

NLWJC - Kagan

DPC - Box 050 - Folder-006

**Race-Race Initiative Policy:
Economic Empowerment**

Race init policy - econ
empowerment

▶ **Julie A. Fernandes**
09/10/98 03:15:40 PM
.....

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP
cc: Cathy R. Mays/OPD/EOP, Laura Emmett/WHO/EOP
Subject: Econ. Dev. and Race

Bruce/Elena:

Attached is an outline on economic development and race for the Edley project. Paul W., John Orszag, Emil, Ceci, Cynthia, Andrea and I have all worked on its development. Please let me know if this looks o.k. to you, and I will pass it on to Edley's folks. Thanks.

julie


ECONRAC

**President's Book on Race
Chapter 6: Workplan**

Section 6.3: Economic Development and Job Opportunities

Outline

Introduction/Context

- Continuing Racial disparities and discrimination exist in the economy as a whole and within cities:
 - (1) Wage disparities, higher levels of unemployment, and low net wealth consistently shortchange large numbers of racial and/or ethnic minorities. Employment discrimination affects a significant number of all job searches.
 - (2) Concentrated poverty and racial segregation constitute major barriers to the reduction of place-based racial disadvantages.
- Building One America requires developing economic equity and opportunity programs that treat Americans of all races fairly. To do so, we must develop long-term, comprehensive programs linking the public and private sectors in rebuilding the economies of minority communities and increasing opportunities for economic advancement for all.
- The following are some broad themes as well as potential approaches:

A. Employment Opportunities: Strengthen Policies which Increase Employment Rates for Minorities

1. Target job creation in low income and minority communities
 - a. Incentives to private industry for job creation in low income and minority communities and creation of public service jobs where necessary.
 - b. Incentives for employers to hire disadvantaged workers (such as the long-term unemployed).
 - c. Infrastructure improvements in urban and rural low income and minority areas, including remediation and development of brownfields.
2. Ensure that individuals acquire the skills required by the marketplace, particularly young people.
3. Improve access to jobs.
 - a. Link low-income and minority workers to areas of job growth through innovative transportation programs (like DOT's Job Access program).
 - b. Improve the flow of information to minority communities about job opportunities in areas of high growth.
 - c. Improve access to child care for low-income and entry-level workers.
4. Vigorously enforce fair employment laws, including those affecting public sector employment.

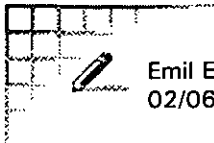
B. Strengthen Policies Which Ensure That All Families Earn a Living Wage So That No Family with a Working Parent Must Live in Poverty

1. Increase the minimum wage.
2. Support enforcement of worker protections including wage and hour and equal pay laws.
3. Encourage state and local governments to enact direct earning subsidies to workers.
4. Increase the availability of affordable, quality child care for low and middle-income working families.

5. Expand health insurance coverage for low and middle-income working families and assistance to enable people with disabilities to work.
 6. Encourage life-long learning and skills upgrading.
 7. Increase child support enforcement.
- C. Assure that Every American Has the Opportunity to Purchase a Home or to Rent Affordable Housing**
1. Increase financial support for individuals to purchase and/or rehabilitate housing (through tax incentives, direct spending, individual development accounts, etc.).
 2. Increase financial support for access to decent, affordable housing for renters.
 - a. Increase the availability of housing vouchers.
 - b. Further develop regional housing counseling and referral agencies.
 3. Aggressively enforce fair housing and fair lending laws (e.g., through the use of pattern and practice investigations, disparate impact cases and increased testing); enhance enforcement and/or strengthen laws that promote access to mortgage loans for minorities (e.g., ECOA, the Home Mortgage Disclosure Act, and the Community Reinvestment Act).
 4. Integration
 - a. Support voluntary efforts to establish and maintain economically and racially integrated communities, including incentives to public housing agencies to reduce the concentration of housing assistance recipients in high-poverty areas and promote more dispersed housing choices.
 - b. Increase regional housing counseling efforts to encourage low-income and/or minority families to consider a wider more diverse range of neighborhoods when they make their housing decisions.

- D. Further Reduce Disparities in Access to Credit, Capital and Financial Assistance from Traditional and Non-traditional Sources**
1. Increase access to credit to create and expand businesses in low income and minority areas.
 - a. Promote micro-credit development lending.
 - b. Promote distressed communities as a new frontier for retail and financial institutions, so that we bring capital and jobs back to these communities.
 - c. Enforce the fair lending laws (see above).
 - d. Increase support for financial institutions focusing on these communities (community development banks).
 - e. Enhance support of venture capital funds specializing in this type of investing.
 2. Increase access to banking and credit services within minority communities, such as through un-banked initiatives.
 3. Link aggressive civil rights enforcement to urban revitalization by structuring settlements to develop affected communities; press for more aggressive systemic investigations which would promote revitalization as part of the case settlements.

Race init policy - economic
empowerment



Emil E. Parker
02/06/98 05:24:33 PM

Record Type: Record

To: Paul J. Weinstein Jr./OPD/EOP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Re: Regulation B

As I mentioned in my voice mail, the question of how to get Regulation B modified is not a new one. Reg B, which is under the jurisdiction of the Federal Reserve, currently prohibits the collection of small business lending data by race and gender (among other forbidden categories), making it quite difficult to use CRA data to accurately determine the extent of small business lending discrimination.

We considered a fair lending policy announcement for the Jesse Jackson Wall Street event that would have included a component quite similar to the Greenlining Institute's proposed approach to Regulation B. The President would have asked Secretary Rubin and other top Administration officials to contact members of the Federal Reserve Board of Governors about allowing, not requiring, lenders to collect and report information on the race, color, national origin, gender, and religion of small business loan applicants. The announcement was abandoned due to opposition from not only Secretary Rubin but also Gene Ludwig and Ellen Seidman, the most forward-leaning bank regulators on this issue. Ludwig and Seidman's support for the Reg B change is prominently mentioned in the Greenlining follow-up letter. Both Ludwig and Seidman believe, however, that public Administration pressure on the Fed would be unproductive and could even backfire.

The Greenlining Institute letter refers to but does not describe a suggested, presumably public, strategy for persuading the Federal Reserve to change Regulation B. I recommend that we hear them out regarding this plan **but** have Ellen available to explain, during the February 16th conference call if not earlier, why a campaign of public pressure involving the Administration would not be advisable.

Paul J. Weinstein Jr. 02/06/98 04:07:24 PM



Paul J. Weinstein Jr.

02/06/98 04:07:24 PM

Record Type: Record

To: Gene B. Sperling/OPD/EOP, Bruce N. Reed/OPD/EOP

cc: Jonathan Orszag/OPD/EOP, Emil E. Parker/OPD/EOP, Jose Cerda III/OPD/EOP, Elena Kagan/OPD/EOP

Subject: Regulation B

I have had a couple of conversations with Michael Barr of Treasury regarding challenging the position of the Fed regarding Regulation B. Treasury is apparently pursuing a very quiet and backchannel approach to changing Regulation B. Apparently Under Secretary for Finance Jerry Hawke is sending a letter in the next week to the Fed asking them to reconsider their current position on Reg. B. In addition, Treasury has been meeting with various Fed Governors, (all the Democrats) to discuss this matter. HOWEVER, Secretary Rubin does not want any of these actions publicized. He needs Greenspan's support on a series of initiatives (including the Asia crisis) and does not want the Reg. B. issue to turn into a race-bashing of the Fed. Treasury believes they can make this work over the next six months, after which, if nothing has happened, we will revisit the the strategy issue with them.

I recommend we support the Treasury approach to changing Regulation B.

Message Copied To:

Gene B. Sperling/OPD/EOP
Bruce N. Reed/OPD/EOP
Jonathan Orszag/OPD/EOP
Jose Cerda III/OPD/EOP
Elena Kagan/OPD/EOP
Russell W. Horwitz/OPD/EOP

Race Initiative Policy -
Economic Empowerment

October 17, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
BRUCE REED

RE: CREDIT SCORING AND LENDING TO MINORITIES

On the attached September 12 Weekly Economic Briefing (WEB) you asked for our thoughts on the potential impact of credit scoring systems on mortgage lending to minorities. Secondary market underwriters purchase mortgage loans originated elsewhere and package them into mortgage-backed securities (although Fannie Mae and Freddie Mac, leading secondary market participants, also hold such loans in their portfolios). These secondary market purchasers generally use automated credit scoring systems in their buying decisions. The mortgage lenders accordingly have a strong incentive to use these systems as well, to ensure that their loans are attractive on the secondary market. Since African Americans on average have lower levels of income and wealth than whites, the spread of credit scoring systems may be adversely affecting mortgage lending to this group.

As noted in the WEB item, the number of conventional home purchase loans (not backed by, e.g., FHA or VA) to African Americans declined by 1.5 percent from 1995 to 1996, after four years of double-digit gains. Eugene Ludwig, Comptroller of the Currency (OCC has jurisdiction over national banks), put together a working group to more closely analyze the 1996 Home Mortgage Disclosure Act data, the source of the 1.5 percent figure. The findings of this working group should be available by the end of October. Preliminary discussion with one of the working group members suggests that credit scoring may not be largely or even partially responsible for the recent decline in home mortgage lending to African Americans.

Although it should not be ignored, the key issue is not whether African Americans receive lower scores than whites under credit scoring systems, but whether blacks fare more poorly under credit scoring than under alternate, ostensibly more subjective systems. A number of studies, including a Federal Reserve Bank of Boston paper, have found discrimination against minorities under traditional lending systems. By reducing subjectivity and/or by freeing underwriters to spend more time on marginal applications, credit scoring may actually enhance the ability of minorities to obtain credit on reasonable terms.

Treasury has proposed, for consideration by the DPC/NEC economic empowerment working group, a fair lending/fair housing initiative. One of the components of this initiative would be an examination of the impact of credit scoring and risk-based pricing on the availability of credit/capital to lower-income and minority individuals. This analysis could encompass mortgage, consumer and small business lending--all areas in which credit scoring is becoming more prevalent.

The NEC and DPC are working with HUD, Treasury, and OMB, on a major fair housing/housing choice package as part of your Initiative on Race.

We will keep you posted about the detailed analysis of the 1996 Home Mortgage Disclosure Act data.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 17, 1997

EK

**NOTE FOR: THURGOOD MARSHALL, JR
SYLVIA MATHEWS
BRUCE REED
GENE SPERLING
JUDITH WINSTON**

FROM: MICHAEL FROMAN *MF*
CHIEF OF STAFF

SUBJECT: RACIAL RECONCILIATION INITIATIVE

I wanted to bring you up to date on what Treasury has been doing with regard to the President's Initiative on Race. To follow up the June 14 announcement, Treasury assembled an internal working group with representatives from all of its policy, support, and management offices. That group has been working to assess what Treasury is doing that has an impact on race and what it might do to expand its activities in this area, both as a large institution (e.g., personnel, procurement, community engagement) and in its role in the development and implementation of policy. As you know, Treasury is involved in an array of policy arenas which could be relevant to this initiative, from community development to law enforcement to the economic analysis of proposals regarding health, education and other policies.

On September 8, I hosted the first of what we hope to be a series of meetings with representatives from approximately twenty groups representing African-Americans, Latinos, and Asian Pacific-Americans to discuss Treasury's role in the racial reconciliation initiative. This meeting was an opportunity for interested groups to evaluate our current programs and generate new ideas. Attached is a brief summary of the meeting and a list of participants, as well as the memo that was given to these groups describing Treasury's current activities and our ideas for future initiatives. We plan to follow up on the ideas discussed in the meeting and feed ideas into the appropriate White House policy processes.

I would welcome your comments and suggestions on the steps Treasury is taking to help make this initiative a success, and I encourage you to share our activities with any other agency that may be interested.

cc: Michelle Cavataio
Jose Cerda
John Jennings
Andrew Mayock
Emil Parker

Steve Silverman
Rob Wexler

Race Initiative Outreach Meeting

The September 8 meeting began with brief presentations from the offices of Domestic Finance, Economic Policy, and Enforcement, and then turned to discussion and questions. Domestic Finance discussed initiatives such as business mentoring, CRA, CDFI, brownfields tax incentives and access to capital, and Economic Policy described the data collection process in which they are engaged with staff from the President's Initiative on Race and the Council of Economic Advisors. Enforcement reviewed their work in such areas as church arsons, the GREAT anti-gang program, and the Youth Crime Gun Interdiction Initiative.

From the discussion that followed, we were able to identify several areas in which the groups expressed particular interest. Following are highlights from the discussion in these areas.

Data Collection

Many of the groups stressed the importance of the data collection phase of the race initiative. They felt that in order to determine effective policy, it was necessary to have an accurate picture of the status and progress of minority groups. A few participants noted that data on Asian Pacific-American groups is particularly lacking. Many participants felt that analyzing the impact of various policy proposals and government programs on different racial and ethnic groups would be particularly useful. Many also mentioned the importance of broad, immediate dissemination of the data, once collected, so that these organizations and others could use the data.

Community Development/Entrepreneurship

The next area of interest concerned community development, and many thought that Treasury should focus on promoting entrepreneurship by expanding empowerment zones, enterprise communities, business mentoring and access to capital. Some suggested working more closely with smaller banks on a local level on community development initiatives. Some specific suggestions were to link CDFI to mainstream banks under CRA to encourage larger banks to work more closely with smaller banks to expand community development lending.

Outreach

While most of the participants agreed that community development programs such as EZs/ECs and brownfields were particularly beneficial to minorities, they believe that more extensive outreach is essential to the success of these programs. One representative said that he was encouraged by many of the community development initiatives, but was concerned that we lacked an effective way to inform people at the local level about the range of programs offered by the Federal government. Many of the representatives suggested that we develop a partnership with their organizations as way to distribute information on the community development initiatives. Several Asian Pacific-American representatives also mentioned that language and cultural barriers prevented members of their community from fully utilizing all the available programs.



● Paul J. Weinstein Jr.

10/17/97 04:48:09 PM

Record Type: Record

To: Elena Kagan/OPD/EOP
cc: Jose Cerda III/OPD/EOP
Subject: Followup to Race Meeting

Possible Reports

1. **Twenty Year Anniversary of the Community Reinvestment Act** -- This year is the twentieth anniversary of the passage of CRA. This law, as you know, requires banks to lend, invest, and serve ALL the communities in which the institution is chartered. The President implemented a major reform of the law in 1995. Because of CRA and the Fair Lending and Fair Housing, lending rates to minorities have increased dramatically, especially over the last four years. Although the anniversary date already occurred (we issued a POTUS statement), Treasury would be willing to do a short anniversary report on CRA and the results since 1977 before the end of the year.

2. Anniversary of the Fair Housing Act

Next Summer is the anniversary of the Fair Housing Act. Treasury and HUD have talked about making this a major event. We could engage with both agencies about making this into a Presidential or Vice Presidential event.] |

Tax Items

Treasury is reviewing data on the Low Income Housing Tax Credit (LIHTC), focusing particularly on the efficiency and availability of the LIHTC. Treasury will conclude this analysis in approximately three weeks. After that date, we will meet with their staff to discuss an increase in cap.

Community Development Financial Institutions (CDFI) Fund Round 3 Grants

1. There will be a Training and Technical Assistance round this fall. A third round of Bank Enterprise Act (BEA) and CDFI grants will be made next spring. There will also be a second Presidential Microenterprise Awards announcement by Treasury next Spring.

Racial Policy - econ empowerment

Spending

Make flexible funding available for second-round urban empowerment zones.

Although the Administration requested \$100 million in flexible urban EZ funding for FY 1998, the FY 98 VA-HUD conference report includes only \$5 million in EZ planning funds, with no guarantee of actual program funding for FY 1999.

Housing portability/choice. The package could include the following elements, among others:

- 1) Provide \$20 million in the FY 1999 budget to increase the number of Regional Opportunity Counseling (ROC) sites. Under the ROC program, public housing authorities partner with nonprofits to provide counseling to Section 8 certificate and voucher holders, to ensure that they are aware of the full range of housing options. When Section 8 families are ready to move, they tend to search for housing in areas similar, and in close physical proximity, to their original high-poverty neighborhoods.
- 2) Encourage the use of exception rents (i.e., up to 120 percent of the "fair market rent") as a tool for opening up more expensive suburban housing markets.
- 3) Eliminate obstacles to portability of Section 8 vouchers.
- 4) Support voluntary efforts to establish and maintain integrated communities, through, for example, the Fair Housing Initiatives program (FHIP) or mortgage loan funds.
- 5) Reduce racial disparities in mortgage loan denial rates through a partnership with the mortgage and real estate industries.
- 6) Expand the number of Homeownership Zones from six to about 26. HUD will provide \$10 million in FY 97 and has requested an additional \$50 million in FY 98 and FY 99. This program enable cities to undertake large, single-family developments in inner-city neighborhoods. These developments are designed to attract stable, middle-income families to, and retain them within, central cities.
- 7) Implement Homeownership Vouchers. This initiative would allow recipients of Section 8 tenant-based assistance to use their vouchers and certificates for mortgage payments, rather than strictly for rent.

Fair lending/fair housing initiative. This initiative could include:

- 1) An examination of the impact of credit scoring and risk-based pricing on the availability of credit/capital to lower-income and minority individuals;
- 2) A Presidential call to banking regulators to obtain more data on reasons for home mortgage loan denials (OCC and OTS already collect such information);
- 3) A Presidential request to Government-Sponsored Enterprises (GSEs--Fannie Mae and Freddie Mac) to retain loan denial data for further analysis of lending

- patterns; and
- 4) Increased resources for HUD and Justice testing efforts, with particular attention paid to mortgage lending.

Provide additional funds for job-creating projects in urban areas. The Administration would request new Economic Development Administration (EDA) funding dedicated to infrastructure and other projects that will stimulate private sector job creation in especially distressed urban areas. Projects in disadvantaged urban communities which were also found to be trade-impacted would be given preference for these funds.

Capital access program. This would be a national pilot program under Treasury's CDFI Fund to test a model that has proven effective at the State level. The program, rather than providing loan guarantees, would match loan insurance premiums put up by the borrower.

Expand DOT's Livable Communities initiative.

Childhood lead poisoning prevention bonus program. Under this performance-based program, communities would receive bonuses for reducing childhood blood lead levels, especially those of children in large central cities. The program might also reward communities for progress with regard to other home health hazards such as rat infestation. This initiative would create jobs in the lead hazard evaluation and control field, as well as addressing a grave threat to children's health.

Tax

Ease tax code constraints re: public-private infrastructure development.

- a) Raise the current cap on "private benefit" from tax exempt debt; e.g., from 10 to 20 percent;
- b) Increase the cap on transportation bond proceeds usable for non-transit purposes from 5 to 20 percent; and

These two proposals are intended to stimulate retail and other spinoff development from transit projects.

Urban intercity bus facilities redevelopment. The 20 percent commercial historic rehabilitation tax credit could be extended to intercity bus facilities which are not on a historic register and do not contribute to the character of a historic neighborhood (the criteria for the current credit). A provision in the NEXTEA proposal would make intercity bus facilities eligible for Surface Transportation Program dollars; this item is not included in the House bill.

Little or no budgetary impact

Voluntary CRA-type provisions for non-bank financial institutions. The largest providers of several types of loans (mortgage, car, institutional real estate) are often not covered by CRA. For example, according to Treasury, 60 percent of home mortgages are made by mortgage companies. Given that an increasing percentage of financial services business is now in the hands of institutions other than banks, it is appropriate to explore methods of extending CRA principles to these entities, on at least a voluntary basis. It is necessary to tread carefully here, since this issue is a political minefield.

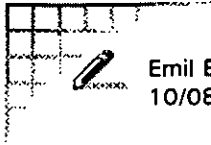
Voluntary agreement by private sector vendors to allow targeted entities (e.g., providing jobs, training or other services) in distressed areas to purchase from the GSA schedules. An informal estimate by GSA suggests that entities such as small businesses and community development corporations in distressed areas could realize savings of 15 to 30 percent on information technology and communications items by purchasing from the GSA schedules.

Outreach to financial institutions about CRA credit for transportation infrastructure projects. According to DOT, many financial institutions are not aware that they can receive CRA credit for investment in transportation infrastructure and mobility enhancement projects.

Make electronic funds transfer (EFT) regulation into a major announcement on the "unbanked." The proposed regulation was issued in September. In January the 90-day comment period is over; by March the proposal will be finalized. As a result of the new regulation, up to 10 million individuals may be brought into the banking system.

Public education campaign on financial literacy and services. Treasury received \$2 million in 1997 for the campaign. The Department is planning to start the campaign in late fall or early winter. The campaign's goal is to improve understanding, especially among the "unbanked", of financial products and services. Treasury will circulate pamphlets through banks and credit unions, labor unions, Federal agencies such as Veterans' Affairs and Social Security, the American Bankers Association, consumer groups, etc. Treasury will also do public service announcements.

Race initiative policy -
econ empowerment



Emil E. Parker
10/08/97 05:16:03 PM

Record Type: Record

To: Jose Cerda III/OPD/EOP, Paul J. Weinstein Jr./OPD/EOP
cc: Elena Kagan/OPD/EOP
Subject: Urban group policies list, for race initiative meetings



Here URBLST2.W is my attempt to list the most promising ideas under discussion in the urban issues/economic empowerment group, other than those in the economic development piece which Jose gave me this afternoon. Do you want to insert this attachment into that document, or would you prefer to e-mail your document to me?

There are a couple of items in this list that you may not have seen before--increased EDA funding dedicated to urban projects (this has come up in the fast track context) and the performance-based lead poisoning program, which was in the "pillars" document and has been developed further. I will get you paper on the latter proposal.]

Also, under housing mobility, could you add the following item to the housing portability section:

Support voluntary efforts to establish and maintain integrated communities

Thank you.

Race Initiative Policy -
Econ Empowerment

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Rac Initiative Policy -
econ empowerment

ECONOMIC DEVELOPMENT IDEAS

Unbanked

1. Make Electronic Funds Transfer Regulation into a major announcement on the unbanked. The proposed regulation was issued in September. In January the 90-day comment period is over. By March the proposal will be finalized. Under the new regulation, up to 10 million may be brought into the banking system.
2. Public education campaign on financial literacy and services. Treasury received \$2 million in 1997 for the campaign. The Department is planning to start the campaign in late fall or early winter. The campaign's goal is to improve people's (particularly the unbanked) understanding of financial products and services. Treasury will circulate pamphlets through banks and credit unions, labor unions, through federal agencies such as Veterans and Social Security, the American Bankers Association, consumer groups, etc. Treasury will also do Public Service Announcements.

Empowerment Zones

The Domestic Policy Council (DPC) recommends a "fast track" announcement of the Second Round Empowerment Zone (EZ) designees. We believe that the financial benefits available to the Second Round EZs do not warrant a long, extended application process. With only tax incentives and small sums of targeted, categorical grant funding available, we believe it would be a mistake to ask applicants to put together an extensive, comprehensive strategic plan. Instead, the DPC recommends a streamlined application process which would allow the designations to be awarded no later than the end of March. We propose that applicants respond to two questions: 1) how they will encourage the private and non-profit sectors to utilize the various tax incentives to promote economic opportunity, job creation, and sustainable development (brownfields); 2) how do they plan to utilize the categorical grants (in accordance with the program regulations) and how will the applicants work with community groups and the private sector to leverage these dollars?

Because of the lack of a large pool of flexible funds, we understand certain individuals are proposing that we not refer to the designees as EZs. We want to make clear our opposition to such a position. While the second round incentives are not as generous as the first round (and we need to make that clear up front in the application), in no way should we place the President or the Vice President in a position where they are not able to claim their victory in fulfilling their promise of a second round. The second round EZs are just that, EZs. To not claim victory makes no political sense.

PROPOSED TIMELINE:

December 20 -- Applications are sent out to prospective applicants.

February 20 -- Applications are due to HUD and USDA.

March 15 -- HUD and USDA advise the CEB and Vice President of their proposed designees.

March 30 -- The designees are announced.

ADVANTAGES

- * Insures earliest possible use of tax incentives which are already available to designated communities.
- * Allows communities to put into effect their plans at a much earlier date. Thus, we will have positive results to hopefully talk about prior to the 2000 general election.
- * Allows the Administration to move through the difficult process of choosing twenty winners out of very large pool of applicants at a much quicker pace.
- * Eliminates unnecessary paperwork.
- * Reduces unnecessary waiting period for making awards.
- * Insures the announcing of the designees before the 1998 election while not violating the "gentleman's agreement" between the Congress and the Administration on the timing of the announcement.

DISADVANTAGES

- * May negatively impact on rural applicants, who require more time to complete applications.
- * EZ interest groups have asked for longer application periods, not shorter ones.
- * Extensive outreach to community groups will be limited. However, since there are not the same kind of flexible funds available, there is no longer reason for extensive discussions with those groups. However, we recommend leaving the option open of working an additional plans with the designees and community groups should the Congress provide HUD and USDA with flexible funds in later years.

Two New Rounds Of CDFI Awards

The House-Senate Appropriations Conference Report includes \$80 million, a 62.5 % increase from last year. This will allow Treasury to make two more rounds of awards over the next fiscal year. In addition, Treasury is going to launch this year a Secondary Market Initiative, to encourage the securitization of community development loans, thus making them cheaper and more available. Treasury has the funds to do this in FY98 (\$4 million). Finally, the CDFI legislation is up for reauthorization in 1998. This is going to be a major fight for the Administration and should be designated as one of the President's chief urban economic development goals for the next year.]

Housing Portability

- 1) Expand the Regional Opportunity Counselling Program (ROC). Include an additional \$20 million in FY99 budget to increase number of ROC sites. This agencies help Section 8 families identify housing opportunities outside of adjacent high poverty, segregated areas.
- 2) Encourage the use of exception rents as a tool for opening up suburban housing

markets.

- 3) Eliminate obstacles to portability of Section 8 vouchers.
- 4) Reduce mortgage denial rates for minorities by working with mortgage and real estate industry.
- 5) Expand number of Homeownership Zones from six to 20 sites. HUD will provide \$10 million in FY97 and has requested an additional \$50 million in FY98 and FY99. This program enable cities to undertake large, single family developments in inner city neighborhoods. These developments can retain and attract stable, middle-income families into the inner cities.
- 6) Implement Homeownership Empowerment Vouchers. These would allow Section 8 certificate holders to apply their certificates to mortgage payments.

Fair Lending/Fair Housing Initiative

Purpose: To ensure equitable access to credit markets. This initiative could include 1) an examination of the impact of credit scoring loan systems and risk-based pricing on lower-income and minority individuals; 2) a presidential initiative urging the banking regulators to obtain more data on reasons for home mortgage denials; 3) a presidential request to Government Sponsored Enterprises (GSEs) to retain loan denial data for further analysis of lending patterns; 4) increased funding for DOJ/HUD testing of how applicants are treated; 5) Public education around the 30 year anniversary of the Fair Housing Act.

OMB Budget Process

The DPC and the NEC are holding a series of meetings with OMB to review and set priorities for HUD's Transportation's, and Treasury's FY99 urban/economic development budget. The first meeting was last week. A meeting with key people at the three agencies will be held this week. Additional meetings with OMB will follow.

Race Initiative Policy -
~~community~~ empowerment
 economic

August 5, 1997

MEMORANDUM FOR BRUCE REED
 GENE SPERLING
 ELENA KAGAN

FROM: Jose Cerda
 Emil Parker
 Ellen Seidman
 Paul Weinstein

SUBJECT: NEC/DPC Economic and Community Empowerment Work
 Group

Paul/Ton -

Looks good. I think
 we should be a co-lead
 on the affordable housing
 question. And of course we
 should solicit further
 ideas from the agency
 guys. When is this
 meeting. I really to
 think Bruce should do
 it Gene does.

I. Proposed Membership

DPC: Paul Weinstein, Jose Cerda, Cynthia Rice, Diana Fortuna
 NEC: Jonathan Kaplan, Emil Parker, Peter Orzag, Ellen Seidman
 OVP: Jonathan Weiss, Julian Potter
 CEA: Sandy Korenman
 OMB: Michael Deich, Steve Redburn
 CEQ: Keith Laughlin
 Treasury: Michael Barr,
 Office of the Comptroller: Matt Roberts
 HUD: Paul Leonard, Gloria Robinson
 Labor: Ray Uhalde
 HHS: David Garrison, Don Sykes
 Transportation: Jan Lieber
 Interior/BIA: (need candidate)
 SBA: Ruth Sandoval
 USDA: Carl Willock
 EPA: Tim Fields, Harriet Tregoning
 Energy: Mark Mazur

II. Look Back

A. Ask CEA, Treasury, and OMB to review economic and other data on major Administration economic development initiatives, including CRA reform, Empowerment Zones/Enterprise Communities, CDFI program, reform of Low

Income Housing Tax Credit and Mortgage Revenue Bond Program, Public Housing Reform, Home-Ownership Initiative, SBA One Stop Career Centers/Job Training, and the Brownfields pilot program.

B. CEA survey of data and literature on urban and rural economic development

C. Clinton record on issues with impact on race.

Overall Economy:

1. Impact of 1993 Economic Plan
2. Impact of 1997 Balanced Budget Agreement

III. Implementing New Initiatives in Balanced Budget Agreement

Welfare Jobs Initiative -- The reconciliation bill includes the President's proposal to create \$3 billion Welfare to Work Jobs Challenge to move long-term welfare recipients into lasting, unsubsidized jobs. These funds can be used for job creation, job placement and job retention efforts, including wage subsidies to private employers, transportation and other critical post-employment support services. The Labor Department will provide oversight but the dollars will be placed, through the Private Industry Councils, in the hands of the cities who are on the front lines of the welfare reform effort.

Welfare-to-Work Tax Credit -- This provision will give employers an added incentive to hire long-term welfare recipients by providing a credit equal to 35% of the first \$10,000 in wages in the first year of employment, and 50% of the first \$10,000 in wages in the second year, paid to new hires who have received welfare for an extended period. The credit is for two years per worker to encourage not only hiring, but also retention.

Brownfields Tax Incentive - The tax incentive will be available for three years. The Treasury Department estimates that this \$1.5 billion tax incentive will leverage more than \$6 billion for private sector cleanups nationwide, allowing redevelopment of 14,000 brownfields. It is not yet clear whether EPA and HUD will be successful in securing funding for their proposed expansion of the Brownfield pilot program

Increased CDFI Budget Allocation -- The House has agreed to fund the program at \$125 million next year.

2nd Round of Empowerment Zones -- the reconciliation bill includes, a second round of EZs --15 urban and 5 rural EZs. The new EZs will benefit from a different blend of tax credits from first-round EZs. They will be eligible for the Brownfields tax incentive, special expensing of business assets, and qualification for

private-activity bonds. The selection of the new Empowerment Zones is a major initiative on its own.

DC revitalization plan

IV. Possible New Initiatives

This list is by no means exclusive; we expect members of the group to suggest other proposals and areas for exploration.

The Ten Best Mayors Tour -- The working group would identify the ten most successful mayors, Democrats and Republicans, and go and meet with them and their staffs to discuss their best economic development ideas: Lead DPC/NEC.

Affordable Housing and Housing Mobility -- Look at a possible expansion of vouchers and AT proposals to address housing discrimination and mobility issues: Lead HUD/ NEC.

Expand Low-Income Housing Tax Credit (LIHTC)-- The President fulfilled in 1993 his commitment to make this credit permanent. LISC has proposed lifting the cap on the LIHTC to allow for expanded use of the credit targeted to the development of housing for individuals moving out of public housing: Lead Treasury and HUD.

Fannie Mae/Freddie Mac/Federal Home Loan Banks/Farm Credit System -- these organizations and systems remain a relatively untapped resource of housing and economic development lending for low-income individuals and underserved communities and business groups: Lead Treasury and HUD.

Serving the "Unbanked" -- Treasury is engaging in an effort to further expand lending, investment, and basic banking services to the unbanked. This includes an initiative to provide money to financial institutions to insure that REASONABLE ATM use is free for individuals living in distressed communities, financial education programs, etc.: Lead Treasury.

Metropolitan Coordination and Collaboration -- Proposals to encourage region-wide coordination, especially in areas such as welfare-to-work, transportation, environment and education: Lead OMB, CEQ with extensive DOC, DOT, and HUD participation.

Sustainable Development -- Brownfields is the best example this Administration has of combining good environmental policy with sound economic development design. CEQ has undertaken a large effort to review current best practices of sustainable

development. The working group needs to task them with coming up with their best ten ideas to promote the cleanup of the environment and encourage private investment in our cities: Lead EPA, CEQ, Treasury, HUD.

Small/Minority/Women-Owned Business Equity Capital, Entrepreneurship -- Policy proposals could be considered in areas including microlending, CDFI tax credits, and CRA credit for additional categories of bank investment: Lead Treasury, SBA.

CRA Principles for Nonbanks. Explore methods of applying CRA principles to nonbank providers of financial services; e.g., mortgage companies, insurance and securities firms: Lead Treasury, DPC, NEC.

Welfare-to-Work Tax Credit -- monitor utilization and explore options to channel some portion of the tax credit benefits to nonprofits: Lead Treasury, NEC, DPC.

Race Initiative Policy -
community empowerment



● Paul J. Weinstein Jr.

08/04/97 12:44:09 PM

Record Type: Record

To: Gene B. Sperling/OPD/EOP, Elena Kagan/OPD/EOP

cc: Russell W. Horwitz/OPD/EOP, Emil E. Parker/OPD/EOP, Jose Cerda III/OPD/EOP

Subject: New Home Mortgage Disclosure Act (HMDA)

This afternoon new HMDA data will be released by the banking agencies. Overall the numbers are good. The number of both government-backed and conventional home purchase lending to all racial and ethnic groups increased from 1995. **However, the number of conventional home purchase loans to African-American applicants fell by 1.5%.** The good news however is that home purchase lending increased .5% for Hispanics, 6.1% for Native Americans, 7% for Asians. Since the President has been in office ('93-'96), conventional home purchase loans have risen 67.2% for African-Americans, 48.5% for Hispanics, 31.6% for Native Americans, and 16.4% for Asians.

Race Int Policy - Econ Empowerment

Draft

Draft

July 30, 1997

Bruce -

FYI. What do you think?

Dina

Elena

MEMORANDUM FOR ELENA KAGAN

FROM: Jose Cerda
Paul Weinstein

SUBJECT: **NEC/DPC Economic and Community Empowerment Work Group**

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- OVP: Jonathan Weiss, Julian Potter
- CEA: (need candidate)
- OMB: Michael Deich, Steve Redburn
- CEQ: Keith Laughlin
- Treasury: Michael Barr
- HUD: Paul Leonard, Gloria Robinson
- Labor: (need candidate)
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- Transportation: Jan Lieber
- Interior/BIA: (need candidate)
- SBA: (need candidate)
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- EPA: Tim Fields, Harriet Tregoning
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- B. CEA survey of data, literature, etc. major issues/gaps
- C. Clinton record on issues with impact on race

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Affordable Housing and Housing Mobility -- Look at a possible expansion of vouchers and the difficult issues involved with housing mobility: Lead HUD.

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Metropolitan Zones -- Proposals to encourage metropolitan planning: Lead OMB, CEQ.

Sustainable Development -- Brownfields is the best example this Administration has of combining good environmental policy with sound economic development design. CEQ has undertaken a large effort to review current best practices of sustainable development. The working group needs to task them with coming up with their best ten ideas to promote the cleanup of the environment and encourage private investment in our cities: Lead EPA, CEQ, Treasury, HUD.

IDEAS AND TRENDS

URBAN POLICY

Gore Says Urban Strategy Should Focus on Metropolitan Areas

Efforts to address urban problems must unite cities and suburbs through a focus on metropolitan areas, Vice President Al Gore told a June 9 meeting on the future of the city convened by HUD.

The meeting, which focused on jobs and economic development, is the first in a series of 12 sessions on urban policy to be sponsored by the department.

"We need to develop a metropolitan strategy interweaving urban and suburban communities," said Gore. "The problems of the older inner cities are connected to problems in the suburbs."

A comprehensive approach to urban problems must be a key element in the development of any metropolitan strategy, Gore noted. "There has been too much emphasis on single causes and effects," he said.

Today's booming economy permits greater attention to urban development, Gore added. "At a time when we have economic progress," he said, "it's time to focus on cities."

Actions by Cities

Cities themselves need to take a number of "bricks and mortar" actions and remove barriers to business development in order to be economically vital in the next century, said John F. Smith, Jr., chairman and chief executive officer of General Motors.

Smith urged a greater emphasis on brownfields redevelopment. "Cities must reclaim their brownfields land to promote growth or else they will decline," he said.

To accomplish this development, clear liability standards for lenders and property owners need to be established, Smith said.

Smith urged the establishment of a public-private partnership for land acquisition, saying that in many cities development cannot proceed because there are not enough contiguous parcels owned by the government.

Smith also pressed for the development of an apprenticeship training system as part of any educational reform effort.

"Our country puts too much emphasis on college, because there are great jobs in the U.S. for people with technical skills," Smith said. "What if our cities could become centers for this training excellence?"

Smith also called for expanded housing development and retail activity in cities, spearheaded by the federal government.

Linking Jobs, Residents

Urban revitalization will also require a connection between inner city residents and suburban jobs, said William Julius Wilson, professor of social policy at Harvard University.

Wilson called for action to address the mismatch between jobs and place of residence through improvements in public transportation or the establishment of carpooling systems.

Wilson recommended the widespread implementation of an approach based on HUD's Bridges to Work program, which is aimed at linking inner city welfare recipients to jobs in the suburbs. (For background, see *Current Developments*, Vol. 24, p. 326.)

HOMELESSNESS

Census Bureau Developing Outreach Procedures for 2000 With Cities, Community Groups

The Census Bureau is collaborating with local and national organizations to set up procedures for the 2000 census, including visits to service locations and provision of forms in public places, to obtain as accurate a count of the homeless as possible, said Census Director Martha F. Riche at a June 12 meeting of the Homelessness Roundtable.

"This is the most intensive direct enumeration ever, using every method of contact with people," she said.

Over the next few years, she said, the bureau will be working with local governments, community-based organizations, and others to identify a list of service locations across the country - such as shelters, soup kitchens, and regularly scheduled mobile food vans - that will be open at census time.

"We're asking for help from a variety of different sources to get a list of service locations," she said. "We'd like to begin immediately."

Census Procedures

Before census day, Riche said, each of the organizations identified will receive an advance visit from census officials, who will explain the procedures to be conducted and solicit help from staff and volunteers.

On census day, Riche said, these sites will be visited by enumerators who will personally conduct a one-time count using simplified procedures and forms keyed to an eighth-grade reading level.

Enumerators will also be sent to targeted nonsheltered locations, such as encampments where the homeless sleep and eat, said Riche. The bureau will work with outside groups to identify those locations.

Aside from a direct count conducted by enumerators, Riche said the bureau will also distribute questionnaires at other service locations used by the homeless, such as drop-in centers and health care clinics.

Should Congress permit, the bureau will also use statistical estimation as a double check on its procedures and to improve its count of the homeless, Riche said. For example, estimation techniques would be used to account for people who were not present at the time of the census count but who use services at other times.

Use of these techniques may require a follow-up enumeration on a sample basis, she said.

M E M O R A N D U M

RE: BACKGROUND ON HUD SEMINAR ENTITLED:
"ACCESS, OPPORTUNITY, MOBILITY: MAKING DIVERSITY WORK
IN AMERICAN CITIES"

FR: CHRIS LEHANE,
COUNSELOR TO SECRETARY
RHODA GLICKMAN,
DEPUTY CHIEF OF STAFF

DATE: 6/27/97

On July 29, Secretary Cuomo plans to hold a seminar dealing with race relations entitled, "Access, Opportunity, Mobility: Making Diversity Work in America's Cities."

This event is the second in HUD's Community 2020 seminar series on the future of the American city. The honorary chair of the series is Vice President Gore, who moderated a very successful kickoff session last month. It was attended by over 700 people and was covered live on C-SPAN.

The focus of the July 29 seminar will center on the following core question: How can government, community and the private sector work in partnership to integrate cities and metropolitan areas across racial and ethnic lines?

The invited speakers for event are: Kweisi Mfume (President and CEO of the NAACP), Linda Chavez-Thompson (Vice President of the AFL-CIO); Professor Randall Kennedy (Harvard Law School); Professor Frank Wu (Howard Law School).

For your information, attached please find some background information on this seminar.

If you have any questions, please do not hesitate to contact us at 708-0417.

Community 2020

A New Future for the American City

Vice President Al Gore, Honorary Chair
Andrew Cuomo, Secretary
U.S. Department of Housing and Urban Development

Our communities face enormous challenges as they make the transition from declining industries to competing in the new global economy of technology and information. Community 2020 is a series of seminars on the future of America's communities and metropolitan regions: where they are headed and what they will be like in the next 25 years and beyond.

The Seminar Series

Vice President Al Gore will serve as honorary chair of a series of seminars exploring critical issues facing communities and regions, including: jobs and economic prosperity; workforce development and welfare reform, infrastructure and the environment; education; safety and security; health; and homeownership. A diverse group of practitioners and experts will be invited to participate in these events.

Cutting across specific issues, HUD's Community 2020 Seminar Series will engage in a far-ranging discussion of American traditions and values and their role in communities and metropolitan regions. Values such as opportunity, responsibility, accountability and accomplishment will be framed in the context of family and civic life.

Goals

- Capture the public's imagination for envisioning communities of the future.
- Nurture the American spirit to respond to the daunting challenges of 21st century communities.
- Increase cooperation now among federal, state and local governments and the private sector to face community challenges tomorrow.
- Empower Americans today to anticipate and develop solutions to real-world problems in the next century.

The first seminar was held at HUD on June 9 on the topic of *Jobs and Economic Prosperity*. Moderated by the Vice President, presentations were made by Professor William Julius Wilson of Harvard University's John F. Kennedy School of Government, Ray Smith, Chairman and CEO of Bell Atlantic, and John F. Smith, Jr., Chairman and CEO of General Motors. The session was broadcast live on C-Span. The overall goal of the seminar was to identify strategies for communities to manage the transition to the new knowledge- and information-based, technology-intensive global economy -- and especially how inner-city residents can access jobs in larger regional and metropolitan job markets. The next session is scheduled for July 29, 1997.

For Further Information

Please call the U.S. Department of Housing and Development at (202) 708-0614 Extension 4672.

COMMUNITY 2020: A NEW FUTURE FOR THE AMERICAN CITY
Vice President Al Gore, Honorary Chair
Secretary Andrew Cuomo

July 29th, 1997 Seminar

**Access, Opportunity, Mobility:
Making Diversity Work in American Cities**

A. Background

This seminar will focus on the challenges and opportunities presented by the changing demographics of cities, and especially how people can live and work together across racial and ethnic lines. The seminar will explore how, in an increasingly multi-ethnic and multi-racial society, residential and economic segregation in cities can be reduced. The seminar will contribute to the larger discussion of race relations initiated by the President, but with a specific focus on cities. Within this larger context there are several topics:

1. The 1960s heralded the end of *de jure* segregation. People of all racial and ethnic groups are now legally able to attend the same schools, drink from the same water foundations, and live in the same neighborhoods. However, the reality is that in many communities *de facto* racial segregation still exists. Nowhere is this more visible than in places where people physically live and work.

Even a cursory review of America's metropolitan areas shows that many African-Americans, Latinos, Asian-Americans and other minorities tend to live outside predominantly white communities. This is especially true in places like Washington DC, Boston and Chicago. (This choice is often not motivated solely on economic grounds, but reflect affirmative decisions made by individuals belonging to specific racial groups to live in non-racially-mixed communities). If current demographic trends continue, the racial and ethnic mix of this country is only going to become more diverse. The challenge ahead is to ensure that our neighborhoods and communities reflect these trends, and that all people, regardless of race or color have the freedom to choose the home and neighborhood of their choice.

2. Within these racial and ethnic shifts, immigration is emerging as a pivotal issue -- like race, taxes, and crime -- that defines political conflict over the basic values of our society. It is an issue that evokes cultural and economic anxieties. As the public debate intensifies, it is characterized increasingly by disagreement over facts as well as policy.

Immigration is driven by a host of factors: the restructuring of the global economy, demographic change, ethnic and political conflict, environmental degradation, expanding communication and transportation networks, etc. These factors are not transitory; they will produce a continual acceleration in global migration.

Overwhelmingly, the major impact of immigration has been on cities, particularly central cities which are a focal point of vast social, demographic and ethnic transformations. The seminar will attempt to understand the effects of this transformation; suggest ways to successfully meet its challenges and capitalize on the opportunities it presents, and moderate the tensions it produces.

Clearly, immigration is -- and will continue to be -- an urban phenomenon, and a small number of "gateway" have become the proving grounds for today's newcomers. Formal policy may be set by the federal government at the national level, but the contribution and impact of immigrants are felt most profoundly at the local level, where people actually live.

B. Focus and Content

The focus of this session would center on the following core question that we would pose to the panelists: *How can government, community and the private sector work in partnership to integrate cities and metropolitan areas across racial and ethnic lines?*

1. What are the demographic, racial and ethnic changes in cities likely to be over the next few years: both in central cities and larger metropolitan areas?
2. What are the short-term challenges/problems that the new demography presents?
3. What kinds of policies will be needed to include minorities -- immigrants and existing residents alike -- into the urban fabric as well as the larger society.
4. How can we foster a harmonious, peaceful and dynamic society that can accommodate immigrants and minorities and the social change it produces with a minimum of tension?

Some more specific questions might include:

- How can we view diversity not as a problem, but as a source of great strength for the city?
- Who are the dynamic local leaders working to help others embrace diversity?
- What are the innovative community programs that demonstrate how diversity is an asset to the nation and its cities?
- How does diversity contribute to economic restructuring in cities and help cities accommodate themselves to the forces of economic globalization?

The Seminar will identify constructive community programs that offer practical solutions to local issues, but also identify additional creative approaches that will further America's evolution as a strong and proud multi-ethnic society.

D. Title

The following is the Working Title for this Seminar:

*Access, Opportunity, Mobility:
Making Diversity Work in Our Nation's Cities*

E. Speakers

Invited Speakers

Kweisi Mfume
President and CEO, NAACP

Linda Chavez-Thompson
Executive Vice President, AFL-CIO

Professor Randall Kennedy,
Harvard University Law School

F. Format

The seminar will run from 5:00 pm to 7:00 pm.

Audience

We are expecting an audience of 400 or more, including HUD senior officials and staff, as well as a diverse list of invited Congresspersons and their staffs, public interest groups, trade organizations, and labor unions.

Setup

The location of the event will be on the First Floor (cafeteria). The room will be set up theater style with a raised stage and lectern for Secretary Cuomo and invited guests. There will be TV screens set up at various points in the room.

Press

The event will be televised live by C-Span. It will be open to the press; however, questions from the press will be taken during the event.

Future Focus

Speakers should address their remarks to their images of the future: Community 2020 is aimed at helping people visualize what the cities of the next century should look like, what it will take to make them work, and how we get from here to there. What are the opportunities and challenges that we are likely to confront over the next 25 years and beyond?

Format

While the specific format for this seminar will be refined closer to the date, the general format will be as follows:

1. Secretary Cuomo will welcome the audience and speakers, as well as introduce the Vice President. He will introduce the Community 2020 project and its core themes.
2. Speakers. Each speaker will speak for up to 15 minutes.
3. Questions and Answers. There will be also be a brief opportunity for Question and Answers and answers from the floor, as well as Questions and Answers from the Secretary for each speaker.
5. Secretary Cuomo will close the session with brief concluding remarks.

Race Initiative Policy -
Economic Empowerment

Suggested Items for Community Empowerment Meeting

1. Some Possible Sub-Groups

- ✓ • **Housing -- Possible issues include expanding the Low-Income Housing Tax Credit, more expansive program of vouchers.**
- ✓ • **Transportation -- Moving people in the inner cities to jobs.**
- ✓ • **Credit issues -- This one is tough, we have actually done quite a bit in this area with the President's reform of CRA and the CDFI program. One possible area would be a major expansion of microenterprise lending. Another idea would be Individual Development Accounts.**
- **Tax incentives -- We should look closely at tax incentives along the same vein as brownfields. e.g. combining both urban and environmental policy. Brownfields is unique in that it is supported by the cities and suburbs. Another incentive that we have developed is the Waterfront Tax Credit. Treasury however, has not yet approved. The credit would be available for commercial and residential properties that are on waterfronts and which put into place anti-water pollution devices to combat non-point source pollution (like runoff from parking lots).**
- ✗ • **Education**
- ✓ • **Metropolitan regional strategies**
- ✓ • **Welfare-to-work**
- **Unbanked -- Treasury has been working on this for awhile.**
- **Training/mentoring -- A big issue with Secretary Rubin and Hugh Price. One idea was to use the National Guard to mentor kids in the inner city and use their facilities. This stuff tends to get a little fuzzy.**

2. Potential Agency/Department Participation

- Treasury
- HUD
- Commerce
- Education

Gene (Breed)

What's our answer to this? What are we going to do?

Bre

THE PRESIDENT HAS SEEN

6-10-97

Copied Spending Reed cos

are right. But to those diversaries, who suspect government does, and hatreds in the emptier try, the trial raises more answers. Should America national contents think? Not one of them, once upon y McVeigh.

So where do the poorest go?

NEWARK, NEW JERSEY

AMERICA cannot be accused of dragging its feet in dealing with the poor. First, welfare reform required most single mothers to find work and accept time-limits on benefits, overturning 60 years of guaranteed assistance. Now a similar upheaval is planned for public housing, the biggest since the country's housing authorities were set up in 1937.

Contentious legislation passed by the House last month (and echoed in the Senate) would give local housing authorities more power to set criteria for admissions, but would require them to rent more units as they become available to working people, so that housing estates cease to be simply dumping grounds for the dependent. The House bill also changes rules that have discouraged tenants from taking up work by raising their rents when they do so; and it requires unemployed tenants to do eight hours a month of volunteer work, though that particular bright idea will be impossible to enforce or police.

The point, say the legislation's backers, is that public housing should be a transitional phase for the working poor instead of a dead end. Opponents, including the housing secretary, Andrew Cuomo, reply with a question. If public housing is gradually inhabited by working people, where do

THE PRESIDENT HAS SEEN

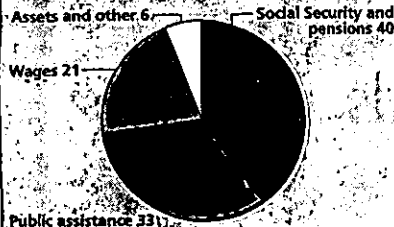
6-10-97

Housing - Left Nation and

Racial (w/ P) - Econ Empowerment -

Dependent tenants

Sources of household income in public-housing households, %



Source: Public Housing Data Book, HUD Office of Policy Development and Research

the poorest go?

The question is pertinent because the low-cost housing market, public or private, is disappearing, and lower-income Americans are increasingly hard-pressed to pay the rent. The Department of Housing and Urban Development (HUD) estimates that 5.3m households pay half or more of their income in housing costs, up by about a fifth from the mid-1980s. Out of every five American households that qualify for low-cost housing benefits, only one actually gets them. And the Census Bureau estimates that 87% of renters cannot afford to buy a cheap house in their area.

HUD is ill-equipped to deal with this squeeze. Since 1992, its budget has been cut from \$24.77 billion to \$19.59 billion. In 1994, the number of Section 8 claimants, who use federal subsidies to buy private-sector rental housing, was frozen at 1.1m households (another 1.8m are in a voucher programme) and plans to add to the 1.3m units in the public-housing stock were blocked. In the most recent budget, funds to do up government-owned units and to preserve low-cost housing stock in the private sector were both cut.

Alas, the loss of money for publicly supported housing comes at a time when there is at last almost a consensus about how to do it right: a mixture of subsidies, small housing developments scattered through communities, and a "one strike and you're out" policy for criminals and drug-dealers. There are plenty of success stories about; and HUD is even getting slightly better marks for its historically awful management.

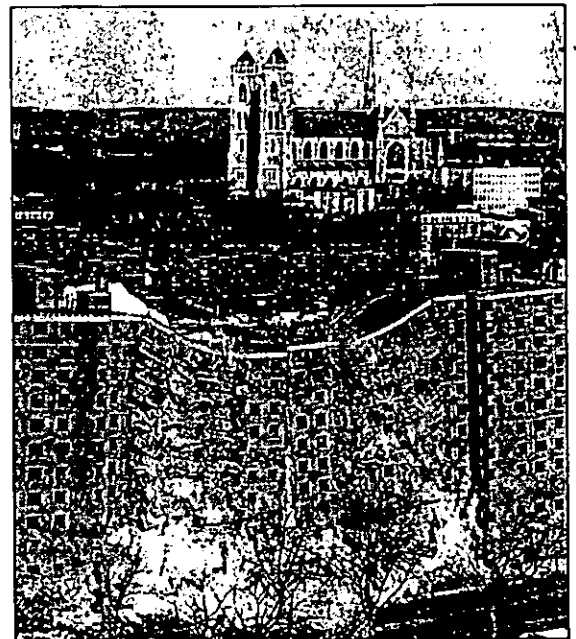
Newark, New Jersey, whose public housing authority used to be among the worst in the country, is a good place to see the possibilities. Motorists on the nearby freeway once had to endure the sight of grim brick apartment blocks. No more. The Christopher Columbus Homes were

torn down in 1994, and now motorists see the city's soaring basilica instead. The former residents of the Homes live in tidy two-storey houses, many of them just across the road from where the blocks once loomed. There are no graffiti, not much litter: the houses gleam. Only the broken-down cars reveal that this is housing for the poor.

Demolition has played a large part in recent housing strategy. The disappearance of the heartless blocks is hardly mourned: when the wrecking ball began to batter down Newark's Archbishop Walsh homes in April, residents cheered. All told, some 100,000 decrepit high-rise units have or will come down by the turn of the century in cities from New Orleans to Denver. But only 40,000 are being replaced. Combined with the freeze on new Section 8 vouchers, the result is that America will have fewer publicly financed units when Bill Clinton leaves office than when he came in.

The private sector is unlikely to fill the gap. The much-admired Community Development Corporations build perhaps 40,000 affordable units a year, but they depend on the low-income housing tax credit (which was almost abolished in 1995) and on being able to house a proportion of Section 8 tenants. Under Section 8, tenants pay 30% of their income to private landlords; the federal government picks up the rest of the bill. With the number of these tenants frozen, the economics of building low-cost housing falls apart.

Housing for low-income people, moreover, is unpopular in many communities, which price them out by forbidding high-density development. And regulation can push up construction costs unnecessarily, shaving the razor-thin profit margins. New York City, for example, has stricter require-



Goodbye, Columbus

Put in race file

... and deeper in debt

PHILADELPHIA



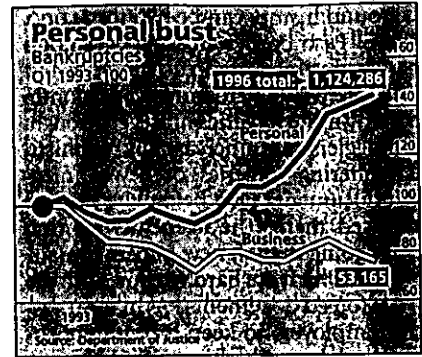
THE summery American economy is not without its cold spots. During 1996, a record 1.1m Americans declared personal bankruptcy, up 28.6% from 1995 and 44.1% from 1994. The bankruptcy binge was widely foreseen, as financial crises go. Consumer debt had grown sharply during 1994 and 1995, particularly credit-card debt, with a daunting average interest rate of 15.8% over the two-year period.

According to the National Consumer Bankruptcy Coalition, a group of banks and credit-card companies, the bankrupt should be pitied less than the lenders. They have a point. America's liberal bankruptcy code is much more of a shield for the debtor than a sword for the creditor.

An extreme case, say bankruptcy-reform lobbyists, is a student who pays off his federal tuition loans by piling up enormous credit-card bills which he then uses as the basis for a bankruptcy petition.

In congressional hearings in April, lenders received some sympathy for the idea of a "needs-based" bankruptcy system under which bankrupt borrowers would be relieved of debt only to the extent judged necessary by a bankruptcy court. A resolution of the bankruptcy-reform question is expected from Congress this autumn.

Meanwhile, lenders tend to steer their portfolios away from consumer debt and towards business debt. According to Robert Morris Associates in Philadelphia, the national association of credit-risk professionals, this shift is a direct result of de-



terioration in the quality of consumer credit. Since the beginning of 1997, the volume of bank commercial and industrial loans has increased by a healthy 3.9%, while the volume of consumer loans has fallen slightly. Mischievous consumer borrowers who presume that new debt will be available to finance the old may be in for a bit of market discipline at the hands of their creditors.

ments for handicapped access than the federal government, adding almost 10% to the cost of construction per unit. It can take years to get permission to build on former industrial sites. Private developers grumble at over-regulation, complaining that they have to build units "one piece of paper at a time". Many give up. It is a sad paradox. Not only is government retreating from the provision of social housing, but it continues to make it hard for others to step in instead.

Illegal immigrants Willing, eager and cheap

GALVESTON AND DALLAS

AS TEXAS begins to recover from two weeks of devastating storms, a generally hidden truth about its economy will come to light again. Most of the builders and electricians who will have to repair the houses, remake the roads and re-establish the power lines will have to take on undocumented workers in order to meet their contracts. In 1996 the Immigration and Naturalisation Service (INS) conservatively estimated that Texas had over 600,000 undocumented immigrants, doing the jobs no one else wants: hauling carcasses in packing plants, picking fruit, cleaning hotel rooms, or sorting out the unspeakable damage caused by natural disasters.

Raise the issue of these workers with a Texan, and he is liable to fall uncharacteristically silent. Even state legislators avoid the issue. They know that many of their

constituents employ undocumented workers. They also know that the booming Texas economy is driven in part by the ready supply of cheap, diligent, illegal labour.

Dallas is one magnet for undocumented workers. The city's politicians oppose INS crackdowns, fearing they will damage the local economy and bankrupt small companies. Houston is another; there, a dawn drive past some of the city's 36 informal day-labour sites shows the size of the undocumented workforce. Young Mexicans loiter on the pavement, poised to jump into the back of any pick-up truck that slows down to take them. Houston police estimate that over 150,000 labourers, about 85% of them undocumented, gather every day in search of a job. It is a testament to the vitality of the Texas economy that most of them get hired, usually to mix cement and shift bricks. No questions are asked, no papers signed. Most workers do not even know their employer's name. They are paid, in cash, around \$40 a day.

In Galveston, a breezy town on the Gulf coast, undocumented labour is less an issue than a wink-and-nod discussion at the dinner table. As in Dallas and Houston, wealthier families discreetly employ undocumented maids and gardeners. "We may vote against immigration but we still want a cheap gardener," confesses one Galvestonian. The main sources of employ-



No questions asked

ment are restaurants, building sites and small plumbing or electrical firms. At dusk undocumented workers set out along the promenade for their evening jobs as busboys and dishwashers in restaurants. A recent INS raid has kept the more jittery on their toes; but the only tangible impact of the raid, locals say, was the sudden explosion of help-wanted ads for waiters and hotel maids in the next day's paper.

Stricter immigration laws have just made smugglers sharper. The black market in fake documents is buoyant. On a street corner in a Latino district in Dallas, *The Economist's* correspondent was offered a forged Green Card for \$200. Complete

Race Initiative policy - economic
empowerment

Tom/Paul W. -

We should bring
them in to our
econ. empowerment
group, and make sure
we know what they're
doing. Elena

From: Keith E. Laughlin on 07/01/97 04:44:19 PM

Record Type: Record

To: Elena Kagan/OPD/EOP, Jose Cerda III/OPD/EOP

cc:

Subject: Metropolitan Initiative



Andre METRO.FAW Mayock of Sylvia Matthews' office asked me to get in touch with you concerning the policy options for the President's Racial Reconciliation Initiative. As you may recall, I passed out a one page fact sheet at a meeting last month that outlines the Metropolitan Initiative that I am working on with the President's Council on Sustainable Development (attached). I have been engaged in Administration discussions about "metropolitan compacts" since Chris Edley was the champion of this policy approach in the fall of '94.

The PCSD's metropolitan work has never been explicitly about race. But one of its primary goals is to identify common ground that exists between inner cities and suburbs to identify win-win approaches to improving economic security and quality of life that benefit both. But because the metro initiative is about facilitating a dialogue between cities and suburbs it could easily include a racial reconciliation component.

The new PCSD task force on Metropolitan and Rural Approaches will be co-chaired by Andrew Cuomo, Mayor Susan Savage of Tulsa, and Scott Bernstein, President of the Center for Neighborhood Technology, a CDC in Chicago. It won't hold its first meeting until late July/early August. But enough spadework has been done on this issue over the last few years that it could be featured in the President's upcoming speech.

Please give me a call at 66550 and maybe we can meet to discuss this further.

THE METROPOLITAN INITIATIVE

Background:

- Initiative emerged from the sustainable communities work of the President's Council on Sustainable Development;
- Part of an emerging consensus in support of "forging metropolitan solutions to urban and regional problems" (see attachment).

Basic Assumption:

- The time is right for bold experiments to bring together cities and their suburbs to produce economic prosperity, social equity, and environmental quality.

Three Specific Questions:

We want to launch 4 to 6 pilots to address three specific questions:

- 1) How can we help create **smart citizens** by using federal information and technical assistance programs to give people in a region the tools to solve local problems?
- 2) How can we promote **smart money** by targeting existing federal spending to effectively address the needs of a metropolitan region?
- 3) How can we encourage **smart regulation** that meets federal goals in a manner consistent with the unique circumstances of metropolitan regions?

Explicit Goals:

- To redefine the relationship between the federal government and metropolitan regions;
- To identify the common ground that exists between cities and suburbs by creating regional partnerships to clean up brownfields, reduce traffic congestion, move people from welfare to work, prevent crime, and curb urban sprawl.

Implicit Goal:

This implicit goal could be made explicit:

- To promote racial healing by engaging urban and suburban constituencies in a partnership to identify common ground on issues related to economic security and quality of life.