable housing, economic opportunity, crime and education -- is outlined in Section III of this report. Core elements include: a new urban homestead initiative, a second round of empowerment zones, full funding of Head Start, CDFIs, $3 billion welfare to work challenge grants, passage of a landmark public housing reform bill and funding for urban environmental cleanup of toxic "brownfield" sites.

This report also makes clear the continued need for reform of the way the federal government does business -- and that the cornerstone of a renewed urban agenda is a reinvented and reinvigorated Department of Housing and Urban Development -- the agency created specifically to help solve the Nation's urban problems.

HUD was born of the best intentions -- to help uplift the poor by providing decent, safe and affordable housing and to create homeownership opportunities for working families -- but those intentions have not always been carried out effectively by the agency or its community partners.

HUD's challenge now is to match good intentions with good implementation, to bring together compassion and competence and to prove to America that we can really make a difference for America's communities.

How will America's cities fare in the new global economy? Will they drag down the rest of the country or become, once again, drivers of a new age of prosperity?

We can not wait to let history answers these questions for us.

For the future of our cities is also a harbinger of the future of race in this country -- a tell-tale sign of our hopes for achieving One America.

The statistics tell a clear story: urban problems disproportionately affect minorities, placing race, and the dialogue and action needed -- and recently called for by the President -- for racial reconciliation, at the center of national agenda. Nowhere is the President's challenge more profound than in America's's cities. [Insert Clinton quote]

We can regain the promise of the American community captured in the founding pledge of "e pluribus unum."

Instead of accommodating ourselves to a Nation Divided, we must construct the first chapter in a great new American story -- a story that fits the most racially diverse democracy in history. And that means confronting the fate of our cities.

Having taken a hard and honest look at the state of America's cities we must now have a tough and honest debate about what should be done for those cities if they are to survive and thrive into the new millennium. Our cities are waiting.

A Map of This Report

Section I: Discusses the two decades of decline -- the 70s and the 80s -- as American life was increasingly defined as suburban life.

Section II: Shows how cities were able to rebound in the 1990s through a combination of national economic expansion, programs designed to empower local communities, and the hard work of cities around the country.

It then details the major problems still facing cities and concludes by focusing on two special challenges to America's cities on the cusp of the new century: welfare reform and immigration.

Section III:Offers a future-looking urban agenda -- building on first-term successes -- to help meet the challenges of the new century.

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I. THE DECADES OF DECLINE

The end of World War II saw the beginning of the suburbanization of America. As veterans returned home, many -- with the direct help of the Veterans Administration and the Federal Housing Administration (FHA) and the indirect boost of low gas prices and a dramatic expansion of the Nation's roads and highways -- were able to buy the home of their dreams in the suburbs.

Hit already by the suburbanization of the 1950s and 60s, cities -- in the 1970s and 1980s -- saw a marked decline in their quality of life and economic prospects, dimming the optimism so long associated with the rise of the country's greatest cities.

In many ways, these were the decades when the post-war suburbanization of American life actually reached its apex. As middle class families increasingly moved from cities to outlying towns, businesses joined them, setting up shop in office and industrial parks. Shopping and entertainment followed.

[Insert quote from Mayor Daley]

Throughout the low-growth 1970s, conditions in America's distressed cities deteriorated rapidly - population and incomes fell, poverty and unemployment increased, crime and social problems became more intense and intractable.

- *The Nation's Cities Became Poorer and Many Lost Population in the 1970s and 1980s.*

Economic growth, which had averaged almost four percent annually since 1945, slowed to an anemic 2 percent per year between 1973 and 1982. Throughout the 1970s, conditions in distressed cities deteriorated rapidly as the U.S. urban population declined and the income of those left behind diminished.

Cities in the Northeast and Midwest were much worse off than those in the south and west. In 1980, nine of the ten most distressed cities in America were in the northeast and north central regions of the country - regions of the country experiencing such levels of decay that the popular press referred to them collectively as "the rust belt." By contrast, the cities that showed improved economies and living standards were overwhelmingly in the south and west. This reflected demographic changes that brought more people and industry to both these regions.

Urban life in these distressed "rust belt" cities went from bad to worse in those years, as decay and decline made the boom cities of the sunbelt and west seem even more attractive to businesses and workers alike. One study, conducted in 1980, looking at socioeconomic factors from 575 U.S. cities demonstrated that if a city was in trouble in 1970, it was in deeper trouble a decade later.

When updated a decade later, the study found that while the most distressed cities had bottomed out, many of the cities that had previously done well were also showing signs of distress. This was particularly true in the south, where the collapse of the oil boom cut economic growth. Although some northeastern cities experienced economic improvements during the 1980s, the rate of economic progress continued to trail behind nearby suburbs.

In 1980, average family income in cities was 18 percent below the average in the suburbs. That gap widened by almost five percent by the end of the decade.

While cities remained the essential hubs of metropolitan areas, suburban residents who once would have regularly worked, shopped, dined or been entertained in city centers now could – and often did – remain in the suburbs. Many of those with choices moved out of cities while poverty became increasingly urban-centered. City governments became more disproportionately responsible for dealing with the nation's social and economic difficulties.

- ***The Quality of Life Declined: More Poverty, Increased Crime, Declining Educational Standards.***

Overall, the quality of life in many of the nation's largest cities declined from 1970-to-1990 as evidenced by rising poverty, higher violent crime rates, declining population, increased pollution, and other factors. In some cities, real median income fell, declining by 16 percent in Detroit, 10 percent in Houston, 8 percent in Cleveland, and 7 percent in Charleston WV.

The strains of urban decline were evinced by a series of municipal fiscal crises notably those in New York, Cleveland, Philadelphia, and Miami.

Exacerbating these trends, in the 1980s, the federal government turned its back on the nation's urban problems. Federal aid to cities was cut and programs that helped urban residents – especially poor people -- diminished. Generally, state governments have not made up for these cuts in federal revenue-sharing. Local governments, instead, have been increasingly forced to rely on local taxes. But as more wealth and economic activity shifted to the suburbs, many city governments found their ability to raise revenue insufficient to cover the cost of providing services.

Cities struggled to keep up. Many were forced to cut services lest they tumble into bankruptcy court. Urban America's increasingly impoverished residents found city hall less able than ever to offer assistance. The crime rate rose; from 1970-to-1990, the number of violent crimes committed in cities doubled.

Educational standards also declined as urban school districts increasingly lacked the wherewithal to upgrade facilities, attract talented teachers and administrators, and, in some cases, even buy new textbooks. *(need some stats on diminishing levels of educational attainment).*

- ***Employment Increased Three Times Faster In The Suburbs As In Cities During The 1970s &1980s.***

Given both the social and political forces that were turning against cities, and the fiscal woes resulting from the 1980s federal policy of abandoning cities, the outlook seemed dim. Businesses became increasingly reluctant to invest in urban areas. Between 1970 and 1990, suburban employment grew by 75 percent while central city employment grew by only 25 percent.

The gap in the unemployment rate between city and suburbs was often as high as one-third or one-half the suburban rate.

- ***Only 11 Of The Country's 30 Largest Cities Had More Residents In 1990 Than In 1970.***

Given the decline of America's cities, and the decade of federal abandonment of responsibility for alleviating the nation's urban crisis, it is no wonder that those who could voted with their feet and moved to outlying parts of metropolitan areas. This trend was most pronounced in the nation's cities.

Even in the West, where populations increased as residents of other regions migrated there, cities grew less than half as fast as nearby suburbs – even though many Western cities have expanded and annexed outlying areas. Between 1980 and 1990, the suburbs of Phoenix grew by 55 percent while the suburbs of San Diego grew by 41 percent.

[Insert quote from Mayor Helmcke]

- ***Suburbs have grown four times faster than central cities.***

The U.S. population grew by 45 million people during the previous two decades. But given the trends favoring suburbs, it is no surprise that for every person taking up residence in a city, four others moved to the suburbs.

- ***The Federal Government Did Not Do Enough to Help Cities During the Latter Years of Crisis and Decline.***

Just at the point when economic and social forces were mounting to the detriment of America's cities the most, the Federal Government dramatically cut its assistance to cities and the urban poor. This federal retrenchment, most dramatically affecting impoverished residents of cities, came as the most privileged in America experienced a boom in their relative economic standing. Some of the effects of federal policies during the 1980s are still visible today.

Ingenuity can often spring from great need. And during the 1980s, local governments had to take drastic action. Downtown revitalization efforts focused and leveraged remaining municipal resources on the most visible parts of many cities. Such efforts succeeded in bringing back many declining city-centers. Projects such as Baltimore's Inner Harbor, which turned a decaying industrial waterfront area into a gleaming corridor of offices, apartments, restaurants, entertainment and tourist attractions, drew accolades.

While this kind of urban redevelopment succeeded in stemming some of the effects created by two decades of urban retrenchment, these success stories came at a price; many cities had to pull already declining resources from the neighborhoods to give a boost to downtown cores. Successful as these efforts were, they often amounted to a kind of municipal triage: the patient was saved but remained in serious condition.

II. CITIES ARE DOING BETTER IN THE 1990s, BUT REAL CHALLENGES REMAIN

While urban America is on the rebound, it still faces a number of problems -- as well as new challenges for the new century. This Section outlines the economic and social gains cities have made in the last few years -- and the impact of the Clinton Administration's urban agenda (part A). It then describes (part B) the core problems of cities -- and the new and dual challenges of welfare reform and immigration (part C).

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(A) THE FIRST TERM ECONOMIC AND URBAN INITIATIVES ARE WORKING

The country's sustained economic growth pattern since 1993 has helped revitalize cities.

- *Lowest Unemployment Rate in Nearly a Quarter-Century.*

For the first quarter of 1997, the economy grew at an exceptional annualized rate of 5.8 percent, and unemployment dropped below five percent for the first time in 24 years. This remarkable and sustained economic expansion has brought the unemployment rate down in the nation's 50 largest cities by nearly a third over the past four years. By 1996, rates below 4 percent were enjoyed by Indianapolis, Columbus, Austin, Nashville, Oklahoma City, and Charlotte. But some cities were still mired above 10 percent, namely, El Paso, Fresno, and Miami.[Exhibit 1]

- *Deficit Cutting in Washington Frees Capital for Productive Use in Cities.*

America's growing economy is being strengthened by fiscal responsibility in the form of declining federal deficits. Federal overspending has been trimmed by more than three quarters since 1992 - to its lowest level in 20 years. Total deficit cutting is projected to reach a trillion dollars by the turn of the century. *(Verify these facts - taken from 1996 Draft White House Fact Sheet).* This means a trillion dollars more that Washington has freed for productive uses elsewhere in the economy. With the federal government competing less for capital, the cost of borrowing has gone down for everyone -- a net benefit to local governments when they need financing. For instance, in 1993 alone, interest costs associated with city, state and school board bond issues declined by over 3 billion dollars as a result of federal deficit cutting. *(Do we have updated figures???-- no from a special study)*

With growth generating income and low inflation keeping borrowing costs low, city officials say they are quite optimistic about their ability to maintain municipal services without raising taxes. This is a far cry from the service cuts and tax jolts common just a decade earlier. This optimism is based on five solid factors:

1. All but three of 77 large cities surveyed had bond ratings of BBB or higher. (The three cities with lower bond ratings, Washington, DC, Miami, FL and Providence, RI, each had particular problems that were so unique that it put them outside the national trend.)

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2. Overall, state and local governments reported budget surpluses in 1995 for the first time in almost a decade. At 4 percent, these surpluses were sizable - bigger than any during the past two decades.

3. A National League of Cities survey shows mayors, on average, rating their cities' financial condition, on a scale of one-to-ten, as 7.7.

4. Federal aid to cities is increasing faster than the rate of inflation. From 1993-96, real federal assistance to state and local governments was, on average, 40 percent greater than in the preceding 12 years.

5. With more money coming into municipal coffers, city governments have generally been able to balance budgets while increasing, rather than cutting, expenditures for municipal services.

- *Cities Making Efforts to Help Themselves*

Cities have retooled themselves, to some degree, from the previous two-decades of decline as the U.S. economy moved away from manufacturing toward information-based and service industries.

While some cities, notably , Detroit, have benefited by America's increased international competitiveness for such heavy industrial goods as automobiles, many other cities have re-oriented themselves toward emerging industries – leaving the remaining manufacturing to the suburbs.

Most cities have transformed themselves into knowledge centers where high quality intellectual services are clustered to meet the needs of clients across the country and around the world. For instance, New York, Los Angeles and San Francisco have excelled in creating clusters devoted to multi-media production – a hallmark of the digital age. Banking, insurance, engineering, communications, law, marketing and accounting are higher level service businesses typically clustered in central cities. Hospitals, educational institutions – notably colleges and universities, and research centers have long existed in cities.

[Insert quote from Mayor Archer]

Many have expanded to meet the demands of an information-based economy – creating new opportunities within the surrounding community. Urban revitalization efforts have further brought shopping, tourist and entertainment dollars back to

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downtown areas through creation of such people-magnets as festival marketplaces, updated convention centers, new sports arenas and post-industrial waterfront attractions.

The successes of cities have led to a sense of optimism among mayors and chief elected officials. When asked in a recent National League of Cities survey, to compare the condition of their city in January 1997 with its condition a year earlier, the respondents saw improvements across the board from crime to economic conditions to infrastructure. [Exhibit 2]

There is reason for this optimism -- not only because of a strong economy but because the Clinton Administration has undertaken a wide range of urban initiatives.

The goal of this administration's urban policy has been to empower cities to build on the hard work of recovery already accomplished. Acting alone, the federal government simply cannot reconnect people and neighborhoods to opportunity and prosperity.

The Clinton Administration's new activism -- coupled with a new empowerment approach led by the Vice President -- is working. Community empowerment means that rather than issuing mandates, the federal government should be an instrument to create opportunity in the private sector, as well as assist residents and community-based organizations to identify and solve problems locally. The government must help spur private investment rather than defy the market.

In an age characterized by global competition and information-based economic power, the question is which cities are successful in making the transition to a new economy. Cities must work in partnership with the Federal Government and the private sector, to further nurture both their human and physical infrastructures. No one understands local needs and conditions better than people who live in the community. The federal government is now serving as a partner -- offering a mix of resources so communities can work out suitable solutions from the bottom-up.

In fact, after declining in the 1980s, real Federal aid to State and local governments has been growing since 1992. The average real contribution from 1993 through 1996 was 40 percent higher than the average for the preceding 12 years.

Reflecting this commitment to a national partnership for community empowerment, the administration has already launched *(how many)* innovative initiatives that already are showing results.

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- *Empowerment Zones and Enterprise Communities Bring Economic Development to Struggling Communities.*

History instructs that, above all, effective community development works best with a combination of local empowerment and federal assistance. With this bottom-up approach in mind, the administration's program for Empowerment Zones and Enterprise Communities offers a challenge to hundreds of cities: they create an economic growth and community reinvestment strategy for targeted low income neighborhoods. If the strategy emphasizes private sector growth bringing both business and local communities together to execute the plan, then the federal government will bolster these local efforts with a full menu of grants, employer tax credits, and regulatory waivers.

Initial reports from the Empowerment Zones have displayed impressive results, with a HUD review - based on a number of independent analyses - noting progress in 67 out of the 72 urban Empowerment Zones and Enterprise Communities. One of those analyses, a study conducted by the Rockefeller Institute of Government, cited the EZ initiative as, " among the most significant efforts launched by the federal government in decades..."

[put in some quotes from the recent EZ study i.e. 67 of the 72 EZ/ECs are showing real progress....]

- In Detroit, thousands of jobs have been created and more than $2 billion in private sector investments have been committed. The EZ has been aggressive in using its designation and associated tax benefits to attract businesses, revitalize its manufacturing base and generate jobs. Chrysler has located a new engine plant in zone, as well as parts suppliers, packaging industries, service and food firms.

- The Los Angeles Supplemental Empowerment Zone used its $125 million in HUD Economic Development Initiative grant funds and $315 million in HUD Section 108 loan guarantees to successfully create the largest non-commercial lending institution in the nation, the Los Angeles Community Development Bank. The bank has partnered with several private lenders, which have agreed to commit $210 million in loan funds, bringing the total loan pool to $640 million. These funds will be loaned to expand existing businesses and start new ventures in the designated zone.

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- ***The Community Oriented Policing Strategy is Putting 100,000 More Police On The Beat.***

While central cities tend to be safer than they were during the years of decline, crime fighting initiatives must further reach into the neighborhoods so that children can go to school without fear, citizens can sit on their stoops and porches without worry, and businesses can bring wealth and opportunity to the community.

The Administration's Community Oriented Policing strategy is bringing law enforcement down to the neighborhood level by building bridges between police departments and the communities they serve. The Justice Department's Office of Community Policing Services (COPS) has provided an additional grants to get 60,000 more police officers walking the beat. More than half the law enforcement departments in the country are participating, and 80 percent of the country's population will see more police in their areas. HUD will soon bolster these efforts by selling foreclosed homes to police officers in targeted communities for *(40 ???)* percent below the appraised market value. Community policing means having police fully part of the community, and this new thrust of the COPS program will deepen those roots.

With crime on the retreat, the incentives for children to become part of the juvenile underworld of gangs and violence diminishes as urban neighborhoods became safer places in which to learn and grow. In a world that increasingly demands higher level skills from the workforce, the true road to competitive success - and community development -- is education. Children have trouble learning when they don't feel safe. Making their communities safer places will help make possible the kind of learning needed for the jobs of tomorrow. [Exhibit 3]

- ***Raising the Minimum Wage and Protecting The Earned Income Tax Credit to Assist Low Wage Workers Help Themselves.***

Increasing the minimum wage, coupled with the 1993 extension of the Earned Income Tax Credit are two ways the administration has sought to put real dollars in the hands of those who work so they can better meet life's necessary expenses. Further, the administration's 1993 legislation to make permanent the Low Income Housing Tax Credit, has open up/created *(need numbers to show how many)* new units of rental housing specifically designed to meet the needs of people with lower incomes.

Preserving the ability of the working poor to help themselves is one of the most significant issues we faced today. Such initiatives are especially significant as the

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nation works to end welfare as we know it – promoting the independence created by employment over the dependency of transfer payments.

- [Describe HUD's EDI initiate and the # of new jobs created]

- ***The Brownfields Pilot Project Began Turning Contaminated Urban Wasteland Back To Productive Uses.***

Land is another asset many blighted urban areas have in fair supply, but are often unable to leverage in the interests of community development because previous industrial users have left the behind contamination. The administration's Brownfields initiative, linking HUD with the Environmental Protection Agency, enables cities to clean up these environmentally damaged properties and buildings in order to return them to economically useful purposes. So far, the Brownfields Initiative is poised to help cleanup and redevelop more than 5,000 properties, supporting 196,000 jobs, and protecting the health of 18 million nearby residents.

- ***Preparing and Educating Americans for the Jobs of the Future***

Education and training is the key, not only for children, but for adults already in the workforce, whose economic prospects have been diminished by the transition from an industrial-based to an information- and service-based economy.

Given the vast technological changes sweeping the economy, and the technological mastery required to thrive in the workplace of today and tomorrow, educational infrastructure improvements are more crucial than ever for everyone.

- ***Every Classroom in America Should Be Connected to The Internet by the Turn of the Century.***

The administration has launched an effort to wire every classroom to the Internet by the year 2000. Likewise, The Campus of Learners program will transform public housing communities into learning centers with on-site access to new technology. Additionally, the Neighborhood Network Program is creating computer education centers to link low-income residents to jobs, job training and higher education.

[Insert quote from Mayor Guiliani]

Such programs are important links in the Welfare Reform efforts at the center of the administration's emphasis on community building and personal responsibility. Those moving from welfare to work will need an estimated three million jobs in the next two-to-three years. By developing marketable skills through training initiatives such as these, the move away from welfare has a better chance of succeeding..

- ***The Bridges to Work Program Gets Urban Job Seekers to Employment in Suburban Areas***

The Bridges to Work program is helping overcome this geographic mismatch between workers and jobs by tailoring a combination of transportation and child care options to assist those without a car commute to otherwise inaccessible suburban job sites. This linkage, in turn, will bring much needed money back to distressed urban communities - where these new "reverse" commuters will seek goods and services. As businesses grow where markets are created, the Bridges to Work program will also serve, longer term, as an economic development tool for blighted urban areas.

- ***Making Investment Capital Available In Areas Shunned by Traditional Lenders: CRA and CDFI.***

A reality of economic and community development is that financing helps make things happen. By strengthening the regulations related to the Community Reinvestment Act, the amount of traditional bank financing for projects in distressed urban communities has increased.

Substantial additional investment capital is generated through The Community Development Banks and Financial Institutions Act. This law nurtures community-based lending by building a nationwide network of self-sustaining locally-based community development institutions - including microbanks and credit unions. The program leverages $10 in private investment for every federal dollar contributed. Already, more than 300 such institutions have been established having already made 3 billion dollars in loans.

- ***Homeownership rates rise to the highest level in over 15 years.***

Community building is integrally tied not only to increasing economic opportunity, but giving residents pride in their neighborhoods. And nothing builds such bonds of pride as home ownership. [Exhibit 4]

Currently, 65.4 percent of all Americans owned their own homes - and increase of 2.5 million homeowners in just three years. This represents the highest rate of homeownership in over 15 years. This trend should further solidify with the newly announced rate reduction in loans guaranteed by the Federal Housing Administration (FHA). HUD's National Homeownership Strategy aims to achieve record levels of home owning by the turn of the century. Experience proves that as home ownership increases, community stability likewise increases bolstering economic development, education and public safety efforts.

This year, HUD is investing more than $100 million for construction and development of private homes in a series of urban "Homeownership Zones" nationwide. HUD is assisting in the purchase of tracts of urban land where partner private organizations, such as the successful Nehemiah (foundation???) plan, organize, build and market homes to people who would otherwise be renters. This represents an important part of the administration's commitment to its Empowerment Zone program

- ***Providing a Continuum of Care to Overcome the Multiple and Complex Causes of Homelessness.***

Efforts to stabilize communities must also directly confront problems arising from failed policies of the past. In the 1980s, homelessness, the most visible scourge on American urban life, rose dramatically. For the past three years, HUD has responded by providing a continuum of care approach. This involves a community-based process to identify the specific needs of a homeless individual or family -whether they lie in temporary shelter, assisted housing or job training and assistance, as well as addiction treatment or other health services.

Preventing homelessness in the first place is clearly the best solution of all. This means fighting the poverty that leads to a family's eviction from their rental home, as well as creating incentives for affordable housing. This is especially so in some of the nation's largest cities where the salaries earned by low wage earners hardly meet the high cost of housing.

(B) CITIES STILL FACE REAL PROBLEMS

The success story involving America's cities today while real, is neither as deep nor as wide as it could be. This report -- using in large part previously unreleased data from the Bureau of Labor Statistics and the Census -- finds three main problems still facing cities:

Finding #1: There is a dangerous disparity in job creation between the cities and the suburbs -- and the cities are losing out.

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- *Unemployment Is Consistently Higher in Cities and Employment Growth Is Slower*. Central cities have always had higher unemployment rates than suburbs and, since 1970, the number of employed city residents has risen at a rate only half as rapid as the United States as a whole and barely one-third of the rise for suburbanites. (See Exhibit 1)

  Unemployment has been receding steadily throughout the United States since 1993 and central cities have benefited from this recovery. Yet rates remain -- as always -- higher in central cities than elsewhere in metropolitan regions. Cities, which often have disproportionately large pools of lower skilled workers, typically experience unemployment rates one-third to one-half higher than nearby suburbs. This is especially true in large cities, where disparities between urban and suburban unemployment are greatest. Their residents are often the first to be idled by hard times and the last to be absorbed back into the labor market when times improve. For example, the central city unemployment rate in 1996 was 6 percentage points higher in Cleveland, 5.2 percentage points higher in Washington, and 4.7 percentage points higher in New York than in the surrounding suburbs. Even with the remarkable progress Detroit has made in lowering its unemployment rate, the central city rate was still 5.7 percentage points higher than the suburban rate.

  The 1990-91 recession created an actual decline in central city employment that lasted until 1993. Suburban employment continued to grow during this period but at much lower rates than over the preceding two decades. After 1993, the employment growth rate in central cities and suburbs has been roughly equal – but cities have not closed the gap previously created. [Exhibit 5]

- *Suburbs Are The Great Job Creators*. While the U.S. as a whole has gained 12 million jobs since 1990, suburbs have gained the lion's share.

  Cities continue to serve their traditional role as a primary business center for metropolitan -- they host 38 percent of all metropolitan businesses and 43 percent of all jobs in the 77 cities examined. However recent statistics suggest that this economic primacy may be waning. Between 1991 and 1993, cities were net losers of jobs while jobs in suburbs grew by over 10 percent. [Exhibit 6]

  During this same period 95 percent of the new establishments were located in the suburbs of these metropolitan areas and only 5 percent in central cities.

- ***The 1990/1991 recession cost large cities many jobs.*** Of the 19 cities for which data are available through 1995, almost half (9) lost jobs between 1990 and 1993. New York City lost 275,000 jobs. The economic recovery has helped these cities by reversing or slowing the job lost. But a third of these cities continued to lose jobs. Despite the turnaround after 1993, New York City still had 250,000 fewer jobs in 1995 than in 1990. Only half of the ten largest cities have more employed residents today than in 1990. [Must check to see if this is consistent with the New York Times article-but it is consistent with a second BLS data series] [Exhibit 7]

- ***The Jobs and Skills Mismatch.*** Aggravating the urban employment situation -- and the great need for people coming off the welfare rolls to find entry level and low skill jobs -- there is a mismatch between the urban workforce and the jobs that are being created in cities. Of the new service jobs being created - especially those requiring little or no skills, cities are creating less than 20% and suburbs more than 80%. Compounding that situation, large numbers of low-skilled jobs that can serve as a first step in breaking the cycle of poverty lie in the suburbs and are often inaccessible using public transportation - the only method of transport available to many of the city's most needy residents.

  - **Cleveland:** Fewer than half (45%) of entry-level jobs in the Cleveland metropolitan area are accessible from central city neighborhoods (those in the Cleveland Empowerment Zone) within an 80-minute commute time. The remaining 55 percent are simply not accessible by public transportation.

  - **Boston:** Boston has an excellent transit system, with stations within a half-mile of 99 percent of the city's welfare recipients. Still, it does not provide needed connections to available jobs: only 43 percent of employers are also within a half-mile of transit lines. Only 40 percent of employers in high-growth areas can be reached after a public transit commute of more than two hours.

  - **Atlanta:** Three of every four job openings in the Atlanta area are in the suburbs. Two-thirds of entry level jobs paying less than $15,000 annually are within a quarter-mile of a transit line; however, fewer than one of three entry level jobs paying more than $15,000 annually -- those most likely to enable a welfare recipient become self-sufficient -- are located within a quarter mile of a transit line.

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Finding #2: Despite the recent decline in the national poverty rate, America cities today are as poor and the poor are more socially and economically isolated and more physically concentrated than at any time in a generation.

- *50% Increase in Central City Poverty*. Poverty rates in central cities rose steadily from 1970 to 1993, increasing by over 50 percent. Since 1993, the national poverty rate has fallen and there has been a very slight decline in the central city rate as well. But in 1995, one of every five central city residents was still living in poverty compared to less than one in every ten suburban residents. [Exhibit 8]

- *Poverty imposes a heavy burden on cities.* While central cities house only 30 percent of the population, they have to care for 43 percent of the poor. This burden is especially heavy for some cities. In 1990, the poverty rate exceeded 30 percent in Detroit, New Orleans, and Miami. Poverty especially afflicts minorities. Poverty rates surpassed 40 percent for African Americans in Miami, Miwaukee, New Orleans, and Pittsburgh and for Hispanics in Buffalo, Cleveland, Hartford, and Philadelphia.

A particularly alarming trend has been the growth of poverty ghettoes.

- *Poverty Concentration has doubled.* More than 10 percent of all city residents live in neighborhoods where the Census Bureau reports that 40 percent or more of the households are living below the poverty line, a doubling of the level of concentration in 1970. In many of these places, intense and increasingly long-term poverty and welfare dependency occur simultaneously with alarmingly high rates of crime, drug abuse, single parenthood, dropping out of high school and other social problems.

  And more than ever, these high poverty tracts, isles of misery, are almost exclusively inhabited by minorities. As a result, almost a quarter of the African American and Hispanic population in central cities are isolated in these high poverty neighborhoods. [Exhibit 9]

- *The concentration of poverty is eating away at the residential core of central cities.* In 1970, only 6 percent of all census tracts in central cities were high poverty tracts; by 1990, this had more than doubled to 14 percent.

- *Increasing Burden on Services.* Growing poverty places increasing service delivery burdens on cities while reducing the tax base available to finance these services. School system performance is an important example of how this fiscal dynamic weakens cities' ability to carry out their functions and simultaneously reinforces poverty.

Because of their greater expenditures for noneducation functions, cities spend only 90 percent as much per student on education as suburbs. This is the case even though city schools, with more students from impoverished homes and immigrant children for whom English is a second language, face greater burdens. Urban schools also tend to be more segregated. The combination of fewer resources and greater challenges results in higher dropout rates in large city schools. While some large school systems perform close to the national norm, for example, New York City and San Diego. Others have dropout rates 50 percent, 70 percent, and even almost 100 percent higher. [Exhibit 10]

Finding #3: The migration of the middle class from cities to suburbs continues.

- ***City Populations In General Are Shrinking***. Only 11 of 30 largest cities in 1970 have more population today. Population losses continued into the 1990s in some instances. Population losses were particularly severe in St Louis which lost 40 percent of its population over this period and in Detroit, Cleveland, Pittsburgh, and Buffalo, each of which lost approximately one-third of its population.

  Among today's ten largest cities, Los Angeles, Chicago, Philadelphia and Detroit lost population between 1990 and 1994. New York City barely held its own as a massive influx of immigrants made up for the made up for the large number of former city residents who left the city.

  There has been a long term trend that has led to central cities being home to a shrinking share of the metropolitan population. In 1970, 45 percent of the metropolitan population lived in central cities; but, by 1994, the central city share had fallen to only 38 percent. [Exhibit 11]

  Minority population growth has helped stabilize central city population but, as a consequence, minority are becoming the majorities in an increasing number of central cities. Between 1970 and 1990, the minority population in central cities grew by 60 percent while the non-minority population declined by 25 percent. Minorities constitute more than 60 percent of the population in Miami, Newark, Detroit, El Paso, Honolulu, Oakland, Santa Ana, Washington, Hartford, New Orleans, Atlanta, Birmingham, and San Antonio.

- ***Suburban Populations Are Growing***. The growing dominance of suburbs is especially recognizable in the vary large metropolitan areas. Among metropolitan areas with over one million inhabitants in 1994, the suburban population increased more than 10 times faster than the central city population between 1970 and 1994. [Exhibit 12]

- ***The Urban Middle Class is Shrinking.*** In 1970 the income profile of central cities was almost identical to the Nation as a whole. However, the loss of jobs and middle-class families over the ensuing two decades has fundamentally changed the income distribution within central cities. The proportion of high and middle-income families is decreasing, while the cities' share of low-income households has grown substantially. [Exhibit 13]

  By contrast, the suburbs are increasingly becoming the province of more affluent families, while the proportion of those at the opposite end of the income scale continues to fall. This disparity is most stark in metropolitan areas of over a million inhabitants, where 25 percent of the central city's population is low-income compared to less than 12 percent of suburban residents.

- ***Income Distribution has grown.*** Changes in income distributions for some cities were particularly striking and provide strong testimony to the impact of economic changes during the 1970s and 1980s. For example, Detroit in 1970 had a relatively balanced income distribution with 20 percent low-income families, 58 percent middle-income families, and 22 percent high-income families. By 1990, 40 percent of Detroit's families were low-income, 49 percent middle-income, and only 10 percent high-income. Other cities following Detroit's pattern include Cleveland, Buffalo, and New Orleans. Some cities displayed a bifurcation of the income distribution where the proportion of high-income and low-income families increased while the broad middle class declined. The two most prominent examples are Boston and Washington.

- ***Lower paying jobs are leaving cities.*** There is also a new dynamic that makes it even more difficult for central cities to retain the middle class. The highest paying jobs in central cities are in industry groupings such as wholesale trade, depository institutions, and insurance carriers. Employment in these categories declined for the 77 central cities studied between 1991 and 1994 but average compensation in these categories rose, even after adjustment for inflation. It appears that firms are either eliminating lower paying jobs in these categories or moving these lower-paid positions to suburban offices. The Census numbers confirm stories of large mid-level layoffs by major financial corporations and the movement of back-office functions to suburban locations.

- ***Loss of Families.*** Families are the bedrock of a stable community and cities are still struggling to attract and retain them in the face of the suburban siren song of lower density, better schools and less crime. In 1970, central cities and suburbs housed roughly equal numbers of families; today, suburbs have almost twice as many families as do cities.

- *Loss of Traditional Families*. The demographic and social changes that have characterized the end of the twentieth century in America have been magnified in cities. With the aging of the baby boom and changing attitudes toward marriage and divorce, the number of two-spouse families with children remained essentially constant from 1970 to 1990, but the distribution of this total shifted more heavily towards the suburbs. The absolute number of families with children in central cities declined by 300,000 between 1970 and 1990. During this time, the number of two-spouse families with children fell by 1.5 million in central cities while increasing by 1.3 million in suburbs. As a result, central cities are home to a disproportionate share of single-parent households -- with all the additional social services such arrangements often entail. Single-parent families outnumber two-spouse families in Hartford, Newark, Detroit, and Atlanta. [Exhibit 14]

- *The Challenge of Reversing the Trend.* A forthcoming study highlights the challenges central cities face as they work to reverse the declining population of middle class families.

First, the study shows that, despite recent progress in America's cities, this trend has continued into the 1990s. Annual data constructed from the Current Population Survey continue to show that the number of high and middle income household moving from central cities to suburbs is substantially higher than the number moving from suburbs to central cities.

Second, using the 1990 Census data, the study observes that households of all income levels who leave the central city typically settle in suburbs while households who leave the suburbs typically move to other metropolitan areas. City dwellers seem to find the suburbs an attractive residential alternative but suburban dwellers leave the suburbs mainly because of employment changes.

Third, while immigration has helped sustain the population of large central cities, only three of 12 central cities studied attracted more immigrants than did their suburbs and the higher the level of household income, the more likely an immigrant household will settle in the suburbs. The study notes that: "In general whites, two-parent households, and the middle-aged are leading the charge out of the central cities .... Black households with the same profile are close behind."

So while it is good news that the nation's cities are rebounding from their historic low points reached during the previous decades, their gleaming downtown areas, their healthier balance sheets and lower crime rates only tell part of the story.

Many city neighborhoods continue to show signs of distress and dislocation. The time is right for initiatives to extend and deepen America's urban renaissance; our goal must be to empower communities to make it happen. New initiatives and seeds of hope have started taking root. But they will need to be carefully nurtured before they can lead to bountiful harvest.

(C) THE CHALLENGES AND OPPORTUNITIES AHEAD

When the administration assumed office in January, 1993, the urban challenge was clear: how to best leverage federal help to empower local government to make the most of the work they had already begun. As described above, our efforts are already bearing fruit. But our strategy for assisting Urban America to make an effective transition to the 21st Century is now confronting two additional and vexing problems: the effects of welfare reform and immigration.

- ***Welfare Recipients Moving Into The Workforce Will Require An Estimated 1 Million Jobs.***

A fundamental tenet of the Clinton Administration is that all Americans must assume responsibility for the well-being of their families. The Welfare system should be a transitional step as people develop skills and find jobs that will ultimately free them from the bonds of poverty and dependence.

This effort to end welfare as we know it requires the availability of employment opportunities for those making this crucial step toward personal independence.

City residents moving from welfare to work will need an estimated three million jobs in the next two-to-three years. However, amid our current economic expansion, over the past three years, the economy has only created 2 million new jobs in central cities. Overall, job growth in cities has been dramatically slower than in the suburbs – especially for the lower skilled jobs suitable for most people moving from welfare to work.

While better economic development of cities represents the long term solution, in the short run, the administration's program to end welfare as we know will require efforts to get city residents to the suburbs to find appropriate suburban jobs. This mismatch problem is more pronounced in large cities than in smaller ones.

[Insert quote from Mayor Savage]

- ***Immigration Is At Record Levels, And Is Projected To Increase In The Coming Decade.***

The United States has not had such a large influx of immigrants since the legendary days of industry-building at the turn of the century, when unskilled workers from distant lands were drawn by the promise of a better life. Today's immigrants, while generally haling from different countries, carry many of the same hopes and aspirations: that hard work will be rewarded and lead to a better life.

As in earlier periods of intense immigration, today's new Americans are most likely to settle in large gateway cities such as Boston, New York, Miami, Chicago, Los Angeles and San Francisco. Their hard work and energy has been a net bonus for the U.S. economy and presents us with an opportunity.

[Insert quote from Mayor Guiliani on immigration]

Immigrants are a positive force, bringing new energy, talent and resources to their adopted hometowns. As one New York demographer noted: As immigrants poured into the city in recent years, longtime New Yorkers poured out, at a rate of more than 100,000 a year. "This city was dying in the 1970s. Having more than 100,000 immigrants a year has helped mightily." Similarly, in Los Angeles, public schools now have children who are able to speak 75 different languages.

The 1980s brought more immigrants to these shores than other decade in history, including the previous high point of 1900-to-1910 when there were more than 9 million immigrants. Immigration from 1990 to 2000 is likely to prove even greater than during the 1980s. However, the United States is much more populous today, and immigrants represent a smaller percentage of the total population.

In 1990, fourteen gateway cities, including the Boston, New York, Miami, Chicago, Houston, Los Angeles, San Diego, and San Francisco regions, contained almost 80 percent of the foreign-born population living in the fifty-eight largest U.S. cities. Yet all types of communities are affected by immigration.[Exhibit 15]

Foreign-born persons are most highly concentrated in central cities (and made up 16 percent of their population in 1990). However, more than 11 percent of the populations of their suburbs were also foreign born. Immigration has grown so much in recent years, and immigrants have so spread out in metropolitan areas, that by 1990 foreign-born persons made up almost as large a proportion of suburban populations as they had of central city populations ten years earlier.

Immigration Provides A Net Benefit For the County.

Immigration has played several important roles in the American economy in recent years.

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- First, immigration increases the size of the domestic market for goods and services, and of the labor force.
- Second, highly skilled, educated immigrant workers meet the need for brain power in high technology sectors.
- Third, skilled immigrants from developing nations can help to generate international trade and investment opportunities for U.S. businesses. It is becoming clearer and clearer that these immigrants' ethnic, cultural, and family ties to their home countries can be foundations for business relationships between the United States and the motherlands of America's immigrants. Such ties may be of special importance in overcoming cultural and market barriers.

[Insert quote from Mayor of Albuquerque]

- Fourth, a strong case can be made that low-skilled workers enable U.S. firms to provide many goods and services that the United States otherwise could not produce efficiently.

III. AN URBAN AGENDA FOR THE FUTURE

In an age of global competition, America cannot afford to be divided into two nations – one doing well in the suburbs, and the other marginalized in urban neighborhoods. While the cities are now rebounding from two decades of economic and social transition, coupled with the anti-urban policies of the 1980s, America's urban renaissance is not yet solid.

In an effort to create One America, we must now build upon the past four years of success to insure that the gleam of booming downtown districts casts light on the neighborhoods. We must build on the momentum begun in 1993 and institutionalize the lessons learned and the approaches that have proven effective.

We must assist the creative spirit that seeks to build, from the bottom up, stronger communities. We must ensure that human capital is maximized through education, homeownership is fostered to give people a deeper stake in their communities, and that pure economic capital is made available so energy and entrepreneurship is freed, rather than stifled by the streets of urban America.

In 1993, President Clinton rejected decades of failed policy and created an Urban Empowerment Agenda.

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EMPOWERMENT PRINCIPLES

The President has built his Empowerment Agenda on these core concepts:

- *Leverage Private Sector Investment.* Working with the market and private business, an empowerment approach aims to build upon the natural assets and competitive advantages of urban communities. For example, in virtually all existing EZs and ECs, efforts are underway to create new partnerships with the private sector which allows private capital to flow back into inner-city neighborhoods. Small amounts of federal funds are leveraging private capital into neighborhoods which have for too long have had not significant investments. Rather than work against the market -- as too many poverty programs have done -- empowerment says that we must use market incentives and norms to create the healthy, mainstream communities all Americans desire.

- *Make Community Development Comprehensive.* Traditionally, communities plan development projects in a piecemeal fashion. An empowerment approach says that it doesn't work this way -- only a comprehensive, multi-year approach will allow communities to solve the underlying problems rather than merely treating symptoms. As the Vice President says, only a "whole systems" plan will get the right results.

- *Trust the Community.* Traditional community development has too often been top-down, directed by bureaucrats in Washington. But the days of "Made In Washington" solutions are over -- and the President's approach promotes solutions that are locally shaped and implemented at the grassroots, involving community residents, private businesses, the growing and entrepreneurial network of community based organizations and all levels of government. The early experience has shown that this process often produces significant tensions, but such tension has been a barometer of the community commitment to achieving full community buy in, and thus generating lasting change.

- *Demand Performance.* Performance measurement is an important part of ensuring that federal tax dollars and tax incentives are used effectively -- a way to ensure accountability, put performance over process and protect the public trust. The right federal role says that the community must take the lead -- but the federal government must be a responsible steward of public funds, offering flexibility and local control but demanding results in return.

- *Build on Mainstream Values.* Finally, an empowerment approach affirms traditional values such as hard work, family and self-reliance. President Clinton recognizes that the problems of so many inner-city neighborhoods -- family breakup, crime, drug abuse, teenage pregnancy -- are not subject to government

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solutions alone, but call upon individuals and their communities to set and maintain high standards of behavior and mutual responsibility. Instead of perpetuating dependency we must nurture self-reliance, helping people to make their way *off* government programs and onto an independent life.

The essence and innovation of the President's empowerment philosophy and program is that unlike in the 1960s where "urban policy" meant the same policy for every community, Washington now recognizes that there are really nine hundred different urban agendas for all of the communities we partner with.

Instead of a federal mandate we offer a federal menu, a range of options for creating stronger, safer, saner communities: more affordable housing, increased community development, more homeownership opportunities for working class families, and better schools with higher standards. One community needs police and parks, another housing and homeless assistance.

ADMINISTRATION INITIATIVES

This Administration seeks partnership with communities through an urban agenda for the future, an agenda that will deepen and institutionalize the innovative, bottoms-up, mainstream empowerment approach developed over the past four years.

This study indicated a need for policy efforts directed at a three-fold challenge:

- With the success of welfare reform hanging in the balance, what can be done to ensure that there are two million jobs for people coming off welfare reform -- and that they're prepared to succeed at work -- emphasizing targeted efforts to make cities more attractive to the private sector?
- How can we retain -- and begin to bring back -- middle class families to America's cities?
- What can lessen the impact of today's poverty concentrations -- creating more hope and opportunity for future generations?

The Administration has a seven point agenda:

(1) Making the City Home: An Urban Homestead Initiative for the Year 2000

(2) A Second Round of Empowerment Zones

(3) New Tools For the Welfare to Work Transition

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(4) Making Urban Neighborhoods Safe and Crime-Free

(5) Cleaning Up The Urban Environment

(6) Creating Educational Opportunity for All

(7) Ensuring Better - and More Affordable -- Housing for The Future

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(1) Making the City Home: An Urban Homestead Initiative for the Year 2000

Homeownership, as many mayors would attest, is often the most effective antidote to the many problems that ail a city. Two years ago, President Clinton set a goal of reaching an all-time high level of homeownership in America, requiring a total of 8 million additional households. Significant progress has been made to date: as of the end of the first quarter of 1997, more than 2.5 million new homeowners have been added. The homeownership rate has increased from 64.2 percent at the end of 1994 to 65.4 percent today. The expansion in homeownership over the last two years is the largest experienced in 30 years. Currently, we are enjoying the nation's highest homeownership rate since 1980.

Despite these efforts, there remains a large gap between the homeownership rate in central cities and in their surrounding suburbs. While 72.1 percent of suburban families own their own homes, only 49.4 percent of families in cities are homeowners -- and over the past few decades, hundreds of thousands middle class families have fled the cities. In many ways, this is one of the most significant urban challenges, for their is great urgency in finding ways to halt -- and hopefully reverse -- the exodus of the middle class from the cities.

To reverse this trend, HUD will undertake an "Urban Homesteading Initiative" to accomplish this goal:

(A) Reduced Mortgages for City Homeowners

On June 12 of this year, President Clinton announced that HUD has reduced the Federal Housing Administration mortgage insurance premium for first time homebuyers obtaining homebuyer counseling. The up-front premium would be reduced by 12.5 percent -- from 2.00 percent to 1.75 percent. Up to 50,000 additional families could become homeowners as a result of the reduction.

The reduction in premiums is the third such reduction since the President took office in 1993. The three reductions, along with savings passed on to homebuyers because of increased efficiency in the FHA will save homebuyers $1,200 in closing costs on the average FHA mortgage of $85,000

To stimulate further activity and reduce the disparities between suburban and central city homeownership rates, the President will be announcing an additional reduction of 25 basis points for first-time homebuyers in central cities only.

This effort reverses a long-standing historical trend in which the FHA, starting in the 1950s, contributed to the exodus of many cities by subsidizing homeownership in suburbs. Creating, for the first time ever, a federal incentive for central city homeownership will mend this historical inequity and help rebuild our cities.

[insert quote from Secretary Cuomo]

(B) Safe Communities: "The Officer Next Door" Initiative

To make central cities safer, HUD proposes to use its programs to further the goal of community policing, by providing incentives for police officer to live in the communities in which they work. Under the Officer Next Door initiative, the Federal Housing Administration will offer police officers a 40 percent discount on the purchase of HUD-owned foreclosed properties in designated revitalization areas.

[Quotes from Mayor Cleaver and Mayor of Springfield]

HUD will also be encouraging its local public housing authorities to create special preferences which allow police officers to reside in public housing developments.

(C)One America: Cracking Down on Housing Discrimination

To further his recently announced initiative on race, President Clinton is challenging HUD to double -- in the next four years -- the number of prosecuted housing discrimination cases over the previous four, which was [# of cases]. This step is vital to ensuring One America -- for the freedom and dignity of choosing where you live is a choice every American should have. [This section will be expanded.]

(D) Homeownership Empowerment Vouchers

Approximately 1.5 million households receive Section 8 certificates and vouchers to help them rent apartments in the private market. Under the Section 8 program, the federal government makes up the difference between the rent for a private unit and 30 percent of the tenant's income. Tenants could only use the subsidy to help pay rent, not to make payments on a mortgage.

The Administration now proposes to allow hard-working families to use their Section 8 assistance to become homeowners, rather than limiting their choices to the rental market. The Administration's public housing reform bill proposals include provisions that would make the Section 8 program work for homeownership. [HR ?] This initiative can also have a significant benefit for minorities as fifty six percent of Section 8 voucher recipients are minority, with the figure far higher in some cities (e.g. Dallas, 95%; Phoenix, 76%; and New York, 65%).

Under the Administration's proposal, a family must have income from employment and must make a contribution toward their own downpayment. [What should be put in here about Freddie Mac?]

(E) Homeownership Zones

Another HUD program that targets home ownership expansion in inner cities is the Homeownership Zone initiative. HUD will provide $10 million in FY 1997 and requests $50 million in FY 1998 for Homeownership Zones. HUD recently made Homeownership Zone grants in Baltimore, Buffalo, Philadelphia, Cleveland, Louisville and Sacramento.

This program enables cities to undertake large-scale, single family development in inner city neighborhoods. Such developments can retain and attract stable, middle income families into the inner cities. In addition to increasing the supply of safe and decent housing in urban areas, the program will create new jobs in the home building industry and stimulate new investment in revitalized communities.

(F) Ginnie Mae Targeted Urban Ownership Initiative

Ginnie Mae helps expand home ownership opportunities for all Americans by ensuring that mortgage funds are available throughout the country. Ginnie Mae links the capital and Federal housing markets by facilitating secondary market activities for federally insured or guaranteed mortgages. To date, Ginnie Mae has helped 19 million American families purchase homes.

Ginnie Mae is spearheading a new Federal initiative to stimulate at least $1 billion in annual mortgage loans to help about 15,000 families buy homes in America's inner cities each year. With the Targeted Urban Ownership Initiative, Ginnie Mae will cut the guarantee fees it charges to lenders by up to 50 percent when the lenders make home mortgage loans to central city home buyers in one of 72 cities designated as Empowerment Zones or Enterprise Communities across the nation. [Ginnie Mae just recently announced an extra billion dollars -- need more information on this].

(2) A Second Round of Empowerment Zones

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In 1994, more than 500 urban communities applied to be designated as one of 6 urban empowerment zones. Just two years since their designation, these zones have begun to generate billions of dollars in private investment, beginning to revive inner city neighborhoods once given up for dead, creating jobs and helping families move from welfare to work.

Empowerment Zones embody the best of the President's Community Empowerment agenda. The EZ/EC program combines federal tax incentives with direct funding for physical improvements and social services. It requires unprecedented levels of private sector involvement and investment. It brings all stakeholders in a community -- residents, nonprofits, business and government -- to the table to develop a locally fashioned and locally controlled, comprehensive revitalization strategy. It makes the private sector the driver of economic growth, with the government acting as a partner.

Building on this success and the vast untapped potential in the hundreds of communities which were not designated, the Administration proposes to select an additional 15 urban empowerment zones and 50 additional urban enterprise communities. These communities will receive a combination of tax incentives and direct grants totaling some $2 billion to stimulate economic opportunity and revitalization in distressed neighborhoods across the country.

(3) New Tools For the Welfare to Work Transition

There is no greater urban policy challenge than making the revolution in welfare policy work in central cities. Welfare reform gives States and individuals unprecedented opportunities to build a new welfare system that rewards work, invests in people, and demands responsibility from recipients.

A cornerstone of the welfare reform jobs challenge was laid during the first term of the Clinton Administration by enactment of two provisions to "make work pay." These achievements included the expansion of the Earned Income Tax Credit and the increase in the minimum wage. The expanded Earned Income Tax Credit effectively raises the wage rate for a full time worker with two or more children by nearly $2.00 per hour. In conjunction with the increase in the minimum wage to $5.15 and food stamp benefits, a full time worker with two children would have an income that exceeds the poverty line.

The President fought to include new tools in the Balanced Budget agreement to help cities, states and welfare recipients make the transition from welfare to work. Among those tools are:

- A $3 billion Welfare to Work Jobs Challenge Fund: This fund will provide

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funds directly to both cities and states to provide additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.

These resources are particularly critical for cities. They represent the first allocation of resources directly to mayors, who will have resources to leverage jobs and services for their residents. Funds will be used for wage subsidies to private and public employers, on-the-job training, public and private job placement contractors, transportation subsidies, job retention services and other effective job creation and placement strategies.

- A New Welfare-to-Work Tax Credit: The Budget Agreement provides a new tax provision to give private employers an extra incentive to hire long-term welfare recipients. The credit would allow an employer to claim a credit of up to 50 percent of the first $10,000 in wages paid during a year to a former welfare recipient who is employed for at least nine months. The credit would be available for up to two years per worker.

- Incremental Rental Assistance Linked to Welfare Reform:

  HUD housing programs can also help link welfare recipients to jobs. Often, there is a mismatch between where welfare recipients live and the location of entry level jobs for which they have the appropriate education and skills. Moreover, stable and affordable housing can mean the difference between steady employment and welfare receipt.

  HUD proposes to use housing assistance programs to leverage jobs for welfare recipients. HUD's FY 1998 budget proposes 50,000 units of Section 8 rental assistance linked to the President's Welfare to Work Jobs Challenge. Jurisdictions which receive Welfare to Work Challenge grants and develop coordinated strategies between their public housing authority and the state or local welfare agency for the use of incremental rental assistance will compete for this funding.

- Transportation Services: One of the biggest barriers facing those making the move from welfare rolls to payrolls -- particularly for inner city welfare recipients -- is convenient access to jobs. Two-thirds of new entry level jobs are in the suburbs, but three of four welfare recipients live in central cities or rural areas. Access to these suburban jobs is limited: only one in 20 welfare recipients owns a car and mass transit does not provide adequate or timely connections for those living in the city and traveling out to suburban jobs. The public transit system also provides severely limited help for those with non-traditional work hours or families with children who require day care in order to work.

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In 1996, HUD initiated a 5-city Bridges to Work demonstration to connect inner-city job-ready residents with suburban job opportunities. The initiative brings together regional service providers to provide transportation, job placement, and supportive services to residents of targeted inner-city neighborhoods. HUD proposes an additional $10 million in FY 1998 to expand the Bridges to Work program.

Building on the Bridges to Work model, the Department of Transportation proposes to provide $100 million per year for six years to fund innovative transportation programs to transport welfare recipients to jobs. Grants would be available to states, local governments, and private and non-profit organizations to plan and implement new transportation services linking welfare recipients to jobs.

- Reengaging the Faith Community:

  [Describe HUD's initiative on faith participation...need more information].

(4) Making Urban Neighborhoods Safe and Crime-Free

While violent crime rates have plummeted in many large cities, too many families still cannot walk their city streets knowing they will be safe. Businesses and homeowners cannot be expected to risk their hard-earned money in neighborhoods where drugs are rampant, gangs control the streets, and where violence keeps residents in their homes at night.

The cornerstone of the Clinton Administration's efforts to fight crime, particularly violent crime, is the continuing effort to put 100,000 more police on the streets. By the end of 1997, funding will be in place to have about 64,000 additional police on patrol. The FY 1998 budget proposes $1.4 billion to put nearly 17,000 more officers on the streets.

The focus on Community Policing is beginning to reap dividends in reducing crime in the most intractable urban settings. For example, in Boston, no juvenile under the age of 16 has died as a result of gunfire since July 1995, and the homicide rate for those under 24 has dropped by as much as 71 percent since 1990.

These reductions can be attributed to innovative community policing techniques. In Boston, the police identify "hot spots" to proactively target their crime prevention and efforts. A Youth Violence Strike Force -- consisting of a unique community-wide law enforcement collaborative -- zeros in on battling gang violence and thus reduces

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youth homicide. The Strike Force established a community-wide collaboration of law enforcement officials to prosecute a major gang and developed an innovative partnership with the probation department to increase accountability.

The Administration's FY 1998 budget includes other crime fighting initiatives:

- Juveniles: The Administration proposes a $50 million increase in FY 1998 to support more local community prevention programs, such as mentoring, truancy prevention, and gang intervention. To prevent young people from becoming involved in the juvenile justice system, the budget expands funding for programs that provide supervised afternoon and evening activities for youth. These programs include $63 million of community schools, supervision and youth services.

- Gangs: The President has worked hard to get guns off the streets and out of the hands of children, to crack down on violent teen gangs and to teach children that drugs are wrong, illegal, and dangerous. As gangs become an increasingly powerful and deadly force, the Administration is pursuing a coordinated national strategy to combat them. For example, the budget proposes substantial budget increases to hire more prosecutors, to establish a new juvenile court initiative and for a local youth crime intervention initiative.

- Putting Violent Criminals in Jail: The Administration seeks to ensure that convicted violent offenders serve at least 85 percent of their sentences behind bars. To reach this goal, the Administration proposes $710 million in State grants to build new prisons and jail cells under two programs: the Violent Offender Incarceration and Truth in Sentencing programs. Nationwide, the prison population is growing by over 1,700 inmates per week, and will likely grow faster as tough sentencing laws and practices that these programs require are implemented.

- Combating Drug Abuse: Drug abuse and drug-related crime cost our society an estimated $67 billion a year and destroy the knit and futures of millions of children. Illicit drug trafficking breeds crime, violence, and corruption across the country. The effects of drug use and drug-related crime are felt acutely by all Americans, transcending economic, geographic, and other boundaries.

  The Administration proposes a $16 billion, coordinated, multi-agency approach to combating all types of substance abuse among youth -- including tobacco and alcohol. This initiative focuses on State-level data documenting trends in drug use. This comprehensive approach, consistent with the President's National Drug Control Strategy, come in response to surveys showing sharp increases in drug abuse among adolescents.

Specific anti-drug initiatives include:

- National Media Awareness Campaign: The Office of National Drug Control Policy is developing a national media campaign to include public service announcements targeted at youth and their parents on the consequences of drug, alcohol and tobacco use.

- Safe and Drug Free Schools and Communities Program: This is the largest federal program to inoculate children against drug abuse and to ensure that schools are safe and disciplined learning environments. The program covers 97 percent of all school districts nationwide through educational activities, teacher training, and other activities. The President proposes to spend $620 million for this program in FY 1998, a 12 percent increase over 1997.

- Public and Assisted Housing: The President believes that public housing is a privilege, not a right and residents who commit crime and peddle drugs should be immediately evicted. This is HUD's "One Strike and You're Out." HUD's budget provides $290 million to support anti-drug and anti-crime initiative.

- HUD proposes to double funding for Operation Safe Home, a unique crime-fighting campaign spearheaded by HUD's Office of the Inspector General. The collaboration includes the FBI, the Drug Enforcement Administration, the Bureau of Alcohol, Tobacco and Firearms, U.S. Attorneys offices and other federal, state and local law enforcement agencies. Operation Safe Home focuses on three major types of wrongdoing that undermine HUD programs -- violent crime in public and assisted housing, fraud in public housing administration, and equity skimming in multifamily insured housing. Operation Safe Home has to date resulted in more than 10,000 arrests and the seizure of more than 1,200 weapons and nearly $2.5 million in cash.

(5) Cleaning Up The Urban Environment

Brownfields are former industrial and commercial properties that may contain low to moderate levels of contamination. Because these sites are considered to be only moderately contaminated, they do not appear on EPA's Superfund list. An estimated 500,000 brownfields exist [this figure is being checked], the vast majority of which are urban. In many cases, these sites must be cleaned up before they can be redeveloped for commercial uses. Old manufacturing or other industrial sites leave some level of contamination after they have ceased to be productive assets.

The Clinton Administration has launched a landmark effort to clean up and redevelop Brownfields sites. It has established a Brownfields National Partnership between 15 federal agencies to join together in a collaborative effort to turn contaminated Brownfields into greenfields of urban opportunity. In total, the Brownfields action agenda has marshaled funds to clean up and redevelop 5,000 properties, leveraging between \$5 billion and \$28 billion in private investment and creating and supporting 196,000 jobs.

The key components of the FY 1998 Brownfields Action Agenda are:

- \$125 million EPA funding for assessment, clean-up, and job training.
- \$100 million in HUD economic development funding and \$400 million loan guarantees over 4 years. In each of the next four years, HUD proposes to fund \$25 million in Economic Development Initiative (EDI) grants to redevelop contaminated brownfields after they are cleaned up. In general such grants leverage four dollars in HUD Section 108 loan guarantees for each HUD grant dollar.
- \$2 billion in tax incentives proposed by the Treasury Department. Under proposed legislation, businesses would be allowed to "expense" brownfield clean-up costs. These tax provisions would provide direct financial incentives to private sector developers and investors to participate in clean-up and revitalization activity.

(6) Creating Educational Opportunity for All

Today's most successful workers are those with skills and a firm educational footing to compete successfully in the dynamic economy. No where is progress more needed than in inner cities -- especially to help future generation's of inner city children succeed in the new economy.

The President's goals are to help families, communities and States ensure that every child is prepared to make the best use of education; that the education system allows enables every child to learn to his or her full potential; that those who need resources to help pay for a college education can get them.

The Budget Agreement includes the largest federal investment in education in 30 years and the largest single increase in college aid since the GI Bill in 1945. The budget agreement provides investments in for students in the earliest years of their lives, guarantees basic reading skills in elementary school years, helps all students become technologically literate, and makes college more affordable for hundreds of thousands additional students.

- Head Start: Over the past 4 years, the President has secured a 43 percent increase in funds for Head Start. The budget agreement provides \$4.3 billion for Head Start, a \$324 million increase over 1997. A child's learning begins long before he or she goes to school. That's why the President's budget expands Head Start to benefit one million children by 2002.

Beyond expanding the Head Start program, the Administration is challenging parents to get involved early in their children's learning. Parents are their children's first teachers, and every home should be a place of learning.

- America Reads: The President has launched the America Reads Challenge, a nationwide effort to mobilize a citizen army of a million volunteer tutors, to ensure that all children can read independently and well by the end of the third grade.

  While America's 4th graders read on average as well as ever, more than 40 percent cannot read as well as they must to succeed later in school and in the workforce. Research shows that students unable to read well by the end of the 3rd grade are more likely to become school dropouts and truants, and have fewer good options for jobs. The Budget Agreement adopts the $260 million proposed to fund this effort.

- National Standards: Setting rigorous national standards, with national tests in 4th-grade reading and 8th-grade math will make sure our children master the basics. Every 4th grader should be able to read; every 8th grader should know basic math and algebra. To help make sure they do, the President is pledging the development of national tests in 4th-grade reading and 8th-grade math, and challenging every state and community to test every student in these critical areas by 1999. These tests will show how well students are meeting rigorous standards and how well they compare with their peers around the country and the world. They will help parents know if their children are mastering critical basic skills early enough to succeed in school and in the workforce.

Every state and school should also set guidelines for what students should know in all core subjects. We must end social promotion: Students should have to show what they've learned in order to move from grade school to middle school and from middle school to high school. We must make sure a high school diploma means something.

- Make Technology Available: The President has proposed funding to help ensure that computers are in every classroom and that every classroom is connected to the Internet by the year 2000. Our schools must now prepare for a transition as dramatic as the move from an agrarian to an industrial economy 100 years ago. We must connect every classroom and library to the Internet by the year 2000, so that all children have access to the best sources of information in the world. CEOs of some of America's most innovative technology and communications firms have already responded to the President's challenge to work with schools to get computers into the classroom, link schools to the Internet, develop effective educational software, and help train our teachers to be technologically literate.

In addition to having access to the information superhighway, children must be taught by talented and dedicated teachers. The Administration is committed to making sure there are talented and dedicated teachers in every classroom. We are challenging our most promising young people to consider teaching as a career, setting high standards for entering the teaching profession, and providing the highest quality preparation and training. We should reward good teachers, and quickly and fairly remove those few who don't measure up. The President's education budget will make it possible for 100,000 master teachers to achieve national certification from the National Board for Professional Teaching Standards over the next ten years.

- Making College Affordable: The President is opening the doors of college to all who work hard and make the grade. To prepare ourselves for the 21st century, all Americans must have access to college and at least two years of college should be as universal as high school is today.

  The Budget Agreement also provides $35 billion over 5 years to help make college affordable for all American families consistent with a $10,000 tuition tax credit, an expanded IRA to allow families to save tax-free for college and the President's Hope scholarship initiative. This initiative would provide a $1,500 tax credit for tuition paid for the first two years of college. It would be enough to pay for a typical community college education or provide a solid down payment at four-year colleges and universities.

  The Budget Agreement also includes a 25 percent increase -- the largest increase in two decades in the Pell Grant program, which provides grants to disadvantaged students. Maximum grant amounts will reach $3,000 -- an increase of $300 -- and new funding will allow an additional 348,000 students to receive grants.

- Other Education Initiatives: In addition to focusing on these important areas, the Administration also calls for resources to expand school choice and accountability in public education; modernize school buildings and help support school construction; help adults improve their education and skills by transforming the tangle of federal training programs into a simple skill grant; and make sure our schools are safe, disciplined and drug free.

  Students cannot learn in schools that are not safe and orderly and do not promote positive values. We must find effective ways to give children the safe and disciplined conditions they need to learn, and continue to support communities that introduce school uniforms and character education, impose curfews, enforce truancy laws, remove disruptive students from the classroom, and have zero tolerance for guns and drugs. The Administration proposes to keep schools open later as safe havens from gangs and drugs, expanding educational opportunities for young people in the afternoons, weekends, and summers, and providing peace of mind for working parents.

(7) Ensuring Better - and More Affordable -- Housing for The Future

This is a two-fold challenge, for a safe, decent home is the essential base from which families can ultimately attain independence: (A) reinventing the way that public housing works -- so that it is no longer a dead end but a platform to self-sufficiency; and (B) protecting the Nation's precious supply of affordable housing stock and the federal assistance that houses millions of families, seniors and kids.

(A) Reinventing Public Housing: Passing a Landmark Public Housing Bill

At the heart of many distressed urban neighborhoods, one finds old public housing developments, plagued with deteriorating conditions and beset by crime and gang activity. These old developments are too-often high-rise building with caged hallways.

We are living with decades of mistakes in public housing. In too many cases, the original site plans and architecture of the developments were flawed. Other times, buildings simply have worn out their useful lives. In some locations, callous management contributed to the deterioration of buildings. In other cases, neighborhoods changed from healthy residential settings to isolated pockets of poverty and despair.

This is not to characterize all public housing as a failure. To the contrary, the majority of the 1.4 million units of public housing works successfully. It is well-managed and provides decent housing to poor families who desperately need affordable housing at an affordable price. Public housing units represent one-third of all the housing that is available nationwide to families with minimum-wage incomes.

In the first term of the Clinton Administration, the Administration initiated a comprehensive effort to fundamentally transform public housing. The Administration wants to turn public housing into a platform from which residents can launch better lives by gaining the education and skills they need to achieve self-sufficiency. This effort to transform public housing had four major components: 1) Tearing down and replacing the 100,000 worst public housing units 2) Aggressively intervening to improve the troubled public housing authorities 3) Establishing positive incentives to reward working families and encourage families to make the transition from welfare to self-sufficiency and 4) Cracking down on crime, gangs and drugs.

But those reforms cannot advance the full transformation without further legislative action. And HUD has introduced the Public Housing Management Reform Act of 1997 to both cement and deepen the transformation of public housing. It would also match the public housing program structure to the likely resources HUD will have available.

- Responsible deregulation and program streamlining: HUD proposes massive changes to the public housing system of old where regulations and red tape governed even the most basic operations.
- Managing for performance with effective oversight and enforcement: Responsible enforcement must accompany responsible deregulation. Such efforts require early identification of PHA management problems, timely preventive action and sure and certain consequences for persistently troubled performers.

In some communities, public housing has become an isolated and permanent residence with few incentives for residents to work. HUD's legislation proposes new admissions policies which balances the need to achieve a greater mix of incomes in public housing, with policies that offer incentives for existing poor tenants to raise their own incomes. It allows housing authorities flexibility to design their rent systems to be consistent with local welfare programs and encourage work.

(B) Renewing Millions of Section 8 Contracts

Earlier this year, HUD faced what some described as the greatest challenge its faced since its inception. Rental assistance contracts on 1.8 million units of housing -- providing shelter for 4.4 million people -- are scheduled to expire. This crisis grows in future years: by FY 2002, contracts for 2.7 million units -- or 6.4 million people -- will be expiring.

Section 8 provides a subsidy to tenants to afford private rental housing. Under Section 8, tenants pay approximately 30 percent of their income and the federal government makes up the difference. For families receiving Section 8 assistance, it is more than a contract or a subsidy; it is often the foundation from which they can build lifelong self-sufficiency. Renewing these contracts, then becomes a fulfillment of a social contract between government and a vulnerable family.

What would happen if the these 1.8 million expiring Section 8 contracts are not renewed in 1998? Some 4.4 million people could risk losing their homes -- either through evictions or unbearably sharp rent increases. Without reform, that number could grow to 6.4 million Americans at risk by 2002. Over 90 percent of these

Americans are elderly persons, persons with disabilities, or families with children.

American communities should not have to bear the high social costs, and should not have to face the potential social chaos, of an unprecedented explosion of homelessness that would surely arise if these contracts are not renewed.

A plan for renewing these contracts must also protect America's communities. The answer cannot be to divert funding away from other vital community programs. A shredding of the social and economic fabric of our communities would surely be the result if we choose to fund the expiring Section 8 contracts by making 35 percent across-the-board cuts in core HUD programs like CDBG, public housing operating support, homeless assistance and many others. This kind of "cut-and-shift" approach -- robbing Peter to pay Paul -- would be short-sighted and self-defeating. While such an approach would avert the Section 8 crisis, it would simultaneously trigger other community crises in homelessness and affordable housing -- as states, counties and cities small and large would face billions in cuts in 1998 alone.

Renewing these contracts requires sharp increases in appropriations for this purpose. In FY 1998, HUD proposes $9.2 billion for contract renewals -- a $5.6 billion increase over FY 1997. By 2002, funding necessary for contract renewals grows to $18 billion. The President pushed for this in the balanced budget agreement -- and will fight to keep it in any final budget deal.

IMPLEMENTING THE AGENDA

There are two key building blocks for implementing the Administration's second term urban agenda: an active and engaged Community Empowerment Board and a renewed and reinvented Department of Housing and Urban Development -- a HUD that has been dramatically transformed for the 1990s and beyond..

The President's empowerment agenda -- as noted earlier -- is distinctly different from past federal attempts at urban renewal. The Vice President has honed that philosophy and practice in partnership with communities for the past four years. Much has been learned from the many wise and bold mayors. Now it is time to institutionalize and deepen this new empowerment approach.

An Active Community Empowerment Board

Created in xxxx by President Clinton -- and chaired by Vice President Gore -- the Community Empowerment Board is the coordinating body for community and urban policy for the entire federal government. [Need more info on this].

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A New HUD for a New Century

In 1961, President Kennedy, in a special message to Congress, called for the creation of a cabinet level agency to strengthen urban communities. "Our communities are what we make them. We as a nation have before us the opportunity -- and the responsibility -- to remold our cities..."

In 1965, fulfilling Kennedy's vision, President Johnson actually proposed the Department of Housing and Urban Development, citing its mission thus: "This new department will provide a focal point for thought and innovation and imagination about the problems of our cities."

But the agency whose direct mandate was to act as an advocate for urban America has not kept pace with the times. HUD is now just over thirty years old -- and it is time to prepare HUD for the next thirty. While HUD's traditional goals must remain the same — fighting for fair housing, increasing the supply of affordable housing and opportunities for home ownership, reducing homelessness, promoting jobs and economic development — its mission and organization must be updated and re-focused.

If HUD is going to be a significant, value-added player, helping America's communities move from an industrial to an information economy, with welfare reform hanging in the balance, the agency must strive to empower people, giving them the tools they need to succeed. HUD must be an ally to communities, not a bureaucratic adversary; a creator of opportunities, not obstacles.

At the same time, in a balanced budget environment — and with the storm clouds of mismanagement still hovering over the agency — HUD must refocus its energy, ingenuity, and resources on eliminating waste, fraud, and abuse in all our programs.

Since the 1980s, HUD has been criticized by the Congress and its own Inspector General for failing to modernize operations and for being susceptible to waste, fraud, and abuse. HUD is, in fact, the only *entire* federal agency designated by the General Accounting Office as "high-risk." Recent reports by both the General Accounting Office and HUD's Inspector General highlight essential steps HUD must be take if the agency is going to permanently improve management.

Despite significant improvement in the last few years, HUD remains a symbol of inept government. The plan HUD will soon be putting forward puts HUD's house in order and creates a new HUD for the new century. It says that compassion without competence has failed HUD -- and America -- and that HUD must change.

The President's first directive to incoming Secretary Cuomo was to remake HUD.

In late June, the Secretary will provide the President with a sweeping management reform plan.

CONCLUSION

What is the state of America's cities today?

Is it the 44,000 jobs added in San Antonio between 1993 and 1995? Or is it the 258,000 mostly middle class residents who left Cleveland since 1970?

Is it the record 35% drop in violent crime in New York City the past four years? Or is it the 50% explosion in poverty in central cities across America the past two decades?

Is it the 125 percent drop in unemployment in Tulsa since 1993? Or is it the dropout rate in Los Angeles schools, which runs 96 percent higher than the national average?

In a word, the answer is: both. The urban glass is both half-empty and half-full, depending on where you look. Thanks in large part to the one-two punch of the Clinton Administration's economic plan and a targeted urban strategy, America's cities are coming back: unemployment is down. Crime is down dramatically. Downtowns are reinventing themselves. Paychecks are growing faster than in suburbs. Fiscal health has returned to many city halls. And confidence nationwide is riding high.

But at the same time, three very real national trends present serious challenges for our cities:

- First, a dangerous disparity in job creation between cities and suburbs, which cities are losing.
- Second, poor people who are more poor, more isolated, and more concentrated in inner-cities than any time in a generation.
- And third, the uninterrupted migration of the middle class -- and much of the tax base -- from cities to suburbs.

Added to these challenges are the very real difficulties of converting our urban areas from an industrial to an information economy, integrating an increasing number of immigrants, and moving two million of our fellow citizens from welfare to work -- all at a time when federal, state, and local budgets are tight.

With this disparity, one thing remains clear: just as no one city works like the rest, no one solution will work for them all. If we are going to meet the need of America's 900 cities, one cookie-cutter solution will not do. We need 900 partnerships -- each tailored to a community's needs, each custom-made to empower local residents to meet their goals. That is the ambition of the Clinton Administration's second term urban agenda: to encourage innovation, to facilitate cooperation, and to help local communities -- and businesses, and churches, and residents, and nonprofit organizations -- fulfill their own visions of the future.

As much as America has changed since World War II, our cities -- and the suburbs that surround them -- remain home to almost eighty percent of the American people and contain close to 85 percent of America's jobs. We couldn't turn our backs on America's cities, even if we wanted to. Their roads, ports, bridges, banks, businesses, colleges, and residents -- not to mention their museums -- are still the engine that drives our national economy.

What is the state of America's cities? Improving.

What is the challenge? To meet the needs of urban America in a way that empowers us all. We need all to be committed to strengthening the whole not just our individual parts -- the cities and the suburbs, our neighborhoods and those further from our doorstep.

The success or failure we have in meeting these intertwined challenges will largely determine how all of us live in the twenty-first century.

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Exhibit 1

Unemployment Rates, January 1993 and 1997

	Jan 1993		Jan 1997	
	City	Suburb	City	Suburb
Top 50 Total	9.2%	6.4%	6.5%	4.2%
ALL MSAs*	8.8%	6.9%	6.3%	4.7%
U.S. Total	7.3%		5.4%	

Source: BLS, Local Area Unemployment Statistics

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Exhibit 2

National League of Cities Survey Results, January 1997			
Change in city conditions over the past year (1996)			
Condition	Improved	Worsened	No change
Violent crime	44%	15%	41%
Unemployment	49	11	41
City fiscal conditions	46	17	38
Neighborhood vitality	46	10	44
Police/community relations	61	7	32
Overall economic conditions	55	9	36
Volunteerism/ community services	48	6	46
Infrastructure	51	15	34
Recreation	58	3	39

Source: The State of America's Cities (National League of Cities, January 1997)

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Exhibit 3

Percent Change in Violent Crimes in the Top 10 U.S. Cities, 1990-95 *

City Ranking	City	Change in Crime (%)
1	New York City, NY	-33
2	Los Angeles, CA	-16
3	Chicago, IL†	-12
4	Houston, TX	-2
5	Philadelphia, PA	+3
6	San Diego, CA	-8
7	Phoenix, AZ	+9
8	Dallas, TX	-35
9	San Antonio, TX	-10
10	Detroit, MI†	-13
	Overall change	-20

*"Violent crime" in this table refers to the number of incidents of murder, non-negligent manslaughter, forcible rape, aggravated assault, and robbery reported to the police. In some cases, data on a specific form of crime, and/or data from a specific year for a given city were not available. A "†" indicates when these situations occurred. (Specifically, this indicates that forcible rape data were excluded from the analysis.) Source: Federal Bureau of Investigation. (1990, 1995). *Uniform Crime Reports for the United States, 1990* [1995 edition was also used]. U.S. Department of Justice: Washington, DC.

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Exhibit 5

Clustered bar graph: Annualized employment growth, 1970-96 (in percent)

	1970-80	1980-90	1990-96	1990-93	1993-96
U.S.	2.37%	1.69%	1.28%	0.40%	1.77%
Central city residents	1.06%	1.19%	0.90%	-0.03%	1.74%
Suburban residents	3.36%	2.27%	1.37%	0.40%	1.93%

Source: Census of Population and Housing (1970-90); Local Area Unemployment Statistics (1990-96)

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Exhibit 6

Bar graph: Change in metropolitan jobs by location and city size, 77 cities, 1991-93

	Central city	Suburbs
Pop. <250,000	1.6%	5.5%
250,000 - 500,000	-1.0%	9.8%
500,000 - 900,000	1.0%	16.3%
>900,000	-3.1%	7.9%
All MSAs	-1.3%	10.4%

Source: Standard Statistical Establishment List

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Exhibit 7

Change in Jobs 1990 to 1995 for 19 Selected Central Cities/Counties of Metropolitan Areas

	Pop Rank	Change 1990 to 1993	Change 1993 to 1995	Change 1990 to 1995
New York City	1	-273,435	23,751	-249,684
Philadelphia	5	-52,999	-15,726	-68,125
San Antonio	9	37,808	44,211	82,019
Indianapolis	12	12,031	22,519	34,550
San Francisco	13	-49,652	-2,800	-52,452
Baltimore	14	-50,726	-10,265	-60,991
Jacksonville	15	8,589	29,850	38,439
Washington	20	-14,644	-28,331	-42,975
Austin	23	51,627	44,480	96,107
Nashville	24	19,713	22,485	42,198
Denver	25	12,292	14,275	26,567
New Orleans	27	-4,165	4,686	521
Norfolk-Virginia Beach	NA[5]	-1,606	7,562	5,956
St. Louis	43	-9,986	-626	-10,612
Wichita	54	3,937	3,599	7,536
Corpus Christi	59	5,861	5,956	11,817
Anchorage[6]	64	6,012	3,067	9,079
Lexington	69	5,428	7,127	12,555
Richmond-Petersburg	NA[7]	-15,933	-4,506	-20,439

Source: Bureau of Labor Statistics, ES-202

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Exhibit 8

Line graph: Poverty rates, 1970-95

	1970	1980	1990	1993	1995
U.S.	12.6%	13.0%	13.5%	15.1%	13.8%
Central cities	14.2%	17.2%	19.0%	21.5%	20.6%
Suburbs	7.1%	8.2%	8.7%	0.3%	9.1%

Source: Current Population Survey

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Exhibit 9

Bar graph: Share of city population living in tracts with at least 40 percent poverty, 100 largest cities, 1970-90

	1970	1980	1990
Total city pop.	5.2%	7.9%	10.7%
Non-Hisp. white	1.4%	2.0%	3.2%
Non-Hisp. black	15.7%	19.9%	24.2%
Hispanic	9.8%	12.3%	23.8%

Source: Urban Underclass Database

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Exhibit 10

TEN LARGEST CITIES	Ratio of City Shoool Dropout Rate to National Rate
New York City, NY	1.16
Los Angeles, CA	1.96
Chicago, IL	1.52
Houston, TX	1.61
Philadelphia, PA	1.43
San Deigo, CA	1.07
Phoenix, AZ	1.61
Dallas, TX	1.79
San Antonio, TX	1.16
Detroit, MI	1.70

Source: Department of Education

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Exhibit 11

Segmented bar graph: City share of metropolitan population, 1970-94

	1970	1980	1990	1994
Central cities	44.9%	40.9%	39.2%	38.3%
Suburbs	55.1%	59.1%	60.8%	61.7%

Source: Census of Population and Housing; Census FSCPE

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Exhibit 12

Segmented bar graph: Distribution of Metropolitan Area Population Growth by Area Size, 1970-94

Metro Area Size	City	Suburbs
Small (pop.250,000 or less)	36%	64%
Medium (250,000-1,000,000)	26%	74%
Large (1,000,000 or more)	8%	92%

Source: Census of Population and Housing; Census FSCPE

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Exhibit 13

Segmented bar graph: Income distribution of central city population, 1970-90

	1970	1980	1990
Low income	20.2%	23.6%	24.5%
Middle income	59.9%	58.0%	57.6%
High income	19.9%	18.4%	17.8%

Source: Census of Population and Housing

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Exhibit 14

Clustered bar graph: Types of Families with own children in central cities and suburbs, 1970-90

	Married Couple			No Spouse Present		
	1970	1980	1990	1970	1980	1990
Central Cities	81.6%	71.3%	66.8%	18.4%	28.7%	33.2%
Suburbs	90.6%	85.4%	82.1%	9.4%	14.6%	17.9%

Source: Census of Population and Housing

Source: Census of Population and Housing

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A REPORT ON

THE STATE OF AMERICA'S CITIES

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CONTENTS

OVERVIEW

[Insert quote from President Clinton]

Early in 1997, President Clinton asked Secretary Cuomo and the Department of Housing and Urban Development to look at two questions:

(1) As we come to the close of the 20th century -- the century that saw the birth and rise of many of America's greatest cities -- what now is the state of those cities?

(2) What more can the Clinton Administration do to prepare our cities to meet the economic and social challenges of a new era?

This report directly answers both of those questions. Its description of the current state of cities, as well as longer-range historical trends, is based in large part on extensive and original analysis of Bureau of Labor Statistics and Census data -- data that is being released publicly for the first time in this report.

The State of the Cities

There is much good news for cities, in large part because of the one-two punch of the Administration's effective economic policies -- which have helped to lift many cities -- and targeted urban initiatives on a number of fronts including jobs, housing, crime, education and the environment.

- The Administration's economic agenda of the past four years has created a vibrant and growing economy, with the United States now in the midst of a vigorous economic expansion, the deficit down $223 billion over 1992 and a projected balanced budget by 2002, unemployment has dropped below five percent for the first time in 24 years. Twelve million new jobs have been created; xxxx million new homeowners have gotten their piece of the American dream. This rising tide has helped to lift many cities from the economic decline of the 1970s and 80s;

- The fiscal health of many cities is stronger than its been in decades and city budget ink is turning from red to black nationwide;

- Crime is down dramatically;
- A number of cities have experienced a downtown renaissance, bringing whole areas back to life with sports, tourism and local business;

- Unemployment, from 1993 to 1996, dropped more in central cities than in their surrounding suburbs -- and each of the ten largest American cities has a lower unemployment rate today than in 1993;

- Average wages for city jobs are growing faster than for suburban jobs as businesses concentrate their highest-productivity workers in cities; and

- Many mayors -- from cities of all sizes -- are highly optimistic about their cities' future. A 1997 survey found that almost 85% of mayors and chief elected officials scored their city a seven or higher on a scale of one to ten. And over two-thirds noted that the number of jobs in their cities has increased over the past five years.

As the Vice President has often noted, there is a new generation of deeply committed and visionary mayors leading the Nation's cities -- mayors who have turned their cities into laboratories of experimentation and innovation, helping forge in the white heat of their urban cores smart and sensible solutions to city problems.

[Insert quote from Vice President Gore]

While these are positive and hopeful trends, they also tend to mask some of the deeper underlying challenges that remain.

The report has three main findings of the problems facing cities:

Finding #1: There is a dangerous disparity in job creation between the cities and the suburbs -- and the cities are losing out.

- Urban unemployment is regularly and significantly higher than suburban and national rates;

- Most of the jobs fueling metropolitan economic growth are being created in the suburbs;

- Large cities actually lost jobs in the early 1990s and some have not recovered; and

- Cities are not creating enough of the kind of jobs welfare recipients need to move into the workforce. The suburbs are creating more than 80% of the low-skilled jobs crucial to ending welfare as we know it.

Finding #2: Despite the recent decline in the national poverty rate, America's poor are more poor, more socially and economically isolated and more physically concentrated than at any time in a generation.

- City-wide, the central city poverty rate has risen 50% since 1970, from 14% to 21% in 1995.

- The concentration of the poor within many urban areas is increasing. More than ten percent of all city residents live in census tracts with poverty rates of 40 percent or more. Consequences of this concentration are severe: Such high-poverty areas are often the breeding ground for severe social dysfunctions like violent crime, drug abuse and teenage pregnancy.

- High poverty rates also places heavy service burdens on cities while reducing the resources available to support these burdens. For example, cities spend 10 percent less per capita for education than suburbs despite a student population that requires more resources. Higher dropout rates are a consequence.

- [Need data proving the "poor are more poor."]

Finding #3: The migration of the middle class from cities to suburbs continues.

- Only 11 of the 30 largest cities in 1970 have more people in them today than two decades ago, and population losses continue in some of today's largest cities.

- But even in cities with growing populations, the character of the population is changing in ways that do not portend well for cities. Large cities are losing middle-class and wealthier families to the suburbs.

- In addition, the number of families with children in central cities declined between 1970 and 1990, particularly two-parent families with children.

In short, there is much good news to build on -- cities are far better off than they were in the 1970s and 1980s -- but America's largest cities are still trailing in the economic recovery of the last half decade and only an invigorated urban agenda will prepare these cities, and their surrounding suburbs, for the new century.

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An Urban Agenda for the Future

Any urban agenda for the new century must begin with a central premise: cities matter.

Cities have provided hope and opportunity to millions of Americans for most of the past century. They have served as the gateway to travelers and future US citizens from around the world. They have been the ports of entry and exit for trillions of dollars of products made here and virtually everywhere else on the planet. They have been the centers and often the lifeblood of arts, culture, science and technology -- a symbol of the American promise and dream.

Today, one in every four Americans lives in a city of more than 100,000 people. At the beginning of the twentieth century, the United States had only 38 cities with populations that size; now there are over two hundred -- and those cities, and their surrounding suburbs -- are home to almost eighty percent of Americans and contain close to eighty-five percent of U.S. jobs.

But the importance of cities cannot be measured in population alone -- they also hold a disproportionate share of both the country's problems and potential. More than 43 percent of America's poor live in cities, but these same cities are also home to 43 percent of all metropolitan jobs. Just 50 city-based school districts are educating huge numbers of tomorrow's minority workforce -- nearly 40 percent of African American children and 32 percent of Latino kids.

Even those who live outside the urban core have a real stake in the future of cities. The roots of America's metropolitan economies lie in the great cities; neither city nor suburb can successfully incubate a new industry unless the resources and infrastructure are strong across the whole region. Nor can suburbs, and their residents, truly isolate themselves from the effects of economic and social decay that affects so many large cities.

Over the past few decades, however, many have written off the Nation's cities, fleeing to the suburbs for safety, an affordable home, for a better job. Ironically, many have given up on one of the greatest innovations of the twentieth century, the engines that drove American economic prosperity and gave rise to the largest middle class the world has ever known.

Even courageous champions of the cities -- mayors and city leaders nationwide --

have often faced impossible economic triage decisions, making choices to allocate precious and limited city resources to rebuild a dilapidated downtown but having to let other surrounding city neighborhoods languish without adequate assistance. All know that a vibrant downtown, while essential in a long-term recovery plan, does not a city make. [Quote from Mayor Rendell about downtown development and the loss of neighborhoods/urban triage]

President Clinton, and Vice President Gore, believe deeply in the future of America's cities. They have proved that commitment repeatedly over the past five years, putting together a strong first-term urban empowerment agenda that was based on a new and distinctly different approach to urban policy. It worked on a few basic but often ignored principles, emphasizing mainstream values and practical approaches:

-- solutions must come from the bottom-up not the top-down in Washington

-- communities must have flexibility to implement what works best for them

-- responsibility and hard work must be demanded of all who benefit

-- strengthening communities and families must be the first priority

-- the public sector must leverage private sector resources wherever possible

-- performance and results must be measured and rewarded

The core elements of that agenda -- developed and coordinated in large part through the Vice President's Community Empowerment Board -- included:

- the first Empowerment Zones and Enterprise Communities America had ever seen (105 EZs and ECs)

- enacting legislation for Federal co-investment in community banks (CDFIs) and reforming the Community Reinvestment Act to generate close to $100 billion in community development lending and investment from banks and thrifts

- creating affordable housing by making the low-income housing tax credit permanent

- boosting the homeownership rate

- rewriting federal homeless policy to serve 14 times more people than before

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- committing to bring down and replace 100,000 of the most dangerous and dilapidated public housing developments in the Nation

- streamlining Superfund to help clean up more toxic waste dumps in the last few years than in the previous twelve

- reducing crime rates by putting tens of thousands more cops on the street through community policing, passing the Brady bill and the assault weapons ban and instituting a One Strike and You're Out policy to evict gangs and drugs dealers from public housing

- expanding educational opportunity by increasing funding for head start, creating Americorps, signing the School-to-Work bill and launching an initiative to link every child in every classroom to the Information Superhighway

- implementing the HUD Economic Development Initiative to spur private investment

- expanding the earned income tax credit for 15 million working families and

- winning a new minimum wage for the American worker.

This report indicates that this first-term Clinton-Gore urban agenda is working for many cities, especially the President's economic policies which are driving a recovery from the past few decades of economic and social decline. But the report also makes clear that too many cities and most larger cities are still lagging behind the economic renewal sweeping the country and that they continue to face very deep-seated problems that threaten not only the long-term health of those cities but their connected suburbs.

Progress has been made but the reality is that cities face the tremendous task of not only continuing to resolve the problems born in the 1970s and 80s, but they must also meet two new challenges born in the 1990s: creating tens of thousands of jobs to move people from welfare to work and integrating the waves of new immigrants from all over the world.

If we fail to meet these challenges head on -- at the same time reversing the trends that still trouble cities -- many cities face the genuine possibility of a reprise of the decline of earlier decades. To ensure the success and health of America's cities well into the new century, the Administration has begun, over the past few months, to put together a comprehensive and bold second term urban agenda -- in response to the second question the President originally proposed.

That agenda -- covering a wide range of urban concerns including homeownership and affordable housing, economic opportunity, crime and education -- is outlined in Section III of this report. Core elements include: a new urban homestead initiative, a second round of empowerment zones, full funding of Head Start, CDFIs, $3 billion welfare to work challenge grants, passage of a landmark public housing reform bill and funding for urban environmental cleanup of toxic "brownfield" sites.

This report also makes clear the continued need for reform of the way the federal government does business -- and that the cornerstone of a renewed urban agenda is a reinvented and reinvigorated Department of Housing and Urban Development -- the agency created specifically to help solve the Nation's urban problems.

HUD was born of the best intentions -- to help uplift the poor by providing decent, safe and affordable housing and to create homeownership opportunities for working families -- but those intentions have not always been carried out effectively by the agency or its community partners.

HUD's challenge now is to match good intentions with good implementation, to bring together compassion and competence and to prove to America that we can really make a difference for America's communities.

How will America's cities fare in the new global economy? Will they drag down the rest of the country or become, once again, drivers of a new age of prosperity?

We can not wait to let history answers these questions for us.

For the future of our cities is also a harbinger of the future of race in this country -- a tell-tale sign of our hopes for achieving One America.

The statistics tell a clear story: urban problems disproportionately affect minorities, placing race, and the dialogue and action needed -- and recently called for by the President -- for racial reconciliation, at the center of national agenda. Nowhere is the President's challenge more profound than in America's's cities. [Insert Clinton quote]

We can regain the promise of the American community captured in the founding pledge of "e pluribus unum."

Instead of accommodating ourselves to a Nation Divided, we must construct the first chapter in a great new American story -- a story that fits the most racially diverse democracy in history. And that means confronting the fate of our cities.

Having taken a hard and honest look at the state of America's cities we must now have a tough and honest debate about what should be done for those cities if they are to survive and thrive into the new millennium. Our cities are waiting.

__A Map of This Report__

Section I: Discusses the two decades of decline -- the 70s and the 80s -- as American life was increasingly defined as suburban life.

Section II: Shows how cities were able to rebound in the 1990s through a combination of national economic expansion, programs designed to empower local communities, and the hard work of cities around the country.

It then details the major problems still facing cities and concludes by focusing on two special challenges to America's cities on the cusp of the new century: welfare reform and immigration.

Section III:Offers a future-looking urban agenda -- building on first-term successes -- to help meet the challenges of the new century.

I. THE DECADES OF DECLINE

The end of World War II saw the beginning of the suburbanization of America. As veterans returned home, many -- with the direct help of the Veterans Administration and the Federal Housing Administration (FHA) and the indirect boost of low gas prices and a dramatic expansion of the Nation's roads and highways -- were able to buy the home of their dreams in the suburbs.

Hit already by the suburbanization of the 1950s and 60s, cities -- in the 1970s and 1980s -- saw a marked decline in their quality of life and economic prospects, dimming the optimism so long associated with the rise of the country's greatest cities.

In many ways, these were the decades when the post-war suburbanization of American life actually reached its apex. As middle class families increasingly moved from cities to outlying towns, businesses joined them, setting up shop in office and industrial parks. Shopping and entertainment followed.

[Insert quote from Mayor Daley]

Throughout the low-growth 1970s, conditions in America's distressed cities deteriorated rapidly -- population and incomes fell, poverty and unemployment increased, crime and social problems became more intense and intractable.

- *The Nation's Cities Became Poorer and Many Lost Population in the 1970s and 1980s.*

Economic growth, which had averaged almost four percent annually since 1945, slowed to an anemic 2 percent per year between 1973 and 1982. Throughout the 1970s, conditions in distressed cities deteriorated rapidly as the U.S. urban population declined and the income of those left behind diminished.

Cities in the Northeast and Midwest were much worse off than those in the south and west. In 1980, nine of the ten most distressed cities in America were in the northeast and north central regions of the country -- regions of the country experiencing such levels of decay that the popular press referred to them collectively as "the rust belt." By contrast, the cities that showed improved economies and living standards were overwhelmingly in the south and west. This reflected demographic changes that brought more people and industry to both these regions.

Urban life in these distressed "rust belt" cities went from bad to worse in those years, as decay and decline made the boom cities of the sunbelt and west seem even more attractive to businesses and workers alike. One study, conducted in 1980, looking at socioeconomic factors from 575 U.S. cities demonstrated that if a city was in trouble in 1970, it was in deeper trouble a decade later.

When updated a decade later, the study found that while the most distressed cities had bottomed out, many of the cities that had previously done well were also showing signs of distress. This was particularly true in the south, where the collapse of the oil boom cut economic growth. Although some northeastern cities experienced economic improvements during the 1980s, the rate of economic progress continued to trail behind nearby suburbs.

In 1980, average family income in cities was 18 percent below the average in the suburbs. That gap widened by almost five percent by the end of the decade.

While cities remained the essential hubs of metropolitan areas, suburban residents who once would have regularly worked, shopped, dined or been entertained in city centers now could – and often did – remain in the suburbs. Many of those with choices moved out of cities while poverty became increasingly urban-centered. City governments became more disproportionately responsible for dealing with the nation's social and economic difficulties.

- *The Quality of Life Declined: More Poverty, Increased Crime, Declining Educational Standards.*

Overall, the quality of life in many of the nation's largest cities declined from 1970-to-1990 as evidenced by rising poverty, higher violent crime rates, declining population, increased pollution, and other factors. In some cities, real median income fell, declining by 16 percent in Detroit, 10 percent in Houston, 8 percent in Cleveland, and 7 percent in Charleston WV.

The strains of urban decline were evinced by a series of municipal fiscal crises notably those in New York, Cleveland, Philadelphia, and Miami.

Exacerbating these trends, in the 1980s, the federal government turned its back on the nation's urban problems. Federal aid to cities was cut and programs that helped urban residents – especially poor people – diminished. Generally, state governments have not made up for these cuts in federal revenue-sharing. Local governments, instead, have been increasingly forced to rely on local taxes. But as more wealth and economic activity shifted to the suburbs, many city governments found their ability to raise revenue insufficient to cover the cost of providing services.

Cities struggled to keep up. Many were forced to cut services lest they tumble into bankruptcy court. Urban America's increasingly impoverished residents found city hall less able than ever to offer assistance. The crime rate rose; from 1970-to-1990, the number of violent crimes committed in cities doubled.

Educational standards also declined as urban school districts increasingly lacked the wherewithal to upgrade facilities, attract talented teachers and administrators, and, in some cases, even buy new textbooks. *(need some stats on diminishing levels of educational attainment).*

- *Employment Increased Three Times Faster In The Suburbs As In Cities During The 1970s &1980s.*

Given both the social and political forces that were turning against cities, and the fiscal woes resulting from the 1980s federal policy of abandoning cities, the outlook seemed dim. Businesses became increasingly reluctant to invest in urban areas. Between 1970 and 1990, suburban employment grew by 75 percent while central city employment grew by only 25 percent.

The gap in the unemployment rate between city and suburbs was often as high as one-third or one-half the suburban rate.

- *Only 11 Of The Country's 30 Largest Cities Had More Residents In 1990 Than In 1970.*

Given the decline of America's cities, and the decade of federal abandonment of responsibility for alleviating the nation's urban crisis, it is no wonder that those who could voted with their feet and moved to outlying parts of metropolitan areas. This trend was most pronounced in the nation's cities.

Even in the West, where populations increased as residents of other regions migrated there, cities grew less than half as fast as nearby suburbs – even though many Western cities have expanded and annexed outlying areas. Between 1980 and 1990, the suburbs of Phoenix grew by 55 percent while the suburbs of San Diego grew by 41 percent.

[Insert quote from Mayor Helmcke]

- *Suburbs have grown four times faster than central cities.*

The U.S. population grew by 45 million people during the previous two decades. But given the trends favoring suburbs, it is no surprise that for every person taking up residence in a city, four others moved to the suburbs.

- *The Federal Government Did Not Do Enough to Help Cities During the Latter Years of Crisis and Decline.*

Just at the point when economic and social forces were mounting to the detriment of America's cities the most, the Federal Government dramatically cut its assistance to cities and the urban poor. This federal retrenchment, most dramatically affecting impoverished residents of cities, came as the most privileged in America experienced a boom in their relative economic standing. Some of the effects of federal policies during the 1980s are still visible today.

Ingenuity can often spring from great need. And during the 1980s, local governments had to take drastic action. Downtown revitalization efforts focused and leveraged remaining municipal resources on the most visible parts of many cities. Such efforts succeeded in bringing back many declining city-centers. Projects such as Baltimore's Inner Harbor, which turned a decaying industrial waterfront area into a gleaming corridor of offices, apartments, restaurants, entertainment and tourist attractions, drew accolades.

While this kind of urban redevelopment succeeded in stemming some of the effects created by two decades of urban retrenchment, these success stories came at a price; many cities had to pull already declining resources from the neighborhoods to give a boost to downtown cores. Successful as these efforts were, they often amounted to a kind of municipal triage: the patient was saved but remained in serious condition.

II. CITIES ARE DOING BETTER IN THE 1990s, BUT REAL CHALLENGES REMAIN

While urban America is on the rebound, it still faces a number of problems -- as well as new challenges for the new century. This Section outlines the economic and social gains cities have made in the last few years -- and the impact of the Clinton Administration's urban agenda (part A). It then describes (part B) the core problems of cities -- and the new and dual challenges of welfare reform and immigration (part C).

(A) THE FIRST TERM ECONOMIC AND URBAN INITIATIVES ARE WORKING

The country's sustained economic growth pattern since 1993 has helped revitalize cities.

- *Lowest Unemployment Rate in Nearly a Quarter-Century.*

For the first quarter of 1997, the economy grew at an exceptional annualized rate of 5.8 percent, and unemployment dropped below five percent for the first time in 24 years. This remarkable and sustained economic expansion has brought the unemployment rate down in the nation's 50 largest cities by nearly a third over the past four years. By 1996, rates below 4 percent were enjoyed by Indianapolis, Columbus, Austin, Nashville, Oklahoma City, and Charlotte. But some cities were still mired above 10 percent, namely, El Paso, Fresno, and Miami.[Exhibit 1]

- *Deficit Cutting in Washington Frees Capital for Productive Use in Cities.*

America's growing economy is being strengthened by fiscal responsibility in the form of declining federal deficits. Federal overspending has been trimmed by more than three quarters since 1992 – to its lowest level in 20 years. Total deficit cutting is projected to reach a trillion dollars by the turn of the century. *(Verify these facts – taken from 1996 Draft White House Fact Sheet).* This means a trillion dollars more that Washington has freed for productive uses elsewhere in the economy. With the federal government competing less for capital, the cost of borrowing has gone down for everyone -- a net benefit to local governments when they need financing. For instance, in 1993 alone, interest costs associated with city, state and school board bond issues declined by over 3 billion dollars as a result of federal deficit cutting. *(Do we have updated figures???-- no from a special study)*

With growth generating income and low inflation keeping borrowing costs low, city officials say they are quite optimistic about their ability to maintain municipal services without raising taxes. This is a far cry from the service cuts and tax jolts common just a decade earlier. This optimism is based on five solid factors:

1. All but three of 77 large cities surveyed had bond ratings of BBB or higher. (The three cities with lower bond ratings, Washington, DC, Miami, FL and Providence, RI, each had particular problems that were so unique that it put them outside the national trend.)

2. Overall, state and local governments reported budget surpluses in 1995 for the first time in almost a decade. At 4 percent, these surpluses were sizable – bigger than any during the past two decades.

3. A National League of Cities survey shows mayors, on average, rating their cities' financial condition, on a scale of one-to-ten, as 7.7.

4. Federal aid to cities is increasing faster than the rate of inflation. From 1993-96, real federal assistance to state and local governments was, on average, 40 percent greater than in the preceding 12 years.

5. With more money coming into municipal coffers, city governments have generally been able to balance budgets while increasing, rather than cutting, expenditures for municipal services.

- *Cities Making Efforts to Help Themselves*

Cities have retooled themselves, to some degree, from the previous two-decades of decline as the U.S. economy moved away from manufacturing toward information-based and service industries.

While some cities, notably , Detroit, have benefited by America's increased international competitiveness for such heavy industrial goods as automobiles, many other cities have re-oriented themselves toward emerging industries – leaving the remaining manufacturing to the suburbs.

Most cities have transformed themselves into knowledge centers where high quality intellectual services are clustered to meet the needs of clients across the country and around the world. For instance, New York, Los Angeles and San Francisco have excelled in creating clusters devoted to multi-media production – a hallmark of the digital age. Banking, insurance, engineering, communications, law, marketing and accounting are higher level service businesses typically clustered in central cities. Hospitals, educational institutions – notably colleges and universities, and research centers have long existed in cities.

[Insert quote from Mayor Archer]

Many have expanded to meet the demands of an information-based economy – creating new opportunities within the surrounding community. Urban revitalization efforts have further brought shopping, tourist and entertainment dollars back to downtown areas through creation of such people-magnets as festival marketplaces, updated convention centers, new sports arenas and post-industrial waterfront attractions.

The successes of cities have led to a sense of optimism among mayors and chief elected officials. When asked in a recent National League of Cities survey, to compare the condition of their city in January 1997 with its condition a year earlier, the respondents saw improvements across the board from crime to economic conditions to infrastructure. [Exhibit 2]

There is reason for this optimism -- not only because of a strong economy but because the Clinton Administration has undertaken a wide range of urban initiatives.

The goal of this administration's urban policy has been to empower cities to build on the hard work of recovery already accomplished. Acting alone, the federal government simply cannot reconnect people and neighborhoods to opportunity and prosperity.

The Clinton Administration's new activism -- coupled with a new empowerment approach led by the Vice President -- is working. Community empowerment means that rather than issuing mandates, the federal government should be an instrument to create opportunity in the private sector, as well as assist residents and community-based organizations to identify and solve problems locally. The government must help spur private investment rather than defy the market.

In an age characterized by global competition and information-based economic power, the question is which cities are successful in making the transition to a new economy. Cities must work in partnership with the Federal Government and the private sector, to further nurture both their human and physical infrastructures. No one understands local needs and conditions better than people who live in the community. The federal government is now serving as a partner -- offering a mix of resources so communities can work out suitable solutions from the bottom-up.

In fact, after declining in the 1980s, real Federal aid to State and local governments has been growing since 1992. The average real contribution from 1993 through 1996 was 40 percent higher than the average for the preceding 12 years.

Reflecting this commitment to a national partnership for community empowerment, the administration has already launched *(how many)* innovative initiatives that already are showing results.

• *Empowerment Zones and Enterprise Communities Bring Economic Development to Struggling Communities.*

History instructs that, above all, effective community development works best with a combination of local empowerment and federal assistance. With this bottom-up approach in mind, the administration's program for Empowerment Zones and Enterprise Communities offers a challenge to hundreds of cities: they create an economic growth and community reinvestment strategy for targeted low income neighborhoods. If the strategy emphasizes private sector growth bringing both business and local communities together to execute the plan, then the federal government will bolster these local efforts with a full menu of grants, employer tax credits, and regulatory waivers.

Initial reports from the Empowerment Zones have displayed impressive results, with a HUD review – based on a number of independent analyses – noting progress in 67 out of the 72 urban Empowerment Zones and Enterprise Communities. One of those analyses, a study conducted by the Rockefeller Institute of Government, cited the EZ initiative as, " among the most significant efforts launched by the federal government in decades..."

[put in some quotes from the recent EZ study i.e. 67 of the 72 EZ/ECs are showing real progress....]

- In Detroit, thousands of jobs have been created and more than $2 billion in private sector investments have been committed. The EZ has been aggressive in using its designation and associated tax benefits to attract businesses, revitalize its manufacturing base and generate jobs. Chrysler has located a new engine plant in zone, as well as parts suppliers, packaging industries, service and food firms.

- The Los Angeles Supplemental Empowerment Zone used its $125 million in HUD Economic Development Initiative grant funds and $315 million in HUD Section 108 loan guarantees to successfully create the largest non-commercial lending institution in the nation, the Los Angeles Community Development Bank. The bank has partnered with several private lenders, which have agreed to commit $210 million in loan funds, bringing the total loan pool to $640 million. These funds will be loaned to expand existing businesses and start new ventures in the designated zone.

- ***The Community Oriented Policing Strategy is Putting 100,000 More Police On The Beat.***

While central cities tend to be safer than they were during the years of decline, crime fighting initiatives must further reach into the neighborhoods so that children can go to school without fear, citizens can sit on their stoops and porches without worry, and businesses can bring wealth and opportunity to the community.

The Administration's Community Oriented Policing strategy is bringing law enforcement down to the neighborhood level by building bridges between police departments and the communities they serve. The Justice Department's Office of Community Policing Services (COPS) has provided an additional grants to get 60,000 more police officers walking the beat. More than half the law enforcement departments in the country are participating, and 80 percent of the country's population will see more police in their areas. HUD will soon bolster these efforts by selling foreclosed homes to police officers in targeted communities for *(40 ???)* percent below the appraised market value. Community policing means having police fully part of the community, and this new thrust of the COPS program will deepen those roots.

With crime on the retreat, the incentives for children to become part of the juvenile underworld of gangs and violence diminishes as urban neighborhoods became safer places in which to learn and grow. In a world that increasingly demands higher level skills from the workforce, the true road to competitive success -- and community development -- is education. Children have trouble learning when they don't feel safe. Making their communities safer places will help make possible the kind of learning needed for the jobs of tomorrow. [Exhibit 3]

- ***Raising the Minimum Wage and Protecting The Earned Income Tax Credit to Assist Low Wage Workers Help Themselves.***

Increasing the minimum wage, coupled with the 1993 extension of the Earned Income Tax Credit are two ways the administration has sought to put real dollars in the hands of those who work so they can better meet life's necessary expenses. Further, the administration's 1993 legislation to make permanent the Low Income Housing Tax Credit, has open up/created *(need numbers to show how many)* new units of rental housing specifically designed to meet the needs of people with lower incomes.

Preserving the ability of the working poor to help themselves is one of the most significant issues we faced today. Such initiatives are especially significant as the nation works to end welfare as we know it – promoting the independence created by employment over the dependency of transfer payments.

- [Describe HUD's EDI initiate and the # of new jobs created]

- ***The Brownfields Pilot Project Began Turning Contaminated Urban Wasteland Back To Productive Uses.***

Land is another asset many blighted urban areas have in fair supply, but are often unable to leverage in the interests of community development because previous industrial users have left the behind contamination. The administration's Brownfields initiative, linking HUD with the Environmental Protection Agency, enables cities to clean up these environmentally damaged properties and buildings in order to return them to economically useful purposes. So far, the Brownfields Initiative is poised to help cleanup and redevelop more than 5,000 properties, supporting 196,000 jobs, and protecting the health of 18 million nearby residents.

- ***Preparing and Educating Americans for the Jobs of the Future***

Education and training is the key, not only for children, but for adults already in the workforce, whose economic prospects have been diminished by the transition from an industrial-based to an information- and service-based economy.

Given the vast technological changes sweeping the economy, and the technological mastery required to thrive in the workplace of today and tomorrow, educational infrastructure improvements are more crucial than ever for everyone.

- ***Every Classroom in America Should Be Connected to The Internet by the Turn of the Century.***

The administration has launched an effort to wire every classroom to the Internet by the year 2000. Likewise, The Campus of Learners program will transform public housing communities into learning centers with on-site access to new technology. Additionally, the Neighborhood Network Program is creating computer education centers to link low-income residents to jobs, job training and higher education.

[Insert quote from Mayor Guiliani]

Such programs are important links in the Welfare Reform efforts at the center of the administration's emphasis on community building and personal responsibility. Those moving from welfare to work will need an estimated three million jobs in the next two-to-three years. By developing marketable skills through training initiatives such as these, the move away from welfare has a better chance of succeeding..

- *The Bridges to Work Program Gets Urban Job Seekers to Employment in Suburban Areas*

The Bridges to Work program is helping overcome this geographic mismatch between workers and jobs by tailoring a combination of transportation and child care options to assist those without a car commute to otherwise inaccessible suburban job sites. This linkage, in turn, will bring much needed money back to distressed urban communities – where these new "reverse" commuters will seek goods and services. As businesses grow where markets are created, the Bridges to Work program will also serve, longer term, as an economic development tool for blighted urban areas.

- *Making Investment Capital Available In Areas Shunned by Traditional Lenders: CRA and CDFI.*

A reality of economic and community development is that financing helps make things happen. By strengthening the regulations related to the Community Reinvestment Act, the amount of traditional bank financing for projects in distressed urban communities has increased.

Substantial additional investment capital is generated through The Community Development Banks and Financial Institutions Act. This law nurtures community-based lending by building a nationwide network of self-sustaining locally-based community development institutions – including microbanks and credit unions. The program leverages $10 in private investment for every federal dollar contributed. Already, more than 300 such institutions have been established having already made 3 billion dollars in loans.

- *Homeownership rates rise to the highest level in over 15 years.*

Community building is integrally tied not only to increasing economic opportunity, but giving residents pride in their neighborhoods. And nothing builds such bonds of pride as home ownership. [Exhibit 4]

Currently, 65.4 percent of all Americans owned their own homes – and increase of 2.5 million homeowners in just three years. This represents the highest rate of homeownership in over 15 years. This trend should further solidify with the newly announced rate reduction in loans guaranteed by the Federal Housing Administration (FHA). HUD's National Homeownership Strategy aims to achieve record levels of home owning by the turn of the century. Experience proves that as home ownership increases, community stability likewise increases bolstering economic development, education and public safety efforts.

This year, HUD is investing more than $100 million for construction and development of private homes in a series of urban "Homeownership Zones" nationwide. HUD is assisting in the purchase of tracts of urban land where partner private organizations, such as the successful Nehemiah (foundation???) plan, organize, build and market homes to people who would otherwise be renters. This represents an important part of the administration's commitment to its Empowerment Zone program

- *Providing a Continuum of Care to Overcome the Multiple and Complex Causes of Homelessness.*

Efforts to stabilize communities must also directly confront problems arising from failed policies of the past. In the 1980s, homelessness, the most visible scourge on American urban life, rose dramatically. For the past three years, HUD has responded by providing a continuum of care approach. This involves a community-based process to identify the specific needs of a homeless individual or family –whether they lie in temporary shelter, assisted housing or job training and assistance, as well as addiction treatment or other health services.

Preventing homelessness in the first place is clearly the best solution of all. This means fighting the poverty that leads to a family's eviction from their rental home, as well as creating incentives for affordable housing. This is especially so in some of the nation's largest cities where the salaries earned by low wage earners hardly meet the high cost of housing.

(B) CITIES STILL FACE REAL PROBLEMS

The success story involving America's cities today while real, is neither as deep nor as wide as it could be. This report -- using in large part previously unreleased data from the Bureau of Labor Statistics and the Census -- finds three main problems still facing cities:

Finding #1: There is a dangerous disparity in job creation between the cities and the suburbs -- and the cities are losing out.

- ***Unemployment Is Consistently Higher in Cities and Employment Growth Is Slower.*** Central cities have always had higher unemployment rates than suburbs and, since 1970, the number of employed city residents has risen at a rate only half as rapid as the United States as a whole and barely one-third of the rise for suburbanites. (See Exhibit 1)

Unemployment has been receding steadily throughout the United States since 1993 and central cities have benefited from this recovery. Yet rates remain -- as always -- higher in central cities than elsewhere in metropolitan regions. Cities, which often have disproportionately large pools of lower skilled workers, typically experience unemployment rates one-third to one-half higher than nearby suburbs. This is especially true in large cities, where disparities between urban and suburban unemployment are greatest. Their residents are often the first to be idled by hard times and the last to be absorbed back into the labor market when times improve. For example, the central city unemployment rate in 1996 was 6 percentage points higher in Cleveland, 5.2 percentage points higher in Washington, and 4.7 percentage points higher in New York than in the surrounding suburbs. Even with the remarkable progress Detroit has made in lowering its unemployment rate, the central city rate was still 5.7 percentage points higher than the suburban rate.

The 1990-91 recession created an actual decline in central city employment that lasted until 1993. Suburban employment continued to grow during this period but at much lower rates than over the preceding two decades. After 1993, the employment growth rate in central cities and suburbs has been roughly equal -- but cities have not closed the gap previously created. [Exhibit 5]

- ***Suburbs Are The Great Job Creators.*** While the U.S. as a whole has gained 12 million jobs since 1990, suburbs have gained the lion's share.

Cities continue to serve their traditional role as a primary business center for metropolitan -- they host 38 percent of all metropolitan businesses and 43 percent of all jobs in the 77 cities examined. However recent statistics suggest that this economic primacy may be waning. Between 1991 and 1993, cities were net losers of jobs while jobs in suburbs grew by over 10 percent. [Exhibit 6]

During this same period 95 percent of the new establishments were located in the suburbs of these metropolitan areas and only 5 percent in central cities.

- ***The 1990/1991 recession cost large cities many jobs.*** Of the 19 cities for which data are available through 1995, almost half (9) lost jobs between 1990 and 1993. New York City lost 275,000 jobs. The economic recovery has helped these cities by reversing or slowing the job lost. But a third of these cities continued to lose jobs. Despite the turnaround after 1993, New York City still had 250,000 fewer jobs in 1995 than in 1990. Only half of the ten largest cities have more employed residents today than in 1990. [Must check to see if this is consistent with the New York Times article-but it is consistent with a second BLS data series] [Exhibit 7]

- *The Jobs and Skills Mismatch*. Aggravating the urban employment situation -- and the great need for people coming off the welfare rolls to find entry level and low skill jobs -- there is a mismatch between the urban workforce and the jobs that are being created in cities. Of the new service jobs being created - especially those requiring little or no skills, cities are creating less than 20% and suburbs more than 80%. Compounding that situation, large numbers of low-skilled jobs that can serve as a first step in breaking the cycle of poverty lie in the suburbs and are often inaccessible using public transportation - the only method of transport available to many of the city's most needy residents.

  - **Cleveland:** Fewer than half (45%) of entry-level jobs in the Cleveland metropolitan area are accessible from central city neighborhoods (those in the Cleveland Empowerment Zone) within an 80-minute commute time. The remaining 55 percent are simply not accessible by public transportation.

  - **Boston:** Boston has an excellent transit system, with stations within a half-mile of 99 percent of the city's welfare recipients. Still, it does not provide needed connections to available jobs: only 43 percent of employers are also within a half-mile of transit lines. Only 40 percent of employers in high-growth areas can be reached after a public transit commute of more than two hours.

  - **Atlanta:** Three of every four job openings in the Atlanta area are in the suburbs. Two-thirds of entry level jobs paying less than $15,000 annually are within a quarter-mile of a transit line; however, fewer than one of three entry level jobs paying more than $15,000 annually -- those most likely to enable a welfare recipient become self-sufficient -- are located within a quarter mile of a transit line.

Finding #2: Despite the recent decline in the national poverty rate, America cities today are as poor and the poor are more socially and economically isolated and more physically concentrated than at any time in a generation.

- *50% Increase in Central City Poverty.* Poverty rates in central cities rose steadily from 1970 to 1993, increasing by over 50 percent. Since 1993, the national poverty rate has fallen and there has been a very slight decline in the central city rate as well. But in 1995, one of every five central city residents was still living in poverty compared to less than one in every ten suburban residents. [Exhibit 8]

- *Poverty imposes a heavy burden on cities.* While central cities house only 30 percent of the population, they have to care for 43 percent of the poor. This burden is especially heavy for some cities. In 1990, the poverty rate exceeded 30 percent in Detroit, New Orleans, and Miami. Poverty especially afflicts minorities. Poverty rates surpassed 40 percent for African Americans in Miami, Miwaukee, New Orleans, and Pittsburgh and for Hispanics in Buffalo, Cleveland, Hartford, and Philadelphia.

A particularly alarming trend has been the growth of poverty ghettoes.

- *Poverty Concentration has doubled.* More than 10 percent of all city residents live in neighborhoods where the Census Bureau reports that 40 percent or more of the households are living below the poverty line, a doubling of the level of concentration in 1970. In many of these places, intense and increasingly long-term poverty and welfare dependency occur simultaneously with alarmingly high rates of crime, drug abuse, single parenthood, dropping out of high school and other social problems.

  And more than ever, these high poverty tracts, isles of misery, are almost exclusively inhabited by minorities. As a result, almost a quarter of the African American and Hispanic population in central cities are isolated in these high poverty neighborhoods. [Exhibit 9]

- *The concentration of poverty is eating away at the residential core of central cities.* In 1970, only 6 percent of all census tracts in central cities were high poverty tracts; by 1990, this had more than doubled to 14 percent.

- *Increasing Burden on Services.* Growing poverty places increasing service delivery burdens on cities while reducing the tax base available to finance these services. School system performance is an important example of how this fiscal dynamic weakens cities' ability to carry out their functions and simultaneously reinforces poverty.

Because of their greater expenditures for noneducation functions, cities spend only 90 percent as much per student on education as suburbs. This is the case even though city schools, with more students from impoverished homes and immigrant children for whom English is a second language, face greater burdens. Urban schools also tend to be more segregated. The combination of fewer resources and greater challenges results in higher dropout rates in large city schools. While some large school systems perform close to the national norm, for example, New York City and San Diego. Others have dropout rates 50 percent, 70 percent, and even almost 100 percent higher. [Exhibit 10]

Finding #3: The migration of the middle class from cities to suburbs continues.

- ***City Populations In General Are Shrinking.*** Only 11 of 30 largest cities in 1970 have more population today. Population losses continued into the 1990s in some instances. Population losses were particularly severe in St Louis which lost 40 percent of its population over this period and in Detroit, Cleveland, Pittsburgh, and Buffalo, each of which lost approximately one-third of its population.

  Among today's ten largest cities, Los Angeles, Chicago, Philadelphia and Detroit lost population between 1990 and 1994. New York City barely held its own as a massive influx of immigrants made up for the made up for the large number of former city residents who left the city.

  There has been a long term trend that has led to central cities being home to a shrinking share of the metropolitan population. In 1970, 45 percent of the metropolitan population lived in central cities; but, by 1994, the central city share had fallen to only 38 percent. [Exhibit 11]

  Minority population growth has helped stabilize central city population but, as a consequence, minority are becoming the majorities in an increasing number of central cities. Between 1970 and 1990, the minority population in central cities grew by 60 percent while the non-minority population declined by 25 percent. Minorities constitute more than 60 percent of the population in Miami, Newark, Detroit, El Paso, Honolulu, Oakland, Santa Ana, Washington, Hartford, New Orleans, Atlanta, Birmingham, and San Antonio.

- ***Suburban Populations Are Growing.*** The growing dominance of suburbs is especially recognizable in the vary large metropolitan areas. Among metropolitan areas with over one million inhabitants in 1994, the suburban population increased more than 10 times faster than the central city population between 1970 and 1994. [Exhibit 12]

- *The Urban Middle Class is Shrinking*. In 1970 the income profile of central cities was almost identical to the Nation as a whole. However, the loss of jobs and middle-class families over the ensuing two decades has fundamentally changed the income distribution within central cities. The proportion of high and middle-income families is decreasing, while the cities' share of low-income households has grown substantially. [Exhibit 13]

  By contrast, the suburbs are increasingly becoming the province of more affluent families, while the proportion of those at the opposite end of the income scale continues to fall. This disparity is most stark in metropolitan areas of over a million inhabitants, where 25 percent of the central city's population is low-income compared to less than 12 percent of suburban residents.

- *Income Distribution has grown*. Changes in income distributions for some cities were particularly striking and provide strong testimony to the impact of economic changes during the 1970s and 1980s. For example, Detroit in 1970 had a relatively balanced income distribution with 20 percent low-income families, 58 percent middle-income families, and 22 percent high-income families. By 1990, 40 percent of Detroit's families were low-income, 49 percent middle-income, and only 10 percent high-income. Other cities following Detroit's pattern include Cleveland, Buffalo, and New Orleans. Some cities displayed a bifurcation of the income distribution where the proportion of high-income and low-income families increased while the broad middle class declined. The two most prominent examples are Boston and Washington.

- *Lower paying jobs are leaving cities*. There is also a new dynamic that makes it even more difficult for central cities to retain the middle class. The highest paying jobs in central cities are in industry groupings such as wholesale trade, depository institutions, and insurance carriers. Employment in these categories declined for the 77 central cities studied between 1991 and 1994 but average compensation in these categories rose, even after adjustment for inflation. It appears that firms are either eliminating lower paying jobs in these categories or moving these lower-paid positions to suburban offices. The Census numbers confirm stories of large mid-level layoffs by major financial corporations and the movement of back-office functions to suburban locations.

- *Loss of Families*. Families are the bedrock of a stable community and cities are still struggling to attract and retain them in the face of the suburban siren song of lower density, better schools and less crime. In 1970, central cities and suburbs housed roughly equal numbers of families; today, suburbs have almost twice as many families as do cities.

- *Loss of Traditional Families*. The demographic and social changes that have characterized the end of the twentieth century in America have been magnified in cities. With the aging of the baby boom and changing attitudes toward marriage and divorce, the number of two-spouse families with children remained essentially constant from 1970 to 1990, but the distribution of this total shifted more heavily towards the suburbs. The absolute number of families with children in central cities declined by 300,000 between 1970 and 1990. During this time, the number of two-spouse families with children fell by 1.5 million in central cities while increasing by 1.3 million in suburbs. As a result, central cities are home to a disproportionate share of single-parent households -- with all the additional social services such arrangements often entail. Single-parent families outnumber two-spouse families in Hartford, Newark, Detroit, and Atlanta. [Exhibit 14]

- *The Challenge of Reversing the Trend.* A forthcoming study highlights the challenges central cities face as they work to reverse the declining population of middle class families.

First, the study shows that, despite recent progress in America's cities, this trend has continued into the 1990s. Annual data constructed from the Current Population Survey continue to show that the number of high and middle income household moving from central cities to suburbs is substantially higher than the number moving from suburbs to central cities.

Second, using the 1990 Census data, the study observes that households of all income levels who leave the central city typically settle in suburbs while households who leave the suburbs typically move to other metropolitan areas. City dwellers seem to find the suburbs an attractive residential alternative but suburban dwellers leave the suburbs mainly because of employment changes.

Third, while immigration has helped sustain the population of large central cities, only three of 12 central cities studied attracted more immigrants than did their suburbs and the higher the level of household income, the more likely an immigrant household will settle in the suburbs. The study notes that: "In general whites, two-parent households, and the middle-aged are leading the charge out of the central cities .... Black households with the same profile are close behind."

So while it is good news that the nation's cities are rebounding from their historic low points reached during the previous decades, their gleaming downtown areas, their healthier balance sheets and lower crime rates only tell part of the story.

Many city neighborhoods continue to show signs of distress and dislocation. The time is right for initiatives to extend and deepen America's urban renaissance; our goal must be to empower communities to make it happen. New initiatives and seeds of hope have started taking root. But they will need to be carefully nurtured before they can lead to bountiful harvest.

(C) THE CHALLENGES AND OPPORTUNITIES AHEAD

When the administration assumed office in January, 1993, the urban challenge was clear: how to best leverage federal help to empower local government to make the most of the work they had already begun. As described above, our efforts are already bearing fruit. But our strategy for assisting Urban America to make an effective transition to the 21st Century is now confronting two additional and vexing problems: the effects of welfare reform and immigration.

- ***Welfare Recipients Moving Into The Workforce Will Require An Estimated 1 Million Jobs.***

A fundamental tenet of the Clinton Administration is that all Americans must assume responsibility for the well-being of their families. The Welfare system should be a transitional step as people develop skills and find jobs that will ultimately free them from the bonds of poverty and dependence.

This effort to end welfare as we know it requires the availability of employment opportunities for those making this crucial step toward personal independence.

City residents moving from welfare to work will need an estimated three million jobs in the next two-to-three years. However, amid our current economic expansion, over the past three years, the economy has only created 2 million new jobs in central cities. Overall, job growth in cities has been dramatically slower than in the suburbs – especially for the lower skilled jobs suitable for most people moving from welfare to work.

While better economic development of cities represents the long term solution, in the short run, the administration's program to end welfare as we know will require efforts to get city residents to the suburbs to find appropriate suburban jobs. This mismatch problem is more pronounced in large cities than in smaller ones.

[Insert quote from Mayor Savage]

- ***Immigration Is At Record Levels, And Is Projected To Increase In The Coming Decade.***

The United States has not had such a large influx of immigrants since the legendary days of industry-building at the turn of the century, when unskilled workers from distant lands were drawn by the promise of a better life. Today's immigrants, while generally haling from different countries, carry many of the same hopes and aspirations: that hard work will be rewarded and lead to a better life.

As in earlier periods of intense immigration, today's new Americans are most likely to settle in large gateway cities such as Boston, New York, Miami, Chicago, Los Angeles and San Francisco. Their hard work and energy has been a net bonus for the U.S. economy and presents us with an opportunity.

[Insert quote from Mayor Guiliani on immigration]

Immigrants are a positive force, bringing new energy, talent and resources to their adopted hometowns. As one New York demographer noted: As immigrants poured into the city in recent years, longtime New Yorkers poured out, at a rate of more than 100,000 a year. "This city was dying in the 1970s. Having more than 100,000 immigrants a year has helped mightily." Similarly, in Los Angeles, public schools now have children who are able to speak 75 different languages.

The 1980s brought more immigrants to these shores than other decade in history, including the previous high point of 1900-to-1910 when there were more than 9 million immigrants. Immigration from 1990 to 2000 is likely to prove even greater than during the 1980s. However, the United States is much more populous today, and immigrants represent a smaller percentage of the total population.

In 1990, fourteen gateway cities, including the Boston, New York, Miami, Chicago, Houston, Los Angeles, San Diego, and San Francisco regions, contained almost 80 percent of the foreign-born population living in the fifty-eight largest U.S. cities. Yet all types of communities are affected by immigration.[Exhibit 15]

Foreign-born persons are most highly concentrated in central cities (and made up 16 percent of their population in 1990). However, more than 11 percent of the populations of their suburbs were also foreign born. Immigration has grown so much in recent years, and immigrants have so spread out in metropolitan areas, that by 1990 foreign-born persons made up almost as large a proportion of suburban populations as they had of central city populations ten years earlier.

Immigration Provides A Net Benefit For the County.

Immigration has played several important roles in the American economy in recent years.

- First, immigration increases the size of the domestic market for goods and services, and of the labor force.
- Second, highly skilled, educated immigrant workers meet the need for brain power in high technology sectors.
- Third, skilled immigrants from developing nations can help to generate international trade and investment opportunities for U.S. businesses. It is becoming clearer and clearer that these immigrants' ethnic, cultural, and family ties to their home countries can be foundations for business relationships between the United States and the motherlands of America's immigrants. Such ties may be of special importance in overcoming cultural and market barriers.

[Insert quote from Mayor of Albuquerque]

- Fourth, a strong case can be made that low-skilled workers enable U.S. firms to provide many goods and services that the United States otherwise could not produce efficiently.

III. AN URBAN AGENDA FOR THE FUTURE

In an age of global competition, America cannot afford to be divided into two nations – one doing well in the suburbs, and the other marginalized in urban neighborhoods. While the cities are now rebounding from two decades of economic and social transition, coupled with the anti-urban policies of the 1980s, America's urban renaissance is not yet solid.

In an effort to create One America, we must now build upon the past four years of success to insure that the gleam of booming downtown districts casts light on the neighborhoods. We must build on the momentum begun in 1993 and institutionalize the lessons learned and the approaches that have proven effective.

We must assist the creative spirit that seeks to build, from the bottom up, stronger communities. We must ensure that human capital is maximized through education, homeownership is fostered to give people a deeper stake in their communities, and that pure economic capital is made available so energy and entrepreneurship is freed, rather than stifled by the streets of urban America.

In 1993, President Clinton rejected decades of failed policy and created an Urban Empowerment Agenda.

EMPOWERMENT PRINCIPLES

The President has built his Empowerment Agenda on these core concepts:

- *Leverage Private Sector Investment*. Working with the market and private business, an empowerment approach aims to build upon the natural assets and competitive advantages of urban communities. For example, in virtually all existing EZs and ECs, efforts are underway to create new partnerships with the private sector which allows private capital to flow back into inner-city neighborhoods. Small amounts of federal funds are leveraging private capital into neighborhoods which have for too long have had not significant investments. Rather than work against the market -- as too many poverty programs have done -- empowerment says that we must use market incentives and norms to create the healthy, mainstream communities all Americans desire.

- *Make Community Development Comprehensive*. Traditionally, communities plan development projects in a piecemeal fashion. An empowerment approach says that it doesn't work this way -- only a comprehensive, multi-year approach will allow communities to solve the underlying problems rather than merely treating symptoms. As the Vice President says, only a "whole systems" plan will get the right results.

- *Trust the Community*. Traditional community development has too often been top-down, directed by bureaucrats in Washington. But the days of "Made In Washington" solutions are over -- and the President's approach promotes solutions that are locally shaped and implemented at the grassroots, involving community residents, private businesses, the growing and entrepreneurial network of community based organizations and all levels of government. The early experience has shown that this process often produces significant tensions, but such tension has been a barometer of the community commitment to achieving full community buy in, and thus generating lasting change.

- *Demand Performance*. Performance measurement is an important part of ensuring that federal tax dollars and tax incentives are used effectively -- a way to ensure accountability, put performance over process and protect the public trust. The right federal role says that the community must take the lead -- but the federal government must be a responsible steward of public funds, offering flexibility and local control but demanding results in return.

- *Build on Mainstream Values*. Finally, an empowerment approach affirms traditional values such as hard work, family and self-reliance. President Clinton recognizes that the problems of so many inner-city neighborhoods -- family breakup, crime, drug abuse, teenage pregnancy -- are not subject to government solutions alone, but call upon individuals and their communities to set and maintain high standards of behavior and mutual responsibility. Instead of perpetuating dependency we must nurture self-reliance, helping people to make their way *off* government programs and onto an independent life.

The essence and innovation of the President's empowerment philosophy and program is that unlike in the 1960s where "urban policy" meant the same policy for every community, Washington now recognizes that there are really nine hundred different urban agendas for all of the communities we partner with.

Instead of a federal mandate we offer a federal menu, a range of options for creating stronger, safer, saner communities: more affordable housing, increased community development, more homeownership opportunities for working class families, and better schools with higher standards. One community needs police and parks, another housing and homeless assistance.

ADMINISTRATION INITIATIVES

This Administration seeks partnership with communities through an urban agenda for the future, an agenda that will deepen and institutionalize the innovative, bottoms-up, mainstream empowerment approach developed over the past four years.

This study indicated a need for policy efforts directed at a three-fold challenge:

- With the success of welfare reform hanging in the balance, what can be done to ensure that there are two million jobs for people coming off welfare reform -- and that they're prepared to succeed at work -- emphasizing targeted efforts to make cities more attractive to the private sector?
- How can we retain -- and begin to bring back -- middle class families to America's cities?
- What can lessen the impact of today's poverty concentrations -- creating more hope and opportunity for future generations?

The Administration has a seven point agenda:

(1) Making the City Home: An Urban Homestead Initiative for the Year 2000

(2) A Second Round of Empowerment Zones

(3) New Tools For the Welfare to Work Transition

DRAFT

(4) Making Urban Neighborhoods Safe and Crime-Free

(5) Cleaning Up The Urban Environment

(6) Creating Educational Opportunity for All

(7) Ensuring Better - and More Affordable -- Housing for The Future

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(1) Making the City Home: An Urban Homestead Initiative for the Year 2000

Homeownership, as many mayors would attest, is often the most effective antidote to the many problems that ail a city. Two years ago, President Clinton set a goal of reaching an all-time high level of homeownership in America, requiring a total of 8 million additional households. Significant progress has been made to date: as of the end of the first quarter of 1997, more than 2.5 million new homeowners have been added. The homeownership rate has increased from 64.2 percent at the end of 1994 to 65.4 percent today. The expansion in homeownership over the last two years is the largest experienced in 30 years. Currently, we are enjoying the nation's highest homeownership rate since 1980.

Despite these efforts, there remains a large gap between the homeownership rate in central cities and in their surrounding suburbs. While 72.1 percent of suburban families own their own homes, only 49.4 percent of families in cities are homeowners -- and over the past few decades, hundreds of thousands middle class families have fled the cities. In many ways, this is one of the most significant urban challenges, for their is great urgency in finding ways to halt -- and hopefully reverse -- the exodus of the middle class from the cities.

To reverse this trend, HUD will undertake an "Urban Homesteading Initiative" to accomplish this goal:

(A) Reduced Mortgages for City Homeowners

On June 12 of this year, President Clinton announced that HUD has reduced the Federal Housing Administration mortgage insurance premium for first time homebuyers obtaining homebuyer counseling. The up-front premium would be reduced by 12.5 percent -- from 2.00 percent to 1.75 percent. Up to 50,000 additional families could become homeowners as a result of the reduction.

The reduction in premiums is the third such reduction since the President took office in 1993. The three reductions, along with savings passed on to homebuyers because of increased efficiency in the FHA will save homebuyers $1,200 in closing costs on the average FHA mortgage of $85,000

To stimulate further activity and reduce the disparities between suburban and central city homeownership rates, the President will be announcing an additional reduction of 25 basis points for first-time homebuyers in central cities only.

This effort reverses a long-standing historical trend in which the FHA, starting in the 1950s, contributed to the exodus of many cities by subsidizing homeownership in suburbs. Creating, for the first time ever, a federal incentive for central city homeownership will mend this historical inequity and help rebuild our cities.

[insert quote from Secretary Cuomo]

(B) Safe Communities: "The Officer Next Door" Initiative

To make central cities safer, HUD proposes to use its programs to further the goal of community policing, by providing incentives for police officer to live in the communities in which they work. Under the Officer Next Door initiative, the Federal Housing Administration will offer police officers a 40 percent discount on the purchase of HUD-owned foreclosed properties in designated revitalization areas.

[Quotes from Mayor Cleaver and Mayor of Springfield]

HUD will also be encouraging its local public housing authorities to create special preferences which allow police officers to reside in public housing developments.

(C)One America: Cracking Down on Housing Discrimination

To further his recently announced initiative on race, President Clinton is challenging HUD to double -- in the next four years -- the number of prosecuted housing discrimination cases over the previous four, which was [# of cases]. This step is vital to ensuring One America -- for the freedom and dignity of choosing where you live is a choice every American should have. [This section will be expanded.]

(D) Homeownership Empowerment Vouchers

Approximately 1.5 million households receive Section 8 certificates and vouchers to help them rent apartments in the private market. Under the Section 8 program, the federal government makes up the difference between the rent for a private unit and 30 percent of the tenant's income. Tenants could only use the subsidy to help pay rent, not to make payments on a mortgage.

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The Administration now proposes to allow hard-working families to use their Section 8 assistance to become homeowners, rather than limiting their choices to the rental market. The Administration's public housing reform bill proposals include provisions that would make the Section 8 program work for homeownership. [HR ?] This initiative can also have a significant benefit for minorities as fifty six percent of Section 8 voucher recipients are minority, with the figure far higher in some cities (e.g. Dallas, 95%; Phoenix, 76%; and New York, 65%).

Under the Administration's proposal, a family must have income from employment and must make a contribution toward their own downpayment. [What should be put in here about Freddie Mac?]

(E) Homeownership Zones

Another HUD program that targets home ownership expansion in inner cities is the Homeownership Zone initiative. HUD will provide $10 million in FY 1997 and requests $50 million in FY 1998 for Homeownership Zones. HUD recently made Homeownership Zone grants in Baltimore, Buffalo, Philadelphia, Cleveland, Louisville and Sacramento.

This program enables cities to undertake large-scale, single family development in inner city neighborhoods. Such developments can retain and attract stable, middle income families into the inner cities. In addition to increasing the supply of safe and decent housing in urban areas, the program will create new jobs in the home building industry and stimulate new investment in revitalized communities.

(F) Ginnie Mae Targeted Urban Ownership Initiative

Ginnie Mae helps expand home ownership opportunities for all Americans by ensuring that mortgage funds are available throughout the country. Ginnie Mae links the capital and Federal housing markets by facilitating secondary market activities for federally insured or guaranteed mortgages. To date, Ginnie Mae has helped 19 million American families purchase homes.

Ginnie Mae is spearheading a new Federal initiative to stimulate at least $1 billion in annual mortgage loans to help about 15,000 families buy homes in America's inner cities each year. With the Targeted Urban Ownership Initiative, Ginnie Mae will cut the guarantee fees it charges to lenders by up to 50 percent when the lenders make home mortgage loans to central city home buyers in one of 72 cities designated as Empowerment Zones or Enterprise Communities across the nation. [Ginnie Mae just recently announced an extra billion dollars -- need more information on this].

(2) A Second Round of Empowerment Zones

In 1994, more than 500 urban communities applied to be designated as one of 6 urban empowerment zones. Just two years since their designation, these zones have begun to generate billions of dollars in private investment, beginning to revive inner city neighborhoods once given up for dead, creating jobs and helping families move from welfare to work.

Empowerment Zones embody the best of the President's Community Empowerment agenda. The EZ/EC program combines federal tax incentives with direct funding for physical improvements and social services. It requires unprecedented levels of private sector involvement and investment. It brings all stakeholders in a community -- residents, nonprofits, business and government -- to the table to develop a locally fashioned and locally controlled, comprehensive revitalization strategy. It makes the private sector the driver of economic growth, with the government acting as a partner.

Building on this success and the vast untapped potential in the hundreds of communities which were not designated, the Administration proposes to select an additional 15 urban empowerment zones and 50 additional urban enterprise communities. These communities will receive a combination of tax incentives and direct grants totaling some $2 billion to stimulate economic opportunity and revitalization in distressed neighborhoods across the country.

(3) New Tools For the Welfare to Work Transition

There is no greater urban policy challenge than making the revolution in welfare policy work in central cities. Welfare reform gives States and individuals unprecedented opportunities to build a new welfare system that rewards work, invests in people, and demands responsibility from recipients.

A cornerstone of the welfare reform jobs challenge was laid during the first term of the Clinton Administration by enactment of two provisions to "make work pay." These achievements included the expansion of the Earned Income Tax Credit and the increase in the minimum wage. The expanded Earned Income Tax Credit effectively raises the wage rate for a full time worker with two or more children by nearly $2.00 per hour. In conjunction with the increase in the minimum wage to $5.15 and food stamp benefits, a full time worker with two children would have an income that exceeds the poverty line.

The President fought to include new tools in the Balanced Budget agreement to help cities, states and welfare recipients make the transition from welfare to work. Among those tools are:

- A $3 billion Welfare to Work Jobs Challenge Fund: This fund will provide funds directly to both cities and states to provide additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.

These resources are particularly critical for cities. They represent the first allocation of resources directly to mayors, who will have resources to leverage jobs and services for their residents. Funds will be used for wage subsidies to private and public employers, on-the-job training, public and private job placement contractors, transportation subsidies, job retention services and other effective job creation and placement strategies.

- A New Welfare-to-Work Tax Credit: The Budget Agreement provides a new tax provision to give private employers an extra incentive to hire long-term welfare recipients. The credit would allow an employer to claim a credit of up to 50 percent of the first $10,000 in wages paid during a year to a former welfare recipient who is employed for at least nine months. The credit would be available for up to two years per worker.

- Incremental Rental Assistance Linked to Welfare Reform:

  HUD housing programs can also help link welfare recipients to jobs. Often, there is a mismatch between where welfare recipients live and the location of entry level jobs for which they have the appropriate education and skills. Moreover, stable and affordable housing can mean the difference between steady employment and welfare receipt.

  HUD proposes to use housing assistance programs to leverage jobs for welfare recipients. HUD's FY 1998 budget proposes 50,000 units of Section 8 rental assistance linked to the President's Welfare to Work Jobs Challenge. Jurisdictions which receive Welfare to Work Challenge grants and develop coordinated strategies between their public housing authority and the state or local welfare agency for the use of incremental rental assistance will compete for this funding.

- Transportation Services: One of the biggest barriers facing those making the move from welfare rolls to payrolls -- particularly for inner city welfare recipients -- is convenient access to jobs. Two-thirds of new entry level jobs are in the suburbs, but three of four welfare recipients live in central cities or rural areas. Access to these suburban jobs is limited: only one in 20 welfare recipients owns a car and mass transit does not provide adequate or timely connections for those living in the city and traveling out to suburban jobs. The public transit system also provides severely limited help for those with non-traditional work hours or families with children who require day care in order to work.

In 1996, HUD initiated a 5-city Bridges to Work demonstration to connect inner-city job-ready residents with suburban job opportunities. The initiative brings together regional service providers to provide transportation, job placement, and supportive services to residents of targeted inner-city neighborhoods. HUD proposes an additional $10 million in FY 1998 to expand the Bridges to Work program.

Building on the Bridges to Work model, the Department of Transportation proposes to provide $100 million per year for six years to fund innovative transportation programs to transport welfare recipients to jobs. Grants would be available to states, local governments, and private and non-profit organizations to plan and implement new transportation services linking welfare recipients to jobs.

- Reengaging the Faith Community:

  [Describe HUD's initiative on faith participation...need more information].

(4) Making Urban Neighborhoods Safe and Crime-Free

While violent crime rates have plummeted in many large cities, too many families still cannot walk their city streets knowing they will be safe. Businesses and homeowners cannot be expected to risk their hard-earned money in neighborhoods where drugs are rampant, gangs control the streets, and where violence keeps residents in their homes at night.

The cornerstone of the Clinton Administration's efforts to fight crime, particularly violent crime, is the continuing effort to put 100,000 more police on the streets. By the end of 1997, funding will be in place to have about 64,000 additional police on patrol. The FY 1998 budget proposes $1.4 billion to put nearly 17,000 more officers on the streets.

The focus on Community Policing is beginning to reap dividends in reducing crime in the most intractable urban settings. For example, in Boston, no juvenile under the age of 16 has died as a result of gunfire since July 1995, and the homicide rate for those under 24 has dropped by as much as 71 percent since 1990.

These reductions can be attributed to innovative community policing techniques. In Boston, the police identify "hot spots" to proactively target their crime prevention and efforts. A Youth Violence Strike Force -- consisting of a unique community-wide law enforcement collaborative -- zeros in on battling gang violence and thus reduces youth homicide. The Strike Force established a community-wide collaboration of law enforcement officials to prosecute a major gang and developed an innovative partnership with the probation department to increase accountability.

The Administration's FY 1998 budget includes other crime fighting initiatives:

- Juveniles: The Administration proposes a $50 million increase in FY 1998 to support more local community prevention programs, such as mentoring, truancy prevention, and gang intervention. To prevent young people from becoming involved in the juvenile justice system, the budget expands funding for programs that provide supervised afternoon and evening activities for youth. These programs include $63 million of community schools, supervision and youth services.

- Gangs: The President has worked hard to get guns off the streets and out of the hands of children, to crack down on violent teen gangs and to teach children that drugs are wrong, illegal, and dangerous. As gangs become an increasingly powerful and deadly force, the Administration is pursuing a coordinated national strategy to combat them. For example, the budget proposes substantial budget increases to hire more prosecutors, to establish a new juvenile court initiative and for a local youth crime intervention initiative.

- Putting Violent Criminals in Jail: The Administration seeks to ensure that convicted violent offenders serve at least 85 percent of their sentences behind bars. To reach this goal, the Administration proposes $710 million in State grants to build new prisons and jail cells under two programs: the Violent Offender Incarceration and Truth in Sentencing programs. Nationwide, the prison population is growing by over 1,700 inmates per week, and will likely grow faster as tough sentencing laws and practices that these programs require are implemented.

- Combating Drug Abuse: Drug abuse and drug-related crime cost our society an estimated $67 billion a year and destroy the knit and futures of millions of children. Illicit drug trafficking breeds crime, violence, and corruption across the country. The effects of drug use and drug-related crime are felt acutely by all Americans, transcending economic, geographic, and other boundaries.

  The Administration proposes a $16 billion, coordinated, multi-agency approach to combating all types of substance abuse among youth -- including tobacco and alcohol. This initiative focuses on State-level data documenting trends in drug use. This comprehensive approach, consistent with the President's National Drug Control Strategy, come in response to surveys showing sharp increases in drug abuse among adolescents.

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Specific anti-drug initiatives include:

- National Media Awareness Campaign: The Office of National Drug Control Policy is developing a national media campaign to include public service announcements targeted at youth and their parents on the consequences of drug, alcohol and tobacco use.

- Safe and Drug Free Schools and Communities Program: This is the largest federal program to inoculate children against drug abuse and to ensure that schools are safe and disciplined learning environments. The program covers 97 percent of all school districts nationwide through educational activities, teacher training, and other activities. The President proposes to spend $620 million for this program in FY 1998, a 12 percent increase over 1997.

- Public and Assisted Housing: The President believes that public housing is a privilege, not a right and residents who commit crime and peddle drugs should be immediately evicted. This is HUD's "One Strike and You're Out." HUD's budget provides $290 million to support anti-drug and anti-crime initiative.

- HUD proposes to double funding for Operation Safe Home, a unique crime-fighting campaign spearheaded by HUD's Office of the Inspector General. The collaboration includes the FBI, the Drug Enforcement Administration, the Bureau of Alcohol, Tobacco and Firearms, U.S. Attorneys offices and other federal, state and local law enforcement agencies. Operation Safe Home focuses on three major types of wrongdoing that undermine HUD programs -- violent crime in public and assisted housing, fraud in public housing administration, and equity skimming in multifamily insured housing. Operation Safe Home has to date resulted in more than 10,000 arrests and the seizure of more than 1,200 weapons and nearly $2.5 million in cash.

(5) Cleaning Up The Urban Environment

Brownfields are former industrial and commercial properties that may contain low to moderate levels of contamination. Because these sites are considered to be only moderately contaminated, they do not appear on EPA's Superfund list. An estimated 500,000 brownfields exist [this figure is being checked], the vast majority of which are urban. In many cases, these sites must be cleaned up before they can be redeveloped for commercial uses. Old manufacturing or other industrial sites leave some level of contamination after they have ceased to be productive assets.

The Clinton Administration has launched a landmark effort to clean up and redevelop Brownfields sites. It has established a Brownfields National Partnership between 15 federal agencies to join together in a collaborative effort to turn contaminated Brownfields into greenfields of urban opportunity. In total, the Brownfields action agenda has marshaled funds to clean up and redevelop 5,000 properties, leveraging between $5 billion and $28 billion in private investment and creating and supporting 196,000 jobs.

The key components of the FY 1998 Brownfields Action Agenda are:

- $125 million EPA funding for assessment, clean-up, and job training.
- $100 million in HUD economic development funding and $400 million loan guarantees over 4 years. In each of the next four years, HUD proposes to fund $25 million in Economic Development Initiative (EDI) grants to redevelop contaminated brownfields after they are cleaned up. In general such grants leverage four dollars in HUD Section 108 loan guarantees for each HUD grant dollar.
- $2 billion in tax incentives proposed by the Treasury Department. Under proposed legislation, businesses would be allowed to "expense" brownfield clean-up costs. These tax provisions would provide direct financial incentives to private sector developers and investors to participate in clean-up and revitalization activity.

(6) Creating Educational Opportunity for All

Today's most successful workers are those with skills and a firm educational footing to compete successfully in the dynamic economy. No where is progress more needed than in inner cities -- especially to help future generation's of inner city children succeed in the new economy.

The President's goals are to help families, communities and States ensure that every child is prepared to make the best use of education; that the education system allows enables every child to learn to his or her full potential; that those who need resources to help pay for a college education can get them.

The Budget Agreement includes the largest federal investment in education in 30 years and the largest single increase in college aid since the GI Bill in 1945. The budget agreement provides investments in for students in the earliest years of their lives, guarantees basic reading skills in elementary school years, helps all students become technologically literate, and makes college more affordable for hundreds of thousands additional students.

- Head Start: Over the past 4 years, the President has secured a 43 percent increase in funds for Head Start. The budget agreement provides $4.3 billion for Head Start, a $324 million increase over 1997. A child's learning begins long before he or she goes to school. That's why the President's budget expands Head Start to benefit one million children by 2002.

Beyond expanding the Head Start program, the Administration is challenging parents to get involved early in their children's learning. Parents are their children's first teachers, and every home should be a place of learning.

- America Reads: The President has launched the America Reads Challenge, a nationwide effort to mobilize a citizen army of a million volunteer tutors, to ensure that all children can read independently and well by the end of the third grade.

  While America's 4th graders read on average as well as ever, more than 40 percent cannot read as well as they must to succeed later in school and in the workforce. Research shows that students unable to read well by the end of the 3rd grade are more likely to become school dropouts and truants, and have fewer good options for jobs. The Budget Agreement adopts the $260 million proposed to fund this effort.

- National Standards: Setting rigorous national standards, with national tests in 4th-grade reading and 8th-grade math will make sure our children master the basics. Every 4th grader should be able to read; every 8th grader should know basic math and algebra. To help make sure they do, the President is pledging the development of national tests in 4th-grade reading and 8th-grade math, and challenging every state and community to test every student in these critical areas by 1999. These tests will show how well students are meeting rigorous standards and how well they compare with their peers around the country and the world. They will help parents know if their children are mastering critical basic skills early enough to succeed in school and in the workforce.

Every state and school should also set guidelines for what students should know in all core subjects. We must end social promotion: Students should have to show what they've learned in order to move from grade school to middle school and from middle school to high school. We must make sure a high school diploma means something.

- Make Technology Available: The President has proposed funding to help ensure that computers are in every classroom and that every classroom is connected to the Internet by the year 2000. Our schools must now prepare for a transition as dramatic as the move from an agrarian to an industrial economy 100 years ago. We must connect every classroom and library to the Internet by the year 2000, so that all children have access to the best sources of information in the world. CEOs of some of America's most innovative technology and communications firms have already responded to the President's challenge to work with schools to get computers into the classroom, link schools to the Internet, develop effective educational software, and help train our teachers to be technologically literate.

In addition to having access to the information superhighway, children must be taught by talented and dedicated teachers. The Administration is committed to making sure there are talented and dedicated teachers in every classroom. We are challenging our most promising young people to consider teaching as a career, setting high standards for entering the teaching profession, and providing the highest quality preparation and training. We should reward good teachers, and quickly and fairly remove those few who don't measure up. The President's education budget will make it possible for 100,000 master teachers to achieve national certification from the National Board for Professional Teaching Standards over the next ten years.

- Making College Affordable: The President is opening the doors of college to all who work hard and make the grade. To prepare ourselves for the 21st century, all Americans must have access to college and at least two years of college should be as universal as high school is today.

  The Budget Agreement also provides $35 billion over 5 years to help make college affordable for all American families consistent with a $10,000 tuition tax credit, an expanded IRA to allow families to save tax-free for college and the President's Hope scholarship initiative. This initiative would provide a $1,500 tax credit for tuition paid for the first two years of college. It would be enough to pay for a typical community college education or provide a solid down payment at four-year colleges and universities.

  The Budget Agreement also includes a 25 percent increase -- the largest increase in two decades in the Pell Grant program, which provides grants to disadvantaged students. Maximum grant amounts will reach $3,000 -- an increase of $300 -- and new funding will allow an additional 348,000 students to receive grants.

- Other Education Initiatives: In addition to focusing on these important areas, the Administration also calls for resources to expand school choice and accountability in public education; modernize school buildings and help support school construction; help adults improve their education and skills by transforming the tangle of federal training programs into a simple skill grant; and make sure our schools are safe, disciplined and drug free.

  Students cannot learn in schools that are not safe and orderly and do not promote positive values. We must find effective ways to give children the safe and disciplined conditions they need to learn, and continue to support communities that introduce school uniforms and character education, impose curfews, enforce truancy laws, remove disruptive students from the classroom, and have zero tolerance for guns and drugs. The Administration proposes to keep schools open later as safe havens from gangs and drugs, expanding educational opportunities for young people in the afternoons, weekends, and summers, and providing peace of mind for working parents.

(7) Ensuring Better - and More Affordable -- Housing for The Future

This is a two-fold challenge, for a safe, decent home is the essential base from which families can ultimately attain independence: (A) reinventing the way that public housing works -- so that it is no longer a dead end but a platform to self-sufficiency; and (B) protecting the Nation's precious supply of affordable housing stock and the federal assistance that houses millions of families, seniors and kids.

(A) Reinventing Public Housing: Passing a Landmark Public Housing Bill

At the heart of many distressed urban neighborhoods, one finds old public housing developments, plagued with deteriorating conditions and beset by crime and gang activity. These old developments are too-often high-rise building with caged hallways.

We are living with decades of mistakes in public housing. In too many cases, the original site plans and architecture of the developments were flawed. Other times, buildings simply have worn out their useful lives. In some locations, callous management contributed to the deterioration of buildings. In other cases, neighborhoods changed from healthy residential settings to isolated pockets of poverty and despair.

This is not to characterize all public housing as a failure. To the contrary, the majority of the 1.4 million units of public housing works successfully. It is well-managed and provides decent housing to poor families who desperately need affordable housing at an affordable price. Public housing units represent one-third of all the housing that is available nationwide to families with minimum-wage incomes.

In the first term of the Clinton Administration, the Administration initiated a comprehensive effort to fundamentally transform public housing. The Administration wants to turn public housing into a platform from which residents can launch better lives by gaining the education and skills they need to achieve self-sufficiency. This effort to transform public housing had four major components: 1) Tearing down and replacing the 100,000 worst public housing units 2) Aggressively intervening to improve the troubled public housing authorities 3) Establishing positive incentives to reward working families and encourage families to make the transition from welfare to self-sufficiency and 4) Cracking down on crime, gangs and drugs.

But those reforms cannot advance the full transformation without further legislative action. And HUD has introduced the Public Housing Management Reform Act of 1997 to both cement and deepen the transformation of public housing. It would also match the public housing program structure to the likely resources HUD will have available.

- Responsible deregulation and program streamlining: HUD proposes massive changes to the public housing system of old where regulations and red tape governed even the most basic operations.
- Managing for performance with effective oversight and enforcement: Responsible enforcement must accompany responsible deregulation. Such efforts require early identification of PHA management problems, timely preventive action and sure and certain consequences for persistently troubled performers.

In some communities, public housing has become an isolated and permanent residence with few incentives for residents to work. HUD's legislation proposes new admissions policies which balances the need to achieve a greater mix of incomes in public housing, with policies that offer incentives for existing poor tenants to raise their own incomes. It allows housing authorities flexibility to design their rent systems to be consistent with local welfare programs and encourage work.

(B) Renewing Millions of Section 8 Contracts

Earlier this year, HUD faced what some described as the greatest challenge its faced since its inception. Rental assistance contracts on 1.8 million units of housing -- providing shelter for 4.4 million people -- are scheduled to expire. This crisis grows in future years: by FY 2002, contracts for 2.7 million units -- or 6.4 million people -- will be expiring.

Section 8 provides a subsidy to tenants to afford private rental housing. Under Section 8, tenants pay approximately 30 percent of their income and the federal government makes up the difference. For families receiving Section 8 assistance, it is more than a contract or a subsidy; it is often the foundation from which they can build lifelong self-sufficiency. Renewing these contracts, then becomes a fulfillment of a social contract between government and a vulnerable family.

What would happen if the these 1.8 million expiring Section 8 contracts are not renewed in 1998? Some 4.4 million people could risk losing their homes -- either through evictions or unbearably sharp rent increases. Without reform, that number could grow to 6.4 million Americans at risk by 2002. Over 90 percent of these

Americans are elderly persons, persons with disabilities, or families with children.

American communities should not have to bear the high social costs, and should not have to face the potential social chaos, of an unprecedented explosion of homelessness that would surely arise if these contracts are not renewed.

A plan for renewing these contracts must also protect America's communities. The answer cannot be to divert funding away from other vital community programs. A shredding of the social and economic fabric of our communities would surely be the result if we choose to fund the expiring Section 8 contracts by making 35 percent across-the-board cuts in core HUD programs like CDBG, public housing operating support, homeless assistance and many others. This kind of "cut-and-shift" approach -- robbing Peter to pay Paul -- would be short-sighted and self-defeating. While such an approach would avert the Section 8 crisis, it would simultaneously trigger other community crises in homelessness and affordable housing -- as states, counties and cities small and large would face billions in cuts in 1998 alone.

Renewing these contracts requires sharp increases in appropriations for this purpose. In FY 1998, HUD proposes $9.2 billion for contract renewals -- a $5.6 billion increase over FY 1997. By 2002, funding necessary for contract renewals grows to $18 billion. The President pushed for this in the balanced budget agreement -- and will fight to keep it in any final budget deal.

IMPLEMENTING THE AGENDA

There are two key building blocks for implementing the Administration's second term urban agenda: an active and engaged Community Empowerment Board and a renewed and reinvented Department of Housing and Urban Development -- a HUD that has been dramatically transformed for the 1990s and beyond..

The President's empowerment agenda -- as noted earlier -- is distinctly different from past federal attempts at urban renewal. The Vice President has honed that philosophy and practice in partnership with communities for the past four years. Much has been learned from the many wise and bold mayors. Now it is time to institutionalize and deepen this new empowerment approach.

An Active Community Empowerment Board

Created in xxxx by President Clinton -- and chaired by Vice President Gore -- the Community Empowerment Board is the coordinating body for community and urban policy for the entire federal government. [Need more info on this].

A New HUD for a New Century

In 1961, President Kennedy, in a special message to Congress, called for the creation of a cabinet level agency to strengthen urban communities. "Our communities are what we make them. We as a nation have before us the opportunity -- and the responsibility -- to remold our cities..."

In 1965, fulfilling Kennedy's vision, President Johnson actually proposed the Department of Housing and Urban Development, citing its mission thus: "This new department will provide a focal point for thought and innovation and imagination about the problems of our cities."

But the agency whose direct mandate was to act as an advocate for urban America has not kept pace with the times. HUD is now just over thirty years old -- and it is time to prepare HUD for the next thirty. While HUD's traditional goals must remain the same — fighting for fair housing, increasing the supply of affordable housing and opportunities for home ownership, reducing homelessness, promoting jobs and economic development — its mission and organization must be updated and re-focused.

If HUD is going to be a significant, value-added player, helping America's communities move from an industrial to an information economy, with welfare reform hanging in the balance, the agency must strive to empower people, giving them the tools they need to succeed. HUD must be an ally to communities, not a bureaucratic adversary; a creator of opportunities, not obstacles.

At the same time, in a balanced budget environment — and with the storm clouds of mismanagement still hovering over the agency — HUD must refocus its energy, ingenuity, and resources on eliminating waste, fraud, and abuse in all our programs.

Since the 1980s, HUD has been criticized by the Congress and its own Inspector General for failing to modernize operations and for being susceptible to waste, fraud, and abuse. HUD is, in fact, the only *entire* federal agency designated by the General Accounting Office as "high-risk." Recent reports by both the General Accounting Office and HUD's Inspector General highlight essential steps HUD must be take if the agency is going to permanently improve management.

Despite significant improvement in the last few years, HUD remains a symbol of inept government. The plan HUD will soon be putting forward puts HUD's house in order and creates a new HUD for the new century. It says that compassion without competence has failed HUD -- and America -- and that HUD must change.

The President's first directive to incoming Secretary Cuomo was to remake HUD.

In late June, the Secretary will provide the President with a sweeping management reform plan.

CONCLUSION

What is the state of America's cities today?

Is it the 44,000 jobs added in San Antonio between 1993 and 1995? Or is it the 258,000 mostly middle class residents who left Cleveland since 1970?

Is it the record 35% drop in violent crime in New York City the past four years? Or is it the 50% explosion in poverty in central cities across America the past two decades?

Is it the 125 percent drop in unemployment in Tulsa since 1993? Or is it the dropout rate in Los Angeles schools, which runs 96 percent higher than the national average?

In a word, the answer is: both. The urban glass is both half-empty and half-full, depending on where you look. Thanks in large part to the one-two punch of the Clinton Administration's economic plan and a targeted urban strategy, America's cities are coming back: unemployment is down. Crime is down dramatically. Downtowns are reinventing themselves. Paychecks are growing faster than in suburbs. Fiscal health has returned to many city halls. And confidence nationwide is riding high.

But at the same time, three very real national trends present serious challenges for our cities:

- First, a dangerous disparity in job creation between cities and suburbs, which cities are losing.
- Second, poor people who are more poor, more isolated, and more concentrated in inner-cities than any time in a generation.
- And third, the uninterrupted migration of the middle class -- and much of the tax base -- from cities to suburbs.

Added to these challenges are the very real difficulties of converting our urban areas from an industrial to an information economy, integrating an increasing number of immigrants, and moving two million of our fellow citizens from welfare to work -- all at a time when federal, state, and local budgets are tight.

With this disparity, one thing remains clear: just as no one city works like the rest, no one solution will work for them all. If we are going to meet the need of America's 900 cities, one cookie-cutter solution will not do. We need 900 partnerships -- each tailored to a community's needs, each custom-made to empower local residents to meet their goals. That is the ambition of the Clinton Administration's second term urban agenda: to encourage innovation, to facilitate cooperation, and to help local communities -- and businesses, and churches, and residents, and nonprofit organizations -- fulfill their own visions of the future.

As much as America has changed since World War II, our cities -- and the suburbs that surround them -- remain home to almost eighty percent of the American people and contain close to 85 percent of America's jobs. We couldn't turn our backs on America's cities, even if we wanted to. Their roads, ports, bridges, banks, businesses, colleges, and residents -- not to mention their museums -- are still the engine that drives our national economy.

What is the state of America's cities? Improving.

What is the challenge? To meet the needs of urban America in a way that empowers us all. We need all to be committed to strengthening the whole not just our individual parts -- the cities and the suburbs, our neighborhoods and those further from our doorstep.

The success or failure we have in meeting these intertwined challenges will largely determine how all of us live in the twenty-first century.

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Exhibit 1

Unemployment Rates, January 1993 and 1997

	Jan 1993		Jan 1997	
	City	Suburb	City	Suburb
Top 50 Total	9.2%	6.4%	6.5%	4.2%
ALL MSAs*	8.8%	6.9%	6.3%	4.7%
U.S. Total	7.3%		5.4%	

Source: BLS, Local Area Unemployment Statistics

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Exhibit 2

National League of Cities Survey Results, January 1997			
Change in city conditions over the past year (1996)			
Condition	Improved	Worsened	No change
Violent crime	44%	15%	41%
Unemployment	49	11	41
City fiscal conditions	46	17	38
Neighborhood vitality	46	10	44
Police/community relations	61	7	32
Overall economic conditions	55	9	36
Volunteerism/ community services	48	6	46
Infrastructure	51	15	34
Recreation	58	3	39

Source: The State of America's Cities (National League of Cities, January 1997)

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Exhibit 3

Percent Change in Violent Crimes in the Top 10 U.S. Cities, 1990-95 *

City Ranking	City	Change in Crime (%)
1	New York City, NY	-33
2	Los Angeles, CA	-16
3	Chicago, IL†	-12
4	Houston, TX	-2
5	Philadelphia, PA	+3
6	San Diego, CA	-8
7	Phoenix, AZ	+9
8	Dallas, TX	-35
9	San Antonio, TX	-10
10	Detroit, MI†	-13
	Overall change	-20

*"Violent crime" in this table refers to the number of incidents of murder, non-negligent manslaughter, forcible rape, aggravated assault, and robbery reported to the police. In some cases, data on a specific form of crime, and/or data from a specific year for a given city were not available. A "†" indicates when these situations occurred. (Specifically, this indicates that forcible rape data were excluded from the analysis.) Source: Federal Bureau of Investigation. (1990, 1995). *Uniform Crime Reports for the United States, 1990* [1995 edition was also used]. U.S. Department of Justice: Washington, DC.

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Exhibit 5

Clustered bar graph: Annualized employment growth, 1970-96 (in percent)

	1970-80	1980-90	1990-96	1990-93	1993-96
U.S.	2.37%	1.69%	1.28%	0.40%	1.77%
Central city residents	1.06%	1.19%	0.90%	-0.03%	1.74%
Suburban residents	3.36%	2.27%	1.37%	0.40%	1.93%

Source: Census of Population and Housing (1970-90); Local Area Unemployment Statistics (1990-96)

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Exhibit 6

Bar graph: Change in metropolitan jobs by location and city size, 77 cities, 1991-93

	Central city	Suburbs
Pop. <250,000	1.6%	5.5%
250,000 - 500,000	-1.0%	9.8%
500,000 - 900,000	1.0%	16.3%
>900,000	-3.1%	7.9%
All MSAs	-1.3%	10.4%

Source: Standard Statistical Establishment List

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Exhibit 7

Change in Jobs 1990 to 1995 for 19 Selected Central Cities/Counties of Metropolitan Areas

	Pop Rank	Change 1990 to 1993	Change 1993 to 1995	Change 1990 to 1995
New York City	1	-273,435	23,751	-249,684
Philadelphia	5	-52,999	-15,726	-68,125
San Antonio	9	37,808	44,211	82,019
Indianapolis	12	12,031	22,519	34,550
San Francisco	13	-49,652	-2,800	-52,452
Baltimore	14	-50,726	-10,265	-60,991
Jacksonville	15	8,589	29,850	38,439
Washington	20	-14,644	-28,331	-42,975
Austin	23	51,627	44,480	96,107
Nashville	24	19,713	22,485	42,198
Denver	25	12,292	14,275	26,567
New Orleans	27	-4,165	4,686	521
Norfolk-Virginia Beach	NA[5]	-1,606	7,562	5,956
St. Louis	43	-9,986	-626	-10,612
Wichita	54	3,937	3,599	7,536
Corpus Christi	59	5,861	5,956	11,817
Anchorage[6]	64	6,012	3,067	9,079
Lexington	69	5,428	7,127	12,555
Richmond-Petersburg	NA[7]	-15,933	-4,506	-20,439

Source: Bureau of Labor Statistics, ES-202

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Exhibit 8

Line graph: Poverty rates, 1970-95

	1970	1980	1990	1993	1995
U.S.	12.6%	13.0%	13.5%	15.1%	13.8%
Central cities	14.2%	17.2%	19.0%	21.5%	20.6%
Suburbs	7.1%	8.2%	8.7%	0.3%	9.1%

Source: Current Population Survey

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Exhibit 9

Bar graph: Share of city population living in tracts with at least 40 percent poverty, 100 largest cities, 1970-90

	1970	1980	1990
Total city pop.	5.2%	7.9%	10.7%
Non-Hisp. white	1.4%	2.0%	3.2%
Non-Hisp. black	15.7%	19.9%	24.2%
Hispanic	9.8%	12.3%	23.8%

Source: Urban Underclass Database

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Exhibit 10

TEN LARGEST CITIES	Ratio of City Shoool Dropout Rate to National Rate
New York City, NY	1.16
Los Angeles, CA	1.96
Chicago, IL	1.52
Houston, TX	1.61
Philadelphia, PA	1.43
San Deigo, CA	1.07
Phoenix, AZ	1.61
Dallas, TX	1.79
San Antonio, TX	1.16
Detroit, MI	1.70

Source: Department of Education

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Exhibit 11

Segmented bar graph: City share of metropolitan population, 1970-94

	1970	1980	1990	1994
Central cities	44.9%	40.9%	39.2%	38.3%
Suburbs	55.1%	59.1%	60.8%	61.7%

Source: Census of Population and Housing; Census FSCPE

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Exhibit 12

Segmented bar graph: Distribution of Metropolitan Area Population Growth by Area Size, 1970-94

Metro Area Size	City	Suburbs
Small (pop.250,000 or less)	36%	64%
Medium (250,000-1,000,000)	26%	74%
Large (1,000,000 or more)	8%	92%

Source: Census of Population and Housing; Census FSCPE

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Exhibit 13

Segmented bar graph: Income distribution of central city population, 1970-90

	1970	1980	1990
Low income	20.2%	23.6%	24.5%
Middle income	59.9%	58.0%	57.6%
High income	19.9%	18.4%	17.8%

Source: Census of Population and Housing

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Exhibit 14

Clustered bar graph: Types of Families with own children in central cities and suburbs, 1970-90

	Married Couple			No Spouse Present		
	1970	1980	1990	1970	1980	1990
Central Cities	81.6%	71.3%	66.8%	18.4%	28.7%	33.2%
Suburbs	90.6%	85.4%	82.1%	9.4%	14.6%	17.9%

Source: Census of Population and Housing
Source: Census of Population and Housing

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Exhibit ~~14~~ 5

Percentage of Population Foreign Born, by community type 1980 and 1990

Year/Location	United States	Metro. Area	Central City	Suburban
1990	7.95%	12.68%	15.95	11.08%
1980	6.22%	9.61%	12.18%	8.23%

Source: Center for Urban Policy Research Database, 1996.