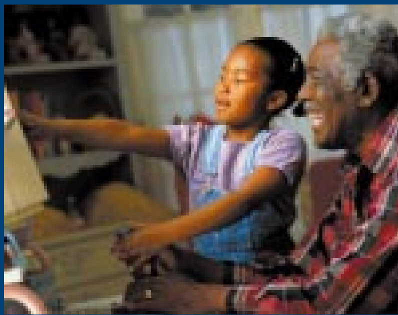
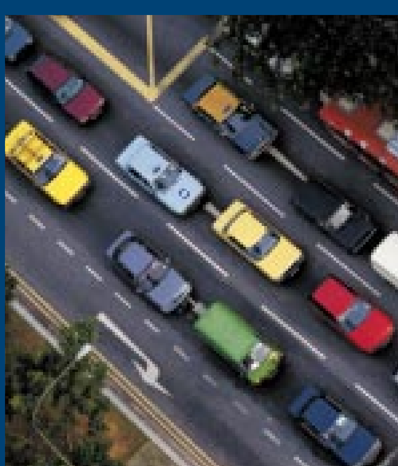


The New Economy

The New Demography

The New Housing Challenge



The New Forces of Decentralization

The STATE of the CITIES 2000

MEGAFORCES Shaping the Future of the Nation's Cities

U.S. Department of Housing and Urban Development
Andrew Cuomo, Secretary

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, D.C. 20410-0001

THE SECRETARY

June 11, 2000

President William Jefferson Clinton
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to present *The State of the Cities* 2000. Four years ago, you directed HUD to produce an annual report on the economic and social health of our nation's cities. This year, the first of the new millennium, is a critical year for our nation's future and for the future of cities. Cities, like the rest of America, are enjoying the benefits of the longest and strongest economic expansion in our history.

Since you took office, nearly 4.6 million city residents have gained employment. Unemployment has fallen to 4.8 percent from 8.5 percent. Cities have made impressive gains on the jobs and business front – 8.5 percent growth in jobs and 4.4 percent in new businesses. Homeownership in cities is at an all-time high, at 50.4 percent, and their fiscal health is stronger than it was a decade ago. Yet, despite this record of success, many cities – especially smaller and medium-sized cities – have yet to fully share in the national prosperity. One in eight cities remain "doubly-burdened"– with high unemployment coupled with either population loss or high poverty rates.

This Report documents four megaforces challenging cities at the dawn of this new millennium – the *new, high-tech global economy*, which threatens to create both winners and losers; the *new demography* of an aging and more diverse population and a declining middle class; the *new housing challenge* that is pushing rents up faster than inflation and creating a record shortage of affordable housing, and *the new forces of decentralization* that are consuming land at twice the rate of population growth and creating a spatial mismatch of jobs and housing.

How we respond as a nation and as a people to these megaforces will determine the future of our cities – whether we build on the success most enjoyed in the 1990s or whether cities fall back to the decline of previous decades. This year, in your FY 2001 Budget submission to Congress, you have put forth a comprehensive agenda for our nation's cities and suburbs. It provides many of the tools that cities will use to build affordable housing, create jobs, and meet the urgent needs of the elderly and other city residents.

Seven years ago, you and Vice President Al Gore brought an extraordinary vision and a renewed federal commitment to our cities. It has been my privilege to help you carry out that commitment, and I look forward to working with you and the Congress this year to ensure that cities continue to receive the federal help they need to compete in the global economy of the 21st century.

Sincerely,

Andrew Cuomo

U.S. Department of Housing and Urban Development

THE STATE OF THE CITIES 2000

Fourth Annual

June 2000

President Bill Clinton
Vice President Al Gore
HUD Secretary Andrew Cuomo

EXECUTIVE SUMMARY

> *"It is clear that our hopes for the New Economy are really hopes for a better society—one in which we are brought together, not driven apart; one in which we sustain our Earth, not exploit it; one in which we lift up the poor, as well as those of us who are better off; and one in which all communities share in the promise of America's future."*
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> **President Bill Clinton speaking at the White House New Economy Conference April 5, 2000**

America begins the millennium enjoying the longest and strongest economic expansion in its history. Guided by the policies of the Clinton-Gore Administration, the economic boom entered its 111th month in June 2000. During this period, Federal deficits have disappeared, and we have entered an era of record surpluses. A surplus of $167 billion is projected this year—a dramatic reversal from the $290 billion deficit in 1992.

Meanwhile, the national unemployment rate hit a 30-year low of 3.9 percent in April. In the 7½ years of the Clinton-Gore Administration, more than 22 million jobs have been created, a substantial portion of them in central cities. Because most central cities have participated in this employment growth, the fiscal health of many cities has improved.

MEGAFORCES SHAPING THE FUTURE OF OUR CITIES

The State of the Cities 2000 Report is part of an annual series in which HUD reports the most recent data on indicators of the social and economic vitality of America's cities and positions the Administration's urban policy agenda to address challenges confronting our cities. It builds on the accomplishments identified in last year's report and presents the continued progress cities have made as well as emerging challenges and opportunities confronting cities as they enter the 21st century.

This year's State of the Cities report identifies four megaforces that are shaping the future of the Nation's cities and presents findings showing their impact.

The first is the **new high-tech, global economy** which has been a driver of recent economic expansion in the United States. New technologies in information and telecommunications—coupled with greater productivity—have produced record economic gains along with new opportunities and risks for the Nation's cities and suburbs.

A second is the **new demography** that is reshaping cities. Major demographic shifts are under way that will have significant economic, social, and political implications for both cities and suburbs. The Nation is rapidly becoming more ethnically diverse, and at the same time our elderly population is growing dramatically.

A third is the **new housing challenge** that is presenting new threats to housing affordability. With the strong economy have come higher rents and housing prices, in some markets impacting all income groups in both cities and suburbs.

Finally, the fourth is the powerful major trend of continued **decentralization**—the continuing shift of jobs and people to the metropolitan edge—that is threatening the stability of existing communities and the development of new livable, sustainable communities.

These four megaforces frame the challenges for a 21st century urban policy agenda. The State of the Cities 2000 presents the impact of these megaforces in in four major findings for America's cities. These findings utilize new data from HUD's 2000 State of the Cities database (SOCDB), which tracks employment, population, and other demographic trends in more than 300 metropolitan areas.

FOUR MAJOR FINDINGS

Finding #1: The New Economy

Most of America's cities are participating in the New Economy, with high-tech growth driving a new wave of economic prosperity—but at the same time creating both winners and losers. New HUD data find that high-tech employment is growing faster in suburbs than in cities but that the proportion of new jobs that are high-tech is larger in cities than suburbs.

Finding #2: The New Demography

The new demography is multigenerational, multiracial and multiethnic. While an increasing share of residents in both cities and suburbs are getting older, a disproportionate number of the elderly poor live in cities. At the same time, cities and suburbs are becoming more racially and ethnically diverse.

Finding #3: The New Housing Challenge

As increases in the cost of housing surpass the rate of inflation, economic good times are paradoxically creating a housing crisis for many Americans. The economic growth that is pushing up employment and homeownership in most of the Nation's cities is also driving increases in rents more than one- and-a-half times faster than inflation—and creating staggering jumps in home prices as well.

Finding #4: The New Forces of Decentralization

The New Economy's advances in information technology, coupled with rising incomes, population growth, and infrastructure spending patterns, continue to drive residential and business development to the fringe. A new HUD analysis shows acclerating growth in land consumption, which threatens to undermine the quality of life in both cities and suburbs.

PART ONE: FINDINGS—THE IMPACT OF THESE MAJOR TRENDS ON METROPOLITAN COMMUNITIES

Finding #1: The New Economy

Most of America's cities are participating in the New Economy, with high-tech growth driving a new wave of economic prosperity—but at the same time creating both winners and losers. New HUD data find that high-tech employment is growing faster in suburbs than in cities but that the proportion of new jobs that are high-tech is larger in cities than suburbs.

CITIES ARE SHARING IN THE UNPRECEDENTED EXPANSION OF THE NEW ECONOMY

The most recent data show that cities are enjoying new vigor in job growth, drawing closer to suburban growth rates. The number of private jobs sector in central cities has increased dramatically, growing by 8.5 percent between 1992 and 1997. During this period, nearly 2.3 million private sector jobs were created in cities.

Business growth in cities is accelerating, and wage growth in cities surpasses that of their surrounding suburbs. From 1992 to 1994 businesses grew by just 0.7 percent in cities, but from 1994 to 1997 they grew by 3.7 percent—five times the previous rate. Overall however, business growth in suburbs is still twice that of cities.

At the same time, wage growth in cities outpaced that of suburbs. Since 1992, central city wages have grown by 4.8 percent—faster than the suburban rate of 4.3 percent—and the current average wage in cities is now 10.5 percent higher than the average wage in suburbs.

Overall cities had a larger percentage point decline in unemployment rates than suburbs. Since 1992, jobless rates in central cities have fallen by 3.7 percentage points, to 4.8 percent. Suburbs experienced a smaller decline, of 3.2 percentage points, to 3.4 percent in 1999.

Incomes are steadily increasing in cities, and poverty has declined. The economic boom raised urban household income in 1998 to their highest levels since 1990. While all types of households throughout the country realized substantial gains in income, household income grew faster in cities (3.5 percent) than in suburbs (2.3 percent) between 1997 and 1998.

A NEW DIGITAL DIVIDE IN HIGH TECH JOBS IS EMERGING BETWEEN CITIES AND SUBURBS.

High-tech growth is a substantial contributor to recent economic gains in cities. High tech jobs account for 27 percent of new employment in cities. The high-tech job growth rate is three times that of overall job growth in central cities. From 1992 to 1997, there was a 27 percent increase in high-tech job growth in cities compared with a 8.5 percent overall job growth.

A new survey conducted by the U.S. Conference of Mayors illustrates the breadth and depth of this high-tech expansion in our cities. More than 80 percent of cities reported significant or moderate growth in high-tech jobs.

The South and the West lead the country in central city high-tech job growth. All regions saw high-tech job gains, but central cities in the south saw high tech jobs grow the most, by 34 percent – followed by 27.2 percent in the West, 21 percent in the Midwest, followed by 19.5 percent in the Northeast.

But there is a new digital divide in high-tech jobs between cities and suburbs. High-tech job growth in suburbs is 30 percent faster than that of cities. Despite the positive gains in high-tech job growth in central cities, suburbs continue to outpace central cities. Most central cities are gaining high-tech jobs, but high-tech jobs in suburbs are, on average, growing 30 percent faster.

FEWER CITIES REMAIN "DOUBLY BURDENED"

Despite the overall dramatic record of job gains, one in eight cities are still "doubly burdened" according to HUD's index of distress. Doubly burdened cities face high unemployment and significant population loss or high poverty rates. This represents a modest improvement over last year, when one in seven cities were in this category. There are 67 cities that have an unemployment rate 50 percent higher than the U.S. rate and either have lost more than 5 percent of their population since 1980 *or* have a poverty rate of 20 percent or higher. Of these cities, 39 have unemployment rates at least double the national average.

Despite declines, unemployment and poverty still impact cities more than suburbs. Unemployment rates in central cities are still about one-third higher than the jobless rate in suburbs. Unemployment among minority youth remains unacceptably high at 22 percent in cities. The national poverty rate declined from 13.7 percent in 1996 to 12.7 percent in 1998. Encouragingly, the poverty rate also decreased in central cities during this period, from 19.6 percent to 18.5 percent -- but remains twice the rate of poverty in suburbs.

Finding #2: The New Demography

The new demography is multigenerational, multiracial and multiethnic. While an increasing share of residents of both cities and suburbs are getting older, a disproportionate number of the elderly poor live in cities. At the same time, cities and suburbs are becoming more racially and ethnically diverse.

Overall, population is on the rise, with metropolitan growth continuing at a faster pace in suburbs than in central cities. The 2000 estimated population of 275 million is projected to rise to 350 million by 2030. This projected 75 million more people, half of which will be new immigrants and their children, will drive economic expansion by providing both the demand for goods and services and the labor force to fill that demand. How best to meet these needs while protecting our dwindling open space and environment will pose difficult choices.

CITIES ARE AGING

In 2030, the elderly population will reach 70 million, doubling the current number of elderly Americans. These seniors will comprise 20 percent of the overall U.S. population. Many will age-in-place and remain in the cities or suburbs they have called home for decades. Central cities will continue to house disproportionate numbers of the Nation’s seniors who live below or near the poverty line. As these populations of the elderly age-in-place, they will pose special challenges for communities.

SUBURBS AND CITIES ARE BECOMING MORE RACIALLY AND ETHNICALLY DIVERSE

Diversity itself is changing as the traditional divide between blacks and whites blurs into a multiracial, multiethnic society. Cities—historically home to the Nation’s newcomers as well as most of its minorities—remain the most diverse. But suburbs are becoming much more heterogeneous as well. Between 1980 and 1998, for example, the minority share of the population in central cities rose from 34.8 to 47 percent. In suburbs during the same period, the proportion of minorities nearly doubled from 13.4 to 21.7 percent. The proportion of Hispanics rose from 5.3 percent to 9.6 percent in suburbs. The percentage of African-American suburbanites expanded as well, from 6.1 to 7.6 percent.

Immigrants are fueling the new diversity in both suburbs and cities. Immigrants are more likely to live in central cities but are increasingly moving to the suburbs—a distinctly new phenomenon. They have transformed many traditionally ethnic neighborhoods in our major urban centers from homogeneous enclaves to truly multicultural, multiethnic places. In the process, they have reversed the population decline of many cities and at the same time are blurring the ethnic and racial lines between cities and suburbs.

Finding #3: The New Housing Challenge

As increases in the cost of housing surpass the rate of inflation, economic good times are paradoxically creating a housing crisis for many Americans. The economic growth that is pushing up employment and homeownership in most of the Nation's cities is also driving increases in rents more than one-and-a-half times faster than inflation—and creating staggering jumps in home prices as well.

HOMEOWNERSHIP HAS REACHED ALL-TIME HIGHS IN BOTH CENTRAL CITIES AND SUBURBS

Between 1992 and 1999, over 8.7 million households became homeowners as the national homeownership rate reached 66.8 percent in 1999—and rose even higher in the first quarter of 2000 to an all-time high of 67.1 percent. In 1999, homeownership in cities broke the 50 percent barrier for the first time—50.4 percent in 1999 and 51.2 percent in the first quarter of 2000. All racial and ethnic groups have shared in this homeownership boom. As of the first quarter of this year, 45.7 percent of Hispanics and 47.8 percent of non-Hispanic African-Americans, and 54.2 percent of other non-Hispanic minorities are now homeowners.

Nevertheless, important—and unacceptable—homeownership gaps still remain. The homeownership rate in central cities trails substantially behind the suburban rate of 73.6 percent, and gaps between minority rates and the 73.4 percent homeownership rate of whites remains unacceptably large. In addition, as homeownership has grown, a new problem has arisen, predatory lending, which occurs when lenders, often operating outside of the Federal regulatory stucture, are able to engage in lending abuses such as charging excessive up-front fees, high interest rates, and prepayment penalties. Such practices contribute to skyrocketing foreclosures in the subprime mortgage markets, especially in minority and low-income communities.

THE STRONG ECONOMY PARADOX

Paradoxically, the economic growth that is increasing employment and homeownership in most of the Nation's cities also is driving up rents and housing prices for many Americans.

Over the 1997–1999 period, house prices rose at more than twice the rate of general inflation, and rent increases exceeded inflation in all 3 years. For most of the goods and services that Americans routinely pay for—the items that go into the Consumer Price Index (CPI)—inflation has been very low throughout the economic expansion, but not so for the cost of housing. Over the last 3 years, the CPI rose 6.1 percent (just over 2 percent per year). During the same period, rents rose by 9.9 percent and house prices by 16 percent.

The hot high-tech markets are among the highest-cost housing markets. Among the top 10 metropolitan areas that HUD identifies as the hottest high-tech markets, house prices rose more than 18 percent in seven of the ten areas from the end of 1995 to the end of 1999, and by more than 27 percent in three of the ten areas. During the same period, rents increased by more than 20 percent in such high-tech markets as Denver and San Francisco.

Housing affordability is both a central city and a suburban problem. In the late 1980s, both rents and house price increases in central cities lagged behind suburbs. By the late 1990s, however, this pattern changed. Central city house prices appreciated at a rate close to that of suburbs—and rent increases in central cities have been even greater than those in suburbs. In fact, since 1991 rents have risen faster in central cities than in suburbs.

"It is a cruel irony that while most communities are doing very well in this booming New Economy, the better they are doing the more acute their shortage of affordable housing. The stronger the economy, the stronger the upward pressure on rents. Even some of America's strongest regions for business are being 'priced out' of housing by their success."

HUD Secretary Andrew Cuomo

Worst case housing needs are increasing at almost twice the rate of population growth. According to HUD's recent Report to Congress on Worst Case Housing Needs, an all-time record high of 5.4 million very-low-income families* pay more than half their income for housing or live in severely inadequate housing in 1997. Worst case housing needs increased more than three times as quickly for working families than for other very-low income renters. A significant share of families with worst case needs live in suburbs—2.7 million live in central cities compared with 1.8 million in suburbs.

Housing rental assistance and access to homeownership are important solutions to the housing affordability problem. During this period of economic expansion, rents and house prices have outpaced inflation. In many hot markets, shelter costs are an increasing burden for families. Housing vouchers are a critical step for families in greatest need of rental housing assistance. Increased access to homeownership is another critical solution to the housing affordability challenge. Homeownership can fix monthly housing costs and provide a shield against rising rents, thereby making homeownership an important answer to this problem. In addition, homeownership allows a family to particpate in the economic expansion through increases in house prices, but such wealth creation can be realized only if neighborhood trends are favorable. Furthermore, increasing homeownership in central cities is also desirable because of its stabilizing impact on neighborhoods.

* Very-low-income families have incomes below 50 percent of the local metropolitan statistical area (MSA) median; extremely-low-income families have incomes below 30 percent of median MSA income.

Finding # 4: The New Forces of Decentralization

The New Economy's advances in information technology, coupled with rising incomes, population growth, and infrastructure spending patterns, continue to drive residential and business development to the fringe. A new HUD analysis shows accelerating growth in land consumption, which threatens to undermine the quality of life in both cities and suburbs.

Improved information and communication technologies are encouraging the spread of jobs and people to the urban edge. But cities continue to have the inherent advantages of agglomeration—face-to-face contact, accessibility, and an already built-up, amenity-rich infrastructure, which have always been critical to economic growth and are valuable in the New Economy as well.

Cities' share of metropolitan jobs continues to decline. With a robust economy and cheap, open land on the urban fringe, businesses and housing are moving out to the periphery of metropolitan areas. In 1997, 57 percent of metropolitan-area jobs were located in suburbs up from 55 percent in 1992.

Population growth in suburbs relative to their central cities accelerated in the 1990s compared with the 1980s. Between 1990 and 1998, suburban population grew by 11.9 percent, compared with 4.7 percent for central cities. Central cities now house only 38 percent of the U.S. metro population compared with 45 percent in the 1970s.

At the same time, land is being consumed at twice the rate of population growth. Land use grew in the 1990s at approximately two times the rate of the 1950s. Between 1994 and 1997, land consumption in the U.S. grew by 2 percent—but population grew by just 1 percent annually. In all, an average of 2.3 million acres of land are being consumed annually, with a substantial portion for residential development on lots of more than one acre in fringe suburbs or smaller cities.

CONSEQUENCES FOR QUALITY OF LIFE IN CITIES AND SUBURBS

Rapid growth in land use has potentially negative effects on the environment, transportation, and infrastructure of both cities and suburbs. Significant unintended costs for all parts of the metropolitan area—cities and suburbs alike—accompany the rush to the periphery.

- **Environmental quality**. As land is developed, water and air quality are degraded. Water pollution results from increases in impervious surfaces. Parking lots, for instance, generate almost 16 times more runoff than a meadow for comparable land areas. Air quality is harmed by automobile emissions from increased driving and decentralized development. Despite cleaner, more efficient cars and stricter regulation of emissions of industrial pollutants, air quality in many metropolitan areas is worsening and raising concerns about public health.
- **Transportation.** Many suburban residents are experiencing longer commutes and increasing traffic congestion. As metropolitan areas stretch out, Americans are driving more and spending an increasing portion of their productive time in daily commutes. The number of vehicle miles traveled (VMTs) increased sixfold between 1950 and 1993. As a result, household expenditures on transportation are up in many cities—less so in communities with strong public transit systems. In fact, congestion and gridlock are contributing to a resurgence in transit ridership, which in 1999 increased by 4.5 percent—twice the rate of increase of motor vehicle travel.
- **Infrastructure.** New development at the fringe requires investment in new infrastructure while existing infrastructure in cities is underused. Decentralized and low-density development on the fringe does not capitalize on existing infrastructure capacity that is already present in central cities, creating burdens and costs for both central cities and suburbs. In effect, citizens are paying twice—both to maintain existing infrastructure, and also to build new infrastructure to support new suburban growth.

THE SOLUTION—LIVABLE COMMUNITIES AT THE CORE AND THE EDGE

The creation of livable communities requires reinvestment in the cities, smart growth practices, and regional connections that encourage cooperation among all communities.

- **Improving public safety and education are keys to livability in our cities.** After years of declining crime rates, the residents of many city neighborhoods have begun to feel safer. Crime is down for the eighth year in a row. But city crime rates are still nearly

"It's not all that complicated. People want neighborhoods with safe streets and good schools. They want good jobs that are not two hours away from home. They want housing they can afford and parks where kids can play. They want to get to work and run errands without spending hours stuck in traffic. They want clean air to breathe and clean water to drink. They want to live in a place that feels like a community."

Vice President Al Gore

three times those of suburbs. Gun violence remains a real threat to people's safety everywhere, but especially in cities.

Improving school quality is critical to the future of cities. If cities are to compete in the New Economy, they must provide a high quality school system for their youth. In recent years, mayors have made this a top priority. Some are seeing results—test scores are going up in Chicago, Boston, and elsewhere, but the dropout rate in cities on average remains one-and-a-half times the suburban rate.

- **Local land use / transportation management and planning play important roles in metropolitan development patterns.** A key to more livable communities is compact and mixed-use development, with amenities and open spaces supported by appropriate transportation infrastructure. Inadequate public transit systems limit access to suburban jobs by low-income residents in central cities.
- **Smart growth in the suburbs.** Smart growth is a cooperative way to rationalize growth, make the most of existing infrastructure, and take advantage of the unique qualities of developed and underdeveloped sections of metropolitan areas.
- **Strengthening the core is the win-win solution to creating livable regions.** Smart growth includes revitalizing the urban core through brownfields redevelopment, infill housing investments, and new business growth to take advantage of the untapped markets of our inner cities and older suburbs.
- **The answer to achieving livable communities lies in regional cooperation.** Cities and suburbs are beginning to envision a new template based on regional cooperation and joining forces to address issues that cross local jurisdictional boundaries—transportation, environmental protection, housing affordability, education, concentrated poverty, and economic development. The bottom line, local leaders are learning, is that cities need suburbs and suburbs need cities to prosper in the New Economy.

PART TWO: BUILDING ON SUCCESS—A POLICY AGENDA FOR AMERICA'S CITIES AND SUBURBS

When President Clinton and Vice President Gore took office seven and a half years ago, the Nation was emerging from a period when the future of our cities—and the Federal role in urban policy—was in serious doubt. In an era of devolution, the argument was often heard that the Federal Government should abandon the field to the States, or to local governments.

This Administration has transformed the Federal role in our cities. It recognized, first, that if the Federal Government was to play a constructive role in our cities, the **solutions had to come from the bottom up**, built on creative partnerships between State and local governments and community-based organizations. Second, it recognized that the **Federal Government had to get its own house in order**—by reinventing its programs to be more responsive to local needs. Third, it recognized that stronger efforts had to be made **to work with private markets** in order to create jobs and opportunity in underserved communities. Finally, it recognized that cities and suburbs needed **both people- and place-based solutions** if they were to share in the economic growth of the new century.

The Administration has proposed a policy agenda that incorporates these fundamental principles and builds on the success of the past seven and a half years in expanding economic opportunity, building affordable housing, and creating livable communities in our Nation's cities and suburbs.

KEY COMPONENTS

The Administration's urban agenda is built around the following components:

- **Help all communities transition to the New Economy**. The President's New Markets Initiative is designed to increase the ability of underserved communities to gain access to the capital and technical expertise they need to take advantage of untapped labor and retailmarkets, and available land. Several initiatives aimed at bridging the digital divide will enable cities and workers to tap the benefits of new high-technology jobs. These initiatives will close the skills gap and increase economic opportunity for low- and moderate-income communities in the New Economy.

- **Address the affordable housing crisis that threatens regional competitiveness and family self-sufficiency.** Providing increased assistance for rental housing is critical to reversing the growth of worst-case housing needs and homelessness—particularly in fast growing high-tech communities where economic growth is driving up rents faster than incomes. Closing the homeownership gap for underserved markets and in cities is another important element of the affordable housing crisis. And continuing the transformation of public housing begun two years ago will integrate public housing into the surrounding communities.
- **Tap into the benefits of diversity and a changing population**. As our Nation grows more diverse, we will need to ensure that housing markets remain open to minorities—both native born and immigrant—through tough enforcement of our Fair Housing laws. The President's One America Initiative put in place a sound foundation for increasing access to capital by minority businesses. And in light of the rapid "graying of America," HUD's Housing Security Plan for Older Americans will expand housing opportunities for our Nation's seniors.
- **Give cities the tools and resources they need to build safe and livable communities—smart growth on the metropolitan edge and revitalization of the urban core.** To counter the unintended consequences of development, the Administration's Livable Communities initiative aims to foster smart growth throughout metropolitan areas and encourage regional cooperation in efforts such as the preservation of open space and expansion of transportation choices. To strengthen and revitalize the urban core, the Administration is focusing on making streets safer and reducing gun violence, improving public schools, attracting private investment in cities, and supporting public-private and community and interfaith partnerships.

I. HELPING COMMUNITIES ADDRESS THE CHALLENGES OF THE NEW ECONOMY

Over the past seven years, the Clinton Gore Administration has successfully put in place the core ingredients needed for cities to take on the challenges of the new high-tech, information-based economy.

The underlying component of any urban economic agenda must be the continuation of **strong, fiscally prudent economic policies.** The second component is **increased access to capital and credit**

in underserved communities. The third component includes programs and policies that **bridge the digital divide** between those people and communities with access to computers and high-tech skills and those without such access. The fourth component is to **investing in people—through workforce development, job training and education**.

- **Continue sound fiscal and economic policies of the past.** Between 1980 and 1992, the national debt quadrupled. In 1992, the budget deficit was a record $290 billion and projected to rise. In 1993, the Congressional Budget Office projected a Federal deficit of $455 billion in 2000. Instead, the surplus is projected to be $167 billion—a turnaround of $622 billion. billion. With a record $2 trillion surplus projected over the next 10 years, the Administration is committed to continuing its policy of fiscal discipline, while at the same time continuing its investment in people.

- **Bring private enterprise and capital to distressed areas.** Although America's low-income communities have enormous untapped economic assets, these communities continue to face barriers to developing their business potential. The key barriers are the lack of access to capital and inadequate information for firms about market opportunities in these areas. To help close these information and capital gaps, this year, the Administration is proposing to continue and enhance a number of innovative programs.

  The President's **New Markets Initiative** addresses urban revitalization in three ways: through core economic development programs which have proven to be successful, by using financial tools to increase the private capital leveraged by Federal investment, and by increasing the capacity of community-based organizations. The New Markets Initiative is designed to build a network of private investment institutions that will stimulate business investment in poor communities. President Clinton has highlighted the potential of the Nation's New Markets in three separate trips across America to underserved inner-city and rural communities—including Newark, New Jersey; Hartford, Connecticut; the Mississippi Delta, Appalachia, rural Arkansas, and the Pine Ridge Indian Reservation in South Dakota.

  On May 23 of this year, President Clinton and House Speaker J. Dennis Hastert reached a landmark agreement on the key elements of the New Markets Initiative including: authorization for America's Private Investment Companies (APIC); authorization for New Markets Venture Capital (NMVC) Firms; and New Markets Tax Credits designed to spur business growth in urban and rural areas; authorization and grant funding for Round II Empowerment Zones (EZs) and authorization of 9 new Round III Zones; expansion of the Round I Wage Credit and Round II Tax Exempt Bond Financing to all 40 EZs; creation of 40 Renewal Communities that will receive targeted tax benefits for businesses to locate in those communities; expansion of the low-income housing tax credit (LIHTC) volume cap from $1.25 per capita to $1.75 in 2001, indexing to inflation each year thereafter; acceleration of the increase in the volume cap for Private Activity Bonds; and allowing faith-based organizations to qualify for substance abuse funds. The Administration is now working with Senate leaders to complete enactment of these innovative initiatives to empower the Nation's low- and moderate-income communities.

A cornerstone of the New Markets Initiative is **APIC,** administered by HUD with support from the U.S. Small Business Administration (SBA). Just as America's support for the Overseas Private Investment Corporation (OPIC) helps promote growth in emerging markets abroad, APIC will encourage private investment in this country's untapped markets. The President and the Speaker's agreement authorizes HUD to guarantee up to $1 billion in low-cost loans to match $500 million in private investment for a total of $1.5 billion per year in large-scale investments in underserved communities.

The **New Markets Tax Credit** will help spur $15 billion in private equity investments and will be available to taxpayers who invest in certain privately managed investment funds and institutions which in turn use these funds to finance businesses locating or expanding in low- and moderate-income communities. The President's budget request for the New Markets Tax Credit will more than double last year's proposal at a cost of $5 billion over 10 years. These tax credits will help to build a network of private investment institutions to funnel credit equity, and technical assistance to businesses in America's new markets.

The New Markets Inititiative Agreement also authroizes SBA's **NMVC firms** that provide a combination of equity venture capital financing and technical assistance to small businesses in low- and moderate-income areas. SBA proposes to fund 10 to 12 firms. The agreement between the President and the Speaker authorizes SBA to guarantee up to $150 million in loans that will match $100 million in private equity for a total of $250 million. SBA will also have the authority to make $30 million in operating assistance grants to match equivalent private commitments.

The **Empowerment Zones and Enterprise Communities (EZs/ECs) Initiative** so far has leveraged more than $10 billion in additional public and private sector investment in community revitalization efforts. President Clinton and Vice President Gore proposed and signed legislation in 1993 that created the first round of EZs and ECs. In January 1999 a second round of EZs were designated by Vice President Gore. Today there are 31 EZs and 104 ECs across the country. The President's agreement with Speaker Hastert, currently pending Senate approval, calls for a third round of EZs, expands the EZ tax incentives, and commits $200 million in discretionary investment for existing EZs.

The **HUD Renewal Communities**, a new proposal in the FY2001 New Markets Initiative, will be designated by HUD. These 40 communities (32 urban and 8 rural) will receive targeted, pro-growth tax benefits and regulatory relief. The tax benefits of Renewal Communities would address key hurdles facing small businesses when they are just getting started—raising capital and maintaining cash flow.

Expanded support for **Community Development Financial Institutions (CDFIs)** will stimulate investment in and revitalization of low-income communities by providing financial products and services directly to small businesses and individuals. Since its inception in 1994, the CDFI Fund has made more than $190 million in awards to community development organizations and mainstream financial institutions. The FY2001 budget seeks $125 million for CDFIs, a $30 million increase.

These new and enhanced initiatives will join existing programs with a proven track record in community and economic development—programs such as HUD's **Community Development Block Grants**, **Section 108 Economic Development Loan Guarantee** and HUD's **Economic Development Initiative (EDI)/Community Empowerment Fund (CEF)**. This year HUD is requesting $100 million in non-earmarked EDI grants, which will be used to create jobs and promote economic development and distressed areas, and those funds are expected to leverage $500 million in federally guaranteed, privately issued Section 108 loan funds.

Brownfields—former industrial sites potentially in need of cleanup—represent a special challenge and opportunity for our cities. This year, the Administration is proposing to double HUD's **Brownfields Redevelopment** funding from $25 million to $50 million. In addition, the FY2001 EPA budget request includes nearly $92 million for its **Brownfields Initiative.**

- **Bridging the Digital Divide**. To help make access to computers and the Internet as universal as the telephone, the Clinton-Gore Administration is proposing a comprehensive initiative to bridge the digital divide and create new opportunity for all Americans. The Administration's FY2001 budget includes proposals to broaden access to technologies such as computers, the Internet, and high-speed networks; provide people with the skilled teachers and the training they need to master the information economy; and promote online content and applications that will help empower all Americans to use new technologies to their fullest potential.

  To increase private-sector involvement in bridging the digital divide, the Administration proposes $2 billion over 10 years in tax incentives to encourage **private-sector donation of computers**, sponsorship of community technology centers, and technology training for workers. The Administration has a $150 million **Teacher Training Initiative** to help train all new teachers entering the workforce to use technology effectively in the classroom.

  The Administration's digital divide initiative also includes $100 million to create up to 1,000 **Community Technology Centers** in low-income urban and rural communities and $50 million for **Public-Private Partnerships for Home Access** to expand computer and Internet availability for low-income families, and more than $100 million is proposed for USDA loans and grants to finance **broadband access** in rural areas. HUD is also proposing to expand its successful **Neighborhood Networks** centers in public and assisted housing. These centers provide computer access to residents combined with training and other educational programs. Over 500 are already in place, and another 500 are slated over the next year. Learning high-tech skills is the key to securing high-wage jobs in the New Economy. These initiatives will provide new opportunities for increasing these skills in low and moderate income communities.

- **Expand economic opportunity for individuals and families.** The Administration is proposing to strengthen several initiatives to help families and individuals move into the economic mainstream.

  The Administration continues to develop a variety of creative initiatives **to help families move from welfare to work and make work pay for low-income families.** Expansions in the Earned Income Tax Credit (EITC) included in the President's 1993 Economic Plan are making work pay for 15 million low-income families, including former welfare recipients. In 1998, the EITC lifted 4.3 million families out of poverty. The Administration's budget proposes a nearly $24 million plan to expand the EITC, providing as much as $1,200 in additional tax relief to an estimated 6.8 million working families.

  The Department of Transportation's **Access to Jobs** initiative helps communities design innovative transportation solutions, such as van services, to help former welfare recipients and other low-income workers get to work. In May 1999, Vice President Gore awarded $71 million of these funds to 179 communities in 42 States, and the Administration have proposed doubliing the funding for FY2001 to $150 million. Over the past 2 years, HUD and the entire Administration has worked with Congress to secure 110,000 new housing vouchers to help welfare recipients and hard-pressed working families move closer to job opportunities and to get and keep jobs. This year, the Clinton-Gore budget included 120,000 new housing vouchers, including 25,000 proposed **Welfare to Work Housing Vouchers,** to help welfare recipients and hard-pressed working families move closer to job opportunities. And the **Welfare-to-Work and Work Opportunity Tax Credits** provide tax incentives to encourage businesses to hire long-term welfare recipients and other disadvantaged individuals. Because of the President's leadership, the 1997 Balanced Budget Act included $3 billion in FY1998 and FY1999 for Welfare-to-Work grants to help States, tribes, and local communities move long-term welfare recipients and certain noncustodial parents into lasting, unsubsidized jobs. The Administration's FY2001 budget will give grantees an additional 2 years to spend Welfare-to-Work funds, ensuring that roughly $2 billion in existing resources continues to help those most in need. The Administration's budget also proposes $255 million for a new **Fathers Work/Families Win** initiative to provide competitive grants to business-led State and local workforce boards that work in partnership with community-based organizations and agencies administering child support, welfare reform, food stamps, and Medicaid.

Education and training have been a cornerstone of the Administration's agenda since 1993. In FY2001, the Administration seeks to build on these efforts and also to offer new initiatives to improve the educational and training opportunities needed for a strong economy and healthy communities. The Administration proposes to **turn around failing schools** by calling on States and school districts to identify and turn around their worst-performing schools—or shut them down. To address the mounting repair bill for the Nation's aging schools—estimated at more than $100 billion—the Administration's proposed FY2001 Department of Education's budget includes $1.3 billion for a new **School Renovation program** and nearly $25 billion over 2 years in tax credit **School Modernization Bonds**. And the Administration is proposing to expand **Qualified Zone Academy Bonds,** which will offer tax credits equal to 50 percent of the amount of corporate sponsorship payments made to a qualified zone academy, public library, or community technology center that is located either in or near an EZ or EC, or that has at least 35 percent of its students eligible for free or reduced price lunches.

II. ADDRESSING THE AFFORDABLE HOUSING CRISIS IN OUR CITIES

Ironically, those markets with the highest economic growth often face the most severe housing shortages, which affect both low-income and middle-income residents, who find it increasingly difficult to obtain housing they can afford. The Administration is proposing a series of initiatives in FY2001 that will expand affordable housing opportunities for hundreds of thousands of families left behind in the New Economy.

These initiatives build on HUD's efforts under Secretary Cuomo to reform and restore public trust in the Nation's affordable housing programs. As a result of these reforms, HUD is back in the housing business—improving access to affordable rental housing, expanding homeownership opportunities, meeting special needs, and promoting and enforcing Fair Housing.

- **Improving the affordability and quality of rental housing.** HUD has two main engines for making rental housing affordable: the Section 8 program, which subsidizes rents, enabling low-income families to rent privately owned housing; and public housing units owned and operated by local Public Housing and Tribal Housing Authorities.

  Two years ago, HUD got back into the housing business with 50,000 new vouchers focused on moving families from welfare to work. Last year, 60,000 **new incremental housing vouchers** were approved by Congress. In addition to contract renewals for all existing Section 8 contracts, this year HUD is requesting $690 million for 120,000 new vouchers—the largest such increase since 1981.

  Two years ago, Congress enacted landmark bipartisan public housing legislation that brought working families into public housing without sacrificing our historic commitment to low-income and very-low-income persons. HUD's FY2001 budget continues our efforts to transform public housing with $3.2 billion in operating grants and almost $3 billion in capital grants for needed modernization. The Administration is also requesting $625 million in FY2001 for HOPE VI, an increase of $50 million over 2000 for this nationally acclaimed program that creates attractive mixed-income communities in place of distressed public housing.

- **Producing new housing.** For the first time since 1984, HUD will get back in the business of producing affordable housing to assist needy families in areas where affordable rental units are in short supply.

  The Administration is proposing 10,000 new **Housing Production Vouchers** that will encourage the construction of at least 40,000 units of mixed-income housing.

  Over the past decade, the **LIHTC** and **HOME** programs have been instrumental in creating hundreds of thousands of affordable housing units. The recent bipartisan agreement between President Clinton and Speaker Hastert will increase the cap on the LIHTC from $1.25 to $1.75 per capita and index the credit for inflation thereafter. This proposal would help to create an additional 150,000 to 180,000 units of affordable housing over the next 5 years for low-income families. The HOME block grant program helps construct, renovate, and acquire housing in low-income areas as well as provide tenant-based rental assistance to low-income families. The HOME and LIHTC programs may be used in conjunction with each other to make housing more affordable to lower income households.

During FY2001, the Federal Housing Administration (FHA) proposes to expand the use of its **Multifamily Insurance Programs** to create new housing affordable to the lowest-income Americans. FHA will also encourage the mixed-use development—commercial space alongside new housing that makes for more effective, stable, and walkable neighborhoods.

- **Expanding affordable homeownership.** For most American families, buying a home is the most important financial transaction they will make. While homeownership in our cities is at an all-time high, it still lags significantly behind the overall national rate. Several HUD programs are devoted to enabling Americans to close this gap.

  For FY2001, the Administration is requesting that FHA be allowed to **increase the availability of single-family home insurance,** through individual loans of up to $252,700. Also, in FY2001, FHA is proposing to develop a **new hybrid adjustable-rate mortgage (ARM)**, a more affordable product to be added to its single-family mortgage products. This new product will enable FHA to help 55,000 additional families become homeowners.

- **Homeless assistance and meeting special needs**. Over the past 4 years, funding for HUD's Continuum of Care has grown by approximately 45 percent—from $823 million in 1998 to a proposed $1.2 billion in FY2001. This year's request represents a $180 million increase over last year.

III. ADDRESSING THE NEEDS OF A CHANGING POPULATION

- **Building One America.** The President has led the Nation in an effort to become One America in the 21st century: a place where we respect others' differences and, at the same time, embrace the common values that unite us. The President, the Administration and the One America Advisory Board were actively involved in public outreach efforts to engage Americans across the Nation in this historic effort. President Clinton appointed Robert B. (Ben) Johnson to follow up on his work as Director of the White House Office on the President's Initiative for One America, and has proposed $5 million to support the Department of Justice's

Citizens Academies and One America dialogues to promote and facilitate discussions on racial diversity and understanding.

- **Promoting and enforcing Fair Housing.** HUD is charged with enforcing the Fair Housing Act, which bars discrimination in housing on the basis of color, national origin, family makeup, religion and sexual orientation. Two major HUD programs are designed to attack housing discrimination through the Fair Housing Act—the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). In FY2001, HUD's fair housing programs are proposed at $50 million, a $6 million (or 14 percent) increase over 2000—$5 million for FHIP and $1 million for FHAP.
- **Fairness for immigrants.** The President worked with Congress to correct the most egregious impacts of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. As a result, almost 1 million people will be able to proceed with legalizing their immigration status under the former standards of immigration law and not the new, stricter, and more burdensome standards enacted in 1996. The President has also made naturalization a top priority of the Immigration and Naturalization Service in order to continue fostering legal immigration while combating illegal immigration. In addition, the Administration fixed several provisions of the 1996 Welfare Reform law by restoring eligibility for health, disability, and nutrition assistance to hundreds of thousands of legal immigrants. The Administration's budget this year builds on this progress by restoring additional assistance to legal immigrant children, pregnant women, and certain elderly and disabled individuals.
- **Housing security for the elderly.** Recent decades have seen a monumental shift in America's population, with our elderly citizens leading longer, healthier, and more active lives—a shift that will only accelerate in coming decades. The challenge now is to meet the housing needs of this rapidly expanding population. In FY2001, the Administration proposes to strengthen housing programs for the elderly by increasing funding to $779 million—$69 million more than in 2000.

IV. BUILDING SAFE, HEALTHY, AND LIVABLE COMMUNITIES

Increased economic growth in some areas may actually be undermining the livability and quality of life in communities at the fringe of metropolitan areas. Therefore, among the biggest challenges facing the Nation's urban regions is the need to sensibly manage growth. By cooperatively working to improve their livability and quality of life, cities and suburbs can create the context for economic redevelopment.

- **Encouraging smart growth.** The Administration's **Livable Communities Initiative** aims to help citizens and communities by preserving green spaces that promote clean air and clean water, sustain wildlife, and provide families with places to walk, play, and relax; easing traffic congestion by improving road planning; strengthening existing transportation systems; expanding the use of alternative modes of transportation; and fulfilling its obligation to be a good neighbor in America's communities.

  Specific initiatives that are designed to assist communities in becoming more livable include **The Lands Legacy Initiative**, which builds on America's commitment to its natural environment through the preservation of our public lands and national treasures, and through partnerships with States and local communities to protect open spaces and natural resources. The FY2001 budget proposes to double last year's funding, for a total of $1.4 billion. HUD's **Regional Connections Initiative**—proposed at $25 million this year—will encourage communities to work across city/suburb jurisdictional boundaries and jointly address their shared interest in sensible growth. **The FY2001 President's budget proposes Federal tax credit bonds that** will help communities clean up abandoned industrial sites, preserve green space, create or restore urban parks, and protect water quality.

- **Expanding transportation choices**. To help ease traffic congestion, the Department of Transportation budget for FY2001 proposes $6.3 billion for public transit, a 9 percent increase over FY2000. In addition to funding for public transit, the Administration is proposing $1.6 billion for the **Congestion Mitigation and Air Quality Improvement Program** to help communities meet the requirements of the Clean Air Act, as well as $52 million—50 percent above 2000—for the **Transportation and Community and System Preservation Pilot**.

- **Making communities safer**. Since 1993, America has experienced the longest continuous drop in the crime rate on record. Violent crime rate has fallen 27 percent since 1993, and the overall crime rate is the lowest in 25 years. Yet gun-related violence still poses a major threat: More than 30,000 people are killed and about 100,000 are injured by guns each year in the United States.

To help keep crime at record lows, the FY2001 budget proposes $1.3 billion for the President's **21st Century Policing Initiative** including $650 million to keep **more police on the streets** through the **Community Oriented Policing Services (COPS)** program, which is on course for funding up to 150,000 officers by the end of 2005. HUD's $30 million **Community Gun Safety and Violence Reduction Initiative** will help address the critical issue of gun violence in and around the communities HUD serves. Under the **Gun Buy-Back and Violence Reduction Initiative**, HUD is authorizing public housing authorities, working with local police departments, to use a portion of their Drug Elimination Grant funding to reduce the number of guns in their communities by purchasing them from their owners. The **Officer Next Door Program** provides incentives for police officers to live in the communities where they work by offering a 50-percent discount on the purchase of HUD-owned foreclosed properties in locally designated revitalization areas.

♦ **Empowering communities through public-private and faith-based partnerships.** For FY2001, HUD is proposing a new $20 million **Community and Interfaith Partnerships Initiative** to help community and faith-based organizations in their efforts to supply affordable housing, create economic opportunity, promote the goal of fair housing, and increase the effectiveness of such HUD programs as Section 8 vouchers.

CONTENTS

PART ONE: FINDINGS—THE IMPACT OF MAJOR TRENDS ON METROPOLITAN COMMUNITIES

INTRODUCTION

The Nation has embarked on an economic transformation that is making a profound impact on the size, shape, prosperity and future prospects of our cities, their surrounding suburbs, and all of metropolitan America. Innovations in information and telecommunications technology coupled with high productivity and low inflation are creating a New Economy. The current economic transformation may be as profound as the change which led us into the Industrial Revolution.

Technological innovations have spurred economic growth many times before in our nation's history. The introduction of electricity and the automobile early in the last century dramatically altered the American economy and society. However, the new technologies could have an even greater impact on the economy and the Nation.

Information technology and other high-tech advancements have contributed to the increased productivity and, many economists believe, helped to drive the longest economic expansion in our history. In 1999, the underlying core inflation rate was 1.9 percent, the lowest rate since 1965. Over the past four years, the National Economic Council has calculated that labor productivity grew at a robust 2.9 percent annual rate. Since 1990-1991, high-tech growth is credited with directly elevating the Gross Domestic Product by 1.5 percentage points. "A compelling case can be made that the high-tech sector is boosting the long-term potential growth path of the U.S. economy and determining the relative economic success of metropolitan areas around the country," one study concluded.[1]

The New Economy is also changing the way Americans live and work, where they shop, how they play and communicate with each other. And it is altering the size and shape of the places—cities, suburbs and beyond—where Americans have their homes and perform their jobs in ways we cannot yet fully predict. Information technology and telecommunication innovations might seem to make cities obsolete. Why congregate in a city when virtual meetings take place over the Internet and land is cheaper at the fringe? But there is strong contrary evidence that a vital urban core is more necessary than ever. Cities are retaining their historic role as the hubs of the new economy, although suburbs are increasing their dominance in overall job and population growth.

The New Economy is one of four major trends converging on our nation as it enters the new millennium. The growing numbers of elderly Americans and of immigrants are creating a new demography that is multi-generational, multi-racial and multi-ethnic. The strong economy, particularly in hot high tech markets is contributing to a housing affordability crisis. And the conjunction of New Economy, new demography, and housing affordability continues the decentralization of our metropolitan areas. These four trends provide the framework for discussing the State of the Cities 2000.

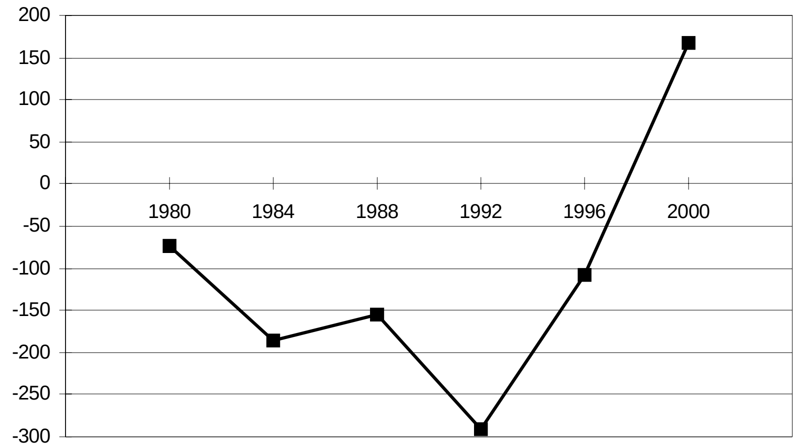
Finding #1: The New Economy

Most of America's cities are participating in the New Economy, with high-tech growth driving a new wave of economic prosperity—but at the same time creating both winners and losers. New HUD data find that high-tech employment is growing faster in suburbs than in cities but that the proportion of new jobs that are high-tech is larger in cities than in suburbs.

America begins the millennium enjoying the longest and strongest economic expansion in our history. Guided by the policies of the Clinton-Gore Administration, the economic boom entered its 111th month in June 2000. During this period, Federal deficits have disappeared, and we have entered an era of record surpluses. A surplus of $167 billion is projected this year—a dramatic reversal from the $290 billion deficit in 1992 (See Exhibit 1–1).

Exhibit 1–1: After Years of Deficits, The Federal Budget Now Shows Surpluses

Federal Budget Receipts Less Expenditures: 1980 to 2000 (in $billions)



Source: Economic Report to the President, February 2000

Meanwhile, the national unemployment rate reached a 30-year low of 3.9 percent in April of this year. In the 7½ years of this Administration, more than 22 million jobs have been created, many in our central cities. In addition, most central cities have participated in this employment growth. As a result, the fiscal health of many cities has improved.

CITIES' ECONOMIES ARE SHARING IN THE UNPRECEDENTED EXPANSION OF THE NEW ECONOMY

The most recent data show that cities are enjoying a new vigor in the growth of jobs and businesses. Between 1992 and 1997, the most recent year for which data are available, the economies of cities expanded along with the national economy. In the 114 central cities in HUD's 2000 State of the Cities Database (SOCDB), nearly 2.3 million new private-sector jobs were created, an impressive 8.5-percent gain in the total number of jobs.

Paralleling this job growth was a 4.4-percent expansion in the number of business establishments in cities over the period. Although the suburbs outdistanced city performances with a 17.8-percent gain in jobs and a 12.4-percent increase in the number of businesses, growth rates in cities drew closer to suburban growth rates at the end of this period. The rate of job growth in cities accelerated in the latter part of the period from a 1.0 percent average annual rate (1992–1994) to a 2.1 percent annual rate (1994–1997). Business growth also accelerated—from 1992 to 1994, businesses grew by just 0.7 percent in cities, but from 1994 to 1997, they grew by 3.7 percent, five times the previous rate.

Moreover, wages grew faster in cities than in suburbs. Average annual pay for the private sector rose by 4.8 percent in cities in the SOCDB, while wages in suburban jobs grew at 4.3 percent. The average wage in cities is now 10.5 percent higher than the average wage in suburbs.

Exhibit 1–2: Cities Trail Suburbs in Jobs and Business Establishments but Outpace Suburbs in Wage Growth

Employment, Establishments, and Average Annual Pay (1999 dollars) for 114 Central Cities and Their 101 Metropolitan Areas 1992 through 1997

Year	MSAs	Central Cities	Suburbs
1992			
Employment	59,154,297	26,654,169	32,500,128
Establishments	3,704,715	1,482,343	2,222,372
Average Annual Pay	$31,242	$32,881	$29,899
1994			
Employment	61,297,380	27,199,065	34,098,315
Establishments	3,808,319	1,492,724	2,315,595
Average Annual Pay	$31,120	$32,666	$29,888
1997			
Employment	67,190,859	28,914,266	38,276,593
Establishments	4,046,415	1,547,767	2,498,648
Average Annual Pay	$32,589	$34,462	$31,174
Percentage Change, 1992 to 1994			
Employment	3.6	2.0	4.9
Establishments	2.8	0.7	4.2
Average Annual Pay	-0.4	-0.7	0.0
Percentage Change, 1994 to 1997			
Employment	9.6	6.3	12.3
Establishments	6.3	3.7	7.9
Average Annual Pay	4.7	5.5	4.3
Percentage Change, 1992 to 1997			
Employment	13.6	8.5	17.8
Establishments	9.2	4.4	12.4
Average Annual Pay	4.3	4.8	4.3

Source: HUD Special City Tabulations of County Business Patterns Data, U.S. Census Bureau

Cities in all regions experienced job growth, with the highest rates generally occurring in the South and West. Within regions, there is a great variation in how individual cities fared. In the Midwest, a majority of central cities lost jobs while their surrounding suburbs gained. Throughout the Nation, gains were pronounced in the second half of this period, with more than 20 large cities reversing their downward trend.

Exhibit 1–3: Job Growth in Cities Accelerated in the Latter Part of the 1990s

Change in Jobs in 114 Selected Cities and Their Suburbs, 1992 to 1994 and 1994 to 1997 (in percent)

	Percent Change in Jobs, 1992 to 1994		Percent Change in Jobs, 1994 to 1997		Percent Change in Jobs, 1992 to 1997	
City	City	Suburb	City	Suburb	City	Suburb
Total	2.0	4.9	6.3	12.3	8.5	17.8
Akron, OH	5.7	9.9	-3.1	9.8	2.5	20.7
Albuquerque, NM	14.7	7.7	9.9	14.4	26.1	23.2
Anchorage, AK	5.6	—	4.9	—	10.8	—
Atlanta, GA	5.8	11.0	8.2	17.7	14.5	30.6
Austin, TX	12.5	17.7	19.9	32.2	34.9	55.5
Bakersfield, CA	-1.1	1.2	14.9	-5.9	13.7	-4.7
Baltimore, MD	0.3	3.7	1.1	9.5	1.4	13.5
Baton Rouge, LA	7.9	6.6	6.8	16.3	15.3	23.9
Billings, MT	6.2	-1.7	2.1	43.5	8.5	41.0
Birmingham, AL	3.7	10.0	3.5	11.7	7.3	22.8
Boise City, ID	25.1	6.0	4.0	29.0	30.0	36.6
Boston, MA	6.8	2.7	4.9	9.7	12.1	12.6
Worcester, MA	13.8	—	-5.6	—	7.4	—
Manchester, NH	1.5	—	8.7	—	10.3	—
Buffalo, NY	-1.3	0.6	-7.5	6.5	-8.7	7.1
Burlington, VT	6.9	7.6	-3.7	11.2	2.9	19.7
Charleston, WV	0.7	17.1	5.6	7.2	6.4	25.5
Charlotte, NC	7.6	6.2	13.0	16.3	21.6	23.5
Cheyenne, WY	12.4	10.4	0.7	64.7	13.2	81.7
Chicago, IL	-1.2	4.5	1.9	9.5	0.6	14.4
Cincinnati, OH	-3.2	8.5	-3.2	15.2	-6.3	25.1
Cleveland, OH	-1.9	3.5	4.9	8.6	2.9	12.3
Colorado Springs, CO	14.8	16.5	19.7	3.6	37.5	20.7
Columbia, SC	9.6	2.4	0.0	24.3	9.6	27.3
Columbus, GA*	2.1	2.1	14.5	10.7	16.9	13.0
Columbus, OH	2.3	7.9	11.6	11.4	14.1	20.2
Corpus Christi, TX*	9.8	9.8	9.4	-0.8	20.1	8.9
Dallas, TX	2.9	9.3	10.0	26.7	13.2	38.6
Dayton, OH	-0.8	7.0	-0.6	7.7	-1.4	15.3
Denver, CO	6.7	11.4	2.0	19.2	8.8	32.9
Des Moines, IA	2.7	8.6	-4.5	24.8	-1.9	35.5
Detroit, MI	-0.1	7.3	-1.4	10.8	-1.5	18.9
El Paso, TX	4.7	18.7	5.3	2.5	10.2	21.6
Fargo, ND	9.9	4.3	10.7	12.4	21.6	17.2
Fort Wayne, IN	5.6	9.7	1.7	9.9	7.4	20.6
Fort Worth, TX	1.9	11.4	9.4	23.0	11.4	37.1
Arlington, TX	15.6	—	4.9	—	21.3	—
Fresno, CA	-0.2	4.1	6.8	2.7	6.6	6.9
Grand Rapids, MI	14.1	8.0	-11.8	22.9	0.6	32.7
Greensboro, NC	3.3	5.2	22.1	7.2	26.1	12.8

	Percent Change in Jobs, 1992 to 1994		Percent Change in Jobs, 1994 to 1997		Percent Change in Jobs, 1992 to 1997	
City	City	Suburb	City	Suburb	City	Suburb
Hartford, CT	-9.8	-2.7	-1.9	6.1	-11.5	3.3
Honolulu, HI	-6.2	0.5	-3.8	4.4	-9.7	4.9
Houston, TX	1.8	2.7	7.2	18.9	9.2	22.1
Indianapolis, IN	0.0	9.6	14.0	3.0	14.0	12.9
Jackson, MS	9.2	6.5	3.7	18.1	13.2	25.8
Jacksonville, FL	8.5	8.9	9.2	20.6	18.5	31.3
Jersey City, NJ	15.3	-6.1	15.7	-11.2	33.4	-16.7
Kansas City, MO	1.2	9.1	6.0	13.0	7.2	23.3
Kansas City, KS	-2.9	—	2.2	—	-0.7	—
Knoxville, TN	4.2	9.9	9.4	9.5	14.0	20.3
Las Vegas, NV	9.6	19.9	48.8	16.0	63.1	39.1
Lexington-Fayette, KY	5.0	9.1	10.2	21.4	15.7	32.4
Lincoln, NE	3.3	26.7	10.2	46.1	13.8	85.1
Little Rock, AR	2.3	6.0	11.9	13.5	14.5	20.3
Los Angeles, CA	-7.1	-1.7	1.5	8.8	-5.8	6.9
Long Beach, CA	-6.6	—	5.6	—	-1.3	—
Louisville, KY	-1.5	11.8	4.5	14.0	2.9	27.5
Lubbock, TX	7.6	1.1	7.7	22.4	15.8	23.7
Madison, WI	2.2	18.3	11.4	13.5	13.9	34.3
Memphis, TN	-0.4	10.2	9.4	28.5	9.0	41.6
Miami, FL	6.0	4.1	-6.0	6.1	-0.4	10.5
Milwaukee, WI	-1.0	6.0	-0.4	10.5	-1.4	17.2
Minneapolis, MN	-1.5	9.7	3.4	15.7	1.9	26.9
St. Paul, MN	3.7	—	-0.8	—	2.9	—
Mobile, AL	1.8	16.9	5.3	12.7	7.3	31.8
Modesto, CA	1.2	0.9	2.4	12.4	3.6	13.4
Montgomery, AL	8.9	7.1	5.0	20.1	14.4	28.6
Nashville-Davidson, TN	8.2	15.2	8.7	23.7	17.6	42.5
New Orleans, LA	1.8	9.7	-0.2	7.7	1.5	18.2
New York, NY	-0.4	-1.5	5.1	2.5	4.6	1.0
Newark, NJ	2.5	1.5	10.0	4.9	12.8	6.5
Virginia Beach, VA**	8.2	8.6	12.0	5.6	21.2	14.7
Norfolk, VA**	1.0	—	7.2	—	8.2	—
Newport News, VA**	-3.0	—	6.3	—	3.1	—
Oakland, CA	0.9	0.0	6.7	12.1	7.7	12.1
Oklahoma City, OK	4.4	11.8	10.4	15.3	15.2	29.0
Omaha, NE	8.1	3.9	7.8	6.6	16.6	10.8
Santa Ana, CA	-6.0	-0.4	11.6	6.7	4.9	6.3
Anaheim, CA	-0.7	—	17.5	—	16.7	—
Orlando, FL	6.2	9.6	12.1	19.1	19.1	30.5
Philadelphia, PA	1.8	2.0	-1.2	8.9	0.5	11.0
Phoenix, AZ	7.7	17.5	18.3	29.4	27.5	51.9
Mesa, AZ	4.4	—	35.6	—	41.6	—
Pittsburgh, PA	0.8	0.7	2.3	6.9	3.1	7.7
Portland, ME	4.6	6.9	6.1	15.4	11.0	23.3
Portland, OR	7.4	9.0	13.0	18.4	21.4	29.1
Providence, RI	0.8	0.7	1.0	6.6	1.8	7.3

City	Percent Change in Jobs, 1992 to 1994		Percent Change in Jobs, 1994 to 1997		Percent Change in Jobs, 1992 to 1997	
	City	Suburb	City	Suburb	City	Suburb
Raleigh, NC	6.1	13.7	15.8	18.1	22.9	34.2
Richmond, VA	-7.1	17.4	-11.5	24.6	-17.7	46.4
Riverside, CA	-1.5	2.5	1.1	15.1	-0.5	18.0
San Bernardino, CA	-10.4	—	5.5	—	-5.4	—
Rochester, NY	-3.9	1.5	-0.7	6.6	-4.5	8.2
Sacramento, CA	-2.0	1.4	6.0	16.9	3.9	18.5
St. Louis, MO	2.3	2.7	2.6	9.9	4.9	12.9
Salt Lake City, UT	11.8	11.8	-4.6	33.3	6.6	48.9
San Antonio, TX	7.1	10.2	15.2	8.4	23.4	19.5
San Diego, CA	-0.8	-0.4	9.1	14.1	8.2	13.7
San Francisco, CA	3.5	1.1	7.9	11.8	11.6	13.0
San Jose, CA	2.6	-1.7	17.4	15.7	20.4	13.7
Seattle, WA	-0.4	0.9	8.9	13.9	8.4	14.9
Shreveport, LA	7.9	7.0	0.9	25.5	8.8	34.3
Sioux Falls, SD	4.7	80.3	11.0	3.9	16.3	87.2
Spokane, WA	6.5	11.5	6.0	7.0	12.9	19.2
Stockton, CA	-2.7	5.4	5.5	20.5	2.6	27.0
Tacoma, WA	-3.3	11.6	3.6	9.5	0.3	22.2
Tampa, FL	-1.2	10.4	16.8	12.6	15.4	24.3
St. Petersburg, FL	0.1	—	19.4	—	19.6	—
Toledo, OH	5.2	8.5	-0.9	12.8	4.3	22.5
Tucson, AZ	15.6	9.0	7.3	19.7	24.0	30.5
Tulsa, OK	1.7	9.3	9.8	11.0	11.6	21.3
Washington, DC	1.0	4.7	-3.7	13.4	-2.7	18.8
Arlington, VA	9.0	—	2.6	—	11.8	—
Wichita, KS	-0.3	2.7	9.9	13.2	9.6	16.2
Wilmington, DE	-0.7	0.9	33.1	5.5	32.2	6.4

Note: Except for Anchorage, cities with no Suburb data are in the same Metropolitan Area, and share suburb data, with the city above.

*1994 Jobs are estimated for the city of Corpus Christi, TX and the Columbus, GA MSA.

**1997 Jobs are estimated for the Norfolk-Virginia Beach-Newport News, VA-NC MSA.

With the exception of manufacturing, which continues to decline, cities are experiencing job growth in every sector. Exhibit 1–4 shows the recent growth of private-sector jobs, by industry, in cities and suburbs for the 114 cities and their metro areas included in the SOCDB. Overall job growth in cities was 8.5 percent, led by services (15.9 percent); construction (14.9 percent); and transportation, communications and public utilities (9.3 percent). Significantly lower growth was seen in wholesale trade (6.0 percent), retail trade (3.1 percent) and FIRE—finance, insurance, and real estate (4.8 percent). Manufacturing saw a decline of 5.4 percent over this 5-year period.

In every case, suburban job growth outpaced employment growth in central cities. While overall suburban job growth was approximately twice as high as that of cities (17.8 percent vs. 8.5 percent), wholesale trade increased 6 times faster in suburbs than in cities; while suburban jobs in the remaining industries grew by about double the rate of cities.

Unlike the declines experienced in cities, suburbs had increases in manufacturing jobs. Manufacturing as of 1997 accounts for 12.1 percent of all employment in cities. This represents a decline from 13.9 percent in 1992—a continuation of the decline of manufacturing in cities since the 1970s. In contrast, manufacturing jobs rose in suburbs by 445,000 (7 percent) and now account for 18 percent of all suburban employment.

The biggest single employment sector in cities is services, which currently accounts for 42 percent of all private jobs in cities. Service sector jobs in cities grew by 15.9 percent during this period compared with 26.4 percent in suburbs.

The underperforming sectors identified in Table 1–4, besides manufacturing were retail and wholesale trade, and FIRE. The latter's relatively poor performance in cities is due to extensive outsourcing of services to back office locations outside of central cities. And despite significant progress in tapping retail opportunities in central cities as documented in HUD's report *New Markets: The Untapped Purchasing Power of our Nation's Cities*, there is a significant amount of outshopping that takes place outside of underretailed central cities. This lag in retail also represents a significant market opportunity for inner city communities.

Exhibit 1–4: Cities Experienced Job Growth in Almost Every Sector, But Manufacturing Continues to Decline

Jobs, Total and by Major Industry Sector 1992 and 1997 for 114 Selected Cities, their Metropolitan Areas and Suburbs

Industry	1992	1997	Change
Metropolitan Areas			
All Industries	59,154,297	67,190,859	13.6%
Construction	2,845,425	3,503,344	23.1%
Manufacturing	10,096,019	10,341,762	2.4%
Transportation, Communications, and Public Utilities	3,752,293	4,343,868	15.8%
Wholesale Trade	4,208,500	4,698,521	11.6%
Retail Trade	11,839,058	13,119,300	10.8%
Finance, Insurance, and Real Estate	5,054,349	5,423,118	7.3%
Services	20,707,084	25,078,303	21.1%
Cities			
All Industries	2,654,169	28,914,266	8.5%
Construction	1,046,973	1,202,823	14.9%
Manufacturing	3,702,309	3,503,015	-5.4%
Transportation, Communications, and Public Utilities	1,983,627	2,168,932	9.3%
Wholesale Trade	1,798,696	1,854,148	3.1%
Retail Trade	4,532,470	4,802,890	6.0%
Finance, Insurance, and Real Estate	2,909,012	3,048,205	4.8%
Services	10,443,697	12,100,464	15.9%
Suburbs			
All Industries	32,500,128	38,276,593	17.8%
Construction	1,798,452	2,300,521	27.9%
Manufacturing	6,393,710	6,838,747	7.0%
Transportation, Communications, and Public Utilities	1,768,666	2,174,936	23.0%
Wholesale Trade	2,409,804	2,844,373	18.0%
Retail Trade	7,306,588	8,316,410	13.8%
Finance, Insurance, and Real Estate	2,145,337	2,374,913	10.7%
Services	10,263,387	12,977,839	26.4%

SOURCE: HUD Special Tabulations for County Business Patterns Data, Census Bureau

Job growth in cities increased at more than five times the rate of population growth. Exhibit 1–5 compares employment patterns and population in the SOCDB. While population in these cities grew by just 1.5 percent, private sector jobs grew by 8.5 percent, and the number of employed residents grew by almost as much—7.6 percent. This disparity is explained by the significant increase in previously unemployed residents who are now gainfully employed.

Exhibit 1–5: Employment in Cities Grew at More Than Five Times the Rate of Population Growth

Private Sector Job Growth and Population Growth, 1992 to 1997, for 114 Selected Cities and Their Suburbs

	1992	1997	Change
Metropolitan Areas			
Population	146,942,424	154,858,474	5.4%
Employed Residents	70,002,629	76,976,910	10.0%
Labor Force	75,471,584	80,673,252	6.9%
Private Sector Jobs	59,154,297	67,190,859	13.6%
Cities			
Population	53,861,345	54,671,620	1.5%
Employed Residents*	24,117,498	25,985,324	7.7%
Labor Force*	26,400,463	27,616,673	4.6%
Private Sector Jobs	26,654,169	28,914,266	8.5%
Suburbs			
Population	93,081,079	100,186,854	7.6%
Employed Residents*	45,474,415	50,584,730	11.2%
Labor Force*	48,647,754	52,626,994	8.2%
Private Sector Jobs	32,500,128	38,276,593	17.8%

Sources: Federal-State Cooperative Program for Population Estimates, HUD Special Tabulations of County Business Patterns Data, U.S. Census Bureau; Local Area Unemployment Statistics, Bureau of Labor Statistics

*City and suburb data do not include Honolulu as BLS only publishes data for the Honolulu, HI MSA.

CITY RESIDENTS ARE BENEFITING AS CITY AND SUBURBAN ECONOMIES EXPAND

As the economies of cities and suburbs expanded with the national economy, city residents participated in the gains. During the 1992–1999 period, the overall number of central city residents with jobs increased by 12.8 percent (Exhibit 1–6). Nearly 4.6 million residents became newly employed, raising the number of total employed residents living in central cities to 40.5 million in 1999.

Most of the biggest increases in employment growth for city residents occurred in the fast-growing regions of the South and West. Las Vegas, the Nation's fastest growing major city, was also the city with the highest employment growth, expanding its employment base by 49.6 percent during this period. Phoenix was not far behind, with a 43.5-percent employment hike. In the South, Atlanta, and Charlotte, each registered a more than 21-percent increase in the number of employed residents. The older industrial cities in the North and Midwest also logged impressive gains for their regions. In Boston, the increase was 10.0 percent, while the number of employed residents in New York City expanded by 10.7 percent. Gains were especially impressive between 1995 and 1999 with a 7.7-percent national increase, which helped several large cities (e.g., Los Angeles, Philadelphia) as well as small to medium cities (e.g., Long Beach, Newark, Providence, Wichita) to reverse the downward trend of the 1992–1995 period.

Exhibit 1–6: Employment Is Up in Most Central Cities

Employed Residents in 114 Selected Cities, 1992, 1995, and 1999

City	State	1992	1995	1999	Change 1992 to 1995	Change 1995 to 1999	Change 1992 to 1999
Akron	OH	98,606	104,541	108,487	6.0%	3.8%	10.0%
Albuquerque	NM	203,314	221,362	231,121	8.9%	4.4%	13.7%
Anchorage	AK	118,454	126,229	136,222	6.6%	7.9%	15.0%
Atlanta	GA	171,827	187,674	208,547	9.2%	11.1%	21.4%
Austin	TX	279,306	327,285	372,012	17.2%	13.7%	33.2%
Bakersfield	CA	84,601	85,099	90,821	0.6%	6.7%	7.4%
Baltimore	MD	300,172	286,808	284,888	-4.5%	-0.7%	-5.1%
Baton Rouge	LA	105,783	105,069	116,731	-0.7%	11.1%	10.3%
Billings	MT	44,522	46,038	51,008	3.4%	10.8%	14.6%
Birmingham	AL	112,938	118,009	126,942	4.5%	7.6%	12.4%
Boise City	ID	74,220	87,643	101,538	18.1%	15.9%	36.8%
Boston	MA	263,117	274,635	289,381	4.4%	5.4%	10.0%
Buffalo	NY	129,619	129,813	130,357	0.1%	0.4%	0.6%
Burlington	VT	20,947	21,846	23,465	4.3%	7.4%	12.0%
Charleston	WV	25,140	26,871	28,684	6.9%	6.7%	14.1%
Charlotte	NC	221,251	241,787	268,252	9.3%	10.9%	21.2%
Cheyenne	WY	24,963	26,467	27,171	6.0%	2.7%	8.8%
Chicago	IL	1,199,665	1,212,096	1,262,988	1.0%	4.2%	5.3%
Cincinnati	OH	162,745	161,790	172,688	-0.6%	6.7%	6.1%
Cleveland	OH	182,202	185,235	191,043	1.7%	3.1%	4.9%
Colorado Springs	CO	135,547	165,327	185,521	22.0%	12.2%	36.9%
Columbia	SC	42,214	42,905	47,861	1.6%	11.6%	13.4%
Columbus	GA	70,971	73,327	80,421	3.3%	9.7%	13.3%
Columbus	OH	342,301	359,613	382,398	5.1%	6.3%	11.7%
Corpus Christi	TX	116,166	119,902	125,046	3.2%	4.3%	7.6%
Dallas	TX	540,798	580,777	653,781	7.4%	12.6%	20.9%
Dayton	OH	71,114	72,116	73,093	1.4%	1.4%	2.8%
Denver	CO	238,031	261,081	279,646	9.7%	7.1%	17.5%
Des Moines	IA	108,971	115,334	120,344	5.8%	4.3%	10.4%
Detroit	MI	334,028	347,799	369,332	4.1%	6.2%	10.6%
El Paso	TX	217,345	231,767	238,070	6.6%	2.7%	9.5%
Fargo	ND	43,327	47,538	52,609	9.7%	10.7%	21.4%
Fort Wayne	IN	85,132	94,473	95,278	11.0%	0.9%	11.9%
Fort Worth	TX	218,719	234,772	264,431	7.3%	12.6%	20.9%
Arlington	TX	154,636	165,986	186,954	7.3%	12.6%	20.9%
Fresno	CA	152,318	165,875	171,221	8.9%	3.2%	12.4%
Grand Rapids	MI	89,031	99,383	110,801	11.6%	11.5%	24.5%
Greensboro	NC	101,885	105,878	112,422	3.9%	6.2%	10.3%
Hartford	CT	52,026	50,361	50,864	-3.2%	1.0%	-2.2%
Honolulu	HI	410,716	398,941	408,274	-2.9%	2.3%	-0.6%

City	State	1992	1995	1999	Change 1992 to 1995	Change 1995 to 1999	Change 1992 to 1999
Houston	TX	855,877	900,602	989,100	5.2%	9.8%	15.6%
Indianapolis	IN	368,514	401,643	408,280	9.0%	1.7%	10.8%
Jackson	MS	90,359	93,260	96,839	3.2%	3.8%	7.2%
Jacksonville	FL	307,324	350,877	379,854	14.2%	8.3%	23.6%
Jersey City	NJ	96,948	100,254	103,357	3.4%	3.1%	6.6%
Kansas City	MO	222,674	238,412	254,017	7.1%	6.5%	14.1%
Kansas City	KS	65,518	63,325	69,261	-3.3%	9.4%	5.7%
Knoxville	TN	80,414	86,996	89,095	8.2%	2.4%	10.8%
Las Vegas	NV	148,472	175,612	222,040	18.3%	26.4%	49.6%
Lexington-Fayette	KY	122,500	131,104	141,681	7.0%	8.1%	15.7%
Lincoln	NE	111,790	120,403	130,824	7.7%	8.7%	17.0%
Little Rock	AR	93,421	97,403	99,871	4.3%	2.5%	6.9%
Los Angeles	CA	1,614,309	1,592,265	1,738,718	-1.4%	9.2%	7.7%
Long Beach	CA	190,489	187,888	205,169	-1.4%	9.2%	7.7%
Louisville	KY	120,657	121,770	129,778	0.9%	6.6%	7.6%
Lubbock	TX	92,156	97,584	102,171	5.9%	4.7%	10.9%
Madison	WI	115,889	122,509	131,280	5.7%	7.2%	13.3%
Manchester	NH	48,502	52,331	56,925	7.9%	8.8%	17.4%
Memphis	TN	264,556	286,607	314,698	8.3%	9.8%	19.0%
Miami	FL	153,583	160,305	165,713	4.4%	3.4%	7.9%
Milwaukee	WI	273,844	275,392	278,865	0.6%	1.3%	1.8%
Minneapolis	MN	189,945	200,383	207,691	5.5%	3.6%	9.3%
St. Paul	MN	132,514	135,982	141,712	2.6%	4.2%	6.9%
Mobile	AL	88,510	93,543	102,878	5.7%	10.0%	16.2%
Modesto	CA	73,719	75,547	83,769	2.5%	10.9%	13.6%
Montgomery	AL	86,318	91,493	100,797	6.0%	10.2%	16.8%
Nashville-Davidson	TN	250,672	287,612	307,953	14.7%	7.1%	22.9%
New Orleans	LA	191,132	186,932	191,049	-2.2%	2.2%	0.0%
New York	NY	2,902,214	2,925,279	3,213,546	0.8%	9.9%	10.7%
Newark	NJ	100,217	98,927	102,471	-1.3%	3.6%	2.2%
Virginia Beach	VA	194,425	201,961	211,907	3.9%	4.9%	9.0%
Norfolk	VA	90,482	82,804	83,192	-8.5%	0.5%	-8.1%
Newport News	VA	79,647	80,085	81,759	0.5%	2.1%	2.7%
Oakland	CA	163,319	164,249	179,937	0.6%	9.6%	10.2%
Oklahoma City	OK	216,173	224,117	242,502	3.7%	8.2%	12.2%
Omaha	NE	173,980	189,247	202,783	8.8%	7.2%	16.6%
Santa Ana	CA	133,023	137,649	157,086	3.5%	14.1%	18.1%
Anaheim	CA	134,096	138,760	158,354	3.5%	14.1%	18.1%
Orlando	FL	86,346	94,369	110,933	9.3%	17.6%	28.5%
Philadelphia	PA	618,028	594,381	606,959	-3.8%	2.1%	-1.8%
Phoenix	AZ	495,372	622,671	710,995	25.7%	14.2%	43.5%
Mesa	AZ	139,597	175,469	200,358	25.7%	14.2%	43.5%
Pittsburgh	PA	155,703	152,135	156,217	-2.3%	2.7%	0.3%
Portland	ME	33,479	33,042	37,579	-1.3%	13.7%	12.2%

City	State	1992	1995	1999	Change 1992 to 1995	Change 1995 to 1999	Change 1992 to 1999
Portland	OR	232,012	250,187	265,419	7.8%	6.1%	14.4%
Providence	RI	64,934	62,069	65,970	-4.4%	6.3%	1.6%
Raleigh	NC	126,953	139,724	168,314	10.1%	20.5%	32.6%
Richmond	VA	94,282	95,956	95,860	1.8%	-0.1%	1.7%
Riverside	CA	111,198	117,813	136,305	5.9%	15.7%	22.6%
San Bernardino	CA	64,368	65,027	74,130	1.0%	14.0%	15.2%
Rochester	NY	103,429	104,550	106,237	1.1%	1.6%	2.7%
Sacramento	CA	165,677	167,481	185,592	1.1%	10.8%	12.0%
St. Louis	MO	160,525	155,562	149,487	-3.1%	-3.9%	-6.9%
Salt Lake City	UT	84,212	97,411	107,284	15.7%	10.1%	27.4%
San Antonio	TX	431,166	475,934	515,830	10.4%	8.4%	19.6%
San Diego	CA	510,069	529,447	595,747	3.8%	12.5%	16.8%
San Francisco	CA	373,752	374,011	408,183	0.1%	9.1%	9.2%
San Jose	CA	393,146	416,601	474,733	6.0%	14.0%	20.8%
Seattle	WA	291,022	303,757	350,407	4.4%	15.4%	20.4%
Shreveport	LA	84,740	85,884	92,187	1.4%	7.3%	8.8%
Sioux Falls	SD	57,191	65,767	73,994	15.0%	12.5%	29.4%
Spokane	WA	80,747	89,110	95,627	10.4%	7.3%	18.4%
Stockton	CA	84,596	85,899	92,693	1.5%	7.9%	9.6%
Tacoma	WA	79,250	87,219	96,393	10.1%	10.5%	21.6%
Tampa	FL	133,739	148,233	170,866	10.8%	15.3%	27.8%
St. Petersburg	FL	111,445	120,215	135,390	7.9%	12.6%	21.5%
Toledo	OH	141,489	147,412	153,120	4.2%	3.9%	8.2%
Tucson	AZ	190,812	230,051	238,469	20.6%	3.7%	25.0%
Tulsa	OK	189,025	191,760	218,754	1.4%	14.1%	15.7%
Washington	DC	283,586	258,833	254,911	-8.7%	-1.5%	-10.1%
Arlington	VA	104,816	106,688	109,658	1.8%	2.8%	4.6%
Wichita	KS	162,108	157,502	178,871	-2.8%	13.6%	10.3%
Wilmington	DE	31,676	31,154	32,433	-1.6%	4.1%	2.4%
Worcester	MA	70,180	72,422	76,357	3.2%	5.4%	8.8%
Top 10		**9,501,526**	**9,781,251**	**10,656,997**	**2.9%**	**9.0%**	**12.2%**
Top 50		**18,721,651**	**19,530,497**	**21,106,790**	**4.3%**	**8.1%**	**12.7%**
Top 100		**23,898,861**	**24,928,953**	**26,930,535**	**4.3%**	**8.0%**	**12.7%**
All (331) MSAs		**35,955,741**	**37,634,025**	**40,549,969**	**4.7%**	**7.7%**	**12.8%**

SOURCE: Local Area Unemployment Statistics, Bureau of Labor Statistics

Note: 1) "City" of ALL MSAs are the 513 of 542 central cities for which BLS publishes data. ALL MSAs excludes Puerto Rico.

2) BLS provides data only for the Honolulu MSA and not for the Honolulu CDP, which the Census Bureau defines as the central city of the Honolulu MSA.

Overall unemployment rates dropped more in cities than in suburbs. Since 1992, unemployment rates have dropped substantially in the Nation's largest cities and have brought the average central city unemployment to 4.8 percent. The drop in unemployment was greater in cities than in suburbs—3.7 percentage points compared with 3.2 percentage points (Exhibit 1–7).

In most metropolitan areas, joblessness declined by similar magnitudes in the urban core and at the edge, demonstrating the linked fate of cities and their suburbs. However there were exceptions. In the suburbs of Washington, D.C. and Milwaukee, unemployment rates were cut roughly in half while central city unemployment fell by about less than one-quarter.

Cities Addressing the Challenge of Welfare to Work

Welfare reform was one of the most important policy changes of the 1990s, and helping former welfare recipients find work and enter the labor force continues to be one of the most important challenges for cities. Since 1996, welfare rolls have dropped by half, from 14.9 million to 6.1 million in April of this year. An Urban Institute study of a nationally-representative sample of early welfare "leavers" indicates that 70 to 80 percent experienced some employment within a year of leaving the rolls.*

But these new entrants into the workforce were, for the most part, entering the low end of the labor market. Seventy percent of the jobs were in sales, service, or clerical support occupations. Nearly a quarter of the former recipients returned to welfare after being in the workforce, and nearly a third were not working. A University of Wisconsin found similar results in a study of former welfare recipients in that State. They found that 68 percent were working a year after leaving welfare. More than 80 percent had worked at some point in the year. But among those who went to work in 1998, average annual earnings were just $7,700—$400 less than they would have received by staying on welfare. Only a quarter lifted themselves above the poverty line. These numbers improve with earned-income tax credits, and through model programs at the State and local level..

*Urban Institute, *Families who Left Welfare: Who Are They are they and How are they Doing* (1999).

Exhibit 1–7: Unemployment Rates Are Falling More in Cities Than in Suburbs

Unemployment Rates for 114 Selected Cities and Their Suburbs, 1970, 1980, 1990, 1992, and 1999

City	State	City Unemployment Rate					Suburb Unemployment Rate				
		1970	1980	1990	1992	1999	1970	1980	1990	1992	1999
Akron	OH	4.9%	10.0%	7.2%	9.5%	5.8%	3.6%	7.1%	4.2%	5.6%	3.3%
Albuquerque	NM	5.2%	6.3%	5.2%	4.8%	4.1%	5.3%	8.2%	5.9%	5.5%	4.8%
Anchorage	AK	6.2%	7.3%	5.1%	7.3%	4.3%	-	-	-	-	-
Atlanta	GA	3.9%	8.0%	7.6%	10.0%	5.1%	2.6%	4.2%	4.7%	6.0%	2.8%
Austin	TX	3.1%	3.8%	5.3%	4.8%	2.4%	2.7%	3.3%	4.1%	3.3%	1.9%
Bakersfield	CA	5.4%	5.1%	7.8%	11.6%	8.4%	6.7%	8.4%	12.2%	17.6%	13.1%
Baltimore	MD	4.6%	10.7%	8.1%	11.0%	7.1%	2.5%	4.6%	4.0%	6.2%	3.1%
Baton Rouge	LA	4.6%	5.8%	6.1%	6.6%	4.1%	5.2%	5.5%	5.5%	6.1%	3.7%
Billings	MT	6.1%	6.6%	4.9%	5.5%	3.8%	5.0%	6.9%	5.3%	5.9%	4.1%
Birmingham	AL	4.8%	8.7%	7.3%	8.4%	4.5%	3.7%	5.6%	4.0%	4.6%	2.2%
Boise City	ID	3.7%	6.3%	3.9%	4.2%	3.0%	3.5%	7.2%	5.1%	5.3%	3.7%
Boston	MA	4.3%	6.1%	5.7%	8.0%	3.1%	3.3%	4.2%	5.2%	7.4%	2.5%
Buffalo	NY	6.0%	13.1%	8.6%	12.2%	8.6%	3.9%	8.0%	3.7%	5.5%	3.8%
Burlington	VT	4.3%	6.0%	4.7%	5.2%	2.2%	3.6%	5.2%	4.1%	5.0%	1.9%
Charleston	WV	3.9%	5.0%	6.5%	9.2%	4.8%	4.1%	7.4%	6.3%	8.7%	4.5%
Charlotte	NC	3.0%	4.4%	3.0%	5.5%	2.2%	2.4%	4.0%	3.1%	5.1%	2.4%
Cheyenne	WY	4.7%	4.8%	5.1%	4.2%	3.3%	3.6%	4.7%	5.3%	4.4%	3.4%
Chicago	IL	4.4%	9.8%	8.4%	9.5%	5.4%	2.5%	4.8%	4.7%	6.2%	3.3%
Cincinnati	OH	4.8%	8.7%	5.8%	8.0%	4.9%	3.3%	6.3%	3.7%	5.5%	2.9%
Cleveland	OH	5.2%	11.0%	9.5%	13.7%	8.6%	2.7%	5.9%	3.9%	5.7%	3.3%
Colorado Springs	CO	4.7%	6.7%	7.0%	7.2%	3.4%	2.6%	5.3%	6.9%	7.1%	3.3%
Columbia	SC	2.4%	5.3%	4.9%	6.7%	3.4%	2.7%	4.6%	3.3%	4.2%	2.0%
Columbus	GA	4.0%	7.7%	6.3%	7.3%	5.3%	2.3%	6.3%	7.6%	7.5%	4.1%
Columbus	OH	3.8%	6.4%	3.9%	5.4%	2.9%	3.2%	5.0%	3.3%	4.1%	2.1%
Corpus Christi	TX	4.0%	4.7%	6.7%	9.6%	6.4%	4.3%	4.8%	7.0%	11.5%	6.6%
Dallas	TX	3.1%	3.4%	6.2%	8.7%	4.0%	3.1%	2.6%	4.3%	5.7%	2.5%
Dayton	OH	5.1%	13.1%	8.9%	10.9%	6.5%	3.1%	7.0%	4.2%	5.2%	3.0%
Denver	CO	4.0%	4.9%	5.5%	6.6%	3.0%	3.1%	3.7%	4.1%	4.9%	2.2%
Des Moines	IA	3.0%	5.5%	4.1%	4.7%	2.4%	2.2%	3.8%	2.4%	2.7%	1.4%
Detroit	MI	7.2%	18.5%	14.3%	16.9%	6.9%	4.7%	9.4%	5.9%	7.2%	2.6%
El Paso	TX	4.8%	7.4%	11.2%	11.2%	8.9%	2.5%	5.7%	15.7%	15.7%	12.7%
Fargo	ND	4.2%	6.0%	3.2%	3.5%	1.5%	5.3%	6.8%	4.3%	4.0%	1.9%
Fort Wayne	IN	3.4%	8.9%	6.4%	7.9%	3.4%	2.6%	7.1%	4.7%	5.5%	2.2%
Fort Worth	TX	3.7%	4.0%	6.9%	9.4%	4.1%	2.9%	2.8%	4.7%	6.0%	2.6%
Arlington	TX	3.5%	2.7%	4.6%	6.3%	2.7%	-	-	-	-	-
Fresno	CA	7.3%	7.8%	10.5%	14.1%	12.2%	8.3%	9.7%	12.6%	16.7%	14.1%
Grand Rapids	MI	6.4%	8.5%	8.1%	10.3%	4.3%	5.7%	7.1%	5.5%	6.7%	2.7%
Greensboro	NC	2.4%	5.4%	3.8%	5.6%	2.5%	2.6%	4.3%	3.4%	4.6%	2.1%
Hartford	CT	4.5%	7.7%	9.2%	12.6%	5.8%	3.0%	3.7%	4.5%	7.4%	2.8%
Honolulu	HI	2.4%	3.9%	2.3%	3.0%	4.9%	-	-	-	-	-

City	State	City Unemployment Rate					Suburb Unemployment Rate				
		1970	1980	1990	1992	1999	1970	1980	1990	1992	1999
Houston	TX	3.1%	3.6%	6.1%	8.7%	5.5%	2.7%	2.9%	3.9%	5.5%	3.5%
Indianapolis	IN	4.2%	7.0%	3.8%	5.9%	2.6%	3.3%	5.9%	3.2%	4.2%	1.8%
Jackson	MS	3.4%	5.4%	6.2%	7.0%	4.2%	3.4%	5.1%	4.3%	4.5%	2.4%
Jacksonville	FL	2.9%	5.4%	5.3%	7.0%	3.2%	3.2%	5.2%	4.6%	5.9%	2.8%
Jersey City	NJ	4.2%	9.7%	9.0%	13.7%	8.8%	5.4%	8.4%	6.4%	10.0%	6.3%
Kansas City	MO	3.8%	6.5%	6.0%	6.2%	3.6%	2.8%	4.5%	3.8%	3.8%	2.3%
Kansas City	KS	3.7%	7.6%	9.0%	8.5%	6.2%	-	-	-	-	-
Knoxville	TN	3.9%	7.0%	5.3%	5.8%	3.1%	4.1%	6.7%	4.8%	5.2%	3.2%
Las Vegas	NV	5.5%	6.6%	4.7%	6.6%	4.0%	4.5%	6.0%	4.8%	7.1%	4.1%
Lexington-Fayette	KY	3.5%	5.1%	3.6%	3.7%	1.9%	3.1%	6.8%	5.2%	4.4%	2.2%
Lincoln	NE	3.0%	3.6%	2.2%	2.9%	2.1%	1.9%	3.0%	1.1%	1.5%	1.1%
Little Rock	AR	3.3%	5.0%	5.5%	5.8%	3.3%	3.2%	5.3%	5.6%	5.8%	2.8%
Los Angeles	CA	6.9%	6.8%	6.7%	11.1%	6.8%	5.6%	5.5%	5.4%	8.9%	5.2%
Long Beach	CA	5.7%	5.7%	5.5%	9.1%	5.5%	-	-	-	-	-
Louisville	KY	4.5%	9.9%	5.9%	6.8%	3.8%	3.6%	7.1%	4.8%	5.0%	3.0%
Lubbock	TX	3.6%	3.1%	5.1%	5.8%	2.9%	3.0%	2.9%	4.9%	5.6%	2.8%
Madison	WI	2.8%	4.4%	2.1%	2.2%	1.5%	3.0%	5.2%	2.0%	2.2%	1.3%
Manchester	NH	3.4%	5.2%	6.6%	8.5%	2.3%	3.2%	3.9%	4.8%	6.4%	2.2%
Memphis	TN	4.6%	8.5%	5.4%	7.0%	4.1%	4.8%	5.2%	3.6%	4.4%	2.2%
Miami	FL	4.3%	6.1%	11.2%	15.0%	8.8%	3.3%	4.5%	7.0%	9.4%	5.4%
Milwaukee	WI	4.1%	6.9%	5.7%	6.2%	4.9%	2.8%	4.2%	3.3%	3.8%	2.0%
Minneapolis	MN	3.8%	4.8%	4.5%	5.0%	2.4%	3.0%	3.8%	4.1%	4.4%	1.8%
St. Paul	MN	3.6%	4.7%	4.7%	5.3%	2.5%	-	-	-	-	-
Mobile	AL	5.7%	6.9%	7.2%	8.5%	5.0%	4.9%	7.3%	6.2%	7.0%	3.7%
Modesto	CA	7.1%	10.9%	10.6%	14.8%	9.6%	10.8%	14.7%	13.6%	18.7%	12.3%
Montgomery	AL	3.8%	6.3%	6.5%	6.4%	3.5%	3.0%	6.0%	6.0%	5.9%	3.3%
Nashville-Davidson	TN	3.3%	5.1%	3.7%	4.9%	2.6%	3.0%	5.8%	4.2%	5.0%	2.4%
New Orleans	LA	5.7%	7.0%	6.4%	7.2%	4.9%	4.1%	4.7%	5.5%	6.7%	4.0%
New York	NY	4.2%	7.7%	6.9%	11.0%	6.7%	2.6%	4.4%	3.4%	6.3%	4.0%
Newark	NJ	6.5%	13.3%	10.7%	16.6%	9.5%	3.0%	5.3%	4.3%	7.5%	3.8%
Virginia Beach	VA	2.3%	4.3%	3.8%	5.3%	2.6%	2.9%	5.2%	4.0%	5.4%	2.6%
Norfolk	VA	2.5%	5.3%	4.6%	7.4%	5.0%	-	-	-	-	-
Newport News	VA	3.0%	6.0%	5.1%	7.0%	4.0%	-	-	-	-	-
Oakland	CA	7.6%	9.3%	6.4%	10.1%	5.5%	5.4%	5.8%	3.6%	5.8%	2.9%
Oklahoma City	OK	3.3%	3.4%	5.9%	5.6%	3.0%	3.0%	3.1%	4.7%	4.4%	2.4%
Omaha	NE	3.1%	5.2%	2.8%	3.9%	2.8%	2.0%	3.7%	1.9%	2.7%	1.7%
Santa Ana	CA	6.0%	5.3%	6.4%	11.8%	4.8%	5.1%	3.9%	3.1%	5.9%	2.3%
Anaheim	CA	5.8%	4.7%	4.1%	7.8%	3.1%	-	-	-	-	-
Orlando	FL	4.1%	4.0%	5.8%	7.9%	3.1%	4.6%	4.5%	5.5%	7.4%	2.8%
Philadelphia	PA	4.6%	11.4%	6.3%	9.4%	5.8%	2.8%	5.7%	4.2%	6.9%	3.3%
Phoenix	AZ	3.8%	5.5%	4.9%	7.2%	3.1%	4.5%	5.9%	4.8%	6.9%	3.2%
Mesa	AZ	3.8%	5.0%	3.8%	5.6%	2.4%	-	-	-	-	-
Pittsburgh	PA	5.3%	9.2%	4.8%	6.7%	4.3%	4.1%	7.3%	5.1%	7.0%	4.2%
Portland	ME	3.8%	6.3%	4.3%	6.3%	2.3%	2.7%	5.3%	3.5%	5.1%	1.8%
Portland	OR	6.6%	6.9%	5.4%	7.7%	5.2%	5.8%	5.9%	3.9%	6.2%	3.9%
Providence	RI	4.4%	9.2%	7.6%	9.9%	4.9%	3.5%	6.5%	6.5%	9.0%	3.6%

City	State	City Unemployment Rate					Suburb Unemployment Rate				
		1970	1980	1990	1992	1999	1970	1980	1990	1992	1999
Raleigh	NC	2.5%	4.0%	3.0%	4.1%	1.6%	2.8%	3.4%	2.7%	3.5%	1.3%
Richmond	VA	2.8%	6.2%	5.5%	9.3%	3.3%	1.7%	3.4%	3.2%	5.6%	2.0%
Riverside	CA	5.0%	6.5%	6.9%	11.5%	5.6%	5.7%	6.9%	6.0%	10.1%	5.1%
San Bernardino	CA	6.1%	8.3%	8.0%	13.4%	7.1%	-	-	-	-	-
Rochester	NY	4.3%	9.1%	5.9%	8.7%	6.8%	3.4%	5.4%	3.2%	4.9%	3.5%
Sacramento	CA	7.6%	10.3%	5.5%	9.9%	5.3%	6.7%	8.3%	4.0%	7.5%	3.7%
St. Louis	MO	6.4%	11.1%	8.4%	8.3%	6.0%	4.1%	6.6%	5.4%	5.4%	2.9%
Salt Lake City	UT	5.3%	5.6%	4.4%	5.3%	3.5%	4.2%	4.9%	3.6%	4.4%	2.9%
San Antonio	TX	4.1%	5.2%	7.9%	7.0%	3.5%	2.2%	3.0%	4.9%	4.5%	2.3%
San Diego	CA	5.2%	5.9%	4.8%	7.5%	3.2%	4.7%	6.2%	4.6%	7.2%	3.1%
San Francisco	CA	6.2%	6.0%	3.8%	6.9%	3.1%	4.2%	3.6%	2.6%	5.1%	2.0%
San Jose	CA	6.5%	5.3%	4.7%	8.1%	3.6%	5.0%	3.6%	3.1%	5.3%	2.3%
Seattle	WA	8.2%	5.8%	4.1%	7.5%	3.7%	8.1%	5.6%	3.3%	6.0%	3.1%
Shreveport	LA	4.8%	6.0%	7.1%	7.8%	4.6%	5.6%	7.2%	7.1%	8.3%	4.8%
Sioux Falls	SD	4.3%	4.8%	2.9%	2.5%	1.6%	3.5%	4.2%	2.3%	2.0%	1.3%
Spokane	WA	7.2%	8.2%	6.2%	7.7%	5.9%	5.7%	7.5%	4.8%	6.0%	4.5%
Stockton	CA	8.4%	10.0%	11.5%	16.3%	10.6%	8.1%	10.5%	8.9%	12.7%	8.1%
Tacoma	WA	8.8%	9.0%	5.3%	8.6%	5.1%	5.3%	6.9%	4.3%	7.0%	4.2%
Tampa	FL	3.6%	5.5%	5.9%	8.8%	3.4%	3.7%	5.0%	4.6%	6.7%	2.6%
St. Petersburg	FL	3.5%	5.6%	5.2%	7.6%	3.2%	-	-	-	-	-
Toledo	OH	4.3%	12.5%	9.6%	10.0%	6.1%	3.5%	8.5%	5.6%	6.1%	3.3%
Tucson	AZ	3.9%	6.4%	5.2%	6.1%	3.3%	3.4%	6.1%	3.9%	4.6%	2.5%
Tulsa	OK	4.6%	3.3%	4.6%	5.5%	3.6%	4.8%	3.8%	4.5%	5.2%	3.1%
Washington	DC	3.7%	6.6%	6.6%	8.6%	6.5%	2.1%	3.6%	2.7%	4.8%	2.2%
Arlington	VA	2.0%	3.1%	1.9%	4.5%	1.6%	-	-	-	-	-
Wichita	KS	7.1%	4.0%	4.8%	4.6%	4.1%	5.4%	2.9%	3.3%	3.5%	2.9%
Wilmington	DE	5.6%	9.5%	6.6%	7.1%	4.4%	3.2%	5.6%	6.1%	6.1%	3.1%
Worcester	MA	3.9%	5.6%	7.3%	9.3%	3.5%	3.3%	4.5%	6.0%	8.6%	2.9%
Top 10		**4.7%**	**7.8%**	**7.0%**	**10.1%**	**5.7%**	**3.8%**	**5.6%**	**4.8%**	**7.0%**	**3.5%**
Top 50		**4.7%**	**7.2%**	**6.3%**	**8.7%**	**5.0%**	**3.7%**	**5.2%**	**4.4%**	**6.3%**	**3.2%**
Top 100		**4.7%**	**7.2%**	**6.3%**	**8.6%**	**4.9%**	**3.8%**	**5.4%**	**4.5%**	**6.4%**	**3.2%**
All 331 MSAs		**4.6%**	**7.1%**	**6.3%**	**8.5%**	**4.8%**	**3.8%**	**5.6%**	**4.7%**	**6.6%**	**3.4%**

Source: 1970 and 1980 Decennial Census, Census Bureau's Local Area Unemployment Statistics, Bureau of Labor Statistics

Notes:
1) Suburbs are the remainder of the Metropolitan Area less all central cities for which BLS publishes data.
2) "City" of All MSAs are the 513 of 542 central cities for which BLS publishes data. All MSAs excludes Puerto Rico.
3) BLS provides data only for the Honolulu MSA and not for the Honolulu CDP, which the Census Bureau defines as the central city of the Honolulu MSA.
4) Cities without suburb data (except Anchorage) are in the same metropolitan area as the city above and share suburb data with that city.

Overall, central city population is up. The population in the central cities of the Nation's 331 metropolitan areas grew by a healthy 4.7 percent between 1990 and 1998 (Exhibit 1–8). The total population of the 10 largest cities—which had lost 3.1 percent of their population between 1970 and 1980—gained 3.4 percent between 1990 and 1998. New York and Chicago, two of the Nation's most populous central cities, each registered increases in the 1990s after double-digit losses in the 1970s. These increases, while small in percentage points, resulted in substantial absolute population gains due to their large scale. Atlanta, exemplifies the trend of population reversal. After losing 14.5 percent of its population during the 1970s and another 7.3 percent in the 1980s, it has gained 2.5 percent in the 1990s.

Exhibit 1–8: Most Central Cites Are Gaining Residents

Population Trends for 114 Selected Cities
and Their Suburbs, 1970 to 1998

		City Population Change			Suburb Population Change		
City	**State**	**1970 to 1980**	**1980 to 1990**	**1990 to 1998**	**1970 to 1980**	**1980 to 1990**	**1990 to 1998**
Akron	OH	-13.9%	-6.0%	-3.3%	5.7%	2.2%	10.0%
Albuquerque	NM	36.1%	16.0%	9.0%	41.4%	11.2%	26.9%
Anchorage	AK	262.2%	29.8%	12.7%	-	-	-
Atlanta	GA	-14.5%	-7.3%	2.5%	42.8%	41.9%	30.3%
Austin	TX	37.2%	34.8%	18.6%	68.5%	62.8%	46.1%
Bakersfield	CA	51.9%	65.5%	20.3%	14.6%	23.9%	14.2%
Baltimore	MD	-13.1%	-6.5%	-12.3%	19.7%	16.8%	11.9%
Baton Rouge	LA	32.2%	0.1%	-3.6%	31.0%	12.4%	17.8%
Billings	MT	8.5%	21.5%	13.1%	60.0%	-21.7%	6.6%
Birmingham	AL	-5.4%	-6.5%	-4.9%	21.4%	8.2%	14.2%
Boise City	ID	36.6%	22.7%	25.2%	66.2%	9.7%	38.7%
Boston	MA	-12.2%	2.0%	-3.3%	0.9%	2.8%	3.4%
Buffalo	NY	-22.7%	-8.3%	-8.4%	1.6%	-1.8%	-0.5%
Burlington	VT	-2.4%	3.8%	-1.7%	22.9%	17.8%	12.2%
Charleston	WV	-10.5%	-10.4%	-3.9%	10.8%	-6.1%	2.6%
Charlotte	NC	30.4%	25.9%	27.5%	12.8%	17.2%	14.8%
Cheyenne	WY	15.7%	5.8%	7.3%	37.9%	8.3%	9.1%
Chicago	IL	-10.6%	-7.4%	0.7%	15.0%	9.3%	10.9%
Cincinnati	OH	-14.8%	-5.6%	-7.6%	9.6%	7.4%	10.3%
Cleveland	OH	-23.6%	-11.9%	-1.9%	2.3%	-0.2%	2.1%
Colorado Springs	CO	59.4%	30.7%	22.7%	-6.6%	22.9%	25.5%
Columbia	SC	-10.9%	-3.1%	13.0%	47.6%	15.0%	13.0%
Columbus	GA	10.0%	5.5%	2.0%	-11.2%	-3.6%	9.4%
Columbus	OH	4.7%	12.0%	5.9%	12.1%	10.5%	12.6%
Corpus Christi	TX	13.4%	11.0%	9.3%	17.4%	-1.9%	15.0%
Dallas	TX	7.1%	11.4%	6.9%	53.0%	45.8%	29.7%
Dayton	OH	-16.5%	-10.5%	-8.0%	3.5%	4.9%	2.5%
Denver	CO	-4.3%	-5.0%	6.7%	58.9%	23.4%	24.6%
Des Moines	IA	-4.9%	1.1%	-1.0%	27.2%	13.1%	23.0%
Detroit	MI	-20.4%	-14.6%	-5.6%	8.3%	2.1%	8.7%
El Paso	TX	32.0%	21.2%	19.3%	47.6%	39.6%	15.5%
Fargo	ND	15.1%	20.7%	17.0%	24.1%	1.5%	3.7%
Fort Wayne	IN	-3.1%	0.5%	7.3%	12.4%	3.9%	4.3%
Fort Worth	TX	-2.1%	16.2%	9.9%	40.4%	46.3%	21.9%
Arlington	TX	75.0%	63.5%	17.1%	-	-	-
Fresno	CA	31.5%	62.3%	12.4%	23.9%	10.2%	17.1%
Grand Rapids	MI	-7.9%	4.0%	-2.0%	19.6%	14.5%	15.1%
Greensboro	NC	7.9%	17.9%	7.8%	21.8%	9.1%	12.1%
Hartford	CT	-13.7%	2.5%	-5.9%	4.4%	7.7%	-0.7%

		City Population Change			Suburb Population Change		
City	**State**	**1970 to 1980**	**1980 to 1990**	**1990 to 1998**	**1970 to 1980**	**1980 to 1990**	**1990 to 1998**
Honolulu	HI	12.4%	0.1%	8.4%	30.6%	18.5%	1.2%
Houston city	TX	29.4%	2.2%	9.6%	76.4%	47.6%	27.6%
Indianapolis	IN	-5.9%	4.4%	1.4%	24.8%	9.1%	22.0%
Jackson	MS	31.8%	-3.1%	-4.2%	18.2%	24.9%	21.4%
Jacksonville	FL	2.3%	17.4%	9.2%	117.4%	49.7%	29.3%
Jersey City	NJ	-14.2%	2.2%	1.7%	-2.7%	-2.0%	0.2%
Kansas City	MO	-11.6%	-2.9%	1.5%	15.7%	16.5%	14.9%
Kansas City	KS	-4.2%	-7.0%	-5.7%	-	-	-
Knoxville	TN	0.3%	-5.7%	0.3%	32.8%	14.5%	18.5%
Las Vegas	NV	31.1%	56.9%	56.5%	102.9%	63.6%	54.3%
Lexington-Fayette	KY	88.8%	10.4%	7.3%	-17.1%	8.2%	15.1%
Lincoln	NE	15.0%	11.7%	11.0%	13.5%	3.4%	3.8%
Little Rock	AR	19.6%	10.9%	-0.3%	33.0%	8.0%	15.4%
Los Angeles	CA	5.4%	17.5%	3.2%	7.2%	18.5%	4.5%
Long Beach	CA	0.7%	18.8%	0.3%	-	-	-
Louisville	KY	-17.4%	-9.8%	-5.2%	22.4%	4.1%	9.7%
Lubbock	TX	16.7%	7.0%	2.6%	24.8%	-3.3%	5.7%
Madison	WI	-1.5%	12.1%	9.4%	30.7%	15.0%	22.4%
Manchester	NH	3.6%	9.5%	3.0%	59.5%	34.5%	14.5%
Memphis	TN	3.6%	-5.6%	-1.1%	27.7%	39.5%	25.7%
Miami	FL	3.5%	3.4%	2.8%	39.8%	25.6%	13.5%
Milwaukee	WI	-11.3%	-1.3%	-7.9%	9.9%	5.1%	9.7%
Minneapolis	MN	-14.6%	-0.7%	-4.5%	21.4%	21.9%	17.1%
St. Paul	MN	-12.8%	0.7%	-5.5%	-	-	-
Mobile	AL	5.5%	-2.1%	3.0%	30.2%	15.5%	17.6%
Modesto	CA	72.7%	54.5%	10.5%	11.8%	23.0%	18.7%
Montgomery	AL	33.3%	5.2%	5.3%	2.7%	11.2%	18.4%
Nashville-Davidson	TN	1.7%	7.2%	4.5%	61.1%	24.8%	30.1%
New Orleans	LA	-6.1%	-10.9%	-6.3%	34.7%	6.2%	7.0%
New York	NY	-10.4%	3.5%	1.3%	2.3%	1.7%	4.0%
Newark	NJ	-13.9%	-16.4%	-2.7%	0.5%	0.4%	2.7%
Virginia Beach	VA	52.3%	49.9%	10.0%	28.5%	30.5%	26.8%
Norfolk	VA	-13.3%	-2.2%	-17.6%	-	-	-
Newport News	VA	4.9%	17.4%	5.0%	-	-	-
Oakland	CA	-6.2%	9.7%	-1.7%	16.0%	22.0%	15.3%
Oklahoma City	OK	9.9%	10.3%	6.2%	32.6%	12.3%	9.5%
Omaha	NE	-9.5%	6.9%	10.6%	43.5%	6.3%	6.7%
Santa Ana	CA	30.2%	44.2%	4.2%	31.9%	20.2%	14.0%
Anaheim	CA	32.0%	21.5%	10.8%	-	-	-
Orlando	FL	29.6%	28.4%	10.0%	59.7%	56.7%	24.8%
Philadelphia	PA	-13.4%	-6.1%	-9.4%	6.4%	8.0%	5.5%
Phoenix	AZ	35.8%	24.5%	21.8%	77.8%	50.2%	45.3%
Mesa	AZ	142.3%	89.0%	25.0%	-	-	-
Pittsburgh	PA	-18.5%	-12.8%	-7.9%	-0.8%	-5.7%	-1.0%

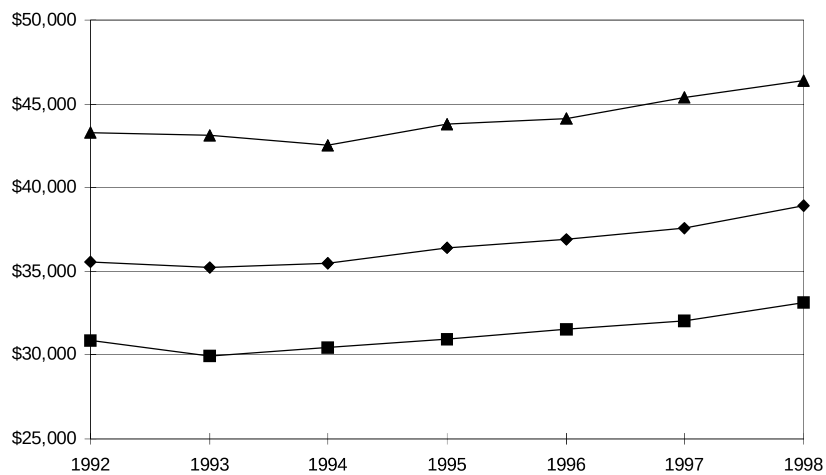
		City Population Change			Suburb Population Change		
City	State	1970 to 1980	1980 to 1990	1990 to 1998	1970 to 1980	1980 to 1990	1990 to 1998
Portland	ME	-5.4%	4.5%	-2.4%	25.4%	14.7%	7.9%
Portland	OR	-4.1%	19.4%	15.2%	41.4%	11.6%	20.3%
Providence	RI	-12.5%	2.5%	-6.1%	9.3%	8.8%	1.2%
Raleigh	NC	24.0%	38.4%	24.8%	29.5%	23.7%	32.1%
Richmond	VA	-12.2%	-7.4%	-4.4%	28.3%	24.6%	16.7%
Riverside	CA	22.3%	32.6%	15.7%	40.5%	72.2%	20.5%
San Bernardino	CA	12.5%	39.7%	13.5%	-	-	-
Rochester	NY	-18.4%	-4.2%	-6.4%	9.0%	5.3%	4.1%
Sacramento	CA	8.4%	34.0%	9.4%	42.6%	36.6%	16.2%
St. Louis	MO	-27.2%	-12.4%	-14.5%	9.2%	6.6%	7.1%
Salt Lake City	UT	-7.3%	-1.9%	9.0%	56.4%	24.4%	21.0%
San Antonio	TX	20.1%	19.1%	19.0%	22.4%	28.9%	7.2%
San Diego	CA	25.7%	26.8%	9.9%	49.5%	38.4%	12.9%
San Francisco	CA	-5.1%	6.6%	3.0%	6.2%	8.6%	6.6%
San Jose	CA	41.0%	24.3%	10.1%	7.6%	5.8%	9.2%
Seattle	WA	-7.0%	4.5%	4.0%	28.2%	32.1%	16.4%
Shreveport	LA	12.9%	-3.5%	-5.1%	9.4%	4.2%	6.9%
Sioux Falls	SD	12.2%	23.9%	15.8%	21.9%	-8.6%	21.4%
Spokane	WA	0.5%	3.4%	3.9%	45.8%	8.0%	22.0%
Stockton	CA	39.4%	40.8%	13.8%	5.4%	34.2%	16.7%
Tacoma	WA	2.6%	11.5%	1.8%	27.6%	25.2%	21.3%
Tampa	FL	-2.2%	3.1%	3.3%	81.7%	42.5%	12.4%
St. Petersburg	FL	10.5%	0.0%	-1.1%	-	-	-
Toledo	OH	-7.7%	-6.1%	-6.2%	17.3%	7.0%	6.5%
Tucson	AZ	25.7%	22.6%	13.6%	126.4%	30.2%	26.3%
Tulsa	OK	8.8%	1.8%	3.8%	51.4%	15.3%	15.8%
Washington	DC	-15.6%	-4.9%	-13.8%	18.3%	28.1%	15.3%
Arlington	VA	-12.4%	12.0%	3.7%	-	-	-
Wichita	KS	0.9%	8.9%	8.3%	16.2%	11.5%	18.7%
Wilmington	DE	-12.7%	1.9%	0.2%	7.4%	14.8%	11.8%
Worcester	MA	-8.4%	4.9%	-1.9%	8.1%	11.2%	5.6%
Top 10		**-3.1%**	**4.7%**	**3.4%**	**15.9%**	**16.3%**	**11.7%**
Top 50		**-2.0%**	**6.3%**	**4.1%**	**18.8%**	**17.1%**	**13.7%**
Top 100		**-1.1%**	**6.4%**	**3.8%**	**19.3%**	**17.4%**	**13.6%**
All 331 MSAs		**1.2%**	**7.0%**	**4.7%**	**19.0%**	**15.0%**	**11.9%**

Sources: 1970, 1980, and 1990 Decennial Census, U.S. Census Bureau; 1998 Federal State Cooperative Population Estimates, U.S. Census Bureau

Notes:
1) Suburbs are the remainder of the metropolitan area less all central cities.
2) Cities without suburb data (except Anchorage) are in the same metropolitan area as the city above and share suburb data with that city.

Incomes are at record levels and poverty rates have dropped throughout the country. In 1998 (the last year for which the Census Bureau has statistics), the economic boom raised household income to its highest level since 1990. All types of households in all regions of the country realized substantial gains in income. Household income grew faster in cities—3.5 percent—than in suburbs—2.3 percent—between 1997 and 1998.

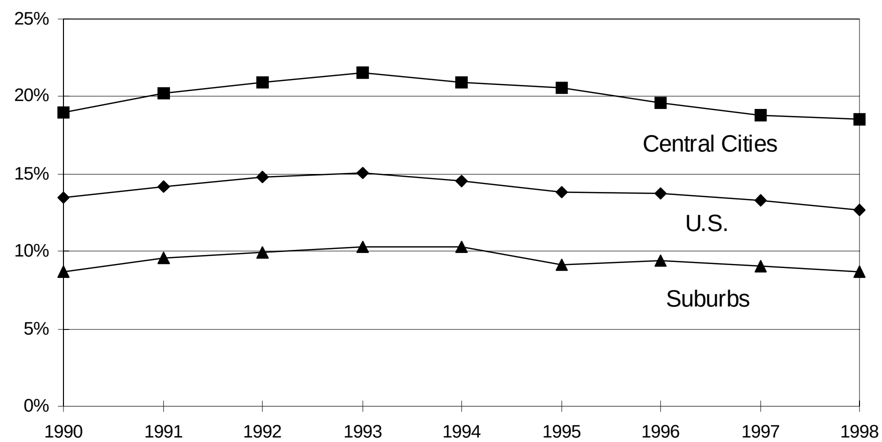
Exhibit 1–9: Median Incomes Are Rising in Cities, but Lag Suburbs



Source: March Current Population Surveys, U.S. Census Bureau

The overall poverty rate in the United States declined to 12.7 percent in 1998, from 14.8 percent in 1992. During this period, in central cities, the poverty rate decreased to 18.5 percent from 20.9 percent. In 1998, the poverty rate for Hispanics decreased significantly, from 27.1 percent in 1997 to 25.6 percent. For non-Hispanic whites, the rate dropped slightly, from 8.6 percent to 8.2 percent during this same period. At 26.1 percent, the poverty rate for African-Americans was the lowest that it had been since it was first recorded in 1959.

Exhibit 1–10: Poverty Rates Are Falling in Cities and Suburbs



Source: Current Population Survey, U.S. Census Bureau

Cities and New Markets: The Retail Opportunity

A Report issued by HUD during this past year, *New Markets: The Untapped Purchasing Power Of Our Nation's Inner Cities*, highlighted the enormous untapped retail purchasing power in cities. The Report documented an estimated total purchasing power in inner city neighborhoods of $331 billion, or one third of the $1.1 trillion total for central cities. But many of America's inner city communities are underretailed, with sales that fall significantly short of residents' retail purchasing power. This reflects the shortage of retail stores in many inner city neighborhoods.

The good news is that the private sector is rushing to fill this retail gap. Grocery stores are among the biggest inner city retail successes with national and local chains opening stores in many inner cities communities. Pathmark has opened a facility in Philadelphia, Safeway in Washington D.C.'s Anacostia neighborhood, and Dominicks in the South Shore neighborhood in Chicago. Another growth area includes pharmacies and drug stores, with Walgreens opening in East St. Louis, and Rite Aid in Harlem. These inner city stores often outperform their suburban counterparts in gross sales.

With employment up and joblessness down, cities' fiscal health is improving. While most media attention has focused on the improved fiscal health of the Federal government, the booming national economy also has positively affected the fiscal health of the Nation's cities. On average, municipal governments estimated that their property tax base increased nearly 30 percent between 1993 and 1998.[2] The average increase in sales taxes was even more impressive at 40 percent. These large increases have enabled cities to increase their revenues with only minimal increases in tax rates and user fees.

Cities have used part of their increased revenues to finance capital expenditures and services and have used a sizable portion to reduce debt. Between 1998 and 1999 the municipal sector's general revenue increased 5.5 percent, but its total expenditure increased only 4.7 percent. Because spending has not risen as quickly as revenue, most cities have been able to reduce both their general obligation and revenue debt.

The combination of increased revenues and decreased debt loads has allowed many cities to reduce their borrowing costs. In recognition of local management improvements and stronger fiscal health, nearly one-third of the major central cities evaluated by Standard and Poors since 1994 have obtained a better credit rating while only 10 percent saw their ratings decline. These bond ratings are very important to taxpayers because they represent a difference of millions of dollars in the cost of borrowing for capital and other expenditures.

Exhibit 1–11: Cities Improve Their Fiscal Health

General Obligation Bond Ratings for 27 Cities
Whose Ratings Improved Since 1994

Issuer	State	Current Rating	Prior Rating	Latest Rating Date
Montgomery	AL	AA	AA-	3/95
Anchorage	AK	AA-	A	10/99
Mesa	AZ	AA-	A+	11/95
Tucson	AZ	AA	AA-	4/96
Anaheim	CA	AA	AA-	9/94
Long Beach	CA	AA-	NR	1/98
Colorado Springs	CO	AA	AA-	4/99
Denver	CO	AA+	AA	6/99
Washington	DC	BBB	BB	4/99
Miami	FL	BB	B	5/97
Orlando	FL	AA	NR	8/97
Chicago	IL	A+	A	3/98
Fort Wayne	IN	AA-	A+	10/97
Shreveport	LA	A+	A	4/95
Boston	MA	AA-	A+	1/00
Detroit	MI	BBB+	BBB	3/99
Grand Rapids	MI	AA-	A+	9/98
Jackson	MS	AA-	A+	6/94
St. Louis	MO	A-	NR	2/97
Las Vegas	NV	A+	A	2/96
New York City	NY	A-	BBB+	7/98
Cleveland	OH	A+	A	8/99
Columbus	OH	AAA	AA+	5/95
Philadelphia	PA	BBB	BBB-	3/97
Knoxville	TN	AA	AA-	4/97
San Antonio	TX	AA+	AA	12/98
Newport News	VA	AA	AA-	3/98

Source: Standard & Poor's DRI

Note: NR = not rated.

FEWER CITIES REMAIN "DOUBLY BURDENED"

Many smaller and medium-sized cities still lag behind. Even in this booming New Economy, the unemployment rate of some small and mid-sized cities remained in the double-digits. Thirty-nine cities had unemployment rates at least double the national average.

Unemployment still impacts cities more than suburbs. Central city unemployment rates are still about one-third higher than the jobless rates in suburbs—4.8 percent compared with 3.4 percent. Unemployment among minority youth remains unacceptably high at 22 percent in 1999. There remains a significant pool of labor available in central cities to continue to power the economic expansion.

Population continues to decline in many older cities. Compared with the suburbs, city population growth was quite modest. Suburban population in 331 metro areas jumped by 11.9 percent between 1990 and 1998. Cities continue to lose population share in their metro areas. For example, in 1970 nearly 45 percent of metropolitan population lived in the urban core; by 1998, that proportion had declined to 37.6 percent. Of the 30 largest cities as of 1970, 50 percent still are losing population, althougth these losses are far smaller than those of the 1970s.

As some cities grew, others continued to shrink in population, reordering the 1970 list of most populous cities. While cities in the South and West gained in population, cities in the Midwest and Northeast exhibited large population losses. By 1998, only four of the 10 largest cities in 1970 were still in the top 10 in 1998, and, except for New York City, each one had moved down in rank. The new population centers tend to be the high-tech magnets of the New Economy.

Exhibit 1–12: Over the Past 30 Years, Many of the Nation's Large Cities Have Lost Population

Population Change Among Large Cities, 1970 to 1998 (in percent)

1970 Rank		State	1970–1980	1980–1990	1990–1994	1994–1996	1996–1998
1	New York	NY	-10.4	3.5	0.2	0.3	0.8
2	Chicago	IL	-10.6	-7.4	0.5	0.6	-0.4
3	Los Angeles	CA	5.4	17.5	1.7	0.0	1.5
4	Philadelphia	PA	-13.4	-6.1	-4.2	-3.1	-2.4
5	Detroit	MI	-20.4	-14.6	-1.8	-1.2	-2.7
6	Houston	TX	29.4	2.2	6.0	1.2	2.2
7	Baltimore	MD	-13.1	-6.5	-4.7	-4.2	-3.9
8	Dallas	TX	7.1	11.4	3.2	0.8	2.7
9	Washington	DC	-15.6	-4.9	-6.8	-4.6	-3.1
10	Cleveland	OH	-23.6	-11.9	-0.5	-0.6	-0.8
11	Indianapolis	IN	-5.9	4.4	2.0	-0.2	-0.4
12	Milwaukee	WI	-11.3	-1.3	-3.4	-2.3	-2.5
13	San Francisco	CA	-5.1	6.6	0.7	0.8	1.4
14	San Diego	CA	25.7	26.8	4.4	1.7	3.5
15	San Antonio	TX	20.1	19.1	12.0	2.9	3.3
16	Boston	MA	-12.2	2.0	-4.1	1.1	-0.2
17	Memphis	TN	3.6	-5.6	1.2	-0.8	-1.6
18	St. Louis	MO	-27.2	-12.4	-7.2	-4.7	-3.3
19	New Orleans	LA	-6.1	-10.9	-2.5	-2.2	-1.8
20	Phoenix	AZ	35.8	24.5	11.8	5.6	3.2
21	Columbus	OH	4.7	12.0	3.8	0.8	1.2
22	Seattle	WA	-7.0	4.5	2.5	0.5	1.0
23	Jacksonville	FL	2.3	17.4	4.1	2.7	2.1
24	Pittsburgh	PA	-18.5	-12.8	-3.0	-2.6	-2.5
25	Denver	CO	-4.3	-5.0	5.1	0.9	0.6
26	Kansas City	MO	-11.6	-2.9	0.6	0.3	0.6
27	Atlanta	GA	-14.5	-7.3	2.0	-0.3	0.8
28	Buffalo	NY	-22.7	-8.3	-3.1	-2.4	-3.0
29	Cincinnati	OH	-14.8	-5.6	-3.3	-2.3	-2.2
30	Nashville-Davidson	TN	1.7	7.2	3.1	1.2	0.1
	Top 30 Average		**-5.7**	**2.5**	**1.1**	**0.1**	**0.4**

Source: 1970, 1980, and 1990 Census of Population, Federal-State Cooperative Program for Population Estimates; U.S. Census Bureau

Income and poverty disparities between cities and their suburbs continue. Despite impressive income gains in cities, median household income in cities in 1998 was $33,151, only 71 percent of the $46,402 median income in suburbs. And cities' poverty rate of 18.5 percent was more than double that of suburbs.

Exhibit 1–13: Top 10 Most Populous U.S. Cities Reflect Growth in Sunbelt Regions, 1970 and 1998

Top 10 1970	Population 1970	Top 10 1998	Population 1998
New York, NY	7,894,851	New York, NY	7,420,166
Chicago, IL	3,362,825	Los Angeles, CA	3,597,556
Los Angeles, CA	2,816,111	Chicago, IL	2,802,079
Philadelphia, PA	1,948,609	Houston, TX	1,786,691
Detroit, MI	1,511,336	Philadelphia, PA	1,436,287
Houston, TX	1,232,407	San Diego, CA	1,220,666
Baltimore, MD	905,759	Phoenix, AZ	1,198,064
Dallas, TX	844,189	San Antonio, TX	1,114,130
Washington, DC	756,510	Dallas, TX	1,075,894
Cleveland, OH	751,046	Detroit, MI	970,196

Source: 1970 Census of Population, Federal-State Cooperative Program for Population Estimates, U.S. Census Bureau

The share of middle income households, of all ages, in cities is also steadily declining. The percentage of middle income households in cities declined rom 59.8 percent in 1969 to 57.9 percent in 1998. The share of high income households has declined as well. At the same time, the share of low-income households in cities is up significantly, from 21.9 percent in 1969 to 25.5 percent in 1998.

Exhibit 1-14: The Share of Central City Population That Is Low-Income Has Grown

Percent of Households in National Income Brackets

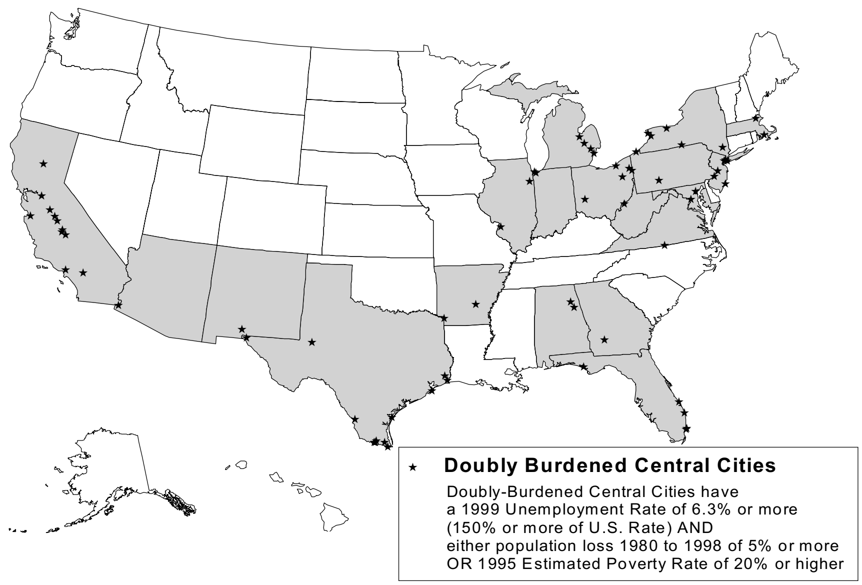
		All MSAs/PMSAs	Central Cities	Suburbs
	1969	18.3	21.9	14.8
Low-Income	1979	18.5	23.7	14.5
(National Lowest 20%)	1989	18.1	24.0	14.1
	1998	19.0	25.5	14.9
	1969	59.4	59.8	59.1
Middle-Income	1979	59.4	59.0	59.8
(National Middle 60%)	1989	59.4	58.8	59.8
	1998	58.8	57.9	59.3
	1969	22.3	18.3	26.2
High-Income	1979	22.1	17.3	25.7
(National Top 20%)	1989	22.5	17.2	26.1
	1998	22.3	16.6	25.8

Sources: 1970, 1980, and 1990 Census of Population, Special Tabulation for HUD of March 1999 Current Population Survey, U.S. Census Bureau

One in eight cities is "doubly burdened" with high unemployment and either significant population loss or high poverty rates—or both. This represents a modest improvement over last year, when one in seven were in this category. Doubly burdened cities have an unemployment rate 50 percent higher than the U.S. rate and either have lost more than 5 percent of their population since 1980 or have a poverty rate 20 percent or higher. Forty-eight of these 67 doubly burdened cities are actually "triply burdened," demonstrating all three of these characteristics. There are doubly burdened cities throughout the Nation in 19 States and the District of Columbia. While New York City and Los Angeles are on the list, most are small or mid-sized.

Doubly burdened cities are of two distinct types. In some cities an influx of population accompanied higher unemployment and poverty rates. For example, Yuma had an unemployment rate of 19.3 percent in 1999 and a 22.4 percent poverty rate in 1995, even though its population grew substantially. Other cities continue to lag behind after devastating declines in the 1970s and 1980s. Buffalo, Detroit, East St. Louis, and Flint are examples of such cities.

Exhibit 1–15: One Out of Eight (67) Central Cities Remains Doubly Burdened in 2000



Note: See Appendix for list of cities

Source: HUD Special Tabulations of County Business Patterns Data, U.S. Census Bureau

THE DIGITAL ECONOMY IS A DRIVER OF ECONOMIC GROWTH IN CITIES AND SUBURBS

An analysis of data from HUD's 2000 State of the Cities Database shows that high-tech jobs are growing at a rapid rate—faster than overall job growth. For the 101 metropolitan areas in the database, high-tech jobs grew from 1992 to 1997 at a faster rate (31.2 percent) than overall job growth (13.6 percent). In these metro areas, 18.4 percent of all new jobs were high-tech, constituting 1,480,000 of 8 million jobs. For the purposes of this Report, HUD classified high-tech by occupation, using a series of key words in the telecommunications, science, research and technology occupation classifications.

Larger metro areas—in all parts of the country—lead the Nation in high-tech jobs. The Chicago metro area led the Nation, with 339,318 high-tech jobs in 1997, followed closely by the Los Angeles-Long Beach metro area with 336,046 high tech jobs. The metro areas which filled the top 10 rankings were diverse in geography, covering all regions of the country. In terms of concentration of high-tech jobs—high-tech jobs as a percentage of overall employment—San Jose, CA leads the Nation with 14 percent, followed by Austin-San Marcos, TX at 11.9 percent, Burlington, VT at 11.3 percent and Rochester, NY at 10.8.

Exhibit 1–16: Largest High-Tech Job Markets 1992–1997

Rank	Metropolitan Area	High Tech Job Growth 1992-1997	High Tech Jobs 1997	Total Jobs 1997
1	Chicago, IL PMSA	70,453	339,318	3,651,282
2	Los Angeles-Long Beach, CA PMSA	36,271	336,046	3,588,831
3	New York, NY PMSA	55,339	315,173	3,506,562
4	Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH NECMA	67,974	290,708	2,807,448
5	Washington, DC-MD-VA-WV PMSA	45,725	203,681	1,990,234
6	Philadelphia, PA-NJ PMSA	40,660	197,477	2,070,906
7	Dallas, TX PMSA	57,464	172,430	1,681,202
8	Detroit, MI PMSA	39,364	166,899	1,888,120
9	Houston, TX PMSA	36,986	163,968	1,668,030
10	Atlanta, GA MSA	54,195	158,732	1,819,372
11	Minneapolis-St. Paul, MN-WI MSA	38,492	140,074	1,493,223
12	San Jose, CA PMSA	29,594	125,386	892,535
13	Phoenix-Mesa, AZ MSA	49,055	123,230	1,219,912
14	Orange County, CA PMSA	20,606	121,554	1,212,689
15	Seattle-Bellevue-Everett, WA PMSA	34,036	111,938	1,127,648
16	St. Louis, MO-IL MSA	20,339	105,394	1,188,388
17	Tampa-St. Petersburg-Clearwater, FL MSA	36,616	99,490	942,625
18	Cleveland-Lorain-Elyria, OH PMSA	19,223	94,771	1,023,002
19	Denver, CO PMSA	26,309	87,492	920,931
20	San Francisco, CA PMSA	20,052	85,396	934,164
21	Oakland, CA PMSA	21,700	83,142	856,943
22	Portland-Vancouver, OR-WA PMSA	22,307	72,511	817,712
23	Charlotte-Gastonia-Rock Hill, NC-SC MSA	20,332	61,993	719,456
24	Orlando, FL MSA	18,617	58,310	703,523
25	Austin-San Marcos, TX MSA	23,034	53,780	452,550

Source: HUD Special Tabulations of County Business Patterns Data, U.S. Census Bureau

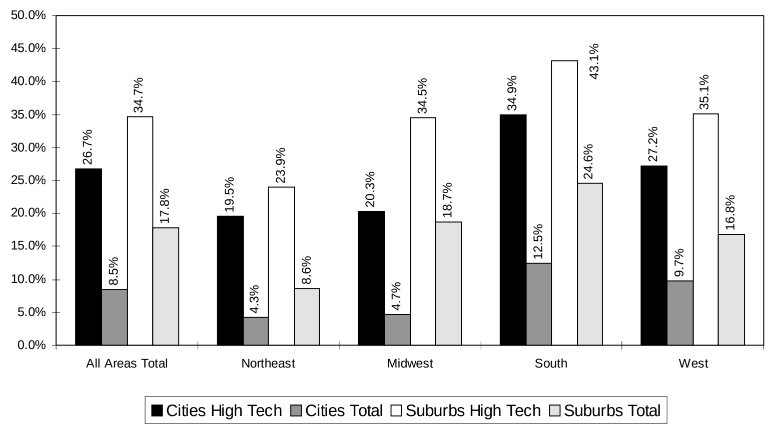
While virtually every metro area has gained high-tech jobs, the concentration of these new jobs—as a proportion of overall job growth—varies significantly from area to area and region to region. In terms of the proportion of high-tech jobs to overall job growth, the leading metro areas were Buffalo (65 percent of all new jobs); Bakersfield (37 percent); Rochester (37 percent) and New York City (34 percent). No metropolitan areas *lost* high-tech jobs. Some metropolitan areas with relatively low shares of *new* high-tech jobs were Wichita, Las Vegas, Raleigh-Durham, and Shreveport. Such areas are not increasing high-tech jobs relative to non high-tech jobs as quickly as other metropolitan areas despite the fact that they are high growth areas (Las Vegas) or established high-tech cities (Wichita and Raleigh–Durham).

HIGH TECH GROWTH ACCOUNTS FOR MORE THAN 25 PERCENT OF NEW JOBS IN CITIES

Central cities are sharing in this high-tech boom, with high-tech jobs growing faster than overall employment. High-tech employment has increased by 26.7 percent in cities—significantly greater than their overall job growth of 8.5 percent. Although high-tech jobs accounted for a slightly smaller share of all jobs in cities in 1997—9.2 percent compared to 9.3 percent in suburbs—cities are catching up. The high tech growth in cities was three times their overall job growth while in suburbs high tech jobs increased at about twice the rate of overall job growth. High-tech employment has the potential to strengthen substantially the long-term health of cities.

Exhibit 1–17: High Tech Jobs Are Growing Faster Than Jobs Overall

High-Tech and Total Job Growth Rates, 1992 to 1997



Source: HUD Special Tabulations of County Business Patterns Data, U.S. Census Bureau

High-tech job growth closely parallels overall job growth in large cities but not in suburbs. HUD also has examined the relationship between overall job growth and high-tech job growth in metropolitan areas. In cities, there was a close association between the rate of growth in high-tech jobs and the rate of growth in all jobs. The same story is not true for suburbs separately; there was a much weaker association between the non high-tech job growth rate in suburbs and the high-tech job concentration rate in suburbs. There is great variation in the types of jobs being created in suburbs—this is true both among suburbs in the same metropolitan area and across the suburban parts of different metropolitan areas.

How HUD Measures High-Tech Job Growth

In today's excitement over the prospects and realities of the New Economy, an important analytical step has been missing—a comprehensive definition of high-tech that incorporates both new industries and technology transformations within traditional industries. The U.S. Department of Housing and Urban Development's Office of Policy Development and Research has provided a definition of high-tech jobs that is both rigorous and driven by revealed preferences—high technology jobs are defined by the way all industries actually use specific types of occupations that are the developers and users of technology.

Under this definition, high-technology jobs are defined both by the nature of the work performed and the skills required for that work. Virtually all industries use technologically sophisticated labor at some point in the production process. To adequately measure the impact of high-tech on a local economy, all high-tech jobs should be taken into account, not just jobs in a narrowly defined set of industries. HUD's definition incorporates jobs in industries commonly identified as high-tech such as computer software development, biotechnology, and microelectronics—as well as technology-intensive occupations in existing industries such as manufacturing, retail, and service.

HUD's researchers began by examining all the occupational titles in the Bureau of Labor Statistics' (BLS's) Dictionary of Occupational Titles of 1992 and 1998. These were aggregated to match the nongovernment summary occupations in the BLS's Occupation-Industry Employment Matrices (OIEM) from 1992 and 1998. Detailed job titles within the summary occupations were examined, and, if these job titles had a substantial technological knowledge component, the occupation was defined as a high-tech occupation.* Thus, HUD's estimates of high-tech employment account for both changing occupational employment patterns within industries *and* changing industrial composition of jobs in cities and metropolitan areas.

* Total and high tech detailed occupations were aggregated by 2-digit Standard Industrial Code (SIC) so that the ratio of high tech employment in each 2-digit SIC in 1992 and 1998 could be computed. These ratios were applied to 2-digit SIC level job data from 1992 and 1997 for the 101 metropolitan areas and 114 cities in the State of the Cities Data Systems County Business Patterns Special Extracts database. HUD used the 1992 OIEM to estimate high tech jobs in 1992 and the 1998 OIEM to estimate high-tech jobs in 1997.

The highest central city job growth in high-tech industries is found in the South and West. Many of the largest cities are adding high-tech jobs at a rapid rate. Both Las Vegas, NV and Mesa, AZ doubled their high-tech employment. Several cities, including Austin, TX, Greensboro, NC, St. Petersburg, FL and Wilmington, DE experienced increases of 60 percent or more. In the Northeast and Midwest, cities are experiencing high-tech job growth at significantly lower rates than in the South and West.

A new survey conducted by the U.S. Conference of Mayors (USCM) illustrates the depth and breadth of this high-tech explosion in our Nation's cities. The overwhelming majority—81 percent—of cities reports significant or moderate growth in high-technology. Almost 90 percent report similar significant or moderate growth in telecommunications.

Lynn, Massachusetts: From Empty Buildings to Cyberdistrict

Lynn, Massachusetts is an old manufacturing city of about 80,000 on Boston's North Shore. In recent years it underwent an economic decline that left many factories and downtown office buildings vacant. But now the city—thanks to a pioneering, thriving Internet firm, Shore.Net, and an imaginative cyberdistrict strategy to capitalize on the firm's success—is moving forward into the New Economy.

Shore.Net, a 7-year-old Internet service provider, attributes its success to Lynn. According to founder Lowell Gray, "Lynn still boasts a large telephone-company switching station, installed back when the city's position at the juncture of two major railroad lines made it attractive to businesses." The city also has excess capacity in its electric-power grid, left behind by departed firms. For Net startups such as Shore.Net, these are very attractive assets, promising reliability and cheap connections. Shore.Net has made the most of Lynn's advantages—its revenue has risen more than 5,000 percent in 5 years, and its 1998 sales were $7.1 million.

For high-tech companies eager to emulate Shore.Net's success, Gray has three pieces of advice: "inner-city location, inner-city location, inner-city location." More than just giving advice, Gray has been the catalyst for Lynn's cyberdistrict strategy to attract more high-tech firms to the city. In the past three years, 15 more Internet firms have moved, or plan to move, to Lynn. And in 1999, Worldwide Fiber of Vancouver decided to locate the $15 million U.S. terminus of its transatlantic fiber-optic cable in Lynn—which should be a boon for attracting more firms that want direct access to overseas traffic.

Source: "Restoration Software," *Inc.* magazine, May 2000; pp.*94–102*

In light of these figures, not surprisingly, virtually all of the cities in the USCM survey listed high-tech as a priority in their economic development strategy. Sixty percent identified high-tech as a high priority.

The USCM survey also indicates that a significant number of these cities are successfully developing specialized "cyberdistricts" to attract these high-tech jobs. Fully 40 percent of these cities reported the creation of such districts.

The Pittsburgh Advantage: From Steel to Biotech

Pittsburgh—an old industrial city with a metropolitan population of about 2.3 million—is being reborn as a regional center of the New Economy, thanks to its technologically oriented universities, public–private cooperation, and reuse of brownfields.

Once a major steel center, Pittsburgh lost some 150,000 jobs when each of its major steel plants was shuttered. But now these facilities are being returned to productive use. A prime illustration of how the city is transforming itself is the Pittsburgh Technology Center. Once an abandoned steel mill, it is now a booming technology center where two university facilities and a growing number of firms are cooperating to make research more applicable to industry.

The two universities participating in the Technology Center—the University of Pittsburgh and Carnegie Mellon University—each have an interdisciplinary research center that develops and applies new technologies in such fields as artificial intelligence, robotics, biotechnology, bioengineering, and computer applications. *Sources:* Carnegie Mellon University, Pittsburgh Urban Redevelopment Authority, Center for Environmental Commerce.

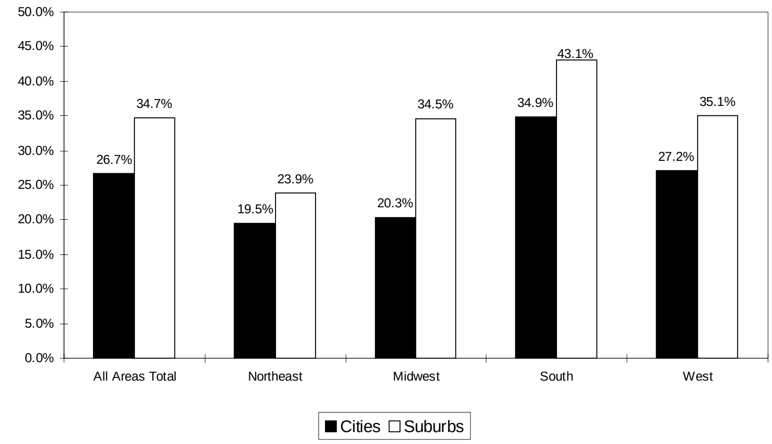
THERE IS A NEW DIGITAL DIVIDE IN HIGH-TECH JOBS BETWEEN CITIES AND SUBURBS

Despite progress, cities have yet to fully capture the benefits of the historic transition into the high-tech, information-based economy. Even with the positive gains in high-tech job growth for large central cities, cities continue to lag suburbs in high-tech job creation just as they lag suburbs in overall job creation.

Most central cities are gaining high-tech jobs, but suburbs are growing 30 percent faster—34.7 percent compared to 26.7 percent. Fewer than one third—34 out of 114 cities—-showed stronger gains in high-tech jobs than their surrounding suburbs.

Exhibit 1–18: In All Regions, High-Tech Jobs Are Growing at a Slower Pace in Cities Than in Suburbs

Growth in High-Tech Employment, 1992 to 1997



Source: HUD Special Tabulations of County Business Patterns Data, U.S. Census Bureau

In most parts of the country, cities lag significantly further behind the suburbs. In the Northeast, high-tech jobs are growing 20 percent faster in suburbs than in cities (23.9 percent versus 19.5 percent). In the Midwest, the suburban high-tech growth is 60 percent faster than city growth (34.5 percent versus 20.3 percent). And in the South, high-tech jobs grew in the suburbs 25 percent faster (43.0 percent versus 34.0 percent). In some specific places, the gap is a ravine: Los Angeles, for example, added 35,339 suburban high-tech jobs, compared to just 932 in the central city. Detroit added 36,770 in the suburbs versus just 2,594 in the central city.

One of the biggest challenges facing cities in closing the gap between cities and suburbs is the widening "digital divide." The most obvious gap to be found is between individuals with access to a computer and the Internet and those without such access—a well-documented gap that runs along income and racial lines.[3]

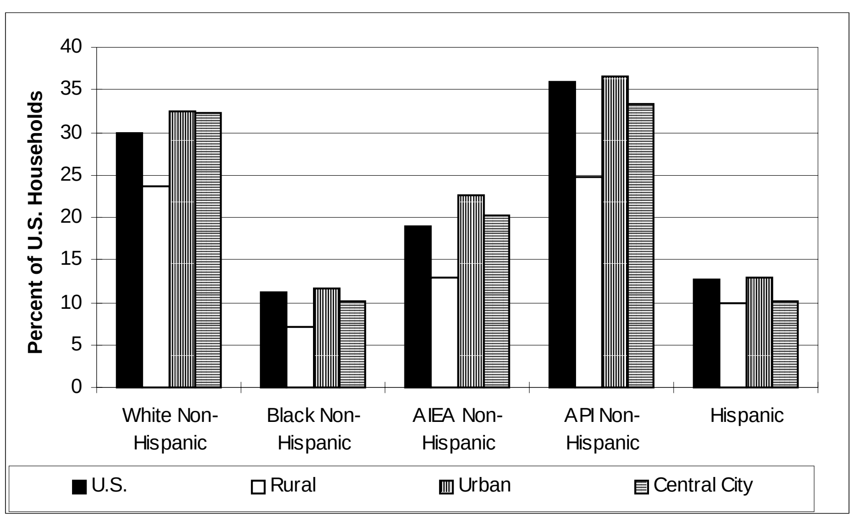
A second gap is the skills gap. In order to participate fully in the high-tech economy, cities require a skilled workforce—a function of education and job training. As high-tech jobs in suburbs continue to outpace cities, central city residents are left out of the critical social and financial networks that provide access to employment and upward mobility. A third gap is a spatial gap—mismatch between the jobs in the high-tech corridors and inner city communities, where the untapped labor resources reside.

Mayors have identified a significant gap in skilled and highly skilled workers. The recent survey by USCM finds that four out of five cities face a shortage of highly skilled workers—workers with undergraduate degrees, graduate degrees, managerial or technical skills, and work experience. More than three-fourths (77 percent) of these officials say that this shortage has increased over the past 5 years. More than half of the cities report that this shortage is affecting their ability to attract new businesses.

The digital divide is a metrowide phenomenon. Computer ownership and Internet access are growing across all categories of American households. However, the digital gap is widening because access to this technology is growing faster among higher income, better educated, nonminority families who tend to live in suburban areas than it is among low-income, minority and center-city households, according to a study conducted by the National Telecommunications and Information Administration (NTIA).[4]

Between 1994 and 1998 computer ownership in central cities grew from 22 percent to 38.5 percent. Computer ownership in the United States as a whole started somewhat higher, at 24.1 percent, and grew to 42.1 percent. In 1998, nearly half of whites (46.6 percent) owned computers but only slightly more than one-fifth (23.2 percent) of African-Americans and Hispanics did.[5]

Exhibit 1–19: Suburbs Have Great Access to the Internet, but the Major Divide Is Across Racial and Ethnic Lines



Source: NTIA, U.S. Department of Commerce Using 1998 CPS, "Falling Through the Net: Defining the Digital Divide"

Rising income appears to overcome the racial/ethnic division. Thus, the gap all but disappears among households with incomes of $75,000 or more.[6]

An even wider chasm splits Internet use. In central cities, slightly more than 40 percent of whites use the Internet, compared with only 18 percent of African Americans and about 15 percent of Hispanics.[7] By contrast, 36.2 percent of Asians and 35.8 percent of Native Americans, respectively, utilize the Internet. For single mothers living in central cities, the gap in Internet use is also substantial—less than 60 percent of the usage reported by married couples with children.[8]

Cities with imaginative urban economic development strategies are casting a broad net as they try to attract, foster, and incubate new high-tech industries. These enterprises are locating in cities that provide a trained labor pool, sufficient space, updated infrastructure, an appropriate environment, and the right incentives.

"Our State has placed a high priority on developing a telecommunications infrastructure and the information superhighway. We have literally 'hard-wired' the State of North Carolina to make government, educational institutions, and businesses more competitive in the global marketplace."

James Hunt, Governor of the State of North Carolina

For years, Chicago had a great deal of unused office and commercial space. Now, in part due to strong marketing efforts on the part of the city, a growing number Internet firms are quickly taking advantage of this underutilized resource in the city. At least 15 web-based companies were closing deals on more than 1 million square feet of office space in early 2000, according to a report in the *Chicago Sun-Times*.[9] The firms cited space needs that could be accommodated downtown as a major factor in their decisions to move. Another consideration was the fact that many of the young high-tech workers in these firms are urbanites. "A large part of our work force lives in the city already," a spokeswoman for one firm said.[10]

The wiring of public schools is helping to close the digital gap. The intense effort of the Clinton-Gore Administration to wire public schools for Internet access has paid off by almost eliminating that aspect of the digital divide. In 1999, almost all schools had Internet access, and there was only a 3-percentage-point difference between suburban and city schools, according to the National Center for Education Statistics.[11]

Publicly and privately supported Community Technology Centers are working in many inner-city communities to narrow the digital gap. While more are needed, hundreds of computer centers already are in operation in low-income communities across the country, and they are making a difference in the lives of many inner-city residents. The Department of Education and National Science Foundation sponsor 250 Community Technology Centers in libraries, community centers and other neighborhood sites. HUD's Neighborhood Networks initiative has encouraged the establishment of more than 500 computer centers in privately owned HUD-assisted and HUD-insured housing developments, with another 500 centers in the planning and development stages.

Both the Community Technology Centers and Neighborhood Networks provide more than rooms filled with equipment. They often become neighborhood hubs for training, healthcare, and microenterprise startups as well as community and social programs. The Internet training and access provided to the public at these centers is crucial, the National Telecommunications and Information Administration (NTIA) concluded. "Households with incomes of less than $20,000 and African-American households, for example, are twice as likely to get Internet access through a public library or community center than are households earning more than $20,000 or White households. Similarly, low-income households and households with lower education levels are obtaining access at schools at far higher rates."[12]

The report concluded that technology centers had the practical effect of helping participants increase their job skills and access to employment opportunities. These centers also had an important social impact on participants who discovered a "joy in learning," increased their self-confidence, and found a new outlook on life.[13]

Business, philanthropic foundations, and nonprofit community organizations also are working to narrow the technology gap. In Detroit, a nonprofit organization called "Think Detroit" combines sports teams with computer classes. Since its creation in 1997, Think Detroit has furnished computer labs in 17 churches, schools, and nonprofit agencies. In addition, it organizes basketball, soccer, and baseball leagues. Youngsters over the age of 10 who join up for sports also get computer classes. "We knew kids needed the character that comes with team sports, and we knew they needed the tools of the future that come with access to technology," notes Michael F. Tenbusch, one of the group's founders.[14]

Finding #2: The New Demography

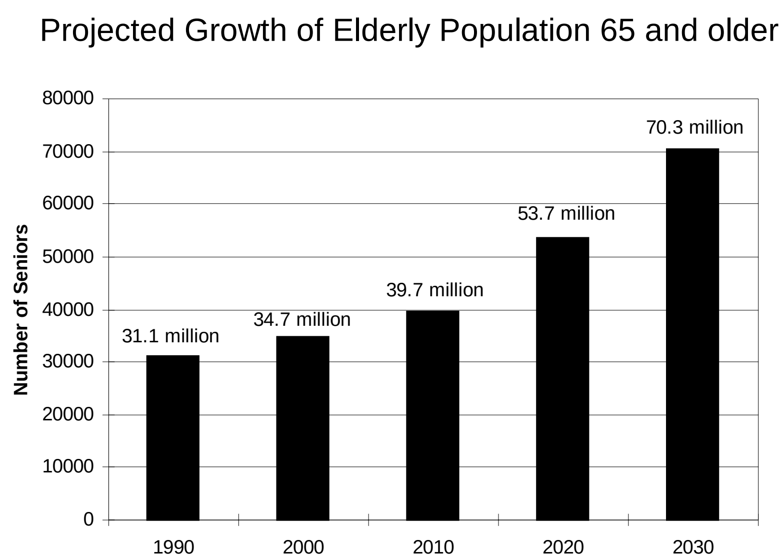
The New Demography is multigenerational, multiracial and multiethnic. Both cities and suburbs are getting older, but a disproportionate number of the elderly poor live in central cities. At the same time, cities and older suburbs are becoming more racially and ethnically diverse.

Overall, population is on the rise, with metropolitan growth continuing at a faster pace in suburbs than in central cities. The 2000 estimated population of 275 million is projected to rise to roughly 350 million by 2030. This projected 75 million more people, half of which will be new immigrants and their children, will drive economic expansion by providing both the demand for goods and services and the labor force to fill that demand. How best to meet these needs while protecting our already over-taxed land and environment will pose difficult choices.

CITIES ARE AGING

In 2030, the elderly population will reach 70 million, doubling the current number of elderly Americans. These seniors will comprise 20 percent of the overall U.S. population. In 1998, 34.4 million Americans were aged 65 or older, 12.6 percent of the population. Many will "age-in-place" and remain in those cities or suburbs they have called home for decades.

Exhibit 2–1: Seniors Will More Than Double to 70 Million by the Year 2030



Source: Current Population Reports, U.S. Census Bureau

Most seniors live in the suburbs. Reflecting overall population trends, the suburbs house a greater proportion of the nation's seniors than our central cities. In 1999, the percentage of the metropolitan population over 65 years old living in the suburbs increased to 47 percent from 36.1 percent in 1970. In contrast, the share of elderly in central cities dropped to 27.1 percent from 38.1 percent over the same period. However, this disparity does not hold true for every city. Washington DC, Atlanta, Seattle, Minneapolis and St. Louis, all have substantially larger concentrations of the elderly in their central cities than do their suburbs.

But central cities will continue to house a disproportionate number of the nation's low-income seniors. The poverty rate for seniors in cities is twice that of the suburbs. Low-income elderly, particularly minority elderly, are more likely to live in central cities than suburbs. While 26 percent of all seniors live in cities, 31.2 percent of all *low-income* seniors live in cities. In contrast, almost 50 percent of all seniors live in the suburbs (46.9 percent) but the suburbs house less than 40 percent (37.8 percent) of all low-income seniors. The percentage of seniors who are poor in cities is 14.2 percent – twice the poverty rate of in the suburbs, where just 7.7 percent of seniors are poor.

HOUSING THE NEW ELDERLY

The new elderly will remain in their own homes for as long as possible. Among the current generation of seniors, 90 percent of those aged 70 and over live in the homes they have occupied for years.[15] Whether they now live in central cities or suburbs, a surprisingly large proportion of the elderly own their own homes. In fact, about 80 percent of those 62 years and older now are homeowners, including 65 percent of African Americans, 60 percent of Hispanics and 59 percent of seniors with incomes below $10,000.[16]

Especially in cities, those houses are aging along with their owners. The elderly in central cities tend to live in older dwellings than their suburban counterparts. Currently 6 percent of the elderly—both owners and renters—live in housing that needs repair and/or rehabilitation. At that rate, nearly 3 million seniors will have major housing repair needs by 2030. Even worse, 30 percent of the elderly today—7.4 million households—pay more than they can afford for housing. By 2030, that number could reach 15 million households.

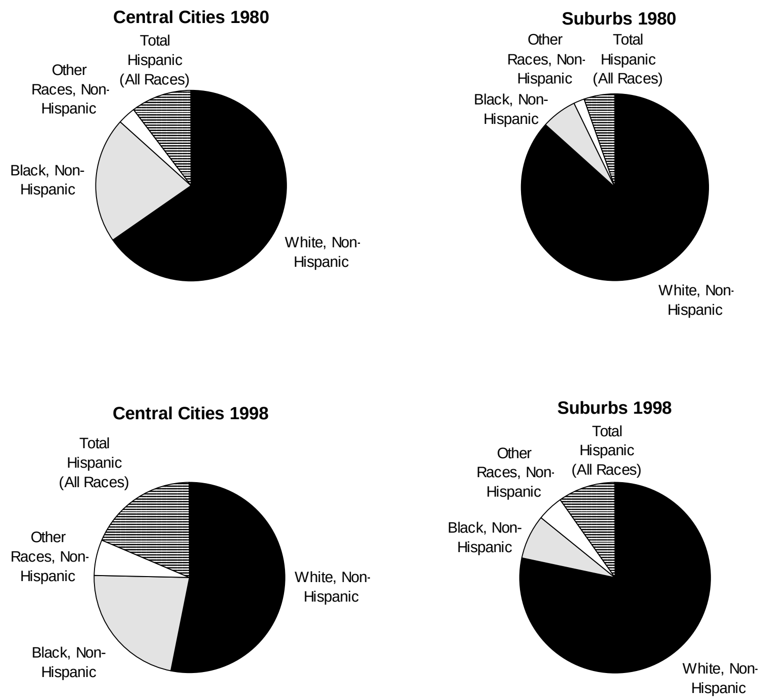
The problem facing cities as they anticipate housing the new elderly is how to help these economically pressed seniors pay for and maintain dwellings that are becoming as frail and infirm as many of their owners.

The suburbs will confront a different set of dilemmas in accommodating the new elderly. Most suburban seniors live in homes that were not designed for the elderly or disabled. They often are larger than needed. Indeed, one-fifth of older Americans are classified by HUD as “overhoused.” Keeping up these houses can tax the elderly financially and physically. Most houses, whether in suburbs or central city, are not equipped with many of the devices that can make independence possible for the frail: easy to use door handles, hand rails and grab bars, ramps, and elevators or stair lifts. Currently, about 15 percent of the elderly receive care in their own homes. About one third of this group share their house with a caregiver—a nonrelative who lives in and helps the elderly owner with daily living tasks.

A NEW PARADIGM OF ONE AMERICA

Racial and ethnic diversity is increasing in both cities and suburbs. Cities—historically home to the Nation’s newcomers as well as most of its minorities—remain the most diverse. The population of racial and ethinic minorities is growing at a rapid pace. Minorities will account for about three-quarters of total population growth during the first decade of this century. Between 1980 and 1998, for example, the proporation of central city residents that are minorities rose from 34.8 percent to 46.9 percent. In suburbs, during this period, the proportion of minorities nearly doubled from about 13 percent to almost 23 percent as did the proportion of Hispanics, from 5.3 percent to 9.6 percent. Although the percentage of African American suburbanites didn’t expand as dramatically, their numbers went up substantially.

Exhibit 2–2: Racial and Ethnic Diversity Is Highest in Cities, but Is Increasing Everywhere



Source: 1980 and 1990 Census of Population, 1998 Current Population Survey; U.S. Census Bureau

Immigrants and their children are expected to make up one-half of the projected population growth of the next 30 years. This group of new Americans will drive economic expansion by providing both the demand for goods and services and the labor force to fill that demand. In a USCM survey conducted in May 2000, three out of four city officials reported that during the last five years, their cities expereinced growth in immigrant populations. Nearly nine out of ten, said that recent immigrants were actively participating in thier cities new job markets.

Immigrants are powering the new diversity surge—in both suburbs and cities. Immigrants of early part of the 20th century were more likely to settle in cental cities which led to ethnic enclaves such as the Little Italys and Chinatowns found in many cities. Recent studies reveal changes in this pattern. A growing number of immigrants are moving to the suburbs. Of immigrants who arrived between 1990 and 1995, 45 percent reside in suburbs while 44 percent live in central cities. They have transformed many traditional ethnic neighborhoods in our major urban centers into truly multicultural, multiethnic entities. In the process, they have reversed the population decline of many cities. In Los Angeles, for example, foreign-born residents now account for 38 percent of the population. Immigrants are also a major factor in New York City's population turnaround.[17] On the whole, the new demographic trends are blurring the ethnic and racial lines between cities and suburbs, both of which are finding increasing diversity within their populations.

Exhibit 2–3: Cities House a Disproportionate Share of New Immigrants

Number of Foreign-Born Who Moved From Abroad to United States

Year	U.S.	Metropolitan Areas		Central Cities		Not in Central Cities		Non-Metropolitan Areas	
		Number	Percent of U.S.	Number	Percent of U.S.	Number	Percent of U.S.	Number	Percent of U.S.
1990 to 1995	3,305,000	3,107,000	94.0	1,621,000	49.0	1,486,000	45.0	199,000	6.0
1996 to 1999	3,595,000	3,362,000	94	1,651,000	46	1,712,000	48	23,300	6.0
Total	6,900,000	6,469,000	93.8	3,272,000	47.4	3,198,000	46.3	432,000	6.3

Source: Special Tabulations for HUD of March Current Population Surveys, U.S. Census Bureau

The majority of immigrants are choosing to live in 11 gateway metropolitan areas. Many of these areas are losing native-born residents to other regions, but the influx of new immigrants is keeping their population balance sheet positive. For example, the majority of the counties in the New York, Los Angeles, and San Francisco regions achieved their only migration growth from international immigrants between 1990 and 1999. Without them, they would have lost population. Orange County, California, for example, lost 187,666 domestic migrants between 1990 and 1999 but gained 227,159 immigrants from abroad.[18]

Immigrants Flourishing in Washington, D.C. Suburbs

The concentration of immigrants in the suburbs of the 10 melting pot regions is dramatically changing the nature of those areas. The northern Virginia suburbs of Washington, D.C., for example, have become centers for various Asian groups. Annandale—also known as Koreatown—has a thriving Korean community that features Korean bakeries, jewelry stores, bookshops, and law offices that speak the language and specialize in the legal affairs of Korean immigrants. In Falls Church, a nearby Northern Virginia suburb, is a large Vietnamese community that has its own shopping center, Eden Center, with Vietnamese groceries, jewelry stores, music stores, and restaurants. Also in this community, a local cinema that shows imported movies from India in Hindi has become a major gathering spot for immigrants from that Asian country.

The new demography is changing the way America thinks about itself. In the United States, discussion and debate about race and ethnicity are as old as the Republic. For centuries, two separate conversations took place, one about race and another about ethnicity (for the most part about immigrants from different countries in Europe). The new demography is changing all that. The new wave of immigrants includes individuals of diverse races and ethnicities who don’t fit neatly into the old racial and ethnic molds.

Despite the increasing diversity of our society, tenacious discriminatory practices persist against racial, ethnic, and religious minorities and persons with disabilities. Thousands of incidents of discriminatory behavior are reported each year in hiring and promotion, as well as in the sale and rental of housing, lending, and providing of insurance. Many foreign-born Americans suffer discrimination because of their race or ethnicity as well as their immigrant status.

HUD has under way a nationwide discrimination audit to determine the level of housing discrimination nationally. As one gauge of the pervasiveness of housing discrimination, HUD has brought nearly 2,200 Fair Housing enforcement actions just since the beginning of President Clinton’s second term. As HUD Secretary Andrew M. Cuomo said, “Even at the dawn of the 21st century, housing discrimination, in both blatant and subtle forms, continues to plague our country. Today’s discrimination is often more subtle than it was in the past, but it is no less real and no less damaging to our social contract as a Nation that values equality of opportunity for all."

Finding #3: The New Housing Challenge

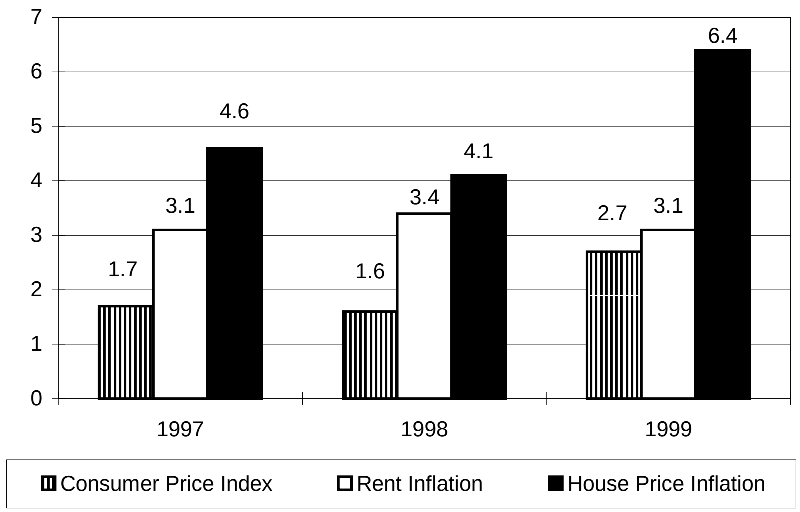
As increases in the cost of housing surpass the rate of inflation, economic good times are paradoxically creating a housing crisis for many Americans. The economic growth that is pushing up employment and homeownership in most of the Nation's cities also is driving increases in rents more than one-and-a-half times faster than the rate of inflation—and creating staggering jumps in home prices as well.

THE STRONG ECONOMY PARADOX

Economic good times paradoxically have created a housing crisis for many Americans. Over the past 3 years, house prices have been rising at more than twice the rate of overall inflation and rents more than one-and-a-half times that rate. For most of the goods and services that Americans routinely pay for—the items that go into the CPI—inflation has been very low throughout the economic expansion, but not so for the cost of housing in recent years. From 1997 to 1999, the CPI rose 6.1 percent, an average of two percent per year. During the same period, rents rose by 9.9 percent and house prices by 16 percent. This may be a reversal of a long-term trend that lasted for many years where the real cost of rents remained relatively stable. The recent spike in housing costs potentially signals a new trend.

Exhibit 3–1: Rents and House Prices Are Rising Faster Than Overall Inflation

Percentage Change in CPI and Relevant Housing Indices—End of Year Over End of Year



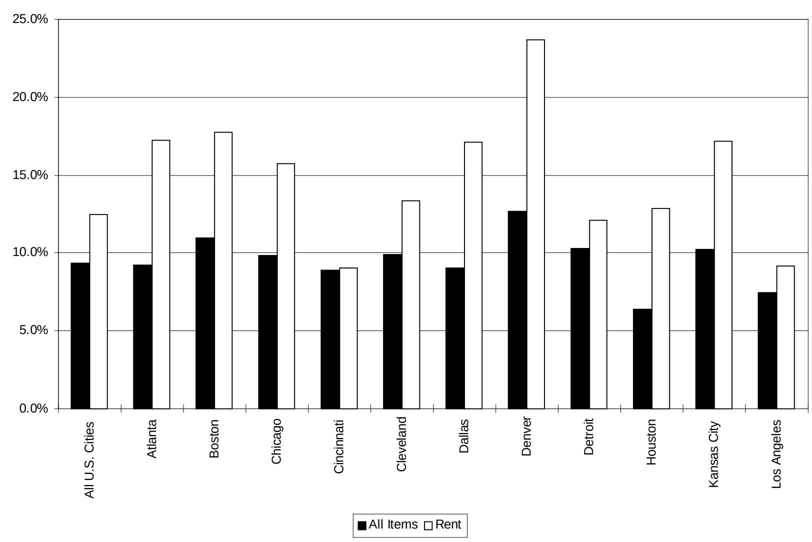
Source: Bureau of Labor Statistics, and HUD's Office of Federal Housing Enterprise Oversight

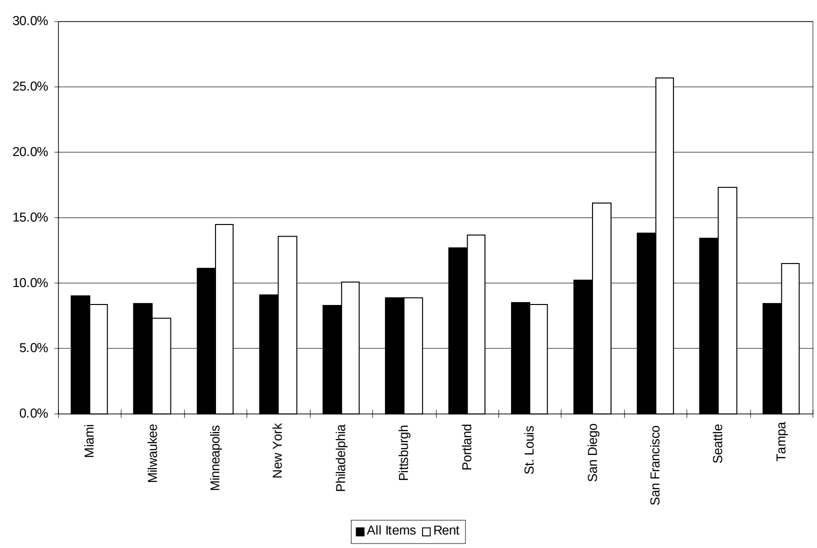
The housing cost spiral paradoxically is a result of the economic boom and the comeback of cities. Income is going up and so is demand, but the supply of housing that is affordable to many families is not keeping pace. Unless or until the market supplies more housing, the positive development of higher incomes and more people working has the negative effect of pricing some families out of affordable housing.

A recent survey conducted by the USCM finds that housing shortages are occurring across the country regardless of income level. Asked to characterize their housing shortages, officials in 28 percent of the cities said a serious or very serious shortage existed for upper-income households; those in 32 percent of the cities said such shoratges existed for middle-income households; and those in 46 percent said they existed for low- and moderate-income households.

This is a problem for both people and places. Many low-income earners have to work two or three jobs just to pay the rent. As a result, the people required to fill a variety of entry level jobs cannot find housing near their workplace—or find work a reasonable distance from where they can afford to live. In many of these areas, workers critical to the local economy, such as firefighters, police officers, and teachers, cannot afford to live in the communities they serve. Local businesses that are expanding and looking for new employees cannot find them close by. Some businesses that are thinking of moving into the area are having second thoughts because of the housing headache their employees are likely to suffer. This housing paradox is especially affecting the hot high-tech markets around the country.

Exhibit 3–2: Rent Inflation Exceeds Overall Inflation in Most Of the Top 25 High-Tech Markets



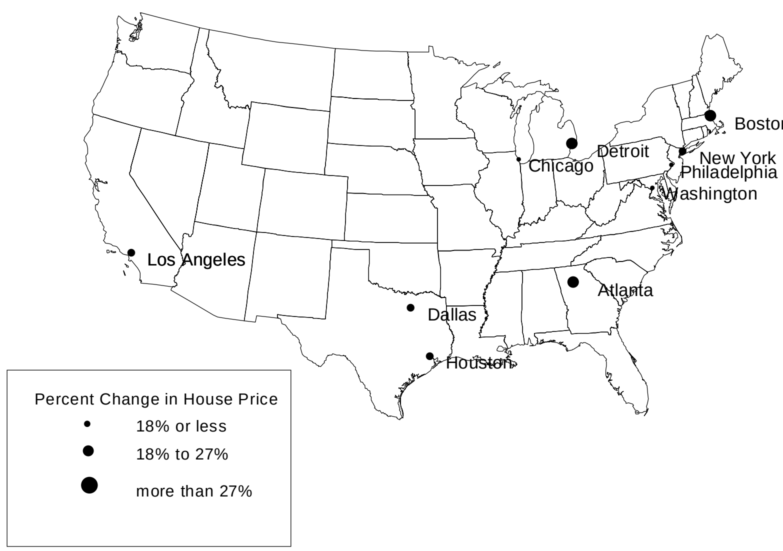


Source: Consumer Price Index, Bureau of Labor Statistics
Note: Changes in All-Items CPI and Rents, 1995–99

The hot high-tech markets are among the highest-cost housing markets. An analysis of rent inflation as compared to overall inflation finds that many of the top 25 high-tech markets experienced high relative rents during the period 1995 to 1999. For example, in high tech markets like Boston, Atlanta, and Chicago, rent increases were nearly one and a half times that of overall inflation. During the same period, rents increased by more than 20 percent in such high-tech markets as Denver and San Francisco.

Among the top 10 metropolitan areas that HUD identifies as the hottest high-tech markets, house prices rose more than 18 percent in seven of the ten areas from the end of 1995 to the end of 1999, and by more than 27 percent in three of the ten areas.

Exhibit 3–3: Owner-Occupied House Price Changes, 1995 to 1999: Top 10 Metro Areas for High-Tech Jobs



Source: HUD Special Tabulations of County Business Patterns Data (U.S. Census Bureau); Freddie Mac Repeat Sales Index 4th Quarter 1995 to 1999

The housing affordability crisis in these areas affects not only those with low incomes but middle-income families as well. A person earning the minimum wage in San Francisco would have to work the equivalent of 174 hours a week just to pay the median rent. In Westchester County it would be 160 hours a week.[19] Money—at least the earnings of a middle-income worker—does not necessarily solve this problem. The media abounds with stories of Silicon Valley workers who must sleep in their cars because they cannot afford the rent on a tiny apartment. In Fairfax County, Virginia, the wealthy high-tech suburb of Washington, D.C., homelessness is up 21

Booming Silicon Valley Responds to Housing Crisis With Model Public-Private Trust

Santa Clara County, California—in the heart of booming Silicon Valley—faces a severe crisis of affordable housing. "In Silicon Valley, you're at the poverty level if you're making $50,000 to $70,000 a year," the head of the county's largest homeless shelter explained recently in *U.S. News & World Report*.

The valley is a pioneer of the New Economy, and its housing crisis likewise is longstanding. Since 1992, 250,000 new jobs have been created in the county but fewer than 50,000 new homes have been built—forcing the median house price up to $410,000, more than twice the Nation's average. Rents have also risen similarly high—a one-bedroom apartment can rent for $1,100 or more. Thus only 29 percent of county households—compared with 55 percent nationally—can afford a median-priced home.

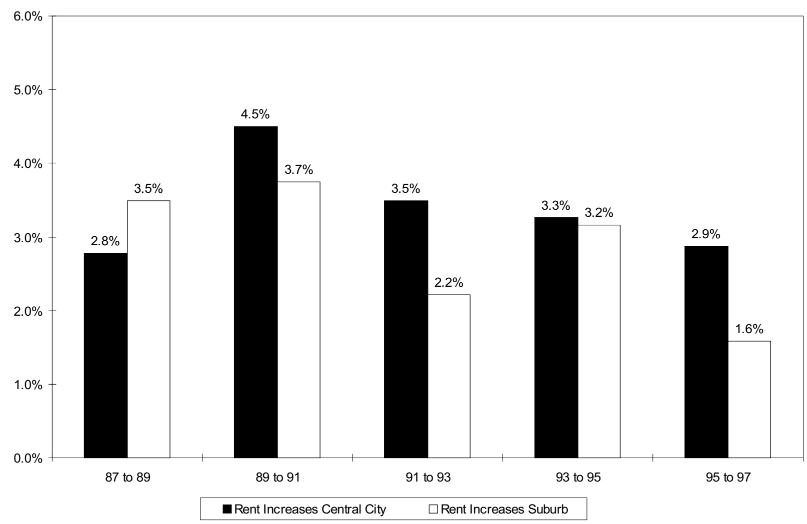
To respond to this affordable housing crisis, almost 10 years ago a consortium of community leaders and executives of private firms created a public–private partnership, the Housing Trust Fund of Santa Clara County (HTF), to build up revolving loans and grants and leverage other local housing resources. Participants in HTF also include a wide array of other local organizations—from city governments and labor unions, religious and advocacy organizations, and service agencies.

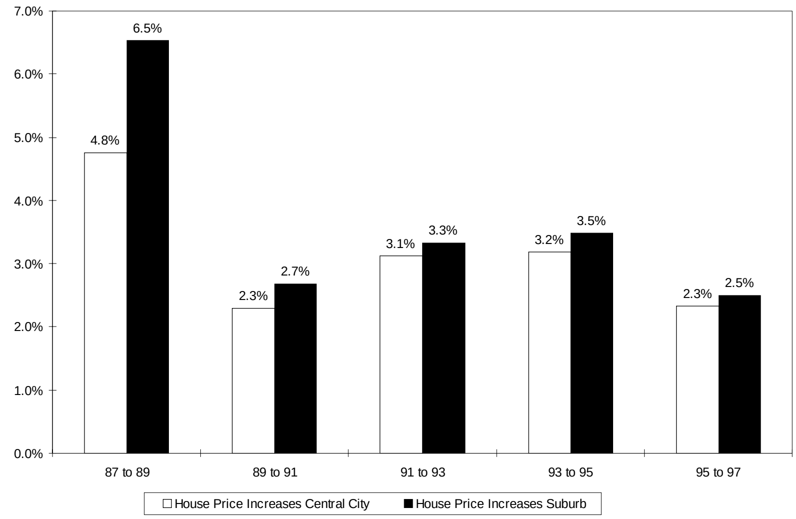
HTF's strategy is to serve as a catalyst to develop needed housing in Santa Clara County. To implement this strategy, it relies on an innovative blend of corporate and community investors to back its three programs—low-interest loans for down payments and closing costs for first-time homebuyers, gap financing for affordable rental housing projects, and funds to assist the homeless in attaining stable housing. It seeks to turn each dollar raised into an investment worth tenfold in value. Now, HTF is seeking $20 million in funding over the next 2 years—and is well on its way.

percent in two years and 64 percent of the homeless are working.[20]

Housing affordability is a central city as well as a suburban problem. In the late 1980s, house prices in central cities appreciated at a rate only 72 percent of that in suburbs. Appreciation in housing rents in central cities was 80 percent of that in suburbs. By the late 1990s, however, this pattern changed. Central city house price changes nearly matched suburbs at 93 percent. In some parts of the country, such as Boston and Chicago, housing prices are now rising faster in the central cities than in their suburbs. Recent rent increases in central cities have been 83 percent greater than those in suburbs. In fact, since 1991 rents have risen faster in central cities than in suburbs.

Exhibit 3–4: Since 1989, Rent Changes in Cities Exceed Those of Suburbs and House Price Changes in Cities Are Approaching Those of Suburbs





Source: American Housing Survey, various years; U.S. Census Bureau; HUD

Rents and housing prices are rising as a result of the national economic expansion and the revitalization of the cities, as described in Finding #1. All of this bears witness to the fact that the programs, policies, and partnerships aimed at urban recovery are working. The new breed of innovative city and county leaders are working with each other and with their Federal partners to catalyze urban growth. Federal programs such as CDBGs, EZs/ECs Zones, Section 108 guaranteed loans, and the EDI/Community Empowerment Fund are bearing fruit in the economic turnaround of cities across the country. Unfortunately, this good news is also producing negative results for many communities.

THE CRISIS GETS WORSE

Serious housing problems are increasing at almost twice the rate of population growth. In 1997, an all-time record high of 5.4 million very-low-income families,* paid more than half their income for housing or lived in severely inadequate housing, a situation that HUD classifies as "worst case needs."[21] That represented a 12 percent growth in worst case needs households since 1991, a pace nearly twice as fast as the 7 percent growth of all households over the same period.

* Very-low-income families have incomes below 50 percent of the local MSA median; extremely-low-income families have incomes below 30 percent of median MSA income.

A growing proportion of these are working households. Between 1991 and 1997, the number of households on the worst case needs list whose members worked the equivalent of full-time jobs increased by 28 percent, more than three times the 8 percent rise of all other very-low-income households with worst case housing needs. One in three of worst case families with children were working with earnings exceeding full-time work at the minimum wage.

To make matters worse, the number of affordable housing units is shrinking just when it needs to expand. Between 1991 and 1997, the number of units affordable to extremely-low-income families dropped by 5 percent, a decline of more than 370,000 units. So that in 1997, for every 100 extremely-low-income households, there were only 36 units both affordable to them and available for them to rent.[22]

Worst case needs are also a problem in the suburbs. Although more families with worse case needs live in central cities than suburbs—2.7 million live in central cities compared with 1.8 million in suburbs—one-third of households live in the suburbs. A larger proportion of very-low-income suburban households have worst case problems (41 percent) than very-low-income households in central cities (37 percent). The lack of housing affordability remains an intractable problem in suburbs and cities, regardless of their economic health.

Housing rental assistance and access to homeownership are important solutions to the housing affordability problem. During this period of economic expansion, rents and house prices have outpaced inflation. In many hot markets, shelter costs are an increasing burden for families. Housing vouchers are a critical step for families in greatest need of rental housing assistance. Increased access to homeownership is another critical solution to the housing affordability challenge. Homeownership can fix monthly housing costs and provide a shield against rising rents, thereby making homeownership an important answer to this problem. In addition, homeownership allows a family to particpate in the economic expansion through increases in house prices, but such wealth creation can be realized only if neighborhood trends are favorable. Furthermore, increasing homeownership in central cities is also desirable because of its stabilizing impact on neighborhoods.

HUD has a menu of programs that help make housing more affordable to low-income families. From 1995 to 1998, Congress had approved no additional rental assistance units. But for the past two years, HUD and Congress have achieved bipartisan agreement on

110,000 housing vouchers for low-income families to help pay the rent in the private housing market.

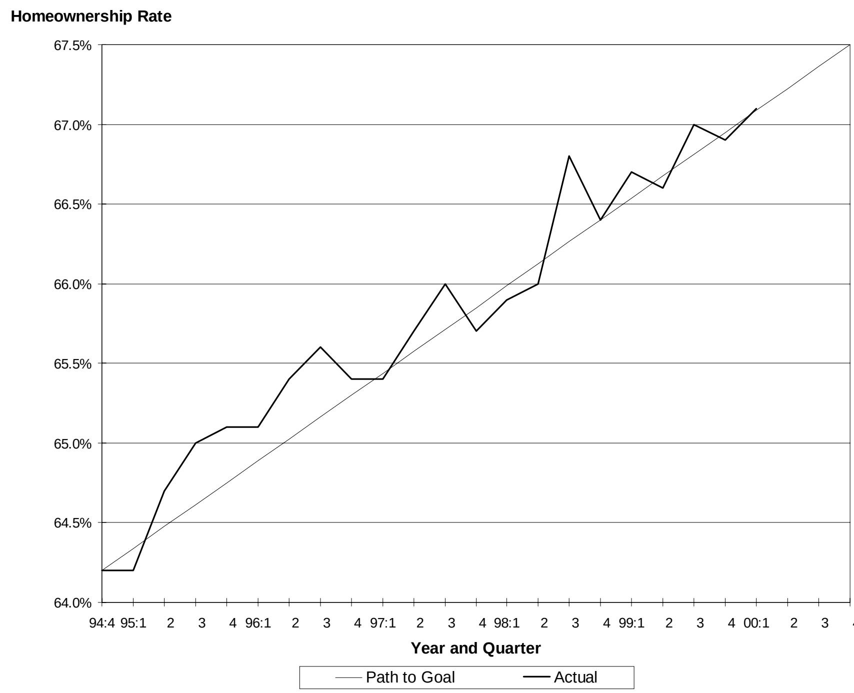
Crucial partners in the development of affordable housing are the 3,600 Community Development Corporations at work in central city neighborhoods across the country. They have built or renovated 550,000 units of affordable rental and ownership housing, 40 percent of the total in the last four years. Increasingly important participants in affordable housing development are faith-based groups.

To spur homeownership, a revitalized Federal Housing Administration (FHA) insured a record 1.3 million mortgages worth $124 billion in 1999. HUD oversight of Fannie Mae and Freddie Mac, the government sponsored enterprises, has prompted a whole range of exciting new mortgage instruments that enable more working families than ever before to become first time homebuyers.

RECORD HOMEOWNERSHIP RATES

As a result of the economic boom, favorable interest rates and programs that work, including a revitalized FHA, homeownership rates have reached all-time-high levels in both central cities and suburbs. Between 1992 and 1999, over 8.7 million households became homeowners as the national homeownership rate reached 66.8 percent for the first time ever. In central cities, with the homeownership rate of 50.4 percent, for the first time in history a majority of residents are homeowners. Thus, 16.3 million central city families now are homeowners, an 8 percent rise since President Clinton took office in 1993. In 1995, President Clinton set the goal of a 67.5 percent homeownership rate by the end of 2000. Although the results won't be known until next year, that goal is in sight (See Exhibits 3–5 and 3–6).

Exhibit 3–5: Progress Toward Year 2001 Goal of 67.5 Percent National Homeownership Rate



Source: U.S. Census Bureau and HUD Calculations

Moreover, all racial and ethnic groups are sharing in this homeownership boom. As of 1999, 45.5 percent of Hispanics, 46.7 percent of non-Hispanic African Americans, and 54.1 percent of other non-Hispanics minorities were homeowners—record rates for all three groups. Minorities make up 30 percent of first-time homebuyers and account for 40 percent of the growth in homeownership. Homeownership continued to rise in the first quater of 2000 with the overall rate reaching a record 67.1 percent. The central city homeownership rate was 51.2 percent for the same period, also a record. The first quarter rates for minorities were: Hispanics, 45.7 percent, African-Americans 47.8 percent, and other minorities 54.2 percent.

Exhibit 3–6: Progress Report, National Partners in Homeownership

	1st Quarter 2000 (%)	Rate at the End of 1994 (%)
Nation Overall	67.1	64.2
Central Cities	51.2	48.2
Minorities	48.0	43.7
Female-Headed Households	52.7	48.7
Households with Less than Median Family Income	51.4	48.6
Married Couple Families Under Age 35	60.8	57.1
Increase in Number of Homeowners Since End of 1994	6,754,000	

Source: U.S. Census Bureau

Important homeownership gaps still remain. The homeownership rate in central cities trails substantially behind the rate in suburbs—50.4 percent compared with 73.6 percent in suburbs in 1999. The gaps between whites and other groups remain large. In 1999, 73.2 percent of white households owned their own homes, a rate much higher than that for Hispanics and non-Hispanic African Americans.

As homeownership has grown, a new problem has arisen—predatory lending. Subprime lending has opened the door to homeownership to hundreds of thousands of first-time homebuyers who would not be eligible for a conventional loan. Between 1993 and 1998, the number of these loans increased 10-fold from 80,000 to 790,000. Because many providers in the subprime market are unregulated, subprime lending is providing an opportunity for predatory activities. Predatory lenders focus on the most vulnerable homeowners—the elderly, minorities, and low-income families—loading them down with debt and stripping them of equity. In a growing number of cases, these predatory loan terms are too much to bear, and, as a result, the family loses its home to foreclosure. Foreclosures are growing at a rapid rate in the subprime market; thus it importance for additional protections for vulnerable homeowners. HUD and the Treasury Department have convened the first-ever national Task Force which is preparing a report recommending actions that will halt these abusive practices.

Finding #4: Decentralization

The New Economy's advances in information technology, coupled with rising incomes, population growth, and infrastructure spending patterns, continue to drive residential and business development to the fringe. A new HUD analysis shows accelerating growth in land consumption, which threatens to undermine the quality of life in both cities and suburbs.

The rapid spread of jobs and people to the urban edge has been a feature of urban growth for much of the last half-century. There is strong evidence that the new high-tech, information-based economy is contributing to this trend, with the preponderance of high-tech job growth in the suburbs and the rise of high-tech corridors outside of cities such as Silicon Valley, Route 128 in Boston, and the Dulles Corridor near Washington, D.C. Many high-tech firms have chosen to locate in outlying suburbs, as have other businesses. The speed and efficiency of new information technologies appear to make this choice attractive and practical. In fact, there is a danger that these decentralization trends could intensify existing social and economic inequalities between central cities and their surrounding suburbs, widening the "digital divide" between the winners and losers in metropolitan America.

There is another danger with continuing to decentralize population and jobs. There is evidence that the high-tech economy reinforces the need for strong central cities. The advantages of agglomeration inherent in central cities—the creativity induced by face-to-face interactions, access to specialized skills, and infrastructure economies—are also valaublle in the New Economy.

The continued outward expansion of our urban areas has made it increasingly difficult for any single community to effectively address issues that cross local jurisdictional boundaries, including transportation, environmental protection, education, poverty, affordable housing, and economic development. Concern about growth, disinvestment, and decline has moved far beyond the central cities' borders. Older inner-ring suburbs are beginning to show signs of decline that once were only typical of central cities. As population and businesses keep moving outward, existing infrastructure is underutilized and social systems are being challenged.

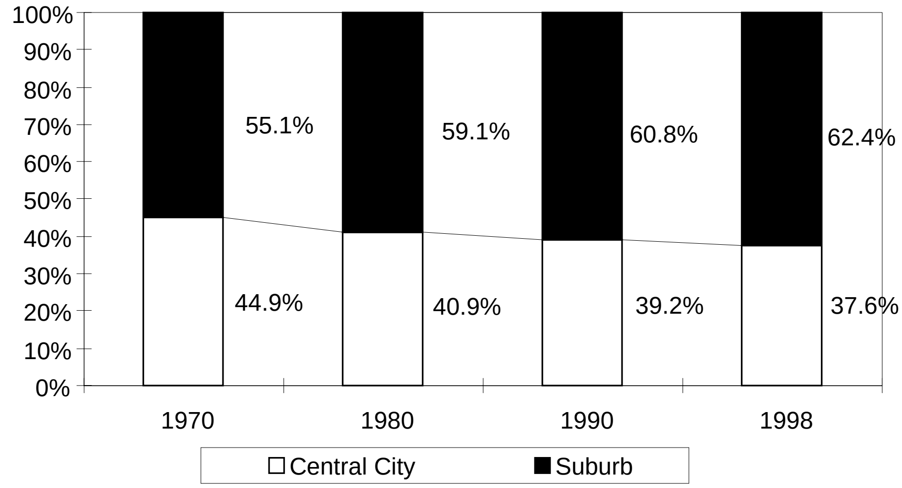
The solution lies in creating livable communities at the core and at the edge—through reinvestment in our central cities; smart growth; and partnerships among central cities, suburbs, and counties on shared transportation, infrastructure, housing, and environmental concerns.

The growth of jobs and population at the edge continues to drive the decentralizing of urban America. The share and growth of both jobs and population in the suburbs continues to outpace that of central cities. With a robust economy and inexpensive open land on the urban fringe, businesses and housing are moving further out to the expanding periphery of metropolitan areas. As shown in Finding 1 of this report (Exhibits 1–3 and 1–5), by 1997, 57 percent of metropolitan area jobs were located in suburbs, a 17.8-percent increase since 1992. Job growth in cities during the same period was only half as much, at 8.5 percent.

Population growth decentralized even faster than job growth. For the 114 cities and suburbs in the SOCDB, between 1990 and 1998, suburban population grew by 11.9 percent, compared with just 4.7 percent in central cities. In fact, population growth in the suburbs relative to central cities accelerated in the 1990s compared to the 1980s. Although many central cities gained in population, half of the Nation's largest cities, based on their 1970 ranking, continued to lose population while their suburbs continued to grow. In 1970, almost 45 percent of the U.S. population was in central cities; in 1998, that figure had dropped to less than 38 percent. In that same period, the suburban population grew from 88 million to 135 million.

Exhibit 4–1: The U.S. Population Continues To Suburbanize

Central City and Suburban Share of Metropolitan Area Population, 1970 to 1988

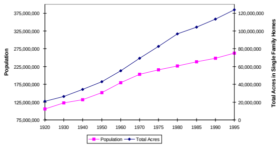


Source: 1970, 1980, and 1990 Census of Housing, U.S. Census Bureau; 1998 Federal-State Cooperative Program for Population Estimates, U.S. Census Bureau.

As population and jobs continue to move to the suburbs, land is being consumed at twice the rate of population growth—and it is being consumed at a faster rate than ever before. While the population is growing at 1 percent a year, land use for single-family housing is growing at twice that rate—2 percent a year, according to a recent study using HUD's American Housing Survey data for 1994–1997.[23] Land used for single-family housing has been growing by 2.3 million acres per year since 1994. The overwhelming majority of the 9.74 million acres used during this period was outside of metro areas in fringe suburbs or smaller towns and cities. In 1997, 130 million acres had been put to that purpose—more than a threefold increase in land consumption since the 1950s.

Exhibit 4–2: Since 1920, the Total Acreage Used for Single Family Homes Has Increased More Than Sixfold, While Population Grew at Less Than Half That Rate

Population versus Acres Used for Single Family Homes



Rapid population growth projected over the next three decades provides metropolitan areas a unique opportunity to make major decisions about development patterns and the resulting quality of life. The U.S. population is expected to rise from an estimated 275 million in 2000 to roughly 350 million in 2030, with an additional 11 million new households over just the next 10 years. With population growing at 1 percent a year and the need to supply between 1.3 and 1.5 million new homes per year,[24] there will be a substantial expansion of the built environment in the decades to come, especially in metro areas with rapidly growing populations. For example, it is anticipated that as much as two-thirds of Atlanta's residential environment will be built between now and the year 2030. For the U.S. as a whole, the projected increase of 36 million households, at current land use rates, will result in new development equivalent to the size of 100 Houstons (this is based on an estimate of Houston's total urban area of 1200 square miles).

IMPACTS OF GROWING DECENTRALIZATION ON THE ENVIRONMENT, TRANSPORTATION, AND INFRASTRUCTURE

The rapid growth in land consumption has potentially negative effects on the environment, transportation, and infrastructure in both cities and suburbs. Enormous unintended costs for all part of the metropolitan area—cities and suburbs alike—accompany the rush to the edge. These include the environmental costs of deteriorating air and water quality and loss of open space and farmland, the transportation costs associated with extended commutes and increased traffic congestion, and urban infrastructure decline and the subsequent economic disinvestment and social isolation in central cities. All of these in turn affect the quality of life in all types of metropolitan communities—central cities, suburbs, and edge communities.

Environment: Low-density development can lower environmental quality and result in the loss of open space. Despite cleaner and more efficient cars and stricter regulations on emissions of pollutants by industrial practices, air quality in many metropolitan areas is worsening and raising concerns about public health. The Environmental Protection Agency's (EPA's) 1998 air quality trends report indicates that from 1989 to 1998 the Nation made progress in reducing emissions and ambient concentrations of lead, carbon monoxide, sulfur dioxide, and coarse particulate matter. However the report also notes that comparatively small reductions were made in nitrogen oxides and ozone.[25] More than 100 million Americans live in the 32 metropolitan areas where the air is rated unhealthy by the EPA under the National Ambient Air Quality Standards set by the Clean Air Act Amendments of 1990.[26] A May 2000 report from the American Lung Association found that 333 of 678 cities and counties had unhealthy concentrations of ozone.[27] Those counties with a failing grade in ozone pollution are home to 16 million Americans over the age of 65 and 29 million children under the age of 14, the age groups most at risk of developing respiratory diseases. In addition, more than 7 million people in those counties suffer from asthma—5 million adults and 2 million children. In addition, 7 million adults in those places have chronic bronchitis.

Open space and farmland are not only crucial to environmental quality, but are also important amenities contributing to the aesthetic and recreational value of adjacent communities. Nonetheless, we are losing agricultural land at more than twice the rate of just a decade ago, according to USDA's 1997 National Resource Inventory (NRI).

From 1994 to 1997, the NRI recorded over 3 million acres of land cover converted from undeveloped to developed land each year for uses such as housing, transportation, industry, commerce, and institutional uses. As open land is developed, water pollution increases from changes in natural land cover and land use. More streets, parking lots, rooftops, and other kinds of impervious land cover exacerbate urban runoff and pollution loads. Parking lots, for instance, generate almost 16 times more runoff than a meadow of comparable land area.

As Americans drive more, many suburbanites are experiencing long commutes and traffic congestion. As metropolitan areas stretch out, Americans are spending an increasing portion of their productive time in daily commutes. The number of vehicle miles traveled (VMT) increased sixfold between 1950 and 1998 (Exhibit 4–8) and by 25 percent just in the last 10 years. Daily trips per household are up 35.2 percent between 1977 and 1995—as are daily vehicle miles per household—up 38.1 percent during the same period.[28] Recent consumer travel behavior indicates that those patterns can be expected to continue. Between 1985 and 1997, suburban commuters drove alone more and relied less on carpools, bikes, or walking to get to and from their jobs. Meanwhile, central city residents dramatically increased reliance on public transit, the use of bikes, and their foot power.

Despite recent projected air quality improvements, increasing vehicle travel will be a major challenge for many regions in meeting national air quality standards. For example, Atlanta's failure to conform to these standards has blocked its ability to spend Federal transportation dollars. Other rapidly expanding areas face similar fates.

Exhibit 4–3: Vehicle Miles Traveled Have Increased by a Factor of Six Since 1950

Vehicle Miles Traveled and Population, 1950 to 1998

Source: Highway Statistics 1998, U.S. Department of Transportation: U.S. Census Bureau

Continued growth in the number of vehicles and miles traveled also is putting pressure on household budgets. Household expenditures on transportation are up in many cities. Since 1970, transportation has been the second largest household expense after shelter, consuming more than one-fifth of the average household budget, and it is continuing to rise in many communities. In rapidly expanding metropolitan areas, such as Atlanta and Houston, household expenditures for transportation rose substantially between the periods of 1988–89 and 1997–98. In relatively more compact areas, such as Portland and Seattle, meanwhile, household transportation expenditures remained constant over that 9-year span, as Exhibit 4–5 illustrates. (Note that despite the differences in transportation expenditures, population, and employment are growing at comparable rates in all four of these metropolitan areas.) Also, in areas with extensive public transit systems, household expenditures on transportation were significantly less than in those without. A New York household averaged $6,293, a Chicago household $5,859, and a Baltimore household only $5,493 for transportation in 1997, $9,129 in Minneapolis, $9,118 in Houston, and $8,985 in Dallas.[29]

Exhibit 4–4: Change in Journey to Work Mode, 1985–1997

(in percent)

	Central Cities			Suburbs		
Mode	**1985**	**1997**	**Change**	**1985**	**1997**	**Change**
Auto	74.0	69.7	-5.8	78.1	81.3	4.0
Car Pool	12.8	10.3	-19.3	13.4	9.7	-27.3
Transit	6.9	11.0	57.9	2.7	2.7	0.0
Walk/Bike	3.8	5.5	46.3	2.7	2.6	-5.7
Home	2.2	2.6	16.7	2.8	3.1	12.5

Source: American Housing Survey for 1985 and 1997.

Note: Auto = single-occupant vehicle

Exhibit 4–5: Percent of Income Expended on Transportation, 1988/89–1997/98

Metropolitan Area	1988-89	1997–98	Percent Change
Atlanta	17.2	22.4	30.2
Houston	17.9	22.8	27.4
Portland	17.5	17.9	2.3
Seattle	18.2	18.2	0.0

NOTE: SOV=Single-Occupant Vehicle

Source: *Consumer Expenditure Survey* for 1988–1989 and 1997–1998 (Department of Commerce).

Congestion and gridlock are contributing to a resurgence in public transit—which, after years of decline, is increasing faster than automobile use. Although autos continue to dominate, transit ridership rate is increasing. Public transportation ridership nationwide is at its highest level in 40 years, growing 4.5 percent from 1998 to 1999 compared to a 2 percent increase in motor vehicle travel during the same period. For example, bus ridership in Bowling Green, KY, jumped by 31 percent. In New York City, ridership on buses and commuter trains rose by 7 percent. Washington, D.C.'s Metro has experienced 13 of the top 20 ridership days in its 25-year history since March 1 of this year.

Federal investment in transit, combined with congestion on roads and highways and innovations by local transit authorities, has combined to produce these positive results. According to the American Public Transportation Association, public transit use was at its peak in 1946, when Americans took 23.4 billion trips on trains, buses, and trolleys. It has declined steadily since then, reaching its all-time low of 6.5 billion trips in 1972. Transit ridership currently stands at 9 billion trips per year.[30]

Infrastructure: New development at the periphery requires investment in new infrastructure, while existing infrastructure in cities is underused. Decentralized and low-density development at the fringe does not capitalize on excess infrastructure capacity that is already present in central cities. Over the decades, cities have made enormous investments in urban infrastructure systems such as water, sewer, drainage, natural gas, telecommunications, electricity, roads, and mass transit, as well as fire, police, and education systems. As cities lose population, their infrastructure systems are underutilized, and there is a loss of return on investment. Failure to maintain older infrastructure thus creates a significant missed opportunity.[31] Furthermore, disinvestment in certain infrastructure, such as bridges and telecommunications, is not even an option given their importance to regional and interstate systems.

A major reason that these missed opportunities have been allowed to continue is that, until recently there has been no generally accepted accounting framework for reporting the existence and value of infrastructure assets. In June 1999, the Government Accounting Standards Board published comprehensive changes in State and local government financial reporting systems, known as “GASB 34.” Under these reporting systems, governments will be required to include information about their public infrastructure assets, including information on the remaining useful life of these investments and a narrative discussion of how maintenance of these assets is funded.[32]

As their population increases, regions question how much of their expected population growth can be accommodated by land that is serviced by existing infrastructure. An analysis of Chicago’s growth indicates that the region could accomodate the entire expected growth—700,000 households over the next 20 years—within walking (½ mile) or shuttle distance (3 miles) of existing mass transit under current zoned desnsities.[33]

QUALITY OF LIFE IS INCREASINGLY IMPACTED BY RAPID GROWTH AND DECENTRALIZATION.

Quality of life is an increasingly important issue for Americans, wherever they live—central cities, inner-ring suburbs, and newer suburbs on the edge. Among the many reasons for decentralization of metropolitan areas, the search for a higher quality of life by many Americans has a prominent role. Ironically, that quest has the unintended consequence of undermining the ability to create livable communities both in the urban core and in surrounding suburbs.

The shift of jobs and people to the edge of metropolitan areas since the 1960s helped to set in motion a spiral of disinvestment and decline in parts of many central cities. As a result, a spatial and skills mismatch has emerged. Significant barriers such as inadequate transportation, limited supply of affordable housing in suburbs, and segregation keep low-income central city residents from finding housing near or accessing locations of new job growth.

This cycle of reduced demand and disinvestment, until recently associated with central cities, is now also being felt in some older inner-ring suburbs.

THE SOLUTION LIES IN CREATING LIVABLE COMMUNITIES AT THE CORE AND THE EDGE

The creation of livable communities requires reinvestment in the cities, smart growth in the suburbs, and regional connections that encourage cooperation among all communities. Raising the quality of life in all parts of the metropolitan area is a multidimensional effort. Cities, inner suburbs, and new suburbs face a variety of different tasks but also share many challenges and opportunities. For example, good schools and safe streets are essential ingredients of livable communities wherever they are situated in the metropolitan area. While accomplishing this goal presents a greater challenge in central cities than in the suburbs, no community is free to ignore these basic needs.

Revitalizing the core—tapping the competitive advantage of cities/new markets. Cities must market their historical advantages. Traditionally, cities were the centers of art and culture, the seat of the great universities and museums, the setting for participating in a vibrant, exciting lifestyle. Some cities are marketing their assets and are becoming the destination of young professionals, high-tech workers, and other practitioners in the New Economy. The Clinton/Gore New Markets Initiative is an effort to help cities take advantage of the assets they possess—such as the enormous purchasing power in central city neighborhoods and their untapped retail spending power—to stimulate economic activity and attract private and public investment. Examples cited in Finding #1 illustrate some of the steps cities are taking to realize their competitive advantage in the New Economy.

Few issues are more important to revitalizating urban cores, restoring the quality of life, and building livable communities in our cities than public safety and education. They are the chief reasons cited as people move away from central cities, and they are the most significant deterrent to stimulating economic growth in our downtown areas.

- **Public safety**. Because of declining crime rates, residents of many city neighborhoods feel safer. Once blighted neighborhoods have new confidence, sparking the construction of homes and the return of stores, banks, and shopping centers. Like other urban problems, cities and suburbs are learning that crime can best be fought regionally with, for instance, metropolitanwide information systems on patterns of crime.

  However, the problem is far from over. City crime rates are still nearly three times those of suburbs. Between 1992 and 1999, the central city homicide rate went down from 19 per 100,000 people to 11.4—but the incidence was still much higher than in the suburbs, which declined from 5.1 per 100,000 people to 3.7 over the same period.

  Gun violence in particular remains a real threat to safety everywhere, but especially in cities. In 1998, there were nearly three-and-a-half times as many robberies with a gun in cities as in suburbs. A study of 100 cities found that for each reported crime, there is a net loss of about one resident. Many experts argue that crime accounts in part for continuing middle-class flight from central cities.[34]

Exhibit 4–6: Crime Rates Have Decreased Throughout America but Remain Higher in Cities

Homicide Rates

Robbery Rates

Source: HUD's Analysis of FBI Uniform Crime Report. Includes agencies reporting for full 12 months of year. 1999 Estimates based on preliminary Annual Uniform Crime Report, 1999

Exhibit 4–7: Cities Have Three Times More Crimes With Guns Than Suburbs

Crime Incidence and Rate Comparisons
1998, 1997, and 1992

	Homicide	Robbery With Gun	Assault With Gun
1998 Crimes (rates per 100,000)			
Metropolitan Areas	7.3	76.1	74.1
Central Cities	12.0	130.4	119.2
Suburbs	3.9	37.5	42.1
1997 Crimes (rates per 100,000)			
Metropolitan Areas	7.9	86.9	78.8
Central Cities	13.4	147.9	126.6
Suburbs	4.0	43.1	44.5
1992 Crimes (rates per 100,000)			
Metropolitan Areas	10.8	136.5	127.3
Central Cities	19.0	257.6	220.3
Suburbs	5.0	50.5	61.2

Source: HUD's Analysis of FBI Uniform Crime Report Data (Return A Master Files). Includes agencies reporting for full 12 months of year.

- **Education.** Improving school quality is critical to the future of cities. If cities are to compete in the New Economy, they must provide a high quality school system for their youth. The New Economy requires a well-educated, highly skilled population. All communities share in the challenge of educating our children to the highest standards. However, accomplishing this goal will require a much greater effort in our central cities. If cities are to take part in the New Economy, they must provide their citizens with the skills and education to excel in high-tech jobs. If cities are to attract new high-tech workers, they must provide a high-quality school system for the children of those workers.

  Leaders at Federal, State, and local levels are concentrating on the problem of raising achievement levels of students in all schools, but especially those in central cities. Mayors have made this a top priority. Some are seeing results—test scores are going up in Chicago, Boston, and various Texas cities, for example—but progress takes a long time. High school completion is an essential first step. Nationally, the high school completion rate rose from 86.7 percent in 1993 to 88.1 percent in 1998.[35] The dropout rate in cities declined slightly between 1994 and 1998, but it remained one-and-a-half times the suburban rate.[36]

- **Smart growth in the suburbs.** Enhancing the livability of suburban communities necessitates "smart growth" aimed at changing development patterns in ways that preserve open spaces, create desirable neighborhoods and communities, and give people more choices. Smart growth isn't anti-suburb, nor is it anti-growth. It is a cooperative way to rationalize growth, make the most of existing infrastructure, and take advantage of the unique qualities that each section of a metropolitan area has to offer. It starts with achieving a political consensus to adopt a comprehensive plan that uses market-sensitive methods to invest in existing communities, take air and water quality into consideration, redevelop brownfields, and preserve open space.

  Smart growth has entered the mainstrain of American planning thought. In 1998 and 1999, more than 300 ballot measures were adopted in States and communities by voters concerned with growth-related issues. In those elections, voters approved a total of $9 billion for smart growth, conservation, and parkland investments, including a $3 billion preservation and recreation measure in Florida and a $1 billion effort to preserve open space in New Jersey. As reported in a recent report by the National Association of Home Builders, "The concept of smart growth has exploded onto the national consciousness as one of the most critical issues confronting America today."

  One approach to smart growth is to achieve higher densities by clustering houses around a transportation hub, planning and designing mixed uses for the area, and providing for pedestrian access. As a suburb of Portland, Oregan, illustrates, smart growth can encourage suburban development in an appropriate way. High-tech information and planning tools can help communities make the most of their current infrastructure investments to design smart communities.

Smart Growth at Work

Portland, OR Rather than rejecting development, smart growth encourages appropriate suburban expansion. Near Portland, Oregon, Orenco Station is a 190-acre model for suburban smart growth. According to the Urban Land Institute, Orenco Station combines two important components of smart growth—density and good design. The development is a pedestrian-friendly, mixed-use community with stores, offices, many types of houses, a network of open spaces and miniparks, and a light-rail station for travel to downtown Portland. One homebuilder in the community summed up its philosophy as "the ability to walk to the store to buy a quart of milk."

Pittsburgh, PA Washington's Landing is a smart growth infill community being developed on a brownfield island in the Allegheny River, 2 miles from downtown Pittsburgh, Pennsylvania. Herr Island had been a stockyard and slaughterhouse that underwent a 2-year environmental cleanup in the early 1990s. Pittsburgh's Urban Redevelopment Authority worked with the private developers to design a mixed-use, compact community featuring townhouses, an office park, recreational facilities and parkland. A converted railroad bridge serves as a pedestrian walkway to downtown.[37]

- **Local Land Use and Transportation Planning.** Local land use policies and transportation policies influence urban growth and decentralization patterns. Most studies indicate that the key to promoting livable communities is compact and mixed-use development with a rich mixture of homes, shops, civic places, and offices in conjunction with amenities, open spaces, and quality design.[38] In the U.S., traditional zoning focuses on neatly separating different land uses, often making it necessary for people to drive between home, work, shopping, and recreation. To encourage more mixing, some cities have replaced traditional zoning with performance-based land development guidance systems wherein any use is allowed as long as it is compatible with neighboring uses.

  San Diego, for example, recently adopted a citywide Transit-Oriented-Development (TOD) ordinance that calls for compact, infill patterns of mixed-use development sited near light-rail transit nodes. As emphasis moves to more compact land use and growth, there will be corresponding changes in local transportation planning. Historically, State and local governments responded to decentralization by building roads. Many now argue that new roads lead to "induced travel demand", suggesting that people change their travel behavior—shift travel mode, route, time of day—to exploit new, added capacity, and congested conditions to quickly return.

- **Regional cooperation.** The answer to achieving livable communities lies in regional cooperation. A movement toward greater metropolitan cooperation is seen across the country, addressing issues such as environmental quality, transportation planning and access to jobs, economic development, and housing.

Cities and Suburbs Are Beginning to Envision a New Template Based on Regional Cooperation

"Everything plugs into this template, whether it is economic development or housing or quality of life issues," HUD Secretary Andrew Cuomo told a recent pathbreaking Bridging the Divide Conference on regional cooperation. This conference of more than 400 participants representing 200 organizations concerned with all public and private aspects of urban development and almost 20 Federal agencies reached a strong consensus that from this point forward, urban problems must be addressed in a regional context and with a strategy to strengthen the urban core, control sprawl on the fringe, and encourage smart growth throughout the region.

Regional cooperation is especially important for solving the spatial mismatch between city workers and suburban jobs. As the data reported in Finding 1 points out, jobs of all sorts have moved to the outer edge of metropolitan areas. While high-tech jobs are increasing in the suburbs, other types of jobs are growing at an even faster pace in these suburban areas. Yet, a substantial proportion of new entry level jobs are beyond the reach of metropolitan transportation systems. A large proportion of the workers who could fill those jobs live in cities. Many don't have cars or adequate transportation. For those that do have transportation, the commute often is too long and too expensive to be affordable. In some high-demand markets, the problem is more complicated.

Middle-level workers—teachers, police, and postal employees—cannot afford to live in the fringe suburbs that need them. A place-based strategy is needed to integrate jobs and housing across the region. Such a strategy would channel new jobs to inner-city neighborhoods and direct new housing closer to suburban job centers. Cities and suburbs are beginning to figure out ways to match the workers with jobs. The Clinton-Gore Administration's Access to Jobs Initiative and Bridges to Work are providing substantial resources to link inner-city workers with suburban jobs.

Other regions are beginning to find cooperative approaches to deal with a variety of problems that cross local boundaries and affect the livability of everyone in the region.

THE NEW ECONOMY DILEMMA

Smart growth is becoming a key ingredient in maintaining the economic competitiveness of cities and suburbs. There is an emerging consensus that the new global economy is essentially a regional economy. Metropolitan-centered regional economies are the real economies of the United States, with cities and suburbs functioning together as parts of these larger economic regions.

Increasingly, American workers are employed in cluster economies that are based in geographic regions. Gone are the days of the "company town" or a single firm dominating the economy of a single community. These new industry clusters thrive on flexible specialization, dynamic interaction, and networks of innovation and competition that cross local borders.

It is through these regional economies that the United States will ultimately compete in the new global economy. There are numerous examples of industrial clusters in the United States. But the recent report from the U.S. Conference of Mayors describes the strength of these metropolitan economies, which now account for more than 84 percent of the Nation's employment, 95 percent of high-tech jobs between 1992 and 1999, and 86 percent of the Nation's economic growth.

REGIONAL INDUSTRY CLUSTERS DRIVING THE NEW ECONOMY HAVE SIGNIFICANT IMPLICATIONS FOR CITIES AND SUBURBS

As described in a new report from the National Governors Association, "Unless something is done to preserve the quality of life, growth today will stifle growth tomorrow." Companies deciding where to expand or locate new operations are sensitive to unchecked sprawl and environmental issues.

The quality of life in central cities will also be a key factor in these regional economies. Cities are well-positioned to take advantage of the emergence of these economies that rely on the close proximity of businesses and supporting institutions. It is cities that offer an ambience and diversity that are sought after by the new workforce. The influx of young professionals into high-tech jobs is creating a demand for cultural and entertainment amenities that are still disproportionately located in central cities. Cities are also the site of many of the Nation's most important institutions of higher learning and research centers that drive creativity and innovation.

This "quality of place" is especially relevant to knowledge-based companies that may shift their locations because of talent needs. These amenities—environmental, social and cultural—are key to attracting the workforce needed to thrive in the New Economy. This quality of place is regional in scope and must be addressed regionally. The role of the region as the building block of the New Economy is making the old distinctions between cities and suburbs increasingly irrelevant. Regional cooperation on all of the environmental, transportation, and other factors that enhance a region's quality of life is critical to the future of cities and suburbs in the 21st century.

PART TWO: BUILDING ON SUCCESS—A POLICY AGENDA FOR CITIES AND SUBURBS

When President Clinton and Vice President Gore took office seven and a half years ago, the Nation was emerging from a period when the future of our cities—and the Federal role in urban policy—was in question. In an era of devolution, the argument was often heard that the Federal Government should abandon the field to the States and local governments.

This Administration has transformed the Federal role in our cities. It recognized, first, that if the Federal Government was to play a constructive role, the solutions had to come from the bottom up, built on creative partnerships with State and local governments and community-based organizations. Second, it recognized that the Federal Government had to get its own house in order—by reinventing its programs to be more responsive to local needs. Third, it recognized that stronger efforts had to be made to work with private markets in order to create jobs and opportunity in underserved communities. Finally, it recognized that cities and suburbs needed both people- and place-based solutions if they were to share in the economic growth of the new century.

The Administration has implemented a policy agenda that incorporates these fundamental principles. This year it proposes to build on the successes of the past seven years in expanding economic opportunity, building affordable housing, and creating livable communities in our Nation's cities and suburbs.

KEY COMPONENTS

The Administration's urban agenda is built around the following components:

- **Assist communities in making the transition to the New Economy.** The President's New Markets Initiative is designed to increase access by underserved communities to the capital and technical expertise they need to take advantage of untapped markets for labor, retail, and land. Several initiatives aimed at bridging the digital divide will enable cities and workers to tap the benefits of new high-technology jobs.

- **Address the challenges of an aging and increasingly diverse population.** As our Nation grows older and more diverse, we will need to ensure housing opportunities for all our citizens. In light of the rapid "graying of America," HUD has put in place a Housing Security Plan for Older Americans. To ensure that housing markets remain open to minorities—both native-born and immigrant—we will need tough enforcement of our fair housing laws. The President's One America Initiative put in place a sound foundation for increasing access to capital by minority businesses.
- **Help our cities address the affordable housing crisis that threatens regional competitiveness and family self-sufficiency.** Providing increased assistance for rental housing is critical to reversing the growth of worst case housing needs and homelessness—particularly in fast growing high-tech communities where economic growth is driving up rents faster than income. Closing the homeownership gap for underserved markets and cities is another important element of the affordable housing crisis. Continuing the transformation of public housing that begun 2 years ago will integrate public housing in the surrounding communities.
- **Give cities the tools and resources they need to build safe and livable communities—smart growth on the metropolitan edge and revitalization of the urban core.** Growth and development at the fringe of urban areas may actually be undermining the livability and quality of life in both cities and suburbs. To counter unintended consequences of development, the Administration's Livable Communities Initiative aims to foster smart growth throughout metropolitan areas and encourage regional cooperation in efforts such as the preservation of open space and expansion of transportation choices. To strengthen and revitalize the urban core, the Administration is focusing on making streets safer and reducing gun violence, improving public schools, attracting private investment to cities, and supporting public-private and interfaith partnerships.

I. ADDRESSING THE CHALLENGES OF THE NEW ECONOMY

Over the past seven years, the Clinton-Gore Administration has successfully put in place the core ingredients needed for cities to take on the challenges of the new high-tech, information-based economy.

The underlying component of any urban economic agenda must be the continuation of strong, fiscally prudent economic policies. The second component is increased access to capital and credit in underserved communities. The third component includes programs and policies that bridge the digital divide between those people and communities with access to computers and high-tech skills and those without such access. The fourth component is to invest in people—through workforce development, job training and education.

(1) Continuing the sound fiscal and economic policies of the past seven years.

Between 1980 and 1992, the national debt quadrupled. In 1992, the budget deficit was a record $290 billion and projected to rise. In 1993, the Congressional Budget Office projected a Federal deficit of $455 billion in 2000. Instead, the surplus is projected to be $167 billion—a turnaround of $622 billion. The result has been 7½ years of sustained economic growth—which has enabled many cities to experience a resurgence in jobs, housing, and revenues.

With a record $2 trillion surplus projected over the next 10 years, the Administration is committed to continuing its policy of fiscal discipline, while at the same time continuing its investment in technology and people.

(2) Bringing private enterprise and capital to distressed areas.

Although America's low-income communities have enormous untapped economic assets, these communities continue to face barriers to developing their business potential. Among the highest of these obstacles are the lack of access to capital and the lack of technical information—knowledge and expertise—needed to stimulate economic activity in these communities. To help meet these needs, the New Markets Agenda includes a number of innovative programs:

- **The New Markets Initiative.** The Administration's New Markets Initiative addresses urban revitalization in three ways: through core economic development programs, which have proven successful; by using financial tools to increase the private capital that leverages Federal investments; and by increasing the capacity of community-based organizations.

The President's New Markets Initiative was originally proposed in President Clinton and Vice President Gore's FY2000 budget. President Clinton has highlighted the potential of the Nation's New Markets in three separate trips across America to underserved inner city and rural communities.

On May 23, President Clinton and Speaker of the House J. Dennis Hastert signed a historic agreement on several key elements of the New Markets Initiative. Now the Administration is working with Senate leaders to complete enactment of these initiatives to empower the Nation's low and moderate income communities:

- **New Markets Tax Credit.** This credit will spur $15 billion in equity investment and will be available to taxpayers who invest in certain privately managed investment funds and institutions, which, in turn, use these funds to finance businesses in low- and moderate-income communities. The proposal provides a 30-percent credit, in present-value terms, for investments in a wide range of investment vehicles. Eligible investment companies include community development banks and Community Development Financial Institutions (CDFIs), venture funds, and financial institutions such as the new investment company programs.
- **America's Private Investment Companies (APIC).** This HUD/SBA legislative proposal creates investment funds with minimum private capitalization of $25 million (eligible for the New Markets Tax Credit). These funds could borrow twice that amount at government-guaranteed rates and spur $1.5 billion in private investment. APICs would be structurally similar to the existing SBA Small Business Investment Company (SBIC) program and the Investment Funds of the OPIC, the Overseas Private Investment Corporation, but would be much larger. APICs would fund larger businesses, such as new back office operations, plant expansions, and conversions of old facilities into modern industrial "incubators" for smaller businesses. The agreement authorizes HUD to guarantee up to $1 billion in low-cost loans that will match $500 million in private investors' contribution, to make a total of $1.5 billion available to invest in low- and moderate-income communities.

- **New Markets Venture Capital (NMVC) Firms.** NMVC firms will provide incentives to increase the availability of venture capital in low-and moderate-income communities for small businesses. Expert guidance also will be made available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. The agreement authorizes the SBA to guarantee up to $150 million in loans matching $100 million in private equity for a total of $250 million. SBA also will have the authority to make $30 million in operating assistance grants to match private commitments.

- **Empowerment Zones and Enterprise Communities (EZs/ECs).** Thus far, the EZ/EC initiative has leveraged more than $10 billion in additional public and private sector investment in community revitalization efforts. For FY2001, the Administration is requesting a $150 million be appropriated to fully fund each of the 15 recently designated Round II EZs. The Administration is also proposing extensions of tax credits for existing and future EZs, as well as the designation of ten new urban EZs.

The New York Empowerment Zone Brings Shops and Jobs

As part of the Administration's EZ/EC effort to use Federal dollars to stimulate private investment and economic rejuvenation in underserved urban neighborhoods, the New York Empowerment Zone is rejuvenating two of New York City's historically challenged communities. The New York EZ has 72 projects at work in Upper Manhattan and the Bronx. These projects are using $23 million in Federal EZ/EC funds to leverage $320 million in private funding and more than $26 million in other government support.

The biggest effort of the New York EZ is Harlem USA, a 275,000-square-foot retail and entertainment complex that was scheduled to open its doors this summer. The first new mall in Upper Manhattan in nearly 2 decades, Harlem USA features a Walt Disney retail store, Old Navy, a 9-screen Magic Johnson theater and 100 other retailers. The Upper Manhattan Empowerment Zone contributed $11 million, 17 percent, of the financing for the $65 million project.

In the Bronx, the Business Assistance Initiative Loan Program is assisting smaller and medium-sized businesses to create and retain permanent jobs as well as creating new business opportunities for zone residents. So far, $4.2 million in loans have kept 195 jobs in the EZ and fostered nearly 300 new employment opportunities.

The New York EZ is also concerned with training and finding jobs for individual residents of Harlem and the Bronx. The Workforce Development Initiative in Upper Manhattan, for example, has established three new career centers in association with nonprofit community and faith-based organizations in Harlem. They are to train and place 1,280 residents in jobs that provide customer service, home health care, building maintenance and media technology. The Initiative has also contracted with Xincon Technology School to train 50 unemployed and underemployed residents in computer technology and place them in skilled jobs with major high-tech firms. As part of the placement service, all Workforce Development Initiative programs provide 2 years of all-important support and monitoring to help the new workers retain their jobs.

- **Community Development Financial Institutions (CDFIs)—** including community development banks, credit unions, community development venture capital funds, and microenterprise loan funds. Since its inception in 1994, the CDFI Fund has made more than $190 million in awards to community development organizations and financial institutions to stimulate investment in and revitalization of low-income communities by providing financial products and services directly to small businesses and individuals. The FY2001 budget seeks $125 million for CDFIs, a $30 million increase.
- **Economic Development Initiative / Section 108 Economic Development Loan Guarantee.** The FY2001 proposal provides $30 million in credit subsidy and administrative costs to implement these 100 percent guaranteed loans. HUD is requesting $100 million in EDI / Community Empowerment Fund (CEF) grant funds, which will be used to create jobs and promote economic development in distressed areas and are expected to leverage $500 million in federally guaranteed, privately issued Section 108 loan funds.

(3) Bridging the Digital Divide

The FY2001 budget includes proposals to broaden access to technologies such as computers, the Internet, and high-speed networks; provide people with the skilled teachers and the training they need to master the information economy; and promote online content and applications that will help empower all Americans to use new technologies to their fullest potential.

To increase private-sector involvement in bridging the digital divide, the Administration proposes $2 billion in tax incentives over 10 years to encourage private sector donation of computers, sponsorship of community technology centers, and technology training for workers.

The Administration's $150 million **Teacher Training Initiative** will help train all new teachers entering the workforce to use technology effectively in the classroom.

The digital divide initiative also includes $100 million to create up to 1,000 **Community Technology Centers** in low-income urban and rural communities, $50 million for **Public-Private Partnerships for Home Access** to expand access to computers and the Internet for low-income families, and over $100 million in proposed USDA loans and grants to finance broadband access in rural areas.

HUD also is proposing to expand its successful **Neighborhood Networks** centers in public and assisted housing. Over 500 Neighborhood Network centers are already in place, and another 500 are slated during the next year.

(4) Expanding economic opportunity for individuals and families.

The Administration is proposing to strengthen several other policy initiatives that address the needs of the lowest income people and also bring the strong resources of local educational institutions to bear on community economic development issues. Highlights include the following:

- **Helping families move from welfare to work and making work pay for other low-income working families.** Expansions in the Earned Income Tax Credit (EITC) included in the President's 1993 Economic Plan are making work pay for 15 million low-income families, including former welfare recipients. In 1998, the EITC lifted 4.3 million families out of poverty. The Administration's budget proposes a nearly $24 billion plan to expand the EITC, provding as much as $1,200 in additional tax relief to an estimated 6.8 million working families.

  The **Access to Jobs** initiative helps communities design innovative transportation solutions, such as van services, to help former welfare recipients and other low-income workers get to work. In May 1999, Vice President Gore awarded $71 million of these funds to 179 communities in 42 States and the Administration has proposed doubling the funding for FY2001 to $150 million. Since existing public transit often does not link to suburban employment opportunities, the Administration also has proposed making it easier for low-income families to get to work by making it easier for them to own a vehicle, and allowing them to use Individual Development Accounts to save for a car.

  The **Welfare-to-Work and Work Opportunity Tax Credits** provides tax incentives to encourage businesses to hire long-term welfare recipients and other disadvantaged individuals. The 1997 Balanced Budget Act included $3 billion in FY1998 and FY1999 for Welfare-to-Work grants to help States, tribe, and local communities move long-term welfare recipients and certain noncustodial parents into lasting, unsubsidized jobs. The Administration's FY2001 budget will give grantees an additional 2 years to spend Welfare-to-Work funds, ensuring that roughly $2 billion in existing resources continues to help those most in need.

The Administration's budget also proposes $255 million for a new Fathers Work/Families Win Initiative to provide competitive grants to business-led State and local workforce boards that work in partnership with community-based organizations and agencies administering child support, welfare reform, food stamps, and Medicaid.

Preparing America's men and women to succeed in the workforce. The President is committed to ensuring that America's workforce has the education and training necessary to compete in the 21st century. To help achieve this goal, the Administration has been working to reform the Nation's workforce development system and increase education, training, and job skills development. In 1998 the President signed into law the bipartisan Workforce Investment Act (WIC), reforming America's job training system to empower individuals to obtain the information, services, and training they need to obtain and retain employment, streamline a wide array of workforce development services through One Stop Career Centers, enhance accountability, and increase local flexibility. In addition, the Administration increased the number of Job Corps centers from 109 to 122 and signed into law the historic Ticket to Work and Work Incentives Improvement Act of 1999 that removes barriers to work for people with disabilities. The President's FY2001 budget proposes increased funding for Youth Opportunity Grants, which are aimed at increasing the long-term employment of youth who live in EZ/ECs and other high-poverty communities. The President's FY2001 budget request for Youth Opportunity Grants of $375 million represents an increase of $125 million over the FY2000 appropriation. The requested amount would serve a total of 83,100 youth.

Building on the partnerships developed under Welfare-to-Work, the **Fathers Work/Families Win Initiatives** will help approximately 80,000 low-income fathers and working families get the support and skills necessary to take care of their families and avoid welfare.

Youthbuild helps, high school dropouts between the ages of 16 and 24 get training in the building trades, in addition to attaining general equivalency diplomas and receiving social services. The FY2001 HUD budget will increase the funding for this program from $43 million in 2000 to $75 million.

Saving for the future. In 1992, the President proposed to establish Individual Development Accounts (IDAs) to empower low-income families to save for a first home, post-secondary education, or to start a new business. The 1996 welfare reform law authorized the use of welfare block grants to create IDAs. And in 1998, the President signed legislation creating a 5-year $125 million demonstration program. The FY2001 budget provides $25 million for IDAs in FY2001 to create over 20,000 new accounts. The Administration will also propose to allow low-income working families to use IDAs to save for a car that will allow them to get or keep a job.

Providing Supportive Services: Child Care and Development Programs. Under the Clinton-Gore Administration, Federal funding for child care has more than doubled, helping parents pay for the care of about 1.5 million children in 1998. The Administration's FY2001 budget proposes several initiatives in FY2001 to improve access to quality child care and development programs for low-income families and their children. The proposals include an $817 million increase in the Child Care and Development Fund to help subsidize care for more families. A portion of the funds is also used to improve the quality of care—through training, grants and loans to providers, improved monitoring, compensation projects, and other innovative programs.

Providing early education with Head Start. One of the Administration's highest priorities is to expand Head Start—America's premier early childhood program—which emphasizes cognitive, language, and socioemotional development to enable each child to develop and function at his or her highest potential. For FY2001, the Department of Health and Human Services is requesting a $1 billion increase for the program, continuing to move toward the Administration's goal of providing a Head Start experience for 1 million children in FY2002. The Administration is also proposing an Early Learning Fund to provide $3 billion over 5 years to get resources out through States to communities to improve child care for the youngest children.

The President has insisted on maintaining the Medicaid guarantee and has successfully fought to increase low-income families' access to health care. With bipartisan support from the Congress, the President created the **Children's Health Insurance Program (CHIP)** in 1997, allocating $24 billion dollars over the next 5 years to extend health care coverage to uninsured children through State-designed programs.

Reflecting the President's and Vice President's strong commitment to expanding access to affordable health care, this year's budget proposes a 10-year, $110 billion initiative that would expand coverage to at least 5 million uninsured Americans and expand access to millions more. It builds on and complements current private and public programs.

The Administration's initiatives also include:

- An expansion of the **Child and Dependent Care Tax Credit**, totaling $7.5 billion over 5 years. This increased funding would make the credit refundable to benefit low-income people, expand the benefit for middle income families, and help stay-at-home parents.
- A **new tax credit for private employers** would provide $500 million over 5 years for building or expansion of child care facilities, operation of existing facilities, training for child care workers, or child care resource and referral services.
- A proposal to more than double the funding, to $1 billion, for the **21st Century Community Learning Centers,** which supports the creation and expansion of after school programs.

II. ADDRESSING THE NEEDS OF A CHANGING POPULATION

Recent decades have seen a monumental shift in America's social landscape. The elderly are growing both in number and as a share of population and the country is becoming increasingly diverse. The challenges presented by this new demography cut across the Administration's agenda but require particular attention to programs for the aging and for attacking discrimination.

Housing for the Elderly. Recent decades have seen a monumental shift in America's population that will only accelerate in coming decades. Among the new challenges is how to meet the housing needs of this rapidly expanding population of elders. In FY2001, the Administration proposes to strengthen programs for the elderly by increasing funding to $779 million—$69 million more than in 2000. These programs include Supportive Housing for the Elderly (Section 202), Assisted Living Production, Conversion to Assisted Living, and Service Coordinators.

Building One America. The President has led the Nation in an effort to establish One America in the 21st Century: a place where we respect each others differences and, at the same time, embrace the common values that unite us.

The Administration has been actively involved in public outreach efforts—including holding numerous public meetings and town halls—to engage Americans across the Nation in this historic effort. One of the critical elements of the President's Initiative on Race was identifying, highlighting, and sharing with the Nation promising local and national efforts to promote racial reconciliation. The President's FY2001 budget includes $5 million for the Department of Justice's Citizen's Problem Solving Academies and One America dialogues to promote and facilitate discussions on racial diversity and understanding.

Promoting and enforcing fair housing. HUD is increasing its enforcement of the Fair Housing Act, which bars discrimination in housing on basis of color, national origin, family makeup, religion and sexual orientation. Two major HUD programs are designed to attack housing discrimination through the Fair Housing Act. The Fair Housing Assistance Program (FHAP) provides Federal funds to support a network of State and local civil rights agencies that enforce laws equivalent to the Federal Fair Housing Act. The Fair Housing Initiatives Program (FHIP) funds private, nonprofit fair housing groups that carry out enforcement, provide education and outreach activities, and monitor the activities of developers and real estate companies. In FY2001, HUD's fair housing programs are proposed at $50 million, a $6 million (or 14 percent) increase over 2000—$5 million for FHIP, and $1 million for FHAP.

Fairness for immigrants. The President worked with Congress to correct the most egregious impacts of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. As a result, almost a million people will be able to proceed with legalizing their immigration status under the former standards of immigration law and not the new, stricter and more burdensome standards enacted in 1996.

The President has made naturalization a top priority of the Immigration and Naturalization Service in order to continue fostering legal immigration while combating illegal immigration. For instance, more than 1 million individuals were naturalized in 1996. The Administration continues to work to streamline and improve the naturalization process so that eligible individuals who have played by the rules can become full partners in America.

The President also made a commitment to fix several provisions in the 1996 welfare reform law that had nothing to do with moving people from welfare to work. The Balanced Budget Act of 1997 and the Agricultural Research, Extension and Education Reform Act of 1998 restored eligibility for health, disability, and nutrition assistance to hundreds of thousands of legal immigrants. The Administration's budget this year builds on this progress by restoring additional assistance to legal immigrant children, pregnant women, and certain elderly and disabled individuals.

III. ADDRESSING THE AFFORDABLE HOUSING CRISIS IN OUR CITIES

Ironically, those markets with the highest economic growth have the most severe housing crises, affecting both low-income and middle-income residents who find it increasingly difficult to obtain housing they can afford. Homeownership is at an-all time high for urban and suburban Americans, but disparities persist for racial and ethnic minorities and between suburbs and cities.

The Administration proposes a series of bold initiatives in FY2001 that will expand affordable housing opportunities to hundreds of thousands of families left behind in the New Economy.

These initiatives build on recent efforts to reform and restore public trust in the Nation's affordable housing programs. HUD's management reforms have cracked down on programmatic abuses, while at the same time have demonstrated that the vast majority (more than two-thirds) of the Nation's assisted rental housing is in good or excellent condition. As a result of these reforms, HUD is back in the housing business—producing new housing, improving rental housing, expanding homeownership opportunities, meeting special needs, and promoting and enforcing fair housing.

(1) Improving the affordability and quality of rental housing.

HUD has two main engines for making rental housing affordable: the Section 8 program, which subsidizes rents and thus enables low-income families to rent privately owned housing; and public housing, units that are owned and operated by Public Housing Authorities. Program efforts in these and related areas include:

New incremental housing vouchers. In addition to contract renewals for all existing Section 8 contracts—covering 2.6 million rental units—HUD is requesting $690 million for 120,000 new vouchers, the largest increase since 1981. Two years ago, HUD got back into the housing business with 50,000 new vouchers focused on moving families from welfare to work. Last year, 60,000 vouchers were approved by Congress. This year's request takes the next step. Sixty thousand of these vouchers will be "Fair Share" vouchers, to be used by public housing authorities to reduce their waiting lists, 32,000 will be targeted to those moving from welfare to work; 18,000 will be for homeless persons, and 10,000 will stimulate new housing production that will be affordable to extremely-low-income individuals (people with incomes below 30 percent of the area median income).

Revitalizing distressed public housing. Two years ago, Congress enacted landmark bipartisan public housing legislation that brought working families into public housing without sacrificing our historic commitment to low-income and very-low-income persons. HUD's FY2001 budget continues to support the transformation of public housing.

The Administration this year is requesting a $54 million increase in public housing operating funds, raising the amount to almost $3.2 billion. The Administration also proposes $2.96 billion for the Capital Fund to help public housing authorities modernize or rehabilitate public housing units that are in need of significant repairs or replacement, an increase of $86 million over the FY2000 enacted level.

Through the HOPE VI program, the Administration is dramatically transforming public housing. HOPE VI awards grants to local housing authorities to address creatively the physical, social, and fiscal problems of poor-quality public housing. Many rebuilt sites are transformed into attractive, economically viable communities that mix households of different incomes, provide public and market-rate housing, offer rental and homeownership opportunities, and blend formerly isolated or architecturally inappropriate public housing into the surrounding neighborhoods. The Administration is requesting $625 million in FY2001 for HOPE VI, an increase of $50 million over 2000.

New HOPE across America

HOPE VI is visibly transforming the landscape in scores of cities across America, as obsolete public housing units are demolished and replaced with mixed income, mixed use communities.

In *Baltimore*, HOPE VI is replacing the hulking public housing high-rises that encircled Baltimore's downtown with brick rowhouses that blend with local architectural traditions. The new units at Pleasant View Gardens, which replaced the public housing development of Lafayette Courts brought new opportunities to public housing residents to promote computer literacy and create an "Electronic Village."

In *Atlanta*, Techwood, one of this nation's first public housing developments, has been replaced by Centennial Place, a truly mixed income community where public housing residents earning less than $3,000 per year live next door to professionals earning more than $125,000 per year.

In *Seattle,* dilapidated, barracks-style structures in Holly Park were demolished and single family homes and duplexes with timbered accents and porches were built in their place. New Holly's state-of-the-art Campus of Learners includes a full-service public library, computer classes for residents of all ages, and a community college branch.

(2) Producing new housing.

For the first time since 1984, HUD will get back in the business of producing affordable housing to assist needy families in areas where rental units are in short supply. Program initiatives include:

Housing Production Vouchers—the Administration proposes a program of 10,000 new housing vouchers that will encourage the construction of at least 40,000 units of mixed-income housing.

Low-Income Housing Tax Credit (LIHTC)—The recent New Markets agreement reached between the Administration and the Speaker of the House of Representatives expands the LIHTC from $1.25 to $1.75 per capita at a cost of $5 billion over 5 years—resulting in an additional 150,000 to 180,000 affordable housing units produced during the same period.

Housing for the Disabled. (Section 811). The Administration is proposing to increase funding from $201 million in FY2000 to $210 million in FY2001. This funding helps to build, renovate, and rehabilitate housing for people with disabilities and provides tenant-based rental assistance as well.

Expanding multifamily insurance. During FY2001, the Federal Housing Administration (FHA) proposes to expand the use of its multifamily insurance programs in conjunction with new vouchers and other subsidies to create new housing affordable to the lowest-income Americans. Production of new housing will also expand with the implementation of a major streamlining of the underwriting process for multifamily insurance. FHA will also encourage the construction of new retail and other commercial space to complement new housing development through insurance for mixed-use developments.

(3) Expanding affordable homeownership

For most American families, buying a home is the most important financial transaction they will make. Owning one's own home is a critical rung on the ladder to the American Dream, but a lack of information and the relatively limited availability of affordable housing options prevent many families from purchasing their own home. Several HUD programs are devoted to enabling Americans to become homeowners; three are noted here:

Increasing the availability of single-family home insurance. Despite historic prosperity and record levels of homeownership, all too often homeownership remains unattainable for some groups. In its successful drive to expand homeownership, HUD has capped its comeback from insolvency by insuring a record $1.3 million mortgages with $124 billion in 1999. For FY2001, the Administration is requesting that FHA be allowed to insure individual loans up to

$252,700, the standard limit in the conventional market, and thus increase its annual earnings by $241 million.

New Hybrid ARM mortgage product. Also in FY2001, FHA is proposing to develop a new hybrid adjustable-rate mortgage (ARM), a more affordable product to be added to its single-family mortgage products. The ARM should enable FHA to help 55,000 additional families become homeowners in FY2001.

Advancing housing technology. HUD is proposing to continue the Administration's Partnership for Advancing Technology in Housing (PATH), a public-private initiative that helps create more livable and sustainable communities by spurring improvements in techniques for housing design and construction. In FY2001, the Administration proposes to increase research under PATH from $10 million to $12 million.

Public–Private Partners Promote
1 Million New Central City Homes

To encourage more new-home construction and also more homeownership in central cities, HUD, the National Association of Home Builders (NAHB), and the U.S. Conference of Mayors have formed the Building Homes in America's Cities Partnership. The partnership is an initiative to produce 1 million new homes during the next 10 years—with annual construction of 100,000 new units, both single-family and apartments.

Many cities have joined the partnership to form local responses to the national initiative. A few examples of these efforts follow:

Baltimore, focusing on smart growth and market-rate housing to foster diversity in neighborhoods, is creating a housing venture fund, consolidating city homeownership assistance programs, creating "live-where-you-work" programs, selling vacant houses for $1, and waiving code and site requirements to further reduce project costs.

Chicago is continuing its New Homes for Chicago Initiative to build new single- and two-family homes for low- and moderate-income residents. The city also is waiving or reducing building permits and utility fees, offering a per-home development subsidy of $10,000, and developing creative financing for low- and moderate-income people.

Dayton is streamlining building permits and using its Real Estate Acquisition Program to eliminate blight and foreclose on tax-delinquent properties. It is also providing infrastructure assistance; innovative down payment programs and strengthening links with neighborhood housing partnerships.

Houston is providing over $6 million in down payment assistance for new homebuyers. It is also initiating a program to recapture abandoned, tax-delinquent properties; streamlining the residential plan review and inspections system; waiving impact fees on new construction; and using residential and brownfields tax abatements to promote construction and homeownership.

In California, Sacramento's government, is developing and implementing recommendations to improve customer service, and formalize process improvements for infill development. These recommendations include a density bonus ordinance for low-income projects, and streamlined planning and design reviews for infill housing.

Sources: HUD Web site, United States Conference of Mayors Web site.

(4) Continuum of Care and meeting special needs.

Over the past 4 years, funding for HUD's Continuum of Care for Homeless Assistance grants program has grown by approximately 45 percent—from $823 million in 1998 to a proposed $1.2 billion in FY2001. This highly successful program for homeless assistance and prevention has helped more than 400,000 people move from homelessness to self-sufficiency since its inception in 1998. Related programs include Homeless Vouchers and Shelter Plus Care.

IV. BUILDING SAFE, HEALTHY, AND LIVABLE COMMUNITIES

Increased economic growth and development in some areas may actually be undermining the livability and quality of life in communities at the fringe of metropolitan areas. Therefore, among the biggest challenges facing the Nation's urban regions is the need to manage growth. By cooperatively working to improve their livability and quality of life, cities and suburbs can create the context for economic redevelopment.

"The economic and demographic forces that continue to impact cities, even during this time of unprecedented economic expansion, also undermine the quality of life in suburban areas. The Clinton-Gore agenda recognizes this reality and includes key initiatives to make communities safe and livable for all."

Wayne Curry, President, National Association of Counties

(1) Encouraging smart growth

The Administration's Livable Communities Initiative aims to help citizens and communities by preserving green spaces that promote clean air and clean water, sustain wildlife, and provide families with places to walk, play and relax, easing traffic congestion by improving road planning, strengthening existing transportation systems and expanding the use of alternative modes of transportation, and fulfilling its obligation to be a good neighbor in America's communities.

To meet these goals, for FY2001 the Administration has proposed these program initiatives:

Protecting open spaces and natural resources. The Administration's Lands Legacy Initiative builds on America's commitment to its natural environment through the preservation of our public lands and national treasures and through partnerships with States and local communities to protect open spaces and natural resources. The FY2001 budget proposes to double last year's funding for a total of $1.4 billion.

Accelerating brownfields cleanup and redevelopment. For FY2001, the Administration proposes a major acceleration of HUD's Brownfields program—doubling the program from the FY2000 level to $50 million, which would leverage $200 million in Section 108 loans. In addition, the FY2001 EPA budget request includes nearly $92 million for its Brownfields Initiative.

Expanding transportation choices. To help ease traffic congestion, the Department of Transportation (DOT) budget for FY2001 proposes $6.3 billion for public transit, a 9 percent increase over FY2000. In addition to the $6.3 billion for public transit, the funding proposal includes $1.6 billion for the Congestion Mitigation and Air Quality Improvement Program to help communities meet the requirements of the Clean Air Act. The proposal also includes an additional $52 million—50 percent above FY2000—for the Transportation and Community and System Preservation Pilot.

Encouraging regional connections and smart growth. HUD's new Regional Connections program will be a valuable tool that rural, urban, and suburban communities can use to work across political boundaries and jointly address their shared interest in sensible growth. It will provide competitive funding to partnerships of local governments and States, and it will emphasize compact development rules, incentives for growth in particular areas, and coordinated investment in areas that have infrastructure in place. For FY2001, the Administration proposes to fund Regional Connections at $25 million.

Providing new information tools. Communities need current and accurate information to make decisions about how their communities will balance growth with preserving open spaces and maintaining a clean environment. To assist communities in this effort, the Administration's Community/Federal Information Partnership proposes to provide $30 million in matching grants and cooperative agreements for communities to create and use geospatial information and technologies. With these tools, local decisionmakers will have the information they need to make more informed decisions about land use, growth, and the environment.

Providing new financing tools. Urban redevelopment efforts will benefit from the Administration's Better America Bonds initiative, a new financing tool for State and local governments seeking to clean up abandoned industrial sites, preserve green space, create or restore urban parks, and protect water quality. The initiative is designed to generate $10.5 billion in bond authority for such investments over 5 years, starting with FY2001.

(2) Making communities safer.

Under this Administration, America has experienced the longest continuous drop in the crime rate on record. The violent crime rate has fallen 27 percent since 1993 and the overall crime rate is the lowest in 25 years. Yet gun-related violence still poses a major threat: More than 30,000 people are killed and approximately 100,000 are injured by guns each year in the United States. This lack of safety clearly is detrimental for economic development. In FY2001, the Administration plans a particular focus on improving the safety of America's neighborhoods.

Putting more police on the streets. To help keep crime at record lows, the FY2001 budget proposes $67.5 million to keep the program for More Police on the Streets—Community Oriented Policing Services (COPS)—on course for funding up to 150,000 officers by the end of 2005.

Reducing drug-related crime. To futher combat the incidence of drug-related crime, the Byrne Formula Grants Program makes available $500 million dollars to State, local, and tribal governments.

Helping crime victims. The Department of Justice's Office for Victims of Crime provides funding for programs that serve some 2.5 million crime victims. And Violence Against Women Act programs strengthen victim services in cases involving violent crims against women.

Encouraging gun safety. The $30 million Community Gun Safety and Violence Reduction Initiative will help address the critical issue of gun violence in and around the communities HUD serves. Under the **Gun Buy-Back and Violence Reduction Initiative**, HUD is authorizing Public Housing Authorities, working with local police departments, to use a portion of their Drug Elimination Grant funding to reduce the number of guns in their communities by purchasing them from their owners.

Reducing crime in public housing. For FY2001, $345 million is proposed for Drug Elimination Grants to reduce drug use and other drug-related crime in and around public housing projects, to restore safety, and to build better communities.

Officer Next Door. The Officer Next Door program provides incentives for police officers to live in the communities where they work by offering a 50-percent discount on the purchase of HUD-owned foreclosed properties in locally designated revitalization areas. To date, HUD has accepted 3,515 sales contracts and closed 3,225 sales under this initiative, far exceeding the original goal of 1,000 sales.

(3) Investing in education.

The improvement of education and training has been a cornerstone of the Administration's agenda since 1993. Its initiatives have provided students with the educational opportunities they need to reach high standards, enhanced the quality of teaching, made college more affordable for all Americans, and offered lifetime education and training opportunities to those in need.

For FY2001, the Administration seeks to build on these efforts and also to offer new initiatives to improve the educational and training opportunities needed for a strong economy and healthy communities. At the core of these proposals is a basic principle: We must invest more in our schools and demand more from them. Among the programs the Administration is proposing to implement this principle are:

- **Turning around failing schools.** The Administration has called on States and school districts to identify and turn around their worst-performing schools—or shut them down. For FY2001, $250 million is proposed for Department of Education grants, an increase of $116 million, to accelerate the efforts to increase accountability and improve these failing schools.
- **Modernizing our schools.** The General Accounting Office has estimated the total repair bill for the Nation's aging schools at more than $100 billion. To help meet these needs, the Administration's proposed FY2001 Department of Education budget includes: $1.3 billion for a new School Renovation program, nearly $25 billion over 2 years in tax credit School Modernization Bonds, $450 million for the Technology Literacy Challenge Fund, and $150 million to double the program to preparing tomorrow's teachers to use technology.
- **Qualified Zone Academy Bonds.** To equip children and youth for the 21st-century economy, the Administration is helping to finance innovative elementary and secondary schools in or near Empowerment Zone and Enterprise Communities. It offers tax credits equal to 50 percent of the amount of corporate sponsorship payments made to a qualified zone academy, public library, or community technology center that is either located in

or near an EZ or EC or has at least 35 percent of its students eligible for free or reduced-price lunches. For FY2001, the Administration proposes that the local government agency for each EZ or EC be able to designate up to $16 million of corporate sponsorship payments as eligible for the 50-percent credit.

(4) Supporting partnerships for quality of life.

Empowering community and interfaith partnerships. For FY2001, HUD is proposing a new $20 million Community And Interfaith Partnerships Initiative to help community and faith-based organizations in their efforts to supply affordable housing, create economic opportunity, promote the goal of fair housing, and increase the effectiveness of such HUD programs as Section 8 vouchers.

The Administration's agenda includes a broad array of programs to

The Rise Of Civic Life In Cities.

Over the past decade, there has been a rise in the role of civic organizations in cities. Non-profit organizations are a crucial partner in the production and rehabilitation of affordable housing in communities across the country. Among the most prominent participants in this effort are the 3,600 Community Development Corporations, community-based groups at work primarily in central city neighborhoods in every state.

An intangible result of the work of many CDCs is community building. These organizations are homegrown efforts that involve the people in the neighborhoods that they serve. They know the people in the communities, their desires and needs, and often can play a crucial intermediary role with local government, foundations and the private sector.

strengthen and revitalize America's communities. Many of these initiatives are described in Section I: Addressing the Challenges of the New Economy.

WHAT'S IN THIS REPORT

As in previous years, the findings reported in the *State of the Cities 2000* are based primarily on data reported in HUD's State of the Cities Data System. The system provides historical data on key demographic, housing and economic indicators for all 542 central cities, their suburbs, and their associated metropolitan areas. Indicators included in the State of the Cities Data System may be direct extracts, special tabulations of publicly available information, or based on in-house research and data analysis.

This year's data includes updates all data reported in the previous years – and adds new information on high-tech employment in the nation's largest cities and metro areas. Data on other important indicators of urban life, such as health and educational quality, are not systematically compiled on an annual or national basis and are therefore not included in this report.

HUD's State of the Cities data system is accessible at *http://webprod.aspensys.com/SOCDS/CENSUS/Census_Home.htm.*

Note: The "digital city" background image on the cover of *The State of the Cities 2000* is a 3D/GIS view of lower Manhattan, courtesy of the Environmental Simulation Center, New York, NY.

List of Exhibits

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