HUD

# GOVERNMENT'S WORKING

## NEIGHBORHOOD BY NEIGHBORHOOD BLOCK BY BLOCK

U.S. Department of Housing
and Urban Development
Henry G. Cisneros, Secretary

Office of Community Planning
and Development
Andrew Cuomo, Assistant Secretary

# RENEWING GOVERNMENT

# INTRODUCTION

Our cities face enormous challenges. The urban economy is undergoing a radical transformation, from the old manufacturing, industrial base to the new information services, high-technology economy. The physical, social, and environmental landscape is changing as well. Since 1950, the metropolitan population of the United States has almost doubled, but the density of the country's 522 central cities has been halved. People and jobs have moved to the urban fringe at an unprecedented rate. Where once the jobs were concentrated downtown, they are now scattered throughout the typical metropolitan area. The proximity that people once enjoyed to their places of work has become a distant memory. The economic infrastructure that literally built our central cities has been replaced by a regional economy demanding new skills and expertise.

At the same time, government is facing profound challenges of its own – to become more responsive, more flexible, and more accountable. The nation's founding fathers and other outspoken activists of the day advocated a form of government that drew its strength from the people, that evolved from the pulse of the farms, villages, and hamlets where the people struggled to survive. Government, they said, should help. It should be responsive. It should be held accountable.

Since that time, the world has changed: government has become more distant, and some people feel disconnected from it. Ironically, advances in technology have made it easier for people to connect to each other, to other countries, to other cultures. What would Thomas Jefferson, Benjamin Banneker, Abigail Adams, James Madison, Frederick Douglass, or Sojourner Truth have done with the new tools that are available today? Would they have relied on "government as usual," with its array of public hearings and legal notices that are the staples of public engagement? Or would they put to work the myriad of communications tools that are at our fingertips – the World Wide Web, E-mail, the Internet? If they were with us today, they would be using technology in innovative ways to further the goals of reinventing, streamlining, and deregulating government. Making it more accessible to people. Renewing people's faith in government.

Like the rest of HUD, the Office of Community Planning and Development (CPD) has addressed these challenges. But to do so, it had to abandon many of the tools and techniques that had been used previously – approaches that had failed to generate a vision, or build a new role, for cities in the transformed economic landscape. To effectively respond to the dramatic changes that have taken place in the cities, HUD also needed to change. HUD needed to transform its operations, approaches, skills, techniques, and priorities. This kind of transformation was needed at every level – at headquarters, in the field, and in relationships with HUD clients-communities, their elected officials, and their residents.

## A FORGOTTEN AGENDA

This internal transformation was initiated after a period of neglect and inattention. HUD's programs had borne the brunt of budget cuts as the nation wrestled with exploding deficits. Its mission – to create viable urban communities – was no longer a national priority. More importantly, many citizens had come to believe that government no longer had the capacity to address these problems. Some even saw government itself as the problem. They blamed government for the seemingly intractable problems of urban poverty, unemployment, homelessness, and crime.

# RENEWING GOVERNMENT

1996 CONSOLIDATED ANNUAL REPORT
For HUD's Community Development Programs
U.S. Department of Housing and Urban Development
Office of Community Planning and Development

*WINNER*
of "Innovations in American Government" Award from the John F. Kennedy School of Government, Harvard University 1996.

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## RESTORING FAITH

HUD has worked to restore people's faith in government. HUD and CPD are uniquely situated to do so. More than any other federal agency, HUD is defined by its links with communities across the country. CPD is charged with the overall goal of creating viable communities and economic empowerment through job creation, providing affordable housing, and promoting economic opportunity. HUD provides a full range of resources to almost every community in the nation. Nearly 1,000 states, cities, and counties receive direct funding on an annual basis. More than 13,000 small communities and 10,000 non-profit agencies also receive funding, sometimes indirectly through states or localities. Together, they access more than $10 billion through a wide range of programs.

## REACHING OUT

Early in 1993, CPD staff traveled across the country to consult with their community leaders and determine how HUD could be more effective and work better. Groups of CPD employees from different program backgrounds, grade levels, and areas of the country brainstormed about systemic changes in CPD's approach. Rather than relying on ideas from headquarters staff whose responsibilities are segmented by program, field staff—who deal with a broad range of issues on a daily basis—played a large role in formulating a new approach. Interactive forums were held throughout the country to help shape a new, coordinated process of community development.

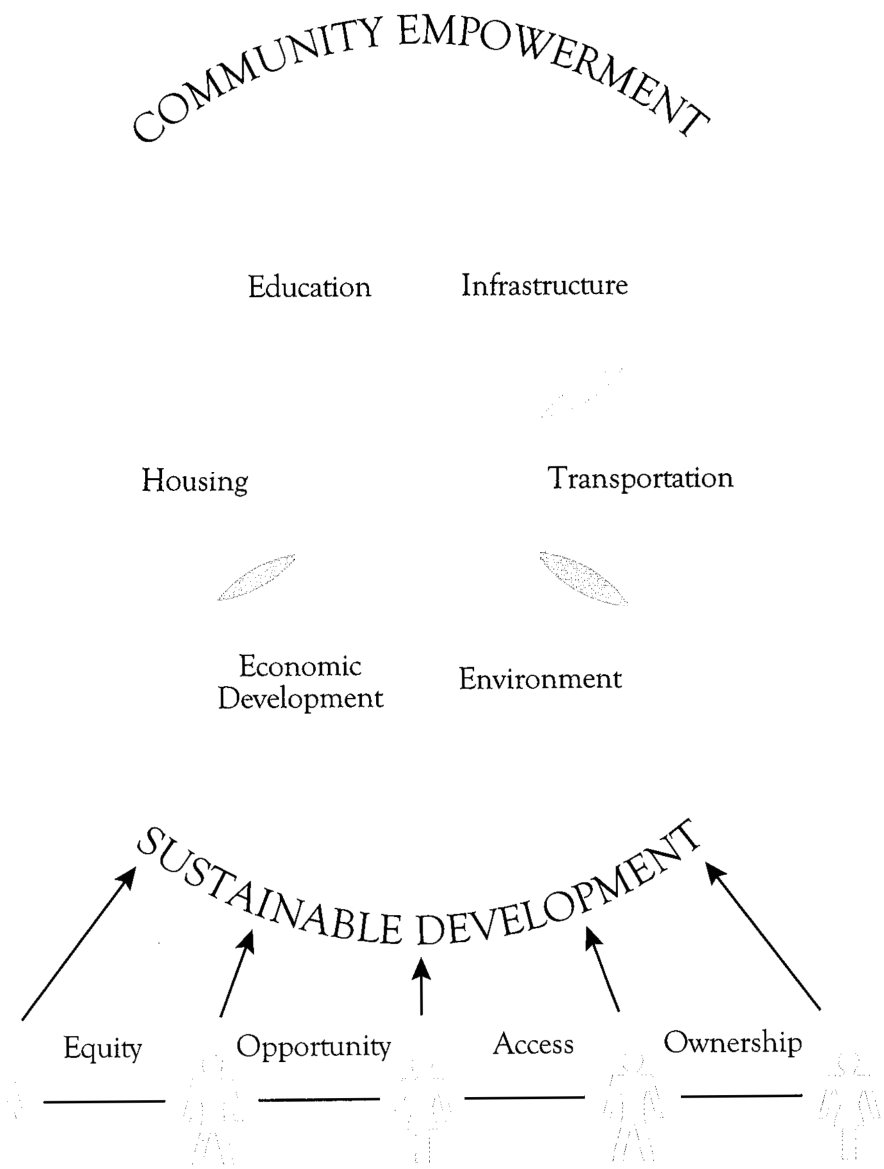
*"We are helping America's communities – not with more bureaucracy, but with more opportunities ... we are bringing jobs back to the places that desperately, desperately need them."*

*– President Bill Clinton*

## THE NEW APPROACH

As a result of this interaction with thousands of citizens, CPD has completely restructured its approach to community development and revitalization in hundreds of communities across the United States. Guided by President Bill Clinton and Vice President Al Gore's overall commitment to streamlining government and Secretary Henry Cisneros' restructuring of HUD as a "right side up, community first" agency, CPD undertook the reinvention of both its relationship with other government agencies as well as with citizens and a wide array of communities, businesses, and non-profit organizations.

# SUSTAINABLE community empowerment



Enterprise Communities; regulations were amended to encourage job creation and provide greater local flexibility for the jobs and the training, day care, and other services that must accompany them; job training has been incorporated into efforts to address homelessness; and programs like the Economic Development Initiative and Economic Development Loan Fund (Section 108) have been expanded to leverage private investment and create jobs for low- and moderate-income individuals.

NC LE 2:

**Planning and execution of community development initiatives must be bottom up and community driven.**

Local communities, not Washington, know best how to implement programs to meet their specific needs. While maintaining a needed focus on meeting national objectives established by Congress, government must empower citizens and communities in planning how their taxpayer dollars are spent. In addition to its fragmented nature, CPD programs and regulations in prior years imposed national requirements that significantly hindered the flexibility of community stakeholders to address unique local circumstances. Today, a new emphasis on citizen participation, bottom-up planning, and program design drives CPD's internal organization and its relationship to its grantees. Field offices have been given significantly increased authority to waive requirements, develop technical assistance plans geared toward meeting specific local needs, and implement priorities in a manner that addresses the unique circumstances of the areas they deal with daily.

Strategic plans must be community *driven.*

Government must empower residents.

## PRINCIPLE 3:

**Complex urban problems require coordinated, comprehensive, and sustainable solutions.**

Solving community needs requires a holistic, comprehensive strategy that links economic, human, physical, environmental, and other concerns. While separate program requirements may address individual elements, neighborhoods in fact operate as systems. Therefore, the most effective solutions are those that reflect a comprehensive, coordinated approach. Traditionally, as new urban problems emerged, separate categorical programs to address them would be funded. This often led to an adverse result: communities were required to focus on specific symptoms of larger problems and were prevented from addressing the underlying causes. As a result, symptoms were addressed, rather than the more fundamental problems.

Urban development must also be friendly to the environment. Phenomenal urban growth in this century has come at enormous environmental cost. Our cities now struggle to reclaim brownfield sites, improve air quality caused by industrial pollution and automobile emissions, clean up rivers and lakes, and protect children from lead poisoning and other toxic substances. Domestically, through the President's Council on Sustainable Development, and globally at the Habitat II City Summit in Istanbul, Turkey, sustainable development has been endorsed as the key to the future of cities.

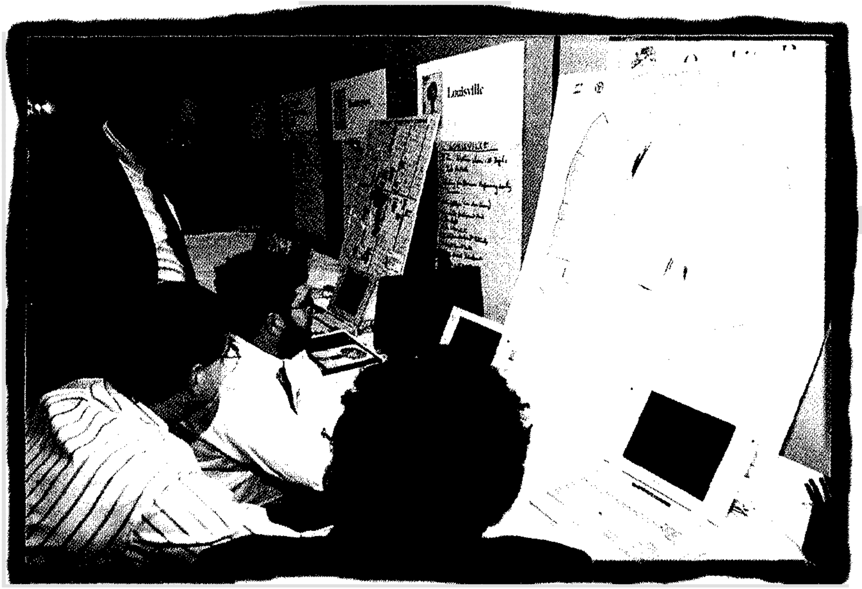
CPD is committed to demonstrating that economic growth and environmental quality can be complementary. Some examples of this commitment are: sustainable development was one of the key selection criteria for the Empowerment Zones and Enterprise Communities; a new Community Revitalization and Transportation Demonstration is creating models for more careful linkages between community development and transportation; and Homeownership Zones are being encouraged to incorporate the basic principles of the New Urbanism, which brings sustainable development to the street, block, and lot level.

## PRINCIPLE 4:

**Government programs must be streamlined to be made more efficient and effective.**

Streamlining and simplifying programs can be essential steps to making them much more comprehensible and approachable, eliminating burdensome requirements, stripping away superfluous procedures, and focusing on what works. In the past, red tape and bureaucracy triumphed over performance and product. Through the Consolidated Plan and other strategies, CPD has reduced burdensome regulations; enabled communities to submit long-range plans using a new, electronic paperless system; harnessed new technologies to move both CPD and community development into the 21st century; conditioned funding on clear, locally determined performance measures; and reduced paperwork by thousands of pages.

Residents access their community's Consolidated Plan and review street-leuel *maps* on *HUD's* home page on the Internet: *http://www.hud.gov*



Taken together, these changes have enabled CPD to administer in 1996 more than twice the program funding that it administered 4 years ago, with 20 percent fewer staff. They also have enabled CPD to increase significantly the number of audits resolved while removing the material weaknesses that the Inspector General had found in CPD programs in the past.

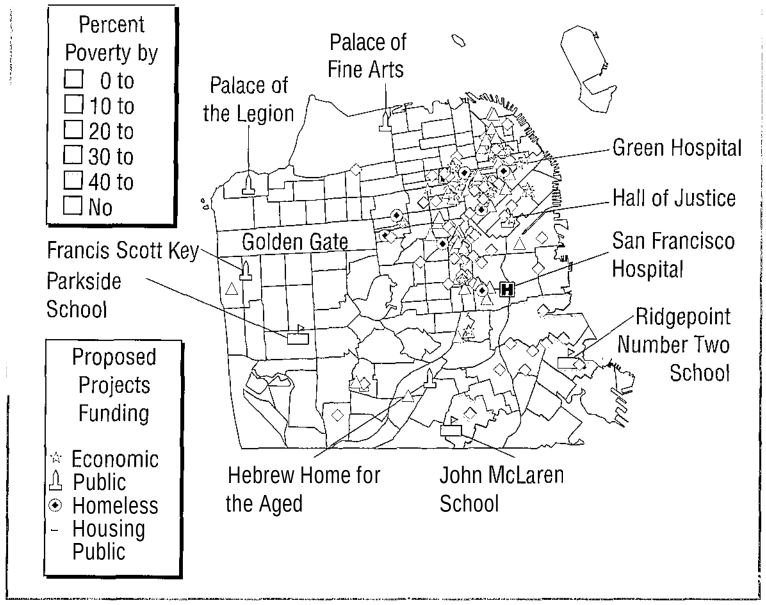
## PRINCIPLE 5:

**Access to and communication with government at all levels and the people it serves must be increased.**

An essential element of community empowerment is access to information and improved communication with government. Open lines of communication, not just among government and citizens, but also among different levels of government are mandatory. New computer technologies can be put to work to facilitate this communication. But, more than that, government must learn how to talk with local communities; it must reach out and involve local residents. CPD is taking advantage of new technologies, moving its programs and the coininunities they serve onto the information highway. New computer software that was used to prepare the Consolidated Plan is being provided to all communities to make planning easier for citizens and elected officials. Every coininunity has received a community-specific package that includes a mapping system illustrating where federal dollars are being spent locally; up-to-date inforination on neighborhood characteristics such as average income, age, education, and housing market characteristics; and the location of existing public infrastructure, streets, utilities, parks, and other public facilities.

*Maps bring to life a community's Strategic Plan.*

**Map 11: San Francisco, CA, by Percent Poverty with Activity Categories**




enables communities to map local development strategies in a comprehensive fashion. They can see at a glance how their approaches to different problems fit together, enabling them to visualize how all the pieces of the puzzle are coordinated in a given neighborhood.

These maps also are provided to citizens through the Internet. Instead of having to master pages of bureaucratic regulations, citizens can now use the Community Connections software to hone in on their individual neighborhoods and see the precise locations of projects proposed for funding. By replacing thousands of pages of charts and forms with clear easy-to-read maps, Coininunity Connections replaces the old citizen participation requirements with a new process in which hundreds of communities are engaging citizens and non-profits.

### ☐ Economic Development

Given the centrality of job creation to community revitalization, CPD initiated a comprehensive effort to provide communities with new and improved tools to create jobs for persons in need. This effort focused several separate programs on job creation and employment. An estimated 1.4 million jobs will, over time, be created or retained from CPD's FY 1993-1996 initiatives.

CPD created a new Economic Development Initiative (EDI) that has provided $369 million in needed resources for community job creation. Over the past 3 years (1993 to 1995) the Economic Development Loan Fund (Section 108) dramatically increased the resources available for job creation and econoinic development. Communities received $1.8 billion through the Loan Fund last year (1995)

An estimated 1.4 million jobs will, over time, be created or retained from *CPD's initiatives* between 1993-1996.

alone, bringing the 3-year total to more than $2.4 billion in guaranteed loans since January, 1993. Over three quarters of these guaranteed loans were awarded for economic development projects. The Loan Fund will leverage an estimated $4.7 billion in additional public and private investments, creating an estimated 300,000 jobs.

The CDBG program regulations were modified to make job creation easier by providing increased flexibility to communities using CDBG in high-poverty areas and enabling them to fund new job training and community-development bank initiatives.

Other contributors to job growth include expanded funding for Youthbuild (which offers job training opportunities in housing construction in low-income areas to underprivileged youth; added administrative flexibility for localities that establish coordinated Neighborhood Revitalization Strategies; assistance in establishing innovative local micro-loan funds; and increased flexibility to amend old Urban Development Action Grants (UDAGs) to meet more recent job development needs.

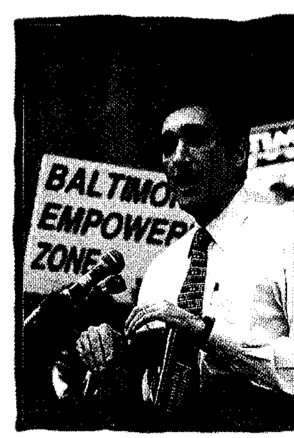
### Independent Evaluation

The University of Kentucky at Louisville conducted an assessment of the EDI/Loan Fund program. The university concluded that the program is successfully leveraging private and public sector funds, as well as successfully creating jobs. "EDI awards,'' the university reported, ['provide a clear window of opportunity for project success: addressing issues of low- and moderate-income persons and distressed communities by developing sound economic development projects with long-term economic development advantages and job creation."

### ☐ Empowerment Zones and Enterprise Communities

The comprehensive approach to community revitalization has served as a fundamental principle for Empowerment Zones/Enterprise Communities (EZ/ECs), the Clinton Administration's key urban initiative. Under this initiative, communities developed bottom-up comprehensive strategic plans to address a wide range of revitalization needs. These plans, which coordinate economic, physical, and human development approaches, then serve as the basis for federal investments and tax incentives designed to stimulate business expansion and job growth. These areas also have received unprecedented federal cooperation in waiving regulations and cutting red tape.

In the first 18 months of the EZ/EC program, numerous public/private partner ships have been created on the local level, creating jobs for thousands of low-income individuals and leveraging private investment in excess of $2 billion.




HUD Secretary Henry Cisneros highlights Empowerment Zone jobs and job support sewices.

## The Continuum of Care: A New Approach to Homelessness

The maze of individual program competitions and distinct program rules imposed on CPD's homeless programs served as a barrier to implementing an effective, coordinated approach to addressing homelessness. CPD has replaced this fragmented approach with the new, comprehensive Continuum of Care, the tenets of which were first outlined on the national level in President Clinton's Priority Home!: The Federal Plan to Break the Cycle of Homelessness.

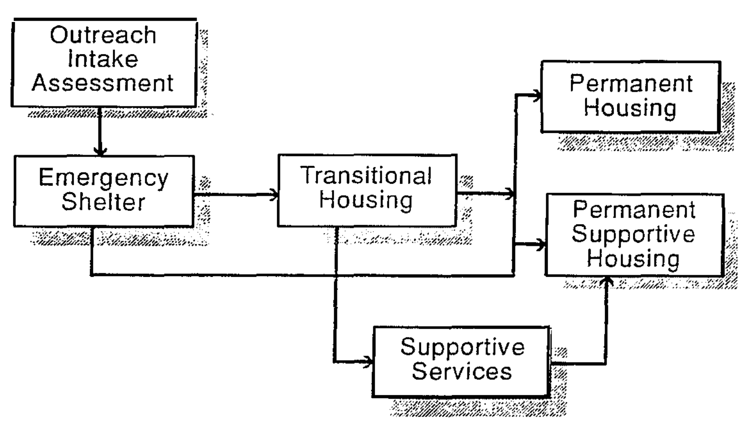
Under the Continuum of Care, communities no longer apply under separate, disconnected competitions for homeless assistance funding. Today, each community (local elected officials, homeless providers, businesses, non-profits, homeless individuals, and others – all working together) creates a single Continuum of Care strategy that describes how all the pieces of the homeless system fit together. The strategy covers emergency, transitional, and permanent housing, as well as job training and placement, mental health treatment, and child care.

The Continuum of Care system is characterized by a new emphasis on bottom-up planning. Not only are localities given the ability to plan comprehensively, but that planning also includes the voices of numerous individuals, including local advocates, providers, and other groups. Under this approach, each prong of the homelessness system can do what it does best. Coordination occurs on a community-wide level while resources for implementation are focused on non-profit providers best able to site and administer housing and other services, such as job training and mental health.

### Independent Evaluation

The Continuum of Care also reflects the Clinton Administration's commitment to helping those in need. Funding for programs that assist homeless people has increased by $700 million over the past 3 years. However, this increase from $580 million to $1.12 billion is only part of the story. Columbia University's Barnard-Columbia Center for Urban Policy conducted an independent assessment of the Continuum of Care. The conclusion: it's working. In its report, "The Continuum of Care: A Report on the New Federal Policy to Address Homelessness," (September,

*The Continuum of Care*



1996), the center found that CPD's new strategy for homelessness indicated that the comprehensive Continuum of Care approach has yielded tremendous dividends in performance: CPD homeless programs have succeeded in serving as many as 14 times the number of homeless people served previously, while there has been only a threefold increase in funding.

The report also found that the new approach has resulted in a wider distribution of funding across the nation, that the value of leveraged resources grew from $37.5 million in 1992 to $1.1 billion in 1995 (an increase of almost 3,000 percent), and that assistance for permanent housing for homeless people increased significantly from 1993 to 1995.

## THE BOTTOM LINE: GOVERNMENT IS WORKING

The bottom line is the bottom line: results and performance. While many may have despaired of government's ability to respond to the critical issues facing our cities, HUD and CPD are showing that government can do the job. The experiment is working. As evidenced by the independent evaluations that have been conducted for each of CPD's primary initiatives, we are achieving results. If we are to commit government resources, the public has the right to know what it is getting for its money. What is the product? Who benefits, and by how much? It is this kind of accountability that CPD is building into each of its programs, making government reinvention not just a slogan, but a working contract with citizens.

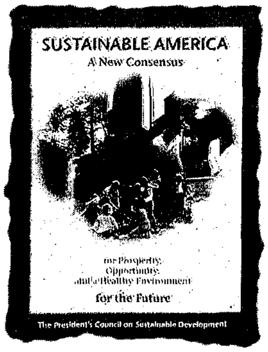
## NOTE ON THE STRUCTURE OF THIS REPORT

This report is structured differently from previous reports. It is divided into seven chapters: consolidated planning, economic development, empowerment zones, homelessness, affordable housing and homeownership, community development, and special community development initiatives. Rather than necessarily describing an individual program (e.g., CDBG), each chapter describes a broad area of activity that reflects how these programs are actually used by local grantees. In the economic development area, for example, a full range of economic development activities are described, including CDBG, Economic Development Loan Fund, EDI, and other CPD-assisted economic development activities. This structure is intended to show how the range of HUD's resources for community development are brought together at the community level to combat critical issues, such as homelessness, or to serve specific community needs, such as homeownership, affordable housing, or community development.

# CHAPTER ONE

## BRINGING IT ALL TOGETHER COMMUNITY CONNECTIONS AND THE CONSOLIDATED PLAN

"In sustainable communities, people are engaged in building a community together. They are well informed and actively involved in making community decisions, They make decisions for the long term that benefit future generations as well as themselves. Steps toward a more sustainable future include developing community-driven strategic planning and collaborative regional planning; improving community and building design; decreasing sprawl; and creating strong, diversified local economies while increasing jobs and other economic opportunities." – *The President's Council on Sustainable Development*




The previous text, taken from The President's Council on Sustainable *Development*, accurately describes the award-winning approach undertaken during the past 3 years by HUD's Office of Community Planning and Development. It is known as Community Connections/Consolidated Planning.

Community Connections/Consolidated Planning enables communities to link environmental health, physical renewal, economic growth, and improved human services into a seamless community revitalization strategy. It describes the new consolidated planning, reporting, and performance-based management system for the four formula grant programs administered by CPD. It provides a framework for undertaking community development that interconnects needs, determines priorities, identifies resources, and tailors a plan for meeting those particular needs. Through the new Consolidated Plan, it provides a framework based on performance rather than process, results rather than paperwork, and local control rather than top-down prescription.

## BACKGROUND

The Consolidated Plan seeks to alter the relationship between HUD, state and local governments, and citizens. Before the implementation of the Consolidated Plan and the Consolidated Annual Performance Report, CPD programs mandated that communities annually submit a total of 12 separate planning, application, and reporting documents – often adding up to more than 1,000 pages. This unnecessary requirement complicated comprehensive community development strategies at the local level. Narrow regulations hampered the ability of localities to link their housing and community development activities. Separate program competitions also thwarted the coordination of services and shelter to the homeless population.

"The Consolidated Plan provides a framework for us to address neighborhood revitalization and socio-economic problems in our city. The efforts of our CDBG-funded community and economic development activities are coordinated with our locally-funded Employment *Services* programs to achieve a common goal. This year, our Enterprise Community planning has been signaled through the Consolidated Plan process, and we have used the public involvement process to connect comments *on* community needs with potential EC opportunities."
– Mayor Norman B. Rice, Seattle, WA

Developed with the input of citizens and community groups, the Consolidated Plan serves four functions. It is a planning document for each community, built upon public participation and input. It is the application for funds under HUD's formula grant programs: the Community Development Block Grant Program, the HOME Program, Emergency Shelter Grants, and Housing for People With AIDS. It lays out local priorities and a 3-to-5-year strategy the jurisdiction will follow in implementing HUD programs. In addition, an annual action plan provides the basis for assessing performance to ensure accountability and results for over $10 billion in CPD-funded programs.

A complete Consolidated Plan describes the lead agency responsible for overseeing the development and implementation of the plan and all agencies, groups, and organizations that participate in the process. It also includes a summary of the citizen participation process, public comments, and efforts made to broaden public participation in preparing the plan. In addition, all Consolidated Plans include:

*Assistant Secretary Andrew Cuomo meets with Philadelphia Empowerment Zone residents.*

- Housing and homeless needs assessment.
- Housing market analysis that describes concentrations of minorities and/or low-income families, shows the condition of public housing units, inventories homeless facilities, and describes barriers to affordable housing.
- Three-to-five-year strategic plan that includes priority needs and a strategy for addressing identified priorities, including economic development activities to create jobs and promote economic opportunity.
- Action plan that is submitted annually and describes specific projects and activities to be undertaken in the program year,
- Certifications indicating that communities are following a citizen participation plan, affirmatively working towards fair housing, following an anti-displacement and relocation plan, and other legal requirements.

*Karen Stokes,* Coalition for Low Income Community Development, *describes the Consolidated Plan as a "tool that will really empower citizens."*

## GOALS

By replacing 12 separate submission requirements with a single annual plan and performance report, by developing computer-generated maps that identify impact, and by involving citizens in a meaningful way to address local problems comprehensively, the consolidated planning and reporting process aims to achieve four central objectives:

**1. Restructure relationships and communication between government and people**

If citizens are to reconnect with their government and their neighborhoods, they must be equipped with information and tools to get involved. Computer technology can provide access to government information and connections to government. Information technology can help translate neighborhood strategies into clear descriptions of specific projects and relate projects to social and economic conditions. Summaries of virtually every community's Consolidated Plan have been placed on HUD's World Wide Web site (www.hud.gov) providing much greater access to what was previously an obscure and little-read government document.

**2. Redesign federal, state, and local government relations, moving the focus from process to performance**

The consolidated planning process enables communities to tailor solutions to their unique problems. In exchange for added local flexibility, state and local governments must describe proposed accomplishments for each objective and be

Residents from across the county explain their needs to government officials at a HUD conference.

Atlanta residents exchange ideas on how to improve community outreach.

held accountable for results. This defines a new relationship between CPD and state and local governments, and moves the focus from paperwork and process to performance and product.

**3. Empower communities to develop and implement comprehensive, holistic planning strategies**

Thirty years of experience trying to address the problems of distressed communities has generated near unanimity that urban problems must be addressed holistically. The Consolidated Plan, linking concepts of comprehensive planning with actual government resources, enables localities to plan comprehensively to address local needs. The process also requires substantive input from every segment of a community: residents, local businesses, charitable groups, and community-based organizations.

Cameron Whitman, senior legislative counsel at the National League of Cities, describes the Consolidated Planning process as a "fantastic planning tool. It really has made things easier."

**4. Create a national network/database of needs, policies, plans, and actual performance**

The Consolidated Plan provides the framework for a national community-development network/database. CPD has linked nearly every city, county, and state government to HUD with one unified computer software system. It is moving to put each community's accomplishments online as part of a national storehouse of valuable community development information. When the system is fully implemented, academics, researchers, students, and community residents will be able to study trends, analyze data, compare performance among communities, and get answers to the question, "What works!"

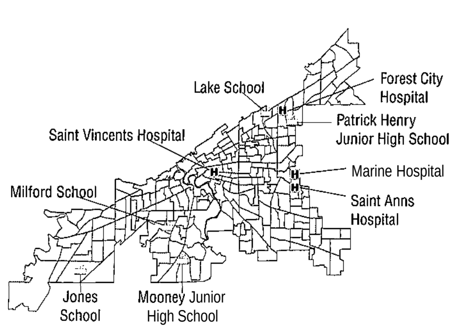
## MAPPING SOFTWARE AND COMPUTER TECHNOLOGY

The Community Connections software package – supplied at no charge to CPD grantees – includes census data and mapping software. Ceiisus data includes information about housing conditions, poverty rates, unemployment, and other useful planning information. Users can overlay demographic data to show how they relate to the location of projects funded by HUD or other agencies. This technology allows community organizations, activists, and governments to provide compelling evidence of local needs – on full color maps supported by government statistics and data. Citizens can use the software to determine how and where HUD dollars are spent, neighborhood by neighborhood.

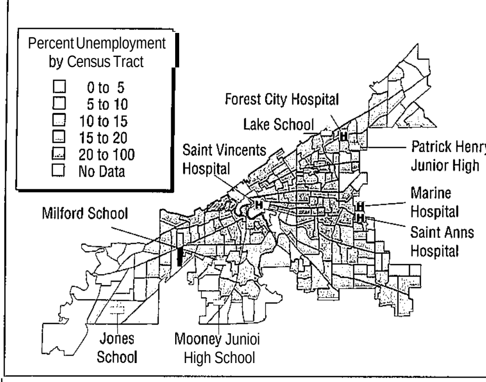
The mapping software is a flexible, easy-to-customize tool. For example, a police department could load data on criminal incidents to graphically target public safety resources, and, with the input of local residents, build a community policing strategy around the resulting information. Data on local environmental conditions, brownfields, and other environmentally sensitive sites could be mapped and tracked. Businesses also could use the demographic data built into the system as a marketing tool to plan the development of retail or other commercial services in neighborhoods often overlooked by traditional marketing strategies.

CPD also created an electronic bulletin board system to support communications among HUD, its field offices, and local jurisdictions. Along with the Consolidated Plan's mapping software and the Community Connection's World Wide Web site, the system is giving communities far greater information about, and access to, CPD programs.

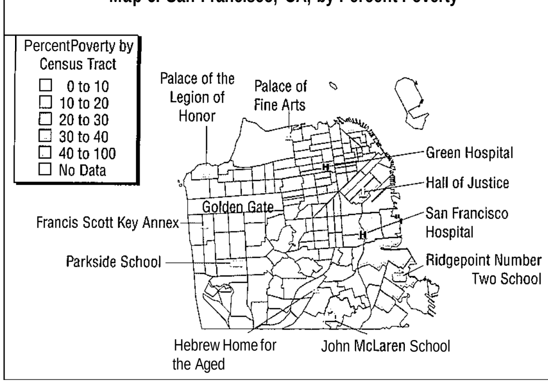
**Map 1: Cleveland, OH, with Points of Interest**



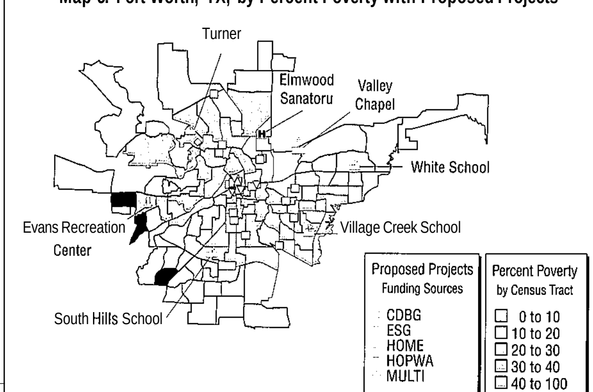

**Map 3: Cleveland, OH, by Percent Unemployment**




**Map 6: San Francisco, CA, by Percent Poverty**




**Map 9: Fort Worth, TX, by Percent Poverty with Proposed Projects**




"HUD has announced that local governments, *nonprofits,* foundations, neighborhood groups, even individuals can acquire the system for a song – software and CD-ROM for $125." Neal Peirce, Nationally Syndicated Columnist, October 1, 1995.

The Consolidated Plan is an effective management tool for monitoring performance. It identifies each community's priority needs, short and long term goals and objectives, and strategies and timetables for achieving its goals. It asks each community to state how it plans to achieve local objectives in accordance with the statutory goals of all community development programs – that is, to provide decent housing and a suitable living environment and expand economic opportunity for low- and moderate-income families.

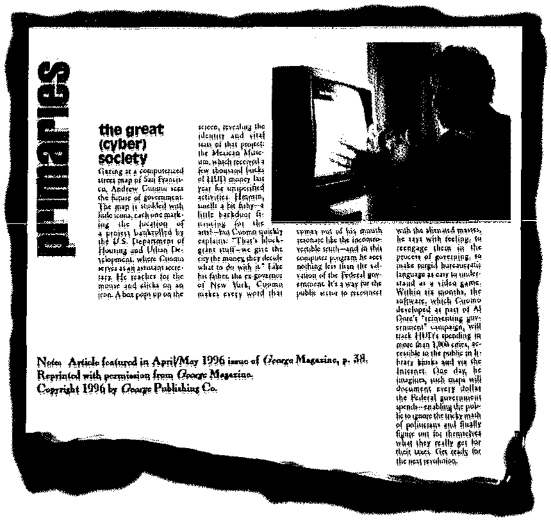
*People from various neighborhoods in Louisville, KY, attend a community gathering to announce new job opportunities.*

Against these goals and objectives, the community and HUD evaluate grantee performance, using a computer-based reporting system. The system is designed to provide accurate and timely information on specific activities aimed at meeting the community's priority needs. The emphasis is on self-evaluation and reporting of accomplishments.

*Wisconsin Governor Tommy Thompson praised the Consolidated Plan for "reducing paperwork and duplication of efforts and encouraging greater coordination between various state and local agencies."*

When this system is fully operational, it will supply information on what each grantee has achieved (i.e., the number of jobs created, housing units built and rehabilitated, public facilities built, and persons assisted with services). CPD will be able to aggregate national totals and, where baseline data is available, compare progress from one year to the next. This will provide researchers, academics, and development professionals with an extraordinary wealth of precise community. development data.

**Increased Efficiency.** Implementation of the consolidated planning process has saved tax dollars by increasing staff efficiency within CPD. The Consolidated Plan enabled CPD to administer several billion dollars more in program funds with 20 percent fewer staff. In 1992, a staff of 1,088 administered a program budget of $5.5 billion, compared to a staff of 918 in 1995. The new system has enabled CPD to significantly increase the number of audits resolved while removing the material weaknesses that the Inspector General had found in CPD programs in the past.



primaries

**the great (cyber) society**

Gazing at a computerized street map of San Francisco, Andrew Cuomo sees the future of government. The map is studded with little icons, each one marking the location of a project bankrolled by the U.S. Department of Housing and Urban Development, where Cuomo serves as an assistant secretary. He reaches for the mouse and clicks on an icon. A box pops up on the screen, revealing the identity and vital stats of that project: the Mexican Museum, which received a few thousand bucks of HUD money last year for unspecified activities. Hmmm, smells a bit fishy—a little backdoor financing for the arts—but Cuomo quickly explains: "That's block-grant stuff—we give the city the money, they decide what to do with it." Like his father, the ex-governor of New York, Cuomo makes every word that comes out of his mouth resonate like the incontrovertible truth—and in this computer program he sees nothing less than the salvation of the Federal government. It's a way for the public sector to reconnect with the alienated masses, he says with feeling, to reengage them in the process of governing, to make turgid bureaucratic language as easy to understand as a video game. Within six months, the software, which Cuomo developed as part of Al Gore's "reinventing government" campaign, will track HUD's spending in more than 1,000 cities, accessible to the public in library kiosks and via the Internet. One day, he imagines, such maps will document every dollar the Federal government spends—enabling the public to ignore the tricky math of politicians and finally figure out for themselves what they really get for their taxes. Get ready for the next revolution.

Note: Article featured in April/May 1996 issue of *George Magazine*, p. 38.
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George magazine, March/April 1996, "It's a way for the public sector to reconnect with the alienated masses ... to reengage them in the process of governing, to *make* turgid bureaucratic language as easy to understand ***as*** a video game .... One day ... such maps will document every dollar the Federal government spends..."

**Local Initiative.** A clear measure of success is the ability and willingness of others to expand on the consolidated planning process through local initiatives. Summit County, OH, has incorporated all charitable social service funding in its overall strategic plan and has plotted this funding source on maps. The State of North Carolina is using local access cable television to encourage community participation and explain funding plans. Harris County, TX, has placed its entire Consolidated Plan on its own Internet Home Page and is encouraging residents to comment via computer.

*Government Executive* magazine, January 1996, *"If you build it and they don't come, go out and get them. That's the philosophy behind a new effort at the Department of Housing and Urban Development to increase citizen participation in community planning."*

**Increased Community Participation.** Each community applying for HUD funds is required to conduct citizen public hearings. Too often, these hearings – which should serve as an ongoing dialogue with residents – have been little more than poorly attended meetings held after the city's plan was developed. The Consolidated Plan has helped to change that. Muncie, IN, never thought 700 people would show up for a series of public forums on its Consolidated Plan, but. they did. More than 650 people attended in Buffalo, NY; Spokane County, WA, brought in over 250 groups to develop its Consolidated Plan. More than 189 agencies, 24 county departments, and 108 community groups were consulted by San Bernardino, CA. Burbank, CA, mailed a survey to 41,000 people; Portland, ME, to 29,000. These efforts greatly surpassed previous efforts at community participation.

## Next Steps

### Reaching New Constituencies

CPD has initiated outreach efforts to expand access to the consolidated planning process and software by public housing authorities, public libraries, schools, builders and city planners. More than 900 public housing authorities recently received the Consolidated Plan mapping software/databases. Lesson plans tailored to the mapping software have been developed for political science and government classes in middle and high schools in Empowerment Zones and Enterprise Communities. Libraries will be encouraged to become the neighborhood hub for people who do not have access to a computer to use the mapping software/databases.

## Community Revitalization/Transportation Demonstration

CPD and the U.S. Department of Transportation (DOT) are working together on a demonstration that will enable a number of localities to coordinate their transportation and consolidated planning efforts. Six cities and regions will jointly address planning requirements for programs administered by CPD and DOT. CPD will support technical assistance to each participating community. The result will be state-of-the-art integrated plans that can serve as national models that will incorporate cutting-edge mapping and computer software and that will link the consolidated plan to regional transportation goals.

## Software Improvements

An updated edition of the mapping software is under development for initial release later this year. The new generation of mapping software builds on the positive initial reaction to the concept and responds to specific suggestions for adding improvements to the package. The improved software will include more than 640 standard data variables and substantially enhanced capacity to incorporate local data of special interest to individual users.

INNOVATIONS IN AMERICAN GOVERNMENT

An Awards Program of The Ford Foundation and Harvard University

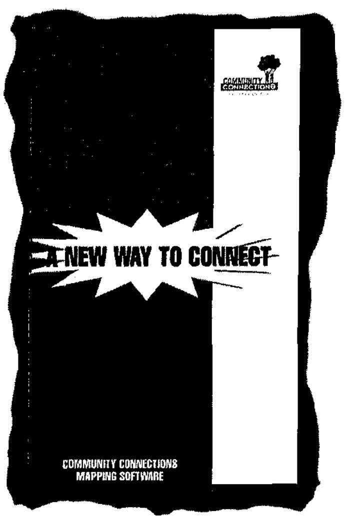
CONSOLIDATED PLAN RECOGNIZED AS LEADER IN GOVERNMENT INNOVATION

## On the Right Track: Community Connections Wins Harvard Award

Community Connections has been named a 1996 winner of the prestigious Innovations in American Government Awards, sponsored by Harvard University's John F. Kennedy School of Government and the Ford Foundation. Community Connections was selected from some 800 state, local, and federal projects nationwide. The award is an acknowledgment of the important role that the Consolidated Plan is playing in HUD's reinvention as a "community-first, right-side up" agency. The awards are given to those projects that best represent efforts to streamline government, enhance the cost effectiveness of services and programs, and expand citizen participation. This is the first time that HUD has received this award.

As an award winner, CPD will receive $100,000 to expand Community Connections in a number of exciting ways: CPD will create a prototype of an "Electronic Town Village" in one city – with a special emphasis on new ways to expand community participation.

The "Electronic Town Village" will be an electronic, cyber-based version of an actual community. It will provide an online site for residents to access information about their neighborhoods and communities and effectively influence what happens there. It will feature computers that the public can use to access the Internet, create maps, and print out information to take home. Residents can see already what their city is doing through the Community Connections home page on the World Wide Web, in comparison to hundreds of other cities and counties that also are on the Community Connections web site. Kiosks will be displayed in city halls, libraries, and in other public places where this information can be dissemiiiated to encourage greater involvement.




Brochure *for Consolidated Planning Software.*

Through the Internet, the computer mapping system, the kiosks, and other means of communication, the "Electronic Town Village" will attempt to provide information on all federal, state, and local funding received by the city. In partnership with the city, a cable television show will be developed as a vehicle for consolidated planning. Ideas and comments can be called in by telephone, or sent via E-mail or regular mail for use in follow-up programs.

The "Electronic Town Village" also will include workshops to engage groups not normally served by HUD – parent and teacher associations, librarians, and others. The workshops will focus on the principles behind Consolidated Planning, how this process can improve neighborhoods, and how the participants can use it in their communities. For example, librarians will be encouraged to display their city's Consolidated Plan. Community police officers might make the communication system available in their neighborhood precincts. It also will feature a conference for HUD grantees to display the prototype and discuss how it can be replicated in other localities.

Once the prototype Village has been completed, CPD and the host city will convene a conference, inviting other communities to discuss the effort, showcase the "Electronic Town Village," share information, and focus on ways to replicate it in other areas.

*Architecture* magazine, January 1996, *"Community Connections was designed to be as open and flexible as possible to encourage information exchange.* For *example, the new software allows a city planner to add projects funded by other agencies* or *institutions to its databases, in order to determine how much money is being inoested in the community."*

## THE BOTTOM LINE: GOVERNMENT IS WORKING

The most important achievement of Community Connections and the Consolidated Plan has been to redefine communication between government and citizens. This is being accomplished through a multi-dimensional management, information, and communication system. Key elements include reinventing relations among federal, state, and local governments; enabling comprehensive planning; providing information that is easy to obtain and easy to read; and creating the potential for a national database of benchmarks and best practices. Taken together, Community Connections becomes a powerful tool for residents or anyone interested in community development in our nation's towns and cities.


*"No longer are great behemoth programs wheeled out of Washington and planted in some locale that doesn't particularly want them .... Instead, HUD goes to the city or town and asks what it needs."*

*– Mary McGrory,*
*Washington Post columnist*

# CHAPTER TWO

## ECONOMIC DEVELOPMENT AND EMPLOYMENT

Jobs are the engine of community revitalization. Putting people to work is the first step towards restoring dignity. Even excellent job training will not compensate for lack of access to suitable jobs. By reinventing its programs to focus on economic development, CPD's efforts are creating jobs, improving job skills, providing assistance to for-profit businesses, rehabilitating commercial buildings, and building the infrastructure required to promote business development. Over the past 3 years, CPD has moved job creation and economic opportunity to the forefront of its community planning and development programs. Every program

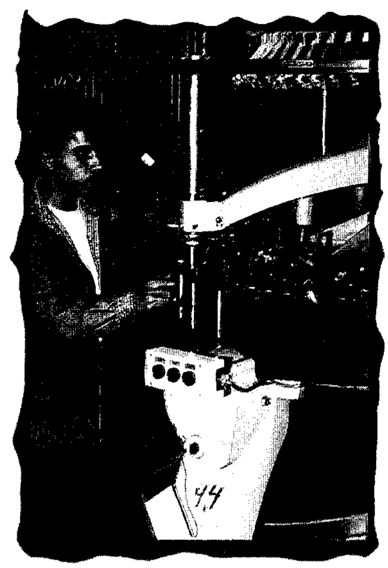
*The new approach is working. Between 1993 and 1996, CPD economic development investments will create or retain an estimated 1.4 million jobs.*

has been restructured to emphasize job creation and employment. This transformation has been achieved through developing new initiatives, streamlining regulations and procedures, using existing programs in innovative ways, forging strong partnerships with local communities, and reinventing programs to be more flexible, viable economic development tools. In the process, CPD programs have created new economic opportunities through financial assistance to for-profit businesses, commercial revitalization, and job training, especially for low-income residents living in the most distressed communities.

*Providing job opportunities is* one of CPD's *most* important missions.

The new approach is working. Between 1993 and 1996, CPD economic development investments will create or retain an estimated 1.4 million jobs.[1] (See Exhibit 2-1.) Although these are estimates, it is clear that CPD's programs generate a sizable number of jobs for America's cities.

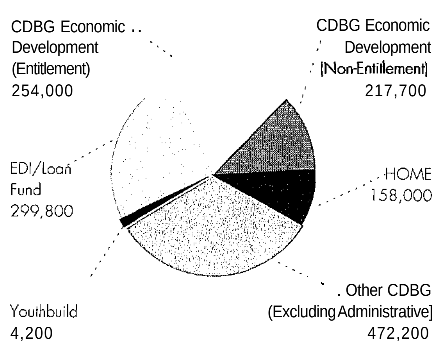
This increase in jobs has been achieved through annual expenditures of $4.6 billion through the CDBG program, $1.5 billion through the HOME program, as well as more than $2 billion in loan guarantees under the revitalized Economic Development Loan Fund (Section 108 Loan Guarantee program), with accompanying grants from the newly-created Economic Development Initiative. These funds have leveraged many more billions in private sector funds. A sample of 40 projects supported with guaranteed loans and EDI funds showed a ratio of 2.4 private dollars for every federal dollar invested.[2]





*CPD* has helped create jobs by providing financial assistance *to inner city entrepreneurs.*

Exhibit 2-1
**CPD Economic Development**
***1,405,900* Jobs Created or Retained***
**FY *1993* - FY *1996***





*Estimates

Most of these jobs are targeted to low- and moderate-income individuals, families, and communities. As a result, CPD's initiatives serve as models for moving people from welfare to work. Welfare reform will require creative partnerships between government and the private sector. There is much to learn from the success of CPD's approach to mobilizing federal resources that create new work opportunities for low- and moderate-income families.

## New Economic Trends

Historically, American society has been based on an implicit social contract – if you work hard, you will get ahead. The foundation of this contract was the belief, based on historical fact, that economic growth benefits all groups. And that has traditionally been true. Between 1950 and 1978, every income class of Americans benefited broadly from the nation's overall economic growth. Those in the bottom 20 percent of wage earners actually saw their incomes rise faster than those in the top 20 percent during that period.

Beginning in the 1970s, there was a change in direction on the road of constantly improving material conditions for most citizens. Between 1979 and 1993, real incomes for the bottom 60 percent of families actually fell in constant dollars, with those at the bottom suffering the steepest decline. On the other hand, the top 40 percent experienced rising incomes. Between 1977 and 1989, the top 5 percent increased their annual incomes by 29.1 percent, while the top 1 percent saw their incomes increase by 102 percent.

The distribution and location of economic activity and jobs also have changed, as firms moved from the central city to the suburbs. While businesses and manufacturing facilities had earlier located in central cities in order to gain access to labor markets, customers, and centralized transportation facilities, in the 1970s and 1980s, they were moving to suburban areas, attracted by lower land costs and improved access to the trucking interstate highway system. As documented in a new HUD study, cities now play a series of essential roles in a larger metropolitan marketplace.[3]

A number of Administration initiatives are having a positive impact to offset these trends. They include the Earned Income Tax Credit for those employed in low-wage jobs, as well as a boost in the minimum wage. Initiatives to help those affected by layoffs and increased job insecurity include educational programs, training and retraining of laid-off workers, and retooling the unemployment system to serve as a re-employment system through one-stop career centers. The EZ/EC initiative (discussed in the next chapter) makes available wage tax credits to attract employers back to the central city and hire local residents. As a result of these initiatives and a long-term "pro-growth" economic agenda that includes further and continuing deficit reduction, the economy as a whole is gaining steadily, jobs are being created at record levels, and metropolitan economies are making a historic comeback.

## Overview of CPD Initiatives

CPD has developed a range of economic development initiatives to complement these efforts. They are designed to exploit the newly-recognized "competitive advantage" or "location efficiency" of the inner city. This advantage can be a key weapon in reducing wage disparities and boosting local economies. Cities are particularly well positioned to take advantage of the emergence of regional "cluster" economies, which rely on the proximity of businesses and supporting institutions as well as tightknit social networks to succeed. Cities can be the engines of growth in the new metropolitan economies.

*Since the program was created, HUD never has called on the Treasury to pay back defaulted loans.*

This approach to economic development has been built around four key initiatives:

*The EDI/Loan Fund program is leoeraging prioate and public funds to help cities across the country build shopping centers, grocery stores, and other businesses, such as the Good Hope Marketplace in Washington, DC.*

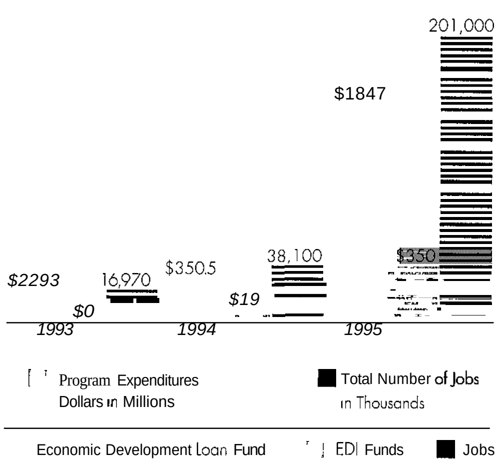
- **New Initiatives: The Economic Development Loan Fund (Section 108)**
  In 1993, CPD began "reinventing" its existing Economic Development Loan Fund (Section 108) as a tool for community revitalization. In FY 1994 and FY 1995, the Loan Fund had its most productive years – guaranteeing more than $2.1 billion in loans to create jobs in large and small coin. munities throughout the United States. It is a powerful tool for economic development. The strength of the guaranteed Loan Fund is that it permits communities to use federally-guaranteed loans, rather than CDBG funds to leverage private funds for the purposes of economic development and community revitalization. This enables communities to use their scarce CDBG dollars for other activities. Since the program was created, HUD never has called on the Treasury to pay back defaulted loans.

- **New Initiatives: The Economic Development Initiative**
  EDI[4] is a new initiative that provides grant funds to enhance the security of the Loan Fund and/or strengthen the economic feasibility of assisted projects. Enacted and implemented for the first time in 1994, EDI enables localities to carry out economic development activities where public and private dollars can be leveraged to create jobs and other benefits, especially for low- and moderate-income persons, and reduce the risk of potential future defaults on Loan Fund supported projects.

*Capital access for entrepreneurs and small business is a key component of the job growth strategy employed by the EDI/Loan Fund. Almost 50 percent of EDI/Loan Fund dollars are used to capitalize community development banking institutions.*

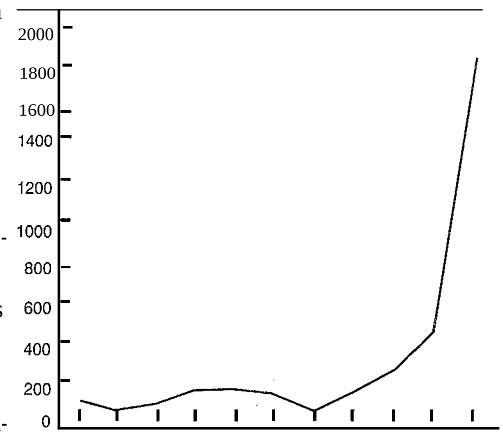
The EDI/Loan Fund program greatly expanded its role as a catalyst for economic development. The estimated jobs to be created by the EDI/Loan Fund increased from only 16,900 in 1993 to more than 201,000 jobs in 1995.5 (See Exhibit 2-2.) Capital access for entrepreneurs and small business is a key component of the job growth strategy employed by the EDI/Loan Fund. Almost 50 percent of the program dollars are used to capitalize community development banking institutions.

Exhibit 22
**Estimated Jobs Created by the EDI/ Economic Development Loan Fund (Section 108) FY 1993 - FY 1995**




The growth of EDI/Loan Fund jobs reflects a nine fold increase in loan guarantee commitments during this period, from just $229 million in 1993 to $350 million in 1994, and $1.85 billion in 1995. (See Exhibit 2-3.)

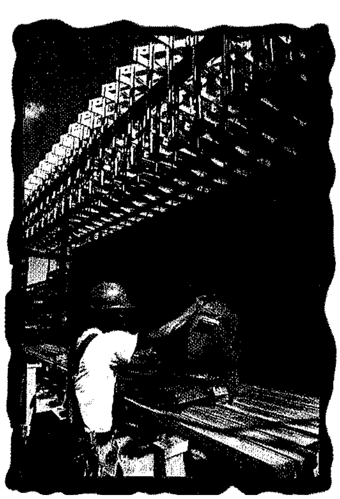
A new round of (1996) EDI funds will support the creation of Community and Individual Investment Corporations (CIICs). The CIIC is intended to provide ongoing credit for small business development in Enterprise Zones, Enterprise Communities, and other CDBG-eligible communities. CIICs are intended to complement the ongoing activity of existing community development financial institutions (CDFIs). They provide a new opportunity to stimulate asset-building among low- and moderate-income persons and to return these assets to the community in the form of investments in housing, community, and economic development. **A** unique feature of the CIIC is that community resi-




- **Revising Regulations and Streamlining Programs: CDBG and UDAG as Economic Development Tools**
  CPD significantly increased its job creation capacity by streamlining and revising rules and regulations for its programs. This included a makeover of the CDBG program that involved comprehensive revisions of once-restrictive regulations. The regulations for the Urban Development Action Grant program also were amended to optimize the job creation effect of the grant funds remaining under this discontinued program.

*A unique feature of the CIIC is that community residents will have an economic stake in the venture by purchasing shares in the corporation.*

Each of these initiatives has contributed to the total number of jobs that are being created around the country. Other CPD programs, including the HOME program, Youthbuild, Emergency Shelter Grants and other homeless programs, also have a significant impact on job creation.



**A** University of Kentucky study found that the *EDI/Loan* Fund effort is working.

## Assessing the Results: University of Louisville Evaluation

The University of Louisville evaluated the core CPD economic development programs — the Economic Development Loan Fund and the EDI grants – and determined that they are working. The study concludes that the program has produced real results over the past 3 years.

"This analysis suggests that the EDI grant program has not only enabled many more communities to take advantage of the long-term flexible funding available through the Section 108 Guaranteed Loan program (Economic Development Loan Fund), but also that the two programs have performed well in generating jobs and boosting the economies of hard hit urban areas. The EDI/Loan Fund program is an outstanding illustration of the efficient, productive use of federal funds."

Trinity Knitworks in Los *Angeles* did not have to lay off any of its *workers thanks* to a *loan* made possible *by CPD's* Economic *Development Loan Fund* (Section 108).

"EDI allows participating communities to write down interest costs, maintain a loan loss reserve, and have more up-front capital to work with. Through the infusion of a relatively small amount of EDI grant funds, communities around the country have been able to enhance the security of the Section 108 loan. EDI grants have strengthened the economic feasibility of the projects, while making it more likely that they will generate enough cash to repay the guaranteed loan."

The University of Louisville's study also points out that the program is particularly productive in that the great majority of federal resources involved are in the form of loans, which will be paid back to the federal treasury over a number of years. Since there have been no defaults, the cost to taxpayers is limited to the direct outlay of EDI grants – a small portion of the total project cost.

## PUTTING THE TOOLS TO WORK

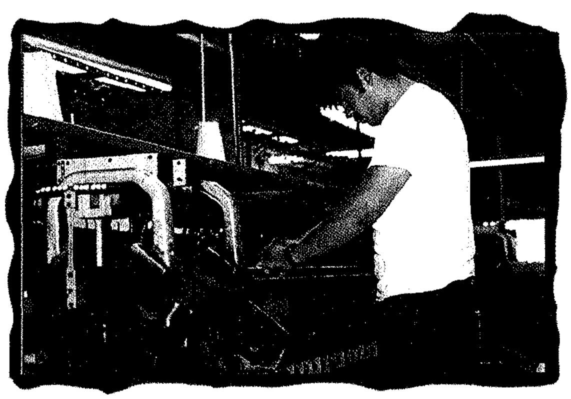
Creating jobs is perhaps the most crucial yet difficult of all economic development tasks. It is not enough to create temporary jobs; well-paying permanent jobs are needed. As metropolitan-based large manufacturing facilities give way to smaller high-tech firms located on city edges, initiatives that can create a variety of permanent job options for unemployed or underemployed residents are critical to stabilizing both the central city as well as the region. Following are examples of how communities are successfully turning economic development strategies and ideas into jobs.

### Business Development and Revolving Loan Funds

Small neighborhood businesses are the cornerstone of any viable community. Lacking the resources traditionally available to larger, more mainstream companies, small business owners often need financial backing, technical assistance, and start-up resources.

More than $368 million in *EDI* grants *have* been awarded to cities since 1994 for job creation activities.

Under the CDBG program, local governments leverage significant amounts of private funds for economic development and other activities. Revolving loan funds provide an on-going stream of funding for small businesses and micro-enterprises. Many communities have small business loan and technical assistance programs that can jump-start an infant business, or provide assistance to growing businesses seeking to expand.



Similarly, microloans are a relatively new approach to economic development. They target the smallest of businesses. Most microloan recipients are low-income, home-based business owners, who provide neighborhood services, such as hair care, clothing repair, cleaning services, and similar one-person operations. Using CDBG and/or a combination of other local and private resources, microloan programs offer small loans, generally not more than $25,000, at no or very low interest rates.

## Commercial Revitalization

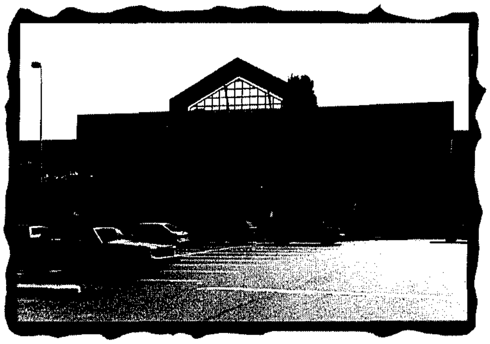
Whether a small-scale mini-mall or comprehensive development of a downtown business district, commercial revitalization is a key component of neighborhood revitalization. Commercial redevelopment is a useful and viable economic development tool in communities where once-thriving business districts now suffer because of disinvestment and neglect. Not only does rehabilitation of existing lots and construction remove blight, but redevelopment in commercial districts promotes economic growth through job creation and small business development. An increasing number of communities are using the guaranteed Loan Fund to finance commercial development projects.

- **Martin Luther King, Jr. Drive Commercial Revitalization Project**
  Atlanta, Georgia

  The Martin Luther King, Jr. Drive/Ashby Street Commercial Revitalization project will use the EDI/Loan Fund to provide interest rate reductions to a neighborhood retail shopping center with a drugstore and supermarket as anchor stores. The EDI/Loan Fund also will be used as a loan loss reserve for small start-up business loans in the retail facility. The neighborhood has an overall poverty rate of 47 percent. It is estimated that the project will create 323 new jobs and will provide employment for the residents of the Eagan Homes public housing project located immediately adjacent to the proposed retail center. The project will be conducted by the Atlanta Economic Development Corporation, a certified Local Development Corporation.

### Promenade 23 Neighborhood Shopping Center Project
Seattle, Washington

The City of Seattle has been approved for $2.4 million in guaranteed loan funds to assist in the financing of the expansion and stabilization of the Promenade 23 neighborhood shopping center. The City will loan the funds to Promenade 23 Associated Limited Partnership to develop a 13,900 square-foot drug store, a 2,000 square-foot retail building for restaurant and retail space, expanded parking facilities, site and existing building improvements, and refinancing of existing debt on the center. Total development costs for the project is budgeted at $6.2 million. The City was previously awarded a $350,000 EDI grant to offset the interest costs of the guaranteed loan and finance design costs for the center. The area that will be served by this neighborhood retail center has a population that is 68 percent low- and moderate-income persons.



The Promenade Shopping *Center, an EDI/Loan Fund project in Seattle, WA.*

### Five-Points West Shopping Center Project
Birmingham, Alabama

The City of Birmingham has received guaranteed loan funds to provide assistance to a developer to acquire the south parcel of the Five-Points West Shopping Center. Loan guarantee funds may be used for property acquisition in accordance with Economic Development Loan Fund (Section 108) regulations. The developer is renovating the entire shopping center, which serves the West End area of the City. Total project costs are expected to exceed $4.5 million. Over 400 jobs will be available to low- and moderate-income persons.

## Job Training

Critical to job development is a properly trained work force. Job training can take many forms. For some, it means skills development; for others, it means job search assistance and techniques. These programs give participants the knowledge, special skills, and self-esteem they need to enter the work force as strong competitors. Communities can use CDBG funds with other federal, state, and local funding, such as the Job Training Partnership Act, to provide training to unemployed residents.

Community Development *Bank* Grant funds not only help create *jobs,* but support *job* training efforts *as* ***well.***

### Revolving Loan Fund and Job Training
Buffalo, New York

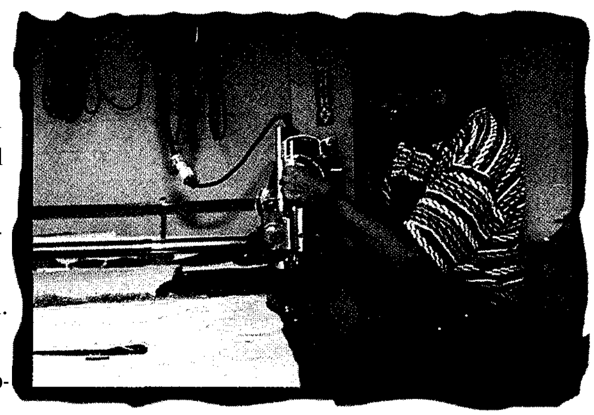
Guaranteed loan funds and $164,000 in EDI dollars will be used to create an economic developinent program that provides below-market rate financing and/or fund reserves for debt service or operating reserves to businesses that are contemplating relocating or closing within the near future; to assist microenterprises that employ low- and moderate-income persons; and to pro vide job training to eligible inner-city youth in the Glenny Center. Some of the assistance will be for businesses in the city's Enterprise Community target area.

## Community Development Lending

A number of cities, particularly in Empowerment Zones, are working to create new lending institutions that will support community econoinic development using EDI/Loan Fund assistance. These efforts are designed to complement the ongoing role of CDFIs with support from the CDFI Fund, administered by the Treasury Department.

### Community Development Bank
Los Angeles, California

The City of Los Angeles has received $400 million in EDI/Loan Fund assistance to establish and fund the Los Angeles Community Development Bank. The Bank's mission is to stimulate economic development, which will create and/or retain jobs for Los Angeles' low- and moderate-income population. The Bank will achieve this objective by providing borrowers with loans, loan guarantees, venture capital investments, grants, and technical assistance.



The Los Angeles Community Bank Board *will make five* to **seven** *loans* to neighborhood businesses by the end of 1996.

The financing received by the city included $300 million in guaranteed loan funds, at least $100 million of which is to be used in conjunction with $100 million of EDI funds awarded to the city. The EDI award was made pursuant to the city's designation as a Supplemental Empowerment Zone.

## Industrial Retention and Manufacturing

Many cities are working to retain or attract firms in older industrial corridors or traditional manufacturing sectors, such as steel and automobile production. In older cities, the industrial corridors often included smaller shops that were the backbone of neighborhood economies in such sectors as metal finishing, electroplating, and building products. With foreign competition and structural changes in the economy, many of these smaller shops were forced to close. Cities are using CDBG, the Economic Development Loan Fund (Section 108), EDI, and other resources to support existing firms in these corridors, or to retool these areas for new, higher technology production.

## Regional Cooperation Saves Steel Town's Economy

Johnstown and Cambria County, Pennsylvania

A multi-jurisdiction agreement in Pennsylvania saved the steel region's economy by retaining hundreds of jobs in a community the State liad once declared distressed. The City of Johnstown and Cambria County agreed, in cooperation with the Commonwealth of Pennsylvania, to finance the opening of BRW Steel Corporation, a once-defunct division of Bethlehem Steel.

The endeavor revived the Bar, Rod, and Wire Division, which in the late 1980s had begun to suffer operating losses, primarily due to high wage costs, low labor productivity, and manufacturing inefficiencies. Unable to secure labor concessions, early in 1992, Bethlehem Steel opted not to proceed with its planned modernization program, but rather sell the division and concentrate on core steel operations, which were more competitive and profitable. Operations shut down, and the same year the State declared the City a distressed community.

Veritas, Inc., an investment group, reviewed the division and concluded that if a new union agreement could be reached that reduced wage costs and altered work practices, the BRW Division could be an attractive investment opportunity.

In 1994, Johnstown and Cambria counties jointly applied for and received an Economic Development Loan Fund authorization for $8.5 million ($5.5 million and $3 million, respectively) for the acquisition, modernization, start-up, and operation of the division as a new corporation, including production facilities in the Johnstown area and in Hamburg, N.Y.

The project will allow the idle bar, rod, and wire facility to reopen and provide significant economic stimulus to the city of Johnstown and surrounding communities by providing an initial payroll of $5.4 million from 180 jobs; a mid-term payroll of $24 million from 800 jobs; and a maximum payroll of $55 million from 1,200 jobs created and/or retained once the steel facility is fully operational. The project will stabilize the local tax base by generating estimated annual tax revenues totaling $553,600.

## Model Industrial Corridors

Chicago, Illinois

A $1 million EDI grant and guaranteed loan funds will be used for economic developmeiit projects, such as interest rate reductions, loan loss reserves, and credit enhancements. The city proposes to use the funds as seed money for retail and job development for its Retail Chicago project; a Brownfields project to help address environinental hazards on abandoned industrial sites; and the Model Industrial Corridors program. These programs are needed to address the city's manufacturing job loss in industrial areas.

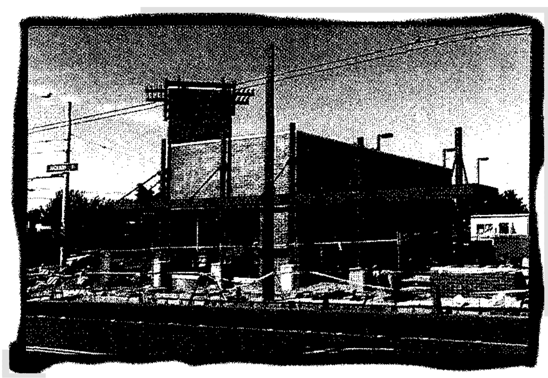
## TOOLS FOR ECONOMIC DEVELOPMENT

The following economic development tools are discussed in greater detail below.

- Economic Development Initiative
- Economic Development Loan Fund (Section 108)
- Community and Individual Investment Corporation
- CDBG Economic Development Activities (State and Entitlement)
- Youthbuild
- Urban Action Development Grant Amendments

### Economic Development Initiative

Signed into law by the President on April 11, 1994, EDI has become a powerful mechanism for helping communities expand their economic revitalization efforts. The initiative promotes the use of grant funds in tandem with the Economic Development Loan Fund (Section 108). It allows localities to carry out economic development activities where public and private dollars can be leveraged to create jobs and other benefits especially for low- and moderate-income persons.



*Communities are using Community Development Block Grant funds to establish and expand small businesses in disadvantaged neighborhoods.*

The central premise of the initiative is that the funds can serve as the basis for subsidizing loan guarantee funds. EDI funds can reduce the risks to local CDBG funds that serve as the first line of security for paying the guaranteed loan. As a result, EDI has energized local governments to plan a new range of economic development activities.

#### Use of Funds

Since the passage of the legislation, three EDI funding rounds have been completed. The first funding round in FY 1994 awarded $18.9 million in grants to 40 communities for 44 commercial, industrial, and neighborhood development activities. In FY 1995, a second funding round awarded $300 million, targeted to a number of urban Empowerment Zone applicants. In 1995, $50 million was awarded to 64 cities. A fourth round was underway in September 1996 in tlie amount of $50 million.

#### Selection Criteria

EDI projects have the following statutory selection criteria: (1)Level of distress in the community to be served and in the jurisdiction applying for assistance; (2) The extent of the need for assistance; (3)The quality of the plan proposed and the capacity of the applicant to successfully carry out the plan; (4) Other such factors as the Secretary determines to be appropriate.

## Economic Development Loan Fund (Section 108)

Through the Economic Development Loan Fund (Section 108), CPD provides a guarantee of payment to private investors who purchase debt obligations issued by local governments. The guarantee represents the full faith and credit of the United States government, enabling local governments to borrow funds at rates comparable to federal borrowings through the U.S. Treasury. To date, there has not been a default on any loan guarantee by the Economic Development Loan Fund.

*Communities* are *also building large-scale developments with CPD assistance.*

### Who is Eligible?

Eligible applicants for the Economic Development Loan Fund (Section 108) include CDBG entitlement metropolitan cities and urban counties as well as non-entitlement communities. Since 1991, non-entitlement communities were made eligible for the program. As of July 1, 1996, CPD had approved 38 non-entitlement applications. Beginning in 1995, small cities in New York and Hawaii became eligible for the program. Applicants may receive loan guarantees directly or through a designated public agency. The total amount of loan guarantees is limited each fiscal year by Congress. The annual limit from FY 1993 through FY 1995 was approximately $2 billion. Generally, the statute limits Economic Development Loan Fund activities to CDBG-eligible activities that generate sufficient cash flow to support loan payments. Amendments in 1994 expanded the list of eligible activities to include public facilities, which generally do not produce a cash flow to repay the debt.

Exhibit 2-4
**Economic Development Loan Fund (Section 108)**
**Planned Activities**
**FY *1994***

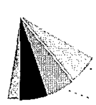



Exhibit 2-4 shows that 77 percent of FY 1994 loan guarantee commitments supported economic development activities, while 9 percent supported rehabilitation activities. Another 9 percent of the guaranteed loan commitments was used for construction or installation of public facilities or infrastructure. Ninety percent of FY 1994 commitments were for activities benefiting low- and moderate-income persons and 10 percent for activities to eliminate slums or blight.

### Security Requirements

As of February 1995, requirements of the Federal Credit Reform Act of 1990 were implemented for the Economic Development Loan Fund (Section 108), mandating that HUD require additional security over and above the pledge of CDBG funds for each loan. Under the Credit Reform Act, HUD must estimate future losses and defaults under the Loan Fund program and request appropriations to cover the net present value of those estimated losses (the "subsidy cost"). These

By owning shares in the CIIC, residents are able to play a role in its governance, and, in the process, gain a genuine economic stake in their community. As board members and shareholders with a direct financial interest in the performance of the Corporation's investments, residents have a strong incentive to help it succeed.

- CIICs are expected to complement the work of other community lending institutions. They are intended to work with existing community lending institutions and technical assistance providers to fill capital gaps and enhance business support programs.

- The CIIC will ensure that technical assistance is provided to entrepreneurs seeking loans, not just from its own programs, but from CDFIs, neighborhood loan funds, and conventional banks.

With resources provided through the Empowerment Zone or Enterprise Community program, Community Development Block Grants, Economic Development Initiative and Economic Development Loan Fund (Section 108) loan guarantees, federal, state, and city dollars can leverage substantial revenues that would allow the CIIC to achieve a scale necessary to ensure long-tern1 vitality.

The CIIC's role will vary from community to community. In some communities, the CIIC might male direct loans as a "retail" lender. More often, it will function as a "wholesale" lender, carrying out its financing activities (loan guarantees, purchase of loans, "patient" capital provider) through existing institutions. The CIIC also could be a packager of investment products organized around EZ wage tax credits, state tax credits, CDC tax credits, pollution abatement tax credits, and, potentially, future commercial real estate tax credits.

The CIIC is envisioned as engaging in a number of activities beyond making business loans. These might include, for example, creating an endowment fund to provide soft loans and grants for capacity building and management assistance to local entrepreneurs, as well as work-force development efforts. CIICs also might take the lead in originating and underwriting loans and providing technical assistance while co-lending with conventional lending institutions.

## CDBG Economic Development Activities

Metropolitan cities, urban counties, and states may use block grant funds for a wide variety of economic development activities. These may include direct assistance to for-profit businesses, commercial and industrial infrastructure improvements, and facade improvements in commercial business districts. While job training is not specifically identified as a CDBG-eligible activity, CDBG funds also may be used for this purpose

- CDBG entitlement grantees provided some $129 million per year in direct financial assistance and $24 million in technical assistance to all types of for-profit businesses in FY 1992 and FY 1993. The State CDBG program provided approximately $109 million in direct financial assistance to for-profit businesses in FY 1992, $114 million for FY 1993, and $130 million in FY 1994.

- The CDBG program provided $40 million in FY 1992 and $20 million in FY 1993 for a range of commercial revitalization or industrial retention projects. These typically included land acquisition, infrastructure improvements, building construction or rehabilitation (including facade improvements), and other capital improvements. In addition, $18 million in both FY 1992 and FY 1993 was used for minor rehabilitation of commercial and industrial structures.

Exhibit 2-5
State CDBG
FY 1993 and FY 1994 Selected Economic Development Accomplishments

| | | Proposed | | | |
|---|---|---|---|---|---|
| Year | Activity | Funding Amount (Millions) | Jobs Created or Retained | % Low/Mod Jobs | Cost Per Job |
| 1993 | For-Profit | $113,816,297 | 19,393 | 57% | $5,869 |
| | Infrastructure | 40,147,130 | 19,846 | 70% | 2,023 |
| 1994 | For-Profit | 129,628,203 | 23,263 | 60% | 5,572 |
| | Infrastructure | 38,629,709 | 15,402 | 62% | 2,508 |
| **1993-1994** | **Total** | $322,221,339 | 77,904 | 62% | 4,136 |

Under the State CDBG program, approximately $28 million in FY 1992, $40 million in FY 1993, and $39 million in FY 1994 were used for commercial/industrial infrastructure improvements.

- In FY 1993, the most recent year for which entitlement data are available, grantees reported providing job training for more than 118,000 people. In FY 1992 and FY 1993, $15 million in CDBG funds were used by local grantees for a range of job training programs.

Secretary Henry Cisneros talks to job trainees in the Washington, D.C. Youthbuild program.

## Youthbuild

The Youthbuild program provides disadvantaged young adults with education, employment, and leadership skills, and expands the supply of affordable housing by building and rehabilitating housing for low-income and homeless persons.

Youthbuild provides on-site construction work experience and academic and job skills training primarily for high-school dropouts (ages 16 to 24) in very low-income communities. While receiving training, participants are rehabilitating or constructing affordable housing. Partnerships are formed among local service providers to offer educational and leadership training and hands-on construction skills.

CPD's Youthbuild program made its first awards in July 1994. Youthbuild awarded $38 million in FY 1993 funds to 136 public and private non-profit agencies across the country. Those funds provided education, training, and work experience for 1,327 participants and resulted in the rehabilitation or new construction of more than 900 units of affordable housing.

Following a rescission of $10 million, FY 1994-95 Youthbuild funds totaling $64 million were awarded to 128 non-profit organizations. These programs will provide education, employment training, and meaningful construction work experience to more than 3,007 young adults who are very-low-income high school dropouts. More than 1,512 units of affordable housing, new construction, and rehabilitation will be added to the housing stock in the neediest communities.

In FY 1996, $20 million in Youthbuild funds were appropriated. A total of 29 grants were awarded in September 1996.

## Urban Development Action Grant Program

Revisions to the UDAG program, which ran from 1978 through 1989, have further helped spur economic development. This competitive loan and grant program was created as gap financing to stimulate economic development and employment in distressed urban communities. Although Congress has appropriated no new funds for the program since FY 1989, amended grants for altered and new projects for those cities with UDAG awards have continued. These amended grants have come from funds previously awarded for projects that were not implemented.

Since the program ended in 1989, rather than terminating awards to cities with failed projects and returning the funds to the federal government, new regulations allowed cities to receive these funds for other economic development activities. In addition, communities with completed projects continue to receive income from UDAG project repayments. Local jurisdictions use these repayment funds for additional economic development and housing activities.

In total, some $4.6 billion in federal funds, as well as $35 billion in private and other funds, have generated 603,000 jobs and 109,000 units of housing.

## PROFILE
## INCUBATORS NURTURE INFANT BUSINESSES
*Omaha, Nebraska*

Opportunity knocks only so often, and those who open the door let in an array of new options that can lead to success. Donna Cobalt, whose colorful name matches her fashionable business, Window Visions, found her opportunity in the business of designing and fabricating window dressings. Cobalt put herself through a four-year degree program in Home Economics. As a single mother, she wanted to open her own business so that she could work while staying home with her child.

What's unique about Cobalt's work is that she does both the design and fabrication herself, where most designers contract out for the fabrication. "It improves the quality of the work because you can do exactly what your clients envision," she says. "This way they're not disappointed."

When Cobalt started her business, she farmed out the fabrications of her designs to wholesalers who actually did the sewing. After one year, she decided that to serve her customers better, she could do the fabrications herself. Visits to several banks for financial assistance to strike out on her own came up dry, as banks were not willing to take the risk on a small start-up business. One bank referred her to the Omaha Small Business Network (OSBN), just as that organization was starting it's "Fast Track" program of entrepreneurial training and technical assistance for small business owners.

"What I liked best about them was that they had true expertise," Cobalt says. She cited examples, such as lawyers and accountants who were tops in their field in the Omaha area. She took advantage of a flexible $14,000 loan, which she could use for any number of expenses. In addition to the loan, however, she notes that the staff helped her to establish a working relationship with a local bank. "When banks are familiar with you and the financial needs of your business," she notes, "They're more flexible and willing to give you the cash flow you need."

Whether it's an emerging small business on the fast track to success or just a person with a good idea, there's a spot in the incubator for nurturing small business and potential business owners. The OSBN operates a Business and Technology Incubator and manages a loan fund for small businesses.

Incubators are an innovative economic development concept. Emerging businesses share resources, such as secretarial staff and copying services. The shared overhead helps to reduce start-up and maintenance costs to resident businesses. According to the National Business Incubator Association, there are currently 346 incubators in 41 states. Research by the NBIA shows that 80% of companies nurtured in an incubator survive, as opposed to the Small Business Administration's well-publicized statement that 80% of all small businesses fail after five years. Given that small business is the fastest growing sector of the U.S. economy, an incubator type project fits in well with the city's community development objective of promoting industrial and commercial development.

The Business and Technology incubator runs out of what used to be a Safeway grocery store in South Omaha, one of the most blighted areas of the state. The Network used HUD's CDBG funds to renovate the structure and to replace the aging heating and cooling system. A total of 32 businesses lease space in the incubator, each employing anywhere from two to eight employees. The types of businesses include construction, screen printing, and service businesses. Retail businesses are located in recently renovated buildings across the street.

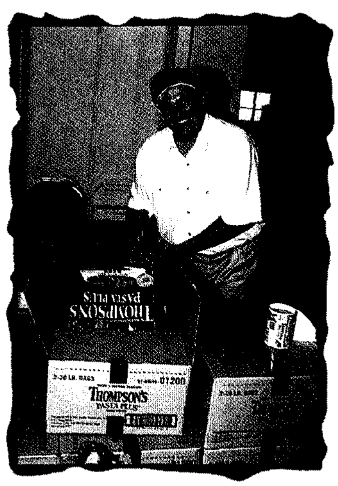
But there was more to those block grant funds than renovations. They are being stretched and leveraged with each loan that passes through the Network's revolving loan fund, which is capitalized with $300,000 in CDBG funds. Loans are offered to business owners who complete one of two "Fast Track" training courses with a completed business plan.

In the past 2 years, more than 200 people have gone through training, with a 70 percent graduation rate. The Network's president and loan fund manager is Kevin Clingman. Clingman has seen a dramatic improvement in the loan fund's performance. Since 1993, the Network has loaned $1 million, leveraging some $3.8 million from other lending institutions. "We always try to take deals that banks wouldn't ordinarily do, Clingman says. "We don't want to compete with financial institutions." A start-up business can get a loan for a maximum of $25,000, while existing businesses can get up to $200,000 at or below market rate. The loan portfolio totals $7 million, and 120 new jobs have been created by businesses who have gone through the training program.

The Network, which also operates a loan fund capitalized with state funding, often uses the two funds in combination, with further support from financial institutions. Focusing on minority lending, more than 50 percent of the 23 loans since 1993 were to minority business owners and 25 percent went to women-owned businesses. The Omaha Business and Technology Center was recognized as the Microenterprise Incubator of the Year by the National Business Incubator Association in 1995.

## PROFILE
## THOMPSON'S PET FOOD PROJECT
### Kansas City, Kansas

*Thompson's Pasta Products, Inc. is hiring 128 Kansas City, KS residents for its new dog food manufacturing facility. The company received $4.2 million in EDI/Loan Fund assistance.*




The City of Kansas City, Kansas was awarded EDI/Loan Fund assistance to carry out economic development projects in the Enhanced Enterprise Community area. The first project carried out by the City with the EDI/Loan Fund dollars involved financing to a pet food manufacturer to acquire land and new equipment for expansion of its production capabilities.

This economic development project will be a key component of the revitalization strategy for the Enhanced Enterprise Community area by creating new jobs. The City estimates that this financing will enable the company to generate 128 new high-wage jobs over the next four years.

# PROFILE
## WORKING SMART
### *Nashville,* Tennessee

The African tradition of hair braiding passes from mother to daughter each generation. With five daughters of her own, Nella Frierson is spreading the tradition far and wide. A licensed beautician, Frierson recently opened a hair braiding gallery, Pearls, Pearls, and Braids, across the street from the public housing development where she lives.

*Nella Frierson in her gallery, pearls, pearls and braids. See Chapter 3 for more details about the Working Smart program in Nashville's Enterprise Community.*

She received a $4,000 microloan from Working Smart to start her business. She'd already been braiding hair for 30 years. She used the loan to purchase office supplies, equipment, for remodeling, and for advertising.

With some 100 to 150 regular clients who return about once every three months, Frierson also employs her daughters in the business. "All of my daughters work in the shop in some capacity," she says. One is planning to start her own business as well, specializing in a braiding technique called "latching," which can be done much faster than traditional braids while achieving the same look. She adds another 50 to 75 customers each month. She is putting two daughters through college, and raising three more at home on her modest income.

To further spread the tradition, and to earn additional income, Frierson also teaches evening adult classes for pay through the Metropolitan Education System. She plans next to purchase a home. She frequently attends homeownership counseling classes offered by the Metropolitan Development and Housing Agency. She is currently enrolled in a lease-purchase program and expects to be moving toward homeownership within the next year.

"Working Smart," a microloan program, was developed by the Metropolitan Development Housing Agency (MDHA), the local public housing authority, which also administers the city's economic development programs.

The program, funded in part with CDBG funds, provides intensive training for public housing residents in entrepreneurship, business development and management, and personal development. Working Smart received its first CDBG grant from the City for $87,000 in 1992. Subsequent grants were for $60,000 in 1993, and $92,000 in 1994.

The training comes with an option for participants to obtain a loan for up to $6,000, which can be used for any number of business development costs, including working capital, start-up costs, and real estate acquisition.

Loans are offered at an interest rate of prime plus 2, rather than at low- or no-interest, "because we want to treat residents like they're in the real world; and it is the real world," says Phil Ryan, director of MDHA. The loan fund is capitalized with $197,500 from participating banks.

Since 1992, of the 22 public housing residents who have gone through the program, 15 have applied for loans. Of those 15, six have paid off loans and six are making regular payments (three will be finished before the end of the fiscal year); only three have defaulted.

## ENDNOTES

1 Figures for CDBG economic development activities are based on actual jobs to be created and retained by FY 1993 CDBG Entitlement funding, State CDBG funding allocations in FY 1993-1994, and a sample of Economic Development Loan Fund (Section 108) awards from 1995, plus further estimates for FY 1994-1996. HOME, Youthbuild, and other CDBG estimates for FY 1993-1995 are based on 1992 U.S. Department of Commerce input/output estimates of how many jobs would be created by a million dollars of expenditures in different industries. The HOME program generated $1.80 in private and other investments for every federal dollar. According to the Urban Institute, the housing investment multiplier for CDBG is $2.31 for every federal dollar spent. No adjustments were made for inflation.

2 This sample shows an even higher ratio – over seven to one – for funds leveraged by EDI grants alone.

3 "America's New Economy and The Challenge of the Cities: A HUD Report on Metropolitan Economic Strategy," October 1996.

4 EDI was signed into law by the President on April 11, 1994, as Section 232 of P.L. 103-233.

5 Job estimates for EDI and the Economic Development Loan Fund (Section 108) are based on estimated jobs provided by applicants for 1995 EDI grant awards. The average cost per job EDI/Loan Fund was $8,900. This figure was used to determine the total estimated number of jobs for all Loan Fund awards. Additional statistical validation may be required to confirm that the cost of Loan Fund jobs is similar to the cost of the EDI/Loan Fund projects. Because of the time lag from allocation of funding to actual construction and expenditure of funds, these jobs will be created over a number of years.

# CHAPTER THREE

## EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

In December 1994, 105 distressed urban and rural communities around the country received a combination of tax incentives and flexible block grants to implement 10-year strategic plans to promote economic opportunity and community-wide revitalization. The Empowerment Zone/Enterprise Community Initiative marks the most significant effort launched by the federal government in decades on behalf of the Nation's distressed inner cities. The program is notable as an innovative approach to attracting private investment as the foundation for sustainable, comprehensive development and economic opportunity. Although designed as a 10-year effort, in just the first 18 months of the initiative EZs and ECs have begun to demonstrate significant results:


President Clinton and Vice President Gore speak at Empowerment Zone Conference.

- Over $2 billion of new private sector investment has been made or committed in the six urban EZs.

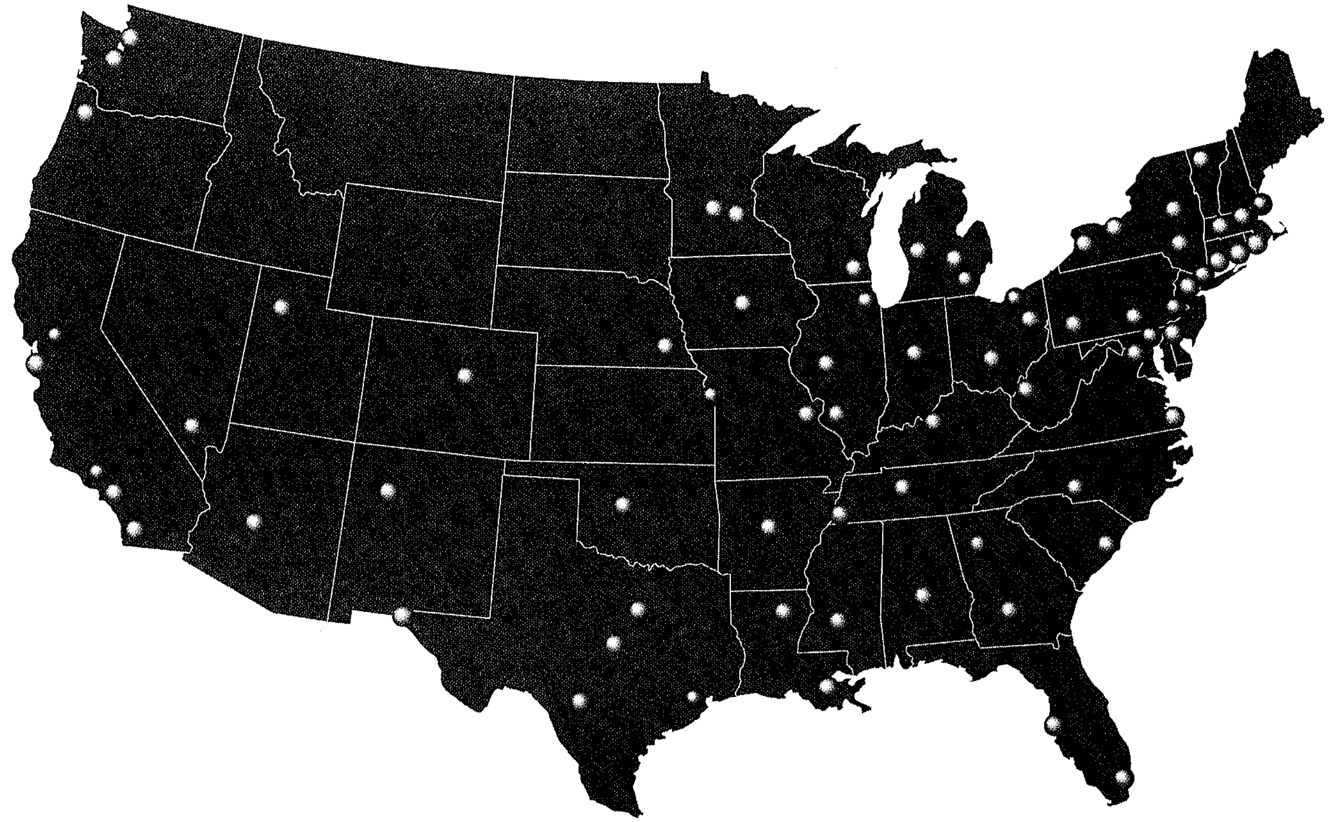
- The overwhelming focus of the new investment is targeted toward economic opportunity: job creation, investment pools for capital access and innovative financing needs, job and occupational skills training, and entrepreneurial and business support and assistance.

- EZs have made significant strides in utilizing EZ funds and tax incentives to attract notable private sector investment, generate job growth, stimulate business openings and expansions, construct new housing, expand home-ownership opportunities, and stabilize deteriorating neighborhoods.

EZs and ECs are working. The promise of economic opportunity for the poorest neighborhoods in America is being kept.

Detroit's Focus Hope provides job training to EZ residents and places them in jobs.

# EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES



**EMPOWERMENT ZONES**
Atlanta, GA
Baltimore, MD
Chicago, IL
Detroit, MI
New York, NY
Philadelphia, PA – Camden, NJ

Funding: $100 million in Title XX
Wage Tax Credits
Accelerated Depreciation
Tax-Exempt Bond Financing

**SUPPLEMENTAL EMPOWERMENT ZONES**
Los Angeles, CA ($125 million)
Cleveland, OH ($90 million)
Tax-Exempt Bond Financing (Cleveland only)

**ENHANCED ENTERPRISE COMMUNITIES**
Boston, MA
Houston, TX
Kansas City, KS – Kansas City, MO
Oakland, CA

Funding: $22 million in EDI
$3 million in Title XX
Tax-Exempt Bond Financing

**ENTERPRISE COMMUNITIES**
Funding: $3 million in Title XX
Tax-Exempt Bond Financing

Alabama
- Birmingham

Arizona
- Phoenix

Arkansas
- Pulaski County

California
- Los Angeles, Huntington Park
- San Diego
- San Francisco
- Bayview
- Hunters Point

Colorado
- Denver City
- Denver County

**Connecticut**
- Bridgeport
- New Haven

**Delaware**
- Wilmington
- New Castle County

**District of Columbia**

**Florida**
- Dade County, Miami
- Tampa

**Georgia**
- Albany

**Illinois**
- East St. Louis
- Springfield

Indiana
- Indianapolis

**Iowa**
- Des Moines

**Kentucky**
- Louisville

Louisiana
- New Orleans
- Ouachita Parish

Massachusetts
- Lowell
- Springfield

Michigan
- Flint
- Muskegon

Minnesota
- Minneapolis
- St. Paul

Mississippi
- Jackson

Missouri
- St. Louis
- St. Louis County
- Wellston

Nebraska
- Omaha

**Nevada**
- Clarke County
- Las Vegas

**New Hampshire**
- Manchester

**New Jersey**
- Newark

**New Mexico**
- Albuquerque

**New York**
- Albany
- Schenectady
- Troy
- Buffalo
- Newburgh
- Kingston
- Rochester

North Carolina
- Charlotte

Ohio
- Akron
- Columbus

Oklahoma
- Oklahoma City

Oregon
- Portland

Pennsylvania
- Harrisburg
- Pittsburgh and Allegheny Co.

Rhode Island
- Providence

South Carolina
- Charleston

Tennessee
- Memphis
- Nashville

**Texas**
- Dallas
- El Paso
- San Antonio
- Waco

Utah
- Ogden

Vermont
- Burlington

Virginia
- Norfolk

Washington
- Seattle
- Tacoma

West Virginia
- Huntington

Wisconsin
- Milwaukee

*Taking advantage of the EZ* **tax** *credits, a Save* Rite Pharmacy mooed into the Philadelphia Zone, and another pharmacy is under construction.


For the 10-year life of the program, the Administration has awarded more than $1 billion in performance grants and $1.5 billion in tax incentives to the 72 urban EZs or ECs. (See inap on previous page for funding and tax incentive breakdowns.)

Since the designation, these 72 cities have received another $1.5 billion in additional federal funding through grant and loan preferences resulting from their EZ/EC designation.

Another $1.5 billion in private investments and nonprofit support—with commitments of another $1.2 billion—have been pumped into new economic development initiatives, housing, and community development since December 1994.

**Tax Credits**

The EZ/EC Initiative provides new tax incentives over the next 10 years to induce commercial investment in distressed communities at a cost of $1.5 billion. The incentives include the Wage Tax Credits, Accelerated Depreciation, and Tax-Exempt Facility Bonds. These incentives ease the tax burden for businesses that either locate or expand within these designated areas and employ EZ residents.

**HOW THE EMPOWERMENT ZONE EMPLOYMENT CREDITS WORK**

| Year | % Credit | Maximum Credit Per Employee* |
|---|---|---|
| 1995-2002 | 20% | $3,000 |
| 2003 | 15% | $2,250 |
| 2004 | 10% | $1,500 |
| 2005 | 5% | $750 |
| 2006 & beyond | 0% | $0 |

*Note: Over a 10-year period, you would save a maximum of $28,500 for each qualified employee.

### Wage Tax Credit

In general, wage tax credits are available to any employer engaged in trade or business in the EZ. For each resident employee or new hire, the business is eligible for up to $3,000 each year in tax credits. The amount of these credits is determined by multiplying the percentages shown on this chart by up to $15,000 in qualified wages.

### Accelerated Depreciation

Section 179 expensing is available only to qualified EZ businesses. If eligible, businesses may write off expenses, the cost of the depreciable, tangible personal property they purchase, up to $37,500. (It is generally limited to equipment purchases.) This depreciation provides them with a deduction that is $20,000 more than the normal $17,500 first-year write-off Section 179 permits to other businesses not within the EZs.

### Tax-Exempt Bond Financing

This tax incentive is available to all EZs and ECs, with the exception of the Los Angeles Supplemental Empowerment Zone. Qualified businesses may be eligible for a new category of private activity bonds that offers lower rates than conventional financing and permits businesses to finance property and land. It also permits businesses to finance new facilities or renovate or expand existing facilities in tlie EZs and ECs through tax-exempt bonds. In addition to offering them lower interest rates than conventional financing, tax-exempt bond status provides access to non-traditional lenders, such as insurance companies, various funds, and individual investors.

## The Application Process

Stiff competition among communities across tlie country preceded the final selection of EZs and ECs. To be considered, a community had to meet stringent criteria to establish their relative need regarding poverty, unemployment, and general distress. The heart of each community's application was a strategic plan that:

- Described the coordinated economic, human, community, and physical development and related activities proposed for the area.
- Described how members of the community, local institutions, and organizations are involved in, and have contributed to, the process of developing and implementing the strategic revitalization plan.
- Specified needed waivers or other changes sought in federal, State, and local governmental programmatic regulations to facilitate better coordination and delivery.
- Identified the State, local, private, and non-profit resources that would be leveraged against federal resources.

In 1993, residents, *non-profits,* community groups, elected officials from cities, counties and States met to *develop* their strategic plans and the resulting applications for *EZ/EC* designation.

The community also had to be nominated by the State and local government, putting these other partners in the position of assuring their own commitment to resources and reinvention. Any community that applied would have benefited from the extensive community-needs assessment and citizen participation process necessary to prepare their application.

An interagency task force reviewed 520 applications: 74 for urban EZs and 219 for urban ECs, and 227 from rural areas. Applications were judged based on economic opportunity, sustainable community development, community-based partnerships, and strategic vision for change.

In December 1994, the President and Vice President announced six EZs, two Supplemental EZs, four Enhanced ECs, and 60 ECs. Another 33 areas were designated in rural communities. The six EZs received $100 million each and the 60 ECs received $3 million each in Title XX funds from the Department of Health and Human Services through a social services block grant.' The two Supplemental EZs and four Enhanced ECs were awarded with funding from $300 million in grants from CPD's Economic Development Initiative Grants.

The designated EZ/ECs are among the most distressed areas in the nation. Poverty rates in the EZs/ECs are roughly four times higher than in surrounding metropolitan areas. In the six EZs, at least 45 percent of the working-age population is not in the labor force. For 16-19 year olds, the proportion of persons neither working nor in school is 80 percent higher than in the surrounding areas. Less than half the population of the zones has a high school diploma.

## EMPOWERMENT ZONE AND ENTERPRISE COMMUNITY PRINCIPLES

The EZ/EC Initiative combines tax incentives for business development and job creation with a comprehensive approach to community revitalization through performance-oriented block grants. It has enabled some of the most distressed communities in the nation to benefit from tax incentives, regulatory flexibility, block grants, and other targeted measures to attract private investment and stimulate community revitalization.


Empowerment Zones and Enterprise Communities placed a high priority on extensive community involvement in the planning and implementation of strategies.

The Detroit EZ built its strategic plan around *public*-private partnerships. Pictured here is John James, owner of 0-J Transport, located in the Zone.

### Basic Principles

The EZ/EC Initiative rests on five basic principles:

- Job creation is the best way to help inner-city neighborhoods.
- Performance measures must be established to trigger continued funding and ensure public accountability.
- The individuals closest to the problems know best how to solve them – a bottom-up relationship between government and community.

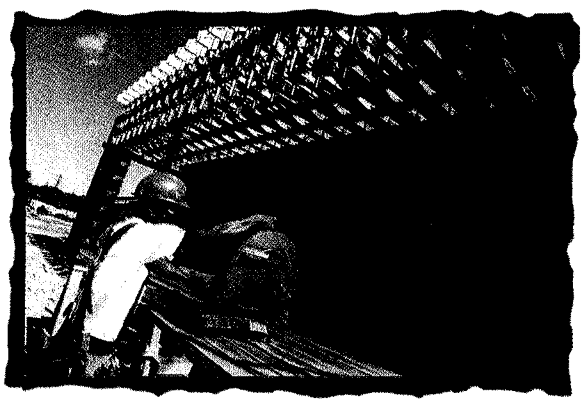
- Government must learn how to talk to the local community. It must reach out and involve local residents. A new relationship between the federal government and local/state governments must be developed to reduce bureaucracy and increase efficiency.

- Strategic plans must be comprehensive and sustainable, inclusive of the entire community, and built around public and private partnerships.

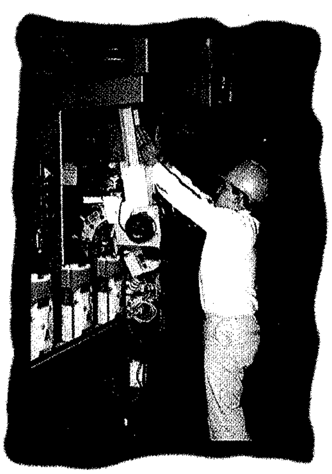
## Putting the Principles to Work

### Job Creation and New Opportunities for Work

The majority of the block grants and private investments for EZs and ECs have been targeted for economic development. While EZ strategies address a broad variety of inner city challenges, ranging from health and transportation to public safety, substance abuse prevention, and family self-sufficiency, the focus of the plans largely center around economic and job development. Moreover, all of the sites are incorporating job training into their particular strategies.



Total public and private investment has exceeded $2.6 billion in the six EZs for activities either underway or planned. Of this amount, over $2 billion represents private sector investments. Of the total, $1.7 billion is devoted to economic opportunity investment. These investments include: business expansion and startups, investment pools for capital access, and business support services. Examples include:

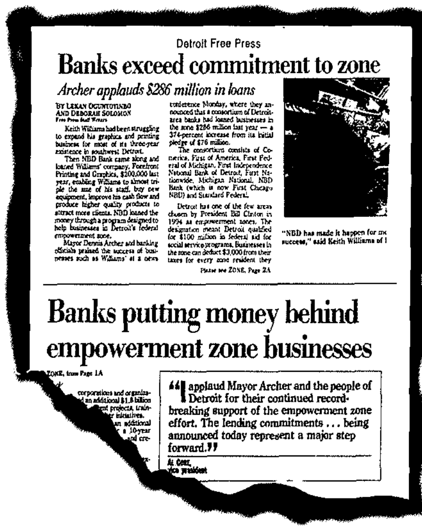


Total public and private *investment* has exceeded $2.6 billion in the six *EZs* for activities either underway or planned.

- In Baltimore, the Business Empowerment Center is providing access to capital and specialized services (marketing, entrepreneurship training) specifically for EZ-based businesses and residents. The project is a collaborative effort involving Federal Agencies, NationsBank, Bell Atlantic, and several local colleges and universities. Over two dozen companies have already moved into or expanded in Baltimore's EZ. These businesses are creating jobs in light manufacturing, advanced technology, warehousing and distribution, and other areas which build on the competitive characteristics of the region.

*"Thanks to city development efforts and federal Empowerment Zone tax breaks, more than $1 billion will be invested in Harlem over the next 10 years: 125th Street is getting back on the economic map."*
*– New York Daily News*

- Eight Detroit banks have formed the EZ Financial Assistance Consortium. The consortium exceeded its original $76 million lending target for the 1995 calendar year, approving loans totaling $286 million in the Detroit EZ, primarily to small and medium size businesses. These loans have contributed to the creation of thousands of jobs in the Detroit EZ.


Detroit Free Press

**Banks exceed commitment to zone**

*Archer applauds $286 million in loans*

**Banks putting money behind empowerment zone businesses**

"I applaud Mayor Archer and the people of Detroit for their continued record-breaking support of the empowerment zone effort. The lending commitments . . . being announced today represent a major step forward."

- In Philadelphia, Redring Solder, a Malaysian metal alloys producer, and Graboyes Commercial Windows will soon become new tenants in the new 25,000 square feet manufacturing facility to be constructed in the American Street neighborhood. The Malaysian-based company is locating its North American headquarters in the zone. Redring Solder manufacturers solder and alloy products used in the production of circuit boards. Graboyes Commercial Windows is the largest U.S. distributor of Traco Windows. These are two of over 50 businesses taking advantage of zone incentives to expand or start up in the zone.

- 125th Street in Harlem is getting "back on the economic map," part of a "Harlem renaissance" sparked by the New York EZ.2 Walt Disney Company's Disney Store is anchoring Harlem USA, a $56 million retail and entertainment complex scheduled to open in 1998. The 275,000 square foot complex will also house an ice rink, jazz club, sports facility, 12-screen movie theater, and a children's recreation program. Offering 500 jobs, it promises to be a significant commercial employer in the Upper Manhattan EZ.

- In Los Angeles, the nation's largest Community Development Bank recently made its first loan, enabling a knitting mill to remain open and expand in the Los Angeles Supplemental EZ, saving 150 manufacturing jobs.


*Trinity Knitworks presents Los Angeles Mayor Riordan and Councilmembers Rita Walters and Mike Hernandez with a shirt from their business. Trinity Knitworks was the first business to receive a bunk loan.*

- The Atlanta Empowerment Zone Corporation approved a $1 million loan, leveraged with $4.2 million in private equity to refurbish the Fulton Bag and Cotton Mill into offices, retail outlets, and residential lofts. "Fulton Bag Mill is synonymous with the neighborhood....The rebirth of the mill is definitely symbolic," said Marc Steinberg, a resident of the Cabbagetown neighborhood, where the mill is located.

### Use of Wage Tax Credits

EZ businesses automatically receive three tax incentives: a wage tax credit for zone residents hired as employees; tax-exempt private facility bonds; and, accelerated depreciation for investments and equipment. The flow of private investment into the EZs provides early evidence that capital investors perceive future opportunities for returns in the zones to be equal to or greater than in other geographic locations, and that the tax incentives in the EZs stimulate business expansion in the six cities.

### Other Incentives for Job Creation

While the availability of employee tax credits have proved to be an important factor in creating jobs in the EZs, other government, private sector, and cominunity efforts have also played a role. Smaller-scale investment activity is evident, in economic opportunities geared to leverage additional financial resources for short-run, start-up ventures. Business incubator and training programs target existing community-based sole proprietors or small businesses to expand or strengthen their productivity and employment. Another important step in creating an economically vibrant cominunity is the construction and rehabilitation that is occurring in these zones.

### Job Readiness and Developing "Human Capital"

In addition to creating job opportunities, the EZs are preparing community residents to enter the workforce. EZs and ECs are investing in education, job training, and health services to enhance the productive capacity of empowerment zone residents. Perhaps due to past failures of urban policy in this critical area and the wide range of related empirical findings, EZs have begun to commit resources to increase the workforce opportunities of zone residents. Whether vocational education programs, apprenticeships, or specialized training subsidies to businesses, these programs complement the capital access and business attraction investments.

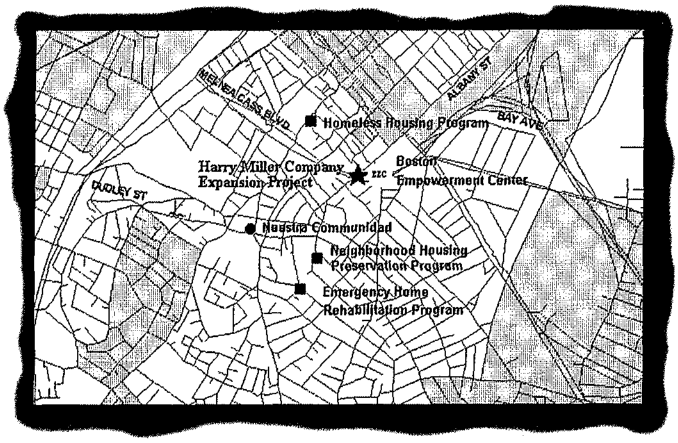
*Baltimore's Empowerment Zone is matching job training with existing job openings.*

There is a clear linkage between both investment approaches. Unemployment rates in an area tend to be inversely related to the skill level of the labor population. Better health, nutrition and family stability tend to increase hourly productivity and earnings potential. However, investments in human capital – such as programs to improve worker skills – are long-term in nature. Recognizing this, many EZs are allocating resources to programs which attempt to address these limitations. The Baltimore EZ is a case in point. The zone's Customized Job Training initiative pays a portion of specialized job training for businesses that commit to hiring EZ residents for specific jobs. Similar job linkage efforts are underway in each of the EZs, providing a model for "welfare to work" efforts in the wake of welfare reform.

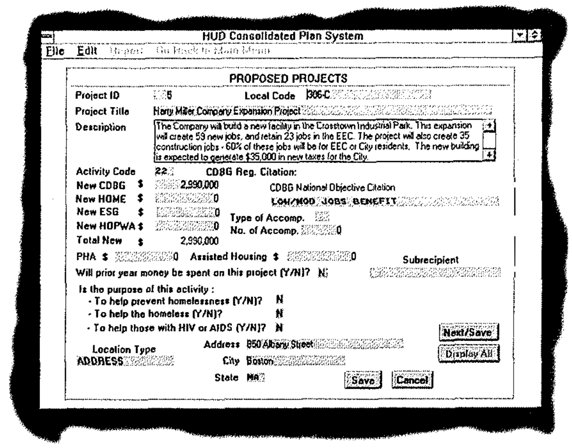
*"The Empowerment Zone, unlike urban renewal programs in the past, really is a business stimulus program. There is indeed a competitive advantage to doing business in the inner city, and more people are learning that. It really is a win-win situation for businesses and local residents."*

*– Baltimore Mayor Kurt Schmoke*

"What we are talking about here is changing peoples' lives, by giving them *a* chance to earn a livable wage. We're talking about putting peo ple to work and teaching them a trade. Nothing can change your life quicker than that." – Douglas *McCarron,* General President of the Carpenters Union and partic-ipant in the AMERICA WORKS program in the *EZs.*




*Maps and charts show residents where and how EZ dollars are being spent – a* **sure** *way to measure the benchmarks.*




**Performance, Not Process**

Visible, measurable change in distressed coininunities is the chief goal of the EZ/EC Initiative. Unlike typical federal programs, the EZ/EC Initiative emphasizes results and performance. Performance Benchmarking is a tool utilized by EZ/ECs to set specific goals for federal, State, local, and private investment. Performance Benchinarks provide a blueprint for an entrepreneurial, no-nonsense way to distribute funds, fulfill commitments, and measure performance. Performance Benchmarks also form the basis for a continuing partnership between the federal government and EZ/ECs, identifying priority activities that may require additional resources, regulatory relief, and technical assistance. With 72 cities across the nation engaged in Performance Benchmarking, this initiative represents the most ambitious effort to date with performance-driven grant management.

**Bottom-Up Planning and Citizen Participation**

The EZ/EC Initiative was designed as a partnership, in which the federal government works with cities to determine their goals, helps provide the resources to reach those goals, but ultimately leaves it *to* the community to determine exactly how those goals are met.

Months of meetings and discussions helped communities obtain a clearer sense of how they wanted to move ahead. After the communities were designated in December 1994, they developed "benchmarks" or quantifiable objectives for the community and economic development activities that were proposed in their original strategic plans.

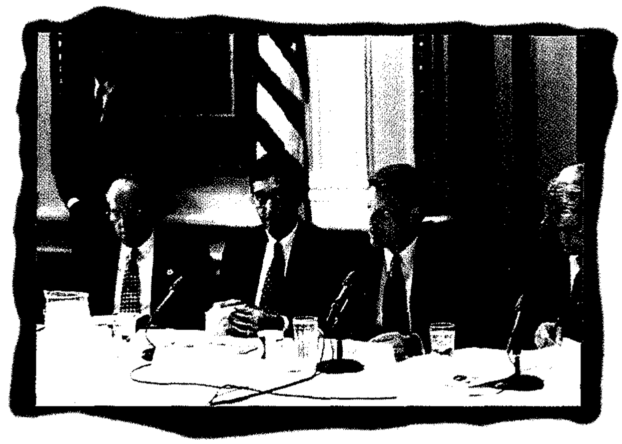
This type of bottom-up planning ensured that community residents and their elected officials in each of the EZ/ECs were part of the solution and that, as a result, they gained a stake in and are committed to creating the public and private partnerships needed to implement.

## New Relationship Between Government and Community

Serious community participation involves more than the standard round of public hearings. It involves making government accessible and more responsive to community concerns. At the heart of government reinvention is to redefine how federal agencies provide services to communities and to local and State governments.

### Community Empowerment Board

The interagency Community Empowerment Board (CEB), headed by Vice President Gore, is the key to the federal effort to assist EZ/ECs. The CEB represents all of the domestic federal agencies. It meets regularly to discuss coordination efforts, performance measures, and federal funding preferences. All federal funding, technical assistance, and regulatory issues are coordinated through the CEB.



USDA Secretary Dan *Glickman,* HUD Secretary Henry *Cisneros,* and Vice President **Al** Gore at CEB meeting.

### A New Approach by HUD: Balancing Facilitation and Monitoring

As lead agency for urban EZ/ECs, HUD has two very distinct – and somewhat contradictory – roles:

- HUD's primary role is to facilitate the implementation of EZ/EC strategic plans

- HUD's regulatory role is to monitor the progress of strategic plan implementation

These two roles – facilitation and monitoring – are in many respects diametrically opposed, making it difficult for a single program entity to fulfill both functions at the same time. The Office of Community Planning and Development has addressed this dilemma through a unique approach to program management. In the Empowerment Zone Initiative, the roles of facilitator and regulator are segregated. Private sector experts serve the facilitation function, with HUD Headquarters and Field Staff providing regulatory oversight. This system of checks and balances avoids the conflict inherent when the two functions are combined in the same program. The objectives of both functions are better served by this system: communities receive the highest quality assistance from a team of nationally recognized program and policy experts; HUD staff can focus on ensuring an objective assessment of program progress. Most important, the strengths and weaknesses identified by HUD monitoring can then be used to help shape facilitation efforts, thus providing a link between HUD's regulatory mission and the development of technical assistance strategies for EZ communities.

*"This is really just the beginning of some really positive work. We're establishing a business incubator to help aspiring entrepreneurs, especially those in public housing, to create businesses and jobs." – Pat Dowell-Cerasoli, Mid-South Planning and Development Commission, Chicago*

**Comprehensive Planning and Sustainable Development**

While there is general agreement that comprehensive planning is desirable in theory, it has been difficult to implement in practice. Almost by definition, a compreliensive, holistic approach to community development is a central requirement of the EZ/EC Initiative. The Initiative requires substantive input from every segment of a community: residents, businesses, charitable groups, community organizations, and City Hall. Officials from neighboring suburbs, the county, and the State are often involved so that resources can be coordinated across a range of issues, lessons are learned from past efforts, and future strategies are put into place.

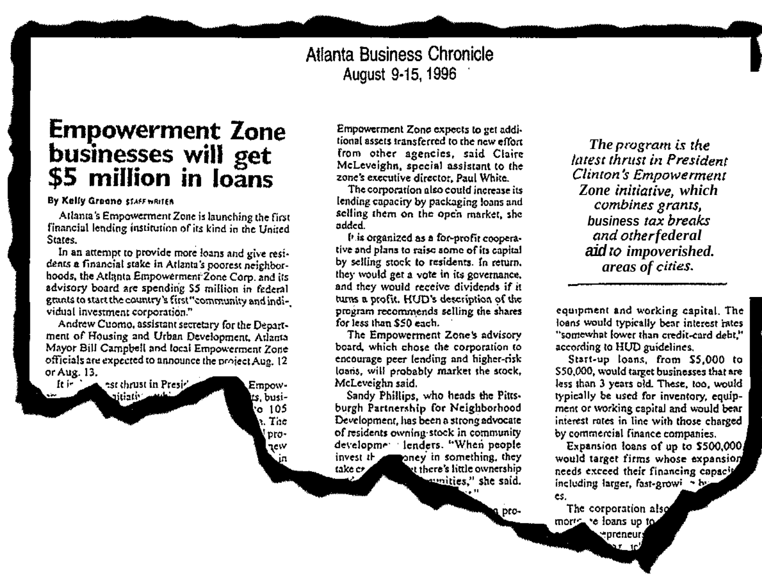
An important component of sustainability is housing. In the six urban EZs alone, over $700 million in new housing investment is underway. Many of these efforts are targeted at increasing homeownership. For example, in Chicago, a partnership between the City, First National Bank of Chicago and several City-wide nonprofit organizations has created a pilot program to help families purchase their first homes in the Chicago EZ. Under the initial program, the first of 100 families have already received assistance to purchase their first homes in the zone.

## MOVING FORWARD: NEXT STEPS

### Community and Individual Investment Corporations (CIIC)

Building upon the basic premises of the EZ/EC Initiative, a number of the EZ/ECs are developing community-owned "banks" with EZ/EC funds. This "bank" is a mechanism for putting more capital in inner cities and giving residents the opportunity to become shareholders in a financial strategies in their communities. Atlanta, Philadelphia, Oakland, and the Mississippi Mid-Delta Empowerment Zone (a rural EZ) are at various stages of finalizing CIICs. (See Chapter 2 for more information.)

Through the CIIC, the federal government joins with local residents and their city governments to create resident-owned financial institutions which make business and housing loans in inner city communities. The CIIC is an intelligent new model that draws on the lessons learned from the past and incorporates them in a new paradigm of community self-reliance and innovation.



Atlanta Business Chronicle
August 9-15, 1996

**Empowerment Zone businesses will get $5 million in loans**

By Kelly Greene STAFF WRITER

Atlanta's Empowerment Zone is launching the first financial lending institution of its kind in the United States.

In an attempt to provide more loans and give residents a financial stake in Atlanta's poorest neighborhoods, the Atlanta Empowerment Zone Corp. and its advisory board are spending $5 million in federal grants to start the country's first "community and individual investment corporation."

Andrew Cuomo, assistant secretary for the Department of Housing and Urban Development, Atlanta Mayor Bill Campbell and local Empowerment Zone officials are expected to announce the project Aug. 12 or Aug. 13.

Empowerment Zone expects to get additional assets transferred to the new effort from other agencies, said Claire McLeveighn, special assistant to the zone's executive director, Paul White.

The corporation also could increase its lending capacity by packaging loans and selling them on the open market, she added.

It is organized as a for-profit cooperative and plans to raise some of its capital by selling stock to residents. In return, they would get a vote in its governance, and they would receive dividends if it turns a profit. HUD's description of the program recommends selling the shares for less than $50 each.

The Empowerment Zone's advisory board, which chose the corporation to encourage peer lending and higher-risk loans, will probably market the stock, McLeveighn said.

Sandy Phillips, who heads the Pittsburgh Partnership for Neighborhood Development, has been a strong advocate of residents owning stock in community development lenders. "When people invest their money in something, they take care ... there's little ownership ... communities," she said.

*The program is the latest thrust in President Clinton's Empowerment Zone initiative, which combines grants, business tax breaks and other federal aid to impoverished areas of cities.*

equipment and working capital. The loans would typically bear interest rates "somewhat lower than credit-card debt," according to HUD guidelines.

Start-up loans, from $5,000 to $50,000, would target businesses that are less than 3 years old. These, too, would typically be used for inventory, equipment or working capital and would bear interest rates in line with those charged by commercial finance companies.

Expansion loans of up to $500,000 would target firms whose expansion needs exceed their financing capacity, including larger, fast-growing businesses.

The corporation also ...

What is different about the characteristics of investment strategies in this market is the goal of providing inner city residents and businesses who invest in their communities improved access to capital. EZs are making plans for resident-owned community development financial institutions which will link publicly provided seed money with private investments and make business and housing loans in their neighborhoods. Resident and business investments in the institution will be subject to the risks and rewards of market success or failure.

Once capitalized, these institutions will provide credit enhancement for loans to developers and businesses seeking funding for community or business development projects, including retail, industrial, warehousing, office, and multi-family residential projects. They will also offer pools of investment capital, including high risk loan funds, to reduce the perceived risks of loaning to start-up businesses that lack established credit histories.

## Second Round of EZ/EC Funding

A second round of EZ/EC funding has been proposed by the President. This second round, totaling more than $2 billion in tax incentives and direct grants, will allow Enhanced ECs, ECs and other applicants to compete for EZ status, making them eligible for the wage tax credit. Additionally, the President's budget includes changes to the tax-exempt private activity bond provisions and the "enterprise zone business" definition, allowing a broader range of businesses to qualify for EZ/EC bonds and enhanced Section 179 expensing. All of the current 72 EZs and ECs would be able to take advantage of a new Brownfields tax incentive that will allow businesses in these areas to fully deduct the cost of environmental cleanup.

FINAL EDITION

The Miami Herald

12A THE HERALD, FRIDAY, FEBRUARY 23 1996 A

**Clinton wants more 'empowermentzones'**

WASHINGTON — (AP) — President Clinton pledged Thursday to extend his "empowerment zone" program for inner cities, saying the effort is revitalizing neighborhoods.

Addressing the second White House Community Empowerment Conference, Clinton said he would ask Congress to approve more such zones in the 1997 budget.

"You have made Round 1 a phenomenal ...

NATIONAL NEWS

The goal is not to create government projects for employing those in downtrodden areas who need work, Clinton said, but to use federal resources to spur private-sector jobs.

"It's not like the Depression. The government is broke," Clinton said. "We've got to get rid of this deficit, so we can't go out ... just hire everybody that ... have a job."

... lauded efforts such as ... ny Johnson, a former ... player who now ... Packaging, a com... seven months ...

*Businesses in the zones receive an employee 'wage credit' of up to $3,000 per year for each zone resident hired.*

zone.

Johnson said he has hired 44 zone residents, all of whom are earning above minimum wage and have health insurance.

"They went out and bought their own uniforms because they were proud to have a job," Johnson said. "My goal was to give something back."

Clinton's 1997 budget proposal will include $1 billion for direct five-year grants for stimulating private investment and redevelopment, and $1 billion in tax incentives.

Clinton hopes to designate 105 communities as empowerment zones or enterprise communities, doubling the number in the current program. Miami lost out in its bid for an empowerment zone in 1994.

Businesses in empowerment zones receive an employee "wage credit" of up to $3,000 per year for each zone resident hired. Businesses also would receive tax deductions for capital investment and tax-exempt bond

**Plain** Dealer
June 26, 1996

# Success zone

## Cleveland's hard work is **paying big dividends** on federal empowerment investment

AGENDA 96
JOBS

*One of six topics The Plain Dealer has chosen to highlight this year as vitally important to Greater Cleveland.*

Last week's announcement of $12 million in federally backed loans to businesses in some of Cleveland's poorest neighborhoods shows that the so-called empowerment zone is really starting to live up to its name.

The money will go to 10 companies and agencies that have agreed to stay in or relocate to the zone, which includes three East Side neighborhoods and the Midtown business corridor. The government aid is expected to "leverage" $48 million more in private loans, and thus represents a $60 million boost to the city's economy.

About 450 jobs that might otherwise leak out of the city will stay, and another 77 will be created. The city also has created a Job Match recruitment and training program to ensure that most of the new jobs go to people living in the zones.

City and federal officials said the 10 projects, taken together, represent the largest one-day outlay of money since the empowerment zones were created in nearly a dozen cities in 1994. And Andrew Cuomo, assistant secretary of Housing and Urban Development, added that Cleveland is well ahead of other zone cities in getting the money into the hands of the people who can use it.

Officials from those other cities are beginning to seek advice from their counterparts here about ways of speeding things up. Better yet, Cleveland has dramatically enhanced its case for getting to use a series of federal tax breaks it did not qualify for when the zone was created.

That's quite a tribute to Mayor Michael R. White and his staff, including Economic Development Director Chris Warren and empowerment zone Director India Pierce Lee. It's also a tribute to the many men and women serving on the zone's community advisory board and to the company officials who chose to work with the city rather than hightail it to the suburbs. When other cities start asking Cleveland for advice about economic development, you know we're doing something right.

# The Nation

Chris Berkey for The New York Times

Nella Pearl Frierson used to braid hair at home. After getting business training, she opened Pearl's Pearl Braid Shop in Nashville.

*What Works*

# Farewell, Welfare State

By RONALD SMOTHERS

NASHVILLE

WHEN the deadline approached for states to file their plans for complying with the new Federal welfare legislation, Tennessee was ready. Submitting a 60-page plan that reflected its reputation for innovation in improving and cutting costs in programs for the poor, the state was one of only 25 that met the Oct. 1 deadline. Most others, including New York, are going to be late.

And it's not just those states that aren't ready. Seronya Bell, a 21-year-old mother of two in Nashville, sees denial all around her. "This welfare reform is for real, but some people are playing: it off like it isn't going to happen," she said.

## Anticipating the End

Ms. Bell completed a program here, privately run and subsidized by the city and state, that trains welfare recipients to be cashiers and store clerks. It began three years ago, well before today's much-heralded brave new world without welfare as we know it.

The training project has not only been adapted and broadened for the new welfare law, but it has also been made a part of another new program: the Federal Empowerment Zone/Enterprise Community Program, which channels funds to economic development in poor neighborhoods.

For some officials, Nashville, with its South Nashville Enterprise Community, is an advertisement for the Federal program, which both Vice President Al Gore and his opponent, Jack Kemp, lauded in their debate Wednesday.

Begun two years ago, the empowerment zone program challenged cities nationwide to compete for funds by bringing local money and businesses together to promote jobs and economic independence. The grand prize, $100 million in Federal aid that could be drawn over a 10-year period, would be earmarked for six urban areas to be designated "empowerment zones."

Cities that fell short of the big prize would be eligible for a $3 million prize that could also be spread over 10 years, although most cities would want to collect it far faster. Most of the cities that applied reasoned that, having already done the hard work of assembling their resources, they might as well go forward with a more modest scheme.

It was a decision that Federal planners hoped they would make. Even without the grand prize, Nashville and 94 other cities now have job development programs that run mostly on their own power with state and private funds and with just a little Federal grease.

"Nashville is getting $3 million in Federal money which they have leveraged into more than $30 million in funds for the enterprise community," said Andrew Cuomo, the assistant secretary for economic development in the Federal Department of Housing and Urban Development, which oversaw the competition.

Tennessee has been a leader in programs for the poor. Its two-year-old TennCare program has received high marks for providing managed care to about 750,000 people, including many of the working poor as well as former Medicaid recipients.

In Nashville, the enterprise program brought together several ideas that had already proved successful. The local housing authority, which runs the enterprise community program, approached the directors of a job training and employment program for welfare recipients run by Dollar General Stores, the discount chain, and the Nashville Y.W.C.A. This program, which started out as a simple literacy program for residents in a public housing project who received welfare, had blossomed into a larger effort that had successfully trained people like Ms. Bell, now a full-time employee of Dollar General.

Nashville also brought in a small-business training firm, Total Rededication and Commitment, which had a four-year-old program called "Working Smart." This program was already helping welfare recipients turn some of their homegrown and often illegal businesses — hair braiding, baby-sitting and baking — into legitimate operations.

Then the city relocated these programs to South Nashville, an area of about 14,000 people in the shadow of the elevated roadways of Interstate 40, where 42 percent of the residents live in poverty and 12 percent are unemployed. There, the city set up satellite branches of the police, fire and code enforcement departments, plus offices for the case workers from the Tennessee Department of Human Services.

It became apparent, after the city organized community planning meetings, that the enterprise center should also include locally owned businesses. The Dollar General Store, with its built-in training program for people on welfare, agreed to serve as an anchor for the center.

## Like the Old Days

Jesse Clark, a retired airline baggage handler who has lived in the community for 32 years, recently stood in Charles Jackson's newly opened dry cleaning store at the center, recalling neighborhood streets once alive with nightclubs, markets, clothing stores and even half a dozen dry cleaners to choose from.

"People started moving out because they got the opportunity to do better, and you can't blame them for that," Mr. Clark said. "But it looked like everything just went down, and the businesses just couldn't make it anymore. But this is good, this cleaners. I think a lot of people will start coming here instead of driving two or three miles to the next nearest one."

The new storefronts also house a graduate of the "Working Smart" program, Nella Pearl Frierson, who received help with business skills and in setting up a business and finding commercial space. Her business, Pearl's Pearl Braid Shop, is next to Mr. Jackson's shop.

For about 15 years before that, Ms. Frierson said, she was doing braids at home and depending on welfare payments as she could be with her young children. Recalling that time, she said that not only was it limiting "but there was hair everywhere in my house."

GOVERNMENT'S WORKING

63

July 20, 1996

# Philadelphia's inner city may be empowerment zone winner

By Christopher McDougall
Associated Press

PHILADELPHIA — Early morning catches a young man counting cash at one North Philly address while a painter gets busy on a nearby wall — all the zip President Clinton would want in an Empowerment Zone, if crack sales and graffiti counted.

Few other signs of life exist — just acres of splintered glass, brick and the ghosts of trucks that once roared through the wide industrial roads.

"Hope here has been reduced to looking for winning lottery numbers in books on dream interpretation," said Minister Rodney Muhammad, leader of the local Nation of Islam mosque.

But what Bugsy Siegel saw in the Nevada desert, Clinton imagines on American Street.

AP

Graffiti decorates these battered storefronts, which are typical in this Philadelphia Empowerment Zone.

The president is betting $600 million that this dying neighborhood — and more like it in five other cities — not only can be brought back to life, but can spur new growth.

The stakes are high.

With federal aid diminishing

Zones (Continued)

Zones (Continued)

and businesses looking abroad for cheap labor, Philadelphia Mayor Edward G. Rendell believes the EZ gamble may be the last chance for U.S. cities.

"Because, believe me, if we screw it up with incompetence or greed, the things that marred other reforms, then you can forget about any help for another generation," he said.

More than 600 urban areas vied for the $100 million payoff, and six were chosen — Atlanta, Baltimore, Chicago, Detroit, New York and Philadelphia-Camden.

The program trusts the money to inner-city residents, instead of to federal bureaucracies, giving them a chance to invest in projects they believe will become money earners.

There are three basic strategies: establish small businesses, beautify the area, and help companies willing to shift their operations into the zones.

By combining free-market principles with social benefits, the program enjoys bipartisan support.

It also weds two sides of a long argument on urban renewal — whether to put money into places or to dole out cash and food stamps to people and let them live where they please.

For most of the 20th century, the United States has alternated between the two.

The Depression provided cash through work programs; the 1930s spawned public housing; and downtowns were renovated in the '50s.

The biggest of them all was the 1960s War on Poverty, when presidents Kennedy and Lyndon Johnson launched Medicare, Medicaid, student loans, aid to education and the Women, Infants and Children feeding program.

The last great program for urban communities was the Model Cities of the 1970s. Billions of dollars flowed to 105 cities to finance programs ranging from housing to music scholarships.

A big difference exists between the old approach and the new, said Yvonne Haskins, coordinator of the Camden project.

"Model Cities said, 'Bring me your poor and I'll solve your problems.' Empowerment Zones say, 'Show me your capacity, your vision and ability to get things done, and we'll give you the seed money to get there,' " she said.

Zones (Continued)

Zones (Continued)

Critics don't think the distinction makes a difference.

"You can pour all the money you want into the cities, and it won't stop suburban migration," said Anthony Mason, a financial consultant in New York City. "Inner cities are where people stay until they can afford to get out."

The EZ concept also violates good fiscal sense, Mason said.

If a profit could be made in the neighborhoods, someone already would have "sniffed it out," said Mason. And giving money to people who have shown no entrepreneurial flair is a poor risk, he added.

The plan also spreads a little cash to a lot of projects instead of concentrating funds on one or two key enterprises, such as public transportation, he said.

But if any city has a fighting chance, critics say, it's Philadelphia.

The city has serious drawbacks: crime, graffiti so wild that even parked cars get sprayed, and one of the heaviest tax burdens in the country.

The strengths include Rendell, a tough money manager who took Philadelphia from a $250 million deficit to an $80 million surplus in his first term in office.

Philadelphia will use its $80 million to attack three small areas: a port district, a collapsed industrial park and a slum. Camden will invest its $20 million share in a waterfront it hopes to transform from a rat-infested wasteland into a strip of bistros, shops and theaters.

The keystone of Rendell's plan is to arrange competitive financing for relocating businesses.

"We're going to use state, city and private loans to make this city the hands-down cheapest place for a company to get financing," Rendell said.

That promise has so far attracted 26 businesses, good for some 400 jobs.

Other plans include mobile police stations, a training school for aspiring street vendors and centers for adult literacy, parenting and computer training.

But the heart of the plan is giving financial power to neighborhoods no bank officer would touch. The largest single lump of Philadelphia money will go to community banks in the three zones — up to $7 million each — to arrange loans.

Perhaps the greatest plum was landing Redring Solder of Malaysia, a manufacturer of tin and soldering products — a sign that a U.S. neighborhood could compete with low-cost manufacturing overseas.

"We especially like the idea of working in a developing area like the Empowerment Zone," Redring spokesman Chris Carabello told The Philadelphia Inquirer.

"And, yes, we understand that many American jobs have gone abroad to countries like Malaysia, and (we) like the idea of bringing some of them back," Carabello added.

The whole EZ enterprise still hangs on a leap of faith, admits Carlos Acosta, head of the Philadelphia projects.

"One or two factories by themselves won't feel secure in these areas. Several have to come in at once, and expect others to join them, to really reap the benefits of this plan," Acosta said.

After first dismissing the Empowerment Zones as more wishful thinking, Professor Ted Herschberg, a public policy expert from the University of Pennsylvania, changed his views by what he saw developing.

"I was an EZ atheist who has become an agnostic," Herschberg said. "I am ready to believe."

So is Herb James, a stern critic after 20 years of struggling to keep his three-port garage alive by selling cheesesteaks through his office window.

The survival of Herb's Auto Repair depends on cash and cars returning to North Philadelphia.

With a new Rite-Aid drug store down the block and the first supermarket the area has seen in a decade due to arise next door, the 66-year-old James has changed his mind about selling his business.

"It's time we saw some cavalry around here," James said.

# Zones at a glance

By The Associated Press

Details of the empowerment zone program:

## Empowerment Zones

- Establishment of 10 empowerment zones, six in big cities, three in rural areas and one on an Indian reservation.
- Grants and tax breaks totaling $100 million for the urban zones in Atlanta, Baltimore, Chicago, Detroit, New York and Philadelphia-Camden, N.J.
- Grants and tax breaks of $40 million for the rural zones in the Kentucky Highlands, Mid-Delta in Mississippi and Rio Grande Valley in Texas.
- $4.1 billion in tax incentives available over five years, mostly for companies that hire people who live in poor areas.

## Enterprise Communities

- Establishment of 100 — 65 in big cities, 30 in rural areas and five on Indian reservations.
- Similar to "empowerment zones," without tax incentives.

## Et Cetera

- Los Angeles and Cleveland designated "Supplemental Empowerment Zones," receiving economic development grants through the Department of Housing and Urban Development. Los Angeles will get $125 million in grants; Cleveland will get $90 million.
- 95 "Enterprise Communities" — 60 urban and 35 rural — that will receive $3 million each in block grants and tax exempt bond financing for businesses in the area. Boston, Houston, Kansas City and Oakland, Calif, will be "enhanced" enterprise communities. Each will get $25 million in grants.

The Sun
July 30, 1996

# EDITORIALS

## Gauging city's empowerment zone

• **On the right track:** *Targeting small businesses shows promise of more jobs.*

...U.S. Housing and Urban Development Assistant Secretary Andrew Cuomo says Baltimore has been setting the pace for the other five cities with empowerment zones.

As is typical for economic development, however, that pace can be slow. Much of what has and is expected to take place in the empowerment zone will involve small businesses. Their collective impact may be great, but the public may not notice each announcement of a new company that employs *only* a few dozen people.

As of this month, 13 new businesses with 503 jobs had located in the empowerment zone. Those businesses range from Truly Scratch Bakery, with two employees, to Sandtown-Winchester Nursing and Rehabilitation Center, which employs 140. Another 465 jobs may be created through the expansion of seven businesses *already* in the zone and 515 jobs have been created through the relocation of 11 other existing businesses to the zone.

Those more than 1,400 jobs have come with the city spending only about $1.3 million of its $100 million federal grant. It's the $225 million in tax breaks that is luring businesses to the zone. But zone officials have pledged to spend $1 million to set up a high-risk business loan fund and $945,000 to beef up police protection. In addition, a $2 million fund is being created to help zone residents purchase homes. It's a slow process without high drama, but the empowerment zone seems to be on the right track.

## ENDNOTES

1 Title XIII of the Omnibus Budget Reconciliation Act of 1993, enacted August 10, 1993, created Federal Empowerment Zones and Enterprise Communities.

2 Harlem Renaissance, Daily News, August 27, 1996 editorial page.

3 Price Waterhouse, Volume 11, Activities for Strategic Change, July 1996.

# CHAPTER FOUR

## THE CONTINUUM OF CARE: HOMELESSNESS ASSISTANCE AND SPECIAL NEEDS HOUSING

"There can be no higher priority for the Department whose name begins with 'housing,' than assisting homeless people."

— *Secretary Henry Cisneros*

"In many ways, the word 'homeless' is a misnomer. Not having a home is but one aspect on a continuum of concerns that must be addressed for most homeless persons to reach self-sufficiency."

— *Assistant Secretary Andrew Cuomo*

Early in his Administration, President Clinton directed HUD to take major steps to break the cycle of homelessness in America. Since 1993, HUD has made significant changes in its homelessness and other special-needs housing policies. Working toward its goal of breaking the cycle, HUD has sought to double the homeless assistance budget and implemented a new community-based policy approach named the Continuum of Care.

Initially, the Administration requested, and Congress appropriated, increased funding for assistance to homeless persons. In 1993, funding for HUD's homeless assistance programs was $572 million. In 1995, funding increased to $1.12 billion for these programs. (See Exhibit 4-1.) At the same time, the Continuum of Care policy was developed and implemented. The Continuum of Care operates on two levels: a coordinated, community-based process to identify the needs of homeless people and build a system to address those needs; and on the individual level to ensure that homeless people receive the appropriate housing and services necessary to achieve self-sufficiency.

President and Mrs. Clinton and HUD Secretary Henry *Cisneros serve* Thanksgiuing dinner at a D.C. Coalition for the Homeless facility in Washington, D.C.

A recent assessment by the Barnard-Columbia Center for Urban Policy at Columbia University shows that the new approach is working. The report found that the Continuum of Care policy has created a coordinated approach to meeting the needs of homeless persons, while decreasing the duplication of services. HUD's homeless assistance programs from 1993 to 1995 will help as many as 400,000 homeless persons reach permanent housing and self-sufficiency. Many more people will receive temporary, emergency assistance through Emergency Shelter Grants and other programs.

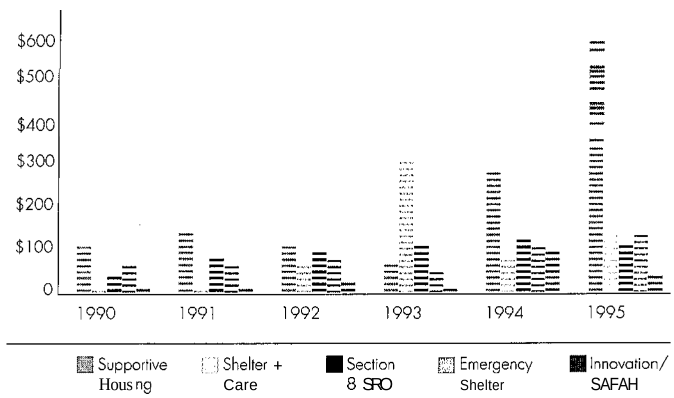

Published after President Clinton announced new homeless federal plan.

This chapter reviews the policy developed for addressing homelessness, describes how the policy has been implemented through a series of competitions and other initiatives during the past 3 years, and provides information on the results of these initiatives.

The following program areas are discussed:

- **Homeless Assistance Programs**
  - **Emergency Shelter Grants** provide support for emergency shelters used by homeless individuals and families. (Formula grants)
  - The **Supportive Housing Program** provides transitional housing and supportive services for homeless families and individuals and permanent housing for homeless persons with disabilities. (Competitive Awards)
  - Permanent housing is made available for persons with disabilities through the **Shelter Plus Care** program and, for single individuals, the **Section 8 Moderate Rehabilitation for Single-Room Occupancy (SRO) Dwellings** addresses permanent housing solutions. (Competitive Awards)

Exhibit 4 1
**Total Amount of Funds Awarded in CPD Homeless Assistance Programs FY 1990—FY 1995**
Dollars in Millions




- The **Innovative Homeless Initiatives Demonstration** shows the effectiveness of broad-based public/private partnerships and comprehensive planning.
- **Housing Opportunities for Persons with AIDS program** addresses the needs of persons living with HIV or AIDS and their families.
- **Base Closure Redevelopment and Homelessness Assistance Act of 1994** requires community reuse plans.
- **Community Development Block Grants** provide flexible funding to state and local governments.

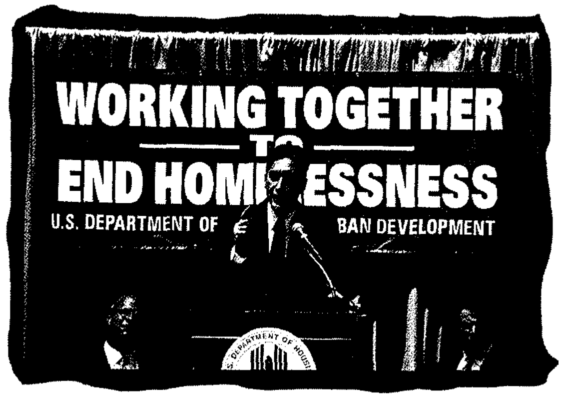
These programs comprise the most comprehensive network of federal resources ever made available to address the varied needs of homeless individuals and families.

## ASSISTING HOMELESS INDIVIDUALS AND FAMILIES

### A New Federal Policy for Breaking the Cycle of Homelessness

In 1993, the federal government dramatically changed its approach to addressing hoinelessness. While the Stewart B. McKinney Act programs were helpful in providing services to homeless persons and families, many service providers voiced concerns about HUD's administration of the programs. President Clinton issued an Executive Order that directed the Interagency Council on the Homeless, chaired by Secretary Cisneros, to develop a new federal plan to address homelessness. Helping homeless fainilies and individuals achieve permanent housing and self-sufficiency became a top priority for HUD.

The resulting plan, President Clinton's *Priority: Home! The Federal Plan to Break the Cycle of Homelessness*, was developed through a series of interactive forums with local officials, urban experts, and homeless assistance providers across the nation. Among its recommendations for federal action, *Priority: Home!* endorsed a proposal to significantly increase the HUD homeless assistance budget, and at the same time adopted the Continuum of Care as a new conceptual framework for addressing homelessness in America.




HUD Secretary Henry Cisneros, joined by Atlanta Mayor Bill Campbell and Assistant Secretary Andrew Cuomo, announces homeless funding for FY 1995. HUD awarded $1.12 billion in homeless grants that year – more than double the amount awarded in 1993.

## The Policy: A Continuum of Care

"The Los Angeles region has benefited tremendously from the Continuum of Care planning process. More than ever before, homeless housing and service providers across this vast region are working closely together with local government. HUD's approach and role with the community has been effective. Homeless people are being better served."

– *Ruth Schwartz,* Shelter *Partnership, Inc., Los Angeles*

The Continuum of Care model is based on the understanding that homelessness is not caused merely by a lack of shelter, but involves a variety of underlying, unmet needs – physical, economic, and social. HUD believes the best approach

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### PROFILE
### CITY OF BOSTON CONTINUUM OF CARE
Boston, Massachusetts

The City of Boston has developed one of the nation's most comprehensive and successful Continuum of Care systems to serve homeless individuals and families. Through an intense, ongoing community-based process of analysis, coordination, and systemwide shelter and supportive services, the city has been moving to address all aspects of the problem of homelessness in Boston. Use of HUD's Continuum of Care framework and process has allowed the city to attain a new level of strategic planning effectiveness in helping homeless individuals and families achieve permanent housing and stable lives.

Responsibility for jointly managing the community-based process to develop a Continuum of Care was assigned to the city's Emergency Shelter Commission (ESC) and the Public Facilities Department (PFD). The ESC was established by the Boston City Council to coordinate research, policy development, and public education on homelessness issues and to serve as the formal link between the city, providers of services to homeless people, and current and formerly homeless households. It serves as a liaison with federal and state agencies on the issue of homeless ness and also conducts Boston's annual homeless census.

The PFD is the city's housing and community development agency. It works in partnership with HUD, non-profit organizations, state agencies, neighborhood groups, housing developers, and the investment banking community to expand the housing and supportive services available with the city's Continuum of Care. Together, ESC and PFD work with several membership organizations of housing and service providers, including the Greater Boston

Housing and Shelter Alliance, Massachusetts Coalition for the Homeless, and the Citizens Housing and Planning Association) to discuss specific programs and to continually assess and evaluate the services and supports needed by Boston's homeless population.

To provide a sound basis for the planning process, the city looked at the single adult population, its subgroups (i.e., persons with severe and persistent mental illnesses, persons with chemical dependencies, HIV/AIDS, and those with other disabilities), and the lack of education/skills among these populations. This information was compared to its current inventory of facilities and services to identify key gaps. The same process was followed for homeless families.

Starting first by ensuring adequate emergency shelter because of the city's severe and unpredictable winter weather, by 1995 the city had created 23 transitional programs, more than 1,000 units of permanent supportive housing, and extensive housing counseling and employment programs. Several of Boston's service providers also have developed two or more components of the Continuum of Care within their own systems to facilitate and enhance access to more comprehensive and coordinated services and supports for homeless people. Duplication is avoided and assistance made more cost effective.

To enhance coordination within the Continuum of Care, Boston developed a strategy that involved multiple participants from all sectors of the community and emphasized tlie creation of systemwide services that can be accessed at any point within the continuum. This enables a homeless individual or family to obtain and remain in permanent housing, increase skills and income, and receive the services needed to make a successful transition to independence and self-sufficiency to the maximum extent possible.

To fund this approach, tlie city has consistently worked to maximize the use of its own resources by combining them with state and federal grants and loans and with mainstream services and supports. The city also has established partnerships with business groups and private citizens to lend their expertise and financial support to helping homeless individuals and families make the most of their lives.

Mayor Thomas Menino has acknowledged the partnership between Boston and Washington: "Together we have identified the gaps in services to homeless people and have created new programs and systems to respond to those gaps. This means that thousands of homeless people in Boston and across the country will move out of the shelters and into appropriate transitional programs and housing."

Photo: Ken Levinson

for alleviating homelessness is through a coordinated community-based process that provides a coinprehensive response to the differing needs of homeless individuals and families. The fundamental components of a Continuum of Care system are:

Photo: Ken Levinson

The number of children helped through *CPD's* homeless assistance programs has increased dramatically since 1992.

- Outreach and assessment to identify an individual's or family's needs and connect them to facilities and services.
- Immediate (emergency) shelter as a safe, decent alternative to the streets.
- Transitional housing with appropriate supportive services, such as job training/placement, child care, substance abuse treatment, mental health services, and instruction in independent living skills.
- Permanent housing or permanent supportive housing arrangements.

While not all homeless people will need access to each of these components, all four must be present and coordinated within a community in order for the

Continuum of Care to be viable. A homelessness prevention strategy is key to the success of the Continuum of Care. The Continuum of Care system serves the specific needs of all homeless sub-populations within a particular community. It is coordinated with non-profit organizations, state and local governmental agencies, housing developers, service providers, private foundations, local businesses and the banking community, neighborhood groups, and homeless or formerly homeless persons.

The Continuum of Care approach *puts the* focus on helping homeless persons attain self-sufficiency.

Planning for and implementing the Continuum of Care occurs within the strategic overview of local housing and economic conditions that make up each community's Consolidated Plan (described in Chapter 1). This means that communities develop their Continuum of Care systems in relation to the broad development goals and initiatives of their Consolidated Plan. The Consolidated Plan's Special Needs statement on homelessness provides the foundation upon which the overall Continuum of Care is built.

Communities assess the housing and service needs of homeless persons in the area, take inventory of the existing resources available to them, and identify "gaps" in housing and service delivery. CPD encourages communities to address the needs of all sub-populations, such as persons with mental illness, victims of domestic violence, youths, veterans, persons living with HIV/AIDs, and substance abusers. For example, HUD recognizes that it is especially critical to address the unique needs of homeless persons with mental illness. One way this has been done is through funding an increased number of Safe Haven programs.

CPD has established a Veteran's Resource Center and undertaken a number of veterans' services to assist homeless veterans. The Resource Center provides information to veterans about HUD's homeless initiatives and works with the Department of Labor and the Department of Veterans Affairs to help homeless veterans obtain housing, training, and jobs. It also works to ensure the homeless veteran service organizations are included in the process of assessing homeless needs and developing a Continuum of Care.

To demonstrate the effectiveness of broad-based, public/private partnerships and comprehensive planning in 1993 and 1994, CPD entered into partnerships with a number of cities through a special initiative. In the Initiative Cities demonstration, selected cities created or further developed broad-based, public/private partnerships to create a seamless Continuum of Care system. In return for federal funding, the localities assessed needs, inventoried resources, identified gaps in ser-

## PROFILE
## PROJECT RETURN FOUNDATION, INC
*New York, New York*

Photo: Dixon/Deux Yeux Photographie

Project Return Foundation's class of '96 is represented by graduates from *various* programs, including family *services.*

In New York, Project Return Foundation, Inc. (PRF) has developed a comprehensive, individualized, holistic services model to prepare clients with chronic disabilities for independent, sober living. Founded 25 years ago as a self-help program and community center for persons with substance abuse problems, PRF has grown and diversified to also provide a continuum of services for persons with multiple disabilities. PRF administers 16 distinct human services programs serving homeless single men and women, with and without substance abuse problems; pregnant women; mentally ill persons; chemically addicted (MICA) women and their children; MICA men and women; persons affected and infected by HIV; the physically disabled; victims of domestic violence; and parolees with substance abuse problems.

Photo: Ken Levinson

Clients meet **regu**larly *to* discuss their progress in warious Project Return programs.

A full range of services are provided, e.g., assessment; case management; cognitive-behavioral, reality group and individual therapy; Alcoholics Anonymous/Narcotics Anonymous (AA/NA) 12-step programs; relapse prevention education and counseling; health care (provided on-site and through referral); mental health assessment, treatment, and referral services; family and couples counseling; and parenting classes. PRF has extensive experience in providing vocation/educational services and housing assistance – two service areas which are particularly critical to the needs of the targeted population.

According to Executive Director Jane Velez, "The Continuum of Care model works because it recognizes that homelessness often means more than needing a place to live. Homeless individuals and families typically require priinary and mental health services, remedial education, job training and placement, family counseling, and a myriad of other services."

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vices and housing, and developed plans for filling those gaps. Initial funding was advanced by HUD, with future funding contingent on the community meeting self-imposed benchmarks for goals. Each locality – Washington, D.C., Los Angeles, Philadelphia, Denver, Miami, and the San Francisco Bay area – offered unique opportunities for testing the Continuum of Care concept. Congress made available $75 million for this effort. Since 1994, the Continuum of Care strategy has been the major factor in awarding all homeless assistance funding.

Programs *like* Second Chance in *San Diego, CA, provide job placement and job training.*

### Building Blocks: Principles of Community Planning and Development

The Continuum of Care model is directly related to HUD's community planning and development principles. These principles are described below:

- Economic empowerment is the engine that drives community revitalization. The Continuum of Care system includes job training, child care, and job placement services for those who need them to move from homelessness to housing and independent living.

## PROFILE
## MINISTERIAL ASSOCIATION TEMPORARY SHELTER (M.A.T.S.),
Morristown, Tennessee

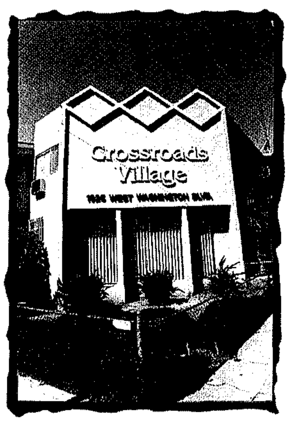
M.A.T.S. projects offer a full Continuum of Care system to homeless persons in rural areas of Tennessee, including emergency relief, transitional housing, employment and job training, and permanent housing.

The emergency portion of the project provides temporary shelter for homeless families, preventive actions such as the payment of utility bills and/or rent or mortgage payments for families at risk, and transportation services.

The transitional housing coinponent involves lease/purchase options on single-family or duplex houses. To date, M.A.T.S. has leased four units of housing for transitional housing purposes. The transitional housing component has made a difference.

The permanent housing component will subsidize rents and utility payments for eight previously homeless families moving into permanent housing.

- Bottom-up planning is the foundation of a community's Continuum of Care strategy. Because the homeless population is diverse and its characteristics may be unique to a particular city or region, only the locality has a complete picture of its unmet homeless assistance needs and current inventory of resources.




Crossroads Village in Los *Angeles* is owned *and operated by the* Mental Health Association. Crossroads received a *$338,400* homeless assistance award in 1996.

- An effective solution to community concerns must be comprehensive. As human needs are interconnected, so must be the service delivery system. The goal is to help all homeless persons permanently reach self-sufficiency, to the extent possible.

- Public/private coordination is essential. The Continuum of Care recognizes that the needs of homeless persons in each community – and current resources and systems to meet those needs – are as different and distinct as the people who live within them. With each sector bringing its own special expertise and energy to the effort, the community can design a strategy that works best.

- HUD awards performance rather than process. HUD has moved from emphasizing paperwork, applications, and monitoring to rewarding performance. Even in the area of assisting homeless persons, where it is more difficult to deliver a specific product, HUD is rewarding performance.

## PROFILE
## COMMUNITY FAMILY LIFE SERVICES
### Washington, D.C.

By the time that Imelle, a single mother of two, stumbled upon Community Family Life Services, she had exhausted all means of finding decent, safe, and affordable housing. For months on end, she moved her family from one place to another, accepting offers of temporary shelter from friends and relatives. However, locating affordable housing of her own in an environment suitable for raising children continued to elude her.

Finding herself at a homeless shelter, a social worker referred Imelle to a transitional housing program administered by Community Family Life Services (CFLS). She credits the CFLS housing program as being the place "where everything started happening." CFLS employment services found Imelle a job and the day care her children needed so she could work. She has progressed from one job to another and now no longer relies on public assistance. Additionally, with the skills she has learned during this time, Imelle has saved enough money to become the proud owner of her very first home.

CFLS has helped hundreds of people like Imelle move toward lives of self-sufficiency and away from lifestyles that perpetuate dependency. As a non-profit organization, CFLS provides a network of community services in Washington, D.C. designed to assist both individuals in crisis and families without homes. CFLS accomplishes its mission on two fronts: resolving short-term crisis needs; and promoting long-term economic and social self-sufficiency. Funding to accomplish this mission comes from two HUD grants for $250,000 under its Supportive Housing Program. CFLS also was awarded a $2.2 million HUD grant as part of the Section 8 Moderate Rehabilitation SRO Program.

Four key program areas implement the mission of CFLS.

The Continuum of Care concept is used by CFLS to help link its short-term, crisis-oriented support with the long-term services needed to help clients address the circumstances that created that crisis in the first place. CFLS is also an active partner in the Community Partnership for the Prevention of Homelessness, the Washington, D.C.-based public/private partnership that is responsible for implementing the City's Continuum of Care system.

The Community Services component of CFLS's activities responds largely to crisis needs. Assistance is provided with an eye toward providing more intensive "life skills," whereby clients are weaned from the need for emergency services by examining the root causes of their situations and given the tools to make long-term lifestyle changes.

The Housing Services program area includes both transitional housing as well as opportunities for independent living and homeownership.

Residents who are interested in owning their own homes someday may participate in the Mutual Home Buyer's Club, through which they attend workshops on budgeting, establishing credit, and creating a savings plan.

Employment Services cover three distinct phases: job readiness, job placement, and job retention. CFLS operates a local restaurant, Third and Eats, which employs and trains in the culinary arts formerly homeless persons. Youth services provides a number of services for children living at one of CFLS's three housing developments. These include daily tutoring and a Youth Leadership Project to provide a year-round work-study opportunity for youth to become employable by local businesses.

Imelle can attest to the success of the CFLS program firsthand, for without the support of CFLS, along with friends and relatives, she might not be standing on her own two feet today, guiding her children to stand on their own tomorrow.

## Accomplishments

### Overall Results: Barnard-Columbia Findings

In 1996, the Barnard-Columbia Center for Urban Policy at Columbia University conducted an independent study of the implementation of the Continuum of Care system. The study was based on a quantitative analysis of application data from funded programs between 1990 and 1995, budget information, and detailed case studies of Continuum of Care programs at nine selected sites across the country. The study's major findings are described below.

#### Funding

- HUD's homeless assistance funding has shifted from emergency measures toward programs that provide transitional and permanent housing. Funding for transitional and permanent housing programs increased from $331 million to $931 million (180 percent increase) during this time, while emergency funding for shelter and services increased from $72 million to $157 million (117 percent increase).

Exhibit 4-2
Total Amount of Monetary Value of Leveraged Resources for Each Type of Activity, FY 1992 – FY 1995

| Programs | 1992 | 1993 | 1994 | 1995 | % Change between 1992 and 1995 |
|---|---|---|---|---|---|
| Supportive Housing | $37,545,702 | $38,897,226 | $258,249,917 | $606,471,744 | 1,843.7 % |
| Shelter + Care | nd | 410,326,177 | 156,928,953 | 163,806,540 | nc |
| Section 8 SRO | nd | 24,164,605 | 45,066,573 | 136,044,840 | nc |
| Total | 37,545,702 | $473,388,008 | $460,245,443 | $156,800,000 | 2,759.5 % |
| Level of HUD funding | $403,690,832 | $571,680,194 | $742,548,074 | $1,088,008,914 | 169.5 % |
| Leveraged Value as % of Funding | 9.3 % | 82.8 % | 62.0 % | 98.7 % | |

nd: Data not available from the databases.
nc: No calculation can be made because of missing data.

- HUD's new approach to addressing homelessness has resulted in a wider distribution of funding across the nation. In 1992, eight states had no winning projects and, in 1993, 14 states received no funds. In 1994 and 1995, every state had at least one winning project.

- HUD was better able to respond to identified needs. In 1995, 40.8 percent of the funds requested were awarded. That is about one-third higher than the average proportion of requests funded for the previous years.

- By FY 1995, nearly every McKinney dollar allocated by HUD was matched by additional funds and services from other community resources. The value of leveraged resources grew from $37.5 million in 1992 to $1.1 billion in 1995 (almost 3,000 percent). (See Exhibit 4-2.)

#### Persons Assisted

The proposed number of persons to be served, the kinds of individual problems being addressed (e.g., substance abuse), and the proposed number of housing units to be created have also increased dramatically since 1993.

- Significantly more persons appear to have been served. (See Exhibit 4-3.) The overall proposed number of persons assisted through the McKinney programs grew from 20,142 in 1992 to as many as 289,621 in 1995 (1,337 percent increase). (The number of persons proposed to be assisted by the SHP program in *1995* may be too high for a variety of reasons, discussed thoroughly in the Columbia study. Therefore, the total for all three programs also may be too high.)

Exhibit 4-3
Number of Persons Assisted
Competitive Homeless Assistance Programs
FY 1992-FY 1995

| Programs | 1992 | 1993 | 1994 | 1995 | % Change between 1992 & 1995 |
|---|---|---|---|---|---|
| Supportive Housing | 15,069 | 6,480 | 85,272 | 279,491 | 1,754.7 % |
| Shelter + Care | 2,816 | 13,224 | 4,274 | 7,440 | 164.2 % |
| Section 8 SRO | 2.257 | 2,601 | 2,739 | 2,690 | 19.2 % |
| Total | 20,142 | 22,305 | 92,285 | 289,621 | 1,337.9 % |

Note: The number served includes direct participants in a specific program as well as members of a household containing an individual receiving direct services.

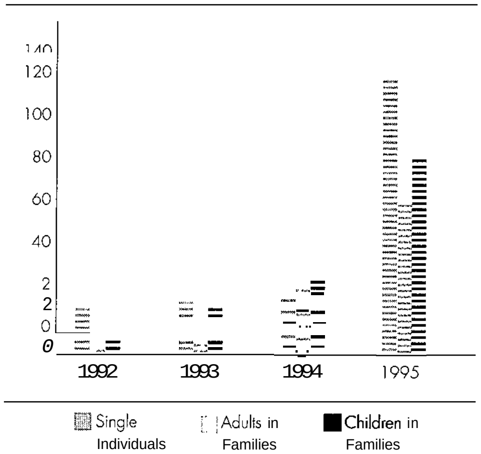
- The Continuum of Care approach has resulted in significantly more assistance for homeless persons with disabilities, including but not limited to severe mental illness, substance abuse problems, HIV/AIDS, and physical disabilities. The number of persons with disabilities proposed to be served in programs specifically designed for them increased 843.4 percent, from 2,816 to 26,565.

- The number of homeless single adults and adults with families proposed to be assisted increased from about 10,000 in 1992 to about 200,000 in 1995 (approximately a 1,700 percent increase). The projected number of children in assisted families increased to about 89,000 in 1995 from 6,500 in 1992. (See Exhibit 4-4.)

### Permanent Housing Created

Permanent housing specifically for homeless people with disabilities, including substance abuse, HIV/AIDS, and mental illness, increased significantly from 1993 to 1995, with the bulk of the increase occurring through the Shelter Plus Care initiatives. The tenant-based placement program, in which homeless individuals or families are provided rental assistance directly, was particularly important. About 30,000 permanent housing units are expected to have been developed through funding provided from 1993 to 1995, including about 8,500 SRO beds expected to be developed from funds provided in 1993 to 1995.

Exhibit 4-4
**Number of Individuals and Persons in Families**
**FY 1992-FY 1995**
Persons in Thousands



## Other Benefits

Columbia University found that, in addition to these quantifiable benefits, the new approach is changing attitudes and improving program effectiveness. Based on the experience of nine case-study sites (the nine sites were New York, Boston, State of Kentucky, Denver metropolitan area, Miami/Dade County, Detroit, Las Vegas, Houston/Harris County, and San Diego), Columbia University found that:

- Community participation has expanded, bringing together a broad-based group of public and private stakeholders.
- Newer and smaller service providers have increased their involvement in the planning process and their success rate in obtaining federal support.
- By rewarding communities through funding for proactive planning, community groups have had to take the time to develop a deeper understanding of existing local resources, needs, service gaps, and funding priorities.
- The Continuum of Care has promoted a process of compromise and consensus-building to resolve problems and address differences of opinion and philosophy.
- Local autonomy has been encouraged with enough flexibility for communities to identify local resources and needs.

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## PROFILE
## SERVING FAMILIES:
## THE CENTER FOR THE HOMELESS
### *South* Bend, Indiana

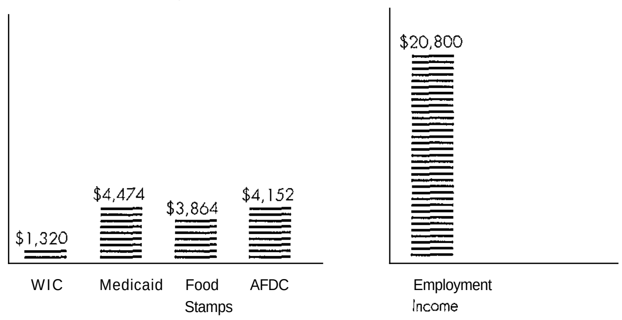
In South Bend, IN., The Center for the Homeless has been recognized as one of the nation's finest programs addressing the diverse needs of the homeless population. Established in 1988, the Center provides food, shelter, and comprehensive life-building services for more than 200 guests each day through a partnership between the City of South Bend, the University of Notre Dame, the United Religious Community, and the Junior League. The Center has pioneered a six-phase Continuum of Care model that helps guests move from homelessness to home-ownership. Unique in its mission, the Center enjoys widespread community support and, through a strong volunteer program, brings together disparate groups so that each "can discover the dignity, worth and God-given potential of the other."

**Karnell's Story**
**The Center for the Homeless**
**Turning Tax Dollars Around**

Karnell, o Continuum of Care participant and NOVA graduate, hos more thon one yeor of employment with the same orgonization. She is o single mother of three.

Before entering the Center
Cost to taxpayers: $13,810
Kornell's eorned income. $0

Two years after leaving the Center
Cost to taxpayers: $0
Kornell's eorned income: $20,800



## PROFILE
## LAKEFRONT SINGLE ROOM OCCUPANCY CORPORATION

Chicago, Illinois

The Lakefront Single Room Occupancy Corporation in Chicago operates 160 units for homeless single men and women from the general homeless population including the various sub-populations such as those suffering from HIV/AIDS or mental illness.

Lakefront SRO provides a variety of on-site supportive services including case management, employment counseling, living skills enhancement, substance abuse counseling, crisis intervention, community building, and leadership development.

Case managers refer appropriate tenants to the employment counselor who develops individual plans specifying goals and objectives. On-site job clubs, job referrals, and supportive counseling are offered to residents who are ready for employment.

Through its comprehensive services and community approach, Lakefront SRO helps homeless persons become part of a community while building the knowledge and skills to gain self-sufficiency.

### CDBG Homeless Assistance

While targeted HUD funding for homeless assistance activities comes directly from the McKinney programs, CDBG funds also are used by communities to construct and renovate facilities and to provide supportive services within their Continuum of Care strategies. As stated earlier, HUD has encouraged communities to use resources like CDBG in these strategies. Organizations often are able to use CDBG funds to fill gaps within existing programs.

Several hundred CDBG entitlement grantees reported funding at least one project in 1993 that directly benefited homeless people. In 1992, grantees spent $30 million of their 1992 CDBG funds on public facilities and $33 million for public services for the homeless. In 1993, CDBG spending dropped to $24 million for public facilities, but increased to $48 million for public services directly assisting homeless people.

In addition to funding public facilities and services, entitlement communities also reported spending $25 million for additional activities that the grantees felt would also benefit homeless people in some way. About one-third (33 percent) of all expenditures was for rehabilitating publicly owned residential buildings that were non-public housing. About 15 percent was spent on rehabilitation of privately owned multi-unit housing, and 10 percent was spent on acquiring real property.

## RESPONDING TO HIV/AIDS

In response to the growing need for affordable housing and homelessness prevention for people living with HIV and AIDS, the Secretary created the Office of HIV/AIDS Housing in October 1994. This office develops responsive HIV/AIDS policies and related programs; maintains interactive communications and outreach with clients, advocates, housing providers, and other interested parties; and maintains effective liaison with other federal offices and programs, including tlie National AIDS Policy Office at the White House. The office provides technical assistance to improve access to agency programs, manages the HOPWA program, and evaluates the effectiveness of current housing and community development programs in addressing HIV/AIDS.

## Housing Opportunities for People with AIDS

The HOPWA program provides funding for housing and services for low-income persons with HIV/AIDS and their families. HOPWA funds may be used for a wide range of housing, social services, program planning, and development costs, including, but not limited to the acquisition, rehabilitation, or new construction of housing units, costs for facility operations, rental assistance, and short-term payments to prevent homelessness. The statute also allows HOPWA funds to be used for supportive services, such as health care and mental health services, chemical dependency treatment, nutritional services, case management, assistance with daily living, and other services, as well as for program development.

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### PROFILE
### HELPING PEOPLE
### LIVING WITH HIV/AIDS
Connecticut

The State of Connecticut has been operating AIDS housing programs under HOPWA formula grants since 1992. Over 5 years, the State received a cumulative total of $4.3 million in formula allocations. The state's 1995 HOPWA funds are being distributed to 17 community-based organizations (previously selected through a competitive process) for operating community residences, rental assistance, technical assistance to non-profit organizations, supportive and case management services associated with housing, housing information, and resource identification. An estimated 300 individuals living with HIV/AIDS and their families will receive supportive housing assistance. In addition, the cities of Hartford, since 1995, and New Haven, beginning in 1996, qualified for direct formula grants. Hartford is receiving $1.1 million, cumulatively, and New Haven $403,000. The state works cooperatively with Hartford, New Haven, and other communities, with the public agencies that provide health care and other services to persons with AIDS, with programs assisting persons who are homeless, as well as with the public and the non-profit sector in designing planning strategies and operating HOPWA programs.

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## How the Program Works

HOPWA allocates funds by either the formula or the competitive method. Ninety percent of the annual HOPWA appropriation is distributed by formula allocations to states and cities in metropolitan areas that have the greatest number of cumulative AIDS cases. The decision regarding how these funds are used is made at the local level through HUD's consolidated planning process. The 1996 formula allocation of $153.9 million was provided to 76 communities, including 49 metropolitan areas and 27 states.

The remaining 10 percent of the HOPWA appropriation is distributed through a national competition for exemplary and innovative projects that serve as models for providing housing and related services to persons with HIV/AIDS and their families. In funding these programs, HUD has sought to ensure that changes in the disease are recognized and a wide range of models are developed for all populations living with HIV/AIDS. Over the 5 years of program funding, 62 model projects have been selected under national competitions.

### Other HIV/AIDS-Related Activities

Outreach and Technical Assistance to Clients and Providers. The Office of HIV/AIDS Housing regularly convenes meetings between the Secretary and AIDS housing providers and residents to assess HUD's efforts, resolve problems, and learn about new issues. The office responds to requests for assistance on program development and operation from across the nation. In addition, the office funded through a HOPWA competitive grant a national technical assistance effort that expands the resources available to meet the growing demand for information on the development and operation of housing for persons living with HIV/AIDS.

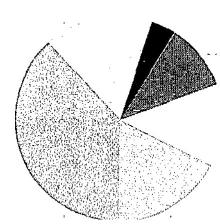
Development of Responsive AIDS Policies and Related Programs. The Office of HIV/AIDS Housing developed a joint initiative with the Department of Health and Human Services (HHS) to address the needs of homeless persons with multiple diagnoses. The first component of the initiative involves a coordinated funding effort between the HOPWA program and the Ryan White CARE Act Special Projects of National Significance program (administered by HHS). Resources from the competitive portions of both of these programs are being targeted to address the housing and services needs of homeless persons with HIV/AIDS who also are experiencing severe mental illness and/or substance abuse problems. All of the selected projects will be evaluated over time by the new HHS Ryan White Evaluation Center.

## HOPWA Accomplishments

### FY 1994 Results

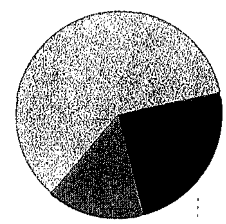
In FY 1994, the HOPWA program allocated by formula $140.4 million to 20 states and 34 cities. Competitive FY 1993 funds were combined with FY 1994 funds and awarded to 15 projects of national significance and 16 projects that are part of long-term comprehensive strategies. Exhibit 4-5 shows the percentage of formula funding used for each activity. Exhibit 4-6 shows the number of households receiving housing assistance by activity from both the formula and competitive grants.

Exhibit 4-5
**HOPWA Formula Funded Activities**
**FY 1994**




Based on a 1994 survey of 31 competitively selected applications, 19 percent of the $25.1 million in HOPWA funds were to be used for rental assistance; 3 percent for short-term payments, including rent, mortgages, and utilities; 32 percent to assist clients in facilities; 28 percent to provide supportive services; 12 percent for program development; and the remaining share (6 percent) for administrative costs.

Exhib†46
**HOPWA Housing Assistance**
**FY 1994**
Units Assisted



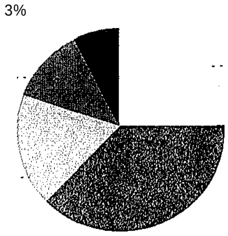

### FY *1995* Results

In FY 1995, HOPWA formula allocations of $167 million were distributed to 23 states and 43 cities. A rescission in funding reduced the total to $153.9 million. Competitive grants totaling $18.4 million were awarded to 21 projects located in 15 states in each region of the nation. A funding rescission reduced the total to $17.7 million. Sixteen projects are considered special projects of national significance. One project will provide assistance on a national basis. The competitive award winners have pledged $16 million in other funds as leverage, nearly doubling the initial HOPWA investment.

Exhibit 4-7 shows the planned use of funds by FY 1995 competitive award winners. The 21 competitive award recipients indicated in their applications that they would directly assist 12,407 persons during the operating period of these projects (up to 3 years):

- 6,287 persons with HIV/AIDS will receive some form of housing assistance.
- 1,688 additional family members will receive some form of housing assistance.
- 4,331 additional persons with HIV/AIDS will benefit from supportive services.

Exhibit 4-7
**HOPWA Use of Funds, FY *1995***
Competitive Awards Only




In addition, from 10,000 to 40,000 persons with AIDS benefit from a national project that provides technical assistance to develop and improve the capacity of programs that provide housing assistance for persons with HIV/AIDS.

In FY 1996, a total of $153.9 million was allocated by formula to the qualifying cities for 49 eligible metropolitan statistical areas and to 27 eligible states for jurisdictions outside these areas. In FY 1996, $17.1 million was awarded competitively to 19 projects in 12 states.

## BASE CLOSURE REDEVELOPMENT

Homeless persons and families are also benefiting from efforts to make use of surplus military buildings and properties that resulted from military base closures. HUD's involvement began in 1988 under Title V of the McKinney Act. Title V affords first priority to homeless providers for using surplus Federal properties that have been deemed suitable for homeless use. Title V was enacted prior to the first Defense Base Closure and Realignment Commission in 1988 (BRAC Commission).

Early in the 1990's most individuals involved in military base reuse concluded that Title V did not adequately integrate the interests of the local community in the reuse planning process for closing installations. Moreover, many of the bases slated for closure are very large and constitute an important asset that can directly benefit the entire community. Accordingly, in 1994, HUD, DoD, HHS, and the General Services Administration joined with homeless assistance providers and other community groups to recommend to Congress changes to Title V. These and other recommendations led to enactment of the Base Closure Community Redevelopment and Homeless Assistance Act of 1994.

The Redevelopment Act exempts base closure properties from consideration under Title V and places community responsibility for base reuse planning in the hands of a locally constituted entity called a local redevelopment authority (LRA). The LRA is responsible for developing a reuse plan that balances the community's need for economic redevelopment, other development, and homeless assistance. HUD reviews each plan and works with the community to ensure the LRA has achieved this balance.

In August 1995, CPD's and DoD's Offices of the Assistant Secretary for Economic Security jointly developed and published regulations to implement the Redevelopment Act. A final rule that responds to public comments and incorporates minor amendments from the National Defense Authorization Act for FY 1996 is anticipated by Fall 1996.

HUD also produced the guidebook, Military Base Reuse and Homeless Assistance, to answer questions about the Act and implementing regulations. It explains the base redevelopment planning process as it relates to addressing the needs of homeless persons; the community's Consolidated Plan; the requirements and guidelines for submitting the Redevelopment Plan and the Homeless Assistance Plan; and HUD's review process. Through both the interim rule and the guidebook, HUD has highlighted the Consolidated Plan and the Continuum of Care as essential tools in planning and designing base reuse.

## Accomplishments

As of August 1, 1996, HUD has received base reuse plans from 18 pre-1995 BRAC communities and two reuse plans from 1995 BRAC communities. Of these 20 plans, 14 reuse plans have been approved. Of these 14, seven have provided buildings and properties to homeless assistance providers, and five have offered funding for projects off the base installation. Only two base communities received no notices of interest from homeless assistance providers during the period of outreach. HUD anticipates receiving a total of 92 base reuse plans by March 1998.

# CHAPTER FIVE

## HOMEOWNERSHIP AND AFFORDABLE HOUSING

"Homeownership is one of the best ways to empower local residents, to give them a stake in the community, and to increase the bonds that tie people together." — *President Clinton*

"We have to do more to create housing that will encourage vibrant neighborhoods in our inner cities and rural areas. Cities used to be places where teachers and firefighters and police officers wanted to live, and they can be again if we can help communities develop good affordable housing." — *Vice President Gore*

As a result of community-based and private sector initiatives – combined with national economic and housing policies – America enjoys some of the highest quality housing in the world. Federally insured mortgages, building codes, zoning and land use laws, and low-income housing assistance have boosted the quality of rental housing and homeownership rates have reached record levels. But the goal of a decent home for all remains elusive. While quality housing may be widely available, it is beyond the means of many households.

Photo: Jeff Greismaier

*Homeownership is one of the best ways to empower residents and give them a stake in the community.*

CPD housing programs are designed to complement a wide range of federal housing initiatives that are administered by HUD. In addition to its homeless programs, CPD supports affordable housing and homeownership through the HOME and CDBG programs, as well as in many EZ/ECs. CPD also has put the Economic Development Initiative and Economic Development Loan Fund (Section 108) guaranteed loans to work in promoting housing opportunities – most recently through the Secretary's Homeownership Zone Initiative. Homeownership Zones will support highly visible, large-scale, single-family housing development as part of a coordinated strategy to boost homeownership in inner-city communities.

*Between 1993 and 1996, CPD programs provided housing assistance to over 1.7 million people.*

## Rental Housing

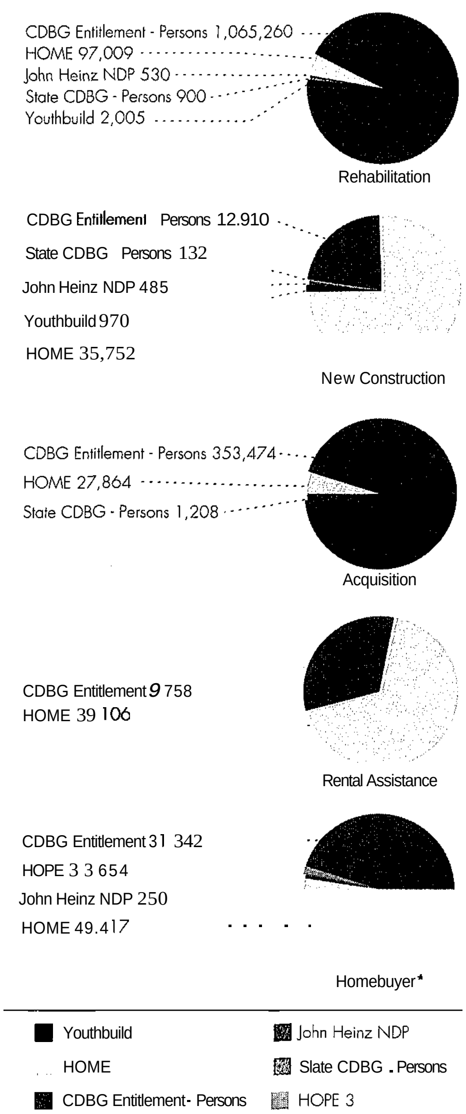
CPD programs recognize the need to increase both the quality and affordability of rental housing. Declining or stagnant incomes over the past 25 years have resulted in a high rent burden for renters. Over the past 25 years (1970 to 1995), the median income of renter households fell by 16 percent while gross rents increased by more than 11 percent. In just 2 years (1991 to 1993), the number of low-income households paying more than 50 percent of their income for rent, or living in substandard housing, increased by almost 400,000 households, to 5.3 million. Families with children are having a particularly tough time overcoming the affordability gap. CPD programs play a role in overcoming this affordability gap, as well as in boosting the supply of rental housing through housing rehabilitation and new construction.

## Homeownership

The President's National Homeownership Strategy brings together an unprecedented range of industry and community partners to increase homeownership by 8 million new homeowners by the end of the decade. While homeownership reached a record level of 65.4 percent in November 1995, it is increasingly out of reach for many Americans. Homeownership rates for minorities traditionally have lagged behind. Younger households and families with children still lag behind when it comes to overall homeownership trends. The lowest percent of homeownership is among persons under 35 years old.

While the industry is doing a good deal to promote affordable housing lending, the mortgage finance system does not work for everyone. Down payments and closing costs for homeownership are probably the single most significant obstacle to homeownership for low- and moderate-income families. Low-income people also carry high debt – 53 percent of renter families have both insufficient income and excessive debt problems. Lending disparities also play a role in depressing homeownership rates for certain groups. Mortgage denial rates are higher for minorities. Mortgage credit is less accessible in low-income and high-minority communities. Denial rates are twice as high in census tracts with low-income and/or high minority populations (21 percent versus 11 percent).

Exhibit 5-1
**CPD Housing Beneficiaries, 1,732,026 Families/Persons Served*, FY 1993 - FY 1996**




- CDBG Entitlement = actual persons served in FY 93 and estimates FYs 94, 95, 96
- State CDBG = actual persons served FYs 93, 94, 95 and estimates FYs 95, 96.
- Youthbuild = actual persons served FYs 93, 94, 95 and estimates FY 96.
- NDP = actual units/families served in FYs 93, 94, 95 and estimates FY 96.
- HOME = actual units/families served in FY 1993 through 1996 (to date).
- NDP includes new construction, acquisition, and rehabilitation.

The President's National Homeownership Strategy emphasizes the benefits that increased homeownership will have for the nation. Homeownership contributes to personal financial security; it strengthens families and communities by enabling people to have greater control and take more responsibility for their living environment; it helps stabilize neighborhoods and strengthen communities; and it helps generate jobs and economic growth.

CPD programs are playing an important part in the National Homeownership Strategy. HOME, CDBG, and EDI funds are used to overcome barriers to homeownership among low- and moderate-income families. The new Homeownership Zones also represent an exciting opportunity to create better and more livable communities by rebuilding neighborhoods with hundreds of new homes. These efforts are described in more detail below.

CPD programs have played a major role in providing housing opportunities for low- and moderate-income families. Between FY 1993 and FY 1996, CPD programs provided housing assistance to more than 1.7 million people. (See Exhibit 5-1.) In addition, important new initiatives, Homeownership Zones, assistance to Habitat for Humanity, and the Self-Help Housing Opportunities Program – will significantly contribute to expanding affordable homeownership opportunities and assist in revitalizing neighborhoods.

While a significant portion of CPD dollars is used to provide affordable housing opportunities for low-income Americans, CPD programs work together to make communities more livable.

*The EDI Challenge Grants for the Homeownership Zones program **furthers** the President's National Homeownership Strategy – a 5-year blueprint of cooperative actions by 56 private and public organizations to achieve a record level of homeownership in America by the year 2000.*

CPD helps state and local governments provide affordable housing and revitalize neighborhoods with funding for the following initiatives:

- Homeownership Zones
- Home Investment Partnerships Program (HOME)
- Community Development Block Grant (state and entitlement)
- Housing Opportunities for People Everywhere (HOPE 3)
- Habitat for Humanity assistance
- Self-Help Housing Opportunities Program
- Youthbuild
- John Heinz Neighborhood Development Program.

*CPD's* newest housing initiative, Homeownership Zones, will stimulate housing construction in blighted urban communities. *Non-profit* organizations, including Habitat for Humanity and Fannie Mae, will ***work*** on the initiative with HUD.

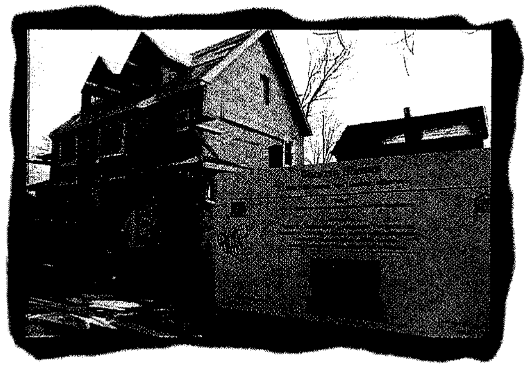
## HOMEOWNERSHIP ZONES

In July 1996, HUD announced a new initiative to revitalize blighted urban communities by creating thriving neighborhoods of new homes called Homeownership Zones. The initiative will allow communities to dramatically expand homeownership opportunities by creating entire neighborhoods of new, single-family homes on vacant or distressed sites. The zones frequently will consist of several hundred homes on large sites near downtown areas.

Several government, homebuilding, comniunity-based, and non-profit organizations – including Habitat for Humanity, the Enterprise Foundation, and Fannie Mae – will work with HUD on this initiative. HUD seed money – up to $30 million in EDI grants and at least $30 million in Section 108 loan guarantees – will be used to purchase land and make infrastructure improvements to lower the cost of building new housing. The EDI grant funds also can be used to write down the cost of rehabilitation with some or all of the remainder of the rehabilitation costs financed with Section 108 guarantees. This cooperation will stimulate investment in comprehensive urban revitalization plans and attract labor and expertise from nonprofit housing groups.

The EDI Homeownership Zones program furthers the President's National Homeownership Strategy – a 5-year blueprint of cooperative actions by 56 private and public organizations to achieve a record level of homeownership in America by tlie year 2000. The Homeownership Zone strategy builds on the successes of Empowerment Zones and Enterprise Communities by recognizing that the best strategies are forged from the ground up, are coordinated and comprehensive, and make sense for the community.

## HOME PROGRAM



The HOME program kelps increase the supply of affordable housing and build partnerships between state and local governments, as well as non-profit housing providers.

The HOME1 program is a key tool in producing affordable housing. It is the first federal program to provide funds directly to states and local governments to exclusively address a broad range of affordable housing needs. The HOME program encourages public-private partnerships by providing incentives to for-profit and non-profit developers to produce housing for low-income households. Tlie program fills the gap that the private sector does not address. Private, public, and non-profit organizations work together to create affordable housing options. The HOME program helps state and local governments (participating jurisdictions [PJs]) address the housing needs of low- and very-low-income residents identified by jurisdictions in their locally developed Consolidated Plans.[2]

The HOME program affirms the federal government's commitment to provide decent, safe, and affordable housing to all Americans, and to alleviate the problems of excessive rent burdens, homelessness, and deteriorating housing stock in tlie nation. HOME provides funding and general guidelines to state and local governments and empowers them to design and tailor affordable housing strategies to address local needs and housing conditions. HOME strives to meet both the short-term goal of increasing tlie supply and availability of affordable housing, and the long-term goals of building partnerships between state and local governments and private and non-profit housing providers, strengthening their capacity to meet the housing needs of low- and very-low-income residents.

By strengthening the ability of PJs to design and implement strategies, tlie HOME program is instrumental in increasing tlie supply of decent, affordable housing that meets local housing needs. All phases of housing production and assistance can be addressed through tlie HOME program. Eligible production activities include acquisition of existing housing; reconstruction and rehabilitation of substandard housing; construction of new housing; and demolition and site improvements. Eligible activities also address housing affordability: tenant-based rental assistance (TBRA) and security deposits; down payments, closing costs, and other financial assistance to new low-income home buyers; and financial assistance to existing low-income homeowners for rehabilitation.

In addition, PJs may use up to 10 percent of each HOME allocation toward administrative costs. An additional 5 percent may be used for operating expenses for Community Housing Development Organizations (CHDOs). The role of the CHDO is discussed later in this chapter.

*As of June 30, 1996, a total of $3.31 billion had been committed to 201,000 housing units, assisting 26,500 families through rental assistance.*

## Final Rule

After more than a year, the HOME Program Final Rule was published on September 16, 1996, culminating the process to develop a final regulation that reflected HUD's initiatives of supporting homeownership, reinvention, and consistency among its programs, and increased local discretion that greatly eased program administration. During the last year, HUD evaluated comments in response to the July 12, 1996 interim rule and met with state and local officials, public interest groups, private real estate developers, and non-profit organizations and developers to solicit opinions on program policies and to achieve consensus where possible about program policy. Many important changes in the rule were made, including an expansion in potential sources of matching funds, greater flexibility on property standards, options in the determination of income generally and the re-examination of tenant income in HOME-assisted rental projects, and many more clarifying changes. These changes will encourage and support even greater productivity in the HOME program.

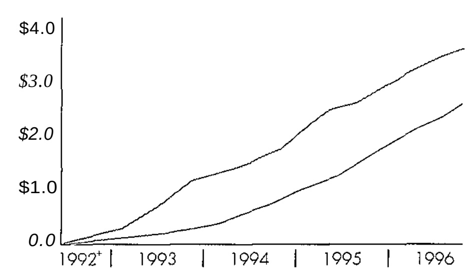
## Commitment Rates

As a new program first funded in 1992, HOME has made significant progress in speeding the commitment of funds and completion of HOME projects.

At the end of FY 1993, only $425.3 million in HOME funds had been committed for 26,167 units for 2,748 families. At the end of FY 1994, $1.64 billion had been committed for 93,713 housing units and had provided rental assistance for 11,320 families. As of FY 1995, HOME commitments had increased to $2.5 billion to 143,232 units for 18,148 families. As of June 30, 1996, a total of $3.31 billion had been committed to 201,000 housing units, assisting 26,500 families through rental assistance.

There are several reasons for the improved performance of the HOME program – legislative and regulatory streamlining, technical assistance to PJs and CHDOs, Model programs, and the expertise of state and local officials.

Exhibit 5-2
**HOME Program**
**Cumulative Commitments and Disbursemenis**
**FY *1992* - FY *1996*'**
(Dollars in Billions]




* As reported through August 31, *1996*
\+ 1992 represents only Oct., Nov., and Dec.

Commitments Disbursements

## Assistance to Homeowners

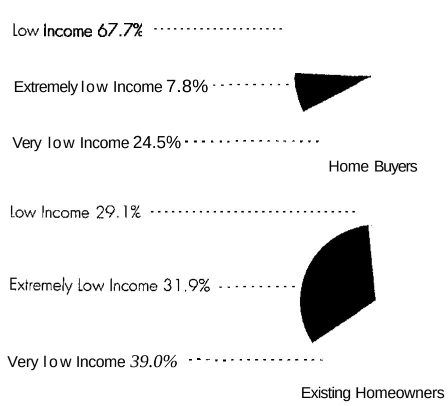
The HOME program gives PJs flexible options in developing homeownership opportunities for low-income home buyers.

The HOME statute requires all HOME-assisted home buyers and existing home owners to be below 80 percent of the area's median income. One of the most noteworthy features of HOME is the extent to which the families assisted are below 80 percent of median standard. More than 70 percent of existing homeowners and nearly one-third of all home buyers assisted with HOME funds in 1994 and 1995 were below 50 percent of the area's median income. (See Exhibit 5-3.) Existing homeowners, who are more likely to be elderly and in need of rehabilitation assistance, tend to be lower income than home buyers who need assistance to purchase their first home.

*A mother and her son enjoy the renovations in their home in Minneapolis, MN.*

There has been a dramatic increase in the use of HOME funds to support homeownership. In FY 1994, HOME PJs assisted almost 15,000 home buyers and in FY 1995, nearly 19,000. However, in just the first three quarters of FY 1996, more than 20,000 home buyers have already been assisted – more than in all of 1995.3

Exhibit 5-3
**HOME Program**
**Homeowners Assisted, by Area Median Income**
**FY *1992* - FY 1996***




| | |
|---|---|
| low Income: | 50–80% of median |
| Extremely low Income. | 0–30% of median |
| Vey low Income: | 30–50% of median |

* As reported through June 30, 1996

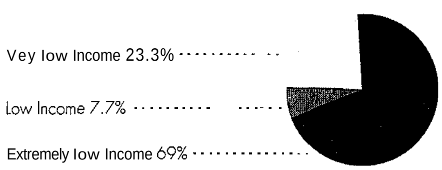
There are several reasons for this rapid growth in the use of HOME money for new home buyers. Both the HOME statute and regulations have been changed and simplified in major ways. State and local governments, which have extensive experience managing homeowner rehabilitation programs but little experience with home buyer programs, now are gaining that experience and are learning from each other. Finally, the new National Homeownership Strategy, under Secretary Cisneros, has increased interest in publicly-funded homebuyer programs and has demonstrated the widespread support for expanding homeownership.

In addition to providing homeownership opportunities, the HOME program provides assistance to existing low-income homeowners for home repairs. HOME PJs spent $277 million to rehabilitate 18,500 units for existing homeowners in 1994 and $181 million to rehabilitate 11,500 units in 1995. Cumulative production through June 30, 1996 for existing homeowners is 47,100 units.

## Assistance to Renters

As with assistance to home buyers and homeowners, the HOME program substantially exceeded the statutory requirements regarding provision of benefits to low- and very-low-income rental households in 1994 and 1995. More than 90 percent of the families receiving HOME rental assistance and occupying rental units in both years were below 50 percent of the area's median income, as compared with the statutory standard of 60 percent of the area's median income. Furthermore, approximately 70 percent of the families have incomes below 30 percent of the area's median income, clearly demonstrating that HOME rental assistance serves very-low- and extremely low-income families. (See Exhibit 5-4.)

Exhibit 5-4
**HOME Program**
**Rental Assistance, by Area Median Income**
**FY 1994 - FY 1995**




| | |
|---|---|
| Extremely Low Income | 030% of median |
| Very Low Income | 30-50% of median |
| Low Income | 50-80% of median |

To ensure the involvement of non-profit developers in the HOME program, PJs are required to set aside at least 15 percent of their HOME funds to develop housing sponsored, developed, or owned by CHDOs. A CHDO is a non-profit agency with a governing board and organizational structure that reflects and is accountable to the low-income community it represents.

### PROFILE
### JUST A START CORPORATION
*East Cambridge, Massachusetts*

The City of Cambridge, Massachusetts, used $338,560 in HOME Program funds to create affordable housing for low-income, first-time home buyer families like Doreen Raposa and her two children on Seventh Street in Cambridge. Two vacant, dilapidated buildings were purchased by a Community Housing Development Organization (CHDO), rehabilitated and sold to three first-time buyer families. The project was completed through a partnership between the city, that combined HOME funds with $15,389 in CDBG funds and $43,250 in donations from the East Cambridge IPOD Group.

Doreen Raposa is a single parent with two children, Julie, 14, and Jason, 11. She grew up in East Cambridge and wanted to stay in the neighborhood. She was able to remain in this culturally mixed neighborhood thanks to a partnership created years ago between the city, Just A Start Corporation, and the East Cambridge IPOD Group. "The difference between renting and owning is amazing. It gives you a sense of security and peace of mind because you know your monthly costs won't go up with a fixed rate mortgage. It's very difficult being a single parent and living on one income and as a tenant. I was always worried about my living situation .... It's important for the community to invest in the people who live there."

This East Cambridge, **MA,** family becomes first-time homeowners with assistance from *CPD's* HOME and CDBG funds.

In FY 1995, **HOME** projects leveraged $2.3 billion in funding.. .approximately $2.39 for every dollar of **HOME** funds committed to projects.

## Community Housing Development Organizations and Other Non-Profits

As envisioned in the HOME legislation, CHDOs play an important role in the delivery of affordable housing under the HOME program. Less than 4 years after the first funding was made available under the program, there are more than 2,200 CHDOs. PJs have reserved between 22 to 24 percent of HOME funds for CHDOs in FYs 1992 through 1994.

HOME legislation recognizes the importance of developing the capacity of CHDOs and supporting them. PJs are authorized to provide up to 5 percent of their annual allocation for operating expenses to CHDOs with which they expect to invest HOME funds. New PJs are authorized to use up to 10 percent of their CHDO set-aside for capacity building for the first 2 years. Also, some portion of CHDO set-aside funds may be loaned to CHDOs to cover predevelopment costs, with no requirement to repay the loan if the project does not go forward. Finally, there is substantial funding for providing technical assistance to CHDOs. In FYs 1994 and 1995, $25 million was available to national and statewide intermediary organizations to provide technical assistance to CHDOs. The remaining $22 million was provided to PJs. In 1996, the total technical assistance allocation was $22 million.

In addition to CHDOs, there are many other non-profits that participate in the HOME program as developers or subrecipients. They are important participants in the successful delivery of housing under the HOME program.

## Leveraging Private Dollars

In FY 1994, HOME projects attracted $1.6 billion in funding from a variety of public and private sources, such as other federal funds, state and local appropriated funds, state and local tax-exempt bond proceeds, private loans, owner cash contributions, net syndication proceeds, and private grants. This amount, added to the $1.2 billion in HOME funds committed to specific projects, raised the total amount of funds committed to projects during FY 1994 to $2.8 billion. The leveraged amount provided approximately $1.33 for every dollar of HOME funds committed to projects.

In FY 1995, HOME projects leveraged $2.3 billion in funding, which, when added to the $963 million in HOME funds committed to specific projects, raised the total amount of funds committed to projects during FY 1995 to $3.26 billion. The leveraged amount provided approximately $2.39 for every dollar of HOME funds committed to projects.

## HOME Model Programs

HOME Model programs provide different methods of using HOME funds to create and maintain affordable housing for low-income Americans. Each HOME Model has guidelines for designing a program that is flexible enough to allow individuals and communities to create models that are unique to their needs.

The nine different HOME Model programs include financing rental housing, rental rehabilitation, owner-occupied rehabilitation, sweat equity, repair and modification for the elderly, energy conservation and housing rehabilitation, home buyers, multi-family homeownership, and cost-saving construction opportunities.

### Accomplishments[4]

From the inception of the HOME program through FY 1995, $2.6 billion has been committed for or used to complete 153,212 housing units and to provide rental assistance to 19,148 families. The total cost per unit over this period averaged $45,699, with the HOME cost averaging $16,400. Leveraged funds from other public and private sources covered the difference.

#### FY 1994

During FY 1994, $1.2 billion in HOME funds were committed for or used to complete 31,621 projects. This included 67,546 housing units and rental assistance for 8,572 families. Committed housing units included acquisition of 9,474 units, rehabilitation of 43,606 units, and new construction of 14,397 units.

Of the funds committed during FY 1994, 59 percent went toward rental housing, 23 percent toward rehabilitating housing units for existing homeowners, and 18 percent toward assistance to home buyers. Overall, rehabilitation of housing units was the predominant activity, accounting for 62 percent of committed funds. New construction accounted for 27 percent, acquisition accounted for 7 percent, and tenant-based rental assistance for 4 percent of committed funds. The total cost per housing unit averaged $41,589. The HUD-subsidized HOME cost per unit was $17,915, with leveraged funds from public and private sources making up the difference.

#### FY 1995

During FY 1995, $962.8 million in HOME funds were committed for or used to complete 26,893 projects. This included 59,499 housing units and rental assistance for 7,828 families. Committed housing units included acquisition of 12,786 units, rehabilitation of 32,247 units, and new construction of 14,466 units.

Of the funds committed during FY 1995, 56 percent went toward rental housing, 19 percent toward rehabilitating housing units for existing homeowners, and 25 percent toward assistance to home buyers. Overall, rehabilitation of the housing units was the predominant activity, accounting for 56 percent of the committed funds. New construction accounted for 30 percent, acquisition accounted for 11 percent, and tenant-based rental assistance for 3 percent of the committed funds. The total cost per housing unit averaged $54,989. The HUD-subsidized HOME cost per unit was $15,764, with leveraged funds from public and private sources making up the difference.

During the first 9 months of FY 1996 (through May 31, 1996), $710 million in HOME funds were committed for or used to complete 21,953 projects, consisting of 43,692 HOME housing units and rental assistance for 6,744 families. Committed housing units included the acquisition of 12,238 units, the rehabilitation of 20,212 units, and the new construction of 11,242 units.

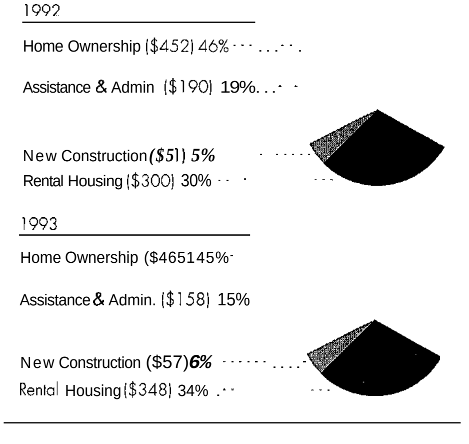
To date in FY 1996, HOME funds have been committed or used to complete the acquisition, rehabilitation, or new construction of 16,774 rental units, 18,163 units for home buyers, and 8,755 units for existing homeowners.

Over the life of the program, through May 31, 1996, HOME funds have been committed or used to complete 196,904 housing units and have assisted 25,892 families through TBRA. Almost 59 percent of the funds committed were used for rehabilitation, resulting in 115,518 rehabilitated housing units. Approximately 22 percent of the funds were used for constructing new housing. Since its inception in FY 1992, HOME has committed funds to provide assistance for 95,538 rental units, 55,028 units for first-time home buyers, and 46,338 units for existing homeowners.

## CDBG HOUSING ASSISTANCE

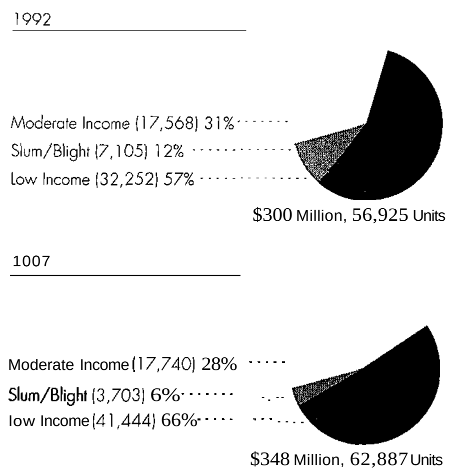
While a wide range of community and economic development activities are eligible for assistance under the CDBG program, CDBG entitlement grantees nationally elected to expend the largest share of CDBG funds during FYs 1992 and 1993 in the area of housing-related activities, thus continuing a trend established early in the program. Approximately 38 percent and 36 percent of all CDBG entitlement expenditures in FY 1992 and FY 1993, respectively, were spent for housing activities that totaled more than $2 billion. In the activity area of rehabilitation alone, CDBG assisted more than 283,500 housing units, making the CDBG program the largest source of funds at HUD used for housing rehabilitation. The major housing-related activities funded by the program are the rehabilitation of privately and publicly owned residential units, direct homeownership assistance (such as down payment assistance and payment of closing costs), new housing construction, code enforcement, and the acquisition of real property for housing rehabilitation.

Exhibit 5-5
**CDBG Entitlement Communities**
**Expenditures on Housing and Related Activities**
**By Type of Activity**
**FY *1992* - FY 1993**
(Dollars in Millions]




With such a wide range of activities eligible for assistance, grantees can craft a CDBG-funded housing program that best meets their individual needs as identified in the Consolidated Plan. Exhibit 5-5 shows the distribution of housing activities by type of activity for FY 1992 and FY 1993.

Exhibit 5-6
**CDBG Entitlement Communities**
**Rental Housing Units, by National Objective**
**FY *1992* - FY *1993***




## Rehabilitation of Rental Housing

In 1992 and 1993, CDBG entitlement grantees expended $648 million for the rehabilitation of multi-family dwelling units and publicly owned residential units. Rental property rehabilitated with CDBG funds for low- and moderate-income persons5 must be leased at affordable rents. CDBG entitlement funds rehabilitated a total of 119,812 privately owned multi-family units and publicly owned units in these 2 program years.

The CDBG program requires that at least 51 percent of the rental units in a multi-unit building be occupied by low- and moderate-income households. In fact, during this 2-year period, 91 percent of the units were occupied by low- and moderate-income persons. Exhibit 5-6 represents the distribution of rental housing units by national objective.

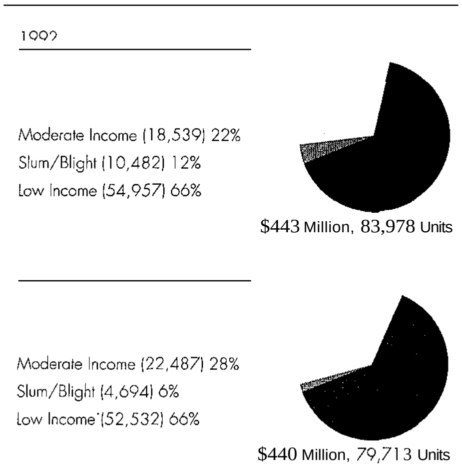
## Homeownership Assistance

Grantees provide assistance for homeownership through several types of CDBG-funded programs. For example, CDBG funding is used to support HUD's goal of increased homeownership through direct homeownership assistance. Low- and moderate-income home buyers receive CDBG assistance through any of the following activities or combination thereof: subsidized interest rates and mortgage principal amounts; finance for the acquisition of property to be occupied by the home buyer; mortgage guarantees; payment of up to 50 percent of the down payment; and payment of reasonable closing costs. The growing interest in assisting home buyers is shown by the increase in grantee spending. In FY 1992, grantees expended $8.4 million on direct homeownership assistance, while the amount expended in FY 1993 jumped to $25 million. Assistance was provided to 6,547 homeowners in FY 1992 and to 10,287 homeowners in FY 1993.

## Assistance to Existing Homeowners

In addition to direct homeownership assistance described previously, many of the rehabilitation grants and loans provided by communities are made to homeowners for improving their residences. In FY 1992, entitlement grantees expended $443 million in grants and loans for rehabilitation of single-family dwelling units and, in FY 1993, grantees expended $440 million. A total number of 163,691 single-family dwelling units during the 2-year period were rehabilitated with CDBG entitlement funds. Of these units, 91 percent were owned by low- and moderate-income persons. Exhibit 5-7 illustrates these distributions.

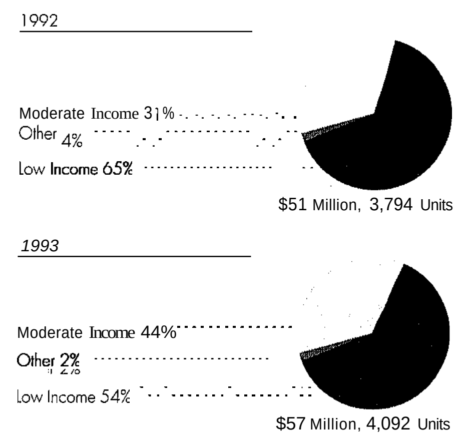
Exhibit 5-7
**CDBG Entitlement Communities**
**Single-Family Housing Rehabilitation**
**By National Objective**
**FY *1992* - FY *1993***



Assisting existing homeowners is a significant part of CPD's mission of providing decent, safe, and sanitary housing. Many low-income homeowners, both in urban and rural areas, are unable to afford repairs on their homes, often even to meet emergency needs. Some homes lack plumbing and kitchens. Others are often seriously deteriorated. CDBG is an important resource for state and local governments in providing needed assistance in this area. Not only does such assistance help the individual homeowner, but it also can play an important role in neighborhood revitalization.

## New Housing Construction

Exhibit 5-8
**CDBG Entitlement Communities**
**New Housing Construction, by National Objective**
**FY *1992* - FY *1993***




New housing built with the assistance of the CDBG program may be either single-family or multi-family, constructed as rental property, or for homeowners, publicly or privately owned. Examples of how CDBG funds may be used include providing gap financing, subsidizing the construction costs, or providing loan guarantees. In FYs 1992 and 1993, new housing construction under the CDBG program was eligible only if undertaken by a neighborhood-based, non-profit organization, a Section 301(d) Small Business Investment Company, or a local development corporation, where the grantee determined that the activity was necessary or appropriate to achieve its community development objectives. During these years, grantees expended $51 million and $57 million, respectively, for new housing construction. Grantees funded a total of 7,886 units, 59 percent of which was to be occupied by low-income households and 38 percent by moderate-income households. The distribution of new housing units with CDBG funds by national objective is illustrated in Exhibit 5-8.

## Other Housing Assistance and Administrative Costs

CDBG funds can be used to assist housing in a variety of ways, including code enforcement, lead abatement, and costs associated with rehabilitation loan and grant programs. For example, in FYs 1992 and 1993, a total of $44 million was expended in the entitlement program for the acquisition of residential property for rehabilitation purposes. These properties are then rehabilitated by the owner for use or resale for residential purposes.

Code enforcement in deteriorating areas is another form of housing-related assistance provided by the CDBG program. Because code enforcement must be carried out together with public or private improvements, rehabilitation, or public services, the emphasis is on arresting the decline of the neighborhood and assisting the property owner in bringing the property up to code. Such programs assist both homeowners and renters in bringing properties into standard condition.

CDBG funds also are used to assist in the abatement of lead-based paint, both in privately owned and public housing. Because lead-based paint can be a health hazard, particularly to small children in older housing, abatement is an important function of improving housing conditions. CDBG funds may be used both for testing for levels of lead as well as for abatement activities.

A number of other housing-related activities are included in this category, such as costs for services to administer rehabilitation loan and grant programs at the local level. Such costs include site inspections, work write-ups, and loan processing. Also in this category are the costs of energy improvements to residential property, such as storm windows and doors, and attic and wall insulation.

## STATE CDBG

States spent $244 million (21.8 percent of the total allocation) on housing-related activities in local communities, with rehabilitation being the most frequent activity. In 1993, these activities constituted 42.6 percent of low- and moderate-income objective expenditures, down about 3.5 percent from 1992.

In FYs 1993 and 1994, more than 20 percent of the total State CDBG allocation was expended for housing activities. Housing activities included new construction, rehabilitation, acquisition of land for housing, and administrative costs. In FYs 1993 and 1994, state grantees allocated most housing funds to rehabilitation activities. Exhibit 5-9 shows that states proposed to rehabilitate a total of 32,885 units with $340 million in CDBG funds. Approximately 112,800 persons will benefit from these rehabilitation activities, 86 percent of whom will have low or moderate incomes. Eighty-six percent of the persons benefiting from CDBG-funded rehabilitation were low- and moderate-income persons. The cost per housing unit in the State CDBG program averaged $10,359.

Exhibit **5-9**
State CDBG FY **1993** and FY **1994**
Housing Rehabilitation Accomplishments•

| Fiscal Year | Funding Amount • (Millions) | Proposed † Number of Units | Persons Served | % Low/Mod Persons Sewed | CDBG Cost per Unit |
|---|---|---|---|---|---|
| 1993 | $177.9 | 18,973 | 66,821 | 80% | $ 9,376 |
| 1994 | 162.4 | 13,912 | 45,981 | 94% | 11,675 |
| Total | $340.3 | 32,885 | 112,802 | 86% | $10,359 |

• All figures are based on reports from 46 states.
• . Figure represents the total amount awarded by states to communities.
† . Proposed accomplishments reflect communities' applications to the state

## HOUSING OPPORTUNITIES FOR PEOPLE EVERYWHERE6

The HOPE 3 program was started in 1992 to create affordable homeownership opportunities for low-income families and individuals. The program, last funded in 1995, acquired existing single-family properties owned and held by a government agency. These properties were rehabilitated as needed and sold to first-time home buyers.

HOPE 3 grants were awarded competitively to eligible non-profit and public agency applicants for a wide range of activities that help eligible families and individuals purchase single-family homes at affordable prices. Eligible costs included acquiring and rehabilitating property, assisting home buyers to purchase properties, supporting economic development activities that promote self-sufficiency, and assisting with administrative costs. HOPE 3 was funded in 1992, 1993, and 1995. Funds were not appropriated in 1994 and $23 million was made available for implementation grants in FY 1995. This allocation funded grants to 45 organizations.

## Accomplishments

To date, the HOPE 3 program has successfully acquired 4,039 units, rehabilitated 3,869 units, and transferred titles to 2,210 families whose incomes fall below 80 percent of the median income for their geographic region. For further information, see HUD's Evaluation of the Hope 3 Program: Final Report (1996).

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## PROFILE
## THE REBUILDING OF SANDTOWN-WINCHESTER
*Baltimore,* Maryland

On an August afternoon in Baltimore, Habitat for Humanity celebrated the completed rehabilitation of yet another home in a neighborhood on the verge of a comeback and turned over the keys to its new owner.

In Baltimore, which is one of six federally designated Empowerment Zones, Habitat's housing construction efforts are just part of a massive city-wide effort to rehabilitate and reconstruct 600 units out of a total of 900 units identified as dilapidated housing in the 72-square-block neighborhood of Sandtown-Winchester. The total housing effort is being funded in part with a Section 108 loan guarantee from HUD for $14 million to be leveraged with $60 million in private, local, and state dollars. Habitat's portion of construction funding is provided mostly from a $114,750 HOPE 3 grant in 1995 to rehabilitate 17 houses. Enterprise/Nehemiah Development will rehabilitate 80 houses with a $2 million HOPE 3 grant award.

Sandtown is also the focus of the city's Neighborhood Revitalization Strategy (NRS), which encourages mixed-income housing development.

Habitat will use state and local funds to begin construction this fall on 27 new houses where 40 dilapidated row houses were demolished recently by the City of Baltimore. Habitat is working in partnership with Community Building in Partnership (CBP), which received Youthbuild funding to train young people, primarily high school dropouts, in construction with an academic component. Trainees work with Habitat for Humanity volunteers to construct stairs or walls in the gutted houses, and watch firsthand as master electricians complete the wiring. Cooperation between Habitat and Youthbuild has allowed this non-profit housing developer to increase the number of homes it can renovate locally from two per year to more than 30. Habitat designates four houses for trainees to work on annually.

*Construction workers donate their time for a Habitat for Humanity home in the Sandtown-Winchester neighborhood of Baltimore,* MD.

CPD has developed initiatives and partnerships to help expand homeownership opportunities. These new initiatives – Homeownership Zones (discussed previously), assistance to Habitat for Humanity, and the Self-Help Housing Opportunities program – contribute both to expanding the supply of affordable housing for homeownership as well as to revitalizing neighborhoods.

This family celebrates a new home built by Habitat for Humanity in Baltimore, MD. Habitat for Humanity received $25 million for HUD in 1996.

## Habitat for Humanity International

HUD has provided $25 million to Habitat for Humanity International under the Housing Opportunity Program Extension Act of 1996. These funds will be used by Habitat for Humanity for land acquisition and infrastructure development to support the production of 2,500 affordable units for homeownership by low-income persons in all parts of the United States. Habitat for Humanity International builds houses with, not for, persons who otherwise could not own their own homes. Volunteers ioin with the homeowner partners to build the homes, which are then sold to the homeowners at no profit with a long-term mortgage through the local Habitat for Humanity affiliate at an affordable rate. Habitat for Humanity will not accept government funds to build houses, but does depend on government partnerships to "set the stage" by providing land and infrastructure. Thus, this funding provides government assistance that motivates sweat equity by homeowners and major support from the private sector. This government assistance establishes and fosters a partnership between the federal government and Habitat for Humanity International, its affiliates, and other organizations and consortia, resulting in efficient development of affordable housing with minimal government intervention, limited government regulation, and significant private involvement.

## Self-Help Housing

The Self-Help Housing Opportunities program, also authorized by the Housing Opportunity Program Extension Act of 1996, will award $15 million on a competitive basis as an incentive to encourage national and regional self-help organizations to continue providing excellent housing opportunities. This program is intended to facilitate and encourage innovative homeownership opportunities through the provision of self-help housing in which the home buyer contributes a significant amount of sweat equity toward the construction of the new dwelling. Community participation is achieved by using volunteers in the construction of dwellings or by other activities to involve the community in the project.

Eligible applicant organizations must provide for the development of at least 30 dwellings at an average cost of no more than $10,000 per unit in Self-Help funds with significant amounts of sweat equity and volunteer labor. They also must use the grant in a manner that leverages other sources of funding; construct quality dwellings in compliance with local building and safety codes and standards at prices below the prevailing market price; and schedule activities so as to substantially fulfill the obligations under the grant agreement within 24 months after grant funds are first made available.

### Youthbuild

The Housing and Community Development Act of 1992 established the Opportunities for Youth: Youthbuild grant program. The objectives of the Youthbuild program are to expand the supply of affordable housing for homeless and low-income people, while providing disadvantaged youth who have dropped out of high school with the education, employment, and leadership skills necessary to achieve self-sufficiency. The program is designed to give young adults participating in the program both classroom training and support services as well as on-site construction work experience in rehabilitating or building new housing in their communities. For more information on the Youthbuild program, see the Community Development chapter of this report.

### John Heinz Neighborhood Development Program

The John Heinz Neighborhood Development Program provides incentive funds for neighborhood organizations to carry out development activities that benefit low- and moderate-income families. The program promotes long-term financial support for neighborhood housing and community development projects and encourages greater cooperation among neighborhood organizations and private and public institutions. For more information on the John Heinz program, see the Community Development chapter of this report.

## AFFIRMATIVE MARKETING

To ensure that housing is open and accessible to all, affirmative marketing and minority outreach are an integral part of CPD's HOME-assisted housing programs.7 Extensive affirmative marketing efforts under the HOME program (for projects with five or more units) are summarized below.

In FY 1994, 129 PJs reported on efforts to publicize affirmative marketing. In FY 1995, 212 PJs reported on their efforts. Forty PJs in FY 1994 and 63 PJs in FY 1995 reported that they had conducted meetings where the following affirmative marketing issues and needs were discussed: affordable housing, fair housing, discrimination, homeownership, and homebuying.

Affirmative marketing actions undertaken include: requiring recordkeeping by owners; forming fair housing commissions; creating specific affirmative marketing plans; conducting an owner performance review; developing a fair housing impediments study; creating and training landlord-tenant groups; requiring developers to establish and maintain contact with organizations, agencies, and enterprises involved in affirmative marketing; maintaining records of social and economic characteristics; requiring owners of larger properties to periodically assess affirmative marketing with corrective actions taken as necessary; and requiring developers and owners to plan and implement community outreach, to promote fair housing, and to participate in advertising and marketing.

- Sunnyvale, CA. The City developed a successful affirmative marketing strategy for its single room occupancy project, which involved a variety of different language papers, social service agencies, and door-to-door outreach. More than 600 applications were received and reviewed, with approximately 75 percent minority participation.

- The Volusia County Consortium, FL. The Consortium formed a partnership with the Central Florida Community Development Corporation, Central Legal Services, and the City of Daytona Beach to further fair housing in Volusia County. Plans to further fair housing include: conducting an impediment study, sending Fair Housing Advocate newsletters to all workshop attendees as well as to local churches and neighborhood centers, providing complaint intake services, and holding information seminars to update realtors and bankers on the fair housing laws and case rulings.

- West Virginia. The state has undertaken a number of affirmative marketing activities: FHEO training, Single Family Priority Minority and Disabled Mortgage Program, Partnership with West Virginia Rehabilitation Services to provide handicapped accessibility features, forums on fair housing and fair lending, pre-purchase counseling, executive staff training on civil rights, and state-sponsored educational programs.

## Outreach to Minorities and Women

This section describes the participation of minority and women-owned businesses and the general participation of minorities and women in HOME projects, as required by Section 281, Equal Opportunity, of the National Affordable Housing Act of 1990.

Minority and Women Business Enterprise (M/WBEs) outreach activities are conducted to increase the number of contracts awarded to businesses in communities where their participation is below the percentage of minorities in the population.

Some PJs reported that they used various types of publicity in their outreach efforts to MBEs and WBEs, including: recruiting; publishing a list of MBEs and WBEs; advertising on radio or TV; participating in a contractors' fair to help identify new M/WBEs; advertising in trade journals, local newspapers, minority newspapers, and other media publications distributing information in several languages; providing specifications, solicitation forms, and Requests For Proposals to local builders; and recognizing national Minority Enterprise Development Week to develop, encourage, and support M/WBEs.

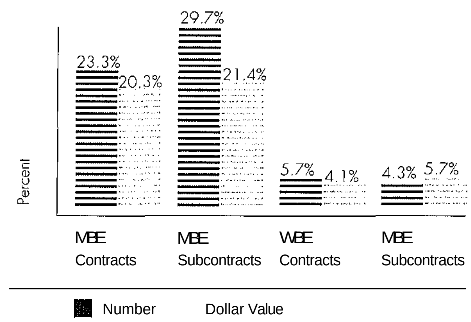
## Planned Actions

Many PJs identified plans to improve their performance in using MBEs and WBEs, including working with minority businesses to get them qualified to participate in the HOME program; after successful coinpletion of small contracts, establishing M/WBE eligibility to bid on larger contracts; credit counseling for M/WBEs with credit problems; working with M/WBEs to increase capacity; continuing to meet with the local equal employment opportunity office on ways to involve M/WBEs in the HOME Program; and recruiting M/WBEs through the local media.

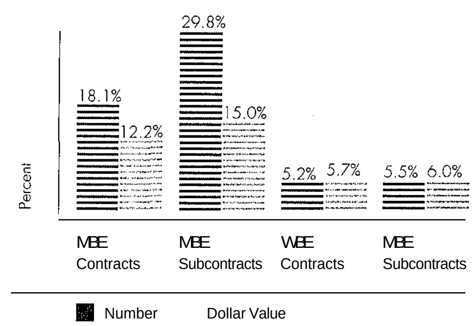
Exhibit 5-10 shows the percentage of contracts and contract dollars awarded to MBEs and WBEs in FY 1994 and FY 1995.

Exhibit 5-10

**Percentage of Contracts and Subcontracts Awarded to MBEs and WBEs. FY *1994***




**Percentage of Contracts and Subcontracts Awarded to MBEs and WBEs, FY *1995***




### FY 1994 Results

Seventy-one percent (192) of reporting PJs identified MBE and WBE outreach activities. MBEs were awarded 1,275 contracts and 1,354 subcontracts. The dollar value of these contracts was $29 million. WBEs were awarded 312 contracts and 198 subcontracts. The dollar value of WBE contracts was $5.9 million and $2.4 million in subcontracts.

### FY 1995 Results

Eighty-three percent (251) of reporting PJs identified MBE and WBE outreach activities. MBEs were awarded 1,478 contracts. The dollar value of these contracts was $25.1 million. They were also awarded 1,274 subcontracts valued at $9.3 million. WBEs were awarded 424 contracts valued at $11.6 million, and 237 subcontracts with a dollar value of $3.7 million.

1 The legislative authority for the HOME program is Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992, the HUD Demonstration Act of 1993, and the Multifamily Housing Property Disposition Reform Act of 1994.

2 See Chapter 1 for a complete description of the Consolidated Man.

3 While the statute no longer limits assistance to first-time homebuyers, evidence from participating jurisdictions indicates that nearly all homebuyers assisted by HOME funds are first-time homebuyers.

4 FY 1995 HOME program accomplishments are described in terms of committed or completed projects that produce housing units, provide rental assistance, and target very-low-income persons as beneficiaries. This performance data is obtained primarily through the program's Cash and Management Information System.

5 A low-income person is a member of a family having an income equal to or less than the Section 8 very-low-income limit established by HUD. A moderate-income person is a member of a family having an income equal to or less than the Section 8 lower income limit and greater than the Section 8 very-low-income limit established by HUD.

6 This report focuses on production of housing opportunities in the HOPE 3 program. Data is based on the use of funds through May 31, 1996.

7 The statutory bases for affirmative marketing are the Fair Housing Act of 1988; Section 282, Nondiscrimination, of the National Affordable Housing Act of 1990; and Section 105(b)(14) of the Housing Act of 1990.

# CHAPTER SIX

## COMMUNITY DEVELOPMENT

When most people think about HUD, they think housing. In fact, its mission is much broader. CPD's programs support activities that directly touch people's lives in many ways – building libraries and centers for the elderly, providing child care, establishing after-school programs, fighting crime, and improving streets and water and sewer systems. Many of these efforts have been funded through the Community Development Block Grant program, CPD's largest and the nation's seventh largest federal grant program. Though many residents are unaware of its impact upon neighborhood revitalization, CDBG-funded projects have become an integral part of virtually every community in the nation. Over the past 3 years, CPD has taken significant steps to streamline the program, increase citizen participation, simplify regulations, and encourage coordination with the other HUD programs.

Coordinated community development is the key to the long-term health of communities.

Some 900 entitlement communities receive direct funding by formula, and thousands of smaller communities receive funds through their respective states under the State CDBG program. A recent Urban Institute evaluation of the entitlement CDBG program found that the program was highly effective in serving its intended purpose and was primarily targeted to the most distressed cities, neighborhoods, and individuals.

From 1992 to 1996, CDBG assistance to large and small communities across America totaled $20.4 billion. Total CDBG funds equaled $3.34 billion in FY 1992, $3.89 billion in FY 1993, $4.29 billion in FY 1994, $4.49 billion in FY 1995, and $4.37 billion in FY 1996. Funds were awarded to 50 states, to the Commonwealth of Puerto Rico, and to 940 cities and counties in 1995.

In 1993, the most recent year for which complete community development data are available, CDBG provided funding for thousands of public improvement and service projects across the nation, including:

- 3,000 projects that improved water, sewer, flood control, and drainage systems in hundreds of communities across the country.
- 3,700 street improvement projects that assisted communities in repairing and maintaining roads, bridges, and sidewalks for their residents.
- More than 8,200 projects to construct or rehabilitate public facilities including child care centers; facilities for abused and neglected children; and senior, youth, and disabled centers; and other community buildings.
- Essential services to 1.5 million elderly and disabled persons, and 1.4 million children.
- 500 crime prevention aiid awareness programs.

The Green Institute ReUse Center in Minneapolis, MN, is a good example of a community putting all of its resources to work. The center reduces waste and creates jobs at the same time, selling used home-building materials donated by individual do-it-yourselfers or contractors and manufacturers.

"In almost every city, neighborhoods would have been worse off if the [CDBG] *program* had never existed..."
– The Urban Institute

An extensive study of the CDBG program by the Urban Institute concluded that CDBG "has made an important contribution to city community development, including demonstrated success in achieving local neighborhood stabilization and revitalization objectives.... In almost every city, neighborhoods would have been worse off if the program had never existed and certainly cities would not have embarked on housing and redevelopment functions that now comprise a core function of municipal government."

## PROFILE
## GREENLEA COMMONS AND THE SUMMERHILL COMMUNITY
*Atlanta, Georgia*

The Summerhill neighborhood of Atlanta is a shining example of community reinvestment, partnership, empowerment, and growth. As one of the most active neighborhoods in Atlanta's horseshoe-shaped Empowerment Zone, Summerhill is the site of a multi-partner, mixed-income modern housing development, Greenlea Commons at Heritage Park. HUD provided $6.6 million towards the project, including an Economic Development Loan Fund (Section 108) guaranteed loan, an Economic Development Initiative Grant, and CDBG funds.

Greenlea Commons is a 117-unit townhome development financed by the Atlanta Neighborhood Development Partnership and First Union National Bank of Georgia. The Summerhill Neighborhood Development Corporation (SNDC) received a $62,000 loan from the Partnership for predevelopment expenses associated with the development of this sophisticated-looking multi-family complex. The project is located near the Atlanta-Fulton County/Olympic Stadium Complex. It provides an attractive entryway into the neighborhood and sparks hope for the remaining blocks.

More than $973,000 in CDBG funds were used for land acquisition and disposition, demolition, cleaning and enhancement of vacant lots, relocation assistance to residents and businesses, street improvements (including re-routings and corridor streetscape enhancements), new parks, renovation of existing parks, and commercial and retail development along a major thoroughfare. The city is making guaranteed loans from HUD available to eligible residents for loans and grants to make housing affordable for low- and moderate-income residents.

The new housing is complemented by other amenities and improvements, including Founder's Park. With public art as its centerpiece, the park tells the story of Summerhill's past and encourages the recording of its future as events occur. Other developments include neighborhood street repair and streetscape, the creation of single-family housing through rehabilitation and new construction as well as commercial and retail planning.

As part of Atlanta's Empowerment Zone plan, Summerhill will be the headquarters of a Self-Sufficiency Center, which will serve the entire Zone. The Self-Sufficiency Center is part of a two-part affordable housing initiative that is being coordinated in conjunction with the Atlanta Housing Authority. The center is intended to provide comprehensive homeownership counseling with the ultimate goal of helping 900 Zone residents achieve homeownership by the year 2004.

The center will include housing counseling, information and referral services, property maintenance, and budgeting. It will emphasize support services for money management, home management, and homeowner ship.

the steps involved with requesting and obtaining these funds. And as an evaluation tool, the Consolidated Plan's Action Plan provides the basis for assessing the community's performance in meeting its local priority needs and objectives with CDBG funds.

### Neighborhood Revitalization Strategy

The Consolidated Plan regulations published on February 6, 1995, provide increased flexibility in the use of CDBG funds in communities that develop neighborhood revitalization strategies. Successful neighborhood revitalization strategies forge partnerships that:

- Obtain commitments to neighborhood building.
- Make neighborhoods attractive for investments.
- Ensure that the benefits of economic activity are reinvested in the neighborhood for long-term growth and viability.
- Support the use of neighborhood intermediary institutions that bridge gaps between local agencies, the business community, advocacy groups, and residents.
- Identify and address a community's housing, economic, and human services needs.

The CDBG Program funds large-scale neighborhood revitalization projects as well as child sewices, health care, and youth programs.

### Regulatory Update

A rule incorporating several new provisions into the CDBG entitlement regulations was published in the Federal Register on November 9, 1995. The rule updated the CDBG regulations to reflect significant statutory enhancements since 1987 and provides local CDBG decision-makers the advantage of greater regulatory and statutory flexibility to design and use their CDBG program resources.

This final rule corrects identified deficiencies in the CDBG program, implements relevant portions of the Cranston-Gonzalez National Affordable Housing Act, amends the CDBG conflict-of-interest provisions, implements statutory changes from the Housing and Community Development Act of 1987 and the Appropriations Act of 1989, and provides criteria for performance reviews and timely expenditure of funds under the CDBG program.

The rule also furthers HUD's reinvention goals by incorporating public input in ruleinaking, providing performance standards, and clarifying regulatory language. Very few of the rules impose any additional burden on grantees, and these are designed to increase program accountability, primarily in areas identified by the Inspector General as inaterial weaknesses or other serious recurrent audit issues.

## Consolidation of Final Rules

In response to the President's regulatory reform initiatives, HUD also conducted a page-by-page review of its regulations to determine which could be eliminated, consolidated, or otherwise improved. While the CDBG regulations serve as important program guidance, CPD determined that the regulations could be improved and streamlined by eliminating unnecessary provisions. Thus, HUD published two final rules for the CDBG program in the Federal Register to consolidate duplicate provisions and eliminate provisions that are redundant of statutes or are otherwise unnecessary.

These final rules help make the CDBG regulations clearer and more concise. For instance, several provisions in the CDBG regulations repeat statutory language from the Housing and Community Development Act of 1974 and other statutes. The final rules remove repetitious statutory language and replace it with citations to the specific statutory sections for easy reference.

Other provisions in the CDBG regulations apply to more than one program; HUD had previously repeated these provisions in different subparts of the regulation. This repetition is unnecessary, and updating these scattered provisions is cumbersome and often creates confusion. The final rules consolidate these duplicate provisions.

## TOOLS FOR COMMUNITY DEVELOPMENT

CPD makes the following tools available to communities through the CDBG program:

- Entitlement Communities Program
- HUD-Administered State and Small Cities Program
- Insular Areas
- Colonias State CDBG Set-Aside

These are described in more detail below. Together with the special initiatives described in the following chapter, they provide communities with resources to address local concerns in a coordinated, well-planned, and systematic manner. Specific accomplishments of CDBG funding for economic development, homeless assistance, and affordable housing are described elsewhere in this Report. (See Chapters 2, 4 and 5, respectively.)

Activities must address at least one of the following national objectives:

- Benefit low- and moderate-income persons.
- Prevent or eliminate slums or blight.
- Meet urgent community development needs.

The program awards grants annually to states and entitled communities based on the higher of two statutory needs-based formulas. The first formula takes into account overcrowded housing, population, and poverty. The second formula includes age of housing, population growth lag, and poverty. Entitlement communities must ensure that 70 percent of all funds, over a 1-, 2-, or 3-year period, must be for activities that principally benefit lower-income persons.

## Program Flexibility and Autonomy

HUD continues to stress coordinated marshaling of resources to facilitate grantees' ability to engage in comprehensive community revitalization.

Local flexibility is an integral component of the CDBG program. CDBG allows grant recipients to address local community development concerns based on issues of primary importance to them. Through active citizen participation, communities develop their own funding priorities and then plan and execute activities that will address those priorities. The community development activities undertaken, however, must conform to the national objectives identified above.

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### PROFILE
### THOMAS E. SHARPE MEMORIAL SCHOLARSHIP PROGRAM
*Mt. Vernon,* ***New York***

Teresa McLaughlin and Margaret Flores never thought college would be an option. Thanks to the Thomas E. Sharpe Memorial Scholarship Program, which is capitalized with $100,000 in CDBG funds, both women are attending college and achieving their life goals. One of a very few city-sponsored scholarship programs in the country, it helps low- and moderate-income students attend college and vocational and technical schools.

Since its inception, the program has awarded scholarships to more than 4,900 Mount Vernon students. Students can receive from $300 to $1,200 per academic year. Scholarships are awarded to students who demonstrate financial need and personal and academic integrity. These locally awarded community development scholarships leverage other sources of funds for recipients. Approximately 90 percent of the students are currently enrolled in education programs that require at least 4 years of study leading to a Bachelor of Arts or Science degree.

More than $2.3 million in post-secondary scholarships has been awarded to eligible residents. The program assisted 170 students in 1994.

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The Entitlement Communities program is the largest component of the CDBG program, comprising some 70 percent of the basic CDBG appropriation. Grants to entitlement communities are awarded annually to metropolitan cities and urban counties that are:

- Local municipal governments with 50,000 or more residents.
- Other jurisdictions designated as central cities of Metropolitan Statistical Areas (MSAs).
- Counties generally with populations of more than 200,000 in MSAs, excluding the population of entitled cities within county boundaries.

## Use of Funds

Exhibit 6-1 provides information on how entitlement communities spent their 1992 and 1993 CDBG funds.

CDBG funds have been used for a wide variety of activities, including land acquisition and clearance; public facilities and improvements; public services for families, youth, and senior citizens; and crime reduction initiatives. Thirty-six percent of the funds were used for housing, followed by 23 percent for public works.

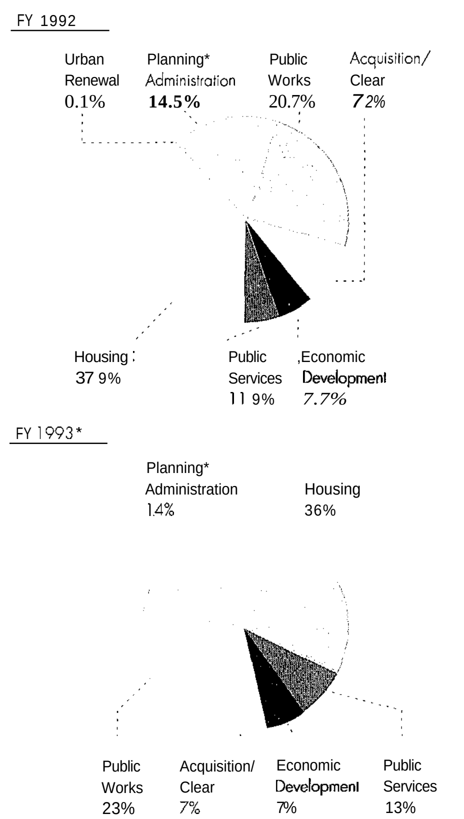
### Public Facilities and Improvements

Without adequate roads, sewers, and water systems, the success of housing and job creation activities is likely to be limited. The CDBG program helps ensure that many community projects are successful by providing funding for the construction and rehabilitation of public facilities and infrastructure systems, including:

- Senior, disabled, or youth centers
- Community centers
- Park facilities
- Child care centers
- Health care facilities
- Parking facilities
- Solid waste disposal improvements
- Flood drain improvements
- Water and sewer improvements
- Street, road, and bridge improvements
- Sidewalks.

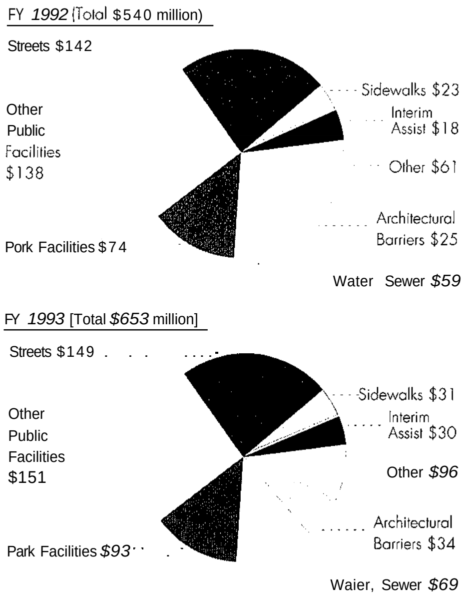
In 1992, nearly 21 percent of CDBG entitlement expenditures ($540 million) was used for public facilities and improvement activities. As illustrated in Exhibit 6-2, the largest expenditures for that year were for street improvement activities ($142 million) followed by construction/rehabilitation activities

Exhibit 6-1
**CDBG Entitlement Communities**
**Percent Expenditures by Activity, FY *1992* - FY *1993***




*Percent expended on Urban Renewal was less than 1%

Exhibit 6 2
**CDBG Entitlement Communities Expenditures on Public Facilities and Improvement Activities**
**FY 1992 - FY 1993**
[Dollars in Millions]




($138 million) for public facilities such as community centers, child care centers, senior centers, facilities for the disabled, facilities to aid the homeless, and other public buildings.

Entitlement spending for public facilities and improvements grew to nearly 23 percent by FY 1993 to reach approximately $653 million. This represented an increase of $113 million and a 2 percent increase in expenditures from 1992. Once again, expenditures on street improvements and construction/rehabilitation activities composed the largest portion of expenditures at $149 million and $151 million, respectively. (See Exhibit 6-6 on page 14.) These activities funded 661 water projects, 607 sewer projects, and 3,273 street improvement projects in entitlement communities across the country.

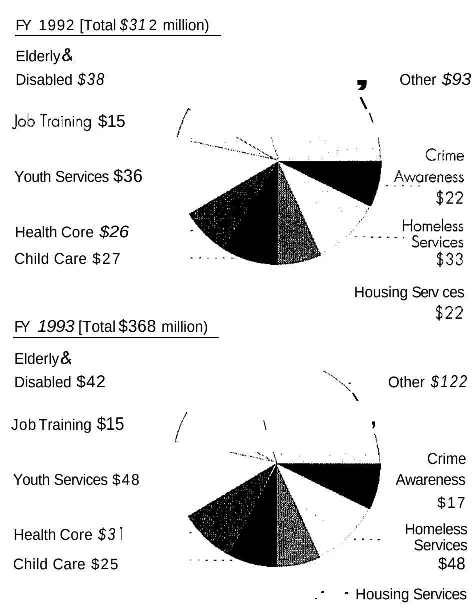
## Public Services

The CDBG program provides public services that directly benefit lower-income Americans by making assistance available for a variety of services, including youth services, child care, counseling for battered spouses, and transportation services that provide access to employment centers, health care facilities, and retail stores within communities. These services enable citizens to maintain or improve their quality of life. The CDBG program also provides homeless services, housing services, and job training, which are addressed in other sections of this chapter.

Up to 15 percent of local CDBG funds can be used for public services. Expenditures for public service activities increased from $290 million in FY 1991 to almost $312 million in FY 1992, representing 12 percent of total expenditures for that year and an increase of one percent from the previous fiscal year. Expenditures on primary public services activities for FY 1992 are shown in Exhibit 6-3.

By FY 1993, expenditures for public services activities increased from $312 million in FY 1992 to more than $368 million, representing 13 percent of total expenditures and an increase of 1 percent. As illustrated in Exhibit 6-3, the largest proportion of expenditures were for youth services, elderly and disabled services, and services for the homeless.

Exhibit 6-3
**CDBG Entitlement Communities Expenditures on Public Services Activities**
**FY 1992 - FY 1993**
{Dollars in Millions]



### Fighting Crime

To combat neighborhood crime and violence, many communities have undertaken non-traditional approaches to public safety in combination with traditional police work. Community policing, problem-oriented policing, and police-in-residence programs are a few techniques that localities are using to bring safety and stability to troubled neighborhoods.

CPD programs serve as resources to support such efforts. For example, CDBG and HOME funds may be used to provide housing for police officers in neighborhoods with high crime rates. In theory, police who live in these neighborhoods get to know their neighborhoods and provide a secure presence, enabling them to address neighborhood crime situations more quickly.

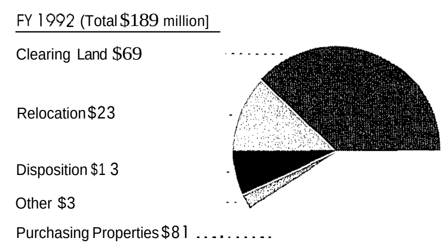
CDBG funds are used for other drug and crime prevention activities, such as establishing neighborhood watch programs, providing extra police patrols, rehabilitating or constructing police substations, and clearing abandoned buildings used as crack houses. Community policing programs can take many forms. In some communities and apartment complexes, off-duty police provide added security, regularly patrolling the communities in which they live. In others, police establish a rapport with neighborhood children and youth, teaching them to trust their local police as friends rather than enemies.

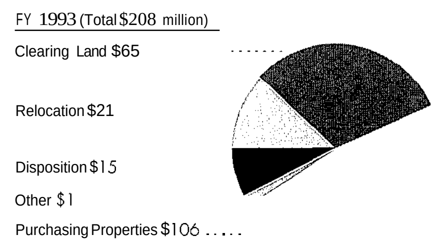
### Land Acquisition, Clearance, and Relocation

Expenditures in 1992 for land acquisition, clearance, and relocation activities amounted to $189 million, which is more than 7 percent of total expenditures. The primary activities for FY 1992 are identified in Exhibit 6-4. The largest single category was for property acquisition.

Expenditures for 1993 totaled about $208 million ($19 million more than for 1992), accounting for more than 7 percent of total expenditures. (See Exhibit 6-4.)

Exhibit 6-4
**CDBG Entitlement Communities**
**Expenditures on Land Acquisition, Clearance and Relocation Activities, FY *1992* - FY *1993***
(Dollars in Millions)




### Use of Subrecipients

In the CDBG entitlement program, grantees reported spending $735 million of their CDBG funds through subrecipients in FY 1992. This was almost double the $398 million reported for FY 1991.

In FY 1993, grantees reported spending $845 million of CDBG funds through subrecipients. This was $110 million higher than reported for FY 1992. Metropolitan cities expended $647 million on projects directed by subrecipients, which represented 27.5 percent of all CDBG funds spent by metropolitan cities. Though urban counties spent only $197 million for projects involving subrecipients, proportionately this accounted for a higher level of expenditures, representing approximately 38 percent of all their expenditures for 1993.

Subrecipients have proven to be valuable partners in neighborhood revitalization efforts.

## STATE AND SMALL CITIES PROGRAM

The distinguishing factor between the Entitlement Program and the State and Small Cities Program is that in most cases states administer the funding and act as a partner with the federal government in distributing funds. The State CDBG program receives approximately 30 percent of all CDBG funds to provide assistance to small cities. Communities eligible for State CDBG funds are:

- Municipalities with fewer than 50,000 residents, except designated central cities of MSAs.
- Counties that are not considered urban counties (generally those with populations of 200,000 or fewer, excluding any entitlement cities contained within the county).

States are permitted great flexibility in setting criteria for distribution and use of these funds, taking into consideration local conditions and priorities, provided they operate within the broad framework of the CDBG statute.

### How the Program Works

States award CDBG grants exclusively to units of general local government that conduct community development activities. Each state develops funding priorities and criteria for selecting projects. Participating states:

- Formulate community development objectives.
- Decide how to distribute funds among communities in non-entitlement areas.
- Ensure that recipient communities comply with applicable state and federal laws and requirements.

States submit a Consolidated Plan containing their community development objectives, their method for distributing funds to local governments, and their certifications. States also submit Performance and Evaluation Reports (PERs) to HUD by September 30 of each year. These reports cover the status of all CDBG grants currently being administered by each state. The PER includes information on:

- Communities receiving State CDBG grants
- Amount of their grants
- The type and purpose of activities being funded
- The national objective being met by each activity
- Program accomplishments.

### Report Coverage

The information contained in this section of the report on the State and Small Cities program is derived primarily from the PERs submitted by the states. The most recent reports contain information as of the June 30, 1995, reporting date. This report focuses primarily on data for FY 1993 and FY 1994, the most recent fiscal years with relatively complete information.

Since 1982, HUD has provided about $11 billion, which was divided among 45,000 grants to more than 13,000 small cities and counties in the 48 states and the Commonwealth of Puerto Rico. (The states of New York and Hawaii have chosen not to administer the State CDBG program; HUD makes grants directly to non-entitlement communities within these two states.) In 1993 and 1994, the amount of assistance going to small cities reached an all-time high: $1.1 billion in 1993 and $1.2 billion in 1994. In 1994, more than 4,100 small cities and counties in non-entitlement areas received grants through the State CDBG program. As of June 30, 1995, states had awarded $1.1 billion to communities, representing approximately 87 percent of the FY 1994 grant allocation.

## PROFILE
## OLD TOWN REVITALIZATION
*Pars, Idaho*

The historic City of Pars is on its way back to being an economically viable business district.

The city was established in 1888 by an Act of Congress as a location for a rail and commercial center in an already existing Native American reservation. Although the downtown area grew during the Depression and the two World Wars, introduction of the interstate highway system and waning use of the railroads hastened the corridor's decline. Anchor department stores left, followed by smaller retailers who moved to the commercial strips outside of town. To combat this trend, Old Town Pars was organized by downtown business owners and concerned citizens to preserve the community's historical integrity and economic viability.

With the establishment of Old Town Pars as a redevelopment district and the declaration of the area as blighted and in need of improvement, the city was able to document that Old Town Pars' objectives would also meet a national objective of the Idaho CDBG program.

In 1992, the City of Pars received a $500,000 grant to improve parking areas, create pedestrian walkways, make facade improvement loans, and improve sanitary sewer lines. In September 1993, Pars received another $500,000 to build new curbs, gutters, and sidewalks in the improvement district.

The hard work and commitment of the city and Old Town Pars, Inc., have created a strong and growing business district. Growth in the downtown area has already created 110 new jobs and nearly $2 million in new capital investment. The low-interest facade improvement loans established by the Business Improvement District have permitted nine buildings to renovate their business exteriors. With the improvements to the streets and sidewalks, the downtown is well on its way to completing its facelift and restoring economic viability to the business district.

## Waycross, Georgia

Because of the services of the Okefenokee Technical Institute (OTI) Child Care Center in Waycross, GA, several women have been able to continue their education while their children are in day care. Stephanie Fals, 23, participates in the program and is completing her work for a diploma in microcomputer technology. Her 11-month-old son, Stephen, enjoys quality day care at the center. Keri Hutchinson has an 11-month-old son, Joseph, who participates in the day care program while Keri attends Ware County High School and the OTI. Without the services of the center, she would be unable to finish high school. Erica Rawls has two children, Jazmina and Shaniece, and the center enables her to be enrolled full-time at OTI.

Funded partly by a $400,000 CDBG from the state, this project is currently providing day care for 57 children while their mothers are students at Ware County High School, OTI, or Waycross College. Normally, these parents would have to spend $50 to $60 a week for tlie care of one child. Erica Rawls explains, "Day care is just absolutely too expensive. Without the center, I'd still be at home with the kids. I was really glad when they opened it, and I could get back to school."

Mothers who are active in the Positive Employment And Community Help (PEACH) Program or the Job Training Partnership Act (JTPA) Program have their children's care paid in full. Mothers who can afford it pay a small fee for the service.

## PROFILE
## G.W. BRUMFIELD SCHOOL APARTMENTS
### *Natchez,* Mississippi

In late 1992, renovation of the old G.W. Brumfield School, which had been abandoned since 1989, was initiated. It was converted into one- and two-bedroom apartments for single-parent families receiving assistance from Aid to Families with Dependent Children (AFDC). The project also included an on-site child care center and a requirement that all tenants be enrolled in a skills development or continuing education course while living in one of the 28 apartment units.

The 48,000 square-foot building was originally built in the early 1920s. It was the first high school for the African-American community. During the renovation, the city sought to bring the African-American community to the forefront of this historic preservation project. The city, with the assistance of the planning and development district, submitted two applications to the State of Mississippi and was awarded a CDBG of $500,000 and a HOME grant of $500,000 for the project. Additional project funds totaling $656,544 were generated by the developer, Gleichman & Company, through the syndication of both low-income and historic tax credits and a bank loan.

The renovation was completed in October 1994. The apartment building includes an on-site child care facility that is independently operated and has a capacity of 47 children. Another feature is an on-site adult literacy class, Project LEAP (Learn, Earn And Prosper), co-sponsored by the University of Mississippi and the Mississippi Department of Education. Tenants and eligible residents of Adams County can enroll in Project LEAP. The program is designed for tenants to complete an educational program or master a skill or trade. Tenants will then have a set period of time in which to secure employment, save money, and move into a permanent apartment or home of their own.

The city provided the developer $1 million in grant funds in the form of a loan for the renovation of the building. The city will use the low-interest loans or grants to help low- and moderate-income residents of the Brumfield Historic District purchase and rehabilitate homes.

## Use of Funds

Exhibit 6-5
**State CDBG**
**Percentage of Funding by Purpose, FY 1994**

| Public Facilities | Planning | Housing | Contingencies & Unspec. | Econ Dev. | Public Services |
|---|---|---|---|---|---|
| **54.2%** | 0.9% | 21.9% | 1.9% | 20% | 1.1% |

Exhibit 6-5 shows the percentage of funding by purpose from the FY 1994 allocation. Housing and economic development, shown in this exhibit, are discussed in other chapters; public facilities are discussed in more detail in this chapter. Public services represent a smaller portion of the State's CDBG program. Exhibit 6-6 illustrates funding by purpose and principal activities.

The proportion of funds awarded for each general purpose has remained relatively consistent throughout the life of the State CDBG program. Exhibit 6-7 shows that since FY 1982, approximately one-half of all funds has gone toward public facilities activities, one-fourth toward housing activities, and one-fifth toward economic development activities. Because they are capped by statute, planning and public services activities account for only 2 percent of total funding.

Exhibit 6-6
State CDBG
FY 1994 Funding by Purpose of Award and Principal Activities Funded

| Purpose and Major Activities | Number Activities | Percent | Funds Activities | Percent |
|---|---|---|---|---|
| Public Facilities. | | | | |
| Water | 973 | 8 8 | $ 181.281.123 | 16.8 |
| Sewer | 673 | 6 0 | 129,380,248 | 11.6 |
| Flood | 264 | 2 4 | 30,006,348 | 2 7 |
| Streets | 450 | 4.0 | 47,087,943 | 4.2 |
| Community Centers | 355 | 3 2 | 51,600,619 | 4 6 |
| Other | 1,373 | 12 4 | 122,422,001 | 10 9 |
| Administration | 1.762 | 15 9 | 37,799,164 | 3 4 |
| Subtotal | 5,850 | 52 7 | $ 606,577,446 | 54 2 |
| Housing: | | | | |
| Rehabilitation | 1,048 | 9.4 | 176,129,642 | 15.7 |
| Acquisition Related | 266 | 2.4 | 9,938,915 | 0.9 |
| Other | 483 | 4.4 | 38,970,149 | 3.5 |
| Administration | 621 | 5.6 | 19,507,069 | 1.7 |
| Subtotal | 2,418 | 21.8 | $ 244.545.775 | 21.8 |
| Economic Development | | | | |
| For profits | 445 | 4.0 | 132,856,202 | 11.9 |
| Infrastructure | 255 | 2 3 | 50,914,813 | 4.5 |
| Non-profits | 40 | 0.4 | 6,910,412 | 0.7 |
| Micro-enterprises | 40 | 0.4 | 9,811,703 | 0.9 |
| Other | 110 | 0.9 | 15,807,864 | 1.4 |
| Administration | 441 | 3.9 | 7,723,399 | 0.7 |
| Subtotal | 1,331 | 11.9 | $ 224,024,393 | 20.1 |
| Planning | 605 | 5.5 | 9,944,864 | 0.9 |
| Public **Services** | 307 | 2.8 | 12,600,159 | 1.1 |
| Contingencies and Unspecified Activiries | 587 | 5.3 | 21,731,330 | 1.9 |
| Subtotal | 1,499 | 13.6 | $ 44,276,353 | 3.9 |
| Total | 1,098 | 100.0 | $1,1 19,423,967 | 100.0 |

Exhibit 6-7
**State CDBG**
**Purpose of Funding, FY 1982 - FY 1994**
Dollars in Millions

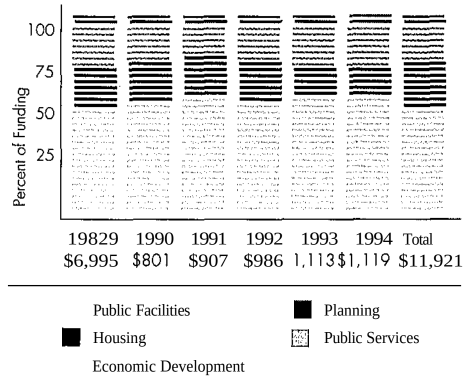


Exhibit 6-8
State CDBG FY 1993 and FY 1994
Public Facilities Accomplishments *

| Fiscal Year | Project Description | Number of Projects | Funding Amount (Millions) • | Persons Served † | % Low/Mod Persons Served † |
|---|---|---|---|---|---|
| 1993 | water | 875 | $ 158.6 | 196,674 | 65 |
| | Sewer | 656 | 145.4 | 542,442 | 67 |
| | Flood/ Drainage | 198 | 19.9 | 256.458 | 63 |
| | Streets | 490 | 50.3 | 937,063 | 74 |
| | Community Center | 336 | 52.3 | 794,799 | 71 |
| | General | 1,314 | 100.5 | 6,192,036 | 70 |
| 1994 | Water | 909 | 178.8 | 753,647 | 62 |
| | Sewer | 604 | 116.0 | 476,088 | 65 |
| | Flood/ Drainage | 212 | 24.0 | 177,891 | 65 |
| | Streets | 437 | 45.4 | 757,373 | 71 |
| | Community Center | 337 | 47.5 | 669,543 | 75 |
| | General | 1,299 | 113.5 | 3,377,034 | 74 |
| Total | | 7,662 | $ 1,052.2 | 15,731,048 | 71 |

Proposed †

* **All** figures are based on reports from 46 states.
• Figure represents the total amount awarded by states to communities.
† Proposed accomplishments reflect communities' applications to the state.

Exhibit 6-8 shows expenditures for all FY 1993 and FY 1994 State CDBG on public facilities. Some projects benefit an entire community by installing or improving central facilities, while other projects extend services to specific neighborhoods. More than 7,000 projects in communities across the country are expected to benefit 15.7 million people, according to information provided by grantees.

The largest share of state FY 1994 funds went toward improving public facilities. Public facility projects accounted for $606 million, or 54.2 percent of total funds. The construction and reconstruction of water, sewer, and flood/drainage facilities composed the largest share of public facility projects and constituted approximately one-third of all funding.

## HUD-ADMINISTERED SMALL CITIES PROGRAM

Hawaii and New York are the two states in which HUD directly administers the CDBG program for non-entitlement areas. For FY 1994, the HUD-administered Small Cities Program awarded 123 grants, totaling $54 million, within these two states. In FY 1995, the program awarded 132 grants, totaling $62.6 million.

### New York

In New York, HUD administers the program through the New York and Buffalo field offices. HUD received 192 applications for the FY 1994 competition and awarded a total of 120 grants amounting to $50 million. New York's FY 1995 Small Cities allocation was $57.9 million. New York applicants may apply either for single-purpose grants or for comprehensive grants, in which a variety of activities are coordinated to solve local problems. Approximately 80 percent of FY 1994 funds and 75 percent of FY 1995 funds were awarded for

Exhibit 6-9
HUD-Administered Small Cities Program - State of New York
Application and Grant Characteristics, FY 1994
(Dollars in Thousands)

| Activity | Applications: Number | Applications: Percent | Grants: Number | Grants: Percent | Amount | Total % |
|---|---|---|---|---|---|---|
| **Single Purpose** | 168 | 88 | 108 | 90 | $ 39,895 | 80 |
| Housing | 88 | 46 | 55 | 46 | 21,564 | 43 |
| Economic Develop. | 31 | 16 | 25 | 21 | 8,314 | 17 |
| Public Works | 49 | 26 | 28 | 22 | 10,017 | 20 |
| **Comprehensive** | 24 | 13 | 12 | 10 | 10,235 | 20 |
| **Total** | 192 | 100 | 120 | 100 | $ 50,130 | 100 |

Exhibit 6-10
HUD-Administered Small Cities Program - State of New York
Application and Grant Characteristics, FY 1995
(Dollars in Thousands)

| | Applications: | | Grants: | | | |
|---|---|---|---|---|---|---|
| Activity | Number | Percent | Number | Percent | Amount | Total % |
| **Single Purpose** | 184 | 88 | 97 | 87 | $38,237,122 | 75 |
| Housing | 90 | 43 | 52 | 47 | 20,960,600 | 41 |
| Economic Develop. | 29 | 14 | 20 | 18 | 8,186,000 | 16 |
| Public **Works** | 65 | 31 | 25 | 22 | 9,090,522 | 18 |
| **Comprehensive** | 24 | 12 | 15 | 13 | 12,876,878 | 25 |
| **Total** | 208 | 100 | 112 | 100 | $51,114,000 | 100 |

single-purpose grants. Exhibits 6-9 and 6-10 illustrate the FY 1994 and FY 1995 application and grant characteristics for the State of New York.

It is projected that these FY 1994 and FY 1995 activities will create 1,171 jobs and rehabilitate more than 2,100 homes for families throughout New York.

## Hawaii

In Hawaii, the program is administered through the Honolulu field office. As shown in Exhibit 6-11, the three counties – Kauai, Maui, and Hawaii – eligible for funds received formula grants totaling $3.7 million in FY 1994, $5 million in FY 1995, and $4.9 million in FY 1996.

Exhibit 6-11
Hawaii Small Cities Program Grantees
FY 1994 - FY 1996
(Dollars in Thousands)

| County | Fiscal Year 1994 | 1995 | 1996 |
|---|---|---|---|
| Kauai | 5 652,000 | $ 913,000 | 5 895,000 |
| Maui | 1,330,000 | 1,893,000 | 1,857,000 |
| Hawaii | 1,762,000 | 2,257,000 | 2,212,000 |
| Total | 5 3,744,000 | $ 5,063,000 | $ 4,964,000 |

The three counties allocated three-quarters (76 percent) of FY 1994 funds to three types of activities: public facilities for $1.5 million, acquisition of land for housing for $843,000, and economic development for $521,600. Since FY 1993, the Hawaii Small Cities Program has rehabilitated or constructed 696 housing units, removed architectural barriers for the disabled, acquired fire fighting equipment, replaced waterlines, and purchased foodbank equipment. Maui County has used a large portion of their CDBG funds to assist non-profit organizations that provide housing and services to homeless and other special needs organizations.

# CDBG INSULAR AREAS

Created under Section 107(b)(1) of the Housing and Community Development Act of 1974, the Insular Areas program assists community development efforts in five designated Insular Areas:

- Territory of Guam
- Territory of the Virgin Islands
- Territory of American Samoa
- Commonwealth of the Northern Mariana Islands
- Republic of Palau.

Applicants for Insular Area funds must provide a way for the public to examine and appraise their applications. This process includes furnishing citizens with information on the amount of funds available, holding one or more public meetings, developing and publishing community development proposals, and affording citizens an opportunity to review and comment on the grantee's performance.

HUD did not provide CDBG funding to the Insular Areas in FY 1993. The Supplemental Appropriations Act of 1993 required the Secretary to rescind $45 million in Section 107 Special Purpose funds, which was a significant portion of that allocation, to provide emergency funds to areas affected by hurricanes Andrew and Iniki and Typhoon Omar. Guam did receive $2.2 million from the emergency funds to repair damage caused by Typhoon Omar.

Exhibit 6-12 illustrates the level of CDBG funding from FY 1975 to FY 1996 for Insular Areas. This exhibit excludes FY 1993 because of the rescission.

Exhibit *6-12*
**CDBG Insular Areas Program Funding**
**FY 1975 - FY *1996***
Dollars in Millions

Exhibit 6-13
**CDBG Insular Areas Program Funding**
**FY *1995***

Total *$7,000,000*

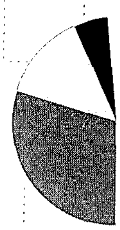



Exhibit 6-13 illustrates the distribution of FY 1995 funds to the designated Insular Areas. The total FY 1995 CDBG allocation for the Insular Areas is $7 million. The FY 1995 Insular Areas allocation and distribution of funds are the same as in FY 1994.

Exhibit 6-14 shows Insular Area use of funds by type of activity for FY 1994 and FY 1995. Public facilities categories account for the highest expenditure of funds in both years, 46 percent in FY 1994 and 49 percent in 1995.

Exhibit 6-14
CDBG Insular Areas Program Funding and Activities
FY 1994 and FY 1995*
(Dollars in Thousands)

| Major Activities | FY 1994 | | FY 1995 | |
|---|---|---|---|---|
| Public Facilities: | $ Amount | % | $Amount | % |
| Water | $ 698 | 10% | $ 20 | 0% |
| Sewers | 290 | 4 | 871 | 12 |
| Roads | 546 | 8 | 0 | 0 |
| Health Centers | 230 | 3 | 411 | 6 |
| Fire Stations | 0 | 0 | 364 | 5 |
| Public Libraries | 0 | 0 | 0 | 0 |
| Park Improvements | 360 | 5 | 0 | 0 |
| Multipurpose Centers | 1,104 | 16 | 1,398 | 20 |
| Homeless Facility | 0 | 0 | 163 | 2 |
| Retaining Walls | 0 | 0 | 0 | 0 |
| Infrastructure (unspecified) | 0 | 0 | 229 | 3 |
| Subtotal | $ 3,228 | 46% | $ 3,456 | 49% |
| Housing: | | | | |
| Residential Rehabilitation | 729 | 10 | 600 | 9 |
| Public Housing | 0 | 0 | 0 | 0 |
| Homeownership Assistance | 1,466 | 21 | 0 | 0 |
| Developing Land for Housing | 0 | 0 | 0 | 0 |
| Subtotal | 2,195 | 31% | 600 | 9% |
| Economic Development | 0 | 0 | 1,099 | 16 |
| Public Services | 312 | 5 | 609 | 9 |
| Relocation | 306 | 4 | 0 | 0 |
| Planning | 60 | 1 | 332 | 5 |
| Administration | 899 | 13 | 903 | 13 |
| Total | $ 7,000 | 100% | $ 6,999 | 100% |

*The FY 93 allocation was rescinded in accordance with the Supplemental Appropriations Act of 1993.

## COLONIAS

A colonia is any identifiable community in the US.-Mexico border regions of Arizona, California, New Mexico, and Texas that meets a set of criteria, including lack of a potable water supply, inadequate sewage systems, and a shortage of decent, safe, and sanitary housing.

Section 916 of the National Affordable Housing Act of 1990 required the states of Texas, New Mexico, Arizona, and California to set aside 10 percent of their CDBG funds in FY 1991 for colonias. For FY 1992 through FY 1994, HUD, in consultation with representatives of the colonias, determined an appropriate set-aside percentage, not exceeding 10 percent, for each of the four states. The set. aside funds are used for activities that meet the needs of colonias relating to water, sewage, and housing.

HUD strongly encourages these four states to examine the housing, infrastructure, and economic needs of their border communities. These states are expected to respond reasonably and appropriately to such needs by eliminating impediments to strong community development, housing, and economic growth.

For FY 1994, the set-aside for California was 5 percent. The set-aside for each of the other three states was 10 percent. Although the mandatory set-aside provision expired after FY 1994, the four states agreed to continue funding the set-aside in FY 1995 at the FY 1994 levels, with the exception of California, which set aside 2 percent of its FY 1995 allocation to assist colonias.

# CHAPTER SEVEN

## SPECIAL INITIATIVES

CPD has implemented a wide range of special community revitalization initiatives. Most recently, CPD has staffed the National Rebuilding Initiative, a key element of the Administration's response to the wave of church burnings in communities across the country. The initiative provides financial and technical assistance for rebuilding buildings damaged or destroyed by arson.

President Clinton and Vice President *Gore* recently established the National Rebuilding Initiative *for* burned churches.

CPD also supports a number of partnerships with non-profit organizations, colleges and universities, and other local institutions. The John Heinz Neighborhood Development Program (NDP) provides matching funds to neighborhood-based, nonprofit development organizations ready to undertake a wide range of cominunity developinent and housing activities to benefit low- and moderate-income families. Similarly, the Historically Black Colleges and Universities (HBCU) Program enlists the support of HBCUs to develop and implement neighborhood revitalization strategies in their local communities. The HBCU prograin provides financial assistance to these institutions to address housing and economic development needs in ways that are consistent with HUD's overall priorities.

CPD supports a variety of children, youth, and educational intitiatives.

CPD also supports a variety of children, youth, and educational initiatives. The Ounce of Prevention program addresses the problem of crime and violence committed by young people. The prograin links public safety programs and youth development efforts already underway in Empowerment Zones and Enterprise Communities with similar efforts in surrounding communities. CPD also sees a long-term payoff in giving children a start with programs like the Early Childhood Development Program. This program provides funds to nonprofit organizations to provide early childhood development services for low-income families in public housing, for homeless families, and for families at risk of becoming homeless. This focus on child care, growth, and developinent enables parents to work outside the home – a key element of the Clinton administration's welfare-to-work efforts.

The HUD Cities In Schools (CIS) Partnership provides a partnership of public and private resources to help students stay in school and prepare for the future. The partnership allows communities to respond to the needs of students and their families by having community social service providers work alongside teachers to provide a spectrum of resources that students need most.

Disaster relief emergency funds are made available through the CDBG and HOME prograins to help communities that suffer from natural disasters, such as earthquakes and floods, or acts of violence or terrorism.

CPD also has been responsive to the critical impacts that the closing of military bases has had on communities across the nation. Through the Surplus Federal Property for Use to Assist the Homeless program, unutilized, underutilized, and surplus federal properties are made available "as is" to state and local entities to address homelessness in their own jurisdictions. In addition, Community Adjustment and Econoinic Diversification Planning Grants help nonentitlement communities adjust to the economic problems that result from defense downsizing.

These initiatives were designed with one premise in mind: to afford all Americans an opportunity to lead decent, stable, and healthy lives in an environment that affords economic opportunity. CPD seeks to transform these community revitalization ideals into reality.

*President Clinton and Vice President Gore help the Fruitvale, TN, community rebuild a church destroyed by arson.*

## CHURCH BURNINGS: THE NATIONAL REBUILDING INITIATIVE

In response to the recent rash of church burnings across the country, the federal government, religious groups, non-profit organizations, and businesses have acted swiftly. President Clinton signed into law the Church Arson Prevention Act of 1996 and formed the National Church Arson Task Force, which offers a full range of federal government resources. The task force comprises three separate but coordinated initiatives:

- Prevention
- Enforcement
- Rebuilding.

Under the auspices of the Church Arson Task Force, a wide range of federal agencies have been mobilized to implement these initiatives. The Federal Emergency Management Agency (FEMA) chairs the National Arson Prevention Initiative. The Department of Justice and the Department of Treasury's Bureau of Alcohol, Tobacco and Firearms have taken the lead on enforcement. HUD is the lead agency in the rebuilding efforts, with CPD providing staff support.

The federal rebuilding efforts include a $10 million loan guarantee program as well as a series of technical assistance workshops that serve as informational forums for pastors and others seeking rebuilding assistance. The loan guarantee program was signed into law as part of the Church Arson Prevention Act. Its purpose is to guarantee private sector loans to assist nonprofit organizations in financing the rebuilding of facilities damaged or destroyed by arson or terrorism, including churches.

## A Public-Private Partnership

Many organizations and individuals have contributed time and resources to the rebuilding efforts. In an effort to complement rebuilding already underway, HUD also joined with the National Council of Churches and the Congress of National Black Churches to form the National Rebuilding Initiative Task Force. Additional task force member organizations include Habitat for Humanity, Mennonite Disaster Services, the American Institute of Architects, the Anti-Defamation League, The Enterprise Foundation, The Urban League, and the Insurance Information Institute.

HUD Assistant Secretary Andrew Cuomo addresses ministers and congregations at a Memphis, *TN*, conference to *help* churches rebuild.

Members of the Task Force will coordinate their efforts and combine their resources to assess the needs of churches and non-profit organizations and to ensure that those needing assistance receive rebuilding support as quickly and efficiently as possible. Resource packages, which will represent a blending of grant dollars, loan dollars, and other resources, will be awarded to those churches meeting assistance criteria.

HUD continues to work with its private and non-profit partners through the National Rebuilding Initiative, and with its federal partners through the Church Arson Task Force to provide the most effective assistance possible to the affected churches and non-profit organizations.

## COMMUNITY PARTNERSHIPS

### John *Heinz* Neighborhood Development Program

The John Heinz Neighborhood Development Program began in 1983 as a demonstration program authorized under Section 123 of the Housing and Urban Rural Recovery Act. The program provides matching funds to neighborhood-based, non-profit development organizations willing to undertake a wide range of community development and housing activities designed to benefit low- and moderate-income families.

### Eligibility Criteria

Eligible activities include economic development projects that will create permanent jobs in the neighborhood, or establish or expand businesses in the neighborhood; housing-related activities that will develop new housing, rehabilitate existing housing or manage housing stock in the neighborhood; essential services that will create lasting benefits for the neighborhood, such as fair housing counseling services, child care centers, youth training, health services, or credit unions; planning, promoting, or financing voluntary neighborhood improvement efforts such as demolishing abandoned buildings, removing abandoned cars, and continuing street and alley clean-up programs.

*John Heinz funds are used for youth training, business expansion and creation, health services, credit unions, and other activities that service neighborhoods.*

## Accomplishments

Since 1983, more than $20 million has been authorized for this program, with $4.5 million being appropriated for both FY 1994 and 1995. From 1983 through 1995, 471 grant awards have been made to neighborhood-based, non-profit organizations. The funds have been used by these groups for about 200 housing projects; 107 economic development projects; 95 "essential services" projects; and 39 neighborhood improvement efforts.

## FY 1994

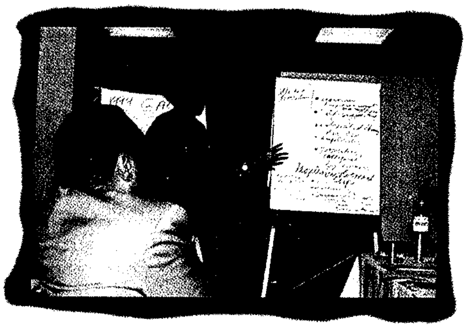
In FY 1994, a total of 69 neighborhood development organizations in 25 states received $4.1 million in John Heinz NDP grants to implement a variety of community development and housing activities in low-income neighborhoods. These grants funded 41 housing projects, 25 job- and business-creation projects, 30 neighborhood social service projects, and 12 neighborhood improvement activities. The housing projects are expected to result in the rehabilitation and new construction of more than 950 housing units: 400 multi-family units rehabilitated, 150 new multi-family units built, and more than 400 single-families will become homeowners. Economic development projects funded through the John Heinz NDP in FY 1994 are expected to create 600 new jobs in low-income neighborhoods in which the average poverty rate is greater than 30 percent and joblessness far exceeds the local norm.

*Residents convene to discuss new funding from John Heinz for neighborhood revitalization projects.*

## FY 1995

In FY 1995, $4.6 million was awarded to 75 neighborhood-based organizations under the John Heinz NDP. One-third (25) of all FY 1995 grants were made in areas that have been designated as federal EZ/ECs.

The FY 1995 funds directly support projects totaling $45 million. These projects are expected to create 250 new homeowners to support expanded homeownership in America. They are intended to create another 200 units of multi-family housing and 224 construction jobs for neighborhood residents. Business start-up, commercial revitalization, and other economic development projects are expected to generate almost 800 additional jobs; overall, the projects begun in FY 1995 will create approximately 1,000 new jobs.



Faculty *at* Howard University, *a* HBCU, discuss how they will use their CPD funds to enrich the surrounding neighborhoods.

## HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

Many Historically Black Colleges and Universities are located in our cities' most distressed areas. They are in an excellent position to assist the neighborhoods in which they are located. HBCUs receive support from both CPD and other HUD offices. HUD recently established an Office of University Partnerships, which is charged with forming new partnerships with HBCUs and others in the university community, to address a wide range of community revitalization issues.

**Eligibility Criteria**

The HBCU program provides financial assistance to certain educational institutions to enable them to expand their roles and effectiveness in addressing community development/neighborhood revitalization needs in their localities, especially through housing and economic development activities.

CPD awards HBCU grants competitively. The maximum grant award has generally been $500,000 for projects of up to 36 months. Combined funding for FY 1993 and 1994 was nearly $14 million awarded competitively to 28 HBCUs. (See Exhibit 7-1.)

**Accomplishments**

In FY 1995, $8.28 million was made available to HBCUs, up from the $7.4 million in 1994. The FY 1995 total includes $283,280 from the Office of University Partnerships, $200,000 of which was used to continue a cooperative agreement with Howard University in Washington, DC to support short-term studies and research. The balance of $83,280 was used for the Community Development Work Study Program at Jackson State University in Mississippi.

For FY 1996, the total amount of funds for HBCUs decreased to $6.8 million. However, HUD will continue to use its Office of University Partnerships to form new alliances with the university community aimed at addressing a wide range of community revitalization issues.

**Exhibit 7-1**

**Historically Black Colleges and Universities Program**

**FY 1993 - FY 1995 Program Participants**

| State | FY 1993, FY 1994 Universities and Colleges | FY 1995 Universities and Colleges |
|---|---|---|
| Alabama | | Alabama A&M University<br>Alabama State College<br>Stillman College<br>Talladega College<br>Tuskegee University |
| Arkansas | University of Arkansas at Pine Bluff | Philander Smith College |
| District of Columbia | | Howard University<br>University District of Columbia |
| Georgia | Albany State College<br>Clark Atlanta University<br>Fort Valley State College<br>Morris Brown College<br>Spelman College | Ft. Valley State College |
| Kentucky | Kentucky State University | |
| Louisiana | Grambling State University<br>Xavier University of New Orleans | |
| Maryland | Coppin State College<br>Bowie State University | Coppin State College |
| Mississippi | Mississippi Valley State University | Jackson State University<br>Rust College |
| Missouri | Lincoln University<br>Harris-Stowe State College | Lincoln University of Missouri |
| North Carolina | Bennett College<br>Elizabeth City State University<br>Johnson C. Smith University<br>Shaw University | |
| Ohio | | Central State University |
| South Carolina | Benedict College<br>Voorhees College | Benedict College<br>Claflin College<br>S. Carolina State Universitv |
| Tennessee | Fisk University<br>Lemoyne-Owen College | |
| Texas | Prairie View A&M University<br>Texas Southern University<br>Wiley College | |
| Virginia | Hampton University<br>Norfolk State University<br>Saint Paul's College | Norfolk State University<br>Saint Paul's College |

In 1996, CPD sponsored a one-day HBCU training that focused exclusively on how to complete applications for funding and learn about additional resources. The difference in the 1996 conference from those held in previous years was its focus on teaching participating HBCUs how to expand the role they play in community and economic development. Participants were provided with a broad range of resources, encouraged to share information with one another, and learned from a variety of foundations and financial institutions how to leverage the dollars they receive many times over. By the sheer number of participants, the conference reflected the significant impact HBCUs have on the nation's neighborhoods.

## COMMUNITY DEVELOPMENT CORPORATIONS

As part of a new approach to revitalization of distressed neighborhoods, 20 Community Development Corporations (CDCs) across the nation were selected in 1994 to expand their work in economic development and empowerment activities. According to Secretary Cisneros, "CDCs work on neighborhood problems with insight and expertise that can't be matched by outside agencies and bureaucracies because CDCs have strong roots in the community."

Each of the CDCs was eligible to receive up to $2 million in private charitable contributions, with donations encouraged through favorable tax treatment for the private donor individuals or businesses. Business and financial institutions that contribute to a CDC business venture can write off up to 10 percent of the contribution per year on their annual taxes. This innovative program allows the CDCs to receive qualified contributions immediately upon designation.

The CDCs are required to use the additional tax-leveraged contributions to provide employment and business opportunities for low-income individuals who are residents of the CDC's operational area. This includes linking economic development, human development, and housing opportunities.

## NATIONAL COMMUNITY DEVELOPMENT INITIATIVE

The new National Community Development Initiative (NCDI II) is expected to bring at least $660 million from other sources to blend with the initial investment. The funds are to be used over a 3-year period that started on July 1, 1994.

NCDI is part of a larger multi-year commitment to promote community investment by providing low-interest loans and grants to CDCs. Other partners are The Prudential, The Rockefeller Foundation, J.P. Morgan and Co., John D. and Catherine T. MacArthur Foundation, Metropolitan Life Foundation, John S. and James L. Knight Foundation, the Pew Charitable Trusts, Surdna Foundation, the Annie E. Casey Foundation, and the McKnight Foundation.

The Local Initiatives Support Corporation (LISC) and the Enterprise Foundation serve as intermediaries for NCDI. They will manage the investments and contributions and provide assistance to the CDCs.

HUD joined 10 major corporations and foundations to provide an $87.6 million investment through the National Community Development Initiative to boost neighborhood renewal in 24 central cities. HUD has committed $20 million to this new partnership.


Ounce of ... on ... th ... already underway in EZ/EC schools.

YOUTH AND EDUCATION

## Ounce of Prevention Program

The Ounce of Prevention program was authorized under Section 30102 of the Violent Crime Control and Law Enforcement Act of 1994. “Funding the coordination of existing youth crime and violence [prevention] programs and organizations,” said Secretary Cisneros, “is a powerful way to strengthen capacity with limited dollars.”

Through an Inter-Agency Agreement with the Ounce of Prevention Council and the Department of Justice, Office of Juvenile Justice and Delinquency Prevention, HUD assumed responsibility for administering the Ounce of Prevention program. The program provides funds to build on the public safety and youth development efforts underway in EZ/ECs and link them with similar efforts in surrounding neighborhoods. Grants are used for projects that build upon, and add to, current efforts to coordinate and integrate youth crime and violence prevention programs and services.

The initiative is designed to demonstrate that local youth crime and violence prevention efforts must include not only comprehensive community planning, but also improved links among multiple prevention programs and initiatives.

The Ounce of Prevention program was funded at $1.2 million in FY 1995. While the funds came from the Department of Justice, HUD is responsible for making the awards. These funds were awarded competitively through a selection process conducted by HUD for projects targeted at federally designated urban and rural EZ/ECs.

Funding that totaled more than $1 million for FY 1996 included grants made in conjunction with the Ounce of Prevention Council. The grant recipients included the following:

- City and County of San Francisco, CA
- City of Akron, OH
- Clinton County School District, Albany, KY
- United Way of Chittenden County, Burlington, VT
- Boston Coalition Against Drugs and Violence, Boston, MA
- St. Louis Development Corporation, St. Louis, MO
- City of Louisville, KY
- Foundation for the National Capital Region, Washington, DC
- YMCA of San Diego County, CA.

Early Childhood Development Grants assist parents *on* welfare with child care expenses so they can move from welfare to **work.**

## EARLY CHILDHOOD DEVELOPMENT PROGRAM

HUD designed the Early Childhood Development program to support low-income families on welfare looking and/or training for work. The local programs funded by this effort provide child care for families who are getting off welfare and moving into work. Non-profit organizations and localities receive child care assistance for families living in public housing and for homeless families or those at risk of becoming homeless. The funds also may be used for the operating expenses and/or for minor renovations of child care facilities located in or near public housing developments.

Assistant Secretary Andrew Cuomo said, "This program will help us continue to provide child care for poor children in these distressed communities so their parents can train and find work."

### Accomplishments

In FY 1995, localities and non-profits competed for $21 million in Early Childhood Development funds. In September 1996, HUD announced awards to 45 communities to fund child care for 4,800 poor and homeless children.

Cities In Schools is the largest national, non-profit network of local public/private partnerships aimed at helping youth successfully stay in school. The national CIS organization provides training, technical assistance, and communications support to a network of more than 100 local and state CIS programs. The CIS network has 119 programs in 28 states, serving 295 communities. It features projects in 1,025 schools where 200,000 students and their families received personal, coordinated services in FY 1995-1996. An additional 145 communities are developing new CIS programs.

CIS promotes public-private, community-based partnerships by bringing together local public agencies, schools, health and social service providers, the business community, and educators to address problems facing youth and their families at the school and neighborhood level.

*The Cities in Schools program helps students stay in school and* prepares them *for* **work.**

The CIS process begins with a critical assessment of the needs of children served by the local school system and the development of a comprehensive plan to reposition service providers from local community agencies into schools.

The program received a $10 million appropriation for 1994 and 1995 and an additional $10 million in 1996.

### Accomplishments

Through the first 2 years, the program has provided training, technical assistance, and support for comprehensive CIS programs in 33 communities; developed nine Community Havens, which are CIS community centers open beyond regular school hours to all residents in the surrounding area; trained more than 1,300 community leaders through the CIS Training Institute, developed CIS Academies in Newark, N.J., and Denver, Colo., in partnership with National Football League teams and other corporate sponsors that can supplement and eventually replace federal support; worked to complement EZ/EC activities by developing comprehensive CIS programs in areas near five urban Empowerment Zones, one rural Empowerment Zone, and several Enterprise Communities.

## DISASTER RELIEF

Through special funding and increasing flexibility in the use of funds, CPD programs have played a key role in disaster recovery. This was especially true in 1994, when several natural disasters struck the United States. A series of earthquakes struck Southern California, centered about 19 miles west-northwest of downtown Los Angeles around Northridge, on January 17, 1994. It was the most destructive earthquake ever to strike an urban area in the United States.

Severe flooding occurred across the nation in 1994 and 1995. In July 1994, Tropical Storm Alberto caused flooding through much of Georgia, southeastern Alabama, and northwestern Florida. Other flooding occurred in southeastern Texas and in a swath of counties from southwestern Georgia to Savannah and to the Florida panhandle. In November 1994, Tropical Storm Gordon crossed Florida from the Gulf of Mexico to the Atlantic Ocean.

In response to these and other disasters, Congress passed several emergency supplemental appropriations through the HOME and CDBG programs to assist in the rebuilding of disaster-struck communities. These appropriations authorized HUD to waive certain statutory and regulatory provisions to enable CDBG and HOME to be used for disaster recovery funds.

Northridge Earthquake. All told, HUD made $400 million in CDBG and $105 million in HOME funds to assist in the earthquake recovery efforts. The Emergency Supplemental Appropriations Act of 1994, enacted in February 1994, included a $175 million appropriation for the CDBG program for expenses resulting from the Northridge earthquake. The funds were allocated to 21 CDBG entitlement communities affected by the earthquake. Further legislation enacted in September 1994 included an additional $225 million for the repair and reconstruction of residential properties located in Los Angeles ($200 million) and Santa Monica ($25 million).

During FY 1994, Public Law 103-211 provided $105 million in HOME funds for recovery from the earthquake. Of that amount, $75 million was transferred from the CDBG program and awarded *to* six communities (Burbank, Glendale, Los Angeles, Los Angeles County, Santa Monica, Ventura County) and to the State of California. In August 1994, another $30 million in HOME funds was awarded for multi-family housing in Los Angeles, Santa Monica, and Los Angeles County. Exhibit 7-2 breaks down the distribution of relief funding for the Northridge earthquake.

**Tropical Storm Alberto and Other Disasters.** Another $180 million in CDBG funds was provided to Alabama, Florida, and Georgia, as well as several cities in the region for recovery from tropical storm Alberto and other disasters.

**Oklahoma City Bombing.** Congress appropriated $39 million in CDBG emergency supplemental funds to assist with property damage resulting from the bombing of the Alfred P. Murrah Federal Building in Oklahoma City. These funds also were used for economic revitalization.

**Exhibit 7-2**
**CPD Disaster Relief Funding for the Northridge Earthquake, FY 1994**

| Community | CDBG Allocations | HOME Allocations | Multi-family Housing HOME Allocations | CDBG "Ghost Town" Allocations |
|---|---|---|---|---|
| Baldwin Park | $ 7,000 | $ | $ | $ |
| Burbank | 1,175,080 | 504,000 | | |
| Compton | 700,934 | | | |
| Gardena | 194,885 | | | |
| Glendale | 1,025,714 | 834,000 | | |
| Hawthorne | 211,060 | | | |
| Inglewood | 707,000 | | | |
| Lancaster | 48,000 | | | |
| Los Angeles | 108,039,032 | 58,995,000 | 22,467,000 | 200,000,000 |
| Los Angeles County | 39,984,396 | 3,913,000 | 1,172,000 | |
| Lynwood | 109,000 | | | |
| Monterey Park | 40,000 | | | |
| Pasadena | 453,696 | | | |
| Redondo Beach | 21,000 | | | |
| Santa Clarita | 6,549,273 | | | |
| Santa Monica | 4,436,845 | 2,027,000 | 6,361,000 | 25,000,000 |
| Simi Valley | 6,105,956 | | | |
| South Gate | 12,000 | | | |
| Thousand Oaks | 863,880 | | | |
| Ventura County | 4,315,249 | 426,000 | | |
| State of California | | 8,301,000 | | |
| | $ 175,000,000 | $ 75,000,000 | $ 30,000,000 | $ 225,000,000 |

**Flooding in Texas and California.** The Multi-family Housing Property Disposition Reform Act of 1994 gave the Secretary the authority to waive certain CDBG and HOME regulations for the use of designated funds to address damage in declared disaster areas. This provided communities affected by natural disasters with additional flexibility to use CDBG and HOME funds for disaster recovery.

HUD granted waivers to the State of Texas and 15 cities and urban counties to aid in recovery from the October 1994 flooding in Southeast Texas. Similarly, CPD gave over 150 cities and urban counties in California devastated in the January and March 1995 floods an opportunity to request waivers.

**Hurricane Marilyn.** HUD also worked with FEMA to assess the need in the U.S. Virgin Islands and Puerto Rico for HUD program assistance, as a result of the damage caused by Hurricane Marilyn.

## DEFENSE DOWNSIZING PLANNING GRANTS

The Community Adjustment and Economic Diversification Program was authorized by the Housing and Community Development Act of 1992 (Public Law 102-550). The Act authorizes grants for planning so the communities can adjust to unemployment and community problems arising from military base closings or private sector downsizing caused by actions taken by the DoD. Congress limited participation to non-entitlement communities.

This modest program complements a much larger planning assistance program operated by the Office of Economic Adjustment (OEA), within the Department of Defense.

Eligible activities include initial assessments and quick studies of physical, social, economic, and fiscal impacts on the community.

Since 1994, HUD has been accepting and processing planning grant applications. Because of the timing of DoD actions on base closings or contract cancellations and the uncertainty of the impacts on affected communities, HUD decided it would be unwieldy to operate this planning grant program by annual nationwide competitions. Instead, HUD reviews and approves grants on a first-come, first-served basis.

**Results**

Of the FY 1994 and FY 1995 CDBG funds, $4 million was available to support community planning. CPD has made 16 grants for community adjustment and economic diversification. New grant requests are being reviewed for the remaining funds. The average grant amount is just over $133,000. Grants have been made to the communities shown in Exhibit 7-3.

## ENVIRONMENT AND SUSTAINABLE COMMUNITY DEVELOPMENT

In our nation's cities, as elsewhere, economic growth often has been accompanied by environmental degradation. And too often, our low- and moderate-income communities have taken the brunt of environmental degradation. The location of toxic waste dumps, expressways, incinerators, and other sources of industrial pollution too often have been in poorer communities. It is also in these communities where we have seen the most profound loss of jobs over the past 50 years and where the need for economic growth is the greatest. Funding environmentally sound and cost-effective waste treatment and management continues to be a major challenge. With rapid suburbanization has come increased automobile use, traffic congestion, and air pollution.

Sustainable community development provides an alternative direction. "Sustainability" involves the balancing of society, economics, and ecology to create a viable future. Early in the Clinton Administration came an explicit mandate for

**Exhibit 7-3**
**Community Adjustment and Economic Diversification Planning Grants Cumulative Funding, FY 1994 - FY 1995**

| Grantee | Closing Base or Downsizing Corporation | Grant Amount (dollars) |
|---|---|---|
| Presque Isle., ME | Loring Air Force Base | $ 90,500 |
| Marquette County, MI | K.I. Sawyer Air Force Base | 125,000 |
| Kingston, NY | IBM | 250,000 |
| Billerica, MA | Raytheon | 110,000 |
| Andover, MA | Raytheon and other Dept. of Defense contractors | 100,000 |
| Ayer, MA | Fort Devens | 134,870 |
| Government of Guam | Five Installations, including Naval Air Station and Ship Repair Facility | 123,071 |
| Delta Junction, AK | Fort Greeley | 100,000 |
| Parsons, KS | Kansas Army Ammunition Plant | 99,000 |
| Savanna, IL | Savanna Army Depot | 150,000 |
| Plattsburg, NY | Plattsburgh Air Force Base | 150,000 |
| Marina, CA | Fort Ord | 140,000 |
| Essex County, MA | Numerous Dept. of Defense contractors | 100,000 |
| Rockland, MA | Naval Air Station South Weymouth | 150,000 |
| Geneva, NY | Seneca Army Depot | 250,000 |
| Pueblo, CO | Pueblo Chemical Depot | 56,000 |
| | Total | 2,128,441 |
| | Average | $ 133,028 |

urban sustainability, directed at HUD, and set within the new Empowerment Zone/Enterprise Communities Initiative. The EZ/EC's key principles and key selection criteria encourage the use of sustainable community development at the local level.

This HUD assignment has been reinforced by the recommendations of the President's Council on Sustainable Development. Through the EZ/EC program, through the CDBG program, and through the coordinated integration of federal and private sector investment, CPD is working to develop practical applications of sustainable development at the local level.

### Achieving Environmental Justice at HUD

On February 11, 1994, President Clinton issued Executive Order 12898 on environmental justice. This Order focuses federal attention on the environmental and human health conditions of minority and low-income communities. It called on federal agencies to make certain that their activities do not impose disproportionate adverse impacts on such communities.

HUD published an Environmental Justice Strategy that identifies four priority areas:

- Creating healthy, viable environments through Empowerment Zones and Enterprise Communities
- Fighting childhood lead-based paint poisoning
- Revitalizing central cities through brownfield redevelopment
- Improving fundamental living conditions in the Colonias.

### Streamlining Environmental Reviews

All HUD-funded projects are required to undergo some level of environmental review, under the National Environmental Policy Act and other federal environmental laws. The type, scale, and scope of these reviews depend on the type of project involved. CPD, which is responsible for these reviews, has implemented a series of regulatory changes to streamline the environmental review process and to make it easier for grantees to comply with the law.

HUD completely revised its environmental review regulations (24 CFR Part 50 and Part 58) as part of a series of initiatives to improve the way HUD delivers services to the public. CPD also has developed new tools for improving environmental quality in housing and community development activities. Most recently, these included the development of a handbook (1390.5) that describes the environmental requirements applicable to the HOPWA program, as well as a Notice governing environmental requirements for the Church Building Initiative.

### Empowerment Zones and Enterprise Communities

Sustainable development is a key goal of the EZ/EC Initiative. The mid-1995 report of the President's Community Empowerment Board, which oversees the Initiative, reads: "This EZ/EC Initiative seeks to empower communities by supporting local plans that coordinate economic, physical, environmental, community, and human development."

Key selection criteria included a requirement that communities demonstrate how economic development could be achieved in a manner that protects public health and the environment. Economic development can only be achieved, the application kit argued, "when part of a coordinated and comprehensive strategy includes physical development as well as human development. A community where the streets are safe to walk, the air and water are clean, housing is secure, human services are accessible, and where a vital civic spirit is nurtured by innovative design, is a community that can be a source of hope to its residents."

### Homeownership Zones and the New Urbanism

Homeownership Zones are expected to include development of housing opportunities as part of a comprehensive approach and overall revitalization of the neighborhood. CPD encouraged applicants to incorporate the basic principles of the New Urbanism, which bring sustainable development down to the street, block, and lot level. These include a hierarchy of human-scaled, pedestrianfriendly streets; a fine-grain mix of compatible uses, with everyday needs within a comfortable walking distance; transit linkages; and landscape used to define public spaces. (See Chapter 5 for further details.)

### Redeveloping Brownfields

For many Communities, acquiring, cleaning, and redeveloping older and often abandoned underutilized industrial sites have become a key element in revitalization plans for the nation's older industrial cities. From HUD's perspective, "brownfield" redevelopment must be included within the context of an approach that is locally-driven, multi-disciplined, and integrated into urban revitalization, comprehensive planning, and community economic development.

Redevelopment of brownfields is a logical complement to CPD's inclusive approach to economic and community development. It is a key element in HUD's Environmental Justice Strategy, and is consistent with the Administration's overall National Urban Policy.

*This* brownfield site *in* Portsmouth, OH, is *being developed into an* iron castings foundry. **At** least 50 new jobs will be created.

Thirty-four of some 60 Brownfield Pilots underway through the U.S. Environmental Protection Administration's Brownfields Economic Redevelopment Initiative are in EZ/ECs. The Pilots are designed to empower states, communities, and other agents of economic redevelopment to work together in a timely manner to prevent, assess, safely clean up, and reuse brownfields. Under the program, awards of $200,000 over 2 years are made to states, cities, towns, counties, and Tribal governments. The principle objective is to promote and further redevelop "brownfields" and return them to appropriate and productive use.

It is estimated that most of the nation's urban brownfields lie within current CDBG-eligible communities. Grant recipients have the ability to address the cleanup and development of these sites with CDBG funds. However, to clarify eligibility issues and promote brownfield redevelopment, HUD proposes to amend CDBG regulation language on "slums and blight" to include "brownfields."

### Energy Efficiency

The CDBG program emphasizes the need to address the impact of high energy costs imposed on local community and housing development activities. At the heart of the problem is affordability. Low income families are especially burdened by the high cost of energy. CPD's goal is to raise program administrators' awareness and performance in maximizing energy efficiency in HUD-supported buildings. CPD's programs provide resources and know-how to address the energy problem. Through a joint initiative with the Department of Energy, CPD prepared guidelines for energy-efficient housing rehabilitation, which, along with a training video, was distributed to 500 CDBG and HOME program agencies.

There are many opportunities for using CDBG funds to encourage the use of alternative and renewable energy resources. Property rehabilitation and new construction can tap passive solar energy features to improve comfort and reduce utility expenses. Community energy systems, as illustrated by CPD's technical assistance for determining the feasibility of district heating and cooling, can contribute to economic development. CPD completed district heating/cooling feasibility and design study projects in Providence, RI, Jamestown, NY Camden, NJ, Baltimore, MD, and Miami, FL.

**Urban Resources Partnership Demonstration**

The integration of natural systems into the urban fabric contributes to an improved living environment. Such systems include streams, gardens, and wetlands. They not only provide amenities and recreation outlets for urban residents, but also help sustain the city and its environment. In conjunction with six federal agencies, HUD has participated in an eight-city demonstration to illustrate the importance of natural systems in urban areas. The cities include Atlanta, Chicago, Denver, East St. Louis, Los Angeles, New York, Philadelphia, and Seattle. Each city received $500,000 in grant funds from the Department of Agriculture to help local residents and organizations define and respond to their communities' environmental needs.

The type of activities being assisted are very broad and range from community gardens at public housing projects to restoring public open space, organizing a youth corps, and educating school age children. Almost any activity focusing on the protection of the environment that is proposed by local public and private organizations is eligible for assistance.

The CPD staff overseeing the programs discussed in this report include (from left) Terry Nicolosi, Special Assistant; Fred Karnas, Office of HIV/AIDS Housing; Lorrane Ausley Ellis, Special Assistant; Howard Glaser, General Deputy Assistant Secretary; Julian Potter, Director of Empowerment Zone/Enterprise Community Initiative; Ken Williams, Deputy Assistant Secretary; Donna Abbenante, Office of Technical Assistance and Management; Gordon McKay, Office of Affordable Housing Programs; Jacquie Lawing, Deputy Assistant Secretary; Roy Priest, Office of Economic Development; Julie Oppenheimer, Special Assistant; Richard Kennedy, Office of Block Grant Assistance; Andrea Hill, Special Assistant; Karen Hinton, Special Assistant; Pat Morgan, Interagency Council on the Homeless; and John Garrity, Office of Special Needs Assistance Program. Not pictured are Mark Gordon, former General Deputy Assistant Secretary and Chief of Staff; Patricia Enright, former Special Assistant; Joe Smith, Office of Executive Services; Richard Broun, Office of Community Viability; and Heidi Chapman, Interagency Council on the Homeless.

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"Turning the directives of federal legislation and the fine print of regulations into meaningful initiatives that make a difference in people's lives is the job of CPD employees. I believe this annual report shows that they have done their jobs, and I want to dedicate this small space to thank them for the big contribution they have made to economic and community development in cities and communities across this country. Their dedication, attention to detail, ingenuity, and persistence have paid off and will continue to produce results for years to come. I'm *proud* to be a member of their team."

– Andrew Cuomo, Assistant Secretary

## DATA LIMITATIONS

This Annual Report includes information reported by grantees in both 1995 and 1996 and reflects the most current data available for each program. This varies from program to program. For the CDBG program, for example, the most recent Grantee Performance Report for which data is available covers FY 1993. For the State CDBG Program, more recent data (FY 1994) is available.

| Program | Reporting Year | Data Source | Data Limitations |
|---|---|---|---|
| CDBG Entitlement | 1992- 1993 | Grantee Performance Reports (GPR) | Some grantees report beneficiary data annually, while others report cumulatively. There is no way to distinguish between the two when data are aggregated nationally. Entitlement grantees report beneficiaries as persons or households based on the activity. For the sake of consistency and simplicity, numbers in this report are considered to be persons, rather than households. |
| State CDBG | 1993-1994 | Program Performance Evaluation Reports | States reported actual benefits as of June 30, 1995, for completed local grants. Because most FY 1994 grants were still in progress as of June, 1995, most accomplishments for FY 1994 have yet to be reported. |
| HOME | 1994-1995<br>1996 partial | Cash and Management Information System | None. |
| Emergency Shelter Grants | 1994-1995 | Estimates | Actual counts of homeless persons assisted are not available. |
| Competitive Awards (Homeless, HBCU, TA, Youthbuild, and Special Initiatives) | FY 1994-1995 | Applications or Awards | Data for the competitive programs are based primarily on proposed accomplishments indicated by the grant recipients in their applications for assistance. |

# GOVERNMENT'S WORKING

## NEIGHBORHOOD BY NEIGHBORHOOD BLOCK BY BLOCK

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Henry G. Cisneros, Secretary

**Office of Community Planning and Developmen**
Andrew Cuomo, Assistant Secretary

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