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THE WHITE HOUSE  
WASHINGTON

June 14, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING  
MARIA ECHAVESTE  
STEPHANIE STREETT

SUBJECT: PRESIDENTIAL TRIP TO AMERICA'S NEW MARKETS

**BACKGROUND**

As you know, you will travel the week of July 5<sup>th</sup> throughout the United States to highlight underserved markets and to bring attention to the need for access to capital in economically distressed areas. We plan for you to be joined on the trip by a bipartisan congressional delegation, community leaders, and corporate CEOs who will make announcements about new private sector investments and initiatives in New Markets. In each location you will focus on a specific theme related to our New Markets Initiative.

An interagency working group (HUD, Treasury, SBA, Commerce, Labor, Transportation, and USDA) together with White House staff have identified several potential locations and deliverables for the New Markets Tour. These cities, or neighborhoods within each city, have characteristics of an underserved or new market. They are also locations where we can expect major private sector announcements to be made as a result of outreach to large corporations, which included the New Markets CEO Roundtable and Rose Garden announcement about this trip on May 11.

After an extensive review of numerous locations, we propose the itinerary listed on page 2. These options allow you to visit a broad range of communities that reflect the cultural and geographic diversity of the country. The options also allow us to highlight a number of private sector investments and initiatives specific to these locations.

As noted on the following page, our proposed locations include a Native American community, Appalachia (Kentucky or Southern Ohio), the Mississippi Delta, an Hispanic community (South Phoenix), a West coast urban center (Los Angeles), and a Midwest urban center (Chicago or St. Louis/East St. Louis).

## PROPOSED ITINERARY

Our proposal for the New Markets Tour would have you making the following stops after departing Washington on the evening of Monday, July 5. You would return to Washington on the evening of July 8.

- Tuesday, July 6: Los Angeles and Anaheim, CA  
South Phoenix, AZ
- Wednesday, July 7: Pine Ridge Indian Reservation, SD  
Chicago, IL OR St. Louis/East St. Louis, MO
- Thursday, July 8: Jackson, MS (Mississippi Delta)  
Kentucky Highlands, KY OR Athens, OH (both are in Appalachia)

## SUMMARY OF SITES

### 1. Los Angeles and Anaheim, CA

*Theme:* Focus on private sector workforce investments in disadvantaged youth

*Summary of Key Announcements:*

- Several corporate CEOs, including Shell Oil, Northrup Grumman, and McDonnell Douglas; a number of celebrities such as Denzel Washington, Shaquille O'Neal, Lauryn Hill, and Sidney Poitier; and the LA Chamber of Commerce will join together to announce programs hiring inner city youth. One site is a center where former gang members, single parents and other out-of-school youth are learning basic computing skills.
- Sandy Weill, Chairman and CEO of Citigroup, will be meeting in Anaheim with over 200 business leaders and others to highlight the efforts of the National Academy Foundation (NAF), a non-profit organization supporting intern sponsorships that help to prepare high school students for work. NAF and Weill have announced formal partnerships with the Departments of Treasury and Commerce.

### 2. South Phoenix, AZ

*Theme:* Focus on providing access to capital in Hispanic communities

*Summary of Key Announcements:*

- This visit to South Phoenix would allow you to highlight the Arizona Multibank Community Development Corporation, which has provided \$12.5 million to 200 projects throughout Arizona, including a home-based day care business.
- MultiBank is currently trying to raise \$5 million from major banks for its new Low and Moderate Income (LMI) SBIC. You could announce that this is the first SBIC to apply to the SBA to become an LMI SBIC.

3. Pine Ridge Indian Reservation, SD

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Theme: Focus on private sector investment in Native American communities

Summary of Key Announcements:

- You could announce with Frank Raines and Sen. Daschle that Fannie Mae is making a significant commitment to South Dakota, including the reservation. The Fannie Mae investment plan will involve a \$400 million statewide commitment as well as the opening of a new Partnership Office in Sioux Falls.

4. Chicago, IL

Theme: Focus on investing in urban EZs through CDFIs

Summary of Key Announcements:

- SBC Communications is involved in several hiring programs in the Hispanic community, and we could potentially coordinate an announcement around this workforce activity.
- Ameritech is developing a partnership with African-American entrepreneurs selling cable television door-to-door.
- BankAmerica has identified Chicago as one of the locations where they would be willing to make a major national announcement related to New Markets.
- The BusinessRoundtable is prepared to make a major announcement opening a BusinessLINC chapter here, which could occur simultaneously in New York and Dallas.

5. St. Louis/East St. Louis, MO

Theme: Focus on investments in urban EZs

Summary of Key Announcements:

- Walgreens will locate an anchor store in the largest shopping center to be built in the area since 1950. You could potentially announce the execution of new commercial leases for this shopping center, including for State Farm Insurance and Hollywood Video.

6. Jackson, MS (the Mississippi Delta)

Theme: Focus on investment in rural New Markets

Summary of Key Announcements:

- You could announce that Enterprise Corporation of the Delta is raising new investments from several corporations including Blue Cross/Blue Shield and Skytel. We could possibly hold a roundtable here with corporate leaders and beneficiaries of Enterprise financing from throughout the Delta including Louisiana, Arkansas and Mississippi.
- You could also visit companies that have benefited from the Mississippi Delta EZ such as the Viking Range Corporation in Greenwood, MS.

based in Jackson, but we would do something nearby (40 minutes)

Not in the Delta  
summary go to Memphis from EZ  
in the Delta

Memphis to NO  
20 miles east  
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7. Kentucky Highlands, KY

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*Theme:* Focus on investment in Appalachia and rural New Markets

*Summary of Key Announcements:*

- You could visit a business financed by the Kentucky Highlands Investment Corporation (KHIC), which is the lead entity for the EZ. One such business is Mid-South Electric, a small company, which has grown to 800 employees and is now completing a \$5 million expansion that will add 100-150 additional employees.
- There may also be new announcements to make about significant additional private sector investments in KHIC. Prior investors include Bankers Trust.

8. Athens, OH

*Theme:* Focus on investment in Appalachia and rural New Markets

*Summary of Key Announcements:*

- Several business and non-profit organizations are prepared to announce with you the formation of a new fund – the Appalachia Ohio Development Fund – which will provide technical assistance to small businesses in southern Ohio.
- Bank One is willing to make an announcement with you of its intent to become the lead investor in this fund with a specific financial commitment.

**REQUEST AND RECOMMENDATION**

Please indicate your preference among the options discussed above:

\_\_\_\_\_ OPTION A: Los Angeles – Anaheim – Phoenix – Pine Ridge, SD – Chicago – Jackson, MS – Kentucky Highlands

\_\_\_\_\_ OPTION B: Los Angeles – Anaheim – Phoenix – Pine Ridge, SD – Chicago – Jackson, MS – Athens, OH

\_\_\_\_\_ OPTION C: Los Angeles – Anaheim – Phoenix – Pine Ridge, SD – East St. Louis – Jackson, MS – Kentucky Highlands

\_\_\_\_\_ OPTION D: Los Angeles – Anaheim – Phoenix – Pine Ridge, SD – East St. Louis – Jackson, MS – Athens, OH

Attachment

## ATTACHMENT: ADDITIONAL DETAIL ON POTENTIAL SITES

### 1. LOS ANGELES/ANAHEIM, CA

**Theme: Private sector workforce investments in disadvantaged youth**

#### *Background and Potential Corporate Announcements*

- Several corporate CEOs, including Shell Oil, Northrup Grumman, and McDonnell Douglas, a number of celebrities such as Denzel Washington, Shaquille O'Neal, Lauryn Hill, Sidney Poitier, Angela Basset, Jimmy Smits and others, the Los Angeles Chamber of Commerce, and others will join together to announce that the companies will hire inner city youth, in collaboration with local programs and the Department of Labor. In Watts, DOL's effort has helped to create 700 new jobs, employing 1,700 young people.
- DOL is continuing to expand this effort through a collaboration with the National Alliance of Business, Los Angeles Chamber of Commerce, Mayor's Business Leaders Alliance, and several foundations.
- Sandy Weill, Chairman and CEO of Citigroup, will be meeting in Anaheim with over 200 other business leaders, 1,000 public high school teachers, and more than 100 students to highlight the efforts of the National Academy Foundation (NAF), a non-profit organization that supports intern sponsorships helping to prepare high school students for work. Weill has announced formal partnerships with the Departments of Treasury and Commerce.
- This is NAF's fifteenth annual meeting. Prominent board members of NAF include Vernon Jordan and James Johnson.

#### *Potential Site Visits*

- Potential Los Angeles sites that you would visit connected to the DOL program include the Youth Opportunities Unlimited Alternative High School. At the site you would tour the center with former gang members, single parents and other out-of-school youth who are learning basic computing skills to help prepare to be productive in the workforce.

### 2. SOUTH PHOENIX, AZ

**Theme: Providing access to capital in Hispanic communities**

#### *Background*

- South Phoenix is an Enterprise Community with a large Hispanic population and has historically been one of the poorest neighborhoods in the city. Legislative Affairs believes that the local representative, Ed Pastor (D-AZ), whose district is 50% Hispanic and includes South Phoenix, would be very supportive.
- This visit would allow you to highlight the Arizona Multibank Community Development Corporation which has provided \$12.5 million to 200 projects throughout Arizona, including a home-based day care business and a local magazine dedicated to the arts and lifeways of Native Peoples. It is an SBIC and CDFI and is

capitalized with over \$10 million from several banks including Norwest/Wells Fargo Bank, Bank of America, Bank One Arizona.

- You could also highlight the efforts of MicroIndustry Credit Rural Organization (MICRO), which is based in Tucson and was a Microenterprise Presidential Award winner that has received funds from the CDFI Fund. MICRO is a non-profit loan fund and technical assistance provider that is one of the oldest Hispanic development organizations in the nation.

#### ***Potential Announcements and Site Visits***

- MultiBank is currently trying to raise \$5 million from major banks for its new LMI SBIC. You could announce that this is the first SBIC to apply to the SBA to be an LMI SBIC as well as announce these new private investments.
- You could visit a local Latino-owned business financed by MultiBank. For example, Corella Electric, which was SBA's 1986 Minority Small Business of the Year, received working capital from MultiBank in its early years. This company now has contracts with AT&T and is so successful that they gave a supplemental payment to MultiBank to make microloans to aspiring small businesses in South Phoenix.
- You could potentially visit with one of MICRO's entrepreneurs. There are also several companies considering major investments (up to \$1 million) in MICRO that could be announced.
- Another option is to bring representatives from several CDFIs to MultiBank and make a series of announcements about new investments. In total there are more than \$100 million in new CDFI announcements that could potentially be announced as part of the trip. As an example, Fannie Mae has indicated that they may be in a position to announce new CDFI investments, building upon their existing investments with several CDFIs throughout the country.

### **3. PINE RIDGE RESERVATION, SD**

**Theme: Private sector investment in Native American communities**

#### ***Background and Potential Announcements***

- This community is the first EZ on a reservation.
- Fannie Mae is working on a significant commitment both to South Dakota and to the reservation and Sen. Daschle is very interested in joining you in announcing this. The Fannie Mae investment plan will involve a \$400 million statewide commitment as well as the opening of a new Partnership Office in Sioux Falls. The plan currently involves housing mortgage efforts only but could potentially include equity investments.
- IBM and American Online have spoken with HUD about developing an e-commerce system that could be used to market products produced on reservations. In Pine Ridge, e-commerce would be applicable to distribution arts and crafts products. An infrastructure investment announcement could be coordinated with the release of the Commerce Department report about the dearth of telecommunications access on reservations.

- The Federal Housing Finance Board and the Mortgage Bankers Association of America have committed to bring lenders interested in mortgages (including commercial mortgages) and economic development loans to reservations.
- A HUD conference on economic development that will draw 500 tribal leaders from across the U.S is being planned for Pine Ridge. You could also announce the establishment of the Board of Directors for the first-ever Empowerment Zone on an Indian Reservation.
- According to HUD, no sitting President since Taft, has visited a reservation.

#### 4. CHICAGO, IL

##### **Theme: Investing in Urban EZs through Community Development Financial Institutions**

###### *Background*

- The Illinois Facilities Fund is a CDFI that finances nonprofit facilities that support low income people in Chicago and elsewhere in Illinois. The IFF has previously received funding from the CDFI Fund, and focuses largely on financing day care centers, health care clinics, and other critical.
- Note: You recently traveled here for the University of Chicago commencement and Chicago is also the site of two future events scheduled for June 30 and August 3.

###### *Potential Announcements and Site Visits:*

- A major company may be prepared to announce a significant financial investment in IFF, which could possibly at a daycare center financed by IFF.
- Another option is to bring representatives from these CDFIs to IFF and make a series of announcements about new investments. As an example, Fannie Mae has indicated that they may be in a position to announce new CDFI investments, building upon their existing investments with several CDFIs throughout the country. In total there are more than \$100 million in new national CDFI announcements that could potentially be announced as part of the trip.
- There are also several private companies interested in making significant announcements in Chicago.
  - (1) SBC Communications is involved in several hiring programs in the Hispanic community. We could potentially coordinate an announcement around this workforce activity.
  - (2) Ameritech is developing a partnership with Africa-American entrepreneurs selling cable door to door.
  - (3) BankAmerica has identified Chicago as one of the sites where they would be willing to make a major national announcement related to New Markets.
- The BusinessRoundtable is prepared to make a major announcement about a BusinessLINC chapter here, which could open simultaneously with chapters in New York and Dallas. There is a possibility of holding a roundtable on BusinessLINC in this location along with simultaneous roundtables in other places around the nation. As you know, BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs.

5. **ST. LOUIS/EAST ST. LOUIS, MO**  
**Theme: Investments in Urban Empowerment Zones**

***Background***

- East St. Louis is an extremely economically distressed community with unemployment rates in excess of 20% and poverty rates of 41.8%
- An East St. Louis neighborhood which was formerly an Enterprise Community and is now part of the EZ gave rise to the Jackee Joyner Kersee Community Center, which will provide educational and recreational programs for youth. A number of corporations have contributed to the Jackee Joyner Kersee center, including Enterprise Rent-A-Car, May Department stores, and NationsBank. Twenty jobs will be created.
- The St. Louis 2004 Revitalize Neighborhoods Project features \$751 million in loans and investments by 18 local financial institutions and the creation of 200 jobs in East St. Louis and eight other targeted communities.
- YouthBuild East St. Louis (YBE) received a \$700,000 implementation grant in 1997. YBE has successfully completed two major projects with ties to a local public housing project and in conjunction with the East St. Louis Housing Authority.

***Potential Announcements and Site Visits:***

- Within the EZ, Walgreens will locate an anchor store in the largest shopping center to be built in the area since 1950. The \$3 million store is part of a \$10 million shopping center. The developer, Koman Properties, Inc, has letters of intent to lease the property to State Farm Insurance, Hollywood video, Save-A-Lot and others. You could potentially announce the execution of leases for this shopping center.
- Site visits could also take place at small businesses such as Levy Sign company, D and H Auto service, and Nails, Etc. which have been pre-approved for loans through the EZ small business development center. These businesses will create 25 new jobs for EZ residents.
- The Jackee Joyner Kersee Community Center could potentially be the site of roundtable event similar to the one held at the Sweet Auburn Market in Atlanta on May 11.
- BankAmerica has identified East St. Louis/St. Louis as one of the sites where they would be willing to make a major national announcement related to New Markets.

6. **MISSISSIPPI DELTA**  
**Theme: Investment in SBICs and rural New Markets**

***Background***

- Enterprise Corporation of the Delta (Enterprise) is a CDFI, a SBIC, and a soon to be SBA 7(a) Lender. Enterprise has received past funding from the CDFI Fund, and is located in Jackson, Mississippi, making investments in businesses throughout the Delta (including Louisiana, Arkansas and Mississippi).
- The Mississippi Delta is a rural EZ and Jackson, Mississippi was designated as a Strategic Planning Community in the second EZ/EC round. The Mid-Delta Empowerment Zone covers six counties in the northwest area of Mississippi.

*Potential Announcements and Site Visits*

- Enterprise will become a SBA lender in June and is raising new investments from several corporations including Blue Cross/Blue Shield and Skytel. We could possibly hold a roundtable here with corporate leaders and beneficiaries of Enterprise financing from throughout the Delta including Louisiana, Arkansas and Mississippi.
- You could also visit companies that have benefited from the Mississippi Delta EZ such as the Viking Range Corporation in Greenwood, MS that is the manufacturer of Viking ranges, the premiere brand for commercial grade ranges.
- Other potential site visits could include companies that have received financing from Enterprise including a manufacturer of construction products that is Native American owned and serves construction projects in Tennessee.
- SBA is also exploring the possibility of a BusinessLINC roundtable in the Delta, which would include companies such as Federal Express, Bank One, Wal-Mart and America Online.

7. **KENTUCKY HIGHLANDS, KY**

**Theme: Investment in Appalachia and rural New Markets**

*Background*

- Kentucky Highlands Investment Corporation (KHIC) is the lead entity for the EZ and is a certified CDFI, SBIC, SBA Micro-lender, and USDA Guaranty Lender.
- KHIC has invested \$50 million in over 140 enterprises that employ 1,285 employees. Kentucky Highlands Enterprise Zone Development Venture Fund has been very successful with over 500 jobs created through loans to small businesses in the EZ.
- The Appalachian Regional Commission has funded training for the Women's Initiative Networking Groups, Inc. and provided capital to create a Strategic Capital Fund managed by a non-profit, Mountain Association for Community Economic Development (MACED).

*Potential Announcements and Site Visits*

- You could visit a business financed by KHIC such as Mid-South Electric, Inc., a small company which has grown to 800 employees and is now completing a \$5 million expansion that will add 100-150 employees.
- There may also be new announcements to make about additional private sector investments in KHIC. Prior investors include Banker's Trust.
- Labor and SBA are working on a job training investment announcement that could be made in conjunction with an existing pilot Youth Opportunity program.
- You could potentially visit a company assisted by MACED or by the Kentucky Highland EZ Development Venture Fund, such as Specialty Plastic Products of Kentucky, which plans to start construction on a second plant in early July.

8. ATHENS, OH

**Theme: Investment in Appalachia and rural New Markets**

*Background*

- Enterprise Development Corporation (EDC) is a CDFI based in The Plains, Ohio that was founded 19 years ago and covers a 30-county, largely rural region of Appalachian Ohio. EDC has received grants from the CDFI Fund.
- An organization called ACE-Net (Appalachian Center for Economic Networks) is actively involved in providing support to small businesses in the area.

*Potential Announcements and Site Visits*

- Several groups, including Kentucky Highlands Investment Corporation and ACE-Net, are involved in the formation of a new fund to be known as the Appalachia Ohio Development Fund, which will provide technical assistance to small businesses in southern Ohio.
- Bank One is willing to make an announcement of its intent to become a leading investor with a specific financial commitment.
- Bank One has several other announcements they are willing to make including a commitment to making a loan to EDC through the SBA microloan program. The closing event is scheduled to take place in Athens/Nelsonville, OH. Bank One will also be closing a \$5 million investment in the DCC Growth Fund, a large national fund with a regional office in Akron, OH. The timing of the closing or an announcement of Bank One's investment could be made in Athens/Nelsonville.
- You could visit a local company that has benefited from some of the local programs, such as the minority woman-owned business that manufactures specialty foods and has been helped by venture capital financing that resulted from a prior roundtable organized by ACE-Net.

THE WHITE HOUSE  
WASHINGTON

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July 1, 1999

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Lockhart  
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MEMORANDUM FOR THE PRESIDENT

From: Joe Lockhart *JK*

Subject: Interviews During the New Markets Trip

Cc: John Podesta, Maria Echaveste, Gene Sperling, Stephanie Streett

I would like to propose that you conduct the following interviews on the road next week to amplify your New Markets tour. The proposal contains a variety of media covering a wide range of audiences including mainstream, business, and specialty press. This proposal was developed in consultation with Stephanie Streett to ensure that there is time in your schedule to conduct these interviews.

Monday, July 5

**Black Enterprise**

Propose that you do a 10-minute telephone call interview with Black Enterprise magazine. Interview could be done Monday night from Air Force One (1 hour 20 minutes flight time) or in the hotel in Memphis prior to your OTR dinner (6:40 pm).

Tuesday, July 6

**CNBC Interview with Ron Insana**

Propose that you do a 10-minute interview with CNBC to highlight the New Markets initiative with a business audience. CNBC will travel with us on Monday and Tuesday, spending those two days getting footage of the trip and individual interviews with CEO's and Cabinet Secretaries. You would do a 10-minute interview with Ron Insana following your roundtable with CEO's in Clarksburg, Mississippi. **CNBC will air interview Tuesday night, TODAY show will air it again Wednesday morning.**

**Interviews with Native American Press**

To preview Wednesday's trip to the Pine Ridge Indian Reservation, propose that you conduct a 10-minute telephone interview with Indian Country Today paper and a 5-minute telephone

interview with Native American Radio network. These calls would be made from Air Force One from Memphis to St. Louis (1 hour 15 minutes flight time).

Wednesday, July 7

Propose that you do an interview with Gerry Seib of the *Wall Street Journal* and Ron Brownstein of the *Los Angeles Times*. Seib and Brownstein would travel with us all day Wednesday and Thursday. You would do an interview with them Wednesday on Air Force One, flying from South Dakota to Phoenix (2 hour 10 minutes flight time). Brownstein and Seib have consistently shown a great deal of interest in these types of community development proposals and should give serious attention to this trip. It will also be beneficial to end the trip with serious analytical pieces in the *Wall Street Journal* and *Los Angeles Times*.

Decision

Are you okay with this proposed schedule of interviews?

YES           

NO

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THE WHITE HOUSE  
WASHINGTON

July 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: NEW MARKETS INITIATIVE LEGISLATION

Attached is the material I sent to Sandy Weill for his meeting earlier today with Speaker Hastert. Although I have not yet received a download from their meeting, I thought the following material would give you some idea of what we think we may be willing to and what we would not be willing to incorporate from the American Renewal Act into your New Markets legislation.

Attachment

COPY

THE WHITE HOUSE  
WASHINGTON

July 10, 1999

Dear Sandy,

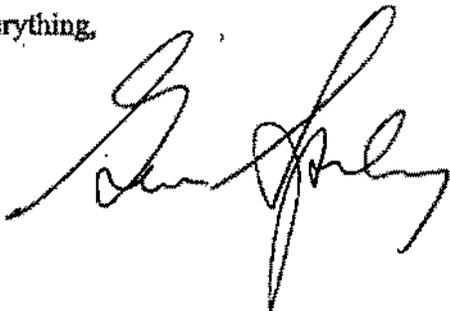
As we discussed yesterday, attached is some information for you about the American Renewal Act in preparation for your meeting with Rep. Hastert this upcoming week. This proposal -- sponsored by Representatives Talent and Watts -- was introduced several years ago and has since been revised many times, but has never gained significant momentum or support. We are seeking bipartisan support for our proposal -- the New Markets Initiative -- to improve conditions in economically distressed areas by providing loan guarantees and tax credit incentives, targeted to low and moderate income communities.

There are several provisions of the Talent-Watts bill that we believe could be incorporated into the New Markets Initiative and would be acceptable elements of a compromise proposal. However, there are some areas, including the zero capital gains tax and what we consider a duplication of the Empowerment Zone and Enterprise Community program, that would be unacceptable. I hope you find the attached summary of the major differences that we object to and areas where we are willing to compromise helpful.

Finally, thank you so much for your contribution to and involvement with the President's New Markets trip. Your involvement was critical to validating the entire trip. Furthermore, you should be very proud of what you have done for both the Wall Street Project and the National Academy Foundation. It was very moving to see not only the kids, but also all of the dedicated teachers you have helped inspired

It has been great working with you. We have a chance to do something very meaningful. Let's stay at it.

Thanks for everything,

A handwritten signature in black ink, appearing to read "Bill Clinton", is written over the typed text "Thanks for everything,".

# THE AMERICAN COMMUNITY RENEWAL ACT

## I. Summary of the Bill

The American Community Renewal Act would provide for up to 100 renewal communities designated through a competitive process similar to that of the current Empowerment Zone and Enterprise Community (EZ/EC) Programs. Renewal Communities would be eligible for numerous tax incentives including zero percent capital gains, commercial revitalization tax credits, expensing for small businesses and Brownfields, expansion of the work opportunity tax credit, and family development accounts. Efforts to create a renewal community program have been underway for several years, and the current bill has evolved from several earlier proposals.

The American Renewal Act contains certain provisions that could not be incorporated into the New Markets Initiative without substantially changing the intent and substance of our proposal for a New Markets Initiative. However, there are a number of other provisions that would be acceptable and could be incorporated into our proposal with little difficulty, as outlined herein.

## II. Comparison of the American Renewal Act to the New Markets Initiative and the Empowerment Zone and Enterprise Community Programs

**CAPITAL GAINS OPENING:** One of the major differences between the President's proposal and the Talent-Watts proposal is that their proposal includes a provision for a Zero Capital Gains. The American Community Renewal Act is principally an attempt to create an opening for a capital gains tax through a program that would attempt to improve conditions in economically distressed communities. Objections and concerns raised about this bill include the zero percent capital gains provision for the sale of certain business property and assets held for more than 5 years. Eligibility includes a requirement that 35% of employees reside in the Renewal Community.

Because it is a back-end solution, a zero percent capital gains tax is not a logical incentive for investment in distressed economic communities. Potential investors in these areas may not be motivated by a benefit that comes only upon the sale of an investment in an area where investors are unlikely to experience appreciation in property values. There is a much greater need in poor communities for upfront and ongoing incentives to draw investment into such communities.

A zero capital gains for distressed communities could have the perverse and presumably unintended consequence of encouraging more disinvestment in distressed areas as owners might flip businesses and properties to receive this tax benefit. Additional and well-founded concerns about a capital gains tax for investment in distressed communities include:

- **Unintended Windfalls:** Certain business with property in the renewal community could earn large one-time "windfall" profits — for example, from the sale of property near a site chosen for a large public attractions such as a sports arena — without making any new investments related to job growth or spurring the local economy.

- **Negative Tax Incentives:** The ability of taxpayers to deduct interest on borrowing while entirely excluding the gains from the sale of some property, can create negative tax rates like those associated with the tax shelters of the 1970s and 1980s. For example, ignoring depreciation, a taxpayer in the top tax bracket would make an after-tax profit even if the return on the investment were as low as 5 percent, generating a 3 percent before-tax loss. The attraction for this tax arbitrage could be expected to result in non-productive investment that does not benefit the targeted area.

***DUPLICATION OF THE EMPOWERMENT ZONE AND ENTERPRISE COMMUNITY PROGRAM:*** There are several areas of the bill that are duplicative of existing programs or other legislative proposals. However, our primary concern is related to the duplication and overlap of this program with our existing Community Empowerment program. The designation of distressed communities that would receive special tax treatment and coordinated assistance from the local government and the private sector, is an almost identical concept to the EZ/EC initiative. The Renewal Community program would use a place-based approach, similar to both NMI and EZ/ECs. The proposal also allows for overlap between designations as a Renewal Community and an EZ/EC, which could be confusing for taxpayers.

The American Renewal Act would use poverty and unemployment rates to target funding in contrast to the New Markets Initiative emphasis on income levels as well as poverty. The criteria for selection as a Renewal Community are more restrictive than requirements for NMI and less restrictive than those for EZ/ECs. The logic behind NMI was that targeting should be relatively broad (approximately 37% of the country is eligible) giving investors more choice and flexibility in determining where to place their funds, thereby making the program more attractive to the private sector. This issue has been argued both ways --- there is also a benefit to more narrow criteria, which assures that funds reach the most distressed areas. The EZ/EC uses a more targeted approach for this reason.

### **III. Areas for Agreement and Compromise**

While we have problems with some of provisions of the American Renewal Act, the following items are ones that we could certainly discuss and we could accept several of these items into a potential compromise. A major unresolved issue is how this initiative would be paid for. Obviously this would play into the larger Social Security/Medicare/Tax Cut issues debate, but if an agreement on this initiative could be reached I am hopeful we could find a way to fund it.

- **Family Development Accounts:** Some aspects of the Family Development Account (FDA) proposal mirror the Administration's Individual Development Account proposal. Although, the FDA proposal outlined in this bill would involve a matching program administered by HUD, it requires resources that HUD does not have at this time.
- **Brownfields Expensing:** Renewal communities would benefit from Brownfields expensing. Expensing for small business and Brownfields was provided for in the Taxpayer Relief Act of 1997. The provision in the American Renewal Community Act is actually a more limited version of the Administration's budget proposal to make Brownfields expensing permanent.

- **Commercial Revitalization Tax Credit:** The American Renewal Act includes a commercial revitalization tax credit for projects located in Renewal Communities. Project based tax credits have been used successfully for low-income housing where State Housing Agencies have been able to monitor and administer the program. However it would be difficult for Treasury to monitor credits for commercial properties, as there are no similar state or local entities equipped to provide oversight. Treasury has also raised a concern that a commercial revitalization credit could result in negative effective tax rates and cause investors to make purely tax-motivated decisions in order to shelter other income from higher taxes.
- **The Work Opportunity Tax Credit:** H.R. 815 would expand the existing law to include Renewal Community residents who work in Renewal Community businesses. The bill would also provide a different tax credit rate and maximum on wages, resulting in a more generous credit for the new target group in the second year of employment. Renewal Community youth, even those who work outside of community, would be eligible for the same treatment available to youth under the EZ program which requires that substantially all of the employees' services be provided in the EZ.
- **Transfer of HUD-Owned Property:** The proposal for American Renewal communities requires the transfer of any HUD-owned property to the local government. HUD and OMB have raised strong objections to this provision which requires HUD to transfer to the local government any substandard multifamily property, or any vacant single family property that is located in a Renewal Community. HUD contends that the FHA single family and multifamily insurance programs depend upon the process of sales of property to reduce costs of the insurance programs. In addition, because there is no limit on the sales prices (for example not greater than the cost recovery basis) there is the potential for fraud and abuse by the local government, which would be the beneficiary of real estate at no cost which could then be sold at a higher price.
- **Charitable Choices:** The proposal includes a provision for charitable choices that allow religious organizations be treated in the same manner as other non-profit organizations.
- **Expensing Provisions:** The bill includes expensing provisions for certain qualified Renewal Community Businesses as well as for Brownfields expensing. Expensing is already available for small businesses; however this Act would increase the phase-out range. In addition it would provide an additional \$35,000 per year of expensing for depreciable property. The proposed bill would also extend the period for Brownfields expensing that is currently available. (See description above).

THE WHITE HOUSE  
WASHINGTON

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July 16, 1999

7-19-99

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: NEC WEEKLY REPORTS

cc: JOHN PODESTA

**Appropriations:** When the House Appropriations Committee meets next Friday (7/23) they are expected to approve a 302(b) reallocation that provides approximately \$3.2 billion to Energy/Water Development and Foreign Operations and takes the money from the following subcommittees: Labor / HHS / Education (-\$1.171 billion), VA/HUD/Independent Agencies (-\$980 million), Commerce/Justice/State (-\$451 million), and the "Deficiency Subcommittee" (-\$642 million). The Defense bill is \$5.7 billion above the request and over \$4 billion above the Senate. The Treasury/General Government bill was passed in the House bill by a vote of 210-209. The Energy/Water Development bill was marked up in the House on Thursday. The Full Committee mark-up is expected next Tuesday (7/20). The Subcommittee bill totals \$20.2 billion (\$1.3 billion below the request, \$1.5 billion below FY 1999 enacted, and \$1.0 billion below the Senate). Interior and Commerce/Justice/State are the likely bills up on the Senate floor next week. The House Subcommittee mark-up of VA/HUD has been postponed until July 26<sup>th</sup>.

**New Markets Trip Follow-up:** The NEC held several meetings this week regarding follow-up to the New Markets Trip, including a meeting with NEC Principals. We are developing a strategy for an ongoing process that will include a master schedule of New Markets events and announcements that you, the Vice President, and the agencies will deliver. We have also organized sub-groups to begin work on your Arkansas trip and your BusinessLINC announcement in August. On the legislative front, we cleared staff discussion drafts on two pieces of the package -- New Market Venture Capital firms and America's Private Investment Companies -- and have distributed copies on the Hill. As you know we are also working to incorporate provisions of the Republican counterproposal, the American Community Renewal Act into the New Markets Initiative. We are drafting a letter from you to Speaker Hastert that will sketch out a possible offer that we will send to you shortly for your input. We are working to hold a legislative event the week of July 26<sup>th</sup> with members of Congress to focus attention on the legislation and build upon the momentum generated by your New Markets trip.

**R&D Tax Credit:** You should know that High-tech companies were delighted that the Senate Democratic tax package included a permanent R&D tax credit. The House and Senate Republicans only included a 5-year extension in their budget. The Administration included a 1-year extension, but we have always indicated that we are open to making it permanent or extending it for more than one year.

**Nanotechnology:** NEC and OSTP are working on developing a possible research initiative in the area of nanotechnology -- the ability to manipulate individual atoms and molecules. Today, a front-page story in the *New York Times* reported a government-funded breakthrough that could eventually make computers billions of times faster using nanotechnology. Transistors would be made from individual molecules and a supercomputer would fit in a grain of salt.

**Pensions - Cash Balance Plan Disclosure:** Increasingly, employers are converting traditional defined benefit pension plans to "cash balance" or other new plan types. But too few workers understand how these conversions affect them. While younger or more mobile workers may benefit from the new plans, the rate of benefit accrual may drop dramatically for some older workers. And other workers may temporarily stop earning any benefits at all. Unfortunately, under current law, disclosure is minimal and even misleading. On Tuesday (7/13) we issued a release in which you unveiled a Treasury-Labor proposal to secure the "right-to-know" for American workers when changes are being made to their private pension retirement benefits. We argued that workers must have timely information comparing their benefits before and after the conversion, if they are to make informed employment choices and plan for their retirement. The plan was released on the eve of the mark-up of House tax bill (which includes a less satisfactory disclosure proposal). Our proposal won the support of Representatives Matsui (D-CA), Gejdenson (D-CT), Andrews (D-NJ), and Pomeroy (D-ND) and was described as a balanced approach on business pages and in trade press. In addition, Senator Moynihan -- the author of a more far-reaching proposal earlier this year -- is likely to introduce our plan in the Senate.

**Social Security:** Currently, your economic advisors are working out issues relating to the lock box and enforcement mechanisms for debt reduction. In addition, staff from OMB, CEA, Treasury, SSA, and the NEC is continuing to work on options to reduce elderly poverty and repeal the earnings test. On Tuesday (7/13), Larry Stein and I met with the Senate Democratic Caucus where we discussed the upcoming lock box vote. Debt reduction occupied much discussion. On Thursday (7/15), Larry Stein, Jack Lew, Larry Summers, and I met with Senators Daschle and Conrad to discuss further how we might respond to Senators' questions about debt reduction. We will continue our discussions with Senator Daschle next week.

**APEC Ministerial and Prep:** The NEC is accelerating work to prepare for the APEC Leaders meeting in early September in New Zealand. We anticipate the meetings to be particularly important for two reasons: (1) your anticipated bilateral meeting with Jiang; and (2) the US hosted WTO Ministerial at which we hope to launch an ambitious new Round of trade negotiations will occur two months later (it will be important for APEC Leaders to endorse common WTO Round objectives). Lael Brainard held a deputies meeting this week to get interagency consensus on key Leaders meeting objectives. In addition, in late June, Holly Hammonds of my staff went to Auckland for a Ministerial level meeting of all APEC trade ministers, which made progress in laying the groundwork on our WTO objectives as well as in rebuilding business support for APEC which had flagged in the wake of the Kuala Lumpur meetings.

**Food and Medicine Sanctions Policy:** You should know that Treasury-OFAC has completed drafting regulations to implement your April 28th announcement of humanitarian-based policy change. The deadline for interagency clearances is this Monday (7/19). We are working with Treasury, NSC and State to coordinate rollout and announcement of the completion of regulations tentatively planned for next Tuesday (7/20).

**Beef Hormones:** The Retaliation list targeting just over \$116 million worth of EU products and will be published on Monday (7/19). WTO General Council will formally approve retaliation on or around July 26th and 100% duties on European products on the list would be imposed soon thereafter.

**GMOs:** You should know that in a speech to the National Press Club, Secretary Glickman outlined a series of new proposals to shore up regulatory procedures and oversight for approval and longer-term assessments of genetically modified agricultural products. His speech does not represent a departure from Administration policy, but rather highlighted ways in which we intend to continue to monitor and enhance our regulatory framework. The NEC Deputies will meet next week to consider further steps in that regard.

7-19-99

**Africa Trade Bill:** You should know that the House passed the African Growth and Opportunity Act by a vote of 234 to 163 Friday (7/16). With respect to Democrats, 98 voted "yes" and 99 voted "no." The Republicans on the other hand voted 163 "yes" and 63 "no." The three non-binding "sense of congress" amendments: AIDS/HIV response fund; AIDS/HIV prevention and treatment; and a need for U.S.-Africa small business opportunities were all adopted by voice vote. The controversial Rep. Jesse Jackson, Jr. amendment regarding OPIC and a motion to recommit by Rep. Bishop were both defeated.

September 1, 1999

MEMORANDUM FOR MARIA ECHAVESTE AND GENE SPERLING

FROM: Minyon Moore and Orson Porter, Political Affairs

SUBJECT: New markets Initiative Supplemental Program Proposal

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The country is currently experiencing unprecedented economic gains. Opportunity is at an all time high. But, regrettably, there are millions of Americans who are not reaping the benefits of this boom. Examples of this, highlighted by July's New Markets Tour, are the impoverished regions of the Mississippi Delta and Appalachia. For youth in these areas, over 60% are not enrolled in school and are unemployed, even though national unemployment rates have dropped from 7.3% in 1993 to 4.3% currently. Today, America has a unique obligation and ability to reach back and bring along those that have been overlooked and forgotten.

OS  
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The Administration has recognized this problem and has done a tremendous job of combating it through some of the following programs:

- The New Markets Initiative, which provides \$15 billion worth of incentives for corporate investment.
- The Corporation for National Service, which encourages citizen participation in community development through programs like AmeriCorps.
- The School-to-Work Opportunities Act of 1994, which gave 470,000 young adults work-based learning experiences with 136,000 employers.
- The Workforce Investment Act of 1998, which provides a total of \$1.25 billion for investing in the development of the American workforce, including \$250 million in grants through the Youth Opportunities Movement to build centers giving young adults the skills they need in order to get jobs.

For the most part, these programs provide one of two services. Either they provide corporate investment in impoverished areas or they provide education and work experience for young adults. Using the New Markets Initiative as a catalyst, this is the perfect time to bridge the gap between these successful programs and get these educated young adults to invest in their communities themselves.

Therefore, we propose that the Administration look into ways to develop some youth-centered community investment programs which would act as a supplement to the second phase of the New Markets Initiative. Young people are the future of the economy, and often have the added time, energy, and creativity needed of entrepreneurs. This is the perfect time in their lives for them to learn the values of investing in their community. This program could teach these young adults how to develop and run businesses, while helping them to realize the advantages of helping people in these untapped markets. It would also teach them the economic power of respecting diversity, further strengthening the Administration's commitment to minority participation in the economy.

A program (Presidential Youth Investment Initiative or the White House Young Entrepreneur Program) which champions the New Markets Initiative should award entrepreneurial young

adults (possibly former Americorps, School-to-Work, or Youth Opportunities participants) with low-interest loans, grants, and other assistance through which to develop and implement investment strategies in impoverished areas. The program should also continue the Administration's tradition of providing mentoring from successful business people in order to give these young adults counsel on how to implement and operate their businesses. This program should make sure to award participants who successfully encourage diversity in their business ventures.

With the anticipation of another tour in October, now is the perfect time to get some input from young adults as to how they think programs like these might work. We suggest that the President hold a roundtable discussion on this topic with some young entrepreneurs and community and business leaders in order to further develop this proposal before the October trip. While on the trip, the President should visit a school to speak about youth investment in the community. This would be similar to the July 8 discussion the President and Secretary Herman had with young adults at Southwest College in Los Angeles regarding the Youth Opportunity Movement, except that this discussion would focus less around education and more around business investment. The President could also make a point of recognizing some specific young adults who embody these ideals. Of course, this is only a starting point. The real design and structure of any program like this should come from those people who would be involved in it.

CC: Lisa Green, Mary B. Cahill, and Jay Dunn

September 20, 1999

MEMORANDUM TO GENE SPERLING

FROM: Lisa Green

SUBJECT: STRATEGIC PLAN FOR THE NEW MARKETS INITIATIVE

The purpose of this memorandum is to outline a strategic plan for the President's New Markets Initiative.

GOALS and OBJECTIVES

The New Markets Initiative is a legislative proposal and public outreach effort to encourage private sector investment in low and moderate-income communities. Elements of the initiative include new tax incentive and guarantee programs as well as the expansion and promotion of existing government programs such as BusinessLINC, microenterprise development, the Small Business Investment Company (SBIC) program, and

The following objectives have been established in order to meet the overall goal of generating more private investment in economically distressed communities of this country --- both rural areas and inner cities.

- Passage of the Legislation in the 106<sup>th</sup> Session
- Use of the Bully Pulpit to Mobilize Private Sector Commitments to Invest in New Markets
- Coordination of Events and Communications Efforts to Increase Awareness of the Need for Capital in Economically Distressed Communities
- Amplification of the New Markets Message by the Cabinet
- Development and Coordination of Private Business Partnerships (i.e. Welfare to Work Partnership) that support the New Markets Initiative
- Non Legislative Contributions to the New Markets Initiative from the Public Sector
- Ongoing Follow-up Related to Places Visited by the President as Part of the New Markets Initiative

ACTION PLAN

In order to meet the above goals and objectives we have identified the following action items and deadlines.

Legislation

- Action Item: Introduce Bills for APICs and New Markets Tax Credit.  
Deadline: Completed.

As you know legislation based upon your New Markets Initiative was introduced in both the House and the Senate last month, just prior to the August recess. Rep. Rangel introduced and Sen. Rockefeller introduced bills based upon the New Markets Tax Credit outlined in your FY 2000 budget. Rep. LaFalce and Sen. Sarbanes introduced bills based on the America's Private Investment Companies, also outlined proposal in your FY 2000 budget.

*LG*  
*There is much here that is good -- but too much process + too little beef.*  
*Business Lawyers Spend time etc.*  
*Need a version of what major complaints will be.*

*Imagine a speech on Jan. 19, 2001 on our New Markets - what we want to do. We need on-site to accomplish this.*  
*7.14 + me.*

*LOS*  
*9/20/99*

Senator Daschle also signed on as an initial co-sponsor for both bills. There were a total of 8 initial co-sponsors on the two Senate bills and 31 initial co-sponsors on the two House bills. All of the initial co-sponsors are Democrats, many of whom participated, in the New Markets Tour, including Rep. Water, Rep. Pastor and Rep. Kanjorski. We had anticipated support from Rep. Leach and Rep. Baker on the APICs bill, however they withdrew their support just prior to its introduction; we believe their reluctance was based solely on pressure from the Republican leadership.

- **Action Item:** Obtain Bi-Partisan Support.  
**Deadline:** Ongoing.

We have drafted an offer letter to Hastert regarding the American Community Renewal Act, introduced earlier this year by Rep. Talent and Rep. Watts, which the Republicans have presented as their counterproposal to the New Markets Initiative. We have also scheduled a meeting with Democratic Representative Davis who is one of the lead sponsors on the American Community Renewal Act to discuss the possibilities for a compromise proposal.

Outreach has been conducted on all of the legislative proposals to the following Republicans by NEC along with Legislative Affairs staff from the White House and/or agencies including SBA, HUD, and Treasury: Rep. Watts (R-OK), Talent (R-MO), and Sen. DeWine (R-OH), Cochran (R-MS), Lugar (R-IN) Snowe (R-ME), Crapo (R-ID), Burns (R-MT), Abraham (R-MI), Gregg (R-NH), Nighthorse Campbell (R-CO) and Domenici (R-NM) and Hagel (R-NE). Response has been generally favorable. We believe the key to bi-partisan support is securing a commitment from Hastert to work on a compromise proposal.

- **Action Item:** Build Additional Democratic Sponsorship.  
**Deadline:** Ongoing.

We are continuing efforts to brief key committee members as well as relevant caucuses.

- **Action Item:** Additional Bill to Be Introduced on New Market Venture Capital Firms.  
**Deadline:** September 24.

We expect the third component of the initiative, the New Markets Venture Capital Firms, to be introduced next week. The sponsors are Rep. Velazquez and Sen. Kerry, both of whom are the ranking members of their respective Small Business Committees. We have been negotiating to have the language these bills be consistent with your proposal.

#### *Use of the Bully Pulpit - Coordination of New Markets Events and Communications*

- **Action Item:** Schedule Presidential Events on New Markets.  
**Deadline:** Ongoing.

As you know we held our first major follow-up event earlier this week to announce the national BusinessLINC effort. An interagency working group has been established and meets on a standing basis every week. One of the primary purposes of the group is to develop ideas for events on New Markets. The group is comprised of representatives from USDA, HUD, Treasury, SBA, Commerce, Transportation and Labor as well as several White House

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Offices including Political Affairs, Legislative Affairs, Intergovernmental Affairs, and Office of Public Liaison.

- **Action Item: Coordinate a Second New Markets Trip.**  
**Deadline: Week of November 3.**

The interagency working group is beginning to work on themes and locations for the second trip. We continue to meet regularly with individuals inside and outside of the White House to explore ideas that are related to the New Markets Initiative. Some of these ideas may ultimately lead to deliverables for the second New Markets trip or independent New Markets events by Cabinet members or the Vice President. We have met with individuals from the Council on Environmental Quality to discuss how New Markets may fit with the Vice President's Livability Agenda. We are exploring efforts by Commerce to encourage a pilot program in California that would help create a market to securitize community development loans. We are also working to develop SBA's proposal to encourage the efforts of universities that provide student consulting for small businesses in new markets.

- **Action Item: Conduct White House Briefings and Events.**  
**Deadline: Ongoing.**

The office of Public Liaison coordinated a briefing this month for the Washington Representatives of major corporations about the New Markets legislation. We have several additional events being planned to brief important constituencies such as the academic community, civil rights organizations, the non-profit community, research organizations, trade associations and others.

- **Action Items: Spread New Markets Message through Correspondence Efforts.**  
**Deadline: Ongoing.**

The correspondence office continues to respond to overwhelming mail on the New Markets trip and the initiative. NEC has also sent follow-up letters to participants in the July trip as well as those CEOs who were invited but did not participate. We will continue to reach out to the corporate community to encourage their participation in the New Markets Initiative.

#### ***Amplification of the New Markets Message by the Cabinet***

- **Action Items: Encourage Cabinet Events.**  
**Deadline: Ongoing.**

There have been numerous events planned by Cabinet Agencies, which involve a discussion of or announcements about New Markets. These events include the Appalachian Summit being held this week and jointly sponsored by HUD, USDA, Transportation and Labor; a conference on BusinessLINC and Financial Institutions planned for September 12 and jointly sponsored by the CDFI Fund, Treasury, SBA, the Federal Housing Finance Board and other agencies; and the Presidential Awards for Excellence in Microenterprise Development in December which the First Lady will be invited to attend. We are tracking these events and activities through a master calendar that is produced weekly.

- **Action Items:** Incorporate the New Markets Message into Speeches.
- **Deadline:** Ongoing.

Cabinet Secretaries have been asked to amplify the New Markets message when appropriate at speaking engagements and at their own events. Vice President Gore, Secretary Herman, Secretary Daley and Administrator Alvarez have participated in one or more of the following conferences in the month of August and mentioned the New Markets Initiative in their presentations: the Welfare-to-Work Partnership Conference, and the Rainbow/Push Coalition Conference.

#### *Development and Coordination of Private Business Partnerships*

- **Action Items:** Develop Announcements/Deliverables.
- Deadline:** Ongoing.

Several agencies are actively working on additional private and public sector deliverables for New Markets that could be announced as part of a future Cabinet or Presidential event or as part of the second New Markets trip in the fall. These deliverables include: announcement by Treasury of the 1999 CDFI Fund awards; a meeting coordinated by Commerce with 25 CEOs on the Digital Divide; release of the Delta Initiative report; announcement by DOD and Treasury on their HUBZone contracting/supplier program; announcement by Labor of the Youth Opportunities Grants; a meeting coordinated by Labor of Foundations on their commitment to Youth programs. We are also developing ideas for New Markets deliverables in the Delta as a follow-up to your Arkansas trip earlier this month. Lastly we are seeking ways to connect the New Markets Initiative to other efforts supported by the administration such as the Welfare-to-Work Partnerships, and the Lawyers for One America Committee.

#### *Non Legislative Contributions to the New Markets Initiative from the Public Sector*

- **Action Item:** Task Force on Market Research and Data.
- Deadline:** October 15 (for a decision on an Executive Order)

We have established an interagency working group that is developing possible roles for the government in providing and publishing data that would assist private sector companies in their evaluation of investment opportunities in new markets. This group includes economists and representatives from CEA, BLS, the Census Bureau, Labor, Commerce, HUD, and Transportation. We are exploring the possibility of an Executive Order, which would formalize this effort. The group has also proposed a conference to bring together practitioners and academia to discuss the "information gap" for new markets.

- **Action Item:** Coordination with Local Municipalities and Governments.
- Deadline:** Ongoing

We are aware of several activities by cities and states that are supportive of and complementary to the New Markets Initiative. These include programs proposed by the States of California and North Carolina that would create tax incentives for private sector investment in low and moderate-income communities. North Carolina has also created a task force to attack the problems of Rural Economic Development that is being led by Erskine

Bowles. We would like to bring attention to these types of programs, by holding briefings at the White House and participating in local events, to offer them as models that could perhaps be replicated in other areas. We are also continuing to work with the Appalachian Regional Commission to identify ways to highlight and build support for New Markets in their 13 states. Lastly, we will continue to work with the National Governor's Association, the U.S. Conference of Mayors and the National Association of Counties to build support for our efforts.

*Ongoing Follow-up Related to Places Visited by the President as Part of the New Markets Initiative*

[Note: We have requested a memo from agencies (HUD, SBA, Commerce, Treasury and Labor) outlining all of the activities that have taken place in the six cities we visited --- both private and public sector investments. Once the memos have been received this section of the memo can be completed].

10-7-99



THE WHITE HOUSE  
WASHINGTON

ME 001

October 6, 1999

NOTE FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: NEW MARKETS LETTER TO SPEAKER HASTERT

This is the letter we have been talking about for you to send to Hastert for jump-starting New Markets negotiations. John Podesta and I feel that the best strategy would be to make it a truly private letter and not release it to the public. Unfortunately, we are still fighting, against the odds, to keep alive the appropriations parts of the initiative, and there is still the chance that, even with a bipartisan agreement, the New Markets Tax package could be included in the extenders bill. You should know that one of the places we are considering for the next New Markets tour is Englewood, a part of Chicago where Denny Hastert has toured with Bobby Rush over the last year. If we go there, it could offer a forum for you and the Speaker to appear together on New Markets.

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## WHITE HOUSE STAFFING MEMORANDUM

Date: 10/6/99 ACTION / CONCURRENCE / COMMENT DUE BY: \_\_\_\_\_Subject: HASTER / NEW MARKETS LETTER

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REMARKS:

THIS HAS BEEN FORWARDED TO POIDS

RESPONSE:

THE WHITE HOUSE  
WASHINGTON

October 6, 1999

NOTE FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: NEW MARKETS LETTER TO SPEAKER HASTERT

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October 6, 1999

The Honorable J. Dennis Hastert  
Speaker of the  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Speaker:

While we are in the midst of public debate over various elements of the budget, I wanted to write you a personal note, that will not be released to the public, about an area where we both agree -- the need to spur additional investment in poorer communities.

We have talked in the past about working together on meaningful legislation to address the investment needs in our nation's underserved rural and urban areas -- or New Markets. I appreciate your interest in this topic and ask you to consider this letter today as a personal request that we explore, before Congress goes out of session, the possibility of passing legislation that meets this objective.

As you know, legislation has been introduced, based upon my New Markets Initiative, by Representatives Rangel and LaFalce and Senators Sarbanes, Rockefeller, and Kerry. I am aware that several members of your party have proposed the American Community Renewal Act, which is designed to accomplish some of the same goals as the New Markets Initiative. I also appreciate the Republican introduction of H.R. 2848, the New Markets Initiative Act, by request. We are aware that Representatives Talent, Watts, Leach, and Baker have been leaders in the effort to improve conditions in economically distressed communities.

Let me underscore that I am personally committed to working with you in good faith on possible compromises. I am sure you understand that we may have some disagreement about certain provisions of the American Community Renewal Act (ACRA) such as the zero capital gains tax. However, there are many provisions of the Talent-Watts bill that we believe could be incorporated into a fiscally responsible, paid for New Markets Initiative.

For example, for designated communities, their Brownfields Expensing and Work Opportunity Tax Credit provisions would be acceptable to me and there are several other provisions that we would be willing to negotiate over.

Over the next several weeks, I hope that we can forge a combination of elements from the New Markets Initiative, the American Community Renewal Act, and the strengthening of the existing Empowerment Zone program, to bring true economic and entrepreneurial opportunities to America's underserved markets. We would welcome the opportunity to meet with you or other representatives from the Republican Party to discuss possibilities that might lead to a compromise agreement. I look forward to hearing from you.

Sincerely,

THE WHITE HOUSE  
WASHINGTON  
ORM OPTICAL DISK NETWORK

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Comments:

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10-12-99

**Budget Lockbox:** We've been coordinating lock box meetings on two tracks. The first track, which we have virtually completed, is finalizing the legislative language for our Social Security lock box that would extend solvency to nearly 2050. We are getting this ready to be released in case there comes a moment in the next week or two that Cong. Gephardt and Sen. Daschle feel that it would be a positive move to rally around a Social Security lock box. John Podesta has had discussions with Congressmen Gephardt and Obey in which they indicated that they were very interested in rallying around Social Security lock box. Following that John Podesta, Larry Stein, and I have talked with both Senators Daschle and Conrad about whether our lock box could draw support -- or at least avoid public criticism -- among Senate Democrats. Although Daschle seemed enthusiastic, we agreed that we are going to do individual outreach in near future to Senators Levin, Moynihan and others. The second track is to devise a lock box that in a negotiation could be used to also ensure that any Social Security surplus used this year would be paid back in future years as part of the lock box. This is an option that could only work as part of bipartisan negotiations -- if the Administration or Democrats proposed it first they would instantly and loudly be accused of having a secret plan to raid Social Security by Tom Delay and others.

**Financial Modernization:** Next Tuesday, Senator Gramm and Representatives Leach and Bliley will unveil their proposal. The Conference will be given two days to debate amendments to that plan. In anticipation, CoS Podesta sent a letter to the Conference reiterating the four core concerns that you mentioned in your letter to Gramm last March. Based on Gramm's trial balloons, we expect: (1) *CRA*-- limit CRA reviews of small banks to every 5 years, omit the obligation to maintain adequate CRA records to conduct new activities, and force disclosure of CRA agreements with community groups; (2) *Privacy* -- notice and opt-out before sharing with third parties, with new loopholes and possible exemption for small banks; (3) *Choice in Operating Structure ("Op Sub")* -- effectively precluding use of Op Subs for securities underwriting and merchant banking; (4) *Banking and Commerce* -- silent, punting the issue to the Conference Committee. These CRA and Op Sub provisions clearly fail to meet the test of your earlier veto threat. However, some suspect that Senator Dodd has pre-arranged with Gramm to offer an amendment to improve (if not totally fix) the CRA provisions. Meanwhile, Treasury and the Federal Reserve have made some progress in their negotiations on the Op Sub issue although Treasury is not yet satisfied.

**Pensions -- Cash Balance Plan Disclosures:** On Thursday, Secretary Herman and I joined with a bipartisan group of members (including Senators Moynihan and Jeffords and Representatives Matsui and Weller) to unveil legislation, developed by your Administration, to require timely and meaningful disclosure of the adverse impact of pension plan changes. Many employers are shifting to a new hybrid type of pension plan -- known as a cash balance plan. The conversion often provides greater benefits to younger workers, but results in significantly reduced future benefits for older workers. Few workers understand how the change affects them. Our disclosures would allow workers to compare and thus would shine sunlight on management decisions that harm workers. In addition, appropriate agencies are developing regulatory guidelines on various questionable conversion features. We also are assessing whether legislation beyond disclosure is required. Congressman Sanders and some others want a substantive change requiring certain forms of grandfathering on cash balance plans.

- We stressed that these are difficult and complicated substantive issues being reviewed now by IRS, Labor, and EEOC that still need to be worked out, but that full disclosure was something everyone should agree on, while more difficult issues required further consultation. Nonetheless, our proposal has an excellent chance of enactment this year if an appropriate vehicle is signed.

***Air Traffic Control Reform/FAA Reauthorization Bill:*** The NEC is coordinating an Administration effort that includes Secretary Slater, OMB, CEA, and Legislative Affairs to get conferees on the FAA reauthorization bill to address the need for fundamental reform of air traffic control (ATC). Although the Senate bill provides for incremental reforms, neither it nor the House bill addresses the key reform necessary to allowing the ATC system to operate more like a business: replacing the current ATC financing mechanism – an excise tax on airline passengers -- with cost-based charges on the actual users of ATC (user fees). Moreover, the House bill would take the entire aviation trust fund off-budget, which the Administration and key senators strongly oppose. There *is* a potential win-win scenario: In exchange for cost-based user fees, we and the Senate would gladly agree to let those fees be used exclusively for ATC (i.e., special budget treatment). We might also have to agree to higher funding for airports, which is Rep. Shuster's major goal in seeking off-budget. Unfortunately, even this win-win scenario is an uphill battle, because key constituencies (general aviation, Southwest Airlines) still oppose user fees, and we need time to craft a fee system that they can live with. Thus, at a minimum, we are trying to preserve the ability to get Congress to take up the ATC issue next year. Next week, after the conferees have been named, we may suggest that you send them a letter underscoring the importance of ATC reform and reiterating our opposition to taking the trust fund off-budget, except as part of broader reform of ATC financing.

***Preparing an Economic/Trade Agenda for Next Tuesday's Visit of King Abdullah of Jordan:*** King Abdullah wrote to you on August 14 and requested that the United States agree to a Free Trade Agreement (FTA) with Jordan. The NEC ran a deputies process to discuss our position and the deputies are recommending that we proceed cautiously--agreeing to explore the matter and to have our officials meet to discuss, but refraining from a whole-hearted endorsement, however we will need to discuss this at the principal level to make sure that all issues have been considered. Jordan's exports to the United States are small enough that an FTA would not generate much domestic opposition by itself. The reason for caution is that there are important questions that still need to be resolved--such as how this would fit in with our overall trade strategy (with P-5 plans and our WTO strategy, for example), and what its effects might be on our relations with countries like Chile and Egypt that have been promised early FTA action.

***International Debt Meeting with NGOs:*** Larry Summers and I hosted a meeting with a cross-section of the NGO community to discuss the international debt relief initiative. The group was very complimentary of your speech at the IMF/Bank Meeting and its announcement of 100% forgiveness of USG debt for HIPC countries that take steps to reform and reduce poverty -- as were other people -- Bono called Gene and wanted you to know what an important step this was and that it was seen in Europe as a major step. Even so, some of the NGOs clearly would like the international community do more; however, no one questioned the significance of the Cologne Initiative and the need to convince Congress to appropriate the funds necessary to finance it. They agreed that it is important to continue building the issue into one that is above partisan politics and reported that they have recruited Sen. Mack to introduce a Senate companion to the Leach-LaFalce bill (Sen. Sarbanes is the lead Democratic sponsor).

# THE PRESIDENT HAS SEEN

10.12.99

We were encouraged to concentrate for the time being on gaining the support of Democratic appropriators on both sides of the Capitol while they work Republicans. On another related issue, some NGOs expressed reservations that the investment proceeds from gold sales that the IMF will use to fund its participation in debt relief will be deposited into an existing trust fund that finances not only debt relief but also structural adjustment loans known for their sometimes stringent macroeconomic conditions. They are concerned that placement of the proceeds into the HIPC/ESAF (debt relief/structural adjustment) trust fund could have the effect of creating an ongoing funding source for the controversial ESAF (Enhanced Structural Adjustment Facility) program, thereby reducing its accountability to donor countries. For this reason, they and some Hill Democrats have taken a non-committal posture thus far regarding the authorizing legislation necessary for the Administration to support the gold transaction. In response, Secretary Summers stressed that the Cologne Debt Initiative cannot be implemented without the funds raised from gold sales, and he emphasized that, as part of the Cologne Initiative, ESAF will shift its emphasis to poverty reduction and economic growth in the poorest countries and change its name to reflect this. Moreover, Treasury and the IMF have restructured the transaction so that it will involve non-market (IMF to member government) rather than open market gold sales, ensuring that these will not affect world prices for the commodity --- a key concern of gold producing countries and US states. Finally, Treasury agreed in the meeting to coordinate follow-up discussions between the NGOs and IMF on poverty reduction reforms at the Fund.

*Trade Legislation:* An NEC Principals' meeting was held on Wednesday to review strategy on the CBI and Africa trade bills as well as on other pending international trade legislation. Senator Lott is now saying he may bring the CBI/Africa bill up the week after next. Senators Roth and Moynihan are planning to offer a bipartisan managers' amendment to the House-passed Africa bill that would include Finance Committee's (more narrow) version of Africa, a CBI provision similar to yours, and straight extensions of the GSP program of tariff preferences for least developed countries and the Trade Adjustment Assistance program for dislocated workers. Sen. Lott has asked for assurances from Democrats and Sen. Daschle that they will help keep the amendment process under control, perhaps as a condition for bringing the bill up. Daschle has been reluctant to pressure his Caucus to forego message amendments absent a show of support for this proposition from a group of Democratic Senators. Sen. Graham, who is a strong CBI advocate, has volunteered to make this pitch; however, Leg. Affairs has been tasked to recruit a few additional Democrats. Approaches are being made to Senator Dodd, Bayh, and Lieberman in this regard. And Cabinet members are making calls more broadly in the Senate to underscore the priority you place on passage of the legislation in this session. Separately, preparation within the Administration of legislation to propose a trade preference program for SE Europe is nearly complete, permitting outreach discussions to begin shortly with key Members of Congress to assess whether the proposal has any prospect of being included in the Roth/Moynihan Africa-CBI package or is better introduced as a bill and promoted separately.

*We need this CBI / Africa Trade*

*Seattle WTO:* General Council Chairman Mchumo released a draft Ministerial declaration (Oct. 7th) with bracketed text. This was anticipated. No delegation has given any reaction to its release and we are simply stating if asked that we are studying the text. The bracketed text contemplates a "single undertaking" while making provision for early agreements. We, of course, cannot sign off on a single undertaking until we know the full scope of the agenda.

For instance, the draft text contemplates possibly including investment, competition, and trade remedy issues in the negotiations. These issues are either "unripe" or non-starters. However, there is also language in the draft text in which competition and investment would be dealt with by merely extending the work within current working groups (which we could live with). All of our potential deliverables such as extending the prohibition on e-commerce duties, an agreement on government procurement transparency, an accelerated tariff liberalization (ATL) agreement, and an expanded information technology agreement are in bracketed text. Other notables are the failure to mention at all the issue of biotechnology and an aggressive posture on affording all LDC products duty free treatment (we are unable to go beyond current preferences combined with the Africa and CBI bills). Work in Geneva will continue and then an informal Ministerial meeting will be sponsored by the Swiss October 25-26 at which it is hoped differences can be narrowed down to five or six key issues.

*China WTO:* This weekend, Chinese trade negotiators meet their European counterparts for the first round of WTO accession discussions since the accidental bombing in Belgrade. Ambassador Barshofsky and Secretary Albright have urged their European counterparts to stand firm and not allow the Chinese to divide us. President Jiang is scheduled to visit the U.K., France, Portugal, Morocco and Saudi Arabia beginning October 18. As you know, we remain far apart with China, which insists it made no agreement with us on April 8. In a meeting earlier this week, principals agreed that we should not appear too eager, and should reassess following the talks with Europe. The Europeans do not expect a breakthrough. Obviously, we are fast approaching the time when it will not be possible to secure permanent NTR even if we were to conclude a bilateral accession agreement with China. We have made that very clear to China. While we have some flexibility, China must come forth with something much closer to the April 8 commitments for us to engage seriously.

THE PRESIDENT HAS SEEN  
10-15-99

THE WHITE HOUSE  
WASHINGTON

October 16, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING  
MARIA ECHAVESTE  
STEPHANIE STREETT  
MARY BETH CAHILL

SUBJECT: NOVEMBER PRESIDENTIAL TRIP TO  
AMERICA'S NEW MARKETS

*This is a good  
but I want to discuss  
it*

**BACKGROUND**

As you know, you will travel the week of November 3<sup>rd</sup> across the United States to continue to highlight underserved markets and to bring attention to the need for access to capital in economically distressed areas. Similar to the first New Markets trip in July, you will be joined by a congressional delegation, community leaders, and corporate executives who will make announcements about new private sector investments and initiatives in New Markets. **Our goal on this trip is to highlight meaningful, lasting efforts that can be sustained independent of the New Markets legislation.**

An interagency working group (HUD, Treasury, SBA, Commerce, Labor, Transportation, and USDA) together with White House staff have identified several potential locations and deliverables for the New Markets Tour. After an extensive review of numerous locations, we propose two itinerary options that would allow you to visit five cities, over a three-day period. While we considered locations on the West Coast and in the Pacific Northwest, we would prefer to save these locations for future New Markets travel focused on those regions. The options presented below reflect logistical constraints, such as travel times and press deadlines. Both of these options also allow you to:

- Visit a broad range of communities that reflect the cultural and geographic diversity of the country.
- Highlight numerous private sector investments and initiatives.
- Start each day with the strongest stories and events. We expect media coverage to be focussed principally on the first event of the day, similar to our experience during the July trip.

**PROPOSED ITINERARY**

A more detailed itinerary from Scheduling is attached to this memorandum.

**OPTION A:**

Wednesday, November 3: Chicago (Englewood), IL and  
Benton Harbor, MI  
Thursday, November 4: Newark, NJ and  
Hartford, CT  
Friday, November 5: Hermitage, AR

**OPTION B:**

Wednesday, November 3: Chicago (Englewood), IL and  
Hartford, CT  
Thursday, November 4: Newark, NJ and  
New York (Brooklyn), NY  
Friday, November 5: Hermitage, AR

**SUMMARY OF SITES*****PROPOSED MORNING STOPS***1. **Chicago (Englewood), Illinois****FOCUS: Investing in Inner Cities and BusinessLINC*****Background and Potential Deliverables***

- Englewood is a distressed community that has been highlighted by Reverend Jesse Jackson and Representative Bobby Rush as an example of a neighborhood that could benefit from the New Markets Initiative.
- Several major corporations are working with Shorebank (one of the country's premier community development organizations) to establish SB Partners, a fund that will invest in New Markets. You could announce investments of \$15.5 million in SB Partners, specifically targeted to inner city investing: \$6 million from Bank of America, \$4 million from State Farm, \$3.5 million from Shorebank and possibly \$2 million from Prudential Insurance.
- Congressman Bobby Rush is leading a formal planning process to redevelop the Englewood community. This plan is bringing together major corporations and developers from Chicago to create a blueprint for business and housing development in Englewood. Bank One and Fannie Mae are expected to participate in this effort.

***Potential Site Visits and Events***

- You could tour the Englewood community and highlight conditions that the New Markets Initiative is designed to address.
- You could highlight the local BusinessLINC (Business Learning, Investment, Networking and Collaboration) chapter operated under a national umbrella partnership led by the Business Roundtable. The Civic Committee of the Commercial Club of Chicago manages the Chicago BusinessLINC Coalition.

# THE PRESIDENT HAS SEEN

10-18-99

- You could participate in a kick-off ceremony to announce a new training partnership with Alliance, a minority owned business. Alliance has several corporate clients, including FedEx, UPS, Coca-Cola, McDonald's, McGraw-Hill and DePaul University as a result of its successful business partnership with Allied Van Lines which illustrates the objectives of BusinessLINC.

## *Issues to Consider*

- The Community Empowerment Board and HUD have raised concerns about negative attention received over the last several years related to federal public housing projects and the Chicago Empowerment Zone. We believe the Empowerment Zone problems can be managed in the same way we were able to manage media for your New Markets visit earlier this year to the Atlanta Empowerment Zone, which had been the subject of negative findings in an Inspector General's report.

## 2. Newark, New Jersey

### FOCUS: Investment by Sports Teams and Organizations in New Markets

#### *Background and Potential Deliverables*

- We are exploring an idea with Ray Chambers, from the New York Yankees and New Jersey Nets, of developing on-going and lasting partnerships related to sports organizations and investments in New Markets and/or young people. It is possible that a collaborative effort with sports team owners and/or organizations from around the country could be announced.
- The New Community Corporation (NCC) has plans to announce the Youth Automotive Training Center (YATC), an innovative partnership with Ford Motor Company, Bell Atlantic, and Hillside Auto Mall, to provide at-risk youth job training in automotive careers. NCC is the largest grassroots community development corporation in the United States and was founded in 1968 by residents of Newark Central Ward. Ford will invest \$1 million in YATC, which soon will become an official training program and be used as a prototype for community organizations and local dealers to train and certify technicians in urban areas.
- The Urban League of Essex County in Newark, New Jersey is one of four National Urban League affiliates selected to operate a Technology Education and Access Center (TEAC), funded by the Department of Commerce. The TEAC in Newark has 30 personal computers connected to the Internet through an ISDN connection. Classes cover topics from computer literacy to basic Internet skills.
- The Mills Corporation, a developer of large outlet shopping malls (including Potomac Mills in Northern Virginia) hopes to connect several of their large-scale mall developments with existing sports centers. Specifically, Mills is working with the Rockefeller Foundation, the City of Newark, community organizations, and training/employment intermediaries to develop a recruitment, hiring, and retention program for its development near the Meadowlands.

**Potential Site Visits and Events**

- You could lead a tour of a distressed Newark neighborhood where substantial redevelopment efforts are planned. The tour would include the site of a new sports and entertainment facility that will be constructed by Ray Chambers and Lewis Katz. The facility will be used by New Jersey sports teams, as well as for concerts and other entertainment events. Connecting the arena and stadium will be a 100,000 square foot new office complex, a 400-room hotel with dining, and retail and entertainment establishments in close proximity.

3. Hermitage, Arkansas

FOCUS: Agricultural Opportunities

**Background and Potential Deliverables**

- The Hermitage Tomato Cooperative Association is located in Bradley County, an area which has endured decades of persistent poverty and high unemployment. A group of 15 farmers with limited resources and limited land, who were on the verge of bankruptcy in 1996, formed the Hermitage Tomato Cooperative Association as a means of survival.
- In 1996, Burger King signed a Memorandum of Understanding (MOU) with the Rural Business-Cooperative Service of USDA through which Burger King buys commodities from local sources in rural areas. The Hermitage Cooperative grew out of this MOU, with Burger King agreeing to purchase the group's tomatoes. USDA provided a \$3 million loan guarantee to purchase and modernize the processing plant where the tomatoes are cleaned and packaged. An additional \$1 million loan guarantee financed a second processing facility increasing the number of jobs created from 75 to 116 in a community with a population of 650. There is now a growing list of farmers who want to join the cooperative.
- *USDA is about to provide assistance to another cooperative, about 30 minutes from the tomato cooperative, to produce pickles. Burger King is planning to purchase a large portion of the output, once again demonstrating how private sector commitment to rural areas can spur the creation of jobs and economic growth.*
- You could also announce an agreement between another cooperative and Burger King. A Colorado wheat cooperative, that is producing bread, is going to receive USDA assistance and enter into an agreement to sell its products to local Burger King franchisers.

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**Potential Site Visits and Events**

- You could visit the Hermitage Tomato Cooperative Association to highlight how a corporate commitment and investment can help move farmers from the brink of bankruptcy to prosperity. The growing season will be over at the time of the visit. You could, however, have the opportunity to meet with the farmers who are member-owners of the Cooperative and discuss the importance of the linkage between the public and private sector that provided an opportunity for these farmers to become self-sufficient.

**PROPOSED AFTERNOON STOPS**

In addition to the sites discussed above, we recommend that you stop in Hartford, Connecticut and either Benton Harbor, Michigan or New York, New York for afternoon events.

1. **Hartford, Connecticut**

**FOCUS: Investment by New England Institutions in New Markets**

***Background and Potential Deliverables in Hartford:***

- You could announce Aetna's commitment to contribute up to \$20 million to the MetroHartford Millennium Project. The MetroHartford Millennium Project intends to raise \$100 million from the corporate community to revitalize Hartford. This revitalization project includes plans for a convention center, a domed stadium for the University of Connecticut, and hotel/retail components.
- You could announce Citigroup's \$5 million investment in Hartford's most distressed neighborhood. This investment will help redevelop a two-block area for commercial and residential purposes.
- You could announce the opening of a regional Fannie Mae office to help facilitate Fannie Mae investment in the Hartford area (similar to the announcement made in Pine Ridge, South Dakota).
- You could announce a multi-million investment by AFLAC in Fort Benning, Georgia, which mirrors the types of investments that are taking place in Hartford.
- You could highlight the Southside Institutions Neighborhood Alliance (SINA)/Trinity College Project which involves five private institutions from the Hartford that are working on a comprehensive neighborhood revitalization plan for the distressed area surrounding Trinity College. The project is a \$300 million private/public partnership. It is possible that Aetna along with several private foundations will have announcements to make related to the group's efforts. It may also be possible to announce tenants who will occupy some of the retail space in the community.

***Potential Site Visits and Events***

- You could make the Metro-Hartford Millennium Project announcement at Adrian's Landing, which is a riverfront development linking Hartford to the Connecticut River.
- Chase Bank operates several programs that cover the New England Area. We could visit a business that was assisted by Chase's CIED (Credit Institute for Economic Development) or its Business Resource Center, both of which provide consulting and training for micro-entrepreneurs and small business.
- You could tour a training site that works to employ welfare recipients and inner-city youth. There are several community based efforts such as the Connecticut Workforce Partnership, a collaboration between the Connecticut Business and Industry Association, Hartford Public High School's Technology Academy, the A.I. Prince Vocation-Technical High School, and the National Association of Manufacturers. The Partnership is working to place welfare recipients and inner-city youth in jobs.

- You could host a roundtable event inside a colorful indoor market, known as the Mercado, located in the midst of the distressed area around Trinity College. Several Latino merchants who operate businesses in this market have been involved in the Trinity College Project, mentioned above.

## 2. Benton Harbor, Michigan

### FOCUS: Investment in the Midwest

#### *Background and Potential Deliverables*

- Benton Harbor is the most distressed central city in Michigan. Examples of New Markets efforts in the community include the creation of Cornerstone Alliance, which was developed with funding from Whirlpool and other local businesses. Cornerstone Alliance makes grants and loans to support local job creation, business development, and education. More than 120 businesses contribute to Cornerstone each year.
- You could announce the formation of a new loan fund created by a consortium of local businesses including Bosch Braking Systems, Banc 1, Fifth Third Bank, Shoreline Bank, and Whirlpool. The loan fund will encourage homeownership in targeted lower-income communities and will loan potential homeowners up to \$10,000 at 0% interest for a downpayment.

#### *Potential Site Visits and Events*

- You could visit a local community college center funded by the Cornerstone Alliance, Whirlpool, and others. Six million dollars were invested to help the community college create a training facility for high-wage, high-skill manufacturing jobs. The 44,000 square foot site is on a former brownfield.
- You could also visit the Atlantic Automotive Components factory, which opened in July 1999 and employs over 130 people. The company's success has been attributed in part to the work of the Cornerstone Alliance.

## 3. New York (Brooklyn), New York

### FOCUS: Investment in Inner Cities and Investment by Sports Teams and Organizations

#### *Background and Potential Deliverables*

- You could announce the New Markets Lending Cooperative, an innovative program that will bring together all levels of capital funding to one of New York's most impoverished neighborhoods. The New Markets Lending Cooperative has obtained several million dollars in commitments from private venture capital sources. The Cooperative has obtained a commitment from a microlender, Accion, to issue \$10 million in microloans in Brooklyn. The Cooperative will be a first-of-its kind effort in Brooklyn, a much-needed vehicle to bring debt and equity capital, coupled with technical assistance, to business owners in this predominantly Hispanic neighborhood.

### ***Potential Site Visits and Events***

- You could drop-by FirstSource Staffing in the Park Slope neighborhood of Brooklyn, a temporary placement employment agency established by the Fifth Avenue Committee, which specializes in job placement for low-income workers and is part of the President's Welfare-to-Work initiative.
- You could participate in the grand opening of a Small Business Development Center (SBDC) focused on the Hispanic community at Brooklyn's Boricua College. This SBDC is designed to provide business assistance to the currently untapped community in an effective, culturally-conscious environment. Funds for this program have already been committed by Banco Popular. Several other banking institutions prominent in the area are expected to announce their involvement shortly.
- We are also exploring the possibility of your joining members of the New York Yankees in an event highlighting youth training and education.

### ***Issues to Consider***

- As you know, Ray Chambers and Lewis Katz own both the New York Yankees and the New Jersey Nets, through a unique partnership that helps to fund youth organizations in the City of Newark. We envision a sports-related event in Newark as described above involving members of the New Jersey Nets, along with players from the New York Yankees. We could continue the event with a stop in New York.
- Potential risks associated with a New York stop include the need to invite local politicians. The participation of local elected officials, such as the mayor, could invite media attention that would detract from our message. In addition, a visit to New York City would require a role for Representative Charles Rangel, the lead sponsor for the New Markets Tax Credit legislation and Representative Nydia Velazquez. As you know Representative Velazquez, the anticipated lead sponsor for the New Markets Venture Capital Firm bill, is expecting you to visit to her district in Brooklyn, if you stop in the New York area. It is possible that Representative Velazquez would openly criticize the trip if you stopped in the New York area without visiting Brooklyn.
- Other political risks include the recent debates over management of the New York Empowerment Zones. Conflicts, among local officials and community leaders, related to the Bronx and Harlem Empowerment Zones have been well publicized.

### ***OTHER STOPS THAT WERE CONSIDERED***

In addition to the locations outlined above, we also considered numerous other sites, which were not included for specific reasons, including logistical problems, political concerns, and the need for geographic diversity. Because of your recent meetings and discussions with Governor Hunt and Erskine Bowles, we thought you might have a particular interest in information we researched on a possible visit to North Carolina.

## 1. North Carolina

### FOCUS: Investment in Rural and Agricultural Areas

#### *Background and Potential Deliverables*

- You could announce the creation of the Economic Opportunities Fund Authority (the "Authority") which is being established with the help of USDA by the state treasurer and North Carolina's private investment community to support the formation of private investment funds. These funds will provide growth capital for entrepreneurial companies that are located in North Carolina's rural areas. The Authority will invest its capital in one or more private, for-profit, Economic Opportunity Funds that would raise additional capital from private individuals and institutional investors. The Authority will seek investment opportunities in Economic Opportunity Funds, which are utilizing the SBIC program. The goal of the state's Commerce Department and the Authority is to use an initial \$30 million in investment from the State Treasurer to leverage as much as \$360 million in growth capital.
- Erskine Bowles is heading another important effort in rural North Carolina. Appointed by North Carolina governor Jim Hunt, Erskine Bowles is currently chairing the 25-member North Carolina Rural Prosperity Task Force. The Taskforce is a comprehensive statewide effort to address rural economic development issues. We could highlight this initiative in a visit to any rural area in North Carolina.

#### *Potential Site Visits*

- You could host a banking roundtable focussing on bank support and participation in the New Markets efforts. The roundtable could highlight the Community Investment Corporation of North Carolina, which receives support from the CDFI Fund, as a successful model for collaboration between banks. The roundtable could be convened jointly by the Governor and the North Carolina Bankers' Association.
- Rocky Mount, NC: Located in a region facing economic uncertainty due to the decline of its core industries (textiles, agriculture commodities) this city is an Enterprise Community. It is also the home of Centura Bank, an institutional investor that has expressed a great deal of interest in the state's Economic Opportunity Fund and the New Markets initiative. Centura could also host the roundtable.
- Tarboro, NC: Located in Edgecombe County ( northeast of Raleigh), Tarboro is the site of the worst Hurricane Floyd devastation in the Eastern Seaboard. The hurricane and resulting floods resulted in severe crop loss. There are several public sector efforts taking place in this area including farm ownership loan funds and crop loss disaster assistance.
- Raleigh, NC: Raleigh is home to the Self-Help Credit Union, which has received grants from the CDFI fund and could be highlighted as an example of successful investment activity in a rural area.

#### *Issues to Consider*

- While North Carolina could have been a possible stop on the trip, floods have damaged substantial parts of the state, in particular agricultural areas. Consequently, flood damage and disaster relief would probably dominate any news story.

While the visuals might be compelling, they would detract from the New Markets<sup>10-14-99</sup> message. In addition, given our tobacco litigation, there would be a possibility of protests by farmers.

**REQUEST AND RECOMMENDATION**

Please indicate your preference below.

           **OPTION A:**

- Chicago (Englewood), IL
- Benton Harbor, MI
- Newark, NJ
- Hartford, CT
- Hermitage, AR

           **OPTION B:**

- Chicago (Englewood), IL
- Hartford, CT
- Newark, NJ
- New York (Brooklyn), NY
- Hermitage, AR



           **DISCUSS FURTHER**

December 17, 1999

**MEMORANDUM TO GENE SPERLING**

**FROM:** Cliff Kellogg  
Natasha Bilimoria

**SUBJECT:** Remaining FY01 Budget Decisions for New Markets and Native Americans

This memo compiles detailed information on New Markets and Native American initiatives that have a FY01 budget impact, and therefore require NEC decisionmaking on whether to plus up.

However, this budget list does NOT include the other good ideas without FY01 budget impact that would be part of a public roll-out or for the State of the Union. These would be amplified with programs already funded in the OMB pass-backs, as well as with other internal agency actions. Many of these New Markets initiatives also fit thematically with other Administration priorities such as promotion of development in Indian Country, overcoming the "Digital Divide".

**NEW MARKETS**

High Priority

1. Expanding Access for the Unbanked 30 m.lh
  - a) "First Accounts" program (Treasury)
  - b) ATMs in Post Offices (Treasury)

Requires full NEC funding, but can be scaled from \$21 million to \$50+ million. At \$21 million, \$5 million is for First Accounts and \$16 million for the Postal ATMs, with a five-year cost of \$345 million.
2. Financial Literacy (Treasury)  
Requires full NEC funding: We recommend one-year funding at \$5 million.
3. Rural Business Enterprise Grants (Agriculture)  
We recommend an increase of \$3 million above OMB passback of \$37 million
4. Improving Data that Drives Business Investment in New Markets (Treasury)  
Requires full NEC funding: We recommend \$5 million.

Medium Priority

5. Universities (Business and Law Schools) in New Markets (HUD)  
Requires full NEC funding: \$7.5 million, but could be scaled to \$4.5 million.
6. BusinessLINC (SBA)  
We recommend a plus up of \$2.6 million above the OMB passback of \$4 million.

## Low/Uncertain Priority

7. Expansion of NCDI to fund CDC work in Enterprise Development (HUD)  
**HUD pass-back includes \$25 million CDBG set-aside, but HUD requests an additional \$25 million. Low priority.**
8. Highway from Ontario to Brownsville, TX (Transportation)  
**Uncertain funding amount or priority.**
9. The Great Bridge Project (Transportation)  
**This is a new project that is authorized but Transportation did not request funding in FY2001. \$15 million per year for 5 years (\$75 million total).**

## No Budget Lift needed from NEC

- APIC
- New Markets Venture Capital
- New Markets Venture Capital Technical Assistance
- CDFI
- PRIME
- SBA 7(a) program
- IDAs
- USDA Intermediary Relending Program

## NATIVE AMERICAN INITIATIVE

### Initiatives with budget implications that require NEC decisionmaking on whether to Plus Up:

#### High Priority

1. Encouraging Native Americans in Technology Fields (Commerce)  
**\$10 million. DPC is also focused on this project. NEC should push to include in the Digital Divide initiative**
2. Promoting Native American Economic Development (Commerce)  
**OMB passed back a \$12.5 million set aside under existing funds. Commerce appealed to OMB for \$37.5 million in new funding. Funding could be scaled. DPC is also focused on this project.**
3. BusinessLINC for Native Americans (SBA)  
**Recommend a separate \$1.25 million plus-up. The OMB passback to SBA included a \$1.25 million carve-out from SBA's \$4mm BLINC funding for Indian BusinessLINC.**

Medium Priority

4. Capacity Building for Lenders and CDFIs (CDFI)

We recommend a \$5MM plus up (less than CDFI's \$10MM request), beyond CDFI's \$125MM passback.

5. Native American Small Business Development Centers (SBA)

SBA requested \$4.5MM and received \$1.5MM increase in OMB pass-back. DPC believes this is enough to fund SBDC's in Indian Country and to launch e-Center. We could fund an additional \$3 million but not a high priority.

No Budget Lift needed from NEC

Microlending capital (SBA)

Microlending Technical Assistance (SBA)

Native American Economic Development Access Center (HUD)

Native American Economic Development Initiative (HUD)

Reverend Introduces You  
You speak about  
CRA / NEW MARKETS

January 11, 2000

Introduce Adomo  
Introduce Raines

MEMORANDUM TO GENE SPERLING

FROM: NATASHA BILIMORIA

SUBJECT: WALL STREET PANEL

**Purpose and Background**

You will participate and lead a panel discussion on CRA and New Markets from 8:00 am – 10:00 am on Thursday, January 13. You will start the program with some brief remarks (no more than five to eight minutes) about CRA and New Markets. Specifically, you've been asked to discuss the implications of the banking legislation on CRA and what progress has been made with the New Markets initiative thus far, as well as your expectations for future New Markets initiatives. Because the Wall Street Project expects that a significant portion of the audience will be from the corporate sector, this could serve as an opportunity for you to urge corporations to get involved in supporting initiatives in untapped markets.

**The Set-Up**

The panelists will sit at a long table and you will sit in the middle. Each panel member has been asked to prepare brief remarks (five minutes) on the public-private partnership involving CRA and New Markets. We need to address the Q&A component.

**Participants**

- You
- Mayor Willie Brown
- Andrew Cuomo, HUD
- Mayor Sharpe James
- Marge Magner, Citibank, NA
- Gabriella Morris, Prudential
- Frank Raines, Fannie Mae
- Rodney Slater, Transportation
- John Taylor, National Community Reinvestment Coalition
- John Thain, Co-Chair and Co-CEO of Goldman

**Bios of Participants**

*Willie Lewis Brown, Jr.*

*Mayor, San Francisco, CA*

Prior to being elected Mayor of San Francisco in 1995, Mayor Brown served as Speaker of the California State Assembly from 1980 to 1995. He was the longest serving speaker and the only African American to hold that title. He served in the Assembly from 1964 to 1995 where he held the post of Chair on the Committee on Ways and Means. Born in Mineola, Texas he received a BA at San Francisco State University in 1955 and a Juris Doctor at Hastings College of Law at the University of California in 1958.

***Andrew M. Cuomo***

***Secretary of Housing and Urban Development***

Andrew Cuomo was sworn in as the 11<sup>th</sup> U.S. Secretary of Housing and Urban Development after being unanimously confirmed by the Senate in January 1997. In 1993 Cuomo came to HUD as an Assistant Secretary and was responsible for community and economic development, job creation, affordable housing and homeless programs.

In 1986 he founded Housing Enterprise for the Less Privileged (H.E.L.P.), which grew to become the nation's largest private provider of transitional housing for the homeless. In 1988, Cuomo gave up his law practice to go to work full-time running H.E.L.P. in New York City. In 1991, he became head of the New York City Commission on the Homeless, while continuing to run H.E.L.P.

He received a bachelor's degree from Fordham University in the 1979 and a law degree from Albany Law School in 1982.

***Sharpe James***

***Mayor of Newark, New Jersey***

Sharpe James was elected mayor of Newark on May 13, 1986 and was reelected in 1990, 1994 and 1998. Mayor James was first elected to public office in 1970 as South Ward Councilman and was reelected in 1974 and 1978. In 1982 he was elected Councilman-at-large. Mayor James was the first Councilman to be elected Mayor, the second African-American to be elected Mayor of Newark. Mayor James graduated from Montclair State University and Springfield College.

***Marge Wagner***

***Citigroup***

Marge Wagner is responsible for two of Citigroup's largest consumer businesses – Citibanking North America and Primerica Financial Services. Citibanking North America includes Citibank's retail branches and Citicorp Investment Services. Primerica is a financial services marketing organization that serves some 6 million clients with an array of financial products. She was named to this position in January 2000 and continues to be a member of the Global Consumer Planning Group.

Previously Ms. Wagner was Chairman and CEO of CitiFinancial, a consumer finance subsidiary which specializes in personal and home equity loans. Prior to joining CitiFinancial, Ms. Wagner was with Chemical Bank for ten years culminating her experience there as Managing Director of the Chemical Technologies division.

Ms. Wagner holds a BS in psychology from Brooklyn College and a MSIA from Purdue University.

***Gabriella Morris***

***The Prudential Foundation***

Gabriella Morris is president of the Prudential Foundation and vice president of the Community Resources unit of Prudential Insurance Company. In these positions, she oversees Foundation grant-making, which in 1998, awarded over \$19 million in grants; Prudential's social investment

**Hartford, Connecticut:** An airport expansion project which has provided new air service that has helped spark \$150 million in ancillary private investment in the area.

**Mississippi Delta Initiative:** The President has asked Secretary Slater to lead this initiative. This will create a new Mississippi Regional Commission which will create a template for public/private efforts to encourage growth in the region.

The Secretary plans on ending by praising the President's efforts in these areas and Reverend Jackson and the Wall Street project.

Raines:

James:  
(still waiting)

Magner:

Ms. Magner's will begin her comments stating Citigroup's support of CRA legislation and commitment to economic development in underserved areas. She will highlight the recently created Center for Community Development Enterprise, which has doubled Citigroup's community development lending and finance in the last two years. She will cite the Citigroup initiative announced at the last New Markets Trip in Hartford. She will conclude her remarks with how Citigroup plans to link its activities to the New Markets Initiative (Jay may get more on this tomorrow.)

Citigroup's Deliverable in Hartford:

Citigroup and Others Commit \$15.3 million for Hartford Development. Citigroup, along with the Local Initiative Support Corporation and the Connecticut Preservation Loan Fund (a consortium of six banks) has agreed to provide \$15.3 million to finance the Martson/Putnam Heights project, which will revitalize 38 owner-occupied and two family low-income housing units in Frog Hollow (an area adjacent to Trinity College), and for other project in the Hartford region. This project is a continuation of the urban revitalization efforts undertaken by Trinity College along with its partners including the Southside Institutions Neighborhood Alliance, the Urban League, Cityscape Homes and other local community organizations.

Brown:  
(still waiting)

Morris:  
(still waiting)

Prudential's Deliverable in Newark:

The Prudential Insurance Company of America Will Provide \$2.5 Million to the Young Entrepreneur Program. Prudential has approved a \$2.5 million, four-year grant to launch the Prudential Young Entrepreneur Program (PYEP), a pilot program that is being administered by the Association for Enterprise Opportunity (AEO). This grant will support the creation of a new comprehensive entrepreneurial development and job creation program for young people between

the ages of 18-30 in Newark, NJ and Philadelphia, PA. It is part of the Department of Labor's Youth Opportunity Movement, which was announced in Los Angeles, CA during the President's July New Markets tour. Other organizations participating in PYEP include the National Foundation for Teaching Entrepreneurship (NFTE), which created the program's curriculum, the New Jersey Institute of Technology Enterprise Development Center (NJIT EDC), the West Philadelphia Enterprise Center (WPEC), the Greater Newark Business Consortium, a small business micro-lender, and QED group which will evaluate the program. This commitment builds on Prudential's history of investing in programs all over the city of Newark. Recently, Prudential has announced that it will help assemble financing for the Newark Arena (up to \$170 million). The company also participates in the New Newark Foundation that is working on a plan to rebuild a section of downtown Newark. In addition, Art Ryan, the CEO of Prudential, participates on the Newark Alliance Board that focuses on education in Newark.

Thain:  
(still waiting)