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Urban Policy Review: Issues and Direction

The Problem: Distressed, economically isolated communities, particularly inner cities and the growing concentrations of poverty in these communities. Left unaddressed, this problem will only lead to further economic and social decline for the people who live there, for surrounding regions and the nation as a whole. Thus, this policy review will focus on solving the problems of distressed communities and the people who live there. We will not focus exclusively on people or on places; as with the Empowerment Zones initiative, we recognize that we must have policies that help both people and places. As the President's draft National Urban Policy Report emphasizes, distressed communities and their residents must find viable niches or opportunities in their surrounding regional economy or they will only become further isolated.

Goals of Urban Policy Review: To develop a decision memorandum for the President that reflects various strategic options for addressing the problem. The options would reflect courses of action he should consider taking both with respect to the FY 96 budget and in the coming year.

Strategic Options: Although the problem focus is distressed urban communities, the strategic options for addressing this issue range in scope and focus. Potential options for addressing the problem can be placed in the following categories: (1) budgetary programs that focus exclusively on distressed communities or poor populations; (2) budgetary programs that have a broader focus but will have a concentrated impact on distressed communities; (3) non-budgetary, private sector initiatives; and (4) non-budgetary efforts that focus on governance and process. Using this framework, a working group would consider a range of options and ultimately present a limited number of core strategic agendas to the President in the form of a decision memorandum. The following is a list of some of the types of initiatives that might be considered, none of which are mutually exclusive:

1. Direct Expenditures for Distressed Communities.

Disadvantaged Youth Development and Employment Strategies: options include (1) Community Schools/"good shepherd partnerships" to develop youth and empower parents (Crime Bill/Welfare Reform); (2) Job Linkage Networks (identify and invest more in most effective existing programs); (3) Direct Job Creation for Disadvantaged Youth and Adults (Y.E.S. program in Crime Bill); and (4) Neighborhood / infrastructure rebuilding efforts that will employ residents (LA Joblink Project; HUD Section 3 programs).

Tax Credit for Commercial/Business Development in All Distressed Communities: e.g., 5% ITC, analogous to the LIHTC, for opening clusters of retail, commercial and service stores in distressed areas. Such tax incentives might also be made available for clean-ups of industrial sites, supporting minority entrepreneurship and investments in telecommunications infrastructure in distressed communities.

Fully Fund (or expand) Existing priorities for Distressed Communities: CDBFI, SBA One Stop Capital Shops; Empowerment Zones/Enterprise Communities additional appropriations (ZEDI); Head Start increases, ESEA.

Metropolitan Approaches. Proposals, such as the MEZ proposal, that would use new expenditures to stimulate comprehensive, metropolitan-wide solutions to urban distress -- solutions that could focus on any of the types of strategies mentioned above. MEZ proposal features a national dialogue to build national and regional consensus on an "urban report card," planning grants, and flexible funding and program deregulation to 12 regions.

Low-Budget Options for EZ/EC Round II. Low-cost tax incentives or building on the PACT process to reward EZ/EC applicants that do not win EZ/EC designations. (See also non-budgetary waivers option below.)

2. Broader Focus Expenditures with High Impact on Urban Distressed Communities.

Lifelong Learning Initiative: Would include increased funding for Goals 2000; School-to-Work (especially existing grants for high-poverty areas); Income-contingent loans; National Service, etc.

Safety and Security: Fully funding community policing/cops, drug courts, etc.

Infrastructure Bank, GSE or Financing: Infrastructure Working Group will complete an options memo in September which will include discussion of targeting to distressed communities.

Mayors' Priorities: Restoring Historic Rehabilitation Tax Credit and other changes to 1986 Tax Act.

3. Non-Budgetary, Private Sector Initiatives.

National Campaign for Youth Opportunity and Responsibility: Set national goals for youth development and economic integration. Create a national, non-governmental entity to pursue these goals and attract private-sector capital for local youth development partnerships. Use the Ounce of Prevention Council or Community Enterprise Board to coordinate federal efforts and provide a clearinghouse on best practices.

National Homeownership Strategy: Use tools of HUD, FHA, Fannie and Freddie to provide low- and no-downpayment loans to eligible low- and moderate-income purchasers; coordinate outreach and education to generate a national homeownership

rate of 66 percent by the year 2000. Campaign would be led primarily by HUD.

Access to Private Capital: Use leverage presented by CRA Reform and GSE Investment Partnerships to increase investment by mainstream financial sector (including entities not currently covered by CRA) in underserved markets. (Credit Access Working Group is beginning to address such options.)

4. Non-Budgetary, Governance/Process Initiatives.

Metropolitan Empowerment Zones and Incentives for Regional Cooperation. (Non-budgetary version.). The MEZ proposal could be pursued in a budget neutral fashion by seeking statutory authority to create flexible funding awards from existing programs and use these as incentives to promote regional cooperation. The National Dialogue on Metropolitan Solutions, as called for in the National Urban Policy Report, could be used as a campaign for passage of such legislation.

Waivers/Local Flexibility Act -- EZ/EC Round II. (The Local Flexibility Act is still a part of the Conference for S.4 and could pass.) Could be used to reward EZ/EC applicants that did not receive EZ or EC designations.

Mayors' Priorities: Unfunded Mandates (Glenn/Kempthorne compromise would require an authorization to fund any new mandate); Federal Urban Purchasing Preferences; urban location preferences for Federal facilities.

Reinventing Public Housing; Consolidating HUD Programs.

Reinventing Education, Training and Reemployment Programs.

Concentrating Energies on Good Implementation of Existing New Initiatives: Community Enterprise Board/EZs and ECs; Goals 2000, School-to-Work, CDBFI, etc. (This would include coordination of youth development programs through the Ounce of Prevention Council if the Crime Bill passes).

Addressing Urban Environmental Challenges: investigate non-budgetary options for promoting redevelopment of abandoned urban industrial "brownfields."

*Was Ag.
Statement
added?*

THE WHITE HOUSE
WASHINGTON

FILE COPY

July 28, 1994

MEMORANDUM FOR THE SECRETARY OF THE TREASURY
THE ATTORNEY GENERAL
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HHS
THE SECRETARY OF HUD
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF EDUCATION
THE ADMINISTRATOR OF THE EPA
THE DIRECTOR OF THE OMB
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISERS
THE ADMINISTRATOR OF THE SBA
THE DIRECTOR OF THE ONDCP
THE PRESIDENT OF THE CORPORATION FOR NATIONAL
SERVICE

FROM: LEON E. PANETTA
SUBJECT: Administration Urban Policy Process

As many of you know, there are multiple urban efforts underway throughout the Administration. I agree with those of you who have expressed a desire to pull these efforts together.

Therefore, we are convening a formal interagency process, led by the DPC and the NEC, to coordinate existing urban efforts, to frame choices for the allocation of scarce resources, and to provide a forum for developing additional efforts. The interagency group will also work on theme development, improved communication on urban issues, and on what some feel is a reasonably good chance that major long-term support from the business community could be developed for an urban policy once the Administration makes its basic decisions. The Vice President will continue his active involvement in the overall effort as Chair of the Community Enterprise Board, and the Vice President's office and OMB will be actively involved in all aspects of this process.

After a brief (two-week) period of cataloging existing efforts, the DPC and NEC will call a principals meeting to discuss and define the effort to be run through a DPC/NEC deputies and principals process, with principals meetings as needed.

During this two-week period of cataloging, you may want to have your staff contact Sheryll Cashin (NEC), Paul Dimond (NEC), Paul Weinstein (DPC) or Kumiki Gibson (OVP) with efforts currently underway at your Department.

If you have any questions, please feel free to call Carol Rasco or Bob Rubin.

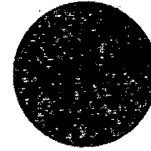
cc: Vice President
Carol Rasco
Robert Rubin
Jack Quinn
Christine Varney
Sheryll Cashin
Paul Dimond
Kumiki Gibson
Paul Weinstein



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

xc: Weinstein
(need back for
Fri. aft.
meeting)

August 11, 1994



AUG 11 1994 REC'D

MEMORANDUM FOR CAROL RASCO
ROBERT RUBIN
JACK QUINN

THROUGH: ALICE M. RIVLIN *AMR*

FROM: CHRISTOPHER EDLEY, JR. *CEJ*

SUBJECT: URBAN POLICY

Thanks for the opportunity to review your staffs' draft overview of options for urban policy. Recognizing that this is a work in progress, we at OMB want to give you some general reactions.

Problem and Goals

To begin with, it seems to us that our deliberations would benefit from having a succinct statement on paper of the problem and our goals, both substantive and political. In our view, the central concern and the focus of our urban policy should be the growing concentration of poverty in many cities and older suburbs. These concentrations are overwhelming the resources of many individual local governments. They have effects, including crime and lost productivity, that spill over jurisdictional boundaries and profoundly affect our society. Properly addressing this difficult problem will require greater cooperation among governments, particularly those within a metropolitan area, and mobilization of the private sector. The Federal government may serve as the catalyst for the cooperative effort that I believe is needed.

To be regarded as *programmatically* successful, we believe the Administration's urban policy must make a visible difference in the problem within a reasonable period, say the next four to six years, and should construct a legacy in institutions and governance adequate to sustain a long-term effort. To be regarded as *politically* successful, our policy must be bold enough to give key audiences hope, now, that change is on the way.

Options

In thinking about options to address urban poverty and its consequences, we believe it will help to separate consideration of options for *substantive or programmatic* focus from consideration of options for *organization or process*. Concerning substantive focus, I have several thoughts. First, it seems to me unwise to force ourselves to choose between one

particular dimension of this problem and another -- human resources or youth development, crime and violence, business development, housing deconcentration, or whatever. Rather than competing, initiatives for each of these interlocking problems can be complementary. Programs to address them ought to be part of an overall strategy. We and other levels of government are devoting substantial resources to all of them already, albeit in a fragmented and perhaps inefficient way. Second, I believe the diversity of the Nation's urban areas and a shortage of successful program models should incline us toward allowing communities wide (but accountable) discretion in the choice of programmatic approaches, even as we push them toward more ambitious efforts to deal with this problem. Third, as I read the history of federally designed programs to correct urban problems, it suggests that we are not very good at designing uniform national solutions and carrying them out successfully. These points taken together lead me to conclude that we should marshal our resources on behalf of the broad goal of reducing concentrations of urban poverty but devolve the tasks of detailed program design and implementation to lower levels of government.

Separately from the issue of substantive focus, we should consider our options for process. Here, I believe that our next round of efforts should build on the innovative approach taken in the Administration's Empowerment Zones program: that communities propose a strategy and be given as much flexibility as possible in using Federal resources to accomplish the broad goal. The Metropolitan Empowerment Zones option that we have advanced would build on that model, making two important additions: (1) requiring a strategy that is *metropolitan* in scope; and (2) tying increased flexibility more closely to increased *accountability* for performance and effort. The first of these is critical to overcoming the isolation of individual jurisdictions and to overcoming the perception that urban policy is just subsidizing ineffective central city governments. The second is vital to convincing Congress and the public that greater local flexibility in using Federal dollars is warranted and will reduce rather than increase waste. More positively, I see this approach as fostering effective new political coalitions between progressive forces in central cities and their suburbs. At a fundamental level, no urban policy initiative from Washington will be effective in a meaningful sense unless it is specifically designed to change the local political dynamics around issues of poverty and opportunity.

I see many common elements between the Metropolitan Empowerment Zones concept, the Attorney General's PACT initiative, and State innovations such as Oregon Benchmarks. We should consider what steps we can take to build on and support these institutional reforms regardless of the initial substantive focus. In fact, I believe that whether we start with an emphasis on violence, on housing, on youth development, or on business development in the inner city, such processes should and can produce integrated local strategies that address all aspects of the urban problem.

Returning to the draft options memorandum, we at OMB do object to the placement of the Metro Empowerment Zones option because it seems to oppose this to the options for substantive focus. We have suggested that the MEZ options should focus substantively on a mix of federally and locally generated priorities. Perhaps it would be

useful to nominate three or so Federal priorities at the outset: youth opportunity; crime and violence; and another. Viewed this way, **we do not see the MEZ structure and process options as competitive with any substantive focus. On the contrary, MEZs may be the best *vehicle* for delivering on our substantive goals.**

Some Next Steps

To organize the next phase of our internal discussions of these issues, it may help to ask ourselves a series of leading questions such as the following:

- What steps would make current urban programs more effective? What can we do to pull together scattered initiatives into packages that communities can build into their own urban strategies more easily?
- If we could find as much as \$1 or \$2 billion annually in additional resources, how should these be spent?
- Have we a strategy for addressing structural barriers that inhibit locally generated solutions to urban problems?
- Have we a strategy for building a political climate of support for urban policy?
- What will we do for those who lose out in the Empowerment Zones/Enterprise Communities competition? How do we avoid a perception that a new initiative is a departure from the Empowerment Zones policy?
- By what standards will we and the public gauge success?
- What set of policies will yield visible progress in two years and a measurable reduction of the problem in four to six years?

Answering these and similar questions should help us to sort through the many options and may lead us to the right result.

We are, of course, pleased to know that we will soon be involving the principal cabinet officers in these discussions. There are common elements and themes in the approaches being pursued by the Secretaries of HUD, HHS, the Attorney General, and others. It seems vitally important that discussions include them and lead to an initiative that has their united support.

Strategy

Let me return to the problem of picking a particular substantive focus for the next phase of urban policy. This seems to me intrinsically problematic. Let's assume, for

example, that our preferred focus is youth opportunity. Although I am substantively sympathetic, selecting this (or any) single focus poses the following generalizable difficulties:

- Communities are in various situations with regard to their own substantive priorities. Some have already dedicated substantial resources to this issue. Others may have different needs which they legitimately feel are more urgent.
- Given the Government's track record, the uncertainty that any new Federal programmatic strategy would work, and the deep resonance of federalism concerns, there are good arguments against imposing another nationally designed initiative on local governments.
- Even if the proper focus is on disadvantaged youth, this single problem is embedded in a web of interrelated problems, communities must fashion a comprehensive strategy to deal with concentrated urban poverty, with Federal, State and private partners.
- This issue is not the place where many voters would start in defining the problem. Thus, politically, it may be easier to engage the public and build a strong coalition by starting with crime and violence, or some other focus. When we say "disadvantaged youth", many suburbanites will hear inner "city," thus raising the kind of race- and class-based politics that has doomed prior urban initiatives.
- An urban policy initiative next year ought to include important strands of reinvention, so that jurisdictional and bureaucratic barriers to devising comprehensive solutions and progressive coalitions are addressed. Whether the focus is troubled youth, the homeless, or whatever, no initiatives will be sustained in the long run unless we introduce structural reforms that change the local political dynamic.
- The Administration already has many initiatives aimed at youth -- including the prevention programs in the crime bill, School-to-Work, and Goals 2000. To the extent that these are not effectively targeted to inner-city youth, there is little reason to believe that a new initiative won't be subject to the same political pressures and thus to the same dilution.

These considerations militate against acting as though we here in Washington know what is best for all needy communities. We should have confidence in the broad strokes, not the fine lines. Our challenge is to balance focus with comprehensiveness, and federal leadership with local flexibility. Picking one cluster of issues as a response to Urban America will not do.

Finally, we believe that no strategy that rests exclusively on the paradigms of subsidy, charity and redistribution can be self-sustaining; fiscal and political realities guarantee that. Michael Porter's fundamental point rings true: we must identify the natural strengths of each urban area, and adopt strategies to nurture seeds of regeneration.

DRAFT

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JACK QUINN

AUG 11 REC'D

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Appendix A

FY96 Urban Policy Review [Indicates current source of consideration]

Focus on Metropolitan Region: Encourage metropolitan regions to work creatively to connect inner-city neighborhoods/families to main streams of economic growth (e.g., second round of EC/EZ challenge with appropriate criteria); regional, low-income housing rental vouchers & fair housing; federal office location [OMB Spring Review, DPC-NEC Urban Report, Community Enterprise Board, HUD-OMB Budget, HUD-DPC Fair Housing]

Direct Job Creation: Federally fund subsidized private or community service jobs (e.g., additional Support for YES-type programs, HUD partnerships with construction unions for public housing and other infrastructure) [DPC Interagency Crime Bill with NEC input; NEC-DPC with OMB/HUD; Reich-NEC]

Families and Schools: * Increase/target federal support for WIC, Headstart, Goals 2000, ESEA Reauthorization, School-to-Work, Pell Grants/Restructured Student Loans, EITC, possible "Second Chances" like Job Corps [NEC-DPC ETR Working Group]

Socialization and Networking for Youth: Encourage private sector (business, churches, family and youth organizations, and colleges) in each region to form on-going partnerships to provide inner city youth (ages 10-18) with after-school mentoring, coaching and networks to opportunities (apprenticeships, jobs, higher education) (e.g., teen pregnancy prevention campaign of welfare reform and community schools, policing, and recreation initiatives in Crime Bill) [DPC Welfare Reform/Crime Bill with NEC input; ETR Working Group; DPC Comprehensive Services]

Job Networks: Support creation of networks of job developers, career centers, and other "old-boy/old-girl" intermediaries that can effectively connect inner-city residents to jobs for which they are qualified throughout metropolitan region; employment anti-discrimination; choice of residence to move closer to job/learning opportunities [ETR Working Group; Reich-NEC]

Access to Capital: Funding and support for CD Banks, CRA regulatory reform, SBA One-Stop Shops, HUD-GSE Home Ownership Partnerships, community-based business organizations (non-profit and for-profit); CDC tax credits; fair lending [DPC-NEC Community Development Working Group; Agency Initiatives from HUD, Commerce]

Neighborhood Renewal and Housing Policy: HOPE VI & Public Housing Modernization; LIHTC, other mixed-income rehab and construction; transitional subsidies for low & moderate income housing; off-budget home ownership; tax credits for supermarkets, basic retail, historic preservation; parks, recreation, environmental remediation & other physical improvements; EZ/EC [HUD-OMB-DPC Budget Review; Community Enterprise Board]

Federal Coordination: Waivers; consolidate interagency funding (e.g., Indiana, West Virginia State Plans); PACT (2 metro areas, D.C., & Nebraska); unfunded mandates -- all w/ no additional money [Community Enterprise Board; Six Secretaries]

Infrastructure Bank: Target funding and support of infrastructure bank [NEC Group]

*The main components of Health Care, Welfare Reform, and the Crime Bill are not included in this list but are relevant for policy and budget. Given the similar relevance, high priority and separate ETR/DPC process of the Lifelong Learning Agenda, how to include the school and family elements in this urban policy review needs to be considered.

Appendix B

E. J. Dionne Jr.

Clinton's Bully Pulpit

President Clinton's speech on Saturday to the convocation of the Church of God in Christ in Memphis was the most important of his 10-month-old presidency—more important than his well-reviewed budget speech of last February, more critical than his health care speech this fall.

Clinton's message was as straightforward as it was important: The United States has reached an entirely new turn in the struggle for racial equality, and it's time to be honest about both the gains we've made and the huge problems we face.

The truth we do not often admit is that in many respects, the civil rights struggle was an enormous success. As Clinton told the meeting of black ministers, the barriers of legal segregation have been torn down, individual African Americans have found their way to the top, the black middle class has grown.

But what would the Rev. Martin Luther King Jr. make of the new tragedies that haunt black America? Trying to imagine what Dr. King would say, Clinton offered this: "I did not live and die to see the American family destroyed. I did not live and die to see 13-year-old boys get automatic weapons and gun down 9-year-olds just for the luck of it. I did not live and die to see young people destroy their own lives with drugs and then build fortunes destroying the lives of others. That is not what I came here to do."

Clinton went on: "The freedom to die before you're a teenager is not what Martin Luther King lived and died for."

Ah, say those who can't stand Clinton, there he goes again: getting tough with black America, blaming the victim for political gain. That view is absolutely wrong, as Clinton's predominantly African American audience understood when it cheered him so loudly. The key is that Clinton is a close student of the work of

But unlike many conservatives who share his concerns about the family and civic life of the inner city, Wilson sees unemployment as a central factor behind the social decay. Lately, he's been exploring how young black men looking for work do not have access to the sorts of family-and-neighbor networks that have helped many other minority groups to rise from poverty.

Clinton, as a good Wilson student, was thus insistent in his speech that if you couldn't address the plight of the African American poor without talking about moral values and personal responsibility, then neither could you expect worthy values to flourish in the absence of jobs. "I do not believe we can repair the basic fabric of society until people who are willing to work have work. Work organizes life," Clinton said. "We cannot—I submit to you—repair the American community and restore the American family until we provide the structure, the values, the discipline and the reward that work gives."

I would submit that Clinton's Memphis speech embodied what has always been the promise of Clintonism and that the administration has suffered from the absence of more public talk and thinking along the lines the president laid down on Saturday.

What is distinctive about Clinton's approach is his insistence that while government has a large role to play in fostering social justice, government on its own is no substitute for nurturing families and strong communities. Bringing together the first idea (characteristic of liberals) with the second (characteristic of conservatives and communitarians) may be a more challenging political project than balancing the budget or creating a new health system, important as both of those goals are. Social problems such as family breakdown do not submit easily to 10-point government programs, yet as Clinton aide William Galston argues, nothing is more important to a child's future than having "at least one caring and competent adult to show the way." The paradox is that while government can't provide such nurturing, government will be much less effective doing the things it actually can do if the nurturing isn't found somewhere.

Clinton, like the country, owes a large debt on these issues to another fine preacher, Jesse Jackson. Jackson's current crusade against inner city violence is making it easier for others to speak out. "I am rather convinced that the premier civil rights issue of this day is youth violence in general and black-on-black crime in particular," Jackson told the Boston Globe. "It's clear now that we must look inward in order to go onward." In what is now a staple of Jackson's rhetoric, he added: "More young black people kill each other annually than the sum total of lynchings in our history."

There is a large opening here. A new generation of African American thinkers—their ranks include Cornel West, Stephen Carter, Randall Kennedy, Henry Louis Gates and Jerry Watts, among many others—is trying to free the country's thinking about race, violence and opportunity from an ideological cage fashioned by left and right alike. In very different ways, all of them urge a vision of the common good that transcends race—and may therefore be our best ally against racism.

Perhaps it is sentimental to suggest that it is long past time to revive a slogan little heard since the days of the civil rights movement, "Black and white together." But it is a slogan that worked miracles in its day, and the president is uniquely well-placed to make it his own. On the issue of the violence tearing apart our country, there is no other way.

Good jobs and good values go together.

University of Chicago sociologist William J. Wilson, who joined Clinton for dinner last week. Wilson is a figure worthy of much honor because he has worked so hard to cut through the intellectual paralysis that has affected Americans of all races on the subject of race.

Wilson was earlier than most who share his broadly liberal views in linking the decline of the two-parent family and the decay of inner-city civic institutions to the social breakdown that has made life so miserable for so many young African Americans. Wilson was one of the first analysts to point to the wide class gulf opening up within black America—while many African Americans were rising from working-class to middle-class status, many others were falling from the working class into dire poverty. Wilson also risked unpopularity by vigorously defending Daniel P. Moynihan for calling attention to these problems before they became fashionable worries.

Mr. Clinton's Promising Speech ✓

Their citizens pinned down by gunfire in the streets, their coffers emptied by the burden of caring for the poor, their schools ineffectual or on the verge of collapse — America's cities are crying out for an urban policy from Washington.

Presidents Reagan and Bush responded to that cry with racial code words and scorn, often demonizing cities for political gain. But in his speech last weekend in Memphis, Bill Clinton confronted urban issues in a way that inspired people instead of dividing them. Mr. Clinton's speech offers hope that Washington may yet turn its attention to the cities, America's most pressing domestic problem.

Mr. Clinton spoke at the Temple Church of God in Christ in Memphis, from the pulpit where Martin Luther King Jr. delivered his last sermon. The President spoke in chilling detail about the violence and the drug trade that ravages the cities. Of the young who are so afraid of random killing that they plan their own funerals, he said, "I think, finally, we may be ready to do something about it."

Mr. Clinton was refreshingly candid when he spoke about breakdown of families and the rise of illegitimacy and abandonment by fathers. In previous times, the topic had mainly been used as a way of bludgeoning the poor and dividing Americans along ideological lines. But in Memphis the President explained to the nation that morality and personal responsibility are intimately connected

with the surroundings in which people live. "I do not believe we can repair the basic fabric of society until people who are willing to work have work," Mr. Clinton said. "Work organizes life."

"We cannot, I submit to you, repair the American community and restore the American family," he said, "until we provide the structure, the values, the discipline and the reward that work gives."

The President owes much to William Julius Wilson, The University of Chicago sociologist whose pioneering work, "The Truly Disadvantaged," showed how the departure of inner-city industry greatly accelerated the unraveling of the urban African-American family. Mr. Wilson offers solutions as well, none of them cheap.

As inspiring as it was, Mr. Clinton's sermon was only a prologue to an urban policy. Big-city mayors will surely want to hear more of how he intends to stimulate investment in cities. Enterprise zones won't do it. What will?

And what of gun control? The Brady bill, with its five-day waiting period, is a welcome advance over guns on demand. But a plan for demilitarizing the streets is still sorely needed.

And what of welfare reform? Housing and feeding America's poor is bankrupting the cities and states.

Memphis was the prologue; now we await the program.

Clinton's Tightrope

President Takes Bully Pulpit on Crime, But Faces Daunting Considerations

By GWEN IFILL
Special to The New York Times

WASHINGTON, Nov. 14 — Early this month, President Clinton was chatting with an old friend, Mayor Kurt L. Schmoke of Baltimore, when Mr. Schmoke described his visit to the family of an 18-year-old man who had been killed on Halloween by a 13-year-old acting on a dare.

News Analysis Around the same time, Mr. Clinton picked up his copy of The Washington Post and read about an 11-year-old girl in a crime-ridden neighborhood who was planning her own funeral, down to the prom dress she would be buried in.

As Mr. Clinton has gone about the business in recent weeks of scraping together enough votes to try to pass the North American Free Trade Agreement and assembling a working majority for his health care plan, these episodes and others have been weighing on his mind, aides said.

The topic has bubbled up in unexpected places, during strategy meetings in the Oval Office, in speeches about other topics, on talk shows and in dinners at the White House with scholars like William Julius Wilson, who wrote "The Truly Disadvantaged," a book about the decline of the black family.

'It's an Outer Class'

Mr. Clinton has even coined a phrase to describe the plight of people who are caught in the cycle of joblessness, crime, violence and despair.

"It's not an underclass anymore," he said last weekend. "It's an outer class."

So with little warning and few notes, Mr. Clinton's growing concern about

What can a national leader do about a local problem? Talk.

crime, violence and the dilemmas that face children growing up in urban areas came tumbling out into the laps of a church full of momentarily stunned ministers on Saturday.

They did not stay stunned for long. The ministers, many of whom had been saying the same thing for years in exhortations to their congregations, began to applaud. Then they began shouting back in support.

The politics of crime, once dominated by law-and-order politicians of both parties, have been shifting in recent months, as shown in election results, opinion polls and a new willingness in Congress to consider measures like gun control. Mr. Clinton's speech may reflect that. But by changing the terms in which crime is debated, Mr. Clinton may further change the political equation on the subject as well.

It is significant that Mr. Clinton was standing in the pulpit of a black church when he let loose his torrent of words on crime, violence and the responsibility of black leaders to confront the problems plaguing their communities. Mr. Clinton has often been moved to Scripture and sermonizing when he is speaking at a church, where he is often preaching to the previously converted.

The setting also underscored the tightrope Mr. Clinton must walk on both the policy and politics of this issue. The anti-crime measure now before the Senate, which he is supporting, contains many of the same tough-on-crime elements — including measures to limit the right of death penalty inmates to sentencing appeals — that offended liberal Democrats when the Bush Administration supported them. He has also been outspoken in recent months on the subject of gun control, long anathema to conservatives.

And when he makes the delicate link between race and crime as he did implicitly by choosing an audience of black ministers this weekend, he must also tread carefully to avoid slipping into stereotype.

The President concedes that the most a national leader can do to address inherently local issues like violent crime and its relationship to poverty is to use the pulpit of the Presidency to spread a message of hope and responsibility. He has called it a "moral duty."

"I think the President has a pulpit — Teddy Roosevelt's bully pulpit — that I have to use and work hard on and try to live by to try to help rebuild the conditions of family and community and education and opportunity," Mr. Clinton said during a White House news conference last week.

Although most senior officials at the White House have been preoccupied with Mr. Clinton's latest high-wire legislative battle over the trade agreement, few were surprised when he dispensed with the issue early in his speech on Saturday and focused instead on crime and violence.

"Washington's kind of a trap," said Stanley Greenberg, the President's pollster. "In the context of Washington, it's hard to be a social critic. So this has been building up."

Mr. Clinton, the aides said, had been searching for a way to climb into his pulpit on this issue for some time. Since the Administration introduced its health care plan, Mr. Clinton and his wife, Hillary, have made frequent references to the connection between skyrocketing health care costs and the expense of caring for the victims of urban violence.

The President has wrapped the issue into his call for greater national security, linking it with the need for economic revival and expansion. And he quoted the Rev. Jesse Jackson, Senator Daniel Patrick Moynihan of New York and the comedian Bill Cosby on the subject, all the while stressing that most people in poor neighborhoods "never break the law, work for a living for modest wages, pay their taxes" and are "trying to do the right thing by their kids."

"We have to rebuild families and communities in this country," Mr. Clinton said during a recent news conference that was intended to promote the trade agreement. "We've got to take more responsibility for these little kids before they grow up and start shooting each other. We have to find ways to offer hope and reconnect people."

Personalizing the Issue

Finding new ways to talk about crime could have benefits on other issues as well. Representative Charles E. Schumer, the Brooklyn Democrat who heads a House subcommittee on criminal justice, said, "Crime has been transformed from an issue that generally divides Democrats into one that unites them."

"It's a strong issue in the inner city," Mr. Schumer added. "It's a strong issue in Utah. And the solutions as to what to do about it are less ideological and more about resources and focus."

Mr. Clinton has seized on the universality of worries about crime, and he has personalized it as a way of signaling to Americans that he is as affected as they are by the headlines they see every day.

Mr. Clinton has also assigned a group of senior aides to devise a comprehensive list of suggestions about how the White House can speak to the issue. The group includes Housing Secretary Henry G. Cisneros; Peter B. Edelman, a Deputy Secretary at the Department of Health and Human Services; Carol Rasco and Bruce Reed of the White House Domestic Policy Council; Roy Neel, the deputy chief of staff, and Mark D. Gearan, the White House communications director.

But Mr. Clinton's advisers are quick to point out that the President is not planning to call for any huge new infusions of Federal spending to address the problems he sees. In his discussions on the subject, the President almost always doubles back to emphasize the need to depend on personal responsibility to resolve social ills.

"We're dealing with pervasive questions," said Mandy Grunwald, an adviser to the President. "You cannot look to the Federal Government alone for a solution. This is about everybody taking responsibility."

Essay

WILLIAM SAFIRE

Clinton at His Best ✓

WASHINGTON

The President of the United States called all six of his speechwriters into the Oval Office last week. To overcome a pervasive sense of cynicism about how little government can accomplish, he wanted to speak to America's larger concerns.

He told them that a President had to do more than propose or push specific legislation; he had to convey hope and confidence. Clinton wanted to "reach the people who don't believe the system is working for them anymore" by exhorting Americans to restore their sense of community and to reassume more personal responsibility.

I read the full transcripts of speeches as delivered (a lifelong quirk) and can testify that Bill Clinton is a first-class political evangelist. He's a believer in people taking care of each other; it's a passion, not a pose, and comes through in his rhetoric.

"I can't live your lives for you," he told a rapt audience of young teenagers at the Kramer Junior High in

'Life is
lonely enough
as it is...'

D.C. "Every day, you have to decide whether you're going to be here on time with a good attitude, learning as much as you can. Every day you have to decide what you believe, what you care about, and what kind of person you're going to be."

To the girls: "First thing you can do is make up your mind you're not going to have a baby until you're old enough to take care of it, until you're married." To the boys: "This is not a sport; this is a solemn responsibility."

In the peroration of this year's State of the Union, Clinton said: "Let's be honest. Our problems go way beyond the reach of any government program. They are rooted in the loss of values, the disappearance of work and the breakdown of our families and communities. We cannot renew our country when within a decade more than half of our children will be born into families where there is no marriage."

To a black congregation in Memphis: "There are some changes we're going to have to make from the inside out... the answers have to come from

the values and the stirrings and the voices that speak to us from within." He envisioned Martin Luther King Jr. saying "I did not live and die to see the American family destroyed" and asked: "Where there are no families, where there is no order, where there is no hope... who will be there to give structure, discipline and love to these children? You must do that."

To a national service gathering in Brooklyn, Clinton recalled the murder 30 years ago of Kitty Genovese, whose cries went unheeded by 38 witnesses who did not want to get involved by calling police: "No nation hiding behind closed doors is free, for it is imprisoned by its own fear... we've got to change the basic attitudes of this country. Not only about crime and violence, but about how we think about ourselves and each other."

Conservatives can differ with Clinton's collectivized health care and the redistribution of wealth, but should not worry about raising his ratings by applauding his eloquent calls for family responsibility and mutual reliance.

In coming weeks, Clinton will deliver commencement addresses, teach civics classes, observe anniversaries of D-Day and school desegregation. When a President eloquently preaches the American gospel, as Clinton has been doing, we in the media should disseminate it far and wide.

Would it help in defining and strengthening the national character if the man in the bully pulpit were of unassailable personal character? Of course; but he's the one who is there, and when he's doing a President's nonpartisan work it's a good idea to pay attention.

"There is no such thing as a trouble-free family," Clinton told the kids at Kramer, drawing on his own experience. He added a homely observation that may be remembered longer than his best-crafted speech: "Life is lonely enough as it is. If you have a family and you have people that are helping you, it makes a huge difference..."

Second thought:

When a Soviet spy recently revealed that an F.D.R. intelligence aide was a "controlled agent," I reported that C.I.A. historians thought the unnamed agent may have been John Franklin Carter, later a Truman and Dewey speechwriter.

Sonia Carter Greenbaum confirms her father's wartime intelligence work but denounces as irresponsible any imputation of disloyalty. She's right; historical investigation rather than speculation is needed. □

Clinton's Community Spirit ✓

Was it John F. Kennedy's "ask not what your country can do for you" speech that launched the unprecedented era of personal involvement in social change still fondly remembered by an entire generation?

Was there something peculiar about the times that made possible an unprecedented series of opportunities for personal involvement—the Peace Corps, the Teacher Corps, Volunteers in Service to America?

What prompts the questions is the effort of President Clinton to ignite a similar explosion of can-do optimism to combat the problems that government alone cannot solve.

In several recent speeches, he has sounded the call for Americans to take personal responsibility for rebuilding both community and their communities: at an Indianapolis ground-breaking for a monument to Robert Kennedy and Martin Luther King Jr., at a Legal Defense Fund dinner to mark the 40th anniversary of the Supreme Court's school desegregation ruling, at a commencement address at Gallaudet University here

and at the University of California, Los Angeles.

He sounded it again the other day at an Oval Office session with four newspaper columnists.

The test of his presidency, he told us, will not be just the programs he is able to get through Congress but his ability to get the American people to "wipe away enough of their cynicism" to tackle problems at the community level.

"We somehow have to do both," he said. Even the most successful of government programs—including health care and welfare reform, crime legislation and job creation—won't be enough if individuals fail to get involved, he said. But "if the government takes a dive and acts as if it's all just up to the folks and they're on their own, we defy the plain lesson of Head Start. . . . I think one of the reasons that Head Start has been so incredibly popular is that it's not a bureaucratic government [program], it's a program that empowers people to take care of themselves, to seize control of their own destiny."

To hear Clinton speak with such obvious feeling is to be taken back to his campaign exhortations for Americans to "work in their communities" to end the long years of denial and neglect and divisiveness and blame—to give the American people their country back.

It is Clinton at his best, for those privileged to hear him. But for journalists—particularly of the hard-news variety most likely to have access to a president—it is also Clinton at his most unreportable. There's no "lede" in these philosophical ruminations; no matter how revealing they may be of the workings of his mind. There's no proposal to bounce off the opposition, no program to cost out, no votes to count.

And because such talk doesn't make "news" in the ways we have come to judge news, we sometimes behave as though the speaker didn't say anything at all.

Donald Brown, executive editor of the Tuscaloosa (Ala.) News, gave an example recently in an account of a Clinton speech to a gathering of newspaper editors. He stressed his community theme, talked about the requirements of both private and governmental action and called on the editors to do their part "by galvanizing and organizing people all over this country, community by community."

"Not a barn-burner," Brown said in his column, "but a solid speech." The Q&A period that followed included a single exchange on Whitewater, one that broke no new ground whatever.

"But that exchange became the whole story on television that night and in the next morning's newspapers," Brown said. "There was virtually no reference to the content of the speech, as if it had no relevance, or to the other questions. And many of us reacted: *That wasn't the same speech I heard.*"

I find it a little scary. The need for restoring community strikes me as self-evident, and clearly the president can move us in that direction. But only if his call for community becomes a consistent theme. When we in the news business dismiss the theme as not worth reporting because we've heard it before, or because it involves no conflict, no politics—can the idea itself survive?

I don't know. No public figure can hope to have his stream-of-consciousness musings displace "real" news—including his personal and political troubles. But I've shared Donald Brown's astonishment often enough to understand why public figures keep looking for ways to deliver their messages without the "help" of journalists.

THE WASHINGTON POST MONDAY, MAY 23, 1994

George F. Will

A Measure of Morality ✓

There is nothing more painful to me at this stage in my life than to walk down the street and hear footsteps and start thinking about robbery—then look around and see somebody white and feel relieved. —Jesse Jackson

This was the year that America looked in the mirror and blanched. This year the political system moved gingerly toward confronting the question of how public policy can nurture, or injure, character. The "person of the year," emblematic of the dominating public concern, might be a young black male dressed in the regalia of the gang and rap music cultures. And the intellectual event of the year was the publication of James Q. Wilson's "The Moral Sense."

It has become the conventional wisdom that there is no knowledge, only opinion, about morality, and that human beings have no nature other than their capacity to acquire culture. Wilson's warning is: We must be careful of what we think we are, lest we become that. By "scavenging" (his word) in various sciences, particularly evolutionary biology and cultural anthropology, he concludes that cultural diversity, although vast, is not the whole story.

Human nature is not infinitely plastic; we cannot be socialized to accept anything. We do not recoil from Auschwitz only because our culture has so disposed us. And the fact that so much about America nowadays, from random savagery to scabrous entertainment, is shocking is evidence for, not against, the moral sense, which is what is shocked.

The development of conscience has been much studied—Jean Piaget's many hours watching Swiss children playing marbles; studies of altruism in the Holocaust; studies of twins, including those separated at infancy. The studies have produced powerful empirical evi-

dence of a moral sense that is a component of a universal human nature.

A moral sense is the most plausible explanation of much of our behavior. Statecraft always is soulcraft, for better or worse, so the political challenge is to encourage the flourishing of a culture that nurtures rather than weakens the promptings of the moral sense.

Inside every person there is (in Konrad Lorenz's phrase) a "parliament of instincts." The moral sense, says Wilson, is among the calmer passions; it needs help against its wilder rivals. We have selfish interests, but also the capacity—and inclination—to judge disinterestedly, even of our own actions.

Wilson asks, Could mankind survive if parents had to have the skill, perseverance and good luck sufficient to teach every rule of right conduct the same way they teach multiplication tables? Right conduct is so important that the tendency to it must be rapidly acquired, which suggests that children are biologically disposed to imitate behavior and learn the underlying rules by observation.

Children are intuitive moralists, equipped by nature for making distinctions and rendering judgments. Instincts founded in nature are developed in the family, strengthened by daily habits—particularly in work—and reinforced by fears of punishment and social ostracism. We acquire virtues as we acquire crafts, by the practice of them. Above all, the family transforms a child's natural sociability into a moral sense.

Most of the things likely to produce enduring happiness—education, employment, stable families—require us to forgo immediate pleasures. What happens when that discipline fails? Look around. Crime used to respond to material circumstances, declining with economic growth.

Now it responds to cultural circumstances, to the diminished legitimacy of what are derisively described as "middle class values"—thrift, industriousness, deferral of gratification.

All parents are parenting against today's culture. But for disadvantaged black parents, and particularly for unmarried mothers, the lack of support from the culture is especially damaging. This is so regardless of how many (mostly white) intellectuals blandly embrace single-parent households as "alternative family systems."

"Familial and kin networks," Wilson writes, "are essential arenas in which sociability becomes sympathy, and self-interest is transformed . . . into duty and fair play." A child's moral sense is at risk in a cold, erratic, disorderly family. Wilson reports that white parents spend, on average, 10 hours per week less time with their children than in 1960, and the decline in parental investment in children has been even steeper among black parents. This, which is partly a product of family disintegration—absent fathers—is disastrous for young males, who differ from females in temperament, particularly regarding aggressiveness.

Boys are harder to socialize. In modern society, aggressiveness is no longer an adaptive trait. Civilization is partly an attempt to restrain male aggressiveness, or turn it into appropriate channels. The failure of families, and work experiences, to perform that shaping function has many consequences, including Jesse Jackson's words quoted above.

America's unending cultural war about national self-definition once concerned slavery, temperance, religion. Today it turns on illegitimacy, crime and entertainment. These will be the central subjects of political argument for the foreseeable future, and Wilson is the foremost explorer of this dark and bloody ground.

Appendix C

Metropolitan Empowerment Zones:
The Next Phase of the Clinton Urban Policy

Local goals
- why not.?

Summary

The Metropolitan Empowerment Zones initiative combines programmatic, budgetary and communications elements as follows: (a) Senior Clinton Administration officials would lead a national discussion of the urban condition and our ambitions for change, in parallel with similar neighborhood- and metropolitan-level discussions seeking consensus on an "urban report card." The series of roundtables and forums would identify key measures of selected problems (crime, job opportunities, housing, etc.) and formulate sets of national and metropolitan goals for improvement, with flexible milestones. (b) With the benefit of planning grants, dozens of metropolitan areas would cooperatively develop comprehensive plans to achieve the national and metro-specific goals. The plans would propose integration of public and private resources, and reinvention of bureaucratic and jurisdictional relationships, all tied to measurable outcomes. (c) The Vice President's Community Enterprise Board, assisted by advisory panels, would review the plans and select a dozen Metropolitan Empowerment Zones (MEZs). Each MEZ would receive a share of a pot of flexible new grant funds over several years, perhaps some specialized tax incentives, plus significant deregulation of the various existing federal grants-in-aid flowing to MEZ jurisdictions. (d) For accountability, both grant deregulation and flexible funding would be at least partially contingent on the MEZ's good faith execution of its plan and (where feasible) on measured results.

The President's FY 1996 budget and legislative proposals might support participation by selected metropolitan areas in a voluntary goal-setting process. With the assistance of Federal planning grants, interested metropolitan areas would formulate their Metropolitan Empowerment Plans indicating how the participating jurisdictions, working with federal, state, local and private resources, expect to make measurable progress over time on key indicators of opportunity, community security, and so forth. The plans would be the basis for competitive awards, including both Federal funding and significant deregulation of grants-in-aid provided by participating Federal agencies. One gain for communities that win a planning grant could be a substantial reduction in the number of overlapping Federal program planning and reporting requirements they would otherwise have to prepare during the same period.

While participation in the planning and competition would be voluntary, once selected, the Metropolitan Empowerment Zone would be *accountable*, in the sense that the special funding and broad deregulation are *rewards* for adopting *and implementing* comprehensive plans reasonably calculated to achieve the measurable national and local goals identified earlier. A metro area that wins an MEZ designation, but fails to attempt what its plan promises, would be subject to a slowly escalating set of restrictions on the flexibility and, ultimately resources, provided under the MEZ program. If the plan is implemented, but fails to achieve the results intended, the metro area would be required to revise its plan in light of the new understanding about what is or isn't effective.

draft: July 24, 1994

Metropolitan Empowerment Zones: The Next Phase of the Clinton Urban Policy

Concentrated urban poverty and the surrounding web of problems undercut some of our most basic national goals: increased economic competitiveness; civil peace and democracy; equality of opportunity. A bold and worthwhile Administration initiative should envision a fundamental reconstruction not only of current policies but of the relationship between the Federal government and local and State governments. To be successful, it will require refocusing the Nation's attention on problems that have been ignored by national leaders for over a decade; and it will require overcoming political and bureaucratic barriers that have defeated all prior urban initiatives.

The Empowerment Zones competition has energized communities across the country and built local enthusiasm and momentum for tackling these problems. Over 500 cities are expected to apply and are forming new coalitions and strategies attuned to local realities. We should find a way to build on this momentum, tapping energy and creativity from the neighborhood level on up. The Clinton urban agenda must not end with a competition that creates six urban "big winners", 65 "small winners", and hundreds of losers.

In summary, our proposal has the following premises: (1) a *metropolitan focus* to address the isolation of central city neighborhoods and reflect the interdependencies of city and suburbs; (2) *reinvention and reform* of fragmented programs to attack waste, improve effectiveness, empower communities to help themselves, and move the private sector to center stage; (3) *dialogue* and consensus-building around values, goals and measures to create the predicate for change at both the national and metropolitan levels; and (4) *accountability* to make a break with special interest giveaways and reward bold efforts by local communities.

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Metropolitan Focus: The economic and social destinies of cities and suburbs are interwoven. Many urban problems spill over local political boundaries and affect every metropolitan area resident to one degree or another. Where city-suburban disparities in income and opportunity are higher, metropolitan job growth is slower. Where central cities are able to forge interjurisdictional partnerships with suburban governments and employers, they are better able to provide educational and employment opportunities for their citizens, ensure safe neighborhoods, prevent disinvestment and business and residential flight, and deal with fiscal pressures. Metropolitan areas are far more likely to have within themselves the economic resources to tackle inner-city problems; and they generally function as single labor and housing markets, despite their political fragmentation. Unfortunately, political fragmentation, reinforced by patterns of Federal and State funding, is often a major obstacle to forging a metropolitan-level coalition and strategy. By fostering (without imposing) a different structure for local decisionmaking, the Federal government can help localities to overcome the problem of fragmentation.

Reinvention and Reform: Similarly, the Federal response to urban problems has historically been fragmented and incomplete, perhaps in part a consequence of jurisdictional boundaries of both Congressional committees and Federal bureaucracies. Major Clinton initiatives -- including the Health Security Act, Welfare Reform, the strengthened EITC, Goals 2000, Community Policing, Headstart expansion, and the Reemployment Act -- will benefit the urban poor. Beyond these, Empowerment Zones, Community Development Banks, and reinvigorated civil rights enforcement will help. However, budget constraints virtually rule out major additional spending. To do more, we must tie together these disparate initiatives, and move beyond a laundry list of resource-starved investment proposals at HUD and elsewhere. We must *reinvent* the jumble of federal regulations and the myriad bureaucratic impediments to effective use of limited public resources across grant programs for community development, housing, transportation, schools, job training, and health care. Similarly, a Clinton initiative must challenge state and local leaders to consolidate and better coordinate *their* programs, as well as overcome impediments created by jurisdictional boundaries. In the process, we will empower local officials to solve problems, including the many that spill over jurisdictional boundaries. Even all of this will fail, however, unless our initiative also makes a direct and effective effort to engage the leadership, ingenuity and resources of individual citizens, private non-profit organizations, and businesses in metropolitan partnerships. As the [draft] President's introduction to the Urban Policy Report (1994) says: "The solution to our pressing urban challenges is not more of the same, but hard work leavened with innovation, grassroots empowerment, and hope."

Dialogue and Consensus: It has been a long time since national leaders brought focus to urban problems. For the past 25 years, problems of concentrated poverty and racial isolation that were once viewed as fundamental challenges have been treated as secondary issues. Before we can fashion fresh solutions that will command national and local majorities, we must have a fresh conversation about fundamental values and goals, what strategies to pursue, how to measure success, and what roles should be played by different levels of government and the private sector. This dialogue is an essential political predicate for meaningful change at the national level, and in participating metropolitan areas. It will require a substantial investment of Federal leadership, and some targeted resources to provide essential data and analysis. No amount of discussion will lead to a perfect consensus for the nation as a whole on what handful of problems are the most important to be addressed in every metropolitan area, and how. The most concrete product of this dialogue will be an "urban report card" which captures, for each major metropolitan area, consensus measures of national and local priority concerns.

Accountability: Finally, new Federal initiatives must break with unsuccessful efforts of the past by incorporating accountability based on performance, in return for new funding and broad discretion in the local choice of means. As New Democrats, we should reject another generation of giveaways to traditional constituencies, and instead offer *a vision in which rewards fuel bold efforts by the people and leaders closest to the problems*. Therefore, in order to reward communities for effort and progress in meeting national and local performance targets, some fraction of grants and generous regulatory flexibility must be based on performance. Furthermore, we need new incentives for suburban jurisdictions and businesses to participate in developing and executing metropolitan-wide strategies, even though such approaches are in everyone's interest: past patterns of funding and neglect have convinced so many jurisdictions, businesses, and citizens to believe that their best or only choice is to try to opt out of and insulate themselves from the problems of the cities.

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Program Structure

The Metropolitan Empowerment Zones initiative we propose combines programmatic, budgetary and communications elements as follows: (a) Senior Clinton Administration officials would lead a national discussion of the urban condition and our ambitions for change, in parallel with similar neighborhood- and metropolitan-level discussions seeking consensus on an "urban report card." The series of roundtables and forums would identify key measures of selected problems (crime, job opportunities, housing, etc.) and formulate sets of national and metropolitan goals for improvement, with flexible milestones. (b) With the benefit of planning grants, dozens of metropolitan areas would cooperatively develop comprehensive plans to achieve the national and metro-specific goals. The plans would propose integration of public and private resources, and reinvention of bureaucratic and jurisdictional relationships, all tied to measurable outcomes. (c) The Vice President's Community Enterprise Board, assisted by advisory panels, would review the plans and select a dozen Metropolitan Empowerment Zones (MEZs). Each MEZ would receive a share of a pot of flexible new grant funds over several years, perhaps some specialized tax incentives, *plus* significant deregulation of the various existing federal grants-in-aid flowing to MEZ jurisdictions.¹ (d) For accountability, both grant deregulation and flexible funding would be at least partially contingent on the MEZ's good faith execution of its plan and (where feasible) on measured results.

What follows is a more detailed sketch of how this initiative could be structured as a follow-on to our Empowerment Zones effort. It begins with dialogue and planning, but encompasses new resources and program reforms as well.

National Dialogue and an Urban Report Card

We recommend that the President and the Vice President launch a national dialogue, to be led over a period of months by the Secretary of HUD, other members of the Cabinet, and appropriate surrogates. It would include participation by one or more blue ribbon panels of public and private leaders, as well as respected experts. The national dialogue would be complemented by a parallel series of metropolitan-level dialogues. The process that led to Goals 2000 is instructive, in that a sustained national and local dialogue, built in part on research results, has fomented important changes in the education system, with more to come.² At the national level, the discussions and supporting

¹ Initial funding, perhaps limited to planning grants, would be included in the FY 1996 budget. Tax expenditure components might be included in FY 1996 reconciliation, just as the President's Empowerment Zones program was included in FY 1994 reconciliation. This proposal characterizes the Metro Empowerment Zones grant as "new" funding in deference to the practical difficulty of persuading appropriators to carve resources out of existing categorical and block grant programs, together with the need to make additional resources available as an inducement to certain suburban jurisdictions now receiving little grant money. In principle, however, the Metro Empowerment Zones funding could be structured as a consolidation of existing streams of funding, with a portion of that funding recast as a reward contingent on effective planning and implementation.

² Other promising models include: the goal-setting process being used by the Public Health Service to define prevention initiatives for the year 2000; States' allocation of so-called "five percent" funds under the Job Training and Partnership Act based on local performance goals that exceed

research would attempt to forge a consensus about a short list of *national policy priorities* and quantifiable goals for improvement. The national list might include, for example, high rates of violent crime; high unemployment rates among 18-24 year olds; highly unequal levels of educational opportunity in different parts of metropolitan areas; and high incidence of housing, employment and other forms of discrimination which deny mobility and economic opportunity. At the metropolitan level, communities might supplement the national priorities with lists and priorities of their own, such as transportation infrastructure, public health concerns, and affordable housing opportunities.

In addition to organizing this consensus-building process, the Federal government can support it by supplying statistical information that will allow metropolitan areas to see how they stack up on major dimensions that relate to national and local policy objectives. Examples are: (1) openness and civility -- including incidence of racial discrimination in employment and housing, levels of violence; (2) democratic practice -- including voting rates and representation of ethnic and racial minorities in local government; (3) minimum standards of economic and social opportunity -- including rates of extreme deprivation (hunger, homelessness, infant mortality), levels of opportunity (high school dropout rates, unemployment rates); and (4) equality of economic and social opportunity -- including differential individual access (by race, incomes, geography) to education, employment, and capital. Absolute consensus will never be achieved, especially at the national level, because conditions, needs and perspectives are so different. But vigorous debate about what does and doesn't matter, how to measure it, and what ambitions to embrace -- those are the key purposes of national and metropolitan dialogue.

To support goal setting and to measure progress, Federal agencies and cooperating researchers can develop and publicize a set of metropolitan rankings, related to several measures along the policy dimensions listed above; metro areas may elect to use supplementary measures. (This will require a modest investment in new data collection and analysis and possibly acceleration of the Census Bureau's plan for continuous measurement between decennial censuses.) For example, national and metropolitan dialogues would be sharpened by presenting comparative data on violent crime rates, the ratio of central city to suburban crime rates, the incidence of drug-related crimes against person or property, the crime rates in public housing, and so forth -- preparatory work with key leaders would help focus the research support. Planning in this kind of data-rich environment should discipline thinking about these tough problems on both the national and local levels. Locally, comparisons with other metropolitan areas should encourage a healthy competition and desire for self-improvement.

Such dialogues -- on both national and local levels -- are critical for several reasons. To fashion a system of political and programmatic accountability, there must first be some minimal agreement on measures of success and on goals. No such agreement exists at present, nor can we expect to have a single, national report card. We envision an evolutionary process combining measurable national-consensus goals *with* measurable goals identified in each participating metropolitan region. The necessary dialogue will be an opportunity to engage the public on the plane of values and aspirations, so that public and private leaders can seek agreement on *what* matters, *why*, and *how much*. In the process, neighborhood and community leaders will build new capacity for cooperative problem-solving. Moreover, this discussion will create the elusive political context for

Labor's national "performance standards"; State initiatives in Indiana, Oregon, and elsewhere that are using measurable objectives to organize public debate and set priorities.

the necessary legislative and administrative actions -- in Washington D.C. and throughout the country.

Finally, the dialogue will provide an important opportunity for the President and other officials to demonstrate leadership through action and example. This is far more than symbolic, however, in as much as the dialogue will produce a valuable concrete product: an urban report card, tailored to each metropolitan area, reflecting the national and metropolitan priorities for change and providing an assessment of how a given area compares with comparable communities across the nation.

Issue: Is it reasonable and valuable to make comparisons across metropolitan areas in a report card, or should the report card be purely the design of the metropolitan region, measuring itself against its stated goals? (The Oregon Benchmarks project, which concerns "human investments," is an example of this approach.) It may be that there is too much dissimilarity in the technical measures used by different metropolitan areas to permit easy comparisons, and it may be that the measures and explanations are too complex to play a constructive role in policy debate. On the other hand, some form of instructive comparison can be an important aide to locally-based accountability, and a core set of report card measures would tie to *national* priorities -- a linkage justified by the federal resources and flexibility being provided.

Dialogue is no panacea, but without it bureaucracies are likely to recycle stale nostrums, and bold legislative proposals are almost certain to fail.

Metropolitan Plans and Covenants

With the assistance of Federal planning grants, interested metropolitan areas would continue the consensus-building effort described above and formulate their Metropolitan Empowerment Plans indicating how the participating jurisdictions, working with federal, state, local and private resources, expect to make measurable progress over time on key indicators of opportunity, community security, and so forth.³ The plans would be the basis for competitive awards, including both federal funding and significant deregulation of grants-in-aid provided by participating Federal agencies. One gain for communities that win a planning grant could be a substantial reduction in the number of overlapping Federal program planning and reporting requirements they would otherwise have to prepare during the same period.

In essence, the plans would identify measurable goals and timelines for the various dimensions of the urban report card, and specify the various public and private strategies to be pursued in

³ Planning grants would be awarded automatically to Metro areas centered on cities which were unsuccessful finalists in the first round of Empowerment Zone awards.

Issue: Is this an appropriate and sufficient "leg-up" for participants in the first round of Empowerment Zones?

achieving those goals.⁴ The program elements of a plan will depend, of course, on the national and local priorities identified in the dialogue process described above, and on local views about what strategies are most likely to be effective. There are several efforts underway within the Clinton Administration to foster flexible, intergovernmental approaches to critical problems which might fall within the broad ambit of an MEZ plan. For example, the Department of Justice is leading a new interagency effort to prevention of violent crime in four demonstrations: metropolitan Atlanta, metropolitan Boston, Washington D.C., and Nebraska. The effort, Ruling America's Communities Together (PACT), involves several Federal law enforcement and human services agencies, and multiple agencies of the relevant state and local jurisdictions. PACT would be an appropriate mechanism to include in an MEZ plan's strategy for reducing violent crime.⁵ Similarly, there are several other Federal reinvention efforts, either established or under development, focused on a particular problem area. These Clinton Administration efforts are strikingly compatible with the overarching urban strategy proposed here, and include: Family Preservation and Support; Healthy Start; Weed & Seed; Metropolitan Fair Housing; flexible education demonstrations; transportation infrastructure congestion relief; and proposals being developed by the NEC/DPC working group on Education, Training and Retraining. These comprise a very partial menu of measures which local MEZ planners might adopt in pursuing national and metro priorities.

MEZ plans also would describe the proposed metropolitan-level structure for consultation and for oversight of the strategy's implementation. This would include a proposal for how the participating jurisdictions would share governance, would distribute rewards for cooperation, and would respond to disagreement and dissent as they implement the plan over time.⁶ This is one place where States could play an important organizing role. Other ways the States could contribute include: convening and supporting metropolitan-wide dialogues and strategy development; reinventing their programs to reduce red tape and emphasize performance; and granting waivers to permit multiple State programs to work better together.

Among the themes we expect would emerge from the strategies are the reinvention and integration of various Federal, State and local programs; the creation of public-private partnerships

⁴ Appended are three summary examples of how a metropolitan plan might identify a particular concern, such as unequal educational opportunity, then select performance measures, choose one or more goals, and propose a particular set of strategies to achieve those goals.

⁵ PACT does not involve new resources, and is thus far limited to a few demonstration jurisdictions. MEZs would, of course, include some added funding which might be used to enhance the PACT or similar effort.

⁶ We do not envision a uniform structural solution the problems of metropolitan coordination -- along the lines, say, of the old Councils of Government. In fact, we want to encourage locally designed solutions, including possible leadership roles for non-governmental coalitions. Similarly, there need not be a single model for the distribution of rewards and sanctions. Proposals may suggest different approaches, and the plausibility of the scheme would be a factor in awarding the MEZ designation. Moreover, metropolitan Boston might have an exciting idea about how to structure coordinate local governments or how to distribute flexible funds. Through consultation and negotiation, Boston's approach might be adopted by metropolitan Atlanta in order to improve their application.

and cross-jurisdictional coalitions; waivers of program regulations; and improved forms of citizen and neighborhood participation in decisionmaking. The intention is to provide participating jurisdictions with maximum flexibility regarding their choice of means, or strategies. A review process involving public, private and expert "jurors" would study the plans and make recommendations to the Vice President's Community Enterprise Board. (Again, finalists in the Empowerment Zones competition would receive some form of preference in this process, perhaps an "automatic" consideration by the Vice President's Board.)

The most important criterion for selection as a Metropolitan Empowerment Zone would be the reasonableness of the proposed strategies for achieving the stated goals. Our expectation is that these strategies would incorporate the best thinking concerning effective approaches to critical problems, from job creation to housing construction to teen pregnancy prevention to community policing;⁷ in the common situation in which there is no strong general consensus on "best practice," the winning MEZ plans would undoubtedly encompass a range of promising approaches. In addition, the quality of MEZ plans could be judged by such factors as: (1) the number of participating jurisdictions (percent of metropolitan population); (2) the strength of the State's participation; (3) private sector participation; (4) the value of the resource and other commitments by all participants; (5) the role of neighborhoods and non-profit organizations in developing and executing the plan; (6) the ambition and realism of the specific performance targets promised in the application, especially in terms of the hoped for benefits to central cities and the poorest of the poor.

Issue: Should MEZ designation be awarded competitively, with the number of awards depending on available appropriations and the number of acceptable proposals, or should all metro applicants meeting some threshold (measured by the quality factors in the preceding paragraph) receive MEZ designation? The latter, "eligibility" approach would reduce the risk that awards would be criticized for their inevitable subjectivity, but would place enormous importance on defining in advance the threshold of quality to be achieved for award. This eligibility approach also may be in tension with maximizing flexibility for metro jurisdictions.

It will be difficult to formulate sound MEZ plans. It may be essential for States to play a critical role in convening and supporting the cooperation of metropolitan jurisdictions. There will be an important role for the Federal government in providing technical assistance in various forms, and mobilizing the best research and experience available nationwide. Our challenge is to begin the process in a sensible direction, with the expectation that over time the participating public and private leaders will grow increasingly skillful.

⁷ For example, Professor Michael Porter, in "The Competitive Advantage of the Inner City", outlines new strategies to stimulate central city economies by building on their innate competitive advantages and on "clusters" of economic strength in the metropolitan area (Harvard Business School, 1995). Other recent work of substantive interest includes a report by Susan V. Smith on "Strategies to Reduce Urban Poverty" (Carnegie Corporation of New York; June 1994) and *Confronting the Nation's Urban Crisis: From Watts (1965) to South Central Los Angeles (1992)*. (The Urban Institute, 1992).

Funding, Flexibility and Accountability for MEZs

As documented in the National Performance Review, the present system of Federal grants and subsidies is too fragmented, complicated, and rigid. It is inefficient not only because it is costly to administer but also because it wastes Federal funds on ineffective, partial approaches. Block grants, on the other hand, give communities wide flexibility without creating accountability; formula-driven, they come to be viewed by the receiving communities as entitlements. An effective system of performance-based accountability will allow localities broad discretion in the choice of means so long as they demonstrate effort and progress.⁸ As with the initial designation, the monitoring of implementation in the MEZs would be assisted by blue-ribbon panels of experts and civic figures, reporting to the Vice President's Community Enterprise Board.

In several years, it may be possible to consolidate a great many Federal programs into this structure, and have all metropolitan areas participate in a system of goal-setting, planning, flexible funding, and accountability. Meanwhile, there is much we can do in the President's FY 1996 budget and legislative proposals to get started. We propose participation by selected metropolitan areas in a voluntary goal-setting process, rewarding them from a limited pool of new resources, and use of new statutory authority for a broader set of performance-based waivers in key program areas. The range of program areas encompassed by this framework of flexibility and accountability is largely a matter of our ability to "reinvent" the Federal government's balkanized structure of agencies and Congressional committees. Added flexibility in a few programs within just one Department, such as HUD, would suffice in FY 1996 as a minimal achievement; complementary flexibility in programs at several additional Departments would be all to the good. A national dialogue on urban policy goals, and the urban report card, may help win legislative approval for FY 1996 of the needed resources and reinvention.

While participation in the planning and competition would be voluntary, once selected, the Metropolitan Empowerment Zone would be *accountable*, in the sense that the special funding and broad deregulation are *rewards* for adopting *and implementing* comprehensive plans reasonably calculated to achieve the measurable national and local goals identified earlier. A metro area that wins an MEZ designation, but fails to attempt what its plan promises, would be subject to a slowly escalating set of restrictions on the flexibility and, ultimately resources, provided under the MEZ program. If the plan is implemented, but fails to achieve the results intended, the metro area would be required to revise its plan in light of the new understanding about what is or isn't effective.

Issue: While this proposal focuses on rewards, the accountability framework implies at least the mild sanction of partially rescinding the special MEZ benefits previously conferred. An alternative would be to avoid any such Federal accountability and rely entirely on local political processes to enforce the goals and purposes of the MEZ initiative and the metro area's plan.

⁸ Some of these concepts are realized in the Clean Air Act, which has evolved over two decades into an effective process for focusing attention and resources on metropolitan-level air quality problems.

A Work Plan

1. In July, discussions with EOP and interested Departments to develop a consensus on the overall framework. This process should include discussions with key Cabinet officers who are potential partners. The forthcoming Urban Policy Report drafted by HUD and a working group of NEC/DPC staff, has already been revised to foreshadow this or similar initiatives. In particular, it calls for a national conversation on urban policies with the goal of developing consensus on measures and goals, and it explicitly stresses the importance of a metropolitan focus in future initiatives. Also in July, lay the foundation for developing performance goals by mobilizing the research and policy communities inside and outside of the Administration to examine data and debate alternative measures.
2. In July, identify pending legislative and regulatory initiatives that should be immediately redirected to reflect the urban policy principles. These include, for example, the Housing Bill that will reach the House and Senate floors in July; the HUD Consolidated Planning regulation now at OMB for clearance; the Reemployment Act; and implementation plans for Goals 2000.
3. In the 1996 budget process, develop a Metropolitan Empowerment Zones initiative for the President to consider. The "low option" would focus on a limited pot of new discretionary funding to reward successful metro applicants, plus statutory authority for waivers in as many federal grant programs as politically feasible. The "high option" would include a tax-based reward as well, flowing to individuals and firms, for inclusion in FY 1996 Reconciliation.
4. In Fall of 1994, begin the National Conversation with meetings between key cabinet officials, and State/local officials, noteworthy experts, and representative citizens to build consensus on the approach and on metropolitan "problem dimensions".
5. In November/December, announce that the sequel to the Empowerment Zones competition will be a Metropolitan Empowerment Zones initiative, to be proposed in the President's FY 1996 Budget and legislative program. Jurisdictions that submitted high quality proposals in the first round of Empowerment Zones competition could form the core of a new round.
6. To develop the information needed for performance measures, take the following steps: (a) Support Census's move to a continuous "rolling Census". This would be necessary to measure progress for individual metro areas in reducing inequalities, racial and income separation. (b) Provide resources to selected Federal agencies to begin data collection and research on performance measures and to design the "technology" needed for problem ranking and measuring progress. (c) Encourage States and metropolitan areas to experiment with similar techniques.
7. The Community Enterprise Board could lead a rigorous review of other Federal urban programs for consistency with the new approach, refashioning where possible to stress metropolitan cooperation, flexibility and accountability.

Conclusion

More is at stake than sating the appetite of political constituencies or pundits for another bold stroke in the urban policy arena. And there are risks to undertaking another effort when the legislative agenda is crowded with other critical measures of great concern to urban America. We must take care not to promise too much. We need to design a process that is open-ended and adaptable, so that both we and localities can adjust goals and approaches as we learn more.

The overriding imperative, however, is clear: after so many years of neglect, we now have an opportunity too precious to put aside -- an opportunity created by the broad public support for certain fundamental ideas. Part of this is America's renewed commitment to shared economic growth and competitiveness, to public civility and personal security, and to each other. But another part of the opportunity comes specifically because the President's domestic program as a whole contains the philosophical underpinnings of what can be a significant departure in urban policy, based on new patterns of metropolitan and public-private cooperation, on the reinvention and reform of inflexible bureaucratic gridlock, on a national dialogue to forge consensus, and on a new accountability that rewards bold local efforts to achieve measurable results.

We have studied the lessons of history, and are wiser for it. Success is by no means assured. But we will be judged by whether we act boldly with that wisdom, or simply pass it along in the hope that others will.

EXAMPLE 1: EMPLOYMENT ACCESS

Goal: *Reduce Disparities in Employment Access*

Measures: *Disparities (geographic, racial) in:*

- *employment rates for younger high school graduates*
- *wage rates for comparable jobs*
- *high school achievement and graduation rates*

Partial Menu of Local Actions to Address:

- *create reverse commuting opportunities for inner-city residents*
- *re-orient transit systems*
- *create regional integrated jobs information system*
- *provide additional training slots for inner-city hard-to-employ youth*

Requirements and Progress Targets (for Lowest Attainment Areas)

- *Metro communities would have to develop and subscribe to a specific plan for moving the area to the goal established in the MEZ Plan (which might be related to a national goal and timeline). For example:*
 - By 1998: Increase employment rate of inner-city recent high school graduates by 10 percent*
 - By 2005: Reduce intra-metropolitan disparity in labor participation rates by 20 index points*
- *Those jurisdictions in the metro area failing to carry out their assigned responsibilities under the approved MEZ Plan could have their Federal grants restricted (loss of flexibility) or, eventually, reduced.*

Example 2: HOUSING DISCRIMINATION

Goal: *Reduce Racial Discrimination in Housing*

Measures:

- *incidence of racial discrimination in metropolitan rental housing market (sources: HUD and local fair housing organization),*
- *racial disparities in mortgage lending rates controlling for risk (source: modified HMDA data)*
- *evidence of racial steering by real estate agents (source: testing programs)*

Partial Menu of Local Actions to Address:

- *use testers to detect violations, publicize, and enforce equal access to housing laws*
- *develop/participate in metropolitan housing strategy to improve housing choice and mobility of racial minorities*
- *train all real estate agents and firms regarding potential activities resulting in disparate treatment of homebuyers*
- *create local fair housing organizations to investigate cases of racial discrimination and monitor activities of metropolitan housing market*

Requirements and Progress Targets (for Lowest Attainment Areas)

- *Metropolitan communities would have to develop and subscribe to a specific plan (perhaps a modified version of proposed fair housing plan) for moving the area into attainment with national minimum standard.*
 - . *By 1997: Implement testing program in all "hypersegregated" metropolitan areas and publish results.*
 - . *By 2000: Reduce number of racial housing discrimination cases reported to metropolitan fair housing organization by 20 percent.*
 - . *By 2010: Reduce metropolitan dissimilarity index by 25 points (from 1990 base)*
- *Those jurisdictions in the metro area opting out of the process could have their Federal grants reduced or restricted.*

EXAMPLE 3: INFANT MORTALITY RATE

Goal: Reduce infant mortality rate

Measures: Disparities in:

- Infant, neonatal, and postnatal deaths and mortality rates by metro area for race and income;
- Metro area mortality rates due to AIDS virus; and
- Access to basic infant, neonatal, and postnatal health care

(Note: these statistics can be obtained from the annual Vital Statistics prepared by HHS)

Partial Menu of Local Actions to Address:

- increase access to prenatal and postnatal care;
- develop community health clinics;
- increase educational outreach on prenatal care;
- increase provision of basic nutrition and vaccination services;
- increase access to drug and alcohol abuse centers; and
- increase outreach and counseling programs for unwed mothers

Requirements and Progress Targets

- MEZ Plan would describe interim milestones for meeting a (hypothetical) national minimum standard.
 - By 1998: Decrease infant mortality by 10 percent.
 - By 2005: Reduce intra-metropolitan disparities in infant mortality rates by 5 percent.

Appendix D



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20410-0001

M E M O R A N D U M

TO: Sheryll Cashin
Paul Dimond
Paul Weinstein

FROM: Bruce Katz *R*

SUBJ: FY 1996 Options Paper

DATE: August 4, 1994

Thanks for the opportunity to provide input to the FY 1996 options paper you're preparing for Bob Rubin and Carol Rasco. I have attached a series of documents for your consideration.

The first packet is our version of the "HUD" option that appears to be in the paper now. We have prepared four budget initiatives covering the following areas:

- ending distressed public and assisted housing;
- reinventing urban and regional management;
- rebuilding inner city neighborhoods through homeownership;
and
- consolidating additional HUD programs.

I hope this material helps you flesh out the "HUD" option.

The second document is a chart that the Secretary prepared today. The chart outlines five principles for an Administration urban policy -- metropolitan responsibility, bottom up planning, work and responsibility, empowering families most in need and rewarding excellence in urban management. It then shows how different Administration initiatives could fit within this construct.

The third document is Mike Stegman's attempt to fashion an urban policy statement based on the Secretary's five principles.

I will call later today to followup.

[SUBSTITUTION FOR HUD OPTION IN YOUR MEMO]**Rebuilding Inner City Communities Through Homeownership**

Many of the nation's inner city neighborhoods have suffered from a generation of economic decline, physical deterioration, rising crime and social disintegration. Any serious attempt to revitalize these areas must help families strengthen their personal and financial responsibility. HUD's efforts to promote homeownership in the inner city through an expanded National Homeownership Fund Demonstration (NHFD) is an important step in helping cities transform communities.

In FY 96, HUD proposes to increase funding of the NHFD from the \$50 million now contained in the Senate FY appropriations bill to \$150 million to help many more cities transform distressed communities through the large-scale development of new homes for families with annual incomes as low as \$16,000-\$20,000. This initiative builds upon the dramatic success of the New York City Nehemiah program, which transformed deteriorated neighborhoods in East Brooklyn and the South Bronx into stable, thriving communities through homeownership.

The key to producing new homes for low income families in these neighborhoods lies in reducing costs through large-scale land assembly and construction. Sufficient acreage of contiguous land generates the economies of scale that produce significant cost savings and lower housing prices. As part of this demonstration, local partners would contribute land in distressed areas, along with state and local assistance for site acquisition, preparation, and infrastructure improvement. Local governments could use Section 108 loan guarantees and CDBG funds for land development.

The NHFD funds will be used for deferred-payment second mortgages to reduce home prices for eligible low- and moderate-income families. These mortgages will be repaid at the time of sale or refinancing. This will assure the creation of a sizable revolving loan pool that could be used to support additional construction.

Ending Distressed Public and Assisted Housing

Public Housing. Roughly 100,000 public and assisted housing units are deteriorated, isolated, and dangerous. These units pose threats to their neighborhoods, and to local economies, tax bases, crime rates and service quality. In too many cities, they are symbols of urban decay.

HUD would provide Section 8 certificates and mobility counseling to 15,000 residents living in distressed public housing developments for each of the next five years. These distressed developments would then be demolished. Tough screening rules would reward residents who have jobs or participating in self-sufficiency programs.

HOPE VI funds would be targeted primarily to rebuilding the public housing units pursuant to current law, with half in the form of smaller scale, potentially mixed-income developments likely to be viable over the long term, and half in the form of certificates. To ensure that the replacement housing is of high quality, PHAs would be required to partner with reputable private developers, for-profit and nonprofit. Construction management firms would oversee the demolition and replacement process to ensure timeliness of effort.

Assisted Housing. In many parts of the country, many assisted housing developments -- privately owned, federally subsidized -- mirror the conditions of distressed public housing. HUD's current resources are fragmented and inadequate.

HUD recommends creation of a Housing Quality Fund to more effectively target its resources on the most distressed projects. The current array of programs -- including Flexible Subsidy, Loan Management Section 8, drug elimination, service coordinators -- would be consolidated and used to dramatically turn around HUD-assisted, privately-owned housing. Physical reconstruction would be combined with improved social services, better management, crime prevention, and a greater emphasis resident participation and responsibility. HUD would get tough on landlords to make sure that properties are properly maintained. Subsidies will be denied to owners that refuse to cooperate, and residents of these buildings will receive rental assistance vouchers to relocate to decent housing elsewhere.

Reinventing Urban and Regional Management

Rewarding Excellence in Urban Management. Two impediments to urban excellence are the difficulty of combining separate HUD grant programs with conflicting timetables and requirements, combined with excessive restrictions in HUD program regulations. To free local government from these constraints, HUD's needs to reinvent the way it conducts business with local clients.

HUD proposes to deregulate its programs for high performance local governments, by granting waivers and permitting innovative mayors and city managers to combine a wide range of program funds to encourage experimentation. This approach to reinventing government fits well with the Administration's National Performance Review and with creative statewide results-oriented

experiments such as in Oregon. With HUD's plan for Rewarding Excellence in Urban Management, a well-run city government like Philadelphia under Mayor Rendell would be able to consolidate all of its HUD funding, provided that the city met certain performance criteria for efficiency and effectiveness, and continued to serve an equivalent number of low-income families. This proposal will provide crucial support for bottom-up initiatives in the spirit of the Empowerment Zones/Enterprise Communities competition and HUD's consolidated planning.

Challenge Grants for Regional Collaboration. Most of the serious problems -- discrimination, poverty, crime, unemployment, inadequate housing and infrastructure -- cut across jurisdictional lines within metropolitan areas. The best way to approach these issues is on a regional basis, with cooperation from local communities and their elected officials.

HUD recommends providing a strong incentive for local governments, the private sector, and community groups to form partnerships that generate regional solutions to urban problems. To support this vitally-needed metropolitan collaboration, HUD would offer Challenge Grants for the most innovative approaches, boldest ideas, and best-organized efforts. Solutions such as regional training and employment linkages for unemployed urban residents, fostering wider choice in housing location, improving transportation access, and consolidating services can flourish through Challenge Grants for Regional Collaboration. HUD would seek new resources to carry out these initiatives.

Breaking the Monopoly of Public Housing Authorities over Section 8. One of HUD's most potent weapons to combat racial isolation, concentrated poverty and the lack of connection between low-income persons and jobs is the Section 8 rental assistance program. Yet most public housing authorities have not administered this program to maximize choices in the regional housing market or to help expand low income families' job-readiness and employment options. It is time to break the PHA's monopoly over the administration of the Section 8 program.

HUD's new mobility counseling program, Choice in Residence, can be expanded in FY 96 to make available Section 8 rental certificates to a broader range of nonprofit organizations committed to increasing regional housing choice. These can include both state housing finance agencies, and metropolitan nonprofit fair housing organizations. HUD will also make special allocations of Section 8 assistance available to high performing nonprofit job training organizations with excellent track records in linking their clients to jobs.

Consolidating Additional HUD Programs

HUD is continuing in FY 96 its aggressive consolidation efforts. In its 1994 reauthorization bill now before the Congress, the Department proposed to reorganize six separate homeless programs, with total funding of over \$1 billion, into a single formula-based grant program. In the same legislation, HUD is seeking to merge the Section 8 certificate and voucher programs and to consolidate or terminate 59 programs.

For FY 96, HUD is considering a plan to consolidate all service coordinator programs for elderly housing, for nonprofit sponsors to coordinate services to their development projects and improve efficiency.

In addition, the Department also may terminate or consolidate several FHA mortgage insurance programs, including:

- Homeownership Assistance for Low- and Moderate-Income Families (221(d)(2))
- Homes for Service Members (222)
- Housing in Declining Neighborhoods (223(e))
- Condominium Housing (234)
- Special Credit Risks (237)
- Housing in Impacted Military Areas (238)
- Single family Home Mortgage Coinsurance (244)

Consolidating Jobs for Residents Programs. Expanding job opportunities is essential for revitalizing urban communities and increasing responsibility for low-income residents. There is an urgent need to provide skill training and employment preparation for inner city minority youth and young adults.

To increase effectiveness, HUD proposes to consolidate its five major employment training programs: Jobs for Residents/Section 3, Economic Opportunity Centers, Step-Up, Youthbuild, and Youth Apprenticeship. In addition, HUD will develop a collaborative effort with the Department of Labor to maximize the impact of this coordinated urban jobs initiative.

HUD's FY 95 budget requested approximately \$85 million a year for five job training and self sufficiency programs. These would be consolidated into a new Office of Employment and Self Sufficiency, with stronger staff capacity, located within the Office of the Secretary. HUD would build an innovative partnership with DOL to include joint training of staff, and providing HUD funds to local agencies engaged in employment training activities supported by DOL. Finally, HUD and DOL would work closely together to ensure the success of the Section 3 Jobs for Residents program, one of the Administration's largest job training efforts for people in distressed neighborhoods. Secretary Cisneros and Secretary Reich have agreed to collaborate on jobs initiatives.

URBAN POLICY PRINCIPLES

Principles

Metropolitan Responsibility

Bottom Up Planning

Work and Responsibility

Empowering Families Most in Need

Excellence in Urban Management/
Innovation/Accountability

Initiative

Metropolitan Empowerment Zones
Mobility Counseling
Challenge Grants for Regional Collaboration
Urban Partnerships (e.g. Utilities, Hospitals, Universities, Religious
Institutions)
Consolidated Planning -- DOT/HUD/Commerce (BDA)

Economically Integrated Communities
Large Tract Homeownership
HOME
Community Development Corporations (NCDI)
CDFI
Security and Defensible Spaces
Crime Prevention

HUD-DOL Collaboration
School Reform
Siting of GSA Facilities
Time Limits
Rewarding Work in Public and Assisted Housing

Consolidation of Homeless Programs
Demolition of Large Public and Assisted Housing Developments
Support Systems for Families and Children
Jobs Programs for Unemployed Minority Youth

Consolidated Planning
Partnership Against Crime Together (PACT)
Break Up of Monopoly of Public Housing Authorities
Performance-Based Monitoring

Principles for a National Urban Strategy

The Administration's national urban strategy should be metropolitan in scope; emphasize work and responsibility; empower families most in need; reward excellence in urban management and regional cooperation; and, be implemented through bottom-up planning and community-based partnerships for change.

The dominant theme of the strategy is "building bridges." It will help connect distressed communities to the social, cultural and economic life of the city; create assisted housing opportunities that connect striving low income families without a wage earner with working families; fight discrimination where it persists and reconnect cities with their metropolitan areas; connect urban entrepreneurs, businesses, and homebuyers to sources of affordable capital; ensure that every child has an excellent education and strengthen the connections between school and work, work and reward, and opportunity and responsibility. It should be implemented through the federal support of locally initiated, bottom-up strategies that connect the public, business, and neighborhood sectors in bold community-building partnerships for change. And, it must strengthen the connection between aspiration and possibilities, because we cannot sustain progress without a rebirth of hope.

Above all, a national urban strategy must work to break up the intense concentrations of racial and poverty populations in inner cities that have insidious effects on the residents of these communities and on the larger society. The most important difference between domestic policy and a national urban strategy is that the latter recognizes that place and space do matter; the concentration effects of poverty and racial isolation call for radically different approaches to social and economic development problems that could otherwise be dealt with through traditional service-delivery models.

THE WHITE HOUSE
WASHINGTON

JUL 29 REC'D

July 28, 1994

MEMORANDUM FOR GENE SPERLING
BILL GALSTON

FROM: PAUL DIMOND
SHERYLL CASHIN
PAUL WEINSTEIN

SUBJECT: URBAN REPORT - URBAN REVIEW

CC: CAROL RASCO
BOB RUBIN

Michael Stegman and Bruce Katz called with two questions from Secretary Cisneros:

- is there a risk that the substance and direction of the Urban Report will be disconnected from the ultimate policy choices and direction that will emerge from the current DPC-NEC FY96 Urban Policy Review process?
- should we, in any event, delay the final revisions to the urban policy report until we have completed the urban policy review?

Bruce asked if the Secretary could have an opportunity to explore these issues with Bob and Carol. Bruce also made clear to me that the Secretary is very supportive of the DPC-NEC Urban Policy Review process under Bob and Carol.

With respect to final revisions on the Urban Policy Report, if the decision is made to move forward now, the Secretary believes that we should highlight how mayors are critical actors as agents of positive change for cities in the regional economic context. When you review the draft over the weekend, we ask that you keep this concern in mind in thinking about appropriate revisions.

Hugh B. Price
President and CEO

Keynote Address
National Urban League Convention
Indianapolis, Indiana
July 24, 1994

This is a thrilling moment for me, as you can well imagine. Seeing the Urban League movement arrayed before me, several thousand strong, spanning four generations and primed for action, is a stunning sight to behold.

To the veterans who have built and sustained the movement through decades of adversity and triumph, to our allies of all complexions and religious faiths who have coalesced with us, and to the next generation of Urban League leaders -- especially the NULITES students who have journeyed here from Bloomington -- I salute each of you for making the Urban League the venerable and revered movement that it is. And I salute you for your collective determination to carry our cause of social, economic and legal justice for all into the 21st century.

The thrill I feel is tempered, I must admit, by a profound sense of humility. For I am following in the awesome footsteps of the likes of George Edmund Hayes; Eugene Kinckle Jones; Lester Granger, who led the movement with such a steady hand for so many years; Whitney Young, who expanded it and ushered it into the civil rights arena; Vernon Jordan, who positioned the League as a forceful advocate for justice; and John Jacob, who sustained it through excruciatingly difficult times with dignity and compassion.

Assuming the helm of the National Urban League is also humbling because the movement so much resembles family, with all the love, support and lofty expectations typically associated with that term.

Though I admittedly am a stranger to many of you, rest assured that the Urban League is no stranger to me. In fact, I've been part of your extended family my entire life.

As a child growing up in Washington, D.C., I often heard my uncle, Dr. R. Frank Jones, speak of the League in reverent tones. Early in my career as head of the Black Coalition of New Haven, Connecticut, Bob Bowles, director of the Urban League chapter there, served on my board and as a trusted mentor.

June Branche, another dear friend in Westchester County, is the niece of Lester Granger. And I learned just the other day that Eugene Kinckle Jones was the godfather of my cousin, Winifred Norman.

Now that I'm graduating from the extended family to the immediate Urban League family, let me introduce you to several members of my own who are here this evening. First and foremost my wife, Marilyn Lloyd Price, who I love even more today than the day we married, which we're both reluctant to admit was almost 31 years ago. Those physicians and dentists here who attended Howard may remember "Mama" Lloyd from the anatomy department. She's Marilyn's mother.

Our youngest daughter, Lauren, is here. She graduated from college a year ago and now works at the Washington-based Center for Youth Development, a field that's dear to many of us. Our two other daughters are globe-trotting today and thus couldn't join us. Traer, a designer and choreographer of water fountains, is on assignment in Taiwan. Janeen, a second-year law student, has just wrapped up a summer internship in Washington and arrived earlier today in Mexico City to begin a second internship there.

My own mother, Charlotte Schuster Price, has come from Cape Cod to share this moment with me. She and my late father, Dr. Kline A. Price, lived in Washington for nearly 40 years.

My brother, Dr. Kline Price, Jr., and his wife, Bebe Drew Price, are with us. Bebe, by the way, stands for "Blood Bank". Yes, she's the daughter of the late Dr. Charles Drew, an authentic African-American and American hero. My cousins, Al and Sandi Brothers, have

journeyed here from Ft. Wayne, where Sandi is active in the Urban League.

Occasionally I am asked by friends and colleagues how long I agonized over whether to accept the board's offer to become president of the National Urban League. I usually pause for a moment or three, and then reply that it took about that long. The decision was easy for several reasons.

For starters, service runs in my family. Like many physicians of his era who graduated from Howard and stayed in D.C., my father tithed with his time by volunteering many weekday mornings in the clinic for poor folk at Freedman's Hospital.

My mother was active in the movement to win Washingtonians the right to vote. Also, my parents were among the families who helped finance Charles Houston's early litigation efforts for the NAACP Legal Defense Fund that laid the legal foundation for Brown vs. Board of Education.

Reared in this tradition of service, I've devoted virtually my entire professional career to the cause of social and economic justice for our people. While it's true that I'm not an alumnus of the traditional civil rights movement, I have served our folk, effectively I would like to think, in other ways.

Indeed, I feel as though I have been apprenticing for the presidency of the League my entire professional life.

Another reason the decision was easy is because this isn't just a terrific job, it's a calling. By that I mean that we -- you and I -- who are this movement have little choice but to be in it.

Seven years ago, I yearned to become president of the public television station where I worked. It didn't happen and I was crestfallen for months. I possessed all the right credentials, or so I thought, and had run the key divisions of the station. Yet I smacked my head squarely against that glass ceiling before I'd even heard of the term.

It took my daughter Traer, who is rather spiritual, to pull me out of the funk. One day that I'll never forget, she said, "Dad, don't worry about not getting that job. You're being saved for something more important." This, obviously, is what she'd foreseen that I could not. Thank heavens that daughter always knows best.

Before charting the course for the Urban League through the remainder of this century and into the next, let me briefly describe the changing and challenging seas that we'll be navigating together. We who are African-American live, alongside all other Americans, in a world which bears little resemblance to that of a mere half-decade ago, much less a generation ago.

Communism has crumbled, falling victim to its own oppressiveness and inefficiency. Market economies now reign supreme. Nations are redefining themselves with stunning rapidity. Immigrants and refugees stream almost unchecked across borders, radically and rapidly altering the ethnic make-up of nations.

This ruthlessly competitive world waits for no nation, no ethnic group and no individual. Should any competitor falter, there is always an emerging country, an enterprising people or an eager immigrant waiting in the wings or, more likely, already seizing the opportunity to fill the void.

Technological change, "rightsizing", industrial outmigration and structural unemployment are now familiar phrases throughout the developed world. Statistically speaking, the unemployment problems of Canada, the U.K., France and Germany are twice as bad as ours.

Closer to home, America is enduring its own economic upheavals, with cities and the urban poor feeling the severest aftershocks. For millions of black folk who, thanks to the civil rights movement, have flooded into higher education, big corporations and their own mainstream businesses, these clearly are the best of times.

But for millions more of us stranded in violent, hopeless, poverty-stricken inner cities, only slavery and the half century that followed it could have been worse.

When the landmark *Brown vs. Board of Education* decision was handed down forty years ago this spring, I think it's fair to say we all assumed that the defeat of Jim Crow laws would fling open the doors of opportunity to the robust, post-World War II mainstream economy from which we'd by and large been excluded.

What no one foresaw back in '54 and even through the '70s was that urban economies would slowly yet steadily erode. The manufacturing jobs that once enabled blue collar workers to purchase their own homes and occasional new cars have all but vanished from the inner city.

Take my uncle Edgar Royster. Though not a college man, he was a provider in the noblest sense of the term. He worked for years at the Winchester arms plant in New Haven and held a second job at Yale University. Both were within walking distance of his home in the Dixwell neighborhood.

Uncle Edgar's earnings enabled his family to save enough money to move out of public housing into a new home that they built in nearby West Haven. They actually lived out the American dream almost exactly as the script was written back then.

Now, the Winchester plant is history, along with the decent-paying jobs that provided access for people like my uncle Edgar to the economic mainstream. Those service jobs that have replaced them often pay so miserably that the full-time employees who hold them still cannot work their way out of poverty.

I recite these global and domestic trends because it's essential that we place our circumstances in a larger context. Yes, racism is still abroad in the land. Though subtler and somewhat less pervasive now, it's still a well-documented and undeniable reality in employment, housing, lending and the like.

Even so, we must not let ourselves and, especially, our children fall into the paranoid trap of thinking that racism accounts for all that plagues us. The global realignment of work and wealth is, if anything, the bigger culprit. We who serve must be clear-eyed about these color-blind economic trends if we're to be genuinely helpful to our folk.

Lest we and our children forget, the civil rights movement was a huge success in many respects. It unquestionably placed those of us with solid educations, ample family support, personal drive and a healthy dose of luck on the up escalator economically.

Yet millions of our people remain stuck on the down escalator, headed nowhere or worse. Their dire circumstances must dwell in our consciences because of the tragic loss of human potential and the mounting drain on societal resources and compassion.

It is their fate, then, that must be the primary focus of the Urban League movement. This renewed emphasis on our sisters and brothers and children in greatest need honors our original mission, which was to serve those of us in meager circumstances who are seeking access to mainstream society.

How will we pursue this ambitious goal? Given our limited resources, we must concentrate with laser-like focus on those critical areas where we can leverage our unique strengths for greatest impact. I see three areas of concentration for the Urban League:

- The first is the education and development of our children growing up in the inner city so that they have the academic and social skills to be successful.
- The second is to enable their families to become economically self-sufficient.
- Finally, we should encourage racial inclusion so that our folk can participate fully in the mainstream economy.

Let me elaborate on each priority. First, and foremost, our children, for all the obvious reasons. How easy it is to forget, in the flood of

awful articles and newscasts about youth violence, that they are our future.

Look around you at the 500 smart and committed NULITES students. They, too, are our future, though we seldom read or see anything about them in the media. Let's make certain these young leaders know how much we love and appreciate them by giving them a rousing round of applause.

Children growing up in the inner city are being cheated of many supports that are crucial for their success. The Urban League intends to do something about two of them -- education and social development.

There's little mystery about how to do a better job of educating poor children. School reformers, like James Comer, Jeff Howard, Bob Slavin and Ted Sizer, and dedicated teachers across the country have shown convincingly that it can be done. Among the key ingredients are high expectations, challenging academic material and flexible instructional techniques.

Unfortunately, effective teaching and learning for poor children occurs mostly in isolated classrooms led by motivated teachers. It seldom permeates entire schools and school districts. That's largely because districts still aren't genuinely committed to reform or prepared to invest adequately in retooling teachers and principals to take it on in earnest.

What's missing, therefore, is not the way to change, but the will. It'll take concerted outside pressure from parents and community groups to prevail upon school systems to improve the education of inner-city children.

That's precisely where the Urban League comes in. I see us mobilizing and equipping parents and community leaders to become sophisticated and insistent consumers of education for their children.

Let's go house-by-house, living room-by-living room in the inner-city neighborhoods we serve. Let's help parents understand, in

layman's terms, exactly what their children must know and be able to do in order to meet 21st century standards of competency.

If their kids are off course, then encourage them to inquire, constructively yet insistently, exactly what the teachers intend to do about it, by when, and what they, the parents, can do concretely to be supportive.

I repeat. Concerted pressure from sophisticated consumers -- namely parents -- is a major missing ingredient in urban school reform. That's the Urban League's natural niche, our unique contribution to improving the education of our children.

But we cannot stop there. What happens after class is equally important since children spend most of their waking hours outside of school. In the home, of course. But also in extracurricular programs, settlement houses and boys clubs, and organized sports.

Ideally, this is where social development of children occurs. Where their values are shaped. Where they learn to collaborate with others in teams. Where they learn social graces. Where they are exposed to new horizons through visits to museums and such.

That's the theory anyway. The trouble is that in all too many inner-city neighborhoods, this so-called developmental infrastructure has virtually vanished. Many parents these days, especially single moms, are stringing together several low wage jobs just to get by. They simply aren't home in mid-afternoon when their children arrive from school.

Most urban school systems are too strapped financially to provide the rich array of extracurricular clubs that many of us enjoyed as teenagers. Many inner-city settlement houses, assuming they're even still on the scene, are too underfunded and dilapidated physically to provide safe havens and constructive activities for all the children who need them. Municipal park and recreation departments are but a shadow programmatically of their former selves.

But I'll tell you who is well-financed and omnipresent, however. The gangs that are growing everywhere. They've filled the void left by we supposedly responsible adults and have built their own anti-social developmental infrastructure which ensnares youngsters in search of identity and companionship.

Just listen to this chillingly perceptive analysis by a Los Angeles gang leader, one Tee Rogers, of why adolescents join gangs:

What I think is formulating here is that human nature wants to be accepted. A human being gives less of a damn what he is accepted into. At that age -- eleven to seventeen -- all kids want to belong. They are unpeople.

Politicians talk incessantly these days about taking back the streets from criminals. I say we take back our children from the streets and from the gangs, and the streets will take care of themselves.

It's high time that society at large and, especially, we of the African-American community muster the will and the wherewithal to ensure that each inner-city child who needs attention, support and direction has a caring adult in his or her life every day.

We African Americans who have made it must tithe with our time and, more importantly, our money to see to it that those of our children whom the civil rights movement hasn't yet touched also have a real chance to succeed. Volunteer mentors are wonderful. But given their often unpredictable schedules, even the most well-meaning of them aren't reliable enough to provide the continuity of caring needed by these kids.

Let's get right down to cases. I propose that each Urban League affiliate establish a Youth Development Fund and formulate, in conjunction with others in the community, a master plan for delivering youth services after school and over the summer in churches, schools, settlement houses, community centers, safe homes, museums, even National Guard armories.

Mind you, the idea isn't to run our own programs with this money. That would undercut our credibility because people might think it's merely a money grab by us. For the same reason, we probably need a credible, representative panel of community people to disburse the funds. Our goal is to be of service in the broadest sense of the term.

I also see us monitoring the performance of those who receive the funds and connecting contributors with the kids. We should be flexible so that donor groups, like sororities, can retain their identity while giving to the fund.

Where would the money come from? From our young, well-heeled professionals who don't yet have family obligations. From older folk like me whose children are now out of college. From everyone else -- of all races, I hasten to add -- who can afford to give. From those who cannot but are willing to stage fundraisers instead. From groups like the Elks, the frats, and so forth.

How much have I in mind? I belong to a black men's organization, called the Westchester Clubmen. We partner with the White Plains YMCA in providing an after-school program for adolescent African-American boys from the local middle school.

A few Sundays ago, the twenty-five of us put up \$17,000, yes \$17,000, for this year's program. Our grant pays the salaries of the three part-time youth workers who are there with the 17 or so youngsters every weekday afternoon during the school year.

In other words, for a mere \$1,000 annually per child, we can put a caring adult in the daily life of a youngster throughout the school year. Given the frightening realities facing our kids today, how can we afford not to make certain this happens? How can we in good conscience buy that luxury car when a less expensive model would serve our needs plus those of an inner-city youngster as well? Think about it, sisters and brothers.

Our mission, then, is to raise \$500 to \$1000 each year from every African American who can possibly afford it so we can put a caring adult regularly in the life of every child who needs one. If we're

successful, we can then turn the tables on the majority community -- business, government and foundations -- and challenge it to match us for a change.

If we personally buy into this prevention strategy, we'll then be in a better position to say to our elected officials who are obsessed with crime, and legitimately so, that there's a smarter way to spend tax dollars to combat it.

Those 100,000 cops we're about to add under the federal anti-crime bill are the rough equivalent, cost-wise, of 300,000 part-time youth workers. Working at a ratio of one of them to every six or seven youngsters, we could, with the same money, put a caring youth worker in the daily lives of 2 million inner-city youngsters.

Which anti-crime strategy -- 100,000 cops or 2 million inner-city kids tended by a caring adult every day -- do you think would work best? I know which bet I'm prepared to place as a taxpayer.

Back now to our own youth development fund. We obviously need an army of fundraisers to extract this money from our folks. My friends, we've actually got one already enlisted in our cause. We simply need to give them new marching orders with the instruction that there is no more important mission for the Urban League. If need be, tell them: "Uncle Hugh wants you -- now."

And who's that standing army, you might ask? It's the 3000 local Urban League board members, the 3000 members of our local guilds, the thousands of other volunteers who pitch in from time to time, the 2000-plus executives in BEEP (the Black Executive Exchange Program), the 500-strong NULITES students and, yes, the thousands of clients we've helped locally over the years through our training and other programs.

My friends, this mobilization campaign to take back our children from the streets is the manifest destiny of the Urban League movement. Who else has the credibility and the capacity and the connections to pull it off all across the country? If not us, then who? If not now, when? Our children urgently await our answer.

Let me turn now to our second focus area -- economic self-sufficiency for poor families. As I said earlier, the economies of cities have undergone profound changes which have undermined the ability of marginally skilled and low skilled workers of all races adequately to support their families.

Just a generation ago, these blue collar workers were the backbone of the American economy, and celebrated in the media as such. With the destruction of their livelihoods has come the rapid deterioration of their neighborhoods, the onset of despair, the break-up of families whose fathers can no longer be proud providers like my Uncle Edgar, the escalation of violent crime, and the ascendancy of the code of the streets.

Make no mistake, it's all of a piece. Each breakdown begets or exacerbates another. To break the cycle, we must go back to the source of the problem, namely the growing inability of inner-city adults to find legitimate jobs that enable their families to live in dignity with a decent standard of living.

Marvelous as the market economy works for most Americans, it has all but collapsed for inner-city folk. There are fewer and fewer jobs for low skilled workers, especially males. And the wages for those jobs that exist are just plain lousy, all too often at or below the poverty line.

In my view, many politicians and economists are in denial about the depth of this problem. Some blame its victims, saying they don't want to work anyway, despite convincing evidence to the contrary.

Others say high unemployment and low wages for low skilled workers are the natural order of things in modern market economies and that government ought not interfere. Still others argue, optimistically, that there will be a happy ending when technology eventually replaces the lost jobs with more highly skilled and highly paid new ones.

The trouble is that none of these scenarios holds out much hope for inner-city people trapped in poverty today. It's unrealistic to expect all of them to upgrade themselves overnight from laborers and welfare recipients to office workers and small entrepreneurs.

Yet society these days expects everyone to support themselves. And the poor, not unreasonably, expect work to be worthwhile economically. Otherwise, why bother? Only the independently wealthy toil for therapeutic reasons alone.

Government invests lots of money in job training, but largely avoids the ideologically uncomfortable question of whether the market economy is actually creating enough jobs for everyone in the inner city who wants to or is expected to work.

The Urban League will join this crucial issue at several levels. Our bottom line goal, as Brother Herman Ewing of Memphis puts it, is to help dependent people become independently productive. Obviously we must continue our successful job training and placement programs. We'll also encourage entrepreneurship education for our young people and economic development for African-American firms. In this vein, we welcome our partnership with the U.S. Small Business Administration, which has the Small Business Resource Center here.

We will pressure private and public employers to cut poor people in on the local job action, so that everyone has a shared stake in the overall community's quality of life. For instance, what if employers reserved training slots and real jobs for residents of neighborhoods or census tracts with high unemployment rates.

The way I see it, this wouldn't be a politically contentious race-based approach. Instead, it's a more palatable alternative which recognizes that poor people of all races need decent jobs.

But even these local measures may not be enough to employ everyone. There simply may be no alternative to government action if legitimate work is to be reintroduced as the prevailing way of life in poor neighborhoods.

I call upon government to create a new labor-intensive public enterprise to perform services valued by taxpayers. We taxpayers all know there's plenty of infrastructure work to do. Schools are crumbling. Subway and bus stations are strewn with graffiti and railroad rights-of-way are littered with trash. Public parks in cities and suburbs alike are poorly maintained.

Critics of governments jobs programs usually say it's the private sector's responsibility to create jobs. I agree in principle. But when the private labor market comes up woefully short, as it does today in the inner city, then government must step in if people are to work.

How quickly we forget in this post-Perestroika era that the military once was what I've just proposed -- a labor-intensive public enterprise employing thousands of marginally skilled workers who helped produce goods and services -- namely the national defense -- that taxpayers really wanted.

Let's elevate America's infrastructure to the same valued status and alleviate urban unemployment in the bargain. What's several billion in new public dollars invested in schools, parks and people when compared with the billions more now spent much less productively on public assistance for the able-bodied and extra policemen and prisons?

That brings me to my third and final focus area -- helping our racially diverse society work more harmoniously. Belief in racial inclusion goes to the marrow of my bones. My great, great grandfather was a slave named George Latimer. He escaped from his master in Virginia. Latimer fled to Massachusetts, where white abolitionists rallied around him and prevented his recapture.

The incident inspired John Greenleaf Whittier to write a poem about it, entitled "From Massachusetts to Virginia." By the way, Latimer was the father of the celebrated inventor, Lewis Latimer, and the grandfather of the cousin I mentioned earlier, Winifred Norman, who is the goddaughter of Eugene Kinckle Jones.

I fully understand the instinct to separate when we are incessantly under economic siege. When we're still discriminated against some forty years after the Brown decision. And when, thanks to those recurring images on evening newscasts of black youngsters being hauled off to jail, even our honor students are trailed like common thieves when they enter stores.

Even so, it's suicidal economically to become so bitter that we isolate ourselves from others. America is a robustly multicultural society. So is its labor market. For example, I read recently of a small manufacturing firm in Southern California which has 200 workers representing 30 nationalities. That's the new U.S. labor market. We deny this reality at our -- and our children's -- peril.

For all our suffering, we cannot become so fixated on our problems that we ignore our commonality of interest with others. All of the problems I've addressed this evening --inadequate schooling, idle and alienated youngsters, and chronic unemployment -- cut across racial lines. If we're ever to deal with them on a scale remotely equal to their size, we must coalesce with people of other complexions who feel the same pain, even if it isn't yet as acute.

For instance, the expanded Earned Income Tax Credit and, soon I hope, universal health would never happen were they seen solely as our issues. Yet both are of enormous benefit to our people.

Whites of all religions have oppressed us at one time or another. Mormons, Catholics, Jews, Episcopalians, Baptists. We've even been oppressed by our own on occasion. It's a form of reverse racism to single out any specific group of whites for vilification.

Many whites of good will have accompanied us on our long journey for racial, social and economic justice. None has matched the Jewish community as long distance runners in the civil rights movement.

Just as we denounce misleading media stereotypes of African-Americans, it is morally repugnant as well to impugn an entire people, especially long-standing allies, like Jews, because of the unconscionable behavior of some of them.

What constructive purpose is served by driving deeper wedges between races? Of course we must root out any vestiges of racism. But let's not wallow forever in real or perceived grievances lest we become Bosnia some day.

I say, let's get on with making our gloriously multicultural society work. If Nelson Mandela and F.W. DeKlerk can bury the hatchets of hatred and oppression in the sand, instead of one another's heads, and get on with South Africa's future, then surely so can we.

At the same time, our allies should understand that serious-minded African Americans must be free to discuss the acute pain afflicting our community. Even if that means conferring with those with whom we vehemently disagree on other issues.

Dialoguing, even arguing, with those who hold abhorrent views is difficult yet sometimes necessary. Otherwise, opposing sides remain at loggerheads to the detriment of progress. How would U.S. relations with arch-enemy China ever have been normalized had Richard Nixon never met with Mao Tse Tong?

Would there ever have been a Camp David accord had Begin refused to dialogue with Sadat? Did Yitzhak Rabin compromise his moral integrity by meeting with Yassar Arafat as a prelude to today's Middle East peace? Would apartheid ever have ended had Mandela adamantly refused to negotiate with his people's brutal and hated oppressors?

As Churchill once said, "it's better to jaw, jaw, than to war, war." The time-honored role of the Urban League is to build bridges, not just between poverty and plenty, but between peoples of all races and persuasions.

The challenges I've outlined tonight are formidable. But seeing the thousands of Urban League faithful out there and feeling the energy emanating from you, I'm even more confident than when I took office that we're equal to them.

Why am I optimistic? Because Americans are beginning to see the connection between the nation's economic competitiveness and their own quality of life, on the one hand, and the decline of cities and the persistence of urban poverty, on the other.

They're finally connecting the dots between these phenomena. That's due in no small part to a President and First Lady who really understand and genuinely care about these issues, about our issues. That's a rare and welcome combination in elected officials these days.

I see a greater sense of shared risk, which is the necessary prelude to shared responsibility for finding solutions to our problems. And there's a growing sense that the social compact between society and the individual needs strengthening on both sides.

One side defines what people owe society -- personal responsibility, nurturing their children, supporting themselves and their families, and abiding by society's laws. The other side defines what society owes its citizens -- the opportunity to be self-reliant and protection from anarchy at home and invasion from abroad.

In recent decades, important elements of both sides of the social compact have eroded due to the profound economic changes sweeping the developed world, including our own country.

Many individuals are shirking responsibility and wreaking havoc on fellow citizens. Meanwhile, society has reneged on its obligation of providing reasonable access to opportunity for all. The result is the chaos we now see in cities.

We of the Urban League must work with our own in restoring personal responsibility -- taking family obligations, child-rearing, education, self-reliance and citizenship seriously.

But society must update and then uphold its end of the bargain. What use is talk of opportunity when poor people see so little of it? The social compact must be revised so that self-reliance, with dignity and a decent standard of living, is an everyday reality instead of empty rhetoric.

To pursue the ambitious agenda I've outlined tonight, the Urban League must become a force to be reckoned with, not merely another minority face at the table.

That means reinvigorating and focusing our movement for maximum effectiveness. That means creating a state-of-the-art organization that's equipped today for the 21st century.

That means speaking once again with the authority that derives from our own research, our own innovative yet realistic ideas, and our own thorough critiques of the policies and approaches of others.

And that means backing our intellectual credibility with the clout of a vast network of influential and effective affiliates which are deeply rooted in their communities.

This is a tall order, but I'm absolutely confident that we're equal to it. Why? Because of the firm foundation that you in this vast audience have built over 84 years of service to our folk. Because of our unparalleled strengths -- a proud history, a treasured household name, a terrific track record, a vast army of volunteers, and an affiliate network that delivers the goods every day for our people.

I'm often asked in interviews whether the Urban League has lost touch, whether we're relevant any longer to the needs of ordinary, as opposed to affluent, African Americans. What's my reply?

Just come with me, I say, to Africa Square Park in Liberty City and listen to T. Willard Fair tell you how the Miami Urban League recaptured that park from drug dealers and transformed it into a safe haven for children, complete with constructive programs after school and over the summer.

Come to Memphis and talk, as I did, to the public housing mother of five who told me how she's on her way to economic self-sufficiency thanks to the Urban League's Skill Center training.

Come with me to the Chicago Urban League to see Jim Compton's impressive research department which prepared the definitive state-wide study of school finance inequities that cheat poor children of better educations.

That's the impressive and relevant work that skeptics would see in the field today were they actually to take a look.

Still, to those of us in this remarkable and respected movement, I say, that's great, but not yet good enough. Together we must take the Urban League to an entirely new plateau of effectiveness and impact for our people.

That's "the something more important" that my daughter predicted I was being saved for. That is your charge to me as I take office, And that is my challenge to you tonight. That is the manifest destiny of this great movement.

Ladies and gentlemen, it's time we get on with our calling. Let this 84th Annual Conference of the Urban League begin.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20410-0001

FAX TRANSMISSION

AUG - 5 REC'D

DATE: Aug 4

NUMBER OF PAGES (including this page) 4

To: Carl Rasco

FROM: Secretary Cisneros

PHONE: _____

COMMENTS: For your review for tomorrow's urban
policy meeting



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

THE SECRETARY

WASHINGTON, D.C. 20410-0001

M E M O R A N D U M

FOR: Jack Quinn
Carol Rasco
Robert Rubin

FROM: Secretary Cisneros

DATE: August 4, 1994

SUBJECT: National Urban Policy

I know you will be meeting tomorrow to start framing a national urban policy for the Administration. I would like to present you my current thoughts on what principles might inform a strong, broad-based urban strategy. As you can see in the attachment, I have also tried to demonstrate how current and future Administration initiatives might fit within this policy framework.

Please give this chart an honest assessment. I would like to discuss these ideas with you further.

POSSIBLE PRINCIPLES FOR A NATIONAL URBAN POLICY

APPLICABLE ACROSS DEPARTMENTS

Principles

Metropolitan Responsibility

Bottom-Up Strategies

Work and Responsibility

Examples

Edley's Metropolitan Empowerment Zones
HUD's Choice in Residency (Mobility Counseling
Challenge Grants for Regional Collaboration
Urban Partnerships (e.g. Utilities, Hospitals, Universities, Religious
Institutions)
Consolidated Planning -- DOT/HUD/Commerce (EDA)
ISTEA
Fair Housing/Fair Lending Initiatives

Economically Integrated Communities
Large Tract Homeownership
HOME
Empowerment Zones/Enterprise Communities
Low-Income Housing Tax Credit
Community Development Corporations (NCDI)
CDFI
Security and Defensible Spaces
Community Policing
Crime Prevention

HUD-DOL Collaboration
School Reform
Reich's School to Work Transitions
Reemployment Act
Brown's EDA Initiatives
National Service
Siting of GSA Facilities
Welfare Reform/Time Limits
Rewarding Work in Public and Assisted Housing

Principles (cont.)

Empowering Families Most in Need

**Excellence in Urban Management/
Innovation/Accountability**

Examples (cont.)

Rubin's Socialization/Mentorship/Job Preparedness Strategy

Head Start

Health Care Reform

Consolidation of Homeless Programs

Demolition of Large Public and Assisted Housing Developments

Support Systems for Families and Children

Jobs Programs for Unemployed Minority Youth

Consolidated Planning

Partnership Against Crime Together (PACT)

Operation Safe Home

Break Up of Monopoly of Public Housing Authorities

Performance-Based Monitoring

EXECUTIVE OFFICE OF THE PRESIDENT

03-Aug-1994 10:00am

TO: (See Below)
FROM: Linda J. McLaughlin
Economic and Domestic Policy
SUBJECT: Urban meeting

The urban meeting currently scheduled for today in Bob Rubin's office has been moved. The new date and time are:

Friday, August 5
2:00-3:00
Bob Rubin's office

Invitees:

Alice Rivlin
Carol Rasco
Jack Quinn
Bob Rubin
Bill Galston
Bruce Reed
Gene Sperling
Kumiki Gibson
Paul Dimond
Paul Weinstein
Belle Sawhill (for Chris Edley)
Sheryll Cashin
Sylvia Mathews

Linda

Distribution:

TO: Patricia E. Romani
TO: Kelly, Erin C.
TO: FAX (93951005, Val for Rivlin)
TO: Paul A. Deegan
TO: Bruce N. Reed
TO: William A. Galston
TO: Paul R. Dimond
TO: Sheryll D. Cashin

TO: Kumiki S. Gibson
TO: Isabel Sawhill
TO: Sylvia M. Mathews
TO: Paul J. Weinstein, Jr

CC: Christopher F. Edley, Jr

EXECUTIVE OFFICE OF THE PRESIDENT

01-Aug-1994 03:38pm

TO: (See Below)

FROM: Christopher F. Edley, Jr.
Office of Mgmt and Budget, EG

SUBJECT: RE: Thursday meeting on Urban issues

I'll be fishing in Idaho from Tuesday (tomorrow) through Monday.
I'll try to do a quick note to Bob with my general thoughts.

Thanks.

Distribution:

TO: Linda J. McLaughlin

CC: Patricia E. Romani
CC: Kelly, Erin C.
CC: Paul A. Deegan
CC: Patrick W. Lester
CC: Kumiki S. Gibson
CC: Paul R. Dimond
CC: Paul J. Weinstein, Jr
CC: Sheryll D. Cashin
CC: Sylvia M. Mathews

Summary of Urban Policy Review Issues and Direction

The Problem to be Addressed: Distressed, economically isolated communities, particularly inner cities and the growing concentrations of poverty in these communities. Left unaddressed, this problem will only lead to further economic and social decline for the people who live there, for surrounding regions and the nation as a whole. Thus, this policy review will focus on solving the problems of distressed communities and the people who live there. We will not focus exclusively on people or on places; as with the Empowerment Zones initiative, we recognize that we must have policies that help both people and places. Distressed communities and their residents must find viable niches or opportunities in their surrounding regional economy or they will only become further isolated.

Goals of Urban Policy Review: To develop a decision memorandum for the President that reflects various strategic options for addressing the problem. The options would reflect courses of action he should consider taking both with respect to the FY 96 budget and in the coming year.

Strategic Options: Although the problem focus is distressed urban communities, the strategic options for addressing this issue range in scope and focus. Potential options for addressing the problem can be placed in the following categories: (1) budgetary programs that focus exclusively on distressed communities or poor populations; (2) budgetary programs that have a broader focus but will have a concentrated impact on distressed communities; (3) non-budgetary, private sector initiatives; and (4) non-budgetary efforts that focus on governance and process. Using this framework, options presented in the first draft of the urban policy review can be categorized as follows, however, none are mutually exclusive:

1. Direct Expenditures for Distressed Communities.

Disadvantaged Youth Development Strategies: support Community Schools provisions of Crime Bill; Welfare Reform "good shepherd partnerships" to develop youth and empower parents.

Job Linkage Networks for Disadvantaged youth and Adults: invest more in current efforts by DOL to replicate successful models like CET (JTPA Title II), and invest more in other targeted job linkage efforts like the Job Corps expansion, HUD's Step-Up, Youthbuild, and Youth Apprenticeship programs.

Direct Job Creation for Disadvantaged Youth and Adults: support Y.E.S. program in Crime Bill, WORK program of Welfare Reform; consider neighborhood / infrastructure rebuilding efforts that will employ residents.

Tax Credit for Commercial Development in All Distressed Communities. (5% ITC, analogous to the LIHTC, for opening clusters of retail, commercial and service stores in distressed areas) (might also be offered for clean-ups of industrial sites).

Fully fund (or expand) existing priorities that focus on distressed communities: CDBFI, SBA One Stop Capital Shops; Empowerment Zones/Enterprise Communities additional appropriations (ZEDI); Head Start increases, ESEA.

Metropolitan Approaches. Proposals, such as the MEZ proposal, that would use new expenditures to stimulate comprehensive, metropolitan-wide solutions to urban distress -- solutions that could focus on any of the types of strategies mentioned above. MEZ proposal features a national dialogue to build national and regional consensus on an "urban report card," planning grants, and flexible funding and program deregulation to 12 regions.

Tax Incentives for EZ/EC Round II. Limited menu of capital tax incentives designed to promote regional cooperation and provide a second round of EZ/ECs.

Very-Low Budget Option for EZ/EC Round II. Expand PACT Communities process (which is metropolitan-wide) to 30-40 additional communities for \$8 million.

2. Broader Focus Expenditures with High Impact on Urban Distressed Communities.

Lifelong Learning Initiative: Would include increased funding for Goals 2000; School-to-Work (especially existing grants for high-poverty areas); Income-contingent loans; National Service, etc..

Infrastructure Bank, GSE or Financing. Options memo expected in September and it will include discussion of targeting to distressed communities.

Mayors' Priorities: Restoring Historic Rehabilitation Tax Credit and other changes to 1986 Tax Act.

3. Non-Budgetary, Private Sector Initiatives.

National Campaign for Youth Opportunity and Responsibility. Set national goals for youth development and economic integration. Create a national, non-governmental entity to pursue these goals and attract private-sector capital for local youth development partnerships. (If Crime bill prevention and welfare reform pass, the campaign would be a counterpart to those federal efforts.)

National Homeownership Strategy. Use tools of HUD, FHA, Fannie and Freddie to provide low- and no-downpayment loans to eligible low- and moderate-income purchasers; coordinate outreach and education to generate a national homeownership rate of 66 percent by the year 2000. Campaign would be led primarily by HUD.

4. Non-Budgetary, Governance/Process Initiatives.

Metropolitan Empowerment Zones and Incentives for Regional Cooperation.

(Non-budgetary version.) The MEZ proposal could be pursued in a budget neutral fashion by seeking statutory authority to create flexible funding awards from existing programs and use these as incentives to promote regional cooperation. The National Dialogue on Metropolitan Solutions, as called for in the National Urban Policy Report, could be used as a campaign for passage of such legislation.

Waivers/Local Flexibility Act. (The bill is still a part of the Conference for S.4 and could pass.) Could be used to reward EZ/EC applicants that did not receive EZ or EC designations.

Mayors' Priorities: Unfunded Mandates (Glenn/Kempthorne compromise would require an authorization to fund any new mandate); Federal Urban Purchasing Preferences; urban location preferences for Federal facilities .

Reinventing Public Housing; Consolidating HUD Programs.

Concentrating Energies on Good Implementation of Existing New Initiatives: Community Enterprise Board/EZs and ECs; Goals 2000, School-to-Work, CDBFI, etc. (This would include coordination of youth development programs through the Ounce of Prevention Council if the Crime Bill passes).

Address Urban Environmental Challenges: investigate non-budgetary options for promoting redevelopment of abandoned urban industrial "brownfields."

Urban Policy Review: Proposed Next Steps

1. **August 12, 1994.** Send out a letter to relevant Cabinet Secretaries notifying them of a principals meeting, tentatively on Friday, August 19.
2. **August 19, 1994.** Principals meeting. Present framework and seek agreement on framework and process for urban policy review. Propose and seek agreement on a schedule for an urban policy working group to report back to principals, preferably no later than September 30.
3. **August 23, 1994.** Convene first meeting of urban policy working group. Goal of meeting should be to assign core strategic options to staffpersons to develop and present at later meetings.
4. **Late-August to Mid-September.** Convene working group meetings to discuss presentations of core strategic options. Discussion of options should include advantages and disadvantages and potential improvements. Presenters should include discussion of how the options address the problems of distressed communities and the performance outcomes expected from these options.
5. **Mid-September to September 30.** Draft a decision memorandum to the President reflecting core strategic options and relative advantages and disadvantages.
6. **October 3, 1994.** Hold principals meeting to discuss decision memorandum.
5. **October 4-7, 1994.** Send revised decision memorandum to the President.

ETR & press

THE WHITE HOUSE

WASHINGTON

August 4, 1994

MEMORANDUM FOR CAROL RASCO ✓
BOB RUBIN
JACK QUINN
GENE SPERLING
BRUCE REED
BILL GALSTON

FROM: Sheryll Cashin
Paul Dimond
Paul Weinstein
Kumiki Gibson

SUBJECT: DRAFT URBAN POLICY REVIEW PAPER

In preparation for the August 5 meeting, please find attached a copy of the Urban Policy Review Paper. We view this as a work in progress that will need to be refined and revised. This joint DPC-NEC endeavor, in conjunction with the Office of the Vice President, includes the ideas, information, expertise, and hard work of several individuals throughout the White House, EOP, and the federal agencies. Special thanks goes to Sheryll Cashin of the NEC for coordinating this mammoth undertaking.

Executive Summary

We have moved on several policy fronts to implement core New Democrat campaign promises that expand opportunity, reward responsibility and promote community in distressed inner-city (and rural) areas. These efforts can be roughly divided into (1) economic and community development investments and (2) investments in people. Regarding the former, the three major community development promises of the campaign -- Enterprise Zones, CRA Reform and Community Development Banks are well on their way to becoming a reality. We succeeded in passing and are now implementing an Empowerment Zones program; final passage of the CD Bank bill is expected shortly; and final CRA regulatory reforms are expected to be issued this fall. With respect to investments in people, we have moved to expand WIC, childhood immunizations, Headstart and EITC; enacted and are now implementing Goals 2000, School-to-Work, National Service, and Direct Student Loans; and final passage of ESEA is expected shortly. With respect to many of these investment proposals, however, we are garnering an average of only 50 cents for every dollar of appropriations requested.

In addition to these initiatives, we are working on passage of the Crime Bill, Health Care Reform, and the proposed Welfare Reform, which will help low- and moderate-income working families and neighborhoods realize their full potential. Finally, we have stepped up enforcement efforts to root out discrimination and other restrictions in lending, housing and employment which limit the opportunity of families and communities to connect to the main streams of economic growth.

Over the past three months, we have also completed an urban policy report which takes a hard look at the role of cities in the globally competitive, technologically advanced economy which increasingly rewards higher skills and continuous learning. The thematic focus of the report is the interwoven destinies of cities and suburbs in this new economy. It asserts that (1) metropolitan regions are the building blocks of the U.S. economy; (2) the overall performance of metropolitan regions is tied to the performance of central cities; and (3) central cities have clusters of assets which are of increasing value in the new economy; and (4) inner-cities have potential comparative advantages that can benefit each region but, far too often, are not being utilized, leaving inner-cities and their residents isolated. The report argues for metropolitan solutions that take advantage of unique assets in central and inner-cities and promote private-sector growth of the entire region. To this end, the report describes the major administration initiatives in a framework, the "Community Investment Strategy," aimed at making inner-cities more competitive and linking their residents with the surrounding regional economy. The Report, which has not yet been released, also calls for Secretary Cisneros to lead a national dialogue on how to promote metropolitan solutions to urban problems.

This paper provides a framework for thinking about the question, "Where should the Clinton Administration go from here regarding urban policy?" We present a number of strategic options and address the advantages and disadvantages of each option regarding budget, policy, and message. We begin with a brief overview of existing efforts in the areas of community development, human capital investment, and federal reinvention and

coordination.

The strategic options presented in this paper include:

(1) An All-Out Campaign to Fully Fund and Build on Existing Initiatives -- Under this approach the administration would place a moratorium on new legislative initiatives, and aggressively seek full funding for priority investments, and concentrate energies on quality implementation of our numerous new initiatives, including School-to-Work, Empowerment Zones/Enterprise Communities, CDBFI, Goals 2000, etc.

(2) A Human Capital Investment Agenda (Alternatively, A Youth Development Agenda) -- With the rapid rise of violent crime among teenagers, the dramatic increase in unwed teenage pregnancy, the extremely high unemployment rates among inner-city youth and young adults, particularly African-American males, there clearly are needs for dramatic intervention that coincides with the public's concern for safety and long-term economic security. Many Administration officials believe that we do not have a genuine youth development and employment policy and that this is a singular need if we are to solve the problems of the inner-city. The need for such policies stems primarily from the increasing absence of socialization functions (strong families, after-school programs, etc.) for youth in distressed communities. This agenda focuses on youth development strategies for ages 10-18, mentoring, job linkages, job creation, and a national campaign on youth.

(3) Economic Development, Follow-Ons to Empowerment Zones, and Promoting Metropolitan Regional Solutions -- This section presents three options that reflect both the concern to promote regional solutions to solve inner-city problems and the concern that we offer a second round of EZs. The first option, "Metropolitan Empowerment Zones," (MEZ) features a national dialogue designed to build national and regional consensus on an "urban report card," planning grants, and flexible funding and program deregulation to 12 regions. The second option, focuses on tax incentives that might be sought in the next budget reconciliation, for a second tier of EZs and ECs that will catalyze metropolitan cooperation. The third is a "very-low-budget" option that builds on the PACT communities process to reward 30 to 40 communities that submitted EZ/EC applications but did not receive an EZ designation. Also included is a capital tax incentive proposal that would apply to all distressed communities.

(4) Mayors' Agenda -- Focuses on ways to revitalize urban america, including an infrastructure bank, unfunded mandates legislation, federal procurement preferences for cities, etc. that, it is argued, are of little relative cost to the federal government.

(5) Homeownership, Ending Public Housing As We Know It, and Renewing Neighborhoods -- This proposal suggests a series of steps to end public housing as we know it and to substitute a new national public housing policy built on choice in residence, mixed-income neighborhoods, increased home ownership and affordability of rental housing, and a transition from dependency to self-sufficiency.

Draft Urban Policy Review Paper

DRAFT

I. Introduction

We have moved on several policy fronts to implement core New Democrat campaign promises that expand opportunity, reward responsibility and promote community in distressed inner-city (and rural) areas. These efforts can be roughly divided into (1) economic and community development investments and (2) investments in people. Regarding the former, the three major community development promises of the campaign -- Enterprise Zones, CRA Reform and Community Development Banks are well on their way to becoming a reality. We succeeded in passing and are now implementing an Empowerment Zones program; final passage of the CD Bank bill is expected shortly; and final CRA regulatory reforms are expected to be issued this fall. With respect to investments in people, we have moved to expand WIC, childhood immunizations, Headstart and EITC; enacted and are now implementing Goals 2000, School-to-Work, National Service, and Direct Student Loans; and final passage of ESEA is expected shortly. With respect to many of these investment proposals, however, we are garnering an average of only 50 cents for every dollar of appropriations requested.

In addition to these initiatives, we are working on passage of the Crime Bill, Health Care Reform, and the proposed Welfare Reform, which will help low- and moderate-income working families and neighborhoods realize their full potential. Finally, we have stepped up enforcement efforts to root out discrimination and other restrictions in lending, housing and employment which limit the opportunity of families and communities to connect to the main streams of economic growth.

Over the past three months, we have also completed an urban policy report which takes a hard look at the role of cities in the globally competitive, technologically advanced economy which increasingly rewards higher skills and continuous learning. The thematic focus of the report is the interwoven destinies of cities and suburbs in this new economy. It asserts that (1) metropolitan regions are the building blocks of the U.S. economy; (2) the overall performance of metropolitan regions is tied to the performance of central cities; and (3) central cities have clusters of assets which are of increasing value in the new economy; and (4) inner-cities have potential comparative advantages that can benefit each region but, far too often, are not being utilized, leaving inner-cities and their residents isolated. The report argues for metropolitan solutions that take advantage of unique assets in central and inner-cities and promote private-sector growth of the entire region. To this end, the report describes the major administration initiatives in a framework, the "Community Investment Strategy," aimed at making inner-cities more competitive and linking their residents with the surrounding regional economy. The Report, which has not yet been released, also calls for Secretary Cisneros to lead a national dialogue on how to promote metropolitan solutions to urban problems.

This paper provides a framework for thinking about the question, "Where should the Clinton Administration go from here regarding urban policy?" We present a number of strategic options and address the advantages and disadvantages of each option regarding budget, policy, and message. We begin with a brief overview of existing efforts in the areas of community development, human capital investment, and federal reinvention and coordination. (See Appendix A for one-page summary of policy development processes and initiatives).

The strategic options presented below include:

- (1) An All-Out Campaign to Fully Fund and Build on Existing Initiatives;
- (2) A Human Capital Investment Agenda (Alternatively, A Youth Development Agenda);
- (3) Economic Development, Follow-Ons to Empowerment Zones, and Promoting Metropolitan Regional Solutions;
- (4) Mayors' Agenda; and
- (5) Homeownership, Ending Public Housing As We Know It, and Renewing Neighborhoods.

These options are not mutually exclusive. But they inevitably compete for limited funds in the budget, as well as for the limited time and attention of the President, the White House, the Agencies and the public.

II. Existing Policies and Funding

In the past year, we have pursued new initiatives and increased funding in three broad areas that directly affect distressed communities and/or disadvantaged individuals: (1) Capital Access and Community Development; (2) Lifelong Learning/Human Capital Investments; and (3) Federal Coordination and Reinvention.

A discussion of health care reform is beyond the scope of this paper. However, reforms designed to achieve universal coverage should disproportionately benefit urban areas, as they have high concentrations of uninsured residents. Welfare reform and the Crime Bill, which are discussed below, will have similarly concentrated impacts in urban areas.

A. Capital Access and Community Development.

In the first year of the Clinton Presidency, the Administration focused heavily on the issue of access to capital for underserved communities. We produced a series of interrelated initiatives that amount to a credible capital access agenda -- one that provides incentives both to build community-based lending and underwriting capacity and involve the mainstream banking sector. In addition, the Administration has pursued several initiatives designed to foster economic development and job creation in low- and moderate-income communities. These initiatives include:

- a. CRA Reform.
- b. Community Development Banks and Financial Institutions.
- c. Empowerment Zones and Enterprise Communities
- d. SBA One Stop Capital Shops
- e. Capital gains rollover and exclusion for investments in SSBICs
- f. Individual Development Accounts (Welfare Reform Bill)
- g. Microenterprise Demonstrations (Welfare Reform Bill)
- h. Fair Lending Enforcement
- i. HUD-GSE Home Ownership Partnerships; HUD Pension Fund Investment Partnerships
- j. Permanent extension LIHTC, Mortgage Revenue Bonds
- k. HUD Neighborhood and Community Development initiatives: LIFT, Community Viability Fund, Sec. 108 -- Economic Development Initiative, National Community Development Initiative (NCDI), Zone Economic Development Initiative (ZEDI).
- l. Commerce: EDA Competitive Communities.

Appropriations Issues: We were successful in procuring \$3.5 billion (of an initial request of \$4.1 billion) in tax incentives and flexible grants for the Empowerment Zones and Enterprise Communities Initiative. On average, we are receiving about ___% of our capital access/community development appropriations requests for FY'95. The following are some of the key community development items that are experiencing funding problems.

(1) CDBFI -- Amount requested for FY95: \$144 million. Amount appropriated for FY95: \$ 125 million in Senate; \$0 in House. There will be a diversion of up to 1/3 of funds for subsidies provided for under the Bank Enterprise Act.

(2) SBA One Stop Capital Shops -- Amount requested for administrative costs for FY95: \$3.57 million. Amount appropriated: \$0 in Senate; \$1.786 million in House. SBA contends that it simply cannot absorb these administrative costs given other cuts it has faced and that these costs will be critical to strong implementation. [Waiting for further info from SBA re SBIC program]

(3) EZ/EC Zone Economic Development Initiative (ZEDI) -- Amount requested for FY 95: \$500 million. Amount appropriated: \$0 in House; Senate taking it up shortly).

(4) Other HUD Project-based Community Development -- \$300 million for LIFT, etc. -- were also zero-funded in the House.) [check status with Ted Wartell]

B. Lifelong Learning (Human Capital Investment for Disadvantaged Populations).

The President's lifelong learning agenda aims to systematically increase the opportunities for ordinary Americans to learn and prepare for participation in the new economy with the expectation that they will take responsibility for their economic futures.

1. Families, children and youth. By the end of the first session of Congress, the Administration will have in place several of the elements of a comprehensive foundation for child readiness to learn and increasing the capacity of new cohorts of children and youth to find clear pathways to successful entry into the labor market and higher education. Elements of this foundation include:

- a. Increased funding for WIC, childhood immunization, Headstart
- b. EITC Increase to Make Work Pay for Families with Children
- c. Goals 2000 and ESEA reauthorization
- d. School-to-Work
- e. National Service (50% targeted to urban communities [check])
- f. Dramatically expanded student aid through more affordable and flexible student loans

Appropriations/Implementation issues: For FY95 Congress is appropriating only about 50 cents on average for every dollar increase requested in our budget for these programs. For Head Start we obtained only about 28 cents for every dollar in increases requested for FY95. In addition to problems with funding, we face difficult implementation challenges. The Head Start and childhood immunization expansion, Goals 2000, School-to-Work, and National Service/student aid initiatives are at the beginning of a multi-year campaign of implementation that will require sustained efforts if we are to achieve our ambitious goals. Goals 2000 and School-to-Work, for example, will require 10 years of systematic reform and persistent efforts to influence the behavior of states.

b. Adults and older Youth. The basic principles of the proposed Reemployment Act (REA) include (1) transforming the unemployment system so that most dislocated workers get back to work faster; (2) enabling the few dislocated workers with obsolete skills to obtain extended retraining for new jobs; and (3) encouraging the development of effective one-stop shopping centers for relevant labor market information. We are hard at work with Congress and the relevant constituency groups to embrace these principles, but the prospect for passage of REA is uncertain at this point. (How this effort to agree on basic principles will impact our ability to transform all vocational, adult, and "second chance" training programs that are subject to reauthorization in the next Congress is also uncertain.)

Authorization Issues: REA will require extension of the 0.2% FUTA tax in the out years, and some increase in funding to encourage leading states and localities to implement effective, performance-driven reemployment and one-stop approaches.

C. Federal Coordination and Reinvention for Distressed Communities

Community Enterprise Board. On September 9, 1993, the President established through Presidential memorandum the Community Enterprise Board. The Board is chaired by the Vice President; Bob Rubin and Carol Rasco serve as Vice-Chairs. Since its establishment, staff at the 15 agencies represented on the Board have been working hard with HUD and USDA in implementing and administering the empowerment zones/ enterprise communities program. In addition, the Board has been assisting the States of West Virginia and Indiana in implementing their plans to provide for the seamless delivery of scores of federal and state children and family programs through community-based outlets. A subcommittee of the Board has also been working on policies related to economic development in Indian country. Finally, we have had some success in working with Congress on The Local Flexibility Act, which would give agencies on the Board more waiver authority so that the Board could respond to comprehensive waiver strategies.

Local Empowerment and Flexibility Act of 1994. Countless governors, mayors, and community organizations contend that what they need to redress the ills of our decaying central cities is more flexibility in existing programs -- not more federal funding. Such flexibility is also critical in order for us to fully support the designated zones and communities. For these and other reasons, including the fact that NPR recommended such action, we have worked hard to obtain legislation that would provide us with this flexibility.

During the deliberations on S.4, the National Competitiveness Act, Senator Hatfield introduced as an amendment regarding flexibility that is similar to language that the Administration drafted shared with Congress. This provision appears as Title XI of S.4. and allows the Community Enterprise Board to select thirty sites to receive special consideration and treatment from the federal government with respect to its programs -- including specifically administering programs in the manner specified by the approved plans and

"waiv[ing] any requirement under Federal law" that is "reasonably necessary for the implementation of the plan" and "approved by a majority of members of the [Board]." The provision was presented to the House conferees on August 2, 1994. Because some believe that this provision may threaten S.4, we have been asked not to work for its passage.

Pulling America's Communities Together. Pulling America's Communities Together ("PACT") is an inter-agency effort designed to empower communities to reduce crime and violence. (Agencies involved in this effort include Education, HUD, HHS, Labor, Justice, and ONDCP.) Through PACT, the federal government fosters and supports the development of broad-based, holistic state and local efforts designed to secure community safety. It accomplishes these objectives by assisting communities in developing violence-reduction strategies; developing a database that will link local jurisdictions to specific federal departments, agencies, and programs; and coordinating the delivery of existing relevant federal programs.

The inter-agency group has started PACT projects in four sites: metropolitan Atlanta, the City of Denver and its surrounding counties, the state of Nebraska, and Washington, D.C. These sites are working hard reviewing the crime problems of their jurisdictions and developing solutions to address those problems and have generated strong responses and cooperation in those sites. However, the extent to which these sites succeed at reducing crime/violence is unclear at this juncture.

D. Other Key Initiatives: Welfare Reform and the Crime Bill

1. Welfare Reform. The President's Work and Responsibility Act proposes to make welfare a transitional program designed to move people into work as quickly as possible. The proposal would transform welfare by imposing time limits and work requirements while enhancing funding for education, training and employment services. If passed and funded, by the year 2000 the Bill would result in the following key impacts:

- . 400,000 subsidized new jobs will have been created, most in high unemployment urban areas. Almost 1 million people will either be off welfare or working, as a result of time limits and work requirements for a AFDC recipients born after 1971.
- . Federal child support collections will double.
- . Teen pregnancy prevention programs will be operating in 1000 middle and high schools in disadvantaged neighborhoods.
- . All hospitals will have programs in place to establish paternity at birth. And a national clearinghouse will be in place to enable inter-state tracking and enforcement for child support payments.

Teen Pregnancy Prevention Initiative. The Clinton Welfare Reform Bill contains one key provision that, if passed and funded, could provide a foundation for broader strategic human capital interventions in distressed urban communities. Under the Teen Pregnancy Prevention Initiative, about 1000 schools and community-based programs will be provided flexible grants, ranging between \$50,000 and \$400,000 each. Communities will be expected to use these funds to leverage other resources to implement teen pregnancy prevention programs that have local community support. Funding will be targeted to schools with the highest concentration of at-risk youth. The goal will be to work with youth as early as age 10 and to establish continuous contact and involvement through graduation from high school. Each local program will be supervised by professional staff and, where feasible, will be supported by a team of 5-7 National Service participants. The Bill requests authorization of \$300 million over six years for the Initiative plus an additional \$100 million for 12 cost-intensive, comprehensive service prevention demonstrations. The Initiative also commits the President to leading a national campaign against teen pregnancy. National goals may be developed to guide the campaign, and a non-profit, non-partisan privately funded entity may be established to pursue these goals by involving and challenging a wide range of private sector, non-profit, religious and educational institutions and partners.

2. Crime Bill. The \$30 billion Crime Bill, reported out of conference last week, contains several key provisions of importance to Urban areas, many of which offer direct grants to municipal governments and community-based organizations.

- a. **Community Policing** -- 100,000 Cops. \$8.845 billion. Half of the 100,000 new police will go to large cities and counties (over 150,000 persons).
- b. **Ounce of Prevention Council.** \$100 million in grantmaking authority for innovative children and youth programs and coordinating authority for all new federal youth development and youth-oriented crime prevention initiatives.
- c. **Y.E.S.** -- President's Youth Employment and Skills program. \$ 900 million (\$650 from the Crime Bill Trust Fund) for jobs to substantially raise the employment levels in approximately 15 to 20 high unemployment, inner-city neighborhoods.
- d. **Community Schools and Child-Centered Activities.** \$900 million for after school and year-round extracurricular programs (\$670 administered by HHS; \$230 administered by DoED).
- e. **Local Partnership Act.** \$1.8 billion for formula grants to thousands of American cities for unspecified educational, job and drug treatment programs that prevent crime.
- f. **Model Intensive Grants.** \$895 million for comprehensive crime prevention programs in 15 chronic, high-intensity crime areas. Competitive program administered by DOJ.
- g. **Gang Prevention.** Total of \$187 million for juvenile drug trafficking/gang prevention (\$125), midnight sports leagues (\$40), and GREAT (Gang Resistance Education & Training) program (\$22).
- h. **Miscellaneous Youth Programs.** Total of \$245 million for Community Youth Academies (\$40), Hope in Youth (\$20), Anticrime Youth Councils (\$5), Boys and Girls Clubs (\$30), Police Partnerships for Children (\$20), Olympic Youth

Development (\$50), Youth Violence Prevention (\$50), Child Visitation (\$30).
i. National Community Economic Partnership. \$300 million in matching funds for building capacity of CDCs, to be administered by HHS (Community Services).

In sum, the Crime bill contains almost \$9 billion for new cops, over \$2 billion in new funding for youth development, almost \$3 billion in new funding for local governments to develop crime prevention strategies in high crime areas, and \$300 million for community-based development organizations. Initial funding for prevention programs is not likely to be appropriated until FY96. (Two-thirds of the FY95 funds will be allocated to policing and all other programs will compete for the remainder.) All funding is subject to discretionary spending caps. However, because the funding for the Crime Bill is tied to a "use-it-or-lose-it-to-deficit-reduction" trust fund, this funding is likely to materialize as cuts in the Federal workforce proceed. Because this funding is subject to discretionary budget caps, opportunities for additional discretionary funding for interventions targeted at youth or distressed communities may be extremely limited.

III. Strategic Options

The following discussion considers strategic options for urban policy that would be Presidential priorities and drive Agency and White House action. In evaluating these options, it will be important to consider to what extent the President's involvement is critical to achieving long-term success. The options are not mutually exclusive. However, there clearly is a limit to what the budget, staff time and the President's personal agenda can bear. In addition, these options are not meant to suggest that other, complementary policies are not worthy of pursuit by the Administration.

A. An All-Out Campaign to Fund and Build on Existing Community and Human Development Priorities.

As noted above, on average, the Administration is achieving about ___% of funding requests for the Capital Access and Community Development Agenda and about 50% of the increases in human capital investments that target disadvantaged populations. Even without a single new initiative, we face difficult challenges in seeing to it that the Administration's "Community Investment Strategy," as articulated in the President's upcoming National Urban Policy Report, is fully-funded and well-implemented. With this Community Investment Strategy, the Administration has a potentially strong foundation on both the community development and human capital fronts. Several Administration officials argue that the strongest course for the Administration would be to fight to fund and implement well what we have, rather than further dissipate resources (time, energy and funds) to pursue new initiatives. Described below is an action plan for implementing and selling the Community Investment Strategy.

1. Declare a moratorium on new legislative initiatives, aggressively seek full funding for priority investments, and concentrate energies on quality implementation. The programs listed below, which are closely associated with the New Democrat promises of the campaign, would be identified for Congress and the American public as priority Presidential investments. The White House would identify these as priorities in their dealings with Congress and would request that the Agencies make it clear in their deliberations with Congress as well. The White House would also request that the Agencies refrain from launching any new legislative initiatives (i.e. that involve the creation of new programs) in the remainder of the presidential term and make every attempt to concentrate their energies and resources on existing efforts, particularly the priorities described below. Likely priorities include:

Community Development:

Community Development Banks and Financial Institutions

SBA One Stop/Capital Shops

Empowerment Zones -- Appropriation items included menu of additional federal programs (including ZEDI)

Human Capital:

Head Start Increases

Goals 2000

School-to-Work

Student Aid and Loans

Crime Bill: Y.E.S. and Community Schools

Welfare Reform, particularly Teen Pregnancy Prevention

National Service

2. Maximize Off-Budget Opportunities that Build on Existing Initiatives.

a. Credit Access/Community Development Working Group. Credit-access advocates and some Administration officials have raised the following proposals as possible next steps for improving capital access: (1) extension of CRA-like obligations to non-depository, unregulated financial institutions; and (2) the creation of secondary market mechanisms for community development and small business loans. An ongoing credit access working group, led by the NEC and DPC, will be addressing these and other issues. Although both proposals could be pursued without new budgetary impact, neither proposal is likely to be appropriate for immediate action. However, using the leverage presented by CRA Reform and the GSE Investment Partnerships, the credit access working group could maximize off-budget opportunities by working with GSEs and mainstream financial sector to increase participation. For example, industries that are not currently covered by CRA have expressed an interest in doing more investment in underserved markets (in part to avoid legislative mandates). The credit access group could meet with representatives of the mortgage broker, mutual fund and securities industries, as well as grass roots groups like ACORN, to investigate constructive opportunities for investment and participation by these industries in underserved markets and communities. With this information, the group could formulate a strategy for using the influence of the White House and the Administration, and possible non-legislative measures to encourage more participation.

b. Education Training and Reemployment Working Group. New budgetary proposals arising from the work of this group are discussed in the next option section. However, there are efforts that can be taken to strengthen and build on existing programs. With the passage of Goals 2000, ESEA and School-to-Work, we have a major opportunity to transform targeted youth and disadvantaged adult education, training and employment through the reauthorizations of Vocational and Adult Education Acts and JTPA programs so that they work better to provide skills and clear pathways to jobs. The ETR Group is addressing these and related issues.

c. Community Enterprise Board. We must continue to pursue passage of the Local Flexibility Act (or like equivalent) in order to vest agencies with broader statutory waiver authority. On the EZ/EC front, in order to ensure the success of this initiative, the Board will have to invest sustained time and energy on implementation. Every agency represented on the Board will need to have staff focused on working with these communities and delivering

on the promise of waivers, flexibility and responsive assistance from the menu of additional programs. Agency field office staff will also be required to work with local implementation teams. In addition, numerous foundations have approached the White House asking for direction on how they can add value to the EZ/EC initiative. The Board can raise substantial additional resources for EZ/ECs by systematically recruiting and involving foundations and national businesses. The Ounce of Prevention Council, the PACT Communities effort, and the performance-based consolidation of human services proposed by Oregon, Indiana, and West Virginia should part and parcel of the official activities of the Community Enterprise Board and could be expanded upon (as discussed in the following options section.). Finally, we could propose one or two bold new local experiments to Congress: for example, Milwaukee has requested the opportunity to combine all federal and state flows of entitlement and discretionary funds for disadvantaged, working age adults to provide jobs for every person who can work (and return a small percentage of the total public funds to federal and state treasuries to boot!)

d. Minority Business Efforts. An informal White House group, led by Alexis Herman, has been meeting to identify problems encountered by minority businesses in taking advantage of federal procurement opportunities. There are several new opportunities -- including the new electronic commerce, the SBA One Stop Capital Shops, SBA's reform of the 8(a) Minority Business Development Program, and Commerce's draft bill to codify the Minority Business Development Administration -- that can serve as vehicles to provide strong support for MBE development. The informal group is working on strategies to ensure strong communication and implementation of these opportunities.

3. Formulate and Press Message on the Community Investment (or Urban) Strategy.

If the Administration is to make a difference in urban inner cities, we must communicate a message that restores hope, promotes involvement of all sectors of society and spreads the word about federal programs that work. The President's National Urban Policy Report (NUPR), to be released shortly, presents existing and planned Administration initiatives in a framework intended to set the policy direction for future urban initiatives. It includes a request from the President to Secretary Cisneros to launch a national dialogue on developing metropolitan approaches to solving urban problems. We could use NUPR and the ensuing dialogue to get the word out about what the Administration has done and how we are fighting to fully fund and strengthen community investment initiatives.

4. Advantages and Disadvantages from a Budget and Policy Perspective

a. Advantages

Requires no additional budgetary commitments and increases possibility of full funding in an already difficult budgetary environment. Focuses funding on existing priorities that provide the foundation to address core concerns.

We have a proliferation of new programs, some with the same or similar purposes at different agencies (e.g. CDBFI Fund, HUD's NCDI, HHS/Kennedy CDC program from Crime Bill). This approach will give us time to focus on coordinating and consolidating programs.

Concentrates energies on good implementation of existing priorities, which will be critical for programs that call for dramatic changes of existing structures or cultures, like School-to-Work, Goals 2000, Empowerment Zones and Enterprise Communities. Also allows time for time-consuming process of implementing new programs that require the creation of new structures (e.g. CDBFI Bill). It will be important to have programs running prior to the '96 election.

b. Disadvantages

Prevents the Administration from investing more resources in important areas of need, particularly minority male unemployment. (See Option B.)

5. Advantages and Disadvantages from a Message and Political Perspective

a. Advantages

The existing priorities, particularly human capital initiatives designed to help struggling middle Americans participate in the new economy, proved quite popular during the campaign. The same message should resonate now.

It is difficult, even with existing initiatives, to get the word out about the Administration's accomplishments. This approach would help send a clear signal and increases opportunity for getting message through by reducing clutter.

Fits with the political realities of Congress in that Republicans and conservative Democrats are likely to oppose any substantial new spending. We have a much better chance of fighting for full funding of authorized priorities rather than expending limited political capital on new authorizations.

b. Disadvantages

A rigid or high profile moratorium on new initiatives may limit our ability to respond to potential opportunities for bi-partisan Congressional support for fundamental reform (e.g., reinvention and consolidation efforts).

Many Secretaries have additional initiatives they want to put forward. A moratorium might place a strain on relationships between the White House and agencies.

B. A Human Capital Investment Agenda (Alternatively, A Children's Agenda)

The widespread economic and social deprivation in inner-cities across America is a problem that most Americans intuitively recognize but are at a loss to propose solutions that can work. There are, however, some aspects of inner-city problems that strike at the heart of Americans' worries about the future and fit with most Americans' sense of societal obligation. With the rapid rise of violent crime among teenagers, the dramatic increase in unwed teenage pregnancy, the extremely high unemployment rates among inner-city youth and young adults, particularly African-American males, there clearly are needs for dramatic intervention that coincides with the public's concern for safety and long-term economic security.

The existing array of human capital investments, described in Option A above, address some of these concerns. But many Administration officials believe that we do not have a genuine youth development and employment policy and that this is a singular need if we are to solve the problems of the inner-city. The need for such policies stems primarily from the increasing absence of socialization functions (strong families, after-school programs, etc.) for youth in distressed communities. The following are some of the types of interventions that have been proposed by Administration officials:

Youth Development Strategies for 10-18 year olds. Between the ages of 10 and 18 ensure that youth in distressed communities (1) receive the message from schools and mentors that are expected to learn to high levels in school and to prepare for entering college or the world of work; (2) have access to safe havens after school, on the weekends, and in the summers; and (3) have access to academic enrichment and recreation activities that promote social development and responsibility. (Most officials feel strongly that such youth development programs should be linked directly to job linkage and employment efforts, as described below). The Community Schools provisions in the Crime Bill are a beginning for these types of interventions. It is unclear how many children will be reached for the \$900 million devoted to this initiative, but one option to consider is investing more in this program.

Mentoring -- An important part of youth development for 10-18 year olds. Promote sustained mentoring, "good shepherd" partnerships, for example, among community-based organizations, universities and businesses to ensure that all youth in distressed communities have consistent access to a caring adult and mentor. For \$300 million, the Welfare Reform Teen Pregnancy Prevention Initiative will establish good shepherd, teen pregnancy prevention partnerships for sustained attention to youth ages 10-18 in 1000 schools located in distressed communities. Each partnership would include two full-time youth development workers and 5-7 National Service participants. We could launch a bolder version of this initiative by proposing in FY 96 to establish such a partnership in every high-poverty school in the country (approximately 5000 schools) for a total of \$1.5 billion. (This would pay for two full-time development workers but not the National Service participants; however, it is likely that business partners and groups like the Urban League affiliates could be attracted to match federal commitments.)

Job Linkage Networks. Inner-city residents often do not have access to the informal networks that lead to the hundreds, if not thousands, of job openings that are filled each week in most major metropolitan areas. In high unemployment inner city neighborhoods residents often do not have employed friends or relatives who can vouch for their skills with regional employers. Between the ages of 18 and 24, we should connect young people to jobs, legal work, and continuous learning, while combatting restrictions of effective access to jobs and work throughout the local labor markets. JTPA funds are currently being used to invest in some successful job linkage models, primarily the Center for Employment Training (CET), which has a strong relationship with regional employers. We could invest substantially more in effective job networks for inner-city residents. No new authorization would be required as several existing programs could be used for this purpose (e.g., School-to-Work, which includes a targeted grant program for high unemployment areas, JTPA, Job Corps, HUD Section 3, and One Stop Reemployment Centers). At a cost of about \$5000 per placement (which includes training), we can connect many unemployed inner-city residents with jobs. A \$5 billion job networking initiative, for example, could connect 1,000,000 persons to private sector jobs and substantially increase the job networking infrastructure in inner cities.

Direct Job Creation/Minority Male Unemployment. Some agency and outside advocates contend that for some populations and high-unemployment areas, direct job creation will be needed to channel people into the workforce (and ultimately private sector employment). The premise of this approach is that the private sector does not contain enough jobs for which this population is prepared or it simply is unwilling to hire this population in sufficient numbers. Examples of direct job creation include the YES in the Crime Bill, the WORK program in Welfare Reform, Secretary Cisneros' apprenticeship partnerships, and Hugh Price's recent call for a Neighborhood Infrastructure Corps run by the National Guard. The annual cost for each job ranges from \$8,000 to \$15,000. We know that such job creation programs have long-term results for those who participate only if they connect participants next jobs. By way of example, a \$5 billion jobs initiative would produce approximately 500,000 one-year job slots.

A National Campaign for Youth Opportunity and Responsibility. The Welfare Reform Teen Pregnancy Prevention Initiative proposed that the President lead such a national campaign that would feature (1) national goals for youth development and economic integration; (2) a national non-governmental entity to pursue these goals and involve a wide range of public- and private-sector partners; and (3) a federal coordinating council (like the Ounce of Prevention Council) to provide a clearinghouse function on best practices and federal programs and ensure federal coordination of youth development programs. This campaign concept could be used as a framework for maximizing the effectiveness of the numerous existing federal proposals (teen pregnancy prevention and crime bill prevention). In addition, it could be used as a framework for pursuing new investments, as described above. The central purpose of the campaign would be raising matching private sector funds and raising public awareness and will to address the problem. The central policy aim would be building youth development infrastructure with strong linkages to jobs and college. The Ounce of Prevention Council should probably be the focal point for coordinating youth policy and the national campaign.

Discussed below are advantages and disadvantages of the National Youth Opportunity and Responsibility Campaign. These points would also apply if decisions were made to combine the campaign with new funding. Advantages and disadvantages of specific proposals for new funding are discussed subsequently.

1. Budget Perspective and Policy Perspective -- Advantages and Disadvantages

a. Advantages

Substantially leverages federal investments that we have already committed to pursuing by attracting private and non-profit sector commitments.

Maximizes likelihood of numerous fragmented federal "youth" programs being implemented in a coherent, effective manner by setting implementation goals that reflect the existing knowledge about what works. In particular, maximizes the public benefit by orienting youth development programs toward preparing youth for the world of work and lifelong learning.

Provides a single focus for youth development and builds a permanent national infrastructure for sustained attention to the problem, regardless of political cycles.

Focuses public and private resources on one of the most dramatic long-term problem in inner-cities -- the increasing absence of socialization functions (strong families, after-school programs, etc.) for youth. Long-term societal costs of current trends among at-risk youth are staggering. [add statistics]

b. Disadvantages

Funding commitments for existing proposals may not materialize and will be subject to competing priorities of the Administration and Congressional appropriators

While the Youth Campaign is designed to help distressed communities implement Goals 2000 and School-to-Work, the Campaign may divert needed agency time, resources and attention away from direct efforts to implement Goals 2000 and School-to-Work. For example, a public campaign designed to make parents intelligent, persistent consumers of public education might be a more effective way to help the entire Nation, particularly inner-cities, realize the Goals 2000 targets.

2. Message/Political Perspective -- Advantages and Disadvantages

a. Advantages

The enormous positive response to the President's Memphis and Kramer Junior high speeches, both among minorities, the general press and even conservative columnists like William Safire, is testament to the powerful chord the President can strike when speaking about the ravages of crime in minority communities and the responsibility of society and individuals. The Campaign will have strong inherent appeal if tied to notions of youth opportunity and responsibility, security from crime, and the obligations of society to save and protect youth. Even columnist George Will has written forcefully about the need to help inner-city parents combat a culture that makes it exceptionally difficult to socialize children, especially boys. The tremendous response to Hugh Price's recent speech articulating a youth development agenda for the Urban League, also shows the potential for strong public commitment, particularly by middle class and affluent African-Americans, to helping inner-city youth.

The President has also received high praise when speaking of the need to restore a sense of community in the nation. By stressing community, the campaign should resonate with all Americans because it focuses on helping at-risk youth (i.e., those who live in high poverty census tracts), rather than racial groups or adults. The positive articles and op-eds attached at Appendix ___ demonstrate the powerful potential for this campaign.

b. Disadvantages

In that the focus of the Campaign is youth in distressed communities, there is some risk that the Campaign will not resonate with a broad audience, particularly the middle class.

The message of the Campaign is not likely to get through if we depend solely on the President and Vice President, particularly with the competing demand to promote welfare reform during the next year.

3. Additional Spending Proposals, Advantages and Disadvantages

a. Advantages

Direct Job Creation. Raising employment levels in distressed communities is a direct solution to the problem of inner-city ills; if designed to provide linkages to future private sector employment, (as with the Y.E.S. Program), it will immediately reduce unemployment and could have long-term benefits.

Job Linkage. Better connecting adults isolated in high-unemployment communities to the entire regional labor market, in the long run, is more cost

effective and is consistent with our basic economic message.

b. Disadvantages

Direct Job Creation. More direct job creation (as with Hugh Price's Neighborhood Infrastructure Corps proposal) is not consistent with our basic economic message that increasing the skills of people, firm productivity and trade will create more private sector jobs and empower all Americans to seize these opportunities.

Job Linkage. Although there are proven models, there is limited evidence that we can create such effective job linkages on a scale that will work for most young adults and males.

Mentoring/Youth Development for 10-18. If the Crime Bill Prevention programs pass, there is very little likelihood that we could succeed in getting any more funds than what are already proposed in that Bill.

C. Economic Development, Follow-Ons to Empowerment Zones, and Promoting Metropolitan Regional Solutions

The President's National Urban Policy Report (NUPR), to be released shortly, presents existing and planned Administration initiatives in a framework intended to set the policy direction for future urban initiatives. As described at the outset of this paper, NUPR is premised on the interwoven destinies of cities and suburbs and emphasizes that regional cooperation and solutions will promote greater economic growth and well-being for the entire metropolitan region and is critical to helping inner-cities become more competitive and to linking inner-city residents with the entire regional labor market. NUPR emphasizes that the federal government alone cannot secure the economic health of our central and inner cities. Our challenge, the Reports concludes, is to encourage the return of the private sector to America's inner-cities.

The Empowerment Zones/Enterprise Communities initiative provides a starting point for promoting metropolitan regional cooperation that would integrate residents of distressed communities into the mainstream local economy. With over 500 applications for the 104 EZ/EC designations, there is considerable interest in finding ways to reward all communities that participated in the process and encourage localities to build on these efforts. The program was developed intentionally as a limited demonstration to determine whether a targeted, tax-based incentive program, coupled with a strong comprehensive planning requirement that would draw in all relevant community partners, would succeed in achieving economic revitalization in distressed communities.

Many news reports and comments from people involved in developing local applications suggest that the EZ/EC initiative has effectively spurred substantial "community-building" in hundreds of urban and rural communities around the nation. Though the diversity of experiences is great and generalizations must be made tentatively, three basic points about the application process have emerged over the past few months: (1) the prospect of receiving federal funds has brought together diverse groups which rarely, if ever, cooperated in the past; (2) many communities have for the first time developed a comprehensive approach to economic revitalization which encompasses both capital formation strategies and the provision of social services such as child-care, job-training, education, and health care; and (3) the public-private partnerships that have developed as a result of the application process will be a force for change in the future.

These lessons suggest that a competitive challenge to communities that entices them to undergo a comprehensive planning process is a valuable tool that could be used to promote the type of regional cooperation identified as critical in NUPR. At the same time, many inside and outside the Administration feel that the chief value of the EZ/EC initiative -- the community-building and planing that has gone on in over 500 communities -- may be lost if fail to offer communities that do not win one of the nine empowerment zone designations the hope of gaining other benefits. Although many (including Secretary Cisneros and some within the White House) believe that we should strongly consider a second round of EZ/EC

designations, almost everyone agrees that it should not replicate completely the existing program, which is costly and has not yet been proven to actually revitalize distressed communities.

This section presents two options that reflect both the concern to promote regional solutions to solve inner-city problems and the concern that we offer a second round of EZs. The first option, "Metropolitan Empowerment Zones," (MEZ) was developed primarily by Chris Edley, and features a national dialogue designed to build national and regional consensus on an "urban report card," planning grants, and flexible funding and deregulation to the 12 regions that submit the best comprehensive plans for meeting the national and metro-specific goals. (See Edley's Draft Proposal at Appendix __). The second option, a more limited version of the MEZ proposal, focuses on tax incentives that might be sought in the next budget reconciliation, for a second tier of EZs and ECs that will catalyze metropolitan cooperation. This section also presents an alternative option for capital investment tax incentives for economic development in all distressed communities.

Finally, we offer a third, "very-low-budget" regional option that builds on the PACT process to reward 30 to 40 communities that submitted EZ/EC applications but did not receive an EZ designation.

1. Metropolitan Empowerment Zones.

The MEZ proposal is based on four premises: (1) the economic and social destinies of cities and suburbs are interwoven; (2) the crisis of urban America is linked to some degree to the numerous fragmented programs and regulations and to the "myriad bureaucratic impediments"; (3) "[b]efore we can fashion fresh solutions that will command national and local majorities, we must have fresh conversation about fundamental values and goals, what strategies to pursue, how to measure success, and what roles should be played by different levels of government and the private sector"; and (4) "new Federal initiatives must break with unsuccessful efforts of the past by incorporating accountability based on performance, in return for new funding and broad discretion in the local choice of means."

To "follow on" to our EZ/EC initiative, under the MEZ proposal, "[s]enior Clinton Administration officials would lead a national discussion of the urban condition and our ambitions for change, in parallel with similar neighborhood- and metropolitan-level discussions seeking consensus on an urban report card," which would reflect a set of national and metropolitan goals for improvements. Under the MEZ proposal, such a dialogue -- "to be led over a period of months by the Secretary of HUD" -- is considered critical in order to reach agreement on measures for goals and successes.

After these discussions, with the benefit of planning grants, metropolitan areas would "cooperatively develop comprehensive plans to achieve the national and metro-specific goals." These plans would (1) propose integration of public and private resources and strategies for reinvention and integration of state and local programs (2) identify the improved

forms of community participation, public-private partnerships, and "cross-jurisdictional coalitions"; and (3) include requests for waivers necessary to implement the comprehensive plans.

The proposal envisions that advisory panels -- comprised of public, private, and expert "jurors" -- would then review the applications and plans and recommend to the Community Enterprise Board ("Board") the twelve most impressive plans. If approved by the Board, the metropolitan regions that submitted these plans would then be designated as MEZs.

Each MEZ would receive "a share of a pot of flexible new grant funds over several years, perhaps some specialized tax incentives, plus significant deregulation of the various existing federal grants-in-aid flowing to MEZ jurisdictions." The MEZ funding "could be structured as a consolidation of existing streams of funding, with a portion of that funding recast as a reward contingent on effective planning and implementation." Under this approach, deregulation and flexible funding would be contingent on the MEZ's "good faith execution of its plan and, where feasible, on measured results." The ultimate aspiration is the consolidation of many programs in a structure that has all metropolitan areas participate in a system of goal-setting, planning, flexible funding, and accountability. However, to get the MEZ initiative started, for FY96 "a limited pool of new resources" would be made available to the MEZs along with "new statutory authority for a broader set of performance-based waivers in key program areas."

While participation in the planning and competition would be voluntary, once selected, an MEZ would be held accountable for implementing its plan by being subject to losses of conferred flexibility and resources for failure to implement. Where the plan is implemented but ineffective, the MEZ would be required to make revisions in light of new understandings about what is or is not effective.

Advantages and Disadvantages from a Budget and Policy Perspective

a. Advantages

Although no amounts are mentioned for planning grants and the flexible new funds, the amounts at issue appear to be modest. And, if the MEZ funding were limited to consolidation of existing funding streams, the proposal could be budget neutral.

Provides a high-publicity forum and vehicle for truly engaging the country on difficult issues that require cooperation among parties that are not currently cooperating beyond isolated issues (e.g., metropolitan rail planning).

Builds on the existing EZ/EC initiative by providing strong incentive to designated ECs to follow through on their strategic plans. Accords preferential treatment to unsuccessful "finalists in the Empowerment Zones competition" by

automatically giving them planning grants to compete in the MEZ competition.

Dramatically advances the reinvention agenda by offering performance-based flexible funding streams. Over the past year, we have tried every means possible to revamp the streams of federal funding and to secure more waiver authority. If these efforts are packaged as part of a second round, we may be able to obtain needed statutory waiver authority from Congress, which will tremendously improve the relationship and effectiveness of the federal with local communities.

Ensures accountability by focusing on performance measures. This aspect of the proposal will be critical in demonstrating that our EZ/EC effort is not "simply another generation of giveaways to traditional constituents." This provision will also provide a strong incentive to metropolitan regions to remain committed to the successful implementation of the approved plans and to reevaluate periodically the progress of implementation.

b. Disadvantages

Proposed new funding for planning grants and new flexible funding may not be necessary. The PACT project has engendered metropolitan-wide cooperation in four regions without the offer of new federal funds. We may be able to secure private sector interest and investment by providing metropolitan regions with significant consolidated federal support, flexibility on existing funding streams.

Proposal may be more broad in scope than is really needed. It requires a great deal of time and focus on metropolitan planning and consensus building without limiting the exercise to areas where we have some degree of confidence that metropolitan cooperation is critical to solving the problem, e.g., job linkages and economic development.

The dialogue and rollout for MEZ planning grants and MEZ designations (i.e., issuing the RFP and making selections) is likely to divert precious time and attention away from the post-designation implementation process for the 104 EZs and ECs. It seems unrealistic to think that we can conduct both processes in parallel and do both well.

Expansion of the EZ/EC program in any way at this early stage may run the risk of diluting the concentrated effort in a few places before it has a chance to work, as occurred in Model Cities.

Advantages and Disadvantages from a Message and Political Perspective

a. Advantages

Will help mitigate some of the tensions surrounding the EZ/EC initiative by offering the promise of more opportunities for federal assistance.

Will send a strong message to many of the Clinton Administration's core constituencies that urban communities are important and do have important assets.

b. Disadvantages

May be viewed as an abandonment of the EZ/EC program because it is not literally a second round to our existing EZ/EC program. Similarly, may confuse the message because we will have, in effect, two different types of EZ programs to promote.

The proposed dialogue is likely to take much longer than a few months to build national and regional consensus around an "urban report card." A lengthy dialogue process would make it difficult for any "follow-on" to the EZ/EC initiative to be included in FY96 as part of a two year budget reconciliation package.

The national dialogue may be viewed mere discussions that are held in lieu of action.

2. Tax Incentive Option for EZ/EC Round II or for Economic Development

The following proposal could be included in the FY96 Budget Reconciliation to promote either a second round of EZ/EC's or economic development in distressed communities in general. Both options would build upon the foundation of the FY94 economic empowerment initiatives and would be likely to provide a credible base of support for the FY96 Budget Reconciliation among the minority and urban caucuses. Both will also provide an opportunity for Secretary Cisneros to lead a dialogue on the interwoven destinies of inner-city neighborhoods, central cities and suburbs in our metropolitan regions, while encouraging each region to think and to begin to act based upon an actual vision for change that seeks to attract private and public support throughout each region.

a. EZ/EC Round II. What we learned from the first round is that it is less important what we offer in federal tax incentives than that the incentives stimulate local regions to develop their own visions for change that attract public and private support within each region. The federal share of any new investments is small compared to what the private and public sectors is capable of doing within each region. The federal challenge grant process serves as a catalyst to inspire each region to work together in developing and investing in a new vision for change. As with the EZ/EC initiative, the process would be based on a few

key criteria, for example:

How does the plan propose to build on the clusters of assets (the "comparative advantages") of the central city and targeted inner-city neighborhood(s) to enhance the economic competitiveness of the entire region?

How does the plan propose to connect residents of inner-city neighborhoods to jobs throughout the local labor market in order to increase the effective supply of labor to firms throughout the region?

How does the plan engage the local communities and the private and public sectors throughout the region in the design and implementation of the plan?

To what extent are the local private and public sectors willing to invest in the proposed strategic vision for change?

The federal agencies, through the Community Enterprise Board, would respond to these strategic plans, as with the EZ/EC initiative, by striving to provide flexibility, waivers and deregulation for federal programs -- an incentive that is prized almost as much as any tax incentive.

It does not make budget sense to replicate the particular wage credits and block grants provided for EZs (which total nearly \$3 billion over 5 years) if smaller tax incentives will serve to catalyze local responses. Nor does it make sense to require first-round applicants or designees to start from scratch in creating visions for change where their original plans have sought to respond to these criteria.

Instead, we could pursue a \$750 million, 5-year package on the mandatory, pay-as-you-go portion of Budget Reconciliation to designate 9 additional "regional EZ's," plus 30 additional "regional EC's." Current EZ/EC applicants could supplement their current EZ/EC applications, including to secure additional private and public sector support throughout their region and to modify their own vision for change based on their own experience; new applications would also be encouraged. (We should also modify the "rural" eligibility criteria to encourage building off of clusters of assets in non-metropolitan towns and in small cities in rural states). A reasonable mix of tax incentives can be developed. The following is a possible allocation of incentives:

\$150 million in capital gain incentives for all EZ/ECs (e.g., deferral of gain for rollover of investments in and exclusion of 50% of subsequent gains from investments in EZ/EC mutual funds)

\$100 million in tax credits for investments/contributions in CDC's/CDBanks located in 25 EZ/EC communities

\$250 million for 9 additional "regional EZ" block grants in the amount of \$15-35million over 2 years

\$250 million in tax credits (5% credit per year for 10 years for capital costs so long as at least 1/2 occupied) for the opening and expansion of clusters of basic retail, commercial and service centers (grocery, drug, retail outlets, etc) and for rehabilitation for commercial use of historic structures in EZ/ECs.

Advantages and Disadvantages from a Budget and Policy Perspective

a. Advantages

Promotes regional cooperation and builds on the success of the first round of EZ/ECs without requiring any discretionary spending.

Has most of the benefits of the MEZ proposal. We can pursue statutory waiver authority, consolidated, flexible funding and performance/accountability measures, as well as a national dialogue, without having the goals (and timetable for proceeding) depend on the national dialogue.

b. Disadvantages

Complicates the tax code and the existing EZ/EC structure, perhaps leading to confusion about what benefits are available.

It is unclear whether the challenge process and more limited grant and capital incentives would be sufficient to overcome traditional barriers to urban/suburban cooperation

Advantages and Disadvantages from a Message and Political Perspective

a. Advantages

Would be supported by big city mayors and existing EZ/EC applicants.

b. Disadvantages

As with the MEZ proposal, may be viewed as an abandonment of the EZ/EC program because it is not literally a second round of the existing EZ/EC incentives. And may confuse the message because we will have two different types of EZ programs to promote.

b. Capital Tax Credits Universally Available in all Distressed Communities. The Low Income Housing Tax Credit, which we permanently extended in OBRA'93, has proven effective in attracting capital for low income housing development and spurred the creation of many intermediary organizations that link capital markets with low-income housing developers. Several advocates both inside and outside the Administration support the creation of analogous tax incentives to stimulate commercial development in distressed communities. Such incentives would counter the steering effect of the LIHTC (which steers much capital that might otherwise go to community/economic development into housing) and promote linkages between community developers and capital markets. Using LIHTC qualified census

tracts, the following capital tax incentives (described above) might be offered to all distressed communities: (1) tax credits for opening clusters of basic retail, commercial and service stores; (2) deferral of gain for investing in mutual funds investing in inner-city businesses; and (3) a targeted Historic Rehabilitation Credit. If applied across the country in distressed communities, the costs of such capital incentives might be scored at several hundred million dollars over 5 years. To promote desired outcomes, to qualify for the credit, there could be a requirement to describe how the cluster fits into a plan for neighborhood revitalization that builds on the comparative advantages of the distressed community within the region.

a. Advantages

Offers an economic development tool to all distressed communities.

Conditions tax incentives to a plan that ties investment in business expansion to plan community renewal.

In contrast to capital gain tax provisions, where the benefit is delayed until appreciation and sale of asset, shares or business, tax credits and deferrals provide a current benefit to investors.

b. Disadvantages

Loses leverage of a competitive challenge process. May not entice communities or business to engage in building the types of community and regional partnerships that can raise larger sums of money.

3. "Very-Low-Cost" EZ/EC "Third Tier" Option.

The PACT process, described in Section II, above, has cost only \$200,000 per community for the four communities it has reached. We could extend that process to another 30 to 40 communities, for only another \$8 million. This or similar low-cost proposals could form the basis of a "third tier" of the existing EZ/EC initiative. In other words, it could be used as a vehicle to promote regional cooperation and rewarding communities that do not get EZ/EC designations this fall. We should devote some time to considering these or similar options.

D. Mayors' Agenda/ Reinventing Government

The Mayor's Agenda focuses on approaches that they argue would cost the Federal government little yet help stabilize the decline of America's cities.

One strategy put forward by Mayor Rendell of Philadelphia attempts to formulate new approaches and methods by which the federal government can help cities without having a significant budget impact. The Mayor argues that this series of proposals will allow cities to become more economically competitive and will produce desperately needed employment for inner city residents. However, even the Mayor notes that his New Urban Agenda is no panacea. Other mayors have also suggested proposals that they hope the administration will consider, including expanded infrastructure spending and legislation to halt the proliferation of unfunded mandates. The following is a description of several of their proposals:

1. Infrastructure

A majority of mayors continue to call for some kind of new infrastructure investment program in our nation's cities. The mayors point to what they call the infrastructure gap in our nation's inner cities and the multiplier job effects created by greater federal government infrastructure investment. Many mayors realize that the failure of the stimulus legislation last year makes it unlikely we will have a major infrastructure spending bill anytime soon. However, they are hopeful that the administration will push what they refer to as "off-budget" solutions to the infrastructure problem such as an infrastructure bank or a GSE (even though these approaches do have budget impact). Michael Deich and the infrastructure working group are conducting a review of this option and others. They are trying to deal with the issue of federal liability caused by the creation of a GSE or Federal Bank, as well as other questions this approach raises.

2. Unfunded Mandates

The mayors and the governors have intensified their campaign against federal unfunded mandates on state and local governments. The U.S. Conference of Mayors released a survey of 314 cities that tabulated the costs of complying with 10 unfunded mandates -- Clean Water Act, Safe Drinking Water, Fair Labor Standard Act, etc. -- that stated the total cost of these mandates at \$54 billion over the next four years. However, as this issue has become hotter politically, the unfunded mandate burden estimate has been challenged as inaccurate.

The proposal most mayors wanted the administration to support was the Kempthorne "no money, no mandate" legislation. The Administration has worked out a compromise with Senators Glenn and Kempthorne that would require an authorization to cover the cost of any mandate. Almost all the major state and local groups back the Glenn-Kempthorne-Administration compromise legislation. However, some mayors still want more -- specifically, they want the Glenn-Kempthorne-Administration bill to apply to appropriations

as well.

3. Historic Rehabilitation Tax Credit

Several mayors have proposed reversing the Tax reform Act of 1986 and restoring the Historic Rehabilitation Tax Credit (HRTC). The National Parks Service has estimated that during the 16 years before the 1986 Act, the credit stimulated \$16 billion in private investment for rehabilitation of 24,656 buildings.

Under the pre-1986 system, individuals and corporations were eligible for a 20% tax credit for rehabilitating historic income-producing structures. The tax credit was preserved under the 1986 Act, but the new law reduced the annual allowable credit for individuals to \$7,000, and limited the availability of the credit to those with annual incomes under \$200,000. These changes in the law severely reduced the availability of private investment capital and effectively eliminated the tax credit as a possible means revitalizing the downtown areas of many cities. After 1986, historic tax credit projects dropped by 80% from the 1985 levels.

Proponents of the HRTC argue that it encourages developers to rebuild properties in inner cities instead of constructing new buildings in the suburbs. Opponents question whether or not the tax credit is an efficient use of government resources. Joint Tax Committee has estimated that the restoration of the HRTC would result in a lost to Treasury of \$1.4 billion from 1993-1998.

4. Government Commitment to Purchase Percentage Amount of Recycled Goods from Businesses Located in Cities.

Mayor Rendell has proposed that the federal government purchase goods made from recycled materials and manufactured in cities, including goods such as paper products and certain types of highway materials. Mayor Rendell argues that this policy would stimulate new business opportunities in urban areas, where the trash that serves as feedstock for recycled products is in abundant supply, and where there is a large labor pool available to be trained and put to work in these businesses. The proposal is also pro-environment. The problem with this initiative is that it interferes with the National Performance Review (NPR) procurement reform. With the tight budgetary environment we have to promote procurement policies that promote efficiencies and save the federal government money. We have scored NPR procurement reform for expected savings and have made budgetary decisions over the next four years using those expected savings.

5. Waiver Legislation

Many urban communities have increasingly asked for waivers from statutory requirements. In increasingly difficult budget times, communities argue that flexibility in how they administer programs is vital if they are to get "more bang for the buck" from federal dollars. Many of the applicants for Empowerment Zones and Enterprise Communities have asked for broad range of waivers in education and job training, public housing, AFDC, Food Stamps, SBA programs, etc. Interestingly, not one applicant for designation for an urban EZ or EC has asked for a waiver of environmental or civil rights statutes.

This administration has aggressively addressed this issue, and we should continue to do so. We first discussed broad waiver authority for the Enterprise Board in our EZ/EC legislation, but received a chilly reception from Democrats on the hill. We asked for waiver authority again in the President's Crime Bill through the Ounce of Prevention Council and again Congress refused. We have been able to obtain some statutory waiver authority in several reauthorization bills, mainly in the education and training areas. In addition, we may obtain broad regulatory waiver authority for the Enterprise Board through a non-germane amendment to the Competitiveness Act (S.4). This is an area where the common interests of the mayors, the states, and the administration can be pursued; if we are creative and can frame the issues correctly, it provides a unique opportunity to provide innovative, entrepreneurial local leaders like Mayor Rendell to blaze new paths to a renaissance of cities.

Other Proposals

- Creating an Urban Impact Statement and provide a presumption in favor of urban areas to be applied in all decisions regarding the location or relocation of all types of federal facilities.
- Reinstating pre-1986 arbitrage provisions so municipalities can retain investment earnings on public bonds.
- Offering tax credits for clean-up of polluted industrial sites.
- Liberalizing restrictions on private activity bonds.
- Waiving Davis-Bacon.

Pros

The mayors, who have been on the front lines during the 12 prior years of neglect by the federal government, continue to join with us in pushing policies that seek to leverage scarce government resources with private dollars. Most of the proposals outlined above are also consistent with our basic reinvention theme.

In addition, if the administration were to adopt these ideas, they would be heavily supported by the nation's mayors.

Cons

The specific proposals do not propose an approach to urban policy that promises realistically to rebuild America's cities. The Clinton administration's community development/empowerment program is likely to have a considerably larger impact in our opinion. Discussions should therefore continue as to how best to incorporate those proposals (e.g., flexibility and waivers, leveraging private sector dollars) that will complement and build support for our program.

In addition, the majority of the proposed initiative initiatives do have budget impact, either through lost tax revenues (HRTC), higher procurement costs, or increased expenditures on federal mandates.

The way these proposals try to leverage private dollars may not be as efficient as some other approaches.

Finally, some of these proposals may only transfer wealth from outside the central cities to the central cities (HRTC, government guarantees to purchase urban recycled goods), rather than creating new wealth in the cities.

E. Homeownership, Ending Public Housing As We Know It, and Renewing Neighborhoods

This is an area that has not received much focused attention, but it is potentially one of the most important of the agenda options in light of public housing's impact -- positive and negative -- in urban metropolitan areas. Secretary Cisneros and HUD have initiated several preliminary reforms of public housing and are in the process of completing landmark work in the area of homelessness, the Federal Housing Administration, the GSE's like Fannie Mae, and economic/community development. During the first year and a half, however, Secretary Cisneros has had to reinvent and reinvigorate HUD after twelve years of cutbacks, neglect, return of multi-family projects to HUD ownership and, in some cases, corruption. In addition, at the White House, we have focused more on economic development initiatives and our lifelong learning agenda. Yet, as everyone recognizes, we should consider radical changes to major elements of national housing policy.

Perhaps, the biggest problem with federal public housing programs is that they ghettoize participants. Children grow up in depressing environments and lack role models, good schools, and a hopeful atmosphere. Parents find few job opportunities, and residents are constantly threatened by crime and drugs. Whole communities suffer as neighborhoods deteriorate in the grip of a cycle of decline, disfunction and despair. We, therefore, propose consideration of a series of steps to end public housing as we know it and to substitute a new national public housing policy built on choice in residence, mixed-income neighborhoods, increased home ownership and affordability of rental housing, and a transition from dependency to self-sufficiency. The budget cost of such an approach would be minimal -- but only if we could secure the full cooperation of the Congress in reconfiguring the federal budget to implement such a new national housing policy. To the extent that such an approach is added onto the budget costs of existing programs, the budget increase would either be substantial or the new approach could only be tried as a demonstration in a few metropolitan areas.

Appendix _ attached fleshes out major portions of this approach, within HUD's proposed vision for an urban policy.

Budget Perspective

The federal government is facing large real and potential cost exposure in several public housing areas. The public housing stock consists of approximately 1.4 million units whose value exceeds \$70 billion. The cost to meet existing repair and renovation needs for this stock is estimated at over \$20 billion, and modernization needs continue to accrue. These needs, coupled with new repair needs, would require annual appropriations over the next 20 years estimated at \$3.4 billion -- about \$600 million per year more than the average annual appropriation of \$2.8 billion for this purpose in fiscal years 1991 to 1993. Moreover, the cost to renew expiring contracts that provide rental subsidies to lower-income families is expected to more than double by 1997 to \$17.1 billion from \$7.5 billion in fiscal year 1993.

One possible way to achieve the combined goals of better housing conditions for tenants and to reduce over time the agency's budget outlays for public housing is to shift to a greater proportion of vouchers and certificates.¹ Many traditional Democrats, however, believe that vouchers are easier to cut in the budget than public housing projects with their long-tail of multi-year commitments. Traditional Democrats therefore fear that support for housing for the poor will fall in a time of tight budgets or under any new administration hostile to the interests of poor families. Securing congressional support will therefore require careful collaboration on the merits of a new approach that uses the same total budget authority to invest more effectively in self-sufficiency for substantially more poor families and revitalization for many more poor communities.

¹According to a March 1992 study by OMB, housing vouchers and Section 8 Certificates are less expensive than public housing and provide a greater benefit to the tenant.

Vouchers	Benefit = \$48,548 Cost = \$52,460 Ratio = .925428
Certificates	Benefit = \$46,042 Cost = \$51,928 Ratio = .886650
New Public Housing Units	Benefit = \$36,309 Cost = \$87,421 Ratio = .415334
Existing Public Housing	Benefit = \$22,530 Cost = \$78,459 Ratio = .287156

Benefit is defined as the difference between a tenant's rental contribution and the market rent which typically would be charged for the same unit over that period.

Cost is defined as the federal government's total expenditure on a present value basis over a 30 year period. For vouchers and certificates, this is mainly the discounted stream of rent or subsidy payments. For project-based programs, it includes the initial cost of new construction and payments to maintain and rehabilitate the projects as they age.

Policy Perspective

We therefore recommend creating a DPC-NEC working group, co-chaired by HUD (as was done in the Welfare Reform Working Group with HHS) to reinvent federal housing policy, end public housing as we know it, and reinvent HUD -- within current budget constraints. The group would explore the following types of initiatives:²

1. Replace High-Rise Ghettos with Vouchers and Mixed-Income Communities. We should embrace the thrust of HOPE VI and consolidate all modernization efforts to tear down impacted, high rise public housing ghettos and replace them with (a) metropolitan vouchers and (b) mixed income garden apartments, with non-elderly rental assistance time-limited as set forth below. At the same time, we should insure that any new project-based assistance (including Section 8 and LIHTC) is based on the same mixed-income principle and does not recreate new low-income ghettos. By creatively leveraging federal budget dollars with partnerships between HUD, FHA, Fannie Mae, Freddie Mac, FHLBS, CDBFIs, the private mortgage and insurance companies, and banks and thrifts, we should also explore whether we can make more mixed-income, multi-family housing available for low and moderate income families at a lower budget cost than we do now.

Numerous studies (see footnote 1) and demonstration projects show that vouchers can deliver superior housing assistance to a low-income family at less than half the cost of constructing a new unit with federal support. This difference is due in part to costly bureaucratic delays and to federal regulations, such as Davis-Bacon, which artificially increase the labor costs of federally supported housing projects. Even when private firms develop or manage properties, as in the Section 8 program, they have little incentive to compete because they are virtually guaranteed tenants, rent, and solid returns.

Next year the administration should introduce legislation that ultimately will offer vouchers combined with rental counseling to substantial numbers of public and assisted housing tenants, say 15,000 to 25,000 families per year in the most dysfunctional public housing and section 8 site specific projects. All operating and modernization subsidies to such projects would be ended, the projects closed and razed. Cities in which projects are being closed would be eligible for new construction, both under the HOPE VI approach for garden apartments and for the neighborhood home ownership program described below.

² Some of the policy components of this track could include turning the Federal Housing Administration (FHA) into an independent government corporation with the Secretary of HUD as its chairman, a low-income housing partnership program with Government Sponsored Enterprises (GSEs), a moderate-income home ownership program with America's housing and financial industries, and a neighborhood renewal initiative with mayors and community-based organizations across the country.

2. Time Limit Non-Elderly Affordable Housing Assistance. Modeling reform of public housing on the President's welfare reform legislation, we should transform the current "lottery" of housing assistance from a way of life in dependency for the minority who "win" into time-limited transition to self-sufficiency for all. Each non-elderly voucher and renter with any federal rent subsidy (e.g., through PHAs, project-based or portable vouchers) should be limited to a maximum of five years, at which point the voucher or rental should be made available to another eligible family. This is consistent with the historic purpose of public and subsidized housing, and it would provide a new edge to Secretary Cisneros' campaign for upward mobility. At the very least, the entire section 8 program can be reorganized so that the monopoly of the PHAs over the location of families is broken: HUD's Choice in Residence Program offers a means to accomplish this end.

3. Consolidate HUD Programs Around a Few Priorities. We should take advantage of the budget caps and diverse anxieties within and between the Senate and House Banking and Appropriations Committees to consolidate all HUD programs around a small number of priorities. Step one is to reduce and consolidate the number of HUD's programs. Senator Mikulski and others have complained that HUD has too many programs in light of the decreasing number of FTEs. Mikulski wants HUD to eliminate unnecessary programs and stop proposing new initiatives unless they are offset by the elimination of an existing program. As set forth in the attached appendix , Secretary Cisneros is prepared to move aggressively on such a reinvention and consolidation of HUD, including a new focus for planning and management that would encourage creative cooperation between jurisdictions and a focus on the interwoven destinies of cities and suburbs within each region.

4. National Homeownership and Neighborhood Renewal Strategy. This effort will constitute a new Clinton Administration initiative to achieve three goals: 1) to generate a national homeownership rate of 66 percent by the year 2000, higher than any previous homeownership rate in American history; 2) to create 7 million new homeowners from 1995 through the year 2000; 3) to create a new partnership between the nation's mayors, community-based organizations and the GSE's and the rest of the housing finance, construction and rehabilitation industries to renew older neighborhoods in cities and suburbs all across the country; and 4) to encourage the construction of new neighborhoods anchored by homeowners in vacating inner-city areas. The increase of more than 1.1 million homeowners per year is a dramatic contrast to the 650,000 average annual growth in new homeowners during the 1980s; and the promise of renewing inner cities through expanding the American dream of homeownership stands in stark contrast to the neglect of the prior 12 years.

This initiative would have the added benefit of reducing demand for rental housing and therefore make rental housing more available and affordable. It would also give more people the opportunity to own homes in urban communities and give them a real stake in their neighborhood's future. Finally, the neighborhood renewal initiative could be coordinated with the federal youth development, community schools, community policing, crime prevention grants, and other capital access and community development programs.

The advantage of this approach is that it can potentially free up considerable existing resources from public housing that can be used to support an increased number of vouchers and other urban economic development programs run out of HUD. If properly structured and organized, it can also provide the mayors and community-based organizations with the tools they need to realize the full potential comparative advantages of central city business and cultural assets and neighborhoods located nearby: such a bold, new national housing policy would provide a substantial new argument on which mayors and community-based organizations could build thriving cities and inner-city neighborhoods. The disadvantages of this approach are that it is the least developed of all the policy options and that it raises serious political problems over the short term. In addition, the movement to vouchers from traditional public housing could be perceived as a threat to some urban communities by some mayors because some individuals will choose to use the vouchers to move out of cities.

Message Perspective

This initiative has the potential to engage people inside and outside of the inner cities due to its new Democrat message of empowering people and time-limited public housing assistance. The disadvantage of this approach is that many of the components may antagonize some members of Congress, community groups and big city mayors -- as well as substantial elements in the suburbs -- who are all wary of reinvention and renewal strategies that promote broader regional connection, choice in residence, or time limits for housing assistance. Given the budget constraints under which we are operating, however, there may be greater interest in such a radical transformation of housing policy because neither the federal budget constraints nor the deterioration in too many inner city neighborhoods favors continuing to do more of the same.