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**Urban Policy - State of the Cities
Report**

Urban policy: State of the Cities Report

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Bruce,
This is an outline for a HUD report that we would release at the Conference of Mayors this month. Hopefully, the President's speech would reinforce the report and vice versa. I'll follow up with Jonathan if that's okay.

Office of the Secretary
U.S. Department of Housing and Urban Development

John
Ad

DRAFT OUTLINE

STATE OF THE CITIES REPORT

I. INTRODUCTION: In January 1997, the President asked a simple question, "How are the nation's cities doing?" (Optional)

II. 1970-1990 -- Decades of Decline

From 1970 until 1990, the nation's cities became poorer and many became smaller. The rate of poverty increased, the rate of crime increased, education rates fell and the quality of life declined. During the 1980's, employment in suburbs increased at twice the rate of central cities. Only 11 of the 30 largest cities in 1970 had more people in 1990 than in 1970. Overall suburbs grew four times faster than central cities. In addition, the rate of violent crimes doubled from 1970 to 1990. Federal Government had done little to help. The urban future was dim.

III. 1990's -- Cities Doing Better

Overall, cities in the '90's are rebounding. After the 1990-91 recession, the economic resurgence has helped revitalize cities. The United States is now in the sixth year of a remarkable economic expansion. Over 12 million new jobs have been created since January 1993. For the first quarter of 1997, the economy grew at an exceptional annualized rate of 5.8 percent, and unemployment dropped below five percent for the first time in 24 years.

Generally, city officials are quite optimistic about their ability to maintain current levels of service without raising additional revenues. However, there are problems.

- A. Bigger does not mean better. While cities overall are doing well, the results are mixed among different cities in different regions of the country. A notable exception to the resurgence are larger cities: only half of the ten largest cities have more employed residents today than in 1990.
- B. Progress is relative. Cities have not progressed at the same rate as suburbs. Since 1970, the number of employed city residents has risen at a rate only half as rapid as the United States as a whole and barely one-third of the rise for suburbanites. Central city population grew by almost 2 million between 1990 and 1994. But, while the U.S. as a whole has gained 12 million jobs since 1990, suburbs have gained the lion's share.
- C. Workforce/skills mismatch. To aggravate the urban employment situation, there is a mismatch between the urban workforce and the jobs that are being created in cities. Of the new service jobs being created, cities are creating less than 20% and suburbs more than 80%. At the same time suburban communities are creating more of the low-skilled jobs, they house more high-skilled workers.
- D. Concentration of Poverty. While the rate of poverty is down, the concentration of poverty in central cities is up. Today, 45 percent of the nation's poor live in cities, up from 38 percent in 1970. At the same time, the central city poverty rate increased from 14 percent in 1970 to 21 percent in 1995.

IV. Challenges Ahead

The failure of cities, to keep pace with the rest of America, the jobs/skills mismatch, the plight of larger cities, the concentration of poverty is then compounded by the challenges of welfare reform and immigration.

- A. Welfare reform. Welfare reform will require jobs for the millions moving off AFDC. It is expected that we will need 3 million jobs for people coming off welfare in cities. These jobs are needed over the next 2 to 3 years. However, over the past 3 years -- even with the strong economy -- we only created employment for 2 million people in central cities. This challenge will highlight the fact that more jobs are being created in the suburbs while more poor are living in the cities. This problem is exacerbated by the fact that the low-skilled jobs are located in the suburbs and the high-skilled jobs in the cities. The larger cities--which are not doing as well to begin with--will face the greatest challenges.
- B. Immigration. The 1980's saw the highest rate of immigration since the early 1900's, exceeding nine million immigrants. However, the increase in immigration over the next decade is forecasted to exceed even that mark. The vast majority of new immigrants settle in the nation's "gateways": cities such as Boston, New York, Miami, Chicago, Los Angeles and San Francisco. Immigration brings special challenges and opportunities. It brings new energy, talent and resources. It also challenges educational systems, i.e., the Los Angeles school system now hosts 75 different languages. The urban economies will also need the new jobs to employ these workers--on top of the new welfare workers.

V. Our Agenda

The Clinton Administration anticipates these challenges and has crafted a comprehensive agenda to address them. By principle, we have moved away from top-down Federal programs which dictated local action and bred dependency--to bottom-up empowerment initiatives which foster independence. The specifics include a second round of empowerment zones, welfare to work, EITC, homeownership, Brownfields, Pell and Hope scholarships, and first and foremost, a balanced budget to keep the economy strong.