

THE WHITE HOUSE
WASHINGTON

December 29, 1998

MEMORANDUM TO THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: BACKGROUND FOR MEETING WITH REVEREND JACKSON --
YOUR "UNTAPPED MARKETS" AGENDA

Despite your Administration's record of significant accomplishments and innovation in economic development, there remains a significant problem -- too much of the private capital invested in America today by-passes our central cities and rural areas.

To address this failure, the Reverend Jesse Jackson has used his unique stature and rhetorical power to bring together Wall Street investment firms and corporate CEOs and create something he calls the "Trillion Dollar Roundtable" headed by Sandy Weill (former CEO of Travelers, now Citigroup). Reverend Jackson has urged the Trillion Dollar Roundtable to seek out the valuable investment opportunities to be found in America's own untapped markets. Reverend Jackson is focused not only on inner cities but also on rural areas, especially Appalachia, as he believes it best illustrates that we have all kinds of untapped markets in America.

After he announced the Trillion Dollar Roundtable at his Wall Street Project event last January, the Reverend organized a series of meetings to work on developing a private sector investment vehicle that would target investment in underserved areas and generate large investment commitments from prominent investment firms and corporations on the Trillion Dollar Roundtable. We have worked closely with the Reverend and his advisors during this effort. For example, in preparation for a major June meeting of the Trillion Dollar Roundtable in New York City, I pulled together a group of experts from within the Administration to meet with Reverend Jackson and his key advisors. Then, SBA staff and I spoke on panels during the Roundtable meeting, the Vice President addressed the meeting via a video hookup with his Empowerment Zone Conference, and Reverend Jackson addressed the EZ Conference as well.

In addition, we shared with Reverend Jackson's advisors our expertise on existing government programs that they might want to use to make their investment vehicles more attractive. Based on the design they now are pursuing, our input appears to have been helpful. More importantly, I have coordinated an interagency process, including Treasury, SBA, HUD, Commerce, DPC, OVP, and OMB, to develop a new government initiative for your budget designed to prompt greater private investment in America's untapped markets.

Reverend Jackson's rhetoric has frequently noted that we have programs, like the Overseas Private Investment Corporation (OPIC), to stimulate investment in emerging markets overseas, yet nothing similar to reduce investor risk when investing in rural America or central cities. However, the Reverend agreed that he would not call for any specific new government program, instead letting your Administration bring forward its own new initiatives. Reverend Jackson's message is remarkably similar to your own emphasis on the opportunities in America's untapped markets. To fulfill your objectives and meet Reverend Jackson's challenge, the NEC working group has developed the new "Untapped Market Agenda" (current name, subject to change). We sought the input of Reverend Jackson's advisors, and many other experts in community development and urban investment, on the various new initiatives that we are proposing.

The Small Business Administration (SBA) has been a key contributor to this initiative. At the New York meeting of the Trillion Dollar Roundtable, the Vice President challenged the SBA to find ways to better serve the needs of minority and underserved markets through their programs. SBA Administrator Alvarez and her staff, together with the other members of the working group, responded enthusiastically and diligently to the challenge.

As I mentioned to you earlier, I presented a brief summary of this initiative to Reverend Jackson the week before Christmas. He was quite pleased. He called me on Monday to say that he might want to raise this issue with you and asked us to share *confidentially* some of our ideas on paper. Today, we faxed him a three-page summary of the initiative, with the qualification that elements of a plan are subject to final budget decisions. A copy of the summary provided to Reverend Jackson is attached.

Reverend Jackson has invited you to speak at the second Wall Street Project event in New York on January 15th, Martin Luther King's Birthday. We propose that you announce this initiative at that time, citing Reverend Jackson's personal leadership as an inspiration for the plan. Administrator Alvarez and Secretaries Rubin and Cuomo also are invited to speak and I will be there to brief and provide more details to participants. Reverend Jackson is eager to work with us to ensure a successful roll-out of this initiative. We have agreed to work together, for example, to get a few key validators -- for example, Hugh McCall -- to provide an initial enthusiastic response to the announcement. At the event, Reverend Jackson also may unveil his organization's plans for a private investment vehicle designed to take advantage of existing government programs, as well as the new initiatives we describe, if enacted by Congress.

Attachment

PRELIMINARY AND CONFIDENTIAL -- NOT FOR DISTRIBUTION

JGP, 9/29/04

AMERICA'S UNTAPPED MARKETS AGENDA

DRAFT -- As of December 29, 1998

Background:

Following a series of meetings between White House, Cabinet Officials, and the Reverend Jesse Jackson, President Clinton directed his National Economic Council (NEC) to convene a high-level working group, including the Small Business Administration (SBA), Treasury Department (TR), Department of Housing and Urban Development (HUD), Department of Commerce (CM), and the Office of the Vice President (OVP), and the Office of Management and Budget (OMB), to consider whether there was more that the government could do:

- to act as a catalyst for greater private sector economic activity in America's untapped markets; and
- to build the capacity of community-based institutions that provide credit, equity, and technical assistance for economic development in underserved areas.

In addition, the Vice President specifically challenged the SBA to find ways to better serve the needs of minority and underserved communities.

The NEC-led working group consulted widely -- within the government and with investment professionals trying to work in underserved markets, Reverend Jackson himself, and other urban advocacy groups -- about the strengths and weaknesses of existing programs, including the SBA's Small Business Investment Company (SBIC) program. They found that, while the SBIC program has been successful in stimulating venture capital investments that have allowed small businesses to grow, it has not been used to a significant degree in underserved markets. Improvements were needed to encourage investors to use SBICs to make investments in underserved areas, to allow for larger investments in the kind of larger firms that can serve as the anchor for a neighborhood revitalization, and to deal with the needs of smaller firms that needed not only equity investment, but also management capacity and support, in order to take advantage of business opportunities.

Description of Initiative

In response to these findings, the NEC Working Group on Untapped Markets developed the eight-part agenda described below. The plan calls for new or expanded programs that, in total, will leverage billions in new investment for inner cities and rural areas like Appalachia.

JGP 9/29/04

Elements of the agenda are undergoing final Administration review in preparation for a January announcement. Exact numbers are still being worked out, subject to overall budget constraints. Program names, elements, and details are subject to change.

1. *A New "Untapped Market Investment Tax Credit" -- Tax credits would be available for qualified equity investments made in selected targeted investment vehicles. An investor could receive total tax credits up to a fixed percentage of her investment. The program will be designed so that investors will have as much certainty as possible about the investment's eligibility for the credit prior to making their investment decisions. Investment vehicles created under most programs in the Untapped Market Agenda, as well as other community development investments, will be eligible to apply for the credit.*
2. *A New SBIC-Like Program for Larger Firms -- In response to concerns that the SBICs were too limited in size to meet the need for larger-scale investment in underserved areas, the President will propose a new program to stimulate equity investments in larger-scale businesses in, or relocating to, central cities or rural areas. This new program will provide government guarantees on debt up to two times the amount of equity investment allowing several investment firms each with up to \$300 million to invest. The program will be jointly administered by HUD and SBA, bringing SBA's business investment expertise together with HUD's expertise on large scale urban revitalization. (Program name could be something like "America's Private Investment Companies (APICs).")*
3. *New Markets Venture Capital Firms ("NMVC") -- A new program at SBA designed to help small-sized firms in underserved areas that have market opportunities to grow, but need not only investment but also technical assistance to take advantage of their market opportunity. Investors will get government guarantees on debt matching the level of equity investment, provided they also match technical assistance and administer it to the business to support the investment. The program should provide long-term, patient growth capital and facilitate critically needed technology and management skills development for these firms.*
4. *SBIC Targeting for Underserved Areas -- In a video hookup to a Trillion Dollar Roundtable event in New York City last summer, the Vice President specifically challenged the SBA to find ways to meet better the needs of minority firms and underserved markets. In response, SBA developed:*
 - a. *An Outreach Plan to Meet the Capital Needs of Inner City and Rural Businesses: SBA will hold a series of workshops throughout the country to educate the business and investment community about the SBIC program and to promote the formation of SBICs focused on equity capital for underserved areas.*

JGP, 9/29/04

- b. New SBICs Targeted to Underserved Areas:* Under program changes to the existing SBIC program, investors will get a new form of patient government-guaranteed debt leverage equal to their equity investment and get more favorable regulatory treatment if they invest in businesses in underserved areas (or which draw a significant proportion of its employees from those areas).
5. *New Markets Lending Companies ("NMLC")* -- For the first time in many years, SBA will approve new 7(a) non-bank lenders (firms authorized to originate SBA-guaranteed loans) but the firms selected must have a plan to target their lending to underserved areas.
6. *A Microenterprise Investment Strategy:* In many underserved areas, fostering opportunities for the smallest of entrepreneurs can help to build the job base and provide economic stability to a community. The President's budget calls for a two and a half increase in funding for technical assistance and lending to very small businesses.
7. *Continued Growth for CDFIs:* The President's initiative to develop community development financial institutions, locally-based institutions with expertise in lending and investment in underserved areas, will continue to grow with a \$15 million increase.
8. *BusinessLink:* The President's budget will include seed money for an innovative public-private partnership spearheaded by the Vice President and CEOs to demonstrate the business benefits to large firms if they to help develop the capacity of small and minority business partners. Funding would support demonstrations throughout the country.

Possible Private Sector Response:

In response, private investment managers may create vehicles that would target underserved markets. Large, national investment funds could invest in various investment vehicles set up to participate in the NMVC program and the new SBIC-like programs targeted to underserved areas, CDFIs, direct investments in underserved markets, and other non-targeted investments.

Tentative Announcement Plans:

Assuming final budget approval, the untapped market agenda may be announced by the President with Reverend Jackson at the Wall Street Project event on January 15th (Martin Luther King's Birthday). Other senior Administration officials, including possibly Secretaries Rubin and Cuomo, Administrator Alvarez, and NEC Director Gene Sperling, also will be there either to speak or to provide more detail and promote the initiative.

January 13, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Edley Memo

That if we had unlimited resources

Chris's attached memo stresses two areas in economic opportunity and development where he feels our efforts so far are inadequate. While we will agree it would be good to do even more and while there are legitimate differences on how best to tackle these challenges, it is important to put his ideas in both areas in perspective.

Economic Development:

On top of your Empowerment Zones, the Community Reinvestment Act, the Community Development Financial Institution (CDFI) fund, you will announce on Friday the New Markets Initiative, which will dramatically expand capital investments in our underserved areas. This initiative will include:

- **A New Market Investment Tax Credit:** You will propose a new \$1 billion tax credit, which will be available for qualified equity investments in a range of vehicles financing businesses in America's new markets. An investor will receive total tax credits up to a fixed percentage of his/her investment. This tax credit will leverage \$6 billion in additional investment in our distressed communities.
- **The Creation of America's Private Investment Companies (APIC):** In response to concerns that the SBICs are too limited in size to meet the need for larger-scale investment in underserved areas, you will propose a new program to provide government guarantees for investment partnerships targeting larger businesses relocating or expanding in inner cities and rural areas. This initiative will allow government guarantees on debt up to two times the amount of equity investment allowing up to five investment firms each with up to \$300 million to invest -- or up to \$1.5 billion in investment.
- **New Markets Venture Capital Firms (NMVC):** To help small-sized firms in underserved areas that need investment *and* technical assistance, you will propose that SBA finance investment firms offering a new combination of investment and technical assistance to smaller businesses in targeted areas. The program should provide long-term, patient growth capital and facilitate critically needed technology and management skills development for these firms.

• SBICs - LMZ
• Miller - [signature]

Chris recommends re-chartering the Federal Home Loan Bank System (FHLBS) to create a National Community Investment Bank with the goal of promoting community development. While we share Chris's interest in the potential of GSEs doing more to meet public policy objectives, the issues involving Fannie Mae, Freddie Mac, and the FHLBS are complex and delicate and the proposals that Chris advances are not as simple as he makes them sound.

The first part of proposal is complex and policy driven. It doesn't do it.

In the end, we believe that our chances are far greater to get a sound New Markets Initiative passed by this Congress than a prudent new GSE. Therefore, while Chris's proposal may be something we should aspire to, you should know that the experts within your Administration have significant problems with it.

clearly wrong it should be part of a wider strategy

For example, there is much skepticism that political dynamics will allow us to add new public purpose obligations on the FHLBS -- the off-budget subsidies of which Chris writes -- and reduce arbitrage significantly at the same time. More likely, some fear, the mission will be expanded and the leakage of federal subsidy to private hands will grow. Treasury has thus far insisted that these "abuses" be stemmed before any even modest mission expansion can go forward.

but even so

If you would like to pursue this idea further, we can convene a process to evaluate this option further and develop a pro/con memo to inform your decision on how to proceed.

Treasury has serious

Youth Jobs:

a good

We share Chris's goal of "breaking the back of endemic hyper-unemployment in distressed communities." However, we must respectfully disagree with Chris's belief that your Youth Opportunities Initiative is ~~not~~ "the answer" because it is too concentrated in a few areas and will serve "only" 60,000 poor children this year.

concerns. They believe that

The overwhelming weight of the academic research shows that in order to truly help out-of-school youth we need to saturate small areas with a lot of resources so that we change the culture of joblessness and high unemployment. This is precisely what the Youth Opportunity Initiative will do. ~~For the record, it is important to note that serving 50,000 out-of-school youth nationwide is not a "drop in the swimming pool."~~ Last year, there were 280,000 unemployed African-American teenagers and ~~one million African-Americans (aged 18-24) living in poverty.~~ Therefore, we are addressing a significant part of the problem.

*OH
F.O.I.
SDF*

It can't be 40A or only one piece of your efforts.

Finally, Chris's memo ignores the tremendous progress you have made in the past couple of years to address the problems of politically powerless disadvantaged youth. His memo does not address the fact that we got \$250 million in last year's budget for Youth Opportunity Areas, \$120 million for GEAR-UP, and \$70 million more to help minorities prepare for college and stay in college through the TRIO program. In sum, we will invest \$510 million more in FY99 than in FY98. ~~It~~ -- a huge 1 year increase

achieved a saving \$50 million

*(doubt) of been up, and a \$50 ml new Dept 3
+ \$100 ml re-authorized RTP +*

If you include the expansions of existing programs and the new initiatives in your FY2000 budget, our investments in programs specifically targeted at poor children are \$902 million higher than in 1998. (See table) In the face of a partisan Republican Congress, this is *g-h* absolutely remarkable progress and will certainly purchase more than "a wrench and two screws."

FUNDING FOR PROGRAMS THAT HELP DISADVANTAGED YOUTH					
	Actual FY1998	Actual FY1999	Proposed FY2000	Increase from 1998-2000	5-Year Total
Youth Opportunity Areas	--	\$250 million	\$250 million	\$250 million	\$1,250 million
GEAR-UP Mentoring Program	--	\$120 million	\$240 million	\$240 million	\$1,200 million
Right-Track Partnerships	--	--	\$100 million	\$100 million	\$500 million
Regional Youth Initiative	--	--	\$50 million	\$50 million	\$250 million
Rewarding Achievement in Youth	--	--	\$20 million	\$20 million	\$100 million
TRIO -- Helping Minorities Go to and Stay in College	\$530 million	\$600 million	\$630 million	\$100 million	\$500 million
YouthBuild	\$35 million	\$43 million	\$75 million	\$40 million	\$200 million
JobCorps	\$1,246 million	\$1,308 million	\$1,348 million	\$102 million	\$510 million
TOTAL				\$902 million	\$4,510 million

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I generally agree with this -

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THE WHITE HOUSE
WASHINGTON

April 12, 1999

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is important to work through w/VP
He doesn't want EZ
Conference swallowed up by total focus on new markets
Big emphasis on this should be funding new EZs because existing ones are working

PRESIDENT
NG

Geni
I generally agree with this -
It's important to work through w/VP
He doesn't want EZ conf swallowed up by total focus on new markets -

Big emphasis on this should be funding new EZs because existing ones are working - BC

RE: PRESIDENTIAL TRIP TO AMERICA'S NEW MARKETS

Your planned trip to underserved areas in America offers an opportunity to leave a lasting impact on investment in urban, rural and Native American distressed communities. Clearly this trip could be done in the next five weeks in a way that would highlight your accomplishments such as CDFIs, Empowerment Zones, CRA, and specifically your new initiative -- New Markets Investments Initiative. Such a trip would cement an understanding of your longstanding commitment (and that of the Vice President) to revitalizing the needs of these communities. However, I believe the trip could have an even more significant impact if it culminates in a high profile effort begun in May to mobilize the private sector to provide capital for underserved areas. Under this plan, you could do two events in May that highlight the current efforts underway, announce your trip as part of your mobilization, and issue a direct challenge to the business community to invest in America's new markets.

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Spurling
Podesta

To meet this goal of national mobilization you could host a CEO/Community leaders roundtable at the White House to highlight what you have already done and it could serve as the appropriate venue for you to issue a challenge to the country to participate with you when you take your trip in July and seek new commitments to America's untapped markets. In issuing this challenge, with eight full weeks of lead time before your trip, we would have the chance to launch an aggressive, administration-wide effort to get companies, banks, non-profit organizations engaged in this important mission of bringing U.S. investors to America's own emerging markets and seek to try and create a bandwagon effect in which more and more people are answering this call. Then the Vice President -- or the two of you together -- could use the Empowerment Zone Conference in May to further emphasize the trip and the need for additional commitments in Empowerment Zones and other Administration initiatives. There is one important caveat: to make this a real national mobilization we may need to make some effort to show your challenge as a non-political, bipartisan call on America's private sector to do good. This would require including key Republicans, like Jack Kemp, in our plan to assure people that this is a challenge that is not motivated by partisan politics.

The trip would therefore include the following components:

1. **National Mobilization of Private Investment in New Markets.** The trip could reflect a major effort to mobilize business investors around the country to invest in underserved communities. The Youth Summit was exciting because it was perceived as mobilizing new commitments. Leading up to the trip, you could call upon key investment community leaders to join you in pioneering in underserved communities and create some competition among efforts to be the ones highlighted on the trip. The story of the trip, then, will be the private investors who have been mobilized by your call to find profitable business investment opportunities in America's untapped markets.

2. **Major New National and Local Investment Commitments Building on Existing Success and Capacity to Implement.** To demonstrate the mobilization, each visit could follow a formula played out with different programmatic elements in a different setting: (A) find an area of poverty and joblessness where something is working, e.g., a CDFI, an empowerment zone, or an active community development partnership; (B) unveil new commitments that were mobilized by your initiative; and (C) show that we leave behind an infrastructure that will ensure follow through and implementation of the commitment. In addition, where possible: (D) simultaneously highlight other communities across the country where similar programs are being unveiled (perhaps by sending Cabinet Secretaries to participate in parallel events that day). I believe that we would get the best impact from your trip if we are able to announce new things instead of announcing good things already happening.

For example: You could have a CDFI investment day during which you visit a poor community where a successful CDFI has made tangible investments that have made a real difference. You could unveil new million dollar commitments of area or national companies and investors who were mobilized by your Administration to invest in a new fund set up by the CDFI. We could work with major financial institutions (like Citigroup, Chase, and NationsBank) to make major nationwide announcements of comparable investments that same day. And you could send members of your Cabinet to five other communities to highlight similar new funds are being established by CDFIs with new private investment commitments.

3. **Announce the Trip With Business Leaders.** I propose that you host in May a roundtable with a small group of major CEOs who are willing to commit to some type of new investment. At the roundtable, you could announce that you seek to mobilize investment to be highlighted on a trip to be taken three months later. We could provide models for the type of investment we seek, stimulating a competition among other companies to be part of the effort.

4. **Vice President Gore Leads Outreach Effort at Empowerment Conference.** In late May, the Vice President will chair the fifth annual Empowerment Conference in Texas. It will provide another opportunity to bring together major business interests to showcase those who have agreed to make commitments to this effort and to call upon others to join the New Markets mobilization. The Vice President -- or the two of you if you attend -- could use this to build momentum for the trip and to call for additional private sector commitment in the Empowerment Zones.
5. **Senior Administration Officials Reach Out to Their Constituencies.** Secretaries Rubin, Alvarez, Daley, and Cuomo could host lunches with CEOs in the financial, investment, corporate, and real estate sectors. The Office of Public Liaison (Cheri Carter and Jay Dunn) could be tasked with carrying out the outreach effort and coordinating with the public liaison functions at each agency. Senior White House, Cabinet, and Subcabinet officials must be available to help them mobilize the private sector by phoning targeted companies and hosting briefings.
6. **Task Force to Design the Most Promising Programmatic Models.** I will lead a special task force made up of Secretaries Rubin, Cuomo, and Daley, and Administrator Alvarez to develop the programmatic elements. At the staff level, I have just hired Lisa Green, an energetic woman who previously worked at Fannie Mae, LISC, and Enterprise Foundation, to work full-time on this effort. She will lead the staff level working groups, with which I will meet periodically, assisted by my senior advisor, Sarah Rosen, who coordinated the development of the New Markets proposals in your budget this year.
7. **Encourage Likely Communities to Develop Proposals and Create Competition for Event Sites.** With the best models in hand, we can identify communities that are most likely to be able to produce new commitments and then send small interdisciplinary teams into the community to see what they can pull together.
8. **Mobilize a Special Internal Effort to Plan the New Markets Trip.** I will work with Maria Echaveste to coordinate the effort to reconcile the programmatic content for the trip with the political, legislative, and logistical considerations.
9. **Ensure Adequate Resources to Carry Out the Plan.** In addition to the NEC staff and the support of OPL, Legislative Affairs, Scheduling, Communications, etc., we could ask each of the relevant Cabinet Secretaries to designate both a Senate-confirmed appointee responsible for marshaling their agency's contribution to the mobilization and two staff who will be available as needed to help with outreach and planning.

Programmatic Models

As we undertake the outreach plan, we will be encouraging investors to consider various approaches to working in untapped markets. In consultation with HUD, Treasury, SBA, and Commerce, we have developed the following preliminary programmatic models:

1. **New Market Investment Companies.** A central component of your New Market initiative is the creation of various types of investment funds which would focus on equity investment in businesses in underserved areas. America's Private Investment Companies (APICs) and the New Market Venture Capital Firms (NMVCs) are both modifications of an existing SBA program known as Small Business Investment Companies (SBICs). While APICs and NMVCs require legislation, the SBA is near completing regulatory changes that will provide special incentives for SBICs that target investment in underserved areas. (APICs will be larger funds that can make larger investments; NMVC are aimed at smaller firms that need technical assistance as well as equity.) SBA is aggressively marketing the concept of targeted SBICs through conferences around the country. There are a number of targeted SBICs on the drawing board aimed at inner cities and Appalachia. We hope to find that some of these proposed funds can demonstrate that have qualified management. There also are a handful of existing community development venture capital firms that are struggling under existing program rules. The investors spurred to make investments by your challenge will find that these vehicles are available. Obviously, if you unveil investments in these types of funds, it will be a great opportunity to argue about the far greater possibilities if our APICs, NMVC, and tax credit legislative proposals are enacted by Congress.
2. **CDFIs.** CDFIs are some of the most knowledgeable and effective institutions in underserved areas dedicated to community development. They provide existing institutions with capacity and proven track records and can serve as the vehicle for the new investment that this effort will solicit. Because there are so many around the country, this event could be the cornerstone of a national CDFI investment day.
3. **Empowerment Zones.** 20 new Empowerment Zones were recently selected, but Congress has not provided the necessary funds. Each EZ application contains private sector commitments; the most successful zones thus far have been those with significant private sector investment. Your visit could present an opportunity to increase the level of commitments to these new zones while making a case for public funding.

4. **Retail or Franchise Stores in Inner Cities.** Recently, a number of companies have invested in inner cities and produced high rates of return, including Pathmark supermarkets, RiteAid pharmacies, and Magic Johnson theaters. These firms are taking advantage of the extraordinary concentrated buying power in these communities. The example of these firms may help induce other large retail or franchise companies to make new commitments to inner cities, allowing us to highlight the economic potential of these communities, perhaps by releasing a new government study to validate advocates assertions about this potential.

5. **BusinessLINC Partnerships.** Under the Vice President's leadership, Treasury Secretary Rubin and Administrator Alvarez launched an initiative to encourage larger businesses to link with and advise smaller firms, particularly in distressed communities. Many companies find that such efforts to mentor smaller firms can lead to loyal and productive supplier relationships. The effort is now focused on bringing together local BusinessLINC partnerships. News of your potential visit could promote communities to compete to pull together the most innovative and extensive local efforts to foster small firms in their communities.

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THE WHITE HOUSE

WASHINGTON

May 3, 1999

5-3-99

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: UPDATE ON NEW MARKETS EVENT FOR MEETING WITH REV. JESSE JACKSON

While your meeting this evening with Rev. Jackson focuses on Kosovo, I wanted you to be aware that Minyon and I met with Rev. Jackson last week regarding your New Markets Roundtable with CEOs and the New Markets trip scheduled for next Tuesday, May 11. We asked Rev. Jackson's for his input on the event. He was very excited about the upcoming roundtable as well as the later July trip to New Markets. He expressed a particular interest in having Mississippi included in the July trip.

Below are details regarding your May 11th event:

- In the morning, you will host a White House Roundtable with a group of CEOs to challenge corporate America and mobilize new investment commitments in distressed urban and rural areas in order to engage CEOs in a discussion on the potential in untapped markets. The roundtable discussion will be followed by a Rose Garden announcement about the upcoming July trip. Following your announcement, you and a number of CEOs will travel to either Atlanta, GA or Akron, OH -- pending a final decision from you -- to meet with successful businesses in distressed communities that illustrate the potential for investment in new markets.
- Already confirmed CEO's are: Sandy Weill, Travelers Group; Sy Steinberg, NY Life; Dick Huber, AETNA; Ivan Seidenberg, Bell Atlantic.

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THE PRESIDENT HAS SEEN
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THE WHITE HOUSE
WASHINGTON
May 4, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
MARIA ECHAVESTE
STEPHANIE STREETT

'99 MAY 4 PM 3:55

SUBJECT: PRESIDENTIAL TRIP TO AMERICA'S NEW MARKETS

BACKGROUND

As we have discussed, you will host a CEO roundtable on Tuesday, May 11 to discuss the New Markets Initiative. The CEO Roundtable will serve as a venue for you to issue a challenge to the country and invite corporation participation in your July trip to underserved areas. The CEO Roundtable will also provide an opportunity to seek new commitments from corporations to invest in America's untapped markets. The morning roundtable on May 11 will be followed by an announcement in the Rose Garden about the July trip, when we expect to unveil major private sector commitments to underserved communities. After the Rose Garden announcement, you will be accompanied by a number of the CEOs and perhaps others on a brief trip to a city where we can illustrate the investment potential in new markets.

REQUEST

The purpose of this memorandum is to request your preference between two locations for the May 11 trip. You asked that we seek your guidance on what city to visit. We have analyzed a number of locations with an emphasis on Empowerment Zones and Empowerment Communities. We believe a visit to an EZ or EC will create a bridge between the New Markets Initiative and the community empowerment programs that have been a priority for both you and the Vice President over the last six years. Also, by focusing on Empowerment Zones it may make your May 11th trip less duplicative of your July trip that will include, but go beyond, Empowerment Zones.

We propose a visit to either Atlanta, Georgia or Akron, Ohio where we can highlight examples of economic success in untapped, non-traditional markets through visits to one or more business sites as outlined below.

Option 1: Atlanta, GA

Pros:

- This city has an Empowerment Zone with many characteristics of a "New Market." The Atlanta EZ has a poverty rate of 57.4% and an unemployment rate of 17.9%. Approximately 44% of the residents lack a high school diploma.

COPY

- Atlanta is home to many important corporations such as Coca-Cola and BellSouth that we will enlist as partners in the New Market Initiatives. We can expect CEOs from these companies to participate in both the roundtable and the trip, if Atlanta is selected as the location.
- The City of Atlanta is home to many small businesses that illustrate the potential for successful investment in distressed areas. Business success stories in Atlanta and its Empowerment Zone include the following, one of which may make for an effective venue on May 11:
 - (1) **NationsBank** has received funding from Treasury's CDFI Fund to make investments in the National Community Investment Fund. The NCIF will use NationsBank's support to invest in community development banks and to expand its existing community development programs.
 - (2) **Diaz Wholesale and Manufacturing** is a small business recently featured in an *Inc. Magazine* cover story on the Top 100 Inner-City Companies, compiled from research conducted by Michael Porter's group, Initiative for a Competitive Inner City. Diaz manufactures and distributes Hispanic foods and employs 85 people.
 - (3) **United Water Services Atlanta (UWSA)** was recently chosen to privatize the city's water system and will locate its regional headquarters in the EZ. UWSA employs 425 people and has committed to hiring 20% of its employees from the EZ. The company has also committed to provide a total of \$500,000 for use as seed capital in new EZ businesses.
 - (4) **Renewal Atlanta** is a recycling plant that will generate 65 permanent jobs for EZ residents and 200 temporary jobs for students. However, building renovations for the plant have just begun.
 - (5) **Blimpy's** is opening its first franchise as part of a corporate agreement to open franchises in ten EZ/ECs across the country.
- A visit to Atlanta on May 11 will also complement the planned SBA Workshop on New Markets scheduled for May 6 that will focus on SBA's Small Business Investment Company (SBIC) program. The workshop is designed to recruit potential new SBIC investors and management teams with experience investing in small businesses in low and moderate-income areas.

Cons:

- The Atlanta Empowerment Zone experienced some well-publicized difficulties during its startup related to administration and management. These issues have been resolved, however there may be some remaining stigma.

Option 2: Akron, OH

Pros:

- Akron, Ohio is a model Enterprise Community with many new businesses, illustrating the potential of a new market. The EC has a 25% poverty rate and an unemployment rate of 18.1% with a population of 49,920. Akron is a classic mid-sized city with a population of 223,019.
- A visit to Akron would be a related follow through to the Town Hall meeting you conducted there earlier this year on race relations.
- The mayor and congressman from Akron have been strong supporters.
- There are several examples in Akron of private investment that exemplify the types of commitments we will be seeking from corporations. These examples include:
 - (1) **The Safe Harbor Minority Business Center** assists the development and growth of minority-owned office and service firms through support services and technical assistance. The 7,000 square foot center currently houses nine businesses. The center also operates a micro-lending program in conjunction with Akron's EC Program.
 - (2) **Enterprise Community Fund (ECF)** is a non-profit business loan fund -- and a recipient of a CDFI Fund award -- that makes working capital loans to small and micro-businesses in the distressed neighborhoods of the Akron Enterprise Community. ECF also provides businesses with much needed technical assistance.
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 - (4) **G. Stephens Construction** is a small firm partnering with Turner Construction through BusinessLINC, an initiative that encourages larger businesses to link with and advise smaller firms, particularly those in economically distressed communities.
 - (5) **The Middlebury Grocery Shopping Center** is under development in the central city area through a loan under the Economic Development Initiative. The center will ultimately employ 30 full time and 100 part time workers.

Cons:

- The Vice President has attended several recent events in Akron, including one last month on teen smoking.

THE PRESIDENT HASSEEN

5-7-99

SUMMARY OF RECOMMENDATION

After careful consideration and review of ten other potential locations (several of which you have recently visited), Atlanta, GA and Akron, OH were selected for recommendation. These two cities are characteristic of New Markets and they illustrate the potential for successful private investment in underserved communities. These cities also fit logistical travel constraints given our expected departure time from Washington following the morning roundtable. Please advise us of your preference.

Atlanta, GA

Akron, OH

Discuss Further

THE WHITE HOUSE

WASHINGTON

May 4, 1999

MEMORANDUM FOR THE PRESIDENT
VICE PRESIDENT

FROM: ROBERT RUBIN
BRUCE REED
CHUCK RUFF
GENE SPERLING
LARRY STEIN

SUBJECT: COMMUNITY REINVESTMENT ACT (CRA) STRATEGY

Action Forcing Event

CRA will be a central issue in the Senate floor debate on financial modernization legislation scheduled to begin as early as Monday. The Gramm bill, voted out of committee on a straight party-line vote, would significantly weaken CRA. We expect that both sides will offer CRA amendments. Democrats have made procedural demands in exchange for their cooperation in bringing the bill to the floor.

We will work to focus the message on a unified Democratic position on CRA. Earlier today Secretary Rubin spoke to the Democratic Caucus where he reiterated your veto pledge on CRA, and he will also testify on financial modernization in the House Commerce Committee tomorrow (5/5). Just as he was today, we expect that he will be asked to clarify the items you cited in your letter threatening to veto the Gramm bill tomorrow as well. Specifically, we expect that he will be asked whether, if all other problems with the financial modernization bill were resolved, you would veto a bill that fails to require that banking organizations "have and maintain" an adequate CRA record as a condition for engaging in newly authorized financial activities.

Background

You sent a letter on March 2, 1999 (attached) to the Senate saying that you would veto the bill for four reasons, including concern that the bill would weaken CRA. Your letter did not specify how the Gramm bill would seriously weaken CRA, but it does so in three ways:

1. Its "safe harbor" provision exempts any bank that received a satisfactory CRA rating in a previous banking examination from regulators' review -- and community groups' input -- at the time of an application to merge or expand.
2. Its "small bank exemption" provision removes some 4,000 banks and thrifts with under \$100 million in assets, located outside metropolitan areas (38% of all banks and thrifts) from CRA.

3. It fails to include a requirement that banking organizations both *have* a satisfactory CRA rating as a precondition to engage in newly authorized financial activities and *maintain* their CRA rating in order to continue engaging in these activities. Chairman Gramm considers this requirement an expansion of CRA. We, on the other hand, believe that failure to include this provision would seriously erode CRA's relevance over time, as banking organizations increasingly focus on these new activities. (See appendix.)

In the House, the Banking Committee reported out a bipartisan bill (51-8), that we endorsed, that does not contain any anti-CRA provisions. The House Banking bill includes the "have and maintain" requirement. If a bank fails to maintain its rating it must develop and implement a compliance plan or risk penalties -- including the possibility of forced divestitures of the newly approved activities and, according to some interpretations of the bill, civil money penalties.

When the Senate bill comes to the floor, Democrats currently plan to introduce both a Democratic substitute bill, and a comprehensive CRA amendment striking the anti-CRA provisions and adding the "have and maintain" requirement. Democrats will likely vote for the amendment -- although support for individual pieces may vary -- and against final passage if the amendment fails. Republicans may offer anti-CRA amendments. In addition, there may be amendments offered by members of either or both parties with respect to permitting banking organizations to conduct new activities through operating subsidiaries, and limiting the unitary thrift provisions. We support such amendments as consistent with your veto letter, although there is some question about our likelihood of success on the floor. Our strong support for the "have and maintain" requirement for CRA is likely to further bolster our support from Democrats for these other amendments. If the Democratic CRA amendment fails, Democrats are likely to be unified in opposing the bill on final passage, and we may have more leverage to fix other issues in conference, such as banking and commerce or the operating subsidiary. If the CRA amendments succeed, we may be in a weaker position to make other changes to the legislation in conference.

Community groups strongly support our opposition to the Gramm bill, but believe that the House-passed version, with its "have and maintain" requirement, is at best minimally acceptable. They are likely to oppose any financial modernization legislation that does not significantly expand CRA.

Recommendation

Part I: CRA Veto Threat, including "Have and Maintain"

In both your letters to the Senate and Treasury statements, we have provided a number of reasons why you would veto the current Gramm bill. This week, as some Senators seek to find a compromise, Secretary Rubin inevitably will be asked whether you would veto the bill over specific provisions -- in particular over the absence of the "have and maintain" requirement. As a policy matter, your advisors believe that you should veto financial modernization legislation that fails to include a requirement that banking organizations both have and maintain a satisfactory CRA record in order to engage in newly authorized activities.

Nonetheless, your advisors also believe that it is premature for you to be asked to speak to a hypothetical situation, as no bill currently would address all our other concerns except the "have and maintain" requirement. Moreover, we do not have a clear sense of how many Democrats would support you, if that were the only CRA problem raised by the bill. Thus, for now, your advisors recommend that we continue publicly to reiterate your veto threat on CRA generally. When asked, Secretary Rubin would clarify that the veto threat includes the small bank exemption, the safe harbor, and the lack of a "have and maintain" requirement. If pressed further on "have and maintain," Secretary Rubin would explain that the requirement is embedded in the veto threat. We would leave flexibility as to the enforcement mechanism for this requirement.

Analysis: In the future, the relative importance of banking merger applications -- and, thus, occasions for reviewing a bank's CRA record, may decline and the establishment of non-bank financial activities will become increasingly important. In that context, the requirement that banking organizations have and maintain an adequate CRA record in order to engage in newly authorized financial activities will be essential to maintaining the relevance of CRA. This requirement strengthens CRA enforcement -- by conditioning applications for non-banking activities on CRA compliance and by subjecting the bank to further consequences if its CRA record becomes unsatisfactory after the applications is approved -- without expanding the scope of CRA beyond insured depository institutions.

In addition, insisting on the "have and maintain" requirement is consistent with your strong stance on CRA over the last six years, and is a position that consumer, community, and civil rights groups expect you to take. Moreover, there are tactical advantages to taking a tough negotiating stance on CRA. It increases our leverage in conference, as Congressional Democrats have thus far been relatively united in supporting a "have and maintain" requirement this year. Democrats are not as united on our other concerns. Thus, CRA will be a key rationale should a veto be necessary.

In the end, however, it is unlikely that we will get a bill out of Congress containing the "have and maintain" requirement. Chairman Gramm has said that he will bring down any bill that is not at least "CRA neutral." Chairman Gramm argues that "have and maintain" is an expansion of CRA. Moreover, in the unlikely event that you are forced to veto a bill *solely* over the "have and maintain" requirement, that veto could be difficult to sustain. For example, many Democrats at the end of the day may not oppose a bill that addressed their other concerns with the Gramm bill, but dropped the "maintain" requirement. (Prospects of sustaining the veto are somewhat better in the House than in the Senate.) Last Congress, moreover, the Administration sent up a bill requiring that banks have a satisfactory CRA rating but not that banks maintain their CRA rating, and the Senate Banking Committee reported a bill last year with this more limited requirement, 16-2.

Part 2: Support Democratic CRA Floor Strategy

Your advisors believe that we should support the Senate Democratic Leadership's floor strategy, be careful not to push votes that will divide Democrats on CRA issues, and be especially careful not to drive moderates to cut a deal with Gramm. Although the situation is fluid, that strategy currently exists of offering a full Democratic substitute for the bill, offering a single CRA amendment to strike offending

APPENDIX: BACKGROUND ON CRA

Current Law. CRA requires a bank to serve the convenience and needs of all communities in which it operates. The Fed, OCC and OTS examine the banks they each regulate periodically (every 24-36 months) for CRA compliance, and make these CRA evaluations public. However, enforcement comes only when a bank files an application to merge with another bank or opens a new branch. (A bank's CRA record is not currently scrutinized in connection with applications to affiliate with non-banking companies.) In considering an application, the regulator must take into account the bank's CRA and the public has an opportunity to comment. Regulators issued regulations in 1995 in response to your request that CRA focus on performance not paperwork. CRA ratings are now based on a three-pronged test: lending, services, and investments. In addition, regulators revised and streamlined the examination process, particularly for smaller institutions.

Effectiveness of CRA. Evidence suggests that public disclosure of CRA ratings, together with the changes made by the regulators under your leadership, have significantly contributed to improved performance by financial institutions in meeting the needs of low and moderate income communities and minorities. Since 1993, the number of home mortgage loans to African Americans increased by 58 percent, to Hispanics by 62 percent, and to low and moderate income borrowers by 38 percent, well above the overall market increase. Since 1992, nonprofit community organizations estimate that the private sector has pledged over \$1 trillion in loans and investment under CRA. In 1997, banks and thrifts subject to CRAs reporting requirement made 2.6 million small business loans for a total of \$159 billion, two-thirds of all small business loans made that year. More than one-fifth of those loans were made to small businesses in low and moderate income communities.

Changing Nature of the Financial Services Industry. Commercial banks have seen their share of total financial intermediary assets decline from about 60 percent at the end of World War II, to roughly 25 percent today. In the future, the relative importance of banking merger applications -- and, thus, occasions for reviewing a bank's CRA record, may decline and the establishment of non-bank financial activities will become increasingly important. Communities groups are likely to oppose any financial modernization legislation unless CRA were extended to securities and insurance providers, which Treasury has not supported in the past, which stands no chance of success in the current or foreseeable political environment, and which presents practical and theoretical difficulties.

5-7-99

THE WHITE HOUSE

WASHINGTON

May 4, 1999

Copied
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Echaveste
Street
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
MARIA ECHAVESTE
STEPHANIE STREETT

99 MAY 4 11:3:55

SUBJECT: PRESIDENTIAL TRIP TO AMERICA'S NEW MARKETS

BACKGROUND

As we have discussed, you will host a CEO roundtable on Tuesday, May 11 to discuss the New Markets Initiative. The CEO Roundtable will serve as a venue for you to issue a challenge to the country and invite corporation participation in your July trip to underserved areas. The CEO Roundtable will also provide an opportunity to seek new commitments from corporations to invest in America's untapped markets. The morning roundtable on May 11 will be followed by an announcement in the Rose Garden about the July trip, when we expect to unveil major private sector commitments to underserved communities. After the Rose Garden announcement, you will be accompanied by a number of the CEOs and perhaps others on a brief trip to a city where we can illustrate the investment potential in new markets.

REQUEST

The purpose of this memorandum is to request your preference between two locations for the May 11 trip. You asked that we seek your guidance on what city to visit. We have analyzed a number of locations with an emphasis on Empowerment Zones and Empowerment Communities. We believe a visit to an EZ or EC will create a bridge between the New Markets Initiative and the community empowerment programs that have been a priority for both you and the Vice President over the last six years. Also, by focusing on Empowerment Zones it may make your May 11th trip less duplicative of your July trip that will include, but go beyond, Empowerment Zones.

We propose a visit to either Atlanta, Georgia or Akron, Ohio where we can highlight examples of economic success in untapped, non-traditional markets through visits to one or more business sites as outlined below.

Option 1: Atlanta, GA

Pros:

- This city has an Empowerment Zone with many characteristics of a "New Market." The Atlanta EZ has a poverty rate of 57.4% and an unemployment rate of 17.9%. Approximately 44% of the residents lack a high school diploma.

- Atlanta is home to many important corporations such as Coca-Cola and BellSouth that we will enlist as partners in the New Market Initiatives. We can expect CEOs from these companies to participate in both the roundtable and the trip, if Atlanta is selected as the location.
- The City of Atlanta is home to many small businesses that illustrate the potential for successful investment in distressed areas. Business success stories in Atlanta and its Empowerment Zone include the following, one of which may make for an effective venue on May 11:
 - (1) **NationsBank** has received funding from Treasury's CDFI Fund to make investments in the National Community Investment Fund. The NCIF will use NationsBank's support to invest in community development banks and to expand its existing community development programs.
 - (2) **Diaz Wholesale and Manufacturing** is a small business recently featured in an *Inc. Magazine* cover story on the Top 100 Inner-City Companies, compiled from research conducted by Michael Porter's group, Initiative for a Competitive Inner City. Diaz manufactures and distributes Hispanic foods and employs 85 people.
 - (3) **United Water Services Atlanta (UWSA)** was recently chosen to privatize the city's water system and will locate its regional headquarters in the EZ. UWSA employs 425 people and has committed to hiring 20% of its employees from the EZ. The company has also committed to provide a total of \$500,000 for use as seed capital in new EZ businesses.
 - (4) **Renewal Atlanta** is a recycling plant that will generate 65 permanent jobs for EZ residents and 200 temporary jobs for students. However, building renovations for the plant have just begun.
 - (5) **Blimpy's** is opening its first franchise as part of a corporate agreement to open franchises in ten EZ/ECs across the country.
- A visit to Atlanta on May 11 will also complement the planned SBA Workshop on New Markets scheduled for May 6 that will focus on SBA's Small Business Investment Company (SBIC) program. The workshop is designed to recruit potential new SBIC investors and management teams with experience investing in small businesses in low and moderate-income areas.

Cons:

- The Atlanta Empowerment Zone experienced some well-publicized difficulties during its startup related to administration and management. These issues have been resolved, however there may be some remaining stigma.

Option 2: Akron, OH

Pros:

- Akron, Ohio is a model Enterprise Community with many new businesses, illustrating the potential of a new market. The EC has a 25% poverty rate and an unemployment rate of 18.1% with a population of 49,920. Akron is a classic mid-sized city with a population of 223,019.
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Atlanta, GA

Akron, OH

Discuss Further

THE WHITE HOUSE
WASHINGTON

May 10, 1999

**WHITE HOUSE ROUNDTABLE and
ROSE GARDEN ANNOUNCEMENTS with CEOs**

DATE: May 11, 1999
TIME: 9:05-9:30am (Pre-brief)
9:30-10:45 (CEO Roundtable)
10:50-11:00 (Pre-brief for Statement)
11:05-11:20 (Rose Garden Announcement)
LOCATION: Pre-brief (Oval)
CEO Roundtable (Cabinet Room)
Pre-brief for Statement (Oval)
Announcement (Rose Garden)
FROM: Gene Sperling

I. PURPOSE

To issue a challenge to the country and invite corporations and investment firms to participate in your July trip to underserved areas. The CEO Roundtable will provide an opportunity to seek new commitments from companies to invest in America's untapped markets. Following the roundtable you will announce -- in the Rose Garden flanked by the CEOs and your Cabinet -- the July trip, in which you expect to highlight major private sector commitments to underserved communities.

II. BACKGROUND

Since 1993, you and Vice President Gore have been committed to community and economic development in America's urban and rural areas. The Clinton-Gore Administration has worked with the private and public sectors to help revitalize America's underserved communities. This effort has involved bringing capital, jobs, and other types of economic opportunity to distressed areas. Your community development efforts have also included cleaning up the urban environment. The Empowerment Zone and Enterprise Community (EZ/EC) Initiative is a key element of your job creation strategy for America. It has helped to create jobs and business opportunities in the most economically distressed areas of inner cities and the rural heartland. Your 1999 final budget included \$60 million in flexible discretionary funding for the next round of Empowerment Zones and new rural Enterprise Communities. Your 1999 Budget also included \$283 million for 50,000 new vouchers exclusively for people who need housing assistance to make the transition from welfare to work. As you know, your Administration has also been steadfast in its commitment to the Community Reinvestment Act. In 1995, you

worked to reform and streamline CRA regulations with a new focus on performance. These are but a few of the examples of your record on community development. Other accomplishments include the creation of the Community Development Financial Institutions Fund, the growth and expansion of the Economic Development Initiative and Section 108 Loan Guarantee Program, and the establishment of BusinessLinc, a program designed to foster mentoring relationships between larger corporations and small business.

The New Markets Initiative builds off of your previous accomplishments and continues your commitment to underserved areas, both rural and urban. As we undertake the outreach plan, we will encourage investors to consider various approaches for investment in untapped markets. In consultation with HUD, Treasury, SBA, and Commerce, we have developed the following preliminary programmatic models:

1. **New Markets Tax Credits.** This new legislative proposal will ultimately help to spur \$6 billion in equity capital for investment in America's new markets. The tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds and APICs, a new type of investment company created by this initiative (described below).
2. **APICs (American Private Investment Companies).** Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APICs will encourage private investment in this country's untapped markets.
3. **New Markets Venture Capital (NMVC) Firms and Expansion of Current SBIC Program.** NMVC firms will make both capital and technical assistance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty community development NMVC firms are planned. SBA will match the equity and technical assistance of private investors.

The New Market Venture Capital Firms (NMVCs) and America's Private Investment Companies (APICs) are both modifications of an existing SBA program known as Small Business Investment Companies (SBICs). While APICs and NMVCs require legislation, the SBA is completing regulatory changes that will provide special incentives for SBICs that target investment in underserved areas. SBA is aggressively marketing the concept of targeted SBICs through conferences around the country. There are a number of targeted SBICs on the drawing board aimed at inner cities and Appalachia.

Your challenge will motivate investors to seek out these types of investment vehicles. An announcement of investments in these types of funds during your July trip will be an excellent opportunity to present the merits and great potential of our APICs, NMVC, and tax credit legislative proposals.

4. CDFIs. CDFIs are some of the most knowledgeable and effective institutions in underserved areas dedicated to community development. They provide existing institutions with capacity, and they have proven track records. Because there are so many throughout the country, the July trip could include a national CDFI investment day.
5. Empowerment Zones. 20 new Empowerment Zones were recently selected, but Congress has not provided the necessary funds. Each EZ application contains private sector commitments; the most successful zones thus far have been those with significant private sector investment. Your July trip could create an opportunity to promote an increase in the level of commitments to these new zones while making a case for public funding.
6. Retail or Franchise Stores in Inner Cities. Recently, a number of companies have invested in inner cities and produced high rates of return, including Pathmark supermarkets, RiteAid pharmacies, and Magic Johnson theaters. These firms are taking advantage of the extraordinary concentrated buying power in these communities. The example of these firms may help induce other large retail or franchise companies to make new commitments to inner cities, allowing us to highlight the economic potential of these communities, perhaps by releasing a new government study to validate advocates' assertions about this potential.
7. BusinessLINC Partnerships. Under the Vice President's leadership, Treasury Secretary Rubin and Administrator Alvarez launched an initiative to encourage larger businesses to link with and advise smaller firms, particularly in distressed communities. Many companies find that such efforts to mentor smaller firms can lead to loyal and productive supplier relationships. The effort is now focused on bringing together local BusinessLINC partnerships. News of your potential visit could promote communities to compete to pull together the most innovative and extensive local efforts to foster small firms in their communities.

III. PARTICIPANTS

Pre-brief

John Podesta
Gene Sperling
Maria Echaveste

Roundtable

YOU
Vice President
Administrator Alvarez
Secretary Andrew Cuomo
Secretary William Daley

Maria Echaveste
Secretary Daniel Glickman
Secretary Alexis Herman
John Podesta
Secretary Robert Rubin
Gene Sperling

CEOs

1. Duane Ackerman, Bell South
2. Dan Amos, AFLAC
3. Donald Carty, American Airlines
4. Emma Chappell, United Bank of Philadelphia
5. Jon Corzine, Goldman Sachs
6. Charles Gifford, BankBoston
7. Martin Grass, Rite Aid
8. Richard Grasso, NYSE (*not traveling*)
9. Dan Hesse, AT & T Wireless
10. Richard Huber, Aetna
11. Debra Lee, BET Holdings
12. Leo Mullin, Delta Airlines
13. Frank Newman, Bankers Trust
14. Frank Raines, Fannie Mae (*not traveling*)
15. Maceo Sloan, Sloan Financial Group
16. Sy Sternberg, NY Life
17. Sanford Weil, Citigroup

IV. SEQUENCE OF EVENTS

- YOU will be briefed by your advisors in the Oval Office.
- YOU and the Vice President will meet with the Chief Executive Officers in the Cabinet Room (Cabinet members and White House Advisors will be seated behind you).
- The Vice President will welcome the Chief Executive Officers.
- YOU will make brief remarks and then open up the discussion for dialogue.
- YOU will be briefed in the Oval Office for your statement.
- YOU, accompanied by the Vice President, will walk out to the Rose Garden (the CEOs and Cabinet are already standing behind the podium).
- The Vice President makes brief remarks and introduces YOU.
- YOU make brief remarks and depart for Andrews Air Force Base.

V. PRESS COVERAGE

Closed.

VI. REMARKS

Script for the Roundtable dialogue will be included in your briefing book.
Speechwriting will provide Rose Garden Remarks.

SUGGESTED SCRIPT FOR WHITE HOUSE CEO ROUNDTABLE

Format for CEO Roundtable: -- Vice President opens
-- President speaks, opens discussion
-- Wide-ranging discussion with CEOs

1. Vice President's Suggested Opening Thoughts

- Welcome to the White House and thank you all for being here today
- We are asking for your advice and help with our efforts to tap America's full potential by creating more investment in untapped markets across the country
- This effort to mobilize investments in new markets builds upon our past and current efforts creating Empowerment Zones, preserving the effectiveness of the Community Reinvestment Act, and establishing Community Development Financial Institutions.
- Introduce President

2. The President's Suggested Remarks – three main points to stress at outset:

- We would like to use this summer to conduct a major mobilization to spur investment and business growth in America's most economically underserved communities.
- In fact, there are a lot of good efforts going on now, including the Wall Street Project that Reverend Jackson and Sandy Weill have led.
- Now we want to elevate this endeavor to a national level so that we are able to show new efforts that are being made.
- To help elevate this, we are planning to visit untapped markets across the country during the week of July 5 -- with a real focus on inner cities and rural areas. And we want this effort to be bipartisan.
- We need your ideas about the best way to do this – locations you think we should visit, community development banks to highlight, mentoring efforts that are working. We want to hear from you about what you think it will take to do this.

3. Discussion with CEOs – you may want to open the discussion by turning to (1) Sandy Weill and then (2) Frank Raines to talk about what resources and tools they have seen work best in underserved areas.

Sandy Weill, Citigroup:

Weill's Likely Points:

- Major supporter of the Wall Street Project and Trillion Dollar Roundtable, working with the Rainbow/PUSH Coalition
- Last May, Citicorp and Travelers announced a 10-year, \$115 billion CRA commitment to lending and investing in moderate- and lower-income communities and small businesses – double Citibank's \$56 billion in U.S. deposits

Background on Sandy Weill:

- Mr. Weill is CEO of Citigroup.
- The company's banking subsidiary, Citicorp, has a good CRA record and has been active in community development banking.
- Mr. Weill is also one of the main advocates behind Rev. Jackson's Wall Street Project and has been very vocal about his belief that corporations can do well by doing good.

Frank Raines, Fannie Mae:

Raines Likely Points:

- Fannie Mae is the largest private investor in Multifamily Low Income Housing tax Credit investments.
- Their new American Communities Fund has closed \$210 million in investments for urban revitalization and plans to invest \$350 million in revitalization activities across the country.
- Through March 1999, Fannie Mae has committed to invest close to \$50 million in CDFIs and by the end of 2000 they will have invested \$75 million. They have also invested \$75 million in DC's revitalization corporation.

Background on Frank Raines:

- Raines was named Chairman and CEO of FannieMae in January 1999. FannieMae is the largest non-bank financial services company in the world.
- As you well know, Raines became chairman after stepping down after two years as your Director of the Office of Management and Budget. During his tenure, he was a key negotiator in the talks that led to the passage of the bipartisan Balanced Budget Act of 1997.
- Prior to joining the White House, he was a vice-chairman of Fannie Mae, in charge of the company's legal, credit policy and finance functions.

BACKGROUND ON CEO ROUNDTABLE AND REGIONAL TOUR PARTICIPANTS

May 11, 1999

F. Duane Ackerman, Chairman & CEO, Bell South

- Duane was named Chairman and CEO on January 1, 1998.
- Prior to becoming Bell South's chief executive, he served as president of the corporation.
- He has worked in telecommunications since 1964 and has spent the last ten years with Bell South in various leadership positions before ascending to Chairman.
- He is a native of Plant City, Florida.
- Atlanta-based Bell South is a Fortune 60 Company and the 10th largest telecommunications firm in the world.

Daniel P. Amos, President & CEO, AFLAC Incorporated

- Dan was named president and chief executive officer of AFLAC in 1990.
- He started at AFLAC in 1973 in sales, eventually was promoted to president, COO and then CEO.
- Dan is responsible for broadening AFLAC's US and Japan product lines.
- During his tenure, revenues have grown from \$2.7 billion to \$7.1 billion.
- He is a native of Pensacola, Florida.
- AFLAC is the leading provider of supplemental insurance at the worksite in the United States, providing policies to employees at over 130,000 payroll accounts.
- It is also the largest foreign insurance company in Japan.

Donald J. Carty, Chairman, President & CEO, American Airlines

- Don was named chief executive of American Airlines in May 1998.
- Prior to becoming chairman, he was the principal airline executive, responsible for all operational elements of the American and American Eagle domestic and international route systems, which comprise nearly 290 destinations and over 3600 daily flights.
- He sits on the board of directors for Dell Computer Corporation and the Canada-US Foundation for Educational Exchange.
- He resides in Dallas, Texas.
- In Chicago, American works with the Chicago Jobs Council and Chicago City Colleges to train welfare recipients.
- In January, American opened a new office in economically depressed section of southern Dallas with an annual payroll of \$5 million and will employ 350 people.

Dr. Emma Chappell, Chairman, President & CEO, United Bank of Philadelphia

- Dr. Chappell is the founder of United Bank of Philadelphia.
- United Bank of Philadelphia is a full service minority-owned and controlled commercial bank.
- In the last five years, they have grown from one to six branches and over \$120 million in assets.

- Dr. Chappell is a critically acclaimed leader who has been recognized for his business skill, as well as her advocacy on behalf of children, minorities and women.
- She was recently awarded "The Leading Women Entrepreneurs of the World" in London.
- She is a native of Philadelphia.
- United Bank of Philadelphia is a CDFI award winner.
- The Bank's mission is to foster community development.
- They were awarded \$500,000 from US Treasury in 1997 to provide education and training and make equity investments and loans to small businesses.
- The Bank has alliances to promote job creation and economic growth with RiteAid, American Express, the City of Philadelphia and Fannie Mae.

Jon Stevens Carzine, Senior Director, Goldman Sachs

- Jon is the Chairman of Goldman Sachs.
- He is expected to resign as Chairman and continue as Senior Director at Goldman this month.
- It is rumored that he is actively looking at a U.S. Senate bid in New Jersey in 2000.

Charles Gifford, Chairman & CEO, BankBoston

- Chad was named Chairman and CEO in July 1995.
- He joined BankBoston in 1966 as a loan officer and was promoted from within 'til he became Chairman.
- BankBoston Corporation is a superregional bank holding company with assets of \$73.8 billion and over 25,000 employees.
- Chad serves on various boards of non-profits, including the Greater Boston Chamber of Commerce, the Boston Symphony Orchestra and the Boston Plan for Excellence in the Public Schools.
- BankBoston has a strong CRA track record.
- They created a bank unit focused on inner city investment.
- The BankBoston Development Company, L.L.C. has \$100 million in low-income housing tax credit investments.
- They have enabled 2500 units of affordable housing units to be built or rehabilitated and assisted 700 companies through non-traditional debt structuring.

Martin Grass, Chairman & CEO, Rite Aid Corporation

- Martin was named Chairman and CEO in March 1995.
- He joined Rite Aid in 1978, was named COO in 1987 where he served until being appointed as Chairman.
- Martin serves on several boards, including the Baltimore Symphony Orchestra and John Hopkins Medicine.
- Rite Aid is the nation's largest retail drugstore chain, with over 3800 drugstores in thirty states including the District of Columbia.
- Rite Aide has opened many branches in inner city areas.

Richard Grasso, Chairman & CEO, New York Stock Exchange

- Dick was named Chairman in June 1995.
- Prior to being elected Chairman, he had served as president and COO as well as executive vice president.
- He is the first person in the NYSE 206-year history to be promoted from staff to these positions.
- Dick has modernized the NYSE, incorporating today's technology into the market.

Dan Hesse, President & CEO, AT&T Wireless

- Prior to being appointed President & CEO, Dan served as Vice President and General Manager for AT&T Online Services Group.
- AT&T Wireless is the United States' largest wireless operator with 10 million customers, 14,000 employees and \$6 billion in revenues.
- Dan was named "Person of the Year" by RCR magazine and "Wireless Executive of the Year" by Wireless Business and Technology magazine.
- He and his family reside in Kirkland, Washington.
- AT&T has contributed over \$3 million to empowerment zones across the country (Chicago, Oakland, Kansas, Detroit, Baltimore, Los Angeles, New York).
- They gave almost \$2 million worth of cell phones and service for the safe schools program for schools in "at risk" communities.
- AT&T employees mentor at risk students.

Richard Huber, Chairman, President & CEO, Actna, Inc.

- Dick was named president and CEO in July 1997 and named chairman of the board in March 1998.
- Aetna is a 146-year old insurance firm that has recently undertaken a strategic transformation and become a \$20 billion global health benefits and financial services company.
- Dick was named CEO soon after serving as the chief strategist during the \$4 billion sale of the company's Property/Casualty business and \$8 billion acquisition of US Healthcare.
- A native of North Carolina, Dick is a trustee of Trinity College in Hartford and is a member of both the Council on Foreign Relations and the Economic Club in New York.

Debra Lee, President & COO, BET Holdings

- Debra was appointed to her position in March of 1996.
- BET Holdings is one of the leading black-owned and operated multi-media entertainment companies in the United States.
- For two consecutive years, BET has been named by Forbes magazine as the one of the "Best Small Companies in America."
- Debra had served in several roles at BET before being named president, including vice president and general counsel.
- Before joining BET, she was an attorney with the Washington, DC law firm Steptoe & Johnson.

Leo Mullin, President, Chairman & CEO, Delta Airlines

- Leo was named chairman in August 1997.
- Delta is the third largest US airline in operating revenue and carries more passengers each year than any other airline in the world.
- It was recently named global "Airline of the Year" by the industry's leading magazine for its growing success in customer service, financial soundness, product and marketing innovation, and employee moral.
- It was the first year since 1977 Delta had won the award.
- Leo is a member of your Export Council and is on the corporate board of Bell South.
- Leo resides in Atlanta, Georgia.

Frank Newman, Chairman & CEO, Bankers Trust

- Frank was appointed Chairman of Bankers Trust in April 1996.
- Bankers Trust has offices in more than 55 countries and is the seventh largest US bank holding company, with assets of over \$172 billion.
- He was previously the Deputy Secretary of the Treasury and chief operating officer of the Department, which includes 11 operating bureaus and 160,000 employees.
- Upon his departure from Treasury, Frank was awarded the Alexander Hamilton Award, the highest honor bestowed upon Treasury employees.
- A native of Massachusetts, he now resides in New York.
- Bankers Trust created the Neighborhood Franchise Project to provide business ownership and job creation opportunities within low and moderate income communities.
- The Neighborhood 2000 Fund is supporting local community economic development in New York City.
- Bankers Trust made a nearly \$3 million investment in Appalachia through an innovative tax credit program.
- They have more than \$100 million invested in funds that are helping to build and renovate affordable housing for low income families.

Franklin Raines, Chairman & CEO, Fannie Mae

- Franklin was named Chairman and CEO in January 1999.
- Fannie Mae is the largest non-bank financial services company in the world.
- It is the nation's largest source of financing for home mortgages.
- He became chairman after stepping down after two years as your Director of the Office of Management and Budget.
- During his tenure, he was a key negotiator in the talks that led to the passage of the bipartisan Balanced Budget Act of 1997.
- Prior to joining the White House, he was a vice-chairman of Fannie Mae, in charge of the company's legal, credit policy and finance functions.
- He is on the Board of Directors of several corporations, including Pfizer and American On Line.
- Fannie Mae is the largest private investor in Multifamily Low Income Housing tax Credit investments.
- Their new American Communities Fund has closed \$210 million in investments for urban revitalization and plans to invest \$350 million in revitalization activities.

- Through March 1999, Fannie Mae has committed to invest close to \$50 million in CDFIs and by the end of 2000 they will have invested \$75 million.
- They have also invested \$75 million in DC's revitalization corporation.

Macco Sloan, Chairman, President & CEO, Sloan Financial Group

- Macco's organization includes NCM Capital Management and the New Africa Advisors.
- He began at North Carolina Mutual Life Insurance, one of the nation's oldest, largest African-American companies.
- He has been very active with Reverend Jackson's Rainbow/PUSH Wall Street Project.
- He resides in Durham, North Carolina.

Sy Sternberg, Chairman, President & CEO, New York Life

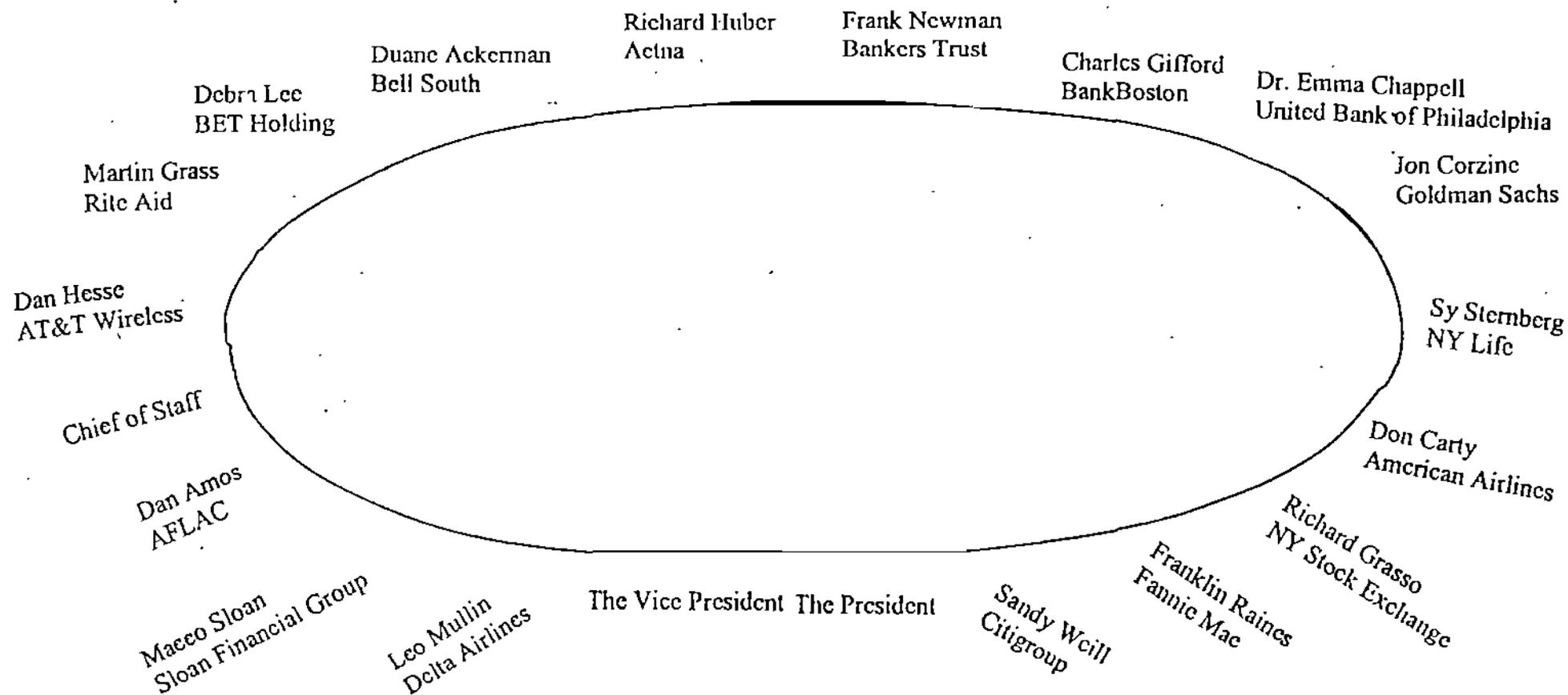
- Sy was named as New York Life's chief executive in 1997.
- He had joined New York Life in 1989 as a senior vice president in charge of the company's group insurance department.
- As the chief executive, Sy oversees the company's more than 7400 employees and 7000 agents.
- He is on the Board of Directors for the American Council of Life Insurance.
- A native of Brooklyn, Sy resides in Purchase, New York with his family.
- New York Life participates in state programs in Louisiana, Missouri, New York, and Florida to increase the availability of venture and seed capital in underserved areas.

Sandy Weill, Chairman and Co-CEO, Citigroup

- Citigroup is the diversified global financial services company that was formed in 1998 during the merger of Citicorp and Travelers Group.
- Prior to the merger, Sandy had been Chairman and CEO of Travelers.
- He has been active in Reverend Jackson's Operation Rainbow/PUSH Wall Street Project.
- He resides in Greenwich, Connecticut.
- He is a major supporter of the Wall Street Project and Trillion Dollar Roundtable, working with the Rainbow/PUSH Coalition. Citigroup has a ten year \$115 billion Community Reinvestment Act commitment, making it the highest community commitment on a per dollar of deposit basis in the country.
- Citibank lent nearly \$12 billion into low and moderate income communities in 1998.
- They lent and invested \$470 million in 1998 in partnership with a non-profit to build and rehabilitate multi-family housing. Citibank is also involved in micro-credit overseas.

NEW MARKETS MEETING
CABINET ROOM
MAY 11, 1999

SEATING CHART



PRESIDENT CLINTON'S CHALLENGE TO INVEST IN AMERICA'S NEW MARKETS

May 11, 1999

"We must do more to bring the spark of private enterprise to every corner of America -- to build a bridge from Wall Street to Appalachia to the Mississippi Delta, to our Native American communities ... Our greatest untapped markets are not overseas -- they are right here at home."

-- President Clinton, State of the Union Address, 1999

JOINING WITH CORPORATE AMERICA TO MOBILIZE INVESTMENT IN UNTAPPED MARKETS. Today, President Clinton and Vice President Gore held a roundtable with 17 Chief Executive Officers from major American corporations and investment firms to discuss ways to best mobilize new private investment in America's most economically underserved communities – America's new markets.

ANNOUNCING A PRESIDENTIAL TRIP THE WEEK OF JULY 5 TO UNDERSERVED URBAN AND RURAL AREAS ACROSS THE COUNTRY. President Clinton announced today that in July he will take a bipartisan delegation of CEOs and Members of Congress to untapped markets throughout America, touring economically distressed communities and highlighting new business opportunities being created in these communities across the nation.

- The trip will be modeled after the trade missions that Cabinet Secretaries and CEOs often take overseas to identify markets, which – through trade and commercial agreements – can help to create jobs and expand economic development.
- As part of the July trip, President Clinton will announce new commitments and innovative initiatives developed by companies, investment firms, community leaders, and non-profit organizations around the country.

PROMOTING EFFORTS TO ATTRACT CAPITAL TO UNDERSERVED AREAS. As part of a bipartisan focus on underserved urban and rural areas, President Clinton is seeking ways to expand current efforts. President Clinton's New Markets Initiative will build upon these existing efforts and help create the conditions for economically successful investment in underserved inner city and rural areas. Included among the elements of the plan are:

- **The New Markets Tax Credit.** To help spur \$6 billion in equity capital for investment in America's new markets, President Clinton and Vice President Gore have proposed a tax credit worth 25 percent for investments in a wide range of vehicles. Eligible investment vehicles include community development banks, venture funds, and the new investment companies created by this initiative.
- **America's Private Investment Companies (APICs).** Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APICs will encourage private investment in this country's untapped markets by leveraging up to \$1.5 billion in investments in new development projects and larger businesses that are expanding or relocating in inner city and rural areas. Under the financing structure, private investors' funds are at risk ahead of the government.
- **New Markets Venture Capital (NMVC) Firms.** NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.

BUILDING ON SIX YEARS OF WORK TO EXPAND ECONOMIC DEVELOPMENT. The Clinton-Gore Administration has made community development a priority since taking office. The efforts announced today build on a number of critical initiatives that have helped to expand economic development to communities across the country that need it most. These efforts include the Community Reinvestment Act, Community Development Financial Institutions, Micro-Enterprise Programs, the Economic Development Initiative and Section 108 Loan Guarantee Program, and the Empowerment Zones and Enterprise Communities.

BACKGROUND ON THE CLINTON-GORE ADMINISTRATION'S COMMUNITY DEVELOPMENT AGENDA

May 11, 1999

TODAY'S ANNOUNCEMENT BUILDS ON PRESIDENT CLINTON'S AND VICE PRESIDENT GORE'S SIX-YEAR RECORD OF PROMOTING GROWTH AND OPPORTUNITY IN AMERICA'S COMMUNITIES

Since 1993, President Clinton and Vice President Gore have been committed to tapping the potential of America's urban and rural communities. They have a demonstrated record of creating new initiatives and expanding existing initiatives to promote community and economic development. The Clinton-Gore Administration has worked with the private sector, states, and localities to help revitalize America's communities by bringing capital, jobs, and opportunity to distressed areas and cleaning up the urban environment. President Clinton and Vice President Gore have created or expanded the following initiatives over the last six years:

Helping to Bring Private Enterprise and Capital to Distressed Areas. The Clinton-Gore Administration has renewed the commitment of the Federal government to help bring private enterprise into underserved communities and improve access to capital for low-income households, minorities, and traditionally underserved borrowers.

- **125 Empowerment Zones and Enterprise Communities.** The Clinton Administration has announced 105 EZs and ECs across the country. This effort was proposed by President Clinton and passed by Congress in 1993. The EZ/EC effort has generated more than \$2 billion of new private sector investment in community development activities. The President has also signed into law a second round of EZs -- 15 new urban and 5 new rural zones -- which will include tax incentives, small business expensing, and private activity bonds. In FY 1999, President Clinton and Congress provided first-year funding of \$55 million for the new EZs, and \$5 million in first-year funding for 20 new rural Enterprise Communities announced in January.
- **Strengthened and Simplified the Community Reinvestment Act (CRA).** In April 1995, the Clinton Administration reformed the CRA regulations to emphasize performance. According to the National Community Reinvestment Coalition (NCRC), the private sector has pledged more than \$1 trillion going forward in loans to distressed communities -- and more than 95 percent of these financial commitments have been made since 1992. Banks made \$18.6 billion in community development loans in 1997 alone. Lending to minority and low-income borrowers is also on the rise.
- **Created the Community Development Financial Institutions Fund (CDFI).** Proposed and signed into law by the President in 1994, the CDFI Fund, through grants, loans, and equity investments, is helping to create a network of community development financial institutions in distressed areas across the United States. The CDFI fund was established in 1994. In FY99, funding was increased 19 percent to \$95 million from \$80 million.
- **The Economic Development Initiative and Section 108 Loan Guarantee.** EDI grants are used to infuse capital into community development projects, enhancing the debt financing provided by the Section 108 loan guarantee program. Together, the programs support critical economic development in distressed communities. Estimated jobs supported by EDI and the Section 108 loan guarantee have

grown by 300,000 from 1994 to 1998. During this time period EDI and the Section 108 loan guarantee program have funded \$3.5 billion for more than 650 separate project commitments.

Helping to Bring Jobs and Opportunity to Distressed Areas. A cornerstone of the Administration's community empowerment agenda is helping to bring jobs and opportunity back to distressed areas:

- **\$3 Billion Welfare-to-Work Jobs Initiative.** The Clinton Administration fought for a \$3 billion welfare-to-work jobs initiative, as part of the Balanced Budget Agreement. The Administration is implementing these welfare-to-work grants directly to both cities and states for allocating additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.
- **Welfare-to-Work Tax Credit and Work Opportunity Tax Credit.** The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Agreement, provides a credit equal to 35 percent of the first \$10,000 in wages in the first year of employment, and 50 percent of the first \$10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients. This credit complements the Work Opportunity Tax Credit (WOTC), which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities. In FY 1999, the President requested and Congress accepted extending the credit through June 30, 1999.
- **Community Development Block Grant (CDBG) Expansion.** President Clinton's FY 2000 budget included an expansion of CDBG. The final budget increases funding for CDBG from \$4.750 billion in FY 1999 to \$4.775 billion in FY 2000, a \$25 million expansion this year.

Cleaning Up the Urban Environment. The Clinton Administration has launched a landmark effort, including the Brownfields Tax Incentive, to clean up and redevelop Brownfields sites. In total, the Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging between \$5 billion and \$28 billion in private investment and creating and supporting 196,000 jobs.

PRESIDENT CLINTON AND VICE PRESIDENT GORE ARE BUILDING ON THEIR PAST ACHIEVEMENTS THROUGH A NUMBER OF NEW INITIATIVES THIS YEAR.

While Americans are enjoying the fruits of our strong economy, we still need to do more to improve conditions in underserved urban and rural communities. To address this need, President Clinton and Vice President Gore are working on several fronts:

The New Markets Initiative. President Clinton's FY 2000 balanced budget provides a new initiative designed to create the conditions for economic success by prompting approximately \$15 billion in new investment in urban and rural areas through:

- **The New Markets Tax Credit.** To help spur \$6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds, and the new investment company programs created by this initiative (see below). A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.
- **America's Private Investment Companies (APICs).** Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APICs will encourage private investment in this country's untapped markets, by leveraging up to \$1.5 billion in

investment in new development projects and larger businesses that are expanding or relocating in inner city and rural areas.

- *SBIC's Targeted to New Markets.* For over 40 years, SBA's Small Business Investment Company (SBIC) program has provided roughly \$20 billion in equity and debt financing to more than 85,000 different companies, helping them to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. SBA now will be offering more flexibility and new financing terms for Small Business Investment Companies (SBICs) that invest in underserved areas.
- *New Markets Venture Capital (NMVC) Firms.* NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.
- *New Markets Lending Companies (NMLC).* For the first time in many years, SBA will approve approximately 10 new non-bank lenders --- firms authorized to originate loans under SBA's largest loan program -- the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80% of a loan made by a lender to a creditworthy small businesses that cannot otherwise secure financing on reasonable terms. Firms must have a strategy to target lending to underserved areas.
- *Microenterprise Lending and Technical Assistance.* Microenterprise initiatives in the FY 2000 budget include the proposed PRIME Act, under which the CDFI Fund will provide microenterprise technical assistance through competitive grants to microenterprise development organizations that focus on low-income entrepreneurs. President Clinton's and Vice President Gore's proposal also includes a doubling of support for technical assistance in SBA's Microloan Program and a doubling of support for SBA lending to leverage over \$75 million in new micro-lending. The microenterprise strategy will also involve new funding for Individual Development Accounts (IDAs) and for SBA's One-Stop Capital Shops.
- *Regional Connections.* Regional Connections will provide competitive funding to States and partnerships of local governments to develop and implement new, locally driven "smarter growth" strategies that create more livable communities by addressing economic and community development needs across jurisdictional lines. Regional Connections, as part of the Administrations' Livability Agenda, will complement existing federal programs that respond to growth and investment patterns. The budget proposes funding at \$50 million in FY 2000.
- *The Economic Development Initiative and Section 108 Loan Guarantee Program.* This program supports critical economic development in distressed communities in conjunction with the Section 108 loan guarantee program to help bring economic development to residents. In FY 2000 many projects will be eligible to participate in the Community Empowerment Fund Trust, a pilot program, which will enable the pooling of loans and the creation of a private sector secondary market for economic development loans. The CEF specifically targets Welfare-to-Work and City-Suburb-Business Connections, building upon the success of HUD's EDI and Section 108 loan guarantee program.
- *Empowerment Zones and Enterprise Communities.* The 2000 Budget proposes mandatory funding for ten years: \$150 million a year for urban EZs and Strategic Planning Communities; \$10 million a year for rural EZs; and \$5 million a year for rural ECs.

- Community Development Financial Institutions (CDFI) Fund. The budget proposes to expand funding for the CDFI Fund to \$125 million--a \$30 million increase from 1999. The Fund increases the availability of credit, investment capital, financial services, and other development services in distressed communities.
- BusinessLINC. The President's FY 2000 budget includes seed money to expand Business LINC --- an innovative public-private partnership launched by Vice President Gore --- for new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs.
- Low-Income Housing Tax Credit. Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of \$1.25 per capita to allocate to developers of affordable housing. While building costs have increased 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from \$1.25 per capita to \$1.75 per capita -- restoring the value of the credit to its 1986 level and helping to create additional 150,000-180,000 new low-income rental housing units over the next five years.
- Play-by-the-Rules. This program will allow renters with solid payment track records to own a home. The 2000 Budget proposes a second round of \$15 million for this initiative.
- Helping America's Communities Redevelop Abandoned Buildings. Redevelopment of Abandoned Buildings, as part of the Administrations' "Livability Agenda," would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single-family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide \$50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings.

Atlanta Empowerment Zone (AEZ) Q&A

Q: What is the status of the Atlanta Empowerment Zone?

A. As we see today, there are great success stories in the Atlanta EZ. Unfortunately, the press has undercounted the successes, and the problems have been over-emphasized. The City and Mayor Campbell have taken important recent steps to ensure success including the hiring of a new executive director (August 1998) and increased the partnership with City Hall. The new executive director, Joseph Reid, has helped to breathe new life into the operation of the AEZC. We are confident that the AEZC will continue to see many successes over the remaining six years of the EZ designation.

City officials who oversee the initiative describe the zone's problems as "growing pains" and say that the zone is now well-positioned to fulfill its mission in the remaining six years. Mayor Bill Campbell, who serves as chairman has placed the zone more closely under the auspices of the City government. The AEZC moved its offices into City Hall East and its new executive director is in the process of rebuilding the staff with the support of City Hall.

Q: In March 1999, HUD's Inspector General issued a report critical of HUD's oversight of the EZ/EC Initiative. The report was based on the results of four recent EZ audits (including Atlanta). What are the ramifications of this report and what has HUD done to remedy the issues identified in the IG report?

A. HUD has adequate policies and procedures in place to ensure EZ funds are spent according to an EZ/EC Strategic Plan that is HUD's statutory role. HHS, the source of the federal EZ/EC funds, in concert with the states, is statutorily responsible for ensuring adequate controls are in place to ensure that the EZ/EC funds are spent according to the limits on the uses of the HHS EZ/EC funds. HUD strongly disagreed with the IG's finding and issued a 16-page rebuttal outlining the weaknesses of the IG report. The IG subsequently recanted one of its major findings.

Q: What is your response to a recent HUD IG audit that found substantial problems with the Atlanta EZ?

A. HUD strongly disagrees with the HUD IG's finding of misspending by the EZs. The HUD IG used a faulty definition of "permissible EZ activities" in evaluating the activities of the four EZs. Ultimately, in April 1999, the HUD IG acknowledged its misinterpretation of EZ laws and regulations, and has recanted on the findings involving misspent funds.

Regarding inaccurate EZ reporting, HUD identified the problem prior to the start of the IG audit and began instituting a new Internet-based performance measurement system (PERMS) to improve reporting. The new PERMS system has dramatically improved reporting by the EZ/ECs. The problems identified in Atlanta were similar to those identified in the other three EZs. There have been many successes in Atlanta's EZ

including substantial new investments and leveraging. Additionally, the new executive director is charged with ensuring efficient administration of the EZ programs.

Some of the major accomplishments of the Atlanta EZ:

- The Fulton Bag and Cotton Mill, a mixed housing and commercial development at an abandoned cotton mill, has helped to reinvigorate the Cabbage Town neighborhood.
- The North Yards Business Park, a 55-acre industrial park, will create much needed jobs and economic opportunity within the EZ. Coca-Cola recently purchased 13 acres to build a facility at the site and has committed to hiring EZ residents. This project received a \$5 million grant from the EZ and \$ 1 million in HUD Brownfields Economic Initiative funding to access and remediate environmental concerns at the site.
- Establishment of the Atlanta One Stop Capital Shop (OSCS) which helps coordinate small business services in the EZ and surrounding area. A number of local banks, federal agencies including SBA, HUD, and the Department of Commerce have representatives at the site. The OSCS also provides entrepreneurs with technical assistance such as creating business plans for fledgling businesses.
- The Sweet Auburn Curb Market (the site of the President's visit in Atlanta) has been operational since 1923 and was renovated by a \$55 million dollar HUD Section 108 loan in 1992. There are approximately 24 businesses currently located within the market.

Q: What entities implement the Atlanta Empowerment Zone Strategic Plan?

A. The Atlanta Empowerment Zone established a non-profit 501c(3) corporation, called the Atlanta Empowerment Zone Corporation (AEZC) to implement its Strategic Plan. Mayor Campbell is the Chair of the AEZC Board, which also includes business leaders, EZ residents, non-profits, and other stakeholders. EZ resident involvement in the Atlanta Strategic Plan is enhanced through the Community Empowerment Advisory Board (CEAB) which includes representatives from all the neighborhoods in the EZ. The CEAB is an EZ resident advisory body that works with the Atlanta Empowerment Zone Corporation in implementing the local Strategic Plan.

Q: How much has the Atlanta EZ committed and how much has the EZ leveraged?

A. The Atlanta EZ has 124 projects and programs that it is administering to implement its Strategic Plan. The Atlanta EZ has spent \$10 million in HHS EZEC SSBG funds, although \$4 million of that amount covered administrative expenses. The EZ has committed an additional \$60 million in EZ/EC SSBG funds. When fully implemented, the 124 EZ projects/programs will leverage an additional \$2 billion dollars.

THE WHITE HOUSE

WASHINGTON

May 10, 1999

TOUR OF SWEET AUBURN MARKET and ROUNDTABLE

DATE: May 11, 1999
TIME: 2:10-2:30pm (tour)
2:40-3:40pm (Roundtable)
LOCATION: Sweet Auburn Market, Atlanta GA
FROM: Gene Sperling

I. PURPOSE

To visit this Empowerment Zone location where you can highlight the EZ/EC effort that has been a priority for both you and the Vice President over the last six years. Also, by focusing on Empowerment Zones, it may make this trip less duplicative of your July trip, which will include, but will go beyond, Empowerment Zones.

II. BACKGROUND

See attachment on the Sweet Auburn Market and the roundtable participants.

III. PARTICIPANTS

Pre-brief

YOU

Gene Sperling
Maria Echaveste
Mayor Bill Campbell
Ruby Jones
Council Member Debbie Starnes
Secretary Cuomo
Administrator Alvarez
15 CEOs

Tour

YOU

Mayor Bill Campbell
Council Member Starnes
Gene Sperling
Maria Echaveste
Administrator Alvarez

IV. SEQUENCE OF EVENTS

- YOU will be greeted by Mayor Bill Campbell at the Atlanta Hartsfield Airport.
- YOU, the Mayor, and your delegation of CEOs and Cabinet arrive at the Sweet Auburn Market where YOU are greeted by Council Member Debbie Starnes and Ruby Jones, Director, Sweet Auburn Market.
- Councilwoman Starnes will give YOU and the delegation a brief overview of the market.
- YOU and the delegation will tour the market and stop to speak with selected vendors. YOU will be followed by the rest of the participants.
- Following your walk through the market, YOU will exit the market and take your seat in a casual horse shoe setting with chairs but not table
- YOU will participate in a second roundtable discussion with seven local business representatives, Mayor Campbell, and Rep. Cynthia McKinney.
- YOU make brief remarks and then open it up to a discussion (Mayor Campbell will moderate)
- YOU depart.

V. PRESS COVERAGE

Open

VI. REMARKS

Speechwriting will provide opening remarks.
Notecards will be included in briefing book for dialogue.

VII. ATTACHMENT

1. One page on tour of the Sweet Auburn Curb Street Market
 - Background on the market
 - Background on tour leader
2. Background on Roundtable with Local Atlanta Business Owners

TOUR OF THE SWEET AUBURN CURB STREET MARKET

Background on the Sweet Auburn Curb Street Market:

History

- Currently a part of the City of Atlanta's Empowerment Zone, the Sweet Auburn Curb Street Market has been operating since 1923. It originally began as an open-air market in 1918 until the Atlanta Women's Club transformed it into an enclosed structure.
- The market is located in the City's historic Sweet Auburn area, the City's first African American commercial district. The market was in disrepair in 1992 when the City applied for a Section 108 loan guarantee of \$4.9 million to refurbish the facility.

Current Economic Development

- Approximately 24 businesses are located within the market with total space for up to 35 businesses. These businesses include produce vendors, a florist, a garden center, a seafood market, and various restaurants. Eight businesses in the market receive direct EZ assistance.
- Businesses with the market often hire residents from the surrounding EZ neighborhoods and thereby benefit from EZ tax credits.
- In total, more than \$8.3 million in federal funding has been directed to the market and its vendors. These funds include EZ grants to businesses for equipment, CDBG funds for site improvements and commercial rehabilitation and Section 108 loans for commercial rehabilitation.

Background on Tour Leader, Ruby Jones:

Ruby Jones, Property Manager, Sweet Auburn Curb Market

- Ruby Jones will lead the tour through the market.
- Ms. Jones is the property manager for the market and is involved in attracting new businesses and meeting and developing relationships with neighborhood residents. As property manager, she is responsible for leasing, marketing and coordinating events at the market, which include voter registration drives, cooking demonstrations, educational tours of the markets and food drives.
- Since the market is located in the EZ, Ms. Jones vigorously encourages the vendors of the market to hire residents from the neighborhood.
- She is also the volunteer coordinator for the Atlanta Downtown Partnership and serves on the board of directors of the Midtown Assistance Center.

ROUNDTABLE WITH LOCAL ATLANTA BUSINESS OWNERS

Roundtable Participants:

- Seven business people will participate in the roundtable at the market (see below)
- Mayor Bill Campbell will moderate the discussion.
- Rep. Cynthia McKinney will participate in the roundtable as well.
- All but one of the businesspeople operates a business or invests in the Empowerment Zone (Jason Slaughter of S&W International Foods operates his business in a distressed area of Atlanta just outside of the zone).

1. Sallie Adams Daniel, Senior Vice President, Nations Bank of Georgia

- Ms. Daniel is an active member of the Atlanta EZ and is a director on its governing board.
- Ms. Daniel will talk about NationsBank's commitment to community revitalization around the nation. She will also talk about her involvement in the EZ and NationsBank partnership with local CDCs.
- Nations Bank has undertaken a number of activities that support the revitalization of the Atlanta EZ and other distressed underserved communities. NationsBank partners with two CDCs located in the EZ --- the Historic District Development Corporation and Summerhill Neighborhood Development Corporation. NationsBank provides the CDCs with technical assistance and invests in their projects.

2. John Aderhold, Chairman of Aderhold Properties (Developer of the Fulton Bag and Cotton Mill)

- Mr. Aderhold, Chairman of Aderhold Properties, is the developer of the Fulton Bag and Cotton Mill project, one of the marquis projects helping to revitalize the Cabbage Town neighborhood in the heart of the Atlanta EZ.
- Mr. Aderhold will speak to the importance of federal assistance in the development of the project. He will also comment on the impact that the site has had on the surrounding area and the successful economic return on his investment in the project.
- The development includes a mixed income residential project with 206 loft apartments of which 83 are rented by low- and moderate-income persons. There is also commercial space at the site, which is expected to create jobs and businesses in the EZ.
- The project used a \$1 million EZ loan to leverage a \$10 million HUD Section 221(d)4 loan, a \$400,000 City of Atlanta Loan and over \$6 million in Historic Tax Credits and Low-Income Tax Credits. This project has anchored a flurry of redevelopment in the surrounding area including the Eureka restaurant, whose owner is a roundtable participant as well.

3. *Tricia Donegan, Owner of Eureka Restaurant*

- Tricia Donegan, owner of this restaurant which opened in the EZ in November 1998, received technical assistance from the Atlanta One Stop Capital Shop (run by SBA) in putting together her business plan.
- Ms. Donegan employs 20 people, of which 10 are EZ residents, enabling her to use the Empowerment Zone Wage tax credit.
- Ms. Donegan will discuss her success in hiring EZ residents as well as the importance of the major Fulton Bag and Cotton Mill revitalization project to her decision to locate this small business in the EZ.
- She also owns a restaurant in another low-income East Atlanta neighborhood.

4. *Kenneth Bleakely, President of North Yards Business Park, LLC*

- The Atlanta EZ recently announced a \$5 million grant to Mr. Bleakely's company, North Yards Business Park, to develop a brownfields site into a 55-acre industrial park in the EZ that will cost \$25 million. The EZ investment made this project possible.
- The project is a joint venture between the Atlanta Development Authority, Antioch Urban Ministries, and a partnership created by the downtown business community that includes North Yards (the partnership is known as COPA, the Centennial Olympic Park Area).
- Kenneth Bleakely will talk about the COPA business partnership and why it decided to invest in the site. He will also discuss the organization's perspective on hiring EZ residents. Lastly, he may comment on recent new commitments from prospective tenants at the site, including Coca-Cola.
- North Yards has made a commitment to have its infrastructure contractors hire 50% EZ residents and has also set a target of having park tenants hire 50% of their employees from the EZ.
- The project also received a \$500,000 Brownfields Economic Development Initiative grant and a \$500,000 HUD Section 108 loan to demolish dilapidated structures and make infrastructure improvements.

5. *Sonya Jones, Owner of the Sweet Auburn Bread Company and Southcity Cuisine (note: these businesses are located in the market)*

- Sonya Jones and her husband, Robert Jones, own two shops in the market. They employ six people. She is a professional chef trained at the Culinary Institute of America in New York. Sonya initially owned only the Southcity Cuisine, and later assumed ownership of Sweet Auburn Bread Company.
- Sonya Jones will talk about her experience as a small business owner in the EZ. She will comment on the importance of both the EZ funds and the surrounding development to the success of her business.
- Ms. Jones's clientele includes employees of the adjacent Grady Hospital, Hugh Spaulding Children's Hospital, residents of the Grady Homes, public housing and the remaining community.

6. *Vivian Reid, Co-Owner of the Kaffe Shop (note: this business is located in the market)*

- Vivian Reid, along with her two sisters, own this store which sells a variety of coffee products and which has been in business for a year and a half.
- Ms. Reid will discuss how owning and operating a small business has improved the lives of her and her sisters. She will also talk about the fact that they have been able to hire an employee at the shop who is a Welfare-to-Work participant.

7. *Jason Slaughter, Owner of S&W International Foods (note: this business is not located in the EZ)*

- S&W International Foods was established in 1996 and is a tremendous example of a growing small business that received federal support in its startup phase.
- Jason Slaughter will talk about his decision to locate in the city of Atlanta. Although his business is not located in the EZ it is in an area that fits the model for a New Market. Slaughter will comment on the importance of federal assistance in the startup phase, and his difficulty at times accessing private capital.
- The company cuts and repackages meat products and manufactures a line of frozen biscuits.
- The company has grown from 12 employees to a staff of 60 over the last several years and increased sales from \$6 million last year to expected sales of \$13 million for this year.
- Two SBA guaranteed loans have helped S&W to add new plants and equipment allowing the company to grow significantly. The company has secured contracts with Sara Lee Corporation, Church's, Popeyes, Wal-Mart, Publix, and Kroger.

SUGGESTED SCRIPT FOR SWEET AUBURN ROUNDTABLE

FORMAT FOR SWEET AUBURN ROUNDTABLE:

1. Mayor Bill Campbell opens with welcome to the participants: you, the seven business people, and Rep. Cynthia McKinney. He will then introduce you
2. You will give brief opening remarks (provided separately by speechwriting)
3. You open discussion with business people
 - You may want to turn to Sallie Adams Daniel to talk about NationsBank investment in the EZ
 - You may then want to turn to Jason Slaughter to talk about his experience as a fast growing company that was seeking capital during its startup phase.
 - At any time you wish, you can refer questions to or ask for comment by any of the 15 CEOs from your morning roundtable who will accompany you to Atlanta (they will be seated in the front row with several microphones available to them).

SEVEN LOCAL BUSINESS PEOPLE AND SUGGESTED QUESTIONS:

Question for SALLIE ADAMS DANIEL, Senior Vice President, Nations Bank of Georgia:

Ms. Daniel, how have you seen the Atlanta EZ develop and what role have you and Nations Bank had in this development?

Daniel's Background:

- Ms. Daniel is an active member of the Atlanta EZ and is a director on its governing board.
- Nations Bank has undertaken a number of activities that support the revitalization of the Atlanta EZ and other distressed underserved communities.

Daniel's Likely Points:

- Ms. Daniel will talk about NationsBank's commitment to community revitalization around the nation. She will also talk about her involvement in the EZ and NationsBank partnership with local CDCs.
- NationsBank provides the CDCs located in the EZ with technical assistance and invests in their projects.

Question for JOHN ADERHOLD, Chairman of Aderhold Properties (Developer of the Fulton Bag and Cotton Mill):

Mr. Aderhold, can you talk a bit about how public and private entities have come together to make your Fulton Bag and Cotton Mill development project a success?

Aderhold's Background:

- Mr. Aderhold, Chairman of Aderhold Properties, is the developer of the Fulton Bag and Cotton Mill project, one of the marquis projects helping to revitalize the Cabbage Town neighborhood in the heart of the Atlanta EZ.
- You should know that Fulton Bag and Cotton Mill was damaged by a fire on Monday, May 3. It is not expected that this will deter development.

Aderhold's Likely Points:

- Mr. Aderhold will speak to the importance of federal assistance in the development of the Fulton Bag project. He will also comment on the impact that the site has had on the surrounding area and the successful economic return on his investment in the project.
- The development includes a mixed income residential project with 206 loft apartments of which 83 are rented by low-and moderate-income persons. There is also commercial space at the site, which is expected to create jobs and businesses in the EZ.
- The project used a \$1 million EZ loan to leverage a \$10 million HUD Section 221(d)4 loan, a \$400,000 City of Atlanta Loan and over \$6 million in Historic Tax Credits and Low-Income Tax Credits.
- This project has anchored a flurry of redevelopment in the surrounding area including the Eureka restaurant, whose owner is a roundtable participant as well.

Question for TRICIA DONEGAN, owner of Eureka Restaurant:

Ms. Donegan, what prompted you to open your restaurant in the EZ?

Donegan's Background

- Tricia Donegan owns Eureka restaurant which opened in the EZ in November 1998.
- She also owns a restaurant in another low-income East Atlanta neighborhood.

Donegan's Likely Points:

- Donegan received technical assistance from the Atlanta One Stop Capital Shop (run by SBA) in putting together her original business plan.
- Ms. Donegan employs 20 people, of which 10 are EZ residents, enabling her to use the Empowerment Zone Wage tax credit.
- Ms. Donegan will discuss her success in hiring EZ residents as well as the importance of the major Fulton Bag and Cotton Mill revitalization project to her decision to locate this small business in the EZ.

Question for KENNETH BLEAKELY, President of North Yards Business Park, LLC

Mr. Bleakely, your business park has made a commitment to hire a significant number of EZ residents. Can you talk a bit about this admirable effort?

Bleakely's Background:

- Kenneth Bleakely is the President of North Yards Business Park, LLC.
- The project is a joint venture between the Atlanta Development Authority, Antioch Urban Ministries, and a partnership created by the downtown business community that includes North Yards (the partnership is known as COPA, the Centennial Olympic Park Area).

Bleakely's Likely Points:

- The Atlanta EZ recently announced a \$5 million grant to Mr. Bleakely's company, North Yards Business Park, to develop a brownfields site into a 55-acre industrial park in the EZ that will cost \$25 million. The EZ investment made this project possible.
- North Yards has made a commitment to have its infrastructure contractors hire 50% EZ residents and has also set a target of having park tenants hire 50% of their employees from the EZ.
- The project also received a \$500,000 Brownfields Economic Development Initiative grant and a \$500,000 HUD Section 108 loan to demolish dilapidated structures and make infrastructure improvements.

Question for SONYA JONES, owner of the Sweet Auburn Bread Company and Southcity Cuisine (note: these businesses are located in the market)

Ms. Jones, I just was on a tour of this terrific market – how have you seen Sweet Auburn Market change in recent years?

Jones' Background:

- Sonya Jones and her husband, Robert Jones, own two shops in the market.
- They employ six people.

Jones' Likely Points:

- Sonya Jones will talk about her experience as a small business owner in the EZ. She will comment on the importance of both the EZ funds and the surrounding development to the success of her business.
- Ms. Jones's clientele includes employees of the adjacent Grady Hospital, Hugh Spaulding Children's Hospital, residents of the Grady Homes, public housing and the remaining community.

Question for VIVIAN REID, Co-Owner of the Kaffee Shop (note: this business is located in the market)

Ms. Reid, it's my understanding that you've hired an employee who is a Welfare-to-Work participant at your store here in the market. Can you tell us about this?

Reid's Background:

- Vivian Reid, along with her two sisters, own this store which sells a variety of coffee products and which has been in business for a year and a half.

Reid's Likely Points:

- Ms. Reid will discuss how owning and operating a small business has improved the lives of her and her sisters. She will also talk about the fact that they have been able to hire an employee at the shop who is a Welfare-to-Work participant.

Question for JASON SLAUGHTER, owner of S&W International Foods (note: this business is not located in the EZ)

Mr. Slaughter, I think I read that your business has grown substantially in the last few years and that SBA helped you in that growth. Can you talk about working with SBA?

Slaughter's Background:

- Jason Slaughter established S&W International Foods, a meat packaging and frozen biscuit company, in 1996.
- The company has grown from 12 employees to a staff of 60 over the last several years and increased sales from \$6 million last year to expected sales of \$13 million for this year.

Slaughter's Likely Points:

- Jason Slaughter will talk about his decision to locate in the city of Atlanta. Although his business is not located in the EZ it is in an area that fits the model for a New Market.
- Slaughter will comment on the importance of federal assistance in the startup phase, and his difficulty at times accessing private capital.
- Two SBA guaranteed loans have helped S&W to add new plants and equipment allowing the company to grow significantly. The company has also secured contracts with Sara Lee Corporation.

June 9, 1999

MEMORANDUM TO MARIA ECHAVESTE AND STEPHANIE STREETT

**FROM: GENE SPERLING
JONATHAN KAPLAN
LISA GREEN**

SUBJECT: NEW MARKETS JULY TRIP – PROPOSED SITES

I. NEXT STEPS FOR SITE SELECTION

June 11, 1999

- Gene, Maria and Stephanie to meet to discuss proposed sites
- Larger White House meeting to finalize site recommendations
- Memo to President summarizing strongest options and alternative options

II. STRONGEST OPTIONS THUS FAR

Native American
Pine Ridge, SD

West Coast
Los Angeles, CA

Mississippi Delta
Jackson, MS

Southwest
Phoenix, AZ

III. OTHER OPTIONS

Northeast Urban
New York, NY
Hartford, CT
New Haven/New London, CT

Appalachia
Kentucky Highlands, KY
Athens, OH

Midwest
St. Louis/East St. Louis, MO
Detroit, MI
Akron, OH
Chicago, IL

IV. DETAILS ON POTENTIAL SITES

1. LOS ANGELES/ANAHEIM, CA: Private Sector Workforce Investments in Disadvantaged Youth

Potential Announcements and Site Visits

- The DOL's Kulick grant program has created 700 new jobs, employing 1700 youth. Several corporations have made pledges to the Kulick program. Additional pledges could be sought to expand the program through collaboration being formed by Labor with the National Alliance of Business, Los Angeles Chamber of Commerce, Mayor's Business Leaders Alliance and several foundations. Potential site visits where the program is currently operating include the Shell Oil Small Business Academy.
- Other potential sites related to the DOL program include the Youth Opportunities Unlimited Alternative High School where the President could tour a center where former gang members, single parents and other out-of-school youth are learning basic computing skills to help prepare to be productive in the workforce.
- To amplify our focus on disadvantaged youth, we could work with Sandy Weil at Citigroup who plans to hold the National Academy Foundation's 15th Annual Institute for Staff Development the week of July 5th. The meeting will involve public schools and 200+ business partners. NAF focuses on intern sponsorships and youth focused efforts. They have a formal partnership with the Department of the Treasury.

Disadvantages

- The Watts EZ has received negative publicity. There is also a local community development bank funded by HUD, the LA Community Development Bank that has received a great deal of negative publicity, including a relatively recent editorial.

2. PINE RIDGE, SD: Private Sector Investment in Native American Communities

Potential Announcements and Site Visits

- This community is the first EZ on a reservation. Fannie Mae is working on a significant commitment that Sen. Daschle would participate in. 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.
- 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.
- 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 report about the dearth of telecommunications access on reservations.
- A HUD conference on economic development will draw 500 tribal leaders from across the U.S. The President could address the conference as tribal consultation. The President 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 ever visited a reservation.

3. PHOENIX, AZ: Providing Access to Capital in Hispanic Communities

Potential Announcements and Site Visits

- Arizona MultiBank Community Development Corporation 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 capitalized with over \$10 million from several banks including Norwest/Wells Fargo Bank, Bank of America, Bank One Arizona. MultiBank is currently trying to raise \$5 million from major banks for its new LMI SBIC. We could announce the first LMI SBIC and these new private investments.
- We could also visit a business financed by MultiBank. For example, Corella Electric, which was the SBA1986 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.
- MicroIndustry Credit Rural Organization (MICRO), based in Tucson, was a Presidential Award winner and 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. We 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.
- **Other Strong CDFI Options:** At the same time that these announcements were being made we could also have principals throughout the country making CDFI announcements in other locations. The following are also good CDFI options that the President could visit as an alternative to MultiBank. Other potential sites include:
PHILADELPHIA, PA: Delaware Valley Community Reinvestment Fund
BOSTON, MA: Community Loan Fund
All of the above CDFIs have received past funding from the CDFI fund and they are all prepared to make substantial announcements and about new private investments.
- Another option is to bring representatives from these 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.

4. MISSISSIPPI DELTA: Investment in SBICs and Rural New Markets

Potential Announcements and Site Visits

- Enterprise Corporation of the Delta (Enterprise) is a CDFI, a SBIC, and soon to be SBA 7(a) Lender. Enterprise has received past funding from the CDFI Fund. Enterprise is located in Jackson, Mississippi and makes investments in businesses throughout the Delta (including Louisiana, Arkansas and Mississippi). 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.
- 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. There are several companies that have benefited from the Zone that could be good sites, including the Viking Range Corporation in Greenwood that is the manufacturer of Viking ranges, the premiere brand for commercial grade ranges.
- Potential site visits could include several companies that have received financing from Enterprise including a manufacturer of construction products that is Native American owned and serves construction projects in Tennessee. There is also Marianna Apparel, a 30 year old minority manufacturer located in a Mariana Arkansas, a poor Delta community, that manufactures uniforms for large companies, including McDonalds.
- 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.

Disadvantages

- Jackson, MS is technically located in the Delta, but is not considered so by some residents. We would need to be careful to identify a business for the actual site visit that was within the Delta.

5. KENTUCKY HIGHLANDS, KY: Investment in Appalachia and Rural New Markets

Potential Announcements and Site Visits

- 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. We could potentially visit several businesses financed by KHIC including Mid-South Electric, Inc., a small company funded by KHIC, which has grown to 800 employees and is now completing a \$5 million expansion that will add 100-150 employees.
- Labor and SBA are working on a job training investment announcement that could be made in conjunction with an existing pilot Youth Opportunity program.
- It is possible there will also be new announcements to make about additional private sector investments in KHIC.
- 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). We could potentially visit a businesses helped by one of these organizations.

- Kentucky Highland Enterprise Zone Development Venture Fund has been very successful with over 500 jobs created through loans to small businesses in the EZ. We could potentially visit Specialty Plastic Products of Kentucky, which plans to start construction on a second plant in early July.

6. ATHENS, OH: Investment in Appalachian and Rural New Markets

Potential Announcements and Site Visits

- Bank One will 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.
- According to David Wilhelm LBJ visited Athens as part of his Great Society kickoff which could help to frame the trip.
- 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. They have received grants from the CDFI Fund. Bank One has committed to making a loan to DC through the SBA microloan program. The closing event is scheduled to take place in Athens/Nelsonville, OH.
- An organization called ACE-Net (Appalachian Center for Economic Networks) is actively involved in providing support to small businesses. We could visit a minority woman owned business that manufacturers specialty foods and has been helped by venture capital financing that resulted from a prior roundtable organized by ACE-Net.
- 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.

7. AKRON, OH: MicroEnterprise Development and Investment in Mid-Sized Cities

Potential Announcements and Site Visits:

- The Safe Harbor Minority Business Center assists the development and growth of minority-owned office and service firms through support services and technical assistance. The 7,000 square foot center currently houses nine businesses. The center also operates a micro-lending program in conjunction with Akron's EC Program.
- Enterprise Community Fund (ECF) is a non-profit business loan fund -- and a recipient of a CDFI Fund award -- that makes working capital loans to small and micro-businesses in the distressed neighborhoods of the Akron Enterprise Community. ECF also provides businesses with much needed technical assistance.
- Akron Edison Industrial Incubator was created in 1983 and is a model small business incubator with a multi-tenant facility that provides entrepreneurs with space and a wide variety of administrative, management, technical and professional services.

8. DETROIT, MI: Urban EZs or Microenterprise Development

Potential Announcements and Site Visits:

- The Detroit Entrepreneurship Institute, Inc. provides a one-stop shop for aspiring micro-entrepreneurs. They have received CDFI funding in the past. DEI may be selected as an SBA's Women's Center, which could be announced as part of the trip.
- The Detroit Empowerment Zone Financial Institutions Consortium (EZFIC) was formed in support of the Empowerment Zone application which the City of Detroit submitted to the Federal government several years ago. Its members represent leading financial institutions in the area, including Comerica Bank, First Federal of Michigan, First Independence Bank, First of America, Greater Detroit Business and Industrial Development Corporation (BIDCO), Liberty BIDCO, Michigan National Bank, Bank One (formerly NBD), Standard Federal Bank, and Detroit Local Initiative Support Corporation.
- The Clark Street Technology Park: A former General Motors plant has been transformed into the 70-acre Clark Street Technology Park, the largest development within the Detroit EZ. Total employment is expected to reach 1,700 permanent jobs. New tenants that could be included on a visit to the park are as follows: (1) VITEC, a minority-owned manufacturer, spent \$20 million to construct a new multi-acre plant within the Technology Park. This new plant makes auto components and will create 350 new jobs, and train and hire local workers for the positions. (2) Piston Packaging, a minority-owned business started by former Detroit Pistons star Vinnie Johnson, manufactures products for General Motors. The venture created 50 jobs, and will soon expand to 100. (3) The Hispanic Manufacturing Center has added 200 jobs. The HMC has committed to hire Zone residents where ever possible. (4) Federal Express has decided to open a 77,000-square-foot sorting and distribution center there this summer. This facility is in construction. Mayor Archer was planning a June 30th press conference to announce that the EZ has achieved their ten year goals within the first four years of the Zone's establishment. This press conference has been postponed, so we could build this announcement into the President's event.
- John James is a local resident of Detroit who redeveloped a Brownfield site into an extremely successful business, that employs Zone residents and brings revenue into the Zone. OJ serves Ford Motor Company with comprehensive transport services. His expanding business could be explored for announcements – for example, he is about to export his first products to Australia.
- Shorebank was created in 1997 as a community development bank dedicated to revitalizing the Detroit EZ area. The new institution focuses its efforts in several areas: residential, commercial, and consumer loans; real estate development; and an enterprise development loan fund. Finally, Shorebank raised \$4.6 million from the Ford Foundation, Charles Stewart Mott Foundation, and other sources to lend to minority microenterprises.
- Investments by Chrysler in the Zone including major production facilities that could be toured total of \$2.4 billion dollars.
- Riverbend Plaza Phase II Project: This project involves the construction of a 23,000 square foot addition to the Riverbend Plaza Shopping Center. The expanded shopping center will provide retail services to a low to moderate income area on the lower East side of Detroit. To date the project has generated 136 new jobs. The

project is anchored by Rite Aid, a major supermarket (the first one in this underserved area). Additional businesses are slated to come into this project.

- Members of The Detroit Empowerment Zone Financial Institutions Consortium (EZFIC) include leading financial institutions in the area such as Comerica Bank, First Federal of Michigan, First Independence Bank, First of America, and Detroit Local Initiative Support Corporation. The EZ FIC committed \$1.1 billion in lending over a ten year period of time within the Detroit Empowerment Zone. To date, over \$956 million has been loaned, approximately 93 percent of the entire 10 year goal. Mid-size and small businesses, one of which could be visited by the President, were the primary beneficiaries.

Disadvantages

- The Detroit EZ has received public criticism for not spending their funds in a timely manner.
- The Detroit EZ has received significant attention already from the press with recent visits by the Vice President. The story of Detroit as an economically successful EZ could be overly saturated.

9. ST. LOUIS/EAST ST. LOUIS,MO: Urban EZs

Potential Announcements and Site Visits:

- The former Enterprise Community (which is part of the EZ) gave rise to the Jackee Joyner Kersee Community Center, which will provide educational and recreational programs for youth. The Jackee Joyner Kersee Community Center, which received HUD funding, could be the site of an event. A number of corporations have contributed to the Jackee Joyner Kersee center, including Enterprise Rent-A-Car, May Dept. Stores, and NationsBank. 20 jobs will be created.
- 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, said they also have letters of intent to lease the property from State Farm Insurance, Hollywood video, Save-A-Lot and others.
- Levy Sign company, D and H Auto service, and Nails, Etc. are small businesses that have been pre-approved for loans through the small business development center. These businesses will create 25 new jobs for EZ residents. Site visits could take place at the small business locations.
- 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, which included the demolition phase of St. Teresa Transitional housing project for the East St. Louis community using community development block grant (CDBG), and the renovation of a single family home for the East St. Louis Housing Authority. Please note that Mayor Powell has official express support for YBE.

10. CHICAGO, IL: Investing in CDFIs and Urban EZs

Potential Announcements and Site Visits:

- The Illinois Facilities Fund finances nonprofit facilities that support low income people in Chicago and elsewhere in the state of Illinois. The fund has previously received funding from the CDFI Fund. IFF focuses on financing day care centers, health care clinics, and other critical. We could potentially visit a daycare center facility. A major company is also prepared to announce a significant financial investment in IFF's childcare initiatives.
- **Other Strong CDFI Options:** At the same time that these announcements were being made we could also have principals throughout the country making CDFI announcements in other locations. The following are also good CDFI options that the President could visit as an alternative to MultiBank. Other potential sites include:
PHILADELPHIA, PA: Delaware Valley Community Reinvestment Fund
BOSTON, MA: Community Loan Fund
All of the above CDFIs have received past funding from the CDFI fund and they are all prepared to make substantial announcements and about new private investments.
- Another option is to bring representatives from these CDFIs to MultiBank 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 CDFI announcements that could potentially be announced as part of the trip.
- There are several private companies interested in making announcements in Chicago. (1) SBC Communications is also involved in hiring programs for the Hispanic community. We might be able to 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 an 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 locations.
- BankAmerica has identified Chicago as one of the sites where they would be willing to make a major national announcement related to New Markets.

Disadvantages

- Chicago may have issues related to the EZ that need to be vetted.

11. **HARTFORD, CT: Private Sector Efforts to Attract Capital to Underserved Urban Areas**

Potential Announcements and Site Visits:

- Aetna is currently involved in several major projects in the community including the MetroHartford Millennium Project, which is a comprehensive effort and collaboration to attract capital and development from outside Metro Hartford.
- The Metro Hartford Investment Fund is being developed and with Aetna's leadership expects to raise \$50 to \$100 million from Hartford based corporations. A major announcement of corporate commitments to the fund could be made as part of the tour.
- There is a small woman owned business called McHugh Publishing & Design located in West Hartford that has received SBA assistance through a mentoring program for Women.
- Fannie Mae has a new partnership with BankBoston in Hartford involving \$10 million for residential and commercial construction financing that was described in a recent article as a "collaborative effort between private and public investors that's designed to improve people's lives." Fannie Mae made an equity investment through its American Communities Fund group. Although the partnership has been announced it can be highlighted as a local example of New Markets equity investment.

12. **NEW YORK CITY, NY: BusinessLINC and/or Urban EZS**

Potential Announcements and Site Visits

- The Business Roundtable, including Chase Manhattan and McDonalds, will be prepared to make a major announcement that they will house the BusinessLINC coalition. Dana Mead, Chair of BRT, could also announce the appointment of the CEO who will run BusinessLINC.
- Chase Manhattan has a Business Center program that was recently expanded which illustrates the benefits of BusinessLINC. We could visit this site or visit the site of a business that was assisted by BusinessLINC, for example an African-American owned manufacturer of printer toner. Another BusinessLINC site visit could be the Metropolitan Teaching and Learning Company, which received a \$1 million investment from NYCIF (see below) and is mentored by Primedia, a large educational publisher. The site visit would be at a Brooklyn school that uses the curriculum published by Metropolitan. The school may have a summer program in session.
- At the same time this announcement is being made, we could also make an announcement about the other BRT BusinessLINC chapters in Dallas and Chicago, which would "open" simultaneously. There is also the possibility of simultaneously holding a roundtable on BusinessLINC in another location that would involve local businesses and cabinet members.
- The New York City Investment Fund, is a model of the type of community development venture funds that the New Markets Initiative would benefit. Investors in this fund include many of the major corporations in New York such as Chase and Fannie Mae. We could visit a company that has received financing from NYCIF, such as Independent Carey System which is a home health care company located in

the Bronx that will eventually employ up to 1,000 people. Based on conversations that HUD has had with specific companies there is a strong likelihood that Bill Harrison, new CEO of Chase and Henry Kravis, major venture capitalist and founder of NYCIF could attend event.

- There are also numerous retail initiatives in Harlem New York that could be announced including store and business openings such as Starbucks and Walt Disney.
- ACCION New York, Inc. is a recipient of CDFI funds and one of the largest microlending organizations in the United States, having made over 1,800 loans ranging from \$500 to \$25,000 to more than 900 clients. There is the possibility of making announcements related to the nationwide network that ACCION New York is a part of.

Disadvantages

- Recent negative publicity about the New York EZ.
- In fighting among local politicians and officials regarding the zone.
- Tensions between local retailers and large chains opening in Harlem.

13. NEW HAVEN and NEW LONDON, CT: Urban EZs and Investments around Technology

Potential Announcements and Site Visits

- A network of specialized quasi-public development corporations, created through collaborations with the private sector and local banks, will continue to offer a range of investment vehicles to meet the capital needs for business start-up and expansion. These corporations include the New Haven Community Investment Corporation, the Technology Investment Fund, the New Haven Enterprise Development Corporation and the Connecticut Economic Development Fund.
- The Omni Hospital Training collaborative has brought an additional 200+ jobs to the area with over 80 residents employed at New Haven's new Omni Hotel. We could potentially visit this site.
- Yale University has invested \$10,750,000 in various initiatives for the community ranging from homeownership programs to community service for students.
- The Regional Workforce Development Board's investment, through its employment training funds, of \$2,250,000 per year and commitment to anchoring the *Partnership for Jobs* program. *Partnership for Jobs* will use an employer-driven model to develop training programs that will connect neighborhood residents to specific employment opportunities in the neighborhoods and surrounding areas