V. Conclusion

Despite the substantial progress on overall poverty and joblessness that the President's economic policies have made possible over the past six years, the great project of our Nation—extending opportunity to all—remains incomplete. While overall central city poverty is down one-tenth (from 20.9 percent to 18.8 percent) since 1992, and while poverty has dropped among African-Americans, Asian-Americans, and Hispanics over the past 6 years, too many communities are waiting to share fully in the recovery. As President Clinton and Vice President Gore have said, with so many indicators exceeding the most optimistic expectations of years past and with so much potential growth still within our grasp, now is the time to address the problems that remain.

America's new urban challenge is largely defined by the struggle of localities and regions to adapt to the enormous changes still sweeping the global economy. In the most extreme cases—places like East St. Louis, Illinois and Pine Bluff, Arkansas—we find central cities kept out of the recovery along three dimensions: a long-run loss of people that has continued in recent years, extremely high poverty rates for the city as a whole (not merely a few isolated neighborhoods), and comparatively high unemployment that has fallen too little in the past 6 years, despite the recovery.

Our forthcoming work in this series, the reports on older suburbs and struggling parts of rural America, will extend HUD's analysis of communities left behind—so far—in our Nation's unprecedented economic recovery. Later this year, HUD will also report on key untapped markets that await investment in the places discussed here and other communities, as well as the most promising policy options for responding to these important challenges.

How should America respond to the new urban challenge reported in this study? First, as the President recently urged, we must not allow the Nation's overall trajectory of record economic growth and vitality to distract us from the work that remains. With the needed resources, struggling cities will be able to follow the lead of the many cities that are adapting well to a changing global economy, finding and investing in their comparative advantages (those distinctive assets that can make each community competitive) and using the many tools developed by community organizations and businesses, by State and local leaders, and by the Federal Government over the last half decade.

Vice President Gore has spearheaded the Administration's community empowerment effort. Chairing the Community Empowerment Board, he has led a broad-based effort to create more jobs and link residents of distressed urban areas to job growth. Furthermore, the Vice President has personally visited a great number of Federal Empowerment Zones and Enterprise Communities. The Vice President has placed a special emphasis in recent years on connecting distressed neighborhoods to the wider regional economies—an evolution seen in the latest round of Empowerment Zones. All of the new Zones have made connections to the regional economy a central pillar of their strategies for turning around pockets of poverty, and more than a third of the new Zones are actually multi-jurisdictional.

Beyond the Zones, though, the Clinton-Gore Administration's agenda for cities and metropolitan regions has been aggressive and multi-dimensional. It has included a strengthened Community Reinvestment Act, the Community Development Financial Institutions (CDFI) Fund, the Continuum of Care to fight homelessness, HOPE VI to redevelop public housing, more Affordable Housing Vouchers to meet worst case housing needs, the Brownfields Initiative, Youth Opportunity Areas, an expanded Earned Income Tax Credit, and the Economic Development Initiative, to name a few.

Just last year, the Administration, working with Congress, created the new Access to Jobs initiative that ensures the transportation links that job seekers in cities need to reach job-rich suburbs and to enact the boldest reform of public housing in decades, ensuring that housing assistance will promote, and not undermine, work. Congress also agreed to renew all rental housing subsidies for poor families—a key to promoting self-sufficiency—and Congress approved funding requested by the Administration for 50,000 housing vouchers to assist families moving from welfare to work, after a four-year freeze on new housing assistance. In addition, President Clinton requested and Congress approved: increased FHA loan limits to enable more American families to enjoy the benefits of homeownership; fifteen new Empowerment Zones and the Brownfields Initiative; and increased funding for assistance to combat homelessness, as well as funding to expand enforcement of our Nation's fair housing laws as part of President Clinton's One America initiative.

Working together, Congress and the Administration have achieved a number of successes, but there is far more work to be done, and Administration proposals to be enacted, to secure the future health of our cities. Last year's $400 million request for the Community Empowerment Fund program to promote jobs in distressed areas was funded at just $35 million. Congress also chose not to expand the Low Income Housing Tax Credit—an Administration proposal with broad bipartisan support, the expansion would have produced an additional 90,000 to 150,000 affordable rental units each year. A request for 34,000 rental housing vouchers to help homeless families make the transition to work and stability also went unfunded.

The Clinton-Gore Administration's FY2000 budget initiatives—now before the Congress—would contribute enormously to the economic revitalization of places thus far left behind. Key proposals, if enacted, would bring new energy to cities, older suburbs, and struggling rural communities, for example: a bold and highly innovative **New Markets Initiative** focused on expanding private investment in business development in low and moderate income areas through **America's Private Investment Companies**, **New Markets Venture Companies**, and other proposals linked to the **New Markets Tax Credit**; a **21st Century Policing Initiative**; the Vice President's **Livability Agenda**—including **Better America Bonds** to clean up more brownfields, a linked tax credit, and **Regional Connections** to promote smart growth strategies that curb urban disinvestment and help sprawling areas to grow in more sustainable ways; 10-year funding for the new **Empowerment Zones** and a new

Regional Empowerment Zone Initiative; a **Redevelopment of Abandoned Buildings** program to clear the worst blight and replace it with vital housing and businesses; a multi-agency **Youth Initiative**—with anti-drug diversion activities, expanded youth opportunity areas, and more; **School Modernization Bonds** and **Qualified Zone Academy Bonds** to equip children and youth for the 21st century economy; and to provide housing affordable to working families, a re-proposed expansion of the **Low Income Housing Tax Credit**. As a necessary next step to last year's increase in loan limit authority, the Administration's FY 2000 budget request proposes an **increase in the volume cap on FHA-insured mortgages** to increase access to affordable homeownership, particularly for the biggest emerging market groups—city dwellers, racial and ethnic minorities, and immigrant families. We know what will make a difference—now is the time to act on these important and timely proposals.

We should recognize that many of our still struggling cities have competitive advantages and substantial assets. Along with struggling rural communities and older suburbs, these places are ripe for investment. They represent America's most important emerging markets—markets reflected in locally unmet consumer demand, underutilized labor resources, and developable, well-located land that is rich in infrastructure. HUD's forthcoming work on untapped markets will highlight those assets and outline the ways that private, public, and nonprofit local leaders can work together, with enhanced tools but not top-down mandates from the Federal Government, to respond to the new challenges and to seize the many opportunities offered by a rapidly changing global marketplace. Since we must act, we cannot afford to ignore either the challenges or the opportunities that lie ahead.

[1] See National Commission on the Causes and Prevention of Violence (The Eisenhower Violence Commission). *To Establish Justice, To Ensure Domestic Tranquility. Final Report.* Washington, DC: U.S. Government Printing Office, 1969.

[2] According to the Bureau of Labor Statistics, U.S. Department of Labor, the rate was 4.2% of the civilian labor force as of March 1999. To correct for seasonal variation, we use average annual rates for 1992 (pre-recovery) and 1998 throughout this report.

[3] Estimates by the U.S. Conference of Mayors and Regional Financial Associates. This estimate accounts for the recipients who will not face time limits because of limited physical ability to work or other factors that qualify for exemption under the Federal government's Temporary Assistance for Needy Families (TANF) program. TANF replaced Aid to Families with Dependent Children (AFDC).

[4] See *National Advisory Commission on Civil Disorders (The Kerner Riot Commission), Final Report.* Washington, DC: U.S. Government Printing Office, March 1, 1968. See also *The Millennium Breach: Richer, Poorer and Racially Apart, A Thirty Year Update of the National Advisory Commission on Civil Disorders.* The Milton S. Eisenhower Foundation and The Corporation for What Works, Washington, DC, March 1, 1998.

[5] See Michael A. Fletcher, "More Retailers are sold on cities; They say there's money there after all." *Washington Post,* March 5, 1999 (page E1).

[6] HUD focused on the 539 "central cities" of metropolitan statistical areas (MSAs), which are defined in the Appendix to this report. Central cities have a minimum population of 15,000 persons. Using this set of places, is that HUD was able to examine long-run trends in population and poverty alongside the latest data on unemployment—a key indicator of the recovery's impact, or relative lack of the same, on local communities. Also, central cities tend to be the most distressed parts of the larger regional economies that surround our core cities. However, other key cities are not included. In the Los Angeles MSA, for example, important (and distressed) cities like Compton are excluded in this analysis. Later this year, HUD's *State of the Cities 1999* will address trends in a wider array of cities and metropolitan regions.

[7] The tables in this report include population loss of greater than 5% for 1980–96 as well as any loss for the more recent 1990–96. Data sources for this and other questions are the U.S. Census Bureau and the Bureau of Labor Statistics.

[8] Excluded are central cities of population less than 25,000 for which the Bureau of Labor Statistics (BLS) does not report unemployment rate estimates. Also, BLS does not estimate unemployment for the Honolulu Census Designated Place, which is defined as the central city of the Honolulu, Hawaii metropolitan statistical area (MSA). Data for that MSA is used instead.

[9] To eliminate seasonal variation, HUD used the average annual unemployment rate for central cities in 1998 and compared those to the national average rate of 4.5% for that year. The latest reported monthly rate was 4.2% for March 1999. Source: Bureau of Labor Statistics.

[10] See, for example, Paul A. Jargowsky, *Poverty and Place: Ghettos, Barrios, and the American City*. Russell Sage Foundation, New York, 1996.

[11] Our definition of "double trouble" therefore requires that unemployment—the most direct and recent indicator of the recovery's impact—be comparatively high. In addition, these central cities have either significant population loss over the past two decades (a problem more common in the "rust belt" and parts of the South), or high poverty (which also affects some booming parts of the West and Southwest, including "job magnet" agricultural areas), or—as is the case in the most extreme examples—both of the latter two conditions.

[12] Myron Orfield, *Metropolitics: A Regional Agenda for Community and Stability*, Washington, D.C.: Brookings Institution Press, 1997.

[13] *Interdependence: The Changing Dynamic Between Cities and Suburbs in the San Francisco Bay Area*, Association of Bay Area Governments, 1998.

[14] David L. Phillips and William H. Lucy, "Suburban Decline Described and Interpreted, 1960 to 1990: 554 Suburbs in 24 Large Metropolitan Areas," Report to the Center for Urban Development, Virginia Commonwealth University, 1996.

[15] The Metropolitan Forum, "The Health of Monroe's Suburbs: Stagnation in the Inner Ring," Staff study, Rochester NY, 1996.

[16] Rob Gurwitt, "The Quest for Common Ground," *Governing*, June 1988, pp. 16-22.