

CEB STRATEGIC PLANNING GUIDE

December 5, 1997

Excerpts from the Memorandum for creation of the CEB

Meeting the needs of local communities through a performance-measured, customer-driven philosophy and a cross agency approach.

Other programs, old and new are similarly beneficial to local communities. These programs, however, form an overly complex, categorical, unworkable, and ineffective response to the needs of distressed communities.

I hereby direct the Board to review these programs in order to ascertain how we can make the entire Federal effort more responsive to the needs of distressed communities.

In addition, with respect to existing programs, identify and make available, to the extent permitted by law, funds from those programs for use in implementing the strategic plans of the designated EZ/EC communities.

a) identify additional legislative mandates that further the goals and objectives set forth in this memorandum and develop recommendations for further action;

b) identify legislative mandates that may be impeding State and local governments from meeting goals and develop recommendations;

c) consult with the Board on the exemption of regulatory mandates.

I. Federal Programs

A.) Preference Points:

- 1.) List of all FY98 Discretionary NOFA's
- 2.) Target key programs to EZ/EC

B.) Technical Assistance/Agency Resources

- 1.) List of Resources
- 2.) List of Program linkages

C.) Waivers

- 1.) VP/CEB coordination

II. Communication

A.) Federal CEB/Interagency Taskforce

- 1.) Intra-agency TaskForce
- 2.) Regional CEB

B.) Agency toEZ/EC

- 1.) Conferences
- 2.) Mailings
- 3.) Satelites
- 4.) Flash Faxes
- 5.) Conference Calls
- 6.) Regional Staff meetings

C.) EZ/EC to Agency

- 1.) Conferences
- 2.) Performance Reports
- 3.) Site visits meetings
- 4.) Phone calls

CONSENSUS OF IDEAS FROM EZ TEAM
FOR 6 MONTH STRATEGIC MANAGEMENT PLAN

OVERALL PROGRAM MANAGEMENT AND COORDINATION

- Hand ←
- CEB:
- ◆ role of the Office of the Vice President
 - ◆ relationship to DPC and Reinventing Government
 - ◆ management role for designating secretaries, Cuomo and Glickman
 - ◆ appointment of senior staffer to run CEB
 - ◆ re-appointment of senior member agency representatives to CEB
 - ◆ limited CEB agenda:
 - agency resources
 - regulatory relief
 - programmatic

reinvigorate political

Interagency

- ◆ Agency program areas
- ◆ Labor Force Development/Job Continuum
- ◆ Welfare Reform
- ◆ Brownfields
- ◆ Sustainable Development
- ◆ Franchising
- ◆ CRA
- ◆ Fannie Mae Freddie Mac

- ◆ Information dissemination to agencies on current status of zones
- ◆ Re-establish ties with EC's and other agencies

Special Projects

- ◆ Ed Tech
 - ◆ Determine Tax Incentive Impacts
 - Treasury
 - IRS
 - Designees
 - ◆ WOTC
 - Special EZ/EC information initiatives
 - Generalist events and reporting
 - Coordination with Labor
 - Additional outreach/promotion requirements: Flash
 - Capturing the results
 - Expanding the WOTC
- Legislative strategy

more

J

Task Force

- ◆ Joint Task Force with AG to mirror the CEB
- ◆ Staff appointments with CEB

Functions:

- Waivers
- NOFA's

HUD Program Management Structure

- ◆ *Management Role for d*
- ◆ Location: CPD or HUD secretary
- ◆ CPD Office of Community Empowerment
- ◆ CPD Office of Empowerment Zones
- ◆ Secretary's Office of

- ◆ HUD Field Office Responsibilities
 - CPD
 - Secretarial Representatives

HUD Management Issues

- ◆ Section 108 Shop: EDI focus for EZ's
- ◆ Performance evaluation system for *Con Plan*
- ◇ *con plan*

Generalists

- ◆ Roles and Responsibilities
 - current role
 - area of coverage
 - Round II
 - Future

TECHNICAL ASSISTANCE

- ◆ Provision of zone specialized TA
- ◆ Report on what has been delivered: results
- ◆ Areas of Need
 - Business/Private Sector outreach strategy
 - Benchmarking and Performance evaluation
 - RFP's and contracting
 - Conflict resolution; board development; negotiation
- ◆ Field office TA
- ◆ Availability of assistance from ICF/Aspen
- ◆ Nexus letters
- ◆ New Task Order under IQC

CHAMPION COMMUNITIES

- ◆ Making the Strategy and reality
- ◆ Clarifying mailing universe
- ◆ Provision of TA
- ◆ Updating on-line NOFA information - the AG contract is expiring and plans are needed to maintain the system on a daily basis
- ◆ Regulatory decontrol (waivers) policy and responses to requested submitted during application phase.
- ◆ System for capturing "best practices"
- ◆ Establishing a Champion Community demonstration program with state of New Jersey.

DOCUMENTS/REPORTS/PUBLICATIONS

GAO Report

- ◆ Public release Jan 20th
- press conference; strategy

Annual Performance Report

HW MGT

- ◆ Completion of 1996 reports
 - drafting/editing
- ◆ Getting Field office Reports
- ◆ Release of Reports
 - timing with GAO report
 - all 72 reports
- ◆ Process
 - continuing designation letters
 - meetings
 - policy for letter of concern
 - TA follow-up strategy
 - troubled city list (public)?
 - role of generalist/ CPD office
 - incorporation into library/city by city
- ◆ Programmatic
 - Issuing Designee instructions/guidance
 - Reviewing/revising reporting format
 - Clarifying role of field offices
 - GRPA Benchmarks

Performance Benchmarks

- ◆ Updating the process
- ◆ Relation to OUTCOMES : GAO evaluation
- ◆ Private sector models
- ◆ Reporting requirements
- ◆ Designee evaluation of projects
- ◆ Strategic planning and benchmarks
- ◆ Incentive: performance grants
- ◆ Role of generalists, CPD field and Task Force
- ◆ Timing and format
- ◆ State's role: clarification

Federal Program's Update: or expanded

- ◆ Update with contact names and numbers
- ◆ Include state resources
- ◆ Include outside resources
- ◆

Performance Assessment

- ◆ Status Rockefeller: second round
- ◆ Coordination of PW/Rockefeller and ABT efforts

Business Guide

- ◆ marketing section
- ◆ how to guide for business investment
- ◆ how to guide for Board development with businesses

Best Practices

- ◆ Update and final edits
- ◆ When to publish
- ◆ Use with Round II?
- ◆ Distribution: mail
 - internet
 - conferences (White House)
 - models
 - award ceremony

Library

- ◆ How to maintain

up front

ROUND II

- ◆ President's Budget submitted in Feb
- ◆ Coordination of legislative policy
 - OMB/CEB/DPC/HUD and AG

- ◆ New applicants vs EC's SEZ's and EEC's
 - weight of current performance reports
 - administrative funds
 - governance structure in strategic plan
 - boundary changes

- ◆ Congressional Strategy

- ◆ Preparation of Application outreach Strategy
 - PIGs
 - Congress
 - Potential Applicants
 - Guidebooks
 - Conferences
 - role of generalists

OUTREACH

- ◆ Academic Institutions
- ◆ PIGS:
 - US conf of Mayors
 - National Governors
 - Urban League
 - National assn of Counties
 - NICE: new PIG

- ◆ State run organizations
- ◆ Foundations

- ◆ Press release: mailings
 - performance reports
 - best practices
 - white house conference
 - gao reports

- ◆ Events Schedule

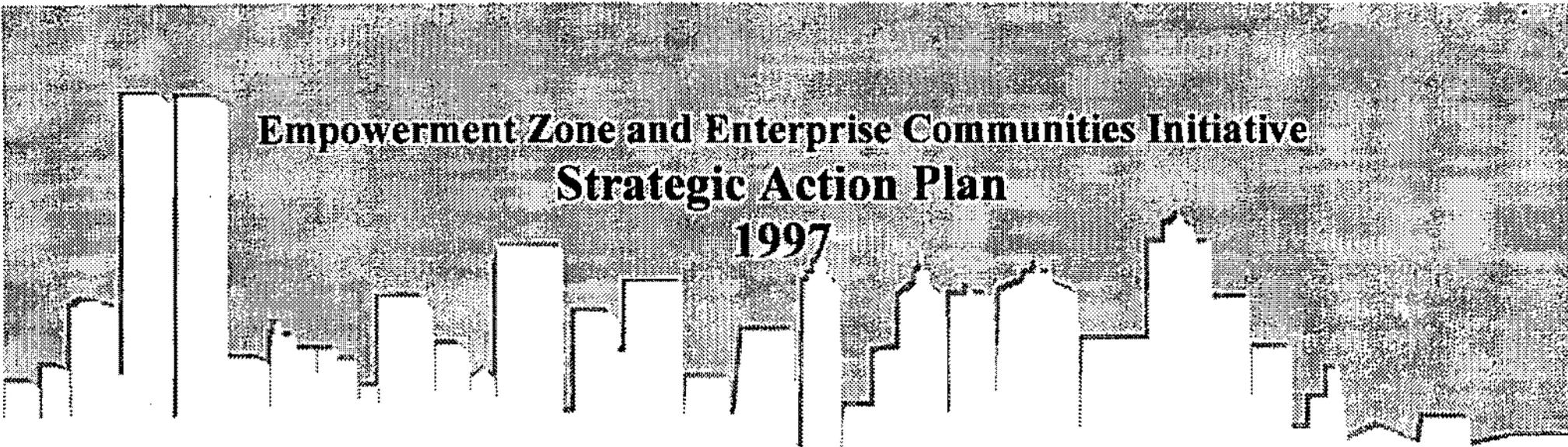
Communications

- ◆ Newsletter
- ◆ Home Page: Web Page
- ◆ EZ/EC Flash (expanded outreach)
- ◆ Mailings
- ◆ Satellites
 - Business outreach to private sector (marketing your zone)
 - RFP's and contracting

Conferences/Seminars/workshops

- ◆ White House
- ◆ Regional

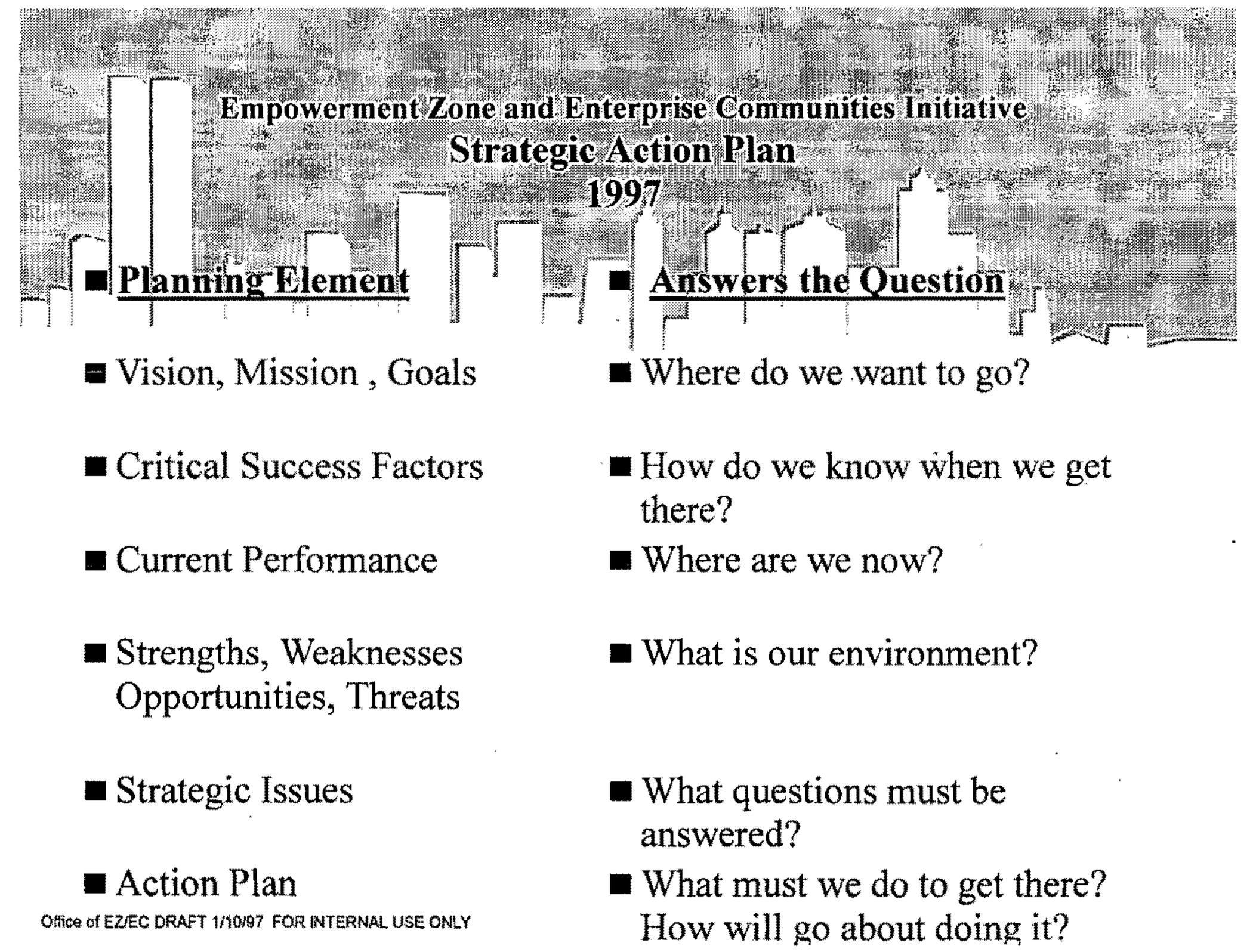
- ◆ WOTC: tax incentives
- ◆ Generalist meeting
- ◆ Regional meetings



**Empowerment Zone and Enterprise Communities Initiative
Strategic Action Plan
1997**

**DISCUSSION DRAFT
JANUARY 10, 1997**

For Internal Use Only



Empowerment Zone and Enterprise Communities Initiative Strategic Action Plan

1997

■ Planning Element

- Vision, Mission, Goals
- Critical Success Factors
- Current Performance
- Strengths, Weaknesses
Opportunities, Threats
- Strategic Issues
- Action Plan

■ Answers the Question

- Where do we want to go?
- How do we know when we get there?
- Where are we now?
- What is our environment?
- What questions must be answered?
- What must we do to get there?
How will go about doing it?

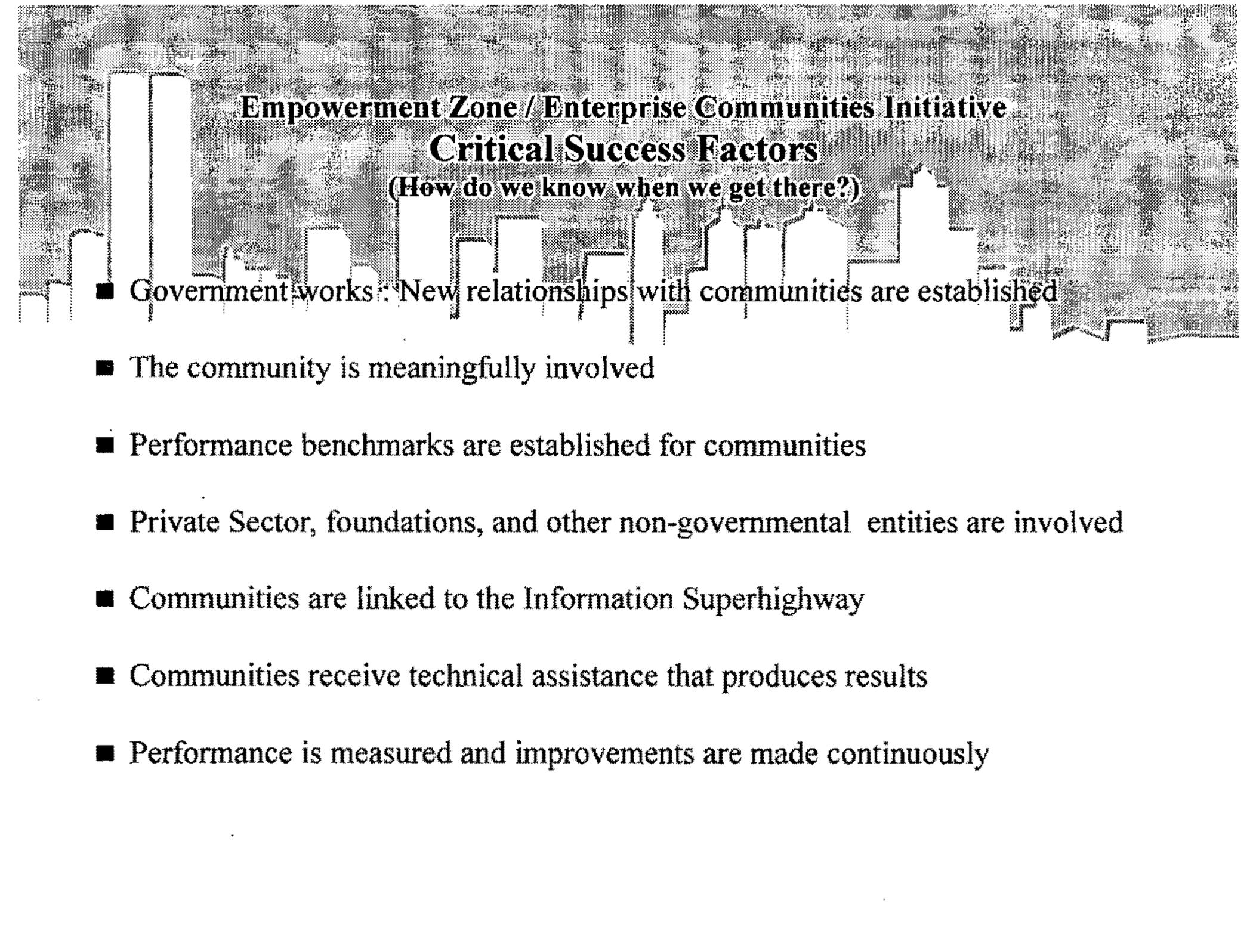
Empowerment Zone and Enterprise Communities Initiative

Vision, Mission and Goals

(Where do we want to go?)

■ We want to empower communities so that they solve their own problems:
To do that, we must:

- Facilitate community economic development that
 - o Creates businesses and jobs
 - o Provides access to capital
- Establish sustainable community development activities that improve:
 - o Public safety
 - o Family and youth programs
 - o Education and health
 - o housing/infrastructure
- Create community based partnerships that strengthen
 - o Governance structures
 - o State and local government relationships
 - o Private sector and non-profit involvement
- Develop a strategic Vision for Change that
 - o Coordinates strategy
 - o Employs benchmarks
 - o Evaluates results



Empowerment Zone / Enterprise Communities Initiative

Critical Success Factors

(How do we know when we get there?)

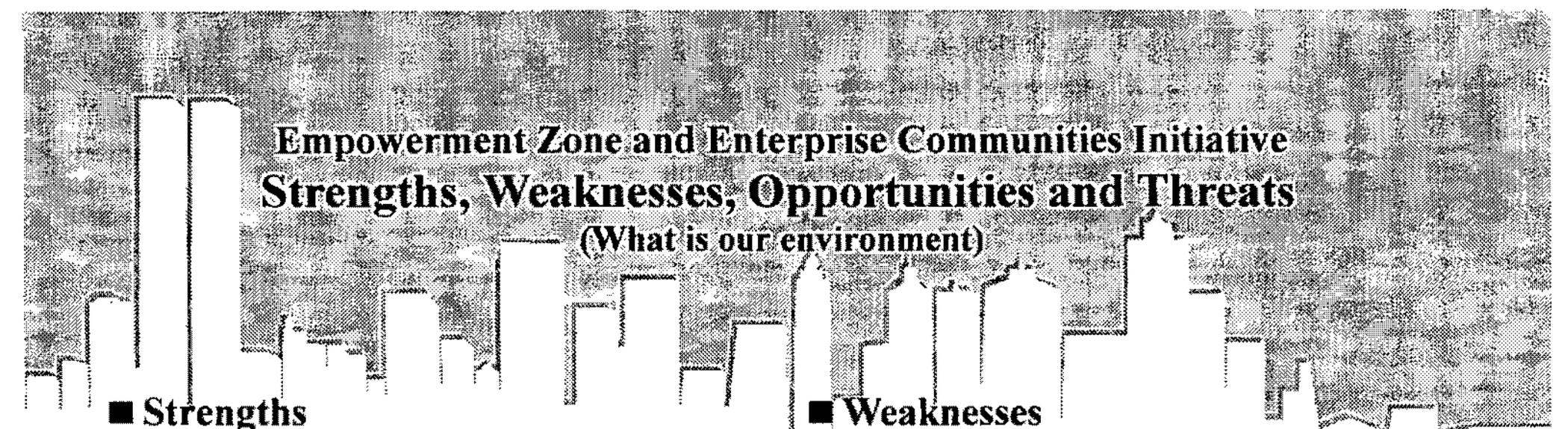
- **Government works: New relationships with communities are established**
- **The community is meaningfully involved**
- **Performance benchmarks are established for communities**
- **Private Sector, foundations, and other non-governmental entities are involved**
- **Communities are linked to the Information Superhighway**
- **Communities receive technical assistance that produces results**
- **Performance is measured and improvements are made continuously**

Empowerment Zone and Enterprise Communities Initiative

Current Performance

(Where are we now?)

- Community Involvement - Resident Participation
- Governance Structures - Community Capacity
- Partnerships - Intergovernmental Relationships
- Benchmarking: Measuring Preliminary Outputs - Outcomes
- Technical Assistance
- Activities for Strategic Change
 - Economic Opportunity
 - Community Capacity
 - Human Capital
 - Housing and Infrastructure



Empowerment Zone and Enterprise Communities Initiative Strengths, Weaknesses, Opportunities and Threats (What is our environment)

■ Strengths

- Program is fully operational and is being implemented in way that reflects the spirit of the Initiative.
- Program has broad support among stakeholders
- Resident participation is significant in most communities
- Conflict, where it occurred, was over big issues

■ Weaknesses

- Governance structures are complex
- Neighborhood residents are not well organized
- Real empowerment is not widely understood or universally supported
- Benchmarking process and performance reviews provide incomplete measures of outputs and outcomes
-



Empowerment Zone and Enterprise Communities Initiative Strengths, Weaknesses, Opportunities and Threats

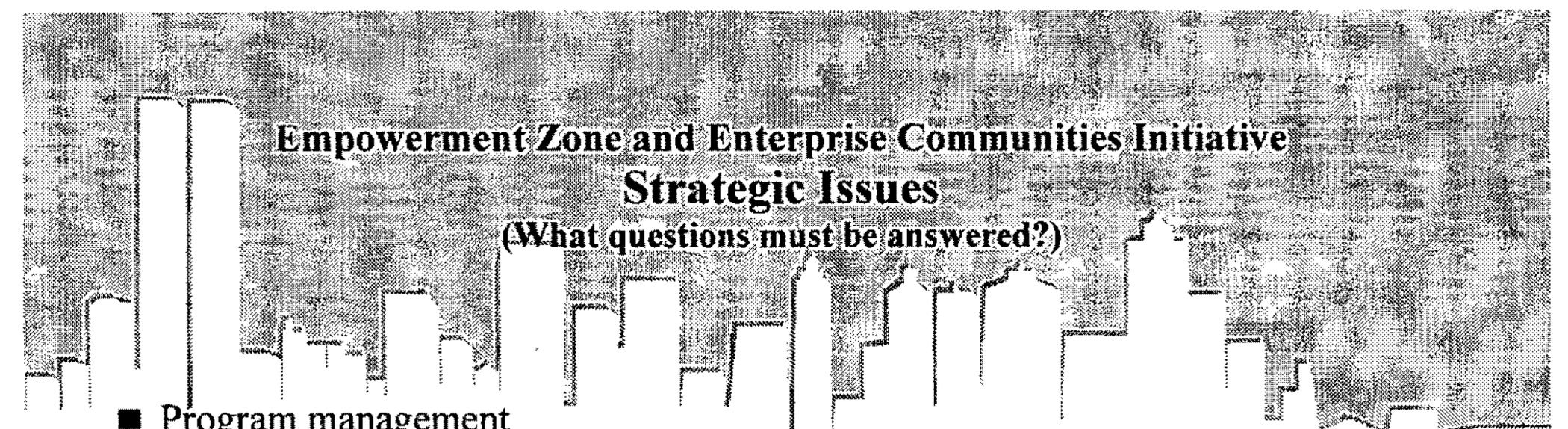
(What is our environment)

■ Opportunities

- Success results are occurring and can be built on
- Technologies can enhance positive change
- The Secretary-designate strongly supports the program

■ Threats

- Real change is an inherently slow process
- Organizational conflicts, intergovernmental relations, contracting and procedural practices
- Major economic downturn
- The Congress loses interest in the Initiative

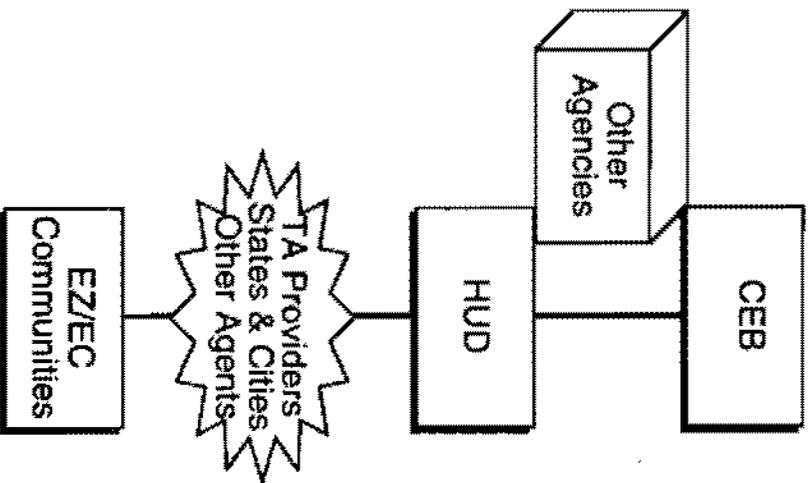


Empowerment Zone and Enterprise Communities Initiative Strategic Issues

(What questions must be answered?)

- Program management
- Community Empowerment Board - roles, relationships, staffing
- Interagency - roles, relationships, activities
- Task Force - roles, relationships, activities
- HUD operational structure
 - Location of program oversight and management
 - CPD field office staff
 - Generalist liaisons

Management Considerations



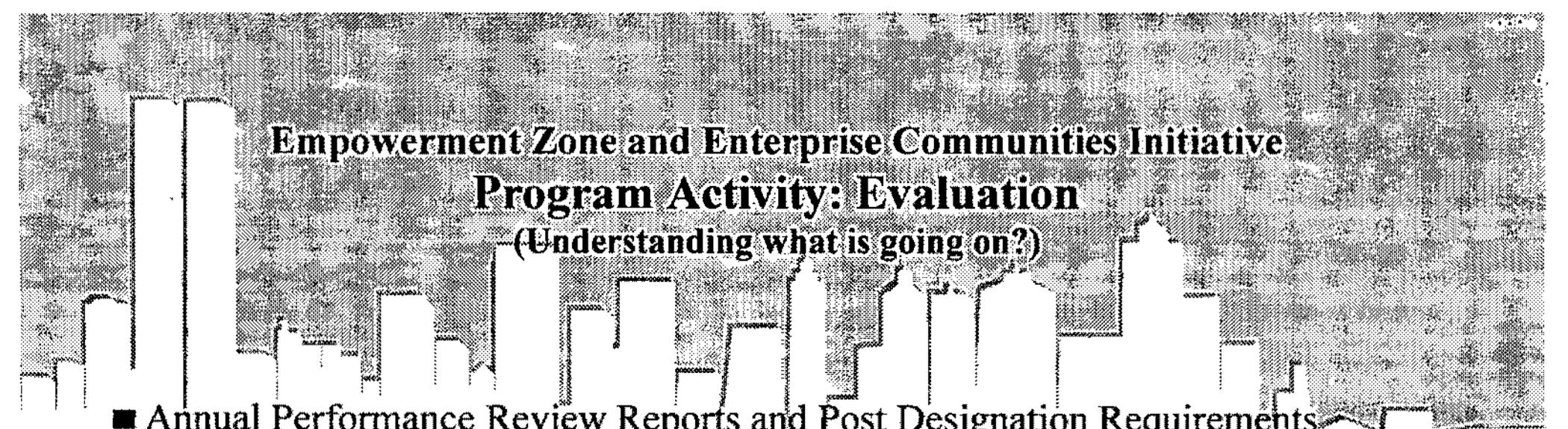
Program Activities

What must we do to get there?
How will we go about doing it?

- Program Evaluation
(Understanding what is going on)
- Technical Assistance
(Helping them help themselves)
- Outreach
(Reaching out to help)
- Special Programs
(Extra incentives)
- Round II
(Adding to the constituency)

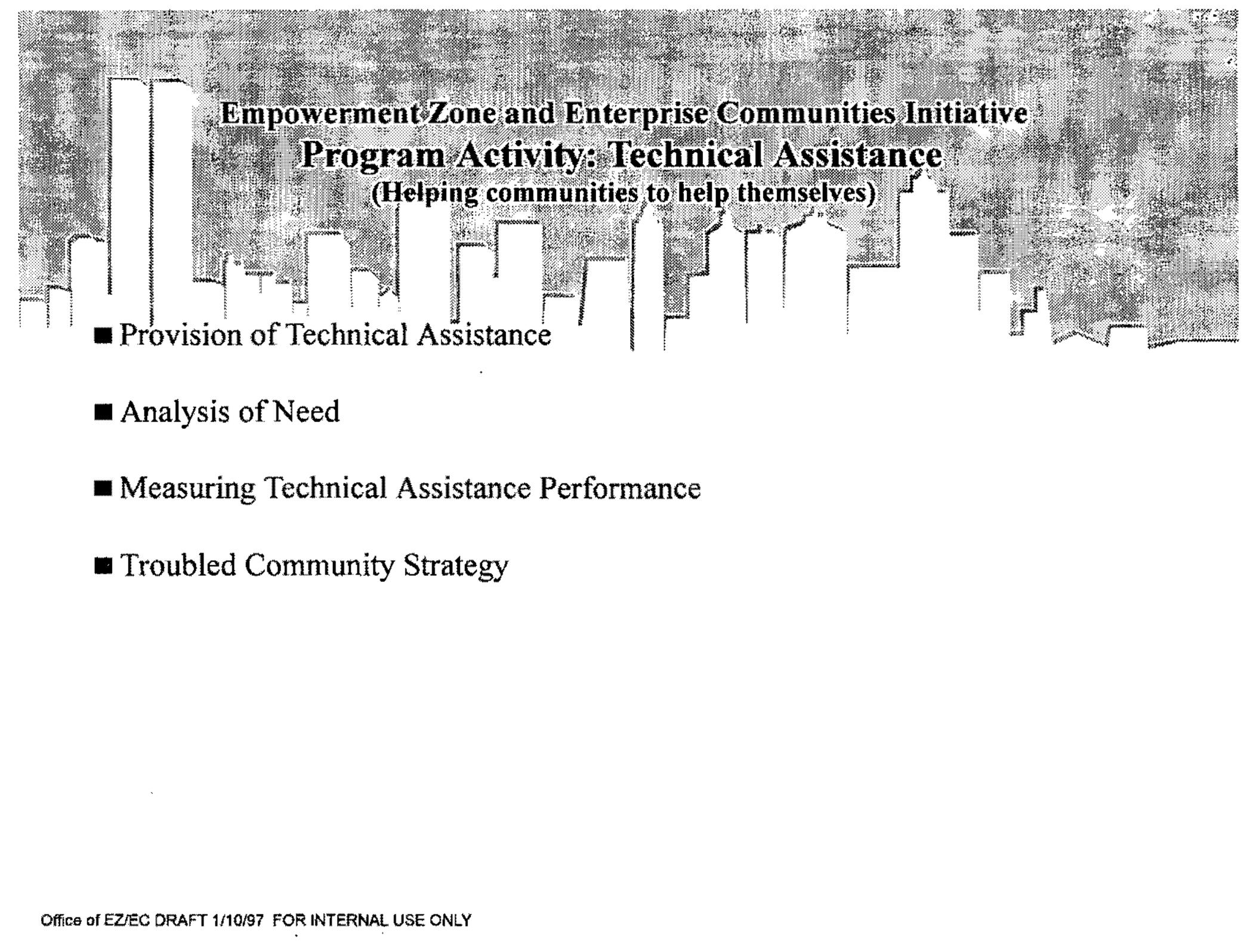
CDBG Communities

EZ/ECIS						
Champions						
Rural/ECIS						
Other						



Empowerment Zone and Enterprise Communities Initiative
Program Activity: Evaluation
(Understanding what is going on?)

- Annual Performance Review Reports and Post Designation Requirements
- General Accounting Office Report
- Independent Assessments and Evaluations
- Stakeholder Perceptions

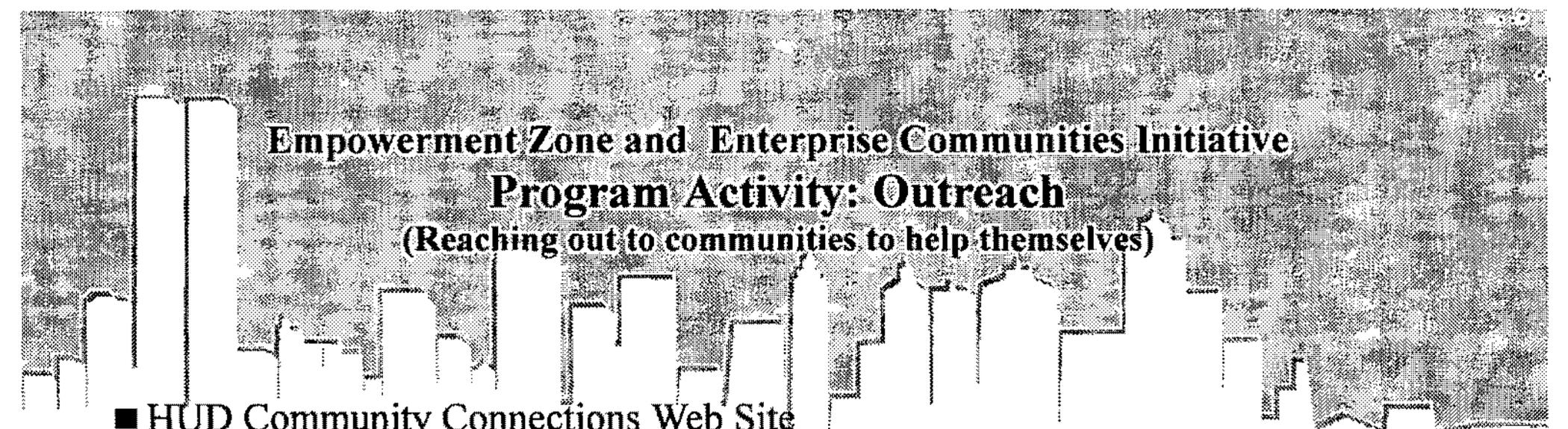


Empowerment Zone and Enterprise Communities Initiative

Program Activity: Technical Assistance

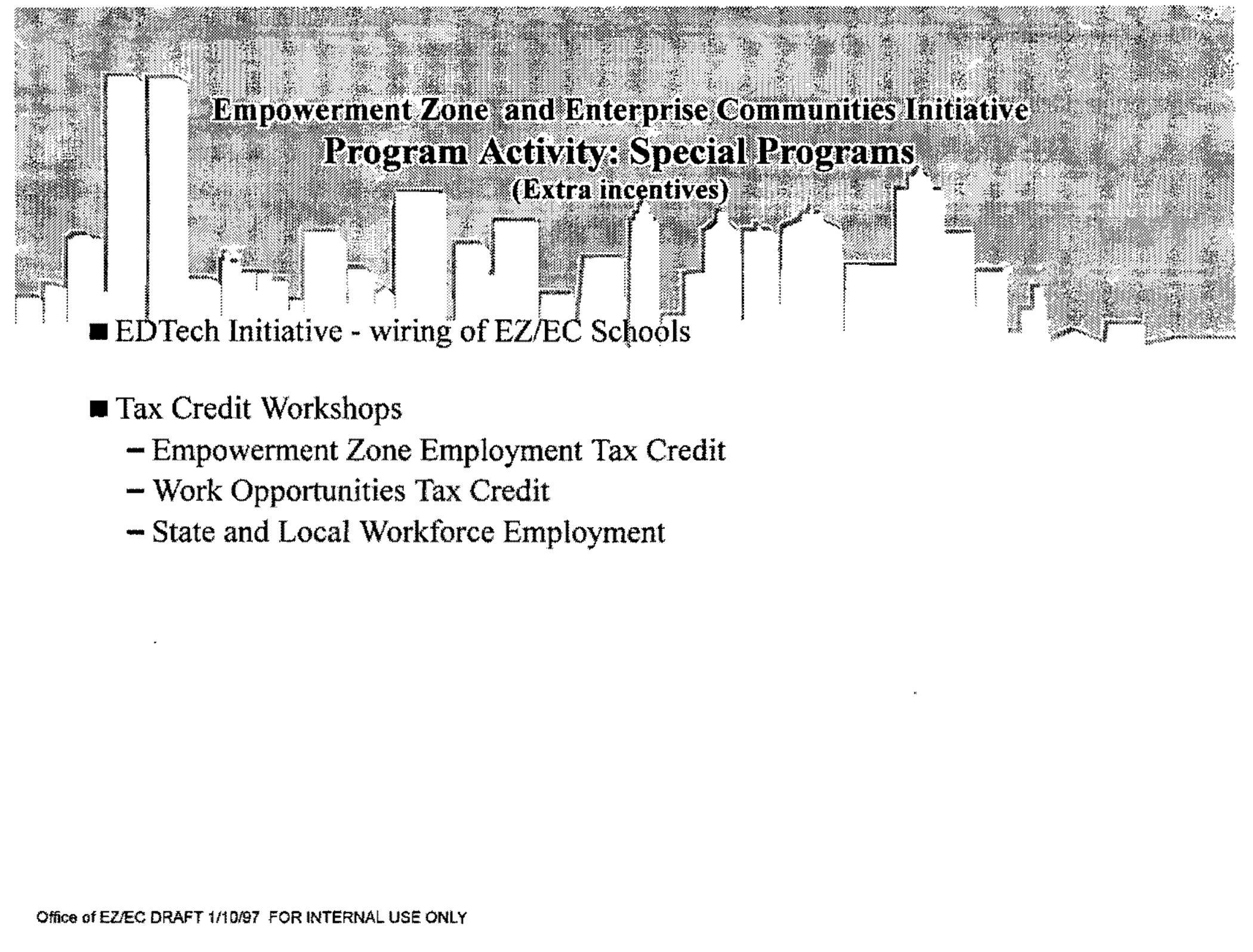
(Helping communities to help themselves)

- Provision of Technical Assistance
- Analysis of Need
- Measuring Technical Assistance Performance
- Troubled Community Strategy



Empowerment Zone and Enterprise Communities Initiative
Program Activity: Outreach
(Reaching out to communities to help themselves)

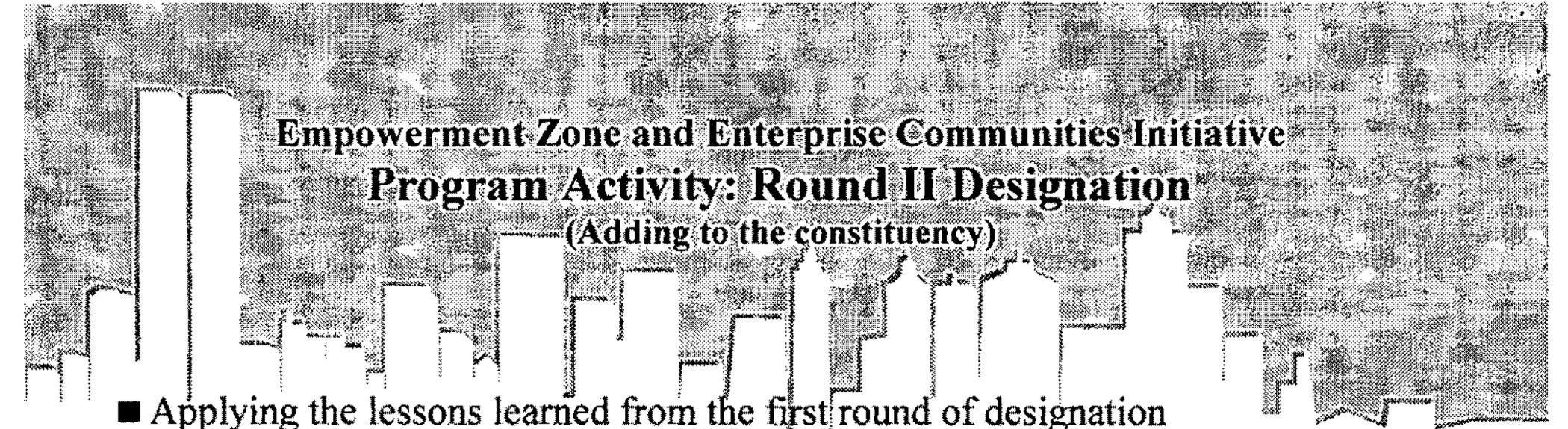
- HUD Community Connections Web Site
- Best Practices
- Library
- Business Guides
- Conferences, Meetings, Seminars
- Newsletters and General Communications



Empowerment Zone and Enterprise Communities Initiative
Program Activity: Special Programs
(Extra incentives)

- EDTech Initiative - wiring of EZ/EC Schools

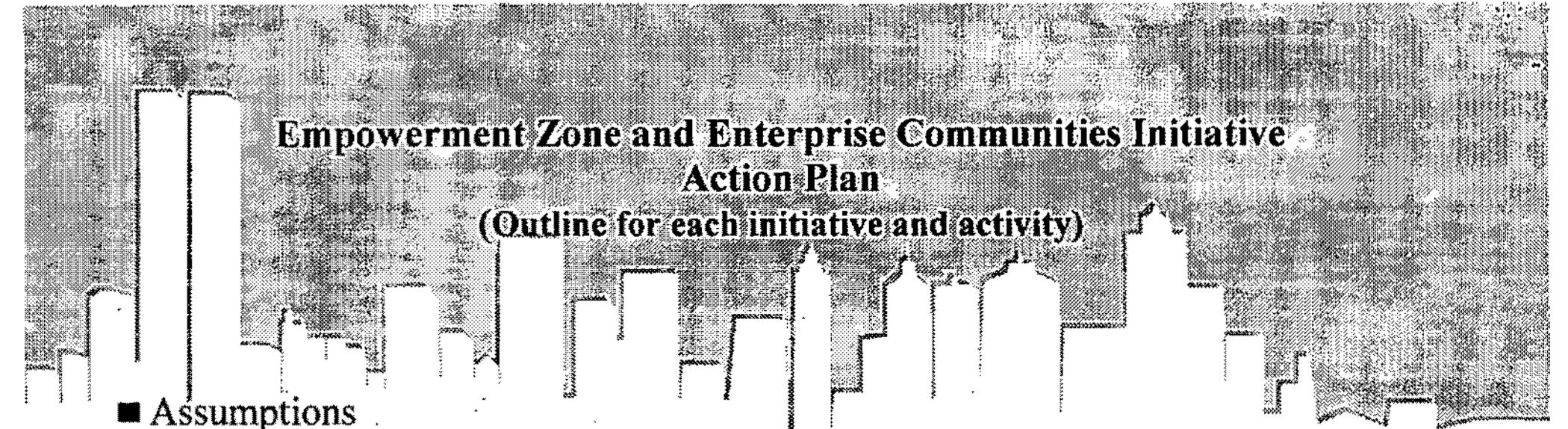
- Tax Credit Workshops
 - Empowerment Zone Employment Tax Credit
 - Work Opportunities Tax Credit
 - State and Local Workforce Employment



Empowerment Zone and Enterprise Communities Initiative
Program Activity: Round II Designation
(Adding to the constituency)

- Applying the lessons learned from the first round of designation

- Preparing the for next round



Empowerment Zone and Enterprise Communities Initiative Action Plan

(Outline for each initiative and activity)

- Assumptions
- Mini strengths, weaknesses, opportunities, threats assessment
- Issues to be addressed
- Planned results and measurable products
- Actions to be taken
 - Organizational responsibilities
 - Resources
 - Schedule

EZ/EC Priority Review

REVIEW OF CURRENT ACTIVITIES

In late October, the EZ group met to discuss one year priorities. The group set a number of goals, in each of the areas listed below. While we may now want to reassess those goals, they are presented here by way of background::

1. Reorganization:

Goal: Move from central support system to regional support system (ie from task force to generalists). The purpose was to provide visible service to cities, with a local advocate to access ta, fed resources (program help, flexibility, funds).

Status: all generalists hired and in-place except for NYC. Cities appear to be very satisfied with the level of support from generalists.

Who: Vilmain/Patlis create field system.
Selvaggi reorganizes task force.

2. Develop One Year Plan: Accomplishments for Each Zone

Goal: one year plan (or city summary) for each city, focusing on 1) visible accomplishments: ie, business/jobs, housing neighborhoods, and other activities, regardless of source (ie title xx, private, other federal, etc) 2) federal support (technical assistance, flexibility, interagency issues). These one year plans serve as the blueprint for organizing efforts of generalists and feds in supporting cities implementation, as well as providing raw material for marketing and promotional efforts.

Status: Plans/summaries have been prepared for each city, with more recent generalists providing their summaries this week.

Who: Generalists

3. Technical Assistance:

Goal: Ensure delivery of requested TA to zones, expand to EC's.

Status: TA actively underway in numerous cities. Has been expanded to EC's, improving federal credibility in those cities. Regional conferences reaching every EC held.

Who: Julian

4. Outside resources/signature initiatives:

Goal: focus was fairly narrow on creating CD bank and labor initiative.

Status: cd bank model concepts developed, initial buy-in visits to target cities; concern about fleshing out model and implementing on schedule.. Labor agreement to create 600 new jobs in four zones is being drafted. Other fed agency signature initiatives left to CEB.

Who: Donohue, Glaser, Pryde

5. Marketing:

Goals: newsletter, video, signs, banners, accomplishments stories, psa's, marketing TA.

Status: second newsletter underway, video, signs and banners in production, psa's written, first version of accomplishments stories available, TA done at conferences and some site visits.

Who: Hinton

6. EZ On-line/Community connections:

Goal: get communities on line, increase available info, conduct dialogues.

Status: all software has been purchased and distributed, first chat has been held. Significant info is on line, still need to increase info available on line, specifically maps and NOFA info.

Who: Started with Teresi; Hinton, Priest and Glaser have pitched in. Need to get conplan group on board to do map connection. Task force program group needs to increase NOFA info.

7. Development of stakeholders lists

goal: a comprehensive list of players in each community for use in mailings, relationship building, happy zones..

status: completed for xx communities.

Who: Patlis, generalists, aspen.

8. Waivers:

goal: create task force waiver team, clear ez requests, clear ec requests, issue waiver report..

status: ez requests cleared, ec requests not. No waiver report. Judi Gold from NPR has been spearheading for CEB, she recommends replacing certain task force staff; sheryll is working on. Also recommends mis system be upgraded to track waivers.

Who: judi gold, selvaggi/ceb

9. Fed funds:

goal: identify 1996 fed funding preferences, track competitive announcements and feed info to communities, issue report.

status: 1996 funding preferences tentatively identified, preferences through 1995 identified, still no tracking system for funding announcements.

who: selvaggi/task force/ceb

10. Evaluation:

goal: contract with program evaluator, design and begin fieldwork.

status: evaluator selected by price waterhouse, field work not yet begun.

who: glaser, PW

11. Scheduling/Calendar:

Goal: Develop series of events in each zone tracking the one year plans. Disseminate for cabinet use.

status: event suggestions have been developed for most zones, made available to Terry/Trish for AC use; events still need to be augmented and tied to accomplishments; still need system for circulating to cabinet if AC doesn't do.:

who: vilmain, patlis

12. Benchmarking, Monitoring, Reporting:

Goal: Complete benchmarks and sign MOAs, develop reporting system.

Status: MOA's signed in all but 4 cities. Benchmarks completed but varying qualities, and many communities need addendums. Reporting system drafted.

Who: Priest, Selvaggi

13. Reporting System

Goal: Monthly reports for Secy/WH, Real Time Updated City by City briefings; summarizing

visible accomplishments

red flags

news items

TA

Scheduling

Waivers

fed funds

Status: City by City's in draft for big 12.

Who: Patlis/Generalists/task force

NEXT PHASE

The primary goal we set at the beginning of the winter was to gain control of the program, which we had essentially lost to the civil service task force. The activities of the last ninety days have created the infrastructure to operate in each of the cities with people who report to us, to respond to the cities with assistance and information in order to establish our own credibility, and to begin to collect information for our marketing efforts. Assuming that this infrastructure now will take fewer resources to maintain than it did to create (which is debatable), the question now is how to reallocate resources to greater effect in the limited time remaining this year.

Reallocating Resources for the Next Nine Months

Some things we need to continue to do, some we haven't tried and should add to the agenda, and some we should deemphasize at this point. Using the template proposed by Andrew, with one additional category (and recognizing of course that there is some overlap):

1. "Running the Program"

a. External:

i. Generalist Operation

Current Goals:

- specified visible accomplishments
- visibility in the cities/relationship building
- responsiveness to communities
- local promotion
- troubleshooting
- pressure to produce
- information gathering

Proposed changes:

Who Current: Vilmain, patlis

*2 Functions
mechanic / program lead*

ii. Technical Assistance

Current Goals: Active delivery of EZ and EC specialized TA to support visible accomplishments/troubleshoot

Proposed Changes:

TAX

Civil servant ✓

Who Current: Potter

iii. Evaluation

Current Goals: Performance Evaluation by Rockefeller
EZ Book

Proposed Changes:

Who Current: Glaser

b. Internal:

Current Goals/Functions:

Performance and Benchmark Review
Monitoring
Waiver/Fed Funding Administration
EDI/108 Administration
Administrative Backup: mailings, reports, records management, etc.

Proposed Changes:

Who current: Priest/Seivaggi/Task Force

2. Private Sector Leverage

Foundations

Current Goals: unclear

Proposed:

Who current: Cashin/Levy

Business Groups

Retail

Service

Financial

Current Goals: Unclear

Who current: Cashin/Weiss (in theory)

Labor

Carpenters

Current goals: agreement for 500 jobs this year
Proposed changes:

Who current: Donahue

Parks

Current Goals: unclear
Proposed changes:

Who current: unclear

Other?:

3. Federal Signature Initiatives

a. HUD Initiatives:

i. CD Bank

Current Goals:
Op Ed Piece
Academic Piece
Model
2-4 "banks" up by Sept 30.

Proposed changes:

Who current: *ghaser/pryde* *Don*

ii. Early Childhood

Current Goals
Competition = Excitement

Proposed changes:

Who current: priest

b. Other Federal Agencies:

Current goals:

Need to review agency by agency, but in general:

EPA: brownfields

Education: TA

VP: wire schools

SBA: One stop shops

Other activity appears minimal

TAX

Proposed changes:

Who current: CEB/cashin

Patton

4. Marketing/Communication

a. Marketing Current goals:

Publications

Mailings

Video

Accomplishments

Press support/response

Signage

EVENTS

Proposed changes:

Who current: Hinton

b. Communications Current Goals:

EZ Chat

Internet/Maps

EZ Flash

Proposed Changes:

Who current: ?

ISS public affairs!

OCT 1995

CONTENTS

I. OBJECTIVE AND GOALS

1. Jobs/Business
2. Visible Change/Housing
3. Zone Signature Projects
4. HUD/Federal Signature Projects
5. Computer Maps/Communication
6. Reinvention/Federal Partnership

II. GENERALIST ROLE

- A. Overall Responsibilities
- B. Priority Assignments
 1. a) First Year Accomplishments
 - b) One Year Game Plan
 - i. Zone Tour
 - ii. TA Package
 - iii. Calendar
 - iv. Local Marketing Plan assessment
 - v. EZ/EC 100
 - c) Marketing Plan
 2. EC Responsibilities
 3. Outreach
 4. ConPlan/Internet
 5. Federal Reinvention
 6. Technical Assistance
 - a)EZ's
 - b)EC's
 7. Weekly Reports and Conference Calls
- C. Generalist Timeline
- D. Generalist Regions

III. NATIONAL/LOCAL MARKETING PLAN

- A. General Objectives
- B. Marketing Tools
- C. Media Strategy
- D. EZ Mailings
- E. Audiences

IV. TASK FORCE REORGANIZATION

- A. Background
- B. Proposed Staff
- C. Transition Concerns

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- Weekly Report Draft Format
- Technical Assistance Reports

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Task Force Sample Exit Memo
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TAB 2 ORGANIZING THE GENERALISTS

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TA Grid
TA Process Memo
TA Summary by Date and City
TA Money Spent to Date
CPD TA Memo

TAB 4 PUBLIC RELATIONS PLAN

Public Relations Memo

*EAP.
This was
a pretty good
outline.
Kove*

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Tom Teresi Memos
PW Lotus Note Memo
Hinton Memo
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Task Force On Line Memo
Task Force Performance Memo
Task Force Federal Funding Tracking Memo

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TAB 7 EC REGIONAL CONFERENCES

Conference Schedule
Conference Agenda
Conference Letter

TAB 8 BENCHMARKS, MOA SIGNINGS, AND AMENDMENT PROCESS

Benchmark Update Memo
Sample Benchmark Summary for CEB

TAB 9 WAIVERS

Waivers Update Memo

TAB 10 ROLE OF THE CPD FIELD STAFF

Task Force CPD Memo

Cisneros Memo

Walt Rostow: Nat'l Security Advisor to Lyndon Johnson:

Urban problem is #1 National Security problem

Loss of Jobs and buying power
Fear of crime and street tensions
racial and income isolation

Broad Community Empowerment Strategy: broader than urban

children
Schools
Jobs

Appropriation's bills: Cuts in ???

Republican cuts of programs for vulnerable people and distressed communities are the weak spot in the Republican juggernaut of tax cuts and stringent balanced budgets

Mayor's are focused on What works and are less partisan and ideological in their governing style; their capabilities, priorities and constituencies deserve Federal attention.

Argue for community specific and place based; not for overarching Federal initiatives that are general.

Caution from some to not embark on an "urban" strategy because it will mark us as OLD Dems and identify us iwth the cities/minorities constituency . We should wait...

People know that things are profoundly wrong in cities.
Practical solutions..."values"

Impressed with the Chamber's of Commerce and regional planning organizations; that have reached across the lines to discuss urban decline and inter-racial dialogue.

Leadership to tackle the problems: based on values of work, responsibility and opportunity.

CHILDREN / SCHOOLS AND JOBS

What is possible with existing initiatives and legislative environment.

WHAT WORKS?

1.) Feds can not lead local communities: Let communities lead

Need Fed \$ to fill the gap and push a marginal project to feasibility. To achieve public goals in an economic strategy.

Fed role must be entrepreneurial. Respectful of local vision and focused on results

2.) Stand by the grassroots

focused civic and personal moral commitment.

Transform schools; strengthen policing; reform health systems

medical centers, urban universities, regional community colleges, utility companies, churches and schools are the powerful institutions that offer the building blocks for jobs and the best hope for civic staying power.

3.) Urban residents can handle the focus on responsibility

Acknowledgment of reciprocity

A good school: study and homework

safe streets: help police

job: fatherhood responsibilities

public initiatives must address personal and moral challenges of urban life
structure and discipline of work and community

4.) Don't forget the Mayor's and the cities

Devolution to states, governors.

Must work on a relationship between the cities and the states...any devolution must have participation and vision from localities.

II.) Broader Community Empowerment Effort

A.) Jobs, Jobs, Jobs

link inner city residents to new jobs and the metropolitan economy

CD BANKS

CRA REFORM

**EZ'S
EITC**

Reduced capital gains tax rate for taxpayers who invest in a "community revitalization" investment.

rec: Capital Gains tax relief to attract capital for community revitalization efforts which could be defined as equity or debt investments in financial intermediaries whose purpose it would be to provide capital to qualified businesses located in distressed areas.

Metropolitan Opportunity

- 1.) Rebuild the base of jobs in the city
- 2.) Link residents to the jobs: job generators of the suburbs, airport complexes, industrial parks, office centers, beltways and loops, research parks, and "edge cities"

60% of new jobs 80-90 in suburbs

Connect poor urban residents to the rising tide of economic growth
Housing Mobility; reverse commute; fair housing enforcement, suburban employer alliances, training partnerships.

B.) Tax Base

City boundaries and tightly limited; narrow tax base

City Assets: Brownfields city land which can be reclaimed, renewed and can regenerate the city's tax base

environmental protection and economic revitalization overlap

Rec: Brownfields TAX CREDIT

Large tracts of moderately priced homes to attract back the middle class

Housing and homeownership

Federal citing: 1976 Executive Order encouraging Feds to use historic properties

C.) Children

HHS: Strong Foundations: 0-3 Safe Passages

Rec: Create Incentives for states and localities and school districts to pool portions of existing block grant funding streams to create safe passages structures and involveemnts for young people growing up in distressed communities...CONTINUUM OF CARE

Create a bonus fund and streamlined audit procedures so as to give states and localities an incentive to pool parts of what are otherwise separate funding streams.

D.) Schools

Condition of city schools determine the destiny ... people flee the city when they no longer can tolerate the condition of the schools.

Title I

Order and Safety is a precondition for a conducive learning environment.

Gangs and walking home from school

Weed and Seed type of program with DA's, Middlesex County... Community Policing for Schools

Charter Schools : privately run publicly financed:

DC proposal to have major institutions: Library of Congress, National Science Foundation, Smithsonian to establish charter schools

C

DC Proposal: Low mod families will be eligible to apply for scholarships at most local private schools. Public schools funded by enrollment

E.) Scourge of Drugs:

Gangs and Drugs: safety to live

F.) Metropolitan Approach:

Boundaries; racial and economic isolation;

False jurisdictional and political lines

Rec: Incentives to regional sharing of responsibilities: mass transit, housing, taxes

Tie Federal funding to unified regional budget

Rec: States, Hartford region 29 towns "fair share housing program...state appeals process

Rec: Counties and Regional forums: County Gov't

Carry burden of Health and Welfare:

County Housing policies on Affordable Housing in Mong. MD

Rec: Urban region is the true economic organism which participates in the national economy and competes globally is the urban region...jurisdictional lines and city suburb distinctions have no relationship to the unique role that Boston or Miami play in the world economy. Boston: education based Cleveland : machinery...Seattle and Pacific rim trade Dallas and Southwest distribution...

III. Federal Gov't in Places

problems are place based

local leaders are place based

jurisdictions are place based

Feds, heirarchy ..., specialization..

MAKE THE CEB WORK IN PLACES

Rec: Local Federal functions to a local governance structure or contract to help local governments.

Flex funding...myors could be given the authority to flex funding between disparate federal programs : education, housing, cd, transportation, job training to enable a laser focus on local priorities.

Meld Departmental funding streams to create a sum of locally flexible money



**Executive Office of the President
Office of Management and Budget
Housing Branch**

Number of page(s) following: 25 of 50

Date: 07 / 07 / 98

To: Julian Potter

Fax Number: 456-9054

Office Number: _____

Comments: Funny thing. I found another copy of
the memo you wanted complete w/ attachments.

HERE ARE the attachments. Will put in interoffice
mail.

JOSLYN MACK

Fax Number: (202) 395-1307

Office Number: (202) 395-7482



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

FAX TRANSMISSION

DATE: 11/21

NUMBER OF PAGES (including this page) 12

TO: ~~Dr. Alice Rabin~~ FROM: Bruce Katz

~~Bob Litanz~~

~~Steve Redburn~~ Ofc. #: 708-2713

Fax #: _____ Fax #: 708-2476

COMMENTS: This is the subject of the
Secy's 5:00 pm. mtg today.



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

MEMORANDUM

TO: The Vice President
Carol Rasco
Alice Rivlin
Laura Tyson

FROM: Henry Cisneros *Henry Cisneros*

SUBJ: The Role of Reinvention in the Administration's
Community Empowerment Strategy

DATE: November 21, 1995

We have been working with OMB, NEC and DPC on constructing a community empowerment strategy that could be unveiled in the FY 1997 Budget and the State of the Union. It has become increasingly apparent that such a strategy, if it is to be meaningful and effective, should extend reinvention to the federal government's relationship with States and communities. The attached paper attempts to set out the logic for the federal role in a community empowerment strategy and puts forth a series of reinvention options for us to consider.

Attachment

COMMUNITY EMPOWERMENT STRATEGIES

A. NATIONAL IDEALS

1. Sustained economic growth with low inflation is the foundation for an effective national community empowerment strategy, because without such growth the private sector cannot produce enough jobs to grow and sustain a strong middle class; and to build strong neighborhoods, towns and cities.
2. A growing economy alone does not automatically reach all Americans. Without targeted public investment, even a booming national economy can leave many communities untouched and many Americans mired in poverty and disillusionment.

Addressing opportunities for all Americans is important to our ability to compete and succeed in the global economy. We cannot help individuals unless we also strengthen their families, their neighborhoods, their communities and their schools. Our national economy is increasingly a system of metropolitan regional economies which need economically vital central cities to thrive. The destinies of metropolitan areas are linked to the performance of their cities, and the cities in turn are linked to the strength of their neighborhoods and families.

If the goal of a national community empowerment strategy is to bridge the divide between the poor and economic opportunities in the larger metropolitan marketplace, then community empowerment strategies must bring together tax, welfare, education and job training, economic development, transportation, and housing initiatives that help residents of distressed communities make the transition to self-sufficiency and independence.

3. America's communities are the places where we will bridge the racial divide. At the University of Texas in October,

President Clinton said: "Here in 1995, on the edge of the 21st century, we dare not tolerate the existence of two Americas. I will do everything I can to see that as soon as possible there is only one -- one America under the rule of law; one social contract committed not to winner take all, but to giving all Americans a chance to win together -- one America."
(President Clinton, Oct. 16, 1995)

H. COMMUNITY IDEALS

1. A community empowerment strategy that builds bridges between people and jobs and that removes barriers to opportunity and upward mobility will empower Americans to assume responsibility for transforming today's distressed communities into tomorrow's thriving neighborhoods, cities and regions.

Therefore, a community empowerment strategy must be aligned with the values of communities, connect national purposes to solving the problems that people are most concerned about (jobs, children, schools and violence), promote solutions that are locally crafted, and be implemented in ways that give people greater control over the institutions that touch their lives.

2. An effective community empowerment strategy must remove impediments to the creative and necessary use of existing federal resources to meet urgent local needs.

This does not imply an abandonment of national community ideals or of the federal government's role. It is a recognition that the way the federal government relates to communities in need, and that the existing program delivery system is seriously flawed and must be addressed as part of an overall community empowerment strategy.

Central elements of a community empowerment strategy should include some or all of the following: federal agency restructuring, improvements in federal inter-agency coordination, more consolidation of discretionary programs, the transfer of more decision-making authority to

communities, and funding systems that distribute scarce federal resources according to both demonstrated need and performance.

3. Those who live and work in a community must assume ultimate responsibility for its renewal. Therefore, a community empowerment strategy should promote and encourage the creation of coalitions of common purpose that cut across barriers of race, income, and other divisions. Expanding the federal government's techniques and capacities to help local leaders sustain and enhance their shared visions of communities and places -- neighborhoods, cities and regions -- allows federal programs to transcend abstractions and to help in the places where action is most necessary.

C. THE CONTEXT: REINVENTION IS CENTRAL TO AN EFFECTIVE COMMUNITY EMPOWERMENT STRATEGY

1. Up to this point, the President's community empowerment process has identified over-arching goals and values:

- linking families to work;
- promoting private investment in distressed communities;
- respecting locally driven solutions;
- affirming traditional values of work, family and self-reliance.

2. The on-going NEC-led community empowerment exercise has also identified promising community initiatives that have the potential to contribute to the Administration's overall national economic goals:

- increase access to private capital;
- reclaim urban "brownfields" for productive, job-generating uses;
- reclaim and stabilize whole neighborhoods through large-

scale homeownership development for working and middle-income families;

- enrich and refine the Empowerment Zone and Enterprise Communities program to increase economic opportunities to zone residents;
- dramatically replace public housing through a combination of vouchers and mixed income housing developed by public/private partnerships.
- link people to jobs in the metropolitan economy through creative bridges-to-work partnerships.

3. While these and other promising initiatives under consideration -- such as those relating to youth and families -- may be *necessary* elements -- as individual initiatives, they are not *sufficient* to constitute a comprehensive national community empowerment strategy. This is so for five reasons:

- even if they were to be funded at the most optimistic of levels, the amount of new money that would be made available to individual cities would still be very modest relative to need;
- without some "systemic glue" to hold them together, they can be portrayed as yet another set of boutique categorical programs being put forth to placate mayors and the Administration's urban base;
- these new initiatives would still be dwarfed by the stream of existing federal resources flowing to distressed communities from a variety of discretionary programs, many of which are so encrusted with unnecessary federal restrictions as to render even those which are inherently effective only partially useful to the achievement of local priorities;
- local officials who are ultimately responsible for community solutions regard the existing federal-local relationship as seriously flawed, and believe that community empowerment strategies must dramatically change the system; and,
- the Administration needs a bold "reinvention" alternative to the Congressional leadership's commitment to eliminate

one or more cabinet departments, which they are bound to pursue as part of their balanced-budget plan.

4. For all these reasons, the bold reinvention of government -- fundamentally changing the way in which federal agencies relate to each other, local officials use federal funds, and the federal government relates to communities -- must become central elements of an effective community empowerment strategy. Heretofore, reinvention and the development of program and policy initiatives have proceeded on parallel tracks. It is time for the reinvention and program development phases of our community empowerment strategy work to be joined. Together, they will become the Administration's comprehensive response to the problems of distressed communities and the Administration's positive alternative to sending block grants to the States.

Devolution to State capitals is still decentralization one step removed from communities where the most acute needs exist and from the level of government most directly and daily linked to citizens. A truly responsive decentralization would build on the creative methods of entrepreneurial local governments and community-based organizations in partnership with their State governments.

D. THE FEDERAL ROLE IN MAKING IT HAPPEN

If strong communities are an important national ideal, then along with other elements of society -- families, churches, neighborhood leadership, local governments, business and philanthropic organizations -- the federal government has a role to play. Despite the derision with which it is too frequently dismissed, the federal role includes several irreplaceable and invaluable aspects:

- By affirming that healthier communities are in the national interest, the federal government nationalizes the quest, in effect setting a standard and bringing the nation together in acknowledgement of this common purpose;
- By scanning the nation and showing the best practices and most successful community experiences, the federal government establishes a framework within which communities can accomplish things they could not otherwise accomplish, such as is now the case in the Empowerment Zones and Enterprise Communities.
- By targeting its resources, the federal government injects public capital to produce infrastructure and services that attract private investment, or which accomplish tasks that are distinctly governmental in nature and therefore, unsuitable for private investment.
- By directing national experience and resources to capacity building and

training, the federal government can help community leaders and residents deal with complexity and adapt national knowledge and information for local use.

- By encouraging new alliances and dialogues, the federal government can help communities work across city and regional jurisdictional boundaries and resolve area conflicts and impasses.

A national community empowerment strategy that is responsive to the needs of mayors and communities would include most or all of the following five (5) elements:

- Restructure the federal departments that serve communities;
- Improve inter-agency collaboration at the federal level;
- Reduce the stultifying link between federal dollars and both bureaucratic approvals and heavy-handed oversight by consolidating and simplifying federal programs and making them more flexible at the local level;
- Reinvent the federal program delivery system;
- Engage community decision-making in profoundly new ways.

Each of these five reinvention options is discussed below.

Agency Restructuring

Create a Department of Communities and Homeownership ("HUD only") that would reorganize HUD along the lines of our FY 1997 budget submission. Designate HUD field offices as problem-solving "urban county agents." The adage of "steering not rowing" is not accurate. We need to be down at the community level rowing with them.

OR

Create a larger Department of Communities and Homeownership ("HUD plus") that would shift community-focused programs to the enhanced department.

Inter-agency Collaboration

Create "the Virtual Department of Cleveland," or the single point of contact for the 100-150 largest cities, as recommended by the National Performance Review. Points of contact would be located in HUD regional offices, with a strengthened CEB in Washington authorized to break logjams relating to stalled requests for program waivers that are received in the field. This proposal could be expanded to include reorganization of community-oriented agencies into a "domestic policy cluster" to improve collaboration.

OR

Joint administration of programs – expands upon the school-to-work model to include HUD/HHS collaboration on homeless initiatives, DOL/EPA/HUD collaboration on brownfields redevelopment, DOT/HUD on regional development strategies, etc.

OR

Create performance partnerships between communities and multiple federal agencies by using collaboratively designed performance measures to focus on outcomes, thus creating feedback for federal agencies on their contributions to local successes. The federal role would be transformed from monitor and auditor concerning money and rules to a partner in producing results. It would also free communities to try different approaches, leaving room for experimentation to achieve the desired outcomes.

OR

Employ new interactive telecommunications technology to eliminate multiple steps in bureaucratic approval processes. For example, it is now possible to convene local officials by video conference to review an application submitted by computer and geo-coded map systems. The result is a paperless transaction involving several federal agencies which produces an answer in days as opposed to months.

Program Consolidation/Flexibility

Consolidate additional discretionary programs relating to communities; flexibility to consolidate federal grants of less than \$1 million without prior federal approval if required to carry out comprehensive community strategy. Human nature and bureaucratic practice are such that when one party has the money and the rules, no matter how flexible that party is encouraged to be, the opportunity to be arbitrary, over-bearing, and unreasonable is often too great to resist. The only way to mitigate this tendency is to break the link between the money source and total authority by taking "a giant leap of trust," acknowledging that local officials care as much about results and prudent financial practices as federal officials. Sophisticated random reviews of local financial processes can give reasonable assurances of fiduciary responsibility.

OR

Flexibility to shift funds between federal programs. Local leaders consistently argue that the way the Federal government is organized to respond to community problems too often undermines our ability to be part of the problem-solving process even when local solutions are possible and when local leaders have good plans.

We must give local leaders the power to make decisions about funding allocations and priorities that better reflect the unique circumstances of their communities. This can be done by allowing local leaders to (a) dedicate a portion of their federal funding (say 10%) to programs and activities that constitute local priorities and (b) waive federal rules that impede their ability to meet local needs. One Mayor, for example, might decide to dedicate additional funds to youth development programs, another to economic development activities, still another to housing rehabilitation. These relatively small changes could trigger immense innovation and focus at the local level and rearrange federal programs in support of local priorities.

Alternatively, "flexing" between interagency funds could be made permissible either to achieve nationally prescribed objectives like linking welfare recipients to work, revitalizing distressed communities, or integrating housing, education and youth initiatives (e.g. OMB's HOPE University concept).

OR

Propose generic statutory waiver authority across government programs relevant to community empowerment. This proposal would expand Senator Hatfield's Local Empowerment Act.

Change Program Delivery System

Create Community Empowerment Councils or other new local leadership forums headed by mayors and elected county executives to receive multiple funding streams that can be used more flexibly and creatively to address comprehensive community needs.

OR

Require local/State partnerships on welfare and health care reform (e.g. Indiana and Wisconsin examples of mayors controlling the job training portion of State block grants.)

OR

Broaden Section 8 administration to include States and regional entities to better coordinate with welfare reform and job training initiatives.

Engage Community Decision-Makers

Many techniques have been developed for creating community consensus and for involving citizens who are not normally engaged in public decisions. At a time when the nation is paying a price for converting citizens into passive clients of government agencies and for perpetuating disconnectedness in our civil society, the federal government should foster and encourage new ways to give community residents more say over their lives. Experiments in direct democracy such as deliberative town halls, citizen juries, electronic hearings, community asset mapping, deliberative telephone surveys, and neighborhood focus groups are now being tested by sophisticated community reformers. There now exists a tremendous opportunity to link these technologies for direct democracy with the decisions of federal agencies (see Attachment.)

Conclusion

A community empowerment strategy can give Americans confidence that government can achieve results that matter to people where they live and offer value, that is high quality performance, with emphasis on safeguarding the taxpayer's dollar.



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

M E M O R A N D U M

TO: Paul Dimond

FROM: Bruce Katz *BK*
Mike Stegman *MS*

SUBJ: FY 1997 Budget: Urban Policy Initiatives

DATE: October 25, 1995

Introduction

HUD believes that the principal goal of Administration urban policy should be to link people to work, both by reinvesting in distressed urban communities and by reconnecting the residents of these communities to jobs and opportunities in the larger metropolitan marketplace.

As you know, the Administration's National Urban Policy Report explicitly rejects the false dichotomy between policies that empower poor people and policies that revitalize distressed places. People-oriented policies and place-based policies are complementary, not competing, and must be pursued in tandem if we are to have any hope of ending the isolation and despair of distressed inner-city communities.

The Administration's challenge is to devise more effective means -- programmatic initiatives and reforms, organizational restructuring -- of serving people-in-places. We believe that HUD's contribution to the Administration effort should consist of the following five initiatives:

formation of a new Department of Community Partnerships and Homeownership which will have as its principal mission the support of locally designed revitalization strategies through the integration of federal services;

a restructuring of the federal relationship with cities, giving Mayors greater power to make decisions about funding allocations and priorities that better reflect the unique circumstances of their communities;

a "mobility strategy", designed to link low income families who live in distressed urban communities with economic opportunity in the metropolitan marketplace as a whole;

a "Campuses of Learners" initiative, designed to transform public and assisted housing developments through the integration of education, technology and job training opportunities; and

a "Homeownership Zones" proposal, to support the creation of large-scale homeownership communities in inner-city neighborhoods.

A New Department of Community Partnerships and Homeownership

HUD's main objective in the FY 1997 Budget is to focus on serving "people in places" through the integration and coordination of services. We seek to complete the transformation of the Department into one that "puts communities first", into a new Department of Community Partnerships and Homeownership. The notion of helping communities forge comprehensive, integrated, locally-generated solutions to their problems will be the driving force for all this new Department does. It will shape and affect the way we organize, the functions our staff perform, the programs we design and administer, and how we relate to the network that delivers our product and our ultimate customers.

Most Federal programs -- even after significant streamlining and consolidation -- are still rigidly prescriptive; the ability of localities to use funds creatively and tailor them to local needs is highly limited. Mayors and other local leaders consistently argue that the way the Federal government is organized to respond to community problems too often undermines our ability to be part of the problem-solving process even when local solutions are possible and when local leaders have good plans.

The problems in local communities, in short, are multi-faceted and place-based. Any given neighborhood revitalization effort may have transportation, environmental, educational, housing, community development and economic development elements. Yet that is not how the federal government is organized or federal programs are designed. HUD and other Federal agencies are still slaves to traditional organizations, to specialization, and to hierarchy.

HUD's FY 1997 budget seeks to reorganize HUD and the federal government in a way that is responsive to communities and their problems. It will build upon the lessons of the Administration's premier urban initiative: empowerment zones and enterprise communities. The idea behind this initiative was simple: give localities the chance to develop and implement comprehensive

plans that are tailored to the needs of individual communities and place federal programs and personnel in support of these long-range strategies. That is the basis for a partnership, but it can only be a workable partnership if the federal role is entrepreneurial, respectful of local visions and as focused on results as they are.

We envision the creation of a "right-side-up" cabinet department that literally inverts the organization chart, putting the federal representatives who meet the public on the highest level and arraying every other function in support of the front-line staff. The new agency will naturally divide functions between those that are Washington-based (e.g. policy, research, budgeting, Congressional relations) and those that should be located in communities (e.g. customer service, performance oversight, consulting role, training). The new division of responsibilities will compel the shifting of resources and personnel from HUD's headquarters to our 81 field offices (see attached map). Such a reorganization and redeployment will underscore the principal focus of community service, local partnership and problem solving.

In many respects, the new Department will come to resemble a large consulting firm operating nationwide. Like such firms, the Department will be a "clearinghouse of best practices", informing communities of the most innovative and effective strategies that are ripe for replication. HUD staff will be called upon, particularly as federal funds become more scarce, to help local actors perform their jobs successfully -- develop comprehensive revitalization plans, assemble multiple layers of financing and subsidies to develop affordable housing, support activities that rebuild neighborhood economies and generate jobs.

The Department will also be reorganized to ensure the cross-integration of services and resources. The current barriers between Departmental cylinders (e.g. public housing, community development, FHA, fair housing) will be broken down at local offices where teamwork and integrated action will be encouraged and rewarded.

Such coordination, to be successful, must extend beyond the Department. We envision the new Department providing a service to other Cabinet agencies, setting up collaborative local networks of Federal officials who are involved, acknowledged, headed, trained and promoted for their community effectiveness. It might even be possible to turn over some federal functions to a local governance structure or to contract them to local governments. The next step in reinvention of Federal agencies should be from the ground up, not from the top down.

Finally, the new Department will be organized to rely on corporate forms of organization and governance where appropriate.

The Department, for example, will contain a Federal Housing Corporation to enhance its presence at the low-end of the homeownership market. The Department will also house a "bad bank" entity, along the lines of the Resolution Trust Corporation, to dispose of troubled multifamily assets and carry out the comprehensive restructuring of the older assisted portfolio.

One of the primary missions of the new Department will be to equip HUD personnel with the skills necessary to succeed in the reinvented world of federal housing and community development. As programs become consolidated and allocated by formula, HUD staff will need to help States, localities and citizen groups devise comprehensive community strategies. As the Department receives enhanced powers to address the problems of troubled public housing agencies, HUD staff will need to become experts in corporate restructuring and management of distressed real estate.

Very importantly, the new Department will set up private collaboratives to train and retrain the nation's network of housing and community development providers: community development corporations, public housing agencies, state and local governments, housing managers, homeless providers, fair housing enforcement entities, affordable housing lenders. For too long, HUD has defined success narrowly -- when funds are awarded or obligated, when rules are promulgated. True success, however, only occurs when the outcomes of federal housing and community development policy are realized (e.g. the rehabilitation of affordable housing). To ensure such success, the new Department must constantly buttress the skills, capacities and capabilities of the real delivery system.

The new Department will also exploit the rise of new communications technology -- cable television, satellite networks, computer mapping capabilities -- to ensure that information is disseminated to the maximum extent feasible throughout the housing and community development network. In so doing, the new Department will partner with existing information-sharing entities which already serve certain segments (e.g. public housing agencies, community development corporations) of the community. The ability to communicate instantly through multiple media and multiple networks obviates the need for old-style hierarchies to disseminate information. It creates the potential for a "virtual", place-based organization to emerge.

The new communications technology will accelerate the transition to "paper-less" offices and processes. This transition is already underway. The Office of Community Planning and Development, for example, now requires local jurisdictions to submit one consolidated plan instead of eight separate and overlapping planning documents. Development of the consolidated



plan is aided by computer maps, supplied by HUD, which show the existing allocation of federal resources in local neighborhoods. The new consolidated plans are submitted on computer discs, which make them more accessible to the general public.

In addition, FHA is borrowing the most advanced techniques from modern insurance companies by establishing back-office, administrative processing centers. Such centers have already dramatically reduced the processing time for approval of FHA's single-family mortgage product and have contributed to the growth in business and revenues. We are rapidly approaching the time when the Department's main clients (e.g. public housing agencies, state and local governments) can communicate with the Department almost exclusively through the computer network.

The method by which the new agency is created will itself be unique. During 1996 HUD will enter into an unprecedented partnership with a fortune 500 company or combination of companies. The partnership will help the Department re-engineer its basic functions to enhance service to customers. The partnership will also focus on how to use technology to further the new mission. The lessons of corporate restructuring will be applied throughout the transition period.

Beyond Reinvention: A New Relationship with Cities

As described above, the consolidation trend in HUD and elsewhere will still leave in place programs with tightly defined missions and requirements. At HUD alone, for example, localities will receive a mix of HOME, CDBG, McKinney, HOPWA and public housing capital funds that may not reflect local priorities and needs. HUD believes strongly that we need to give Mayors the power to make decisions about funding allocations and priorities that better reflect the unique circumstances of their communities.

HUD's FY 1997 budget will, therefore, give high performing jurisdictions the power to allocate a portion of HUD funds in a way that better reflect the unique circumstances of their communities. Specifically, performing jurisdictions would be given the authority to "flex" up to 10 percent of each formula program to enable a laser focus on those activities that constitute local priorities. In a particular jurisdiction, for example, the highest local priority might be neighborhood economic development. The Mayor or other local leader, after appropriate local consultation, would be permitted to shift funding from one or multiple programs to CDBG to accomplish this objective. Such flexibility could trigger immense innovation and discipline at the local level and rearray federal programs in support of local priorities.

Clearly, such flexibility should not be limited to HUD

programs. Local jurisdictions receive an array of other federal funds (e.g. education, transportation, job training) that also should be made fungible at the discretion of a performing jurisdiction. "Flexing" between these interagency funds could be made permissible either to achieve nationally prescribed objectives (e.g. the emerging "HOPE University" concept) or at the discretion of local jurisdictions that are superior performers across-the-board and have presented comprehensive community revitalization strategies. These relatively small program changes could trigger immense innovation and focus at the local level and rearray federal programs in support of local priorities.

Mobility Initiatives: Linking People to Work

Today, urban Americans are more likely to find employment in the suburbs of our great metropolises than in the central cities. Between 1977 and 1987, two-thirds of net employment growth in America's 60 largest metropolitan areas was located in the suburbs. Over the same period, the suburbs captured 120 percent of the net job growth in manufacturing, while central cities suffered absolute losses in manufacturing employment.

As jobs, wealth, and economic opportunities have migrated outward, poor communities in the central city (and in older suburbs) have become increasingly isolated from the opportunities of their metropolitan regions, the nation, and the emerging global economy. Most jobs in the American labor market today are filled through employee referrals, direct application at the work site, and other informal mechanisms. Vacancies are not widely publicized, and job seekers need personal recommendations from people that prospective employers trust. Thus, inner-city residents face real barriers to finding employment in outlying areas where job opportunities are expanding fastest.

Some employers may be attracted back to central cities by the availability of investment capital, by the redevelopment of brownfields, and by progress in combatting crime and violence -- all of which are components of the Clinton Administration's Community Empowerment Agenda. But in conjunction with rebuilding employment opportunities in the central cities, federal policy must also help establish functional linkages between the people who live in the inner city and the expanding opportunities to be found throughout the metropolitan region.

Therefore, we propose three initiatives for FY 1997, each of which effectively links poor people who live in distressed urban communities to opportunities for upward mobility in the metropolitan marketplace as a whole:

- A \$75 million investment in the Bridges-to-Work initiative will enable 1,000 inner-city residents in each of 50 cities

to find and keep jobs in the suburbs. Participating workers will receive assistance with job search, transportation, child care, and other barriers that may stand in the way of commuting from the central city to a suburban job. This initiative has the potential not only to link individuals to suburban jobs, enabling them to start the climb out of poverty, but also to revitalize the distressed neighborhoods in which participants live.

- Expansion of the Empowerment Zone wage credits in the federal tax code will include employers outside EZs who employ a significant number of Zone workers. Like Bridges-to-Work, this initiative has the potential to replenish the resources of inner-city neighborhoods and to forge more extensive connections between distressed neighborhoods and the metropolitan labor market as a whole.

- A total of 50,000 housing certificates will be earmarked to assist families who wish to move from high-poverty, distressed neighborhoods to areas that offer better educational and employment opportunities. Evidence has shown that -- with proper screening and support -- the opportunity to move to a lower poverty neighborhood can lead to economic independence for poor families. In particular, young people whose families moved from distressed inner-city communities to the suburbs have proven more likely to stay in school, choose college track courses, attend college, find jobs, and earn more than the minimum wage.

These three initiatives empower people to overcome the barriers to opportunity that perpetuate the isolation and despair of many inner-city neighborhoods. By re-entering the world of work and responsibility, residents of distressed neighborhoods can rebuild their lives and their communities.

Campuses of Learners

In many large urban communities, public and assisted housing developments act as an impediment to economic opportunity for communities and residents alike. The sheer density and presence of many developments discourages private investment in marginal neighborhoods. The geographic, economic and social isolation of developments also hinders families in their efforts to move from dependency to self-sufficiency.

HUD's "Campus of Learners" initiative is an effort to connect public housing developments and residents to the mainstream of urban economic life. This initiative combines public and private sector resources by incorporating education, technology and job training opportunities in public housing developments. Through creative partnerships with school districts, universities, community colleges, and corporations,

the Campus of Learners initiative is transforming public housing developments from places that are often separated from mainstream society into electronic and education campuses for the 21st century. Atlanta, Hartford, Denver, South Bend, New Haven, and East St. Louis have already secured commitments from the private sector, local school districts and universities to implement the Campus of Learners initiative within the next eighteen months.

Funding for this initiative is coming from a number of existing HUD resources. Public housing agencies, for example, are using capital funds for rehabilitation and redevelopment to construct Campuses of Learners. The Department's FY 1997 budget also requests \$500 million for a major initiative designed to implement the Campus of Learners initiative in the context of demolishing and replacing some of the nation's worst public housing projects.

Key elements of the Campus of Learners initiative include the following:

- *Build Physical Campuses for Learning and Living:*
Create new human scale safe living environments that integrate schools, parks, community colleges and universities. Use architecture, landscaping, fencing, and access points to build livable human scale developments and replace the traditional street system. In short to build identifiable campuses where there are now only "projects."
- *Integrate Area Schools into Campuses of Learners:*
Schools will be physically incorporated into the campus plan to ensure access and security. Public Housing Authorities will work with local school districts in development in curriculum development, parent-teacher relationships, after-school activities, and adult education classes.
- *Partner with Universities:*
Harness the resources of universities, vocational, technical institutes and colleges through specialized education and technology classes, share computer hook-ups, mentoring programs, and student-supported housing in the development. Some faculty members will be invited to live "on-campus" and act as academic advisors.
- *Provide Access to Technology:*
Wire every unit in the Campus of Learners site. Computer lab sites on campus will be available for computer classes, language skills, life skills training, and GED classes to accommodate the schedules of working mothers, children and the elderly.
- *Encourage Private Sector Sponsorship:*
Encourage corporate sponsorship of the local Campus of

Learners sites, including job training and employment opportunities, mentoring for children and adults, telecommunications resources, and youth sports programs.

- *Provide Education and Learning for Residents of all Ages:*
Enrolling in an education program of some kind will be a requirement to live on campus. All residents, children, adults, and senior citizens, will have access to education in nearby schools and campus education centers.
- *Foster Employment Opportunities:*
Partner with local businesses for job placement and opportunity for residents who complete adult education training, computer programs, or other programs.
- *Create Safe Communities:*
Design apartments and living centers with an emphasis on safety and limited access. Extend "boundaries" of public housing to nearby schools, community colleges and universities.
- *Change the psychology of public housing as a permanent residence:*
Emphasize the importance of inner-city education and job training as critical rungs in the ladder of economic opportunity. Churches, businesses and volunteer organizations will establish strong mentoring/leadership networks.

Homeownership Zones

Many older American cities which have experienced substantial job, population and income declines have disproportionately large rental housing stocks. This is due, in part, to the conversion of once owner-occupied housing into a larger number of smaller rental units, typically absentee-owned. While the transition of urban housing stocks from owner to rental occupancy are both cause and effect of neighborhood decline, there is growing acceptance of the proposition that distressed communities cannot be turned around without a significant expansion in their homeownership populations.

HUD proposes a \$200 million "Homeownership Zones" initiative to support the creation of large scale homeownership communities within empowerment zones, enterprise communities and other areas of chronic economic distress. The initiative is designed to reclaim abandoned neighborhoods, attract back to the city hardworking moderate- and middle-income families, and stimulate business creation and private investment.

The initiative would operate as a challenge grant, requiring localities to compete for funds by proposing creative, cost-effective homeownership strategies using a combination of their own

resources, private capital and federal program incentives. The most competitive proposals would bring to their programs a wide range of non-federal resources, such as city-owned land, waivers of local impact fees and other assessments, including the elimination of state and local regulatory barriers to affordable housing.

To ensure adequate scale, each participating locality would be required to develop a minimum of 250 homes in a targeted area to successfully compete for federal resources. The program would operate in existing EZ/ECs, and in qualified census tracts and areas of chronic economic distress that presently govern the mortgage revenue bond program.

The \$200 million in federal grants would be used for deferred payment second mortgages, up to \$5 million per participating locality. Up to \$25,000 in deferred second mortgage money would be provided for single family dwellings; up to \$45,000 for two-family dwellings; and up to \$65,000 for three-family dwellings.

If deemed appropriate, the program could be expanded to include a series of tax options. We offer three options for consideration:

An expanded Mortgage Credit Certificate (MCC) program that would raise the mortgage tax credit in homeownership zones from the existing \$2,000, to \$4,000 per family per year; and that would make the MCC tax credit refundable. This is necessary to enable young, lower-income, first-time homebuyers with children who currently take the child care deduction to take full advantage of the MCC tax credit. The federal government could apportion an additional \$500 million in private purpose bond cap authority for cities to use only for expanded MCCs in homeownership zones.

A postponement of the capital gains tax for current homeowners who sell their homes to buy less expensive homes in designated zones by allowing them the option of deducting the gain from their basis in their homeownership zone dwelling.

A rehabilitation tax credit for historic structures occupied by the taxpayer as his or her principal residence. This tax credit is identical to that created in S. 1002 and H.R. 1662 -- the Historic Homeownership Assistance Act -- introduced this year by Senators John Chafee and Bob Graham, and Congressman Clay Shaw and Congresswoman Barbara Kennelly. The rate of the credit is 20 percent of qualified rehabilitation expenditures (same as the current credit). Rehabilitation would have to be performed in accordance with the Secretary of the Interior's Standards for Rehabilitation, with certain

exceptions. The Joint Committee on Taxation has estimated the revenue loss of this measure to be \$239 million over a five-year period.

We believe the homeownership zone initiative furthers the Administration's overarching urban policy goal of bridging the divide between poor people living in distressed communities and the economic opportunities in the larger metropolitan marketplace. The private sector is reluctant to risk its capital in job-creating investments in cities without a strong nucleus of homeowners whose financial and non-financial commitments to their neighborhoods reduces the local costs of doing business, expands the local tax base and otherwise creates a local climate for positive change.

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