U.S. Department of Housing and Urban Development

The State of the Cities 1998

June 1998

YOUR COMMUNITY PARTNER

Andrew Cuomo, *Secretary*

Executive Summary

In early 1997, President Clinton asked the U.S. Department of Housing and Urban Development (HUD) to examine two questions. First, as we come to the close of a century that saw the rise of many of America's great cities, what is the state of those cities today? And second, what more can the Clinton-Gore Administration do to prepare our cities to meet the economic and social challenges of the future?

> **"To pr e America for the 21st centur**
> **communities....Our growing economy has helped to revive poor neighborhoods. But we must do more to empower them**

In response last year, HUD's 1997 *State of the Cities* report found both cause for optimism and reason for concern. The good news was that after two decades of decline, America's cities were on the rebound. A strong national economy—combined with the innovation of a new breed of mayors and the success of the Administration's targeted first-term urban agenda—left many cities fiscally and economically stronger than they had been in years. The bad news was that these same cities faced several structural challenges—on concentrated and growing poverty, on the job disparity between cities and suburbs, and on middle-class migration from the cities—that could eventually undermine the long-term success of urban America. This report finds that these problems didn't happen overnight, and they won't be solved overnight—but they must be addressed if America is going to thrive in the 21st century.

This second annual report, *The State of the Cities: 1998*, picks up where last year's report left off. It does so at a time of renewed appreciation for the role cities play in our national success.

As the President noted in his 1998 State of the Union Address, "Cities are the vibrant hubs of great metropolitan regions." This fact was illustrated in a recent report by the U.S. Conference of Mayors and the National Association of Counties, which showed that metropolitan areas have generated 86 percent of the Nation's total economic growth since 1992, 84 percent of all jobs—and are home to 85 percent of our people. Perhaps more than ever, the fates of city and suburb are closely tied.

It is now—when the economy is humming, our communities are growing, our Federal budget is balanced, and our Nation is at peace—that we should examine the state and fate of America's cities. How America responds to the challenges articulated in this report will depend in large measure on how Congress responds to an Administration budget that goes a long way toward meeting those challenges. This report has three main findings:

- Finding #1: Driven by a robust national economy, cities are fiscally and economically the strongest they've been in a decade.

- Finding #2: Despite recent gains, cities still face the triple threat of concentrated poverty, shrinking populations, and middle-class flight that began two decades ago.

- Finding #3: Cities face three fundamental opportunity gaps—in jobs, education, and housing—that are critical to reducing poverty and attracting and retaining middle-class families.

These three findings and President Clinton's response to each are outlined in more detail below.

Finding #1: Driven by a robust national economy, cities are fiscally and economically the strongest they've been in a decade.

Time magazine recently said that "the U.S. now enjoys what in many respects is the healthiest economy in its history, and probably that of any Nation, ever." Driven by a prudent strategy of fiscal accountability balanced with targeted investments, the national economy is experiencing an unprecedented run of economic expansion. The budget deficit had 11 zeroes at the beginning of 1993, but the budget is now in surplus, with surpluses projected for the next 5 years. More than 16 million new jobs have been created in the past 5 years, and unemployment is at a 28-year low. Since 1993, incomes have been growing for all income groups but fastest for those at the bottom of the income ladder. And low interest rates combined with steady economic growth last year produced the highest homeownership rate in history.

While significant gaps remain, cities now are sharing in America's economic comeback:

- ***National economic progress is steady and strong.***
  - ***The economy has produced 16 million new jobs and record low unemployment.*** Incomes are rising, particularly among those at the bottom of the economic ladder.
  - ***Regional economies, with cities at their center, are now the primary engines of national prosperity.***
- ***Jobs are growing and unemployment is falling in central cities.***
  - ***Central city employment is on the rise.*** Between 1993 and 1998, the number of employed workers living in central cities increased by 10.4 percent, or by almost 3.7 million people.
  - ***Central city unemployment rates have fallen.*** Unemployment in central cities fell to an average of 5.3 percent in March 1998, down from 8.2 percent in March 1993. In some cities—such as Austin, Charlotte, Phoenix, and San Jose, for example—unemployment is now under 4 percent.
  - ***Increased job opportunities in the cities.*** From 1991 to 1994, only 13 percent of the new low-skilled jobs were created in central cities. From 1994 to 1995, that number jumped to 34 percent.
  - ***Central city poverty rates are falling.*** Poverty rates for central cities have fallen from 21.5 percent in 1993 to 19.6 percent in 1996. For African-Americans, who have historically experienced high rates of poverty, central city poverty rates have fallen from 35.8 percent in 1993 to 31.0 percent in 1996—the lowest level in 22 years.
- ***Cities are improving as places to live.***
  - ***Many downtowns are experiencing a new renaissance as centers of tourism, sports, entertainment, and the arts.*** Cities as diverse as Baltimore, Cleveland, Denver, San Antonio, Seattle, and Washington, D.C., are becoming new destinations for tourists and residents of the larger regions.
  - ***Virtually every city in America has a stronger balance sheet today than it did a decade ago.*** A recent survey by the National League of Cities found that two-thirds of participating cities reported that they "were better able to meet city financial needs" in fiscal year 1997 than in the previous year—and all but 3 of the 77 largest cities had investment-grade bond ratings that enabled them to borrow funds at favorable rates.
  - ***Crime rates—particularly for violent crime—have plummeted for 6 years straight.*** Nationwide, violent crime dropped an estimated 27 percent between 1991 and 1997 and by 19 percent in large cities

between 1993 and 1997. During the first 6 months of 1997 alone, the rate dropped by 6 percent.

— ***Public perceptions are changing.*** In a recent survey by *Money* magazine, the Washington, D.C., metro area was listed as the most "livable" community on the East coast—countering the trends over the past 10 years, when small towns often received the most attention. And *U.S. News and World Report* recently called attention to the growing number of "smart cities" that are leaner, more strategic, and more focused on sustainable growth.

- ***Homeownership is on the rise.***

  — ***City homeownership rates are at their highest level in 15 years.*** While there is still more work to do to reduce the homeownership gap between central cities and suburbs, half of all central city households owned homes in 1997—representing an increase of approximately 1 million new homeowners since 1994.[1]

Administration Response: The President plans to continue on the course of fiscal prudence in three ways: (1) by preserving any budget surpluses until Social Security is reformed for the 21st century; (2) by adhering to a strategy of targeted investments in America's people and communities; and (3) by continuing to reinvent and streamline the Federal Government to be a better, more effective partner for America's communities.

Finding #2: Despite recent gains, cities still face the triple threat of concentrated poverty, shrinking populations, and middle-class flight that began two decades ago.

- ***Central cities' share of metropolitan populations continues to decline.*** Although most central cities continue to grow slowly, only 11 of the 30 largest cities in 1970 have more people in them today than two decades ago. These population losses frequently translate into a shrinking municipal tax base. Population changes often reflect regional variation. While older industrial cities in the Northeast and Midwest—including Philadelphia, Washington, Detroit, and Chicago—continue to see their populations shrink, more "elastic cities" in the West, such as Las Vegas, Albuquerque, and Phoenix, continue their sharp population climb.

- ***Middle-class families are still leaving central cities.*** Since 1970, nearly 6 million middle-income and affluent families have left central cities. At the same time, between 1985 and 1995, the number of high-income families (defined as 150 percent of median) that located in suburbs grew by 16 percent, compared with just 2 percent for central cities. When asked why people are leaving cities, two answers most commonly cited are the poor quality of urban schools and the relatively high rates of urban crime.

- ***Poverty in cities is higher than in the suburbs.*** While overall poverty rates have dropped, poverty is more concentrated in distressed urban areas. Despite a drop in central city poverty rates between 1993 and 1996, 1 in every 5 urban families lived in poverty in 1996, compared with fewer than 1 in 10 suburban families. And there is a growing dichotomy in rates of minority poverty. While the rate of African-American poverty is at its lowest level in history, poverty in cities disproportionately affects minority populations—72 percent of the poor in cities are minority.

- ***Poverty remains highly concentrated in certain neighborhoods.*** The persistence of discrimination in the housing market leads to discrimination in our cities. Even if people are not poor themselves, they are likely to live in tracts of concentrated poverty. Indeed, almost one in four African-American and Hispanic residents of central cities live in census tracts where more than 40 percent of their neighbors are poor, compared with only 3 percent of the white urban population. Such high-poverty areas are often plagued by severe social dysfunctions such as violent crime and drug abuse, as well as family problems such as teenage pregnancy.

Administration Response: A three-part strategy concentrated on using incentives to bring jobs and businesses back to central cities, improving urban schools, and promoting homeownership and affordable housing is articulated in detail in the following section.

Finding #3: Cities face three fundamental opportunity gaps—in jobs, education, and housing—that are critical to reducing poverty and attracting and retaining middle-class families.

(A) *Cities Face a Jobs Gap*

While more jobs are being created in cities, there is still a sizable but manageable mismatch between the number of low-skilled jobs and the number of low-skilled urban residents who need work. The coordinated efforts of all levels of government, along with the private sector, are needed to address this challenge.

- ***The challenge facing America's cities.*** While projecting job gaps is difficult, one effort to do so is a forthcoming report from the U.S. Conference of Mayors (USCM). With job forecasts prepared by Regional Financial Associates, the USCM projects that there could be two job seekers for each low-skilled job in 74 urban counties over the next 5 years, with substantial variation among areas. This report further estimates that across these 74 urban areas, the number of current welfare recipients who will need jobs over the next 5 years could exceed the growth in low-skilled jobs by 353,000.

  Projections of these job gaps vary; in any case, the challenge is to create the kinds of jobs needed in the places where people need them most and to help urban residents take advantage of these job opportunities. This challenge is not insurmountable. For example, in the period 1991 to 1994, only 13 percent of the new low-skilled jobs were created in central cities, compared with 34 percent from 1994 to 1995.

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- ***Minority youth unemployment remains high.*** The unemployment rate for minority youth (ages 16 to 19) was 26 percent in central cities in May 1998—five times the Nation's overall unemployment rate.

- ***There is a wider wage gap.*** While progress has been made on the wage gap over the past few years, we haven't regained what we lost over the past 20 years. Over the past two decades, earnings inequality widened as the inflation-adjusted wages of low-skilled workers declined and the wages of high-skilled workers increased. According to a recent report by the U.S. Department of Labor, from 1982 to 1996, the inflation-adjusted hourly wages of workers in the top one-tenth of the workforce increased from $24.80 to $25.74 an hour while wages for workers in the bottom one-tenth of the workforce fell from $6.28 to $5.46. Adjusting for benefits added further to the growth of earnings inequality.

- ***People can't get to the jobs.*** Transportation to entry-level jobs in the suburbs is a substantial barrier. In Boston, for example, 98 percent of welfare recipients live within one-quarter mile of a bus route or other mass transit stop, but only 58 percent of potential entry-level jobs in the Boston metro area are within 1 mile of mass transit.

- ***The lack of affordable child care hits central cities hard.*** Safe and affordable child care is necessary to allow parents to work. However, nationwide, only 10 percent of the families who qualify for Federal child care assistance receive help. Many cities have tens of thousands of families on waiting lists for child care assistance.

Administration Response: The President's budget includes several important initiatives aimed at reducing the low-skilled jobs gap by creating jobs where people live and by connecting people to the places where jobs are being created. To create jobs, the President has proposed a new **Community Empowerment Fund**, administered by HUD, which will help create an estimated 280,000 jobs alone. He has also proposed increased funding for the **Community Development Financial Institutions Fund** and creation of a second round of **Empowerment Zones**. And he has proposed extending the welfare-to-work tax credit, the work opportunity tax credit, and the brownfields tax incentive.

In addition to these budget initiatives, the President has called on the private sector to expand its efforts in response to welfare reform. In May 1998, he challenged the private **Welfare to Work Partnership** to double its number of business partners to 10,000 and to double the number of people these businesses hire from the welfare rolls to 270,000 in 1998.

To connect welfare recipients to jobs, the President has proposed $283 million for 50,000 **Welfare-to-Work Housing Vouchers**. His **Access to Jobs** transportation initiative to help welfare recipients and other low-income workers get to their jobs was recently enacted as part of the Transportation Equity Act for the 21st century (TEA21)—the reauthorization of ISTEA.[2] In addition, the President recently released the first round of 49 Welfare-to-Work competitive grants from the U.S. Department of Labor to help local communities move the hardest to place welfare recipients into employment. Welfare-to-Work funds are also being provided to local communities through formula grants to States, which are in turn administered by local Private Industry Councils.

The President has proposed other job support and workforce development initiatives that would enhance employment opportunities. He has proposed a $250 million **Youth Opportunity Areas Initiative** to increase employment for out-of-school youth in high-poverty areas. In addition, the President has proposed investing more than $20 billion over 5 years in a new **Child Care Initiative** to expand the availability, affordability, and quality of child care. The President also has proposed a **G.I. Bill for America's Workers** to consolidate and streamline activities in the Job Training Partnership Act and empower adults to make better choices for job training services.

(B) *Cities Face an Education Gap*

Urban schools are failing to prepare an alarming number of America's children to meet the challenges of the new high-technology economy, and—disproportionately—minority children are paying the highest price. In many cases, the poorest schools are serving the children with the greatest needs, and have the fewest resources—both financial and functional—to do so. More than 81 percent of urban schools have a student population that is at least 70 percent poor *and* 50 percent minority. In addition, many urban schools have trouble recruiting teachers to keep class sizes small and teaching quality high—and too many schools have seen standards erode as systems of "social promotion" graduate students who lack basic skills.

- ***Basic achievement is lagging—especially in high-poverty inner-city schools.*** In both 1994 and 1996, 60 percent of the children in urban school districts failed to achieve basic levels of competency in reading and math on the National Assessment of Educational Progress.[3] For children in high-poverty urban schools, outcomes were even worse: 77 percent failed to achieve basic competency levels in reading, and 67 percent failed to achieve basic levels of competency in math.

- ***Low graduation rates in urban high schools.*** In the Nation's 20 largest urban school districts, more than half of all students never graduate. For millions of urban youth, finishing high school and attending college seems an impossible dream—this in an era demanding high skills for high wages.

- ***School violence is concentrated in large urban schools.*** Though school violence is not just an urban problem, violent attacks and fights are much more common in city schools, especially large ones, than they are in suburban schools. In a national survey, 1,800 urban schools reported more than 5,400 fights in which weapons were used during the 1996–97 school year.

- ***Many urban schools are crumbling.*** A sizable proportion of urban schools are literally falling apart. A recent General Accounting Office (GAO) study found that 38 percent of central city schools (serving more than 5.5 million students) had at least one inadequate building and two-thirds (with more than 10 million students) had at least one inadequate building feature, such as a roof or plumbing.[4]

Administration Response: Urban education is a major priority in the President's budget. Proposed initiatives include the creation of **Education Opportunity Zones** to direct $1.5 billion over 5 years to low-achieving school districts in high-poverty areas; Federal tax credits to pay interest on an estimated $22 billion in **School Modernization Bonds** to rebuild and repair schools; $413 million for **America Reads**, a national campaign to increase children's literacy; $140 million for **High Hopes** to launch a national effort to help young people prepare for post-secondary education; and $7.3 billion over 5 years to raise educational achievement by **hiring new teachers and reducing class size** in grades 1 to 3.

With so many of the better jobs in today's economy requiring post-secondary education, Administration policies, including **HOPE Scholarships** and **Lifetime Learning Credits**, the largest **Pell Grant** in history, and universal eligibility for subsidized loans, have made financial access to post-secondary education possible for everyone.

(C) *Cities Face a Housing Gap*

The Nation's affordable housing crisis has reached record levels, especially in central cities. At the same time, while homeownership is at its highest level ever, the central city homeownership rate continues to lag significantly behind the suburbs.

- ***Urban homeownership—including middle-class homeownership—lags behind the suburbs.*** Homeownership rates are 70 percent in suburbs but just 50 percent in cities. According to data from the 1995 American Housing Survey presented in the Harvard University Joint Center for Housing Studies' annual report, *The State of the Nation's Housing 1997*, central city residents of all income levels are less likely to own a home than suburban residents with similar incomes. The Harvard report found, for example, that among moderate-income households, 71.3 percent of suburban residents own a home compared with just 51.8 percent of central city residents at the same income level.

- ***Racial discrimination at all income levels adds to the urban homeownership gap.*** The Harvard University Joint Center data also document that African-American and Hispanic households of all income levels are less likely to own a home than white households of the same income group. This racial gap persists, even among households with incomes that are 20 to 50 percent higher than area median. While 78.3 percent of white households in this income group owned homes, the share for African-Americans is only 62.7 and for Hispanics, only 64.5 percent. Home Mortgage Disclosure Act (HMDA) data show substantial differentials in the mortgage denial rates between whites and minorities—and between city and suburban residents. The Harvard study concludes that such differentials result in part from "prejudicial lending and housing market practices still plagu[ing] some areas of the country."

- ***Worst case housing needs are at a record high.*** Despite robust economic growth, between 1993 and 1995, a record 5.3 million very low-income renters paid more than 50 percent of their income for rent or lived in substandard quality housing—commonly referred to as "worst case housing needs."

- ***Central cities are hardest hit.*** Households with severe housing problems are disproportionately found in central cities: 18 percent of central city renters—a total of 2.8 million families—have severe housing problems.

- ***Worst case needs increasingly affect the working poor.*** Between 1991 and 1995, worst case needs for families with at least one person earning a full-time paycheck rose by 265,000 families—an increase of 24 percent.

- ***There has been a sharp decline in affordable housing.*** Between 1993 and 1995, there was a loss of 900,000 rental units affordable to very low income families—a reduction of 9 percent. There was an even greater reduction of 16 percent in the number of units affordable to extremely low-income renters, who are people earning less than 30 percent of an area median income.

- ***Congress has provided no new housing vouchers to families on the waiting list for housing assistance since 1994.*** Until then, for as long as housing records have been kept—no matter what state the economy was in or who occupied the Oval Office—America had always increased its supply of affordable housing.

- ***Homelessness continues to plague our Nation's cities.*** Driven by a lack of affordable housing, inadequate access to decent jobs, and myriad problems ranging from mental illness and substance abuse to domestic violence and outdated or nonexistent job skills, homelessness continues to be a challenge to cities across the Nation. Best estimates suggest that 600,000 men, women, and children are homeless on any given day, with several times that many persons experiencing homelessness each year.

Administration Response: The President's budget includes a range of proposals to expand homeownership, expand rental housing assistance, and reduce homelessness. These include an additional 100,000 **Section 8 housing assistance rental vouchers;** a new **HOME Bank** that will expand the use of HUD's successful HOME housing block grant funds; another round of **Homeownership Zones;** record amount of funding for **Homeless Assistance** programs; a 40 percent expansion of the **Low-Income Housing Tax Credit;** increased promotion of **Fair Lending;** expansion of the **Federal Housing Administration (FHA) loan limits,** which will enable central city mixed-income development to help attract more middle-class families back to central cities; and a 73 percent increase in funding for **fair housing education and enforcement.**

Building Safe, Secure, and Sustainable Communities

In addition to closing opportunity gaps in the areas of jobs, housing, and education, the President's FY 1999 budget includes several important initiatives that will strengthen the environment and improve the quality of life in our cities. These include cleaning up and redeveloping brownfields, improving access to health care, continuing support for local efforts to prevent and reduce crime, and ensuring that there is a level playing field and equal opportunity for immigrants and minorities.

Conclusion

In our cities, we still see America's greatest problems. The great progress we've made in the past few years causes us to believe we can solve the remaining problems if we direct sufficient attention, commitment, and resources to doing so.

After more than two decades of wrenching change that undermined both the economic and social foundations of America's cities, 1998 finds most cities as financially strong as they have been in years. America's central cities—and the metropolitan areas that surround them—have helped fuel the most aggressive economic expansion in our Nation's history. Jobs, homeownership, and consumer confidence are all up. Crime, unemployment, and inflation are all down.

At the same time, many of the old challenges remain—poverty, middle-class flight, and shrinking populations. The divisions in urban America are still strong, but they are no longer strictly black and white. Urban America today is Korean, Dominican, Mexican, and Latvian, among many others—the greatest influx of new immigrants in nearly 100 years. Today, more than 100 languages are spoken in Los Angeles schools, and 140 different racial and ethnic groups live in Detroit and Wayne County, Michigan, alone. The complexity of this new melting pot casts a light on three serious but surmountable gaps facing cities at the turn of the 21st century—namely, how we work, how we are educated, and how and where we live.

The primary observation of the President's "One America" Race Initiative—that the great unfinished work of democracy is the creation of a true union, a single society—takes on new urgency as well. Thirty years ago, there were 10 people working for every 1 person living on Social Security. Within 10 years, there will be just three people working for every one person living on Social Security—and those three people are more likely than ever before to speak a different language at home or come from a different country. At a time when fewer than 50 urban school districts are educating nearly half of our minority population we had better be sure as a Nation that our people are trained and educated to carry the workload in the 21st century. By default, we must be more unified than ever before. Our common future depends on it.

With this new urgency comes new opportunities. Our economic success has given us two great gifts. First, it has helped show us what is possible. For example, since 1994, we've added 1 million new homeowners in urban America. The combination of a good economy and a national homeownership strategy supported the success. This report identifies serious remaining challenges and at the same time, offers answers which have a proven track record.

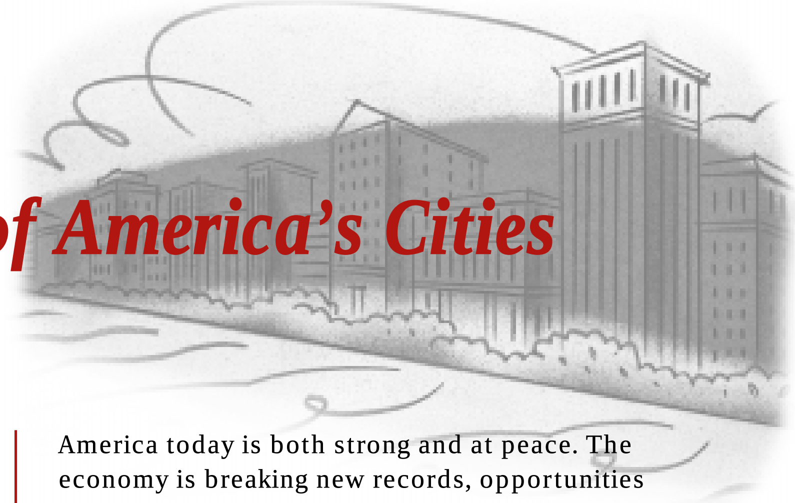
The second great gift is that our strong economy has created a unique window of opportunity to address the challenges that face us, and the President has moved aggressively into that window—proposing the most wide-ranging budget for cities in more than a decade. This program will go a long way toward addressing the challenges articulated in this report. It is a program that recognizes that government alone cannot solve every problem, that it must be a good partner with the private sector. Ultimately, it is a program that recognizes we will only succeed if we are together—not city or suburb, not black or white, not rich or poor—but One America.

Rarely has the Nation ever been better positioned to tackle the challenges of rebuilding and re-energizing our Nation's proud cities. If we are not now ready to take on these challenges when the budget is in surplus, unemployment is at record lows, and the stock market is at record highs, when will we be ready?

Alternatively, if we have the courage and foresight—both as a Nation and on Capitol Hill—to address these challenges headon and to enact many of the ideas and FY 1999 budget initiatives proposed by the President, we can ensure that America's cities have not only a proud past but a bright future. And we don't have a moment to waste. Our cities and their people are waiting.

Contents

Part One: The State of America's Cities



For more than 200 years, America's cities have been testaments to our innovation and monuments to our progress. They have been gateways to generations of travelers and doorways to millions of people who seek to live in freedom. They have been ports of entry for trillions of dollars of products and ports of exit for some of the most breathtaking technology the world has ever known. They remain as centers of science and engineering, the axis of commerce and banking, and the lifeblood of arts and culture.

"Cities are at the core of metropolitan regions, which are the engines driving our Nation's economic growth. These regions are generating more than 80 percent of the Nation's

And in 1998, America's cities are more relevant and perhaps more vital to the state of our union than they have ever been. Today, metropolitan regions—and the cities that drive them—are home to 85 percent of America's people and nearly 80 percent of its jobs. Since 1992, they have generated more than 86 percent of the Nation's total economic growth. More than one-third of America's growing minority population are educated in fewer than 50 urban school districts. And an overwhelming majority of America's great colleges and universities call central cities home. All told, in 1998, the arithmetic of urban America is clear and unquestionable: If America is going to remain strong in the 21st century, our cities must be strong.

Today—fewer than 600 days away from the beginning of that new century—is a particularly important time to ask about the state of America's cities. We do so at a time of profound optimism in America. Guided by the social and economic strategies of the Clinton-Gore Administration, America today is both strong and at peace. The economy is breaking new records, opportunities are increasing for many, the Federal budget is in surplus, and consumer confidence is at a 30-year high. And after more than 20 years of erratic fits and starts that saw the fraying of much of the social and economic fabric of urban America, our cities are—in many ways—sharing in America's economic comeback. The record is clear: While jobs, incomes, and homeownership are all increasing in our Nation's cities, unemployment, crime, welfare, and fiscal unrest are decreasing in most cities.

Rarely have cities and the Nation been better positioned to tackle the challenges that remain. As Robert Kennedy observed more than 30 years ago, while America's cities are the center of the possibilities of American life, they are also the centers of the problems of American life. As reported in last year's *The State of the Cities* report, cities continue to find themselves on the losing side of fundamental structural and demographic trends that have reshaped the face of metropolitan America over the past 30 years. Namely, cities continue to be home to an intolerably high and concentrated level of poverty and a shrinking middle class.

This report finds that cities face three fundamental challenges—or opportunity gaps—that will ultimately determine whether urban America can reduce poverty and retain and attract the middle-class families it needs to survive and thrive. First, employment is increasing, but central cities are generating relatively few new jobs—and even fewer of the entry-level opportunities that their residents most urgently need. Second, as America's mayors agreed in a White House summit on educational opportunity in May 1998, too many inner-city schools are leaving urban America ill-prepared to compete for 21st-century jobs. Third, the central city homeownership rate has risen but still significantly lags behind the rate in the suburbs. At the same time, low-income renters still face an affordable housing crisis.

The strength of the American economy today provides us with an unprecedented opportunity to address these challenges. At the same time, the strategy undertaken by the Clinton-Gore Administration over the past 5 years provides a roadmap—a strategy that emphasizes a Federal menu of opportunity rather than Federal mandates, with solutions that are community-driven rather than Washington-driven, in partnership with the private sector rather than in opposition. Our progress over the past 5 years has come hand-in-hand with a recognition that government alone cannot solve every problem, but working together—with innovative mayors and county officials, business leaders, and community organizations—we can go a long way toward solving the challenges that face us.

Part One of this report sets the stage for action by surveying the impact of these policies on cities and the dimensions of the problems that remain. Part Two describes President Clinton's proposals and other Administration initiatives to tackle the critical opportunity gaps facing our Nation's cities.

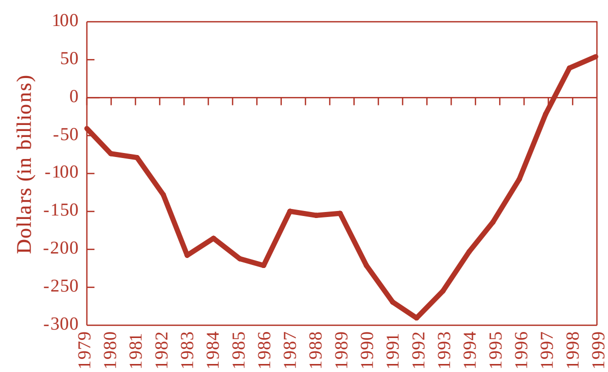
Finding #1: Driven by a robust national economy, cities are fiscally and economically the strongest they've been in a decade.

The economic course charted by the Clinton-Gore Administration not only aids the efforts of individuals and businesses in very tangible ways, it fosters a climate of confidence that encourages people to invest in their own futures. Businesses have the confidence to expand. More families have the confidence to invest in a home of their own or in their children's education. Even the hard-core unemployed have the confidence to step onto the first rung of the economic ladder and move to self-sufficiency.

National Economic Progress Is Steady and Strong

The United States is on track for the longest peacetime economic expansion in our history.[5] The budget deficit has been eliminated and surpluses are projected for the future. The Nation's gross domestic product (GDP) has grown by an average of 3.1 percent each year since President Clinton took office, recording a very robust 3.9-percent annual increase in 1997. More businesses are starting and growing, more people are working, interest rates are low, and inflation has fallen to 2.2 percent in 1997, its lowest level in 30 years.

Exhibit 1: President Clinton Eliminates the Deficit
Federal Budget Deficit, 1979–99



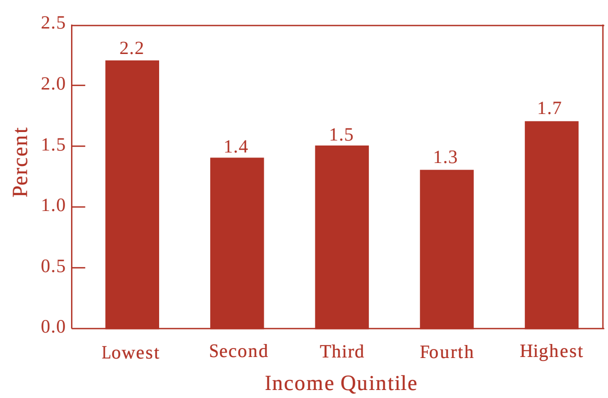
Source: *Economic Report of the President*, February 1998, table B–78 and OMB mid-year estimate

There are 16 million new jobs and record low unemployment. For many years, it seemed that high employment could only be bought at the price of high inflation. But today's recovery has succeeded beyond most economists' expectations. Under President Clinton's leadership, the U.S. economy has created more than 16 million jobs, driving unemployment under 5 percent for the first time since the early 1970s. Black unemployment has fallen to rates lower than any since 1973.[6]

Incomes are rising, particularly among those at the bottom of the economic ladder. In the past, many of the poorest Americans were falling further behind, even as the Nation as a whole prospered. However, prolonged economic recovery has now slowed that trend. The poverty rate has fallen from 15.1 percent in 1993 to

13.7 percent in 1996; the black poverty rate stands at 28.4 percent, its lowest level since 1966.[7] Over the same period, incomes grew among households at every income level, but incomes at the bottom grew fastest.

Exhibit 2: Incomes at the Bottom of the Economic Ladder Are Growing Fastest
Percent Growth in Real Household Income by Quintile, 1993–96

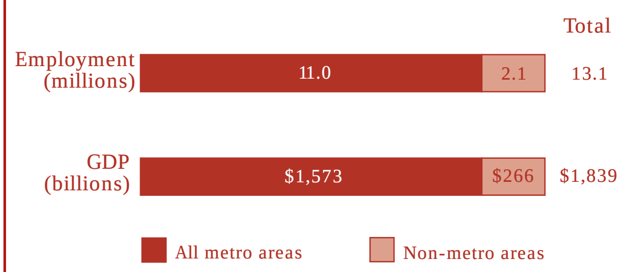


Source: *Economic Report of the President*, February 1998, chart 1–2

Regional economies, with cities at the heart, are now the primary engines of our national prosperity. Only a few decades ago, it was possible to see the national economy as a vast constellation of thousands of interlocking and competing local markets. Cities dominated this system by virtue of their greater ability to concentrate the basic ingredients of commerce—capital, workers, and customers—in one place. Today, these rival local economies have consolidated into a much smaller number of *regional* economies. To compete in the global economy, cities and their suburbs must cooperate more than they compete, drawing together resources from an ever-wider metropolitan area to create dynamic clusters of industries.

A recent report prepared by Standard & Poor's DRI for the U.S. Conference of Mayors and the National Association of County Officials shows that metropolitan areas have generated 86 percent of the Nation's total economic growth since 1992, as well as 84 percent of all jobs.[8] This economic power is particularly concentrated among a relatively few regional giants, which dwarf not only their own States but most of the world's nations. Metro New York City's economic output, for example, is greater than that of 45 of the 50 States.

Exhibit 3: Metropolitan Economies Drive Nation's Growth
Growth in Employment and GDP, 1992–97



Source: *The Role of Metropolitan Areas in the National Economy*, Standard & Poor's DRI, March 1998, table 2

The roots of these metropolitan economies lie in America's great cities. While central cities contain barely 30 percent of the U.S. metropolitan population, they were home to more than 43 percent of all metropolitan jobs in 1990.[9] And these jobs are more likely to be in the highly paid financial services and transportation/communications/utilities industry sectors.

"Conditions in inner cities and the suburbs are inter Through regional strategic planning, we can build upon our collective strengths, link all residents to jobs and affordable

Cities are also particularly rich in the resources and characteristics essential to developing new industries. Cities boast many great universities and research institutions that help spawn new ideas and provide advanced technical training and resources. The highly specialized professional and business services needed to support dynamic regional economies also tend to congregate in central cities. And cities—particularly their downtowns—have traditionally offered dense and diverse concentrations of people, firms, and customers that allow knowledge and innovations to spread throughout an industry more rapidly. Metropolitan economies thus depend on these urban strengths and have a huge stake in city job growth.

Jobs Are Growing and Unemployment Is Falling in Central Cities

While the problems confronting struggling communities cannot be reduced to merely economic terms, the search for solutions usually begins with one word—jobs. That is because employment has benefits that ripple throughout a community. Every adult who is working is better able to provide for his or her family, purchase a home, invest in the community, gain self-esteem, offer a positive role model for the next generation, and support local merchants or start a business.

Employment is on the rise. The economic recovery is putting paychecks in the hands of additional hundreds of thousands of city residents. Between March 1993 and March 1998, the number of employed workers living in central cities of metropolitan areas increased by 10.4 percent, or almost 3.7 million people.[10] This rate is almost twice as fast as the growth in these cities' labor force, suggesting that many previously unemployed adults were finding jobs. Many workers are joining city-based industries that are integral parts of the "knowledge economy" of the 21st century, including innovative manufacturing, financial services, producer services—even tourism and the arts.

City unemployment has fallen sharply. Between March 1993 and March 1998, central city unemployment fell from 8.2 to 5.3 percent. The unemployment rate tumbled by more than one-third in the Nation's 50 largest cities, with every city registering declines. Four of the 10 largest cities saw their unemployment rate cut by at least one-half. Detroit, for example, has come roaring back—only 1 of every 16 workers remained unemployed in March 1998, compared with more than 1 in every 7 workers in March 1993. By early this year, the demand for workers in cities such as Austin, Charlotte, Phoenix, and San Jose was so strong that the unemployment rate had fallen below 4 percent.[11]

More new jobs are being created in cities. Rising employment levels among city residents reflect, in part, the growth of entry-level jobs in cities across the country. The economies of many cities—particularly those in the Northeast and Midwest—stagnated during the 1980s and early 1990s, losing jobs at all skill levels. Particularly problematic was the sluggish growth of low-skilled, entry-level jobs in the retail and service sectors. As documented in last year's *The State of the Cities* report, in the early 1990s, cities produced just 13 percent of metropolitan growth in low-skilled retail and service-sector jobs. As the economic recovery gathered strength, job growth spread to the older industrial base located in the cities. Between 1994 and 1995, central cities captured 34 percent of all metropolitan area low-skilled jobs.

Some turnarounds were modest, others dramatic. Among the Nation's largest cities, Detroit, New York, and San Diego lost low-skilled jobs in the period 1990–1993 but notched modest gains from 1993 to 1995. In other large cities—Dallas, Houston, Philadelphia, Phoenix—the growth rate of entry-level jobs more than doubled. Among the 10 largest cities, only Los Angeles was slow to recover, but even there, by the mid-1990s the reviving economy was beginning to stem the loss of entry-level jobs. San Antonio's already high growth rate diminished little, remaining the second-highest rate among the top 10 cities.

Exhibit 4: Jobs Are Up in Cities
Growth Rate for Retail Trade and Service Jobs in the Top 10 Cities (in Percent), 1991–95

City	1991–93	1993–95
New York	-0.1	2.7
Los Angeles	-1.3	-1.0
Chicago	-0.7	5.6
Houston	3.0	6.8
Philadelphia	2.1	4.3
San Diego	-0.1	4.8
Phoenix	5.8	12.5
Dallas	1.7	5.6
Detroit	-3.6	3.4
San Antonio	8.5	7.7

Source: Standard Statistical Establishment List, Special Extraction

Exhibit 5: Urban Unemployment Has Fallen Substantially
Unemployment Rates for Selected Cities (in Percent), March 1993–March 1998

City	March 1993	March 1998	Change in Rate
1 New York	10.7	9.0	-1.7
2 Los Angeles	11.2	6.9	-4.3
3 Chicago	9.6	5.5	-4.1
4 Houston	8.7	4.8	-3.9
5 Philadelphia	9.1	6.0	-3.1
6 San Diego	7.5	3.5	-4.0
7 Phoenix	5.6	2.7	-2.9
8 San Antonio	6.0	4.1	-1.9
9 Dallas	7.9	4.0	-3.9
10 Detroit	14.2	7.2	-7.0
Central Cities of Top 10 MSAs*—Total	9.7	6.4	-3.3
Central Cities of Top 50 MSAs*—Total	8.4	5.5	-2.9
Central Cities of ALL MSAs*	8.2	5.3	-2.9

Source: Bureau of Labor Statistics
*Metropolitan Statistical Areas

Exhibit 6: Central City Poverty Has Dropped in Recent Years
Persons in Poverty, by City and Suburban Residence (in Percent), 1959–96

Year	Central Cities	Suburbs
1996	19.6	9.4
1995	20.6	9.1
1994	20.9	10.3
1993	21.5	10.3
1992	20.9	9.9
1991	20.2	9.6
1990	19.0	8.7
1985	19.0	8.4
1980	17.2	8.2
1970	14.2	7.1
1959	18.3	12.2

Source: U.S. Bureau of the Census, *Current Population Survey*

Central city poverty rates are falling. The poverty rate for central cities has fallen from 21.5 percent in 1993 to 19.6 percent in 1996. For blacks, central city poverty rates have fallen from 35.8 percent in 1993 to 31.0 percent in 1996, the lowest level since 1976. Higher employment rates are helping many families and formerly jobless adults to escape the deprivation and insecurity associated with a life in poverty.

Cities are Improving as Places to Live

Many downtown urban cores are coming back as centers for tourism, sports, the arts, and entertainment. Cities across the country are rediscovering the advantage of being the geographic and cultural centers of their regions. Entrepreneurial mayors and innovative public-private partnerships are leading the way as many Americans are rediscovering cities as great places to visit, not just work. Examples of the downtown renaissance include Baltimore, Cleveland, Denver, Detroit, Newark, San Antonio, Seattle, and Washington, D.C. These efforts not only lift the spirits of city residents, they boost the economy as well as increased numbers of visitors spend money in establishments that hire local workers.

City balance sheets are healthier. City governments have emerged from the fiscal distress of the 1970s and 1980s and the recession of the early 1990s leaner, more efficient, and better able to innovate. The National League of Cities' annual survey of city fiscal conditions found local governments on comparatively healthy footing. According to the survey, two-thirds of participating cities reported that they "were better able to meet city financial needs" in fiscal year (FY) 1997 than in the previous year. And local leaders most often credited the health of the local economy and the value of their tax base as the primary reasons for this confidence. City revenues increased by 2.2 percent in FY 1996—the largest jump since FY 1991.[12] All but 3 of the 77 largest cities in the Nation had strong Standard & Poor's DRI investment bond ratings of BBB or higher and so can borrow at favorable rates to invest in infrastructure and other critical needs.

Crime is falling dramatically in many major cities. Cutting crime is both cause and effect of the economic comeback in many cities. A job can be a very effective weapon against crime, providing a positive alternative to those who otherwise might be tempted to turn to criminal activity. Aided by the tailwind of a strong economy, local crime prevention and law enforcement efforts have brought greater safety to the streets once notorious for crime problems. And gains in safety, in turn, fuel reinvestment in the urban cores so important to the long-term health of regions—their economies and their quality of life.

"Thanks to our partnership with the Clinton-Gore Administration, Louisville has experienced a 22- percent drop in total crime and a 42-percent decrease in the murder rate so far this year. The

In many cities, the reductions in crime have been staggering. Nationwide, violent crime has fallen for 6 straight years, dropping an estimated 27 percent between 1991 and 1997 and by 19 percent in large cities between 1993 and 1997. During the first 6 months of 1997 alone, the rate dropped by 6 percent.

In the space of 6 years, violent crime fell by 45 percent in Dallas and New York City, by more than 35 percent in Los Angeles, and by more than 25 percent in Boston and Houston. Crime rates are up, though, in some high-growth, medium-size cities, such as Louisville, Minneapolis, and San Jose.[13]

Salt Lake City Reinvents Local Government

Since 1992, Salt Lake City **Mayor Deedee Corradini**, working with city department directors and an advisory group of about 30 local business persons, has been reinventing city government—improving efficiency and saving taxpayer dollars in the process. In the first 15 months of the effort, the city "permanently cut $5 million from the cost of providing basic city services," says Mayor Corradini.

Consolidation of city agencies has yielded dramatic savings and efficiency gains. For example, combining the city's public works and parks and recreation departments enabled the once-separate staffs to share expensive heavy equipment. Management restructuring within the police department produced new stability and efficiencies. One key reform, eliminating the police investigation of routine traffic accidents, freed up 10 officers for crucial community policing work at a yearly savings of $400,000.

Exhibit 7: Violent Crime Has Plummeted in Many Large Cities But Continues To Rise in Some Growth Hubs
Change in Violent and Property Crime Rates, 1991–97

City	Violent Crime Rate*	Property Crime Rate†*
San Antonio	-48.5	-29.4
New York City	-45.4	-44.1
Dallas	-45.2	-36.5
Los Angeles	-36.0	-31.6
Kansas City, MO	-32.6	-6.6
Seattle	-31.7	-13.0
San Diego	-31.3	-48.4
Boston	-27.0	-22.4
Houston	-25.4	-31.0
Charlotte-Mecklenburg**	-24.1	-23.1
Atlanta	-23.1	-7.8
Cleveland	-20.3	-15.6
Phoenix	-17.7	-2.6
Philadelphia	-10.8	-0.8
Washington, D.C.	-8.5	13.4
San Jose	13.2	-27.8
Minneapolis	18.0	-3.1
Louisville	35.6	14.8

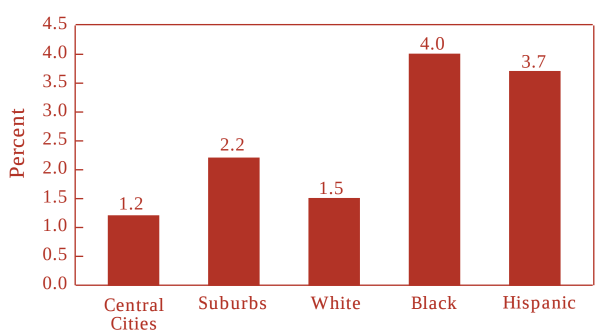
Source: FBI, Uniform Crime Reports (UCR)
† Does not include arson figures.
* Percent change from 1991 to 1997.
** In 1991, Charlotte-Mecklenburg was labeled as "Charlotte" in the UCR.

Homeownership Is on the Rise

Prompted by steady income growth, low interest rates, and affordable home prices, over the past several years the Nation has witnessed a homeownership boom of substantial proportions. With increasing employment opportunities, improved fiscal conditions, and reduced crime rates, central city homeownership is on the rise for the first time in over a decade. This trend is welcome relief to those cities struggling to hold onto their middle-income families.

Central city homeownership rates are the highest in 15 years. Reversing the downward spiral of the 1980s, the homeownership boom of the 1990s has pushed the national homeownership rate in 1997 to an all-time record high of 65.7 percent. Particularly encouraging is the fact that the recent surge is now expanding homeownership opportunities in the Nation's central cities. By 1997, fully half of all central city households owned homes—the highest rate in 15 years. While urban homeownership continues to lag far behind suburban rates, the increase of more than 1 million central city homeowners since 1994 is a welcome sign of hope.

Exhibit 8: Homeownership Among Minorities Is on the Rise in Cities
Change in Homeownership Rates by Race/Ethnicity and Metro Location, 1993–97



Source: U.S. Bureau of the Census, *Current Population Survey*, March 1998 supplement

The growth in homeownership and resulting increase in home construction, home sales, and housing rehabilitation provides an important economic lift to both regional and local economies. The National Association of Home Builders, for example, estimates that construction of 100 typical single-family homes (valued at an average of $162,000) generates 158 full time jobs; nearly $7 million in income for local builders, business owners, and workers; and $655,000 in local taxes. Overall, housing investment and consumption contribute fully one-fifth of the Nation's Gross Domestic Product.

Homeownership stimulates economic activity. Homeownership is also a powerful force in enhancing individual well-being and promoting community development. Home equity represents a major source of household wealth, and the housing stock constitutes one of the Nation's principal assets. Homeownership also can foster community stability and safety by encouraging families to maintain their properties, to look out for their neighbors and watch for trouble, and to get involved in other activities that improve the quality of life in their neighborhoods.

Minority families lead the way. While the homeownership boom has touched all demographic segments of the population, the growth of homeownership among minority households has been particularly strong—805,000 more African-American households and 867,000 more Hispanic households became homeowners between 1994 and 1998, bringing their homeownership rates to 46.0 percent and 44.4 percent, respectively.[14]

Long restricted in their homebuying opportunities, minorities have now emerged as a powerful force in the market for new and existing homes. According to *The State of the Nation's Housing 1998* by the Harvard University Joint Center for Housing Studies, minorities account for 42 percent of the growth in homeowners between 1993 and 1997, up from the 36-percent share that was recorded in the 1985 to 1993 period. In large measure, this surge in minority homeownership reflects a growth in lending activities, including the growth of Federal Housing Administration insured loans to first-time minority home seekers. Since 1993, conventional mortgage lending to African-Americans has increased by 67 percent, lending to Hispanic borrowers is up nearly 50 percent, and lending activity in low- and moderate-income communities has risen by 37 percent.[15]

Finding #2: Despite recent gains, cities still face the triple threat of concentrated poverty, shrinking populations, and middle-class flight that began two decades ago.

Even as the economic health of cities improves, the movement of population—particularly the middle class—from city to suburbs continues. This decentralization process has been operating for more than a century, pushing the boundaries of metropolitan areas far from the city and prompting rapid development of outlying counties.

Many factors explain middle-class flight and poverty and racial concentration, from job growth on the suburban fringe to persistent housing discrimination, from the resource and quality advantages of suburban schools to the greater incidence of crime (and greater *fear* of crime) in the cities. These long-run trends call for concerted action now, while the economy is strong, from leaders in the private, public, and nonprofit sectors working together.

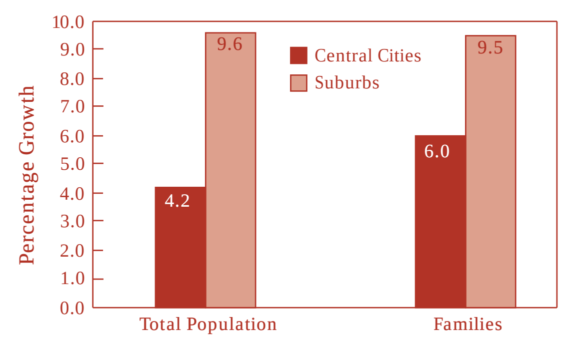
The City Share of Metropolitan Population Continues To Decline

Although most central cities continue to grow slowly, only 11 of the 30 largest cities in 1970 have more people in them than two decades ago. Population losses were particularly severe in St. Louis, which lost 40 percent of its population, and in Detroit, Cleveland, Pittsburgh, and Buffalo, each of which lost approximately one-third of its population. Other cities posting significant population losses since 1980 include Baltimore, Chicago, Philadelphia, and Washington, D.C. Some cities such as Las Vegas, Los Angeles, Orlando, Phoenix, Salt Lake City, and San Antonio are growing rapidly, yet even in these metropolitan areas, suburban areas are growing faster still. The shift of population to the suburbs not only reduces the tax base of central cities but diverts limited resources away from much-needed urban revitalization projects.

Outmigration from cities continues in the 1990s. Despite well-documented examples of central city revitalization, for the period 1990 to 1997, the rate of population growth for the Nation's suburbs was twice that of central cities. In 1996 alone, 2.7 million people moved from a central city to a suburban area—compared with only 800,000 people who moved from suburbs to the city.

Exhibit 9: Suburban Population Is Growing Twice as Fast as Cities

Percent Change in Metropolitan Population and Families, 1990–97



Source: U.S. Bureau of the Census, *Current Population Survey*

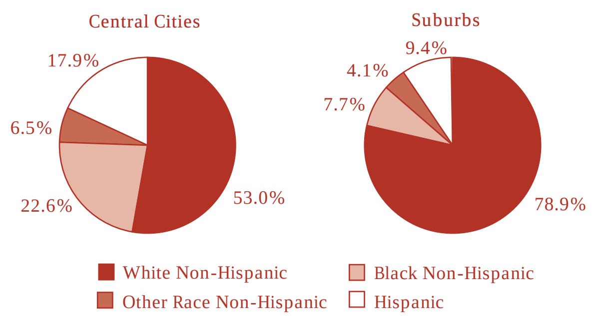
Immigrants bolster central city populations. Since foreign immigrants tend to settle first in central city neighborhoods, selected high-density central cities have been spared even more significant population losses. During the 1980s, the vast majority of immigrants settled in just 11 metropolitan areas—led by Los Angeles (with 2.1 million immigrants), New York (1.5 million), San Francisco (598,000), and Miami (463,000), as well as Chicago, Washington, D.C., Houston, San Diego, Boston, Dallas, and Philadelphia.

Because of the rapid influx of immigrants—particularly immigrants from Latin America and Asia—minorities today comprise 33 percent of the urban population, compared with only 22 percent in the suburbs.[16] Cities such as Los Angeles and Miami have been transformed over the past 30 years from majority-white to minority-dominated cities; others will join them in the years to come.

Some cities are experiencing the dynamism—and the strains—associated with a new wave of immigrants. Although immigration provides a net boost to the Nation's economy as a whole—estimated to be between $1 billion and $10 billion per year—and has little impact on wages or the job market, it can impose significant net fiscal burdens in the short run on the relatively few "gateway" areas where the tide of immigration is concentrated.

Minorities are also moving to the suburbs. While discriminatory practices still limit the residential choices of many minorities, minority households are now moving in record numbers to the suburbs. During the first half of the 1990s, the share of minority households living in the suburbs of metropolitan areas with populations over 1 million rose from 27.0 percent to 29.3 percent. Even immigrants are joining the move away from the central city. Of the 2 million foreign-born households that have arrived in the United States since 1990, almost 35 percent now reside in the suburbs of large metropolitan areas.

Exhibit 10: Minority Americans Are Concentrated in Cities
Population of Cities and Suburbs by Race/Ethnicity, 1997



Source: U.S. Bureau of the Census, *Current Population Survey*, March supplement, 1997

Middle-Class Families Are Still Leaving Central Cities

In 1970, the income profile of central cities was almost identical to the Nation as a whole. Persistent long-term outmigration—particularly of middle-class families—has fundamentally changed the income distribution of central cities. With the portion of high- and middle-income families decreasing, city incomes have fallen relative to suburban incomes.

While the number of families in America's suburban areas increased by 9.5 percent between 1990 and 1997, the number in central cities grew only 6 percent.[17] The long-run trend is more stark—a 60-percent jump in the number of suburban families between 1970 and 1997 versus the modest 12-percent increase for cities over that period.

More families of every income level move out of cities than move in, but the disparity is particularly stark among middle- and upper income families. From 1970 to 1997, nearly 6 million middle-income and affluent families have left the cities. At the same time, between 1985 and 1995, the number of high-income families—with 150 percent or more of area median income—living in suburbs grew by 16 percent, compared with just 2 percent for central cities. When families are asked why they leave cities, the two most common answers are the poor quality of city schools and the higher rates of crime in cities as compared with suburbs.

As families with the resources to do so move to suburban areas in search of better housing, good schools, and safer neighborhoods, income growth in the city lags behind suburban income growth. In the Northeast and Midwest, the 1996 median household income in the suburbs was 67 percent higher than in central cities, up from the 58-percent gap reported in 1989. City/suburb income disparities were less in the South and the West. Even so, in 1996 suburban incomes were 31 percent higher than central city incomes, up sharply from the 1989 figure of 22 percent.

Poverty Is More Frequent and Affects More Minorities in Cities

While cities contain 30 percent of metropolitan America's population, they are home to half of all low-income families in metropolitan areas.[18] This concentration of poverty in cities persists even as overall poverty declines. Poverty rates in central cities rose steadily from 1970 to 1993, increasing by 50 percent. Even with the drop in central city poverty rates since 1993, 1 in every 5 city families lived in poverty in 1996, compared with fewer than 1 in 10 suburban families. And there is a growing dichotomy in rates of minority poverty. While the rate of African-American poverty is at its lowest level in history, poverty in cities disproportionately affects minority populations—72 percent of the poor in cities are minority.

High poverty rates impose a heavy burden on cities. In 1990, the poverty rate exceeded 30 percent in Detroit, New Orleans, and Miami. The poverty rate surpassed 40 percent for African-Americans in Miami, Milwaukee, New Orleans, and Pittsburgh and for Hispanics in Buffalo, Cleveland, Hartford, and Philadelphia.

Poverty Remains Highly Concentrated in Selected Neighborhoods

Lack of affordable housing opportunities in the suburbs combined with persistent housing market discrimination adds to the concentration of poor families in central city neighborhoods. More than 10 percent of all city residents live in neighborhoods where the U.S. Bureau of the Census reports that 40 percent or more of the households are living below the poverty line, doubling the concentration in 1970. In many of these places, intense and long-standing poverty and welfare dependency occur simultaneously with alarmingly high rates of crime, drug abuse, single parenthood, high school dropout rates, and other social problems.

Tracts with high poverty rates are almost exclusively inhabited by minorities. Indeed, minority families are far more likely than whites to live in high-poverty neighborhoods even if they are not poor themselves. Almost one in four black and Hispanic residents of central cities live in census tracts where more than 40 percent of their neighbors are poor, while just 3 percent of white urban families live in such areas.

Finding #3: Cities face three fundamental opportunity gaps—in jobs, education, and housing–that are critical to reducing poverty and attracting and retaining middle-class families.

Cities face three key challenges or opportunity gaps. First, employment is increasing, but central cities are generating relatively few of the entry-level jobs that their residents urgently need. Second, too many urban schools are failing, leaving many children ill-prepared to compete for 21st-century jobs. Third, homeownership is on the rise in cities but still lags in suburbs—and many poor families are in desperate need of decent and affordable rental housing. With the economy running at record levels, the time is ripe to close these opportunity gaps for the benefit of those who live in our cities and for the Nation as a whole.

Cities Face a Jobs Gap

While cities are making significant economic progress, they lag behind their suburban neighbors on key measures of economic health. The mismatch between the number of low-skilled jobs and the number of urban residents with low skills who need and want to work is a critical challenge for cities, particularly as families transition from welfare to work. It is little wonder that city officials across the country welcome the Clinton-Gore Administration efforts to close the job gap that confronts urban America.

Employment Opportunities Limited for Low-Skilled Workers

Limited entry-level job opportunities keep unemployment rates relatively high in cities—especially large cities. The unemployment rate for central cities in March 1998 was 5.3 compared with 3.9 percent for suburbs. In some metropolitan areas, the difference was more pronounced: In the Detroit and New York metropolitan areas the city unemployment rate was more than twice the rate of the suburbs.

Unemployment is also high for subgroups that tend to live in cities. Minority youth unemployment (ages 16 to 19), for example, was 26 percent in central cities in May 1998—five times the Nation's overall unemployment rate. These disparities result in substantial labor shortages in key suburban areas and industries at the same time many urban residents are without work.

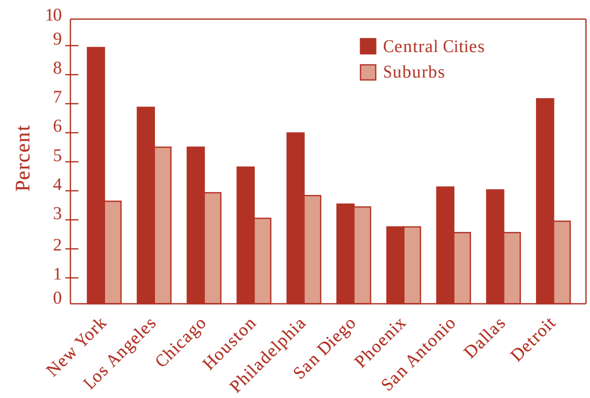
There is a wider wage gap. While progress has been made on the wage gap over the past few years, we haven't regained what we lost over the past 20 years. Over the past two decades, earnings inequality widened as the inflation-adjusted wages of low-skilled workers declined and the wages of high-skilled workers increased. According to a recent report by the U.S. Department of Labor, from 1982 to 1996, the inflation-adjusted hourly wages of workers in the top one-tenth of the workforce increased from $24.80 to $25.74 an hour. In contrast, over this same period wages for workers in the bottom one-tenth of the workforce fell from $6.28 to $5.46. Adjusting these wage figures for the value of employer-provided benefits added further to the growth of earnings inequality. For example, more than 80 percent of all workers received paid holidays and vacation, but less than 10 percent of low-wage workers received paid leave of any kind. Adjusting for benefits, from 1982 to 1996 highly paid workers gained $1.73 an hour in inflation-adjusted total compensation, while low-end workers lost 93 cents an hour. While 1997 earnings data for low-wage workers show a significant increase, it is too early to know whether this gain will continue.

The Welfare Reform Challenge—Cities Must Create More Jobs

While hundreds of thousands of welfare recipients are already making the transition from welfare rolls to payrolls—indeed, the percentage of the U.S. population on welfare is at its lowest since 1969—big challenges remain. Half of all households that receive public assistance income live in cities. This concentration of welfare recipients means that

Exhibit 11: Joblessness Remains Higher in Most Central Cities Than in Suburbs

Unemployment Rates by Location for 10 Largest Metropolitan Areas, March 1998



Source: Bureau of Labor Statistics

cities will need to produce more low-skilled jobs and do a better job of connecting city welfare recipients to jobs throughout the metropolitan economy.[19] These challenges call for sustained work by private-sector employers, community-based organizations, and government at all levels working together.

Urban caseloads remain relatively high. According to a recent report issued by the Brookings Institution, caseloads in large urban counties have been declining, but at a substantially slower rate than for the remaining portions of their States. The Brookings Institution found that the slowest reductions in caseloads occurred in urban counties with high-poverty neighborhoods. As a result, urban caseloads are accounting for an increasing percentage of total State welfare rolls. For example, while caseloads in Milwaukee County declined by nearly 30 percent between 1996 and 1997, as of March 1998, Milwaukee County households accounted for fully 86 percent of all households receiving cash welfare in Wisconsin.

Detroit Empowerment Zone Spurs Jobs, Investment

Spurred by an approach that promotes collaboration among businesses, lenders, community- and faith-based groups, and the public sector, the Detroit Empowerment Zone (EZ) is spearheading the remarkable turnaround of a city hit hard by decades of disinvestment and decline. Under **Mayor Dennis Archer**, the city is generating jobs and as much as $4.7 billion in new investment in the old industrial neighborhoods of the EZ.

The EZ is a major catalyst for public and private capital flowing into Detroit—for example, the Financial Institutions Consortium has already invested $956 million (of its 10-year pledge of $1.1 billion) in Detroit's future, including loans to minority-owned suppliers to the Big Three. EZ-related investments will ultimately create thousands of jobs and state-of-the-art manufacturing capacity in the city. "I have seen what happened in Detroit," President Clinton told the National Urban League. "I have watched unemployment be cut in half in 4 years, when private employers work with vigorous community leaders and take maximum advantage of the incentives in the Empowerment Zones."

There is a job gap in America's cities. While projecting job gaps is difficult, one effort to do so is a forthcoming report from the U.S. Conference of Mayors (USCM). This report estimates the need for jobs for welfare recipients and other low-skilled job seekers and compares them with the projections of job growth in 74 urban counties. These job projections were compiled by Regional Financial Associates (RFA):

> **depending on public transportation, cannot get there. They don't own cars, and public transportation doesn't get you from the city to the suburban**

- USCM/RFA estimates that there could be 353,000 fewer low-skilled jobs than the number of current welfare recipients who need jobs over the next 5 years in 74 urban counties.
- The Conference of Mayors estimates that over 1.2 million current welfare recipients in these 74 urban counties will need jobs over the next 5 years and that these welfare recipients will be competing with an additional 409,000 low-skilled job seekers. However, RFA projects that these 74 central counties will produce only 856,000 low-skilled jobs.
- As a result, these cities could face a total job gap—the difference between total low-skilled job growth and total number in need of those jobs—of more than 760,000 over the next 5 years.

There will be two job seekers for every low-skilled job. The new Conference of Mayors report also notes that when welfare recipients are combined with other low-skilled competitors, there may be two job seekers for every low-skilled job added over the next 5 years. In just 12 of the 74 cities, there could be more jobs than job seekers. On the other hand, the ratio of low-skilled job seekers (including welfare recipients) to low-skilled jobs may be as high as 10 to 1 in cities like Cleveland, Detroit, and Newark and 4 to 1 or greater in Chicago, Memphis, New Orleans, and New York City.

The Conference of Mayors report confirms earlier studies projecting job gaps for low-skilled workers. For example, researchers at Northern Illinois University estimated that there would be between 4 and 7 low-skilled job seekers for each low-skilled job in the city of Chicago in the year 2000.[20] The same ratio for Minneapolis-St. Paul was estimated to be between 1.7 and 3.2 workers for each low-skilled job; in Milwaukee the range was between 3.6 and 6.9 to one job. The California Budget Project estimated six to eight public assistance recipients for each available low-skilled job in several large urban California counties (Los Angeles, San Diego, and San Bernardino).[21]

Barriers Limit Access to Existing Jobs

The job gap facing city residents is compounded by the lack of transportation access to available suburban jobs and lack of affordable, high-quality child care and affordable housing. For a regional labor market to work efficiently, job seekers must have access to all the jobs for which they are qualified, wherever they are located in a metropolitan area.

St. Louis Region Comes Together to Create Job-Friendly Transportation Network

Under the leadership of **Mayor Clarence Harmon**, city and suburban governments in the St. Louis area, along with businesses and civic groups, are finding common ground in initiatives that align transportation resources with the needs of job seekers and employers in the region. Working through the East-West Gateway Coordinating Council—the region's Metropolitan Planning Organization—public and private institutions are launching cooperative strategies to increase access to job opportunities and amenities for all residents. These include programs such as the HUD-sponsored Bridges to Work demonstration program, a city-to-suburb job links program that provides reverse commuting and other transportation services to city residents in need of access to employment growth centers on the urban fringe; and the St. Louis Regional Jobs Initiative, funded in part by the Annie E. Casey Foundation, which includes employment training, placement, and transportation services tailored to the needs of major employers and key industries.

People cannot get to the jobs. The rapid growth of jobs in the suburbs has created a "spatial mismatch" that prevents many relatively unskilled residents of distressed urban neighborhoods from reaching the entry-level jobs in the suburbs. Few welfare recipients own their own cars. Cash-strapped urban mass transit systems find it difficult and expensive to expand into lower density suburban job centers, and most do not provide adequate service for those with nontraditional work hours. In Boston, for example, 98 percent of welfare recipients live within one-quarter mile of a bus route or mass transit stop, but only 32 percent of potential entry-level jobs in the Boston metropolitan area are within this distance. Only 58 percent of these entry-level jobs are within one mile of the nearest mass transit.

However, the construction of new or expanded transit rail lines in Dallas, St. Louis, San Diego, and other cities, as well as growing interest in various "reverse commuting" models like those being tested in HUD's Bridges to Work program and those to be funded through the U.S. Department of Transportation's recently enacted Access to Jobs program, offer a hopeful sign that new urban-suburban transportation linkages will be forged.

Limited housing choices block job access. Housing discrimination and the Nation's critical shortage of affordable housing in the suburbs further limit the ability of low-skilled workers—and particularly low-skilled minority workers—to access jobs in the suburbs. By concentrating many poor and minority families in central cities and aging inner-ring suburbs, housing discrimination contributes to the reality that areas with the weakest tax bases are home to the greatest needs for investment, stronger job connections, and the education and other services that prepare people to seize opportunity.

The lack of affordable child care hits cities hard. Safe and affordable child care is necessary to allow parents to work. Child care is especially important for those moving from welfare to work. It enables adults to leave home for training and full-day work. Quality child care provides a healthy, nurturing environment, safe from the dangers of the streets and staffed with positive adult role models. It can help young children prepare to succeed in school, reinforcing the academic and social lessons they learn there. While a stay-at-home parent may also be beneficial for young children, many inner-city families cannot give up any adult income, so quality child care becomes essential to providing one's family with basic needs.

"Many central city job applicants are physically isolated from places of employment, socially isolated from the informal job networks that have become a major source of job placement.

Unfortunately, affordable, quality child care remains out of reach for many working families, including single-parent families and the working poor, who are concentrated in cities. Only 10 percent of the families who qualify for Federal child care receive help. Many cities have tens of thousands of families on waiting lists for child care assistance. While the average family pays about 7 percent of its income for child care, such care consumes one-quarter of the income of low-income families, on average.

The challenges of welfare reform confront the already overburdened networks of licensed child care providers. A recent U.S. Conference of Mayors survey of 34 cities confirms that in many communities, both the number of child care slots and the available subsidy funds provided by the State fall far short of meeting even the needs of former welfare recipients, to say nothing of low-income working families. Los Angeles, for example, reported that in the 43 code areas with the heaviest concentrations of Temporary Assistance for Needy Families (TANF) recipients, there are approximately 78,000 children of TANF families—but only 30,000 licensed child care spaces available.[22] More than 70 percent of cities responding reported that State reimbursement rates would not cover the average cost of full-day, center-based child care.

In Wichita, Cessna Aircraft Helps Welfare Recipients Soar

Cessna Aircraft Company, in partnership with the City of Wichita, Kansas, is spearheading the revitalization of the city's poorest and most crime-stricken district with a new comprehensive "learning and work complex" that is helping local TANF recipients prepare for well-paying manufacturing jobs.

The new complex, which is being financed primarily through a $3.64 million loan guarantee from HUD's Economic Development Loan Fund, continues the rebirth of Cessna's long-vacant 21st Street subassembly and training facility—itself funded in part through a HUD Community Development Block Grant commitment from the city. At the facility, participants in the State of Kansas' KanWork welfare-to-work program pursue a flexible job training program that includes education, help with work readiness skills, child care, and other services. Local groups have pitched in to make the program a success: The public schools provide literacy instructors, a local hospital provides exercise instructors to help workers prevent repetitive motion disorders, and AmeriCorps volunteers staff the daycare center. Of the 237 individuals who have graduated from the program so far, 200 have moved into Cessna jobs that start at more than $10 per hour, with full benefits, and 26 are currently employed at other local companies.

Cities Face a Large Skills Mismatch

Workforce development will be critical for upgrading skills and earning power. The evidence is clear—education and training have a significantly greater impact on earning power today than they did a generation ago. Holding other factors equal, a 2-year post-secondary degree raises earnings by 20 percent (on average), and a 4-year bachelor's degree by 40 percent, over a high school diploma alone.[23] Leaving high school before graduating, on the other hand, substantially lowers one's earning power relative to those who have a diploma or higher credentials. Ninth-grade dropouts earn one-quarter less, on average, than workers with diplomas and no higher degree.

The cost of low skills is greatest for women with young children, suggesting the vital role of skill building and job readiness as part of making welfare reform work. According to a recent report, while 41 percent of all women work steadily in "good" jobs by age 27, only 22 percent of mothers and 15 percent of women who have not completed high school do so.[24] While some women who make the transition from a "bad" job—one with low wages, low or no benefits, and few prospects for advancement—to a good job do so quickly, many do not. The least skilled are at greatest risk of working only intermittently and of being mired in bad jobs.

Together with schools and colleges, training organizations of many kinds must raise skills for workers who are more mobile than ever, changing jobs and even careers many times over the course of decades.[25] Urban workers who are more likely to face other barriers to employment need these skills all the more.

Cities Face Barriers to Business Development

Although cities offer important advantages to businesses—proximity to clusters of related companies and knowledge-based services, direct access to underserved urban markets, highly developed infrastructure, a motivated workforce, etc.—these are too often overshadowed by the problems that new entrepreneurs and existing enterprises encounter in trying to do business in large cities.

Businesses face obstacles to assembling capital. Capital has tended to follow the movement of people and jobs to the suburbs. Lenders and investors, nervous about urban problems and prospects, have been reluctant to back even the most promising business ventures in inner-city neighborhoods. Disinvestment has had a devastating impact on many urban areas, leaving temporary economic setbacks to turn into long-term decline. Public spending alone cannot reverse this downward spiral—that solution has been tried. However, cities can help make central cities more attractive places for investment by lowering the barriers that make business development riskier.

Environmental hazards pose a barrier to redevelopment. One of those barriers is the very land on which cities—and the Nation's economic prosperity—were once built. Many cities have large inventories of underutilized land, but key parcels are often "brownfields," former industrial sites which may have low-to-moderate levels of hazardous contamination that would need to be cleaned up before they could be redeveloped. The General Accounting Office has estimated that there may be as many as 450,000 brownfields nationwide, with the majority in urban areas.[26] These sites, which are likely to be otherwise attractive commercial and industrial sites, represent a tremendous resource for cities. However, this resource has remained largely untapped because developers and lenders concerned about liability for cleanup costs have opted instead for suburban "greenfields" and thus contributed to costly sprawl. Meanwhile, urban brownfields stand vacant—a blight on the surrounding neighborhood.

Closing the Job Gap: Administration Response

The President's FY 1999 budget request includes several important initiatives to close the low-skilled jobs gap. The first element of any job creation strategy is to restore local economies as thriving places for retail, commercial, and industrial activity that puts community residents to work. That can only be achieved through private-sector business investment in distressed communities, and the availability of competitively priced business financing.

To stimulate job development, the President proposed a $400 million ***Community Empowerment Fund,*** continued funding for the Treasury Department's ***Community Development Financial Institutions;*** a second round of ***Empowerment Zones*** that will be implemented in 15 new communities; and a new ***Brownfields Initiative*** that will combine cleanup funds through the Environmental Protection Agency with $50 million in HUD economic development grants to redevelop and rebuild contaminated sites. Included in those initiatives are the already enacted ***Tax Incentives for EZs*** and an extension of the ***Brownfields Tax Incentives.***

The second key element of the Administration's jobs strategy is to connect former welfare recipients to jobs in employment centers wherever they are located in metropolitan regions. The Administration fought for and is now implementing the $3 billion **Welfare-to-Work Grant program,** which targets long-term welfare recipients in high-poverty areas. A substantial portion of these funds will be administered by local communities. The FY 1999 budget proposes HUD's 50,000 new **Welfare-to-Work housing vouchers** for families that need housing assistance to get or keep a job. In addition, the TEA21 transportation bill recently signed by the President authorized up to $150 million annually for **Access to Jobs** grants that will help close the transportation gap for inner-city job seekers. Each of these proposals is further described in Part Two of this report. If enacted by Congress, these initiatives will significantly improve cities' chances of success in meeting the challenges of welfare reform.

Cities Face an Education Gap

Many city schools are failing to prepare America's youth—the Nation's workers, parents, and citizens for the 21st century. Failing schools not only frustrate the aspirations of young people but the competitiveness of cities in a fast-changing global economy.

Urban Schools Face Extraordinary Challenges

The larger social needs bearing down on cities continue to converge on their public schools—and some are collapsing under the weight. City schools serve much greater concentrations of poor and minority children—who face countless disadvantages—than do suburban schools. In four out of every five large central city schools, at least 70 percent of students are poor and more than half are members of minority groups.[27] Inner-city students are also more likely to come from single-parent families and to need instruction in English as a second language.

Urban youth face extra hurdles—and fewer resources. Children from low-income urban neighborhoods often start with educational and social deficits that their schools are ill-equipped to remedy. Although many big-city schools spend about as much per student as the average district in their State, a weak tax base prevents them from finding the extra resources they need to help their students overcome these disadvantages.

Many urban schools confront management and staffing problems—along with weak standards. Some urban schools are burdened with bloated, unresponsive bureaucracies. Recruiting highly qualified teachers is very hard for schools where morale is low, setbacks are many, and the violence of the streets—or literally on school grounds—is never far away. A shortage of teachers, in turn, keeps class sizes large, making urban classrooms more disruptive and making it difficult for students to get the attention and mentoring they need to learn and grow. Finally, educational standards have eroded in too many districts, with a system of "social promotion" that graduates young people who lack even the most basic reading and math skills needed to function in the world of work.

School violence is concentrated in large urban schools. Though news reports confirm that school violence is not just an urban problem by any means, violent fights and attacks are more common in city schools, especially big ones, than they are in suburban schools. In a national survey, 1,800 city schools reported over 5,400 fights in which weapons were used during the 1996–97 school year—and those data only include crimes serious enough to be reported to the police.[28]

Many Urban Schools Are Crumbling

One of the most serious problems facing central city students and educators alike is that their schools are literally crumbling around them. Attempting to meet crushing needs with meager resources has forced many schools to spend more of their limited funds on instruction and less on maintaining an already aged building stock. Many inner-city schools must spend sizable portions of their facilities budgets on emergency repairs. The result is deferred maintenance and escalating capital costs. The need to repair and replace inner-city school buildings is reaching crisis proportions: A recent study by the General Accounting Office found that 38 percent of central city schools, serving more than 5.5 million students, had at least one inadequate building. Two-thirds (with more

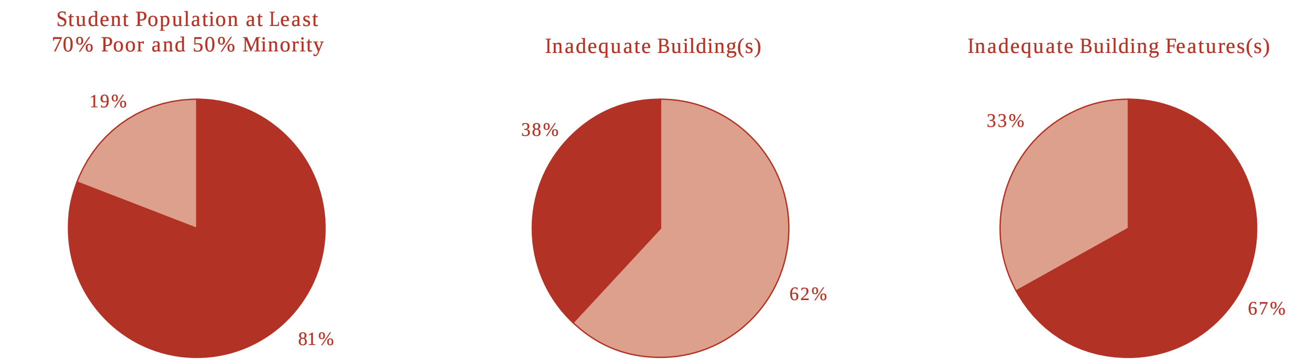
Seattle Helps Children Make the MOST of Time Out of School

Every child needs a safe, fun, educational place to go after school, and Seattle's MOST (Making the Most of Out-of-School Time) initiative is dedicated to ensuring that every child ages 5 to 14 has access to such places—regardless of family income, cultural or linguistic background, or special needs.

Established with a $1.2 million grant from the DeWitt Wallace–Reader's Digest Fund and funded in part by a voter-approved local tax levy, MOST activities are coordinated by the School's Out Consortium/YWCA, Child Care Resources, Seattle Central Community College, and the City of Seattle. But its design and dynamism reflect the ideas and commitment of hundreds of people, from children and parents to educators and social service providers, who are working together to create a rich, interconnected system of high-quality out-of-school activities and resources. Its print and online directory includes information on more than 400 programs available throughout Seattle.

Not only does MOST fill critical gaps in availability, affordability, and access—for example, providing free summer programming to more than 500 immigrant and refugee children—it has also helped develop quality standards for local out-of-school programs, as well as a community college curriculum on school-age care to ensure that current and future staff are adequately trained.

Exhibit 12: Many Disadvantaged Urban Students Attend Deteriorating Schools
Share of Central City Schools With Student Population At Least 70 Percent Poor and 50 Percent Minority; Inadequate Building(s); Inadequate Building Feature(s)



Source: *School Facilities: School Conditions Vary*, U.S. General Accounting Office, June 1996

Percentage of Schools with Condition

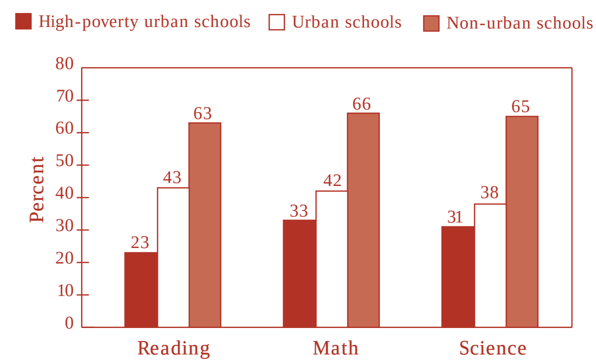
than 10 million students) had at least one inadequate building feature, such as a leaky roof or inadequate plumbing.

Achievement and School Completion Are Lagging in Inner-City Schools

Basic achievement—especially in high-poverty urban schools—lags behind that in suburban schools. Like the physical plant, the quality of education being offered in many urban schools is poor. In both 1994 and 1996, 60 percent of the children in urban school districts failed to achieve basic levels of competency in reading and math on the National Assessment of Educational Progress. For children in high-poverty urban schools, outcomes were even worse: 77 percent failed to achieve basic competency levels in reading, and 67 percent failed to achieve basic levels of competency in math. The Nation cannot afford for its students to fail these basic tests. As America's mayors agreed in the White House Education Summit in May 1998; however, it is the lowest-performing schools that represent our greatest and most urgent challenge.

School completion is low in urban high schools. Too many students simply are not getting the help they need at school, at home, or in the community to keep up. In an age in which dropping out of school—and not securing some post-secondary education—is costlier than ever, graduating from high school and attending college seem an impossible dream to millions of urban youth. Although dropout rates have been falling and test scores rising in key large urban districts, including Los Angeles, approximately half of the high school class of 1994 did not graduate on time. Indeed, about half of all students in big-city school districts fail to graduate in four years.[29]

Exhibit 13 : "Basic" Achievement in Inner-City Schools Lags
Percent Students Testing at "Basic" Levels, Urban and Non-Urban Schools



Source: National Association of Educational Progress (NAEP), 1994 and 1996

Closing the Education Gap: Administration Response

Urban education is a major priority in the President's budget submission to Congress. Education is primarily the responsibility of State and local governments, families and individuals, and the private sector. Nevertheless, the Federal Government has a crucial stake in supporting education, from preschool through adulthood. And because it is in big-city districts that unequal educational resources have hit hardest and schools have most often failed their students, responding to the challenges of urban education is at the heart of the President's education policies.

"We ar
information industries of all sorts for skilled, literate, knowledge workers. The distinction between those prepared to do this kind of knowledge work and those who

, as we approach the 21st

The FY 1999 budget includes $1.5 billion over 5 years for 50 high-poverty, low-achieving, urban and rural school districts, to be designated as ***Education Opportunity Zones*** if they adopt tough reforms to hold schools accountable for improving quality, expanding public school choice, ending social promotion, and showing real improvements in school achievement. In addition, the budget request funds for an ***America Reads Campaign*** to increase literacy in the inner city; and ***High Hopes for America's Youth*** to help middle school students learn what it takes to go to college—and prepare to get there. ***Educational Zone Academy Bonds*** will help school districts in distressed areas leverage private-sector involvement in—and private-sector capital for—serious educational reform. Two kinds of ***School Modernization Bonds*** will help countless schools to restore the physical foundations that schools must provide our young people to make learning possible. Funding for 100,000 new public school teachers will reduce class sizes in the early grades (1–3), where it matters most. Each of these initiatives is discussed further in Part Two of this report.

Exhibit 14: In Many Urban Districts, Most Students Do Not Graduate on Time

Dropout and Attrition Rates for Selected Urban School Districts (in Percent), 1993–94

City	Dropout Rate	Attrition Rate*
Atlanta	3.7	52
Baltimore	NA	74
Boston	7.5	46
Chicago	NA	54
Cleveland	NA	70
Dallas	4.0	63
Detroit	NA	72
Hartford	10.5	60
Houston	10.2	63
Kansas City, MO	13.7	76
Los Angeles	12.0	47
Minneapolis	18.1	60
New Orleans	8.5	60
New York City	NA	69
Philadelphia	10.2	70
Phoenix	NA	54
San Diego	4.4	34
San Francisco	4.3	32
Seattle	NA	45
Washington, D.C.	20.9	36

Source: *Education Week* on the Web, January 1998

* The attrition rate is the percent of an entering freshman class that fails to graduate at the end of 4 years. It includes permanent dropouts, temporary dropouts who fail to graduate on time, and students who repeat one or more grades. For this analysis, "attrition" is measured as the percent decline in the size of the class of 1994 from enrollment in the fall of 1990 to graduation in the spring of 1994 minus any decline in the district's high school enrollment during the same period. An adjustment is made for decline in enrollment to reduce the effect of population changes in the district.

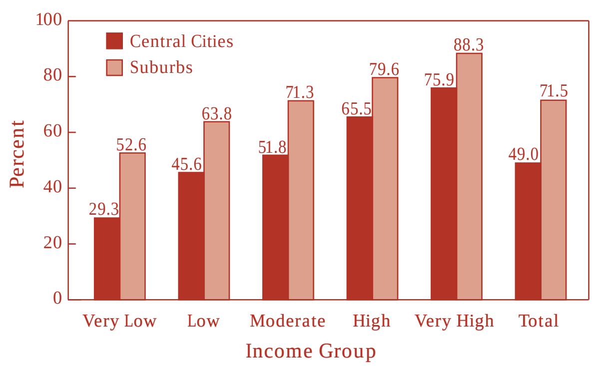
Cities Face a Housing Gap

The Nation's affordable housing crisis has reached record levels, especially in central cities. While homeownership is at its highest level ever, the central city homeownership rate continues to lag significantly behind the suburbs.

Urban Homeownership, Including Middle-Class Homeownership, Lags Behind the Suburbs

Despite record growth in homeownership, in large measure the homeownership boom has not closed gaps between cities and suburbs. According to data from the 1995 American Housing Survey presented in the Harvard University Joint Center for Housing Studies' annual report The State of the Nation's Housing 1997, central city residents of all income levels are less likely to own a home than suburban residents with similar incomes. For example, among moderate-income households (those with incomes between 80 and 120 percent of area median), 71.3 percent of suburban residents own a home, but only 51.8 percent of central city residents are homeowners.

Exhibit 15: Homeownership Is Lower in Cities Regardless of Income Level
Percent of Households in Each Category



Source: *The State of the Nation's Housing 1997*, Harvard University Joint Center for Housing Studies based on the Joint Center tabulations of the 1995 American Housing Surveys

Discrimination Adds to the Homeownership Gap

The spatial gap in homeownership reflects, in part, the persistent gap in homebuying opportunities for racial and ethnic minorities. The Harvard University Joint Center data document that African-American and Hispanic households of all income levels are less likely to own a home than white households of the same income group. This racial gap persists, even among households with incomes that are 20 to 50 percent higher than area median. While 78.3 percent of white households in this income group owned homes, the share for African-Americans is only 62.7 and for Hispanics only 64.5 percent.

While the spatial and racial gaps in homeownership reflect many factors, the Joint Center report concludes that they are the legacy of "decades of discriminatory practices." Worse yet, the Harvard study concludes, "Prejudicial lending and housing market practices still plague some areas of the country." Mortgage lending information gathered by the Federal Reserve Board under the Home Mortgage Disclosure Act (HMDA) shows that minority households applying for mortgage credit were much more likely to be rejected than white households with similar income. Similarly, denial rates—for whites as well as minorities—were highest in central city and in minority neighborhoods.

> **"If we are going to build communities that are truly equal, communities where ever**
> **chance; there are several things that we need to do and we need to do them together as a policy. Creating jobs in a robust, growing**
>
> **laws, strengthening affirmative action, offering more and better**
>
> ***—Linda Chavez-Thompson***
> ***AFL-CIO***
> ***Community 2020***
> ***Seminar Series,***

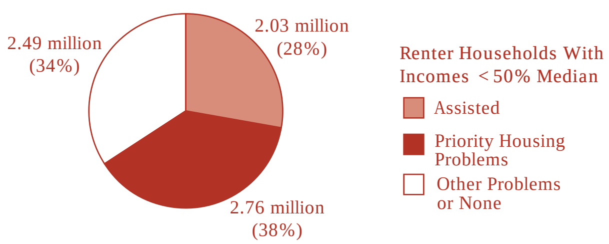
Housing Needs Are at Record Levels

Despite strong economic growth, the number of very low-income renter households with worst case needs (paying at least half their income in rent or living in inadequate housing) remained at its record-high level of 5.3 million in 1995.[30]

Central cities are hardest hit. The housing affordability crisis remains most acute in America's cities, where half of all very low-income renters (almost 7.3 million households with incomes less than half of the area median) live. Twenty-eight percent of these households receive some type of rental assistance.[31] The majority of the 5 million unassisted very low-income urban renters, however, experienced severe housing problems in 1995.[32] Over the period 1991 to 1995, the number of renter households with worst case needs in central cities grew by 219,000 to 2.8 million, with particularly sharp increases occurring in the Northeast and West.

Worst case needs increasingly affect the working poor. According to HUD's April 1998 report, *Rental Housing Assistance—The Crisis Continues*, worst case housing needs grew fastest among the working poor. Between 1991 and 1995, worst case needs for families with at least one person earning a full-time paycheck rose by 265,000—an increase of 24 percent.

Exhibit 16: Millions of Urban Renters Have "Worst Case" Needs
Housing Needs and Assistance Among Very Low-Income Central City Renters, 1995



Source: *Rental Housing Assistance—The Crisis Continues*, HUD, 1998

Worst case needs are particularly concentrated among city households with incomes at or below 30 percent of the area median—a level that roughly corresponds to the Federal poverty threshold.[33] An analysis by the Harvard University Joint Center for Housing Studies found that five out of every six unassisted renter households with such extremely low incomes paid half their income in rent or lived in structurally inadequate housing.

The number of elderly households with worst case needs remained above 1 million in 1995, while more than 2 million families with children had worst case housing needs. Among households with very low incomes, both families with children and households with an elderly head but no children had almost a one-in-three chance of having worst case needs. Families with children represent the largest group of households with worst case needs—more than 2.1 million households of the total 5.3 million worst case households. Just over 1 million elderly individuals or heads of households without children have worst case housing needs. This situation occurs despite the fact that housing assistance has been heavily directed toward these two groups—37 percent of very low-income elderly and 29 percent of very low-income families with children receive housing assistance.

There has been a sharp decline in affordable housing. The private rental housing stock affordable to these households has been shrinking rapidly: Between 1993 and 1995, there was a loss of 900,000 rental units affordable to very low-income families—a reduction of 9 percent. The largest losses of private rental stock, in percentage terms, were for units affordable to extremely low-income renters (households with incomes less than 30 percent of area median)—a 16-percent reduction.

There have been no new housing vouchers for families on the waiting list for housing assistance since 1994. The ongoing housing affordability crisis has been aggravated by Congress' refusal to approve new rental assistance to families on the waiting list. Since 1995, Congress has denied the Administration's request for new rental assistance to mitigate worst case needs. Indeed, Congress rescinded funding for vouchers that had been appropriated in 1994. This represents a historic reversal of Federal housing policy. From the Great Depression until 1994—under both Democratic and Republican Administrations and in periods of economic boom and recession—Congress has always expanded the availability of rental assistance. In light of the substantial reduction in affordable rental housing, the failure to increase housing assistance further exacerbates the housing crisis in the Nation's cities.

The need for homeless assistance remains acute. Beginning in the 1980s, the number of homeless people in America increased to its highest level in 50 years. Research found that as many as 7 million Americans experienced homelessness at least once in the latter half of the 1980s. Of the total homeless population—some 600,000 are literally homeless on any given night—some suggest that the number of families with children now exceeds 30 percent of the homeless population, increasing the need for stable, long-term housing with access to day care, decent education, and other family support. Others are single adults. Some homeless persons who suffer from mental illness or substance abuse need a variety of services beyond immediate shelter. As a result of HUD's Continuum of Care program, which coordinates Federal, State, and local resources and services for homeless people, an increasing number of formerly homeless families and individuals are moving into transitional or permanent housing. Nevertheless, there remains a shortfall between the scope of the homeless population's need for assistance and the level of resources that are available.

The consequences of the lack of affordable rental housing spill over into other areas of concern. Each day families with worst case needs must make the difficult choice between paying for housing and buying other necessities such as food, medicine, transportation, and child care. A recent report from the Doc4Kids Project at Boston Medical Center estimates, for example, that almost 18,000 inner-city children are hospitalized each year for asthma often caused by infestations of roaches.[34] Other problems reported include slow mental development from lead poisoning, stunted growth and anemia from malnutrition, and injuries from living in unsafe housing. And the consequences show up in the damaged lives of untold numbers of the Nation's children who are at increased risk of violence, psychological disturbances, infections, and poor school performance.

Closing the Housing Gap: Administration Response

The President's budget includes a range of proposals to increase homeownership, promote fair housing and fair lending, expand rental housing assistance, and reduce homelessness. To help thousands of hard-working middle-class American families qualify to become homeowners and expand homeownership opportunities in higher cost central city neighborhoods, the FY 1999 budget proposed raising the **FHA home mortgage insurance loan limits** used by the Federal Housing Administration to a single national standard of $227,150. The budget also proposes an **additional 100,000 Section 8 rental assistance vouchers;** a new **HOME Bank** that will expand the use of HUD's successful HOME housing block grant funds; another round of **Homeownership Zones;** record funding for homeless assistance programs; a $1.6 billion expansion of the **Low-Income Housing Tax Credit;** and a doubling of funding for **fair housing enforcement.** Together, these proposals will help central cities expand homeownership opportunities for middle-class families, while providing needed resources to address the critical shortage of affordable housing that undermines the well-being of low-income, central city families. Last year, the Administration and Congress worked together to pass historic legislation to ensure that families currently using housing vouchers are able to remain in the program. This year, working with the same bipartisan spirit, Congress can pass the legislation providing the resources needed to address the housing gap that confronts our Nation's cities.

"While Denver's
of life has been uplifted in recent years due to a strong economy, we must also consider the effects our success has had on access to housing. Housing

economic investment. Initiatives like the HOME Program and the

Conclusion

The problems discussed here reveal another fundamental mismatch that further widens the opportunity gap that central cities and their residents face: While economic markets and social maladies transcend the boundaries of individual jurisdictions, the public policies and public resources needed to manage them effectively too often do not. Whether one lives in the city, suburb, small town, or rural county—each of us has a stake in ensuring that the challenges confronting cities are met. The regional economies that are the source of our Nation's economic vitality cannot remain strong with decaying cities at their core. However, healing the heart of our metropolitan systems demands that every segment of our society—business, community groups, individual citizens, government at every level—work together to overcome the obstacles that prevent cities from achieving their potential. Part Two of this report further describes the Clinton-Gore Administration's response to each of the three opportunity gaps and outlines the Administration's commitment to serving as a catalyst in this effort, removing barriers to opportunity and equipping people and communities with the tools and incentives they will need to succeed.

Part Two: Closing the Opportunity Gaps

Only a few years ago it seemed as if the Federal Government, hamstrung by exploding deficits and paralyzed by a crisis of public confidence in government itself, might withdraw completely and leave cities to fend for themselves. President Clinton has offered a new approach, one that is firmly committed to cities, but charts a smarter, more effective role for the Federal Government.

> **"Vice President Gore and I have worked hard the past 5 years to create a government that works better and costs less,**

This Administration recognizes that Washington cannot pay for everything, should not regulate everything, and must not hand down mandates. Rather, the Federal role is more appropriately defined first as establishing broad national goals and priorities, and second as effectively providing the resources that States and local governments need to address the urgent challenges facing our cities. Discarding top-down approaches to urban policy, the Clinton-Gore Administration has adopted the ideas of mayors, faith and community leaders, businesses, and others in forging a genuine partnership between Washington and our Nation's cities and metropolitan areas. A strategy of community empowerment focuses on creating opportunity, demanding responsibility, and promoting a sense of community.

Accordingly, the Administration has worked within the Executive branch and with Congress to reinvent the way the Federal Government does business in cities, creating a new generation of programs and streamlined regulations that tear down barriers to opportunity. Vice President Gore's Partnership for Reinventing Government is helping to ensure that these programs work as they were intended and provide a level of service, efficiency, accountability, and competence that the American people have a right to expect.

President Clinton's urban agenda reflects a new consensus around some old ideas about how to build stronger communities. It involves moving beyond "business as usual" to provide important new types of assistance to cities, with particular emphasis on helping communities weave together disparate Federal programs, as well as regional problem solving that responds to the way we live and the way our economy functions.

Key Components

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

Closing the Jobs Gap

- Boost business investment and job creation in central cities and connect people to work opportunities, improve workforce preparedness and job skills, and increase access to child care.

Closing the Education Gap

- Encourage school reform through education opportunity zones and other initiatives, repair and modernize school facilities, and reduce class sizes with 100,000 new teachers.

Closing the Housing Gap

- Expand homeownership, reduce worst case housing needs by increasing the supply of affordable housing, fight housing discrimination, expand assistance to homeless people, and restore and rebuild public housing.

Building Safe, Healthy, and Sustainable Communities

- Strengthen the environment, continue crime-prevention efforts, improve access to health care, and ensure a fair deal for immigrants.

Moving Beyond Business as Usual

- Streamline Federal programs, encourage cooperation among urban and suburban communities to address regional concerns, and promote the development and wide application of technology in cities.

These initiatives are described in more detail below.

A. Closing the Jobs Gap

People in cities need jobs—but not just any jobs. They need jobs that will keep them on the cutting edge of their region's economy; they need jobs that serve the needs of their neighborhoods; and they need well-paying jobs that enable them to care for themselves and their families and expand their creative potential and their skills.

"The Community Empowerment Fund is a powerful financing tool for building private enterprise and stemming the loss of good-paying

The Administration is committed to supporting the efforts of cities to promote jobs and economic opportunity. The Federal Government currently spends over $10 billion per year, and offers another $1.7 billion in support of local community revitalization strategies. These strategies include:

- helping communities retain existing businesses and encourage new ones;
- providing seed money and infrastructure for economic development projects;
- channeling targeted economic opportunities to distressed neighborhoods; and
- ensuring that economic development occurs in ways that enhance rather than undermine environmental quality.

Progress Made

Over the past 5 years, the Administration's efforts to help cities improve the economic climate for attracting business investment and creating jobs have begun to pay off. The first round of Empowerment Zones (EZs) and Enterprise Communities (ECs) has attracted billions of dollars in private-sector capital commitments, and is proving to be a success in building private-sector, community, and government partnerships. Two rounds of funding for Community Development Financial Institutions have begun to strengthen community-based financial institutions that specifically focus on the needs of their local communities. HUD's Section 108 Economic Development Loan Fund is an important tool for cities to support business expansion or startups. The program has enabled cities to partner with companies in making business investments in distressed communities, using Federal loan guarantees. Over the past 5 years, HUD has committed $3 billion in federally guaranteed loans to such ventures as the Cessna Aircraft Work and Learning Center in Wichita, Kansas, with zero defaults by participating communities.

Boost Business Investment and Job Creation in Central Cities

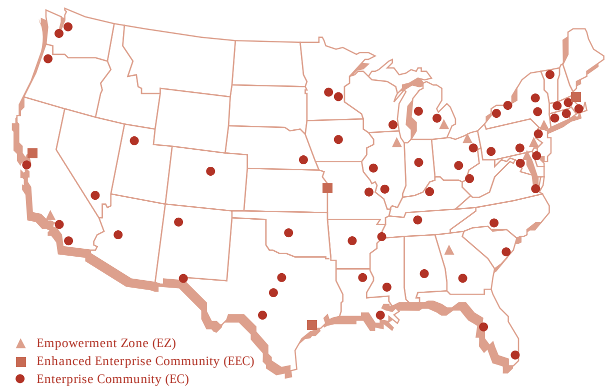
The President's FY 1999 budget includes the following initiatives that will help communities create jobs where they are needed most—close to where people live.

Enact a $400 million Community Empowerment Fund to help create or retain jobs in distressed communities. The FY 1999 budget includes a proposal for $400 million to support the Community Empowerment Fund. This initiative will enhance and expand the existing Section 108 Economic Development Loan Fund and Economic Development Initiative (EDI) grant program. HUD estimates that this request will enable communities to leverage at least $2 billion in private investment for business startup or expansion loans, financing for industrial facilities, neighborhood-based commercial revitalization efforts, and other economic development activities. These projects may support as many as 280,000 jobs when fully implemented.

Build on the success of Empowerment Zones (EZ) and Enterprise Communities (EC)—expand to 15 new Zones. Since 1994, when the first 6 urban Empowerment Zones, 2 Supplemental Empowerment Zones, and 60 Enterprise Communities were designated, EZs and ECs have generated commitments of billions of dollars in public and private investment. A recent report by Standard & Poor's DRI concluded that urban EZs have led to significant improvements in the bond ratings of those cities.[35] The Community Empowerment Board, led by Vice President Gore, oversees the Administration's community empowerment efforts and is committed to building upon this initial success. Later this year, contingent upon Congressional action, HUD will make similar resources available to more cities when it designates 15 additional urban EZs. In addition to the tax incentives that are already in place, the Administration has requested $1.5 billion over 10 years in Title XX grants to support these new initiatives.

Increase support for Community Development Financial Institutions (CDFIs). The Administration's FY 1999 budget calls for increasing the appropriation for the CDFI Fund to $125 million. The President is also seeking to reauthorize the Fund this year. CDFIs expand the availability of credit, investment capital, and financial services in underserved urban and rural communities. CDFIs include many types of financial institutions, such as community development banks, low-income credit unions, community development loan and venture capital funds, and microenterprise loan funds. They provide their customers with a full range of products and services not available through the conventional commercial banking sector—from basic financial services to small business loans and from home mortgages for first-time homebuyers to rental housing rehabilitation loans for local nonprofit groups.

Exhibit 17: Empowerment Zones Are Stimulating Redevelopment in Cities Throughout America
First-Round Empowerment Zones / Enterprise Communities



Continue successful economic development and business lending programs. The President's budget includes a streamlined and enhanced Community Development Block Grant (CDBG) program, one of the first tools cities have turned to when trying to revive low-income neighborhoods and an important resource for job creation and business development. HUD's FY 1999 proposal of $4.7 billion includes a significant reduction in set-asides that have in the past reduced the program's effectiveness. The proposed changes will result in a $281 million increase in formula grants for cities and States. Approximately 10 percent of the CDBG funds ($480 million in FY 1999) are used for assistance to businesses and other economic development initiatives.

The Economic Development Administration (EDA) has provided initial capital for over 480 local revolving loan funds that funnel capital to such enterprises.[36] These locally administered funds have made more than 7,200 loans to new and existing businesses. EDA also aids community economic development by investing in the infrastructure needed to attract and support private businesses. In FY 1999, EDA-funded projects will create or retain some 30,000 jobs for economically distressed communities.

The largest single Federal catalyst for small business capital is the U.S. Small Business Administration (SBA), which guaranteed over $10.8 billion in long-term, low-interest, private loans to small firms in 1997. Most of these loans were guaranteed through SBA's Section 7(a) program. SBA expects to assist 52,500 businesses through Section 7(a) and Section 504 loan guarantees in 1998, and another 56,400 in 1999. These loans finance small business startup and expansion and may be used for virtually every business purpose from acquisition of real estate or equipment to export transaction financing to working capital. SBA also helps to empower some of America's smallest businesses by providing financing for microloans in amounts up to $25,000. SBA's loans are made to nonprofit intermediaries that, in turn, re-lend to small businesses. SBA's technical assistance programs provide information, education, and training to help small businesses start, run, and grow. Finally, while all of SBA's programs provide assistance to entrepreneurs in cities, the One Stop Capital Shops (OSCSs), as SBA's contribution to the EZ/EC, are crucial to the delivery of SBA programs in America's cities.

Increase Mobility and Connect People to Work

The Federal Government offers a wide range of programs that help communities connect their residents to training and employment opportunities within the regional job market.

Welfare to Work

Welfare-to-Work Grants. The President fought for $3 billion in targeted grants for welfare to work in the Balanced Budget Act. Three-fourths of the $3 billion appropriated for 1998 and 1999 will be allocated to States as formula grants of which the majority will be placed, through the Private Industry Councils, in the hands of the localities that are on the front lines of the welfare reform effort. The remaining 25 percent will be awarded competitively to local entities. With these funds, local governments, private industry councils, and other community-based organizations are able to design and implement employment strategies for long-term and "hard-to-place" welfare recipients. These include job creation, job placement, and job retention, including wage subsidies to employers, community service work, on-the-job training programs, and other critical post-employment supportive services.

Welfare-to-Work Housing Vouchers. The President's FY 1999 budget proposes $283 million for 50,000 welfare-to-work housing vouchers—one-half of the overall request for 100,000 new vouchers requested by HUD to help low- and moderate-income families keep pace with rising housing costs. These will provide Section 8 tenant-based rental assistance to enable families leaving welfare to obtain affordable housing near a new job, and thereby get or keep a job. It would eliminate difficult and sometimes relatively costly multi-hour commutes that are often unreliable and pose another hurdle to obtaining and retaining employment. This proposal goes beyond solving the transportation problem. It allows recipients to choose neighborhoods, both in the city and beyond, that offer the amenities and opportunities

Oakland Wins Competitive Welfare-to-Work Grant

The EASTBAY Works Regional One-Stop Center in Oakland, California, a project of the Oakland Private Industry Council, is a partnership designed to coordinate employment activities throughout the Bay Area counties of Alameda and Contra Costa. Like other winners in the U.S. Department of Labor's (DOL) Welfare-to-Work competitive grant program, EASTBAY services will be targeted to hard-to-employ welfare recipients, emphasizing long-term independence.

On May 27th, President Clinton announced 49 winners of the DOL competitive grants in 34 States—approximately three fourths of which operate in urban areas with concentrations of poverty and all of which depend on intensive collaboration at the community level. The grants are part of a $3 billion national effort to reduce dependency among welfare recipients who face the most difficult barriers to employment.

that are necessary for them to move from welfare to work.

Welfare-to-Work Tax Credits. To give employers an additional incentive to hire those entering the workforce, the welfare-to-work tax credit enacted in the 1997 Balanced Budget Act allows employers to take a credit of as much as $3,500 per year for each long-term welfare recipient they employ, and an additional $5,000 for the second year they stay on the job. This credit complements the Work Opportunity Tax Credit of up to $2,400 for the first year of wages for certain job seekers. The FY 1999 budget extends these two important credits for an additional year.

Increase Access to Transportation

Access to Jobs. In 1996 HUD began testing approaches to helping low-income families through its five-city **Bridges to Work** demonstration, which links inner-city job seekers with job placement, transportation, child care, and other supportive services that increase the likelihood that they will be able to find, obtain, and keep jobs. The Administration will expand this strategy in FY 1999 through the **Access to Jobs** initiative which was included in the TEA21 transportation reauthorization bill the President signed on June 9, 1998. This competitive grant program, authorized at $150 million annually beginning in FY 1999, will help communities develop flexible transportation services to connect low-income workers and those moving from welfare to work to area jobs at critical job-related services.

Access to Child Care

In 27 million families, both parents—or the only parent in the family—work.[37] Many of them who want safe, quality child care cannot find it or afford it. This is particularly true for low- and moderate-income working families, and for those on welfare who are trying to join their ranks.

President Clinton has proposed investing more than $20 billion over 5 years in an historic new initiative to improve the availability, affordability, and quality of child care in America's cities and throughout the country. His **Child Care Initiative** starts by expanding existing assistance vehicles such as the **Child and Dependent Care Tax Credit,** which already helps about 6 million families cover child care costs each year. The budget proposes liberalizing this credit so that it aids an additional 3 million families with incomes below $59,000.

—President Bill Clinton

To make child care services more widely available, the budget proposes a new tax credit for private employers that expand or operate child care facilities, train child care workers, contract with a child care facility to provide child care services to employees, or provide child care resource and referral services to employees.

The President's Child Care Initiative also calls for dramatically increasing funding for **Child Care and Development Block Grants,** the mainstay of Federal assistance for low-income working families and those moving from welfare to work. A recent survey by the U.S. Conference of Mayors indicates that many States are trying to help more families, but provide subsidies at levels too shallow to cover the cost of child care in urban markets.[38] President Clinton has asked Congress to increase funding for these subsidies by $1.2 billion next year.

The President's initiative also includes several measures intended to improve the safety and quality of child care. In addition to providing additional funds for the local enforcement of health and safety standards in child care settings, the budget proposes $50 million in FY 1999 for a new **Child Care Provider Scholarship Fund,** which, with State and local matching funds, will support training for up to 250,000 child care providers, as well as boosting their pay. It will also reduce rapid turnover in the industry by requiring that those who receive training stay in the field for at least a year.

Sante Fe Collaboration Develops High-Tech Training Capacity

Santa Fe is preparing its workforce for jobs in the booming high technology field at New Mexico Northern Community College's 4,000-square-foot High Technology Manufacturing Training Facility, developed with funding assistance from Intel Corporation and the U.S. Departments of Commerce, Energy, and HUD. The facility, designed to train its mostly adult students for employment in the region's emerging semiconductor and high-technology industries, features a clean room, robotics laboratory, semiconductor manufacturing facility, and telecommunications classroom—which also will help the school provide distance learning opportunities to rural communities.

Eighty-five students are currently enrolled in the community college's microelectronics program, which is based in the new facility. Its first graduates have already been placed in jobs at Intel and Los Alamos National Laboratories. The program expects to place students in jobs at salaries averaging $35,000 per year.

Improve Job Skills and Workforce Preparedness

The Administration is committed to helping residents adapt to economic change through investments in a wide range of workforce development programs and services that help people gain the skills needed to find stable, well-paying jobs. These include:

Job Training

The President has proposed a **G.I. Bill for America's Workers** to consolidate and streamline activities in the Job Training Partnership Act and empower adults to make better choices for job training services.

Adult Training Grants, administered by the U.S. Department of Labor, would allocate $1 billion in FY 1999 to local communities. Through employer-led Private Industry Councils, the communities direct targeted job training, placement assistance, and support services to serve over 400,000 low-income individuals, including many welfare recipients. About 60 percent of those receiving services have a job within 3 months of leaving the program.

In addition, President Clinton has overseen a dramatic increase in job training funds to help workers displaced by plant closings or mass layoffs through early intervention programs, new skills training, job search assistance, and other support services. The FY 1999 budget requests $1.5 billion for dislocated worker assistance—nearly three times the amount available 5 years ago. The services provided by these funds will help about 685,000 displaced workers find good jobs. More than three-fourths of workers assisted will be working within 3 months of leaving the program, earning an average of 97 percent of the wages they received in their previous jobs.

Youth Training

The President's FY 1999 budget includes several initiatives aimed at training and placing youth in jobs. These include:

- ***School-to-Work Venture Capital Grants.*** Since 1994, school-to-work projects have fostered stronger ties between schools and local employers, paving the way for urban youths to receive top-quality academic and occupational training, as well as to pursue post-secondary education or skills development. By 1999, school-to-work components will be up and running in one-fourth of the Nation's high schools, engaging 1.5 million youth in career development activities.

- ***Youth Opportunity Areas.*** In severely depressed urban areas, the President has proposed designating selected high-poverty neighborhoods with high rates of youth unemployment as Youth Opportunity Areas. The President's budget calls for $250 million to be made available to help these communities secure State, local, and private resources for initiatives that will employ youth in private-sector jobs with good career opportunities.

- ***Job Corps.*** The Job Corps represents another model for helping the most seriously at-risk youth find and follow the path to work and responsibility. It offers a full-time, year-round program in a structured residential setting, where 70,000 young people a year can explore different occupations, learn about the demands of the world of work, hone their workplace social skills, gain basic educational competency, and receive vocational training.

- ***Youthbuild.*** Over 5,000 youths participate in Youthbuild each year, receiving a combination of classroom academic and job skills development and on-site training in a construction trade. With support from HUD, Youthbuild participants are able to put their newly acquired skills to good use rehabilitating and building housing for low-income and homeless people in their communities.

- ***AmeriCorps.*** Through the AmeriCorps service program, almost 100,000 Americans of all ages and backgrounds have engaged in public service over the last 4 years, working in the areas of education, health and human service needs, environment, and public safety. AmeriCorps members tackle many of the vital challenges facing our Nation's cities—cleaning up rivers and streams, tutoring children at risk, fighting crime with police departments, and building affordable housing, among many other endeavors.

B. Closing the Education Gap

Education is primarily the responsibility of States, local school boards, families, and individuals. In a few places, local governments are being given the authority to operate schools. Nevertheless, the Federal Government has a crucial stake in supporting education, from preschool through adulthood. And because it is in big-city districts that unequal educational resources have hit hardest, responding to the challenges of urban education is at the heart of the President's education policies. As the Nation's mayors agreed at last month's Education Summit, turning around low-performing schools is perhaps the most important task ahead. Over the last 5 years, the President has worked hard to expand Federal support for education in ways that reinforce these national interests.

Encouraging school reform. The President has proposed designating about 50 high-poverty, low-achieving urban and rural school districts as **Education Opportunity Zones** if they adopt reforms that hold schools accountable for improving quality, expanding public school choice, ending social promotion, and showing real improvements in school achievement. The $1.5 billion proposed for Zones over the next 5 years would fund reforms in the designated districts for 3 years. Districts that show significant learning gains could get an additional 2 years of funding.

"Washington is the place wher ideas get debated. But cities and towns are the laboratories where ideas are tested and refined. I believe that Washington can transform education in America and get behind the mayors who are transforming education at

Another 3,500 high-poverty schools will adopt effective, research-based school improvement models with help from the $175 million requested in the U.S. Department of Education's FY 1999 **Comprehensive School Reform Demonstration.**

Linking schools and universities. President Clinton has proposed enlisting America's colleges and universities in partnerships with middle schools. **High Hopes for America's Youth** will fund school/university partnerships involving 2,500 middle schools nationwide. Over a 5-year period, starting as early as 6th grade and running through high school, almost 1 million middle-school students would learn what it takes to go to college through mentoring, tutoring, after-school and summer programs, college visits, access to rigorous college prep classes in core subjects, and other activities. Unlike similar programs tested on a smaller scale, High Hopes would work with all students—and not a handpicked few in each grade.

Improving school facilities through expanded School Modernization Bonds. In order for students to learn and to compete in the global economy, schools must be well equipped and they must be able to accommodate smaller class sizes. Almost 40 percent of central city schools need major repairs. To address these and other critical needs, the FY 1999 budget proposes Federal tax credits to pay interest on nearly $22 billion in bonds to build and renovate public schools—more than double last year's level. The new proposal provides tax credits for two types of **School Modernization Bonds**—School Construction Bonds and Zone Academy Bonds—that were first created through the Taxpayer Relief Act of 1997.

Accessing the information superhighway. The new $2.25 billion E-rate fund administered by the Federal Communications Commission will cut the cost of Internet and telecommunications services for every public, private, and parochial school by an average of 60 percent. For the poorest schools, access will be almost free. The **Technology Literacy Challenge Fund** is one of several Federal programs that pumped almost $600 million in Federal dollars into educational technology—computers, software, and the training to ensure that teachers can use them effectively.

Reducing class sizes. President Clinton has proposed that the Federal Government help schools attract and pay 100,000 public school teachers over the next 7 years. These teachers would be concentrated in grades 1 through 3, allowing children to attend smaller classes with fully qualified teachers. This investment in human capital can make a real difference in urban areas. Research shows that reducing class size to 15 to 18 students in the early grades improves student achievement, particularly among low-income and minority students in inner cities.

Attracting teachers to inner-city schools. Some $350 million in funding proposed by President Clinton over the next 5 years would be used to alleviate a shortage of inner-city teachers by recruiting and training teachers to take up posts in high-poverty areas. The Federal money would fund scholarships for approximately 35,000 aspiring public school teachers and provide seed money for innovative partnerships between school districts that need teachers and the colleges and universities that train them.

Expanding before- and after-school opportunities. To ensure that young people learn in a safe and drug-free environment, the President has asked Congress to authorize a total of $1 billion over 5 years to keep schools open before and after hours as **21st Century Community Learning Centers.** These startup funds, combined with local matching dollars, will establish or expand 4,000 after-school programs, providing 500,000 children with safe havens that offer a wealth of positive learning opportunities.

Expanding lifelong learning. The Clinton-Gore Administration has developed a number of incentives that encourage people to invest in post-secondary academic, professional, and technical education. These include **HOPE Scholarship Tax Credits**, which will make the first 2 years of college universally available, and **Lifetime Learning Credits**, which would allow students beyond the first 2 years of college, as well as those taking classes part-time to improve or upgrade their job skills, to take a 20-percent tax credit on the first $5,000 of tuition and fees incurred each year through 2002.

Rebuilding Communities Through Public Housing—Pittsburgh's Success

When **Mayor Tom Murphy** of Pittsburgh first took office in 1994, public housing in Pittsburgh appeared as intractable a challenge as any he would have to face. He inherited a housing authority on the brink of receivership, with high vacancies, long waiting lists, soaring crime rates, and a history of poor management that fostered disinvestment in every city neighborhood that touched public housing. "While I certainly hadn't created this mess, I alone am accountable to the voters to fix it," said the mayor.

The mayor took on the chairmanship of the housing authority board—perhaps the first mayor in the country to do so—and put a strong management team in place that reported directly to him. Murphy also made it clear that public housing residents would be both empowered to and accountable for transforming their neighborhoods. The turnaround is clear. In the Manchester neighborhood, for example, the city is using HUD's **HOPE VI** funding to demolish 109 poorly designed and managed public housing units built in the 1970s. In place of those units, HOPE VI is enabling the housing authority to develop affordable single-family homes on scattered infill sites while addressing the social service needs of the projects' mostly poor residents. Mayor Murphy and his staff work on rebuilding neighborhoods and they view public housing resources as a means to that end.

C. Closing the Housing Gap

Expand Homeownership to Underserved Markets

Homeownership is the essence of the American dream. In June 1995 President Clinton committed the Nation to increasing the homeownership rate to 67.5 percent by the year 2000. He brought together a partnership of 58 key public and private organizations to forge a **National Homeownership Strategy.** The efforts of these national partners, led by HUD Secretary Andrew Cuomo, to reduce the financial, information, and systemic barriers to homeownership are amplified by local partnerships at work in over 100 cities. These efforts are having an impact: By the end of 1997, homeownership had reached a record-high 66 percent rate.[39]

But the job is not done. Homeownership in central cities and among women, minorities, and lower income Americans continues at or below 50 percent.[40] HUD has proposed a number of steps to expand homeownership opportunities for these underserved populations:

- ***Increase the Federal Housing Administration (FHA) loan limit*** so that more middle-income city residents and minorities, who have traditionally tended to rely on FHA mortgage insurance, can enjoy the benefit of FHA single-family mortgage insurance, including downpayments of less than 5 percent, and more flexible underwriting criteria. Raising the loan limit to a single nationwide threshold of $227,150 would also provide borrowers more room to finance housing rehabilitation costs under FHA's purchase rehab program—an important consideration in older urban housing markets.

- ***Fund a new round of Homeownership Zones.*** This program enables cities to undertake large-scale, mixed-income developments of single-family homes that can be a catalyst for bringing distressed inner-city neighborhoods back to life, attracting businesses that typically cluster around stable, owner-occupied developments.

- ***Play-by-the-Rules Homeownership Initiative.*** The President's FY 1999 budget for the Neighborhood Reinvestment Corporation includes $25 million for a new initiative that would make the dream of homeownership more accessible to 10,000 families who have been responsible and paid their rent on time but are currently underserved by the housing market.

- ***Expand the use of tenant-based Section 8 rental assistance*** so that hard-working families that are ready to take on homeownership can use their rental assistance to help pay a mortgage instead.

- ***Increase funding for the Housing Counseling program,*** which reaches out to help minorities and immigrant homebuyers in particular, learn more about the process of finding, financing, and maintaining a home.

Expand the Supply of Affordable Rental Housing

The demand for affordable rental housing is at an all-time high, but the supply of units for low-income families continues to shrink. Housing assistance already helps more than 2 million very low-income households in central cities, but another 2.75 million urban renters still have urgent housing assistance needs.

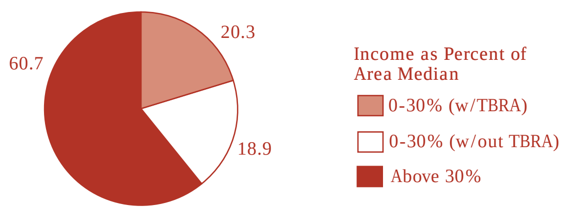
100,000 Additional Section 8 Vouchers. Since FY 1995, Congress has provided virtually no new rental assistance to serve the more than 1 million families on waiting lists for such assistance. The Administration proposes to provide 100,000 families and individuals with portable rental assistance in FY 1999. These vouchers will include 50,000 welfare-to-work housing vouchers and 34,000 for homeless individuals and families.

Low-Income Housing Tax Credit. The largest single source of development capital for affordable rental housing remains the ***Low-Income Housing Tax Credit,*** which currently helps fund between 75,000 and 90,000 affordable units each year. The Administration's proposal to restore the value of the credit, which has eroded in recent years due to rising building costs, is expected to result in the production of an additional 150,000 to 180,000 units over the next 5 years.

HOME Bank. Cities use their annual HOME allocations to expand affordable rental housing opportunities by building, rehabilitating, and buying multifamily rental properties, for tenant-based rental assistance, or to rehabilitate owner-occupied housing or provide assistance to new homebuyers. The budget includes $1.55 billion in HOME block grants. These funds will help fund 78,520 units of affordable housing and rental assistance for 11,200 families.

Exhibit 18
HOME Serves Very Low-Income Households
Income Distribution of HOME-Assisted Renters

Share of Households in HOME Rental Projects



Source: HUD

Note: TBRA = tenant-based rental assistance

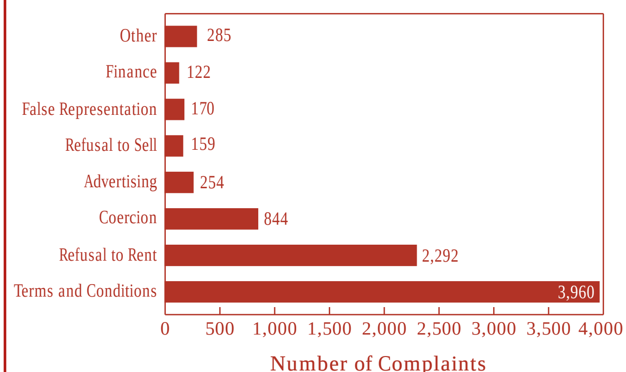
HUD's proposed **HOME Bank** will allow HOME funds to do even more by creating a loan guarantee feature similar to the Section 108 provision of the Community Development Block Grant (CDBG) program. Cities will be able to borrow up to five times their current HOME allocation which will allow them to undertake broad-based neighborhood revitalization strategies and take advantage of economies of scale by producing or rehabilitating a large number of rental or ownership units in a single project in a relatively short period of time.

> **"Cities should be assisted in the development of fair housing initiatives, and ever ought to support, whether he or she is a Republican or Democrat, the efforts to increase the enforcement of fair housing."**
>
> ***—Emanuel Cleaver***
> ***Mayor of Kansas City***
> ***Community 2020***

Enforce Fair Housing Laws

In April 1998, the United States celebrated the 30th anniversary of the Fair Housing Act, which codified our Nation's commitment to ensuring fair housing for every American. We are closer to attaining this goal than we were in 1968. Nonetheless, prejudice persists. Overt discrimination has been driven underground and become much more subtle, but minority Americans, persons living with disabilities, families with children, religious minorities, and other groups continue to suffer when denied housing opportunities as a result of discrimination. As a result, the 1999 budget proposes increasing funding by more than two-thirds over FY 1998 levels, to $52 million.

Exhibit 19: Housing Discrimination Can Take Many Forms
Issues in Fair Housing Act Complaints Processed in FY 1996



Source: *1996 Annual Report to Congress on the State of Fair Housing in America*

HUD is committed to cracking down on all forms of housing discrimination. HUD has pledged to double the number of fair housing enforcement actions taken during the President's second term. It has entered into voluntary best practice agreements with more than 100 key home mortgage lenders nationwide, as well as with major housing industry groups.

HUD also supports and works closely with a nationwide network of public agencies and nonprofit fair housing organizations to enforce the Fair Housing Act. HUD's **Fair Housing Assistance Program** helps ensure that States and cities have the financial resources to process fair housing complaints. In addition, the **Fair Housing Initiatives Program** (FHIP) provides competitive grants to dozens of local, regional, and national nonprofit fair housing groups. FHIP helps fund their testing and enforcement activities.

Record Lending Agreement Another Step Toward "One America"

Vigorous enforcement of the Fair Housing Act by HUD and local fair housing agencies in Dallas and Fort Worth will create homeownership opportunities for more than 15,000 families over the next 3 years. In settling two mortgage lending discrimination complaints, AccuBanc Mortgage Corporation agreed to target some $2.1 billion in increased mortgage credit to minorities and low- and moderate-income borrowers. HUD Secretary Andrew Cuomo called the settlement—the largest conciliation agreement ever negotiated under the Fair Housing Act—"a victory for everyone involved. More minority families will get the opportunity to become homeowners, and AccuBanc will do increased business." Even before the AccuBanc agreement, HUD's stepped-up fair housing enforcement activity, undertaken at President Clinton's direction as part of the One America initiative, had more than doubled the monetary relief obtained for victims of alleged housing discrimination.

Increase Access to Credit

Discriminatory treatment can affect entire neighborhoods. In the past, it was not uncommon for lenders and insurance companies to "redline" urban communities that were regarded as inherently risky *because* they were poor or predominately minority. The consequences of this practice were predictable: Choking off credit for homes and businesses in these communities accelerated their physical deterioration and decline into poverty and played a key role in ending this practice in most communities.

The Community Reinvestment Act (CRA) requires lenders to provide services to all segments of the areas in which they are located. The Act has made a real difference in hard-pressed urban neighborhoods. The Administration's recent reforms of CRA regulations have shifted the focus of lender compliance firmly to performance—actual lending, investment, and services—instead of paperwork. From 1992 to 1997, nonprofit groups estimate that the private sector has pledged nearly $400 billion in loan commitments—90 percent of all such commitments made since CRA was passed in 1977. In 1996 alone, large banks made $18 billion in community development loans under CRA.[41] However, much remains to be done.

Reduce Homelessness

HUD's homeless assistance grants help local governments and nonprofits transform emergency shelter and human services systems for homeless persons into a seamless continuum of care. The continuum strategy assembles a coordinated array of housing and supportive service options that can respond to the needs of all homeless people in the community—including those living with substance abuse problems or mental illness—at every step of their individual journeys from homelessness to permanent housing and self-sufficiency.

Miami's Homeless Served by an Innovative Continuum of Care

In the early 1990s, Miami was widely criticized for its treatment of homeless people and lack of appropriate housing and services. Not anymore. Today, mobile outreach teams are on the streets, in the encampments, and all over Dade County where homeless people can be found—engaging people, assessing their needs, and making referrals to available housing and services.

Outreach teams are just the vanguard of what is now an increasingly seamless array of supportive housing options, multidisciplinary health and social service resources, and training/employment opportunities available to help homeless families and individuals build more stable, secure lives. This remarkable turnaround has been the product of a comprehensive public-private partnership—the Metro-Dade Homeless Trust, initially chaired by then County Commissioner, now Miami-Dade County **Mayor Alex Penelas** and backed by a grant from HUD's competitive **Continuum of Care** program, as well as a dedicated sales tax—the first of its kind in the Nation—and significant private-sector and nonprofit involvement. The Trust aims at nothing less than eliminating homelessness in the Miami community.

By providing a roadmap for local collaboration and rewarding performance in concrete ways, HUD's Continuum of Care has made a difference for thousands of homeless people across America. The program focuses on long-term solutions to homelessness, not "Band-Aid" fixes.

The President's budget requests $1.15 billion to strengthen the continuum of care nationwide in FY 1999, an increase of almost 40 percent over FY 1998 which, if enacted, would be the highest homeless assistance budget ever. With these funds, HUD provides flexible support that cities can use to fill gaps in their own continuum of resources. For example, the Department plans to fund an additional 15,000 transitional beds and 3,500 permanent beds linked, as appropriate, to services such as health and mental health care, job training, child care, and substance abuse treatment. HUD also proposes to use 34,000 Section 8 incremental vouchers to allow local communities to help homeless individuals and families secure permanent housing.

D. Creating Safe, Healthy, and Sustainable Communities

In addition to closing the three opportunity gaps discussed in the above sections, improving the quality of life in urban communities is essential to keeping the middle class and ensuring the long-term viability of our cities. This must be achieved through a number of strategies: improving environmental quality (cleaner air and cleaner water), crime prevention, and other initiatives.

> **"Our most economically competitive communities thrive on change, but also value the**

Strengthen the Environment

The Administration is committed to encouraging development strategies that foster truly sustainable communities. This commitment is exemplified by the **President's Council on Sustainable Development,** which works within the Federal Government and with public and private partners to explore paths to sustainability.

Clean up and redevelop brownfields. The **Brownfields National Partnership** brings together the resources of 15 Federal agencies to clean up and redevelop contaminated brownfields. The Partnership represents a $300 million Federal investment over 2 years in mostly urban land. It is expected to leverage between $5 billion and $28 billion in private investment, support up to 196,000 jobs, and protect up to 34,000 acres of undeveloped greenfield areas outside of cities.

Under the proposed FY 1999 extension of the President's Brownfields Initiative, the U.S. Environmental Protection Agency (EPA) would receive $91 million to make grants to approximately 100 communities for site assessment and redevelopment planning, as well as for capitalizing revolving loan funds to finance cleanup efforts at the local level.

HUD resources will, in turn, focus on stimulating reinvestment by restoring brownfields sites. The FY 1999 budget proposes to double funding for the **Brownfields Redevelopment Program** to $50 million, leveraging $200 million in loans and loan guarantees and helping to generate 280,000 jobs precisely where employment opportunities are most urgently needed.

The U.S. Department of Transportation has instituted a new policy giving States, localities, and transit agencies the flexibility to participate in transportation projects that include the careful reuse of brownfield sites. This represents a major shift in prior policy, which called for avoiding contaminated sites wherever possible.

Finally, the Administration proposal for a brownfields tax incentive was signed into law by President Clinton in 1997. It allows cleanup costs to be expensed in the years those costs are incurred, rather than capitalized into the cost of the property. This $1.6 billion incentive is expected to leverage $6 billion in private-sector cleanup of 11,000 brownfields sites over the next 3 years.

Support Sustainable Development. EPA's **Sustainable Development Challenge Grants** are one catalyst for community-based projects that recognize the essential link between environmental quality and economic prosperity. These grants provide seed money for a wide array of projects—such as an ecological park in an inner-city neighborhood in Omaha and a building materials

New Assets from Old Cloth—The Brownfields Showcase Communities

The 16 Brownfields Showcase Communities designated earlier this year to share $28 million in coordinated Federal assistance understand that even the most despised eyesores can be important community assets. “By working to transform brownfields into hubs of economic activity, we will create new jobs, new revenue, and new opportunity,” Vice President Al Gore said in naming the Showcase Communities.

Brownfields redevelopment activities link the unique past, present concerns, and future aspirations of the Showcase Communities. For example:

- The job-poor and economically isolated community of East Palo Alto in California’s prosperous Silicon Valley region is cleaning up and redeveloping its brownfields as part of a strategic effort to broaden its economic base.
- Kansas City, Missouri, and Kansas City, Kansas, are working together to revitalize the bistate Central Industrial District, once famous for its vast stockyards and as a rail and manufacturing center.
- Southeast Florida’s Eastward Ho! Brownfields Partnership, a coalition of public, private, and nonprofit entities, is one arm of a larger strategic plan to direct future growth toward the region’s already urbanized areas and away from the threatened Everglades.

exchange for New Orleans—that protect the environment while facilitating economic growth.

Similar objectives underlie projects funded through the Federal Transit Administration’s **Livable Communities Initiative,** which focuses on enhancing the impact of transportation investments by leveraging State and local funds, and using flexible highway funds and other resources. One successful Livable Communities initiative in Atlanta led to better pedestrian access to transit stations and the construction of three new gateways to the Atlanta University Center, improving public safety and access to jobs and educational opportunities.

A Fair Deal for Immigrants

The influx of new immigrants is felt most strongly in America’s cities, particularly the traditional ports of entry—Boston, Chicago, New York, and San Francisco—and the newer “gateway” cities of the South and West. Today’s immigrants benefit our economy and our Nation as clearly as they did a century ago.[42]

President Clinton is working to help cities minimize the pressures caused by the current surge of immigration and quickly tap the knowledge, industry, and creativity that immigrants bring to their adopted land.

President Clinton made a commitment to fix several provisions in the welfare reform law that had nothing to do with moving people from welfare to work. In 1997, the President fought for and ultimately was successful in ensuring that the Balanced Budget Act protects the most vulnerable. The Act protects immigrants who become disabled and those currently receiving benefits. The Act restored $11.5 billion in SSI and Medicaid benefits for legal immigrants. The new law protects those immigrants now receiving assistance, ensuring that they will not be turned out of their apartments or nursing homes or otherwise left destitute. And for immigrants already here but not receiving benefits, the Act does not change the rules retroactively. Immigrants in the country as of August 22, 1996, but not receiving benefits at that time, who subsequently become disabled will also be fully eligible for SSI and Medicaid benefits.

The Administration is also aiding cities’ efforts to acclimate and educate recent immigrants by requesting increased funding for **Bilingual Education Professional Development,** which gives teachers the skills they need to help their students learn English; for **Adult Education** to expand services and improve instruction in English as a Second Language; for programs that encourage low-income students to complete high school and attend college; and for a variety of other education and vocational training programs.

Fighting Crime

Although crime is mainly a local and State responsibility, the last 5 years show that the Federal Government can play an important role in reducing crime. The Administration's aggressive approach to empowering cities' anticrime efforts reflects a thoughtful balance between law enforcement and crime prevention, with special attention to the challenge of juvenile crime and violence.

The cornerstone of the President's agenda for fighting urban crime is the **Community Oriented Policing Services** (COPS) program, putting 100,000 police officers on the streets of our cities and towns, and employing proven, effective community policing strategies that involve citizens in partnership with law enforcement authorities. This year the Administration is extending this approach through a **Community Prosecutors Initiative** that will provide competitive grants for local prosecutors' offices to work directly with neighborhood residents, forge strategic partnerships with police and other agencies to solve local crime problems, and shift their emphasis from simply processing cases to preventing crimes from occurring in the first place.

Boston Collaboration Cuts Youth Crime

By the early 1990s, Boston police had begun to realize that simply "getting tough" wasn't enough to curb youth violence. "We finally saw that we couldn't simply arrest our way out of the escalating bloodshed," according to police commissioner Paul F. Evans. Instead, a more innovative, communitywide response emerged, featuring innovative partnerships among police, those who work directly with at-risk youth—such as the Reverend Eugene Rivers, founder of Boston's nationally known, faith-based Ten Point Coalition—and Harvard researchers.

With backing from the U.S. Department of Justice and the U.S. Treasury Department's Bureau of Alcohol, Tobacco and Firearms (ATF), Boston's efforts focused first on youth gangs—and gun buying by their most aggressive members, who accounted for three-fourths of Boston's juvenile homicides. School principals and social workers meet regularly with police to share information. And local nonprofit groups and churches work to provide neighborhood youth with positive alternatives to crime and gangs.

Results have been immediate and dramatic. Boston's crime rate has tumbled—the murder rate fell 27 percent to its lowest point since 1961, and the city went for more than 2 years without a single youth homicide. Treasury's **Youth Crime Gun Interdiction Initiative** is helping 16 other cities match Boston's success, providing local law enforcement with the tools they need to go after gun dealers who push guns to children.

The Administration's anticrime agenda also calls for expanding programs to combat drug abuse through treatment and prevention programs totaling $2.4 billion in FY 1999. These include the innovative **Drug Courts Initiative** and the **Safe and Drug-Free Schools and Communities Program,** which helps nearly every school district in America conduct anti-drug and anti-violence programs and offers competitive grants to high-need areas with proven programs.

HUD empowers public housing authorities (PHAs) and their local partners with tools to target crime and drugs in public housing. **Operation Safe Home** brings together residents, managers, and various Federal and local law enforcement agencies to rid public housing communities of crime. President Clinton's **"One Strike and You're Out"** initiative encourages public housing authorities to evict those who abuse the privilege of living in public housing by committing crimes, peddling drugs, or preying on their neighbors. **Public and Indian Housing Drug Elimination Program** grants fund a wide range of security improvements and crime control activities in public housing developments, as well as community-based drug prevention, intervention, and treatment programs.

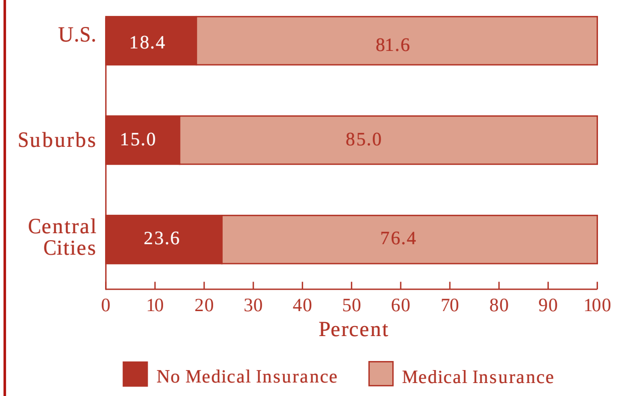
Urban Health Care

While there are hopeful trends in basic public health indicators such as life expectancy and infant mortality for the Nation as a whole, there are troubling disparities in public heath: Central city residents are less healthy than other Americans and they are less likely to have health insurance. The Clinton-Gore Administration is committed to helping cities close this health gap.

Ten million American children lack health insurance. The new **Children's Health Insurance Program** should help reduce this number significantly over the next 5 years, as it sends $24 billion to the States to expand health insurance coverage for uninsured low-income children.

The President's budget includes $80 million for health education, prevention, and treatment services for minority populations. Under this proposal, the Centers for Disease Control and Prevention (CDC) would launch a $30 million

Exhibit 20: City Residents Are More Likely To Lack Health Insurance



Source: *Current Population Survey*, 1997, March supplement

demonstration program through which selected communities would develop innovative and effective approaches to reduce racial and ethnic disparities in health status—for example, in diabetes, heart disease, and child and adult immunizations. Another $50 million would go to various public health programs that serve mostly minority and low-income populations.

E. Moving Beyond Business as Usual

The devolution of responsibility to States and communities in almost every sphere of public policy in the 1980s and 1990s is transforming the relationship among all levels of government. Cities and States face a sometimes bewildering array of decisions to be weighed and relationships to be built, where before there were only Federal rules to be followed. The challenge for Washington has been to rediscover a meaningful but more modest role for itself in ensuring the success of locally designed initiatives—a role that is supportive and not preemptive, one that breaks down barriers to local and regional cooperation instead of raising them. Three HUD initiatives exemplify this approach:

Community Builders

One of the aggravations of working with the Federal Government has always been getting—or even learning about—the particular tool or resource you need. Knowledge and responsibility within a Federal bureaucracy can be so fragmented that finding the right information can be almost impossible—like trying to use a vast catalog without an index.

As part of its new focus on outreach and customer service, HUD is recruiting a cadre of committed professionals from various fields to support urban revitalization efforts. Called **Community Builders,** they will serve as the first point of contact with the agency for the thousands of people who need HUD's help, from homebuyers to mayors, from community groups to bankers. Over 8,000 people have applied to be community builders. After initial training at HUD and Harvard University, Community Builders will work out of HUD's 81 field offices for 2 to 4 years as problem solvers and team builders, helping local customers find the resources they need, the strategies that can work, and the partners who can help.

"I applaud HUD's work to make vices more accessible to all Americans. These common-sense

Community Builders will empower communities by providing technical expertise in finance and economic development programs. State-of-the-art Communities 2020 computer mapping software will help facilitate comprehensive communitywide planning. They will share information on best practices from communities throughout America. They will break down bureaucratic barriers within HUD.

Center for Community and Interfaith Partnerships

More and better partnerships with our Nation's grassroots organizations are crucial to the new HUD. Community and faith-based groups are closest to the poor and disadvantaged. They are much better positioned than any government agency to understand community assets and needs and to respond effectively. HUD has therefore created the **Center for Community and Interfaith**

Partnerships to ensure that grassroots groups have a place at HUD's table.

While it is not a new source of HUD funding, the Center is working to strengthen HUD's link with a broad range of community and faith-based organizations by providing information and expertise on HUD's programs and ways to best utilize them, seeking input on policies and programs and ways to better assist communities, acting as a problem solver to help overcome barriers and find common ground, and forging new and deeper partnerships. The Center is working from the bottom up to collaborate with those committed to empowering the poor and vested in building stronger, safer communities across America.

Regional Connections

The greatest challenges facing metropolitan communities—from job mismatches to crumbling infrastructure and from disinvestment to sprawl—are regional in nature. Unfortunately, the incentives for cooperation between cities and suburbs—and the institutions for putting that cooperation into practice—are weak. HUD has proposed a $100 million **Regional Connections Initiative** that will spur the search for regional solutions to regional issues, encouraging communities to begin to work together and develop strategic plans that emphasize coordinated metropolitan economic growth and action on a range of environmental and social equity issues.

"The Joint Center for Sustainable Communities of the U.S. Conference of Mayors and the National Association of Counties will be a

Regional Connections will be carried out in collaboration with the Joint Center for Sustainable Communities, a partnership of the National Association of County Officials and the U.S. Conference of Mayors, which grew out of the President's Council on Sustainable Development.

PATH

HUD is also working to ensure that all the housing stock in cities and throughout the United States benefits from the best practices and the best technology that our Nation has to offer. Technological innovations are notoriously slow to be adopted in the housing industry—but a new initiative known as the **Partnership for Advancing Technology in Housing** (PATH) is being launched to collect and disseminate information on the most promising ideas for reducing housing utility costs, carbon emissions, housing construction injuries, and losses due to fire and disasters.

Conclusion

Americans have reason to look optimistically toward the 21st century. The familiar villains of our national economic drama—inflation, unemployment, high interest rates, the Federal budget deficit—have largely been routed for the moment. Confidence is returning to America's cities as well. Battered by decades of sharp decline, cities are now being invigorated by a strong national economy—and President Clinton's opportunity agenda—to an extent unseen during the 1970s and 1980s.

In many cities, thousands of residents are moving from welfare rolls to payrolls. A number of downtowns are experiencing a highly visible renaissance as destinations for tourism, sports, the arts, and entertainment. Violent crime is down and homeownership is up. City balance sheets are getting healthier.

However, serious challenges remain, for this good news and the confidence it inspires does not extend to all cities—nor to all parts of even the most prosperous ones. Central cities host only a relatively small share of the jobs being produced by metropolitan economies. Too many inner-city schools are failing in their educational mission, creating a workforce that is ill-prepared to compete for the economic opportunities created by today's economy.

Cities find themselves on the losing side of fundamental structural and demographic trends that are changing the face of metropolitan America, dispersing jobs and people while they concentrate poverty and social problems. A spatial and skills mismatch—between the knowledge-intensive, predominately suburban jobs our economy is creating and the disproportionately poor and relatively low-skilled urban workers who urgently need them—complicates a basic mission of any viable community: equipping residents of all backgrounds with the tools to learn, grow, and succeed throughout a lifetime. It also complicates the challenge for cities of moving thousands of their residents from welfare to work.

The overarching challenge confronting cities is to grow in sustainable ways, while closing the opportunity gaps formed by these and other deficits in areas such as economic development, education, public safety, housing, transportation, health, finance, and human services. The previous pages have outlined a few of the many ways the Federal Government can help—by making strategic investments in people and communities, by creating incentives for others to do the same, by finding and highlighting best practices, and by helping to ensure that the playing field is level for everyone. But Washington is not the lead player in this drama—it is, instead, a supporting actor, a catalyst.

The fate of cities—and of the metropolitan regions to which they are inextricably linked—will be shaped by the people who live there. Each person, acting individually and through the institutions that serve and represent them, can contribute to the health and vitality of urban America.

Individuals contribute by taking responsibility for their lives and their families, and by working together with their neighbors to respond to shared concerns.

Businesses contribute by investing in urban communities and in their people, as well as by being advocates for solutions that recognize markets instead of political boundaries.

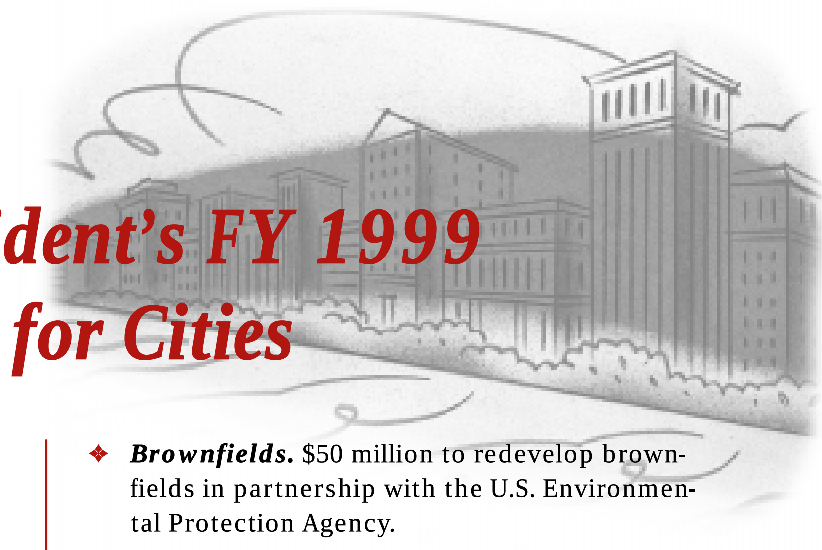
Nonprofits, including faith-and community-based organizations, contribute by serving, increasingly, as the agents of urban revitalization, turning resources from the community and beyond into the tools of social and economic rebirth.

Colleges and universities are especially important community building partners in many places—and should be in more.

States contribute by truly being the “laboratories of democracy,” delivering public resources and establishing rules for using them in ways that encourage innovation and collaboration instead of stifling them.

And *local and county governments* contribute by involving people at the level of grassroots problem solving, managing the basic functions—safe streets, sound infrastructure, responsive social services—that enable desirable places to live and do business.

With all of these actors working together, America’s cities can build a bright future that is worthy of their past and of their people.



Appendix: The President's FY 1999 Budget—Highlights for Cities

The President's FY 1999 budget includes substantial initiatives to close the jobs, education, and housing opportunity gaps described in this report. These include, but are not limited to, the following:

U.S. Department of Housing and Urban Development

- ***Community Empowerment Fund.*** $400 million for a new Community Empowerment Fund—expected to leverage an estimated $2 billion in private-sector loans to help create or retain as many as 280,000 jobs.

- ***Welfare-to-Work Housing Vouchers.*** $283 million for 50,000 new housing vouchers for welfare recipients who need housing assistance to get or keep a job.

- ***Empowerment Zones.*** $150 million in new funds next year and a total of $1.5 billion over 10 years for 15 new urban Empowerment Zones.

- ***Federal Housing Administration (FHA) loan limits.*** Raising the home mortgage insurance limit to a single, nationwide limit of $227,150.

- ***HOME Bank: Leveraging the HOME Program.*** $1.55 billion HOME Investment Partnership Program includes a new loan guarantee feature, enabling States and localities to leverage private investment for large-scale rental housing and homeownership developments.

- ***Regional Connections.*** $100 million in Community Development Block Grant funding to encourage cooperation among urban and suburban communities around problems and opportunities of shared concern, such as economic development, housing, and sustainable growth.

- ***Brownfields.*** $50 million to redevelop brownfields in partnership with the U.S. Environmental Protection Agency.

- ***Homeownership Zones.*** $25 million for additional Homeownership Zones.

- ***Neighborhood Reinvestment Corporation.*** $30 million for a program to help renters with solid payment track records own their own homes.

- ***100,000 Additional Section 8 Vouchers.*** Includes 50,000 for efforts to promote welfare-to-work vouchers, and 34,000 for homeless individuals and families.

- ***Increase Funding for Homeless Assistance Programs.*** Increase to $1.15 billion, including $958 million for local continuum of care strategies and $192 million for new housing vouchers to help homeless families and individuals leave the shelter system.

- ***Fighting Discrimination in Housing Markets.*** 73-percent increase in funding for fair housing activities.

U.S. Department of the Treasury

- ***Community Development Financial Institutions.*** $125 million to expand the breadth of the Treasury Department Community Development Financial Institutions program.

- ***Expanding the Low-Income Housing Tax Credit.*** Increase the per capita allocation for each State from $1.25 to $1.75, estimated to produce an additional 150,000 to 180,000 affordable housing units over the next 5 years.

- ***Extend the Brownfields Tax Incentive, Welfare-to-Work Tax Credit***, and ***Work Opportunity Tax Credit.***

- ***School Modernization Program.*** Federal tax credits to pay interest on an estimated $20 billion in critical bond financing of two kinds—Qualified Zone Academy Bonds (expanded) and Qualified School Construction Bonds (new).

U.S. Department of Education

- ***Education Opportunity Zones.*** $1.5 billion over the next 5 years for Education Opportunity Zones in urban and rural school districts.

- ***Zone Academy Bonds.*** Tax credits for lenders and investors when they buy State or local government bonds issued to finance reforms in qualifying schools.

- ***100,000 Public School Teachers.*** Will reduce class sizes in grades 1 through 3, allowing children to attend smaller classes with fully qualified teachers.

Other

- ***Business Credit in Distressed Communities.*** Continued support for the U.S. Small Business Administration, Economic Development Administration loans, and infrastructure grants.

- ***Access to Jobs.*** The U.S. Department of Transportation's $150 million a year welfare-to-work transportation plan as part of the TEA21 bill to reauthorize ISTEA.[43]

List of Exhibits

Endnotes

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